

## ESG Management as the Foundation of Our Policies

The KAYABA Group sets ESG management as the foundation upon which we formulate our policies, establishing an overall perspective of value creation (sense of values, business model, sustainability, growth potential). While living up to our Corporate Spirit of “offering products that make people’s lives safe and comfortable, and contributing to society,” we are incorporating ESG initiatives into our existing business activities and promoting initiatives aimed at resolving environmental and social issues in order to contribute to the achievement of a sustainable future society.

Value Creation We Strive For

### TQM Initiative

In order to continue offering the ultimate in ride comfort, the KAYABA Group is strengthening the foundation of its quality management, advancing its core technology, stabilizing its performance, and raising the achievement level of its management plans.

2023 Mid-Term Plan Slogan

### Mastering Quality Management

—Making TQM the Basis of All Activities

- **Initiative purpose:** Provide products and services that meet the needs of customers and society, achieve long-term success of the organization through the job satisfaction of workers
- **Initiative details:** Achieve efficient organizational operations that are appropriate to changes in the management environment by maintaining, improving, and innovating in all work processes

### Key Products for the Future



サステナブルゴ  
Environmentally Friendly Hydraulic Oil



Leak Detection Cylinders



Fluid Condition Monitoring Sensor



Adjustable Damping Shock Absorbers with Proportional Solenoid



e-Mixer III / Touch Panel Monitor

- EV shift**
- Construction and agricultural machinery: electric hydraulic use

Ship'30

- Accelerating electrification**
- Decline of gasoline-powered vehicles
  - Construction and agricultural machinery: remote control, automation, unmanned operation

2025

**KYB's target:**  
15% global  
renewable energy  
adoption rate

2024

2030

- SUSTAINABLE DEVELOPMENT GOALS**
- The 2030 problem (human resource shortage from decreasing birthrate and aging population)
  - Circular economy (recycling economy)

**KYB's target: 50% reduction in CO<sub>2</sub> emission volume compared to 2018**

- GX League Phase 2 (introduction of emissions transactions)
- Expansion of non-financial information disclosure (CSRD, SSBJ)

100th anniversary of establishment

- Construction and agricultural machinery: full electrification

2035

2050

**Decarbonized society**

- Achieving carbon neutrality (Japan)

**KYB's target: Carbon neutrality**

Building a Robust Management Foundation

## ESG Initiatives

The KAYABA Group's aims go beyond immediate profits. We also aim for sustainable growth through considerations for the environmental and society as well as the construction of a sound corporate constitution.



- Five Initiatives of Environmental Activities**
1. Develop products that contribute to environmental preservation
  2. Reduce environmental burden of products
  3. Reduce environmental burden in *monozukuri*
  4. Environmental preservation activities
  5. Environmental managements
- Six Initiatives of Social Activities**
1. Develop products that contribute to society
  2. Occupational health and safety
  3. Respect for human rights
  4. Diversity of human resources
  5. Social contribution activities
  6. Fair business practices:
- Five Initiatives of Governance Activities**
1. Compliance, instilling awareness of norms
  2. Group governance
  3. Governance of product development
  4. Governance of *monozukuri*
  5. Risk management, BCP



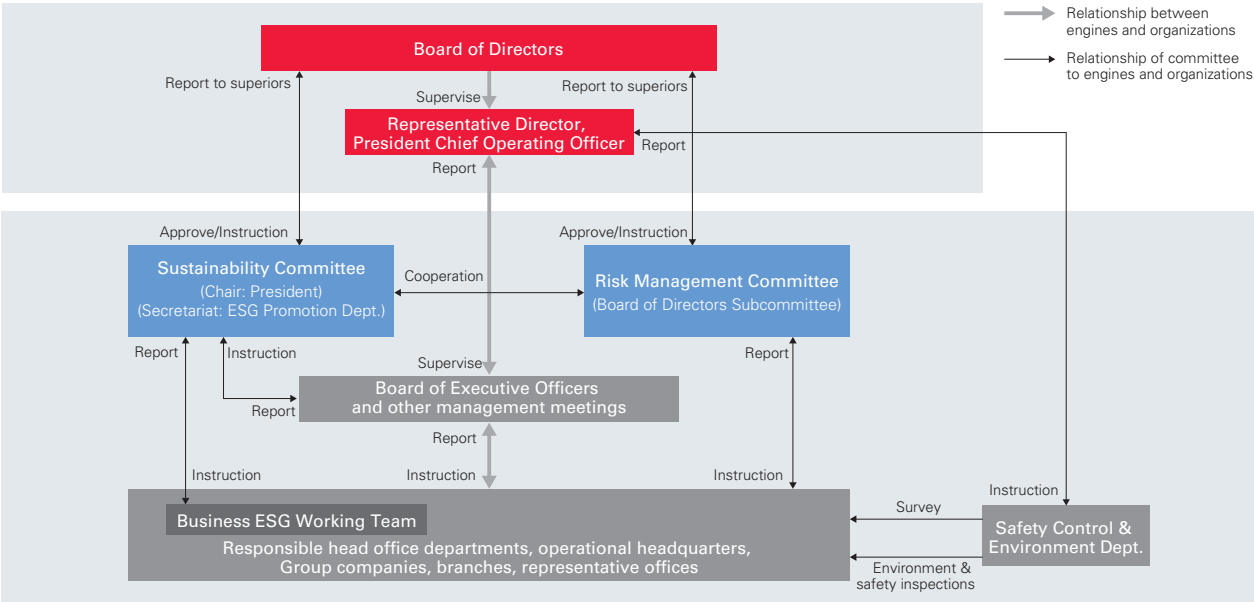
ESG Promotion System

It is necessary to strongly promote ESG initiatives related to creating a sustainable society. Therefore, we reorganized the ESG Promotion Department and CN Promotion Section under the Corporate Planning Div. The ESG Promotion Department acts as the secretariat for the Sustainability Committee, an organization that coordinates the entire Company and which holds discussions on initiatives related to sustainability.

The matters discussed by the Sustainability Committee are submitted/reported to the Board of Directors, and we work on the planning of policies and activities as well as providing support and follow-up for the activities of all departments with the cooperation of all committees and functional divisions shown in the chart below. Also, the Business ESG Working Team identifies risks and opportunities related to climate change as well as countermeasures, and reports to the Sustainability Committee.

Regarding individual sustainability themes, the lead department (each functional department, each business unit/plant) receives deliberation on issues that should be addressed and activity plans from each expert committee, and cooperates with the relevant departments in working on the initiatives.

Chart of Organizations Related to Sustainability



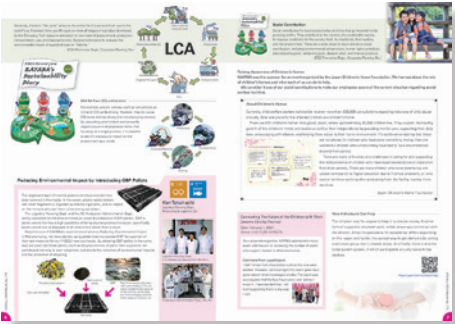
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Instilling ESG within the Company

The independent efforts of each employee are indispensable to promoting ESG management. We share information related to ESG through the company newsletter and the in-house intranet such as our bulletin board, seeking to raise awareness.

Also, we provided e-learning courses on ESG management for all employees in FY 2023, in which they learned fundamental knowledge about ESG and the SDGs, and also about KYB's initiatives.

