



Representative Director, President
Executive Officer
Masao Ono

KYB Corporation (7242)



Company Information

Market	TSE Prime Market
Industry	Equipment for transportation
Representative Director, President Executive Officer	Masao Ono
HQ Address	World Trade Center Building South Tower.28F, 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo
Year-end	End of March
HOME PAGE	https://www.kyb.co.jp/english/

Stock Information

Share Price	Number of shares issued		Total market cap	ROE Act.	Trading Unit
¥3,115	25,748,431 shares		¥80,206million	17.1%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
120.00	3.9%	¥668.01	4.47x	¥5,508.47	0.6x

* Share price as of closing on June 7. Each figure is from the financial results for fiscal year ended March 2022.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Pretax Income	Net Income	EPS	DPS
March 2019 (results)	412,214	-28,496	-29,510	-24,757	-969.18	0.00
March 2020 (results)	381,584	-40,298	-41,419	-61,879	-2,422.53	0.00
March 2021 (results)	328,037	18,297	16,340	17,087	668.95	75.00
March 2022 (results)	388,360	30,001	28,817	22,549	854.96	105.00
March 2023 (estimate)	410,000	26,500	26,000	18,000	668.01	120.00

* Unit: Million yen or yen. IFRS adjustment. Net income is profit attributable to owners of the parent. DPS is a dividend for common stock.

This Bridge Report presents details of KYB earnings results for fiscal year ended March 2022 and so on.

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Key Points

- **In the term ended Mar. 2022, KYB posted sales of 388.3 billion yen, up 18.4% year on year. The sales of both AC and HC grew as the market recovered from the COVID-19 crisis. Gross profit rose 30.67% year on year. Segment profit increased 85.5% year on year. While material costs rose considerably, cost improvement and reduction of fixed costs contributed, offsetting the increase in SG&A expenses. Both sales and profit exceeded the revised estimates announced in February 2022. The dividend for the term ended Mar. 2022 is projected to be 105 yen/share per year, with the interim dividend increasing 45 yen/share and term-end dividend decreasing 15 yen/share.**
- **For the term ending Mar. 2023, sales are expected to grow and segment profit to increase. Sales are projected to increase 5.6% year on year to 410 billion yen and segment profit to grow 7.2% year on year to 26.5 billion yen. While a global recovery of demand is expected, KYB continues to view the lasting COVID-19 pandemic, the drop in production volume, the augmentation of costs of raw materials, transportation, and the like caused by Russia's invasion of Ukraine, etc. as risks. The dividend for common shares is scheduled to be 120.00 yen/share per year (up 15.00 yen/share from the previous term), with both the interim and the term-end dividends being 60.00 yen/share. The expected payout ratio is 18.0%. The dividend for Type A preferred shares is scheduled to be a total of 7,500,000.00 yen/share per year, with the interim dividend being 3,760,274.00 yen/share and the term-end dividend being 3,739,726.00 yen/share.**
- **While sales in the term ended Mar. 2022 fell below those in the term ended Mar. 2019 before the COVID-19 crisis, segment profit hit a record high. In the term ending Mar. 2023, sales are expected to exceed 400 billion yen and come close to the highest level in KYB's history. The process of making seismic isolation/mitigation oil dampers satisfy with specs is about to be finished. We would like to pay attention to their progress in each quarter.**

1. Company Overview

The largest manufacturer of independent hydraulic equipment in Japan. Based on hydraulic technology, the company offers products and technologies in a wide range of fields such as "automobiles", "motorcycles", "construction machinery", "industrial vehicles", "aircraft", "railroads" and "special purpose vehicles".

KYB has a high market share with many products. For instance, shock absorbers for automobiles account for 40% of the domestic market and 14% of the global market.

【1-1 Corporate history】

The roots come from "Kayaba Research Center", which was established by Shiro Kayaba, who is an inventor and a founder, in November 1919.

In January 1927, a self-employed enterprise, Kayaba Seisakusho, was established for manufacturing hydraulic dampers, catapults, etc. for aircraft.

In March 1935, Kayaba Manufacturing Co., Ltd. was established.

After the end of World War II, in June 1956, Kayaba Auto Service Co., Ltd. was established for offering products and services.

In October 1959, company's stocks were listed on the Tokyo Stock Exchange.

In July 1974, KYB Corporation of America was established in the United States in order to enter the North American commercial market. Then, the company actively entered foreign markets such as Asia and Europe.

In October 1985, the company name "Kayaba" was changed from kanji (Chinese characters) to katakana (Japanese Characters).

In October 2015, the trade name was changed from Kayaba Manufacturing Co., Ltd. to KYB Corporation in order to further strengthen the brand image.

In April 2022, KYB got listed on the Prime Market of TSE through the market restructuring.

【1-2 Corporate Philosophy/Management Philosophy】

©KYB Corporate Symbol

As they changed the corporate name from "Kayaba Manufacturing Co., Ltd." to "KYB Corporation" in 2015, they aim to popularize the KYB brand on a global basis.

Therefore, as shown below, the logo "KYB" has the meaning and spirit



(Taken from KYB's website)

(What the logo means)

Slanted slits in each letter represent comfortable sunlight cast through the trees and sunbeams illuminating the road ahead. The logo represents an image of unconstrained growth and flexible response to the trends of the era. The right side of the letter "B" represents liquid pressure indicating the origin of KYB. Using italic letters expresses a sense of speedy movement, progressiveness, growth potential, innovativeness.

(What the corporate color means)

The corporate color, red stands for love, enthusiasm and passion, etc. and it gives the image of a sun's warmth, heat and power to grow life that realize an epoch-making society. Red is also a positive color and represents manufacturing that goes the extra mile.

(Taken from KYB's website)

©Corporate Statements

Our Precision, Your Advantage

The characteristics of products such as precise quality and reliable technology are expressed with the statement.

It means that not only providing reliable quality to general consumers and business partners leads to stakeholders' "advantage (superiority)", but also the joy of manufacturing, which enables each employee to realize that they can change the world with sure quality, becomes "advantage (merit)."

©Corporate Spirit

As the KYB Group, which aims to contribute to society by providing technologies and products for making the living of people safe and comfortable, it reflected on the improper act revealed in Oct. 2018, and revised its Corporate Spirit and Corporate Guiding Principles.

(Corporate Spirit)

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

(Management Vision)

Human Resources Development	To cultivate the talent to achieve the objectives with a thorough understanding of the principles and the strategy.
Technology and product development	To provide products that are impressive, comfortable and reliable to customers throughout the world.
Monozukuri (Manufacturing expertise)	To make our plants enjoyable, dynamic places to work, and at the same time full of discipline based on the field priority doctrine, in order to produce products satisfactory to the customer.
Management	Always keep social responsibilities of the corporation in mind and provide efficient group management.

(Corporate Guiding Principles)

See the following URL:

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

【1-3 Environment Surrounding the Company】

(1) Market Environment

The automobile market and the construction machinery market have a great effect on KYB's performance.

KYB recognizes the current and future situations of the two markets as follows.

