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Hitachi and Hitachi Plant Sign Corporate Split Agreement

TOKYO, Japan, December 15, 2005 --- Hitachi, Ltd. (NYSE:HIT/TSE:6501) and Hitachi Plant Engineering & Construction Co., Ltd. (TSE:1970) have today signed a Corporate Split Agreement 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 Plant, Hitachi Kiden Kogyo, Ltd. (TSE:6354) and Hitachi Industries Co., Ltd. signed a Merger Agreement.

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. Overview of the Corporate Split

1-1. Corporate Split Schedule

December 15, 2005	Approval of Corporate Split Agreement by Meeting of Board of Directors(*) (*):Hitachi: Approval by Executive Officers Hitachi Plant: Approval by Board of Directors
February 2, 2006	Approval of Corporate Split Agreement by General Meeting of Shareholders (Hitachi Plant)
April 1, 2006	Date of Corporate Split (Provisional)
April 3, 2006	Date of Registration of Corporate Split (Effective Date of Corporate Split; Provisional)

Hitachi will split the relevant business without approval of the Corporate Split Agreement by the General Meeting of Shareholders, pursuant to regulations in Article 374-22, Paragraph 1 of the Commercial Code of Japan concerning simplified corporate separations.

1-2. Method of Corporate Split

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 will be separated and transferred to Hitachi Plant.

1-3. Allocation of Shares

(1)Number of Shares to be Allocated

Hitachi Plant will newly issue 11,591,000 shares of common stock and allocate all of these shares to Hitachi.

(2)Basis of Calculation of Number of Shares to be Allocated

Proposals for the number of shares to be allocated were provided to Hitachi by Nomura Securities Co., Ltd. and to Hitachi Plant by Deloitte Tohmatsu FAS, respectively. Based on discussions by the two 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 two companies or other issue arises.

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

The third parties made proposals regarding the number of shares to be allocated 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.

1-4. Increase in Capital and Capital Reserves of Hitachi Plant

- There will be no increase in capital.
- Capital reserves will be increased by the amount prescribed by regulations in Article 374-21 of the Commercial Code of Japan.

1-5. Cash Payments

There will be no cash payments with regard to the allocation of shares.

1-6. Rights and Obligations Transferred to Hitachi Plant

Hitachi will transfer to Hitachi Plant all assets, liabilities and contractual status in contracts relating to the businesses to be separated as of the day prior to the Effective Date of Corporate Split.

1-7. Outlook for Fulfillment of Financial Obligations

Hitachi and Hitachi Plant have determined that all obligations from the Effective Date of Corporate Split will possibly be fulfilled.

2. Business Operations to Be Transferred to Hitachi Plant

- Design, manufacture and sales operations of pump systems, ventilation systems, home appliance recycling systems and other machinery-related systems of Hitachi's Pump Engineering Department, Overseas Business Center and Solution business Department of the Public & Municipal Systems Division in its Industrial Systems Group
- Design, manufacture and sales operations of industrial systems and equipment such as chemical and pharmaceutical plants, reactors and evaporators of Hitachi's Systems & Equipment Division and Industrial Machinery Systems Department of the Industrial Systems Division in its Industrial Systems Group
- Design, manufacture and sales operations of Hitachi's Air Conditioning facilities in the Engineering Systems Department of the Energy Solution Services Promotion Division in its Industrial Systems Group.
- Installation, facility construction, and maintenance work related to the above operations

3.Assets and Liabilities Planned to Be Transferred (As of September 30, 2005)

Item	Book Value
Assets	33.1 billion yen
Liabilities	28.6 billion yen

4. 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	FY06 (target) Approx. 350.0 billion yen
[Consolidated]	FY10 (target) Approx. 400.0 billion yen
Operating income	FY06 (target) Approx. 11.4 billion yen
[Consolidated]	FY10 (target) Approx. 20.0 billion yen
No. of employees	Approx. 7,500
[Consolidated]	
Main businesses	Design, development, manufacturing, sales, service and construction of social and industrial infrastructure machines, mechatronics, air-conditioning systems, industrial plant, power generation facilities

5. Status of Hitachi Following Corporate Split

- (1) There will be no changes in the names, business activities, head offices or CEO of Hitachi.
- (2) The corporate split will have a negligible impact on operating results of Hitachi.

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