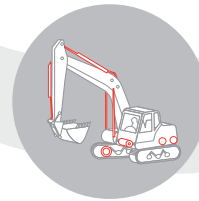
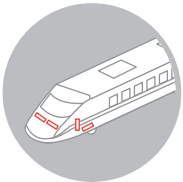
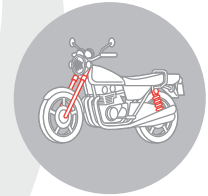




Our Precision, Your Advantage

Environmental and Social Activity Report 2017



Top Message

We will contribute to the realization of a sustainable society by promoting vigorous activity of human resources and by innovation in skilled manufacturing.



Yasusuke Nakajima
Representative Director and President Executive Officer
KYB Corporation

Introduction

KYB has grown globally since its foundation in 1935 as a leading manufacturer based on its core vibration/power control technology with the generous understanding and support of all stakeholders. Today, KYB products support people in every corner of the world and, thereby, provide safety, security, and comfort. Fiscal year 2017 is the first fiscal year of the 2017 medium-term plan. Subsequently, KYB continues to serve as a reliable brand contributing to the creation of an affluent society, through *monozukuri* (development/manufacturing) for human happiness and will take a strong step towards dramatic improvement in the next three years with a sense of mission and joy. We look forward to your continued support as we pursue our mission.

Looking back at fiscal year 2016

Looking back at the KYB Group's performance in fiscal year 2016, we see that because of business environment changes, such as the economic slowdown in China and economic downturn in emerging countries, a variety of different measures were implemented, including management integration or other dramatic structural reforms in China and the Nagano region and the reduction of fixed overheads. Meanwhile a global sales expansion policy was promoted through aggressive marketing activities. Accordingly, the Group's

consolidated performance started to recover in the second half of fiscal year 2016, in conjunction with the effects of structural reforms and signs of the bottoming out of the construction machinery market in China. In fiscal year 2017, we will vigorously seek and provide definitive solutions to any problems not solved by the previous medium-term plan, and in our efforts to create a management system and earnings foundation that can flexibly respond to abrupt changes in the business environment, we will further accelerate and promote our drastic structural reforms in all aspects, including organization, production, and bases.

KYB Group initiatives for society/environment

The KYB Group returns to the basics of skilled manufacturing by giving priority to the sites in the 2017 medium-term plan and strives for quality improvement, productivity improvement, response to customers, cooperation with suppliers, business contributions, and fair trade (legal compliance) in the collaborative activities of the production, sales, and technical departments. Depending on reforms from giving priority to the sites, we intend to be a corporate group that continues to contribute to the sustainable growth of society by providing the highest level of technology, quality, and credibility to our customers and society. The KYB Action Guidelines specifically provide that every employee should be aware and act as a good



corporate citizen who contributes to the healthy growth of society by acknowledging that society is the basis of the company's continuing existence, always valuing the sense of community, and working to actively absorb different cultures and information outside the company. We intend to cooperate with the community by hosting and supporting community events in which many of our employees participate every year.

For the purposes of the protection of the natural environment, the KYB Group develops a number of domestic and international activities for global environmental protection during business development. The company's attitudes towards learning about nature and respecting the environment are reflected in our product manufacturing that contributes to environmental protection or reduces the environmental load.

I will be very pleased if KYB Group initiatives for society and the environment become better understood through this report so that we can continue receiving support from increasing numbers of stakeholders. I also look forward to receiving your comments on this report, and hope that you will express your frank opinions regarding the KYB Group.

Contents

- 2 Top Message / Contents
- 4 What KYB Aims to Be
- 6 Outline of KYB Group
- 8 KYB Here and There

10 2016 Action Highlights

Environmental Report

- 14 **Environmental Management**
 - Basic environmental policy
 - Environmental conservation objectives
 - Chemical substance management
- 16 **Initiatives to Reduce Environmental Burden**
 - Activities at plants

Social Report

- 18 **Side by side with the customer**
 - Activities for customer satisfaction improvement
- 20 **With Business Partners**
 - Establishment of partnership
- 21 **For the Community**
 - Social Support Activities
- 24 **With Employees**
 - Human resource utilization and work environment improvement in cooperation
 - Human resource development and technical capability improvement
 - Employee communications
- 27 **Creation of Safe and Comfortable Workplaces**
 - Occupational safety and health

Management Report

- 28 **Corporate Management**
 - Corporate governance
- 29 Internal control / Compliance
- 30 **Environmental data compilation**
- 30 Editorial Policy

The content of this report has been posted on our website, so please take a look.

