

**Hitachi Air Conditioning Systems and Hitachi Home & Life Solutions to Merge
and Strengthen Sales Capabilities**

~Business Reorganization Aimed at Reinforcing the “Lifestyle Zone Solutions Business”~

TOKYO, Japan, December 22, 2005 --- Hitachi, Ltd. (NYSE:HIT/TSE:6501), Hitachi Air Conditioning Systems Co., Ltd. (HACS) and Hitachi Home & Life Solutions, Inc. (Hitachi H&L) today announced the agreement to reorganize their operating frameworks with the aim of developing and reinforcing their “lifestyle zone solutions business.” Underpinned by existing consumer-focused businesses, the new organization will extend sophisticated support for lifestyle infrastructures in the home, office, stores and other locations with a particular focus on comprehensive air conditioning, all-electric housing and digital home electronics.

Highlights of the reorganization are as follows.

1. HACS and Hitachi H&L will merge on April 1, 2006.
2. Hitachi’s Consumer Business Group will assume responsibility for overseeing all marketing and sales activities involving comprehensive air conditioning systems, all-electric housing products, digital home electronics and related products. It will be responsible for sales activities in these business sectors on a global scale.
3. The Consumer Business Group will establish a specialist division devoted exclusively to comprehensive sales activities, which will primarily target large customers such as high-volume retailers and companies operating large chains of stores. This division will offer comprehensive solutions that make use of digital home electronics, comprehensive air conditioning systems, products for all-electric housing and other products.

Work is underway on setting up an organization and business strategy to prepare for the start of operations under this new framework. Although details have not been finalized, the new framework will concentrate on the following initiatives.

1. Use the merger of HACS and Hitachi H&L to reinforce the comprehensive air conditioning and all-electric housing businesses

The new company to be formed through the integration of HACS and Hitachi H&L intends to grow by conducting a comprehensive air conditioning business extending from home air conditioning systems to large freezing systems. In addition to the washing machines, vacuum cleaners, refrigerators and other products in the home appliance business, an all-electric housing business will include hot water supply systems, kitchen appliances and other future core products.

1-1. Use the integration of air conditioning operations to strengthen the comprehensive air conditioning business, offering products ranging from home to commercial systems on a global scale.

(1) Expand the global air conditioning business with a stronger line-up of products

With the integration of Hitachi H&L, responsible for the room air conditioning business, and HACS, responsible for the large-scale air conditioning business including packaged air conditioning systems, chiller units and other products, the new company will offer a line-up extending from home-use products to large air conditioning equipment for commercial and other applications. This will enable the company to offer comprehensive solutions to customers. The new company will also carry out operations on a global scale, covering markets such as Brazil, Russia, India and China (BRICs), other parts of Asia, and Europe.

(2) Upgrade new product development activities

New product development activities will be upgraded by combining the design and development resources of the two companies. Consolidating design and development personnel will allow the new company to develop products in a timely manner that accurately reflect market needs. The new company will be able to supply products that are economical by consuming less energy, easier to use, have a lower environmental impact, and that offer other features.

(3) Become more cost competitive

The new company will combine compact compressor technology derived from the manufacture of room air conditioning products with multicycle freezer technology gained from the manufacture of commercial air conditioning systems. This will allow the company to supply products that are more compact and cost competitive. The new company also expects to cut procurement expenses by producing products in larger quantities and purchasing parts and materials in greater volumes. These benefits are expected to make the entire air conditioning business more cost competitive.

(4) Leverage synergies between operating sites

The domestic and overseas manufacturing and sales bases of HACS and Hitachi H&L will be realigned to create a single framework. Comprehensive air conditioning business strategies for each region will also be formulated and implemented.

1-2. Reinforce the all-electric housing business

The new company will aim to reinforce the all-electric housing business by combining the various Hitachi H&L product groups with the sales capabilities of HACS, which is strong in commercial air conditioning system sales channels. The company-wide capabilities of Hitachi, Ltd. will also be utilized.

(1) Enhanced sales proposal capabilities based on an integrated all-electric housing business

By combining the separate all-electric housing businesses operated by Hitachi H&L and HACS, the new company will handle an integrated and wide-ranging line-up of products such as “EcoCute” hot-water storage and instantaneous hot-water supply systems, induction cooking heaters, dishwashers and microwave ovens. This will result in enhanced sales proposal capabilities that can be targeted at home builders, condominium developers, electric power companies and other clients promoting all-electric housing.

(2) Faster product creation through stronger technology development capabilities

By bringing together the development capabilities of Hitachi H&L and HACS, and combining them with Hitachi’s R&D strengths in all-electric housing—a core domain for the company—the new company will be able to drive the development of Excellent products that satisfy customer needs.

