

Acquisition of Shares in Fujitsu Electronics Inc. (and Making It a Subsidiary)

September 18, 2018

KAGA ELECTRONICS CO., LTD.

President & COO

Ryoichi Kado

- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.

- Display method in this material
 - Number : Truncated less than the display unit.
 - Ratio : After calculation in yen units, Round down one digit of Display unit.

Framework of the Medium-Term Management Plan

Basic Policies

- (1) Reinforce profit foundations
- (2) Create new business
- (3) Reinforce management foundations

Management Target (FY Ending March 2019)

Sales 290 billion yen
Ordinary income... 10 billion yen
ROE 8% or higher

Medium- to Long-Term Vision

- Establish **management that prioritizes profits**
- Prepare for a major advance as **“next-generation Kaga Electronics”**
- Become **No. 1 in Japanese industry** and aim for continuous growth as **a company that can do business globally**

“Five important themes” for the Group’s growth

EMS business	<ul style="list-style-type: none">• Expand overseas bases toward business scale expansion
Automotive devices	<ul style="list-style-type: none">• Response to market needs and new technologies of ADAS/DMS*• Response to a shift to hybrid/electric vehicles
Tele-communication (IoT)	<ul style="list-style-type: none">• Develop LPWA* market and create cloud business using AI
Execution of M&A	<ul style="list-style-type: none">• Reinforce management foundations and profit foundations while monitoring industry reorganization
Investment in ventures	<ul style="list-style-type: none">• Start investment activity targeting venture companies and businesses using 5 billion yen over three years