①Automobile Market

The global demand for automobiles, including hybrids and EVs, is expected to increase in the medium to long term. The number of automobiles produced, which had temporarily decreased due to the influence of COVID-19, was recovering. However, the business environment is uncertain as Toyota Motor has temporarily suspended the production at some domestic factories due to a shortage of semiconductors.

KYB supplies shock absorbers (SA) for new vehicles directly to automobile manufacturers as Tier 1, and also supplies them to auto parts stores, repair shops, etc. through agencies for aftermarket as well. The company calls the former "OEM" and the latter "marketed". Japanese cars are popular in Asia, the Middle East and others, and the commercial market is important for KYB.

②Construction Machinery Market

While the Chinese and Indian markets are expected to slow down, demand is forecasted to be strong despite the uncertainty in the short term due to the impact of COVID-19.

(2) Competitors

①AC Business

KYB's domestic competitors include Hitachi Astemo, Ltd. (unlisted).

Its global competitors consist of ZF in Germany, Tenneco in the U.S., and so on. ZF has a long history and intimate relationships with European automobile manufacturers.

The company's share in the commercial product market is slightly less than 20%. Monroe (a commercial brand of Tenneco), and Sachs, etc. are competitors in global.

KYB competes with Hitachi Astemo, Ltd. in the market of shock absorbers for motorcycles, and with JTEKT Corporation (6473, TSE Prime Market) and NSK Ltd. (6471, TSE Prime Market) in the steering market.

②HC Business

In the market of cylinders, which are the parts with the highest sales ratio in KYB, Chinese manufacturers and the like are extending their influences.

KYB's competitors include Nabtesco (6268, TSE Prime Market) in the market of control valves for which KYB has the advanced technology, and Nabtesco and Nachi-Fujikoshi (6474, TSE Prime Market) in the market of travel motors.

In addition, the largest construction machinery manufacturer in Japan manufactures a number of parts internally.

Code	Corporate name	Sales	Growth rate	Operating income	Growth rate	Operating income rate	ROE	Market cap	PER	PBR
5994	Fine Sinter	40,000	+2.7	1,000	+129.7	2.5%	1.2%	5,949	11.8	0.43
6268	Nabtesco	320,000	+6.7	33,000	+9.9	10.3%	29.6%	391,037	16.6	1.6
6471	NSK	940,000	+8.6	40,000	+35.9	4.3%	2.8%	438,258	15.1	0.7
6473	JTEKT	1,600,000	+12.0	60,000	+41.7	3.8%	3.5%	364,570	14.6	0.6
6474	Nachi-Fujikoshi	250,000	+9.1	17,000	+15.5	6.8%	8.1%	94,568	8.2	0.7
7212	F-Tech	270,000	+40.7	4,000	+250.0	1.5%	0.5%	10,965	10.9	0.2
7242	KYB	410,000	+5.6	26,500	+7.2	6.5%	17.1%	80,206	4.5	0.6

*The sales and growth rates are forecasts for this term estimated by the company with the unit being million yen. ROE is the results from the previous term.

The aggregate market capitals are the closing price on June 7. The unit is million yen. PER (estimates) and PBR (results) are based on the closing price on June 7 with the unit being times. KYB's operating income is segment profit (calculated by deducting cost of sales and SG&A expenses from net sales).

【1-4 Business contents】

(1) Segments

KYB's business segments are composed of the following three segments: the "AC Business" consisting of hydraulic shock absorbers for automobiles and motorcycles, power steering, etc., the "HC Business" including hydraulic equipment for industrial use mainly for construction machinery, and the "Aircraft components business," which produces devices for take-offs and landings of aircrafts, steering components, control devices, etc. It also has the "Others" segment which handles special purpose vehicles, electronics, and the like.

As a result of a review of the business management classification of System Products which produces theater equipment, equipment for military vessels and vibration suppression devices, etc. in accordance with the reorganization of the Group, it included in the HC business from the second quarter of the term ending Mar. 2022.

Fiscal Year ended March 2022 results

	Sales	Composition Ratio	Segment profit	Profit rate
AC Business	232,846	60.0%	15,406	6.6%
HC Business	141,572	36.5%	12,348	8.7%
Aircraft components business	3,655	0.9%	-3,960	-
Others	10,286	2.6%	918	8.9%
Total	388,360	100.0%	24,713	6.4%

*Unit: million yen

① AC(Automotive Components)Business

This segment consists of shock absorbers for automobiles and motorcycles, hydraulic equipment for automobiles, and other products.

Composition ratio for Fiscal Year ended March 2022

Product	Sales	Composition ratio	Major products
Shock absorbers for automobiles	169,159	72.6%	Shock absorbers
Shock absorbers for motorcycles	34,868	15.0%	Front forks, rear cushion units
Hydraulic equipment for automobiles	23,875	10.3%	Vane pumps, CVT pumps, EPS
Others	4,944	2.1%	Shock absorbers for ATVs, Stay dumpers
Total	232,846	100.0%	-

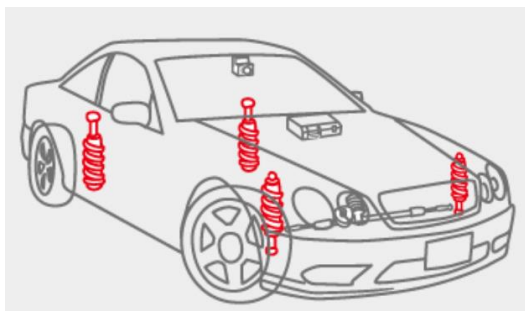
*unit: million yen

<Major Products>

◎Automobiles

(Shock absorbers)

A shock absorber is a device that absorbs vibration of the car body, being mounted between the body and the tires together with a spring.



(Taken from KYB's website)

Each automobile is equipped with a "suspension" which is the system that improves riding comfort and operational stability.

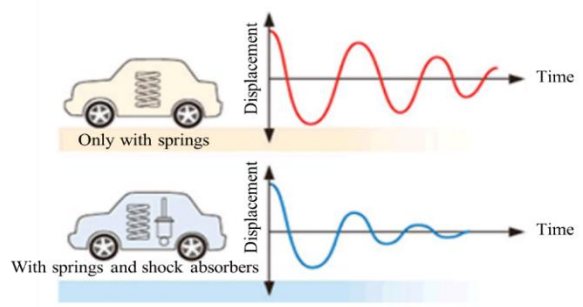
Suspensions have two main functions; one is, as buffers, to prevent transmission of rough road profiles to the car body and another is to set the position of the wheels and axles and press the wheels down on the roads.

Basically, a suspension is composed of a suspension arm which fixes the wheel position, a spring which supports the car weight and absorbs vibration, and a shock absorber (damper) which dampens vibration of the spring

Automobiles absorb shock caused by uneven road profiles by contracting the springs, but due to their characteristics, the springs rebound to get back to their original position after the contraction.

The top of a spring is connected to the car body and the bottom is coupled with a suspension that includes the heavy tires and brake, which results in, due to inertia, repetition of expansion and contraction of a spring in a range wider than one necessary for returning to its original position.

The role of shock absorbers is to reduce the above-mentioned excess vibration as soon as possible in order to stabilize the car body.



