

Message from the CEO

We strive to become a partner that supports the future of people's lives—an indispensable source of safety and comfort in mobility, infrastructure, and living spaces.

**KYB Is Inspiring Dreams
and Shaping the Future**

**Working to become a partner
that supports people's lives and helps shape
the lifestyles of the future**

On March 10, 2025, KYB celebrated its 90th anniversary. I would like to express my deepest gratitude to all of our stakeholders—our customers who have chosen KYB products, our suppliers who have provided components and materials, our shareholders who have

continued to believe in us, and our employees who contribute their skills and dedication every day. Today, the business environment surrounding us is undergoing profound change. Mobility is evolving beyond a means of transportation to play a broader role in addressing social issues and creating new value. In the infrastructure field, the use of AI and IoT for data collection and analysis is also expected to enhance urban resilience.

To realize our aspiration of becoming an indispensable presence in society by supporting safety and comfort in mobility, infrastructure, and living spaces, the KAYABA

M. Kume

Representative Director, President, Chief Executive Officer (CEO)

Group has formulated a Long-term Vision toward 2035. In an era of accelerating technological innovation and rapidly changing values, we will continue contributing to society as a partner supporting the future of people's lives, looking ahead to our 100th anniversary and beyond.

There are three key pillars to achieving our Long-term Vision.

The first is "Vitality." By optimizing our business portfolio for the next generation and making priority investments in growth areas, we aim to revitalize the entire KAYABA Group. United by ambitious goals, we will harness the strength of our energetic teams to take on the challenge of creating value for the future.

The second is "Creativity." Building on our core technologies, we will work to create new businesses that are uniquely KYB's own. Guided by our vision of supporting safety and comfort, we will take on challenges in fields that offer long-term growth potential.

The third is "Harmony." This represents the evolution of manufacturing craftsmanship that supports business expansion and new initiatives. By integrating digital technologies with the on-site capabilities cultivated over 90 years, we will pursue next-generation manufacturing innovation that is kind to both people and the environment.

In the new Medium-Term Management Plan beginning in 2026, we position this period as a turning point for transforming our business model to achieve our

Long-term Vision, and we will actively undertake structural reforms.

Review of FY2024

Strengthening the Management Foundation for the Next Generation amid a Challenging Business Environment

In FY2024, under the slogan "Mastering Quality Management," we focused on strengthening our management foundation as the second year of the Medium-Term Management Plan, making full use of Total Quality Management (TQM).

Looking at the broader business environment, consumer spending recovered in countries around the world as inflationary pressures eased. However, concerns over an economic slowdown intensified due to factors such as tariff increases by the U.S. government, heightening uncertainty about the outlook.

Within the KAYABA Group's business environment, while demand in the automotive sector remained relatively steady, a significant decline in demand persisted in China, a major market for construction machinery, placing the Group in a challenging position. As a result, sales declined by 1.0% year on year, and segment profit decreased by 5.4% compared with the previous fiscal year.

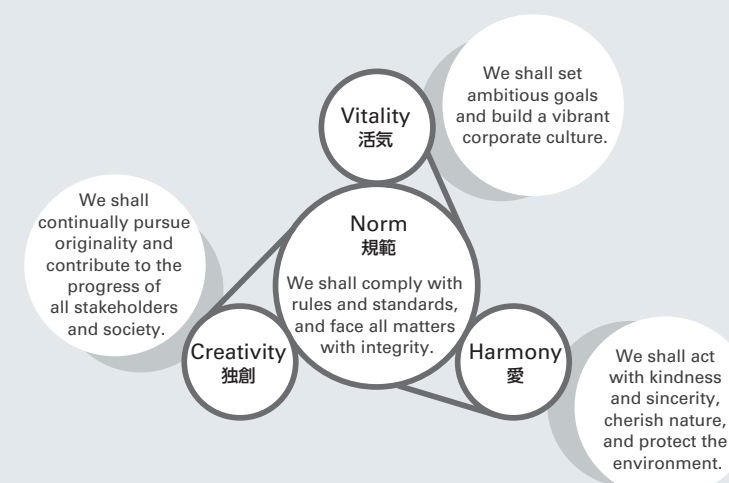


Long-Term Vision
Meeting Materials for Second Quarters (2Qs) of FY2025
→ https://www.kyb.co.jp/english/media/ir_20251113en.pdf

