

KAGA ELECTRONICS Announces a Tender Offer for Shinko Shoji—No Immediate Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement made by KAGA ELECTRONICS CO., LTD. (security code: 8154) on a tender offer for Shinko Shoji Co., Ltd. (security code: 8141).

- (1) KAGA ELECTRONICS CO., LTD. ("KAGA ELECTRONICS") announced on May 15 that it will acquire the common shares of its competitor Shinko Shoji Co., Ltd. ("Shinko Shoji") through a tender offer. The purchase period will be from May 18 to June 26, and KAGA ELECTRONICS intends to make Shinko Shoji a wholly owned subsidiary through a series of transactions including the tender offer. The total purchase price is estimated at 45.9 billion yen, which will be financed by loans from financial institutions.
- (2) The tender offer is part of KAGA ELECTRONICS's strategy to expand its operations through M&As. As Shinko Shoji, like KAGA ELECTRONICS, mainly deals in semiconductors and other electronic components, synergy creation from the mutual complementation of product lineups and sales channels and so forth is expected. The total purchase price is substantial, which will add to interest-bearing debt, but, given such factors as KAGA ELECTRONICS's cash flow generation capacity and sufficient financial flexibility, its impact on the financial base is not significant, and JCR concludes that the rating will not be affected immediately. Looking ahead, close attention will be paid to the outcome of the tender offer, as well as progress in PMI after the acquisition, realization of synergies and KAGA ELECTRONICS's financial management policy.

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<Reference>

Issuer: KAGA ELECTRONICS CO., LTD.

Long-term Issuer Rating: A Outlook: Stable

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