



January 27, 2017

To all parties concerned

Company Name: Hitachi Koki Co., Ltd.  
President & Representative Executive officer: Osami Maehara  
(Securities Code 6581 First Section of the Tokyo Stock Exchange)  
Contact: General Manager, Public Relations Strategy Office Yasunori Miyane  
(TEL: + 81- 3-5783-0601)

**Announcement Concerning Opinion Regarding the Implementation of the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd. and Amendments to the Press Release titled “Announcement Concerning Opinion Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd.”**

1. Opinion Regarding the Implementation of the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd.

As announced in the press release issued on January 13, 2017 titled “Announcement Concerning Opinion Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd.” (the “Press Release as of January 13, 2017”), HK Holdings Co., Ltd. (the “Offeror”) intended to commence a tender offer on January 30, 2017 (the “Tender Offer”) for the common shares and the share options issued based on the resolutions passed at the July 28, 2016 meeting of the Board of Directors of Hitachi Koki Co., Ltd. (the “Company”), subject to the fulfillment of the Conditions Precedent to the Tender Offer (as defined on the page 1 of the Press Release as of January 13, 2017). 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, in whole or in part, and commence the Tender Offer.

According to the “Announcement Regarding the Implementation of the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581) and Amendments to the Press Release titled ‘Announcement Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581)’” released by the Offeror today, as it has been confirmed that the Conditions Precedent to the Tender Offer have been fulfilled as of today, the Offeror has decided to commence the Tender Offer on January 30, 2017, as planned.

Based on the above, the Company hereby announces that as of today the Company’s Board of Directors has issued a resolution affirming that its opinion with regard to the Tender Offer has not changed, and that the Board of Directors of the Company supports the Tender Offer and leaves the decision of whether or not to tender into the Tender Offer once the Tender Offer has been commenced to the Company’s shareholders and Share Option holders (for details regarding the opinion, see the Press Release as of January 13, 2017).

2. Amendment to the Press Release as of January 13, 2017

The Company hereby announces that it amends the contents of the Press Release as of January 13, 2017 as follows. Amended matters are underlined.

<Pre-Amendment>

3. Details on the Content, Grounds and Reasons for the Company’s opinion on the Tender Offer

<Omission of preceding paragraphs>

- (6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Due to the fact that the Offeror has entered into the Tender Agreement with Hitachi, the parent of the Company, and Hitachi Urban Investment, Hitachi’s subsidiary, the following measures have been implemented to ensure the fairness

of the Tender Offer. Even though the Offeror has not set a minimum number of shares (the so-called “Majority of Minority”) to be purchased, the Company believes that the interests of the Company’s minority shareholders have been adequately considered, because the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) represents a discount of 4.10% on ¥1,512, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today). Additionally, as stated in “(ii) Discussions between the Offeror, the Company and Hitachi, 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 “(2) Grounds and Reasons for Opinion”, the Offeror was selected from the bidding process conducted by the Company, and, regarding the Tender Offer the Offeror and Company have implemented the measures described in items (i) through (iv) below.

<Omission of following paragraphs>

<Post-Amendment>

### 3. Details on the Content, Grounds and Reasons for the Company’s opinion on the Tender Offer

<Omission of preceding paragraphs>

- (6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Due to the fact that the Offeror has entered into the Tender Agreement with Hitachi, the parent of the Company, and Hitachi Urban Investment, Hitachi’s subsidiary, the following measures have been implemented to ensure the fairness of the Tender Offer. Even though the Offeror has not set a minimum number of shares (the so-called “Majority of Minority”) to be purchased, the Offeror believes that the interests of the Company’s minority shareholders have been adequately considered, because although the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) represents a discount of 4.10% on ¥1,512, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today), (i) the Offeror believes that the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) is sufficiently valid and represents a premium on the listed share price (see below Note), because such total amount takes into consideration the effect of the media reports on October 5, 2016 and December 28, 2016 regarding Hitachi’s sale of its Company Shares, which influenced the listed share price of the Company Shares, as well as periods in which the impact of such reports was limited, (ii) as stated in “(ii) Discussions between the Offeror, the Company and Hitachi, 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 “(2) Grounds and Reasons for Opinion”, the Offeror was selected from the fair bidding process, including price competition, conducted by the Company, and, (iii) regarding the Tender Offer the Offeror and Company have implemented the measures described in items (i) through (iv) below.

(Note) The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) represents (x) a premium of 7.89% on ¥1,344, the one-month average closing price through January 12, 2017, the business day immediately preceding the date of the announcement of the Tender Offer (today); a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017; and a premium of 62.37% on ¥893, the six-month average closing price through January 12, 2017, and (y) a premium of 96.21% on ¥739, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi’s sale of its Company Shares were released; a premium of 100.00% on ¥725, the one-month average closing price through October 4, 2016; a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016; and a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016 and (z) a premium of 15.72% on ¥1,253, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of

December 27, 2016, which was the business day immediately preceding December 28, 2016, when further media reports regarding Hitachi's sale of its Company Shares were released: a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016;

<Omission of following paragraphs>

End

Attachment 1: “Announcement Regarding the Implementation of the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581) and Amendments to the Press Release titled ‘Announcement Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581)’” released by the Offeror today.

Attachment 2: The Press Release as of January 13, 2017 (“Announcement Concerning Opinion Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd.”)

January 27, 2017

Company Name: HK Holdings Co., Ltd.

Representative: William Janetschek

Contact: 03-6268-6000

**Announcement Regarding the Implementation of the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581) and Amendments to the Press Release titled “Announcement Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581)”**

1. Implementation of the Tender Offer for the Shares of Hitachi Koki Co., Ltd.

As announced in the press release issued on January 13, 2017 titled “Announcement Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581)” (the “Press Release as of January 13, 2017”), HK Holdings Co., Ltd. (the “Offeror”) intends to commence a tender offer on January 30, 2017 (the “Tender Offer”) for the common shares and the share options issued based on the resolutions passed at the July 28, 2016 meeting of the Board of Directors of Hitachi Koki Co., Ltd. (Securities Code: 6581, First Section of the Tokyo Stock Exchange) (the “Target Company”), subject to the fulfillment of the Conditions Precedent to the Tender Offer (as defined on the page 1 of the Press Release as of January 13, 2017).

As it has been confirmed that the Conditions Precedent to the Tender Offer have been fulfilled as of today, the Offeror hereby announces that the Offeror has decided to commence the Tender Offer on January 30, 2017, as planned.

According to today’s press release of the Target Company titled “Announcement Concerning Opinion Regarding the Implementation of the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd. and Amendments to the Press Release titled ‘Announcement Concerning Opinion Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd.’”, as of today the Target Company’s Board of Directors has issued a resolution affirming that its opinion with regard to the Tender Offer has not changed, and that the Board of Directors of the Target Company supports the Tender Offer and leaves the decision of whether or not to tender into the Tender Offer once the Tender Offer has been commenced to the Target Company’s shareholders and Share Option holders (for details regarding the opinion, see the press release issued by the Target Company on January 13, 2017 titled “Announcement of Opinion Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd.”).

For details regarding the Tender Offer, please see the Press Release as of January 13, 2017.

2. Amendment to the Press Release as of January 13, 2017

The Offeror hereby announces that it amends the contents of the Press Release as of January 13, 2017 as follows. Amended matters are underlined.

<Pre-Amendment>

1. Purpose of the Tender Offer

<Omission of preceding paragraphs>

- (3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Due to the fact that the Offeror has entered into the Tender Agreement with Hitachi, the parent of the Target Company, and Hitachi Urban Investment, Hitachi's subsidiary, the Offeror and the Target Company have implemented the following measures to ensure the fairness of the Tender Offer. Even though the Offeror has not set a minimum number of shares (the so-called "Majority of Minority") to be purchased, the Target Company believes that the interests of the Target Company's minority shareholders have been adequately considered, because the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) represents a discount of 4.10% on ¥1,512, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today). Additionally, as stated in "② Discussions between the Offeror, the Target Company and Hitachi, and the decision-making process of the Offeror" under "(2) Background, purpose, and decision-making process leading to the implementation of the Tender Offer, and management policy following the Tender Offer", the Offeror was selected from the bidding process conducted by the Target Company, and, regarding the Tender Offer the Offeror and Target Company have implemented the measures described in items (i) through (iv) below, which are based on explanations received from the Target Company.

<Omission of following paragraphs>

<Post-Amendment>

#### 1. Purpose of the Tender Offer

<Omission of preceding paragraphs>

- (3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Due to the fact that the Offeror has entered into the Tender Agreement with Hitachi, the parent of the Target Company, and Hitachi Urban Investment, Hitachi's subsidiary, the Offeror and the Target Company have implemented the following measures to ensure the fairness of the Tender Offer. Even though the Offeror has not set a minimum number of shares (the so-called "Majority of Minority") to be purchased, the Target Company believes that the interests of the Target Company's minority shareholders have been adequately considered. Although the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) represents a discount of 4.10% on ¥1,512, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today), (i) the Target Company believes that the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) is sufficiently valid and represents a premium on the listed share price (see below Note), because such total amount takes into consideration the effect of the media reports on October 5, 2016 and December 28, 2016 regarding Hitachi's sale of its Target Company Shares, which influenced the listed share price of the Target Company Shares, as well as periods in which the impact of such reports was limited. (ii) as stated in "② Discussions

between the Offeror, the Target Company and Hitachi, and the decision-making process of the Offeror” under “(2) Background, purpose, and decision-making process leading to the implementation of the Tender Offer, and management policy following the Tender Offer”, the Offeror was selected through a fair bidding process, including price competition, conducted by the Target Company, and, (iii) regarding the Tender Offer, the Offeror and Target Company have implemented the measures described in items (i) through (iv) below, which are based on explanations received from the Target Company.

(Note) The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) represents (x) a premium of 7.89% on ¥1,344, the one-month average closing price through January 12, 2017, the business day immediately preceding the date of the announcement of the Tender Offer (today); a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017; and a premium of 62.37% on ¥893, the six-month average closing price through January 12, 2017, and (y) a premium of 96.21% on ¥739, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi’s sale of its Target Company Shares were released; a premium of 100.00% on ¥725, the one-month average closing price through October 4, 2016; a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016; and a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016 and (z) a premium of 15.72% on ¥1,253, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of December 27, 2016, which was the business day immediately preceding December 28, 2016, when further media reports regarding Hitachi’s sale of its Company Shares were released; a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016;

<Omission of following paragraphs>

<Pre-Amendment>

1. Purpose of the Tender Offer

<Omission of preceding paragraphs >

(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

<Omission of preceding paragraphs >

③ The Target Company has established an independent committee to provide an opinion regarding the Transaction

<Omission of preceding paragraphs>

On September 29, 2016, the Target Company established an independent committee for the purpose of eliminating arbitrariness in decision-making for the Transaction and ensuring the fairness, transparency, and objectivity

of the Target Company's decision-making process. The independent committee is comprised of three members who do not have any interest in the Target Company, Hitachi or the Offeror. The members of the independent committee are: Ms. Haruko Shibumura (outside director of the Target Company); Mr. Taisuke Senoo (outside director of the Target Company); and Mr. Noboru Yamamoto (outside director of the Target Company). The members of the independent committee have not changed since the establishment of the committee. On December 20, 2016, the Target Company requested that the independent committee advise the Target Company 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 fairness and propriety of the terms of the Transaction (including the amounts of the Share Purchase Price and the Special Dividend) have been ensured; and (iv) regarding the Transaction, it is not disadvantageous to the minority shareholders of the Target Company (a) that its Board of Directors expresses an opinion to support the Tender Offer, recommends tendering shares therein, and issues the Special Dividend; and or (b) that, after completion of the Tender Offer, depending on the Offeror, the Company may approve the Demand for the Sale of Shares and carry out the Share Consolidation (the "Matters of Inquiry").

<Omission of following paragraphs>

<Post-Amendment>

#### 1. Purpose of the Tender Offer

<Omission of preceding paragraphs >

(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer<Omission of preceding paragraphs>

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organizational restructuring after the Tender Offer (matters relating to ‘Two-Step Acquisition’)” below. The same shall apply hereinafter.) and carry out the Share Consolidation (as defined in “(5) Policy for organizational restructuring after the Tender Offer (matters relating to ‘Two-Step Acquisition’)” below. The same shall apply hereinafter.) (the “Matters of Inquiry”).

<Omission of following paragraphs>

<Pre-Amendment>

2. Outline of the Tender Offer

<Omission of preceding paragraphs>

(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 | -         | Ownership ratio after the Tender Offer: -%    |
| Number of voting rights represented by shares held by the Offeror after the Tender Offer                | 1,014,299 | Ownership ratio after the Tender Offer: 100%  |
| Number of voting rights represented by shares held by special related parties after the Tender Offer    | -         | Ownership ratio after the Tender Offer: -%    |
| Total number of Target Company voting rights  | 1,012,689 |   |

<Omission of following paragraphs>

<Post-Amendment>

2. Outline of the Tender Offer

<Omission of preceding paragraphs >

(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 | -         | Ownership ratio <u>prior to</u> the Tender Offer: -% |
| Number of voting rights represented by shares held by the Offeror after the Tender Offer                | 1,014,299 | Ownership ratio after the Tender Offer: 100%         |
| Number of voting rights represented by shares held by special related parties after the Tender Offer    | -         | Ownership ratio after the Tender Offer: -%           |



|  |           |  |
|--|-----------|--|
| Total number of Target Company voting rights | 1,012,689 |  |
|--|-----------|--|

<Omission of following paragraphs>

### 3. Other

This press release has been prepared for the purpose of informing the public of the tender offer and stating revisions to Press Release as of January 13, 2017, 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 for common shares and options of the Target Company, a company established in Japan. The tender offer will be conducted in accordance with the procedures and information disclosure standards prescribed by Japanese law, which may differ from the procedures and information disclosure standards in the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 and the rules prescribed thereunder do not apply to the tender offer, and the tender offer does not conform to those procedures and standards.

Unless otherwise specified, all procedures relating to the tender offer are to be conducted entirely in Japanese. If any part of a document relating to the tender offer is prepared in the English language and 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 and the Target Company as well as the tender offer agent may engage in the purchase of shares of the Target Company for their own account or for their customers' accounts to the extent permitted under the Japanese Financial Instruments and Exchange Act, and the Offeror acknowledges such purchases. In the event information regarding such purchases is disclosed in Japan, such information will also be disclosed in English on the website of the Target Company or the financial advisor conducting such purchases or the website of the tender offer agent, or will otherwise be made publicly available.

End

January 13, 2017

To all parties concerned

Company Name: Hitachi Koki Co., Ltd.  
President & Representative Executive officer: Osami Maehara  
(Securities Code 6581 First Section of the Tokyo Stock Exchange)  
Contact: General Manager, Public Relations Strategy Office Yasunori Miyane  
(TEL: 03-5783-0601)

**Announcement Concerning Opinion Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd.  
by HK Holdings Co., Ltd.**

Hitachi Koki Co., Ltd. (the “Company” or “we”) announces that, with regard to the Tender Offer (the “Tender Offer”) by HK Holdings Co., Ltd. (the “Offeror”) for the common shares of the Company (the “Company Share”) and the share options issued based on the resolutions passed at the Board of Directors meeting on July 28, 2016 (the “Share Options”), the Board of Directors of the Company has 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 once the Tender Offer has been commenced to the Company’s shareholders and Share Option holders.

According to the “Announcement Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities Code 6581)” released by the Offeror today (the “Offeror Press Release”), the Tender Offer will commence following the fulfillment of the following conditions:

- ① Submission by the independent committee established by the Company of a report approving the Transaction (as defined in the section titled “① Summary of the Tender Offer” under “(2) Grounds and Reason for the Company’s opinion” under “3. Details on the Content, Grounds and Reasons for the Company’s opinion on the Tender Offer”), which has not been withdrawn;
- ② Adoption of a resolution at a meeting of the Board of Directors of the Company with the affirmative vote of all directors who do not have an interest in the Transaction to support the Transaction; and (b) no adoption of a resolution withdrawing that resolution or stating contrary to that resolution;
- ③ Adoption of a resolution at a meeting of the Board of Directors of the Company to issue the Special Dividend (as defined in the section titled “2. Tender Offer Prices”) and no adoption of a resolution withdrawing that resolution or stating contrary to that resolution; and (b) determination of the lawfully set Special Dividend Record Date (as defined in “2. Tender Offer Prices”); and
- ④ Fulfillment of certain other conditions (these items ① to ④, the “Conditions Precedent to the Tender Offer”) contained in the Tender Agreement (as defined in the section titled “① Summary of the Tender Offer” under “(2) Grounds and Reasons for Opinion” under “3. Details on the Content, Grounds and Reasons for the Company’s opinion on the Tender Offer”).

In the event that one or more of the Conditions Precedent to the Tender Offer 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 to commence with the Tender Offer as intended on January 30, 2017.

Note: According to the Offeror Press Release, condition ④ above includes, among other conditions, the following:

- (i) Execution of a transition services agreement regarding IT and systems services and use of the Hitachi brand, as described in “4. Material agreements regarding the tendering to the Tender Offer between the Company and the Company’s Shareholders”;
- (ii) Confirmation by the Company that all material information (as defined in Article 166, Paragraph 2 of the Financial Instruments and Exchange Law) regarding the Company’s business has been disclosed (as defined in Article 166, Paragraph 4 of the Financial Instruments and Exchange Law);

- (iii) No decision has been rendered or is likely to be rendered by a judicial or administrative organ in Japan, the European Union, Russia, the United States or Australia restricting or prohibiting the Tender Offer or the Tendering Shareholders' (as hereinafter defined in "①Summary of the Tender Offer" under "(2) Grounds and Reasons for Opinion" under "3. Details on the Content, Grounds and Reasons for the Company's opinion on the Tender Offer") tendering of their shares in the Tender Offer;
- (iv) The Tendering Shareholders have duly performed or complied with in all material respects all of their obligations to be performed or complied with under the Tender Agreement; and
- (v) The representations and warranties of the Tendering Shareholders (as hereinafter defined) are true and correct in all material respects.

