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# Meeting Materials for FY2023

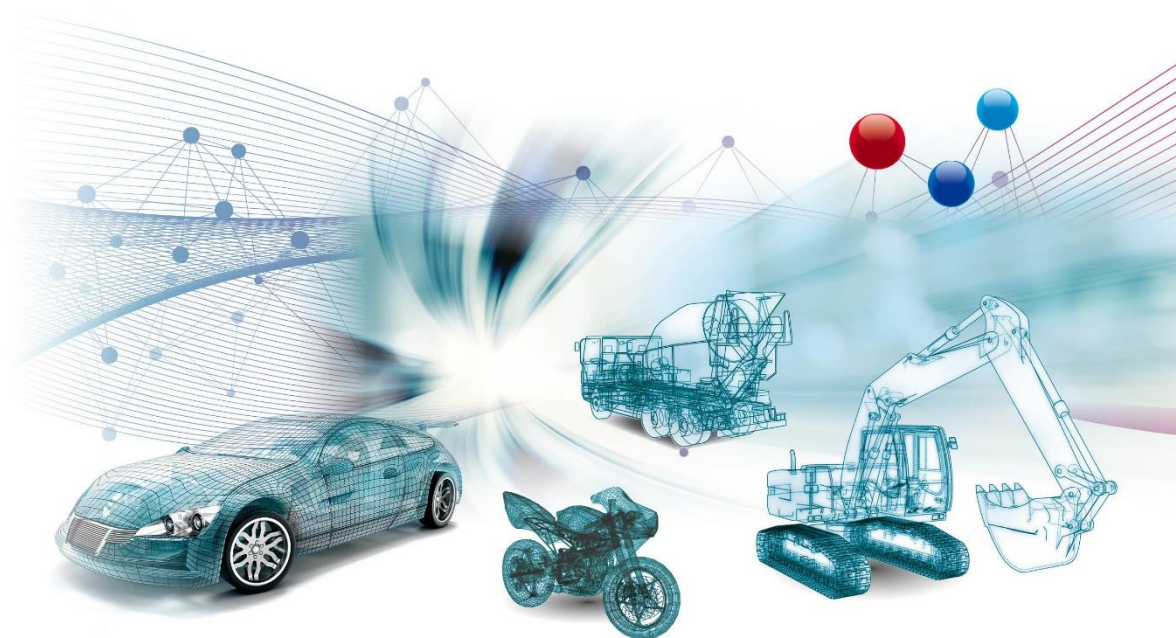
## Contents

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2. FY2023 Financial Information

May 23, 2024

KYB Corporation

(Stock Code: 7242; Prime Market of Tokyo Stock Exchange)



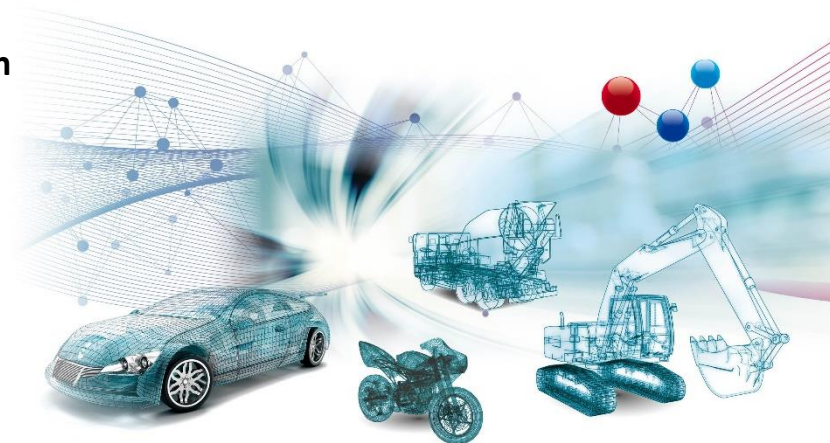


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# Action to Implement Management that is Conscious of Cost of Capital and Stock Price

## Contents

1. Assessment of Current Situation
2. Policies for Improvement
3. Specific Initiatives



- ▶ Due to significant fluctuations in performance, the cost of equity is estimated to be high. As a result, the PBR is below 1.

(As of March 31, 2024)

**PBR**

**0.6 times**

**Cost of Equity**

**About 9%**

**ROE**

**7.9%**

**Extent of Performance  
Fluctuations**

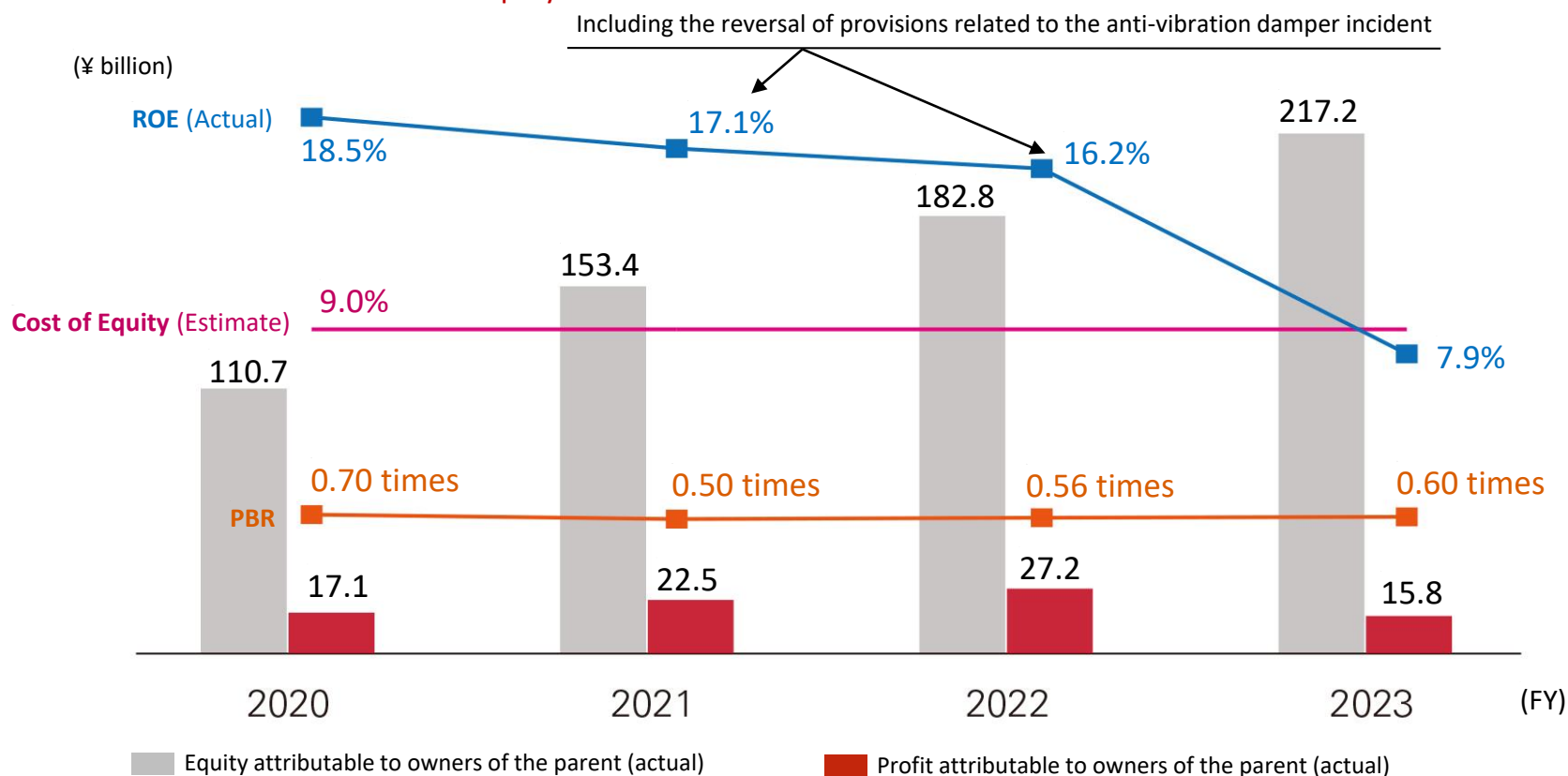
(Range of Variation in IFRS Operating Profit)