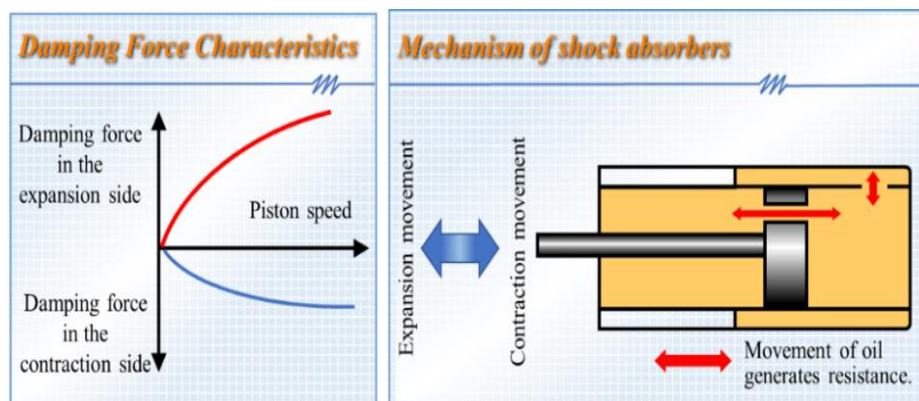
(Taken from KYB’s website)

The vehicle in which the shock absorber is functioning properly achieves the following, making a comfortable driving experience possible

- ☆ Reduction in unnecessary movement of springs to secure riding comfort
- ☆ Improvement of the brake performance
- ☆ Smoothness in taking corners

The force that controls expansion and contraction of springs and reduce vibration is called “damping force.” The “hydraulic technology,” which KYB has cultivated and improved since its inauguration, plays a significant role in generating “damping force.”

A piston has holes through which oil passes when the piston moves following vibration, and the resistance of the oil generates “damping force.” In addition, the moving speed of pistons varies with the degree and velocity of vibration from the car body, and the faster a piston moves, the larger “damping force” becomes. This is called “damping force characteristics.”



(Taken from KYB’s website)

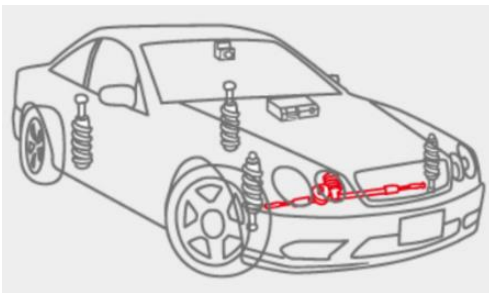
KYB's shock absorbers developed based on its sophisticated technology has earned reputation from a number of automobile manufacturers worldwide, leading to the large market share as mentioned below.

Furthermore, it is said that shock absorbers usually need to be replaced after 5 years from the date of first registration or when the travel distance reached 70,000 km as they deteriorate due to various factors including travel distance and lapse of time and the function decreases.

This replacement demand, which in other words is the commercial product market, is one of the greatest business opportunities for the company.

(Steering)

It is the steering system that provides “the function of taking curves,” one of the three basic functions of automobiles including “driving,” “taking curves,” and “stopping.”



(Taken from KYB's website)

KYB's steering components include the “hydraulic power steering (PS)” that uses the hydraulic power assist unit to support turning of the steering wheel done by drivers and steer the tires, and the “electric power steering (EPS)” that uses the electric power assist unit composed of a motor, a controller, a torque sensor, etc. to support turning of the steering wheel and steer the tires.

The “PS” enables steering operation by a mere movement thanks to hydraulic force and is an indispensable component for safe driving because of its ability to expeditiously avert risks, whereas the “EPS” whose power source is a battery improves fuel efficiency compared to the “PS” whose power source is the engine of a car.

*High-performance EPS actuator



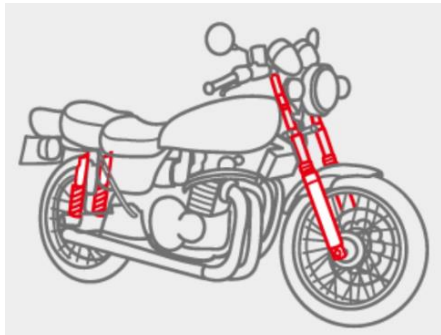
*Hydraulic power steering vane pump for passenger vehicles



(Taken from KYB's website)

◎ **Motorcycles**
(Suspensions)

Suspensions minimize shock to the car body regardless of road surface conditions, pursuing comfort.



(Taken from KYB's website)

*Rear cushion unit (RCU)

The company's RCU's boost riding comfort by maintaining the posture of vehicles and absorbing vibration and shock from the road surfaces.



(Taken from KYB's website)

② **HC (Hydraulic Components) Business**

The HC Business consists of hydraulic equipment for industrial use and other products.

Composition ratio for the Fiscal Year ended March 2022

Products	Sales	Composition ratio	Major products
Hydraulic equipment for industrial use	128,716	90.9%	Cylinders, valves, pumps, motors
System Products	4,633	3.3%	theater equipment, equipment for military vessels and vibration suppression devices, etc.
Others	8,223	5.8%	Railroad dampers, railroad brakes
Total	141,572	100.0%	-

* unit: million yen

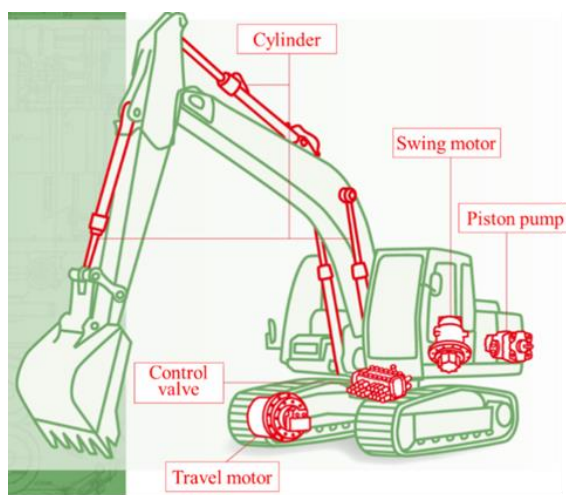
<Major Products>

The mechanism of the drive system of construction machinery such as shovels consists of various parts as shown below, including control valves, piston pumps, travel motors, swing motors, and cylinders; it is the control valve, which is the “brain” of construction machinery, that controls a variety of actuators (a drive unit which converts energy to translational or rotary motion through hydraulic pressure and electric motors) to enable smooth movement of driving, turning, and bending and stretching of the arms.

KYB’s control valves have realized more advanced control by combining electric control with its special hydraulic technology.

In addition, KYB is one of the few manufacturers that manufacture all of the above-mentioned parts.

KYB’s competitive edge is that it can make suggestion to construction machinery manufacturers because its manufacturers all kinds of parts as just mentioned.



