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May 29, 2017

To whom it may concern

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Notice of Opinions of the Company's Board of Directors on Shareholder's Proposal

On May 2, 2017, Kuroda Electric Co., Ltd. (hereinafter referred to as "the Company") received a shareholder proposal from Reno, Inc., (hereinafter referred to as "The Requesting Shareholder") for the general meeting of shareholders scheduled on June 29, 2017.

Please be advised that in response to this proposal, the Company has passed a resolution at the meeting of the Board of Directors held on May 23, 2017 to object to the proposal to be made by the Requesting Shareholder at the general meeting of shareholders.

PARTICULARS

1. Description of Shareholder's Proposal and Outline of Reason for Proposal

(1) Description of Shareholder's Proposal

Election of one director

Please see the attachment for the specifics of the proposal. The attachment is quoted from the relevant part of the Shareholder Proposal submitted by the Requesting Shareholder* and is an unmodified copy of the text.

- (*) 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.

(2) Outline of Reason for Proposal

Please see the attachment for the reasons for the proposal. The attachment is quoted from the relevant part of the Shareholder Proposal submitted by the Requesting Shareholder and is an unmodified copy of the text.

2. 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.

3. 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.

(1) 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.

(2) 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.

(3) 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.

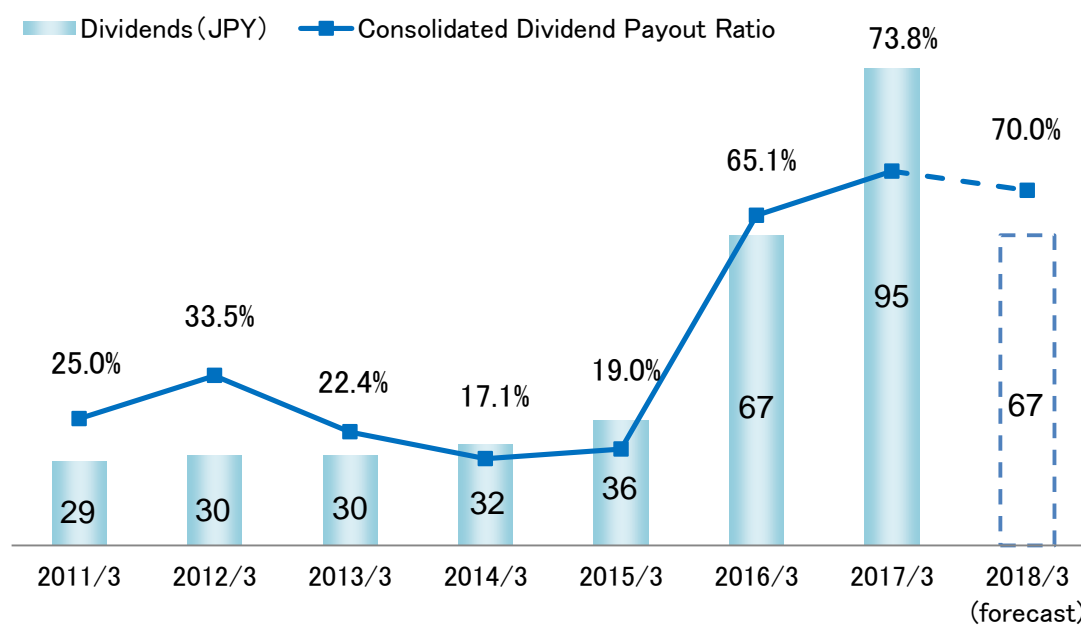
[Description for Policy for shareholders returns (published on July 10, 2015)]

(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 reruns]



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.

(Attachment)

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.

End