

Vision for Creating the Future through ESG Management

In an era of rapidly changing social values and technological innovation—such as smart mobility, advanced motorization, and smart cities—the KAYABA Group develops its policies with ESG management as the foundation and has established a comprehensive vision for value creation, encompassing our values, business model, sustainability, and growth potential. While continuing to advance technologies rooted in hydraulics, we will build strong brand value toward 2035 under our Long-term Vision of “a partner that supports the future of people’s lives.”

Guided by our Corporate Spirit of “offering products and technology that make people’s lives safe and comfortable, and contributing to society,” we will promote business activities aimed at addressing environmental and social challenges, thereby contributing to the realization of a sustainable future society.



SUSTAINABLE DEVELOPMENT GOALS

- The 2030 problem (human resource shortage from decreasing birthrate and aging population)
- Circular economy (recycling economy)
- GX League Phase 2 (introduction of emissions transactions)
- Expansion of non-financial information disclosure (CSRD, SSBD)

2025

Medium-Term Management Plan

2026 Structure Reforms

2029 Growth Acceleration

2032 New Business Expansion

Plant the seeds for the creation of business

Establishment of a business model

Expand the mainstays of the portfolio

2030

Ship'30

KAYABA's target:
15% global renewable energy adoption rate

KAYABA's target:
50% reduction in CO₂ emissions compared to 2018

2035

KAYABA's target:
71% reduction in CO₂ emissions compared to 2018

100th Anniversary

Long-term Vision

A partner that supports the future of people’s lives

Become a company indispensable to society by supporting the safety and comfort of mobility, infrastructure, and living spaces

Decarbonized society

- Achieving carbon neutrality (Japan)

2050

KAYABA's target:
Carbon neutrality



ESG Management Based On the Long-Term Vision

Amid mid- to long-term trends such as climate change, a shrinking labor force, and the restructuring of international agreements, companies face an increasingly complex operating environment.

To realize its Long-term Vision, KYB has identified the key priority issues shown on the right and is committed to addressing them. Recognizing that the promotion of ESG management is indispensable, we will focus our efforts on achieving our goals based on the core principles of each initiative.

Important Issues	
Environment	Conduct environmental initiatives (carbon neutrality, resource circulation)
Social	Strengthen the supply chain
Social	Promote human capital management
Social	Instillation and strengthening of respect for human rights and health management
Governance	Strengthen governance
Management	Ensure global price competitiveness
Management	Expand footprint in the Global South
Management	Thoroughly manage capital efficiency
Technology	Drive innovative <i>monozukuri</i>
Technology	Automation, electrification, unmanned operations, digitalization Providing safe, comfortable lifestyles

ESG Sector	Initiatives	Goals
Environment 	Five Initiatives of Environmental Activities ► P. 34	2027: Achieve carbon neutrality at Developmental Center and R&D Center 2035: 71% reduction in CO ₂ emissions volume (compared to 2018) 2050: Achieve carbon neutrality Certification as a Nationally Certified Sustainably Managed Natural Site by the Ministry of the Environment and natural environment conservation (harmony with nature at the Developmental Center)
Social 	Six Initiatives of Social Activities ► P. 40	A safe, welcoming workplace where human rights are respected Implementation of a human asset portfolio and human capital management Construction of an ethical, resilient supply chain
Governance 	Five Initiatives of Governance Activities ► P. 49	Broadly instill awareness of norms, conduct business operations with thorough governance on a Groupwide level

Vision for Creating the Future through ESG Management

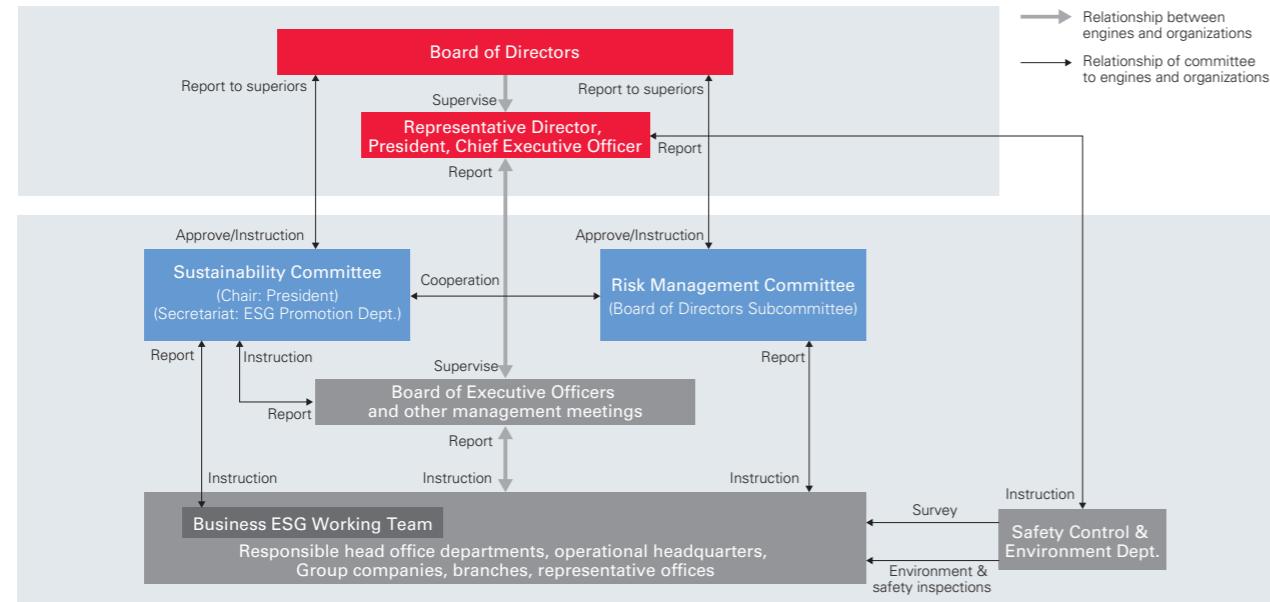
ESG Promotion System

It is necessary to strongly promote ESG initiatives related to creating a sustainable society. Therefore, we organized 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.

Moving forward, we will continue to prioritize dialogue with stakeholders both inside and outside the organization, embed ESG initiatives at the core of our management, and contribute to the realization of a sustainable society.

Chart of Organizations Related to Sustainability



Instilling ESG within the Company

The active commitment of each employee is essential to advancing ESG management. To raise awareness, we regularly disseminate ESG-related information through internal newsletters and our intranet, including bulletin boards and other communication channels.

Since FY2023, we have offered company-wide e-learning programs on ESG, providing all employees with opportunities to learn the fundamentals of ESG and the SDGs, as well as KYB's related initiatives. In FY2024, the program achieved a 100% completion rate.

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



Environmental Activities

Environmental Activities

Balancing Global Environment Efforts with Sustainable Development

Outline of Environmental Activities

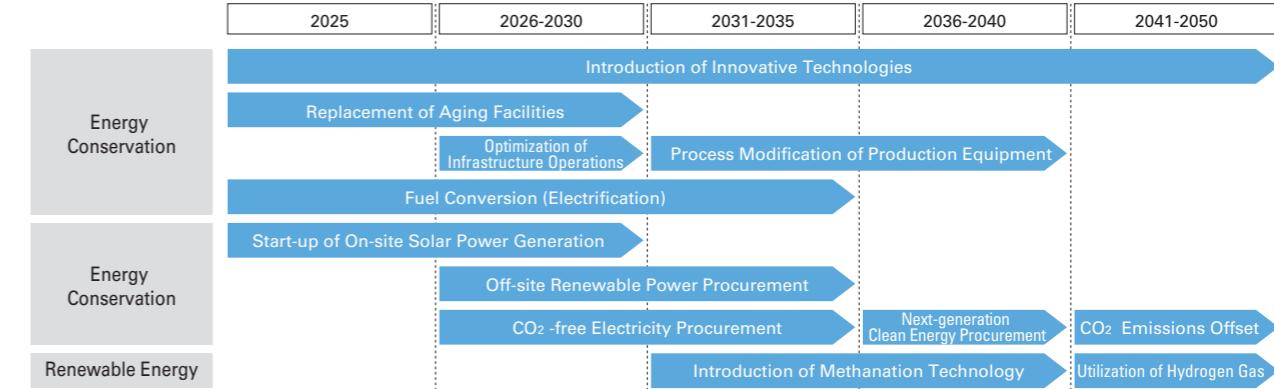
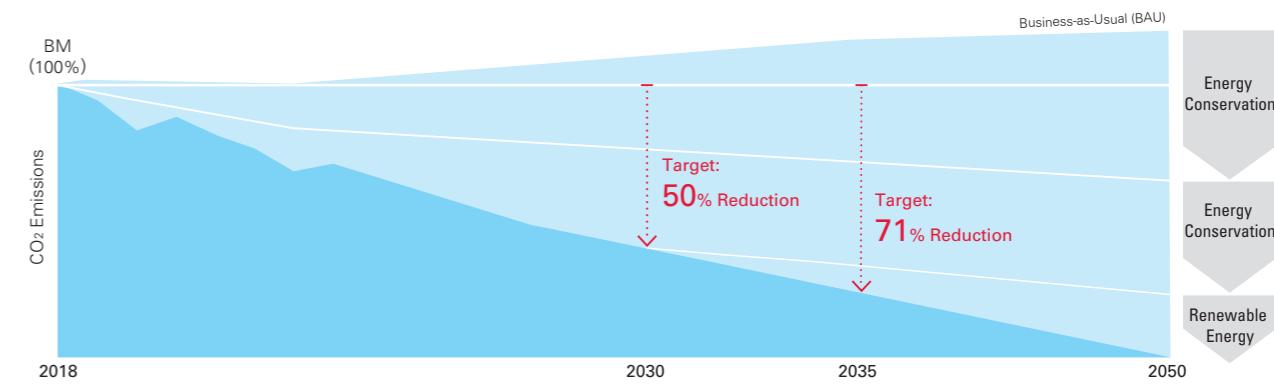
Based on our Corporate Spirit of cherishing nature and caring for the environment, we aim to achieve carbon neutrality by 2050 with a focus on the future global environment, and to contribute to global environmental conservation as well as the achievement of a sustainable society.