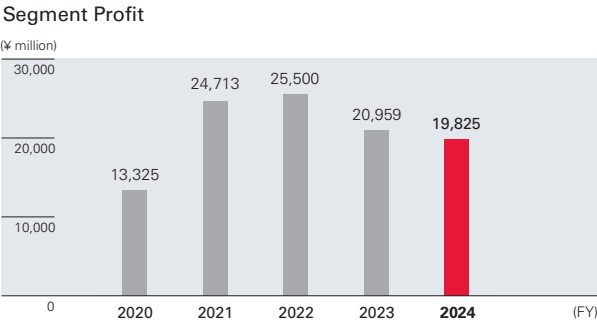
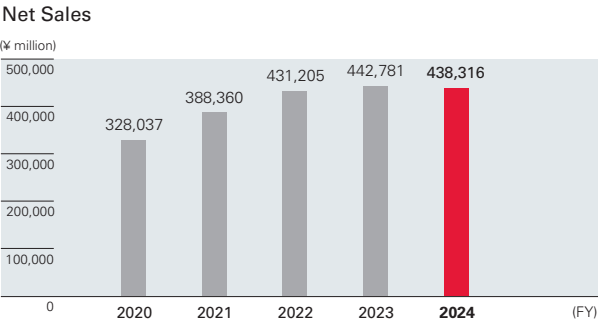
Our Mission

The KAYABA Group contributes to society by providing technologies and products that make people's lives safe and comfortable.

Our Values



Message from the CEO



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

In addition, in April 2025, KYB received a recommendation from the Japan Fair Trade Commission under the Act against Delay in Payment of Subcontract Proceeds, Etc. We take this matter very seriously and will steadily implement corrective measures to prevent recurrence, including internal training and the strengthening of organizational systems. We sincerely apologize to our stakeholders for any concerns or inconvenience this may have caused.

Together with Regional Communities

Cooperation and Collaboration
with Local Communities

In FY2024, the KAYABA Group continued to walk hand in hand with the regional communities in which we operate, engaging in a wide range of initiatives such as hosting local events and participating in volunteer activities.

During the summer, the KYB Museum took part in Science Kanagawa, an initiative promoted by Kanagawa Prefecture, offering elementary school students hands-on excavator-building experiences to introduce them to the fun and wonder of science. Looking ahead, we plan to expand the program in 2025 to include junior high and high school students, further fostering interest in science and technology.

In October, in support of the objectives of the senior tour organized by the Japan Ladies Professional Golfers' Association, we hosted the KYB Legends Open in Kani City, Gifu Prefecture. At the tournament, we also conducted a program in which elementary school students assisted with event operations as part of a field trip. We will continue to build strong bonds and nurture meaningful connections with our local communities.



Delivering New "Delight"
to the Future

Contributing to Society through Value Creation
Driven by New Technologies

At IFPEX2024, the triennial exhibition held in September 2024, KYB exhibited under the theme "Delivering New 'Delight' to the Future through Our Hydraulic DNA."

At the exhibition, we showcased new hydraulic-based technologies, including a stroke-sensing cylinder under development, a cylinder with a built-in load detection sensor, and an oil condition diagnostic system. During the event, we welcomed more than 1,000 visitors, clearly demonstrating the value created by these new technologies.

Going forward, we will continue to actively participate in a variety of events to share our proven technological capabilities with a broader audience and to communicate the new "delight" generated by the power control technologies we have cultivated over many years.

