

May 17, 2019

KYB Corporation

Stock Code: 7242; First Section of Tokyo Stock Exchange

Meeting Material FY2018 Briefing—Question and Answer Session

Date: Friday, May 17, 2019

KYB panel: Masao Ono, Representative Director, President Executive Officer

Takaaki Kato, Representative Director, Chief Financial Officer

1. Replacing vibration mitigation oil dampers

Q. Please tell us about the progress and schedule for replacing vibration mitigation oil dampers.

A. We are almost finished with manufacturing the dampers needed to replace products in buildings under construction. As structures vary depending upon the building in question, we cannot apply an across-the-board procedure for the completed buildings. We need to deal with each building separately while maintaining communication with the persons concerned. There are major differences between buildings and how we need to deal with them, so we are not able to put together a set schedule and present it to you at this time.

2. Capital investments

Q. Could you give us a comment on your thinking toward the balance of capital investments and growth?

A. We had already made large capital investments for overseas plant construction until around FY2014. The FY2019 capital investment plan of ¥10 billion is the minimum level. For capital investments in the next fiscal year, we will investigate the optimum level, as it is the first year of the next medium-term management plan. Determining which growth businesses are fit for investment and which businesses are unprofitable is a goal for this fiscal year.

3. Receiving orders / balance sheet

Q. Has the seismic isolation/mitigation oil dampers issue affected receiving orders from customers, and will this impact the balance sheet?

A. Customers are not refraining from making orders. As for the balance sheet, while consolidated capital adequacy has declined below the FY2015 average level, we forecast that we will maintain segment profits of ¥20 billion for a year going forward, so the impact is not severe.

4. EPS Business

Q. Please tell us about the progress with the EPS business reorganization.

A. Our joint venture established in China, where the market scale is large and demand is forecast to increase, is conducting sales promotions for KYB's technology. We are withdrawing from unprofitable Japanese domestic EPS production and changing our focus to China.

5. Restoring profitability for HC Operations

Q. In increasing sales in HC Operations, it appears as though additional costs and other factors made it difficult to generate profits. When do you think this situation will improve?

A. It is difficult to determine demand. We are working to maximize profits while investigating the balance of investment and demand. We have nearly completed investments to respond to the current high demand level, and have built a system that will generate profits if the current level of demand continues.

6. Forecast for construction machinery

Q. What is your forecast for construction machinery demand in China during this fiscal year?

A. Looking that the sales performance for excavators up until April, it does not appear that demand will decelerate to unprofitability, and we forecast that it will settle on a level comparable with the previous year.

7. Financial forecast for FY2019

Q. What assumptions are you using to generate the FY2019 earnings forecast?

A. Forecast for AC Operations are fundamentally made on the basis of receiving orders from customers. HC Operations is the same, although the estimate is somewhat more conservative as there are risks related to market fluctuations.

8. Improper work hour calculations to Japan's Ministry of Defense

Q. Regarding the improper work hour calculations to Japan's Ministry of Defense, is it possible that the amount of money will exceed the provisions made in FY2018?

A. We calculated the FY2018 provision on allowance for losses related to defense equipment. At the present point the scope of the estimate can be reasonably calculated, and we have received confirmation and agreement from accounting auditor.

9. Dividends

Q. Please tell us your stance on dividends.

A. Our basic policy calls for the allotment of a dividend on equity ratio (DOE) of 2% or more. We are working to return, as quickly as possible, to a situation where we can conform to this basic policy.