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To all parties concerned

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Officer
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**Announcement of Holding an Extraordinary General Meeting of Shareholders Regarding
Share Consolidation and a Partial Amendment to the Articles of Incorporation**

Hitachi Kokusai Electric Inc. (the “Company”) announces that the Company resolved, at its Board of Directors meeting held today, to convene an extraordinary general meeting of shareholders (the “Extraordinary Shareholders’ Meeting”) scheduled to be held on February 15, 2018 and propose Agenda Item 1 “Share Consolidation” and Agenda Item 2 “Partial Amendment to the Articles of Incorporation” to the Extraordinary Shareholders’ Meeting.

The shares of common stock of the Company (the “Company Shares”) will meet the delisting criteria prescribed in the Securities Listing Regulations of Tokyo Stock Exchange, Inc. (the “TSE”) in the course of the procedure mentioned above. As a result, the Company Shares are expected to be delisted on March 9, 2018 after being designated as stock to be delisted during the period of February 15, 2018 to March 8, 2018. The Company Shares will not be traded on the TSE after the delisting.

I. Share Consolidation

1. Purpose of and Reasons for the Share Consolidation

As announced in the press release issued by the Company on December 9, 2017, titled “Announcement Regarding the Results of the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K., and Change in our Major Shareholders and Other Associated Companies” (the “December 9, 2017 Press Release”), HKE Holdings K.K. (Note 1) (“HKE Holdings”) conducted a tender offer (the “Tender Offer”) for the Company Shares during the tender offer period of October 12, 2017 through December 8, 2017. As a result, as of December 15, 2017, which was the commencement date of the settlement for the Tender Offer, HKE Holdings held 26,242,364 Company Shares (constituting the ownership ratio of voting rights of 25.55% of the voting rights held by all shareholders (Note 2)), but was unable

to acquire all of the Company Shares (excluding the treasury shares held by the Company and all of the Company Shares held by Hitachi, Ltd. (“Hitachi”), the Company’s parent company (53,070,129 shares, the “Hitachi Shares”). Given such result of the Tender Offer, the Company decided, at the request of HKE Holdings, to implement a series of procedures through which HKE Holdings and Hitachi will be the only shareholders of the Company, as announced in the Opinion Press Releases (Note 3). Specifically, subject to the approval of the shareholders of the Company at the Extraordinary Shareholders’ Meeting, the Company will conduct a share consolidation through which 17,690,043 Company Shares will be consolidated into one share (the “Share Consolidation”).

(Note 1) HKE Holdings was established on February 2, 2017 as a limited liability company (*godo kaisha*) under the laws of Japan with the primary goal of controlling and managing the business activities of the Company following the completion of the Tender Offer, through which HKE Holdings would acquire and hold the Company Shares. According to HKE Holdings, all equity interests in HKE Holdings are owned by KKR HKE Investment L.P., a limited partnership established under the laws of the Cayman Islands on February 2, 2017, which is indirectly held and operated by Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates and other related entities, “KKR”). HKE Holdings changed its company form from a *godo kaisha* to a stock company (*kabushiki kaisha*) on December 13, 2017.

(Note 2) Because fractional units of shares (but excluding fractional units of treasury shares held by the Company and the fractional units of the Company Shares held by Hitachi) was subject to the Tender Offer, for the purpose of calculating the “ownership ratio of voting rights”, the number of voting rights (1,027,002 votes) regarding the number of shares (102,700,211 shares), which was obtained by deducting the number of treasury shares not to be acquired through the Tender Offer (2,521,019 shares) and the number of fractional units of the Company Shares held by Hitachi (29 shares) from the total number of issued shares (105,221,259 shares) as of September 30, 2017 as stated in the Second Quarterly Report for the 94th Period filed by the Company on November 13, 2017, has been used as the denominator.

(Note 3) In connection with the Tender Offer, the Company issued press releases titled “Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.” on April 26, 2017 (the “April 26, 2017 Press Release”), “Announcement Regarding Progress Toward Conducting the Tender Offer for Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.” on August 9, 2017 (the “August 9, 2017 Press Release”), “Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.” (the “October 11, 2017 Press Release”), and “Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K. after Amending Tender Offer Terms and Conditions” on November 24, 2017 (the “November 24, 2017 Press Release”; the April 26, 2017 Press Release, October 11, 2017 Press Release, and November 24, 2017 Press

Release are collectively referred to as the “Opinion Press Releases”).

The resolutions of the Board of Directors pertaining to the announcement of opinion regarding the Tender Offer as stated in the Opinion Press Releases were passed on the assumption that (i) the Company will be turned into a wholly owned subsidiary by HKE Holdings through the Tender Offer and the Share Consolidation as well as the Share Repurchase (as defined in “4. Future Outlook” below, hereinafter the same), (ii) the Company Split (as defined in “4. Future Outlook” below, hereinafter the same) will be implemented by HKE Holdings after the Company becomes a wholly owned subsidiary as contemplated by HKE Holdings and the Company, (iii) 20% of the Company Shares will be transferred from HKE Holdings to each of Hitachi and HVJ Holdings Inc. (“HVJ”), an entity backed by a fund which Japan Industrial Partners, Inc. (“JIP”) (see below Note) manages, operates, provides with information or otherwise maintains, following the Company Split, and (iv) other transactions associated with or related to the foregoing (collectively, the “Transaction”) as well as any necessary procedures for the Transaction will be completed. The background to the Transaction, including the Tender Offer and the Share Consolidation, is as follows.

(Note) JIP, since its formation in November 2002, is a fund operating company in Japan that is specialized in carve-outs (carving-out of businesses) and develops private equity funds that will contribute to restructuring or business reconstruction of Japanese companies. Up until now, JIP’s total number of investment projects is 20, covering a wide range of businesses, such as food, distribution and service, with a focus on manufacturing, and JIP has experience in various types of investment, such as a business carve-outs and MBOs.

- (i) Discussions between HKE Holdings, the Company and Hitachi, and JIP, and the decision-making process of HKE Holdings
 - (a) Events up to April 26, 2017

As stated in the April 26, 2017 Press Release, based on various factors such as the business environment for the video and communication solutions business and the thin-film process solutions business, and through internal discussions, the Company has concluded, from the viewpoint of improving the enterprise value of the entire Company, that it will be in the interest of enhancing the enterprise value of each business to pursue management optimization of each business rather than to respond to recent changes in the business environment. In mid-July 2016, the Company discussed with Hitachi, its parent company, the strategies and future policies for each of its businesses. As a result, the Company confirmed Hitachi’s agreement for its policies to consider a new capital partnership and the direction that Hitachi would sell the Company Shares in its possession, as necessary.

In the process of examining an implementation plan based on such policy, the Company had also considered a choice to sell its video and communication solutions business and thin-film process solutions business that have distinct features, separately and individually. However, the Company decided that, in light of tax impact and from the viewpoints of business continuity and maximization of enterprise value as a listed company, selling the businesses separately would face various difficulties. Accordingly, the Company decided to require the proposal to be tendered in

the bidding process to include the acquisition of all Company Shares, including those held by Hitachi, in order to reorganize the capital relationship and management system of the video and communication solutions business and the thin-film process solutions business after delisting the Company Shares. Further, in light of distinct features of the video and communication solutions business and the thin-film process solutions business, the Company adopted the bidding process in which a joint bid by multiple potential purchasers who are only interested in one business would also be allowed on the premise that the video and communication solutions business and the thin-film process solutions business would be separated after delisting of the Company. Under such framework, instead of a negotiated transaction with a sole potential purchaser, the Company decided to solicit bids from a large number of potential purchasers in order to provide its shareholders with an opportunity to sell their shareholding at a fair price. In late September 2016, the Company and Hitachi commenced inquiries with multiple potential purchasers regarding the acquisition of all Company Shares, including those held by Hitachi. As the video and communication solutions business is expected to have increasing opportunities to expand operations through collaboration with the social innovation business of Hitachi Group, the Company and Hitachi reached an agreement that it was highly significant that the video and communication solutions business maintained a certain capital relationship with Hitachi even after the Transaction. Therefore, the Company set, as a condition for the first bid, a transaction structure in which, following the completion of the Transaction, Hitachi as a minority shareholder would reinvest in the Company (the video and communication solutions business) after the tender offeror succeeded to the thin-film process solutions business by carving it out through an absorption-type company split, taking into account the business continuity.

From early October 2016 to mid-November 2016, KKR and other participants in the first bid conducted primary due diligence procedures on the Company's business and finances and interviewed its management. The Company and Hitachi also reviewed the outlook and management policies for the business to be acquired as presented by the respective potential purchasers. The first bid proposals were submitted from multiple potential purchasers in mid-November 2016, the Company and Hitachi compared and examined the terms thereof.

From early December 2016, each potential purchaser that successfully passed the first bid proceeded with further analysis and examination of the acquisition of the Company Shares through full-scale due diligence on the Company's business, finances, legal affairs and other factors, interview with its management, and other measures. The Company and Hitachi discussed the future business operating policies and other factors of KKR and other potential purchasers who proceeded on to the second bid in order to examine the suitability of new potential partners for the respective businesses. In the second bid proposal dated February 13, 2017, KKR proposed ¥195 billion as the assessed stock value of all of the issued and outstanding Company Shares (excluding the Company's own shares held by the Company) and the following form of phased acquisition: ① KKR would acquire all Company Shares, excluding those held by Hitachi, through the Tender Offer and the subsequent Share Consolidation; and ② KKR would acquire the Company Shares held by Hitachi through a share repurchase, after it became delisted as a result of the Tender Offer and the Share Consolidation.

Regarding KKR's relevant proposal, the Company and Hitachi had discussions and negotiations with KKR, based on the Company's historical share price fluctuations and the advice of Nomura

Securities Co., Ltd. (“Nomura Securities”) and Credit Suisse Securities (Japan) Limited (“Credit Suisse Securities”), the financial advisors to the Company and Hitachi, respectively. KKR was also requested by the Company and Hitachi to further consider the joint bid proposal with JIP, who submitted the second bid proposal for the video and communication solutions business aiming to help to increase the value of the bid price.

Thereafter, through repeated negotiation on terms and conditions, KKR and JIP submitted a revised joint proposal in early April 2017 that the assessed value of the Company Shares would be increased to ¥215 billion and the video and communication solutions business following the Transaction would be reorganized as a joint venture among three parties, i.e., KKR, JIP and Hitachi, subject to HKE Holdings receiving the Hitachi Investment (expected to be ¥10.5 billion as of early April 2017) (as defined in the November 24, 2017 Press Release, hereinafter the same) through a preferred equity investment (or preferred shares if HKE Holdings’ organization is changed to a stock company), and other conditions. In parallel with continuous discussion and negotiation on the proposed terms with KKR and JIP, the Company and Hitachi reviewed KKR’s and JIP’s revised joint proposal as a whole in light of the purpose of reinforcing the Company’s competitiveness and enhancing its enterprise value, and economic rationality of various conditions, such as tax impact and business continuity, the Company and Hitachi selected KKR and JIP as the final Tender Offer candidates in early April 2017. Further, the Company and Hitachi decided to proceed with negotiations with intent to accept the proposal of transactions from (i) the phase in which the Company is turned into a wholly owned subsidiary by HKE Holdings, (ii) the phase of an absorption-type company split whereby HKE Holdings will be the succeeding corporation, and then (iii) a transfer of 20% of the Company Shares by HKE Holdings to each of Hitachi and JIP.

