



Our Precision, Your Advantage

KAYABA Group Report **2022**

April 1, 2021 – March 31, 2022



Corporate Statement

Our Precision, Your Advantage

Becoming a corporate group that delivers total satisfaction to our stakeholders.

Through the provision of products with reliable quality in manufacturing, Kayaba strives to contribute to the advancement of customers, shareholders, business partners, and society. And with a strong awareness of our corporate social responsibility, we plan to raise our corporate value in order to continue being an exemplar that is trusted by people around the world.

We believe it is our purpose to build a core of value creation. By returning to the spirit of originality that we have inherited from our founder, we will continue building a history of focusing on a prosperous future for all.

VISION

What the Kayaba brand offers the world

***Monozukuri* (manufacturing skill) that brings happiness**

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

MISSION

The mission of the Kayaba brand

***Monozukuri* that goes the extra mile**

Kayaba will remain an enterprise that delivers value to clients and markets by making use of the reliable technical expertise we have built up over the years.

Through our efforts, we provide *monozukuri* that goes the extra mile to offer our clients new values and greater satisfaction than they have ever known.

VALUE

Value the Kayaba brand creates

Technology for comfortable living

Value we can feel: Comfortable living, the joy of *monozukuri*

Value we can use: Reliable quality

The value Kayaba promises to its end users:

A higher level of comfortable living through our creative technology and dedication to product development.

The value Kayaba promises to its clients:

Reliable quality that comes from thinking of end users as our clients.

The value Kayaba promises to its employees:

"The joy of *monozukuri*" that comes from knowing they are changing the world.

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Editorial Policy

The Kayaba Group has issued this integrated report since FY2019 to communicate its management policies, business strategies and CSR activities to shareholders, investors and all other stakeholders. We hope to create new opportunities for dialogue by covering business performance, management strategies and other financial information, as well as the environment, society, governance (ESG) and other non-financial information in order to inform readers about our efforts to increase corporate value over the medium to long term. For a better reading experience, we will continue to improve the report based on stakeholder feedback. We welcome your suggestions.

Reporting Period

FY2021 (April 1, 2021 to March 31, 2022)
 Note: Includes some activities and information from outside the above reporting period.

Scope

The report covers KYB Corporation and subsidiaries and affiliates in Japan and around the world.
 Note: Environmental data is for KYB Corporation (Sagami Plant, Kumagaya Plant, Gifu North Plant, Gifu South Plant and Gifu East Plant, and Mie Plant) unless otherwise annotated.

Date of Issue

November 2022

Forward-Looking Statements

This report includes plans and forecasts as of the issue date, and estimates based on our business plans and management policies. Forward-looking statements are based on information available at the time of report preparation, and actual results may differ depending on changes in relevant conditions.



Cover Design

We created the design based on the combined flow of all the kinds of technology that underpin Kayaba's core technologies of vibration and power control. It expresses the spirit in which the Company was established—one of being inspired by the mysteries of the universe—and our intention to bring our founder's imaginative power and drive to "investigate technology" into the future.

The Origin of Kayaba

The Spirit of Originality—

Kayaba's origin in manufacturing skill, and the key to creating the future

The history of hydraulics traces back to Europe at the start of the 1900s. The shift from mechanical systems made from combinations of wires and gears towards hydraulics was progressing, and it entered the stage as a groundbreaking new technology. At that time, Japan was seen as being about 20 years behind large countries that were more advanced in technology, such as Germany and Britain. Shiro Kayaba (our founder) became aware of hydraulics from a description in lecture notes for the University of Tokyo's Arms Manufacture Faculty, and the technology immediately captured his interest.

"Everything in use is still developing, a legacy from the past. The world continuously seeks that which is new. The unique ability of humankind to progress lies in its constant search for perfection." Shiro Kayaba left these words behind, and they are the key to our future. Kayaba is returning to our origin as a company rooted in the craftsmanship of manufacturing in order to contribute to the creation of a prosperous future through ingenuity and constant improvements and the lasting development of society. And from there, we will keep moving forward.



For details, see "KYB History" on the website

→ <https://www.kyb.co.jp/english/company/history.html>

1919~

It started from our founder's creative approach

In 1919, Shiro Kayaba founded Kayaba Research Center at the young age of 21. He invented and proposed a great deal of high-performance hydraulic products that surpassed those from Germany and Britain, reaching up to 100 patents that would support the continuation of the ensuing company. The DNA of this extraordinary inventor who contributed to the development of hydraulic technology in Japan was the start of everything that led up to the present day.



1945~

Entering new fields with creative technologies



[The origin of Automotive Components (AC) Operations]

Directly following WWII in the latter half of 1946, the Company started research and development on a new product called a shock absorber (SA) in collaboration with automobile manufacturers. The Company would receive an order for 4,000 SA for use in the jeeps of the U.S. forces. Following that, the growing popularity of automobiles would cause the share of the product to expand.



[The origin of Hydraulic Components (HC) Operations]

In 1951, The Company began development of oil dampeners for railways cars in collaboration with Japanese National Railways (now the Japan Railways Group). We have established a strong customer base with a variety of partners including automobile manufacturers, motorcycle makers and construction machinery companies.



[The origin of Special-Purpose Vehicles Division]

In 1953, the Company began assembling and mounting the high-low type concrete mixers imported by Fuji Bussan Co., Ltd. from CTM in the United States onto trucks. This was the start of the shift to domestic production of concrete mixer trucks. In 1959, production began on the ground-breaking "tilting mixer truck," which has a drum portion that could rotate, thereby using gravitational pull to agitate fresh concrete.



High value-added products

In the 1960s, hydraulic excavator technology was introduced to Japan, and its history is essentially one with the history of the evolution of Kayaba's hydraulic products. In 1984, we started production of the "Hydraulic Cylinder KCH," overcoming simple but challenging issues such as stopping leaks, rust, and brakeage. It would go on to become a flagship product. Starting in the mid-1980s, Kayaba stayed ahead of our competitors by turning our focus to computer assisted engineering (CAE). The data accumulated then continues to be used as big data now with the introduction of digital transformation (DX) technology.



Improvement of management structure and productivity gains

In the 1990s, Japan's bubble economy collapsed and the times changed drastically. Kayaba stated that it was aiming for a slim and resilient management structure, and focused its efforts on transforming its business structure and strengthening its financial position.

Harnessing the power of the Group, we developed new products and created new businesses, in addition to enhancing productivity throughout our operations by promoting total productive maintenance (TPM; an approach that engages all employees in production maintenance and production management) and total quality control (TQC).



Driving toward further growth

During Japan's prolonged economic downturn, we actively expanded overseas, with the goal of becoming "No. 1 Globally." Further, we implemented a total cost-cutting program Company-wide, and continued to strengthen our operations in an effort to reduce lead time by half. In 2006, we gathered engineers from overseas for training to increase their understanding of *monozukuri* (Japanese manufacturing expertise), safety, and quality, thereby enhancing human resource development.

We established the Digital Transformation Improvement Department in 2019, and it is utilizing various digital technologies to support the creation of new ideas and businesses, as well as to improve quality and productivity, while building Kayaba's IT systems in line with global standards.

1980~

1990~

2000~

2020~

Further evolution through core and digital technologies



[The Evolution of AC Operations]

We are moving ahead with the development of products that will contribute to a decrease in the consumption of electric power and fuel in an electric vehicle society, such as fully active suspension systems and next-generation hybrid suspension systems that employ electronic controls and electrification technology.

p. 18, 24



[The Evolution of HC Operations]

We are working on product development that can contribute to a sustainable society, such as adding electronic control functions that respond to the needs for remote/automatic operation, increased high efficiency, and improved operability. In addition, we are expanding load sensing system devices and optimizing breakdown prediction and predictive maintenance.

p. 20, 25



[The Evolution of HC Operations]

We have started accepting orders for e-mixer III, which in addition to providing the conventional environmental performance, has a touch panel monitor installed which improves convenience by indicating the state of the drum and the operation condition history while also having a maintenance information notification function. These features increase our customers' safety and security.

p. 21

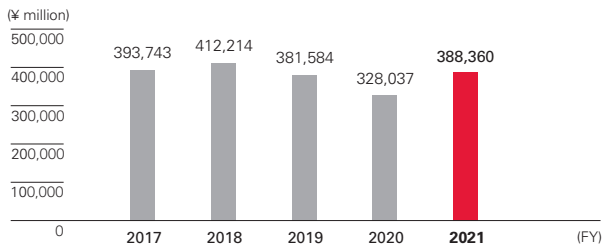
Heritage of originality

Into the futureality

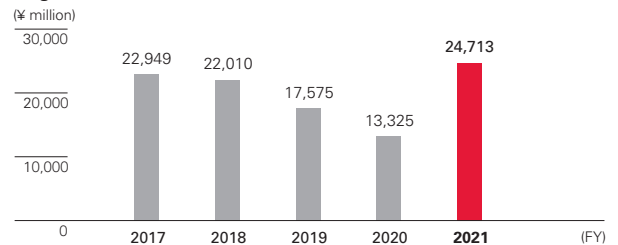
Kayaba Performance Highlights

Financial

Net Sales

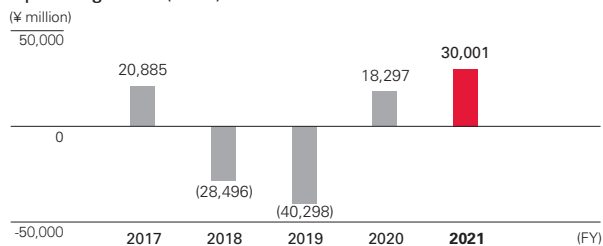


Segment Profit

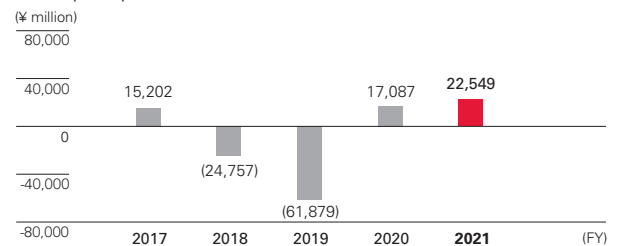


Note: Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from net sales.

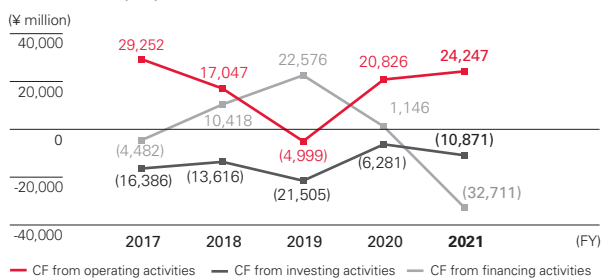
Operating Profit (Loss)



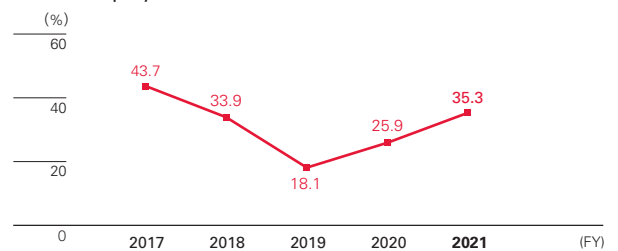
Profit (Loss) Attributable to Owners of the Parent



Cash Flows (CF)

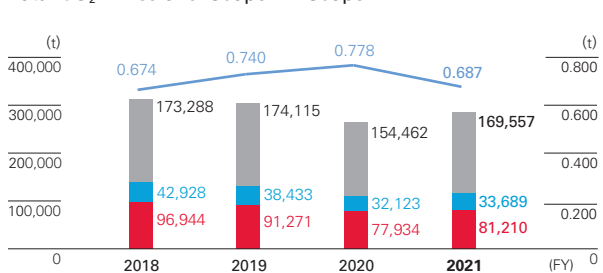


Ratio of Equity Attributable to Owners of the Parent



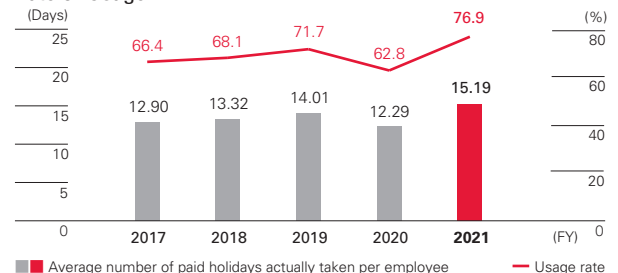
Non-financial

Total CO₂ Emissions: Scope 1 + Scope 2

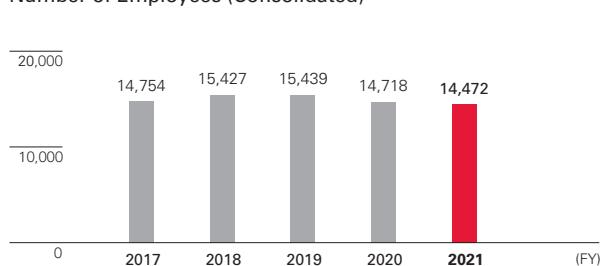


Note: The scope is the six plants of Kayaba, five domestic subsidiaries, and 17 overseas subsidiaries

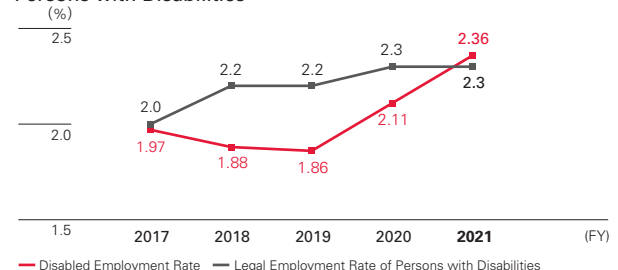
Average Number of Paid Holidays, Days Actually Taken and Rate of Usage



Number of Employees (Consolidated)



Disabled Employment Rate / Legal Employment Rate of Persons with Disabilities



Note: The scope of the paid vacation and disabled employee rates is for KYB Corporation.

Kayaba: Driving Toward the Future

2022年4月、「KYB株式会社」は通称社名を「カヤバ株式会社」といたします。

私たちは創業から息づくものづくりの原点に立ち返り、未来に向かって動き始めます。

培ってきた技術をさらに磨き上げ、お客様の期待に応えること。そして持続可能なこれからの社会に貢献するために、新しい可能性に向かって踏み出すこと。

私たちのDNAである独創の精神で社会に新しい価値を届けていきます。

カヤバ
 原点を未来の力に。
 未来を今日の力に。

KYB
 Our Precision, Your Advantage

Published March 16, 2022, in the Nihon Keizai Shimbun (Nationwide edition)

Returning to our origin in the craftsmanship of manufacturing to launch forward into the future

In October 2018, we announced nonconforming acts of rewriting performance inspection results data for some of our seismic isolation/mitigation oil dampers.

We saw the valuable trust that we'd built disappear in just an instant. That was four years ago. Since then, we've focused all our strength on building a corporate culture of total compliance and open, transparent communication.

We have adopted a common name for the Company to clarify our spirit and origin, which have been rooted in the craftsmanship of manufacturing since our establishment, and for all employees to turn toward the future together. For those reasons, we proudly restore the name "Kayaba."

Each employee will return to our origin, extensively share their ideas with each other while strengthening their understanding, and strive toward a sustainable future with the spirit of Kayaba's manufacturing craftsmanship.

Message from the President

Kayaba will contribute to the sustainable development of the planet and society as a global leader in vibration and power control built on our core technology of hydraulics.

First, please let me offer my deepest sympathies to those who have been affected by COVID-19 infections. I truly hope that they will recover quickly. I'd also like to express my respect and gratitude to the healthcare professionals who are working their hardest at the front line every day. For our part, Kayaba is making efforts to prevent the spread of the virus. We quickly and appropriately respond based on the requests of relevant authorities while giving maximum preference to the safety of our customers, business partners, employees and their families.

The Changing Business Environment and Our Mission Issues we're engaging with as we move toward further growth

The environment surrounding all manufacturing companies domestic and overseas is becoming more severe, due to factors including the spread of COVID-19 variants and the global semiconductor shortage caused by U.S.-China trade frictions. In the automotive industry and in the construction industry, we are seeing the kind of revolutionary change that occurs only once in 100 years, with the promotion of electronic vehicles and electrification as well as the shift towards automatic operation. Components suppliers are being required to deliver new value.

Looking at Kayaba's FY2021 performance under this environment, we had an 18% increase in sales along with the recovery of the market from the COVID-19 pandemic. Also, we reorganized unprofitable businesses, in particular reducing fixed costs, and made improvements to productivity. Due to these factors, we recorded our highest ever profits. However, material prices and transport costs are forecast to continue increasing, and companies will need to adjust production because of component supply issues due to lockdowns. In order to respond to these matters, further cost improvements and revisions to our production operations will be necessary. We are still facing challenges, but we are progressing forcefully with all kinds of improvement initiatives to reinforce our financial base and resolve management issues.

Furthermore, Kayaba is moving forward with environmental, social, and governance (ESG) management. We are reducing CO₂ on a group-wide basis and developing products that will contribute to the sustainable development of society. Also, to fulfil our corporate social responsibility, we are committed to taking preventive measures against nonconforming acts by

strengthening our management system, positioning awareness of norms and compliance as the foundation of management, and building a corporate culture of open, transparent communication.

Value Creation at Kayaba Towards a safe, prosperous society supported by our core technology

Kayaba has over 100 years of technology assets. We have contributed to society by turning hydraulic technology related to vibration and power control into products, allowing for the design of comfortable, prosperous towns and cities. And we are making powerful strides in the development of products built on the core technologies that Kayaba possesses, which will lead to the creation of new value compatible with technologically innovative transport equipment and industrial equipment.

The market is seeing a major revolution with electrification and the adoption of electric vehicles. In order to respond, we are developing high-added-value products built on our core technology, collecting and analyzing road surface and driving data, and developing an active suspension system that can be controlled in real time. Furthermore, we are aiming to shift from the conventional method of selling each product individually to intelligent hydraulic systems sales. In these ways, we are striving to make Kayaba as a company that offers the ultimate products to our customers.

Also, we are facing an issue with labor shortages and training successors in our manufacturing workplaces. To resolve this, we have launched an activity called "Ship'30," which is aimed at further evolving manufacturing workplaces based on the remarkable development of digital technology in recent years. It involves the construction of a revolutionary autonomous plant, and aims to make an unmanned, fully

automated plant a reality by 2030. Ship'30 will be able to respond flexibly to fluctuations in production, and will aim to further raise productivity.

Important Issues for the Future

Contributing to a prosperous world and promoting diversity

Environmental consciousness is growing globally, in particular towards sustainability and carbon neutrality. Corporations have a responsibility to conduct measures for the environment, and are being required to take a more active posture and conduct more impactful initiatives than ever before.

We have achieved a 50% reduction over 2018 from the three aspects of energy generation, energy use, and the development of products that contribute to CO₂ reductions. And further, we are aiming to achieve carbon neutrality by 2050.

In our efforts for diversity, in FY2022 we have appointed female outside directors and auditors. By increasing the number of female officers in addition to increasing the ratio of outside directors and auditors, we are strengthening our governance and promoting diversified management.

Our Pledge to Our Stakeholders

Building a trustworthy brand

FY2022 is the final year of the current medium-term management plan. We will concentrate management resources on the three business units that are the core to achieving our plan: AC Operations, HC Operations, and the Special-Purpose Vehicles Division. We will strive to develop new products for sustained growth, and to revolutionize manufacturing using IoT and AI for the purpose of strengthening our earnings capacity. And in addition to lowering costs, we will further promote ESG management. All of these actions will lead us into our new medium-term management plan which is set to begin in FY2023.

We will actively incorporate underlying technologies—such as electronic systems controls—and leading-edge technologies into the core technology that Kayaba possesses, aiming to provide products that support the livelihoods of people in places all around the world while delivering safety, assurance, and comfort. To do that, the Group will come together and work to build a constantly evolving “trustworthy brand that contributes to the development of a prosperous society.”

Representative Director and
President Executive Officer &
Chief Executive Officer



FY2020-2022 Medium-Term Management Plan

To Achieve Highly Profitable Structure

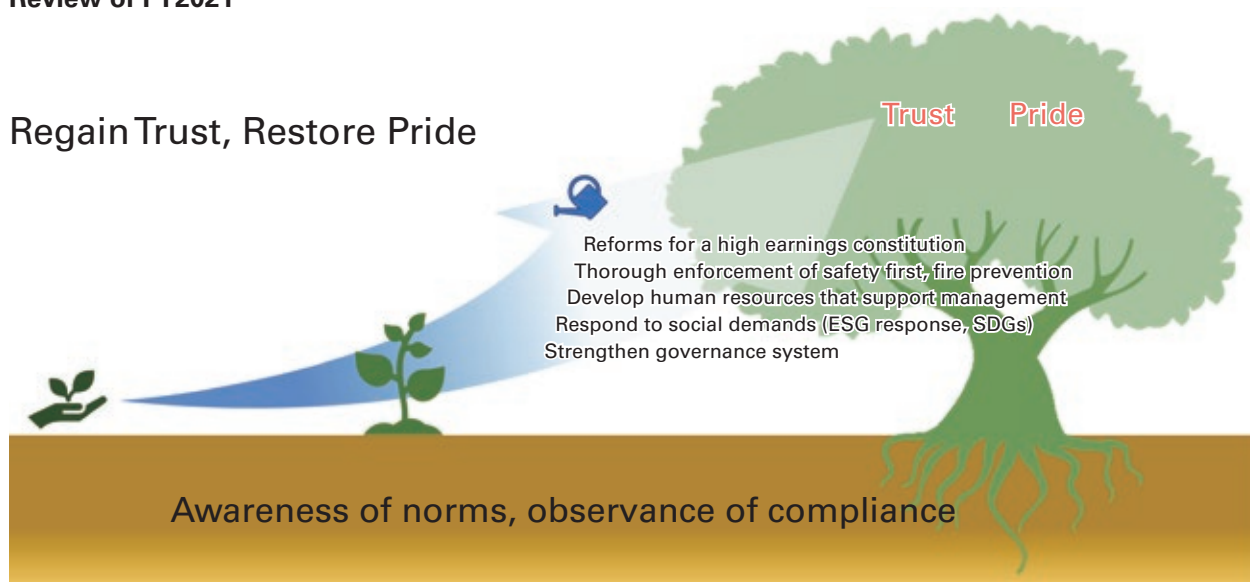
The slogan of the FY2020-2022 Medium-Term Management Plan is “Regain Trust, Restore Pride.” Under that slogan, we are taking preventive measures against nonconforming acts, placing awareness of norms and compliance at the core of management as part of reforms to our corporate culture, and proceeding with a transformation to achieve a highly profitable structure.

