April 26, 2017

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

Announcement Regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. (Securities Code 6756)

We announce that as of today, HKE Holdings G.K. ("we" or the "Offeror") has 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.

We intend to commence the Tender Offer, subject to the fulfillment of the following conditions:

(i) Completion of the procedures and actions regarding approvals and authorizations, and the lapse of a waiting period therefor, required under domestic and overseas competition acts, and other laws and regulations;

(ii) Submission by the third-party committee established by the Target Company of a report approving the Matters of Inquiry (as defined in the section titled "(iv) The Target Company has established a third-party committee and has obtained an affirmative 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" within "1. Purpose of the Tender Offer"; hereinafter the same), which has not been withdrawn;

(iii) (a) Adoption of a resolution at a meeting of the Board of Directors of the Target Company with the affirmative vote of all directors, except for directors who have or may have an interest in the parent company, Hitachi, Ltd. ("Hitachi"), expressing an opinion in support of the Transaction (as defined below), including the Tender Offer; and (b) No adoption of a resolution withdrawing that resolution or stating contrary to that resolution; and

(iv) Fulfillment of certain other conditions (see below Note 1) (these items (i) to (iv), the "Conditions Precedent to the Tender Offer") contained in the Basic Agreement (as defined in the section titled "(1) Summary of the Tender Offer" within "1. Purpose of the Tender Offer").

In the event that one or more of the aforementioned conditions is not satisfied, the Tender Offeror may, in its discretion, elect to waive such Conditions Precedent to the Tender Offer, in whole or in part, and proceed with the Tender Offer.

The Offeror intends to commence the Tender Offer promptly upon the fulfillment (or waiver by the Offeror) of the Conditions Precedent to the Tender Offer, and as of the date hereof, intends to commence the Tender Offer in early August 2017. As it is difficult to estimate the time period required for the procedures of domestic and overseas competition authorities, we will make an announcement promptly once the schedule of the Tender Offer has been determined.

Note 1: Under the Basic Agreement, the commencement of the Tender Offer is subject to items (i) through (x) below, in addition to items (i) through (iii) above:

(i) The representations and warranties of Hitachi and HVJ Holdings Inc. ("HVJ"), an entity backed by funds managed and serviced by Japan Industrial Partners ("JIP", for a summary of JIP 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), are true and correct in all material aspects;

(ii) Each of Hitachi and HVJ has duly performed or complied with all of its obligations under the Basic Agreement in all material respects;

(iii) Confirmation by the Target Company that all material information (as defined in Article 166, Paragraph 2 of the Financial Instruments and Exchange Law) regarding the Target Company's business has been disclosed (as defined in Article 166, Paragraph 4 of the Financial Instruments and Exchange Law);

(iv) There is no declaration, litigation or process involving a governmental or administrative agency seeking to limit or prevent the transaction, and there is no decision from a governmental or administrative agency seeking to limit or prevent the transaction, nor is there reasonable belief that any of the foregoing may exist;

(v) Agreements exist and are effectively executed to offer services relating to agreements regarding the Transaction (excluding the Tender Offer) during the Transaction and during the transitional period after the Transaction has been implemented;

(vi) The Offeror has received from the Target Company an agreement (the "Agreement") concerning the Target Company's obligations, representations and warranties regarding the Transaction and the Agreement has not been withdrawn by the commencement date of the Tender Offer;

(vii) The representations and warranties of the Agreement are true and correct in all material respects;

(viii) The Target Company has duly performed or complied with in all material respects all of its obligations to be performed or complied with under the Agreement;

(ix) The Offeror has reached an agreement with Hitachi and HVJ regarding the articles of incorporation of the Target Company following the Company Split (defined below); and

(x) Hitachi has submitted a financing certificate reasonably detailing the payments in connection with the Hitachi Investment (as defined in the section titled "(1) Summary of the Tender Offer" under "1. Purpose of the Tender Offer") and other explanatory documents, and HVJ has submitted a financing certificate reasonably detailing the payments in connection with the

JIP Advance Payment (as defined in the section titled "(1) Summary of the Tender Offer" under "1. Purpose of the Tender Offer") and other explanatory documents.

The Basic Agreement is subject to the fulfillment of the following conditions by the business day proceeding the commencement date of the Tender Offer. If the conditions are fulfilled, Hitachi and HVJ are able to request that the Tender Offer not be commenced (a "Request to Halt Commencement of the Tender Offer"):

(i) Completion of the procedures and actions for approvals and authorizations required under domestic and overseas competition laws, and the expiration of applicable waiting periods;

(ii) Submission by the third-party committee established by the Target Company of a report approving the Matters of Inquiry (as hereinafter defined), which has not been withdrawn;

(iii) (a) Adoption of a resolution at a meeting of the Board of Directors of the Target Company with the affirmative vote of all directors, except for directors who have or may have an interest in the parent company, Hitachi, expressing an opinion in support of the Transaction, including the Tender Offer (including an opinion that the Tender Offer Price (as defined in the section titled "(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") is valid); and (b) No adoption of a resolution withdrawing that resolution or stating contrary to that resolution; and

(iv) Fulfillment of certain other conditions (see below Note 2) (these items (i) to (iv), the "Conditions Precedent of the Basic Agreement").

Note 2: Under the Basic Agreement, the Request to Halt Commencement of the Tender Offer is also subject to the non-fulfillment of items (i) through (viii) below, in addition to items (i) through (iii) above:

(i) The representations and warranties of the Offeror are true and correct in all material aspects;

(ii) The Offeror duly performed or complied with all of its obligations under the Basic Agreement in all material respects;

(iii) There is no declaration, litigation or process involving a governmental or administrative agency seeking to limit or prevent the transaction, and there is no decision from a governmental or administrative agency seeking to limit or prevent the transaction, nor is there reasonable belief that any of the foregoing may exist;

(iv) Confirmation has been received from Hitachi and HVJ that the contents of the Tender Offer Registration Statement are reasonable;

(v) Applicable agreements have been executed to offer services relating to agreements regarding the Transaction (excluding the Tender Offer) during the Transaction and during the transitional period after the Transaction has been implemented;

(vi) Confirmation has been received from Hitachi and HVJ that the conditions of the agreement relating to the Offeror's loan are reasonable conditions;

(vii) HVJ has received the Agreement from the Target Company and the Agreement has not been withdrawn by the commencement date of the Tender Offer; and

(viii) The Offeror has reached an agreement with Hitachi and HVJ regarding the articles of incorporation of the Target Company following the Company Split.

