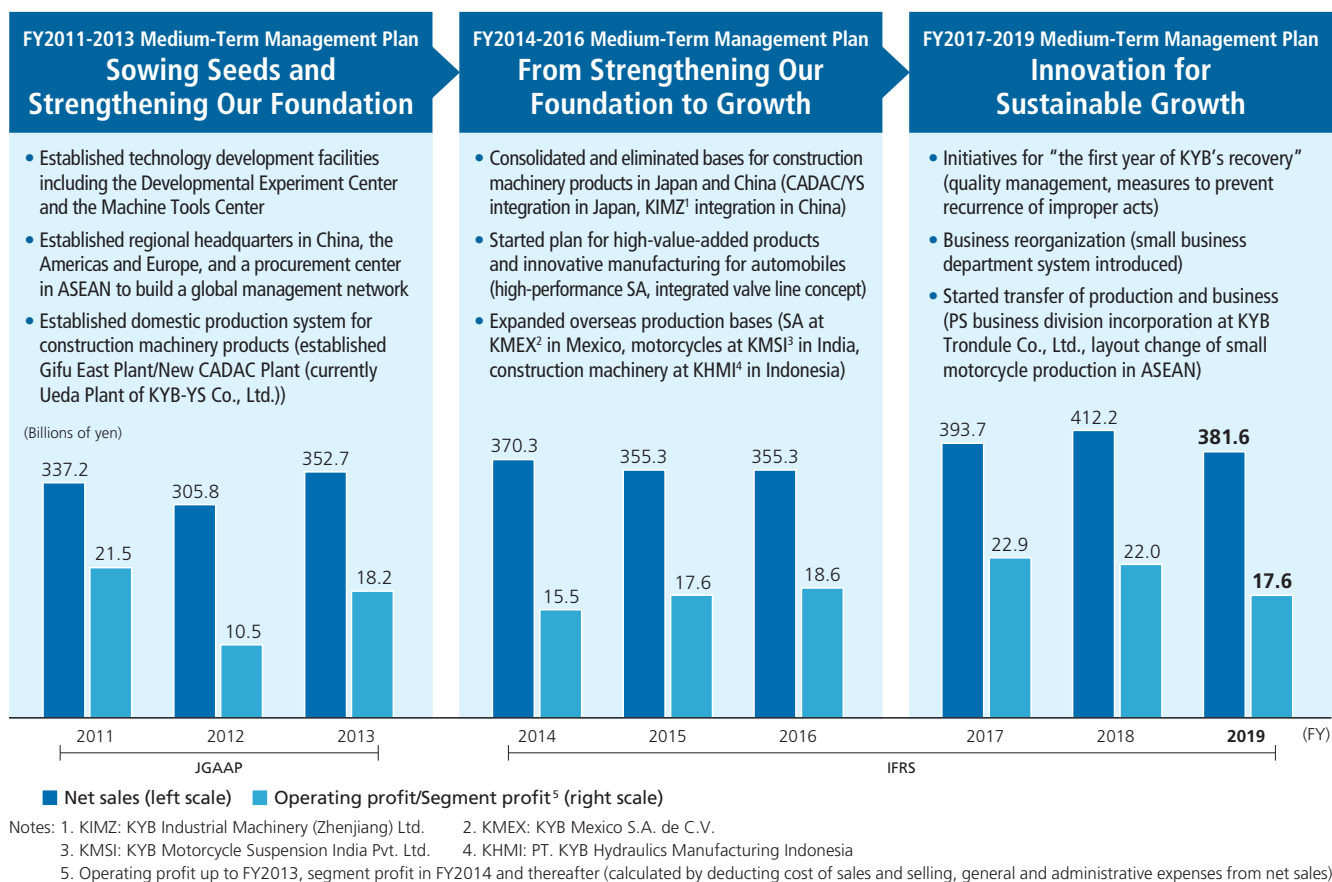


Previous Management Plans

Management Plans and Business Results



Review of the FY2017-2019 Medium-Term Management Plan

The FY2017-2019 Medium-Term Management Plan started as our final medium-term management plan in our aim for annual Group net sales of ¥500 billion, a target we conceived in 2010 as part of our vision for 2020. The development of high-value-added products and the implementation of measures to ensure the profitability of our bases had been issues since the FY2014-2016 Medium-Term Management Plan. By introducing small business departments under the control of the operational headquarters, we ensured flexibility and made shared responsibilities clearer, which enabled us to launch high-value-added products for automobiles and set a tentative timetable for transferring and consolidating production of construction machinery products.

On the other hand, matters for further reflection include the nonconforming acts associated with seismic isolation/mitigation oil dampers announced in October 2018 and the improper claims to the Ministry of Defense announced in January 2019. These matters caused particularly great inconvenience to all those involved and made us realize our lack of an awareness of compliance, which should be at the core of the Company's operations.

Under these circumstances, we made FY2019 "the first year of KYB's recovery." As the Company's foremost task, we worked to thoroughly establish a corporate culture that gives the highest priority to compliance and safety, and added awareness of compliance to our Corporate Spirit in October 2019, with a focus on promptly bringing nonconforming seismic isolation/mitigation oil dampers into conformity.

Future Direction

The various measures we implemented during "the first year of KYB's recovery" in FY2019 enabled us to pave the way for practicing thorough compliance and preventing a recurrence of our improper acts related to seismic isolation/mitigation oil dampers and the Ministry of Defense. Using this as a foundation, we will bring every last damper into conformity during the period of the FY2020-2022 Medium-Term Management Plan. We will also implement each measure of the plan while strengthening compliance.

