October 11, 2017

Company Name: HKE Holdings G.K.
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Announcement Regarding Commencement of the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. (Securities Code 6756)

As announced in the press release dated April 26, 2017, titled "Announcement Regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. (Securities Code 6756)" (the "April 26, 2017 Offeror Press Release"), HKE Holdings G.K. ("we" or the "Offeror") resolved to acquire the common shares (the "Target Company Shares") of Hitachi Kokusai Electric Inc. (Securities Code: 6756, First Section of the Tokyo Stock Exchange) (the "Target Company") by a tender offer (the "Tender Offer"), in accordance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the "Act") and other applicable laws and regulations, if the conditions precedent to the commencement of the Tender Offer (the "Conditions Precedent to the Tender Offer") were satisfied (or waived by the Offeror).

After issuing the April 26, 2017 Offeror Press Release, we took steps and carried out the procedures necessary to obtain the permits and approvals that were required for the commencement of the Tender Offer. However, as announced in the press release dated August 9, 2017, titled "Announcement Regarding Progress Toward Conducting the Tender Offer for Shares of Hitachi Kokusai Electric Inc." (the "August 9, 2017 Offeror Press Release"), we resolved on August 9, 2017, not to proceed with the commencement of the Tender Offer in early August 2017 (for additional details, please refer to "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" below).

Subsequently, after revising our proposal for the Tender Offer purchase price (the "Tender Offer Price") and other conditions of the Tender Offer (for additional details, please refer to "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" under (2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" below), all of the Conditions Precedent to the Tender Offer were satisfied; Therefore, we have decided today to commence the Tender Offer on October 12, 2017.

Hitachi, Ltd. ("Hitachi"), the parent company of the Target Company, has agreed with the Offeror that it will not tender into the Tender Offer, and that subject to successful completion of the Tender Offer and the subsequent Share Consolidation (as defined in "(5) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')" under "1. Purpose of the Tender Offer" below; hereinafter the same) taking effect, the Target Company will acquire all of the Target Company Shares owned by Hitachi (the "Share Repurchase"). Based on the Offeror's proposal, the Target Company intends to reduce its capital, capital reserve, and profit reserve pursuant to Article 447, paragraph (1), and Article 448, paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended) (the

"Companies Act"), to transfer all or part of capital and capital reserve so reduced to other capital surplus, and to transfer the full amount of the profit reserve so reduced to profit surplus carried forward, subject to successful completion of the Tender Offer and the subsequent Share Consolidation taking effect, in order to secure the distributable funds required for the Share Repurchase. After the Offeror and Hitachi have become the sole shareholders of the Target Company through successful completion of the Tender Offer and effectuation of the Share Consolidation, the Target Company intends to hold an extraordinary general shareholders meeting with an agenda that includes a proposal for a reduction in its capital, capital reserve and profit reserve (the "Capital Reduction") and the Share Repurchase by late March 2018. After the Target Company becomes the Offeror's wholly-owned subsidiary following the Share Repurchase, the Target Company's thin-film process solutions business will be divested through an absorption-type company split whereby the Offeror will be the succeeding corporation (the "Company Split"), and the Offeror will subsequently transfer 20% of its Target Company Shares to each of Hitachi and HVJ Holdings Inc. ("HVJ"), an entity backed by funds managed and serviced by Japan Industrial Partners, Inc. ("JIP"). Accordingly, the Offeror, Hitachi and HVJ will hold 60%, 20% and the remaining 20%, respectively, of the Target Company Shares after the completion of each of the above transfers.

For a summary of the aforementioned processes regarding the Target Company becoming a wholly-owned subsidiary of the Offeror through the Tender Offer, Share Consolidation, and Share Repurchase, as well as the Company Split and subsequent transfer by the Offeror of 20% of its Target Company Shares to each of Hitachi and HVJ that the Offeror and the Target Company plan to effect thereafter, in addition to other related transactions (collectively, the "Transaction"), please refer to "Exhibit 1: Transaction Scheme", and for additional details, please refer to (ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" under "1. Purpose of the Tender Offer" below.

1. Purpose of the Tender Offer – (1) Summary of the Tender Offer

The Offeror is a limited liability company (*godo kaisha*) established on February 2, 2017 based on Japanese law with the primary goal of controlling and managing the business activities of the Target Company following completion of the Tender Offer, through which the Offeror will acquire and hold the Target Company Shares (see Note 1). As of today, all equity interests in the Offeror are currently owned by KKR HKE Investment L.P. ("KKR Fund"), a limited partnership established under the laws of the Cayman Islands on February 2, 2017, which is indirectly operated by Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates and other related entities, "KKR").

KKR's investment philosophy is to invest from a long-term perspective in partnership with the management of the acquired company. KKR partners with companies and management teams with outstanding potential and business foundations, and leverages its management resources, expertise, and network with the aim of creating industry leaders. Based on this philosophy, KKR focuses on carve-outs (business divestitures) of subsidiaries and business units from large corporations and supports their development as independent enterprises by promoting their growth strategy, profitability, and improvements in business efficiency both organically (by leveraging existing management resources) and inorganically (such as through alliances with, or acquisitions of, other companies). Globally, KKR has a track record of more than 50 carve-outs and has proven results in supporting independent enterprises.

Founded in 1976, KKR is a comprehensive asset management firm included among the world's leading private equity funds, and is listed on the New York Stock Exchange. Since the opening of its Tokyo office in 2006, KKR has been actively expanding its investment activities in the Japanese market, with investment professionals from diverse backgrounds that possess an understanding of Japanese trade practices. In 2010, KKR invested in Intelligence, Ltd., a provider of comprehensive HR services. In 2014, KKR supported the carve-out of Panasonic Healthcare Co., Ltd. (“PHC”) from Panasonic Corporation, and subsequently through KKR’s support PHC was able to acquire the diabetes care business of Bayer Aktiengesellschaft and affiliates of its subsidiary, Bayer HealthCare, in 2016, demonstrating KKR’s capability in helping its Japanese portfolio companies carry out follow-on acquisitions of overseas enterprises. In 2015, KKR invested in Pioneer DJ, then a business unit of Pioneer Corporation. In 2017, KKR conducted tender offers for Calsonic Kansei Corporation, a listed subsidiary of Nissan Motor Co., Ltd., and Hitachi Koki Co., Ltd., a listed subsidiary of Hitachi. Through these initiatives, KKR has built on its track record of supporting the stand-alone growth of PHC and other subsidiaries and business units of major Japanese companies.

Note 1: In order to receive the First Hitachi Investment (as defined in “(ii) Agreement for the Hitachi Investments” under “(3) Material agreements regarding the Tender Offer” below; hereinafter the same) for preferred shares the Offeror plans to convert from a limited liability company to a stock company between the day following the last day of the Tender Offer period (the “Tender Offer Period”) and the completion of the First Hitachi Investment.

On April 26, 2017, the Offeror and Hitachi, the parent company of the Target Company, and HVJ executed a basic agreement (the “Original Basic Agreement”) which provides that: (i) Hitachi will not tender any of its Target Company Shares (53,070,129 shares, representing an ownership percentage (see Note 2) of 51.67% of the Target Company) (“Hitachi Shares”) into the Tender Offer; and (ii) Hitachi will sell to the Target Company all of the Hitachi Shares in accordance with the Share Repurchase that the Target Company plans to conduct after the Share Consolidation takes effect. In addition, the Offeror, Hitachi, and JIP executed a Memorandum of Amendment to amend the Original Basic Agreement (the “Memorandum of Amendment”) on October 11, 2017, on the condition that the Tender Offer Price and the Price Per Share for Share Repurchase (Pre-Share Consolidation) (as defined in “(a) Capital Reduction and the Share Repurchase by the Target Company” within “(iii) Record of events following August 9, 2017)” within “(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror” within “(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer” below; hereinafter the same) would be raised. For details regarding the Original Basic Agreement as amended by the Memorandum of Amendment (the “Basic Agreement”), please refer to the section titled “(3) Material agreements regarding the Tender Offer” below.

Note 2: Here and throughout this release, “ownership percentage” refers to the percentage (rounded to the second decimal place) of the number of Target Company Shares held by the shareholder in question out of the number of shares (102,701,905 shares) calculated by deducting the number of treasury shares held by the Target Company as of June 30, 2017 (2,519,354 shares) from the total number of issued shares as of the same date (105,221,259 shares) (as stated in the First Quarterly Report for the 94th Period filed by the Target Company as of August 9, 2017 (the “Target Company’s Quarterly Report”)).

According to the Target Company press release issued on April 26, 2017, titled “Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.” and the press release issued on October 11, 2017, titled “Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.” (together, the “Target Press Releases”), Hitachi, the Target Company’s parent company, has agreed that it will not tender into the Tender Offer, and, subject to the successful completion of the Tender Offer and the subsequent Share Consolidation taking effect, the Target Company intends to acquire all of the Hitachi Shares (53,070,129 shares, representing an ownership percentage of 51.67% of the Target Company). Accordingly, the Target Company plans to implement the Capital Reduction for the Share Repurchase. For details regarding the Share Repurchase, please refer to “(a) Capital Reduction and the Share Repurchase by the Target Company” within “(iii) Record of events following August 9, 2017)” within “(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror” within “(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer” below.

If the total number of the shares tendered in the Tender Offer (the “Tendered Shares”) is less than the minimum number of shares to be purchased in the Tender Offer (24,815,889 shares), then the Offeror will not purchase any of the Tendered Shares. The Offeror has not set a limit on the maximum number of shares to be purchased in the Tender Offer, because the Offeror intends for the Target Company Shares to be delisted, and if the total number of Tendered Shares is equal to or exceeds the minimum number of shares to be purchased in the Tender Offer (24,815,889 shares), the Offeror will purchase all of the Tendered Shares. The minimum number of shares to be purchased in the Tender Offer (24,815,889 shares) must equal or exceed the number of Target Company Shares equivalent to the majority (24,815,889 shares, the so-called majority of the minority) of the number of shares (49,631,776 shares) that is calculated as the total number of issued shares (105,221,259 shares) as of June 30, 2017, as stated in the Target Company’s Quarterly Report, minus the number of treasury shares held by the Target Company as of the same date (2,519,354 shares) as well as the number of the Hitachi Shares (53,070,129 shares).

If the Offeror is unable to acquire all of the Target Company Shares (other than the treasury shares held by the Target Company and the Hitachi Shares) in the Tender Offer, then, following the successful completion of the Tender Offer, the Offeror intends to request that the Target Company undertake the Share Consolidation as part of the Transaction, as set forth in “(5) Policy for organizational restructuring after the Tender Offer (matters relating to ‘Two-Step Acquisition’)” below. For details regarding the Share Consolidation, please refer to “(5) Policy for organizational restructuring after the Tender Offer (matters relating to ‘Two-Step Acquisition’)” below.

The Offeror intends to obtain the funds required to settle the Tender Offer from the following sources: (i) a portion of the funds that the Offeror will procure by borrowing from financial institutions (the “Debt Financing”), (ii) a capital investment from KKR Fund (the “KKR Investment”), (iii) an advance payment (the “First JIP Advance Payment”) from HVJ of a portion (an amount designated by the Offeror up to ¥4 billion) of the consideration (¥8.768 billion) for the Partial Share Transfer (HVJ) (as defined in “(b) Partial carve-out of the Target Company business (the thin-film process solutions business) to the Offeror, and partial transfer of the portion of the Target Company Shares (the video and communication solutions business) to Hitachi and HVJ” within “(iii) Record of events following August 9, 2017)” within “(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" within "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" below; hereinafter the same), and (iv) a portion of the proceeds (an amount reasonably designated by the Offeror up to ¥5 billion) of the First Hitachi Investment. The Offeror intends to obtain the Debt Financing, the KKR Investment, the First JIP Advance Payment, and the First Hitachi Investment by the business day prior to the commencement day of settlement for the Tender Offer, subject to conditions including the successful completion of the Tender Offer. For details regarding the class A preferred shares to be issued to Hitachi by the Offeror through the Hitachi Investments (as defined in "(ii) Agreement for the Hitachi Investments" under "(3) Material agreements regarding the Tender Offer" below; hereinafter the same), refer to "(ii) Agreement for the Hitachi Investments" under "(3) Material agreements regarding the Tender Offer" below; and for the background leading to the Hitachi Investments, refer to "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" within "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" below.

After the successful completion of the Tender Offer, as part of the Transaction, the Offeror also intends to request that the Target Company conduct the Share Consolidation, as stated in "(5) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')" below. The acquisition price for the total number of fractional Target Company Shares resulting from the Share Consolidation will be funded by a portion of the Debt Financing and a portion of the Second Hitachi Investment (as defined in "(ii) Agreement for the Hitachi Investments" within "(3) Material agreements regarding the Tender Offer" below; hereinafter the same).

In addition, taking into account the amount of cash needed for the payment for the Share Repurchase (which will be within the scope of the amount distributable by the Target Company), the reserves held by the Target Company and the levels of reserves needed to fund the ongoing operations of the business, the Offeror intends to make a loan to the Target Company, which would constitute a portion of the amount to be paid by the Target Company to Hitachi in the Share Repurchase. As the source of funds for the loan to the Target Company, the Offeror intends to set aside a portion of the funds procured through the Debt Financing, the advance payment by HVJ (the "Second JIP Advance Payment"; and, together with the First JIP Advance Payment, the "JIP Advance Payments") of the remaining consideration for the Partial Share Transfer (HVJ) (¥8.768 billion), and all or a portion of the deposit by Hitachi of the amount equivalent to the consideration (¥8.768 billion) for the Partial Share Transfer (Hitachi) (as defined in "(b) Partial carve-out of the Target Company business (the thin-film process solutions business) to the Offeror, and partial transfer of the portion of the Target Company Shares (the video and communication solutions business) to Hitachi and HVJ" within "(iii) Record of events following August 9, 2017)" within "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP and the decision-making process of the Offeror" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" below; hereinafter the same). As part of the Debt Financing, security will be created over all of the issued shares of the Offeror and over the Target Company Shares acquired by the Offeror in the Tender Offer, and, after the effective date of the Share Consolidation, security will be created over certain assets of the Target Company, and the Target Company will become a joint and several guarantor.

According to the Target Press Releases, at the meeting held on October 11, 2017, the Board of Directors of the target Company resolved that if the Tender Offer commenced, the Target Company would express its opinion in support of the Tender Offer and that it would to recommend that the shareholders of the Target Company tender into the Tender Offer.

For details regarding the resolutions of the Target Company's Board of Directors, please refer to the Target Press Releases as well as "(v) The Transaction has received the unanimous approval of the directors with no interest in the Target Company" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below.

(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer

The background, purpose and decision-making process leading to the Offeror's decision to conduct the Tender Offer as well as the management policy following the Tender Offer are as described below. The description of the Target Company included below is based on publicly available information, the Target Press Releases, and explanations received from the Target Company.

(i) The business environment of the Target Company

The Target Company is a joint-stock corporation incorporated under the laws of Japan, established in October 2000 from the merger of three Hitachi Group companies engaged in businesses related to video, wireless communications, and semiconductor manufacturing equipment. As of the date hereof, the Target Company is listed on the First Section of the Tokyo Stock Exchange, Inc. ("TSE"). Since its formation, the Target Company has endeavored to build infrastructure for a safe and prosperous society in the spirit of the Hitachi Kokusai Electric Way ("1. Customers First; 2. Global Leader; 3. Human Assets; 4. Basics and Ethics; 5. Harmony, Sincerity and Pioneering Spirit"), and has been creating new value in the areas of "Video and Communication Solutions" and "Thin-Film Process Solutions" and its corporate statement ("Hitachi Kokusai Electric Group strives to realize a society of security, safety, and happiness, creates value by applying advanced technologies and pushes the boundaries of tomorrow").

Video and Communication Solutions Business	The Target Company manufactures and sells various systems products (disaster-preventive administrative radio systems and various radio systems for business use, high-speed radio repeaters (see Note 3), infrastructure for mobile telecommunications, wireless communications and information systems such as radio packet communication machines, broadcasting and video systems such as UHD & HDTV camera systems and transmission and transmitter systems, and image security and surveillance systems and industrial video cameras) and business solutions to address the business and management needs of its customers on a global scale. The Target Company also conducts business in a broad range of fields such as information solutions for securities and financial institutions and radio systems for the Ministry of Defense.
Thin-Film Process Solutions Business	In addition to vertical film forming apparatus (see Note 4) and sheet-fed apparatus (see Note 5), which are the Target Company's main products, the Target Company also provides services including maintenance and preservation, as well as the sale of parts,

	transfer and alteration of systems, and used systems.

Note 3: Low-power data transmission systems that can be used without a license and that operate in the 25Ghz frequency range in a simply constructed local area communications system.

Note 4: Processing equipment for forming wafers in a batch (multiple sheet processes) in a vertical orientation.

Note 5: Systems that process one wafer sheet.

In the video and communication solutions business, centered on video and wireless technologies, the Target Company is promoting its growth strategy of shifting from systems products to solutions businesses, expanding its global business and launching new businesses. In addition, in order to achieve a cost structure that is globally competitive, the Target Company is undergoing cost structure reform through changes to its business portfolio by reducing, selecting, and focusing on its indirect business costs. With regard to its segments concerning video security, IoT (Internet of Things) high-reliability wireless solutions (see Note 6), and railway solutions (see Note 7), the Target Company is pursuing further business expansion through collaboration and joint development with other companies in the Hitachi Group.

The Target Company believes that overall demand in the overseas market for video and communication solutions will grow in the medium- to long-term. However, weak demand in emerging countries is expected to continue, and the Target Company is working to implement structural reform. On the other hand, competition in the domestic market is becoming increasingly intense, as market demand is easing due to factors such as decreasing demand for reconstruction in areas affected by the Great East Japan Earthquake. With a reduction in the growth of demand from the government and other public agencies which have traditionally been the Target Company's primary business, the focus of the Target Company's customers' needs has been shifting from demand for conventional products and systems to the provision of solutions. As such, the Target Company has a pressing need to work together with the Hitachi Group to tackle social innovation by expanding its social infrastructure solutions business with a shift in the focus of its business model to high-growth solutions utilizing its core technologies, such as IoT high-reliability wireless solutions and video security.

