

Into the Future KAYABA's Value Creation Initiatives

The KAYABA Group has inherited a corporate DNA formed of its founder's spirit of determination and *monozukuri*, and creates value that endures throughout the ages. We will build a solid management base so that we can further refine the technical ability that is indispensable to the world and generate high quality products by allowing our diverse human resources to demonstrate their capabilities without restraint.

DNA that Survives into the Future



Human Resources Strategy

- Human Resource Development
- Health Management
- Safety and Health



Manufacturing Strategy

- Technology / Manufacturing
- Quality
- Intellectual Property Activities



Management Strategy

- ESG Management
- Corporate Governance
- Internal Control/Compliance
- Risk Management
- Environmental Initiatives
- Supply Chain Management

Human Resources Strategy



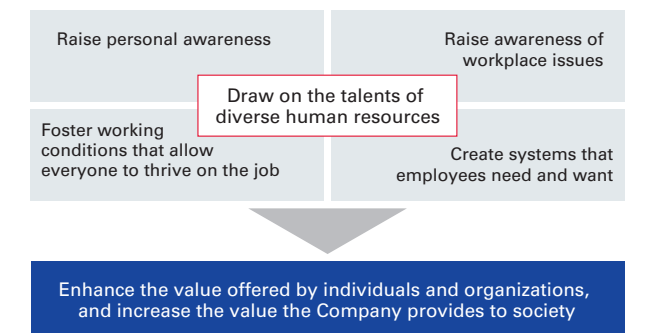
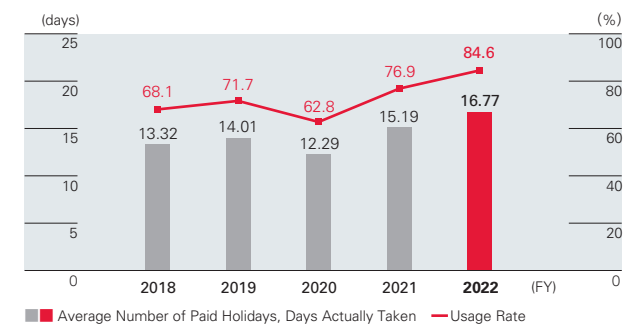
Human Resource Development

Respect for Human Resources and Diversity

We want the diverse human resources who work at the KAYABA Group to demonstrate their capabilities to the maximum extent. Therefore, we are building a corporate culture of openness through a range of initiatives. These include allowing remote work that takes work-life

balance into consideration, ending long working hours such as by promoting annual leaves, developing a foundation to support women's activity, strengthening awareness campaigns, and employing disabled people.

Average Number of Paid Holidays, Days Actually Taken and Usage Rate

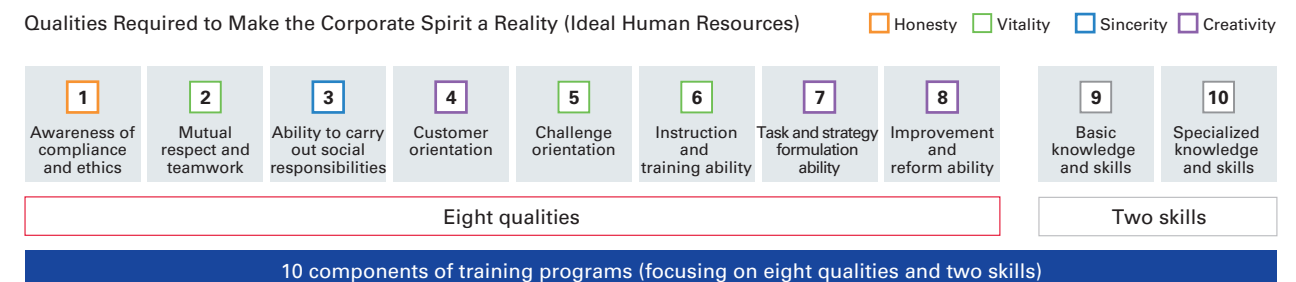


Improving the Quality of Human Resources

At the KAYABA Group, training human resources so they can contribute to the achievement of our Corporate Spirit (norms, vitality, love, creativity) is part of the basics. To provide them with the necessary attributes, we have a human resources training program which consists of eight qualities and two skills. We clarify the required attributes and achievement standards for each position, review the requirements for an executive promotion based on the attributes, and conduct on-the-job training that incorporates elements that improve the attributes.

Also, we have newly created and are conducting training that is specifically designed for persons scheduled to serve as general managers of overseas plants and offices in roles necessary for global management. The content has been upgraded to improve the quality of how situations are handled locally. The training incorporates information the general managers need to know on the local situation and how to handle problems, and involves classroom learning and practical management education.

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



Training Managers of Overseas Bases

Purpose
Strengthen management at plants and offices, minimize management risks

- Systematic training that combines business knowledge, classroom learning, and on-the-job training
- Practical education related to management (on topics such as management strategy and risk management)
- Practical education related to manufacturing quality (workplace improvement methods, abnormality detection methods)

Initiatives for Diversity in Human Resources

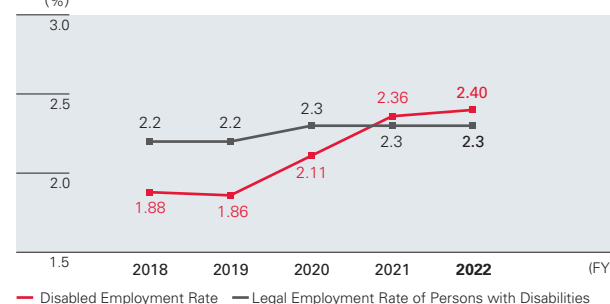
Among our specific policies for ensuring the diversity of our human resources, we are currently at the stage of building a foundation to encourage the active participation of women. In particular, we are seeking to increase women managers by increasing the number of female employees in positions where they can become management candidates, providing a robust training program, conducting activities aimed at obtaining Kurumin and Eruboshi public certifications in 2023, raising awareness of women employees regarding aiming to become managers, and conducting environmental management. Also, we plan to formulate career paths for women that change their mindsets, and create training programs for bosses to change the mindsets of those working with women.

Also, we are promoting the employment of people with disabilities as we strive to create a symbiotic society in which everyone can participate through their jobs, regardless of whether or not they have a disability. We are moving ahead with initiatives such as improving the employment environment through the Work Support Center, complying with laws such as Handicapped Persons' Employment Promotion Act, and retaining employees with disabilities.

Numerical Targets

Item	FY2022	FY2025
Number of female managers	18 employees	27 employees
Ratio of paid vacations taken	63%	More than 80%

Disabled Employment Rate / Legal Employment Rate of Persons with Disabilities (%)



Note: The scope of the paid vacation and disabled employee rates is for KYB Corporation.

Health Management

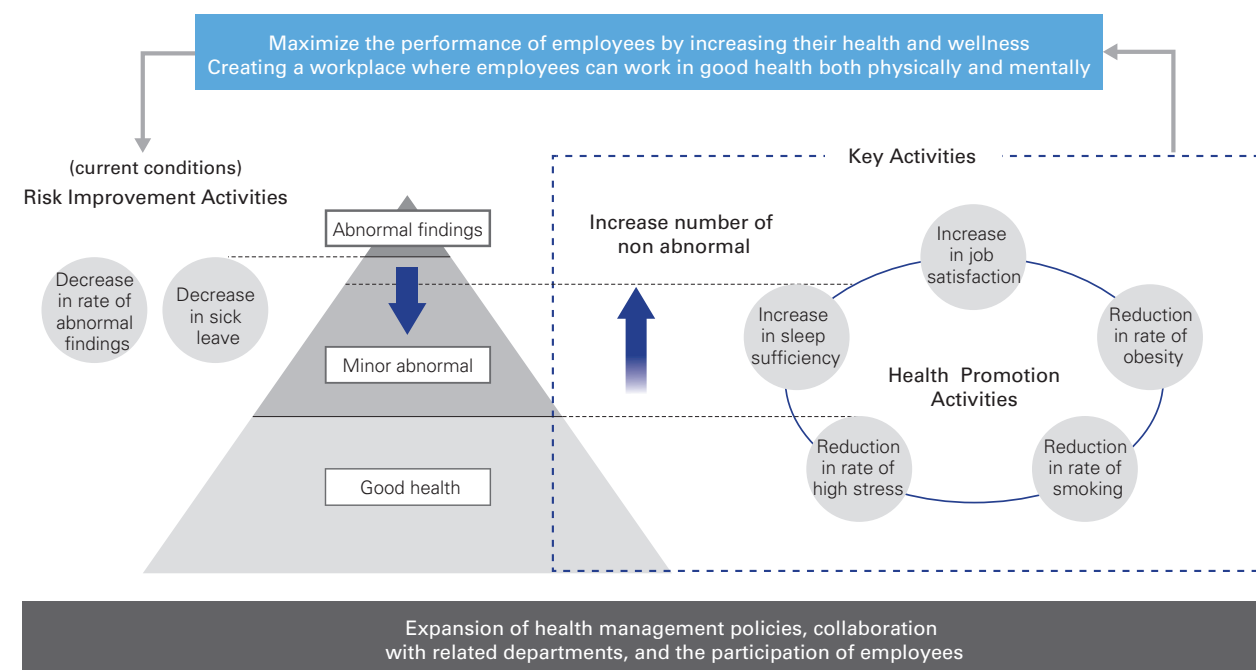
Promoting Health Management

The KAYABA Health Declaration sets forth our belief that the health of employees and their families is an important management resource and a source of the company's vitality, and that we shall work to create an environment in which each employee can work happily with sound mind and body in order for the Company to achieve sustained growth.

We believe that creating an environment in which diverse human resources can work to their best ability is essential to increasing the value of a corporation. Taking work-life balance into consideration, we will continue to allow remote working, encourage taking annual leave, and restrict long working hours.

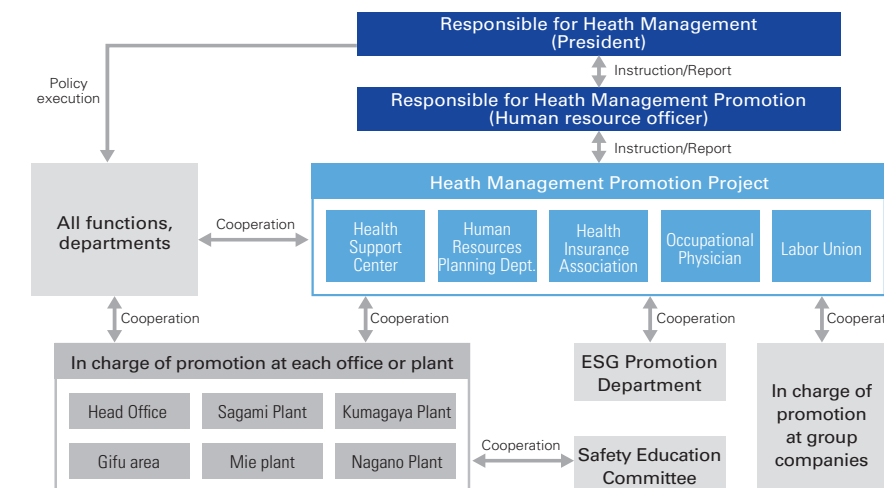
Also, we seek to reduce lost employee worktime due to sickness by promoting policies related to important health management matters, such as lifestyle disease prevention, secondhand smoking prevention, and mental health measures. In recognition of these efforts, we have been certified a Health and Productivity Management Organization (large corporation division) in 2023, marking our fourth consecutive year to receive this honor. We are striving to continue receiving this certification, as well as certification as a White 500 company in 2024.

We believe that continuing these policies will raise employee job satisfaction and raise performance.



Organizational Structure for Promoting Health Management

With the top management positions tasked with overseeing health management, the entity conducts the sharing of information on health management issues and ensures the effectiveness and continuance of initiatives. This is done in collaboration with the health management promotion project in charge of promotion at each office or plant, the safety education committee, and our group companies.



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Human Resources + the Future

The WorldSkills competition



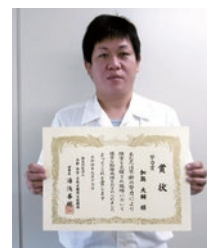
Instructing younger employees after two years of competing

The WorldSkills competition is an event in which young people up to age 23 meet and compete to find out who has the best technical skills in Japan.

Every year, KAYABA assigns one company technician to the Human Resources Development Center after new employee training, and they take on the competition in their second and third years in the company. They then spend a year training their junior employees, after which they are assigned to a position in which they can make use of their technical skills.

We will continue encouraging and training young employees to take on the WorldSkills competition for the purpose of increasing their technical skills and competency.

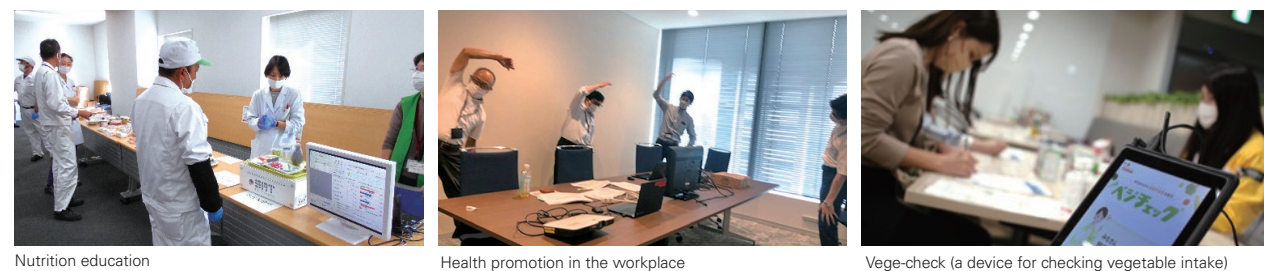
Outstanding diligent person with disabilities



An employee of a domestic group company was selected as an outstanding diligent person with a disabilities, and was awarded the Chairperson's Award from the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers.

