

Last Update: June 27, 2019
KAGA ELECTRONICS CO., LTD.
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The status of corporate governance by the Company is described below.

I. Basic approach to corporate governance, capital structure, corporate attributes, and other basic Information

1. Basic Approach

- 1) The Company is cognizant that enhancing corporate governance is a key management issue and takes measures to ensure total compliance with corporate ethics and laws and regulations and to reinforce internal control systems while making ensuring the soundness, efficiency and transparency of business operations and raising corporate value its fundamental policies and objectives.
- 2) In light of the importance of corporate governance, the Company established a CSR Promotion Committee with the President & COO as its chairman and established an Information Disclosure Committee, Risk Management Committee, Compliance Committee, and Personal Information Management Committee as subordinate organizations.
- 3) The Company strives to increase corporate value while maintaining good relationships with stakeholders (interested parties).
- 4) The Board of Directors holds monthly regular meetings and holds extraordinary meetings on a flexible basis as needed. The Board makes decisions on matters specified by laws and regulations and other important matters relating to management and oversees the status of the performance duties by each director. The Company has 10 directors (of which three are outside directors) and has established a structure that enables adequate deliberation and appropriate and timely decision making. The Company instituted an executive director system effective April 1, 2005 to enhance management efficiency and has established structures that enable timely responses to changes in the external environment while segregating management decision-making functions from business execution functions.
- 5) The Company comprehensively discloses information in a timely manner through the activities of the Information Disclosure Committee and is taking measures to bolster its public relations staff.
- 6) In light of the increasing emphasis placed on internal controls, the Audit office was placed under the direct authority of the President & COO and works in collaboration with Business Administration Department to conduct audit operations regarding the appropriateness of business activities including Group companies, the status of use of company resources, and the status of compliance with laws, regulations, and internal rules. In addition, an Appropriate Work Guidance Project Team provides guidance on work improvements. The Company strives to comprehensively operate internal control systems in response to enforcement of the Financial Instruments and Exchange Act.
- 7) The Supervisory Board comprises four members including two outside members. Supervisory Board members attend all meetings of the Board of Directors and carry out their duties by actively attending other important internal meetings and through other means. There are no interests between the Company and the outside Supervisory Board members including personal relationships or capital relationships, note however that, with respect to Yoichi Sato, an agreement is entered into between the Company and the law firm of which the said individual is a member, for the provision of legal services, etc.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

Principle 4-1 Role and duties of board of directors (1)

Supplementary principle 4-1 (3)

The company recognizes planning for the succession of its chief executive officer as an important management issue, and will cultivate management staff (board directors and operating officers) as such successors. In the event of personnel changes, the board of directors will consider such placement as will allow potential successors to accumulate the necessary experience.

Principle 4-10 Utilization of discretionary arrangements

Supplementary principle 4-10 (1)

The company is a corporation with a board of corporate auditors, and although the number of external board directors does not have a majority on the board of directors, the company actively considers the opinions of external directors concerning matters such as the independence and objectivity of board functions and the board's accountability regarding, for example, the naming and compensation of upper-level management and board directors. Although there is no discretionary advisory board, the company is taking appropriate measures to enhance the independence and objectivity of board functions as well as the board's accountability.

Disclosure Pursuant to the Principles of the Corporate Governance Code

Principle 1-4: So-called strategic stockholdings

● Stockholding policy

The company holds publically traded shares with the aim to build, support, and develop businesses relationships beneficial to increasing its shareholder value. Reports regarding business relations with the company, equity-method net earnings, dividend payouts, book value and market value comparisons, and other matters relating to held stock will be made to the board of directors, and there will be regular reassessments of whether to continue to hold such stock (including de- and increases in the number of shares held).

● Regarding the use of voting rights relating to strategic stockholdings

The company will use its voting rights with its stockholding objectives in mind, after careful examination of the other company's management policy and the content of individual agenda items, and based on whether or not an item will contribute to the expansion of both companies' medium- and long-term shareholder value.

Principle 2-6 Function as asset owner of corporate pensions

In order to provide retirement benefits to its employees, the company uses both a defined benefit corporate pension plan and a defined contribution pension plan.

The management of the defined benefit corporate pension reserve is relegated to an asset management entity that has declared its acceptance of the Stewardship Code, and the company appropriately supervises said management, e.g. via regular reports to its relevant internal department.

Principle 1-7: Related-Party Transactions

In cases where Company officers conduct transactions with related parties, the transactions are approved by resolution of the Board of Directors in accordance with the Rules on Corporate Officers and other rules. In addition, all officers are obligated to submit a written Confirmation of Transactions with Related Parties with regard to their transactions with related parties at the end of each year. In cases where the Company conducts transactions with major shareholders and others, the Board of Directors discusses the particulars of the transactions in accordance with the Detailed Table of Authority.

Principle 3-1: Enhancement of Information Disclosures

1. The Company's vision (corporate principles and so on), management strategies, and management plans are posted on the Company's website as the Kaga Electronics Corporate Philosophy and Action Guidelines at <https://www.taxan.co.jp/en/company/vision/>, and information on our medium-term management strategy can be found at https://www.taxan.co.jp/en/ir/management/management_07.html.

2. With regard to the Company's fundamental approach and policies on corporate governance, refer to this report, Section I: Basic approach to corporate governance, capital structure, corporate attributes, and other basic information, Part 1: Basic approach.

3. With regard to policies and procedures for the determination of the remuneration of management executives and directors by the Board of Directors, refer to this report, Director Remuneration under Section II: Management decision-making, management organizations for execution and supervision, and other elements of the corporate governance system.

4. The board of directors decides on the selection and dismissal of upper-level management and on the naming of board director and corporate auditor candidates based on management regulations and board regulations and after evaluation by the Corporate Management Conference.

5. The company will provide explanations regarding the naming and selection and dismissal of board directors and corporate auditors at appropriate times via means such as news releases and convocation notices for general shareholder meetings.

Principle 4-1: Roles and Responsibilities of the Board (1)

Supplementary Principle 4-1-1

The Company established Board of Directors Rules, clarifying matters for resolution by the Board. The Company also established Rules on Work Authority, clarifying the authority entrusted to and scope of duties of the management team.

Principle 4-9: Independence Standards and Qualifications for Independent Outside Directors

In accordance with the Tokyo Stock Exchange standards on independence, the Company requires that there be no special interests with the Company with regard to the election of outside directors. In addition, to reinforce the functions of the Board of Directors, outside directors are required to have extensive experience and broad powers of judgment as corporate managers and the like.

