

**FOR IMMEDIATE RELEASE**

**Hitachi to Commence Tender Offer for the Shares of its Subsidiary,  
Hitachi Software Engineering**

Tokyo, July 28, 2009—Hitachi, Ltd. (NYSE: HIT / TSE: 6501 / “Hitachi”) today announced that it has decided to acquire the common stock of Hitachi Software Engineering Co., Ltd. (TSE: 9694), by way of a tender offer (the “Tender Offer”).

**1. Purpose of the Tender Offer**

**(1) Outline of the Tender Offer**

Hitachi currently holds 51.55% of Hitachi Software Engineering’s issued shares, including indirect shareholdings of 0.20%, and thus accounts for Hitachi Software Engineering as a consolidated subsidiary. Hitachi intends to acquire all the issued shares of Hitachi Software Engineering (exclusive of its treasury stock) in order to make Hitachi Software Engineering a wholly owned subsidiary through the Tender Offer. The Tender Offer does not set maximum and minimum limits to the number of shares to be purchased.

According to Hitachi Software Engineering, its Board of Directors resolved to approve the Tender Offer and to recommend that the shareholders of Hitachi Software Engineering subscribe to the Tender Offer at a meeting of its board of directors held today.

**(2) Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer**

The Hitachi Group, which consists of Hitachi, its subsidiaries and affiliated companies, conducts a wide range of business activities from the development, production and sales of offerings to the provision of relevant services in seven business segments: Information & Telecommunication Systems; Electronic Devices; Power & Industrial Systems; Digital Media & Consumer Products; High Functional Materials & Components; Logistics, Services & Others; and Financial Services.

In the information & telecommunication systems business, the Hitachi Group was quick in initiating, as part of its effort to meet changing users' needs, the development of various information and telecommunication systems that correspond to various types and lines of business (system integration). The Hitachi Group has also expanded its outsourcing business and has been a pioneer in the SaaS (Software as a Service) business, which grants customers the use of software for their needs. These initiatives have progressed well.

As for the business, in countries and regions that have already built a certain degree of social infrastructure, including power systems, transportation systems, roads and water and other public systems, information and telecommunication systems are expected to grow further as part of social infrastructures and to be increasingly fused with existing social infrastructures. Therefore, with its extensive track record in the conventional fields of both the social infrastructure business and the information & telecommunication systems business, the Hitachi Group intends to utilize that experience, expertise and technological capability to concentrate on the "social innovation business" that fuses its social infrastructure business with its information & telecommunication systems business.

Hitachi Software Engineering was established in 1970 and currently engages in software service businesses, including systems development, services and products & packages, and the information processing equipment business. The systems development business mainly handles the development of large-scale systems for major financial and public institutions—Hitachi's principle clients. The services business conducts an Internet banking service "FINEMAX," and SaaS businesses utilizing "Salesforce", a product of Salesforce.com, Inc. of the U.S. The products & packages business offers package software solutions including "HIBUN," which is used in security fields, and "KATSUBUN," which contributes to promoting the paperless office. The information processing equipment business offers electronic blackboard system "StarBoard," which enjoys a high market share at home and abroad.

However, the domestic information service market is currently at a critical turning point. In the conventional information service market, users' demand for hardware and software to establish, operate and maintain their own information and telecommunication systems led to the expansion and growth of the market. However, interest in system investments has been shifting recently from the maintenance of information systems (system integration) to the more efficient use and operation of information and telecommunication systems (e.g., outsourcing and SaaS). Consequently, it is expected that users' demand for these new services, including the

use of packaged software products and systems for shared use, will become a driving force in the market. In order to secure earnings and achieve further growth by responding to the changing market needs at this period of transition in the information service market, the Hitachi Group believes it necessary to enlarge the global business that have been led solely by Hitachi Software Engineering, as well as to further enhance the Group's advanced and large-scale system-building capability and high-quality software development abilities.

Hitachi anticipates that demand for the social innovation business, on which the Hitachi Group intends to focus its marketing efforts, will expand significantly. Hitachi sees urgent tasks in the business to be the Hitachi Group's development of products and packages commensurate with the business and the swift establishment of service business foundations for the growth of the business. Consequently, Hitachi considers it necessary that the Hitachi Group invests its management resources in the information & telecommunication systems business.

Under these circumstances, since early April 2009, Hitachi and Hitachi Software Engineering have worked together and continued to discuss and consider various measures for business structural reform with the goal of raising their respective enterprise values. As a result, Hitachi and Hitachi Software Engineering have determined that strengthening the collaboration between Hitachi Software Engineering and the Hitachi Group and promoting the integration of the information telecommunication systems businesses in the Hitachi Group could be reinforced by establishing a closer capital relationship between both corporations, and thereby:

- 1) Hitachi Software Engineering, as a core company in the Hitachi Group, will be able to reinforce its response capabilities to big accounts, expansion of businesses for leading medium-sized enterprises, and development of products & packages or service business foundation in market demands as well as high-quality basic software and embedded software;
- 2) Hitachi Software Engineering will be able to strengthen its earning power by utilizing the Hitachi Group's human resources, sales and marketing and technological capabilities;
- 3) Hitachi Software Engineering will be able to further expand its global businesses through the active utilization of the Hitachi Group's overseas sales and marketing strengths; and
- 4) The social innovation business on which the Hitachi Group focuses its efforts will create and expand new business opportunities by swiftly conducting various developments required for the business expansion.

Hitachi and Hitachi Software Engineering have reached a conclusion that these

effects will enhance the enterprise value of both companies and the Hitachi Group and to achieve the intended effects it is essential to make Hitachi Software Engineering a wholly owned subsidiary of Hitachi. Hitachi believes that making Hitachi Software Engineering a wholly owned subsidiary will enable the concentration and organic combination of the Hitachi Group's management resources, including intellectual properties, human resources and technological capabilities associated with system development, software development and system operations, thereby facilitating various developments required for the expansion of the social innovation business on which the Hitachi Group focuses its efforts.

In an attempt to establish the business structure described above, concurrently with the commencement of the Tender Offer, Hitachi has initiated tender offers for the issued shares of Hitachi Systems & Services, Ltd. and Hitachi Information Systems, Ltd., both of which will assume their respective businesses in the information & telecommunication systems business in the Hitachi Group, with the aim of making them wholly owned subsidiaries.

As a specific method to establish a new business structure, establishment of an information and telecommunication company as a virtual entity within the Hitachi Group is being considered. Five major existing companies—Hitachi (Information & Telecommunication Group), Hitachi Software Engineering, Hitachi Systems & Services, Hitachi Information Systems and Hitachi Electronics Services Co., Ltd., a wholly owned subsidiary of Hitachi—would be equal partners in this virtual company. The most appropriate strategies and business structure for the future information and telecommunication company as a whole, as well as the strategies to reinforce the social innovation business will be decided and implemented.

Under such business structure, the Hitachi Group intends to improve and expand the structure to flexibly cope with customer needs while taking into account the industry, scale and the type of business of each customer with the aim of providing valuable one-stop services throughout the whole IT life cycle to customers in the global market as follows.

- 1) Development of the data center operation business optimizing green IT technologies;
- 2) Offer of highly reliable cloud computing environment;
- 3) Expansion of global businesses utilizing collaborations with local business partners and localized operations;
- 4) Strengthen our readiness for projects of large-scale accounts, such as backbone systems for financial institutions including megabanks and optimization systems in

- the public sector;
- 5) Unify the information system businesses for the SMB (small to medium business) markets, mainly in the industrial and distribution fields;
  - 6) Expand the development system for middleware and embedded software for products; and
  - 7) Strengthen and expand the network service business and the outsourcing business.