Additionally, according to the Offeror Press Release, the Tender Offer will commence with the objective that the Company will become a wholly-owned subsidiary and be delisted through the procedures described in the section titled "(5) Post Tender Offer Restructuring Policy (Matters Regarding the Two Step Acquisition)" under "3. Details on the Content, Grounds and Reason for the Company's opinion on the Tender Offer".

The Board of Directors has made the aforementioned decision on the basis of the factors described above.

#### 1. Summary of the Tender Offeror

|   |   |
|---|---|
| (1) Name  | HK Holdings Co., Ltd  |
| (2) Address   | Meiji Seimei Building 11th Floor, Marunouchi 2-1-1, Chiyoda-ku, Tokyo |
| (3) Name and Title of Representative Director         | William Janetschek, Representative Director                           |
| (4) Businesses  | Commerce, all business related to commerce                            |
| (5) Capital   | ¥25,000   |
| (6) Date of Foundation                                | November 10, 2016   |
| (7) Major Shareholders and Ownership Percentage       | KKR HK Investment L.P. (100.00%)                                      |
| (8) Relationships Between the Offeror and the Company |   |
| Capital Relationships                                 | None applicable   |
| Personal Relationships                                | None applicable   |
| Business Relationships                                | None applicable   |
| Related Party Relationships                           | None applicable   |

#### 2. Tender Offer Prices

Common shares   ¥870 per share (¥1,450, minus the per-share amount of the Special Dividend (as defined below))

Share Options    ¥144,900 per Share Option

##### Regarding the Special Dividend

In light of the proposal from the Offeror, as part of today's Board of Directors meeting, it was resolved that, subject to the completion of the Tender Offer, a special dividend of ¥580 per share (here and hereinafter, before any withholding tax deduction) will be issued (the "Special Dividend"), with a record date for the Special Dividend of January 29, 2017 (the "Special Dividend Record Date") with March 31, 2017 being the effective date (Note 1). In addition, it is intended that the Special Dividend be issued on the closest business day following the commencement date of the Tender Offer. With regard to the Special Dividend, please refer to the other press release issued today, titled "Announcement concerning the setting of the record date for distribution of surplus (the Special Dividend) and revision of the dividend forecast for the fiscal year ending March 31, 2017 (95th fiscal period)".

Note 1: As the Special Dividend is subject to the completion of the Tender Offer, in the event that the tender offer period of the Tender Offer is extended, it is intended that the effective date of the

Special Dividend will also be extended to a day following the conclusion of the extended tender offer period.

### 3. Details on the Content, Grounds and Reasons for the Company's opinion on the Tender Offer

#### (1) Details of the Company's opinion

At today's Board of Directors meeting, based on the grounds and reasons stated below in the section titled "(2) Grounds and Reason for Opinion," the Board of Directors has 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 once the Tender Offer has been commenced to the Company's shareholders and Share Option holders.

As stated above, the Tender Offer will commence on January 30, 2017 in the event that the Conditions Precedent to the Tender Offer are satisfied (or have been waived by the Offeror), and another announcement will be issued regarding the Tender Offer on January 27, 2017, the business day prior to the commencement of the Tender Offer.

In addition, the aforementioned decision of the Board of Directors has been made through the processes listed below in the section titled "④ The Transaction has received the unanimous approval of the directors with no interest in the Company" under "(6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer."

#### (2) Grounds and Reasons for Opinion

Of the following statements, descriptions concerning the Offeror are based on publicly available information and explanations received from the Offeror.

##### ① Summary of the Tender Offer

The Offeror is a stock company (*kabushiki kaisha*) established on November 10, 2016, with the primary goal of supporting and managing the business activities of the Company following completion of the Tender Offer, through which the Offeror will acquire and hold the common shares of the Company and the Share Options (together with the Company Shares, the "Company Shares and Options"). All issued shares of 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 November 4, 2016, which is an investment fund belonging to 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 resources and network with the aim of creating industry leaders. Based on this philosophy, KKR focuses on carve-outs of subsidiaries and business units from large corporations and supports their development as independent enterprises by supporting their organic and inorganic growth, increasing their profitability and improving their business processes. KKR has a track record of more than 50 carve-outs globally.

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 investing in the Japanese market, with investment professionals from diverse backgrounds that possess an understanding of Japanese business 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, building on its track record of supporting the stand-alone growth of subsidiaries and business units of major Japanese companies.

The Offeror intends to conduct the Tender Offer, as part of the series of transactions for acquiring all of the Company Shares and Options (excluding treasury shares held by the Company), such that the Company will become a wholly-owned subsidiary of the Offeror (such transaction, the "Transaction").

As of today, the Offeror and Hitachi, Ltd. (“Hitachi”), the parent company of the Company, and Hitachi Urban Investment, Ltd., Hitachi’s subsidiary, (“Hitachi Urban Investment”) (together with Hitachi, the “Tendering Shareholders,” and each, individually, a “Tendering Shareholder”) have executed an agreement (the “Tender Agreement”) pursuant to which Hitachi will tender all of its Company Shares (40,827,162 shares, representing an ownership percentage (see below Note) of 40.25% of the Company) (“Hitachi’s Tendered Shares”) and Hitachi Urban Investment will tender all of its Company Shares (11,058,191 shares, representing an ownership percentage of 10.90% of the Company) (“Hitachi Urban Investment’s Tendered Shares”) (together with Hitachi’s Tendered Shares, the “Tendered Shares,” and each, individually, a “Tendered Share”), respectively, in the Tender Offer. For details regarding the Tender Agreement, please refer to “4. Material Agreements regarding the tendering to the Tender Offer between the Company and the Company’s Shareholders.”

Note: The ownership percentage, here and throughout this release, has been calculated by dividing the number of Company Shares (including the Company Shares subject to the Share Options) held by each Tendering Shareholder by 101,429,921 shares (the “Total Number of Company Shares”) and rounding to the second decimal place, with the Total Number of Company Shares having been calculated as follows: (i) the 123,072,776 Company Shares issued as of September 30, 2016 (as stated in the 95th Fiscal Period Second Quarter Securities Report of the Company filed on November 11, 2016 (the “Company’s Quarterly Securities Report”), minus (ii) the 21,681,655 treasury shares held by the Company as of September 30, 2016, plus (iii) the 38,800 Company Shares which are subject to the 388 Share Options issued as of May 31, 2016 (as stated in the 94th Fiscal Period Securities Report of the Company filed on June 24, 2016 (the “Company’s Securities Report”). As of today, there has been no change in the number of the Share Options and the number of the Company Shares subject to the Share Options since May 31, 2016.

The Offeror has set 67,632,900 shares (representing an ownership percentage of 66.68% of the Company) as the minimum number of shares to be purchased in the Tender Offer. If the total number of the Company Shares and Options tendered by shareholders in the Tender Offer (the “Tendered Shares and Options”) is less than the minimum number of shares to be purchased in the Tender Offer (67,632,900 shares), then the Offeror will not purchase any of the Tendered Shares and Options. 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 Company to become a wholly-owned subsidiary of the Offeror and delist the Company’s shares, and, if the total number of Tendered Shares and Options is equal to or exceeds the minimum threshold of 67,632,900 shares, the Offeror will purchase all of the Tendered Shares and Options. The minimum number of shares to be purchased in the Tender Offer (67,632,900 shares) has been calculated by multiplying 675,941, two-thirds of 1,013,911, which is the number of voting rights corresponding to the Total Number of Company Shares (123,072,776 shares, the number of issued Company Shares as of September 30, 2016 as stated in the Company’s Quarterly Securities Report, minus 21,681,655 shares, the number of treasury shares held by the Company as of September 30, 2016), plus 388 (675,941 plus 388, equaling 676,329), with 388 being the number of voting rights corresponding to 38,800 shares, which is the number of Company Shares which are subject to the 388 Share Options issued as of May 31, 2016 as stated in the Target Company’s Securities Report, by 100, the share unit number of the Target Company.

If the Offeror is unable to acquire all of the Company Shares and Options (other than the treasury shares held by the Company) in the Tender Offer, then, following the successful completion of the Tender Offer, the Offeror intends to undertake a series of procedures to become the sole shareholder of the Company (for details, see “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’)”). Furthermore, after implementing such procedures, the Offeror intends to conduct a merger whereby the Company will be merged into another entity, with the Offeror as the surviving company, although the specific schedule and other details of such merger, if conducted, has not yet been decided.

As stated in “2. Tender Offer Prices,” in light of the proposal from the Offeror, the Board of Directors of the Company, as part of the Transaction, issued a resolution at a meeting held today to the effect that the Company will issue a special dividend conditioned upon the success of the Tender Offer.

Accordingly, Company shareholders as of the Special Dividend Record Date that tender their shares in the Tender Offer will receive ¥1,450 per Common Share in total through the Tender Offer and the Special Dividend, because such shareholders will receive the Special Dividend, *plus* ¥870 per common share, which is the purchase price per Company Share in the Tender Offer (the “Share Purchase Price”). However, Company shareholders acquiring Company Shares following the Special Dividend Record Date will not be entitled to receive the Special Dividend with respect to such Company Shares. Further, Share Option holders who have become Company

shareholders by exercising the Share Options and acquiring Company Shares following the Special Dividend Record Date will not be entitled to receive the Special Dividend regarding such Company Shares.

The Offeror intends to obtain the necessary funds for settlement of the Tender Offer by borrowing (the “Debt Financing”) from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited (the “Financial Institutions”) and receiving a capital investment of ¥65 billion yen from KKR Fund (the “KKR Investment”). The Offeror intends to obtain the Debt Financing and the KKR 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. Taking into account the cash needed for the payment of the Special Dividend, the reserves held by the company and the levels of reserves needed to continue operating the business, once the Company becomes a subsidiary of the Offeror after completion of the Tender Offer, the Company intends to borrow a portion of the funds procured by KKR through the Debt Financing and the KKR Investment, within the scope of the distributable amount of the Special Dividend, which would constitute a portion of the funds required to pay the Special Dividend. The terms of the loan for the Debt Financing will be set forth in the loan agreement for the Debt Financing following separate consultation with the Financial Institutions. It is expected that the following matters will be set forth in the loan agreement for the Debt Financing: (a) pledges will be issued with respect to all of the issued shares of the Offeror and the Company Shares acquired by the Offeror in the Tender Offer; and (b) after the Company becomes a wholly-owned subsidiary of the Offeror through the series of procedures described in “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’),” the Company will become a guarantor for the Offeror and pledges over certain of the Company’s assets will be issued.

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.

(i) The Business Environment of the Company

The Company was formed in December 1948 as the secondary corporation of Hitachi Heiki Co., Ltd. to engage in the manufacture of electric power tools and coal mining machinery and equipment pursuant to the Ordered Improvement Plan under the Enterprise Reorganization Act.

Note: The Company is currently listed on the First Section of the Tokyo Stock Exchange. In March 2009, Hitachi conducted a tender offer for the Company Shares (at a purchase price per Company Share of ¥1,300) and became its parent company.

The Company, a global enterprise with 76 subsidiaries, is primarily engaged in the manufacture and sale of electric power tools and other products and develops its business worldwide under its basic business policy of contributing to society through providing innovative, high-performance and high-quality products and services which are fitted for user needs and result in a high level of customer satisfaction. The Company established its subsidiary in Germany in 1978, and has since proceeded with active overseas development, as exemplified by its acquisition of metabo Aktiengesellschaft (“metabo”) in March 2016. Amid increasingly fierce global competition, the Company has been working toward accomplishing its mid-term management plan for 2018 through structural reform, reinforcement of new products, a strategic alliance with Lowe’s Companies, Inc. (a major home improvement store in the United States), and the aforementioned acquisition of metabo, among other initiatives (Note).

(Note) Based on the mid-term management plan for 2018, the Company anticipates an increase in profits and revenues through progress in fundamental reforms, cost reduction, strengthened cash flow due to reforms in supply chain management, quickly and fully realizing the effects of synergy with metabo and the development of products aimed at new markets.

In the electric power tool industry to which the Company belongs, cordless tools are becoming increasingly prevalent, and this trend is expected to continue in the future. Further, due to the influence of the so-called IoT (Internet of Things), electric power tool products which can connect to the Internet are becoming popular, and efforts are being directed toward increasing customer satisfaction by enhancing various features to enable

management of these products using the Internet. This situation has resulted in intensifying market conditions, inside and outside Japan, with increasing competition being seen in the development/introduction of new products and in expansion of sales and marketing as well as pricing competition among competitors.

In response to the above situation faced by the Company with the trend toward cordless products, KKR believes that faster growth is possible through reform of the Company's manufacturing/development, sales and service systems, such as the development and introduction of new products with a focus on cordless products utilizing batteries and circuitry technologies developed in-house, reinforcement of a sales/marketing strategy aimed at having the Company's high technological superiority recognized by customers, improvement of efficiency by integrating overseas manufacturing and sales operation bases as part of the structural reform which is in progress, and additional non-linear growth opportunities centered on M&A.

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

Due to the current state of the industry, in early April 2016 Hitachi consulted with the Company regarding its intention to cooperate with the Target Company for the achievement of a capital structure consistent with the Company's strategy for future growth, with a view to increasing the Company's competitiveness and enhancing its enterprise value. The Company, in response to Hitachi's initiative, consulted with a number of companies in April 2016 regarding the sale of the Company Shares, including Hitachi's shares in the Company; accordingly, KKR participated in the bidding process in mid-April 2016. Thereafter, KKR conducted due diligence on the Company's business, finances and legal matters, and then interviewed the Company's management and conducted further analysis regarding the Company Shares. Based on this analysis conducted during late November 2016 and mid-December 2016, KKR Fund submitted a final offer of terms and conditions to acquire all of the Company Shares, including an appraisal value of ¥1,450 per Company Share, and the Company selected the Offeror as the final Tender Offer candidate in late December 2016.

Thereafter, the Offeror proceeded with discussions and negotiations with the Company and Hitachi regarding the transaction scheme and the terms and conditions of the Transaction respectively, including the amount of the Special Dividend and its implementation. Based on the discussions and negotiations with Hitachi and the Company, the Offeror began to explain the Transaction, the transaction scheme and the terms and conditions of the Transaction, including the appraisal value of the Company Shares and the amount of the Special Dividend and its implementation to the independent committee established by the Company (please refer to the section below titled "③ The Company has established an independent committee to provide an opinion regarding the Transaction" under "(6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer"). As a result, the Offeror, the Company and Hitachi respectively came to an agreement regarding the transaction scheme and the terms and conditions of the Transaction, including the appraisal value of the Company Shares, the amount of the Special Dividend and its implementation, and the Offeror today decided to enter into the Tender Agreement with the Tendering Shareholders and to conduct the Tender Offer in the event that the Conditions Precedent to the Tender Offer are satisfied (or have been waived by the Offeror), and has also decided that for the Tender Offer (a) the appraisal value per Company Share is set as ¥1,450; (b) the Share Purchase Price is set as ¥870 subject to the payment of the Special Dividend (¥580 per Company Share); and (c) based on these prices, the purchase price per Share Option is set as ¥144,900 (the "Share Option Purchase Price") (together with the Share Purchase Price, the "Tender Offer Prices"). The scheme of the Transaction, including the implementation of the Special Dividend and the amount of the Special Dividend (¥580 per Company Share), was determined through discussions with the Offeror that were based on proposals from the Offeror and consideration of the distributable funds of the Company while also taking into account the reserves held by the company and the levels of reserves needed to continue operating the business.

(iii) Post-Tender Offer management policy

Following the Transaction, the Offeror aims to improve the Company's enterprise value by persevering through the industry's transition stage, which will see continued movement toward cordless products and the spread of the IoT, and by enhancing the foundation for the Company's business growth through non-linear growth opportunities, including M&A. The Offeror intends to accomplish these goals through the following measures: (a) leveraging the Company's superior technological development capability as well as the advice of KKR Capstone, a business and financial improvement support group that works exclusively for KKR's portfolio companies worldwide and leads these companies toward successful reforms through on-site operations; (b) providing funds; and (c)

providing KKR's global resources and know-how, such as end-to-end assistance in M&A, which covers all processes from identifying projects and negotiation to integration after acquisition.

Following the Transaction, the Offeror plans to appoint outside directors selected by KKR, but the number of candidates, the timing of their selection and the identity of such individuals has not currently been decided. Additionally, the Offeror intends to introduce an incentive plan for the officers and employees of the Company that will include share options (the specific details have not yet been decided) in order to motivate KKR and the officers and employees of the Company to work as one and build a system to increase the mid- and long-term enterprise value of the Company.

### ③ The decision-making process and reasons of the Company

In response to and based on Hitachi's intent to sell its shareholding, the Company, with a view to increasing the Company's competitiveness and enhancing its enterprise value as described in "② Background, purpose and decision-making process of the Offeror leading to the implementation of the Tender Offer, and management policy following the Tender Offer" above, carefully examined the proposed terms and conditions of the Transaction from the perspective of enhancing enterprise value. The Company (a) implemented the measures described in the section below titled "(6) Measures to ensure the fairness of the Tender Offer Prices 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 "Share Valuation Report") obtained from a third party financial advisor, SMBC Nikko Securities Inc. ("SMBC Nikko Securities"), and legal advice from the Company's legal advisor, Mori Hamada & Matsumoto, and (c) took into full consideration the report (the "Report") submitted by the independent committee established by the Company to serve as an advisory body to the Company's Board of Directors in examining the proposal concerning the Transaction. For details regarding the members of the independent committee and the matters of inquiry, see the section titled "③ The Company has established an independent committee to provide an opinion regarding the Transaction" under "(6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer."

After examining the proposal received during late November 2016 and mid December 2016 from KKR, who had participated in the bidding process, the Company discussed and negotiated the transaction value with KKR, including the Special Dividend, and other terms and conditions of the Transaction, and the Company consequently reached the below conclusions. The Company has decided that, in response to the current business environment with a trend toward cordless products, taking the following measures proposed by KKR and utilizing KKR's know-how and resources will contribute to further enhancement of the Company's enterprise value. The measures include: a transformation of the Company's manufacturing/development, sales and service systems, such as the development and introduction of new products with a focus on cordless products utilizing batteries and circuitry technologies developed in-house, reinforcement of a sales/marketing strategy aimed at having the Company's high-technology superiority further recognized by customers, improvement of efficiency by integrating overseas manufacturing and sales operation bases, as part of the structural reform currently in progress, and the pursuit of a non-linear growth opportunities centered on M&A.