Principle 4-11 Preconditions for Ensuring the Effectiveness of the Board of Directors and Supervisory Board

Supplementary Principle 4-11-1

The Company emphasizes ensuring diversity on the Board of Directors as a whole with different specialized knowledge, experience, and so on with regard to nominating candidate directors so that the Board can demonstrate maximum effectiveness and efficiency.

Supplementary Principle 4-11-2

The Company discloses the materials regarding the concurrent positions of directors and Supervisory Board members in its notice of convocation of the regular ordinary General Shareholders Meeting and securities reports.

Further, directors and Supervisory Board members spend the time and perform the work necessary to appropriately fulfill their roles and responsibilities.

Supplementary Principle 4-11-3

To analyze and evaluate the effectiveness of the Board of Directors as a whole, the Company administers questionnaires to all directors and Supervisory Board members with the participation of outside directors and outside Supervisory Board members and analyzes and evaluates the results.

Based on the results, the Company has determined that the directors and Supervisory Board members utilize their respective knowledge and are able to engage in high-quality deliberations at Board of Directors meetings. Also, the Company believes that the frequency of meetings, the method of deliberation, and other matters relating to the operation of Board of Directors meetings are appropriate and that the Board of Directors as a whole is effective.

Principle 4-14: Director and Supervisory Board Member Training

Supplementary Principle 4-14-2

The Company provides necessary opportunities and supports the cost of acquiring knowledge relating to the management, compliance, and so on necessary for directors and Supervisory Board members to fulfill their roles and perform their responsibilities.

Principle 5-1: Policy on Constructive Dialogue with Shareholders

● Fundamental Approach

The Company undertakes measures to engage in dialogue and other interactions with shareholders and investors in order to achieve continuous growth and raise corporate value in the medium to long term.

(1) Investor relations structures

Under the leadership of the president, CFO and Investor Relations and Public Relations Office handle dialogues with shareholders and investors.

(2) Methods of dialogue

The Company holds financial briefings for news organizations, analysts, and institutional investors twice annually (in May and November), conducts individual visits, and responds appropriately to requests for information and other requests. Information on management policies, business details, results, videos of financial briefings for institutional investors, and other information are posted on the Company's website and the Company strives to enhance information disclosures and respond appropriately to individual inquiries.

(3) Internal feedback

Feedback regarding the details of dialogues with shareholders and investors is provided by the officers responsible for management divisions and the Secretarial and Public Relations Office to the Board of Directors and other relevant divisions as necessary.

(4) Insider trading and quiet periods

The Company does not divulge insider information during dialogues with shareholders and investors. The Company has established Rules on Internal Information Management and Restriction of Insider Trading and strives to manage insider information. The periods from the last day of each quarterly financial period until the announcement of financial results for that period are designated quiet periods and dialogue and information disclosures are restricted during those periods.

2. Capital Structure

| | |
|----------------------------|--------------------------------|
| Foreign shareholding ratio | At least 10% and less than 20% |
|----------------------------|--------------------------------|

Status of Major Shareholders

| Name | Number of Shares Held | Ratio (%) |
|--|-----------------------|-----------|
| Sankyo Corporation | 3,824,000 | 13.93 |
| K.K. OKOZE | 1,840,000 | 6.70 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 1,346,300 | 4.90 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,212,634 | 4.42 |
| Kaga Electronics Employee Shareholding Association | 1,117,886 | 4.07 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 986,500 | 3.59 |
| Mizuho Bank, Ltd. | 950,334 | 3.46 |
| Isao Tsukamoto | 733,645 | 2.67 |
| Oki Electric Industry Co., Ltd. | 526,541 | 1.92 |
| NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT | 505,000 | 1.84 |

| | |
|--|-------|
| Existence of controlling shareholder (other than parent company) | _____ |
| Existence of parent company | None |

Supplementary Explanation

- 1) Numbers of shares held are as of March 31, 2019.
- 2) The Company holds 1,252,697 shares of treasury stock, but the Company is not included in the major shareholders listed above.
- 3) Shareholding ratios are calculated with treasury stock excluded.

3. Company Attributes

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|---|---|
| Listing stock market and market section | First Section of the Tokyo Stock Exchange |
| Fiscal year-end | March |
| Business type | Wholesale |
| Number of Employees (consolidated) as of the end of the previous fiscal year | 1,000 or more |
| Sales (consolidated) as of the end of the previous fiscal year | ¥100 billion to less than ¥1 trillion |
| Number of consolidated subsidiaries as of the end of the previous fiscal year | 50 to less than 100 |

4. Policy on Measures to Protect Minority Shareholders when Conducting Transactions and the like with Controlling Shareholder

5. Other Special Circumstances which may have a Material Impact on Corporate Governance

None.

II. Management Decision-Making, Management Organizations for Execution and Supervision, and Status of other Corporate Governance Systems

1. Matters Relating to Organizational Structure, Operations, etc.

| | |
|-----------------------|---|
| Organizational format | Company with an Audit & Supervisory Board |
|-----------------------|---|

Directors

| | |
|--|---------------------------------|
| Number of directors specified in Articles of Incorporation | 20 |
| Term of office of directors specified in Articles of Incorporation | 2 years |
| Chairperson of the board | President |
| Number of directors | 10 |
| Appointment of outside directors | Outside directors are appointed |
| Number of outside directors | 3 |
| Number of outside directors designated as independent directors | 3 |

Relationships with the Company (1)

| Name | Affiliation | Relationship with the Company* | | | | | | | | | | | |
|--------------------|--|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|
| | | a | b | c | d | e | f | g | h | i | j | k | |
| Susumu Miyoshi | Formerly affiliated with another company | | | | | | | | | △ | | | |
| Akira Tamura | Formerly affiliated with another company | | | | | | | | | △ | | | |
| Noritomo Hashimoto | Formerly affiliated with another company | | | | | | | | | △ | | | |

* Categories for Relationship with the Company

* Marked with ○ if the director currently falls or has recently fallen under the category

Marked with △ if the director fell under the category in the past

* Marked with ● if a close relative of the director currently falls or has recently fallen under the category