Five Initiatives of Environmental Activities

1. Develop products that contribute to environmental preservation: Develop environmentally friendly products that can contribute to society
2. Reduce environmental burden of products: Reduce CO₂ emissions of all products, from the procurement of materials to design, use and disposal/recycling
3. Reduce environmental burden in monozukuri: Promote reductions of discharges in manufacturing activities (CO₂, waste matter) and resource circulation
4. Environmental preservation activities: Preservation of the natural environment and biodiversity, carry out SDGs
5. Environmental management: Manage and prevent environmental risks, promote continuous improvements

Action Plan for 2050

KYB has declared its commitment to achieving carbon neutrality by FY2050. To reach this goal, we are promoting initiatives across all business activities that focus on reducing energy consumption (energy conservation), expanding the use of renewable energy, and preparing for the future introduction of innovative technologies.





Contributing to Climate Action

The KAYABA Group's goal is to achieve carbon neutrality by 2050. We are undertaking initiatives to reduce greenhouse gas emissions, implement measures to minimize environmentally hazardous substances in our products, and develop low-CO₂ and energy-efficient solutions. With respect to climate-related risks and the business opportunities arising from their impacts, we define a major financial impact as a situation in which a decline

in orders or a suspension of plant operations could occur. These risks are classified by likelihood, magnitude of impact, and qualitative implications to clarify their potential severity. We assess these impacts using the scenario analysis shown in the table below and incorporate the findings into our business strategy 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 KAYABA plant overflowed, causing water damage. The risk of damage from flooding is growing as global climate change is causing large typhoons, higher tides, and other concerns. In addition, analysis using the WRI Aqueduct tool has revealed that there is a certain level of risk.	Considering past large-scale flood damage and future projections, we are implementing annual, systematic measures to prevent flooding within plant premises and enhance drainage capacity in anticipation of heavy rainfall. We are also advancing disaster-preparedness initiatives, such as establishing standardized evacuation procedures based on river water levels. In the long term, achieving carbon neutrality in response to climate change will be essential. To contribute to this goal, we will use CO ₂ emissions from our production activities (Scopes 1 and 2) as key indicators to track progress toward meeting this target.
Transition	Regulation	Tightening of regulations concerning greenhouse gas emission reductions	As the shift toward decarbonization accelerates and the automotive industry transitions to electric vehicles, the required specifications for shock absorbers are becoming increasingly diverse. This includes addressing a wider range of customer requirements, reducing CO ₂ emissions at the component level, achieving weight reduction to offset battery-related increases in vehicle mass, and meeting heightened expectations for quieter—or near silent—operation in line with the overall noise reduction of EVs. If we fail to respond to these evolving needs, there is a risk of losing competitiveness and being left behind in the market.	We are advancing our technology strategy by ensuring compatibility with next-generation automotive platforms and further strengthening our core competencies in vibration control and power control. To address the industry's increasing demand for lighter vehicles, we are pursuing material substitution—such as high-tensile steel, aluminum, and resin—along with structural innovations that contribute to weight reduction. In addition, we use CO ₂ emissions generated during product manufacturing (Scopes 1 and 2) as key performance indicators, and we plan to establish Scope 3 emissions—representing CO ₂ emissions across the entire product life cycle—as an additional metric going forward.

Opportunity category	Specific opportunity		Initiative/countermeasure
Product/service	Increased sales caused by growth in demand for products and services	As automakers and construction machinery manufacturers accelerate their shift toward electrification, new opportunities are emerging for technologies, products, and services that enhance energy efficiency and reduce greenhouse gas emissions. In addition, demand is growing for products and systems that enable predictive and preventive maintenance—areas where KAYABA can leverage its core technological strengths.	KYB is advancing the development of higher-value offerings such as SustainaLub, an environmentally friendly hydraulic fluid made from plant-derived base oils. We are also developing an oil condition diagnostic system that provides real-time monitoring of hydraulic fluid in construction machinery and industrial equipment. By enhancing product value through these innovations, we aim to strengthen differentiation, secure competitive advantage, and deliver solutions that meet customer expectations. Looking ahead, we plan to adopt Scope 3 emissions—representing CO ₂ emissions across the entire product lifecycle—as a key management indicator. This will guide our efforts to further reduce environmental impact and support the transition toward a decarbonized society.

Metrics and Targets

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

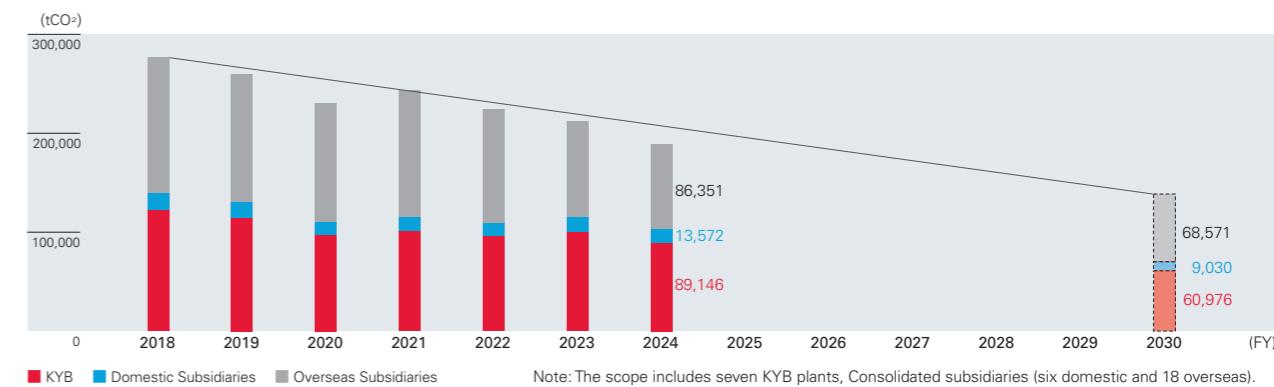
Index	Target		FY2024 (Actual results)	
	Fiscal year	Numerical target	Results	Evaluation
CO ₂ total emissions (Scope 1, 2)	2024	207,312 tCO ₂	189,069 tCO ₂	Accomplish
	2030	138,578 tCO ₂		(Initiative ongoing)
	2035	80,375 tCO ₂		(Initiative ongoing)
	2050	0 tCO ₂ Carbon neutral		(Initiative ongoing)
Renewable energy adoption rate	2025	15%	15.8%	(Initiative ongoing)

Note 1) The figures shown are internal estimates as of the end of May 2025. Actual emissions will be finalized once third-party assurance has been obtained. For the finalized emission data, please refer to the CO₂ emissions information available on our website (https://www.kyb.co.jp/company/csr/env_climatechange.html).

Manufacturing Toward Carbon Neutrality

Environmental 3

The CN Promotion Section leads our initiatives to reduce greenhouse gas emissions across all Group locations, including production sites, offices, and sales companies. We share energy-saving best practices—such as proper lighting control, optimized air-conditioning settings, and enhanced efficiency of production equipment—and support their steady implementation, along with the planning of renewal programs for aging facilities.



FY2024 Activity Achievements

Environmental Vision	Initiative	Specific Activities	Selected FY2024 Achievements
1. Develop products that contribute to environmental preservation	Develop products that contribute to the reduction of CO ₂ emissions (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 valves (HC)	Production of electromagnetic proportional control valves for three-to-four-ton excavators
		Development of hydraulic cylinders for medium- and large-sized construction machinery (HC)	Continued development on electromagnetic proportional control valve for uses other than excavators
		Development of CAE technology with AI-based simulation of shock absorber damping force (AC)	Achieved product weight reduction through a 20% decrease in cylinder tube wall thickness
		Development of high-performance small-diameter inverted front forks for small motorcycles (AC)	Improved vehicle development efficiency by providing automotive manufacturers with a fast and highly accurate shock absorber model
2. Reduce environmental burden of products	Develop products for a circular economy	Development of biodegradable hydraulic fluid (AC)	Continue supplying biodegradable hydraulic fluid for racing dampers
	Optimum maintenance and breakdown prediction using sensors (HC)	Started mass production specification plans using knowledge and technology gained from competing in races	Continued development on oil leak detection cylinder
2. Reduce environmental burden of products	Reduction of CO ₂ in lifecycle	Calculation of CO ₂ emissions	Obtained warranty from third-party verification
		Reduction of CO ₂ emissions from raw materials	Promoted electric furnace material supply
			Raised resin recycling rate



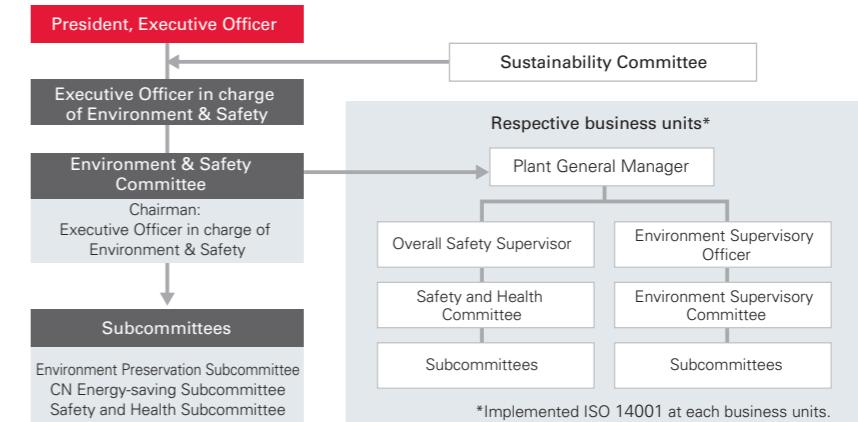
FY2024 Activity Achievements (continued)