As stated above, structural reform of the Company's manufacturing/development, sales and service systems and the increase of the Company's growth are urgent matters needed to overcome intensifying market conditions, inside and outside Japan, with increasing competition being seen in the development/introduction of new products and in expansion of sales and marketing as well as pricing competition among competitors. While the Company deems it essential to implement the above measures in order to continuously improve its enterprise value, certain costs and time are required for the effect of such measures to become apparent. Moreover, as additional investments would need to be made, Company shareholders and the Share Option holders may be exposed to a reduced share price due to a temporary drop in the Company's performance caused by such upfront investments and the ongoing highly competitive business environment.

The Company's goal is to become one of the global leaders of the increasingly competitive electronic power tools industry, and with the industry's continuing trend towards cordless products and increasing competition, the Company believes that now is the ideal time to implement the above measures, strengthen the Company's business foundations through the implementation of related measures and increase the Company's growth prospects. Therefore, with the understanding that it is best for the Company to operate its business with a mid- to long-term outlook and with the Offeror as a new partner who is consistent with the Company's future growth strategy, the Company has investigated the possibility of privatization.



In addition to the points listed above, the Company has determined that the Tender Offer will provide its shareholders and the Share Option holders with a reasonable opportunity to sell their shares and the Share Options in light of the following considerations regarding the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share):

- (i) the total amount of the Share Purchase Price and the Special Dividend is equal to or exceeds the upper range of calculation results for the share price of the Company Shares based on the market share price method and is within the range of calculation results based on the comparable company method and the discounted cash flow method (the “DCF Method”) as contained in the Share Valuation Report provided by SMBC Nikko Securities (as described in the section titled “① The Company has procured a share valuation report from an independent third-party financial advisor” under “(3) Matters regarding the Calculation of the Tender Offer”);
- (ii) the total amount of the Share Purchase Price and the Special Dividend is deemed to contain an appropriate premium considering other precedents of tender offer transactions provided by SMBC Nikko Securities, because the total amount of the Share Purchase Price and the Special Dividend represents (x) a discount of 4.10% (rounded to the second decimal place; hereinafter the same as to the premium and discounted figures) on ¥1,512, the closing price of the Company Shares on the Tokyo Stock Exchange on January 12, 2017, the business day immediately preceding the date of the announcement of the Tender Offer (today); a premium of 7.89% on ¥1,344 (rounded to the nearest whole number; hereinafter the same as to the average closing prices), the one-month average closing price through January 12, 2017; a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017; and a premium of 62.37% on ¥893, the six-month average closing price through January 12, 2017, and (y) a premium of 96.21% on ¥739, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi’s sale of its Company Shares were released; a premium of 100.00% on ¥725, the one-month average closing price through October 4, 2016; a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016; and a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016 and (z) a premium of 15.72% on ¥1,253, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of December 27, 2016, which was the business day immediately preceding December 28, 2016, when further media reports regarding Hitachi’s sale of its Company Shares were released; a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016;
- (iii) the Company has taken measures to ensure the fairness of the Tender Offer and has taken into consideration the interests of minority shareholders as described in the section titled “(6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer”; and
- (iv) the Tender Offer Prices were determined after taking measures to ensure the fairness of the Tender Offer described in the preceding item (iii).

Therefore, the Company believes that by implementing the Transaction, including the Tender Offer, the Offeror will increase the enterprise value of the Company and that, based on factors (i) through to (iv) above, the Share Purchase Price is valid. However, in light of the fact that, following the aforementioned media reports, the closing price of the Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2017 has been greater than the total amount of the Share Purchase Price and the Special Dividend, it was decided to leave the decision of whether or not to tender into the Tender Offer to the Target Company’s shareholders.

Based on the above factors, at a meeting held today, the 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 once the Tender Offer has been commenced to the Company’s shareholders. Additionally, the Share Options are also subject to the Tender Offer, and the Company believes that the Share Option Purchase Price, which has been set as ¥144,900 (obtained by multiplying (a) by (b) below), is valid. However, the Company’s Board of Directors resolved that, in light of the fact that, following the aforementioned media reports, the closing price of the Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2016 has been greater than the total amount of the Share Purchase Price and the

Special Dividend, the decision of whether or not to tender in the Tender Offer has been left to the Share Option holders.

- (a) ¥1,449, which is the difference between (x) total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share), and (y) ¥1, the exercise price per Company Share subject to the Share Option; and
- (b) 100, which is the number of the Company Shares subject to one Share Option.

For additional details of the resolutions of the Company's Board of Directors, see the section below titled "④ The Transaction has received the unanimous approval of the directors with no interest in the Company" under "⑥ Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer."

(3) Matters regarding the Calculation of the Tender Offer

① The Company has procured a share valuation report from an independent third-party financial advisor

In order to ensure the fairness of the decision-making process concerning the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) presented by the Offeror, the Company had the share value of the Company Shares calculated by SMBC Nikko Securities, a third-party financial advisor independent from the Company and the Offeror, and obtained the Share Valuation Report regarding the calculation results on January 13, 2017. SMBC Nikko Securities is not a related party of the Company or the Offeror and does not have any material interest in the Tender Offer. The Company has not obtained a fairness opinion regarding the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share).

SMBC Nikko Securities calculated the share value of the Company Shares by using (a) the market share price method, as the 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 comparable companies, and (c) the DCF Method, to reflect the intrinsic value of future business activities in the appraisal. The value ranges per Company Share as calculated by using the aforementioned methods are as provided below. The prices set forth below are the reasonable per-share prices of the Company Shares and do not reflect deduction of the Special Dividend.

- Market share price method: ¥893 to ¥1,344
- Comparable company method: ¥1,336 to ¥2,033
- DCF Method: ¥1,196 to ¥1,570

Based on the market share price method, using January 12, 2017 (the "Reference Date") as the reference date, the per-share value of the Company Shares has been estimated to range from ¥893 to ¥1,344, based on the one-month average closing price (¥1,344), the three-month average closing price (¥1,072), and the six-month average closing price (¥893), respectively, of the Company Shares on the Tokyo Stock Exchange immediately preceding the Reference Date.

Based on the comparable company method, the value of the Company Shares has been evaluated by comparing the market share prices, financial statements and other factors of listed companies that are engaged in businesses that are relatively similar to the Company's business. According to this evaluation method, the per-share value of the Company has been estimated to range from ¥1,336 to ¥2,033.

Based on the DCF Method, using September 30, 2016 as the Reference Date, the enterprise value of the Company and the value of the Company Shares have been evaluated, and the per-share value of the Company Shares has been estimated to range from ¥1,196 to ¥1,570. This evaluation method considered the free cash flows of the Company from the third quarter results for the period ending March 31, 2017 based on the future earnings forecast of the Company for the three fiscal years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019, and determining the present value of such free cash flows by discounting them by a certain discount rate. The consolidated financial forecasts (in accordance with International Financial Reporting Standards and in billions of yen) based on the Company's business plans that SMBC Nikko Securities used as the basis of its DCF Method calculations (the "Business Plans") are as follows. The Business Plans anticipate an increase in profits and revenues through progress in fundamental reforms, cost reduction, strengthened cash flow due to reforms in supply chain management, quickly and fully realizing the effects of synergy with metabo and the development of

products aimed at new markets. These forecasts based on the Business Plans are not based on the assumption of implementation of the Transaction.

(Units: Billions of Yen)

|   | Fiscal Year Ending March<br>31, 2017 | Fiscal Year Ending March<br>31, 2018 | Fiscal Year Ending March<br>31, 2019 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| Revenues  | 177.0                                | 187.0                                | 204.0                                |
| Operating Income  | 7.3                                  | 13.0                                 | 18.7                                 |
| Net Income Attributable to Shareholders of the Parent Company | 4.4                                  | 9.0                                  | 13.2                                 |

Note: In the earnings projections that were announced on October 26, 2016, the consolidated earnings projections figures for the period ending March 31, 2017 (in accordance with International Financial Reporting Standards and in billions of yen) stated sales as ¥180.0 billion and net income attributable to shareholders of the parent company as ¥4.3 billion. The Business Plans state that market conditions, especially in the Asia region, including the Middle East, China and Australia could be harsher than expected and take this possibility into account in the above revenues figures, while also taking into account that the Asian region in comparison to developing countries has a small impact on revenues. The Business Plans also state that structural cost reform is proceeding as planned, and this is taken into account in the above figures for net income attributable to shareholders of the parent company.

Furthermore, since the Share Options are also subject to the Tender Offer and the Share Option Purchase Price has been set as ¥144,900 (obtained by multiplying (a) by (b) below), no valuation report for the Share Options has been obtained from any third-party financial advisors.

- (a) ¥1,449, which is the difference between (x) the appraisal value of ¥1,450 per Company Share), and (y) ¥1, the exercise price per Company Share subject to the Share Option; and
- (b) 100, which is the number of the Company Shares subject to one Share Option.

## ② Calculation Methodology

### (a) The Company Shares

In determining the Share Purchase Price, the Offeror conducted a comprehensive and multifaceted analysis of the Company's business and financial status based on the Company's disclosed financial information and the results of the due diligence conducted with respect to the Company. In light of the fact that the Company Shares are traded on a financial instruments exchange, the Offeror also referred to (i) the closing price (¥739) of the Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi's sale of its Company Shares were released, and (ii) the average closing prices of the Company Shares during the one-month, three-month and six-month periods prior to October 4, 2017 (¥725, ¥694 and ¥697, respectively). By also comprehensively taking into consideration the likelihood of obtaining the Company's endorsement of the Tender Offer and the prospects for successful completion of the Tender Offer, and upon consultation and negotiations with the Tendering Shareholders and the Company, as of today the Offeror determined the Share Purchase Price of ¥870, on the condition that the Special Dividend of ¥580 per Company Share will be paid subject to successful completion of the Tender Offer. As the Offeror has determined the Tender Offer Prices by comprehensively taking into consideration the factors described above, as well as its consultation and negotiations with the Tendering Shareholders and the Company, the Offeror has not obtained a share valuation report from any third-party financial advisor.

The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Common Share) represents (i) a discount of 4.10% on ¥1,512, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today), (ii) a premium of 7.89% on ¥1,344, the one-month average closing price through January 12, 2017, (iii) a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017, and (iv) a premium of 62.37% on ¥893, the six-month average closing price through January 12, 2017.

The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Common Share) also

represents (i) a premium of 96.21% on ¥739, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi's sale of its Company Shares were released, (ii) a premium of 100.00% on ¥725, the one-month average closing price through October 4, 2016, (iii) a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016, and (iv) a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016.

The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) also represents a premium of 15.72% on ¥1,253, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of December 27, 2016, which was the business day immediately preceding December 28, 2016, when media reports regarding Hitachi's sale of its Company Shares were released; a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016.

(b) The Share Options

As of today the exercise price for each Share Option (¥1 per share) is below the appraisal value of ¥1,450 per Company Share. Taking into consideration the appraisal value of ¥1,450 per Company Share is the base price for the Transaction, the Share Option Purchase Price has been set as ¥144,900 (obtained by multiplying (a) by (b) below).

- (a) ¥1,449, which is the difference between (x) the appraisal value of ¥1,450 per Company Share, and (y) ¥1, the exercise price per Company Share subject to the Share Option; and
- (b) 100, which is the number of the Company Shares subject to one Share Option.

(4) Expected delisting and reasons therefor

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

Additionally, even in the event that the delisting standards are not met at the time of completion of the Tender Offer, the Offeror intends to acquire all Company Shares and Options (except for the treasury shares) as stated above in “(E) Policy for organizational restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’)” after the successful completion of the Tender Offer. In such case, even if the procedures stated in “(E) Policy for organizational restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’)” have been executed by the Company, the Company Shares will be delisted through the prescribed procedures. After delisting, the Company Shares will no longer be traded on the First Section of the Tokyo Stock Exchange.

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

As stated in “1. Summary of the Tender Offer” under “(2) Grounds and Reasons for Opinion,” the objective of the Tender Offer is for the Company to become a wholly-owned subsidiary of the Offeror, and, in the event that the Offeror is unable to obtain all of the Company Shares and Options through the Tender Offer, then, after the successful completion of the Tender Offer, the Offeror intends to take the following actions to obtain all of the Company Shares and Options (except for the treasury shares held by the Company).

Specifically, if the Offeror holds at least 90% of the total voting rights in the Company after the successful completion of the Tender Offer and has become a special controlling shareholder of the Company as stipulated in Article 179, paragraph 1 of the Companies Act, the Offeror intends, promptly following the settlement of the Tender Offer, to require all shareholders of the Company (excluding the Offeror and the Company) and Share Option holders (excluding the Offeror) to sell their Company Shares and Options to the Offeror (the “Demand for the Sale of Shares”), as stipulated in Part II, Chapter 2, Section 4-2 of the Companies Act.

In the event of a Demand for the Sale of Shares, each of the Company Shares held by each shareholder of the Company (excluding the Offeror and the Company) will be exchanged for cash consideration equal to the Share Purchase Price, and the Share Options held by each Share Option holder of the Company will be exchanged for cash consideration equal to the Share Option Purchase Price. In such an event, the Offeror will notify the Company of

the Demand for the Sale of Shares and seek the Company's approval thereof. If the Company approves the Demand for the Sale of Shares by a resolution of the Board of Directors, then, in accordance with the procedures under applicable law, and without the consent of the individual shareholders or Share Option holders of the Company, on the date of acquisition stipulated by the Demand for the Sale of Shares, the Offeror will acquire all Company Shares and Options held by shareholders of the Company (excluding the Offeror and the Company) and its Share Option holders (excluding the Offeror). Then, the Offeror will deliver to each such shareholder an amount of cash consideration per share held by such shareholder equal to the Share Purchase Price and to each such Share Option holder an amount of cash consideration per Share Option held by such Share Option holder equal to the Share Option Purchase Price. In addition, if the Company receives a notice from the Offeror regarding the matters stipulated in Article 179-2, paragraph 1 of the Companies Act to the effect that the Offeror contemplates issuing a Demand for the Sale of Shares, the Company's Board of Directors intends to approve the Demand for the Sale of Shares by the Offeror.

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders to which the Demand for the Sale of Shares relates, shareholders and Share Option holders of the Company that did not tender into the Tender Offer will be able to file a petition with the court for a determination of the sale price for their Company Shares and Options in accordance with Article 179-8 of the Companies Act and other applicable laws and regulations. In such a case, the purchase price will be finally determined by the court.

Alternatively, if the Offeror holds less than 90% of the total voting rights in the Company after the successful completion of the Tender Offer, the Offeror intends to request that the Company include the following proposals in the agenda for the ordinary shareholders' meeting of the Company to be held in June 2017 (the "Ordinary Shareholders' Meeting"): (i) a consolidation of the Company Shares (the "Share Consolidation"); and (ii) an amendment to the Company's articles of incorporation to abolish the share unit number provisions, subject to the Share Consolidation taking effect. The Offeror intends to approve such proposals (including requesting that the Tendering Shareholders exercise affirmative votes pursuant to the Tender Agreement) at the Ordinary Shareholders' Meeting.

If the proposal for the Share Consolidation is approved at the Ordinary Shareholders' Meeting, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Ordinary Shareholders' Meeting. If, due to the Share Consolidation, the number is a fraction less than one, each shareholder of the Company will receive an amount of cash obtained by selling the Company Shares equivalent to the total number of such fractional shares (with such aggregate sum rounded down to the nearest whole number) to the Offeror or the Company 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, 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 and the Company) would be equal to the price obtained by multiplying the Share Purchase Price by the number of Company Shares owned by each such shareholder. The Company will request permission from the court to authorize the purchase of such Company Shares on this basis.

Although the ratio of the Share Consolidation of the Company Shares has not been determined as of the date hereof, it is intended that shareholders (excluding the Offeror and the Company) who did not tender in the Tender Offer would have their shares classified as fractional shares in order for the Offeror to become the sole owner of all of the Company Shares (excluding treasury shares held by the 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 Company may request that the 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 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 Company who do not tender their Company Shares in the Tender Offer (excluding the Offeror and the Company) will hold fractional shares; accordingly, as stipulated in Article 182-4 and Article 182-5 of the Companies Act and other related laws and regulations, any shareholders of the Company who object to the Share Consolidation will be able to file a petition to determine the price of the Company Shares. In the event that such petition is filed, the acquisition price will be finally determined by the court.

If the total number of voting rights in the Company held by the Offeror after the successful completion of the Tender Offer is less than 90% of the voting rights of all shareholders in the Company, and if the Offeror is unable to acquire all Share Options in the Tender Offer and any Share Options remain unexercised after the successful completion of the Tender Offer, then the Offeror will request that the Company execute the procedures

reasonably required to implement the Transaction, such as acquiring the remaining Share Options, and recommending that the Share Option holders waive their Share Options.

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 on the shareholding percentage of the Offeror after the Tender Offer and the ownership of Company Shares by shareholders of the 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, the Offeror intends to use a method whereby the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Offeror and the 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 Company Shares held by each such shareholder multiplied by the Share Purchase Price. Furthermore, in delivering cash consideration to the Share Option holders who do not tender their Share Options, the amount to be delivered to each such Share Option holder will be calculated to equal the number of Share Options held by each such Share Option holder multiplied by the Share Option Purchase Price. In such a case, the Company will announce specific details and expected timing promptly once determined.

We further note that shareholders of the Company will not be solicited to agree to the Tender Offer at the Ordinary Shareholders' Meeting. All shareholders and Share Option holders of the 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) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Due to the fact that the Offeror has entered into the Tender Agreement with Hitachi, the parent of the Company, and Hitachi Urban Investment, Hitachi's subsidiary, the following measures have been implemented to ensure the fairness of the Tender Offer. Even though the Offeror has not set a minimum number of shares (the so-called "Majority of Minority") to be purchased, the Company believes that the interests of the Company's minority shareholders have been adequately considered, because the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) represents a discount of 4.10% on ¥1,512, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today). Additionally, as stated in "(ii) Discussions between the Offeror, the Company and Hitachi, 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 "(2) Grounds and Reasons for Opinion", the Offeror was selected from the bidding process conducted by the Company, and, regarding the Tender Offer the Offeror and Company have implemented the measures described in items (i) through (iv) below.