**-40.3 to 32.5 billion yen**

(FY2016-FY2023 actual)

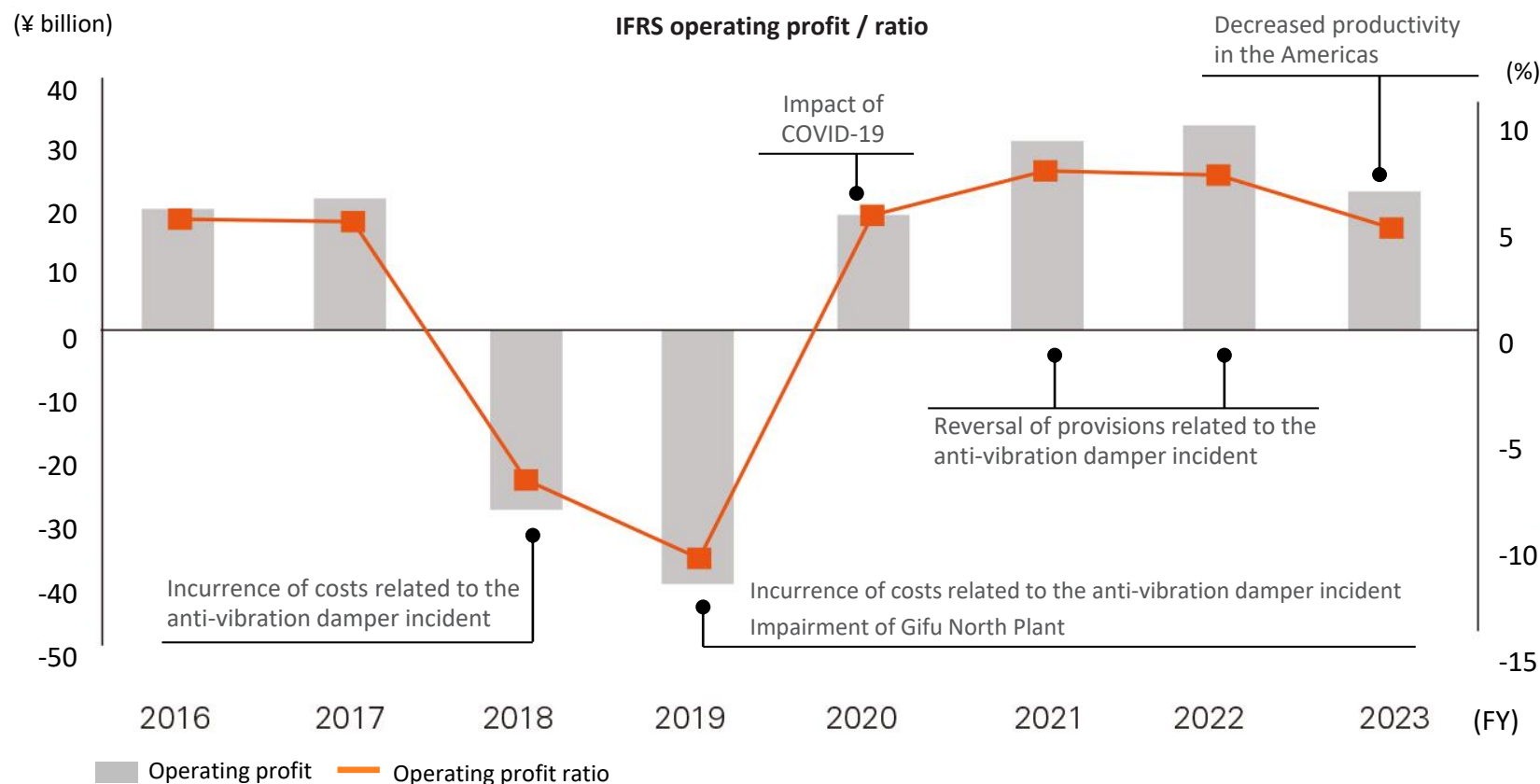
### ► The equity spread is currently negative.

- Due to performance fluctuations, the cost of equity remains high at 9%, compared to the market requirement level of 8%.
- ROE remained high due to special factors such as the reversal of provisions for the anti-vibration damper incident. In FY2023, without these special factors, it will drop to 7.9%. The equity spread is currently negative.  
⇒ To achieve sustainable growth and enhance mid- to long-term corporate value, it is necessary to improve ROE and reduce the cost of equity.



## ► Performance instability due to nonconforming acts and insufficient group governance

- Although there was a recovery from the performance decline due to the anti-vibration damper incident in 2018 and subsequent issues such as the COVID-19 pandemic and semiconductor shortages, performance deteriorated again in FY2023 due to rapid market changes and decreased productivity in the Americas.
- ⇒ In order to generate consistent profits, the challenges are governance of group companies, quality stabilization, and improvement of price competitiveness.

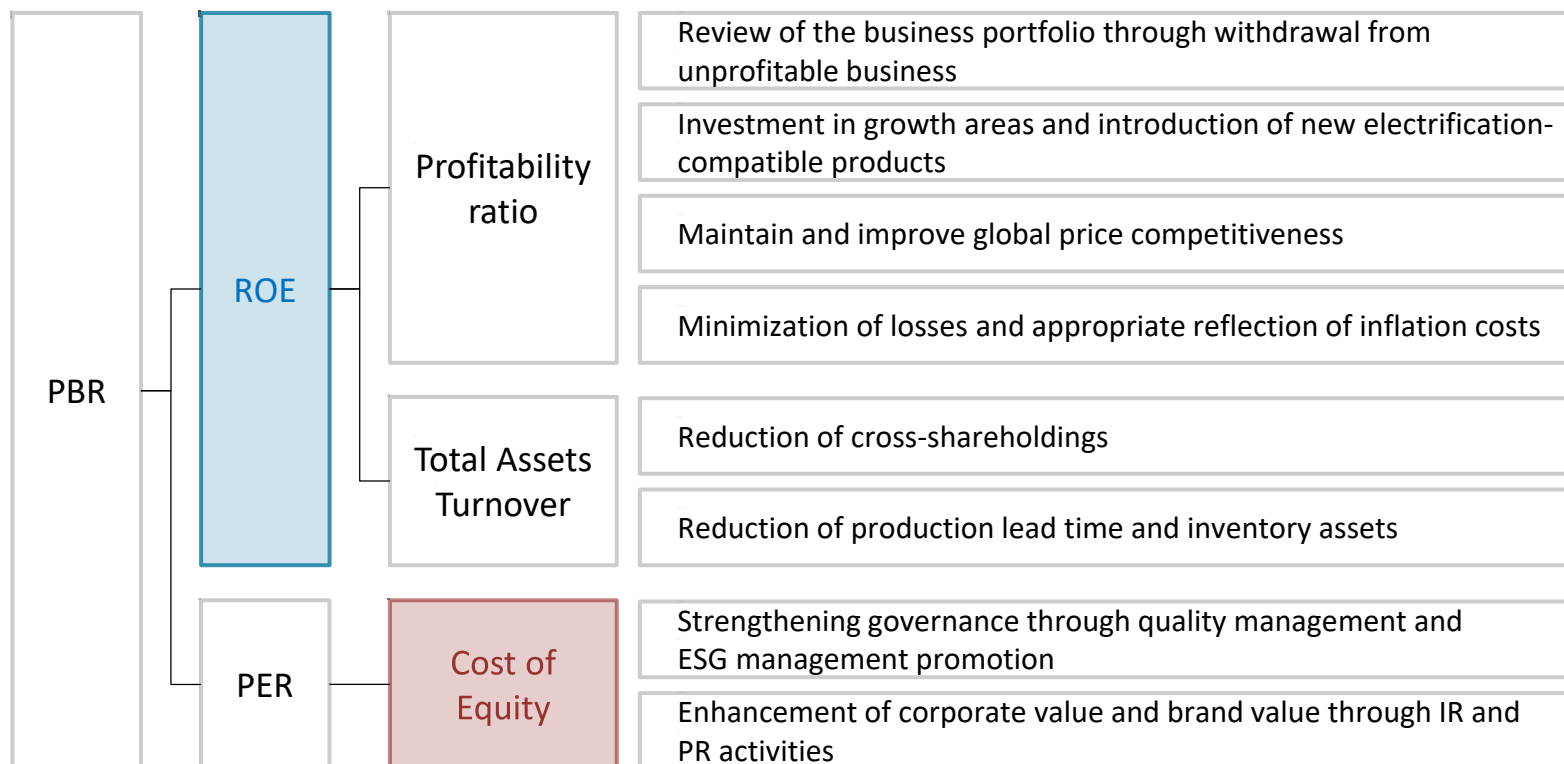


### ► Measures to improve the profitability of shareholders' equity and the cost of equity

- Targets: ROE 12%, Cost of equity 8% (Market requirement level)
- Profitability ratio: Generate stable revenue and reallocate growth
- Total assets turnover: Asset reduction
- Cost of equity: Strengthen governance and increase value

