

Hitachi, Ltd., Fuji Electric Co., Ltd. and Meidensha Corporation Transfer Substation Systems Businesses to Japan AE Power Systems Corporation by the Separation of Related Units.

Tokyo, May 23, 2002, --- Hitachi, Ltd. (TSE : 6501 / NYSE:HIT), Fuji Electric Co., Ltd. (TSE:6504) and Meidensha Corporation (TSE:6508) announced today that they have agreed to transfer their substation businesses to Japan AE Power Systems Corporation by separating each related business units. The three companies' substation businesses comprise such operations as transformers, circuit breakers and switching devices. Japan AE Power Systems is a joint venture established by the three companies.

The substation market continues on its course of rapid change driven by liberalization and deregulation of the electric power industry in Japan. In Japanese market, the level of capital investment by the electric power companies is held low, affected by on-going electric power industry liberalization.

There are new emerging market factors that Japan AE Power Systems has to face: the growth of Independent Power Provider (IPP) business, the rise of the distributed generation represented by the microturbines and fuel cells, and the rising need to replace the outmoded and inefficient business capitals installed during the Japanese high economic growth period into the energy efficient ones.

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In overseas markets, although electric power demands in the Southeast Asia and China and the power retail market is growing there, the market climate with the leading overseas makers is getting very competitive.

Hitachi, Fuji Electric and Meidensha entered into a comprehensive strategic alliance covering development, manufacture and service in the transmission and distribution business in January 2001, with the goals of: (1) strengthening the competitiveness of the product offerings, (2) accelerating the new product development process through the synergy of each leading-edge technologies and (3) developing the overseas businesses. As part of the alliance, the three companies established Japan AE Power Systems in July 2001. Japan AE Power Systems reinforced its product offering by taking advantage of the excellent engineering resources of three companies and embarked on the development of overseas business operations by opening new offices in Shanghai and Singapore.

To survive in the increasingly competitive substation market, the three companies will continue to refine business operation style and financial strength of Japan AE Power Systems. Specifically, the three companies agreed to separate its related business units to the Japan AE Power Systems by applying a provision of the recently enacted more simplified separation act under the commercial laws in Japan

Japan AE Power Systems has to realize the timely product development and timely production by effectively allocating the resources currently scattered across the three companies' related production bases. By integrating and consolidating its product offerings and production lines and by managing more efficiently, Japan AE Power Systems aims to be a leading company in the global transmission and distribution market.

By transferring operations to Japan AE Power Systems, Hitachi, Fuji Electric and Meidensha hope Japan AE Power Systems will deliver the stable profitability in the transmission and distribution sector, maintain the leading position in the market and continue its offering of the high quality and reliable products for the benefit of its customers.

Reorganization Overview

1. Key points in the corporate separation move:

1. Key points in the business unit separation move:

(1) Separation schedule

Contract conclusion: July 25, 2002 (tentative)

Separation date: October 1, 2002

Separation registration: October 1, 2002

(2) Separation method

Simplified separation of business units from Hitachi, Fuji Electric and Meidensha into AE Power Systems

(3) Stock allocation

① Rates of Allocation

250,000 shares of Japan AE Power Systems' common stock will be issued to Hitachi.

150,000 shares of Japan AE Power Systems' common stock will be issued to Fuji Electric.

100,000 shares of Japan AE Power Systems' common stock will be issued to Meidensha.

② Basis for calculating allocation rates

In the interest of fairness and appropriateness of stock allocation, Hitachi, Fuji Electric and Meidensha have employed the services of a third-party audit corporation to calculate the value of the businesses to be separated.

③ Results of third-party calculation and methods and basis of calculation

The auditing corporation applied the discount cash flow method, market multiple method and the net appraisal value method in its evaluations. Based on these results, stock allocation rates were determined through deliberation between Hitachi, Fuji Electric, Meidensha and Japan AE Power Systems.

(4) Rights and obligations transferred to the assuming company

Hitachi, Fuji Electric and Meidensha will transfer to the assuming company all assets, liabilities and contractual status in principle contracts relating to the separated businesses.

(5) Anticipated fulfillment of obligations

Hitachi, Fuji Electric and Meidensha have determined that regarding all related binding obligations of the separating business unit whose maturity dates fall on dates after the separation date, AE Power Systems can fulfill these obligations.

(6) Directors newly appointed to the assuming company

None.

2. Profile of the Compiles Included in the Separation Agreement

As of March 31, 2002.

