

ESG Initiatives

Corporate Spirit

By providing technologies and products that make people's lives safe and comfortable, the KYB 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.

In promoting ESG, we will not simply respond to the environment and society. We will also explore business opportunities and implement initiatives that will increase our corporate value. To achieve this, we will coordinate all internal ESG-related initiatives and communicate them to stakeholders in order to foster trust.

Outline of Activities

1 Environment

- 1 Initiatives for a carbon-free society Becoming carbon neutral
- 2 Initiatives for a resource-recycling society Reduction of industrial waste
- 3 Initiatives for coexistence with nature Prevention of environmental pollution and conservation of biodiversity
- 4 Product development Development of eco-friendly products and processes

2 Social

- 1 Respect for human rights Compensation systems and harassment prevention
- 2 Labor practices Health management, promotion of mental and physical health, and safety
- 3 Diversity of human resources Creating an environment where diverse human resources can work together
- 4 Social contribution Social contribution activities

3 Governance

- 1 Strengthen governance system
- 2 Compliance
- 3 Risk management

4 Strengthening Our Management Foundation

- 1 ESG education and human resource development
- 2 External communication to foster trust

Evolution of ESG Management at KYB

In recent years, there have been growing calls for ESG management, including carbon-neutral and other environmental initiatives, measures to increase social trust such as the promotion of diversity and health and productivity management, and the establishment of corporate governance systems capable of ensuring that those activities are implemented. In line with this trend, KYB established the ESG Promotion Office on July 1, 2021, in an effort to evolve its current ESG management. The role of the office is to implement and promote basic policies for the environment, society and governance throughout the Group. We want to remain aware of ESG-related value in all of our activities. We will evolve our ESG management so that it forms the basis for formulating policies rather than just serving as an extension of the usual production improvement measures that we have implemented to date. We will also reexamine existing initiatives in terms of ESG initiatives, and work to foster trust by communicating information both inside and outside the Company. Furthermore, the entire Group will work to reduce CO₂ emissions, develop products that contribute to the sustainable development of society, and create health-conscious workplaces.



Keisuke Saito
Executive Vice President
Executive Officer
(In charge of promoting ESG)

Corporate Governance

Corporate Governance Principles

In order to fulfill our corporate social responsibility to contribute to society as well as to meet stakeholders' expectations by realizing sustainable growth and increasing corporate value, we are working to ensure a speedy and efficient management structure, fair and transparent management oversight centered on the Board of Directors, and continuous efforts to strengthen and enhance corporate governance based on the Corporate

Spirit and the basic policies below.

In the FY2020-2022 Medium-Term Management Plan, we placed awareness and practice of compliance, which are part of our corporate culture reforms to prevent the recurrence of the seismic isolation/mitigation oil damper problem or other potential nonconforming acts, at the core of our management as we transform to a highly profitable structure under the slogan "Recovering trust and pride."

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.

Corporate Governance Overview and Structure

We have adopted the "Audit & Supervisory Board system" as defined by the Companies Act of Japan.

Board of Directors

The Board of Directors comprises seven members, including three 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, three 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 KYB 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

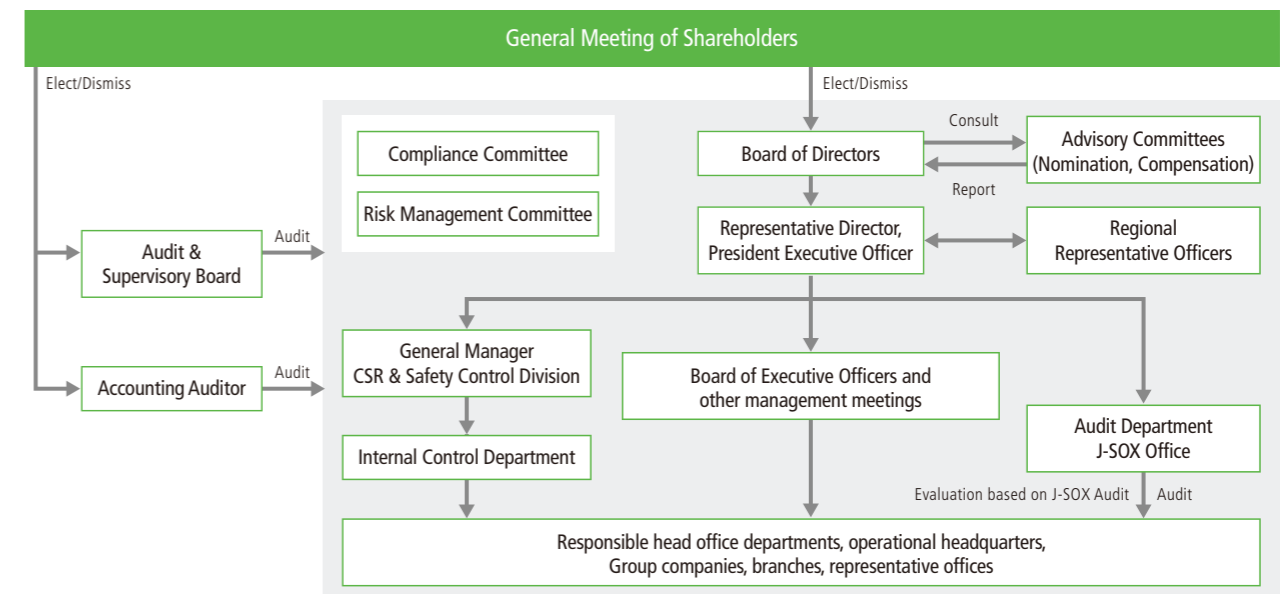
The Audit & Supervisory Board comprises four full-time Audit & Supervisory Board members, two of whom are outside members. Through audits by outside Audit & Supervisory Board members, we expect to achieve effective management oversight and have concluded that an effective governance system is in place.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

The members of each of the aforementioned organizations are as follows.

Title	Name	Board of Directors	Board of Executive Officers	Domestic Affiliated Companies Management Meeting	Audit & Supervisory Board
Director, Chairman	Yasuke 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	○	○	○	
Outside Director	Rokuro Tsuruta	○	○	○	
Outside Director	Shuhei Shiozawa	○	○	○	
Outside Director	Masakazu Sakata	○	○	○	
Audit & Supervisory Board Member (Full Time)	Eiji Hisada				◎
Audit & Supervisory Board Member (Full Time) (Outside)	Junichi Tanaka				○
Audit & Supervisory Board Member (Full Time) (Outside)	Masahiko Sagara				○
Audit & Supervisory Board Member (Full Time)	Hideki Nonoyama				○
17 executive officers	—		○	○	

Note: ◎ denotes the chairperson

Corporate Governance Structure



Independence Criteria

For details, see "Outside directors and outside Audit & Supervisory Board Members" on the KYB website

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



Evaluation of the Effectiveness of the Board of Directors

(1) Evaluation Method

Respondents: 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: January to February 2021

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

34

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) 2020 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	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	¥8 million per month (¥96 million per year)	June 24, 2011 89th Ordinary General Meeting of Shareholders	—
Performance-linked compensation	Directors (Excluding outside directors)	40% or less of total compensation (Fixed compensation + Performance-linked compensation)	Approval annually by resolution at the Ordinary General Meeting of Shareholders	Consultation with Compensation Committee

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

(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. Payment of performance-linked compensation for directors (excluding outside directors) is approved annually by resolution at the Ordinary 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

1. Criteria and Business Results That Serve as the Basis for Calculation

Performance-linked compensation is calculated according to the degree of achievement in the preceding fiscal year (the

"base fiscal year") of the consolidated performance forecast according to the calculation criteria (four items) in the table below. These criteria were selected because they are important indicators for the Group's management.

Calculation Criteria	Target	Result
Segment profit (Millions of yen)	6,200	13,325
Segment profit margin (%)	2.00	4.06
Profit (loss) attributable to owners of the parent (Millions of yen)	500	17,087
Profit (loss) margin attributable to owners of the parent (%)	0.16	5.21

Note: The targets are the consolidated financial results forecast for the base fiscal year (FY2020, or the fiscal year ended March 2021) described in the financial statements at the end of the fiscal year prior to the base fiscal year (FY2019, or the fiscal year ended March 2020). The first consolidated performance forecast for the base fiscal year will be the baseline if the announcement of results for the recently ended fiscal year does not include a consolidated performance forecast.

2. Calculation of Amount to Be Paid

Total performance-linked compensation is limited to 1.0% of profit attributable to owners of the parent. Moreover, the ratio of performance-linked compensation to total compensation (fixed compensation + performance-linked compensation) of directors (excluding outside directors) shall not exceed 40%.

The total amount to be paid is calculated by multiplying the maximum amount payable by a payout ratio derived from the number of calculation criteria targets in 1. that were achieved. Performance-linked compensation is not paid in the case of a loss attributable to owners of the parent.