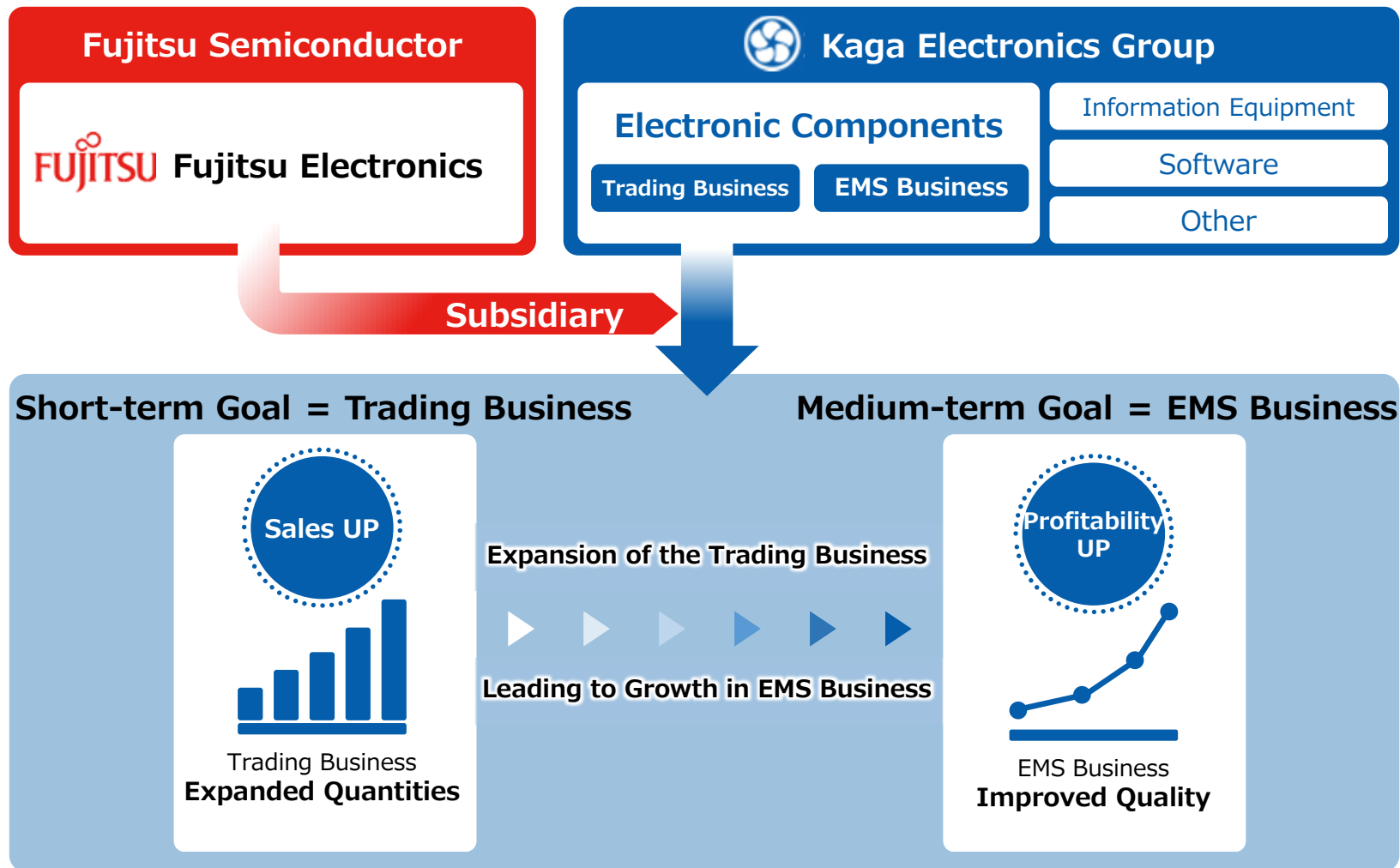
Overview of the Acquisition

Scheme	<ul style="list-style-type: none"> • Acquire 70% of shares in Fujitsu Electronics from Fujitsu Semiconductor, forming a subsidiary. Acquire gradually until becoming a wholly owned subsidiary in January 2022
Acquisition Price	<ul style="list-style-type: none"> • Total 20.5 billion yen (forecast total)
Financing	<ul style="list-style-type: none"> • Plan to finance with self-funding and new bridging loan • Consider switching to the procurement of various long-term funding for this bridging loan
Financial Impact	<ul style="list-style-type: none"> • Amortization schedule of goodwill and intangible fixed assets to be released after acquisition • However, Acquisition Price \doteq Net Assets, so the impact is expected to be slight
Schedule of Stock Transfer	<ul style="list-style-type: none"> • First Phase : January 2019 (70%) • Second Phase: December 2020 (15%) • Third Phase : December 2021 (15%)

- The acquisition price at each phase will be adjusted based on fluctuations in the value of the consolidated net assets of Fujitsu Electronics, and the above acquisition price is the estimated amount at current prices.
- This share acquisition is subject to approval by relevant authorities in accordance with domestic and international competition laws.
- The impact on consolidated results for the current fiscal year (ending March 2019) will be released after confirmation.

Purpose of the Acquisition

- Drastic expansion of business scale for core electronic components business becoming the “Industry No. 1”