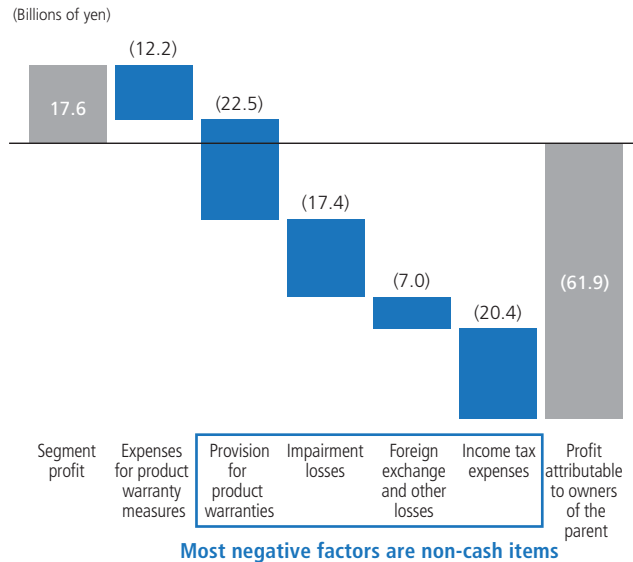
In addition, we have changed our Company policy and are making a clear shift in emphasis from net sales to high profitability. In the current situation, where the COVID-19 pandemic has made forecasts impossible, we intend to begin by increasing profitability with a focus on our current businesses.

► For details, see the Investor Relations section of the Company website.
<http://www.kyb.co.jp/english/ir/index.html>

FY2019 Performance

In FY2019, net sales were ¥381.6 billion, a decrease of ¥30.6 billion from ¥412.2 billion in the previous year, segment profit was ¥17.6 billion, a decrease of ¥4.4 billion from ¥22.0 billion in the previous year, and loss attributable to owners of the parent was ¥61.9 billion, an increase of ¥37.1 billion from a loss of ¥24.8 billion in the previous year, for a second consecutive fiscal year with a net loss. The decreases in net sales and segment profit were mainly caused by weakening economic growth in China due to trade friction with the United States and a decline in sales volume due to the COVID-19 pandemic in the fourth quarter. The main reasons for the net loss were ¥12.2 billion in expenses incurred during the fiscal year to bring seismic isolation/mitigation oil dampers into conformity, ¥22.5 billion in provision for estimated future expenses under product warranties for such oil dampers, ¥17.4 billion in impairment losses at multiple plants, ¥20.4 billion in income tax expenses for the partial reversal of deferred tax assets, and ¥7.0 billion in foreign exchange and other losses. Of these expenses, the only items entailing actual or expected cash outflows are ¥12.2 billion in expenses for product warranty measures to bring seismic isolation/mitigation oil dampers into conformity and ¥22.5 billion in provision for product warranties; the other items are all evaluation losses.

