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Securities Code: 8154

June 11, 2018

To all of our shareholders

Ryoichi Kado  
President & COO  
**KAGA ELECTRONICS CO., LTD.**  
20 Kandamatsunagacho, Chiyoda-ku, Tokyo, Japan

## Notice of the 50th Ordinary General Meeting of Shareholders

We hereby inform you of the 50th ordinary general meeting of shareholders of KAGA ELECTRONICS CO., LTD. (the "Company") to be held as follows and your attendance is most sincerely requested.

If you are unable to attend the general meeting, you can exercise your voting rights in writing or via the Internet, etc.; so please read the attached Reference Documents for the General Meeting of Shareholders, express your approval or disapproval of the proposals in either the enclosed Exercise Voting Rights Form or on the Company's designated voting website (<https://evote.tr.mufg.jp/>), and exercise your voting rights by no later than 5:30 p.m. on June 27, 2018 (Wednesday) (Japan Time), the day before the day on which the general meeting will be held.

**1. Date and Time** 10:00 a.m. on June 28, 2018 (Thursday) (Japan Time)

**2. Place** Akihabara Business Center 5F, AP Akihabara  
1-1 Akihabara, Taito-ku, Tokyo

### 3. Agenda of the Meeting

#### Matters to be reported

1. The Business Report and Consolidated Financial Statements for the 50th fiscal year (from April 1, 2017 to March 31, 2018), and results of the Audit Reports by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
2. Non-consolidated Financial Statements for the 50th fiscal year (from April 1, 2017 to March 31, 2018)

#### Matters to be resolved

- Proposal No. 1:** Distribution of Surplus
- Proposal No. 2:** Election of Two (2) Auditors
- Proposal No. 3:** Election of One (1) Substitute Auditor
- Proposal No. 4:** Final Payment of Retirement Benefits in Conjunction with Abolition of Officer's Retirement Benefit Plan for Directors and Auditors
- Proposal No. 5:** Determination of the Amount of Remuneration for Granting Restricted Stock to Directors (Excluding Outside Directors)

If you attend the meeting in person, please present the enclosed Exercise Voting Rights Form at the reception on arrival at the meeting. Of the documents that the Company needs to provide along with this notice, Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are posted on the Company's website on the Internet (<http://www.taxan.co.jp>) in accordance with laws and regulations and the provision in Article 16 of the Company's Articles of Incorporation. Therefore, they are not included in this Notice of the Ordinary General Meeting of Shareholders.

These matters are included in the Consolidated Financial Statements and Non-consolidated Financial Statements audited at the time that the Auditor prepared the Audit Report and the Accounting Auditor prepared the Accounting Audit Report.

In the event of any changes to the Reference Documents for the General Meeting of Shareholders or the Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, they will be posted on the Company's website on the Internet (<http://www.taxan.co.jp>).

## Reference Documents for the General Meeting of Shareholders

### Proposal No. 1: Distribution of Surplus

The Company intends to distribute the surplus as follows.

Matters related to year-end dividends

We propose a year-end dividend for the 50th fiscal year as follows, taking into account the Company's business results in the fiscal year under review and business development, etc. going forward.

(1) Type of dividend property

To be paid in cash.

(2) Allotment of dividend property and the total amount

The Company proposes a regular dividend of 35 yen per share of common stock of the Company plus a special dividend of 5 yen, for a total dividend payout of 40 yen per share. Note that the total amount of the dividends in this case will be 1,097,389,000 yen.

As a result, combined with the interim dividend of 30 yen per share already paid, the annual dividend payout will be 70 yen per share and the total amount of the annual dividends will be 1,920,440,740 yen.

(3) Effective date of distribution of surplus

It is planned to be June 29, 2018.

**Proposal No. 2:** Election of Two (2) Auditors

We propose that two (2) auditors be elected as the term of office of auditor Yuichiro Tanaka will expire and auditor Isamu Yonekawa will resign at the conclusion of this general meeting.

