

## News Release (6409 TSE 1)

July 11, 2019

Whom it may concern

Company	KITO Corporation.	
Name of Representative	President and CEO	Yoshio Kito
Code-number	6409 TSE First Section	
	Managing Director	
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### **Notice on the Disposal of Treasury Shares as Share Compensation with Restriction on Transfer**

At the meeting of the Board of Directors held today, KITO Corporation (the “Company”) resolved to dispose of its treasury shares as share compensation with restriction on transfer (Transfer Restriction) (hereinafter referred to as the “Treasury Share Disposal”) as follows:

#### 1. Outline of the disposal

(1) Disposal date	July 31, 2019
(2) Class and number of shares to be disposed of	The Company’s 41,200 shares of common stock
(3) Disposal price	1,652 yen per share
(4) Total amount of shares to be disposed of	68,062,400 yen
(5) Planned disposal receiver	Director of the Company(*) : 3 persons/9,800 shares Executive Officer of the Company: 6 persons/6,800 shares Directors of the Company’s subsidiaries: 5 persons/23,600 shares Employees of the Company’s subsidiaries: 1 person/1,000 shares * excluding outside directors
(6) Other	In respect of the Treasury Share Disposal, the Company has submitted a Written Notice of Securities in accordance with the Financial Instruments and Exchange Act.

#### 2. Purpose and reason for the disposal

At the meeting of the Board of Directors held on April 23, 2019, the Company resolved to introduce the share compensation system with the Transfer Restriction (hereinafter referred to as the “System”) as a new compensation system for the Company’s Directors and Executive Officers in order to provide the Company’s Directors (excluding outside directors; the same shall apply hereinafter) and Executive Officers with incentives for the continued improvement of the Company’s corporate value, as well as for the purpose of promoting value sharing with the Company and its shareholders. Further to the resolution,

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the 75th Ordinary General Meeting of Shareholders held on June 21, 2019 approved the provision of monetary compensation within 100 million yen per annum to the Company's Directors excluding the Company's Outside Directors, separately from the existing Director compensation, etc., as the property of contribution in kind related to the granting of shares with the Transfer Restriction ("Restricted Shares") based on the System.

Currently, based on the System, the Company decided to pay a total of ¥ 68,062,400 in monetary compensation for granting the Restricted Shares to the Directors and Executive Officers of the Company and the Directors, etc. of the Company's subsidiaries (hereinafter referred to as the "Applicable Officers") recognized by the Board of Directors of the Company, and decided to allocate 41,200 shares of the Company's common stock as a result of in-kind investment of the said monetary compensation receivables to the Applicable Officers, taking into consideration of the purpose of this System, the performance of the Company and the scope of duties of each Applicable Officer.

In addition, in consideration of the purpose of this System, to give incentives to our management team for the continued improvement of corporate value and promoting value sharing with our shareholders, In principle, the Company has set a transfer restriction period from the disposal date to the date when the subject officer resigns from the Company or the Company's subsidiary.

In this disposal of treasury stock, it is planned that each Applicable Officer who is the Planned disposal receiver pays the monetary compensation receivables as a stock investment property and receives allotment of common stock of the Company.

### 3. Outline of the Restricted Share Allotment Agreement

In conjunction with the disposal of the treasury stock, the Company and the Applicable Officers will individually enter into the Restricted Share Allotment Agreement (hereinafter referred to as the "Allotment Agreement"), the outline of which is as follows.

#### (1) Transfer Restriction Period

Applicable Officers can't transfer, pledge as security, or otherwise dispose of their Allotted Shares during the period from July 31, 2019 (disposal date) to the date on which the Applicable Officer resigns or retires from the position of the Director or Executive Officer of the Company or the Company's subsidiaries or any other position stipulated by the Company's Board of Directors.

#### (2) Conditions for the removal of the Transfer Restriction

On the conditions that the Applicable Officer has continuously remained in the position of [the Director or Executive Officer of the Company or the Company's subsidiaries or any other position stipulated by the Company's Board of Directors during the period commencing on June 21, 2019 and ending on the date of the Company's Ordinary General Meeting of Shareholders one year later (hereinafter referred to as the "Service Period"), the Company shall remove the Transfer Restriction on all of the Allotted

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Shares upon expiry of the Transfer Restriction Period. However, if the Applicable Officer resigns or retires from all positions of the Director or Executive Officer of the Company or the Company's subsidiaries or any other position stipulated by the Company's Board of Directors during the Service Period (i) due to death, expiry of its term of office, mandatory retirement age or expiry of the employment period (expiry of the reemployment period if the Applicable Officer was reemployed after retirement at the mandatory retirement age) or (ii) for a reason deemed as reasonable by the Company's Nomination and Compensation Committee and Board of Directors, the Company shall remove the Transfer Restriction upon expiry of the Transfer Restriction Period, with respect to Allotted Shares of the number of months from the month including the disposal date until the month including the resignation/retirement date divided by 12, which is multiplied by the number of the Allotted Shares held by the Applicable Person (provided, however, any fractional sum less than a share of stock as a result of calculation shall be disregarded).

### (3) Acquisition by the Company without consideration

The Company shall rightfully acquire without consideration the Allotted Shares from which the Transfer Restriction has not been removed at the time of expiry of the Transfer Restriction Period.

### (4) Management of shares

During the Transfer Restriction Period, the Allotted Shares shall be managed using the account dedicated to Restricted Shares which is established by the Applicable Officer at Daiwa Securities Co., Ltd. so that such shares may not be transferred, pledged as security, or otherwise disposed of during such Period.

### (5) Handling in the event of organizational restructuring

In the event that a matter relating to a merger agreement under which the Company will become the dissolving company, an absorption-type split agreement or a new-type split plan under which the Company will become a split company, a share exchange agreement or a share transfer plan under which the Company will become a wholly-owned subsidiary, or any other organizational restructuring is approved at a General Meeting of Shareholders of the Company during the Transfer Restriction Period (or, if an approval at a General Meeting of Shareholders of the Company is not required regarding such organizational restructuring, approved by the Company's Board of Directors), the Company shall, in accordance with the resolution of the Board of Directors, remove the Transfer Restriction pertaining to Allotted Shares of the number which is calculated by multiplying months from the month including the disposal date until the month including the date of such approval divided by 12 (provided, however, any fractional sum less than a share of stock as a result of calculation shall be disregarded), and the number of Allotted Shares held by the Applicable Person at the time immediately preceding the business day preceding the effective date of organizational restructuring.

## 3. Calculation basis and specific details of the disposal price

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The Treasury Share Disposal will be carried out by using monetary compensation receivables provided to the Planned disposal receivers based on the Plans as property of contribution. The disposal price per share is set at 1,652 yen, which is the closing price of the Company's common shares on the Tokyo Stock Exchange on July 10, 2019 (the business day prior to the date of the Board of Directors' resolution regarding the Treasury Share Disposal), in order to eliminate arbitrariness. This is the market price immediately before the date of the Board of Directors' resolution and the reasonable price that properly reflects the Company's corporate value when there are no special circumstances that indicate the unreliability of the most recent stock price. We believe that the price is not particularly favorable for Applicable Officers.

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