

Environmental and Social Activity Report 2015

KYB
Our Precision, Your Advantage
www.kyb.co.jp/english/



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Considerations made for paper use



Forest Neighborhood Association
Paper used for this printing is useful for the effective use of thinning and timber from forest thinning that revive forests.



Use of FSC certified paper®
We used paper made of timber from adequately managed forests.

Considerations made for printing



Green Printing
Environmentally friendly printing materials and printing methods were used to produce this report.



Use of Non-VOC ink
We used environmentally friendly 100% vegetable oil ink free from VOC (volatile organic compound).

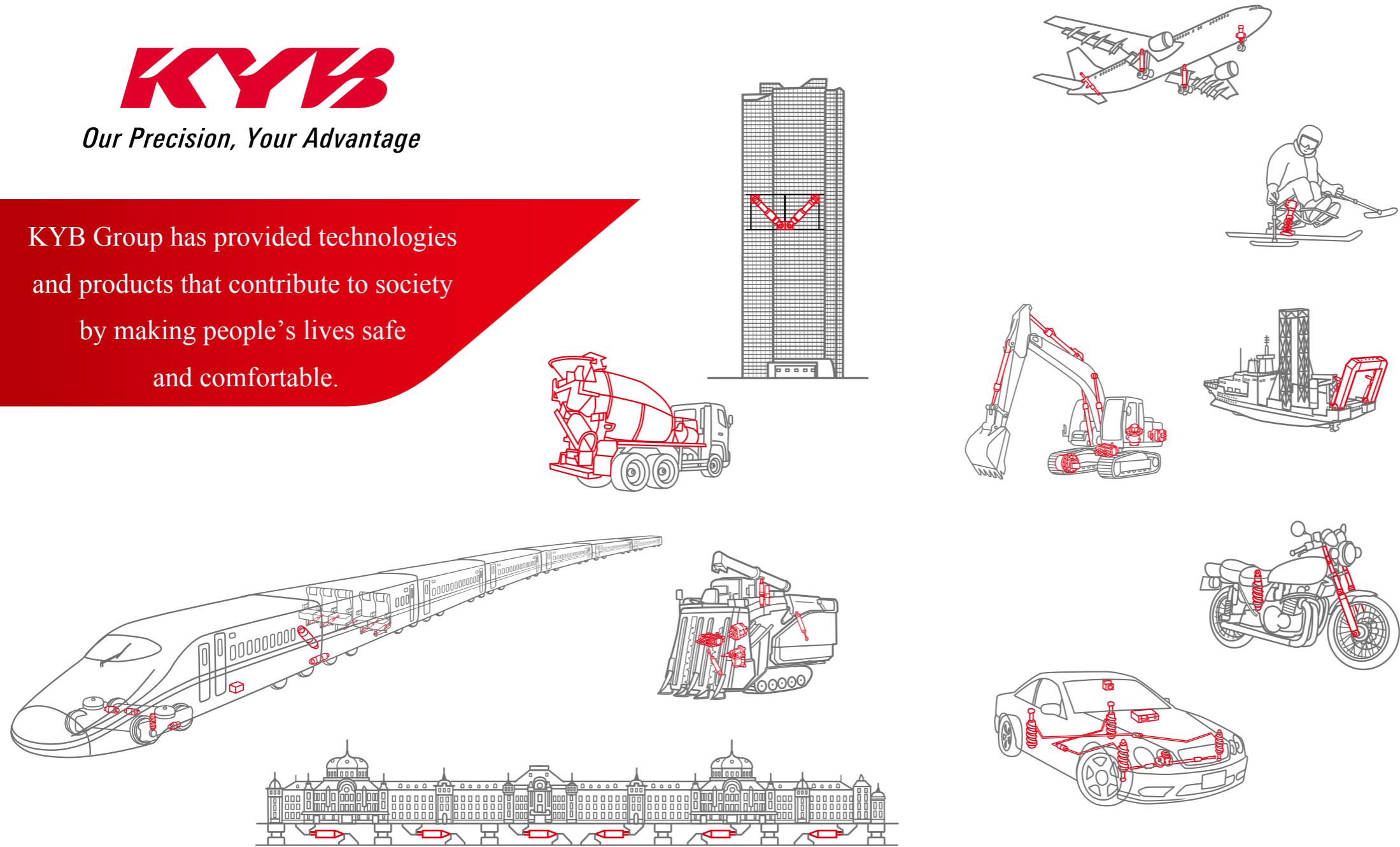


Use of Non-VOC ink
We used environmentally friendly 100% vegetable oil ink free from VOC (volatile organic compound).



Our Precision, Your Advantage

KYB Group has provided technologies and products that contribute to society by making people's lives safe and comfortable.



Editorial Policy

This report is issued for the purpose of illustrating our business activities in a way that is easy to understand for our information stakeholders engaged in the environment and society. In the fiscal 2015 report, we have included many of our activity examples such as our new environmentally friendly technologies, energy-saving activities, and collaboration with local communities. Also, we have introduced many examples of our activities overseas as KYB Group, which has branches all over the world. We will try to edit our reports to make them easier to understand. Therefore, our stakeholders' candid opinions will be much appreciated. The content of this report has been posted on our website, so please take a look.

Period covered

From April 2014 to March 2015
(A part of our activities and reports outside of the period are also posted.)

Scope

KYB Corporation and the affiliated companies inside and outside of Japan are included. Regarding environmental data, that of KYB Corporation (Sagami plant, Kumagaya Plant, Gifu North plant, Gifu South plant and Gifu East plant) is shown unless otherwise annotated.

Time of publication

July 2015 (The next report is scheduled to be published in July 2016, with the previous one published in June 2014.)

Referenced guidelines

- This report was drafted and edited using the Ministry of the Environment "Environmental Reporting Guidelines 2012"
- GRI "Sustainability Reporting Guidelines 3.1" as a reference.

Notes related to future prospects

This report includes our plans and prospects as of the issued date, and future prospects based on our business plans and business policies. We evaluate these future prospects based on information obtained when the report is drafted and thus the prospects may differ depending on changes in various conditions. We appreciate your understanding of the statement above.

http://www.kyb.co.jp/english/category/env_and_wel/social_cat

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Top message

Upgrading our product capabilities and enhancing our human resource capabilities, we will contribute to the development of a sustainable society

In 2015, we celebrated the 80th anniversary of the founding of KYB, and I would like to express our gratitude to everyone who supported the activities of KYB and the KYB Group during these eight decades. In order for the KYB Group to continue its future growth by means of the company business, so as to become a corporation that has earned your trust, the KYB Group both inside and outside Japan will join together as one to pursue our activities. We hope to receive your continuing support as we go forward.

Looking back at the 2014 fiscal year

The economic and fiscal policies of the Japanese government and the Bank of Japan formed the context for a sustained decline in the value of the yen and a rise in share prices that were contributing factors to the KYB Group's consolidated sales of 370.4 billion yen for the 2014 fiscal year, exceeding the beginning-of-the-year target of 369 billion yen. Although the Group as a whole pursued reforms of business structure, with a focus on cost reduction activities, ordinary income came in at 15.8 billion yen, lower than the beginning-of-the-year target of 20 billion yen, due to such factors as the increase in personnel and R&D costs and the rise in provision for product warranties at consolidated subsidiaries.

Looking at business by segment, the automotive components business, which includes such products as shock absorbers for automobiles and motorcycles, had sales of 237 billion yen and operating income of 6.8 billion yen. The hydraulic components business, which includes such products as hydraulic components for industrial and aviation use, had sales of 113.2 billion yen and operating income of 4.9 billion yen.

KYB Group initiatives on the environment and society

The KYB Group provides technology and products to make people's lives safe and comfortable. We are engaged in a variety of different activities in order to make a contribution to society.

Activities we initiated in the 2014 fiscal year to reduce the environmental burden include the shift to recycling of waste plastics, the shift to recycling of industrial waste in wastewater, and bioprocessing of waste paints. In the 2015 fiscal year, we will extend these activities to Group companies while also promoting activities to meet targets for energy reduction of 2% and industrial waste reduction of 6% from 2013 fiscal year levels.

Our activities to contribute to society include an initiative, also described elsewhere in this report, to introduce a groundwater purification system at the Gifu North plant. This system assures the supply of drinking water in times of disaster, and we have set it up so that it can provide water not only in-house, but also to neighboring residents.

As a member of the local community, the KYB Group will continue implementing activities that contribute to the community at the various different centers where we pursue production and marketing activities.



Logo for 80th anniversary of KYB founding

KYB has created the commemorative logo and display shown here to celebrate the 80th anniversary of our founding.

We decided on this as an expression of our slogan, "80 years of gratitude and a quantum leap toward the centennial," and the three concepts of Globalization, Diversity, and Succession.

The image of the figure eight is designed to suggest a Moebius strip to express continuity, while the zero has multiple circles for diversity. The earth design expresses the global expanse.

Human resource development and compliance

The KYB Group is engaged in ongoing human resource development in order to continue contributing to society. The training we conduct in the KYB Group also places particular emphasis on compliance. In addition to legal compliance on a global basis, we will continue to implement activities intended to put our management philosophy into practice by following our company rules and our Corporate Guiding Principles.

I will be pleased if this report gives readers a better understanding of the environmental and societal initiatives the KYB Group is pursuing, and we continue receiving the support of a growing number of stakeholders. I also look forward to receiving your comments on this report, and hope that you will express your frank opinions regarding the KYB Group.



Masao Usui
KYB Corporation
Representative Director, Chairman

Masao Usui

Outline of KYB Group

Company overview

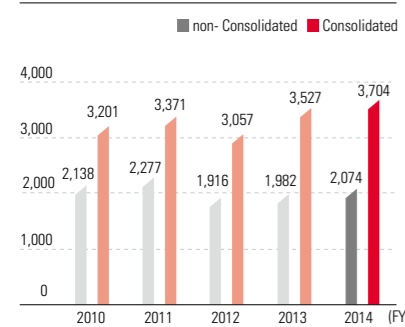
Company Name	KYB Corporation (Official corporate name: Kayaba Industry Co., Ltd.)	Plants	Sagami, Kumagaya, Gifu North, Gifu South, Gifu East
Founded	Kayaba Research Center, November 19, 1919	Laboratories	Basic Technology R&D Center, Production Technology R&D Center Developmental Experiment Center Machine Tools Center Electronics Technology Center
Established	Kayaba Manufacturing Co., Ltd. March 10, 1935	Number of Employees	13,732 persons (As of the end of March 2015, consolidated) 3,661 persons (As of the end of March 2015, non-consolidated)
Incorporated	November 25, 1948 (KYB Corporation)		
Head Office	World Trade Center Bldg., 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6111, Japan		
Chief Representative	Representative Director, President Yasusuke Nakajima		
Capital	27,647,600,000 yen (As of the end of March 2015)		

Affiliate companies in Japan

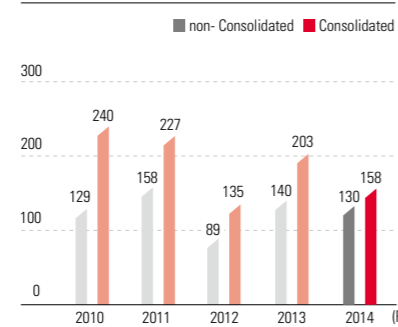
Kayaba System Machinery Co., Ltd.
 KYB Trondule Co., Ltd.
 KYB-YS Co., Ltd.
 KYB-CADAC Co., Ltd.
 KYB Kanayama Co., Ltd.
 KYB Motorcycle Suspension Co., Ltd.
 Towa Co., Ltd.
 Takako Industries, Inc.



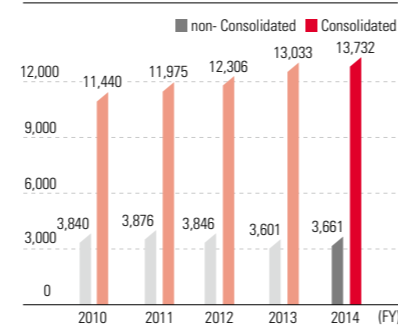
Net sales (hundred million yen)



Ordinary income (hundred million yen)



Number of employees (persons)



Major Products

AC (automotive components) operations

Shock absorbers, suspension systems, power steering systems, vane pumps for CVT hydraulic systems, front forks, oil-cushion units, stay dampers, free locks

HC (hydraulic components) operations

Cylinders, valves, oil dampers for railroad, collision bumpers, pumps, motors, aircraft landing systems, aircraft pilot systems, aircraft control systems, aircraft emergency systems

Special-purpose vehicles, System products and electronic equipment

Concrete mixer trucks, granule carriers, special-purpose vehicles, motion simulators, hydraulic systems, auditorium and stage control systems, naval ships equipment, tunnel boring machines, environmental devices, earthquake-resistant and vibration insulation dampers, seismic isolation systems and vibration control dampers, electronic applications

Net sales by business segment in fiscal 2014 (Consolidated)

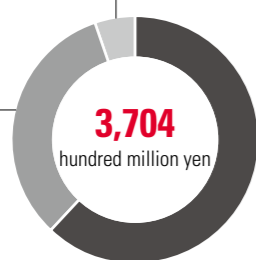
Special-purpose vehicles business and others

5.4%

HC Operations

30.6%

AC Operations
64.0%



Net Sales by geographic regions in fiscal 2014 (Consolidated)

Others

10.3%

Southeast Asia

7.0%

China

7.0%

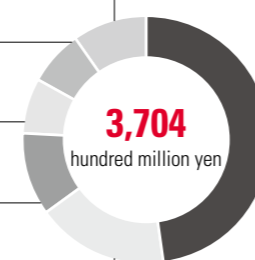
United States

11.5%

Europe

16.1%

Japan
48.1%



KYB Group production bases



Overseas affiliate companies

Americas

KAC KYB Americas Corporation
 TAC Takako America Co., Inc.
 KMEX KYB Mexico S.A.de C.V.
 KMB KYB-Mando do Brasil Fabricante de Autopeças S.A.

