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(Securities code: 7517)  
June 7, 2017

**To All Shareholders**

Koichi Hosokawa, President & COO  
KURODA ELECTRIC Co., Ltd.  
4-11-3, Kikawa-higashi,  
Yodogawa-ku, Osaka, Japan

## **NOTICE OF THE 82<sup>nd</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 82<sup>nd</sup> Ordinary General Meeting of Shareholders of the Company. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by either of the following methods. Please review the REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS in the following pages and exercise your voting rights by no later than 5:30 p.m. on Wednesday, June 28, 2017.

[Voting by mail]

Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and return the form by mail by the delivery deadline (the above date and time).

[Voting via the Internet]

Please enter your votes for or against the proposals after reading the “Guidance on the Exercise of Voting Rights via the Internet” (written in Japanese).

- 1. Date and Time** June 29, 2017 (Thursday) at 10:00 a.m.
- 2. Place** Meeting room, 5<sup>th</sup> floor, Head Office of the Company  
4-11-3, Kikawa-higashi, Yodogawa-ku, Osaka, Japan
- 3. Agenda of the Meeting**  
**Matters to be reported:**
  1. Business Report and Consolidated Financial Statements for the 82<sup>nd</sup> Fiscal year (from April 1, 2016 to March 31, 2017) and results of audits by the Accounting Auditor and the Audit Committee of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the 82<sup>nd</sup> Fiscal year (from April 1, 2016 to March 31, 2017)

**Proposals to be resolved:**

**<Proposals by the Company (Proposals No. 1 and No. 2)>**

**Proposal No. 1:** Election of Six Directors

**Proposal No. 2:** Election of One Substitute Outside Director

**<Proposal by a Shareholder (Proposal No. 3)>**

**Proposal No. 3:** Election of One Director

**4. Predetermined terms for convening the meeting:**

**(1) Treatment of the Voting Rights Exercise Form with selections left blank**

If you submit the Voting Rights Exercise Form without indicating your vote of approval or disapproval for any proposal, you will be deemed to have approved said proposal in case of a proposal by the Company, and disapproved of said proposal in case of a proposal by a shareholder.

**(2) Exercise of voting rights by proxy**

Your proxy must be one (1) shareholder with voting rights of the Company, in accordance with the provisions of the Articles of Incorporation of the Company. If you wish to exercise your voting rights by proxy, you will be required to submit to the Company (i) a document evidencing the proxy's power of representation (your power of attorney), and (ii) your Voting Rights Exercise Form or another material to verify your identity.

**(3) Split voting**

If you intend to cast a split vote, please notify the Company to that effect and the reasons for the split vote at least three days before the General Meeting of Shareholders.

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Notes: 1. Shareholders attending the meeting are requested to hand in the Voting Rights Exercise Form at the reception desk of the meeting venue.  
2. Shareholders are also requested to bring this Notice when attending the meeting for the purpose of saving paper resources.  
3. Subsequent amendments to the REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS and the Attached Documents, if any, will be listed on the Company's website (<http://www.kuroda-electric.co.jp>).

## REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Proposal and references

#### <Proposals by the Company (Proposals No. 1 and No. 2)>

##### **Proposal No. 1: Election of Six Directors**

The Company has adopted a system of a company with nominating committee, etc. as an organizational design for corporate governance in which the Board of Directors supervises the Executive Officers' performance of duties. The role of the Board of Directors is to make appropriate decisions on strategies in order to achieve long-term sustainable improvement of our corporate value while optimally supervising to ensure that our managerial measures are implemented fairly and properly by leveraging a three-committee arrangement comprising Nominating Committee, Compensation Committee, and Audit Committee.

With respect to the candidates for Directors, the Nominating Committee shall nominate them based on the "Policies and Standards on the Composition of the Board of Directors and the Selection of Outside Officers" (established on December 18, 2015) to ensure that the composition of the Board of Directors will be diversified and well balanced in terms of professional fields, etc., and will consist of individuals with good personal character, knowledge, ability, and rich experience, as well as high ethical standards.

The candidates for Outside Directors are required to satisfy the independence criteria determined by the Company in order to fulfill the supervisory function independently of the Company's management and officers, major shareholders, major business partners, etc. The Nominating Committee shall select candidates who have expertise in corporate management, corporate governance, corporate finance and accounting or laws and legal systems.

All of the seven current Directors of the Company will complete their terms of office at the closing of this Ordinary General Meeting of Shareholders. Consequently, the Company proposes the election of six Directors as follows based on the determination of the Nominating Committee. The composition of the Board of Directors and each of the Committees when the election is approved as proposed and the summaries of the six candidates are presented in the table below and the tables describing the respective candidates.

All four candidates for Outside Directors meet the Independence Criteria for a Candidate for Outside Director determined by the Company and the requirements for independent directors determined by the Tokyo Stock Exchange. Upon the closing of this Ordinary General Meeting of Shareholders, the number of Independent Outside Directors will be four, or two-thirds of the number of Directors of the Company (six), and will provide the Board of Directors with a highly independent structure.