The Offeror intends for the Target Company to become a wholly owned subsidiary of the Offeror, at which point the Target Company will be delisted as part of a series of intended procedures following the completion of the Tender Offer, as further described in the section titled “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’)” under “1. Purpose of the Tender Offer”, and “(a) Capital Reduction and the Share Repurchase by the Target Company” 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”. In addition, the Offeror agrees that Hitachi, the parent company of the Target Company, will not tender in the Tender Offer, and that after the completion of the Tender Offer and the Share Consolidation (as defined in “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’)”) takes effect, the Target company will acquire all of the shares in the Target Company owned by Hitachi (the “Share Repurchase”). Based on the Offeror’s proposal, the Target Company intends to reduce the amount of 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; hereinafter the “Companies Act”), and 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. 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 the amount of capital, capital reserve and profit reserve (the “Capital Reduction”) and the Share Repurchase by around December 2017. After the Target company becomes the Offeror’s wholly-owned subsidiary following the Share Repurchase, the Offeror will divest the Target Company’s thin-film process solutions business through an absorption-type company split whereby the Offeror will be the succeeding corporation, and will subsequently transfer 20% of the Target Company Shares held by the Offeror to each of Hitachi and HVJ. 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 following intended divestiture and the subsequent transfer by the Offeror of 20% of the Target Company Shares held by the Offeror to each of Hitachi and HVJ, in addition to other related transactions (the “Transaction”) please refer to “Exhibit 1: Scheme Diagram of the Transaction and Reorganization Scheduled Thereafter”, 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".

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 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 shares of the Target Company (Note 3). All equity interests in the Offeror are currently owned by KKR HK Investment L.P. ("KKR Fund"), a limited partnership established under the laws of the Cayman Islands on February 2, 2017, which is indirectly held and 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 implemented 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 subsidiaries and business units of major Japanese companies.

Note 3: The Offeror plans to change its corporate status from a joint company to a stock company between the day following the last day of the period of the Tender Offer (the "Tender Offer Period") and the conclusion of the equity investment.

The Offeror intends to conduct the Tender Offer as part of a series of transactions.

As of today, the Offeror and Hitachi, the parent company of the Target Company, and HVJ have executed a basic agreement (the "Basic Agreement") which provides for the following: under the Basic Agreement, (i) Hitachi will not tender any of its Target Company Shares (53,070,129 shares, representing an ownership percentage (see below Note 4) of 51.67% of the Target Company) ("Hitachi Shares") in the Tender Offer; and (ii) after the Share Consolidation takes effect, Hitachi will sell to the Target Company all of the Hitachi Shares in accordance with Share Repurchase. For details regarding the Basic Agreement, please refer to "3. Material agreement regarding the Tender Offer."

Note 4: The ownership percentage, here and throughout this release, refers to the percentage (rounded to the second decimal place) of the number of Target Company Shares held by the shareholder in question based on a total amount of 102,703,392 shares, which has been calculated by deducting the number of treasury shares held by the Target Company as of March 31, 2017 (2,517,867 shares) from the total number of issued shares (105,221,259 shares) (as stated in the Financial Statements for the Year Ended March 31, 2017 (IFRS) (consolidated), released by the Target Company as of April 26, 2017 (the "Target Company's Summary Financial 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." (the "April 26, 2017 Target Press Release"), Hitachi, the Target Company's parent company, has agreed that it will not tender in the Tender Offer, and, subject to the successful completion of the Tender Offer and the subsequent Share Consolidation taking effect, the Offeror, Hitachi, and JIP will effect procedures to reduce the amount of capital, and 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).

For details regarding the Share Repurchase, please refer to "(a) Capital Reduction and the Share Repurchase by the Target Company" 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, 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, the Offeror will purchase all of the Tendered Shares. The minimum number of shares to be purchased in the Tender Offer (being a tentative figure contingent on the information as of the date hereof) must exceed 24,816,632 shares, the majority amount of 49,633,263 shares, the so-called majority of the minority, which total amount is calculated as the total number of presently issued shares (105,221,259 shares) as of March 31, 2017, as stated in the Target Company's Summary Financial Report, minus the number of treasury shares 2,517,867 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, see "(5) Policy for organizational restructuring after the Tender Offer (matters relating to 'Two-Step Acquisition')".

The Offeror intends to obtain part of the necessary funds for settlement of the Tender Offer by borrowing from financial institutions (the "Debt Financing"), as well as receiving a capital investment from KKR Fund (the "KKR Investment"), an advance payment (8.768 billion yen) (the "JIP Advance Payment") from HVJ as part of the proceeds of the Partial Share Transfer (as defined in the section titled "(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 "(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"), and a portion of the funds (10.5 billion yen) from an issuance of preferred shares of the Offeror to Hitachi (the "Hitachi Investment"). The Offeror intends to obtain the Debt Financing, the KKR Investment, the JIP Advance Payment, and the Hitachi Investment by the business day prior to the first day of settlement for the Tender Offer, subject to conditions including the successful completion of the Tender Offer. Regarding the preferred shares to be issued to Hitachi by the Offeror, such preferred shares will be non-voting shares and will not have any attached rights to obtain options to acquire stock or voting rights in the Offeror. For additional details regarding the Hitachi Investment, refer to the 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".

After the successful completion of the Tender Offer, as part of the Transaction, the Offeror also intends to request the implementation of 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 accrued from the Share Consolidation will be covered by a portion of the Debt Financing and a portion of the Hitachi Investment (10.5 billion yen).

In addition, taking into account the 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 to Hitachi in the Share Repurchase. The Offeror intends to set aside a portion of the funds procured through the Debt Financing and the prepayment of the remaining purchase and sales proceeds of the Partial Share Transfer by HVJ (8.768 billion yen), as well as all or part of the deposit by Hitachi of the amount equivalent to the purchase and sale proceeds of the Partial Share Transfer (8.768 billion yen) for the loan to the Target Company. In 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 be a joint and several guarantor.

According to the April 26, 2017 Target Press Release, at a meeting held today, the Target Company's Board of Directors issued a resolution, in its judgment based on present circumstances, supporting the Tender Offer and leaving the decision of whether or not to tender into the Tender Offer to the Shareholders, as even though it believes that the Tender Offer Price (as defined in the 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") is valid and the exchange scheme treats all of the Target Company's shareholders equally, in light of the effect of speculative media reports that caused a rapid increase in the Target Company's share price as listed on the First Section of the Tokyo Stock Exchange, Inc. (the "TSE"), the premium is low compared to premiums offered in precedent tender offers for securities of other issuers according to information provided by the Target Company's financial advisor, Nomura Securities Co., Ltd. ("Nomura Securities"). As stated 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, with regard to the commencement of the Tender Offer, the Board of Directors of the Target Company has decided as follows: at such time, the Board of Directors of the Target Company will request 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 the date hereof, and that, if there is no change, the committee will advise the Board of Directors to that effect, or, if there is any change, then the committee will issue a revised opinion reflecting such change, and the Board of Directors will issue a new opinion regarding the Tender Offer for the Target Company, based on the third-party committee's revised opinion.

For details regarding the resolution of the Target Company's Board of Directors, please refer to the April 26, 2017, Target Press Release as well as the section titled "(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 described below. The description of the Target Company included below is based on publicly available information, the April 26, 2017 Target Press Release, and explanations received from the Target Company.

(i) The Business environment of the Target Company

The Target Company was formed 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 TSE. Since its formation, the Target Company has endeavored to build infrastructure for a safe and prosperous society in the spirit of 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") and 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."

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 (Note 5), 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 (Note 6) and sheet-fed apparatus (Note 7), 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 5: 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 6: Processing equipment for forming wafers in a batch (multiple sheet processes) in a vertical orientation.