Although the optimal solution for the basic strategies and future orientation of the information and telecommunication company after making Hitachi Software Engineering a wholly owned subsidiary will be determined in consultation with Hitachi Software Engineering, Hitachi intends to reinforce Hitachi Software Engineering's businesses, even after making it a wholly owned subsidiary, by not only respecting its self-initiatives and independence but also paying attention to the business features and the management which fully utilizes operational and structural strengths.

**(3) Measures to Ensure the Fairness of the Tender Offer including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest**

Hitachi principally took into consideration the following matters to ensure the fairness of the Tender Offer.

- 1) Acquisition of the valuation report on the equity value received from an independent third-party appraiser

In determining the purchase price for the Tender Offer (the "Tender Offer Price"), Hitachi requested that Nomura Securities Co., Ltd. ("Nomura Securities"), a financial adviser as a third-party appraiser independent from Hitachi and Hitachi Software Engineering, calculate the equity value of Hitachi Software Engineering as one of the measures to ensure the fairness of the Tender Offer Price.

To calculate the equity value of Hitachi Software Engineering, Nomura Securities used the average market share price method, the comparable company analysis method and the discounted cash flow method (the "DCF" method). Hitachi received the valuation report regarding the valuation results on the equity value of Hitachi Software Engineering (the "Valuation Report for Hitachi") today, from Nomura Securities (Hitachi did not obtain an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.)

The range of valuations per share of common stock of Hitachi Software Engineering calculated according to each method is as follows.

Average market share price method	¥1,364 to ¥1,712
Comparable company analysis method	¥1,417 to ¥1,872
DCF method	¥2,044 to ¥2,932

First, under the average market share price method, Nomura Securities judged the range per share of common stock to be ¥1,364 to ¥1,712 based on the closing price of Hitachi Software Engineering's common stock on the First Section of the Tokyo Stock Exchange on the record date of July 24, 2009, the average closing price for the most recent one week, the average closing price for the most recent one month, the average closing price for the most recent three months and the average closing price for the most recent six months.

Secondly, under the comparable company analysis method, Nomura Securities judged the range per share of common stock to be ¥1,417 to ¥1,872, evaluating Hitachi Software Engineering's equity value by comparing share prices and financial indicators such as the profitability of listed companies engaged in relatively similar businesses to those of Hitachi Software Engineering.

Finally, under the DCF method, Nomura Securities judged the range per share of common stock to be ¥2,044 to ¥2,932 after analyzing enterprise value and equity value by discounting free cash flows Hitachi Software Engineering is expected to generate in the future by a certain discount rate to arrive at a net present value. This analysis was based on Hitachi Software Engineering's estimated future profits from the fiscal year ending March 31, 2010 and later, taking into consideration Hitachi Software Engineering's business plans, an interview with management of Hitachi Software Engineering, recent business performance, public information disclosures and other contributing factors.

Hitachi took into account the valuation results received from Nomura Securities using each method in its Valuation Report for Hitachi as a reference and comprehensively considered examples of premiums added as of determining tender offer prices in past examples of tender offers for shares by entities other than issuers; whether the Board of Directors of Hitachi Software Engineering would accept the Tender Offer; the market share price trend of Hitachi Software Engineering's common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with Hitachi Software Engineering, the final Tender Offer Price was determined at ¥2,650 per share of common stock by Hitachi's President and Chief Executive Officer today.

The Tender Offer Price per share of ¥2,650 represents a premium of 54.8% (rounded to the first decimal place) on the closing price of ¥1,712 of Hitachi Software Engineering shares on the First Section of the Tokyo Stock Exchange on July 24, 2009 (\*). It also represents a premium of 56.9% (rounded to the first decimal place) on the simple average of ¥1,689 (rounded to the nearest yen) of the closing share prices of common stock of Hitachi Software Engineering for the past month (from June 25 to July 24, 2009) as well as a premium of 72.4% (rounded to the first decimal place) on the simple average of ¥1,537 (rounded to the nearest yen) of the closing share prices of common stock of Hitachi Software Engineering for the past three months (from April 27 to July 24, 2009) and a premium of 94.3% (rounded to the first decimal place) on the simple averages of ¥1,364 (rounded to the nearest yen) of the closing share prices of common stock of Hitachi Information Systems for the past six months (from January 26, 2009, to July 24, 2009).

(\*)The stock price of Hitachi Software Engineering rose following a news report regarding the business restructuring of the Hitachi Group on July 27, 2009, which is the day before the day when the aforementioned decision was made by Hitachi's President and Chief Executive Officer. Considering this rise in the stock price, the premium was calculated using the stock price on July 24, 2009, a business day before July 27, 2009. The calculations of the respective premiums on the simple average of the closing share prices of common stock for the past one month, for the past three months and for the past six months were made in the same manner.

On the other hand, according to Hitachi Software Engineering, in determining an opinion on the Tender Offer Price, Hitachi Software Engineering had Mizuho Securities Co., Ltd. calculate its equity value as a measure to ensure the fairness of the evaluation of the Tender Offer Price. Mizuho Securities is a financial advisor as a third party appraiser independent of Hitachi and Hitachi Software Engineering, and also does not hold the status as a Related Party. On this basis, Mizuho Securities calculated the equity value of Hitachi Software Engineering and Hitachi Software Engineering received a valuation report on its equity value (the "Valuation Report for Hitachi Software Engineering") as of July 27, 2009 from Mizuho Securities. Mizuho Securities used the market share price method, the comparable company analysis method and the DCF method. Valuation results on the value per share of common stock of Hitachi Software Engineering computed using each method was as follows. According to Hitachi Software Engineering, carefully inspected the Tender Offer Price based on these valuation results and judged the Tender Offer Price to be at an appropriate level and reasonable. Hitachi Software Engineering did not obtain an opinion on the fairness of the Tender Offer Price,

the so-called Fairness Opinion, from Mizuho Securities, according to Hitachi Software Engineering.

(i) market share price method: ¥1,364 to ¥1,712—¥

According to Hitachi Software Engineering, the average market price method is a method to compute the equity value of Hitachi Software Engineering based on the share prices of Hitachi Software Engineering in the stock market. The share prices are determined through the principle of market competition with many entrants, widely disclosed and objective. They are taken into account in the valuation of share prices of listed companies. For these reasons, this method was employed. With the average market price method, based on the simple average of closing prices based on July 24, 2009, the record date, of the common stock of Hitachi Software Engineering on the First Section of the Tokyo Stock Exchange for the past six months until the record date, the per share price of the shares of Hitachi Software Engineering was calculated to be ¥1,364 to ¥1,712.

(ii) Comparable Company Analysis method: ¥1,813 to ¥2,502

According to Hitachi Software Engineering, the comparable company analysis method is a method to calculate Hitachi Software Engineering's share price using multipliers of financial indicators relative to aggregate stock prices of listed companies operating in the same business as that of Hitachi Software Engineering. Taking into account the situation of major markets and business scale, Hitachi Software Engineering judged that this method would produce probable results and employed this method. Using the Comparable Company Analysis method, the per share price of the shares of Hitachi Software Engineering was calculated to be ¥1,813 to 2,502—.