Environmental Vision	Initiative	Specific Activities	Selected FY2024 Achievements
2. Reduce environmental burden of products	Cooperation with business partners	Share information on carbon neutrality initiatives	Conducted business partner survey on carbon neutrality awareness Conducted briefing and survey on CO ₂ emissions survey Requested carbon neutrality efforts at purchasing policy briefing and other meetings
		Reduction of CO ₂ in corporate activities	Made progress with switching company cars to EVs, promoted web meetings and remote work
	Promotion of energy conservation initiatives	Energy conservation initiatives according to the six rules	Weekend power reduction: CO ₂ reduction of 1,236 tCO ₂ Elimination of air leaks: CO ₂ reduction of 977 tCO ₂ Lowering compressor supply pressure: CO ₂ reduction of 702 tCO ₂ Thermal insulation of piping and tanks: CO ₂ reduction of 264 tCO ₂ Optimization of operating conditions: CO ₂ reduction of 523 tCO ₂ Conversion to LED lighting: CO ₂ reduction of 306 tCO ₂
	Promote capital investments in energy conservation	Production technology development	Increased speed of heat treatment (under development) Shortened coating drytime (under development) Reduced excess plating layers (under development)
		Upgrade aging equipment	Gifu North Plant cogeneration system started: CO ₂ reduction of 3,906 tCO ₂ Renewal of aging compressors: CO ₂ reduction of 96 tCO ₂
		Renewal of aging production equipment	Energy saving and high efficiency equipment: CO ₂ reduction of 221 tCO ₂
	Promotion of renewable energy	Introduction of photovoltaic power generation system	Power generation of 16,975 MWh: CO ₂ reduction of 8,870 tCO ₂ Country installed: Japan, Spain, China, Thailand, Vietnam, Malaysia, Indonesia
	Promotion of resource circulation	Reduction of waste matter volume	Volume reduction of waste liquid from AL painting booths (KMS): CO ₂ reduction of 0.67tCO ₂
		Promote recycling	Recycling of PET materials (Component trays) (Gifu North Plant): CO ₂ reduction of 0.35 tCO ₂ Reduction of waste through the return of used pail cans (Nagaoka): CO ₂ reduction of 0.044 tCO ₂ Recycling of waste plastics (Injection-mold scrap, PET trays, returnable boxes) (Kanayama): CO ₂ reduction of 9.7 tCO ₂
3. Reduce environmental burden in monozukuri	Offset through CO ₂ absorption	Increase the volume of CO ₂ absorption through planting trees	Tree-planting activities (Thailand, Indonesia, Vietnam, India, Czech Republic, Mexico)
	Efforts to preserve biodiversity	Approval for initiative	Endorsed the Keidanren Initiative for Biodiversity since FY2023
		Enhancement of habitats for wild birds	Installation of bird boxes (Czech Republic)
		Conservation of near-threatened species <i>Lespedeza tomentosa</i> (Developmental Center)	Ongoing vegetation management and regular monitoring of habitat conditions (700 m ²)
		Protection of rare plant species (Indonesia)	Cultivation of multiple species of rare orchids within plant premises.
		Composting of wood chips	Initiated pilot testing of composting wood chips produced from pruned branches. Application of the resulting compost is planned for rice and soybean cultivation fields in January 2025
		Donations for nature conservation	Contributions and sponsorships supporting forest conservation, biodiversity preservation, and broader environmental protection activities
	In-house education and awareness	Cleanup activities	Conducted cleanup initiatives around plant premises and surrounding green areas (two KYB sites and four Group company sites).
		Human resources training	Continued ESG training for all employees (FY2024 participants: 3,905 via e-learning; 1,883 via on-site group training)
		Educational and awareness activities	Continued offering environment-related elective programs as part of the corporate training curriculum (FY2024 participants: 143)
4. Environmental preservation activities	Actively disclose environmental information	External evaluation	CDP score: B on climate change, B on water security Toyo Keizai CSR survey: 337th EcoVadis: 52%
	Introduce environmental management	Obtainment of ISO 14001 certification	100% of domestic companies and 94% of overseas subsidiaries (up 1% 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 31 global plants

Environmental Management

Environmental 5

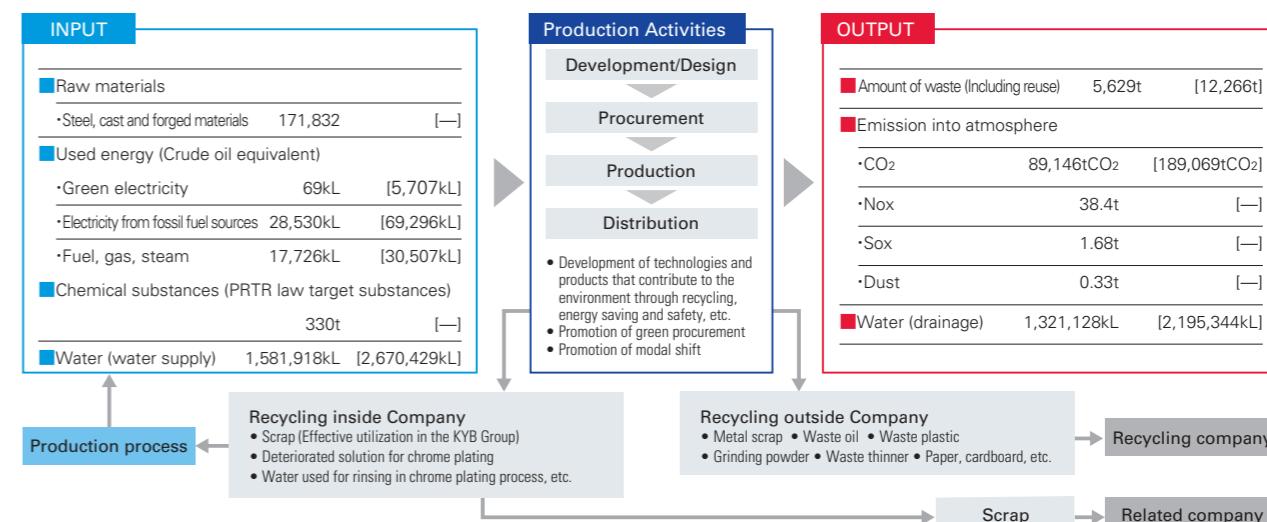
Environment & Safety Management System



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, 1,000 tons of scrap material is reused within the Group every year, and the chrome wastewater treatment facility in our plating process reuses 33,000 kiloliters of water.

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 (seven KYB plants, six 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.

COLUMN

Initiatives Toward Carbon Neutrality at Overseas Locations

Efforts to achieve carbon neutrality are accelerating not only at our domestic sites but also across our overseas locations. Each site is addressing its unique challenges and implementing measures to reduce CO₂ emissions. The main initiatives and resulting CO₂ reductions at key overseas sites are as follows.

Location	Initiatives	CO ₂ reduction
KIMZ (China)	Energy savings through lowering compressor pressure and addressing air leaks → AC Plant: 0.67 → 0.60 MPa HC Plant: 0.65 → 0.53 MPa	533 tCO ₂ /year (Scope 2)
KWT (China)	Power savings through replacing aging compressors → Annual power reduction: 155,620 kWh Annual cost reduction: ¥2.1 million	155 tCO ₂ /year (Scope 2)
KYBT (Thailand)	Power savings through compressor renewal → Annual reduction: 392.27 MWh, Annual cost reduction: approx. ¥7 million	183 tCO ₂ /year (Scope 2)
TVC (Vietnam)	Conversion of cooling system exhaust fan to inverter control → Reduces system electricity consumption by approx. 30%	49 tCO ₂ /year (Scope 2)
KMSB (Malaysia)	Power savings through the implementation of a smart air system → Achieved a 14.2% reduction in electricity usage through automatic optimization of compressor supply pressure	136 tCO ₂ /year (Scope 2)
KAC (America)	Reducing electricity used for lighting and air conditioning → The installation of 1,500 LED lighting units and the replacement of 28% of the air conditioning systems	282 tCO ₂ /year (Scope 2)
TAC (America)	Reducing electricity consumption during manufacturing → Annual electricity reduction of 240,152 kWh	85 tCO ₂ /year (Scope 2)
KMB (Brasil)	Energy conservation initiatives in the manufacturing processes, including waste heat recovery from drying furnaces and boiler renewal → Approx. 27,702 m ³ /year of natural gas and 15.6 tons/year of propane gas reduced	162 tCO ₂ /year (Scope 1) 520 tCO ₂ /year (Scope 2)

* KIMZ: KYB Industrial Machinery (Zhenjiang) Ltd. KWT: Wuxi KYB Top Absorber Co., Ltd. KYBT: KYB (Thailand) Co., Ltd. TVC: Takako Vietnam Co., Ltd. KMSB: KYB-UMW Malaysia Sdn. Bhd. KAC: KYB Americas Corporation TAC: Takako America Co., INC. KMB: KYB Manufacturing do Brasil Fabricante de Autopecas S.A.



Inverter-controlled compressor (KWT)



Exhaust fans (TVC)



Smart Air System (KMSB)



High efficiency LED lighting (KAC)



Heat exchanger (KMB)

Social Activities

Maintaining the Work Environment and Contributing to Society

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: Develop vibration and power control products that can contribute to society
2. Occupational health and safety: Create comfortable workplaces that protect the mental and physical health of employees in a safe and clean working environment
3. Respect for human rights: Creating an internal environment and supply chain in which human rights are respected
4. Diversity of human resources: Promote the creation of workplaces where diverse human resources can play an active role while working a comfortable working environment
5. Social contribution activities: Contribute to local communities through proactively getting involved in volunteer activities, local events, and reconstruction assistance
6. Fair business practices: Conduct transparent, legitimate transactions with free competition based on mutual trust

Occupational Safety and Health

Social 2

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.