Note 7: 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 (Note 8), and railway solutions (Note 9), 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 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 shifting and developing its human resources for the solutions business, as well as strongly promoting business- and cost-structure reform. Specifically, in addition to reorganization of its overseas business structure, it is also seeking to establish a stable business foundation in Japan through the optimization of 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 (Note 10), its core technology, and is also working towards advancements in its product lifecycle businesses (Note 11), in addition to concentrating its efforts on increasing its share in the mass-production line for its customers' advanced devices (Note 12) by leveraging its capability 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 (Note 13); 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 (Note 14). 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.

As part of the main vertical 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 (Note 15). 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 vertical thin-film equipment market, which the thin-film process solutions business is at the core of, the thin-film and etching processes (Note 16) 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 8: 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 9: Solutions investing in management reform to improve business efficiency in the railway transport field.

Note 10: Processing film by applying heat.

Note 11: 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 12: The semiconductor production line for advanced 3D NAND flash memory devices.

Note 13: Single wafer (film) processing systems that treat film by applying plasma and heat to remove impurities in the film and stabilize particles.

Note 14: Equipment largely utilizing existing 200mm wafer technology.

Note 15: Although presently devices are made using a 2D (flat) structure, 3D (raised) uses a layered structure to create nonvolatile semiconductor memory (retains data while the power source is switched off).

Note 16: 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 considers 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, please 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" under "(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) <u>Discussions between the Offeror, the Target Company and Hitachi, and the decision-making process of the Offeror</u>

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 per business rather than to respond from the overall viewpoint of enhancing the enterprise value of the Target Company to recent changes in the business environment. 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.

The Target Company had 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 through listing, 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 "(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 interested in 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 that bids would be solicited from multiple potential purchasers in order to provide shareholders with an opportunity to sell their shareholding 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 bid conducted primary due diligence procedures 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, the Target Company and Hitachi requested that each potential purchaser that successfully passed the first bid conduct full-scale due diligence on the Target Company's business, finances, legal affairs, and other factors, interview its management, and further analyze and examine the acquisition of the Target Company Shares. The Target Company and Hitachi have both reviewed the future business operating policies and other factors of KKR and other potential purchasers that participated in the second bid 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 yen 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.

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 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 (Note 17), another potential purchaser for the video and communication solutions business that had submitted a proposal in the second stage of the bidding process.

(Note 17) JIP was established in November 2004 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, following the conclusion of conditions negotiation for the next stage, as a condition of the Offeror receiving the Hitachi Investment (10.5 billion yen) for the preferred investment (preferred shares once the Offeror has changed its organization to a stock company), in early April 2017, KKR and JIP increased their share appraisal price to 215 billion yen and submitted a revised proposal 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 effects of tax and business continuity, and the value of the Target Company Shares, the Offeror and HVJ were 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) divesting the Target Company’s thin-film process solutions business by 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 issued shares 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 yen according to the joint proposal (defined with respect to the shares to be purchased in the Tender Offer, the “Tender Offer Price”), 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 the third-party committee, the Target Company held discussions and negotiations with KKR and Hitachi regarding the Tender Offer Price and the price per share for the Share Repurchase on several occasions from the middle of April 2017. As a result, on April 26, the Target Company, Hitachi, and KKR agreed to fix the Tender Offer Price at 2,503 yen, and the price per share for the Share Repurchase at 1,710.34 yen (rounded to the third decimal place, the same shall apply hereafter).

In order to confirm that substantial negotiations were conducted to raise the 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 Tender Offer Price and the price per share for the Share Repurchase, KKR explained to the Target Company that (i) setting the price per share for the Share Repurchase lower than the 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 in the Tender Offer. The Target Company confirmed the basis for the estimated tax effects on Hitachi regarding the price per share for the Share Repurchase, and the Target Company made independent calculations and confirmed that the practical after tax net proceeds, including the tax effects regarding the deemed dividend per share for Hitachi through the Share Repurchase, would not exceed after tax net proceeds in conjunction with the 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 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 have been satisfied (or waived by the Offeror) and determined that the Tender Offer Price would be 2,503 yen. The Tender Offer Price of 2,503 yen, and the price per share for the Share Repurchase of 1,710.34 yen have been 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 in "(ii) Background of the calculation" under "(4) Basis for the calculation of the Tender Offer Prices" under "2. Outline of the Tender Offer," the amended proposal from KKR and JIP was submitted with a condition of receiving the Hitachi Investment (10.5 billion yen) for the preferred investment (preferred shares once the Offeror has changed its organization to a stock company).

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) <u>Capital Reduction and the Share Repurchase by the Target Company</u>

According to the April 26, 2017 Target Press Release, 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, the Target Company will implement the Share Repurchase at an aggregate price of 90,767,942,711 yen. The per share amount obtained by dividing the aggregate price of 90,767,942,711 yen by the number of shares held by Hitachi (53,070,129 shares), or 1,710.34 yen, is 792.66 yen less than the Tender Offer Price of 2,503 yen.

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 the amount of capital, capital reserve, and profit reserve pursuant to Article 447, paragraph 1, and Article 448, paragraph 1 of the Companies Act, and 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 a reduction in the amount of capital, capital reserve and profit reserve and the Share Repurchase by around November 2017 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, and have it succeeded to by the Offeror on the business day following of the implementation date of the Share Repurchase after the completion thereof, 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 "Partial Share Transfer") for 8.768 billion yen, respectively. Accordingly, the Offeror, Hitachi and HVJ will hold 60%, 20% and the remaining 20%, respectively, of the portion 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 a 20% of the portion of the Target Company Shares (the video and communication solutions business) will be 8.768 billion yen, 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

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 confirmed that the direction would be for Hitachi to consider selling the Target Company Shares in its possession, as necessary. Taking into consideration the multiple stages of the transaction, the Target Company concluded that the Transaction, including the Tender Offer, would be equivalent to a transaction with its controlling shareholder, due to the following reasons: (i) the Offeror has executed the Basic Agreement with Hitachi and HVJ; and (ii) as part of the Transaction, (a) the Tender Offer would be effected subject to the Target Company acquiring the Target Company Shares held by Hitachi; and (b) after the Company Split, Hitachi would be transferred 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. 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 (the "Target Company 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 "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, see the section titled "(iv) The Target Company has established a third-party committee and has obtained an opinion" 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. Purposes of the Tender Offer."

The Target Company received a proposal for the first bid in mid-November 2016 from KKR, who had participated in the aforementioned bidding process, and the Target Company also received proposals and amended proposals thereafter throughout the multiple stages of the process. Having examined the proposal, the Target Company discussed and negotiated the 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" above. As a result, the Target Company has decided that, in response to changes in the current business environment surrounding each of its businesses, taking the following measures and utilizing KKR's know-how and resources to establish a more flexible management system will contribute to the further enhancement of the Target Company's enterprise value. The measures include: drastic structural reform in the video and communication solutions business, portfolio transformation including business selection and concentration, and accelerated upfront investments in the thin-film process solutions business that are indispensable for further growth.