Analysis of Losses in FY2019

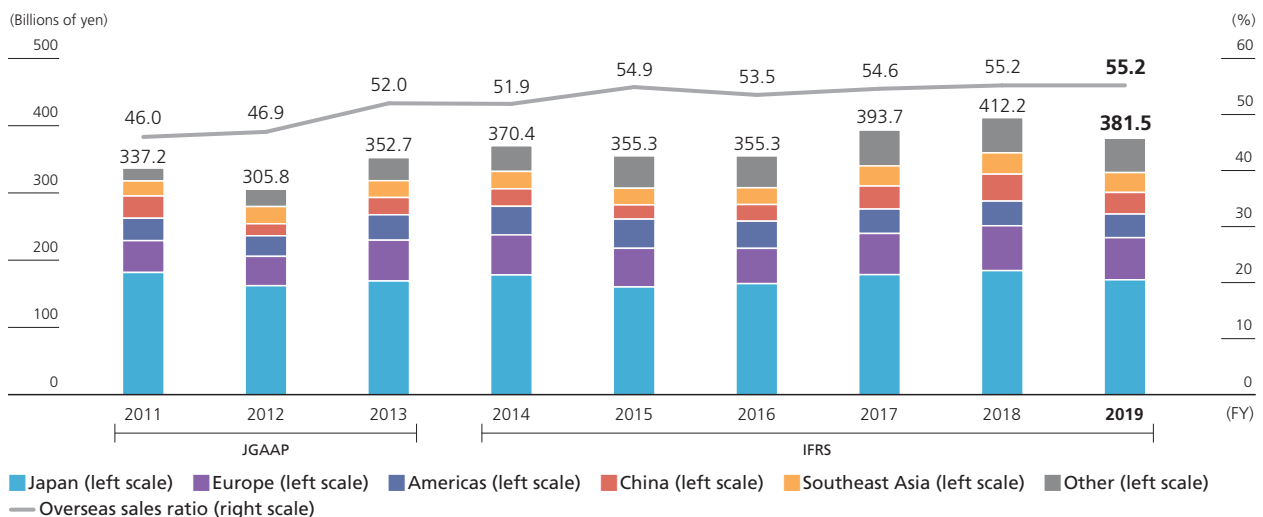


Overseas Expansion

KYB's aspirations for overseas expansion began at an early stage, when it established a long-term management vision in 1966 to become a global player as a comprehensive manufacturer of hydraulic equipment. In 1973, we accelerated our activities outside Japan by establishing an Overseas Business Division to accommodate our customers' overseas expansion and increase our product export ratio. As a result, the KYB brand spread widely outside Japan, centering on shock absorbers, and in 1981 our export ratio reached 10.1% with a value exceeding ¥10 billion.

Since 2000, we have expanded our global supply system as well as our provision of products, technologies and services to emerging countries. Since 2013, our overseas sales ratio has exceeded 50%, and we are working to create high-quality products tailored to the needs of each region. Going forward, we will conduct optimal procurement through local production for local consumption that is able to respond to risks from uncertainties such as exchange rate fluctuations, and aim to improve profitability by establishing a production system that responds to changes in customer demand.

