



KKR Announces Tender Offer to Acquire Hitachi Kokusai Electric

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Japan Industrial Partners and Hitachi to each acquire 20% of Hitachi Kokusai's Video and Communication Solutions segment following the division of Hitachi Kokusai's businesses

TOKYO--(BUSINESS WIRE)-- Leading global investment firm KKR, Hitachi Ltd., ("Hitachi") and Japan Industrial Partners, Inc. ("JIP") today announced that HKE Holdings G.K. (the "Offeror"), an entity owned by investment funds managed by KKR, intends to make a tender offer for the common shares of Hitachi Kokusai Electric Inc. ("Hitachi Kokusai" or the "Company"; TSE stock code 6756).

This Smart News Release features multimedia. View the full release here: <http://www.businesswire.com/news/home/20170426005600/en/>

Hitachi Kokusai operates two business segments: a Video and Communication Solutions business engaged in video security, IoT high-reliability wireless, and railroad solutions, and a Thin-Film Process Solutions business focusing on semiconductor manufacturing equipment as well as systems maintenance and sales of parts and used equipment.

In connection with the tender offer, the Offeror has entered into an agreement (the "Agreement") with Hitachi, the lead shareholder in Hitachi Kokusai, and HVJ Holdings Co., Ltd., ("HVJ"), an entity backed by funds managed/ serviced by JIP. Under the terms of the Agreement, following a share consolidation after the tender offer, Hitachi Kokusai will acquire Hitachi's 51.67% holding of Hitachi Kokusai's common shares in a share repurchase. Thereafter, Hitachi Kokusai will conduct an absorption-type company split pursuant to which the Offeror will succeed to 100% of the Company's Thin-Film Process Solutions business. Subsequently, the Offeror will transfer 20% of the shares of Hitachi Kokusai to each of Hitachi and HVJ, resulting in 60%, 20%, and 20% ownership of Hitachi Kokusai's Video and Communication Solutions business for the Offeror, Hitachi and HVJ, respectively.

Through this joint investment, KKR will collaborate with Hitachi Group to further expand Hitachi Kokusai's businesses, promote overseas growth, and establish a stable business base through structural reforms. JIP will support the maximization of the latent growth potential of Hitachi Kokusai's Video and Communications Solutions business utilizing the wealth of experience it has accumulated in conducting multiple strategic carve-outs from Japanese companies.

The Offeror expects to commence the tender offer in early August 2017, subject to regulatory approvals in Japan and other jurisdictions. For details regarding the conditions for the commencement of the tender offer, please refer to the full text of the press release issued today by Hitachi Kokusai titled "Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K." and its attachment titled "Announcement Regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. (Securities Code 6756)" (the "HKE press release").

The proposed tender offer price of JPY 2,503 per share and the share repurchase price of JPY 1,710.34 per share have been determined based on negotiations among KKR, Hitachi, and JIP. For further details, please refer to the Hitachi Kokusai Press Release.

The proposed tender offer price represents:¹

- A premium of 62.46% to Hitachi Kokusai's 12-month average closing price to October 3, 2016
- A premium of 59.12% to Hitachi Kokusai's 6-month average closing price to October 3, 2016.

Since the total number of Hitachi Kokusai's outstanding shares (excluding treasury shares) is equal to 102,703,392 (as of March 31, 2017), the proposed tender offer price values Hitachi Kokusai at approximately JPY 257.1 billion (approx. US\$2.3 billion at the exchange rate of US\$1=JPY111).

Mr. Hiro Hirano, Member of KKR and CEO of KKR Japan, said: "Hitachi Kokusai is a world-class provider of video and communications equipment and semiconductor manufacturing solutions and is part of an industry that is set to benefit from the proliferation of three-dimensional NAND flash memory. We look forward to leveraging KKR's global network, experience and resources, in partnership with Hitachi and JIP, to strengthen Hitachi Kokusai's business and support its growth as an industry leader on the global stage."

