



原点を未来の力に。
未来を今日の力に。

In FY2023, we will accelerate toward achieving the targets of our new medium-term management plan.

Firmly rooted in our origin, we will carry the corporate DNA instilled by our founder into the future.

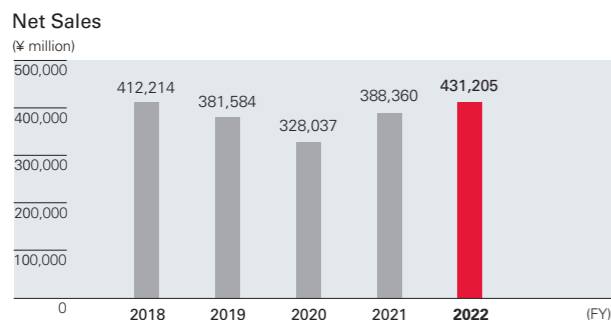
Representative Director,
Chief Executive Officer (CEO)

Masao Ono

A Look Back on the 2020 Mid-Term Plan
Placing first priority on recovering trust, strengthening response to severe changes to the business environment

The three years since 2020 saw the spread of COVID-19 infections, a global semiconductor shortage, steep increases in the prices of energy and materials, and sudden fluctuations to the exchange rate. The future prospects for the manufacturing industry remain difficult to predict.

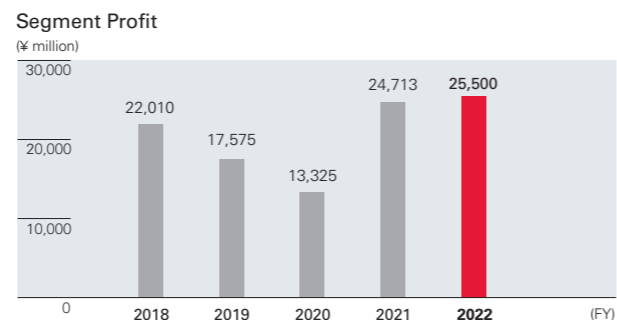
In the 2020 medium-term management plan (the 2020 mid-term plan), we placed first priority on our efforts aimed at recovering trust, under the slogan of "Regain Trust, Restore Pride." As a result, the orders we received from customers returned to the level of before the nonconforming acts, serving as proof of the trust we have won back. We built new relationships of trust



with all of our stakeholders, and our hardworking employees have taken back the pride they feel in their company. I'd like to use this opportunity to once again thank everyone involved in these efforts.

FY2022 was the final year of the 2020 mid-term plan, so we all worked together to make our very best efforts. We focused our energy on issues such as shifting from emphasizing sales to emphasizing profits, revolutionary *monozukuri* that will support the future, plant and office reorganizations, and the reduction as well as discontinuation of unprofitable business and products. As a result, net sales and segment profits both exceeded our targets, achieving record highs.

The fact that we were able to increase profits amidst a harsh management environment is proof that we have effectively strengthened KAYABA's ability to respond to external changes.



Note: Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from net sales.

The Growth Strategy for the 2023 Mid-Term Plan
Putting our Corporate Spirit into practice under the slogan of "Mastering quality management," building a base for reform

KAYABA's founder, Shiro Kayaba, set forth the spirit of "creativity, love and vitality" as our basic principle. This has been passed down into our current Corporate Spirit of "offering products make people's lives safe and comfortable, and contributing to society." I believe the mission we have been entrusted with is to carry the corporate DNA instilled by our founder into the future. Under the new medium-term management plan, we will once again return to our origin point, take measures to put our Corporate Spirit into practice, and take on the challenge of creating new value.

In the 2023 medium-term management plan (the 2023 mid-term plan), under the slogan of "Take quality management to new heights," we will build a strong foundation aimed at reform as we improve the quality of human resources, information, products and services, and our work. Human resources are the foundation of *monozukuri*. In the 2020 medium term, while reinforcing the trust that we have built with all our stakeholders so that it is unshakeable, we will encourage the energy and spirit of challenge in our employees that drives them to contribute to the development of society and respond to new social issues, thereby feeling satisfaction and joy in their work. I believe that will lead to further building the KAYABA brand, and to bringing our Corporate Spirit to life.