When the tender offer price and the purchase price per share for the share repurchase were determined on the premise that an aggregate value of the Company’s shares of ¥215 billion proposed in the revised joint proposal, if there was an increase in either the tender offer price or the share repurchase price, the other price would decrease and create a conflict-of-interest relationship between the Company’s minority shareholders and Hitachi. Therefore, for the sake of fairness of price setting, after considering the opinions of the third-party committee, the Company discussed and negotiated with KKR and Hitachi as to the tender offer price (the price for the share purchase and other related transactions in the tender offer as announced in the April 26, 2017 Press Release, the “Original Tender Offer Price”) and the price per share for the share repurchase (the amount calculated by dividing the total amount of the consideration for the Hitachi Shares announced in the April 26, 2017 Press Release by the number of the Hitachi Shares (53,070,129 shares), hereinafter the “Original Price Per Share for Share Repurchase (Pre-Share Consolidation)”) on several occasions from the middle of April 2017. As a result, as of April 26, 2017, the Company, Hitachi, and KKR agreed to fix the Original Tender Offer Price at ¥2,503, and the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) at ¥1,710.34 (rounding off to the second decimal place; hereinafter the same in descriptions regarding the Original Price Per Share for Share Repurchase (Pre-Share Consolidation)).

In order to confirm that substantial discussions and negotiations were conducted to raise the Original Tender Offer Price, Mr. Kenshiro Koto, a third-party committee member, attended the negotiations on the price and terms and conditions mentioned above between the Company,

Hitachi, and KKR.

Regarding the relationship between the Original Tender Offer Price and the Original Price Per Share for Share Repurchase (Pre-Share Consolidation), KKR explained to the Company that by setting the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) lower than the Original Tender Offer Price, the Tender Offer would be an advantageous sales opportunity for the Company's minority shareholders. For Hitachi, on the other hand, it was explained that it is possible to realize proceeds from sales comparable to those that would be realized by responding to the Tender Offer in terms of after-tax amount because the tax rule of exclusion from gross revenue for deemed dividends would be applied to the sale of the Company Shares through the Share Repurchase. The Company confirmed the basis for the estimation of tax effect of Hitachi regarding the Original Price Per Share for Share Repurchase (Pre-Share Consolidation), and, based on the Company's independent trial calculations, confirmed that the actual after-tax amount from the sale that include the tax effects regarding the deemed dividend per share for Hitachi through the Share Repurchase (as defined in "4. Future Outlook" below, hereinafter the same) did not exceed the after-tax amount that would be realized by receiving the Original Tender Offer Price.

As stated above, since HKE Holdings, the Company, Hitachi and JIP agreed upon the assessed value of the Company Shares and the scheme and various terms and conditions of the Transaction, including implementation of the Share Repurchase and the amount therefor, HKE Holdings executed the Original Basic Agreement (as defined in the October 11, 2017 Press Release) with Hitachi and HVJ on April 26, 2017, and determined that the Tender Offer would be implemented, if the conditions precedent to the commencement of the Tender Offer (the "Condition Precedent to the Tender Offer") were satisfied (or waived by HKE Holdings), as well as determined the Original Tender Offer Price to be ¥2,503. In addition, ¥2,503 as the Original Tender Offer Price and ¥1,710.34 as the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) were determined based on the proposal of KKR and JIP, and discussions and negotiations between the Company and Hitachi and KKR and JIP. Furthermore, the revised joint proposal of KKR and JIP would be subject to HKE Holdings receiving the Hitachi Investment (expected to be ¥10.5 billion as of April 2017) through a preferred equity investment (or preferred shares if HKE Holdings' organization is changed to a stock company), and other conditions.

(b) Events up to August 9, 2017

Since the procedures and actions regarding approvals and authorizations required under domestic and overseas competition acts, and other laws and regulations were completed and the fulfillment of the Condition Precedent to the Tender Offer became likely, as announced in the August 9, 2017 Press Release, the Company was informed by HKE Holdings on July 19, 2017 that it intended to commence the Tender Offer on August 10, 2017 as the commencement date of the tender offer, subject to the fulfillment of the Condition Precedent to the Tender Offer.

Having been informed as such, the Company requested on July 31, 2017 that the third-party committee consider whether there was any change in its opinion expressed to the Company's Board of Directors in the April 26, 2017 Report (as defined in "(ii) The decision-making process and reasons of the Company" below; hereinafter the same), and that, if there was no change, the committee advise the Board of Directors to that effect, or if there was any change, then the committee issue a revised opinion reflecting such change. The third-party committee submitted a

report to the Board of Directors of the Company on August 9, 2017 (the “August 9, 2017 Report”) and expressed its opinion as follows. With respect to Matter of Inquiry ① (as defined in “④ The Company has established a third-party committee and has obtained an opinion” within “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” below) and Matter of Inquiry ② (as defined in “④ The Company has established a third-party committee and has obtained an opinion” within “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” below), there was nothing to be changed in its opinion expressed in the April 26, 2017 Report. However, with respect to Matter of Inquiry ③ (as defined in “④ The Company has established a third-party committee and has obtained an opinion” within “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” below), as of August 9, 2017 it was difficult for the committee to maintain its opinion that the legitimacy and propriety of the Original Tender Offer Price and the value of the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) were ensured. Therefore, it was difficult to maintain its opinion on Matter of Inquiry ④ (as defined in “④ The Company has established a third-party committee and has obtained an opinion” within “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” below) in the April 26, 2017 Report because it was based on the opinion on Matter of Inquiry ③ in the April 26, 2017 Report.

Accordingly, on August 9, 2017, the Company informed HKE Holdings that the opinion expressed by the third-party committee to the Board of Directors of the Company on April 26, 2017 was revised as above.

The Company was informed that HKE Holdings decided on August 9, 2017 not to commence the Tender Offer in early August 2017 as previously scheduled, given that the April 26, 2017 Report approving the Matters of Inquiry (as defined in “④ The Company has established a third-party committee and has obtained an opinion” within “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” below) was considered withdrawn by the submission of the Report dated August 9, 2017 and thus the Condition Precedent to the Tender Offer had not been satisfied as of August 9, 2017.

(c) Events on and after August 9, 2017

HKE Holdings continued to consider the purchase price and other conditions of the Tender Offer, with reference to, among others, the contents of the “Notice on the Revision of Earnings Forecast” announced by the Company on July 26, 2017 (the “July 26 Revision of the Earnings Forecast”). As for the reference made here, on and after August 9, 2017, and based on that, HKE Holdings informed the Company on September 5, 2017 of its intention to raise the tender offer price to

approximately ¥2,750 from the Original Tender Offer Price (¥2,503) and the Price Per Share for Share Repurchase (Pre-Share Consolidation) to approximately ¥1,810 from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,710.34). In response, the Company explained to HKE Holdings that the current situation is such that the performance status and the forecast regarding the orders to be received up until August 2017 will exceed the July 26 Revision of Earnings Forecast and that the Company may once again make an upward revision of its performance forecasts. Given this, the Company and HKE Holdings repeatedly discussed with each other under the common understanding that the operating results and the financial condition of the Company could change in conjunction with the semiconductor market that is unstable in nature that the product price could collapse and capital investment could be curtailed due to a rapid expansion of a gap between supply and demand. Thereafter on September 26, 2017, HKE Holdings informed the Company of its intention to commence the Tender Offer in early October 2017 as the commencement date of the tender offer, on the premise that the tender offer price would be increased to ¥2,850 and the Price Per Share for Share Repurchase (Pre-Share Consolidation) would be increased to ¥1,850.

Having been informed by HKE Holdings of its intention to raise the Tender Offer Price (as defined in the November 24, 2017 Press Release, hereinafter the same) before the Amendment to the Tender Offer Terms and Conditions as described above, considering the opinions of the third-party committee, the Company presented to KKR the tentative figures set forth in the “Notice on the Revision of Earnings Forecast” announced on October 11, 2017 (the “October 11 Revision of Earnings Forecast”), and discussed and negotiated with KKR and Hitachi as to the tender offer price and the price per share for share repurchase (pre-share consolidation) on several occasions, taking into account the October 11 Revision of Earnings Forecast and the trends in the semiconductor manufacturing equipment industry that caused such revisions of earnings forecasts (including the July 26 Revision of Earnings Forecast) as well as the prospect of the Tender Offer. As a result of such discussions and negotiations, on October 4, 2017, KKR presented the final proposal to the Company and Hitachi setting the tender offer price at ¥2,900 and the price per share for share repurchase (pre-share consolidation) at ¥1,870, on the condition that the Company would recommend the Company’s shareholders to tender their shares in the Tender Offer. Given that, considering the opinions of the third-party committee, the Company examined the appropriateness of the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions. As a result, on October 11, 2017, the Company, Hitachi and KKR agreed to fix the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions at ¥2,900 and the Price Per Share for Share Repurchase (Pre-Share Consolidation) (see below Note) at ¥1,870.

(Note) The per share price of the Hitachi Shares of ¥1,870 was calculated by dividing ¥99,241,141,230, which was the total amount of the purchase price of the Hitachi Shares, by the number of the Hitachi Shares (53,070,129 shares) (the “Price Per Share for Share Repurchase (Pre-Share Consolidation)”).

In order to confirm that discussions and negotiations were conducted to match the interests of minority shareholders, Mr. Kenshiro Koto, a third-party committee member, attended the negotiations on the prices and other terms and conditions between the Company and Hitachi. As a result, the amount of increase (¥159.66) from the Original Price Per Share for Share Repurchase

(Pre-Share Consolidation) (¥1,710.34) to the Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,870) was smaller than the amount of increase (¥397) from the Original Tender Offer Price (¥2,503) to the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions (¥2,900).

Since April 26, 2017, the date on which the Tender Offer was announced, there has been no competing acquisition proposal made by a third party other than KKR, including the tender offer price and the certainty of implementation of the transaction, more favorable to the Company's shareholders than those presented by KKR.

According to HKE Holdings' press release, based on the above, HKE Holdings, Hitachi and JIP executed the Amendment MOU (as defined in the October 11, 2017 Press Release) dated October 11, 2017, subject to the increase of the Tender Offer Price and the Price Per Share for Share Repurchase (Pre-Share Consolidation).

