

FOR IMMEDIATE RELEASE

**Notification of Execution of Basic Agreement
pertaining to Tender Offer for Shares of Subsidiary**

Tokyo, Japan, April 26, 2017 --- Hitachi, Ltd. (TSE:6501, "Hitachi") today announced that it has executed a basic agreement (the "Basic Agreement") with HKE Holdings G.K. (Executor: William Janetschek, "HKE"), which is indirectly held and operated by a related investment fund whose equity interests are wholly owned by Kohlberg Kravis Roberts & Co. L.P. (Co-Chairman and Co-CEO: Henry R. Kravis, George R. Roberts; including affiliate companies and other related business entities, collectively referred to as "KKR") , and with HVJ Holdings Inc. (Representative Director and President: Tatsuo Kimura, "HVJ"), in which is invested by funds which are managed, operated, provided with information and the like by Japan Industrial Partners, Inc. (Representative Director, Hidemi Moue, "JIP") regarding (i) a tender offer scheduled to be conducted by HKE for the common shares of Hitachi Kokusai Electric Inc. (President and Chief Executive Officer: Kaichiro Sakuma, "Hitachi Kokusai," and those shares, the "Hitachi Kokusai Shares"), which is a consolidated subsidiary of Hitachi, (the "Tender Offer") and a share consolidation of Hitachi Kokusai Shares (the "Share Consolidation"), and the acquisition of treasury shares by Hitachi Kokusai (the "Share Repurchase"), through which Hitachi Kokusai becomes a wholly-owned subsidiary of HKE (ii) an absorption-type company split of the thin-film process solutions business of Hitachi Kokusai, whereby HKE will be the company succeeding in absorption-type split, to be conducted by HKE and Hitachi Kokusai after Hitachi Kokusai becomes a wholly-owned subsidiary of HKE (the "Company Split"), and (iii) the transfer by HKE of 20% of the Hitachi Kokusai Shares to Hitachi and 20% of the Hitachi Kokusai Shares to HVJ that is scheduled to take place after the Company Split, and other transactions that are incidental or related to those transactions (collectively, the "Transaction").

It is expected that upon the completion of the Transaction, the ratio of voting rights of Hitachi Kokusai held by Hitachi will be 20.00% and Hitachi Kokusai will change to an equity method affiliate of Hitachi.

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1. Purpose and Background of the Transaction

The purpose and background of the Transaction are as follows. The statements below regarding Hitachi Kokusai are based on the “Announcement of Opinion regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. by HKE Holdings G.K.” issued by Hitachi Kokusai today (the “Hitachi Kokusai Press Release”), other information made publicly available by Hitachi Kokusai, and explanations received from Hitachi Kokusai.

Hitachi Kokusai was formed in 2000 from the merger of Kokusai Electric Co., Ltd., Hitachi Denshi, Ltd., and Yagi Antenna Co., Ltd., which were engaged in businesses related to video, wireless communications, and semiconductor manufacturing equipment, and in 2009 Hitachi Kokusai became a consolidated subsidiary of Hitachi, as part of efforts to strengthen the comprehensive capabilities of the Hitachi Group and expanding Hitachi Kokusai’s global business. Hitachi Kokusai has been creating new value in the business areas of video and communication solutions and thin film process solutions and has helped to build infrastructure for a safe and affluent society.

The focus of customer needs in the market environment surrounding the video and communication solutions business is shifting from existing products and systems to solutions businesses. As such, Hitachi Kokusai has a pressing need to expand its social infrastructure business, by shifting focus to a business model that is centered on high-growth solutions such as IoT high-reliability wireless solutions and video security, which utilize its core technologies.

On the other hand, as technological innovation has been remarkable and competition is expected to further intensify in the semiconductor manufacturing equipment industry, to which the thin film process solutions business belongs, Hitachi Kokusai believes it will become increasingly important to be ahead of its competitors in research and development and capital investment.

In consideration of the above, Hitachi Kokusai has concluded that it will be in the interest of enhancing the enterprise value of each business to pursue management optimization per business, rather than to respond to recent changes in the business environment from the viewpoint of the enterprise value of Hitachi Kokusai as a whole.

