

November 13, 2024

KYB Corporation

Code number: 7242 (Tokyo Stock Exchange)

## **Meeting Material 2Qs (1H) of FY2024 Briefing—Question and Answer Session**

Date: Wednesday, November 13, 2024

KYB panel: Masahiro Kawase, Representative Director, President Chief Executive Officer (CEO)

Takashi Saito, Member of the Board of Directors, Executive Vice President Executive Officer, Chief Financial Officer (CFO)

Minoru Ishikawa, Senior Managing Executive Officer

Tomoki Takaoka, Senior Managing Executive Officer

Kenji Yazaki, Deputy Managing Executive Officer

### **1. FY2023 First Half Performance**

Q. Please provide the results of the internal plan for the first half of FY2023 and the outlook for achieving the full-year plan.

- A. • The segment profit of the AC Operations exceeded the first-half plan. This was due to a strong performance in the aftermarket business and an increase in sales of electronic control shock absorbers in Europe. The HC Operations also achieved its targets.
- The full-year plan is expected to be achieved if profits in the second half of FY2023 are at the same level as the previous year.

However, the OEM volume of the AC Operations and the order situation in the HC Operations are recognized as risks, and sales will be closely monitored.

Q. HC Operations' profit for the second quarter is close to zero. We are aware of the unfavorable external environment, but could you explain how you plan to recover the reduced profitability moving forward?

- A. We are planning for the second half of FY2023 to be below our initial annual targets. We are implementing personnel adjustments and relocations at each plant. We are also working to reduce fixed costs such as maintenance expenses and indirect material costs. Furthermore, we are actively expanding our sales activities beyond CTL and excavators, and we are in the process of identifying suitable business opportunities in Europe and for agricultural machinery in India.

## **2. Converted Chita Kogyo Co., Ltd. Into a Wholly Owned Subsidiary**

Q. Could you explain the background of the price determination? Also, does the net cash of Chita Kogyo factor into the funding items listed in the cash allocation presented this time?

- A. • Both KYB and Chita Kogyo engaged third-party institutions to evaluate the value of the company based on their respective business plans. Following a series of negotiations between the two parties, the price was determined. We consider that the process was fair and objective, leading to an appropriate price.
- The net cash of Chita Kogyo is not included in the funding items of the current cash allocation document.

## **3. Acquisition of treasury shares**

Q. Could you explain the background to the decision to set the upper limit at 20 billion yen?

- A. Initially, we were considering acquiring treasury shares on a scale of approximately 5 billion yen. However, with the prospect of an additional 15 billion yen from the sale of policy-holding shares, we decided to increase the amount by 15 billion yen to 20 billion yen to ensure that it remained within a range that would not require borrowing.

## **4. Business Opportunities**

Q. Is it difficult to conduct automotive-related business locally in China?

- A. Our electronically controlled shock absorbers are highly regarded by local manufacturers, and we are in the process of strengthening these relationships. Please understand that we are actively working with local manufacturers.

Q. Is it more accurate to view business in China not so much as a pricing challenge, but rather as an opportunity if the technology is innovative?

- A. • Conventional shock absorbers seem to be sold at quite low prices locally. We are focusing our efforts on how to use our technologies in China to add value.
- Electric power steering is also being supplied to almost all Chinese automakers through our joint venture in China. We are exploring the possibility of promoting it along with coordinated control of our shock absorbers. Please understand that while the production of electric power steering is limited in Japan, it is actively deployed in China.

Q. Could you give us your medium- to long-term outlook? While there are opportunities such as expanding into India and adding value to products for electric vehicles (EVs), how do you view the risks, such as potential instability in manufacturing due to policy changes related to a change in administration in the United States?



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- A. • Overseas, EVs are considered synonymous with electronically controlled shock absorbers, and they are gradually being equipped in Europe, China, and the United States. Shock absorbers are an essential component for EVs, and considering that they will become more multifunctional in the future, we believe we can increase their added value and engage in more progressive business activities in international markets. For EVs equipped with conventional shock absorbers in Japan, we anticipate that the increased vehicle weight will require thicker and more robust shock absorbers. Since the added value of shock absorbers will increase, we see the introduction of EVs as favorable for us.
- We have production plants for the AC Operations in both the United States and Mexico. Therefore, if a change in the U.S. administration leads to impacts such as tariffs, we believe that we will have to work closely with our customers, including reflecting such changes in our pricing.