



Our Precision, Your Advantage

KYB Group Report

April 1, 2020 - March 31, 2021

2021

Contact

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Our Precision, Your Advantage

With society placing increasing importance on corporate social responsibility, KYB seeks to be a corporate group that meets the expectations of its stakeholders. Guided by our Corporate Spirit, each and every one of us at KYB is aware of our responsibilities as a company, and will act with awareness of that in complying with laws and regulations, and enhance our corporate value to remain a trusted enterprise.

Corporate Spirit (What KYB Aims to Be)

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.

Management Vision

Human Resource Development

To develop human resources who have a thorough understanding of our policies and strategies and can accomplish our goals with passion.

Technology and Product Development

To offer products that gain the admiration, provide comfort and satisfy all of our customers throughout the world.

Monozukuri (Japanese Manufacturing Expertise)

To operate plants filled with the creative inspiration of committed *monozukuri*, and joy of creating products that satisfy our customers.

Management

To be always self-aware of our corporate social responsibilities and to pursue efficient management.

Relationship between the KYB Group and Stakeholders



For details, see the "Corporate Guiding Principles" section of the Company website.



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

Editorial Policy

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

Reporting Period

FY2020 (April 1, 2020 to March 31, 2021)
(Includes some activities and information from outside the above reporting period)

Scope

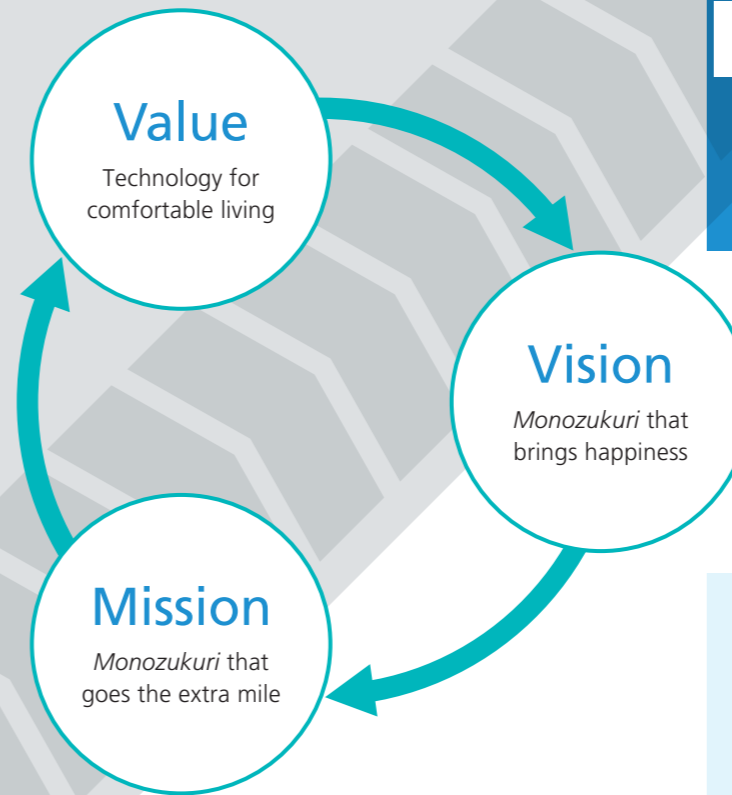
The report covers KYB Corporation and subsidiaries and affiliates in Japan and around the world. Environmental data is for KYB Corporation (Sagami Plant, Kumagaya Plant, Gifu North Plant, Gifu South Plant and Gifu East Plant) unless otherwise annotated.

Date of Issue

November 2021

Forward-Looking Statements

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



What KYB Aims to Be

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

What the KYB brand offers the world

Monozukuri (Japanese manufacturing expertise) that brings happiness

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

The mission of the KYB brand

Monozukuri that goes the extra mile

KYB will remain an enterprise that delivers value to customers and markets by making use of the reliable technical expertise we have built up over the years. Through our efforts, we provide *monozukuri* that goes the extra mile to offer our customers new value and greater satisfaction than they have ever known.

Value the KYB brand creates

Technology for comfortable living

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

Value we can use: Reliable quality

The value KYB promises to end users: A higher level of comfortable living through our creative technology and dedication to product development.

The value KYB promises to its customers: Reliable quality that comes from thinking of end users as our customers, too.

The value KYB promises to its employees: The joy of *monozukuri* that comes from knowing they are changing the world.

The KYB Group's Social Responsibilities

The KYB Group always seeks to be creative in its business activities and to contribute to the progress of customers, shareholders, business partners and local communities.

Each department sets out the corporate social responsibility (CSR) activities that it will implement during the fiscal year based on the Corporate Spirit and Management Vision. The outcome of each activity is reviewed in an ongoing cycle of improvement and renewal.

Employees follow the Corporate Guiding Principles in their work and deepen their awareness of the importance of CSR.

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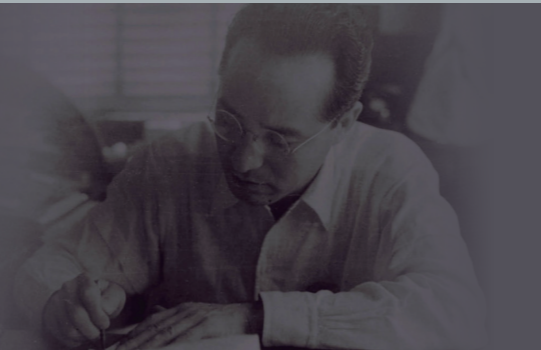
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KYB's History

Original technologies and dependable quality that have met the needs of the times

The origins of KYB date back to 1919, when inventor Shiro Kayaba founded the Kayaba Research Center at the young age of 21. Shiro Kayaba's invention, which utilized the most advanced hydraulic technology at the time, had a structure and design that no one else had thought of before, and his more than 100 patents supported the Company's survival and growth. He also contributed to the advancement of hydraulic technology in Japan in ways such as making original products available and providing guidance to engineers of other companies.



1919

Establishment "Everything in use is still developing, a legacy from the past. The world continuously seeks that which is new. The unique ability of humankind to progress lies in its constant search for perfection."

Founder Shiro Kayaba

1945-

Entering New Fields with Creative Technologies

In the second half of 1946, just after World War II, KYB began research and development of a new product—shock absorbers—in cooperation with car manufacturers, and its share of that market gradually expanded with the popularization of automobiles. In the postwar construction boom, KYB in-licensed production technology for concrete mixer trucks from overseas. After further developing the technology, in 1959 it started production of a revolutionary "tilting

mixer," in which the drum body rotated and agitated the concrete through gravitational force. This product put KYB on the map.

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

1980-

Shifting to High-Value-Added Products

Hydraulic excavators, which were created in the 1950s, took a major step forward after technology was introduced in Japan in the 1960s. Today, Japan is at the world's forefront in terms of technology development for hydraulic excavators. In fact, the history of technological advances in hydraulic excavators mirrors the progress of KYB's hydraulic products. The product that is considered the culmination of that technology is the KCH high-pressure cylinder that KYB began producing in 1984. With a new structure that conquered the simple challenge of creating a cylinder that

would not leak, rust or break, this became a core product. The basic data and calculation methods behind the meticulous design necessary to ensure the proper strength, right down to each screw, have been passed on, and improvements continue to be made even today.

In the mid-1980s, we began to focus on computer-aided engineering (CAE) ahead of our industry peers, and our accumulation of data from that is reflected today in our use of big data from the introduction of digital transformation (DX) technology.

Active Overseas Expansion

One of KYB's strengths, in addition to the technologies it has built up through the years, is its global production and sales network.

KYB set its sights on overseas markets early on, when it presented a long-term management vision in 1966 to become a global player as a comprehensive manufacturer of hydraulic equipment, and established the Overseas Business Division in 1973. The KYB brand spread widely outside Japan, centering on shock absorbers. In 1981, our export ratio reached 10.1% with export value exceeding ¥10 billion.

Meanwhile, Japanese automakers began focusing on development of luxury cars with high added value in response to the rapid rise in the

value of the yen following the Plaza Accord.*

KYB, in partnership with Nissan Motor Co., Ltd., began development of an electronically controlled suspension, and became the first in the world to successfully commercialize it. In 1990, we received the Technology Development Award from the Japan Hydraulic & Pneumatic Society.

* Plaza Accord: An exchange rate stabilization agreement signed in September 1985 at the G5 (Japan, the United States, the United Kingdom, Germany and France) meeting of finance ministers and central banks.

1990-

Improvement of Management Structure and Productivity Gains

Amid the collapse of Japan's economic bubble and dramatically changing times, KYB, with its future at stake, set the goal of establishing a slim and resilient management structure, and focused on transforming its business structure and strengthening its financial position. Harnessing the power of the KYB Group, we

developed new products and created new businesses, while enhancing productivity throughout our operations by promoting total productive maintenance (TPM; an approach that engages all employees in production maintenance and production management) and total quality control (TQC).

2000-

Weathering the Recession by Reducing Costs

During Japan's prolonged economic downturn, we actively expanded overseas, mainly through joint ventures in the United States and Europe, with the goal of becoming "No. 1 Globally." At the same time, we implemented a total cost-cutting program Company-wide, and continued to strengthen our operations in an effort to reduce lead time by half.

As exhaust gas regulations for hydraulic excavators became stricter in various countries, customers required better environmental

performance, and in the 1990s we developed and successfully commercialized a high-efficiency control valve. We have continued to enhance human resource development to improve the level of understanding of technologies, safety and quality. As part of that effort, we gathered engineers from overseas for training to deepen their understanding of *monozukuri* (Japanese manufacturing expertise) and share their expertise in 2006.

2010-

Aiming for Further Growth Based on the Hydraulic Technologies We Have Cultivated Since Our Founding

The Developmental Center, a long-held dream of our engineers, opened in 2011. This enabled us to develop and test products more quickly, and greatly improved our technology development capabilities. The new center sought to link the knowledge and the expertise of all KYB engineering divisions to boost product development efficiency and establish a quality assessment method.

As the importance of environmental issues increased worldwide, people's interest began to shift to safety, peace of mind, and comfort. To pursue these, we would need even stronger technological capabilities. Therefore, we established the DX Improvement

Department in 2019. We are utilizing various digital technologies to support the creation of new ideas and businesses, as well as improve quality and productivity, and are building KYB's IT systems in line with global standards.

Based on the precise hydraulic technologies that have been continuously refined since its founding, KYB is applying and combining various basic technologies, such as automobile and motorcycle suspensions, vibration control technologies exemplified by power steering systems, and power control technologies used in drive system equipment, to create new products that meet the needs of society.

100th Anniversary

We marked the 100th anniversary of KYB's founding in November 2019. The heritage left by KYB's founder remains a part of the Company today.

Technological DNA



The Kayaba Award, a technology award born from the wishes of our founder (the awards ceremonies were held at each operating base in 2020 and 2021 due to the pandemic)

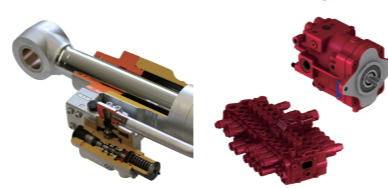
Higher Added Value in Our Core Products: Evolution of Technologies

Automotive shock absorbers



Variable damping shock absorbers with proportional solenoids

Hydraulic cylinders, valves and pumps for construction machinery



KCH hydraulic cylinder

Load-sensing system for mini excavators

Technology Applications



Para-skiier Takeshi Suzuki (KYB employee)

Shock absorber for a chair ski we began developing for the 1998 Winter Olympics

Basic Research (Tribology)



DLC coating with excellent sliding characteristics and beautiful appearance

Uniform Quality Worldwide



Global engineer training

Pursuit of Quality



Extensive track record of quality awards

Message from the President

KYB contributes to the sustainable development of the earth and society as a global leader in vibration control and power control technologies.



I would like to extend my thoughts to all those who have been impacted by the ongoing COVID-19 pandemic, and hope for the earliest possible recovery. I also want to express my heartfelt respect and appreciation for the healthcare professionals working hard to treat patients on the front lines every day.

The KYB Group is working to prevent the spread of the virus, and will respond promptly and appropriately based on the requests of the relevant authorities, with the safety of our customers, suppliers, and employees and their families as our top priority.

Start of FY2020-2022 Medium-Term Management Plan—Return to Profitability amid the Pandemic

FY2020, the start of our new medium-term management plan, presented very challenging conditions, including a sharp decline in shipments due to stagnation of economic activity in Japan and globally because of the COVID-19 pandemic in the first half of the year. However, we aggressively implemented various improvement measures, with a focus on reduction of fixed costs, and these measures, coupled with the later recovery in demand, resulted in a turnaround to profitability at a higher level than we expected.

While the COVID-19 pandemic has caused various problems, it has also highlighted some issues we needed to address, and served as an opportunity to make drastic structural reforms including organizational restructuring and a review of our businesses, as well as reform of work styles for our employees. It was a year that reminded us how important it is to maintain a positive outlook and keep moving forward even in difficult conditions.

Stabilization of Our Revenue Base Aiming for Higher Corporate Value and Sustainable Growth

In FY2021, the uncertain operating climate is expected to persist due to COVID-19, the chip supply shortage and other factors, but we will make up for the slow start to the medium-term management plan by continuing to reorganize our production bases and focusing on issues such as scaling back or discontinuing unprofitable businesses and products in order to stabilize our revenue base. Regarding the problem of our seismic isolation/mitigation oil dampers, which has caused trouble and concern for our stakeholders, we will sincerely address the issue at remaining properties to finish bringing all dampers into conformity. To make sure we do not repeat the same

mistakes, we will instill awareness of compliance throughout the Company, from top management to frontline workers.

The growth strategy in the FY2020-2022 Medium-Term Management Plan, in addition to solving current challenges, also seeks to address societal issues such as the aging population and declining birthrate as well as environmental problems. Our approaches will include the creation of high-value-added products that further deepen KYB's core technologies and innovative *monozukuri* that raises the level of automation. At the same time, we will actively promote measures to enhance medium-to-long-term corporate value and ensure sustainable growth.

Monozukuri to Leave a Better Environment for the Next Generation

We established the ESG Promotion Office in July 2021 to roll out and promote our ESG Policy throughout the Group. We also plan to reduce the Group's overall CO₂ emissions and develop products that contribute to the sustainable advancement of society. In addition, we will take a fresh look at our existing business activities from ESG perspectives, and proactively promote *monozukuri* to leave a better environment for the next generation.

A Global Leader in Vibration Control and Power Control Technologies

KYB has a history of more than 100 years since its founding in November 1919, and continues to lead the way as a top global manufacturer specializing in vibration control and power control technologies. KYB's products support people's daily lives worldwide, delivering safety, peace of mind and comfort. Going forward, KYB will continue to evolve to provide products that satisfy customers throughout the world, with the goal of being "a trusted brand that contributes to the prosperity of society." We ask for your continued support and guidance.

Masao Ono

Masao Ono
Representative Director and
President Executive Officer

Roadmap to Our Vision

KYB's operating environment is in a once-in-a-century revolution

- Changing technological and social landscapes
- Focus resources on core businesses and turn change into opportunity
- Bring to market products with high added value such as diverse features, automation, etc.