In response to changing trends in the video and communication solutions business, the Target Company is accelerating its efforts to shift and develop its human resources for the solutions business, as well as heavily promoting business and cost-structure reform. Specifically, in addition to the reorganization of its overseas business structure, it is also seeking to establish a stable business foundation in Japan through the optimization of its personnel structure, such as the special offering of an early retirement incentive plan. For details of the special offering of the early retirement incentive plan, please refer to the Target Company's press release dated January 26, 2017, "Implementation of Special Offering of Early Retirement Incentive Plan."

In the thin-film process solutions business, the Target Company commenced the operation of a new production facility at its Toyama Technology and Manufacturing Center in January 2017, and is ambitiously reinforcing its production and research and development capabilities. With regard to its focus on the vertical semiconductor manufacturing equipment business, the Target Company is making further advancements in research and development for the manufacturing of thermal processors (see Note 8), its core technology, and is also working towards advancements in its product lifecycle businesses (see Note 9), in addition to concentrating its efforts on increasing its share in the mass-production line for its customers' advanced devices (see Note 10) by leveraging its ability to develop new types of equipment and films. For new businesses, the Target Company is concentrating on pursuing the following: (i) the development of single-wafer equipment for treatment to improve film quality after film formation (see Note 11); and (ii) increasing the sales of secondhand equipment for the IoT market, where demand is increasing rapidly, and redesigned legacy equipment which utilizes new technologies (see Note 12). Regarding the service businesses, which are expected to grow, the Target Company is working to expand the scale of its parts and retrofitting businesses, as well as further advancing the businesses through expanding the range of services it offers to support its customers' operations, such as diagnosis services to help customers prevent incidents and improve their processes by utilizing IT technologies.

In its main vertical, the film formation equipment industry, demand in the thin-film process solutions business is expected to increase steadily in the future, driven by the transition into 3D NAND flash memory (see Note 13). In particular, demand is expected to grow rapidly in the coming years with active capital investment and research and development investment by leading memory manufacturers. In the thin-film equipment market vertical, which the thin-film process solutions business is at the core of, the thin-film and etching processes (see Note 14) will become increasingly important with the migration of semiconductor devices to a 3D structure, and such devices are expected to gain a larger share of capital investment by semiconductor manufacturers. On the other hand, the Target Company considers it increasingly important to expand its research and development and capital investment ahead of its competitors, as it is anticipated that competition will becoming increasingly intense as the semiconductor manufacturing equipment industry undergoes rapid technology innovation and industry restructuring.

Note 6: Solutions in which specialized communications networks are built, even for harsh environments, utilizing a variety of forms of wireless communications, such as broadcast waves, telecommunications carrier lines, and microwaves.

Note 7: Solutions investing in management reform to improve business efficiency in the railway transport field.

Note 8: Processing film by applying heat.

Note 9: The Target Company's total lifestyle services includes its equipment sales business and aftersales business (renovation for long-term use equipment, parts sales, equipment repair, and reconstruction, etc.).

Note 10: The semiconductor production line for advanced 3D NAND flash memory devices.

Note 11: Single wafer (film) processing systems that treat film by applying plasma and heat to remove impurities in the film and stabilize particles.

Note 12: Equipment largely utilizing existing 200mm wafer technology.

Note 13: Although presently devices are made using a 2D (flat) structure, 3D (raised) devices use a layered structure to create nonvolatile semiconductor memory (retaining data even when the power source is switched off).

Note 14: Within the construction process for semiconductors utilizing a 3D structure, the manufacturing process for advanced specialist tuning, such as the requirements of post-film deposition etching, is becoming increasingly complex and sophisticated.

Given the circumstances described above, KKR believes that the corporate value of both businesses held by the Target Company (the video and communication solutions business and the thin-film process solutions business) may be further enhanced in their respective business environments as follows: (a) with regard to the video and communication solutions business, the Target Company can work towards business enhancement and optimization of management together with Hitachi and JIP (for specific measures, refer to "(b) Partial carve-out of the Target Company business (the thin-film process solutions business) to the Offeror, and partial transfer of the portion of the Target Company Shares (the video and communication solutions business) to Hitachi and HVJ" within "(iii) Record of events following August 9, 2017)" within "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" below), and (b) with regard to the thin-film process solutions business, the Target Company can utilize the global resources network, know-how, and rich investment experience in semiconductor-related fields provided by KKR.

(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror

(i) Record of events until April 26, 2017

Based on the foregoing and through internal discussions, the Target Company has concluded that it will be in the interest of enhancing the enterprise value of each business to pursue management optimization business separately rather than to respond to recent changes in the business environment from the overall viewpoint of enhancing the enterprise value of the Target Company as a whole. In mid-July 2016, as a result of discussions with Hitachi, its parent company, regarding the strategies and future policies for each of its businesses, the Target Company obtained Hitachi's agreement to consider a new capital partner and confirmed that the direction would be for Hitachi to consider selling the Target Company Shares in its possession, as necessary.

In the course of considering the implementation plan based on such policy, the Target Company considered selling its video and communication solutions business and thin-film process solutions business separately and individually, in light of their distinct features. However, the Target Company decided that, from the view of tax, business continuity, and enterprise value maximization as a listed company, selling the businesses separately may be difficult. Accordingly, in order for the capital relationship and management structure of the video and communication solutions business and the thin-film process solutions business to be reorganized after delisting the Target Company Shares (for details, please refer to the section titled "(iii) The decision-making process and reasons of the Target Company" below), the Target Company decided that a necessary condition for any bid would include the acquisition of all Target Company Shares, including those held by Hitachi. Further, taking into consideration the differences between the characteristics of the video and communication solutions business and the thin-film process solutions business, the Target Company decided to commence a bidding process with multiple potential purchasers and joint bidders who were only interested in either of the businesses, with the precondition of divesting the video and communication solutions business and the thin-film process solutions business after delisting. Under this framework, it was decided not to conduct a bilateral negotiation with each potential purchaser, but that bids would instead be solicited from multiple potential purchasers in order to provide shareholders with an opportunity to sell their shares at an appropriate price. In late September 2016, the Target Company and Hitachi commenced inquiries with multiple potential purchasers regarding the acquisition of all Target Company Shares, including those held by Hitachi. After discussions with the social innovation business of Hitachi Group, it was expected that the video and communication solutions business would have increasing opportunities for business expansion, and there was a strongly held view that after the Transaction the video and communication solutions business should maintain a capital relationship with Hitachi. In addition, as part of the Transaction, it was decided that the Target Company would receive a reinvestment from Hitachi as a minority shareholder as a precondition to the first stage of bidding, and the Target Company would continue the video and communication solutions business after granting the Offeror permission to divest the thin-film process solutions business.

From early October 2016 to mid-November 2016, KKR and other participants in the first round of bidding conducted preliminary due diligence on the Target Company's business and finances and interviewed its management, while the Target Company and Hitachi reviewed the outlook and management policies for the business to be acquired as presented by the respective potential purchasers. Upon receipt of the first proposals from multiple potential purchasers in mid-November 2016, the Target Company and Hitachi compared and examined the terms thereof.

Commencing in early December 2016, each potential purchaser that successfully passed the first round of bidding conducted full-scale due diligence on the Target Company's business, finances, legal affairs, and other factors, interview of its management, and further analyzed and examined the acquisition of the Target Company Shares. Each of the Target Company and Hitachi reviewed the future business operating policies and other characteristics of KKR and the other potential purchasers that participated in the second round of bidding in order to examine the suitability of new potential partners for the respective businesses. On February 13, 2017, in the proposal submitted during the second stage of the bidding process, KKR proposed to acquire all of the issued Target Company Shares (excluding the treasury shares held by the Target Company) for the share appraisal price of ¥195 billion through the following form of multistage acquisition: (i) KKR would acquire all Target Company Shares, excluding those held by Hitachi, through the Tender Offer and the subsequent Share Consolidation; and (ii) KKR would acquire the Target Company Shares held by Hitachi through a share repurchase by the Target Company after it became delisted following successful completion of the Tender Offer and the Share Consolidation.

The Target Company and Hitachi had discussions and negotiations regarding KKR's proposal, including concerning the Target Company's historical share price fluctuations, and received the advice of Nomura Securities Co., Ltd. ("Nomura Securities") and Credit Suisse Securities (Japan) Limited ("Credit Suisse Securities"), the financial advisors to the Target Company and Hitachi, respectively. KKR was also encouraged by the Target Company and Hitachi to increase its bid price and was requested to consider submitting a joint proposal with JIP (see Note 15), another potential purchaser for the video and communication solutions business that had submitted a proposal in the second stage of the bidding process.

Note 15: JIP was established in November 2002 and is a specialized Japanese carve-out (divestitures) fund which aims to develop private equity businesses engaged in the reorganization and restructuring of Japanese businesses. JIP has a track record of 20 investments, largely in manufacturers, spanning across a range of industries such as food, distribution, and services, through investments such as business carve-outs and MBOs.

Thereafter, after negotiating various terms and conditions, as a condition of the Offeror receiving the Hitachi Investments (as of early April 2017, estimated at ¥10.5 billion) for the preferred investment (preferred shares once the Offeror has changed its form of organization to a stock company), in early April 2017, KKR and JIP increased their share appraisal price to ¥215 billion and submitted a revised joint proposal providing that the video and communication solutions business would be reorganized as a merged company by and among KKR, JIP and Hitachi. During ongoing discussions and negotiations with KKR and JIP regarding the proposed terms, the Target Company and Hitachi decided that in order for the Target Company to reinforce its competitiveness and enhance its enterprise value, and in light of the economic feasibility of the terms and conditions of the revised joint proposal, including the tax impacts and business continuity, and the value of the Target Company Shares, KKR and JIP would be selected as the final Tender Offer candidates in early April 2017. The Target Company and Hitachi decided to proceed with negotiations in line with the proposal that the transaction would take the form of: (i) a divestiture of the Target Company's thin-film process solutions business through an absorption-type company split whereby the Offeror will be the succeeding corporation after the Target Company becomes a wholly-owned subsidiary of the Offeror, all of whose equity interests are held by the KKR Fund; and (ii) a transfer of 20% of the Target Company Shares by the Offeror to each of Hitachi and JIP.

Given that the aggregate value of the Target Company's shares would be ¥215 billion according to the revised joint proposal, if there was an increase in either the tender offer price or the price per share for the share repurchase, the other price would decrease, creating a conflict of interest between the Target Company's minority shareholders and Hitachi. Therefore, with the objective of determining a fair price, after considering the opinions of a third-party committee, the Target Company held discussions and negotiations with KKR and Hitachi regarding the tender offer price (the purchase price for the tender offer announced in the April 26, 2017 Offeror Press Release, the "Original Tender Offer Price") and the price per share for the share repurchase (the amount obtained by dividing the total price for the Hitachi Shares by the number of Hitachi Shares (53,070,129 shares) announced in the April 26, 2017 Offeror Press Release, the "Original Price Per Share for Share Repurchase") on several occasions from the middle of April 2017. As a result, on April 26, 2017, the Target Company, Hitachi, and KKR agreed to fix the Original Tender Offer Price at ¥2,503, and the Original Price Per Share for Share Repurchase at ¥1,710.34 (rounded to the third decimal place; the same shall apply hereafter).

In order to confirm that substantial negotiations were being conducted to raise the Original Tender Offer Price, Mr. Kenshiro Koto, a third-party committee member, attended the discussions and negotiations on the price mentioned above between the Target Company, Hitachi, and KKR.

Regarding the relationship between the Original Tender Offer Price and the Original Price Per Share for Share Repurchase, KKR explained to the Target Company that (i) setting the Original Price Per Share for Share Repurchase lower than the Original Tender Offer Price would make the Tender Offer an advantageous sales opportunity for the Target Company's minority shareholders, and (ii) with regard to Hitachi, by selling its Target Company Shares through the Share Repurchase, dividends could be excluded from taxable income and it would be possible for Hitachi to realize after-tax net proceeds comparable to what Hitachi would have received from tendering into the Tender Offer. The Target Company confirmed the basis for the estimated tax effects on Hitachi regarding the Original Price Per Share for

Share Repurchase, and the Target Company made independent calculations and confirmed that the effective after-tax net proceeds, including the tax effects regarding the deemed dividend per share for Hitachi through the Share Repurchase, would not exceed the after-tax net proceeds that would have been received in conjunction with the Original Tender Offer Price.

Having agreed with the Target Company, Hitachi and JIP on the appraisal value of the Target Company Shares, the implementation of the Share Repurchase, and the scheme and terms of the Transaction including the value thereof, the Offeror executed the Original Basic Agreement with Hitachi and HVJ on April 26, 2017. The Offeror also decided to implement the Tender Offer once the Conditions Precedent to the Tender Offer had been satisfied (or waived by the Offeror) and determined that the Original Tender Offer Price would be ¥2,503. The Original Tender Offer Price of ¥2,503 and the Original Price Per Share for Share Repurchase of ¥1,710.34 were determined based on KKR's and JIP's proposals and the discussions and negotiations between the Target Company and Hitachi, and between KKR and JIP. As stated above, the revised joint proposal from KKR and JIP was submitted with receipt of the Hitachi Investments (as of early April 2017, estimated at ¥10.5 billion) for the preferred investment (preferred shares once the Offeror has changed its form of organization to a stock company) as a condition.

(ii) Record of events through August 9, 2017

Because the procedures and actions regarding approvals and authorizations required under domestic and overseas competition acts, and other laws and regulations, were completed and it appeared that the Conditions Precedent to the Tender Offer would soon be satisfied, as announced in the August 9, 2017 Offeror Press Release, we informed the Target Company of our intention to commence the Tender Offer on August 10, 2017, on the premise that the Conditions Precedent to the Tender Offer had been satisfied as of July 19, 2017.

In response, according to the correspondence received by the Offeror from the Target Company on August 9, 2017, the third-party committee was requested by the Target Company to inquire as to whether there had been any changes to the decision it had made in its April 26, 2017 Report (as defined in "(iii) The decision-making process and reasons of the Target Company" below) to the Board of Directors of the Target Company, and it was also requested to report its revised opinion (if any) to the Board of Directors of the Target Company or, if there was no change, to that effect. The third-party committee consulted with the Board of Directors of the Target Company on August 9, 2017, with regard to the request and submitted a report (the "August 9, 2017 Report") stating that it did not need to change its decision in the April 26, 2017 Report regarding Matter of Inquiry No. 1 (as defined in "(iv) The Target Company has established a third-party committee and has obtained an opinion" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below) and Matter of Inquiry No. 2 (as defined in "(iv) The Target Company has established a third-party committee and has obtained an opinion" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below) but as of August 9, 2017, it was difficult to reach a decision regarding Matter of Inquiry No. 3 (that the Original Tender Offer Price and the Original Price Per Share for Share Repurchase were legitimate and proper), and that is was therefore also difficult to maintain its decision regarding Matter of Inquiry No. 4 (as defined in "(iv) The Target Company has established a third-party committee and has obtained an opinion" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below) in the April 26, 2017 Report because it had been based on the decision regarding Matter of Inquiry No. 3 of the April 26, 2017 Report.

Accordingly, on August 9, 2017, the Offeror was contacted by the Target Company, which informed the Offeror that the third-party committee had made the abovementioned changes to the opinion that it had delivered to the Target Company Board of Directors on April 26, 2017.

Thereafter, on the August 9, 2017 Report, which replaced the April 26, 2017 Report that had had an affirmative opinion on the Matters of Inquiry (as defined in "(iv) The Target Company has established a third-party committee and has obtained an opinion" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below) and because the Conditions Precedent to the Tender Offer were not satisfied, as of August 9, 2017, the Offeror decided not to commence the Tender Offer in early August 2017.

(iii) Record of events following August 9, 2017

From August 9, 2017, the Offeror has been examining the tender offer price and other conditions pertaining to the Tender Offer, including the "Notice on the Revision of Earnings Forecast" announced by the Target Company on July 26, 2017 ("the July 26 Revised Earnings Forecast"). Based on this review, on September 5, 2017, the Offeror informed the Target Company of its intention to increase the Tender Offer Price from the Original Tender Offer Price (¥2,503) to around ¥2,750 and to increase the Price Per Share for Share Repurchase from the Original Price Per Share for Share Repurchase (¥1,710.34) to around ¥1,810. In response to this, the Offeror was told by the Target Company that Target Company's status of business results and outlook for orders received through August 2017 would continue to exceed the July 26 Revised Earnings Forecast and that there was a possibility of upward revision of the forecast business results. Thereafter, the Offeror and the Target Company engaged in further discussions reflecting their mutual recognition that the operating results and financial condition of the Target Company are tied to and impacted by the volatility of the semiconductor industry, which is in turn driven by sudden increases in the gap between supply and demand, collapses in the price of products, and restraints on investments in facilities. Accordingly, on September 26, 2017, the Offeror informed the Target Company of its intention to commence the Tender Offer in early October 2017, on the premise of raising the Original Tender Offer Price (¥2,503) to the Tender Offer Price (¥2,850) as well as the Original Price Per Share for Share Repurchase (¥1,710.34) to the Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,850).

Having been informed by the Offeror of its intention to raise the Tender Offer Price as described above, considering the opinions of the third-party committee, the Target Company presented to the Offeror the tentative figures set forth in the "Notice on the Revision of Earnings Forecast" announced today by the Target Company (the "October 11 Revision of Earnings Forecast"), and discussed and negotiated with the Offeror and Hitachi as to the tender offer price and the price per share for share repurchase (pre-share consolidation) on several occasions, taking into account the October 11 Revision of Earnings Forecast and the trends in the semiconductor manufacturing equipment industry that caused such revisions of earnings forecasts (including the "Notice on the Revision of Earnings Forecast" announced by the Target Company on July 26, 2017 (the "July 26 Revision of the Earnings Forecast") as well as the prospect of the Tender Offer. As a result of such discussions and negotiations, on October 4, 2017, the Offeror presented the final proposal to the Target Company and Hitachi setting the tender offer price at ¥2,900 and the price per share for share repurchase (pre-share consolidation) at ¥1,870, on the condition that the Target Company would recommend the Target Company's shareholders to tender their shares into the Tender Offer. Given that, considering the opinions of the third-party committee, the Target Company examined the appropriateness of the Tender Offer Price. As a result, on October 11, 2017, the Target Company, Hitachi and KKR agreed to fix the Tender Offer Price at ¥2,900 and the Price Per Share for Share Repurchase (Pre-Share Consolidation) at ¥1,870.