Contributing to a Sustainable
Mobility Society

Pursuing Environmental Friendliness,
Efficiency, Comfort, Safety, and Convenience
to Deliver the Safest, Most Reliable,
and Most Comfortable Mobility Experience

Under the theme of "Contributing to a Sustainable Mobility Society," we are advancing new product development from five perspectives—environmental friendliness, efficiency, comfort, safety, and convenience. We also remain focused on progress in the industry trends of connected, autonomous, shared, and electrification (CASE).

In the suspension field, we have completed development of a semi-active suspension that electronically controls damping force adjustment with solenoid valves, and a fully active electro-hydraulic suspension system. In steering systems, we are developing control technology with high redundancy to create actuators suitable for autonomous driving. And by coordinating the control of these systems, we aim to deliver the safest, most reliable, and most comfortable mobility experience.

Turning to environmental technology, we announced SustainaLub™, a biodegradable hydraulic fluid for shock absorbers, in 2023. In 2024, we provided it to TEAM JAOS, who competed in the 2024 SCORE BAJA 1000, one of the world's most punishing races. It was enhanced for performance and durability to meet race specifications and earned high praise from the team, contributing to their impressive class championship victory.

In 2025, the team plans to race with a new shock absorber that uses spent hydraulic fluid that has been recovered for reuse. This will further accelerate development to achieve both environmental performance and ride comfort.

The Spirit to Achieve Dreams
That Underpins Our Challenges

Creating a Corporate Culture Where Employees
Feel Fulfilled and Experience Growth

The spirit to achieve dreams is a critical driving force behind our continued challenges.

Our founder, Shiro Kayaba, once said: "Always pay attention to what's happening in the world. Never fall behind progress—lead it. Hold on to your dreams." These words remain deeply embedded at the core of

our company today. While proudly inheriting the strengths cultivated by the KAYABA Group, I believe it is essential to unite the power of the entire Group in order to continue contributing to the future of society while evolving with the times.

Since assuming the role of CEO, I have actively visited both domestic and overseas sites, placing great importance on face-to-face dialogue with employees. By March 2025, I had made a total of 47 visits to 10 domestic locations and 20 overseas locations. Hearing directly from those on the front lines has enabled me to gain a deeper understanding of challenges and progress in improvement efforts. At the same time, communicating my messages directly has led to positive changes in employee awareness and engagement.

The challenges of the KAYABA Group are ultimately supported by each individual's ambition to make their dreams come true. To foster this, it is essential to develop a strong human resources portfolio and create workplace environments where employees can fully realize their potential. I firmly believe that developing and retaining people with ambition is one of the most important responsibilities of leadership.

To Our Stakeholders

Continuing to Contribute to the Society
of the Future through New Challenges

Rooted in our 90th anniversary slogan, "Make the Tomorrow of Your Dreams," our Long-term Vision toward 2035 expresses our determination to take on new challenges under the banner of "Inspiring Dreams, Shaping the Future."

Returning to the values cherished since our founding—Vitality, Creativity, and Harmony—and adding Norm, which represents adherence to rules and standards, we will unite as one Group to pursue new challenges and contribute to the society of the future as we move toward our 100th anniversary and beyond.

Our commitment to manufacturing craftsmanship—guided by the question of how KYB's technologies can stand alongside people's lives and help solve social issues—remains unchanged. Through ongoing dialogue with our stakeholders, we will continue to share our vision and direction while striving to enhance sustainable corporate value. We sincerely appreciate your continued support.

Message from the CFO

Proactively Pursuing Growth Investments While Carefully Balancing Capital Efficiency and Financial Soundness

Financial Targets for Achieving the Medium-Term Management Plan

Under the Medium-Term Management Plan, KYB is pursuing quality management while enhancing the overall quality of the Group and striving to increase corporate value.