KAYABA's Mission
Pursue creativity, contribute to society on a permanent basis

Companies are being required to make stronger efforts than ever before to meet their social responsibilities for environmental measures, such as developing environmentally friendly products and responding to carbon

neutrality. KAYABA is working toward the target of "Reducing CO₂ emissions volume by 50% compared to the 2018 level," showing our love of nature and constant awareness of contributing to the achievement of a sustainable future. Also, major environmental changes continue to occur, including the emergence of new EV manufacturers, the acceleration of CASE, the withdrawal of companies from the Russian market.

I believe that the mission of the KAYABA Group is to quickly notice the signs and predict changes in the times, put our creative technical ability to good use by resolving issues faced by our customers and by society, and to continue contributing to the development of society on a permanent basis.

Our Promise to Stakeholders
Monozukuri that brings happiness

In order to be a company that is indispensable to our society, quality and trust are essential. This goes beyond simply the quality of products. It is important to sustain quality in all aspects, such as by dealing with customers and inquiries sincerely, making proposals based on trustworthy technology, and providing reliable *monozukuri*. We aim to be company that our workers and their families can be truly proud of, that will make our customers and business partners glad to be part of our *monozukuri* journey, and that is loved by regional communities.

FY2023 is a year in which we will accelerate into the new medium term. Grounded in our origin of providing *monozukuri* that brings happiness, we are determined to incessantly push our evolution forward, coming together as a group to deliver *monozukuri* that satisfies all our stakeholders.

We humbly ask for your continued support as we move ahead with our endeavors.

2020 mid-term plan: Three years management plan from FY2020 to FY2022
2023 mid-term plan: Three years management plan from FY2023 to FY2025

Corporate Spirit

By providing technologies and products that make people's lives safe and comfortable, the KAYABA Group contributes to society

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 kindness and 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.

Management Vision

1. **Human Resource Development:**
To develop human resources who have a thorough understanding of our policies and strategies and can accomplish our goals with passion.
2. **Technology and Product Development:**
To offer products that gain the admiration, provide comfort and satisfy all of our customers throughout the world.
3. **Monozukuri (Japanese Manufacturing Expertise):**
To operate plants filled with the creative inspiration of committed *monozukuri*, and joy of creating products that satisfy our customers.
4. **Management:** To be always self-aware of our corporate social responsibilities and to pursue efficient management.

Mastering Quality Management

In the 2023 medium-term management plan (2023 mid-term plan), we will take quality management to new heights while raising quality throughout the entire Group by carrying out the five basic policies, thereby increasing corporate value.

We will strive to win the trust and satisfaction of all our stakeholders.

2020 mid-term plan: Three years management plan from FY2020 to FY2022
2023 mid-term plan: Three years management plan from FY2023 to FY2025



Representative Director, and President Chief Operating Officer (COO)

M. Kame

Member of the Board of Directors, Senior Managing Executive Officer, and Chief Financial Officer (CFO)

T. Saito

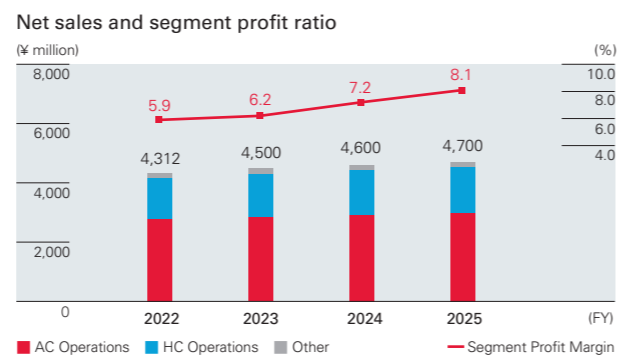
Financial Targets

Our targets for 2025, the final year of the 2023 mid-term plan, are as follows.

We did not establish a numerical target for ROE in the previous mid-term plan. However, we have set one for the 2023 mid-term plan for the purpose of improving capital efficiency. Also, we will aim for a dividend payout ratio of 30%.

	FY2022	FY2025 target
Net sales	¥431.2 billion	¥470.0 billion
Segment profit	¥25.5 billion	¥38.0 billion
Segment profit ratio	5.9%	8.1%
Equity ratio	40.9%	45.0%
Payout ratio	19.4%	30.0%
ROE	16.2%	12.0%

In the 2023 mid-term plan, we will aim to achieve sales of ¥470 billion and a segment profit ratio of 8.1% by observing the following basic policies and attaining steady growth while thoroughly conducting quality management.



