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July 10, 2015

Company Name: Kuroda Electric Co., Ltd.

Name of Representative: Koichi Hosokawa, President

(Securities Code:7517 First Section of the Tokyo Stock
Exchange)

Notice of Convocation of Extraordinary Meeting of Shareholders and Opinions of the Company's Board of Directors on Shareholders' Proposal

On June 26, 2015, Kuroda Electric Co., Ltd. (hereinafter referred to as "the Company") received a request from C&I Holdings Co., Ltd. and Minami Aoyama Fudosan Co., Ltd. (hereinafter collectively referred to as "Requesting Shareholders") to convene an extraordinary meeting of shareholders for the resolution of the election of four outside directors.

Please be advised that in response to this request, the Company has passed a resolution at the meeting of the Board of Directors held today to: convene an extraordinary meeting of shareholders on August 28, 2015; and object to the proposal to be made by the Requesting Shareholders at the extraordinary meeting of shareholders (i.e., election of four outside directors).

PARTICULARS

1. Extraordinary Meeting of Shareholders

(1) Date/time of convocation of extraordinary meeting of shareholders

10:00am (Friday) August 28, 2015

(2) Venue of extraordinary meeting of shareholders

Osaka Head Office of the Company

2. Description of Shareholders' Proposal and Outline of Reason for Proposal

(1) Description of Shareholders' Proposal

Election of four directors

(2) Outline of Reason for Proposal

The Requesting Shareholders have requested that an extraordinary meeting of shareholders be convened based on their view that: the Company is not engaged in governance properly from its shareholders' perspective as observed in its inappropriate capital policy in the past; the Company is

fully capable of returning 100% of its profits to shareholders over the next three fiscal years; the Company should aim at reaching the financial targets of its current medium-term management plan earlier (targeting sales of 400 billion yen and operating profit of 13 billion yen in the year ending March 31, 2018) and pursuing sales of 1 trillion yen in the near future, by proactively executing M&A, etc.; and, therefore, the prompt approval of the proposal to elect four directors as outside directors who are suitable for carrying out these measures will help maximize shareholder value of the Company.

3. Opinions of the Company's Board of Directors on Shareholders' Proposal

The Board of Directors of the Company objects to the Requesting Shareholders' proposal.

A. Reasons for our Objections

The Requesting Shareholders are demanding the election of four outside directors on the grounds that the Company is not engaged in governance properly from its shareholders' perspective. The following are the views of the Board of Directors of the Company on this matter.

- (1) The Company acknowledges that corporate governance is a mechanism/structure for increasing corporate value on an ongoing basis, and has been enhancing its governance structure based on the view that it is of utmost importance to continue increasing corporate value in the medium and long run.
- (2) As part of such efforts, in June 2006, the Company transformed its structure into a company with committees (currently a company with a nominating committee, etc.), and entrusts the oversight of management to the Nominating Committee, Compensation Committee and Audit Committee. Independent outside directors who have no vested interest in the management team constitute the majority on these committees.
- (3) The Company currently has a total of six directors, half of whom (i.e., three) are outside directors. The three outside directors respectively have extensive knowledge, experience and expertise in legal affairs, accounting and corporate management, and based on their knowledge and experience they give guidance and conduct supervision of the Board of Directors and various committees with respect to the Company's management from the viewpoint of all stakeholders including shareholders. As a matter of course, they have no relationship with the Company other than being outside directors; they are outside directors with an extremely high level of independence.
- (4) As described above, the Company's governance structure is already functioning effectively at a level above the standard of implementation required under Japan's Corporate Governance Code prescribed by the Financial Services Agency and the Tokyo Stock Exchange, and the Company has been yielding good results in terms of both business performance and stock price under the

current structure.

<Reference>

Japan's Corporate Governance Code: Principle 4.8 Effective Use of Independent Directors

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies should therefore appoint at least two independent directors that sufficiently have such qualities.

Irrespective of the above, if a company in its own judgment believes it needs to appoint at least one-third of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should disclose a roadmap for doing so.