We will continue our efforts to create an inclusive environment in which people with or without disabilities can feel value in their work.

Health Management Policy	
Physical health	
Lifestyle disease countermeasures (Collaboration with health insurance measures)	<ul style="list-style-type: none"> Making a comfortable working environment: Promote use of the walking course, hold a walking event, support the continuation of the exercise habit after the event (Such as for health promotion in the workplace) Keep a 100% rate of employees taking regular health checkups Increase the ratio of employees taking specific medical examinations (such as for nutrition education)
Stages of preventing second-hand smoke	<ul style="list-style-type: none"> Environmental measures: Smoking completely prohibited on the premises (starting in April 2022) Support for quitting smoking Education on second-hand smoking prevention (Hold an exhibition on the prevention of second-hand smoking)
Mental health	
Measures to support mental health	<ul style="list-style-type: none"> Hold mental health education: Promote education by level for the purpose of building positive mental attitudes Harassment-free campaigns with the cooperation of each function and business division <p>→ In order to create a workplace where people can do their work with a sense of worth and purpose, it is most important that there is no harassment. Based on that thinking, we added "harassment-free" to the Key Initiatives of the Corporate Policies. This policy is being carried out in each department and function.</p>



Nutrition education Health promotion in the workplace Vege-check (a device for checking vegetable intake)

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Human Resources + the Future

Certified Health and Productivity Management Organization 2023 in FY2022

The KYB Health Insurance Association will continue to work to create an environment in which all employees can work energetically and in good physical and mental health.

In FY2022, eight business sites obtained "Health and Productivity Management Organization 2023," a certification conferred by the Ministry of Economy, Trade and Industry; the Ministry of Health, Labour and Welfare; and the Nippon Kenko Kaigi (Japan Health Council). Furthermore, 11 business sites have obtained certification as "Health Promotion Workplaces" recognized by the Gifu Federation of Health Insurance Associations.



Initiatives for Health Management

At KAYABA, we place a strong emphasis on proactive measures for lifestyle disease countermeasures and preventing second-hand smoke for physical health, as well as prioritizing mental health measures to support mental health.

As one of the measures for lifestyle disease countermeasures, we organize walking event where teams of three members from the same workplace compete based on their total steps. We also provide support the continuation of the exercise habit. Additionally, in efforts to prevent second-hand smoke, the entire group has been invigorated through achievements such as being recognized as a "Niigata Health-promoting Management Advancing Company."



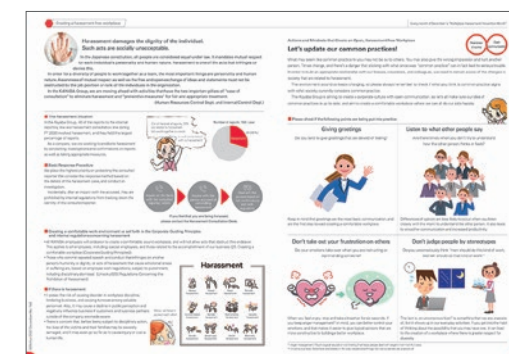
Niigata Health-promoting Management Advancing Company Awards Ceremony

Creating Harassment-Free Workplaces

We are actively making efforts to create harassment-free workplaces to avoid situations in which employees find it difficult to speak out.

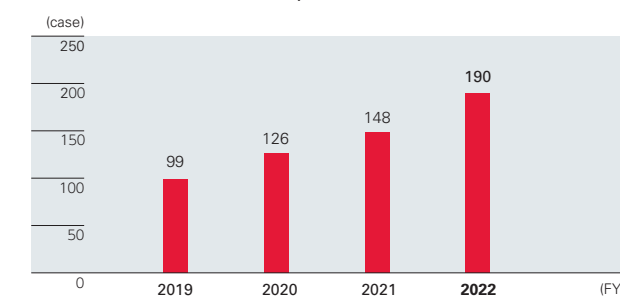
We conduct awareness-raising activities such as providing education to instill mutual respect and publishing articles in the in-house newsletter. Also, we use the results of our annual stress check employee opinion survey for statistical confirmation. We promptly check up on the facts regarding matters reported to our harassment consultation hotline and internal reporting hotline, and strictly deal with confirmed cases. While the number of reports to our internal reporting system grows each year, this is proof that employee's knowledge of the system and willingness to use it are also growing. And for our overseas plants and offices, we conducted investigations into their systems related to harassment from July to September of 2022. Based on the results of the investigations, we are preparing regulations and educational materials related to preventing acts of harassment at our overseas plants and offices. Going forward, we will periodically conduct such investigations to understand the situation across the entire group and provide support.

Through our ongoing efforts to create a comfortable work environment, we will strive to eliminate the risk of human rights violations in the KAYABA Group.



From an article of in-house newsletter

Number of whistleblower reports



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Peace of Mind + the Future

With our Hopes for Mutual Respect

There are people who require assistance and consideration, yet that fact is not immediately visible: people with artificial limbs and joints, internal disorders and chronic illnesses, or women in early stages of pregnancy. The help symbol was created to make those around them aware, and to make it easier for the person to receive assistance.

We endorse the distribution of the symbol and stickers for the use of priority seating on public transport, and have put up notifications on the Oedo Line, a Tokyo Metropolitan subway line used by commuters going to the Head Office. The notification features pictures of a KAYABA sit-ski component product as well as Takeshi Suzuki, a para-Alpine skier and employee of the Company. It also expresses our thoughts toward providing support for those who require assistance and consideration. We provide in-house human resource training that covers taking mutually respectful actions for those wearing the help symbol, such as offering one's seat or approaching someone who appears to be facing difficulties.



Advertisement for the Oedo Line



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

Health and Safety

Health and Safety Activities

Under our Health and Safety Policy, we have established and operate a Health and Safety Committee at all workplaces. The Committees discuss countermeasures against health issues or work-related injuries as well as prevention, and provide the related information to employees. Also, they provide the information necessary to obtain the cooperation of many independent

contractors for onsite construction work and various kinds of inspections. In FY2022, the Committee revised the manual that brings together information on measures and matters that should be confirmed beforehand as well as from the start of construction work until its completion. In these ways, we will continue striving to reduce work-related injuries.

Occupational Safety and Health Management System

We are systematically rolling out efforts to construct a safety and health management system. We are driving forward our efforts to strengthen its foundation by introducing safety and health management OSHMS and ISO 45001 protocols.

The introduction of the occupational safety and health management system started in FY2004 at Gifu North Plant, and as of FY2022, all plants have obtained certification. We will continue working to create a safer workplace environment where our employees are healthy and can work with peace of mind.

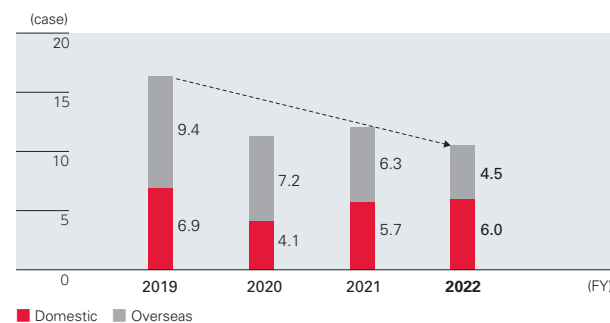
Creating a Safe, Secure Working Environment

With the slogan "Safety is the top priority," the KAYABA Group works as one to achieve zero occupational accidents. Also, our Corporate Guiding Principles state that we will always think about 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.

In 2018, we established the Global Safety Promotion Committee, which promote its activities under the direct control of the President. The Environment & Safety Committee, which is chaired by the Director in charge of CSR and safety, discusses policies related to safety in the KAYABA Group. In these ways, the

KAYABA Group is striving to create a safe, secure working environment.

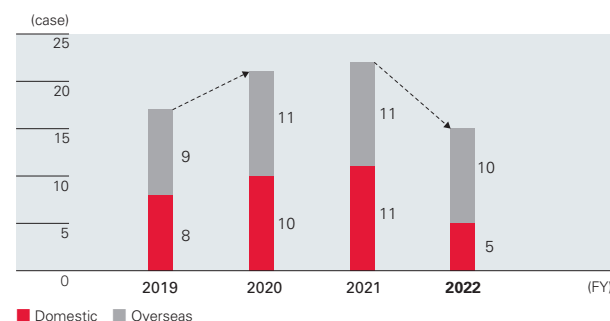
Number of work-related injuries (per month)



Plant Fire Prevention Activity

This activity is positioned as important because while it not only stops the negative impacts of fires on all stakeholders, it more crucially can protect the safety of our employees. We strive to prevent fires not only by inspecting and maintaining the legally required fire protection equipment, but through continuous inspections and evaluations. And we examine manufacturing facilities with particularly high fire risks by using an inspection check sheet. Also, we plan for suitable operation and maintenance by conducting regular fire prevention patrols. In order to raise employees' awareness toward fire prevention, the first working day of each month is designated as "Fire Prevention Day," on which all employees get involved in fire prevention activities.

Annual number of fires (cumulative total)



Monozukuri Strategy

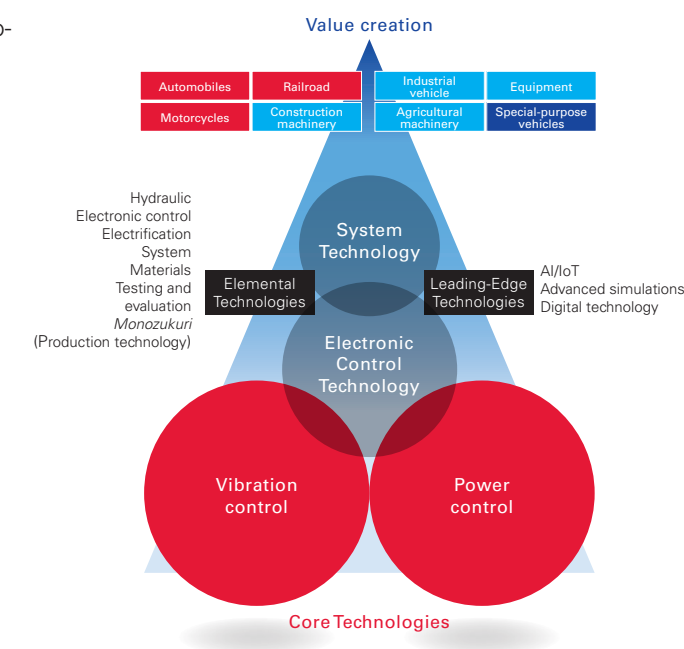
Technology / Manufacturing

KAYABA's Monozukuri

Our company has been advancing vibration control and power control technology for over 100 years. Building on that foundation, we are combining AI/IoT, the promotion of DX, and advanced simulations with all of our component technologies to develop next-generation hydraulic devices and systems products that feature both high performance and safety through the use of electronic controls.

Technology, global manufacturing, and sales will continue working together on new product development that will lead to value creation and the development of advanced technology aimed at resolving social issues in ways such as conserving energy and reducing environmental load.

Conceptual Diagram of KAYABA's Technology

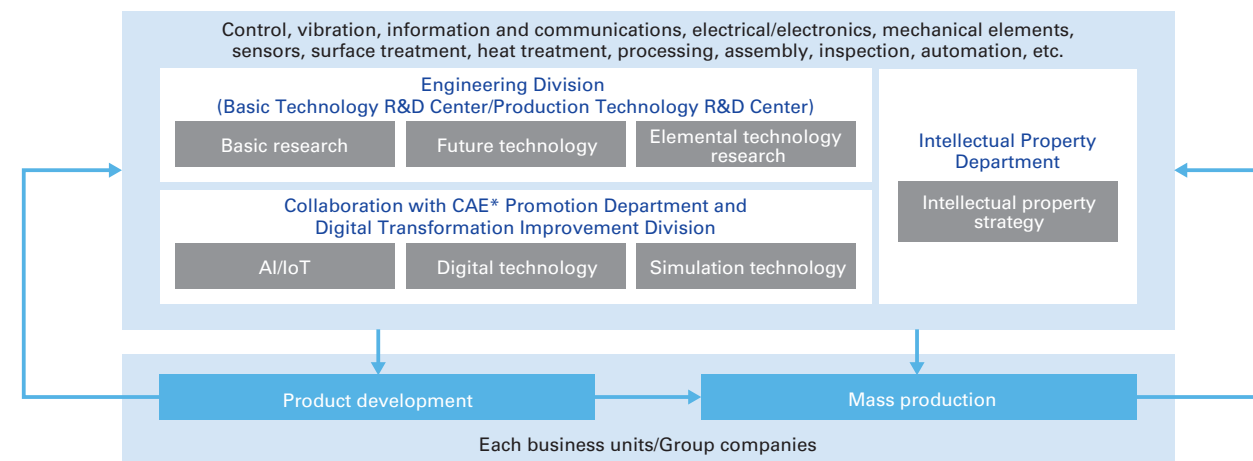


Technology Development System

The Basic Technology R&D Center and Production Technology R&D Center are at the core of our AI, digital technology, and intellectual property strategies. They conduct basic research, future technology research, and component technology research. And, we are

constructing a system to accumulate and increase the level of technology throughout the Group with our process which circulates these research results back to the product development and mass production at business units and group companies.