<http://www.kyb.co.jp/company/csr.html>

What KYB Aims to Be

Our Precision, Your Advantage

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

Relationship between the KYB Group and stakeholders



Management principles

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

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

Management Vision

Human Resources Development

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

Technology and Product Development

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

Monozukuri (Japanese manufacturing expertise)

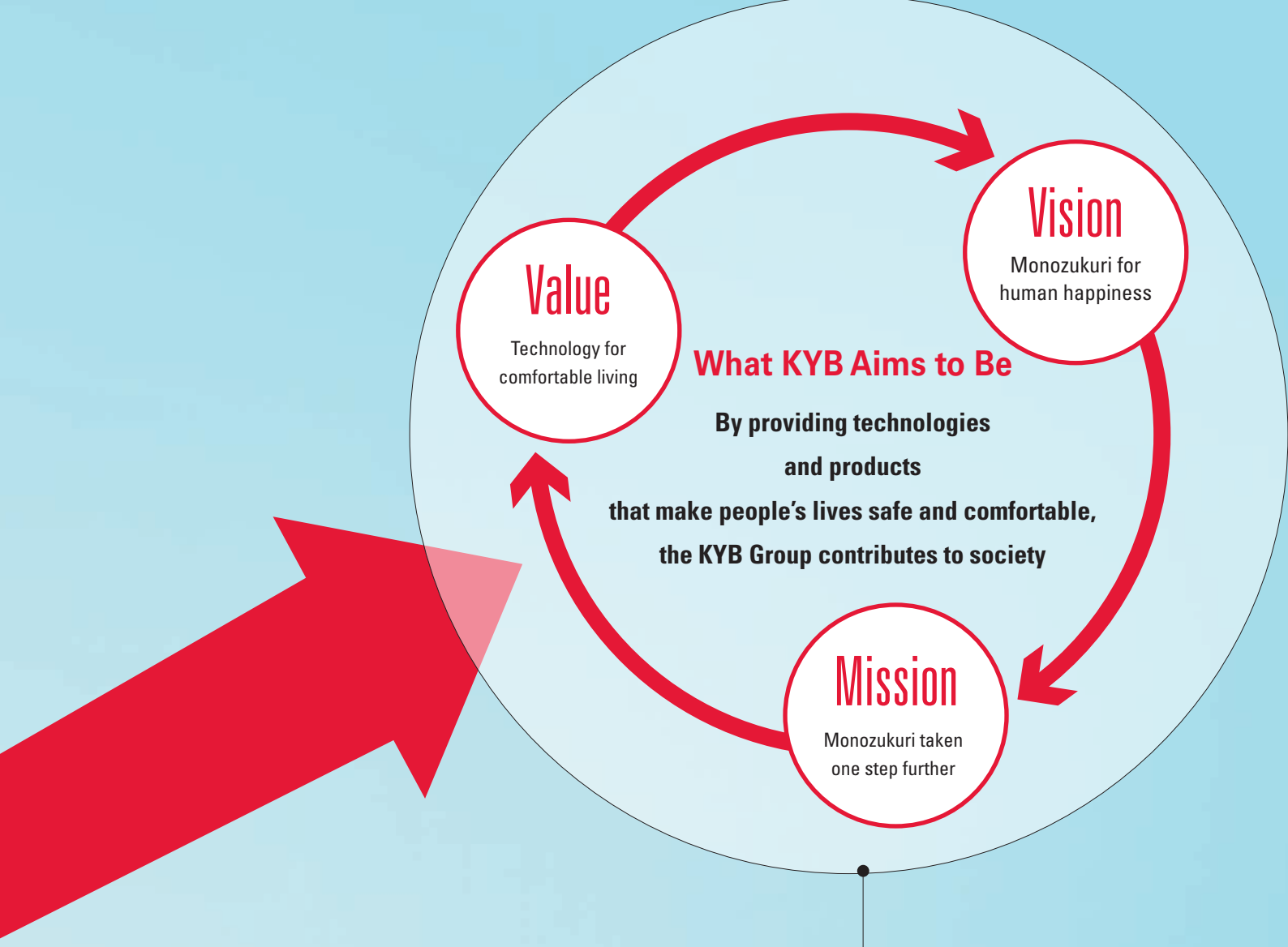
To make our plants enjoyable, dynamic places to work, and at the same time full of discipline based on the field priority doctrine, in order to produce products satisfactory to the customer.

