

# News Release

FOR IMMEDIATE RELEASE

## **Hitachi Decides to Conduct Public Tender Offer for Shares of Yungtay, Elevator Company Based in Taiwan**

*Accelerating Global Expansion of Elevators, Escalators and Related Services  
through Strengthening Business Base*

**Tokyo, October 26, 2018** --- Hitachi, Ltd. (TSE: 6501, “Hitachi”) today announced that it decided to conduct a public tender offer to acquire all issued shares of Yungtay Engineering Co., Ltd. (TWSE: 1507, “Yungtay”), an elevator and escalator company in Taiwan, and submitted a binding letter to Yungtay with the intent to acquire each share at 60.0 TWD. Additionally, Hitachi has signed a contract with Chou-Li Hsu, Honorary Chairman and founding family of Yungtay, that he will tender his 4.3% of shares in Yungtay, in the case of a public tender offer by Hitachi.

Hitachi owns, together with its wholly owned subsidiary Hitachi Building Systems Co., Ltd., 11.7% of Yungtay’s shares, and intends to acquire 100% ownership of Yungtay through this public tender offer. With the acquisition, Hitachi aims to enhance the elevator and escalator business in the People’s Republic of China (“China”) and Asia by increasing the competitiveness of its products, and accelerate the global expansion of its product and service businesses.

The public tender offer process is planned to be conducted in 2019 following the approval of related government authorities.

Hitachi has aimed to become an “Innovation Partner for the IoT Era” with its 2018 Mid-term Management Plan that started in FY2016, and is deploying its Social Innovation Business using digital technologies to resolve issues faced by society and customers. With the Building Systems Business, Hitachi has been operating its business mainly in China and other Asian countries, with the basic strategy to provide services utilizing data from elevators and other building equipment globally.

Yungtay was founded in 1966 and is the largest company in the elevator and escalator business in Taiwan region. It has also operated in Mainland China as one of the major suppliers of elevators and escalators, mainly for residential buildings. The company has been a business partner of Hitachi for over 50 years, with Hitachi’s capital participation in 1968.

The global elevator and escalator market expects a yearly growth of over 2%, propelled by growing demand in Asia. Meanwhile, the Chinese market, which holds more than half of the global demand for new installations, has seen increased competition. This requires businesses to improve competitiveness of its products as well as advance and make efficient its maintenance services, utilizing digital technology such as IoT.

Hitachi has decided to conduct a public tender offer of Yungtay to enrich its product lineup and expand its new installation business with improved cost competitiveness in China and Asia, and improve its profitability through increasing the number of maintenance units. Hitachi will accelerate the global expansion of its business through

realizing improved competitiveness of its products and advanced maintenance service by combining the Yungtay's cost competitiveness with Hitachi's advanced technology such as IoT.

Hitachi is receiving advice regarding this offer from Credit Suisse Securities (as financial advisor), Lee and Li Attorneys-at-Law (for legal matters) and KPMG FAS and KPMG Tax Corporation (for accounting and tax matters).

**Background of Share Valuation (at 60.0 TWD)**

- Sum of 49.15 TWD (Closing price on October 25, 2018) and 22.1% premium
- Sum of 48.78 TWD (Simple average closing price of 1 months up to and including October 25, 2018) and 23.0% premium
- Sum of 48.05 TWD (Simple average closing price of 3 months up to and including October 25, 2018) and 24.9% premium

