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(Securities code: 7517)
August 6, 2015

To All Shareholders

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

NOTICE OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the Extraordinary General Meeting of Shareholders of the Company.
The meeting will be held as described below.

The Extraordinary General Meeting of Shareholders is to be held upon the request of some of the shareholders of the Company (the “Requesting Shareholders”) and the proposal to be tabled at the meeting is based on a suggestion from the Requesting Shareholders. The details of the proposal are described in the REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS.

The Board of Directors of the Company objects to the proposal. The opinion of the Board of Directors of the Company to the proposal is stated on pages 6 through 10.

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 Thursday, August 20, 2015.

[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** August 21, 2015 (Friday) at 10:00 a.m.
2. **Place** Meeting room, 5th floor, Head Office of the Company
4-11-3, Kikawa-higashi, Yodogawa-ku, Osaka, Japan
3. **Agenda of the Meeting**
Proposals to be resolved: <Shareholder Proposal>
Proposal: Election of Four Directors

<p>We will not provide souvenirs to shareholders attending the Extraordinary General Meeting of Shareholders. Thank you for your understanding and cooperation.</p>

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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, if any, will be listed on the Company's website (<http://www.kuroda-electric.co.jp>).
 4. The notice of resolution to announce the result of the vote at the Extraordinary General Meeting of Shareholders will not be sent by mail but 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

Proposal: Election of Four Directors <Shareholder Proposal>

[Summary of Proposal]

No.	Name (Date of birth)	Career summary, representation status in other companies, and significant office(s) concurrently held	Number of shares of the Company held
1	Toshihide Suzuki (July 26, 1964)	<p>April 1988 Joined Nomura Securities Co., Ltd.</p> <p>July 2004 Group Leader of Investment Banking Department, Electronics Group of Nomura Securities Co., Ltd.</p> <p>April 2005 Joined M&A Consulting Inc., Managing Director</p> <p>January 2007 Chief Executive Officer of CFC Research Inc.</p> <p>November 2007 Joined K. K. daVinci Advisors, Senior Manager</p> <p>January 2009 Joined OMRON Corporation, General Manager of M&A Planning Department</p> <p>April 2011 Associate Director-General of Global Strategy Department of OMRON Corporation</p> <p>May 2013 Joined Renesas Electronics Corporation, Chief Business Manager</p> <p>June 2013 Senior Vice President of Renesas Electronics Corporation</p> <p>December 2013 Executive Vice President, Chief of CEO Office of Renesas Electronics Corporation</p> <p>(Significant offices concurrently held) None</p>	—
2	Ken Kanada (November 20, 1973)	<p>April 1999 Joined Uchida Yoko Singapore Pte., Ltd.</p> <p>April 2001 Joined Chiyoda Electronic (S) Pte., Ltd.</p> <p>January 2014 Director of Scentan Investments Pte., Ltd. (to present)</p> <p>May 2014 Director of Scentan Venture Partners Limited (to present)</p> <p>(Significant offices concurrently held)</p> <p>Director of Scentan Investments Pte., Ltd.</p> <p>Director of Scentan Venture Partners Limited</p>	—

No.	Name (Date of birth)	Career summary, representation status in other companies, and significant office(s) concurrently held	Number of shares of the Company held
3	Yoshiaki Murakami (August 11, 1959)	<p>April 1983 Joined the Ministry of International Trade and Industry (present Ministry of Economy, Trade and Industry)</p> <p>April 1996 Senior Research Fellow (Studies of Corporate Governance), Research Institute of International Trade and Industry of the Ministry of International Trade and Industry</p> <p>July 1997 Director for Service Industries Division, Consumer Goods Industries Bureau of the Ministry of International Trade and Industry</p> <p>August 1999 Chief Executive Officer of M&A Consulting (renamed MAC Asset Management)</p> <p>January 2000 Chief Executive Officer of MAC (renamed M&A Consulting)</p>	<p>3,640,400 shares</p> <p>As of June 23, 2015</p>
4	Hironao Fukushima (July 13, 1959)	<p>April 1982 Joined Orient Leasing Co., Ltd. (present ORIX Corporation)</p> <p>October 1999 Managing Director of Investment Banking Headquarters of ORIX Corporation</p> <p>October 2008 Deputy Head of Risk Management Headquarters of ORIX Corporation</p> <p>April 2012 Corporate Vice President of ORIX Rentec Corporation</p> <p>October 2013 Joined Reno, Inc.</p> <p>September 2014 Outside Director of City Index Co., Ltd. (to present)</p> <p>December 2014 Chief Executive Officer of Reno, Inc. (to present)</p> <p>(Significant offices concurrently held)</p> <p>Chief Executive Officer of Reno, Inc.</p> <p>Outside Director of City Index Co., Ltd.</p>	—

Notes: 1. No conflict of interest exists between the Company and the above candidates for Directors.

2. Each candidate is a candidate for Outside Director.

3. Reasons for appointing the candidates for Outside Directors

(1) Since Mr. Toshihide Suzuki and Mr. Ken Kanada are familiar with the electronic parts and semiconductor industry, they are able to make the best of their expert knowledge and experience, etc., and have deep insight into management. Therefore it is judged that they are well qualified to become Outside Directors of the Company. Consequently, they are nominated as candidates for Outside Directors.

(2) Since Mr. Yoshiaki Murakami and Mr. Hironao Fukushima have deep knowledge and experience about corporate governance, the economy and management, and have experience as participants in corporate management, it is judged that they are well qualified to become Outside Directors of the Company. Consequently, they are nominated as candidates for Outside Directors.

