

**FOR IMMEDIATE RELEASE**

**Notification of Commencement of Tender Offer  
for Shares of Subsidiary**

**Tokyo, Japan, October 11, 2017** --- Hitachi, Ltd. (TSE:6501, "Hitachi") announced in its press release titled "Notification of Execution of Basic Agreement pertaining to Tender Offer for Shares of Subsidiary" issued on April 26, 2017 ("Hitachi's April 26 Press Release"), that the tender offer (the "Tender Offer") has been scheduled to be conducted by HKE Holdings G.K. (Executor: William Janetschek, "HKE") for the common shares of Hitachi Kokusai Electric Inc. (President and Chief Executive Officer: Kaichiro Sakuma, "Hitachi Kokusai"), which is a consolidated subsidiary of Hitachi. HKE today announced in its press release titled "Announcement Regarding Commencement of the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. (Securities Code 6756)" ("HKE's October 11 Press Release") that it has decided to commence the Tender Offer as of October 12, 2017. Accordingly, Hitachi hereby announces the following with respect to the Transaction (as defined in "1. Progress Since April 26, 2017" below), which includes the Tender Offer.

**1. Progress Since April 26, 2017**

Hitachi announced in Hitachi's April 26 Press Release (1) that it had executed a basic agreement (the "Original Basic Agreement") with HKE and HVJ Holdings Inc. (Representative Director and President: Tatsuo Kimura, "HVJ") regarding (i) the Tender Offer and a share consolidation of Hitachi Kokusai shares (the "Share Consolidation"), and the acquisition of treasury shares by Hitachi Kokusai (the "Share Repurchase"), through which Hitachi Kokusai would become a wholly-owned subsidiary of HKE, (ii) an absorption-type company split of the thin-film process solutions business of Hitachi Kokusai, whereby HKE would be the company succeeding in absorption-type split, to be conducted by HKE and Hitachi Kokusai after Hitachi Kokusai becomes a wholly-owned subsidiary of HKE (the "Company Split"), and (iii) the transfer by HKE of 20% of the Hitachi Kokusai shares to Hitachi and 20% of the Hitachi Kokusai shares to HVJ that is scheduled to take place after the Company Split, and other transactions that are incidental or related to those transactions (the "Transaction"), (2) the purpose and background of the Transaction and (3) that HKE intended to commence the Tender Offer in early August 2017. Then, Hitachi announced in its press release titled "Notification of Progress Toward Conducting the Tender Offer for Shares of Subsidiary" issued August 9, 2017 ("Hitachi's August 9 Press Release") that given that the conditions precedent for the Tender Offer had not been satisfied as of August 9, 2017, HKE would not commence the Tender Offer in early August 2017 as previously scheduled.

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Hitachi continued discussing matters, including its plans regarding the Tender Offer, whether to conduct the Tender Offer and its possible timing, etc., with Hitachi Kokusai, HKE, HVJ and other parties after August 9, 2017. As a result, on October 11, 2017, Hitachi, HKE and HVJ executed a memorandum of understanding to amend the Original Basic Agreement (the "Amendment Memorandum") upon which the tender offer price in the Tender Offer (the "Tender Offer Price") was raised to 2,900 yen, and the total amount of the consideration for all of the shares of Hitachi Kokusai held by Hitachi (53,070,129 shares, ratio of voting rights held: 51.67%, the "Shares to be Sold by Hitachi") was raised to the amount obtained by deducting the amount delivered to Hitachi through the Share Consolidation from approximately 99.2 billion yen. As stated in HKE's October 11 Press Release, HKE has decided to commence the Tender Offer as of October 12, 2017 pursuant to the Amendment Memorandum because all of the conditions precedent for the Tender Offer have been satisfied.

For details of the background and purpose leading to the decision by HKE to conduct the Transaction including the background after August 9, 2017, the management policies of the thin film process solutions business and the video and communication solutions business following the Transaction, and the details of the opinion of Hitachi Kokusai regarding the Transaction, decision-making process of Hitachi Kokusai leading to the decision to conduct the Transaction and reasons for that decision, please refer to HKE's October 11 Press Release and the press release titled "Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K." issued on October 11, 2017 by Hitachi Kokusai ("Hitachi Kokusai's October 11 Press Release").

## **2. Details of the Transaction after Amendment pursuant to the Amendment Memorandum**

The following is a summary of the transactions that comprise the Transaction, including the Tender Offer, after the amendment pursuant to the Amendment Memorandum.

- (1) Privatization of Hitachi Kokusai (the tender offer for and the share consolidation of the shares of Hitachi Kokusai, etc.)

