

Message from the President

Kayaba will contribute to the sustainable development of the planet and society as a global leader in vibration and power control built on our core technology of hydraulics.

First, please let me offer my deepest sympathies to those who have been affected by COVID-19 infections. I truly hope that they will recover quickly. I'd also like to express my respect and gratitude to the healthcare professionals who are working their hardest at the front line every day. For our part, Kayaba is making efforts to prevent the spread of the virus. We quickly and appropriately respond based on the requests of relevant authorities while giving maximum preference to the safety of our customers, business partners, employees and their families.

The Changing Business Environment and Our Mission Issues we're engaging with as we move toward further growth

The environment surrounding all manufacturing companies domestic and overseas is becoming more severe, due to factors including the spread of COVID-19 variants and the global semiconductor shortage caused by U.S.-China trade frictions. In the automotive industry and in the construction industry, we are seeing the kind of revolutionary change that occurs only once in 100 years, with the promotion of electronic vehicles and electrification as well as the shift towards automatic operation. Components suppliers are being required to deliver new value.

Looking at Kayaba's FY2021 performance under this environment, we had an 18% increase in sales along with the recovery of the market from the COVID-19 pandemic. Also, we reorganized unprofitable businesses, in particular reducing fixed costs, and made improvements to productivity. Due to these factors, we recorded our highest ever profits. However, material prices and transport costs are forecast to continue increasing, and companies will need to adjust production because of component supply issues due to lockdowns. In order to respond to these matters, further cost improvements and revisions to our production operations will be necessary. We are still facing challenges, but we are progressing forcefully with all kinds of improvement initiatives to reinforce our financial base and resolve management issues.

Furthermore, Kayaba is moving forward with environmental, social, and governance (ESG) management. We are reducing CO₂ on a group-wide basis and developing products that will contribute to the sustainable development of society. Also, to fulfil our corporate social responsibility, we are committed to taking preventive measures against nonconforming acts by

strengthening our management system, positioning awareness of norms and compliance as the foundation of management, and building a corporate culture of open, transparent communication.

Value Creation at Kayaba Towards a safe, prosperous society supported by our core technology

Kayaba has over 100 years of technology assets. We have contributed to society by turning hydraulic technology related to vibration and power control into products, allowing for the design of comfortable, prosperous towns and cities. And we are making powerful strides in the development of products built on the core technologies that Kayaba possesses, which will lead to the creation of new value compatible with technologically innovative transport equipment and industrial equipment.

The market is seeing a major revolution with electrification and the adoption of electric vehicles. In order to respond, we are developing high-added-value products built on our core technology, collecting and analyzing road surface and driving data, and developing an active suspension system that can be controlled in real time. Furthermore, we are aiming to shift from the conventional method of selling each product individually to intelligent hydraulic systems sales. In these ways, we are striving to make Kayaba as a company that offers the ultimate products to our customers.

Also, we are facing an issue with labor shortages and training successors in our manufacturing workplaces. To resolve this, we have launched an activity called "Ship'30," which is aimed at further evolving manufacturing workplaces based on the remarkable development of digital technology in recent years. It involves the construction of a revolutionary autonomous plant, and aims to make an unmanned, fully

automated plant a reality by 2030. Ship'30 will be able to respond flexibly to fluctuations in production, and will aim to further raise productivity.

Important Issues for the Future

Contributing to a prosperous world and promoting diversity

Environmental consciousness is growing globally, in particular towards sustainability and carbon neutrality. Corporations have a responsibility to conduct measures for the environment, and are being required to take a more active posture and conduct more impactful initiatives than ever before.

We have achieved a 50% reduction over 2018 from the three aspects of energy generation, energy use, and the development of products that contribute to CO₂ reductions. And further, we are aiming to achieve carbon neutrality by 2050.

In our efforts for diversity, in FY2022 we have appointed female outside directors and auditors. By increasing the number of female officers in addition to increasing the ratio of outside directors and auditors, we are strengthening our governance and promoting diversified management.

Our Pledge to Our Stakeholders

Building a trustworthy brand

FY2022 is the final year of the current medium-term management plan. We will concentrate management resources on the three business units that are the core to achieving our plan: AC Operations, HC Operations, and the Special-Purpose Vehicles Division. We will strive to develop new products for sustained growth, and to revolutionize manufacturing using IoT and AI for the purpose of strengthening our earnings capacity. And in addition to lowering costs, we will further promote ESG management. All of these actions will lead us into our new medium-term management plan which is set to begin in FY2023.

We will actively incorporate underlying technologies—such as electronic systems controls—and leading-edge technologies into the core technology that Kayaba possesses, aiming to provide products that support the livelihoods of people in places all around the world while delivering safety, assurance, and comfort. To do that, the Group will come together and work to build a constantly evolving “trustworthy brand that contributes to the development of a prosperous society.”

Representative Director and
President Executive Officer &
Chief Executive Officer



FY2020-2022 Medium-Term Management Plan

To Achieve Highly Profitable Structure

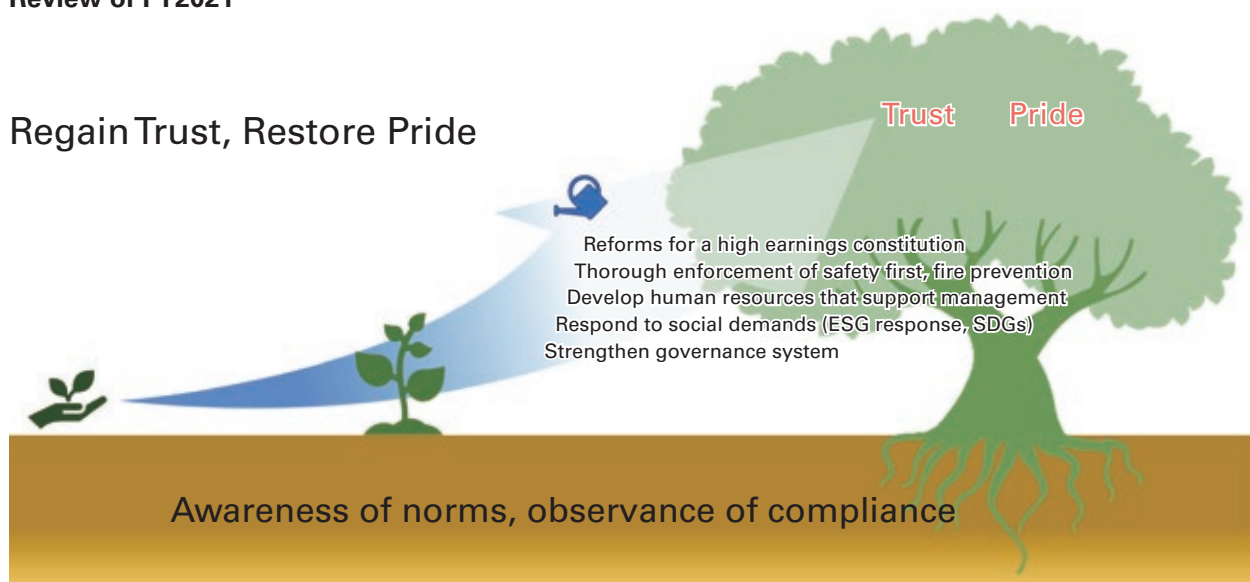
The slogan of the FY2020-2022 Medium-Term Management Plan is “Regain Trust, Restore Pride.” Under that slogan, we are taking preventive measures against nonconforming acts, placing awareness of norms and compliance at the core of management as part of reforms to our corporate culture, and proceeding with a transformation to achieve a highly profitable structure.

