PROXY PAPER

KURODA ELECTRIC CO. LTD.

Tokyo Stock Exchange: **7517**

ISIN: **JP3273000004**

MEETING DATE:	29 JUNE 2017	**INDEX MEMBERSHIP:**	JAPAN TOPIX
RECORD DATE:	31 MARCH 2017	**SECTOR:**	INDUSTRIALS
PUBLISH DATE:	13 JUNE 2017	**INDUSTRY:**	TRADING COMPANIES AND DISTRIBUTORS
		COUNTRY OF TRADE:	JAPAN
		COUNTRY OF INCORPORATION:	JAPAN
		VOTING IMPEDIMENT:	NONE
		DISCLOSURES:	REFER TO APPENDIX REGARDING ENGAGEMENT

COMPANY DESCRIPTION

Kuroda Electric Co., Ltd., a trading company, provides electrical materials, general electronic parts, semiconductors, and equipment in Japan and internationally.

OWNERSHIP | COMPANY PROFILE | ESG PROFILE | PREVIOUS BOARD | VOTE RESULTS | APPENDIX

2017 ANNUAL MEETING

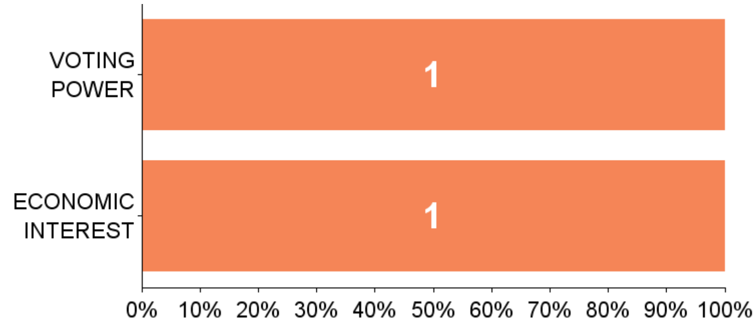
PROPOSAL	ISSUE	BOARD	GLASS LEWIS	CONCERNS
1.00	Election of Directors	FOR	**FOR**	
1.01	Elect Kohichi Hosokawa	FOR	**FOR**	
1.02	Elect Yasunobu Mori	FOR	**FOR**	
1.03	Elect Kunio Tsuneyama	FOR	**FOR**	
1.04	Elect Shigetoshi Okada	FOR	**FOR**	
1.05	Elect Atsushi Yamashita	FOR	**FOR**	
1.06	Elect Shuhichi Shino	FOR	**FOR**	
2.00	Elect Akira Rokusha as Alternate Outside Director	FOR	**FOR**	
3.00	Shareholder Proposal Regarding Election of Dissident Nominee Shin Yasunobe	AGAINST	**AGAINST**	

SHARE OWNERSHIP PROFILE

SHARE BREAKDOWN

	1
SHARE CLASS	Common Shares
SHARES OUTSTANDING	37.6 M
VOTES PER SHARE	0.01
INSIDE OWNERSHIP	20.00%
STRATEGIC OWNERS**	37.10%
FREE FLOAT	48.10%

SOURCE CAPITAL IQ AND GLASS LEWIS. AS OF 31-MAY-2017



TOP 20 SHAREHOLDERS

	HOLDER	OWNED*	COUNTRY	INVESTOR TYPE
1.	Nomura, Aya	9.96%	N/A	Individuals/Insiders
2.	Nakajima, Akitomo	9.47%	N/A	Individuals/Insiders
3.	Reno K.K.	9.26%	Japan	Hedge Fund Manager/CTA
4.	Office Support Co. Ltd.	7.83%	Japan	Private Company
5.	Wellington Management Group LLP	4.04%	United States	Traditional Investment Manager
6.	Schroder Investment Management Limited	2.53%	United Kingdom	Traditional Investment Manager
7.	The Vanguard Group, Inc.	2.34%	United States	Traditional Investment Manager
8.	Norges Bank Investment Management	1.81%	Norway	Government Pension Plan Sponsor
9.	Dimensional Fund Advisors LP	1.28%	United States	Traditional Investment Manager
10.	Schroder Investment Management North America Inc.	1.12%	United States	Traditional Investment Manager
11.	Morant Wright Management Limited	1.00%	United Kingdom	Traditional Investment Manager
12.	Nomura Asset Management Co., Ltd.	0.81%	Japan	Traditional Investment Manager
13.	BNY Mellon Asset Management	0.65%	United States	Traditional Investment Manager
14.	Goldman Sachs Asset Management, L.P.	0.42%	United States	Traditional Investment Manager
15.	Daiwa Asset Management Co. Ltd.	0.40%	Japan	Traditional Investment Manager
16.	Nikko Asset Management Co., Ltd.	0.37%	Japan	Traditional Investment Manager
17.	BlackRock, Inc.	0.32%	United States	Traditional Investment Manager
18.	Massachusetts Financial Services Company	0.30%	United States	Traditional Investment Manager
19.	Fonds de Réserve pour les Retraites	0.30%	France	Government Pension Plan Sponsor
20.	Suzuki, Toshihide	0.27%	N/A	Individuals/Insiders