[Reasons for Proposal]

The Company is deemed not to be engaged in governance properly with its shareholders' perspective given that, among others, its returns to shareholders have been insufficient, in addition to the fact that it had executed a capital policy that damaged shareholder value—i.e., in December 2012, it issued a convertible bond (CB) with an exercise price set at a level well below the PBR (Price Book Ratio) of 1, despite having sufficient short-term liquidity.

The Company is deemed to be fully capable of returning 100% of its profits to shareholders over the next three fiscal years, even if business investments are made as planned. Moreover, the Company should aim at reaching its financial targets as per 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., in order to lead reorganization in Japan's electronic parts industry as the leading company in the industry. This is believed to be extremely meaningful not only for all stakeholders of the Company but also in terms of contributing to the Japanese economy and boosting Japan's presence in global markets.

It is proposed that the four directors stated in the aforementioned [Summary of Proposal] be elected as outside directors who are suitable for raising the Company's corporate value in the medium and long term by carrying out these measures.

(Notes by the Company)

1. The above is an unmodified copy of the text of the Summary of Proposal and Reason for Proposal submitted by the Requesting Shareholders.
2. 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.

[Opinions of the Company's Board of Directors]

The Board of Directors of the Company Objects to the Shareholders' Proposal.

A. Reasons for our Objections

The shareholders who made a request to convene an extraordinary meeting of shareholders (hereinafter referred to as "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.

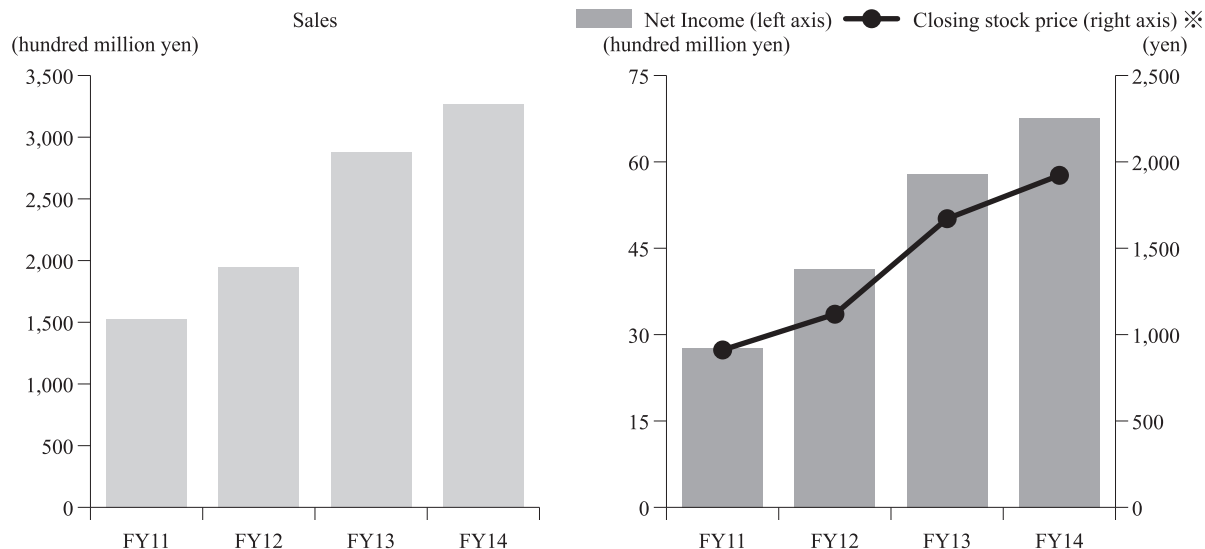
(1) The Company acknowledges that corporate governance is a mechanism/structure for increasing corporate value on an ongoing basis, and has been enhancing its governance structure based on the view that it is of utmost importance to continue increasing corporate value in the medium and long term.

(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 of 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. Given that the Company's governance structure is functioning fully and 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.

Trends in the Company's business performance and stock price



(5) 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 term 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

(1) 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, that is, the dividend payout ratio would be between 40% and 65% from this fiscal year onwards as indicated below in conjunction with the commencement of the implementation of Japan's Corporate Governance Code in June 2015.

(a) 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.

(b) 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.

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 Company has resolved to increase its dividend forecast per share for the current term (the fiscal year ending March 31, 2016) from 36 yen (18 yen for end of the second quarter and 18 yen for the end of fiscal year) to 94 yen (47 yen for the end of second quarter and 47 yen for the end of fiscal year) corresponding to more than 50% of the dividend payout ratio at a meeting of the Board of Directors held on July 10, 2015.

With regard to shareholder returns, in its reason for the shareholders' proposal the Requesting Shareholders claim that "The Company is deemed to be fully capable of returning 100% of its profits to shareholders over the next three fiscal years, even if business investments are made as planned". 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, has been gaining customers' confidence and expanding its business by supplying materials for parts and products, providing services and engaging in designing and manufacturing activities, while building a global network and quickly providing optimal solutions. 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, and it must be said the idea 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 governance, “the Company had executed a capital policy that damaged shareholder value—i.e., in December 2012, it issued a convertible bond (hereinafter referred to as “CB”) with an exercise price set at a level well below the PBR (Price Book Ratio) of 1, despite having sufficient short-term liquidity” in the reason for the shareholders’ proposal. However, such claims have 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 to 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. 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

The Requesting Shareholders claim that “the Company should aim at reaching its financial targets as per 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., in order to lead structural reformation in Japan’s electronic parts industry as the leading company in the industry” in its reason for the shareholders’ proposal. 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 business 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 trading company specializing in electronics that is 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.

(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