

Name of Company	KAGA ELECTRONICS CO., LTD.
Stock Code	8154 Tokyo Stock Exchange, First Section
Head Office	20 Kandamatsunagacho, Chiyoda-ku, Tokyo
Representative	Ryoichi Kado, President & COO
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Notice Regarding Disposal of Treasury Shares for Restricted Stock Compensation

KAGA ELECTRONICS CO., LTD. (the "Company") hereby announces that, at a Board of Directors meeting held today, a resolution was passed to conduct disposal of its treasury shares ("Disposal of Treasury Shares" or "Disposal"), details of which are as follows.

1. Outline of the Disposal

(1)	Date of disposal	January 17, 2020
(2)	Class and number of shares to be disposed	11,900 shares of common stock of the Company
(3)	Disposal value	¥2,666 per share
(4)	Total disposal value	¥31,725,400
(5)	Recipients of allotment and the number thereof; number of shares to be disposed	Directors of the Company (excluding Founder and CEO, and outsider directors) 6 persons, 11,900 shares
(6)	Other	With respect to the Disposal of Treasury Shares, a securities statement has been filed in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and reasons for the Disposal

The Company resolved at a meeting of the Board of Directors held on May 24, 2018, to introduce the Restricted Stock Compensation Plan ("Plan") for the purpose of providing directors of the Company, excluding outside directors ("Eligible Directors"), incentives to enhance the corporate value of the Company and a scheme for holding shares in the Company to promote sharing of value with the shareholders. At the 50th Ordinary General Meeting of Shareholders held on June 28, 2018, it was approved that, in accordance with the Plan, monetary compensation claims not exceeding ¥100 million per year would be paid to the Eligible Directors as monetary compensation to serve as the property to be contributed for acquisition of shares with transfer restriction ("Restricted Stock Compensation"), and that the transfer restriction on the restricted stock will apply for a period to be determined by the Board of Directors which shall be a period between three to twenty years.

The outline of the Plan and other relevant matters are as follows.

[Outline of the Plan and other matters]

The Eligible Directors will make in-kind contributions of all of the monetary compensation claims provided by the

Company in accordance with the Plan, and in return receive shares of the Company's common stock that will be issued or disposed of by the Company. The total number of shares of common stock to be issued or disposed of shall be no more than 60,000 shares per year and the amount to be paid in per share shall be the closing price of the Company's common stock on the First Section of the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors (or, if no transaction is closed on such day, the closing price on the most recent trading day preceding that day).

For the purpose of issuing or disposing of shares of the Company's common stock under the Plan, the Company shall enter into a restricted stock allotment agreement with the Eligible Directors, which includes provisions that (1) Eligible Directors shall not, during a certain period, transfer, create a security interest on, or otherwise dispose of the shares of the Company's common stock allotted under the restricted stock allotment agreement, and (2) the Company may acquire the said common shares without consideration if certain events occur.

With due consideration to the purpose of the Plan, business conditions of the Company, the scope of responsibility of each Eligible Director and other circumstances, and with a view to increasing motivation of the Eligible Directors, the Company has decided to grant the total sum of ¥31,725,400 of monetary compensation claims ("Monetary Compensation Claims") and 11,900 shares of the Company's common stock. Further, in order to realize the Plan's objective of achieving sharing of value with the shareholders over the medium to long term, the transfer restriction period is set at 20 years.

For the Disposal of Treasury Shares, the six Eligible Directors, being the planned recipients of the allocation, will make an in-kind contribution of all of the Monetary Compensation Claims to the Company in accordance with the Plan, and will receive the disposed shares of the Company's common stock ("Allotted Shares"). The outline of the restricted stock allotment agreement to be entered into by and between the Company and the Eligible Directors in connection with the Disposal of Treasury Shares ("Allotment Agreement") is as described in 3. below.

3. Outline of the Allotment Agreement

(1) Transfer restriction period January 17, 2020 – January 16, 2040

(2) Conditions for removal of transfer restriction

On the condition that an Eligible Director has served as director of the Company continuously during the transfer restriction period, the Company shall remove the transfer restriction on all of the Allotted Shares upon expiration of the transfer restriction period.

