

Monozukuri

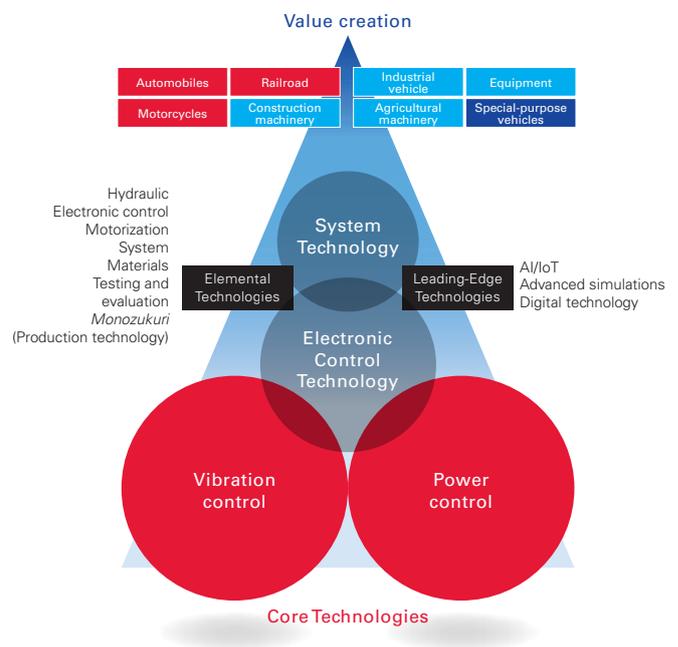
Creating Value with Manufacturing Craftsmanship

The origin of Kayaba traces back to the 1919 establishment of the Kayaba Research Center by our founder and inventor, Shiro Kayaba. For over 100 years since then, we have continued to refine hydraulic technology. Featuring advanced technology and high quality, the present-day our shock absorber enjoys a 13% global share. Further, though efforts for innovative manufacturing using DX and new business creation, the Group will work together to provide manufacturing craftsmanship that will contribute to finding solutions to various issues such as environmental/social problems, the promotion of carbon neutrality, and the achievement of the SDG targets.

Technology Development

In their efforts to develop technologies and products, our research centers, business units, and group companies collaborate to combine vibration control and power control technologies with all underlying technologies, such as electronic control technology. When compared with other driving methods such as electric power or pneumatic pressure, hydraulics can deliver a more powerful output from a small device. They excel in responsiveness, and are characterized by their ease of control. And even in the current era of rapid technological evolution, we believe that hydraulic technology will make a valuable contribution to the development of society. Therefore, we are not only further deepening our core technologies, but also responding to changing times by adopting cutting-edge technologies such as AI, IoT, the promotion of DX, and advanced simulations to promote the systemization of products. We are also taking on the challenge of developing the next generation of hydraulic equipment that offers both higher efficiency and better safety, such as automated ICT construction machinery using electronic control.

Conceptual Diagram of Kayaba's Technology



Technology Development System

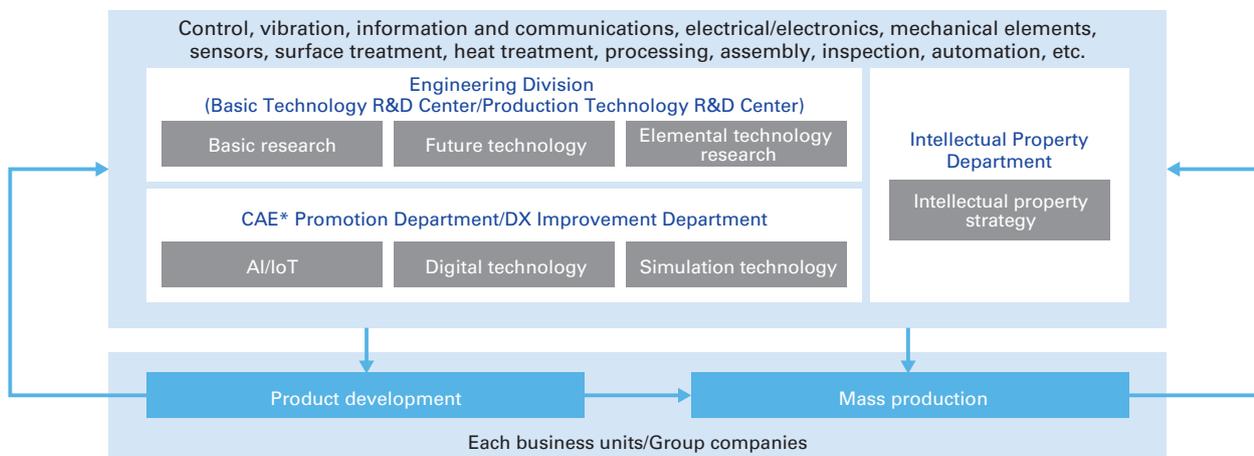
Kayaba uses its engineering, global production, and sales sections in concert to promote new technology and value creation while actively engaging in the development of advanced technology aimed at the resolution of social issues such as energy conservation and the reduction of materials with environmental loads.

At our Basic Technology R&D Center and Production Technology R&D Center, we investigate and analyze long-term environmental changes and the accompanying changes in the needs of society and our customers, and conduct R&D focused on the ideal for future technologies based on our forecasts and the creation of road maps that clarify the related long-term strategies. In basic research, we are conducting research for the next generation of businesses and products as well as underlying technology research, and converting the results into tangible assets by, for example, developing an integrated system that combines electronically controlled suspension and electronic power steering technologies for the self-driving vehicles of the future.

At the same time, the engineering divisions of each business unit are also improving the performance and lowering the cost of existing products, conducting original product development, and moving them into mass production.

In the Engineering Div., we are conducting basic research, future technology research, and underlying technology research while using our intellectual property strategy and digital technology. We then use this research for product development and mass production at our business units and group companies in a process that accumulates and upgrades technology on a Group-wide basis. In addition, we are using the technologies and know-how we have accumulated from our R&D to move toward the in-house production of manufacturing equipment and metal molds. Further, seeking to optimize and accelerate our R&D, we are forcefully engaging in efforts for efficiency and productivity improvements, such as data analysis using AI, in addition to actively promoting DX throughout the Group.

Kayaba's Technology Development Process



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

Initiatives for New Product Development

Vibration Control: New EV and Automation Compatible Services Using DX

In Europe, China, and the ASEAN region, the demand for EVs and new energy vehicles is growing, spurred on by governmental policies.

Kayaba offers products such as electric power steering and transmissions as well as CVT vane pumps that low fuel consumption needs for automobiles. Furthermore, we are using the electronic control and electrification technologies we have fostered to

develop low energy consumption electric pumps that output only the required pressure and output as well as highly efficient electric pumps for e-Axle.

e-Axle poses gear lubrication and motor/inverter cooling challenges. We believe that, through the development of electric pumps that respond to these issues, we can contribute to the reduction of electricity and fuel consumption in an EV-base society.

High Safety and Comfort Required by Mobility Shift

Electronic control

Pursuing safety and comfort in the automatic operation and EV era with the advanced integration of our core technology and electronic control systems

Active Suspension System

- Pursuit of safe function / ultimate flat ride

Electronic control Suspension for Automobile

Next Generation Hybrid Suspension System

- Next generation vehicle height adjustment + suspension system
- Improve aerodynamic performance
- Reduce electric power / fuel consumption
- Improve vertical movement

Vehicle height adjusting suspension

Reducing Electricity and Fuel Consumption

e-Axle

Contributing to reducing the electricity and fuel consumption of EVs/mobility with an advanced integration of our core technology with electronic control and electrification technologies

Electric Pump

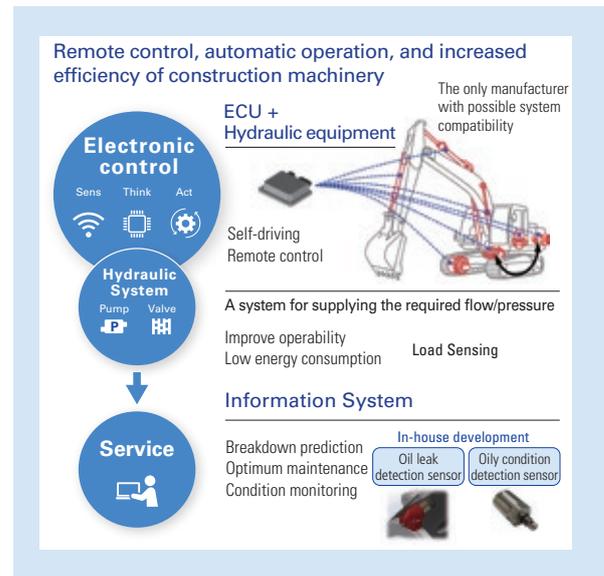
- Providing electric pumps for lubrication/cooling for electric vehicle equipment
- Highly efficient pump/motor control technology
- Proposals for oil pressure / hydraulic system maintenance

**Power Control: Industrial Machinery
—Electronic Control and Hydraulic Systems**

Kayaba’s strength lies in that we are the only manufacturer with a full lineup of hydraulic products for construction machinery—valves, pumps, motors, and cylinders—in addition to handling electronic control systems.

Currently, we are working in such ways as expanding our lineup of pumps and load sensing devices and developing electronically controlled hydraulic systems to strengthen our ability to respond to such customer needs for construction machinery, such as automation, unmanned operation, increases in efficiency, and improvements in operability.

Further, our newly developed sensors perform detection and sensing of leaks in hydraulic equipment, and combining them with DX technology makes breakdown prediction and maintenance a reality. This means that construction machinery that has Kayaba-made products installed can be used for a longer time, which in turn contributes to a more sustainable society.



Intellectual Property Strategy

In the Kayaba Group, our R&D departments and intellectual property departments collaborate to actively generate intellectual property and conduct the appropriate protection and usage thereof. These intellectual property initiatives create growth for our business and increase our corporate value.

R&D departments and intellectual property departments regularly hold an Intellectual Property Strategy Meeting, in which they discuss R&D themes from an intellectual property perspective. In these meetings, the participants think of every single invention from the results of the R&D themes and attach them to patent applications. Through this procedure, we actively apply for patents, obtain rights, and protect our original products and technologies.

As a result of these initiatives, we hold the highest number of patents worldwide that are related to protecting our major products of shock absorbers and hydraulic cylinders.

In recent years, we have been obtaining patents by strategically generating inventions based on our technology strategies and product concepts. Also, we work to inventory the patent rights we own and to apply for patents in carefully selected overseas countries. We obtain and manage patents necessary to protecting the

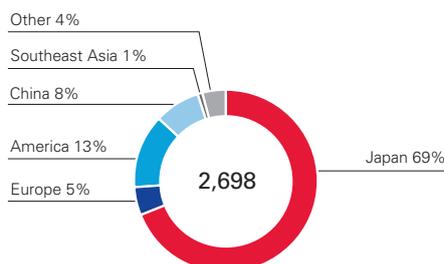
global competitive edge of our business.

Furthermore, we are working on a new initiative for using information on intellectual property in research and development. In order to create the technology of the future, we analyze and understand technology trends and the position of Kayaba and the competition using intellectual property information from the early stages of R&D, pinpoint the strategy for each technology, and incorporate that into our R&D. Also, we use IP landscaping* to formulate our technology strategy, and for the purpose of building a patent portfolio for our core technology, we have been testing cooperative IP landscaping that links the engineering departments and intellectual property departments of each business unit since 2021.

