Our Precision, Your Advantage

May 19, 2021
KYB Corporation
Stock Code: 7242; First Section of Tokyo Stock Exchange

Meeting Material FY2020 Briefing—Question and Answer Session

Date: Wednesday, May 19, 2021
KYB panel: Masao Ono, Representative Director, President Executive Officer
Takaaki Kato, Representative Director, Chief Financial Officer

1. FY2021 Forecast and 2020 Mid-term Management Plan

Q. Judging from the performance in the 2H of FY2020 and from the point of view of slightly higher capability, I think it's possible to forecast future policies. However, I'd like to know how you will factor in the sudden jump in the costs of steel material, logistics costs, and the decrease in production due to the semiconductor shortage.

A. In reaction to the decline of sales in the 1H of FY2020 due to the COVID-19 pandemic, we were determined to urgently restrain investments and fixed costs in the 2H of FY2020. As a result, the segment profit ratio in the 2H of FY2020 reached 7.8%. On the other hand, regarding investments for future growth, we must gradually return to an appropriate level, so we set the FY2021 segment profit ratio for 6.0%.

Regarding the decrease in production due to the semiconductor shortage and steel material costs, we are incorporating impacts that are possible to reflect in the earnings forecast at the current point.

Q. What effects will the business reorganization under the medium-term management plan have on profits?

A. Regarding the withdrawal from and reduction of activities in unprofitable fields, we are shutting down European subsidiary (AC/PS operations). In EPS as well, we are reducing unprofitable models domestically and pivoting toward production in China. We are not reorganizing production due to a decline in demand, but rather we are doing so to raise our overall profitability by shifting production to plants with strong cost performance.

The labor environment is undergoing changes, such as the aging of the eligible workforce. In order to raise productivity under such circumstances, we are focusing our efforts on the installation of robots, the automation of inspections, and the reduction of manpower by the use of innovative production lines to achieve our goals in FY2022.

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Q. On page 15 of the materials, the results of earnings improvements are listed at 7.4 billion yen. How will this be impacted if there are fluctuations in sales?

A. Although there is a possibility of a slight fluctuation due to the impact of sales, we believe that we will reach the target by steadily working on the several base policies (promoting automation and innovative initiatives with production processes).

Q. Could you please explain the impact of competition in China and progress with low-cost models in HC Operations?

A. We are providing low-cost models for some customers, but we anticipate that environmentally friendly products that meet policies such as those for gas emission reductions will progress going forward, so we will shift to high functionality, high-added-value products. Also, we want to highlight our superiority over the competition in the China market while reducing costs and making proposals for responding to the demand for compatibility with environmental concerns in response to the needs of all customers such as Japanese companies active overseas, foreign companies, and local companies.

Q. Regarding low-price models, is the cost at a low enough level to be competitive against Chinese products?

A. While factors include the scale of the mother machine manufacturers and merits to each model, we understand that we are in an overall position to be competitive.

Q. There is a trend toward electrification in the construction machinery industry. What is your strategy for dealing with this?

A. Battery capacities are presenting power issues for the concept models of mother machine manufacturers. We can see that they should first introduce hybrid models that combine engines and electrical power just as with automobiles, and then electrification will make progress after that.

First, we will respond to needs such as energy conservation and then respond to electrification.

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2. Bringing Nonconforming Seismic Isolation/Mitigation Dampers up to Conformity

Q. Please give us your outlook on when work to bring the dampers up to conformity will be 100% complete, and if there will be any additional costs or returns during or after FY 2021.

A. As there are a great many parties involved, we cannot give a specific date, but we believe that work on bringing the dampers up to conformity will be generally completed during FY 2021.

Regarding reserves, we have made a rational estimate and are appropriating the costs that we consider will be necessary at the present date.