

# News Release

FOR IMMEDIATE RELEASE

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

**Taipei, March 18, 2019** --- Hitachi, Ltd. (TSE: 6501, "Hitachi"), is currently conducting a public tender offer <sup>(1)</sup> to acquire all issued shares of Yungtay Engineering Co., Ltd. (TWSE: 1507, "Yungtay"), an elevator and escalator company based in Taiwan, via Hitachi Elevator Taiwan Co., Ltd. ("Hitachi Elevator Taiwan"), a wholly owned subsidiary of Hitachi. Hitachi Elevator Taiwan amended this public tender offer prospectus.

Please refer to the public tender offer prospectus which shall be found on the websites below:

(a) Market Observation Post System

The "Public Tender Offer Information" page (Chinese site only):

<http://mops.twse.com.tw/mops/web/t162sb01>

(b) Website of KGI Securities Co., Ltd.: <http://www.kgieworld.com.tw>

(1) News release dated January 16, 2019 entitled "Hitachi Commences Public Tender Offer for Shares of Yungtay, Elevator Company Based in Taiwan"

<http://www.hitachi.com/New/cnews/month/2019/01/190116.html>

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

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

Appendix 1

**Summary of February 25 Prospectus Amendment**

1. The discrepancy between the minimum number of shares to be acquired as published on the website of Hitachi on October 26, 2018 and the minimum number of shares to be acquired as announced for the public tender offer on January 16, 2019 is neither in violation of applicable laws nor harmful to the shareholders of Yungtay (the "Target Company") or the investors for the following reasons:
  - (1) The public statement published by Hitachi on October 26, 2018 on its website was not the public announcement defined under Article 43-2 of the Securities and Exchange Act and the Regulations Governing Public Tender Offers for Securities of Public Companies. Hence, there is no such circumstance of reducing the intended amount of securities to be acquired in a public tender offer or violating relevant regulations.
  - (2) In addition, even though the minimum number of shares to be acquired filed for the public tender offer is different from that as published by Hitachi on October 26, 2018, it will not harm the rights of the shareholders of the Target Company and/or the investors, since the maximum number of shares to be acquired in the public tender offer remains the same and all of the shareholders of the Target Company are still entitled to tender all of their shares in the public tender offer.
  - (3) Furthermore, the downwards adjustment of the minimum number of shares to be acquired will expectedly enhance the possibility of a successful public tender offer, and thus would be beneficial to the shareholders who would like to partake in tendering their shares.
  - (4) The purchase price for all the shares of the shareholders tendering their shares in the public tender offer is the same, and thus is fair to all the shareholders. As for the other investors who are not the Target Company's shareholders upon the announcement of the public tender offer on January 16, 2019, they are free to decide whether to buy the Target Company's shares and then to tender their shares.

On a related note, under Taiwanese law, if prior approvals are required from the authorities in Taiwan and/or other jurisdictions (in the present case, the prior approval of the State Administration for Market Regulation of People's Republic of China (SAMR)), the offeror must file its contemplated public tender offer after such required approvals have been obtained or applications for such required approvals have been filed. Given that the SAMR required relevant public documents to substantiate Hitachi's intention to acquire the Target Company, Hitachi published a public statement on October 26, 2018 in order to prompt the SAMR's review of the merger filing. The adjustment to the minimum number of shares to be acquired needs not to be approved by the SAMR.

2. Hitachi issued a binding offer to the Target Company on October 26, 2018 expressing its commitment to acquire all of the common shares in the Target Company, although it is not legally required to do so. The subject binding offer is a unilateral undertaking, which is binding upon Hitachi only, and can be amended under the laws of Japan. Since the terms and conditions of the public tender offer (other than the aforementioned minimum number of shares to be acquired) are generally consistent with the subject binding offer, the subject adjustment to the minimum number of shares to be acquired of the public tender offer does not do any harm to the shareholders of the Target Company or the investors.
3. Dennis Yu, CPA of L&L, Leaven & Co., CPAs, who has been retained by Hitachi in issuing the fairness opinion, meets the independence requirements for the following reasons:
  - (1) Although CPA Yu is also working at Lee and Li, Attorneys-at-Law in the capacity of a consultant, he did not participate in any legal consulting service in relation to the public tender offer provided by Lee and Li, Attorneys-at-Law. In addition, CPA Yu has never rendered any service to either Hitachi or the Target Company in his capacity as a tax consultant.
  - (2) In addition, CPA Yu confirmed that his being engaged in issuing the fairness opinion for the public tender offer is indeed compliant with the independence requirements according to the Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant No. 10 "Integrity, Objectivity and Independence."
  - (3) Furthermore, CPA Yu confirmed that he has no direct or material indirect interests with Hitachi or the Target Company that may impair his impartiality and independence with regard to the engagement for the issuance of the fairness opinion.

