

Ideal

Information Disclosure IR Activities: We will provide timely, accurate information and further enrich the contents of disclosure.

Business Partners: We will coexist with our business partners and maintain fair partnerships while promoting collaboration in CSR activities.



Relationship with Shareholders and Investors

General Meeting of Shareholders

At KHI, we believe the General Meeting of Shareholders—the highest corporate decision-making body of any company—is an important opportunity for communication between the Board members and our shareholders. To enable shareholders to properly consider important matters on which they will cast their vote at the General Meeting of Shareholders, we send out the convocation notice even earlier than required by law. In addition, we prepare an English version of our official Japanese-language convocation notice for the convenience of our shareholders overseas. Shareholders who are unable to attend the annual meeting in person now have the option of exercising their voting rights through the Internet or by mobile phone. At the meeting venue, we endeavor to present information, highlighting new developments and business results over the past year, in an easy-to-understand format utilizing video. Presentation videos from past meetings are available for viewing on our web site.



General Meeting of Shareholders

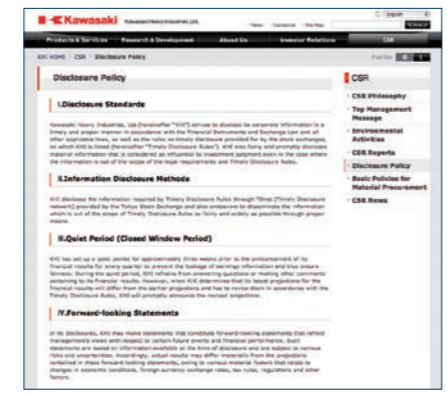
Distribution of Dividends

Our basic policy on the return of profits to shareholders calls for a stable dividend appropriate to our performance, tempered by sufficient maintenance of retained earnings to strengthen and expand profitability and the business foundation in preparation for future growth. Taking an overall perspective, with particular consideration to future business performance and retained earnings, management resolved to pay a year-end dividend of ¥3 per share for fiscal 2011, the year ended March 31, 2011.

Ended March 31	2007	2008	2009	2010	2011
Net income (loss)	¥18.94	¥21.08	¥7.02	¥(6.51)	¥15.55
Dividends	¥5.00	¥5.00	¥3.00	¥3.00	¥3.00

IR Activities

We strive to disclose timely and accurate business information, in accordance with the disclosure policy posted on our web site, and we keep an open channel to shareholders and investors through various investor relations (IR) activities at home and abroad to promote communication. For institutional investors and analysts, we hold interim and end-of-year financial performance briefings and one-on-one meetings. Corporate representatives visit institutional investors outside Japan to explain recent business performance and other critical information. In addition, we post the latest data, including performance forecasts, on our web site in the IR Information section, along with management policies, historical financial results by business segment, various accounting documents and presentation materials distributed at interim and year-end performance briefings. Also, at the end of June and in early December, we send shareholders our Business Report, an easy-to-understand update on management conditions and business content.



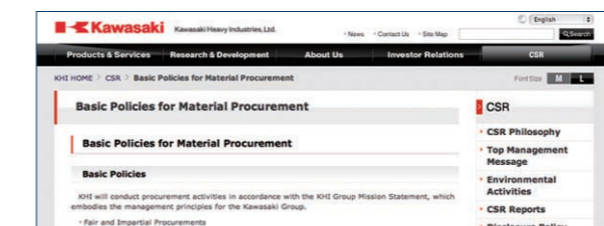
Disclosure policy posted on our website

For details, please visit our IR Information section online at <http://www.khi.co.jp/english/ir/index.html>

Relationship with Business Partners

Promoting Procurement with Basic Policies for Material Procurement

We established our basic position on procurement activities under Basic Policies for Material Procurement and posted this information on our web site in April 2011. Guided by these policies, we conduct procurement activities along the lines of our approach to CSR, with an emphasis on compliance, human rights, labor, safety and health as well as concern for the environment, and we encourage our business partners to join us in actively promoting CSR activities in the supply chain.



Basic Policies for Material Procurement (excerpt)

Fair Transactions and Bonds of Trust

In accordance with Basic Policies for Material Procurement, we undertake procurement activities predicated on long-standing relationships of trust with our business partners. Coinciding with the establishment of these policies, we partially revised our Code of Conduct for Dealings with Business Partners, and everyone—including employees in design and manufacturing departments—who deals with business partners strives to carry out his or her duties in line with these guidelines. We seek to ensure widespread acknowledgement of the guidelines and toward this end post them on our web site, with each division prominently displaying them as a constant reminder of the importance of fairness and mutual trust.



Code of Conduct for Dealings with Business Partners (excerpt)

Reinforcing the “Partner” Sentiment in Partnership

We have organized cooperation-building associations for each business segment that have as their members business partners with whom the respective segment has developed particularly close ties. These associations promote cooperation based on mutual trust between KHI and its business partners and serve to foster a sense of coexistence and coprosperity. Specific activities, described below, reinforce the “partner” sentiment in our relationships with business partners.

- Hold regular meetings, to share policies on procurement, production and other operations
- Implement improvement initiatives, emphasizing joint efforts between KHI and business partners to enhance quality and production
- Hold lectures and workshops on such themes as human resource development and management practices
- Offer factory tours and discussion opportunities for member companies

Promoting Green Procurement

In regard to green procurement, which encourages product manufacturing with low environmental impact, we formulated Green Procurement Guidelines fine-tuned to the specific issues that characterize each business segment. We also ask our business partners to establish environmental management systems and work with them to understand and manage the environmentally hazardous substances, which are included in parts and raw materials.