**COMMON STOCK EQUIVALENTS (AGGREGATE ECONOMIC INTEREST) SOURCE: CAPITAL IQ. AS OF 31-MAY-2017*
***CAPITAL IQ DEFINES STRATEGIC SHAREHOLDER AS A PUBLIC OR PRIVATE CORPORATION, INDIVIDUAL/INSIDER, COMPANY CONTROLLED FOUNDATION, ESOP OR STATE OWNED SHARES OR ANY HEDGE FUND MANAGERS, VC/PE FIRMS OR SOVEREIGN WEALTH FUNDS WITH A STAKE GREATER THAN 5%.*

SHAREHOLDER RIGHTS

	MARKET THRESHOLD	COMPANY THRESHOLD[1]
VOTING POWER REQUIRED TO CALL A SPECIAL MEETING	3.0%	3.0%
VOTING POWER REQUIRED TO ADD AGENDA ITEM	1.0%[2]	1.0%[2]

[1] N/A INDICATES THAT THE COMPANY DOES NOT PROVIDE THE CORRESPONDING SHAREHOLDER RIGHT.
[2] SHAREHOLDERS MUST OWN THE CORRESPONDING PERCENTAGE OR 300 VOTING RIGHTS FOR AT LEAST SIX MONTHS.

COMPANY PROFILE

FINANCIALS

	1 YR ROE	3 YR ROE AVG.	5 YR ROE AVG.
7517	*6.6%*	*7.2%*	*8.0%*

	1 YR TSR	3 YR TSR AVG.	5 YR TSR AVG.
7517	*50.2%*	*16.9%*	*25.2%*
FTSE Japan Index	*15.5%*	*7.0%*	*7.5%*

MARKET CAPITALIZATION (MM JPY)	91,227
ENTERPRISE VALUE (MM JPY)	66,515
REVENUES (MM JPY)	229,571

ANNUALIZED RETURN ON EQUITY. FIGURES AS OF 31-MAR-2017. SOURCE: CAPITAL IQ

GENERAL MEETING

EARLY DISCLOSURE (28 DAYS BEFORE MEETING)	*Yes*
MEETING HELD DURING END OF JUNE MEETING PERIOD	*Yes*

BOARD & MANAGEMENT

BOARD TYPE	*One-Tier, 3 Committees*	**COMBINED CHAIRMAN/CEO**	*No*
ELECTION METHOD	*Majority*	**INDIVIDUAL ATTENDANCE DISCLOSURE FOR INSIDE DIRECTORS**	*Yes*
STAGGERED BOARD	*No*	**CONTROLLED WITHIN PAST YEAR**	*No*

ANTI-TAKEOVER MEASURES

TAKEOVER DEFENSE	*No*
APPROVED BY SHAREHOLDERS/EXPIRATION DATE	*N/A; N/A*

CURRENT AS OF JUN 13, 2017

1.00: ELECTION OF DIRECTORS

FOR

PROPOSAL REQUEST: Election of six directors
ELECTION METHOD: Majority

RECOMMENDATIONS & CONCERNS:

FOR- **Kohichi Hosokawa**
Yasunobu Mori
Kunio Tsuneyama
Shigetoshi Okada
Atsushi Yamashita
Shuhichi Shino