3. Total Compensation for Each Officer Category, Total Compensation by Type, and Number of Eligible Officers

Category	Total Compensation (Millions of yen)	Compensation by Category (Millions of yen)		Number of Eligible Officers
		Fixed Compensation	Performance-linked Compensation	
Directors (Excluding outside directors)	145	145	—	4
Outside directors	22	22	—	3
Audit & Supervisory Board members (Excluding outside members)	43	43	—	3
Outside Audit & Supervisory Board members	44	44	—	3

- Notes: 1. Total compensation for directors (excluding outside directors) does not include salary for employees concurrently serving as directors.
2. The above data includes two Audit & Supervisory Board members who retired at the conclusion of the 98th Ordinary General Meeting of Shareholders on June 25, 2020.
3. The fixed compensation for FY2020 above reflects a reduction of the portion of compensation that directors and executive officers declined for the 12-month period from April 2020 to March 2021 in order to take the lead in contributing to efforts to improve profitability in response to the deterioration of the market environment. The compensation of Audit & Supervisory Board members also reflects a reduction of the portion of their compensation that they declined.
4. KYB abolished the retirement benefits system for directors at the conclusion of the 89th Ordinary General Meeting of Shareholders on June 24, 2011, but the payment of retirement benefits according to tenure as of the close of that meeting was also approved. Based on this approval, in addition to total compensation shown above, the following retirement benefits for directors (excluding outside directors) were paid for FY2020.
¥14.0 million (one director)
Note: This amount includes the payment of ¥12.0 million to one director, which was disclosed in previous years as allowance for retirement benefits.
5. FY2020 retirement benefits for directors did not increase because the retirement benefit system for directors was abolished as described above.

Initiatives for Sustainable Growth and Enhancement of Corporate Value

- (1) Establishment of the position of Regional Representative Officer (April 1, 2021)
- (2) Regular meetings between the Audit & Supervisory Board and the Internal Control Department (from Q1 of FY2021)
- (3) Appointment of a female outside officer as replacement auditor (June 25, 2021)
- (4) Establishment of Audit & Supervisory Board Members Office (June 1, 2021)

Internal Control and Compliance

Basic Policy

The Board of Directors of the Company ensures effective corporate governance by adhering to the Basic Policy for Internal Control System in accordance with the Companies Act, and by implementing various measures including a risk management system, a Group management system and an internal compliance system.

The Company believes that compliance is not limited to adherence to laws, ordinances and regulations, which are the norms of society, but also includes compliance with the Company's Articles of Incorporation, internal regulations, contracts and other Company rules related to business activities.

The Company has begun the FY2020-2022 Medium-Term Management Plan under the slogan "Recovering trust and

pride." The plan positions awareness and practice of compliance at the foundation of management. Our Corporate Spirit leads off with the statement, "We shall follow all rules and face all issues with honesty," and we are taking practical steps to foster compliance awareness throughout the KYB Group.

Please refer to the Company website for additional details.

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



1. Key Points for Internal Control

1	KYB Group Risk Management	The Risk Management Committee reports to the Board of Directors. Based on the Risk Management Rules, it designates responsible departments to conduct risk management activities for major risks such as quality problems and occupational accidents during the fiscal year.
2	KYB Group Information Protection	Based on the Basic Policy for Information Security, KYB shall implement a system to protect information assets and take measures against the risk of information leaks and information system failures caused by cyberattacks.
3	Rigorous Application of Internal Regulations during Emergencies	We inform all employees of Group companies of their reporting obligations to ensure rigorous reporting under internal reporting rules that include the Rule of Prompt Report* and Bad News First system, which calls for employees of Group companies to immediately notify the Company should they become aware of a potentially serious problem.
4	Review to Improve the Effectiveness of the Whistleblowing System	We are working to improve effectiveness through continuous explanations and notifications to all employees about the internal reporting system.

* A core component of the KYB Group's crisis management system, in which department heads and production base managers promptly and accurately report important information to the president of the Company.

2. FY2020 Initiatives

A. Compliance training for top management

Conducted a training session for top management, including management of Group companies. Hosted lectures and discussions by compliance experts.

B. Compliance education

Provided new teaching materials with many illustrative explanations to Group companies to deepen understanding of the Corporate Guiding Principles.

C. Compliance Improvement Month

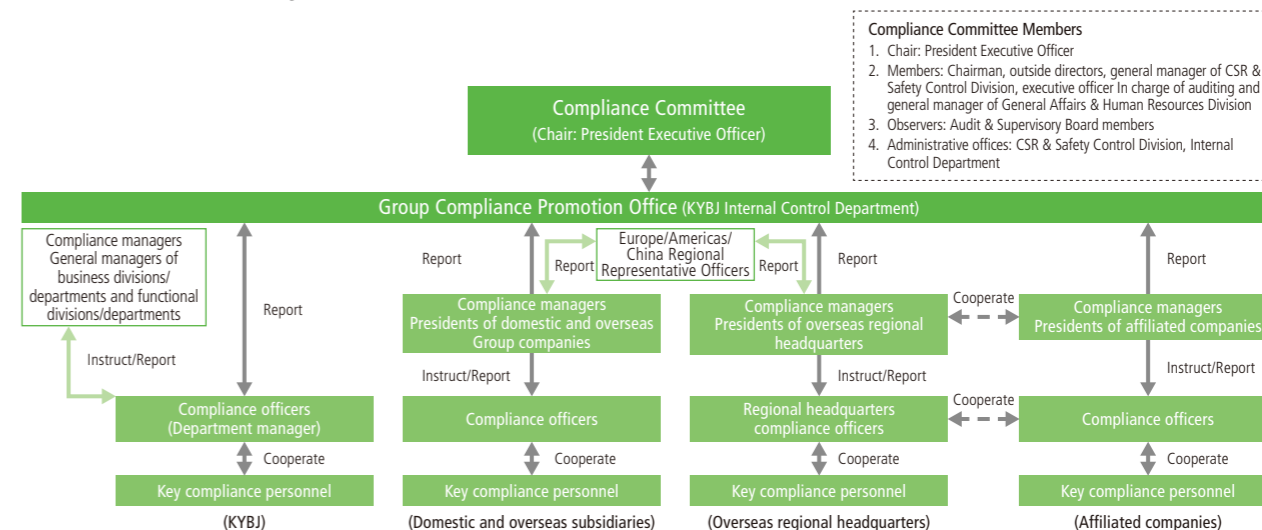
We designated October as Compliance Improvement

Month, and conducted various activities to promote heightened compliance awareness among all employees.

- Competition for solicitation of compliance mottos, and recognition of winners
(The best ones were selected for daily reinforcement at all workplaces)
Winning motto (translation): "Reconfirm the Company's rules and your own actions"
Winning motto (translation): "Don't criticize, hide or waste opportunities to learn from your failures"

D. Conducted compliance awareness questionnaire

3. Internal Control System



- Compliance Committee Members**
1. Chair: President Executive Officer
 2. Members: Chairman, outside directors, general manager of CSR & Safety Control Division, executive officer in charge of auditing and general manager of General Affairs & Human Resources Division
 3. Observers: Audit & Supervisory Board members
 4. Administrative offices: CSR & Safety Control Division, Internal Control Department

KYBJ		
Responsible persons	Compliance officers	Key compliance personnel
General managers of business divisions/departments and functional divisions/departments, and factory managers	Supervisors, department managers	Department and section managers

Group companies (domestic and overseas subsidiaries/overseas regional headquarters companies/affiliated companies)		
Responsible persons	Compliance officers	Key compliance personnel
KYB President Executive Officer	Supervisors, department managers, etc.	Department and section managers

Point to note:

- Key compliance personnel are not limited to those listed on the left, and multiple people may be appointed according to the scale and situation of each company. In principle, however, they are executives who communicate with the administrative offices.

4. Compliance Issues and Responses

- The Special Audit Committee on Wrongdoing Risk was dissolved and a permanent Compliance Committee was established. This committee is creating a system not only for responding to wrongdoing after the fact, but also for conducting regular and repeated education and awareness programs. In FY2021, the committee's first year, we are making ongoing improvements in order to make it more effective.
- To further improve the effectiveness of the whistleblowing system, we issue messages from the *president* and notifications to encourage reporting. We also conduct education on the purpose of reporting, provide individual guidance to locations with zero reports, and offer education to deepen understanding of the purpose of the system.

Measures to Improve the Corporate Governance System

I have been an outside director of KYB since 2015, and have shared my opinions and offered advice from my perspective as a legal professional regarding investigation of the seismic isolation/mitigation oil damper problem and efforts to regain trust after it came to light in 2018. The management team showed leadership in its response, including investigating the cause and replacing components, and later worked to establish measures to prevent a recurrence. Those efforts continue even now, and I think that has led to an earlier recovery of results. The Company has been implementing awareness-raising programs to instill compliance awareness throughout the KYB Group, and is creating a system to ensure that potential wrongdoing is not overlooked. That role is now being taken on by the newly established Compliance Committee and the Basic Policy for Internal Control System.

