# Meeting Materials for First-half of FY2011 and Business Outlook



## November 15, 2011 KYB Corporation

# Courant Su 510 000 Masao Usui, **Representative Director, President Executive Officer** erive Vers I

# Meeting Materials for First-half of FY2011 and Business Outlook



# November 15, 2011 KYB Corporation

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1. Consolidated Financial Performance for First-half of FY2011

- 2. Business Environment for Second-half of FY2011
- **3. Consolidated Financial Forecast for Second-half of** FY2011
- **4. Medium-term Plan Implementation Status**

# 1. Consolidated Financial Performance for First-half of FY2011 (1)



#### [ Comparisons to Previous First-half ]

(Millions of yen)

	First-half First-half		Differe	nces
	FY2010	FY2011	Amount	%
Net sales	155,928	164,727	8,799	5.6
Operating income	12,607	12,486	(121)	(1.0)
Ordinary income	11,759	11,996	237	2.0

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# 1. Consolidated Financial Performance for First-half of FY2011 (2)



#### [ Comparisons to Previous Forecast (Announced in August) ]

(Millions of yen)

	Previous	First-half	Differe	ices	
	Forecast (Aug.)	FY2011	Amount	%	
Net sales	166,000	164,727	(1,273)	(0.8)	
Operating income	10,000	12,486	2,486	24.8	
Ordinary income	10,300	11,996	1,696	16.5	

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# 1. Consolidated Financial Performance for First-half of FY2011 (3)



#### [Sales Impact of Earthquake]

Business Operations	Production Bases	Products	Earthquake Impact (Reduction in sales)
AC	Gifu North Plant	Shock Absorbers	(1.1) billion yen
	KMNA, U.S.A.	Shock Absorbers	(1.3) billion yen
НС	Sagami Plant	Motors for Excavators	(1.4) billion yen
	KHIZ, China	Cylinders for Excavators	(0.3) billion yen
Others			(0.3) billion yen
Total	•	·	(4.4) billion yen

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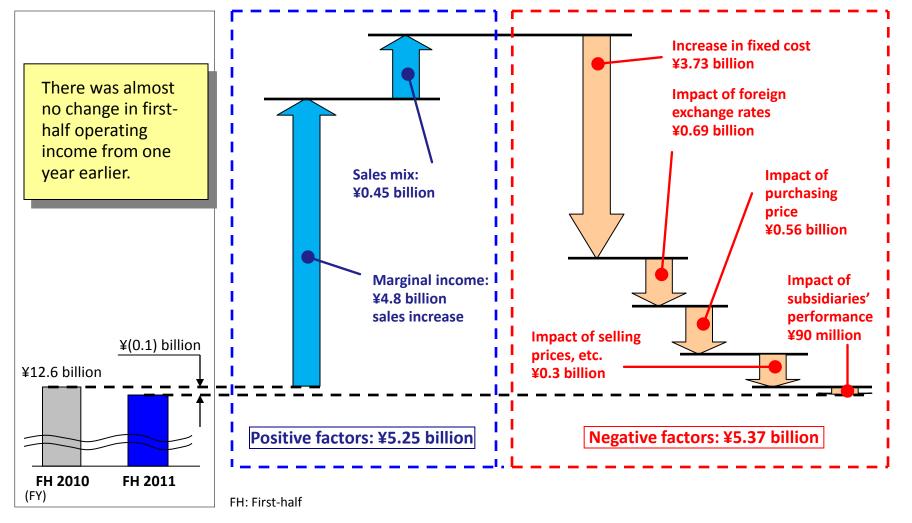
AC: Automotive Components Operations