*Control valve for shovels

*Travel motor

*Hydraulic cylinder



(Taken from KYB’s website)

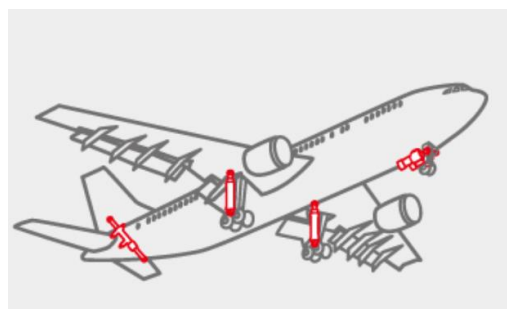
③ Segments other than the AC Business and the HC Business

Fiscal Year ended March 2022

Segments	Sales	Major products
Aircraft components business	3,655	Devices for take-off and landing of aircrafts and its steering components, control devices, and emergency equipment
Others (special purpose vehicles, electronics, and the like)	10,286	Concrete mixer trucks, granule carriers, special purpose vehicles, and electronic devices

* unit: million yen

KYB’s concrete mixer trucks have high mixing and emission performance, accounting for about 80% of the domestic market share. It offers highly reliable products for aircraft, including various actuators, weight-saving accumulators, and wheel brakes.



(2) Clients and sales channels

©Clients

The following is a list of KYB’s major clients.

Its shock absorbers are mounted on about 60% of automobiles manufactured by Toyota globally. They are also adopted to about 30% and about 10% of automobiles manufactured by Nissan group and Honda, respectively, contributing to KYB’s large market share.

	Japanese	Non-Japanese
AC Business	Toyota Motor Yamaha Motor Nissan Motor JATCO Suzuki Motor Honda Motor Daihatsu Motor SUBARU Isuzu Mitsubishi Motors Hino Motors	PSA Renault Volkswagen Daimler Chrysler
HC Business	Hitachi Construction Machinery Kubota Sumitomo Construction Machinery Kobelco Construction Machinery Takeuchi Mfg Yanmar Komatsu Forklift	Caterpillar Sany Heavy Industry Doosan Sunward Trasmital Bonfiglioli

©Sales channels

As previously mentioned, KYB supplies its shock absorbers through 2 sales channels including the OEM production system for new vehicles and sale on the market for used vehicles.

Although sales of OEM products are higher, its commercially-available products sold as its private brand show great profitability and thus the company will expand the business to the global markets

KYB’s commercially-available shock absorbers can be mounted on about 90% of Japanese, American, and European automobiles used worldwide today.

What is behind such a high coverage rate is the strong relationships KYB has with major automobile manufacturers including Toyota.

(3) Global network

In 23 countries worldwide including Japan, KYB has 46 group companies, establishing strong global networks.

	No. of Countries	No. of group companies
Japan	1	11
Asia	7	18
Europe	12	7
America	3	6
Total	23	42

(As of the fiscal year ended July 2022)



(4) Research and Development

(Structure)

KYB has established a global and optimum research and development (R&D) structure by setting R&D bases in 2 regions, Japan and Europe.

While the R&D bases in regions other than Japan basically engage in development of model products and development for enhancing product appeal such as performance improvement and cost reduction, R&D from the long-term perspectives are carried out mainly in Basic Technology R&D Center (Sagamihara-shi, Kanagawa) and Production Technology R&D Center (Kani-shi, Gifu) in Japan and R&D of highly unique prior art, etc are performed.

In addition, the know-how about production equipment designing which has been cultivated in Production Technology R&D Center and each plant is gathered in Machine Tools Center (Kani-shi, Gifu) in order to strengthen and propel internal manufacturing of equipment, jigs, and tools for which KYB has strived to boost innovative spirit and reliability.

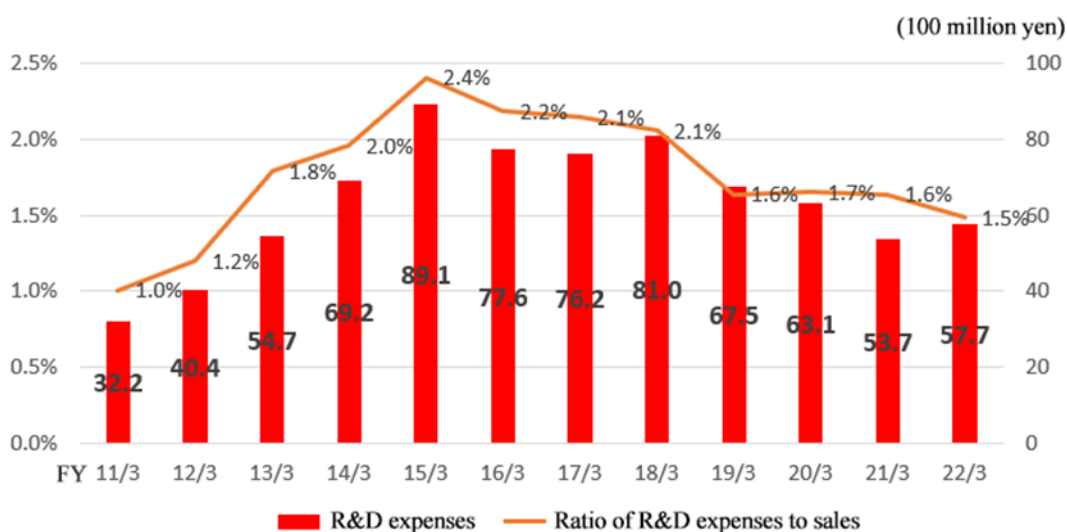
Regarding high-functionality and systematization of its products, KYB, in addition to independent development, propels joint research and development with its clients or related equipment manufacturers. The company is also endeavoring proactively to developing advanced technology through industry-academia collaboration.

(Variation in R&D expenses)

Since the term ended Mar. 2013, the awareness of R&D costs with respect to sales has been raised, and it is currently around 1.5%.

However, R&D costs are currently declining because of the incident of the nonconforming seismic isolation/mitigation oil dampers. It will be necessary to make aggressive investments again to achieve longer-term and sustainable growth.

BRIDGE REPORT



(Area of focus)

KYB is propelling the development of products by dealing with performance improvement, high functionality, and systematization and considering eco-friendliness with respect to energy and environmental issues through weight saving, energy saving, reduction in environmentally hazardous substances. At the same time, it is striving to strengthen its production technology capabilities.

In addition, following the accelerated globalization, it aims to set up a strategic and global production, sales, and technological structure, including development of human resources with global outlooks and establishment of a standardized management system.

Lately, the company has focused on product development related to autonomous driving systems.

One example is the technology that integrates EPS (electronic steering) and shock absorbers.

KYB considers that the technology, which enables more comfortable and smoother driving in any road surface conditions independently of the drivers' skills and judgment, is definitely indispensable for automobiles with the autonomous driving system.

Furthermore, KYB deems the "steering by wire" system is another technology whose importance will grow in the future.

In the conventional steering operation, movement is transmitted to the steering gear box and tires through the steering shaft, whereas the "steering by wire" system conveys steering movement via electronic signals.

Some of the system's advantages include the capability of relieving drivers' fatigue due to less vibration from the tires, and the capability of automatically adjusting sideslips of the car body due to strong winds which conventionally needed to be adjusted through an intentional steering operation by drivers. In addition, thanks to the "steering by wire" system, the steering wheel may not necessarily be mounted on the right front of a car, and therefore, the system's potential for considerably changing the way automobiles are, including the design and functions, has attracted much attention.