The corporate governance system has also been improved, and I expect more complete reports and information from departments so that outside directors can make faster and more accurate management decisions.

KYB's strengths are monozukuri based on hydraulic technology, its key technology, and sound management by its core businesses. The Company is focusing on changing to a high-profit structure based on establishment of compliance awareness and emphasis on compliance, which are the pillars of the medium-term management plan, as well as new initiatives to address ESG and the SDGs. I will do everything I can to contribute to the success of those efforts.

Rokuro Tsuruta
Outside Director

Management Team (As of June 25, 2021)

Directors



Yasusuke Nakajima¹
Member of the Board of Directors,
Chairman

April 1979 Joined the Company
April 2005 General Manager, Operations Planning Department, Automotive Components Operations
June 2005 Member of the Board of Directors, General Manager, Hydraulic Sales & Marketing Headquarters, Hydraulic Components Operations
April 2007 Member of the Board of Directors, General Manager, Hydraulic Sales Headquarters, Hydraulic Components Operations
June 2009 Managing Executive Officer, General Manager, Purchasing Division
June 2010 Senior Managing Executive Officer, In charge of purchasing, general affairs and human resources
June 2011 Member of the Board of Directors, Senior Managing Executive Officer, In charge of purchasing, general affairs and human resources
April 2012 Member of the Board of Directors, Senior Managing Executive Officer, In charge of purchasing, general affairs and human resources
April 2014 Member of the Board of Directors, Senior Managing Executive Officer, In charge of purchasing, general affairs and human resources
June 2015 Representative Director, President Executive Officer
June 2018 Representative Director, Chairman, President Executive Officer
January 2019 Representative Director, Chairman, President Executive Officer, General Manager in charge of Seismic Isolation/Mitigation Correspondence Operations
April 2019 Representative Director, Chairman, In charge of Seismic Isolation/Mitigation Correspondence Operations
June 2019 Member of the Board of Directors, Chairman, In charge of Seismic Isolation/Mitigation Correspondence (current position)



Masao Ono¹
Representative Director, President
Executive Officer

April 1979 Joined the Company
January 2004 General Manager, Operations Planning Department, Automotive Devices Business Division
April 2005 General Manager, Operations Planning Department, Automotive Components Operations
June 2006 General Manager, Purchasing Department
June 2008 Executive Officer, General Manager, Purchasing Division
April 2012 Managing Executive Officer, General Manager, Purchasing Division
April 2016 Senior Managing Executive Officer, In charge of purchasing and CSR, General Manager, Corporate Planning Division
April 2017 Senior Managing Executive Officer, In charge of purchasing and auditing, General Manager, Corporate Planning Division
June 2017 Member of the Board of Directors, Senior Managing Executive Officer, In charge of purchasing and auditing, General Manager, Corporate Planning Division
April 2018 Member of the Board of Directors, Senior Managing Executive Officer, In charge of purchasing, general affairs and human resources
June 2018 Member of the Board of Directors, Executive Vice President Executive Officer, In charge of Special Purpose Vehicles Division, domestic affiliated companies and purchasing, General Manager, Corporate Planning Division
January 2019 Member of the Board of Directors, Executive Vice President Executive Officer, In charge of global business strategy, Aircraft Components Division, domestic affiliated companies and purchasing, General Manager, Corporate Planning Division
April 2019 Representative Director, President Executive Officer (current position)



Takaaki Kato¹
Representative Director, Executive Vice
President Executive Officer, CFO

April 1980 Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.)
March 2005 General Manager, Hong Kong Branch, Mizuho Corporate Bank, Ltd. (currently, Mizuho Bank, Ltd.)
April 2008 Executive Officer, Mizuho Securities Co., Ltd.
April 2009 Managing Executive Officer, Mizuho Securities Co., Ltd., Chairman, Mizuho Securities Asia Limited
April 2013 Joined the Company, Managing Executive Officer, Deputy General Manager, Finance & Accounting Division
June 2014 Managing Executive Officer, General Manager, Finance & Accounting Division
April 2015 Senior Managing Executive Officer, General Manager, Finance & Accounting Division
June 2015 Member of the Board of Directors, Senior Managing Executive Officer, In charge of auditing and CSR, General Manager, Finance & Accounting Division, General Manager, Corporate Planning Division, CFO
April 2016 Member of the Board of Directors, Senior Managing Executive Officer, CFO, General Manager, Finance & Accounting Division
April 2017 Member of the Board of Directors, Senior Managing Executive Officer, CFO
June 2017 Representative Director, Executive Vice President Executive Officer, CFO (current position)



Keisuke Saito¹
Member of the Board of Directors,
Executive Vice President Executive Officer

April 1983 Joined the Ministry of International Trade and Industry (currently, Ministry of Economy, Trade and Industry)
August 2002 General Manager, Beijing Office, Japan-China Economic Association
September 2005 Director, Industrial Revitalization Division, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry
July 2007 Policy Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
July 2008 Director, Finance Division, Minister's Secretariat, Ministry of Economy, Trade and Industry
July 2009 Director-General for Energy Conservation and Renewable Energy Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry
September 2010 Special Adviser of the Company
June 2011 Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Engineering Division, General Manager, Corporate Planning Division
April 2014 Member of the Board of Directors, Senior Managing Executive Officer, In charge of legal affairs and information technology administration, General Manager, Engineering Division
January 2016 Member of the Board of Directors, Senior Managing Executive Officer, In charge of Information Technology Administration and Aircraft Components Division, General Manager, Engineering Division
April 2017 Member of the Board of Directors, Senior Managing Executive Officer, In charge of Aircraft Components Division, General Manager, Hydraulic Components Operations
April 2018 Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Hydraulic Components Operations
January 2019 Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Seismic Isolation/Mitigation Correspondence Operations
June 2019 Member of the Board of Directors, Executive Vice President Executive Officer, General Manager, Seismic Isolation/Mitigation Correspondence Operations (current position)



Rokuro Tsuruta^{1, 4}
Member of the Board of Directors
(Outside)

April 1970 Prosecutor, Tokyo District Public Prosecutors Office
April 2005 Superintending Prosecutor, Nagoya High Public Prosecutors Office
July 2006 Registered as an attorney (Daini Tokyo Bar Association)
June 2007 Outside Director, TEIKOKU PISTON RING CO., LTD. (currently, TPR Co., Ltd.) (current position)
September 2007 Outside Audit & Supervisory Board Member, J. FRONT RETAILING Co., Ltd.
March 2012 Outside Corporate Auditor, Sumitomo Mitsui Financial Group, Inc.
June 2015 Member of the Board of Directors (Outside) of the Company (current position)
May 2017 Outside Director, J. FRONT RETAILING Co., Ltd.
June 2017 Outside Corporate Auditor, Sumitomo Mitsui Banking Corporation



Shuhei Shiozawa^{1, 4}
Member of the Board of Directors
(Outside)

April 1981 Assistant, Faculty of Economics, Keio University
April 1987 Associate Professor, Faculty of Economics, Keio University
April 1991 Visiting researcher, Institut d'Etudes Politiques de Paris
April 1994 Professor, Faculty of Economics, Keio University
January 2001 Director for International Economic Affairs, Cabinet Office
October 2005 Dean, Faculty of Economics, Keio University
March 2012 Member of the Board of Directors (Outside), Kenedit, Inc.
June 2016 Member of the Board of Directors (Outside) of the Company (current position)
June 2017 Independent Director (Audit & Supervisory Committee member), Ahresty Corporation (current position)
April 2019 Professor Emeritus, Keio University
April 2019 President, Tokyo International University (current position)



Masakazu Sakata^{1, 4}
Member of the Board of Directors
(Outside)

April 1983 Joined Fuji Xerox Co., Ltd.
April 2007 General Manager, Public Relations and Advertisement Department, Fuji Xerox Co., Ltd.
April 2010 Senior Vice President, Fuji Xerox Advanced Technology Co., Ltd.
June 2011 Senior Vice President and Director, Fuji Xerox Advanced Technology Co., Ltd.
June 2015 Executive Vice President, Fuji Xerox Information Systems Co., Ltd.
June 2017 President and Representative Director, Fuji Xerox Advanced Technology Co., Ltd.
April 2019 Senior Adviser, Fuji Xerox Co., Ltd.
June 2020 Member of the Board of Directors (Outside) of the Company (current position)
June 2020 Outside Audit & Supervisory Board Member, U.S. Group, Inc. (current position)
October 2020 Outside Director, PLANET, INC. (current position)

Audit & Supervisory Board Members



Eiji Hisada²
Audit & Supervisory Board Member
(Full Time)