Asia

KIMZ KYB Industrial Machinery (Zhenjiang) Ltd.
 KHIZ KYB Hydraulics Industry (Zhenjiang) Ltd.
 KWT Wuxi KYB Top Absorber Co., Ltd.
 KLRC Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd.
 KMT KYB Manufacturing Taiwan Co., Ltd.
 KST KYB Steering (Thailand) Co., Ltd.
 KYBT KYB (Thailand) Co., Ltd.
 KHMI PT.KYB Hydraulics Manufacturing Indonesia

Europe

PT.KYBI PT.Kayaba Indonesia
 PT.Chita PT.Chita Indonesia
 KVM KYB Manufacturing Vietnam Co., Ltd.
 TVC Takako Vietnam Co., Ltd.
 KMSB KYB-UMW Malaysia Sdn.Bhd.
 KMSMB KYB-UMW Steering Malaysia Sdn.Bhd.
 KMSI KYB Motorcycle Suspension India Pvt.Ltd.
 KCPL KYB-Conmat Pvt.Ltd.
 KYBSE KYB Suspensions Europe, S.A.
 KSS KYB Steering Spain,S.A.
 KAMS KYB Advanced Manufacturing Spain, S.A.
 KMCZ KYB Manufacturing Czech s.r.o.
 KCME KYB CHITA Manufacturing Europe, s.r.o.

Our Precision, Your Advantage

The KYB Group aims to satisfy its stakeholders at a time of increasing focus on corporate social responsibility. Based on KYB's management philosophy, each employee will maintain an awareness of our responsibility as a business, and manifest that awareness through actions that will always comply with the law. We will moreover work to enhance our corporate value so that our company continues to be a trusted.

Management principles

The KYB Group contributes to society providing technologies and products make life safe and comfortable.

1. Challenge higher objectives and construct livelier corporate cultural climate.
2. Maintain grace and good faith, and pay attention to nature and the environment.
3. Always seek creative ideas and contribute to the progress of customers, shareholders, suppliers and society.

Management Vision

Human Resources Development

To cultivate the talent to achieve the objectives with a thorough understanding of the principles and the strategy.

Technology and Product Development

To provide products that are impressive, comfortable and reliable to customers throughout the world.

Monozukuri (Japanese manufacturing expertise)

To make our plants enjoyable, dynamic places to work, and at the same time full of discipline based on the field priority doctrine, in order to produce products satisfactory to the customer.

Management

Always keep social responsibilities of the corporation in mind and provide efficient group management.

Guiding Principles

- | | | | |
|--|--|--|--|
| (1) Establishment and its practice of the corporate ethics | (8) Dealing with our suppliers | (14) Retention of trade secret | (20) Safety and health |
| (2) Thorough implementation of slogan of "Customers First" | (9) Prompt dealing with customers' complains | (15) Protection of personal information and data | (21) Education and Training and career development |
| (3) Pursuit of product safety | (10) Participation in activities of industry circles and other related organization. | (16) Protection of other company property | (22) Prohibition of discriminatory actions |
| (4) Appropriate accounting and account settlement | (11) Breaking connection with anti-social power or groups | (17) Coexistence with local communities | (23) Prohibition of harassment actions |
| (5) Disclosure of corporate information | (12) Prohibition of insider trading | (18) Preservation of natural environment | (24) Prohibition of child labor and forced labor |
| (6) Compliance with laws and order | (13) Protection of intellectual property rights | (19) Labor - management cooperation | (25) Maintenance and improvement of good and healthy workplace environment |
| (7) Dealing with our customers | | | |

Relationship between the KYB Group and stakeholders

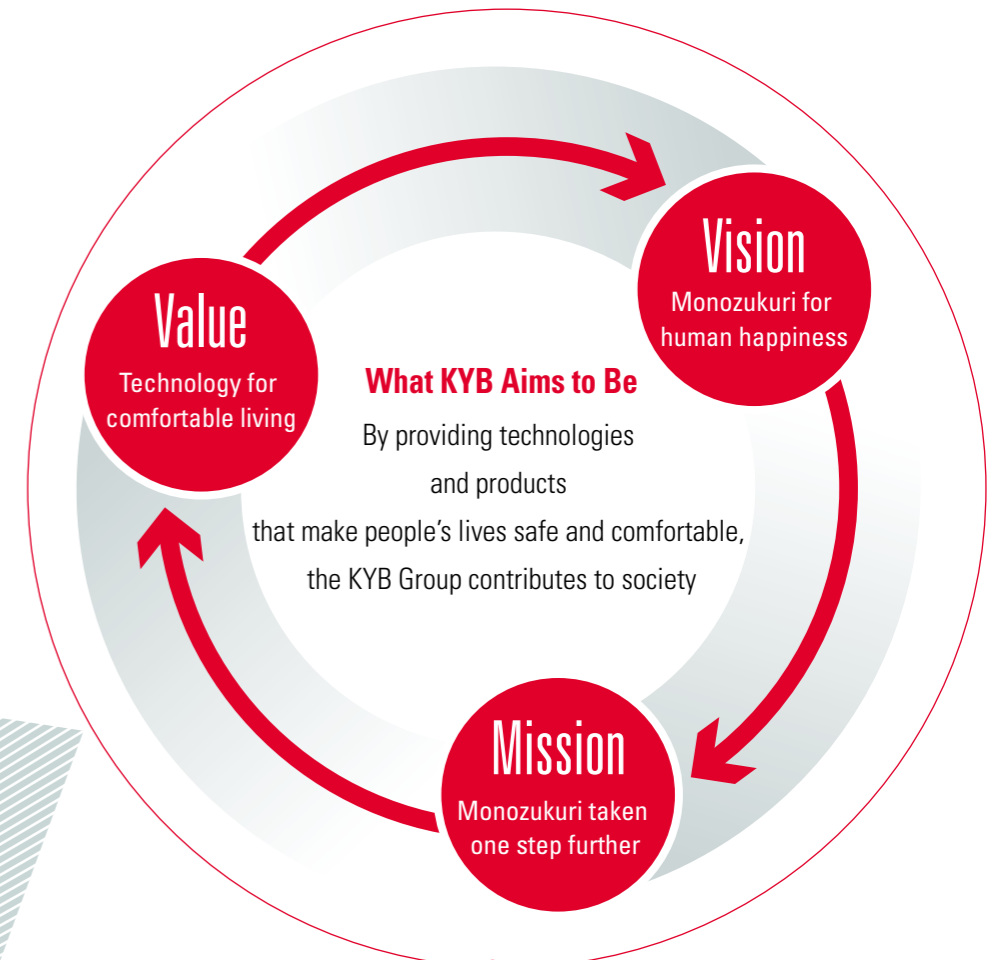


Social Responsibility in the KYB Group

Through our business activities, the KYB Group aims to contribute to the development of our customers, shareholders, suppliers and society through the constant pursuit of creativity.

Following our Corporate management philosophy and vision, units of the KYB Group incorporate CSR initiatives into their yearly action plans and put them into practice. They then follow up on these actions as part of an ongoing cycle of improvement and reform.

Employees carry the KYB Group's Action Guidelines with them to deepen their awareness of the importance of CSR (Corporate social responsibilities).



Vision

What the KYB brand can do for the world
Monozukuri for human happiness

KYB's aim is to support the development of society through the joy of Monozukuri, and make people happier as a result.

Value

Value made possible by the KYB brand
Technology for comfortable living

Sensory value : comfortable living, the joy of Monozukuri

Functional value : reliable quality

The value KYB promises its end users is a higher level of "comfortable living" that comes from creative technology and sincere product development.

The value KYB promises its clients is the "reliable quality" that comes from thinking of the end user as "our client".

The value KYB promises each employee is "the joy of Monozukuri" that comes from knowing he or she is changing the world.

Mission

The mission of KYB brand
Monozukuri taken one step further

KYB will remain an enterprise able to bring value to our clients and markets thanks to the reliable technical expertise we have built up over the years.

Through our own efforts, we take Monozukuri one step further to provide our clients with new value and greater satisfaction than they have ever known.

2014 Action Highlights

We combine our core competence in vibration control technology and power control technology with systems technology and electronic technology to respond to our customers' wide-ranging needs in a variety of different fields. The highlight sections in this year's report introduce our safe and environmentally friendly product technology and our environmentally considerate factories.



Highlight 1 Product development

Developing environmentally friendly concrete mixer trucks

Truck and chassis manufacturers prepare standard line-ups of trucks equipped with idling-stop functionality in order to improve fuel economy and reduce CO₂ emissions. Until now, concrete mixer trucks have had to keep their drum turning constantly in order to maintain the quality of the fresh concrete. This means they have been unable to stop the truck engine, which is the source of driving power for the drum.

KYB's idling-stop concrete mixer system is made up of an electronic control unit (ECU), battery, electric motor, and a sub-pump. The battery is charged while the truck is running, and when the truck switches to the

idling-stop state, the system drives the drum. This system operates in coordination with the movement of the truck, without the driver having to think about it, and it is configured to use existing hydraulic circuits.

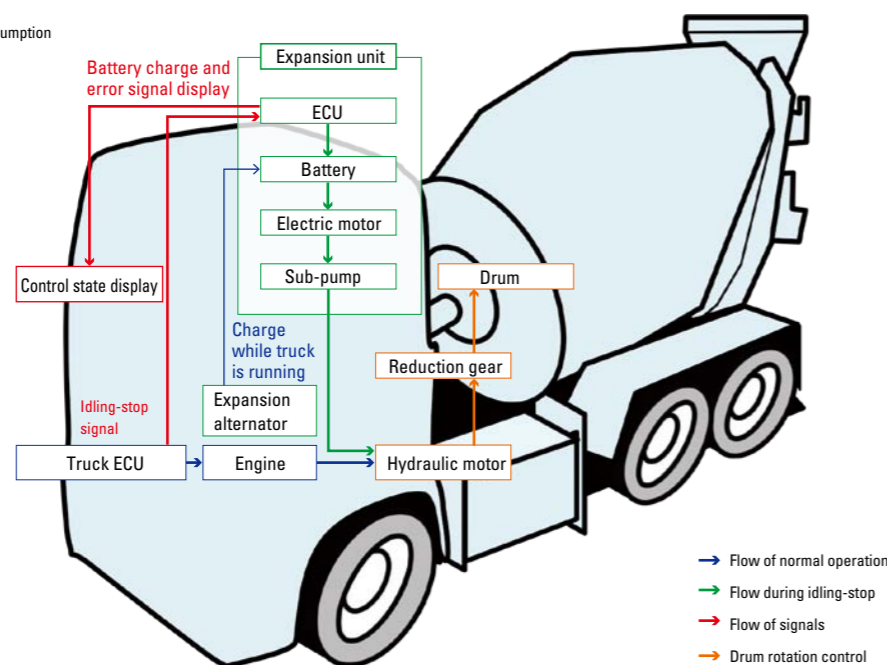
One measure of this system's effectiveness is the reduction in annual diesel oil consumption of approximately 1,255 liters (approximately 3.28 tons of CO₂ emission equivalent). The fuel consumed in the overall work of the concrete mixer truck is reduced by approximately 27%, making this an environmentally friendly concrete mixer truck.

Amount of reduction in annual diesel oil consumption

1,255 l

CO₂ emission equivalent

3.28 t



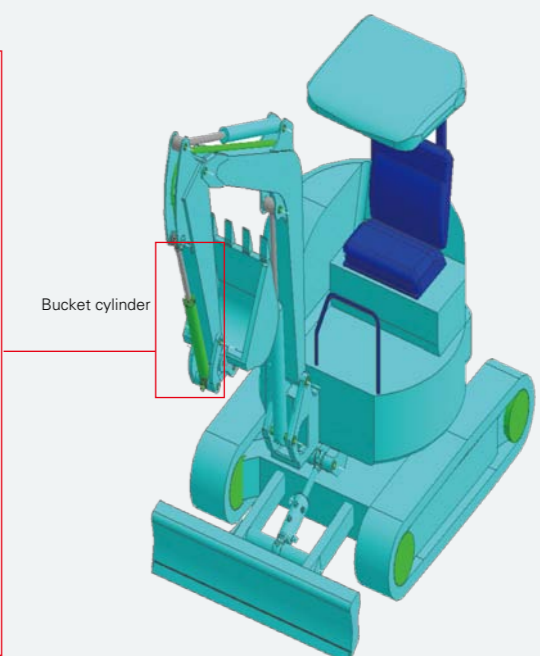
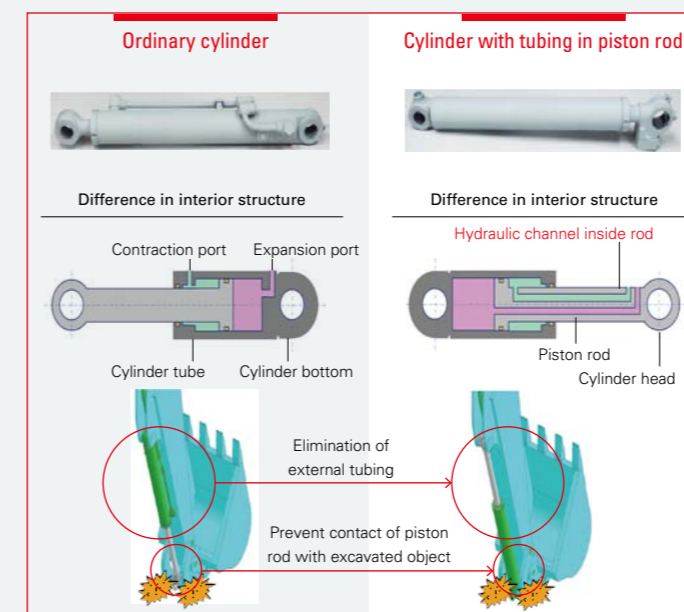
Development of cylinder with tubing in piston rod (no external tubing)

Hydraulic cylinders are devices that receive an inflow of hydraulic fluid from outside and convert it into straight-line motion in order to apply a large load. These products therefore require technology that can assure durability. Ordinarily, the expansion and contraction ports that supply hydraulic fluid are located on the tube side, consisting of the cylinder bottom, the cylinder tube, and the cylinder head. Hydraulic tubing is attached as necessary.