Awareness building activities	<ul style="list-style-type: none"><li>Corporate website</li><li>Providing information on the in-house intranet</li></ul>
Education for promoting understanding	<ul style="list-style-type: none"><li>Training for new employees</li><li>Training when being promoted</li><li>E-learning for all employees (100% participation)</li></ul>



Environmental Activities

Balancing Global Environment Efforts with Sustainable Development

Outline of Environmental Activities

Based on our Corporate Spirit of cherishing nature and caring for the environment, we aim to achieve carbon neutrality by 2050 with a focus on the future global environment, and to contribute to global environmental conservation as well as the achievement of a sustainable society.

Five Initiatives of Environmental Activities

- Develop products that contribute to environmental preservation:** Develop environmentally friendly products that can contribute to society
- Reduce environmental burden of products:** Reduce CO<sub>2</sub> emissions volume of all products, from the procurement of materials to design, use and disposal/recycling
- Reduce environmental burden in *monozukuri*:** Promote reductions of discharges in manufacturing activities (CO<sub>2</sub>, waste matter) and resource circulation
- Environmental preservation activities:** Preservation of the natural environment and biodiversity, carry out SDGs
- Environmental managements:** Manage and prevent environmental risks, promote continuous improvements

FY2023 Activity Achievements

Environmental Vision	Initiative	Specific Activities	FY2023 Achievements
1. Develop products that contribute to environmental preservation	Develop products that contribute to the reduction of CO <sub>2</sub> emissions volume (electric products)	Product development for e-Axle (AC)	Development of electric pump for lubrication and cooling (pump + motor + ECU)
		Development of electric pump unit (HC)	Concept study
		Development of energy saving hydraulic excavator system (HC)	System design / control algorithm design, principle prototyping started
		Development of electromagnetic proportional control valve (HC)	Production of electromagnetic proportional control valves for three-to-four-ton excavators (starting in January 2023). Continued development on electromagnetic proportional control valve for uses other than excavators
	Develop products for a circular economy	Develop biodegradable hydraulic fluid (AC)	Continue supplying biodegradable hydraulic fluid for racing dampers Started mass production specification plans using knowledge and technology gained from competing in races
		Optimum maintenance and breakdown prediction using sensors (HC)	Continued development on oil leak detection cylinder Continued development on oil condition diagnosis sensor/system
2. Reduce environmental burden of products	Reduction of CO <sub>2</sub> in lifecycle	Calculation of CO <sub>2</sub> emission volume	Scope 3 CO <sub>2</sub> emissions identified, including manufacturing and other facilities Obtained warranty from third-party verification
		Reduction of CO <sub>2</sub> emissions from raw materials	Promoted electric furnace material supply Raised resin recycling rate
	Cooperation with business partners	Share information on carbon neutrality initiatives	Conducted business partner survey on carbon neutrality awareness Conducted briefing and survey on CO <sub>2</sub> emission volume survey Requested carbon neutrality efforts at purchasing policy briefing and other meetings
		Reduction of CO <sub>2</sub> in corporate activities	Made progress with switching company cars to EVs, promoted web meetings and remote work
3. Reduce environmental burden in <i>monozukuri</i>	Promotion of energy conservation initiatives	Energy conservation initiatives according to the six rules	Promoted use of LEDs: CO <sub>2</sub> reduction of 752tCO <sub>2</sub> Reduced stream heat loss: CO <sub>2</sub> reduction of 154tCO <sub>2</sub> Used waste heat for air conditioning: CO <sub>2</sub> reduction of 0.6tCO <sub>2</sub>
		Improve productivity	Reduction of non-operating time: CO <sub>2</sub> reduction of 374tCO <sub>2</sub>
		Reduce defect ratio	Decreased defect losses: CO <sub>2</sub> reduction of 14tCO <sub>2</sub>
	Promote capital investments in energy conservation	Production technology development	Increased speed of heat treatment (under development) Shortened coating dryingtime (under development) Reduced excess plating layers (under development)
		Upgrade aging equipment	Gifu North Plant cogeneration system started: CO <sub>2</sub> reduction of 1,799tCO <sub>2</sub> Renewal of aging compressors: CO <sub>2</sub> reduction of 54tCO <sub>2</sub>
		Renewal of aging production equipment	Energy saving and high efficiency equipment: CO <sub>2</sub> reduction of 1,308tCO <sub>2</sub>
	Promotion of renewable energy	Introduction of photovoltaic power generation system	Power generation of 13,013MWh: CO <sub>2</sub> reduction of 5,982tCO <sub>2</sub> Country installed: Japan, Spain, China, Thailand, Vietnam, Malaysia, and Indonesia Plant installed: 12 plants (YoY change: +5 plants)
	Promotion of resource circulation	Reduction of waster matter volume	Reduced volume of water-based waste fluid: CO <sub>2</sub> reduction of 20tCO <sub>2</sub>
		Promote recycling	In-house recycling of casting sand and shot pellets: CO <sub>2</sub> reduction of 1tCO <sub>2</sub> Introduction of OBP Pallets: CO <sub>2</sub> reduction of 4tCO <sub>2</sub>

FY2023 Activity Achievements (continued)

Environmental Vision	Initiative	Specific Activities	FY2023 Achievements
4. Environmental preservation activities	Offset through CO <sub>2</sub> absorption	Increase the volume of CO <sub>2</sub> absorption through planting trees	Tree-planting activities (China, Brasil, Vietnam, Thailand)
	Efforts to preserve biodiversity	Manage and reduce the volume of water used and drainage	Started global management of water intake and drainage Use of water circulation system (Malaysia)
		Approval for initiative	Endorsed the Keidanren Initiative for Biodiversity
		Conservation of near-threatened species <i>Lespedeza tomentosa</i> (Developmental Center)	Survey of the <i>lespedeza tomentosa</i> habitat conditions confirmed that it has expanded to 700m <sup>2</sup> .
		Use Chipping Vehicle for Pruned Branches for organic farming	Started proof of concept for composting wood chips from crushed pruned branches, scattered in paddy fields in December 2023
5. Environmental management	In-house education and awareness	In-house education and awareness Human resources training	Conducted ESG training for employees by education level and e-learning for all. Provided ESG information on the intranet and in company newsletters.
	Actively disclose environmental information	External evaluation	CDP score: B on climate change, C on water security Toyo Keizai CSR survey: 371st EcoVadis: 51 %
	Introduce environmental management	Obtainment of ISO 14001 certification	100% of domestic companies and 93% of overseas subsidiaries (up 5% YoY)
	Legal compliance and prevention of environmental accidents	Management and reduction of environmentally hazardous substances	Zero prohibited substance use
		Environmental safety audits	Confirm the environmental activities of plants through environmental safety audits on 37 global plants

Response to Climate Change

The KAYABA Group’s goal is to achieve carbon neutrality by 2050. We are conducting initiatives to reduce our greenhouse gas emissions volume, measures to reduce the use of materials with high environmental burdens in products, and develop products with low CO<sub>2</sub> emis-sions and that save energy. Regarding risks related to climate change and business opportunities found in their impacts, falling into a situation in which orders

decline and operations at plants are suspended would have a major financial impact, so we categorized its definition, possibility of occurrence, size of impact, and quantitative effect, and have clarified how serious the impact would be. We have evaluated the degree of impact using the scenario analysis shown in the table below, and are using it to formulate our business strate-gy and management plans.