The plan’s first year of FY2020 saw challenging conditions as sales, segment profits and other indicators declined compared to the previous consolidated fiscal year due to the impact on economic activities in all countries caused by the spread of COVID-19. In FY2021, we worked to get the plan back on track by thoroughly executing various policies to establish a highly profitable structure, and spent the year recovering from delays.

In 2022, the final year of the plan, there is increasing uncertainty over the future prospects of the world economy, which is facing issues such as the lingering pandemic, sharp price increases in raw materials, the semiconductor shortage, and a deteriorating geopolitical situation. However, we are moving forward with achieving a highly profitable structure while selecting and concentrating on initiatives such as the optimum distribution of management resources and manufacturing innovation. Undaunted, the Kayaba Group will band together to achieve our goals.

Review of FY2021

Regain Trust, Restore Pride



Key Initiatives and Main Implementation Details

Key initiatives	Main implementation details
Compliance and strengthen governance	<ul style="list-style-type: none"> Establish Compliance Committee Complete policies for all prevent measures Instill corporate culture of awareness of norms (thorough education)
Response to social demand	<ul style="list-style-type: none"> Thoroughly conduct health management, including infection control measures Observe respect for human rights (Thoroughly create a comfortable workplace) Initiatives for carbon neutrality
Human resource development	<ul style="list-style-type: none"> Optimal reassignment of human resources after group reorganization, carry out rotations Promote DX by hiring and training digital human resources
Safety first, quality management	<ul style="list-style-type: none"> Thorough preventive measures against workplace injuries and fires Continue to reform quality awareness based on quality education for all employees
Stabilize the revenue base	<ul style="list-style-type: none"> Concentrate management resources to the three business units of AC Operations, HC Operations, and the Special-Purpose Vehicles Div. Withdraw of unprofitable businesses (Decision to close the Aircraft Components Div.)
Growth strategy	<ul style="list-style-type: none"> Sales expansion activities to emerging EV manufacturers

FY2021 Performance Summary

Looking at the global economy in FY2021, there was an underlying tone of recovery, with the progress in COVID-19 vaccinations and policies to resume economic activity in many countries. However, downsides risks materialized with the sharp rise in raw material prices, a shortage in semiconductors, and the worsening Russian invasion into Ukraine. In Japan's economy, we saw signs of an economic comeback lagging behind the world economy, but high resource prices and a weak yen overlapped, making it difficult to predict the future.

Amidst this environment, the automobile and construction industry markets—which are the main sources of demand for Kayaba products—both experienced recoveries in demand compared to the previous consolidated fiscal year.

The Kayaba Group's sales reached ¥388.4 billion, an increase of ¥60.3 billion over the previous consolidated fiscal year.

Operating profit was ¥30,001 million (compared with ¥18,297 million in the previous fiscal year), largely due to an increase in sales to meet recovering demand and the impact of a reversal of the provision for product warranties for seismic isolation/mitigation oil dampers, while profit before tax was ¥28,817 million (compared with ¥16,340 million in the previous fiscal year). Also, profit attributable to owners of the parent was ¥22,549 million (compared with a loss attributable to owners of the parent of ¥17,087 million in the previous fiscal year), giving us our highest level of profits ever.

The capital adequacy ratio, which at one point had fallen below 20%, returned to the 30% range, while the net D/E ratio rapidly improved due to the repayment of interest-bearing liabilities.

Consolidated Financial Results for FY2021 (IFRS)

	FY2020	FY2021
Net sales	¥328.0 billion	¥388.4 billion
Segment profit	¥13.3 billion	¥24.7 billion
Operating profit	¥18.3 billion	¥30.0 billion
Profit before tax	¥16.3 billion	¥28.8 billion
Profit attributable to owners of the parent	¥17.1 billion	¥22.5 billion
Cash dividends per share	¥75	¥105

Earnings Improvement Activity (Segment Profits)

In FY2021, we aimed for a ¥4.4 billion earnings improvement over FY2019, and we were able to surpass that target by reaching ¥5.9 billion. Amidst the challenging conditions caused by the COVID-19 pandemic, we achieved our initial plan through improving productivity by ¥1.6 billion and a ¥2.3 billion result from withdrawing and scaling down unprofitable businesses.

In FY2022, we will aim to complete taking in benefits from unachieved fields and attain a ¥7.4 billion improvement compared to FY2019, which is a target of the FY2020 medium-term management plan.

	Progress	FY2021	FY2022 target
Improve productivity (reduce manufacturing costs)	47%	¥1.6 billion	¥3.4 billion
Withdrawal or reduction of unprofitable fields	135%	¥2.3 billion	¥1.7 billion
Reduce variable cost	80%	¥0.8 billion	¥1.0 billion
Consolidation of production bases, establish optimal production system	71%	¥0.5 billion	¥0.7 billion
Promote sales expansion	116%	¥0.7 billion	¥0.6 billion

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

Regarding our most important issue of compliance and governance, we established a Compliance Committee in 2021, and our 67 preventive measure policy items were all completed as of the end of March 2022. However, the prevention of nonconforming acts is a constantly ongoing matter, so we are continuing to carry on our initiatives and will never let them be forgotten or relegated to the past.

Our progress with exchange work is as shown on the right.

Progress of Replacement, etc. (As of August 31, 2022)

Replacement, etc. started*1	981 buildings (99.0%)
Replacement, etc. completed*2	970 buildings (97.9%)

*1 Includes delivered dampers taken back and readjusted and dampers that will not be replaced.

*2 The number of buildings where replacement work, etc. has started includes buildings where replacement or other work has been completed and buildings where it has been decided not to replace the dampers. It is not the number of buildings in the Corrective Measures Completion Report submitted to the specified administrative agency

FY2022 Basic Policy

Finalize the Medium-Term Management Plan, Concentrate All Energy on Achieving Targets

FY2022 is the year in which we will complete the current medium-term management plan, so we will achieve the final targets that we have set forth. To create a foundation for the next medium-term management plan, we will concentrate management resources and distribute them among the three business units of AC Operations, HC Operations, and the Special-Purpose Vehicles Division, and adopt a product strategy of contributing to society through developing and providing high-value-added products. In addition, we will promote innovative manufacturing that focuses on automation which makes use of digital technologies

such as AI and IoT and steady cost reductions, and strive for continuous growth and strengthened earnings capacity.

FY2020-2022 Medium-Term Management Plan Financial Targets

	FY2022
Net sales	¥390.0 billion
Segment profit	¥25.8 billion
Segment profit ratio	6.6%
Equity ratio	37%

In addition to reviewing and evaluating FY2021, we are setting the following as our Basic Policy for FY2022.

Key initiatives	Main implementation details
Compliance and strengthen governance	<ul style="list-style-type: none"> • Instill corporate culture of awareness of norms, • Continue group-wide activities to prevent nonconforming acts
Response to social demand	<ul style="list-style-type: none"> • Thoroughly conduct health management, including infection control measures • Observe respect for human rights • Initiatives for carbon neutrality 2050 target: achieve carbon neutrality
High profit structure	<ul style="list-style-type: none"> • Strengthen added-value manufacturing control, KPI Management • Complete reorganization of unprofitable business divisions / plants and offices / products • Promote the global total cost reduction activity • Launch optimization of Group production system • Promote global KPS activities
Human resource development	<ul style="list-style-type: none"> • Optimal reassignment of human resources after group reorganization, carry out rotations • Promote DX by hiring and training digital human resources
Growth strategy	<ul style="list-style-type: none"> • Plan strategy to enter new markets and create new products • Invest management resources in growth fields
Safety first	<ul style="list-style-type: none"> • Thorough preventive measures against workplace injuries and fires (zero workplace injuries or fires)
Quality management	<ul style="list-style-type: none"> • Reform quality awareness based on quality education

Products + Human Resources + the Future

A New Challenge for Kayaba

Mobile Home Research Project

The team formed for this project centers on the Special-Purpose Vehicles Division, but also taps the experience of AC Operations, HC Operations, and other R&D departments.

It uses Kayaba's vehicle customization skills and suspension technology to pursue safe and enjoyable driving, launching work on offering new value, such as vehicles that can serve as a living space in times of disaster.

We are working to achieve our plan of exhibiting at the Tokyo Auto Salon which is scheduled to be held in January of 2023.



Interviewing for a magazine at Kumagaya Plant



- Pursuing safety using technology
- Offering living spaces during times of disaster



Vibration control technology + Power control technology



Ukyou Katayama (front right) started providing his services as an advisor



Kayaba's push to enter the mobile home business was featured in the September 2022 issue of Auto Camper (in Japanese only)

Rally Project

A rally team managed by the Company has been launched, with the Motorsports Dept. at the core. It is working on training developers and raising motivation with the aim of new product development. They are making preparations to compete as an independent team in the 2023 Japanese Rally Championship.



Shock Absorbers for Racing

- Train engineers who can conduct development from a vehicle perspective
- Increase company employee motivation
- New product development

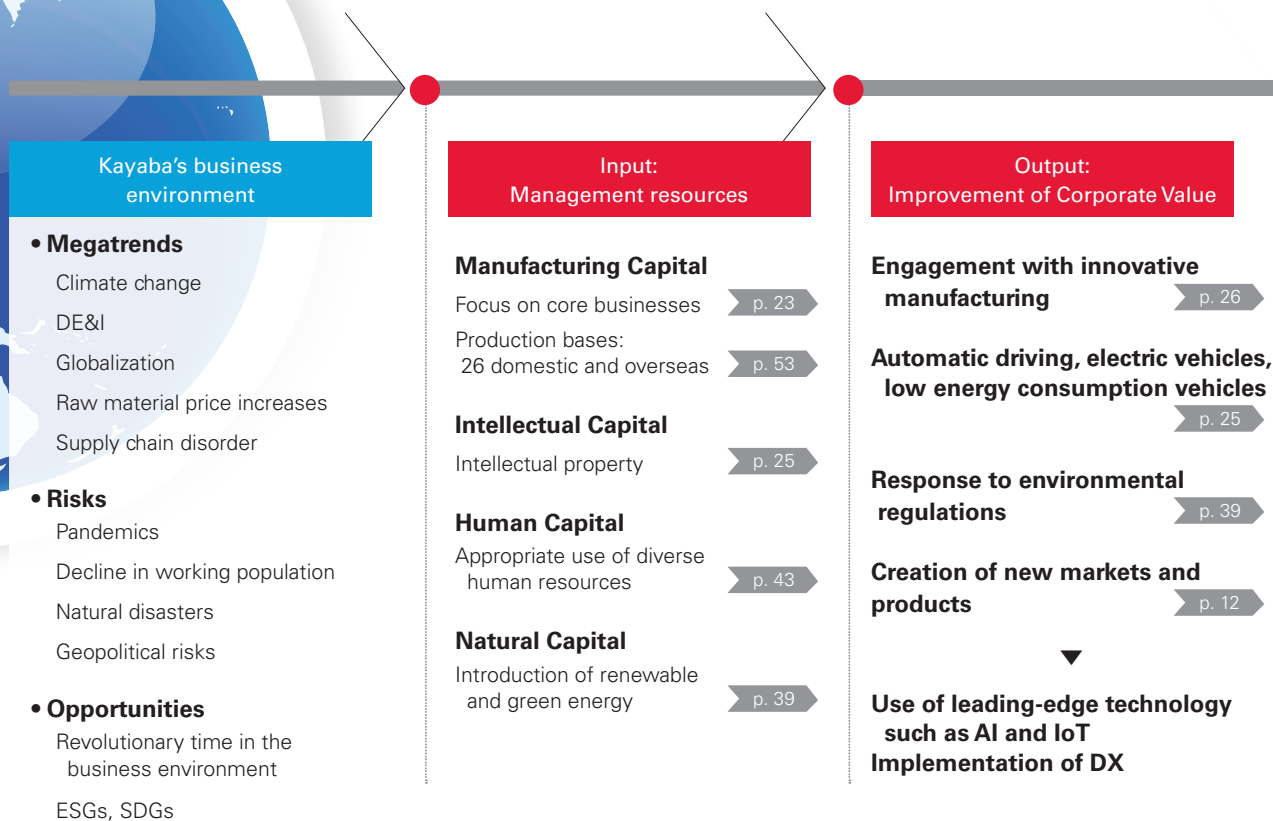


NUTAHARA Rally Team, sponsored by Kayaba

Value Creation Process

Improving Mid- to Long-Term Corporate Value

We are in the midst of the kind of revolution that occurs once every 100 years. At Kayaba, we are aiming at our 2030 target of contributing to society through vibration and power control technology with a core of hydraulics. On the foundation of the Corporate Spirit and the Management Vision, we will maximize use of the Group's management resources while generating new value through innovative manufacturing craftsmanship.



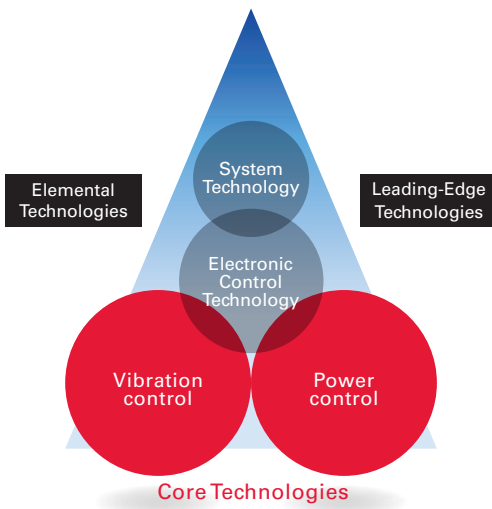
Corporate Spirit

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

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

Kayaba's target for 2030

Value creation



To be a corporation that contributes to society through vibration and power control technology with a core of hydraulics.

Outcome:
Offer value to society

Products	Products that contribute to the sustainability of society	
	<ul style="list-style-type: none"> • Active suspension systems (electronically controlled suspensions for automobiles) • Next-generation hybrid suspension systems (height adjustment suspensions for automobiles) • Electrically powered pumps (Device installed in electric vehicles) • Load sensing (Electronic control and hydraulic system for hydraulic excavators) • Smart road monitoring (New service that uses DX) 	<p>p. 24</p> <p>p. 24</p> <p>p. 24</p> <p>p. 25</p> <p>p. 18</p>
Management	Evolution into ESG management	p. 27
Environment	Achievement of a decarbonized society	p. 38
Production	Next-generation innovative plant	p. 26
Technology	Response to electric vehicles and automation trends, new services through the use of electronic control and hydraulic systems as well as DX	p. 24
Human resources	Creation of a place where diverse human resources can work to their potential	p. 43

Management Vision

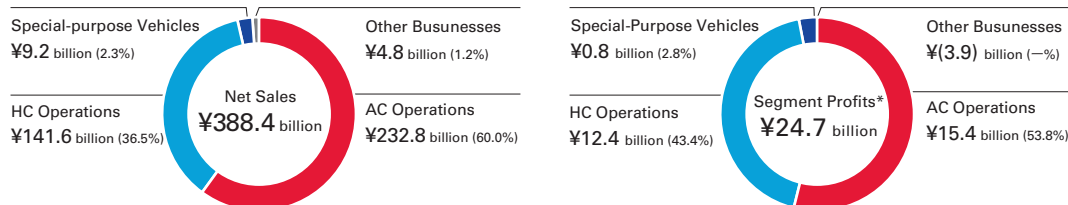
- Human Resource Development:**
To develop human resources who have a thorough understanding of our policies and strategies and can accomplish our goals with passion.
- Technology and Product Development:**
To offer products that gain the admiration, provide comfort and satisfy all of our customers throughout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

Business Outlook for the Kayaba Group

The Three Mainstay Businesses

Kayaba's business and product segments have, up to now, been placed in three classifications: Automotive Components (AC), Hydraulic Components (HC), and other businesses (including the Special-Purpose Vehicles Division, Aircraft Components Division, System Products and Electronics Components). However, we plan to select and concentrate on the three business units of AC, HC, and Special-Purpose Vehicles, and will optimally distribute management resources among them.

FY2021 Performance



*Segment profits correspond to operating income in JGAAP.
Note: Other businesses refers to Electronics Components and the Aircraft Components Division

AC Operations



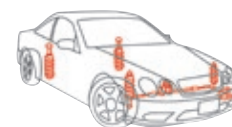
With vibration control technology at the core, this business unit develops and offers a wide range of products primarily for automobiles, motorcycles, and railway cars. AC Operations'

products are at use in many situations where comfort, safety and maneuverability are required, from secure, comfortable drives with the family to withstanding the harsh conditions of motorsports.

Main Product Lineup

Automotive

Through the pursuit of technology, we are able to offer automotive components that offer users advanced maneuverability and drivability. We support comfort, security and excitement in any driving situation, from a family outing to a challenging motorsports event.



HC Operations



With power control technology at the core, this business unit develops and offers various kinds of hydraulic equipment for construction machinery and industrial vehicles. In addition, it expands the potential of hydraulics to new areas, such as for stage mechanisms that support theater productions. It deals in compact precision, digitization, and the creation of systems, thereby providing support at the sites where manufacturing takes place.

Construction Machinery

We have worked to meet the needs of construction sites for machinery that does not break even when used for long periods of time, day and night, and under harsh conditions, such as extreme cold or scorching heat. We develop and manufacture all of our drivetrain components (control valves, piston pumps, travel motors, swing motors, cylinders, etc.) in-house, and are also involved in system proposals for construction machinery.



Special-Purpose Vehicles Div.



This business unit develops and manufactures specially equipped vehicles, mainly the concrete mixer trucks for which it enjoys the top domestic share. The products have a

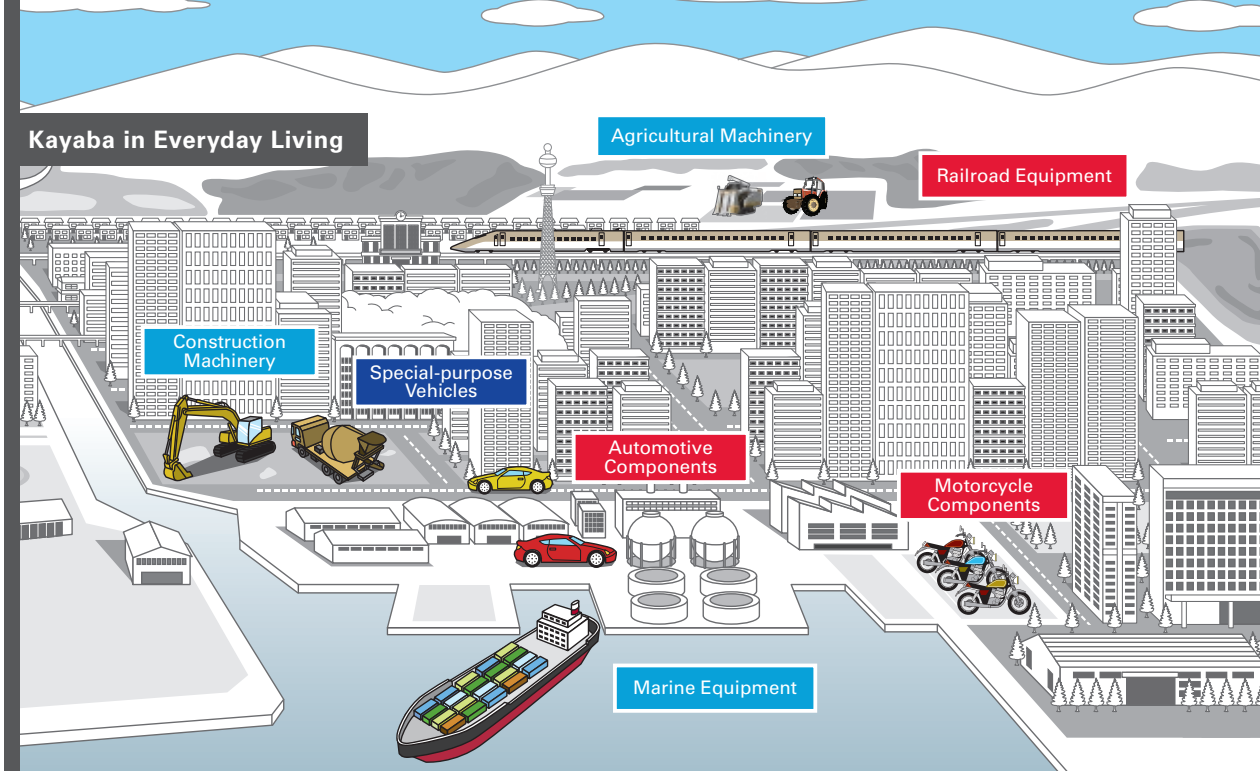
lineup that ranges from small to large sizes, and they increase work efficiency on construction sites with high kneading, discharge, and environmental performance.

Special-Purpose Vehicles

Our special-purpose vehicles, which have the highest market share in Japan, support comfort in all environments.

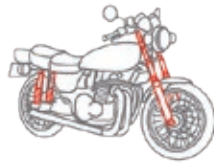


Note: Kayaba has been involved in the business of hydraulic equipment for aircraft since our establishment. However, as a result of a comprehensive reexamination of our business portfolio and in order to strengthen corporate competitiveness through the selection and concentration of management resources, we decided to withdraw from the aircraft components business in February 2022. We are in the process of phasing out all operations of the Aircraft Components Division, including repairs.



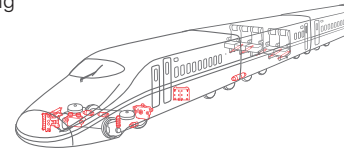
Motorcycles

We make motorcycle components for the highest level of riding stability by using world-class race-proven technology designed for extreme speed and safety. We support comfortable driving and superior maneuverability. Our shock absorbers for snowmobiles and chairs skis are specially designed to operate in the snow.