Management

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

Guiding Principles

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



Social Responsibility in the KYB Group

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

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

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

Vision

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

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

Mission

The mission of KYB brand
Monozukuri taken one step further

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

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

Value

Value made possible by the KYB brand
Technology for comfortable living

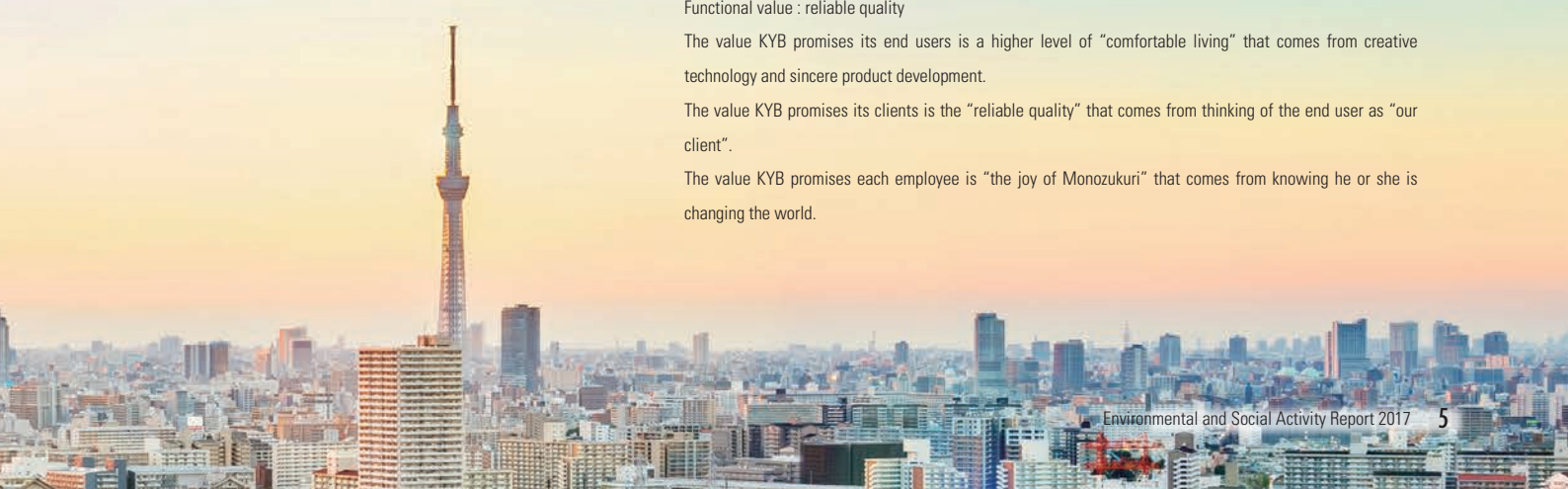
Sensory value : comfortable living, the joy of Monozukuri