2. More powerful sales activities by integrating sales management functions and adding new sales channels

(1) Centralize all sales management functions at the Consumer Business Group

To speed the shift to a market-oriented business strategy, all consumer product marketing and sales management functions in Japan and overseas will be centralized. Additionally, in order to reinforce integrated operations, eight domestic and overseas sales companies that are currently subsidiaries of Hitachi H&L, including Hitachi Consumer Marketing, Inc., will become Hitachi subsidiaries. This will create a structure in which customer feedback received by sales units can be reflected more directly in how operations are managed.

(2) Strengthen sales in Japan

A specialist division in the Consumer Business Group will work to strengthen comprehensive sales activities that primarily target large customers such as high-volume retailers and companies operating large chains of stores. Efforts to expand sales will also be supported by the creation of an integrated management system that links the Consumer Business Group with Hitachi Consumer Marketing, which operates a nationwide sales network.

(3) Strengthen the global sales network

Hitachi, HACS and Hitachi H&L will consolidate their overseas sales bases and make strategic use of each other’s bases in order to create a sales network that covers almost all areas of the world. Continued growth is foreseen worldwide for air conditioning systems, digital home electronics and other products sold by HACS and Hitachi H&L. Particularly strong growth is projected in the BRICs areas. All three companies already have sales

networks in China. In addition, there is an HACS office in Brazil, a Hitachi office in Russia and a Hitachi H&L office in India. The three companies plan to use these bases to expand their operations rapidly in these countries.

The Hitachi Group is concentrating on three core business domains: large-scale systems, which include electric power systems, industrial systems and information systems; the devices, parts and materials that make up these systems; and the “lifestyle zone solutions business,” which covers lifestyle infrastructure for the home, convenience stores, office buildings and other locations. The business reorganization explained in this document is aimed at strengthening operations in the “lifestyle zone solutions business” and increasing its contribution to the Hitachi Group’s earnings. Another goal is to add even more value to the Hitachi brand.

3. Profiles of Companies to Merge

HACS

Name: Hitachi Air Conditioning Systems Co., Ltd.
Business: Manufacture, sales, installation and services for freezer, air conditioning and environmental systems
Establishment: November 26, 1998
Head office: 16-1, Kaigan 1-chome, Minato-ku, Tokyo
President: Takazumi Ishizu
Number of employees: 5,910
Revenues: 176.3 billion yen (forecast for fiscal 2005)
Ordinary income 7.0 billion yen (forecast for fiscal 2005)
Principal shareholder: Hitachi, Ltd. (100%)

Hitachi H&L

Name: Hitachi Home & Life Solutions, Inc.
Business: Development, manufacture and sales of home appliances, and marketing of consumer electronics
Establishment: April 1, 2002
Head office: Hitachi Atago Annex, 15-12, Nishi-shimbashi 2-chome, Minato-ku, Tokyo
President: Tadahiko Ishigaki
Number of employees: 15,350
Revenues: 456.2 billion yen (forecast for fiscal 2005)
Ordinary income 0.5 billion yen (forecast for fiscal 2005)
Principal shareholder: Hitachi, Ltd. (100%)

4. Profile of New Company

Name: Pending
Business: Development, manufacture and sales of freezer, air conditioning and environmental systems, electrical home appliances and related systems
Establishment: April 1, 2006
Head office: Minato-ku, Tokyo
President: Pending
Business plan: Fiscal 2006: 450 billion yen in net sales, 10 billion yen in operating income

5. Companies to Become Affiliates of Hitachi's Consumer Business Group, as of April 1, 2006

() shows shareholder and holding as of December 22, 2005

Hitachi Consumer Marketing, Inc. (Hitachi H&L 100%)

Hitachi (Hong Kong), Ltd. (Hitachi H&L 100%)

Hitachi Sales (Macau) Ltd. (Hitachi (Hong Kong) 80%)

Hitachi Sales (Thailand) Ltd. (Hitachi H&L 100%)

Hitachi Sales Corporation of Taiwan (Hitachi H&L 100%)

Hitachi Sales (Malaysia) Ltd. (Hitachi H&L 100%)

Hitachi Home Electronics Asia (S) Pte, Ltd. (Hitachi Asia 100%)

OOO Hitachi Home Electronics (RUS) (Hitachi 100%)

Hitachi Living Systems, Ltd. (Hitachi H&L 100%)

Hitachi Lighting, Ltd. (Hitachi H&L 100%)

Ome Sangyo (Hitachi Lighting 100%)

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.
