

November 9, 2023

KYB Corporation

Stock Code: 7242 (Tokyo Stock Exchange)

Meeting Material 1H of FY2023 Briefing—Question and Answer Session

Date: Thursday, November 9, 2023

KYB panel: Masahiro Kawase, Representative Director, and President Chief Operating Officer (COO)

Takashi Saito, Member of the Board of Directors, Senior Managing Executive Officer, and Chief Financial Officer (CFO)

1. FY2023 First Half Performance, Forecast for Entire Fiscal Year

Q. As the forecast for FY2023 remains unchanged, the second-half profit increase is larger compared to the first-half performance. Please provide further details on this. In particular, I'd like to know if cost increases in the United States are to improve in the second half, or if inflation costs are being passed on to sales prices.

A. • We have already confirmed that the rate of quality defects we've faced in the United States will improve in the second half.

In our quality defect countermeasures going forward, we have decided to establish a damping force control center like the one in Japan at our overseas plants, including our U.S. location.

- Regarding the equipment breakdowns in Mexico, a personnel responsible for equipment was dispatched from Japan, and improvements are already underway. In the first half, we incurred temporary express delivery costs to address delays in order fulfillment due to equipment breakdowns. However, this issue has been resolved as of early October, and it will essentially have no impact on the second half.
- Regarding passing on inflation costs to sales prices, we have had favorable progress in AC Operations, but have seen delays in negotiations with the quality defects related to our U.S. location. However, for the most part, the prospects for passing on costs to sales prices in the second half look hopeful. Also, in HC Operations, the impact of delays in collections in the second half is not as large as in the first half of the previous fiscal year, and we believe collections will be accomplished successfully.

Q. In regards to the quality defects at the U.S. location, are there any retroactive impacts, looking into the past? Also, have you received any complaints from customers for products that have already been sold?

- A.
- It happened in the first half, so there are no retroactive effects on our past performance.
 - As we are performing a 100% quality check in the final process of manufacturing shock absorbers and can recognize defects, defective products are not sent to clients. We have been delivering products of good quality to customers, and therefore have not received complaints.

2. Activity for PBR improvement over 1x

Q. We'd like to hear about the details of recent discussions regarding PBR improvement over 1x.

- A.
- We are conducting an analysis on the present condition of PBR falling below 1x, and have made the second report to the Board of Directors. We are in the process of discussing future measures for PBR improvement over 1x.
 - Regarding return to shareholders, our first priority is to pay a stable dividend. Also, we will consider conducting future share buybacks, as we did this fiscal year.
 - Regarding cross-shareholdings, we are discussing gradually reducing and using them as cash for effective future investing.