Although several issues still exist, KYB is further brushing up the system as its unique EPS technology.

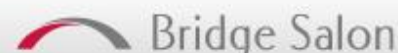
[1-5 Characteristics and strengths]**◎ Large shares in various product markets**

KYB has earned a large market share of multifarious products, with the domestic share of OEM shock absorbers for automobiles being 40% and its global share being 14%, the global share of hydraulic cylinders for construction machinery being 25%, the domestic share of concrete mixer trucks being 83%.

◎ Superior core technology

Such large market shares are attributed to the great trust in its products from clients as indicated by the fact that KYB has about 60% share on a global basis in Toyota Motor which vies with Volkswagen and GM for the position of the world's largest automobile manufacturer. The basis of the clients' trust is nothing else but the superior "hydraulic" technology that KYB has cultivated and enhanced for the past 100 years since its foundation.

BRIDGE REPORT



KYB's two core technologies, the "vibration control technology" represented by its shock absorbers and oil dampers for seismic isolation and vibration suppression and the "power control technology" typified by its control valves for shovels and electric power steering, have gained high reputation from clients and thus are used in diverse circumstances.

[1-6 ROE analysis]

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22
ROE [%]	-2.0	9.3	8.8	-15.0	-55.4	18.5	17.1
Net income margin [%]	-0.89	4.09%	3.87	-6.01	-16.22	5.21	5.81
Total asset turnover [times]	0.95	0.96	0.99	0.97	0.90	0.78	0.90
Leverage [times]	2.35	2.37	2.30	2.59	3.81	4.53	3.26

2. Fiscal Year ended March 2022 Earnings Results**(1) Overview of consolidated results**

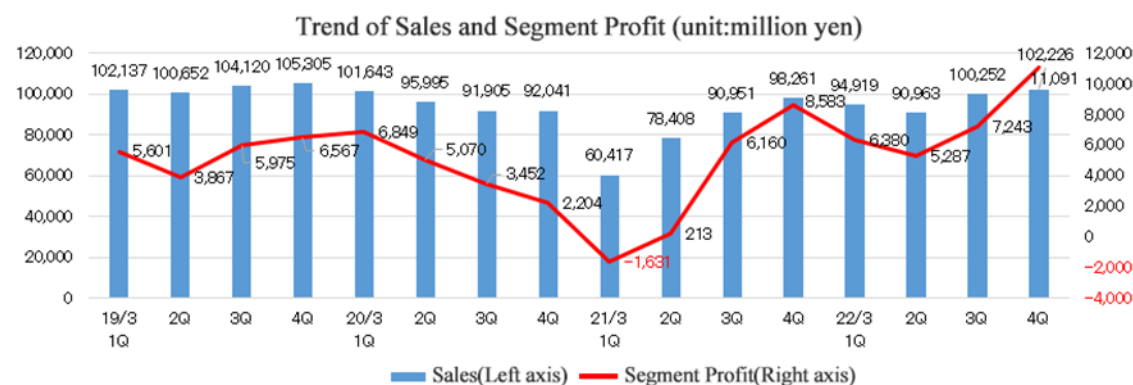
	FY3/21	Composition ratio	FY3/22	Composition ratio	YoY	Revised forecast ratio
Sales	328,037	100.0%	388,360	100.0%	+18.4%	+2.2%
Gross Profit	60,308	18.4%	78,759	20.3%	+30.6%	-
SG&A Expenses	46,983	14.3%	54,046	13.9%	+15.0%	-
Segment Profit	13,325	4.1%	24,713	6.4%	+85.5%	+5.2%
Operating Profit	18,297	5.6%	30,001	7.7%	+64.0%	+7.1%
Profit before Taxes	16,340	5.0%	28,817	7.4%	+76.4%	+13.0%
Net Profit	17,087	5.2%	22,549	5.8%	+32.0%	+18.7%

* Unit: million yen. Segment profit corresponds to the operating income in the Japanese standard. Net profit is the profit attributable to the owner of the parent company. Revised forecasts ratio is a change from the forecasts announced in February 2022.

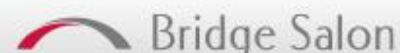
Sales and profits increased, and profits reached record highs. Both sales and profits exceeded forecasts.

In the term ended Mar. 2022, KYB posted sales of 388.3 billion yen, up 18.4% year on year. The sales of both AC and HC grew as the market recovered from the COVID-19 crisis. Gross profit rose 30.6% year on year. Segment profit increased 85.5% year on year. While material costs rose considerably, cost improvement and reduction of fixed costs contributed, offsetting the increase in SG&A expenses. Both sales and profit exceeded the revised estimates announced in February 2022. The dividend for the term ended Mar. 2022 is projected to be 105 yen/share per year, with the interim dividend increasing 45 yen/share and term-end dividend decreasing 15 yen/share.

※ AC: Automotive Components Business HC: Hydraulic Components Business



BRIDGE REPORT



◎Sales Trends in each region

Region	FY3/21	FY3/22	YoY
Japan	144,761	164,564	+13.7%
Europe	51,879	65,940	+27.1%
America	31,184	35,456	+13.7%
China	36,605	37,774	+3.2%
Southeast Asia	21,651	28,920	+33.6%
Others	41,957	55,708	+32.8%
Total	328,037	388,360	+18.4%

* unit: 100 million yen. Each value is from the consolidated financial results.

Sales increased in all regions. Overseas sales ratio increased 1.7% from the previous term 55.9% to 57.6%.

(2) Trend in each segment

Sales	FY3/21	Composition ratio	FY3/22	Composition ratio	YoY
AC business	197,453	60.2%	232,846	60.0%	+17.9%
HC business	117,338	35.8%	141,572	36.5%	+20.7%
Aircraft Components business	3,857	1.2%	3,655	0.9%	-5.2%
Others	9,389	2.9%	10,286	2.6%	+9.6%
Total	328,037	100.0%	388,360	100.0%	+18.4%
Segment profit					
AC business	8,195	4.2%	15,417	6.6%	+88.1%
HC business	6,553	5.6%	12,354	8.7%	+88.5%
Aircraft Components business	-2,461	-	-3,960	-	-
Others	1,037	11.0%	918	8.9%	-11.4%
Adjustment	1	-	-17	-	-
Total	13,325	4.1%	24,713	6.4%	+85.5%

* Unit: million yen. The composition ratio for profit is a profit margin.

① AC Business

Product	Sales	Composition ratio	YoY
Shock Absorbers for Automobiles	169,159	72.6%	+18.5%
Shock Absorbers for Motorcycles	34,868	15.0%	+33.7%
Hydraulic Equipment for Automobiles	23,875	10.3%	-3.5%
Others	4,944	2.1%	+27.1%
Total	232,846	100.0%	+17.9%

* Unit: million yen. Each value is from the consolidated financial results.

Region	Sales	Composition ratio	YoY
Japan	587	25.2%	+6.9%
Europe	574	24.7%	+21.4%
America	276	11.9%	+15.0%
China	207	8.9%	+12.5%
Southeast Asia	256	11.0%	+29.3%
Others	427	18.3%	+29.0%
Total	2,328	100.0%	+17.9%

* Unit: 100 million yen. Each value is from explanatory materials.

