



Report of Residence in America and Mexico

OKUMURA Tetsuya

1. Introduction

I worked in America and Mexico for 8 years from February 2008 to January 2016.

I lived in America for 5 years and 8 months during the transition period of the company from the former KYB Manufacturing North America (hereafter referred to as KMNA) to the present KYB Americas Corporation (hereafter referred to as KAC), and in Mexico for 2 years and 3 months for the establishment of KYB Mexico S.A. de C.V. (hereafter referred to as KMEX).

I started living there with my wife, my daughter and my dog. My daughter spent 5 years in Indiana from when she was a second grade junior high school student until she graduated high school, and she returned to Japan to go to university. I will introduce some of the valuable experiences I had with my family through our life in these countries.

2. KYB Manufacturing North America (KMNA)

When I started living in America in 2008, property values dropped sharply due to the subprime mortgage crisis. It was the time of the so-called Lehman shock. KMNA had been struggling with continued deficits and the managing conditions were falling. This was worsened by the persisting downward trend in sales, and sales dropped to half of what they were before the Lehman shock in some months. The number of employees and expatriates decreased every year, local banks enforced forcible collection of outstanding loans, and American banks denied new loans, which made our financing difficult. Only the main bank of KYB accepted the increase of borrowing facility limit. All transactions including checks were transferred to this bank and the company was able to secure funding. We had the worst financial results in fiscal 2008 when the company was going through this uncertain period, as impairment loss on fixed assets was also applied.

Although the company was in these tough situations in fiscal 2008, sales gradually increased through a radical cost reduction and achieved a profit in 2009, the following fiscal year.

3. KYB Americas Corporation (KAC)

In October 2011, KMNA took over KYB America LLC, a sales company in Chicago. This merged the production and sales companies and the new company was called KYB Americas Corporation. As the accounting section was consolidated in Indiana, we scrambled for recruitment of new staff and transition activities in Chicago.

In 2012, we acquired the land and building of the Daily Journal newspaper company which was adjacent to our plant and moved the office there. Only the development and accounting sections were relocated at first, and we still shared half the building with the newspaper with only a wall being used as a divider for a while after the acquisition. Most back-office sections have now moved to the new building and it has now become the headquarters of the Americas (Photo 1).

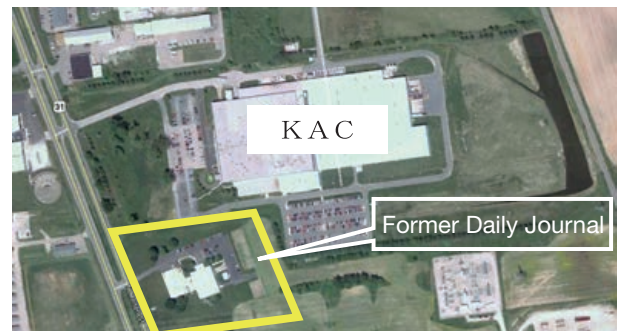


Photo 1 KAC and the former Daily Journal site

4. Natural environment of America

Indiana, where KAC is located, is in the Midwestern part of America. Being in the continental climate with low humidity, it is comfortable in the shade even in temperatures over 35 degrees C in summer. Thunderstorms with heavy rain occur occasionally, which could pose a threat even if you hear the thunder in the distance as there are no obstructions around. Trees on the company site were struck by lightning a few times while I worked there. We had a flood in the summer of 2008, five months after I started working in KAC. Roads were closed everywhere and the company parking was

inundated with some cars being underwater. In April 2013, toward the end of my work contract in America, hailstones as big as golf balls fell around the company, damaging a staff member's car. Although Indiana is also known to have relatively frequent tornados and I often heard alarms, I was lucky to never encounter one.

In most winters, the temperatures dropped under -10 degrees C. The region is in a frigid climate and it could drop to under -20 degrees C on the coldest days. You would rather feel physical pain than the cold when you are outdoors. You need to drive carefully when commuting in the winter as snow stays on the ground a few times a year. It is particularly dangerous when freezing rain became ice on the ground as roads become slippery like an ice skate rink.

Even under this harsh natural environment, I was able to live safely without having any accidents thanks to the help of the local people (Photo 2).



Photo 2 Frozen plants in the garden after freezing rain

5. KYB Mexico S.A. de C.V. (KMEX)

KMEX was established in October 2012 in an industrial complex in Silao, Guanajuato. The area of the industrial complex is 200,000 ha. As it is close to the airport, freight railway runs across the complex. More than 100 companies, half of which are Japanese, own plants or warehouses there.

Guanajuato is in the middle of Mexico and has the sixth largest population in the country. Its major industry is manufacturing of automobiles and leather products. Mazda and Honda have been operating their plants there and Toyota will join in 2019. Plants of Nissan and JATCO, our clients, are located in the neighboring Aguascalientes.

During the construction of the plant, we rented a room in the administration building in the industrial complex and used it as a temporary office. Accounting processes were commissioned to the accounting department of a group company in Mexico City, the capital of Mexico. Before I started working in Mexico, I travelled from Indiana to Mexico City to check the books and prepare report materials.