(iii) DCF method: ¥2,107 to ¥3,081—

According to Hitachi Software Engineering, the DCF method is a method to calculate the value of Hitachi Software Engineering's business and share price by estimating and discounting future free cash flows that Hitachi Software Engineering will produce through business activities by a certain discount rate to give their present values. Adding value of non-operating assets to the resulting Hitachi Software Engineering's business value and deducting net liabilities, the share price is derived. Regarding this method as an effective and general financial theory, Hitachi Software Engineering employed this method. Using the DCF method, the per share price of the shares of Hitachi Software Engineering was calculated to be ¥2,107 to ¥3,081—.

According to Hitachi Software Engineering, in view of the above recognition and discussions as well as the analyses of the appropriateness of the Tender Offer Price

and other matters, Hitachi Software Engineering has concluded that the Tender Offer will contribute to reinforce Hitachi Software Engineering's operating base, accelerating business strategies and future development, and that the conditions of the Tender Offer are reasonable, providing Hitachi Software Engineering's shareholders with an opportunity to sell their shares at a reasonable price. Therefore, Hitachi Software Engineering has agreed that Hitachi would conduct the Tender Offer with the aim of making Hitachi Software Engineering its wholly owned subsidiary and further decided to recommend that Hitachi Software Engineering's shareholders subscribe to the Tender Offer.

2) Legal advice from law office

According to Hitachi Software Engineering, Hitachi Software Engineering received legal advice from its legal advisor the MIYAKEZAKA SOGO LAW OFFICES on the fairness and appropriateness of the decision-making process of the Board of Directors.

3) Approval of all the directors attending the Board of Directors' meeting

Furthermore, according to Hitachi Software Engineering, Hitachi Software Engineering carefully discussed on the Tender Offer at a meeting of its Board of Directors of held today, which was attended by all Directors who have no vested interest with Hitachi, and resolved to approve the Tender Offer by unanimous approval of the attending Directors and to recommend that Hitachi Software Engineering's shareholders subscribe to the Tender Offer. Among Hitachi Software Engineering's Directors, Kotaro Muneoka and Koichiro Nishikawa, who concurrently serve as an advisor or executive officer of Hitachi, respectively, did not participate in the discussion or the decisions with regard to the Tender Offer to avoid any conflict of interest and refrained from expressing their opinions at the meeting. In addition, neither has participated in the consultations and negotiations with Hitachi from the standpoint of being director of Hitachi Software Engineering.

4) Setting the Tender Offer Period at a relatively long period

By setting the Tender Offer Period at 33 business days, which is a relatively long period, Hitachi provides the shareholders of Hitachi Software Engineering with the opportunity to fully reflect on the application for the Tender Offer and ensures the fairness of the Tender Offer Price.

**(4) Policy on Matters including Organizational Restructuring after the Tender Offer (Matters concerning the so-called Two-Step Acquisition)**

As described in "(1) Outline of the Tender Offer" above, Hitachi aims to make Hitachi

Software Engineering a wholly owned subsidiary and intends to acquire all the issued shares of Hitachi Software Engineering (exclusive of its treasury stock) through the Tender Offer and a series of subsequent procedures.

If Hitachi cannot acquire all the issued shares of Hitachi Software Engineering (exclusive of its treasury stock) through the Tender Offer, Hitachi intends to acquire all the issued shares of Hitachi Software Engineering (exclusive of its treasury stock) by providing all the shareholders of Hitachi Software Engineering other than Hitachi with the opportunity of selling Hitachi Software Engineering shares held thereby by the following measures.

Specifically, after the Tender Offer comes into effect, Hitachi intends to request that Hitachi Software Engineering hold an extraordinary general meeting of shareholders (the “Extraordinary Shareholders’ Meeting”), which would include in the agenda Items 1) through 3) as follows: 1) The Articles of Incorporation of Hitachi Software Engineering shall be partly amended to make Hitachi Software Engineering a corporation issuing class shares (*shurui kabushiki hakkou kaisha*) under the Companies Act; 2) The Articles of Incorporation of Hitachi Software Engineering shall be partly amended to the effect that all issued shares of common stock of Hitachi Software Engineering shall be appended with a call provision (*zenbu-shutoku-joko*) (a provision regarding the redeemable right of Hitachi Software Engineering for all the shares as stipulated in Article 108, Paragraph 1, Item 7 of the Companies Act; hereinafter the same shall apply); and 3) a different class of Hitachi Software Engineering shares shall be issued in exchange for acquiring all the stocks with the call provision of Hitachi Software Engineering (exclusive of its treasury stock).

Furthermore, as Hitachi Software Engineering will become a corporation issuing class shares under the Companies Act on the condition that agenda Item 1) above is approved by the Extraordinary Shareholders’ Meeting, with respect to agenda Item 2), pursuant to Article 111, Paragraph 2, Item 1 of the Companies Act, it will be necessary, in addition to the resolution adopted by the Extraordinary Shareholders’ Meeting, to have a resolution at a meeting of shareholders with class shares (the “Class Shareholders’ Meeting”), at which the participants will be shareholders who hold all the stocks with the call provision of Hitachi Software Engineering. For this purpose, Hitachi will also request that Hitachi Software Engineering hold the Class Shareholders’ Meeting to include agenda Item 2) above for partial amendment to the Articles of Incorporation. Meanwhile, Hitachi will vote for the respective agenda items above at the Extraordinary Shareholders’ Meeting and the Class Shareholders’ Meeting.

If all of the above procedures are completed, all shares issued by Hitachi Software Engineering will be subject to the call provision and shall be acquired by Hitachi

Software Engineering (exclusive of its treasury stock) and a different class of Hitachi Software Engineering shares shall be delivered to such shareholders of Hitachi Software Engineering as consideration for such acquisition by Hitachi Software Engineering. Shareholders who are to receive fractions of the different class of Hitachi Software Engineering shares will receive cash as consideration, which will be obtained through a sale of the different class of Hitachi Software Engineering shares that correspond to the sum of all such fractions (including the purchase of a whole or a part of the sum of such fractions by Hitachi Software Engineering) (fractions of the aggregate number to be rounded down) through the procedures pursuant to Article 234 of the Companies Act and other applicable laws and regulations. The selling price of the different class of Hitachi Software Engineering shares corresponding to the sum of all such fractions (and the cash amount to be delivered to each of the relevant shareholders, resulting from the sale of the aggregate number of fractions) is expected to be calculated on the basis of the Tender Offer Price. Although the class and number of shares of Hitachi Software Engineering to be delivered as consideration for the acquisition of the stocks with the call provision of Hitachi Software Engineering have not been determined as of the date hereof, Hitachi intends to request Hitachi Software Engineering to determine that the shares that must be delivered to shareholders who have not tendered the Tender Offer other than Hitachi shall be limited to such fractions of the different class of Hitachi Software Engineering for the purpose of enabling Hitachi to acquire all the issued shares of Hitachi Software Engineering (exclusive of its treasury stock).

As provisions to protect the rights of minority shareholders in connection with the above respective procedures, the Companies Act provides that (i) in the event that the Articles of Incorporation are partly amended to the effect that all the common stock issued by Hitachi Software Engineering shall be subject to the call provision as stated in agenda Item 2) above, any shareholder may request that Hitachi Software Engineering purchase his/her shares in accordance with Articles 116 and 117 of the Companies Act and other applicable laws and regulations, and that (ii) in the case where acquisition of all the stock with the call provision, as described in agenda Item 3) above, has been resolved by the General Meeting of Shareholders, any shareholder may file a petition for determination of a fair price for the acquisition in accordance with Article 172 of the Companies Act and other applicable laws and regulations. In addition, the purchase price and the acquisition price per share under (i) and (ii) above would be determined in the last instance by a competent court.