We have set financial targets of achieving an ROE of 12.0% and a dividend payout ratio of 30% or higher by FY2025. These targets are intended to promote management that is conscious of capital costs and share price while advancing quality management. Despite challenging projections amid significant changes in the external environment, we are striving to achieve net sales of ¥470 billion and a segment profit ratio of 8.1% or higher.



Representative Director, Executive Vice President
Executive Officer, Chief Financial Officer (CFO)

Progress and Review of the 2023 Medium-Term Management Plan

Under the 2023 Medium-Term Management Plan, products for automobile manufacturers and aftermarket products for the repair market have generally remained firm. However, the prolonged slowdown of the Chinese economy has created a challenging market environment for Japanese manufacturers, leading to a significant decline in sales of construction machinery. In addition, increased costs caused by declining productivity in the Americas placed downward pressure on earnings.

In light of these circumstances, we recognize the strengthening of governance, stabilization of quality and productivity, and enhancement of price competitiveness as urgent management priorities. In response to the Tokyo Stock Exchange's request for "management that is conscious of capital costs and share price," we clarified our improvement policy aimed at enhancing corporate value and achieving a price-to-book ratio (PBR) of 1.0x, and announced specific initiatives in May 2024 (see page 11).

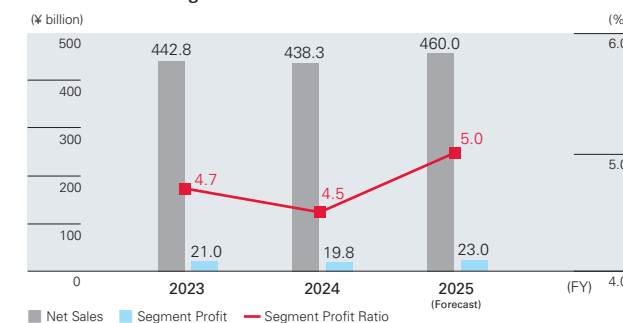
In FY2024, segment profit declined by ¥1.1 billion year on year to ¥19.8 billion, and the segment profit ratio decreased by 0.2 percentage points to 4.5%, reflecting a ¥4.5 billion decline in sales and the continued impact of productivity deterioration in the Americas. While we promoted the sale of cross-shareholdings and the repurchase of treasury shares to enhance capital efficiency, ROE was 6.7%, below the cost of equity of 9.0%, and PBR stood at 0.66x.

In FY2025, although uncertainty existed at the outset due to factors such as U.S. tariffs, products for automobile manufacturers and aftermarket products have remained strong, and sales in the construction machinery segment have increased year on year. Based on current forecasts, we expect net sales of ¥460 billion, segment profit of ¥23.0 billion, and a segment profit ratio of 5.0%.

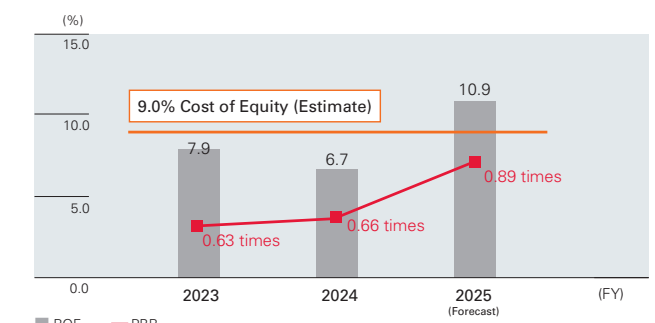
Including a ¥6.1 billion gain on negative goodwill arising from Chita Kogyo Co., Ltd. becoming a wholly owned subsidiary, ROE is expected to reach 10.9%, exceeding the cost of equity. PBR is estimated at 0.89 times, bringing us closer to our target of 1.0 times.