As stated above, in the video and communication solutions business, the Target Company has a growth strategy of shifting from systems products to the solutions business, expanding its global businesses, and strongly promoting reform of business and cost structures. In order to establish a stable business foundation in a continually harsh environment, the Target Company is undergoing structural reform of its overseas operations and the special offering of an early retirement incentive program for its domestic operations. In addition, it is also necessary to implement more significant forms of structural reform, including portfolio transformation and proper allocation of human resources in both domestic and overseas operations. If the Target Company remains listed, a considerable amount of costs incurred by significant structural reform may adversely affect its share price and may prejudice its shareholders. Accordingly, the Target Company has considered to accept the business risk of a temporary slowdown in its performance without being affected by the fluctuation in its performance in the short term. 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, and in order to act decisively on its policies and to rapidly obtain a suitable capital and management structure, the Target Company has investigated the possibility of privatization of such 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 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 synergy. 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, it will need to work to establish 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 in the increasingly complex semiconductor manufacturing process, 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. The Target Company has thus decided to examine the possibility of privatization of 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.

The Offeror has determined that the Tender Offer will provide the Target Company's shareholders with a reasonable opportunity to sell their shares in light of the following considerations regarding the Tender Offer Price:

(i) As stated 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," the results of the calculations of the price of the Target Company Shares according to Nomura Securities show that, the Tender Offer Price is greater than the maximum calculated result based on the market share price method (Reference Date 1), the market share price method (Reference Date 2) and the comparable company method, and is within the range of calculated results based on the discounted cash flow method (the "DCF Method");

(ii) The Tender Offer Price is the result of adding a 38.98% premium (rounded to the second decimal place, the same applying to all calculated premium percentages) to the closing price of ¥1,801 of the Target Company Shares on the First Section of the TSE as of 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, as well as a 3.60% premium (rounded to the second decimal place, the same applying to all calculated premium percentages) to the closing price of ¥2,416 of the Target Company Shares on the First Section of the TSE as of April 25, 2017, the business day prior to the announcement date of the Tender Offer, 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 April 25, 2017;

(iii) As stated 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", measures to ensure the fairness of the Tender Offer have been established and have taken into consideration the interests of minority shareholders (Note 18): and

(iv) The prices were determined after taking measures to ensure the fairness of the Tender Offer.

Note 18: Because the price for the 20% portion of the Target Shares to be transferred to Hitachi in the Partial Share Transfer (8.768 billion yen) is equal to the price for the 20% portion of the Target Shares to be transferred to HVJ in the Partial Share Transfer (8.768 billion yen), and this price reflects negotiations between the Offeror and HVJ, an independent party, it is recognized that such transaction, even if it occurs at a price lower than a fair price, would not concern the denial of benefits to minority shareholders.

Therefore, the Target Company believes that the implementation of the Transaction, including the Tender Offer, by the Offeror is an investment that will enhance the enterprise value of the Target Company, and, given items (i) through (iv) listed above, the Tender Offer Price is valid. However, in light of the effect of speculative media reports that caused a rapid increase in the Target Company's share price as listed on the TSE, the premium is low compared to premiums offered in precedent tender offers for securities of other issuers according to information provided by Nomura Securities, and the Target Company has 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 has 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 a board of directors meeting of the Target Company held today, it has been resolved that the present opinion of the Target Company is that if the Tender Offer commences, then the Target Company announces their approval of the Tender Offer and has decided to leave the decision of whether or not to tender into the Tender Offer to the Target Company's shareholders.

For additional details of the resolutions of the Target Company's Board of Directors, see the section below 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."

(iv) Post-Tender Offer management policy

After the Target Company becomes a wholly-owned subsidiary, the Target Company's thin-film process solutions business will be succeeded to by the Offeror through the Company Split, and the Offeror, Hitachi, and HVJ will hold the portion of the Target Company Shares (the video and communication solutions business) through the Partial Share Transfer, 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" under "(ii) Discussions between the Offeror, the Target Company, Hitachi and JIP, and the decision-making process of the Offeror" above and "(3) Material agreement 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, 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 the directors (a total of 4 directors: 3 full-time directors and 1 part-time director) of the Target Company (the video and communication solutions business), with the Offeror appointing 1 director, HVJ appointing 2 directors, and Hitachi appointing 1 part-time director.

(3) Material agreement regarding the Tender Offer

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

Under the Basic Agreement, the Offeror, Hitachi and HVJ have agreed as follows: (i) a portion of the financing needed for the settlement of the Tender Offer is to come from the JIP Advance Payment and the Hitachi Investment (10.5 billion yen) (Note 19); (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 Hitachi Investment part of the acquisition price of the Target Company Shares equal to the total number of any fraction accruing from the Share Consolidation; (iv) Hitachi will transfer all of the Hitachi Shares to the Target Company at the aggregate price of 90,767,942,711 yen, minus the amount distributed to Hitachi in the Share Consolidation, 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 Transfer after the Company Split takes effect; and (viii) Following the Partial Share Transfer, the related parties will operate the Target Company (the video and communication solutions business). Details regarding the Hitachi Investment, the Share Repurchase, the Capital Reduction, the Company Split, the Partial Share Transfer, and the operation of the Target Company (the video and communication solutions business) after the Partial Share Transfer, will be stipulated by an agreement which will be executed separately between the relevant parties by the commencement of the Tender Offer. Furthermore, in order to ensure the smooth continuation of the thin-film process solutions business and the video communication solutions business after the Transaction, an agreement will be separately executed among the relevant parties addressing the provision of transitional services by Hitachi and the continued use of the Hitachi brand.

Under the Basic Agreement, Hitachi is not to tender in the Tender Offer the Hitachi Shares. 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 5% of the amount of the Tender Offer Price without setting a limit on the maximum number of shares to be purchased, then Hitachi may tender in that tender offer.

Note 19: As stated in the section titled "(1) Summary of the Tender Offer" within "1. Purpose of the Tender Offer", regarding the preferred shares to be issued to Hitachi by the Offeror, such preferred shares will be non-voting shares and will not have any attached rights to obtain options to acquire stock or voting rights in the Offeror. For details regarding the Hitachi Investment (10.5 billion yen), refer to the 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".

(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 (i) the fact that the Offeror has entered into the Basic Agreement with Hitachi, the controlling shareholder (parent company) of the Target Company, and (ii) the fact that, as part of the Transaction, (a) the Tender Offer would be effected subject to the Target Company acquiring the Target Company Shares held by the Target Company and Hitachi and (b) through the Company Split Hitachi would acquire 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 Investment, and that the Offeror has implemented the following measures 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 April 26, 2017 Target Press Release, 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

According to the April 26, 2017 Target Press Release, when considering their opinion and announcement regarding the Tender Offer, the Target Company requested a calculation of the Target Company's share price from Nomura Securities, a third-party financial advisor independent from the Target Company, Hitachi, and the Offeror, and obtained the Target Company Share Valuation Report on April 25, 2017. Nomura Securities is not a related party of Target Company, Hitachi, or the Offeror and holds no material interest in the Transaction, including the Tender Offer. The Target Company has not obtained an opinion regarding the fairness of the Tender Offer Price.

In order to obtain and examine the information necessary to calculate the Target Company's share price, Nomura Securities received information regarding and explanations of business performance and future forecasts from the Target Company's management and took this information into consideration when conducting the calculation of the Target Company's share price.

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

The value ranges per Target Company Share as calculated by using the aforementioned methods are as provided below.