Marked with ▲ if a close relative of the director fell under the category in the past

a. Executive of the Company or subsidiary of the Company

b. Executive or non-executive director of the parent company of the Company

c. Executive of a fellow subsidiary of the Company

d. Person with the Company as a major client or supplier or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company other than compensation as an officer of the Company

g. Major shareholder of the Company (or an executive of a major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company with which the Company mutually appoints outside officers (the director himself/herself only)

j. Executive of a company or organization that receives donations from the Company (the director himself/herself only)

k. Other

Relationships with the Company (2)

| Name | Independent Officer | Supplementary Explanation of Applicable Items | Reasons for Appointment |
|----------------|---------------------|--|--|
| Susumu Miyoshi | ○ | <p>The Company executed an advisory agreement with Susumu Miyoshi in August 2010, but the agreement was terminated when he was appointed director.</p> <p>The Company requests that Mr. Miyoshi be elected as an outside director so that he can reinforce the functions of the Board of Directors by reflecting his extensive experience and broad knowledge as a company manager in the Company's management from an independent perspective.</p> <p>The Company engages in business dealings, including vehicle leasing with Osaka Toyota Corporation, of which Mr. Miyoshi was an executive until June 2008, but the amounts of the transactions account for a very small percentage of each company's sales (less than 1% in the fiscal year ended March 2019).</p> | <p>The Company requests that Mr. Miyoshi be elected as an outside director so that he can reinforce the functions of the Board of Directors by reflecting his extensive experience and broad knowledge as a company manager in the Company's management from an independent perspective.</p> <p>Mr. Miyoshi was formerly an executive of a trading partner of the Company, but he has resigned from that position and the transaction amounts are very small (less than 1%), and the Company has determined that there is no risk of affecting the determinations of shareholders and investors or conflicts of interests with general shareholders. Accordingly, he has been designated as an independent officer.</p> |
| Akira Tamura | ○ | <p>The Company executed an advisory agreement with Akira Tamura in July 2011, but the agreement was terminated when he was appointed director.</p> <p>The Company engages in purchase and sale transactions and other transactions with Sohgo Security Services Co., Ltd., of which Mr. Tamura was an executive until June 2011, but the amounts of the transactions account for a very small percentage of each company's sales (less than 0.05% in the fiscal year ended March 2019).</p> | <p>The Company requests that Mr. Tamura be elected as an outside director so that he can reinforce the functions of the Board of Directors by reflecting his extensive experience and broad knowledge as a company manager in the Company's management from an independent perspective.</p> <p>Mr. Tamura was formerly an executive of a trading partner of the Company, but he has resigned from that position and the transaction amounts are very small (less than 0.05%), and the Company has determined that there is no risk of affecting the determinations of shareholders and investors or conflicts of interests with general shareholders. Accordingly, he has been designated as an independent officer.</p> |

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|--------------------|---|---|--|
| Noritomo Hashimoto | ○ | The Company executed an advisory agreement with Noritomo Hashimoto in July 2016, but the agreement was terminated when he was appointed director. The Company engages in purchase and sale transactions and other transactions with Mitsubishi Electric Corporation of which Mr. Hashimoto was an executive until June 2016, but the amounts of the transactions account for a very small percentage of each company's sales (less than 0.05% in the fiscal year ended March 2019). | The Company requests that Mr. Hashimoto be elected as an outside director so that he can reinforce the functions of the Board of Directors by reflecting his extensive experience and broad knowledge as a company manager in the Company's management from an independent perspective. Mr. Hashimoto was formerly an executive of a trading partner of the Company, but he has resigned from that position and the transaction amounts are very small (less than 0.05%), and the Company has determined that there is no risk of affecting the determinations of shareholders and investors or conflicts of interests with general shareholders. Accordingly, he has been designated as an independent officer. |
|--------------------|---|---|--|

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| Existence of a discretionary committee corresponding to a nominating or remuneration committee | None |
|--|------|

Supervisory Board Members

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|--|-------------|
| Whether the company has an Supervisory Board | Established |
| Number of Supervisory Board members specified in Articles of Incorporation | 4 |
| Number of Supervisory Board members | 4 |

Status of cooperation among Supervisory Board members, accounting auditors, and internal audit department

The Company has entered into an audit agreement with PricewaterhouseCoopers ARATA LLC and undergoes statutory audits. The accounting auditors regularly propose audit plans and report the results of year-end accounting audits and quarterly reviews to the Supervisory Board members, and exchange with them opinions on important considerations. In addition, the accounting auditors and Supervisory Board members exchange information and opinions on any other matter as and when needed to ensure mutual cooperation.

The Company established an Audit Office as an internal audit organization. The Audit Office conducts internal audits in cooperation with Supervisory Board members. Specifically, the Supervisory Board members and the Audit Office conduct prior consultations regarding audit plans, and the Audit Office provides periodic reports on the audit results to the Supervisory Board members. The Supervisory Board requests reports from the Audit Office and engages in other collaboration as necessary.

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| Appointment of outside Supervisory Board members | Outside Supervisory Board members are appointed |
| Number of outside Supervisory Board members | 2 |
| Number of outside Supervisory Board members designated as independent Supervisory Board members | 2 |

Relationships with the Company (1)

| Name | Affiliation | Relationship with the Company* | | | | | | | | | | | | |
|-----------------|-----------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Susumu Kitsunai | Certified public accountant | | | | | | | | | | | | | |
| Yoichi Sato | Attorney | | | | | | | | | | | | | |

* Categories for Relationship with the Company

* Marked with ○ if the Supervisory Board member currently falls or has recently fallen under the category, marked with △ if the member fell under the category in the past

* Marked with ● if a close relative of the Supervisory Board member currently falls or has recently fallen under the category, marked with ▲ if a close relative of the Supervisory Board member fell under the category in the past

a. Executive of the Company or subsidiary of the Company

b. Non-executive director or accounting counselor of the Company or subsidiary of the Company

c. Executive or non-executive director of the parent company of the Company

d. Supervisory Board member of the parent company of the Company

e. Executive of a fellow subsidiary of the Company

f. Person with the Company as a major client or supplier or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company other than compensation as an officer of the Company

i. Major shareholder of the Company (or an executive of a major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier of the Company (which does not correspond to any of f, g, or h) (the Supervisory Board member himself/herself only)

k. Executive of a company with which the Company mutually appoints outside officers (the Supervisory Board member himself/herself only)

l. Executive of a company or organization that receives donations from the Company (the Supervisory Board member himself/herself only)

m. Other

Relationships with the Company (2)

| Name | Independent Officer | Supplementary Explanation of Applicable Items | Reasons for Appointment |
|-----------------|---------------------|---|--|
| Susumu Kitsunai | ○ | — | Mr. Kitsunai has extensive knowledge of and experience in corporate management, and as a certified public accountant, finance and accounting and is expected to provide advice from multifaceted perspectives based on his viewpoint as a professional. The Company believes he can appropriately perform audits and supervision of the Company and appointed Mr. Kitsunai as an outside |