Since its establishment in 2018, the Global Safety Promotion Committee has been working to enhance safety initiatives under the leadership of the President. In addition, the Environmental & Safety Committee, chaired by the Director in charge of CSR and Safety, deliberates on safety-related measures across the

KAYABA Group and promotes the creation of a safe and secure working environment.

Number of Lost-Time Injury Cases

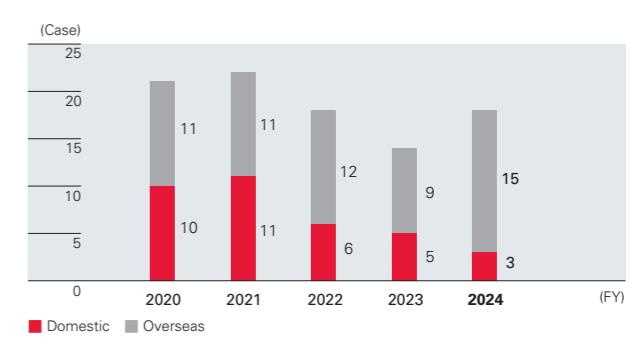


Plant Fire Prevention Activity

Fire prevention is critically important to the KAYABA Group—not only to avoid causing inconvenience to our business partners and neighboring communities, but also to safeguard the safety of our employees. In addition to inspecting and maintaining fire protection equipment as required by law, we conduct continuous assessments and improvements of our fire prevention systems. Manufacturing facilities with higher fire risk are inspected regularly using dedicated checklists to prevent incidents before they occur.

To raise fire-prevention awareness among employees, we have designated the first operating day of each month as "Fire Prevention Day," during which all employees participate in fire prevention activities.

Annual Number of Fires (Cumulative Total)





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

Occupational Safety and Health Management System To systematically expand and strengthen our Group-wide occupational health and safety management framework, we have introduced ISO 45001* and the Occupational Safety and Health Management System (OSHMS). Beginning with the Gifu North Plant in

FY2004, major plants and affiliate companies obtained certification by FY2022. We continue to advance initiatives that promote safer and healthier working environments across the Group.

*ISO 45001: International standard for occupational safety and health management systems

Certified Sites (as of April 2025)

KYB Corporation (OSHMS)

Kumagaya Plant, Sagami Plant (Including Basic Technology R&D Center), Gifu North Plant, Gifu South Plant (Including Gifu East Plant, Production Technology R&D Center, Machine Tools Center), Mie Plant, Nagano Plant

Domestic Consolidated Subsidiaries (OSHMS)

KYB Nagaoka Co., Ltd.

KYB Kanayama Co., Ltd.

KYB Motorcycle Suspension Co., Ltd.

Takako Industries, Inc.

Overseas Consolidated Subsidiaries (ISO45001)

China	KYB Industrial Machinery (Zhenjiang) Ltd., Wuxi KYB Top Absorber Co., Ltd., Hubei Henglong & KYB Automobile Electric Steering System Co., Ltd., Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd.
Taiwan	KYB Manufacturing Taiwan Co., Ltd.
Thailand	KYB Steering (Thailand) Co., Ltd., KYB (Thailand) Co., Ltd.
Indonesia	PT. KYB Hydraulics Manufacturing Indonesia, PT. Kayaba Indonesia
Vietnam	KYB Manufacturing Vietnam Co., Ltd., Takako Vietnam Co., Ltd.
Malaysia	KYB-UMW Malaysia Sdn. Bhd.
India	KYB Motorcycle Suspension India Pvt. Ltd.
Spain	KYB Suspensions Europe, S.A.U., KYB Advanced Manufacturing Spain, S.A.U.
Czech Republic	KYB Manufacturing Czech, s.r.o., KYB CHITA Manufacturing Europe, s.r.o.
America	KYB Americas Corporation, Takako America Co., INC.
Mexico	KYB Mexico S.A. de C.V.
Brazil	KYB Manufacturing do Brasil Fabricante de Autopecas S.A.

Basic Policy on Human Rights

Social 3

The KAYABA Group conducts its business activities based on its Corporate Spirit of "offering products and technologies that make people's lives safe and comfortable, and contributing to society." We seek to be a company that is relied upon by society and earns the trust of its stakeholders. The KAYABA Group considers respect for human rights to be an essential part of its corporate social responsibility. Accordingly, the KAYABA Group Basic Policy on Human Rights was approved by the Board of Directors and enacted in March 2025. This policy is positioned as the highest-level policy governing

all human rights-related regulations within the Group, and includes the establishment of a human rights consultation desk.

Beginning in FY2025, we have launched human rights due diligence and are taking concrete steps to ensure respect for human rights throughout our business activities.



For details, see "Respect for human rights" on the website
https://www.kyb.co.jp/english/company/csr/soc_human_rights.html

COLUMN

Human Rights Initiatives Required of Corporations

As corporate activities increasingly extend across national borders, human rights issues—particularly those related to working conditions and labor environments—have become more visible. In developing countries, poor working environments and child labor continue to be serious concerns. In response, the Guiding Principles on Business and Human Rights¹ were adopted by the United Nations in 2011, establishing that corporations must fulfill their responsibility to prevent and mitigate adverse human rights impacts through three key actions:

As part of the KAYABA Group's responsibilities, we formulated our Basic Policy on Human Rights in March 2025 to ensure that our business activities consistently respect human rights. Beginning in FY2025, we will implement human rights due diligence across all of our plants, offices, Group companies, and business partners. In addition, the KAYABA Group has established a whistleblowing system to help detect and correct illegal or inappropriate activities at an early stage.

¹1 Guiding Principles on Business and Human Rights: A global standard that all governments and corporations are expected to follow, consisting of (1) the state duty to protect human rights, (2) the corporate responsibility to respect human rights, and (3) access to remedy.

²2 Human rights due diligence: A series of processes used by corporations to identify, prevent, and mitigate potential human rights risks in their operations—including supply chains—and to disclose the effectiveness of their actions.

Overview of Corporate Human Rights Initiatives

- 1. Policy commitment
- 2. Human rights due diligence
- 3. Remediation

Source: Adapted from the Ministry of Justice publication "Corporate Responsibility to Respect Human Rights: What Is Expected of Companies Today."

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

To develop human resources who can contribute to realizing the four key values of our Corporate Spirit—Norm, Vitality, Harmony, and Creativity—the KAYABA Group has defined ten core pillars for human resource

development, consisting of eight essential qualities and two areas of knowledge and skills.

To enable employees to acquire these pillars, we have clearly defined the qualities and skills required at each

Vision for Creating the Future through ESG Management

Social Activities

career level and for specific objectives, and have systematically structured our education and training programs. These programs include group-based training, on-the-job training (OJT), and other learning opportunities.

With regard to fostering awareness of norms and ethics, we continuously refine training content and materials each year in order to instill a strong sense of ethical awareness in every employee and promote open and transparent workplaces. We conduct annual refresher training for all employees each October, as well as ethics training at the time of promotion.

In the 2023 Medium-Term Management Plan, Total Quality Management (TQM) activities were positioned as the foundation of all initiatives. In line with this approach, we provided basic TQM training by employee level in FY2023. In FY2024, we conducted practical TQM training, in which all business and functional divisions engaged in problem-solving activities together

with external instructors. In FY2025, we are implementing TQM confirmation sessions to ensure that TQM practices are firmly embedded. Through these initiatives, we are working toward the goal of enabling all employees to effectively apply TQM in their work.

In the area of global education, we operate two main programs. The first is pre-assignment training for overseas site managers, designed to help them manage their assigned locations appropriately by learning about local conditions and effective approaches to addressing and resolving issues across various fields, using practical case studies. The second is foundational education for all KAYABA Group employees, both in Japan and overseas. This program uses a unified curriculum at all locations and covers essential topics such as the Corporate Spirit, quality, safety, environmental initiatives, *monozukuri* (manufacturing excellence), and core competencies, ensuring a shared understanding across the Group.

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

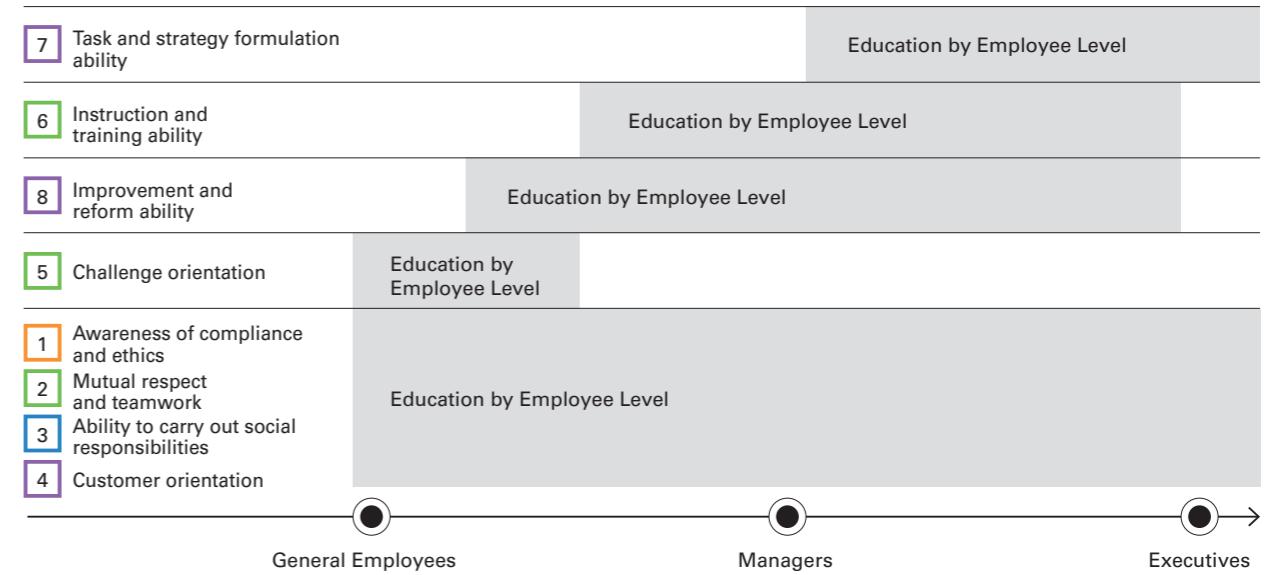
Relationship with the Corporate Spirit

- We shall follow all rules and face all issues with **honesty**.
- We shall built a corporate culture full of **vitality**, and hold high goals.
- We shall value **sincerity**, cherish nature, care for the environment.
- We shall constantly pursue **creativity**, contribute to the prosperity of customers, shareholders, suppliers and society.