Railroad Equipment

Our railroad equipment helps achieve comfortable high-speed travel by buffering rolls from air pressure when cornering, passing oncoming trains or entering tunnels.



Industrial Vehicles

We provide industrial vehicles equipment which improved operational efficiency for forklifts and other vehicles.



Agricultural Machinery

Our agricultural machinery components save space and energy for easier farming.



Industrial Machinery

We supplies components for industrial machinery from elevators to factory equipment to help accelerate production.



Marine Products

Our hydraulic and tension control technologies make work at sea easier, including for ships operating remote devices for deep sea exploration, as well as for transport ships, supply ships and rescue ships.



Other: Sports and social welfare products

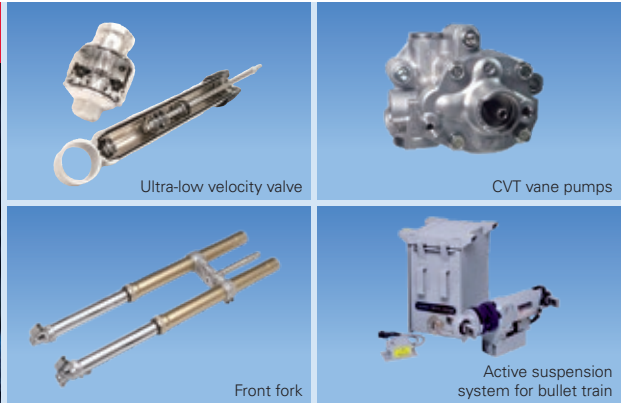
We use our core technology to develop products used for sports and social welfare.



Kayaba is an official sponsor of the Alpine Skiing National Team of the JAPAN Para-Ski Federation



Automotive Components (AC) Operations



Main Products

- Shock absorbers for automobiles:** Shock absorbers (original equipment (OE), aftermarket)
- Shock absorbers for motorcycles:** Front forks, rear cushion units
- Hydraulic equipment for automobiles:** Vane pumps, vane pumps for continuously variable transmissions (CVT), hydraulic power steering systems, electric power steering (EPS)
- Others:** Shock absorbers for all-terrain vehicles, free locks, dampers for railroad cars, brakes for railroad cars, active suspension systems for railroad cars

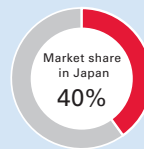
Basic strategy

- Strengthen: Stabilization of our revenue base
- Evolution: Innovative *monozukuri*
- New initiatives: Creation of high-value-added products

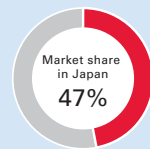
Market Share

Source: Kayaba data (As of March 31, 2022)

Automobiles Shock Absorbers



Motorcycle Front Forks



Goal for FY2022

Establish a position as a core supplier by further strengthening existing projects and core technologies

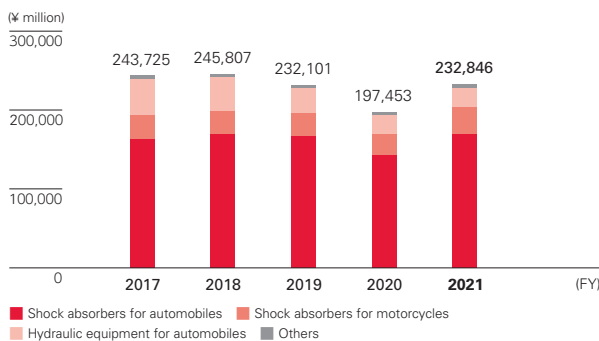
FY2021 Business Environment and Performance

The underlying tone for the year was one of a recovery from the spread of COVID-19 infections. However, our customers lowered production as there were sharp rises in the prices of raw materials and energy as well as a shortage of semiconductors. Further, there were issues in logistics triggered by a shortage of containers and the impact of the worsening situation in Ukraine. Due in part to these factors, the business environment

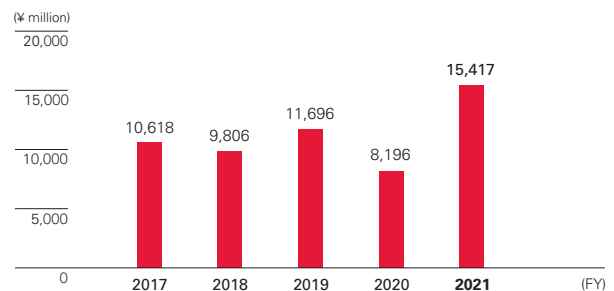
for the year remained severe.

While production remains low for OEM components, sales increased in all areas on the strength of favorable demand for aftermarket shock absorbers to repair used cars, a need triggered by destabilization in the new car market. Also, progress with restraining variable and fixed costs brought segment profits to their highest level ever.

Net Sales*1



Segment Profits*2



*1. As of FY2017, "Royalty income" and "Revenue related to mold compensation," which were previously recorded in "Other income" in the Consolidated Statements of Income, are included in "Net sales."

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

Business Strategy

Stabilization of Our Revenue Base

We are working on the optimization of production by consolidating and reorganizing major plants, cost reduction activities, and structural reform of the aftermarket business.

In advancing with optimized local production, we have closed our power steering plant in Europe, and reorganized our shock absorber plants inside the area to shift concentration from western Europe to eastern Europe. And in EPS production, we have withdrawn from domestic manufacture and changed our focus to China.

In CVT vane pumps, we are constructing a globally optimized production system in addition to reducing surplus production capacity at our motorcycle plants in Asia through production reorganization.

Innovative Monozukuri

In order to strengthen competitiveness, we will reduce processing costs while taking full automation / manpower reductions one step further, and sequentially roll

this initiative out to all plants in Japan and overseas, with a focus on lines for the aftermarket.

Creation of High-Value-Added Products

It is essential to strengthen original technology compatible with EVs, CASE*¹ and MaaS*² along with the accelerating shift in this direction. We have positioned the following as our technology strategy for new markets and new products: "Compatibility with next-generation platform," "Strengthening of our core technology (vibration control and power control technologies)," "Practical application of hydraulics," and "Electric and electronics / systems compatibility." Further, we will create high-value-added products that meet customer needs such as quiet operation, spaciousness, maneuverability, low vibration, and ride comfort.

*¹ Connected cars, autonomous driving, sharing and electrification. This keyword indicates the trend in the automobile industry.

*² Mobility as a Service. A new concept in the transportation service industry for integrating various means of transportation into a single service.

Technological Strategy

Evolving our Core Technology to Offer New Value

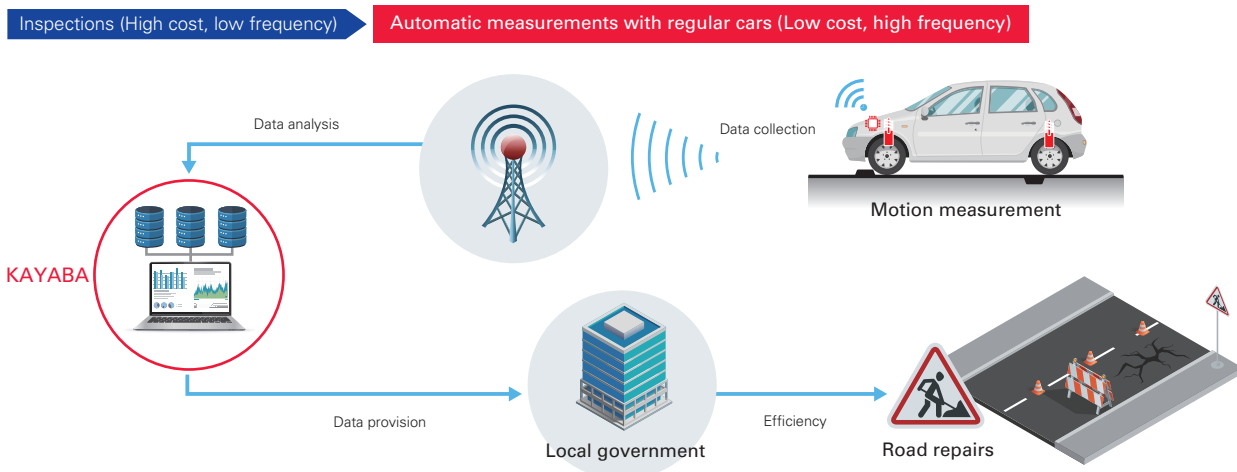
In order to respond to a market that is undergoing a major transformation due to electrification and EVs, Kayaba is developing high-value-added products centered on our core technology and aiming to offer the optimum products to our customers.

Our vibration control technology supports transport equipment such as automobiles and railroads, and they are required to deliver outstanding safety and comfort. Therefore, we are collecting data from road surfaces and running vehicles to advance the development of an active suspension that makes real-time control a possi-

bility, among other initiatives. [See p.24](#)

Also, fusing our vehicle measurement technology and analysis technology with AI and IoT, we have started a "Smart Road Monitoring." This service supports road maintenance management work by using dedicated devices installed on vehicles to automatically collect information on road conditions and detect abnormalities. We have completed verifications of the functions through trial applications in cooperating municipalities, and are adjusting the functionality of this service to prepare it for release.

Smart Road Monitoring



Hydraulic Components (HC) Operations



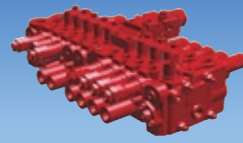
Main Products

Hydraulic equipment for industrial use:

Cylinders, valves, pumps, motors, mini-motion packages (MMP), hydrostatic transmissions (HST)

System products:

Equipment for military vessels, seismic isolation and vibration suppression devices, simulators, hydraulic systems, tunnel boring machines, environmental devices



Control valve



Travel motor



Hydraulic cylinder



Integrated HST (Pump and motor)

Market Share Source: Kayaba data (As of March 31, 2022)

Hydraulic Cylinders



Basic strategy

- Respond to automation and complex needs
- Promote cost reduction and local procurement

Goal for FY2022

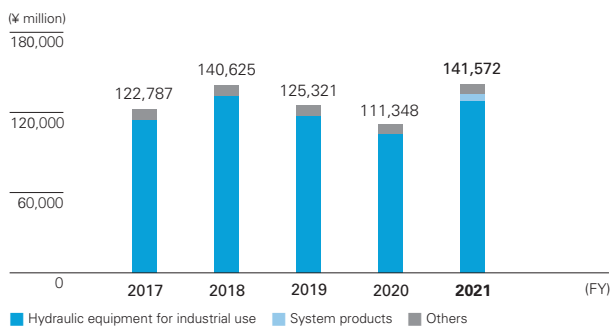
A business that continues to be trusted by customers with products used around the world

FY2021 Business Environment and Performance

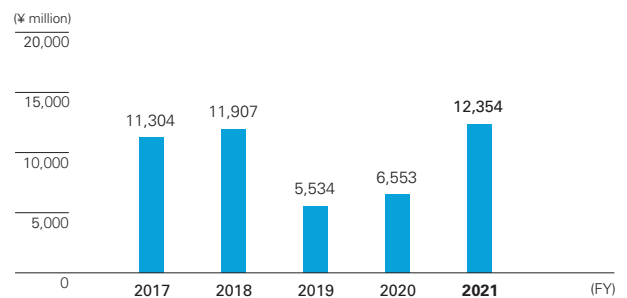
Downside risks are materializing with the sharp rise in raw material costs, the semiconductor shortage, the confusion in logistics due to the lack of containers, and the worsening state of affairs in Ukraine, while high resource prices and a significantly weakened yen are presenting hurdles. However, demand in the

construction machinery market is recovering from the economic stagnation that was triggered by the spread of COVID-19 infections, causing an increase in sales. Segment profits also increased along with the rise in sales, and reached a record high level.

Net Sales*1



Segment Profits*2



*1. As of FY2017, "Royalty income" and "Revenue related to mold compensation," which were previously recorded in "Other income" in the Consolidated Statements of Income, are included in "Net sales." We are disclosing that Systems Products are included in HC Operations as of FY2021 as a result of a review of segment management classification.

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

Business Strategy

Maintaining Our Competitive Edge in Systems Proposals

The powertrain mechanism of construction machinery such as excavators consists of components including a control valve, piston pump, travel motor, swing motor, and cylinders. The fact that Kayaba is one of the few manufacturers that manufactures all of these product

lines and can propose systems for construction machinery manufacturers gives us a major competitive edge. Further, we are not just responding to needs for the construction machinery that we currently work on, but are conducting investigations into new sales opportunities in all markets and regions where we are active.

Technological Strategy

Original Technology that Makes Sophisticated Control a Reality

In response to automation and increasingly complex needs, we are continuing with the development of electronic control models of hydraulic equipment and the creation of product lineups. Going forward, through the upgrading of electronic control systems, we will strengthen our ability to make proposals in line with technological trends such as remote operation, automation, and unmanned operation.

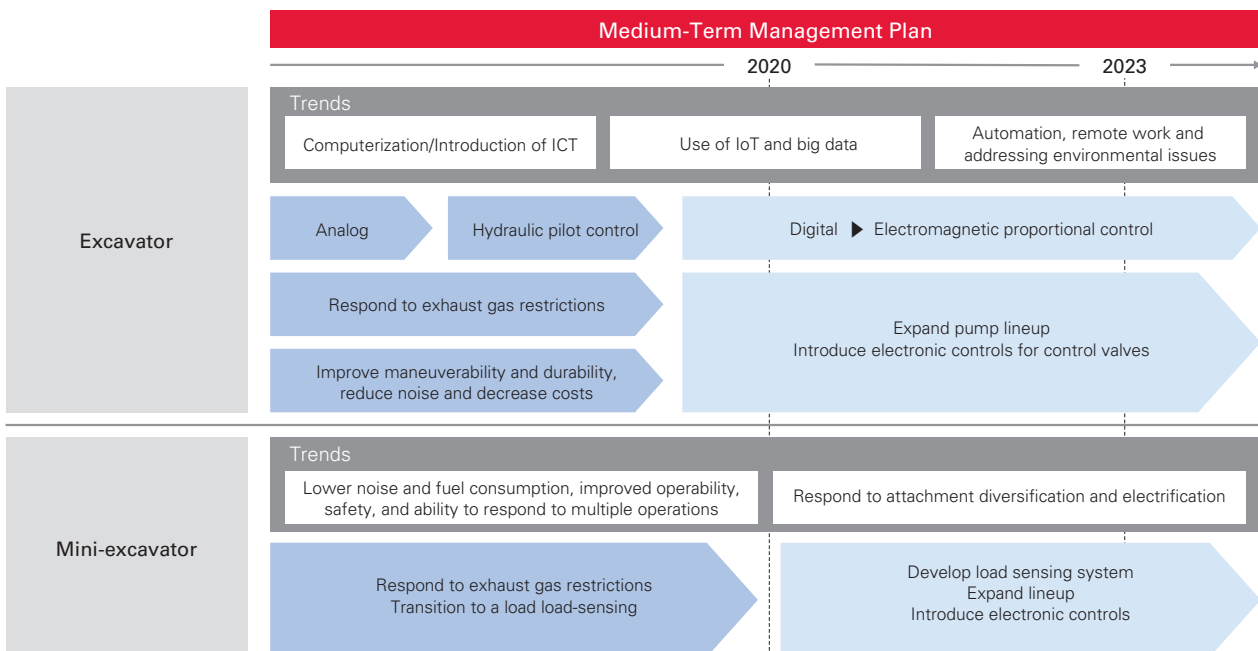
The control valve is likened to the “brain” of a piece of construction equipment. It controls all types of actuators (a drive device that converts energy in a linear or a rotary motion by means of a hydraulic or electric motor), and smoothly performs movements such as driving, turning, and extending or retracting the arm. According to that analogy, the pump would function like the “heart,” and it is there we will generate new value by making advanced controls possible

with a fusion that brings together Kayaba’s strengths of hydraulic technology, electric controls, and sensing technology.

In mini excavators, we are working on load sensing in order to respond to market needs such as low noise, low fuel consumption, improved operability, and attachment diversification, as well as the increasing necessity of environmental compatibility. Load sensing provides benefits including making simultaneous or combined operations that depend on operator’s experience easier, conserving energy, and making electrification and automation possible without affecting the load. For social needs such as SDGs and carbon neutrality, we are moving forward with efforts for the next generation, such as the research and development of electrified products.

*Load sensing: A system in which the load sensed by the valve is sent to the pump. The system is able to adapt the flow rate to the pressure required for operation.

Market Trends and Kayaba Technologies



Special-Purpose Vehicles Division

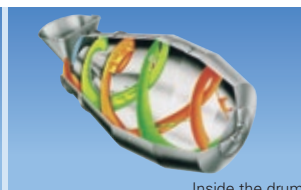


Main Products

Concrete mixer trucks, granule carriers, pruned tree shredder trucks, specialfunction vehicles, tilting drum mixingmachines



Concrete mixer truck



Inside the drum



Concrete pouring chute



Product Lineup

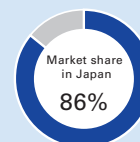
Basic strategy

- Achieve continuous growth, aim to be a business that makes our employees feel pride.
- Undertake business that is kind to the planet and to people

Market Share

Source: Kayaba data (As of March 31, 2022)

Concrete Mixer Truck



Business Strategy

The Special-Purpose Vehicles Division strengthens its profit structure through the development of high-value-added products for domestic market needs, and accelerates the research and development of new products that can contribute to the decarbonization of

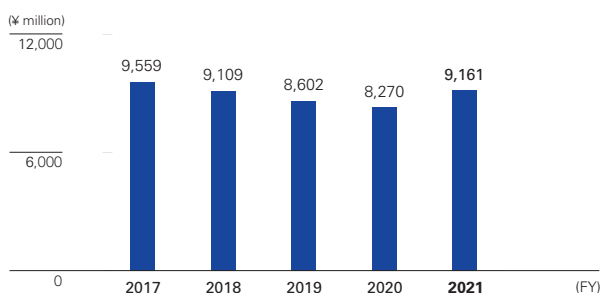
society as well as next-generation products in collaboration with other business units. Overseas, it is advancing with the development of the foundation for a special equipment global system through the formulation of new overseas business plans.

FY2021 Business Environment and Performance

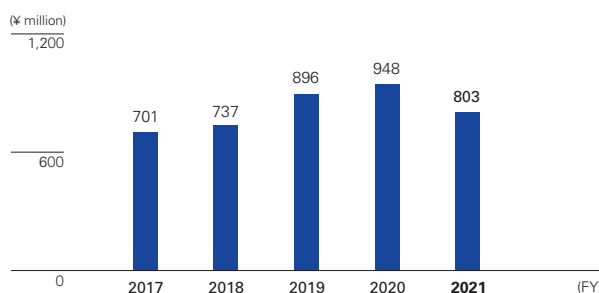
The Special-Purpose Vehicles Division focuses on concrete mixer trucks, and shipping was reduced moving into second half of the fiscal year due to the impact of the shortage of semiconductors. Yet with the recovery

from the impact of the spread of COVID-19 infections in the previous year, sales increased 10.5% over the previous fiscal year. However, segment profits declined due to the sharp rise in the steel material market.

Net Sales*1



Segment Profits*2



*1. As of FY2017, "Royalty income" and "Revenue related to mold compensation," which were previously recorded in "Other income" in the Consolidated Statements of Income, are included in "Net sales."

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

External Assessments (FY2021)

Awards List

Year and month	Name of award/certification	Awards side	Notes	Awarded
April 2021	Technology Development Award	Yamaha Motor	Development of KADS, an electronically controlled suspension system for motorcycles	Kayaba, KMS
June 2021	Technical Development Award	Japan Fluid Power System Society	Development of "ASTRIC," fully active suspension system for railways	Kayaba
	Quality Excellence Award	General Motors	Fifth Consecutive Year	KYBT (Thailand)
July 2021	S Class, Businesses with excellent energy conservation	Agency for Natural Resources and Energy	Installation and enhancement of an environmental maintenance system	Kayaba
	QCDS Best Performance Award Regional Quality Award	Jatco		Kayaba
	QCDS A Rank Award	JATCO (Guangzhou) Automatic Transmission		KIMZ (China)
	QCDS Best Performance Award Regional Quality Award	Jatco (Thailand)	Received award every year since the establishment of JTL (eighth time)	KST (Thailand)
	Superior Product Quality Award	Nissan Motor	Manufacture of camshaft bracket installed in engine	KYB-YS
August 2021	Global Supplier Award	Bosch	Fourth time	Takako
	FY2021 SQEP* Platinum Level	Caterpillar	Yearly quality maintenance, on-time delivery rate	KIMZ (China)
October 2021	Excellent Technology Award	Aisin	An external proportional solenoid adjustable damping force shock absorber	Kayaba
	Green Industry (level 3)	Thailand Ministry of Industry	Awarded to companies that have extensively introduced environmental management systems	KYBT (Thailand)
	Top Performance Award	Bosch Rexroth		TAC (America)
	Mobility-related Component Prize in the Super Monozukuri Component Awards	Nikkan Kogyo Shimbun	An external proportional solenoid adjustable damping force shock absorber	Kayaba
November 2021	Gifu Inventors Exhibition Gifu Textile Association President Award	Gifu Inventors Association	Patent No. 6788395 (Invention involving the Mini-Motion Package)	Kayaba
	AI & Robot Committee Special Award	Mobile Computing Promotion Consortium	Development of Smart Road Monitoring	Kayaba
December 2021	Quality Excellence Award	Caterpillar	Improvement of the quality of hydraulic excavator components	KYB-YS
	Excellent Quality Award	Sumitomo Heavy Industries (Tangshan)		KIMZ (China)
January 2022	FY2021 SQEP Gold Level	Caterpillar	Yearly quality maintenance, on-time delivery rate	Kayaba
	Excellent Supplier	Sany Heavy Industry		KIMZ (China)
	Excellent Supply Award	Hitachi Construction Machinery (China)		KIMZ (China)
February 2022	2021VA-VE&COST KAIZEN	YAMAHA MOTOR VIETNAM	Cost reductions by shifting to domestic production of inner tube IH	KMV (Vietnam)
	Level A	Toyota Co-operation Club	Safety activity (Third consecutive year)	KYBT (Thailand)
March 2022	Safety best practice	Toyota Daihatsu Engineering and Manufacturing	Safety activity (Third consecutive year)	KYBT (Thailand)
	Best Supportive Award	BSH	Quick response including QCD (Third consecutive year)	KMSB (Malaysia)

*SQEP: Supplier Quality Excellence Program

Note: KMS: KYB Motorcycle Suspension Co., Ltd., KYBT: KYB (Thailand) Co., Ltd., KIMZ: KYB Industrial Machinery (Zhenjiang) Ltd., KST: KYB Steering (Thailand) Co., Ltd., KYBT: KYB (Thailand) Co., Ltd., TAC: Takako America Co., Inc., KMV: KYB Manufacturing Vietnam Co., Ltd., KMSB: KYB-UMW Malaysia Sdn. Bhd.