HC: Hydraulic Components Operations

# 1. Consolidated Financial Performance for First-half of FY2011 (4)



#### [ Operating Income Analysis Compared to Previous Year ]



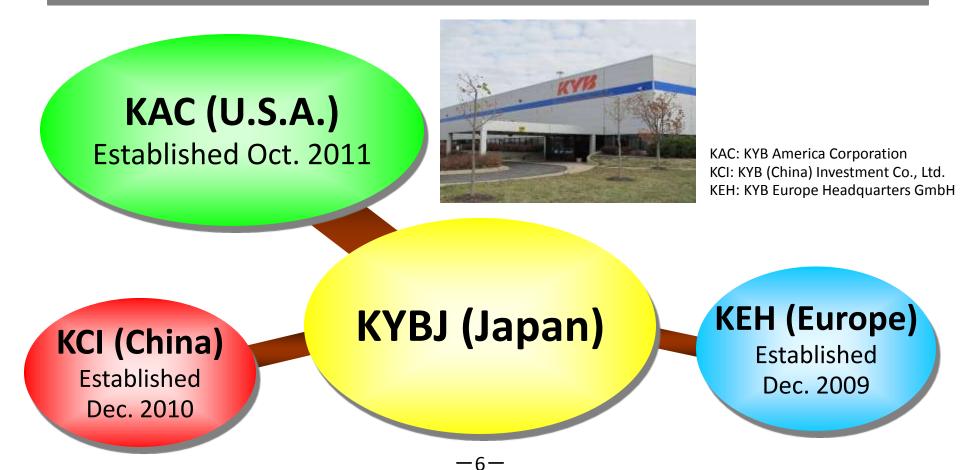
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1. Consolidated Financial Performance for First-half of FY2011 (5)



#### [KYB global topics (1)]

## **Regional Headquarters for global operations**



# 1. Consolidated Financial Performance for First-half of FY2011 (6)



#### [KYB global topics (2)]

# **Expanding global production bases**

- 1) New plants that make parts for construction machinery and automobiles were completed in China.
- 2) Joint venture was started in Brazil (June 2011)



MAG Motor



CVT Hydraulic Pump

 Aikawa Plant was established near Sagami Plant, and manufacturing parts for piston pump motors was started (June 2011)



# 1. Consolidated Financial Performance for First-half of FY2011 (7)



#### [KYB global topics (3)]

# **Development of new products**

1) Completed construction of test tracks (July 2011) 2) Developed hybrid system for excavators





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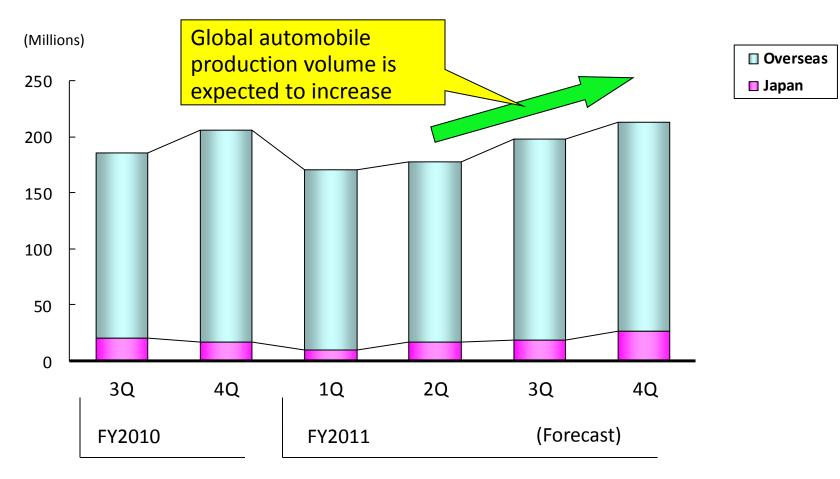
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# 2. Business Environment for Second-half of FY2011 (1)



