

# Acquisition of Shares in EXCEL CO., LTD. (and Making It a Subsidiary)

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December 2019

KAGA ELECTRONICS CO., LTD.

President & COO

Ryoichi Kado

# Overview of the Acquisition

Scheme & Schedule	December 9, 2019	<ul style="list-style-type: none"> <li>• Conclude <b>the integrated contract</b> with EXCEL, CI11, and the parent company of CI11, Office Support</li> <li>• Conclude <b>EXCEL share transfer agreement</b> with CI11</li> </ul>
	February 14, 2020	<ul style="list-style-type: none"> <li>• EXCEL will hold <b>a shareholders' meeting.</b></li> </ul>
	March 30, 2020	<ul style="list-style-type: none"> <li>• EXCEL will be <b>delisted.</b></li> </ul>
	April 1, 2020	<ul style="list-style-type: none"> <li>• EXCEL will become a wholly owned subsidiary of CI11.</li> <li>• EXCEL will pay a <b>dividend in kind</b> to CI11 using a portion of its assets.</li> <li>• EXCEL will become a wholly owned subsidiary.</li> </ul>
Acquisition Price (estimate)	<ul style="list-style-type: none"> <li>• Share of common stock in EXCEL : 100 million yen</li> <li>• Advisory and other fees : 250 million yen</li> <li><b>Total : 350 million yen</b></li> </ul>	
Financing	<ul style="list-style-type: none"> <li>• Share Acquisition: Plan to finance with <b>self-funding</b></li> <li>• Working Capital : Plan to provide <b>financing to EXCEL around 8 billion yen</b></li> </ul>	
Financial Impact	<ul style="list-style-type: none"> <li>• Approximately <b>8.2 billion yen of gain on bargain purchase</b> is anticipated <b>in the fiscal year ending March 31, 2021.</b></li> </ul>	

# Purpose of This Acquisition

<p>Market share expansion for the trading business</p>	<p>Complement both companies' offerings and sales channels</p>	<ul style="list-style-type: none"> <li>• Utilize EXCEL's domestic and overseas key products in the LCD domain to expand sales to KAGA's customers</li> <li>• Strengthen distribution of KAGA's products to EXCEL's customer base in China</li> </ul>
<p>Expansion in the scale of the EMS business</p>	<p>Share KAGA's global network of EMS manufacturing bases with EXCEL</p>	<ul style="list-style-type: none"> <li>• Reach out to EXCEL's customer base using KAGA's EMS business</li> <li>• Replace EXCEL's outsourcing partners with KAGA's own manufacturing base</li> </ul>
<p>Acquisition of new businesses</p>	<p>Mobilize the collective strength of the Group to achieve early commercialization</p>	<ul style="list-style-type: none"> <li>• Bring in EXCEL's promising new businesses, such as the EV-related business</li> </ul>
<p>Further improvement in profitability</p>	<p>Promote business collaboration between the two companies</p>	<ul style="list-style-type: none"> <li>• Optimize sales-related organizations</li> <li>• Share administrative functions of both companies</li> </ul>

# Outline of EXCEL

Company Name	<ul style="list-style-type: none"><li>• EXCEL CO., LTD.</li></ul>
Representative	<ul style="list-style-type: none"><li>• President and CEO: Nobuaki Ohtaki</li></ul>
Locations	<ul style="list-style-type: none"><li>• Headquarters: 3-12-10 Nishi-Shinbashi, Minato-ku, Tokyo, Japan</li></ul>
History	<ul style="list-style-type: none"><li>• 1961: Established as OK Shokai Co., Ltd.</li><li>• 1992: Company name changed to EXCEL CO., LTD.</li><li>• 2002: Listed on the 2nd Section of the Tokyo Stock Exchange (TSE)</li><li>• 2004: Transferred company listing to the 1st Section of the TSE</li></ul>
Business Activities	<ul style="list-style-type: none"><li>• Sale, import and export of LCD devices, integrated circuits, semiconductor devices and other electronic components and equipment</li></ul>