Technical Development Award (Jun. 2021)



QCDS Best Performance Award, Regional Quality Award (Jul. 2021)



QCDS A Rank Award (Jul. 2021)



Green Industry (level 3) (Oct. 2021)



Top Performance Award (Oct. 2021)



Quality Excellence Award (Nov. 2021)

Monozukuri

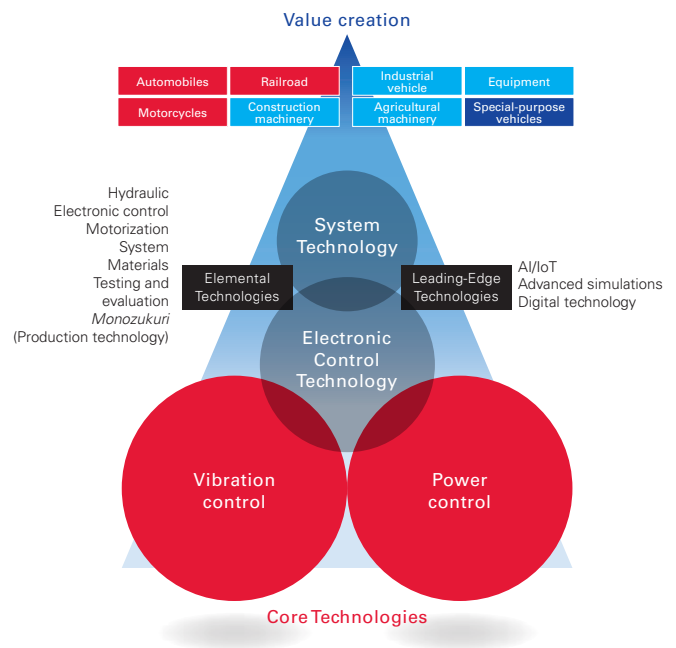
Creating Value with Manufacturing Craftsmanship

The origin of Kayaba traces back to the 1919 establishment of the Kayaba Research Center by our founder and inventor, Shiro Kayaba. For over 100 years since then, we have continued to refine hydraulic technology. Featuring advanced technology and high quality, the present-day our shock absorber enjoys a 13% global share. Further, though efforts for innovative manufacturing using DX and new business creation, the Group will work together to provide manufacturing craftsmanship that will contribute to finding solutions to various issues such as environmental/social problems, the promotion of carbon neutrality, and the achievement of the SDG targets.

Technology Development

In their efforts to develop technologies and products, our research centers, business units, and group companies collaborate to combine vibration control and power control technologies with all underlying technologies, such as electronic control technology. When compared with other driving methods such as electric power or pneumatic pressure, hydraulics can deliver a more powerful output from a small device. They excel in responsiveness, and are characterized by their ease of control. And even in the current era of rapid technological evolution, we believe that hydraulic technology will make a valuable contribution to the development of society. Therefore, we are not only further deepening our core technologies, but also responding to changing times by adopting cutting-edge technologies such as AI, IoT, the promotion of DX, and advanced simulations to promote the systemization of products. We are also taking on the challenge of developing the next generation of hydraulic equipment that offers both higher efficiency and better safety, such as automated ICT construction machinery using electronic control.

Conceptual Diagram of Kayaba's Technology



Technology Development System

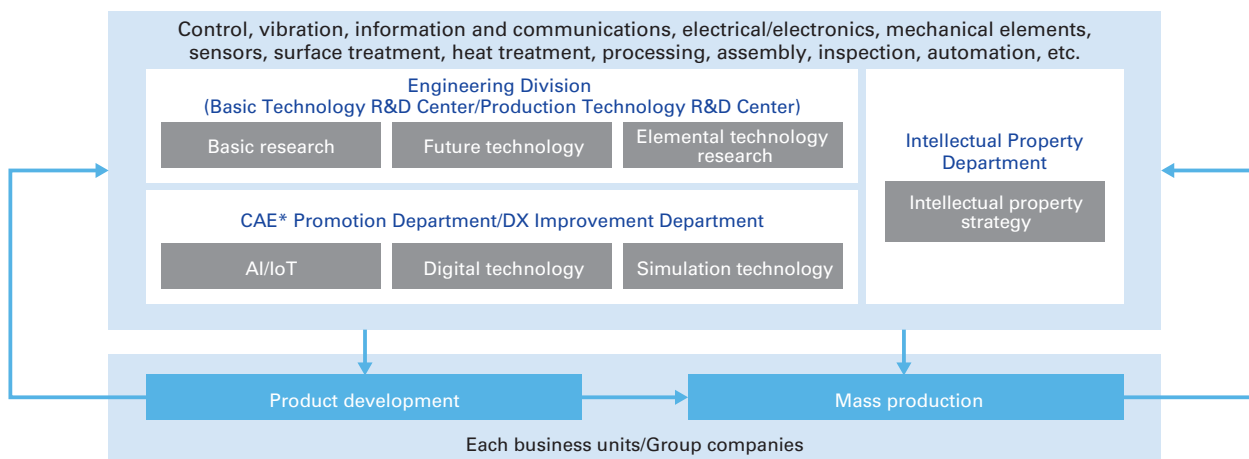
Kayaba uses its engineering, global production, and sales sections in concert to promote new technology and value creation while actively engaging in the development of advanced technology aimed at the resolution of social issues such as energy conservation and the reduction of materials with environmental loads.

At our Basic Technology R&D Center and Production Technology R&D Center, we investigate and analyze long-term environmental changes and the accompanying changes in the needs of society and our customers, and conduct R&D focused on the ideal for future technologies based on our forecasts and the creation of road maps that clarify the related long-term strategies. In basic research, we are conducting research for the next generation of businesses and products as well as underlying technology research, and converting the results into tangible assets by, for example, developing an integrated system that combines electronically controlled suspension and electronic power steering technologies for the self-driving vehicles of the future.

At the same time, the engineering divisions of each business unit are also improving the performance and lowering the cost of existing products, conducting original product development, and moving them into mass production.

In the Engineering Div., we are conducting basic research, future technology research, and underlying technology research while using our intellectual property strategy and digital technology. We then use this research for product development and mass production at our business units and group companies in a process that accumulates and upgrades technology on a Group-wide basis. In addition, we are using the technologies and know-how we have accumulated from our R&D to move toward the in-house production of manufacturing equipment and metal molds. Further, seeking to optimize and accelerate our R&D, we are forcefully engaging in efforts for efficiency and productivity improvements, such as data analysis using AI, in addition to actively promoting DX throughout the Group.

Kayaba's Technology Development Process



*CAE: Computer-Aided Engineering. The use of computer simulations to resolve issues faced by technical departments.

Initiatives for New Product Development

Vibration Control: New EV and Automation Compatible Services Using DX

In Europe, China, and the ASEAN region, the demand for EVs and new energy vehicles is growing, spurred on by governmental policies.

Kayaba offers products such as electric power steering and transmissions as well as CVT vane pumps that low fuel consumption needs for automobiles. Furthermore, we are using the electronic control and electrification technologies we have fostered to

develop low energy consumption electric pumps that output only the required pressure and output as well as highly efficient electric pumps for e-Axle.

e-Axle poses gear lubrication and motor/inverter cooling challenges. We believe that, through the development of electric pumps that respond to these issues, we can contribute to the reduction of electricity and fuel consumption in an EV-base society.

High Safety and Comfort Required by Mobility Shift

Electronic control

Pursuing safety and comfort in the automatic operation and EV era with the advanced integration of our core technology and electronic control systems

Active Suspension System

- Pursuit of safe function / ultimate flat ride

Electronic control Suspension for Automobile

Next Generation Hybrid Suspension System

- Next generation vehicle height adjustment + suspension system
- Improve aerodynamic performance
- Reduce electric power / fuel consumption
- Improve vertical movement

Vehicle height adjusting suspension

Reducing Electricity and Fuel Consumption

e-Axle

Contributing to reducing the electricity and fuel consumption of EVs/mobility with an advanced integration of our core technology with electronic control and electrification technologies

Electric Pump

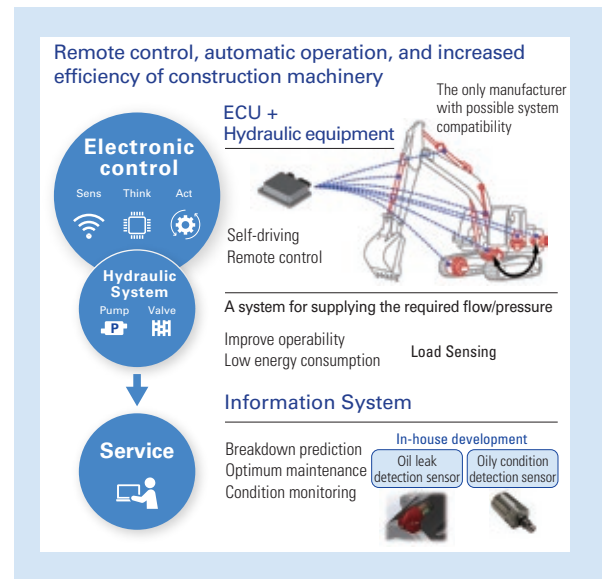
- Providing electric pumps for lubrication/cooling for electric vehicle equipment
- Highly efficient pump/motor control technology
- Proposals for oil pressure / hydraulic system maintenance

**Power Control: Industrial Machinery
—Electronic Control and Hydraulic Systems**

Kayaba’s strength lies in that we are the only manufacturer with a full lineup of hydraulic products for construction machinery—valves, pumps, motors, and cylinders—in addition to handling electronic control systems.

Currently, we are working in such ways as expanding our lineup of pumps and load sensing devices and developing electronically controlled hydraulic systems to strengthen our ability to respond to such customer needs for construction machinery, such as automation, unmanned operation, increases in efficiency, and improvements in operability.

Further, our newly developed sensors perform detection and sensing of leaks in hydraulic equipment, and combining them with DX technology makes breakdown prediction and maintenance a reality. This means that construction machinery that has Kayaba-made products installed can be used for a longer time, which in turn contributes to a more sustainable society.



Intellectual Property Strategy

In the Kayaba Group, our R&D departments and intellectual property departments collaborate to actively generate intellectual property and conduct the appropriate protection and usage thereof. These intellectual property initiatives create growth for our business and increase our corporate value.

R&D departments and intellectual property departments regularly hold an Intellectual Property Strategy Meeting, in which they discuss R&D themes from an intellectual property perspective. In these meetings, the participants think of every single invention from the results of the R&D themes and attach them to patent applications. Through this procedure, we actively apply for patents, obtain rights, and protect our original products and technologies.

As a result of these initiatives, we hold the highest number of patents worldwide that are related to protecting our major products of shock absorbers and hydraulic cylinders.

In recent years, we have been obtaining patents by strategically generating inventions based on our technology strategies and product concepts. Also, we work to inventory the patent rights we own and to apply for patents in carefully selected overseas countries. We obtain and manage patents necessary to protecting the

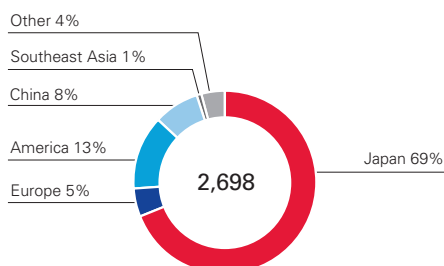
global competitive edge of our business.

Furthermore, we are working on a new initiative for using information on intellectual property in research and development. In order to create the technology of the future, we analyze and understand technology trends and the position of Kayaba and the competition using intellectual property information from the early stages of R&D, pinpoint the strategy for each technology, and incorporate that into our R&D. Also, we use IP landscaping* to formulate our technology strategy, and for the purpose of building a patent portfolio for our core technology, we have been testing cooperative IP landscaping that links the engineering departments and intellectual property departments of each business unit since 2021.

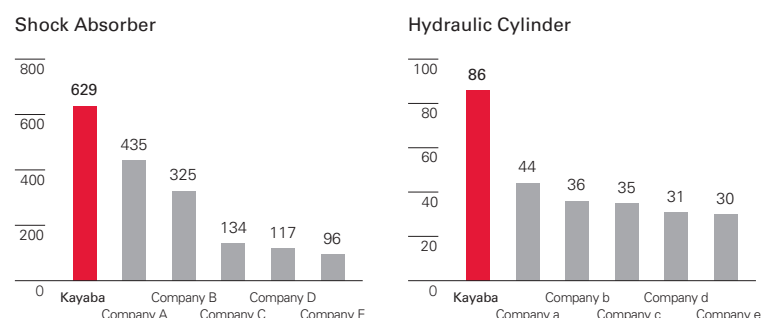
In initiatives to protect our corporate and product brands, we are responding with formal legal objections to counterfeit trademark applications, particularly in China, and exercising our trademark rights against counterfeit products such as shock absorbers. In these ways, we are endeavoring to maintain and increase the value of our corporate brand.

*IP landscaping: To create proposals for strategies that contribute to intellectual property management by analyzing intellectual property information.

Ratio of Domestic and Overseas Patents Retained (As of March 31, 2022)



Number of Related Patents Retained (As of May 12, 2022, based on our own research)



Products Built with the Environment in Mind

We believe that conducting environmentally friendly manufacturing activities is essential, and promote R&D that incorporates environmental considerations up to the manufacture of a product. Centering on the Environmental Regulation Response Group established in FY2020, we are responding to the REACH Regulations* as well as sharing and seeking out information from all countries related to social environmental regulations, such as the elimination of Pb.

We are working on products that contribute to renewable energy, energy conservation, and the reduction of CO₂ from the viewpoint of achieving carbon neutrality by 2050.



*REACH Regulations: REACH stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. It is an EU law intended to protect human health and the environment while fostering competitiveness within the European chemical industry.

Innovative Manufacturing for the Next Generation

We have worked to evolve the sites of Kayaba's manufacturing craftsmanship starting from conveyor belt manufacturing in the post-WWII period, responding to widely changing social conditions and flexibly moving from mass production to high-mix low volume production.

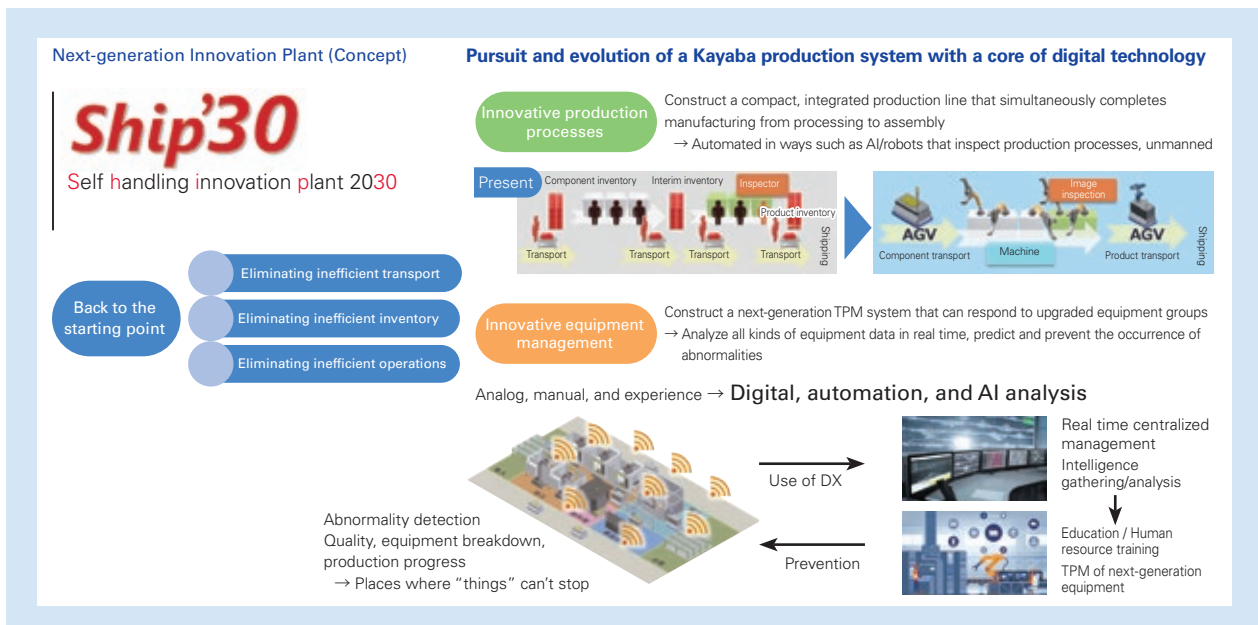
Kayaba is still looking toward the next generation. We have started work on Ship'30, an initiative that will further evolve manufacturing sites. The Ship'30 initiative is aimed at the breakthrough achievement of constructing an unmanned plant by 2030—an innovative plant that will be fully self-sufficient with a foundation of digital technology.

The initiative focuses on two major aspects of innovation: production process and equipment management. It will make possible an innovative manufacturing method with a compact production line that perfectly synchronizes processing and assembly. We are aiming to create a plant that ultimately will not rely on humans at all, and that minimizes transport, inventory, and work at the manufacturing site with innovative equipment management using the latest technology yet retaining the basics of equipment maintenance.

In production process innovation, automated guided vehicles (AGV), robots, and imaging examination are incorporated into processing to create a highly efficient production line, allowing for unmanned operation and reduced inventory.

In innovative equipment management, we will set up a system that conducts real time centralized management of all kinds of data from equipment in operation while predicting the occurrence of an abnormality before it happens using AI. And we will completely prevent issues, providing training for and implementing next-generation total productive management (TPM; an approach that engages all employees in production maintenance and production management) that is fitted to upgraded equipment groups.

Through the Ship'30 initiative, we are building a worksite where processes run flawlessly on highly efficient production lines (through production process innovation) with high reliability (through cutting-edge equipment management), and aiming to bring our unmanned plant into operation globally in 2030.



ESG Management

Creating Value Through ESG Management Promotion

Kayaba sets ESG management as the foundation of its policy development. We are not only responding to environmental needs, but also promoting the development of products that contribute to a sustainable society and connecting the resulting business opportunities to an increase in corporate value. Our ESG Promotion Office is at the forefront of developing basic environmental, social, and governance policies enacted throughout the Group. In addition, we are building trust through collecting data on all of our in-house ESG initiatives and fulfilling our reporting accountability to our stakeholders.

Corporate Spirit

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

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

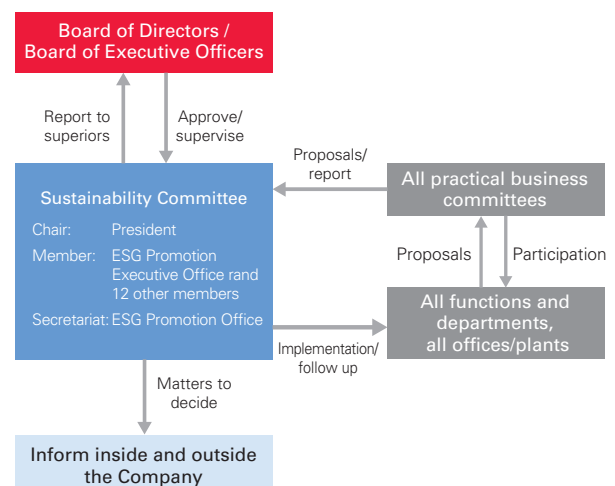
Basic Policy for ESG

- With ESG management as the basis for formulating policies, we will establish an overall picture (our values, business model, sustainability, growth potential, etc.) for our value creation cycle.
- We will also reexamine existing initiatives in terms of ESG initiatives and communicate them outside the Company in order to foster trust.

Sustainability Promotion System

The promotion of ESG management is essential for a globally operating corporation to continue achieving sustainable growth. The standard for management is to not simply pursue profits, but to also contribute to society.

At Kayaba, we are also seeking to strengthen our promotion of initiatives for ESG related to a sustainable society. To that end, we established the Sustainability Committee, an organization that oversees the entire Group, in March 2022. The President serves as the Committee Chair, and it is composed of the executives in charge of ESG promotion, the general managers of production, engineering, sales, accounting, safety, purchasing, and others as well as the general managers of all business units. Through debating issues related to sustainability such as policies and management/measures for progress toward achieving targets, we are aiming to make the Kayaba group a corporate entity that contributes to society.



Outline of Activities

	Key issue	Kayaba's initiatives	Related SDGs
Governance	Corporate governance	Corporate governance Internal Control and Compliance Risk Management	
Environment	Environmental preservation	Environmental Management Measures against climate change Mid- to long-term Policy for Achieving Carbon Neutrality Environmental Impact by Business Activity	     
Social	Labor practice	Human Development Respect for Human Resources and Diversity work-life balance Promotion of Health Management Creating a Safe, Secure Working Environment	   
	Human rights	Respect for Human Rights	
	Quality assurance	Quality Management	  
	Fair Business Practices	Supply Chain Management	     
		Strengthening Our Management Foundation ESG education and human resource development External communication to foster trust	  

Initiatives to Strengthen our Foundation

In July 2021, centered on the newly established ESG Promotion Office, we set out to develop basic environmental, social, and governance policies across the entire Group and promoted the strengthening of the foundation. In addition, we redesigned existing initiatives into efforts for ESG and actively provided information inside and outside the Company, thereby earning trust.

Specifically, we started providing a serialized article in our in-house company newsletter on ESG and the

SDGs as part of our ESG education. We are introducing specific efforts for the SDGs that anyone can easily get involved with, and provide enlightenment on issues such as carbon neutrality and diversity. Also, we started an education course (e-learning) entitled "SDG Basics" for all employees in FY2021. In these ways, we are educating human resources who understand the links between their everyday work and the targets of the SDGs, and have the ability accomplish their social responsibility in their daily work.



