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Resolution Concerning 3rd Revision of the Basic Policy for Establishing Internal Control System

The Board of Directors of Kito Corporation discussed and determined on April 21, 2015 the 3rd revision of the Basic Policy for establishing an internal control system which was originally resolved on May 31, 2006 correspondent to the Companies Act enforcement and revised on April 24, 2008 and on February 24, 2010. According to the enforcement the amended Companies Act and the Enforcement Regulations as of May 1st, 2015, we carried out again resolution. Details of the resolution are as follows.

Details

Revision of Basic Policy for Establishing Internal Control System **(Translation of Japanese Edition)**

1. Basic Policy

Kito Corporation, recognizing that its mission lies in the consistent delivery of satisfaction and excitement to all customers, must direct all business activity in line with this corporate mission.

For the realization thereof, it is essential that Kito set in place and utilize a mechanism allowing self-imposed monitoring and overseeing of all business activity as well as internal control.

Therefore, Kito's Board of Directors made the following decisions with respect to the structure of business execution by Kito Corporation and its subsidiaries and the auditing structure, in an attempt to achieve the mission stated above through the execution of activities in accordance with the structures.

2. Systems concerning business execution

1) Systems to ensure that the performance of duties by the directors and employees of Kito and the directors, etc., (i.e., the directors, etc., prescribed in Paragraph 1-5-(i) of Article 100 of the Ordinance for Enforcement of the Companies Act; the same shall apply hereinafter) and employees of Kito's subsidiaries complies with laws, regulations and Articles of Incorporation (Paragraph 4-(vi), Article 362 of the Companies Act, Paragraphs 1-4 and 1-5-(iv), Article 100 of the Ordinance for Enforcement of the Companies Act)

(1) KITO CORPORATION, a company with a board of auditors, shall ensure the compliance of business executed by its directors by means of the supervisory function of its Board of Directors and the auditing function of its auditors.

(2) The Board of Directors of Kito shall run the Board in compliance with laws, regulations, the Articles of Incorporation and the Rules of the Board of Directors. Directors shall ensure legal compliance of their duties by executing them in accordance with resolutions of the Board of Directors. Auditors shall carry

out auditing, in accordance with laws, regulations, the Articles of Incorporation and the Rules of the Board of Auditors, on the duties performed by directors

- (3) Subsidiaries of Kito shall be in a form compliant with local laws and regulations applicable at the places of organization thereof, and the Board of Directors of the subsidiaries or overseas organizations equivalent thereto (collectively, the “Board of Directors of Subsidiaries”) shall be run in compliance with laws, regulations, the Articles of Incorporation, Kito’s Global Regulations of Approval Authorities, and Kito’s Regulations on the Management of Affiliates, while the directors, etc., of Kito’s subsidiaries shall ensure the legal compliance of their duties by executing them in accordance with the resolutions of the Board of Directors of Subsidiaries. Auditors of Kito’s subsidiaries or other persons equivalent thereto, if any, shall carry out auditing, in accordance with laws, regulations, the Articles of Incorporation, and applicable internal regulations of Kito, on the duties performed by directors, etc.
- (4) Further, guidelines for compliance shall be established along with detailed rules. As action guidelines designed to urge the directors and employees of Kito and the directors, etc., and employees of its subsidiaries to fully comply with the laws, regulations and Articles of Incorporation as well as with the social code of conduct, they shall be disseminated internally to achieve thorough familiarity and full compliance. A structure shall be created to allow reporting, on a periodic and on an as-needed basis, of the state of compliance to the Board of Directors, which in turn shall be kept informed of problems and conduct reviews as needed.
- (5) A section whose function is to accept reports and whistle-blowing by insiders on matters concerning compliance-related problems within the Kito Group shall be established and operated at Kito. When deemed necessary, a section to accept whistle-blowing by insiders shall be established and operated also at the subsidiaries in accordance with local laws & regulations and actual circumstances.
- (6) Periodic audits shall be performed by Kito’s Internal Audit Group concerning the state of compliance of the applicable departments of Kito and its subsidiaries.

2) Systems for storage and management of information related to Kito’s directors’ performance of duties (Paragraph 1-1, Article 100 of the Ordinance for Enforcement of the Companies Act)

Preservation and management of documents and records pertaining to the performance of duties by the directors of Kito and the directors, etc., of its subsidiaries shall be governed by the Articles of Incorporation and the Rules of the Board of Directors, etc. For more detailed rules, Document Management Rules shall be created to build a structure allowing proper filing and management of such documents.

Directors and auditors of Kito may browse such information as needed.

Additionally, internal rules including the Rules on Personal Information Protection shall be established in an effort to ensure information security and its proper operation.