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 KYB 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. In addition, analysis using the WRI Aqueduct tool has revealed that there is a certain level of risk.	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.
	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. In order to lower weights, we will substitute materials such as high-tension steel, aluminum, and resin, and strive to pursue structural weight reduction and other technologies.
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 using our core technology, achieving a position of superiority, and delivering <i>monozukuri</i> that satisfies consumers.

Metrics and Targets

The targets and actual results regarding climate change for KYB and its subsidiaries' production bases are as follows.

Index	Target		FY2023 (Actual results)	
	Fiscal year	Numerical target	Results	Evaluation
CO <sub>2</sub> total emissions volume (Scope 1, 2)	2022	218,951 tCO <sub>2</sub>	211,731 tCO <sub>2</sub>	Accomplish
	2030	138,578 tCO <sub>2</sub>		(Initiative ongoing)
	2050	0 tCO <sub>2</sub> Carbon newtral		(Initiative ongoing)
Renewable energy adoption rate	2025	15%	12.9%	(Initiative ongoing)

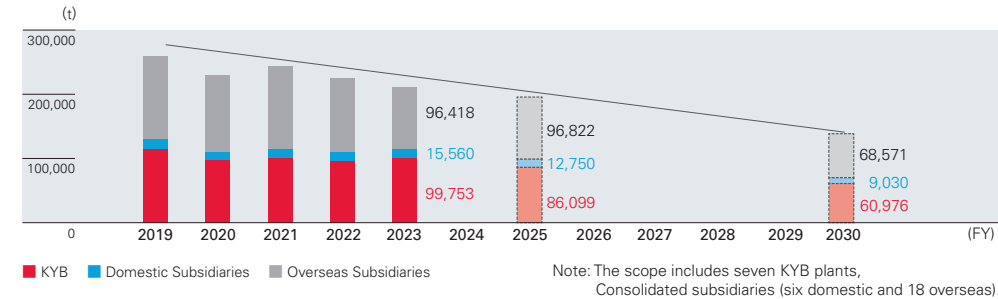
Initiatives for Carbon Neutrality

Environmental 3

To achieve our targets for CO<sub>2</sub> emissions volume reduc-tion as we aim for carbon neutrality, we promote activities at all Group locations, with a focus on the CN Promotion Section and including production sites, offices and distributors. We facilitate the development of action plans tailored to the circumstances of each plant, office, and country by providing examples of daily energy saving activities for follow-up implementation, supporting the formulation of renewal plans through conducting inventories of aging equipment, and are

examining the introduction of renewable energy with a focus on the future of electric power procurement. The Energy-saving Plant Subcommittee holds monthly meetings to discuss the action plans and share issues at locations as well as activity progress, thereby creat-ing opportunities for subcommittee members to review and refine the plans at their own locations. In this way, the entire Group clarifies and acts on its transition plan to achieve carbon neutrality.

- CO<sub>2</sub> emissions reduction targets (Scope 1, Scope 2)  
2025 emission volume for the KAYABA Group: 195,671 tCO<sub>2</sub>  
2030 emission volume for the KAYABA Group: 138,577 tCO<sub>2</sub> (50% reduction compared to 2018)  
2050 carbon neutrality



- Energy conservation target  
2025: 3% reduction (compared to 2022)
- Industrial waste reduction target  
2025: 3% reduction (compared to 2022)

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Specific Initiatives for Achieving Carbon Neutrality

In addition to energy conservation activities such as turning lights off or on daily, managing the temperature of air conditioners, and raising the efficiency of production equipment, we are promoting resource circulation such as minimizing waste and using renewable energy such as solar power.

Promote energy conservation activities

The six rules, productivity improvement, reduction of defect rate

Promotion of capital investments in energy conservation

Energy conservation, high efficiency, inverter use, and electrification

Introduce renewable energy

Solar power generation and private power generation of renewable energy

Promotion of resource circulation

Recycle, reuse, and minimization of waste

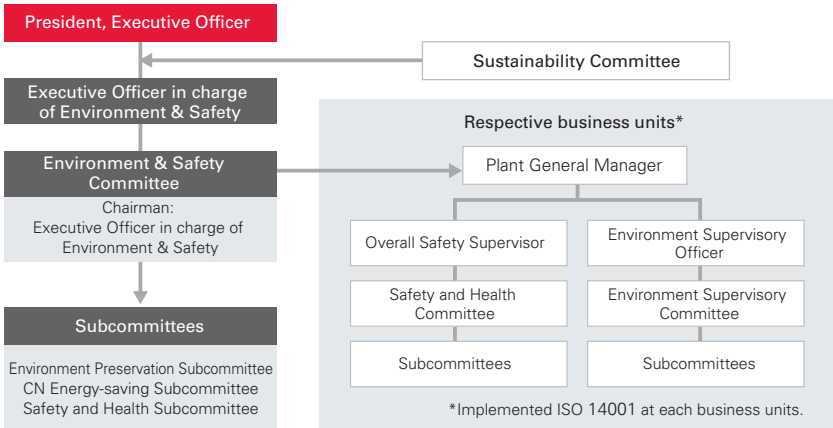
Promote the reduction of CO<sub>2</sub> emissions in business activities  
Selection of items to purchase, transportation methods, review of transportation means for business trips and commuting, and more



Environmental Managements

Environment & Safety Management System

In our efforts for the environment and safety, we work to unify the direction of each workplace through the Environment & Safety Committee, which is led by the Director in Charge of CSR and safety. Also, all worksites have obtained the international standard ISO 14001 for environmental management, and we are systematically rolling out efforts for environmental preservation. Furthermore, we monitor and revise our activities through conducting environmental and safety audits.

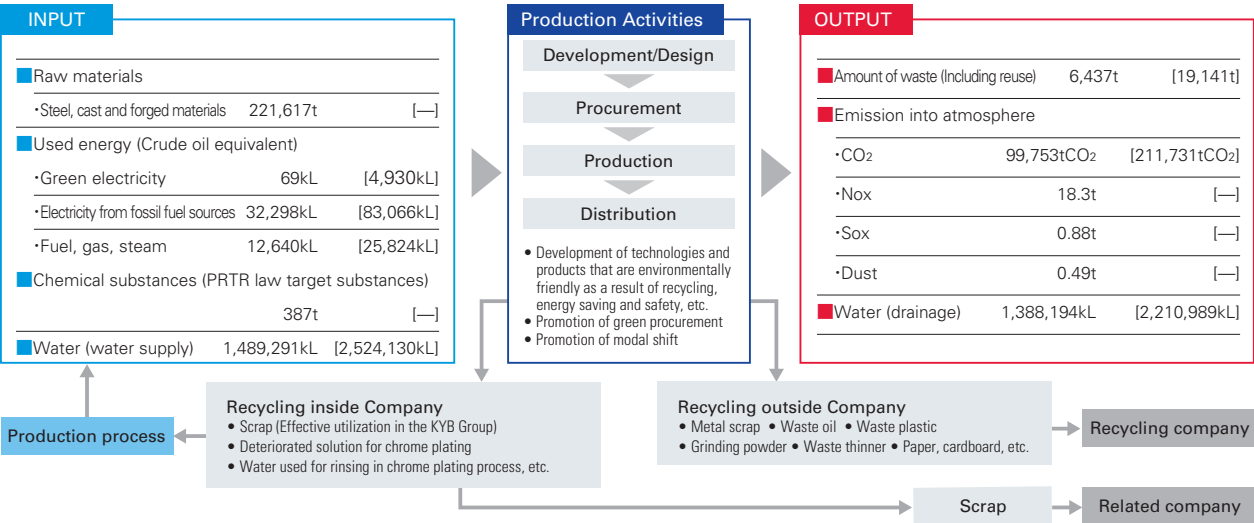


Resource Circulation and Consideration of Environmental Burden

The raw materials and water that KYB uses in its manufacturing activities are limited resources. Therefore, the Company is promoting resource circulation at its own facilities. For example, 1,004 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 minimize the environmental burden

caused by corporate activities, we conduct risk assessments and implement appropriate safety measures for chemical substances with potential hazards or toxicity. Additionally, starting in FY2023, we are addressing the latest revisions to the chemical substance regulations under the Industrial Safety and Health Act by promoting internal awareness and conducting inspections.