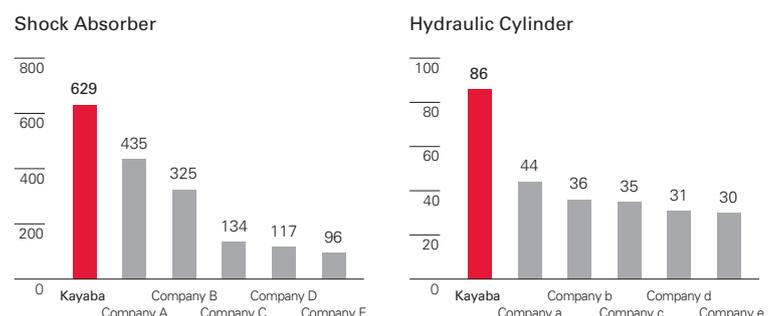
In initiatives to protect our corporate and product brands, we are responding with formal legal objections to counterfeit trademark applications, particularly in China, and exercising our trademark rights against counterfeit products such as shock absorbers. In these ways, we are endeavoring to maintain and increase the value of our corporate brand.

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

Ratio of Domestic and Overseas Patents Retained (As of March 31, 2022)



Number of Related Patents Retained (As of May 12, 2022, based on our own research)



Products Built with the Environment in Mind

We believe that conducting environmentally friendly manufacturing activities is essential, and promote R&D that incorporates environmental considerations up to the manufacture of a product. Centering on the Environmental Regulation Response Group established in FY2020, we are responding to the REACH Regulations* as well as sharing and seeking out information from all countries related to social environmental regulations, such as the elimination of Pb.

We are working on products that contribute to renewable energy, energy conservation, and the reduction of CO₂ from the viewpoint of achieving carbon neutrality by 2050.

Recycling greenery



Shredded wood chips



Pruned Tree Shredder Truck

1. Substantially improving the efficiency of pruning labor and transport related to roadside trees
2. Effectively using wood chips for biomass power generation, soil improvement additives, mulching material, and more (applications for wood chips)

*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.

Innovative Manufacturing for the Next Generation

We have worked to evolve the sites of Kayaba's manufacturing craftsmanship starting from conveyor belt manufacturing in the post-WWII period, responding to widely changing social conditions and flexibly moving from mass production to high-mix low volume production.

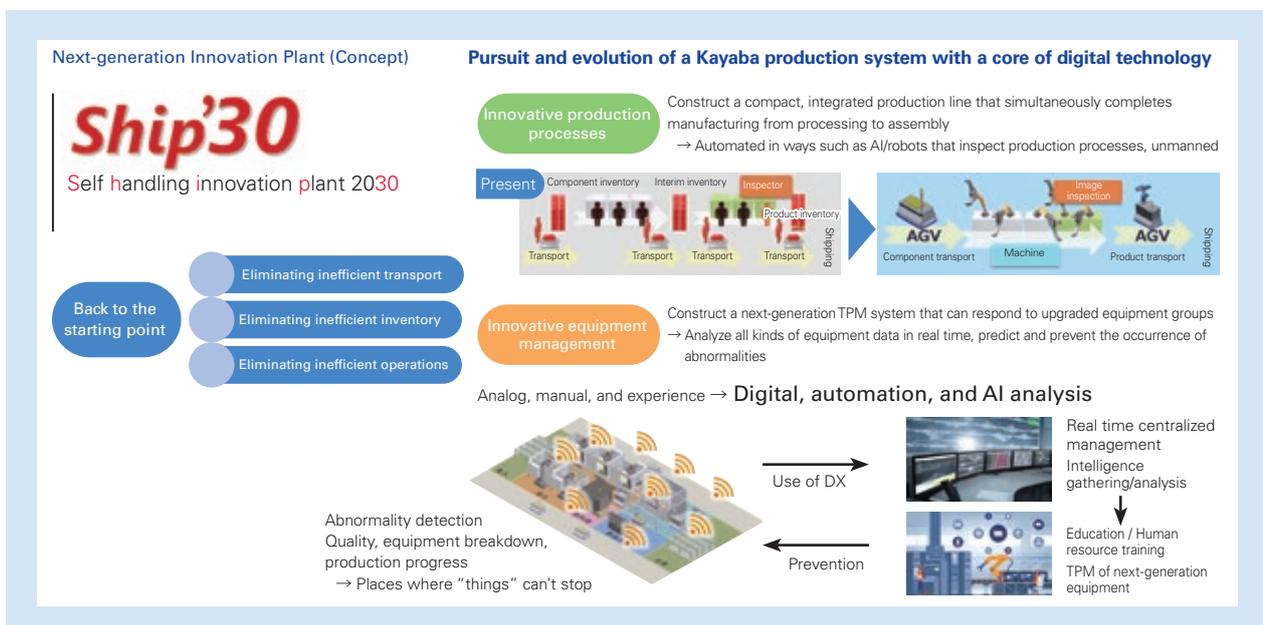
Kayaba is still looking toward the next generation. We have started work on Ship'30, an initiative that will further evolve manufacturing sites. The Ship'30 initiative is aimed at the breakthrough achievement of constructing an unmanned plant by 2030—an innovative plant that will be fully self-sufficient with a foundation of digital technology.

The initiative focuses on two major aspects of innovation: production process and equipment management. It will make possible an innovative manufacturing method with a compact production line that perfectly synchronizes processing and assembly. We are aiming to create a plant that ultimately will not rely on humans at all, and that minimizes transport, inventory, and work at the manufacturing site with innovative equipment management using the latest technology yet retaining the basics of equipment maintenance.

In production process innovation, automated guided vehicles (AGV), robots, and imaging examination are incorporated into processing to create a highly efficient production line, allowing for unmanned operation and reduced inventory.

In innovative equipment management, we will set up a system that conducts real time centralized management of all kinds of data from equipment in operation while predicting the occurrence of an abnormality before it happens using AI. And we will completely prevent issues, providing training for and implementing next-generation total productive management (TPM; an approach that engages all employees in production maintenance and production management) that is fitted to upgraded equipment groups.

Through the Ship'30 initiative, we are building a worksite where processes run flawlessly on highly efficient production lines (through production process innovation) with high reliability (through cutting-edge equipment management), and aiming to bring our unmanned plant into operation globally in 2030.



ESG Management

Creating Value Through ESG Management Promotion

Kayaba sets ESG management as the foundation of its policy development. We are not only responding to environmental needs, but also promoting the development of products that contribute to a sustainable society and connecting the resulting business opportunities to an increase in corporate value. Our ESG Promotion Office is at the forefront of developing basic environmental, social, and governance policies enacted throughout the Group. In addition, we are building trust through collecting data on all of our in-house ESG initiatives and fulfilling our reporting accountability to our stakeholders.

Corporate Spirit

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

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

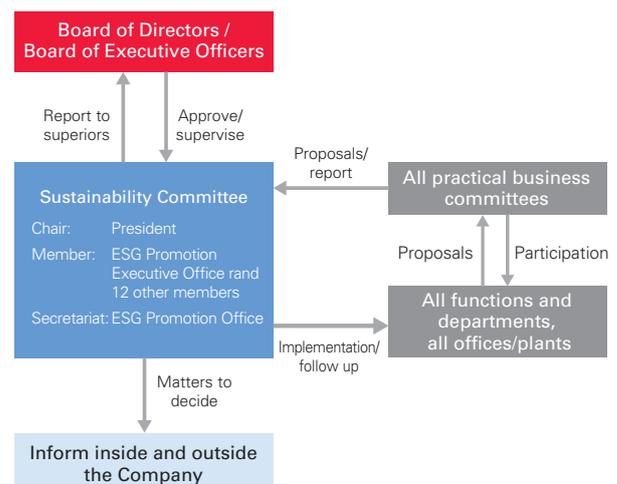
Basic Policy for ESG

- With ESG management as the basis for formulating policies, we will establish an overall picture (our values, business model, sustainability, growth potential, etc.) for our value creation cycle.
- We will also reexamine existing initiatives in terms of ESG initiatives and communicate them outside the Company in order to foster trust.

Sustainability Promotion System

The promotion of ESG management is essential for a globally operating corporation to continue achieving sustainable growth. The standard for management is to not simply pursue profits, but to also contribute to society.

At Kayaba, we are also seeking to strengthen our promotion of initiatives for ESG related to a sustainable society. To that end, we established the Sustainability Committee, an organization that oversees the entire Group, in March 2022. The President serves as the Committee Chair, and it is composed of the executives in charge of ESG promotion, the general managers of production, engineering, sales, accounting, safety, purchasing, and others as well as the general managers of all business units. Through debating issues related to sustainability such as policies and management/measures for progress toward achieving targets, we are aiming to make the Kayaba group a corporate entity that contributes to society.



Outline of Activities

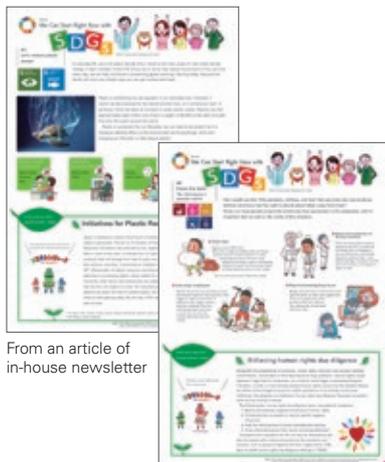
| | Key issue | Kayaba's initiatives | Related SDGs |
|---|----------------------------|--|--|
| Governance | Corporate governance | Corporate governance Internal Control and Compliance Risk Management | |
| Environment | Environmental preservation | Environmental Management Measures against climate change Mid- to long-term Policy for Achieving Carbon Neutrality Environmental Impact by Business Activity |       |
| Social | Labor practice | Human Development Respect for Human Resources and Diversity work-life balance Promotion of Health Management Creating a Safe, Secure Working Environment |     |
| | Human rights | Respect for Human Rights | |
| | Quality assurance | Quality Management |    |
| | Fair Business Practices | Supply Chain Management |       |
| Strengthening Our Management Foundation ESG education and human resource development External communication to foster trust | | |    |

Initiatives to Strengthen our Foundation

In July 2021, centered on the newly established ESG Promotion Office, we set out to develop basic environmental, social, and governance policies across the entire Group and promoted the strengthening of the foundation. In addition, we redesigned existing initiatives into efforts for ESG and actively provided information inside and outside the Company, thereby earning trust.

Specifically, we started providing a serialized article in our in-house company newsletter on ESG and the

SDGs as part of our ESG education. We are introducing specific efforts for the SDGs that anyone can easily get involved with, and provide enlightenment on issues such as carbon neutrality and diversity. Also, we started an education course (e-learning) entitled "SDG Basics" for all employees in FY2021. In these ways, we are educating human resources who understand the links between their everyday work and the targets of the SDGs, and have the ability accomplish their social responsibility in their daily work.



From an article of in-house newsletter

In-house Company Newsletter Article Content List (Aug. 2021– Mar. 2022)

| | We Can Start Right Now with SDGs | Kayaba and the ESG Improvement Sect. |
|-----------|--|--|
| Aug. 2021 | What are the SDGs | ESG Promotion Office was established on July 1 |
| Sep. 2021 | Let's reduce carbon dioxide emissions! | Efforts for Carbon Neutrality |
| Oct. 2021 | Let's reduce plastic waste! | Initiatives for Plastic Resource Circulation |
| Nov.2021 | Work in happiness every day! | Reduce overtime and make time to enjoy life |
| Dec. 2021 | Let's Think about Diversity and Understanding! | Efforts to Respect Human Rights |
| Jan. 2022 | What Is Carbon Neutrality? (Fundamental knowledge) | Kayaba's efforts |
| Feb. 2022 | Let's use our limited resources carefully | Reducing industrial waste |
| Mar. 2022 | Know the facts The first step to a peaceful world | Enforcing human rights due diligence |

Response to TCFD

We are aware that taking measures against climate change is one of the most important initiatives in which the Kayaba Group should engage. During FY2022, we will adopt the Task Force on Climate-Related Financial Disclosures (TCFD) framework, planning to further strengthen our efforts.