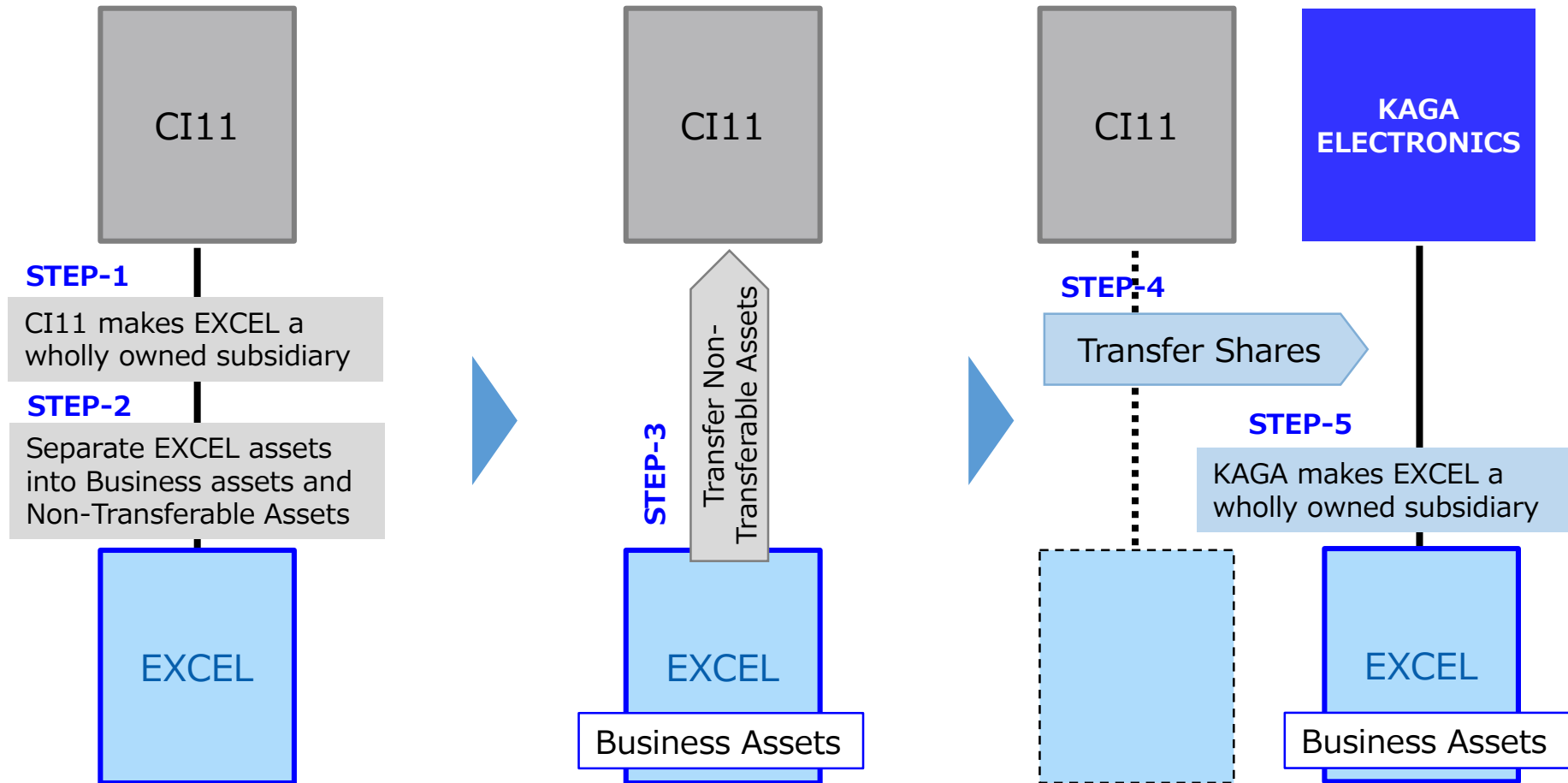
# Plan to make EXCEL a subsidiary

\*From EXCEL's disclosure materials

CI11 acquires shares in EXCEL

EXCEL pays dividend in kind to CI11

KAGA acquires shares in EXCEL

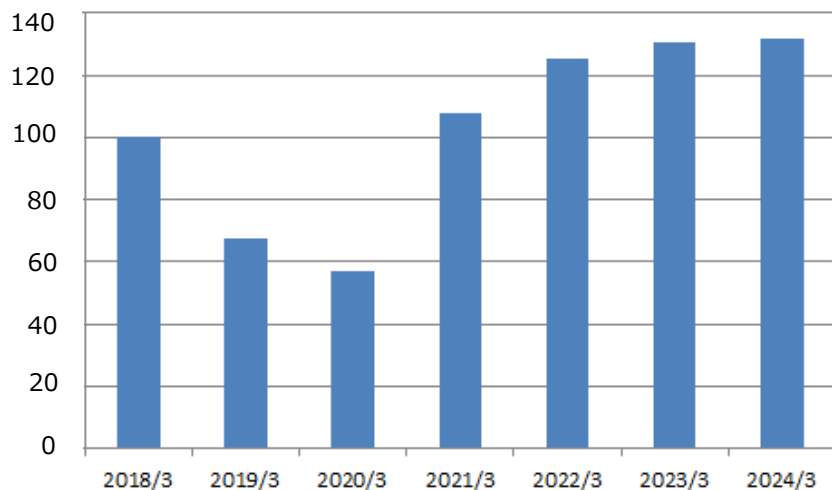


# Recent Performance and Future Outlook of EXCEL

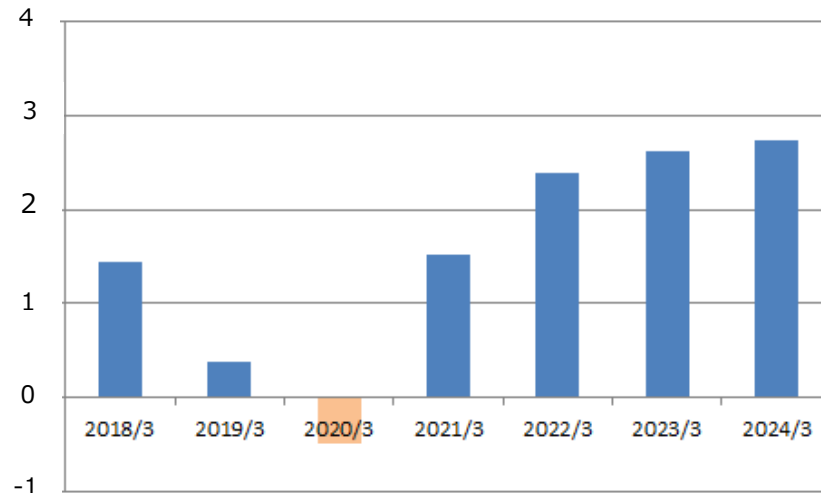
\*From EXCEL's disclosure materials

(million yen)	2018/3 Results	2019/3 Results	2020/3 Forecast	2021/3 Outlook	2022/3 Outlook	2023/3 Outlook	2024/3 Outlook
<b>Net Sales</b>	100,425	67,499	57,000	107,622	125,563	130,285	131,858
<b>Operating Income</b>	1,433	369	-500	151	2,391	2,617	2,748
<b>Profit Attributable to Owners of Parent</b>	2,874	569					

Net Sales



Operating Income



# Medium- to Long-Term Vision of the Kaga Electronics Group

Through the establishment and taking hold of “profit-focused management”, we aim to