NOT UP- **None**

BOARD OF DIRECTORS: ONE-TIER WITH THREE COMMITTEES

UP	NAME	GENDER	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWNERSHIP**	COMMITTEES AUDIT	COMMITTEES COMP	COMMITTEES NOM	TERM START	TERM END	YEARS ON BOARD
✔	Kohichi Hosokawa* ·*CEO*	M	Insider [1]	Insider	Yes			✔	2014	2017	3
✔	Yasunobu Mori*	M	Insider [2]	Insider	Yes		✔		-	-	-
✔	Shigetoshi Okada	M	Independent	Independent	N/D	✔	C	✔	2013	2017	4
✔	Shuhichi Shino	M	Independent	Independent	Yes	C			2016	2017	1
✔	Kunio Tsuneyama	M	Independent	Independent	N/D	✔	✔	✔	2012	2017	5
✔	Atsushi Yamashita	M	Independent	Independent	N/D	✔	✔	C	2015	2017	2

C = Chair, * = Public Company Executive, = Withhold or Against Recommendation

1. Representative director and president of the Company.
2. Managing officer. Chair of a subsidiary.

***Percentages displayed for ownership above 10%, when available*

NAME	ATTENDED AT LEAST 75% OF MEETINGS	PUBLIC COMPANY EXECUTIVE	ADDITIONAL PUBLIC COMPANY DIRECTORSHIPS
Kohichi Hosokawa	Yes	Yes	None
Yasunobu Mori	N/A	Yes	None
Shigetoshi Okada	Yes	No	None
Shuhichi Shino	Yes	No	(1) GIGA PRIZE CO., LTD.
Kunio Tsuneyama	Yes	No	None
Atsushi Yamashita	Yes	No	None

MARKET PRACTICE

INDEPENDENCE AND COMPOSITION	7517*	REQUIREMENT	BEST PRACTICE
Independent Chair	No	N/A[1]	N/A[1]
Board Independence	67%	One external director (comply or explain)[2]	Two independent directors[5]
Audit Committee Independence	100% ; Independent Chair	Majority external directors[3]	N/A[1]
Compensation Committee Independence	75% ; Independent Chair	Majority external directors[4]	N/A[1]
Nominating Committee Independence	75% ; Independent Chair	Majority external directors[4]	N/A[1]
Percentage of women on board	0%	N/A[1]	N/A[1]
Directors' biographies	2017 Notice of Meeting		

** Based on Glass Lewis Classification*

1. N/A
2. Companies Act (only applicable for two-tier board structures)
3. Companies Act (only applicable for one-tier with three committee board structures and one-tier with one committee board structures)
4. Companies Act (only applicable for one-tier with three committee board structures)
5. Japan's Corporate Governance Code

The 2003 amendments to the Commercial Code introduced a U.S.-style one-tier board structure to Japan, consisting of a board of directors with audit, nomination and compensation committees. The Companies Act, which came into effect in 2006, stipulates that each of these committees should consist of at least majority of outside directors.

Pursuant to the partial amendment to the Companies Act, which came into effect on May 1, 2015, the eligibility of outside directors have been amended. An individual who has not been an executive director, executive officer or employee in the last 10 years prior to his or her appointment will be eligible to qualify as an outside director. However, an individual who controls the company, or a director, executive officer or employee of the parent company or its affiliates will no longer qualify as an outside director.

We believe that a board with three committees should consist of at least one-third independent outside directors. The Companies Act stipulates that, where the Company has adopted this board system, each of the audit, nomination and compensation committees should be made up of three or more directors, with a majority of the members external to the Company. As such, we believe that a majority of each of the committees should consist of independent outside directors free of any material, financial, familial or other affiliations that may cause conflicts of interest.

SUMMARY

The 2017 annual general meeting ("AGM") of Kuroda Electric Co., Ltd. ("Kuroda" or the "Company") involves a contested election of directors.

The board has nominated six individuals – Messrs. Hosokawa, Mori Okada, Shino, Tsuneyama and Yamashita (together, the "Management Nominees") – to serve as directors on the Company's board (Proposals 1.01 to 1.06).

Meanwhile, Reno, Inc. ("Reno" or the "Dissident") has put forth a shareholder proposal nominating Mr. Shin Yasunobe (the "Dissident Nominee") as an outside director (Proposal 3.00).

Approval of each of the contemplated resolutions requires the affirmative vote of a majority of the votes cast at the AGM.