Governance

The Kayaba Group has established the Sustainability Committee as an organization that formulates policies concerning management related to a range of environmental, social, and governance issues, including countermeasures against climate change issues.

In addition to beforehand discussions on the policies and strategies to be determined by the Board of Directors, the Sustainability Committee also discusses management, evaluation, and measures related to the progress of achieving targets in order to fully demonstrate the supervisory function and monitoring function that the Board of Directors is intended to accomplish. In FY2021, we discussed numerical targets related to climate change (CO₂ emissions volume*¹ decrease by 50% compared to 2018) and the establishment of an industry ESG Working Team (one that will promote concrete action on climate change issues in all business units).

Strategy

The Kayaba Group has the target of achieving carbon neutrality by 2050. We are working to achieve greenhouse gas output reduction targets, taking measures to decrease materials with environmental load in our products, and developing products with low CO₂ emissions and that conserve energy. Also, we have started to select and conduct qualitative investigations into risks to business continuity, such as risks related to the supply of energy and raw materials due to climate change and risks due to the changes in consumer needs, as well as the business opportunities that will arise from their impact. Going forward, we will analyze physical scenarios and transition scenarios, and incorporate the results into our business strategies and management plans.

Going forward, we will understand the risks and opportunities that accompany climate change based on TCFD recommendations, incorporate them into business strategies, and actively disclose information, thereby endeavoring to increase corporate value.

Risk Management

The Kayaba Group has launched a working team to determine and start investigations into the respective risks and opportunities for Automotive Components (AC) Business, Hydraulic Components (HC) Business, and the Special-purpose Vehicles Division.

Currently, the short-, medium-, and long-term risks and opportunities for each business unit are under analysis. Going forward, we will commence quantitative analyses, such as the impact on financial affairs, and release information in line with the framework for information disclosure that is recommended by the TCFD.

Indicators and Targets

Kayaba has set forth the target of reducing CO₂ emissions* by 50% (compared to FY2018) by 2030. We are actively pursuing this goal in ways such as starting energy conservation activities at each manufacturing plant, introducing renewable energy through the installation of solar panels, and reducing the emissions of CO₂ in logistics.

Under current circumstances, we have calculated the Scope 1 and 2 CO₂ emissions volume of 28 plants, including five domestic affiliates and 17 overseas affiliates. Going forward, we plan to calculate the Scope 1 and 2 as well as the Scope 3 CO₂ emissions volume of all 33 companies of the Kayaba Group. In addition, we are working to bring the ratio of renewable energy use up to 15% by 2025, and construct a production system with zero CO₂ emissions volume.

* Scope1, 2

Targets and Actual Results

| Year of achievement | Targets | | Actual results |
|---------------------|---|--|----------------|
| | Details | | FY2021 |
| FY2021 | 3% reduction of CO ₂ emissions level (Scope 1 and 2) compared to FY 2020 | | -11.6% |
| FY2025 | Renewable energy usage rate of 15% | | 0.1% |
| FY2030 | 50% reduction of CO ₂ aggregate emission (Scope 1 and 2) compared to FY 2018 | | -16.2% |

Numerical target of Kayaba (applicable to Kayaba's six plants)

Corporate Governance

Corporate Governance Principles

In order to fulfill our corporate social responsibility to contribute to society as well as to meet shareholders' expectations by realizing sustainable growth and the increase of corporate value, Kayaba works to ensure a speedy, efficient

management structure, highly fair and transparent management oversight centered on the Board of Directors, and continuous efforts to strengthen and enhance our corporate governance based on the Corporate Spirit and the following basic policies.

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.

Initiatives to Achieve Sustainable Growth and Increase Corporate Value

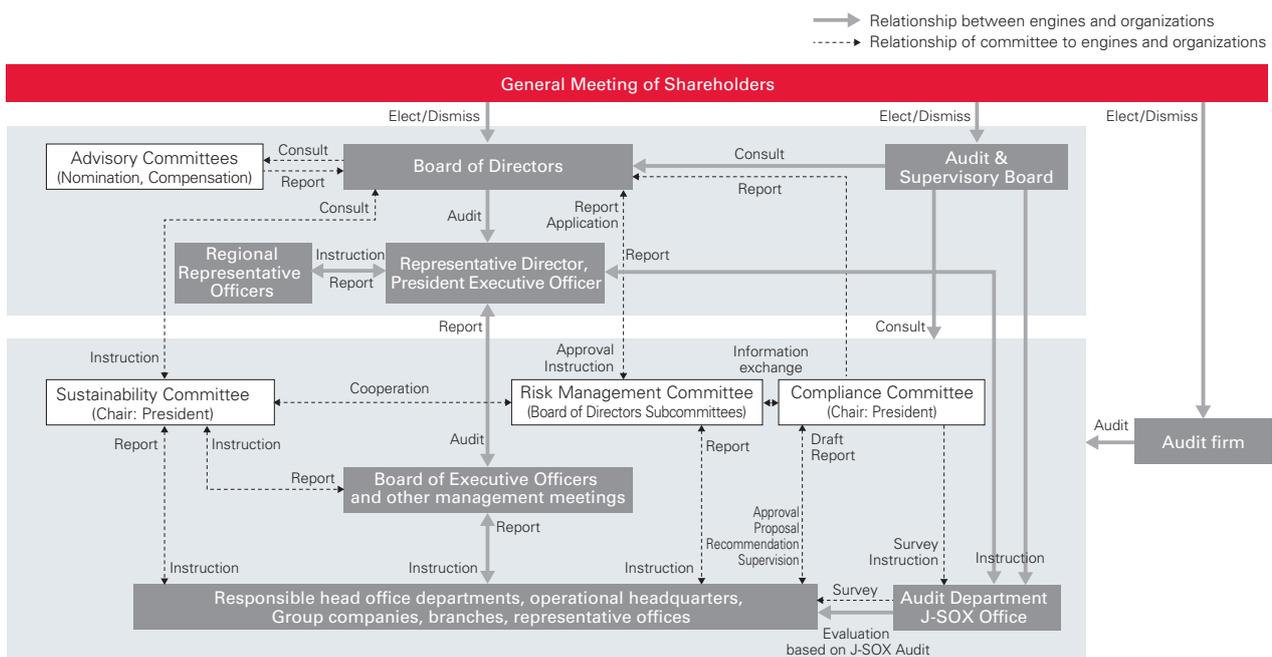
Efforts to meet shareholders' expectations by realizing sustainable growth and the increase of corporate value are as follows.

1. Appointment of female executives (one outside director, one outside Audit & Supervisory Board member) (As of June 23, 2022)
2. Established Sustainability Committee (March 2022)

Corporate Governance Overview and Structure

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

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



Board of Directors

The Board of Directors comprises ten members, including four outside directors. In principle, the Board of Directors meets once a month. The Board of Directors makes decisions based on laws, the Articles of Incorporation and Company regulations, and deliberates on policies and other important matters involving management. The Board of Directors also oversees the management of business operations. In addition, four outside directors are registered as independent officers.

Board of Executive Officers

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

Other Management Committees

We have also established other management committees, including the Domestic Affiliated Companies Management Meeting, where functional and business divisions/departments

report on the status of business execution, and the Global Executive Meeting, where regular reports on business conditions are submitted to those responsible for overseeing management of the Kayaba Group companies overseas. In addition, we are working to strengthen Group management oversight and have established the Operational Review with the President Meeting, where the president executive officer visits production sites to review and follow-up on matters related to policy development and important manufacturing issues.

Audit & Supervisory Board

The Audit & Supervisory Board comprises four full-time and one part-time Audit & Supervisory Board members, two of whom are full-time and one part-time are outside members. Through audits by outside Audit & Supervisory Board members, we expect to achieve effective management oversight and have concluded that an effective governance system is in place. In addition, three of the outside Audit & Supervisory Board members are registered as independent officers.

The members of each of the aforementioned organizations are as follows. (As of June 23, 2022)

| Title | Name | Board of Directors | Board of Executive Officers | Domestic affiliated companies management meeting | Audit & Supervisory Board |
|--|-------------------|--------------------|-----------------------------|--|---------------------------|
| Director, Chairman | Yasusuke Nakajima | ◎ | ○ | ○ | |
| Representative Director, President Executive Officer | Masao Ono | ○ | ◎ | ○ | |
| Representative Director, Executive Vice President Executive Officer | Takaaki Kato | ○ | ○ | ◎ | |
| Member of the Board of Directors, Executive Vice President Executive Officer | Keisuke Saito | ○ | ○ | ○ | |
| Member of the Board of Directors, Executive Vice President Executive Officer | Hajime Sato | ○ | ○ | ○ | |
| Director and Senior Managing Executive Officer | Masahiro Kawase | ○ | ○ | ○ | |
| Outside Director | Rokuro Tsuruta | ○ | ○ | ○ | |
| Outside Director | Shuhei Shiozawa | ○ | ○ | ○ | |
| Outside Director | Masakazu Sakata | ○ | ○ | ○ | |
| Outside Director | Akemi Sunaga | ○ | ○ | ○ | |
| Audit & Supervisory Board Member (Full Time) | Hideki Nonoyama | | | | ◎ |
| Audit & Supervisory Board Member (Full Time) | Osamu Kunihara | | | | ○ |
| Outside Audit & Supervisory Board Member | Junichi Tanaka | | | | ○ |
| Outside Audit & Supervisory Board Member | Masahiko Sagara | | | | ○ |
| Outside Audit & Supervisory Board Member | 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>

Evaluation of the Effectiveness of the Board of Directors

(1) Evaluation Method

Respondents at the time of evaluation:

11 respondents, comprising seven directors (including three independent outside directors), four Audit & Supervisory Board members (including two independent outside Audit & Supervisory Board members)

Survey period: February to March 2022

Methodology: Administration, analysis and evaluation of a self-assessment questionnaire

Key questionnaire items:

- I. Composition of the Board of Directors and balance of knowledge and experience
- II. Administration of the Board of Directors
- III. Discussion topics at meetings of the Board of Directors
- IV. Systems supporting the Board of Directors
- V. Relationship and dialogue with shareholders

Number of survey questions: 38

Questionnaire method:

Evaluation of the current situation: Evaluate on a scale of 1 to 4
 Specific suggestions for improving the current situation: Open-ended response

(2) 2021 Results

Comments and suggestions were submitted regarding the matters to be discussed at Board meetings and the composition of the Board to strengthen its supervisory functions, and the evaluation results and comments from respondents were reported and shared at a meeting of the Board of Directors.

(3) Future Actions

Based on the results, the Board will continue to discuss both internal and external issues in order to further improve its effectiveness.

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 outside directors) | 40% or less and ¥200 million per year of total compensation (Fixed compensation + Performance-linked compensation) | June 23, 2022, 100th Ordinary General Meeting of Shareholders | Consultation with Compensation Committee |
| Performance-linked compensation (Bonus (stock)) | | Within 20,000 shares per year (¥75 million per year) | June 23, 2022, 100th Ordinary General Meeting of Shareholders | Consultation with Compensation Committee |

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

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

(2) Compensation Decisions

For director compensation, the discretionary Compensation Committee composed of representative directors and outside directors verifies the propriety of the criteria for calculating fixed and performance-linked compensation and reports the propriety of criteria to the Board of Directors.

Fixed compensation for directors is determined by resolution of the Board of Directors, upon receiving a report from the Compensation Committee, within the limit on total compensation decided at the General Meeting of Shareholders. The performance-linked compensation of Directors (excluding outside directors) is in accordance with the level of

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

Fixed remuneration for Audit & Supervisory Board members is determined in consultation with Audit & Supervisory Board members, within the limit on total compensation decided at the General Meeting of Shareholders.

(3) Calculation and Determination of Performance-Linked Compensation

Performance-linked compensation (bonus) consists of monetary compensation and transfer-restricted stock compensation.