In October 2013, I started working in Mexico. A temporary visa was issued at the Consulate of Mexico in Indiana and an official visa was issued at the immigration office in Mexico City. I was therefore able to complete

the relocation process without returning to Japan.

In March 2014, we moved from the temporary office to the new plant and started preparation for the production of pumps for Continuously Variable Transmission (CVT). As the office was still under construction, we placed our desks in a temporary room (Photo 3).



Photo 3 KMEX office under construction

At the end of May 2014, we held the opening ceremony of the CVT pump plant with our clients, the governor, the city mayor and our business partners as guests. The government decided the order of the ceremony and the governor participated with many guards on that day. After he made a speech, he headed back on a helicopter from behind the plant. At lunch time, employees and expatriates sang Sukiyaki and



Photo 4 Opening ceremony of the CVT pump plant (right: Mayor of Guanajuato)



Photo 5 Newspaper article on the following day of the opening ceremony of the CVT pump plant

Cielito Lindo (Mexican songs known in Japan). Although we worked hard on the preparation, it was worth the effort and we had a unique opening ceremony (Photo 4 and 5).

In December 2014, our company consolidated manufacturing and sales departments by transferring aftermarket operations of group sales companies in Mexico and Panama to KMEX. For this reason, I travelled to Mexico City more often to have meetings with group sales companies, lawyers, etc.

Mexico City is located a little more than 380 km southeast of (and about 4.5-hour drive from) Leon City, where expatriates live. As it is at an altitude of 2,300 meters above sea level, some visitors from Japan develop altitude sickness.

On a different note, many expressways in Mexico limit the speed only to 110 km/h, and you often see people driving very fast. Despite that, people are walking and using bicycles on the same expressways, which poses various risks. It is obvious that many accidents occur including some severe ones which cause road closures. I once got caught in a big traffic jam when a small aircraft crashed into the expressway a few kilometers in front of me while I was driving home from a business trip. I might have been involved in the accident if I hadn't stopped for a break earlier.

In December 2014, the construction of the Shock Absorber (SA) plant began (Photo 6 and 7). The total site area of KMEX is 13,4000 m² and a quarter of that is used for the CVT pump plant, half for the SA plant and

the other quarter is grassed and used for an open house for company events.

6. World Heritage

Guanajuato City is near Silao City, where KMEX is located, and is the capital and a World Heritage Site. It is a historical city lined with colorful buildings, which can be seen in KYB's promotion video (Photo 8). Guanajuato City was developed by the Spanish in the mid-16th century and was the world's leading silver producer in the late 18th century. The remains of silver mining tunnels are used for streets leading to Guanajuato. They look very elegant but it feels as if you are driving in a maze. Silver brought wealth to Mexico and cultivated a cultural city with the representative large theatre in Mexico, Teatro Juarez (Photo 9), and produced people with liberal ideas who led the independence movement.

Students can be seen as the University of Guanajuato is in the city, and tourists can also be found.



Photo 8 Guanajuato City



Photo 6 Ground-breaking ceremony (kuwaira) of the SA plant



Photo 7 SA plant under construction



Photo 9 Teatro Juarez

7. Life in Mexico

Leon is the largest city in Guanajuato with a population of about 1.4 million, which has flourished as a leather producer. It is located at an altitude of 1,800 meters above sea level. Japanese expatriates from our company live there, and many other Japanese companies operate in the city. We socialized with families from other



Photo 10 Typical Mexican food “Tacos”

companies and shared living information.

You can have variety of good food including Mexican (Photo 10), Spanish, French, and Korean restaurants as well as Japanese restaurants and supermarkets. However, you need to be careful not to get food poisoning in local restaurants.

Guanajuato was a relatively safe city compared to other cities in Mexico while I worked there. I feel disappointed and worried about the recent news of the decline in the safety of the city. I was careful not to leave anything behind in the car when I was away from it as theft cases were reported frequently when I was there. I think it would be even harder to live there now because you have to pay attention even more.

In general, Mexicans are optimistic, cheerful, merry,

friendly and helpful, and they enjoy every moment but don't think about the future much. Once I was invited to a colleague's wedding. They had a ceremony in the evening at a church and then we moved to the reception hall. They drank tequila, ate and danced till dawn. In the company's Christmas parties, they danced from beginning to end to lively music which is unique to Mexico.

As both Americans and Mexicans place high priority on time with family, most workers finish work and go home before the regular time.

Mexicans enjoy life. They are religious and it is very unusual for people to commit suicide. After returning to Japan, I hear news of suicide almost every day. This makes me think seriously about Japanese people's views of life.

8. In Closing

I would like to express my appreciation to local staff and Japanese expatriates who worked together in KAC and KMEX for their continuous support which helped me complete my 8-year work stint in America and Mexico. In both locations, we had very good teamwork. We shared both happy and hard times at work and enjoyed golf on the weekends to relieve our stress. Eight years passed in a blink of an eye.

It was a valuable experience in my work and also life for me and my family.

— Author —



OKUMURA Tetsuya

Joined the company in 1987.
General Manager, Accounting Dept.,
Finance & Accounting Div.
Taken present post after working in
America and Mexico.