Eight qualities	Definition
1 Awareness of compliance and ethics	<ul style="list-style-type: none"> Observes the rules of society and the Company, makes the right judgement (choice) as a person in any case. 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.
2 Mutual respect and teamwork	<ul style="list-style-type: none"> Can put themselves in the position of others rather than thinking solely about their own intentions. Beyond official position and duties, uses speech and actions that show respect as a human being for the other person.
3 Ability to carry out social responsibilities	<ul style="list-style-type: none"> Even while pursuing business for profit, plans and enforces policies that take into consideration social impacts. Can understand the relationship between their work and the goals and efforts of the SDGs, and can take action in the course of their work that fulfills their social responsibility.
4 Customer orientation	<ul style="list-style-type: none"> Can build relationships of trust with business partners and cooperate and coordinate in accomplishing business duties. Executes policies that exceed the anticipations of customers not only for existing customers, but also future customers and end users.
5 Challenge orientation	<ul style="list-style-type: none"> Rather than being satisfied with the current situation, takes on new challenges with a strong sense of curiosity. Takes the lead in difficult assignments for the customer or within the Company, without hesitation due to failure or uncertainty. Motivated to engage in efforts even for complex, difficult problems.
6 Instruction and training ability	<ul style="list-style-type: none"> Can train human resources that enthusiastically accomplish goals, deploy and assign human resources in accordance with policies and strategies. Can contribute to instructing subordinates and younger workers and create a corporate culture in which people can grow.
7 Task and strategy formulation ability	<ul style="list-style-type: none"> Logically and systematically analyze information with limited time and management resources to make the optimum decisions. Generates and pursues ideas that are not bound by the conventional way of thinking or constraints in order to overcome difficult issues and establish new challenges.
8 Improvement and reform ability	<ul style="list-style-type: none"> Has responsibility regarding making efforts toward established targets and subjects, and works tenaciously until completion. Carries out reformations that are not bound by the conventional way of thinking or constraints in order to overcome difficult issues and establish new strategies. Can generate effective ideas and improvements that lead to increases in quality, safety, and productivity.

Two skills	Definition
9 Basic knowledge and skills	<ul style="list-style-type: none"> Has knowledge related to the laws, in-house rules, and risks that are relevant to the business they oversee. Understands the necessary quality standard in order to ensure the credibility, consistency, accuracy of products and services. Has all the kinds of knowledge and skills necessary to accomplish their duties.
10 Specialized knowledge and skills	<ul style="list-style-type: none"> Has knowledge related to the laws, in-house rules, and risks that are relevant to their area of specialization. Has all the kinds of knowledge and skills necessary to conduct highly specialized operations, or carry out high-level improvements and reformations.

Education in the Eight Qualities by Employee Levels



Efforts for Diversity

Encouraging the Active Participation of Women

KYB embraces and respects diverse values, and we believe that fostering a corporate culture with flexibility in management strategy and product development is essential. Based on this belief, we are promoting various initiatives to increase the number of women appointed to management positions. Our goal is to raise the proportion of female managers to a level equivalent to that of male managers. In 2023, KYB received the Eruboshi public certification, which is awarded to companies that demonstrate excellence in implementing initiatives to promote the advancement of women.



One challenge we face is the limited number of female candidates for

Item	FY2024	FY2025 Target
Ratio of women managers	3.8%	4.7%

Note: The scope is for KYB Corporation.

Social 4

management positions, partly due to a decline in the number of female employees aspiring to such roles. To address this issue, we are proactively recruiting women managers from outside the Company and implementing initiatives aimed at raising awareness and encouraging internal promotion of female employees.

With regard to external recruitment, and in recognition of the potential for unconscious bias in the workplace, we began conducting Diversity & Inclusion (D&I) training for managers in FY2024, alongside mid-career recruitment activities.

Since FY2024, we have also been holding career roundtable discussions among female employees, including women managers, to encourage dialogue and awareness regarding management career paths. From FY2025 onward, we plan to further expand these efforts by hosting lectures and opinion-exchange sessions led by KYB's female external directors and female external auditors.

Vision for Creating the Future through ESG Management

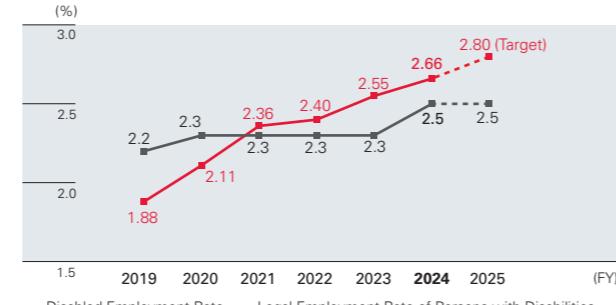
Social Activities

Employment of people with disabilities

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 2.66% as of the end of March 2025. 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 Corporation.

Increase Job Satisfaction/Engagement

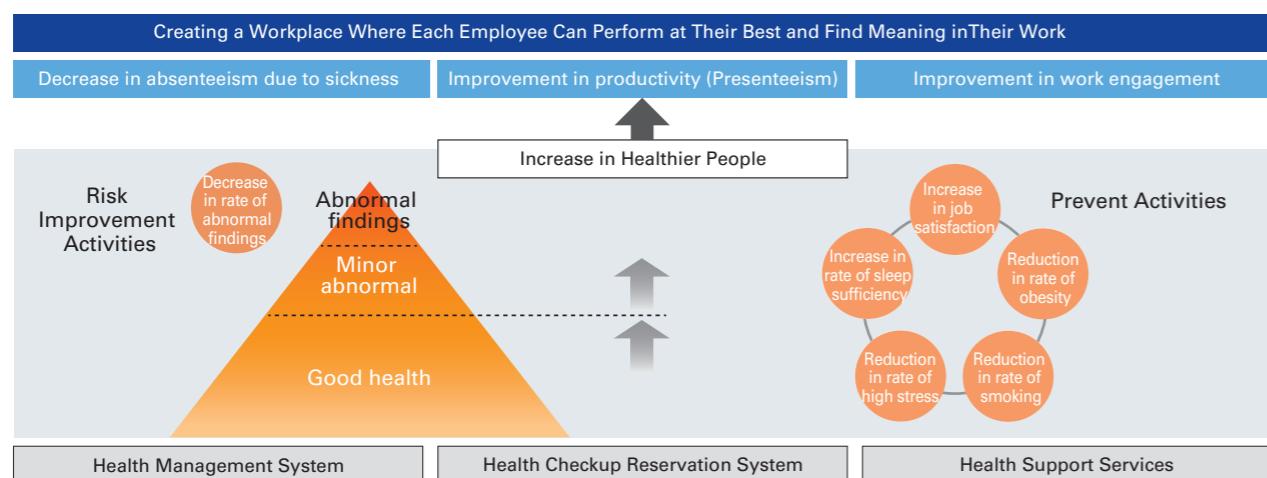
Social 2

Health Management

Since 2019, under the leadership of top management, KYB has promoted health management through an integrated framework involving the Human Resources Department, Health Support Center, Health Insurance Association, and the KYB Labor Union. As a result, KYB has been certified for six consecutive years as a Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category).

KYB's goal is to create a workplace where employees can perform at their best and feel fulfilled. To this end, we emphasize reducing illness-related absences, improving productivity during working hours, and enhancing work engagement.

KYB's Health Management Strategy Diagram



Work-Life Balance

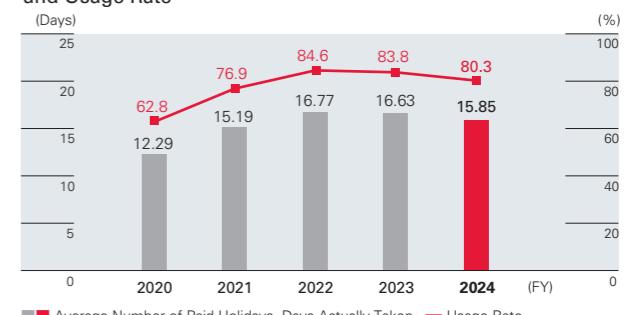
To create a workplace environment in which employees can work with peace of mind and to support a healthy work-life balance, KYB has introduced a range of systems, including telework, flextime, childcare and nursing care leave, short-time working arrangements, and leave for employees whose spouses are transferred to another location. By promoting understanding of these systems, we are fostering workplaces that enable more diverse and flexible ways of working. At the same time, we are improving productivity through business process rationalization and curbing long working hours by encouraging the use of annual paid leave, thereby enhancing employee engagement.

With regard to childcare-related systems in particular, we are promoting active participation by male employees in childcare. Initiatives include the preparation and dissemination of a "Guidebook for Childbirth and Childcare" tailored for female employees, male employees, and managers, as well as the establishment of consultation desks at each worksite. As a result of these efforts, the childcare leave utilization rate among eligible male employees reached 93% in FY2024.

In addition, we are working to reduce total working hours for employees in indirect departments by promoting fundamental business process reforms based on

the principles of "eliminate," "reduce," and "change," rather than adhering to conventional processes. These reforms include business automation using robotic process automation (RPA) and efficiency improvements through the active use of business improvement applications.

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



Note: The scope is for KYB Corporation.