**Overview of Yungtay**

Company name	Yungtay Engineering Co., Ltd.
Headquarters	Taipei, Taiwan
Representative	Chairman: Ray Chun Su
Business overview	- Design, manufacture, sales, installation, repair, maintenance of elevators & escalators, and elevator & escalator motors - Sales & maintenance of construction machinery, cranes, components etc.
Year of foundation	1966
Capital (As of December 31, 2017)	TWD 4,108.20 million (Approx. JPY 14.9 billion)
Number of issued shares (As of December 31, 2017)	408,690,200 shares (Not including treasury shares)
Shareholders (As of December 31, 2017)	Hitachi Group: 11.7% (Hitachi, Ltd. 7.8%, Hitachi Building Systems Co., Ltd. 3.9%) Chou-Li Hsu: 4.3% Others: 84.0%
Consolidated revenue (FY2017)	TWD 16,752.21 million (Approx. JPY 60.6 billion)
Consolidated operating income (FY2017)	TWD 1,478.92 million (Approx. JPY 5.4 billion)
Number of employees (Consolidated) (As of December 31, 2017)	5,149

**About Hitachi, Ltd.**

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges, combining its operational technology, information technology, and products/systems. The company's consolidated revenues for fiscal 2017 (ended March 31, 2018) totaled 9,368.6 billion yen (\$88.4 billion). The Hitachi Group is an innovation partner for the IoT era, and it has approximately 307,000 employees worldwide. Through collaborative creation with customers, Hitachi is deploying Social Innovation Business using digital technologies in a broad range of sectors, including Power/Energy, Industry/Distribution/Water, Urban Development, and Finance/Social Infrastructure/Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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Appendix

**I. Basic Information in connection with the Tender Offer**

1. Basic Information of the Offeror

(1) Company Name:

Hitachi, Ltd. (“**Hitachi**” or “**Offeror**”, Upon the launch of the Tender Offer, a special purpose company (“**SPC**”) established by Hitachi in Taiwan will be the Offeror. ).

(2) Representative: Toshiaki Higashihara

(3) Website: <http://www.hitachi.co.jp/>

(4) Major Business Scope:

Established in 1920, Hitachi is one of the largest industrial companies in Japan and Hitachi and its affiliates operate businesses across America, Asia, Europe, Middle East, Africa and Oceania. Hitachi and its affiliates operate across a wide range of business segments: Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Smart Life & Ecofriendly Systems, and Other Segments. Hitachi has been developing and manufacturing elevators and escalators for about 90 years. Hitachi Building Systems Co., Ltd. (“**HBS**”), established in 1956 in Tokyo, operates as a 100% subsidiary of Hitachi and engages in integrated elevator business including production, sales and services of elevators and escalators. In addition to its core business, HBS sells, installs, maintains, renovates and designs facilities required for buildings, such as air conditioning equipment, security systems, energy-saving systems and power facilities, while monitoring and controlling building facilities.

(5) Shareholding of the Directors, Executive Officers, Supervisors (Audit committee member who are members of board of directors), and Major Shareholders:

Shareholding of the Directors and Executive Officers: 1,295,000 shares

Shareholding of the Supervisors : 138,000 shares

Shareholding of Major Shareholders:

(as of March 31, 2018)

	Name	Shares
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	315,175,000
2	Japan Trustee Services Bank, Ltd. (Trust Account)	289,061,315
3	Hitachi Employees' Shareholding Association	99,765,384
4	Nippon Life Insurance Company	93,264,995
5	Japan Trustee Services Bank, Ltd. (Trust Account 9)	92,858,000
6	STATE STREET BANK WEST CLIENT - TREATY 505234	92,679,162
7	Japan Trustee Services Bank, Ltd. (Trust Account 5)	91,756,000
8	The Dai-ichi Life Insurance Company, Limited	71,361,222
9	Japan Trustee Services Bank, Ltd. (Trust Account 7)	70,797,000
10	Japan Trustee Services Bank, Ltd. (Trust Account 1)	68,201,000

2. Name, address, telephone numbers, and the services of the financial consultant(s):  
Credit Suisse Securities (Japan) Limited  
Address: Izumi Garden Tower 1-6-1 Roppongi, Minato-ku, Tokyo, 106-6024, Japan  
Phone No.: +81-3-4550-9000  
Services:
  1. supporting on analyzing and evaluating the business, operations and financial position of the Target Company;
  2. supporting on scheduling and due diligence with regards to the transaction including coordination with other external advisors;
  3. supporting on structuring of the transaction;
  4. supporting on coordinating and negotiating with Target Company