The summaries of the six candidates, the composition of the Board of Directors and each of the Committees when the election is approved as proposed

No.	1	2	3	4	5	6
Name	Koichi Hosokawa	Yasunobu Mori	Kunio Tsuneyama	Shigetoshi Okada	Atsushi Yamashita	Shuichi Shino
Position	Director President and Chief Executive Officer	Director Managing Executive Officer	Outside Director	Outside Director	Outside Director	Outside Director
Term of office	Reappointed; in the 4th year	Newly appointed; in the 1st year	Reappointed; in the 6th year	Reappointed; in the 5th year	Reappointed; in the 3rd year	Reappointed; in the 2nd year
Independent Director			○	○	○	○
Attendance rate on the Board of Directors meetings for the current fiscal year	100%	(newly appointed)	100%	100%	88.9%	100%
Attendance rate on the Committee meetings for the current fiscal year	100%		100%	100%	100%	100%
Nominating Committee	Member		Member	Member	Chairman	
Compensation Committee		Member	Member	Chairman	Member	
Audit Committee			Member	Member	Member	Chairman
Expertise, experience	Corporate management, Global business management & operations, Sales and marketing	Corporate management, Administration in general	Certified public accountant, Certified tax accountant, Accounting, Audit, Tax, Legal systems	Corporate management, Manufacturing management & operations, International business operations, Quality control	Attorney at law, Legal affairs, Corporate law, Intellectual property management	Corporate finance, Investor Relations / Corporate communications, Corporate governance, Corporate audit

No.	Name (Date of birth)	Career summary, position, assignment and significant office(s) concurrently held	Number of shares of the Company held
1	<div>Reappointed</div> Koichi Hosokawa (May 5, 1957)	<p>April 1981      Joined the Company</p> <p>June 2007      Executive Officer and Deputy General Manager of Fifth Sales Department of the Company</p> <p>October 2009   Executive Officer in charge of China and Asia of the Company</p> <p>April 2010      Executive Officer, General Manager of Overseas Business Department, and General Manager of Global Strategic Office of the Company</p> <p>April 2011      Executive Officer, General Manager of Management Planning Office, and General Manager of Global Strategic Office of the Company</p> <p>April 2012      Managing Executive Officer, Chief Officer of Overseas Departments, and General Manager of Global Strategic Office of the Company</p> <p>April 2014      President and Chief Operating Officer of the Company</p> <p>June 2014      Director, and President and Chief Operating Officer of the Company (to present)</p> <p>The reasons for nominating him as a candidate for Director: Because Mr. Koichi Hosokawa is well versed in the Company's business based on his practical experiences overseas, he has displayed leadership not only in many overseas businesses, but also in business as a whole within the Group, and has produced actual results. We judge that, amid turbulent changes in the business environment, Mr. Koichi Hosokawa can play a more crucial role than ever toward achieving the new Midterm Business Plan based on his abundant experience and achievement, as a Director concurrently serving as President and Chief Operating Officer and Chief Executive Officer. We also judge that he can further contribute to the improvement of the business management and the supervisory function over management from the global standpoint necessary for the business administration of the Group. Consequently, we nominate him as a candidate for Director.</p> <p>Term of office as a Director: 3 years (at the closing of this General Meeting of Shareholders) [Attendance rate (for the current fiscal year)] Board of Directors meetings :9/9    Compensation Committee meetings: 3/3</p>	15,905 shares

No.	Name (Date of birth)	Career summary, position, assignment and significant office(s) concurrently held	Number of shares of the Company held
2	<div>Newly appointed</div> Yasunobu Mori (December 18, 1957)	<p>April 1981    Joined the Company</p> <p>October 2006    General Manager of Accounting Department of the Company</p> <p>February 2007    President of KURODA ELECTRIC (China) Co., Ltd. (currently SHANGHAI KURODA MANAGEMENT CO., LTD) (to present)</p> <p>June 2007    Executive Officer and General Manager of Accounting Department of the Company</p> <p>April 2009    Executive Officer, Department Director of First Administration Department, and General Manager of Accounting Department of the Company</p> <p>April 2012    Executive Officer, Department Director of First Administration Department, and General Manager of Global Administration Department of the Company</p> <p>April 2015    Executive Officer and General Manager of First Administration Department of the Company</p> <p>January 2016    Executive Officer, and Department Director of First and Second Administration Departments of the Company</p> <p>April 2017    Managing Executive Officer and Chief Officer of Administration Departments of the Company (to present)</p> <p>The reasons for nominating him as a candidate for Director: Mr. Yasunobu Mori has so far served consecutively as an executive in a number of capacities mainly in the accounting department, as well as in the general affairs, legal affairs, system department, and logistics department. He has also served as the chairman of the Corporate Conduct Committee, which controls the risk management of the entire group, to promote risk management and compliance, and is therefore well versed in administration in the Group as a whole and plays an important role based on his experience and knowledge. We judge that, toward the new Midterm Business Plan, the Board of Directors will be required to further improve the functions of administration and the supervision of management throughout the Group's business fields. Consequently, we nominate him as a candidate for Director.</p>	2,953 shares