Item	FY2024	FY2025 Target
Degree of Job Satisfaction	59.8%	60% or more

Note: The scope is for KYB Corporation.

COLUMN

KYB's Social Contribution Activities:
Science Kanagawa and Summer Vacation Parent-Child Workshop

Social 5

Each year, we invite elementary school students to the "Science Kanagawa" event, where they have the opportunity to learn about hydraulic mechanisms, Pascal's principle, and tribology*. They also enjoy hands-on activities such as building syringe-powered excavators, operating mini excavators, and using an electron microscope. In FY2025, we held our first program for junior high and high school students, offering experiences such as feeling damping force and participating in assembly workshops.

We also host an annual craft workshop for employees' children. At the Sagami Plant, we provided programs such as lunchtime in the plant cafeteria and a special plant tour arranged as part of the Sagami Plant Renovation Project. These activities were designed to give children a closer look at their parents' workplace and the nature of their work, making the event both enjoyable and meaningful for the participants.



*Tribology: The study of the science of friction



Supply Chain Management

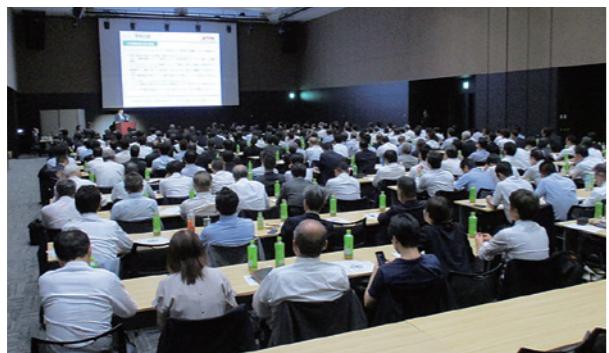
We will further make demonstrable increases to the responsibilities of the companies in our supply chain in conducting efforts to uphold human rights, prevent child labor and forced labor, procure minerals responsibly, and achieve carbon neutrality. KYB will further strengthen its 11-item supply policy, 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

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.



Consideration for Business Partners

KYB has worked to ensure compliance with appropriate business practices, including fair transactions with our business partners. However, following an on-site inspection conducted by the Fair Trade Commission, we received a recommendation indicating that certain aspects of our efforts were insufficient and not fully

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

| Social 6

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 CO₂ 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 2015, the KAYABA Group is taking measures to prevent slave labor and human trafficking within our business operations and throughout our supply chain.

We conduct surveys of our 709 domestic Tier 1 suppliers to assess their efforts related to corporate social responsibility—including environmental and human rights issues, as well as responsible mineral sourcing. During our 2021 review, we identified that many suppliers lacked explicit internal rules addressing the Modern Slavery Act. We requested corrective action, and many suppliers subsequently revised their internal policies. We have also observed improved awareness of supply chain responsibility, with many

suppliers actively promoting awareness among their Tier 2 suppliers.

Led by the CSR & Safety Control Division, we are implementing wide-ranging and specialized CSR initiatives. These include prohibiting human rights violations, forced labor, and child labor within the KAYABA Group, as well as clearly defining our opposition to forced labor and child labor across the supply chain in our Corporate Code of Conduct.

Going forward, we will continue strengthening collaboration with relevant departments, monitoring supplier initiatives, and promoting education and awareness activities related to preventing human rights violations and modern slavery.

Responsible Mineral Sourcing

To avoid any involvement—direct or indirect—in human rights violations or the financing of armed groups, the KAYABA Group conducts annual surveys in cooperation with our suppliers, in line with the intent of the Dodd-Frank Act.* We compile the results and report them to customers who request such information, and we respond promptly to any follow-up inquiries.

For these assessments, we use the survey templates issued by the Responsible Minerals Initiative (RMI), an organization that promotes responsible mineral sourcing. In addition, reflecting the growing global awareness of human rights issues, we also conduct cobalt-related surveys—although not required by regulation—and provide the results to our customers using the RMI's questionnaire.

FY2024 Suppliers targeted for gold (3TG): 254
Suppliers targeted for cobalt: 105

*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.

compliant with the Subcontract Act and fair transaction practices. We take this recommendation very seriously. To prevent any future violations of the Subcontract Act, we are promptly implementing the required corrective measures, strengthening our internal compliance framework, and working diligently to prevent recurrence.

Governance Activities

Raising Awareness of Norms, Strengthening Group Governance

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

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.

Corporate Spirit

Contributing to society by providing technologies and products that make people's lives safer and more comfortable.

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

1. We shall follow all rules and face all issues with honesty.
2. We shall build a corporate culture full of vitality, and hold high goals.
3. We shall value kindness and sincerity, cherish nature and care for the environment.
4. We shall constantly pursue creativity to contribute to the prosperity of customers, shareholders, suppliers and society.

Basic Policies

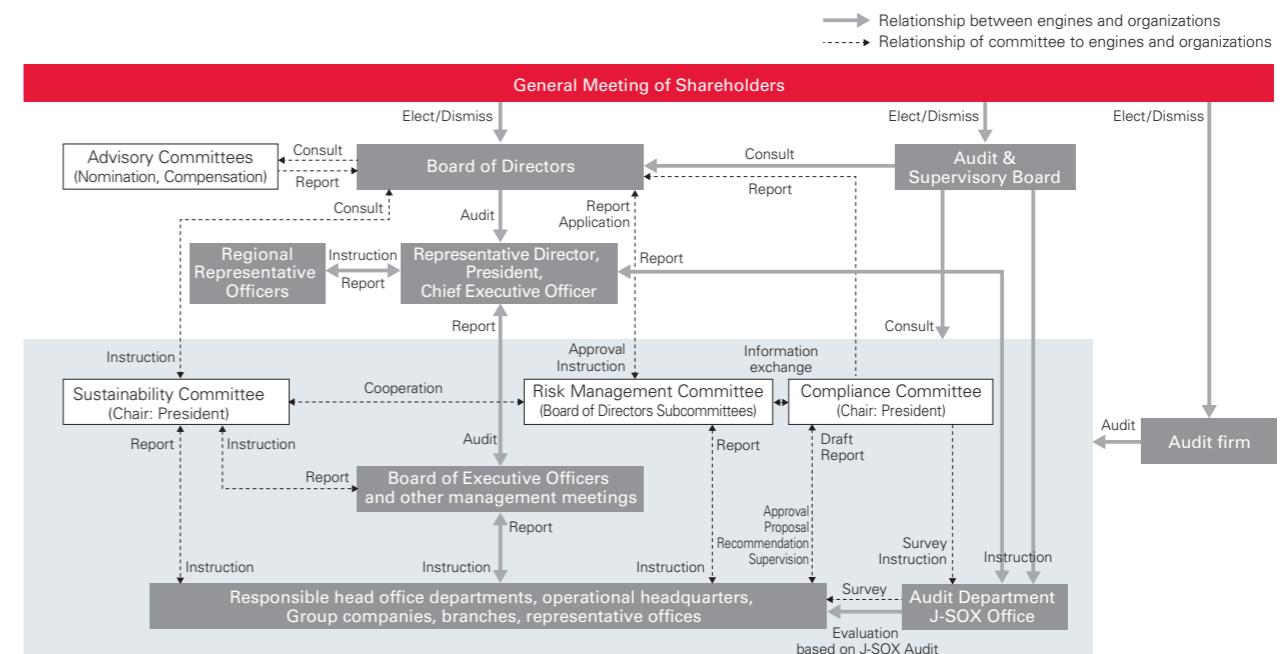
1. We shall respect the rights of shareholders, and ensure the equal and fair treatment of all shareholders.
2. We shall take the benefits of stakeholders into consideration and endeavor to appropriately cooperate with those stakeholders.
3. We shall disclose not only information on compliance with the relevant laws and regulations, but also actively provide important and/or useful information to stakeholders for their well-informed decision making.
4. The Board of Directors shall be cognizant of its fiduciary responsibility and accountability to shareholders, and shall appropriately fulfill its roles and responsibilities in order to promote sustainable and stable corporate growth and increase corporate value, profitability, and capital efficiency.
5. We shall engage in constructive dialogue with shareholders, and make efforts to obtain shareholders' support regarding the Company's business policies and also reflect shareholders' opinions and concerns in the improvement of management.

Corporate Governance Structure

Governance 2

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 consists of seven members, four of whom are external directors. The Board meets once a month, in principle. The board makes decisions based on laws, the articles of incorporation, and company regulations. The board also deliberates on policies and other important management matters. The Board also oversees the management of business operations. Additionally, four external directors are registered as independent officers.

Board of Executive Officers

The Board of Executive Officers reports directly to the Board of Directors and deliberates on important management matters from a Company-wide perspective.

Other Management Committees

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

execution status. The President and other full-time directors are responsible for personally visiting each plant and group company workplace under the Operational Review with the President Committee to follow up on matters related to policy development and important manufacturing issues. In the Debriefing of the Overseas Headquarters Company Committee, the president regularly supervises management execution at overseas group companies. Through these activities, we seek to strengthen the management oversight system of the entire KAYABA Group.

Audit & Supervisory Board:

The Audit & Supervisory Board consists of three full-time members and one part-time member. One full-time and one part-time member are outside members. Through audits by these members, we expect to achieve effective management oversight, and we have concluded that an effective governance system is in place. Additionally, two outside Audit & Supervisory Board members are registered as independent officers.



