



December 9, 2019

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| Name of Company | KAGA ELECTRONICS CO., LTD. |
| Stock Code | 8154 Tokyo Stock Exchange, First Section |
| Head office | 20-Kanda Matsunaga-cho, Chiyoda-ku, Tokyo, Japan |
| Representative | Ryoichi Kado, President and COO |
| Contact | Eiji Kawamura, Managing Director, Head of Administration Headquarters Tel: +81-(0)3-5657-0111 |

Notice Regarding Conclusion of Share Transfer Agreement with CITY INDEX ELEVENTH CO.,Ltd
for Acquisition of Shares in EXCEL CO., LTD.,
and Expected Recognition of Extraordinary Income (Gain on Bargain Purchase)

At the board of directors meeting held on December 9, 2019, Kaga Electronics Co., Ltd (“Kaga Electronics” or “the Company”) resolved to conclude a share transfer agreement with CITY INDEX ELEVENTH CO.,Ltd (“CI11”) with respect to the outstanding shares issued by EXCEL CO., LTD. (“EXCEL”), and concluded the said agreement on the same date. The acquisition of EXCEL shares under the said agreement (“the Share Acquisition”) is scheduled to be executed on April 1, 2020, upon which EXCEL will become the Company’s wholly-owned subsidiary effective the same date.

Pursuant to the integrated contract entered into between the Company, EXCEL, Office Support K.K. (“Office Support”), the parent company of CI11, and CI11 on December 9, 2019, the Share Acquisition shall be executed upon (1) CI11 making EXCEL a wholly-owned subsidiary through share exchange for cash consideration (“the Share Exchange”), and subsequently (2) payment of dividend in kind being made to CI11 using a portion of assets owned by EXCEL as dividend property (“the Dividend in Kind”).

For details on the Share Exchange and the Dividend in Kind, please refer to “Notice Regarding Conclusion of Share Exchange Agreement with CITY INDEX ELEVENTH CO.,Ltd and Management Integration with Kaga Electronics Co., Ltd. (Japanese only)” issued by EXCEL on December 9, 2019.

In connection with the Share Acquisition, the Company anticipates recognition of extraordinary income (gain on bargain purchase) in the fiscal year ending March 31, 2021.

1. Reasons for the management integration and acquisition of the shares

Since its foundation, Kaga Electronics has been expanding its business domain by responding to the various needs of customers in accordance with its philosophy of “everything we do is for our customers”. As an independent general trading company that specializes in electronics, Kaga Electronics is engaged in a wide variety of business activities and offers a variety of services to customers both in Japan and abroad, ranging from distribution of Electronic Parts and Semiconductors that leverages 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 support for customers in planning, development and design of their products, creation of software/video images, and provision of network solutions and other system support services.

Meanwhile, changes are taking place with increasing speed in the business environment surrounding the electronics trading industry, where there still are many players competing with each other. We have seen reorganization and consolidation of semiconductor/device manufacturers, our suppliers, which have led to review of their policies on distribution agents, moves by end-products manufacturers, our customers, to relocate their production facilities to overseas sites for assembly of finished products, changes in demand and supply and price fluctuations in both domestic and overseas markets reflecting US-China tariff policies and uncertainty in the future of the global economy. There has

also been shortening of product life cycles as a result of ongoing technological innovations. Against this backdrop, we believe that the competition for survival among electronic trading companies will become more and more intense in the coming years.

Under these circumstances, the Company has formulated the three-year “Medium Term Management Plan 2021” that runs from the fiscal year ending March 31, 2020 to March 31, 2022 (announced on November 6, 2018, “the Medium Term Plan”), in line with which it is working on enhancement of revenue base, stabilization of management base and creation of new businesses, being guided by its medium to long-term vision of becoming “Japan’s No. 1 corporate group in the industry” by establishing “profit-focused management” and putting it firmly in place, with the aim of developing into a competitive “world-class company”.

In January this year, Fujitsu Electronics Inc., a core trading company of the Fujitsu Group, was converted to a subsidiary of the Group, to achieve expansion the Group’s trading company business. In October, the Company acquired from Pioneer Corporation shares of Towada Pioneer Corporation (currently Kaga EMS Towada Co., Ltd.), a manufacturing subsidiary of Pioneer, to strengthen manufacturing capabilities.

The decision to make EXCEL a subsidiary based on the share transfer agreement concluded with CI11 also forms a part of the Company’s efforts to achieve its growth strategy. Around April 2019, the Company was approached by Office Support, which is one of the major stockholders of EXCEL, and Mr. Yoshiaki Murakami (“Mr. Murakami”) who has close relationship with Office Support, CI11 and others, with proposal on the Share Acquisition. The Company set out to study the proposal and from around May, the three parties, including EXCEL, conducted earnest discussions and deliberations on the matter. In the course of the deliberation, the Company recognized that EXCEL’s strengths in its key domestic and overseas products in the area of liquid crystal devices as well as its customer base in China were particularly attractive for the Company as it seeks to achieve its growth strategy, and concluded that synergies could be achieved at an early stage.