① Share Valuation Report obtained by the Company from an independent third party financial advisor

In order to ensure the fairness of the calculation of the total amount of the Share Purchase Price and the Special Dividend (at ¥1,450 per Company Share) submitted by the Offeror, we have obtained a Share Valuation Report from an independent third party financial advisor, SMBC Nikko Securities. For a summary of the Share Valuation Report please refer to the section titled "(3) Matters regarding the Calculation of the Tender Offer" under "① The Company has procured a share valuation report from an independent third-party financial advisor."

② The Company has obtained the advice of an outside law firm

In order to ensure the transparency and reasonableness of the decision-making process concerning the Transaction, including the Tender Offer, the Company has appointed Mori Hamada & Matsumoto as an outside legal advisor. The Company has been receiving necessary legal advice from such law firm concerning the method and process of decision-making regarding the Transaction, including the Tender Offer, and other related matters.

③ The Company has established an independent committee to provide an opinion regarding the Transaction

On September 29, 2016, the Company established an independent committee for the purpose of eliminating arbitrariness in decision-making for the Transaction and ensuring the fairness, transparency, and objectivity of the Company's decision-making process. The independent committee is comprised of three members who do not have any interest in the Company, Hitachi or the Offeror. The members of the independent committee are: Ms. Haruko Shibumura (outside director of the Company); Mr. Taisuke Senoo (outside director of the Company); and Mr. Noboru Yamamoto (outside director of the Company). The members of the independent committee have not changed since the establishment of the committee. On December 20, 2016, the Company requested that the independent committee advise the Company as to (i) whether the purpose of the Transaction is justifiable and reasonable; (ii) whether the fairness of the procedures for the Transaction has been ensured; (iii) whether the fairness and propriety of the terms of the Transaction (including the amounts of the Tender Offer Prices and the Special Dividend) have been ensured; and (iv) whether, regarding the Transaction, it is not disadvantageous to the minority shareholders of the Company (a) that its Board of Directors expresses an opinion to support the Tender Offer, recommends tendering shares therein, and issues the Special Dividend or (b) that, after completion of the Tender Offer, depending on the Offeror, the Company may approve the Demand for the Sale of Shares and carry out the Share Consolidation (the "Matters of Inquiry").

The independent committee has met 6 times since September 29, 2016 until today to discuss and consider the Matters of Inquiry. Specifically, the independent committee collected information regarding the Transaction for consideration and discussion as follows: (i) the independent committee received an explanation from the Offeror regarding the content of the Offeror's proposal, the purpose of the Transaction and the expected synergies resulting from the Transaction, and conducted a question-and-answer session; (ii) the independent committee received an explanation from the Company as to its thoughts regarding the background to the proposal for the Transaction received from the Board of Directors of the Target Company, the purpose of the Transaction, and the content of the Offeror's proposal, as well as the influence of the Transaction on the Company's enterprise value and conducted a question-and-answer session; (iii) the independent committee received an explanation from SMBC Nikko Securities regarding the results of its share value calculations and the Transaction scheme and conducted a question-and-answer session; and (iv) related information regarding the Transaction was collected.

Based on these considerations, the independent committee consulted with each other and considered the Matters of Inquiry, and as a result, as of today, the independent committee, with a unanimous resolution, rendered and submitted an opinion to the Board of Directors of the Company stating that, after considering "(i) whether the purpose of the Transaction is justifiable and reasonable; (ii) whether the fairness of the procedures for the Transaction has been ensured; (iii) whether the fairness and propriety of the terms of the Transaction (including the amounts of the Tender Offer Prices and the Special Dividend) have been ensured; and (iv) whether, regarding the Transaction, it is not disadvantageous to the minority shareholders of the Company (a) that its Board of Directors expresses an opinion to support the Tender Offer, recommends tendering shares therein, and issues the Special Dividend; or (b) that, after completion of the Tender Offer, depending on the Offeror, the Company may approve the Demand for the Sale of Shares and carry out the Share Consolidation," the independent committee has concluded that (i) the purpose of the Transaction is justifiable and reasonable; (ii) the fairness of the procedures for the Transaction has been ensured; (iii) the fairness and propriety of the terms of the Transaction (including the amounts of the Tender Offer Prices and the Special Dividend) have been ensured; and (iv) regarding the Transaction, it is not disadvantageous to the minority shareholders of the Company (a) if the Board of Directors of the Company expresses a supporting opinion with respect to the Tender Offer, resolves to leave the decision of whether or not to tender into the Tender Offer to the Company's shareholders and Share Option holders and resolves to issue the Special Dividend or (b) that, after completion of the Tender Offer, depending on the Offeror, the Company may approve the Demand for the Sale of Shares and carry out the Share Consolidation.

According to the Report received from the independent committee, the main factors considered by the independent committee in forming the above opinion were as follows:

- (i) The content of the explanations regarding the purpose of the Transaction from the Company and the Offeror (including those stated above in the section "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 "(2) Grounds and Reasons for Opinion") were not unreasonable. Additionally, the transaction purposes are fair and reasonable, because, with regard to the business environment of the Company, cooperation with the Offeror to undertake the privatization of the Company through the Transaction and operating the Company's business with a mid- to long-term outlook will contribute to the enhancement of the Company's enterprise value.

- (ii) Consideration of the following matters regarding the fairness of the procedures relating to the transaction :
  - (a) In order to ensure the fairness of the decision-making process concerning the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) presented by the Offeror, the Company obtained the Share Valuation Report from SMBC Nikko Securities, a third-party financial advisor independent from the Company and the Offeror.
  - (b) In order to ensure the transparency and reasonableness of the decision-making process concerning the Transaction, including the Tender Offer, the Company has appointed Mori Hamada & Matsumoto as an outside legal advisor. The Company has been receiving necessary legal advice from such law firm concerning the method and process of decision-making regarding the Transaction, including the Tender Offer, and other related matters.
  - (c) The establishment of an independent committee to serve as an advisory body to the Company's Board of Directors in examining the proposal concerning the Transaction for the purpose of eliminating arbitrariness in decision-making regarding the Transaction and ensuring the fairness, transparency and objectivity of the Company's decision-making process, and the discussion and consideration of the Matters of Inquiry
  - (d) In order to avoid any actual or potential conflicts of interest with regard to the intention of the Board of Directors of the Company to issue a resolution expressing an opinion regarding the Tender Offer, only six out of the seven members of the Board of Directors of the Company considered the matter (excluding Mr. Shinjiro Iwata, a member of the Board of Directors of the Company, who was formerly employed by Hitachi).
- (iii) (a) The appraisal value per Company Share submitted in the Offeror's final proposal for the Transaction, was the highest price in comparison to the appraisal value of the other candidate bidders, the Share Valuation Report and its explanations given by SMBC Nikko Securities were not unreasonable, and the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Company Share) is equal to or exceeds the upper range of the price per Company Share based on the market share price method and is within the price per shares range of numerical values based on the comparable company method and the DCF Method as contained in the Share Valuation Report.
- (b) The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per common share) represents:
  - I. a discount of 4.10% on ¥1,512, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today), a premium of 7.89% on ¥1,344, the one-month average closing price through January 12, 2017, a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017, and a premium of 62.37% on ¥893, the six-month average closing price through January 12, 2017;
  - II. a premium of 96.21% on ¥739, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi's sale of its Company Shares were released, a premium of 100.00% on ¥725, the one-month average closing price through October 4, 2016, a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016, and a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016; and
  - III. a premium of 15.72% on ¥1,253, the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of December 27, 2016, which was the business day immediately preceding December 28, 2016, when further media reports regarding Hitachi's sale of its Company Shares were released; a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016.
- (c) The calculation method of the Share Option Purchase Price stated in "(b) The Share Options" under "② Calculation methodology" under "(3) Matters regarding the Calculation of the Tender Offer" could not be seen as unreasonable.
- (d) (I) The total amount of the Special Dividend intended to be issued to the Company shareholders is within the distributable amount of the Company.



- (II) The implementation of the Special Dividend has been determined through discussions with the Offeror in consideration of the distributable funds of the Company while also taking into account the reserves held by the company and the levels of reserves needed to continue operating the business.
- (III) The scheme to issue the Special Dividend, consisting of a portion of the Company's distributable funds, would result in the Special Dividend being issued equally to all of the Company shareholders.
- (IV) The explanation of SMBC Nikko Securities regarding the Transaction scheme is not unreasonable, and there is no indication that the Transaction scheme, including the Special Dividend, would materially disadvantage minority shareholders.

In accordance with points (I), (II), (III), and (IV) above, the total amount of the Share Purchase Price and the Special Dividend and the Share Option Purchase Price are valid, the implementation of the Special Dividend as part of the Transaction cannot be seen as unreasonable, and that the fairness and validity of the Transaction's terms and conditions are ensured.

- (iv) (a) According to points (i), (ii), and (iii) above, the Tender Offer will provide its shareholders and Share Option holders with a reasonable opportunity to sell their shares and Share Options, the implementation of the Transaction, including the Tender Offer, by the Offeror will contribute to the enhancement of the Company's enterprise value, the total amount of the Share Purchase Price and the Special Dividend, as well as the Share Option Purchase Price, are valid, and the implementation of the Special Dividend as part of the Transaction cannot be seen as unreasonable. For the aforementioned reasons, the announcement of the Board of Directors of the Company supporting the Tender Offer and the implementation of the Special Dividend as part of the Transaction are not considered disadvantageous to the minority shareholders of the Company.

As stated above, the independent committee has found that the implementation of Transaction, including the Tender Offer, by the Offeror will contribute to the enhancement of the Company's enterprise value and the total amount of the Share Purchase Price and the Special Dividend, as well as the Share Option Purchase Price, is valid. However, following the media reports of December 28, 2016 regarding the sale of Hitachi's Company Shares, the closing price of the Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2016 has been greater than the total amount of the Share Purchase Price and the Special Dividend. Accordingly, it is not disadvantageous to the Company's minority shareholders for the Board of Directors of the Company to resolve to leave the decision of whether or not to tender into the Tender Offer to the Company's shareholders and Share Option holders.

- (b) The process through which the Company would become a wholly-owned subsidiary of the Offeror has been disclosed in advance. Under such process, it has been clearly stated that the Offer will deliver (x) to minority shareholders, an amount of cash consideration per share equal to the Share Purchase Price, and (y) to Share Option holders, an amount of cash consideration per Share Option equal to the Share Option Purchase Price. Accordingly, because consideration has been given to avoid disadvantageous treatment of minority shareholders, the independent committee does not believe that it would be disadvantageous to the minority shareholders for the Offeror to approve a Demand for the Sale of Shares and conduct the Share Consolidation following the completion of the Tender Offer.

④ The Transaction has received the unanimous approval of the directors with no interest in the Company

The Company's Board of Directors has carefully discussed and examined the terms and conditions of the Transaction from the perspective of the enhancement of enterprise value, taking into consideration the details of the Share Valuation Report and the legal advice from Mori Hamada & Matsumoto, as well as giving serious consideration to the Report by the independent committee.

As a result, as set forth in the above section entitled "③ The decision-making process and reasons of the Company" under "(2) Grounds and Reasons for Opinion," the Company has concluded that (i) the Share Purchase Price and Share Option Purchase Price are valid and (ii) the implementation of the special dividend has been determined through discussions with the Offeror that were based on proposals from the Offeror and consideration of the distributable funds of the Company while also taking into account the reserves held by the company and the levels of reserves needed to continue operating the business. However, as stated above, (i) although the Company

believes that the Share Purchase Price and the Share Option Purchase Price are valid and that the scheme to issue the Special Dividend, consisting of a portion of the Company's distributable fund, equally to all of our shareholders is not unreasonable, and (ii) although the Company's Board of Directors has issued a resolution, in its judgment based on present circumstances, supporting the Tender Offer, in light of the fact that, following the media reports on December 28, 2016, the closing price of the Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2016 has been greater than the total amount of the Share Purchase Price and the Special Dividend, the decision of whether to tender into the Tender Offer once it has been commenced has been left to the Company's shareholders and Share Option holders.

At the meeting of the Board of Directors referenced above, in order to avoid any actual or potential conflict of interest based on the fact that Mr. Shinjiro Iwata, one of the Company's directors, was formerly employed by Hitachi, the Company's Board of Directors unanimously resolved to express the abovementioned opinion with only six out of the seven directors of the Company considering the matter (i.e., excluding Mr. Shinjiro Iwata).

⑤ Measures to ensure tender opportunities from other tender offerors

The Offeror intends for the period of the Tender Offer (the "Tender Offer Period") to be set at 37 business days. This is comparatively long relative to the minimum period of 20 days required by law, and we believe that this long period provides each of our shareholders and Share Option holders an appropriate opportunity to consider whether to tender its shares in the Tender Offer and ensures that a potential purchaser other than the Offeror would have an opportunity to make a competing tender offer. In addition, no agreement has been made to support the Tender Offer and recommend the tendering, and no agreement between our company and the Offeror has been executed which includes deal protection provisions to prohibit the Company from having contact with a competing offeror or which otherwise limits the opportunity for a competing offeror to have contact with the Company.

4. Material agreements regarding the tendering to the Tender Offer between the Company and the Company's Shareholders

As of today, the Offeror and the Tendering Shareholders have executed the Tender Agreement pursuant to which Hitachi will tender Hitachi's Tendered Shares (40,827,162 shares, representing an ownership percentage of 40.25% of the Company) and Hitachi Urban Investment will tender Hitachi Urban Investment's Tendered Shares (11,058,191 shares, representing an ownership percentage of 10.90% of the Company), respectively, in the Tender Offer.

The Tender Agreement provides, among other things, the following, as the conditions precedent for each Tendering Shareholder to tender its shares in the Tender Offer: (i) the Tender Offer has been commenced and has not been withdrawn; (ii) the Board of Directors of the Company has passed a resolution to express an opinion to support the Transaction, and the opinion has not been withdrawn; (iii) there has not been and is not likely to be a by any judicial or administrative organ that restricts or prohibits the Tender Offer or the Tendering Shareholders from tendering shares in the Tender Offer; (iv) the Offeror has performed, in all material respects, its obligations under the Tender Agreement to be performed or complied with on or before the commencement date of the Tender Offer (see Note 1 below); and (v) the representations and warranties of the Offeror (see Note 2 below) are true and correct in all material respects. However, even if all or part of the above conditions precedent are not satisfied, there is no restriction preventing the Tendering Shareholders from waiving any of the conditions and tendering in the Tender Offer. If the Tender Offer is completed and settlement has occurred, and a shareholders' meeting of the Company is held (with a record date of exercising rights on or before the date immediately preceding the commencement date of settlement of the Tender Offer), each Tendering Shareholder has the obligation regarding the exercise of its voting rights for each Tendered Share and all other rights at such shareholders' meeting to either, as elected by the Offeror, (i) grant a comprehensive authority of representation to a third party (including the Offeror) designated by the Offeror, or (ii) exercise voting rights as instructed by the Offeror.

(Note 1) The Offeror owes, under the Tender Agreement, an obligation to make efforts to acquire clearance under competition laws by the tenth day prior to the end of the Tender Offer Period, an obligation of confidentiality, an obligation to bear expenses that it incurs in connection with the Tender Agreement and an obligation not to transfer its rights or obligations thereunder.

(Note 2) The Offeror's representations and warranties under the Tender Agreement address the following matters: (i) due and valid existence and establishment of the Offeror; (ii) authority of the Offeror to execute the Tender Agreement and completion of all necessary procedures; (iii) validity and

enforceability of the Tender Agreement; (iv) absence of conflict with laws or regulations; (v) acquisition and completion of required permits and approvals; and (vi) absence of transactions with anti-social forces.

While the Tender Agreement provides that each Tendering Shareholder shall not withdraw its tender, if any tender offer is commenced by a party other than the Offeror at a purchase price that exceeds 5% or more of the total amount of the Share Purchase Price and the Special Dividend (or a purchase price that substantially exceeds that level in some manner such as combining with the dividend of surplus) without establishing a maximum number of shares to be purchased in such tender offer by the last day of the Tender Offer Period, each Tendering Shareholder may elect to tender shares in that other tender offer and not in the Tender Offer.

In addition, upon completion of the Tender Offer, the Company will cease to be a subsidiary of Hitachi and any capital relations between the Company and Hitachi will cease. However, in order to continue the smooth operation Company's business, a transition services agreement has been reached between Hitachi and the Company regarding the provision of IT and systems services and use of the Hitachi brand.

5. Details on the Provision of Profit by the Tender Offeror or Parties holding a Special Interest

Not applicable

6. Measures to be Taken in Relation to the Basic Policy on Control of the Company

Not applicable

7. Questions for the Offeror

Not applicable

8. Requests for an Extension of the Tender Offer Period

Not applicable

9. Future outlook

Please refer to "(iii) Post-Tender Offer management policy" under "② Background, purpose and decision-making process of the Offeror leading to the implementation of the Tender Offer, and management policy following the Tender Offer" under "(2) Grounds and Reasons for Opinion" within "3. Details on the Content, Grounds and Reasons for the Company's opinion on the Tender Offer" as well as "(4) Expected delisting and reasons therefor" and "(5) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')." )"

10. Matters related to Transactions with Controlling Shareholders

- (1) Applicability of transactions with controlling shareholders and the suitability of guidelines concerning measures to protect minority shareholders

As the Offeror has executed the Tender Agreement with the Company's controlling shareholders, Hitachi and Hitachi's subsidiary, Hitachi Urban Investment, and the acquisition of Hitachi Koki's Shares from Hitachi and Hitachi Urban Investment is intended in the Tender Offer, the issuing of an opinion regarding the Tender Offer by the Board of Directors of the Company constitutes a transaction with controlling shareholders.