Sales by Region and Overseas Sales Ratio



Overview by Segment

Automotive Components Operations

Strategy under the
FY2017-2019 Medium-Term
Management Plan

For long-term growth, map out plan for consolidating bases and companies to match geographical shifts in customer demand, and for developing and promoting sales of high-value-added products.

Review of the FY2017-2019 Medium-Term Management Plan

Under the FY2017-2019 Medium-Term Management Plan, Automotive Components Operations aimed to optimize production by consolidating bases and focused on developing and expanding sales of high-value-added products to provide a foothold for sustainable growth.

Over the three years of the medium-term management plan, we achieved some success in restructuring unprofitable products and bases. In the electric power steering (EPS) systems business, where profitability has become an issue, we leveraged the knowledge we have accumulated in Japan to establish a joint venture in China, and we are rolling out sales activities. We also decided to close our production base in Spain for hydraulic power steering systems, which is a shrinking market. On the other hand,

we laid the foundation for building a production system for automobile and motorcycle shock absorbers that is optimized for transferring products among bases, but faster setup is necessary.

While bolstering this foundation, we have worked to extend the business into high-value-added products and fields where we expect demand to increase, with the aim of future growth. High-value-added products and products for future growth fields such as SUVs, electric vehicles and pickup trucks are already being installed in some mass-produced vehicles, and we expect more widespread use going forward. We also established the Europe Technical Center in Germany to strengthen our technological capabilities and cultivate new customers.

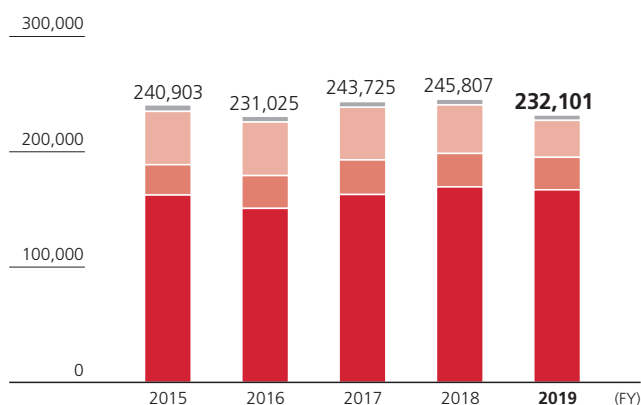
FY2019 Overview

In FY2019, despite increased sales volume of automobile shock absorbers in North America and the Middle East, net sales decreased 5.6% year on year due to the impact of the appreciation of the yen, the chilling effect of a consumption tax rate hike on the domestic market and a decrease in sales volume of electric power steering and hydraulic equipment for automobiles, mainly electric power steering products and vane

pumps for the continuously variable transmission (CVT). On the other hand, segment profit increased year on year due to growth in sales volume of highly profitable products. Our shift over the past few years to highly profitable products and the expansion of sales of high-value-added products are generating results. We have now established a structure that can secure profits even when sales decline.

Net Sales¹

(Millions of yen)



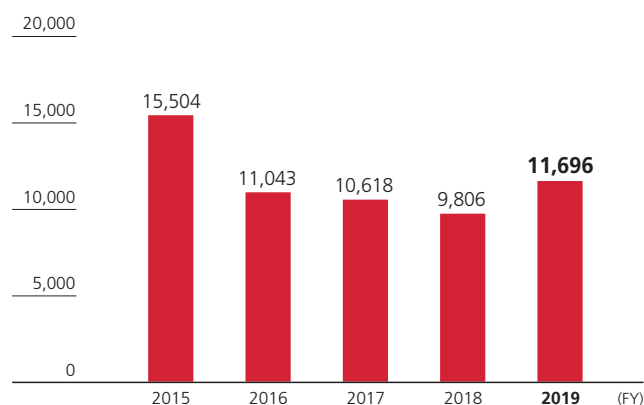
■ Shock absorbers for automobiles ■ Shock absorbers for motorcycles
■ Hydraulic equipment for automobiles ■ Others

Notes: 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.