With regard to the above procedures, there is a possibility that Hitachi may request Hitachi Software Engineering to conduct another method that would have similar effects depending on such factors as Hitachi's holding status of Hitachi Software

Engineering shares after the Tender Offer, the holding status of Hitachi Software Engineering shares by shareholders other than Hitachi, or the interpretation of the competent authorities on the applicable laws and regulations or the like and such steps might require some time to be successfully completed. Even in such a case, however, Hitachi intends to make Hitachi Software Engineering a wholly owned subsidiary by adopting the method of finally delivering cash to shareholders of Hitachi Software Engineering other than Hitachi. In such cases, the resulting cash amount to be delivered to the relevant shareholders is also expected to be calculated on the basis of the Tender Offer Price.

The Tender Offer is not intended to solicit shareholders of Hitachi Software Engineering to vote in favor of the proposals to be put to the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting.

**(5) Likelihood of the Delisting of the Shares and the Reasons thereof**

As of the date hereof, the common stock of Hitachi Software Engineering is listed on the First Section of the Tokyo Stock Exchange. As Hitachi has not set the maximum limit to the number of shares to be purchased through the Tender Offer, Hitachi Software Engineering shares may be subject to delisting upon the fulfillment of certain predetermined procedures if the result of the Tender Offer falls under the delisting standards of the Tokyo Stock Exchange. In addition, even if the delisting standards are not met upon completion of the Tender Offer, the shares of Hitachi Software Engineering will be delisted in accordance with the delisting standards because Hitachi intends to hold all the issued shares of Hitachi Software Engineering (exclusive of its treasury stock) in accordance with the procedures set forth in Item (4) Policy on Matters including Organizational Restructuring after the Tender Offer (Matters concerning the so-called Two-Step Acquisition). Trading of common stock of Hitachi Software Engineering will become unavailable on the Tokyo Stock Exchange after the delisting.

**(6) Matters concerning Material Agreement regarding the Application to the Tender Offer between the Tender Offeror and Shareholders of the Target Company**

Not applicable

## 2. Outline of the Tender Offer and Other Information

### (1) Outline of the Target Company

Corporate Name	Hitachi Software Engineering Co., Ltd.	
Description of Businesses	<ul style="list-style-type: none"> <li>• Development and sales of computer software</li> <li>• Sales of information processing equipment</li> </ul>	
Date Established	September 21, 1970	
Head Office	12-7, Higashishinagawa 4-chome, Shinagawa-ku, Tokyo, Japan	
Name and Title of Representative	Isao Ono, President, Chief Executive Officer	
Paid-in Capital	¥34,182 million (As of March 31, 2009)	
Major Shareholders and Shareholdings	Hitachi, Ltd.	51.34%
	Japan Trustee Services Bank, Ltd. (Trust Account)	3.62%
	Japan Trustee Services Bank, Ltd. (Trust Account 4G)	3.28%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	2.81%
	Hitachi Software Engineering Group Employees' Shareholding Association	2.03%
	TAM TWO (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	1.40%
	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1.12%
	State Street Bank and Trust Company 505227 (Standing proxy: Mizuho Corporate Bank, Ltd., Kabuto-cho Securities Settlement Operation Center)	0.83%
	Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd., Kabuto-cho Securities Settlement Operation Center)	0.75%
	State Street Bank and Trust Company 505019 (Standing proxy: Mizuho Corporate Bank, Ltd., Kabuto-cho Securities Settlement Operation Center)	0.72%
	(As of March 31, 2009)	
Relationships between the Tender Offeror and the Target Company	Capital Relationships	Hitachi holds 33,238,836 shares of Hitachi Software Engineering, equivalent to a shareholding of 51.55% of the total number of issued shares, including indirect holdings of 0.20%. (As of March 31, 2009)
	Personnel Relationships	One Hitachi executive officer and one advisor sit on Hitachi Software Engineering's Board of Directors.
	Transaction Relationships	Hitachi conducts sales of electronic computers for sale, etc., to Hitachi Software Engineering and purchases software and information processing equipment from them also. Hitachi receives funds from Hitachi Software Engineering under the Hitachi Group's cash pooling system.

	Status as a Related Party	Hitachi Software Engineering is a consolidated subsidiary of Hitachi, and therefore a Related Party of Hitachi.
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**(2) Tender Offer Period**

**1) Initial Period of the Tender Offer in the Registration**

From Thursday, August 20, 2009 to Thursday, October 8, 2009 (both inclusive) (33 business days)

**2) Possibility of Extending the Above Period upon Request of the Target Company**

None

**(3) Tender Offer Price: ¥2,650 per share of common stock**

**(4) Basis of Calculation of the Tender Offer Price**

**1) Basis of Calculation**

For reference in determining the Tender Offer Price, Hitachi requested that Nomura Securities, a financial adviser as a third-party appraiser independent from Hitachi and Hitachi Software Engineering, calculate the equity value of Hitachi Software Engineering. To calculate the equity value of Hitachi Software Engineering, Nomura Securities used the average market share price method, the comparable company analysis method and the DCF method. Hitachi received the Valuation Report for Hitachi today from Nomura Securities (Hitachi did not obtain an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.) The range of valuations per share of common stock of Hitachi Software Engineering calculated according to each method is as follows.

Average market share price method      ¥1,364 to ¥1,712

Comparable company analysis method      ¥1,417 to ¥1,872

DCF method      ¥2,044 to ¥2,932

First, under the average market share price method, Nomura Securities judged the range per share of common stock to be ¥1,364 to ¥1,712 based on the closing price of Hitachi Software Engineering's common stock on the First Section of the Tokyo Stock Exchange on the record date of July 24, 2009, the average closing price for the most recent one week, the average closing price for the most recent one month, the average

closing price for the most recent three months and the average closing price for the most recent six months.

Secondly, under the comparable company analysis method, Nomura Securities judged the range per share of common stock to be ¥1,417 to ¥1,872, evaluating Hitachi Software Engineering's equity value by comparing share prices and financial indicators such as the profitability of listed companies engaged in relatively similar businesses to those of Hitachi Software Engineering.

Finally, under the DCF method, Nomura Securities judged the range per share of common stock to be ¥2,044 to ¥2,932 after analyzing enterprise value and equity value by discounting free cash flows Hitachi Software Engineering is expected to generate in the future by a certain discount rate to arrive at a net present value. This analysis was based on Hitachi Software Engineering's estimated future profits from the fiscal year ending March 31, 2010 and later, taking into consideration Hitachi Software Engineering's business plans, an interview to the management of Hitachi Software Engineering, recent business performance, public information disclosures and other contributing factors.

Hitachi took into account the valuation results received from Nomura Securities using each method in the Valuation Report for Hitachi as a reference and comprehensively considered examples of premiums added as of determining tender offer prices in past examples of tender offers for shares by entities other than issuers; whether the Board of Directors of Hitachi Software Engineering would accept the Tender Offer; the market share price trend of Hitachi Software Engineering's common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with Hitachi Software Engineering, the final Tender Offer Price was determined at ¥2,650 per share of common stock by Hitachi's President and Chief Executive Officer on July 28, 2009.