	FY2023	FY2024	FY2025 (Forecast)
Net sales	¥442.8 billion	¥438.3 billion	¥460.0 billion
Segment profit	¥21.0 billion	¥19.8 billion	¥23.0 billion
Segment profit ratio	4.7%	4.5%	5.0%
Profit Attributable to Owners of the Parent	¥15.8 billion	¥14.9 billion	¥25.0 billion
Equity Attributable to Owners of the Parent	¥217.2 billion	¥225.5 billion	¥229.3 billion
ROE	7.9%	6.7%	10.9%
PBR	0.63 times	0.66 times	0.89 times

Net Sales and Segment Profit Ratio



ROE and PBR



Message from the CFO

Targeted Initiatives to Improve PBR

With “Mastering Quality Management” as our basic policy, KYB is working to enhance corporate value with a strong awareness of capital costs. As PBR consists of ROE and PER, improvements in both are essential.

Initiatives to Improve ROE (Improving the Profit Ratio)
To improve profitability, we are reviewing our business portfolio, beginning with withdrawals from unprofitable businesses. In January 2025, we decided to dissolve a joint venture in India engaged in the manufacture and sale of concrete mixer trucks. In addition, we are gradually withdrawing from the aircraft components business, reallocating management resources to growth areas.

We are also accelerating investments in growth fields and the introduction of electrification-related products. In China, preparations are underway to further expand

EPS sales through a local joint venture, with performance reflected in equity-method investment income. In the United States, we are preparing to enter the premium aftermarket segment for SUVs and pickup trucks. We are also advancing local production for the rapidly growing Indian automotive market, while expanding defense-related business in the marine field through our system proposal capabilities.

Strengthening global price competitiveness is another critical initiative. Measures include the full acquisition of Chita Kogyo in the AC operations, expanded parts procurement from China in HC operations, reinforcement of premium aftermarket products, cost reductions, and the establishment of stable supply systems. We are also thoroughly implementing measures to improve our earnings structure, such as minimizing losses and appropriately passing on inflation-related cost increases.

Within HC operations, where profitability has declined, we have clarified strategies by product group. Products requiring cost competitiveness are positioned as “defensive” areas, while products requiring high performance are positioned as “offensive” areas, where we aim to enhance functionality and reduce weight to further increase added value.

Initiatives to Improve ROE
(Enhancing Total Asset Turnover)

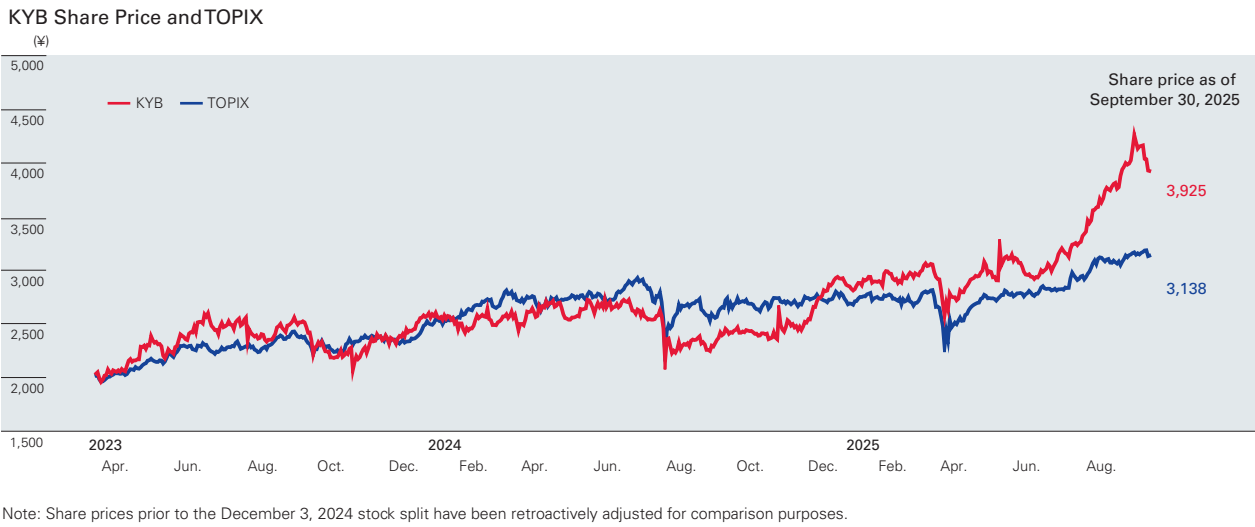
To enhance total asset turnover, we are reducing cross-shareholdings. We announced a policy to sell more than ¥25.0 billion by the end of March 2026, based on market values as of September 2023, and are proceeding ahead of schedule. By the end of FY2024, cross-shareholdings had been reduced to 8.8% of equity. Funds generated are being used for share repurchases and growth investments. Preferred shares are scheduled for redemption in June 2026.