Monetary compensation is limited to 1.0% of profit attributable to owners of the parent in the previous fiscal year. However, the total amount of remuneration is determined by a resolution of the Board of Directors upon receiving a report from the Compensation Committee based on a predetermined proportional amount (40% of the total amount of the basic compensation for directors excluding outside directors and the monetary compensation portion of bonuses, as well as the maximum amount determined by resolution at the General Meeting of Shareholders [200 million yen per year]) in accordance with the position of each director, and we then remunerate to each director.

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

predetermined number of shares provided in accordance with the position of each director, and we then provide transfer-restricted stock compensation to each director.

The indicators that are the basis for calculating performance-linked compensation are calculated according to the degree of achievement of the consolidated earnings forecast in the previous fiscal year along four calculation indicators (amount of segment profit, ratio of segment profit, amount of profit [loss] attributable to owners of the parent, ratio of profit [loss] attributable to owners of the parent). In a case where there is a loss attributable to owners of the parent, performance-linked compensation will not be paid.

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

Internal Control and Compliance

Basic Policy

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

Particularly in FY2021, we established the

Compliance Committee which is chaired by the President, and enacted a compliance program of concrete measures. We are carrying out the program in order to strengthen and thoroughly instill compliance in the Kayaba Group.

Key Points for Internal Control

| | |
|--|--|
| Compliance Promotion | <ul style="list-style-type: none"> The compliance program was enacted under our compliance system, which is headed up by the Compliance Committee. It is being rolled out and implemented at Group companies, and we are evaluating and reviewing the results. The issues we uncover now will be used to improve initiatives in the next fiscal year. |
| Risk Management Initiative | <ul style="list-style-type: none"> The Risk Management Committee reports to the Board of Directors, and based on the Risk Management Rules, it identifies material risks the Group must address and the business units responsible for managing them, and conducts risk reduction initiatives at each responsible business unit. |
| Responding to Internal Reports and Improving the Effectiveness of the Reporting System | <ul style="list-style-type: none"> We respond to reports in order to ensure the prevention or early-stage discovery and correction of non-conforming acts. Moreover, we are making improvements for the purpose of achieving a highly trustworthy reporting system that allows individuals to report without hesitation. |

FY2021 Initiatives

- Promoting corporate governance at the Kayaba Group
 - Compliance Reinforcement Month
We designated October as Compliance Reinforcement Month, and conducted various activities to promote heightened compliance awareness among all employees, including President's message, call for compliance mottos, repeated in-house training, Compliance Top Management Training Course, etc.
 - Compliance retraining
We confirmed the results of the Compliance

Survey that we took during Compliance Reinforcement Month in the previous fiscal year, and continued to provide re-education.

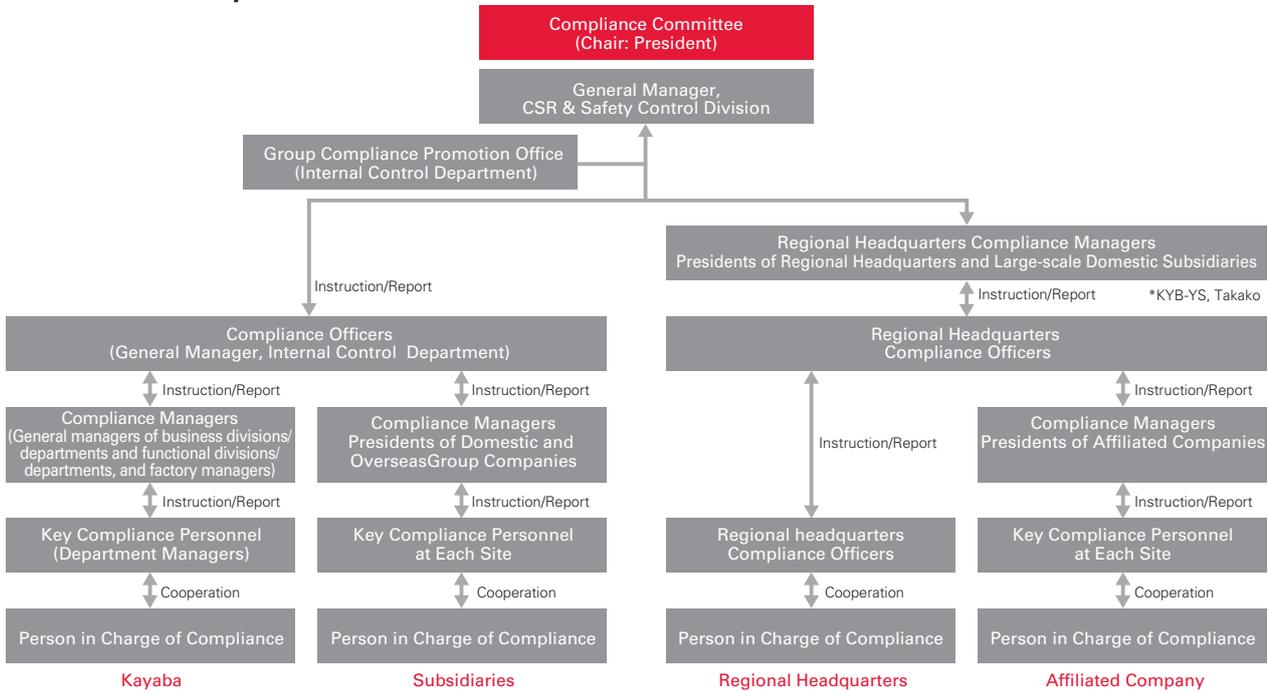
- Risk Management Initiatives
Conducted risk-reduction initiatives for 11 key risks
- Responded to internal reports, made effectiveness improvements and responded to reported cases, and supported the responses of Group companies. Reported regularly to the Compliance Committee.

Basic Policy on Risk Management

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

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

Internal Control System



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

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

Basic Policy on Information Security

Kayaba works to ensure information security by setting out a Standard Information Security Policy and appointing persons responsible for information security management in order to strengthen information security on a global level. Nevertheless, in addition to the increasingly evolved and complex information systems of recent years and increased frequency of access from outside the Company by employees as a result of remote work becoming standard, cyberattacks have become increasingly complex and diverse, leading to increased risks associated with information security. Therefore, we are taking measures to defend against the latest risks, such as cyberattacks, through self-check evaluations and evaluations conducted by third parties.

Major efforts in FY2021

- Established a cybersecurity response organization (KYB-CSIRT)
- Conducted routine education and drills for all executives and employees
- Conducted self-assessment in accordance with the standard automobile industry security guideline
- Hired third-party security evaluation organization to conduct vulnerability assessments
- Installed the latest security software
- Joined the Nippon CSIRT Association (August 2022)

Management Team (As of June 23, 2022)

* Independent Directors and Auditors

Directors

| | | | | |
|-----------------------------|--|--|---|---|
| |  |  |  | |
| | Yasusuke Nakajima | Masao Ono | Takaaki Kato | |
| Position | Representative Director, Chairman | Representative Director, and President | Representative Director, Executive Vice President Executive Officer | |
| Work in Charge | | Chief Executive Officer (CEO) | In Charge of Global Corporate Finance (Chief Financial Officer), North, Central & South American Operations and Public Relations/IR | |
| Appointment of directors | June 2005 | June 2017 | June 2015 | |
| |  |  |  | |
| | Keisuke Saito | Hajime Sato <small>New</small> | Masahiro Kawase <small>New</small> | |
| Position | Member of the Board of Directors, Executive Vice President Executive Officer | Member of the Board of Directors, Executive Vice President Executive Officer | Member of the Board of Directors, Senior Managing Executive Officer | |
| Work in Charge | In Charge of ESG Promotion, China Operations and Seismic Isolation / Mitigation Correspondence Operations | In Charge of Sales and Special Purpose Vehicles Division | In Charge of Automotive Components Operations and Engineering | |
| Appointment of directors | June 2011 | June 2022 | June 2022 | |
| |  |  |  |  |
| | Rokurou Tsuruta* | Shuhei Shiozawa* | Masakazu Sakata* | Akemi Sunaga* <small>New</small> |
| Position | Member of the Board of Directors (Outside) | Member of the Board of Directors (Outside) | Member of the Board of Directors (Outside) | Member of the Board of Directors (Outside) |
| Appointment of directors | June 2015 | June 2016 | June 2020 | June 2022 |

Audit & Supervisory Board Members



Hideki Nonoyama*

Audit & Supervisory
Board Member



Junichi Tanaka*

Audit & Supervisory
Board Member
(Outside)



Masahiko Sagara*

Audit & Supervisory
Board Member
(Outside)



Osamu Kunihara

New

Audit & Supervisory
Board Member



Junko Watanabe*

New

Audit & Supervisory
Board Member
(Outside)

Executive Officers

| | | |
|------------------------------------|------------------|--|
| Managing Executive Officers | Takashi Tezuka | In Charge of Quality and Aircraft Components Division, General Manager, Quality Division |
| | Ryuji Uda | General Manager, Suspension Headquarters, Automotive Components Operations |
| | Minoru Ishikawa | General Manager, CSR & Safety Control Division and General Manager, General Affairs & Human Resources Division |
| | Ichio Nemoto | General Manager, Hydraulic Components Operations, and General Manager, Gifu South Plant |
| | Takashi Saito | In Charge of European Operations, General Manager, Finance & Accounting Division |
| | Shozo Amano | In Charge of Production, General Manager, Production Division |
| | Masaru Tsuboi | In Charge of China Operations (Deputy), Chairman & President, KYB (China) Investment Co., Ltd. |
| Deputy Managing Executive Officers | Tomoki Takaoka | General Manager, Purchasing & Logistics Division and General Manager, Corporate Planning Division |
| | Minoru Tamai | General Manager, Sagami Plant, Hydraulic Components Operations |
| | Toshimichi Izeki | Deputy General Manager, Engineering Division, General Manager, Basic Technology R&D Center and Curator, KYB Museum |
| | Shinichi Sugioka | General Manager, Motorcycle Headquarters, Automotive Components Operations, and President, KYB Motorcycle Suspension Co., Ltd. |

Environmental Initiatives

Environmental Management

Basic Policy

To prevent climate change and achieve a sustainable society, Kayaba creates products that are safe for people and the environment, and actively conducts environmental preservation initiatives.

In order to strengthen our efforts toward helping to achieve the SDGs and carbon neutrality, which is a

global target, we established the ESG Promotion Office in FY2021 to further enhance our environmental initiatives. Also, we established the CN Promotion Office, which specializes in responding to carbon neutrality and further enhancing our efforts aimed at achieving it.

Slogan

Protect the Green Earth and Create Environmentally Friendly Products

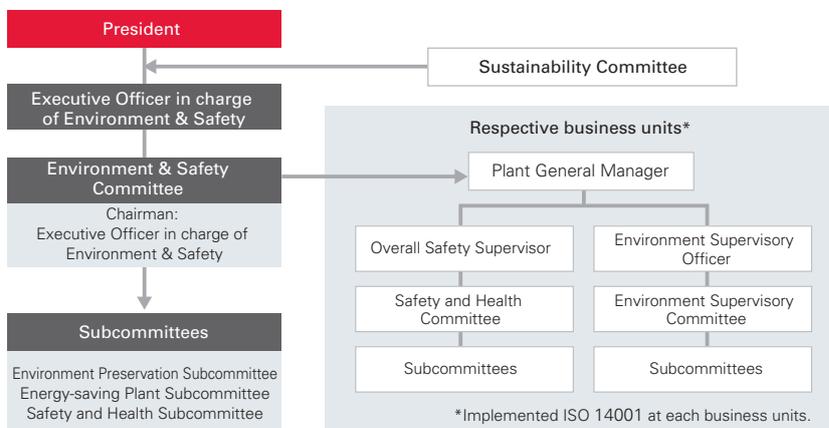
Basic Environmental Policies

The Kayaba Group creates user- and earth-friendly products. We actively promote environmental conservation activities as an important tool for evaluating management.