HKE will commence the Tender Offer (the Tender Offer Price is 2,900 yen per share) as of October 12, 2017. With respect to the Shares to be Sold by Hitachi, Hitachi will not tender in the Tender Offer but intends to sell all of the Shares to be Sold by Hitachi in response to the Share Repurchase which Hitachi Kokusai intends to conduct after the Share Consolidation takes effect.

In line with the purpose of the privatization of the Hitachi Kokusai shares, HKE has not set a limit on the maximum number of shares to be purchased in the Tender Offer, and HKE intends to conduct a tender for all of the tendered shares if the total number of the

tendered shares is not less than the minimum number of shares to be purchased (24,815,889 shares, which is the number of shares that is equal to the so-called majority of minority). If HKE is unable to acquire all of the Hitachi Kokusai Shares (other than the treasury shares held by Hitachi Kokusai and the Shares to be Sold by Hitachi) through the Tender Offer, then, following the successful completion of the Tender Offer, Hitachi Kokusai intends to undertake the Share Consolidation or other similar procedures so that HKE and Hitachi become the only two shareholders of Hitachi Kokusai.

Please refer to HKE's October 11 Press Release and Hitachi Kokusai's October 11 Press Release for details of matters such as the Tender Offer and the Share Consolidation.

Further, it is expected that a preferred equity investment (13.0 billion yen) paid by Hitachi to HKE will be applied to part of the settlement funds pertaining to the Tender Offer and to part of the purchase price of the Hitachi Kokusai Shares that is equivalent to the total of any fraction that arises as a result of the Share Consolidation.

(2) Capital Reduction and Share Repurchase by Hitachi Kokusai

Hitachi Kokusai intends to conduct the Share Repurchase after the Share Consolidation takes effect. Further, in conducting the Share Repurchase, Hitachi Kokusai intends to carry out procedures to reduce the amount of its capital, the amount of its capital reserve, and the amount of its retained earnings reserve.

The total amount of the consideration for the Share Repurchase is intended to be the amount obtained by deducting the amount delivered to Hitachi through the Share Consolidation from approximately 99.2 billion yen.

(3) Spin-off of Hitachi Kokusai's thin-film process solutions business

After Hitachi Kokusai becomes a wholly-owned subsidiary of HKE by the implementation of the Share Repurchase, HKE and Hitachi Kokusai intend to conduct an absorption-type company split of the thin film process solutions business of Hitachi Kokusai whereby HKE will be the 'company succeeding in absorption-type split.

(4) Acquisition of shares of Hitachi Kokusai (video and communication solutions business) by Hitachi and HVJ

After the Company Split takes effect, Hitachi and HVJ intend to acquire from HKE a part of the shares of Hitachi Kokusai (20% each) for approximately 8.8 billion yen respectively, which would dedicate itself to the video and communication solutions business.

Following the completion of that share transfer, HKE will hold 60% of the Hitachi Kokusai shares, Hitachi will hold 20% of the Hitachi Kokusai shares, and HVJ will hold the remaining 20% of the Hitachi Kokusai shares.

### **3. Outlook**

Hitachi announced in the Hitachi's April 26 Press Release that in the case that all of the Shares to be Sold by Hitachi are sold as a result of this transaction, it plans to post an extraordinary gain of approximately 60.0 billion yen in gains on sale of affiliated companies' common shares in unconsolidated statements of operations for the fiscal year ending March 31, 2018 (April 1, 2017–March 31, 2018). However, after that, because the commencement of the Tender Offer has been postponed beyond its original schedule of early August 2017, the scheduled timing of implementation of the Share Repurchase has been changed to be after April 2018 and the total amount of the consideration for the Share Purchase has been raised. As a result, the timing of posting of such extraordinary gain will be changed to the fiscal year ending March 31, 2019 (April 1, 2018–March 31, 2019), and the extraordinary gain to be posted will be approximately 69.0 billion yen.

In the case that this transaction has a significant impact on the consolidated business outlook for the fiscal year ending March 31, 2018, Hitachi will immediately announce it.

#### **About Hitachi, Ltd.**

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges. The company's consolidated revenues for fiscal 2016 (ended March 31, 2017) totaled 9,162.2 billion yen (\$81.8 billion). The Hitachi Group is a global leader in the Social Innovation Business, and it has approximately 304,000 employees worldwide. Through collaborative creation, Hitachi is providing solutions to customers in a broad range of sectors, including Power / Energy, Industry / Distribution / Water, Urban Development, and Finance / Government & Public / Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

#### **Cautionary Statement**

Certain statements found in this document may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi’s customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;

- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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