HKE Holdings subsequently commenced the Tender Offer on October 12, 2017. However, according to HKE Holdings, comprehensively taking various factors into account, including the status of tendering of shares in the Tender Offer by the shareholders of the Company after the commencement of the Tender Offer, the outlook for the tendering of the shares and the necessity to smoothly achieve the objective of the Tender Offer, as a result of careful consideration, the HKE Holdings proposed to the Company and Hitachi on November 21, 2017, to extend the tender offer period until December 8, 2017, setting the total tender offer period as 40 business days, and to revise the tender offer price to ¥3,100. In response to such proposal, the Company, KKR and Hitachi discussed and negotiated the tender offer price. As a result, HKE Holdings decided on November 24, 2017 to extend the tender offer period until December 8, 2017, setting the total tender offer period as 40 business days, and revise the Tender Offer Price from ¥2,900 to ¥3,132 (the "Amendment to the Tender Offer Terms and Conditions"). HKE Holdings also decided to regard as final the economic terms and conditions of the Tender Offer after the Amendment to the Tender Offer Terms and Conditions and not to change any economic conditions of the Tender Offer, including the price of the Tender Offer, in the future. Given these decisions, HKE Holdings, Hitachi and JIP executed the Second Amendment MOU (as defined in the November 24, 2017 Press Release) dated November 24, 2017 on the basis of the Amendment to the Tender Offer Terms and Conditions.

(ii) The decision-making process and reasons of the Company

(a) Process leading to and reasons for the board resolution regarding the announcement of opinion dated April 26, 2017

The Company, with a view to increasing the Company's competitiveness and enhancing its enterprise value as described in the April 26, 2017 Press Release, discussed with Hitachi (its parent company) the strategies and future policies for its video and communication solutions business and thin-film process solutions business, and the Company confirmed that Hitachi would consider selling the Company Shares in its possession, as necessary. As HKE Holdings executed the Original Basic Agreement with Hitachi and HVJ and as part of the Transaction, (a) the Tender Offer would be effected subject to the Company acquiring the Company Shares held by Hitachi;

and (b) after the Company becomes HKE Holdings' wholly owned subsidiary and following the Company Split such that the Company would engage only in the video and communications solutions business, a portion of the shares of the Company would be transferred to Hitachi. In light of such phased transaction structure, the Company concluded that the Transaction, including the Tender Offer, would be equivalent to a transaction with its controlling shareholder. The Company then carefully examined the proposed terms and conditions of the Transaction from the perspective of enhancing enterprise value. In doing so, the Company (a) implemented the measures described in the section below titled “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” (b) took into account the share valuation report obtained from a third party financial advisor, Nomura Securities, and legal advice from the Company's legal advisor, Torikai Law Office, and (c) took into full consideration the report (the “April 26, 2017 Report”) submitted by the third-party 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 third-party committee and the matters of inquiry, please refer to the section titled “④ The Company has established a third-party committee and has obtained an opinion” within “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation.”

In mid-November 2016, the Company received the first bid proposal from KKR, which had participated in the aforementioned bidding process, and the Company also received proposals and amended proposals several times thereafter, and examined such proposals each time. Specifically, the Company discussed and negotiated terms and conditions of the Transaction, including the Share Repurchase, with KKR and JIP as stated in “(i) Discussions between HKE Holdings, the Company and Hitachi, and JIP, and the decision-making process of HKE Holdings” above. As a result, the Company decided that, in response to changes in the current business environment surrounding each of its businesses, establishing a more flexible management system by utilizing KKR's know-how and resources will contribute to further enhancement of the Company's enterprise value, in order to carry out drastic structural reform in the video and communication solutions business, perform portfolio transformation, including business selection and concentration, and accelerate upfront investment that is essential for growth of the thin-film process solutions business.

In the video and communication solutions business, there is the urgent task of strongly promoting a growth strategy through shifting from systems products to the solutions business and expanding its global businesses, as well as reform of business and cost structures. In order to continue to establish a stable business foundation even under severe circumstances, it is necessary to implement more drastic structural reform, such as portfolio transformation and proper allocation of human resources in both domestic and overseas operations, in addition to structural reform, such as ongoing structural reform of its overseas operations and the special offering of an early retirement incentive program for its domestic operations. If the Company remains listed, a considerable amount of costs incurred by drastic structural reform may adversely affect its share price and may prejudice its shareholders. Therefore, with the understanding that it is best for its

video and communication solutions business to create a business operating system with a medium- to long-term outlook with the cooperation of its new partners, HKE Holdings and JIP, in order to promptly establish a capital structure and management system suitable to push through the above measures, accepting the business risk of a temporary slowdown in its performance and without being affected by the fluctuation in its performance in the short term, the Company investigated the possibility of privatizing that business.

While the Company considers it important to make further upfront investments in the thin-film process solutions business in the future, which is in a business environment subject to a rapid technology innovation and intense development, it is difficult to operate its business only from the thin-film process solutions business perspective under the current management system that includes the video and communication solutions business with no business synergies. As such, in order to contribute to the enhancement of the enterprise value of the thin-film process solutions business, the Company recognizes the need to establish a stable organizational structure specialized in the thin-film process solutions business with new partners with which it will be able to operate its thin-film process solutions business solely from the perspective of that business, and to become independent as a new business entity and a “manufacturer dedicated to semiconductor manufacturing equipment” with a strong position in the thin-film and thermal processes businesses. The Company also considers that while it will be required to establish a system as an independent business entity, such as reconstructing its management system, in becoming independent as a new business entity it will need to work to develop such a system after implementing the privatization as it does not have a system to operate its businesses while remaining listed. The Company recognizes that it will be required to consider not only development investment in its thin-film and thermal process, but also business development including collaboration with other companies in the same industry that do not engage in thin-film processing, as the integration between semiconductor manufacturing processes is anticipated to become even more difficult in the medium- to long-term with each manufacturing process of semiconductors becoming complicated. The Company thus decided to examine the possibility of privatizing that business, considering that it will be imperative to establish a more flexible decision-making system suitable for the current industry environment in order to pursue becoming one of the global leaders in the semiconductor manufacturing equipment industry.

Based on the above factors, taking into account the backgrounds described in the April 26, 2017 Press Release, at a meeting held on April 26, 2017, the Company’s Board of Directors issued a resolution, in its judgment based on the circumstances at that time, supporting the Tender Offer and leaving the decision of whether or not to tender into the Tender Offer once the Tender Offer commenced to the Company’s shareholders.

(b) Process leading to and reasons for the board resolution regarding the announcement of opinion of October 11, 2017

Since HKE Holdings informed the Company on September 5, 2017 of its intention to raise the tender offer price to approximately ¥2,750 from the Original Tender Offer Price (¥2,503) and the Price Per Share for Share Repurchase (Pre-Share Consolidation) to approximately ¥1,810 from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,710.34), as described in “④ The Company has established a third-party committee and has obtained an opinion” within

“(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” below, the Company carefully deliberated the terms and conditions of the Tender Offer while respecting the contents of the report submitted as of October 11, 2017 by the third-party committee established by the Company (the “October 11, 2017 Report”). As a result of the deliberation, considering the fact that the Company announced from April 26, 2017 until October 11, 2017 “Financial Statements for the First Quarter Ended June 30, 2017 [IFRS] (Consolidated)”, the “Fiscal Year 2017 Ending March 31, 2018, Supplementary Material of Financial Statements for the First Quarter Ended June 30, 2017 [IFRS] (Consolidated)” and the July 26 Revision of the Earnings Forecast, and October 11 Revision of the Earnings Forecast, and having comprehensively taken into account the trends in the semiconductor manufacturing equipment industry that caused such revision of the earnings forecast and the prospect of the Tender Offer, the Company determined that the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions should be higher than the Original Tender Offer Price (¥2,503). The Company held discussions and negotiations with KKR and Hitachi regarding the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions and the Price Per Share for Share Repurchase (Pre-Share Consolidation) on several occasions. As a result, the Company, Hitachi and KKR agreed to fix the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions at ¥2,900 on October 11, 2017.

Additionally, with respect to the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions, in light of the facts, including those stated below, the Company determined that the Tender Offer would provide its shareholders with a reasonable opportunity to sell their shares.

(i) Among the calculation results of the value of the Company Shares made by Nomura Securities described in the October 2017 Share Valuation Report (as defined in the October 11, 2017 Press Release), the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions exceeded the maximum amount of calculation results based on the average market price method (Reference Date 2) and exceeded the upper limit of calculation results based on the average market price method (Reference Date 3), and was within the range of calculation results based on the comparable company method and the DCF Method;

(ii) As stated in the section titled “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” below, measures to ensure the fairness of the Tender Offer were established and it was recognized that the interests of minority shareholders were taken into consideration;

(iii) The price was determined after measures were implemented to ensure the fairness of the Tender Offer;

(iv) It is not likely to continually record the anticipated level of income of the Company for the fiscal year ending March 31, 2018, which is driven by the extremely strong investment demand for the semiconductor manufacturer, in the fiscal year ending March 31, 2019 and the fiscal year ending March 31, 2020;

(v) Delay in the Transaction could impair the Company’s enterprise value, while the Company strongly recognized that, in order for the Company to further improve its enterprise

value, it is essential and its urgent need to promote drastic structural reform in the video and communication solutions business and to transform its business portfolio through the Transaction, and establish a more flexible decision-making framework in the thin-film process solutions business that would accelerate upfront investment;

(vi) The Company obtained the consent from Hitachi to, in addition to the Price Per Share for Share Repurchase (Pre-Share Consolidation), the preconditions to the Transaction, including reinvestment by Hitachi as a minority shareholder in the Company which will be engaged in the video and communication solutions business following the completion of the Transaction;

(vii) Since April 26, 2017 on which the Tender Offer was announced, more than five months had already passed. However, no competing acquisition proposal was made by a third party that was comparable against the proposal by KKR from the various perspective of the tender offer price and the certainty of implementation of the transaction, more favorable than KKR's proposal; and

(viii) The Tender Offer would provide all minority shareholders with an opportunity to sell their shares off the market at the same price without affecting the market share price.

In deciding whether to recommend the Company's shareholders to tender their shares in the Tender Offer, the Company comprehensively took into account the factors described in (i) to (viii) above and it determined that it would be difficult to apply the same conditions across the board as those conditions as of the announcement of the Tender Offer, given the circumstances where (ix) the level of premium was considered to be lower than or discounted from that of the past tender offer transactions for shares or similar securities by non-issuer purchasers and (x) even though the market share price of the Company on the First Section of the TSE was greater than the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions for a certain period, it was after the Tender Offer was announced on April 26, 2017.

While the Company resolved at its Board of Directors meeting held on April 26, 2017 to express its opinion supporting the Tender Offer and to leave the decision of whether or not to tender their shares in the Tender Offer to the Company's shareholders, the Company resolved at its Board of Directors meeting held on October 11, 2017 to express its opinion supporting the Tender Offer without change and, furthermore, to recommend the Company's shareholders to tender their shares in the Tender Offer, based on the consideration described above.