No.	Name (Date of birth)	Career summary, position, assignment and significant office(s) concurrently held	Number of shares of the Company held
3	<div>Reappointed</div> <div>Outside Director</div> <div>Independent</div> <p>Kunio Tsuneyama (November 5, 1947)</p>	<p>October 1973    Joined Tsuji Audit Corporation (subsequently MISUZU Audit Corporation)</p> <p>September 1980    Joined Musashi Audit Corporation (currently Ernst &amp; Young ShinNihon LLC)</p> <p>March 1982    Established Tsuneyama Certified Public Accountant Office Assumed office as President, Tsuneyama Certified Public Accountant Office (to present)</p> <p>April 1988    Established Tsuneyama Kunio Certified Public Tax Accountant Office Assumed office as President, Tsuneyama Kunio Certified Public Tax Accountant Office</p> <p>October 2005    Assumed office as Supervising Officer, TOP REIT, Inc.</p> <p>March 2012    Established Certified Public Tax Accountant Corporation Tsuneyama Sogo Accounting Office Assumed office as Partner, Certified Public Tax Accountant Corporation Tsuneyama Sogo Accounting Office (to present)</p> <p>June 2012    Director of the Company (to present)</p> <p>[Significant office(s) concurrently held] President, Tsuneyama Certified Public Accountant Office Partner, Certified Public Tax Accountant Corporation Tsuneyama Sogo Accounting Office</p> <p>The reasons for nominating him as a candidate for Outside Director: Mr. Kunio Tsuneyama is closely acquainted with affairs in corporate accounting as a certified public accountant and certified tax accountant and has considerable knowledge and experience with respect thereto, including experience as a supervising officer of an investment corporation. We judge that, as the new Midterm Business Plan progresses, the Board of Directors will need his adequate expertise in finance and accounting for the fair and proper performance of business administration. Consequently, we nominate him as a candidate for Director. In light of his past and current activities and positions in and outside the Company, we judge that he can engage in the supervision of management from a standpoint independent from the operating officers of the Company. Therefore, we nominate him as a candidate for Outside Director. There is no relationship between Tsuneyama Certified Public Accountant Office, at which Mr. Kunio Tsuneyama serves as President, and Certified Public Tax Accountant Corporation Tsuneyama Sogo Accounting Office, at which Mr. Kunio Tsuneyama serves as Partner, and the Company. Term of office as a Director: 5 years (at the closing of this General Meeting of Shareholders) [Attendance rate (for the current fiscal year)] Board of Directors meetings: 9/9                      Nominating Committee meetings: 2/2 Compensation Committee meetings: 3/3              Audit Committee meetings: 14/14</p>	—

No.	Name (Date of birth)	Career summary, position, assignment and significant office(s) concurrently held	Number of shares of the Company held
4	<div>Reappointed</div> <div>Outside Director</div> <div>Independent</div> <p>Shigetoshi Okada (April 16, 1950)</p>	<p>April 1975      Joined Honda Motor Co., Ltd. October 1995    General Manager of Quality Development Division of Honda of the U.K. Manufacturing Ltd. June 1999      General Manager of Quality Assurance Office, Parts Operations of Honda Motor Co., Ltd. March 2002    Retired from Honda Motor Co., Ltd. April 2002      Joined Nissin Kogyo Co., Ltd. June 2002      Director of Nissin Kogyo Co., Ltd. April 2006      Director and Managing Officer for Production Operations and Regional Operations (Eastern Asia) of Nissin Kogyo Co., Ltd. April 2007      Director and Senior Managing Officer for Business Management Operations and Regional Operations (U.S. and Europe) of Nissin Kogyo Co., Ltd. June 2009      Retired as Director and assumed office as an Advisor of Nissin Kogyo Co., Ltd. April 2010      Retired from Nissin Kogyo Co., Ltd. June 2013      Director of the Company (to present)</p> <p>The reasons for nominating him as a candidate for Outside Director: Mr. Shigetoshi Okada made appropriate suggestions from a practical standpoint free from the Company's established structure at the Company's Board of Directors meetings, and thereby contributed to appropriate decision-making and the supervision of management, by taking advantage of his abundant experience in management and business practice in companies. We judge that Mr. Shigetoshi Okada can contribute to the automobile-related business, a segment on which the Company focuses under the new Midterm Business Plan, from an objective and professional standpoint. Consequently, we nominate him as a candidate for Director. In light of his past and current activities and positions in and outside the Company, we judge that he can engage in the supervision of management from a standpoint independent from the operating officers of the Company. Therefore, we nominate him as a candidate for Outside Director. Term of office as a Director: 4 years (at the closing of this General Meeting of Shareholders) [Attendance rate (for the current fiscal year)] Board of Directors meetings: 9/9      Nominating Committee meetings: 2/2 Compensation Committee meetings: 3/3      Audit Committee meetings: 14/14</p>	—