Management Team (As of November 1, 2025)

* Independent Directors and Auditors

Directors



Masahiro Kawase
Representative Director,
President, Chief Executive
Officer (CEO)



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

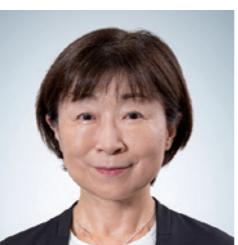


Tomoki Takaoka
Member of the Board of
Directors, Senior Managing
Executive Officer

Appointment of directors	June 2022	June 2023	June 2025
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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)



Yukimitsu Sanada*
Member of the Board of
Directors (External)

Appointment of directors	June 2020	June 2022	June 2023	June 2025
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Audit & Supervisory Board Members



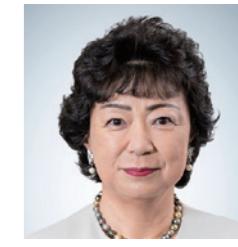
Osamu Kunihara
Audit & Supervisory
Board Member



Masahiko Sagara*
Audit & Supervisory
Board Member
(Outside)



Ichio Nemoto
Audit & Supervisory
Board Member



Junko Watanabe*
Audit & Supervisory
Board Member
(Outside)

Executive Officers

Senior Managing Executive Officer	Minoru Ishikawa	In Charge of Automotive Components Operations, China Operations; General Manager, Automotive Components Operations, and Suspension Headquarters
Managing Executive Officer	Shozo Amano	In Charge of Production and Quality, KPS Promotion; General Manager, Production Division, Quality Division
	Masaru Tsuboi	In Charge of Safety Control & Environment
	Manabu Akasaka	General Manager, Finance & Accounting Division and Special Purpose Vehicles Division
Deputy Managing Executive Officers	Minoru Tamai	General Manager, Nagano Plant, Hydraulic Components Operations
	Toshimichi Izeki	General Manager, Sagami Plant, Hydraulic Components Operations
	Kenji Yazaki	In Charge of Global Corporate Planning, Domestic Affiliated Companies, TQM Promotion, ESG Promotion, Cybersecurity Measures; General Manager, Corporate Planning Division, Digital Transformation Improvement Division
	Atsushi Fujii	In Charge of Engineering; General Manager, Engineering Division, Deputy General Manager, Hydraulic Components Operations
	Atsushi Okubo	In Charge of Sales, Purchasing & Logistics; Managing Director, KYB India Private Limited
	Fumihiko Izumi	In Charge of European Operations; President, KYB Europe GmbH
	Yukio Yamabe	In Charge of Aircraft Components Division; General Manager, Aircraft Components Division

Directors' Expertise and Experience (Skill Matrix)

KYB arranges for the expertise and experience necessary to embody the corporate spirit and achieve the Group's Medium-Term Management Plan. Going forward, we will continue to update the skill matrix as necessary so that the Board of Directors and other

functions can fully demonstrate their abilities. The following skill matrix indicates the specific skills expected of each director candidate but does not represent all of their knowledge.

Name	Title	Corporate management	Global	Financial affairs and accounting	Legal affairs / compliance	Sales, procurement, marketing	<i>Monozukuri</i> (manufacturing, technology, product development)	IT / DX
Masahiro Kawase	Representative Director, President, Chief Executive Officer (CEO)	○	○		○	○	○	
Takashi Saito	Representative Director, Executive Vice President Executive Officer, Chief Financial Officer (CFO)	○	○	○	○			
Tomoki Takaoka	Member of the Board of Directors, Senior Managing Executive Officer	○	○			○		
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)			○				
Yukimitsu Sanada	Member of the Board of Directors (External)		○	○		○		

Members of Major Committees

Title	Name	Board of Directors	Board of Executive Officers	Domestic Affiliated Companies Management	Audit & Supervisory Board
Representative Director, President, Chief Executive Officer (CEO)	Masahiro Kawase	○	○	○	
Representative Director, Executive Vice President Executive Officer, Chief Financial Officer (CFO)	Takashi Saito	○	○	○	
Member of the Board of Directors, Senior Managing Executive Officer	Tomoki Takaoka	○	○	○	
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)	Yukimitsu Sanada	○			
Audit & Supervisory Board Member (Full Time)	Osamu Kunihara	○		○	
Audit & Supervisory Board Member (Full Time)	Ichio Nemoto	○		○	
Audit & Supervisory Board Member (Full Time /Outside)	Masahiko Sagara	○		○	
Audit & Supervisory Board Member (Outside)	Junko Watanabe	○		○	
11 executive officers	—	—	—	○	○

Note: ○ denotes the chairperson



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



Officer Compensation

(1) Compensation Structure

Officer compensation consists of fixed monthly compensation (basic compensation) according to position and responsibilities, and performance-linked compensation (bonus) that varies depending on the Company's business results. Outside directors and Audit &

Supervisory Board members only receive fixed compensation according to their respective roles, and in view of their independence do not receive performance-linked compensation.

Type of Compensation	Eligible Officers	Maximum Total Compensation	Date of Resolution of the General Meeting of Shareholders	Calculation Process
Fixed compensation (Basic compensation)* ¹	Directors	¥30 million per month (¥360 million per year)	June 27, 1997, 75th Ordinary General Meeting of Shareholders	Consultation with Compensation Committee
	Audit & Supervisory Board members	¥10 million per month (¥120 million per year)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	—
Performance-linked compensation (Bonus (monetary))* ²	Directors (Excluding external directors)	40% or less and ¥200 million per year of total compensation (Fixed compensation + Performance-linked compensation)	June 23, 2022, 100th Ordinary General Meeting of Shareholders	Consultation with Compensation Committee
Performance-linked compensation (Bonus in shares)* ³	Directors (Excluding external directors)	Within 40,000 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 salaries paid to Directors who concurrently serve as employees..

*2. With respect to remuneration for Directors and Audit & Supervisory Board Members, the number of Directors and Audit & Supervisory Board Members at the time the above resolutions were adopted was as follows:

- 20 Directors at the 75th Ordinary General Meeting of Shareholders held on June 27, 1997

- 10 Directors and 5 Audit & Supervisory Board Members at the 100th Ordinary General Meeting of Shareholders held on June 23, 2022

*3. Under the resolution of the 100th Ordinary General Meeting of Shareholders held on June 23, 2022, the annual upper limit on the number of shares granted as performance-linked compensation (bonus in shares) was set at 20,000 shares. However, the Company conducted a two-for-one stock split of its common shares effective December 3, 2024. Accordingly, after adjustment to reflect the stock split, the upper limit is stated above as 40,000 shares.

(2) Compensation Decisions

For director compensation, the discretionary Compensation Committee—composed of the Representative Director and External Directors—reviews the appropriateness of the criteria used to calculate both fixed and performance-linked compensation, and reports its findings to the Board of Directors. Fixed compensation for Directors is determined by a resolution of the Board of Directors, based on the Committee's report and within the total remuneration limit approved at the General Meeting of Shareholders. Performance-linked compensation for Directors

(excluding External Directors) is determined according to the degree of achievement of the indicators that form the basis of calculation. The amount is finalized by a resolution of the Board of Directors, following a report from the Compensation Committee, and within the total remuneration limit approved at the General Meeting of Shareholders. Fixed remuneration for Audit & Supervisory Board Members is determined through consultation among the Audit & Supervisory Board Members, within the total remuneration limit approved at the General Meeting of Shareholders.

(3) Calculation and Determination of Performance-Linked Compensation

1) Indicators Used as the Basis for Performance Evaluation, Relevant Results, and Reasons for Their Selection

Performance-linked compensation is calculated based on the level of achievement of the following two indicators during the fiscal year prior to the performance-linked compensation payment year ("reference fiscal year").

To align with overall company performance and enhance medium- to long-term corporate value, profit or

loss attributable to owners of the parent—which reflects all operating results and represents final profitability—has been selected as one indicator.

Additionally, to promote the creation of medium- to long-term value and strengthen our commitment to sustainability, a sustainability KPI (CO₂ emissions) was selected as the second indicator.

Type of Compensation	Target	Results
Profit or loss attributable to owners of the parent	¥13,500 million	¥14,899 million
CO ₂ emissions	207,312 tCO ₂	189,069 tCO ₂

2) Calculation of Total Amount Paid (Monetary Compensation)

The upper limit on the total amount of performance-linked monetary compensation is set at 1.0% of profit attributable to owners of the parent. However, the proportion of performance-linked monetary compensation must not exceed 40% of the total remuneration (fixed compensation plus performance-linked monetary compensation) for Directors (excluding External Directors).

The actual payout amount is calculated by multiplying the upper limit by the applicable payout ratio, which corresponds to the number of indicators achieved as described in item (1). In the event that a loss attributable to owners of the parent is recorded, no performance-linked monetary compensation will be awarded.

3) Calculation of Total Amount Paid (Stock Compensation)

Performance-linked stock compensation is provided through a post-delivery, performance-based share compensation plan (the Performance Share Unit system; hereinafter "the Plan"). The purpose of the Plan is to incentivize Eligible Directors (excluding External Directors) to enhance the Company's corporate value and to further promote value sharing with shareholders.

Under the Plan, Eligible Directors are granted a number of shares of the Company's common stock as compensation. The number of shares granted is determined based on the payout ratio, which corresponds to the number of performance indicators achieved as described in item (1).

Activities of the Nomination and Compensation Committees

Nomination Committee

During the fiscal year under review, the Nomination Committee consisted of six members, including four External Directors. The committee is designed to enhance the objectivity and transparency of the Board of Directors, earn the trust of shareholders and other stakeholders, and contribute to the Company's

sustainable growth and medium- to long-term enhancement of corporate value.

The committee meets at least once per year and additionally as necessary, and submits its recommendations to the Board of Directors. During the fiscal year under review, the committee met three times.

Compensation Committee

During the fiscal year under review, the Compensation Committee consisted of six members, including four External Directors. The committee is designed to increase the objectivity and transparency of executive compensation, build trust with shareholders and other stakeholders, and support the Company's sustainable

growth and long-term enhancement of corporate value. The committee meets at least once per year and additionally as necessary, and submits its recommendations to the Board of Directors. During the fiscal year under review, the committee met twice.