Focus on core businesses

Societal needs

- Diversity & inclusion
- Post-pandemic world
- Response to global warming

Enhancement of long-term corporate value—
A trusted brand that contributes to the sustainability of the earth and society

FY2020-2022 Medium-Term Management Plan

Ensure compliance and achieve high profitability

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Measures to recover trust and pride

Strengthen compliance and governance

Respond to social demands

Human resource development

Safety first and quality management initiatives

Stabilize the revenue base

Growth strategies in core businesses

KYB's core technologies

Vibration control technology

Power control technology

Hydraulic technology

Technology expansion

Innovation Strategy

Tackle production innovation

Respond to movement toward self-driving and electric vehicles, energy-saving vehicles and environmental restrictions

Create new markets and new products

Utilize advanced technologies

Artificial intelligence (AI)

Internet of things (IoT)

Digital transformation (DX)

Create products that contribute to social sustainability

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KYB's Heritage

The business essence and technologies handed down since KYB's founding

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Corporate Spirit

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

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100th
Anniversary

KYB's Manufacturing

KYB develops technologies and products by combining its two core businesses—vibration control and power control technologies—with elemental technologies such as electronic control technologies, and through cooperation among research facilities, businesses and Group companies.

In addition, KYB is carrying out Companywide activities to address environmental issues, which cannot be ignored today, as well as looking at solutions to social issues, the achievement of the SDGs, DX-driven production innovation, and the creation of new businesses.

KYB's Technology Development

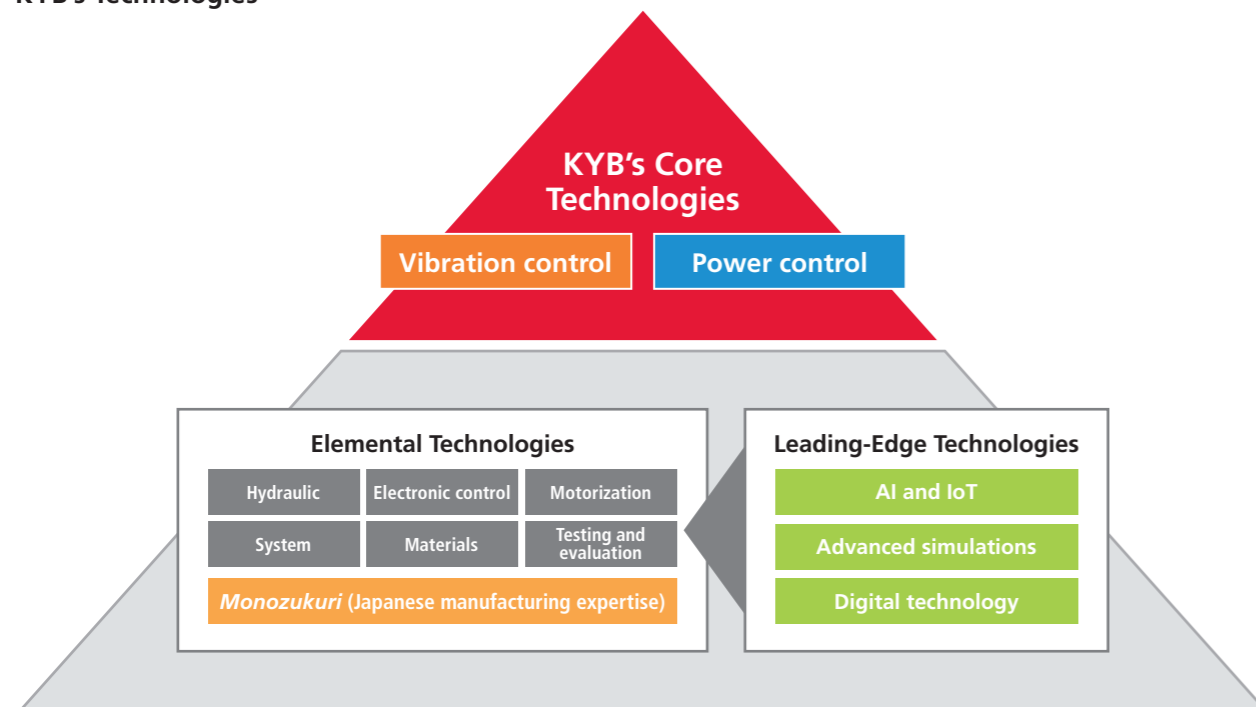
The origin of KYB is the Kayaba Research Center, which was established by the inventor Shiro Kayaba, the Company's founder, in 1919. Since the founding of the center, we have spent a century refining hydraulic technologies. Today, our shock absorbers are used in one out of every five automobiles in the world, and have achieved dominant market shares with their advanced technology and high quality.

A major feature of hydraulic pressure is that it produces a larger output in a more compact device than electric, pneumatic or other driving methods. The ease of control due to its superior responsiveness is another reason for its wide use. For instance, an automobile shock absorber that absorbs impact from the road surface is a good example of the use of the viscosity of oil to exert an appropriate damping force, and hydraulic pressure is considered the best system for construction machinery

because of the large output required.

KYB has created a variety of hydraulic products in combination with other elemental technologies such as electronic control, centering on the two core technologies of hydraulic vibration control and power control. Even with today's rapidly advancing technologies, we have confidence in the meaningful contribution that hydraulic technology can make to the development of society. Therefore, we are not only further deepening our core technologies, but also responding to changing times by adopting cutting-edge technologies such as AI, IoT and advanced simulations to promote the systemization of products. We are also taking on the challenge of developing the next generation of hydraulic equipment that offers both higher efficiency and better safety, such as automated ICT construction machinery using electronic control.

KYB's Technologies



KYB's Technology Development System

KYB is actively developing advanced technologies, primarily at the Basic Technology R&D Center and the Production Technology R&D Center, to solve challenges such as those relating to energy conservation and reduction of environmentally hazardous substances, as well as to improve the performance of and add functionality to existing products.

We aim to create new value by integrating our technologies, global production operations and marketing functions. To do this efficiently, we have created a vision of future technology based on studies, analysis and forecasts of long-term environmental changes and the associated changes in society and customer needs. We are creating a clear roadmap for sustainable growth and conducting research and development to achieve that vision.

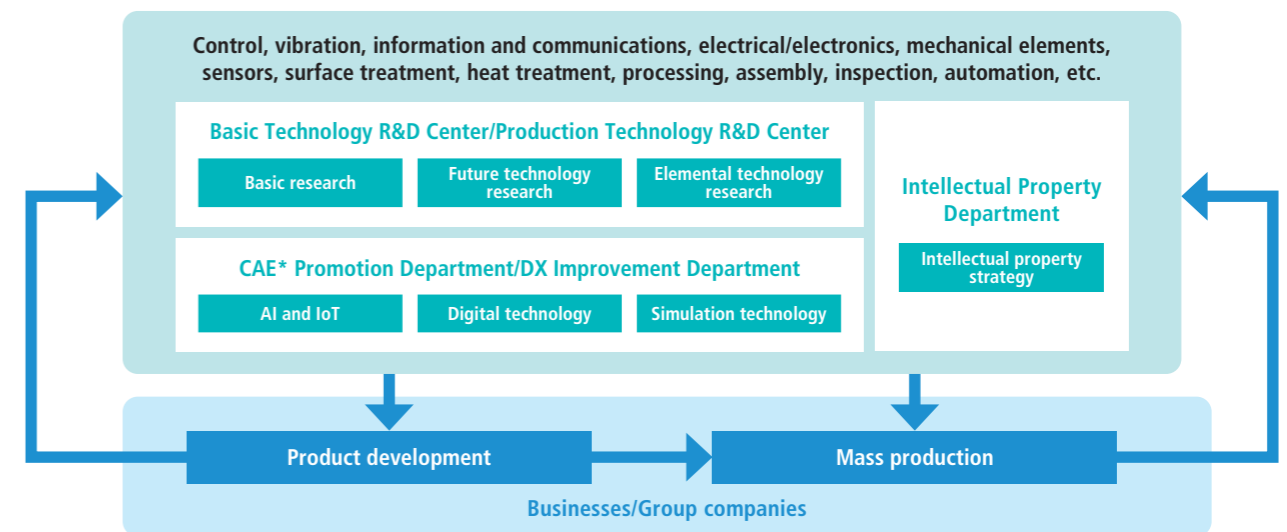
In basic research, we are conducting research for the next generation of businesses and products as well as elemental technology research. To convert the results of that research into tangible assets, we are, for example, developing an integrated system that combines electronically controlled

suspension and electronic power steering technologies for the self-driving vehicles of the future.

At the same time, the technology divisions of each business area are also developing new products on their own and moving them into mass production, in addition to improving the performance and lowering the cost of existing products.

The original product technologies and mass production technologies developed from these activities will be used in production by business divisions and Group companies, and will be applied throughout the Group. The combination of the new production methods developed by the Production Technology R&D Center and the expertise cultivated at each factory is leading to construction of new facilities and internal production of jigs and tools.

Recently, we have begun promoting DX throughout the Company to increase the efficiency and speed of these research and development efforts. We are also actively working to boost efficiency and productivity with approaches such as data analysis that uses AI.



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

Environmental Initiatives

The need to address environmental issues is unavoidable today. KYB is promoting research and development related to environmental issues. For example, among our products, we are working on electrification and weight reduction of the hydraulic pumps built into continuously variable transmissions (CVTs) for automobiles and various devices, and energy savings and efficiency improvements in hydraulic equipment for construction machinery.

KYB has multiple operating bases in Europe. We conduct research and development in close coordination with local subsidiaries in order to comply with the EU's REACH Regulations,* for example. To expedite these research and

development activities, we established the Environmental Regulation Response Group in FY2020. This will enable us to share and stay one step ahead of information regarding environmental regulations such as lead-free directives, in addition to the REACH Regulations.

Recently, the EU stated its goal of becoming carbon neutral by 2050. We will examine the details of implementation plans and develop specific measures with a technology roadmap (backcasting).

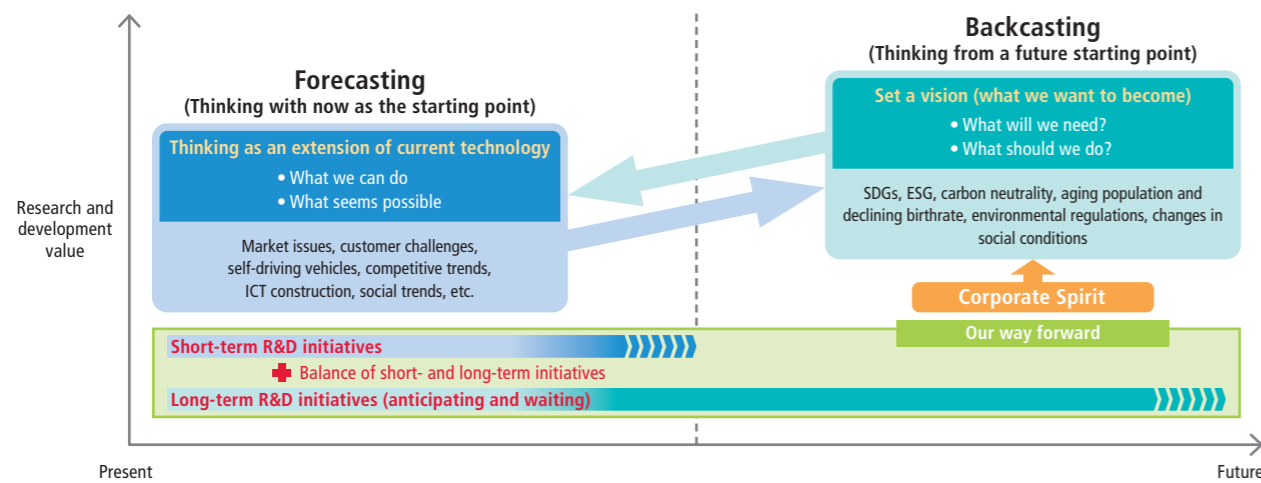
* REACH stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. It is an EU law intended to protect human health and the environment while fostering competitiveness within the European chemical industry.

Four Initiatives to Solve Social Issues

1 Creation of a technology roadmap (backcasting)

KYB has promoted research and development to meet the needs of existing customers and provide a timely and stable supply of excellent products to the market. As a result, we have mainly conducted research and development with a view ranging from the recent past to the medium-term future (i.e., a forecasting approach). However, our activities connected to aspects such as contribution to society and achievement of the SDGs, which are required components

now, have been insufficient. Therefore, we will envision what we want KYB to become, with the future as the starting point, and then use a "backcasting" approach in which we think about what we will need and what we should do in order to realize that vision. From that perspective, we will organize what we need to do, and formulate a roadmap that connects this approach with the conventional forecasting approach.



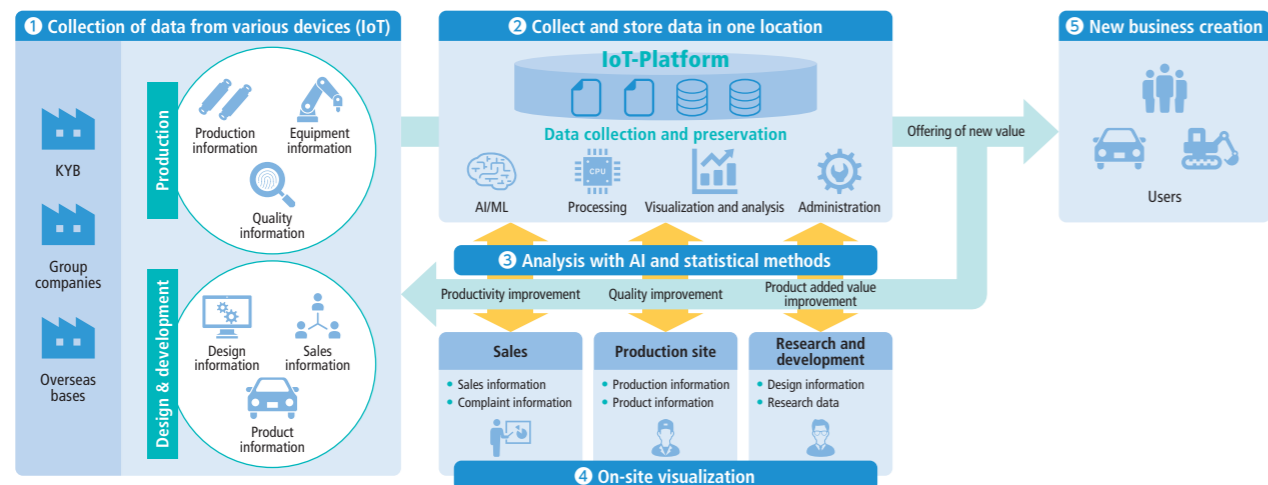
2 DX-driven production innovation and creation of new businesses (innovation strategy)

At KYB, we are making Companywide changes to the ways we utilize data with strong support from management.

In 2020, we produced an IoT platform in-house as a data utilization platform. We will apply this platform to equipment failure prediction and collection of information

from production facilities as initiatives for production innovation, and to the research and development of a smart road monitoring system as a new business creation initiative. In addition, we will actively recruit and develop human resources proficient in using digital technology.

