

March 27, 2020

Outline of the Results of the Effectiveness Evaluation of the Board of Directors

KITO CORPORATION

KITO CORPORATION conducted the evaluation of the effectiveness of the Board of Directors to confirm and continuously improve the effectiveness of the decision-making function and management monitoring function of the Board of Directors. An overview of the results is provided below.

1. Evaluation method

With respect to the following items, a total of 10 directors and corporate auditors were each given a questionnaire. Opinions were collected by evaluation of each item on a five-point scale and opinion column. The evaluation items have been partially revised based on the Corporate Governance Code revised in June 2018, while basically maintaining the evaluation items up to FY2018.

[Questionnaire items]

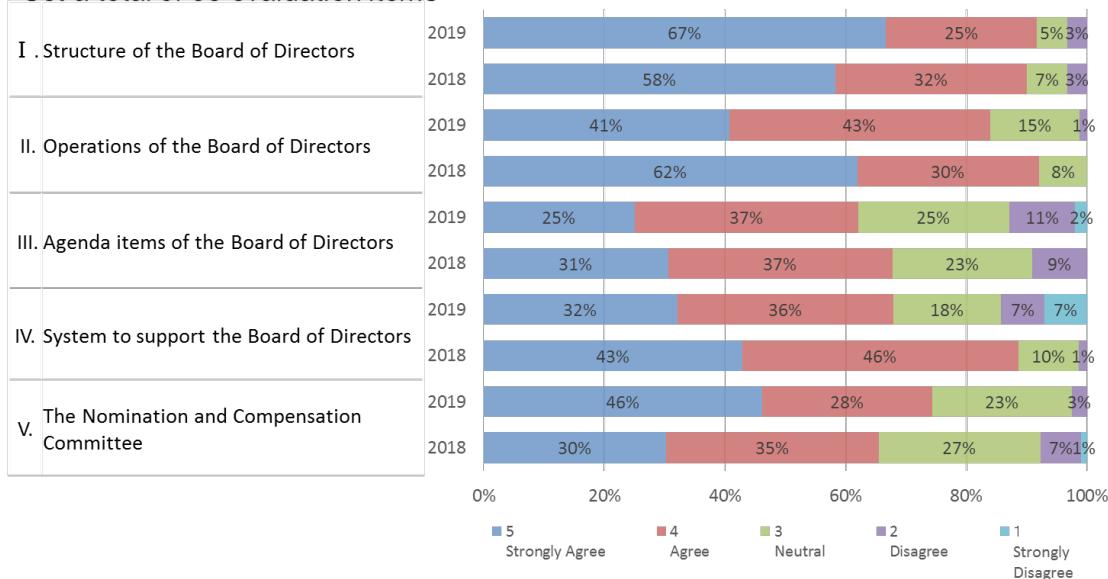
- (1) Structure of the Board of Directors (composition, number and ratio of outside officers, diversity, term of office, etc.)
- (2) Operations of the Board of Directors (roles of the Board of Directors, contents of materials, delegation of authority, degree of active discussion, etc.)
- (3) Agenda items of the Board of Directors (discussions on remuneration, election, dismissal, compliance, etc., status of response to previous issues, etc.)
- (4) System to support the Board of Directors (opportunity and frequency of information exchange, cooperation with departments, information access, etc.)
- (5) The Nomination and Compensation Committee (composition, status of discussions on remuneration, dismissal, succession planning, etc.)

2. Evaluation results (summary)

As a result of the evaluation, the proportion of positive evaluations ("Strongly Agree" and "Agree") on the five-point scale (*) for some items fell slightly, but overall the effectiveness of the Board of Directors as a whole was evaluated as being appropriately secured. Among others, all respondents answered "Strongly Agree" to the question "Is the Board of Directors a place where directors and corporate auditors can fully express their opinions, discuss and exchange opinions openly and constructively?" under (2) Operations of the Board of Directors, which shows that the characteristic of our Board of Directors having substantial discussions has been highly evaluated. The main point for which positive evaluation was lower than the previous year was the status of response to the issues presented in FY2018.

(*) The answer choices on a five-point scale are "strongly agree, agree, neutral, disagree, and strongly disagree."

Set a total of 35 evaluation items



3. Matters to be dealt with

The Board of Directors has concluded, based on the results of the evaluation, that the three issues identified in the FY2018 effectiveness evaluation need to be continuously dealt with. In addition, it was recognized that there was a need to further improve the content of the explanatory materials to support appropriate judgment of the management. To further enhance the effectiveness of the Board of Directors, we will continue to deal with the issues identified.

Three issues to be continuously dealt with, and the measures to be taken

Issues	Measures
Deepened discussions on medium- to long-term strategies, product strategies and regional strategies	Discussions will be deepened along with formulating the next medium-term management plan (scheduled to start in FY2021).
Increasing frequency of risk discussions and conducting periodic reviews	We discussed material risks in FY2019. We will also share and discuss other risks and issues which have impact on our management.
Discussing management succession plans	Discussions will be further promoted on the issues including a career plan for fostering management positions throughout the group.