The "Guidelines concerning measures to protect minority shareholders in transactions with controlling shareholders" in the Company's Corporate Governance Report published on September 1, 2016 states "The Directors and Executive Officers will base their decision-making and the performance of their duties upon the tenet of the Basic Policy on Internal Control Systems that 'The performance of business and transactions of the Company will maintain autonomy from the parent company.' As a matter of policy, transactions between Hitachi and each of the Hitachi group companies will be conducted fairly based on market value, and the Company's operations will not

heavily rely on transactions with Hitachi and Hitachi group companies. Details of the transactions with Hitachi and Hitachi group companies (Related Party Transactions) are to be discussed regularly at the Board of Directors meetings, and new material Related Party Transactions require approval at a Board of Directors meeting before commencement.” As stated in “(6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” under “3. Details on the Content, Grounds and Reasons for the Company’s opinion on the Tender Offer,” in order to ensure the fairness of the Tender Offer and avoid conflicts of interest, the Company obtained a report from the independent committee indicating that the transaction did not oppress minority shareholders, a Share Valuation Report from SMBC Nikko Securities and legal advice from Mori Hamada & Matsumoto. Therefore, the Company has been put in place measures that are more strict than its guidelines to protect minority shareholders in the Transaction.

(2) Matters regarding measures to ensure fairness and avoid conflicts of interest

Please refer to section “(6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” under “3. Details on the Content, Grounds and Reasons for the Company’s opinion on the Tender Offer.”

(3) Summary of the opinion obtained from a person who has no conflict of interest with the controlling shareholder that the Transaction does not oppress minority shareholders.

The Company has obtained an opinion from an independent committee that the Transaction does not oppress minority shareholders (in addition, the issuance of a resolution by the Board of Directors of the Company, in its judgment based on present circumstances, supporting the Tender Offer and leaving the decision of whether to tender into the Tender Offer to the Company’s shareholders and Share Option holders, does not oppress minority shareholders). For details, please refer to “③ The Company has established an independent committee to provide an opinion regarding the Transaction” under “(6) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” within “3. Details on the Content, Grounds and Reasons for the Company’s opinion on the Tender Offer.”

End

(Reference) Summary of the tender offer

Please refer to the press release titled “Announcement Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. (Securities 6581)” published today by the Offeror.

January 13, 2017

Company Name: HK Holdings Co., Ltd.

Representative: William Janetschek

Contact: 03-6268-6000

**Announcement Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd.  
(Securities Code 6581)**

We announce that as of today, HK Holdings Co., Ltd. (“we” or the “Offeror”) has resolved to conduct a tender offer (the “Tender Offer”) for the common shares and the share options issued based on the resolutions passed at the Board of Directors meeting on July 28, 2016 (the “Share Options”) of Hitachi Koki Co., Ltd. (Securities Code: 6581, First Section of the Tokyo Stock Exchange) (the “Target Company”) in accordance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the “Act”).

We intend to commence the Tender Offer on January 30, 2017, subject to the fulfillment of the following conditions:

- ① Submission by the independent committee established by the Target Company of a report approving the Transaction (as defined in the section titled “(1) Summary of the Tender Offer” within “1. Purpose of the Tender Offer”), which has not been withdrawn;
- ② (a) Adoption of a resolution at a meeting of the Board of Directors of the Target Company with the affirmative vote of all directors who do not have an interest in the Transaction to support the Transaction; and (b) no adoption of a resolution withdrawing that resolution or stating contrary to that resolution;
- ③ (a) Adoption of a resolution at a meeting of the Board of Directors of the Target Company to issue the Special Dividend (as defined in the section titled “(1) Summary of the Tender Offer” within “1. Purpose of the Tender Offer”) and no adoption of a resolution withdrawing that resolution or stating contrary to that resolution; and (b) determination of the lawfully set Special Dividend Record Date;
- ④ Fulfillment of certain other conditions (these items (i) to (iv), the “Conditions Precedent to the Tender Offer”) contained in the Tender 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 Conditions Precedent to the Tender Offer 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.

Note: Under the Tender Agreement, precondition (iv) includes, among other conditions, the following:

- (i) Execution of a transition services agreement regarding IT and systems services and use of the Hitachi brand, as described in “(4) Material agreements regarding the Tender Offer”;

- (ii) 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);
- (iii) No decision has been rendered or is likely to be rendered by a judicial or administrative organ in Japan, the European Union, Russia, the United States or Australia restricting or prohibiting the Tender Offer or the Tendering Shareholders' (as hereinafter defined in "(1) Summary of the Tender Offer" under "1. Purpose of the Tender Offer") tendering of their shares in the Tender Offer;
- (iv) The Tendering Shareholders have duly performed or complied with in all material respects all of their obligations to be performed or complied with under the Tender Agreement; and
- (v) The representations and warranties of the Tendering (as hereinafter defined in "(1) Summary of the Tender Offer" under "1. Purpose of the Tender Offer") are true and correct in all material respects.

## 1. Purpose of the Tender Offer

### (1) Summary of the Tender Offer

The Offeror is a stock company (*kabushiki kaisha*) established on November 10, 2016, with the primary goal of supporting and managing the business activities of the Target Company following completion of the Tender Offer, through which the Offeror will acquire and hold the common shares of the Target Company (the "Target Company Shares") and the Share Options (together with the Target Company Shares, the "Target Company Shares and Options"). All issued shares of 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 November 4, 2016, which is an investment fund belonging to 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 resources and network with the aim of creating industry leaders. Based on this philosophy, KKR focuses on carve-outs of subsidiaries and business units from large corporations and supports their development as independent enterprises by supporting their organic and inorganic growth, increasing their profitability and improving their business processes. KKR has a track record of more than 50 carve-outs globally.

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 investing in the Japanese market, with investment professionals from diverse backgrounds that possess an understanding of Japanese business 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, building on its track record of supporting the stand-alone growth of subsidiaries and business units of major Japanese companies.

The Offeror intends to conduct the Tender Offer, as part of the series of transactions for acquiring all of the Target Company Shares and Options (excluding treasury shares held by the Target Company), such that the Target Company will become a wholly-owned subsidiary of the Offeror (such transaction, the "Transaction").

As of today, the Offeror and Hitachi, Ltd. ("Hitachi"), the parent company of the Target Company, and Hitachi Urban Investment, Ltd., Hitachi's subsidiary, ("Hitachi Urban Investment") (together with Hitachi, the "Tendering Shareholders," and each, individually, a "Tendering Shareholder") have executed an agreement (the "Tender Agreement") pursuant to which Hitachi will tender all of its Target Company Shares (40,827,162 shares, representing an ownership percentage (see below Note) of 40.25% of the Target Company) ("Hitachi's Tendered Shares") and Hitachi Urban Investment will tender all of its Target Company Shares (11,058,191 shares, representing an ownership percentage of 10.90% of the Target Company) ("Hitachi Urban Investment's Tendered Shares") (together with Hitachi's Tendered Shares, the "Tendered Shares," and each individually, a "Tendered Share"), respectively, in the Tender Offer. For details regarding the Tender Agreement, please refer to "4. Material Agreements regarding the tendering to the Tender Offer between the Target Company and the Target Company's Shareholders."

Note: The ownership percentage, here and throughout this release, has been calculated by dividing the number of Target Company Shares (including the Target Company Shares subject to the Share Options) held by each Tendering Shareholder by 101,429,921 shares (the "Total Number of Target Company Shares") and rounding to the second decimal place, with the Total Number of Target Company Shares having been calculated as follows: (i) the 123,072,776 Target Company Shares issued as of September 30, 2016 (as stated in the 95th Fiscal Period Second Quarter Securities Report of the Target Company filed on November 11, 2016 (the "Target Company's Quarterly Securities Report")), minus (ii) the 21,681,655 treasury shares held by the Target Company as of September 30, 2016, plus (iii) the 38,800 Target Company Shares which are subject to the 388 Share Options issued as of May 31, 2016 (as stated in the 94th Fiscal Period Securities Report of the Target Company filed on June 24, 2016 (the "Target Company's Securities Report")). As of today, there has been no change in the number of the Share Options and the number of the Target Company Shares subject to the Share Options since May 31, 2016.

The Offeror has set 67,632,900 shares (representing an ownership percentage of 66.68% of the Target Company) as the minimum number of shares to be purchased in the Tender Offer. If the total number of the Target Company Shares and Options tendered by shareholders in the Tender Offer (the "Tendered Shares and Options") is less than the minimum number of shares to be purchased in the Tender Offer (67,632,900 shares), then the Offeror will not

purchase any of the Tendered Shares and Options. 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 to become a wholly-owned subsidiary of the Offeror and delist the Target Company's shares, and if the total number of Tendered Shares and Options is equal to or exceeds the minimum threshold of 67,632,900 shares, the Offeror will purchase all of the Tendered Shares and Options. The minimum number of shares to be purchased in the Tender Offer (67,632,900 shares) has been calculated by multiplying 675,941, two-thirds of 1,013,911, which is the number of voting rights corresponding to the Total Number of Target Company Shares (123,072,776 shares, the number of issued Target Company Shares as of September 30, 2016 as stated in the Target Company's Quarterly Securities Report, minus 21,681,655 shares, the number of treasury shares held by the Company as of September 30, 2016), plus 388 (675,941 plus 388, equaling 676,329), with 388 being the number of voting rights corresponding to 38,800 shares, which is the number of Target Company Shares which are subject to the 388 Share Options issued as of May 31, 2016 as stated in the Target Company's Securities Report, by 100, the share unit number of the Target Company.

If the Offeror is unable to acquire all of the Target Company Shares and Options (other than the treasury shares held by the Target Company) in the Tender Offer, then, following the successful completion of the Tender Offer, the Offeror intends to undertake a series of procedures to become the sole shareholder of the Target Company (for details, see "(5) Policy for organizational restructuring after the Tender Offer (matters relating to 'Two-Step Acquisition')"). Furthermore, after implementing such procedures, the Offeror intends to conduct a Share Consolidation whereby the Target Company will be merged into another entity, with the Offeror as the surviving company, although the specific schedule and other details of such Share Consolidation, if conducted, has not yet been decided.

The Target Company has today issued a press release titled "Announcement Concerning Opinion Regarding the Tender Offer for the Shares of Hitachi Koki Co., Ltd. by HK Holdings Co., Ltd." (the "Target Press Release"). According to the Target Press Release, in light of the proposal from the Offeror, the Target Company, as part of the Transaction, adopted a resolution at the Board of Directors meeting held today to the effect that the Target Company will issue a special dividend (the "Special Dividend") of ¥580 per Target Company Share (here and hereinafter, before any withholding tax deduction) conditioned upon the success of the Tender Offer, with the record date (the "Special Dividend Record Date") of January 29, 2017, with March 31, 2017 being the effective date (Note 1). According to the Target Company, it is intended that the Special Dividend be issued on the closest business day following the commencement date of the Tender Offer. With regard to the Special Dividend, please refer to the other press release issued today, titled "Dividend of surplus (the Special Dividend), establishment of the record date for the issuance of surplus (the Special Dividend) and amendments to the expected dividends for the period ending March 31, 2017."

Note 1: As the Special Dividend is subject to the completion of the Tender Offer, in the event that the tender offer period of the Tender Offer is extended, it is intended that the effective date of the Special Dividend will also be extended to a day following the conclusion of the extended tender offer period.

Accordingly, Target Company shareholders as of the Special Dividend Record Date that tender their shares in



the Tender Offer will receive ¥1,450 per Target Company Share in total through the Tender Offer and through the Special Dividend, because such shareholders will receive the Special Dividend, *plus* ¥870 per Target Company Share, which is the purchase price per Target Company Share in the Tender Offer (the “Share Purchase Price”). However, Target Company shareholders acquiring Target Company Shares following the Special Dividend Record Date will not be entitled to receive the Special Dividend with respect to such Target Company Shares. Further, Share Option holders who have become Target Company shareholders by exercising their Share Options and acquiring Target Company Shares following the Special Dividend Record Date will not be entitled to receive the Special Dividend regarding such Target Company Shares.

The Offeror intends to obtain the necessary funds for settlement of the Tender Offer by borrowing (the “Debt Financing”) from The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited (the “Financial Institutions”) and receiving a capital investment of ¥65 billion yen from KKR Fund (the “KKR Investment”). The Offeror intends to obtain the Debt Financing and the KKR 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. Taking into account the cash needed for the payment of the Special Dividend, the reserves held by the Target Company and the levels of reserves needed to continue operating the business, once the Target Company becomes a subsidiary of the Offeror after completion of the Tender Offer, we intend to lend to the Target Company a portion of the funds procured by us through the Debt Financing and the KKR Investment, within the scope of the distributable amount of the Special Dividend, which would constitute a portion of the funds required to pay the Special Dividend. The terms of loan for the Debt Financing will be set forth in the loan agreement for the Debt Financing following separate consultation with the Financial Institutions. It is expected that the following matters will be set forth in the loan agreement for the Debt Financing: (a) pledges will be issued with respect to all of the issued shares of the Offeror and the Target Company Shares acquired by the Offeror in the Tender Offer; and (b) after the Target Company becomes a wholly-owned subsidiary of the Offeror through the series of procedures described in “(5) Policy for organizational restructuring after the Tender Offer (matters relating to ‘Two-Step Acquisition’),” the Target Company will become a guarantor for the Offeror and pledges over certain of the Target Company’s assets will be issued.

According to the 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 once the Tender Offer has been commenced to the Target Company’s shareholders and Share Option holders. For details of the resolution of the Target Company’s Board of Directors, please refer to the Target Press Release as well as the section titled “(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” under “1. Purpose of the Tender Offer.”

(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 and explanations received from the Target Company.

① The Business Environment of the Target Company

The Target Company was formed in December 1948 as the secondary corporation of Hitachi Heiki Co., Ltd. to engage in the manufacture of electric power tools and coal mining machinery and equipment pursuant to the Ordered Improvement Plan under the Enterprise Reorganization Act. (See below Note).

Note: The Target Company is currently listed on the First Section of the Tokyo Stock Exchange. In March 2009, Hitachi conducted a tender offer for the Target Company Shares (at a purchase price per Target Company Share of ¥1,300) and became its parent company.

The Target Company, a global enterprise with 76 subsidiaries, is primarily engaged in the manufacture and sale of electric power tools and other products and develops its business worldwide under its basic business policy of contributing to society through providing innovative, high-performance and high-quality products and services which are fitted for user needs and result in a high level of customer satisfaction. The Target Company established its subsidiary in Germany in 1978, and has since proceeded with active overseas development, as exemplified by its acquisition of metabo Aktiengesellschaft ("metabo") in March 2016. Amid increasingly fierce global competition, the Target Company has been working toward accomplishing its mid-term management plan for 2018 through structural reform, reinforcement of new products, a strategic alliance with Lowe's Companies, Inc. (a major home improvement store in the United States), and the aforementioned acquisition of metabo, among other initiatives. (Note).

Note: Based on the mid-term management plan for 2018, the Target Company anticipates an increase in profits and revenues through progress in fundamental reforms, cost reduction, strengthened cash flow due to reforms in supply chain management, quickly and fully realizing the effects of synergy with metabo and the development of products aimed at new markets.

In the electric power tool industry to which the Target Company belongs, cordless tools are becoming increasingly prevalent, and this trend is expected to continue in the future. Further, due to the influence of the so-called IoT (Internet of Things), electric power tool products which can connect to the Internet are becoming popular, and efforts are being directed toward increasing customer satisfaction by enhancing various features to enable management of these products using the Internet. This situation has resulted in intensifying market conditions, inside and outside Japan, with increasing competition being seen in the development/introduction of new products and in expansion of sales and marketing as well as pricing competition among competitors.

In response to the above situation faced by the Target Company with the trend toward cordless products, KKR

believes that faster growth is possible through reform of the Target Company's manufacturing/development, sales, and service systems, such as the development and introduction of new products with a focus on cordless products utilizing batteries and circuitry technologies developed in-house, reinforcement of a sales/marketing strategy aimed at having the Target Company's high technological superiority recognized by customers, improvement of efficiency by integrating overseas manufacturing and sales operation bases as part of the structural reform which is in progress, and the pursuit of non-linear growth opportunities centered on M&A.

② Discussions between the Offeror, the Target Company and Hitachi, and the decision-making process of the Offeror

Due to the current state of the industry, in early April 2016 Hitachi consulted with the Target Company regarding its intention to cooperate with the Target Company for the achievement of a capital structure consistent with the Target Company's strategy for future growth, with a view to increasing the Target Company's competitiveness and enhancing its enterprise value. The Target Company, in response to Hitachi's initiative, consulted with a number of companies in April 2016 regarding the sale of the Target Company Shares, including Hitachi's Target Company Shares; accordingly, KKR participated in the bidding process in mid-May 2016. Thereafter, KKR conducted due diligence on the Target Company's business, finances and legal matters, and then interviewed the Target Company's management and conducted further analysis regarding the Target Company Shares. Based on this analysis conducted during late November 2016 and mid December 2016, KKR Fund submitted a final offer of terms and conditions to acquire all of the Target Company Shares, including an appraisal value of ¥1,450 per Target Company Share, and the Target Company selected the Offeror as the final Tender Offer candidate in late December 2016.

Thereafter, the Offeror proceeded with discussions and negotiations with the Target Company and Hitachi regarding the transaction scheme and the terms and conditions of the Transaction, including the amount of the Special Dividend and its implementation. Based on the discussions and negotiations with Hitachi and the Target Company, the Offeror began to explain the Transaction, the transaction scheme and the terms and conditions of the Transaction, including the appraisal value of the Target Company Shares and the amount of the Special Dividend and its implementation to the independent committee established by the Target Company (please refer to the section below titled "③ The Target Company has established an independent committee to provide an opinion regarding the Transaction" within "(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer"). As a result, the Offeror, the Target Company, and Hitachi came to an agreement regarding the transaction scheme and the terms and conditions of the Transaction, including the appraisal value of the Target Company Shares, the amount of the Special Dividend and its implementation, and the Offeror today decided to enter into the Tender Agreement with the Tendering Shareholders and to conduct the Tender Offer in the event that the Conditions Precedent to the Tender Offer are satisfied (or have been waived by the Offeror) and has also decided that for the Tender Offer (a) the appraisal value per Target Company Share is set as ¥1,450; (b) the Share Purchase Price is set as ¥870 subject to the payment of the Special Dividend (¥580 per Target Company Share); and (c) based on these prices, the purchase price per Share Option is set as ¥144,900 (the "Share Option Purchase

Price”) (together with the Share Purchase Price, the “Tender Offer Prices”). The scheme of the Transaction, including the implementation of the Special Dividend and the amount of the Special Dividend (¥580 per Target Company Share), was determined through discussions with the Offeror that were based on proposals from the Offeror and consideration of the distributable funds of the Target Company while also taking into account the reserves held by the company and the levels of reserves needed to continue operating the business.