The cylinder with tubing inside the piston rod that we developed at KYB has hydraulic channels built into the piston rod, and the expansion

and contraction ports are located on the piston-rod side. This eliminates the need for external hydraulic tubing, and the result is a cylinder without external tubing.

The elimination of external tubing enables a reduction in weight. Using this system in the bucket cylinder of a hydraulic shovel, where contact with excavated objects is likely during excavation work, is also expected to have the effect of preventing damage to the sliding surface of the piston rod.



Highlight 2 Awarded prize for technology



Extremely compact seismic isolation damper for real estate use



Seismic isolation is a method to prevent the swaying caused by an earthquake from traveling directly to a building. The purpose is to minimize the impact not only on the building, but also on the building residents and their household goods, and to keep them safe and secure. With conventional seismic isolation, the building experiences significant lateral movement with respect to the ground surface. This made the method difficult to apply in urban centers, where adequate space around buildings is not available.

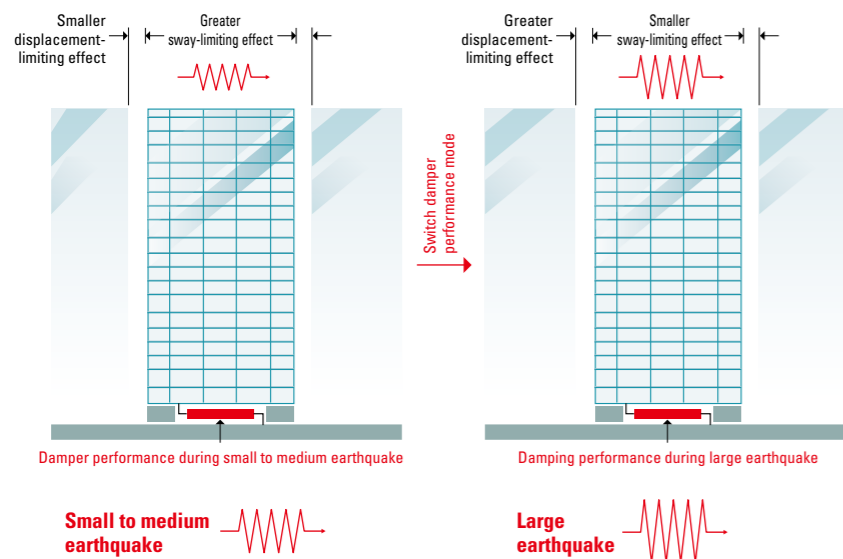
Working jointly with Taisei Corporation, we therefore developed a switching oil damper for seismic isolation that controls the movement of the isolated building, reducing it by about one-half compared to conventional methods. This system allows the damper to move freely to counter the sway from a small to medium-size earthquake. We also added a mechanism that mechanically switches over to a mode of damper performance that curbs the movement of the damper when a large earthquake occurs.

The damper is presently being used in Taisei Corporation's urban Zero Energy Building (ZEB) testing and verification facility at the Taisei Technology Center.

The application of this damper enables seismic isolation even with buildings in constricted spaces, such as buildings that are side by side in urban centers. It will contribute to the increased safety of structures built in high-density urban areas.

(This technology was awarded the 16th Japan Society of Seismic Isolation Award (Engineering Award).)

Overview of urban small-displacement seismic isolation system



Highlight 3 Environmental friendliness



New factories that are friendly to the environment

In December 2013, Kayaba System Machinery Co., Ltd. completed construction of a dedicated factory to handle the expansion of seismic isolation damper production following the Great East Japan Earthquake. The production system and the production line in the new factory were built to be flexible in handling the increasing diversity of damper products.

In this new factory, we are working according to the three concepts of increasing production and administrative efficiency, upgrading environmental, safety, and disaster prevention programs, and saving energy and resources.

(1) Increasing production and administrative efficiency

We installed air-conditioning equipment in the factory both to reduce the burden on workers and to prevent contamination by foreign matter. For administration, we consolidated all the divisions in a general office, which increased the efficiency of back-office divisions and also saved energy.

(2) Upgrading environmental, safety, and disaster prevention programs

We built a dedicated coating plant equipped with exhaust dust collectors as a volatile organic compound (VOC) countermeasure. We also installed seismic isolation dampers on the buildings and took soil liquefaction countermeasures on the main facilities in order to make the plant robustly resilient.

(3) Saving energy and resources

Energy-saving measures taken in our offices include the adoption of natural lighting by means of an interior light shelf, and the use of

sandwich panels and low-e pair glass with good thermal insulation properties. These measures have achieved a reduction of the environmental burden.

Another factor is that this factory site is at an elevation of one meter above sea level. Envisioning a tsunami caused by the predicted Nankai Trough earthquake, therefore, we added an evacuation shelter on the roof of the factory. We are also seeking to contribute to local communities, for example by concluding an Agreement Regarding Temporary Use as an Emergency Evacuation Shelter in the Event of Tsunami with Tsu City, to provide local residents with the assurance of temporary emergency provision for their safety.



Safe, comfortable products that are friendly to people and to the earth

We pursue excellence in advanced manufacturing technologies in order to give people happy smiles and comfortable lives. Here we will introduce the safe and environmentally friendly family of KYB Group products.

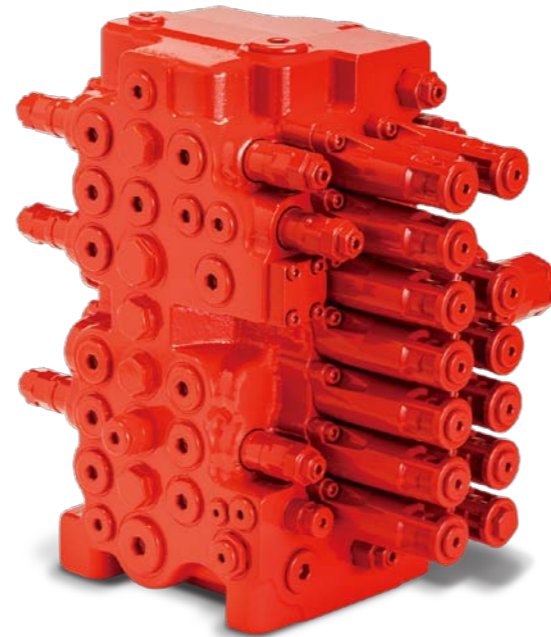
Contributing to lower fuel consumption by hydraulic shovels

Control valve for medium-sized hydraulic shovels KYMG-270-XF

Exhaust gas regulations for hydraulic shovels have been growing stricter in recent years, and there is increasing demand for greater energy saving and efficiency in hydraulic equipment.

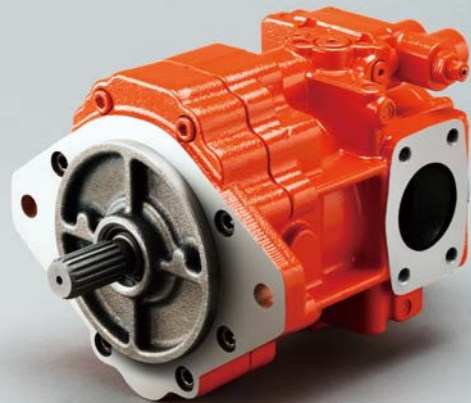
We have responded to these requirements by developing a control valve for the 20-ton class of hydraulic shovels.

In addition to reworking the hydraulic circuits, we also improved the valve's operational efficiency by building in functionality enhancements, including upgrades of performance and support for computerization. We also made a 30% or greater reduction in pressure losses, which become energy losses, by optimizing the layout and sizes of components and the area of the hydraulic channels. As a result, we developed a product that contributes to reduced fuel consumption by hydraulic shovels.



Hydraulic piston pump for small excavators PSYL-84

As market demand grows for energy-saving products, we developed a hydraulic piston pump for compact, 6-9-ton hydraulic shovels based on the concepts of compactness, lighter weight, and greater efficiency. The pump efficiency was increased approximately 7% in order to contribute to a reduction in fuel consumption by the engine. The product weight was also reduced approximately 18% by reducing the use of materials in manufacturing as well as by actively adopting the use of lead-free materials in sliding members.



Providing riders with greater control stability



CRF450R (Honda Motor Co., Ltd.)

Ultra-light-weight front fork for motocross use

Pneumatic Spring Fork 2

KYB Motorcycle Suspension Co., Ltd., has developed the PSF2 (Pneumatic Spring Fork 2), an inverted front fork engineered to provide better operability and significantly lighter weight in off-road competition bikes (motocross motorcycles). The damper construction uses air springs, which are 1 kg lighter (12% of the product weight) than conventional forks with coil springs. We also adopted a structure that actively supplies lubricant to the bearings so as to achieve agile handling and greater control stability.

KYB's Gomiken Kun® (Waste Inspector) watches over the waste and refuse in local communities

Methods for separating general waste are determined by local government bodies, and waste materials are collected accordingly. However, that material may also contain types of waste that are not acceptable for collection mixed in with the rest, and this unacceptable material may have an adverse impact on processing plant facilities. The Gomiken Kun® (Waste Inspector) is a device that inspects delivered waste to determine if any unacceptable material is mixed in. These devices have begun to be adopted by many local government bodies in Japan in recent years. In addition to separating waste and reducing the amount of it, the devices also provide a variety of benefits, such as contributing to the reduction of facility maintenance costs.

Implementing waste material separation and volume reduction



Example of the product in use: Chikabumi Waste Treatment Plant, Asahikawa City, Hokkaido

Achieving reductions in environmentally hazardous substances



Mobile telecommunications terminal for operation support

The telecommunications terminal is a system that uses GPS together with satellite or mobile telephone to assist with the operation of vehicles, construction equipment, and other such machines by monitoring their operational status and supporting remote control. The terminal can be used anywhere in the world where there is mobile phone coverage.

Since GSM and 3G telecommunications terminals are sold in countries other than Japan, they comply with RoHS directives and reduce the use of environmentally hazardous substances. They are also made with resin cases to enable recycling.

Going forward, we hope to apply this product in other fields where the keywords of positioning (GPS), telecommunications, and sensors are relevant.

Corporate Management

Corporate governance

Fundamental idea

The KYB Group, in order to enhance its corporate value under the ongoing globalization of market, puts a great emphasis on the strengthening of the corporate governance. Also, we implement continuous measures to realize management philosophy and regard the contribution to society including the development of all stakeholders as our mission.

Corporate governance system

Our company has adopted the setup form of the board of auditors and has established the following structure so that the corporate governance functions effectively.

"The Board of Directors" that consists of seven people is held once a month in principle. This Board of Directors is regarded as a body for decision-making about critical matters related to corporate management such as company policies and monitoring to management practices, in addition to the functions defined by laws and regulations.

Accompanied with the introduction of the executive officers system, The Board of Executive Officers in charge of deliberating important matters concerning management backbone, "Management Conference by Affiliated Companies in Japan" in charge of deliberating important matters concerning management practices of Japanese affiliated companies and "Global Strategy Committee" in charge of deliberating important matters concerning important matters concerning management practices of overseas affiliated companies, have been established.

There are also other committees for the enhancement of the monitoring system for KYB Group management, such as "Operations Review with President Usui" where the president himself grasps business challenges including the quality problems of each product on site in the plants and the worksites and follows up on them.

The Board of Auditors consists of four standing auditors including two outside company auditors. We recognize that the audit by those outside company auditors secures workable management monitoring and effective governance system.

Moreover, from the view of external check, one of the outside company auditors is set as an independent officer, so that the management monitoring can be more objective.

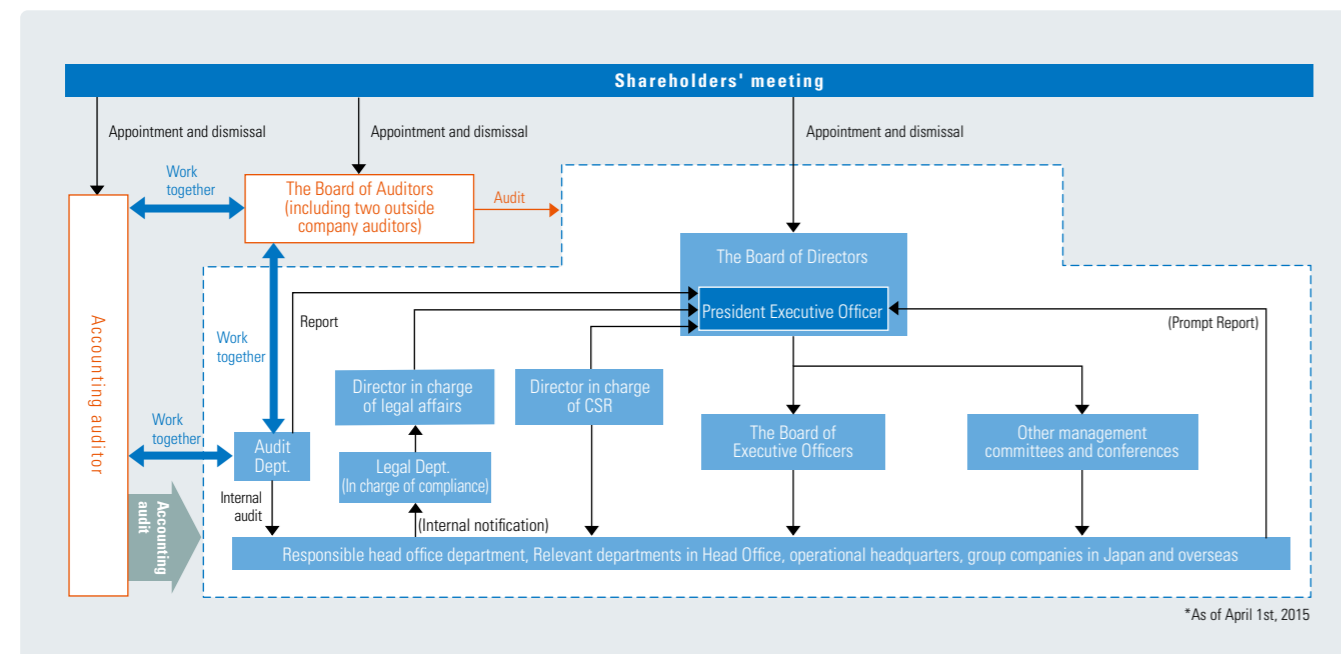
Corporate social responsibility

Through our business activities, the KYB Group aims to contribute to the development of our customers, shareholders, suppliers and society through the constant pursuit of creativity. And, good relationship with our stakeholders is vital to the survival of our business activities.