(c) Process leading to and reasons for the board resolution regarding the announcement of opinion of November 11, 2017

Given the Amendment to the Tender Offer Terms and Conditions and the opinions of the third-party committee, the Company carefully discussed and examined the Amendment to the Tender Offer Terms and Conditions at its Board of Directors meeting held on November 24, 2017. As a result, the Company concluded that even based on the Amendment to the Tender Offer Terms and Conditions, it still believed that, in response to changes in the current business environment surrounding each of its businesses, establishing a more flexible management system by utilizing KKR's know-how and resources would contribute to further enhancement of the Company's enterprise value, and the consummation of the Transaction by HKE Holdings, including the Tender Offer, would contribute to the Company's enterprise value, in order to carry out drastic structural reform in the video and communication solutions business, perform portfolio transformation, including business selection and concentration, and accelerate upfront investment

that is essential for growth of the thin-film process solutions business. Therefore, considering the necessity of smoothly achieving the objective of the Tender Offer, the Company resolved to maintain its opinion supporting the Tender Offer and its recommendation to the Company's shareholders to tender their shares in the Tender Offer as announced in the October 11, 2017 Press Release.

The Tender Offer was successfully completed, but HKE Holdings was unable to acquire all of the Company Shares (excluding the treasury shares held by the Company and the Hitachi Shares) through the Tender Offer. Given such result of the Tender Offer, at the request of HKE Holdings, as announced in the Opinion Press Releases (Note 3), the Company has decided to implement a series of procedures through which HKE Holdings and Hitachi will be the only shareholders of the Company. Specifically, subject to the approval of the shareholders of the Company at the Extraordinary Shareholders' Meeting, the Company will conduct a share consolidation through which 17,690,043 Company Shares will be consolidated into one share (the "Share Consolidation").

As a result of the Share Consolidation, the number of the Company Shares to be held by the shareholders other than HKE Holdings and Hitachi will be less than one share.

For details of the Transaction, please refer to the Opinion Press Releases, August 9, 2017 Press Release and December 9, 2017 Press Release.

2. Outline of the Share Consolidation

(1) Schedule of the Share Consolidation

① Public notice of the record date for the Extraordinary Shareholders' Meeting	December 12, 2017
② Record date for the Extraordinary Shareholders' Meeting	December 31, 2017
③ Resolution of the Board of Directors	January 17, 2018
④ Extraordinary Shareholders' Meeting	February 15, 2018 (scheduled)
⑤ Designation as Stock to be Delisted	February 15, 2018 (scheduled)
⑥ Last trading date of the Company Shares	March 8, 2018 (scheduled)
⑦ Delisting date of the Company Shares	March 9, 2018 (scheduled)
⑧ Effective date of the Share Consolidation	March 14, 2018 (scheduled)

(2) Details of the Share Consolidation

- ① Class of shares to be consolidated
Common shares

- ② Ratio of consolidation

17,690,043 Company Shares held by the shareholders entered or recorded in the latest shareholder register as of March 13, 2018 will be consolidated into one share as of March 14, 2018 (scheduled.)

- ③ Decrease in the total number of issued shares
102,695,651 shares
- ④ Total number of issued shares before the Share Consolidation takes effect
102,695,656 shares
(Note) Because the Company has resolved, at its Board of Directors meeting held on January 17, 2018, to cancel 2,525,603 treasury shares on March 13, 2018, the “Total number of issued shares before the Share Consolidation takes effect” represents the total number of issued shares after such cancellation.
- ⑤ Total number of issued shares after the Share Consolidation takes effect
5 shares
- ⑥ Total number of authorized shares as of the effective date
20 shares
- ⑦ Method of handling of fractions less than one share, and amount of money expected to be delivered to the shareholders as a result of the handling of fractions

As stated in “1. Purpose of and Reasons for the Share Consolidation” above, due to the Share Consolidation, it is expected that the number of the Company Shares to be held by each of the shareholders other than HKE Holdings and Hitachi will be a fraction less than one share.

With respect to a fraction less than one share arising from the Share Consolidation, the Company will sell the shares equivalent to the total number of such fractional shares (with such aggregate sum rounded down to the nearest whole number), and deliver the proceeds from such sale to the shareholders who hold less than one share in accordance with such fraction. Upon such sale, the Company intends to sell the shares to HKE Holdings with permission from a court in accordance with the provisions of Article 234, paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the “Companies Act”) which applies mutatis mutandis to Article 235, paragraph 2 of the Companies Act, or to purchase the shares with permission from a court in accordance with the provisions of Article 234, paragraphs 2 and 4 of the Companies Act.

If the permission is obtained from a court as described above, as planned, the sale price will be set so that the shareholders entered or recorded in the latest shareholder register of the Company as of March 13, 2018, the day immediately preceding the effective date of the Share Consolidation, will receive the amount equal to the number of the Company Shares held by them, multiplied by ¥3,132, which is equal to the Tender Offer Price. However, if the permission is not obtained from a court, if it is necessary to adjust fractions in calculation, or if other events occur, then the amount to be actually delivered may be different from the amount described above.

3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation

(1) Grounds and reasons for the amount expected to be delivered to the shareholders as a result of the handling of fractions

① Matters to be noted so that the interests of shareholders of the Company other than the parent company (if any) are not impaired

On the basis that (i) HKE Holdings entered into the Basic Agreement (as defined in the November 24, 2017 Press Release, hereinafter the same) with Hitachi, the controlling shareholder (parent company) of the Company, and (ii) as part of the Transaction, (a) the Tender Offer would be effected subject to HKE Holdings acquiring the Company Shares held by Hitachi through the share repurchase by the Company after the successful completion of the Tender Offer and the Share Consolidation, and (b) after the Company becomes HKE Holdings' wholly owned subsidiary, Hitachi will acquire a portion of the shares of the Company, which will engage only in the video and communication solutions business, from HKE Holdings, the Company considers that the Board of Directors' announcement of its opinion regarding the Tender Offer is equivalent to a transaction with its controlling shareholder. Accordingly, the Company has implemented the measures described in “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” below.

② Method of handling of fractions less than one share, and amount expected to be delivered to the shareholders as a result of the handling of fractions and matters relating to the appropriateness of such amount

As described in “⑦ Method of handling of fractions less than one share, and amount of money expected to be delivered to the shareholders as a result of the handling of fractions” within “(2) Details of the Share Consolidation” within “2. Outline of the Share Consolidation” above, the amount expected to be delivered to the shareholders as a result of the handling of fractions will be the amount obtained by multiplying the number of the Company Shares held by the shareholders entered or recorded in the latest shareholder registry of the Company as of March 13, 2018, the day immediately preceding the effective date of the Share Consolidation, by ¥3,132, which is equivalent to the Tender Offer Price.

As stated in the November 24, 2017 Press Release, with respect to the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions, in light of the facts, including those stated below, the Company determined that the Tender Offer would provide its shareholders with a reasonable opportunity to sell their shares.

(i) Among the calculation results of the value of the Company Shares made by Nomura Securities described in the October 2017 Share Valuation Report, the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions exceeded the maximum amount of calculation results based on the average market price method (Reference Date 2) and exceeded the upper limit of calculation results based on the average market price method (Reference Date 3), and was within the range of calculation results based on the comparable company method and the DCF Method;

(ii) As stated in the section titled “(3) Measures to ensure the fairness of the

purchase price and avoid conflicts of interest” below, measures to ensure the fairness of the Tender Offer were established and it was recognized that the interests of minority shareholders were taken into consideration;

(iii) The price was determined after measures were implemented to ensure the fairness of the Tender Offer;

(iv) It is not likely to continually record the anticipated level of income of the Company for the fiscal year ending March 31, 2018, which is driven by the extremely strong investment demand for the semiconductor manufacturer, in the fiscal year ending March 31, 2019 and the fiscal year ending March 31, 2020;

(v) Delay in the Transaction could impair the Company’s enterprise value, while the Company strongly recognized that, in order for the Company to further improve its enterprise value, it is essential and its urgent need to promote drastic structural reform in the video and communication solutions business and to transform its business portfolio through the Transaction, and establish a more flexible decision-making framework in the thin-film process solutions business that would accelerate upfront investment;

(vi) The Company obtained the consent from Hitachi to, in addition to the Price Per Share for Share Repurchase (Pre-Share Consolidation), the preconditions to the Transaction, including reinvestment by Hitachi as a minority shareholder in the Company which will be engaged in the video and communication solutions business following the completion of the Transaction;

(vii) Since April 26, 2017 on which the Tender Offer was announced, more than five months had already passed. However, no competing acquisition proposal was made by a third party that would be comparable against the proposal by KKR from the various perspective of the tender offer price and the certainty of implementation of the transaction, more favorable than KKR’s proposal; and

(viii) The Tender Offer would provide all minority shareholders with an opportunity to sell their shares off the market at the same price without affecting the market share price.

Given the Amendment to the Tender Offer Terms and Conditions and the opinions of the third-party committee, the Company carefully discussed and considered the Amendment to the Tender Offer Terms and Conditions at its Board of Directors meeting held on November 24, 2017. As a result, the Company concluded that, in response to changes in the current business environment surrounding each of its businesses, it still believed that establishing a more flexible management system by utilizing KKR’s know-how and resources will contribute to further enhancement of the Company’s enterprise value, and consummating the Transaction by HKE Holdings, including the Tender Offer, would contribute to further enhancement of the Company’s enterprise value, in order to carry out drastic structural reform in the video and communication solutions business, perform portfolio transformation, including business selection and concentration, and accelerate upfront investment that is essential for growth of the thin-film process solutions business. Therefore, considering the necessity of smoothly achieving the objective of the Tender Offer, the Company resolved to maintain its opinion supporting the Tender Offer and its recommendation to the Company’s shareholders to tender their shares in the Tender Offer as announced in the October 11, 2017

Press Release.

Based on the above, the Company considers that the amount expected to be delivered to the shareholders as a result of the handling of fractions is appropriate.

- ③ Disposal by the Company of material assets, assumption of material debts, and other events that materially affect the status of the Company assets after the last day of the most recent fiscal year

(a) Tender Offer

As stated in “1. Purpose of and Reasons for the Share Consolidation” above, HKE Holdings conducted the Tender Offer for the Company Shares, with the tender offer period from October 12, 2017 until December 8, 2017. As a result, as of December 15, 2017, which was the commencement date of the settlement for the Tender Offer, HKE Holdings held 26,242,364 Company Shares (ownership ratio of voting rights being 25.55%).

(b) Dividends of surplus

The Company resolved, at its Board of Directors meeting held on May 19, 2017, to pay dividends of surplus of ¥16 per Company Share (total amount of dividends being ¥1,643 million) with the record date of March 31, 2017 and the effective date of June 6, 2017, and made such payment.

(c) Cancellation of treasury shares

The Company resolved, at its Board of Directors meeting held today, to cancel 2,525,603 treasury shares held by the Company on March 13, 2018. The cancellation of the treasury shares is subject to the approval of the agenda item concerning the Share Consolidation, as originally proposed, at the Extraordinary Shareholders’ Meeting. The total number of issued shares of the Company following the cancellation will be 102,695,656 shares.