(3) Treatment in case of retirement of an Eligible Director during the transfer restriction period due to expiration of the term of office, attainment of retirement age, or any other justifiable reasons

① Timing of removal of transfer restriction

In the event an Eligible Director retires from office due to expiration of the term of office, attainment of retirement age or other justifiable reasons (exclusive of retirement due to death), transfer restriction will be removed immediately after retirement of the said Eligible Director. In the event of retirement due to death, transfer restriction will be removed at a point in time determined separately by the Board of Directors following the death of the said Eligible Director.

② Number of shares subject to removal of transfer restriction

(i) If an Eligible Director retires after the completion of the period extending from June 27, 2019, which is the start date of the term of office, up to the conclusion of the Ordinary General Meeting of Shareholders in 2020 ("Service Period"), all of the Allotted Shares held by the said Eligible Director at the said point in time shall be subject to removal of transfer restriction.

(ii) If an Eligible Director retires during the Service Period, the number of shares subject to removal of transfer restriction shall be the number obtained by multiplying the number of Allotted Shares held by the said Eligible Director at the time of retirement set forth in ① above by the value obtained by dividing the period in office

(expressed in months) of the Eligible Director within the transfer restriction period by the number of months of Service Period attributable to the relevant Allotted Shares (any fractions less than one share unit resulting from the calculation shall be discarded).

(4) Acquisition without consideration by the Company

The Company shall, by rights, acquire without consideration any Allotted Shares on which transfer restriction has not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restriction set forth in (3) above.

(5) Management of shares

The Allotted Shares shall be managed in dedicated accounts at Nomura Securities Co., Ltd. opened by the Eligible Directors throughout the transfer restriction period in order to prevent transfer to a third party, creation of security interest on or any other disposal of the said shares during the transfer restriction period. The Company has entered into an agreement with Nomura Securities Co., Ltd. in relation to the management of the accounts of the Allotted Shares held by the Eligible Directors to ensure the effectiveness of the transfer restriction and other relevant matters pertaining to the Allotted Shares. The Eligible Directors shall consent to the details relating to the management of the accounts.

(6) Treatment in reorganization etc.

In the event that, during the transfer restriction period, a merger agreement in which the Company is the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary, or any other matter concerning reorganization etc. is approved at a General Meeting of Shareholders of the Company (or by the Board of Directors of the Company if the approval at the Company's General Meeting of Shareholders is not required for the said reorganization etc.), the relevant transfer restriction will be removed, based on resolution of the Board of Directors, on (1) all of the Allotted Shares if the Service Period was completed, or (2) if such event occurs during the Service Period, the number of shares obtained by multiplying the number of shares of the Allotted Shares held at such point in time by the value obtained by dividing the number of months from the starting month of the transfer restriction period up to the month that includes the date of the relevant approval of the reorganization, by the number of months of Service Period attributable to the said Allotted Shares (any fractions less than one share unit resulting from the calculation shall be discarded), the timing of such removal being immediately before the preceding business day of the effective date of reorganization, etc. Further, for any Allotted Shares on which transfer restriction is not removed at the time immediately after the removal of the transfer restriction, the Company shall, by rights, acquire all such Allotted Shares without consideration.

4. Basis of calculation of the payment amount and details thereof

The Disposal of Treasury Shares to the planned recipients of the allocation will be conducted using the Monetary Compensation Claims provided to them in accordance with the Plan as the Restricted Stock Compensation for the 52th business year of the Company, to be treated as property for contribution. To eliminate any arbitrariness in pricing, the disposal value shall be the closing price of the common stock of the Company on the First Section of the Tokyo Stock Exchange on December 19, 2019 (which is the business day immediately preceding the date of the resolution of the Board of Directors), such price being ¥2,666. This value is deemed to be rational and not particularly favorable because it is the market share price on the day immediately preceding the date of resolution by the Board of Directors.