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| | | | <p>Supervisory Board member.</p> <p>In addition, the Company has determined that Mr. Kitsunai can serve as a significant curb on decision making with regard to the fairness and transparency of taxrelated management policies from his perspective as a certified public accountant and can maintain objectivity and neutrality in management monitoring functions based on his extensive experience and knowledge as a professional, and accordingly, nominated him as an independent director.</p> <p>Mr. Kitsunai does not have any special interests in the Company, and the Company has determined that there is no risk of conflicts of interest with general shareholders.</p> |
| Yoichi Sato | ○ | — | <p>Mr. Sato has many years of advanced legal experience as a judge and attorney, and considering his knowledge and experience as a professional, the Company believes he can appropriately perform audits and supervision of the Company and appointed him as an outside Supervisory Board member.</p> <p>In addition, the Company has determined that Mr. Sato can serve as a significant curb on decision making with regard to the fairness and transparency of compliance, legal risks, and management policies from his perspective as a legal professional and can maintain objectivity and neutrality in management monitoring functions based on his extensive experience and knowledge as a professional, and accordingly, nominated him as an independent director.</p> <p>Mr. Sato does not have any special interests in the Company, and the Company has determined that there is no risk of conflicts of interest with general shareholders.</p> |

Independent Officers

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|--------------------------------|---|
| Number of independent officers | 5 |
|--------------------------------|---|

Other matters relating to independent officers

All outside officers that meet the qualifications for independent officer have been designated as independent officers.

Incentives

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|---|---|
| Implementation status of policies relating to granting directors incentives | Introduction of performance-linked remuneration program and other matters |
|---|---|

Supplementary explanation of this matter

Remuneration of the directors of the Company (excluding outside directors) comprises fixed remuneration, which is paid at a fixed amount, and performance-linked remuneration (bonus and long-term incentive in the form of restricted stock compensation) which is paid based on the business results of the relevant fiscal year. Performance-linked remuneration reflects annual performance evaluations based on evaluations according to the directors' respective roles.

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|-----------------------------|--|
| Recipients of stock options | |
|-----------------------------|--|

Supplementary explanation of this matter

Director Remuneration

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| Disclosure of the remuneration of individual directors | Some items are disclosed individually |
|--|---------------------------------------|

Supplementary explanation of this matter

The Annual Securities Report for the Year Ended March 31, 2018 indicates the following amounts of remuneration paid to directors. In accordance with laws and regulations, amounts are disclosed for some directors individually in the report.

Total amounts of remuneration, etc.

Eight (8) directors : Amount paid 702 million yen
(234 million yen as fixed remuneration, 224 million yen as performance-linked remuneration,
27 million yen as restricted stock compensation, 215 million yen as retirement benefits)

Two (2) outside directors : Amount paid 20 million yen

Total remuneration, etc. paid to persons who received 100 million yen or more in remuneration, etc.

Isao Tsukamoto: 300 million yen paid
Ryoichi Kado: 118 million yen paid

| | |
|--|--------------------------------|
| Existence of a policy on determining remuneration amounts or the method of calculating those amounts | The Company has such as policy |
|--|--------------------------------|

(1) Basic policy

The Company's basic policy is to structure its remuneration system so as to promote sustainable corporate growth and enhancement of medium to long-term corporate value.

(2) Composition and method of determining remuneration, etc.

· Composition of remuneration

The Company has a policy regarding the amounts of remuneration, etc. of its officers and determination on the method of calculating such amounts. Directors' remuneration comprises fixed remuneration, which is paid at a fixed amount, and performance-linked remuneration (bonus and long-term incentive in the form of restricted stock compensation) which is paid based on business results of the relevant fiscal year. Performance-linked remuneration reflects annual performance evaluations based on evaluations according to the directors' respective roles.

Remuneration of non-executive directors, including outside directors, and Supervisory Board members consists solely of fixed remuneration which is paid at a fixed amount.

· Method of determining directors' remuneration

Directors' remuneration is determined by resolution of the Board of Directors.

The maximum amount of directors' remuneration is 700 million yen per year (which includes 50 million yen or less for outside directors; it does not include the portions of remuneration as employees), which was approved at the 47th Ordinary General Meeting of Shareholders held on June 26, 2015.

Separately from the maximum remuneration amount mentioned above, an amount of 100 million yen or less per year was approved at the 50th Ordinary General Meeting of Shareholders held on June 28, 2018, as monetary compensation claims to be paid in granting restricted stock to the directors (excluding outside directors).

· Method of determining remuneration of Supervisory Board members

Remuneration of Supervisory Board members is determined through discussion amongst the Supervisory Board members.

The maximum amount of remuneration of Supervisory Board members is 60 million yen per year, which was approved at the 27th Ordinary General Meeting of Shareholders held on June 29, 1995.

(3) Determination process and method of calculating remuneration, etc.

The total amount of directors' remuneration is determined by resolution of the Board of Directors, on the basis of business results of the relevant fiscal year, within the approved maximum amount. Individual remuneration amount is determined at the discretion of Isao Tsukamoto, Founder & CEO, and Ryoichi Kado, President & COO, with due consideration to the responsibilities associated with the respective roles and performance evaluations based on achievements or other measurements, taking into account the Company's business results and operating environment.

The indicators for performance-linked remuneration are operating income, ordinary income and profit attributable to owners of parent. These indicators are selected to reflect the profit-focused management as set out in the Medium Term Management Plan 2021 (dated November 6, 2018). The amount of performance-linked remuneration takes into account the consolidated financial results.

Support system for outside Directors (outside Supervisory Board members)

The Company established the Board of Directors Administrative Office to the Board of Directors to appropriately convey information by distributing materials relating to Board meeting agenda items to all directors, including outside officers prior to Board meetings, and providing supplementary explanations to outside officers as necessary. The Office also prepares a schedule for ordinary meetings of the Board of Directors for the following fiscal year by the end of each fiscal year and informs all directors including outside officers.

Status of Resignation by President & COO and Other Positions

Names and Other Information of Consultants and Advisors who were Formerly President & COO or in other Positions

| Name | Title or Rank | Details of Duties | Work Format and Conditions (Full-time, part-time, for compensation or gratis, etc.) | Date of Resignation by President and Other Positions | Term in Office |
|--------------------|---------------|---|--|--|----------------|
| Tomohisa Tsukamoto | Advisor | Operational support for the overall business of the Group | Full-time With compensation | 2014/4/1 | One year |

| | |
|---|---|
| Total Number of Consultants and Advisors who were Formerly President & COO or in other Positions: | 1 |
|---|---|

Other matters

2. Matters relating to functions such as business execution, audits and supervision, nomination, and remuneration decisions (overview of current corporate governance systems)

(1) Board of Directors

The Board of Directors comprises 10 directors in total including three outside directors. In principle, the Board meets once each month and holds extraordinary meetings when necessary.