#### Indicators and Items for Improvement

#### Main measures



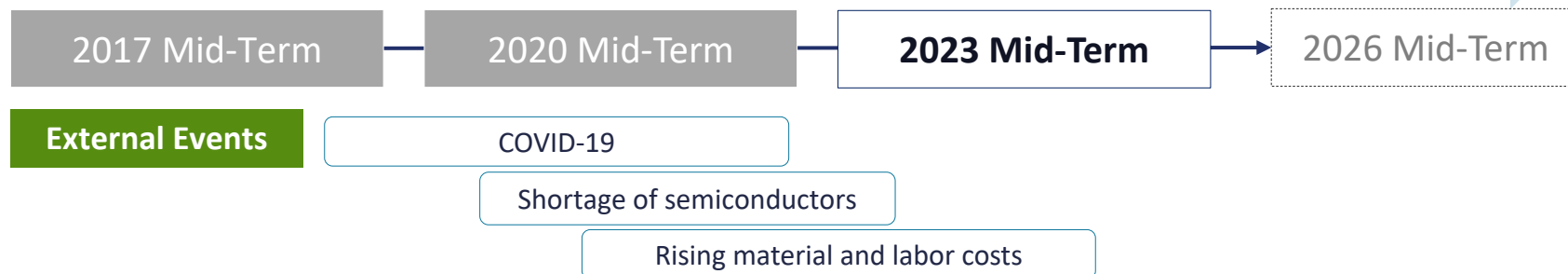
### ► Enhancement of mid- to long-term corporate value through improvement of profitability and stabilization of core business performance

- Targets: ROE 12%, Cost of equity 8% (Market requirement level)
- Addressing various issues in the 2023 Mid-Term Management Plan and building a management foundation that enables sustainable growth and improvement in mid- to long-term corporate value.

#### Internal Initiatives

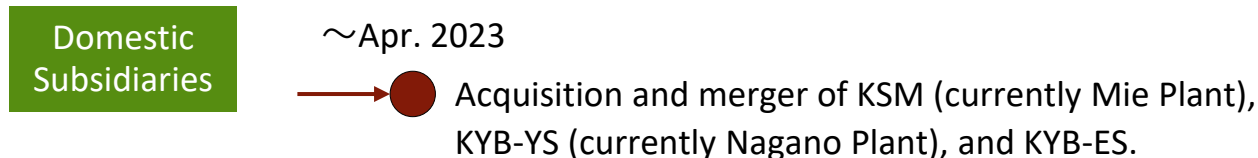
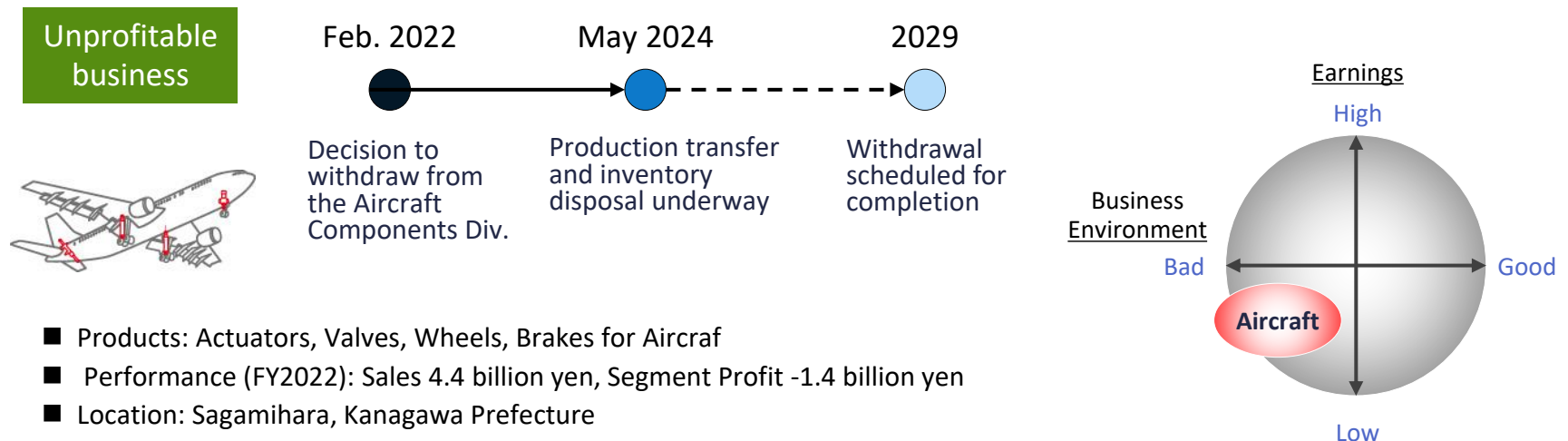


#### Management Principles



## ► Withdrawal from unprofitable business, acquisition and merger of subsidiaries, and concentration of management resources on core businesses

- Acquisition and merger of domestic subsidiaries to concentrate management resources and strengthen management. We are withdrawing from the Aircraft Component Div. even though it is part of our origin, as growth and profitability are not expected.





## ► Improvement of profitability by introducing new electrification-compatible products, expanding into growth areas, and responding to changes and risks.

- Accelerate development and introduction of new products to follow the electrification and systematization of automobiles and construction machinery.
- Expand into the Indian automotive market. Establish a global production system that can respond to labor shortages and risks

### Respond to changes and risks

- Establishing a production system capable of responding to exchange rate fluctuations and various risks
- Responding to the overseas expansion of Chinese manufacturers
- Strengthening group governance in response to the increase in overseas production ratio



### Electrification and systematization

- Automobiles: Responding to EVs and autonomous driving
- Construction Machinery: Responding to electrification and automation of mother machines
- Entry into the experience-based business



Sequential introduction of  
electronically controlled suspension products



### Innovation

- Initiatives for innovative monozukuri (Ship30 Activities\*)
  - 1) Automation/Unmanned Operation of Work / Inspection / Transport
  - 2) Achieving equipment that does not fail (use of AI)
- Development of digital human resources through business innovation and on-site improvement activities using DX



### Investment in growth areas

- Expansion into Growth Regions and Markets



Expansion into the Indian (African) Market



\* Ship30: Self handling innovation plant 2030

## ► Strengthen B/S control: Aiming to improve asset efficiency and strengthen financial health

- Compress total assets and improve asset efficiency by reducing inventory assets, withdrawing from unprofitable businesses, and reducing cross-shareholdings.
- Improve financial stability and aim to achieve an A credit rating to reduce borrowing costs.