Following our corporate management philosophy and vision, units of the KYB Group incorporate CSR initiatives into their yearly action plans and put them into practice. They then follow up on these actions as part of an ongoing cycle of improvement and reform.

Employees carry the KYB Group's Action Guidelines with them to deepen their awareness of the importance of CSR.

Corporate governance organization



Internal control

Corporate governance functions effectively on the premise of ensuring the reliability of financial reports, increase of work efficiency and compliance. In order to promote them, we consider that it is absolutely essential to focus on the development of a internal control system and the enhancement of internal control capability.

For example, we have resolved the fundamental policy of internal control system at the board of directors in accordance with the Companies Act, and are promoting several measures such as the development of risk control system, group management system, internal compliance system, etc.

Also under the Financial Instruments and Exchange Act, we operate the development and the management assessment of "Internal Control Over Financial Reporting" by following the procedure specified in the act to secure the reliability of the financial reports, as well as ensuring appropriate information disclosure.

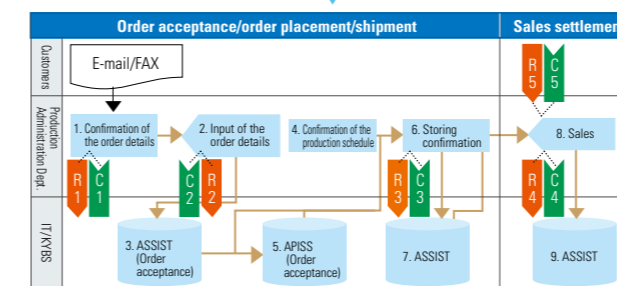
Self-managing by "visualization"

Our business rules and procedures, which are defined in the company rules, regulations and instructions, are schematized to be a flowchart to document the workflow. This helps to visualize a work that used to be only visible to a person in charge of it. Thus, employees other than the person in charge are also able to understand the work contents and so the check function to detect risk works well, which enables us to confirm and share the work control situations.

Pursuant to the internal control reporting system due to Financial Instruments and Exchange Act issued in April of 2008, Audit Dept. of KYB is promoting the schematization for the processes that may affect the KYB Group's account closing, and conducting the assessment on it.

Flow chart of work operation

Operation		
No.	Title	Description
1	Confirmation of the order details	The person in charge checks up if there is any error with item number, delivery time and quantity.
2	Input of the order details	Input the order details according to its contents already confirmed
3	ASSIST (Order acceptance)	* Handle with the sales management system
4	Confirmation of the production schedule	The person in charge confirms the production schedule required by customers
5	APISS (Product)	*Handle with the production information control system
6	Storing confirmation	Confirm the storing contents after the part arrives from supplier
7	ASSIST	*Receive the shipment data
8	Sales	The person in charge accesses the system and records the sales
9	ASSIST	*Tally the sales results



Compliance

We regard "the compliance" not only as "the adherence to laws, orders and rules", but also as to "company contracts, company rules and agreements, etc", associated with our business activities, furthermore, to "the corporate ethics" for the promotion of healthy business activities.

- 1 As the rule for the execution of business activities by directors and employees, we have developed Corporate Guiding Principle and are focusing on the establishment of legal compliance and corporate ethics.
- 2 We are implementing the compliance education through training sessions by job titles and sections, including directors.
- 3 We have prepared the whistle-blowing system (Instant Report and suggestion box) covering all companies of the KYB Group. Besides, we have exclusive contact points to accept whistle-blowing and consultation in accordance with the Whistle-Blower Protection Act.
- 4 We have set the policy of protection of personal information and data the company rules, developed the company rules and established the internal committee. We also have the contact desk to respond inquiries from outside of the company.
- 5 There has been a high demand for company's initiatives for elimination of anti-social power or groups. The KYB Group is working on this matter by confirming in writing that our suppliers have no relationship with anti-social power or groups, in case we need to terminate a contract as we know they do.

TOPICS

Compliance education by e-learning

In conjunction with globalization, the KYB Group is providing its employees who work at centers outside Japan with labor management education (by e-learning) as part of compliance education.



e-learning screen

The program includes learning about the particular legal systems of the respective countries. The purpose is to have both local employees and Japanese employees resident in those countries deepen their basic understanding of major differences in the labor systems of the various countries, and to have them recognize again how important it is for personnel management to comply with local laws and regulations.

Environmental Management

Basic environmental policy

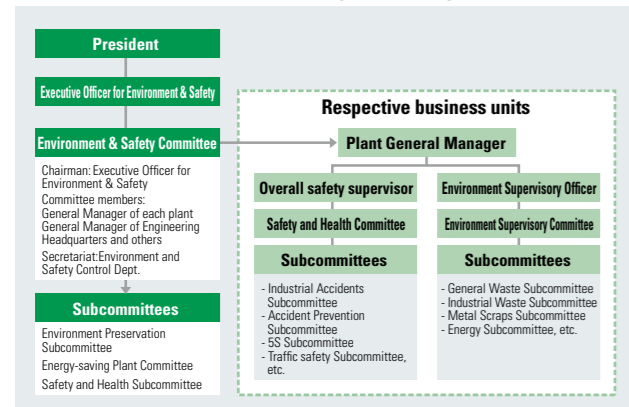
Slogan

Protect the Green Earth and Create Products Gentle to the Environment

Environment & Safety Management system

The "Environment & Safety Committee" was organized with directors responsible for environment & safety as leaders to harmonize our intentions regarding environment and safety related approaches. The Committee has three working groups respectively specialized in the Environmental Conservation, Energy Saving Plant and Safety and Health to promote activities from a professional point of view. In addition, it regularly makes an internal environment & safety audit and confirms the situation.

KYB's Environmental management organization



Basic Environmental Policies

The KYB Group creates products gentle to both people and the earth. We are dedicated to the promotion of environmental activities as an important tool for evaluating management.

1. Coordinates and builds up productive and corporate activities based on the recycling to reduce impacts on the environment.
2. Strive to ensure long-term and sustainable operations throughout the entire KYB Group.
3. Work to promote harmony with society and contribute to the global community as a good corporate citizen.
4. Clarify every employee's role so that all employees can participate fully.

Mid-term policy regarding the environment and safety

Phase 2 of the mid-term policy has been formulated from the 2014 fiscal year, and the initiatives for the environment and safety both declare "rules, compliance, speed, and challenge" as keywords.

Environmental/Safety Mid-term Policy (2014 to 2016) Abstract below

1. **Creation of factories aiming to minimize the energy consumption and waste**
Reduce energy consumption per unit by 1% per year relative to 2013 levels, and reduce amounts of industrial waste per unit by 3% per year relative to 2013 levels.
2. **Creation and expansion of industrial accident free production bases**
The employees' awareness about the safety will be improved and critical hazards eliminated.

Message from the director responsible for environment and safety

We are aiming to make our factories friendly to people and to the earth

Executive Officer
Shigeo Kidokoro



In promoting environmental management, we upgrade environmental management systems and take active steps to reduce the environmental burden by such means as saving energy, reducing waste, and preventing environmental pollution. In energy-saving activities, we make improvements in production lines that use difficult mechanisms and actively upgrade air conditioning and other equipment that has deteriorated. With waste, we separate materials more precisely in order to facilitate recycling.

We are committed to engaging actively in communication with our stakeholders while pursuing our contributions to society. With regard to our employees, we will also strive to further revitalize programs for mental health and prevention of industrial accidents in order to build a workplace environment where they can work with a sense of security.

Finally, we appreciate your interest in this report. We will further substantiate and upgrade the contents of the report and appreciate your continued support and advice.

Achievement of environmental conservation goals

An "environment management plan" was made at each production site according to corporate policies regarding the environment to carry out various activities aiming to achieve the goals.

Activity results of 2014

○: Goal attained ×: Goal not attained

Theme	Fiscal 2014 goals	Results of 2014	Evaluation	Publication page	
Prevention of global warming	CO ₂ emission volume	98,215t-CO ₂ or less	82,282t-CO ₂	○	P21
	CO ₂ basic unit	1.250t-CO ₂ /million yen or less	1.257t-CO ₂ /million yen	×	
Energy saving	Energy usage volume basic unit	0.656kL/million yen or less	0.654kL/million yen	○	
Improvement of resource recovery and recycling rate	Recycle rate	88.4% or higher	90.8%	○	P25
	Zero emission	3.6% or less	3.0%	○	
Reduction of waste	General waste	487t or less	535t	×	P25
	General waste per unit	2.78 kg/million yen or less	2.53 kg/million yen	○	
	Metal scraps	15,311t or less	18,923t	×	
	Metal waste per unit	248.1 kg/million yen or less	248.2 kg/million yen	×	
	Industrial waste	3,549t or less	3,729t	×	
	Industrial waste per unit	30.2 kg/million yen or less	25.4 kg/million yen	○	

Overview of major approaches in the fiscal year of 2015

Global warming prevention
Ongoing replacement with more efficient lighting, reduction of standby power consumption in equipment, reduction in load on compressors, upgrades of deteriorated equipment, etc.

Waste reduction
Reduction in volume of waste paints, promotion of waste plastics recycling, promotion of in-house waste recycling, treatment of sludge to recover substances of value, etc.

(Note) Basic units are calculated on the basis of marginal profit.
For energy, crude oil equivalent is calculated for electricity and fuel and the total value is displayed as total energy consumption.
CO₂ emissions and energy consumption are calculated using methods determined by KYB.

Environmental accounting

In order to quantitatively assess the involvements regarding environmental preservation, environmental costs have been calculated since 2000.

Environmental preservation cost

The amounts of investment and cost were separately calculated with reference to the Environmental Accounting Guidelines, 2005 presented by the Ministry of Environment.

Unit: million yen

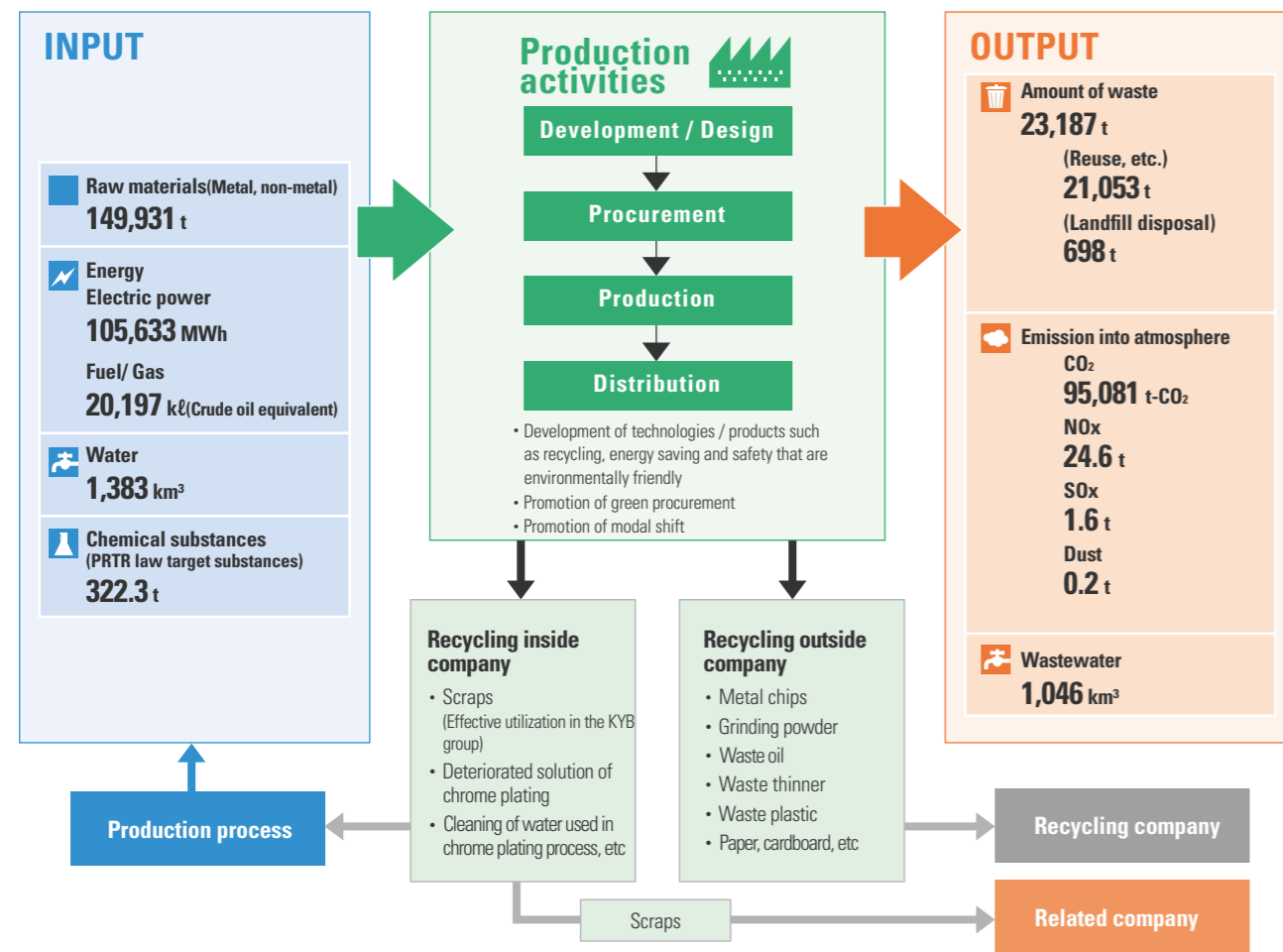
Cost type	Major contents	Invested amount	Cost
(1) Cost within business area	(1)-1 Pollution prevention cost - Atmospheric pollution and water pollution prevention activities - Maintenance and inspection of pollution prevention facilities - Analysis and measurement of atmosphere and water quality	54.3	126.4
	(1)-2 Earth's environment preservation cost - Energy conversion - Energy saving activities	21.5	14.3
	(1)-3 Resource circulation cost - Recycling of plant wastes - Reduction of industrial wastes	116.5	200.4
(2) Upstream/ downstream cost		0	0
(3) Management activity cost	- Maintenance and periodic/ renewal screening of ISO14001 - Surveillance of impacts on environment	5.0	71.0
(4) R&D cost	- Environment-friendly product development - Light-weight products and products containing less hazardous chemical substances	8.6	51.9
(5) Social activity cost	- Support of non-profit environmental protection - Afforestation and maintenance of scenery surrounding plant	0.6	10.3
(6) Environmental remediation cost		0	0
(7) Other cost	- Internal environmental conservation - Welfare conservation	0	97.1
	Total	206.5	571.4
	Grand total	777.9	

Categories and definitions of environmental preservation cost
[Invested amount] Expense for the purpose of environmental preservation during the target period with effect that continues for a number of terms and cost running for those periods. (Amount acquired during the current term of the depreciable asset)
[Cost] Cost or loss generated from expenditure of finance/service for the purpose of environmental preservation.