In order to confirm that discussions and negotiations were conducted to match the interests of minority shareholders, Mr. Kenshiro Koto, a third-party committee member, attended the negotiations on the prices and other terms and conditions between the Target Company and Hitachi. As a result, the amount of the increase (¥159.66) from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,710.34) to the Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,870) from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,710.34), which is smaller than the increase from the Original Tender Offer Price (¥2,503), where the amount of increase from the Original Tender Offer Price (¥2,503) to the Tender Offer Price (¥2,900) is ¥397.

Since April 26, 2017, the date on which the Tender Offer was announced, there has been no competitive acquisition proposal made by a third party other than KKR, considering the tender offer price and the certainty of implementation of the transaction.

As a result, the Offeror, Hitachi, and JIP executed the Memorandum of Amendment on October 11, 2017, with the understanding that the Tender Offer Price and the Price Per Share for the Share Repurchase (Pre-Share Consolidation) would be raised.

The Basic Agreement contemplates divesting the Target Company's thin-film process solutions business through an absorption-type company split whereby the Offeror will be the succeeding corporation after the Target Company becomes the Offeror's wholly-owned subsidiary, and a subsequent partial transfer of the Target Company Shares by the Offeror to Hitachi and HVJ. The following procedures are part of the Transaction and will be implemented after the completion of the Tender Offer and after the Share Consolidation takes effect.

(a) Capital Reduction and the Share Repurchase by the Target Company

According to the Target Press Releases, the Target Company determined that the Transaction would be in the interest of enhancing its enterprise value based on KKR's proposal. Accordingly, as part of the Transaction, after successful completion of the Tender Offer and the subsequent Share Consolidation taking effect, the Target Company will implement the Share Repurchase at the total amount obtained by deducting the amount to be distributed to Hitachi in the Share Consolidation from ¥ 99,241,141,230 , which is the total price for the Hitachi Shares, and will acquire all the Target Company Shares owned by Hitachi at the time. The per-share price ("Price Per Share for Share Repurchase (Pre-Share Consolidation)") of 1,870¥, which is the per share amount obtained by dividing ¥ 99,241,141,230 , the total price for the Hitachi Shares, by the number of Hitachi Shares (53,070,129 shares), is ¥1,030 less than the Tender Offer Price of ¥2,900.

In addition, the Target Company intends to conduct the Capital Reduction at the time of the Share Repurchase.

Based on the Offeror's proposal, the Target Company intends to reduce its capital, capital reserve, and profit reserve pursuant to Article 447, paragraph (1), and Article 448, paragraph (1) of the Companies Act, to transfer all or part of the capital and capital reserve so reduced to "other capital surplus" and to transfer the full amount of the profit reserve so reduced to "profit surplus carried forward," subject to successful completion of the Tender Offer and the subsequent Share Consolidation taking effect, in order to secure the distributable funds required for the Share Repurchase. The Target Company intends to hold an extraordinary general shareholders meeting with an agenda that includes a proposal for the Capital Reduction and the Share Repurchase by late March 2018 after the Offeror and Hitachi have become the sole shareholders of the Target Company through successful completion of the Tender Offer and effectuation of the Share Consolidation.

(b) Partial carve-out of the Target Company business (the thin-film process solutions business) to the Offeror, and partial transfer of the portion of the Target Company Shares (the video and communication solutions business) to Hitachi and HVJ

The Offeror intends to carve out the Target Company's thin-film process solutions business through a summary form absorption-type company split in accordance with Article 784, paragraph (1) of the Companies Act, with the Offeror as the succeeding company, on the business day following completion of the Share Repurchase, in order to implement the optimal growth strategy and structural reform for each of the video and communication solutions business and the thin-film process solutions business. The Offeror has also agreed under the Basic Agreement to transfer, on the business day immediately following the Company Split, 20% of the portion of the Target Company Shares (the video and communication solutions business) it holds as of that date, to each of Hitachi and to HVJ (the share transfer to Hitachi the "Partial Share Transfer (Hitachi)," and the share transfer to HVJ the "Partial Share Transfer (HVJ)"; together, the "Partial Share Transfers") for ¥8.768 billion, in each case. Accordingly, the Offeror, Hitachi and HVJ will hold 60%, 20% and the remaining 20%, respectively, of the Target Company Shares (the video and communication solutions business) after the completion of each of the above transfers. In addition, the transfer price for each 20% block of these Target Company Shares (the video and communication solutions business) will be ¥8.768 billion, as proposed by KKR and JIP and determined by discussions and negotiations between Hitachi, KKR and JIP.

(iii) The decision-making process and reasons of the Target Company

(i) Process leading to and reasons for the board resolution regarding the announcement of opinion dated April 26, 2017

The Target Company, with a view to increasing the Target Company's competitiveness and enhancing its enterprise value as described in "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" above, discussed with Hitachi (its parent company) the strategies and future policies for its video and communication solutions business and thin-film process solutions business, and the Target Company confirmed that Hitachi would consider selling the Target Company Shares in its possession, as necessary. The Offeror has executed the Original Basic Agreement with Hitachi and HVJ and as part of the Transaction, the Tender Offer would be effected subject to the Target Company acquiring the Target Company Shares held by Hitachi; and after the Target Company has become the Offeror's wholly-owned subsidiary and following the Company Split such that the Target Company would engage only in the video and communications solutions business, a portion of the shares of the Target Company would be transferred to Hitachi. In light of such phased transaction structure, the Target Company concluded that the Transaction, including the Tender Offer, would be equivalent to a transaction with its controlling shareholder. The Target Company then carefully examined the proposed terms and conditions of the Transaction from the perspective of enhancing enterprise value. In doing so, the Target Company (a) implemented the measures described in the section below titled "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer," (b) took into account the share valuation report obtained from a third party financial advisor, Nomura Securities, and legal advice from the Target Company's legal advisor, Torikai Law Office, and (c) took into full consideration the report (the "April 26, 2017 Report") submitted by the third-party committee established by the Target Company to serve as an advisory body to the Target Company's board of directors in examining the proposal concerning the Transaction. For details regarding the members of the third-party committee and the matters of inquiry, please refer to the section titled "(iv) The Target Company has established a third-party committee and has obtained an opinion" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer."

In mid-November 2016, the Target Company received the first bid proposal from KKR, which had participated in the aforementioned bidding process, and the Target Company also received proposals and amended proposals several times thereafter, and examined such proposals each time. Specifically, the Target Company discussed and negotiated terms and conditions of the Transaction, including the Share Repurchase, with KKR and JIP as stated in "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" within "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" above. As a result, the Target Company has decided that, in response to changes in the current business environment surrounding each of its businesses, establishing a more flexible management system by utilizing KKR's know-how and resources will contribute to further enhancement of the Target Company's enterprise value, in order to carry out drastic structural reform in the video and communication solutions business, perform portfolio transformation, including business selection and concentration, and accelerate upfront investment that is essential for growth of the thin-film process solutions business.

As stated above, in the video and communication solutions business, there is the urgent task of strongly promoting a growth strategy through shifting from systems products to the solutions business and expanding its global businesses, as well as reform of business and cost structures. In order to continue to establish a stable business foundation even under severe circumstances, it is necessary to implement more drastic structural reform, such as portfolio transformation and proper allocation of human resources in both domestic and overseas operations, in addition to structural reform, such as ongoing structural reform of its overseas operations and the special offering of an early retirement incentive program for its domestic operations. If the Target Company remains listed, a considerable amount of costs incurred by drastic structural reform may adversely affect its share price and may prejudice its shareholders. Therefore, with the understanding that it is best for its video and communication solutions business to create a business operating system with a medium- to long-term outlook with the cooperation of its new partners, KKR and JIP, in order to promptly establish a capital structure and management system suitable to push through the above measures, accepting the business risk of a temporary slowdown in its performance and without being affected by the fluctuation in its performance in the short term, the Target Company has investigated the possibility of privatizing that business.

While the Target Company considers it important to make further upfront investments in the thin-film process solutions business in the future, which is in a business environment subject to a rapid technology innovation and intense development, it is difficult to operate its business only from the thin-film process solutions business perspective under the current management system that includes the video and communication solutions business with no business synergies. As such, in order to contribute to the enhancement of the enterprise value of the thin-film process solutions business, the Target Company has recognized the need to establish a stable organizational structure specialized in the thin-film process solutions business with new partners with which it will be able to operate its thin-film process solutions business solely from the perspective of that business, and to become independent as a new business entity and a “manufacturer dedicated to semiconductor manufacturing equipment” with a strong position in the thin-film and thermal processes businesses. The Target Company also considers that while it will be required to establish a system as an independent business entity, such as reconstructing its management system, in becoming independent as a new business entity it will need to work to develop such a system after implementing the privatization as it does not have a system to operate its businesses while remaining listed. The Target Company recognizes that it will be required to consider not only development investment in its thin-film and thermal process, but also business development including collaboration with other companies in the same industry that do not engage in thin-film processing, as the integration between semiconductor manufacturing processes is anticipated to become even more difficult in the medium- to long-term with each manufacturing process of semiconductors becoming complicated. The Target Company has thus decided to examine the possibility of privatizing that business, considering that it will be imperative to establish a more flexible decision-making system suitable for the current industry environment in order to pursue becoming one of the global leaders in the semiconductor manufacturing equipment industry.

Further, with respect to the Original Tender Offer Price, in light of the facts, including those stated below, the Target Company determined that the Tender Offer would provide its shareholders with a reasonable opportunity to sell their shares.

(i) Among the calculation results of the value of the Target Company Shares made by Nomura Securities described in the April 2017 Share Valuation Report (as defined in “(ii) The Target Company has procured a share valuation report from an independent third-party financial advisor” within “(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” below) set forth in “(ii) The Target Company has procured a share valuation report from an independent third-party financial advisor” within “(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” below, the Tender Offer Price exceeds the maximum calculation results based on the average market price method (Reference Date 1), the average market price method (Reference Date 2) and the comparable company method, and is within the range of calculation results based on the discounted cash flow method (the “DCF Method”);

(ii) The Tender Offer Price is the amount calculated by adding 38.98% (rounding off to the second decimal place; hereinafter the same for the calculation of the premium rate or discount rate, as the case may be) to the closing price (¥1,801) of the Target Company Shares on the First Section of the TSE as of October 3, 2016 before media speculations regarding Hitachi’s sale of its Company Shares were released (after the close of trading hours on October 3, 2016), 38.29% to the simple average closing price (¥1,810) (rounded off to the closest whole number; hereinafter the same for the calculation of the simple average closing price), 42.87% to the simple average closing price (¥1,752), and 59.12% premiums to the simple average closing price (¥1,573) for the one-month, three-month, and six-month periods up to October 3, 2016, 3.60% to ¥2,416, which was the closing price of the Target Company Shares at the TSE as of April 25, 2017, which was the business day immediately preceding the date on which the Tender Offer is announced, 2.92% to ¥2,432, which was the simple average closing price for the last one month, 0.04% to ¥2,502, which was the simple average closing price for the last three months and 4.07% premiums to the simple average closing price (¥2,405) for the last six months;

(iii) Measures to ensure the fairness of the Tender Offer have been taken as described in "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below and it is recognized that the interests of the minority shareholders have been taken into consideration; and

(iv) The price was established after taking measures to ensure the fairness of the Tender Offer.

Note 16: Because the price for the 20% portion of the Target Company Shares after the Company Split to be transferred by the Offeror to Hitachi in the Partial Share Transfer (Hitachi) (¥8.768 billion) is equal to the price for the 20% portion of the Target Company Shares after the Company Split to be transferred by the Offeror to HVJ in the Partial Share Transfer (HVJ) (¥8.768 billion), and this price reflects negotiations between the Offeror and HVJ, an independent party, it can be recognized that the agreement does not intend that Hitachi will enjoy benefits that other minority shareholders cannot obtain as a result of the Target Company's repurchase of the Hitachi Shares at a price lower than a fair price.

Therefore, the Target Company believes that the implementation of the Transaction, including the Tender Offer, by the Offeror will enhance the enterprise value of the Target Company, and, given items (i) through (iv) listed above, the Original Tender Offer Price is valid. However, although the Target Company believes that the effect of speculative media reports on the share price should be excluded from consideration, given the fact that the speculative media reports caused a rapid increase in the Target Company's share price as listed on the First Section of the TSE and resulted in the share price exceeding the Original Tender Offer Price for a certain period, and that the premium is low compared to premiums offered in precedent tender offers for securities of other issuers according to information provided by Nomura Securities, the Target Company decided to take a neutral position with regard to whether or not to recommend that all shareholders of the Target Company tender into the Tender Offer and decided that it is appropriate to leave the decision of whether or not to tender into the Tender Offer to the Target Company's shareholders. Based on the above, at the Board of Directors' meeting of the Target Company held on April 26, 2017, it was resolved at that time that the then-current opinion of the Target Company was that if the Tender Offer commenced, then the Target Company would express its opinion in support of the Tender Offer and would leave the decision of whether or not to tender into the Tender Offer to the Target Company's shareholders.

(ii) Process leading to and reasons for the board resolution regarding today's opinion announcement

Since the Offeror informed the Target Company on September 5, 2017 of its intention to raise the Tender Offer Price to approximately ¥2,750 from the Original Tender Offer Price (¥2,503) and the Price Per Share for Share Repurchase (Pre-Share Consolidation) to approximately ¥1,810 from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,710.34), as described in "(iv) The Target Company has established a third-party committee and has obtained an opinion" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below, the Target Company carefully deliberated the terms and conditions of the Tender Offer while respecting the contents of the report submitted as of October 11, 2017 by the third-party committee established by the Target Company (the "October 11, 2017 Report").As a result of the deliberation, considering the fact that the Target Company has announced during the period from April 26, 2017 until today "Financial Statements for the First Quarter Ended June 30, 2017 (IFRS) (Consolidated)", the "Fiscal Year 2017 Ending March 31, 2018, Supplementary Material of Financial Statements for the First Quarter Ended June 30, 2017 (IFRS) (Consolidated)" and the July 26 Revised Earnings Forecast, and October 11 Revision of Earnings Forecast, and having comprehensively taken into account the trends in the semiconductor manufacturing equipment industry that caused such revision of the earnings forecast and the prospect of the Tender Offer, the Target Company determined that the Tender Offer Price should be higher than the Original Tender Offer Price (¥2,503). The Company held discussions and negotiations with KKR and Hitachi regarding the Tender Offer Price and the Price Per Share for Share Repurchase (Pre-Share Consolidation) on several occasions. As a result, the Target Company, Hitachi and KKR agreed to fix the Tender Offer Price at ¥2,900 on October 11, 2017.

Additionally, with respect to the Tender Offer Price, in light of the facts, including those stated below, the Target Company determined that the Tender Offer would provide its shareholders with a reasonable opportunity to sell their shares.

(i) Among the calculation results of the value of the Target Company Shares made by Nomura Securities described in the October 2017 Share Valuation Report (as defined in "(ii) The Target Company has procured a share valuation report from an independent third-party financial advisor" under "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below) set forth in "(ii) The Target Company has procured a share valuation report from an independent third-party financial advisor" under "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below, the Tender Offer Price exceeds the maximum amount of calculation results based on the average market price method (Reference Date 2) and exceeds the upper limit of calculation results based on the average market price method (Reference Date 3), and is within the range of calculation results based on the comparable company method and the DCF Method;

(ii) As stated in the section titled "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below, measures to ensure the fairness of the Tender Offer have been established and it is recognized that the interests of minority shareholders have been taken into consideration;

(iii) The price was determined after measures were implemented to ensure the fairness of the Tender Offer;

(iv) It is not likely to continually record the anticipated level of income of the Company for the fiscal year ending March 31, 2018 and the fiscal year ending March 31, 2019, which is driven by the extremely strong investment demand for the semiconductor manufacturer, after the fiscal year ending March 31, 2019;

(v) Delay in the Transaction may impair the Target Company's enterprise value, while the Target Company strongly recognizes that, in order for the Target Company to further improve its enterprise value, it is essential and is its urgent need to promote drastic structural reform in the video and communication solutions business and to transform its business portfolio through this Transaction, and establish a more flexible decision-making framework in the thin-film process solutions business that would accelerate upfront investment;

(vi) The Company has obtained the consent from Hitachi to, in addition to the Price Per Share for Share Repurchase (Pre-Share Consolidation), the preconditions to the Transaction, including reinvestment by Hitachi as a minority shareholder in the Target Company which will be engaged in the video and communication solutions business following the completion of the Transaction;

(vii) Since April 26, 2017, the date on which the Tender Offer was announced, more than five months have already passed. However, no acquisition proposal has been made by a third party that is competitive compared to KKR's proposal considering the various perspectives of the tender offer price and the certainty of implementation of the transaction; and

(viii) The Tender Offer will provide all minority shareholders with an opportunity to sell their shares off the market at the same price without impacting the market price of the shares.

With respect to the decision regarding the recommendation to the Target Company's shareholders on tendering their shares into the Tender Offer, the Target Company has comprehensively taking into account (a) the fact that, although (ix) the level of premium is considered to be lower than or discounted from that of the past tender offer transactions for shares or similar securities by non-issuer purchasers and (x) the market share price of the Target Company on the First Section of the TSE has been greater than the Tender Offer Price for a certain period, it is difficult to recreate the same conditions that existed at the time of the announcement of the Tender Offer on April 26, 2017, and (b) the factors described in (i) to (viii).

Based on the above, the Target Company resolved on April 26, 2017 at its Board of Directors meeting that the Target Company would express its opinion supporting the Tender Offer, and that it would leave the decision of whether or not its shareholders should tender their shares in the Tender Offer to the discretion of the shareholders. However, having considered the facts stated above, at the Board of Directors meeting held on October 11, 2017, the Board of Directors, in addition to expressing its decision to keep its opinion supporting the Tender Offer unchanged, also recommended the Target Company's shareholders to tender their shares in the Tender Offer.