Initiatives to Improve PER
(Reducing the Cost of Equity)

To reduce the cost of equity, we are strengthening governance based on quality management and ESG initiatives. TQM is positioned at the core of company-wide activities. Regarding carbon neutrality, we have already achieved a 30% reduction in CO₂ emissions by FY2024 toward our 50% reduction target by FY2030. We are also strengthening human rights governance through the formulation and disclosure of our Human Rights Policy and the implementation of human rights due diligence.

In IR activities, we held three individual investor briefings in FY2024 and actively engaged in dialogue with institutional investors and analysts. We also enhanced corporate recognition through diverse PR activities, including exhibiting at the Japan Mobility Show, participating in rally events, and promoting camper vans.

Indicators and Items for Improvement			Main Measures	Progress Overview
PBR	ROE	Profitability ratio	Review of the business portfolio through withdrawal from unprofitable business	<ul style="list-style-type: none">• Dissolution of the joint venture for concrete construction equipment in India
			Investment in growth areas and introduction of new electrification-compatible products	<ul style="list-style-type: none">• Growth in EPS sales in the Chinese market and full-scale expansion into global markets• Launch of newly developed products in the premium aftermarket segment• Full-scale entry of the Four-Wheel Shock Absorber Business into the Indian market• Acquisition of business opportunities based on the Ministry of Defense's equipment and maintenance plans
			Maintain and improve global price competitiveness	<ul style="list-style-type: none">• Conversion of Chita Kogyo Co., Ltd. into a wholly owned subsidiary• Cost reduction through a shift to procurement of construction machinery components from China• Consolidation of part of the travel motor production lines from China to Japan
			Minimization of losses and appropriate reflection of inflation costs	<ul style="list-style-type: none">• Productivity decline at U.S. facilities has been resolved
	Total Assets Turnover	Reduction of cross-shareholdings	<ul style="list-style-type: none">• Reduction of cross-shareholdings (FY2024: ¥18.087 billion)• Share buyback (FY2024: ¥6.264 billion / 2,181,800 shares)• Redemption of preferred shares scheduled for June 2026	
		Reduction of production lead time and inventory assets	<ul style="list-style-type: none">• Striving to achieve an inventory turnover target of 7.3	
	PER	Cost of Equity	Strengthening governance through quality management and ESG management promotion	<ul style="list-style-type: none">• Achieved a 30% reduction in CO₂ emissions compared to FY2018, as planned (FY2024)
			Enhancement of corporate value and brand value through IR and PR activities	<ul style="list-style-type: none">• Holding of individual investor briefings (three sessions)• KYB OFFROAD PROJECT “OFF WE GO!” launched• Building a new image as ‘KYB for Off-Road.’