April 1978 Joined the Company
November 1999 General Manager, Overseas Administration Department
April 2004 General Manager, International Headquarters
April 2005 General Manager, Affiliated Business Department, Corporate Planning Division
June 2007 Member of the Board of Directors, General Manager, Corporate Planning Division
June 2009 Member of the Board of Directors, General Manager, Human Resources Division
April 2012 Managing Executive Officer, General Manager, Human Resources Division
April 2015 Managing Executive Officer, Deputy General Manager, Corporate Planning Division, General Manager, Corporate Planning Division
June 2016 Managing Executive Officer, President, KYB Europe Headquarters GmbH (currently, KYB Europe GmbH)
February 2019 Managing Executive Officer, In charge of auditing and General Manager, President's Office
May 2020 Managing Executive Officer, In charge of auditing
June 2020 Audit & Supervisory Board Member (Full Time) (current position)



Junichi Tanaka^{2, 4}
Audit & Supervisory Board Member
(Full Time) (Outside)

April 1984 Joined The Yasuda Fire and Marine Insurance Co., Ltd. (currently, Sompo Japan Insurance Inc.)
September 2014 Senior Vice President, General Manager, Global Business Planning Department, Sompo Japan Nipponkoa Insurance Inc. (currently, Sompo Japan Insurance Inc.), Senior Vice President, General Manager, Global Business Planning Department, Sompo Japan Nipponkoa Holdings, Inc. (currently, Sompo Holdings, Inc.)
April 2016 Executive Vice President, General Manager, Europe & South America, Regional Headquarters, Sompo Japan Nipponkoa Holdings, Inc.
October 2016 Executive Vice President, General Manager, Europe & South America, Regional Headquarters, Sompo Holdings, Inc.
July 2017 Executive Vice President, Sompo Japan Nipponkoa Insurance Inc.; Executive Vice President, Sompo Holdings, Inc.
April 2018 CEO of Overseas Insurance Business, Executive Vice President, Sompo Holdings, Inc.
June 2018 CEO of Overseas Insurance Business, Director, Audit & Supervisory Board Member (Full Time) (Outside) of the Company (current position)
June 2019 Audit & Supervisory Board Member (Full Time) (Outside) of the Company (current position)



Masahiko Sagara^{2, 4}
Audit & Supervisory Board Member
(Full Time) (Outside)

April 1981 Joined The Yasuda Mutual Life Insurance Company (currently, Meiji Yasuda Life Insurance Company)
January 2004 General Manager, Non-Life Insurance Administration Office, Coordination Department, Meiji Yasuda Life Insurance Company
September 2004 General Manager, Osaka-Itoya Branch, Meiji Yasuda Life Insurance Company
April 2008 General Manager, Gurma Branch, Meiji Yasuda Life Insurance Company
April 2011 General Manager, Corporate Business Planning Department, Meiji Yasuda Life Insurance Company
July 2012 Executive Officer, General Manager, Corporate Business Planning Department, Meiji Yasuda Life Insurance Company
April 2014 Managing Executive Officer, Meiji Yasuda Life Insurance Company
April 2017 Managing Executive Officer, General Manager, Agency Business Division, Meiji Yasuda Life Insurance Company
April 2019 Representative Director and Chairman, Meiji Yasuda General Insurance Co., Ltd.
June 2020 Audit & Supervisory Board Member (Full Time) (Outside) of the Company (current position)



Hideki Nonoyama³
Audit & Supervisory Board Member
(Full Time)

April 1980 Joined the Company
January 2004 General Manager, Operations Planning Department, Automotive Devices Business Division
April 2012 Executive Officer, General Manager, Corporate Planning Department, Corporate Planning Division
January 2014 Executive Officer, President, KYB Americas Corporation
April 2016 Managing Executive Officer, President, KYB Americas Corporation
April 2018 Managing Executive Officer, Deputy General Manager, Finance & Accounting Division
January 2019 Managing Executive Officer, In charge of CSR and safety control
April 2019 Managing Executive Officer, In charge of purchasing, CSR and safety control
June 2019 Managing Executive Officer, In charge of purchasing, Deputy General Manager, Seismic Isolation/Mitigation Correspondence Operations
April 2020 Managing Executive Officer, In charge of purchasing, Deputy General Manager, Seismic Isolation/Mitigation Correspondence Operations, General Manager, Promotion Headquarters
January 2021 Managing Executive Officer, In charge of purchasing and logistics, Deputy General Manager, Seismic Isolation/Mitigation Correspondence Operations, General Manager, Promotion Headquarters
June 2021 Audit & Supervisory Board Member (Full Time) (current position)

Notes: 1. Term of office: One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021.
2. Term of office: Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2020.

3. Term of office: Three years from the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021.
4. Members of the Board of Directors Rokuro Tsuruta (Outside), Shuhei Shiozawa (Outside) and Masakazu Sakata (Outside), and full-time Audit & Supervisory Board Members Junichi Tanaka (Outside) and Masahiko Sagara (Outside) are independent officers as prescribed in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Executive Officers

Representative Director, President Executive Officer	Masao Ono		Takashi Tezuka	In charge of quality control and Aircraft Components Division; General Manager, Quality Division	
Executive Vice President Executive Officers	Takaaki Kato	In charge of Global Corporate Finances; In charge of North, Central & South American Operations	Ryuji Uda	Assistant, China Operations; Chairman & President, KYB (China) Investment Co., Ltd.	
	Keisuke Saito	In charge of China Operations; General Manager, Seismic Isolation/Mitigation Correspondence Operations	Minoru Ishika	General Manager, CSR & Safety Control Division	
Senior Managing Executive Officers	Toshihiko Hatakeyama	In charge of production; General Manager, Production Division; Deputy General Manager, Seismic Isolation/Mitigation Correspondence Operations	Ichio Nemoto	In charge of global corporate planning and domestic affiliated companies; General Manager, Corporate Planning Division;	
	Shizuka Sakai	Assistant, North, Central & South American Operations; President, KYB Americas Corporation	Takashi Saito	Assistant, European Operations; President, KYB Europe GmbH	
	Ikuo Inagaki	In charge of technology; General Manager, Engineering Division; General Manager, Engineering Planning Department	Shozo Amano	General Manager, Gifu South Plant, Hydraulic Components Operations	
	Hajime Sato	In charge of European Operations; In charge of sales and marketing; In charge of purchasing and logistics; General Manager, Sales Division	Executive Officers	Tomoki Takaoka	General Manager, Procurement Department 1, Purchasing and Logistics Division,
Managing Executive Officers	Osamu Kunihiro	General Manager, Finance & Accounting Division	Ukuru Tsuchida	General Manager, Special Purpose Vehicles Division	
	Kazuaki Shoji	In charge of auditing; General Manager, General Affairs & Human Resources Division	Minoru Tamai	General Manager, Sagami Plant, Hydraulic Components Operations	
	Masahiro Kawase	General Manager, Automotive Components Operations; General Manager, Suspension Headquarters	Toshimichi Izeki	Deputy General Manager, Engineering Division; General Manager, Basic Technology R&D Center; Curator, KYB Museum	

Risk Information

This section explains the major risk factors relevant to the KYB Group's operating results and financial condition that may have a significant effect on decisions by investors. The KYB Group's Risk Management Committee reports to the Board of Directors. Based on the Risk Management Rules, it identifies material risks the Group must address and the business units responsible for managing them, and also

addresses large-scale natural disasters through Groupwide BCP initiatives. Business units are responsible for managing their risk exposure while the Risk Management Committee monitors their actions. Forward-looking statements in this section represent the judgments of the KYB Group (KYB and its consolidated subsidiaries) as of March 31, 2021.

1. Nonconforming Acts in the Inspection Process for Seismic Isolation/Mitigation Oil Dampers

The Company and its subsidiary Kayaba System Machinery Co., Ltd. manufacture and sell seismic isolation/mitigation oil dampers for buildings. Some did not conform to performance evaluation standards certified by the Minister of Land, Infrastructure, Transport and Tourism (the "Minister"),* or to the standards of customers, because of falsification of performance inspection record data (the "Incident"). We reported the Incident to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and announced the status of our response on October 16, 2018.

* There is no Minister's certification system for seismic mitigation oil dampers.

Since July 5, 2019, we have announced the status and progress of measures to prevent recurrence and countermeasures regarding this issue once every three months on the following website of the Company.

As of March 31, 2021, we have completed implementation of 63 of 67 specific measures to prevent recurrence. Our initiatives to complete implementation of the remaining measures are ongoing.