No.	Name (Date of birth)	Career summary, position, assignment and significant office(s) concurrently held	Number of shares of the Company held
5	<div>Reappointed</div> <div>Outside Director</div> <div>Independent</div> <div>Atsushi Yamashita (March 5, 1958)</div>	<p>April 1988 Registered as an attorney at law (Daini Tokyo Bar Association)</p> <p>April 1988 Joined Tanaka &amp; Takahashi Law Office</p> <p>January 1997 Partner, Tanaka &amp; Takahashi Law Office</p> <p>May 2001 Joined Tanaka &amp; Akita Law Office (currently Clifford Chance Law Office), Partner</p> <p>May 2011 Joined K&amp;L Gates Gaikokuho Joint Enterprise, Partner</p> <p>October 2014 Joined Sonderhoff &amp; Einsel Law and Patent Office, Partner (to present)</p> <p>June 2015 Director of the Company (to present)</p> <p>[Significant office(s) concurrently held] Partner, Sonderhoff &amp; Einsel Law and Patent Office</p> <p>The reasons for nominating him as a candidate for Outside Director: Mr. Atsushi Yamashita is closely acquainted with affairs in corporate law as an attorney at law and has abundant experience and considerable knowledge with respect thereto. Mr. Atsushi Yamashita made appropriate and important suggestions at the Board of Directors meetings of the Company and played an important role in ensuring and improving the transparency and fairness of the Company's management. As the new Midterm Business Plan progresses, we consider it necessary that Mr. Atsushi Yamashita make appropriate suggestions on improvement of corporate governance and appropriate business operations at the Board of Directors meetings by taking advantage of his knowledge in the field of legal affairs. Consequently, we nominate him as a candidate for Director. In light of his past and current activities and positions in and outside the Company, we judge that he can engage in the supervision of management from a standpoint independent from the operating officers of the Company. Therefore, we nominate him as a candidate for Outside Director. There is no relationship between Sonderhoff &amp; Einsel Law and Patent Office, at which Mr. Atsushi Yamashita serves as Partner, and the Company. Term of office as a Director: 2 years (at the closing of this General Meeting of Shareholders) [Attendance rate (for the current fiscal year)] Board of Directors meetings: 8/9      Nominating Committee meetings: 2/2 Compensation Committee meetings: 3/3      Audit Committee meetings: 14/14</p>	—

No.	Name (Date of birth)	Career summary, position, assignment and significant office(s) concurrently held	Number of shares of the Company held
6	<div>Reappointed</div> <div>Outside Director</div> <div>Independent</div> Shuichi Shino (December 1, 1949)	<p>April 1973      Joined Yamaichi Securities Company, Limited (“Yamaichi Securities”)</p> <p>May 1985      Temporarily seconded to Nippon Investors Service, Inc. (currently Rating and Investment Information, Inc.), Senior Analyst of Credit Rating Department 1</p> <p>September 1987      Returned to Yamaichi Securities, Manager of Capital Market Planning Department of Yamaichi Securities</p> <p>May 1993      General Manager of Capital Markets Department (Osaka) of Yamaichi Securities</p> <p>April 1998      Joined Sekisui Chemical Co., Ltd. (“Sekisui Chemical”), In Charge of General Affairs Department, Finance Department and Public Relations, etc. of Sekisui Chemical</p> <p>March 2002      Head of Investor Relations Group of Corporate Communications Division of Sekisui Chemical</p> <p>March 2008      General Manager of Corporate Communication Division of Sekisui Chemical</p> <p>June 2010      Full-time Statutory Auditor of Sekisui Chemical (retired in June 2014), Outside Statutory Auditor of Sekisui Jushi Corporation (retired in June 2014), Outside Statutory Auditor of Sekisui Machinery Co., Ltd. (retired in June 2014), Outside Statutory Auditor of Almetax Manufacturing Co., Ltd. (retired in June 2012)</p> <p>July 2014      Advisor of Sekisui Chemical (retired in June 2015), Statutory Auditor of Sekisui Insurance Service Co., Ltd. (retired in June 2015)</p> <p>June 2015      Outside Director of Gigaprize Co., Ltd. (to present)</p> <p>June 2016      Director of the Company (to present)</p> <p>March 2017      Outside Audit &amp; Supervisory Board Member of Prudent Japan Holdings Corporation (to present)</p> <p>The reasons for nominating him as a candidate for Outside Director: Mr. Shuichi Shino has considerable knowledge and abundant experience about management, auditing, supervision and business practice at companies. We judge that, as the new Midterm Business Plan progresses, he can contribute to the Company in ensuring management transparency, further improving the corporate governance required of the Company, and otherwise appropriately administrating business fields and corporate finance as a whole, from an objective and professional standpoint. Consequently, we nominate him as a candidate for Director. In light of his past and current activities and positions in and outside the Company, we judge that he can engage in the supervision of management from a standpoint independent from the operating officers of the Company. Therefore, we nominate him as a candidate for Outside Director. There is no relationship between Gigaprize Co., Ltd., at which Mr. Shuichi Shino serves as Outside Director, and Prudent Japan Holdings Corporation, at which Mr. Shuichi Shino serves as Outside Audit &amp; Supervisory Board Member, and the Company. Term of office as a Director: 1 year (at the closing of this General Meeting of Shareholders) [Attendance rate (for the current fiscal year)] Board of Directors meetings: 7/7    Audit Committee meetings: 10/10</p>	1,000 shares

