

**HITACHI AND MITSUBISHI ELECTRIC TO ESTABLISH
RENESAS TECHNOLOGY CORP.,
A NEW COMPANY FOR SEMICONDUCTOR OPERATIONS:**

TOKYO, October 3, 2002— Hitachi, Ltd. (TSE:6501) and Mitsubishi Electric Corporation (TSE:6503) have reached a basic agreement to establish a new semiconductor company, Renesas Technology Corp., that will focus on system LSI operations. The new company will be established on April 1, 2003 and will aim to be a reliable semiconductor manufacturer, working as an intelligent chip solution provider supporting system partners on a global basis as part of their drive to create a prosperous society in this "ubiquitous" era. This agreement is a result of discussions to integrate system LSI businesses which was agreed to on March 18, 2002.

Hitachi and Mitsubishi Electric will take advantage of the special provisions for corporate reorganization under the Japanese Commercial Code to jointly establish a new company and will move both companies' semiconductor operations to the new company, including microcomputer, logic, analog and discrete devices and memory (flash memory, SRAM etc.) with the exception of DRAMs. The new company will be established following Hitachi's and Mitsubishi Electric's completion of the legal procedures for corporate split. The plans are to appoint Dr. Koichi Nagasawa (currently Executive Vice President, Member of the Board Group President, Semiconductor, Mitsubishi Electric) as Chairman & CEO, and Satoru Ito (currently Senior Corporate Officer, President & Chief Executive Officer of Semiconductor & Integrated Circuits, Hitachi) as President & COO.

Upon establishment of the new company, the sales/service divisions and companies in Japan will be integrated. This will create a single, end to end operation of development, design and manufacturing to sales and service, allowing system solutions to be provided based on the customer's point of view.

Regarding those employees who will be transferred to the new company, the terms and conditions of their existing employment contracts will be honored in accordance with the applicable legal requirements.

Over the past few years, the semiconductor business environment has been characterized by new-product release cycles that are increasingly shorter, as can be clearly seen in the personal computer and mobile telephone markets. There is a strong need to reduce the time required to move the semiconductors used in those products from development to production. Under these circumstances Hitachi and Mitsubishi Electric decided that their semiconductor operations should operate autonomously as a new company to further accelerate decision-making on such issues as funding, capital investment and so forth. Because the system LSI market expansion is forecasted to continue, by fusing the world-leading technical prowess that both Hitachi and Mitsubishi Electric have, the business can be strongly promoted to make the new company the world's top System LSI supplier.

In practical terms, what this will mean is:

- 1) For microcontrollers, which are the core of system LSIs, securing a steady business base with microcomputers as the new company's flagship business.
- 2) Enhancing operations in analog, flash memory and discrete devices, where the companies have technological advantages and building this up into a pillar of the new company's profits.
- 3) In System on Chip (SoC) operations, where both Hitachi and Mitsubishi Electric are strong in the leverage applied technologies, hybrid products using combinations of microcomputer, logic and analog technologies will be designated as a growth area and the company will aim for growth in this field as a new business. In particular, it will aim for the leading position in the mobile, network, automotive, and digital home electronics application fields. Overall, Renesas Technology Corp. plans to achieve sales of over 900 billion yen in FY 2003, its first year.

A stable and firm financial position will be achieved through integration by expanding sales, reducing costs by combining development facilities, sharing manufacturing equipment and purchasing materials in bulk.

The brand name to be used for marketing the new company's products is RENESAS*. Unified branding will be applied progressively to products.

*The new unified brand, RENESAS is derived from Renaissance Semiconductor for Advanced Solutions.

Business integration outline

1. Key points of the corporate split

(1) Schedule for the corporate split

General Shareholders Meeting to approve the intended plan of corporate split: early February, 2003 (tentative)

Date of corporate split: April 1, 2003 (tentative)

(2) Method used for corporate split

1) Legal method used for corporate split:

A new company will be formed by a corporate split procedure, with Hitachi and Mitsubishi Electric being the companies to be split, and Renesas Technology Corp. to be the new company. Hitachi and Mitsubishi Electric will be allocated new shares of Renesas Technology Corp.

2) Reason for selecting this corporate split method:

The corporate split method was selected because it will allow Hitachi's and Mitsubishi Electric's semiconductor operations to be split off, handling in an all-encompassing manner the succession of rights and obligations associated with the integration of operations, allowing the running of the operations to be transferred in a smooth manner.