KAYABA's technology development process



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

Monozukuri Strategy

In research and development, we are examining and analyzing long-term environmental changes and the accompanying changes in social and customer needs, and developing a roadmap for our long-range strategy to achieve the ideal future technologies. Looking at basic research, for example, we are developing electronic control devices and devices compatible with electrification as well as systems that combine those

technologies, based on the roadmap for electrification and autonomous driving. We are also making active efforts aimed at optimization and to improving productivity, such as using AI to conduct data analysis.

The Engineering Departments of each Business Unit are working on improving the performance and lowering the costs of existing products, and on developing and launching mass production for new products.

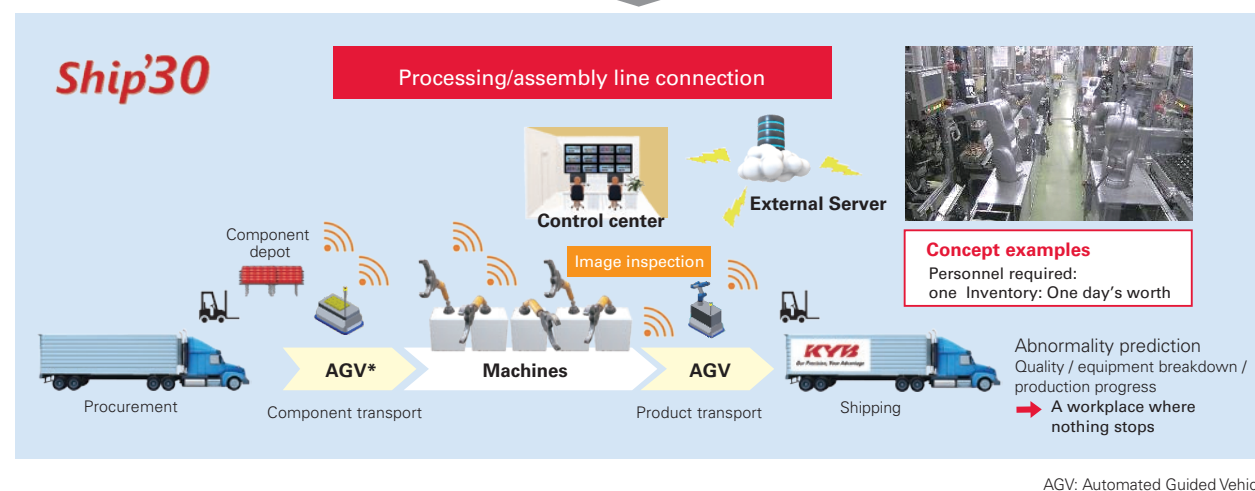
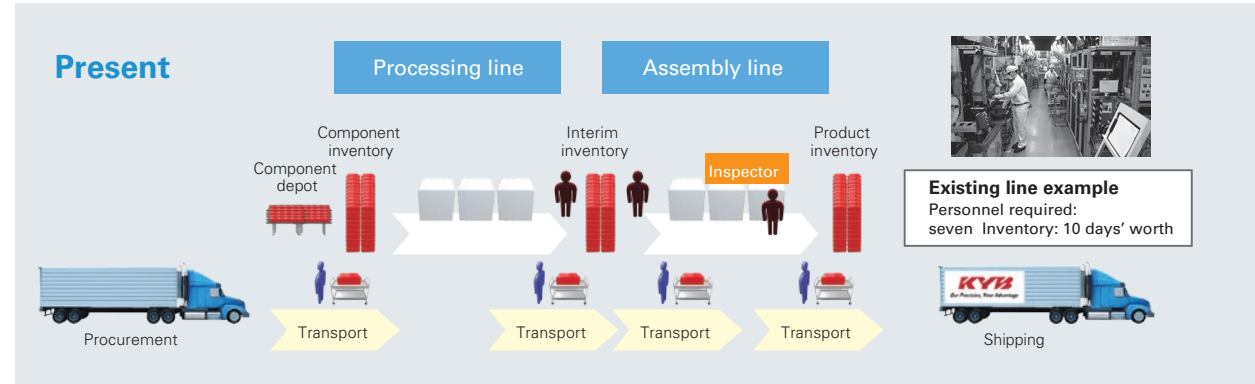
Innovative Monozukuri: A manufacturing site with an unbroken workflow

KAYABA is working on our Ship'30 project, which is aimed at achieving the next generation of *monozukuri*. We are striving to create an unmanned plant that runs on digital technology. Our concept is to achieve continuous integrated production from machining to assembly in an unbroken workflow of items within the plant. Through this revolutionary production process, we aim to achieve the minimization of transport, inventory, and work operations.

We are also reforming equipment control by automating the work of people through using inspections AI and collaborative robots. Simultaneously, we are

constructing a system for next-generation TPM (Total Product Maintenance) that can handle the control of such equipment. Also, we believe that this revolution requires improving the quality of people who can master the latest, most advanced equipment, and we must lay a foundation starting with basic machine training for each and every employee.

Our activities in 2023 and onward involve investigations into a KAYABA Production System with a core of digital technology, clarifying our 2030 vision for each Business Unit and plant after its evolution, developing technology to address issues, and building production lines.



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TPM Overseas

At overseas plants, the activity promotion team is taking the lead in providing basic TPM education and practical work operations for the purpose of reducing losses due to mechanical breakdowns and improving productivity.



Our DX Initiatives

KAYABA's DX initiatives are targeting revolutionary ways of working that use digital technology; the creation of new ideas and businesses in the fields of technology, quality, and *monozukuri*; and improvements in quality and productivity.

In 2019, in order to transform the way a range of jobs were being done at KAYABA, we constructed the KYB-IoT Platform, which became the foundation on which we perform data collection, analysis, and visualization.

In manufacturing, we predict failures in the production equipment at plants and improve productivity by operating our Equipment Predictive Maintenance System and Equipment Data Collection and Analysis System. These have become central to the Ship'30 next-generation revolutionary new plant initiative, and will support the future production system of KAYABA.

In technology, we are planning a transformation that will bring about innovation through fusing KAYABA's core competence of hydraulics with digital technology.

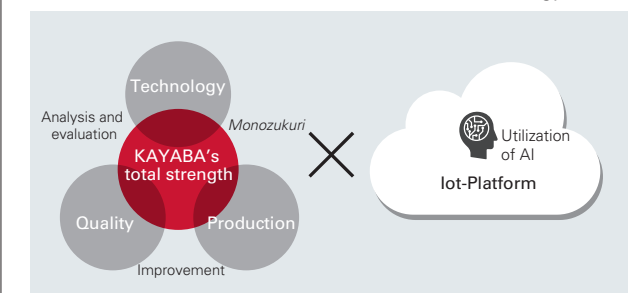
In human resources, we seek "digital human assets that have both the technical skills to use digital technology and business transformation skills." We have an in-house education curriculum in place that covers topics from the basics of IT and DX to practical use of AI. We have also started training management human resources who will use digital technology to bring about a business transformation.

In FY2023, we established the Digital Transformation Improvement Div., a new organizational body that brings together our in-house digital engineers. The KAYABA Group will work together to move forward with digitalization in all business domains, train and assign our human resources so they can support the strengths of our management strategy and business strategy as well as become achievement drivers, and contribute to management.

The KAYABA Group contributes to society by providing technologies and products that make life safe and comfortable.

DX through co-creation of existing technology and new technology

↑ DX through co-creation of existing technology and new technology



Quality

Initiatives for Quality Management

At the KAYABA Group, “quality management” refers to striving to improve quality in all our business processes in order to deliver products and services that clients can rely on and that bring them satisfaction.

Quality education for all employees sets the foundation, and since the previous fiscal year we have been conducting quality awareness reforms so as to stay conscious of *monozukuri* from the customer’s point of view in all business processes. We recognize that it is critical to make daily improvements by incorporating a quality management mindset into each individual’s work.

We take a “Bad News 1st”* stance that calls for the immediate report of quality defects and concerns, and feedback is given to the reporter after we take

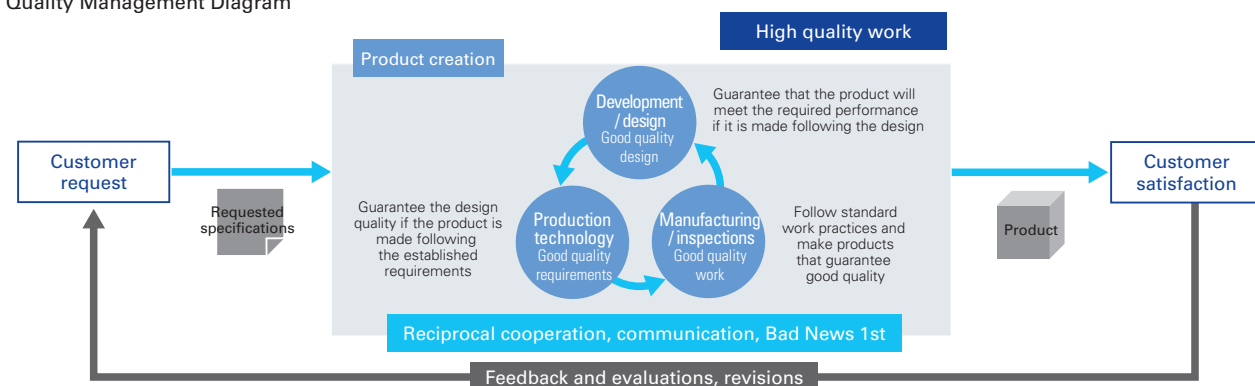
The KAYABA Group shall:

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.

measures and improvements, creating a cyclical process. And to improve daily communication, we are aiming to create an open workplace in which our employees know they can ask for consultations at any time and for any reason.

*Bad News 1st: Quickly report when any abnormality occurs

Quality Management Diagram



Quality Assurance System

From the viewpoint of detecting defects and their causes before they occur, the Quality Div. carries out internal audits to which all plants are subject in order to check the quality assurance system. We work to improve quality daily by detecting and making improvements to issues in the quality system.

We are working to achieve high productivity across the

product’s entire lifecycle. We do this with what we call the “three-stage evaluation” for the development of products, technology, and production methods. It covers everything from the product planning stage to fixing defects after shipping mass-produced products and managing modifications. The system works with several kinds of production set-ups, ensuring product quality.

Step	Details	Goal of the Three Steps
Prior and model development	DR*0 evaluation meeting	Development quality
Order development	DR1 evaluation meeting	Quality of production start
Mass-production development and production preparations	Quality Safety Audit DR2 evaluation meeting	Mass-production quality
Mass production Initial flow management		Bad News 1st Execute (until the reporter receives feedback) When abnormalities arise: Stop, Call, Wait

Quality Safety Audit Check the workplace, products, and data to confirm that there are no quality problems and that production and shipping are safe, including the manufacturing process.

* DR: Development & Research

Intellectual Property Activities

Intellectual Property Strategy

At the KAYABA Group, research and development divisions and intellectual property divisions cooperate to actively create intellectual property, in ways such as regularly holding the Intellectual Property Strategy Meeting. We conduct intellectual property activities aimed at the growth of business and improvement of corporate value by appropriately safeguarding and applying in-house products and technologies.

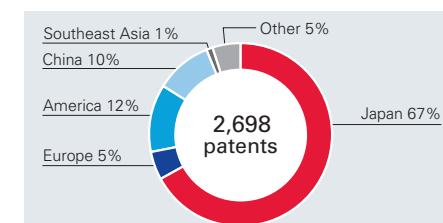
The results of research and development themes are checked thoroughly so that any possible inventions will not be overlooked. As a result of actively filing for patents and acquiring rights, we hold the world’s highest number of patents related to protecting our mainstay products of shock absorbers and hydraulic cylinders. The strength of the KAYABA Group’s technical and intellectual property capabilities is recognized and has been highly evaluated, with the patents we have acquired winning awards for inventions.

In recent years, in addition to these defensive intellectual property activities, we have been undertaking new initiatives. In product development, we are creating inventions using a framework to give us a competitive advantage, and moving ahead with activities to build a portfolio based on our development strategy. Also, in order to contribute to solving social issues and generate new value for future growth, we are working on the IP landscape* from the planning stage and using intellectual property information for the purpose of increasing corporate value.

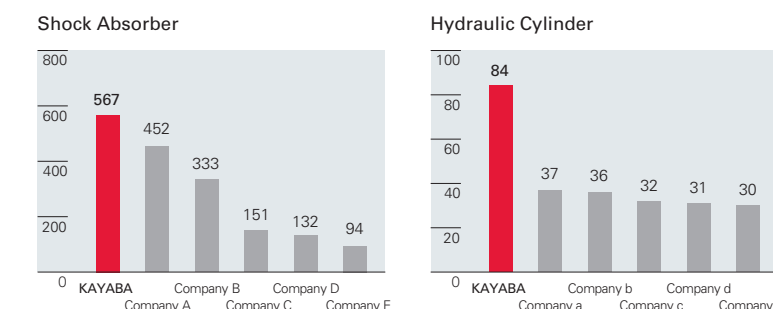
Further, we are working to protect and increase the value of our brand through actions that protect our corporate and product brands. We respond to imitation trademark applications, particularly in China, in ways such as making formal objections, and exercise our trademark rights against counterfeit products such as shock absorbers.