Mr. Hidemi Moue, CEO of JIP, said: "Hitachi Kokusai's Video and Communication Solutions business has a strong track record of sales of communications and wireless equipment to local municipalities and government agencies in Japan. In partnership with Hitachi and KKR, JIP is fully committed to supporting the further enhancement of the business' products and services, and realizing a significant uplift in growth as a fulfilling workplace for executives and employees, by leveraging our expertise, network, and extensive investment experience in carve-outs from major corporations in Japan."

KKR expects to make its investment from its Asian private equity fund. KKR has been investing in Japan through its pan-regional private equity funds since 2010. Japan has been and continues to be a key focus for KKR in the region. To date, KKR has completed five acquisitions in the market: Intelligence Ltd., a leading human resources services company; Panasonic Healthcare, the carve-out health care business of Panasonic

Corporation; and Pioneer DJ, the carve-out DJ equipment business of Pioneer Corporation. More recently, KKR announced the closing of its tender offers for Hitachi Koki Co., Ltd. and Calsonic Kansei Corporation.

JIP supports the revitalization of Japanese companies by providing funds and management support, mainly associated with business carve-outs and restructuring of major corporations. JIP has made a total of 20 investments within Japan across investment targets primarily within the manufacturing industry in diverse areas including food, distribution and services, and with investment experience across various investment methods including business carve-outs and MBOs.

This press release should be read in conjunction with the full text of the Hitachi Kokusai Press Release, a copy of which is available on www.jpx.co.jp

This press release has been prepared for the purpose of informing the public of the tender offer and has not been prepared for the purpose of soliciting an offer to sell, or making an offer to purchase, any securities. If shareholders wish to make an offer to sell their shares in the tender offer, they should first read the Tender Offer Explanation Statement for the tender offer and offer their shares or stock options for sale at their own discretion. This press release shall neither be, nor constitute a part of, an offer to sell or purchase, or a solicitation of an offer to sell or purchase, any securities, and neither this press release (or a part thereof) nor its distribution shall be interpreted to be the basis of any agreement in relation to the tender offer, and this press release may not be relied on at the time of entering into any such agreement.

The tender offer will be conducted in accordance with the procedures and information disclosure standards prescribed by Japanese law, which may differ from the procedures and information disclosure standards in the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 and the rules prescribed thereunder do not apply to the tender offer, and the tender offer does not conform to those procedures and standards.

Unless otherwise specified, all procedures relating to the tender offer are to be conducted entirely in Japanese. If all or any part of a document relating to the tender offer is prepared in the English language and there is any inconsistency between the English-language documentation and the Japanese-language documentation, the Japanese-language documentation will prevail.

The financial advisors to the Offeror, the Company, JIP and Hitachi as well as the tender offer agent (including their respective affiliates) may engage prior to the commencement of, or during, the tender offer period in the purchase or arrangement to purchase shares of the Company for their own account or for their customers' accounts to the extent permitted under the Japanese Financial Instruments and Exchange Act, Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934, as amended, and other applicable laws and regulations. Such purchases may be made at the market price through market transactions, or at a price determined by negotiation outside of the market. In the event information regarding such purchases is disclosed in Japan, such information will also be disclosed on the English homepage of the financial advisor or tender offer agent conducting such purchases or will otherwise be made publicly available.

About KKR

KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners' capital and brings opportunities to others through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE:KKR), please visit KKR's website at www.kkr.com and on Twitter @KKR_Co.

About Japan Industrial Partners, Inc.

JIP was established in November 2002, as a Japanese fund specializing in carve-outs to develop the private equity business and contribute to corporate reorganization and restructuring of Japanese companies. JIP has specific expertise in companies working towards selecting and focusing their businesses and with carve-outs of business divisions and subsidiaries. In addition to helping companies provide high quality products and services, JIP's objective is to create a fulfilling workplace for employees and support the acceleration of business growth.

¹ The figures set out above are based on the Hitachi Kokusai closing share prices extracted from Bloomberg as at and prior to the last full trading day (October 3, 2016) immediately prior to the day of speculative publication of media reports regarding the tender offer (the 'unaffected price').

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