Balance Sheet			
(¥ billion)		(As of Mar. 31, 2024)	
Assets		Liabilities	
Cash and deposits	46.6	Accounts payable, etc.	95.5
Accounts receivable	209.3	Interest-bearing debt	101.5
		Other	53.1
		Net assets	
Fixed assets, etc.	201.2	Equity attributable to owners of the parent	217.2
Investment securities	19.4	Minority interests	9.2
<b>Total assets</b>	<b>476.5</b>	<b>Total liabilities and net assets</b>	<b>476.5</b>

Shorten collection period  
 Reduce inventory balance

Disposal of assets by exiting unprofitable businesses

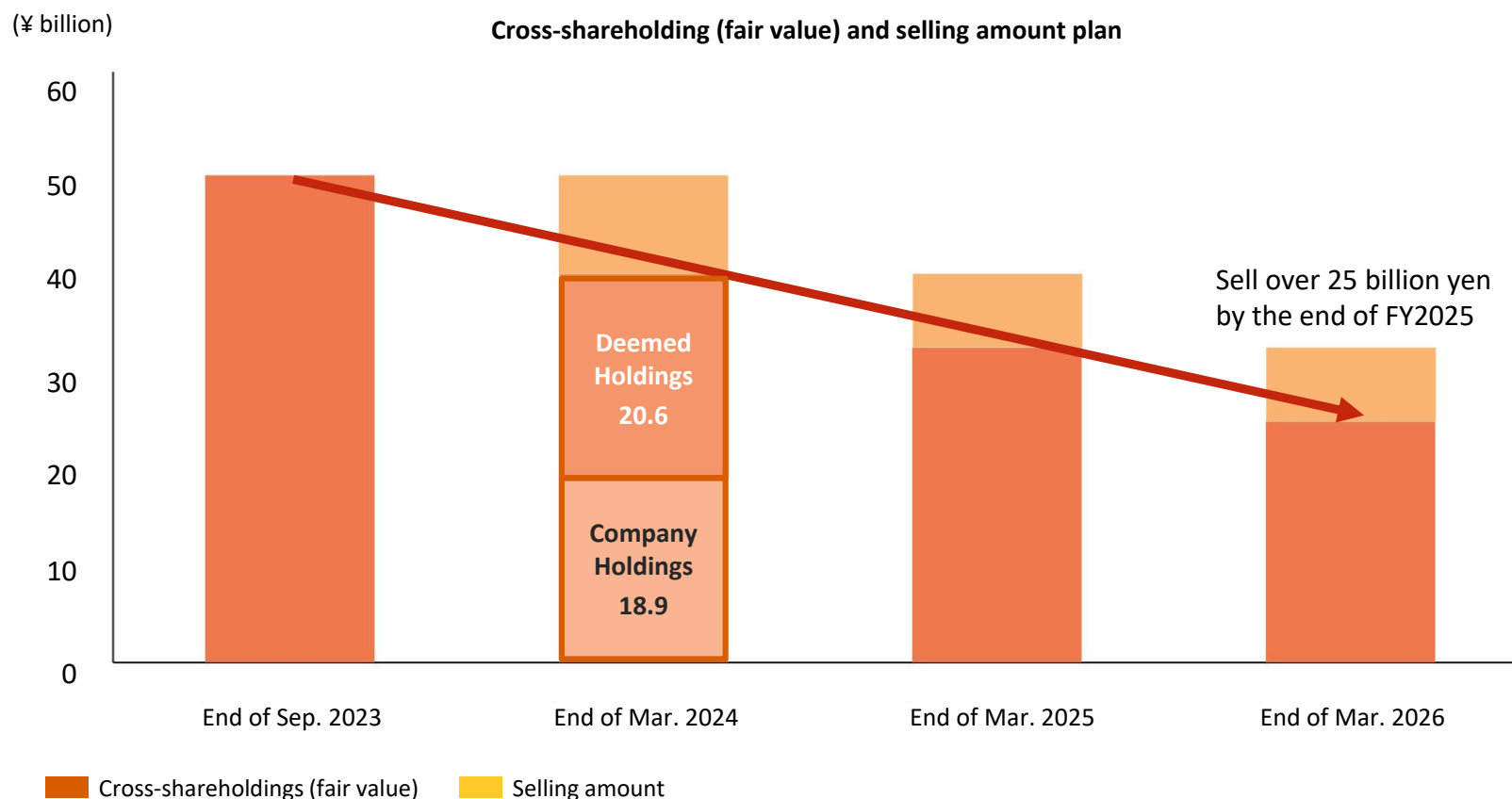
Reducing the balance of cross-shareholdings

Net D/E ratio target: 0.3 or less

Equity ratio target: 50%

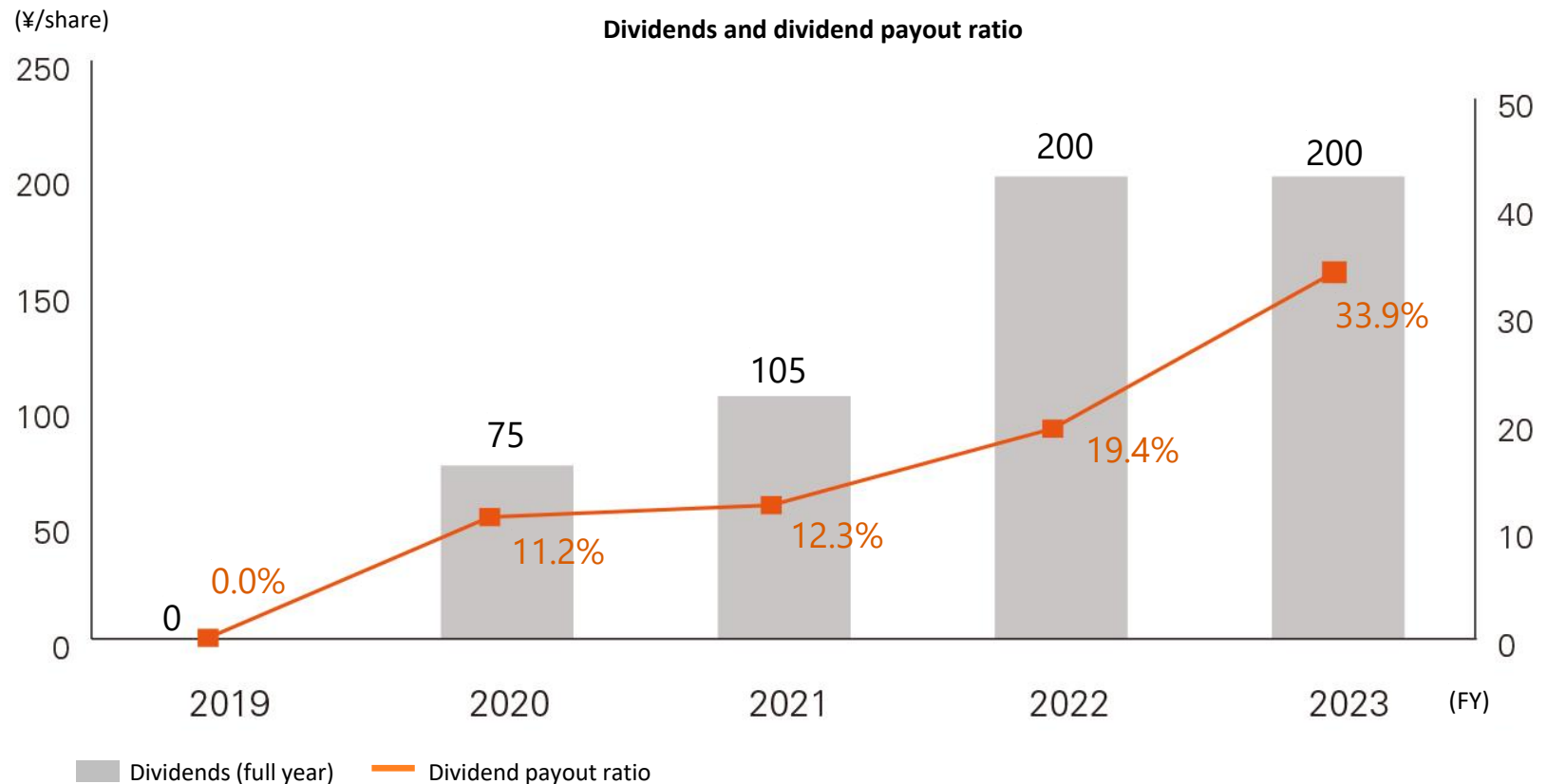
## ► Generate cash through the sale of cross-holdings

- Sell over 25 billion yen (based on fair value as of the end of Sep. 2023) worth of cross-shareholdings by the end of FY2025. The sale of targeted stocks will be conducted through careful dialogue with the relevant parties.



## ▶ Aiming for a dividend payout ratio of 30% or more and implementing flexible share buybacks

- No dividend was paid in FY2019 due to the significant costs associated with the anti-vibration incident that occurred in FY2018. We are working on quality management and improving shareholder returns, with a recent dividend of 200 yen per share. In FY2023, we repurchased and cancelled 514,000 shares (2.5 billion yen) of treasury stock.