The plan’s first year of FY2020 saw challenging conditions as sales, segment profits and other indicators declined compared to the previous consolidated fiscal year due to the impact on economic activities in all countries caused by the spread of COVID-19. In FY2021, we worked to get the plan back on track by thoroughly executing various policies to establish a highly profitable structure, and spent the year recovering from delays.

In 2022, the final year of the plan, there is increasing uncertainty over the future prospects of the world economy, which is facing issues such as the lingering pandemic, sharp price increases in raw materials, the semiconductor shortage, and a deteriorating geopolitical situation. However, we are moving forward with achieving a highly profitable structure while selecting and concentrating on initiatives such as the optimum distribution of management resources and manufacturing innovation. Undaunted, the Kayaba Group will band together to achieve our goals.

Review of FY2021

Regain Trust, Restore Pride



Key Initiatives and Main Implementation Details

Key initiatives	Main implementation details
Compliance and strengthen governance	<ul style="list-style-type: none"> • Establish Compliance Committee • Complete policies for all prevent measures • Instill corporate culture of awareness of norms (thorough education)
Response to social demand	<ul style="list-style-type: none"> • Thoroughly conduct health management, including infection control measures • Observe respect for human rights (Thoroughly create a comfortable workplace) • Initiatives for carbon neutrality
Human resource development	<ul style="list-style-type: none"> • Optimal reassignment of human resources after group reorganization, carry out rotations • Promote DX by hiring and training digital human resources
Safety first, quality management	<ul style="list-style-type: none"> • Thorough preventive measures against workplace injuries and fires • Continue to reform quality awareness based on quality education for all employees
Stabilize the revenue base	<ul style="list-style-type: none"> • Concentrate management resources to the three business units of AC Operations, HC Operations, and the Special-Purpose Vehicles Div. • Withdraw of unprofitable businesses (Decision to close the Aircraft Components Div.)
Growth strategy	<ul style="list-style-type: none"> • Sales expansion activities to emerging EV manufacturers

FY2021 Performance Summary

Looking at the global economy in FY2021, there was an underlying tone of recovery, with the progress in COVID-19 vaccinations and policies to resume economic activity in many countries. However, downsides risks materialized with the sharp rise in raw material prices, a shortage in semiconductors, and the worsening Russian invasion into Ukraine. In Japan's economy, we saw signs of an economic comeback lagging behind the world economy, but high resource prices and a weak yen overlapped, making it difficult to predict the future.

Amidst this environment, the automobile and construction industry markets—which are the main sources of demand for Kayaba products—both experienced recoveries in demand compared to the previous consolidated fiscal year.

The Kayaba Group's sales reached ¥388.4 billion, an increase of ¥60.3 billion over the previous consolidated fiscal year.

Operating profit was ¥30,001 million (compared with ¥18,297 million in the previous fiscal year), largely due to an increase in sales to meet recovering demand and the impact of a reversal of the provision for product warranties for seismic isolation/mitigation oil dampers, while profit before tax was ¥28,817 million (compared with ¥16,340 million in the previous fiscal year). Also, profit attributable to owners of the parent was ¥22,549 million (compared with a loss attributable to owners of the parent of ¥17,087 million in the previous fiscal year), giving us our highest level of profits ever.

The capital adequacy ratio, which at one point had fallen below 20%, returned to the 30% range, while the net D/E ratio rapidly improved due to the repayment of interest-bearing liabilities.

Consolidated Financial Results for FY2021 (IFRS)

	FY2020	FY2021
Net sales	¥328.0 billion	¥388. billion
Segment profit	¥13.3 billion	¥24.7 billion
Operating profit	¥18.3 billion	¥30.0 billion
Profit before tax	¥16.3 billion	¥28.8 billion
Profit attributable to owners of the parent	¥17.1 billion	¥22.5 billion
Cash dividends per share	¥75	¥105

Earnings Improvement Activity (Segment Profits)

In FY2021, we aimed for a ¥4.4 billion earnings improvement over FY2019, and we were able to surpass that target by reaching ¥5.9 billion. Amidst the challenging conditions caused by the COVID-19 pandemic, we achieved our initial plan through improving productivity by ¥1.6 billion and a ¥2.3 billion result from withdrawing and scaling down unprofitable businesses.

In FY2022, we will aim to complete taking in benefits from unachieved fields and attain a ¥7.4 billion improvement compared to FY2019, which is a target of the FY2020 medium-term management plan.

	Progress	FY2021	FY2022 target
Improve productivity (reduce manufacturing costs)	47%	¥1.6 billion	¥3.4 billion
Withdrawal or reduction of unprofitable fields	135%	¥2.3 billion	¥1.7 billion
Reduce variable cost	80%	¥0.8 billion	¥1.0 billion
Consolidation of production bases, establish optimal production system	71%	¥0.5 billion	¥0.7 billion
Promote sales expansion	116%	¥0.7 billion	¥0.6 billion

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

Regarding our most important issue of compliance and governance, we established a Compliance Committee in 2021, and our 67 preventive measure policy items were all completed as of the end of March 2022. However, the prevention of nonconforming acts is a constantly ongoing matter, so we are continuing to carry on our initiatives and will never let them be forgotten or relegated to the past.

Our progress with exchange work is as shown on the right.