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

(1) Using October 3, 2016 as the first reference date ("Reference Date 1"), so as to exclude the effect of speculative media reports that were released regarding Hitachi's transfer of the Target Company Shares after the close of trading hours on October 3, 2016, the per-share value of the Target Company Shares has been estimated to range from ¥1,573 to ¥1,837, based on the Reference Date 1 closing price (¥1,801), one-week average closing price (¥1,837), one-month average closing price (¥1,810), the three-month average closing price (¥1,752), and the six-month average closing price (¥1,573), respectively, of the Target Company Shares on the Tokyo Stock Exchange immediately preceding the Reference Date.

(2) Using April 25, 2017 as the second reference date ("Reference Date 2"), the per-share value of the Target Company Shares has been estimated to range from ¥2,392 to ¥2,502, based on the Reference Date 2 closing price (¥2,416), one-week average closing price (¥2,392), one-month average closing price (¥2,432), the three-month average closing price (¥2,502), and the six-month average closing price (¥2,405), respectively, of the Target Company Shares on the Tokyo Stock Exchange immediately preceding the Reference Date.

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

Based on the DCF Method, the per-share value of the Target Company Shares was estimated to range from ¥2,296 to ¥2,627 after evaluating the enterprise value of the Target Company and the value of the Target Company Shares by discounting the free cash flows that the Target Company is expected to generate in the future, based on profit forecasts that take into consideration the business plan from March 31, 2018 until March 31, 2019, recent trends in results, and the content of publicly disclosed information. In addition, the business plan used in the calculations by Nomura anticipates wide fluctuations in profitability during the business' fiscal year. Specifically, the following factors were incorporated:

i. In the period ending March 31, 2017, the-one time cost of the special offering of the early retirement incentive plan;

ii. The one-time cost relating to the violation of anti-trust laws, which the Fair Trade Commission announced on February 2, 2017, "The JFTC Issued Cease and Desist Order and Surcharge Payment Orders to the Manufacturing Distributors of Equipment for Fire Rescue Digital Radio";

iii. From March 31, 2018 to March 31, 2019, it is anticipated that there will be increased revenue led by high-growth solutions in the video and communications solutions business, and growth is expected from the thin-film process solution business' focus on vertical thin-film equipment, new businesses in wafer treatment equipment and service businesses;

iv. As reinvigorated profitability is expected due to the special offering of the early retirement incentive plan, in the period ending March 31, 2018 there is expected to be a large increase, above 30% in comparison with the previous period, in before tax income, net income and after tax income, and in the period ending March 31, 2019 there is expected to be a large increase, above 30% in comparison with the previous period, in operating income, net income and after tax income; and

v. In addition, with regard to the final fiscal year of the new medium-term business plan ending on March 31, 2019, operating income is expected to be at the same standard level as the new medium-term business plan. For details regarding the new medium-term business plan, please refer to the press release of the Target Company, "Policy Regarding the New Medium-Term Business Plan", dated April 25, 2017. The business plan is not based on the implementation of the Transaction.

(iii) <u>The Target Company has obtained the advice of an independent law firm</u>

According to the April 26, 2017 Target Press Release, 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) <u>The Target Company has established a third-party committee and has obtained an opinion</u>

According to the April 26, 2017 Target Press Release, 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 outside intellectuals who are independent from the Target Company and do not hold an interest in the controlling shareholder, Hitachi or the Offeror (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 third-party committee inquired as to whether (i) the purpose of the Transaction 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 (collectively, the "Matters of Inquiry").

The third-party committee has met 9 times since February 7, 2017 until April 24, 2017 to discuss and examine the Matters of Inquiry. Specifically, the third-party committee (i) has received explanations from and held question and answer sessions with, the target Company and Nomura Securities regarding (a) the purpose of the Transaction, (b) details of the Transaction scheme and processes, (c) the circumstances of the negotiation of the Transaction's terms and conditions, (d) the details and calculation methodology of the Target Company Share Valuation Report procured from Nomura Securities, the third-party financial advisor, and (e) the legal advice received from Torikai Law Office, and also (f) received an explanation from and held question and answer sessions with KKR as to the reasoning behind the Tender Offer Price .

After consulting with each other and considering the Matters of Inquiry carefully in light of the above explanations and the contents of the question-and-answer session, on April 29, 2017, the third-party committee unanimously resolved to submit the Report to the Target Company's board of directors. For a summary of the Report, please refer to items (i) through to (iv) below.

In addition, the third-party committee was established as a measure to avoid conflicts of interest in the Transaction caused by the opposing interests of the parent company, Hitachi, and other companies who are minority shareholders, and to examine whether or not the interests of minority shareholders were compromised by Hitachi receiving an inappropriate or unfair advantage. The Report did not examine whether the transaction prices for each transaction were fair from a financial perspective.

(i) The fairness and reasonableness of the purpose of the Transaction (Matter of Inquiry 1)

As there is no synergy between the video and communications business and the thin-film processing business and each required a different direction in management policy, the two businesses will separate and will seek suitable partners, capital and transactions that will enable them to strengthen their competitiveness and enhance their enterprise value. As it is clear that the interests of minority shareholders are not being compromised by Hitachi using its position as the controlling shareholder to profit for itself or for a third party, the purpose of the Transaction can be said to be fair and reasonable.

(ii) The fairness of procedures relating to the Transaction (Matter of Inquiry 2)

It can be said that the fairness of the procedures regarding the Transaction has ensured based on the following factors: (a) the reasons for implementing the Transaction are reasonable, and there are no circumstances where the procedures to implement the overall scheme of the Transaction could be viewed as unfair; (b) the legality of the structure of transactions comprising the Transaction has been ensured; (c) the selection process for choosing the bidder and the negotiation process regarding the transaction conditions, including the price, have been carried out properly; and (d) the following measures were taken to avoid conflicts of interest: (I) a bidding procedure was conducted; (II) a stock valuation report was acquired from an independent third-party appraiser; (III) an independent law firm provided advice; (IV) a third-party committee was established and negotiations were undertaken based on the opinions of the such committee; (V) parties with an interest in Hitachi were not included in deliberations and decisions; (VI) in order to respect the wishes of minority shareholders, the minimum number of shares to be purchased was set as a majority of the minority, an important policy that protected the fairness and adequacy of the Tender Offer Price; and (VII) measures were taken to secure purchase opportunities from other potential acquirers.

(iii) Terms and Conditions of the Transaction (Matter of Inquiry 3)

(A) Regarding the Transaction, including the Share Repurchase, measures have been taken to prevent arbitrariness in the decision-making process, and, from a perspective of general fairness, procedures have been carried out to appropriate regulate the interests of Hitachi and the minority shareholders. Accordingly, as long as the purchase price can be deemed to have been fairly determined, the purchase price can be said to be fair. In this way, the fairness of the transaction terms was evaluated, focusing on the overall procedures concerning the fairness of the transaction terms. As a result, the following circumstances were considered: (a) The Target Company carried out bidding procedures for over six months to select acquirers, negotiate the price and negotiate the Share Repurchase from Hitachi. Through these processes, it can be said that with respect to the minority shareholders, the most advantageous and realistic transaction terms have been obtained. Based on these facts, from the viewpoint of the entire transaction, an agreement has been reached in accordance with the kind of customary M&A transactions carried out with independent third parties, and we do not believe that Hitachi, through its position as the parent company, was able to unilaterally control the process or impress one-sided favorable terms upon the Target Company; and (b) The Target Company and Hitachi have implemented the measures described in the previous section (ii)(d) above to ensure the fairness of the Transaction and avoid conflicts of interest.