The board objects to, and recommends that shareholders reject Proposal 3.

INFORMATION REGARDING THE DISSIDENT

Reno is an entity that is part of a joint shareholder group (the "Dissident Group") comprising Office Support Corporation, Ms. Aya Nomura (née Murakami) and two other shareholders, who collectively own approximately 35.09% of the Company's outstanding shares, representing approximately 37.52% of the Company's voting rights at the AGM.

The Dissident Group is effectively controlled by Mr. Yoshiaki Murakami, who unsuccessfully attempted to get elected by to the Company's board at an August 2015 shareholder meeting.

DISSIDENT'S CASE

The Dissident offers the following key arguments to support its case for having the Dissident Nominee elected to the Company's board:

The Need to Promote Mergers

In comparison to global markets, the Japanese electronic components industry is flooded with companies with revenues of under JPY 300 billion, and given the acceleration of global competition, there is a strong need for structural reforms aimed at economies of scales that can be realized by becoming a hub for transactions. In order for Kuroda to achieve a level of revenues comparable to the so-called mega distributors, or international electronic components trading companies, and pursue growth by leveraging economies of scale as well as its managerial resources, it is crucial for Kuroda to engage in mergers with outside companies with which Kuroda can realize synergies. However, the Company's current board is not aggressively seeking opportunities for such mergers with outside companies, and despite the proposals by Reno to promote mergers, does not seem to be engaging in specific considerations or realistic discussions on this topic within the board.

The Need to Improve Corporate Governance

On August 5, 2015, heading towards Kuroda's extraordinary shareholders' meeting on August 27, 2015, a document titled "Proclamation" from "The Members of "Jiseikai" (Self-governed organization of employees)" was posted on

Kuroda's company website, stating its "proclamation of strong disagreement" against a shareholder proposal regarding the election of directors of the board. However, in reality, this document was forged by a select few individuals (including Executive Officers of Kuroda) that falsified its identity as the author, and was not created by "Jiseikai" nor collectively by Kuroda's employees ("Employee Proclamation Forgery Incident" hereafter). As for the Employee Proclamation Forgery Incident, an outside investigation committee has stated in its investigation report (dated November 27, 2015, submitted to Kuroda's audit committee) that the leaders of the Incident may be accused of various crimes including the counterfeiting of private documents, uttering of counterfeit private documents, and fraudulent obstruction of business. Additionally, the report also points out violations of the Financial Instruments and Exchange Act which prohibits the use of supporting documents, etc. with falsified information, as well as issues pertaining to the negligence of fiduciary duties as stipulated by the Companies Act.

Despite all the above, the vast majority of the board director candidates publicly proposed by Kuroda were members of the board at the time of the Employee Proclamation Forgery Incident. It is an extremely serious issue that such an incident occurred at the shareholders' meeting, which is the ultimate body of decision-making for a company, but on top of this, the Employee Proclamation Forgery Incident came to light through an investigation conducted by shareholders as a result of an internal reporting by an employee, and the Company's board failed to publicly acknowledge the existence of this forgery even after the incident came to light, until the outside investigation committee confirmed the actual occurrence of this forgery. Such tendencies of Kuroda suggest a significant lack of corporate governance.

Furthermore, Kuroda unfairly transferred the employee that reported the fraudulence internally, although this transfer was later overturned by the judgement of the audit committee. Even though the audit committee later revoked this unfair transfer, the fact that such a transfer was executed exemplifies that there is no feeling of sincere remorse for the Incident, and that the issue of the lack of corporate governance remains within Kuroda.

Inadequate Shareholder Returns

According to the earnings announcement for the third quarter for FYE March 31, 2017, Kuroda, on a consolidated basis, owns approximately JPY 20.3 billion in cash and equivalents, as well as approximately JPY 3.8 billion of investment securities, despite having only JPY 0.7 billion of interest-bearing debt as of December 31, 2016, maintaining an excessive balance of cash and equivalents. Kuroda has increased its dividends to a certain extent, but given its current balance of cash and equivalents as pointed out above, the aforementioned increase in dividends are inadequate in terms of shareholder returns. Instead of maintaining an excessive balance of cash and equivalents, Kuroda should strive to improve its capital efficiency by aggressively conducting share buybacks.