Aims of This Acquisition

Aim 1



Expand product offerings and share customer base forming

Japan's No.1

corporate group in the industry

Aim 2



Begin with trading and move into EMS to realize

**Expanded Profits
and
Improved Margins**

Aim 3



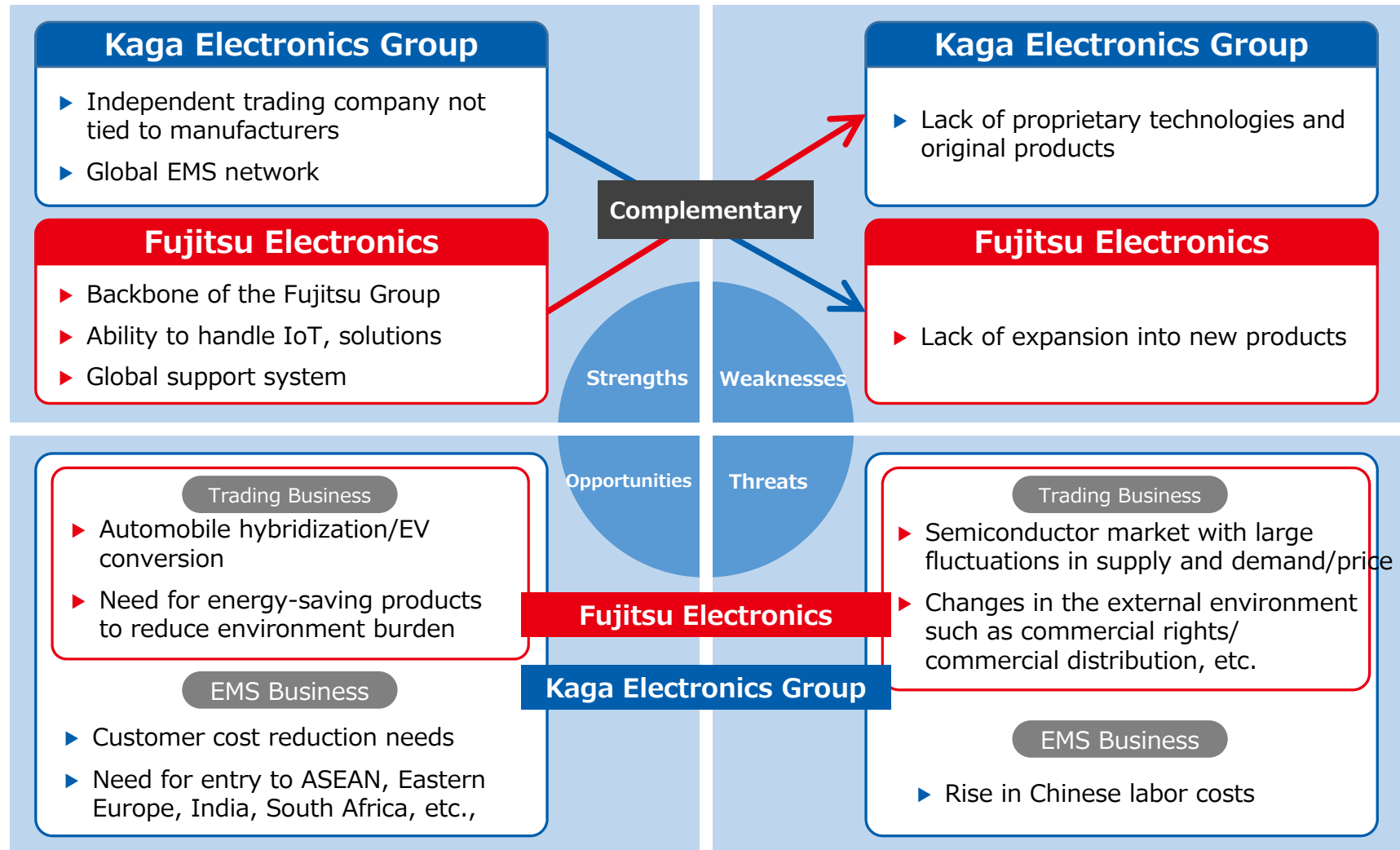
Through this acquisition, aim to become a

**World Class
Company**

which can survive global competition

SWOT Analysis of the Acquisition

- Aim to maximize revenue through acquisition synergy by supplementing each other's weaknesses with our strengths



Industry Positioning after Acquisition (FY Ended March 2018 Results Base)

- The birth of an industry-leading class 500 billion yen Group.
Lead the further reorganization of the industry

【Top10 of Electronics trading company : net sales】

Rank	Company name	amount of sales
1	MACNICA FUJI ELECTRONICS HOLDINGS, INC.	504.1
2	MARUBUN CORPORATION	347.5
3	UKC Holdings Corporation	301.4
4	Fujitsu Electronics Inc.	258.7
5	RYOSAN	254.1
6	RYODEN CORPORATION	236.5
7	KAGA ELECTRONICS CO.,LTD.	235.9
8	SIIX Corporation	233.2
9	TOMEN DEVICES CORPORATION	197.6
10	Elematec Corporation	196.2

【Top5 of after Acquisition】

(Billion yen)

Rank	Company name	amount of sales
1	MACNICA FUJI ELECTRONICS HOLDINGS, INC	504.1
2	KAGA ELECTRONICS CO.,LTD. + Fujitsu Electronics Inc.	494.6
3	MARUBUN CORPORATION	347.5
4	UKC Holdings Corporation	301.4
5	RYOSAN	254.1

Note: Simple sum base for “Kaga Electronics + Fujitsu Electronics”,
SIIX figures for FY ended December 2017

※Data Source: Internal study

(Reference) Specialist Trading Company Sales Rankings (FY Ended March 2018 Results)