Striving to Raise
Long-Term Corporate Value

At the financial results briefing on November 14, 2025, we announced our basic approach to enhancing long-term corporate value. In addition to our AC Operations, HC Operations, and Special-purpose

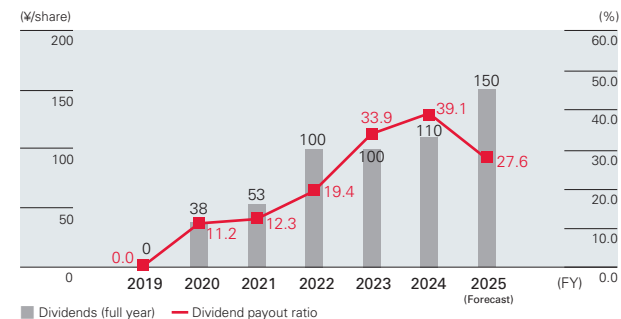
Vehicles Division, we aim to achieve growth by developing new business areas. We anticipate approximately ¥300 billion in growth investments over the ten-year period beginning in April 2026. Details will be presented in our next Medium-Term Management Plan, and we will advance our capital policy to achieve sustainable growth.

Shareholder Returns

KYB proactively provides shareholder returns while taking into consideration business performance and financial conditions.

We strive to maintain a dividend payout ratio of 30% or higher, and we will also implement share repurchases in a flexible manner. The dividend for FY2024 is ¥110 per share (post-split basis). Using proceeds from the sale of cross-shareholdings, we have repurchased approximately ¥20 billion of shares as of the end of November 2025. For FY2025, we announced an interim dividend of ¥75 and a year-end dividend of ¥75, representing an increase of ¥40 from the previous year.

Dividends and Dividend Payout Ratio

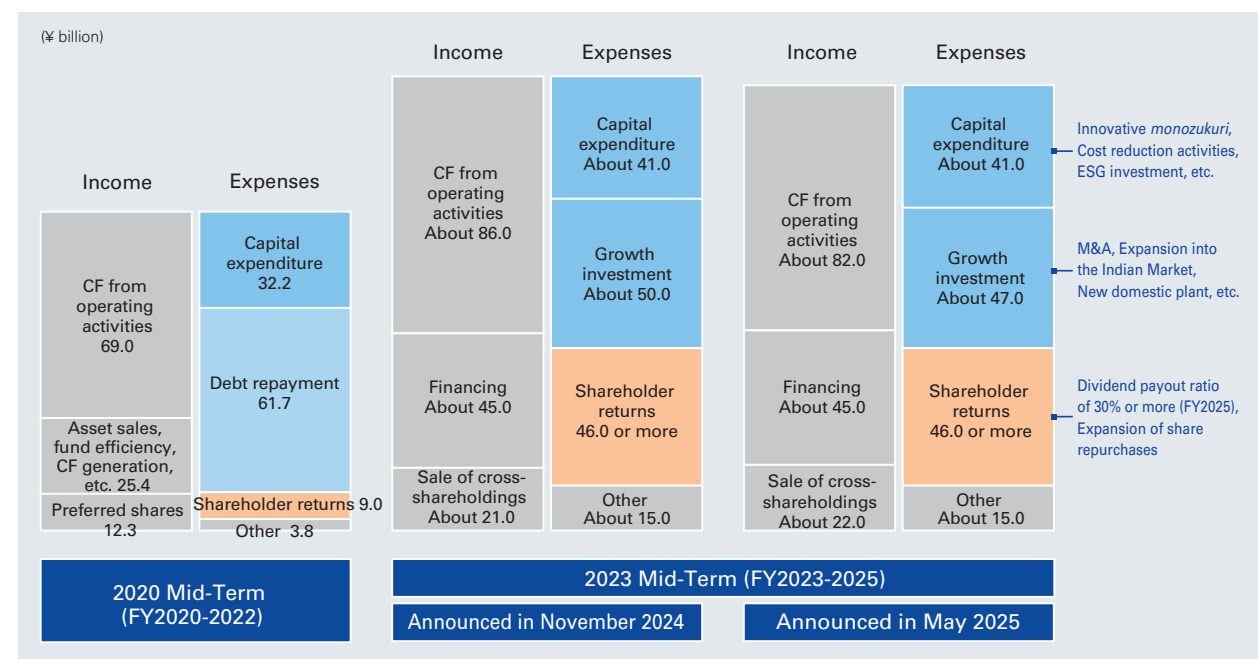


Note: Dividends (post-stock split basis) have been retroactively adjusted to reflect the two-for-one stock split effective December 3, 2024. Figures for prior periods are shown on a post-split basis (pre-split dividends x 1/2).

