

Company name	Kaga Electronics Co., Ltd.	
Securities code	8154 First Section of Tokyo Stock Exchange	
Head office	20 Kandamatsunagacho, Chiyoda-ku, Tokyo, Japan	
Representative	President & COO	Ryoichi Kado
Contact person	Managing Director	Eiji Kawamura
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### **Notice Regarding Acquisition of Shares in Fujitsu Electronics Inc. (and Making It a Subsidiary)**

At the board of directors meeting held on September 10, 2018, Kaga Electronics Co., Ltd. (TSE:8154, “Kaga Electronics” or “the Company”) resolved to acquire shares in Fujitsu Electronics Inc. (the “Target Company”) and to make the Target Company its subsidiary (the “Share Acquisition”).

#### 1. Reasons Behind the Share Acquisition

Since its foundation, Kaga Electronics has been expanding the scope of its operations by responding to a variety of customer needs under its corporate philosophy of “Everything we do is for our customers.” As an independent general trading company with a specialization in electronics, Kaga Electronics is engaged in a wide variety of business activities and offers a variety of services to customer both in Japan and abroad, ranging from the Electronic Parts and Semiconductor business where it distributes electronic parts and semiconductors by leveraging its expertise in the segment, the EMS business (contracted manufacturing of electrical substrates) where it has a competitive advantage in high-mix low-volume production, to the Information Equipment business and New Business where it supports to customers in planning, development and design of their products, creation of software/ video images, provision of network solutions and other system support services.

However, the business environment surrounding the electronics trading industry, where many players are competing each other, has been changing more dramatically in recent years on the back of accelerated consolidation and integration of suppliers including semiconductor/device manufacturers. We believe that the competition between electronics trading companies will intensify further in the future as their policy changes concerning distribution agents, a growing trend that customers shift their assembly of finished products overseas, changes in demand and supply and also in prices in both domestic and overseas markets, and shortening product lifecycles as a result of ongoing technological innovations.

Under these circumstances, Kaga Electronics developed “Medium-term Management Plan 2018” (released on November 4, 2015), in which the company has attached utmost importance to “establishment of profit-oriented management.” In accordance with the plan, the company is focused on increasing sales of electronic devices to existing major customers and expanding the EMS business primarily in overseas markets. The Share Acquisition this time is part of the efforts to fulfill its growth strategies embodied in the Medium-term Management Plan, and is expected to produce the synergies as follows:

① Market share expansion for the Electronic Parts and Semiconductor business

Seek to strengthen our ability to respond to customer needs and expand our shares in the electronic parts and semiconductors markets by complementing our offerings and sales channels that Kaga Electronics globally develops with those of the Target Company.

② Expansion in scale of the EMS business

Achieve discontinuous growth of the high-value-added EMS business, which we are specialized in, by adding the Target Company’s broad customer base, one of its competitive advantages, to our existing

global network of EMS business bases.

- ③ Further improvement in management efficiency through collaboration of businesses of the two companies

Seek to improve the profitability of both Kaga Electronics and the Target Company by optimizing and sharing, to the greatest extent possible, their sales related organizations and other functions.

Post the Share Acquisition, we evolve into a corporate group with total net sales of about 500 billion yen and can solidify our management foundation towards the goal of becoming the “industry leader in Japan,” as set out in its Medium-term Management Plan. Also, by leveraging this solid management foundation and through continued efforts to expand the group’s scale and improve its management quality, we seek to achieve sustainable growth as a world-class company which can stand up to overseas competitors with their sales crossing the trillion yen mark.

## 2. Overview of the Target Company (Fujitsu Electronics Inc.)

(1)	Name	Fujitsu Electronics Inc.		
(2)	Address of Head Office	Shin-Yokohama Chuo Building, 2-100-45, Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa Prefecture, Japan		
(3)	Representative’s title and name	President and Representative Director Junji Ogihara		
(4)	Business	Design, development and sale of electronic devices		
(5)	Capital	4,878 million yen		
(6)	Date of establishment	May 2, 1952		
(7)	Major shareholders and their ownership ratios	Fujitsu Semiconductor Limited 100%		
(8)	Relationships with Kaga Electronics Co., Ltd.	Capital relationships	None	
		Personal relationships	None	
		Business relationships	Concerned has some business relations with Kaga Electronics	
(9)	Consolidated business performance and financial position over the last three years			
	Fiscal period	FYE March 2016	FYE March 2017	FYE March 2018
	Consolidated net assets	33,092 million yen	35,691 million yen	35,379 million yen
	Consolidated total assets	98,316 million yen	93,063 million yen	92,516 million yen
	Consolidated net assets per share	1,243 yen	1,340 yen	1,329 yen
	Consolidated net sales	323,569 million yen	242,797 million yen	258,703 million yen
	Consolidated operating income	6,138 million yen	3,719 million yen	2,631 million yen
	Consolidated ordinary income	5,896 million yen	3,841 million yen	2,232 million yen
	Ordinary income attributable to owners of parent	3,888 million yen	2,979 million yen	1,547 million yen
	Consolidated net income per share	146 yen	112 yen	58 yen
	Dividends per share	- yen	16 yen	68 yen

