

Progress of Measures to Prevent Recurrence of Seismic Isolation/Mitigation Oil Damper Problems

Following the announcement on the KYB website entitled “Investigation into the causes of nonconforming acts in the inspection process, etc. for seismic isolation/mitigation oil dampers for buildings manufactured by KYB Corporation and its subsidiary, and measures to prevent their recurrence” dated February 13, 2019, we have been taking preventive measures and working to restore trust.

As of June 30, 2020, approximately 70% of the measures to prevent recurrence have been addressed, and we are continuing our efforts to complete unfinished measures.

On its website, KYB periodically posts reports of its progress in preventing the recurrence of improper acts and measures to identify and address such acts.

<https://www.kyb.co.jp/company/progress/index.html> (Japanese only)

Progress of Measures to Prevent Recurrence (As of June 30, 2020)

Foster strict compliance awareness and reform the corporate culture	Establish compliance management	Establish compliance awareness at KYB Corporation and KSM*	Completed	
		Foster compliance awareness throughout the Group	Completed	
		Revise the Corporate Guiding Principles and other guidelines	Completed	
		Emphasize the importance of compliance regularly	Completed	
		Implement personnel evaluations and related measures	Completed	
	Change the mindset of all officers and employees	Conduct education and training to raise awareness of social responsibility	In progress	
		Conduct education that incorporates numerous case studies and best practices from other companies	Completed	
		Conduct education on laws and regulations specific to businesses and products	In progress	
Make education regarding quality mandatory		Completed		
Evaluate business feasibility, and revise business operations, information-sharing systems and other matter	Establish a balanced business operation system	Ensure appropriate business management at KSM	In progress	
		Review how decisions to accept orders are made at KSM	Completed	
		Develop business systems	Completed	
		Revise use of mass-production evaluation procedures for individual and small-batch products	Completed	
	Ensure personnel are rotated	Nurture successors and increase the transparency of operations by sharing expertise/know-how in the Company through effective job rotation.	In progress	
	Collect information and establish a feedback system	Ensure thorough documentation of meetings, reports and instructions at KSM	Completed	
		Ensure that internal regulations are applied in the event of an emergency	Completed	
		Review the internal whistleblowing system to improve its effectiveness	Completed	
		Clarify the actions to be taken when quality misconduct is detected	In progress	
		Create a mechanism for extracting information	Completed	
	Improve inspection systems and methods	Implement inspection systems	Strengthen the independence of quality assurance	In progress
			Improve methods for onsite oil damper inspections with the customer present	In progress
Review inspection manual			In progress	
Implement preventive measures against fraudulent operation of inspection machines		Tighten internal procedures for changing the software of oil damper inspection machines	Completed	
		Regularly monitor the software of oil damper inspection machines	Completed	
		Automatically record inspection results without human involvement	In progress	
		Automate inspection processes	In progress	
		Tighten controls on access to oil damper inspection machines	In progress	
		Ensure traceability of performance test data	In progress	
Strengthen internal audit and control systems	Enhance internal quality inspection system	Perform audits that consider quality misconduct	Completed	
		Perform audits that effectively verify inspection data	In progress	
		Institute audits by KYB Corporation	Completed	
		Leverage the support of experts	Completed	
	Tighten the subsidiary management system	Strengthen systems for sharing information and collaborating among Group companies	Completed	
		Review management systems for Group companies	In progress	
		Analyze and monitor Group companies' business risks	In progress	
		Reorganize Group companies	In progress	

* Kayaba System Machinery Co., Ltd.

Stakeholder Communications

Basic Policy

Our Corporate Spirit states, “By serving technologies and products that make people’s lives safe and comfortable, KYB group dedicates to the society.” To fulfill this we must comply with the following:

1. We shall follow all rules and face all issues with honesty.
2. We shall build a corporate culture full of vitality, and hold high goals.
3. We shall value sincerity, cherish nature, and care for the environment.
4. We shall constantly pursue creativity to contribute to the prosperity of customers, shareholders, suppliers and society.

In this spirit, we will deepen our dialogue with all stakeholders and help them gain a better understanding of our company. Through dialogue, we will clarify the issues we should address and solve them one by one, thus earning the trust and meeting the expectations of stakeholders.

In addition, as we strive to become a better company we will contribute to the development of a sustainable society through the creation of products that are friendly to people and the Earth, based on the technological capabilities that we have enhanced through ceaseless, creative and innovative research and development.

