

Meeting Material for FY2023 Briefing—Question and Answer Session

Date: Thursday, May 23, 2024

KYB panel: Masahiro Kawase, Representative Director, and President Chief Operating Officer (COO)
Takashi Saito, Member of the Board of Directors, Senior Managing Executive Officer, and
Chief Financial Officer (CFO)

1. Financial Forecast for FY2024

Q. Please tell me about the financial forecast for FY2024.

If the sintered parts situation in North America has improved since June, it seems that the AC Operations could see a further increase in profits. Is there room for an upward revision?

A. In the forecast, the improvement of quality issues in the United States is a positive factor, but it also incorporates the costs related to upfront investments and conservatively plans for an assumed exchange rate of 143 yen per dollar. If the exchange rate moves to a weaker yen than the assumed rate, it will have an upward effect.

2. Growth Strategy

Q. Regarding electrification, please provide an update on IDC orders. Also, inform us about the automation of construction machinery.

- A. a. In addition to the current IDC orders, there is a prospect of horizontal deployment to the same platform.
- b. Regarding construction machinery, we are making progress not only with the core products of pumps and control valves, but also with the in-house development of control software. As a system product, we intend to offer optimal operability to the mother machine manufacturer.

3. Cash Allocation

Q. Please provide details about capital investment and shareholder returns. Also, will future share buybacks be conducted from the market as in the previous instance?

- A. a. In terms of capital expenditure, we are considering around 20 billion yen for expansion into India, and approximately 20 billion yen per year for other investments.
- b. Regarding shareholder returns, we conducted a 2.5 billion yen share buyback in FY2023 and have completed the cancellation. In anticipation of the sale of cross-shareholdings, we are considering a share buyback of approximately double the amount from FY2024 onwards. The acquisition method is currently under consideration.