- (5) Given that the Company's governance structure is functioning fully adequately as described above, the Board of Directors of the Company has determined that it is unnecessary to additionally elect these four candidates as outside directors.
- (6) Furthermore, all of the four candidates proposed by the Requesting Shareholders are parties to or representatives of the interests of the Requesting Shareholders, who constitute part of the major shareholders; the Board of Directors of the Company has thus determined that the election of such candidates at the extraordinary meeting of shareholders will not be in the common interests of shareholders of the Company in the long run and will distort the Company's governance structure that is properly in place.

Accordingly, the Board of Directors of the Company objects to the additional election of the four candidates.

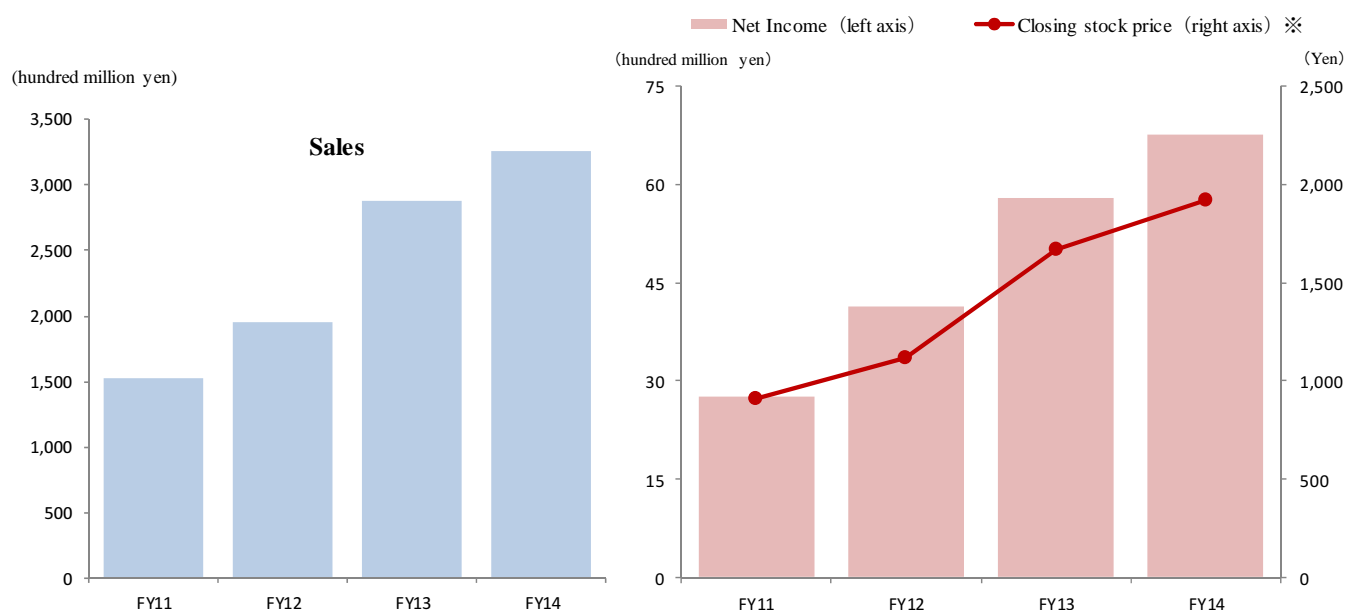
B. Evaluation of the Reasons for the Shareholders' Proposal by the Board of Directors of the Company

As the basis of the conclusion reached by the Board this section presents the views of the Board of Directors of the Company and its evaluation of the Requesting Shareholders' claims in relation to the current status of the Company and the reasons for the shareholders' proposal.

(1) Shareholder returns

First, as the premise of this discussion, please take a look at the Company's business performance over the past four fiscal years. The Company has continued to increase its revenue and profit in a consistent manner during this period; in particular, in each of the last two fiscal years the Company has achieved record profits.

Trends in the Company's business performance and stock price



Next, let us give an explanation of shareholder returns.

While it has historically been the Company's basic policy 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, the Company has also been reviewing shareholder returns specifically.