(2) Expected delisting

① Delisting

As described in “1. Purpose of and Reasons for the Share Consolidation” above, the Company will implement the Share Consolidation and cause only HKE Holdings and Hitachi to be the Company’s shareholders subject to the approval of the shareholders at the Extraordinary Shareholders’ Meeting. As a result, the Company Shares will be delisted through prescribed procedures in accordance with the delisting criteria of the TSE. The current schedule is that the Company Shares will be delisted on March 9, 2018 after being designated as stock to be delisted for the period from February 15, 2018 to March 8, 2018. After the delisting, the Company Shares will not be tradable on the TSE.

② Reason for the purpose of delisting

As described in “1. Purpose of and Reasons for the Share Consolidation” above, in the video and communication solutions business, there is the urgent task of strongly promoting a growth strategy through shifting from systems products to the solutions business and

expanding its global businesses, as well as reform of business and cost structures. In order to continue to establish a stable business foundation even under severe circumstances, it is necessary to implement more drastic structural reform, such as portfolio transformation and proper allocation of human resources in both domestic and overseas operations, in addition to structural reform, such as ongoing structural reform of its overseas operations and the special offering of an early retirement incentive program for its domestic operations. If the Company remains listed, a considerable amount of costs incurred by drastic structural reform may adversely affect its share price and may prejudice its shareholders. Therefore, with the understanding that it is best for its video and communication solutions business to create a business operating system with a medium- to long-term outlook with the cooperation of its new partners, HKE Holdings and JIP, in order to promptly establish a capital structure and management system suitable to push through the above measures, accepting the business risk of a temporary slowdown in its performance and without being affected by the fluctuation in its performance in the short term, the Company has investigated the possibility of privatizing that business.

While the Company considers it important to make further upfront investments in the thin-film process solutions business in the future, which is in a business environment subject to a rapid technology innovation and intense development, it is difficult to operate its business only from the thin-film process solutions business perspective under the current management system that includes the video and communication solutions business with no business synergies. As such, in order to contribute to the enhancement of the enterprise value of the thin-film process solutions business, the Company recognizes the need to establish a stable organizational structure specialized in the thin-film process solutions business with new partners with which it will be able to operate its thin-film process solutions business solely from the perspective of that business, and to become independent as a new business entity and a “manufacturer dedicated to semiconductor manufacturing equipment” with a strong position in the thin-film and thermal processes businesses. The Company also considers that while it will be required to establish a system as an independent business entity, such as reconstructing its management system, in becoming independent as a new business entity it will need to work to develop such a system after implementing the privatization as it does not have a system to operate its businesses while remaining listed. The Company recognizes that it will be required to consider not only development investment in its thin-film and thermal process, but also business development including collaboration with other companies in the same industry that do not engage in thin-film processing, as the integration between semiconductor manufacturing processes is anticipated to become even more difficult in the medium- to long-term with each manufacturing process of semiconductors becoming complicated. The Company thus decided to examine the possibility of privatizing that business, considering that it would be imperative to establish a more flexible decision-making system suitable for the current industry environment in order to pursue becoming one of the global leaders in the semiconductor manufacturing equipment industry.

③ Impact on the minority shareholders and opinion thereon

As described in “④ The Company has established a third-party committee and has

obtained an opinion” within “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” below, the Company obtained an opinion as of April 26, 2017 from a third-party committee comprised of members who have no interest in the controlling shareholder, indicating that the Transaction was not disadvantageous to the minority shareholders of the Company in the sense that it could not be viewed that Hitachi unfairly obtained benefit at the expense of the minority shareholders of the Company by using its status as the parent company. While the Company received the August 9, 2017 Report indicating that it was difficult for the third-party committee to maintain its opinion regarding Matter of Inquiry ④ in the April 26, 2017 Report which was based on the opinion on Matter of Inquiry ③ of the April 26, 2017 Report, the Company obtained a report dated October 11, 2017 from the third-party committee indicating that there was no change in its opinion described above. Moreover, the third-party committee provided an opinion to the Board of Directors of the Company on November 24, 2017 to the effect that the results of the above consideration would not be affected even after taking the Amendment to the Tender Offer Terms and Conditions into account, and there was no particular need to change the conclusion of the above opinion.

(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest

On the basis that (i) HKE Holdings entered into the Basic Agreement with Hitachi, the controlling shareholder (parent company) of the Company, and (ii) as part of the Transaction, (a) the Tender Offer would be effected subject to HKE Holdings acquiring the Company Shares held by those other than the Company and Hitachi, (b) after the Company becomes HKE Holdings’ wholly owned subsidiary and following the Company Split such that the Company will engage only in the video and communication solutions business, Hitachi will acquire a portion of the shares of the Company, and (c) Hitachi will make the Hitachi Investment in HKE Holdings as part of the necessary funds for settlement of the Tender Offer and part of the acquisition price of the Company Shares equal to the total number of any fraction accruing from the Share Consolidation, the Company implemented the following measures to ensure the fairness of the Tender Offer Price and avoid conflicts of interest.

① Implementation of the bidding procedures

The Company commenced inquiries with multiple potential purchasers, through Nomura Securities and Credit Suisse Securities, regarding the acquisition of all Company Shares in late September 2016, and the Company received proposals for acquisition of the Company Shares from multiple potential purchasers. However, there were no potential purchasers that proposed terms and conditions for the Tender Offer, including the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions and the certainty of implementation of the Transaction, more favorable to the Company’s shareholders than those presented by KKR.

- ② 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 base price for the Original Tender Offer Price and the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions presented by HKE Holdings, the Company obtained share valuation reports on April 25, 2017 and October 10, 2017 (collectively, the “Share Valuation Reports”) from Nomura Securities, a third-party financial advisor independent from the Company, Hitachi, and HKE Holdings. For a summary of the Share Valuation Reports, please refer to the Opinion Press Releases. Nomura Securities is not a party related to the Company or HKE Holdings and does not have any material interest in the Transaction, including the Tender Offer.

In expressing an opinion regarding the Amendment to the Tender Offer Terms and Conditions, the Company did not newly obtain a share valuation report regarding the value of the Company Shares since there were no material change to information as of November 24, 2017, including the current condition and the future outlook of the Company’s business, on which the October 2017 Share Valuation Report was based.

- ③ The Company has obtained the advice of an independent law firm

In order to take the utmost care in its decision-making concerning the Transaction, including the Tender Offer, and to ensure the fairness and propriety of the decision-making process of its Board of Directors, the Company has been receiving legal advice from Torikai Law Office, a legal advisor independent from the Company and HKE Holdings, concerning the method and process of decision-making regarding providing an opinion for the Tender Offer, and other matters in implementing the Transaction. Torikai Law Office is not a party related to the Company or HKE Holdings and does not have any material interest in the Transaction, including the Tender Offer.

- ④ The Company has established a third-party committee and has obtained an opinion

On January 26, 2017, the Company established a third-party committee after deciding that the Transaction, including the Tender Offer, would be equivalent to important transactions with controlling shareholders and other similar transactions and for the purpose of taking the utmost care in the Company’s decision-making and ensuring fairness of the decision-making process of its Board of Directors by eliminating arbitrariness and the likelihood of a conflict of interest. The third-party committee is comprised of members, including third-party experts who are independent from the Company, Hitachi or HKE Holdings and have no interest in the controlling shareholder (the members of the third-party committee are: Mr. Tsuyoshi Nishimoto, a lawyer (Hibiya Park Law Offices), Mr. Shinsuke Hasegawa, a certified public accountant and certified public tax accountant (Representative of the Hasegawa CPA Office), and Mr. Kenshiro Koto (outside director and independent officer of the Company). The members of the third-party committee have not changed since the establishment of the committee.

As the basis for the Company to examine the specific content of its opinion to be expressed regarding the Tender Offer, the Company requested that the third-party committee

advise the Company as to whether (i) the purpose of the Transaction is justifiable and reasonable (“Matter of Inquiry ①”); (ii) the fairness of the procedures for the Transaction has been ensured (“Matter of Inquiry ②”); (iii) the legitimacy and propriety of the terms of the Transaction have been ensured (“Matter of Inquiry ③”); and (iv) the implementation of the Transaction is not disadvantageous to the minority shareholders of the Company (“Matter of Inquiry ④”; together with Matter of Inquiry ①, Matter of Inquiry ② and Matter of Inquiry ③, collectively, the “Matters of Inquiry”).

(i) Summary of the April 26, 2017 Report

It is indicated that the third-party committee met 9 times in total since February 7, 2017 until April 24, 2017 and consulted with each other and considered the Matters of Inquiry. Specifically, the third-party committee received explanations from the Company, Nomura Securities and other parties regarding the purpose of the Transaction, the details of the scheme and procedures of the Transaction, the status of negotiations over the terms and conditions of the Transaction, the details of the Share Valuation Report and the calculation method by Nomura Securities, a third-party financial advisor, and legal advice from Torikai Law Office, and then has conducted a question-and-answer session. The third-party committee also received explanations from KKR about its view on the Original Tender Offer Price and other matters, and then conducted a question-and-answer session.

Based on the content of the explanations and question-and-answer sessions mentioned above, the third-party committee consulted with each other and considered the Matters of Inquiry carefully. As a result, on April 26, 2017, the third-party committee, upon its unanimous resolution, submitted the April 26, 2017 Report to the Board of Directors of the Company. The outline of the April 26, 2017 Report is as stated in (a) to (d) below.

(a) Whether the Transaction is justifiable and reasonable (Matter of Inquiry ①)

The purpose of the Transaction is to reinforce the Company’s competitiveness and enhance its enterprise value by (a) separating the video and communication solutions business and the thin-film process solutions business from each other since there is no synergies between the two businesses and they have different operating policies and (b) establishing a system where it is possible for each of such businesses to tie up with best partners in terms of both capital and business. It is obvious that such purpose of the Transaction is not for Hitachi to seek to benefit itself or a third party at the expense of the minority shareholders of the Company by using Hitachi’s status as the parent company of the Company. Therefore, it can be said that the purpose of the Transaction is justifiable and reasonable.

(b) Whether the fairness of the procedures for the Transaction has been ensured (Matter of Inquiry ②)

Due to the facts that (A) the reason for implementing transactions comprising the Transaction is reasonable, and when the overall scheme is examined, there are no circumstances that are detrimental to the fairness of the procedures for selecting such scheme, (B) legality of the transactions comprising the Transaction has been ensured, (C) the process for selecting the purchaser for the Transaction and the negotiation process of the

transaction terms such as prices have been properly conducted, (D) as measures to avoid a structural conflict-of-interest relationship in the Transaction, bidding procedures (market check) has been conducted, a Share Valuation Report has been obtained from an independent third-party financial advisor, legal advice has been obtained from an independent law firm, a third-party committee has been established and negotiations have been conducted based on such committee's comments, the director who is a related party of Hitachi has been excluded from the deliberation and resolution at the relevant Board of Directors meeting of the Company, and, in addition to the measures to respect the will of the minority shareholders, the number of the majority of minority has been set as the minimum amount of purchase, which can also be considered to be one of the important measures to ensure the fairness and propriety of the Original Tender Offer Price, and measures have been taken to ensure opportunities for other offerors to make competing bids, it can be said that the fairness of the procedures for the Transaction has been ensured.