Functional value : reliable quality

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

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

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

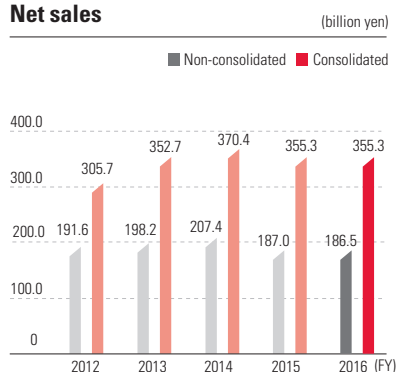


Outline of KYB Group

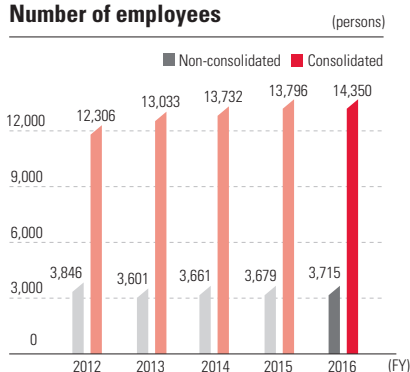
Company overview

Company Name	KYB Corporation	Plants	Kumagaya, Sagami, Gifu North, Gifu South, Gifu East
Founded	Kayaba Research Center, November 19, 1919	Laboratories	Basic Technology R&D Center, Production Technology R&D Center Developmental Experiment Center Machine Tools Center Electronics Technology Center
Established	Kayaba Manufacturing Co., Ltd. March 10, 1935		
Incorporated	November 25, 1948 (KYB Corporation)		
Head Office	World Trade Center Bldg., 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6111, Japan		
Chief Representative	Representative Director, President Yasusuke Nakajima	Number of Employees	14,350 persons (As of the end of March 2017, consolidated) 3,715 persons (As of the end of March 2017, non-consolidated)
Capital	27,647,600,000 yen (As of the end of March 2017)		

Net sales



Number of employees



Major Products

AC (automotive components) operations

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

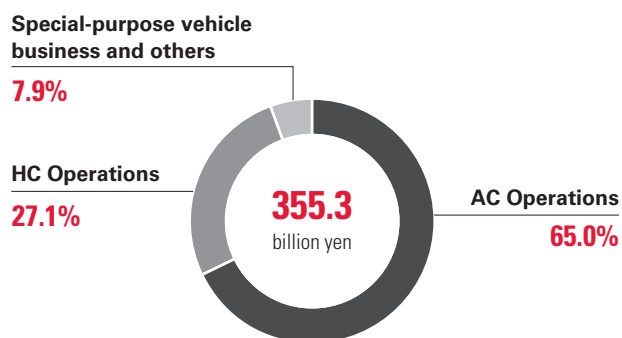
HC (hydraulic components) operations

Cylinders, valves, oil dampers for railroad, collision bumpers, pumps, motors

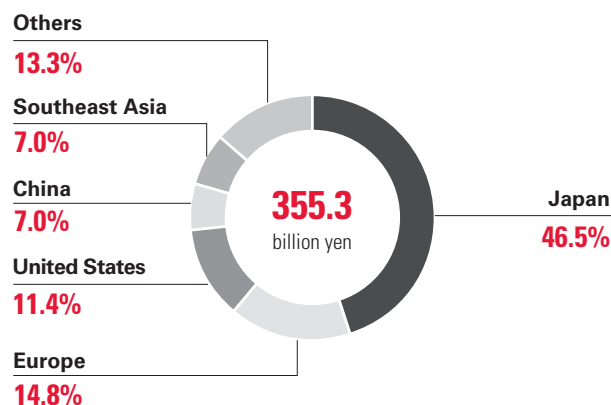
Special-purpose vehicles, Aircraft components, system products and electronic equipment

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

Net sales by business segment in fiscal 2016 (Consolidated)



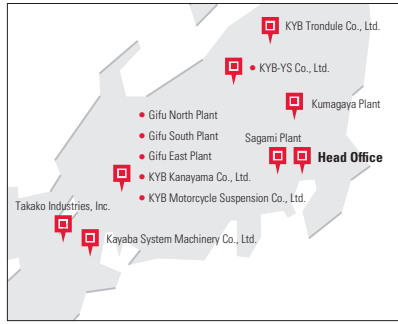
Net Sales by geographic region in fiscal 2016 (Consolidated)



* For details on sales figures and applicable range, please refer to our financial reports. Major Products

Affiliate companies in Japan

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



KYB Group production bases



Overseas affiliate companies

Americas

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

Asia

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

PT.KYBI	PT. Kayaba Indonesia
PT. Chita	PT. Chita Indonesia
KMV	KYB Manufacturing Vietnam Co., Ltd.
TVC	Takako Vietnam Co., Ltd.
KMSB	KYB-UMW Malaysia Sdn. Bhd.
KSMSB	KYB-UMW Steering Malaysia Sdn. Bhd.
KMSI	KYB Motorcycle Suspension India Pvt. Ltd.
KCPL	KYB-Conmat Pvt. Ltd.

Europe

KYBSE	KYB Suspensions Europe, S.A.U.
KSS	KYB Steering Spain, S.A.
KAMS	KYB Advanced Manufacturing Spain, S.A.U.
KMCZ	KYB Manufacturing Czech s.r.o.
KCME	KYB CHITA Manufacturing Europe, s.r.o.