### ③ The decision-making process and reasons of the Target Company

In response to and based on Hitachi’s intent to sell its shareholding, the Target Company, with a view to increasing the Target Company’s competitiveness and enhancing its enterprise value as described in “② Discussions between the Offeror, the Target Company and Hitachi, and the decision-making process of the Offeror” above and in “④ Post-Tender Offer Management Policy” below, carefully examined the proposed terms and conditions of the Transaction from the perspective of enhancing enterprise value. The Target Company (a) implemented the measures described in the section below titled “(3) Measures to ensure the fairness of the Tender Offer Prices 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 “Share Valuation Report”) obtained from a third party financial advisor, SMBC Nikko Securities Inc. (“SMBC Nikko Securities”), and legal advice from the Target Company’s legal advisor, Mori Hamada & Matsumoto, and (c) took into full consideration the report (the “Report”) submitted by the independent 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 independent committee and the matters of inquiry, see the section titled “③ The Target Company has established an independent committee to provide an opinion regarding the Transaction” under “(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” under “1. Purposes of the Tender Offer.”

After examining the proposal received during late November 2016 and mid December 2016 from KKR, who had participated in the bidding process, the Target Company discussed and negotiated the transaction value with KKR, including the Special Dividend, and other terms and conditions of the Transaction, and the Target Company consequently reached the below conclusions. The Target Company has decided that, in response to the current business environment with a trend toward cordless products, taking the following measures proposed by KKR and utilizing KKR’s know-how and resources will contribute to further enhancement of the Target Company’s enterprise value. The measures include: a transformation of the Target Company’s manufacturing/development, sales, and service systems, such as the development and introduction of new products with a focus on cordless products utilizing batteries and circuitry technologies developed in-house, reinforcement of a sales/marketing strategy aimed at having the Target Company’s high-technology superiority further recognized by customers, improvement of efficiency by integrating overseas manufacturing and sales operation bases as part of the structural reform currently in progress, and the pursuit of a non-linear growth opportunities centered on M&A.

As stated above, structural reform of the Target Company’s manufacturing/development, sales and service systems and the increase of the Target Company’s growth are urgent matters needed to overcome intensifying market

conditions, inside and outside Japan, with increasing competition being seen in the development/introduction of new products and in expansion of sales and marketing as well as pricing competition among competitors. While the Target Company deems it essential to implement the above measures in order to continuously improve its enterprise value, certain costs and time are required for the effect of such measures to become apparent. Moreover, as additional investments would need to be made, Target Company Shareholders and Share Option holders may be exposed to a reduced share price due to a temporary drop in the Target Company's performance caused by such upfront investments and the ongoing highly competitive business environment.

The Target Company's goal is to become one of the global leaders of the increasingly competitive electronic power tools industry, and with the industry's continuing trend towards cordless products and increasing competition, the Target Company believes that now is the ideal time to implement the above measures, strengthen the Target Company's business foundations through the implementation of related measures and increase the Target Company's growth prospects. Therefore, with the understanding that it is best for the Target Company to operate its business with a mid- to long-term outlook and with the Offeror as a new partner who is consistent with the Company's future growth strategy, the Target Company has investigated the possibility of privatization.

In addition to the points listed above, the Target Company has determined that the Tender Offer will provide its shareholders and Share Option holders with a reasonable opportunity to sell their shares and Share Options in light of the following considerations regarding the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share):

- (i) the total amount of the Share Purchase Price and the Special Dividend is equal to or exceeds the upper range of calculation results for the share price of the Target Company Shares based on the market share price method and is within the range of calculation results based on the comparable company method and the discounted cash flow method (the "DCF Method") as contained in the Share Valuation Report provided by SMBC Nikko Securities (as described in the section titled "① The Target Company has procured a share valuation report from an independent third-party financial advisor" under "(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer");
- (ii) the total amount of the Share Purchase Price and the Special Dividend is deemed to contain an appropriate premium considering other precedents of tender offer transactions provided by SMBC Nikko Securities, because the total amount of the Share Purchase Price and the Special Dividend represents (x) a discount of 4.10% (rounded to the second decimal place; hereinafter the same as to the premium and discounted figures) on ¥1,512, the closing price of the Target Company Shares on the Tokyo Stock Exchange on January 12, 2017, the business day immediately preceding the date of the announcement of the Tender Offer (today); a premium of 7.89% on ¥1,344 (rounded to the nearest whole number; hereinafter the same as to the average closing prices), the one-month average closing price through January 12, 2017; a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017; and a premium of 62.37% on ¥893, the six-month average closing price through

January 12, 2017, and (y) a premium of 96.21% on ¥739, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi's sale of its Target Company Shares were released; a premium of 100.00% on ¥725, the one-month average closing price through October 4, 2016; a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016; and a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016 and (z) a premium of 15.72% on ¥1,253, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of December 27, 2016, which was the business day immediately preceding December 28, 2016, when further media reports regarding Hitachi's sale of its Company Shares were released; a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016;

(iii) the Target Company has taken measures to ensure the fairness of the Tender Offer and has taken into consideration the interests of minority shareholders as described in the section titled “(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer”; and

(iv) the prices were determined after taking measures to ensure the fairness of the Tender Offer described in the preceding item (iii).

Therefore, the Target Company believes that by implementing the Transaction, including the Tender Offer, the Offeror will increase the enterprise value of the Target Company and that, based on factors (i) through to (iv) above, the Share Purchase Price is valid. However, in light of the fact that, following the aforementioned media reports, the closing price of the Target Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2016 has been greater than the total amount of the Share Purchase Price and the Special Dividend, it has been decided to leave the decision of whether or not to tender into the Tender Offer to the Target Company's shareholders.

Based on the above factors, 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 once the Tender Offer has been commenced to the Target Company's shareholders. Additionally, the Share Options are also subject to the Tender Offer, and Target Company believes that the Share Option Purchase Price, which has been set as ¥144,900 (obtained by multiplying (a) by (b) below), is valid. However, the Target Company's Board of Directors resolved that, in light of the fact that, following the aforementioned media reports, the closing price of the Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2016 has been greater than the total amount of the Share Purchase Price and the Special Dividend, and it has been decided to leave the decision of whether or not to tender in the Tender Offer to the Share Option holders.

- (a) ¥1,449, which is the difference between (x) total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share), and (y) ¥1, the exercise price per Target Company Share subject to the Share Option; and
- (b) 100, which is the number of the Target Company Shares subject to one Share Option.

For additional details of the resolutions of the Target Company's Board of Directors, see the section below titled "④ The Transaction has received the unanimous approval of the directors with no interest in the Target Company" under "(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer."

④ Post-Tender Offer management policy

Following the Transaction, we aim to improve the Target Company's enterprise value by persevering through the industry's transition stage, which will see continued movement toward cordless products and the spread of the IoT, and by enhancing the foundation for the Target Company's business growth through non-linear growth opportunities, including M&A. The Offeror intends to accomplish these goals through the following measures: (a) leveraging the Target Company's superior technological development capability as well as the advice of KKR Capstone, a business and financial improvement support group that works exclusively for KKR's portfolio companies worldwide and leads these companies toward successful reforms through its on-site operations; (b) providing funds; and (c) providing KKR's global resources and know-how, such as end-to-end assistance in M&A, which covers all processes from identifying projects and negotiation to integration after acquisition.

Following the Transaction, the Offeror plans to appoint outside directors selected by KKR, but the number of candidates, the timing of their selection and the identity of such individuals has not currently been decided. Additionally, the Offeror intends to introduce an incentive plan for the officers and employees of the Target Company that will include share options (the specific details have not yet been decided), in order to motivate KKR and the officers and employees of the Target Company to work as one and build a system to increase the mid- and long-term enterprise value of the Target Company.

(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Due to the fact that the Offeror has entered into the Tender Agreement with Hitachi, the parent of the Target Company, and Hitachi Urban Investment, Hitachi's subsidiary, the Offeror and the Target Company have implemented the following measures to ensure the fairness of the Tender Offer. Even though the Offeror has not set a minimum number of shares (the so-called "Majority of Minority") to be purchased, the Target Company believes that the interests of the Target Company's minority shareholders have been adequately considered, because the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) represents a discount of 4.10% on ¥1,512, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today).

Additionally, as stated in “② Discussions between the Offeror, the Target Company and Hitachi, and the decision-making process of the Offeror” under “(2) Background, purpose, and decision-making process leading to the implementation of the Tender Offer, and management policy following the Tender Offer”, the Offeror was selected from the bidding process conducted by the Target Company, and, regarding the Tender Offer the Offeror and Target Company have implemented the measures described in items (i) through (iv) below, which are based on explanations received from the Target Company.

① The Target Company has procured a share valuation report from an independent third-party financial advisor

In order to ensure the fairness of the decision-making process concerning the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) presented by the Offeror, the Target Company had the share value of the Target Company Shares calculated by SMBC Nikko Securities, a third-party financial advisor independent from the Target Company and the Offeror, and obtained the Share Valuation Report regarding the calculation results on January 13, 2017. SMBC Nikko Securities is not a related party of the Target Company or the Offeror and does not have any material interest in the Tender Offer. The Target Company has not obtained a fairness opinion regarding the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share).

SMBC Nikko 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 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. The prices set forth below are the reasonable per-share prices of the Target Company Shares and do not reflect deduction of the Special Dividend.

- Market share price method: ¥893 to ¥1,344
- Comparable company method: ¥1,336 to ¥2,033
- DCF Method: ¥1,196 to ¥1,570

Based on the market share price method, using January 12, 2017 (the “Reference Date”) as the reference date, the per-share value of the Target Company Shares has been estimated to range from ¥893 to ¥1,344, based on the one-month average closing price (¥1,344), the three-month average closing price (¥1,072), and the six-month average closing price (¥893), 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, financial statements and other factors 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 ¥1,336 to ¥2,033.

Based on the DCF Method, using September 30, 2016 as the Reference Date, the enterprise value of the Target Company and the value of the Target Company Shares have been evaluated, and the per-share value of the Target Company Shares has been estimated to range from ¥1,196 to ¥1,570. This evaluation method considered the free cash flows of the Target Company from the third quarter results for the period ending March 31, 2017 based on the future earnings forecast of the Target Company, for the three fiscal years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019, and determining the present value of such free cash flows by discounting them by a certain discount rate. The consolidated financial forecasts (in accordance with International Financial Reporting Standards and in billions of yen) based on the Target Company's business plans that SMBC Nikko Securities used as the basis of its DCF Method calculations (the "Business Plans") are as follows. For all periods the Business Plans anticipate an increase in profits and revenues through progress in fundamental reforms, cost reduction, strengthened cash flow due to reforms in supply chain management, quickly and fully realizing the effects of synergy with metabo and the development of new products. These forecasts based on the Business Plans are not based on the assumption of implementation of the Transaction.

(Units: Billions of Yen)

|   | Fiscal Year Ending March<br>31, 2017 | Fiscal Year Ending March<br>31, 2018 | Fiscal Year Ending March<br>31, 2019 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| Revenues  | 177.0                                | 187.0                                | 204.0                                |
| Operating Income  | 7.3                                  | 13.0                                 | 18.7                                 |
| Net Income Attributable to<br>Shareholders of the Parent<br>Company | 4.4                                  | 9.0                                  | 13.2                                 |

Note: In the earnings projections that were announced on October 26, 2016, the consolidated earnings projections figures for the period ending March 31, 2017 (in accordance with International Financial Reporting Standards and in billions of yen) stated sales as ¥180.0 billion and net income attributable to shareholders of the parent company as ¥4.3 billion. The Business Plans state that market conditions, especially in the Asia region, including the Middle East, China and Australia could be harsher than expected and take this possibility into account in the above revenues figures, while also taking into account that the Asian region in comparison to developing countries has a small impact on revenues. The Business Plans also state that structural cost reform is proceeding as planned, and this is taken into account in the above figures for net income attributable to shareholders of the parent company.

Furthermore, since the Share Options are also subject to the Tender Offer, and the Share Option Purchase Price has been set as ¥144,900 (obtained by multiplying (a) by (b) below), no valuation report for the Share Options has been obtained from any third-party financial advisors.

- (a) ¥1,449, which is the difference between (x) the appraisal value (¥1,450 per Target Company Share), and (y) ¥1, the exercise price per Target Company Share subject to the Share Option; and
- (b) 100, which is the number of the Target Company Shares subject to one Share Option.

② The Target Company has obtained the advice of an outside law firm

In order to ensure the transparency and reasonableness of the decision-making process concerning the Transaction, including the Tender Offer, the Target Company has appointed Mori Hamada & Matsumoto as an outside legal advisor. The Target Company has been receiving necessary legal advice from such law firm concerning the method and process of decision-making regarding the Transaction, including the Tender Offer, and other related matters.

③ The Target Company has established an independent committee to provide an opinion regarding the Transaction

On September 29, 2016, the Target Company established an independent committee for the purpose of eliminating arbitrariness in decision-making for the Transaction and ensuring the fairness, transparency, and objectivity of the Target Company's decision-making process. The independent committee is comprised of three members who do not have any interest in the Target Company, Hitachi or the Offeror. The members of the independent committee are: Ms. Haruko Shibumura (outside director of the Target Company); Mr. Taisuke Senoo (outside director of the Target Company); and Mr. Noboru Yamamoto (outside director of the Target Company). The members of the independent committee have not changed since the establishment of the committee. On December 20, 2016, the Target Company requested that the independent committee advise the Target Company 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 fairness and propriety of the terms of the Transaction (including the amounts of the Share Purchase Price and the Special Dividend) have been ensured; and (iv) regarding the Transaction, it is not disadvantageous to the minority shareholders of the Target Company (a) that its Board of Directors expresses an opinion to support the Tender Offer, recommends tendering shares therein, and issues the Special Dividend; and or (b) that, after completion of the Tender Offer, depending on the Offeror, the Company may approve the Demand for the Sale of Shares and carry out the Share Consolidation (the "Matters of Inquiry").

The independent committee has met 6 times since September 29, 2016 until today to discuss and consider the Matters of Inquiry. Specifically, the independent committee collected information regarding the Transaction for consideration and discussion as follows: (i) the independent committee received an explanation from the Offeror regarding the content of the Offeror's proposal, the purpose of the Transaction and the expected synergies resulting from the Transaction, and conducted a question-and-answer session; (ii) the independent committee received an

explanation from the Target Company as to its thoughts regarding the background to the proposal for the Transaction received from the Board of Directors of the Target Company, the purpose of the Transaction, and the content of the Offeror's proposal, as well as the influence of the Transaction on the Target Company's enterprise value and conducted a question-and-answer session; (iii) the independent committee received an explanation from SMBC Nikko Securities regarding the results of its share value calculations and the Transaction scheme and conducted a question-and-answer session; and (iv) related information regarding the Transaction was collected.

Based on these considerations, the independent committee consulted with each other and considered the Matters of Inquiry, and as a result, as of today, the independent committee, with a unanimous resolution, rendered and submitted an opinion to the Board of Directors of the Target Company that, after considering "(i) whether the purpose of the Transaction is justifiable and reasonable; (ii) whether the fairness of the procedures for the Transaction has been ensured; (iii) whether the fairness and propriety of the terms of the Transaction have been ensured; and (iv) whether, regarding the Transaction, it is not disadvantageous to the minority shareholders of the Company (a) that its Board of Directors expresses an opinion to support the Tender Offer, recommends tendering shares therein, and issues the Special Dividend or (b) that, after completion of the Tender Offer, depending on the Offeror, the Company may approve the Demand for the Sale of Shares and carry out the Share Consolidation," the independent committee has concluded that (i) the purpose of the Transaction is justifiable and reasonable; (ii) the fairness of the procedures for the Transaction has been ensured; (iii) the fairness and propriety of the terms of the Transaction have been ensured; and (iv) regarding the Transaction, it is not disadvantageous to the minority shareholders of the Company (a) if the Board of Directors of the Target Company expresses a supporting opinion with respect to the Tender Offer, resolves to leave the decision of whether or not to tender into the Tender Offer to the Target Company's shareholders and Share Option holders and resolves to issue the Special Dividend or (b) that, after completion of the Tender Offer, depending on the Offeror, the Target Company may approve the Demand for the Sale of Shares and carry out the Share Consolidation.

According to the Report received from the independent committee, the main factors considered by the independent committee in forming the above opinion were as follows:

- (i) The content of the explanations regarding the purpose of the Transaction from the Target Company and the Offeror (including those stated above in the section "(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") were not unreasonable. Additionally, the transaction purposes are fair and reasonable, because, with regard to the business environment of the Target Company, cooperation with the Offeror to undertake the privatization of the Target Company through the Transaction and operating the Target Company's business with a mid- to long-term outlook will contribute to the enhancement of the Target Company's enterprise value.
- (ii) Consideration of the following matters regarding the fairness of the procedures relating to the transaction :
  - (a) In order to ensure the fairness of the decision-making process concerning the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) presented by the Offeror, the Target Company obtained the Share Valuation Report from SMBC Nikko Securities, a third-party financial advisor independent from the Target Company and the Offeror.