Further, there are no unreasonable points in the method and results of calculating the stock value as used by Nomura Securities, and the Tender Offer Price (2,503 yen) either exceeded the median amount or was not less than the upper limit in all calculation results in the Target Company Share Valuation Report.

In order to exclude the effect of speculative media reports that were released regarding Hitachi's transfer of the Target Company Shares after the close of trading hours on October 3, 2016, October 3, 2016 has been used as Reference Date 1 and April 25, 2017 has been used as Reference Date 2 for the Target Company Share Valuation, as follows:

(a) Based on Reference Date 2, the Tender Offer Price represents a 3.60% premium to the closing price of ¥2,416 of the Target Company Shares on the First Section of the TSE on such date; or 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 April 25, 2017.

(b) Based on Reference Date 1, the Tender Offer Price represents a 38.98% premium to the closing price of ¥1,801 of the Target Company Shares on the First Section of the TSE on such date, 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.

Based on the circumstances discussed above, including the negotiation process for the Tender Offer Price, the countermeasures to address conflicts of interest, and the method of calculating the share value by Nomura Securities, with regard to the implementation of the Transaction and from a perspective of general fairness, it can be said that generally accepted procedures have been followed to prevent arbitrariness and conflicts of interest between Hitachi and minority shareholders. Accordingly, the Tender Offer Price and price per share for the Share Repurchase have been determined through these processes preventing intervention.

(B) Following the Company Split, KKR plans to transfer 20% of the shares of the Target Company to each of Hitachi and HVJ. Because the prices for these transfers will be the same and will reflect the negotiations between the Tender Offeror and HVJ, which are independent parties, it is recognized that such transaction, even if it occurs at a price lower than a fair price, would not concern the denial of benefits to minority shareholders.

(C) Because the minimum amount of shares to be purchased is based on the majority of the minority, with respect to the Transaction terms apart from price, we do not recognize that Hitachi has unjustly profited at the expense of the minority shareholders, and there are no circumstances that impair the validity or legitimacy of the Transaction terms.

(iv) Whether it is Detrimental to the Target Company's Minority Shareholders to Conduct the Transaction (Matter of Inquiry 4)

As described in items (i) through (iii) above, the rationality and legitimacy of the Transaction have been recognized, the fairness of the procedures for the Transaction have been ensured, and the validity and legitimacy terms of the Transaction have been ensured. Therefore, based on the understanding that Hitachi, the parent company, should not benefit at the expense of the minority shareholders, it cannot be said that Hitachi has used its position to unfairly profit, and it can be said that it is not detrimental to the Target Company's minority shareholders to conduct the Transaction.

Additionally, in the course of the Transaction Hitachi will make an investment of 10.5 billion yen in the Offeror's preferred shares. However, such preferred shares will be non-voting shares and will not have any attached rights to obtain options to acquire stock or voting rights in the Offeror. Further, in the process of negotiating the purchase price for the Transaction, because it was decided that there should be an increase in the total amount of the purchase price, the degree of conflict of interest with minority shareholders is deemed to be low, and there has not been any particular impact on the judgment as described in items (i) through (iii) above.

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

According to the April 26, 2017 Target Press Release, the Target 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 Target Company Share Valuation Report and the legal advice from Torikai Law Office, as well as giving serious consideration to 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" 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 has concluded that the Tender Offer will provide its shareholders with a reasonable opportunity to sell their shares, and 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 present circumstances, has issued a resolution supporting the Tender Offer and leaving the decision of whether or not to tender into the Tender Offer to the shareholders, as even though it believes that the Tender Offer Price is valid and the exchange scheme treats all of the Target Company's shareholders equally, in light of the effect of speculative media reports that caused a rapid increase in the Target Company's share price as listed on the TSE, the premium is low compared to premiums offered in precedent tender offers for securities of other issuers according to information provided by Nomura Securities.

From among the Target Company's directors, regarding Mr. Yutaka Saito, who concurrently serves as Hitachi's Representative Executive Officer, it has been stated that in his capacity as the Target Company's director, he has not attended any Board of Directors meeting of the 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 suspected conflicts of interest and ensure the fairness of the Transaction.

(vi) <u>The Offeror has set a minimum number of shares to be purchased equal to the majority of the minority</u>

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 (24,816,632 shares). The minimum number of shares to be purchased in the Tender Offer (being a tentative figure contingent on the information as of the date hereof) must exceed the majority amount of (24,816,632 shares, the so-called majority of the minority, which total amount is calculated as the total number of presently issued shares (105,221,259 shares) as of March 31, 2017, as stated in the Target Company's Summary Financial Report, minus the number of treasury shares 2,517,867 shares shares, as well as the number of the Hitachi Shares (53,070,129 shares). In this way, 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) <u>Measures to ensure tender opportunities from other tender offerors</u>

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.

The Offeror intends for the Tender Offer Period to be set at 20 business days. Although this is comparatively short, we believe that because the Offeror aims to commence the Tender Offer early August 2017 and accordingly there is a long period before the Tender Offer commences, the Target Company shareholders will have an appropriate opportunity to consider whether to tender in the Tender Offer, and an opportunity for a potential purchaser other than the Offeror to make a competing tender offer of the Target Company Shares is also ensured.

Further, as set forth in the above section titled "(ii) Discussions between the Offeror, the Target Company and Hitachi, 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.

(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," 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, then the Offeror intends to request that the Target Company implement 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 shares of the Target Company 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')" 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 as stated below.

(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 December 31, 2016)
(vi)	Date of Foundation	February 1, 1920
(vii)	Major Shareholders and Ownership Percentage (as of September 30, 2016) (See Note)	The Master Trust Bank of Japan, Ltd. (Trust Account) – 5.90% Japan Trustee Services Bank, Ltd. (Trust Account) – 5.30% Hitachi Group Employee Shareholding Plan – 2.18% Nippon Life Insurance Company – 1.93% Japan Trustee Services Bank, Ltd. (Trust Account 9) – 1.64% The Bank of New York Mellon SANV 10 (Proxy Account: The Bank of Tokyo-Mitsubishi UFJ, Ltd.) – 1.51% State Street Bank and Trust Company 505225 (Proxy Account: Mizuho Bank, Ltd.) – 1.47% The Dai-Ichi Life Insurance Company, Limited – 1.48% Japan Trustee Services Bank, Ltd. (Trust Account 7) – 1.43% State Street Bank West Client Treaty 505234 (Proxy Account: Mizuho Bank, Ltd.) – 1.36%
(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 Shares, etc. Held (as of April 26, 2017)	53,070,129 shares

(Note) Content of "Major Shareholders and Ownership Percentage (as of September 30, 2016) (See Note)" is cited from the "Status of Major Shareholders" in the Second Quarterly Report for the 148th Period filed by Hitachi as of November 14, 2016.