*IP landscaping: To create proposals for strategies that contribute to intellectual property management by analyzing intellectual property information.

Ratio of domestic and overseas patents retained (As of March 31, 2023)



Number of related patents retained (current as of May 18, 2023, based on our company’s information)



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Patented Inventions Useful for Society



Four award-winning KAYABA inventors

Patented Inventions Useful for Society
 To encourage and promote invention in all regions, we submit invention patents every year to the Chubu Regional Invention Awards, which is conducted for the purpose of contributing to the advancement of science, technology, and industry.
 FY2022, the inventor of the patent (patent number JP6637255) that protects the key technology for performance improvements and cost reductions for the KCFL1-5 lift cylinder for forklifts won the Gifu Prefecture Governor’s Award.

Trademark Registration with an Awareness of Branding

As part of Japan’s Ministry of Land, Infrastructure, Transport and Tourism’s Smart City Model Project, which is based on the science and technology policy “Society 5.0,” our development of a road maintenance management task support service is underway. Aware of the importance of branding for our Smart Road Monitoring, which is under development, we registered trademarks in November of 2022 for “Smart Road Monitoring,” “SUMADO” in Japan.



ESG Management



Basic Policy for ESG

At the KAYABA Group, we formulate policies based on ESG management. We conduct activities to solve environmental and social issues, and are working to contribute to the achievement of a sustainable society.

Our Corporate Spirit sets forth the following: "By

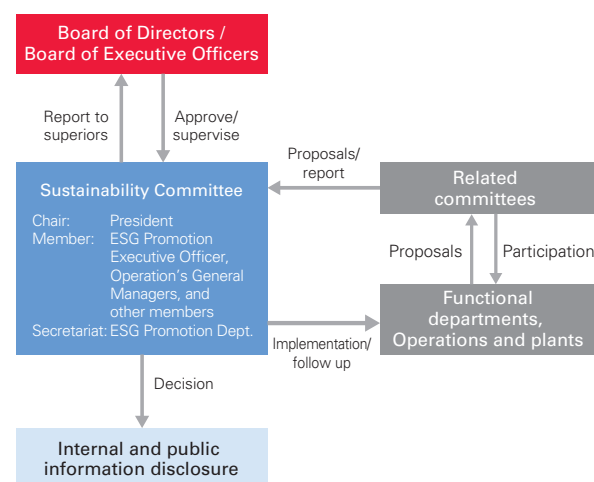
providing technologies and products that make people's lives safe and comfortable, the KAYABA Group contributes to society." To achieve that mission, we are returning to the spirit of originality that has been passed on since our establishment and moving forward to an affluent future.

- 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.

ESG Promotive Structure

It is imperative that we promote the strengthening of our initiatives for ESG related to creating a sustainable society. Therefore, in March 2022, we established the Sustainability Committee as an organization that coordinates for the entire company. It deliberates on the progress of management and measures of policies and targets related to sustainability, after which it provides opinions and reports to the Board of Directors.

Also, it cooperates with all kinds of working committees and functional divisions/departments in planning policies and initiatives, and strives to support and follow up on the activities of each division/department. Each supervising division/department deliberates with the expert committee and others on topics such as which matters they should engage in and activity planning regarding individual sustainability themes, and promotes those initiatives in cooperation with the related divisions/departments.



Efforts Towards Internal ESG Initiatives

We believe it is important for each employee to make independent efforts to promote ESG management.

Led by the ESG Promotion Office, which was established in July 2021, we publish a monthly related serial in the in-house company newsletter to raise awareness. In FY2022, it featured examples of specific initiatives within the KAYABA Group.

Also, we conduct training in SDGs, ESG, and corporate management when promoting an employee, providing education on the management and leadership practices required for ESG management.



Articles serialized in the monthly in-house company newsletter

Awareness building activities	<ul style="list-style-type: none"> • Corporate website • Providing information on the in-house intranet
Education for promoting understanding	<ul style="list-style-type: none"> • Training when being promoted

Corporate Governance

Corporate Governance Principles

To fulfil our corporate social responsibility of contributing to society, KAYABA is building a quick and efficient management system with our Board of Directors leading the way. Furthermore, we are pursuing a highly fair and transparent management supervisory function.

Based on our Corporate Spirit and the following basic policies, we will strengthening corporate governance and respond to the expectations of all our shareholders through the achievement of continuous growth and the improvement of corporate value.

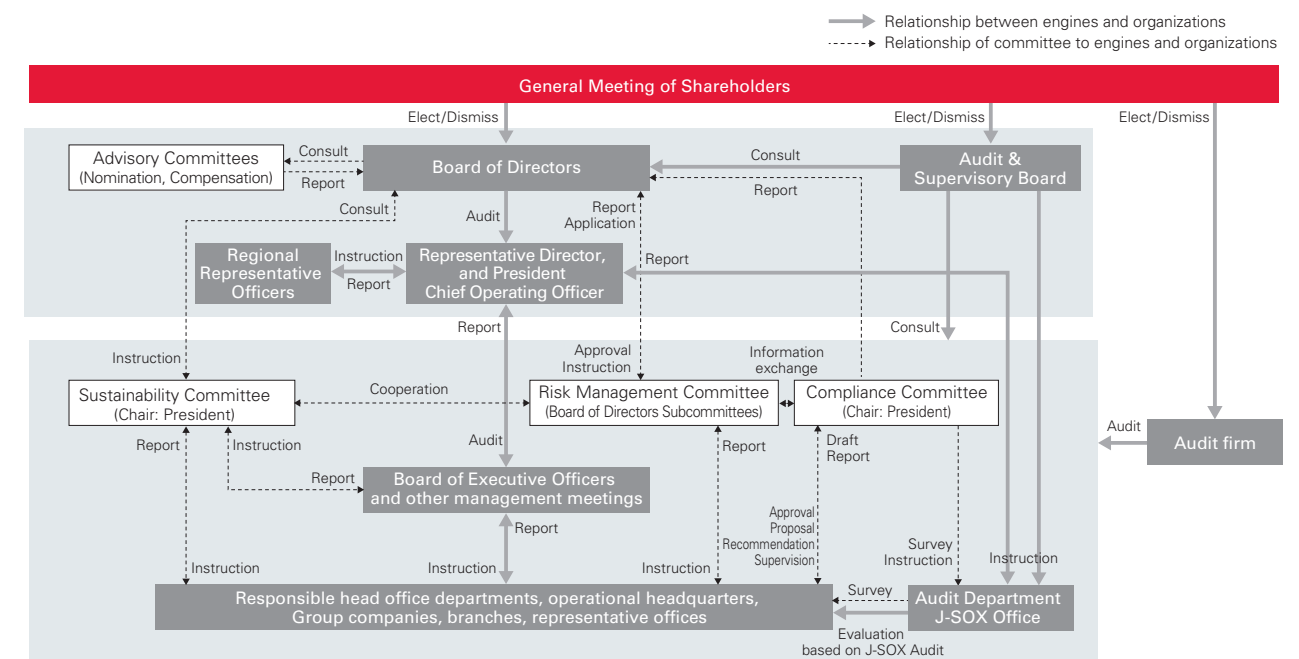
Basic Policies

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 Structure

KAYABA is a company with an Audit & Supervisory Board as described under the organizational design stipulated by the Companies Act of Japan, and has a system of corporate governance in place that centers on the Board of Directors and Auditors / the Audit &

Supervisory Board. Also, we have adopted the Executive Officer System, seeking to increase the speed of decision making and optimize corporate management



Board of Directors

The Board of Directors comprises eight members, including four external 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, four external 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 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. These meetings aim to strengthen Group management oversight.

Audit & Supervisory Board

The Audit & Supervisory Board comprises four full-time and one part-time Audit & Supervisory Board member. Two full-time Audit & Supervisory Board members and

one part-time Audit & Supervisory Board member 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, three of the outside Audit & Supervisory Board members are registered as independent officers.

Regional Executive Officer

Overseas sales account for the greater part of our total sales, and the importance of overseas plants and offices is growing. We have established regional headquarters in the United States, China, and Europe, and supervisory duties are delegated to the Representative Directors for each region from the currently serving Directors. We work to strengthen governance by a system in which each regional headquarters and its affiliates report on performance and important issues to the Regional Representative Director every month, and the Regional Representative Director reports on the progress situation to the President once every three months.

The members of each of the aforementioned organizations are as follows. (As of June 23, 2023)

Title	Name	Board of Directors	Board of Executive Officers	Domestic Affiliated Companies Management Meeting	Audit & Supervisory Board
Representative Director, Chairman	Yasusuke Nakajima	◎	○	○	
Representative Director, Chief Executive Officer (CEO)	Masao Ono	○	○	○	
Representative Director, and President Chief Operating Officer (COO)	Masahiro Kawase	○	◎	◎	
Member of the Board of Directors, Senior Managing Executive Officer Chief Financial Officer (CFO)	Takashi Saito	○	○	○	
Member of the Board of Directors (External)	Shuhei Shiozawa	○	○	○	
Member of the Board of Directors (External)	Masakazu Sakata	○	○	○	
Member of the Board of Directors (External)	Akemi Sunaga	○	○	○	
Member of the Board of Directors (External)	Chizuko Tsuruta	○	○	○	
Audit & Supervisory Board Member (Full Time)	Hideki Nonoyama				◎
Audit & Supervisory Board Member (Full Time)	Osamu Kunihara				○
Audit & Supervisory Board Member (Full Time)(Outside)	Junichi Tanaka				○
Audit & Supervisory Board Member (Full Time)(Outside)	Masahiko Sagara				○
Audit & Supervisory Board Member (Outside)	Junko Watanabe				○
14 executive officers	—		○	○	

Note: ◎ denotes the chairperson



For details, see "Outside directors and outside Audit & Supervisory Board Members" on the website
<https://www.kyb.co.jp/english/company/governance.html>

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 (Basic compensation)*1	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	¥10 million per month (¥120 million per year)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	—
Performance-linked compensation (Bonus (monetary))*2	Directors (Excluding external directors)	40% or less and ¥200 million per year of total compensation (Fixed compensation + Performance-linked compensation)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	Consultation with Compensation Committee
Performance-linked compensation (Bonus (stock))		Within 20,000 shares per year (¥75 million per year)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	Consultation with Compensation Committee

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

*2. There is an upper limit of 1.0% of profit attributable to owners of the parent in the fiscal year preceding the fiscal year in which performance-linked compensation is paid.

(2) Compensation Decisions

For director compensation, the discretionary Compensation Committee composed of representative directors and external 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. The performance-linked compensation of Directors (excluding external directors) is in accordance

with the level of achievement of the indexes that form the basis of its calculation, and is determined by a resolution of the Board of Directors made upon receiving a report from the Compensation Committee and within the range of the limit for the total remuneration amount that is determined at the 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

Performance-linked compensation consists of monetary compensation and restricted stock compensation.

The total amount of monetary compensation shall be within the range of the total compensation limit determined at the General Meeting of Shareholders, and shall not exceed 1.0% of the profit attributable to owners of the parent in the fiscal year (evaluation period) preceding the fiscal year in which performance-linked compensation is paid, and up to 40% of the total amount of base remuneration and the monetary compensation portion of performance-linked compensation for Directors (excluding External Directors), and the decision is made by the Board of Directors upon receiving a report from the Compensation Committee. Then, based upon the pre-determined prorated amount that corresponds to each Director's official position, the Board of Directors receives the Compensation Committee report and determines the amount to be paid to each Director, and each Director is paid in a lump sum after the end of the evaluation period.

In stock compensation, the number of shares provided is determined by a resolution of the Board of Directors within the maximum number and total amount of compensation limits resolved by the General Meeting of Shareholders, upon receiving a report from the Compensation Committee based on the level of achievement of the indicators that are the basis for calculating performance-linked compensation

during the evaluation period and the predetermined number of shares provided in accordance with the position of each Director, and the Company's common stock is presented in a lump sum after the end of the evaluation period.

The indicators that are the basis for calculating performance-linked compensation are four calculation indicators (amount of segment profit, ratio of segment profit, amount of profit (loss) attributable to owners of the parent, ratio of profit (loss) attributable to owners of the parent), and the amount or number of performance-linked compensation will be calculated based on the achievement of the consolidated performance forecast during the evaluation period. In a case where there is a loss attributable to owners of the parent, performance-linked compensation will not be paid.

Regarding Directors (excluding External Directors), the approximate ratio of each type of compensation when achieving a 100% performance index shall be fixed compensation : performance-linked compensation : performance-linked stock compensation of 6:3:1.

Regarding decisions on the individual remuneration amounts of fixed compensation and performance-linked compensation, our policy is for the Compensation Committee to inspect the validity of the decisions, report to the Board of Directors that such validity was found, and to conduct calculations and decisions based on the content of the report.

