

KAGA ELECTRONICS CO., LTD.

KAGA ELECTRONICS Acquires Pioneer Manufacturing Subsidiary
Acquisition will strengthen competitiveness in EMS business for automotive devices and medical equipment and accelerate growth strategies

Kaga Electronics Co., Ltd. (Headquarters: Chiyoda-ku, Tokyo; President & COO: Ryoichi Kado; hereafter, “the Company”) acquired from Pioneer Corporation (“Pioneer”) shares of Towada Pioneer Corporation (“Towada Pioneer”), a Pioneer manufacturing subsidiary, to make Towada Pioneer into a Group company. The details of the acquisition are set forth below:

1. Reason for the Share Acquisition

Since its foundation in 1968, the Company has expanded its business domains by responding to the various needs of customers in accordance with its philosophy of “everything we do is for our customers.”

Within this process, we have positioned the EMS business as a core driver of growth in our medium-term management plan and have focused our efforts on expanding and enhancing overseas production bases in response to increasing calls from customers. Development of our production base network has been primarily in China and the ASEAN region, but we added production bases in Mexico and Vietnam in 2017 and in Turkey and India in 2018. The Company currently has sixteen EMS production plants in ten countries, including Japan.

By adding Towada Pioneer to the Group, we will incorporate the manufacturing know-how, outstanding production human resources, and production facilities that Towada Pioneer has developed over many years as a manufacturing subsidiary of Pioneer, a specialized electronics maker. The objectives are to bolster our capacity to respond to growing domestic production demand and reinforce our automotive related business. In the growth fields of automotive devices and medical equipment, areas where the Company’s business is expanding, we will share Towada Pioneer’s tangible and intangible resources, including its extensive production track record, production facility designs, tool manufacturing, and quality assurance systems, leading to the acquisition of an overwhelming competitive advantage over our EMS competitors.

The Company will leverage its competitive advantage in the EMS business to become a corporate group with net sales in the 500 billion yen range, as indicated in our medium-term management plan, and become Japan’s leading company in the industry. We will continue to work to expand the scope of Group business and to enhance quality with the aim of becoming a company that can successfully compete on a global scale against massive overseas businesses with net sales in the 1 trillion yen range.

After this Acquisition Towada Pioneer is aiming for sales of 10 billion yen in three years.

2. Overview of the Acquired Company

- (1) Name: Towada Pioneer Corporation
* The name will be changed to Kaga EMS Towada Co., Ltd. (tentative)
- (2) Location: 1-15-1 Motomachi Higashi, Towada City, Aomori Prefecture

- (3) Representative: Noriaki Yamamoto, President and Representative Director
- (4) Business: Board mounting and assembly of automotive electronic devices and medical equipment
- (5) Capital: 30 million yen
- (6) Established: April 2, 1990

3. Overview of Share Seller

- (1) Name: Pioneer Corporation
- (2) Location: Bunkyo Green Court, 28-8, Honkomagome 2-chome, Bunkyo-ku, Tokyo
- (3) Representative: Koichi Moriya, President and CEO
- (4) Business: Development, manufacture, and sale of car electronics, medical and health care-related devices, and other products
- (5) Capital: 131.381 billion yen
- (6) Established: May 8, 1947

4. Schedule

- (1) Share assignment agreement execution date: July 25, 2019
- (2) Share assignment execution date: October 1, 2019 (scheduled)

5. Future Outlook

The impact on the Company's consolidated financial results from the share acquisition will be de minimis.

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