2. Risk Due to the COVID-19 Pandemic

Due to the global COVID-19 pandemic that has been ongoing since the previous year, national and local governments worldwide have implemented measures that include lockdowns and restrictions on movement. Production cuts by major customers have also had a negative impact on the Group's business performance. In addition, the future remains uncertain due to the possibility of additional waves of infection even in regions where life is returning to normal. As a result, the pandemic could

3. Risks in Business Operations

3-1. Demand Trends

Sales of the KYB Group's Automotive Components and Hydraulic Components Operations segments depend heavily on the global production volume of automobiles and construction machinery. The Group's main products are components supplied to manufacturers of automobiles, construction machinery and industrial vehicles. A decline in demand for these products due to a global economic downturn, or changes to customer production schedules

Status and progress of measures to prevent recurrence:

<https://www.kyb.co.jp/company/progress/prevent.html>
(Japanese only)

Status of countermeasures:

https://www.kyb.co.jp/company/progress/exchange_progress.html
(Japanese only)

Also related to the Incident, the Company records provisions for product warranties for seismic isolation/mitigation oil dampers using information and facts currently available and considered reliable. Provisions have been recorded in our accounts for costs to produce seismic isolation/mitigation oil dampers, to replace seismic isolation/mitigation oil dampers, to make structural modifications, and to cover compensation expenses. At this point, however, no provision has been recorded for litigation costs related to this matter, for which a reliable and reasonable estimate is difficult. Therefore, additional provision recorded as a result of future events could have a significant impact on the business results of the Group.

have a significant impact on the KYB Group's operating results and financial position.

Each Group company is implementing measures that include thorough hygiene management, limiting domestic and overseas business trips, and expanding telecommuting and web conferencing in accordance with the restrictions and guidelines to prevent the spread of COVID-19 issued by national and local governments worldwide.

due to the state of supply and demand for major component materials such as semiconductors, could have a significant impact on operating results. The KYB Group sells most of its system products, aircraft components and special-purpose vehicles in Japan. In particular, demand for the KYB Group's special-purpose vehicles, which are primarily concrete mixer trucks, can fluctuate significantly due to changes in the amount of construction activity, which is closely correlated with the economic outlook.

3-2. Prices and Quality

The KYB Group's products are subject to intense price competition in both domestic and international markets. Customers regularly request cost cuts and lower prices. Quality is also critical. The Group supplies vital automotive components, such as shock absorbers that maintain vehicle stability and power steering systems. For construction machinery and commercial vehicles, the Group supplies key functional components such as motors and hydraulic cylinders that drive the main unit.

Consequently, the Group may incur substantial expenses, including the payment of damages demanded by customers, if it supplies defective products. Furthermore, sales volume and prices for aftermarket automotive shock absorbers are subject to the impact of regional economic conditions and competition.

3-3. Procurement of Materials and Components

The KYB Group purchases materials and components from a large number of suppliers. Prices of these items are closely linked to factors including prices on international commodity markets. The KYB Group may not be able to fully reflect an increase in the cost of materials or components in its selling prices, or to reduce prices of materials and components

4. Risks Associated with Natural Disasters, Accidents, Etc.

While the KYB Group in and outside Japan has prepared for a large-scale natural disaster through the Groupwide BCP Project, an earthquake, wind and flood damage, fire, conflict, act of terrorism or other event in a region where the Group has a plant could cause a substantial decline in the Group's production capacity.

In Japan, many plants of the KYB Group and many of its suppliers are located in the Chubu area. A major earthquake, wind and flood damage or other event in this area that

5. Risks Associated with Fluctuations in Exchange Rates and Interest Rate Increases

With an overseas sales ratio of 55.9%, the KYB Group relies heavily on markets outside of Japan. As a result, fluctuations in foreign exchange rates have a significant impact on the Group's exports from Japan and the performance of Group

sufficiently to reflect a reduction in selling prices, which could have a significant impact on operating results.

3-4. Funding

The KYB Group obtains loans mainly from financial institutions in Japan and other countries to fund capital expenditures and to secure working capital. The Group obtains these loans while carefully monitoring financial markets. However, it may be unable to procure funds when needed at favorable terms due to events including a broad decline in the prices of the Group's products, an economic recession, a credit crunch, or a decline in the Group's credit rating, which could affect the Group's financial condition and operating results.

3-5. Business Downturn

Bankruptcy at KYB Group overseas production or sales bases caused by factors including a decline in orders or profitability could significantly impact the Group's operating results.

3-6. Counterparty Credit Risk

The KYB Group sells its products to automobile and construction machinery manufacturers and many other customers. An unexpected problem involving customer credit could affect the Group's operating results.

hampers these plants from operating could cause a substantial decline in the Group's production capacity.

In addition, many plants of the KYB Group produce hydraulic products that utilize the properties of oil. In addition, some plants have coating equipment that uses organic solvents, and storage tanks for hydraulic oil, chemicals and other substances. A fire or hazardous substance leak could temporarily shut down manufacturing activity.

companies in other countries. An increase in interest rates in Japan or other countries could have a significant impact on the KYB Group's operating results.

6. Risks Associated with Significant Lawsuits or Other Legal Action

If the KYB Group is the defendant in a lawsuit and the outcome is unfavorable, the resulting payment and other

demands may have a significant impact on the Group's operating results.

7. Risks Associated with Information Security

The KYB Group has set out a Standard Information Security Policy to protect information assets and appoints persons responsible for information security management to ensure the integrity of information security. In addition, the Group conducts regular training and drills for all employees and officers, reviews evaluation standards for management systems, and strives for ongoing improvement. Nevertheless, in addition to the increasingly sophisticated and complex information system environments 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. As a consequence, any resulting event such as an information leak or system failure could have a significant impact on the KYB Group's operating results or financial position.

Social Initiatives

Basic Approach for Social Initiatives

KYB's basic approach to social initiatives is outlined in the KYB Group Corporate Guiding Principles. All employees in the KYB Group are expected to follow these guiding 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 KYB 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.

KYB Group Corporate Guiding Principles (excerpt)

Human Resource Initiatives

Basic Approach

The KYB Group believes that helping to achieve the SDGs is essential for increasing our corporate value.

As part of our ongoing efforts to recover trust following the occurrence of nonconforming acts, along with fostering an awareness of compliance, we are working to build an open corporate culture with an emphasis on freedom from harassment, given that harassment can create a situation where it is difficult to raise one's voice within a company.

Furthermore, to ensure that all workplaces are rewarding ones, the Group is helping to improve the physical and mental health of employees, ensuring that personnel are assigned to suitable positions and departments, providing training to employees who will help realize the Corporate Spirit, and utilizing the talents of diverse human resources.

Freedom from Harassment

We made the implementation of power harassment prevention measures mandatory throughout the Company from June 1, 2020. Harassment-free workplaces are an essential foundation for creating free and open communication at work, maintaining and improving the physical and mental health of employees, and promoting human resource development. We have been carrying out educational campaigns to raise awareness of compliance.

KYB has created new training programs covering listening skills and equality under the law as a way to promote mutual respect, an important factor for preventing harassment. The listening skills training has already begun, and the equality training will begin as an

e-learning course. In addition, antiharassment posters have been put up in workplaces and articles have appeared in internal newsletters. KYB also surveys the extent of reported cases of harassment through stress assessments, which employees take every year.

KYB plans to clearly state its approach to prohibiting harassment in the workplace through business/departmental policy documents, and will integrate antiharassment education into new training programs. We will also conduct evaluations on a trial basis.

The Company promptly responds to cases reported to the harassment helpline and the whistleblower hotline, taking strict disciplinary action after confirming the facts.



Article in internal newsletter



Poster displayed in Company workplaces

Health Management

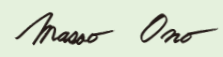
KYB Health Declaration

KYB 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.

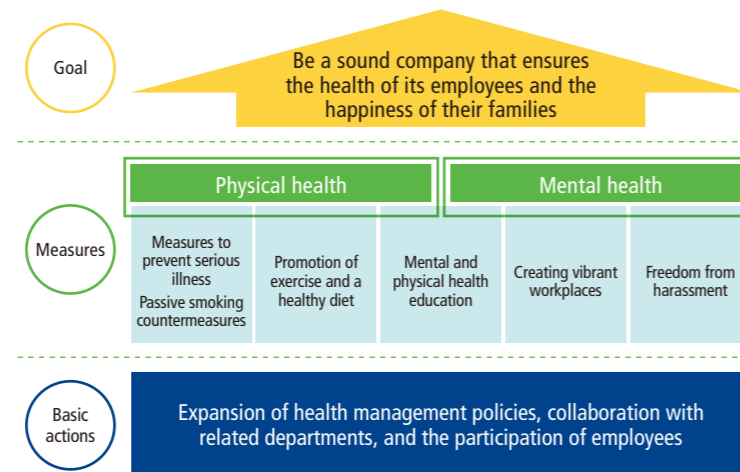
We are committed to actively supporting employees who are engaged in health promotion activities and to promoting organizational measures for health promotion in order to live up to our Corporate Spirit by "building a corporate culture full of vitality and holding high goals."