Initiatives to Reduce Environmental Burden

Influence to environment associated with business activities

KYB uses energy, water, chemicals, and other such diverse resources. In order to make efficient use of limited resources in production, we take steps to reduce waste, CO₂, and other emissions.



State of ISO14001 certification acquisition

In order to develop our actions for environment preservation systematically, we are carrying out the introduction and the promotion of ISO14001 environmental management system.

Japan

Company name	Certification registered year
KYB	
Sagami plant (Including the Basic Technology R&D Center, the Electronic Engineering Center)	2000.12
Kumagaya Plant	2000.12
Gifu North Plant (Including KYB Kanayama)	2001.12
Gifu South Plant (Gifu East plant, Production Technology R&D Center, Machining Tool Center, KMS)	2000.2
Company concerned in Japan	Certification registered year
KSM Mie Plant	2000.12
Takako Industries, Inc. (Shiga Plant)	2003.2
KYB-YS	2004.4
KYB Trondule Co., Ltd.	2008.11

Overseas

Company name	Certification registered year
KWT(China)	2013.11
KLRC(China)	2010.1
KIMZ(China)	2009.4
KHIZ(China)	2013.11
KST (Thailand)	2003.8
KYBT (Thailand)	2003.7
PT.KYBI (Indonesia)	2004.11
KMSB(Malaysia)	2005.5
KSMSB(Malaysia)	2005.5
KMV(Vietnam)	2013.5
TVC(Vietnam)	2007.1
KMT(Taiwan)	2001.6
KYBSE(Spain)	2001.12
KSS(Spain)	2001.6
KMCZ (Czech Republic)	2009.8
KAC (United States)	2002.5
TAC (United States)	2013.2
KMB(Brazil)	2007.3

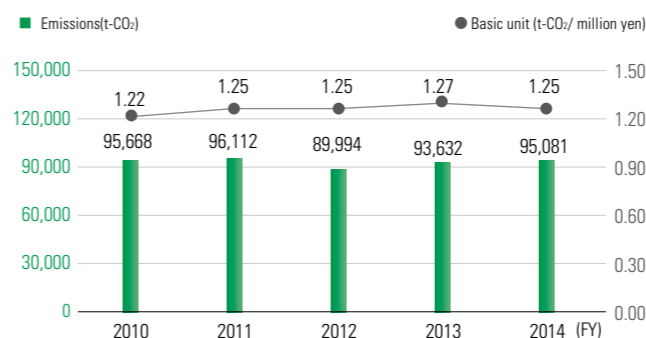
Prevention of global warming

As a production center for a business combining hydraulic technologies to provide society with "comfort and strength", the KYB group works to protect the environment by developing and manufacturing products that are eco-friendly and people-friendly. We also work to coexist harmoniously with the local and international community and maintain a better natural environment.

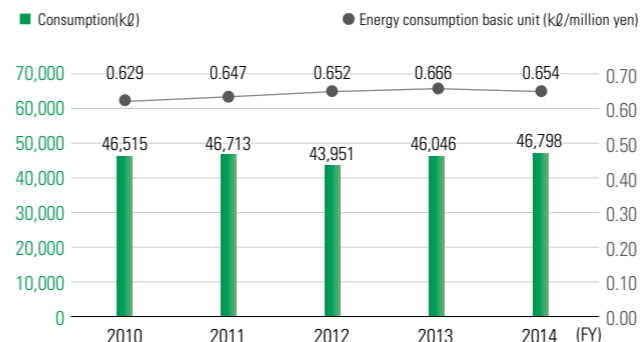
CO₂ emissions and energy consumption in fiscal 2014

We set the 2014 fiscal year target for CO₂ emissions volume per unit as a reduction of 1% from the 2013 fiscal year benchmark. We promoted the reduction in CO₂ emissions by switching fuels, adopting more efficient amorphous transformers, and other such means. We are expanding our global warming prevention activities to include not only our locations in Japan, but also our Group companies in other countries.

CO₂ emissions



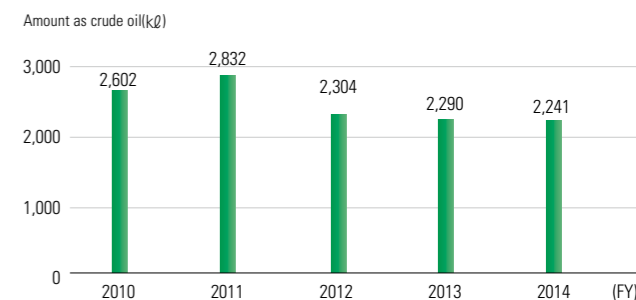
Energy consumption



Reduction of energy consumption for transportation

KYB was designated as a specified shipper under the Energy Conservation Act in 2007, and we have been implementing reduction activities according to written plans. We are also making efforts to reduce the amount of energy used in transportation by improving cargo loading efficiency, for example, by updating our packing boxes and using cooperative shipping.

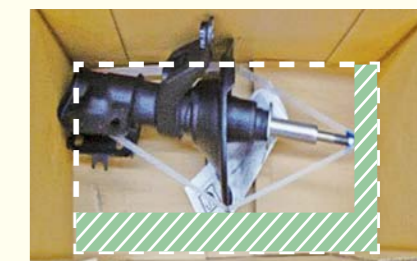
Energy consumption for transportation



Improvement cases

Improved cargo loading efficiency for export products

Our Gifu North plant exports shock absorbers for sale on the markets in other countries. The packing boxes used for export up to now were made large in order to accommodate our larger products, and their loading efficiency in shipping containers was lowered as a result. We therefore reconsidered the packing size and divided it into finer gradations that successfully increased the efficiency of loading on pallets. This reduced CO₂ emissions volume by 19.2 t-CO₂/year, and enabled us to seek a 7.4% reduction in the cost of physical distribution.



The wasted space marked by diagonal lines was eliminated.

Reduction in number of large trucks in operation: 25 trucks/month
Reduction in CO₂ emissions: 19.2 t-CO₂/year
Increase in cargo loading efficiency: 8.2%

Initiatives to Reduce Environmental Burden

Activities at plants

An effort has been made to reduce greenhouse gases as part of activities to reduce impacts on the environment. Various activities are promoted to reduce the energy consumption by eliminating the wasteful use of energies, changing fuels and improving the distribution efficiency.

Adoption of LVD lighting

At the Gifu North plant, LVD (electrodeless) lights have been adopted for outdoor work illumination. LVD lights do not have electrodes. In their power consumption and 100,000-hour or longer life, they are like LED lights. The hue is close to that of natural light, and the lights can illuminate a wide area the way that fluorescent lighting does, making them suited to work conducted over a broad area. The drawback compared to LED lighting, however, is that the illumination is not as bright directly below the lights. In future, we intend to use LED and LVD lighting for different applications as appropriate.



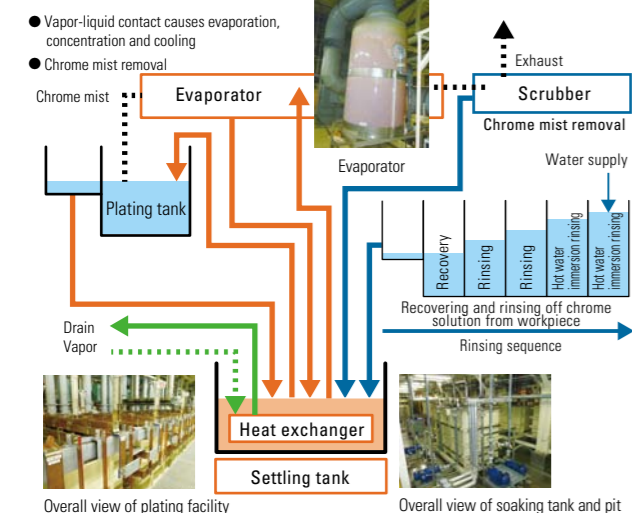
LVD light

Adoption of a closed system for plating wastewater

Environmental initiatives at a new factory

The Nakanajo factory of KYB-YS Co., Ltd. entered operation in March 2014 with a chrome-plating facility that reduces the amount of chrome solution carried over to rinse tanks after plating. This was done by devising measures to apply to the form of the hanger power supply and to the form of the masking used to mark areas not to be plated so as to improve drainage of solution from the plating object during washing. In addition, an evaporator using the heat of vaporization was installed in the cooling mechanism that prevents heating of the plating tank, in this way realizing a facility that does not produce wastewater. The main plating tank is supplied with water from the rinsing tanks in a multi-stage directed-flow system, and water recovered from the scrubber is used so that chrome concentration no longer involves wastewater processing, enabling a closed system.

Schematic diagram of plating system



Update of cogeneration facility

A cogeneration facility installed at the Gifu North plant in 1999 has been used to promote energy saving and CO₂ reduction. With this system, the facility will stop operating when the supply of power from the electric power utility is stopped. In order to support the business continuity plan (BCP), therefore, a gas engine was installed to operate the cogeneration facility in emergencies. At the same time, we also updated the facility and improved its operating efficiency. The gas engine will be run during the summer as a way of reducing peak power demand.



Updated cogeneration facility

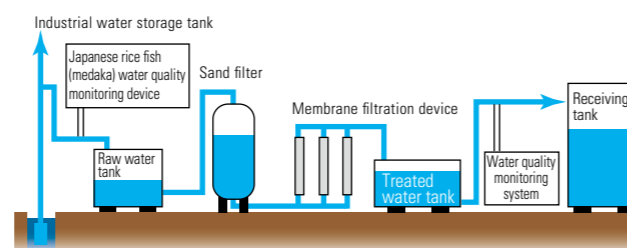
Adoption of groundwater purification system

Drinking water is essential to the prompt restoration of production in times of disaster. At the Gifu North plant, we have adopted a groundwater purification system as part of our business continuity plan (BCP). This system applies a filtration process to industrial well water to convert it into drinking water. With this system, the supply of drinking water can be assured even if the supply from water utilities is interrupted during disasters. We also installed spigots so that residents of neighboring communities can use the system, as well. The lease and maintenance costs for the system are lower than the unit price of water from water utilities, and introduction of the system enabled a reduction of 8 million yen in water utility charges (relative to the 2013 fiscal year).



Purification system

Groundwater purification system flow diagram



Installation of solar power generation device

Adopting sources of clean energy with low environmental impact is not only a national government policy, it is also necessary in terms of fulfilling our corporate social responsibility. Problems have been pointed out, however, including the fact that such sources are significantly affected by natural phenomena, locality, and other conditions, and that stable supplies of electric power cannot necessarily be obtained.

Ueda City in Nagano Prefecture has a very high ratio of clear days by comparison with the rest of Japan and is a location suited to solar power generation. KYB-CADAC Co., Ltd. therefore made effective use of its open space to install a 492-kWh solar power generation device. It entered operation in December 2014, and is capable of making an annual 300-ton reduction in CO₂.

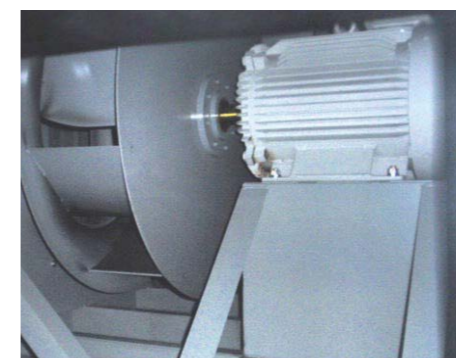


View of solar panel installation

Reduction in power consumption of large-scale air-conditioning equipment

Our Sagami plant took measures to address global warming and reduction of the environmental burden by reducing the power consumption of its large-scale air-conditioning equipment as part of the power-saving program.

Belt-driven machines were being used as the blowers for large-scale air-conditioning equipment used in heating and cooling, and large transmission losses were occurring due to belt slippage and other such factors. The drive method was therefore changed and fans directly driven by highly efficient electric motors were adopted. This successfully lowered the power consumption by approximately 20%.



High-efficiency electric motor

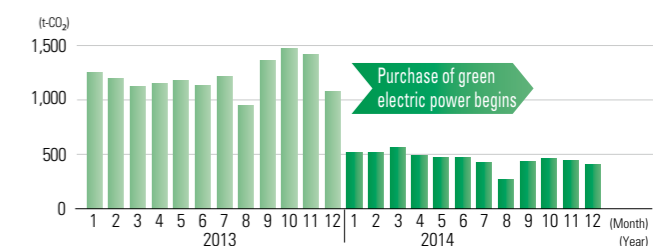
Obtaining 100% of electric power from renewable energy sources

KYBSE (Spain)

KYBSE is located in Navarra Province of Spain, where the EU production target of 20% renewable energy by the year 2020 was already achieved and surpassed at 22% in the 2013 fiscal year. The main renewable energy sources in Navarra Province include wind power generation (47%), hydroelectric power generation (14%), and solar power generation (6%), for a total of 53 GWh generated.

Approximately 90% of this power is used locally in Navarra Province, and the remainder is exported. In January 2014, KYBSE switched over to locally produced green electric power for its entire power consumption. As a result, the volume of CO₂ emissions by KYBSE went from 14,634 t-CO₂/year in the 2013 fiscal year to 5,515 t-CO₂/year in the 2014 fiscal year, achieving a reduction of 62%. Going forward, we intend to further promote the use of renewable energy sources.