Also, as of today, as described in "(i) Record of events until April 26, 2017", the Target Company believes that the Offeror by executing the Transaction, which includes the Tender Offer, will contribute to an increase in the corporate value of the Target Company.

Both the resolution of the Target Company's Board of Directors dated April 26, 2017 and the resolution of the Target Company's Board of Directors today were passed using the method described in "(v) The Transaction has received the unanimous approval of the directors with no interest in the Target Company" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below.

For additional details of resolutions of the Target Company's Board of Directors from its meetings held on April 26, 2017 and October 11, 2017, please refer to "(v) The Transaction has received the unanimous approval of the directors with no interest in the Target Company" within "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" below.

(iv) Post-Tender Offer management policy

After the Target Company becomes a wholly-owned subsidiary of the Offeror, the Target Company's thin-film process solutions business will be succeeded to by the Offeror through the Company Split, and after the Partial Share

Transfers, each of the Offeror, Hitachi, and HVJ will hold the portion of the Target Company Shares (the video and communication solutions business), as stated in “(b) Partial carve-out of the Target Company business (the thin-film process solutions business) to the Offeror, and partial transfer of the portion of the Target Company Shares (the video and communication solutions business) to Hitachi and HVJ” within “(iii) Record of events following August 9, 2017)” within “(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror” above and “(3) Material agreements regarding the Tender Offer” below. KKR aims to further improve the enterprise value of both the thin-film process solutions business and the video and communication solutions business. Specifically, in the thin-film process solutions business, KKR will leverage its global resources, know-how, and its wealth of investment experience in the semiconductor-related segments. In the video and communication solutions business, KKR will work toward business reinforcement and increased management efficiency, together with Hitachi and JIP.

Additionally, after the Transaction, the Offeror, HVJ and Hitachi intend to appoint a total of four directors of the Target Company (the video and communication solutions business), with the Offeror appointing one director, HVJ appointing two directors (including one representative director), and Hitachi appointing one director.

(3) Material agreements regarding the Tender Offer

(i) Original Basic Agreement

The Offeror has executed the Basic Agreement with Hitachi and HVJ in connection with the Tender Offer, and Hitachi has agreed not to tender into the Tender Offer the Hitachi Shares.

Under the Basic Agreement, the Offeror, Hitachi and HVJ agreed as follows: (i) a portion of the financing needed for the settlement of the Tender Offer is to come from the First JIP Advance Payment by HVJ and the First Hitachi Investment by Hitachi (an amount reasonably designated by the Offeror up to ¥50 billion) (see Note 17); (ii) if the Tender Offer is successfully completed but the Offeror is unable to acquire all of the Target Company Shares (excluding the treasury shares held by the Target Company and the Hitachi Shares), the Offeror will request that the Target Company implement the Share Consolidation; (iii) Hitachi will make the Second Hitachi Investment as part of the financing needed for the settlement of the acquisition of the Target Company Shares equal to the total number of any fractional shares resulting from the Share Consolidation; (iv) for the Share Repurchase, Hitachi will transfer all of the Target Company Shares then owned by Hitachi to the Target Company at the total amount obtained by deducting the amount distributed to Hitachi in the Share Consolidation from ¥99,241,141,230, which is the total price for the Hitachi Shares, subject to the condition that the Offeror and Hitachi become the sole holders of all of the Target Company Shares (excluding the treasury shares held by the Target Company) as a result of the Tender Offer and the Share Consolidation (the “Squeeze-out”); (v) the Offeror, Hitachi, and HVJ will request that the Target Company undergo the Capital Reduction, subject to the Squeeze-out, in order to secure the distributable funds required to implement the Share Repurchase; (vi) the Target Company’s thin-film process solutions business will be succeeded to by the Offeror through the Company Split, subject to the implementation of the Share Repurchase; (vii) the Offeror will transfer 20% of the Target Company Shares (the video and communication solutions business) to each of Hitachi and HVJ through the Partial Share Transfers after the Company Split takes effect; and (viii) following the Partial Share Transfers, the related parties will operate the Target Company (the video and communication solutions business). Under the Basic Agreement, Hitachi is not to tender the Hitachi Shares into the Tender Offer. However, if any person other than the Offeror commences a tender offer for the Target Company Shares by the last day of the Tender Offer Period at a purchase price exceeding the Tender Offer Price by 5% or more without setting a limit on the maximum number of shares to be purchased, then Hitachi may tender into that tender offer.

On October 11, 2017, the Offeror executed an agreement providing for the Partial Share Transfer (Hitachi) with Hitachi and an agreement providing that Hitachi shall deposit ¥8.768 billion with the Offeror on the business day before the implementation date of the Share Repurchase or a day separately agreed by the Offeror and Hitachi.

Note 17: As stated in "(1) Summary of the Tender Offer", regarding the class A preferred shares to be issued to Hitachi by the Offeror through the Hitachi Investments (¥13 billion), such preferred shares will be non-voting shares and will not have any attached rights to obtain options to acquire common stock or voting rights in the Offeror. For the background leading to the Hitachi Investments, refer to "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" within "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" above.

(ii) Agreement for the Hitachi Investments

The Offeror executed a new share subscription agreement with Hitachi on October 11, 2017, providing as follows: (i) the Offeror shall, on the day reasonably designated by the Offeror during the period before the commencement date of settlement for the Tender Offer, issue the class A preferred shares to Hitachi in a number obtained by dividing the amount reasonably designated by the Offeror up to ¥50 billion (the "First Subscription Price") by ¥100 which is the amount to be paid in per share of the class A preferred shares (see Note 18), and Hitachi shall pay the First Subscription Price to the Offeror (such investment by Hitachi the "First Hitachi Investment"), (ii) the Offeror shall, on the business day before the settlement date for the Squeeze-Out or a day separately agreed by the Offeror and Hitachi in writing, issue the class A preferred shares to Hitachi in a number obtained by dividing the amount of ¥130 billion minus the First Subscription Price (the "Second Subscription Price") by ¥100 which is the amount to be paid in per share of the class A preferred shares, and Hitachi shall pay the Second Subscription Price to the Offeror (such investment by Hitachi the "Second Hitachi Investment" and together with the "First Hitachi Investment," the "Hitachi Investments"), (iii) the Offeror may acquire all or part of the class A preferred shares owned by Hitachi in exchange for paying the Preferred Shares Acquisition Price (see Note 19) per share of the class A preferred shares to Hitachi at any time after the first subscription date, and (iv) if six years elapse after the first subscription date and there is any change in control with regard to the Offeror, Hitachi may request that the Offeror acquire all or a portion of the class A preferred shares owned by Hitachi in exchange for cash payment equivalent to the Preferred Shares Acquisition Price per share of the class A preferred shares.

Note 18: The class A preferred shares will be non-voting shares and will not have any attached rights to obtain options to acquire common stock or voting rights in the Offeror.

Note 19: "Preferred Shares Acquisition Price" means the amount calculated by the following formula (hereinafter the same):

Preferred Shares Acquisition Price =

Basic Acquisition Price (see Note 20) - Deduction Price (see Note 21)

Note 20: "Basic Acquisition Price" means the amount calculated by the following formula. In the following formula, "p" and "p'" mean the number of days for the period from the payment date (inclusive) to the acquisition date (inclusive) as expressed by "p years and p' days."

$$\text{Basic Acquisition Price} = \text{Amount to be paid in per class A preferred share} \times 1.06^{p+\left(\frac{p'}{365}\right)}$$

Note 21: "Deduction Price" means the amount calculated by the following formula. In the following formula, "q" and "q'" mean the number of days from the date determined by resolution that the Resolved Preferred Dividends should be paid (inclusive) to the acquisition date (inclusive) as expressed by "q years and q' days." "Resolved Preferred Dividends" means the preferred dividends that were resolved to be paid to the shareholders or the registered pledgees of the class A preferred shares on the dividend payment date that is any day during the period until the acquisition date (inclusive). If a resolution is adopted on several occasions, the Dividend Price shall be the sum of the amounts calculated by the following formula with regard to the Resolved Preferred Dividends pertaining to each resolution:

$$\text{Deduction Price} = \text{Resolved Preferred Dividends per share}^{q+\left(\frac{q'}{365}\right)}$$

(iii) Partial Share Transfer Agreement (HVJ)

The Offeror executed a share transfer agreement with HVJ on October 11, 2017 (the "Partial Share Transfer Agreement (HVJ)"), as follows: (i) the Offeror shall transfer to HVJ 20% of the Target Company Shares (video and communication solutions business) by the Partial Share Transfer (HVJ) after the Share Repurchase takes effect, (ii) HVJ shall pay the amount designated by the Offeror up to ¥4 billion (the "First JIP Advance Payment Amount") to the Offeror by the First JIP Advance Payment by the day that is any day during the period until two business days before the commencement date of settlement for the Tender Offer and separately agreed by the Offeror and HVJ, and (iii) HVJ shall pay the amount obtained by deducting the First JIP Advance Payment Amount from ¥8.768 billion to the Offeror by the Second JIP Advance Payment on the day that is any day during the period until the business day before the effective date of the Share Repurchase and separately agreed by the Offeror and HVJ.

(iv) Shareholders' agreement

The Offeror executed a shareholders' agreement with Hitachi and HVJ on October 11, 2017, and they agreed on the management structure of the Target Company (video and communication solutions business), the handling of the Target Company Shares, and the like, after the Transaction.

(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Due to the fact that (i) the Offeror has entered into the Basic Agreement with Hitachi, the controlling shareholder (parent company) of the Target Company, and (ii) as part of the Transaction, (a) the Tender Offer would be effected in order for the Offeror to acquire the Target Company Shares other than those held by the Target Company and Hitachi and (b) through the Company Split, Hitachi would acquire from the Offeror a part of the shares in the Target Company that would engage only in the video and communication solutions business after it has become the Offeror's wholly-owned subsidiary, and that part of the amount required for the settlement of the Tender Offer and part of the acquisition price for the total number of fractional Target Company Shares accrued from the Share Consolidation will be covered by the Hitachi Investments, the following measures have been implemented to ensure the fairness of the Tender Offer Price and avoid conflicts of interest.

The description of the measures implemented by the Target Company included in the description below is based on explanations received from the Target Company.

(i) Implementation of the bidding procedures

According to the Target Press Releases, in late September 2016, the Target Company commenced inquiries with multiple potential purchasers, through Nomura Securities and Credit Suisse Securities, regarding the acquisition of all Target Company Shares, and the Target Company received proposals for acquisition of the Target Company Shares from multiple potential purchasers. However, there were no potential purchasers that proposed terms and conditions for the Tender Offer, including the Tender Offer Price and the certainty of implementation of the Transaction, more favorable to the Target Company's shareholders than those presented by KKR.

(ii) The Target Company has procured a share valuation report from an independent third-party financial advisor

In order to express an opinion regarding the Tender Offer, the Target Company had the share value of the Target Company calculated by Nomura Securities, a third-party financial advisor independent from the Target Company and the Offeror, and obtained share valuation reports on April 25, 2017 and October 10, 2017 (the "April 2017 Share Valuation Report" and the "October 2017 Share Valuation Report," respectively; and collectively, the "Share Valuation Reports"). Nomura Securities is not a related party of the Target Company or the Offeror and does not have any material interest in the Target Company or the Offeror with respect to the Transaction, including the Tender Offer. The Company has not obtained a fairness opinion regarding the Original Tender Offer Price and the Tender Offer Price.

In gathering and examining information necessary to calculate the share value of the Target Company, Nomura Securities has obtained information such as the current condition and future forecast of the business of the Target Company and received explanations from the Target Company's management, and calculated the share value of the Target Company based on such information.

Nomura Securities calculated the value of the Target Company Shares by using (a) the average market share price method, as the Target Company shares are listed on the First Section of the TSE and therefore have a market price, (b) the comparable company method, as there are certain number of listed companies which are comparable with and similar to the Target Company and it is possible to draw analogies with the share prices of comparable companies, and (c) the DCF Method to reflect the condition of future business activities in the appraisal.

(i) Summary of the April 2017 Share Valuation Report

The value ranges per Target Company Share as calculated by using the aforementioned methods in the April 2017 Share Valuation Report are as provided below.

Average market share price method (Reference Date 1): ¥1,573 to ¥1,837

Average market share price method (Reference Date 2): ¥2,392 to ¥2,502

Comparable company method: ¥1,759 to ¥2,433

DCF Method: ¥2,296 to ¥2,627

Based on the average market share price method, (a) in order to exclude any impact on the share price from speculative media reports regarding Hitachi's sale of its shares of the Target Company (released after the close of trading hours on October 3, 2016), using October 3, 2016 ("Reference Date 1"), the last day on which trading was conducted before the speculative media reports were released, as the reference date, the per-share value of the Target Company Shares has been estimated to range from ¥1,573 to ¥1,837, based on (i) the closing price on Reference Date 1 (¥1,801), and (ii) the simple average closing prices (¥1,837, ¥1,810, ¥1,752, and ¥1,573), of the Target Company Shares on the First Section of the TSE for the one-week, one-month, three month, and six-month periods up to Reference Date 1, and (b) using April 25, 2017 (the "Reference Date 2"), which is the business day immediately preceding the date on which the Tender Offer was announced (April 26, 2017), the per-share value of the Target Company Shares has been estimated to range from ¥2,392 to ¥2,502, based on (i) the closing price on Reference Date 2 (¥2,416), and (ii) the simple average closing prices (¥2,392, ¥2,432, ¥2,502, and ¥2,405), of the Target Company Shares on the First Section of the TSE for the one-week, one-month, three month, and six-month periods up to Reference Date 2.

Based on the comparable company method, the per-share value of the Target Company has been estimated to range from ¥1,759 to ¥2,433 based on the evaluation by comparing the market share prices, financial indices showing profitability of listed companies engaged in businesses that are relatively similar to the Target Company's business.

Based on the DCF Method, the enterprise value of the Target Company and the value of the Target Company Shares as of April 26, 2017 have been calculated, and the per-share value of the Target Company Shares has been estimated to range from ¥2,296 to ¥2,627. This evaluation method considered the free cash flows that are expected to be generated by the Target Company based on the future earnings forecast of the Target Company which reflect various factors such as the Target Company's business plans for the periods from the fiscal year ending March 31, 2018 through the fiscal year ending March 31, 2019 and publicly available information, and determining the present value of such free cash flows by discounting them by a certain discount rate.

The business plans that Nomura Securities used in the calculation include fiscal years in which a significant profit increase or decrease is expected. Specifically, in the fiscal year ended March 31, 2017, the one-time cost related to the special solicitation under an early retirement incentive plan and the one-time cost related to a violation of the Antimonopoly Act stated in the "Cease and Desist Order and the Surcharge Payment Orders to the Manufacturing Distributors Selling Equipment for Fire Rescue Digital Radio" issued by the Japan Fair Trade Commission on February 2, 2017 have been recorded. However, from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2019, it is expected that the video and communication solutions business will see an earnings increase mainly in the high growth solution area, and the thin-film process solutions business will see growth of its new businesses, including the main business of vertical thin-film system and treatment single wafer system, as well as its service business. In addition, during the same period, it is expected that the Target Company's profitability will improve in connection with the special solicitation under an early retirement incentive plan. Given the above factors and others, it is expected that in the fiscal year ending March 31, 2018, income before income taxes and net income are expected to increase significantly by 30% or more from the previous year, and in the fiscal year ending March 31, 2019, operating income, income before income taxes and net income are expected to increase significantly by approximately 30% or more from the previous year. For the fiscal year ending March 31, 2019, which is the final year of the new medium-term management plan period, it is expected that operating income will be at the same level as the numerical target set out in the new medium-term management plan. For details of the new medium-term management plan, please refer to the press release "Hitachi Kokusai Announces the New Medium-term Management Plan" issued by the Target Company on April 25, 2016. The business plans mentioned above do not assume the implementation of the Transaction.

(ii) Summary of the October 2017 Share Valuation Report

The value ranges per Target Company Share as calculated by using the aforementioned methods in the October 2017 Share Valuation Report are as provided below.

Average market share price method (Reference Date 2): ¥2,392 to ¥2,502
Average market share price method (Reference Date 3): ¥2,712 to ¥3,100
Comparable company method: ¥2,245 to ¥3,858
DCF Method: ¥2,607 to ¥2,945

Based on the average market share price method, (a) using April 25, 2017 ("Reference Date 2"), which is the business day immediately preceding the date on which the Tender Offer was announced, as the reference date, the per-share value of the Target Company Shares has been estimated to range from ¥2,392 to ¥2,502, based on (i) the closing price on Reference Date 2 (¥2,416), and (ii) the simple average closing prices (¥2,392, ¥2,432, ¥2,502, and ¥2,405), of the Target Company Shares on the First Section of the TSE for the one-week, one-month, three month, and six-month periods up to Reference Date 2, and (b) using October 10, 2017 (the "Reference Date 3"), the per-share value of the Target Company Shares has been estimated to range from ¥2,712 to ¥3,100, based on (i) the closing price on Reference Date 3 (¥3,100), and (ii) the simple average closing prices (¥3,081, ¥3,009, ¥2,869, and ¥2,712), of the Target Company Shares on the First Section of the TSE for the one-week, one-month, three month, and six-month periods up to Reference Date 3.

Based on the comparable company method, the per-share value of the Target Company has been estimated to range from ¥2,245 to ¥3,858 based on the evaluation by comparing the market share prices, financial indices showing profitability of listed companies engaged in businesses that are relatively similar to the Target Company's business.

Based on the DCF Method, the enterprise value of the Target Company and the value of the Target Company Shares as of October 10, 2017 have been calculated, and the per-share value of the Target Company Shares has been estimated to range from ¥2,607 to ¥2,945. This evaluation method considered the free cash flows that are expected to be generated by the Target Company based on the future earnings forecast of the Target Company which reflects various factors such as the Target Company's business plans for the periods from the fiscal year ending March 31, 2018 (following the revision on October 11, 2017 to the expected results) through the fiscal year ending March 31, 2020 and publicly available information, and determining the present value of such free cash flows by discounting them by a certain discount rate.