The Tender Offer Price per share of ¥2,650 represents a premium of 54.8% (rounded to the first decimal place) on the closing price of ¥1,712 of common stock of Hitachi Software Engineering on the First Section of the Tokyo Stock Exchange on July 24, 2009 (\*). It also represents a premium of 56.9% (rounded to the first decimal place) on the simple average of ¥1,689 (rounded to the nearest yen) of the closing share prices of common stock of Hitachi Software Engineering for the past month (from June 25 to July 24, 2009), a premium of 72.4% (rounded to the first decimal place) on the simple average of ¥1,537 (rounded to the nearest yen) of the closing share prices of common stock of Hitachi Software Engineering for the past three months (from April 27 to July 24, 2009) and a premium of 94.3% (rounded to the first decimal place) on the simple average of ¥1,364 (rounded to the nearest yen) of the closing share prices of common

stock of Hitachi Software Engineering for the past six months (from January 26 to July 24, 2009).

(\*)The stock price of Hitachi Software Engineering rose following a news report regarding the business restructuring of the Hitachi Group on July 27, 2009, which is the day before the day when the aforementioned decision was made by Hitachi's President and Chief Executive Officer. Considering this rise in the stock price, the premium was calculated using the stock price on July 24, 2009, a business day before July 27, 2009. The calculations of the respective premiums on the simple average of the closing share prices of common stock for the past one month, for the past three months and for the past six months were made in the same manner.

## **2) Background of the Valuation**

### **(Background to the decision regarding the Tender Offer Price)**

Hitachi Software Engineering, a consolidated subsidiary of Hitachi, currently engages in software service businesses, including systems development, services and package products, and information processing equipment business. The Hitachi Group, including Hitachi, has launched measures earlier than its competitors to address changing user needs in its information & telecommunication systems business, with a certain level of successful results.

The Hitachi Group intends to utilize its experience, expertise and technological capability to concentrate on the "social innovation business" that fuses the social infrastructure business with the information & telecommunication systems business in countries and regions that have already built a certain degree of social infrastructure which includes power systems, transportation systems, roads and water and other public systems.

However, the domestic information service market is currently at a critical turning point.

Reflecting a change in the type of interests in system investments, users' demand for hardware and software is being replaced by that for information system services, including the use of packaged software products and systems for shared use, which is expected to be a driving force in the market. At this turning point, Hitachi believe it essential that the Hitachi Group quickly make large-scale investments in R&D in advanced technologies and infrastructure such as data center networks and put in place foundations that will allow Hitachi to further enhance the global business so that the Hitachi Group can appropriately cope with market changes and further expand businesses in the information service market.

Hitachi anticipates that demand for the social innovation business, on which the Hitachi Group intends to focus its marketing efforts, will expand significantly. Hitachi

sees urgent tasks in the business to be the Hitachi Group's development of products and packages commensurate with the business and the swift establishment of service business foundations for the growth of the business. Consequently, Hitachi considers it necessary that the Hitachi Group invests its management resources in the information & telecommunication systems business.

Under these circumstances, since early April 2009, Hitachi and Hitachi Software Engineering have worked together and continued to discuss and consider various measures for business structural reform with a goal of raising their respective enterprise values. As a result, Hitachi and Hitachi Software Engineering have determined that strengthening the collaboration between Hitachi Software Engineering and the Hitachi Group and promoting the integration of the information telecommunication systems businesses in the Hitachi Group could be reinforced by establishing a closer capital relationship between both corporations, and thereby:

- 1) Hitachi Software Engineering, as a core company in the Hitachi Group, will be able to reinforce its response capabilities to big accounts, expand businesses for leading medium-sized enterprises, and enhance the development of products & packages of market needs, and strengthen its abilities to develop business foundations for products & packages and the development of high-quality basic software and embedded software;
- 2) Hitachi Software Engineering will be able to strengthen its earning power by utilizing the Hitachi Group's human resources, sales and marketing and technological capabilities;
- 3) Hitachi Software Engineering will be able to further expand its global businesses through the active utilization of the Hitachi Group's overseas sales and marketing strengths; and
- 4) The social innovation business on which the Hitachi Group focus its efforts will create and expand new business opportunities by swiftly conducting various developments required for the business expansion .

Hitachi and Hitachi Software Engineering have reached a conclusion that these effects will enhance the enterprise value of both companies, and to achieve the intended effects it is essential to make Hitachi Software Engineering a wholly owned subsidiary of Hitachi. Therefore, it was decided that Hitachi would conduct the Tender Offer, and the Tender Offer Price was determined in the following manner.

(i) Name of the Third Party from Which Hitachi Obtained Valuations

In determining the Tender Offer Price, Hitachi around May 2009 requested that Nomura Securities, a financial adviser as a third-party appraiser independent from

Hitachi and Hitachi Software Engineering, calculate the equity value of Hitachi Software Engineering. Hitachi received the Valuation Report for Hitachi on the equity value of Hitachi Software Engineering on July 28, 2009, from Nomura Securities. (Hitachi did not obtain an opinion on the fairness of its valuations of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.)

(ii) Outline of the Valuation Report for Hitachi

To calculate the equity value of Hitachi Software Engineering, Nomura Securities used the average market share price method, the comparable company analysis method and the DCF method. The range of valuations per share of common stock of Hitachi Software Engineering calculated according to each method is as follows.

Average market share price method      ¥1,364 to ¥1,712

Comparable company analysis method    ¥1,417 to ¥1,872

DCF method                                      ¥2,044 to ¥2,932

(iii) Process for Determining the Tender Offer Price Based on the Valuation Report for Hitachi

Hitachi took into account the valuation results using each method in the Valuation Report for Hitachi received from Nomura Securities as reference and comprehensively considered examples of premiums added as of determining tender offer prices in past examples of tender offers for shares by entities other than issuers; whether the Board of Directors of Hitachi Software Engineering would accept the Tender Offer; the market share price trend of Hitachi Software Engineering's common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with Hitachi Software Engineering, the final Tender Offer Price was determined at ¥2,650 per share of common stock by Hitachi's President and Chief Executive Officer today.

**(Measures to Ensure the Fairness of the Tender Offer including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)**

Hitachi principally took into consideration the following matters to ensure the fairness of the Tender Offer.

(i) Acquisition of the valuation report on the equity value from the Independent Third-Party Appraiser

In determining the Tender Offer Price, Hitachi requested that Nomura Securities, a financial adviser and third-party appraiser independent from Hitachi and Hitachi Software Engineering, calculate the equity value of Hitachi Software Engineering shares as one of the measures to ensure the fairness of the Tender Offer Price.

To calculate the equity value of Hitachi Software Engineering shares, Nomura Securities used the average market share price method, the comparable company analysis method and the DCF method. Hitachi received the Valuation Report for Hitachi from Nomura Securities today. (Hitachi did not obtain an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.)

Hitachi took into account the valuation results using each method in the Valuation Report for Hitachi received from Nomura Securities as a reference and comprehensively considered examples of premiums added as of determining tender offer prices in past examples of tender offers for shares by entities other than issuers; whether the Board of Directors of Hitachi Software Engineering would accept the Tender Offer; the market share price trend of Hitachi Software Engineering's common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with Hitachi Software Engineering, the final Tender Offer Price was determined at ¥2,650 per share of common stock by Hitachi's President and Chief Executive Officer today.