Specifically, Kuroda should conduct a share buyback of approximately 3.0 million shares (total of JPY 8 billion), thereby improving its capital efficiency, and consequently increasing its shareholder value.

Proposed Election of Dissident Nominee Yasunobe

Mr. Yasunobe has been a Visiting Professor at Hitotsubashi University Graduate School of Commerce and Management, Faculty of Commerce and Management, since April 2016. Over the course of the prior decade, he served as President of various firms, including SG Systems Co., Ltd., Future Architect, Inc., and Woodland Corporation. Prior to 2003, Mr. Yasunobe served in various capacities within the Ministry of Economics, Trade and Industry (METI).

Mr. Yasunobe has extensive knowledge and experience in the electronic components and IT industries, as well as significant insight into corporate management. These characteristics make Mr. Yasunobe a qualifying candidate as an outside director of the Company's board.

If elected, the Dissident intends for Mr. Yasunobe to, among other things, engage in realistic discussions with the rest of the board regarding the promotion of mergers and the implementation of share buybacks.

BOARD'S RESPONSE

The board is already sufficiently independent and well-balanced, and the nominating committee sees no merit to add an external director with missions given by a large shareholder group that conflict with the Company's existing strategy.

The board offers the following point-by-point rebuttals to each of the Dissident's arguments:

M&A Activity

The board believes that the Company has many options for enhancing its corporate value. As part of such measures, the Company has spent around JPY 25 billion in M&A over a five-year period (FY2011 to FY2015) in order to enhance the existing business, create new business, and establish joint ventures, all with a view towards forming a global network and enhancing corporate value.

The Company does not deny that an image of "Mega-Distributors" in the Dissident's proposal can possibly be beneficial to the Japanese electronic components industry as a whole; however, the Company determined that there is an extremely high risk in the Dissident'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 its client companies and Kuroda's employees.

Corporate Governance

The Company has been taking implementing various measures to address the 2015 employee statement forgery incident, including the additional election of an independent outside director who has abundant experience in corporate audit and supervision at the major listed companies, appointing such director as chair of the audit committee so as to reinforce the audit system, punishing the relevant people and establishing a recurrence prevention measure. Moreover, the Company is enhancing the transparency of management and supervision with regard to the governance and promoting the formation of an appropriate governance system by disclosing the progress of its recurrence prevention measure on the Company's website and in stock exchange filings. 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 Dissident does not fall under the Company's current management and supervision system, and there is little necessity to further elect one additional candidate as an outside director.

Shareholder Returns

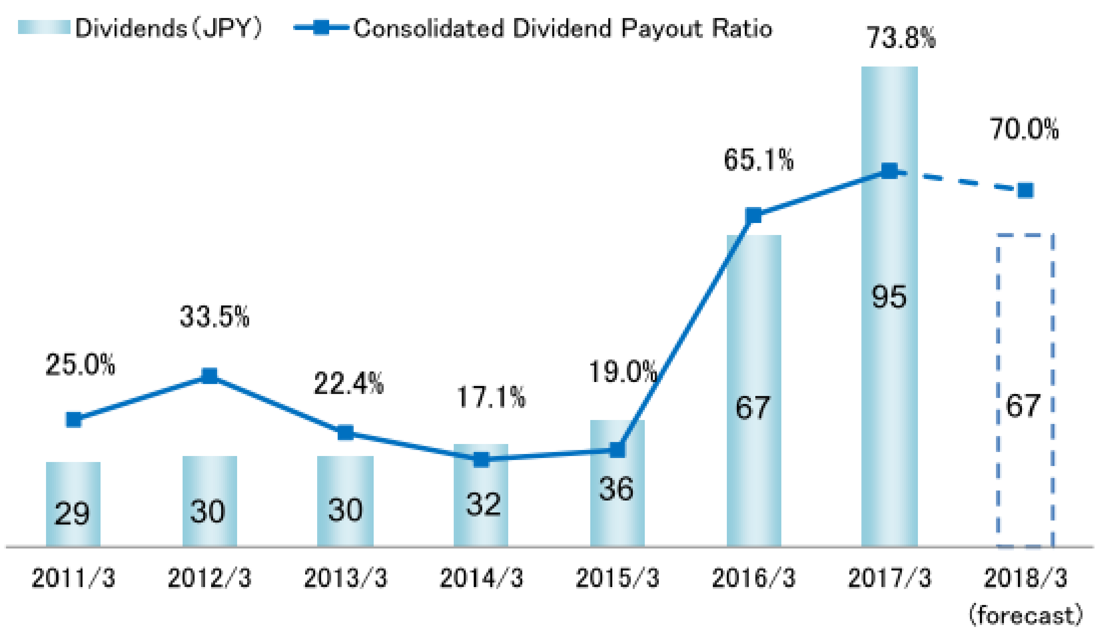
The share buyback plan being pushed by the Dissident would only bring short-term improvement of capital efficiency, and runs contrary to both the Company's basic policy of Medium-term Management Plan and shareholder returns "to make sustained, stable dividend payments from a long-term perspective, by taking into consideration in a comprehensive manner the rate of return for shareholders, future business expansion and enhancement of the Company's financial position." Moreover, it cannot be denied the possibility of extreme conflict of interest under certain occasions where a candidate proposed by the Dissident (who is a major shareholder of the Company) becomes a board member with a mission to implement this proposal and lead the discussion regarding the shareholder returns, especially the share buyback.