From an article of in-house newsletter

In-house Company Newsletter Article Content List (Aug. 2021– Mar. 2022)

	We Can Start Right Now with SDGs	Kayaba and the ESG Improvement Sect.
Aug. 2021	What are the SDGs	ESG Promotion Office was established on July 1
Sep. 2021	Let's reduce carbon dioxide emissions!	Efforts for Carbon Neutrality
Oct. 2021	Let's reduce plastic waste!	Initiatives for Plastic Resource Circulation
Nov. 2021	Work in happiness every day!	Reduce overtime and make time to enjoy life
Dec. 2021	Let's Think about Diversity and Understanding!	Efforts to Respect Human Rights
Jan. 2022	What Is Carbon Neutrality? (Fundamental knowledge)	Kayaba's efforts
Feb. 2022	Let's use our limited resources carefully	Reducing industrial waste
Mar. 2022	Know the facts The first step to a peaceful world	Enforcing human rights due diligence

Response to TCFD

We are aware that taking measures against climate change is one of the most important initiatives in which the Kayaba Group should engage. During FY2022, we will adopt the Task Force on Climate-Related Financial Disclosures (TCFD) framework, planning to further strengthen our efforts.

Governance

The Kayaba Group has established the Sustainability Committee as an organization that formulates policies concerning management related to a range of environmental, social, and governance issues, including countermeasures against climate change issues.

In addition to beforehand discussions on the policies and strategies to be determined by the Board of Directors, the Sustainability Committee also discusses management, evaluation, and measures related to the progress of achieving targets in order to fully demonstrate the supervisory function and monitoring function that the Board of Directors is intended to accomplish. In FY2021, we discussed numerical targets related to climate change (CO₂ emissions volume*¹ decrease by 50% compared to 2018) and the establishment of an industry ESG Working Team (one that will promote concrete action on climate change issues in all business units).

Strategy

The Kayaba Group has the target of achieving carbon neutrality by 2050. We are working to achieve greenhouse gas output reduction targets, taking measures to decrease materials with environmental load in our products, and developing products with low CO₂ emissions and that conserve energy. Also, we have started to select and conduct qualitative investigations into risks to business continuity, such as risks related to the supply of energy and raw materials due to climate change and risks due to the changes in consumer needs, as well as the business opportunities that will arise from their impact. Going forward, we will analyze physical scenarios and transition scenarios, and incorporate the results into our business strategies and management plans.

Going forward, we will understand the risks and opportunities that accompany climate change based on TCFD recommendations, incorporate them into business strategies, and actively disclose information, thereby endeavoring to increase corporate value.

Risk Management

The Kayaba Group has launched a working team to determine and start investigations into the respective risks and opportunities for Automotive Components (AC) Business, Hydraulic Components (HC) Business, and the Special-purpose Vehicles Division.

Currently, the short-, medium-, and long-term risks and opportunities for each business unit are under analysis. Going forward, we will commence quantitative analyses, such as the impact on financial affairs, and release information in line with the framework for information disclosure that is recommended by the TCFD.

Indicators and Targets

Kayaba has set forth the target of reducing CO₂ emissions* by 50% (compared to FY2018) by 2030. We are actively pursuing this goal in ways such as starting energy conservation activities at each manufacturing plant, introducing renewable energy through the installation of solar panels, and reducing the emissions of CO₂ in logistics.

Under current circumstances, we have calculated the Scope 1 and 2 CO₂ emissions volume of 28 plants, including five domestic affiliates and 17 overseas affiliates. Going forward, we plan to calculate the Scope 1 and 2 as well as the Scope 3 CO₂ emissions volume of all 33 companies of the Kayaba Group. In addition, we are working to bring the ratio of renewable energy use up to 15% by 2025, and construct a production system with zero CO₂ emissions volume.

* Scope1, 2

Targets and Actual Results

Year of achievement	Targets		Actual results
	Details		FY2021
FY2021	3% reduction of CO ₂ emissions level (Scope 1 and 2) compared to FY 2020		-11.6%
FY2025	Renewable energy usage rate of 15%		0.1%
FY2030	50% reduction of CO ₂ aggregate emission (Scope 1 and 2) compared to FY 2018		-16.2%

Numerical target of Kayaba (applicable to Kayaba's six plants)

Corporate Governance

Corporate Governance Principles

In order to fulfill our corporate social responsibility to contribute to society as well as to meet shareholders' expectations by realizing sustainable growth and the increase of corporate value, Kayaba works to ensure a speedy, efficient

management structure, highly fair and transparent management oversight centered on the Board of Directors, and continuous efforts to strengthen and enhance our corporate governance based on the Corporate Spirit and the following basic policies.

Basic Policies

1. We shall respect the rights of shareholders, and ensure the equal and fair treatment of all shareholders.
2. We shall take the benefits of stakeholders into consideration and endeavor to appropriately cooperate with those stakeholders.
3. We shall disclose not only information on compliance with the relevant laws and regulations, but also actively provide important and/or useful information to stakeholders for their well-informed decision making.
4. The Board of Directors shall be cognizant of its fiduciary responsibility and accountability to shareholders, and shall appropriately fulfill its roles and responsibilities in order to promote sustainable and stable corporate growth and increase corporate value, profitability, and capital efficiency.
5. We shall engage in constructive dialogue with shareholders, and make efforts to obtain shareholders' support regarding the Company's business policies and also reflect shareholders' opinions and concerns in the improvement of management.

Initiatives to Achieve Sustainable Growth and Increase Corporate Value

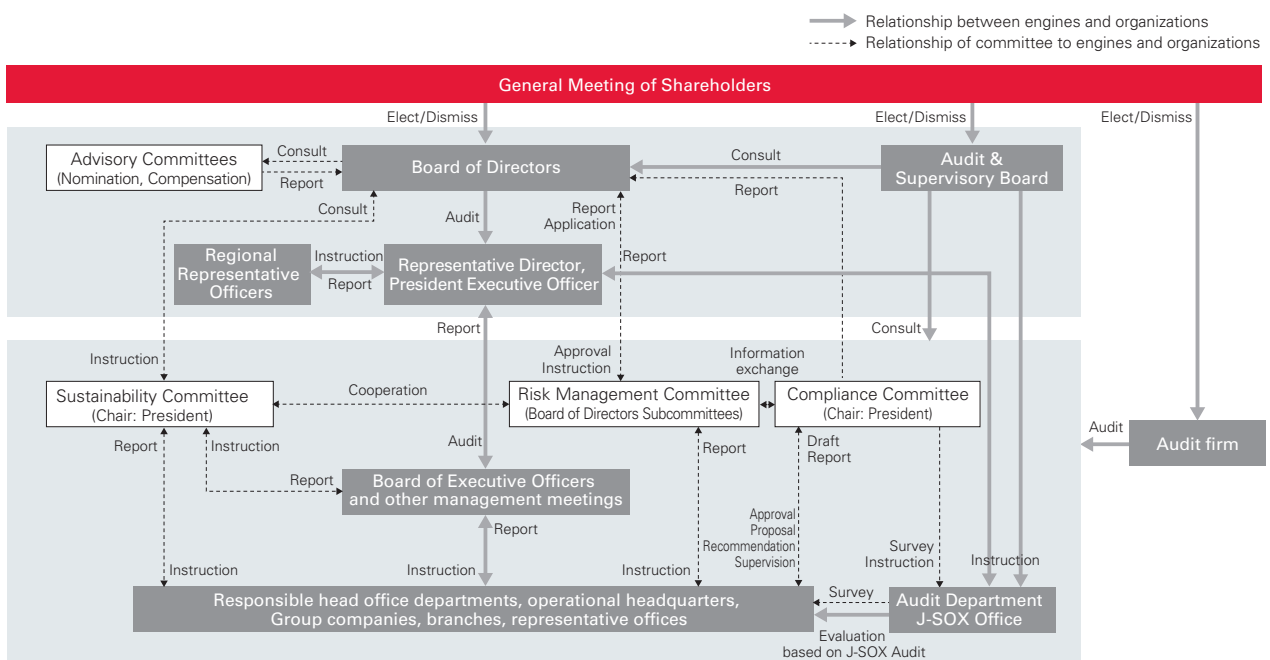
Efforts to meet shareholders' expectations by realizing sustainable growth and the increase of corporate value are as follows.

1. Appointment of female executives (one outside director, one outside Audit & Supervisory Board member) (As of June 23, 2022)
2. Established Sustainability Committee (March 2022)

Corporate Governance Overview and Structure

Kayaba is a company with an Audit & Supervisory Board as described under the organizational design stipulated by the Companies Act of Japan, and has a system of corporate governance in place that centers on the Board of Directors

and Auditors / the Audit & Supervisory Board. Also, we have adopted the Executive Officer System, seeking to increase the speed of decision making and optimize corporate management.



Board of Directors

The Board of Directors comprises ten members, including four outside directors. In principle, the Board of Directors meets once a month. The Board of Directors makes decisions based on laws, the Articles of Incorporation and Company regulations, and deliberates on policies and other important matters involving management. The Board of Directors also oversees the management of business operations. In addition, four outside directors are registered as independent officers.

Board of Executive Officers

The Board of Executive Officers, a body that reports directly to the Board of Directors, deliberates on important matters concerning management from a Company-wide perspective.

Other Management Committees

We have also established other management committees, including the Domestic Affiliated Companies Management Meeting, where functional and business divisions/departments

report on the status of business execution, and the Global Executive Meeting, where regular reports on business conditions are submitted to those responsible for overseeing management of the Kayaba Group companies overseas. In addition, we are working to strengthen Group management oversight and have established the Operational Review with the President Meeting, where the president executive officer visits production sites to review and follow-up on matters related to policy development and important manufacturing issues.

Audit & Supervisory Board

The Audit & Supervisory Board comprises four full-time and one part-time Audit & Supervisory Board members, two of whom are full-time and one part-time are outside members. Through audits by outside Audit & Supervisory Board members, we expect to achieve effective management oversight and have concluded that an effective governance system is in place. In addition, three of the outside Audit & Supervisory Board members are registered as independent officers.

The members of each of the aforementioned organizations are as follows. (As of June 23, 2022)

Title	Name	Board of Directors	Board of Executive Officers	Domestic affiliated companies management meeting	Audit & Supervisory Board
Director, Chairman	Yasusuke Nakajima	◎	○	○	
Representative Director, President Executive Officer	Masao Ono	○	◎	○	
Representative Director, Executive Vice President Executive Officer	Takaaki Kato	○	○	◎	
Member of the Board of Directors, Executive Vice President Executive Officer	Keisuke Saito	○	○	○	
Member of the Board of Directors, Executive Vice President Executive Officer	Hajime Sato	○	○	○	
Director and Senior Managing Executive Officer	Masahiro Kawase	○	○	○	
Outside Director	Rokuro Tsuruta	○	○	○	
Outside Director	Shuhei Shiozawa	○	○	○	
Outside Director	Masakazu Sakata	○	○	○	
Outside Director	Akemi Sunaga	○	○	○	
Audit & Supervisory Board Member (Full Time)	Hideki Nonoyama				◎
Audit & Supervisory Board Member (Full Time)	Osamu Kunihara				○
Outside Audit & Supervisory Board Member	Junichi Tanaka				○
Outside Audit & Supervisory Board Member	Masahiko Sagara				○
Outside Audit & Supervisory Board Member	Junko Watanabe				○
11 executive officers	—		○	○	

Note: ◎ denotes the chairperson



For details, see "Outside directors and outside Audit & Supervisory Board Members" on the website
<https://www.kyb.co.jp/english/company/governance.html>

Evaluation of the Effectiveness of the Board of Directors

(1) Evaluation Method

Respondents at the time of evaluation:

11 respondents, comprising seven directors (including three independent outside directors), four Audit & Supervisory Board members (including two independent outside Audit & Supervisory Board members)

Survey period: February to March 2022

Methodology: Administration, analysis and evaluation of a self-assessment questionnaire

Key questionnaire items:

- I. Composition of the Board of Directors and balance of knowledge and experience
- II. Administration of the Board of Directors
- III. Discussion topics at meetings of the Board of Directors
- IV. Systems supporting the Board of Directors
- V. Relationship and dialogue with shareholders

Number of survey questions: 38

Questionnaire method:

Evaluation of the current situation: Evaluate on a scale of 1 to 4
 Specific suggestions for improving the current situation: Open-ended response

(2) 2021 Results

Comments and suggestions were submitted regarding the matters to be discussed at Board meetings and the composition of the Board to strengthen its supervisory functions, and the evaluation results and comments from respondents were reported and shared at a meeting of the Board of Directors.

(3) Future Actions

Based on the results, the Board will continue to discuss both internal and external issues in order to further improve its effectiveness.

Officer Compensation

(1) Compensation Structure

Officer compensation consists of fixed monthly compensation (basic compensation) according to position and responsibilities, and performance-linked compensation (bonus) that varies depending on the Company's business results. Outside

directors and Audit & Supervisory Board members only receive fixed compensation according to their respective roles, and in view of their independence do not receive performance-linked compensation.

Type of compensation	Eligible officers	Maximum total compensation	Date of resolution of the General Meeting of Shareholders	Calculation process
Fixed compensation (Basic compensation) ^{*1}	Directors	¥30 million per month (¥360 million per year)	June 27, 1997, 75th Ordinary General Meeting of Shareholders	Consultation with Compensation Committee
	Audit & Supervisory Board members	¥10 million per month (¥120 million per year)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	—
Performance-linked compensation (Bonus (monetary)) ^{*2}	Directors (Excluding outside directors)	40% or less and ¥200 million per year of total compensation (Fixed compensation + Performance-linked compensation)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	Consultation with Compensation Committee
Performance-linked compensation (Bonus (stock))		Within 20,000 shares per year (¥75 million per year)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	Consultation with Compensation Committee

*1 The limit on total fixed remuneration for directors does not include salary for employees concurrently serving as directors.

*2. There is an upper limit of 1.0% of profit attributable to owners of the parent in the fiscal year preceding the fiscal year in which performance-linked compensation is paid.

(2) Compensation Decisions

For director compensation, the discretionary Compensation Committee composed of representative directors and outside directors verifies the propriety of the criteria for calculating fixed and performance-linked compensation and reports the propriety of criteria to the Board of Directors.

Fixed compensation for directors is determined by resolution of the Board of Directors, upon receiving a report from the Compensation Committee, within the limit on total compensation decided at the General Meeting of Shareholders. The performance-linked compensation of Directors (excluding outside directors) is in accordance with the level of

achievement of the indexes that form the basis of its calculation, and is determined by a resolution of the Board of Directors made upon receiving a report from the Compensation Committee and within the range of the limit for the total remuneration amount that is determined at the General Meeting of Shareholders.

Fixed remuneration for Audit & Supervisory Board members is determined in consultation with Audit & Supervisory Board members, within the limit on total compensation decided at the General Meeting of Shareholders.

(3) Calculation and Determination of Performance-Linked Compensation

Performance-linked compensation (bonus) consists of monetary compensation and transfer-restricted stock compensation.

Monetary compensation is limited to 1.0% of profit attributable to owners of the parent in the previous fiscal year. However, the total amount of remuneration is determined by a resolution of the Board of Directors upon receiving a report from the Compensation Committee based on a predetermined proportional amount (40% of the total amount of the basic compensation for directors excluding outside directors and the monetary compensation portion of bonuses, as well as the maximum amount determined by resolution at the General Meeting of Shareholders [200 million yen per year]) in accordance with the position of each director, and we then remunerate to each director.

In stock compensation, the number of shares provided is determined by a resolution of the Board of Directors upon receiving a report from the Compensation Committee based on the level of achievement of the indicators that are the basis for calculating performance-linked compensation and the

predetermined number of shares provided in accordance with the position of each director, and we then provide transfer-restricted stock compensation to each director.

The indicators that are the basis for calculating performance-linked compensation are calculated according to the degree of achievement of the consolidated earnings forecast in the previous fiscal year along four calculation indicators (amount of segment profit, ratio of segment profit, amount of profit [loss] attributable to owners of the parent, ratio of profit [loss] attributable to owners of the parent). In a case where there is a loss attributable to owners of the parent, performance-linked compensation will not be paid.

Regarding decisions on the individual remuneration amounts of fixed compensation and performance-linked compensation, our policy is for the Compensation Committee to inspect the validity of the decisions, report to the Board of Directors that such validity was found, and to conduct calculations and decisions based on the content of the report.

Internal Control and Compliance

Basic Policy

In order for corporate governance to function effectively, we are promoting a basic policy for our internal controls system that is based on the Companies Act of Japan and determined by the Board of Directors.

Particularly in FY2021, we established the

Compliance Committee which is chaired by the President, and enacted a compliance program of concrete measures. We are carrying out the program in order to strengthen and thoroughly instill compliance in the Kayaba Group.

Key Points for Internal Control

Compliance Promotion	<ul style="list-style-type: none"> The compliance program was enacted under our compliance system, which is headed up by the Compliance Committee. It is being rolled out and implemented at Group companies, and we are evaluating and reviewing the results. The issues we uncover now will be used to improve initiatives in the next fiscal year.
Risk Management Initiative	<ul style="list-style-type: none"> The Risk Management Committee reports to the Board of Directors, and based on the Risk Management Rules, it identifies material risks the Group must address and the business units responsible for managing them, and conducts risk reduction initiatives at each responsible business unit.
Responding to Internal Reports and Improving the Effectiveness of the Reporting System	<ul style="list-style-type: none"> We respond to reports in order to ensure the prevention or early-stage discovery and correction of non-conforming acts. Moreover, we are making improvements for the purpose of achieving a highly trustworthy reporting system that allows individuals to report without hesitation.

FY2021 Initiatives

- Promoting corporate governance at the Kayaba Group
 - Compliance Reinforcement Month
We designated October as Compliance Reinforcement Month, and conducted various activities to promote heightened compliance awareness among all employees, including President's message, call for compliance mottos, repeated in-house training, Compliance Top Management Training Course, etc.
 - Compliance retraining
We confirmed the results of the Compliance

Survey that we took during Compliance Reinforcement Month in the previous fiscal year, and continued to provide re-education.

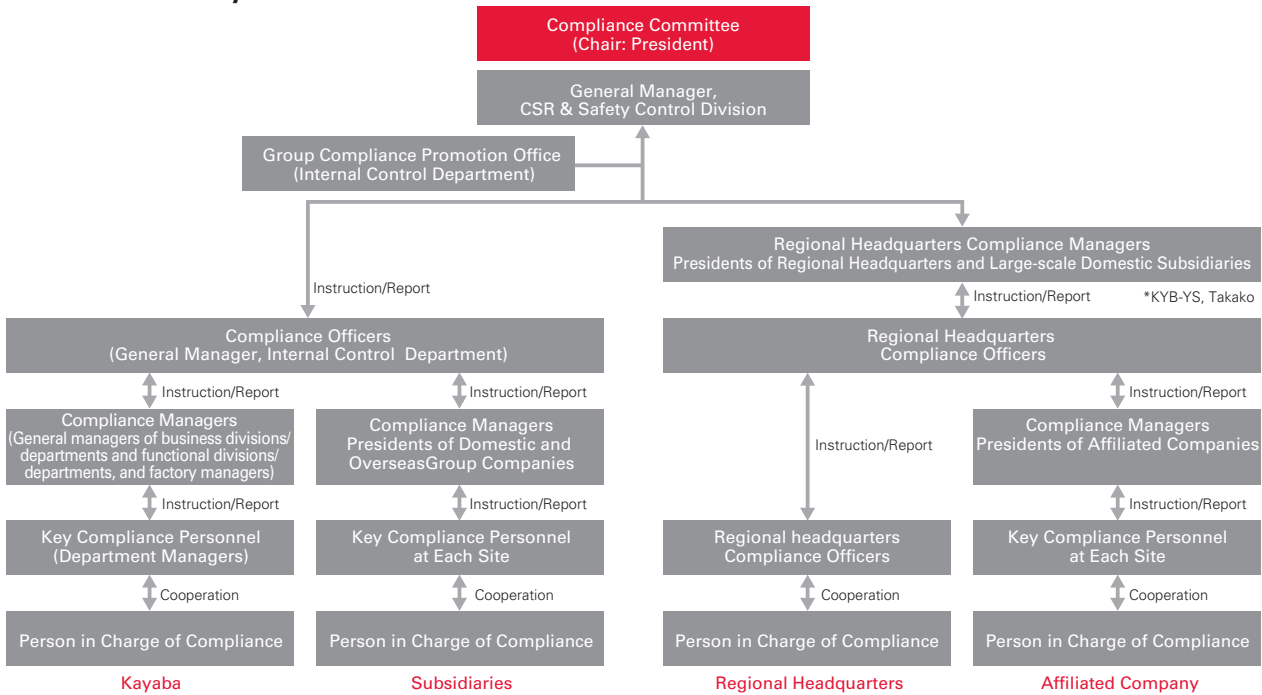
- Risk Management Initiatives
Conducted risk-reduction initiatives for 11 key risks
- Responded to internal reports, made effectiveness improvements and responded to reported cases, and supported the responses of Group companies. Reported regularly to the Compliance Committee.

Basic Policy on Risk Management

At the Kayaba Group, the Risk Management Committee reports to the Board of Directors, and based on the Risk Management Rules, it identifies material risks the Group must address and the business units responsible for managing them, conducts risk management initiatives at each responsible business unit, and presents quarterly updates to the Board of Directors.

Also, the Sustainability Committee is in charge of our response to risks related to climate change. They conduct initiatives such as uncovering the risks and opportunities presented by climate change in cooperation with the Risk Management Committee.

Internal Control System



The Compliance Committee conducts activities such as deliberating on the fiscal year compliance program, which is drafted by the Compliance Promotion Office. In addition to drafting the program, the secretariat provides support for regional headquarter compliance managers and regional headquarter compliance

officers. Regional headquarters and large-scale domestic subsidiaries regulate their own companies as well as their affiliates and subsidiaries, while the Kayaba regulates itself and subsidiaries other than those mentioned above.

