

FOR IMMEDIATE RELEASE

**Hitachi and MHI Agree to Integrate
Air-Conditioning and Refrigeration Operations**

Tokyo, June 17, 2004--- Hitachi, Ltd. (NYSE:HIT / TSE:6501 / 'Hitachi'), Mitsubishi Heavy Industries, Ltd. (TSE:7011 / 'MHI') and Hitachi Air Conditioning Systems Co., Ltd., a subsidiary of Hitachi, today reached a basic agreement aimed at strengthening air-conditioning and refrigeration operations. The agreement calls for MHI's Air-Conditioning & Refrigeration Systems Headquarters (excluding the automotive thermal systems business) and Hitachi Air Conditioning Systems to be integrated and run under a joint venture company owned by Hitachi and MHI. The integration is scheduled for April 1, 2005. Hitachi and MHI will manage the joint venture as equal partners. Details of the joint venture will be decided after further discussions.

Commercial-use air-conditioning and refrigeration businesses in Japan must now expedite business development and develop products with a small environmental impact to step up their response to energy conservation, the prevention of ozone depletion, the prevention of global warming and other market demands. Stepping up the pace of global development is also important in light of expectations for growth in demand in China and other regions, and other trends.

MHI, Hitachi and Hitachi Air Conditioning Systems reached this agreement after deciding that integration would be essential to leverage each other's strengths to achieve growth and conduct operations efficiently in response to these changes in the external operating environment in Japan and overseas. Beyond fusing each company's sophisticated technologies, the joint venture will build a more efficient global operating structure, extending from development through manufacturing, sales and maintenance. Backed by this framework, the joint venture plans to expand its business by leveraging the strengths of its two shareholders. As a comprehensive air-conditioning and refrigeration company, the joint venture will have the ability to supply a broad range of products from commercial-use air-conditioners to large central air conditioning systems.

<Profiles of Each Company>

About Hitachi

- Company name: Hitachi, Ltd.
- Business: Development, manufacture, sales and services for information and communications systems, electronic devices, power and industrial systems, digital media and consumer products
- President: Etsuhiko Shoyama, President and Chief Executive Officer
- Capital stock: 282.0 billion Yen (As of March 31, 2004)
- Head office location: Tokyo, Japan
- Number of employees (consolidated): 326,344 (As of March 31, 2004)
- Consolidated net sales: 8,632.4 billion Yen (Year ended March 31, 2004)

About Hitachi Air Conditioning Systems

- Company name: Hitachi Air Conditioning Systems Co., Ltd.
- Business: Manufacture, sales, construction and after sales service for air-conditioning control systems and freezing and refrigeration control systems (main products are packaged air conditioning systems, small chillers and large centrifugal chillers)
- President: Yoshihiko Nakayama, President and Director
- Capital stock: 10.0 billion Yen (100% owned by Hitachi, Ltd.)
- Head office location: Tokyo, Japan
- Main factories: Shizuoka, Japan; Ibaraki Japan; China; Spain; and Brazil
- Number of employees (consolidated): 5,382 (As of March 31, 2004)
- Consolidated net sales: 139.6 billion Yen (Year ended March 31, 2004)

About Mitsubishi Heavy Industries

- Company name: Mitsubishi Heavy Industries, Ltd.
- Business: Manufacture and sales related to shipbuilding; steel structures; power plants; chemical plants; steel plants; environmental equipment; industrial and general machinery; aircraft; space rocketry; air-conditioning systems; and others
- President: Kazuo Tsukuda, President
- Capital: 265.6 billion Yen
- Head office location: Tokyo, Japan
- Number of employees (consolidated): 59,949 (As of March 31, 2004)
- Consolidated net sales: 2,373.4 billion Yen (Year ended March 31, 2004)

About MHI's Air-Conditioning & Refrigeration Systems Headquarters

- Name: Air-Conditioning & Refrigeration Systems Headquarters, Mitsubishi Heavy Industries, Ltd.
- Business: Manufacture, sales, installation and after sales service for commercial use air-conditioners, residential use air-conditioners, automotive thermal systems, applied refrigeration use machines, transport refrigeration units, and centrifugal & absorption liquid chillers
- Location: Aichi, Japan
- Main factories*: Aichi, Japan; Hyogo, Japan; China; Thailand; and Saudi Arabia
- Number of employees (consolidated)*: Approx. 3,800(As of March 31, 2004)
- Consolidated net sales*: Approx. 125.0billion Yen (Year ended March 31, 2004)

*Factories and figures do not include those of automotive thermal systems.

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.