Progress of Replacement, etc. (As of August 31, 2022)

Replacement, etc. started*1	981 buildings (99.0%)
Replacement, etc. completed*2	970 buildings (97.9%)

*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

FY2022 Basic Policy

Finalize the Medium-Term Management Plan, Concentrate All Energy on Achieving Targets

FY2022 is the year in which we will complete the current medium-term management plan, so we will achieve the final targets that we have set forth. To create a foundation for the next medium-term management plan, we will concentrate management resources and distribute them among the three business units of AC Operations, HC Operations, and the Special-Purpose Vehicles Division, and adopt a product strategy of contributing to society through developing and providing high-value-added products. In addition, we will promote innovative manufacturing that focuses on automation which makes use of digital technologies

such as AI and IoT and steady cost reductions, and strive for continuous growth and strengthened earnings capacity.

FY2020-2022 Medium-Term Management Plan Financial Targets

	FY2022
Net sales	¥390.0 billion
Segment profit	¥25.8 billion
Segment profit ratio	6.6%
Equity ratio	37%

In addition to reviewing and evaluating FY2021, we are setting the following as our Basic Policy for FY2022.

Key initiatives	Main implementation details
Compliance and strengthen governance	<ul style="list-style-type: none"> • Instill corporate culture of awareness of norms, • Continue group-wide activities to prevent nonconforming acts
Response to social demand	<ul style="list-style-type: none"> • Thoroughly conduct health management, including infection control measures • Observe respect for human rights • Initiatives for carbon neutrality 2050 target: achieve carbon neutrality
High profit structure	<ul style="list-style-type: none"> • Strengthen added-value manufacturing control, KPI Management • Complete reorganization of unprofitable business divisions / plants and offices / products • Promote the global total cost reduction activity • Launch optimization of Group production system • Promote global KPS activities
Human resource development	<ul style="list-style-type: none"> • Optimal reassignment of human resources after group reorganization, carry out rotations • Promote DX by hiring and training digital human resources
Growth strategy	<ul style="list-style-type: none"> • Plan strategy to enter new markets and create new products • Invest management resources in growth fields
Safety first	<ul style="list-style-type: none"> • Thorough preventive measures against workplace injuries and fires (zero workplace injuries or fires)
Quality management	<ul style="list-style-type: none"> • Reform quality awareness based on quality education

Products + Human Resources + the Future

A New Challenge for Kayaba

Mobile Home Research Project

The team formed for this project centers on the Special-Purpose Vehicles Division, but also taps the experience of AC Operations, HC Operations, and other R&D departments.

It uses Kayaba's vehicle customization skills and suspension technology to pursue safe and enjoyable driving, launching work on offering new value, such as vehicles that can serve as a living space in times of disaster.

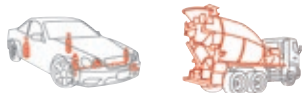
We are working to achieve our plan of exhibiting at the Tokyo Auto Salon which is scheduled to be held in January of 2023.



Interviewing for a magazine at Kumagaya Plant



- Pursuing safety using technology
- Offering living spaces during times of disaster



Vibration control technology + Power control technology



Ukyou Katayama (front right) started providing his services as an advisor



Kayaba's push to enter the mobile home business was featured in the September 2022 issue of Auto Camper (in Japanese only)

Rally Project

A rally team managed by the Company has been launched, with the Motorsports Dept. at the core. It is working on training developers and raising motivation with the aim of new product development. They are making preparations to compete as an independent team in the 2023 Japanese Rally Championship.



Shock Absorbers for Racing

- Train engineers who can conduct development from a vehicle perspective
- Increase company employee motivation
- New product development

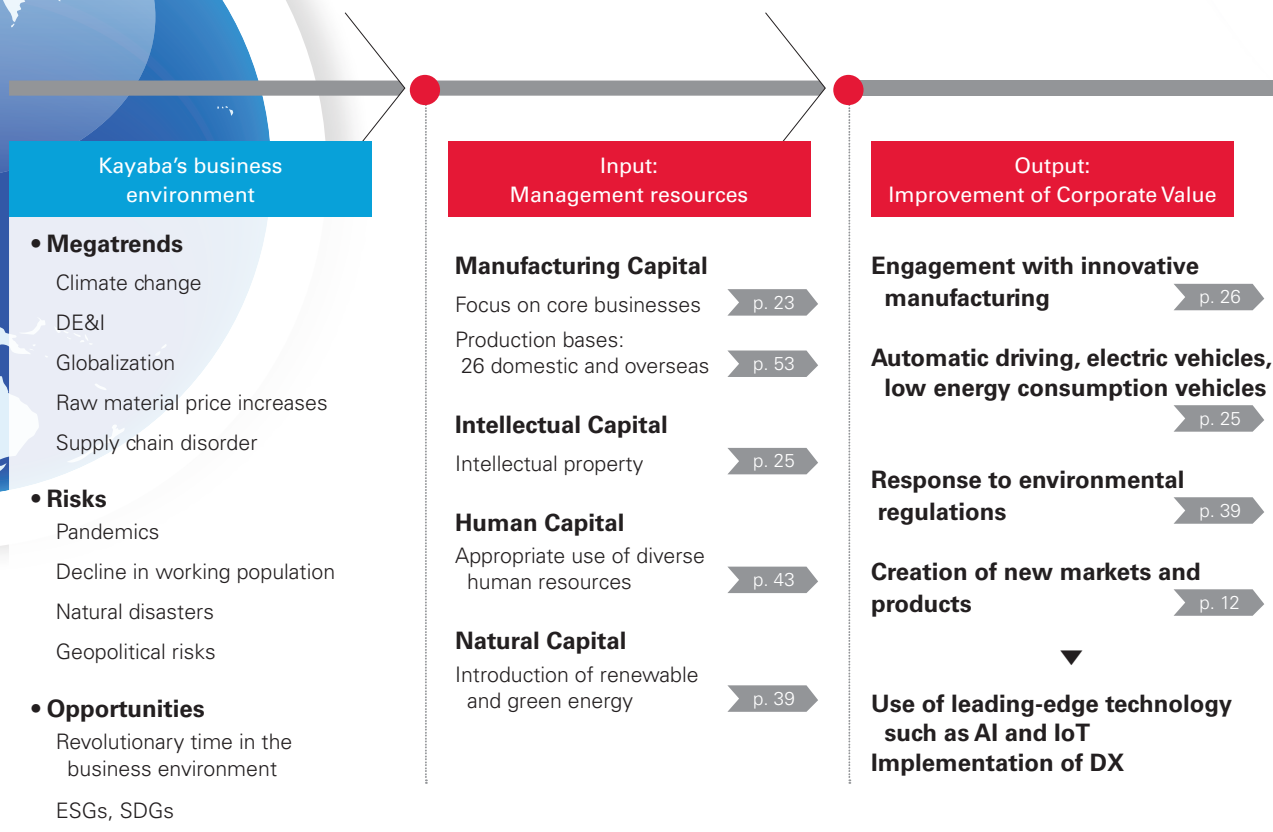


NUTAHARA Rally Team, sponsored by Kayaba

Value Creation Process

Improving Mid- to Long-Term Corporate Value

We are in the midst of the kind of revolution that occurs once every 100 years. At Kayaba, we are aiming at our 2030 target of contributing to society through vibration and power control technology with a core of hydraulics. On the foundation of the Corporate Spirit and the Management Vision, we will maximize use of the Group's management resources while generating new value through innovative manufacturing craftsmanship.