- (b) In order to ensure the transparency and reasonableness of the decision-making process concerning the Transaction, including the Tender Offer, the Target Company has appointed Mori Hamada & Matsumoto as an outside legal advisor. The Target Company has been receiving necessary legal advice from such law firm concerning the method and process of decision-making regarding the Transaction, including the Tender Offer, and other related matters.
  - (c) The establishment of an independent committee to serve as an advisory body to the Target Company's Board of Directors in examining the proposal concerning the Transaction for the purpose of eliminating arbitrariness in decision-making regarding the Transaction and ensuring the fairness, transparency and objectivity of the Target Company's decision-making process, and the discussion and consideration of the Matters of Inquiry
  - (d) In order to avoid any actual or potential conflicts of interest with regard to the intention of the Board of Directors of the Target Company to issue a resolution expressing an opinion regarding the Tender Offer, only six out of the seven members of the Board of Directors of the Target Company considered the matter (excluding Mr. Shinjiro Iwata, a member of the Board of Directors of the Target Company, who was formerly employed by Hitachi).
- (iii) (a) The appraisal value per Target Company Share submitted in the Offeror's final proposal for the Transaction, was the highest price in comparison to the appraisal value of the other candidate bidders, the Share Valuation Report and its explanations given by SMBC Nikko Securities were not unreasonable, and the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) is equal to or exceeds the upper range of the price per Target Company Share based on the market share price method and is within the price per shares range of numerical values based on the comparable company method and the DCF Method as contained in the Share Valuation Report.
- (b) The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per common share) represents:
- I. a discount of 4.10% on ¥1,512, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today), a premium of 7.89% on ¥1,344, the one-month average closing price through January 12, 2017, a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017, and a premium of 62.37% on ¥893, the six-month average closing price through January 12, 2017;
  - II. a premium of 96.21% on ¥739, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi's sale of its Target Company Shares were released, a premium of 100.00% on ¥725, the one-month

average closing price through October 4, 2016, a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016, and a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016; and

III. a premium of 15.72% on ¥1,253, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of December 27, 2016, which was the business day immediately preceding December 28, 2016, when further media reports regarding Hitachi's sale of its Company Shares were released; a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016.

(c) The calculation method of the Share Option Purchase Price stated in “(b) Share Options” under “① Calculation methodology” under “(4) Basis for the calculation of the Tender Offer Prices” within “2. Outline of the Tender Offer” could not be seen as unreasonable.

(d) (I) The total amount of the Special Dividend intended to be issued to the Target Company shareholders is within the distributable amount of the Target Company.

(II) The implementation of the Special Dividend has been determined through discussions with the Offeror in consideration of the distributable funds of the Target Company while also taking into account the reserves held by the company and the levels of reserves needed to continue operating the business.

(III) The scheme to issue the Special Dividend, consisting of a portion of the Company's distributable funds, would result in the Special Dividend being issued equally to all of the Target Company shareholders.

(IV) The explanation of SMBC Nikko Securities regarding the Transaction scheme is not unreasonable, and there is no indication that the Transaction scheme, including the Special Dividend, would materially disadvantage minority shareholders.

In accordance with points (I), (II), (III), and (IV) above, the total amount of the Share Purchase Price and the Special Dividend and the Share Option Purchase Price are valid, the implementation of the Special Dividend as part of the Transaction cannot be seen as unreasonable, and that the fairness and validity of the Transaction's terms and conditions are ensured.

(iv) (a) According to points (i), (ii), and (iii) above, the Tender Offer will provide its shareholders and Share Option holders with a reasonable opportunity to sell their shares and Share Options, the implementation of the Transaction, including the Tender Offer, by the Offeror will contribute to the enhancement of the Target Company's enterprise value, the total amount of the Share Purchase Price and the Special Dividend, as well as the Share Option Purchase Price, are valid, and the implementation of the Special Dividend as part of the Transaction cannot be seen as unreasonable. For the aforementioned reasons, the announcement of the Board of Directors of the Target Company supporting the Tender Offer

and the implementation of the Special Dividend as part of the Transaction are not considered disadvantageous to the minority shareholders of the Target Company.

As stated above, the independent committee has found that the implementation of Transaction, including the Tender Offer, by the Offeror will contribute to the enhancement of the Target Company's enterprise value and the total amount of the Share Purchase Price and the Special Dividend, as well as the Share Option Purchase Price, is valid. However, following the media reports of December 28, 2016 regarding the sale of Hitachi's Target Company Shares, the closing price of the Target Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2016 has been greater than the total amount of the Share Purchase Price and the Special Dividend. Accordingly, it is not disadvantageous to the Target Company's minority shareholders for the Board of Directors of the Target Company to resolve to leave the decision of whether or not to tender into the Tender Offer to the Target Company's shareholders and Share Option holders.

- (b) The process through which the Target Company would become a wholly-owned subsidiary of the Offeror has been disclosed in advance. Under such process, it has been clearly stated that the Offer will deliver (x) to minority shareholders, an amount of cash consideration per share equal to the Share Purchase Price, and (y) to Share Option holders, an amount of cash consideration per Share Option equal to the Share Option Purchase Price. Accordingly, because consideration has been given to avoid disadvantageous treatment of minority shareholders, the independent committee does not believe that it would be disadvantageous to the minority shareholders for the Offeror to approve a Demand for the Sale of Shares and conduct the Share Consolidation following the completion of the Tender Offer.

④ The Transaction has received the unanimous approval of the directors with no interest in the Target Company

The Target Company's Board of Directors has carefully discussed and examined the terms and conditions of the Transaction from the perspective of the enhancement of enterprise value, taking into consideration the details of the Share Valuation Report and the legal advice from Mori Hamada & Matsumoto, as well as giving serious consideration to the Report by the independent committee.

As a result, as set forth in the above section entitled "③ The decision-making process and reasons of the Target Company" under "(2) Background, purpose, and decision-making process leading to the implementation of the Tender Offer, and management policy following the Tender Offer", the Target Company has concluded (i) that the Share Purchase Price and Share Option Purchase Price are valid and (ii) the implementation of the special dividend has been determined through discussions with the Offeror that were based on proposals from the Offeror and consideration of the distributable funds of the Target Company while also taking into account the reserves held by the company and the levels of reserves needed to continue operating the business. However, as stated above, (i) although the Company believes that the Share Purchase Price and the Share Option Purchase Price are valid and that the Special Dividend, consisting of a portion of the Target Company's distributable funds, uses a scheme that issues the Special Dividend

equally to all of the Target Company Shareholders, is not unreasonable, and (ii) although the Target Company's Board of Directors has issued a resolution, in its judgment based on present circumstances, supporting the Tender Offer, in light of the fact that, following the media reports of December 28, 2016, the closing price of the Company Shares (¥1,456 ~ ¥1,512) on the First Section of the Tokyo Stock Exchange from December 28, 2016 has been greater than the total amount of the Share Purchase Price and the Special Dividend, the decision of whether to tender into the Tender Offer once the Tender Offer has been commenced has been left to the Target Company's shareholders and Share Option holders.

At the meeting of the Board of Directors referenced above, in order to avoid any actual or potential conflict of interest based on the fact that Mr. Shinjiro Iwata, one of the Target Company's directors, was formerly employed by Hitachi, the Target Company's Board of Directors unanimously resolved to express the abovementioned opinion with only six out of the seven directors of the Target Company considering the matter (i.e., excluding Mr. Shinjiro Iwata).

⑤ Measures to ensure tender opportunities from other tender offerors

The Offeror intends for the period of the Tender Offer (the "Tender Offer Period") to be set at 37 business days. This is comparatively long relative to the minimum period of 20 days required by law, and we believe that this long period provides each of the Target Company shareholders and Share Option holders an appropriate opportunity to consider whether to tender its shares in the Tender Offer and ensures that a potential purchaser other than the Offeror would have an opportunity to make a competing tender offer. In addition, no agreement has been made to support the Tender Offer and recommend the tendering, and no agreement between the Target Company and the Offeror has been executed which includes deal protection provisions to prohibit the Target Company from having contact with a competing offeror or which otherwise limits the opportunity for a competing offeror to have contact with the Target Company.

(4) Material agreements regarding the Tender Offer

As of today, the Offeror and the Tendering Shareholders have executed the Tender Agreement pursuant to which Hitachi will tender Hitachi's Tendered Shares (40,827,162 shares, representing an ownership percentage (see Note) of 40.25% of the Target Company) and Hitachi Urban Investment will tender Hitachi Urban Investment's Tendered Shares (11,058,191 shares, representing an ownership percentage of 10.90% of the Target Company), respectively, in the Tender Offer.

The Tender Agreement provides, among other things, the following conditions precedent for each Tendering Shareholder to tender its shares in the Tender Offer: (i) the Tender Offer has commenced and has not been withdrawn; (ii) the Board of Directors of the Target Company has passed a resolution to express an opinion to support the Transaction, and the opinion has not been withdrawn; (iii) there has not been and is not likely to be a decision by any judicial or administrative organ that restricts or prohibits the Tender Offer or the Tendering Shareholders from tendering shares in the Tender Offer; (iv) the Offeror has performed, in all material respects, its obligations under the Tender Agreement to be performed or complied with on or before the commencement date of the Tender Offer (see Note 1

below); and (v) the representations and warranties of the Offeror (see Note 2 below) are true and correct in all material respects. However, even if all or part of the above conditions precedent are not satisfied, there is no restriction preventing the Tendering Shareholders from waiving any of the conditions and tendering in the Tender Offer. If the Tender Offer is completed and settlement has occurred, and a shareholders' meeting of the Target Company is held (with a record date of exercising rights on or before the date immediately preceding the commencement date of settlement of the Tender Offer), each Tendering Shareholder has the obligation regarding the exercise of its voting rights for each Tendered Share and all other rights at such shareholders' meeting to either, as elected by the offeror, (i) grant a comprehensive authority of representation to a third party (including the Offeror) designated by the Offeror, or (ii) exercise voting rights as instructed by the Offeror.

(Note 1) The Offeror owes, under the Tender Agreement, an obligation to make efforts to acquire clearance under competition laws by the tenth day prior to the end of the Tender Offer Period, an obligation of confidentiality, an obligation to bear expenses that it incurs in connection with the Tender Agreement and an obligation not to transfer its rights or obligations thereunder.

(Note 2) The Offeror's representations and warranties under the Tender Agreement address the following matters: (i) due and valid existence and establishment of the Offeror; (ii) authority of the Offeror to execute the Tender Agreement, and completion of all necessary procedures; (iii) validity and enforceability of the Tender Agreement; (iv) absence of conflict with laws or regulations; (v) acquisition and completion of required permits and approvals; and (vi) absence of transactions with anti-social forces.

While the Tender Agreement provides that each Tendering Shareholder shall not withdraw its tender, if any tender offer is commenced by a party other than the Offeror at a purchase price that exceeds 5% or more of the total amount of the Share Purchase Price and the Special Dividend (or a purchase price that substantially exceeds that level in some manner such as combining with the dividend of surplus) without establishing a maximum number of shares to be purchased in such tender offer by the last day of the Tender Offer Period, each Tendering Shareholder may elect to tender shares in that other tender offer and not in the Tender Offer.

In addition, upon completion of the Tender Offer, the Target Company will cease to be a subsidiary of Hitachi and any capital relations between the Target Company and Hitachi will cease. However, in order to continue the smooth operation Target Company's business, a transition services agreement has been reached between Hitachi and the Target Company regarding the provision of IT and systems services and use of the Hitachi brand.

(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 and Options through the Tender Offer, then, after the successful completion of the Tender Offer, the



Offeror intends to take the following actions to obtain all of the Target Company Shares and Options (except for the treasury shares held by the Target Company).

Specifically, if the Offeror holds at least 90% of the total voting rights in the Target Company after the successful completion of the Tender Offer and has become a special controlling shareholder of the Target Company as stipulated in Article 179, paragraph 1 of the Companies Act, the Offeror intends, promptly following the settlement of the Tender Offer, to require all shareholders of the Target Company (excluding the Offeror and the Target Company) and Share Option holders (excluding the Offeror) to sell their Target Company Shares and Options to the Offeror (the “Demand for the Sale of Shares”), as stipulated in Part II, Chapter 2, Section 4-2 of the Companies Act.

In the event of a Demand for the Sale of Shares, each of the Target Company Shares held by each shareholder of the Target Company (excluding the Offeror and the Target Company) will be exchanged for cash consideration equal to the Share Purchase Price, and each of the Share Options held by each Share Option holder of the Target Company will be exchanged for cash consideration equal to the Share Option Purchase Price. In such an event, the Offeror will notify the Target Company of the Demand for the Sale of Shares, and seek the Target Company’s approval thereof. If the Target Company approves the Demand for the Sale of Shares by a resolution of the Board of Directors, then, in accordance with the procedures under applicable law, and without the consent of the individual shareholders or Share Option holders of the Target Company, on the date of acquisition stipulated by the Demand for the Sale of Shares, the Offeror will acquire all Target Company Shares and Options held by shareholders of the Target Company (excluding the Offeror and the Target Company) and its Share Option holders (excluding the Offeror). Then, the Offeror will deliver to each such shareholder an amount of cash consideration per share held by such shareholder equal to the Share Purchase Price, and to each such Share Option holder an amount of cash consideration per Share Option held by such Share Option holder equal to the Share Option Purchase Price. In addition, according to the Target Company Release, if the Target Company receives a notice from the Offeror regarding the matters stipulated in Article 179-2, paragraph 1 of the Companies Act to the effect that the Offeror contemplates issuing a Demand for the Sale of Shares, the Target Company’s Board of Directors intends to approve the Demand for the Sale of Shares by the Offeror.

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders to which the Demand for the Sale of Shares relates, shareholders and Share Option holders of the Target Company that did not tender into the Tender Offer will be able to file a petition with the court for a determination of the sale price for their Target Company Shares and Options in accordance with Article 179-8 of the Companies Act and other applicable laws and regulations. In such a case, the purchase price will be finally determined by the court.

Alternatively, if the Offeror holds less than 90% of the total voting rights in the Target Company after the successful completion of the Tender Offer, the Offeror intends to request that the Target Company include the following proposals in the agenda for the ordinary shareholders’ meeting of the Target Company to be held in June 2017 (the “Ordinary Shareholders’ Meeting”): (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 intends to approve such proposals (including requesting that the Tendering Shareholders exercise affirmative votes pursuant to the Tender Agreement) at the Ordinary Shareholders’

Meeting.

If the proposal for the Share Consolidation is approved at the Ordinary 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 Ordinary Shareholders' Meeting. If, due to the Share Consolidation, the number is a fraction less than one, each shareholder of the Target Company 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) to the Offeror or the Target Company 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 Target Company) would be equal to the price obtained by multiplying the Share Purchase 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 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 to become the sole owner 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 and the Target Company) will hold fractional shares; accordingly, as stipulated in Article 182-4 and Article 182-5 of the Companies Act and other related laws and regulations, 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.

If the total number of voting rights in the Target Company held by the Offeror after the successful completion of the Tender Offer is less than 90% of the voting rights of all shareholders in the Target Company, and if the Offeror is unable to acquire all Share Options in the Tender Offer and any Share Options remain unexercised after the successful completion of the Tender Offer, then the Offeror will request that the Target Company execute the procedures reasonably required to implement the Transaction, such as acquiring the remaining Share Options, and recommending that the Share Option holders waive their Share Options.

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 on the shareholding percentage of

the Offeror 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 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 Share Purchase Price. Furthermore, in delivering cash consideration to the Share Option holders who do not tender their Share Options, the amount to be delivered to each such Share Option holder will be calculated to equal the number of Share Options held by each such Share Option holder multiplied by the Share Option Purchase 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 Ordinary Shareholders' Meeting. All shareholders and Share Option holders 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 Tokyo Stock Exchange. 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 Tokyo Stock Exchange, depending on the results of the Tender Offer.

Additionally, even in the event that the delisting standards are not met upon completion of the Tender Offer, the Offeror intends to acquire all Target Company Shares and Options (except for the treasury shares) as stated above in “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’)” after the successful completion of the Tender Offer. In such case, even if 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 Tokyo Stock Exchange.

2. Outline of the Tender Offer

(1) Outline of the Target Company

|   |  |
|---|--|
| (i) Name  | Hitachi Koki Co., Ltd.   |
| (ii) Address                                    | 15-1, Konan 2-chome, Minato-ku, Tokyo                            |
| (iii) Name and Title of Representative Director | President & Executive Officer: Osami Maehara                     |
| (iv) Businesses                                 | Manufacture and Sale of Power Tools and Life-Science Instruments |

|  |  |
|--|--|
| (v) Capital  | ¥17,813,584,316 (as of September 30, 2016)   |
| (vi) Date of Foundation  | December 18, 1948  |
| (vii) Major Shareholders and Ownership Percentage, as of September 30, 2016 (See Note) | <ul style="list-style-type: none"> <li>• Hitachi, Ltd. – 33.17%</li> <li>• Hitachi Urban Investment, Ltd. – 8.99%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account) – 3.34%</li> <li>• State Street Bank and Trust Company 505223 (Proxy Account: Mizuho Bank, Ltd., Settlement &amp; Clearing Services Department) – 2.71%</li> <li>• BNP Paribas Sec Services Luxembourg/ Jasdec/ Aberdeen Global Client Assets (Proxy Account: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch) – 1.54%</li> <li>• The Master Trust Bank of Japan, Ltd. (Trust Account) – 1.36%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account 9) – 0.99%</li> <li>• Trust &amp; Custody Services Bank, Ltd. (Securities Investment Trust Account) – 0.96%</li> <li>• Hitachi Koki Employees' Shareholding Association – 0.81%</li> <li>• Ever Green (Proxy Account: The Bank of Tokyo-Mitsubishi UFJ, Ltd.) – 0.71%</li> </ul> |
| (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) The ownership percentages are stated similarly to those in the Target Company's Quarterly Securities Report.

(2) Schedule

① Schedule

|   |   |
|---|---|
| Resolution at the Board of Directors' meeting                     | Friday, January 13, 2017  |
| Planned date of public notice of commencement of the Tender Offer | Monday, January 30, 2017<br>Public notice shall be provided electronically and a statement to that effect shall be posted on the Nihon Keizai Shimbun<br>(Address of electronic public notice <a href="http://disclosure.edinet-fsa.go.jp">http://disclosure.edinet-fsa.go.jp</a> ) |
| Planned date of filing the Tender Offer Notification              | Monday, January 30, 2017  |

② Anticipated Tender Offer Period upon the filing of the Notification

From Monday, January 30, 2017, to Wednesday, March 22, 2017 (37 business days)

③ Possibility of extending the period based on the Target Company's request

Not applicable

(3) Tender Offer Prices

① Common shares: ¥870 per share (¥1,450, minus the per-share amount of the Special Dividend)

② Share Options: ¥144,900 per Share Option

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

① Calculation methodology

(a) Target Company Shares

In determining the Share Purchase 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 (¥739) of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi's sale of its Target Company Shares were released, and (ii) the average closing prices of the Target Company Shares during the one-month, three-month and six-month periods prior to October 4, 2017 (¥725, ¥694 and ¥697, 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 upon consultation and negotiations with the Tendering Shareholders and the Target Company, as of today the Offeror determined the Share Purchase Price of ¥870 on the condition that the Special Dividend of ¥580 per Target Company Share will be paid subject to successful completion of the Tender Offer. As the Offeror has determined the Share Purchase Price by comprehensively taking into consideration the factors described above, as well as its consultation and negotiations with the Tendering Shareholders and the Target Company, the Offeror has not obtained a share valuation report from any third-party financial advisor.