Please note that the auditor candidate Yoichi Sato is proposed to be elected as a substitute for auditor Isamu Yonekawa, and his term of office will be until the term of office of the auditor Isamu Yonekawa expires as provided for in the Company's Articles of Incorporation.

Furthermore, the Board of Auditors has given acknowledgment of this proposal.

Candidates for auditor are as follows.

Candidate No.	Name (Date of birth)	Career summary and position in the Company (significant positions concurrently held)	Number of the Company's shares held
1	Susumu Kitsunai (June 26, 1974) Outside Independent New candidate	Oct. 1997      Joined Tokyo Office of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)	-
		Apr. 2001      Registered as Certified Public Accountant Oct. 2002      Opened Kitsunai Certified Public Accountant Office Representative (to present) Sept. 2004      Established Asia Alliance Partner Co., Ltd. Representative Director (to present)	
[Reasons for proposing the candidate for outside auditor] The Company proposes the election of Susumu Kitsunai as outside auditor because he possesses a wealth of experience and knowledge regarding finance and accounting as both a CPA and a company manager, and therefore can be expected to provide advice from an expert and various perspectives.			
2	Yoichi Sato (July 29, 1951) Outside Independent New candidate	Apr. 1977      Assistant Judge at Tokyo District Court	-
		Apr. 1987      Judge at Tokyo District Court Aug. 2016      Admitted to the bar Joined Alpha Partners Law Offices (to present) Apr. 2017      Member of Special Committee regarding Civil Legal Proceedings at the Tokyo Bar Association (to present)	
[Reasons for proposing the candidate for outside auditor] The Company proposes the election of Yoichi Sato as outside auditor so that he can utilize the advanced legal knowledge he has cultivated over many years as a lawyer and judge to strengthen the auditing system of the Company. Yoichi Sato has no experience of being directly involved in management but based on the above reasons, the Company judges that he will be able to perform his duties appropriately as an outside auditor.			

- (Notes)
1. No conflict of interest exists between any of the candidates and the Company.
  2. Susumu Kitsunai and Yoichi Sato are candidates for outside auditors.
  3. The Company plans to enter into contracts with Susumu Kitsunai and Yoichi Sato based on the provisions of Article 427, Paragraph 1 of the Companies Act, to limit their liability for damages under Article 423, Paragraph 1 of the said Act to within the minimum liability amount stipulated in Article 425, Paragraph 1 of the said Act.
  4. Susumu Kitsunai and Yoichi Sato satisfy the requirements for an independent officer based on the provisions of the Tokyo Stock Exchange; so the Company plans to register them as independent officers.

**Proposal No. 3:** Election of One (1) Substitute Auditor

Substitute auditor Yoshiyuki Shima has given notice that he will resign as substitute auditor at the conclusion of this general meeting. Therefore, the Company proposes that one (1) substitute auditor be elected to prepare for a case where the number of auditors falls below the number stipulated by laws and regulations.

The effectiveness of the election under this proposal may be cancelled based on resolution of the Board of Directors, provided such cancellation is done prior to the assumption of office and with the acknowledgment of the Board of Auditors.

Furthermore, the Board of Auditors has given acknowledgment of this proposal.

Candidate for substitute auditor is as follows.

Name (Date of birth)	Career summary and significant positions concurrently held	Number of the Company's shares held
Shunji Okamoto (June 8, 1983) Outside Independent New candidate	Dec. 2010 Admitted to the bar Jan. 2011 Joined Alpha Partners Law Offices (to present)	—
[Reasons for proposing the candidate for substitute outside auditor] The Company proposes the election of Shunji Okamoto as substitute outside auditor so that he can reflect his knowledge of corporate legal matters, a wealth of practical experience as a lawyer, and deep insight in assorted areas in the auditing system of the Company if he is appointed to the position of auditor. Shunji Okamoto has no experience of being directly involved in the management but based on the above reasons, the Company judges he will appropriately fulfill his duties as an outside auditor.		