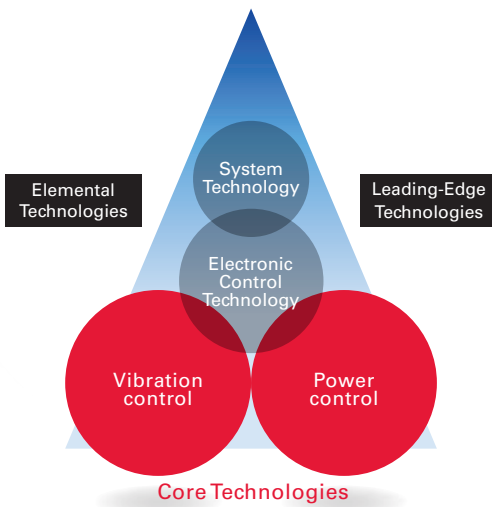
Corporate Spirit

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

Kayaba's target for 2030

Value creation



To be a corporation that contributes to society through vibration and power control technology with a core of hydraulics.

Outcome:
Offer value to society

Products	Products that contribute to the sustainability of society	
	<ul style="list-style-type: none"> • Active suspension systems (electronically controlled suspensions for automobiles) p. 24 • Next-generation hybrid suspension systems (height adjustment suspensions for automobiles) p. 24 • Electrically powered pumps (Device installed in electric vehicles) p. 24 • Load sensing (Electronic control and hydraulic system for hydraulic excavators) p. 25 • Smart road monitoring (New service that uses DX) p. 18 	
Management	Evolution into ESG management	p. 27
Environment	Achievement of a decarbonized society	p. 38
Production	Next-generation innovative plant	p. 26
Technology	Response to electric vehicles and automation trends, new services through the use of electronic control and hydraulic systems as well as DX	p. 24
Human resources	Creation of a place where diverse human resources can work to their potential	p. 43

Management Vision

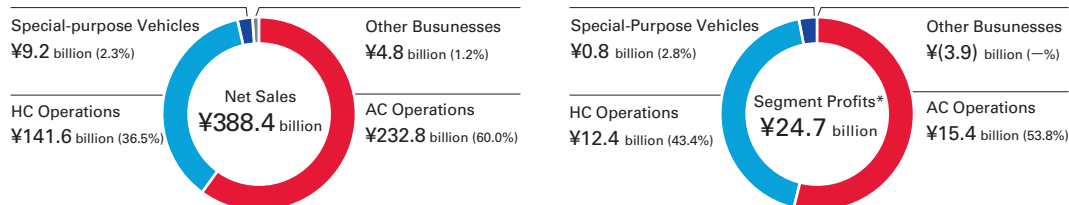
1. **Human Resource Development:**
To develop human resources who have a thorough understanding of our policies and strategies and can accomplish our goals with passion.
2. **Technology and Product Development:**
To offer products that gain the admiration, provide comfort and satisfy all of our customers throughout the world.
3. **Monozukuri** (Japanese Manufacturing Expertise):
To operate plants filled with the creative inspiration of committed *monozukuri*, and joy of creating products that satisfy our customers.
4. **Management:** To be always self-aware of our corporate social responsibilities and to pursue efficient management.

Business Outlook for the Kayaba Group

The Three Mainstay Businesses

Kayaba's business and product segments have, up to now, been placed in three classifications: Automotive Components (AC), Hydraulic Components (HC), and other businesses (including the Special-Purpose Vehicles Division, Aircraft Components Division, System Products and Electronics Components). However, we plan to select and concentrate on the three business units of AC, HC, and Special-Purpose Vehicles, and will optimally distribute management resources among them.

FY2021 Performance



*Segment profits correspond to operating income in JGAAP.
Note: Other businesses refers to Electronics Components and the Aircraft Components Division

AC Operations



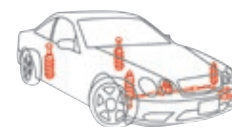
With vibration control technology at the core, this business unit develops and offers a wide range of products primarily for automobiles, motorcycles, and railway cars. AC Operations'

products are at use in many situations where comfort, safety and maneuverability are required, from secure, comfortable drives with the family to withstanding the harsh conditions of motorsports.

Main Product Lineup

Automotive

Through the pursuit of technology, we are 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.



HC Operations



With power control technology at the core, this business unit develops and offers various kinds of hydraulic equipment for construction machinery and industrial vehicles. In addition, it expands the potential of hydraulics to new areas, such as for stage mechanisms that support theater productions. It deals in compact precision, digitization, and the creation of systems, thereby providing support at the sites where manufacturing takes place.

Construction Machinery

We have 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, such as extreme cold or scorching heat. 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.



Special-Purpose Vehicles Div.



This business unit develops and manufactures specially equipped vehicles, mainly the concrete mixer trucks for which it enjoys the top domestic share. The products have a