Based on the results of this review, the Company has determined its policy for shareholder returns in specific terms and has decided to implement this policy from this fiscal year onwards, in conjunction with the commencement of the implementation of Japan's Corporate Governance Code in June 2015. The Company's aim is to make returns to shareholders more proactively, while taking into account investments for future growth and considering trends in capital markets and the future business environment. Based on this policy, the dividend payout ratio will be between 40% and 65%. (For details, please refer to the "Notice of Formulation of Policy for Shareholder Returns and Revision of Dividend Forecast for Fiscal Year ending March 31, 2016" released today.)

In regard to shareholder returns, in its reason for the shareholders' proposal the Requesting Shareholders claim that "Kuroda is... estimated to have net cash of 24.4 billion yen including net

trade receivables... it is still attainable for Kuroda to return 100% of its profit to shareholders” . However, this is an unreasonable claim that ignores the characteristics of the Company’s business and the source of its corporate value.

The Kuroda Electric Group has, as an independent trading firm specializing in electronics that is equipped with manufacturing functions, gained customers’ confidence and expanded its business by supplying materials for parts and products, providing services and engaging in designing and manufacturing activities from the viewpoint of customers, while building a global network and quickly providing optimal solutions from customers’ perspectives in response to changes in the economic climate and client companies,. In order to meet customers’ needs quickly in the dramatically-changing electronics industry, it is financially indispensable to maintain a certain amount of liquidity in hand; if shareholder returns as claimed by the Requesting Shareholders are carried out, liquidity in hand will dry up, which will inevitably have a significant negative impact on business relationships.

The idea to demand the return of 100% of net income to shareholders from a short-term perspective while ignoring the characteristics of the Company’s business and the source of its corporate value also runs contrary to the Company’s *basic policy 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*. Moreover, such claim is unacceptable to the Board of Directors of the Company as it is inconsistent with the General Principle of Japan’s Corporate Governance Code, which advocates “sustainable growth and the creation of mid- to long-term corporate value”.

The Kuroda Electric Group considers that the sound and sustainable increase in corporate value from a long-term perspective will continue to be the basis of business management for the future. It must be said that the pursuing of short-term shareholder value as claimed by the Requesting Shareholders will not only impair corporate value but also damage shareholder value in the medium and long term, and is against the interests of many shareholders.

(2) Issuance of a Convertible Bond (CB) in 2012

The Requesting Shareholders claim that, as an example of inappropriate capital policy in the past, “Kuroda has made a bad decision to issue a CB in December 2012... damaging shareholder value... This decision was not even discussed at the board meeting...” in the reason for the shareholders’ proposal. However, such claims are completely unfounded.

The issuance of a CB was resolved based on serious discussion and examination at a meeting of the Board of Directors of the Company at the time, and given the subsequent uptrend in its stock price, the claim that shareholder value was damaged distorts the facts and has no legitimate basis.

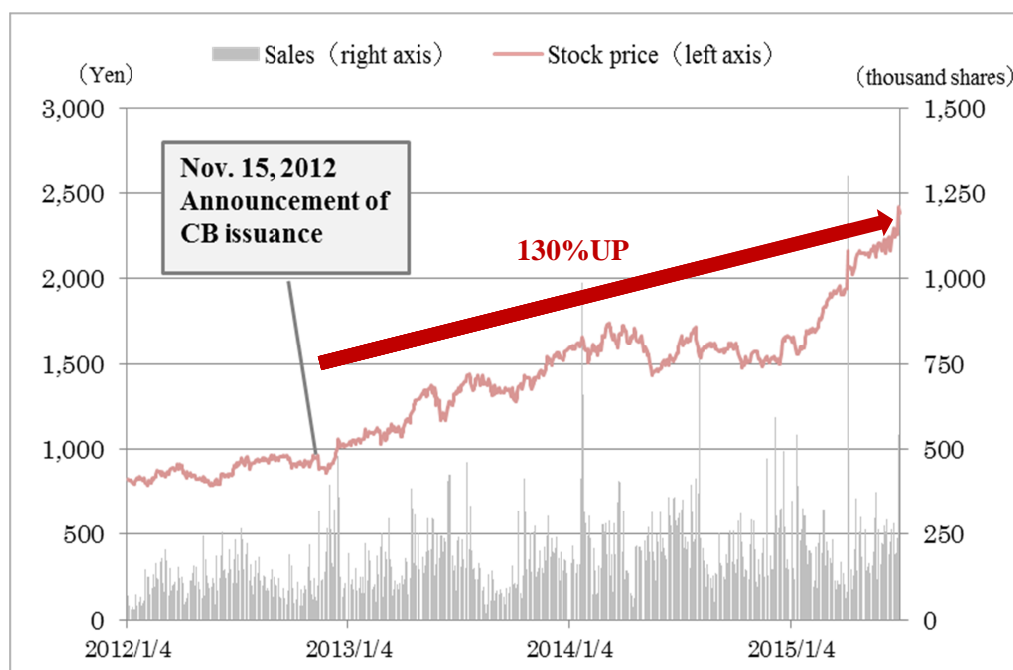
Specifically, competition in technological development is fierce in the electronics industry