## II. Terms and Conditions of the Tender Offer

1. Tender Offer Period: The Offeror plans to launch the Tender Offer during the calendar year 2019.
2. The Expected Volume and the Minimum Number to be Acquired:  
360,964,461 shares in total ("**Expected Volume to be Acquired**"; excluding the 47,725,739 common shares of the Target Company held by the Offeror and its subsidiary, HBS, as of the announcement date in 2018, i.e., 11.68% of 408,690,200, the total number of issued and outstanding shares (excluding treasury stock) of the Target Company as latest amended on and shown on the website of the Ministry of Economic Affairs as of October 26, 2018).  
In the event that the final number of shares validly tendered is below the Expected Volume to be Acquired but has reached 156,619,362 shares (approximately 38.32% of the issued and outstanding shares (excluding treasury stock) of the Target Company) (the "**Minimum Number of Shares to be Acquired**"), the conditions of the Tender Offer in respect of number of shares to be acquired shall be deemed to have been met. After all conditions to the consummation of the Tender Offer are satisfied (i.e., the final number of shares validly tendered reaches the Minimum Number of Shares to be Acquired, the acquisition of the approval of the Investment Commission under the Taiwan Ministry of Economic Affairs, and the merger clearance from the Taiwan Fair Trade Commission), the Offeror shall acquire the Expected Volume to be Acquired at the most, provided that this Tender Offer has not been suspended pursuant to the law.
3. The Purchase Price for the Offer: 60.0 TWD per share in cash.
4. Whether or not any approval from, or filing with, the Taiwan Financial Supervisory Commission ("FSC") and other competent authorities with respect to the Tender Offer is required, and whether such approval or filing has been obtained or became effective  
The Offeror shall (1) submit a merger filing to the State Administration for Market Regulation of People's Republic of China for its approval; (2) make a filing with the FSC and publicly announce the same in accordance with Paragraphs 2 and 3 of Article 43-1 of the Taiwan Securities and Exchange Act ("**SEA**") and Paragraph 1 of Article 7 and Paragraph 1 of Article 11 of the Taiwan Regulations Governing Public Tender Offers for Securities of Public Companies; (3) submit an investment application, together with its investment plans and relevant documents, to the Investment Commission under the Taiwan Ministry of Economic Affairs for its approval; and (4) submit a merger filing with the Taiwan Fair Trade Commission seeking the merger clearance.

5. Once the conditions to the Tender Offer are met and the Offeror publicly announces the same, unless there are circumstances as described in Paragraph 6, Article 19 of the Regulations Governing Public Tender Offers for Securities of Public Companies, the Offerees shall not withdraw their offers to sell.

### III. Type and Source of the Purchase Price for the Tender Offer

1. Purchase Price in Cash: The Purchase Price is 60 TWD per share.

- (1) Offeror

Description of the Breakdown of Self-Owned Fund:

The total amount of the funds required for the cash payment of the Purchase Price is 21,657,867,660 TWD. The required funds will be paid through the self-owned fund of the Offeror. Hitachi considers that, after the launch of the Tender Offer, SPC plans to borrow a certain amount of fund either from Hitachi or a reputable bank in Taiwan.

If the Offeror is a company and pays the Purchase Price by its self-owned funds, the analysis of the financial reports of the two preceding years prior to the announcement of this Tender Offer.