The business plans that Nomura Securities used in the calculation include fiscal years in which a significant profit increase or decrease is expected. Specifically, in the fiscal year ended March 31, 2017, the one-time cost related to the special solicitation under an early retirement incentive plan and the one-time cost related to a violation of the Antimonopoly Act stated in the "Cease and Desist Order and the Surcharge Payment Orders to the Manufacturing Distributors Selling Equipment for Fire Rescue Digital Radio" issued by the Japan Fair Trade Commission on February 2, 2017 have been recorded. However, from the fiscal year ending March 31, 2018 onward, it is expected that the video and communication solutions business will see an earnings increase mainly in the high growth solution area, and the thin-film process solutions business will see growth of its new businesses, including the main business of vertical thin-film system and treatment single wafer system, as well as its service business. In addition, during the same period, it is expected that the Target Company's profitability will improve in connection with the special solicitation under an early retirement incentive plan. Given the above factors and others, it is expected that in the fiscal year ending March 31, 2018, income before income taxes and net income are expected to increase significantly by 30% or more from the previous year and that the Target Company plans to achieve the target operating profit for the fiscal year ending March 31, 2020, as set forth in its new medium-term business plan, at an early stage. However, the Target Company's expected profits for the fiscal year ending March 31, 2018, which is driven by the extremely strong investment demand for semiconductor manufacturers, do not constitute a prediction that profits for the fiscal years ending March 31, 2019 and March 31, 2020 will be sustained at the same level. The business plans mentioned above do not assume the implementation of the Transaction.

(iii) The Target Company has obtained the advice of an independent law firm

In order to take the utmost care in its decision-making concerning the Transaction, including the Tender Offer, and to ensure the fairness and propriety of the decision-making process of its Board of Directors, the Target Company has been receiving legal advice from Torikai Law Office, a legal advisor independent from the Target Company and the Offeror, concerning the method and process of decision-making regarding providing an opinion for the Tender Offer, and other matters in implementing the Transaction. Torikai Law Office is not a party related to the Target Company or the Offeror and does not have any material interest in the Transaction, including the Tender Offer.

(iv) The Target Company has established a third-party committee and has obtained an opinion

On January 26, 2017, the Target Company established a third-party committee after deciding that the Transaction, including the Tender Offer, is equivalent to important transactions with controlling shareholders and other similar transactions and for the purpose of taking the utmost care in the Target Company's decision-making and ensuring fairness of the decision-making process of its Board of Directors by eliminating arbitrariness and the likelihood of a conflict of interest. The third-party committee is comprised of members, including third-party experts who are independent from the Target Company, Hitachi or the Offeror and have no interest in the controlling shareholder (the members of the third-party committee are: Mr. Tsuyoshi Nishimoto, a lawyer (Hibiya Park Law

Offices), Mr. Shinsuke Hasegawa, a certified public accountant and certified public tax accountant (representative of the Hasegawa CPA Office), and Mr. Kenshiro Koto (outside director and independent officer of the Target Company). The members of the third-party committee have not changed since the establishment of the committee.

As the basis for the Target Company to examine the specific content of its opinion to be expressed regarding the Tender Offer, the Target Company requested that the third-party committee advise the Target Company as to whether (i) the purpose of the Transaction is justifiable and reasonable ("Matter of Inquiry No. 1"); (ii) the fairness of the procedures for the Transaction has been ensured ("Matter of Inquiry No. 2"); (iii) the legitimacy and propriety of the terms of the Transaction have been ensured ("Matter of Inquiry No. 3"); and (iv) the implementation of the Transaction is not disadvantageous to the minority shareholders of the Target Company ("Matter of Inquiry No. 4"; and together with Matter of Inquiry No. 1, Matter of Inquiry No. 2 and Matter of Inquiry No. 3, collectively, the "Matters of Inquiry").

(i) Summary of the April 26, 2017 Report

It is indicated that the third-party committee has met nine times in total between February 7, 2017 and April 24, 2017 and consulted with each other and considered the Matters of Inquiry. Specifically, the third-party committee has received explanations from the Target Company, Nomura Securities and other parties regarding the purpose of the Transaction, the details of the scheme and procedures of the Transaction, the status of negotiations over the terms and conditions of the Transaction, the details of the Share Valuation Report and the calculation method by Nomura Securities, a third-party financial advisor, and legal advice from Torikai Law Office, and then has conducted a question-and-answer session. The third-party committee has also received explanations from KKR about its view on the Original Tender Offer Price and other matters, and then has conducted a question-and-answer session.

Based on the content of the explanations and question-and-answer sessions mentioned above, the third-party committee consulted with each other and considered the Matters of Inquiry carefully. As a result, on April 26, 2017, the third-party committee, upon its unanimous resolution, submitted the April 26, 2017 Report to the Board of Directors of the Target Company. The outline of the April 26, 2017 Report is as stated in (i) to (iv) below.

(i) Whether the Transaction is justifiable and reasonable (Matter of Inquiry No. 1)

The purpose of the Transaction is to reinforce the Target Company's competitiveness and enhance its enterprise value by (a) separating the video and communication solutions business and the thin-film process solutions business from each other since there is no synergies between the two businesses and they have different operating policies and (b) establishing a system where it is possible for each of such businesses to tie up with best partners in terms of both capital and business. It is obvious that such purpose of the Transaction is not for Hitachi to seek to benefit itself or a third party at the expense of the minority shareholders of the Target Company by using Hitachi's status as the parent company of the Target Company. Therefore, it can be said that the purpose of the Transaction is justifiable and reasonable.

(ii) Whether the fairness of the procedures for the Transaction has been ensured (Matter of Inquiry No. 2)

Due to the fact that (A) the reason for implementing transactions comprising the Transaction is reasonable, and when the overall transaction scheme is examined, there are no circumstances that are detrimental to the fairness of the procedures for selecting such scheme, (B) the legality of the transactions comprising the Transaction has been ensured, (C) the process for selecting the purchaser for the Transaction and the negotiation process of the transaction terms such as prices have been properly conducted, (D) as measures to avoid a structural conflict of interest relationship in the Transaction, bidding procedures (a market check) have been conducted, a Share Valuation Report has been obtained from an independent third-party financial advisor, legal advice has been obtained from an independent law firm, a third-party committee has been established and negotiations have been conducted based on such committee's comments, the directors who are related parties of Hitachi have been excluded from the deliberation and resolution at the relevant Board of Directors meeting of the Target Company, (f) in addition to the measures to respect the will of the minority shareholders, the minimum amount of purchase has been set at a majority of the minority, which can also be considered to be one of the important measures to ensure the fairness and propriety of the Original Tender Offer Price, (g) measures have been taken to ensure opportunities for other offerors to make competing bids, it can be said that the fairness of the procedures for the Transaction has been ensured.

(iii) Terms of the Transaction (Matter of Inquiry No. 3)

(A) If it is recognized in the Transaction that (i) measures have been taken to prevent the decision-making process for transactions, including the Share Repurchase, from being arbitrary, (ii) procedures that are generally considered to be fair have been effectively taken, (iii) interests between Hitachi and minority shareholders have been appropriately adjusted, and (iv) the purchase price of the shares has been determined fairly, it can be said that in principle the price is also fair. Accordingly, the fairness of the terms of the Transaction has been examined with the focus on overall procedures with respect to the measures to ensure fairness. As a result, the following specific circumstances have been recognized. Namely, (1) the Target Company has selected a purchaser after more than six months of bidding procedures and negotiated the price, and further negotiated the Share Repurchase price with Hitachi, and it is possible to consider that through such process, under the circumstances at that time, the Target Company has obtained conditions that are likely most favorable to the minority shareholders of the Target Company or similar conditions. Given such background, when the overall Transaction is examined, an agreement has been entered into based on the procedures equivalent to customary M&A transactions between independent third parties, and there are no circumstances where Hitachi forced the Target Company to accept conditions that are unilaterally beneficial to Hitachi by using its status as the parent company, or where the Target Company obediently followed Hitachi. Moreover, (2) the Target Company and Hitachi have implemented the measures in (ii)(D) above as measures to ensure the fairness of the Transaction and avoid a conflict of interest.

Nothing unreasonable is recognized in Nomura Securities' share value calculation method and its results, and the Original Tender Offer Price (¥2,503) exceeds both the maximum value and the median value of each calculation result set out in the April 2017 Share Valuation Report.

The April 2017 Share Valuation Report is based on the average market share price method using (i) October 3, 2016, the last day on which trading was conducted before the speculative media reports, regarding Hitachi's sale of its shares of the Target Company, were released, as Reference Date 1, in order to exclude any impact on the share price from such speculative media reports, and (ii) April 25, 2017, which is the business day immediately preceding the date on which the Tender Offer was announced, as Reference Date 2. According to the April 2017 Share Valuation Report, the Original Tender Offer Price will be the result of adding (1) a 3.60% premium to the closing price (¥2,416) of the Target Company Shares on the First Section of the TSE on Reference Date 2, and 2.92%, 0.04%, and 4.07% premiums to the respective simple average closing prices (¥2,432, ¥2,502, and ¥2,405) of the Target Company Shares for the one-month, three-month, and six-month periods up to Reference Date 2, but (2) on the basis of Reference Date 1, it will be the result of adding a 38.98% premium to the closing price (¥1,801) of the Target Company Shares on the First Section of the TSE as of Reference Date 1, and 38.29%, 42.87%, and 59.12% premiums to the respective simple average closing prices (¥1,810, ¥1,752, and ¥1,573) of the Target Company Shares for the one-month, three-month, and six-month periods up to Reference Date 1.

In light of above-mentioned circumstances such as the background to the negotiation over the Original Tender Price, the details of the measures to avoid a conflict of interest, and Nomura Securities' share valuation method and its results, it is considered that, in conducting the Transaction, measures have been taken to prevent the decision-making process for the transactions from being arbitrary due to a conflict of interest between Hitachi and the minority shareholders of the Target Company and that the Transaction is conducted through procedures that are generally considered to be fair. Accordingly, the Original Tender Offer Price and the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) determined through such process should be respected and should not be easily interfered with. In this sense, it is considered that the legitimacy and propriety of these prices have been ensured.

(B) After executing the Target Company Split, KKR intends to have Offeror transfer 20% of the Target Company Shares to each of Hitachi and HVJ. Because the transfer price for the transfer to Hitachi is the same as the transfer price for the transfer to HVJ, it is believed that the price will be one that reflects the results of the negotiation between the Offeror and HVJ, which are independent parties. Therefore, the contents of the agreement are not considered to be such that Hitachi could obtain benefits that other minority shareholders could not obtain, by repurchasing the shares at a price that is lower than a fair price.

(C) With respect to the terms of the Transaction other than price, including the minimum amount of purchase being set as a majority of the minority, it cannot be said that Hitachi has obtained a benefit unfairly at the expense of the minority shareholders of the Target Company, and no circumstances that are detrimental to the legitimacy or propriety of such transaction conditions can be found.

(iv) Whether the implementation of the Transaction is not disadvantageous to the minority shareholders of the Target Company (Matter of Inquiry No. 4)

In the sense as described in (i) to (iii) above, it can be said that the Transaction is justifiable and reasonable, the fairness of the procedures for the Transaction has been ensured, and the legitimacy and propriety of the terms of the Transaction have been ensured. Therefore, in the sense that it cannot be said that Hitachi has unfairly obtained a benefit at the expense of the minority shareholders of the Target Company by using its status as the parent company, it can be said that the implementation of the Transaction is not disadvantageous to the minority shareholders of the Target Company.

It is also indicated that Hitachi will, in the course of the Transaction, make an investment of ¥10.5 billion (as expected at the time of the April 26, 2017 Report) by subscribing to the class A preferred shares of the Offeror. Through this investment, Hitachi will have a common interest with HKE Holdings G.K., the Offeror. However, considering that this investment will not accompany voting rights and that this investment was decided in the course of negotiating the acquisition price applicable in the Transaction in order to increase the total acquisition price, it is believed that the degree of conflict of interest with the minority shareholders will be low and will not have a particular impact on the decisions described in (i) to (iii) above.

(ii) Summary of the August 9, 2017 Report

Having been informed by the Offeror on July 19, 2017 that it intends to commence the Tender Offer on August 10, 2017 as the commencement date of the tender offer, subject to the fulfillment of the Condition Precedent to the Tender Offer, the Target Company requested that the third-party committee consider whether there has been any change in its opinion expressed to the Target Company's Board of Directors on April 26, 2017, and that, if there is no change, the committee advise the Board of Directors to that effect, or if there is any change, then the committee issue a revised opinion reflecting such change. The third-party committee met three times in total between July 20, 2017 and August 4, 2017 and consulted with each other and considered the Matters of Inquiry, having received explanations from the Target Company and Nomura Securities on such matters as the matters related to the business environment surrounding the Target Company, the matters related to the Target Company's performance forecasts and upward revisions thereof and market share price trends. Given that, the third-party committee submitted a report to the Board of Directors of the Target Company on August 9, 2017 (the August 9, 2017 Report) and expressed its opinion as follows. Of Matters of Inquiry Nos. 1 through 3 in the April 26, 2017 Report, with respect to Matters of Inquiry (No. 1) and (No. 2), there is nothing to be changed in its opinion expressed in the April 26, 2017 Report. However, with respect to Matter of Inquiry No. 3, (a) in light of the fact that, although the market share price of the Target Company after the announcement of the Transaction has been in a price range close to the Original Tender Offer Price, it has been constantly hovering in a price range higher than the Original Tender Offer Price and continuously showing a bullish trend since May 16, 2017, and such trend has become even more bullish after the upward revisions to the financial forecast as described below, it cannot be considered that the current market price has been determined solely by temporary factors, including speculative intentions, and therefore the current market share price cannot be disregarded, and (b) on July 26, 2017, the Target Company made upward revisions to its consolidated financial forecast for the second quarter ending September 30, 2017 and the consolidated financial forecast for the full fiscal year ending March 31, 2018, but such upward revisions of the financial forecast were not taken into account in determining the Original Tender Offer Price. In terms of not only the circumstances described in (a) above but also (b), it can be concluded that the Original Tender Offer Price does not sufficiently reflect the current objective value of the Target Company, and by comprehensively taking the above circumstances into consideration, at present it is difficult for the committee to maintain its opinion that the legitimacy and propriety of the Original Tender Offer Price and the value of the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) have been ensured. Therefore, it is difficult to maintain its opinion on Matter of Inquiry No. 4 in the April 26, 2017 Report because it is based on the opinion on Matter of Inquiry No. 3 of the April 26, 2017 Report.

(iii) Summary of the October 11, 2017 Report

In connection with the commencement of the Tender Offer, the Target Company requested that the third-party committee consider whether there would be any change in its opinion submitted to the Target Company's Board of Directors on April 26, 2017, as amended by the August 9, 2017 Report, and that, if there would be no change, the committee advise the Board of Directors to that effect, or if there would be any change, then the committee issue a revised opinion reflecting such change.

The third-party committee met five times in total between September 8, 2017 and October 6, 2017 and consulted with each other and considered the Matters of Inquiry, receiving explanations from the Target Company and Nomura Securities again on such matters, including the purpose of the Transaction (including whether the Transaction would contribute to increasing the Target Company's enterprise value), the details of the scheme and procedures of the Transaction (whether there would be any change, and if there would be, the details of such change), the status of negotiations over the terms and conditions of the Transaction since August 10, 2017, and the details of the October 2017 Share Valuation Report and the calculation method by Nomura Securities. As a result of the consultation and consideration on the Matters of Inquiry, the third-party committee, upon its unanimous resolution, submitted a report dated October 11, 2017 to the Board of Directors of the Target Company on October 11, 2017 (the "October 11, 2017 Report"). The outline of the October 11, 2017 Report is as stated in (i) to (iv) below.

(i) Whether the Transaction is justifiable and reasonable (Matter of Inquiry No. 1)

Because the purpose of the Transaction has not changed since the April 26, 2017 Report was prepared, there is nothing to be changed in the third-party committee's opinion with respect to Matter of Inquiry No. 1.

(ii) Whether the fairness of the procedures for the Transaction has been ensured (Matter of Inquiry No. 2)

There is nothing to be changed in the third-party committee's opinion expressed in the April 26, 2017 Report with respect to (A) the reason for implementing transactions comprising the Transaction and (B) legality of the transactions comprising the Transaction. Regarding (C), the process for selecting the purchaser for the Transaction and the negotiation process of the transaction terms such as prices, the Target Company has been successful in increasing the Tender Offer Price a few times through the negotiations since August 10, 2017. In order to confirm that the discussions and negotiations held regarding the prices and other terms between the Target Company and Hitachi are in line with the interests of minority shareholders, Mr. Kenshiro Koto, a third-party committee member, participated in such discussions and negotiations, and, in the end, the Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,870) was increased from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,710.34), which is lower than the percentage increase in the Tender Offer Price (¥2,900) from the Original Tender Offer Price (¥2,503). Even considering the result of such negotiations, the third-party committee has not found anything unfair in the negotiations over the Price Per Share for Share Repurchase (Pre-Share Consolidation) such as if Hitachi had conducted negotiations unfairly using its position as the parent company. Taking the above into account, as well as the measures to avoid conflicts of interest set forth in (D) below, there are no circumstances that are detrimental to the fairness of the negotiation process for the transaction terms and conditions which have been centered on prices. Regarding (D), the analysis of the appropriateness of the measures to avoid structural conflicts of interest in the Transaction is as stated in the April 26, 2017 Report. However, in addition to that, according to the explanation that the third-party committee received, the Tender Offer Period, which was set as 20 business days as of April 2017, has been extended to 30 business days, and the purpose of such extension was for the Offeror to provide the Target Company's general shareholders with an appropriate period to consider whether to tender in the Tender Offer and ensure opportunities for other offerors to make competing bids with respect to the Target Company Shares, with the aim of ensuring the fairness of the Tender Offer. Accordingly, the extension of the tender offer period can be considered to be a means to ensure the appropriateness of the measures to avoid a conflict of interest. Given the above, it is considered that the fairness of the procedures for the Transaction has been ensured.