Current Status of Stakeholder Communications

Engagement Policy	Impact on Business Activities	Approach	Frequency	Details
Customers (Manufacturers and end users) Provide quality products and services that satisfy customers at the right time and price to earn the trust of society.	Collect information on customer needs and improve customer satisfaction	Answer phone inquiries	As needed	Phone call or e-mail form
		Communicate via the Company website	As needed	Company information and business announcements
		KYB Technical Review	Twice a year	Introduction of technologies and products
		KYB Group Report	Once a year	Disclosure of financial and non-financial information
		KYB Museum	As needed	Museum displaying KYB products and other materials
Shareholders Disclose business details, management policies, business forecasts and results to shareholders in a timely and appropriate manner.	Increase corporate value through dialogue	General Meeting of Shareholders	Once a year	Business report that includes consolidated financial statements, financial statements, report on audit results, deliberation and resolution of matters to be resolved
		Reports (Annual Securities Report, Flash Report, etc.)	Once a year or more	Report to shareholders
		Plant tours for shareholders	Once a year	Promote dialogue through plant tours
Business Partners Respect our suppliers as valuable business partners, and build relationships of prosperity and trust.	Strengthen relationships based on mutual trust	Procurement policy information meetings	As needed	Policy sharing
		Regular visits	As needed	Various meetings
Employees Contribute to the sustainable development of companies and the creation of a prosperous society, which are common interests for labor and management.	Strengthening labor management relations/ Improve employee motivation	Labor-management meetings	Several times a year	Various meetings between labor and management
		President’s messages	Twice a year or more	New Year convocation and speech
		Employee Satisfaction Survey	Once a year	Questionnaire survey
		Internal newsletter	Once a month	Communication via internal newsletter
Local Communities Contribute to the development of local communities through active engagement, and by energetically participating in volunteer activities, local events, and other activities.	Coexist with local communities	Invitations to KYB events	As needed	Events held at each plant
		Participation in local community events	As needed	Interaction with community residents

FY2019 Highlights

Contributing to the Development of Chair Skis and Sports for People with Disabilities

KYB first became involved in the development and improvement of shock absorbers for chair skis in the early 1990s. Before that, Japanese-made chair skis used commercially available motorcycle shock absorbers, which the skiers tuned themselves. Because of the similar configuration, we received an order. Thereafter, a development project in 1998 related to supporting alpine skiing competitions led us to work together more closely with the Para-Alpine National Ski Team of the Japan Para-Ski Federation on the development of a shock absorber specifically for chair skis. The team won a gold medal at the Nagano Olympic Games in 1998, and in 2015 we stepped up our support for chair skis as part of our social contribution activities by becoming a sponsor of the Federation. In addition to product development, we provide technical support for team camps and competitions held

in various countries. Product development depends on understanding the skiers' impressions of the product and converting that feedback into numerical values to be reflected in product settings. Engineers therefore regularly conduct development by talking directly with athletes and teams, and these activities also play an important role in engineer training. In recent years, chair skis have advanced in tandem with improvements in the level of competition and skiers' abilities, requiring precise adjustments in accordance with conditions. Based on the product development and technical support know-how we have cultivated with motorcycle shock absorbers, we will continue to work with athletes to develop and improve high-performance products as we contribute to the development of sports for people with disabilities.



Shock absorbers for chair skis



Technical support for skiers

Takeshi Suzuki Wins Asian Cup Gold Medals

Para-skier Takeshi Suzuki joined KYB in 2015 and remains active in competitions around the world. He is also a skier chosen by the Japan Para-Ski Federation to compete in Paralympic games. During FY2019, he won bronze medals at the first slalom in Italy and first and second slaloms in Slovenia as part of the World Para Alpine Skiing World Cup held in January 2020. He also won gold medals for the first giant slalom and the first slalom at the World Para Alpine Skiing Asian Cup held in Nagano Prefecture, Japan in February 2020.



Takeshi Suzuki at the Asian Cup



Asian Cup awards ceremony

Parent-Child Event Held

We held our first parent-child event at five factories in Japan, where participants worked on making syringe-operated excavators. A maximum of 20 families were allowed to attend, and through the event children learned about the mysteries of hydraulics as they deepened family ties by getting to know the company where their parents work. The many comments on post-participation questionnaires ranged from "They looked cool at work" and "The big factory was great" to "I enjoyed learning about Pascal's law."



Factory Tour for Elementary School Students

We invited 68 children from Seki City Shimouchi Elementary School in October 2019 and 104 children from the Gifu University Faculty of Education Affiliated Elementary School in November 2019 to tour the KYB Gifu North Plant. On tour days, we provided an overview of KYB and its products through storytelling with pictures, showed students actual production lines and a safety awareness training facility, and presented KYB's environmental efforts. After the tour, the students asked many questions, creating a fun opportunity for everyone to get to know one another better.



Exhibit at the Industrial Fair in Kani 2019

The Industrial Fair in Kani 2019 was held in October 2019. The fair aims to revitalize the local economy, and in 2019 many visitors flocked to the Taiga Drama (historical drama) exhibit associated with the start of broadcast of the NHK taiga drama *Kirin ga Kuru*. KYB was highly regarded for its shock absorber display and for providing visitors with a hands-on experience of the principle of hydraulics through operation of a syringe excavator, as well as for accepting high school students as volunteers to gain corporate experience.



Marché to Support Areas Afflicted by the Great East Japan Earthquake

Following an event at the head office, we held exhibitions of local products from the Tohoku area at the Sagami and Kumagaya plants. The Sagami Plant cafeteria also provided about 300 Tohoku-style meals. We will continue to support reconstruction so that memories of the earthquake never fade.



Letter of Appreciation from the Tokyo Metropolitan Government Community Chest

In February 2020, we received a letter of appreciation from the Tokyo Metropolitan Government Community Chest (Central Community Chest of Japan) for KYB's fundraising activities spanning more than 20 years. We will continue our support for social welfare projects.