- (Notes)
1. No conflict of interest exists between the candidate and the Company.
  2. Substitute auditor candidate Shunji Okamoto is proposed to be elected as a substitute for the outside auditor.
  3. Substitute auditor candidate Shunji Okamoto is the candidate for substitute outside auditor.
  4. If Shunji Okamoto is appointed to the position of outside auditor, the Company plans to enter into a contract with him based on the provisions of Article 427, Paragraph 1 of the Companies Act, to limit his liability for damages under Article 423, Paragraph 1 of the said Act to within the minimum liability amount stipulated in Article 425, Paragraph 1 of the said Act.
  5. Shunji Okamoto satisfies the requirements for an independent officer based on the provisions of the Tokyo Stock Exchange; so the Company plans to register him as an independent officer based on the provisions of the Tokyo Stock Exchange if he is appointed to the position of outside auditor.

**Proposal No. 4:** Final Payment of Retirement Benefits in Conjunction with Abolition of Officer's Retirement Benefit Plan for Directors and Auditors

The Company resolved at a meeting of the Board of Directors held on May 24, 2018 to abolish the officer's retirement benefit plan for directors and auditors upon the conclusion of this meeting as part of a reform of the remuneration system for officers.

Accordingly, in order to reward eight (8) directors and two (2) auditors, who will continue in their current positions following this meeting, for their services during their terms from their assumption of office to the conclusion of the meeting, the Company would like to pay them a reasonable amount of retirement benefits in conjunction with the abolition of the retirement benefit plan for officers in accordance with the Company's prescribed rules.

The Company requests that the timing of the payment be made at the resignation of each director and auditor and that the specific amount and method of payment, etc. be left to the discretion of the Board of Directors for directors' benefits and the Board of Auditors for auditors' benefits.

The career summaries of the directors and auditors subject to the final payment of the retirement benefits in conjunction with the abolition of the retirement benefit plan for officers are as follows:

Name	Career summary	
Isao Tsukamoto	Sept. 1968	Established Kaga Electronics Co., Ltd. President & CEO
	Apr. 2007	Founder & CEO (to present)
Ryoichi Kado	June 1995	Director of Kaga Electronics Co., Ltd.
	Apr. 2002	Managing Director
	Apr. 2005	Senior Managing Director
	Apr. 2012	Vice President
	Apr. 2014	President & COO (to present)
Shinsuke Takahashi	June 1995	Director of Kaga Electronics Co., Ltd.
	Apr. 2002	Managing Director
	Apr. 2005	Senior Managing Director (to present)
Yukio Takashi	June 1996	Director of Kaga Electronics Co., Ltd.
	June 2004	Managing Director
	Apr. 2005	Senior Managing Director (to present)
Shintaro Kakei	June 2000	Director of Kaga Electronics Co., Ltd.
	Apr. 2005	Managing Director
	Apr. 2014	Senior Managing Director (to present)
Eiji Kawamura	June 2012	Director of Kaga Electronics Co., Ltd.
	June 2015	Managing Director (to present)
Motonori Toshinari	June 2015	Director of Kaga Electronics Co., Ltd. (to present)
Mitsuhiro Nohara	June 2015	Director of Kaga Electronics Co., Ltd. (to present)
Kazunori Kameda	June 2015	Full-Time Auditor of Kaga Electronics Co., Ltd. (to present)
Takahiro Ishii	June 2015	Full-Time Auditor of Kaga Electronics Co., Ltd. (to present)

**Proposal No. 5:** Determination of the Amount of Remuneration for Granting Restricted Stock to Directors (Excluding Outside Directors)

At the 47th Ordinary General Meeting of Shareholders held on June 26, 2015, the amount of remuneration, etc. for the Company's directors was approved at an amount not to exceed 700 million yen per year (including 50 million yen per year or less for outsider directors).

The Company now intends to abolish the retirement benefit plan for officers and to give remuneration for granting restricted stock to the Company's directors (excluding outside directors, hereinafter, the "Eligible Directors") as part of a revision of the remuneration plan for officers. This form of remuneration is to be paid separately from the remuneration stated above. An introduction of the restricted stock remuneration plan aims to provide the Eligible Directors with incentives to help bring about continuous improvement in the Company's corporate value, while also further promoting the notion of sharing value with the Company's shareholders through the holding of the Company's shares.

