

August 9, 2017

Company Name: HKE Holdings G.K.
Representative: William Janetschek, Executor
Contact: 03-6268-6000

**Announcement Regarding Progress Toward Conducting the Tender Offer
for Shares of Hitachi Kokusai Electric Inc.**

In its 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 Press Release”), HKE Holdings G.K. (“HKE”) announced that it aims to commence a tender offer (the “Tender Offer”) in early August 2017 for the common shares of Hitachi Kokusai Electric Inc. (Securities Code: 6756, First Section of the Tokyo Stock Exchange) (the “Target Company”).

As stated in the April 26 Press Release, the Tender Offer is subject to the condition that the third-party committee established by the Target Company (the “Third-Party Committee”) has provided and has not withdrawn a positive report in answering the Matters of Inquiry ((i) the purpose of the Transaction (as defined in the April 26 Press Release; hereinafter the same) is justifiable and reasonable; (ii) the fairness of the procedures for the Transaction has been ensured; (iii) the legitimacy and propriety of the terms of the Transaction have been ensured; and (iv) the implementation of the Transaction is not disadvantageous to the minority shareholders of the Target Company) (the “Condition Precedent”) and certain other matters designated as preconditions.

As of July 19, 2017, HKE notified the Target Company of HKE’s intention to commence the Tender Offer on August 10, 2017, designated as the tender offer commencement date, subject to satisfaction of these preconditions for commencement of the Tender Offer.

In response, according to notice HKE received from the Target Company on August 9, 2017, the Target Company requested that the Third-Party Committee examine whether there is any change in its opinion expressed in its report dated as of April 26, 2017 (the “Original Report”) to the Target Company’s Board of Directors; and if there has been no change, to report to the Target Company’s Board of Directors that there has been no change; or if there has been any change, to report its opinion after the change. Regarding this inquiry, also according to the notice from the Target Company, the Third-Party Committee submitted to the Target Company’s Board of Directors a report as of August 9, 2017 (the “Report”) stating that, in respect of Matters of Inquiry (i) and (ii), the Third-Party Committee does not see any necessary changes to its opinion in the Original Report, but in respect of Matter of Inquiry (iii), the Third-Party Committee finds it difficult at the current time to maintain its opinion that the legitimacy and propriety of the Tender Offer Price and the Share Repurchase Price (as each term is defined in the April 26 Press Release) are ensured, and accordingly the Third-Party Committee also finds it difficult to maintain its opinion in the Original Report regarding Matter of Inquiry (iv), which was premised on the Third-Party Committee’s opinion in respect of Matter of Inquiry (iii).

Given that the Condition Precedent has not been satisfied as of August 9, 2017 because the Report withdraws the positive Original Report with respect to the Matters of Inquiry, HKE has decided not to commence the Tender Offer in early August as previously scheduled.

HKE will continue discussing matters, including its plans regarding the Tender Offer, and whether to conduct the Tender Offer and its possible timing, etc., with the Target Company, Hitachi, Ltd., Japan Industrial Partners, Inc. and other parties; and HKE will announce promptly after the details are decided.

End

(Reference)

For a summary of the Third-Party Committee's opinion, etc., please see the Target Company's press release, dated August 9, 2017, titled "Announcement Regarding Progress Toward Conducting the Tender Offer for Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K."



August 9, 2017

To all parties concerned

Company Name: Hitachi Kokusai Electric Inc.
Representative: Kaichiro Sakuma,
Chief Executive Officer
(Securities Code 6756, First Section of
the Tokyo Stock Exchange)
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Legal & CSR Division
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**Announcement Regarding Progress Toward Conducting the Tender Offer
for Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.**

As announced in the press release titled “Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.” dated April 26, 2017 (the “April 26 Press Release”), Hitachi Kokusai Electric Inc. (the “Company”) announced that, with respect to a tender offer by HKE Holdings G.K. (the “Offeror”) for the common shares of the Company (the “Tender Offer”), the Offeror intends to commence the Tender Offer in early August 2017. However, the Company has been informed by the Offeror that it has decided not to commence the Tender Offer in early August as previously scheduled because the condition precedent to the commencement of the Tender Offer has not been fulfilled as of August 9, 2017.