BRIDGE REPORT



The sales of hydraulic shock absorbers for automobiles and motorcycles grew thanks to the recovery from the stagnation of economic activities caused by the COVID-19 crisis.

Regarding hydraulic equipment for automobiles, the sales of electronic power steering declined.

② HC Business

Products	Sales	Composition ratio	YoY
Hydraulic Equipment for Industrial Use	128,716	90.9%	+23.8%
System Products	4,633	3.3%	-22.7%
Others	8,223	5.8%	+11.5%
Total	141,572	100.0%	+20.7%

* Unit: million yen. Each value is from the consolidated financial results.

Region	Sales	Composition ratio	YoY
Japan	963	68.0%	+20.5%
Europe	85	6.0%	+84.8%
America	72	5.1%	+14.3%
China	170	12.0%	-6.6%
Southeast Asia	33	2.3%	+83.3%
Others	92	6.5%	+41.5%
Total	1,416	100.0%	+20.7%

* Unit: 100 million yen. Each value is from explanatory materials.

The sales of hydraulic equipment for industrial use increased owing to the recovery from the stagnation of economic activities caused by the COVID-19 crisis.

(3) Financial standing and cash flows

◎ Major BS

	End of Mar. 2021	End of Mar. 2022	Increase /Decrease		End of Mar. 2021	End of Mar. 2022	Increase /Decrease
Current Assets	236,252	240,421	+4,169	Current Liabilities	204,480	198,371	-6,109
Cash, etc.	68,700	52,118	-16,582	Trade Payables	74,437	81,737	+7,300
Trade Receivables	98,898	108,823	+9,925	Short-term Favorable Sub Liabilities	70,010	65,815	-4,195
Inventories	53,997	66,114	+12,117	Noncurrent Liabilities	105,430	74,902	-30,528
Noncurrent Assets	190,383	193,766	+3,383	Long-term Favorable Sub Liabilities	54,836	25,041	-29,795
Property, Plant and Equipment	160,308	159,803	-505	Total Liabilities	309,910	273,273	-36,637
Intangible Assets	4,106	3,549	-557	Net Assets	116,726	160,914	+44,188
Other Financial Assets	15,647	14,545	-1,102	Retained Earnings	49,579	76,007	+26,428
Total assets	426,635	434,187	+7,552	Total Liabilities and Net Assets	426,635	434,187	+7,552

* Unit: million yen. "Cash, etc." means cash and cash equivalents. "Trade receivables" means trade receivables and other receivables. "Trade payables" mean trade payables and other payables

Total assets increased 7.5 billion yen year on year to 434.1 billion yen, mainly due to an increase in inventories, despite a decrease in

cash and other financial assets. Total liabilities decreased 36.6 billion yen YoY to 273.2 billion yen, mainly due to a decrease in interest-bearing debt resulting from the full repayment of syndicated loans. The increased debt has been repaid to the level prior to the VIRA. Net assets increased by 44.1 billion yen year on year to 160.9 billion yen, mainly due to an increase in retained earnings. As a result, the ratio of equity attributable to owners of the parent rose 9.4 percentage points from the end of the previous year to 35.3%. Equity capital recovered to safe levels.

◎ Cash Flow

	FY3/21	FY3/22	Increase/decrease
Operating CF	20,826	24,247	+3,421
Investing CF	-6,281	-10,871	-4,590
Free CF	14,545	13,376	-1,169
Financing CF	1,146	-32,711	-33,857
Cash and equivalents	68,700	52,118	-16,582

* Unit: million yen

Operating CF increased mainly due to higher pretax income. Negative investment CF increased due to a decrease in proceeds from sales of other financial assets.

Financial CF turned negative mainly due to a decrease in long- and short-term borrowings. Cash position declined.

(4) Topics

◎ The Progress in the adaption of seismic isolation/mitigation oil dampers

(Overview)

In October 2018, it was revealed that the performance inspection records for seismic isolation/mitigation oil dampers products, which are manufactured and sold by KYB and its subsidiary named Kayaba System Machinery Co., Ltd., were falsified and then the products that do not comply with the criteria approved by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) or clients' specs were attached to buildings.

(Response and Progress)

Of the 991 subject buildings, 965 properties, or 97.3% of the eligible buildings, have been brought into compliance as of the end of May 2022. A total of 17 (1.7%) are under construction, awaiting construction (adjusting construction schedule), or waiting for production to meet the construction schedule, 2 (0.1%) are under administrative adjustment and 7(0.1%) are undergoing detailed coordination with the parties concerned for conformity., indicating that completion is nearing.

3. Fiscal Year ending March 2023 Earnings Estimates

Full-year earnings forecast

	FY3/22	Composition ratio	FY3/23 Forecast	Composition ratio	YoY
Sales	388,360	100.0%	410,000	100.0%	+5.6%
Segment profit	24,713	6.4%	26,500	6.5%	+7.2%
Operating profit	30,001	7.7%	26,500	6.5%	-11.7%
Profit before taxes	28,817	7.4%	26,000	6.3%	-9.8%
Net profit	22,549	5.8%	18,000	4.4%	-20.2%

* Unit: million yen. The forecast was announced by the company. Segment income corresponds to the operating income in the Japanese standards. Net income is profit attributable to owners of the parent.

Increase in sales and segment profit is expected to increase.

For the term ending Mar. 2023, they estimated net sales of 410 billion yen, up 5.6% year on year, and segment profit of 26.5 billion yen, up 7.2% year on year.

While demand is expected to recover globally, the risk of production cuts due to the prolonged spread of new coronavirus infections, Russia's invasion of Ukraine and other factors, as well as rising raw material and transport costs, continue to be identified as risks.

The company plans to pay an annual dividend of 120.00 yen per share (up 15.00 yen per share from the previous term) on its common stock, with interim and term-end dividends both equally 60.00 yen per share. The expected payout ratio is 18.0%. Dividends on Class A preferred stock are expected to be 3,760,274.00yen per share for the interim period and 3,739,726.00 yen per share at the end of the term, for a total annual dividend of 7,500,000.00yen per share.

◎Full-year earnings forecast by segments

Sales	FY3/22	FY3/23 Forecast	YoY
AC business	232,846	255,700	+9.8%
HC business	141,572	139,300	-1.6%
Aircraft Components business	3,655	4,700	+28.6%
Others	10,286	10,300	+0.1%
Total	388,360	410,000	+5.6%
Segment profit			
AC business	15,406	16,900	+9.6%
HC business	12,348	9,900	-19.9%
Aircraft Components business	-3,960	-1,200	-69.7%
Others	918	900	-2.1%
Total	24,713	26,500	+7.2%

* Unit: 100 million yen.