On the other hand, according to Hitachi Software Engineering, in determining an opinion on the Tender Offer Price, Hitachi Software Engineering had Mizuho Securities Co., Ltd. ("Mizuho Securities") calculate its equity value as a measure to ensure the fairness of the evaluation of the Tender Offer Price. Mizuho Securities is a financial adviser as a third-party appraiser independent of Hitachi and Hitachi Software Engineering, and also does not hold the status as a Related Party. On this basis, Mizuho Securities calculated the equity value of Hitachi Software Engineering and Hitachi Software Engineering received the Valuation Report for Hitachi Software Engineering as of July 27, 2009 from Mizuho Securities. Mizuho Securities used the market share price method, the comparable company analysis method and the DCF method. Per-equity value of common stock of Hitachi Software Engineering computed using each method was as follows. Hitachi Software Engineering did not obtain an opinion on the fairness of the Tender Offer Price, the so-called Fairness Opinion, from Mizuho Securities, according to Hitachi Software Engineering.

(i) Average Market Price method: ¥1364 to ¥1,712

According to Hitachi Software Engineering, the Average Market Price method is a method to compute the equity value of Hitachi Software Engineering based on the share prices of Hitachi Software Engineering in the stock market. The share prices are determined through the principle of market competition with many entrants, widely disclosed and objective. They are certainly taken into account in valuation of share prices of listed companies. For these reasons, this method was employed. With the Average Market Price method, based on the closing price of the common stock of Hitachi Software Engineering on the First Section of the Tokyo Stock Exchange on the record date of July 24, 2009 and the simple average of closing prices for the past six months until the record date, the per share price of the shares of Hitachi Software Engineering was calculated to be ¥1,364 to ¥1,712.

(ii) Comparable Company Analysis method: ¥1,813 to ¥2,502

According to Hitachi Software Engineering, the Comparable Company Analysis method is a method to calculate Hitachi Software Engineering's share price using multipliers of financial indicators relative to aggregate stock prices of listed companies operating in the same business as that of Hitachi Software Engineering. Taking into account the situation of major markets and business scale, Hitachi Software Engineering judged that this method would produce probable results and employed this method. Using the Comparable Company Analysis method, the per share price of the shares of Hitachi Software Engineering was calculated to be ¥1,813 to 2,502.

(iii) DCF method: ¥2,107 to 3,081

According to Hitachi Software Engineering, the DCF method is a method to calculate the value of Hitachi Software Engineering's business and share price by estimating and discounting future free cash flows that Hitachi Software Engineering will produce through business activities by a certain discount rate to give their present values. Adding value of non-operating assets to the resulting Hitachi Software Engineering's business value and deducting net liabilities, the share price is derived. Regarding this method as an effective and general financial theory, Hitachi Software Engineering employed this method. Using the DCF method, the per share price of the shares of Hitachi Software Engineering was calculated to be ¥2,107 to 3,081.

According to Hitachi Software Engineering, in view of the above recognition and discussions as well as the analyses of the appropriateness of the Tender Offer Price and other matters, Hitachi Software Engineering has concluded that the Tender Offer will contribute to reinforcement of Hitachi Software Engineering's operating

base, accelerating business strategies and future development, and that the conditions of the Tender Offer are reasonable, providing Hitachi Software Engineering's shareholders with an opportunity to sell their shares at a reasonable price. Therefore, Hitachi Software Engineering has agreed that Hitachi would execute the Tender Offer with the aim of making Hitachi Software Engineering its wholly owned subsidiary and further decided to recommend that Hitachi Software Engineering's shareholders subscribe to the Tender Offer.

(ii) Legal advice from law office

According to Hitachi Software Engineering, Hitachi Software Engineering received legal advice from its legal advisor the MIYAKEZAKA SOGO LAW OFFICES on the fairness and appropriateness of the decision-making process of the Board of Directors.

(iii) Approval of all the directors attending the Board of Directors' meeting

Furthermore, according to Hitachi Software Engineering, Hitachi Software Engineering carefully discussed on the Tender Offer at a meeting of its Board of Directors of held today, which was attended by all Directors who have no vested interest with Hitachi, and resolved to approve the Tender Offer by unanimous approval of the attending Directors and to recommend that Hitachi Software Engineering's shareholders subscribe to the Tender Offer. Among Hitachi Software Engineering's Directors, Kotaro Muneoka and Koichiro Nishikawa, who concurrently serve as advisor or executive officer of Hitachi, respectively, did not participate in the discussion or the decisions with regard to the Tender Offer to avoid any conflict of interest and refrained from expressing their opinions at the meeting. In addition, neither has participated in the consultations and negotiations with the Hitachi form the standpoint of being director of Hitachi Software Engineering.

(iv) Setting the Tender Offer Period at a relatively long period

By setting the Tender Offer Period at 33 business days, which is a relatively long period, Hitachi provides the shareholders of Hitachi Software Engineering with the opportunity to fully reflect on the application for the Tender Offer and ensures the fairness of the Tender Offer Price.

**(5) Number of Shares to Be Purchased**

Number of Shares to Be Purchased	Minimum Number of Shares to Be Purchased	Maximum Number of Shares to Be Purchased
29,685,236 shares	— shares	— shares

Notes:

1. As the maximum and minimum limits to the number of shares to be purchased through the Tender Offer are not set, all of the tendered shares will be purchased.
2. Less-than-one-unit shares (*tangen-miman-kabushiki*) are also eligible for the Tender Offer. In addition, Hitachi Software Engineering may purchase its own shares during the Tender Offer Period, pursuant to applicable laws and regulations, if shareholders owning less-than-one-unit shares exercise their right to request purchase of their shares in accordance with the relevant provisions of the Companies Act.
3. Hitachi does not intend to acquire treasury stock held by Hitachi Software Engineering through the Tender Offer.
4. The maximum number of shares of Hitachi Software Engineering to be acquired by Hitachi through the Tender Offer is stated in the “Number of Shares to Be Purchased.” This number indicates Hitachi Software Engineering shares (29,685,236 shares) (the “Maximum Number of Shares to Be Purchased”) that are to be obtained by deducting the total of the number of shares held by Hitachi as of the date hereof (33,107,000 shares) and the number of shares of treasury stock held by Hitachi Software Engineering as of March 31, 2009 (1,687,145 shares), from the total number of issued shares of Hitachi Software Engineering as of March 31, 2009 (64,479,381 shares), which are stated in the securities report of the 39th term filed by Hitachi Software Engineering on June 26, 2009.

**(6) Changes in the Shareholdings due to the Tender Offer**

Number of voting rights represented by shares held by the Tender Offeror immediately before the Tender Offer	331,070 units	(Shareholdings immediately before the Tender Offer: 52.72%)
Number of voting rights represented by shares held by Special Related Parties immediately before the Tender Offer	— units	(Shareholdings immediately before the Tender Offer: — %)
Number of voting rights represented by shares to be purchased by the Tender Offer	296,852 units	(Shareholdings after the Tender Offer: 100.00%)
Total number of voting rights held by all the shareholders in the Target Company	627,412 units	

Notes:

1. The "Shareholdings immediately before the Tender Offer" was calculated using the "Total number of voting rights held by all the shareholders in the Target Company" as the denominator.
2. The “Number of voting rights represented by shares held by Special Related Parties immediately before the Tender Offer” represents the total of voting rights relating to shares held by respective Special Related Parties as identified by Hitachi as of the date hereof. Provided, however, that such Special Related Parties shall exclude those to be excluded from the category of Special Related Parties (the “Small-Scale Owners”) in accordance with Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance regarding Disclosure of Tender Offers for Shares, etc., by Entities Other than Issuers (Ministry of Finance Ordinance No. 38 of 1990; including amendment thereof; the “Ordinance”) in calculating the shareholdings, as set forth in the respective items of Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Law (Law No. 25 of 1948; including amendment thereof; the “Law”).
3. The “Number of voting rights represented by shares to be purchased by the Tender Offer” indicates the number of voting rights relating to the number of shares to be purchased in the Tender Offer (29,685,236 shares).
4. Because the shares held by respective Special Related Parties (exclusive of its treasury stock held by Hitachi Software Engineering being a Special Related Party) are also subject to the

Tender Offer, the “Number of voting rights represented by shares held by Special Related Parties immediately before the Tender Offer” is not included in the numerator in the calculation of “Shareholdings after the Tender Offer.”