From the standpoint of acquiring EXCEL’s business at an appropriate price, the Company commissioned SMBC Nikko Securities Co., Ltd. as third-party appraisal organization and, after serious deliberations, proceeded to enter into the management integration agreement with EXCEL, CI11 and Office Support.

The acquisition price in the Share Acquisition is the amount equivalent to the appraised value of EXCEL stock calculated by SMBC Nikko Securities Co., Ltd. after deducting EXCEL’s assessed value of its property (real estate, securities, etc.) to be paid to CI11 as the Dividend in Kind. The Company deems the acquisition price to be appropriate.

As for the consideration for the Share Exchange, this was determined solely through deliberations and negotiations between EXCEL and Office Support along with other major shareholders of EXCEL (for details, please refer to the press release dated December 9, 2019 issued by EXCEL, “Notice Regarding Conclusion of Share Exchange Agreement with CITY INDEX ELEVENTH CO.,Ltd and Management Integration with Kaga Electronics Co., Ltd. (Japanese only)”). The Company was not involved in any way in the contract negotiations relating to the consideration for the Share Exchange.

The Company plans to provide financing of around 8 billion yen to EXCEL as working capital on the execution date of the Share Acquisition. This is because, as EXCEL will be paying the Dividend in Kind using cash and deposits that it holds and is likely to obtain a sizeable amount of additional loan in connection with the series of relevant transactions, EXCEL’s financial position would deteriorate significantly without additional funding from the Company.

EXCEL operates a business focusing on electronic devices led by liquid crystal, semiconductors and integrated circuits, and its integration into the Group is expected to generate the following synergies.

(1) Market share expansion for the Electronic Parts and Semiconductor business

We will seek to strengthen ability to respond to customer needs and expand share in the electronic parts and semiconductor markets by complementing the respective companies’ offerings and sales channels. In particular,

realization of synergies can be expected with EXCEL's strengths in its key domestic and overseas products in the LCD domain to expand sales to the Company's customers, as well as EXCEL's customer base in China to strengthen distribution of the Company's products.

(2) Expansion in the scale of the EMS business

We will strive to further strengthen the profitability of the Company's EMS business by sharing the Company's global network of EMS manufacturing bases with EXCEL, and reaching out to the EXCEL customer base with the Company's EMS business.

(3) Acquisition of new businesses

We will bring in EXCEL's promising new businesses such as EV-related business and mobilize the collective strength of the Group to achieve early commercialization.

(4) Further improvement in management efficiency through business collaboration between the two companies

We will seek to improve the profitability of both the Company and EXCEL by optimizing and sharing to the greatest extent possible the two firms' sales related organizations and other functions.

Through the Share Acquisition, we will seek to solidify our footing as "Japan's No. 1 corporate group in the industry" as set out in the Medium Term Plan, and will continue efforts to expand and improve the scale and the quality of Group management, with the aim of achieving sustainable growth as a competitive "world-class company" which can stand up to overseas competition with their sales crossing the trillion yen mark.

2. Overview of the Target Company (EXCEL CO., LTD.)

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|-------------------------------------|---|--|--|
| (1) | Name | EXCEL CO., LTD. | |
| (2) | Address of Head Office | 3-12-10, Nishi-Shinbashi, Minato-ku, Tokyo, Japan | |
| (3) | Representative's title and name | President and CEO : Nobuaki Ohtaki | |
| (4) | Business | Sale, import and export of LCD devices, integrated circuits, semiconductor devices and other electronic components and equipment | |
| (5) | Capital | 3,086 million yen | |
| (6) | Date of establishment | July 25, 1961 | |
| (7) | Major shareholders and their ownership ratios | Minami-Aoyama Real Estate K.K. | 9.25% |
| | | C&I Holdings Co.,Ltd. | 8.54% |
| | | CITY INDEX THIRD CO.,Ltd | 8.41% |
| | | BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)(Standing Proxy MUFG Bank, Ltd.) | 8.08% |
| | | Reno, Inc. | 7.18% |
| | | Office Support K.K. | 6.54% |
| | | The Master Trust Bank of Japan ,Ltd. (Trust Account) | 3.33% |
| | | Ryosan Company,Limited | 2.44% |
| | | Mizuho Bank, Ltd. | 2.35% |
| Sumitomo Mitsui Banking Corporation | 1.80% | | |
| (8) | Relationships with Kaga Electronics Co., Ltd. | Capital relationships | None |
| | | Personal relationships | None |
| | | Business relationships | The Company procures electronics components and other products from EXCEL. |

| (9) Consolidated business performance and financial position over the last three years | | | |
|--|--------------------|---------------------|--------------------|
| Fiscal period | FYE March 2017 | FYE March 2018 | FYE March 2019 |
| Consolidated net assets | 23,440 million yen | 27,249 million yen | 24,611 million yen |
| Consolidated total assets | 49,057 million yen | 54,479 million yen | 43,739 million yen |
| Consolidated net assets per share | 2,676.65 yen | 2,965.60 yen | 2,839.99 yen |
| Consolidated net sales | 98,703 million yen | 100,425 million yen | 67,499 million yen |
| Consolidated operating income | 1,760 million yen | 1,433 million yen | 369 million yen |
| Consolidated ordinary income | 1,448 million yen | 1,283 million yen | 252 million yen |
| Ordinary income attributable to owners of parent | 1,065 million yen | 2,874 million yen | 569 million yen |
| Consolidated net income per share | 122.94 yen | 331.67 yen | 65.72 yen |
| Dividends per share | 34.00 yen | 75.00 yen | 26.00 yen |

