

November 9, 2022

KYB Corporation

Stock Code: 7242 (Tokyo Stock Exchange)

Meeting Material 1H of FY2022 Briefing—Question and Answer Session

Date: Wednesday, November 9, 2022

KYB panel: Masao Ono, Representative Director, President Executive Officer

Takaaki Kato, Representative Director, Executive Vice President Executive Officer

1. FY2022 First Half Performance, Forecast for Entire Fiscal Year

Q. Could you tell us about the impact of the sharp rise in materials prices and the details of segment profits?

A. In AC Operations,

- 1H net sales declined ¥4.0 billion due to the impact of production decreases triggered by the semiconductor shortage.

- The impact of price increases in the materials market was ¥3.6 billion increased in 1H, and is forecasted at ¥10.6 billion increase for the entire year.

The materials market selling price recovery amount was ¥3.84 billion increased in the 1H, and is forecasted at ¥11.66 billion increase for the entire year.

The impact on 1H segment profits was ¥240 million increased, and is forecasted at ¥1.06 billion increase for the entire year.

- The impact of increases in selling costs and freight and packing costs was ¥420 million, and is forecasted at ¥850 million for the entire year.

In HC Operations,

- No major impact related to semiconductors was seen.

- The impact of price increases in the materials market was ¥1.7 billion increased in 1H, and on selling price recovery performance was ¥1.4 billion increased. The impact of segment profits was ¥300 million decreased.

Q. Please tell us the main factors that make the amount of the impact of rising prices in the materials market in 2H so large.

A. The amount includes the impact of price increases in 1H, making the amount of impact in 2H large.

Q. Outside of materials, I'd like to know if the recovery of rising logistics costs and electricity price hikes is incorporated into your plan.

A. Recovery is incorporated into our plan.

Q. Please tell us about your assumptions in the FY2022 performance plan for AC Operations and HC Operations.

A. In AC Operations, there are uncertainties such as the shortage of semiconductors, so we are making adjustments, although they are based on unofficially announced information from customers.

In HC Operations, the situation is basically the same as with AC Operations. Although based on unofficially announced information from customers, we are monitoring the trends at the customers and making adjustments.

Q. Please tell us about the situation with the integration of the specifications for the next-generation innovative plant that you've said is a focus item for strengthening earnings.

A. Regarding the integration of the specifications, proceeding on the basis of our aftermarket shock absorbers, our first step is to bring down costs by narrowing it down to one component number per component size. After that, we will install an innovative aftermarket production line with integrated specifications, and are aiming to achieve cost reductions of approximately 30% as our benchmark.

Q. The results of the 1H profit ratio in HC Operations were poor, so please explain the circumstances of the recovery in the second half.

A. In the first half, the COVID-19 pandemic triggered lockdowns in China and the outbreak of clusters at our clients' facilities. This caused a delay in the recovery of fixed cost increases and materials market recovery, which in turn negatively impacted the profit ratio. However, in the second half, those factors had only minor impacts, so the ratio recovered.

Q. Please tell us about the mid- to long-term potential of HC Operations' response to electrification, automation and other trends.

A. Due to COVID-19, it has been difficult to meet directly with clients, but gradually it is becoming possible to meet face-to-face for technology exchanges and hearings on customer needs. They have needs for electrification and automation, so we will continue to develop products that are compatible with those needs.