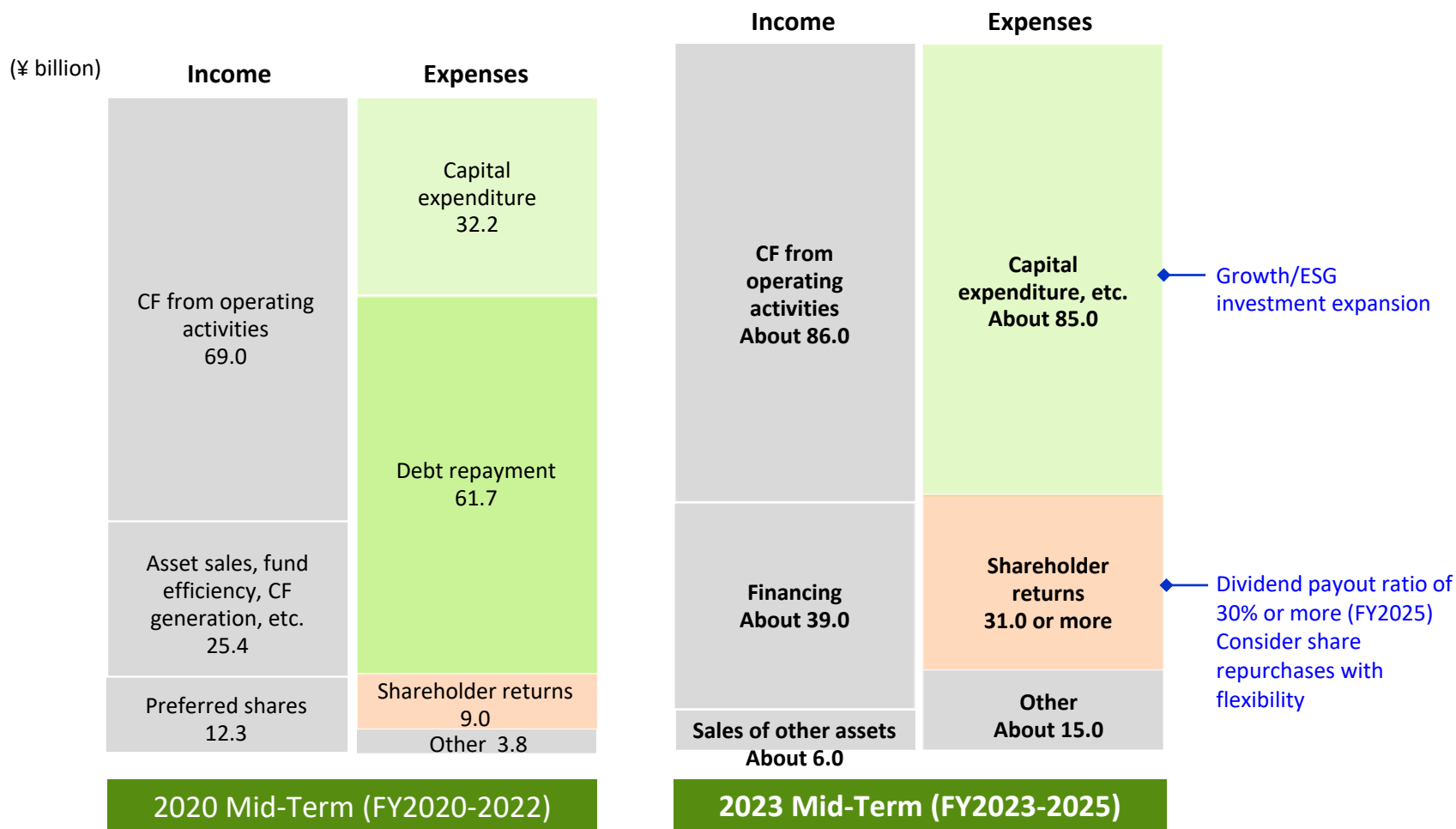


# Specific Initiatives

## Financial Strategy: Cash Allocation

### ► Strengthening growth investments and shareholder returns while maintaining financial soundness

- Shifting from financial base recovery to growth investments and shareholder returns.



## ► Stabilize performance through quality management and strengthen corporate governance

### TQM Activities

Strengthen the quality management foundation to stabilize performance and enhance the achievement of management plans

- Purpose: Achieve long-term corporate success by providing products and services that meet the needs of customers and society, and by ensuring the satisfaction of the people who work.
- Content: Maintain, improve, and innovate all business processes to achieve efficient organizational management that adapts to changes in the business environment.

2023 Mid-Term Slogan

**Mastering quality management**

Practice TQM, improve team capability

\*TQM=Total Quality Management

### ESG Activities

Achieve sustainable growth by not only pursuing profits, but also considering the environment and society, and building a healthy corporate structure

- CDP Evaluation (FY2022): Climate Change [B], Water Security [C]

Accelerate activities towards achieving carbon neutrality by reducing CO<sub>2</sub> emissions by 50% compared to FY2018 levels by FY2030. Implement the use of sustainability-linked loans

- Promote health management that respects human rights and create a comfortable workplace where diverse talents can work stably and actively

- Stabilize performance by strengthening governance to limit the occurrence of unexpected losses

#### Five Initiatives of Environmental Activities

- 1 Develop products that contribute to environmental preservation
- 2 Reduce environmental burden of products
- 3 Reduce environmental burden in *monozukuri*
- 4 Environmental preservation activities
- 5 Environmental managements

#### Six Initiatives of Social Activities

- 1 Develop products that contribute to society
- 2 Occupational health and safety
- 3 Respect for human rights
- 4 Diversity of human resources
- 5 Social contribution activities
- 6 Fair business practices

#### Five Initiatives of Governance Activities

- 1 Compliance, instilling awareness of norms
- 2 Group governance
- 3 Governance of product development
- 4 Governance of *monozukuri*
- 5 Risk management, BCP

## ► Aim to enhance corporate value and brand value

### IR

Active approach to institutional investors and individual investors

#### [ External Environment ]

Progress in eliminating cross-shareholdings



- Shares held by operating companies and financial institutions: Decrease
- Shares held by institutional investors and individual investors: Increase

#### ◆ Institutional Investor Engagement

- Enhance financial meetings and 1-on-1 meetings
- Foreign institutional outreach (visits, tours, etc.)

#### ◆ Individual Investor Engagement

- Hold individual investor briefings (web and face-to-face)

### PR

Active dissemination of information to enhance the brand



#### ◆ Active Information Disclosure via Official Social Media

- Enhance content on official Instagram / X (formerly Twitter) / YouTube

#### ◆ Brand awareness through participation in various events

- Exhibit at Japan Mobility Show, Tokyo Auto Salon, etc., participate in All Japan Rally, promote with mobile home, Planned launch of premium products (SA) for the North American aftermarket

#### ◆ Planned launch of premium products (SA) for the North American aftermarket

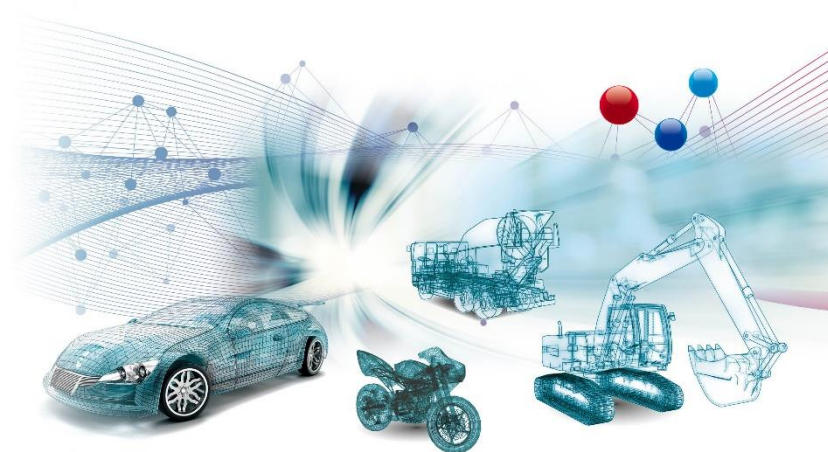
- Moving away from the image of repair parts





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## FY2023 Financial Information





## FY2023 Performance Overview

\*Segment profits correspond to operating income in JGAAP.