(iii) Terms of the Transaction (Matter of Inquiry No. 3)

(A) In examining the negotiation process over the Tender Offer Price and the Price Per Share for Share Repurchase (Pre-Share Consolidation) as well as the procedural aspects of the Tender Offer such as the measures to avoid conflicts of interest based on the ideas described in the April 26, 2017 Report, (1) it is recognized that the Target Company has selected a purchaser after the bidding procedures carried out for over a year since September 2016, which was when the Target Company commenced the bidding procedure related to the Transaction, and tenaciously negotiated the price, taking into consideration such factors as the business environment and market conditions, as well as fluctuations in the share price, the upward revision to the forecast of operating results that the Target Company planned to announce on October 11, 2017, and the movements in the semiconductor manufacturing equipment industry driving this upward revision, and it is possible to consider that under the current circumstances, the Target Company has obtained conditions that are realistically most favorable to the minority shareholders of the Target Company or similar conditions. Given such background, when the overall Transaction is examined, an agreement has been entered into based on procedures equivalent to ordinary M&A transactions between independent third parties, and there are no circumstances where Hitachi forced onto the Target Company conditions that are unilaterally beneficial to Hitachi by using its status as the parent company, or where the Target Company has obediently followed Hitachi. Moreover, (2) the Target Company and Hitachi have implemented measures in (ii)(D) above as measures to ensure the fairness of the Transaction and avoid a conflict of interest.

In addition, (3) nothing unreasonable is recognized in Nomura Securities' share value calculation method and its results, and the Tender Offer Price (¥2,900) either exceeds the upper limit of the range or falls near the middle of the range for each calculation result set forth in the October 2017 Share Valuation Report.

The October 2017 Share Valuation Report is based on the average market share price method using (i)

April 25, 2017, which is the business day immediately preceding the date on which the Tender Offer was announced (April 26, 2017), as Reference Date 2, and (ii) October 10, 2017 as Reference Date 3. According to the October 2017 Share Valuation Report, the Tender Offer Price will be the result of (a) discounting the closing price (¥3,100) of the Target Company Shares on the First Section of the TSE on Reference Date 3 by 6.45% and the simple average closing price (¥3,009) of the Target Company Shares for the one-month period up to Reference Date 3 by 3.62%, but adding premiums of 1.08% and 6.93% to the respective simple average closing prices (¥2,869 and ¥2,712) of the Target Company Shares for the three-month and six-month periods up to Reference Date 3, but (b) on the basis of Reference Date 2, it will be the result of adding a 20.03% premium to the closing price (¥2,416) of the Target Company Shares on the First Section of the TSE as of Reference Date 2, and 19.24%, 15.91%, and 20.58% premiums to the respective simple average closing prices (¥2,432, ¥2,502, and ¥2,405) of the Target Company Shares for the one-month, three-month, and six-month periods up to Reference Date 2.

In light of above-mentioned factors such as the background of the negotiations, the details of the measures to avoid a conflict of interest, and Nomura Securities' share valuation method and its results, it is considered that, in conducting the Transaction, measures have been taken to prevent the decision-making process for the transactions from being arbitrary due to a conflict of interest between Hitachi and the minority shareholders of the Target Company and that the Transaction is being conducted through procedures that are generally considered to be fair. Accordingly, the Tender Offer Price and the Price Per Share for Share Repurchase (Pre-Share Consolidation) determined through such process should be respected and should not be easily interfered with. In this sense, it is considered that the legitimacy and propriety of these prices have been ensured.

(B) After executing the Target Company Split, KKR intends to have Offeror transfer 20% of the Target Company Shares to each of Hitachi and HVJ, because the transfer price for the transfer to Hitachi is the same as the transfer price for the transfer to HVJ, unchanged from the transfer price as of the date of the April 26, 2017 Report, it is believed that the price will be one that reflects the results of the negotiation between the Offeror and HVJ, which are independent parties. Therefore, the contents of the agreement is not considered to be such that Hitachi could obtain benefits that other minority shareholders could not obtain, by repurchasing the shares at a lower price than fair price.

(C) With respect to the terms of the Transaction other than price, including the number of the majority of minority set as the minimum amount of purchase, it cannot be recognized that Hitachi has obtained benefit unfairly at the expense of the minority shareholders of the Target Company, and no circumstances that are detrimental to the legitimacy or propriety of such transaction conditions can be found.

(iv) Whether the implementation of the Transaction is not disadvantageous to the minority shareholders of the Target Company (Matter of Inquiry No. 4)

In the sense as described in (i) to (iii) above, it can be said that the Transaction is justifiable and reasonable, the fairness of the procedures for the Transaction has been ensured, and the legitimacy and propriety of the terms of the Transaction have been ensured. Therefore, in the sense that it cannot be recognized that Hitachi has unfairly obtained a benefit at the expense of the minority shareholders of the Target Company by using its status as the parent company, it can be said that the implementation of the Transaction is not disadvantageous to the minority shareholders of the Target Company.

It should be noted that as of the time of the April 26, 2017 Report, Hitachi intended to subscribe for preferred shares in the Offeror for cash consideration of ¥10.5 billion, and this figure was raised to ¥13 billion as part of the negotiation process that has taken place from September 2017 to the present. However, the voting rights will not accompany this investment, and this change in the subscription price is simply a reflection of the increase in the total purchase consideration that was decided as part of the negotiation process for the Transaction as a whole. Therefore, this change is not considered to have created a significant conflict between Hitachi and the minority shareholders, and it has not had any particular impact on the opinions described in (i) through (iii) above.

(v) <u>The Transaction has received the unanimous approval of the directors with no interest in the Target Company</u>

The Company has carefully discussed and examined the terms and conditions of the Transaction from the perspective of the enhancement of enterprise value, taking into consideration the details of the Share Valuation Report and the legal advice from Torikai Law Office, as well as giving utmost respect to the content of the Report by the third-party committee.

As a result, as set forth in the above section entitled "(iii) The decision-making process and reasons of the Target Company" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer," as of April 26, 2017, the Target Company believes that the Original Tender Offer Price is appropriate, the scheme purchases from all shareholders equally and therefore there is no unreasonableness. However, although the examination should be conducted after excluding any impact on the share price from speculative media reports, taking into account factors such as that the level of premium is considered to be lower than that of the past tender offer transactions of shares or similar securities by non-issuer purchasers which have been provided by Nomura Securities, and that there are certain periods following the speculative media reports when the market share prices of the Target Company on the First Section of the TSE were higher than the Original Tender Offer Price, at the Board of Directors meeting held on April 26, 2017, by the unanimous approval of the directors present at the meeting (i.e., among a total of five directors, four directors excluding Mr. Yutaka Saito, who may have a special interest as set forth below), the Target Company's Board of Directors, in its judgment based on circumstances at that time, has issued a resolution, if the Tender Offer was commenced, to express an opinion supporting the Tender Offer and to leave the decision of whether or not to tender their shares in the Tender Offer to the shareholders of the Target Company.

As set forth in the above section entitled "(iii) The decision-making process and reasons of the Target Company" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer," the Target Company was informed by the Offeror on September 25, 2017 that on the basis that it will raise the Tender Offer Price to ¥2,850 from the Original Tender Offer Price of ¥2,503, and the Price Per Share for Share Repurchase (Pre-Share Consolidation) to ¥1,850 from the

Original Price Per Share for Share Repurchase (Pre-Share Consolidation) of ¥1,710.34, it intends to commence the Tender Offer in early October 2017 as the commencement date of the Tender Offer. Thereafter, as a result of another careful deliberation of the terms and conditions of the Tender Offer, including the Tender Offer Price of ¥2,900 determined through several negotiations, although the Board of Directors of the Target Company resolved at its meeting held on April 26, 2017 to express an opinion supporting the Tender Offer but to leave the decision as to whether or not to tender into the Tender Offer to the judgment of the shareholders, in light of the considerations further described in "(ii) Process leading to and reasons for the board resolution regarding today's opinion announcement" within "(iii) The decision-making process and reasons of the Target Company" within "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer", the Board of Directors of the Target Company resolved on October 11, 2017 that there has been no change to its opinion supporting the Tender Offer and resolved to recommend that the shareholders tender into the Tender Offer.

At the two Board of Directors meetings mentioned above, from among the Target Company's directors, Mr. Yutaka Saito, who concurrently serves as Hitachi's Representative Executive Officer, in his capacity as the Target Company's director, has not attended any Board of Directors meeting of the Target Company held to examine and discuss the Transaction, nor has he been involved in any examination of this Transaction or any negotiation or discussion with the Offeror and Hitachi regarding the Transaction, in order to avoid any potential conflicts of interest and ensure the fairness of the Transaction.

vi) The Offeror has set a minimum number of shares to be purchased equal to the majority of the minority

The Offeror intends for the successful completion of the Tender Offer to be subject to a condition that the total number of the Tendered Shares is not less than the minimum number of shares to be purchased (24,815,889 shares). The minimum number of shares to be purchased in the Tender Offer must equal or exceed the number of Target Company Shares equivalent to the majority (24,815,889 shares, the so-called majority of the minority) of the number of shares (49,631,776 shares) calculated as the total number of issued shares (105,221,259 shares) as of June 30, 2017, as stated in the Target Company's Quarterly Report, minus the number of treasury shares held by the Target Company as of the same date (2,519,354 shares), as well as the number of the Hitachi Shares (53,070,129 shares). In this way, the Offeror will respect the intention of the minority shareholders of the Target Company, and if the Offeror fails to obtain the support of a majority of shareholders other than those who have an interest in the Offeror, then the Offeror will not conduct the Transaction, including the Tender Offer.

vii) Measures to ensure tender opportunities from other tender offerors

The Target Company and the Offeror have not executed any agreement that obligates the Target Company to support the Tender Offer and recommend the Target Company's shareholders to tender their shares in the Tender Offer, nor have the Target Company and the Offeror executed any agreement that contains a so-called deal protection provision that limits the opportunity for the Target Company to contact a competing offeror other than the Offeror or that obligates the Target Company to pay a break-up fee to the Offeror where the Target Company supports a competing offeror.

Further, as set forth in the above section titled "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" within "(2) Background, purpose, and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer", the Target Company and Hitachi implemented the bidding process by inquiring with multiple potential purchasers regarding the acquisition of all of the Target Company Shares, whereupon KKR was selected as the final Tender Offer candidate by the Target Company and Hitachi through comparison with the other multiple potential purchasers in a competitive situation. Accordingly, a sufficient opportunity has already been provided for persons other than the Offeror to acquire the Target Company Shares. Additionally, the Offeror has set the Tender Offer Period at 30 business days, which exceeds the minimum length of 20 business days stipulated by law, in order to allow the Target Company shareholders an appropriate amount of time to consider whether to tender in the Tender Offer. We also intend to secure the fairness of the Tender Offer by allowing tender opportunities for the Target Company Shares from other tender offerors.

(5) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')

As stated in "1. Purpose of the Tender Offer" above, the objective of the Tender Offer is for the Target Company to become a wholly-owned subsidiary of the Offeror, and, in the event that the Offeror is unable to obtain all of the Target Company Shares (excluding treasury shares held by the Target Company and the Hitachi Shares) upon successful completion of the Tender Offer, the Offeror intends to request that the Target Company undertake the following procedures.

Specifically, after successful completion of the Tender Offer, the Offeror intends to request that the Target Company promptly hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting"), the agenda for which would include the following proposals: (i) a consolidation of the Target Company Shares (the "Share Consolidation"); and (ii) an amendment to the Target Company's articles of incorporation to abolish the share unit number provisions, subject to the Share Consolidation taking effect. The Offeror and Hitachi intend to approve such proposals at the Extraordinary Shareholders' Meeting.

If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company will, on the effective date of the Share Consolidation, hold the number of Target Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders' Meeting. If, due to the Share Consolidation, the number is a fraction less than one, each shareholder of the Target Company holding such fractional shares will receive an amount of cash obtained by selling the Target Company Shares equivalent to the total number of such fractional shares (with such aggregate sum rounded down to the nearest whole number if there is any fraction less than one share; the same shall apply hereinafter) to the Offeror as per the procedures specified in Article 235 of the Companies Act and other applicable laws. Regarding the purchase price for the aggregate sum of such fractional shares in the Target Company, it is intended that the amount of cash received by each shareholder who did not tender its shares in the Tender Offer (excluding the Offeror, Hitachi, and the Target Company) would be equal to the price obtained by multiplying the Tender Offer Price by the number of Target Company Shares owned by each such shareholder. The Target Company will request permission from the court to authorize the purchase of such Target Company Shares on this basis.

Although the ratio of the Share Consolidation of the Target Company Shares has not been determined as of the date hereof, it is intended that shareholders (excluding the Offeror, Hitachi, and the Target Company) who did not tender in the Tender Offer would have their shares classified as fractional shares in order for the Offeror and Hitachi to become the sole owners of all of the Target Company Shares (excluding treasury shares held by the Target Company).

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders to which the Share Consolidation relates, if the Share Consolidation occurs and there are fractional shares as a result, each shareholder of the Target Company may request that the Target Company purchase all such fractional shares that it holds at a fair price, and each such shareholder may file a petition with the court to determine the price of the Target Company Shares in accordance with Articles 182-4 and 182-5 of the Companies Act, and other applicable laws and regulations. As stated above, any shareholders of the Target Company who do not tender their Target Company Shares in the Tender Offer (excluding the Offeror, Hitachi, and the Target Company) will hold fractional shares; accordingly, any shareholders of the Target Company who object to the Share Consolidation will be able to file a petition to determine the price of the Target Company Shares. In the event that such petition is filed, the acquisition price will be finally determined by the court.

With regard to the above procedure, it is possible that, depending on amendments to the relevant laws and regulations, the interpretation of the relevant laws and regulations by authorities, and the shareholding percentage of the Offeror and Hitachi after the Tender Offer and the ownership of Target Company Shares by shareholders of the Target Company other than the Offeror, more time may be required or alternative methods that have substantially the same effect may be utilized to implement the Transaction.

However, even in such a case, we intend to use a method whereby the shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Offeror, Hitachi, and the Target Company) will ultimately receive cash consideration, in which case the amount to be delivered to each such shareholder will be calculated to equal the number of Target Company Shares held by each such shareholder multiplied by the Tender Offer Price. In such a case, the Target Company will announce specific details and expected timing promptly once determined.

We further note that shareholders of the Target Company will not be solicited to agree to the Tender Offer at the Extraordinary Shareholders' Meeting. All shareholders of the Target Company are solely responsible for seeking their own specialist tax advice with regard to the tax consequences of tendering into the Tender Offer or participating in the procedures outlined above.

(6) Expected delisting and reasons therefor

The Target Company Shares are currently listed on the First Section of the TSE. However, since the Offeror has not set a maximum limit on the number of shares to be purchased in the Tender Offer, the Target Company Shares may be delisted through prescribed procedures in accordance with the delisting criteria of the TSE.

Additionally, the Offeror intends to acquire all of the Target Company Shares (excluding treasury shares held by the Target Company and the Hitachi Shares) upon the completion of the Tender Offer in accordance with the procedures as stated in "(5) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')" above. In such case, once the procedures stated in "(5) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')" above have been executed by the Target Company, the Target Company Shares will be delisted through the prescribed procedures. After delisting, the Target Company Shares will no longer be traded on the TSE.

(7) Other

As stated in "(b) Partial carve-out of the Target Company business (the thin-film process solutions business) to the Offeror, and partial transfer of the portion of the Target Company Shares (the video and communication solutions business) to Hitachi and HVJ" in "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" above, the Offeror intends to transfer a portion of the Target Company Shares to Hitachi and HVJ after the completion of the Transaction and the Company Split. An outline of Hitachi and HVJ is set forth below. At the time of the Company Split, the Target Company's trade name, head office location and representative director are not currently expected to be changed.

(i) Hitachi

(i)	Name	Hitachi, Ltd.
(ii)	Address	1-6-6, Marunouchi, Chiyoda-ku, Tokyo
(iii)	Name and Title of Representative Director	Toshiaki Higashihara, Representative Executive Officer, President & CEO
(iv)	Businesses	Manufacture of electric machines and equipment
(v)	Capital	¥458.790 billion (as of March 31, 2017)
(vi)	Date of Foundation	February 1, 1920
(vii)	Major Shareholders and Ownership Percentage (as of March 31, 2017) (See Note)	The Master Trust Bank of Japan, Ltd. (Trust Account) – 5.89% Japan Trustee Services Bank, Ltd. (Trust Account) – 5.21% Hitachi Group Employee Shareholding Plan – 2.19% Nippon Life Insurance Company – 1.93% Japan Trustee Services Bank, Ltd. (Trust Account 5) – 1.83% Japan Trustee Services Bank, Ltd. (Trust Account 9) – 1.75% State Street Bank and Trust Company 505225 (Proxy Account: Mizuho Bank, Ltd.) – 1.57% State Street Bank West Client Treaty 505234 (Proxy Account: Mizuho Bank, Ltd.) – 1.56% The Dai-Ichi Life Insurance Company, Limited – 1.48% Japan Trustee Services Bank, Ltd. (Trust Account 7) – 1.41%
(viii)	Relationships Between the Offeror and Hitachi	
	Capital Relationships	None applicable
	Personal Relationships	None applicable
	Business Relationships	None applicable
(ix)	Purpose of Accepting Transfer	To expand the collaborative opportunities between the video and communication solutions business and the Hitachi group social innovation business
(x)	Number of Subject	53,070,129 shares

	Shares, etc. Held (as of October 11, 2017)	

(Note) Content of "(vii) Major Shareholders and Ownership Percentage (as of March 31, 2017)" is cited from the "Status of Major Shareholders" in the Securities Report for the 148th Period filed by Hitachi on June 21, 2017.