(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 yen
(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 April 26, 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 March 31, 2017)
(vi)	Date of Foundation	November 17, 1949
(vii)	Major Shareholders and Ownership Percentage (as of September 30, 2016) (See Note)	Hitachi, Ltd. – 50.43% Japan Trustee Services Bank, Ltd. (Trust Account) – 7.99% The Master Trust Bank of Japan, Ltd. (Trust Account) – 4.43% Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) – 1.50% Goldman Sachs International (Proxy Account: Goldman Sachs Japan Co., Ltd.) – 1.37% Chase Manhattan Bank GTS Clients Account Escrow (Proxy Account: Mizuho Bank, Ltd., Settlement & Clearing Services Department) – 0.95% JP Morgan Chase Bank 380634 (Proxy Account: Mizuho Bank, Ltd., Settlement & Clearing Services Department) – 0.80% 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) – 0.76% Credit Suisse Securities (Europe) Limited PB Omnibus Client Account (Proxy Account: Credit Suisse Securities (Japan) Limited) – 0.57% Hyatt (Proxy Account: The Bank of Tokyo-Mitsubishi UFJ, Ltd.) – 0.56%
(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) Certain content of “Major Shareholders and Ownership Percentage (as of September 30, 2016)” is cited from the “Status of Major Shareholders” in the Second Quarterly Report for the 93rd Period filed by the Target Company as of November 11, 2016.

(2) Schedule

The Tender Offer is to be implemented subject to the fulfillment of the Conditions Precedent to the Tender Offer (however, in the event that one or more of the Conditions Precedent to the Tender Offer is not satisfied, the Offeror may, in its discretion, elect to waive such Conditions Precedent to the Tender Offer and proceed with the Tender Offer). The Offeror intends to commence the Tender Offer promptly upon the fulfillment (or waiver by the Offeror) of the Conditions Precedent to the Tender Offer, and, as of today, intends to commence the Tender Offer in early August of 2017. However, as it is difficult to anticipate the time period required to follow the relevant procedures of domestic and foreign competitive authorities, the Offeror will announce the schedule of the Tender Offer once it has been determined.

(3) Tender Offer Price

Common shares: ¥2,503 per share

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

(i) Basis for the Calculation

In determining the 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 as of 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 has determined the Tender Offer Price to be ¥2,503.

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 (¥2,503 per Target Company Share) represents a 3.60% premium to the closing price ¥2,416 of the Target Company Shares on the First Section of the TSE as of April 25, 2017, which is the business day immediately preceding the date on which the Tender Offer was announced (i.e., today); or 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 April 25, 2017.

As stated above, the Tender Offer Price (¥2,503 per Target Company Share) represents a 3.60% premium on the April 25, 2017 closing price of ¥2,416 of the Target Company Shares on the First Section of the TSE. The closing price of the Target Company Shares on the First Section of the TSE as of 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 Tender Offer Price (¥2,503 per Target Company Share) will be the result of adding a 38.98% premium to the closing price of ¥1,801 of the Target Company Shares on the First Section of the TSE as of 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.

(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 primary due diligence procedures on the Target Company's business and finances and interviewed its management. From early 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 yen 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 (Note), another potential purchaser for the video and communication solutions business that had submitted a proposal in the second stage of the bidding process.

Thereafter, following the conclusion of conditions negotiation for the next stage, as a condition of the Offeror receiving the Hitachi Investment (10.5 billion yen) preferential investment (preferred shares once the Offeror has changed its organization to a stock company), in early April 2017, KKR and JIP increased their share appraisal price to 215 billion yen and submitted a revised proposal 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 Tender Offer Price and the price per share for the Share Repurchase on several occasions. As a result, on April 26, 2017, the Target Company, Hitachi, and KKR agreed to fix the Tender Offer Price at 2,503 yen.

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 Basic Agreement, and, upon fulfillment of the Tender Offer Preconditions (or their waiver by the Offeror), have decided to implement the Tender Offer with the Tender Offer Price of 2,503 yen. The Tender Offer Price of 2,503 yen 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
49,633,263 shares	24,816,632 shares	- shares

(Note 1) If the total number of Tendered Shares is less than the minimum number of shares to be purchased (24,816,632 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 (24,816,632 shares), the Offeror will purchase all of the Tendered Shares. The minimum number of shares to be purchased will be 24,816,632 shares, which is the majority of the number of shares (49,633,263 shares) obtained by deducting the number of treasury shares held by the Target Company as of March 31, 2017 (2,517,867 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 Summary Financial Report.

(Note 2) Since no maximum number is set for the shares to be purchased in the Tender Offer, the maximum number of shares (49,633,263 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 (49,633,263 shares) is obtained by deducting the number of treasury shares held by the Target Company as of March 31, 2017, as stated in the Target Company's Summary Financial Report (2,517,867 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 Summary Financial 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 utilized 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.

(Note 5) Each figure in the “Number of Shares to be Purchased” and the “Minimum Number of Shares to be Purchased” above is tentative and relies upon information available as of today, and the actual figure in the Tender Offer may differ from the above-stated figure due to changes in the number of treasury shares or other factors on or after that point in time.

(6) Changes to share ownership ratios due 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	496,332	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	1,025,487	

(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 (49,633,263 shares), as stated in "(5) Number of shares to be purchased" above.

(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 number of voting rights held by Hitachi and the Target Company, which are the parties listed in Article 27-2, paragraph 7, item (ii) of the Act, is stated (however, no voting right is attached to the Target Company Shares held by the Target Company because they are treasury shares). Before the commencement of the Tender Offer, the Offeror intends to confirm the shares of the Target Company held by special related parties. Accordingly, if any amendment is necessary to the "Number of voting rights represented by shares held by special related parties prior to the Tender Offer" or the "Number of voting rights represented by shares held by special related parties after the Tender Offer" above, the Offeror will disclose the amended content upon the commencement of the Tender Offer.

(Note 3) The "Total number of Target Company voting rights" is the total number of voting rights as of December 31, 2016 as stated in the Third Quarterly Report for the 93rd Period filed by the Target Company as of February 13, 2017. 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 total number of issued shares as of March 31, 2017 as stated in the Target Company's Summary Financial Report (105,221,259 shares), deducted by the number of treasury shares not to be acquired through the Tender Offer (2,517,867 shares) and the number of fractional units of the Target Company Shares held by Hitachi (29 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:

¥124,232,057,289

(Note) The "purchase price" may change in the event that the actual number of shares to be purchased in the Tender Offer is different due to changes in the number of treasury shares or other factors on or after today, because the amount obtained by multiplying the number of shares to be purchased in the Tender Offer (49,633,263 shares) as stated in "(5) Number of shares to be purchased" above by the Tender Offer Price per share (¥2,503).

(8) <u>Other purchase conditions and methods</u>

The Offeror will announce matters related to "Other purchase conditions and methods" and the "Settlement method" other than those set forth in (i) and (ii) below, once they have been determined, as with to the "(2) Schedule" above.

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

If the total number of Tendered Shares is less than the minimum number of shares to be purchased (24,816,632 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 (24,816,632 shares), then all of the Tendered Shares will be purchased.

(ii) 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 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 JIP 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.

(9) Tender Offer Agent

SMBC Nikko Securities Inc.