1. Develop and build up production and corporate activities based on recycling to reduce impacts on the environment.
2. Strive to ensure long-term and sustainable operations throughout the entire Kayaba Group.
3. Work to promote relationships with local communities and contribute to society as a good corporate citizen.
4. Clarify the role of each employee and encourage the participation of all employees.

Environment & Safety Management System

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



ISO 14001 Certification Acquisition (As of April 2022)

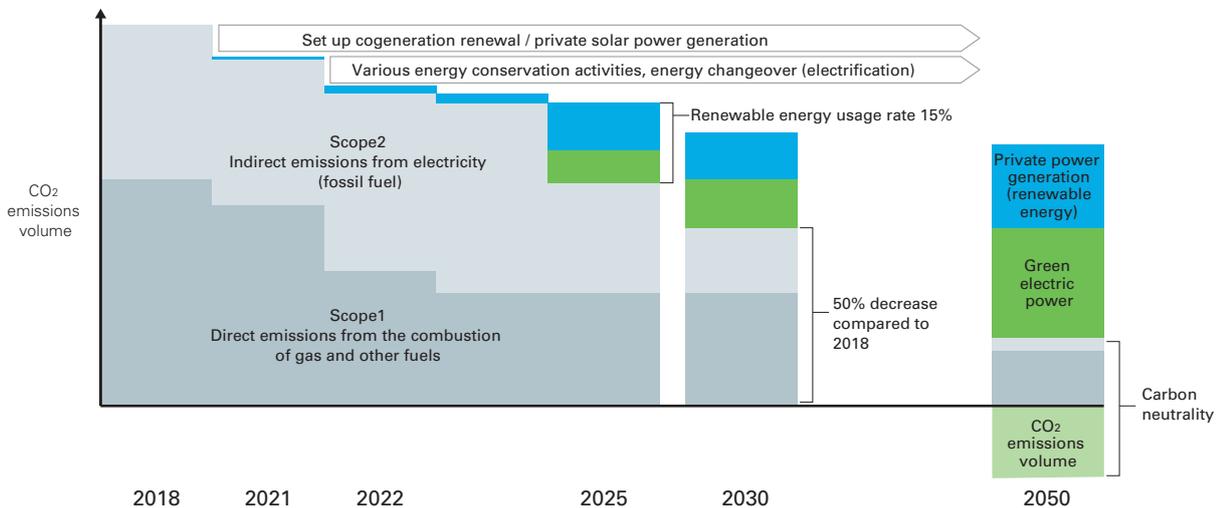
| Japan | Overseas |
|--|--|
| Gifu North Plant (Including KYB Kanayama Co., Ltd.) | North America KYB Americas Corporation, Takako America Co., INC. |
| Gifu South Plant (Including Gifu East Plant, Production Technology R&D Center, Machine Tools Center, KYB Motorcycle Suspension Co., Ltd.) | Brazil KYB Manufacturing do Brasil Fabricante de Autopecas S.A. |
| Sagami Plant (Including the Basic Technology R&D Center) | Spain KYB Suspensions Europe, S.A.U., KYB Advanced Manufacturing Spain, S.A.U. |
| Kumagaya Plant | Czech KYB Manufacturing Czech, s.r.o. |
| Takako Industries, Inc. (Shiga Plant) | Thailand KYB (Thailand) Co., Ltd., KYB Steering (Thailand) Co., Ltd. |
| KYB-YS Co., Ltd. (Head Office Plant) | Indonesia PT. Kayaba Indonesia |
| KYB Trondule Co., Ltd. | Malaysia KYB-UMW Malaysia Sdn. Bhd. |
| | China KYB Industrial Machinery (Zhenjiang) Ltd., Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd., Wuxi KYB Top Absorber Co., Ltd. |
| | Taiwan KYB Manufacturing Taiwan Co., Ltd. |
| | Vietnam KYB Manufacturing Vietnam Co., Ltd., Takako Vietnam Co., Ltd. |

Environmental Conservation Efforts

Kayaba is working to conserve energy and reduce waste matter under the medium-term management plan (three years) that was launched in 2020. In 2021, we added new targets for CO₂ emissions volume (output level) reductions as a countermeasure against climate change. Amidst the ongoing COVID-19 pandemic, there was a temporary decrease (worsening of output level) in the aggregate amount of energy consumed and CO₂ emissions. However, with the world trending toward a recovery in demand, the amount of energy consumed (crude oil equivalent volume), CO₂

emissions volume, and amount of all waste matter showed an increase over 2020, but when compared to 2019, we have maintained a steady reduction and improved the output level. While we achieved our target for the amount of energy consumed on a global evaluation, but Kayaba did not reach its target due to factors such as the absorption merger of a domestic affiliate. 2022 is the final year of the medium-term management plan, in which we will strengthen our energy conservation initiatives aimed at achieving the target.

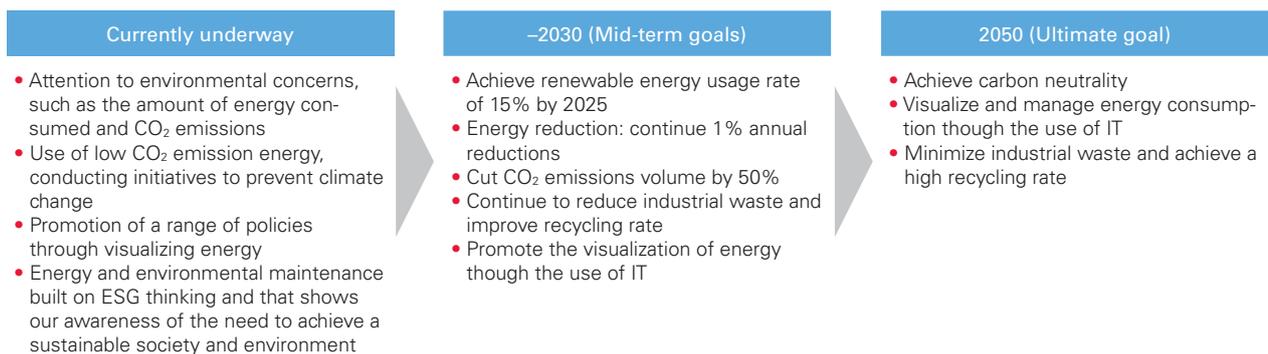
Mid- to long-term Policy for Achieving Carbon Neutrality (CO₂ Emissions Volume Reduction)



Achievements in FY2021

- Installed solar power generation equipment
- Optimized hours of operation for cogeneration power equipment
- Updated and improved use of highly efficient compressor
- Optimized hours of operation for chiller (cooler circulation system)
- Thermally insulated heat treatment equipment for plating
- Installed heat insulation in steam piping, removed waste piping
- Installed energy saving welding machines and dust collectors
- Reduced air and steam supply loss (such as by repairing leaks)
- Installed energy saving equipment to match repairs and upgrades
- Reduced standby electric power consumption
- Installed LED lighting and motion sensors
- Improved shipping efficiency, employed consolidated shipping, reduction of number of shipments

Creating a System with Minimum Energy Use and Waste Matter



Performance Report on FY2021 Initiatives

○: Target achieved ×: Target not achieved

| Theme | | Global (Kayaba, five domestic companies, 17 overseas companies) | | | Kayaba (six plants) | | |
|--------------------------------|--|--|-----------------------------------|------------|---|-----------------------------------|------------|
| | | Numerical target | FY 2021 achievements | Evaluation | Numerical target | FY 2021 achievements | Evaluation |
| Climate change countermeasures | CO ₂ emission volume | (Ref.) 256,583 tCO ₂ or less | 284,456 tCO ₂ | — | (Ref.) 75,596 tCO ₂ or less | 81,210 tCO ₂ | — |
| | CO ₂ emission volume per basic unit | 0.755 tCO ₂ /¥ million or less | 0.687 tCO ₂ /¥ million | ○ | 0.501 tCO ₂ /¥ million or less | 0.457 tCO ₂ /¥ million | ○ |
| | Energy consumption | 158,374 kl or less | 155,249 kl | ○ | 47,945 kl or less | 46,612 kl | ○ |
| | Energy consumption per basic unit | 0.386 kl/¥ million or less | 0.375 kl/¥ million | ○ | 0.258 kl/¥ million or less | 0.262 kl/¥ million | × |
| Reduction of industrial waste | General waste | (Ref.) 4,181 t or less | 3,512 t | — | (Ref.) 532 t or less | 343 t | — |
| | General waste per basic unit | 0.010 t/¥ million or less | 0.008 t/¥ million | ○ | 0.003 t/¥ million or less | 0.002 t/¥ million | ○ |
| | Metal scrap | (Ref.) 41,735 t or less | 38,549 t | — | (Ref.) 19,422 t or less | 18,358 t | — |
| | Metal scrap per basic unit | 0.102 t/¥ million or less | 0.094 t/¥ million | ○ | 0.105 t/¥ million or less | 0.105 t/¥ million | ○ |
| | Industrial waste | (Ref.) 19,839 t or less | 19,371 t | — | (Ref.) 3,255 t or less | 2,809 t | — |
| | Industrial waste per basic unit | 0.048 t/¥ million or less | 0.047 t/¥ million | ○ | 0.018 t/¥ million or less | 0.016 t/¥ million | ○ |
| Recycling | Recycling rate | — | — | — | 92.5% or more | 92.9% | ○ |
| | Final disposal volume | — | — | — | 3.22% or more | 3.16% | ○ |

Major Initiatives planned for FY 2022

Climate change countermeasures (energy conservation, low CO₂)
Switch to high-efficiency lighting such as LED and LVD, incorporate new cogeneration sources, eliminate air leaks, reduce the amount of air used in plants, initiative to decrease loads with high-efficiency air conditioning and equipment temperatures, promote the installation of solar power generation equipment, and more

Measures to reduce waste matter (environmental conservation)
Reduce paint residue volumes with bioprocessing, install equipment that reduces the volume of waste processed, convert waste to valuable materials and promote recycling activities

Note: Energy refers to the total of crude oil conversion, such as electricity and fuel. Regarding the decrease of industrial waste, the calculations exclude valuable materials (recycling or reuse) generated by initiatives to promote recycling.

Output level are calculated based on Kayaba's regulations, which take shipping into account.

Reference: At the present time, the numerical target for the aggregate volume of emissions has not been set, and we are undergoing investigations related to setting the targets.

Product Compatibility with Environmental Regulations

Regulations and requirements such as the REACH requirements, the ELV directive*¹ and the RoHS directive*² are being greatly tightened every year. Kayaba is identifying the trends of these regulations and endeavoring to incorporate them into its 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 ELV directive: A directive that came into effect in the EU in October 2000 to reduce environmental impact caused by end-of-life vehicles.

*² 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.

Examples of Environmental Initiatives

Introduction of solar power generation system (Adoption of renewable energy)

We had installed solar panels on the roof of Gifu North Plant's cation coating building. Installation of solar panels (system capacity: approx. 160 kW) contributes to CO₂ emissions reduction. It cuts the current annual CO₂ emissions of approximately 75 tons per year or approximately 40,000 L of oil equivalent.



Plan to Purchase Carbon Neutral City Gas (Adoption of green energy)

Carbon neutral city gas reduces CO₂ emission volume by turning the CO₂ generated from the processes of natural gas extraction through to combustion into CO₂ credit* or carbon offsetting. We have an agreement with Toho Gas Co., Ltd., involving carbon neutral city gas, and it is contributing to our CO₂ reductions.