(c) Terms of the Transaction (Matter of Inquiry ③)

(A) If it is recognized in the Transaction that (i) measures have been taken to avoid the decision-making process for transactions, including the Share Repurchase, from being arbitrary, (ii) procedures that are generally considered to be fair have been effectively taken, (iii) interests between Hitachi and minority shareholders have been appropriately adjusted, and (iv) the purchase price of the shares have been determined fairly, it can be said that in principle the price is also fair. Accordingly, the fairness of the terms of the Transaction has been examined with the focus on overall procedures with respect to the measures to ensure fairness. As a result, the following specific circumstances have been recognized. In other words, ① the Company has selected a purchaser after more than six months of bidding procedures and negotiated the price, and further negotiated the Share Repurchase price with Hitachi, and it is possible to consider that through such process, under the circumstances at that time, the Company has obtained conditions that are likely most favorable to the minority shareholders of the Company or similar conditions. Given such background, when the overall Transaction is examined, an agreement has been entered into based on the procedures equivalent to customary M&A transactions between independent third parties, and there are no circumstances where Hitachi forced the Company to accept conditions that are unilaterally beneficial to Hitachi by using its status as the parent company, or where the Company obediently followed Hitachi. Moreover, ② the Company and Hitachi have implemented the measures in (b)(D) above as measures to ensure the fairness of the Transaction and avoid conflicts of interest.

Nothing unreasonable is recognized in Nomura Securities' share value calculation method and its results, and the Original Tender Offer Price (¥2,503) exceeds both the maximum value and the median value of each calculation result set out in the April 2017 Share Valuation Report (as defined in the October 11, 2017 Press Release).

The April 2017 Share Valuation Report is based on the average market share price method using (i) October 3, 2016, the last day on which trading was conducted before the speculative media reports regarding Hitachi's sale of its shares of the Company, were released, as Reference Date 1, in order to exclude any impact on the share price from such

speculative media reports, and (ii) April 25, 2017, which is the business day immediately preceding the date on which the Tender Offer was announced, as Reference Date 2. According to the April 2017 Share Valuation Report, ① the Original Tender Offer Price will be the result of adding a 3.60% premium to the closing price (¥2,416) of the Company Shares on the First Section of the TSE on Reference Date 2, and 2.92% (rounding off to the second decimal place; hereinafter the same for the calculation of the premium rate or the discount rate), 0.04%, and 4.07% premiums to the respective simple average closing prices (¥2,432 (rounded off to the closest whole number; hereinafter the same for the calculation of the simple average closing price), ¥2,502, and ¥2,405) of the Company Shares for the one-month, three-month, and six-month periods up to Reference Date 2, but ② on the basis of Reference Date 1, it will be the result of adding a 38.98% premium to the closing price (¥1,801) of the Company Shares on the First Section of the TSE as of Reference Date 1, and 38.29%, 42.87%, and 59.12% premiums to the respective simple average closing prices (¥1,810, ¥1,752, and ¥1,573) of the Company Shares for the one-month, three-month, and six-month periods up to Reference Date 1.

In light of above-mentioned circumstances such as the background to the negotiation over the Original Tender Price, the details of the measures to avoid conflicts of interest, and Nomura Securities' share valuation method and its results, it is considered that, in conducting the Transaction, measures have been taken to avoid the decision-making process for transactions from being arbitrary due to a conflict of interest between Hitachi and the minority shareholders of the Company and that the Transaction is conducted through procedures that are generally considered to be fair. Accordingly, the Original Tender Offer Price and the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) determined through such process should be respected and should not be easily intervened. In this sense, it is considered that the legitimacy and propriety of these prices have been ensured.

(B) After executing the Company Split, KKR intends to have HKE Holdings transfer 20% of the Company Shares to each of Hitachi and HVJ, because the transfer price for the transfer to Hitachi is the same as the transfer price for the transfer to HVJ, it is believed that the price will be one that reflects the results of the negotiation between HKE Holdings and HVJ, which are independent parties. Therefore, the contents of the agreement is not considered to be such that Hitachi could obtain benefits that other minority shareholders could not obtain, by repurchasing the shares at a lower price than fair price.

(C) With respect to the terms of the Transaction other than price, including the majority of minority set as the minimum amount of purchase, it cannot be viewed that Hitachi has obtained benefit unfairly at the expense of the minority shareholders of the Company, and no circumstances that are detrimental to the legitimacy or propriety of such transaction conditions can be found.

(d) Whether the implementation of the Transaction is not disadvantageous to the minority shareholders of the Company (Matter of Inquiry ④)

In the sense as described in (a) to (c) above, it can be said that the Transaction is justifiable and reasonable, the fairness of the procedures for the Transaction has been

ensured, and the legitimacy and propriety of the terms of the Transaction have been ensured. Therefore, in the sense that it cannot be viewed that Hitachi has unfairly obtained benefit at the expense of the minority shareholders of the Company by using its status as the parent company, it can be said that the implementation of the Transaction is not disadvantageous to the minority shareholders of the Company.

It is also indicated that Hitachi will, in the course of the Transaction, make an investment of ¥10.5 billion (as expected as of the April 26, 2017 Report) by subscribing to the class A preferred shares of HKE Holdings. Through this investment, Hitachi will have a common interest with HKE Holdings. However, considering that this investment will not accompany voting rights and that this investment was decided in the course of negotiating the acquisition price applicable in the Transaction in order to increase the total acquisition price, it is believed that the degree of conflicts of interest with the minority shareholders will be low and will not have a particular impact on the decisions described in (a) to (c) above.

(ii) Summary of the August 9, 2017 Report

As the Company was informed by HKE Holdings on July 19, 2017 that it intended to commence the Tender Offer on August 10, 2017 as the commencement date of the tender offer, subject to the fulfillment of the Condition Precedent to the Tender Offer, the Company requested that the third-party committee consider whether there were any changes in its opinion expressed to the Company's Board of Directors on April 26, 2017, and that, if there was no change, the committee advise the Board of Directors to that effect, or if there was any change, then the committee issue a revised opinion reflecting such change. The third-party committee met three times in total between July 20, 2017 and August 4, 2017 and consulted with each other and considered the Matters of Inquiry, receiving explanations from the Company and Nomura Securities on such matters as the matters related to the business environment surrounding the Company, the matters related to the Company's performance forecasts and upward revisions thereof and market share price trends. Given that, the third-party committee submitted a report to the Board of Directors of the Company on August 9, 2017 (the August 9, 2017 Report) and expressed its opinion as follows. Of the Matters of Inquiry ① through ③, with respect to Matters of Inquiry ① and ②, there was nothing to be changed in its opinion expressed in the April 26, 2017 Report. However, with respect to Matter of Inquiry ③, (a) in light of the fact that, although the market share price of the Company after the announcement of the Transaction had been in a price range close to the Original Tender Offer Price, it had been constantly hovering in a price range higher than the Original Tender Offer Price and continuously showing a bullish trend since May 16, 2017, and such trend became even more bullish after the upward revisions to the financial forecast as described below, it could not be considered that the current market price was determined solely by temporary factors, including speculative intentions, and therefore the current market share price could not be disregarded, and (b) on July 26, 2017, the Company made upward revisions to its consolidated financial forecast for the second quarter ending September 30, 2017 and the consolidated financial forecast for the full fiscal year ending March 31, 2018, but such upward revisions of the financial forecast had not

taken into account in determining the Original Tender Offer Price. In terms of not only the circumstances described in (a) above but also (b), it could be concluded that the Original Tender Offer Price did not sufficiently reflect the current objective value of the Company, and by comprehensively taking the above circumstances into consideration, it would be difficult then for the committee to maintain its opinion that the legitimacy and propriety of the Original Tender Offer Price and the value of the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) were ensured. Therefore, it would be difficult to maintain its opinion on Matter of Inquiry ④ in the April 26, 2017 Report because it was based on the opinion on Matter of Inquiry ③ of the April 26, 2017 Report.

(iii) Summary of the October 11, 2017 Report

In connection with the commencement of the Tender Offer, the Company requested that the third-party committee consider whether there was any change in its opinion submitted to the Company's Board of Directors on April 26, 2017, as amended by the August 9, 2017 Report, and that, if there was no change, the committee advise the Board of Directors to that effect, or if there was any change, then the committee issue a revised opinion reflecting such change.

The third-party committee met five times in total since September 8, 2017 until October 6, 2017 and consulted with each other and considered the Matters of Inquiry, receiving explanations from the Company and Nomura Securities again on such matters, including the purpose of the Transaction (including whether the Transaction would contribute to increasing the enterprise value), the details of the scheme and procedures of the Transaction (whether there would be any change, and if there would be, the details of such change), the status of negotiations over the terms and conditions of the Transaction since August 10, 2017, and the details of the October 2017 Share Valuation Report and the calculation method by Nomura Securities. As a result of the consultation and consideration on the Matters of Inquiry, the third-party committee, upon its unanimous resolution, submitted a report dated October 11, 2017 to the Board of Directors of the Company on October 11, 2017 (the October 11, 2017 Report.) The outline of the Report is as stated in (a) to (d) below.

(a) Whether the Transaction is justifiable and reasonable (Matter of Inquiry ①)

The third-party committee has been explained that the purpose of the Transaction has not changed since the April 26, 2017 Report was prepared, and accordingly there is nothing to be changed in its opinion with respect to Matter of Inquiry ①.

(b) Whether the fairness of the procedures for the Transaction has been ensured (Matter of Inquiry ②)

There is nothing to be changed in its opinion expressed in the April 26, 2017 Report with respect to (A) the reason for implementing transactions comprising the Transaction and (B) legality of the transactions comprising the Transaction. For (C) the process for selecting the purchaser for the Transaction and the negotiation process of the transaction terms such as prices, the Company has been successful in increasing the Tender Offer Price before the

Amendment to the Tender Offer Terms and Conditions a few times through the negotiations since August 10, 2017. Then, in order to confirm that the discussions and negotiations held regarding the prices and other terms between the Company and Hitachi are in line with the interests of minority shareholders of the Company, Mr. Kenshiro Koto, a third-party committee member, participated in such discussions and negotiations, and, in the end, the Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,870) was increased from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) (¥1,710.34), which is lower than the percentage increase in the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions (¥2,900) from the Original Tender Offer Price (¥2,503). Even considering the result of such negotiations, the third-party committee has not found anything unfair in the negotiations over the Price Per Share for Share Repurchase (Pre-Share Consolidation) such as where Hitachi conducted negotiations unfairly using its position as the parent company. Taking the above into account, as well as the measures to avoid conflicts of interest set forth in (D) below, there are no circumstances that are detrimental to the fairness of the negotiation process over the transaction terms and conditions which have been centered on prices. (D) The analysis of the appropriateness of the measures to avoid structural conflicts of interest in the Transaction is as stated in the April 26, 2017 Report. However, in addition to that, according to the explanation that the third-party received, the tender offer period before the Amendment to the Tender Offer Terms and Conditions, which was set as 20 business days as of April 2017, has been extended to 30 business days, and the purpose of such extension was for HKE Holdings to provide the Company's general shareholders with an appropriate period to consider whether to tender in the Tender Offer and ensure opportunities for other offerors to make competing bids with respect to the Company Shares, with the aim of ensuring the fairness of the Tender Offer. Accordingly, the extension of the tender offer period can be considered to be a means to ensure the appropriateness of the measures to avoid conflicts of interest. Given the above, it is considered that the fairness of the procedures for the Transaction has been ensured.