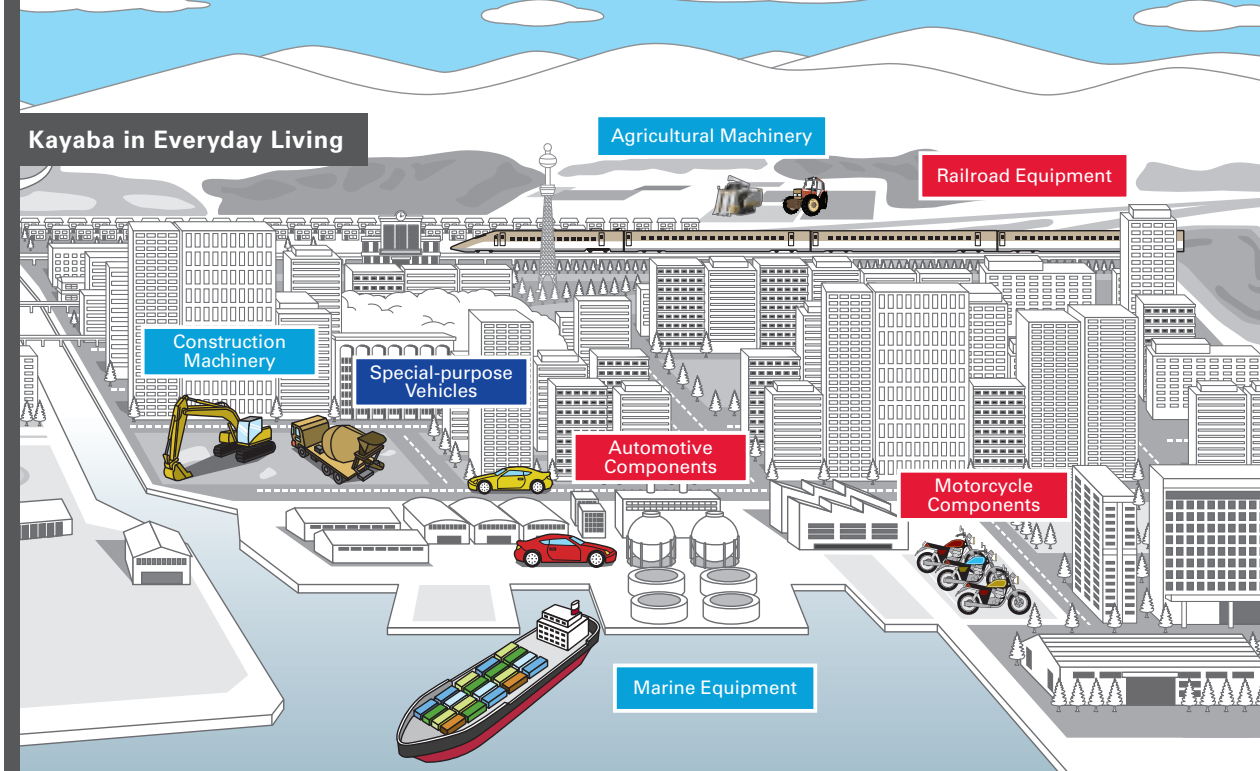
lineup that ranges from small to large sizes, and they increase work efficiency on construction sites with high kneading, discharge, and environmental performance.

Special-Purpose Vehicles

Our special-purpose vehicles, which have the highest market share in Japan, support comfort in all environments.

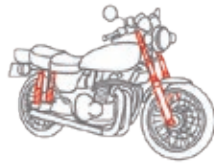


Note: Kayaba has been involved in the business of hydraulic equipment for aircraft since our establishment. However, as a result of a comprehensive reexamination of our business portfolio and in order to strengthen corporate competitiveness through the selection and concentration of management resources, we decided to withdraw from the aircraft components business in February 2022. We are in the process of phasing out all operations of the Aircraft Components Division, including repairs.



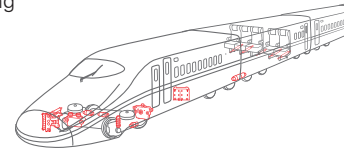
Motorcycles

We make 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.



Railroad Equipment

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



Industrial Vehicles

We provide industrial vehicles equipment which improved operational efficiency for forklifts and other vehicles.



Agricultural Machinery

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



Industrial Machinery

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



Marine Products

Our 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.



Other: Sports and social welfare products

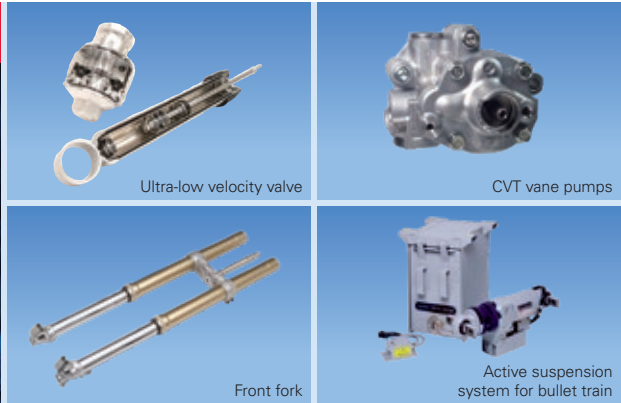
We use our core technology to develop products used for sports and social welfare.



Kayaba is an official sponsor of the Alpine Skiing National Team of the JAPAN Para-Ski Federation



Automotive Components (AC) Operations



Main 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:** Shock absorbers for all-terrain vehicles, free locks, dampers for railroad cars, brakes for railroad cars, active suspension systems for railroad cars

Basic strategy

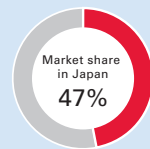
- Strengthen: Stabilization of our revenue base
- Evolution: Innovative *monozukuri*
- New initiatives: Creation of high-value-added products

Market Share Source: Kayaba data (As of March 31, 2022)

Automobiles Shock Absorbers



Motorcycle Front Forks



Goal for FY2022

Establish a position as a core supplier by further strengthening existing projects and core technologies

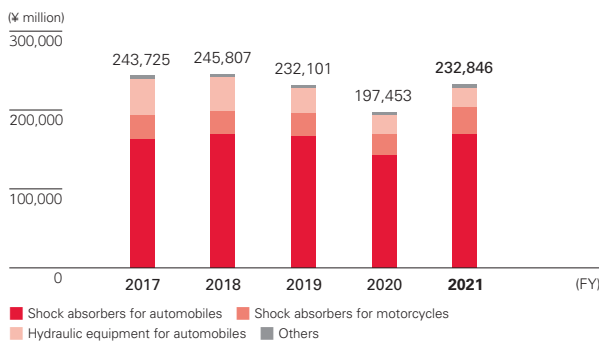
FY2021 Business Environment and Performance

The underlying tone for the year was one of a recovery from the spread of COVID-19 infections. However, our customers lowered production as there were sharp rises in the prices of raw materials and energy as well as a shortage of semiconductors. Further, there were issues in logistics triggered by a shortage of containers and the impact of the worsening situation in Ukraine. Due in part to these factors, the business environment

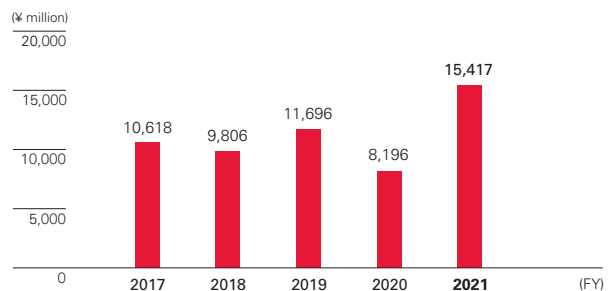
for the year remained severe.