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

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. KYB 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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Initiatives to Preserve Biodiversity

Our Corporate Spirit encompasses our love for the environment, which we treat as precious. Based on this, we undertake environmental conservation initiatives with a focus on the global environment of the future, and in March 2024, became a signatory of the Initiative for Biodiversity Conservation of the Japan Business Federation, Keidanren. We engage in responding to climate change and resource circulation, the reduction of waste, and the management of chemical substances, thereby actively promoting the safeguarding of natural resources.

Native Species Conservation: Protecting Rare Vegetation through the Lespedeza tomentosa Initiative

KYB's Development Center is situated in the nature-rich mountainous area spanning Kawabe Town and Minokamo City in Gifu Prefecture. Established in July 2011, the center continues to play a vital role in our operations.

During the planning phase, a survey of the natural environment was conducted to ensure the preservation of local biodiversity. The survey identified the presence of Lespedeza tomentosa, an endangered species. In response, a conservation initiative was launched. At the time, the plant covered an area of approximately 100 square meters. Today, it has expanded to around 700 square meters. Looking ahead, we remain committed to proper management practices to safeguard the continued growth and preservation of Lespedeza tomentosa.



Social Activities



Outline of Social Activities

Based on our Corporate Spirit of building a corporate culture full of vitality and contributing to the prosperity of society, we aim to help develop society by respecting human rights, creating comfortable workplaces, and contributing to the local community.

Six Initiatives of Social Activities

1. Develop products that contribute to society:

2. Occupational health and safety:

3. Respect for human rights:

4. Diversity of human resources:

5. Social contribution activities:

6. Fair business practices:

Multistakeholder Policy

KYB recognizes the importance of co-creating value with a wide range of stakeholders such as stockholders, employees, business partners, customers, creditors, and regional communities, and works to collaborate effectively with its multiple stakeholders.

For the viewpoint that our actions will lead to maintaining momentum for wage increases and

sustainable economic development, we appropriately return the profits and results generated through value co-creation and productivity improvements to our multiple stakeholders, promoting initiatives that take the needs of employees and business partners into consideration.

Our Commitments

To fulfill our Corporate Philosophy, we have established “Our Commitments.”

- To our customers

We will provide our customers with safe, quality goods and services through our outstanding technology and skill to gain their satisfaction and trust.
- To our shareholders

We will run the Company with transparent and high-quality management, striving to achieve the appropriate result, and enhancing the degree of mutual understanding and satisfaction by our shareholders.
- To our suppliers

We will commit ourselves to hold transparent, free and fair competition to establish the mutual trust and fair deals.
- To society and environment

We will contribute ourselves to the society, as good corporate citizens, giving the first priority to the safety and environment and balancing with the local communities.
- Every one of us

We will comply with the laws, respecting mutual personality and individual person’s sense of value, and try to make the workplaces full of the creativity and inclusion.

Occupational Safety and Health

Health and Safety Activities

At the KAYABA Group, we carefully observe all laws and regulations related to occupational safety and health, always put safety first, and aim to create a sound work environment in which our employees can work safely and where health problems and occupational injuries are prevented.

To eliminate occupational injuries, we promote the strengthening of risk assessments and management including for chemical substances, share information within the Group related to occupational safety and health, and conduct internal audits.

Occupational Safety and Health Management System

Implementation of the Occupational Safety and Health Management System (OSHMS) and ISO 45001\* protocols started at the Gifu North Plant in fiscal 2004. We are working to strengthen the foundation by expanding occupational safety management system initiatives. As of FY2022, all plants have obtained certification.

\* ISO45001: International standard for occupational safety and health management systems

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 Lost-Time Injury Cases

(FY)	Domestic (Case)	Overseas (Case)	Global Lost Time Injury Frequency Rate (%)
2020	4	39	1.1
2021	7	35	1.0
2022	11	22	0.9
2023	9	26	0.9

Plant Fire Prevention Activity

This activity is positioned as important, as it not only mitigates the negative impacts of fires on nearby residents but also protects employee safety. We strive to prevent fires not only by inspecting and maintaining legally required fire protection equipment but also through continuous inspections and evaluations. We also conduct inspections of manufacturing facilities with particularly high fire risks using a dedicated checklist. Additionally, we ensure proper operation and maintenance by conducting regular fire prevention patrols. To raise employees’ awareness of fire prevention, the first working day of each month is designated as “Fire Prevention Day, ” during which all employees participate in fire prevention activities.

Annual Number of Fires (Cumulative Total)

(FY)	Domestic (Case)	Overseas (Case)
2020	10	11
2021	11	11
2022	6	12
2023	5	9

Human Resources Strategy

The KAYABA Group understands that diversity of human resources is a key initiative to achieve sound management. In addition to building a workplace that respects diverse values, cultures, and customs and provides job satisfaction, we aim to develop a corporate culture with a flexible management strategy and product development as well as open communication. We are striving to raise employees' job satisfaction and engagement so that each person who works at the KAYABA Group can display their respective strengths to the fullest.

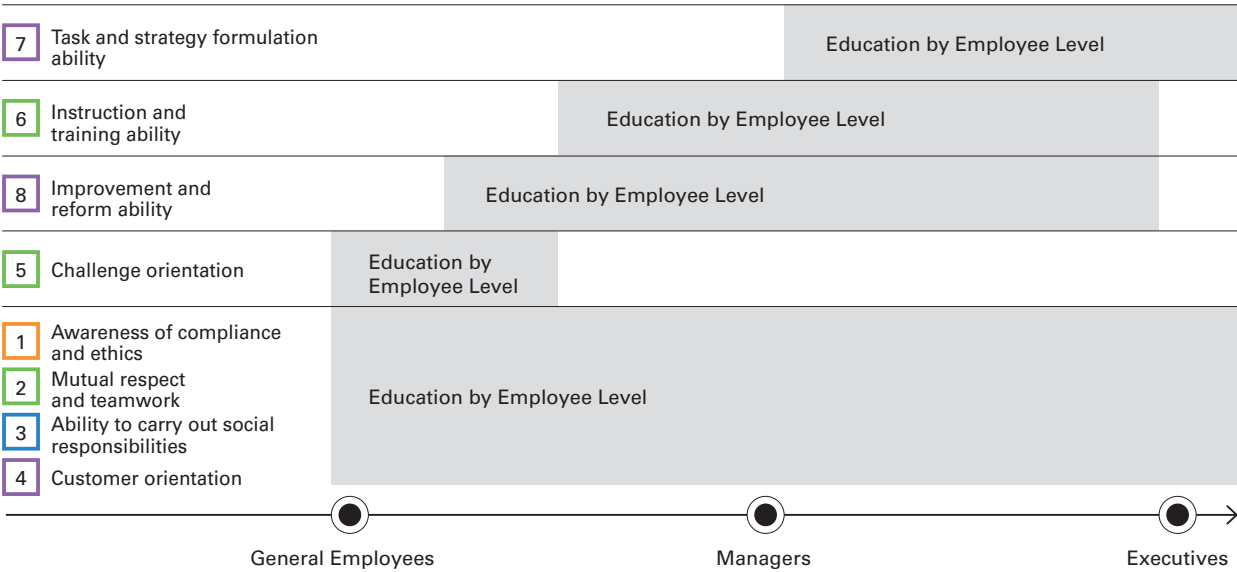
Improving the Quality of Human Resources