Construction of a Data Utilization Platform

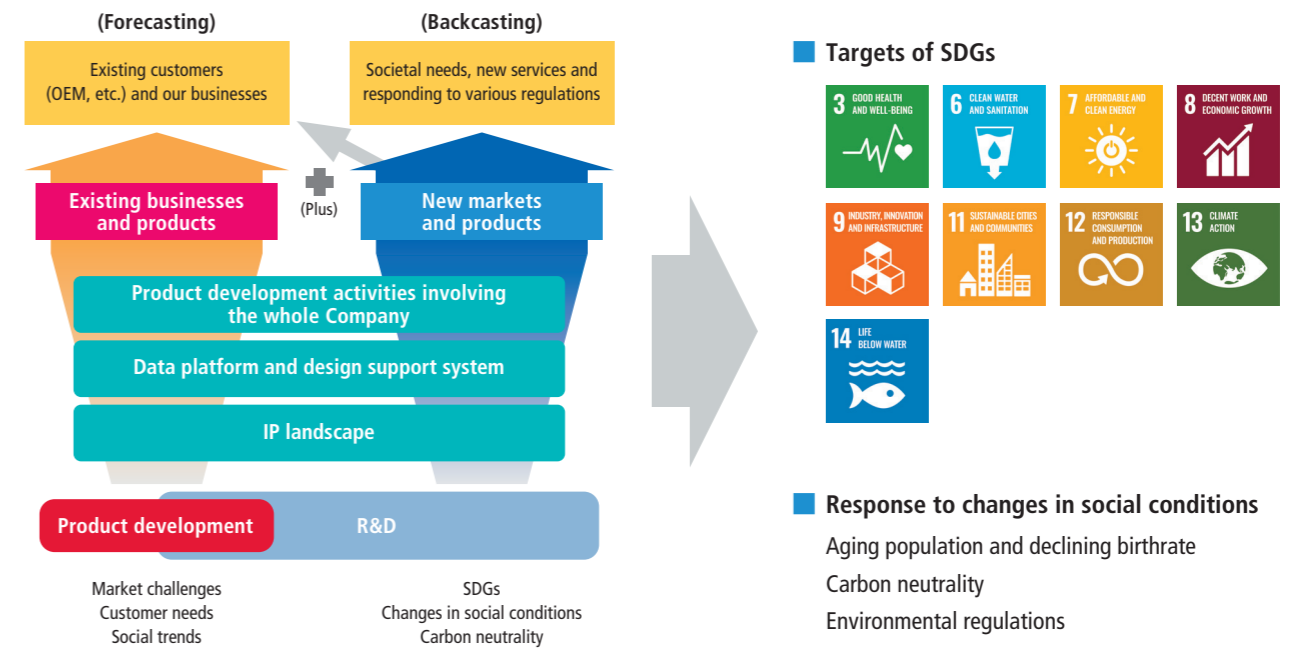


3 Research and development for new products and new markets (conscious of social contribution and SDGs)

KYB continues to provide quality products to existing customers every day.

To further expand our businesses, in addition to providing products to existing customers, we will actively develop new markets and products while contributing to society

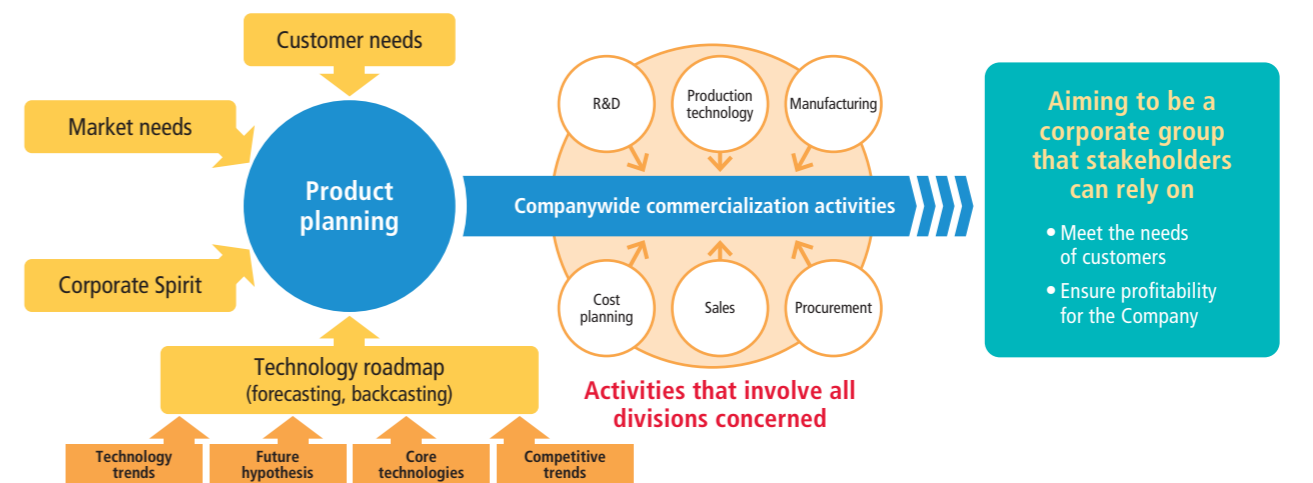
and responding to social and environmental regulations, which are likely to increase in number. We will include this objective in our technology roadmap and incorporate it into every system in the Company to accelerate these activities.



4 Promoting a seamless Companywide process from research and development to commercialization

In advancing research and product development projects derived from customer requests and the technology roadmap, we have begun an initiative in which divisions engaged in research and product development, as well as other divisions, including cost planning, sales, procurement, production technology, and manufacturing divisions, work together to visualize the progress and

follow-up of projects. The aim is to create a system for executing projects as an organization. The ultimate goal is not only to offer products at the price customers want, but also to take into account the need to meet product development schedules and ensure the Company's profitability. This will help us become a corporate group that our stakeholders can rely on.



FY2020-2022 Medium-Term Management Plan

In FY2020, the first year of the new medium-term management plan, we implemented measures to prevent the recurrence of nonconforming acts, and placed awareness of compliance at the core of management as part of reforms to our corporate culture initiated under the slogan, "Recovering trust and pride." However, the year started under extremely challenging conditions, including the spread of COVID-19, which led to lockdowns in many countries and the state of emergency in Japan. As such, we needed to take countermeasures to address the situation.

In FY2021, we will make up for the delay in implementing measures of the medium-term management plan and work to establish a highly profitable structure. Although the spread of COVID-19 continues and the future of the global economy remains uncertain, we will work together as a group to realize the goals of the plan and recover the trust of our customers as soon as possible.

FY2020 in Review

In FY2020, the global economy was severely impacted by the COVID-19 pandemic. Although there have been signs of recovery in economic activities in some countries, including the U.S. and China, and there are growing expectations that COVID-19 will be brought under control through vaccination, the situation still remains unpredictable due to the reemergence of virus variants and other factors. In the Japanese economy, the government's economic stimulus measures have led to signs of recovery in exports and production in some industries, and economic activity seems to be picking up again. However, the outlook remains uncertain due to the resurgence of COVID-19 cases.

In this environment, the automobile market, a major source of demand for our products, saw a decrease in demand compared with the previous fiscal year due to the stalling of the global economy and the impact of factory

shutdowns and other factors. The construction machinery and other markets also experienced a similar decrease in demand.

As a result, net sales were ¥328.0 billion, a decrease of ¥53.5 billion.

Operating profit was ¥18.3 billion (compared with an operating loss of ¥40.3 billion in the previous fiscal year), and profit before tax was ¥16.3 billion (compared with a loss before tax of ¥41.4 billion in the previous fiscal year), mainly due to a reversal of the provision for product warranties for seismic isolation/mitigation oil dampers. Profit attributable to owners of the parent was ¥17.1 billion (compared with a loss attributable to owners of the parent of ¥61.9 billion in the previous fiscal year).

Consolidated Financial Results for FY2020 (IFRS)

	FY2019	FY2020 Results [YoY Change]
Net sales	¥381.6 billion	¥328.0 billion [-¥53.5 billion]
Segment profit	¥17.6 billion	¥13.3 billion [-¥4.3 billion]
Profit (loss) attributable to owners of the parent	(¥61.9 billion)	¥17.1 billion [-]
Cash dividends per share	¥0	¥75

KYB's Operating Environment

The end of the COVID-19 pandemic is still nowhere in sight, as variants have emerged. In addition, other uncertainties have appeared, including the direction of tension between the U.S. and China with the change of presidential administrations in the U.S., a weakening of growth in emerging economies, and the global tightening of supply and demand for semiconductors and resins. KYB's operating environment in Automotive Components Operations is undergoing a once-in-a-century revolution, symbolized by the terms "Mobility as a Service" (MaaS) and "connected, autonomous, shared, electric" (CASE). We must respond to these trends without delay. Meanwhile, in our Hydraulic Components Operations, we need to tailor our strategies to the development stages of the mature markets of Japan and Western countries, and new and growing markets such as China and ASEAN. In the Aircraft Components Division, private sector demand fell sharply due to the COVID-19 pandemic, but the Special-Purpose Vehicles Division grew steadily on the back of solid domestic demand. In system products, KYB has nearly completed work to bring seismic isolation/mitigation oil dampers into conformity, and is restoring the trust of customers.



Basic Policies of the FY2020-2022 Medium-Term Management Plan

- Strengthen compliance and governance:**
Instill awareness of compliance and reform the corporate culture
- Respond to social demands:**
Evolve into ESG management
- Human resource development:**
Thorough health management
Train Group human resources, including overseas employees
Promote diversity
Improve productivity of back-office operations
- Safety first and quality management initiatives:**
Zero serious accidents
Strengthen Group quality inspection system
- Stabilize the revenue base:**
Discontinue unprofitable businesses, locations and products
Companywide reorganization, including back-office operations
Total cost reduction activities and innovative *monozukuri*
- Growth strategies in core businesses:**
Strengthen new market and new product strategies



Summary of Medium-Term Management Plan

The KYB Group has formulated the three-year FY2020-2022 Medium-Term Management Plan. In FY2020, the initial year of the plan, we refrained from releasing targets for management indicators because it was extremely difficult to predict the impact of the COVID-19 pandemic. However, we recently reviewed that policy in light of the external environment. The targets are shown below.

To stabilize our revenue base, we will improve profitability by strengthening our fixed cost management system, restructuring unprofitable businesses, locations and products, implementing global total cost reductions, and optimizing the Group's production operations. To improve our financial structure, our basic policy will be to secure profit on a non-consolidated basis and improve the Group's equity ratio, with a target of 34% in FY2022.

FY2020-2022 Medium-Term Management Plan Financial Targets (Consolidated)

	FY2020 Actual Results (comparison with previous fiscal year)	FY2022 Target
Net sales	¥328.0 billion (-¥53.5 billion)	¥378.0 billion
Automotive Components Operations	¥197.5 billion (-¥34.6 billion)	¥229.0 billion
Hydraulic Components Operations	¥111.3 billion (-¥14.0 billion)	¥130.0 billion
Segment profit	¥13.3 billion (-¥4.3 billion)	¥25.0 billion
Segment profit margin	4.1% (-0.5%)	6.6%
Equity ratio	26%	34%

Measure 1 Strengthen Compliance and Governance

Based on the lessons we learned from the seismic isolation/mitigation oil damper problem, during the FY2020-2022 Medium-Term Management Plan we will instill a corporate culture that places top priority on awareness of compliance, all the way through to frontline business activities, and implement compliance programs to create a workplace

environment committed to treating all compliance-related matters seriously.

To strengthen governance, we will aim to create a speedy and efficient management structure and establish fair and transparent management oversight centered on the Board of Directors.



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

Following the announcement on the KYB website entitled "Investigation into the causes of nonconforming acts in the inspection process, etc. for buildings installed with seismic isolation/mitigation oil dampers manufactured by KYB Corporation and its subsidiary, and measures to prevent their recurrence"

dated February 13, 2019, we have been taking preventive measures and working to restore trust.

As of June 30, 2021, approximately 97% of the measures to prevent recurrence have been completed, and we are continuing our efforts to complete unfinished measures.

Progress of Measures to Prevent Recurrence (As of June 30, 2021)

Foster strict compliance awareness and reform the corporate culture	Establish compliance management	• Establish compliance awareness at KYB Corporation and KSM*	Completed
		• Foster compliance awareness throughout the Group	Completed
		• Revise the Corporate Guiding Principles and other guidelines	Completed
		• Emphasize the importance of compliance regularly	Completed
		• Implement personnel evaluations and related measures	Completed
Change the mindset of all officers and employees	Establish a balanced business operation system	• Conduct education and training to raise awareness of social responsibility	Completed
		• Conduct education that incorporates numerous case studies and best practices from other companies	Completed
		• Conduct education on laws and regulations specific to businesses and products	In progress
		• Make education regarding quality mandatory	Completed
Evaluate business feasibility, and revise business operations, information-sharing systems and other matters	Ensure personnel are rotated	• Ensure appropriate business management	Completed
		• Review how decisions to accept orders are made	Completed
		• Develop business systems	Completed
		• Revise use of mass-production evaluation procedures for individual and small-batch products	Completed
		• Ensure personnel are rotated	Completed
Collect information and establish a feedback system	Implement inspection systems	• Ensure thorough documentation of meetings, reports and instructions	Completed
		• Ensure that internal regulations are applied in the event of an emergency	Completed
		• Review the internal whistleblowing system to improve its effectiveness	Completed
		• Clarify the actions to be taken when quality misconduct is detected	Completed
		• Create a mechanism for extracting information	Completed
Improve inspection systems and methods	Implement preventive measures against fraudulent operation of inspection machines	• Strengthen the independence of quality assurance	Completed
		• Improve methods for on-site oil damper inspections with the customer present	Completed
		• Review inspection manual	Completed
		• Tighten internal procedures for changing the software of oil damper inspection machines	Completed
		• Regularly monitor the software of oil damper inspection machines	Completed
		• Automatically record inspection results, without human involvement	Completed
		• Automate inspection processes	Completed
• Tighten controls on access to oil damper inspection machines	Completed		
• Ensure traceability of performance test data	Completed		
Strengthen internal audit and control systems	Enhance internal quality inspection system	• Perform audits that consider quality misconduct	Completed
		• Perform audits that effectively verify inspection data	Completed
		• Institute audits by KYB Corporation	Completed
		• Leverage the support of experts	Completed
		• Strengthen systems for sharing information and collaborating among Group companies	Completed
Tighten the subsidiary management system	Strengthen internal audit and control systems	• Review management systems for Group companies	Completed
		• Analyze and monitor Group companies' business risks	In progress
		• Reorganize Group companies	Completed

* KSM: Kayaba System Machinery Co., Ltd. was merged into KYB Corporation on July 1, 2021.

Progress of Replacement Work, Etc. (As of August 31, 2021)

Replacement, etc. started¹: **968 buildings (98%)**

Replacement, etc. completed²: **937 buildings (95%)**

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

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

Measure 2 Respond to Social Demands

In response to significant changes in the external environment related to ESG issues, we established the ESG Promotion Office in July 2021. ESG-oriented management will be the basis for formulating policies going forward.

In promoting ESG, we will not simply address environmental and social needs, but will look for business opportunities and promote activities that increase our corporate value. We will also summarize and actively communicate our ESG-related activities to stakeholders in order to foster trust.



Measure 3 Human Resource Development

As one initiative to promote health management, in 2021 KYB acquired certification for the second consecutive year as a Health & Productivity Management Organization. We view the health of our employees and their families as an important management resource and a source of the Company's vitality, and are creating rewarding workplaces in which all employees can work in good physical and mental health.

We are fostering awareness of compliance in order to regain trust, creating open workplaces free from harassment and promoting diversification of human resources. We are also working to develop the next generation of leaders through small group activities and by training operating base managers globally. Moreover, we are increasing the value-added productivity of back-office operations, mainly with robotic process automation (RPA), which will lead to lower fixed costs.