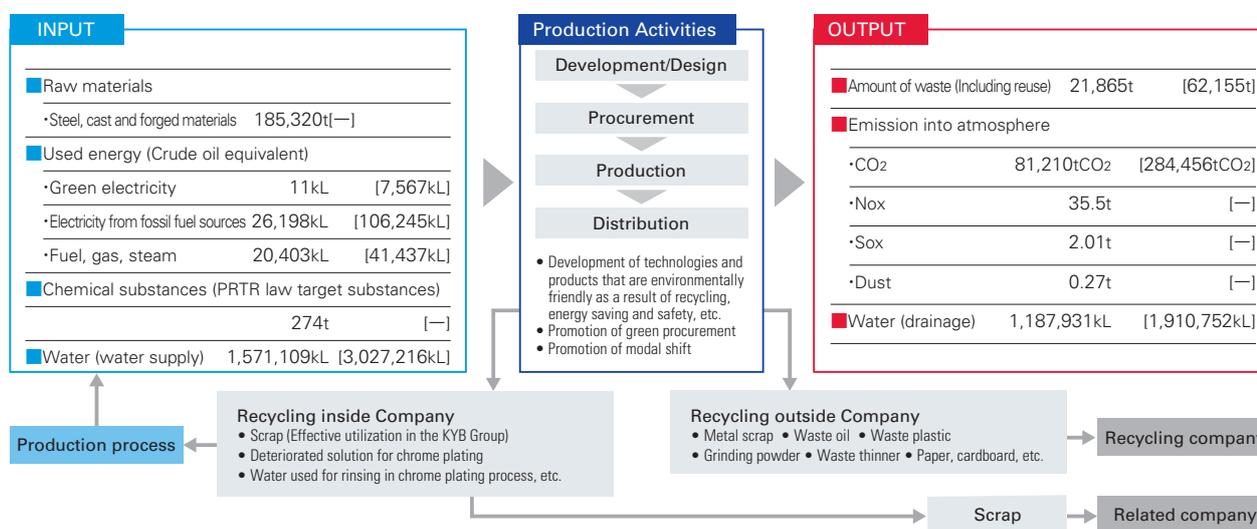
*CO₂ credit: These certificates are issued by an inspections organization that confirms the effects of environmental conservation projects in places all around on CO₂ reductions, and can offset emissions volumes in the production and transport of gas.

Environment Data

Environmental Impact by Business Activity

We use a range of resources, including energy, water, and chemical substances. We are making effective use of limited resources, taking into account climate change countermeasures, and moving ahead with energy conservation activities as well as reduction activities for the emission of materials such as waste matter and CO₂.

Because there are concerns regarding the levels of danger and toxicity of chemical materials, we are conducting risk assessments and taking the appropriate safety measures to the greatest extent possible. Also, we are responding to the newest round of revisions to the chemical substance regulations of the Industrial Safety and Health Act, which are scheduled for FY2023.



Environmental Accounting

The amounts of investment and cost were calculated with reference to the Environmental Accounting Guidelines, 2005, provided by the Ministry of the Environment.

FY2021 Results

(Millions of yen)

| Cost type | Major contents | Invested amount | Cost | |
|--|---|-----------------|--------------|--|
| (1) Business area cost | (1)-1 Pollution prevention cost | 65.5 | 213.8 | |
| | Air pollution and water pollution prevention activities | | | |
| | Maintenance and inspection of pollution prevention facilities | | | |
| | (1)-2 Global environmental conservation-cost | 8.3 | 13.6 | |
| Energy conversion | | 0.0 | 231.6 | |
| Energy-saving activities (Investments, etc.) | | | | |
| (1)-3 Resource circulation cost | Recycling of plant waste | 0.0 | 0.0 | |
| Reduction of industrial waste | | | | |
| (2) Upstream/downstream cost | | 0.0 | 0.0 | |
| (3) Management activity cost | Maintenance and management of ISO 14001, etc. | 0.0 | 109.2 | |
| | Monitoring of environmental impact and employee education | | | |
| (4) R&D cost | Environmentally friendly product development | 64.7 | 119.8 | |
| | Lightweight products and products containing less hazardous chemical substances | | | |
| (5) Social activity cost | Support of non-profit environmental protection | 0.0 | 4.7 | |
| (6) Environmental remediation cost | Afforestation and maintenance of scenery around plants | 0.0 | 0.0 | |
| (7) Other cost | Internal environmental conservation | 9.7 | 0.0 | |
| | Welfare conservation | | | |
| | Subtotal | 148.2 | 692.9 | |
| | Grand total | | 841.0 | |

Note: Classification and Definition of Environmental Conservation Costs

Invested amount: Expense for the purpose of environmental conservation during the target period with effect that continues for a number of terms and running cost for those periods. Cost: Cost or loss generated from expenditure of finances/services for the purpose of environmental conservation.

CO₂ Emissions

(tCO₂)

| Category | Description | Kayaba | Domestic subsidiaries | Overseas subsidiaries*1 | Total |
|--|---|--------|-----------------------|-------------------------|---------|
| Scope 1 | Direct emissions from company-owned and controlled resources (Fuel combustion, industrial processes) | 39,162 | 4,496 | 44,058 | 87,716 |
| Scope 2 | Indirect emissions from the use of electricity, heat and steam supplied by other companies | 42,048 | 29,193 | 125,498 | 196,739 |
| Scope 3 ² | Indirect emissions other than Scope 1 and 2 (Other company's emissions related to the activities of the company) Total of the following 2 to 7 categories | 52,039 | 21,206 | 17,363 | 90,608 |
| 2 Capital Goods | Expansion of production equipment (If construction was done over multiple years, it is accounted for in the last year when construction was completed) | 18,395 | 8,028 | 353 | 26,777 |
| 3 Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2 | Upstream emissions of purchased fuels (Extraction, production, etc) | 10,320 | 802 | 2,572 | 13,694 |
| | Upstream emissions of purchased electricity ((extraction, production, and transportation of fuels consumed in the generation of electricity, etc.) | 7,133 | 5,280 | 304 | 12,717 |
| 4 Upstream Transportation and Distribution | Logistics ³ of procurement, side-holding, and shipping (Shippers own) | 6,885 | 908 | Calculated in | 7,793 |
| 5 Waste Generated in Operations | Transportation and disposal of waste materials (excluding valuable materials) other than the company's own | 2,524 | 4,712 | 12,754 | 19,989 |
| 6 Business Travel | Business travel of employees | 724 | 327 | 314 | 1,364 |
| 7 Employee Commuting | Transportation of employees | 6,059 | 1,150 | 1,066 | 8,274 |

*1. Includes North America (KAC, TAC), Spain (KYBSE, KAMS) and the Czech Republic (KMCZ). Other positions are under calculation

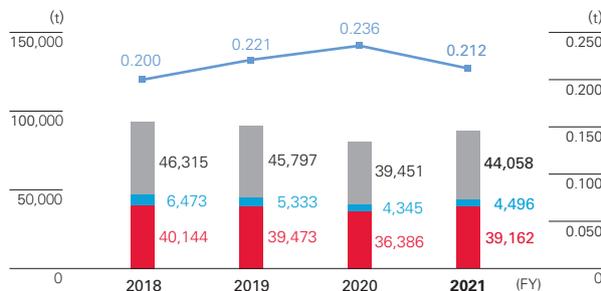
*2. The output level used for calculations was determined in reference to the "Emission output level database for calculating the greenhouse gas emissions of an organization via its supply chain (Ver. 3.2)" of Japan's Ministry of the Environment

*3. Logistics: Shipping, loading/unloading, storage

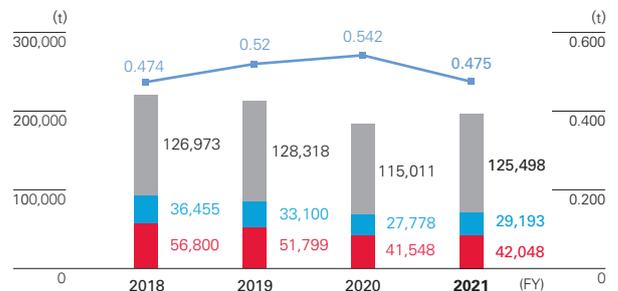
Environment-related Data

■ KAYABA ■ Domestic subsidiaries ■ Overseas subsidiaries — Basic unit (all bases)

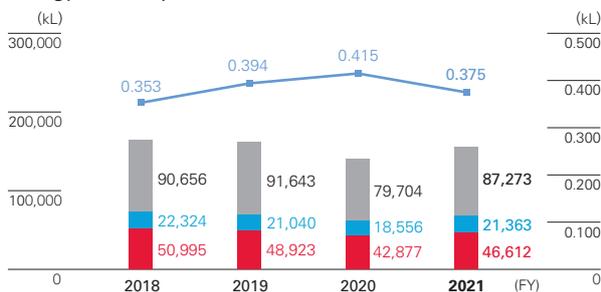
CO₂ Emissions: Scope 1



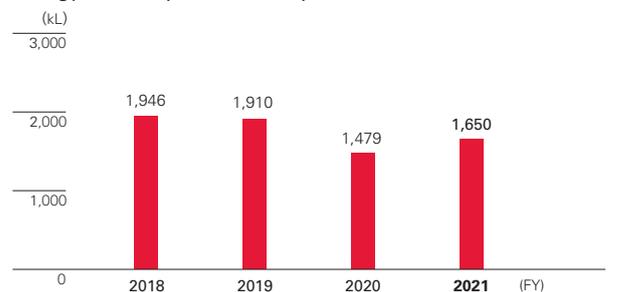
CO₂ Emissions: Scope 2



Energy Consumption



Energy Consumption for Transportation



Water Usage



Waste Emissions: Industrial waste



Social Initiatives

Basic Policy

In order to put the SDGs into practice and raise corporate value, Kayaba believes it is essential to create a place where human rights and workers' rights are upheld—one that has a comfortable environment where diverse human resources can work energetically.

Based on "Our Promise" aimed at accomplishing our Corporate Spirit, we put together 26 specific rules that

are to be observed in everyday work and company life as the Kayaba Group's Corporate Guiding Principles. Our basic stance toward efforts to create a better society is indicated by these Principles. They apply to all people who work at the Kayaba Group, who are required to act in accordance with the Principles.