Basic Policies

First, let's look at our growth strategy. Keeping with the global trend toward electric drive force and electric controls already becoming mainstream, we are moving forward with a system that can propose hydraulic products that incorporate electronic control technology. We will continue to grow by developing the

electrification compatible products and systems for which we have been conducting R&D for many years, in particular by expanding to reach international customers and markets. We plan to become a company which provides a great deal of proposals on which manufacturers will come to rely.

Next, let's turn to innovative *monozukuri*. Robot manufacturing and the use of AI have been making progress, and now we will look to drastically reduce lead times and raise productivity through the installation of fully automated production lines. Also, we plan to increase the quality of workplace information through rendering information visible, and improve quality in the *monozukuri* process.

With manufacturers in China focusing on cost competitiveness, we will need to make greater efforts than ever before on cost reduction activities.

In our efforts for the environment, we are conducting joint development with Toyota on the possible practical application of an environmentally friendly hydraulic fluid. Regarding our other products and production technology, we are engaged in product planning and the development of *monozukuri* aimed at the achievement of carbon neutrality, and will contribute to the creation of a sustainable society.

The Five Basic Policies

▶ Growth strategy	Development and launch of electrification products New customers / new market entry, create new business
▶ Innovative <i>monozukuri</i>	Innovative manufacturing initiative (Ship'30* p.21): Automated production, transfer, and inspection Visualization of production site information through the utilization of AI/IoT
▶ Constant cost reduction	Determining the optimal global production areas in response to changes
▶ Environmental Initiatives	Activities related to SDGs and sustainability
▶ Improving capital efficiency, strengthening financial structure	Initiatives for improving PBR (ROE improvement) and strengthening shareholder returns

Note: Ship'30=Self handling innovation plant 2030
Creating an innovative self-handled plant by 2030

Growth Strategy by Area

Our global growth strategy first involves entering the shock absorber market in India. Currently, we are producing products by contracting with our partner manufacturers in the country, but we are now planning to enter the market directly. Also, there is high demand in India for products for agricultural machinery, so we will begin to conduct sales promotions to uncover business opportunities for HC Operations.

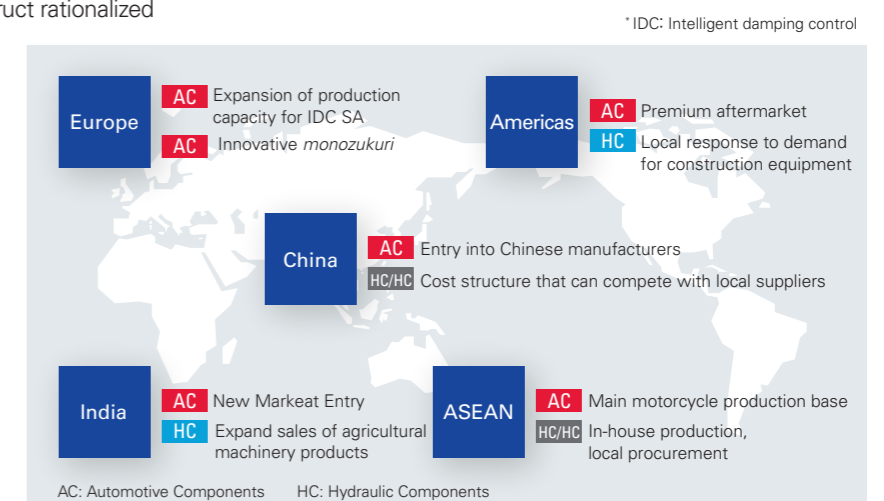
In Europe, the manufacture of our electronically controlled suspension IDC* is concentrated in Spain, and we are responding to the forecast increase in demand. Also, we are developing innovative manufacturing lines for sale on the market, and preparing to construct rationalized production systems.

In China, we will solidify our business foundation by introducing AC Operations to rapidly emerging Chinese auto manufacturers. Also, the joint venture electronic power steering company we founded in FY2017 had been operating at a loss due to quality issues, but it is now achieving profitability. While actively attracting inquiries for IDC, we will build a system that has the capacity to manufacture 2.5 million units by the end of 2025. Also, we will maintain our competitiveness by setting prices that can compete with those

of local suppliers—an issue that all businesses face.