We have defined eight qualities and two skills that are required of our human resources to contribute to achieving the Corporate Spirit. Our education program provides the following ten aspects (eight qualities and two skills/knowledge). We have clarified the qualities and skills required for each level and purpose, and conduct the relevant group training and on-the-job training. Through this system, we improve the quality of the necessary human resources, information, and operations at each worksite, which positively impacts the TQM activity for raising the quality of products and services.

10 Pillars Required to Bring the Corporate Spirit to Life (Eight qualities and two skills)

Relationship with the Corporate Spirit	
<div><div></div> We shall follow all rules and face all issues with <b>honesty</b>.</div> <div><div></div> We shall build a corporate culture full of <b>vitality</b>, and hold high goals.</div> <div><div></div> We shall value <b>sincerity</b>, cherish nature, care for the environment.</div> <div><div></div> We shall constantly pursue <b>creativity</b>, contribute to the prosperity of customers, shareholders, suppliers and society.</div>	
Eight qualities	Definition
<div><div>1</div> Awareness of compliance and ethics</div>	<div><div></div> Observes the rules of society and the Company, makes the right judgement (choice) as a person in any case.</div> <div><div></div> Knows the right thing from an ethical viewpoint without being influenced by their surroundings, and points it out without hesitation even to an executive in a superior position.</div>

Education in the Eight Qualities by Employee Levels



Also, we provide two forms of education necessary to global management. The first is for persons set to be transferred to an overseas plant to act as General Manager. It incorporates practical examples of local situations and problem-solving methods, and contains extensive content that enables a more concrete visualization and response to local situations. The second is

for employees in the workplace at the plants. The textbook collects shared matters that they should know as employees of the KAYABA Group, starting with our Corporate Spirit and vision and moving on to safety, environment, *monozukuri* abilities, and our core competence. This education provides the same level of knowledge and skills to each plant.

Efforts for Diversity

Encouraging the Active Participation of Women

In FY2023, we launched a new training program aimed at changing managers' attitudes toward promoting the active participation of women.

Also, KYB received the Eruboshi public certification in 2023, which is conferred upon companies that excel in progress with initiatives related to the active participation of women. We were highly evaluated for improving the ratio of female managers for the second consecutive year. We set forth a FY2025 target of 24 female managers, but in FY2023 we stalled at 18. In order to increase the number of female employees who

are in the position to become candidates for management, we will continue to develop an environment in which female employees can play an active role in such ways as obtaining opinions from female employees through roundtable discussions and offering step-up training in FY2024 which gives participants an opportunity to think about their own careers.

Item	FY2023	FY2025 Target
Number of women managers	18	24

Note: The scope is for KYB Corporation.

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Efforts to Change Attitudes

We held a roundtable discussion for female employees of KYB. We exchanged opinions to find out how female employees think and feel about managerial positions, the organizational climate, and their own careers. Also, we provided unconscious bias training to Directors and General Managers of the domestic KAYABA Group for the purposes of understanding diversity as well as becoming self-aware of and eliminating unconscious biases.



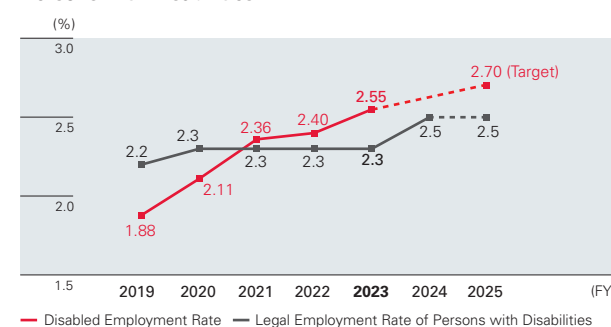


## Employment of people with disabilities

Social 2 3 4

We are progressing with initiatives aimed at the creation of a workplace where people with disabilities and those without disabilities can work and enjoy job satisfaction. We are widening the scope of the work that people with disabilities conduct as well as increasing the workplaces they can enter, thereby raising the hiring rate of people with disabilities. In September 2019, KYB established the Work Support Center, which conducts activities aimed at promoting employment and increasing the retention rate in cooperation with each department within the Company, government offices, schools, and various associations. At the end of March 2019, the disabled employment rate was 1.88%, and it has risen to 2.55% as of the end of March 2024. This surpasses the legal employment rate of 2.50%, which came into effect on April 1, 2024. Going forward, we will continue our efforts to hire people with disabilities.

Disabled Employment Rate / Legal Employment Rate of Persons with Disabilities



Note: The scope is for KYB.

## Increase Job Satisfaction/Engagement

Social 2 3 4

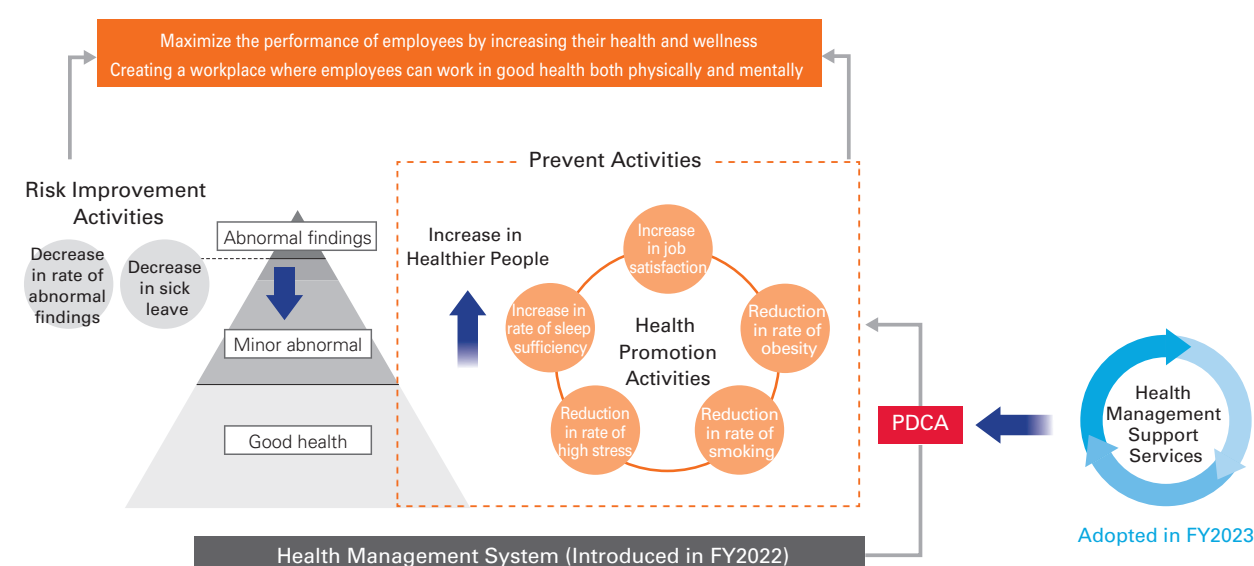
## Health Management

We conduct health management initiatives centered on the Health Management Promotion Project, which was established in 2019 on the initiative of the upper management. In FY2023, a total of seven group companies we recognized as Excellent Corporations for Health Management in the large corporation and small to medium-sized corporation categories. We focus on five key issues: decreasing the ratio of smokers, improving job satisfaction, decreasing the obesity rate, decreasing the ratio of those experiencing high stress levels, and

improving sleep sufficiency. In 2024, we set decreasing the ratio of smokers as a priority issue, and strengthened activities targeting both second-hand smoking and quitting. We have established the KYB Health Support Service as a tool for conducting PDCA cycles for key policies, and it is conducting outreach activities.