◎ AC Business

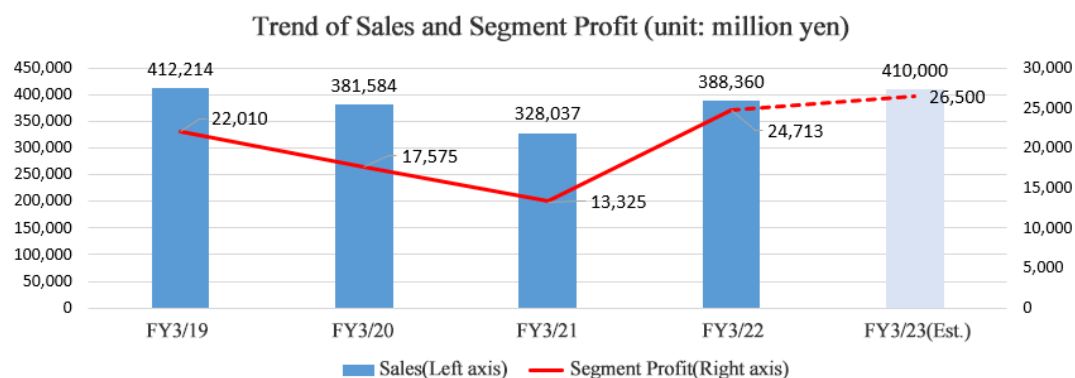
While the impact of reduced production caused by the COVID-19 and the worldwide lack of semiconductors is expected, an increase in sales from the term ended Mar. 2022 is expected as the slow recovery is forecast to continue from now on as well.

◎ HC Business

While the growth seen in North America, Asia, and Japan in the previous term will be maintained, a decline in sales is projected due to a significant decrease in China, where market conditions remain unfavorable, and Russia and CIS are impacted by the situation in Russia and Ukraine, and also due to expected impact on Europe.

4. Conclusions

In the term of March 2022, sales did not reach the level of the term of March 2019 before the covid-19 disaster, but segment profits reached a record high. In the fiscal year ending March 2023, sales are expected to exceed 400 billion yen, close to the record level. The conformity of seismic isolation/mitigation oil dampers is close to completion. We would like to pay attention to quarterly progress.



<Reference1: 2020 Medium-Term Management Plan>

After conducting a review considering the external environment, such as the impact of COVID-19, the company officially announced the 2020 Medium-Term Management Plan.

The theme of the plan is “aiming to transform the company into a highly profitable structure based on moral awareness and strict compliance as the basis of management”, and (1) strict compliance and strengthening of governance, (2) stabilization of the profit base (withdrawal from unprofitable businesses, bases, and products), (3) growth strategy, and (4) evolving into ESG management are listed as focus items.

Strict compliance and improvement of governance is described in the “Progress of making seismic isolation/mitigation oil dampers compliant with the standards.” The entire company will work to establish a moral consciousness as part of the corporate culture.

【Stabilization of the Earnings Base (Withdrawal from Unprofitable Businesses, Bases, and Products) & the Growth Strategy】

(1) Financial Goals

The following financial targets are set for the term ending Mar. 2022.

	2019 Results	2022 Goals
Sales	3,816	3,780
AC business	2,321	2,290
HC business	1,253	1,300
Segment profit	176	250
Segment profit ratio	4.6%	6.6%
Capital adequacy ratio	18.1%	34%

* Unit: 100 million yen.

Sales will not reach the level of sales in the term ended Mar. 2019, but the company aims to have record-high segment profit and profit margin. They will also work to transform KYB into an agile company.

(2) About Segment Profit

The profit improvement measures and expected improvement effects for segment profit are as follows.

The total amount is expected to improve 7.4 billion yen from 17.6 billion yen in the term ended Mar. 2019 to 25 billion yen in the term ended Mar. 2022.

Measures	Amount of improvement	Outline of measures
Productivity improvement (reduction of manufacturing cost)	+34	Innovative manufacturing (improvement of the automation level), promotion of labor-saving, etc.
Withdrawal and reduction of unprofitable fields	+17	Withdrawal from domestic production of unprofitable EPS for passenger cars, closure of the European PS base, etc.
Variable cost reduction	+10	VA, VE, promotion of the localization of procurement activities, etc.
Consolidation of production bases and establishment of an optimal production system	+7	Reorganization of European bases, construction of CVT global optimum production systems, etc.
Promotion of sales expansion activities	+6	Expansion of sales of mini excavators by adopting electronic control, improving the sales network of commercial products, etc.

*Unit: 100 million yen

(3) Ideal State

The company continues to position the AC business and HC business as the two major core businesses that support KYB, and it has set out its goals as follows.

① AC Business

The goal for the term ending Mar. 2022 is to establish the company's position as a core supplier by enhancing existing businesses and core technologies.

The three basic strategies are (1) enhancement: stabilizing the earnings base, (2) evolution: innovative manufacturing, and (3) renovation: creating high-value-added products.

◎ Strengthening the Earnings Base

The company's concrete initiatives include production optimization by consolidating and reorganizing major bases, cost reduction activities, and structural reforms of commercial businesses.

In production optimization, the company aspires to achieve optimal production that matches the shift in customer demand areas.

In Europe, the PS base will be closed, and the SA base in the region will be reorganized from Western Europe centered to Eastern Europe centered.

In EPS production, the company will withdraw from domestic production of unprofitable passenger cars and shift its focus to China. The company will build a CVT global optimum production system. The surplus production capacity of the two-wheeled Asian base will also be reduced through production restructuring.

◎ Innovative Manufacturing

The company will further promote robotization and labor-saving, reduce processing costs, and strengthen competitiveness.

Innovative manufacturing efforts will be adopted sequentially at all domestic and overseas bases, centering on the commercial line.

◎ Creation of High Value-Added Products

The company will enhance its unique technology in response to the ever-increasing trend toward EV, CASE, and MaaS.

As their technology strategies set as (1) next-generation platform support, (2) enhancing core technology (vibration control/power control technology), (3) hydraulic technology application, and (4) electric and digital system support, the company will create high-value-added products that meet market needs such as quietness, spaciousness, high performance, low vibration, and ride comfort.

② HC Business

The vision for the term ending Mar. 2022 is HC business that is trusted by customers and continues to be used worldwide—to be a trusted manufacturer and the first to be contacted by customers.

The company's two basic strategies are, meeting automation and complex needs, and promoting cost reduction and the localization of procurement activities.

◎ Excavator Growth Strategy: Meeting Automation and Complex Needs

For excavators, the company's technology strategies are digitization, expansion of the pump lineup, and electronic control of control valves.

In addition, a vital technology strategy for mini excavators is to expand the lineup and electronically control by the load sensing system.

In the HC business, the company will further refine the power control technology, which is one of their strengths, to fuse the pump, the heart of the excavator, and the valve, its brain, based on KYB's unique technology, to create new added value and demonstrate a competitive advantage.

The critical technology to realize the cooperation and fusion of the pump and valve is electronically controlled load sensing.

Load sensing is a mechanism that feeds back the load sensed by the valve to the pump to supply the required flow rate and pressure.

The advantages of load sensing are (1) simultaneous or combined operations that rely on the experience of the operator become easy, (2) can be used not only in construction work but also in disaster relief because it can use various attachments, (3) saves energy, and (4) can be digitized and automated without being affected by load.

◎ Promotion of Cost Reduction and the Localization of Procurement

The company will improve market competitiveness by introducing a cost reduction model and localizing procurement.