Management Team (As of June 23, 2023)

* Independent Directors and Auditors

Directors



Yasusuke Nakajima

Representative Director,
Chairman



Masao Ono

Representative Director,
Chief Executive Officer (CEO)



Masahiro Kawase

Representative Director,
and President Chief
Operating Officer (COO)



Takashi Saito

New

Member of the Board of
Directors, Senior Managing
Executive Officer, Chief
Financial Officer (CFO)

In Charge of European
Operations, Global
Corporate Finance, CSR,
Public Relations/IR
General Manager, CSR &
Safety Control Division

Appointment of directors June 2005 June 2017 June 2015 June 2023



Shuhei Shiozawa*

Member of the Board of
Directors (External)



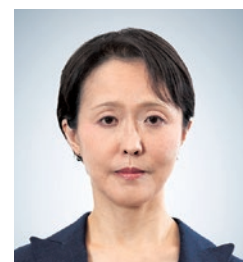
Masakazu Sakata*

Member of the Board of
Directors (External)



Akemi Sunaga*

Member of the Board of
Directors (External)



Chizuko Tsuruta*

New

Member of the Board of
Directors (External)

Appointment of directors June 2016 June 2020 June 2022 June 2023

Audit & Supervisory Board Members



Hideki Nonoyama

Audit & Supervisory
Board Member



Junichi Tanaka*

Audit & Supervisory
Board Member
(Outside)



Masahiko Sagara*

Audit & Supervisory
Board Member
(Outside)



Osamu Kuniyama

Audit & Supervisory
Board Member



Junko Watanabe*

Audit & Supervisory
Board Member
(Outside)

Executive Officers

Senior Managing Executive Officer	Minoru Ishikawa	In Charge of Automotive Components Operations, China Operations; General Manager, Automotive Components Operations, and Suspension Headquarters
	Ichio Nemoto	In Charge of Special Purpose Vehicles Division General Manager, Hydraulic Components Operations, and Special Purpose Vehicles Division
Managing Executive Officer	Takashi Tezuka	In Charge of Quality; General Manager, Quality Division
	Ryuji Uda	In Charge of North, Central & South American Operations; President, KYB Americas Corporation
	Shozo Amano	In Charge of Production, Purchasing & Logistics; General Manager, Production Division
	Masaru Tsuboi	In Charge of Safety Control & Environment
	Tomoki Takaoka	In Charge of Global Corporate Planning, Domestic Affiliated Companies, TQM Promotion and ESG Promotion; General Manager, Corporate Planning Division, and General Affairs & Human Resources Division
	Manabu Akasaka	General Manager, Finance & Accounting Division
Deputy Managing Executive Officers	Minoru Tamai	General Manager, Nagano Plant, Hydraulic Components Operations
	Toshimichi Izeki	In Charge of Aircraft Components Division; General Manager, Sagami Plant, Hydraulic Components Operations
	Shinichi Sugioka	In Charge of Cybersecurity Measures; General Manager, Motorcycle Headquarters, Automotive Components Operations, Digital Transformation Improvement Division, and President, KYB Motorcycle Suspension Co., Ltd.
	Kenji Yazaki	General Manager, Mobility Devices Headquarters, Automotive Components Operations
	Atsushi Fujii	In Charge of Engineering; General Manager, Engineering Division, Basic Technology R&D Center, and Curator, KAYABA Museum
	Atsushi Okubo	In Charge of Sales; General Manager, Sales Division

An External Director's Perspective



From my perspective as an accounting and taxation specialist, and the perspective of diversity, it's about supervising all kinds of business decisions to make sure everything feels right.

Akemi Sunaga

Member of the Board of Directors (External)



I'd like to use my experience with reforms and corporate information disclosure in the banking and leisure industries to assist with management decisions.

Junko Watanabe

Audit & Supervisory Board Member (Outside)

My Role as an External Director

I've been involved in financial auditing for listed companies ever since I passed the exam for a public certified public accountant and joined an auditing firm. In 1994, I registered as a licensed tax accountant and started my own practice. In addition to financial auditing, I've been engaged in business across a wide range of fields, such as taxation procedures and management consulting. In my capacity as External Director, I first conduct an examination to see if there are any issues from my perspective as a specialist in accounting and taxation. And from the perspective of diversity, I examine business decisions in each management field to make sure everything feels right. In particular, we are seeing growing social calls for an increase in women's active participation. In this environment, I believe it is necessary to oversee all kinds of management decisions to check if they are being made in a way that feels right from a woman's perspective.

My Impression of KAYABA

I took on the office of External Director in June 2022 amidst the COVID-19 pandemic, so I wasn't able to observe every workplace. However, when I inspected the plants in Sagami and Gifu, I was amazed to see everyone there using several technologies and working with passion. From the way that everyone looked like a skilled craftsman, I was able to perceive that many people started working for the Company because they are motorcycle and automobile enthusiasts. I was overwhelmed by their enthusiasm when I received an explanation about the technology, and I caught a glimpse of the spirit of *monozukuri* that's been here ever since the establishment.

Excellent Points

I had heard that the Company overcame a period of challenging ordeals, and when I attended important meetings such as the management meeting, I understood why the Company can overcome obstacles in a short time. They were extremely serious about

questioning and identifying every issue, and I could tell that the upper management and the other executives were sincerely engaged. And I felt that, currently, our efforts towards compliance are second to none in any company.

Points for Improvement

I think one issue involves training women managers, which is an issue for many companies. The environment presents difficulties in achieving a good work-life balance for women, who have complex life events, and there are many women who underestimate their own abilities. In order to increase the ratio of women managers, it is important to deliberately set up an environment of management training. I think it's necessary to strengthen networks of women colleagues and devise a system that allows for easy consultations and other ways to stop isolation within the organization.

Also, active engagement with workstyle reforms is critical. With the continuance of online meetings that can be held at any time or place, providing talented women employees with experience and building their self-confidence through constructing a system in which employees dealing with limitations can actively contribute to the organization will likely lead to encouraging growth. I believe this will result in motivation not only for women but people of all genders, increase their capabilities, and by extension favorably influence corporate earnings.

Expectations for the Company

This is one example, but the development of the mobile home was featured on television. The idea and technological skill to use hydraulics to expand the top and sides of the interior space seems like something only KAYABA would create. One thing I'd really like to hear is a woman's perspective on what would make them feel like they'd like to ride in the vehicle, and on the ease of using the interior space.

My Role as an Outside Auditor

The governance that listed companies are required by society to have in place has a lot of the same parts, regardless of the type of industry or corporate scale.

I don't have particularly specialized knowledge, so it's difficult for me to make a comment from the aspects of technology or quality. However, I have a fair deal of experience with business management, so I'd hope to focus my efforts on making management decisions that are highly evaluated by as many stakeholders as possible.

When I was working at a bank, I handled various reforms related to diversity, human resources training, and public relations strategies. In the leisure industry, I dealt with service improvements from the customer's point of view and the strengthening of corporate information disclosure. I believe I can use these experiences to strengthen governance in a broad sense.

My Impression of KAYABA

I went to observe both Sagami and Gifu Plants. When I saw how each and every employee was striving daily to improve their technical ability, and making steady efforts to respond to the high-level, detailed requests from the customers, I was really moved.

Also, at the test course, I rode in and compared cars that were equipped with shock absorbers and those that were not equipped with them. Even though I am not deeply knowledgeable about automobile mechanics, the difference was immediately obvious. I strongly felt that I'd like more general consumers to be aware of the value of this wonderful product.

Excellent Points

I believe that the Company's greatest strength is their sincere attitude toward *monozukuri* that extends from the management and carries through to the general employees.

They have heated discussions on technology and quality even at meetings of the Directors, and I sense they have great pride in their technical abilities. When it

comes to compliance, the upper management ensures that the major issues of the past are not forgotten, and thoroughly enforces that everyone in the entire Group always acts with an awareness of compliance norms. I am convinced that this is one of the reasons that they could rapidly recover their performance.

The medium-term management plan has set forth the slogan of "Mastering quality management." I feel that rather than being satisfied with the present condition, the management is extremely serious about pursuing even higher levels of quality.

Points for Improvement

KAYABA is a global company, yet there are few women and foreign nationals among the management, and I think that will gradually become an issue. Also, promoting candidates to management from a wide range of human resources with different social experiences and those who are well-versed in systems and DX will lead to KAYABA becoming a stronger, more robust company. Currently, human resources with strong technical capabilities are coming together across the Group to make serious efforts for *monozukuri*, but I believe even better *monozukuri* will be attainable by including the opinions of those human resources with their diverse viewpoints and values.

Expectations for the Company

I look forward to KAYABA promoting, more widely and across all of society, the appeal of its products and corporate mindset of focusing intently on quality.

I was not very aware of KAYABA's products until I took on this position, and many people I know have heard the Company's name, but don't know much about its products. Although it is a B2B company, I believe that releasing information with the stance of a B2C company will lead to an increase the number of KAYABA enthusiasts, ensure performance, and increase corporate value.

Internal Control and Compliance

Basic Policy

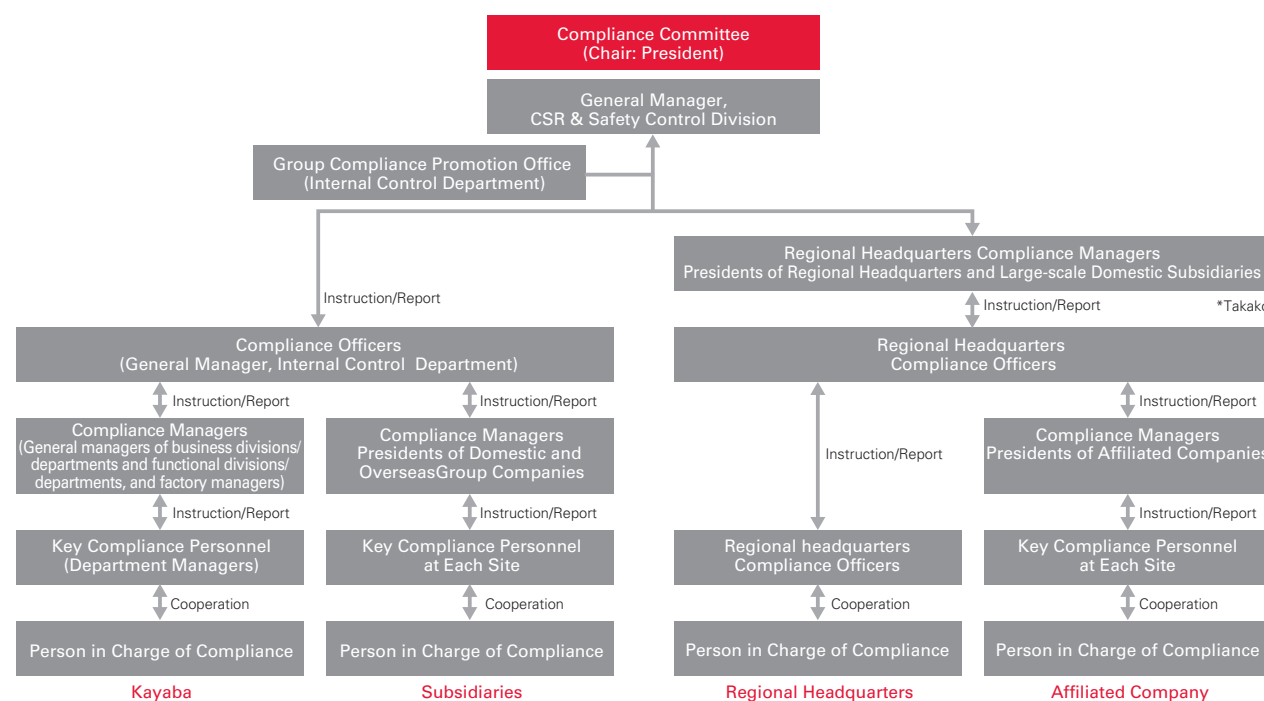
In order for corporate governance to function effectively, we are promoting a basic policy for our internal controls system that is based on the Companies Act of Japan and determined by the Board of Directors.



For details, see "Internal controls" of the "Corporate Governance System" on the website
→ <https://www.kyb.co.jp/english/company/governance.html>

	Key Activities	Major Initiatives
Compliance Promotion	<ul style="list-style-type: none"> The compliance program was enacted under our compliance system, which is headed up by the Compliance Committee. It is being rolled out and implemented at Group companies, and we are evaluating and reviewing the results. The issues we uncover now will be used to improve initiatives in the next fiscal year. 	<ul style="list-style-type: none"> We designated October as Compliance Reinforcement Month, and conducted various activities to promote heightened compliance awareness among all employees, including President's message, call for compliance mottoes, repeated in-house training, Compliance Top Management Training Course, etc. Conduct training that reflects the issues identified in the results of the last fiscal year's compliance questionnaire
Risk Management Initiative	<ul style="list-style-type: none"> The Risk Management Committee reports to the Board of Directors, and based on the Risk Management Rules, it identifies material risks the Group must address and the business units responsible for managing them, and conducts risk reduction initiatives at each responsible business unit. 	<ul style="list-style-type: none"> Conducted risk-reduction initiatives for nine key risks
Responding to Whistleblower and Improving the Effectiveness of the Whistleblowing System	<ul style="list-style-type: none"> We respond to reports in order to ensure the prevention or early-stage discovery and correction of nonconforming acts. Moreover, we are making improvements for the purpose of achieving a highly trustworthy whistleblowing system that allows individuals to report without hesitation. 	<ul style="list-style-type: none"> Use a more highly confidential external contact point for internal reporting. Respond to internal reports, make effectiveness improvements and respond to reported cases, and support the responses of Group companies. Report regularly to the Compliance Committee.