While production remains low for OEM components, sales increased in all areas on the strength of favorable demand for aftermarket shock absorbers to repair used cars, a need triggered by destabilization in the new car market. Also, progress with restraining variable and fixed costs brought segment profits to their highest level ever.

Net Sales*1



Segment Profits*2



*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.

Business Strategy

Stabilization of Our Revenue Base

We are working on the optimization of production by consolidating and reorganizing major plants, cost reduction activities, and structural reform of the aftermarket business.

In advancing with optimized local production, we have closed our power steering plant in Europe, and reorganized our shock absorber plants inside the area to shift concentration from western Europe to eastern Europe. And in EPS production, we have withdrawn from domestic manufacture and changed our focus to China.

In CVT vane pumps, we are constructing a globally optimized production system in addition to reducing surplus production capacity at our motorcycle plants in Asia through production reorganization.

Innovative Monozukuri

In order to strengthen competitiveness, we will reduce processing costs while taking full automation / manpower reductions one step further, and sequentially roll

this initiative out to all plants in Japan and overseas, with a focus on lines for the aftermarket.

Creation of High-Value-Added Products

It is essential to strengthen original technology compatible with EVs, CASE^{*1} and MaaS^{*2} along with the accelerating shift in this direction. We have positioned the following as our technology strategy for new markets and new products: "Compatibility with next-generation platform," "Strengthening of our core technology (vibration control and power control technologies)," "Practical application of hydraulics," and "Electric and electronics / systems compatibility." Further, we will create high-value-added products that meet customer needs such as quiet operation, spaciousness, maneuverability, low vibration, and ride comfort.

^{*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.

Technological Strategy

Evolving our Core Technology to Offer New Value

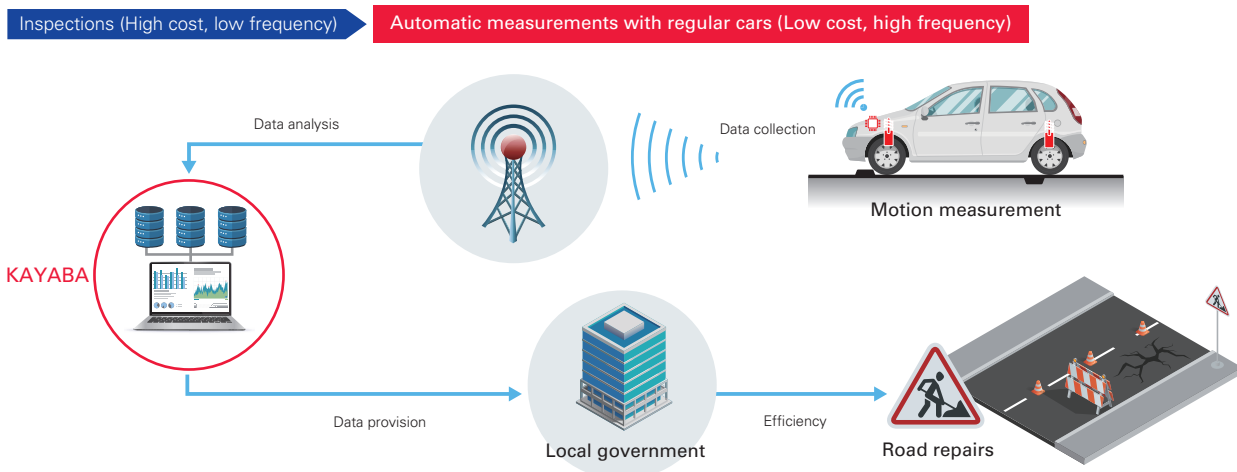
In order to respond to a market that is undergoing a major transformation due to electrification and EVs, Kayaba is developing high-value-added products centered on our core technology and aiming to offer the optimum products to our customers.

Our vibration control technology supports transport equipment such as automobiles and railroads, and they are required to deliver outstanding safety and comfort. Therefore, we are collecting data from road surfaces and running vehicles to advance the development of an active suspension that makes real-time control a possi-

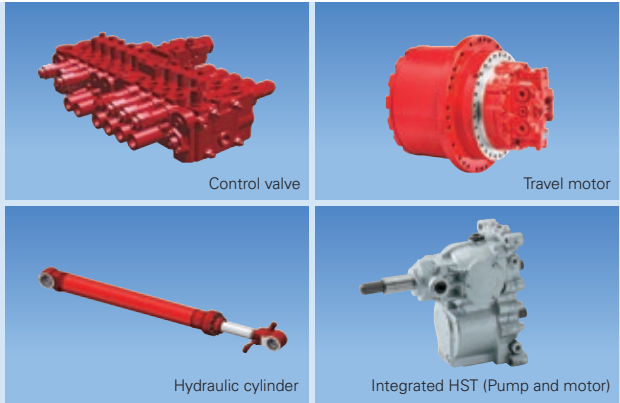
bility, among other initiatives. [See p.24](#)

Also, fusing our vehicle measurement technology and analysis technology with AI and IoT, we have started a "Smart Road Monitoring." This service supports road maintenance management work by using dedicated devices installed on vehicles to automatically collect information on road conditions and detect abnormalities. We have completed verifications of the functions through trial applications in cooperating municipalities, and are adjusting the functionality of this service to prepare it for release.