* RPA: Robotic Process Automation

Creating healthy and rewarding workplaces

Developing human resources who can help put our Corporate Spirit into practice

Improving productivity of back-office operations

P. 34 Human Resources Development

Measure 4 Safety First and Quality Management Initiatives

We are reinforcing safety and strengthening the legal compliance monitoring system with the aim of creating and expanding industrial and fire accident-free production bases.

To ensure quality, we are imprinting awareness of compliance regarding our social responsibility to deliver quality, with the belief that quality is the basis for

business, and working to prevent serious quality problems by fostering positive and open workplace environments. We will also achieve a high level of quality by improving the quality assurance system and using a technique called three-step evaluation.

Measure 5 Stabilize the Revenue Base

In an unstable market resulting from the COVID-19 pandemic and tight supplies of semiconductor chips, we have been continuing to focus on fixed cost reduction since the second half of FY2020. We will continue our cost-cutting activities to build a production system that is resilient to fluctuations in demand.

For locations and businesses that are unable to generate sufficient profits, we will strengthen the monitoring and administrative structure, and address unprofitable businesses with a willingness to withdraw from them if necessary. On the other hand, we will capitalize on new trends such as MaaS, CASE and DX, and continue our drive to create new markets and new products that will become future revenue sources.

Target for improved profitability (FY2019: ¥17.6 billion→FY2022: ¥25.0 billion) **+¥7.4 billion**

• Improve productivity (reduce manufacturing costs)	+¥3.4 billion
Innovative <i>monozukuri</i> (increase automation level), promote workforce streamlining, etc.	
• Discontinue or reduce activity in unprofitable fields	+¥1.7 billion
Discontinue domestic production of unprofitable automobile EPS, close European power steering plant, etc.	
• Reduce variable costs	+¥1.0 billion
VA and VE, promote local procurement, etc.	
• Consolidate plants and build the optimal production system	+¥0.7 billion
Reorganize European plants, build optimized global CVT production system, etc.	
• Promote sales expansion	+¥0.6 billion
Sales promotions for mini-excavators to accompany the application of electronic controls, expansion of the sales network for aftermarket products, etc.	

Measure 6 Growth Strategies in Core Businesses

Automotive Components Operations Unlock potential with strengthening, evolution and new initiatives

In the FY2020-2022 Medium-Term Management Plan, to unlock the potential of our Automotive Components Operations, we will strengthen and evolve existing businesses while pursuing new opportunities as a growth strategy. In FY2021, we are continuing the fixed cost reductions that we have been applying since the second half of FY2020; securing profit at individual locations by executing various reorganization plans; enhancing mechanisms and systems for business controls; conducting profit-oriented management by securing cost competitiveness; developing new markets and products and cultivating new customers from MaaS and CASE by establishing the position of customer development partners; and making integrated structural reforms in the aftermarket business with cooperation among production, marketing and technology development operations.

Goals for FY2022	Establish a position as a core supplier by further strengthening existing businesses and core technologies
Basic Strategy	Strengthen: Stabilization of revenue base
	<ul style="list-style-type: none"> Optimize production by consolidating and reorganizing major plants Cost reduction activities Structural reform of the aftermarket business
	Evolve: Innovative <i>monozukuri</i>
	<ul style="list-style-type: none"> Cost competitiveness
	New initiatives: Creation of high-value-added products
	<ul style="list-style-type: none"> Strengthen original technology (respond to the shift to EVs, CASE and MaaS)

Hydraulic Components Operations Be a first-choice manufacturer that customers trust and "Shift to an emphasis on profits"

In Hydraulic Components Operations, our basic strategy in the FY2020-2022 Medium-Term Management Plan is to improve long-term profitability through selection and concentration. We are carrying out regional strategies and product function-based strategies according to the development stage of each market. For example, we will focus on maximizing revenue from high-value-added products in the mature markets of Japan, Europe and the U.S., and aim to secure stable profits by emphasizing cost reductions in new and growing markets such as China and ASEAN. In FY2021, we are further advancing these efforts and working on the development of next-generation electronic hydraulic equipment, centered on our regional strategy, with an eye on the future. At the same time, we will aim to create the optimal structure for and enhance the functions of Hydraulic Components Operations overall by reorganizing sales departments and improving the productivity of back-office operations.

Goals for FY2022	Hydraulic Components Operations that continue to be trusted by customers and used around the world
	Be a first-choice manufacturer that customers trust
Basic Strategy	• Respond to automation and complex needs
	Develop electronically controlled, load-sensing products, and develop medium- and large-sized pumps
	• Cost reductions and promotion of local procurement
	Improve market competitiveness by launching low-priced models

P. 47 Automotive Components Operations

P. 49 Hydraulic Components Operations

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

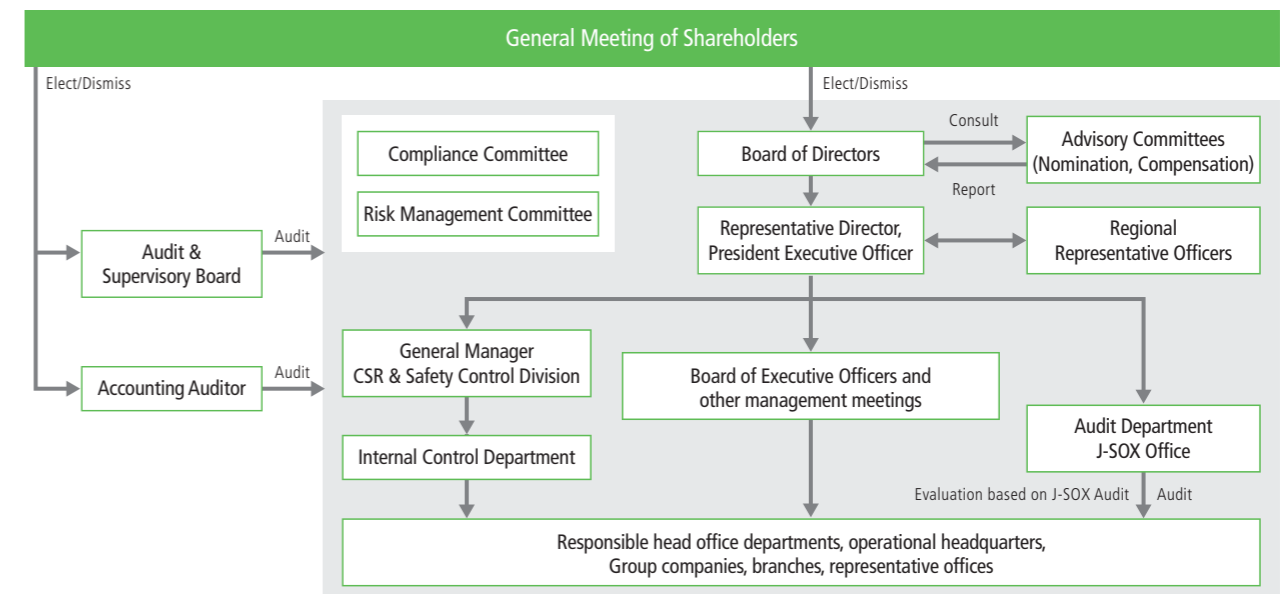
The Audit & Supervisory Board comprises four full-time Audit & Supervisory Board members, two of whom are outside members. Through audits by outside Audit & Supervisory Board members, we expect to achieve effective management oversight and have concluded that an effective governance system is in place.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

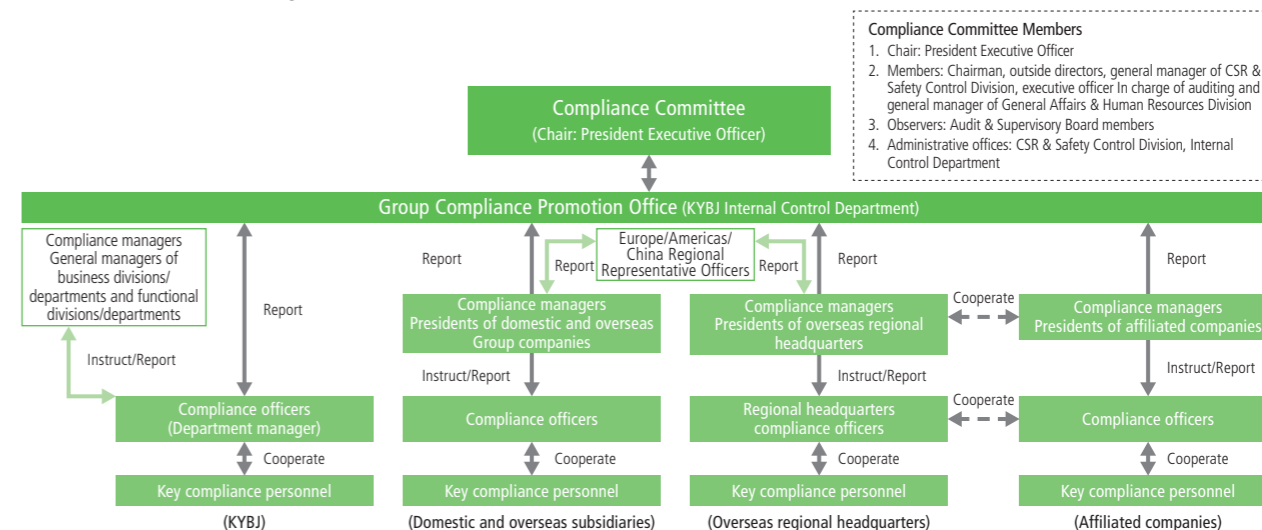
We designated October as Compliance Improvement

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
General Manager, Hydraulic Sales & Marketing
Headquarters, Hydraulic 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 & Marketing
Headquarters, Hydraulic Components Operations
June 2009 Managing Executive Officer, General Manager,
General Manager, Hydraulic Components
Operations
June 2010 Senior Managing Executive Officer, In charge of
Directors; 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 Manager, Hydraulic
Components Operations
April 2014 Member of the Board of Directors, Senior
Managing Executive Officer, In charge of
purchasing, General Manager, Corporate
Planning Division
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
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 Manager, Corporate
Planning Division
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.
April 2011 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; General Manager,
Aircraft Components Division
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),
Kennedy, 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,
Corporate Planning Division
June 2009 Member of the Board of Directors, General
Manager, Human Resources Division; General
Manager, Gifu Human Resources Department
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
Insurance Inc.; 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)



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-Itoha 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	Ryuji Uda	Assistant, China Operations; Chairman & President, KYB (China) Investment Co., Ltd.
	Keisuke Saito	Minoru Ishika	General Manager, CSR & Safety Control Division
	Toshihiko Hatakeyama	Ichio Nemoto	In charge of global corporate planning and domestic affiliated companies; General Manager, Corporate Planning Division;
Senior Managing Executive Officers	Shizuka Sakai	Takashi Saito	Assistant, European Operations; President, KYB Europe GmbH
	Ikuko Inagaki	Shozo Amano	General Manager, Gifu South Plant, Hydraulic Components Operations
	Hajime Sato	Executive Officers	
	Osamu Kunihara	Tomoki Takaoka	General Manager, Procurement Department 1, Purchasing and Logistics Division,
Managing Executive Officers	Kazuaki Shoji	Ukuru Tsuchida	General Manager, Special Purpose Vehicles Division
	Masahiro Kawase	Minoru Tamai	General Manager, Sagami Plant, Hydraulic Components Operations
		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

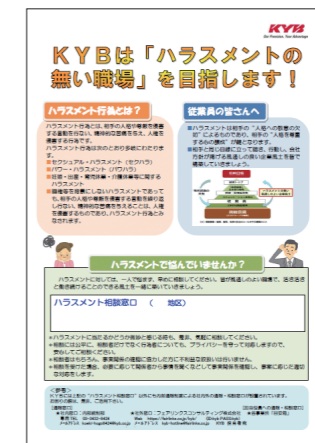
e-learning course. In addition, antiharassment posters have been put up in workplaces and articles have appeared in internal newsletters. KYB also surveys the extent of reported cases of harassment through stress assessments, which employees take every year.

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

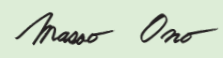
KYB Health Declaration

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.

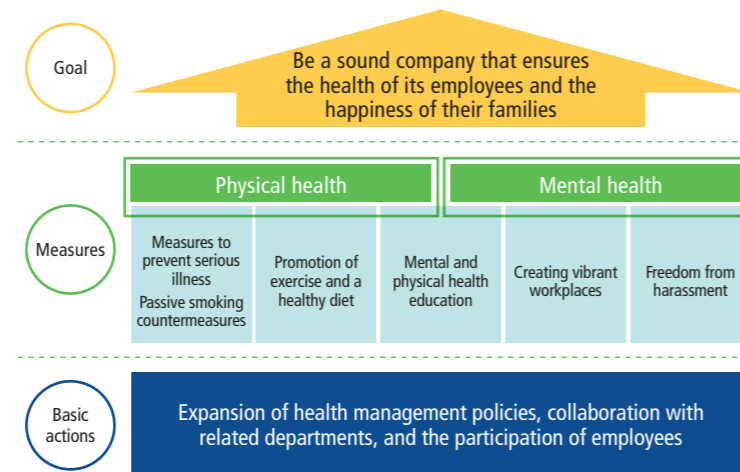
We are committed to actively supporting employees who are engaged in health promotion activities and to promoting organizational measures for health promotion in order to live up to our Corporate Spirit by "building a corporate culture full of vitality and holding high goals."