Internal Control System



The Compliance Committee conducts activities such as deliberating on the fiscal year compliance program, which is drafted by the Compliance Promotion Office. In addition to drafting the program, the secretariat provides support for to regional headquarter compliance managers

and regional headquarter compliance officers. Regional headquarters and large-scale domestic subsidiaries regulate their own companies as well as their affiliates and subsidiaries, while the KAYABA regulates itself and subsidiaries other than those mentioned above.

Risk Management

Basic Policy

At the KAYABA Group, the Risk Management Committee reports to the Board of Directors, and based on the Risk Management Rules, it identifies material risks the Group must address and the business units responsible for managing them, conducts risk management initiatives at each responsible business unit, and

presents quarterly updates to the Board of Directors. Also, the Sustainability Committee is in charge of our response to risks related to climate change. They conduct initiatives such as uncovering the risks and opportunities presented by climate change in cooperation with the Risk Management Committee.

Responding to Business Continuity

In times when a large-scale disaster occurs, our first priority in any situation is to put human lives first. So that each and every person concerned correctly understands disaster response countermeasures and takes action, we are working on our business continuity plan for the purpose of quickly conducting initial activities while supporting customers, business partners, and the regional community and keeping injuries to people and damage to objects at a minimum, in addition to quickly restoring production. In particular, with the increasing frequency of earthquakes, we are strengthening natural disaster reduction measures across all departments and including group companies in preparations for a major earthquake, such as fixing equipment in place.

We are collecting the things we became aware of through the drills as important matters that can be used in emergencies. In addition, we are further increasing our ability to face the issues that confront us through various drills, such as quickly checking on the safety of employees. In responding to procurement, we will conduct improvement activities with business partners from the viewpoints of "disaster reduction, inventory, and replacements," and aim to restore production at an early stage.



Assembly drill for earthquakes

Also, we held the first assembly drills in the past three fiscal years at eight plants. The purpose was to consider situations that might occur in an earthquake while each individual thought about them and acquired the knowledge necessary to making an initial response. In addition, they also came up with ways to strengthen cooperation with related divisions/departments.

Information Security

KAYABA works to ensure information security by setting out a Standard Information Security Policy and appointing persons responsible for information security management in order to strengthen information security on a global level. Nevertheless, there are rapid increases in cyberterrorism which reflect geopolitical risks such as the ongoing Russian invasion of the Ukraine as well as ransomware cyberattacks by criminal groups seeking forced payments. Furthermore, risks related to information security due to the introduction of new digital technology are also growing.

We are seeking to quickly respond to new threats and continually reduce risks by strengthening regulations for the entire KAYABA Group and taking cyber risk countermeasures with a focus on KAYABA-CSIRT.

Major efforts in FY2022

- Standardization of cybersecurity response organization (KAYABA-CSIRT) activities
- Conducted routine education and drills for all executives and employees
- Conducted self-assessment in accordance with the standard automobile industry security guideline
- Hired third-party security evaluation organization to conduct vulnerability assessments
- Installed the latest security software
- Conducted cyber BCP drill

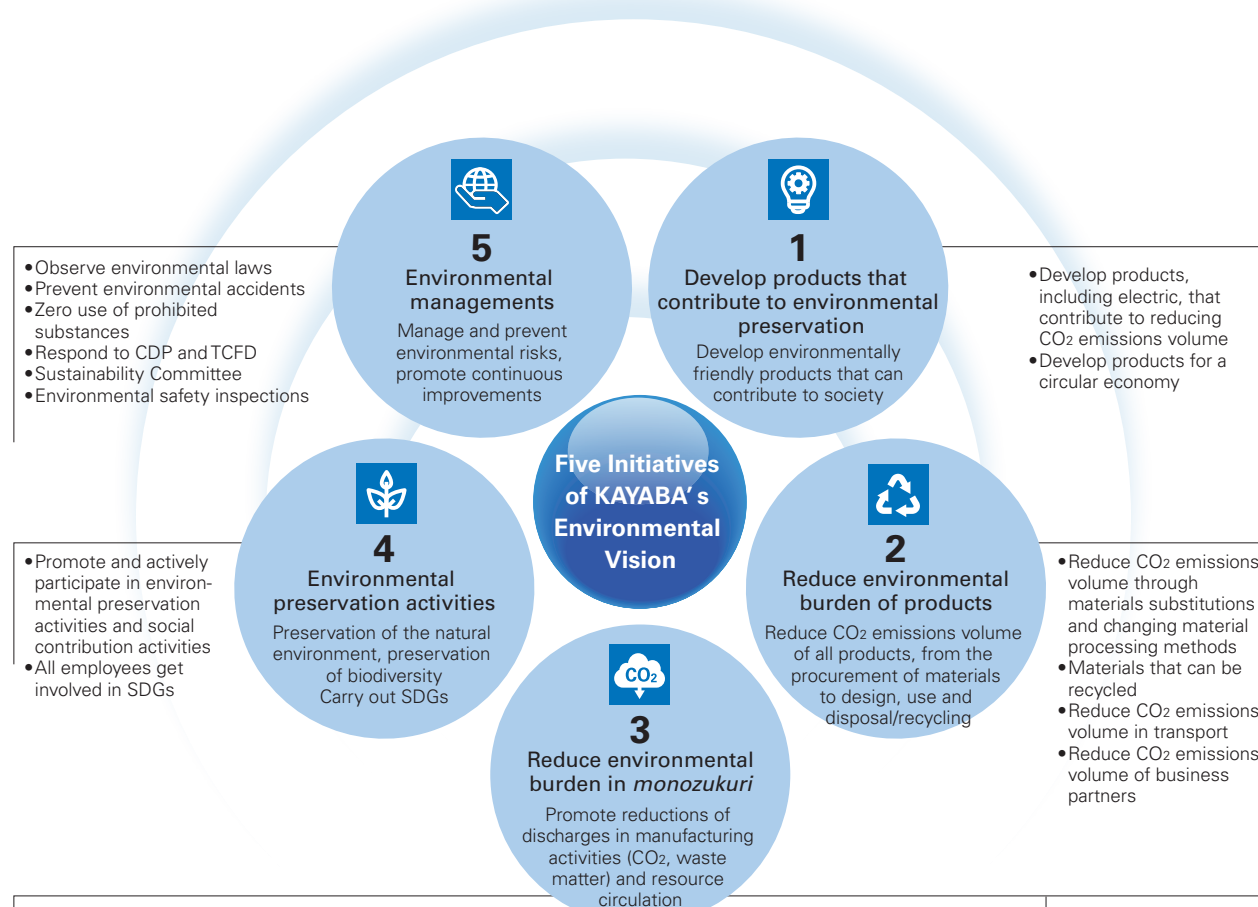
Environmental Preservation

Overview of KAYABA's Environmental Initiatives

Our Corporate Spirit proclaims our love for nature and intent to protect the environment. In line with this, we are striving for carbon neutrality with a focus on the global environment in 2050. Also, we are contributing to the creation of a sustainable society in which both global environmental preservation and economic growth can coexist.

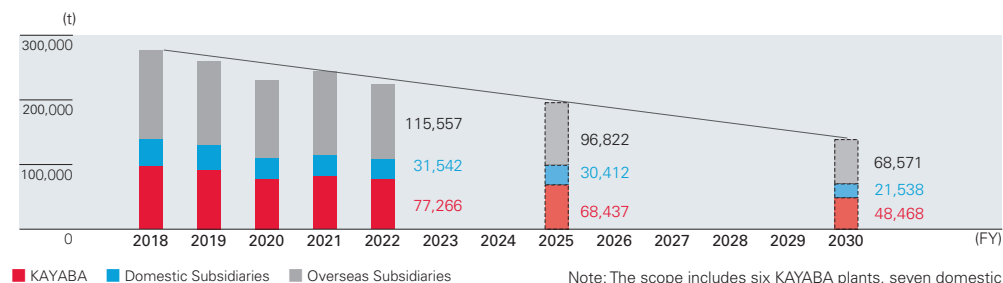
Environmental Vision

Environmentally Friendly Products
Environmentally Conscious *Monozukuri*
Environmentally Conscious Human Resources



CO₂ emissions reduction targets (Scope 1, Scope 2)

2025 emission volume for the KAYABA Group: 195,671 tCO₂
2030 emission volume for the KAYABA Group: 138,577 tCO₂ (50% reduction compared to 2018)
2050 carbon neutrality



Note: The scope includes six KAYABA plants, seven domestic subsidiaries, and 18 overseas subsidiaries.

Energy conservation target

2025: 3% reduction (compared to 2022)

Industrial waste reduction target

2025: 3% reduction (compared to 2022)

FY2022 Activity Achievements

Environmental Vision	Initiative	Specific Activities	FY2022 Achievements
1. Develop products that contribute to environmental preservation	Develop products that contribute to the reduction of CO ₂ emissions volume (electric products) Develop products for a circular economy	Product development for e-Axle (AC)	Consider expansion of product lineup that meets the required functionality Develop next-generation MCU (motor and ECU)
		e-mixer (Special-purpose Vehicles)	Launch sales of e-mixer III
2. Reduce environmental burden of products	Reduction of CO ₂ in lifecycle Cooperation with business partners	Develop biodegradable hydraulic fluid (AC)	Provide biodegradable hydraulic fluid dampers for racing use Hold exhibitions at race tracks
		Use Chipping Vehicle for Pruned Branches for organic farming	Start experimental studies on composting wood chips
3. Reduce environmental burden in monozukuri	Reduction of CO ₂ in corporate activities Promotion of energy conservation initiatives Promote capital investments in energy conservation	Optimum maintenance and breakdown prediction using sensors (HC)	Expand lineup of road sensing devices Develop fluid leak sensors and fluid condition monitoring sensors
		Energy conservation initiatives according to the six rules Improve productivity, reduce defect ratio	Calculate Scope 3 emissions volume Change blast furnace material to electric furnace material Increase resin recycling ratio
4. Environmental preservation activities	Offset through CO ₂ absorption Efforts to preserve biodiversity In-house education and awareness	Share information on carbon neutrality initiatives	Release carbon neutrality information for business partners on the Internet
		Introduction of photovoltaic power generation system	Use EVs for all company-owned cars (Spain) Promotion of web meetings Promotion of remote work
5. Environmental management	Actively disclose environmental information Introduce environmental management Legal compliance and prevention of environmental accidents	Development of production technology that reduces CO ₂ emissions volume Electrification, energy conservation, optimization, use of inverters	Promotion of LED use: CO ₂ reduction volume of 634 tCO ₂ (KAYABA Group) Reduce steam loss: CO ₂ reduction volume of 143 tCO ₂ (Gifu South Plant)
		Introduction of photovoltaic power generation system	Start installation work on cogeneration system (Gifu North Plant) Installation of a high-voltage transformer: CO ₂ emissions reduction volume of 54 tCO ₂ Installation of a high-efficiency compressor: CO ₂ emissions reduction volume of 24 tCO ₂
5. Environmental management	Actively disclose environmental information Introduce environmental management Legal compliance and prevention of environmental accidents	Renewable energy introduction ratio: 7.5% (KAYABA Group) Introduction of photovoltaic power generation equipment (Japan, Thailand, Malaysia, Indonesia, Spain): CO ₂ emissions reduction volume of 1,695 tCO ₂	 Cogeneration system High-voltage transformer High-efficiency compressor
		Introduction of photovoltaic power generation system	 Japan Thailand Malaysia
5. Environmental management	Actively disclose environmental information Introduce environmental management Legal compliance and prevention of environmental accidents	Promotion of resource circulation	Volume reduction by using dehydrators: waste matter reduction of 80% (Gifu North Plant) Use of plating wastewater treatment equipment: waste matter reduction of 80% (KMS) Consider using OBP pallets
		Offset through CO ₂ absorption	Tree-planting activities (Thailand, Indonesia, Malaysia)
5. Environmental management	Actively disclose environmental information Introduce environmental management Legal compliance and prevention of environmental accidents	Manage and reduce the volume of water used and drainage	Install water circulation system (Malaysia)
		Use Chipping Vehicle for Pruned Branches for organic farming	Start experimental studies on composting wood chips
5. Environmental management	Actively disclose environmental information Introduce environmental management Legal compliance and prevention of environmental accidents	In-house education and awareness Human resources training	Awareness activities Start ESG education by employee position Provide ESG information through the in-house corporate newsletter
		Regularly update homepage Reply to CDP	Add sustainability page to website CDP score: B on climate change, C on water security
5. Environmental management	Actively disclose environmental information Introduce environmental management Legal compliance and prevention of environmental accidents	Obtainment of ISO 14001 certification	100% of domestic companies and 88% of overseas subsidiaries
		Management and reduction of environmentally hazardous substances	Zero prohibited substance use
5. Environmental management	Actively disclose environmental information Introduce environmental management Legal compliance and prevention of environmental accidents	Environmental safety audits	Confirm the environmental activities of plants through environmental safety audits on 37 global plants

Response to TCFD

The KAYABA Group, recognizing climate change as an important issue that it must engage with, has endorsed the Task Force on Climate-Related Financial Disclosures (TCFD) in February 2023. We are working to grasp the risks and opportunities presented by climate change based on TCFD recommendations, reflect them in our strategies, actively disclose information, and thereby increase our corporate value.