Smart Road Monitoring



Hydraulic Components (HC) Operations



Main Products

Hydraulic equipment for industrial use:

Cylinders, valves, pumps, motors, mini-motion packages (MMP), hydrostatic transmissions (HST)

System products:

Equipment for military vessels, seismic isolation and vibration suppression devices, simulators, hydraulic systems, tunnel boring machines, environmental devices

Market Share Source: Kayaba data (As of March 31, 2022)

Hydraulic Cylinders



Basic strategy

- Respond to automation and complex needs
- Promote cost reduction and local procurement

Goal for FY2022

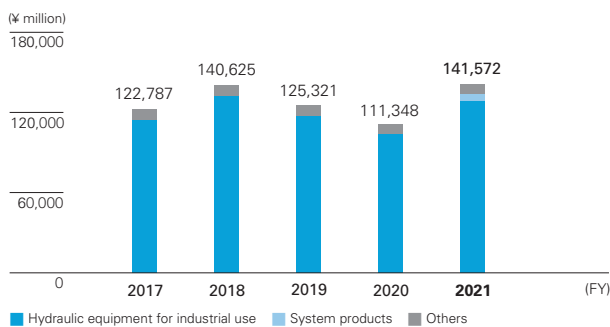
A business that continues to be trusted by customers with products used around the world

FY2021 Business Environment and Performance

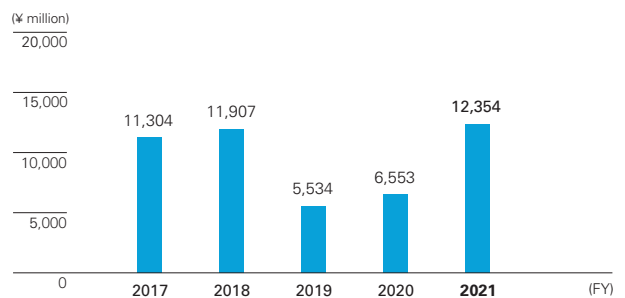
Downside risks are materializing with the sharp rise in raw material costs, the semiconductor shortage, the confusion in logistics due to the lack of containers, and the worsening state of affairs in Ukraine, while high resource prices and a significantly weakened yen are presenting hurdles. However, demand in the

construction machinery market is recovering from the economic stagnation that was triggered by the spread of COVID-19 infections, causing an increase in sales. Segment profits also increased along with the rise in sales, and reached a record high level.

Net Sales*1



Segment Profits*2



*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." We are disclosing that Systems Products are included in HC Operations as of FY2021 as a result of a review of segment management classification.

*2. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from net sales.

Business Strategy

Maintaining Our Competitive Edge in Systems Proposals

The powertrain mechanism of construction machinery such as excavators consists of components including a control valve, piston pump, travel motor, swing motor, and cylinders. The fact that Kayaba is one of the few manufacturers that manufactures all of these product

lines and can propose systems for construction machinery manufacturers gives us a major competitive edge. Further, we are not just responding to needs for the construction machinery that we currently work on, but are conducting investigations into new sales opportunities in all markets and regions where we are active.

Technological Strategy

Original Technology that Makes Sophisticated Control a Reality

In response to automation and increasingly complex needs, we are continuing with the development of electronic control models of hydraulic equipment and the creation of product lineups. Going forward, through the upgrading of electronic control systems, we will strengthen our ability to make proposals in line with technological trends such as remote operation, automation, and unmanned operation.

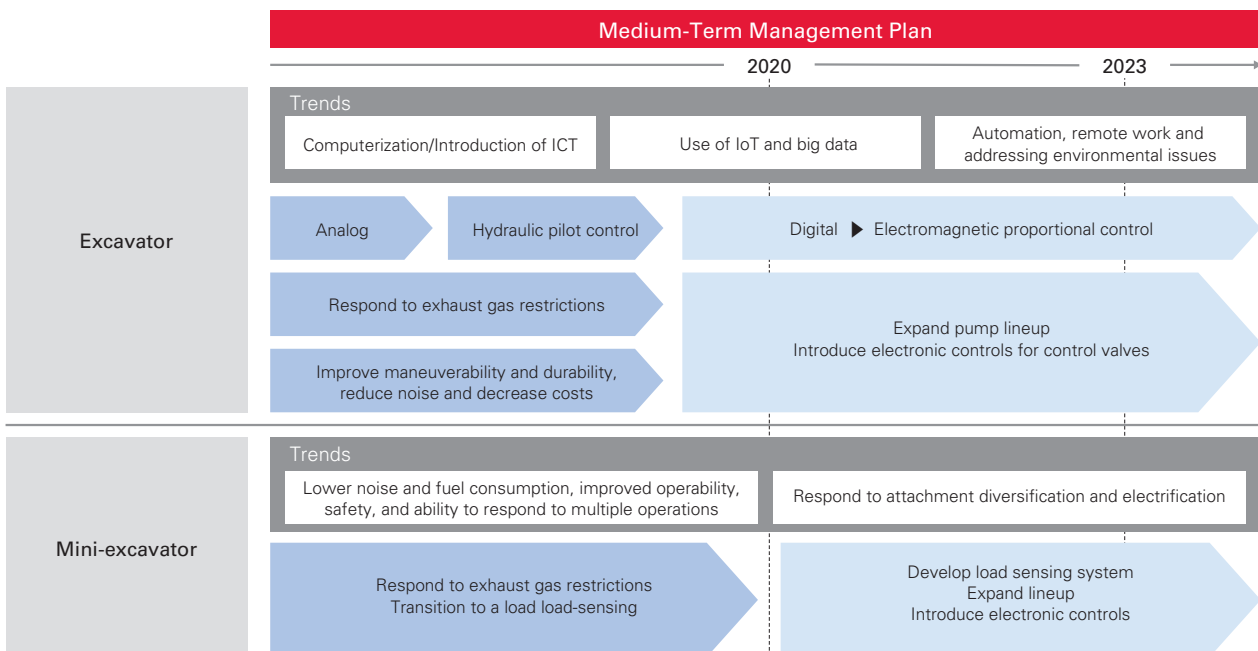
The control valve is likened to the “brain” of a piece of construction equipment. It controls all types of actuators (a drive device that converts energy in a linear or a rotary motion by means of a hydraulic or electric motor), and smoothly performs movements such as driving, turning, and extending or retracting the arm. According to that analogy, the pump would function like the “heart,” and it is there we will generate new value by making advanced controls possible

with a fusion that brings together Kayaba’s strengths of hydraulic technology, electric controls, and sensing technology.

In mini excavators, we are working on load sensing in order to respond to market needs such as low noise, low fuel consumption, improved operability, and attachment diversification, as well as the increasing necessity of environmental compatibility. Load sensing provides benefits including making simultaneous or combined operations that depend on operator’s experience easier, conserving energy, and making electrification and automation possible without affecting the load. For social needs such as SDGs and carbon neutrality, we are moving forward with efforts for the next generation, such as the research and development of electrified products.

*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.

