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June 15, 2017

To our shareholders:

Company Name:	Kuroda Electric Co., Ltd.
Name of Representative:	Koichi Hosokawa, President
(Securities Code:	7517 First Section of the Tokyo Stock Exchange
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## Our view on ISS report

In reference to the proposal (hereinafter, the “Proposal”) submitted by Reno, Inc. (hereinafter the “Requesting Shareholder) to appoint an outside director to the Company’s Board of Directors (hereinafter, the “Board”) at our ordinary general meeting of shareholders that will be held on June 29, 2017 (hereinafter, the “General Meeting”), recommendations made to institutional investors by two major US proxy advisory firms, Glass Lewis & Co. (Glass Lewis) and Institutional Shareholder Services Inc. (ISS), have become known to us. Their evaluations and recommendations indicate diametrically opposed views as follows:

Glass Lewis: Recommending against the Proposal

ISS: Recommending in favor of the Proposal

The evaluation made by Glass Lewis indicates that there is no problem with our governance or shareholder return policy and that the only argument made by the Requesting Shareholder about management integration (M&A deals) lacks concreteness and hence persuasiveness. Glass Lewis’ view is consistent with our view. On the other hand, in our view, the evaluation made by ISS lacks fairness and neutrality as explained below.

We have confirmed the fact that the Requesting Shareholder sent letters to some of our shareholders (only in Japanese) without disclosing them. The letter indicates a kind of public commitment, stating that the candidate would, “promptly after his appointment,” “plan to discuss the implementation of a share buyback of 3 million shares by the end of the current fiscal year” and “to proactively discuss management integration (business mergers) with other companies.” These statements are completely inconsistent with what ISS refers to as a statement made by Ms. Aya Nomura, a joint holder of the Requesting Shareholder—“there will be a firewall between the Requesting Shareholder and the candidate.”

Furthermore, the Requesting Shareholder, together with the joint holders, has continued to purchase shares of our company with its voting right ratio exceeding 37.5% though it stated that it has no intention of controlling our

company. Its words and behaviors must be deemed inconsistent. We must conclude that ISS' recommendation in favor of the Proposal, which was made based on the interpretation that the Proposal is a mere appointment of one outside director and the Requesting Shareholder does not intend to control the Board, overlooks the impact on our company without fully considering the intention of the above-mentioned statements made by the Requesting Shareholder as well as the Requesting Shareholder's actual control with its 37.5% voting right.

The Requesting Shareholder has continued to pursue its intension while expressing these inconsistent statements and behaviors and using mass media since April this year when Mr. Yoshiaki Murakami attended a meeting with our company on very short notice.

When we had a meeting with ISS, we pointed out that the Proposal poses a high risk of deteriorating our shareholders' common interest, explaining the background of our position against the Proposal and chronology of our discussions with the Requesting Shareholder and communicating our view on the actual situation of the Requesting Shareholder and the gap between its intension and externally expressed standpoint. At that point, ISS made a pledge to us that they would evaluate the pros and cons of the Proposal only based on publicly disclosed information.

We must, however, interpret ISS' evaluation concerning the Requesting Shareholder and the candidate director suggested in the Proposal as an evaluation made based on verbal and unofficial statements (including the above-said statement by Ms. Aya Nomura) that were made at meetings and whose feasibility are questionable, as well as an evaluation made based on magazine articles.

Furthermore, in regard to our idea about M&As, we cannot help but interpret ISS' recognition of the appropriateness of the Requesting Shareholder's argument as an evaluation intentionally made based on ISS' own presumption about our management policy and inaccurate interpretation of our M&As and management policies that have been publicly disclosed. We cannot help but interpret its recommendation in favor of the Proposal as based on such evaluation method.

We hereby sincerely ask shareholders to make considerable judgement on exercising voting rights at the General Meeting by reference to information that we are publicly disclosing on our website.

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