## Appendix 2

### Items to be Included in the Public Tender Offer Prospectus

Hitachi and Hitachi Elevator Taiwan (the "Offeror") strongly believes that the Offeree should make their decision regarding their shareholdings based on accurate information and should not be influenced by the unverified market rumors. On the basis of the above, with regard to the misleading market information relating to the fairness of the Purchase Price, the valuation date and the comps set adopted in the Fairness Opinion, and the calculation of EV/EBITDA, the Offeror hereby clarifies and explains as follows:

1. With regard to the groundless claims surrounding the choice of not using January 16, 2019 (i.e., the announcement date of the public tender offer) as the valuation date of the Purchase Price in the Fairness Opinion issued by Dennis Yu, CPA of L&L, Leaven & Co., CPAs, as Hitachi announced its intention to acquire the Target Company via a public tender offer on October 26, 2018, the stock price before October 26, 2018 would be deemed as unaffected price for the following reasons:
  - (1) The stock price on October 25, 2018, which is the day before Hitachi announced its intention to acquire the Target Company via a public tender offer, was 49.15 TWD.
  - (2) In addition, as of October 25, 2018, the one month average stock price of the Target Company was 48.78 TWD, the three months average was 48.05 TWD, the six months average was 48.71 TWD, the one year average was 51.59 TWD and the three years average was 49.42 TWD. This means that for the past three years, the Target Company's stock had been traded around 50 TWD.
  - (3) The stock price soared and the stock has been traded around 60.0 TWD after Hitachi made the announcement on October 26, 2018, which indicates that the stock price around 60.0 TWD level was affected by Hitachi's announcement related to the proposed acquisition of the Target Company rather than any sudden fundamental financial or operational change on the Target Company's enterprise value.
2. The allegation that the Offeror only announced its intention of the public tender offer because of the Target Company's financial results for the fourth quarter, 2018 is untrue. The results for the fourth quarter, 2018 were not released when the Offeror launched the public tender offer (i.e., January 16, 2019). In addition, the results for the third quarter, 2018 were considerably worse than those of the previous fiscal year (i.e., 2017) at least from the following perspectives:
  - (1) The revenue for the third quarter, 2018 was 3,478 million TWD, representing a decline of 19.0% year over year.
  - (2) The operating profit for the third quarter, 2018 was 206 million TWD,

representing a decline of 43.52% year over year.

(3) The net income for the third quarter, 2018 was 178 million TWD, representing a decline of 34.72% year over year.

3. As for the accusation that the Fairness Opinion issued by CPA Yu did not adopt a comps set that included international comparable companies, Grant Thornton was engaged by the Target Company to issue a fairness opinion on the Purchase Price. According to Grant Thornton's fairness opinion published by the Target Company, Grant Thornton's fairness opinion was issued based on a comps set which consists of local and international comparable companies such as Golden Friends Corporation, CANNY ELEVATOR CO., LTD., Guangzhou Guangri Stock Co., Ltd., Schindler Holding AG, Fujitec Co., Ltd. and KONE Oyj, including two Chinese players. Grant Thornton concluded with a price range of 58.5 TWD to 67.8 TWD, which shows no material difference to the fairness opinion issued by CPA Yu engaged by the Offeror.
4. Regarding the misunderstanding that the Purchase Price of the Offeror is only 11x of the Target Company's EV/EBITDA multiple, the Purchase Price of 60.0 TWD indicates an EV/EBITDA multiple of 16.4x based on the LTM (Last Twelve Months) data as of the third quarter, 2018 of the Target Company. This is significantly higher than the Target Company's historical LTM EV/EBITDA, the one year average of which is 8.9x and the three years average of which is 6.9x<sup>(1)</sup>.

The details regarding the calculation of the EV/EBITDA multiple of 16.4x are as follows: total issued and outstanding shares of the Target Company (including shares held by the Target Company's wholly owned subsidiary) multiplied by 60.0 TWD leads to a market capitalization of 24,649.2 million TWD;

**PLUS** Minority interest of 155.8 million TWD

**PLUS** Interest-bearing debt of 0.0 million TWD

**LESS** Cash and cash equivalent of 2,067.0 million TWD, leading to an enterprise value of 22,738.0 million TWD

Given that the LTM EBITDA for the third quarter, 2018 is 1382.3 million TWD, leading to multiple of 16.4x.

(1) The source of this data is FactSet Research Systems. It is calculated at the daily average for the period of one year and three years, respectively, using October 25, 2018 as the record date. Such data is for your reference only.

5. Regarding the criticism on the fairness of the Purchase Price, which was raised solely based on the stock price of Golden Friends Corporation (TWSE: 4506), the direct comparison of the stock prices of two companies is meaningless because the two companies would have different numbers of shares outstanding and hence different market capitalizations (i.e., equity value) as well as the different financial

performances. In fact, if the Purchase Price of 60.0 TWD is multiplied by the Target Company's total outstanding shares, it leads to a market capitalization of 24,521.4 million TWD, which is about 2.3 times the market capitalization of Golden Friends Corporation<sup>(2)</sup>.

(2) This is calculated based on the closing stock price of Golden Friends Corporation (i.e., 60.1 TWD) on March 15, 2019 and the number of its outstanding common shares of 177,012,000 shares.

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