Roundtable Discussion with External Directors

Defining Future Value Creation and Our Role at KYB

What Brought Us to KYB

Sakata: Seeing as all four of KYB's external directors are here today, this is a great chance to go over our own origins and points of view regarding creating future value. First, let's talk about how we became involved with KYB. I'll answer briefly. My previous position involved conducting management transformations across multiple domains, such as strategy, new businesses, human resource system reform, branding, and IT. During that time, I became acquainted with Advisor Ohno, and was appointed as an external director in 2020. At the first Board of Directors meeting that I attended, I felt that the individual agenda items were

well-considered and of high quality, but their connection to the overall plan was weak. I sensed that the Company would see more growth if we connected these to the bigger picture. That was the start for me.

Sanada: I started in the 2000s. I exchanged ideas about the business environment with Advisor Ohno, and we connected over a sincerity toward engineering and a commitment to monozukuri. I sensed that KYB was a company that has remained consistently unchanged in those regards. So, when I was approached to serve as an external director, I knew that my role would involve building significance for the next era upon the base of those values.

Sunaga: In my case, I was introduced by someone who I'd known for a long time. My impression of KYB at

that time was that they had impressive skills, but they could still improve a great deal by strengthening their governance and management systems. That's why I felt it would be possible to contribute to raising their value as an external director that offers an independent point of view.

Tsuruta: As for myself, I first started by being involved with setting up the Special Audit Committee for Non-Compliance Risks. As a lawyer, I have many years of experience with internal inspections and non-compliance inspections, and my first impression was that the Company could change if they faced their issues straight on. It was a corporation that was ripe for transformation, and I think that's truly valuable.

Sakata: One thing that occurs to me after listening to the three of you speak is that all four of us undertook our positions when we saw potential in the Company, such as the room for improvement or the ability to change. This is my sixth year with the Company, and I feel certain that it has been steadily transforming. The roles of the executives and the management have started becoming clearer. A structure for discussions has come into place. There's leeway to think about and talk about the future. I think that represents a major change.

Sunaga: I felt that there hadn't been many discussions that took an overview of the entire operation, but now ideals and an awareness of the future are starting to align.

Tsuruta: More energy is being put into discussions focused on the future with people from outside the Company. That in and of itself will form the foundation for future value.

Sakata: I agree. A framework for discussing future value has finally begun to take shape. The matter from here is how that will lead to actual results in the future. Next, let's think about what role we play in future value

creation in our capacity as external directors. I'd like to explore that topic in detail.

Sanada: While I have only recently joined KYB, I have found the quality of discussions here to be very high.

Our Role in Creating Future Value as External Directors

Sakata: I believe the greatest responsibility we have as external directors at the Company is to continue asking questions with a future perspective. That's because it's common for people in the workplace to get wrapped up in dealing with everyday tasks and improvement efforts. But future value is not created by focusing on the now and simply carrying on with one's present work. It's critical to have someone who continuously plans the necessary framework for the future. That's us, the external directors.

Sanada: I believe my role is to continue asking about the Company's long-range purpose from the viewpoint of international economics, finance, and the capital market. Manufacturing companies often have pride in the "depth" of their technology, but it's extremely important to answer the question of what significance that technology holds for society, and verify that it is being converted into value. It's about whether a company will be necessary to society in 10, 20 years—not about short-term profit. And I feel that future value is what makes that happen.

Sunaga: I believe that explainability and transparency are critical for future value. That not only applies to the capital market, but also to the decisions made by employees. That is the most important factor that leads to future value, and it's why the quality of prerequisites, understanding of the framework, and transparency of information are extremely important. External directors help companies avoid making major decisions under ambiguous circumstances through our role of driving discussions that involve questioning and structuring.

Tsuruta: My role is to create a system in which compliance does not impede the Company in taking on challenges that will shape the future. Compliance is not just about following the rules, it's about allowing the Company to step forward to its next challenge in safety. As an external director, I want to provide support by making a framework in which it can do that boldly.

Sakata: That is an extremely important perspective. I often think that future value is not technology in and of

From left: Masakazu Sakata, Akemi Sunaga, Chizuko Tsuruta, Yukimitsu Sanada



Masakazu Sakata

Important Concurrent Positions

Planet, Inc.
Representative Director,
President and Chief Executive
Officer
Co-Creation Value Institute
Advisor



Roundtable Discussion with External Directors

itself. Rather, it begins from the moment when a technology becomes incorporated into society. In short, it's necessary to strengthen the plan to turn it into value. Our diversity as external directors will be effective on that matter. We bring together Sanada's perspective on international economics and capital markets, Sunaga's expertise in accounting and investor relations, Tsuruta's background in legal affairs and internal controls, and my own experience in management, IT, and business model design. These four perspectives are not merely different areas of specialization, but complementary axes that help bring abstract future value into the real world.

Sanada: Perhaps our role is not simply to offer individual opinions, but to integrate them in order to identify optimal solutions for the future.

Sunaga: And it's critical that those solutions be discussed in the same venues where execution is discussed.

Tsuruta: The presence of external directors helps narrow the gap between the Company's internal logic and society's expectations. I believe that in itself forms the foundation for future value.

Sakata: And that's the reason why we need to continue acting as a "corrective pull" from outside of the



Akemi Sunaga

Important Concurrent Positions

Sunaga Certified Public Accountant Office President (Head of Office)

Marunouchi Business Consulting Co., Ltd. Representative Director and President

Marunouchi Business Consulting Tax Corporation Representative Partner

Marunouchi Audit Corporation Representative Partner

Ushio Inc. Outside Director (Audit & Supervisory Committee Member)

Yomeishu Seizo Co., Ltd. Outside Director (Audit and Supervisory Committee Member)

Prima Meat Packers, Ltd. Outside Corporate Auditor

Lion Corporation External Audit & Supervisory Board Member

Chizuko Tsuruta

Important Concurrent Positions

Tsuruta Rokuro Law Office Attorney-at-Law



Company regarding the design of the future. The future won't get better on its own. That won't happen unless we lay the plans to make it happen. And by constantly reminding the organization that they need to act on that intent, I believe that we as external directors play an essential role. Next, let us discuss how specifically to achieve future value by discussing the direction KYB should head in now as well as our expectations for the Company.

Expectations for KYB— Future Value Across Human Capital, Technology, Business, and Culture

Sakata: I believe that where and how KYB creates future value ultimately comes down to making structural choices for the future. Simply strengthening the extension of what exists today will not be enough. This is the time to more proactively reshape how we approach future markets, how we define the meaning of our technologies, and how we optimize our business structure. For example, KYB possesses world-class hydraulic control technology. The question is how far we can evolve that technology toward the future. We need to think early and strategically about positioning ourselves in next-generation fields such as robotics, space-related applications and exploration, and deep-sea domains.

Sanada: From a long-term perspective, the key to future value lies, above all, in human capital. Becoming a company that competes through quality rather than quantity. Developing specialized professionals with distinctive perspectives who can compete globally. The idea of being "small but elite" is not about adapting to constraints of the times—it is a necessity for creating

future value. An organization in which each employee has the confidence and pride to compete on the global stage through technology. I believe that is the fundamental source of future value.

Sunaga: I believe that diversity of perspectives in new business creation is a major source of future value. To expand future value, it is essential to incorporate the user's perspective and to develop technologies rooted in everyday life value. The theme of "safety and comfort in living spaces" is, to me, a powerful symbol of connecting life value with technological value. It is not merely an extension of core technologies, but a transformation in meaning. I would like to see KYB accelerate this kind of new market creation.

Tsuruta: As I mentioned earlier, I believe the foundation of future value is an environment in which people feel confident saying, "It's okay to take on challenges." Rather than refraining from action to avoid non-compliance or violations, it is about properly understanding risks and then being able to act. Governance and compliance should not hinder challenges, but rather enable them. When this mindset takes root within an organization, it leads directly to future competitiveness.

Sakata: Exactly. Future value is created by a corporate culture that does not search for reasons not to act. The question is which technologies to refine, which markets to pursue, and what kind of organizational culture to cultivate for the future. Decision-making itself should be optimized toward those objectives.

Sanada: Future value also means becoming an entity that society continues to need over time. That is not simply a matter of scale.

Sunaga: Yes. It is essential to embed the premise of "value that will continue to be needed by future society" into business planning.

Yukimitsu Sanada

Important Concurrent Positions

Tama Shinkin Bank Outside Auditor (Non-member)

The Musashino Bank, Ltd. Outside Director

Kaetsu University Vice President and Professor

Aichi Shukutoku University Professor Emeritus

Professor, Faculty of Business / Graduate School of Communication Studies (concurrently)



Tsuruta: The future cannot be created through imagination alone. Only companies that continue to execute can truly claim the future.

Sakata: That is why we must move beyond merely imagining the future to designing it. Becoming a company that can share this stance across the entire organization—that is what I expect most from KYB. Now, to conclude, let us each share a message for our stakeholders.

To All Our Stakeholders

Sakata: I would like our stakeholders to know that we are engaged in the process of evolving KYB into a company that designs future value. Future value does not simply accumulate with the passage of time; it is created intentionally and through deliberate choices. As external directors, we remain firmly focused on helping to make that a reality.

Sunaga: I am fully committed to my role of overseeing whether the Company continues to make decisions that lead to sustainable growth in corporate value over the long term. With explainability and transparency as core principles, I will continue to raise questions oriented toward the future, fulfilling my responsibilities so that KYB can remain a company we can be proud of even ten years from now.

Tsuruta: From the perspectives of compliance and internal control, I aim to create an environment that does not constrain the future, but instead enables the Company to move forward with confidence. As KYB approaches its 100th anniversary, I hope to support the determination and execution required to see challenges through to completion.

Sanada: KYB's value on the global stage is built upon the judgments and actions of each individual employee, and the steady accumulation of those efforts creates the future. I will continue to provide support from the perspectives of economics and finance, so that KYB can stay ahead of global change and deliver value that only KYB can offer.

Sakata: What matters most for KYB going forward is not merely envisioning the future, but designing it. To that end, we will continue to ask questions, refine organizational structures, and support decision-making that is oriented toward the future. Together with our stakeholders, KYB will continue moving forward—expanding value and contributing to the realization of a better society.