- Notes:
1. No conflict of interest exists between the Company and the above candidates for Directors.
  2. Mr. Kunio Tsuneyama, Mr. Shigetoshi Okada, Mr. Atsushi Yamashita, and Mr. Shuichi Shino are the candidates for Outside Directors stipulated in Article 2, Paragraph 3, Item 7 of Ordinance for Enforcement of the Companies Act.
  3. A candidate who satisfies the independence criteria for the Company's Outside Directors shall meet the following criteria.
    - 1) The candidate has never served and never serves as a Director (excluding Outside Director), a Statutory Auditor (excluding Outside Statutory Auditor), an Executive Officer, an officer or an employee of the Company or of its consolidated subsidiaries at present or in the past, and was never a Director (excluding Outside Director), a Statutory Auditor (excluding Outside Statutory Auditor), an Executive Officer, an officer or an employee of the Company in the past.
    - 2) The candidate was not a major shareholder (holding over 10% of all voting shares in substance) of the Company during any time in the past 5 fiscal years, or was not a relative within the second degree of kinship of such major shareholder, or in case such major shareholder was a corporation, he or she was not an officer or employee of such corporation or a relative within the second degree of kinship of the officer or employee of such corporation.
    - 3) The candidate has never been an officer or employee of a corporation for which the Company is a major shareholder.
    - 4) The candidate is not an officer or an employee of the Company's major business partner or customer (with the amount of payment to the business partner or the amount received from the customer for transactions with the Company exceeding 2% of the consolidated sales figure of the Company or of such party (including its parent and major subsidiaries) in the last fiscal year and the last 3 fiscal years).
    - 5) The candidate is not a trustee, an officer or an employee of a corporation or an organization that receives a large donation from the Company (in an amount greater amount than either an annual average of 10 million yen or more over the last 3 fiscal years or over 2% of the consolidated sales or the total revenue of the party in the last 3 fiscal years).
    - 6) No Director, Statutory Auditor, Executive Officer or officer is assigned to and/or from the Company.
    - 7) The candidate was never a representative partner, a professional, a partner or an employee of the Company's present accounting audit firm in the last 5 years.
    - 8) The candidate is not a lawyer, a certified public accountant, or a consultant, who receives a large monetary consideration or other goods from the Company, other than the Director's compensation (for an individual, over 10 million yen on average per year, or for an organization, over 2% of the consolidated sales of the organization, for the last 3 fiscal years).
    - 9) The candidate is not a spouse, a relative within the second degree of kinship, a relative living together or a relative of the same household of the Company's Director, Executive Officer or manager above departmental head.
    - 10) The candidate has never been nominated as a candidate for Outside Director, by a shareholder proposal made in the past or present by the Company's major shareholder.
    - 11) When re-elected, the candidate would not serve as an Outside Director for more than consecutive 6 years as a general rule.
  4. The Company has designated Mr. Kunio Tsuneyama, Mr. Shigetoshi Okada, Mr. Atsushi Yamashita, and Mr. Shuichi Shino, candidates for Directors, to be independent directors as stipulated by the Tokyo Stock Exchange, and has filed the designation with TSE.

**Proposal No. 2: Election of One Substitute Outside Director**

To prepare for the contingency where the number of outside directors falls below the required number stipulated by laws and ordinances, the Company proposes the election of one Substitute Outside Director, an officer to stand ready as a substitute for Mr. Kunio Tsuneyama, Mr. Shigetoshi Okada, Mr. Atsushi Yamashita, or Mr. Shuichi Shino, subject to the approval of Proposal No. 1 as proposed.

This proposal is based on the determination of the Nominating Committee of the Company.

The candidate for Substitute Outside Director is as follows:

Name (Date of birth)	Career summary, position, assignment and significant office(s) concurrently held	Number of shares of the Company held
Outside Director Independent Akira Rokusha (June 9, 1952)	April 1978 Assistant Judge, Tokyo District Court	—
	April 1982 Assistant Judge, Takamatsu Domestic Court	
	April 1985 Judge, Criminal Affairs Bureau, Ministry of Justice	
	April 1989 Judge, Tokyo District Court	
	April 1991 Judge, Sendai District Court	
	April 1995 Acting Judge, Tokyo High Court	
	April 1997 Judge, Tokyo High Court	
	April 1998 Examiner, Secretariat of Environmental Dispute Coordination Commission, Prime Minister’s Office	
	March 1999 Judge, Tokyo High Court	
	April 1999 Assistant professor, Faculty of Law, Keio University	
April 2002 Professor, Faculty of Law, Keio University		
April 2004 Professor, Keio University Law School		
January 2014 Registered as an attorney at law (Daini Tokyo Bar Association)		
April 2017 Professor, Keio University Law School LL.M. in Global Legal Practice (to present)		
	[Significant office(s) concurrently held] Professor, Keio University Law School LL.M. in Global Legal Practice	
The reasons for nominating him as a candidate for Substitute Outside Director: Mr. Akira Rokusha has abundant experience and considerable knowledge in legal circles as a judge and lawyer. We believe that, as the new Midterm Business Plan progresses, the Board of Directors will need his knowledge about legal affairs in order to execute appropriate business administration harmoniously with the Company’s drive for improved compliance and corporate governance. Consequently, we nominate him as a candidate for Substitute Director. In light of his past and current activities and positions in and outside the Company, we judge that he can engage in the supervision of management from a standpoint independent from the operating officers of the Company. Therefore, we nominate him as a candidate for Substitute Outside Director. To prepare for the contingency where the number of outside directors falls below the required number stipulated by laws and ordinances, Mr. Akira Rokusha is nominated as a candidate for Substitute Outside Director to stand ready as a substitute for Mr. Kunio Tsuneyama, Mr. Shigetoshi Okada, Mr. Atsushi Yamashita, or Mr. Shuichi Shino, subject to the approval of “Proposal for Election of Directors” as proposed.		

- Notes: 1. No conflict of interest exists between the Company and Mr. Akira Rokusha.
2. Mr. Akira Rokusha is qualified as a candidate for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
3. Because Mr. Akira Rokusha meets the requirements for an independent director as designated by the Tokyo Stock Exchange, the Company plans to file with TSE a notification on his appointment as an independent director after his assumption of office.