(3) Stock allocation

1) Proportions of allocations:

At the point of the corporate split the new company, Renesas Technology Corp. will issue 5 million ordinary shares, out of which Hitachi will be scheduled to receive 2.75 million (55%) and Mitsubishi Electric 2.25 million (45%) shares.

2) Basis for calculation allocation rates:

In the interest of fairness and appropriateness of stock allocation, Hitachi retained the services of Goldman Sachs (Japan) Ltd. and Mitsubishi Electric employed the services of J.P. Morgan Securities Asia Pte. Limited to calculate the value of the

businesses to be split. The result of these calculations were used as a basis for discussions between Hitachi and Mitsubishi Electric, which resulted in the parties' agreement to use an allocation rate of 55:45, respectively.

3) Results of third-party calculation and methodologies:

Using data on the businesses to be split supplied by Hitachi and Mitsubishi Electric, Goldman Sachs (Japan) Ltd. and J.P. Morgan Securities Asia Pte. Limited applied the discounted cash flow method (DCF), the comparative companies method, the comparative contribution analysis and other methods to calculate the shareholder value, on a consolidated basis, of the businesses to be separated, and after taking overall account of other factors, submitted an allocation rate range to Hitachi and Mitsubishi Electric, respectively.

(4) Rights and obligations to be transferred to the new company

Hitachi and Mitsubishi Electric will transfer their assets and liabilities related to the operations and their contractual positions in major contracts relating to the operations to the new company.

2. Profile of interested parties (unconsolidated company basis)

Company name	Hitachi, Ltd. (transferring company)	Mitsubishi Electric Corporation (transferring company)	Renesas Technology Corp. (transferee company)
Business operations	Development, manufacture, sales and servicing of IT systems, electronic devices, electric power/industrial systems, digital media/consumer appliances	Energy and electric systems, industrial automation systems, information and communication systems, electronic devices, home appliances, others	Development, manufacture, sales and servicing of semiconductor products such as system LSI, discrete device, and memory products
Date incorporated	February 1, 1920 (Business founded in 1910)	January 15, 1921	April 1, 2003
Head office address	4-6 Kanda Surugadai, Chiyoda-ku, Tokyo	2-2-3 Marunouchi, Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo
Representative directors	President: Etsuhiko Shoyama	President: Tamotsu Nomakuchi	Chairman & CEO: Dr. Koichi Nagasawa President & COO: Satoru Ito
Capital stock	282,032 million yen	175,820 million yen	50,000 million yen
Shares of common stock issued and outstanding	3,338,481,041 shares	2,147,201,000 shares	5,000,000 shares
Total shareholders' equity	1,364,585 million yen	491,747 million yen	undecided
Total assets	3,923,144 million yen	2,585,611 million yen	-
Fiscal year-end date	March 31	March 31	March 31
Number of employees	48,590	38,363	10,900
Principal customers	Domestically and internationally, private sector businesses in manufacturing and non-manufacturing industries and government agencies	Domestically and internationally, private sector businesses in manufacturing and non-manufacturing industries and government agencies	Domestically and internationally, private sector businesses in manufacturing and non-manufacturing industries and government agencies
Major shareholders (%)	Japan Trustee Services Bank, Ltd. : 5.27%, The Chase Manhattan Bank, N.A. London: 4.50%, State Street Bank and Trust Company: 4.04%	Japan Trustee Services Bank, Ltd. (Trust Account) : 4.5%, Meiji Life Insurance: 4.2%, Nippon Life Insurance Co.: 3.7%	Hitachi: 55% Mitsubishi Electric: 45%
Main banks	Mizuho Corporate Bank, Ltd., UFJ Bank Limited, Mizuho Asset Trust & Banking Co., Ltd. and others	The Bank of Tokyo-Mitsubishi, Ltd., Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation and others	

Note: Regarding above chart, as for Hitachi and Mitsubishi Electric, actual results as of March 31, 2002 and Renesas Technology Corp. forecast as of incorporated date

3. Business results from the three most recent settlements (unconsolidated company basis) (Units: million Japan yen, except where otherwise indicated)

Fiscal year ended	Hitachi, Ltd. (transferring company)			Mitsubishi Electric Corporation (transferring 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	2,705,055	2,932,682	2,409,362
Ordinary income (loss)	40,865	98,577	(84,742)	82,621	188,195	(62,592)
Recurring profit (loss)	31,787	56,058	(81,663)	32,144	137,154	(109,501)
Net income (loss)	11,872	40,121	(252,641)	12,242	32,483	(143,694)
Net income (loss) per share (yen)	3.56	12.02	(75.69)	5.70	15.13	(66.92)
Shareholders' dividend per share (yen)	6.00	11.00	3.00	5.00	10.00	0.00
Shareholders' equity per share (yen)	475.26	496.81	408.79	281.60	307.01	229.02

4. Brief description of operating divisions being split

Operations handled by Hitachi's Semiconductor & Integrated Circuits Group and operations handled by the System LSI Division and the Memory IC Division at Mitsubishi Electric's Semiconductor Group, with exception of DRAM related operations.

