

November 15, 2019

KYB Corporation

Stock Code: 7242; First Section of Tokyo Stock Exchange

## **Meeting Material 1H of FY2019 Briefing—Question and Answer Session**

Date: Friday, November 15, 2019

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

Takaaki Kato, Representative Director, Executive Vice President Executive Officer

### **1. Completion rate for bringing seismic isolation/mitigation dampers up to conformity**

Q. Could you give us a breakdown of the completion rate for bringing dampers up to conformity, separated by isolation units and mitigation units?

A. As of November 14, we have completed work on 236 buildings (approximately 24%).

Seismic isolation: 206 buildings (Approximately 24% for isolation units), Seismic mitigation: 30 buildings (Approximately 22% for mitigation units).

### **2. Breakdown of product guarantee countermeasures costs**

Q. About the product guarantee countermeasures costs listed in the calculations under the FY2019 performance, please provide an itemization of the ¥5.0 billion listed in the 1H.

A. A breakdown would be ¥2.0 billion for manufacturing and replacement costs, ¥500 million for structure recalculation costs, and ¥2.2 billion for personnel expenses and outsourcing costs.

### **3. Progress rate for seismic mitigation**

Q. Are the cost calculations for seismic mitigation in accordance with the construction work, and when will you have an outlook on the entire project?

A. With seismic mitigation, it is necessary to deal with each unit on an individual basis. As such, an estimate based on a uniform calculation would not apply, so it is not possible to make a reasonable calculation like we can with seismic isolation. We should be able to calculate an outlook for the amount around the 1H of FY2020.

### **4. Changes in 1H profit composition (compared to the previous period) in AC Operations and forecast for the next period**

Q. Please explain the changes in 1H profit composition (compared to the previous period) in AC Operations and forecast for the next period (such as the situation with the EPS business).

A. An increase in volume due to the launch of new car models in North America and increased shipments to the Middle East market contributed to a rise in segment profits. However, in future trends, there is uncertainty regarding the overall automobile market, so we will monitor the



situation with caution. In the EPS business, production has shifted from within Japan to China, and is trending toward a reduced deficit.

### **5. Main cause of the increase in 1H segment profits in AC Operations**

Q. Please explain the main cause of the increase in 1H segment profits (¥3 billion compared to the initial plan for the period).

A. In addition to an increase in shipping volumes due to the launch of new car models, the main cause was that we made progress with improving profitability at unprofitable businesses.

### **6. Reorganization of the automotive industry**

Q. Please tell us about your policies going forward amidst the progressing reorganization of the industry.

A. We are placing highest priority on completing our work to bring seismic isolation/mitigation dampers up to conformity and regaining trust.

Regarding our policies going forward, we are currently working on our next medium-term business plan (for FY2020 to FY2022), and aiming to improve profits with our core businesses of AC and HC Operations as the pillar.

### **7. HC Operations' China strategy (competition environment / sales prices)**

Q. Please tell us about the competition environment with Chinese local manufacturers in the market and changes to sales prices.

A. While Chinese local manufacturers in the market have emerged, there have been no major changes regarding sales prices. In the future, it is possible that demand across the entire market may decline and price competition may become severe.

Q. Will there be any impact from the increase in local construction manufacturers?

A. We provide motor and pump products for customers in the China market. Therefore, we consider the increase in share of local manufacturers in China to be a positive factor for KYB.