

Corporate Management

Corporate governance



◆ Principles

Our corporation is committed to fulfilling our corporate social responsibility as to contribution to society as well as to meeting shareholders' expectations by realizing sustainable and stable growth and increasing corporate value, and to that end we pursue a quick and efficient management structure, a highly fair and transparent management supervisory function, and continuous effort to strengthen and enhance our corporate governance by our corporate philosophy and the basic policies given below.

◆ Basic Policies

1. Our corporation shall respect the rights of shareholders, and ensure the equal and fair treatment of all shareholders.
2. Our corporation shall take the benefits of shareholders and other stakeholders into consideration and endeavor to appropriately cooperate with those stakeholders.
3. Our corporation shall not only engage in information disclosure that is in compliance with the relevant laws and regulations, but shall also actively provide important 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. Our corporation shall engage in constructive dialogue with shareholders, and make efforts to obtain shareholders' support regarding the Company's Business Policies while also incorporating shareholders' opinions and concerns in our efforts to improve management.

◆ Corporate governance system

Our corporation is a corporation with a board of auditors in terms of institutional design as specified by the Companies Act.

Board of Directors

The board of directors consists of seven members, including two outside directors, and makes decisions on critical matters concerning management and supervises the execution of the duties of directors in compliance with laws, regulations, the Articles of Incorporation, the rules of the board of directors, and other internal regulations. The general meetings of the board of directors are held once a month, in principle.

Board of Executive Officers

The board of executive officers discusses important matters concerning corporate management from a company-wide viewpoint as a preliminary deliberative body for projects submitted to the board of directors.

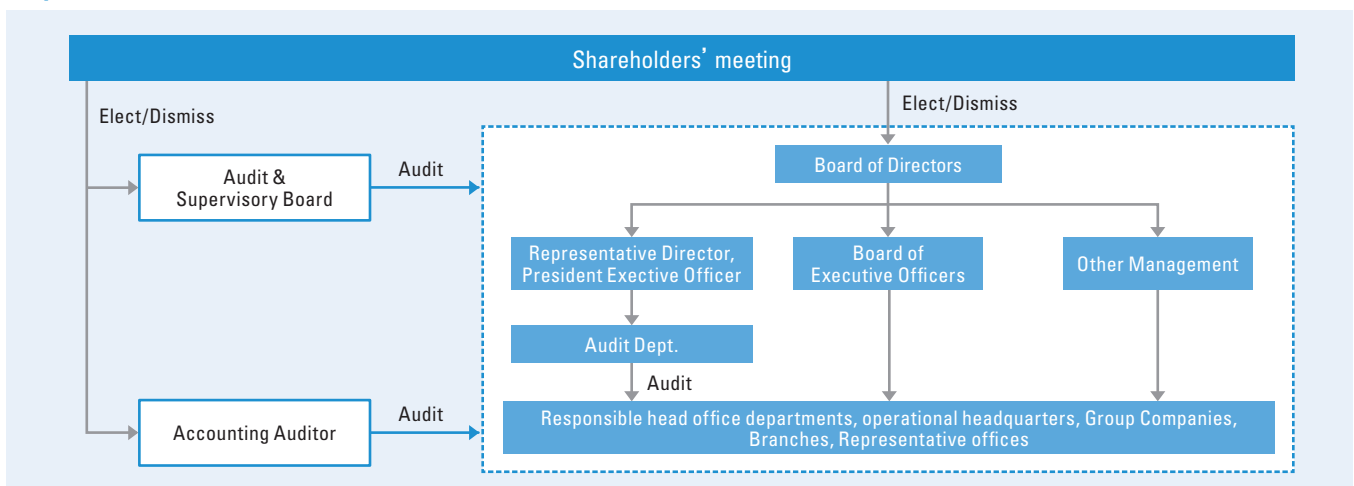
Other Management Committees

The Domestic Affiliated Company Management Committee and the Global Strategy Committee oversee the management practices of the domestic and overseas affiliated companies on a regular basis. There are other committees to enhance the monitoring system for KYB Group management, such as the Operations Review with the President where the president of the corporation visits plant worksites and follows important issues related to manufacturing.

Audit and Supervisory Board

The audit and supervisory board consists of four regular auditors, two of whom are outside auditors. Through audits by outside auditors, we expect effective management supervision and conclude that an effective governance system is in place. In addition, one of the outside auditors is registered as an independent director.

Corporate governance structure



Internal control

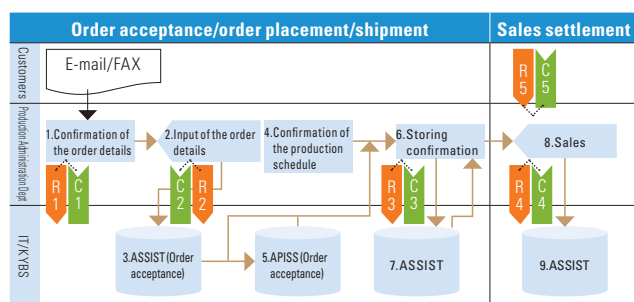
Corporate governance functions effectively on the premise of ensuring the reliability of financial reports, increase of work efficiency and compliance. In order to promote them, we consider that it is absolutely essential to focus on the development of an internal control system and the enhancement of internal control capability. For example, we have resolved the fundamental policy of internal control system at the board of directors in accordance with the Companies Act, and are promoting several measures such as the development of risk control system, group management system, internal compliance system, etc. Also under the Financial Instruments and Exchange Act, we operate the development and the management assessment of “Internal Control Over Financial Reporting” by following the procedure specified in the act to secure the reliability of the financial reports, as well as ensuring appropriate information disclosure.

◆◆ Self-managing by “visualization”

KYB has applied Internal Control Over Financial Reporting pursuant to the Financial Instruments and Exchange Act since April 2008, whereby we promote the schematic expression and evaluation of operations that affect our financial statements. Our business procedures and rules are defined in the company regulations and instructions, and by representing the flow of business operations in more schematic form, we enable their visualization so that operations that were only understood by the people in charge of them could be made understandable to others. This visualization also makes apparent where business risks exist, and we have incorporated this as a scheme for self-management to determine how well the checking function that is supposed to reduce risk is operating.

Flow chart of work operation (example)

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



Compliance

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

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

TOPICS

Compliance education by e-learning

In light of globalization, we are implementing education (e-learning) on antimonopoly law for employees of the KYB Group working in Japan and other countries. We are implementing this program globally in nine languages, and our purpose is to have our employees deepen their basic understanding of antimonopoly law in Japan, the United States, Canada, the EU countries, China, and so on, and to realize anew the importance of compliance with antimonopoly law.