History

1919	Founded Kayaba Research Center	
1927	Established Kayaba Seisakusho	
1935	Established Kayaba Manufacturing Co., Ltd.	
1948	Incorporated Kayaba Industry Co., Ltd.	
1959	Company stock listed on the Tokyo Stock Exchange	
1981	Unified production system under KPS name	
1985	Changed trade name to Kayaba Industry Co.,Ltd.	
1992	Set up the Environment and Safety Committee	
1993	Held first company-wide sports and culture interactive event	
1998	All KYB plants acquired ISO 9001 certification	

1999	Formulated the Corporate Guiding Principles
2001	All KYB plants acquired ISO 14001 certification
2005	Formulated new management principals and management vision Adopted "KYB" as a shared corporate name
2008	Held company's first robot contest
	 Interior of anechoic chamber at the Electronics Technology Center
	 Test course on the grounds of the Developmental Experiment Center
2011	Established Developmental Experiment Center, started operating test course
2015	Changed trade name to KYB Corporation

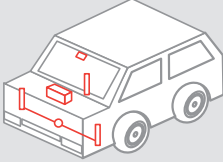
KYB Here and There

KYB products support different types of monozukuri.

They help with the everyday life of the people and provide safety and comfort.

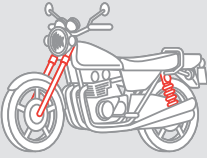
Listed below are the KYB products used in various applications.

1 Automobiles



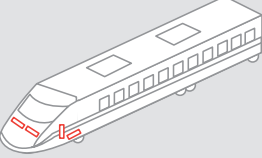
Whether it be for a comfortable drive with family or a motor sports scene with severe conditions, KYB automotive components seek a drivability level satisfactory for everyone.

2 Motorcycles




KYB strives for the highest level of driving stability and great driving performance with its motorcycle components by using race-proven technology built for extreme speed and stability.

3 Railroad Equipment



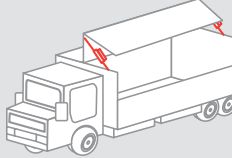
KYB railroad equipment works to buffer rolls from air pressure when cornering, passing oncoming trains, or entering a tunnel to achieve appropriate comfort levels at high speed travel.

4 Construction Machinery



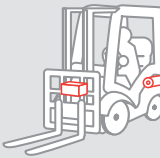
KYB components are widely used in construction machinery at the construction sites under severe conditions.

5 Industrial Machinery



KYB industrial machinery components, including opening/closing devices for trucks, are used to improve the environments of the plant, office, and home.