Note : Fujitsu Electronics plans to pay a cash dividend of 10 billion yen (“the cash dividend”) during fiscal year ending March 31, 2019, prior to the Phase 1 as described later.

### 3. Overview of the Selling Shareholder

(1)	Name	Fujitsu Semiconductor Limited	
(2)	Address of head office	Shin-Yokohama Chuo Building, 2-100-45, Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa Prefecture, Japan	
(3)	Representative's title and name	President and Representative Director	Kagemasa Magaribuchi
(4)	Business	Businesses related to system memories, wafer foundry and sales	
(5)	Capital	60,000 million yen	
(6)	Date of establishment	March 21, 2008	
(7)	Net assets	88,922 million yen	
(8)	Total assets	107,474 million yen	
(9)	Major shareholders and their ownership ratios	Fujitsu Limited 100%	
(10)	Relationships with Kaga Electronics Co., Ltd.	Capital relationships	None
		Personal relationships	None
		Business relationships	None
		Related party status	None

### 4. Number of Shares to Be Acquired, Acquisition Price and Share Ownership Before and After Acquisition

(1)	Shares held before the acquisition	0 share (Voting rights: 0, Percentage of voting rights held: 0%)	
(2)	Shares to be acquired	Phase 1: 18,641,972 shares (Voting rights: 18,641) Phase 2: 3,995,000 shares (Voting rights: 3,995) Phase 3: 3,995,000 shares (Voting rights: 3,995)	
(3)	Acquisition price	Shares of common stock in Fujitsu Electronics Inc.	20,413 million yen
		Advisory and other fees (estimate)	130 million yen
		Total (estimate)	20,543 million yen
(4)	Shares held after the acquisition	Phase 1: 18,641,972 shares (Voting rights: 18,641, Percentage of voting rights held: 70.0%) Phase 2: 22,636,972 shares (Voting rights: 22,636, Percentage of voting rights held: 85.0%) Phase 3 26,631,972 shares (Voting rights: 26,631, Percentage of voting rights held: 100.0%)	

Note 1: In order for Fuji Electronics to continue operating smoothly within our group, the Share Acquisition will be completed through three phases of share transfer. Phase 1 is scheduled to take place on January 1, 2019, Phase 2 on December 28, 2020 and Phase 3 on December 28, 2021 and upon completion of the three phases of share transfer, Fujitsu Electronics becomes a wholly-owned subsidiary of Kaga Electronics.

Note 2: The acquisition price for each phase, based on the agreement of the Share Acquisition, is scheduled to be the price that is adjusted for such changes in the amount of consolidated net assets of the Target Company. Therefore, (3) Acquisition Price is the estimate of the total acquisition price (after paying the cash dividend).

#### 5. Timeline of the Share Acquisition

(1)	Board of directors meeting	September 10, 2018
(2)	Execution of the agreement	September 10, 2018
(3)	Execution of the Share Acquisition	Phase 1: January 1, 2019 (scheduled) Phase 2: December 28, 2020 (scheduled) Phase 3: December 28, 2021 (scheduled)

#### 6. Overview of the Target Company after the Share Acquisition

(1)	Name	Fujitsu Electronics Inc.
(2)	Address of head office	Shin-Yokohama Chuo Building, 2-100-45, Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa Prefecture, Japan
(3)	Representative's title and name	Chairman and Representative Director Isao Tsukamoto President and Representative Director Junji Ogihara

#### 7. Financing

Kaga Electronics intends to finance the Share Acquisition with cash on hand and new bridge loans. As for the bridge loans, the company will consider refinancing to a variety of longer-term funds.

#### 8. Future Prospects

The effects that the Share Acquisition will have on the business performance of Kaga Electronics are currently under review. If matters to be disclosed arise, such matters will be disclosed promptly.

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