#### [Global Automobile Production Volume]



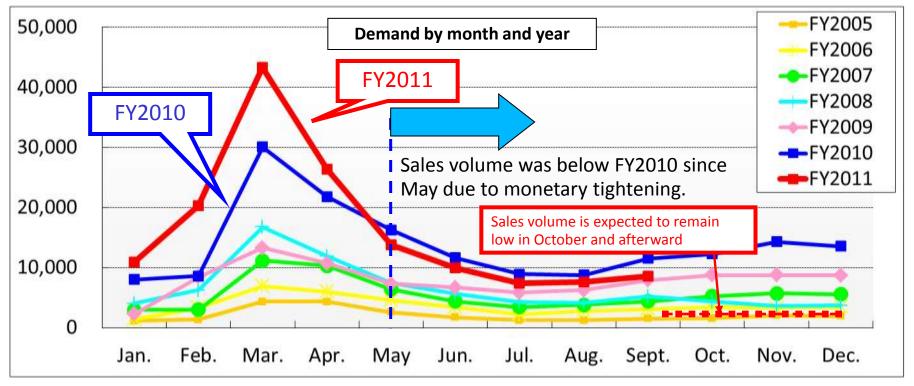
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Source: IHS Data

# 2. Business Environment for Second-half of FY2011 (2)



#### [Sales Volume of Hydraulic Excavators in China]



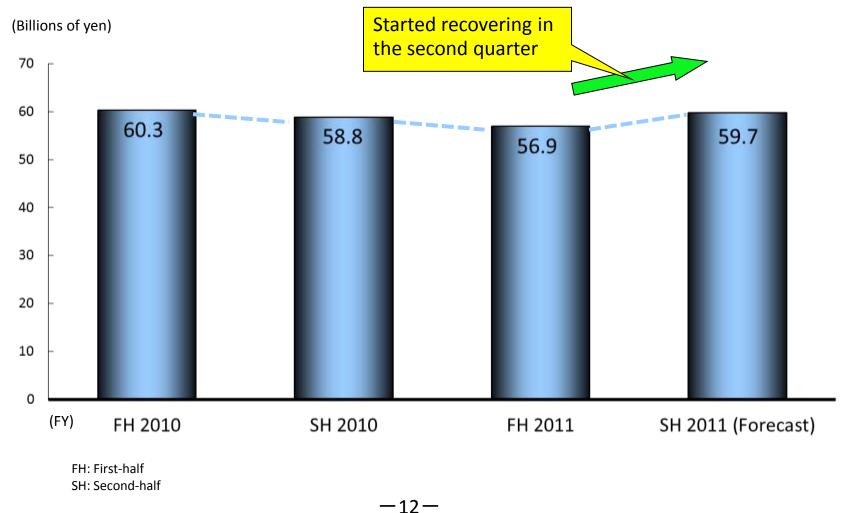
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Source: Data from Shovel Association in China

# 2. Business Environment for Second-half of FY2011 (3)



# [ Automotive components: Sales of automotive shock absorbers ]



# 2. Business Environment for Second-half of FY2011 (4)



#### [ Automotive Components: Estimated impact of flooding in Thailand ]

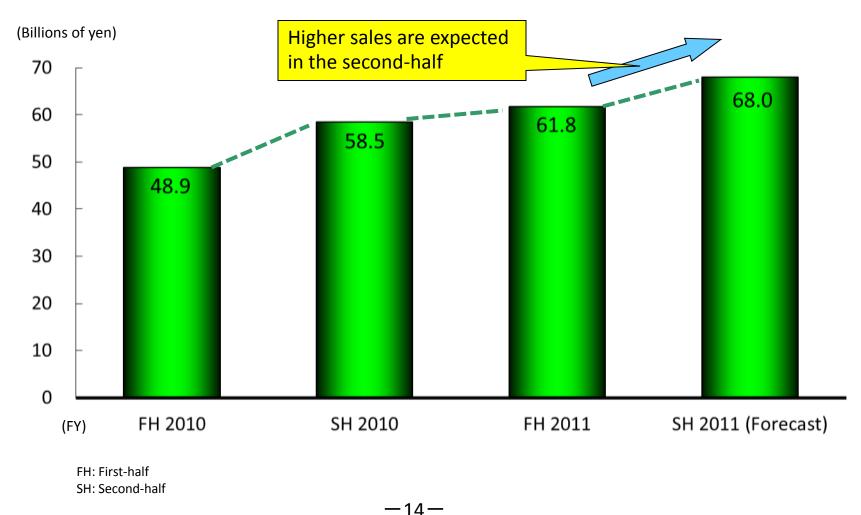
Area	Production bases	Products	Estimated impact (Sales reduction)
	КҮВТ	Shock Absorbers	(1.5) billion yen [-25%]
Thailand	KST	Pumps for Power Steering	(0.5) billion yen [-30%]
	КҮВА	Aftermarket Shock Absorbers	No effect
Japan	КҮВЈ	Shock Absorbers	(0.3) billion yen [-1%]
U.S.A.	КАС	Shock Absorbers	(0.7) billion yen [-9%]
	Total		(3.0) billion yen [-4%]