On July 10, 2015, the Company published its policy for shareholders returns, stating:

- 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; and

- 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 following chart shows the trends in the Company's dividend payouts:



The Company will continue to consider the appropriate timing for a share buyback.

The Dissident and the Dissident Nominee

The Dissident Group is led by Mr. Yoshiaki Murakami, who was found guilty in 2011 for insider trading as a head of a fund manager.

On April 27, 2017, the Dissident requested the Company to consider adding Mr. Yasunobe as an outside director. The Company's nominating committee determined that Mr. Yasunobe had sufficient credentials and conducted an interview meeting on May 15, 2017. At such meeting, Mr. Yasunobe insisted that the Company needed business mergers (consistent with the perspective of the Dissident), and that he would contribute to the Company with his network of contacts to push ahead with business mergers. Further research by the Company also showed that Mr. Murakami's fund had made large-scale investments in the companies that Mr. Yasunobe managed. Based on the foregoing, the board believes that Mr. Yasunobe is highly likely to be under the direction of Reno and therefore carries significant risk of creating impediments against adequately securing the interests of general minority shareholders.

The board concluded that while Mr. Yasunobe had a high level of knowledge and insights as a businessman and management person, he had insufficient understanding of the Company's business and its unique characteristics. Further, the Company could not find any of Mr. Yasunobe's management track record to have led to increased sustainable corporate value.

GLASS LEWIS RECOMMENDATION

In Glass Lewis' evaluation of proxy contests, we begin with the premise that a well-functioning, informed and independent board of directors should receive reasonable deference from shareholders on strategic matters. Such a board is often in the best position -- with more information and experts at its disposal -- to assess a company's strategic alternatives. Having said this, as a general rule, we are reticent to recommend the removal of incumbent directors, or the election of dissident nominees, unless certain issues are evident.

In general, our analyses of contested meetings focus on the issues and concerns raised by a dissident. However, in determining whether to support such a solicitation, we may also take into consideration, among other things, the shareholder's history at the company, from both an investment and activism standpoint, in order to better gauge its perspective. We are more apt to seriously consider actions undertaken by long-term shareholders of the company or by investors who have made a substantial economic commitment to the company.

Here, the Dissident has proposed a minority slate, seeking one of the Company's board seats. We believe a dissident shareholder seeking minority board representation must: (i) make a compelling case that the board either has mismanaged or failed to properly oversee the company's direction, or suffers from serious governance concerns; and (ii) nominate qualified board candidates, free from significant conflicts, who can be expected to proactively address the dissident's concerns.

After reviewing the arguments made by both sides, we believe that there is insufficient cause to support the election of the Dissident Nominee at this AGM.

- In regards to the Dissident's contention that the Company needs to pursue more M&A activity, the Dissident has not put forth any specific potential deal(s) or transaction parameters. Thus, we believe that the Dissident has failed to provide shareholders with sufficient information to ascertain whether such a strategy would necessarily be value accretive to the Company.