### <Proposal by a Shareholder (Proposal No. 3)>

The third proposal was made by a shareholder. The proposed shareholder (1 shareholder) has 34,849 voting rights. As described below, the specifics and reasons for the proposal described in the submitted shareholder proposal are stated in their original text. The opinions of the Company's Board of Directors on this proposal are stated in addition.

#### **Proposal No. 3: Election of One Director**

##### **【Specifics of the proposal】**

The Proposer proposes the election of one Director. The Director candidate is as follows:

Name: Shin Yasunobe

Date of birth: February 5, 1956

Career summary and representation of other companies:

April 1978           Joined the Ministry of International Trade and Industry (MITI)

July 1997           Director, Information Services Industry Division, Machinery and Information Industries Bureau, MITI

July 1998           Director, Electronic Policy Division, Machinery and Information Industries Bureau, MITI

April 2003          Representative Director and President, Woodland Corporation

January 2007       Representative Director and President, Future Architect, Inc.

June 2009          Representative Director and President, SG Systems Co., Ltd.

April 2016          Visiting Professor, Faculty of Commerce and Management, Graduate School of Commerce and Management (Business School), Hitotsubashi University (to present)

Significant concurrent positions: None

Number of shares of the Company held: 0

Notes:

1. There is no special interest between the Company and the candidate.

2. The candidate is a candidate for Outside Director.

3. Reason for nomination as a candidate for Outside Director:

The Proposer has determined that Mr. Shin Yasunobe is suitable for the position of Outside Director of the Company and proposes his election mainly because he has broad knowledge and experience in electronic components and IT industries and deep insight into corporate management.

##### **【Reasons for the proposal】**

#### **1. Need for pushing ahead management integration (business merger)**

The Proposer strongly wishes that the Company pursue growth by actively incorporating external resources through the use of M&As and strategic alliances with other companies. In particular, there are numerous companies with sales of 300 billion yen or less in the electronic components trading industry in Japan as compared with overseas counterparts. The Proposer strongly feels that the Company needs to carry out structural reform to pursue economy of scale as the core of its distribution capabilities in order to improve its competitiveness amid intensifying global competition.

In order for the Company to expand the sales revenue to levels comparable to overseas electronic components trading companies, which are called Mega-Distributors, and to pursue growth through the use of economy of scale and management resources, the Company is required to undertake management integration with such companies as are expected to generate synergy through the management integration with the Company. However, the current Board of Directors of the Company is not actively pursuing management integration with other companies. Although the Proposer proposed the promotion of management integration in the past, there has been no indication that the Board of Directors has deliberated on specific projects or has had substantial discussion on the matter.

The current situation in which the Board of Directors has not even had substantial discussion on whether the promotion of management integration is beneficial for the interest of the Company has forced the Proposer to conclude that it is against the common interest of shareholders. Therefore, the Proposer proposes the election of one Director named in "Specifics of the proposal" above so that he will ensure that the Board of Directors of the Company will have substantial discussion on pushing ahead management integration, in addition to the original mission as an Outside Director, and eventually help the Company to increase its corporate value.

## **2. Need for improving corporate governance**

On August 5, 2015, a written statement under the names of the “Jiseikai Group and All Employees” was posted on the website of the Company before an extraordinary general meeting of shareholders of the Company was held on August 21, 2015. This written statement was purported to “express their strong opposition to” the proposal to elect Directors submitted by shareholders to the extraordinary general meeting of shareholders mentioned above. However, this statement was actually prepared by an executive officer of the Company and certain other persons concerned and was not prepared by the Jiseikai Group or all employees. In other words, it was a counterfeit private document based on the unauthorized use of other persons’ names (hereinafter “Employee Statement Counterfeit Case”).

The Employee Statement Counterfeit Case was subject to the investigation by an Independent Investigation Committee. As a result, the Committee pointed out that those who masterminded the Employee Statement Counterfeit Case may be guilty of such crimes as counterfeiting of private documents, uttering of counterfeit private documents, and interference in the execution of business and that the Case was a violation of the Financial Instruments and Exchange Act, which prohibits the use of reference documents containing misstatements, and/or would give rise to liabilities arising from the violation of the duty of due care of prudent manager under the Companies Act (Investigation Report dated November 27, 2015 submitted to the Audit Committee of the Company by the Independent Investigation Committee on the Employee Statement Problem).

Nevertheless, most of the Director candidates as currently announced by the Company are Directors who were incumbent when the Employee Statement Counterfeit Case occurred. The mere fact that such incident occurred in relation to the General Meeting of Shareholders, which is the highest decision-making body, is an extremely serious issue. Moreover, the Employee Statement Counterfeit Case was uncovered as a result of the investigation by shareholders, which was conducted in response to the whistleblowing by an employee and the Board of Directors of the Company did not even announce that it had confirmed the counterfeit until the counterfeit was confirmed by the Independent Investigation Committee. Such an attitude of the Company points to a notable lack of corporate governance.

In addition, the Company implemented a personnel change that was unreasonable to the employee-whistleblower who reported the counterfeit and subsequently withdrew it based on the judgment of the Audit Committee of the Company. The fact that such a personnel change was implemented although it was subsequently withdrawn based on the judgment of the Audit Committee of the Company has forced the Proposer to conclude that the Company did not reflect on the Employee Statement Counterfeit Case seriously and that the lack of corporate governance has not been corrected. Therefore, the Proposer proposes the election of one Director named in “Specifics of the proposal” above as Outside Director also for the improvement of corporate governance in addition to the promotion of management integration mentioned above.