- ✓ **Increase in Net Sales, Decrease in Profits (Operating Profit ¥32.5 bn→¥22.4 bn)**
  - Despite a decline in sales resulting from the economic slowdown in China, the offsetting effects of cost recovery from inflation and the depreciation of the yen contributed to a net sales increase of approximately 3%.
  - Segment profits\* and operating profit decreased due to the following factors:
    - 1) Increased costs due to decreased productivity in the United States and Mexico
    - 2) Changes in product mix due to a decrease in sales of aftermarket products
    - 3) Decrease in sales volume of construction machinery products due to the downturn in the Chinese and European markets

## FY2024 Forecast

- ✓ **Increase in Net Sales and Profits (Operating Profit ¥22.4 bn →¥22.5 bn)**
  - Despite the continued decline in sales volume for construction machinery products due to the downturn in the Chinese market, an increase in commercial product sales and cost reductions are expected to lead to higher segment profits and operating profit.

## Return to Shareholders

- ✓ **Annual dividend for FY2023: ¥200 per share**  
**(No change from the previous forecast announced in February)**
  - Interim dividend: ¥100 per share      Year end dividend forecast: ¥100 per share
- ✓ **Annual dividend forecast for FY2024: ¥200 per share**
  - Interim dividend forecast: ¥100 per share      Year end dividend forecast: ¥100 per share

# FY2023 Financial Summary

(¥ Billion)	IFRS			Differences
	FY2022 actual	FY2023 forecast (as of Feb.)	<b>FY2023 actual</b>	Previous period
Net sales	431.2	443.0	<b>442.8</b>	11.6
Segment profits* [Segment profits ratio]	25.5 [ 5.9% ]	20.0 [ 4.5% ]	<b>21.0</b> [ 4.7% ]	(4.5) [ (1.2)% ]
Operating profit [Operating profit ratio]	32.5 [ 7.5% ]	22.0 [ 5.0% ]	<b>22.4</b> [ 5.1% ]	(10.1) [ (1.4)% ]
Profit attributable to owners of the parent	27.2	14.0	<b>15.8</b>	(11.4)
FOREX (Average) (¥)				
JPY/ US\$	135.48	140.97	<b>144.62</b>	
JPY/ EUR	140.97	152.96	<b>156.78</b>	

\*Segment profits correspond to operating income in JGAAP.

# FY2023 Net Sales and Segment Profits

(¥ Billion)	Net Sales			Segment Profits		
	FY2022 actual	FY2023 actual	Differences	FY2022 actual	FY2023 actual	Differences
AC	279.7	<b>293.0</b>	13.3	18.8	<b>16.5</b>	(2.3)
HC	137.9	<b>134.4</b>	(3.4)	7.5	<b>5.4</b>	(2.1)
Aircraft Components	4.4	<b>3.9</b>	(0.5)	(1.4)	<b>(2.0)</b>	(0.6)
Others	9.2	<b>11.4</b>	2.2	0.6	<b>1.1</b>	0.5
Total	431.2	<b>442.8</b>	11.6	25.5	<b>21.0</b>	(4.5)

AC: Automotive Components

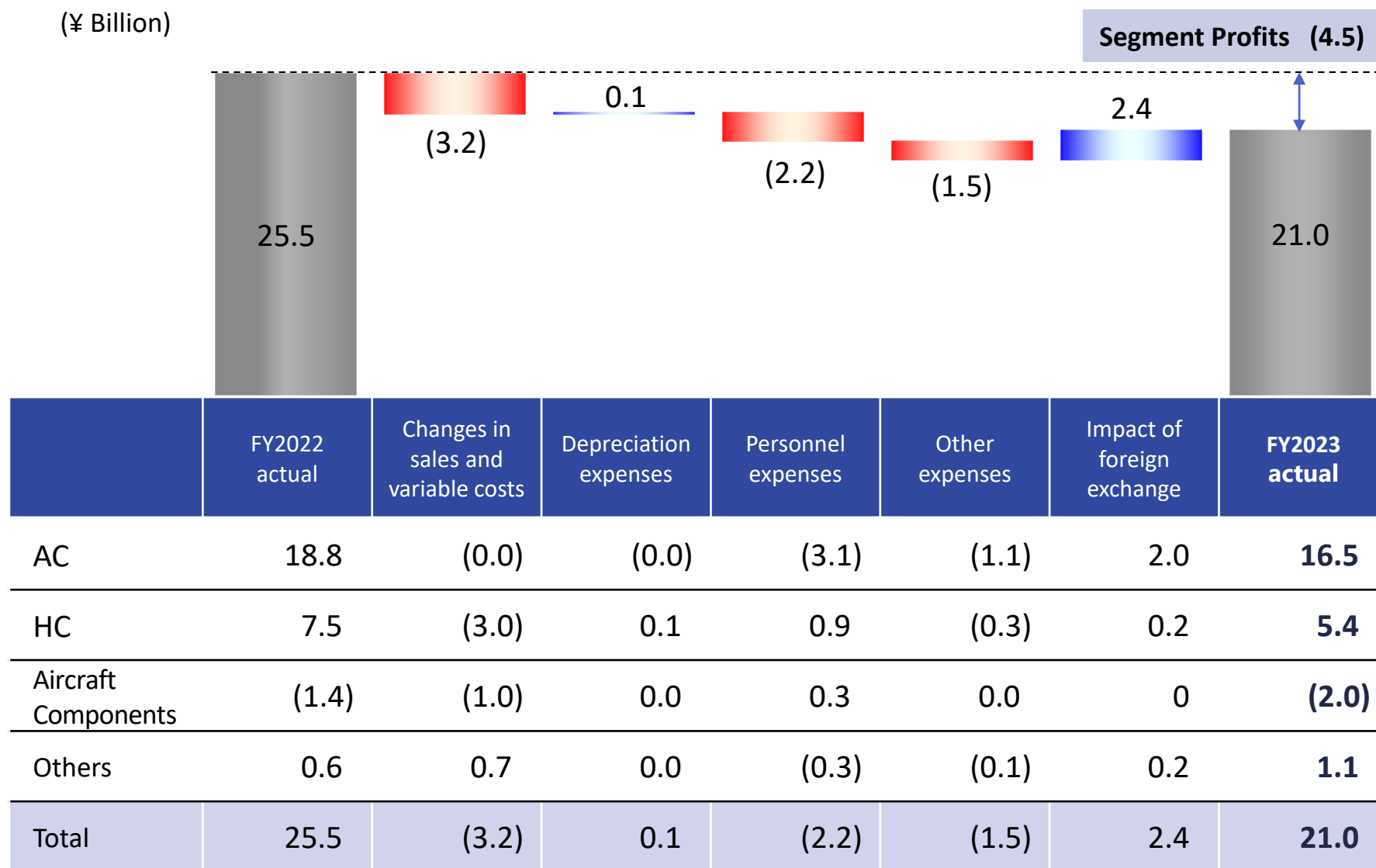
HC: Hydraulic Components

Others: Special-purpose vehicles, etc.