(ii) HVJ

(i)	Name	HVJ Holdings Inc.
(ii)	Address	Floor 15, Meiji Yasuda Seimei Building, 1-1 Marunouchi 2-chome, Chiyoda-Ku, Tokyo
(iii)	Name and Title of Representative Director	Tatsuo Kimura, Representative Director and President
(iv)	Businesses	To hold, manage and invest in financial securities
(v)	Capital	¥5,000
(vi)	Date of Foundation	April 14, 2017
(vii)	Major Shareholders and Ownership Percentage	Japan Industrial No. 4 Business Limited Partnership - 100%
(viii)	Relationships Between the Offeror and HVJ	
	Capital Relationships	None applicable
	Personal Relationships	None applicable
	Business Relationships	None applicable
(ix)	Purpose of Accepting Transfer	To jointly manage the Target Company with the Offeror and Hitachi
(x)	Number of Subject Shares, etc. Held (as of October 11, 2017)	0 shares

2. Outline of the Tender Offer

(1) Outline of the Target Company

(i)	Name	Hitachi Kokusai Electric Inc.
(ii)	Address	2-15-12, Nishi-shimbashi, Minato-ku, Tokyo
(iii)	Name and Title of Representative Director	President & Chief Executive Officer: Kaichiro Sakuma
(iv)	Businesses	Manufacture and sale of wireless communication systems, information processing systems, broadcasting systems, security and surveillance/image processing systems, semiconductor manufacturing systems
(v)	Capital	¥10,058,000,000 (as of June 30, 2017)

(vi)	Date of Foundation	November 17, 1949
(vii)	Major Shareholders and Ownership Percentage (as of March 31, 2017) (See Note)	Hitachi, Ltd. – 50.44% Japan Trustee Services Bank, Ltd. (Trust Account) – 5.33% Goldman Sachs & Co. Regular Account (Proxy Account: Goldman Sachs Japan Co., Ltd.) – 4.12% The Master Trust Bank of Japan, Ltd. (Trust Account) – 3.37% Chase Manhattan Bank GTS Clients Account Escrow (Proxy Account: Mizuho Bank, Ltd., Settlement & Clearing Services Department) – 3.32% Mizuho Securities Co., Ltd. – 1.48% Goldman Sachs International (Proxy Account: Goldman Sachs Japan Co., Ltd.) – 1.32% Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) – 0.95% Japan Trustee Services Bank, Ltd. (Trust Account 5) – 0.91% BNP Paribas Securities Services Luxembourg/JASDEC/FIM/Luxembourg Funds/UCITS Assets (Proxy Account: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department) – 0.79%
(viii)	Relationships Between the Offeror and the Target Company	
	Capital Relationships	None applicable
	Personal Relationships	None applicable
	Business Relationships	None applicable
	Related Party Relationships	None applicable

(Note) Content of “(vii) Major Shareholders and Ownership Percentage (as of March 31, 2017)” is cited from the “Status of Major Shareholders” in the Securities Report for the 93rd Period filed by the Target Company on June 28, 2017 (the “Target Company’s Securities Report”).

(2) Schedule

(i) Schedule

Date of public notice of commencement of the Tender Offer	October 12, 2017 (Thursday) Public notice shall be provided electronically and a statement to that effect shall be posted in the Nihon Keizai Shimbun. (Address of electronic public notice http://disclosure.edinet-fsa.go.jp/)
Date of filing the Tender Offer Notification	October 12, 2017 (Thursday)

(ii) Tender Offer Period upon the filing of the Notification

From October 12, 2017 (Thursday), to November 24, 2017 (Friday) (30 business days)

(iii) Possibility of extending the period based on the Target Company's request

None Applicable

(3) Tender Offer Price

Common shares: ¥2,900 per share

(4) Basis for the calculation of the Tender Offer Price

(i) Basis for the Calculation

In determining the Original Tender Offer Price, the Offeror conducted a comprehensive and multifaceted analysis of the Target Company's business and financial status based on the Target Company's disclosed financial information and the results of the due diligence conducted with respect to the Target Company. In light of the fact that the Target Company Shares are traded on a financial instruments exchange, the Offeror also referred to (i) the closing price (¥1,801) of the Target Company Shares on the First Section of the TSE on October 3, 2016, before speculative media reports regarding Hitachi's sale of its Target Company Shares were released (after the close of trading hours on October 3, 2016); and (ii) the simple average closing prices of the Target Company Shares for the one-month, three-month, and six-month periods up to October 3, 2017 (¥1,810, ¥1,752 and ¥1,573, respectively). By also comprehensively taking into consideration the likelihood of obtaining the Target Company's endorsement of the Tender Offer and the prospects for successful completion of the Tender Offer, and in light of the consultation and negotiations between the Target Company and Hitachi and with KKR and JIP, on April 26, 2017, the Offeror determined the Original Tender Offer Price to be ¥2,503.

As stated above, the closing price on October 3, 2016, before speculative media reports were released (after the close of trading hours on October 3, 2016) regarding Hitachi's transfer of the Target Company Shares, was ¥1,801, and on the immediately following business day the share price increased rapidly to ¥1,913, and thereafter has consistently maintained a high level. The Original Tender Offer Price (¥2,503 per Target Company Share) would have reflected a 38.98% premium to the closing price of ¥1,801 of the Target Company Shares on the First Section of the TSE on October 3, 2016, before speculative media reports were released (after the close of trading hours on October 3, 2016) regarding Hitachi's transfer of the Target Company Shares, and 38.29%, 42.87%, and 59.12% premiums to the respective simple average closing prices ¥1,810, ¥1,752, and ¥1,573, of the Target Company Shares for the one-month, three-month, and six-month periods up to October 3, 2016.

Following this, the Offeror decided on August 9, 2017 to suspend the commencement of the Tender Offer in early August 2017, but continued to examine the Tender Offer Price and other conditions pertaining to the Tender Offer. Taking into consideration the contents of the "Financial Statements for the First Quarter Ended June 30, 2017 (IFRS) (Consolidated)", the "Fiscal Year 2017 Ending March 31, 2018, Supplementary Material of Financial Statements for the First Quarter Ended June 30, 2017 (IFRS) (Consolidated)" and "Notice on the Revision of Earnings Forecast" announced by the Target Company on July 26, 2017, trends in the semiconductor manufacturing equipment industry that caused the revision of the earnings forecast and the prospect of the Tender

Offer, based on consultation and negotiation between the Target Company and Hitachi, and with KKR and JIP, on October 11, 2017, the Offeror decided to raise the Tender Offer Price from ¥2,503 to ¥2,900.

As the Offeror has determined the consideration for the Transaction by comprehensively taking into consideration various factors described above, as well as through its consultation and negotiations between the Target Company and Hitachi, and with KKR and JIP, the Offeror has not obtained a share valuation report or opinion concerning the fairness of the Tender Offer Price (fairness opinion) from any third-party financial advisor.

The Tender Offer Price (¥2,900) reflects a premium of 61.02% added to ¥1,801, the closing price of the Target Company Shares on the First Section of the TSE on October 3, 2016, before speculative media reports were released (after the close of trading hours on October 3, 2016) regarding Hitachi's transfer of the Target Company Shares, and 60.22%, 65.53%, and 84.36% premiums to the respective simple average closing prices of ¥1,810, ¥1,752, and ¥1,573, of the Target Company Shares for the one-month, three-month, and six-month periods up to October 3, 2016. The Tender Offer Price reflects a premium of 20.03% added to ¥2,416, the closing price of the Target Company Shares on the First Section of the TSE on April 25, 2017, the business day prior to the publication of the April 26, 2017 Offeror Press Release, and 19.24%, 15.91%, and 20.58% premiums to the respective simple average closing prices of ¥2,432, ¥2,502, and ¥2,405, of the Target Company Shares for the one-month, three-month, and six-month periods up to April 25, 2017.

ii) Background of the calculation

In late September 2016, the Target Company and Hitachi commenced inquiries regarding the acquisition of all Target Company Shares, including those held by Hitachi, and KKR participated in the bidding process.

From late September 2016 to mid-November 2016, KKR conducted preliminary due diligence on the Target Company's business and finances and interviewed its management. Starting in September, KKR conducted full diligence on the business, financial and legal affairs of the Target Company and interviewed its management to further analyze and consider the acquisition of the Target Company's shares. On February 13, 2017, in the proposal submitted during the second stage of the bidding process, KKR proposed to acquire all of the issued Target Company Shares (excluding the treasury shares held by the Target Company) for the share appraisal price of ¥195 billion through the following form of multistage acquisition: (i) KKR would acquire all Target Company Shares, excluding those held by Hitachi, through the Tender Offer and the subsequent Share Consolidation; and (ii) KKR would acquire the Target Company Shares held by Hitachi through the Share Repurchase by the Target Company after it became delisted as a result of successful completion of the Tender Offer and the Share Consolidation. KKR was also encouraged by the Target Company and Hitachi to increase its bid price and was requested to consider submitting a joint proposal with JIP, another potential purchaser for the video and communication solutions business that had submitted a proposal in the second stage of the bidding process.

Thereafter, after negotiating various terms and conditions, as a condition of the Offeror receiving the Hitachi Investment (as of early April 2017, estimated at ¥10.5 billion) preferential investment (preferred shares once the Offeror has changed its form of organization to a stock company), in early April 2017, KKR and JIP increased their share appraisal price to ¥215 billion and submitted a revised proposal providing that the video and communication solutions business would be reorganized as a merged company by and among KKR, JIP and Hitachi, for which KKR and JIP were selected as the final tender offer candidates.

From the middle of April 2017, the Target Company held discussions and negotiations with KKR and Hitachi regarding the Original Tender Offer Price and the Original Price Per Share for Share Repurchase on several occasions. As a result, on April 26, 2017, the Target Company, Hitachi, and KKR agreed to fix the Original Tender Offer Price at ¥2,503.

As stated above, the Offeror, the Target Company, Hitachi, and JIP each agreed to the appraisal amount of the Target Company Shares and the terms and conditions of the Transaction scheme, including conducting the Share Repurchase. On April 26, 2017, the Offeror, Hitachi and HVJ executed the Original Basic Agreement, and, upon satisfaction of the Conditions Precedent to the Tender Offer (or their waiver by the Offeror), decided to implement the Tender Offer with the Original Tender Offer Price of ¥2,503.

Thereafter, on July 19, 2017 the Offeror informed the Target Company of our intention to commence the Tender Offer on August 10, 2017, on the premise that the Conditions Precedent to the Tender Offer were satisfied. As stated in "(ii) Record of events until August 9, 2017" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" under "1. Purpose of the Tender Offer" above, because the August 9, 2017 Report replaced the April 26, 2017 Report which had an affirmative opinion on the Matters of Inquiry, and the Conditions Precedent to the Tender Offer had not been met at the time, on August 9, 2017, the Offeror decided not to proceed with the commencement of the Tender Offer in early August 2017. Thereafter, the Offeror continued to examine the purchase price and other conditions pertaining to the Tender Offer, including the July 26 Revised Earnings Forecast. Based on these considerations, on September 5, 2017 the Offeror informed the Target Company of its intention to change the Tender Offer Price to around ¥2,750. In response to this, the Target Company explained to the Offeror that the status of its business results and the outlook for orders received through August 2017 would continue to exceed the July 26 Revised Earnings Forecast. Thereafter, the Offeror and the Target Company engaged in further discussions reflecting their mutual recognition that the operating results and financial condition of the Target Company are tied to and impacted by the volatility of the semiconductor industry, which is in turn driven by sudden increases in the gap between supply and demand, collapses in the price of products, and restraints on investments in facilities. In response to this, the Target Company submitted to the Offeror the October 11 Revised Earnings Forecast, taking into account the opinion of the third-party committee. As a result of several negotiations between the Offeror, Hitachi and the Target Company, on October 4, 2017, the Offeror presented the final proposal to the Target Company setting the Tender Offer Price at ￥2,900 on the condition that the Target Company would recommend the Target Company's shareholders to tender into the Tender Offer.

Upon receiving an answer from the Target Company, the Offeror, Hitachi, and JIP executed the Memorandum of Amendment as of October 11, 2017 and set the Tender Offer Price at ¥2,900.

The Tender Offer Price of ¥2,900 was submitted by KKR and JIP based on discussions and negotiations held between the Target Company, Hitachi, KKR and JIP.

(iii) Relationships with financial advisors

As the Offeror did not obtain valuation reports and fairness opinions regarding the Tender Offer Price from third-party financial advisors when determining the Tender Offer Price, this matter is not applicable.

(5) Number of shares to be purchased

Number of Shares to be Purchased	Minimum Number of Shares to be Purchased	Maximum Number of Shares to be Purchased
49,631,776 shares	24,815,889 shares	- shares

(Note 1) If the total number of Tendered Shares is less than the minimum number of shares to be purchased (24,815,889 shares), then the Offeror will not purchase any of the Tendered Shares. If the total number of Tendered Shares is equal to or exceeds the minimum number of shares to be purchased (24,815,889 shares), the Offeror will purchase all of the Tendered Shares. The minimum number of shares to be purchased will be 24,815,889 shares, which is the majority of the number of shares (49,631,776 shares) obtained by deducting the number of treasury shares held by the Target Company as of June 30, 2017 (2,519,354 shares) and the Hitachi Shares (53,070,129 shares) from the total number of shares issued as of the same date (105,221,259 shares) as stated in the Target Company's Quarterly Report.

(Note 2) Because no maximum number is set for the shares to be purchased in the Tender Offer, the maximum number of shares (49,631,776 shares) that may be acquired by the Offeror in the Tender Offer is stated as the number of shares to be purchased. This maximum number (49,631,776 shares) is obtained by deducting the number of treasury shares held by the Target Company as of June 30, 2017 (2,519,354 shares) and the number of Hitachi Shares (53,070,129 shares), from the total number of issued shares as of the same date, as stated in the Target Company's Quarterly Report (105,221,259 shares).

(Note 3) The Tender Offer also applies to fractional units of shares. If the right to request a sale of fractional shares is exercised pursuant to the Companies Act, the Target Company may purchase such fractional shares during the Tender Offer Period in accordance with applicable legal procedures.

(Note 4) There is no plan to acquire the treasury shares of the Target Company through the Tender Offer.

(6) Changes to share ownership ratios pursuant to the Tender Offer

Number of voting rights represented by shares held by the Offeror prior to the Tender Offer	-	Ownership ratio prior to the Tender Offer: -%
Number of voting rights represented by shares held by special related parties prior to the Tender Offer	530,701	Ownership ratio prior to the Tender Offer: 51.67%
Number of voting rights represented by shares held by the Offeror after the Tender Offer	496,317	Ownership ratio after the Tender Offer: 48.33%
Number of voting rights represented by shares held by special related parties after the Tender Offer	530,701	Ownership ratio after the Tender Offer: 51.67%
Total number of Target Company voting rights	1,025,546	

(Note 1) The “Number of voting rights represented by shares held by the Offeror after the Tender Offer” is the number of voting rights associated with the number of shares to be purchased in the Tender Offer (49,631,776 shares).

(Note 2) As for the “Number of voting rights represented by shares held by special related parties prior to the Tender Offer” and “Number of voting rights represented by shares held by special related parties after the Tender Offer,” the total number of voting rights represented by shares held by each special related party is stated (excluding treasury shares held by the Target Company).

(Note 3) The “Total number of Target Company voting rights” is the total number of voting rights as of June 30, 2017 as stated in the Target Company’s Quarterly Report. However, because fractional units of shares (but excluding fractional units of treasury shares held by the Target Company and the fractional units of the Target Company Shares held by Hitachi) will be subject to the Tender Offer, for the purpose of calculating the “Ownership ratio prior to the Tender Offer” and the “Ownership ratio after the Tender Offer,” the number of voting rights (1,027,018 votes) regarding the number of shares (102,701,876 shares) obtained by deducting the number of treasury shares not to be acquired through the Tender Offer (2,519,354 shares) and the number of fractional units of the Target Company Shares held by Hitachi (29 shares) from the total number of issued shares as of June 30, 2017 as stated in the Target Company’s Quarterly Report (105,221,259 shares), has been used as the denominator.

(Note 4) As for the “Ownership ratio prior to the Tender Offer” and the “Ownership ratio after the Tender Offer,” the figures are rounded off to the second decimal place.

(7) Purchase price:

¥143,932,150,400

(Note) The “purchase price” is obtained by multiplying the number of shares to be purchased (49,631,776 shares) by the Tender Offer Price per share (¥2,900).

(8) Method of settlement

(i) Name and address of head office of the financial services provider, bank, etc., in charge of settlement of purchase, etc.

SMBC Nikko Securities Inc.

3-3-1, Marunouchi, Chiyoda-ku, Tokyo

(ii) Commencement date of settlement

December 1, 2017 (Friday)

(iii) Method of settlement

A written notice regarding the purchase under the Tender Offer will be mailed to the address of the tendering shareholders (or the standing proxy in the case of foreign shareholders) without delay after the expiration of the Tender Offer Period. If the tendering shareholders tendered their shares through Nikko Easy Trade, the notice will be delivered by electromagnetic means.

The purchase will be settled in cash. The tender offer agent will, in accordance with the instructions given by the tendering shareholders (or the standing proxy in the case of foreign shareholders) and without delay on or after the commencement date of settlement, remit the purchase price with regard to the shares purchased to the address designated by the tendering shareholders (or the standing proxy in the case of foreign shareholders).

(iv) Method of return of shares

If the Offeror decides not to purchase all of the Tendered Shares based on the conditions stated in "(i) Details regarding the existence and content of the conditions set forth in the items of paragraph (4) of Article 27-13 of the Act" or "(ii) Details regarding the existence and content of conditions for withdrawal of the Tender Offer, and disclosure method of withdrawal" under "(9) Other purchase conditions and methods" below, the tender offer agent will return the shares that are required to be returned, by reverting records of the tendering shareholders' accounts with the tender offer agent to their state immediately prior to the tendering (the "state immediately prior to the tendering" means the state where execution of the tendering orders has been cancelled) on the second business day after the last day of the Tender Offer Period (or the day of withdrawal in the case of withdrawal of the Tender Offer).

(9) Other purchase conditions and methods

(i) Details regarding the existence and content of the conditions set forth in the items of paragraph (4) of Article 27-13 of the Act

If the total number of Tendered Shares is less than the minimum number of shares to be purchased (24,815,889 shares), then none of the Tendered Shares will be purchased. If the total number of Tendered Shares is equal to or exceeds the minimum number of shares to be purchased (24,815,889 shares), then all of the Tendered Shares will be purchased.