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# 2. Business Environment for Second-half of FY2011 (5)



#### [ Hydraulic Components: Sales of hydraulic components for construction machinery ]

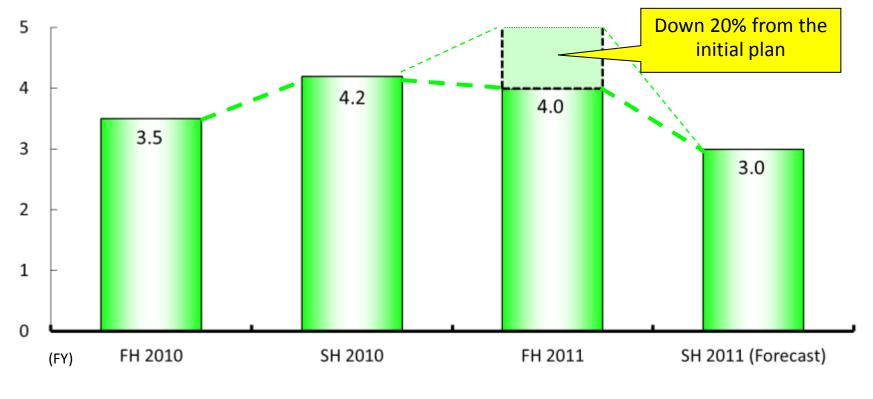


# 2. Business Environment for Second-half of FY2011 (6)



# [ Hydraulic components: Impact of sales decline in high-speed railway system in China ]

(Billions of yen)



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FH: First-half SH: Second-half

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# 3. Consolidated Financial Forecast for Second-half of FY2011 (1)



#### [ Differences between First- and Second-half ]

(Millions of yen)

	First-half	Second-half	Differences	
	FY2011	FY2011 (Forecast)	Amount	%
Net sales	164,727	173,273	8,546	5.2
Operating income	12,486	9,513	(2,974)	(23.8)
operating meenie	7.6%	5.5%		
Ordinary income	11,996	9,003	(2,993)	(25.0)
	7.3%	5.2%		

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## 3. Consolidated Financial Forecast for Second-half of FY2011 (2)



#### [Differences between FY2010 (Actual) and FY2011 (Forecast)]

(Millions of yen)