Trend in CO₂ emissions volume



VOICE

We will promote the use of green electric power

My name is Juan Carabantes, and I am Manager of the Equipment Maintenance Section at KYBSE. Since joining the company, I have pursued my work in equipment maintenance management for 23 years. KYBSE is using renewable energy sources in order to protect our green earth and the natural environment of this province!



Manager, Equipment Maintenance Section, KYBSE
Juan Carabantes

Shift to energy-saving lighting

KHIZ (China)

As one of the initiatives in our energy-saving program at KHIZ, we have shifted from the past use of metal halide lamps for lighting in the cylinder factory to fluorescent light bulbs that can be inserted into the same fixtures. This has maintained the same level of illumination while reducing electric power consumption 57% to 41 MWh for the year. For the lighting used on production lines and in offices, we are proceeding with the changeover to LED lights. This shift to lighting with long service life has also contributed to reducing the risk of light bulb replacement work at heights as well as to reducing industrial waste.

Initiatives to Reduce Environmental Burden

Control and Reduction of Chemicals

Chemicals are absolutely necessary for the modern society. On the other hand, we need to take immediate action against chemicals that give a significant impact on the environment to comply with increasingly strict international regulations. We are making an effort to reduce their consumption and replace them with appropriate alternatives.

Compliance with environmental regulations on products

The KYB Group is engaged in programs to support the environmental regulations in Europe as well as a variety of other regulations.

In 2011, we took steps to comply with the REACH regulation by creating a database of the chemical substances contained in our products and accumulating data while conducting surveys of the chemical substances found in every product type. Use of this database allows us to quickly check whether restricted or regulated use substances are present or not, and it also enables us to support checking for substances of very high concern, new instances of which have been added to the registry from time to time since the REACH regulation went into effect.

We are also implementing measures to eliminate substances prohibited for use (lead, hexavalent chromium, etc.) under RoHS directives from cylinders, valves, and other such hydraulic equipment products. Using quality assessment tests to modify component materials and surface treatments, we are gradually eliminating such substances.

Utilizing a database for chemical substance risk assessment

At the Gifu South plant and Gifu East plant, we conducted risk assessments of the health hazards of chemical substances even before chemical substance risk assessment was made mandatory under the amended Industrial Safety and Health Act. We created a database of chemical substances for use in our environmental, safety, and health programs, so that for every chemical product in use, the division using it, the substances contained in it, the applicable laws and regulations, the toxicity, and SDS are made visible. This makes it possible to calculate risks with practically no need for knowledge of chemistry, and it has enabled users themselves to recognize the risks of chemical substances. In the 2015 fiscal year, we plan to devise measures to simplify the process from database search to implementation of chemical substance risk assessment, and we will extend use of the system throughout the company.

Measures for PCB problem

PCBs were once used in electrical equipment because these types of oil had superior insulating properties and incombustibility. They have been designated as restricted-use substances, however, and laws and ordinances now require rigorous safekeeping and control of PCBs, as well as annual reports on them. Our Group companies have 431 condensers and other items containing these substances in safekeeping. In the 2014 fiscal year, disposal of all five items in storage at our affiliated companies KYB-YS Co., Ltd., and KYB-CADAC Co., Ltd., was completed by means of disposal contractors. The remaining condensers and other items will continue to be held in safekeeping as before during and after the 2015 fiscal year. The remaining ones will also be disposed of at other plants in phases.

Investigation on the substances subject to PRTR Law

The amounts of PRTR regulated substances released or relocated by each business unit have been determined. We will make an effort to reduce those amounts and amounts of other chemical substances.

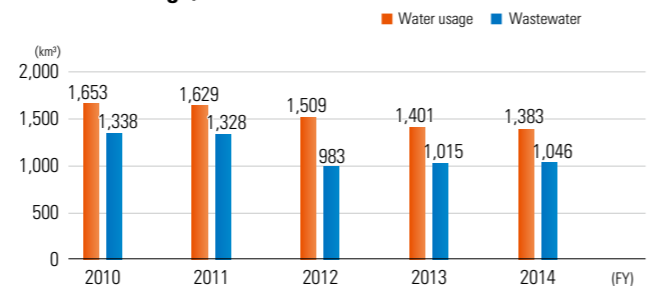
	Reference number	List of chemical substances	Usage Unit (t / year)
Specific Class 1	88	Chromium trioxide	48.7
	309	Nickel compounds	0.7
	400	Benzene	0.8
	1	Zinc compounds(water-soluble)	4.5
Class 1	53	Ethylbenzene	46.8
	57	Ethylene glycol monoethyl ether	2.1
	80	Xylene	64.3
	83	Cumene	1.1
	133	Ethylene glycol monoethyl ether acetate	3.1
	188	N, N-Dicyclohexylamine	0.7
	239	Dibutyltin oxide	0.6
	296	1,2,4-Trimethylbenzene	6.5
	297	1,3,5-Trimethylbenzene	1.4
	300	Toluene	74.4
	304	Lead	5.3
	308	Nickel	1.5
	392	Normal hexane	0.6
	410	Poly(oxyethylene) nonylphenyl ether	0.5
	412	Manganese	3.1
	438	Methylnaphthalene	4.6
	460	Tritolyl phosphate	22.2

* The Environmental and Social Activity Report shows the substances whose total usage at all business units exceeds 0.5 ton.

Status of utilization of water resources

Factories use large quantities of water for washing and cooling production facilities and instruments. In order to make efficient use of precious water resources, we made changes including improvements to facility operating conditions to reduce the amounts of water used, and we are also taking steps to prevent pollution by making periodic checks of water quality.

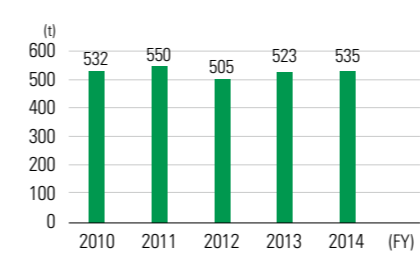
Water usage/ Wastewater



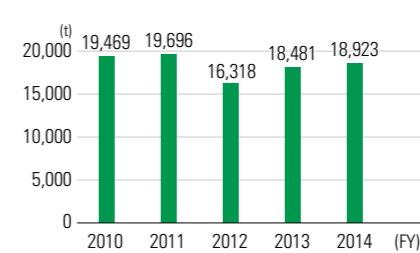
Initiatives to Reduce Waste

KYB practices resource savings (reduce, reuse, recycle) during product design, production, sale and logistics in order to cut waste. We are also using more precise methods of separating paper waste, plastics, and other kinds of waste in order to raise our recycling rate. Going forward, we will continue taking steps to reduce waste matter by promoting measures such as recycling sludge, making effective use of scrap materials, and reducing the volume of alkaline waste liquid.

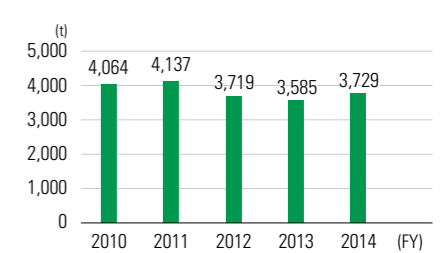
General waste emissions



Metal scrap emissions



Industrial waste emissions



Recycling material from seal waste

The Gifu East plant manufactures seal products used in hydraulic cylinders. Developing and manufacturing seal products in-house at KYB allows us to produce high-performance hydraulic cylinders, and this is one of our strengths.

Seal production was resulting in seal waste as industrial waste generated, for example, when unneeded portions of material were cut away during die cutting work and when measures were taken to prevent admixture when materials were changed during set-up. We therefore took thoroughgoing measures to separate out industrial waste by type, and by recycling the seal waste in a portion of the material, we reduced waste emissions by 16-18 t/year.



Separate collection of seal waste

Bringing waste liquid treatment in-house

At Takako Industries, Inc., we are pursuing improvements in industrial waste reduction activities, which are a common issue among Group companies. As part of this initiative, we have introduced a facility that evaporates the water portion of factory liquid waste containing water in order to reduce emissions volume. The facility can safely evaporate just the water portion from such liquid waste with high oil content, concentrating the waste. This has brought in-house the treatment of approximately 48 m³ of waste liquid annually, and reduced waste treatment costs by approximately 960,000 yen. We intend to further increase the capacity utilization rate of the facility in future, and raise its effectiveness.



Evaporative concentration device

Installation of a treatment facility for wastewater from pre-coating surface preparation KHIZ (China)

Water-soluble coatings, which have a lower environmental impact, are used to coat the hydraulic cylinders and motor products manufactured at KHIZ. The wastewater produced in the pre-coating surface preparation process amounted to 233 tons per year, and all of it was being consigned to an industrial waste treatment contractor. In March 2014, we introduced a waste treatment facility to handle wastewater from pre-coating surface preparation. This reduced the amount of wastewater to 1% or less of what it had been by converting it to sludge. In the context of the growing concern for the environment in China in recent years, we will reinforce our management system for the wastewater treatment facility and continue maintenance and upkeep of it on a day-to-day basis.



Part of the wastewater treatment installation

For Our Customers

Activities for customer satisfaction improvement

Basic quality policy

We consider, "Good quality is our company's life", at KYB, and incorporate our management philosophy into our action plans and policies for Monozukuri and service sites, and strive to contribute to the development of customers and society.

Quality Assurance System

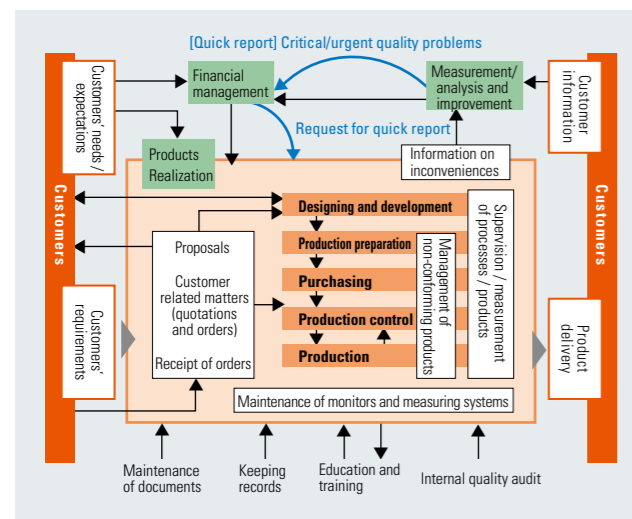
At KYB, we believe that "work process quality" is important as well as "product" and "service quality". We are trying to improve the institutional quality assurance system, including obtaining international quality management ISO9001.

Also, we are working to stabilize management and reduce environmental burdens by eradicating product defects.

On-site checks are made by the general manager and directors of each plant to identify not only inconveniences but also good approaches that solved problems or resulted in an improved motivation, for example, and globally applied and developed to also raise human resources positively through improvement activities.

Development ~ mass production steps

Quality management process and quality assurance system



We have been involved in the "product and technical development with 3-level rating scale" with three steps from planning to mass production in order to "deliver products timely that meet performance and quality requirements from customers and market." We will proceed with the development without repeatedly starting over or making futile efforts.

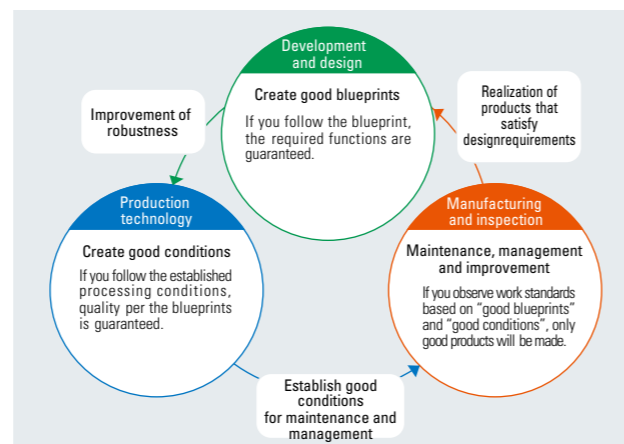
Development of products and technology through a 3-step evaluation process and the Declaration of Quality and Safety

Step	Goal of the 3 steps	Quality assurance steps
Prior / Model development DR0 evaluation meeting	Proof of possibility (Description / evaluation of developed quality)	Development quality
Order development DR1 evaluation meeting	Proof of mass production (Actual proof / evaluation of developed quality)	Start quality
Mass production development / Production preparations DR2 evaluation meeting	Proof and serialization of applicability (Actual proof / evaluation of start evaluation)	Mass production quality

Mass production

Declaration of Quality and Safety
There will be confirmation before the start of regular production that the mass product quality has been built into the design.

What KYB Aims to Be: Quality problem prevention cycle



Information supply to customers

We think that exhibitions are precious opportunities to directly hear customers' opinions. We will continue to positively participate in exhibitions.

(Some) exhibitions where we displayed our products

Exhibition	On display	Location
FOOMA JAPAN 2014	ADS frozen meat press machine, etc.	Japan: Tokyo Big Sight
IFPEX2014	Group of hydraulic products for agricultural and construction machinery	Japan: Tokyo Big Sight
InnoTrans 2014	Hydraulic products for railway machinery	Germany: Berlin International Trade Fair site
China international agricultural machinery exhibition	Hydraulic products for agricultural and construction machinery	China: Wuhan International Convention & Exhibition Center
bauma China 2014	Compact hydraulic shovel products, etc.	China: Shanghai New International Expo Center
InterAqua 2015	Domestic water purifiers, etc.	Japan: Tokyo Big Sight
Lighting Fair 2015	ECOLVD, etc.	Japan: Tokyo Big Sight
CONEXPO-CON/AGG & IFPE 2014	Hydraulic products for construction machinery, etc.	USA-LAS VEGAS CONVENTION CENTER

With Business Partners

Establishment of partnership

Basic policy for procurement

KYB is making an effort to take the corporate social responsibility (CSR) and continue to be a company relied upon by the society. Suppliers are important partners for us to continuously develop through craftsmanship and help realize a wealthy society.

Our basic policy for procurement is described below: For detail, see our website.