Basic Policy on Information Security

Kayaba works to ensure information security by setting out a Standard Information Security Policy and appointing persons responsible for information security management in order to strengthen information security on a global level. Nevertheless, in addition to the increasingly evolved and complex information systems of recent years and increased frequency of access from outside the Company by employees as a result of remote work becoming standard, cyberattacks have become increasingly complex and diverse, leading to increased risks associated with information security. Therefore, we are taking measures to defend against the latest risks, such as cyberattacks, through self-check evaluations and evaluations conducted by third parties.











Major efforts in FY2021

- Established a cybersecurity response organization (KYB-CSIRT)
- Conducted routine education and drills for all executives and employees
- Conducted self-assessment in accordance with the standard automobile industry security guideline
- Hired third-party security evaluation organization to conduct vulnerability assessments
- Installed the latest security software
- Joined the Nippon CSIRT Association (August 2022)

Management Team (As of June 23, 2022)

* Independent Directors and Auditors

Directors

				
	Yasusuke Nakajima	Masao Ono	Takaaki Kato	
Position	Representative Director, Chairman	Representative Director, and President	Representative Director, Executive Vice President Executive Officer	
Work in Charge		Chief Executive Officer (CEO)	In Charge of Global Corporate Finance (Chief Financial Officer), North, Central & South American Operations and Public Relations/IR	
Appointment of directors	June 2005	June 2017	June 2015	
				
	Keisuke Saito	Hajime Sato <small>New</small>	Masahiro Kawase <small>New</small>	
Position	Member of the Board of Directors, Executive Vice President Executive Officer	Member of the Board of Directors, Executive Vice President Executive Officer	Member of the Board of Directors, Senior Managing Executive Officer	
Work in Charge	In Charge of ESG Promotion, China Operations and Seismic Isolation / Mitigation Correspondence Operations	In Charge of Sales and Special Purpose Vehicles Division	In Charge of Automotive Components Operations and Engineering	
Appointment of directors	June 2011	June 2022	June 2022	
				
	Rokurou Tsuruta*	Shuhei Shiozawa*	Masakazu Sakata*	Akemi Sunaga* <small>New</small>
Position	Member of the Board of Directors (Outside)	Member of the Board of Directors (Outside)	Member of the Board of Directors (Outside)	Member of the Board of Directors (Outside)
Appointment of directors	June 2015	June 2016	June 2020	June 2022

Audit & Supervisory Board Members



Hideki Nonoyama*

Audit & Supervisory
Board Member



Junichi Tanaka*

Audit & Supervisory
Board Member
(Outside)



Masahiko Sagara*

Audit & Supervisory
Board Member
(Outside)



Osamu Kunihara

New

Audit & Supervisory
Board Member



Junko Watanabe*

New

Audit & Supervisory
Board Member
(Outside)

Executive Officers

Managing Executive Officers	Takashi Tezuka	In Charge of Quality and Aircraft Components Division, General Manager, Quality Division
	Ryuji Uda	General Manager, Suspension Headquarters, Automotive Components Operations
	Minoru Ishikawa	General Manager, CSR & Safety Control Division and General Manager, General Affairs & Human Resources Division
	Ichio Nemoto	General Manager, Hydraulic Components Operations, and General Manager, Gifu South Plant
	Takashi Saito	In Charge of European Operations, General Manager, Finance & Accounting Division
	Shozo Amano	In Charge of Production, General Manager, Production Division
	Masaru Tsuboi	In Charge of China Operations (Deputy), Chairman & President, KYB (China) Investment Co., Ltd.
Deputy Managing Executive Officers	Tomoki Takaoka	General Manager, Purchasing & Logistics Division and General Manager, Corporate Planning Division
	Minoru Tamai	General Manager, Sagami Plant, Hydraulic Components Operations
	Toshimichi Izeki	Deputy General Manager, Engineering Division, General Manager, Basic Technology R&D Center and Curator, KYB Museum
	Shinichi Sugioka	General Manager, Motorcycle Headquarters, Automotive Components Operations, and President, KYB Motorcycle Suspension Co., Ltd.

Environmental Initiatives

Environmental Management

Basic Policy

To prevent climate change and achieve a sustainable society, Kayaba creates products that are safe for people and the environment, and actively conducts environmental preservation initiatives.

In order to strengthen our efforts toward helping to achieve the SDGs and carbon neutrality, which is a

global target, we established the ESG Promotion Office in FY2021 to further enhance our environmental initiatives. Also, we established the CN Promotion Office, which specializes in responding to carbon neutrality and further enhancing our efforts aimed at achieving it.

Slogan

Protect the Green Earth and Create Environmentally Friendly Products

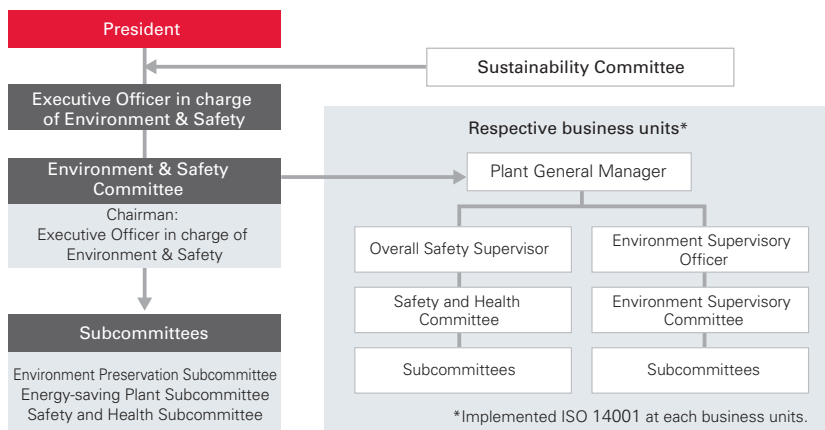
Basic Environmental Policies

The Kayaba Group creates user- and earth-friendly products. We actively promote environmental conservation activities as an important tool for evaluating management.

1. Develop and build up production and corporate activities based on recycling to reduce impacts on the environment.
2. Strive to ensure long-term and sustainable operations throughout the entire Kayaba Group.
3. Work to promote relationships with local communities and contribute to society as a good corporate citizen.
4. Clarify the role of each employee and encourage the participation of all employees.

Environment & Safety Management System

We are systematically expanding our environmental preservation efforts. We adopted the international standard ISO 14001 for environmental management and established the Environment & Safety Committee with the Directors in charge of the environment and safety serving as its leaders. We are working with a unified purpose on our efforts for environmental preservation and safety under the system shown in the chart on the right. Also, we monitor and revise our initiatives by conducting environmental and safety audits.



ISO 14001 Certification Acquisition (As of April 2022)

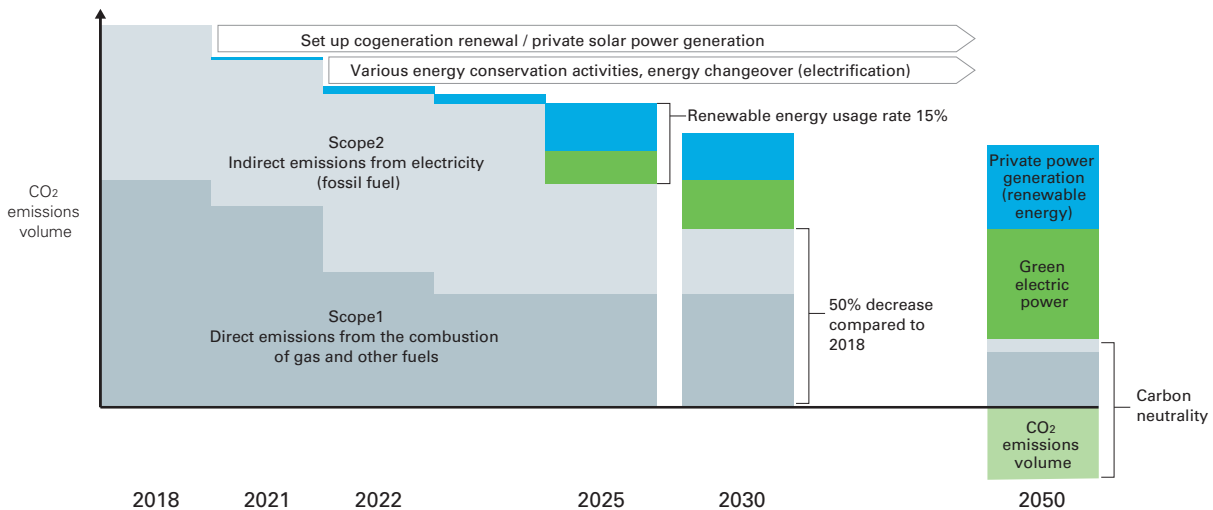
Japan	Overseas
Gifu North Plant (Including KYB Kanayama Co., Ltd.)	North America KYB Americas Corporation, Takako America Co., INC.
Gifu South Plant (Including Gifu East Plant, Production Technology R&D Center, Machine Tools Center, KYB Motorcycle Suspension Co., Ltd.)	Brazil KYB Manufacturing do Brasil Fabricante de Autopecas S.A.
Sagami Plant (Including the Basic Technology R&D Center)	Spain KYB Suspensions Europe, S.A.U., KYB Advanced Manufacturing Spain, S.A.U.
Kumagaya Plant	Czech KYB Manufacturing Czech, s.r.o.
Takako Industries, Inc. (Shiga Plant)	Thailand KYB (Thailand) Co., Ltd., KYB Steering (Thailand) Co., Ltd.
KYB-YS Co., Ltd. (Head Office Plant)	Indonesia PT. Kayaba Indonesia
KYB Trondule Co., Ltd.	Malaysia KYB-UMW Malaysia Sdn. Bhd.
	China KYB Industrial Machinery (Zhenjiang) Ltd., Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd., Wuxi KYB Top Absorber Co., Ltd.
	Taiwan KYB Manufacturing Taiwan Co., Ltd.
	Vietnam KYB Manufacturing Vietnam Co., Ltd., Takako Vietnam Co., Ltd.

Environmental Conservation Efforts

Kayaba is working to conserve energy and reduce waste matter under the medium-term management plan (three years) that was launched in 2020. In 2021, we added new targets for CO₂ emissions volume (output level) reductions as a countermeasure against climate change. Amidst the ongoing COVID-19 pandemic, there was a temporary decrease (worsening of output level) in the aggregate amount of energy consumed and CO₂ emissions. However, with the world trending toward a recovery in demand, the amount of energy consumed (crude oil equivalent volume), CO₂

emissions volume, and amount of all waste matter showed an increase over 2020, but when compared to 2019, we have maintained a steady reduction and improved the output level. While we achieved our target for the amount of energy consumed on a global evaluation, but Kayaba did not reach its target due to factors such as the absorption merger of a domestic affiliate. 2022 is the final year of the medium-term management plan, in which we will strengthen our energy conservation initiatives aimed at achieving the target.

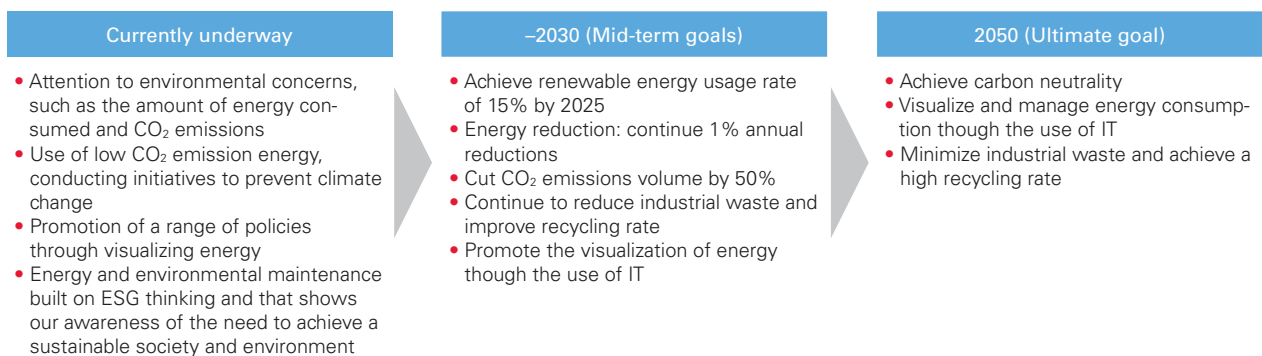
Mid- to long-term Policy for Achieving Carbon Neutrality (CO₂ Emissions Volume Reduction)



Achievements in FY2021

- Installed solar power generation equipment
- Optimized hours of operation for cogeneration power equipment
- Updated and improved use of highly efficient compressor
- Optimized hours of operation for chiller (cooler circulation system)
- Thermally insulated heat treatment equipment for plating
- Installed heat insulation in steam piping, removed waste piping
- Installed energy saving welding machines and dust collectors
- Reduced air and steam supply loss (such as by repairing leaks)
- Installed energy saving equipment to match repairs and upgrades
- Reduced standby electric power consumption
- Installed LED lighting and motion sensors
- Improved shipping efficiency, employed consolidated shipping, reduction of number of shipments

Creating a System with Minimum Energy Use and Waste Matter



Performance Report on FY2021 Initiatives

○: Target achieved ×: Target not achieved

Theme		Global (Kayaba, five domestic companies, 17 overseas companies)			Kayaba (six plants)		
		Numerical target	FY 2021 achievements	Evaluation	Numerical target	FY 2021 achievements	Evaluation
Climate change countermeasures	CO ₂ emission volume	(Ref.) 256,583 tCO ₂ or less	284,456 tCO ₂	—	(Ref.) 75,596 tCO ₂ or less	81,210 tCO ₂	—
	CO ₂ emission volume per basic unit	0.755 tCO ₂ /¥ million or less	0.687 tCO ₂ /¥ million	○	0.501 tCO ₂ /¥ million or less	0.457 tCO ₂ /¥ million	○
	Energy consumption	158,374 kl or less	155,249 kl	○	47,945 kl or less	46,612 kl	○
	Energy consumption per basic unit	0.386 kl/¥ million or less	0.375 kl/¥ million	○	0.258 kl/¥ million or less	0.262 kl/¥ million	×
Reduction of industrial waste	General waste	(Ref.) 4,181 t or less	3,512 t	—	(Ref.) 532 t or less	343 t	—
	General waste per basic unit	0.010 t/¥ million or less	0.008 t/¥ million	○	0.003 t/¥ million or less	0.002 t/¥ million	○
	Metal scrap	(Ref.) 41,735 t or less	38,549 t	—	(Ref.) 19,422 t or less	18,358 t	—
	Metal scrap per basic unit	0.102 t/¥ million or less	0.094 t/¥ million	○	0.105 t/¥ million or less	0.105 t/¥ million	○
	Industrial waste	(Ref.) 19,839 t or less	19,371 t	—	(Ref.) 3,255 t or less	2,809 t	—
	Industrial waste per basic unit	0.048 t/¥ million or less	0.047 t/¥ million	○	0.018 t/¥ million or less	0.016 t/¥ million	○
Recycling	Recycling rate	—	—	—	92.5% or more	92.9%	○
	Final disposal volume	—	—	—	3.22% or more	3.16%	○

Major Initiatives planned for FY 2022

Climate change countermeasures (energy conservation, low CO₂)
Switch to high-efficiency lighting such as LED and LVD, incorporate new cogeneration sources, eliminate air leaks, reduce the amount of air used in plants, initiative to decrease loads with high-efficiency air conditioning and equipment temperatures, promote the installation of solar power generation equipment, and more

Measures to reduce waste matter (environmental conservation)
Reduce paint residue volumes with bioprocessing, install equipment that reduces the volume of waste processed, convert waste to valuable materials and promote recycling activities

Note: Energy refers to the total of crude oil conversion, such as electricity and fuel. Regarding the decrease of industrial waste, the calculations exclude valuable materials (recycling or reuse) generated by initiatives to promote recycling.

Output level are calculated based on Kayaba's regulations, which take shipping into account.

Reference: At the present time, the numerical target for the aggregate volume of emissions has not been set, and we are undergoing investigations related to setting the targets.

Product Compatibility with Environmental Regulations

Regulations and requirements such as the REACH requirements, the ELV directive*¹ and the RoHS directive*² are being greatly tightened every year. Kayaba is identifying the trends of these regulations and endeavoring to incorporate them into its technology development plan.

Also, in addition to responding to regulations on

chemical substances, we are conducting initiatives for a low-carbon society and designing products with recycling in mind.

*¹ ELV directive: A directive that came into effect in the EU in October 2000 to reduce environmental impact caused by end-of-life vehicles.

*² RoHS directive: A directive that came into effect in the EU in July 2006 that restricts the use of specific hazardous substances found in electrical and electronic products.

Examples of Environmental Initiatives

Introduction of solar power generation system (Adoption of renewable energy)

We had installed solar panels on the roof of Gifu North Plant's cation coating building. Installation of solar panels (system capacity: approx. 160 kW) contributes to CO₂ emissions reduction. It cuts the current annual CO₂ emissions of approximately 75 tons per year or approximately 40,000 L of oil equivalent.



Plan to Purchase Carbon Neutral City Gas (Adoption of green energy)

Carbon neutral city gas reduces CO₂ emission volume by turning the CO₂ generated from the processes of natural gas extraction through to combustion into CO₂ credit* or carbon offsetting. We have an agreement with Toho Gas Co., Ltd., involving carbon neutral city gas, and it is contributing to our CO₂ reductions.



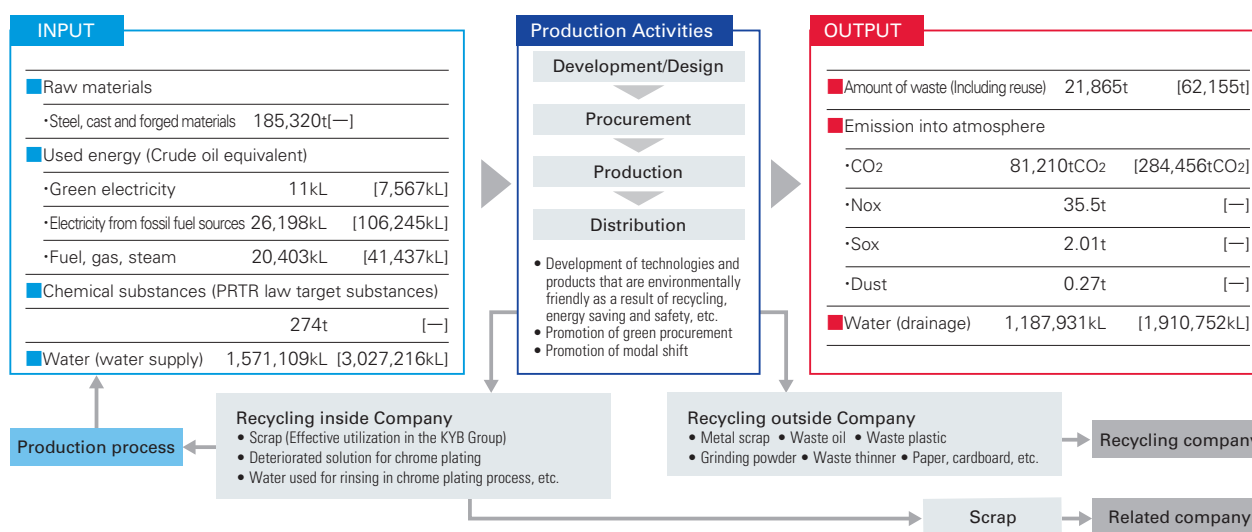
*CO₂ credit: These certificates are issued by an inspections organization that confirms the effects of environmental conservation projects in places all around on CO₂ reductions, and can offset emissions volumes in the production and transport of gas.

Environment Data

Environmental Impact by Business Activity

We use a range of resources, including energy, water, and chemical substances. We are making effective use of limited resources, taking into account climate change countermeasures, and moving ahead with energy conservation activities as well as reduction activities for the emission of materials such as waste matter and CO₂.

Because there are concerns regarding the levels of danger and toxicity of chemical materials, we are conducting risk assessments and taking the appropriate safety measures to the greatest extent possible. Also, we are responding to the newest round of revisions to the chemical substance regulations of the Industrial Safety and Health Act, which are scheduled for FY2023.



Environmental Accounting

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

FY2021 Results

(Millions of yen)

Cost type	Major contents	Invested amount	Cost	
(1) Business area cost	(1)-1 Pollution prevention cost	65.5	213.8	
	Air pollution and water pollution prevention activities			
	Maintenance and inspection of pollution prevention facilities			
	(1)-2 Global environmental conservation-cost	8.3	13.6	
Energy conversion		0.0	231.6	
Energy-saving activities (Investments, etc.)				
(1)-3 Resource circulation cost	Recycling of plant waste	0.0	0.0	
Reduction of industrial waste				
(2) Upstream/downstream cost		0.0	0.0	
(3) Management activity cost	Maintenance and management of ISO 14001, etc.	0.0	109.2	
	Monitoring of environmental impact and employee education			
(4) R&D cost	Environmentally friendly product development	64.7	119.8	
	Lightweight products and products containing less hazardous chemical substances			
(5) Social activity cost	Support of non-profit environmental protection	0.0	4.7	
(6) Environmental remediation cost	Afforestation and maintenance of scenery around plants	0.0	0.0	
(7) Other cost	Internal environmental conservation	9.7	0.0	
	Welfare conservation			
	Subtotal	148.2	692.9	
	Grand total		841.0	

Note: Classification and Definition of Environmental Conservation Costs

Invested amount: Expense for the purpose of environmental conservation during the target period with effect that continues for a number of terms and running cost for those periods. Cost: Cost or loss generated from expenditure of finances/services for the purpose of environmental conservation.