Also, we are working on harassment prevention, aiming to achieve harassment-free workplaces where there are no situations within the Company where it is difficult for people to raise their voices.

KYB's Health Management Strategy Diagram

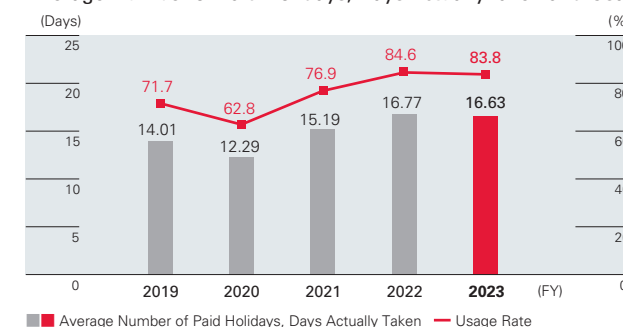


## Work-Life Balance

In order to prepare an environment in which employees can work with peace of mind and to support work-life balance, we have introduced a remote work system, flexible-hours system, childcare / care giver temporary leave, reduced working hour system, and a spouse transfer leave system. Through these systems, we promote diverse working styles, increase productivity through business rationalization, and avoid long working hours through promoting the taking of annual paid

vacation, thereby increasing employee engagement. Regarding the childcare system in particular, we aim to inform Company members about our systems related to childbirth and childcare by providing a guidebook for childbirth and child raising for female employees, male employees, and the management. Also, we have set up consultation desks at each worksite. Through these efforts, we are working to promote the active participation of male employees in childcare.

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



Note: The scope is for KYB.

Item	FY2023	FY2025 Target
Degree of Job Satisfaction	58.8%	60% or more

Note: The scope is for KYB.

## COLUMN

## KYB Social Contribution Activity: Participating in Kanagawa Science Summer

Social 5

We participate in Kanagawa Science Summer at the KYB Museum. This event is sponsored by Kanagawa Prefecture and is aimed at awakening an interest in science and technology among children and encouraging them to study.

In FY 2023 it was our first time to participate in five years due the impact of the COVID-19 pandemic. The experience showed elementary school students from the fourth to sixth grades that science is fun and interesting through hands-on creation. They made a hydraulic excavator, received a technical explanation, and had a test ride experience, through which the students learned about such topics as Pascal's principle, hydraulic mechanisms, and tribology—the science of friction.

Many family members participated, and we took a questionnaire in which we received comments such as "this long but fulfilling event featured lectures, building, and hands-on experiences," and "this was far and away the best event of the summer!"



Supply Chain Management

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. KYB 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](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

Relationships with Business Partners

KYB conducts a Purchasing Policy Briefing for the management of our business partners. The purpose of the briefing is to help them build a strong understanding of our corporate policy, supply policy, quality policy, the policies of each business unit, and our ESG efforts such as those for carbon neutrality as well as our stance on efforts to respect human rights.

At the briefing, we present awards to business partners who make remarkable contributions and have high levels of cooperation with QCD\* (such as submitting survey request materials and cooperating with urgent arrangements), and share topics and targets to

be discussed with business partners, such as optimal regional procurement that results in cost reductions and improvement activities that decrease costs for logistics and inventory. In this way, we working to build partnerships aimed at increasing mutual trust and achieving coexistence and co-prosperity.

Also, we offer support (such as providing information) and have study meetings on topics such as quality maintenance and improvement, business continuity plans, carbon neutrality.

\*QCD: Quality, Cost, Delivery

Consideration for Business Partners

In September 2023, KYB registered with the Declaration of Partnership Building, formulated by the Cabinet Office of Japan, the Ministry of Economy, Trade and Industry, and others. It aims for co-existence and co-prosperity across the entire supply chain. The declaration calls for cooperation that goes beyond existing transactions relationships and scopes as well as commitment to compliance with desirable trade practices.

While checking progress with efforts to meet the declarations details, we are aiming to increase added value in the supply chain through a new form of cooperation with business partners.

Declaration of Partnership Building  
(First registered in September 2023, revised due to change of company name in October)

→ <https://www.biz-partnership.jp/declaration/45086-05-23-tokyo.pdf>

Engaging with Carbon Neutrality

KYB aims to achieve carbon neutrality by 2050. In addition to holding explanatory meetings to increase the understanding of our business partners, we take surveys to understand how much CO<sub>2</sub> we are emitting, and strive to release the necessary information in a timely manner.

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 are working to raise the awareness of our business partners regarding human rights. We make our 708 domestic tier 1 suppliers aware of efforts for corporate social responsibility on topics such as environmental and human rights issues in the supply chain and responsible mineral supply. We also work to educate our suppliers' employees with the aim of spreading awareness to each and every one of them.

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).

Also, in response to growing awareness of human rights, we conduct survey investigations into cobalt that are not required by regulations, and provide the responses to our customers.

FY2023 Suppliers targeted for gold (3TG): 248  
Suppliers targeted for cobalt: 86

\*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 (3TG)

Note: The target suppliers are selected based on IMDS (International Material Data System) information.



Governance Activities



Outline of Governance Activities

Based on our Corporate Spirit of following all rules and facing all issues with honesty, we will endeavor to raise awareness of norms, further strengthen group governance, and conduct highly transparent and efficient Group management.

Five Initiatives of Governance Activities

1. Compliance, instilling awareness of norms:

Enhance performance and observe laws and models through education on awareness of norms and other forms of education

2. Group governance:

Transparent, high-quality management through strengthening internal controls to agree with the corporate governance code

3. Governance of product development:

Improve development quality through reliable oversight of critical junctures

4. Governance of *monozukuri*:

Offer products and services of suitable quality through the observance and improvement of rules

5. Risk management, BCP:

Continuous business activities through identifying and dealing with risks at an early stage, Preparation for and business continuity when faced with natural disasters and cyber attacks

Corporate Governance

Basic Approach

KYB's basic approach is to respond to the expectations of stakeholders through achieving sustainable growth and improving corporate value, as well as fulfilling our corporate social responsibility by contributing to society. We seek to build a speedy, efficient management

system centered on the Board of Directors and to establish a fair, highly transparent management supervisory function. And we work to strengthen and enhance corporate governance based on the following basic policy.

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.