<http://www.kyb.co.jp/company/csr.html> (Japanese only)

Basic policy for procurement

- 1 Procurement activities aiming at the coexistence and mutual prosperity of KYB and our suppliers
- 2 Legal compliance
- 3 Quality First
- 4 Safety and health, human rights and labor
- 5 Continuous cost reduction activities
- 6 Timely delivery
- 7 Protection of natural environment
- 8 Construction of global procurement system
- 9 Risk management
- 10 Classified information management
- 11 Prevention of corrosion

Explanation meeting for the 2014 fiscal year procurement policy

An "explanation meeting for KYB's procurement policy" was held in the 2014 fiscal year (at the Tokyo Kaikan, Chiyoda, Tokyo) to strengthen the cooperation between KYB and our suppliers. On the day of the meeting, members from 196 suppliers were in attendance. We briefed them on KYB and our procurement policy, and presented commendations to outstanding suppliers who showed an effective awareness of QCD in their activities. We then held a social reception for the suppliers as an occasion for friendly exchange with them.



Explanation meeting for the 2014 fiscal year procurement policy

Improvement activities by supplier theme working group

The supplier theme working group marked its eighth year of operation in 2014. This working group is a voluntary team improvement activity with the purpose of taking up and jointly conducting research on issues that, among the many issues faced by suppliers, would be difficult for suppliers to resolve on their own, as well as issues that suppliers take up jointly. In the 2014 fiscal year, 48 companies formed seven teams to work on themes relating to safety, reducing defects, and heightening labor productivity. The year's activities were concluded at the meeting to present results held in March 2015.

Survey of status of business continuity plan (BCP) activities

In light of the lessons of the Great East Japan Earthquake, we think it is important to prepare for the triple linked earthquakes (in the Tokai, Tonankai, and Nankai regions), which people are concerned will strike Japan in the future, by determining the status of business continuity plan (BCP) activities among suppliers. Focusing on our main suppliers, we therefore conducted a questionnaire survey covering these seven areas in which we asked for self-evaluations: (1) Protection of employees in the event of an earthquake; (2) prevention of secondary disasters; (3) safe evacuation routes; (4) earthquake bulletins and emergency stockpiles; (5) response for early recovery; (6) readiness systems; and (7) response regarding suppliers affected by disaster. Reports were sent in from 67 companies and 74 business units, allowing us to grasp the status of measures being taken. We provided the survey results to our suppliers as feedback together with the request that they steadily pursue readiness activities so as to give priority to the respect for human life.

Action against conflict minerals

Four kinds of minerals produced in the conflict area including the Democratic Republic of Congo and its neighboring counties in Africa (tantalum, tungsten, tin and gold) are defined as conflict minerals. We have been required to confirm that purchasing or using the minerals extracted from there will not fund armed conflicts or contribute to the infringement of human rights in the conflict area.

The KYB Group member companies are making an effort to eliminate the use of unfairly extracted conflict minerals in cooperation with our customers and suppliers from the CSR's point of view and according to the intent of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Report from Hong Leong Yamaha Motor Awarded the Most Outstanding Supplier Prize KMSB (Malaysia)

The Hong Leong Yamaha Motor Vendor Award 2014 took place in a suburb of Kuala Lumpur in October 2014. At this event, we were awarded the Most Outstanding Supplier Prize from Hong Leong Yamaha Motor. This award is based on an overall evaluation of such factors as quality, delivery time, and price cooperation, and 12 suppliers that made significant contributions were selected to receive it. We will continue with our activities in hopes of receiving the prize again in the coming fiscal year.



Award ceremony at Hong Leong Yamaha Motor

For the Community

Social Support Activities

Conference on occupational rehabilitation research and practice

Commissioned by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers, a panel discussion on "Effective Collaboration in Support for Return to Employment of Employees on Administrative Leave" was held at the 22nd Conference on Occupational Rehabilitation Research and Practice. The importance of taking steps toward collaboration among corporations, medical institutions, and support organizations was explained, and the discussion was very well received by participants. We will continue our future activities in close collaboration with the various organizations involved.



Tokyo Big Sight was the conference venue

Participating panelists

Support for the Festival Internacional Cervantino KMX (Mexico)

The Festival Internacional Cervantino is the most important festival of art and culture in Latin America. The 42nd of these festivals was held in 2014, which also marked the quadricentennial of relations between Japan and Mexico, and Japan, taking part as a specially invited country, highlighted the appeal of this country's arts and culture. KYB also made donations in support of this program in gratitude to the local communities where we had engaged in our own corporate activities for some time. This signifies our strong sense that Japanese corporations have had important roles to play in Mexico, which is undergoing conspicuous economic growth, as well as our hope that we may be able to contribute to further development there.



Festival Internacional Cervantino

Support for the Challenge School

Former Formula One (F1) racing driver Ukyo Katayama started the Team UKYO Challenge School out of his desire to communicate the spirit he experienced in taking on diverse challenges, including F1 racing, mountain climbing, and bicycling, to children, who are the generations of the future. It is an outdoor experiential program that uses a variety of different activities to instill in children, the spirit of loving care for nature, the spirit of challenge, and the determination to never give up. KYB endorses these activities and we give them our support.



Children who took part in the Challenge School

Education in advanced manufacturing at Kani Technical High School

At KYB, we have been involved since five years ago in assisting contestants in the High School Student Advanced Manufacturing Contest held at Gifu Prefectural Kani Technical High School through the collaboration of business, government, and academia. Our main purpose in this is to provide practical education at technical high schools and to foster the technicians of the future.

Students were invited to the skill training center at our Gifu South plant for a month or more of training with our technical instructors. As a result, participants won a resounding victory in the Tokai Region competition in the 2014 fiscal year, and went on to compete in the national competition.

In the interest of ongoing harmonious coexistence with local communities in the future, we will continue to engage in this activity in close collaboration with schools and government agencies.



Tokai Regional Competition Winner's Certificate



A scene from the lathe competition

Corporate bazaar held at the head office

With the support of the Tokyo Office of Miyagi Prefecture, a corporate bazaar and trade fair of Miyagi Prefecture products was held at the KYB head office in Minato-ku, Tokyo, in February 2015. Since we do not have any permanent co-op or concession stand at the head office, the organizers felt some uncertainty about how many people would show up. On the day of the event, however, large numbers of employees came to the bazaar.

There were many items there that are not available for purchase in the Tokyo area, and visitors were impressed anew by the attractiveness of Miyagi Prefecture's products.

Some of the employees who purchased goods on that day expressed interest in buying more goods from Miyagi Prefecture from a prefectural antenna shop (test marketing store) or by mail order, so the event made a contribution to expanding consumption of goods from one of the areas hit by earthquake.



Trade fair bustling with visitors

Support for employment of people with disabilities

Since three years ago, our company's Gifu region has been registered with the "We Want to Work! Gifu Cheering Team," a group to promote support for employment of people with disabilities. The group is run by the Gifu Prefecture Board of Education, special-needs schools, and corporations working in close cooperation. Now the Board of Education has presented letters of appreciation to 10 corporations, including KYB, that have been continuously hiring special-needs school graduates and accepting them in workplace training. The special-needs schools have large numbers of students who want to find employment and become independent. We intend to continue promoting support for employment of people with disabilities.



Presentation ceremony held at Suitopia Center in Ogaki City

Marathon training workshops for elementary school students

The KYB track and field team visited local elementary schools and coached students on running in their physical education classes. Track and field team members who also participate in the Fukuoka International Open Marathon Championship and other such competitions enjoyed this time spent with the children. This activity has been underway since 2005, and it is one of our local contribution activities that has also become popular with the students.



Track and field team members give tips on how to run



With the children

Friendship through the medium of cherry trees

As part of its contribution to society, the KYB production base in Zhenjiang City in China donated 750 cherry tree seedlings to local Jiangsu University for the cherry garden being built on the campus there. The garden was named the Jiangsu University-KYB Cherry Blossom Friendship Garden, and the opening ceremony for the garden was held with the participation of notable visitors, including the President of Jiangsu University and the Secretary of Zhenjiang City's Xin District, as a large number of people concerned looked on.

We hope that these beautiful cherry trees will continue blooming every year from now on as symbols of the friendship between Japan and China.



Chairman Usui in exchange with university students after the unveiling ceremony

For the community

Social Support Activities

Safety education in industrial nurse training for nursing college

Plants in our Gifu region are taking in third-year students from Gifu College of Nursing for 1-2 day training courses in industrial nursing. The training is mainly in health management, but it also includes a tour of the Safety dojiyo (Hazard simulation training room) to give the students some exposure to the safety and health perspective that protects employees from injury and illness. The students hear about specific cases from the safety supervisor and learn the importance of preventive training. Students were heard to comment that they had gained a much clearer understanding of how the whole company was engaged in activities to protect employee health.



Briefing on the safety experience equipment

Group for Improvement of the Sagami-hara Environment

The Group for Improvement of the Sagami-hara Environment monitors changes in the environment every year throughout the four seasons in order to prevent pollution, protect the abundant nature found there, and build a comfortable environment. KYB takes part in nature protection activities as a member of this group, as well, and in the 2014 fiscal year, we participated in a survey of river organisms, nature watching, and bird watching.



Survey of river organisms



Bird watching

Participation in local clean-up activities

The Minato-ku area of Tokyo, where our head office is located, is the site of a Shiba district clean-up campaign organized by the Shiba District Community Safety and Environmental Beautification Promotion Council, and KYB is taking part in this activity, as well.

With the participation of block associations, community association store associations, PTA, businesses, and other organizations, this activity includes public education regarding public outdoor smoking and other prohibited behavior, a clean-up campaign, and so on.

As members of the community, we cooperate with beautification of the area where we work. We are also glad to engage in these activities with members of block associations and community association whom we ordinarily have very little opportunity to meet.



Clean-up activity along the railroad tracks

Display at the Industrial Fair in Kani 2014

Organized by the Kani Chamber of Commerce and Industry, the "Industrial Fair in Kani 2014" was held in November 2014. This fair is held to highlight the products, technology, and services offered by companies in the area to a wider audience inside and outside Kani City. It is also intended to contribute to revitalization of the local community. The recent event had displays from 92 companies in Kani City, and the fair bustled with some 20,000 visitors. KYB also displayed products we manufacture at our three factories in the city (Gifu North, Gifu South, and Gifu East). Our exhibits were also a great hit among the children.



A family enjoying the KYB booth

Exhibiting at a trade fair in India

KCPL (India)

KCPL exhibited at bC-India, India's largest construction machinery trade fair, which took place in a suburb of Delhi. KYB exhibited seven concrete machinery products, including two concrete mixer trucks, highlighting our strengths in quality. We also held open-air tea ceremonies as an introduction to Japanese culture. As a tea master from Japan performed the ceremonial tea, an explanation of the art of tea and its practice was given. The demonstration caught the interest of large numbers of fair visitors, who stopped and enjoyed their first taste of ceremonial powdered green tea.



Open-air tea ceremony demonstration



KYB booth

With Employees

Human resource utilization and work environment improvement in cooperation

Basic concept

In order to use human resources more effectively in line with lifestyle changes and diversified working forms, we have been developing employee-friendly personnel affairs, benefits and work environment. For these problems, we have established a human affairs and benefits system review committee by labor and management with the aim of creating a pleasant work environment that meets the employees' various needs. We have been reviewing themes such as "advancement of work life balance," "support system for valuing both work and family," "effective use of company-owned bachelor housing" and "selective benefit package (cafeteria plan)."

Health seminars held

KYB holds health seminars at the time of the nationwide industrial health week in the autumn of every year. In the 2014 fiscal year, the Sagami plant held an exercise workshop led by an athletic trainer under the title "Simple stretching and exercise training good for stiff shoulders, lower back pain, and knee pain." The participants reacted extremely favorably, remarking that the workshop content was very useful because it could be easily incorporated into their everyday life."



Employees loosen up their bodies with stretching

National Skills Competition

National Skills Competition is a nationwide meet to determine the top skilled worker of age 23 or less in Japan. In 2014, it was held in Aichi Prefecture, and it had approximately 1,200 young people competing in 41 vocational categories.

The purpose is to train young skilled workers, and Ryota Amaike of the Human Resource Development Center in the Human Resources Division competed in the lathe category. The many participants in the lathe category were given approximately five hours to take their work on parts to the very limits of precision, and they had to machine and assemble five types of parts. We will continue to pursue our training of skilled workers so as to give young people hope and dreams.



Machining on a lathe



The five parts assigned in the competition

New employee training includes learning from outdoor experience

Starting with the new employee training in the 2011 fiscal year, we have been including learning from outdoor experience (training at Ashigara in Kanagawa Prefecture), for the purpose of using the capabilities of the KYB Group to develop human resources who are able to produce good results. Trainees are presented with problems demanding optimal answers of the same kind they will face in their work, and the trainees work in teams to attack the challenging problems.

- In the course of their challenge, the trainees learn about
- (1) Thinking for themselves and asserting their own ideas
 - (2) Listening to other people's views
 - (3) Achieving goals through teamwork

These are among the patterns for success and communication at KYB that the trainees learn about, and they experience a sense of solidarity and achievement.

This learning from outdoor experience is the part of new employee training that makes the longest-lasting impression on participants.

We intend to continue providing this experiential training in the future, and hope to contribute to the formation of a vigorous corporate culture at KYB.



Team solidarity on an A line problem



Achieving goals through teamwork

VOICE

After taking training for new employees

We had learning from outdoor experience as part of our training as new employees. In the outdoor experience learning, we worked in teams to tackle problems. There was an exercise called the "A line" in which the problem was to use the given tools to reach the goal. Different people have a variety of different methods and ways of thinking, and it was difficult to put together in organized form all the ideas that had been expressed. However, by working cooperatively as a team, we were able to solve the difficult problem. That was a very valuable experience, to see how a problem that we thought was too difficult for one person could be solved when we acted as a team. It was through this training that we came together as a team. It brought all of use who joined the company at the same time closer together, and it strengthened our ties in solidarity.



Left: Yui Takigawa
(1st Sales Dept, AC Operations)

Right: Norie Nishimuda
(Human Resources Div.)