The Company, at its Board of Directors meeting on April 26, 2017, resolved to express an opinion supporting the Tender Offer to be conducted by the Offeror and to leave the decision of whether or not to tender their shares in the Tender Offer to the holders of the Company shares. Meanwhile, as it was difficult to accurately estimate the timing as to when the conditions precedent to the commencement of the Tender Offer would be fulfilled, including the time period required for the procedures of domestic and overseas competition authorities, the Company resolved at the abovementioned Board of Directors meeting to take the following measures to express its opinion: at the time of the commencement of the Tender Offer, the Board of Directors of the Company would request that the third-party committee consider whether there has been any change in its opinion on the Matters of Inquiry (see below Note) expressed to the Company’s Board of Directors in the report dated April 26, 2017 (the “Original Report”), and that, if there would be no change, the committee would advise the Board of Directors to that effect, or if there would be any change, then the committee would issue a revised opinion reflecting such change, and the Board of Directors would issue a new opinion regarding the Tender Offer for the Company, based on the third-party committee’s revised opinion.

(Note) Matters of Inquiry are “whether (i) the purpose of the Transaction (as defined in the April 26 Press Release; hereinafter the same) is justifiable and reasonable; (ii) the fairness of the procedures for the Transaction has been ensured; (iii) the legitimacy and propriety of the terms of the Transaction have been ensured; and (iv) the implementation of the Transaction is not disadvantageous to the minority shareholders of the Company.” According to the press release titled “Announcement Regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. (Securities Code 6756)” issued by the Offeror on April 26, 2017, the commencement of the Tender Offer is subject to the condition that the third-party committee has submitted a report approving the Matters of Inquiry and that the third-party committee has not withdrawn such report (hereinafter referred to as the “Condition Precedent.”)

The Company was 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 precedents to the Tender Offer, in accordance with the procedures described above. Having been informed as such, the Company requested on July 31, 2017 that the third-party committee consider whether there has been any change in its opinion expressed to the 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 submitted a report to the Board of Directors of the Company on August 9, 2017 (the “Report”) and expressed its opinion as follows: of the four Matters of Inquiry in the Original Report, with respect to Matters of Inquiry (i) and (ii), there is nothing to be changed in its opinion expressed in the Original Report. However, with respect to Matter of Inquiry (iii), (a) in light of the fact that, although the market share price of the Company after the announcement of the Transaction has been in a price range close to the Tender Offer Price (as defined in the April 26 Press Release; hereinafter the same), it has been constantly hovering in a price range higher than the 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 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 been taken into account in determining the Tender Offer Price. In terms of not only the circumstances described in (a) above but also (b), it cannot be concluded that the Tender Offer Price sufficiently reflects the current objective value of the 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 Tender Offer Price and the value of the Share Repurchase (as defined in the April 26 Press Release) have been ensured. Therefore, it is difficult to maintain its opinion on Matter of Inquiry (iv) in the Original Report because it is based on the opinion on Matter of Inquiry (iii).

Accordingly, on August 9, 2017, the Company informed the Offeror that the opinion expressed by the third-party committee to the Board of Directors of the Company on April 26, 2017 has been revised as above. The Company has been informed that the Offeror decided later the same day not to commence the Tender Offer in early August as previously scheduled, given that the Condition Precedent has not been satisfied as of August 9, 2017 because the Original Report approving the Matters of Inquiry is considered withdrawn by the submission of the Report.

The Company will continue discussing matters, including its plans regarding the Tender Offer, and whether to conduct the Tender Offer and its possible timing, etc., with the Offeror, Hitachi, Ltd., Japan Industrial Partners, Inc. and other parties; and the Company will announce promptly after the details are decided.

We kindly ask our shareholders, customers and business partners, and many other parties concerned for their continued support and cooperation.

End

Contact for inquiries or further information regarding the progress toward the Tender Offer (call center)

Service hours: 9:00 – 17:00 (excluding Saturdays and Sundays) (Japan Time)

Service period: August 10 through 25, 2017

TEL: 0120-120-159 (toll free only in Japan)

(Reference) Outline of Progress Toward Conducting the Tender Offer

Please refer to the press release “Announcement Regarding Progress Toward Conducting the Tender Offer for Shares of Hitachi Kokusai Electric Inc.” published today by the Offeror.