# FY2023 Changes in Segment Profits

## (Comparison with previous period)

(¥ Billion)



AC: Automotive Components

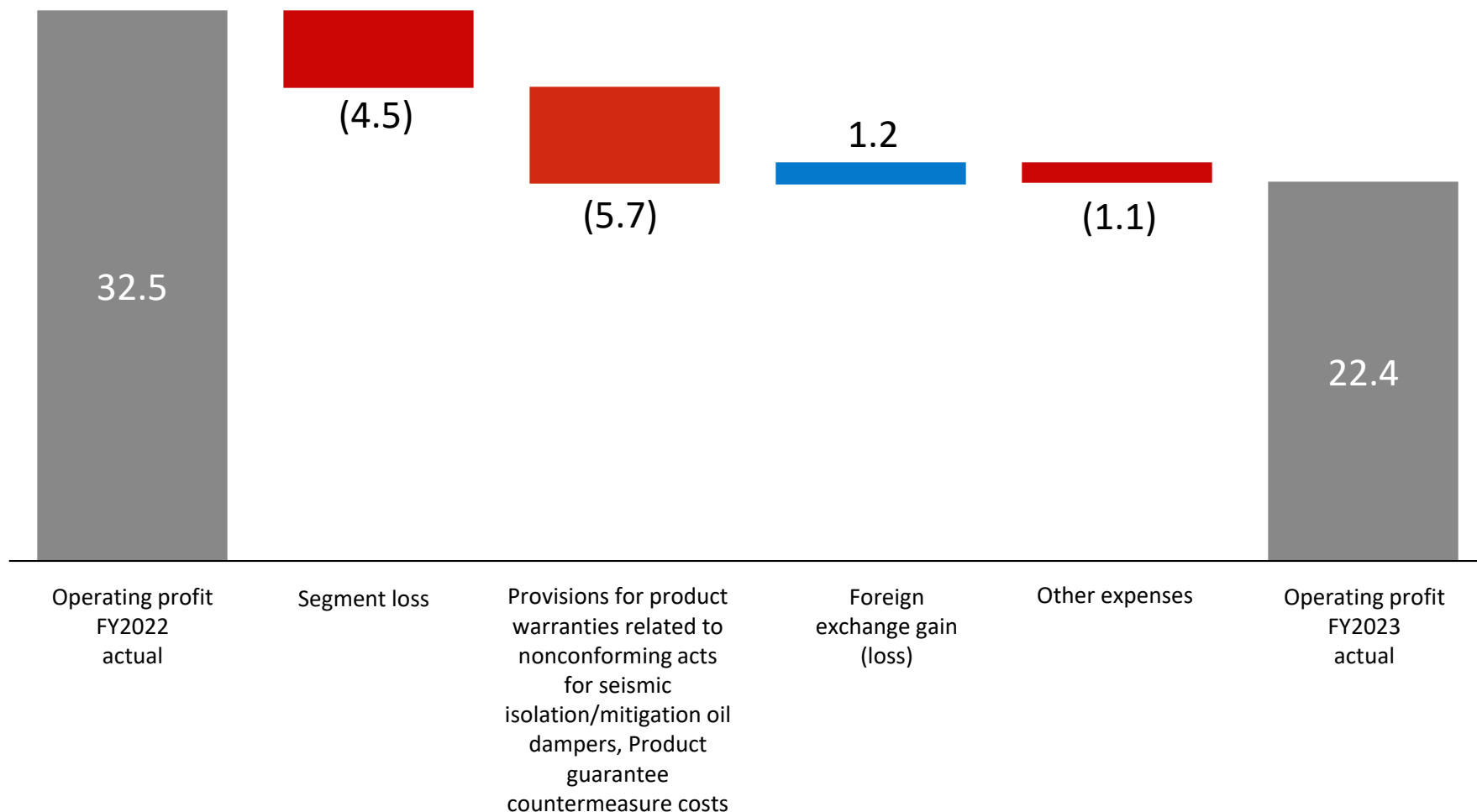
HC: Hydraulic Components

Others: Special-purpose vehicles, etc.

# FY2023 Changes in Operating Profit

## (Comparison with previous period)

(¥ Billion)



# FY2023 Net Sales by Region

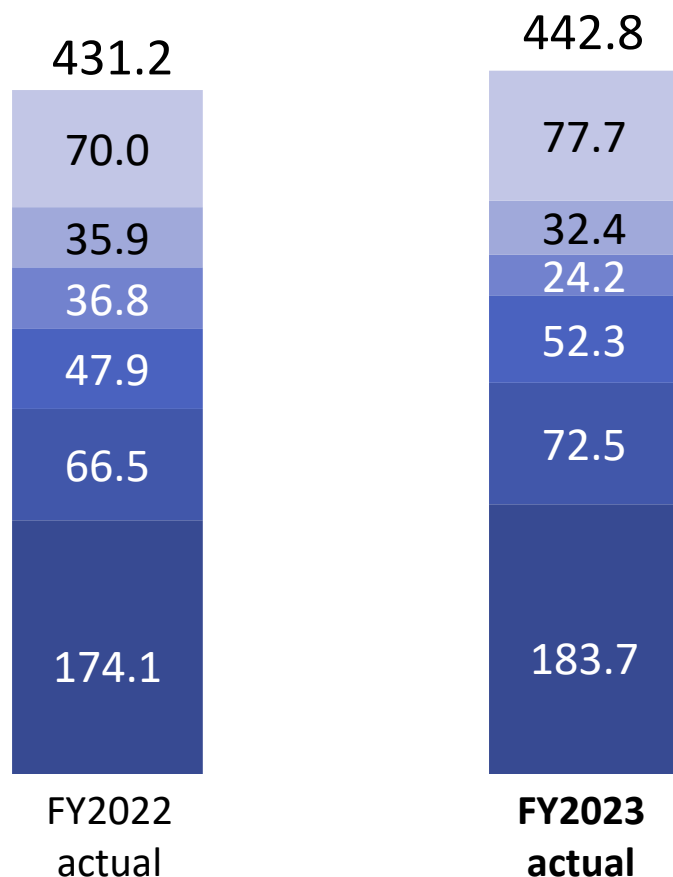


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22

(¥ Billion)

Differences  
Previous period



Other	11.0%
Southeast Asia	(9.9)%
China	(34.2)%
America	9.2%
Europe	9.1%
Japan	5.5%

Overseas Sales Ratio

59.6% ⇒ 58.5%

# Financial Forecast for FY2024

(¥ Billion)	IFRS		Differences
	FY2023 actual	<b>FY2024 forecast</b>	Previous period
Net sales	442.8	<b>448.0</b>	5.2
Segment profits* [Segment profits ratio]	21.0 [ 4.7% ]	<b>21.5</b> [ 4.8% ]	0.5
Operating profit	22.4	<b>22.5</b>	0.1
Profit attributable to owners of the parent	15.8	<b>13.5</b>	(2.3)
Dividend (¥)	200	<b>200</b>	0
FOREX (Average) (¥)			
JPY/ US\$	144.62	<b>143.00</b>	
JPY/ EUR	156.78	<b>155.00</b>	

\*Segment profits correspond to operating income in JGAAP.

# Net Sales and Segment Profits Forecast for FY2024

(¥ Billion)	Net Sales			Segment Profits		
	FY2023 actual	FY2024 forecast	Differences	FY2023 actual	FY2024 forecast	Differences
AC	293.0	<b>302.0</b>	9.0	16.5	<b>17.0</b>	0.5
HC	134.4	<b>129.3</b>	(5.1)	5.4	<b>4.0</b>	(1.4)
Aircraft Components	3.9	<b>5.1</b>	1.2	(2.0)	<b>(0.2)</b>	1.8
Others	11.4	<b>11.6</b>	0.1	1.1	<b>0.7</b>	(0.4)
Total	442.8	<b>448.0</b>	5.2	21.0	<b>21.5</b>	0.5

AC: Automotive Components

HC: Hydraulic Components

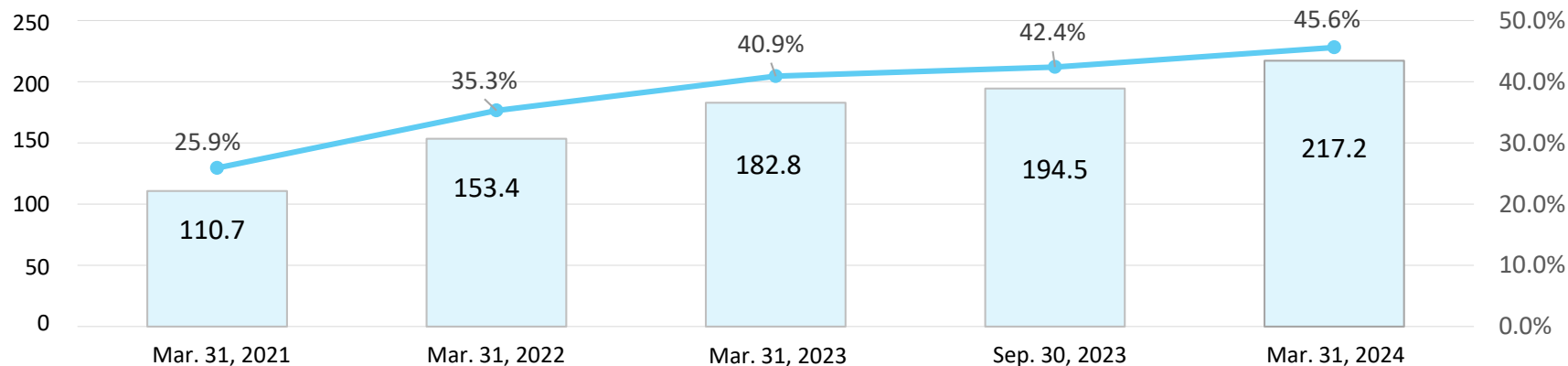
Others: Special-purpose vehicles, etc.