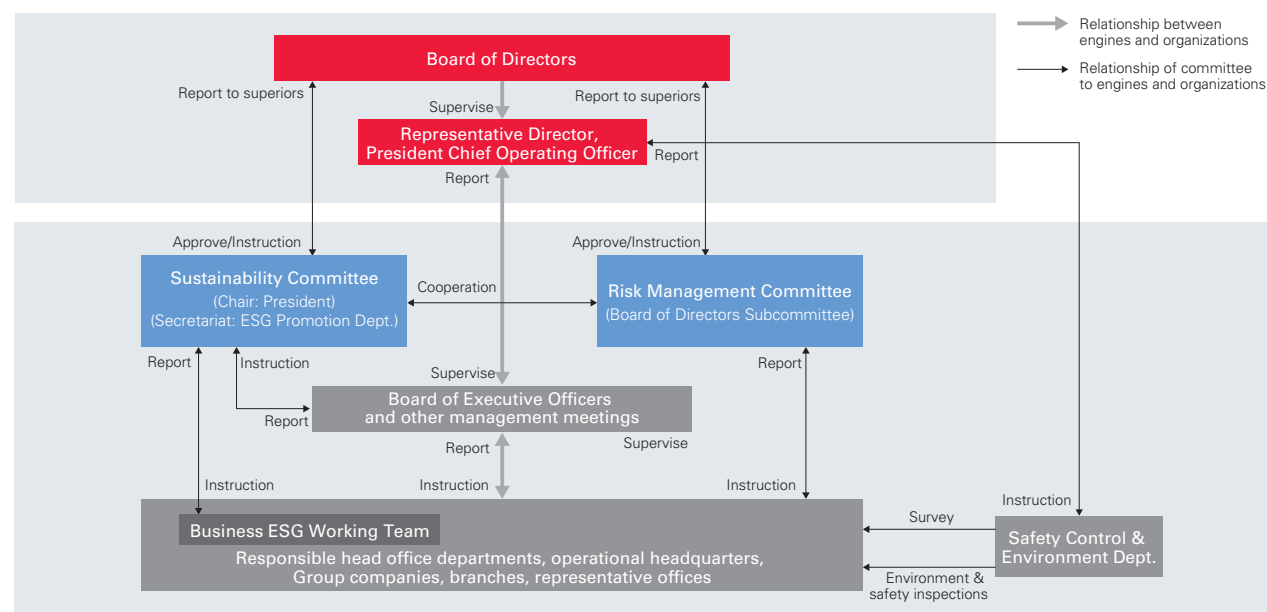
Governance

The KAYABA Group promotes a range of initiatives aimed at contributing to the creation of a sustainable society. In March of 2022, we established the Sustainability Committee with the ESG Promotion Department acting as the secretariat and the President as the Chair. The Committee holds debates and discussions on our sustainability initiatives, and reports or presents opinions to the Board of Directors once every three months.

Under the jurisdiction of the Sustainability Committee, each headquarters establishes an ESG working group which identifies risks and opportunities related to climate change, investigates countermeasures, and reports to the Sustainability Committee. Also, the Sustainability Committee, which deals with climate change risks, and the Risk Management Committee, which manages risk across the entire Group, collaborate on initiatives.

The Board of Directors receives the reports and opinions of the Sustainability Committee and supervises the process, and passes resolutions as necessary. Also, matters related to climate change or environmental preservation that impact performance are monitored in the Domestic Affiliated Companies Management Meeting, where functional and business divisions/departments report on the status of business execution, and by the environment & safety inspections that are conducted by the Safety Control & Environment Department.

The following is a chart of our organization related to sustainability.



Strategy

KAYABA sets ESG management as the foundation of its policy development. We are not only responding to environmental needs, but also promoting the development of products that contribute to a sustainable society and connecting the resulting opportunities to an increase in corporate value. Also, we are promoting all kinds of in-house initiatives related to the environment, society, and governance, led by the ESG Promotion Department.

Climate Change

The Company's environmental management slogan is "Protect the Green Earth and Create Environmentally Friendly Products," under which we are aiming to achieve carbon neutrality by 2050 through reducing our greenhouse gas emissions volume, decreasing the use of substances with environmental burdens in our

products, and developing products that conserve energy and have low CO₂ emissions. We are using the scenario analysis presented below to evaluate the impact level of risks related to climate change and the business opportunities to which they will give rise, and incorporating that analysis into our business strategy and management plan.

Risk category	Specific Risk	Effort/countermeasure
Physical Emergency	Intensification of natural disasters caused by climate change In July 2010, there were concentrated severe rainfalls in the Tokai region of Japan. The rivers near a KAYABA plant overflowed, causing water damage. The risk of damage from flooding is growing as global climate change is causing large typhoons, higher tides, and other concerns.	At Gifu District Plants, we are continuing to conduct annual initiatives aimed at flood prevention on the site and increased ease of draining. Also, we are promoting disaster preparations such as creating a manual on moving procedures in the case of rising river water levels.
Transition Regulation	Tightening of regulations concerning greenhouse gas emission reductions Amidst the accelerating trend toward electric vehicles in the automobile industry, the required shock absorber specs are diversifying along with the diversification of customers, and low weight is required as vehicles equipped with batteries increase in weight. Also, we forecast that demand for noise-reduced (silent) shock absorber will increase. There is a risk that we will not survive in the market if we do not meet these needs.	We are responding through our technology strategy, which includes compatibility with the next-generation platform, strengthening our core technologies of vibration control and power control.

Opportunity category	Specific opportunity	Initiative/countermeasure
Product/service	Increased sales caused by growth in demand for products and services We forecast that the automobile market will have further demand for quiet operation and ride comfort. We have the opportunity to expand our business by strengthening our core technologies of vibration control and power control and achieving compatibility with the next-generation platform. With the enforcement of carbon tax, there is a possibility of an accelerating modal shift (a change from freight transportation by road to freight transportation by rail), and this presents an opportunity for expansion in the railway damper business.	The medium term will be one of a transition from engine vehicles (motive power) to electric vehicles (motive power), and we forecast that offering products suitable for electrification in this period of changeover will create long-term prospects. Also, we are aiming to achieve differentiation by increasing the added value of products, obtain a position of superiority, and deliver <i>monozukuri</i> that satisfies consumers.

Risk Management

The Risk Management Committee, a subcommittee of the Board of Directors, responds to risks facing the entire Group by determining the risks that necessitate company-wide measures and assigning responsible departments. All responsible departments conduct risk management activities and report every quarter to the Board of Directors.

Regarding risks related to climate change, Automotive Components (AC) Operations, Hydraulic Components (HC) Operations, and the Special-purpose Vehicles

Division apply the TCFD-recommended scenario analyses in conducting climate change risk investigations in each Business ESG Working Team, which promotes business responses to climate change issues, discusses with the Sustainability Committee, and reports to the Board of Directors.

At present, each Business Unit is starting analyses on the impact levels of short, medium, and long-term risks and opportunities.

Metrics and Targets

The KAYABA Group uses the following metrics for the production base of the Company and its subsidiaries regarding climate change described in the above-mentioned strategies. The targets and actual results for the relevant indices are as follows.

Index	Target		FY2022 (Actual results)	
	Fiscal year	Numerical target	Results	Evaluation
CO ₂ emissions volume intensity (Scope 1, 2)	2022	0.604 tCO ₂ /million yen	0.526 tCO ₂ /million yen	Accomplish
CO ₂ total emissions volume (Scope 1, 2)	2030	138,578 tCO ₂	224,365 tCO ₂	(Initiative ongoing)
	2050	0 tCO ₂ Carbon neutral		(Initiative ongoing)
Renewable energy adoption rate	2025	15%	7.7%	(Initiative ongoing)

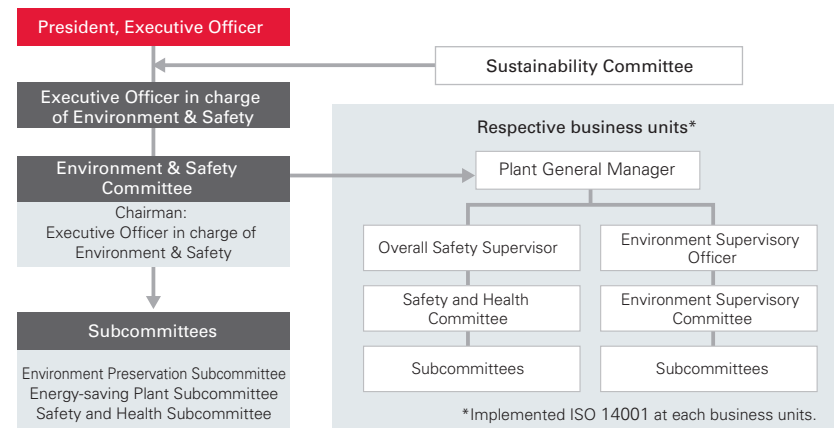
Efforts for Carbon Neutrality

The CN Promotion Office is actively working towards achieving our CO₂ emissions volume target by promoting activities across all plants, offices, and sales companies. In the planning of our CN activities, we provide guidelines and examples of initiatives, facilitating the development of action plans tailored to the circumstances of each plant, office, and country. Additionally, we conduct an Energy-saving Plant

Subcommittee every month, where members share information on the issues faced at their location and the progress of their activities. This platform serves as an opportunity for meeting members to review and refine the action plans at their plant or office. Through these collaborative efforts, the group is coming together as one to promote the creation of a positive environment for our activities.

Environment & Safety Management System

We are systematically expanding our environmental preservation efforts. We adopted the international standard ISO 14001 for environmental management and established the Environment & Safety Committee with the Directors in charge of the environment and safety serving as its leaders. We are working with a unified purpose on our efforts for environmental preservation and safety under the system shown in the chart on the right. Also, we monitor and revise our initiatives by conducting environmental and safety audits.



Product Compatibility with Environmental Regulations

Legal frameworks such as the REACH Regulation, the ELV Directive, and the RoHS Directive are showing clear trend of being tightened every year. KAYABA is responding by incorporating this into our technology development plan.

Also, in addition to responding to regulations on chemical substances, we are conducting initiatives for a low-carbon society and designing products with recycling in mind.

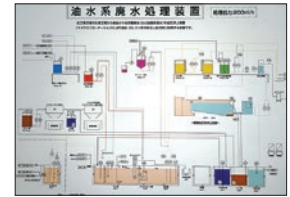
- *1 REACH Regulations: REACH stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. It is an EU law intended to protect human health and the environment while fostering competitiveness within the European chemical industry.
- *2 ELV Directive: A directive that came into effect in the EU in October 2000 to reduce environmental impact caused by end-of-life vehicles.
- *3 RoHS Directive: 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.

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Examples of Environmental Initiatives

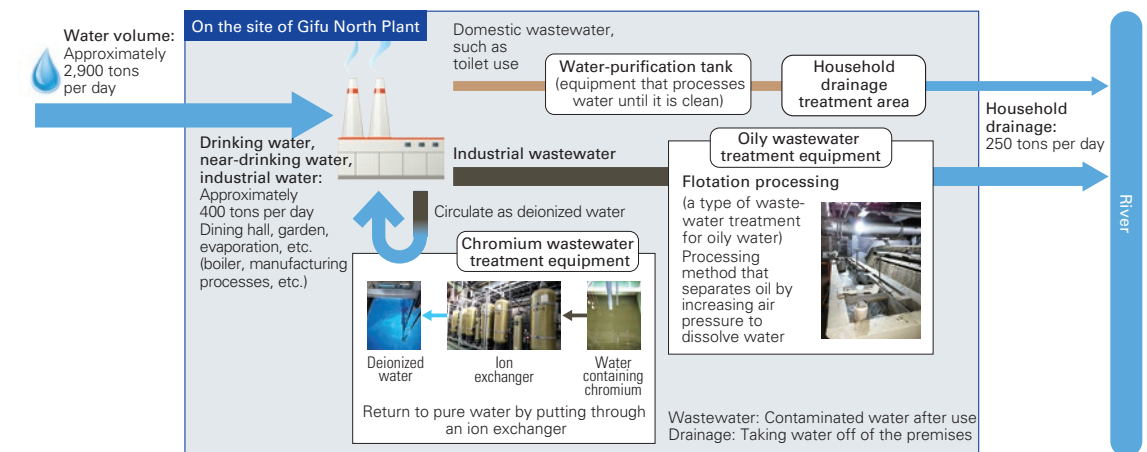
Management of Wastewater Drainage (Gifu North Plant)

At Gifu North Plant, there are two mager processing systems: household wastewater for treating domestic wastewater such as toilet water, and plant wastewater for treating water used in the manufacturing process (chromium wastewater treatment, oily wastewater treatment).



We need to remove oil and impurities contained in water that is used for washing products/components in the manufacturing process and after coating. Managing pH is critical, because it also includes alkaline and acidic chemicals.

At the plant, we not only observe the Water Pollution Prevention Act, but have voluntarily adopted effluent standards stricter than the legal requirements. We take periodic measurements based on measurement control points so as to avoid exceeding the standards.



