

## Results of the Effectiveness Evaluation of the Board of Directors

Kito Corporation recently evaluated the effectiveness of the FY2015 Board of Directors in order to confirm and improve the effectiveness of the decision-making and business supervision functions of the Board of Directors. An outline of the evaluation results is provided below.

### **1. Evaluation method**

Kito conducted a signed questionnaire survey of a total of 10 directors and corporate auditors regarding the following items. Each item was evaluated on five scales with a free comment space to collect opinions.

[Questionnaire items]

- 1) Structure of the Board of Directors (the number of board members, diversity, the number/percentage of outside directors, etc.)
- 2) Operations of the Board of Directors (the frequency of Board of Directors meetings, information provision, the activeness of discussion, atmosphere of the meetings, etc.)
- 3) Agenda items of the Board of Directors (the selection and proposal timing of agenda items, deliberation time, the nomination of and compensation for directors, discussion on governance and risks, etc.)
- 4) Structure that supports the Board of Directors (securing the opportunities for directors' information acquisition, training for directors and corporate auditors, cooperation with the internal audit division, etc.)

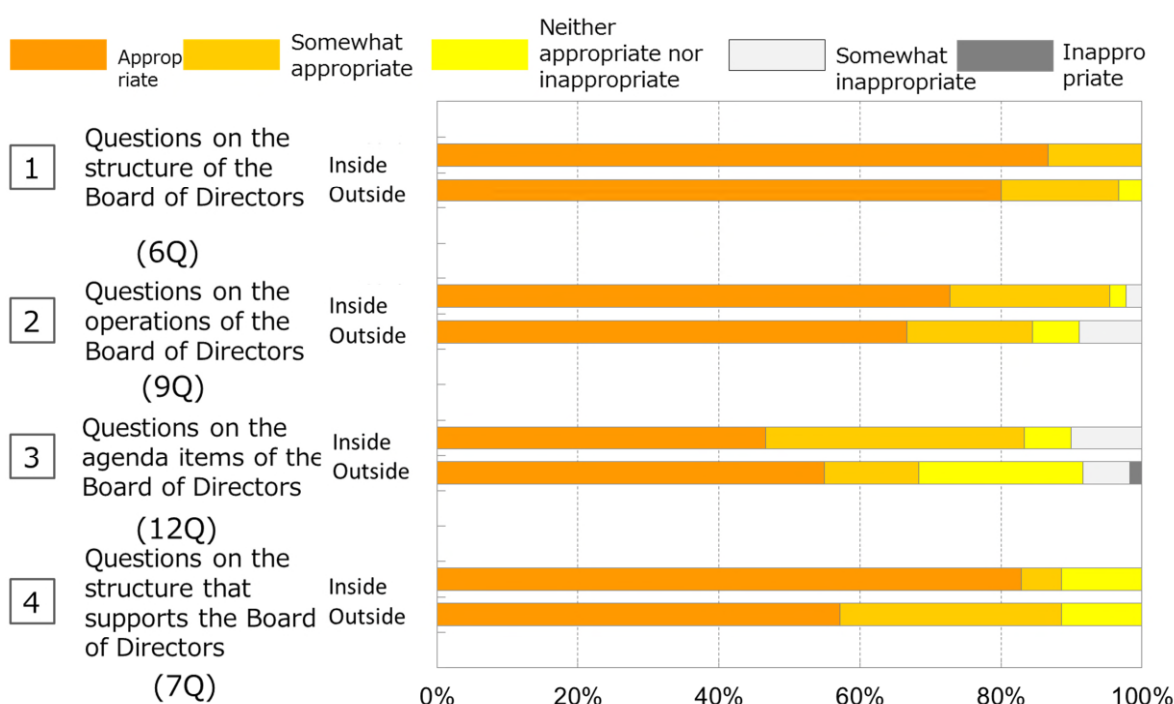
**2. An outline of the evaluation results of the Board of Directors and issues extracted from the evaluation results**

1) Outline of evaluation results

According to the evaluation results, the effectiveness of the Board of Directors is secured from the following perspectives.

- (1) The Board of Directors secures a structure for proper decision-making on important business matters and for the proper supervision of the execution of operations.
- (2) The resolution matters of the Board of Directors are appropriate. Sufficient time is secured for deliberation.
- (3) The board members, including outside directors (three outside directors and two outside corporate auditors) with diverse expertise, have active, constructive discussions.

[Comprehensive evaluation: A total of 34 questions were asked regarding four evaluation items.]



2) Issues extracted from the evaluation results

The following opinions were expressed as issues to be addressed for further enhancing the effectiveness of the Board of Directors.

- (1) Improvement needs to be made for timely, appropriate information provision, including the prior provision of materials related to the matters to be deliberated by the Board of Directors.
- (2) It is necessary to promote the sharing with the Board of Directors of the details of discussions made by nominating, and compensation committees, which are advisory bodies of the Board of Directors.

**3. Initiatives to be taken**

Based on the above evaluation results, KTIO CORPORATION intends to promote the improvement of the extracted issues in order to further improve the deliberation by the Board of Directors.

KITO also intends to verify and improve the effectiveness of the evaluation itself, including the method, questions, and the process for extracting issues.

Complete