Board makes deliberates and decisions on matters specified in laws and regulations, the Articles of Incorporation, and other internal rules, reports on the status of the execution of business and other necessary information, and supervises the execution of duties by directors. Supervisory Board members attend Board of Directors meetings and actively express their opinions.

(2) Supervisory Board

The Supervisory Board comprises four members including two outside Supervisory Board members. In principle, the Supervisory Board meets once each month and holds extraordinary meetings when necessary.

(3) Execution of business

The allocation of duties to directors and executive officers are determined by decisions of the Board of Directors, and each carries out their duties.

(4) Management Meeting

The Company established a Management Meeting to coordinate group management, confirm policies, and so on. In principle, the Council meets once each month.

(5) Audit and supervision of directors by Supervisory Board members

The Company established and implements Supervisory Board Member Audit Standards.

(6) Status of audits

Audits in the Company are planned and carried out by the four Supervisory Board members. The Company also undergoes audits by PricewaterhouseCoopers Aarata LLC.

(7) Determination of remuneration

Remuneration is paid in accordance with certain standards established by the Board of Directors.

3. Reasons for the selection of the current corporate governance system

With regard to systems for supervising directors, auditing the status of the execution of duties by directors, and so on, the Company believes that the Board of Director functions are reinforced by reflecting in the Company's management the opinions of the three outside directors presented from an independent perspective. In addition, the Supervisory Board members are expressly required by internal rules to participate in Board of Directors meetings regularly meet with the accounting auditors, and engage in other activities, and a system of supervision, auditing, and curbs relating to management is established by the four Supervisory Board members. Management supervisory functions are performed from a third-party perspective through the appointment of two outside Supervisory Board members, and the Company believes that the governance systems are functioning properly.

III. Implementation Status of Policies Relating to Shareholders and Other Stakeholders

1. Status of initiatives to make general shareholders meetings more active and facilitate the exercise of voting rights

| | Supplementary Explanation |
|---|---|
| Early issuance of convocation notifications regarding general meetings of shareholders | Notifications are issued two business days earlier than the statutory period and notice is posted on the Company's website prior to the issuance of notification. |
| Electronic exercising of voting rights | The Company introduced electronic exercising of voting rights to create an environment that facilitates the exercise of voting rights by shareholders in order to reflect the intentions of a greater number of shareholders. |
| Participation in an electronic voting platform and other measures to enhance the voting environment for institutional investors | The Company participates in an electronic voting platform to create an environment that facilitates the exercise of voting rights by domestic and overseas institutional shareholders in order to reflect the intentions of a greater number of shareholders. |
| Provision of notifications of convocation (summaries) in English | The Company prepares notifications of convocation (summaries) in English and posts them on the Company's website. |

2. Status of investor relations activities

| | Supplementary Explanation | Existence of explanations by a representative |
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| Preparation and publication of disclosure policy | The Company's disclosure policy is posted on its website. Disclosure policy: The Company conducts investor relations activities to provide timely and appropriate information to shareholders and investors. When disclosing information, the Company releases material facts in compliance with the timely disclosure rules of the Tokyo Stock Exchange and promptly posts the relevant information on its website. In addition, the Company, at its discretion, also distributes materials and posts information that it believes to be valid on its website in a timely manner to increase understanding of Kaga Electronics. | |
| Periodic briefings for individual shareholders | The Company holds "briefing meetings for individual investors" which are conducted by the executive officer in charge of investor relations. In the fiscal year ended March 2019, one such meeting was organized, as follows: February 25, 2019 (Marunouchi, Tokyo) * The proceedings of the meeting may be viewed from the site below (Daiwa Investor Relations Co., Ltd.) with a link posted on the Company's IR site(Japanese). | None |

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| | <p>https://www.daiwair.co.jp/detail.cgi?code=8154</p> <p>Additionally, the head of Investor Relations and Public Relations Office visits branch offices of securities companies to give individual investors presentation on such themes as the Company's profile and its growth strategy. During the fiscal year ended March 2019, a total of 7 such presentations were held, as follows:</p> <p>April 13, 2018 (Kichijoji, Tokyo), July 7, 2018 (Kanazawa), September 6, 2018 (Ikebukuro, Tokyo), September 28, 2018 (Ueno, Tokyo), October 17, 2018 (Kashiwa, Chiba), March 12, 2019 (Kanazawa), March 13, 2019 (Toyama)</p> | |
| <p>Regular briefings for analysts and institutional investors</p> | <p>The Company holds "analyst and institutional investor financial briefings", which are organized subsequent to the announcement of interim and year-end financial results, where financial results and management strategy are presented by President & COO and by the executive officer in charge of investor relations. Additionally, IR briefing sessions are also organized as appropriate for individual business projects. The presenter is, in principle, President & COO.</p> <p>In the fiscal year ended March 2019, the following sessions were organized.</p> <p>May 24, 2018: Earnings presentation for the fiscal year ended March 2018</p> <p>September 18, 2018: IR briefing on "Acquisition of shares in Fujitsu Electronics Inc. (and making it a subsidiary)"</p> <p>November 29, 2018: Earnings presentation for the first half of the fiscal year ended March 31, 2019</p> <p>*The proceedings of the financial results briefings may be viewed by video streaming through the Company's IR site, along with presentation materials and "Main Q&A" notes.</p> <p>Earnings presentations: https://www.taxan.co.jp/en/ir/event/event_01.html</p> <p>Business strategy presentations: https://www.taxan.co.jp/en/ir/event/event_04.html</p> <p>1</p> | <p>Yes</p> |
| <p>Periodic briefings to overseas investors</p> | <p>With respect to North America, President & COO visits shareholders and investors to have constructive dialogues with a view to enhancing the Company's corporate value. For Asia, the head of Investor Relations & Public Relations Office engages in dialogues with the diverse range of institutional investors on such subjects as the Company's</p> | <p>Yes</p> |