The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) represents (i) a discount of 4.10% on ¥1,512, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on January 12, 2017, which was the business day immediately preceding the date of the announcement of the Tender Offer (today), (ii) a premium of 7.89% on ¥1,344, the one-month average closing price through January 12, 2017, (iii) a premium of 35.26% on ¥1,072, the three-month average closing price through January 12, 2017, and (iv) a premium of 62.37% on ¥893, the six-month average closing price through January 12, 2017.

The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per common share) also represents (i) a premium of 96.21% on ¥739, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of October 4, 2016, which was the business day immediately preceding October 5, 2016, when media reports regarding Hitachi's sale of its Target Company Shares were released, (ii) a premium of 100.00% on ¥725, the one-month average closing price through October 4, 2016, (iii) a premium of 108.93% on ¥694, the three-month average closing price through October 4, 2016, and (iv) a premium of 108.03% on ¥697, the six-month average closing price through October 4, 2016.

The total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share) also represents a premium of 15.72% on ¥1,253, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of December 27, 2016, which was the business day immediately preceding December 28, 2016, when media reports regarding Hitachi's sale of its Target Company Shares were released; a premium of 27.08% on ¥1,141, the one-month average closing price through December 27, 2016; a premium of 50.41% on ¥964, the three-month average closing price through December 27, 2016; and a premium of 76.40% on ¥822, the six-month average closing price through December 27, 2016.

(b) Share Options

As of today, the exercise price for each Share Option (¥1 per share) is below the appraisal value of ¥1,450 per Company Share. Taking into consideration the appraisal value of ¥1,450 per Company Share is the base price for the Transaction, the Share Option Purchase Price has been set as ¥144,900 (obtained by multiplying (a) by (b) below).

- (a) ¥1,449, which is the difference between (x) the appraisal value of ¥1,450 per Company Share, and (y) ¥1, the exercise price per Company Share subject to the Share Option; and
- (b) 100, which is the number of the Company Shares subject to one Share Option.

② Background of the calculation

Due to the current state of the industry, in early April 2016 Hitachi consulted with the Target Company regarding its intention to cooperate with the Target Company for the achievement of a capital structure consistent with the Target Company's strategy for future growth, with a view to increasing the Target Company's competitiveness and enhancing its enterprise value. The Target Company, in response to Hitachi's initiative, consulted with a number of companies in mid-April 2016 regarding the sale of the Target Company Shares, including Hitachi's Target Company Shares; accordingly, KKR participated in the bidding process in mid-May 2016. Thereafter, KKR conducted due diligence on the Target Company's business, finances and legal matters, and then interviewed the Target Company's management and conducted further analysis regarding the acquisition of the Target Company Shares. Based on this analysis conducted during late November 2016 and mid December 2016, KKR Fund submitted a final offer of terms and conditions to acquire all of the Target Company Shares, including an appraisal value of ¥1,450 per Target Company Share, and the Target Company selected the Offeror as the final Tender Offer candidate in late December 2016.

Thereafter, the Offeror proceeded with discussions and negotiations with the Target Company and Hitachi regarding the transaction scheme and the terms and conditions of the Transaction, including the amount of the Special Dividend and its implementation. Based on the discussions and negotiations with Hitachi and the Target Company, the Offeror began to explain the Transaction, the transaction scheme and the terms and conditions of the Transaction, including the appraisal value of the Target Company Shares and the amount of the Special Dividend and its implementation, to the independent committee established by the Target Company (please refer to the section above titled “③ The Target Company has established an independent committee to provide an opinion regarding the Transaction” within “(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer”). As a result, the Offeror, the Target Company, and Hitachi came to an agreement regarding the transaction scheme and the terms and conditions of the Transaction, including the appraisal value of the Target Company Shares, the amount of the Special Dividend and its implementation, and the Offeror today decided to enter into the Tender Agreement with the Tendering Shareholders and to conduct the Tender Offer in the event that the Conditions Precedent to the Tender Offer are satisfied (or have been waived by the Offeror) and has also decided that for the Tender Offer (a) the appraisal value per Target Company Share is set as ¥1,450; (b) the Share Purchase Price is set as ¥870 subject to the payment of the Special Dividend (¥580 per Target Company Share); and (c) based on these prices, the purchase price per Share Option is set as ¥144,900. The scheme of the Transaction, including the implementation of the Special Dividend and the amount of the Special Dividend (¥580 per Target Company Share), was determined through discussions with the Offeror that were based on proposals from the Offeror and consideration of the distributable funds of the Target Company while also taking into account the reserves held by the company and the levels of reserves needed to continue operating the business.

③ Relationships with financial advisors

As the Offeror did not obtain valuation reports from third-party financial advisors when determining the total amount of the Share Purchase Price and the Special Dividend (¥1,450 per Target Company Share), 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 |
|----------------------------------|--|--|
| 101,429,921 (Shares)             | 67,632,900 (Shares)                      | - (Shares)                               |

(Note 1) If the total number of Tendered Shares and Options is less than the minimum number of shares to be purchased (67,632,900 shares), then the Offeror will not purchase any of the Tendered Shares and Options. If the total number of Tendered Shares and Options is equal to or exceeds the minimum number of shares to be purchased (67,632,900 shares), the Offeror will purchase all of the Tendered Shares and Options.

(Note 2) 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 3) There is no plan to acquire the treasury shares of the Target Company through the Tender Offer.

(Note 4) Since there is no maximum number of shares to be purchased in the Tender Offer, the total number of Target Company Shares (101,429,921 shares) that is the maximum number of Target Company Shares and Options to be acquired by the Offeror in the Tender Offer is stated as the number of shares to be purchased.

(Note 5) It is possible that the Share Options may be exercised by the end of the Tender Offer Period; accordingly, the Tender Offer also applies to Target Company Shares to be issued or transferred as a result of the exercise.

(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 | -         | Ownership ratio after the Tender Offer: -%    |
| Number of voting rights represented by shares held by the Offeror after the Tender Offer                | 1,014,299 | Ownership ratio after the Tender Offer: 100%  |
| Number of voting rights represented by shares held by special related parties after the Tender Offer    | -         | Ownership ratio after the Tender Offer: -%    |
| Total number of Target Company voting rights  | 1,012,689 |   |

(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 maximum Total Number of Target Shares (101,429,921) to be purchased in the Tender Offer.

(Note 2) The “Total Number of Target Company voting rights” is the total number of voting rights as of September 30, 2016, the day prior to the record date, as stated in the Target Company Quarter Securities Report. However, because all Target Company Shares including fractional units of shares and the Share Options (but excluding treasury shares held by the Target Company) will be subject to the Tender Offer, for the purpose of calculating the “Ownership ratios after the Tender Offer,” the number of voting rights (101,429,921) associated with the Total Number of Target Company Shares (101,429,921) has been used as the denominator.

(7) Purchase price: ¥88,244,031,270 (Anticipated)

(Note) The “purchase price” has been calculated by multiplying the total number of shares to be purchased in the Tender Offer (101,429,921 shares) by the Share Purchase Price (¥870 per common share).

(8) Settlement method and date of public notice regarding commencement of the tender offer



- ① Name and head office location of the financial instruments business operator, bank or other entity handling the settlement of the purchase

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

2-5-2 Marunouchi, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (subagent)

1-3-2 Otemachi, Chiyoda-ku, Tokyo

- ② Commencement date of settlement

March 29, 2017 (Wednesday)

- ③ Settlement method

The notice of purchase by the Tender Offer will be sent to the address or location of the tendering shareholders (in the case of a non-Japanese shareholder, its standing proxy) by mail promptly after the Tender Offer Period. Delivery by the subagent will be made online by electronic means after logging in.

The purchase will be made with cash. The purchase price for the shares purchased will be remitted by the tender offer agent or the subagent to the place designated by the respective tendering shareholders (in the case of a non-Japanese shareholder, its standing proxy) in accordance with their instructions, promptly following the commencement date of settlement.

- ④ Method of returning shares

If a decision is made not to purchase all Tendered Shares and Options, pursuant to the conditions set forth in “① Details regarding the existence and content of the conditions set forth in Article 27-13, paragraph 4 of the Companies Act” within “(9) Other purchase conditions and methods,” the shares to be returned will be returned promptly following the commencement date of settlement (or if the Tender Offer is withdrawn, the date of withdrawal). Shares will be returned by returning the record to the state immediately before they were tendered. Share options will be returned by delivering to the relevant tendering shareholders, or mailing to their addresses, the documents submitted at the time they tendered their share options (a document required for claiming a name change in the share option register subject to the completion of the Tender Offer; a “Document Containing the Matters Set Forth in the Share Option Register” issued by the Target Company upon request of a share option holder; and a “Transfer Approval Notice” issued by the Target Company upon request of a share option holder pursuant to a resolution of the Target Company’s Board of Directors), in accordance with the instructions of the respective tendering shareholders.

(9) Other purchase conditions and methods

- ① 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 and Options is less than the minimum number of shares to be purchased (67,632,900 shares), then none of the Tendered Shares and Options will be purchased. If the total number of Tendered Shares and Options is equal to or exceeds the minimum number of shares to be purchased (67,632,900 shares), then all

of the Tendered Shares and Options will be purchased.

- ② Details regarding the existence and content of the conditions related to the withdrawal of the tender offer, means of disclosing the withdrawal

The Tender Offer may be withdrawn if any matters set forth in Article 14, Paragraph 1 (i) (a) through (i), and (l) through (r), (iii)(a) through (h), and (j) (Note 1), (iv) (Note 2); and Paragraph 2 (iii) through (vi), of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended) (the “Order”) occurs.

To withdraw, public notice shall be provided electronically and a statement to that effect shall be posted on the Nihon Keizai Shimbun. However, if it will be difficult to give public notice by the end of the Tender Offer Period, a public announcement shall be made by the means set forth in Article 20 of the Cabinet Office Ordinance on the Disclosure Required for Tender Offer for Share Certificates, etc., by a Person Other than the Issuer (Ordinance of the Ministry of Finance No. 38 of 1990, as amended) (the “Ordinance ”), to be followed immediately by a public notice.

- (Note 1) For the purposes of the Tender Offer, “facts equivalent to those set forth in sub-item (a) to sub-item (i) inclusive” in Article 14, Paragraph 1 (iii)(j) of the Order refers to (i) where it has been revealed that a statutory disclosure document that the Target Company has previously submitted contains any false statement on important matters or omits a statement on important matters that should be stated therein, and the Offeror did not know, and in the exercise of reasonable care, could not have known, that the statement was false or had been omitted, or (ii) the facts set forth in (iii)(a) through (g) have occurred with respect to the Target Company’s important subsidiary.

- (Note 2) In order for the Target Company Shares to be acquired by the Tender Offer, procedures and arrangements required by competition laws and other related laws and regulations of Japan, the European Union, Russia, the United States of America, and Australia, including the expiration of applicable waiting periods, must be completed. “Permission, etc.” in Article 14, Paragraph 1 (iv) of the Order refers to permission, authorization, approval, or anything similar thereto from administrative agencies in said jurisdictions. Even if the procedures and arrangements required by competition laws and other related laws and regulations of Japan, the European Union, Russia, the United States of America, and Australia, including the expiration of applicable waiting periods, have not been completed, the Tender Offer is intended to commence on January 30, 2017.

- ③ Details regarding the existence and content of the conditions related to purchase price reduction, means of disclosing reduction

Pursuant to Article 27-6, Paragraph 1 (i), if the Target Company engages in the act set forth in Article 13, Paragraph 1 of the Order, the purchase price, etc., may be reduced in accordance with the standards set forth in Article

19, Paragraph 1 of the Ordinance.

To reduce the purchase price, etc., public notice shall be provided electronically and a statement to that effect shall be posted on the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the end of the Tender Offer Period, a public announcement shall be made by the means set forth in Article 20 of the Ordinance, to be followed immediately by a public notice.

If the purchase price, etc., is reduced, the Tendered Shares and Options, which were tendered before the date of the public notice, will also be purchased at the reduced purchase price, etc.

④ Matters regarding the tendering shareholders' rights to cancel the agreement

Tendering shareholders may cancel the agreement regarding the Tender Offer anytime during the Tender Offer Period. If the agreement is to be canceled with the tender offer agent, a "Receipt of Application for the Tender Offer" and a document indicating the intention to cancel the agreement on the Tender Offer (the "Cancellation Document") must be delivered or sent to the head office or a branch office of the tender offer agent that accepted the application by 16:00 on the last day of the Tender Offer Period. Cancellation of the agreement will become effective when the Cancellation Document has been delivered to or has reached the following designated party, subject to, however, the Cancellation Document having reached the following designated party by 16:00 on the last day of the Tender Offer Period if it has been sent rather than delivered. If the applied agreement is to be canceled through the subagent kabu.com Securities Co., Ltd., cancellation procedures must be completed online, after logging in, by the means set out in the section "TOB" (<http://kabu.com/item/tob/>) on said company's website (<http://kabu.com/>) by 16:00 on the last day of the Tender Offer Period.

Party with the authority to receive the Cancellation Document:

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. 2-5-2 Marunouchi, Chiyoda-ku, Tokyo

(and other branch offices of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in Japan)

The Offeror will not demand that tendering shareholders pay damages or a penalty for their cancellation of the agreement. Furthermore, costs for returning the Tendered Shares and Options, shall also be borne by the Offeror.

⑤ Means of disclosure upon change in purchase conditions, etc.

Except as prohibited under Article 27-6, Paragraph 1 of the Act and Article 13 of the Order, the Offeror may change the purchase conditions, etc., during the Tender Offer Period.

To make any change to the purchase conditions, etc., public notice shall be provided electronically regarding the substance of the changes, etc. and a statement to that effect shall be posted on the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the Tender Offer Period, a public announcement shall be made by the means set forth in Article 20 of the Ordinance, to be followed immediately by a public notice.

If any change is made to the purchase conditions, etc., the Tendered Shares and Options tendered before the date of the public notice, will also be purchased under the changed purchase conditions, etc.

⑥ Means of disclosure upon submitting amended statement

If an amended statement is submitted to the Director-General of the Kanto Local Finance Bureau (excluding, however, the case set forth in the proviso clause of Article 27-8, Paragraph 11 of the Act), the portion of the amended statement which pertains to the substance set out in the public notice for commencing the Tender Offer will be publicly announced immediately by the means set forth in Article 20 of the Ordinance. In addition, the Tender Offer Explanation Statement will be amended immediately, and the amended Tender Offer Explanation Statement will be provided for correction to any tendering shareholders to whom the Tender Offer Explanation Statement had already been delivered. However, if the scope of amendment is minor, the amendment will be made by preparing a document indicating the reason for the amendment, the amended matters, and the substance after the amendment, which will be delivered to the tendering shareholders.

⑦ Means of disclosing the result of the Tender Offer

The result of the Tender Offer will be publicly announced by the means set forth in Article 9-4 of the Order and Article 30-2 of the Ordinance on the day following the last day of the Tender Offer Period.

⑧ 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 for common shares and options of the Target Company, a company established in Japan. The tender offer will be conducted in accordance with the procedures and information disclosure standards prescribed by Japanese law, which may differ from the procedures and information disclosure standards in the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 and the rules prescribed thereunder do not apply to the tender offer, and the tender offer does not conform to those procedures and standards.

Unless otherwise specified, all procedures relating to the tender offer are to be conducted entirely in Japanese. If any part of a document relating to the tender offer is prepared in the English language and 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 and the Target Company as well as the tender offer agent may engage in the purchase of shares of the Target Company for their own account or for their customers' accounts to the extent

permitted under the Japanese Financial Instruments and Exchange Act, and the Offeror acknowledges such purchases. In the event information regarding such purchases is disclosed in Japan, such information will also be disclosed in English on the website of the Target Company or the financial advisor conducting such purchases or the website of the tender offer agent, or will otherwise be made publicly available.

(10) Tender Offer Agent

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

2-5-2 Marunouchi, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (subagent)

1-3-2 Otemachi, Chiyoda-ku, Tokyo

3. Post-tender offer policy and future outlook

Please refer to the sections titled “(2) Background, purpose and decision-making process leading to the implementation of 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

- ① Details regarding existence and content of agreements between the Offerors and the Target Company and their respective officers

At a meeting held today, the Board of Directors of Target Company issued a resolution, in its judgment based on present circumstances, supporting the Tender Offer and leaving the decision of whether to tender into the Tender Offer once the Tender Offer has been commenced to the Target Company’s shareholders and Share Option holders. For details, see the section titled “(3) Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer” under “1. Purposes of the Tender Offer.”

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

Please refer to the section titled “(2) Background, purpose and decision-making process leading to the implementation of the Tender Offer, and management policy following the Tender Offer” within “1. Purpose of the Tender Offer.”

- ③ Measures to ensure the fairness of the Tender Offer Prices and avoid conflicts of interest, and other measures to ensure the fairness of the Tender Offer

Please refer to the section titled “(3) Measures to ensure the fairness of the Tender Offer Prices and avoid

conflicts of interest, and other measures to ensure the fairness of the Tender Offer” within “1. Purpose of the Tender Offer.”

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

At a meeting held today, the Board of Directors of the Target Company issued a resolution not to make a dividend for the fiscal year ending March 31, 2017. For details, see the Target Company’s press release, dated as of today, “Announcement concerning the setting of the record date for distribution of surplus (the Special Dividend) and revision of the dividend forecast for the fiscal year ending March 31, 2017 (95th fiscal period)”.

KKR’s financial advisor is Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and KKR’s legal advisors are Nishimura & Asahi and Simpson Thacher & Bartlett LLP.