With employees

Human resource development and technical capability improvement

LT50 Activity

"LT50 Activity" is an activity to reduce manufacturing lead time by 50%. This activity features not only manufacturing methods but also part procurement, shipping to our customers and improvement work efficiency. We are expanding this not only to our affiliated companies but also to our bases in other countries as an activity of the KYB Group as a whole.

Improvement example 1

Forklift-free operation in the motorcycle parts warehouse (KYB Motorcycle Suspension Co., Ltd.)

Before improvement

Some springs delivered from parts manufacturers are kept in steel mesh pallet boxes (steel baskets). These are moved by forklift to the staging area where they are repacked in boxes that are for use on the production line.



**Forklift-free
Work hours are shortened**

After improvement

With the cooperation of suppliers, the delivery form factor was changed to small polyethylene boxes, making it possible to handle the work by hand.



Improvement example 2

Heavyweight transportation of large cylinders (Gifu South plant)

Before improvement

Heavyweight items 4 m in length (piston rods) were being transported by forklift through passages 2.2 m in width.



Improve safety and workability

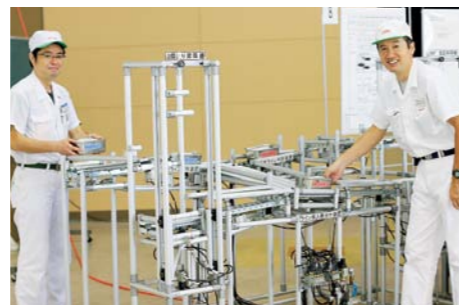
After improvement

The piston rod orientation was changed from lateral to longitudinal, the width was made 1.1 m, and the transport method was changed to pulling by tractor.



Skilled manufacturing technique exhibition (display of elaborate mechanisms) held

Heightening skilled manufacturing capabilities and cultivating workplace abilities in discovering problems, making improvements, and carrying through in a sustained manner contribute to strengthening the company's base. In the 2014 fiscal year, we held a technical exhibition focused mainly on techniques for elaborate mechanisms, with the idea that the source of skilled manufacturing is in original and ingeniously elaborate mechanisms. The display area was set up in 71 thematic sections on subjects such as the environment, safety, quality, and production. A lecture session was also held with a lecturer from outside the company who spoke about strengthening skilled manufacturing capabilities in the workplace by means of techniques for elaborate mechanisms. Approximately 130 people attended the lecture, including the company president. The exhibition served as a very significant occasion for competing in and learning together about ingenious techniques in skilled manufacturing.



Conveyer device utilizing elaborate mechanisms

Global engineer training

We have been conducting global engineer training with the aim of upgrading skilled manufacturing capabilities at our production bases in other countries since 2006. This training is based on lectures in dialogue form, experiential exercises, and study tours of advanced plants, and is conducted on-site with actual equipment and materials for periods of two weeks to one month. After acquiring basic to applied techniques, trainees create proposals for improvements to their own bases and are assigned the implementation of those improvements on return to their countries.

In the 2014 fiscal year, four of these courses were held for 48 trainees from 16 bases in nine countries. We have expanded implementation of our course teaching the KYB production system to two sessions. The course is focused on developing human resources capable of promoting on-site improvements at their own bases.

Going forward, we will continue offering this training and promote upgraded skilled manufacturing capabilities at our production bases in other countries.



Training by use of practical exercise equipment

Global networking program

In addition to instilling knowledge about management, the global networking program (GNP) is held to heighten the communication capabilities of KYB Group employees around the world and to promote their network building. The first session, held in the 2014 fiscal year, had 10 participants from the United States, Europe, China, Japan, and ASEAN countries.

The members gave presentations on suggestions for making KYB a better company, in the form of reports on activity results. We intend to continue holding GNP sessions in the future and have more global staff members participate, and we are treating this as an opportunity to develop human resources with the ability to function actively as members of the KYB Group.



Group discussion grows heated

KYB global production meetings

A KYB global production meeting with 51 participants from 23 bases, including those in other countries, was held at the Gifu North plant over a three-day period starting on November 5, 2014. Vigorous exchanges of views were held on topics such as the environment, safety, quality, and production.

On the environment, the case of energy and waste material reduction activities at the Sagami plant was introduced, and on safety, the case of reduction in industrial accidents through awareness-raising among employees at KYB-YS Co., Ltd., as well as activities for equipment safety, were introduced. Participants actively expressed their views and voiced their questions during the meeting, and steps were taken for information sharing.



Policy briefing by the director with responsibility for the area

Employee communications

Sports and Culture Interaction Event

An athletic and cultural exchange event was held in Nagano Prefecture with the motto, "Extending KYB's ties into the future." This was the first such event to be jointly organized by Group companies (KYB-YS Co., Ltd., and KYB-CADAC Co., Ltd.), and it was organized to give participants a full taste of typical Shinshu region specialties with a soba noodle-making competition and lodging at a hot spring resort. Approximately 850 people took part, with five teams (from Spain, Thailand, Vietnam, Indonesia, and Malaysia)



Futsal (five-man indoor football)

competing in futsal (five-man indoor football). The event takes on an increasingly international coloration every year. The clear autumn skies of the Shinshu region resounded with the KYB Group's enthusiasm, and ties were indeed made stronger.

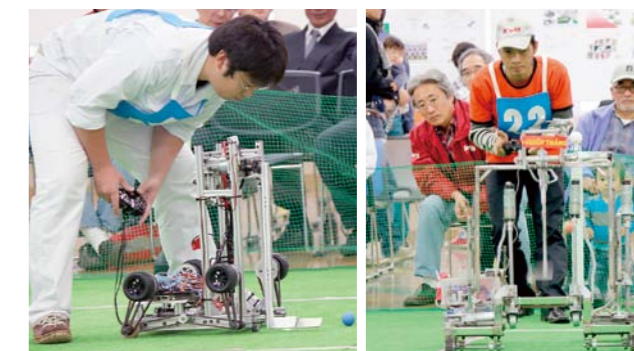


Soba noodle-making competition

Holding the 7th KYB Robot Contest

The 7th KYB Robot Contest was held at the Sagami plant on November 8, 2014. This time, the problem assigned for the event was golf. Participants included 17 teams from the region (including Group companies) and 5 teams from other countries, for a total of 22 teams. The great diversity of mechanisms devised for driving and putting embodied the KYB spirit of skilled manufacturing.

The victor at this event was PT. KYBI (Indonesia), a first-time winner here. Attendance by a total of 340 employees and family members made it a very lively event.



The challenge of putting

With employees

Creation of Safe and Comfortable Workplaces

Activity proclaims "stop, call, wait"

Since the 2012 fiscal year, under the slogan of "Safety has precedence before everything else," our company has implemented activities in an integrated manner. The Environment Safety Committee, which has the KYB director responsible for safety as its chairperson, has a company-wide function. It served as a focal point for concrete activities carried out at each business unit, where the unit's Safety and Health Committee played a key role.

In the 2014 fiscal year, the main activity was on the theme of accident prevention, with "stop, call, wait" as the slogan. The point was thoroughly communicated that when an abnormality or some other problem occurs in a facility, workers should quickly stop work, notify their superior, and wait for instructions. As a result, there were zero accidents from measures to deal with facility abnormalities during the last half of the 2014 fiscal year. We intend to continue activities to achieve zero accidents by providing call buttons and communication terminals and other such means.

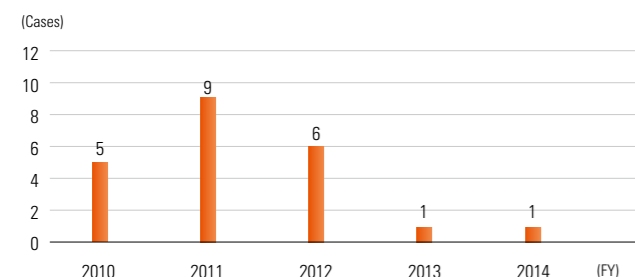


Awareness-building poster (Gifu South plant)

Reduction in accidents requiring time off from work

Manufacturing lines together with testing and development and other such indirectly related divisions also joined in conducting a rigorous review of all work operations and performing risk assessments of those operations. In the 2014 fiscal year, improvements were made in unsafe locations identified as being particularly dangerous (locations with risk of falling, high-energy facilities, and so on). As a result of having carried out approximately 50% of improvements, accidents requiring time off from work and other serious accidents were successfully prevented. In the future, the focus will be placed on handling facility abnormalities and other such work operations in order to pursue further improvement, and we will continue these activities until we completely eradicate industrial accidents.

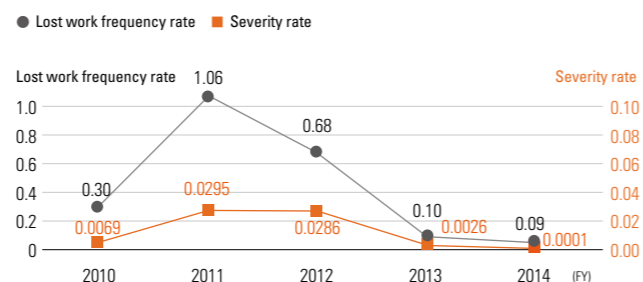
Accidents requiring time off from work



Reductions in lost work frequency rate and severity rate

From the 2011 to the 2012 fiscal year, numerous accidents involving being caught in machinery, being struck, falling, and so on, occurred. These were caused by unsafe places in facilities, uneven surfaces in passageways and on stairs, lack of railings, and other such factors. In the 2014 fiscal year, therefore, we conducted mutual safety inspections and reviews of facility safety under the slogan of completely eliminating these three major types of industrial accident, and we thoroughly identified dangerous locations. As a result, many places were found where drive mechanisms were exposed, two-handed switches had not yet been installed, objects were placed improperly, extraneous objects were present, and so on. These can be major obstacles to the safe performance of work, and all the parties involved joined together in the effort to make improvements. As a result, we made significant reductions in the lost work frequency rate and severity rate. We will continue steadily conducting these activities in the future with the aim of achieving zero industrial accidents.

Lost work frequency rate and severity rate



* Lost work frequency rate: (Number of workers required to take time off/Total number of work hours) × 1,000,000
 * Lost work severity rate: (Number of lost work days/Total number of work hours) × 1,000

Presentation given at 73rd National Industry and Health Convention

A research presentation titled "Campaign Measures for Raising Safety Awareness" was given at the 73rd National Industry and Health Convention of 2014, held in Hiroshima Prefecture. The purpose of the research was to reduce industrial accidents resulting from unsafe behavior. The presentation reported on how repeated surveys were made of different levels of safety awareness. Based on analysis of the findings, supervisors were able to recognize the level of safety awareness of their workers and conduct interviews with them to reinforce those areas where safety awareness was weak. Activities like these were carried out as ways to raise safety awareness levels.

On the day of the event, a large audience heard the presentation, and many questions were also asked after the presentation. This suggested that there is strong interest in studies of safety awareness.



Noboru Terasawa of KYB-YS Co., Ltd., was the presenter

Implementation of mutual safety inspections

We implemented mutual safety inspections in which the hands-on safety practitioners in our various factories in Japan carried out inspections of each other's factories. The focus of inspection was on exposed drive mechanisms, walking passageways, and other dangerous locations that are the primary causes of the three main types of industrial accident. The hands-on safety practitioners from other factories could look with fresh eyes, and so they were able to discover potential sources of danger. Our purpose is to prevent industrial accidents.

Each factory is also making improvements to items identified during the year of this activity, as well as adopting cases of useful solutions for wider deployment, in accordance with plans formulated at the respective factories. This is a very steady, undramatic program, but we intend to continue with it in the future.

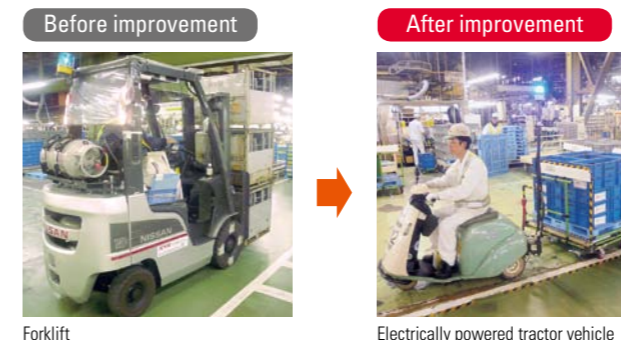


Inspectors pointing out a problem

Program to reduce forklift use

In 2006, there were 143 forklifts being used in the Gifu North plant. Since forklifts have safety problems, we started a campaign in 2007 to realize forklift-free operation and switched over to safer electrically powered tractor vehicles for pick-up and delivery related to products that can be handled by hand as well as items of steel equipment, which are of heavy weight. By 2014, we had cut the number down to 94 forklifts.

We will continue to promote forklift reduction in the future, while taking changes in man-hours into account as we use tractor vehicles for pick-ups from lines with different production tact times, as well.



Forklift

Electrically powered tractor vehicle

Safety experience workshop

KMSB (Malaysia)

We have been engaging in all types of safety program with the "0' Accident is My Aim" as the declared purpose. In order to further strengthen these program efforts, the KYB Group referred to customers' safety training to establish a safety experience workshop. The workshop uses simulators to provide virtual experiences of rotating bodies, burrs and chips, air blowers, and other such danger points.

Information materials were also exhibited not just about the danger points of machines, but also about such matters as how to use fire extinguishers, worker clothing and protective gear, and clothing to wear for commuting by motorcycle. The workshop has become capable of providing instruction on the whole spectrum of safety. Going forward, we intend to continue pursuing this program actively with the aim of achieving zero accidents.



Interior of the safety experience workshop



Worker protective gear

Company clinic established

KAC (America)

When employees go to a hospital in the United States, the company must pay 75% of the treatment cost. At KAC, we addressed the extremely high price of medical treatment by setting up a company clinic. This not only increased the convenience for employees and family members, but also successfully reduced many medical expenses since the clinic was opened in April 2014.

This also means that medical staff are permanently assigned to the factory so that speedy response is possible in the event of emergency. We intend to continue making it possible for more employees to use this service in the future.



Left: Physician Michelle Wallace
 Right: Nurse Jyoti Singh



Inside the clinic