6 Industrial Vehicles



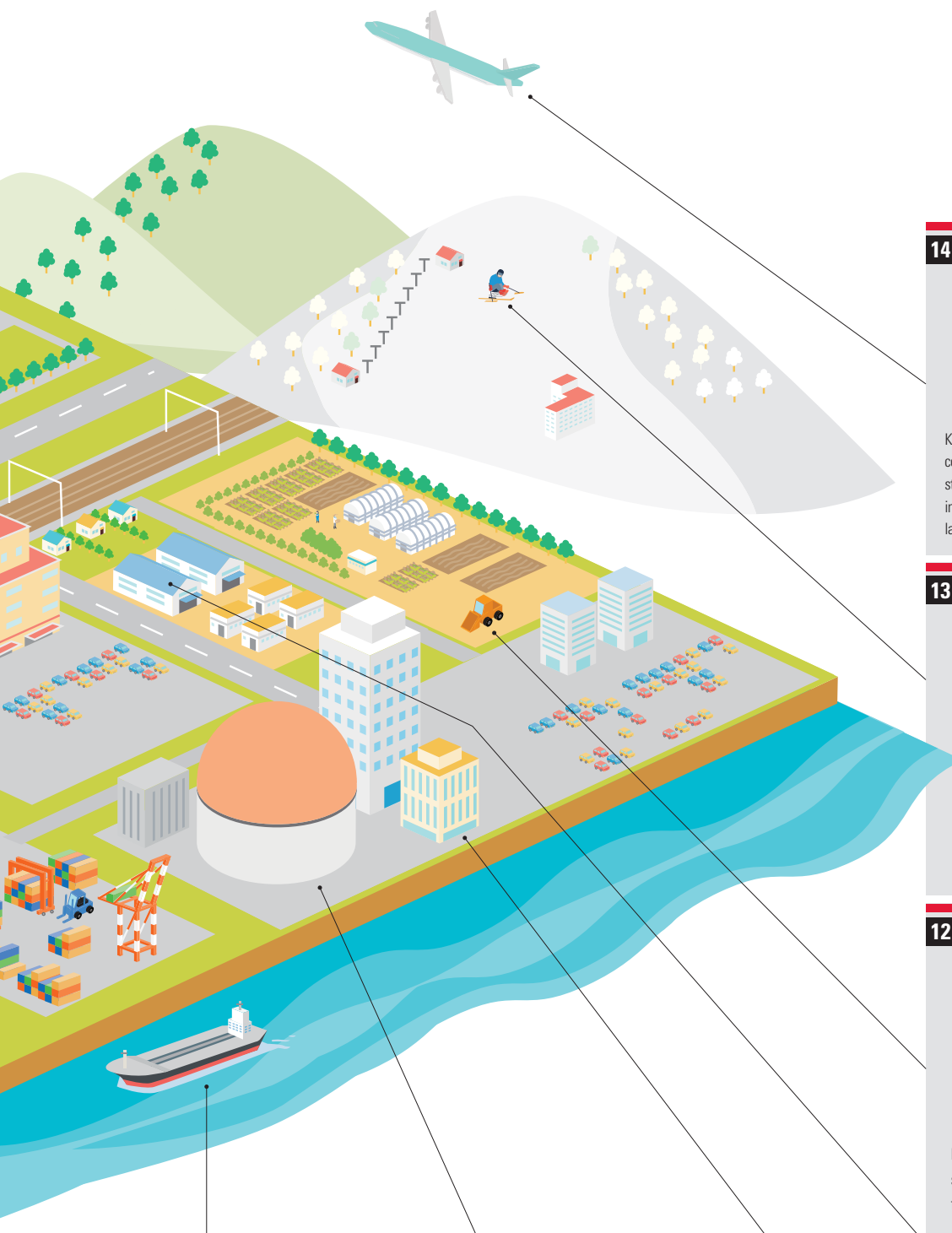
KYB demonstrates its hydraulic technology on forklifts and other industrial vehicles to provide the powerful support for improved operational efficiency.

7 Special-Purpose Vehicles

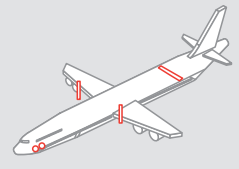


KYB special-purpose vehicles offer support for comfort in all living environments. KYB concrete mixer trucks hold the highest market share in Japan.





14 Aircraft Components



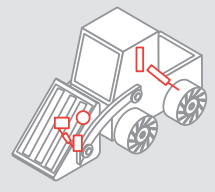
KYB provides a wide range of aircraft components meeting the high reliability standards demanded by the aerospace industry, including components for steering, landing, and hydraulic and pneumatic systems.

13 Sports, Environment, and Welfare



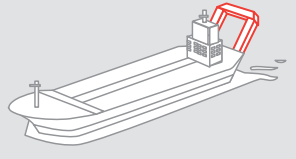
KYB core technologies are used to develop sports, environment, and welfare products.

12 Agricultural Machinery



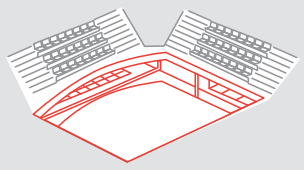
KYB agricultural machinery components save space and energy for more efficient farming.

8 Marine Vessels



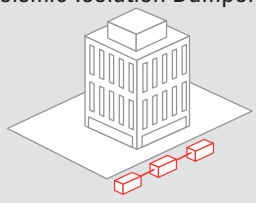
KYB hydraulic and tension control technologies add comfort to transport, supply, rescue and other work at sea for submarine explorers and mother ships.

9 Building and Stage Equipment



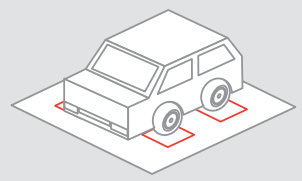
KYB technology provides stage performance spaces with rigging, acoustic reflectors, and other support equipment.

10 Seismic Isolation Dampers



Base isolation and seismic dampers utilizing KYB proprietary hydraulic technology hold the top share of the Japanese domestic market. In the spirit of extensive market-oriented production based on collaboration with our customers, KYB will protect safety.