Name	Hitachi, Ltd. (Separating company)	Fuji Electric Co., Ltd. (Separating company)	Meidensha Corp. (Separating company)	Japan AE Power Systems Corporation (Assuming company)
Business content	Development, manufacture, sales and service of information electronics, power and industrial systems, home electronics, material and others	Development manufacture, sales and service of communications and control systems for power and manufacturing industries, devices for electric power distribution and reception, FA systems, electronic devices and commercial-use consumer electronics and systems	Development, manufacture, sales and service of electric power plants, substations and other energy systems, water treatment systems, communication systems and industrial systems	Research, development, Design, manufacture, engineering, sales, installation, maintenance and service of equipment and machinery for transmission, reception and transformation of electric power
Established	February 1, 1920 (Instigated in 1910)	August 29, 1923	June 1, 1917 (Instigated in 1897)	July 1, 2001
Head office location	4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo	1-1, Tanabeshinden, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken	2-1-17, Osaki, Shinagawa-ku, Tokyo	2-1-1, Yaesu, Chuo-ku, Tokyo
President	Etsuhiko Shoyama, President and Director	Kunihiko Sawa, President and Representative Director	Shigeo Seko, President and Representative Director	Masakazu Mori, President and Representative Director
Paid-in capital	282,032 million yen	47,586 million yen	17,070 million yen	6,000 million yen
Shares of common stock issued and outstanding	3,338,481,041 million yen	715,080,369 million yen	202,025,158 million yen	120,000 million yen
Shareholders' equity	1,584,112 million yen	230,611 million yen	29,441 million yen	6,000 million yen
Total assets	3,783,804 million yen	783,689 million yen	164,132 million yen	10,929 million yen
Settlement term	March 31	March 31	March 31	March 31
No. of employees	50,427	8,576	3,275	1,775 (seconded)
Principal customers	Public-sector manufacturing and non-manufacturing industries as well as government agencies both domestic and overseas	Public-sector manufacturing and non-manufacturing industries as well as government agencies both domestic and overseas	Public-sector manufacturing and non-manufacturing industries as well as government agencies both domestic and overseas	Hitachi, Fuji Electric and Meidensha
Major shareholders (%)	Japan Trustee Services Bank, Ltd. 5.81% The Chase Manhattan Bank NA London 3.99% Nippon Life Insurance Company 3.93%	Fujitsu Ltd. 10.40% Daiichi Kangyo Bank, Ltd. 4.39% UFJ Trust Bank Limited (Trust account A) 4.16%	Sumitomo Electric Industries, Ltd. 6.51% UFJ Trust Bank Limited (Trust account A) 5.97% Sumitomo Mitsui Banking Corporation 5.00%	Hitachi 50% Fuji Electric 30% Meidensha 20%
Primary transaction banks (As of April 1, 2002)	UFJ Bank Limited The Industrial Bank of Japan, Limited The Dai-Ichi Kangyo Bank, Limited The Fuji Bank, Limited	Daiichi Kangyo Bank, Ltd. The Industrial Bank of Japan, Limited The Asahi Bank, Ltd.	Sumitomo Mitsui Banking Corporation The Sumitomo Trust & Banking Co., Ltd. UFJ Bank Limited	The Dai-Ichi Kangyo Bank, Limited The Industrial Bank of Japan, Limited UFJ Bank Limited
Intercorporate relations	Capital	Hitachi, Fuji Electric and Meidensha hold shares in Japan AE Power Systems.		
	Human resources	Personnel seconded from Hitachi to Japan AE Power Systems: 843; previously transferred personnel: 0 Personnel seconded from Fuji Electric to Japan AE Power Systems: 491; previously transferred personnel: 0 Personnel seconded from Meidensha to Japan AE Power Systems: 441; previously transferred personnel: 0		
	Transactions	Buying and selling of products and components related to the substation industry as well as related operations.		

*The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited and The Industrial Bank of Japan, Limited changed the name into "Mizuho Bank, Ltd.," "Mizuho Corporate Bank, Ltd." because of divided and merged.

3. Performance for the past three fiscal years (broken down by each company)

(unit: millions of yen (except where otherwise indicated))

Fiscal year ended	Hitachi, Ltd. (Separating company)			Fuji Electric Co., Ltd. (Separating company)		
	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2000	March 31, 2001	March 31, 2002
Net sales	3,771,948	4,015,824	3,522,299	515,391	509,809	469,338
Operating income (loss)	40,865	98,577	(84,742)	1,139	15,216	6,104
Recurring profit (loss)	31,787	56,058	(81,663)	1,543	16,127	6,297
Net income (loss)	11,872	40,121	(252,641)	1,228	9,793	3,651
Net income (loss) per share (yen)	3.56	12.02	(75.69)	1.71	13.69	5.11
Shareholders' dividend per share (yen)	6.00	11.00	3.00	—	6.00	5.00
Shareholders' per share (yen)	475.26	496.81	408.79	181.29	194.99	322.52
Fiscal year ended	Meidensha Corp. (Separating company)			Japan AE Power Systems Corporation (Assuming company) (Est. July 2002)		
	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2000	March 31, 2001	March 31, 2002
Net sales	161,810	146,442	149,895	—	—	18,115
Operating income (loss)	1,078	2,099	1,518	—	—	79
Recurring profit (loss)	1,036	2,174	1,193	—	—	80
Net income (loss)	1,111	(3,378)	(4,431)	—	—	0
Net income (loss) per share (yen)	5.50	(16.72)	(21.94)	—	—	1.64
Shareholders' dividend per share (yen)	—	—	—	—	—	—
Shareholders' per share (yen)	179.22	162.50	145.74	—	—	50,001.64

4. Three companies' status after the separation of its related business units

- (1) No changes will be made to the company names, business content or head office location of Hitachi, Fuji Electric or Meidensha following separation. Paid-in capital will not be decreased due to this transfer of business.
- (2) Impact on the performance of Hitachi and Fuji Electric will be negligible.
Forecasts for the performance of Meidensha taking into account this separation move will be announced following the finalization of contract details.

5. Profile of Japan AE Power Systems Corporation (following transfer)

- (1) Head office location: 2-1-1, Yaesu, Chuo-ku, Tokyo
- (2) Principal plants: City of Hitachi, Ibaraki-ken, City of Ichikawa, Chiba-ken, City of Numazu, Shizuoka-ken
- (3) Paid-in capital: ¥20 billion (stake ratio: Hitachi 50%, Fuji Denki 30%, Meidensha 20%) (tentative)
- (4) Establishment: July 1, 2001
- (5) Business content: Research, development, design, manufacture, engineering, sales, installation, maintenance, and service of equipment and machinery for transmission, reception and transformation of electric power
- (6) President: Masakazu Mori, President and Representative Director
- (7) Employees: Approximately 1,300

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.
