

## FOR IMMEDIATE RELEASE

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### **Hitachi Plant, Hitachi Kiden and Hitachi Industries Sign Merger Agreement**

TOKYO, Japan, December 15, 2005 --- Hitachi Plant Engineering & Construction Co., Ltd. (TSE:1970), Hitachi Kiden Kogyo, Ltd. (TSE:6354) and Hitachi Industries Co., Ltd. have signed a Merger Agreement following approval today by each company's Board of Directors. The agreement is based on the purport of a Memorandum of Understanding signed on October 24, 2005.

This move is part of actions being taken to integrate Hitachi Group businesses to strengthen the social and industrial infrastructure systems business. Separately today, Hitachi, Ltd. (NYSE:HIT/TSE:6501) and Hitachi Plant signed a Corporate Split Agreement on separating and transferring parts of Hitachi's Public & Municipal Systems Division (machinery-related system business), Industrial Systems Division (plant-related business) and other units in its Industrial Systems Group to Hitachi Plant.

This integration will bring together the *monozukuri* (manufacturing), engineering and work-site capabilities of the companies concerned in the fields of engineering, design and production, construction and services of industrial machinery, large scale air-conditioning systems, water treatment systems, industrial plants, cranes and environmental facilities and systems. This will enhance collective strengths as well as capture synergies that will give impetus to the development of the new company.

#### **1. Name of the New Company**

Hitachi Plant Technologies, Ltd.

## 2. Overview of Merger

### 2-1. Merger Schedule

December 15, 2005	Approval of Merger Agreement by Meetings of the Board of Directors
February 2, 2006	Approval of Merger Agreement by General Meetings of Shareholders
February 23, 2006	Announcement and Notification of Shares to Be Offered by Hitachi Kiden (Provisional)
March 28, 2006	Delisting of Shares of Hitachi Kiden
March 31, 2006	Date of Offering of Shares by Hitachi Kiden
April 1, 2006	Date of Merger (Provisional)
April 3, 2006	Date of Registration of Merger (Effective Date of Merger; Provisional)

### 2-2 .Merger Method

Under this merger, Hitachi Plant, the surviving company, will merge with Hitachi Kiden and Hitachi Industries, which will be dissolved.

### 2-3. Merger Ratio

Company	Hitachi Plant	Hitachi Kiden	Hitachi Industries
Merger Ratio	1	0.93	13.40

#### (1)Share Allocation Ratio

Hitachi Plant will newly issue common stock for the purpose of allocating 0.93 shares of Hitachi Plant common stock for every 1 Hitachi Kiden common share held and 13.40 shares of Hitachi Plant common stock for every 1 Hitachi Industries common share held by shareholders recorded in Hitachi Kiden's and Hitachi Industries' registers of shareholders and beneficial shareholders at the end of the day prior to the Effective Date of Merger. However, no allocation will be made with respect to Hitachi Kiden common stock held by Hitachi Plant and Hitachi Kiden treasury stock.

#### (2)Basis for Calculating Merger Ratio

Proposals for the merger ratio have been provided to Hitachi Plant by Deloitte Tohmatsu FAS, to Hitachi Kiden by KPMG FAS, and to Hitachi Industries by Nomura Securities Co., Ltd. through Hitachi respectively. Based on discussions by the three companies with reference to the proposals, the companies agreed on the above, which, based on further discussions, may be adjusted if there is a significant change in the financial positions of the three companies or other issues arise.

### **(3)Calculation Results, Methods and Basis Used by Third Parties**

The third parties proposed merger ratios to their respective clients, taking into consideration the results of a comprehensive analysis of the calculation results based on the market value method, peer company comparisons and the discounted cash flow method, etc.

#### **2-4 .Payments**

Hitachi Plant will pay 5 yen per every 1 Hitachi Kiden common share held and 268.3 yen per every 1 Hitachi Industries common share held as an equivalent to Hitachi Kiden's and Hitachi Industries' fiscal 2005 dividend within three months of the Effective Date of Merger. Payments will be made to shareholders recorded in each company's register of shareholders and beneficial shareholders or registered rights holders at the end of the day prior to the Merger Date. However, following further discussions, the payments may be adjusted if there is a significant change in the financial positions of Hitachi Kiden and Hitachi Industries or other issues arise.

#### **2-5. Remuneration for Employees**

On the Effective Date of Merger, the employees of Hitachi Kiden and Hitachi Industries will be transferred to Hitachi Plant, the surviving company, and become Hitachi Plant employees. The three companies will hold discussions to decide on remuneration for the transferred employees.

### **3. Profile of Hitachi Plant Technologies**

Item	Details
Name	Hitachi Plant Technologies, Ltd.
Head office	1-14, Uchikanda 1-chome, Chiyoda-ku, Tokyo
President	Masaharu Sumikawa
Capital	12.0 billion yen
Revenues [Consolidated]	FY06 (target) Approx. 350.0 billion yen FY10 (target) Approx. 400.0 billion yen
Operating income [Consolidated]	FY06 (target) Approx. 11.4 billion yen FY10 (target) Approx. 20.0 billion yen
No. of employees [Consolidated]	Approx. 7,500
Main businesses	Design, development, manufacturing, sales, service and construction of social and industrial infrastructure machines, mechatronics, air-conditioning systems, industrial plant, power generation facilities