surrounding the Kuroda Electric Group, and the business of the Company—which handles electronics merchandise—is constantly exposed to high business risks, therefore, from the viewpoint of financial stability maintaining a certain amount of equity capital is a requirement of manage business operations .

The Board of Directors of the Company at the time took these factors into consideration and reached the conclusion that raising funds through the issuance of a CB rather than bank borrowings would ultimately lead to an improvement in the Company’s corporate value and its shareholders’ interests, even though it would be accompanied by the risk of diluting the shares temporarily. Also, from a long-term perspective it was considered that an additional benefit may arise from expanding the base of investors who would be interested in the Company’s shares.

Subsequently, the stock price, which was 960 yen at the time when the resolution to issue a CB was passed by the Company, roughly doubled to 1,922 yen as of March 31, 2015, by which time all conversion rights had been exercised.

Therefore, the Board of Directors has determined that the Requesting Shareholders’ questioning of the adequacy of the Company’s capital policy by focusing exclusively on the stock price level at the time of issuance of a CB — without understanding the business environment surrounding the Company and other such matters—is inappropriate, and that the Requesting Shareholders claim to conclude that the Company’s capital policy was a failure has no legitimate basis and also fails to constitute any reasonable grounds for the shareholders’ proposal.



(3) M&A and partnerships with other companies

In addition to the above, the Requesting Shareholders claim that “the current management is

excessively depending on organic growth by using only its current management resources and lacking inclination to grow its business through possible strategic partnerships and/or M&A, to proactively utilize external resources for further growth.” However, such a claim is untrue.

The Company has spent approximately 16 billion yen in M&A-related investments over the past four years (2011–2014). These investments were aimed at acquiring several overseas parts manufacturers and establishing joint ventures for the purpose of building a global network, as well as enhancing the facilities of the acquired companies, all of which have significantly contributed to the increase in the corporate value of the Kuroda Electric Group. The Requesting Shareholders’ claim is thus untrue and unjustifiable.

The Requesting Shareholders also claim: “We feel strongly that the electronic parts industry plays an important role in Japan’s distribution market and Kuroda, as a leading company in the industry must lead the structural reformation to pursue economy of scale.” However, the Board of Directors of the Company has determined that this is a simplistic claim pursuing nothing but the expansion of business scale while ignoring the industry environment and the positioning of the Company.

The Company is a trading firm that has for many years specialized in dealing in special parts materials, chemical products, etc. for automotive, mobile and large LCD applications, and is engaged in a business that is different from semiconductor/electronics trading firms that primarily deal in semiconductors and general electronic products.

Accordingly, the claim to simply pursue scale through the reorganization of trading firms that specialize in dealing in different merchandise from each other ignores industry trends and the differences in business environment, and would be expected to have a negative impact on the Company’s corporate value.

The Company has a history of growing through business expansion by taking advantage of its unique trait as an independent company equipped with manufacturing functions, and has achieved growth and improved corporate value by providing optimal solutions from customers’ perspectives in quick response to changes, while controlling business risks in the rapidly-changing electronics industry. From this standpoint, the Board of Directors of the Company has determined that the Requesting Shareholders’ claim is unreasonable because it ignores the source of the Company’s corporate value and will damage shareholders’ interests.

Future growth strategies will be executed in a steady yet bold manner subject to appropriate oversight by the Board of Directors based on the policies described in the “New Mid-Term Management Plan” dated May 21, 2015.

