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Stock Code: 8154 Tokyo Stock Exchange, First Section
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KAGA ELECTRONICS to Discontinue Directors' Retirement Benefits Plan and Introduce Restricted Stock Compensation Plan

KAGAELECTRONICS CO., LTD. (TSE: 8154; the "Company") announced that at a Board of Directors meeting held today, it reviewed the directors' compensation plan and as part of that it resolved to discontinue the directors' retirement benefit plan, to make termination payments associated with said discontinuance, to introduce a restricted stock compensation plan (the "Plan"), and to submit a proposal regarding these matters to the 50th Ordinary Meeting of Shareholders scheduled for June 28, 2018 (the "General Meeting of Shareholders").

1. Discontinuance of the directors' retirement benefit plan

As part of its review of the directors' compensation plan, the Company has decided to discontinue the directors' retirement benefit plan, which has a strong deferred payment-like component, effective as of the close of the General Meeting of Shareholders scheduled for June 28, 2018. Accordingly, the Company also decided to make a termination payment of retirement benefits, in accordance with standards prescribed by the Company, to current directors and company auditors (hereinafter "Eligible Persons") for their term in office up until discontinuance of this plan. Upon obtaining approval at the General Meeting of Shareholders, the payments shall be made at the time of retirement of each Eligible Person.

The effect on business performance of the discontinuance of this plan will be negligible, as necessary payment based on prescribed standards has been appropriated as allowance for retirement benefits for directors.

2. Restricted stock compensation plan

(1) Purpose and conditions for introducing the Plan

a. Purpose for introducing the Plan

The purpose of the Plan is to provide incentive for directors, excluding outside directors, of the Company ("Eligible Directors") to pursue sustainable enhancement of the Company's corporate value and, in addition, to further promote shared value between Eligible Directors and shareholders through the holding of the Company's shares.

b. Conditions for introducing the Plan

As the Plan amounts to payment of monetary claims as compensation by granting restricted stocks to Eligible Directors, a condition for introducing the Plan to Eligible Directors shall be to obtain shareholders' approval at the General Meeting of Shareholders for the payment of the pertinent compensation.

While the compensation for directors of the Company was approved at an amount no more than ¥700 million per year (no more than ¥50 million for outside directors) at the 47th Ordinary General Meeting of Shareholders held on June 26, 2015, the Company plans to request shareholders' approval at the General Meeting of Shareholders for establishment of the compensation amounts under the Plan for Eligible Directors of the Company, separate from the above compensation, with the Plan introduced as a new system.

(2) Overview of the Plan

Eligible Directors shall take all monetary compensation claims they are paid by the Company under the Plan and use them to make in-kind contributions in return for the Company's common stock, which will be issued or disposed of by the Company.

The total amount of monetary compensation claims paid to Eligible Directors under the Plan shall be no more than ¥100 million (however, this does not include the portion of employee's salary for directors who concurrently serve as employees). The specific timing of payment and distribution to each Eligible Director shall be determined at Board of Directors meetings.

The total number of shares of common stock to be newly issued or disposed of by the Company under the Plan shall be no more than 60,000 shares per year (however, in the event of a share split [including a gratis allotment of the Company's common stock] or consolidation of shares of common stock of the Company on or after the date the Plan is approved at the General Meeting of Shareholders, the total number of shares shall be adjusted as necessary within a reasonable range, in accordance with the split ratio or consolidation ratio, etc. from the effective date onward). The amount to be paid in per share shall be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (if such date is a non-trading day, the closing price on the most recent trading day prior to that date).

Furthermore, a condition for issuing or disposing of common stock of the Company under the Plan (the "Stock") shall be that a restricted stock allotment contract is entered into between the Company and the Eligible Directors who are expected to receive payment of restricted stock compensation, with the contract containing content including 1) prohibition of transfer to a third party, creation of security interest on, or any other disposal of the Stock during a certain period; and 2) the fact that the Company may acquire the stock without consideration if certain events occur. In order to prevent the transfer, creation of a security interest on, or other disposal of the Stock during the restriction period, the Stock will be managed in dedicated accounts opened by Eligible Directors at Nomura Securities Co., Ltd.