11 Testers



Our tester products are used in simulators to verify the durability and performance of parts and components.

2016 Action Highlights

We combine our core competence in vibration control technology and power control technology with systems technology and electronic technology to respond to our customers' wide-ranging needs in a variety of different fields. The highlights in this edition will introduce products developed with consideration for safety and the environment, programs for global human resource development, and more.



Highlight **01** ▶ [Product development]

Adjustable damping with a solenoid valve on Lexus LC

Our adjustable damping shock absorber with a proportional solenoid has been adopted for Toyota's Lexus LC, the company's new-generation platform for FR vehicles, followed by Prius, which first introduced the TNGA (Toyota New Global Architecture) platform. For this shock absorber, a new proportional solenoid valve has been adopted for use in the main mechanism where damping force is adjustable, which makes it possible to change the damping force using electric signals emitted from the ECU (engine control unit, a microcomputer that controls total operation of engine) installed in the vehicle. Shock absorbers are mounted

to absorb vibrations from the frame and largely contribute to improving the basic characteristics of comfort and steering stability. Compared with current adjustable damping shock absorbers, this product achieves much greater responsiveness when changing the damping force and is capable of controlling damping force characteristics from softer to harder modes in a continuous, smooth manner. Moreover, this shock absorber instantly generates the required damping force in response to input from the road surface, thus providing comfort and high steering stability in any situation. We will continue to develop products that provide comfort with the joy of driving to meet customer expectations.



Adjustable damping with a solenoid valve



Lexus LC500h

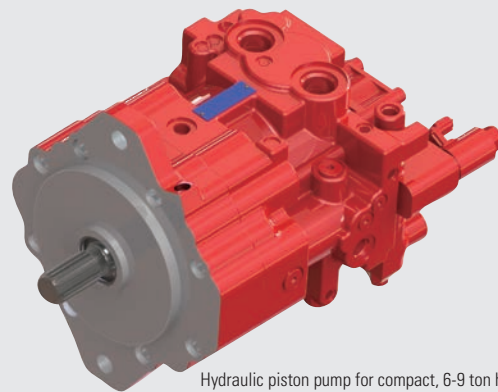
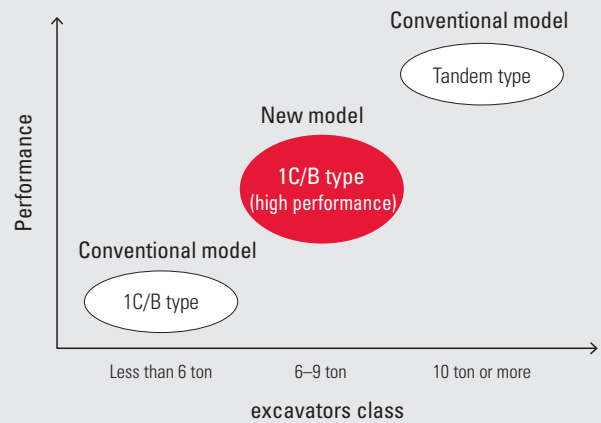


Highlight 02 ▶ [Product development]

Hydraulic piston pump for small excavators

We developed a new hydraulic piston pump for compact, 6-9 ton hydraulic excavators. With an additional tandem pump for the 1 C/B* as the basic pump structure, the pump length has been shortened for this high-performance piston pump intended for compact hydraulic excavators. Equipped with a load-sensing control function to provide flow control, this product allows for flow control irrespective of the workload. In addition, the variable gain function added to load-sensing control makes it possible to maintain work speed even when the operator is saving energy by reducing engine speed, thus realizing energy savings and superior usability at the same time. We developed a special rotary part to improve the energy efficiency of the pump by about 4% compared to conventional models, which improves the workability of the excavators while saving energy.