(4) Attributes of outside directors nominated by Requesting Shareholders

The candidates for outside directors proposed by the Requesting Shareholders are not deemed to have an accurate understanding of the business environment or the business risks surrounding the Company, judging from their career summaries, their background as known to the Company and the nature of their claims. Furthermore, Mr. Yoshiaki Murakami, a candidate for outside director, is an immediate relative of Ms. Aya Nomura (formerly Aya Murakami), who is a representative director of the two Requesting Shareholders, and is a major shareholder who holds over approximately 14% of the Company's shares jointly with the Requesting Shareholders. The possibility that other candidates for outside directors may give priority to the interests of the Requesting Shareholders and Mr. Yoshiaki Murakami—who are major shareholders— cannot be denied, given that they have been nominated as candidates based on their personal relationships with the Requesting Shareholders and Mr. Yoshiaki Murakami; in view of ensuring the common interests of ordinary shareholders, which is deemed to be a prerequisite for candidates for outside directorship, doubts over conflict of interest are deemed to exist.

End

(Attachment) Curriculum Vitae of Director Candidates

Candidate Number	Candidate Name and Date of Birth	Curriculum Vitae
1	Toshihide Suzuki July 26, 1964 (See 'Note')	<u>Nomura Securities Co. Ltd.</u> Apr 1988 Joined Nomura Securities Jul 2004 Group Leader, Investment Banking Department Electronics Group <u>M&A Consulting Inc.</u> Apr 2005 Managing Director, M&A Consulting Inc. <u>CFC Research Inc.</u> Jan 2007 Chief Executive Officer, CFC Research Inc. <u>K. K. Da Vinchi Advisors</u> Nov 2007 Senior Manager, K. K. Da Vinchi Advisors <u>Omron Corporation</u> Jan 2009 Joined Omron Corporation, General Manager, M&A Planning Department Apr 2011 Associate Director-General, Global Strategy Department <u>Renesas Electronics Corporation</u> May 2013 Joined Renesas Electronics Corporation Jun 2013 Senior Vice President Dec 2013 Executive Vice President, Chief of CEO Office
2	Ken Kanada November 20, 1973	<u>Uchida Yoko Singapore Pte., Ltd.</u> Apr 1999 Joined Uchida Yoko Singapore Pte., Ltd. <u>Chiyoda Electronic (S) Pte., Ltd.</u> Apr 2001 Joined Chiyoda Electronic (S) Pte., Ltd. <u>Scentan Group</u> Jan 2014 Joined Scentan Investments Pte., Ltd. Director (Present) May 2014 Joined Scentan Venture Partners Limited Director (Present)
3	Yoshiaki Murakami August 11, 1959	<u>Ministry of Economy, Trade and Industry (formerly known as Ministry of International Trade and Industry)</u> Apr 1983 Joined the Ministry of Economy, Trade and Industry Apr 1996 Research Institute of International Trade and Industry, Senior Research Fellow (Studies of Corporate Governance) Jul 1997 Consumer Goods Industries Bureau, Director for Service Industries Division <u>M&A Consulting Group (known as Murakami Fund)</u> Aug 1999 Established M&A Consulting (renamed MAC Asset Management), Chief Executive Officer Jan 2000 Established MAC (renamed M&A Consulting), Chief Executive Officer
4	Hironao Fukushima July 13, 1959	<u>ORIX Corporation (formerly known as Orient Lease Co. Ltd.)</u> Apr 1982 Joined ORIX Corporation Oct 1999 Managing Director, Investment Banking Headquarters Oct 2008 Deputy Head, Risk Management Headquarters <u>ORIX Rentec Corporation</u> Apr 2012 Joined ORIX Rentec Corporation, Corporate Vice President <u>Reno, Inc.</u> Oct 2013 Joined Reno, Inc., Director Dec 2014 Chief Executive Officer (Present) <u>City Index Co., Ltd</u> Sep 2014 Joined City Index Co., Ltd, Director (Present)

<Note by the Company>

According to a press release issued by Renesas Electronics Corporation dated April 24, 2015, Mr. Toshihide Suzuki, a candidate for outside director nominated by the Requesting Shareholders, retired from Renesas Electronics Corporation on June 24, 2015.