

## Compliance

The KHI Group places great importance on compliance and has already instituted a variety of policies. This includes two activities that are described below.

### We Have Established a Compliance Report and Consultation System

When employees suspect that there might be a compliance violation in their section, ordinarily, they should first report to and consult with their superiors and the related sections. However, if they suspect that their superiors or that many people in the section might be involved, they might feel that they are isolated, under pressure from those around them or otherwise in a difficult position that makes them wary or afraid to use in-house reporting or consultation. For such situations, we established our Compliance Report and Consultation System.

In this system, an external lawyer consults directly with the people who come to him and listens to their reports. Moreover, with the name of the person who came for consultation kept secret, the situation is reported to the CSR Department (secretariat). The CSR Department investigates the situation to determine whether or not there is a violation and decides future measures in response. The external lawyer conveys this directly to the person who came for the consultation.

In order to allow our employees to use this system effectively, we make them aware of how to use it and post the results of its use through numerous means, including articles in the Compliance Guidebook that we distribute, in-house intranet notice boards and in-house magazines. In FY2009, there were 14 cases of reporting and consultation.

### In 2009, We Conducted Harassment Training

We conducted our first compliance consciousness survey in February 2009 in order to examine the results of the various policies that we had implemented thus far and to use this to guide our future compliance efforts.

As a result, we determined that most employees wanted training and guidance on sexual harassment, abuse of authority, and other violations of human rights.

Based on the results of the consciousness survey, we set up "Education and Consciousness-raising about Human Rights, Especially Sexual Harassment and Power Harassment," a Company-wide compliance emphasis program for FY2009. This program is based on training that combined viewing an educational DVD with lectures for all employees, with the actual details of the program put together in each business division.

Employees who attended the lectures reported that they were easy to understand and ought to be repeated. In addition, several people came to the Compliance Report and Consultation System for consultations on sexual harassment and abuse of authority. We will be looking into further education and consciousness-raising about these concerns in the future.



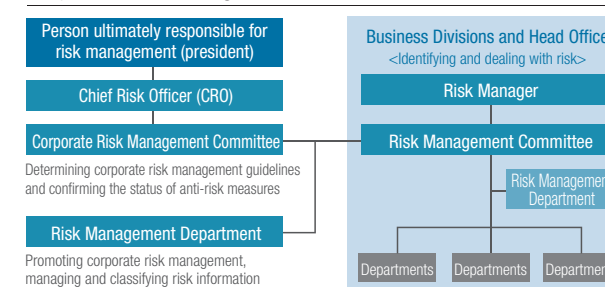
## Risk Management and Crisis Management

We strive to prevent risk, and if it surfaces, to put a halt to any possible damage and keep it to a minimum.

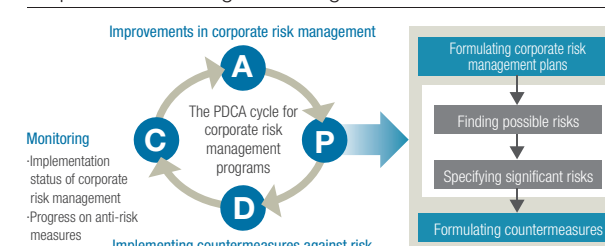
### Risk Management

Starting in April 2010, the President was given ultimate responsibility for risk management and the Chief Risk Officer (CRO) was designated the responsible party for risk management operations overall. At the same time, we practice risk management throughout the company by setting up a Risk Management Committee whose function is to discuss major items connected with risk management and monitor the implementation status of risk management measures. In addition to establishing a Risk Management Department and promoting and supporting risk management throughout the company, we further manage risk Company-wide by constructing similar systems and designating persons responsible for risk management in all the business divisions.

Corporate Risk Management Structure



Corporate Risk Management Programs



Under this structure, starting in April 2010, we have driven a uniform cycle in each division consisting of finding and evaluating risks, formulating and implementing countermeasures, and monitoring. In these procedures, we annually specify, using a common scale, major risks that are likely to have a significant influence on management, and manage these risks by the most rational and optimal methods for the benefit of the entire Group.

### Crisis Management

In preparation for such times as crises might emerge, the KHI Group has set up Crisis Management Regulations with the objective of preserving life and assets, minimizing damage and loss, and ensuring rapid recovery of business operations. The Crisis Management and Countermeasure Organization, which is organized in an integrated, horizontal manner throughout the Group, is a set of measures for managing crises, with the president as the ultimate responsible party. Under this system, when a crisis occurs, we launch a task force at the Main Office and local offices for rapid response.

During the 2009 outbreak of H1N1 influenza, the Crisis Management and Countermeasure Organization issued information and warnings throughout the Group, but when it was confirmed that a person had contracted the disease in Japan, a Crisis Management Task Force was set up at the Main Office, and each office formulated and instituted its own BCP (business continuity plan) against H1N1 influenza.

Furthermore, the KHI Group introduced a Safety Information System in FY2004 for the purpose of rapidly confirming the safety of Group employees at the time of a major earthquake or other natural disaster. We have held repeated disaster drills, but beginning on October 1, 2010, we took a further step in enhancing our system by upgrading to a user-friendly KHI Group Emergency Contact System that uses an outside system (cloud computing), so that we are prepared for any risks that might emerge.

KHI Group Emergency Contact System