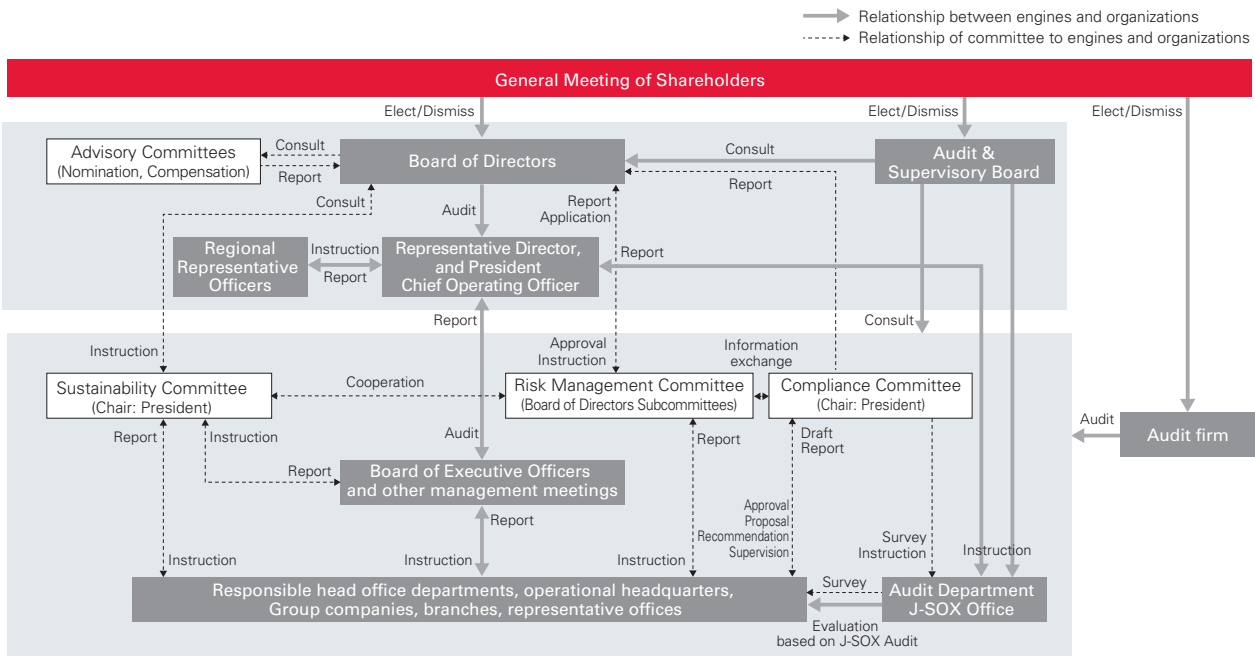
Improving Corporate Governance

KYB enforces the basic rules of our Corporate Governance Code. Details are disclosed in the Corporate Governance Report.

Corporate Governance Structure

KYB 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 seven 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**

KYB has established several other management committees. At the meeting of the Domestic Affiliated Companies Management Committee, functional and business divisions/departments report on the status of

business execution. Under the Operational Review with the President Committee, the President and other full-time Directors take on the responsibility of personally visiting each plant and group company workplace to follow up on matters related to policy development and important manufacturing issues. And in the Debriefing of the Overseas Headquarters Company Committee, the President regularly supervises the situation with management execution at overseas group companies. Through these activities, we seek to strengthen the entire KAYABA Group's management oversight system.

**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.

The members of each of the aforementioned organizations are as follows. (As of June 25, 2024)

Title	Name	Board of Directors	Board of Executive Officers	Domestic Affiliated Companies Management Meeting	Audit & Supervisory Board
Representative Director, Chairman	Masao Ono	◎			
Representative Director, President Chief Executive Officer (CEO)	Masahiro Kawase	○	◎	◎	
Member of the Board of Directors, Executive Vice President 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)	Osamu Kunihiro	○			◎
Audit & Supervisory Board Member (Full Time)	Ichio Nemoto	○			○
Audit & Supervisory Board Member (Full Time)(Outside)	Junichi Tanaka	○			○
Audit & Supervisory Board Member (Full Time)(Outside)	Masahiko Sagara	○			○
Audit & Supervisory Board Member (Full Time)(Outside)	Junko Watanabe	○			○
13 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>

Directors’ Expertise and Experiences (Skill Matrix)

KYB arranges for the expertise and experience necessary to embody the Corporate Spirit and achieve the Medium-Term Management Plan of the Group. Going forward, we will continue to revise skills as necessary so that the Board of Directors and other functions can

thoroughly display their abilities. The following skill matrix indicates the skills specifically expected of each Director candidate, but does not represent all the knowledge possessed by each candidate.

Name	Title	Corporate management	Global	Financial affairs and accounting	Lega affairs / compliance	Sales, procurement, marketing	Monozukuri (manufacturing, technology, product development)	IT / DX
Masao Ono	Representative Director, Chairman	○	○		○	○		
Masahiro Kawase	Representative Director, President Chief Executive Officer (CEO)	○	○			○	○	○
Takashi Saito	Member of the Board of Directors, Executive Vice President Executive Officer Chief Financial Officer (CFO)	○	○	○	○			
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	Member of the Board of Directors (External)				○			

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	—
Performancelinked 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
Performancelinked 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 25, 2024)




\* Independent Directors and Auditors



Directors

			
<b>Masao Ono</b> Representative Director, Chairman	<b>Masahiro Kawase</b> Representative Director, President Chief Executive Officer (CEO)	<b>Takashi Saito</b> Member of the Board of Directors, Senior Managing Executive Officer Chief Financial Officer (CFO)  In Charge of Global Corporate Finance, CSR, Public Relations/IR General Manager, CSR & Safety Control Division	
Appointment of directors	June 2017	June 2015	June 2023

			
<b>Shuhei Shiozawa*</b> Member of the Board of Directors (External)	<b>Masakazu Sakata*</b> Member of the Board of Directors (External)	<b>Akemi Sunaga*</b> Member of the Board of Directors (External)	<b>Chizuko Tsuruta*</b> Member of the Board of Directors (External)
Appointment of directors	June 2016	June 2020	June 2023

Audit & Supervisory Board Members

		
<b>Osamu Kunihara</b> Audit & Supervisory Board Member	<b>Junichi Tanaka*</b> Audit & Supervisory Board Member (Outside)	<b>Masahiko Sagara*</b> Audit & Supervisory Board Member (Outside)

	
<b>Ichio Nemoto</b> New Member of the Board of Directors (External)	<b>Junko Watanabe*</b> 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
	Tomoki Takaoka	General Manager, General Affairs & Human Resources Division, and Hydraulic Components Operations
Managing Executive Officer	Ryuji Uda	In Charge of North, Central & South American Operations; President, KYB Americas Corporation
	Shozo Amano	In Charge of Production, KPS Promotion; General Manager, Production Division
	Masaru Tsuboi	In Charge of Safety Control & Environment
	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 Quality, Cybersecurity Measures; General Manager, Quality Division, Digital Transformation Improvement Division
	Kenji Yazaki	In Charge of Global Corporate Planning, Domestic Affiliated Companies, TQM Promotion and ESG Promotion; General Manager, Corporate Planning Division
	Atsushi Fujii	In Charge of Engineering; General Manager, Engineering Division, Basic Technology R&D Center, and Curator, KYB Museum
	Atsushi Okubo	In Charge of Sales, Purchasing & Logistics, Special Purpose Vehicles Div.; General Manager, Sales Division and Special Purpose Vehicles Division
	Fumihiko Izumi	In Charge of European Operations, and President, KYB Europe GmbH