Item		FY2016	FY2017	Q1 FY2018
Solvency	Current Ratio	134.4%	135.7%	135.4%
	Quick Ratio	86.0%	94.1%	90.0%
Profitability	ROA	3.0%	5.0%	1.4%
	ROE	8.1%	11.6%	3.3%
	Return on paid-in capit EBIT	45.6%	62.2%	17.4%
	EBITDA	85.5%	97.4%	26.1%
	Net profit margin	3.7%	5.2%	6.3%
	EPS (Yen)	47.88	75.12	21.78
Cash flow	Cash flow ratio	16.9%	19.2%	3.6%
	Cash flow adequacy ratio	81.6%	107.9%	83.3%
	Cash flow reinvestment ratio	9.6%	10.5%	1.5%

In light of the above, the variability of the indicators in relation to the solvency, cash flow, and profitability of the Offeror within the recent and the latest two accounting years is reasonable, and no major abnormality is found in this regard.

### IV. Risks for Participation in the Tender Offer

1. Risks for Participation in the Tender Offer

- (1) The Target Company undergoes material changes in its financial and business conditions; the Offeror becomes bankrupt or is required by a court ruling to undergo reorganization; other situations specified by the competent authority: After the Tender Offer is launched, should there be any situation as described in Items 1 to 3 of Paragraph 1 of Article 43-5 of the SEA, including: the Target Company undergoes material changes in its financial and business conditions; the Offeror becomes bankrupt or is required by a court ruling to undergo reorganization; other situations specified by the competent authority, upon the approval of the competent authority, the Offeror is entitled to suspend the Tender Offer, in which case the Offerees will undertake the risk for the failure of the Tender Offer and price fluctuation of the shares.

- (2) The approval by or reporting to the FSC or other competent authorities: The Offeror shall (1) submit a merger filing to the State Administration for

Market Regulation of People's Republic of China for its approval; (2) make a filing with the FSC and publicly announce the same in accordance with the Taiwan Regulations Governing Public Tender Offers for Securities of Public Companies; (3) submit an investment application, together with its investment plans and relevant documents, to the Investment Commission under the Taiwan Ministry of Economic Affairs for its approval; and (4) submit a merger filing with the Taiwan Fair Trade Commission seeking the merger clearance.

- (3) Using securities as the Purchase Price:  
Not applicable as the Purchase Price in the Tender Offer is cash only.
- (4) The Offerees understand that the success of the Tender Offer is contingent upon various factors and whether the conditions of the Tender Offer are met. If the relevant conditions of the Tender Offer are unable to be met prior to expiration of the Tender Offer period, or the Tender Offer is not approved, is terminated or cancelled by the FSC or other competent authorities in accordance with the law, the Offerees shall be solely responsible for assuming the risks pertaining to the failed Tender Offer and the fluctuation of the share prices.

#### V. Status of the Offeror's Shareholding in the Target Company

1. The status of the shareholding of the Offeror (including its related parties) and its director(s), Supervisor(s) in the Target Company at the time the Tender Offer is filed and the relevant share transaction records within six months prior to the date of the Announcement:

- (1) Status of shareholding in the Target Company: (As of October 26, 2018)

Identity	Name	Type of Securities	Number of Shares
Offeror	Hitachi, Ltd.	common stock	31,817,168
Offeror's subsidiary	Hitachi Building Systems Co., Ltd.	common stock	15,908,571

- (2) Share Transaction Records within Six Months Prior to the Date of the Announcement: (As of October 26, 2018): No shares of the Target Company were acquired by Offeror and/or its subsidiary within six months prior to the date of the public announcement on October 26, 2018.

#### VI. The Offeror's Business Plan in respect of the Target Company

1. Purpose and plan for obtaining the securities of the Target Company by the Offeror
  - (1) The contents and the plan to keep operating the business of the Target Company: The Offeror has decided to acquire the Target Company via the Tender Offer to expand its new installation business with improved cost competitiveness in China and Asia, and improve its profitability through increasing the number of maintenance units. The Offeror will accelerate the global expansion of its business through realizing improved competitiveness of its products and advanced maintenance service by combining the Target Company's cost competitiveness with the Offeror's advanced technology such as Internet of Things (IoT).