5. The “Total number of voting rights held by all the shareholders in the Target Company” (100 shares represent the number of shares per unit (*tangen*)) indicates the number of voting rights of all the shareholders of Hitachi Software Engineering as of March 31, 2009, which is stated in the securities report of the 39th term filed by Hitachi Software Engineering on June 26, 2009. Because all the shares issued by Hitachi Software Engineering (exclusive of treasury stock held by Hitachi Software Engineering) are subject to the Tender Offer, the “Shareholdings after the Tender Offer” were calculated using the number of voting rights (627,922 units) relating to the number of shares of Hitachi Software Engineering (62,792,236 shares)—which corresponds to the number derived by deducting the number of its treasury stock as of March 31, 2009 (1,687,145 shares) from the total number of issued shares of Hitachi Software Engineering as of March 31, 2009 (64,479,381 shares) stated in said securities report—as the denominator.
6. The figures in the “Shareholdings immediately before the Tender Offer” and the “Shareholdings after the Tender Offer” were rounded to two decimal places.

**(7) Tender Offer Cost: ¥78,666 million**

Note: The Tender Offer Cost is calculated by multiplying 29,685,236 shares (Number of Shares to Be Purchased) by the Tender Offer Price for each share of ¥2,650.

**(8) Method of Settlement**

**1) Name and Location of Head Office of Securities Companies/Banks, etc., in Charge of Settlement**

Nomura Securities Co., Ltd.  
9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo

JOINVEST Securities Co., Ltd. (Sub-Agent)  
15-1, Konan 2-chome, Minato-ku, Tokyo

**2) Commencement Date of Settlement**

Friday, October 16, 2009

**3) Method of Settlement**

With respect to tendering shareholders through the Tender Offer Agent, upon expiration of the Tender Offer Period, Hitachi will, without delay, send notice of the Tender Offer purchases to the addresses of tendering shareholders (in the case of a foreign resident who does not hold a working account with the Tender Offer Agent including the case of an institutional shareholder, to its standing proxy). With respect to tendering shareholders through JOINVEST Securities Co., Ltd., the Sub-Agent, the notice will be delivered in accordance with the method described on the Sub-Agent’s website (<https://www.joinvest.jp/>).

Purchases will be made in cash. Payment for purchased shares will be made by means of remittance, etc., in accordance with the instructions of tendering shareholders. (Fees may be incurred for remitting payment.)

#### **4) Method of Returning Shares**

In the event that Hitachi does not purchase all of the tendered shares in accordance with the conditions mentioned in “2) Conditions of Withdrawal of Tender Offer, Details thereof and Method of Disclosing the Withdrawal” of “(9) Other Conditions and Methods of the Tender Offer” below, Hitachi will return shares by recovering the record to the status immediately before the shares were tendered, soon after the commencement date of settlement (if the Tender Offer is withdrawn, the date of withdrawal). (If shares are to be transferred to an account of a tendering shareholder at another securities company, etc., please provide instructions to that effect.)

#### **(9) Other Conditions and Methods of the Tender Offer**

##### **1) Conditions and Details in Each Item of Article 27-13, Paragraph 4 of the Law**

As the maximum and minimum limits to the number of shares to be purchased through the Tender Offer are not set, Hitachi will purchase all of the tendered shares.

##### **2) Conditions of Withdrawal of the Tender Offer, Details thereof and Method of Disclosing the Withdrawal**

Upon the occurrence of any event falling under the provisions of Article 14, Paragraph 1, Items 1.1 or 1.9 and 1.12 or 1.18, Item 2, Items 3.1 or 3.8, Item 4, Item 5 and Article 14, Paragraph 2, Items 3 or 6 of the Enforcement Regulations of the Financial Instruments and Exchange Law (Regulation No. 321 of 1965; including amendment thereof; the “Enforcement Regulations”), Hitachi may withdraw the Tender Offer. If Hitachi decides to withdraw the Tender Offer, Hitachi will make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun*. Provided, however, that if it is difficult to make such a public notice by the end of the Tender Offer Period, Hitachi will make an announcement as provided for in Article 20 of the Ordinance and thereafter give notice without delay.

##### **3) Conditions for Reducing the Tender Offer Price, Details thereof and Method of Disclosing the Reduction**

If Hitachi Software Engineering takes any actions provided for in Article 13, Paragraph 1 of the Enforcement Regulations during the Tender Offer Period in accordance with the provisions of Article 27-6, Paragraph 1, Item 1 of the Law, the Tender Offer Price

may be reduced in accordance with the provisions of Article 19, Paragraph 1 of the Ordinance. If Hitachi decides to reduce the Tender Offer Price, Hitachi will make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun*. Provided, however, that if it is difficult to make such a public notice by the end of the Tender Offer Period, Hitachi will make an announcement as provided for in Article 20 of the Ordinance and thereafter give notice without delay. If the Tender Offer Price is reduced, the shares tendered before the public notice, will also be purchased at the reduced Tender Offer Price.

#### **4) Matters concerning Tendering Shareholders' Rights to Cancel Agreements**

Any tendering shareholder may cancel agreements relating to the Tender Offer at any time during the Tender Offer Period. If tendering shareholders who tendered for shares through the Tender Offer Agent intend to cancel agreements relating to the Tender Offer, they should deliver or send a Cancellation Statement for Tender Offer Agreement (the "Cancellation Statement") along with the tender offer application acceptance receipt to the head office or nationwide branch offices of the Tender Offer Agent who accepted the application, by 3:30 p.m. on the last day of the Tender Offer Period. Provided, however, that cancellations sent by tendering shareholders, must reach the said offices by no later than 3:30 p.m. on the last day of the Tender Offer Period. If tendering shareholders who tendered for share through JOINVEST Securities Co., Ltd., the Sub-Agent, intend to cancel agreements relating the Tender Offer, they must complete the cancellation procedures by 3:30 p.m. on the last day of the Tender Offer Period in accordance with the instructions on the Sub-Agent's website (<https://www.joinvest.jp/>).

The agents with the authority to receive a Cancellation Statement:

Nomura Securities Co., Ltd.

9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo

(other nationwide branch offices in Japan)

JOINVEST Securities Co., Ltd. (Sub-Agent)

15-1, Konan 2-chome, Minato-ku, Tokyo

Hitachi will not make any claim for damages or the payment of penalties to a tendering shareholder if a tendering shareholder cancels an agreement. In addition, Hitachi will bear the costs of returning tendered shares.