*C/B: cylinder block



Hydraulic piston pump for compact, 6-9 ton hydraulic excavators

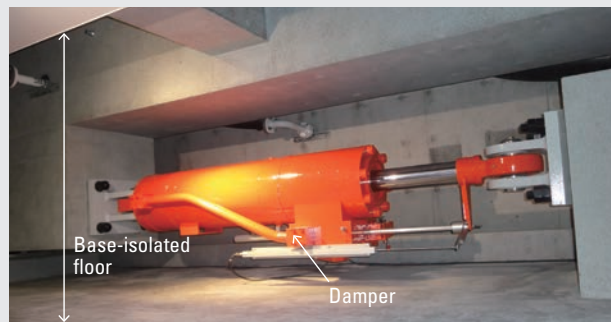


Highlight 03 ▶ [Product development]

T-S oil damper

After the Great East Japan Earthquake, the conventional expectations of the areas that would be affected by huge earthquakes in the Nankai Trough off the Pacific coast has been reviewed; now, the predictions are that the ground motion generated by such earthquakes would be much longer than previously expected for the conventional building design processes. Once such earthquakes occur, they can cause excessive deformation of the base-isolated floor,* which may lead to collisions with surrounding retaining walls* or damage to the seismic isolator. A solution to this problem is to suppress the deformation of the base-isolated floor by increasing the resistance of the damper. However, this method is problematic in that it blocks movement of the base-isolated floor during moderate earthquakes, which are the most typical type of earthquake, and degrades the seismic isolation effect. To address this issue, we developed a damper that satisfies the following two conditions in collaboration with Taisei Corporation.

- 1) Demonstrating high seismic-isolation performance with appropriate damping force in the event of moderate and small earthquakes.
- 2) Increasing the damping force in a huge earthquake or earthquake with unexpectedly long-period ground motion to suppress deformation of the



Installation of damper in building

base-isolated floor.

This prevents the collision of retaining walls, thus ensuring the safety of people and property in the building.

*Base-isolated floor: Support members, such as seismic isolation rubber, and damping members, such as oil dampers, are installed in this floor. This floor is mainly located on the first floor of the basement.

*Retaining walls: The side walls in the base-isolated floor. When viewed from the sides, the base-isolated floor has a concave shape, which is formed by these side walls.



Development of a large concrete mixer truck for India MR8040X



MR8040X

In response to the growing demand for large drums in the Indian market, KCPL developed a concrete mixer truck (hereafter mixer truck) with an 8 m³ load capacity. The mixer truck can load and transport a larger volume of Ready-Mixed concrete compared to the mixer truck with a 6 m³ load capacity, which had already been released since October 2013. While the conventional mixer truck with a 6 m³ load capacity uses a sub-engine mounted on the equipment side to drive the mixer, in addition to the engine installed on the chassis side to drive the drum, the newly developed MR8040X introduced a new

method where the power is directly transferred to the drum via the P.T.O (power takeoff, a device that takes power from the engine) instead of the sub-engine drive method. This eliminated the need for the sub-engine and reduced the product weight by about 500 kg. With the increased drum size and reduced weight, this mixer truck reduces the transfer frequency, transport period, and fuel cost. We will continue to develop products and environmentally friendly mixer trucks to meet customer needs.





Highlight 05 ▶ [Human resource development]

Enhancing opportunities for women



As part of our efforts as a company where human resources can achieve their full potential to continuously create new value and competitiveness, we promote active participation by women in order to create a more comfortable work environment.

In fiscal 2016, we sponsored career training for women to change the awareness of women employees we also sponsored training for managers of women employees to change the awareness of managers.

Four pillars to achieve this objective are as follows:

- ① Capacity development and training to change awareness
- ② Development of work environments more comfortable for everyone
- ③ Support for employees who take childcare leave
- ④ Support for various ways of working



Career training for women



*Childcare exchange meeting:
This is an event to address the concerns of employees during childcare leave through communication with senior employees who have children.

Childcare exchange meeting

We convened the childcare exchange meeting* to reflect the voices of more women employees, and we asked each of the KYB's business sites and domestic group companies to choose a woman representative. The representatives chosen from each site formed a committee to discuss ways to enhance opportunities for women (Harmony Project) and to implement various measures to achieve the goals. We will continue to encourage diversity through the introduction of a work-at-home system, promotion of work-life balance, and an awareness survey for improvement of the work environment.



The first meeting of the Committee for enhancement of opportunities for women

VOICE

Voices from the participants



"Instead of just taking superficial measures, I would like to think about what is needed to foster enthusiasm among employees."

Miho Shimada

CAE Promotion Sagami Branch Manager



"I would like to reflect the opinions of many employees in our projects to make our workplace more comfortable."

Hiromi Sanpei

Human Resources (Sagami resident)