November 1, 2019

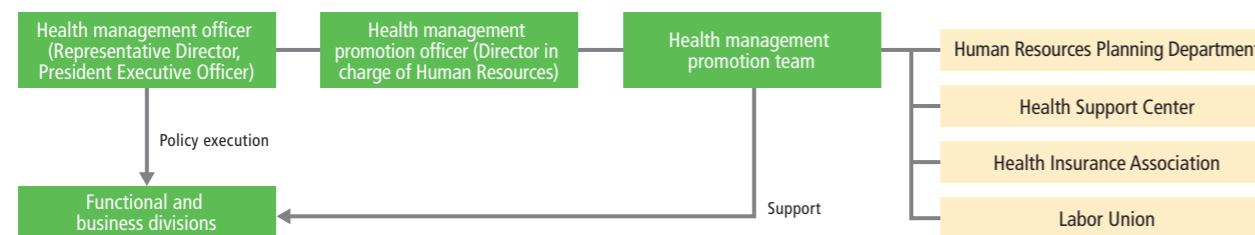
Masao Ono
Representative Director and
President Executive Officer
KYB Corporation



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

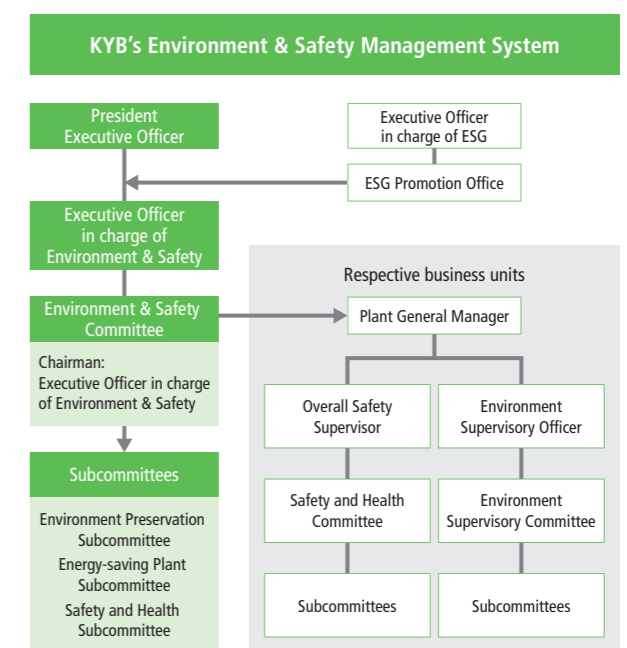
Basic Environmental Policies

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

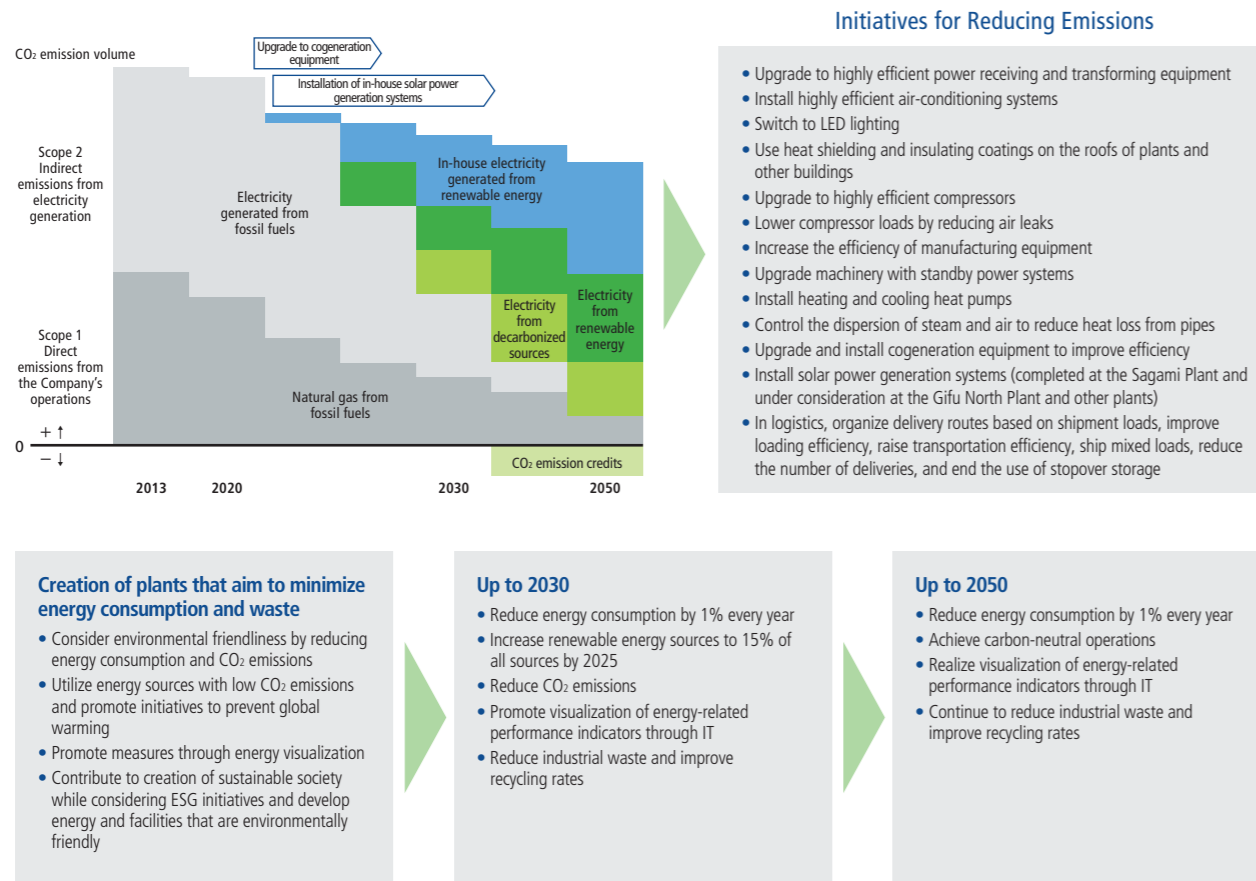
1. Develop and build up production and corporate activities based on recycling to reduce impacts on the environment.
2. Strive to ensure long-term and sustainable operations throughout the entire KYB Group.
3. Work to promote relationships with local communities and contribute to society as a good corporate 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

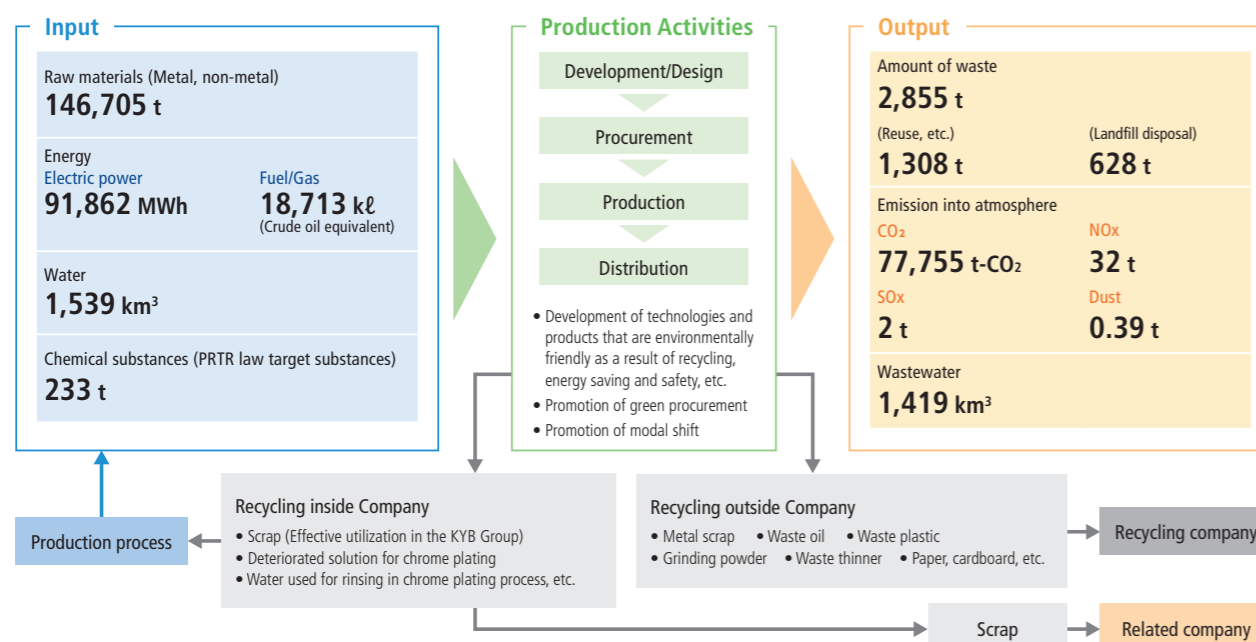
Global Warming Prevention
Measures include replacing lighting with LEDs, LCDs, and other highly efficient devices, adopting inverter control for hydraulic units, upgrading to high-efficiency compressors, eliminating leakage of air, reducing air consumption in plants, and implementing activities for environment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

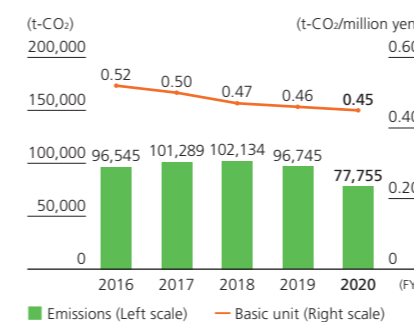
Environmental Impact by Business Activity

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.

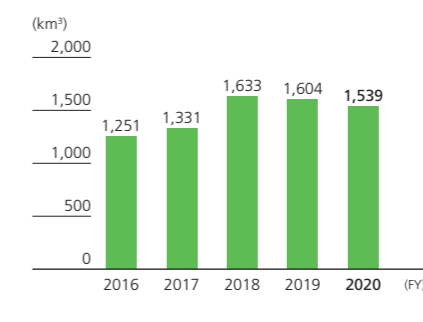


Environment-related Data

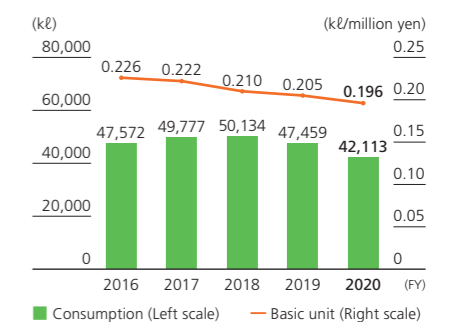
CO₂ Emissions



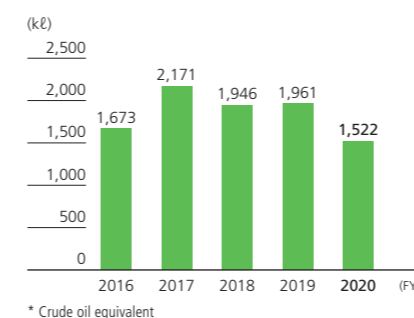
Water Usage



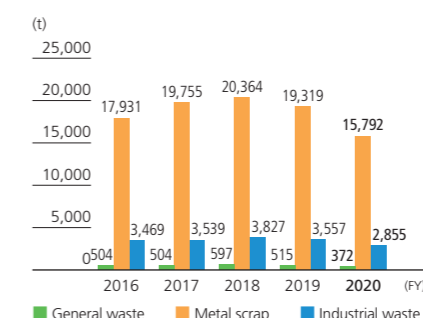
Energy Consumption



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)-1 Pollution prevention cost	<ul style="list-style-type: none"> Air pollution and water pollution prevention activities Maintenance and inspection of pollution prevention facilities Analysis and measurement of atmosphere and water quality 	10.4	197.5
(1) Business area cost	(1)-2 Global environmental conservation-cost	9.1	12.7
	<ul style="list-style-type: none"> Energy conversion Energy-saving activities (Investments, etc.) 		
	(1)-3 Resource circulation cost	65.0	231.6
	<ul style="list-style-type: none"> Recycling of plant waste Reduction of industrial waste 		
(2) Upstream/downstream cost	Not available	0.0	0.0
(3) Management activity cost	<ul style="list-style-type: none"> Maintenance and management of ISO 14001, etc. Monitoring of environmental impact and employee education 	0.0	96.9
(4) R&D cost	<ul style="list-style-type: none"> Environmentally friendly product development Lightweight products and products containing less hazardous chemical substances 	4.7	31.1
(5) Social activity cost	<ul style="list-style-type: none"> Support of non-profit environmental protection Afforestation and maintenance of scenery around plants 	0.0	3.0
(6) Environmental remediation cost	Not available	0.0	0.0
(7) Other cost	<ul style="list-style-type: none"> Internal environmental conservation Welfare conservation 	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

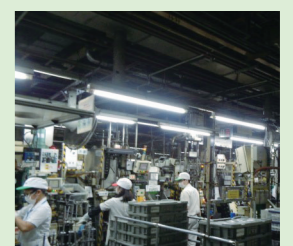
Saved Energy by Upgrading Compressors

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.



KYB Group Business Overview

KYB provides products to customers in various fields by combining electronic control and systems technologies that apply its two core technologies for vibration control and power control. KYB's business and product segments are divided into Automotive Components Operations, Hydraulic Components Operations, the Special-Purpose Vehicles Division, the Aircraft Components Division, and the System Products and Electronics Components Business.

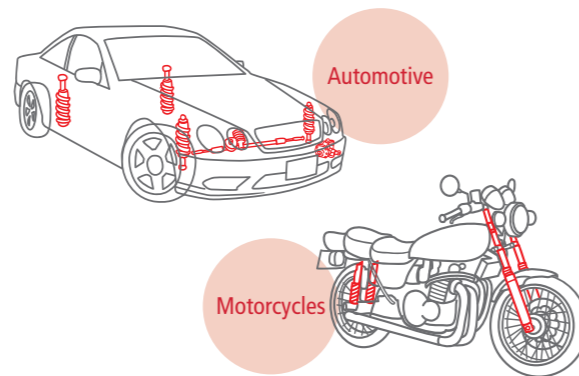
Main Businesses

Automotive Components Operations

This business primarily develops and supplies a wide variety of products for automobiles and motorcycles. Leveraging vibration control technology, it serves market requirements for comfort, safety and maneuverability in day-to-day driving and motorsports.

Major Products

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

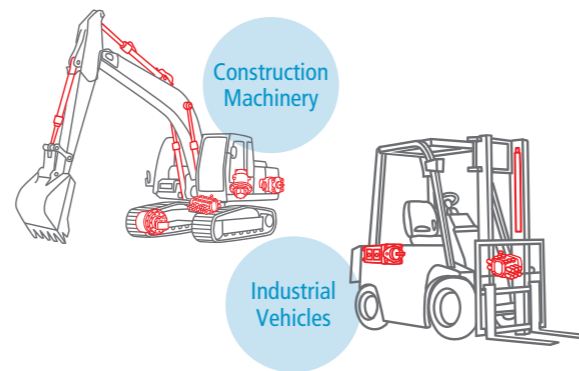


Hydraulic Components Operations

This business develops and supplies a variety of hydraulic equipment for construction machinery, industrial vehicles and railroad cars. It also leverages power control technology to meet the needs of on-site *monozukuri* and railroad infrastructure for precision miniaturization, digitalization and systemization.

Major Products

- Hydraulic equipment for industrial use:** Cylinders, valves, pumps, motors, mini-motion packages (MMP), hydrostatic transmissions (HST)
- Others:** Dampers for railroad cars, brakes for railroad cars, active suspension systems for railroad cars, seals



Other Businesses

Special-Purpose Vehicles Division

This business develops and manufactures special-purpose vehicles, focusing on a lineup of small to large concrete mixer trucks that have the largest market share in Japan. The excellent mixing, discharging, environmental performance and other features of our products boost work efficiency.

Aircraft Components Division

This business supplies flight control systems, landing systems, hydraulic and pneumatic systems and other hydraulic equipment for aircraft. In the aerospace technology market, which requires outstanding reliability, we leverage cutting-edge hydraulic technology to support flight safety and comfort.