- The Dissident's arguments regarding the Company's poor corporate governance largely centers around an employee statement relating to the 2015 proxy contest that was allegedly forged by Company insiders. Following an investigation by the audit committee, with the assistance of independent outside experts, the Company concluded in late November 2015 that it could not verify whether the Company's president and chairman were involved in the forgery, but that the acts of certain other insiders did not comply with the law. Consequently, the Company's president (Kohichi Hosokawa) and then-chairman (Takashi Kaneko) received 20% pay cuts for a five-month period, and one of the Company's executives (Kazuya Murahashi) resigned. In further response to the audit committee findings, the Company initiated numerous preventive measures that included, among other things, strengthening the monitoring function of directors and auditors, establishing an appropriate evaluation system of directors, educating directors regarding compliance, increasing the usage of internal communication and establishing an information disclosure system. In our 2016 AGM Proxy Paper, we expressed concern that this incident might signal weak oversight and poor internal controls at the Company. However, we concluded that the board had taken appropriate steps to address the issue and strengthen its internal controls and compliance systems. Accordingly, we consider this matter to have been largely resolved and have refrained from recommending that shareholders vote against any incumbent director on this basis for the time being.

- In regards to the return of capital to shareholders, Glass Lewis generally believes boards should be given considerable (though not complete) deference over capital allocation decisions such as dividend distributions and share repurchases. Boards are almost always in the best position -- with more information and experts at their disposal -- to assess a company's operational plans and strategic alternatives. In the absence of some credible suggestion that the existing board is self-interested, ill-informed, entrenched, refusing to act, or performing poorly in its company oversight functions, we believe it is generally not a good idea for shareholders to substitute their judgment regarding the corporate and financial strategy for that of the board. Rather, shareholders should use their influence to push for a governance structure that protects shareholders. In this case, we believe that the Dissident has failed to make a clear showing that shareholders should supplant the judgement of the board and management team in determining the best way to return capital to shareholders. On the one hand, we find that the Company has a fairly robust working capital surplus (JPY 56.67 billion) and current ratio (2.54x), which suggests that the Company has enough capital on hand to reasonably fund the JPY 8 billion share buyback proposed by the Dissident. At the same time, we note that the Company already has one of the highest dividend yields of its industry peers (4.28% as of June 13, 2017), and the Company has significantly increased its dividend payout ratio over the past two years (from 19.0% in Q3 FY2015 to 73.8% in Q3 FY2017). Considering the foregoing, coupled with the capital-intensive nature of the Company’s business, we believe that there is insufficient basis for shareholders to supplant the board’s judgment on capital allocation matters at this time.

In sum, we believe that the Dissident has failed to make a compelling case to justify the election of the Dissident Nominee at this AGM.

Moreover, we find no substantive cause for shareholder concern regarding any of the Management Nominees. The Company has appointed a high number of independent directors to its board and to each of its sub-committees. At the forthcoming AGM, the Company has nominated 6 directors to the board, four of whom we consider to be outside independent directors. We commend the Company for nominating more than 50% of truly independent directors to its board, a practice which is rare in Japan.

We also note that the Company released its convocation notice on May 30, 2017, 4 weeks prior to the shareholder meeting date. We commend the Company for disclosing this important information pertaining to the annual meeting in advance. An overwhelming majority of Japanese companies hold their AGMs in June. This compressed meeting season presents numerous obstacles for shareholders, with the most prominent issue being insufficient time for shareholders to conduct in-depth reviews of proposals presented at these meetings. In this case, the Company has taken a positive step in addressing this critical issue by disclosing its meeting notice on the stock exchange, well in advance of its annual meeting.

Finally, although companies are only required under Japanese law to disclose attendance records of external board members, we note that the Company has voluntarily released attendance records for all directors, including inside directors, for board meetings held during the last fiscal year. We commend the Company for such practices and encourage it to continue to improve director attendance disclosure.

Based on these factors, we recommend that shareholders vote:

FOR: Proposals 1.01 to 1.06 (the Management Nominees)

AGAINST: Proposal 3.00 (the Dissident Nominee)

NOTE: JPY 1.00 = US$0.0091 (exchange rate as of June 13, 2017).