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| | <p>management policy, financial results and growth strategy. Regular one-on-one meetings and conference calls with overseas investors are also arranged as appropriate.</p> <p>For the convenience of overseas investors, English language versions of integrated reports, earnings releases, as well as presentation materials and "Main Q&A" notes used in financial results briefings held in Japan are posted on the Company's IR site.</p> | |
| Posting of investor relation materials on the Company website | <p>Aside from annual financial reporting, the Company started publishing Integrated Report from the fiscal year ended March 2019 which marks its 50th anniversary, with the aim of communicating not only financial but also non-financial information of value to the investors. Through integrated reporting, the Company seeks to provide extensive IR resources and information such as messages from the top management on corporate philosophy, business strategy aimed at sustainable growth, overseas expansion as a global firm, and corporate governance initiatives by outside directors.</p> <p>* Integrated Report: https://www.taxan.co.jp/en/ir/ir_library/library_05.html In addition to integrated reports, various other materials are posted on the Company's IR site including earnings releases, earnings presentation materials, annual reports and Group reports (business reports).</p> <p>* IR Library: https://www.taxan.co.jp/en/ir/ir_library/</p> | |
| Establishment of a department (or appointment of a manager) for investor relations | <p>Aiming to strengthen strategic IR communication, we established a dedicated organization directly report to the president since April 2018.</p> <p>Department in charge: Investor Relations & Public Relations Office (3 people)</p> <p>Responsible person: Ichiro Shirai, General Manager, Investor Relations & Public Relations Office</p> | |

3. Status of initiatives for respecting the perspectives of stakeholders

| | Supplementary Explanation |
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| Provisions relating to respecting the position of stakeholders pursuant to internal regulations, etc. | <p>The Company respects the perspectives of stakeholders and, in order to build good relationships, has adopted the following as a fundamental policy: "Become a company that pleases shareholders, business partners, employees, and other stakeholders and contribute to society." The Company has also established the following rules: Rules on Internal Information Management and Restriction of Insider Trading, Environmental Impact and Assessment Rules, Environment Management Manual.</p> |

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| <p>Implementation of environmental conservation activities and CSR activities, etc.</p> | <p>(1) Environmental preservation activities The Company is cognizant that initiatives to address environment problems are an important aspect of corporate activities, and based on the following policy regarding environmental initiatives, has established a company-wide environment management system and undertakes measures to protect the global environment, prevent pollution, and so on in all its business activities. The Company has also established an Environmental Promotion Committee to carry out environmental programs and engages in company-wide measures such as green procurement and the sorting of waste materials. Environmental policy: The Kaga Electronics Group always considers the future of electronics, strives to meet the needs of customers, protects the irreplaceable earth, and works toward better protection and improvement of the natural environment.</p> <p>(2) CSR measures In light of the current importance of the corporate social responsibility, the Company established a CSR Promotion Committee and is creating a risk management system. The Company also established an Information Disclosure Committee, Risk Management Committee, Compliance Committee, and Personal Information Management Committee as subordinate organizations of the CSR Promotion Committee, and each undertakes active measures.</p> |
| <p>Formulation of policies, etc., relating to the provision of information to stakeholders</p> | <p>With timely disclosure as its fundamental policy on the provision of information to stakeholders and others, the Company provides timely information to the Tokyo Stock Exchange, holds press conferences, and issues news releases. Information Disclosure Committee, a subordinate organization of the CSR Promotion Committee, serves as the administrative body for the release of information and confirms information disclosure matters on a continuous basis.</p> |

IV. Matters relating to Internal Control Systems, etc.

1. Basic approach to internal control systems and status of establishment

1. With regard to the establishment of system to ensure the execution of duties by directors of the Company and Group Companies in accordance with laws and regulations and the Articles of Incorporation, the Company and its Group are aware that enhancing corporate governance is an important management issue and our fundamental policy is ensuring compliance with corporate ethics and laws and regulations and reinforcing internal control systems while maintaining the soundness, efficiency, and transparency of management and raising corporate value.

To achieve such compliance, the Company has established Rules on Officers applicable to directors and the Board of Directors Rules applicable to the Board of Directors. To ensure appropriate management, the directors monitor each other's status of execution of duties at regularly-held Board of Directors meetings and at extraordinary meetings held on a dynamic basis as necessary. The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Internal Approval, clarifying the scope of authority of each director and ensuring that mutual supervision by directors is effective.

In addition, the Company established an Audit Office under the direct authority of the President & COO. The Audit Office works in collaboration with the Business Administration Department which is the Company's legal affairs division, to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules.

The Company also has an Supervisory Board, and the Supervisory Board members including outside members conduct detailed audits regarding the execution of duties by the directors.

The Company also established a CSR Promotion Committee (Corporate Social Responsibility Promotion Committee) chaired by the President & COO and established Information Disclosure Committee, Risk Management Committee, and Compliance Committee and Personal Information Management Committee as subordinate organizations. These organizations work to normalize decision-making and the execution of business operations throughout the Group.

2. The systems for the preservation and control of information relating to the execution of duties by directors Information relating to the execution of duties by directors is appropriately and accurately controlled and preserved according to the qualities of the recording media in accordance with the Document Control Rules, which set forth the standards on the preparation and retention of documents, and the Document Control in Handling Manual, which sets forth detailed provisions on document retention procedures and periods.

3. Rules and other systems relating to control of the risk of loss

Potential risks that the Group faces include matters relating to economic conditions, exchange rates, country risks, price competition, product procurement capabilities, internal brand risks, legal regulation, market risks, major litigation, severance pay obligations, personal information, accidents, the environment, and information management. Responding divisions have been set for each risk and necessary and appropriate systems have been established to control risks under the authority of risk control officers and managers in each division.

If any of the risks mentioned above should occur, the corresponding responding divisions will immediately take necessary and appropriate responsive measures to minimize the occurrence of damage under the direction of the risk control officers and managers.

In addition, with the establishment of the Risk Management Committee as a subordinate organization to the CSR Promotion Committee, the Company established a system to respond promptly and appropriately to risks foreseen by the Group.

4. Systems for ensuring the efficient execution of duties by the directors of the Company and Group companies The foundations of systems for ensuring the efficient execution of duties by the directors of the Company

and Group companies are periodic meetings of the Board of Directors and extraordinary meetings of the Board held when necessary. Meetings of the Management Meeting, which is made up of members on the director and higher level, are held prior to meetings of the Board of Directors with regard to important matters that are within the scope of duties of the directors to conduct prior deliberations so that the Board can engage in enhanced deliberations and make prompt decisions.

The Company also introduced an executive officer system to separate management decision-making functions from operational execution functions and is creating systems to make timely responses. In addition, having an appropriate number of directors allows for adequate deliberation and appropriate and timely decision making.

With regard to specific execution of duties, the Board of Directors sets company-wide targets, formulates medium-term management plans to achieve those targets, and establishes necessary and appropriate systems for the execution of duties so that each direction and executive officers responsible for business divisions can carry out those plans.