Regarding other regions in Asia, we plan to develop India and Vietnam into motorcycle manufacturing bases, which will secure cost competitiveness. And facing an issue that is common among businesses in the ASEAN region, we absolutely must insource products and achieve local procurement.

In the United States, AC Operations is launching initiatives to build KAYABA as a premium brand. HC Operations will move forward with responding to increasing demand for construction machinery.



Global Governance System

We will work to strengthen our governance system together with plant and office general managers in the United States, Europe, and China, as well as regional headquarter executives at head offices. Recognizing

that it serves as the foundation from which we will proceed with our growth strategy, we will place more focus on the essential task of strengthening governance than ever before.

Continuing to Contribute to Society through Vibration Control and Power Control

Amidst the major tides of the times, KAYABA will base its corporate activities on ESG management and create new value that contributes to society through vibration control and power control. And we will continue to be a company that contributes to a sustainable society through activities that embody our Corporate Spirit and management vision.

This fiscal year, we plan to construct a value creation process in addition to establishing our materiality.



EV shift

- Construction and agricultural machinery: full electrification
- Prohibition of sales of new gasoline-powered vehicles
- SDG target year
- The 2030 problem (human resource shortage from decreasing birthrate and aging population)
- Circular economy (recycling economy)
- Construction and agricultural machinery: electric hydraulic use

Accelerating electrification

- Decline of gasoline-powered vehicles
- GX League Phase 2 (introduction of emissions transactions)
- Construction and agricultural machinery: remote control, automation, unmanned operation

CASE, MaaS

- A once-in-a-century revolution
- Construction and agricultural machinery: low fuel consumption, low noise, improved operability
- Climate change
- Diversity, Equity, and Inclusion (DE&I)
- ESG, SDGs

Decarbonized society

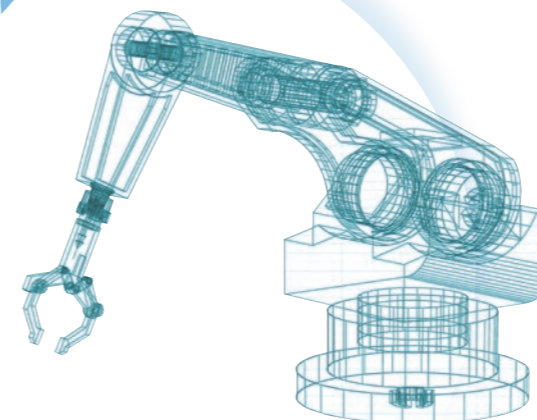
- Net zero CO2 emissions

2050

2030

2025

2023



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Mastering Quality Management

The Five Basic Policies

- ▶ Growth strategy
- ▶ Innovative *monozukuri*
- ▶ Constant cost reduction
- ▶ Environmental Initiatives
- ▶ Improving capital efficiency, strengthening financial structure

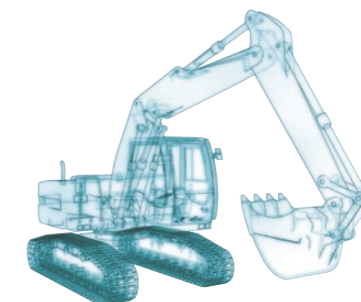
- Achieving carbon neutrality

KAYABA's Initiatives for the Future



- Contribute to a sustainable society
- Complete Ship'30 p. 11
- Apply cutting-edge technology such as AI/IoT
- DX through collaborative innovation with existing technology and new technology p. 22
- Reduce GHG emissions volume by 50% (compared to 2018) p. 36~40
- Switch to autonomous driving, electrification, energy conservation p. 49, 53, 54
- Creation of new markets / new products p. 50, 54

*GHG (Greenhouse Gas)



- Diversify human resources p. 14
- Conduct initiatives aimed at a manufacturing revolution p. 21
- Overview of KAYABA's Environmental initiatives p. 35
- Responding to environmental regulations p. 39
- Focus on core business p. 45
- Establish materiality
- Rebuild value creation story

Anticipated changes in society