- (2) The plan of transfer of the securities of the Target Company to others after one year from receiving the securities of the Target Company and the contents of such plan: The Offeror currently has no specific plan to transfer to others the common shares in Target Company one year after the Tender Offer.
2. Plans that will cause the following situations in the Target Company after completion of the Tender Offer:
  - (1) Dissolution: The Offeror currently has no specific plan to procure the dissolution of the Target Company to be resolved by its shareholders' meeting after completion of the Tender Offer.
  - (2) De-Listing: If the Tender Offer is successful where the Offeror owns more than 50% voting shares of the Target Company, the Offeror plans to proceed with making the Target Company a 100% fully consolidated subsidiary by way of a share swap with cash considerations at the same per share price as the Tender Offer and then delist the Target Company.
  - (3) Change in Organization: After completion of the Tender Offer, the Offeror will take into consideration the operating demands and the overall interests of the Target Company and make some adjustments to the Target Company in respect of its operation, business, finance, internal structure and human resources, but no concrete plans have been formulated at the moment.
  - (4) Change in Capital: As of the date of this announcement, the Offeror has no specific plan to change the Target Company's capital after completion of the Tender Offer. The Offeror will take into consideration the operating demands and the overall interests of the Target Company and make some adjustments to the Target Company in respect of its structures of finance, cash flow and capital to raise the operating efficiency of the Target Company, but no concrete plans have been formulated at the moment.
  - (5) Change in Business plan: As of the date of this announcement, the Offeror has no specific plan to change the Target Company's business plan after completion of the Tender Offer. The Offeror and the Target Company will remain two independent companies and operate independently. However, the Offeror will take into consideration the operating demands and the overall interests of the Target Company and make some adjustments to the Target Company in respect of its business plan, but no concrete plans have been formulated at the moment.
  - (6) Change in Financial status: As of the date of this announcement, the Offeror has no specific plan to change the Target Company's financial status after completion of the Tender Offer. However, the Offeror will take into consideration the operating demands and the overall interests of the Target Company and make some adjustments to the Target Company in respect of its finance plan based on its business and capital plans, but no concrete plans have been formulated at the moment.

- (7) **Change in Production:** As of the date of this announcement, the Offeror has no specific plan to change the Target Company's production after completion of the Tender Offer. However, the Offeror will take into consideration the operating demands and the overall interests of the Target Company and make some adjustments to the Target Company in respect of its production based on its business and capital plans, but no concrete plans have been formulated at the moment.
  - (8) **Material Matters Likely to Affect Shareholders' Rights of the Target Company:** Unless otherwise disclosed in this announcement, to the Offeror's knowledge and expectation, there is no material matter which may affect the shareholders' right of the Target Company.
3. After the completion of the Tender Offer, the plans of change in the following positions  
The Offeror has no plan to lay off the managers and employees of the Target Company but may adjust the managers' and employees' position and work scope depends on the business need.
4. In addition to the Tender Offer, is there any other plan for merger, acquisition or disposal of the securities or material assets of the Target Company within one year after the expiration date of the Tender Offer period.  
If the Tender Offer is successful where the Offeror owns more than 50% voting shares of the Target Company, the Offeror plans to proceed with making the Target Company a 100% fully consolidated subsidiary by way of a share swap with cash considerations at the same per share price as the Tender Offer and then delist the Target Company.

#### **VII. Corporate Action and Resolution**

The meeting of board of directors of the Offeror to approve the Tender Offer

The Offeror's board meeting approved the Tender Offer on October 26, 2018. The Offer Price is discussed and determined at the Offeror's Board Meeting with the following methodologies: Discounted Cash Flow ("DCF") method, trading comparables analysis, transaction comparables analysis and historical share price analysis.

#### **VIII. Share Purchase Agreement**

The Offeror has signed a Share Purchase Agreement with Chou-Li Hsu who agreed to tender 17,460,000 common shares (representing 4.27% of the issued and outstanding shares (excluding treasury stock)) in the Target Company, once the Offeror launches the Tender Offer.

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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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