CO₂ Emissions

(tCO₂)

Category	Description	Kayaba	Domestic subsidiaries	Overseas subsidiaries*1	Total
Scope 1	Direct emissions from company-owned and controlled resources (Fuel combustion, industrial processes)	39,162	4,496	44,058	87,716
Scope 2	Indirect emissions from the use of electricity, heat and steam supplied by other companies	42,048	29,193	125,498	196,739
Scope 3 ²	Indirect emissions other than Scope 1 and 2 (Other company's emissions related to the activities of the company) Total of the following 2 to 7 categories	52,039	21,206	17,363	90,608
2 Capital Goods	Expansion of production equipment (If construction was done over multiple years, it is accounted for in the last year when construction was completed)	18,395	8,028	353	26,777
3 Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	Upstream emissions of purchased fuels (Extraction, production, etc)	10,320	802	2,572	13,694
4 Upstream Transportation and Distribution	Upstream emissions of purchased electricity ((extraction, production, and transportation of fuels consumed in the generation of electricity, etc.)	7,133	5,280	304	12,717
5 Waste Generated in Operations	Logistics ³ of procurement, side-holding, and shipping (Shippers own)	6,885	908	Calculated in	7,793
6 Business Travel	Transportation and disposal of waste materials (excluding valuable materials) other than the company's own	2,524	4,712	12,754	19,989
7 Employee Commuting	Business travel of employees	724	327	314	1,364
	Transportation of employees	6,059	1,150	1,066	8,274

*1. Includes North America (KAC, TAC), Spain (KYBSE, KAMS) and the Czech Republic (KMCZ). Other positions are under calculation

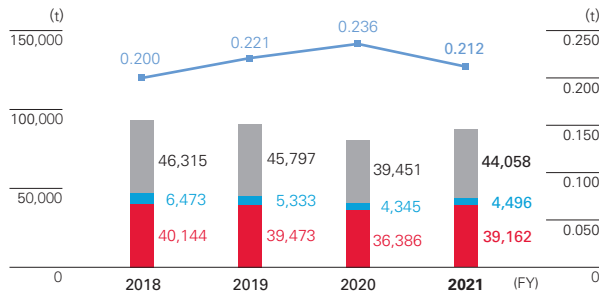
*2. The output level used for calculations was determined in reference to the "Emission output level database for calculating the greenhouse gas emissions of an organization via its supply chain (Ver. 3.2)" of Japan's Ministry of the Environment

*3. Logistics: Shipping, loading/unloading, storage

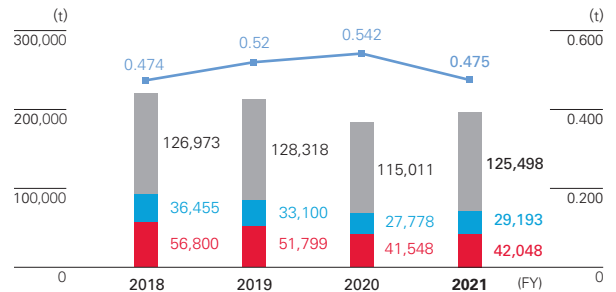
Environment-related Data

■ KAYABA ■ Domestic subsidiaries ■ Overseas subsidiaries — Basic unit (all bases)

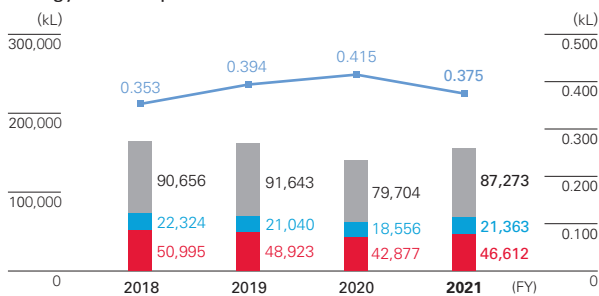
CO₂ Emissions: Scope 1



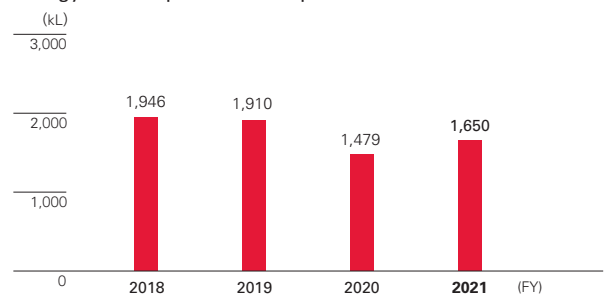
CO₂ Emissions: Scope 2



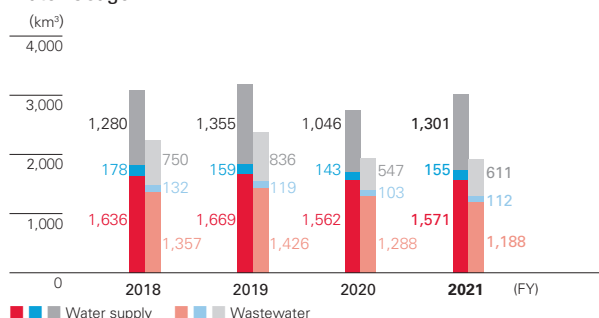
Energy Consumption



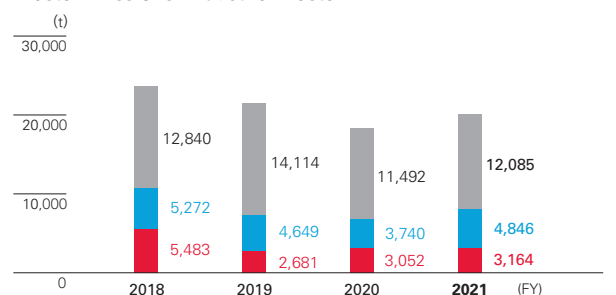
Energy Consumption for Transportation



Water Usage



Waste Emissions: Industrial waste



Social Initiatives

Basic Policy

In order to put the SDGs into practice and raise corporate value, Kayaba believes it is essential to create a place where human rights and workers' rights are upheld—one that has a comfortable environment where diverse human resources can work energetically.

Based on "Our Promise" aimed at accomplishing our Corporate Spirit, we put together 26 specific rules that

are to be observed in everyday work and company life as the Kayaba Group's Corporate Guiding Principles. Our basic stance toward efforts to create a better society is indicated by these Principles. They apply to all people who work at the Kayaba Group, who are required to act in accordance with the Principles.

Respect for Human Rights	<ul style="list-style-type: none"> • We will respect the dignity of all individuals and respect human rights that are internationally recognized and, additionally, we will not be involved in violations of human rights. In the unlikely event it is found or likely that our business activities, products or services may cause violations of human rights, we will forthwith take an appropriate measure against it. • We will absolutely not tolerate any discriminatory acts on the grounds of race, gender, sexual orientation, nationality, religion, age or physical or mental disabilities or illnesses. • We will not practice forced labor and child labor in any form whatsoever.
Respect for Workers' Rights	<ul style="list-style-type: none"> • Pursuant to international standards and the laws and regulations of each country, we will respect the fundamental rights of labor, such as workers' freedom of association, right to organize and right to bargain collectively.
Supply Chain	<ul style="list-style-type: none"> • We will acknowledge that we have social responsibilities to our supply chain as well. We will oppose forced labor and child labor in any form in the supply chain and implement the non-use of conflict minerals. • We will aim to create products that are friendly to the earth and people and work hard in our procurement that takes the environment into consideration. • We expect our suppliers to share the values expressed in this clause.
Participation in Activities of Industry Associations and Other Related Organizations	<ul style="list-style-type: none"> • We will join and be active in industry associations and other related organizations solely for the purpose of promoting and familiarizing technology related to our products and services, as well as contributing to the sound development of the industry.
No Involvement with Antisocial Forces	<ul style="list-style-type: none"> • We will not have any relationships whatsoever with forces, associations and illegal organizations that threaten the safety and order of society. We will take a resolute stance as an organization against improper or illegal demands from those forces, etc. and we will not provide them with any benefit whatsoever.
Contribution to Society	<ul style="list-style-type: none"> • We will promote coexistence and cooperation with local communities, proactively engage in such activities as volunteer activities and conducting local events, and contribute to the development of local communities as "good corporate citizens." • We will respect local communities' history, culture and customs, and support non-commercial aspects such as culture and arts in order to contribute to development of a sustainable society.
Preservation of Natural Environment	<ul style="list-style-type: none"> • We will recognize that we are dependent upon rich and varied nature and make efforts to create products that are friendly to the earth and people in our domestic and overseas business activities. • We will actively promote preservation of natural environment by identifying environmental conservation activities as one of the important indicators for the evaluation of management and undertaking global warming countermeasures, energy conservation promotion, recycling of resources, waste reduction and proper management of chemical substances.
Health and Safety	<ul style="list-style-type: none"> • We will always think safety first and engage, with all employees participating, in activities aimed at prevention of industrial accidents and occupational diseases and the creation of an accident-and-risk-free work environment. • We will prepare a clean and hygienic work environment through thorough tidiness, order, cleanliness, sanitation and training.
Creation of Comfortable Working Environment	<ul style="list-style-type: none"> • We will value a way of working that takes the diversity of our employees into consideration and strive to create lively workplaces. • We will strive to create a vibrant and comfortable workplace where we care for each other while giving consideration to physical and mental health, respect each persons' point of view and position, and allow free and open exchange of opinions. • We will absolutely not tolerate acts that worsen the working environment and cause mental and physical pain beyond the proper scope of operations.
Enhancing Workplace Capabilities through Education and Skills Development	<ul style="list-style-type: none"> • As "human resources" that support the sustainable growth of the Kayaba Group operating its business globally, each one of us will proactively increase our own abilities through diverse education and training and we will build strong workplace capabilities at every workplace.

Kayaba Group Corporate Guiding Principles (excerpt)

Human Resource Initiatives

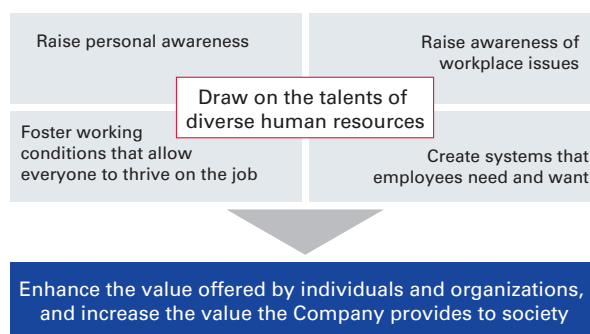
Respect for Human Resources and Diversity

The Kayaba Group regards the diversity of human resources as an important factor for realizing sound operations. Accordingly, we aim to build a corporate culture that accepts and respects diverse values, cultures, and customs, while featuring open communication and maintaining flexibility in management strategies and product development.

Specifically, we are training human resources who can uphold our Corporate Spirit, employing diverse human resources, and positioning the right employee in the right position. Also, we are strengthening the management foundation and awareness campaigns for helping women thrive in the workplace. We have increased the number of female employees in positions which provide opportunities for promotion, with a view to raising the number of female managers (achieved the target in FY2021). Going forward, the Company plans to help women set their career paths—in this way raising their awareness of opportunities and their possible futures—and create training programs for supervisors to raise their awareness of issues

impacting women in the workplace. Kayaba has also established special organizations that employ people with disabilities and is actively engaging in related activities.

To maintain an environment where employees can work energetically, we are helping employees maintain a healthy work-life balance, continuing remote working, encouraging employees to take annual paid leave, and reducing long working hours.



Efforts to Promote the Employment of People with Disabilities

Kayaba is making efforts to employ people with disabilities based on the following targets.

Target

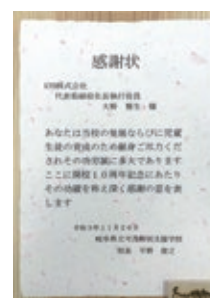
1. CSR: Realization of a symbiotic society
Contribute to the realization of a symbiotic society in which anyone can participate in society through their work in proportion to aspiration and ability, regardless of handicap
2. Diversity
Build a corporate culture and make workplace environment improvements so that diverse employees can work energetically, with handicaps being a non-factor
3. Compliance
Observe laws and regulations, such as the Act on the Promotion of the Employment of Persons with Disabilities

In September 2019, Kayaba established the Work Support Center as an organization to promote the employment of persons with disabilities. It cooperates with all departments in the Company, government and municipal offices, schools, and all kinds of organizations to promote the employment of people with disabilities and works on initiatives to stabilize the retention rate.

1. Actively accepts internships in cooperation with special support schools and employment support organizations and challenge training, and regularly exchanges information and conducts hearings
2. Advice and guidance to settle in after employment with the help of an in-house coaching staff.
3. Enlightenment regarding diversity for persons with no disabilities in sites where people with disabilities work, and improvement and maintenance of the working environment

As a result of these efforts, the employment rate of persons with disabilities improved to 2.36% at the end of March 2022, up from 1.88% at the end of March 2019 and exceeding the legally stipulated employment rate of 2.3%.

Kayaba will continue our initiatives aimed at improving the employment rate of persons with disabilities and providing workplaces where people with and without disabilities can feel satisfaction in their work.



Certificated of thanks from Gifu Prefectural Kamo Special Needs School

Human Resource Development

Kayaba has redesigned its human resource training programs to ensure that employees have the qualities necessary to help realize the ideas behind the Corporate Spirit (honesty, vitality, love and creativity). We have been working to improve these programs while recognizing that transparency in employee evaluations and promotions is one of the most important aspects of human resource development. For this reason, we have made clear the necessary qualities and achievement levels for every job level and reviewed the requirements for management promotions based on this. We are also exploring ways that

improvement measures can be incorporated into on-the-job training, which is important for complementing human resource development systems.

Kayaba recognizes that training managers of overseas bases is vital for ensuring the sustainable growth of global operations. Therefore, we provide them with experience in departments that are essential for managing their workplaces over the medium term, helping them develop the qualities they need through training, and then assign them to leadership positions when the time is right.

Qualities Required to Make the Corporate Spirit a Reality (Ideal Human Resources)

■ Honesty
 ■ Vitality
 ■ Sincerity
 ■ Creativity



Training Managers of Overseas Bases

Purpose
Training to instill the necessary qualities
(Candidates for management positions outside Japan)

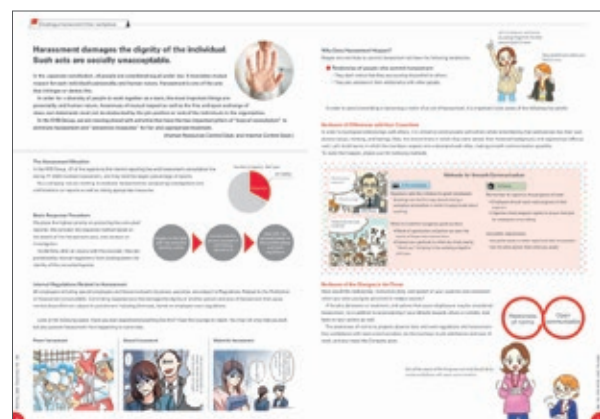
1. Skill development training → Select and train candidates
2. Training rotation → Formulate plans for training rotation and follow-up
3. Assignment of candidates → Set and deploy criteria for assignments

Creating Harassment-Free Workplaces

Workplaces where there is no harassment are an essential foundation for maintaining and improving the physical and mental health of employees while promoting human resource development.

To avoid a situation where it is difficult to raise one's voice within the Company, we are placing emphasis on harassment prevention (freedom from harassment), and actively conducting education and awareness activities to promote mutual respect.

Specifically, Kayaba integrates anti-harassment education into new training programs such as those on listening skills and equality under the law, conducts evaluations on a trial basis, and publishes anti-harassment articles in our internal newsletter. We also survey the extent of reported cases of harassment through stress assessments, which employees receive every year. Also, the Company promptly responds to cases reported to the harassment helpline and the whistleblower hotline, taking strict disciplinary action after confirming the facts.



From an article of in-house newsletter

Health Management



Health Declaration

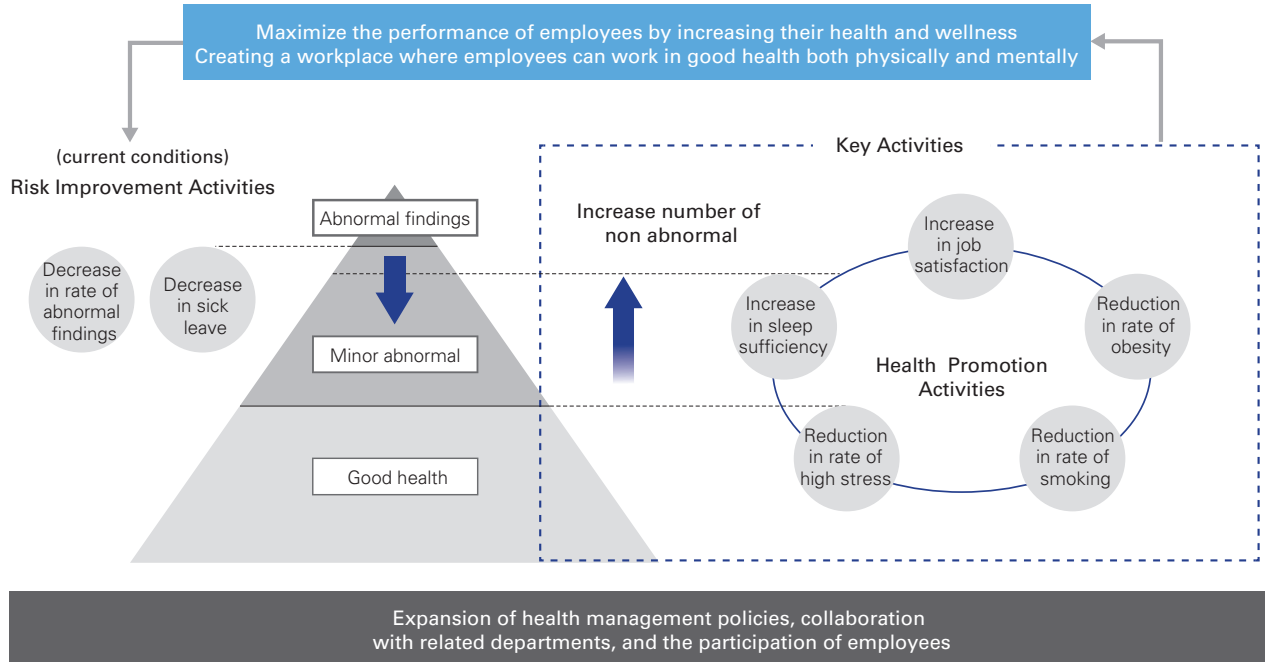
Kayaba sees the health of employees and their families as an important management resource and a source of corporate vitality, and is working to achieve sustainable growth through the creation of an environment in which all employees can work in good health both physically and mentally.

We are committed to actively supporting employees who are engaged in health promotion activities and to promoting organizational measures for health promotion in order to live up to our Corporate Spirit by “building a corporate culture full of vitality and holding high goals.”

November 1, 2019

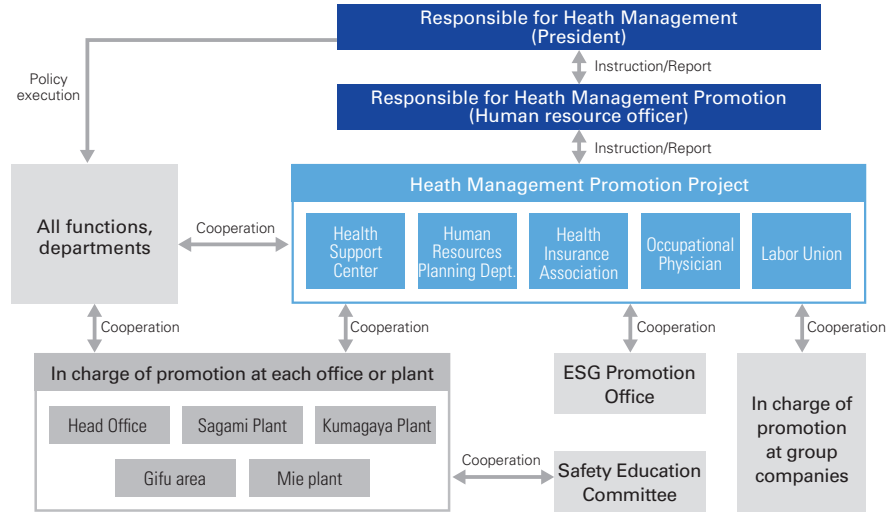
Masao Ono
 Representative Director
 and President Executive Officer
 KYB Corporation

Health Management



Organizational Structure for Promoting Health Management

With the top management ranks positioned as responsible for health management, the entity conducts the sharing of information on health management issues and ensures the effectiveness and continuance of initiatives while cooperating with the health management promotion project in charge of promotion at each office or plant, the safety education committee, and our group companies.



Health Issues and Kayaba's Index

We are aiming to continuously maintain and promote physical and mental health, maximize performance through the improvement of employee health, and create an environment in which employees can work happily and comfortably.

		Health index				2018	2019	2020	2021	2023 Target
Physical	Decrease in absenteeism due to sickness	Rate of diabetes	41.4%	44.2%	54.1%	45.2%	▶	40%		
		Rate of obesity	29.1%	29.2%	32.8%	30.5%	▶	30%		
		Rate of smoking	34.9%	35.3%	34.2%	32.3%	▶	30%		
		Rate of sleep sufficiency	48.2%	61.4%	67.2%	67.2%	▶	70%		
Mental	Improvement of a lively workplace (employee engagement)	Job satisfaction	58.3%	55.3%	58.0%	58.0%	▶	60%		
		Rate of use of yearly paid vacation	68.1%	71.7%	62.8%	76.9%	▶	80%		

*Health index covers KYB Corporation

Health Management Policy

Physical health	
Lifestyle disease countermeasures (Collaboration with health insurance measures)	<ul style="list-style-type: none"> • Making a comfortable working environment: Promote use of the walking course, hold a walking event, support the continuation of the exercise habit after the event • Keep a 100% rate of employees taking regular health checkups • Increase the ratio of employees taking specific medical examinations
Stages of preventing second-hand smoke	<ul style="list-style-type: none"> • Environmental measures: Smoking completely prohibited on the premises (starting in April 2022) • Support for quitting smoking • Education on second-hand smoking prevention(Hold an exhibition on the prevention of second-hand smoking)
Mental health	
Measures to support mental health	<ul style="list-style-type: none"> • Hold mental health education: Promote education by level for the purpose of building positive mental attitudes • Harassment-free campaigns with the cooperation of each function and business division <p>→ In order to create a workplace where people can do their work with a sense of worth and purpose, it most important that there is no harassment. Based on that thinking, we added "harassment-free" to the Key Initiatives of the Corporate Policies. This policy is being carried out in each department and function.</p>

Safety Activities

Creating a Safe, Secure Working Environment

With the slogan “Safety is the top priority,” the Kayaba Group works as one to achieve zero occupational accidents. Also, our Corporate Guiding Principles state that we will always think about safety first and engage, with all employees participating, in activities aimed at prevention of industrial accidents and occupational diseases and the creation of an accident-and-risk-free work environment.