(c) Terms of the Transaction (Matter of Inquiry ③))

(A) In examining the negotiation process over the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions and the Price Per Share for Share Repurchase (Pre-Share Consolidation) as well as the procedural aspects of the Tender Offer such as the measures to avoid conflicts of interest based on the ideas described in the April 26, 2017 Report, ① it is recognized that the Company has selected a purchaser after the bidding procedures of as long as over a year since September 2016, which was when the Company commenced the bidding procedure related to the Transaction, and tenaciously negotiated the price, taking into consideration such factors as the business environment and the market condition, and it is possible to consider that under the current circumstances, the Company has obtained conditions that are realistically most favorable to the minority shareholders of the Company or similar conditions, reflecting certain factors as necessary such as the transition of the market share price, the upward revision of the earnings forecast scheduled to be announced on October 11, 2017 and the trends in the semiconductor

manufacturing equipment industry that caused such revision of the earnings forecast. Given such background, when the overall Transaction is examined, an agreement has been entered into based on the procedures equal to ordinary M&A transactions between independent third parties, and there is no circumstances where Hitachi forced the Company the conditions that are unilaterally beneficial to Hitachi by using its status as the parent company, or has the Company obediently followed Hitachi. Moreover, ② the Company and Hitachi have implemented measures in (b)(D) above as measures to ensure the fairness of the Transaction and avoid conflicts of interest.

In addition, ③ nothing unreasonable is recognized in Nomura Securities' share value calculation method and its results, and the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions (¥2,900) exceeds the maximum value or is proximate to the median value of each calculation result set forth in the October 2017 Share Valuation Report.

The October 2017 Share Valuation Report is based on the average market share price method using (i) April 25, 2017, which is the business day immediately preceding the date on which the Tender Offer was announced (April 26, 2017), as Reference Date 2, and (ii) October 10, 2017 as Reference Date 3. According to the October 2017 Share Valuation Report, the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions was the result of ① applying a 6.45% discount from the closing price (¥3,100) of the Company Shares on the First Section of the TSE on Reference Date 3, and a 3.62% discount from the simple average closing prices (¥3,009) for the last one-month period up to Reference Date 3, but adding a 1.08% and 6.93% premiums to the respective simple average closing prices (¥2,869 and ¥2,712) of the Company Shares for the three-month and six-month periods up to Reference Date 3, and ② on the basis of Reference Date 2, it will be the result of adding a 20.03% premium to the closing price (¥2,416) of the Company Shares on the First Section of the TSE as of Reference Date 2, and 19.24%, 15.91%, and 20.58% premiums to the respective simple average closing prices (¥2,432, ¥2,502, and ¥2,405) of the Company Shares for the one-month, three-month, and six-month periods up to Reference Date 2.

In light of above-mentioned factors such as the background to the negotiation, the details of the measures to avoid conflicts of interest, and Nomura Securities' share valuation method and its results, it is considered that, in conducting the Transaction, measures have been taken to avoid the decision-making process for transactions from being arbitrary due to a conflict of interest between Hitachi and the minority shareholders of the Company and that the Transaction is conducted through procedures that are generally considered to be fair. Accordingly, the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions and the Price Per Share for Share Repurchase (Pre-Share Consolidation) determined through such process should be respected and should not be easily intervened. In this sense, it is considered that the legitimacy and propriety of these prices have been ensured.

(B) After executing the Company Split, KKR intends to have HKE Holdings transfer 20% of the Company Shares to each of Hitachi and HVJ, because the transfer price

for the transfer to Hitachi is the same as the transfer price for the transfer to HVJ, unchanged from the transfer price as of the date of the April 26, 2017 Report, it is believed that the price will be one that reflects the results of the negotiation between HKE Holdings and HVJ, which are independent parties. Therefore, the contents of the agreement is not considered to be such that Hitachi could obtain benefits that other minority shareholders could not obtain, by repurchasing the shares at a lower price than fair price.

(C) With respect to the terms of the Transaction other than price, including the number of the majority of minority set as the minimum amount of purchase, it cannot be recognized that Hitachi has obtained benefit unfairly at the expense of the minority shareholders of the Company, and no circumstances that are detrimental to the legitimacy or propriety of such transaction conditions can be found.

(d) Whether the implementation of the Transaction is not disadvantageous to the minority shareholders of the Company (Matter of Inquiry ④)

In the sense as described in (a) to (c) above, it is considered that the Transaction is justifiable and reasonable, the fairness of the procedures for the Transaction has been ensured, and the legitimacy and propriety of the terms of the Transaction have been ensured. Therefore, in the sense that it cannot be recognized that Hitachi has unfairly obtained benefit at the expense of the minority shareholders of the Company by using its status as the parent company, it can be said that the implementation of the Transaction is not disadvantageous to the minority shareholders of the Company.

Furthermore, while it was indicated that Hitachi would make a monetary investment of ¥10.5 billion by subscribing to the class A preferred shares of HKE Holdings as of the date of the April 26, 2017 Report, the investment amount has been increased to ¥13.0 billion in the course of negotiations since September 2017. That said, it is still true that voting rights will not accompany this investment and that the investment amount was increased in the course of negotiating the acquisition price applicable in the Transaction in order to increase the total acquisition price. Therefore, the degree of conflicts of interest with the minority shareholders is considered to be low and will not have a particular impact on the opinions described in (a) through (c) above.

The third-party committee provided an opinion to the Board of Directors of the Company on November 24, 2017 to the effect that the results of the above consideration will not be affected even after taking the Amendment to the Tender Offer Terms and Conditions into account, and there is no particular need to change the conclusion of the above opinion.

⑤ The Transaction has received the unanimous approval of the directors with no interest in the Company

The Company 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 Reports and the legal advice from Torikai Law Office, as well as giving utmost respect to the content of the April 26, 2017 Report, August 9, 2017 Report and October 11, 2017 Report (collectively, the “Reports”) by the

third-party committee.

As a result, as of April 26, 2017, the Company believed that the Original Tender Offer Price was appropriate, the scheme treated all shareholders equally and therefore there was no unreasonableness. However, although the examination should be conducted after excluding any impact on the share price from speculative media reports, taking into account factors such as that the level of premium was considered to be lower than that of the past tender offer transactions of shares or similar securities by non-issuer purchasers which had been provided by Nomura Securities, and that there were certain periods following the speculative media reports when the market share prices of the Company on the First Section of the TSE were higher than the Original Tender Offer Price, at the Board of Directors meeting held on April 26, 2017, by the unanimous approval of the directors present at the meeting (i.e., among a total of five directors, four directors excluding Mr. Yutaka Saito, who may have a special interest as set forth below), the Company's Board of Directors, in its judgment based on circumstances at that time, issued a resolution, if the Tender Offer was commenced, to express an opinion supporting the Tender Offer and to leave the decision of whether or not to tender their shares in the Tender Offer to the shareholders of the Company.

The Company was informed by HKE Holdings on September 25, 2017 that on the basis that it would raise the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions to ¥2,850 from the Original Tender Offer Price of ¥2,503, and the Price Per Share for Share Repurchase (Pre-Share Consolidation) to ¥1,850 from the Original Price Per Share for Share Repurchase (Pre-Share Consolidation) of ¥1,710.34, it intended to commence the Tender Offer in early October 2017 as the commencement date of the Tender Offer. Thereafter, as a result of another careful deliberations of terms and conditions of the Tender Offer, including the Tender Offer Price before the Amendment to the Tender Offer Terms and Conditions of ¥2,900 determined through several negotiations, while the Company resolved at its Board of Directors meeting held on April 26, 2017 to express its opinion supporting the Tender Offer and to leave the decision of whether or not to tender their shares in the Tender Offer to the Company's shareholders, the Company resolved, at its Board of Directors meeting held on October 11, 2017, to express that its opinion supporting the Tender Offer without change and, furthermore, to recommend the Company's shareholders to tender their shares in the Tender Offer, based on the consideration described in the October 11, 2017 Press Release.

Moreover, given the Amendment to the Tender Offer Terms and Conditions and the opinions of the third-party committee, the Company carefully discussed and examined the Amendment to the Tender Offer Terms and Conditions at its Board of Directors meeting held on November 24, 2017. As a result, the Company concluded that even based on the Amendment to the Tender Offer Terms and Conditions, it still believed that, in response to changes in the current business environment surrounding each of its businesses, establishing a more flexible management system by utilizing KKR's know-how and resources would contribute to further enhancement of the Company's enterprise value, and the consummation of the Transaction by HKE Holdings, including the Tender Offer, would contribute to the Company's enterprise value, in order to carry out drastic structural reform in the video and communication solutions business, perform portfolio transformation,

including business selection and concentration, and accelerate upfront investment that is essential for growth of the thin-film process solutions business. Therefore, considering the necessity of smoothly achieving the objective of the Tender Offer, the Company resolved to maintain its opinion supporting the Tender Offer and its recommendation to the Company's shareholders to tender their shares in the Tender Offer as announced in the October 11, 2017 Press Release.

At each of the Board of Directors meetings mentioned above, from among the Company's directors, Mr. Yutaka Saito, who concurrently serves as Hitachi's Representative Executive Officer, in his capacity as the Company's director, did not attend any Board of Directors meetings of the Company held to examine and discuss the Transaction, nor was he involved in any examination of this Transaction or any negotiation or discussion with HKE Holdings and Hitachi regarding the Transaction, in order to avoid any potential conflicts of interest and ensure the fairness of the Transaction.