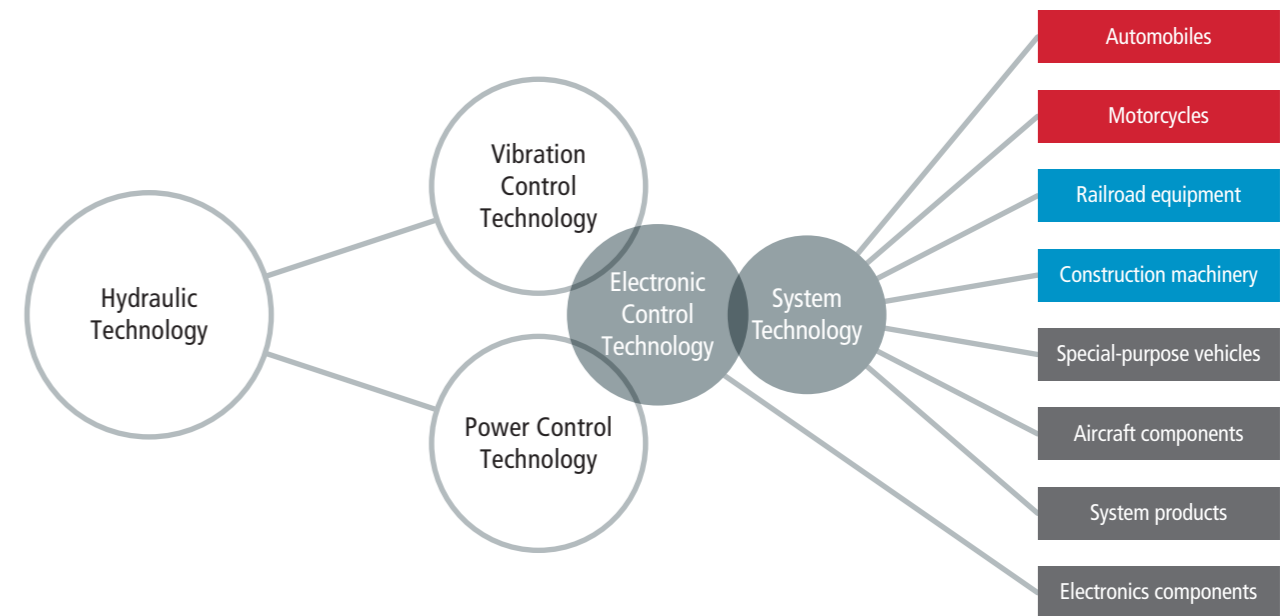
System Products and Electronics Components Business

We are opening up new possibilities for hydraulic technology, such as auditorium and stage control systems that support theater performances. In addition to hydraulic technology, we are also focusing on electronic control technology to develop products such as electronic control units (ECU) for automobiles and other uses.

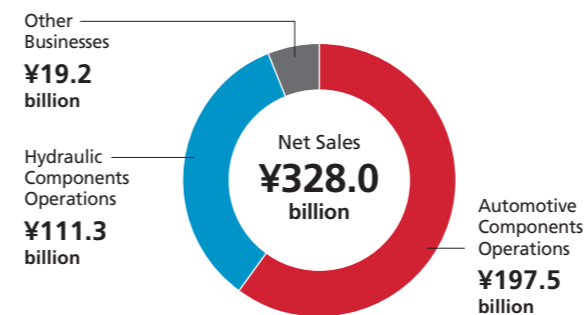
Major Products

- System products:** Equipment for military vessels, seismic isolation and vibration suppression devices, simulators, hydraulic systems, tunnel boring machines, environmental devices
- Special-purpose vehicles:** Concrete mixer trucks, granule carriers, special-function vehicles
- Aircraft components:** Steering components, control devices, emergency equipment
- Electronic components, etc.:** Electronic devices

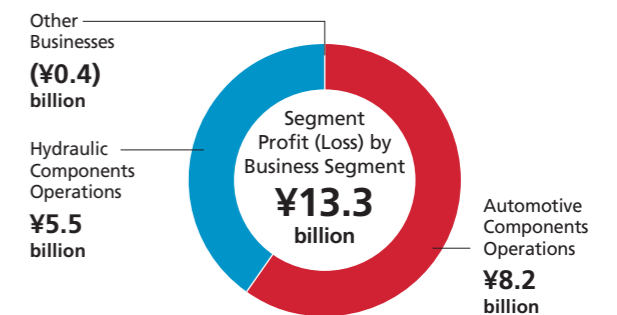
KYB's Core Technologies and Businesses



Net Sales by Business Segment (FY2020)

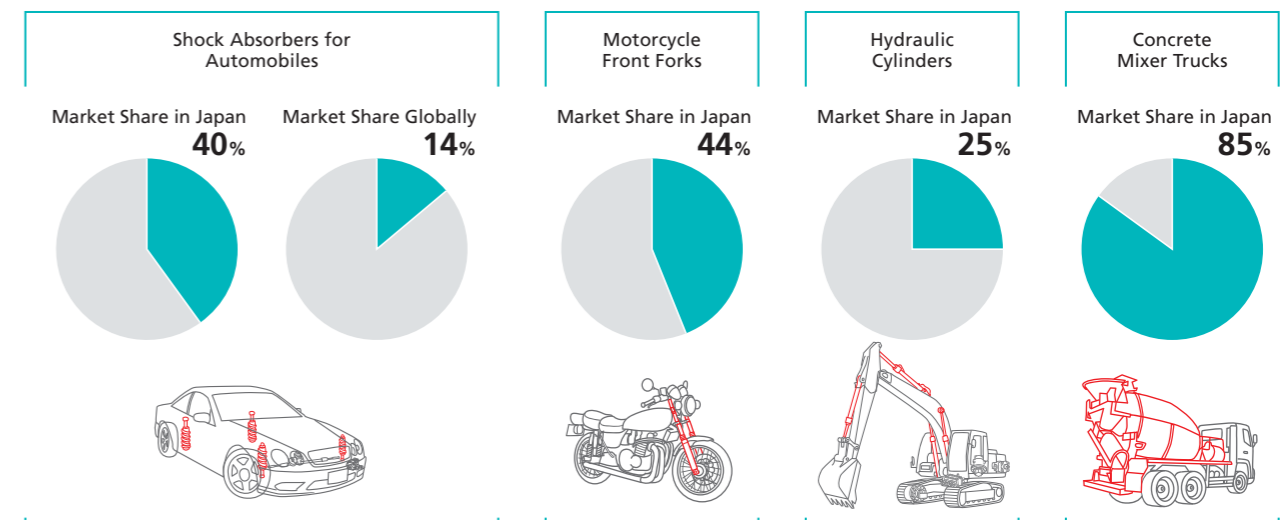


Segment Profit (Loss) by Business Segment* (FY2020)



* Segment profit corresponds to operating profit under JGAAP

Market Share of Major Products Source: KYB data (As of March 31, 2021)




Product Lineup

We support daily life by providing safety and comfort. The products presented here are used in a broad range of fields.

Automotive Components Operations Hydraulic Components Operations Other Businesses

Automotive



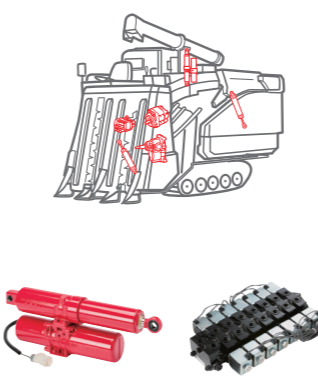
Through the pursuit of technology, KYB is able to offer automotive components that offer users advanced maneuverability and drivability. We support comfort, security and excitement in any driving situation, from a family outing to a challenging motorsports event.

Motorcycles



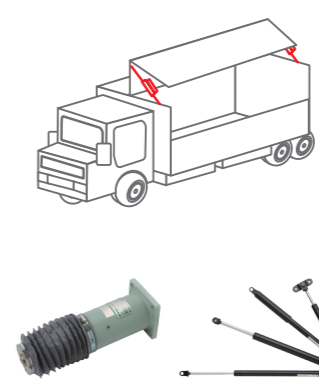
KYB makes motorcycle components for the highest level of riding stability by using world-class race-proven technology designed for extreme speed and safety. We support comfortable driving and superior maneuverability. Our shock absorbers for snowmobiles and chairs skis are specially designed to operate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

Agricultural Machinery



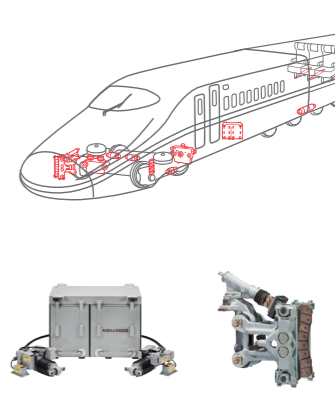
KYB agricultural machinery components save space and energy for easier farming.

Industrial Machinery



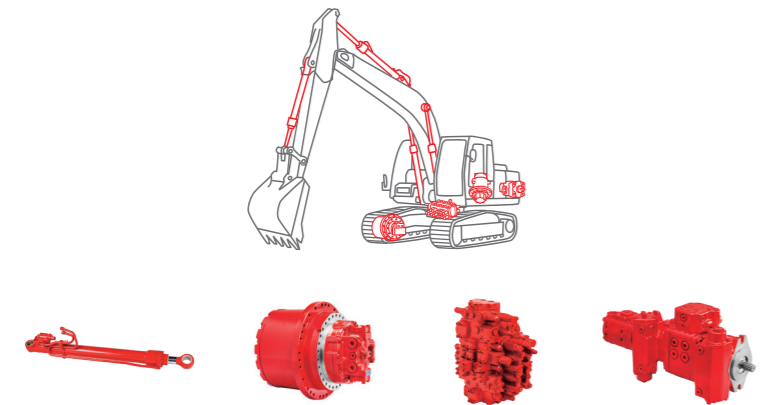
KYB supplies components for industrial machinery from elevators to factory equipment to help accelerate production.

Railroad Equipment



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

Construction Machinery



For many years, KYB has worked to meet the needs of construction sites for machinery that does not break even when used for long periods of time, day and night, and under harsh conditions ranging from extreme colds of -30°C to scorching deserts. We support construction sites with the world's highest level of reliability. We develop and manufacture all of our drivetrain components (control valves, piston pumps, travel motors, swing motors, cylinders, etc.) in-house, and are also involved in system proposals for construction machinery.

Industrial Vehicles



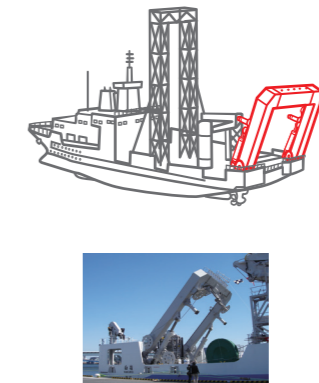
KYB puts its components to work in forklifts and other industrial vehicles to provide powerful support for improved operational efficiency.

Special-Purpose Vehicles




KYB special-purpose vehicles support comfort in all environments. KYB concrete mixer trucks have the highest market share in Japan.

Marine Products



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

Sports and Welfare



KYB uses its core technologies to develop products for sports and welfare.

Strategy by Business

Automotive Components Operations

Business Strategy

Realizing true value: Strengthen, evolution and new initiatives

In Automotive Components Operations, our goal for FY2022 is to “establish a position as a core supplier by further strengthening existing projects and core technologies.” To achieve this goal, our basic strategies are “stabilization of our revenue base,” “innovative *monozukuri*” and “creation of high-value-added products.”

To stabilize our revenue base, we are consolidating and reorganizing our main bases to maximize profits by leveraging optimal production locations in line with customer demand. In the commercial market, we are implementing structural reforms in which production, sales and technologies are integrated and promoting local production for local consumption, including making flexible adjustments and localizing production systems.

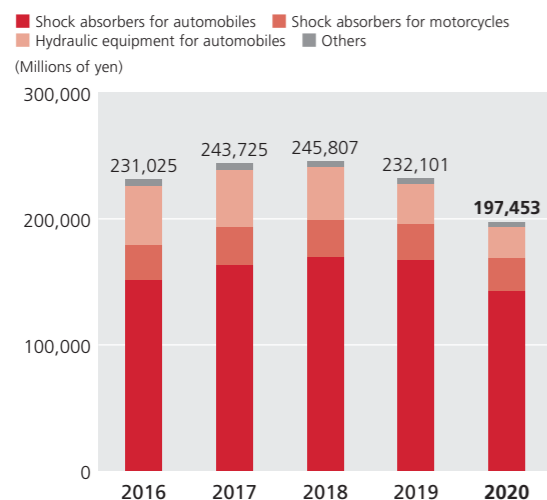
For production, we will improve the level of automation and reduce manufacturing costs by introducing labor-saving operations. We will then successively introduce these measures at domestic and overseas bases, aiming to become the No. 1 manufacturer in terms of low costs through our innovative *monozukuri*.

Regarding technology, in order to address changes in the social environment and customer needs, we will respond to new markets and new products through EV, CASE¹ and MaaS,² develop new customers and create high-value-added products by strengthening our proprietary technologies.

1. Connected cars, autonomous driving, sharing and electrification. This keyword indicates the trend in the automobile industry.
2. Mobility as a Service. A new concept in the transportation service industry for integrating various means of transportation into a single service.

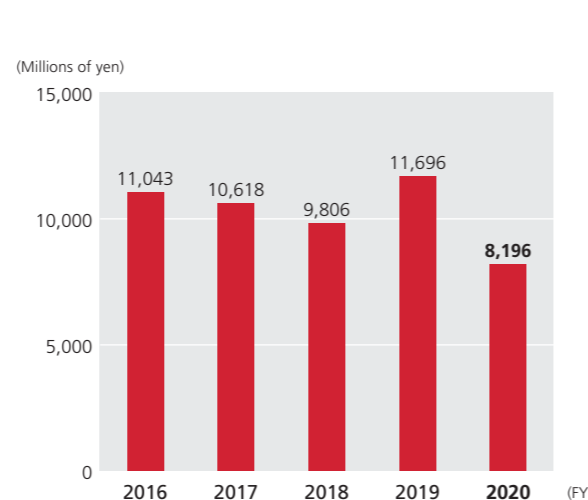


Net Sales¹



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



Technological Strategy

1. Suspension and steering for next-generation vehicles

Automobiles are equipped with suspensions, which improve comfort and steering stability, and the shock absorber is the part that absorbs vehicle chassis vibration.

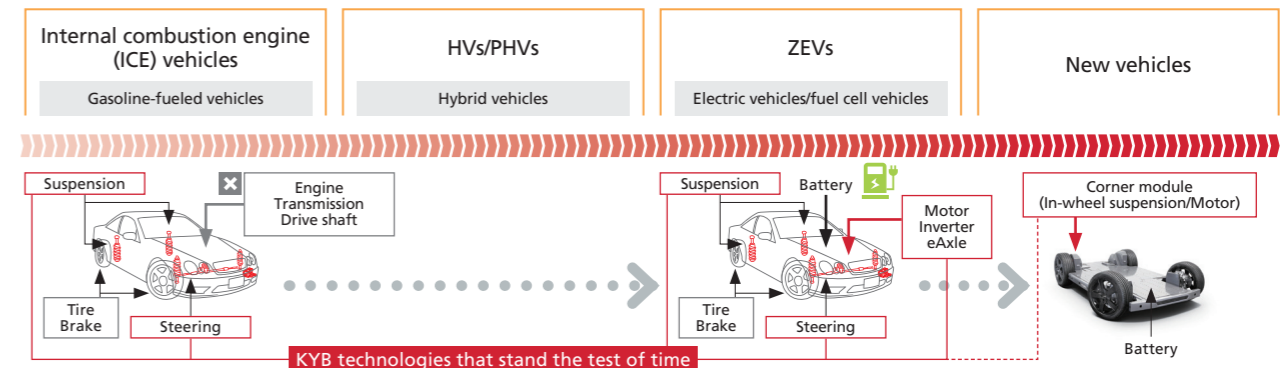
Featuring superior technology, KYB shock absorbers are the preferred choice of many automobile manufacturers worldwide, and we have achieved high market share. In addition, we recommend replacement within five years of initial registration or at 70,000 kilometers (43,495 miles) as deterioration will occur due to mileage and aging. This commercial demand for replacements is a major business opportunity for KYB.