In mid-July 2016, after Hitachi Kokusai discussed with Hitachi the strategies and future policies for each of its businesses, Hitachi agreed to Hitachi Kokusai’s policy to consider a new capital partner and confirmed that it would consider selling the shares of Hitachi Kokusai in its possession, as necessary. In late September 2016, Hitachi and Hitachi Kokusai commenced contacting multiple potential purchasers regarding the acquisition of all of the shares of Hitachi Kokusai, including the shares held by Hitachi,

and conducted bidding procedures, and in early April 2017, they selected KKR and JIP as the final potential purchasers.

Given that it is expected that the Hitachi Group will have greater opportunities to expand the video and communication solutions business through collaboration with the social innovation business, Hitachi and Hitachi Kokusai agreed that it will be important for the video and communication solutions business to maintain a certain capital relationship with Hitachi even after the Transaction. As a result, and after also taking into account business continuity, the initial bid is conditioned on a form of transaction where Hitachi will make a reinvestment in Hitachi Kokusai (the video and communication solutions business) as a minority shareholder after the thin film process solutions business has been carved out by way of an absorption-type company split through the Transaction.

Following the Transaction, KKR will aim to further improve the enterprise value of both the thin film process solutions business and the video and communication solutions business. Specifically, in the thin film process solutions business, KKR will leverage its global resources, networks, know-how, and its wealth of investment experience in the semiconductor-related segments. In the video and communication solutions business, KKR will work toward business reinforcement and increased management efficiency, together with Hitachi and JIP.

For details of the background and purpose leading to the decision by HKE to conduct the Transaction, the management policies of the thin film process solutions business and the video and communication solutions business following the Transaction, and the decision-making process of Hitachi Kokusai leading to the decision to conduct the Transaction and reasons for that decision, please refer to the “Announcement Regarding the Tender Offer for the Shares of Hitachi Kokusai Electric Inc. (Securities Code 6756)” issued today by HKE (the “HKE Press Release”) and the Hitachi Kokusai Press Release.

Hitachi will endeavor to achieve further growth by utilizing the funds it receives through the Transaction and accelerating the concentration of its management resources in the social innovation business.

2. Details of the Transaction

The following is a summary of the Transaction including the Tender Offer.

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

HKE intends to commence the Tender Offer (the tender offer price in the Tender Offer is 2,503 yen per share of Hitachi Kokusai) promptly upon the completion of the procedures and actions regarding approvals and authorizations and the fulfillment of the conditions precedent to the commencement of the Tender Offer stipulated in the Basic Agreement (as of today, HKE intends to commence the Tender Offer in early August 2017). With respect to all of the shares of Hitachi Kokusai held by Hitachi (53,070,129 shares, ratio of voting rights held: 51.67%, the "Shares to be Sold by Hitachi"), Hitachi will not tender in the Tender Offer but intends to sell all of the Shares to be Sold by Hitachi in response to the Share Repurchase which Hitachi Kokusai intends to conduct after the Share Consolidation takes effect.

In line with the purpose of the privatization of the Hitachi Kokusai Shares, HKE has not set a limit on the maximum number of shares to be purchased in the Tender Offer, and HKE intends to conduct a tender for all of the tendered shares if the total number of the tendered shares is not less than the minimum number of shares to be purchased (24,816,632 shares, which is the number of shares that is equal to the so-called majority of minority). If HKE is unable to acquire all of the Hitachi Kokusai Shares (other than the treasury shares held by Hitachi Kokusai and the Shares to be Sold by Hitachi) through the Tender Offer, then, following the successful completion of the Tender Offer, Hitachi Kokusai intends to undertake the Share Consolidation or other similar procedures so that HKE and Hitachi become the only two shareholders of Hitachi Kokusai.

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

Further, it is expected that a preferred equity investment (10.5 billion yen) will be made by Hitachi to HKE as part of the settlement funds pertaining to the Tender Offer and as part funds to purchase of the Hitachi Kokusai Shares that is equivalent to the total of any fraction that arises as a result of the Share Consolidation.

(2) Capital Reduction and Share Repurchase by Hitachi Kokusai

Hitachi Kokusai intends to conduct the Share Repurchase in which Hitachi Kokusai will acquire all of the Shares to be Sold by Hitachi after the Share Consolidation takes effect. Further, in conducting the Share Repurchase, Hitachi Kokusai intends to carry out procedures to reduce the amount of its capital, the amount of its capital reserve, and the amount of its retained earnings reserve.