| | |
|--|--|
| Respect for Human Rights | <ul style="list-style-type: none"> • We will respect the dignity of all individuals and respect human rights that are internationally recognized and, additionally, we will not be involved in violations of human rights. In the unlikely event it is found or likely that our business activities, products or services may cause violations of human rights, we will forthwith take an appropriate measure against it. • We will absolutely not tolerate any discriminatory acts on the grounds of race, gender, sexual orientation, nationality, religion, age or physical or mental disabilities or illnesses. • We will not practice forced labor and child labor in any form whatsoever. |
| Respect for Workers' Rights | <ul style="list-style-type: none"> • Pursuant to international standards and the laws and regulations of each country, we will respect the fundamental rights of labor, such as workers' freedom of association, right to organize and right to bargain collectively. |
| Supply Chain | <ul style="list-style-type: none"> • We will acknowledge that we have social responsibilities to our supply chain as well. We will oppose forced labor and child labor in any form in the supply chain and implement the non-use of conflict minerals. • We will aim to create products that are friendly to the earth and people and work hard in our procurement that takes the environment into consideration. • We expect our suppliers to share the values expressed in this clause. |
| Participation in Activities of Industry Associations and Other Related Organizations | <ul style="list-style-type: none"> • We will join and be active in industry associations and other related organizations solely for the purpose of promoting and familiarizing technology related to our products and services, as well as contributing to the sound development of the industry. |
| No Involvement with Antisocial Forces | <ul style="list-style-type: none"> • We will not have any relationships whatsoever with forces, associations and illegal organizations that threaten the safety and order of society. We will take a resolute stance as an organization against improper or illegal demands from those forces, etc. and we will not provide them with any benefit whatsoever. |
| Contribution to Society | <ul style="list-style-type: none"> • We will promote coexistence and cooperation with local communities, proactively engage in such activities as volunteer activities and conducting local events, and contribute to the development of local communities as "good corporate citizens." • We will respect local communities' history, culture and customs, and support non-commercial aspects such as culture and arts in order to contribute to development of a sustainable society. |
| Preservation of Natural Environment | <ul style="list-style-type: none"> • We will recognize that we are dependent upon rich and varied nature and make efforts to create products that are friendly to the earth and people in our domestic and overseas business activities. • We will actively promote preservation of natural environment by identifying environmental conservation activities as one of the important indicators for the evaluation of management and undertaking global warming countermeasures, energy conservation promotion, recycling of resources, waste reduction and proper management of chemical substances. |
| Health and Safety | <ul style="list-style-type: none"> • We will always think 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. • We will prepare a clean and hygienic work environment through thorough tidiness, order, cleanliness, sanitation and training. |
| Creation of Comfortable Working Environment | <ul style="list-style-type: none"> • We will value a way of working that takes the diversity of our employees into consideration and strive to create lively workplaces. • We will strive to create a vibrant and comfortable workplace where we care for each other while giving consideration to physical and mental health, respect each persons' point of view and position, and allow free and open exchange of opinions. • We will absolutely not tolerate acts that worsen the working environment and cause mental and physical pain beyond the proper scope of operations. |
| Enhancing Workplace Capabilities through Education and Skills Development | <ul style="list-style-type: none"> • As "human resources" that support the sustainable growth of the Kayaba Group operating its business globally, each one of us will proactively increase our own abilities through diverse education and training and we will build strong workplace capabilities at every workplace. |

Kayaba Group Corporate Guiding Principles (excerpt)

Human Resource Initiatives

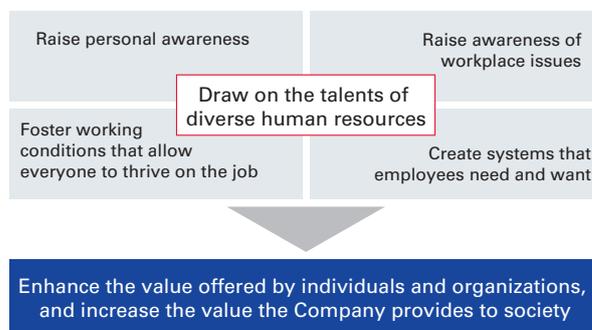
Respect for Human Resources and Diversity

The Kayaba Group regards the diversity of human resources as an important factor for realizing sound operations. Accordingly, we aim to build a corporate culture that accepts and respects diverse values, cultures, and customs, while featuring open communication and maintaining flexibility in management strategies and product development.

Specifically, we are training human resources who can uphold our Corporate Spirit, employing diverse human resources, and positioning the right employee in the right position. Also, we are strengthening the management foundation and awareness campaigns for helping women thrive in the workplace. We have increased the number of female employees in positions which provide opportunities for promotion, with a view to raising the number of female managers (achieved the target in FY2021). Going forward, the Company plans to help women set their career paths—in this way raising their awareness of opportunities and their possible futures—and create training programs for supervisors to raise their awareness of issues

impacting women in the workplace. Kayaba has also established special organizations that employ people with disabilities and is actively engaging in related activities.

To maintain an environment where employees can work energetically, we are helping employees maintain a healthy work-life balance, continuing remote working, encouraging employees to take annual paid leave, and reducing long working hours.



Efforts to Promote the Employment of People with Disabilities

Kayaba is making efforts to employ people with disabilities based on the following targets.

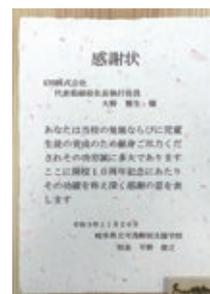
Target

1. CSR: Realization of a symbiotic society
Contribute to the realization of a symbiotic society in which anyone can participate in society through their work in proportion to aspiration and ability, regardless of handicap
2. Diversity
Build a corporate culture and make workplace environment improvements so that diverse employees can work energetically, with handicaps being a non-factor
3. Compliance
Observe laws and regulations, such as the Act on the Promotion of the Employment of Persons with Disabilities

In September 2019, Kayaba established the Work Support Center as an organization to promote the employment of persons with disabilities. It cooperates with all departments in the Company, government and municipal offices, schools, and all kinds of organizations to promote the employment of people with disabilities and works on initiatives to stabilize the retention rate.

1. Actively accepts internships in cooperation with special support schools and employment support organizations and challenge training, and regularly exchanges information and conducts hearings
2. Advice and guidance to settle in after employment with the help of an in-house coaching staff.
3. Enlightenment regarding diversity for persons with no disabilities in sites where people with disabilities work, and improvement and maintenance of the working environment

As a result of these efforts, the employment rate of persons with disabilities improved to 2.36% at the end of March 2022, up from 1.88% at the end of March 2019 and exceeding the legally stipulated employment rate of 2.3%. Kayaba will continue our initiatives aimed at improving the employment rate of persons with disabilities and providing workplaces where people with and without disabilities can feel satisfaction in their work.



Certificated of thanks from Gifu Prefectural Kamo Special Needs School

Human Resource Development

Kayaba has redesigned its human resource training programs to ensure that employees have the qualities necessary to help realize the ideas behind the Corporate Spirit (honesty, vitality, love and creativity). We have been working to improve these programs while recognizing that transparency in employee evaluations and promotions is one of the most important aspects of human resource development. For this reason, we have made clear the necessary qualities and achievement levels for every job level and re-viewed the requirements for management promotions based on this. We are also exploring ways that

improvement measures can be incorporated into on-the-job training, which is important for complementing human resource development systems.

Kayaba recognizes that training managers of overseas bases is vital for ensuring the sustainable growth of global operations. Therefore, we provide them with experience in departments that are essential for managing their workplaces over the medium term, helping them develop the qualities they need through training, and then assign them to leadership positions when the time is right.

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

■ Honesty
 ■ Vitality
 ■ Sincerity
 ■ Creativity



Training Managers of Overseas Bases

Purpose
Training to instill the necessary qualities
(Candidates for management positions outside Japan)

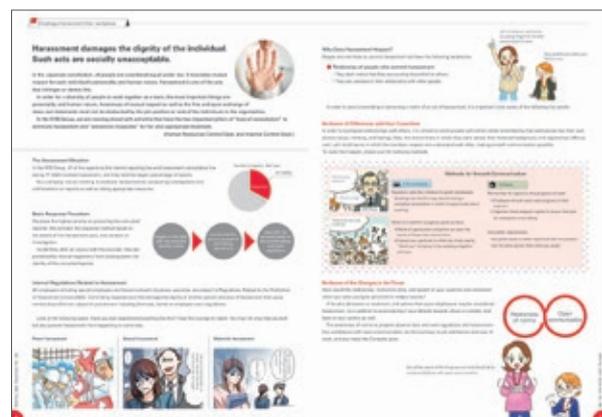
1. Skill development training → Select and train candidates
2. Training rotation → Formulate plans for training rotation and follow-up
3. Assignment of candidates → Set and deploy criteria for assignments

Creating Harassment-Free Workplaces

Workplaces where there is no harassment are an essential foundation for maintaining and improving the physical and mental health of employees while promoting human resource development.

To avoid a situation where it is difficult to raise one's voice within the Company, we are placing emphasis on harassment prevention (freedom from harassment), and actively conducting education and awareness activities to promote mutual respect.

Specifically, Kayaba integrates anti-harassment education into new training programs such as those on listening skills and equality under the law, conducts evaluations on a trial basis, and publishes anti-harassment articles in our internal newsletter. We also survey the extent of reported cases of harassment through stress assessments, which employees receive every year. Also, the Company promptly responds to cases reported to the harassment helpline and the whistleblower hotline, taking strict disciplinary action after confirming the facts.



From an article of in-house newsletter

Health Management



Health Declaration

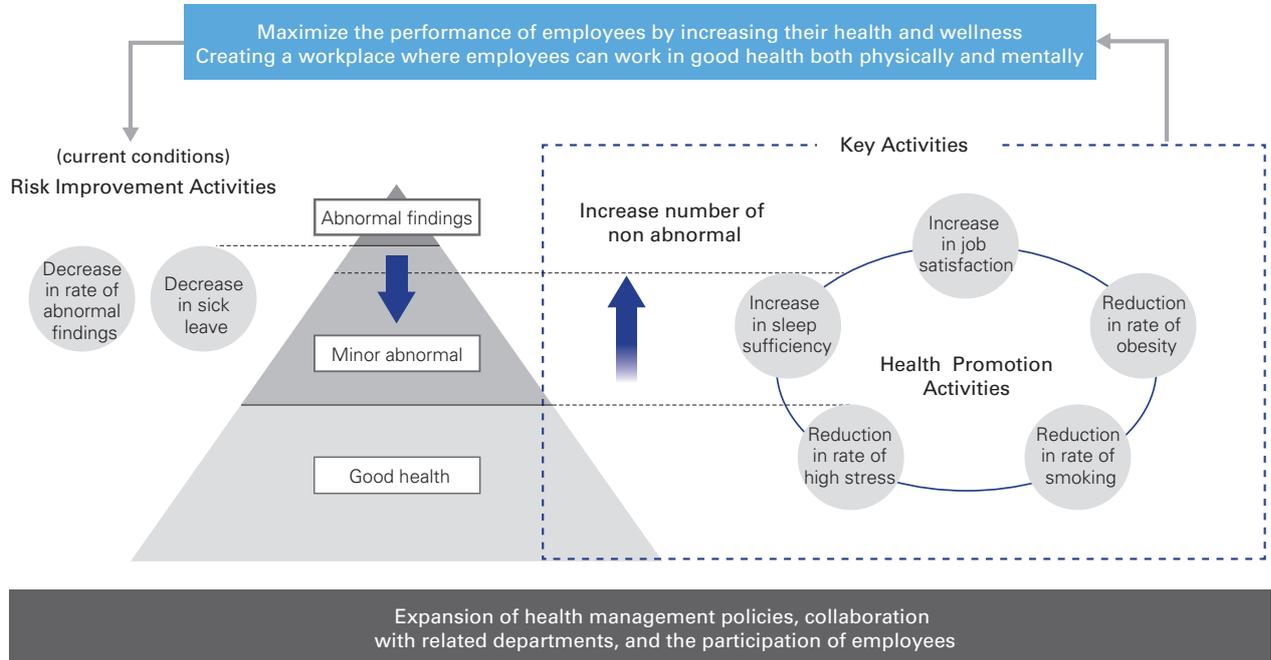
Kayaba sees the health of employees and their families as an important management resource and a source of corporate vitality, and is working to achieve sustainable growth through the creation of an environment in which all employees can work in good health both physically and mentally.

We are committed to actively supporting employees who are engaged in health promotion activities and to promoting organizational measures for health promotion in order to live up to our Corporate Spirit by “building a corporate culture full of vitality and holding high goals.”