In addition, The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Management of Affiliated Companies regarding the allocation of work duties, authority, and so on to the directors of the Company and Group companies. These rules provide for the efficient execution of work duties.

5. Systems for ensuring compliance by Company and Group Company employees with laws and regulations and the Articles of Incorporation in the performance of their duties

The Basic Compliance Rules were established as a code of conduct to ensure compliance with laws and regulations and the Articles of Incorporation by employees of the Company and Group companies when executing their duties. To ensure the effectiveness of these rules, the Company also established the Compliance Committee as a subordinate organization of the CSR Promotion Committee, establishing a system that can make appropriate group-wide responses.

In addition, the Company established an Audit Office under the direct authority of the President & COO. The Audit Office works in collaboration with the Business Administration Department, which is the Company's legal affairs division, to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules.

The Company has also established an internal reporting (whistleblowing) system that allows employees to directly and anonymously report conduct by the Company or Group companies in violation of laws and regulations or the Articles of Incorporation to the Founder & CEO, President & COO, Supervisory Board members, the CSR Promotion Committee, or the Sexual Harassment Investigation and Countermeasures Committee.

6. System to ensure the appropriateness of business operations by the corporate group comprising the Company and its affiliated companies

The Company established the Rules on Management of Affiliated Companies to ensure appropriate business operations by affiliated companies and conducts control in accordance with those rules. Also, coordination among Group companies and key decisions require deliberation and decisions by the Company's Management Meeting and Board of Directors.

In addition, the Company's Audit Office works in collaboration with the Business Administration Department, which is the Company's legal affairs division, to achieve overall uniformity in Group business activities, conducts audits regarding the appropriateness of those business activities and compliance with laws and regulations and the Articles of Incorporation and so on, and indicates improvements to be made in business activities.

Furthermore, Group companies submit all minutes of their Board of Directors meeting to the Company and make monthly reports on business activities, status of budget implementation, and important matters relating to ensuring the appropriateness of business activities.

7. Matters relating to employees supporting the work of Supervisory Board members

The Company's Rules on the Allocation of Work Duties include provisions relating to employees who assist Supervisory Board members in the performance of their duties. Supervisory Board members cause employees, , to support them in the performance of audit operations, focusing on work in the Audit Office, as necessary.

8. Matters relating to the independence from the directors of employees supporting the work of Supervisory Board members and matters relating to ensuring the effectiveness of indications by Supervisory Board members to employees

The Company's Rules on the Allocation of Work Duties provide that in cases where an employee is affiliated with the Audit Office and other departments that assist Supervisory Board members in the performance of their duties, only Supervisory Board members have the authority to issue instructions and orders relating to that work. In cases of transfer, evaluation, and disciplinary disposition of such employees, the consent of the Supervisory Board is required.

9. Systems for directors and employees of the Company and Group companies to report to Supervisory Board members and other systems for reporting to Supervisory Board members

If a Company director discovers facts that present a risk of causing substantial damage to the Company, such a director must immediately report those facts to the Supervisory Board pursuant to the Rules on Corporate Officers, and the Company has established systems for timely and accurate reporting to the Supervisory Board.

If an employee of the Company, director or employee of a Group company discovers facts in violation of laws and regulations or the Articles of Incorporation or discovers facts that present a risk of causing substantial damage to the Company or the respective Group company, such director or employee must immediately report to the Supervisory Board in accordance with the Rules on Work Authority, and the Company has established systems that enable employees to make reports directly to the Supervisory Board.

10. Systems for ensuring that the persons who make reports to the Supervisory Board are not subject to disadvantageous treatment as a result of making such reports

Reports made via the internal whistleblowing system can be made anonymously and through the use of a post office box. Since reporting individuals cannot be identified, there is a system in place to prevent disadvantageous treatment of persons making reports.

11. Matters relating to procedures for advance payment or reimbursement of expenses arising in the course of Supervisory Board members performing their duties and policies regarding handling of expenses or obligations arising in the course of Supervisory Board members performing their duties

When requests are made by Supervisory Board members for advance payment of expenses or for reimbursement of expenses paid or obligations incurred, except in cases where it can be established that those expenses and so on did not arise in the course of Supervisory Board members performing their duties, the Company shall comply with such requests.

12. Other systems for ensuring effective implementation of audits by Supervisory Board members

The Company's Supervisory Board members are required to attend Board of Directors meetings and other important internal meetings and must express their opinions as necessary. Also, the Company established an Supervisory Board and operates that board appropriately in accordance with the Supervisory Board Rules. The Company also established Supervisory Board Member Audit Standards setting forth the optimal audit structure for each board member, audit standards, and conduct policies for Supervisory Board members, ensuring the effectiveness of audits conducted by Supervisory Board members.

2. Basic approach to the elimination of antisocial forces and status of development

Responses for the elimination of antisocial forces

The Company's basic approach is not to maintain any relationships whatsoever with antisocial forces that threaten social order and safety and to maintain a resolute attitude regarding the refusal of all improper demands from antisocial forces as set forth in its Fundamental Compliance Rules and Employment Rules. In cases where the Company receives improper demands from antisocial forces, the General Affairs Department and CSR Promotion Committee collaborate and cooperate with crisis management advisors and attorneys to make an organizational response as necessary. The Company also holds regular discussions with attorneys, meets with police departments and other external specialized organizations, and participates in training and other activities in an effort to gather information.

V. Other

1. Existence of takeover defense measures

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| Existence of takeover defense measures | None |
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Supplementary explanation relating to this matter

2. Other matters relating to corporate governance systems, etc.

1. Corporate governance systems

To enhance its corporate governance, the Company strives to create more appropriate systems including responses to amendments of applicable laws and regulations.