Segment Profit²

(Millions of yen)



Hydraulic Components Operations

Strategy under the
FY2017-2019 Medium-Term
Management Plan

Ensure stable sales and profit that are unaffected by market fluctuations, and maintain foundation in hydraulic excavators while promoting sales in growth markets in which we were not fully active.

Review of the FY2017-2019 Medium-Term Management Plan

Under the FY2017-2019 Medium-Term Management Plan, in order to secure stable sales and profits resilient to market fluctuations, the Hydraulic Components Operations segment bolstered its foundation in mainstay products for hydraulic excavators and worked to expand sales in growth markets for products other than excavators where we were not fully active. We have been transferring production of products for hydraulic excavators in Japan, as well as reorganizing production of control valves over the past three years to create an integrated line. In addition, we aim to shorten the development period and enhance product capabilities by integrating development and production bases, and we are working to improve production efficiency by consolidating production of hydraulic motors at a single base. In the mini and ultra-large excavator markets, where demand is expected to remain stable, we have maintained high

market share by expanding production capacity.

As for growth markets other than hydraulic excavators, we also worked to expand sales of products for agricultural machinery, skid-steel loaders (SSL) and compact track loaders (CTL). The SSL/CTL and small construction machinery and agricultural machinery markets are expected to grow, mainly in emerging countries, and we introduced new products to the market, establishing a foothold for future sales expansion.

Despite this progress in bolstering our foundations, conditions were severe in FY2019 as cost reductions were not enough to compensate for the decrease in sales volume due to a decline in demand and the occurrence of large-scale disasters. Securing stable sales and profits will require faster implementation of structural improvements.

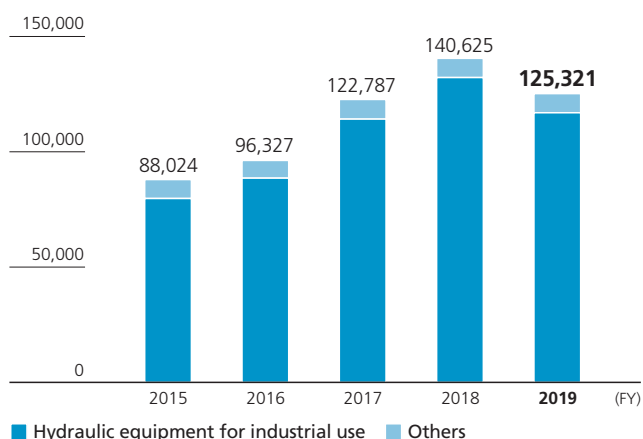
FY2019 Overview

Net sales in FY2019 decreased 10.9% year on year due to a decline in demand caused by weakening economic growth in China, worsening market conditions in Europe and the Americas, natural disasters in Japan and the slump in economic activity as a result of the COVID-19 pandemic. Cost reductions were not enough to compensate for the rapid decline in demand, resulting in a year-on-year decrease in segment profit. It was a challenging

year for the Hydraulic Components Operations segment, with a series of unforeseen events. On the other hand, we have made steady progress in transferring production of control valves and concentrating production of motor products. By working to make production lines more flexible, we are creating a structure that is resilient to fluctuations in volume.

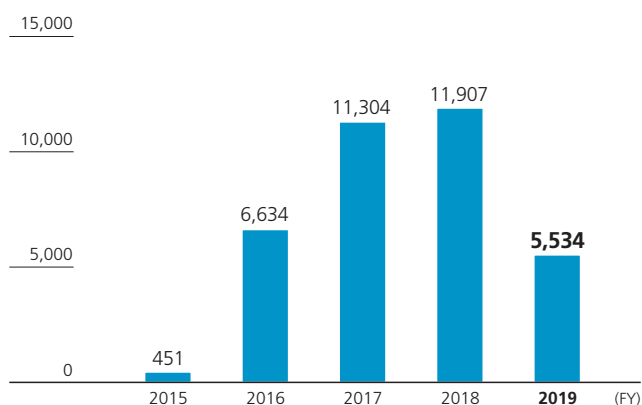
Net Sales¹

(Millions of yen)



Segment Profit²

(Millions of yen)



Notes: 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.

