

## Distribution of Kimball Electronics, Inc. Common Stock

### Kimball International, Inc. Share Owner Tax Basis Information

If you did not receive the Distribution (as defined below) of Kimball Electronics, Inc. common stock on October 31, 2014, you may disregard this notice. Additionally, this notice does not apply to shares of Kimball International, Inc. common stock sold, exchanged or otherwise disposed of prior to the time of the Distribution.

On October 31, 2014, Kimball International, Inc., an Indiana corporation ("Kimball"), distributed (the "Distribution") its outstanding shares of common stock of Kimball Electronics, Inc., an Indiana corporation ("KEI"), to the holders of record of Kimball common stock that were issued and outstanding as of 5:00p.m. Eastern Time on October 22, 2014 (each a "Kimball Share Owner"). Each Kimball Share Owner received three shares of KEI common stock for every four shares of Kimball Class A common stock or Class B common stock held ("Distribution Ratio"). Kimball Share Owners will also receive cash in lieu of any fractional share of KEI common stock resulting from the Distribution.

Kimball Share Owners will be required to allocate the aggregate tax basis in their Kimball common stock held immediately prior to the Distribution among the shares of KEI common stock received (including the fractional share for which cash was received) in the Distribution and their shares of Kimball common stock. The excess of the cash received in lieu of a fraction of a share of KEI common stock over the basis allocable to such fractional share will be treated as capital gain from the sale of such fractional share.

A Kimball Share Owner's aggregate tax basis in his or her shares of Kimball common stock prior to the Distribution should be allocated in proportion to the fair market value of the KEI common stock received (including any fractional share of KEI common stock for which cash was received) and the Kimball common stock in respect of which such KEI common stock was received. Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. There are many potential ways to determine the fair market value of stock. One possible approach to determining the fair market value of the Kimball common stock and the KEI common stock is to utilize the closing price quoted on The NASDAQ Global Select Market on the day after the Distribution for both Kimball common stock, which was \$12.89 per share, and KEI common stock, which was \$7.22 per share. Based on such values and the distribution ratio of 0.75 of a share of KEI common stock for each share of Kimball common stock, 70.42% of a Kimball Share Owner's aggregate tax basis in his or her shares of Kimball common stock prior to the Distribution should be allocated to such Kimball Share Owner's shares of Kimball common stock and 29.58% should be allocated to such Kimball Share Owner's shares of KEI common stock (including the fractional share of KEI common stock for which cash was received).

The following is an example of how the basis allocation would be so applied:

Assumptions:

Shares of Kimball common stock owned	125
Kimball Share Owner's aggregate tax basis (@ \$15 per share) (A)	\$1,875
Shares of KEI common stock received in the Distribution (including the 0.75 fractional share for which cash was received) (125 shares of Kimball common stock x 0.75 distribution ratio)	93.75

Tax Basis Allocation:

	# Shares Owned	NASDAQ Closing Price (11/3/2014)	Fair Market Value (11/3/2014)	Percentage of Total Fair Market Value (11/3/2014) (B)	Allocated Tax Basis = (A) x (B)
Kimball Common Stock	125	\$12.89	\$1,611.25	70.42%	\$1,320.37 (\$1,875 x 70.42%)
KEI Common Stock	93.75	\$7.22 (1)	\$676.88	29.58%	\$554.63 (\$1,875 x 29.58%)
Totals			\$2,288.13	100%	\$1,875

(1) In accordance with the Separation and Distribution Agreement between Kimball and KEI dated October 31, 2014, the distribution agent aggregated all fractional shares into whole shares, sold the whole shares in the open market at the prevailing market price (which was \$7.79) and distributed the aggregate cash proceeds of the sales pro rata (based on the fractional share such holder would otherwise be entitled to receive) to each holder who otherwise would have been entitled to receive a fractional share in the Distribution.

Certain Kimball Share Owners who received shares of KEI common stock in the Distribution (including any cash in lieu of a fractional share of KEI common stock) are also required to include a statement related to the Distribution in their U.S. Federal income tax returns for the year in which the Distribution occurs. This statement, "STATEMENT PURSUANT TO §1.355-5(b) BY \_\_\_\_\_, A SIGNIFICANT DISTRIBUTE," is attached to this notice for your convenience. Any Kimball Share Owner to which this reporting obligation applies should insert his or her name and taxpayer identification number or social security number in the blank space.

The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. It does not purport to be complete or to describe the consequences that apply to particular categories of Kimball Share Owners (e.g., it does not address Kimball Share Owners who did not hold their shares of Kimball common stock continuously from 5:00p.m. Eastern Time on the record date until the time of the Distribution, who sold shares of KEI common stock or who acquired blocks of Kimball common stock at different times and prices). Kimball Share Owners are encouraged to consult with their tax advisors for questions on their own specific tax position.

STATEMENT PURSUANT TO §1.355-5(b)

BY \_\_\_\_\_, A SIGNIFICANT DISTRIBUTE

On October 31, 2014, Kimball International, Inc., an Indiana corporation ("Kimball"), distributed (the "Distribution") outstanding shares of common stock of Kimball Electronics, Inc., an Indiana corporation ("KEI"), to the holders of record of Kimball common stock as of 5:00 p.m. Eastern Time on October 22, 2014 (the "Record Date"). As a result of the Distribution, each holder of record of shares of Kimball common stock as of the Record Date was entitled to receive 0.75 of a share of KEI common stock for each outstanding share of Kimball common stock held by such share owner as of the Record Date.

1. Name, address and employer identification number of the distributing corporation:  
Kimball International, Inc.  
1600 Royal Street  
Jasper, IN 47549  
EIN: 35-0514506
2. Name, address and employer identification number of the controlled corporation:  
Kimball Electronics, Inc.  
1600 Royal Street  
Jasper, IN 47549  
EIN: 35-2047713
3. The undersigned was a share owner owning Kimball common stock as of the Record Date and received shares of KEI common stock, no par value, in the Distribution. The undersigned received cash in lieu of a fractional share of KEI common stock, which fractional shares were aggregated and sold by the distribution agent. The aggregate fair market value of the KEI common stock and cash received by the share owner was \$ \_\_\_\_\_.
4. The undersigned did not surrender any stock or securities in Kimball in connection with the Distribution.
5. The Distribution is a transaction that is described under Section 355 of the Internal Revenue Code of 1986, as amended.

\_\_\_\_\_  
Share Owner's Name (please print)

\_\_\_\_\_  
Share Owner's Signature

\_\_\_\_\_  
Taxpayer Identification Number or Social Security Number

THIS STATEMENT SHOULD BE ATTACHED TO YOUR 2014 U.S. FEDERAL INCOME TAX RETURN. IT SHOULD NOT BE SENT TO KIMBALL INTERNATIONAL, INC. OR KIMBALL ELECTRONICS, INC.