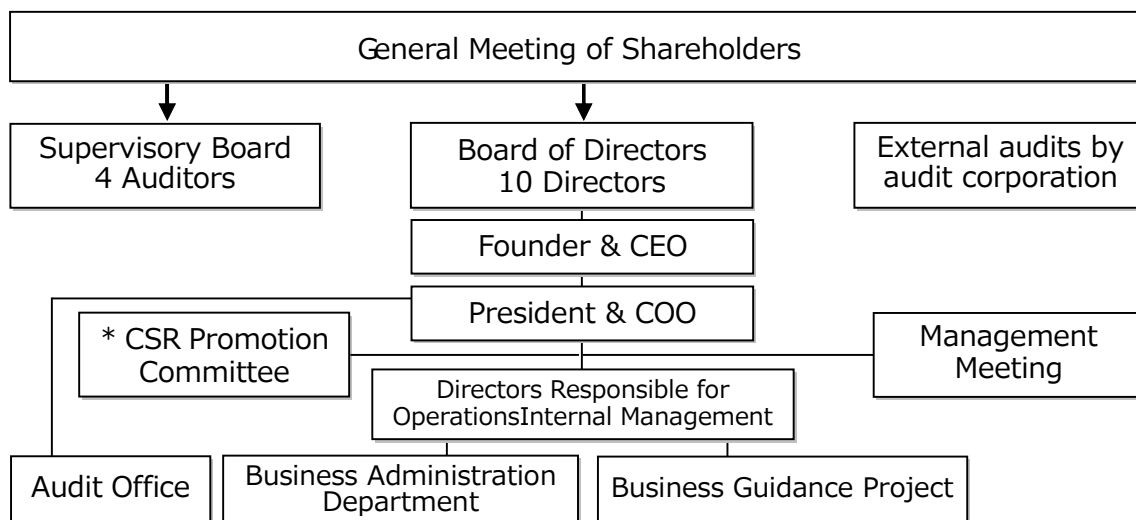
In addition, the Company comprehensively operates internal control systems in accordance with enforcement of the Financial Instruments and Exchange Act.

2. Internal system check functions relating to information disclosures and the status of internal systems

In light of the importance of corporate social responsibility (CSR), the Company established a CSR Promotion Committee in June 2004 and established an Information Disclosure Committee, Risk Management Committee, Compliance Committee, and Personal Information Management Committee as subordinate organizations to enhance internal systems.

The Company also established a Management Planning Office under the direct authority of the President & COO to gather and manage information from group subsidiaries and affiliated companies and strives to make appropriate and timely disclosures of information through the system set forth in the attached figure.

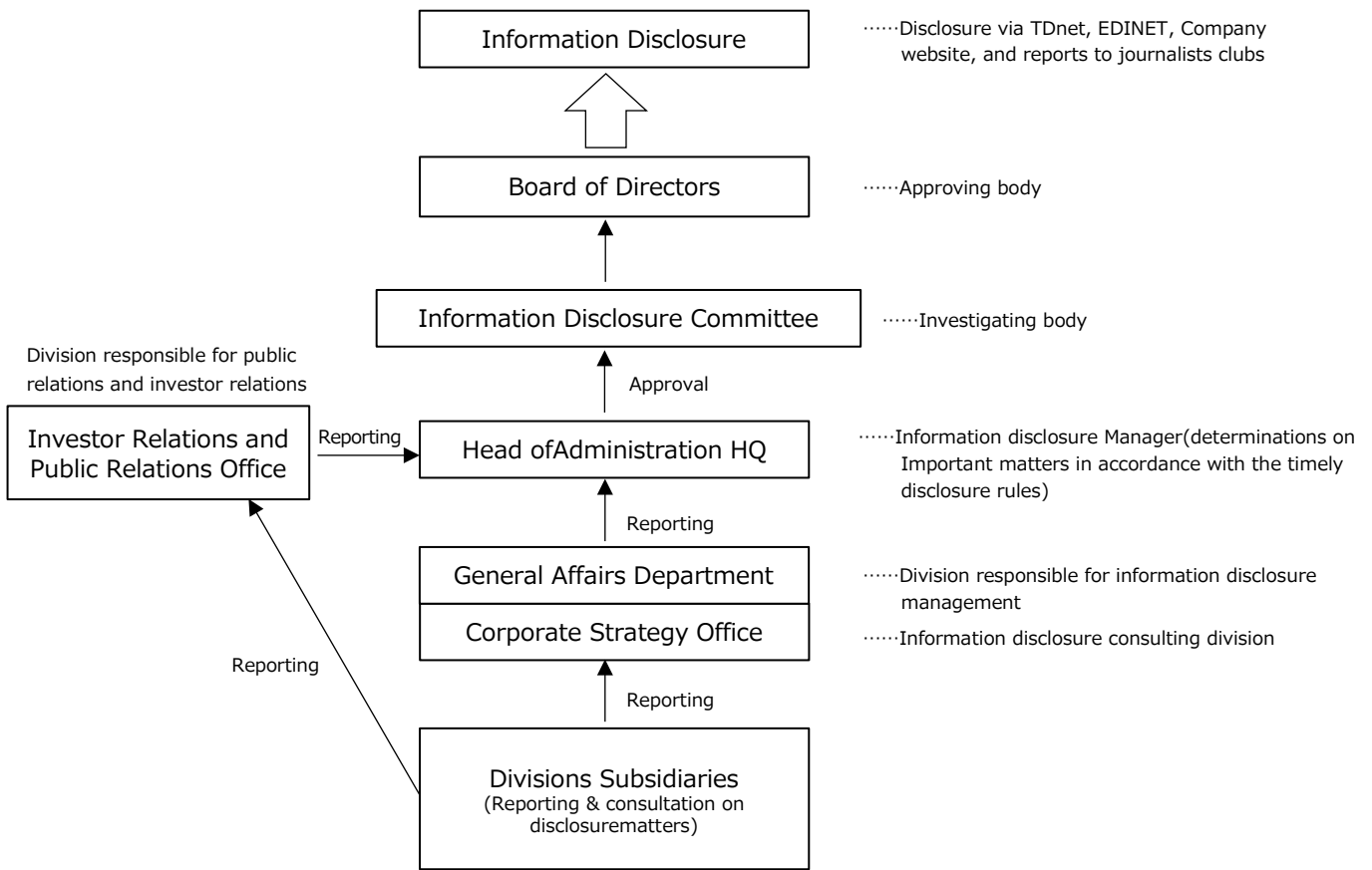
Corporate Governance Organizational Diagram



The following committees are subordinate organizations of the CSR Promotion Committee.

1. Compliance Committee, 2. Risk Management Committee, 3. Information Disclosure Committee, and 4. Personal Information Management Committee

Information Disclosure System Organizational Diagram



- | | |
|---|---|
| ① Board of Directors: | Body that approves information disclosures |
| ② President & COO: | Confirms information disclosure matters and convenes meetings of the Board of Directors |
| ③ Information Disclosure Committee: | Body that investigates information disclosures |
| ④ Head of Administration HQ: | Person responsible for information disclosure management |
| ⑤ General Affairs Department: | Division responsible for information disclosures |
| ⑥ Management Planning Office: | Division the consults on information disclosures |
| ⑦ Investor Relations and Public Relations Office: | Division responsible for investor relations |
| ⑧ Divisions and subsidiaries | Report on information disclosure matters |