Other businesses (system products, aircraft components, special-purpose vehicles, electronic components, etc.)

FY2019 Overview

Other businesses include system products, aircraft components, special-purpose vehicles and electronic components. Sales decreased in each business, resulting in a 6.3% year-on-year decrease in net sales for the segment. On the other hand, segment profit increased and the profit margin improved.

As announced in October 2018, the system products business was involved in nonconforming acts in the inspection process for seismic isolation/mitigation oil dampers, causing great inconvenience for all those involved. We are currently working to bring all nonconforming dampers into conformity, aiming for completion by March 31, 2021. In the aircraft

components business, we completed payment of refunds for overcharges associated with improper claims regarding working hours for defense equipment announced in January 2019.

In the special-purpose vehicles business, we are working to secure sales and market share by steadily capturing domestic demand in fields including public works and urban development, and our mainstay concrete mixer trucks maintain stable sales with a market share around 80% in Japan. We are working to establish a network that can respond promptly to fluctuations in demand and strengthen after-sales service in Japan, as well as to establish a global network for special-purpose vehicles.

e-Mixer Computer Controlled Concrete Mixer Truck

The e-Mixer is an environmentally friendly concrete mixer that achieves low noise, low exhaust and energy efficiency through computer controlled operation. Optimal computer control of the flow rate of the hydraulic transmission system according to the level of load capacity reduces engine speed to about half that of a manual mixer. In addition, eliminating the operating lever and replacing it with a hand-held rear controller substantially improves operability. Use of the radio controller enables minute adjustments during concrete discharge. Other functions that meet the needs of users include programmed auto-clean and auto-mixing functions, automatic stirring during running, and a function to prevent reverse rotation.

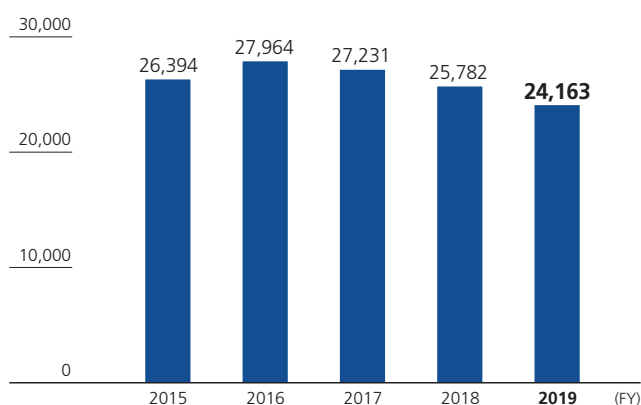
The initial model e-Mixer that was launched in 2004 was upgraded to the e-Mixer II in 2011. We are currently incorporating further advances to develop the e-Mixer III.



Remote control operation near the discharge chute

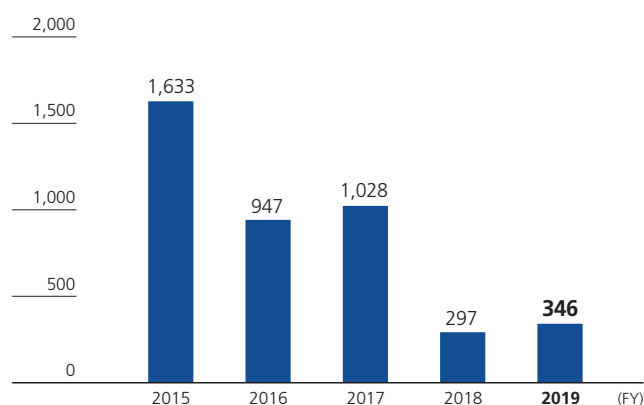
Net Sales¹

(Millions of yen)



Segment Profit²

(Millions of yen)



Notes: 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.