(ii) Details regarding the existence and content of conditions for withdrawal of the Tender Offer, and disclosure method of withdrawal

If any of the circumstances set forth in Article 14, paragraph (1), item (i), sub-items (a) through (i) and (l) through (r); item (iii), sub-items (a) through (h) and (j); and paragraph (2), items (iii) through (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the "Enforcement Order") arises, the Offeror may withdraw the Tender Offer.

In the Tender Offer, "facts equivalent to those set forth in sub-item (a) to sub-item (i)" set forth in sub-item (j) of item (iii) of paragraph (1) of Article 14 of the Enforcement Order means the cases (i) where it has become clear that the legal disclosure documents submitted by the Target Company in the past included a false statement regarding an important matter or omitted a statement regarding an important matter that should have been stated therein, and the Offeror is not aware of the false statement or omission and could not become aware of it regardless of its reasonable efforts, and (ii) where any of the facts set forth in sub-item (a) through (g) of that item arises with respect to any of the Target Company's important subsidiaries.

If the Offeror intends to withdraw the Tender Offer, it will give public notice electronically and will post notice thereof in the *Nihon Keizai Shimbun*. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Offeror will announce such withdrawal by the method set forth in Article 20 of the Cabinet Office

Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than the Issuer (Ordinance of the Ministry of Finance No. 38 of 1990, as amended; the "Cabinet Officer Ordinance") and will give public notice immediately thereafter.

(iii) Details regarding the existence and content of conditions for lowering the purchase price, and disclosure method thereof

Pursuant to Article 27-6, paragraph (1), item (i) of the Act, if the Target Company conducts an act falling under any of those acts set forth in Article 13, paragraph (1) of the Enforcement Order during the Tender Offer Period, the Offeror may lower the purchase price in accordance with the standards set forth in Article 19, paragraph (1) of the Cabinet Office Ordinance.

If the Offeror intends to lower the purchase price, it will give public notice electronically and will post notice thereof in the *Nihon Keizai Shimbun*. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Offeror will announce such lowering by the method set forth in Article 20 of the Cabinet Office Ordinance and will give public notice immediately thereafter.

Where the purchase price is lowered, the Tendered Shares tendered prior to the day on which such public notice is made will be purchased at the lowered purchase price.

(iv) Matters regarding the right of the tendering shareholders to cancel contracts

A tendering shareholder may cancel any contract in connection with the Tender Offer at any time during the Tender Offer Period.

If a tendering shareholder cancels a contract, he/she is required to deliver or send a document stating his/her intention to cancel a contract for the Tender Offer ("Written Cancellation") to the person/entity designated below by 15:30 Japan Time on the last day of the Tender Offer Period (the business hours differ for each branch; please complete the procedures after confirming the business hours of the branch that the tendering shareholder intends to use in advance). However, in the case of sending a Written Cancellation, the Written Cancellation must arrive at the person/entity designated below by 15:30 Japan Time on the last day of the Tender Offer Period (the business hours differ for each branch; please complete the procedures after confirming the business hours of the branch that the tendering shareholder intends to use in advance).

In order to cancel a contract for shares tendered through Nikko Easy Trade, please log into Nikko Easy Trade and complete the cancellation procedures by 15:30 Japan Time on the last day of the Tender Offer Period in accordance with the instructions as displayed on the screen.

Person/entity who has the authority to receive written cancellations
SMBC Nikko Securities Inc.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo
(other domestic branches of SMBC Nikko Securities Inc.)

The Offeror will not request that the tendering shareholders pay damages or penalties in connection with their cancellation of contracts. The expenses required for returning the Tendered Shares will be borne by the Offeror.

(v) Disclosure method in the case of changes to the purchase conditions

Other than the cases where it is prohibited by Article 27-6, paragraph (1) of the Act and Article 13 of the Enforcement Order, the Offeror may change the purchase conditions during the Tender Offer Period.

If the Offeror intends to change the purchase conditions, it will give public notice regarding the details of the changes electronically and will post notice thereof in the *Nihon Keizai Shimbun*. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Offeror will announce such changes by the method set forth in Article 20 of the Cabinet Office Ordinance and will give public notice immediately thereafter.

Where any changes are made to the purchase conditions, the Tendered Shares prior to the day on which such public notice is made will be purchased based on the changed purchased conditions.

(vi) Disclosure method where an amended statement is submitted

Where the Offeror submits an amended statement to the Director General of the Kanto Local Finance Bureau (except for the case set forth in the proviso clause of paragraph (11) of Article 27-8 of the Act), it will immediately announce the information stated in the amended statement that was stated in the public notice of commencement of the Tender Offer by the method set forth in Article 20 of the Cabinet Officer Ordinance. In addition, the Offeror will immediately amend the Tender Offer Explanation Statement; and for the tendering shareholders to whom the Tender Offer Explanation Statement has already been delivered, it will make such amendment by delivering the amended Tender Offer Explanation Statement to them. However, if the scope of the amendment is limited, the Offeror will make such amendment by preparing a document stating the reasons for the amendment, the amended matters, and the content after amendment and by delivering such document to the tendering shareholders.

(vii) Disclosure method of the results of the Tender Offer

The Offeror will announce the results of the Tender Offer by the method set forth in Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Office Ordinance on the day following the last day of the Tender Offer Period.

(viii) Other

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 share 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 the Act, 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 or standards.

Unless otherwise specified, all procedures relating to the Tender Offer are to be conducted entirely in Japanese. All or a part of the documents relating to the Tender Offer will be prepared in the English language; however, if 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 Target Company, Hitachi, and HVJ as well as the tender offer agent (including their related parties) may engage in purchases of shares of the Target Company for their own account or for their customers' accounts or may engage in acts for such purchases to the extent of the ordinary course of their businesses and to the extent permitted under the Act-related laws and regulations of Japan and other applicable laws and regulations, in accordance with the requirements of Rule 14e-5(b) of the Securities Exchange Act of 1934 of the United States (as amended), before the commencement of the Tender Offer or during the Tender Offer Period, not through the Tender Offer. Such purchases may be conducted at a market price through a market transaction, or at a price determined through negotiations off the market. In the event that the information regarding such purchases is disclosed in Japan, such information will also be disclosed on the English website of the financial advisor, the Target Company, or the tender offer agent conducting such purchases, or will otherwise be made publicly available.

(10) Public notice of commencement of the Tender Offer

October 12, 2017 (Thursday)

(11) Tender offer agent

SMBC Nikko Securities Inc.

3-3-1, Marunouchi, Chiyoda-ku, Tokyo

3. Post-tender offer policy and future outlook

Refer to "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer," "(5) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')," and "(6) Expected delisting and reasons therefor" within "1. Purpose of the Tender Offer."

4. Other

(1) Details regarding the existence and content of agreements between the Offeror and the Target Company and their respective officers

(i) Support of the Tender Offer

According to the Target Press Releases, at the Board of Directors' meeting of the Target Company held on October 11, 2017, it was resolved that the then-current opinion of the Target Company was that if the Tender Offer commenced, then the Target Company would express its opinion in support of the Tender Offer and would also resolve to recommend that the shareholders of the Target Company tender into the Tender Offer to the Target Company's shareholders.

For details of the decision-making process of the Target Company, please refer to the section titled "(v) The Transaction has received the unanimous approval of the directors with no interest in the Target Company" under "(4) Measures to ensure the fairness of the purchase price and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer" under "1. Purpose of the Tender Offer" above.

(ii) Share Repurchase

According to the Target Press Releases, the Target Company determined that the Transaction would be in the interest of enhancing its enterprise value based on KKR's proposal. Accordingly, as part of the Transaction, after successful completion of the Tender Offer and the subsequent Share Consolidation taking effect, the Target Company will implement the Share Repurchase at the total amount obtained by deducting the amount to be distributed to Hitachi in the Share Consolidation from ¥ 99,241,141,230, which is the total price for the Hitachi Shares, and will acquire all the Target Company Shares held by Hitachi at the time.

In addition, taking into account the amount of cash needed for the payment for the Share Repurchase (which will be within the scope of the amount distributable by the Target Company), the reserves held by the Target Company and the levels of reserves needed to continue operating the business, the Offeror intends to make a loan to the Target Company, which would constitute a portion of the amount to be paid by the Target Company to Hitachi in the Share Repurchase. In the Debt Financing to be procured by the Offeror, after the effective date of the Share Consolidation, security will be created over certain assets of the Target Company, and the Target Company will become a joint and several guarantor.

For details of the Share Repurchase, refer to "(a) Capital Reduction and the Share Repurchase by the Target Company" under "(iii) Record of events following August 9, 2017" under "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" under "(2) Background, purpose and decision-making process of the Offeror leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer" under "1. Purpose of the Tender Offer" above.

(2) <u>Other information considered necessary for investors to decide whether to tender into the Tender Offer</u>

(i) <u>Interim dividends during the period ending March 31, 2018</u>

According to the "Consolidated Financial Statements for the First Quarter Ended June 30, 2017", released on July 26, 2017, The Target Company will not pay interim dividends during the period ending March 31, 2018, subject to successful completion of the Tender Offer.

(ii) Revision of Earnings Forecast

Today, the Target Company released its "Notice on the Revision of Earnings Forecast". The forecast based on such notice is as per the below. It should be noted that the forecast which follows below is an excerpt of the information that the Target Company released. For further details, please refer to the notice referred to above.

(i) Revision of consolidated financial forecast for the 2Q of FY 2017 (April 1, 2017 – September 30, 2017)

	Revenue	Adjusted Operating Income	Income before income taxes	Net income	Net income attributable to owners of the parent	Basic earnings per share
Previous Forecast (A)	Million Yen 92,500	Million Yen 9,400	Million Yen 9,400	Million Yen 7,100	Million Yen 7,100	Yen 69.13
Revised Forecast (B)	99,400	14,100	14,800	10,400	10,400	101.26
Amount of Change (B-A)	6,900	4,700	5,400	3,300	3,300	—
Percentage Change (%)	7.5	50.0	57.4	46.5	46.5	—
(Reference) Actual results for the previous fiscal year (2Q of FY2016)	72,164	3,019	3,294	2,209	2,294	22.34

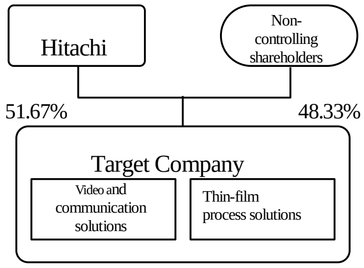
(ii) Revision of consolidated financial forecast for FY2017 (April 1, 2017 – March 31, 2018)

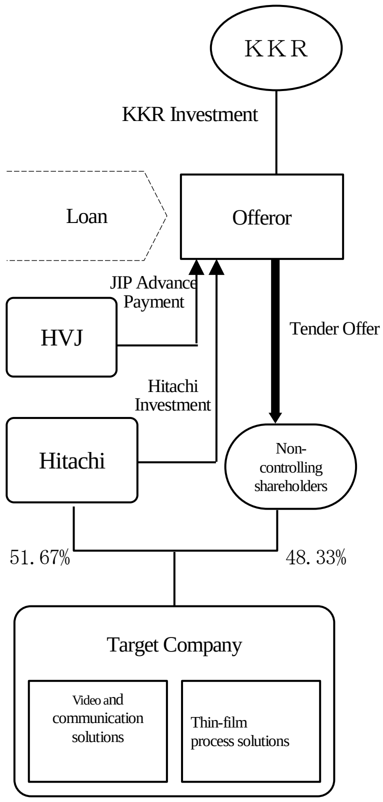
	Revenue	Adjusted Operating Income	Income before income taxes	Net income	Net income attributable to owners of the parent	Basic earnings per share
Previous Forecast (A)	Million Yen 199,000	Million Yen 22,500	Million Yen 21,300	Million Yen 14,500	Million Yen 14,500	Yen 141.19
Revised Forecast(B)	214,000	29,000	28,400	19,900	19,900	193.77
Amount of Change (13 -A)	15,000	6,500	7,100	5,400	5,400	—
Percentage Change (%)	7.5	28.9	33.3	37.2	37.2	—
(Reference) Actual results for the previous fiscal year (FY2016)	171,857	14,759	10,481	7,443	7,459	72.63

KKR's financial advisors are SMBC Nikko Securities Inc. and Citigroup Securities Co., Ltd., and KKR's legal advisors are Nishimura & Asahi and Simpson Thacher & Bartlett LLP.

End

Exhibit 1: Transaction Scheme

<table>
<tr>
<td>Current Status</td>
<td>
</td>
<td>■ As of June 30, 2017, Hitachi held 51.67% of the total number of issued shares (excluding treasury shares) of the Target Company, and non-controlling shareholders held the remaining 48.33%.</td>
</tr>
<tr>
<td>Arrangement of loan by the Offeror

Tender offer by the Offeror (for all of the Target Company Shares except for those held by Hitachi)</td>
<td>
</td>
<td>■ A limited liability company (godo kaisha) (the Offeror), which has been incorporated to acquire and own the Target Company Shares through the Tender Offer and to control the business activities of the Target Company after the Tender Offer, will conduct the Tender Offer to purchase all of the Target Company Shares, except for the Hitachi Shares and the treasury shares held by the Target Company.
■ The funds used for the settlement of the Tender Offer will be obtained from: a part of Debt Financing, the KKR Investment by KKR, the First JIP Advance Payment by HVJ and the First Hitachi Investment in the Offeror by Hitachi.
■ The Offeror will conduct the Tender Offer to purchase all of the Target Company Shares, except for those held by Hitachi and the treasury shares held by the Target Company.</td>
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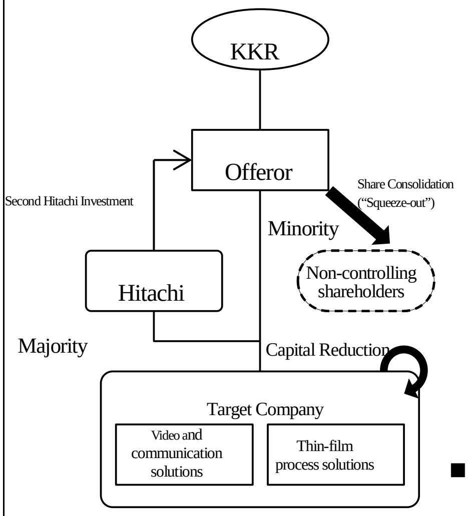
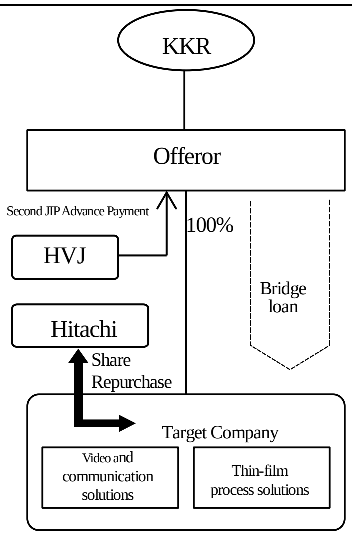
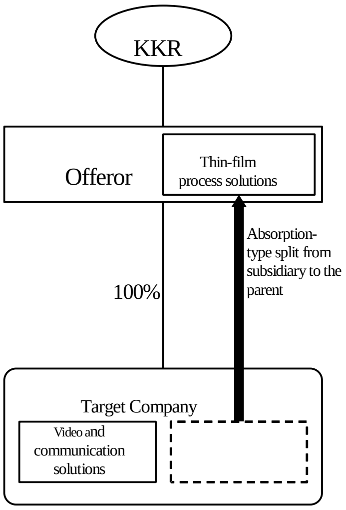
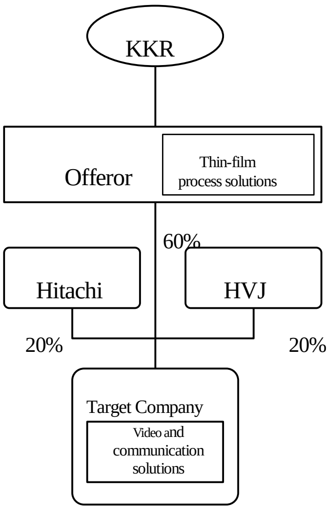
Squeeze-out by the Offeror through share consolidation Capital reduction by the Target Company in order to increase the distributable funds	 ■ If, after successful completion of the Tender Offer, the Offeror is not able to acquire all of the Target Company Shares (excluding those held by Hitachi and the Target Company), the Share Consolidation will be conducted so that the Offeror and Hitachi will be the only shareholders of the Target Company. The Share Consolidation is expected to be effectuated between early and mid-March, 2018, with approval at an extraordinary shareholders’ meeting to be held after successful completion of the Tender Offer. ■ The acquisition price for the total number of fractional Target Company Shares resulting from the Share Consolidation will be funded by a portion of the Debt Financing and a portion of the Second Hitachi Investment. ■ In order for the Target Company to increase the available funds for the acquisition of the shares held by Hitachi, it is anticipated that the Target Company’s capital and statutory capital reserve will be reduced (Capital Reduction). The Capital Reduction is expected to be resolved at a shareholders’ meeting to be held after the completion of the Share Consolidation and after Hitachi and the Offeror have become the only shareholders of the Target Company.

The Target Company’s Share Repurchase from Hitachi Provision of a bridge loan by the Offeror to the Target Company	 ■ After the completion of the Tender Offer, the Share Consolidation and the Capital Reduction, the Target Company will acquire all of the Target Company Shares held by Hitachi. ■ Immediately after the Target Company’s acquisition of the shares held by Hitachi, the Offeror will provide a bridge loan to the Target Company, and the Target Company will pay the transfer price to Hitachi.

Absorption-type split of the thin-film process solutions business of the Target Company, with the Offeror (which is the parent entity) as the succeeding entity		■ Following the Tender Offer, the Share Consolidation, and the Share Repurchase, an absorption-type company split of the thin-film process solutions business of the Target Company will be carried out, with the Offeror (which is the parent entity) as the succeeding entity.
Offeror's partial transfer of the Target Company Shares to Hitachi and HVJ		■ Through the Offeror's Partial Share Transfer (Hitachi) to Hitachi, Hitachi will continue to have a capital relationship with the Target Company, which will operate only the video and communication solutions business. ■ The series of transactions, including the Offeror's partial transfer of Target Company Shares to each of Hitachi and HVJ, is expected to be completed by late April to early May, 2018.