Driving, turning and stopping are the basic functions of an automobile, and the steering system handles turning. Hydraulic power steering (PS), which uses hydraulic force to

reduce the effort needed to turn the wheels, is indispensable for safe driving as it enables a quick response to danger. Electric power steering (EPS), which is powered by a battery, can improve fuel efficiency compared with PS, which is powered by the engine.

Even if the shift from conventional gasoline-fueled vehicles to hybrid vehicles with two or more power sources or to ZEVs continues, there will still be a need for suspension systems and steering. As KYB’s proprietary technologies evolve further, business opportunities will expand as well. In addition, we will collaborate and form alliances with companies for technologies that we do not possess to become an even stronger supplier.

KYB Technologies Capable of Responding to the Evolution of Automobiles

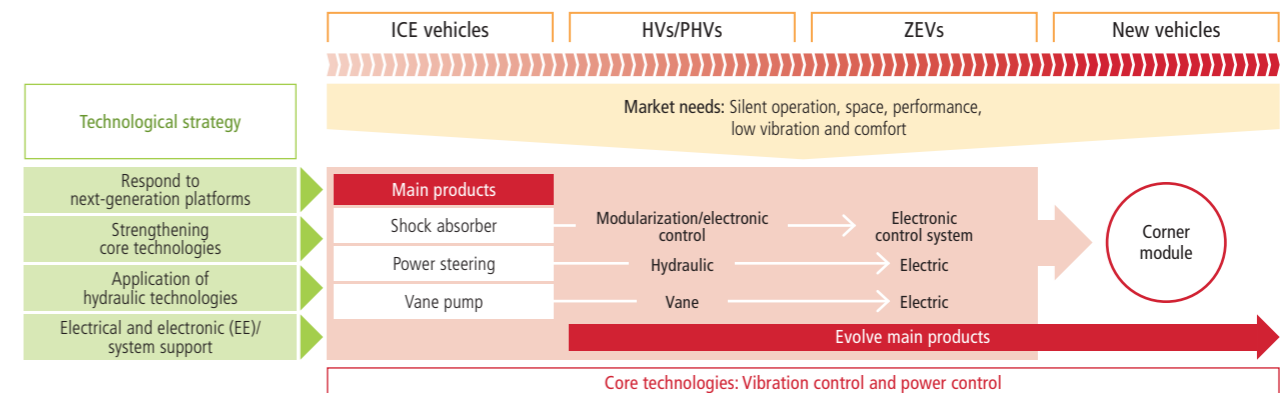


2. Response to automotive market needs

In the automotive market, needs for features such as silent operation, space, performance, low vibration and comfort will grow even more in the future, and parts manufacturers are improving their technologies to meet these needs. KYB is working to support next-generation platforms as part of its technology strategy. In addition, KYB will further

strengthen its core technologies such as vibration control and power control. We will also promote modularization, electronic control and system support for main products while applying our hydraulic technologies in various ways.

Meeting Market Needs by Strengthening Core Technologies



Hydraulic Components Operations

Business Strategy

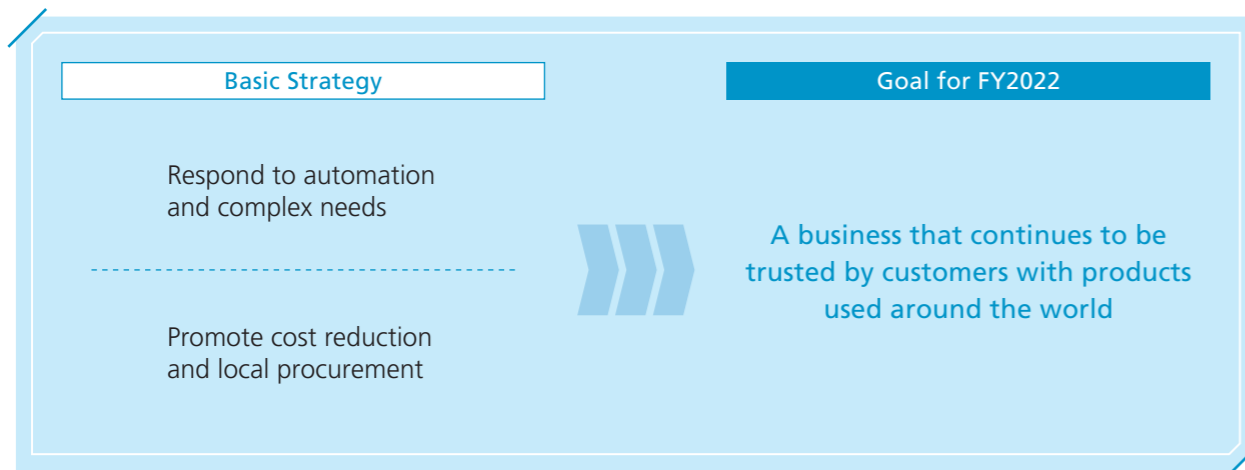
Securing a competitive advantage through system proposals

In Hydraulic Components Operations, our goal for FY2022 is to be a “business that continues to be trusted by customers with products used around the world.” To achieve this goal, our basic strategy is to “respond to automation and complex needs” through the development of electronic control and load-sensing products and medium and large pumps. As a measure to strengthen our competitiveness, our strategy is to “promote cost reduction and local procurement.”

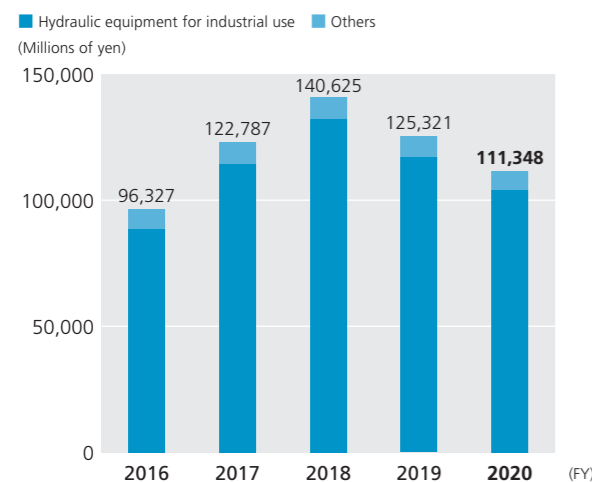
In our Hydraulic Components Operations, we handle hydraulic equipment for industrial use, mainly for construction machinery, as well as other hydraulic equipment. The

drivetrain system of construction machinery, such as excavators, consists of parts including control valves, piston pumps, travel motors, swing motors, and cylinders, and KYB is one of the few manufacturers that produces all of these products. The fact that we can make systems proposals to construction machinery manufacturers is a major competitive advantage.

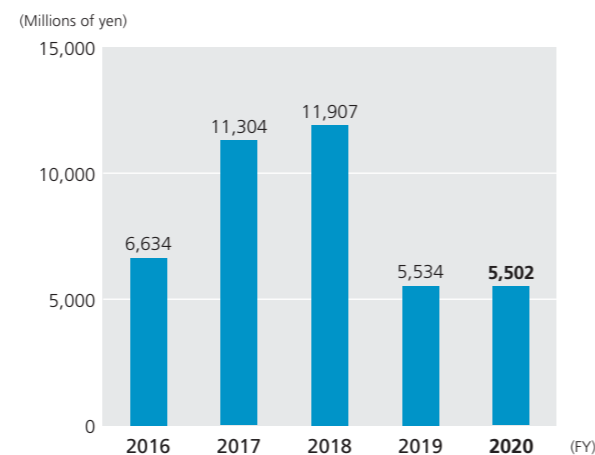
In addition, the overall trend in the markets we serve is expansion in growth areas, so we will promote strategies for each region according to its development stage and develop low-cost models.



Net Sales¹



Segment Profit²



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.

Technological Strategy

Proprietary technologies enable advanced control

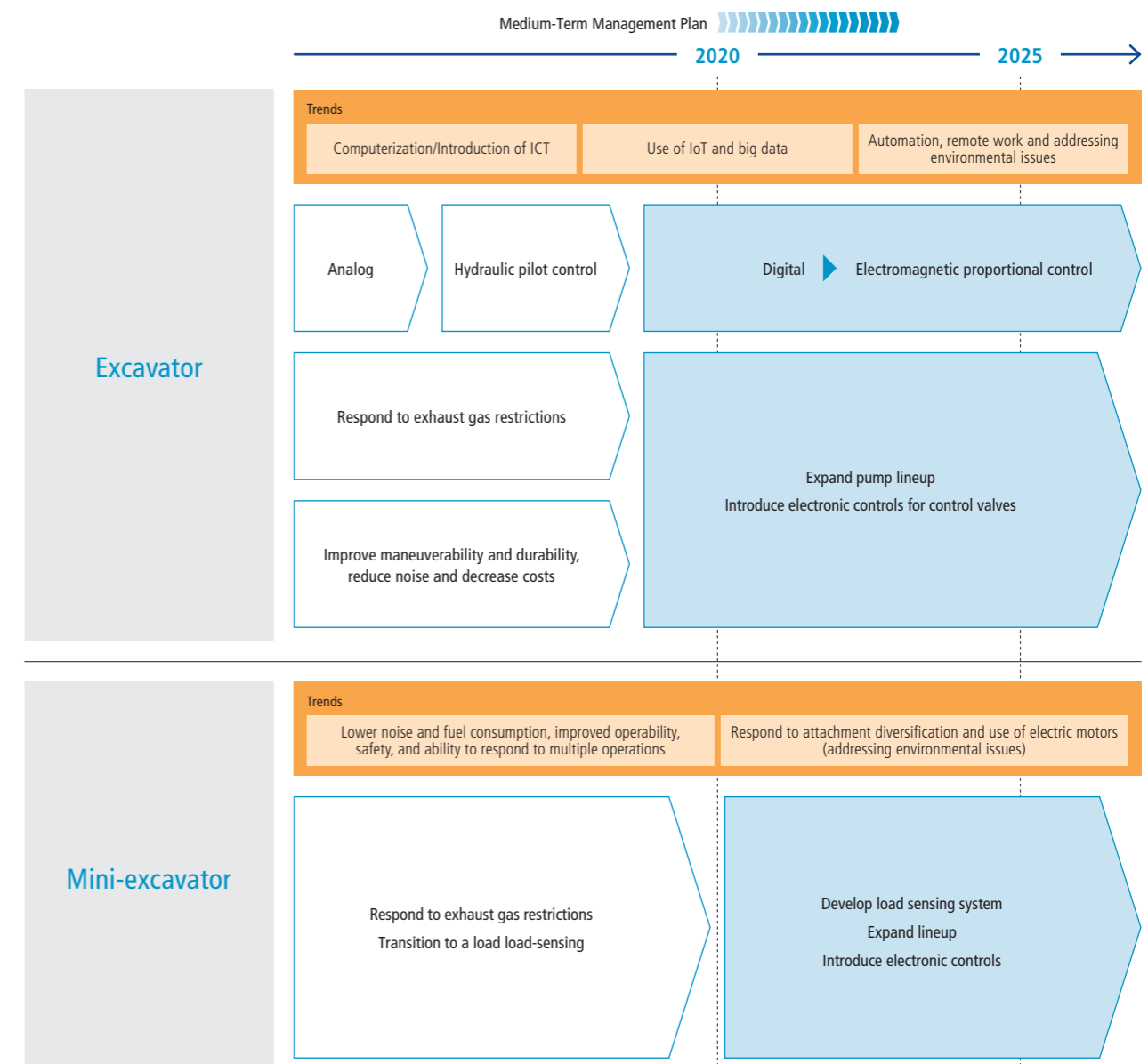
To respond to automation and complex needs, we are continuing to develop electronically controlled models for hydraulic equipment and adding them to our lineup.

The “brain” of construction machinery is the control valve, which regulates various actuators (drive devices that convert energy into translational or rotational motion via hydraulic or electric motors) and enables smooth operations such as traveling, turning, and the flexing and stretching of mechanical arms. Combining electronic controls with KYB’s specialty hydraulic technologies and fusing them with the pump, which is the “heart,” enables advanced control and creates new added value.

As for mini excavators, we are working on load-sensing* pumps to meet market needs for lower noise and fuel consumption, improved operability, and diversification of attachments. We will also address the growing need for responding to environmental issues. The advantages of a load-sensing system include simultaneous or combined operation, which previously relied on operator experience as well as energy savings, and digitalization and automation that is able to handle a variety of loads without issue.

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

Market Trends and KYB Technologies



Other Businesses (System Products, Special-Purpose Vehicles, Aircraft Components Division)

Strategy by Business

System Products and Electronics Components Businesses

In July 2021, Kayaba System Machinery Co., Ltd., a subsidiary, was absorbed into KYB Corporation. Under the slogan "Let's become a trusted company once again," we will focus on promptly bringing seismic isolation/mitigation oil dampers into conformity. We will also strengthen governance and build a system that will be recognized by third parties as appropriate.

Special-Purpose Vehicles Division

In Japan, we are working to strengthen our profit structure by developing high-value-added products that are friendly to the environment and to people and that meet market needs. Overseas, we will establish the foundation for a global network for special-purpose vehicles by formulating and implementing new business plans.

Aircraft Components Division

We aim to improve profitability by strengthening compliance, putting safety first and promoting quality management. We will work to reduce losses associated with disruptions in production, review our production system and costs, and reorganize the business.



e-Mixer Computer Controlled Concrete Mixer Truck

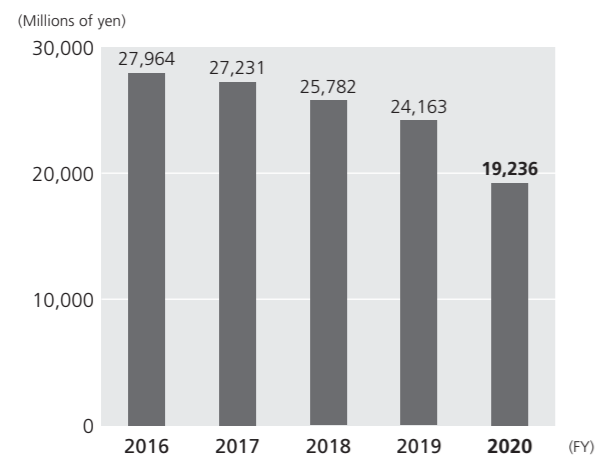
The e-Mixer is an environmentally friendly concrete mixer that achieves lower noise, exhaust and fuel consumption through application of our unique hydraulic technology and ECU. Using sensors to detect the level of the load, computer control optimizes the flow rate of the hydraulic equipment, thereby reducing engine revolutions to about half those needed by a conventional manual mixer. We have significantly enhanced operability by continuously making improvements, and the e-Mixer's functions meet the needs of users.

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, which will be easier to use and offer enhanced safety features.