## **3. Insufficient shareholder return**

According to the financial summary (kessan tanshin) for the third quarter of the fiscal year ended March 2017, the Company had cash and deposits of approximately 20.3 billion yen and investment securities of approximately 3.8 billion yen stated on the quarterly consolidated balance sheet as of December 31, 2016 and the amount of these cash and cash-like assets was quite sufficient as compared with interest-bearing debts of only approximately 0.7 billion yen stated on the same balance sheet. The Company has increased dividend to some extent, but such increases alone are insufficient as shareholder return given the holding status of said cash and cash-like assets. Moreover, the Company should make efforts to improve capital efficiency by actively implementing share buybacks rather than holding a large amount of cash and cash-like assets as mentioned above.

Specifically, the Company should make efforts to improve capital efficiency for the eventual enhancement of shareholder value by acquiring around 3 million shares of its own share (approximately 8.0 billion yen in total) by the end of the current fiscal year.

Therefore, the Proposer proposes the election of one Director named in “Specifics of the proposal” above as Outside Director also to realize shareholder return by way of the acquisition of the Company’s own shares.

## **【Opinions of the Company's Board of Directors on Shareholder's Proposal】**

### **The Board of Directors of the Company Objects to the Requesting Shareholder's Proposal.**

#### **[Reasons for Our Objections]**

The Requesting Shareholder\* is demanding the election of one outside director nominated by the Requesting Shareholder and asserting as reason (1) the need for pushing ahead management integration, (2) the need for improving corporate governance and (3) insufficient shareholder return. As explained in the Proposal No.1 proposed by the Company, the Company adopts the structure of “company with 3 committees (nominating, audit, and compensation committees in the Board)” that puts much emphasis on the corporate governance and therefore in nominating the candidate for Director, the determination of the Nominating Committee is indispensable. Before this Shareholder's Proposal is finally made, the Requesting Shareholder has repeatedly requested to the Company to add the candidate nominated by the Requesting Shareholder as candidate proposed by the Company. Accordingly, the Nominating Committee in the Company's Board has carefully and repeatedly discussed and upon the interview with the candidate conducted by the Nominating Committee, the Company has continued to examine this request in a careful manner from the early stage of Requesting Shareholder's request. Upon taking into account of the examination results of this Nominating Committee, and due to the following reasons, the Board of Directors determined that additionally electing the candidate nominated by Requesting Shareholder as candidate for outside director of the Company will not bring merits to the shareholders of the Company and come to the conclusion that the Company objects to the proposal pertaining to the Shareholder's Proposal by Requesting Shareholder.

(\*) The Requesting Shareholder, Reno, Inc., jointly holds the Company's share with Office Support Corporation, Ms. Aya Nomura (formerly Aya Murakami) and other two individual shareholders, and is the shareholder who submitted the Large-Volume Holdings Reports regarding the Company's share in five joint names as of March 29, 2017.

#### **1st Reason for Objection:**

The first reason for the shareholder's proposal by the Requesting Shareholder is “**the need for pushing ahead management integration (business merger)**” and it points out expected roles for outside director as “in order to substantially discuss on pushing ahead management integration in addition to the original mission as outside director.” However, outside director should be expected to provide monitoring function for all shareholders and from an impersonal point of view. If additional election of outside director can be requested for a reason dare to step into the discussion of “the need for pushing ahead management integration” as asserted by the Requesting Shareholder, it will even cause the possibility that the situation where an outside director is strongly affected by a specific shareholder (including shareholders who jointly hold the share with the Requesting Shareholder) would continue and thus it is determined the risk is extremely high where the interest of general minority shareholders cannot be properly secured while it is a fundamental essence of the corporate governance.

The Company believes that there are many choices for the measures enhancing the corporate value of the Company. As part of such measures, the Company has spent around 25 billion yen in M&A area in order to enhance the existing business and create the new business, and the establishment of the joint venture companies and so forth in the past five years (from FY2011 to FY2015). These measures aim for the formation of global network and reinforcement of facility in the investment destination and so forth, and each of which significantly contributes to the enhancement of corporate value of the Kuroda Electric Group.

While the Company has been continuously explaining from before and after the Extraordinary Meeting of Shareholders held on August 2015 that measures setting “expansion of the sales revenue” or “pursuit of economy of scale” as primary goal as stated in the proposal of the Requesting Shareholder do not fit to the business characteristics of the Company, it seems the Requesting Shareholder did not accept Company's explanation. The Company does not deny that an image of “Mega-Distributors” in the Requesting Shareholder's proposal can possibly be beneficial to the Japanese electronic components industry as a whole; however, the Company determined that there is an extreme high risk in the Requesting Shareholder's idea that the Company becomes a pivot therein which will lead to destruction of the business model of the Company and result in a situation which is against expectations of not only the shareholders who invest in the Company on the basis of thorough understanding of Company's unique business characteristics, but also our client companies and employees of the Kuroda Electric Group.