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

3. Post-tender offer policy and future outlook

Please refer to the sections titled “(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 existence and content of agreements between the Offeror and the Target Company and their respective officers

Please see “(3) Material agreement regarding the Tender Offer” in “1. Purpose of the Tender Offer” above.

(2) Other information considered necessary for investors to decide whether to tender into the tender offer

(i) Executive Officer Changes

According to the “Announcement of Executive Officer Changes” released on February 23 and March 1, 2017, the Target Company has determined the following changes of executive officers:

Resigning Officers (as of March 31, 2017)

Kiyoshi Komatsu (Vice President and Executive Officer)

Satoru Nakamura (Vice President and Executive Officer)

Hitoshi Machida (Vice President and Executive Officer)

New Officers (as of April 1, 2017)

Mikio Kobayashi (Executive Officer)

Kunio Hikita (Executive Officer)

(ii) Target Company's Summary Financial Report

The Target Company has released the “Consolidated Financial Reports for the Period Ended in March 2017 (IFRS)” as of April 26, 2017. The outline of the Report pursuant to the release is as stated below. The following outline is an abstract of the content released by the Target Company, and the Offeror has neither verified its accuracy nor its truthfulness independently. For details, please refer to the content of the release.

[i] Status of profit and loss (consolidated)

Date of Settlement of Account	Period Ended in March 2017 (in Millions of Yen)
Revenues	171,857
Cost of sales	123,007
Selling, general and administrative expenses	34,091
Other income	324
Other expenses	4,818
Net income attributable to owners of the parent	7,459

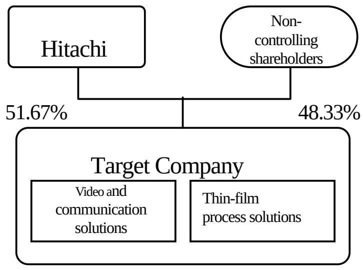
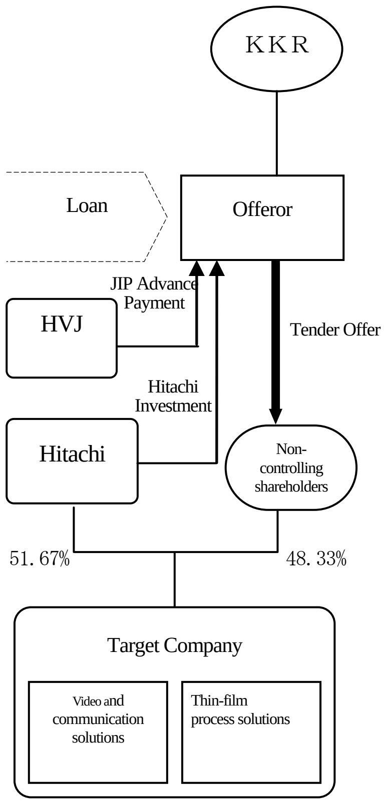
[ii] Status per share (consolidated)

Date of Settlement of Account	Period Ended in March 2017 (in Yen)
Net income per share attributable to owners of the parent	72.63
Dividend per share	26

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

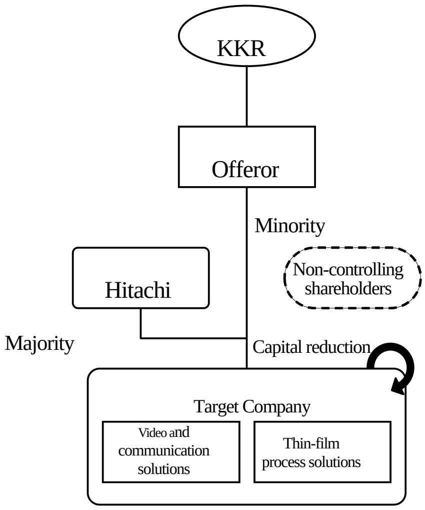
End

Exhibit 1: Scheme Diagram of the Transaction and Reorganization Scheduled Thereafter

Current Status		■ As of December 31, 2016, 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%.
Arrangement of loan by the Offeror Tender offer by the Offeror (for all of the Target Company Shares except for those held by Hitachi)		■ A special purpose company (the Offeror), which has been incorporated for the Transaction by a fund managed by KKR, will arrange the loan for the Transaction. ■ HVJ will pay to the Offeror an advance payment of part of the proceeds of the Partial Share Transfer, and Hitachi will make the Hitachi Investment in the Offeror. ■ The Offeror will implement 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. ■ It is currently expected that the Tender Offer will commence in early August 2017, based on the clearance of procedures necessary for permissions and approvals pursuant to domestic and foreign competition laws and other applicable laws and regulations.

Squeeze-out by the Offeror through share consolidation

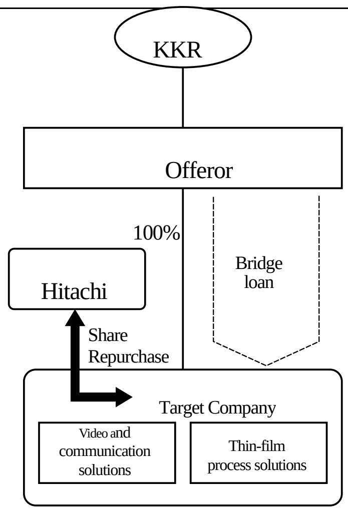
Capital reduction by the Target Company in order to increase the distributable funds



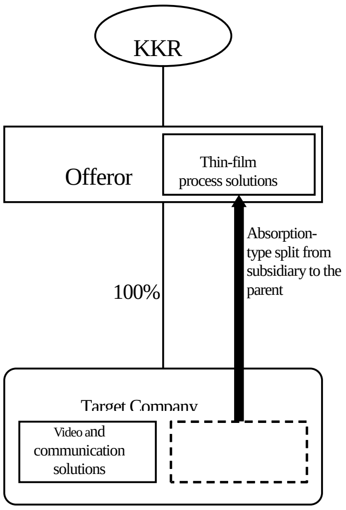
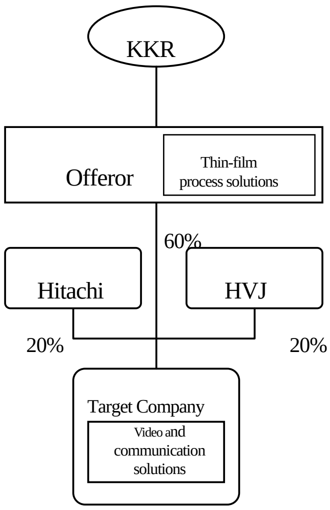
- If, after successful completion of the Tender Offer, the Offeror was not able to acquire all of the Target Company Shares (excluding those held by Hitachi and the Target Company), the Share Consolidation will be conducted so that the Offeror and Hitachi will be the only shareholders of the Target Company. The Share Consolidation is expected to be effectuated in mid-November to early December, with approval at an extraordinary shareholders' meeting to be held after successful completion of the Tender Offer.
- 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 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		■ An absorption-type split of the thin-film process solutions business of the Target Company will be implemented, 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 transfer of the Target Company Shares to Hitachi, Hitachi will continue to have a capital relationship with the Target Company, which will be to 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 mid-to-late January 2018.