- ⑥ HKE Holdings has set the minimum number of shares to be purchased equal to the majority of the minority

HKE Holdings intended for the successful completion of the Tender Offer to be subject to a condition that the total number of the tendered shares would not be less than the minimum number of shares to be purchased (24,815,889 shares). Such minimum number of shares to be purchased in the Tender Offer was the number of the Company Shares that constitutes the majority amount (24,815,889 shares) of the amount of shares (49,631,776 shares) calculated as the total number of currently issued shares (105,221,259 shares) as of June 30, 2017, as stated in the Company's Quarterly Securities Report, minus the number of treasury shares of the Company as of June 30, 2017 (2,519,354 shares) and the number of the Hitachi Shares (53,070,129 shares), where the above majority amount was called the majority of the minority. In this way, in respecting the will of the minority shareholders of the Company, if HKE Holdings were to fail to obtain the support of a majority of shareholders other than those who had an interest in HKE Holdings, then HKE Holdings would not conduct the Transaction, including the Tender Offer.

- ⑧ Measures to ensure tender opportunities from other offerors

The Company and HKE Holdings did not execute any agreement that obligated the Company to support the Tender Offer and to recommend the Company's shareholders to tender their shares in the Tender Offer, nor did the Company and HKE Holdings execute any agreement that contained a so-called deal protection provision that limits the opportunity for the Company to contact a competing offeror other than HKE Holdings or that obligates the Company to pay a break-up fee to HKE Holdings if the Company supports a competing offeror.

Further, as set forth in the above section titled "Purpose of and Reasons for the Share Consolidation," the Company and Hitachi implemented the bidding process by inquiring with multiple potential purchasers regarding the acquisition of all of the Company Shares, whereupon KKR and JIP were selected as the final Tender Offer candidates by the Company and Hitachi through comparison with the other multiple potential purchasers in a

competitive situation. Therefore, according to HKE Holdings, a sufficient opportunity had already been provided for persons other than HKE Holdings to acquire the Company Shares. According to HKE Holdings, however, HKE Holdings intended to provide the Company's general shareholders with an appropriate period to consider whether to tender in the Tender Offer by setting the tender offer period before the Amendment to the Tender Offer Terms and Conditions to be at 30 business days, which was longer than the minimum statutory period of 20 business days (Please note that the tender offer period was later extended to 40 business days pursuant to the Amendment to the Tender Offer Terms and Conditions.), and to ensure the fairness of the Tender Offer by securing tender opportunities from other offerors with respect to the Company Shares.

4. Future Outlook

In connection with the implementation of the Share Consolidation, as stated in “(1) Delisting” within “(2) Expected delisting” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” above, the Company Shares will be delisted.

The Company intends to acquire all of the Company Shares held by Hitachi (the “Share Repurchase”) subject to the Share Consolidation taking effect. Based on HKE Holdings’ proposal, the Company intends to reduce the amount of capital, capital reserve, and profit reserve pursuant to Article 447, paragraph 1, and Article 448, paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the “Companies Act”), and to transfer all or part of the capital and capital reserve so reduced to “Other capital surplus”, and to transfer the full amount of the profit reserve so reduced to “Profit surplus carried forward,” subject to the Share Consolidation taking effect, in order to secure the distributable funds required for the Share Repurchase. The Company intends to hold an extraordinary general shareholders meeting whose agenda includes a proposal for a reduction in the amount of capital, capital reserve and profit reserve (the “Capital Reduction”), and the Share Repurchase, by late March 2018 after HKE Holdings and Hitachi have become the sole shareholders of the Company through effectuation of the Share Consolidation. According to HKE Holdings, in addition to the above, HKE Holdings intends to divest the Company’s thin-film process solutions business through an absorption-type company split whereby HKE Holdings will be the succeeding corporation after the Company becomes HKE Holdings’ wholly owned subsidiary through the Share Repurchase (the “Company Split”) and a transfer of 20% of the Company Shares by HKE Holdings respectively to Hitachi and HVJ. Accordingly, HKE Holdings, Hitachi and HVJ will hold 60%, 20% and the remaining 20%, respectively, of the Company Shares after the completion of each of the above transfers.

According to HKE Holdings, KKR considers that the enterprise value of both the video and communication solutions business and the thin-film process solutions business may be further enhanced in their respective business environments as follows: (a) with regard to the video and communication solutions business, the Company can work towards business enhancement and optimization of management together with Hitachi and JIP, and (b) with regard to the thin-film process solutions business, the Company can utilize the global resources network, know-how, and rich investment experience in semiconductor-related fields provided by KKR.

5. 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 (i) HKE Holdings executed the Basic Agreement with Hitachi, the Company's controlling shareholder (parent company), (ii) as part of the Transaction, HKE Holdings conducted the Tender Offer on the assumption that HKE Holdings would acquire the Company Shares held by Hitachi through the Company's repurchase of its own shares after the successful completion of the Tender Offer and the subsequent Share Consolidation taking effect, and (iii) Hitachi plans to acquire from HKE Holdings a portion of the shares of the Company that would engage only in the video and communication solutions business after it has become HKE Holdings' wholly owned subsidiary, the Company believes that the Board of Director's expression of its opinion regarding the Tender Offer is consistent with the transactions and other dealings with the controlling shareholder. Moreover, the "Guidelines Concerning Measures to Protect Minority Shareholders in Transactions with Controlling Shareholders" set forth in the Company's Corporate Governance Report published on June 29, 2017 are as follows.

The "Guidelines Concerning Measures to Protect Minority Shareholders in Transactions with Controlling Shareholders" set forth in the Corporate Governance Report published on June 29, 2017 states "If the Company conducts a transaction or other arrangement in which the interest of Hitachi, Ltd. ("Hitachi"), the parent company of the Company, and the interest of a minority shareholder other than Hitachi may effectively conflict with each other, the Company shall have the Board of Directors seek opinions from outside experts and have broad-ranging deliberation before determining a policy. Furthermore, with respect to individual transactions with Hitachi, the Company shall conduct them fairly based on market value in accordance with its internal policies regarding general transactions." As stated in "(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest" under "3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation" above, the Company took certain measures to ensure the fairness of the Tender Offer and avoid conflicts of interest by, for instance, obtaining the Reports from a third-party committee indicating that the Transaction is not disadvantageous to the minority shareholders of the Company in the sense that it cannot be viewed that Hitachi unfairly obtained benefit at the expense of the minority shareholders of the Company by using its status as the parent company, the Share Valuation Reports from Nomura Securities, an independent third-party financial advisor, and legal advice from Torikai Law Office. Therefore, the Company has put in place a system that is stricter 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 "(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest" within "3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation" above.

- (3) Summary of the opinion obtained from a person who has no conflict of interest with the controlling shareholder that the Transaction is not disadvantageous to minority shareholders

The Company obtained an opinion as of April 26, 2017 from a third-party committee comprised of members who have no interest in the controlling shareholder, indicating that the Transaction was not disadvantageous to the minority shareholders of the Company in the sense that it could not be viewed that Hitachi unfairly obtained benefit at the expense of the minority shareholders of the Company by using its status as the parent company. While the Company received the August 9, 2017 Report indicating that it was difficult for the third-party committee to maintain its opinion regarding Matter of Inquiry ④ in the April 26, 2017 Report which was based on the opinion on Matter of Inquiry ③ of the April 26, 2017 Report, the Company obtained a report dated October 11, 2017 from the third-party committee indicating that the Transaction would not be disadvantageous to the minority shareholders of the Company in the sense that it could not be viewed that Hitachi unfairly obtained benefit at the expense of the minority shareholders of the Company by using its status as the parent company. Moreover, the third-party committee submitted a report to the Board of Directors of the Company on November 24, 2017 to the effect that the results of the above consideration would not be affected even after taking the Amendment to the Tender Offer Terms and Conditions into account, and there would be no particular need to amend the conclusion in the above opinion. For details, please refer to “(3) Measures to ensure the fairness of the purchase price and avoid conflicts of interest” within “3. Grounds for Amount Expected to be Delivered to the Shareholders as a Result of the Handling of Fractions Relating to the Share Consolidation” above.

II. Abolishment of Share Unit Number Provisions

1. Reason for Abolishment

If the Share Consolidation takes effect, the total number of issued shares of the Company will be 5 shares as it will no longer be necessary to provide for the share unit number.

2. Scheduled Date of Abolishment

March 14, 2018

3. Conditions for Abolishment

The provisions will be abolished on the condition that the proposals for the Share Consolidation and the partial amendment to the Articles of Incorporation relating to the abolishment of share unit number provisions be approved and passed as proposed at the Extraordinary Shareholders Meeting, and the Share Consolidation take effect.

III. Partial Amendment to the Articles of Incorporation

1. Purpose of Amendments to the Articles of Incorporation

- (1) Due to the Share Consolidation, the Articles of Incorporation will be deemed to have been amended to decrease the total number of authorized shares of the Company to 20 shares on March 14, 2018, the effective date of the Share Consolidation. In order to clarify the above by providing for as such in the terms of the Articles of Incorporation, Article 6 of the Articles

of Incorporation (Total Number of Authorized Shares) will be amended subject to the effectuation of the Share Consolidation.

- (2) If the Share Consolidation takes effect, the total number of issued shares of the Company will be 5 shares, and it will no longer be necessary to provide for the share unit number. Therefore, subject to the effectuation of the Share Consolidation, the provisions of Article 7 (Number of Shares Constituting One Unit) and Article 8 (Rights of Shareholders Holding Shares Less Than One Unit) of the Articles of Incorporation will be entirely deleted in order to abolish the provisions relating to the share unit number, which is currently provided for as 100 shares, and the remaining provisions will be renumbered accordingly.

2. Details of Amendments to the Articles of Incorporation

The details of the amendments are as set forth below.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Changes
<p>Article 6 (Total Number of Authorized Shares) Total number of shares authorized to be issued by the Company shall be <u>400,000,000</u> shares.</p>	<p>Article 6 (Total Number of Authorized Shares) Total number of shares authorized to be issued by the Company shall be <u>20</u> shares.</p>
<p><u>Article 7 (Number of Shares Constituting One Unit)</u> <u>One hundred (100) shares of the Company shall constitute one share unit.</u></p>	<p>(Deleted)</p>
<p><u>Article 8 (Rights of Shareholders Holding Shares Less Than One Unit)</u> <u>(1) A Shareholder who holds shares of the Company less than one unit may not exercise any rights other than those specified below in respect of such shares less than one share unit:</u> <u>(i) The rights specified in each item of Article 189, paragraph 2 of the Companies Act;</u> <u>(ii) The right to receive allotment of shares for subscription and allotment of share options for subscription in accordance with the number of shares held by each shareholder; and</u> <u>(iii) The right set forth in the following paragraph.</u> <u>(2) A Shareholder who holds shares of the Company less than one unit may demand that the Company sell him/her the number of shares that would, when added with his/her shares less than one share unit, constitute one share unit.</u></p>	<p>(Deleted)</p>
<p>Article <u>9</u> through <u>31</u> (Omitted)</p>	<p>Article <u>7</u> through <u>29</u> (Same as the current provisions)</p>

3. Scheduled Date of the Amendment

March 14, 2018 (scheduled)

4. Conditions for Amendments to the Articles of Incorporation

The Articles of Incorporation will be amended on the condition that the proposal for the Share Consolidation is approved and passed as proposed and the Share Consolidation takes effect.

End