2.00: ELECT AKIRA ROKUSHA AS ALTERNATE OUTSIDE DIRECTOR

FOR

PROPOSAL REQUEST: Election of one director
ELECTION METHOD: Majority

RECOMMENDATIONS & CONCERNS:
FOR- **Akira Rokusha**
NOT UP- **None**

BOARD OF DIRECTORS: ONE-TIER WITH THREE COMMITTEES

UP	NAME	GENDER	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWNERSHIP**
✔	Akira Rokusha	M	Independent	Independent	N/D

C = Chair, * = Public Company Executive, ⊖ = Withhold or Against Recommendation

***Percentages displayed for ownership above 10%, when available*

NAME	PUBLIC COMPANY EXECUTIVE	ADDITIONAL PUBLIC COMPANY DIRECTORSHIPS
Akira Rokusha	No	None

MARKET PRACTICE

INDEPENDENCE AND COMPOSITION	7517*	REQUIREMENT	BEST PRACTICE
Independent Chair	No	N/A[1]	N/A[1]
Board Independence	100%	One external director (comply or explain)[2]	Two independent directors[5]
Audit Committee Independence	N/A	Majority external directors[3]	N/A[1]
Compensation Committee Independence	N/A	Majority external directors[4]	N/A[1]
Nominating Committee Independence	N/A	Majority external directors[4]	N/A[1]
Percentage of women on board	0%	N/A[1]	N/A[1]
Directors' biographies	2017 Notice of Meeting		

** Based on Glass Lewis Classification*

1. *N/A*
2. *Companies Act (only applicable for two-tier board structures)*
3. *Companies Act (only applicable for one-tier with three committee board structures and one-tier with one committee board structures)*
4. *Companies Act (only applicable for one-tier with three committee board structures)*
5. *Japan's Corporate Governance Code*

The 2003 amendments to the Commercial Code introduced a U.S.-style one-tier board structure to Japan, consisting of a board of directors with audit, nomination and compensation committees. The Companies Act, which came into effect in 2006, stipulates that each of these committees should consist of at least majority of outside directors.

Pursuant to the partial amendment to the Companies Act, which came into effect on May 1, 2015, the eligibility of outside directors have been amended. An individual who has not been an executive director, executive officer or employee in the last 10 years prior to his or her appointment will be eligible to qualify as an outside director. However, an individual who controls the company, or a director, executive officer or employee of the parent company or its affiliates will no longer qualify as an outside director.

We believe that a board with three committees should consist of at least one-third independent outside directors. The Companies Act stipulates that, where the Company has adopted this board system, each of the audit, nomination and compensation committees should be made up of three or more directors, with a majority of the members external to the Company. As such, we believe that a majority of each of the committees should consist of independent outside directors free of any material, financial, familial or other affiliations that may cause conflicts of interest.

RECOMMENDATIONS

Having reviewed the nominee list, we do not believe there are substantial issues for shareholder concern.

We recommend that shareholders vote **FOR** all nominees.

3.00: SHAREHOLDER PROPOSAL REGARDING ELECTION OF DISSIDENT NOMINEE SHIN YASUNOBE

AGAINST

Please refer to our write-up of Proposal 1.00 for further details.

VOTE RESULTS FROM LAST ANNUAL MEETING JUNE 29, 2016

Source: Governance Vision

RESULTS

NO.	PROPOSAL	FOR	AGAINST	ABSTAIN	OTHER/ WITHHELD	GLC REC
1.1	Elect Takashi Kaneko	71.29%	28.68%	0.03%	0.00%	For
1.2	Elect Kohichi Hosokawa	70.43%	29.54%	0.03%	0.00%	For
1.3	Elect Nobuyuki Kuroda	70.43%	29.54%	0.03%	0.00%	For
1.4	Elect Kunio Tsuneyama	72.50%	27.47%	0.03%	0.00%	For
1.5	Elect Shigetoshi Okada	72.51%	27.46%	0.03%	0.00%	For
1.6	Elect Atsushi Yamashita	72.51%	27.46%	0.03%	0.00%	For
1.7	Elect Shuhichi Shino	98.84%	1.13%	0.03%	0.00%	For
2.0	Elect Akira Rokusha as Alternate Outside Director	99.19%	0.80%	0.00%	0.00%	For

Voting ratios displayed above are calculated based on the votes officially counted by the Company.

APPENDIX

Questions or comments about this report, GL policies, methodologies or data? Contact your client service representative or go to www.glasslewis.com/issuer/ for information and contact directions.

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LEAD ANALYSTS

Governance:	M&A and Contests:
Naoko Ueno	Eric Dao