November 1, 2019

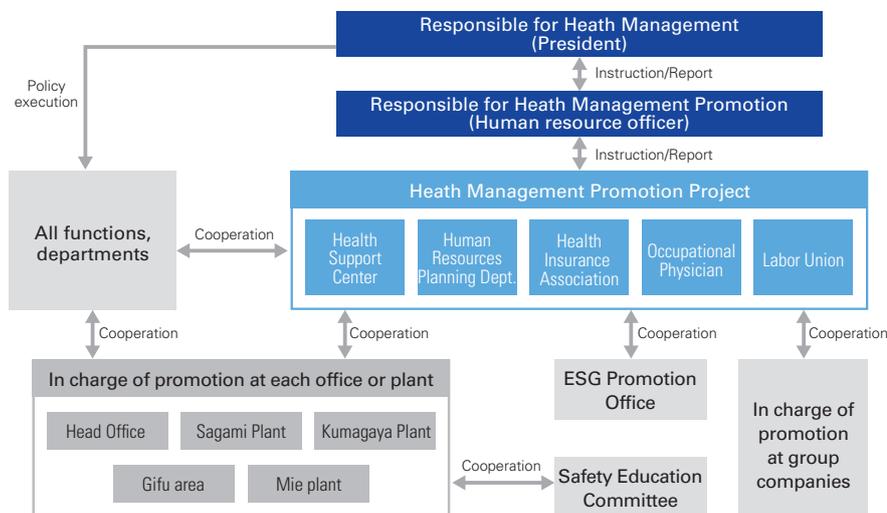
Masao Ono
 Representative Director
 and President Executive Officer
 KYB Corporation

Health Management



Organizational Structure for Promoting Health Management

With the top management ranks positioned as responsible for health management, the entity conducts the sharing of information on health management issues and ensures the effectiveness and continuance of initiatives while cooperating with the health management promotion project in charge of promotion at each office or plant, the safety education committee, and our group companies.



Health Issues and Kayaba's Index

We are aiming to continuously maintain and promote physical and mental health, maximize performance through the improvement of employee health, and create an environment in which employees can work happily and comfortably.

| Health index | | 2018 | 2019 | 2020 | 2021 | 2023 Target |
|--------------|-------------------------------------|-------|-------|-------|-------|-------------|
| Physical | Rate of diabetes | 41.4% | 44.2% | 54.1% | 45.2% | 40% |
| | Rate of obesity | 29.1% | 29.2% | 32.8% | 30.5% | 30% |
| | Rate of smoking | 34.9% | 35.3% | 34.2% | 32.3% | 30% |
| | Rate of sleep sufficiency | 48.2% | 61.4% | 67.2% | 67.2% | 70% |
| Mental | Job satisfaction | 58.3% | 55.3% | 58.0% | 58.0% | 60% |
| | Rate of use of yearly paid vacation | 68.1% | 71.7% | 62.8% | 76.9% | 80% |

*Health index covers KYB Corporation

Health Management Policy

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

Safety Activities

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.

The Global Safety Promotion Committee, which is chaired by Kayaba’s president, works to revitalize activities. The Environment & Safety Committee, which is chaired by the executive officer in charge of CSR and safety, discusses safety measures related to the

Kayaba Group. In these ways, we are promoting safety and security in the working environment.

Regarding fires at our plants, we periodically reexamine the fire prevention system and identify equipment that poses any risk of a fire. Also, we hold a Fire Prevention Day in which we raise the awareness of all employees and work to reduce and prevent risks.



Fire prevention poster

OSHMS/ISO 45001 Certification Acquisition (As of April 2022)

In order to systematically implement initiatives to build an occupational health and safety management system and strengthen its foundation, we are introducing and promoting certification in OSHMS and ISO 45001.*

In introducing our health and safety management system, the Gifu North Plant was first to obtain certification in FY2004, and in FY2022, we are working

toward the certification of one new location. We will make practical use of the system and push forward with efforts to achieve a higher level of safety than ever before.

* ISO 45001: An occupational safety and health management system (OSHMS) standard issued in 2018 by the International Organization for Standardization (ISO).

Bases with Certification (As of April 2021)

| Japan (OSHMS) | |
|---------------------------------------|--|
| Gifu North Plant | |
| Gifu South Plant | (Including Gifu East Plant, Production Technology R&D Center, Machine Tools Center, KYB Motorcycle Suspension Co., Ltd.) |
| Sagami Plant | (Including the Basic Technology R&D Center) |
| Kumagaya Plant | |
| Takako Industries, Inc. (Shiga Plant) | |
| KYB Kanayama Co., Ltd. | |
| KYB-YS Co., Ltd. | |
| KYB Trondule Co., Ltd. | |

| Overseas (ISO 45001 Certification) | |
|------------------------------------|--|
| North America | KYB Americas Corporation / Takako America Co., INC. |
| Mexico | KYB Mexico S.A. de C.V. |
| Brazil | KYB Manufacturing do Brasil Fabricante de Autopeças S.A. |
| Spain | KYB Suspensions Europe, S.A.U. / KYB Advanced Manufacturing Spain, S.A.U. |
| Czech | KYB Manufacturing Czech, s.r.o. / KYB CHITA Manufacturing Europe, s.r.o. |
| Thailand | KYB (Thailand) Co., Ltd. / KYB Steering (Thailand) Co., Ltd. |
| Indonesia | PT. Kayaba Indonesia / PT. KYB Hydraulics Manufacturing Indonesia |
| Malaysia | KYB-UMW Malaysia Sdn. Bhd. |
| India | KYB Mmotorcycle Suspension India Pvt. Ltd. |
| China | KYB Industrial Machinery (Zhenjiang) Ltd. / Changzhou KYB Leadrun Vibration Reduction Technology Co., Ltd. / Wuxi KYB Top Absorber Co., Ltd. |
| Taiwan | KYB Manufacturing Taiwan Co., Ltd. |
| Vietnam | KYB Manufacturing Vietnam Co., Ltd. / Takako Vietnam Co., Ltd. |

Quality Management

Basic Policy

To prevent a recurrence of quality-related misconduct, Kayaba will continue to foster and establish an awareness of compliance as the prerequisite for and foundation of quality management.

The Kayaba Group shall:

1. Address quality improvement with honesty driven by the belief that quality is the basis for business.
2. Deliver safe and secure products in compliance with promises to customers as well as with laws and regulations.

Quality Assurance System

We have built, and now operate, an ISO 9001-compliant quality assurance system that emphasizes the quality of work processes as well as the quality of products and services. We strive each day to make improvements in all aspects of quality.

At Kayaba, we implement what is called a “three-step evaluation system” for the development and mass production of products, the development of technologies, manufacturing methods, and so on. We make every effort to achieve high quality throughout the product life cycle, from the product planning stage,

to defect reduction and change management after mass production and shipment. At our production bases, we take a variety of quality improvement measures under the leadership of base managers and plant managers, and we are working to promote the unerring operation of our three-step evaluation system. Furthermore, to ensure the quality of mass-produced products, we also follow this system for single, small-lot orders and when production is transferred to another production base.

| Step | Details | Goal of the three steps |
|---|-------------------------|--|
| Prior and model development | Development quality | Implementation of commercialization (Description and evaluation of development quality) |
| Order development | DR*0 evaluation meeting | Start quality |
| | DR1 evaluation meeting | |
| Mass-production development and production preparations | Mass-production quality | Implementation of achieving quality requirements (Demonstration and evaluation of start quality) |
| | Quality Safety Audit | |
| Mass production Initial flow management | | Bad News First Execute (until the reporter receives feedback) When abnormalities arise: Stop, Call, Wait |
| | | |

Quality Safety Audit Evaluate manufacturing site, manufactured products and data to confirm that mass-production quality is problem-free and that reliable production and shipment are possible.

* DR: Development & Research

Quality Management Initiatives

Kayaba is strengthening its quality audit system to thoroughly prevent quality-related misconduct, and aiming to create a corporate culture of open communication.

- Revision of the Bad News 1st Initiative regulations (November 2021)
- Establishment of the Bad News 1st Initiative implementation guidelines (November 2021)

We are increasing workplace communication by conveying information on “Bad News” or concerns related to quality, then taking steps and improving based on the information and launching initiatives to properly deal with the matters, then providing feedback to the reporter in the form of reports and replies.

Supply Chain Management

Basic Policy

Kayaba conducts ESG management so as to continuously develop our business through manufacturing craftsmanship and contribute to the realization of an affluent society as a corporation that has earned the trust of the global community.

Going forward, we will further increase the responsibilities of the companies in our supply chain to conduct efforts to uphold human rights, the prevention of child labor and forced labor, responsible mineral

procurement, and carbon neutrality. We naturally build partnerships with important suppliers, and also carry out our social responsibility while thoroughly enforcing our basic policy in procurement and striving to contribute to the realization of a sustainable society.



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

Building Relationships with Suppliers

We hold a Purchasing Policy Briefing for the management ranks at our suppliers' companies. At this meeting, we provided them with a stronger understanding of our corporate, purchasing, and quality policies. We also awarded excellent suppliers who have contributed greatly to QCD* through the issues and targets that Kayaba and our suppliers share. This made the briefing a venue for sharing valuable information in aiming for coexistence and mutual prosperity.

Kayaba is ensuring two-way communication between us and our suppliers based on a relationship of mutual trust.

* QCD: Quality, Cost, Delivery

Examples of Our Efforts

Carbon Neutral Initiatives

The Japanese government's "2050 Carbon Neutral Declaration" and the Glasgow Climate Accord at COP26 have accelerated efforts to achieve carbon neutrality.

Kayaba holds briefing sessions on carbon neutrality to its suppliers and shares with them Kayaba's approach to carbon neutrality and its goals, and asks them to work toward these goals.

Responding to Responsible Mineral Provision

To avoid inadvertently providing funds to armed groups responsible for human rights violations, the Kayaba Group annually conducts an investigation with the cooperation of its suppliers, summarizes the results and reports to customers that request such information, in accordance with the Dodd-Frank Act.*

* 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

In these inspections, we employ the questionnaire issued by the Responsible Minerals Initiative (RMI; an organization that is promoting the responsible procurement of minerals).

Initiatives to Prevent Human Rights Violations in the Supply Chain

In accordance with the U.K. Modern Slavery Act 2015, we annually release a statement on the Kayaba Group's business activities and initiatives to prevent slave labor and human trafficking in our supply chain, including the abovementioned conflict mineral measures. We will

carry on with our awareness-raising activities on prohibiting human rights violations and slave labor in cooperation with the relevant departments while understanding the progress of our business partners with their efforts.

Products + Human Resources + the Future

Our Challenge—providing technology support that draws out full potential

Kayaba employee Takeshi Suzuki is an Olympic athlete who competes in Para Alpine sit ski events at the Games as a representative of Japan. He has competed at Paralympics in Torino, Vancouver (bronze medal), Sochi (gold and bronze medals), Pyeongchang, and most recently took on the 2022 Beijing Paralympics.

While he didn't obtain a medal at the Beijing Games, he placed fifth in the super combined and slalom, and placed eighth in the downhill, receiving a prize for each.

In sit skis, shock absorbers are used to mitigate the shock that the rider feels when skiing, and also as a medium to transmit the operating motions of the athlete to the ski board. We take part in anticipated development projects with our technological abilities that have been forged in such heated competitions as the world's leading motorcycle races and support Japanese athletes. We've been building our record of achievements since we began conducting development for the Nagano Paralympics.

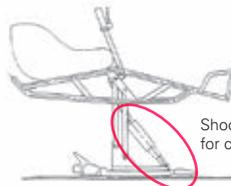
Currently, participating countries are focusing on shock absorber development, with the difference between victory or defeat hanging in the balance. We are continuing to pour our energy into improving sit ski performance by repeatedly conducting a cycle of development, evaluations by skiers, and improvements in cooperation with Mr. Suzuki and other athletes.

Kayaba will continue to support the field of sports for people with disabilities in the hopes that, through the activities of world-class athletes, they will be inspired to participate in sports and to take on great challenges.



Evolving Technology
Kayaba takes pride in our added-value products

Chair ski model diagram (early development)



Shock absorber for chair ski

Shock absorber for chair ski (present)



Adjust damper until just before run

< Profile of Takeshi Suzuki >



- Competitive event Alpine skiing (Sitting: Sit ski)
- Date of Birth: May 1, 1988
- Age: 34
- Place of origin: Inawashiro-machi, Fukushima, Japan
- Joined Kayaba: 2015

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