# Changes in Equity and Dividends

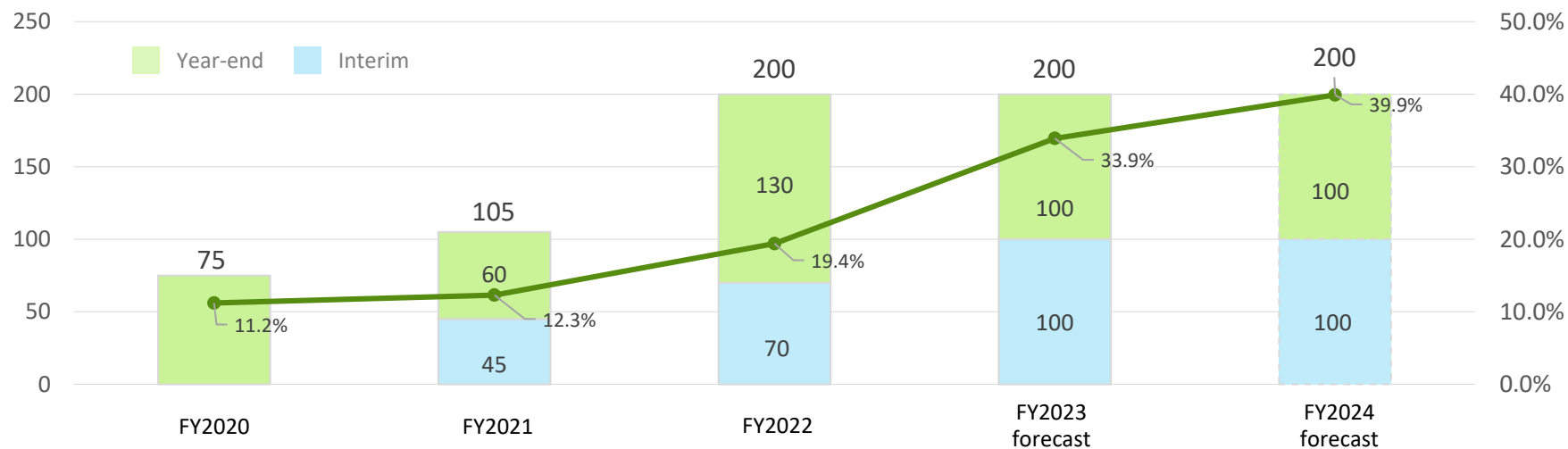
(¥ Billion)

Equity attributable to owners of the parent company



(¥/share)

Actual/forecast dividends and dividend payout ratio





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**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.

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# Appendix

## FY2023 Net Sales and Segment Profits

(¥ Billion)	Net Sales			Segment Profits		
	FY2022 actual	FY2023 actual	Differences	FY2022 actual	FY2023 actual	Differences
AC	279.7	<b>293.0</b>	13.3	18.8	<b>16.5</b>	(2.3)
Shock absorbers for automobiles	202.2	<b>214.9</b>	12.8	—	—	—
Shock absorbers for motorcycles	45.9	<b>41.3</b>	(4.6)	—	—	—
Hydraulic equipment for automobiles	21.1	<b>22.7</b>	1.7	—	—	—
Others	10.6	<b>14.1</b>	3.5	—	—	—
HC	137.9	<b>134.4</b>	(3.4)	7.5	<b>5.4</b>	(2.1)
Hydraulic equipment for industrial use	130.4	<b>124.6</b>	(5.8)	—	—	—
System products	4.0	<b>6.6</b>	2.6	—	—	—
Others	3.5	<b>3.3</b>	(0.2)	—	—	—
Aircraft Components	4.4	<b>3.9</b>	(0.5)	(1.4)	<b>(2.0)</b>	(0.6)
Others	9.2	<b>11.4</b>	2.2	0.6	<b>1.1</b>	0.5
Total	431.2	<b>442.8</b>	11.6	25.5	<b>21.0</b>	(4.5)

AC: Automotive Components

HC: Hydraulic Components

Others: Special-purpose vehicles, etc.

# Appendix

## Net Sales by Region

(¥ Billion)		FY2022				FY2023			
		AC	HC	Others	Total	AC	HC	Others	Total
Japan	1st Half	33.4	44.6	4.5	82.5	38.5	47.1	4.8	90.5
	2nd Half	37.7	49.6	4.4	91.7	38.9	49.0	5.3	93.2
	Total	71.1	94.2	8.8	174.1	77.4	96.1	10.1	183.7
Europe	1st Half	29.2	4.1	0.0	33.3	30.5	4.2	0.0	34.7
	2nd Half	29.1	4.1	0.0	33.2	34.5	3.3	0.0	37.8
	Total	58.3	8.2	0.0	66.5	65.0	7.5	0.0	72.5
America	1st Half	19.6	4.8	0.3	24.7	20.5	4.9	0.2	25.6
	2nd Half	18.5	4.4	0.3	23.1	22.1	4.4	0.1	26.7
	Total	38.2	9.2	0.6	47.9	42.6	9.4	0.3	52.3
China	1st Half	10.7	7.2	0.0	17.9	7.9	4.7	0.0	12.6
	2nd Half	11.9	7.0	0.0	18.9	7.5	4.1	0.0	11.6
	Total	22.5	14.2	0.0	36.8	15.4	8.8	0.0	24.2
South East Asia	1st Half	15.4	2.0	0.0	17.5	13.9	2.6	0.0	16.4
	2nd Half	16.5	2.0	0.0	18.5	13.8	2.2	0.0	15.9
	Total	31.9	4.0	0.0	35.9	27.6	4.7	0.0	32.4
Others	1st Half	27.9	4.3	1.8	34.0	31.5	4.4	2.2	38.1
	2nd Half	29.7	3.9	2.4	36.0	33.4	3.5	2.7	39.6
	Total	57.6	8.1	4.2	70.0	64.9	7.9	4.9	77.7
Total	1st Half	136.3	67.0	6.6	209.9	142.8	67.9	7.2	217.9
	2nd Half	143.4	70.9	7.0	221.3	150.2	66.6	8.1	224.9
	Total	279.7	137.9	13.6	431.2	293.0	134.4	15.3	442.8

### Capital Expenditure, Depreciation

(¥ billion)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Capital Expenditure	18.5	22.7	21.5	13.1	14.0	14.0	30.8
Depreciation Exp.	17.0	17.6	20.6	18.6	18.3	18.7	18.9

### Interest-bearing Debt

(¥ billion)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Interest-bearing Debt	94.6	108.6	154.6	160.3	124.9	114.7	101.5

### R&D Expenses

(¥ billion)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
R&D Expenses	8.1	6.8	6.3	5.4	5.8	7.1	7.6

### Cash flows

(¥ billion)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Cash flows from operating activities	29.3	17.1	(5.0)	20.8	24.3	23.9	39.9
Cash flows from investing activities	(16.4)	(13.6)	(21.5)	(6.3)	(10.9)	(13.5)	(23.5)
Cash flows from financing activities	(4.5)	10.4	22.6	1.2	(32.7)	(20.2)	(15.0)

### Number of Employees

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Number of Employees	14,754	15,427	15,439	14,718	14,472	13,920	13,634

### Foreign Exchange Rate

(¥)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Estimate FY2024
Average FOREX Rate - JPY/USD	110.85	110.91	108.74	106.06	112.38	135.48	144.26	143.00
Average FOREX Rate - JPY/EUR	129.70	128.40	120.81	123.69	130.56	140.97	156.78	155.00



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