Note: The scheduled effective date of the Share Exchange is April 1, 2020, and it is expected that all of EXCEL shares would be held by CI11 at the time the Company acquires EXCEL shares from CI11.

3. Overview of the Selling Shareholder

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|--|---|-------|--|
| (1) Name | CITY INDEX ELEVENTH CO.,Ltd | | |
| (2) Address of head office | 3-22-14, Higashi, Shibuya-ku, Tokyo,Japan | | |
| (3) Representative's title and name | CEO Hironao Fukushima | | |
| (4) Business | Investment business, management consulting, real estate brokerage, real estate sale and purchase, and real estate leasing | | |
| (5) Capital | 1 million yen | | |
| (6) Date of establishment | May 20, 2009 | | |
| (7) Net assets | -3 million yen | | |
| (8) Total assets | 193 million yen | | |
| (9) Major shareholders and their ownership ratios | Office Support K.K. | 66.5% | |
| | Minami-Aoyama Real Estate K.K. | 33.5% | |
| (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

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|--|--|-----------------|----------|
| (1) Shares held before the acquisition | — | | |
| (2) Shares to be acquired | 8,666,084 shares (Note 1) (Voting rights: 86,632) | | |
| (3) Acquisition price | Shares of common stock in EXCEL CO., LTD. (estimate) | 100 million yen | (Note 2) |
| | Advisory and other fees (estimate) | 250 million yen | |
| | Total (estimate) | 350 million yen | |
| (4) Shares held after the acquisition | 8,666,084 shares (Note 1) (Voting rights: 86,632) (Percentage of voting rights held: 100.0%) | | |

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|--|--|
| (5) Basis for calculation of the acquisition price | The acquisition price was determined upon consultation with the selling shareholder, based on the appraised value of EXCEL stock calculated by SMBC Nikko Securities Co., Ltd. |
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Note 1: The number indicated herein is the total number of outstanding shares of EXCEL as of September 30, 2019 (9,086,755 shares), net of the number of treasury shares as of the same date (420,671 shares). However, as we understand that EXCEL is planning to cancel the treasury shares it holds at the time immediately preceding the effective date of the Share Exchange, “the number of shares to be acquired” and “the number of shares held after the acquisition” may change according to change in the number of EXCEL’s treasury shares.

It is anticipated that the Company will recognize approximately 8.2 billion yen of gain on bargain purchase from the Share Acquisition.

Note 2: The Company plans to provide financing of around 8 billion yen to EXCEL as working capital on the execution date of the Share Acquisition. This is because, as EXCEL will be paying the Dividend in Kind using cash and deposits that it holds immediately prior to the Share Acquisition and, furthermore, is likely to obtain a sizeable amount of additional loan in connection with the series of relevant transactions, EXCEL’s financial position would deteriorate significantly without additional funding from the Company.

5. Timeline of the Share Acquisition

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|-----|------------------------------------|--------------------------|
| (1) | Board of directors meeting | December 9, 2019 |
| (2) | Execution of the agreement | December 9, 2019 |
| (3) | Execution of the Share Acquisition | April 1, 2020(scheduled) |

Note: The scheduled effective date of the Share Exchange is April 1, 2020, and it is expected that all of EXCEL shares would be held by CI11 at the time the Company acquires EXCEL shares from CI11.

6. Financing

The Company intends to use its cash on fund for payment of the consideration for the Share Acquisition.

7. Future Prospects

As the scheduled effective date of the Share Acquisition is April 1, 2020, the transactions presented herein will have no impact on the Company’s consolidated financial results for the fiscal year ending March 31, 2020.

In the accounting treatment associated with the Share Acquisition, the Company anticipates recognition of approximately 8.2 billion yen of extraordinary income as gain on bargain purchase in the consolidated financial statements for the fiscal year ending March 31, 2021. The amount of the gain on bargain purchase will be examined and details will be announced as soon as they become clear.

End

(Reference) Consolidated forecast for the fiscal year ending March 31, 2020 (announced on November 7, 2019) and consolidated results of the fiscal year ended March 31, 2019

(Millions of yen)

| | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent |
|---|-----------|------------------|-----------------|---|
| Consolidated forecast for the fiscal year ending March 31, 2020 | 430,000 | 7,000 | 7,000 | 5,000 |
| Consolidated results of the fiscal year ended March 31, 2019 | 292,779 | 7,570 | 7,859 | 8,014 |