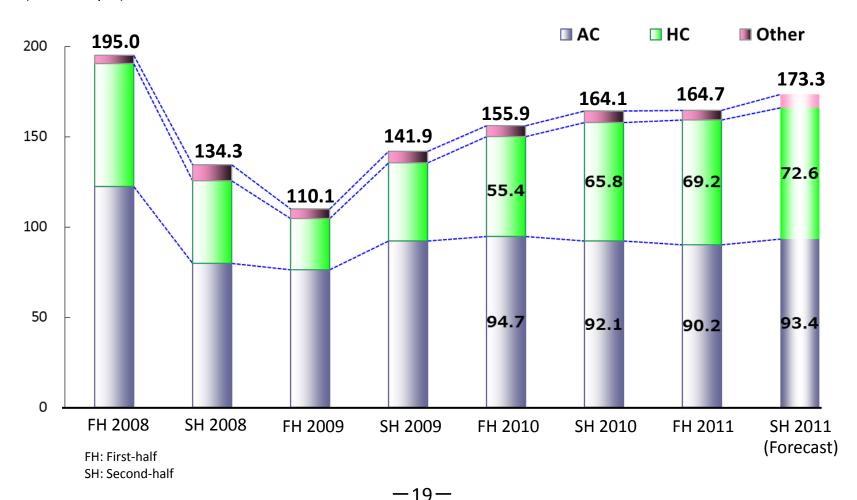
	FY2010	FY2011 Forecast (Nov. 7)	YOY (Amount)	YOY (%)	FY2011 Forecast (Aug.)
Net sales	320,082	338,000	17,918	5.6	340,000
Operating income	24,151	22,000	(2,151)	(8.9)	20,800
Ordinary income	23,972	21,000	(2,972)	(12.4)	21,500

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## 3. Consolidated Financial Forecast for Secondhalf of FY2011 (3)

#### [ Consolidated Net Sales from FY2008 to FY2011 ]

(Billions of yen)



# Meeting Materials for First-half of FY2011 and Business Outlook



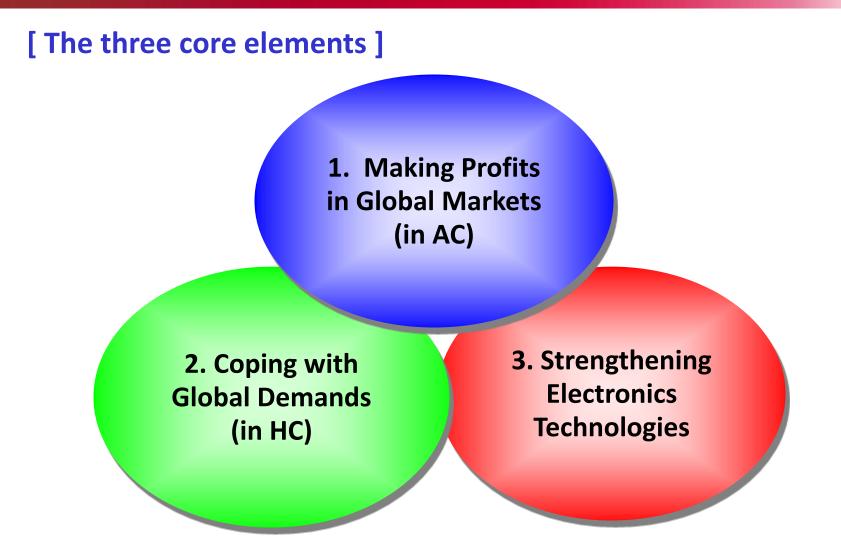
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## 4. Medium-term Plan Implementation Status (1)





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AC: Automotive Components Operations HC: Hydraulic Components Operations

# 4. Medium-term Plan Implementation Status (2)



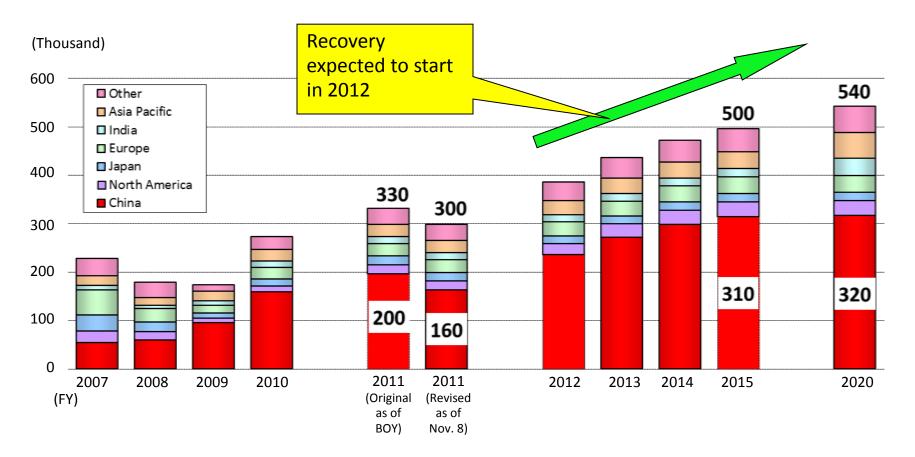
#### [ AC: Making profits in global markets based on a four regional Headquarters management system ]