- “500 billion yen to trillions yen Class”: Requirements to become an industry leader in a mega-competitive industry

(Billion yen)

Rank	Company name	amount of sales
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【Pharmaceutical wholesale】

1	MEDIPAL HOLDINGS CORPORATION	3,146.3
2	SUZUKEN CO.,LTD.	2,124.0
3	Alfresa Corporation	2,067.5
4	TOHO HOLDINGS CO., LTD.	1,213.3
5	VITAL KSK HOLDINGS, INC.	565.5

【Grocery wholesale】

△ 1	NIPPON ACCESS,INC.	2,137.4
△ 2	KOKUBU GROUP CORP.	1,879.7
3	KATO SANGYO CO., LTD.	973.8
4	Coca-Cola Bottlers Japan Inc.	872.6
△ 5	MITSUI FOODS CO.,LTD.	816.4

Rank	Company name	amount of sales
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【Steel・Metal Products wholesale】

△ 1	Marubeni-Itochu Steel Inc.	2,152.3
△ 2	Metal One Corporation	2,118.0
3	NIPPON STEEL & SUMIKIN BUSSAN CORPORATION	2,062.3
4	HANWA Co.,Ltd.	1,791.1
△ 5	JFE Shoji Trade Corporation	1,279.3

【Textile・Clothing wholesale】

△ 1	Toray International,Inc.	587.7
2	CHORI CO.,LTD.	317.7
△ 3	World Co., Ltd.	245.8
4	Onward Kashiya Co, Ltd.	243.0
△ 5	TEIJIN FRONTIER CO., LTD.	215.6

Note: Figures for Kokubu Group Headquarters, Coca-Cola Bottlers Japan for FY ended December 2017, and Onward Kashiya for FY ended February 2018

※Data Source: Internal study

△···Indicates unlisted companies.

Outline of Fujitsu Electronics

Company Name	<ul style="list-style-type: none">• Fujitsu Electronics Inc.
Representative	<ul style="list-style-type: none">• President and Representative Director Junji Ogihara
Locations	<ul style="list-style-type: none">• Headquarters: 2-100-45, Shin-Yokohama, Kohoku-Ku, Yokohama-shi, Kanagawa, Japan
History	<ul style="list-style-type: none">• 1952: Established as Hirayama Denki Shoji Co., Ltd.• 1968: Involvement of Fujitsu Corporation in management• 2008: Fujitsu Limited spun off its LSI division to establish Fujitsu Microelectronics Limited, becoming a wholly owned subsidiary
Business Activities	<ul style="list-style-type: none">• Design, development, and sale of electronic devices

- After acquiring the 70% stake in January 2019, Isao Tsukamoto (current representative director and chairman) from the Company, It is scheduled to take office as chairman of the company's representative director.

Business Content and Recent Achievements of Fujitsu Electronics

- Aim to become a global electronics solutions provider

Device Solutions

High quality and high-performance cutting-edge device line-up in addition to Fujitsu Semiconductor products

IoT Solutions

Support customer businesses with AI and platforms centered on the Fujitsu Group IoT services

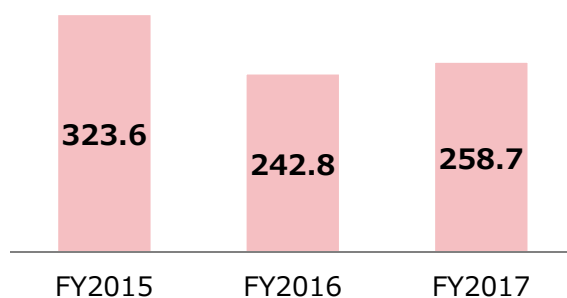
Original Products and Services

Develop optimized hardware and software, and provide customers with one stop for processes from design to mass production.

FUJITSU Fujitsu Electronics

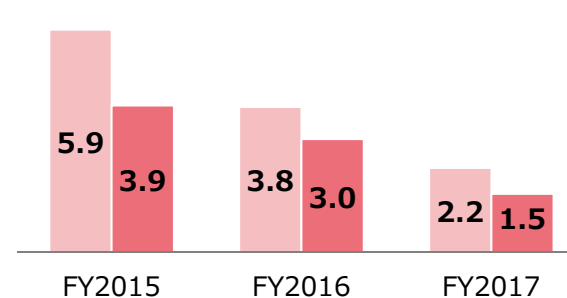
Consolidated Sales

(Billion yen)



Consolidated Ordinary Income/Net Profit

(Billion yen)



Strengths of the Fujitsu Electronics Group

- The Fujitsu Electronics Group aims to develop our business based on the following strengths.