Cash Allocation

At the start of the previous Medium-Term Management Plan (April 1, 2020), borrowings increased in connection with the response to nonconforming acts related to vibration control dampers, and the capital adequacy ratio stood at 18.1%. Thereafter, we allocated generated cash to the repayment of borrowings and worked to improve our financial position. As a result, the equity ratio recovered to 40.9% as of the end of March 2023.

Under the 2023 Medium-Term Management Plan, while maintaining a sound financial base, we are allocating generated cash toward capital expenditures and shareholder returns. We control capital expenditures with discipline at levels equivalent to depreciation, and allocate funds to growth investments, including electrification and expansion into the growing Indian market. In addition, we provide shareholder returns through dividends with a payout ratio of 30% or higher and flexible share repurchases.



In Conclusion

Since FY2023, balance sheet efficiency has improved through the reduction of cross-shareholdings and share repurchases, and the results of quality management through TQM have gradually materialized. As a result, PBR has improved into the 0.8x range since the second quarter of FY2025.

Looking ahead, we will steadily execute both offensive and defensive strategies in HC operations, further

optimize our business portfolio, and pursue new businesses leveraging our core technologies, such as thermal management and measurement solutions. We will also strengthen management focused on capital efficiency through initiatives such as the introduction of ROIC.

By our 100th anniversary in 2035, we aim to achieve an ROE of 11% or higher. As CFO, I will proactively promote growth and development investments while carefully balancing capital efficiency and financial soundness, striving to enhance corporate value.

The Year at KYB



KAYABA Rally Team



Development Product Testing Conference



Exhibited at Tokyo Auto Salon 2025



90th Anniversary Celebration Ceremony

2024

April

- Exhibited the Smart Road Monitoring at Embedded and Edge Computing Expo (ESEC) 2024
- KRT Competed in the JRCA Japanese Rally Championship "Kuma Kogen Rally" and finished 6th
- Developed hydraulic cylinders for medium- and large-sized construction machinery (20% reduction in cylinder tube thickness)

May

- Financial Results Briefing

June

- Shiro Kayaba Awards
- Annual Shareholders' Meeting

July

- Exhibited the Oil Condition Monitoring System at *Maintenance & Resilience TOKYO 2024*
- Participated in Kanagawa Science Summer 2024
- Developed a high-performance small-diameter inverted front fork for small motorcycles (30% improvement in bottom-shock absorption)
- Purchasing Policy Briefing

August

- The Oil Condition Analysis System was selected for the city of Sagami-hara's Open Innovation Support Program for the second consecutive year

September

- Exhibited at IFPEX2024 (International Fluid Power Exhibition)

October

- Hosted the JLPGA-sanctioned Kayaba Legends Open
- Development Product Testing Conference

November

- Financial Results Briefing
- Companywide Small Group Activity Presentation (Production Division-Related)
- Small Group Activity Global Presentation Meeting
- TEAM JAOS, supported by KYB, completed the SCORE BAJA1000 and won its class
- Fluid pressure cylinder received the Minister of Education, Culture, Sports, Science and Technology Award at the 2024 Chubu Regional Invention Awards

December

- Companywide Technology Presentation
- Established CAE technology for SA damping-force simulation using AI (reducing operational workload by over 95%)

2025

January

- Exhibited at Tokyo Auto Salon 2025

February

- Companywide Small Group Activity Meeting & Presentation (Administration, Sales, and Management Departments)
- Financial Results Briefing

March

- Certified as Health and Productivity Management Organization 2025
- 90th Anniversary Celebration Ceremony (March 10)