November 1, 2019

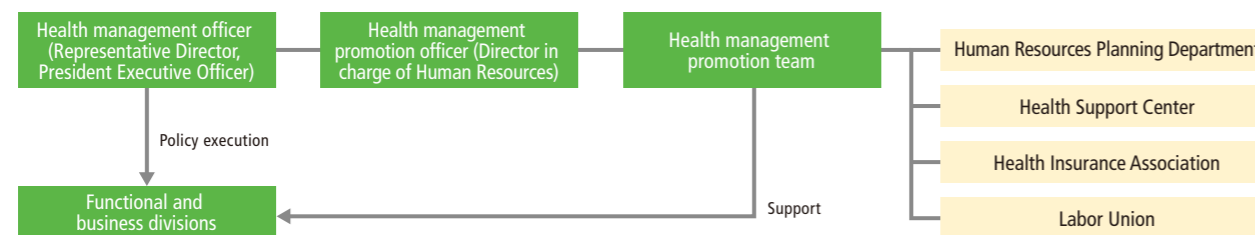
Masao Ono
Representative Director and
President Executive Officer
KYB Corporation



Five Pillars of Health Management



Organizational Structure for Promoting Health Management



Main initiatives

1. Physical health

Reduce the employee smoking rate to no more than

25% by FY2023

Goals

Ensure at least **90%** of employees and their family members undergo specified health checkups by FY2023

Ensure at least **75%** of employees and their family members receive specified health guidance by FY2023

1) Passive smoking countermeasures

Indoor smoking areas phased out in April 2020
Reduced from 10 areas in FY2019 to zero in FY2020
Employee smoking rate was 33.8% in August 2020
Smoking prohibited during working hours starting from January 2021

2) Exercise programs

Walking event held in October 2020
1,339 participants
Daily Challenge 8000 event held monthly from April 2020
A total of 5,004 participants over nine months

3) Health checkups

88.0% of employees underwent specified health checkups in FY2020
70.6% of employees received specified health guidance in FY2020

2. Mental health

1) Class-specific education

Training for new employees, mid-career employees, supervisors, section heads who have been recently appointed or are in their third year, and department heads (some training postponed due to the COVID-19 pandemic)

2) Stress assessments

99.98% of employees participated in FY2020
Assessment results were disclosed to managers and officers

Certification as a 2021 Health & Productivity Management Organization

For the second consecutive year, KYB was certified as a Health & Productivity Management Organization in recognition of its efforts to manage the health of employees. We see the health of employees and their families as an important management resource and a source of corporate vitality, and will continue fostering workplaces that allow all employees to work productively and in good health in order to ensure the Group's sustainable growth.



Human Resource Development

KYB has redesigned its human resource training programs to ensure that employees have the qualities necessary to help realize the ideas (honesty, vitality, love and creativity) behind the Corporate Spirit. 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 clarified 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.

KYB 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. We then assign them to leadership positions when the time is right.

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



Training Managers of Overseas Bases



Promoting Diversity

KYB regards the diversity of human resources as an important factor for realizing sound operations. Accordingly, we foster a corporate culture that accepts and respects diverse values, cultures, and customs, while maintaining flexibility in management strategies and product development.

As part of our efforts to promote diversity, KYB has been strengthening systems and awareness campaigns for helping women thrive in the workplace. We have increased the number of female career-track employees with a view to raising the number of female managers (achieved the target in FY2020). 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.

KYB has also established special organizations that employ people with disabilities, and has carried out related activities.

To enable all employees to play active roles in the workplace, we are continuing to allow remote work, encouraging employees to take their annual paid leave, and striving to reduce long working hours in order to help employees maintain a healthy work-life balance.



Quality Management

KYB Group Basic Policy for Quality

KYB and its Group companies (“KYB”) are committed to restoring the trust they have lost, and have established a medium-term action plan for compliance with the KYB Group Basic Policy for Quality to do so. To prevent a recurrence of quality-related misconduct, we will continue to foster and establish an awareness of compliance as the prerequisite for and foundation of quality management.

The KYB 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 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 KYB, 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 moved to another production base.

Development of Products and Technologies through a Three-Step Evaluation System and the Quality Safety Audit

Step	Goal of the Three Steps	Quality Assurance Step
Prior and model development DR*0 evaluation meeting	Proof of possibility (Description and evaluation of development quality)	Development quality
Order development DR1 evaluation meeting	Proof of mass production (Description and evaluation of development quality)	Start quality
Mass-production development and production preparations Quality Safety Audit DR2 evaluation meeting	Proof of applicability and serialization (Demonstration and evaluation of start quality) Evaluate manufacturing site, manufactured products and data to confirm that mass-production quality is problem-free and that reliable production and shipment are possible.	Mass-production quality
Mass production Initial flow management	Bad News First Execute (until the reporter receives feedback) When abnormalities arise: Stop, Call, Wait	

* Development and research

Strengthening the Quality Audit System

KYB is strengthening its quality audit system to thoroughly prevent quality-related misconduct. Quality audits evaluate the materialization of risks of quality-related misconduct, improvement of such risks, and the effectiveness of the improvement measures taken. In addition, we are working to achieve our goals by evaluating whether our plans for quality assurance and quality control activities are being implemented effectively and systematically, and the effectiveness of our measures, among other factors.

Revision of Quality Audit Regulations (March 2020)

We conduct quality audits to prevent quality-related misconduct and to identify the actual conditions of quality

assurance and quality control activities. We reflect the results in our business management, and work to improve the level of our quality assurance and quality control activities.

Establishment of Procedures for Dealing with Quality-Related Misconduct (April 2020)

We newly established procedures to strengthen compliance in management and maintain social credibility by establishing a framework for appropriate response to reports of organizational or personal quality-related misconduct from employees or other parties and by conducting early detection and correction of quality-related misconduct.

Supply Chain Management

Basic Policy for Procurement

KYB works to fulfill its corporate social responsibility (CSR) and continues to be a company that society can rely upon. Suppliers are important partners for us in continuously developing our business through *monozukuri* (Japanese manufacturing expertise) and contributing to the realization of an affluent society.

Our basic policy for procurement is described below.

Basic Approach to Procurement

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

Specific Initiatives

FY2020 Procurement Policy Briefing

We planned to hold the FY2020 KYB Purchasing Policy Briefing in April 2020 in Nagoya, to which suppliers would be invited. When COVID-19 began to spread, however, we considered the risk of infection to our business partners and cancelled the event. Under normal circumstances, we would have explained our corporate and purchasing policies directly to our suppliers’ representatives, but instead we shared the briefing materials with our suppliers via KS-NET and gave explanations through documents. We sent commemorative shields and mementos to excellent suppliers who have contributed greatly to QCD.*

* Quality, cost and delivery

Supplier QC Circle Convention

For our 50th Supplier QC Circle Convention, planned for FY2020, we told prospective attendees that it would be postponed until September due to COVID-19. However, the pandemic did not look like it would be brought under control by that date. We then gave top priority to reducing the risk of infection and decided to cancel the convention.

In light of COVID-19’s impact, we will consider holding the event online in FY2021.

Survey of Status of BCP

In FY2019, we conducted a questionnaire of suppliers consisting of 100 items in seven categories. To help improve the responsiveness of the entire supply chain, we contacted suppliers who needed to strengthen their BCP activities and confirmed the implementation of countermeasures against major earthquakes. We then discussed upcoming issues and promoted BCP initiatives with suppliers.

Keneikai Activities (Formerly the Theme Study Group)

The theme study group changed its name to Keneikai in FY2020, with the aim of revitalizing and implementing initiatives under a new system. Even though there were some restrictions on activities due to the spread of COVID-19, we used online conferencing to carefully select themes that could be promoted, and worked on BCP improvement measures. Through those measures, suppliers were able to further improve their BCP management systems.

Initiatives to Prevent Human Rights Violations in the Supply Chain

In recent years, there has been growing demand for companies to prevent human rights violations globally, including in their supply chains.

In light of the Dodd-Frank Act,* the KYB Group annually checks its products with the cooperation of its suppliers, summarizes the results and reports to customers that request such information.

In addition, in accordance with the U.K. Modern Slavery Act 2015 we annually release a statement on KYB Group business activities and initiatives to prevent slave labor and human trafficking in our supply chain, including the above-mentioned conflict mineral measures. We will carry on with our awareness-raising activities on prohibiting human rights violations and slave labor.

* 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.

For details, see the “Supply Information” section of the Company website.

https://www.kyb.co.jp/english/company/supply_information.html



Environmental Initiatives

Safety Activities

Creating a Safe, Secure Working Environment

Under the slogan "Safety is the top priority," the entire company works as one to achieve zero occupational accidents. Our Corporate Guiding Principles say, 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. The Global Safety Promotion Committee, which is chaired by KYB'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 KYB Group. In these ways, we are promoting safety and security in the working environment.



Safety education (instruction on dust mask use)

OSHMS/ISO 45001 Certification Acquisition

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

the Gifu North Plant in FY2004, and we have been rolling it out Groupwide.

* 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)
Sagami Plant (Including the Basic Technology R&D Center and the Electronics Technology Center)
Kumagaya Plant
Takako Industries, Inc. (Shiga Plant)
KYB-YS Co., Ltd.
KYB Trondule Co., Ltd.
KYB Motorcycle Suspension Co., Ltd.
KYB Kanayama Co., Ltd.