3) System to have matters related to the performance of duties by the directors, etc., of Kito’s subsidiaries reported to Kito (Paragraph 1-5-(i), Article 100 of the Ordinance for Enforcement of the Companies Act)

For the purpose of ensuring decision-making in line with uniform, Group-wide business strategies and the appropriateness of business, Kito shall set in place the Global Regulations of Approval Authorities, which prescribes the matters to be referred to for sanction at Kito and its subsidiaries, and the Regulations on the Management of Affiliates, which prescribes the matters to be referred to for sanction in advance and

the matters to be reported by the directors, etc., of the subsidiaries. Kito shall also develop a system of reference for sanction and reporting in accordance with those regulations and shall promote its business in line with these.

Furthermore, Kito shall establish, under the Regulations on the Management of Affiliates, a system to have the business results of the subsidiaries reported to Kito on a regular basis along with matters significant to business, if any, at each time of occurrence thereof.

4) Rules and systems for the management of risk of loss at Kito and its subsidiaries (Paragraphs 1-2 and 1-5-(ii), Article 100 of the Ordinance for Enforcement of the Companies Act)

(1) Any significant matter shall be subject to the scrutiny of the Board of Directors, the Management Conference, or any other organ of Kito or its subsidiaries responsible for making decisions on the matter in question in accordance with the laws, regulations, Articles of Incorporation and internal rules. Additionally, the department responsible for legal affairs and other relevant departments shall conduct preliminary examinations on any important matter in accordance with the internal rules and others in an effort to fully understand and identify risks.

(2) Kito shall establish basic rules concerning risk management ("Risk Management Rules"), which shall be considered as the highest orders concerning the Group's risk management, and promote risk management by nominating directors to oversee matters relating to the risk management and by appointing divisions to be in charge of corporate planning as the division that is responsible at Kito for the risk management system and that functions as the Risk Management Headquarters of Kito and its subsidiaries.

Risk management, in principle, shall be performed by the departments in charge of the area in question at Kito and its subsidiaries. The Risk Management Headquarters of Kito shall be engaged in cross-organizational management of risks over and across the entire Group.

The Risk Management Rules shall incorporate provisions setting forth procedures for the periodic identification of risks for proper recognition of various risks associated with business and the deterrence and prevention of the occurrence of material loss and risks.

(3) The Internal Audit Group of Kito shall perform periodic audits on the state of risk management at applicable departments of Kito and its subsidiaries.

5) Systems to ensure efficient execution of duties by the directors of Kito and the directors, etc., of its subsidiaries (Paragraphs 1-3 and 1-5-(iii), Article 100 of the Ordinance for Enforcement of the Companies Act)

(1) The scope of responsibilities shall be reasonably decided by Kito and its subsidiaries for each of the directors of Kito and the directors, etc., of its subsidiaries, and the scope of responsibilities and authority shall be decided in accordance with the internal rules and others for each organ and department.

(2) The Board of Directors shall hold regular meetings once every month to decide on resolutions rightly brought to its attention. Executive officers shall hold regular meetings once every month to facilitate sharing of information including progress status of business execution. Special meetings of the Board of Directors and/or special conferences of executive officers may be held as needed. These meetings shall form the backbone of a structure enabling quick managerial decision-making.

Effectiveness and efficiency of the performance of duties shall be enhanced further through strict goal management and quarterly reporting of the state of progress with respect to the duties stipulated in the Board-approved medium-term and long-term business plans and annual plans.

- (3) Subsidiaries of Kito shall hold regular meetings of their Board of Directors of Subsidiaries in compliance with applicable local laws and regulations to decide on the matters to be resolved by the Board of Directors of Subsidiaries and shall also hold a special meeting of the Board of Directors of Subsidiaries as occasion demands to thereby establish a structure enabling quick managerial decision-making.

The subsidiaries shall enhance the effectiveness and efficiency of the performance of duties by implementing strict goal management and by having the state of progress with respect to the duties stipulated in the medium-term and long-term business plans and annual plans approved by the Board of Directors of Kito. These are reported to the regular meetings of their Board of Directors of Subsidiaries by their representative directors or equivalent persons as well as to the meetings of the Board of Directors and the conferences of executive officers of Kito by general managers of the business divisions of Kito in charge of the supervision of subsidiaries.

- (4) The Internal Audit Group of Kito shall perform periodic audits on the efficiency of the execution of duties by each of the departments of Kito and its subsidiaries.

- 6) Systems to ensure proper operations in Kito Corporation and its corporate group comprising Kito and its subsidiaries (Paragraph 1-5, Article 100 of the Ordinance for Enforcement of the Companies Act). (excluding the systems prescribed in 1) through 5) above).

- (1) For the purpose of ensuring decision-making in line with uniform, Group-wide business strategies and the appropriateness of business, Kito shall set in place the Global Regulations of Approval Authorities, which prescribes the matters to be referred to for sanction at Kito and its subsidiaries, and the Regulations on the Management of Affiliates, which prescribes the matters to be referred to for getting approval in advance and the matters to be reported by the directors, etc., of the subsidiaries. Kito shall also develop a system of reference for getting approval and reporting in accordance with those regulations and shall promote its business in line with these.