The Global Safety Promotion Committee, which is chaired by Kayaba’s president, works to revitalize activities. The Environment & Safety Committee, which is chaired by the executive officer in charge of CSR and safety, discusses safety measures related to the

Kayaba Group. In these ways, we are promoting safety and security in the working environment.

Regarding fires at our plants, we periodically reexamine the fire prevention system and identify equipment that poses any risk of a fire. Also, we hold a Fire Prevention Day in which we raise the awareness of all employees and work to reduce and prevent risks.



Fire prevention poster

OSHMS/ISO 45001 Certification Acquisition (As of April 2022)

In order to systematically implement initiatives to build an occupational health and safety management system and strengthen its foundation, we are introducing and promoting certification in OSHMS and ISO 45001.*

In introducing our health and safety management system, the Gifu North Plant was first to obtain certification in FY2004, and in FY2022, we are working

toward the certification of one new location. We will make practical use of the system and push forward with efforts to achieve a higher level of safety than ever before.

* ISO 45001: An occupational safety and health management system (OSHMS) standard issued in 2018 by the International Organization for Standardization (ISO).

Bases with Certification (As of April 2021)

Japan (OSHMS)	
Gifu North Plant	
Gifu South Plant (Including Gifu East Plant, Production Technology R&D Center, Machine Tools Center, KYB Motorcycle Suspension Co., Ltd.)	
Sagami Plant (Including the Basic Technology R&D Center)	
Kumagaya Plant	
Takako Industries, Inc. (Shiga Plant)	
KYB Kanayama Co., Ltd.	
KYB-YS Co., Ltd.	
KYB Trondule Co., Ltd.	

Overseas (ISO 45001 Certification)	
North America	KYB Americas Corporation / Takako America Co., INC.
Mexico	KYB Mexico S.A. de C.V.
Brazil	KYB Manufacturing do Brasil Fabricante de Autopeças S.A.
Spain	KYB Suspensions Europe, S.A.U. / KYB Advanced Manufacturing Spain, S.A.U.
Czech	KYB Manufacturing Czech, s.r.o. / KYB CHITA Manufacturing Europe, s.r.o.
Thailand	KYB (Thailand) Co., Ltd. / KYB Steering (Thailand) Co., Ltd.
Indonesia	PT. Kayaba Indonesia / PT. KYB Hydraulics Manufacturing Indonesia
Malaysia	KYB-UMW Malaysia Sdn. Bhd.
India	KYB Mmotorcycle Suspension India Pvt. Ltd.
China	KYB Industrial Machinery (Zhenjiang) Ltd. / Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd. / Wuxi KYB Top Absorber Co., Ltd.
Taiwan	KYB Manufacturing Taiwan Co., Ltd.
Vietnam	KYB Manufacturing Vietnam Co., Ltd. / Takako Vietnam Co., Ltd.

Quality Management

Basic Policy

To prevent a recurrence of quality-related misconduct, Kayaba will continue to foster and establish an awareness of compliance as the prerequisite for and foundation of quality management.

The Kayaba Group shall:

1. Address quality improvement with honesty driven by the belief that quality is the basis for business.
2. Deliver safe and secure products in compliance with promises to customers as well as with laws and regulations.

Quality Assurance System

We have built, and now operate, an ISO 9001-compliant quality assurance system that emphasizes the quality of work processes as well as the quality of products and services. We strive each day to make improvements in all aspects of quality.

At Kayaba, we implement what is called a “three-step evaluation system” for the development and mass production of products, the development of technologies, manufacturing methods, and so on. We make every effort to achieve high quality throughout the product life cycle, from the product planning stage,

to defect reduction and change management after mass production and shipment. At our production bases, we take a variety of quality improvement measures under the leadership of base managers and plant managers, and we are working to promote the unerring operation of our three-step evaluation system. Furthermore, to ensure the quality of mass-produced products, we also follow this system for single, small-lot orders and when production is transferred to another production base.

Step	Details	Goal of the three steps
Prior and model development	Development quality	Implementation of commercialization (Description and evaluation of development quality)
Order development	DR*0 evaluation meeting	Start quality
	DR1 evaluation meeting	
Mass-production development and production preparations	Mass-production quality	Implementation of achieving quality requirements (Demonstration and evaluation of start quality)
	Quality Safety Audit	
Mass production Initial flow management		Bad News First Execute (until the reporter receives feedback) When abnormalities arise: Stop, Call, Wait

Quality Safety Audit Evaluate manufacturing site, manufactured products and data to confirm that mass-production quality is problem-free and that reliable production and shipment are possible.

* DR: Development & Research

Quality Management Initiatives

Kayaba is strengthening its quality audit system to thoroughly prevent quality-related misconduct, and aiming to create a corporate culture of open communication.

- Revision of the Bad News 1st Initiative regulations (November 2021)
- Establishment of the Bad News 1st Initiative implementation guidelines (November 2021)

We are increasing workplace communication by conveying information on “Bad News” or concerns related to quality, then taking steps and improving based on the information and launching initiatives to properly deal with the matters, then providing feedback to the reporter in the form of reports and replies.

Supply Chain Management

Basic Policy

Kayaba conducts ESG management so as to continuously develop our business through manufacturing craftsmanship and contribute to the realization of an affluent society as a corporation that has earned the trust of the global community.

Going forward, we will further increase the responsibilities of the companies in our supply chain to conduct efforts to uphold human rights, the prevention of child labor and forced labor, responsible mineral

procurement, and carbon neutrality. We naturally build partnerships with important suppliers, and also carry out our social responsibility while thoroughly enforcing our basic policy in procurement and striving to contribute to the realization of a sustainable society.



For policy details, see "Supply information" on the website
https://www.kyb.co.jp/english/company/supply_information.html

Building Relationships with Suppliers

We hold a Purchasing Policy Briefing for the management ranks at our suppliers' companies. At this meeting, we provided them with a stronger understanding of our corporate, purchasing, and quality policies. We also awarded excellent suppliers who have contributed greatly to QCD* through the issues and targets that Kayaba and our suppliers share. This made the briefing a venue for sharing valuable information in aiming for coexistence and mutual prosperity.

Kayaba is ensuring two-way communication between us and our suppliers based on a relationship of mutual trust.

* QCD: Quality, Cost, Delivery

Examples of Our Efforts

Carbon Neutral Initiatives

The Japanese government's "2050 Carbon Neutral Declaration" and the Glasgow Climate Accord at COP26 have accelerated efforts to achieve carbon neutrality.

Kayaba holds briefing sessions on carbon neutrality to its suppliers and shares with them Kayaba's approach to carbon neutrality and its goals, and asks them to work toward these goals.

Responding to Responsible Mineral Provision

To avoid inadvertently providing funds to armed groups responsible for human rights violations, the Kayaba Group annually conducts an investigation with the cooperation of its suppliers, summarizes the results and reports to customers that request such information, in accordance with the Dodd-Frank Act.*

In these inspections, we employ the questionnaire issued by the Responsible Minerals Initiative (RMI; an organization that is promoting the responsible procurement of minerals).

* The Dodd-Frank Act is a U.S. financial regulatory act that aims to indirectly cut off trade in mineral resources mined in the Democratic Republic of the Congo and nine neighboring countries because of concerns that these mineral resources are the source of funding for armed groups that are responsible for environmental destruction and human rights violations.
 Target minerals: tin, tantalum, tungsten, gold

Initiatives to Prevent Human Rights Violations in the Supply Chain

In accordance with the U.K. Modern Slavery Act 2015, we annually release a statement on the Kayaba Group's business activities and initiatives to prevent slave labor and human trafficking in our supply chain, including the abovementioned conflict mineral measures. We will

carry on with our awareness-raising activities on prohibiting human rights violations and slave labor in cooperation with the relevant departments while understanding the progress of our business partners with their efforts.

Products + Human Resources + the Future

Our Challenge—providing technology support that draws out full potential

Kayaba employee Takeshi Suzuki is an Olympic athlete who competes in Para Alpine sit ski events at the Games as a representative of Japan. He has competed at Paralympics in Torino, Vancouver (bronze medal), Sochi (gold and bronze medals), Pyeongchang, and most recently took on the 2022 Beijing Paralympics.

While he didn't obtain a medal at the Beijing Games, he placed fifth in the super combined and slalom, and placed eighth in the downhill, receiving a prize for each.

In sit skis, shock absorbers are used to mitigate the shock that the rider feels when skiing, and also as a medium to transmit the operating motions of the athlete to the ski board. We take part in anticipated development projects with our technological abilities that have been forged in such heated competitions as the world's leading motorcycle races and support Japanese athletes. We've been building our record of achievements since we began conducting development for the Nagano Paralympics.

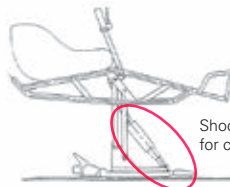
Currently, participating countries are focusing on shock absorber development, with the difference between victory or defeat hanging in the balance. We are continuing to pour our energy into improving sit ski performance by repeatedly conducting a cycle of development, evaluations by skiers, and improvements in cooperation with Mr. Suzuki and other athletes.

Kayaba will continue to support the field of sports for people with disabilities in the hopes that, through the activities of world-class athletes, they will be inspired to participate in sports and to take on great challenges.



Evolving Technology
 Kayaba takes pride in our added-value products

Chair ski model diagram (early development)



Shock absorber for chair ski

Shock absorber for chair ski (present)



Adjust damper until just before run

< Profile of Takeshi Suzuki >



- Competitive event Alpine skiing (Sitting: Sit ski)
- Date of Birth: May 1, 1988
- Age: 34
- Place of origin: Inawashiro-machi, Fukushima, Japan
- Joined Kayaba: 2015

Note: Kayaba is an official sponsor of the Alpine Skiing National Team of the JAPAN Para-Ski Federation

Financial Highlights

FY	2011	2012	2013
	JGAAP	JGAAP	JGAAP
Net sales	337,158	305,752	352,710
Segment profit* ¹	—	—	—
Operating profit (loss)	21,538	10,473	18,170
Profit (loss) before tax [Income (loss) before income taxes and minority interests]	21,760	12,994	21,032
Profit (loss) attributable to owners of the parent [Net income (loss)]	13,898	7,789	12,761
Capital expenditures	27,173	39,215	29,908
Depreciation and amortization	13,508	14,554	17,294
R&D expenses	4,035	5,468	6,917
Cash flows from operating activities	17,399	18,984	28,788
Cash flows from investing activities	(20,000)	(36,125)	(36,078)
Cash flows from financing activities	(3,455)	8,529	5,709
Cash and cash equivalents at end of period	42,010	35,215	38,132
Total assets	301,349	327,912	361,083
Interest-bearing debt* ²	80,518	95,338	88,813
Total equity [Total net assets]	102,762	116,435	153,997
Basic earnings per share [Net income (loss) per share]* ³ (Yen)	62.87	35.24	55.25
Cash dividends per share applicable to the year* ³ (Yen)	9.00	8.00	9.00
Return on equity attributable to owners of the parent [Return on equity] (ROE; %)	14.8	7.3	9.7
Ratio of equity attributable to owners of the parent [Equity ratio] (%)	33.2	34.5	41.2
P/E ratio (Times)	8.0	13.1	7.9
Number of employees	11,975	12,306	13,033

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

*2: Interest-bearing debt = Short-term borrowings + Current portion of long-term borrowings + Current lease obligations + Corporate bonds + Long-term debt + Non-current lease obligations + Guarantee deposits received (Corporate bonds have been added since FY2021)

*3: The Company carried out 1-for-10 reverse stock split on the effective date of October 1, 2017.

Notes: 1. KYB Corporation and Consolidated Subsidiaries

2. *JGAAP

(Millions of yen)

	2014	2015	2016	2017	2018	2019	2020	2021
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
	370,327	355,320	355,316	393,743	412,214	381,584	328,037	388,360
	15,506	17,588	18,624	22,949	22,010	17,575	13,325	24,713
	14,461	4,327	19,247	20,885	(28,496)	(40,298)	18,297	30,001
	14,892	2,825	18,852	20,881	(29,510)	(41,419)	16,340	28,817
	8,036	(3,161)	14,544	15,202	(24,757)	(61,879)	17,658	23,900
	30,087	21,300	20,578	20,956	25,345	23,347	13,322	14,588
	15,191	17,075	15,922	16,988	17,581	20,615	18,634	18,314
	8,910*	7,760	7,621	8,102	6,750	6,312	5,368	5,767
	22,335	19,958	31,153	29,252	17,047	(4,999)	20,826	24,247
	(30,658)	(20,320)	(21,337)	(16,386)	(13,616)	(21,505)	(6,281)	(10,871)
	(555)	(3,395)	(969)	(4,482)	10,418	22,576	1,146	(32,711)
	30,510	25,296	33,988	42,702	56,092	50,423	68,700	52,118
	387,877	359,002	381,326	412,493	441,074	410,454	426,635	434,187
	92,448	91,685	93,563	94,641	108,634	154,608	160,278	124,874
	175,256	153,381	169,771	186,651	155,643	79,815	116,726	160,914
	31.45	(12.37)	56.93	595.09	(969.18)	(2,422.53)	668.95	854.96
	12.00	11.00	12.00	150.00	0.00	0.00	75.00	105.00
	5.1	(2.0)	9.3	8.8	(15.0)	(55.4)	18.5	17.1
	43.6	41.3	43.1	43.7	33.9	18.1	25.9	35.3
	14.0	—	10.2	8.5	—	—	4.5	3.5
	13,732	13,796	14,350	14,754	15,427	15,439	14,718	14,472

Introduction

Strategy

Value Creation

Financial Highlights

Data

Kayaba in Globe (As of October 1, 2022)

23 Countries, 42 Companies

- ★ Regional Headquarters
- Production Base
- R&D Base
- Sales Office / Other Services

Europe

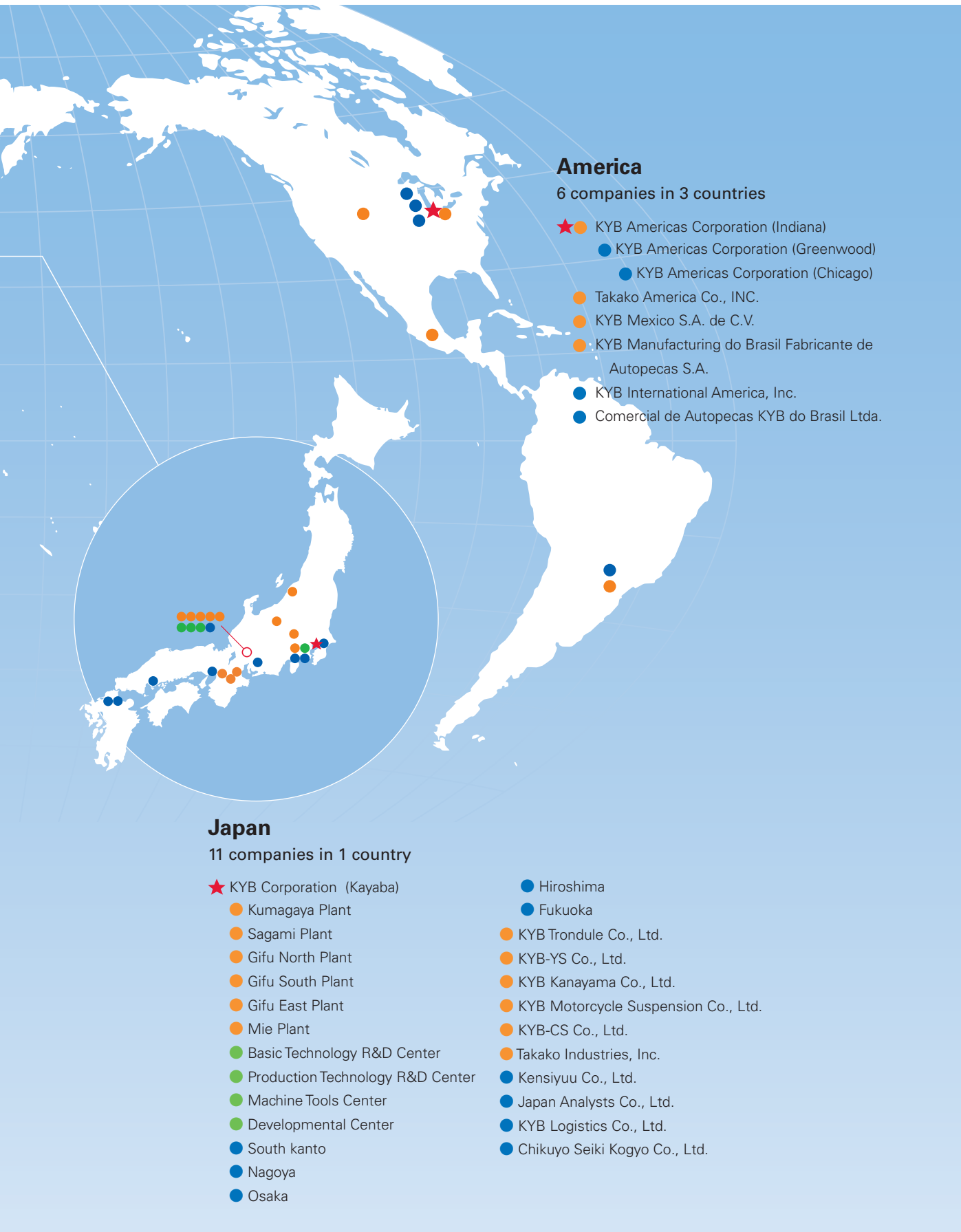
7 companies in 12 countries

- ★ ● KYB Europe GmbH
 - KYB Europe GmbH (Navarra Branch)
 - KYB Europe GmbH (Dusseldorf Branch)
 - KYB France
 - KYB Iberia
 - KYB Italy
 - KYB Poland
 - KYB Romania
 - KYB Turkey
 - KYB UK
 - KYB Ukraine
- KYB Suspensions Europe, S.A.U.
- KYB Advanced Manufacturing Spain, S.A.U.
- KYB Manufacturing Czech s.r.o.
- KYB CHITA Manufacturing Europe s.r.o.
- LLC KYB Eurasia
 - KYB Eurasia Vladivostok
- KYB Middle East FZE

Asia

7 companies in 18 countries

- ★ ● KYB (China) Investment Co., Ltd.
- KYB Industrial Machinery (Zhenjiang) Ltd.
- ● Wuxi KYB Top Absorber Co., Ltd.
- Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd.
- Hubei Henglong & KYB Automobile Electric Steering System Co., Ltd.
- CHITA KYB Manufacturing (Zhenjiang) Co., Ltd.
- KYB Manufacturing Taiwan Co., Ltd.
- KYB Steering (Thailand) Co., Ltd.
- KYB (Thailand) Co., Ltd.
- KYB Manufacturing Vietnam Co., Ltd.
- Takako Vietnam Co., Ltd.
- PT. KYB Hydraulics Manufacturing Indonesia
- PT. Kayaba Indonesia
- PT. Chita Indonesia
- KYB-UMW Malaysia Sdn. Bhd.
- KYB Motorcycle Suspension India Pvt. Ltd.
- KYB-Conmat Pvt. Ltd.
- ● KYB Asian Pacific Corp. Ltd.
 - KYB Asian Pacific Corp. Ltd., Amata Nakorn Branch
 - KYB Corporation Chennai Branch



Corporate Information (As of March 31, 2022)

Company Name	KYB Corporation	Date of Establishment	March 10, 1935
Head Office	World Trade Center Bldg., South Tower 28F, 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo 105- 5128, Japan Tel: +81-3-3435-3511 Fax: +81-3-3436-6759	Fiscal Year	April 1 to March 31
		Paid-in Capital	¥27,647.6 million
		Number of Employees	14,472 (Consolidated basis)
		Securities Traded	Prime Market of Tokyo Stock Exchange

Corporate Website



Information related to the Company, including corporate information, investor information, product information, etc.



<https://www.kyb.co.jp/english/index.html>

Investor Relations

For reports on our IR activities such as management strategy, financial affairs, and performance.



Products

For reports on our products which support safety and comfort in a wide range of industries.



Sponsorship (Japanese only)

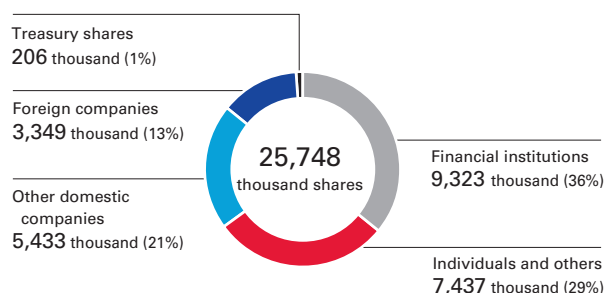
For reports on motorsports, including information on support and sponsorship for various races.



Shareholder Information (As of March 31, 2022)

Common Stock Issued	Common stock : 25,748,431 Class A preferred stock : 125
Number of Shareholders	Common stock : 14,555 Class A preferred stock : 8
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8241, Japan

Composition of Shareholders (Common Stock)



Major Shareholders

Name	Shareholding (Thousands)	Percent of Total Shares Issued (%)
The Master Trust Bank of Japan (Trust Account)	3,088,200	12.1
Toyota Motor Corporation	1,965,417	7.7
Custody Bank of Japan, Ltd. (Trust Account)	1,139,300	4.5
Meiji Yasuda Life Insurance Company	1,004,650 [15]	3.9
Suppliers' stock ownership	923,400	3.6
Hitachi Construction Machinery Co., Ltd.	892,000	3.5
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	611,500	2.4
Ogaki Kyoritsu Bank, Ltd.	591,433 [10]	2.3
Mizuho Bank, Ltd.	490,519 [35]	1.9
Employee Stock Ownership	430,565	1.7

Notes: 1. The percent of total shares issued is calculated after the deduction of own shares (206,351 shares).
2. [] is the number of Class A preferred shares

Monthly Stock Price Range (Tokyo Stock Exchange)



Note: The Company carried out 1-for-10 reverse stock split on the effective date of October 1, 2017. Numbers for the prior fiscal years are as recorded after the reverse stock split.

Contact

KYB Corporation

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