#### **2nd Reason for Objection:**

The Requesting Shareholder states “**the need for improving corporate governance**” as second reason and raise an issue on the statement of opposition by employee organization of the Company against the shareholder's proposal from **C&I Holdings Co., Ltd.** (whose Representative Director was Ms. Aya Nomura) and **Minami Aoyama Fudosan Co., Ltd.** (whose Representative Director was Ms. Aya Nomura) in the Extraordinary Meeting of Shareholders held in August 2015. The Company has been taking sufficient measures such as additional election of independent outside director who has the abundant experience in corporate audit and

supervision at the major listed companies and reinforcement of audit system by such independent outside director's assumption of office as Chairman of the Audit Committee in addition to the punishment of relevant people and establishment of recurrence prevention measure in this regard. Moreover, the Company is enhancing the transparency of management and supervision with regard to the governance and promoting the formation of appropriate governance system by disclosing the progress of recurrence prevention measure to the website of the Company as well as Tokyo Stock Exchange, and so forth. In this way, the Company is making efforts toward the reinforcement and enrichment of governance system more than ever and the comprehension of executives and employees of the Company with regard to the importance to practice thereof is enhancing. Therefore, the situation indicated by the Requesting Shareholder does not fall under the Company's current management and supervision system and there is little necessity to further electing one additional candidate as outside director.

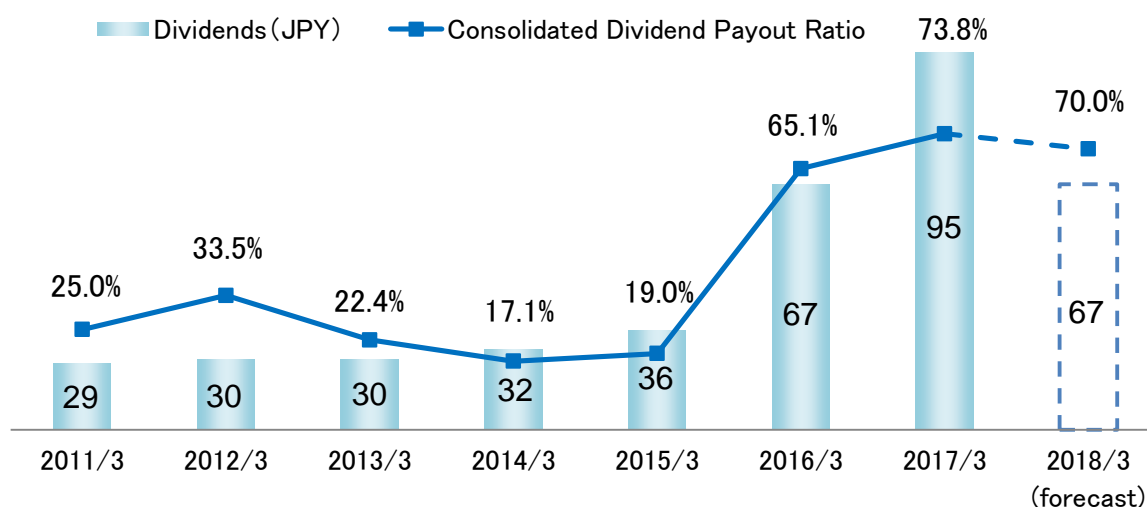
### **3rd Reason for Objection:**

The Requesting Shareholder states “**insufficient shareholder return**” as third reason and requests the election of one outside director nominated by the Requesting Shareholder in order to push ahead the reinforcement of shareholder returns by actively implementing share buybacks and, as a concrete plan, to acquire around 3 million treasury shares (approximately 8.0 billion yen in total) by the end of the current fiscal year. This leads to the intervention to the specific business judgment by specific major shareholder through outside director who should primarily have independence. Such request can be judged as measure that only brings short-term improvement of capital efficiency and also runs contrary to both the Company's basic policy of Medium-term Management Plan and shareholder returns “*to make sustained, stable dividend payments from a long-term perspective, by taking into consideration in a comprehensive manner the rate of return for shareholders, future business expansion and enhancement of the Company's financial position*”, and thus the Company judged that such request is difficult to meet with mid- and long-term shareholder value. Moreover, it cannot be denied the possibility of extreme conflict of interest under certain occasion where a candidate proposed by the Requesting Shareholder who is a major shareholder of the Company becomes a member of the Board of Directors with a mission to implement this Proposal and lead the discussion with regard to the shareholder returns, especially the share buyback. The policy for shareholder returns and actual performance thereof of the Company are as follows and are consistent with the future strategic investment and measure on improvement of capital efficiency to aim the improvement of operating profit margin through a structural reform. Since the Company does not take a negative view on improving the competitiveness on a total shareholder return ratio which is a combination of a dividend and a share buyback, the Company will keep considering a share buyback whenever at an appropriate timing.

#### **[Description for Policy for shareholders returns (published on July 10, 2015)]**

- (1) With respect to the amount corresponding to 50% of consolidated net income, the dividend payout ratio will be set at 30%, while 70% will be allocated to growth investments.
- (2) With respect to the amount corresponding to the remaining 50% of consolidated net income, the dividend payout ratio will be determined at between 50% and 100%, by making an overall judgment with respect to the economic climate and the Company's demand for funds at the time

[Trends in the Company's shareholder returns]



For the reasons above, the Board of Directors determined that the additional election of candidate proposed by the Requesting Shareholder as candidate of outside director will not bring merits to the shareholders of the Company.

End