Contributing to Social Issues through Our Business

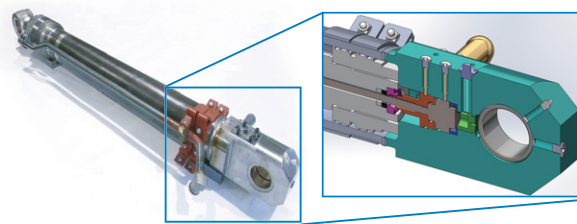
Approaches to ICT and IoT in Hydraulic Equipment

Support for ICT and IoT in Hydraulic Equipment

In recent years, computerized operation using information and communication technology (ICT) and monitoring functions using the Internet of Things (IoT) have increased in the construction industry. Combining traditional hydraulic equipment with advanced electronic equipment requires overcoming challenges in terms of cost, durability and systemization, but we are continuing our development initiatives, mainly in sensing technology.

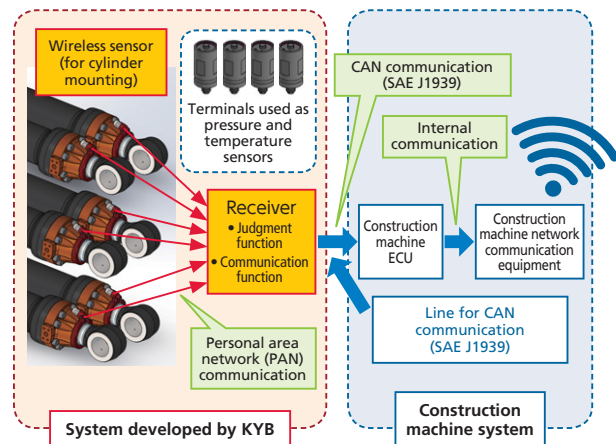
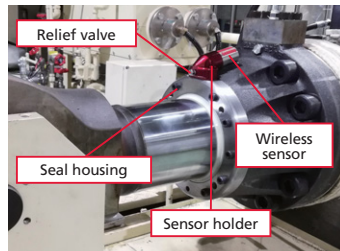
Launch of Hydraulic Cylinder Compatible with ICT (Stroke Sensing Cylinders for ICT Construction Equipment)

We have launched a cylinder with a stroke sensing function as a product for computerized construction equipment. In the case of an external sensor, there is a risk of damage due to contact with soil or other substances. However, a built-in sensor that is interchangeable with standard cylinders can prevent damage. For ease of use and high accuracy, the stroke sensing cylinders support controller area network (CAN) communication and utilize absolute output (absolute position detection).



Development of Monitoring System for Hydraulic Cylinders and Other Equipment

We are developing a cylinder failure detection system as a product for monitoring systems utilizing IoT. A fully wireless sensor mounted on the cylinder monitors the inside of the cylinder and reports malfunctions. KYB has continued to make advances in its hydraulic cylinders to improve their durability. Moreover, by providing advance notice of the inevitable deterioration of consumable items or accidental failures, this system minimizes the effect on the operation of construction machines, thus contributing to the maintenance operations of construction machine manufacturers. The product is in the evaluation stage of the development process as a subsystem that provides data to the construction machines.



Joint Development of a Next-Generation Modular EV Platform

KYB has entered into a strategic partnership with REE Automotive of Israel, a company with advanced electric vehicle (EV) platform technologies, to develop suspension capabilities for future EV platforms. Our suspension technologies will contribute significantly to improving the performance of REE Automotive's next-generation EV platform, providing cost-effective, scalable solutions in e-mobility.

The new platform features a high degree of design freedom and is expected to enable innovations in EV design, with all drivetrain components, including steering, braking, suspension and e-motor, integrated into the wheel. Through this partnership, we will promote the development of a suspension subsystem that supports the needs of tomorrow's mobility ecosystem to revolutionize methods of transporting people, goods and services.