	2011			2012		2013
Strengthening R&D system	Started vehicle test tracks operations	of test tra <b>FY2012:</b> I	Second-half FY2011: Begin full-scale operations of test tracks FY2012: Leverage the KYB Developmental Experiment Center		IS	7
Expanding overseas sales of OEM	Established a joint venture company with Mando Corp. of Korea	take orde FY2012: I	Second-half FY2011: Prepare organized systems to take orders from overseas OEM customers FY2012: Fully implement action plan to receive orders for targeted models			Medium- ⁄laking profits i
Doubling aftermarket sales of shock absorbers	Established the department of Aftermarket Business Headquarters	strategies	<b>Second-half FY2011 / FY2012</b> : Set up marketing strategies by region and by product and then implement those strategies			term n glob
Global expansion of EPS business Preparing organized systems for manufacturing of CVT hydraulic pumps	<b>EPS:</b> Implementing activit R&D and marketing <b>CVT:</b> Installed manufactur equipment at new plant in (Volume production will b started in April 2012)	ing Concretely implementing manufacturing and marketing Strategies			goal al markets	

# 4. Medium-term Plan Implementation Status (3)



#### [HC: Coping with Global Demands (1)]



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# 4. Medium-term Plan Implementation Status (4)



#### [HC: Coping with Global Demands (2) Establish framework in Japan]

	2011	2012 2013
<ul> <li>Centralize production of cylinders for mid-size excavators</li> <li>Increase production capacity of cylinders for ultra-large excavators From 120 to 200 units per month</li> </ul>	Plan to complete the second building at Gifu East Plant in December Centralize production of mid- size cylinders	Increase output of ultra- large cylinders
<ul> <li>Prepare to increase production capacity of control valves for mid- size excavators From 5,000 to 7,400 units per</li> </ul>	Added one production line, and the capacity has reached 5,700 units per month	
month	The purchase of land for new casting plant is under consideration	Add one more line by FY2013 Output of 7,400 units per month Plan to complete construction of this plant in the second- half of FY2012 Plan to complete construction of this plant in the second-
<ul> <li>Prepare to increase production capacity of small-size excavator cylinders</li> <li>From 17,000 to 27,000 units per month</li> </ul>	Preparation of site for new plant at KYB-YS	Plan to complete construction of this plant in the second- half of FY2012

# 4. Medium-term Plan Implementation Status (5)



#### [HC: Coping with Global Demands (3) Establish framework in China]

	2011	> 20:	12	2013	
Cylinders for mid-size excavators From 7,000 to 18,500 units per month Prepare organized production system in China	Expand plant in China Expansion was finished in the first-half of FY2011 Started operations with capacity of 14,000 units per month (October)		g the plan to roduction capad	Complete a manufithat can cope with	Medium
MAG motor for mid-size excavators 3,000 units per month Establish organized production system in China	Expand plant in China Expansion was finished in the f half of FY2011 November: 1,500 units per mo February 2012: 3,000 units per Achieve the required production capacity	nth • month		ufacturing network th global demands.	-term goal

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# Our Precision, Your Advantage

#### **Cautionary Statement**

This report contains forward-looking statements, including KYB's plans and strategies, as well as statements that report historical results. Forward-looking statements involve such known and unknown risks and uncertainties as economic conditions; currency exchange rates; laws, regulations, and government policies; and political instability in principal markets.