The total amount of the consideration for the Share Repurchase is intended to be the amount obtained by deducting the amount delivered to Hitachi through the Share Consolidation from approximately 90.7 billion yen.

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

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

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

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

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

3. Outline of Hitachi Kokusai

(1) Name	Hitachi Kokusai Electric Inc.											
(2) Head Office	2-15-12, Nishi-shimbashi, Minato-ku, Tokyo											
(3) Representative	President & Chief Executive Officer: Kaichiro Sakuma											
(4) Outline of Business	Manufacture and sale of wireless communication systems, information processing systems, broadcasting systems, security and surveillance/image processing systems, semiconductor manufacturing systems											
(5) Capital (as of Mar. 31, 2017)	¥10,058,000,000											
(6) Established	November 17, 1949											
(7) Main Shareholders and Shareholding Ratios (as of Sep. 30, 2016)	<table> <tr> <td>Hitachi, Ltd.</td> <td>50.43%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td>7.99%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>4.43%</td> </tr> <tr> <td>Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)</td> <td>1.50%</td> </tr> <tr> <td>Goldman Sachs International (Proxy Account: Goldman Sachs Japan Co., Ltd.)</td> <td>1.37%</td> </tr> </table>		Hitachi, Ltd.	50.43%	Japan Trustee Services Bank, Ltd. (Trust Account)	7.99%	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.43%	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1.50%	Goldman Sachs International (Proxy Account: Goldman Sachs Japan Co., Ltd.)	1.37%
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(8) Relationship with Hitachi	Capital relationship	Hitachi owns 50.45% (of which it indirectly owns 0.01%) of the total number of issued shares of Hitachi Kokusai										
	Personnel relationship	One executive officer of Hitachi has been appointed Director at Hitachi Kokusai										
	Transaction relationship	Hitachi Kokusai sells electronic equipment and parts, etc. to Hitachi.										
	Status as related party	Hitachi Kokusai is a consolidated subsidiary of Hitachi and is considered a related party.										

4. Outline of HKE and HVJ

	HKE	HVJ
(1) Name	HKE Holdings G.K.	HVJ Holdings Inc.
(2) Head Office	Meiji Yasuda Building 11F, 2-1-1 Marunouchi, Chiyoda-ku, Tokyo	Meiji Yasuda Building 15F, 2-1-1 Marunouchi, Chiyoda-ku, Tokyo
(3) Representatives	Representative Member: KKR HKE Investment L.P. Representative: William Janetschek	Representative Director and President, Tatsuo Kimura
(4) Outline of Business	Trade and all operations incidental to trade	Investment, holding, management, etc. of securities
(5) Capital	25,000 yen	5,000 yen
(6) Established	February 2, 2017	April 14, 2017
(7) Main Shareholders and Shareholding Ratios (as of Apr. 26, 2017)	KKR HKE Investment L.P. (ownership percentage of 100.00%)	Japan Industrial No. 4 Business Limited Partnership (ownership percentage 100.00%)
(8) Relationship with Hitachi		
Capital relationship	None	None
Personal relationship	None	None
Business relationship	None	None
Related party relationship	None	None

5. Outlook

In the case that all of Shares to be Sold by Hitachi are sold as a result of this transaction, Hitachi plans to post an extraordinary gain of approximately 60.0 billion yen in gains on sale of affiliated companies' common shares in unconsolidated statements of operations for the fiscal year ending March 31, 2018 (April 1, 2017 - March 31, 2018).

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

About Hitachi, Ltd.

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges. The company's consolidated revenues for fiscal 2015 (ended March 31, 2016) totaled 10,034.3 billion yen (\$88.8 billion). The Hitachi Group is a global leader in the Social Innovation Business, and it has approximately 335,000 employees worldwide. Through collaborative creation, Hitachi is providing solutions to customers in a broad range of sectors, including Power / Energy, Industry / Distribution / Water, Urban Development, and Finance / Government & Public / Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

Cautionary Statement

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

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

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

Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;

- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi's ability to attract and retain skilled personnel;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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

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