Overseas (ISO 45001 Certification)

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

Environmental Management

Basic Approach

As sustainability activities aimed at preventing global warming and realizing a sustainable recycling society, KYB manufactures products that are friendly to people and the earth, and actively promotes environmental conservation activities.

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.

Basic Environmental Policy

Slogan

Protect the Green Earth and Create Environmentally Friendly Products

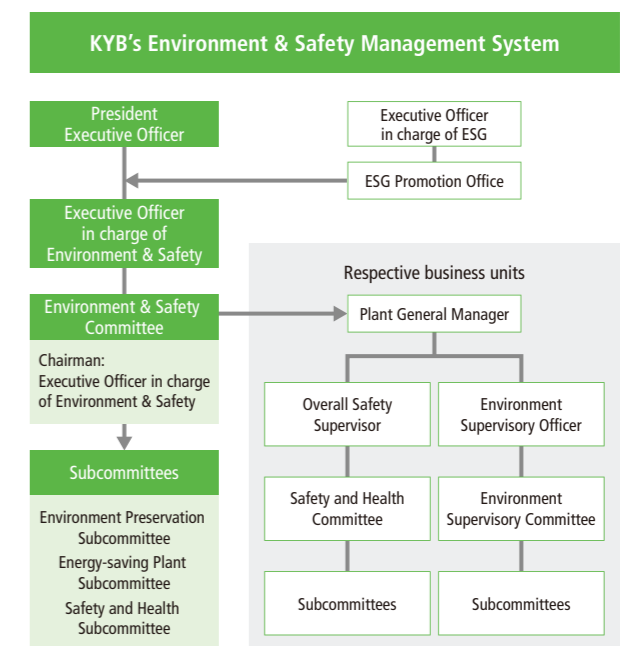
Basic Environmental Policies

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

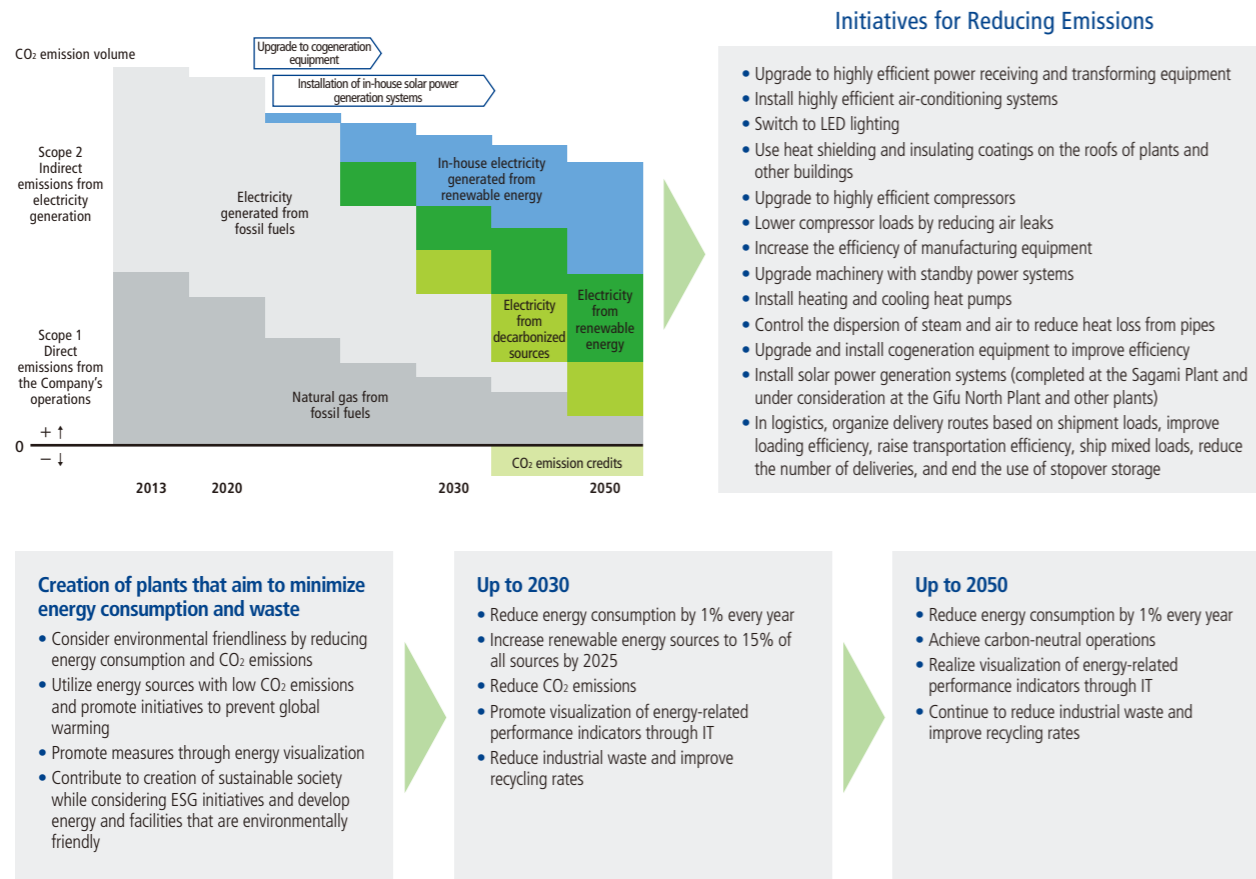
1. Develop and build up production and corporate activities based on recycling to reduce impacts on the environment.
2. Strive to ensure long-term and sustainable operations throughout the entire KYB Group.
3. Work to promote relationships with local communities and contribute to society as a good corporate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

Environment & Safety Management System

We established the Environment & Safety Committee, and have positioned officers responsible for environment and safety as leaders. Under the system shown on the right, KYB works to promote unity in environment and safety initiatives.



Medium-Term Environmental Plan (CO₂ Reductions)



Environmental Conservation Efforts and Future Initiatives

KYB had been working to achieve the goals of the new three-year medium-term management plan using 2019 as the benchmark year. From early 2020, however, the COVID-19 pandemic significantly impacted the Company's production and some operations were suspended. Consequently, energy consumption in operations, CO₂

emissions, and the volume of various types of waste all decreased substantially compared with 2019 levels. We made efforts to recover amid falling market demand, and achieved the following results for energy consumption (on a unit basis).

Results for FY2020

Theme	Target Value	FY2020 Results	Evaluation
Prevention of global warming	CO ₂ emission volume	95,778 t-CO ₂ or less	77,755 t-CO ₂ ○
Energy saving	Energy consumption per basic unit	0.20 kℓ/million yen or less	0.196 kℓ/million yen ○
Improvement of resource recovery and recycling rate	Recycling rate	91.8% or higher	91.9% ○
	Zero emission	3.3% or less	3.3% ○
Reduction of waste	General waste	510 t or less	372 t ○
	General waste per basic unit	2.83 kg/million yen or less	2.63 kg/million yen ○
	Metal scrap	19,126 t or less	15,792 t ○
	Metal scrap per basic unit	221 kg/million yen or less	111.7 kg/million yen ○
	Industrial waste	3,522 t or less	2,855 t ○
	Industrial waste per basic unit	32.12 kg/million yen or less	20.2 kg/million yen ○

○: Goal attained x: Goal not attained

Overview of Major Initiatives in FY2021

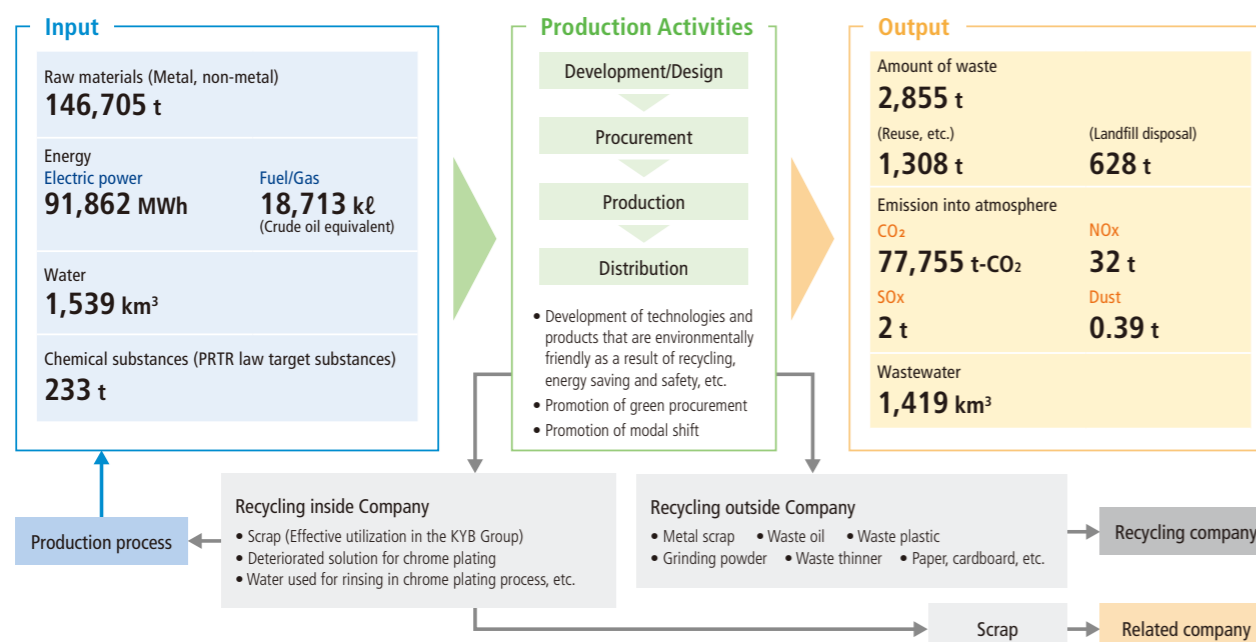
Global Warming Prevention
Measures include replacing lighting with LEDs, LCDs, and other highly efficient devices, adopting inverter control for hydraulic units, upgrading to high-efficiency compressors, eliminating leakage of air, reducing air consumption in plants, and implementing activities for environment impact reduction by installing high-efficiency air conditioning equipment and controlling facility temperatures.