Fujitsu Electronics
CORE
Competencies



Direction for the Business Goals of Fujitsu Electronics

- **Aim to expand business by (1) Expanding Products, (2) Expanding Solutions, and (3) Strengthening Global Development**

1. Expansion of Products

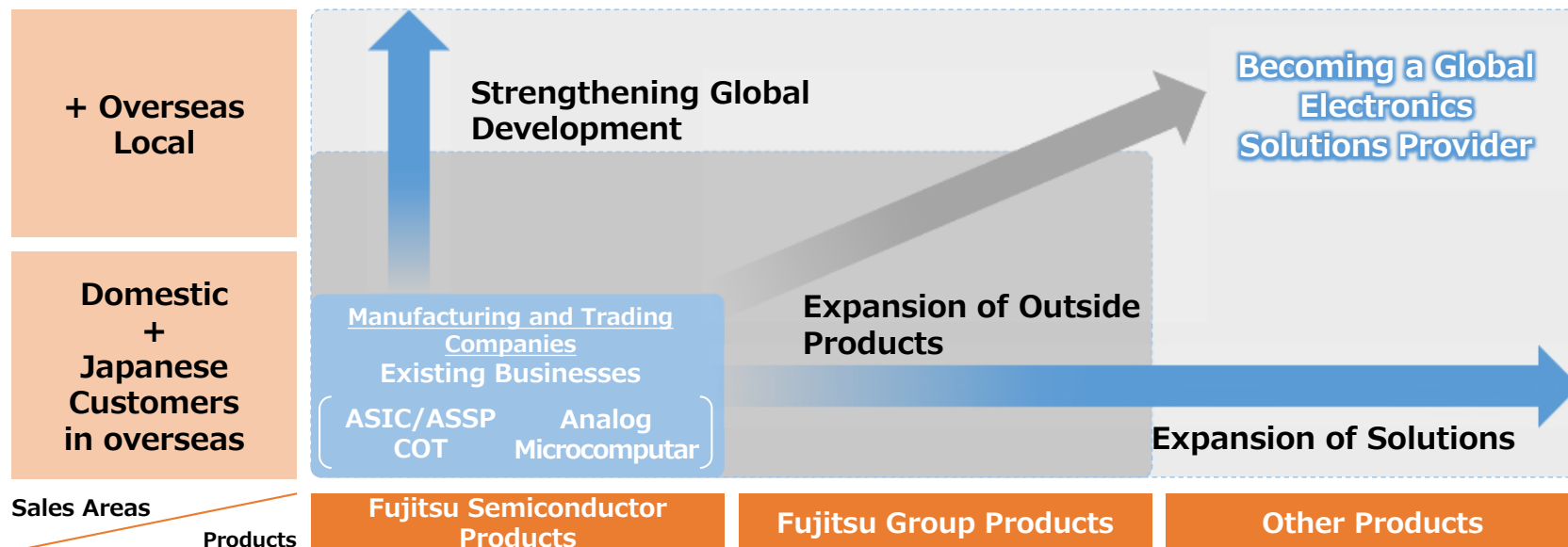
- Expansion of product offerings on a global level

2. Provision of Added Value to Customers through the Strengthening of Solutions Technologies

- Provision of solutions combining optimal technologies and products from inside and outside of the company
- Utilization of Fujitsu Group resources (development and cooperation with manufacturing companies)

3. Acceleration of Global Development through the Leveraging of Overseas Bases

- Active development of Japanese customers and local customers in overseas market
- Strengthening global supply chains



Aim to expand business from a semiconductor manufacturing trading company to a global electronics solutions provider

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**“Everything we do is
for our customers”**



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL:+81-3-5657-0106

FAX:+81-3-3254-7133

E-mail : webmaster@taxan.co.jp

<https://www.taxan.co.jp>