

Kaga Electronics acquires 70% shares in Fujitsu Electronics from Fujitsu Semiconductor

Kaga Electronics Co., Ltd. (TSE:8154 “Kaga Electronics”) and Fujitsu Semiconductor Limited (“FSL”) today announced that they have entered into a definitive agreement whereby Kaga Electronics acquires 70% shares in Fujitsu Electronics Inc. (“FEI”) from FSL.

Kaga Electronics plans to also acquire the remaining 30% shares held by FSL by the end of 2021. The transfer of 70% shares, which takes place in Phase 1 is expected to close in January 2019, subject to approval of relevant regulatory authorities and other customary closing conditions.

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, we have reached the conclusion that the optimal solution to maximize the value for all stakeholders, including customers and partners, is to integrate the businesses of Kaga Electronics and FEI. In its “Medium-term Management Plan 2018” (released on November 4, 2015), Kaga Electronics has attached utmost importance to “establishment of profit-oriented management,” and thus has focused on increasing sales of electronic devices to existing major customers and expanding the EMS business (contracted manufacturing of electrical substrates) primarily in overseas markets. The acquisition of FEI’s shares this time is part of the efforts to fulfill its growth strategies embodied in its Medium-term Management Plan. FEI has aimed to expand its global reach with the reinforcement on broadening of the product line-up as well as further development of existing business. FEI can further intensify the growth strategy following this transaction. We expect to create the synergies as follows:

① Market share expansion for the Electronic Parts and Semiconductor business

Seek to enhance the capability to address clients’ needs and expand shares in the electronic parts and semiconductor markets by complementing distribution channels domestically and internationally.

② Expansion in scale of the EMS business

Achieve discontinuous growth of the high-value added EMS business, which Kaga Electronic is specialized in, by adding FEI’s broad customer base, one of its competitive advantages, to the 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 FEI by optimizing and sharing, to the greatest extent possible, their sales related organizations and other functions.

For the present, FEI will retain its trade name “Fujitsu Electronics Inc.” and continue to deliver its existing offerings.

Message from President and Representative Director of Kaga Electronics Ryoichi Kado

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 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. By welcoming FEI into our group, Kaga Electronics evolves into a corporate group with total net sales of about 500 billion yen and can solidify its 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.

Message from President and Representative Director of FSL Kagemasa Magaribuchi

FEI has continued to deliver a wide variety of offerings, including total solutions, tailored to a variety of customer needs by leveraging its long nurtured ability to make proposals concerning electronic devices and based on trusted relationships with customers and partners. In fact, FEI has the teams of engineers that can develop, design and mass-produce products in-house and has collaborated with a number of business partners around the world to deliver a variety of solutions (including cutting-edge solutions unique to Fujitsu). We believe we can provide higher values, such as enhanced quality, to our existing and new customers and partners by combining FEI’s strengths and the synergies expected from the integration with Kaga Electronics. Furthermore, considering the fact that FEI has been distributing a variety of Fujitsu’s products and services, Fujitsu will continue to collaborate with FEI. We expected that the combination will generate new business opportunities for IoT, automotive and AI, in addition to the existing business with Fujitsu with a more comprehensive customer base and a robust product portfolio. As a member of Kaga Electronics Group, we strongly believe that FEI will be able to deliver accelerated growth.

For more information:

Fujitsu Semiconductor: <http://www.fujitsu.com/jp/group/fsl/en/>

Fujitsu Electronics: <http://www.fujitsu.com/jp/group/fei/en/>

Kaga Electronics: <https://www.taxan.co.jp/en/>

Press Contacts

Fujitsu Semiconductor Limited

Public Relations

<https://www.fujitsu.com/jp/group/fsl/en/contact/press-inquiry-en.html>

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