*Water Pollution Prevention Act: This law sets forth stipulations on liabilities for damages in order to prevent the pollution of public water bodies and underground water by regulations on water discharged from plants and other facilities into public water bodies as well as domestic discharge countermeasures.

Installation of a Wastewater Reuse System (KMSB)

KAYABA's Malaysian subsidiary KYB-UMW Malaysia Sdn. Bhd. (KMSB) has installed a system that purifies wastewater with a UMW-developed membrane filter. The new system can purify water to the standard level for drinking five times faster than conventionally, at a rate of 100m³ per day. The resulting water is used for the plumbing and the water curtain on the coating line, helping with insulation and the prevention of dust scattering.



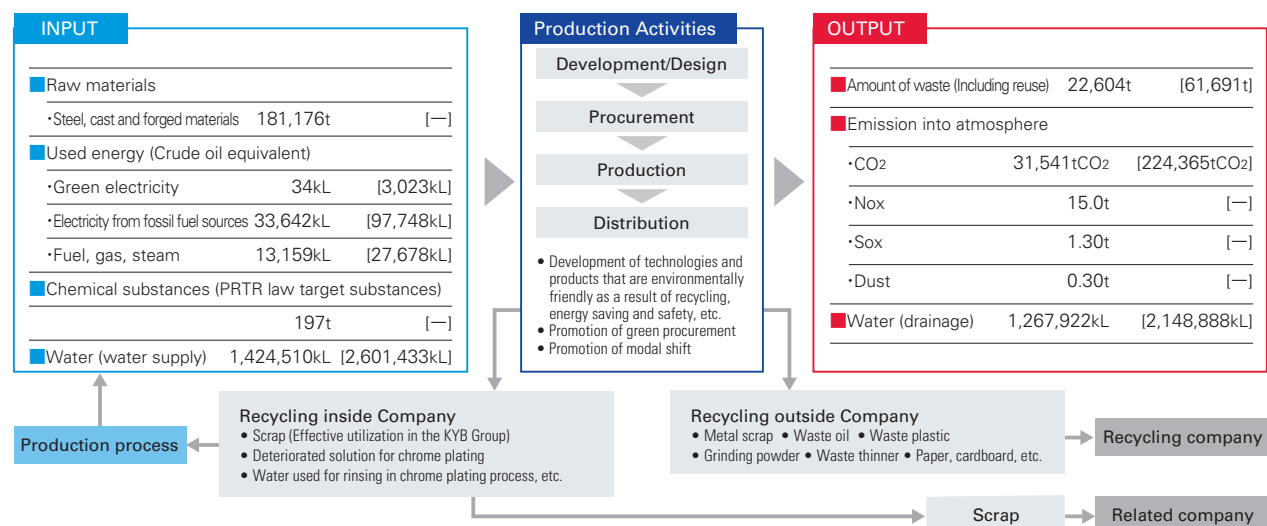
Wastewater converted into RO water

*UMW: Major automobile corporation in Malaysia (KMSB is our joint venture with the company.)

Resource Circulation and Consideration of Environmental Burden

The raw materials and water that KAYABA uses in its manufacturing activities are limited resources. Therefore, the Company is promoting resource circulation at its own facilities. For example, 267 tons of scrap material is reused within the Group every year, and the chrome wastewater treatment facility in our plating process reuses 56,070 kiloliters of water.

In order to limit the environmental burden caused by corporate activities, we are conducting risk assessments and taking the appropriate safety measures to the greatest extent possible regarding the levels of danger and toxicity of chemical materials. Also, we are planning to respond to the newest round of revisions to the chemical substance regulations of the Industrial Safety and Health Act through spreading knowledge within the company and conducting inspections.



Note: [] refers to the KAYABA Group (KAYABA, seven domestic subsidiaries, and 18 overseas subsidiaries).

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.

FY2022 Results (Six KAYABA plants) (Millions of yen)

Cost Type	Major Contents	Invested Amount	Cost	
(1) Business area cost	(1)-1 Pollution prevention cost	88.5	208.7	
	Air pollution and water pollution prevention activities			
	Maintenance and inspection of pollution prevention facilities			
	Analysis and measurement of atmosphere and water quality			
(1)-2 Global environmental conservation-cost	Energy conversion	0.0	29.6	
	Energy-saving activities (Investments, etc.)			
(1)-3 Resource circulation cost	Recycling of plant waste	0.0	226.7	
	Reduction of industrial waste			
(2) Upstream/downstream cost		0.0	0.0	
(3) Management activity cost	Maintenance and management of ISO 14001, etc.	0.0	119.7	
	Monitoring of environmental impact and employee education			
	Environmentally friendly product development			
(4) R&D cost	Lightweight products and products containing less hazardous chemical substances	0.1	121.1	
(5) Social activity cost	Support of non-profit environmental protection	0.0	3.9	
(6) Environmental remediation cost	Afforestation and maintenance of scenery around plants	0.0	0.0	
(7) Other cost	Internal environmental conservation	0.0	24.5	
	Welfare conservation			
	Subtotal	88.6	734.2	
	Grand total		822.8	

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.

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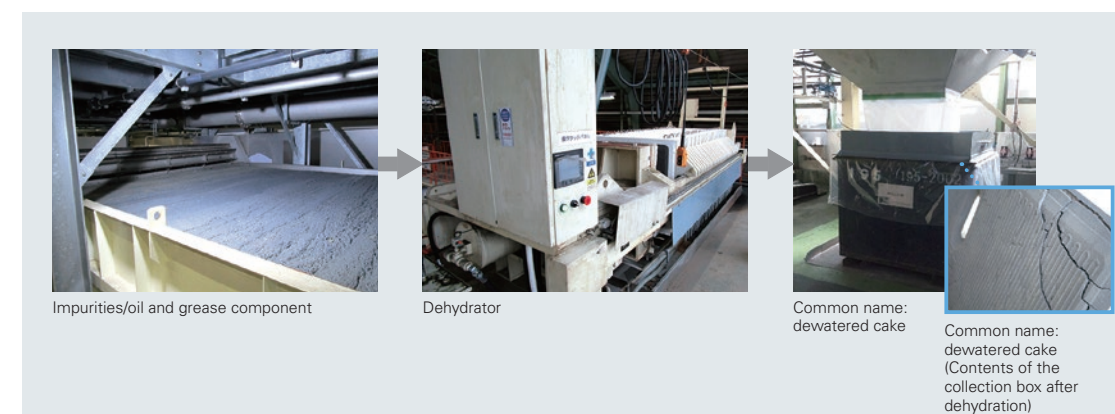
Examples of Environmental Initiatives

Volume reduction using dehydrators* (Gifu North Plant)

Every month, we hold the Environmental Preservation Specialist Committee, comprised of the person in charge at each plant and domestic affiliate, and engage in activities to reduce waste. We worked to reduce disposal weight under the theme of "waste matter reduction" and reduced the weight of our final disposal as an activity related to environmental preservation.

We collect liquid with impurities and oil content, including the drainage (washing water, degreasing cleanser) that is generated during production processes, and evaporate them using dehydrators. Evaporation reduces the water portion included in the drainage, allowing for an 80% cut in waste matter.

*Volume reduction: To lower the weight of waste matter by removing water and oil that has been mixed with sludge in the coating and grinding processes



Reduction of Specially-controlled Industrial Waste

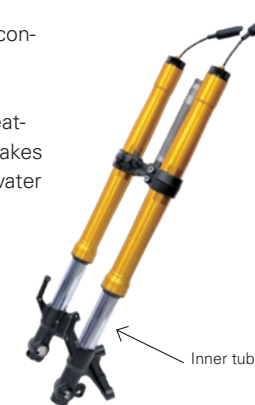
Plating equipment is used on inner tubes for motorcycle front forks to give them a pleasing appearance, make them resistant to rusting, and improve their sliding properties. We have reduced the equipment's use of specially-controlled industrial waste by 80%.

Electrolysis wastewater is produced in the process of washing raw materials prior to plating. The wastewater could not be treated within the plant because the process uses a chelating agent,* so it had to be discharged as specially-controlled industrial waste. However, we have now installed wastewater treatment equipment that makes it possible to treat the water on the premises.



Wastewater treatment equipment

* Chelating agent: A substance that bonds (limits actions that hinder cleaning) metal ions (foreign matter) contained in water or dirt



Supply Chain Management

Basic Policy

We will further make demonstrable increases to the responsibilities of the companies in our supply chain in conducting efforts to uphold human rights, prevent child labor and forced labor, procure minerals responsibly, and achieve carbon neutrality. KAYABA will further strengthen its 11-item supply policy, fulfil our corporate social responsibility together with the business partners who are important to the manufacture of our products, and promote the creation of a sustainable society.



For policy details, see "Supply information" on the website
→ https://www.kyb.co.jp/english/company/supply_information.html

Supply Basic Policy

1. Supply activities with the aim of mutual existence and prosperity with customers
2. Legal compliance
3. Quality first
4. Safety and health, human rights and labor
5. Continuous cost price reduction activities
6. Scheduled delivery
7. Care for the natural environment
8. Construction of global supply systems
9. Crisis management
10. Management of confidential information
11. Prevention of corruption

Building Relationships with Suppliers

KAYABA holds the Purchasing Policy Briefing for the management positions of our business partners in order for them to develop a better understanding of our corporate policies, procurement policies, quality policies, and initiatives for carbon neutrality.

We are moving ahead with responsible CSR procurement through sharing information with business partners on issues and targets such as improvement activities for optimizing procurement for the region and decreasing costs for logistics and inventory.

We also strive to increase mutual trust and build partnerships aiming for coexistence and mutual prosperity with business partners. This is vital in ensuring that they align with KAYABA's expectations for quality (Q), cost (C), and delivery time (D), which includes

recognizing and commending partners who demonstrate notable contributions and cooperation (such as submission rates of survey request materials as well as technical and development capabilities).

For our new business partners, in addition to QCD in terms of risk response, we conduct a comprehensive evaluation based on the management situation, the results of system audits by the quality department/division, and whether or not the subject has obtained ISO9001, IATF16949, and ISO14001 certification, and make a judgement on the advisability of the transaction. On the other hand, for current major business partners, we conduct evaluations on their management situation by means of their annual business partner evaluation records.

Initiatives to Prevent Human Rights Violations in the Supply Chain

Based on the UK Modern Slavery Act of 2015, we are working to prevent slave labor and human trafficking in the KAYABA Group's business activities as well as its supply chain.

We confirm the establishment of education on fundamental knowledge related to the UK Modern Slavery Act and check human rights awareness and human rights regulations. We conducted inspections on KAYABA's 580 first-tier domestic suppliers from the end of FY2021 to the start of FY2022. We found that 190 companies answered to the effect that their awareness of human rights had improved (compared to FY2017). This shows the effectiveness of our awareness campaigns.

Based on the inspection results, we are working to create and distribute materials to business partners with

an inadequate understanding, in addition to shared materials aimed at raising awareness, to further increase their understanding.

The CSR & Safety Control Div. is at the center of our wide-ranging, specialized initiatives to promote CSR. It prevents human rights violations, forced labor and child labor in the KAYABA Group. Also, it raises awareness of social responsibility in the supply chain and clearly stipulates corporate guiding principles opposing forced labor and child labor across the supply chain.

Going forward, while understanding the situation at our business partners, we will cooperate with the relevant departments in continuing education and awareness activities related to preventing human rights violations and slave labor.

Responding to Responsible Mineral Provision

To avoid inadvertently providing funds to armed groups responsible for human rights violations, the KAYABA Group annually conducts an investigation with the cooperation of its business partners, summarizes the results and reports to customers that request such information, in accordance with the Dodd-Frank Act.* Also, we quickly respond to customer inquiries after the report.

In these inspections, we employ the questionnaire issued by the Responsible Minerals Initiative (RMI: an organization that is promoting the responsible procurement of minerals). It was distributed to 226 companies,* and the response rate to the questionnaire in FY2022 was 85%.

* 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.
Target minerals: tin, tantalum, tungsten, gold
* The target suppliers are selected based on IMDS (International Material Data System) information.

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Purchasing Policy Briefing

We hold the Purchasing Policy Briefing once every year. However, it was not held in 2020 due to the spread of COVID-19 infections, and the only option in the following years was to hold the meeting online. In July 2023, the briefing was held in a face-to-face format for the first time in four years.

At the briefing, 211 people from 196 companies attended. We held a commendation ceremony to award seven excellent business partners in FY2022. The meeting provided a venue for us to further the understanding of KAYABA's various policies aiming for coexistence and mutual prosperity as well as our initiatives for ESG management, as well as reconfirm our mutual trust.



FY2023 Purchasing Policy Briefing

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About Keneikai

Keneikai is an activity organized by our business partners that evolved out of the KAYABA-led Theme Research Society. It started its activities in 2020, and conducts whole-group activities such as holding a general meeting, workshops for managers, and observation tours of plants. Also, members from among 73 companies come together at the Keneikai Briefing / Kickoff Meeting held every year in April to start improvement activities and event planning based on common themes in which teams jointly take part.

Continuing from the previous fiscal year, the themes for FY2023 are improvements to the BCP and quality. The BCP section consists of three teams with members from 24 companies, and the quality section consists for two teams from 17 companies, making a total of 41 companies providing members who engage in improvement activities.



FY2023 Keneikai Briefing and Kick-off Meeting