Waste Material Reduction
Measures include reducing paint dust through biological treatment, introducing waste treatment and reduction systems, turning waste into valuable products and promoting recycling.

Notes: 1. Basic units are calculated using a method determined by KYB.
2. For energy, crude oil equivalent is calculated for electricity and fuel, and the total value indicates energy consumption.
3. CO₂ emissions and energy consumption per basic unit are calculated using methods determined by KYB.
4. We have been promoting recycling activities to reduce industrial waste since FY2019. Therefore, recycling that turns waste into valuable products has been excluded.

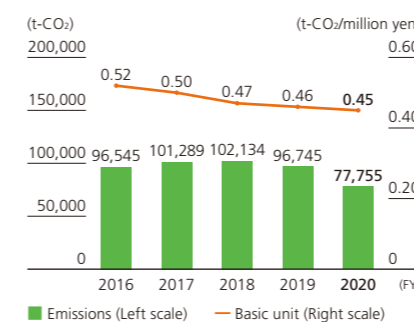
Environmental Impact by Business Activity

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

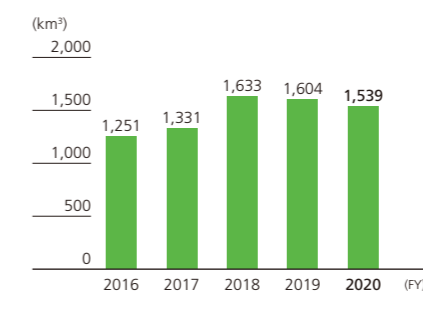


Environment-related Data

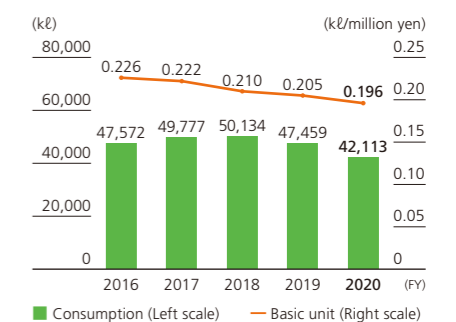
CO₂ Emissions



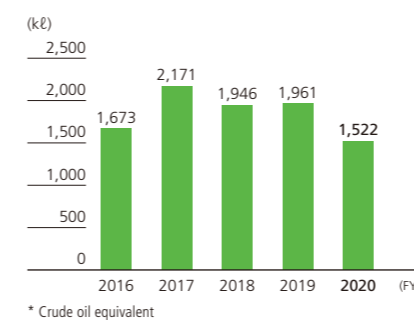
Water Usage



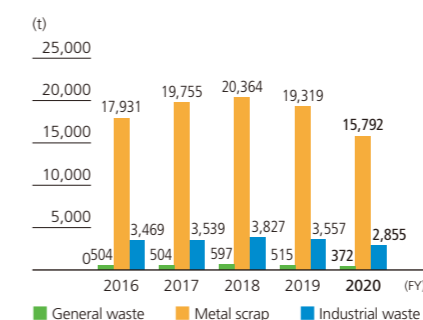
Energy Consumption



Energy Consumption for Transportation*



Waste Emissions



Recognized by the Government as a Company That Excels at Saving Energy

In FY2019, the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry of Japan recognized KYB as a company that excels at saving energy. KYB received an S rating, the highest rating under the system for evaluating businesses based

on the Act on Rationalizing Energy Use. We will continue to save energy and reduce emissions of greenhouse gases from business operations in order to help build a sustainable low-carbon society.

Chemical Substance Management Response to Environmental Controls on Products

For the protection of the environment, the REACH Regulations, other ELV¹ and RoHS directives,² and various laws and regulations, which contain increasingly stringent provisions, have been established and are being implemented. We are addressing these changes by keeping an eye on trends in European environmental rules such as stricter RoHS directives as well as REACH and other regulations in each country where we operate and by incorporating the details in technology development plans.

We have built a chemical substance database, which is a breakdown of chemical substances and mixtures containing chemical substances that we currently use or plan to introduce. Using the database, we can rapidly respond to requests from customers to determine the presence or absence of not only banned substances and restricted-use materials but also of substances of very high concern, which can be added at any time. We will continue to provide products that meet customer and market needs. Specifically,

we will work to help achieve a low-carbon society and promote product development with an awareness of recycling. This includes complying with lead-free and hexavalent chromium regulations.

Notes: 1. A directive that came into effect in the EU in October 2000 to reduce environmental impact caused by end-of-life vehicles.
2. 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.

Use and Management of Chemical Substances

Chemical substances must be handled appropriately and managed carefully, given the harm they can cause to people and the danger they pose to the environment. Therefore, to manage potentially harmful and dangerous chemical substances, all companies in the KYB Group use a database to share information needed for risk assessments of chemical substances and mixtures containing chemical substances that we currently use or plan to introduce. We are working to ensure that workers handle these substances carefully.

ISO 14001 Certification Acquisition

In order to systematically develop initiatives for environment conservation, we are introducing and promoting an ISO

14001 environmental management system. We will shift to the 2015 edition sequentially in renewal examinations.

Japan

KYB
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 and the Electronics Technology Center)
Kumagaya Plant
Gifu North Plant (Including KYB Kanayama Co., Ltd.)
Mie Plant
Group Companies in Japan
Takako Industries, Inc. (Shiga Plant)
KYB-YS Co., Ltd.
KYB Trondule Co., Ltd.

Overseas

Group Companies Overseas
KYB Americas Corporation (United States)
KYB Manufacturing do Brasil Fabricante de Autopeças S.A. (Brazil)
KYB Suspensions Europe, S.A.U. (Spain)
KYB Advanced Manufacturing Spain, S.A.U. (Spain)
KYB Manufacturing Czech, s.r.o. (Czech Republic)
KYB (Thailand) Co., Ltd. (Thailand)
KYB Steering (Thailand) Co., Ltd. (Thailand)
PT. Kayaba Indonesia (Indonesia)
KYB-UMW Malaysia Sdn. Bhd. (Malaysia)
KYB Industrial Machinery (Zhenjiang) Ltd. (China)
Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd. (China)
Wuxi KYB Top Absorber Co., Ltd. (China)
KYB Manufacturing Taiwan Co., Ltd. (Taiwan)
KYB Manufacturing Vietnam Co., Ltd. (Vietnam)
Takako Vietnam Co., Ltd. (Vietnam)
Takako America Co., Inc. (United States)

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.

Cost Type	Major Contents	Invested Amount	Cost
(1) Business area cost	(1)-1 Pollution prevention cost	10.4	197.5
	(1)-2 Global environmental conservation-cost	9.1	12.7
	(1)-3 Resource circulation cost	65.0	231.6
(2) Upstream/downstream cost	Not available	0.0	0.0
(3) Management activity cost		0.0	96.9
(4) R&D cost		4.7	31.1
(5) Social activity cost		0.0	3.0
(6) Environmental remediation cost		0.0	0.0
(7) Other cost		14.6	17.2
Subtotal		103.8	590.0
Grand total			693.8

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.

Successful Environmental Initiatives

Saved Energy by Upgrading Compressors

All KYB Group production plants have been replacing old equipment and machinery, and this includes installing highly efficient compressors and quantity control equipment. All plants have also been repairing air leaks to boost the overall performance of compressors. As a result of these efforts, the Group has reduced CO₂ emissions equivalent to 160 t-CO₂.



Environmental Load Reduction through Installation of LED Lighting

Aiming to substantially reduce our CO₂ emissions, the KYB Group has been working to save energy. These initiatives include placing the optimal number of lights in offices and over production lines, installing sensors that turn off the lights when people are not there and replacing fluorescent lights with LED lights at all production plants. As a result of these efforts, the Group has reduced CO₂ emissions equivalent to 67 t-CO₂.