**5) Method of Disclosure if Conditions, etc., of the Tender Offer are Changed**

If Hitachi decides to change the Tender Offer conditions, etc., the Hitachi will make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun* detailing the changes. Provided, however, that it is difficult to make such a public notice by the end of the Tender Offer Period, Hitachi will make an announcement as provided for in Article 20 of the Ordinance and thereafter give notice without delay. If Tender Offer conditions, etc., are changed, shares tendered before the public notice will also be purchased under the amended conditions.

**6) Method of Disclosure When Submitting an Amendment Statement**

If an Amendment Statement is filed with the Director of the Kanto Local Finance Bureau in Japan, Hitachi will immediately announce details from the Amendment Statement that relate to the contents of the public notice of the commencement of the Tender Offer, in accordance with the manner prescribed by Article 20 of the Ordinance. Hitachi will also immediately change the Tender Offer Explanatory Statement and deliver the amended document to tendering shareholders who have already received the Tender Offer Explanatory Statement. However, if the changes are only minor in nature, Hitachi will prepare a document stating the reasons for such amendments, the items that have been amended and the details, and deliver said document to tendering shareholders.

**7) Method of Disclosing Tender Offer Results**

Hitachi will publicly announce the results of the Tender Offer the day after the last day of the Tender Offer Period, in accordance with the provisions of Article 9-4 of the Enforcement Regulations and of Article 30-2 of the Ordinance.

**(10) Date of Public Notice of Commencement of the Tender Offer**

Thursday, August 20, 2009

**(11) Tender Offer Agent**

Nomura Securities Co., Ltd.  
9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo

To delegate a part of its duties, the Tender Offer Agent has appointed the following company as a Sub-Agent:

JOINVEST Securities Co., Ltd. (Sub-Agent)  
15-1, Konan 2-chome, Minato-ku, Tokyo

### **3. Management Policy and Outlook after the Tender Offer**

#### **(1) Management Policy after the Tender Offer**

Refer to “1. Purpose of the Tender Offer” with regard to the management policy after the Tender Offer.

#### **(2) Outlook for Future Business Performance after the Tender Offer**

The expected impact of the Tender Offer on the Hitachi Group’s business results will be announced as soon as it is determined.

### **4. Other Information**

#### **(1) Agreement between the Tender Offeror and the Target Company and/or Its Directors**

According to Hitachi Software Engineering, Hitachi Software Engineering resolved to approve the Tender Offer and to recommend that Hitachi Software Engineering’s shareholders subscribe to the Tender Offer by unanimous approval at a meeting of its Board of Directors held on July 28, 2009 where all of the Directors of Hitachi Software Engineering except Kotaro Muneoka and Koichiro Nishikawa, who concurrently serve as advisor or executive officer of Hitachi, respectively, participated in the discussions and the resolution.

Refer to “(2) Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” and “(3) Measures to Ensure the Fairness of the Tender Offer including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” of “1. Purpose of the Tender Offer” with regard to the “Decision-Making Process of the Tender Offer” and “Details of Measures to Avoid Conflicts of Interest.”

#### **(2) Other Information Considered Necessary for Helping Investors Decide Whether to Subscribe to the Tender Offer**

Hitachi Software Engineering publicly announced its closing of accounts information for the first quarter of the 40th fiscal term on July 23, 2009, at the Tokyo Stock Exchange. A summary of Hitachi Software Engineering’s consolidated operating results and other financial information based on this release is provided below. The summary of this disclosed information is an excerpt of the announcement released by Hitachi Software Engineering, and Hitachi is not in a position to independently verify the precision and truthfulness thereof and has not verified it, in effect.

**1) Operating Results (millions of yen)**

Accounting Period	First Quarter of 40th Business Period (From April 1, 2009 to June 30, 2009)
Revenue	31,372
Cost of sales	24,764
Selling, general and administrative expenses	5,897
Non-operating income	299
Non-operating expenses	55
Net income	689

Note: Revenue exclude consumption tax, etc.

**2) Data per Share (yen)**

Accounting Period	First Quarter of 40th Business Period (From April 1, 2009 to June 30, 2009)
Net income per share	10.97
Dividend per share	—
Net assets per share	1819.11

### **Cautionary Statement**

Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investments in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors which Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, the Electronic Devices segment and the Digital Media & Consumer Products segment;
- increased commoditization of information technology products and digital media related products and intensifying price competition for such products, particularly in the Information & Telecommunication Systems segment, the Electronic Devices segment and the Digital Media & Consumer Products segment;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technology on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation, particularly in the Information & Telecommunication Systems segment, the Electronic Devices segment and the Digital Media & Consumer Products segment;
- exchange rate fluctuation for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum and synthetic resins;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rate and/or price of raw materials;
- general socio-economic and political conditions and the regulatory and trade environment of Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports, or differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to the success of restructuring efforts to improve management efficiency and to strengthen competitiveness;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing; and

- uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write down equity securities it holds.

The factors listed above are not all-inclusive and are in addition to other factors contained in Hitachi's periodic filings with the U.S. Securities and Exchange Commission and in other materials published by Hitachi.

#### **Other Cautionary Matters**

- In accordance with the provisions of Article 167, Paragraph 3 of the Financial Instruments and Exchange Law and Article 30 of its Enforcement Regulations, anyone having read this news release is considered a primary recipient of information from the viewpoint of insider trading regulations. Hitachi accordingly urges you to exercise due care as you may be prohibited from purchasing the shares of Hitachi Software Engineering before 12 hours have passed from the time of this announcement. If you are held liable under criminal, civil, or administrative laws for making such a prohibited purchase, Hitachi notes that it will assume no responsibility whatsoever.
- This news release is to announce the Tender Offer and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Explanatory Document for the Tender Offer and make their own decision. This news release does not constitute, nor form part of, any offer or invitation to buy, sell, exchange or otherwise dispose of, or issue, or any solicitation of any offer to sell or issue, exchange or otherwise dispose of, buy or subscribe for, any securities. In addition, this news release does not constitute, or form part of, any offer or invitation to sell, or any solicitation of any offer to purchase any securities in any jurisdiction, nor shall it (or any part of it) or the fact of its distribution form the basis of or be relied on in connection with any agreement thereof.
- The Tender Offer is targeted at the common stock of Hitachi Software Engineering, a company incorporated in Japan. The Tender Offer is to be conducted in compliance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Law of Japan. These procedures and standards are not necessarily the same as the procedures and information disclosure standards in the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities and Exchange Act of 1934 and the regulations stipulated there under are not applicable to the Tender Offer and the Tender Offer does not conform to those procedures and standards. Not all financial information included in this news release is in conformity with the U.S. GAAP. Further, as the Tender Offeror is a company incorporated outside the U.S. and most officers of the Tender Offeror are residents outside the U.S., it may be impossible to exercise rights and claims that may be asserted under the securities-related laws of the U.S. There is also a chance that it may be difficult to institute proceedings in a court outside the U.S. against a company outside the U.S. or its officers based on a violation of the securities-related laws of the U.S. Additionally, there is no guarantee that it would be possible to make a company outside the U.S. and its subsidiary or affiliate subject to the jurisdiction of a U.S. court.
- Some countries or regions may impose restrictions on the announcement, issue or distribution of this news release. In such cases, please take note of such restrictions and comply with them. In countries or regions where the implementation of the Tender Offer is illegal, even upon receiving this news release, such receipt shall not constitute a solicitation of an offer to sell or an offer to buy shares relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.

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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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