Also, Kito shall have the business divisions in charge of the supervision of Kito's subsidiaries report on the monthly reports submitted by the subsidiaries at the conference of executive officers of Kito. In addition, the Corporate Planning Office shall be appointed as the division responsible for the management of the subsidiaries to promote such management. Furthermore, certified public accountants with global operations shall be appointed so as to ensure accounting appropriateness and uniformity regarding the management of the group companies.

- (2) The Internal Audit Group of Kito shall perform periodic audits concerning the compliance, risk management, and business efficiency of Kito and its subsidiaries.

3. Systems related to auditing

- 1) Matters relating to employees assigned to the position to assist auditors in performing their duties, matters relating to the independence of those employees from the directors and matters relating to securing the effectiveness of instructions given to the employees (Paragraphs 3-1 through 3-3, Article 100 of the Ordinance for the Enforcement of the Companies Act)

Auditors shall, when deemed necessary, appoint employees assigned to a position to assist auditors in

performing their duties (“Assistants to Auditors”). It shall be clearly stipulated in the internal regulations and made fully known across Kito that the employees appointed as Assistants to Auditors are not subject to directions or orders given by the directors or superiors of the organs they belong to, if such directions or orders are matters relating to duties instructed by the auditor.

The transfer of and disciplinary measures against the Assistants to Auditors, if any, shall be reported to the auditors in advance, and the opinions of the auditors including the judgment of eligibility of the Assistants to Auditors shall be fully respected.

2) Systems for the directors and employees of Kito and the directors, etc., and employees of its subsidiaries for reporting to auditors, systems for other forms of reporting to auditors, and systems to ensure that no disadvantageous treatment is given due to the reasons for making a report (Paragraph 3-4 and 3-5, Article 100 of the Ordinance for Enforcement of the Companies Act)

(1) In addition to reporting of information required by law, directors, etc., auditors (including persons in equivalent positions at the subsidiaries), and employees at the Kito Group (“Officers and Employees”) shall report to auditors of Kito without delay if he or she becomes aware of any matter that may give rise to significant impact on any of the Kito Group companies.

Additionally, ordinary reports and requests for management approval of daily nature at Kito shall be circulated to the auditors of Kito to keep them informed.

(2) The Internal Audit Group, department responsible for legal matters, department responsible for the general administration and department responsible for the accounting of Kito shall hold a reporting session for the auditors of Kito on a regular basis to report on the current state of internal auditing at the Kito Group, along with compliance and risk management.

(3) The department responsible for the management of the whistle-blowing system of the Kito Group (department responsible for legal matters) shall report on the state of reports received from the Officers and Employees of the Kito Group to the auditors of Kito on a regular basis.

(4) Kito shall prohibit any disadvantageous treatment given to the Officers and Employees of the Kito Group due to the reason of their making a report to Kito’s auditors and shall make the policy thoroughly known to the Officers and Employees of Kito Group.

3) Matters related to the transaction of expenses or liabilities arising in relation to the auditors’ performance of their duties and other systems to ensure effective and efficient auditing by auditors (Paragraphs 3-6 and 3-7, Article 100 of the Ordinance for Enforcement of the Companies Act)

Auditors of Kito may attend, in addition to the meetings of the Board of Directors and the conferences of executive officers of Kito, important meetings concerning safety, environment, quality, production, and sales, among others, to carry out auditing with respect to legal compliance and efficiency of business operations. Auditors may also seek explanations of the directors, etc., or employees of the Kito Group and may make a firsthand inspection as needed for increased efficiency and effectiveness of auditing. Close collaboration and coordination of the parties concerned shall also be ensured by auditors’ conferences with the certified public accountant, legal counsel, and other professionals independent of Kito and its Group or by using them as assistants to the auditors. The expenses required to be secured the aforementioned system shall be borne by Kito and paid in advance when so requested by the auditors of Kito.

4. Systems for ensuring the appropriateness of financial reporting

1) Kito shall set an internal control system to ensure the appropriateness of financial reporting.

5. Basic approach to and a system for the elimination of antisocial forces

Kito shall undertake the following actions as a part of its internal control (compliance risk management) in an effort to eliminate antisocial forces

1) Basic approach to the elimination of antisocial forces

Kito shall stand firm against any unfair demand claimed by antisocial forces and organizations that threaten the order and safety of civic life and shall cut off any and all connections therewith, without making any easy compromise with them by means of monetary solutions and otherwise.

2) System for the elimination of antisocial forces

Kito shall explicitly state the basic approach presented above in its Compliance Manual, declare it internally and externally, and appoint the department responsible for general administration as the department in charge of overseeing any dealings with antisocial forces. At the same time, a person responsible for the prevention of complying with any unfair demand shall be nominated for the head office and each of the sales offices, who will make efforts to gather information, etc., from the police and other sources and, when deemed necessary, will give reports to or hold consultations with the police and others to refuse unfair demands in an absolute manner.

In addition, a manual for dealing with antisocial forces shall be prepared to stipulate actions to be taken in the event of any possible threat by antisocial forces or of potential injury that may be inflicted and to establish a structure whereby necessary information will be reported to the department responsible for general administration and damage will be prevented.

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