Based on this proposal, the remuneration to be given to the Eligible Directors for granting the restricted stock shall be a monetary claim (hereinafter the "Monetary Remuneration Claim"), and its total amount shall be 100 million yen or less per year, which is the amount deemed as appropriate in light of the aforementioned objective. Specific payment periods and distribution to each director shall be determined by the Board of Directors. However, remuneration for granting restricted stocks shall not be paid to outside directors.

The above amount of remuneration does not include the portion of employees' salary for directors who concurrently serve as employees.

The current number of directors is ten (10) (including two (2) outside directors).

The Eligible Directors shall make contributions in-kind of all Monetary Remuneration Claims given under this proposal in accordance with the resolution by the Board of Directors of the Company, and in return receive shares of the Company's common stock, upon issuance or disposition thereof. The total number of shares of common stock for issuance or disposition thereof shall amount to no more than 60,000 annually (however, the total number shall be adjusted to a reasonable extent as needed, in cases where, following the date on which this proposal is approved and resolved, there is a stock split of the Company's common shares (including a gratis allotment of shares of the Company's common stock) or a share consolidation thereof, based on the split ratio or consolidation ratio, etc. after the effective date).

The amount to be paid in per share shall be the closing price of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day). In addition, with respect to the aforementioned issuance or disposition of shares of the Company's common stock, the Company and each Eligible Director shall conclude an agreement on allotment of restricted stock, the outline of which includes the below items (hereinafter the "Allotment Agreement").

(1) Transfer restriction period

The Eligible Directors may neither transfer, create a security interest on, nor otherwise dispose of the shares of the Company's common stock allotted under the Allotment Agreement (hereinafter the "Allotted Shares") for a period of a minimum of 3 years to a maximum of 20 years from the day of the allotment of shares that shall be determined in advance by the Board of Directors of the Company (hereinafter the "Restriction Period"). The restriction described in the preceding sentence will hereinafter be referred to as the "Restriction."

(2) Treatment on retirement from office

In case the Eligible Director retires from the position of the Company's director before the Restriction Period expires, the Company shall acquire such Allotted Shares by rights without contribution, unless there is a reason the Board of Directors of the Company deems justifiable such as term expiration and death.

(3) Removal of Restriction

Notwithstanding the provisions in (1) above, under the condition that the Eligible Director continued to serve as director of the Company during the Restriction Period, the Company shall remove the Restriction for all of the Allotted Shares upon the expiration of the Restriction Period. However, in cases where the Eligible Director retires from the position of the Company's director prior to expiration of the Restriction Period due

to term expiration, death, or other justifiable reasons as defined in (2) above, the number of the Allotted Shares for which the Restriction will be removed and the timing of the removal of the Restriction shall be reasonably adjusted as necessary. In this case, immediately after removal of the Restriction due to the above provisions, the Company shall by rights acquire the Allotted Shares for which the Restriction has not been removed, without contribution.

(4) Treatment during reorganization, etc.

Notwithstanding the provisions in (1) above, in cases where, during the Restriction Period, a General Meeting of Shareholders of the Company (however, in cases where the reorganization, etc., in question does not require approval from a General Meeting of Shareholders of the Company, the Board of Directors of the Company) approves a merger agreement wherein the Company becomes the extinct company, or a share exchange agreement or a share transfer plan wherein the Company becomes a wholly-owned subsidiary, or other matters regarding reorganization, etc., the Restriction shall be removed ahead of the effective date of the reorganization, etc., in question for a reasonably defined number of the Allotted Shares taking into account the period between the beginning of the Restriction Period and the approval date of the reorganization, etc., in question, via a resolution of the Board of Directors of the Company. In the case of the above provision, immediately after removal of the Restriction, the Company shall by rights acquire the Allotted Shares for which the Restriction has not been removed, without contribution.

(5) Other matters

Other matters regarding the Allotment Agreement shall be stipulated by the Board of Directors of the Company.