5. Status of companies after split

There will be no change in name, categories of operations, head office or representative directors at neither Hitachi nor Mitsubishi Electric. There will be no reduction in capital stock as a result of this deal.

6. Profile of Renesas Technology Corp. (after split)

- (1) Name: Renesas Technology Corp.
- (2) Head office: Chiyoda-ku, Tokyo
- (3) Major plants: Hitachinaka in Ibaraki Prefecture, Nakakoma in Yamanashi Prefecture, Takasaki in Gunma Prefecture, Itami in Hyogo Prefecture, Saijo in Ehime Prefecture, Kami in Kochi Prefecture.
- (4) Capital: 50 billion yen
- (5) Equity ratio: Hitachi: 55%, Mitsubishi Electric: 45%

Regarding both Hitachi and Mitsubishi Electric, Renesas Technology Corp. will be an equity method affiliate. While the new company will be independently run, major management decisions will be determined by consensus agreement between Hitachi and Mitsubishi Electric.

- (6) Establishment: April 1, 2003
- (7) Operations: Development, design, manufacture, sales and servicing of system LSI products such as microcomputers, logic, analog and discrete devices, flash memory and SRAM.
- (8) Top executives: Chairman & CEO (representative director):
Dr. Koichi Nagasawa (currently Executive Vice President, Member of the Board Group President, Semiconductor, Mitsubishi Electric)
President & COO (representative director): Satoru Ito (currently Senior Corporate Officer, President & Chief Executive Officer of Semiconductor & Integrated Circuits, Hitachi)
Vice President (representative director):
Yasuhiko Fukuda (currently Group Vice President, Semiconductor, Director, Mitsubishi Electric)
Vice President (representative director):
Masayoshi Ito (currently Managing Officer, Chief Marketing Officer & Chief Information Officer, Semiconductor & Integrated Circuits, Hitachi)
- (9) Sales (consolidated): Over 900 billion yen (forecasted for FY 2003)
- (10) Number of employees: 27,200 (on consolidated basis)
- (11) Sales organization of new company:

As for the Japanese domestic sales organization, the present sales divisions of both companies as well as semiconductor sales & distribution subsidiaries, Hitachi Semiconductor and Devices Sales Co., Ltd. and Mitsubishi Electric Semiconductor Systems Corporation, will be combined by April 1, 2003 and will establish a new sales company in order to start sales activities.

Overseas, Hitachi and Mitsubishi Electric operations at their regional locations throughout Europe, the USA and Asia will be integrated during the FY 2003.

(12) Development and manufacturing locations:

The 0.1- μ m-class leading-edge process development units will be integrated at Mitsubishi Electric's existing Kita-Itami facility. Manufacturing will take place at Hitachi's and Mitsubishi Electric's current manufacturing facilities. A business plan will be formulated to eliminate duplicated R&D expenses, share manufacturing equipment, and eliminate duplicated investments through joint review. These factors will all contribute to making the business more efficient, and will have a synergistic effect, further accelerating the speed of development.

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About Hitachi

Hitachi, Ltd., headquartered in Tokyo, Japan, is a leading global electronics company, with approximately 320,000 employees worldwide. Fiscal 2001 (ended March 31, 2002) consolidated sales totaled 7,994 billion yen (\$60.1 billion). The company offers a wide range of systems, products and services in market sectors, including information systems, electronic devices, power and industrial systems, consumer products, materials and financial services. For more information on Hitachi, please visit the company's Web site at <http://global.hitachi.com>.

About Mitsubishi Electric

With over 80 years of experience in providing reliable, high-quality products to both corporate clients and general consumers all over the world, Mitsubishi Electric Corporation (FTSE: 6503q.l) is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, energy, transportation and building equipment. The company has operations in 35 countries and recorded consolidated group sales of 3,649 billion yen (US\$27.4 billion) in the year ended March 31, 2002. For more information about Mitsubishi Electric, visit Global.MitsubishiElectric.com.

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.