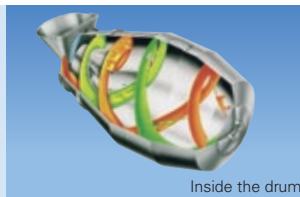
Market Trends and Kayaba Technologies



Special-Purpose Vehicles Division



Concrete mixer truck



Inside the drum



Concrete pouring chute



Product Lineup

Main Products

Concrete mixer trucks, granule carriers, pruned tree shredder trucks, specialfunction vehicles, tilting drum mixingmachines

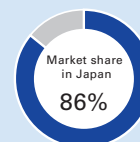
Basic strategy

- Achieve continuous growth, aim to be a business that makes our employees feel pride.
- Undertake business that is kind to the planet and to people

Market Share

Source: Kayaba data (As of March 31, 2022)

Concrete Mixer Truck



Business Strategy

The Special-Purpose Vehicles Division strengthens its profit structure through the development of high-value-added products for domestic market needs, and accelerates the research and development of new products that can contribute to the decarbonization of

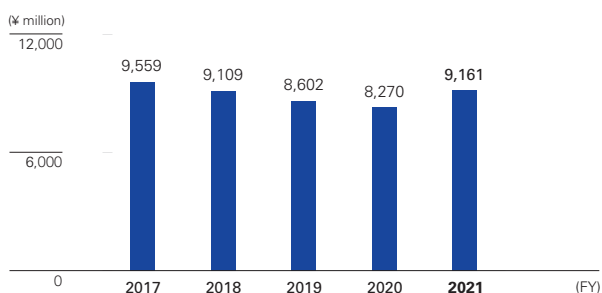
society as well as next-generation products in collaboration with other business units. Overseas, it is advancing with the development of the foundation for a special equipment global system through the formulation of new overseas business plans.

FY2021 Business Environment and Performance

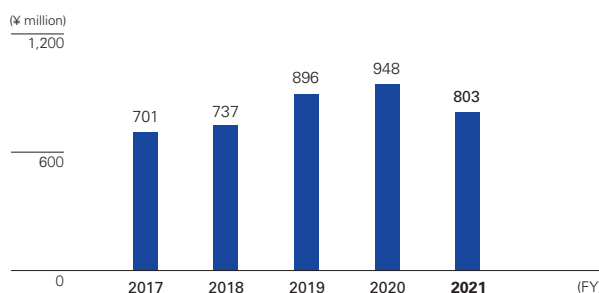
The Special-Purpose Vehicles Division focuses on concrete mixer trucks, and shipping was reduced moving into second half of the fiscal year due to the impact of the shortage of semiconductors. Yet with the recovery

from the impact of the spread of COVID-19 infections in the previous year, sales increased 10.5% over the previous fiscal year. However, segment profits declined due to the sharp rise in the steel material market.

Net Sales*1



Segment Profits*2



*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.

External Assessments (FY2021)

Awards List

Year and month	Name of award/certification	Awards side	Notes	Awarded
April 2021	Technology Development Award	Yamaha Motor	Development of KADS, an electronically controlled suspension system for motorcycles	Kayaba, KMS
June 2021	Technical Development Award	Japan Fluid Power System Society	Development of "ASTRIC," fully active suspension system for railways	Kayaba
	Quality Excellence Award	General Motors	Fifth Consecutive Year	KYBT (Thailand)
July 2021	S Class, Businesses with excellent energy conservation	Agency for Natural Resources and Energy	Installation and enhancement of an environmental maintenance system	Kayaba
	QCDS Best Performance Award Regional Quality Award	Jatco		Kayaba
	QCDS A Rank Award	JATCO (Guangzhou) Automatic Transmission		KIMZ (China)
	QCDS Best Performance Award Regional Quality Award	Jatco (Thailand)	Received award every year since the establishment of JTL (eighth time)	KST (Thailand)
	Superior Product Quality Award	Nissan Motor	Manufacture of camshaft bracket installed in engine	KYB-YS
August 2021	Global Supplier Award	Bosch	Fourth time	Takako
	FY2021 SQEP* Platinum Level	Caterpillar	Yearly quality maintenance, on-time delivery rate	KIMZ (China)
October 2021	Excellent Technology Award	Aisin	An external proportional solenoid adjustable damping force shock absorber	Kayaba
	Green Industry (level 3)	Thailand Ministry of Industry	Awarded to companies that have extensively introduced environmental management systems	KYBT (Thailand)
	Top Performance Award	Bosch Rexroth		TAC (America)
	Mobility-related Component Prize in the Super Monozukuri Component Awards	Nikkan Kogyo Shimbun	An external proportional solenoid adjustable damping force shock absorber	Kayaba
November 2021	Gifu Inventors Exhibition Gifu Textile Association President Award	Gifu Inventors Association	Patent No. 6788395 (Invention involving the Mini-Motion Package)	Kayaba
	AI & Robot Committee Special Award	Mobile Computing Promotion Consortium	Development of Smart Road Monitoring	Kayaba
December 2021	Quality Excellence Award	Caterpillar	Improvement of the quality of hydraulic excavator components	KYB-YS
	Excellent Quality Award	Sumitomo Heavy Industries (Tangshan)		KIMZ (China)
January 2022	FY2021 SQEP Gold Level	Caterpillar	Yearly quality maintenance, on-time delivery rate	Kayaba
	Excellent Supplier	Sany Heavy Industry		KIMZ (China)
	Excellent Supply Award	Hitachi Construction Machinery (China)		KIMZ (China)
February 2022	2021VA-VE&COST KAIZEN	YAMAHA MOTOR VIETNAM	Cost reductions by shifting to domestic production of inner tube IH	KMV (Vietnam)
	Level A	Toyota Co-operation Club	Safety activity (Third consecutive year)	KYBT (Thailand)
March 2022	Safety best practice	Toyota Daihatsu Engineering and Manufacturing	Safety activity (Third consecutive year)	KYBT (Thailand)
	Best Supportive Award	BSH	Quick response including QCD (Third consecutive year)	KMSB (Malaysia)

*SQEP: Supplier Quality Excellence Program

Note: KMS: KYB Motorcycle Suspension Co., Ltd., KYBT: KYB (Thailand) Co., Ltd., KIMZ: KYB Industrial Machinery (Zhenjiang) Ltd., KST: KYB Steering (Thailand) Co., Ltd., KYB: KYB (Thailand) Co., Ltd., TAC: Takako America Co., Inc., KMV: KYB Manufacturing Vietnam Co., Ltd., KMSB: KYB-UMW Malaysia Sdn. Bhd.



Technical Development Award (Jun. 2021)



QCDS Best Performance Award, Regional Quality Award (Jul. 2021)



QCDS A Rank Award (Jul. 2021)



Green Industry (level 3) (Oct. 2021)



Top Performance Award (Oct. 2021)



Quality Excellence Award (Nov. 2021)