(4) Enhancing the ESG Management

Currently, the company is proceeding with the following efforts.

Reducing energy consumption and CO ₂ emissions Energy saving	The company installed a solar power generation facility at the KYB-YS Ueda Plant. The total power generation in 2020 was about 700,000 kW.
Reducing industrial waste	The company uses waste materials generated at factories and related business partners as in-house casting materials.
Creating a rewarding workplace	The company is promoting health management and has been certified as an excellent health management corporation for the second consecutive year.

Going forward, the company will reduce CO₂ emissions per unit by 3% from the previous year, raise the composition ratio of renewable energy usage to 15% in 2025, and promote product development that contributes to the sustainable development of society. In addition, the company will set up an ESG promotion office to strengthen the chain of policies and implementation. (ESG promotion office was established in July 2021.)

<Reference2: Regarding Corporate Governance>

◎ Organization type and the composition of directors and auditors

Organization type	Company with auditors
Directors	7 directors, including 3 outside ones
Auditors	4 auditors, including 2 outside ones

◎ Corporate Governance Report

Last update date: December. 8, 2021

<Basic approach>

In order to respond to the expectations of the stakeholders through realization of sustainable growth and corporate value improvement as well as fulfill the corporate social responsibility of contributing to society, it is our basic approach to pursue the development of a rapid and efficient management structure centered on the Board of Directors and establishment of fair and transparent management supervision functions and work on strengthening and enhancing corporate governance based on the following management philosophy and basic policies.

In the new medium-term management plan starting in fiscal 2020, the company is striving to prevent the recurrence of inappropriate events in seismic isolation/mitigation oil dampers and other products, and to transform itself into a highly profitable organization under the slogan "Restore trust and pride" while placing awareness of norms and compliance as part of corporate culture reform at the core of management.

(Management philosophy)

“KYB group contributes to the society, by serving technologies and products that make people’s life safe and comfortable.”

1. Handle all matters with sincerity while adhering to the normative consciousness.
2. We shall build a corporate culture that holds high goals and full of vitality.
3. We shall maintain kindness and sincerity, cherish nature and care for the environment.
4. We shall constantly pursue creativity and contribute to the prosperity of customers, shareholders, business partners and society.

(Corporate Governance Basic policies)

1. We shall respect the rights of shareholders and ensure their equality.
2. We shall take the benefits of stakeholders including our shareholders into consideration and endeavor to appropriately collaborate with those stakeholders.
3. We shall disclose not only the information in compliance with the relevant laws and regulations, but also actively provide the important and/or useful information to the stakeholders for their well-informed decision making.
4. The Board of Directors shall be aware of its fiduciary responsibility and accountability to the 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. The company shall promote constructive dialogues with shareholders to obtain their understandings of the company's management policies, etc., and shall strive to take appropriate actions, such as utilizing their opinions of the company for improving management.

As for our company's sustainability, it is indicated in our management philosophy.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

The information is based on the revised Corporate Governance Code, which came into effect on June 11, 2021.

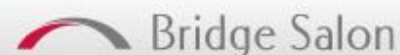
Principles	Reasons for not implementing the principles
(Supplementary principle 4-1-3 Successive plan for CEO, etc.)	Our company deems successive plans for CEO and the like as an important issue for sustainable growth and medium to long-term improvement of our corporate value. From 2016 we have established a committee of nomination formed with an internal director and an unaffiliated director so we can improve our transparency in terms of the process of nomination. From now on we will consider requirements and development policy regarding CEO and other positions, taking account of the management environment surrounding our company and the corporate culture. At the same time, we will give consideration to the supervision system by the board of directors.
(Principle 4-11 Precondition for ensuring effectiveness of the board of directors and board of corporate auditors)	The Company does not have female directors. However, we appoint people we judge suitable for incorporating diverse values into management as directors, sufficiently considering the balance in knowledge of the whole board of directors, experience (including international experience), abilities, etc., without distinguishing them based on personal attributes such as gender, as stated in 4-11-1.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

The information is based on the revised Corporate Governance Code, which came into effect on June 11, 2021.

Principles	Reasons for not implementing the principles
Principle 1-4【So-called strategically held shares】	<p>(1.) Policy on strategic shareholding From the perspective of medium to long-term improvement of corporate value, our company, when judging as necessary, strategically holds shares through which the relationship of trust and the business relationship are expected to be maintained or strengthened regarding business strategies and operations after comprehensively judging the growth potential and economic rationality of such shares. With regard to strategically held shares, we check the rationality of continued holdings in consideration of whether or not the benefits of holdings are commensurate with the Company's cost of capital, etc., at a meeting of the board of directors every year. We plan to sell shares when we consider that the rationality in holding them has weakened.</p> <p>(2.) Policy on exercise of voting rights Before exercising the voting rights of shares that our company strategically holds, we consider for each case whether the strategic shareholding contributes to medium to long-term improvement of our corporate value and increase in shareholder return and make judgment after giving thorough consideration to the management policies and business strategies of the company that issues relevant shares.</p>
(Principle 2-4-1: Promotion of women, foreign nationals and mid-career hires to management positions, etc., and promotion of core human resources, etc.)	<p>We believe that diversification of human resources is one of the most important measures to achieve sound management. As part of this effort, we are strengthening our infrastructure and educational activities to promote the advancement of women. To increase the number of female executives, we have increased the number of female employees in positions that are candidates for executive positions. In the future, we plan to develop a career path for women to change the mindset of the individual, and create a development plan by the supervisor to change the mindset of the people around them.</p>
(Supplementary Principle 3-1-3: Initiatives for Sustainability, etc.)	<p>In July 2021, we established the ESG Promotion Office in response to the significant changes in the environment surrounding our company related to ESG (Environmental, Social, and Governance). From now on, we will use ESG management as the basis for formulating our policies.</p> <p>In promoting ESG, we will not simply respond to environmental and social issues, but will also explore potential business opportunities and promote activities to enhance corporate value.</p> <p>We will also work to build trust by compiling information on ESG-related activities conducted within the company and proactively communicating this information to stakeholders.</p>
Principle 5-1【 Policy on constructive dialogue with shareholders】	<p>In our company, the global finance executive presides, and the IR office of the accounting head department deals with shareholders and investors in order to encourage constructive dialogue with shareholders and the like. The IR office has established a system that allows appropriate response in collaboration with related departments of our company to enrich such dialogue. We hold financial results briefings for analysts and institutional investors, where the president and the global finance executive describe our management strategies and financial conditions, once in every half year. In addition, we carry out individual interviews as requested, and strive for proactive communication with overseas shareholders and institutional investors through attendance at conferences in and outside Japan and individual IR activities abroad. Opinions and requests obtained from shareholders and investors through our IR activities are conveyed on a regular basis to the board of directors and the management as feedback in order to share information. Our company gives meticulous attention to handling of insider information</p>

BRIDGE REPORT



	not to inflict losses on each other in dialogue with shareholders and investors. Accordingly, for a period beginning with the week before the date of settlement and ending with the day when financial statements are announced, which is called a quiet period, our company refrains from having dialogue with shareholders and investors and endeavors to conduct thorough internal information management.
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