Internal Control System

Governance 1

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

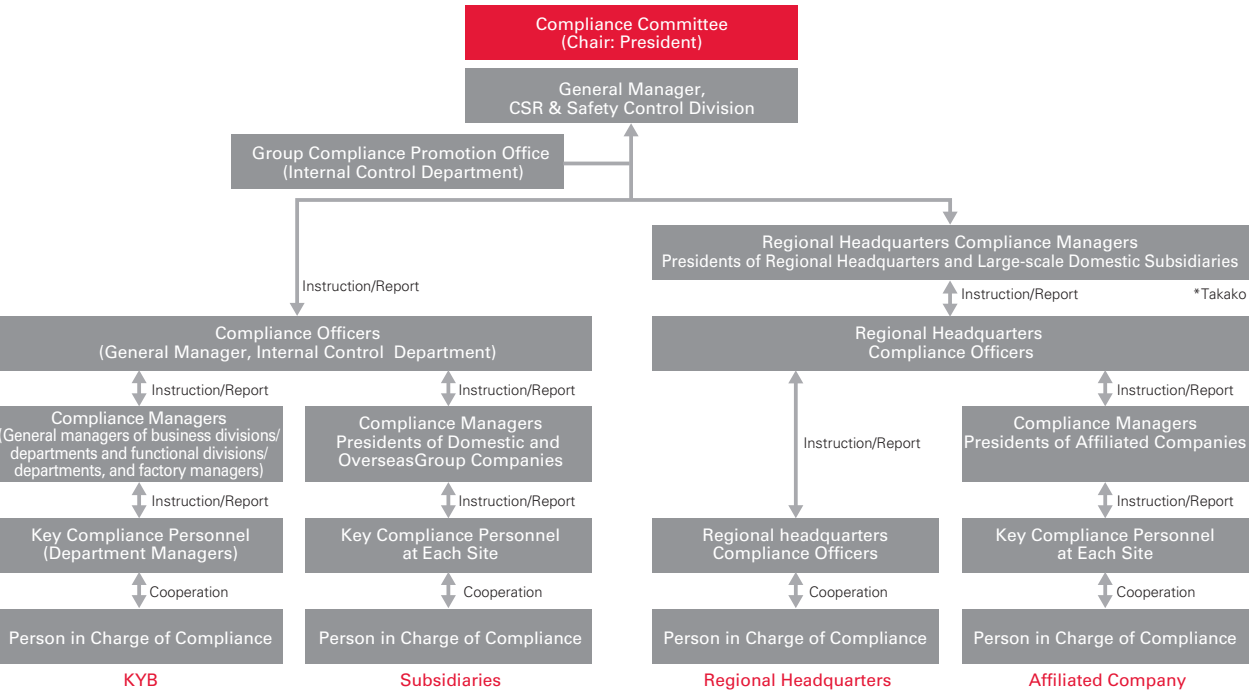


For details, see "Internal control System Policy" of the "Corporate Governance System" on the website

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

	Key Activities	Major Initiatives
Compliance Promotion	<ul style="list-style-type: none"><li>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.</li></ul>	<ul style="list-style-type: none"><li>During Compliance Enhancement Month, we conducted various activities involving all employees, including a message from the President, a call for compliance mottos, repeated in-house training sessions, and a Compliance Top Management Training Course.</li><li>We provided training that addressed the issues identified through the results of the compliance comprehension survey.</li></ul>
Risk Management Initiative	<ul style="list-style-type: none"><li>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.</li></ul>	<ul style="list-style-type: none"><li>Conducted risk-reduction initiatives for nine key risks</li></ul>
Internal Reporting	<ul style="list-style-type: none"><li>In order to prevent and quickly detect non-conforming acts and make corrections, we are working to raise understanding of the whistleblowing system. We are striving to raise employee's awareness that they can report without hesitation, and that they can have confidence in our response to reports.</li></ul>	<ul style="list-style-type: none"><li>We improve report responses and how we handle reports, make the details of the whistleblowing system and the manner in which we proceed when receiving a report common knowledge, and regularly report to the Board of Directors</li></ul>

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 KYB regulates itself and subsidiaries other than those mentioned above.

Risk Management

Governance 5

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.

No.	Risk / Summary	Policy
1	Non-conforming acts involving quality: Risk of violating laws or agreements with customers due to falsification of quality documentation	Conducting quality system audits by the Quality Control Dept. at all plants and offices
2	Large-scale disasters: Risk of operations being suspended due to insufficient management of BCP activities	BCP drills, natural disaster damage reduction countermeasures
3	Human rights issues: Risk of damaging business activities due to insufficient management of anti-harassment measures	Harassment prevention measures, respond to priority plants and offices
4	Cyberattacks: Risk of suspension of operations due to insufficient management of cybersecurity	Education and drills, preparation of incident response manual
5	Work-related injuries: Risk of injury or loss of life due to insufficient management of work-related injury prevention measures	Roll out of specialized maintenance and measures to prevent recurrence for plants in which an incident has occurred
6	Fires: Risk of suspension of operations due to insufficient management of fire prevention measures	Detailed inspections of fire prevention systems, visualization of explosion risks
7	Safety measures for the outbreak of conflict: Risk of being unable to ensure the safety of employees when a crisis occurs	Prepare an evacuation manual specifically for the outbreak of conflict
8	Shortage of human resources: Risk of being incapable of securing the necessary human resources due to turnover of human resources or hiring difficulties	Promotion of employment strategy, take measures to prevent turnover
9	Break in the supply chain: Risk of supply suspension due to a reason on a business partner's part other than a large-scale disaster	Formulation of a supply backup system based on concerns related to a supply suspension

Responding to Business Continuity

KYB, together with our Group companies, works on our business continuity response. Our aim is to support our customers, businesses partners, and regional communities as well as quickly restore operations. We do this through making sure all persons concerned have an accurate understanding and take the proper actions, quickly conducting first response and holding damage to people and physical objects to a minimum. We make sure they understand that acting to protect human life is the first priority in the event of a disaster, and are working to raise our level through holding various drills, such as those targeted at quickly confirming the safety of employees. We log matters noticed during drills so that they can be used to advantage, and view this as an important issue. In FY2023, we continued our annual drill assembly with eight domestic plants taking part. We go over situations likely to occur in an earthquake, and work to obtain the knowledge necessary for initial

response. Also, we conduct disaster prevention measures such as fastening down equipment in preparation for a major earthquake and using our ingenuity in ways such as strengthening coordination with related departments. We work on improvement activities with our customers with a focus on damage reduction, inventories, and substitutions, aiming for the early recovery of production in terms of responding to supply.



Assembly drill for earthquakes

Information Security

In an effort to ensure and strengthen information security, the KAYABA Group sets forth an Information Security Basic Policy, and each plant or office appoints an Information Security Supervisory Officer. Cyber risks continue to grow in the forms of cyber terrorism that reflects geopolitical risks, ransomware attacks in which criminal groups demand payment, new cyberattack methods that use cutting edge technology such as generative AI, and more. We quickly respond to these threats and continuously reduce risks through strengthening controls across the entire KAYABA Group and promoting initiatives centered on KYB-CSIRT.

Major efforts in FY2023

- Conducted continuous education and training for all executives and employees
- Conducted self-assessment in accordance with the standard automobile industry security guideline
- Strengthening cyberattack countermeasures in the supply chain
- Hired third-party security evaluation organization to conduct vulnerability assessments
- Conducted cyber BCP drill