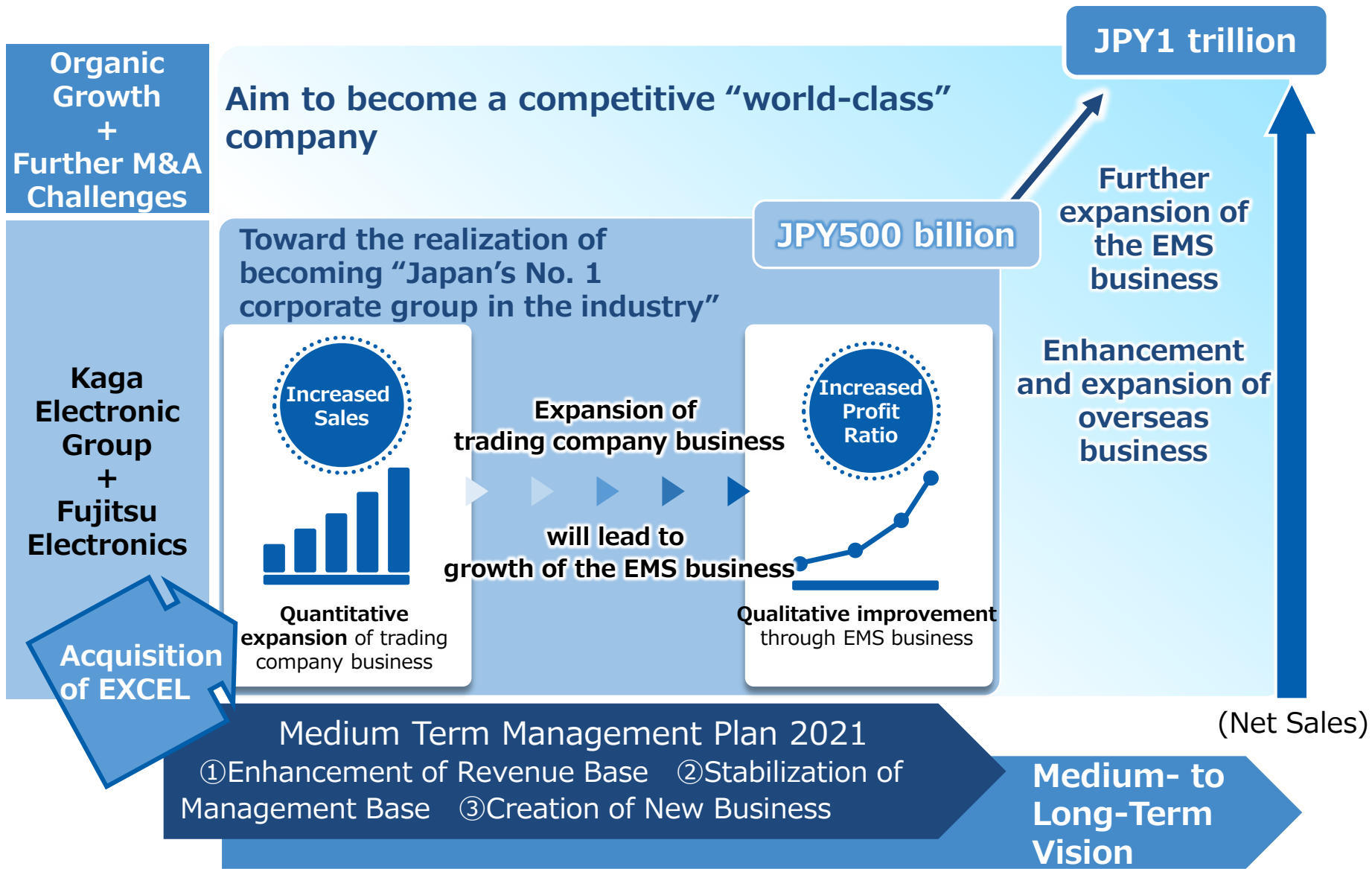
form Japan's No.1 corporate group  
in the industry,



and furthermore,  
to become a competitive “world-class”  
company.



# Positioning of "Medium-Term Management Plan 2021"





# “Medium-Term Management Plan 2021” Management Targets

	FY2018 Results	FY2019 Forecast	Management Targets FY2021
Net Sales	<b>¥292.8 billion</b>	<b>¥442 billion</b>	<b>¥500 billion</b>
Operating Income	<b>¥7.6 billion</b>	<b>¥9 billion</b>	<b>¥13 billion</b>
ROE	<b>10.9%</b>	<b>6.4%</b>	<b>8% or higher</b>

FOREX

• Plan forecast : US\$1.00 = ¥ 110

# Industry Positioning

Reaching industry's second position in FY ending March 2020 due to full year consolidation of Fujitsu Electronics, and realizing "500 billion yen corporation" with EXCEL acquisition

(billion yen)

March 2019 result base

Rank	Company name	Net sales
1	MACNICA FUJI ELECTRONICS	524.2
2	MARUBUN CORPORATION	326.7
3	<b>KAGA ELECTRONICS</b>	<b>292.8</b>
4	RYOSAN	249.7
5	SIIX Corporation	242.8
6	RYODEN CORPORATION	240.3
7	TOMEN DEVICES CORPORATION	217.6
8	UKC Holdings	205.8
9	Elematec Corporation	183.4
10	TACHIBANA ELETECH	182.9

March 2020 forecast base

Rank	Company name	Net sales
1	MACNICA FUJI ELECTRONICS	540.0
2	<b>KAGA ELECTRONICS</b>	<b>430.0</b>
3	Restar Holdings	410.0
4	MARUBUN CORPORATION	291.5
5	SIIX Corporation	244.0
6	RYOSAN	235.0
7	RYODEN CORPORATION	233.6
8	TOMEN DEVICES CORPORATION	210.0
9	Elematec Corporation	201.0
10	TACHIBANA ELETECH	183.0

Note: SIIX figures for FY ended December 2018 and FY ending December 2018

Restar Holdings was established in April 2019 through the management integration of UKC and VITEK

※Data Source: Internal study

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



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- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and on assumptions that management believes are reasonable.  
Actual results may differ significantly from these statements for a number of reasons.
- Display method in this material
  - Numerical values: Rounded to the nearest unit
  - Ratio: After calculation in yen units, first digit of display unit is rounded off