Remote control operation near the discharge chute

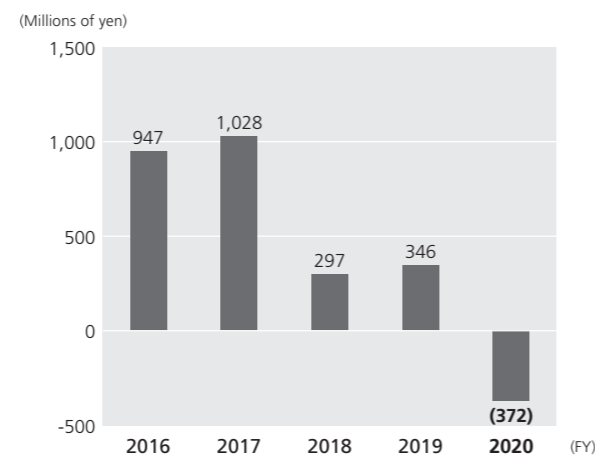
Net Sales¹



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 Profit (Loss)



Contributing to Social Issues through Our Business

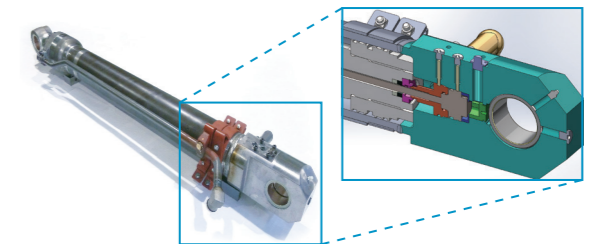
Approaches to ICT and IoT in Hydraulic Equipment

Support for ICT and IoT in Hydraulic Equipment

In recent years, computerized operation using ICT and monitoring functions using 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 Machinery)

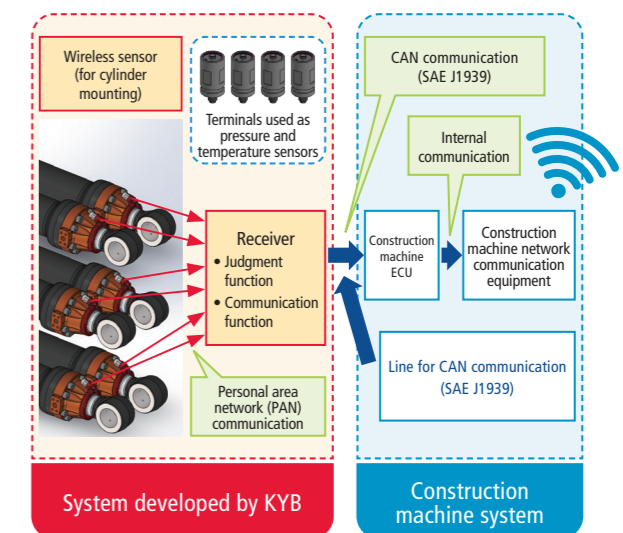
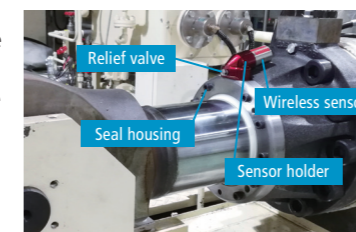
We have launched a cylinder with a stroke sensing function as a product for computerized construction equipment. In the case of an external sensor, there is a risk of damage due to contact with soil or other substances. However, a built-in sensor that is interchangeable with standard cylinders can prevent 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 suspension of operations and reduces parts replacement costs, thus contributing to the maintenance operations of construction machinery manufacturers.

The product is in the evaluation stage as a subsystem that provides data to the hydraulic cylinders of 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 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 electric 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.



Financial Highlights

(Millions of yen)

FY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accounting standards applied	JGAAP	JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Net sales	320,082	337,158	305,752	352,710	370,327	355,320	355,316	393,743	412,214	381,584	328,037
Segment profit ¹	—	—	—	—	15,506	17,588	18,624	22,949	22,010	17,575	13,325
Operating profit (loss)	24,152	21,538	10,473	18,170	14,461	4,327	19,247	20,885	(28,496)	(40,298)	18,297
Profit (loss) before tax [Income (loss) before income taxes and minority interests]	24,440	21,760	12,994	21,032	14,892	2,825	18,852	20,881	(29,510)	(41,419)	16,340
Profit (loss) attributable to owners of the parent [Net income (loss)]	17,014	13,898	7,789	12,761	8,036	(3,161)	14,544	15,202	(24,757)	(61,879)	17,658
Capital expenditures	8,916	27,173	39,215	29,908	30,087	21,300	20,578	20,956	25,345	23,347	13,322
Depreciation and amortization	13,427	13,508	14,554	17,294	15,191	17,075	15,922	16,988	17,581	20,615	18,634
R&D expenses	3,218	4,035	5,468	6,917	8,910*	7,760	7,621	8,102	6,750	6,312	5,368
Cash flows from operating activities	35,433	17,399	18,984	28,788	22,335	19,958	31,153	29,252	17,047	(4,999)	20,826
Cash flows from investing activities	(7,233)	(20,000)	(36,125)	(36,078)	(30,658)	(20,320)	(21,337)	(16,386)	(13,616)	(21,505)	(6,281)
Cash flows from financing activities	(16,968)	(3,455)	8,529	5,709	(555)	(3,395)	(969)	(4,482)	10,418	22,576	1,146
Cash and cash equivalents at end of period	48,123	42,010	35,215	38,132	30,510	25,296	33,988	42,702	56,092	50,423	68,700
Total assets	285,134	301,349	327,912	361,083	387,877	359,002	381,326	412,493	441,074	410,454	426,635
Interest-bearing debt ²	81,641	80,518	95,338	88,813	92,448	91,685	93,563	94,641	108,634	154,608	160,278
Total equity [Total net assets]	89,964	102,762	116,435	153,997	175,256	153,381	169,771	186,651	155,643	79,815	116,726
Basic earnings per share [Net income (loss) per share] ³ (Yen)	77.54	62.87	35.24	55.25	31.45	(12.37)	56.93	595.09	(969.18)	(2,422.53)	668.95
Cash dividends per share applicable to the year ³ (Yen)	8.00	9.00	8.00	9.00	12.00	11.00	12.00	150.00	0.00	0.00	75.00
Return on equity attributable to owners of the parent [Return on equity] (ROE; %)	21.1	14.8	7.3	9.7	5.1	(2.0)	9.3	8.8	(15.0)	(55.4)	18.5
Ratio of equity attributable to owners of the parent [Equity ratio] (%)	30.6	33.2	34.5	41.2	43.6	41.3	43.1	43.7	33.9	18.1	25.9
P/E ratio (Times)	8.6	8.0	13.1	7.9	14.0	—	10.2	8.5	—	—	4.5
Number of employees	11,440	11,975	12,306	13,033	13,732	13,796	14,350	14,754	15,427	15,439	14,718

KYB Corporation and Consolidated Subsidiaries

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

2. Interest-bearing debt = Short-term borrowings + Current portion of long-term borrowings + Current lease obligations + Long-term debt + Non-current lease obligations + Guarantee deposits received

3. The Company carried out a 1-for-10 reverse stock split effective October 1, 2017.

Items in brackets are Japanese Generally Accepted Accounting Principles (JGAAP) line item names applied prior to the year ended March 31, 2015 (FY2014).

* JGAAP

Global Network (As of October 1, 2021)

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

EUROPE

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

ASIA

- ★ KYB (China) Investment Co., Ltd.
- KYB Industrial Machinery (Zhenjiang) Ltd.
- Wuxi KYB Top Absorber Co., Ltd.
- Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd.
- Hubei Henglong & KYB Automobile Electric Steering System Co., Ltd.
- CHITA KYB Manufacturing (Zhenjiang) Co., Ltd.
- KYB Manufacturing Taiwan Co., Ltd.
- KYB Steering (Thailand) Co., Ltd.
- KYB (Thailand) Co., Ltd.
- KYB Manufacturing Vietnam Co., Ltd.
- Takako Vietnam Co., Ltd.

- PT. KYB Hydraulics Manufacturing Indonesia
- PT. Kayaba Indonesia
- PT. Chita Indonesia
- KYB-UMW Malaysia Sdn. Bhd.
- KYB Motorcycle Suspension India Pvt. Ltd.
- KYB-Conmat Pvt. Ltd.
- KYB Asian Pacific Corp. Ltd.
- KYB Asian Pacific Corp. Ltd. (Amata Nakorn Branch)
- KYB Corporation Chennai Branch

JAPAN

KYB Corporation

- ★ KYB Head Office
- Kumagaya Plant
- Sagami Plant
- Gifu North Plant
- Gifu South Plant
- Gifu East Plant
- Mie Plant
- ◆ Basic Technology R&D Center
- ◆ Production Technology R&D Center
- ◆ Machine Tools Center
- ◆ Developmental Center
- Kita-Kanto
- Minami-Kanto
- Nagoya
- Osaka
- Hiroshima
- Fukuoka

AMERICAS

- ★● KYB Americas Corporation (Indiana)
- KYB Americas Corporation (Greenwood)
- KYB Americas Corporation (Chicago)
- Takako America Co., Inc.
- KYB Mexico S.A. de C.V.
- KYB Manufacturing do Brasil Fabricante de Autopeças S.A.
- KYB International America, Inc.
- KYB Latinoamerica, S.A. de C.V.
- Comercial de Autopeças KYB do Brasil Ltda.

Shareholder Information (As of March 31, 2021)

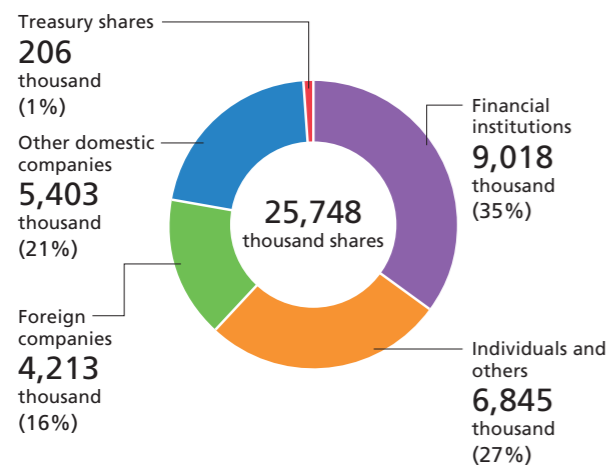
Shareholder Information

Common Stock Issued	25,748,431
Number of Shareholders	14,002
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan

Major Shareholders

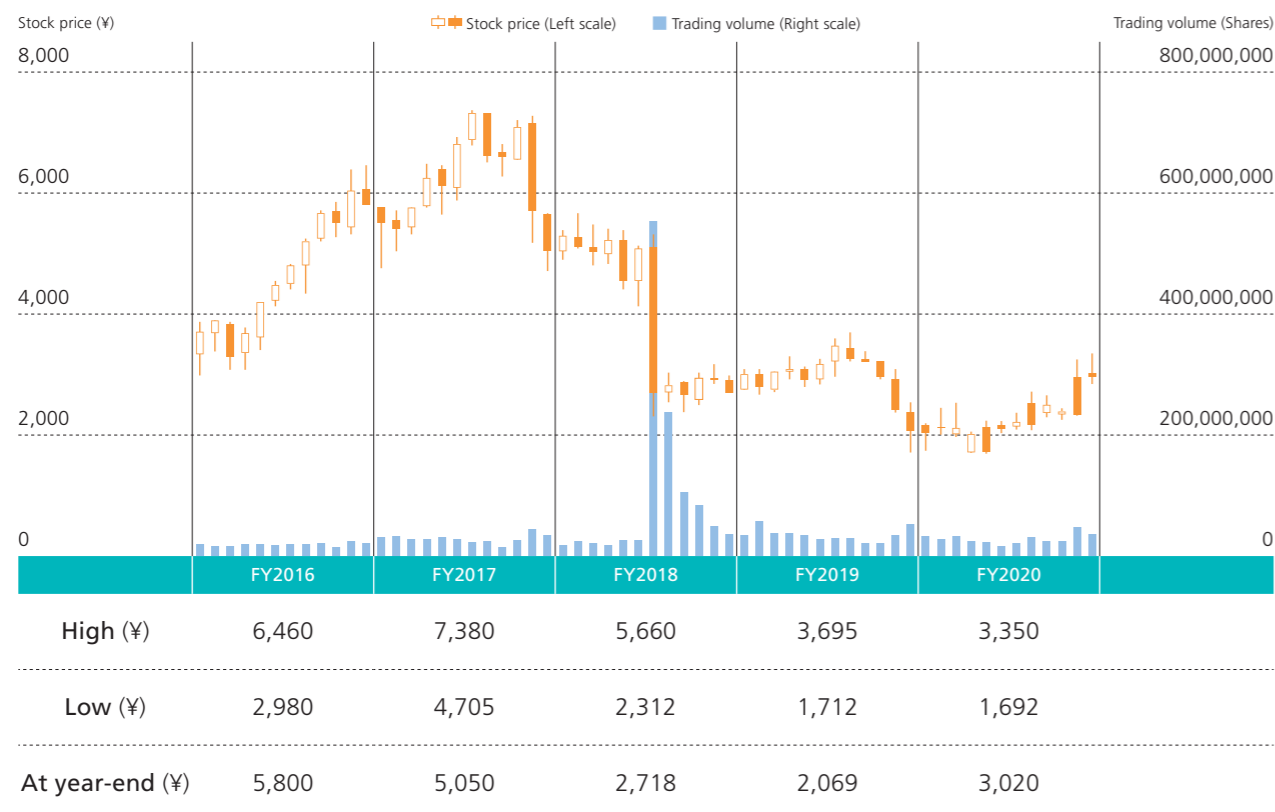
Name	Shareholdings (Thousands)	Percent of Total Shares Issued (%)
Toyota Motor Corporation	1,965	7.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,606	6.3
Meiji Yasuda Life Insurance Company	1,005	3.9
Custody Bank of Japan, Ltd. (Trust Account)	970	3.8
Hitachi Construction Machinery Co., Ltd.	892	3.5
KYB suppliers' stock ownership	875	3.4
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	612	2.4
Ogaki Kyoritsu Bank, Ltd.	591	2.3
Mizuho Bank, Ltd.	491	1.9
KYB Employee Shareholding Association	388	1.5

Composition of Shareholders



Notes: 1. The shareholding ratio is calculated after the deduction of own shares (205,872 shares).
2. The number of shares held has been rounded down to the nearest thousand shares.

Monthly Stock Price Range (Tokyo Stock Exchange)



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

Corporate Information (As of March 31, 2021)

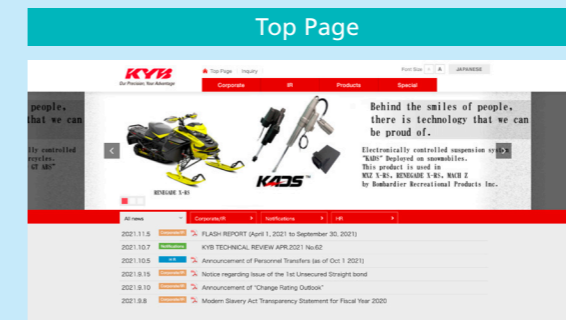
Corporate Information

Company Name	KYB Corporation
Head Office	World Trade Center Bldg., South Tower 28F, 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo 105- 5128, Japan TEL: +81-3-3435-3511 FAX: +81-3-3436-6759

Date of Establishment	March 10, 1935
Fiscal Year	April 1 to March 31
Paid-in Capital	¥27,647.6 million
Number of Employees	14,718 (Consolidated basis)
Securities Traded	Tokyo Stock Exchange (First Section)

Corporate Website

Please visit the following pages for more information.



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



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



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



KYB Technical Review

Engineers report on research and development activities in various fields. We have published this report for the last 31 years.



https://www.kyb.co.jp/technical_report/index.html
(Japanese only)

KYB Sponsorship

Through sponsorship and support for racing teams, we are refining our technical capabilities and working to improve quality.



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

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