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## FLASH REPORT

May 8, 2014

Company name (official) : KYB Corporation (KAYABA INDUSTRY CO., LTD.)

URL <http://www.kyb.co.jp/english/>

Stock listing : Tokyo Stock Exchange (First Section)

Code number : 7242

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The following statements are an English translation of the original Japanese-language document for your convenience.  
In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

(All amounts are rounded down to the nearest million yen, unless otherwise noted.)

### 1. Result for the fiscal year ( April 1, 2013 to March 31, 2014 )

#### (1) Consolidated operating results

	Net sales		Operating income	
	(% change from the previous period)		(% change from the previous period)	
	Millions of yen		Millions of yen	
Fiscal year	352,710	15.4	18,170	73.5
Previous fiscal year	305,752	(9.3)	10,473	(51.4)

	Net income		Net income per share
	(% change from the previous period)		
	Millions of yen		Yen
Fiscal year	12,761	63.8	55.26
Previous fiscal year	7,789	(44.0)	35.24

(Note) Equity in earnings of affiliates 275 million yen [Previous fiscal year 536 million yen]

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year	361,083	153,997	41.2	582.28
Previous fiscal year	327,912	116,435	34.5	512.18

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year	28,788	(36,078)	5,708	38,132
Previous fiscal year	18,984	(36,125)	8,529	35,215

### 2. Cash dividends

	Annual cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Cash dividends as a percentage of net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Previous fiscal year	-	4.00	-	4.00	8.00	1,768	22.7	1.7
Fiscal year	-	4.00	-	5.00	9.00	2,161	16.3	1.6
Current fiscal year (forecast)	-	4.00	-	5.00	9.00		19.2	

### 3. Forecast for the current fiscal year (April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Current fiscal year	369,000	4.6	19,600	7.9	12,000	(6.0)	46.97

## Consolidated Balance Sheets

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries

ASSETS	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2014	Mar. 31, 2013	Mar. 31, 2014
<b>Current assets:</b>			
Cash and deposits	¥ 39,505	¥ 33,530	\$ 383,544
Notes and accounts receivable-trade	86,443	77,834	839,252
Finished goods	24,642	21,814	239,243
Work in process	13,566	11,647	131,709
Raw materials and supplies	8,368	8,607	81,243
Deferred tax assets	4,815	4,194	46,748
Short-term loans receivable	45	3,051	437
Other	8,854	9,597	85,961
Allowance for doubtful accounts	(193)	(436)	(1,874)
Total current assets	<b>186,048</b>	<b>169,841</b>	<b>1,806,291</b>
<b>Property, plant and equipment:</b>			
Buildings and structures, net	47,362	39,417	459,825
Machinery, equipment and vehicles, net	54,846	47,198	532,485
Land	26,619	24,335	258,437
Lease assets, net	2,788	2,036	27,068
Construction in progress	13,012	15,687	126,330
Other, net	3,007	2,794	29,194
Total property, plant and equipment	<b>147,636</b>	<b>131,469</b>	<b>1,433,359</b>
<b>Intangible assets:</b>			
Goodwill	622	4	6,039
Software	156	114	1,515
Other	1,391	1,129	13,505
Total intangible assets	<b>2,170</b>	<b>1,247</b>	<b>21,068</b>
<b>Investments and other non-current assets</b>			
Investment securities	20,712	21,104	201,087
Net defined benefit asset	94	—	913
Deferred tax assets	1,934	2,451	18,777
Other	2,542	1,859	24,680
Allowance for doubtful accounts	(57)	(62)	(553)
Total investments and other assets	<b>25,226</b>	<b>25,353</b>	<b>244,913</b>
Total noncurrent assets	<b>175,034</b>	<b>158,071</b>	<b>1,699,359</b>
Total assets	<b>¥ 361,083</b>	<b>¥ 327,912</b>	<b>\$ 3,505,660</b>

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥103=US\$ 1, the approximate exchange rate prevailing on March 31, 2014.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2014	Mar. 31, 2013	Mar. 31, 2014
<b>Current liabilities:</b>			
Notes and accounts payable-trade	¥ 62,584	¥ 58,558	\$ 607,612
Short-term loans payable	44,206	47,200	429,184
Lease obligations	585	401	5,680
Accounts payable-other	11,701	11,637	113,602
Income taxes payable	5,501	1,466	53,408
Notes payable-facilities	2,966	9,453	28,796
Provision for product warranties	5,220	3,605	50,680
Provision for directors' bonuses	173	147	1,680
Other	13,805	15,191	134,029
Total current liabilities	146,746	147,661	1,424,718
<b>Noncurrent liabilities:</b>			
Long-term loans payable	41,395	45,719	401,893
Lease obligations	2,271	1,683	22,049
Deferred tax liabilities for land revaluation	3,965	3,965	38,495
Provision for retirement benefits	—	10,404	—
Provision for directors' retirement benefits	74	70	718
Provision for environmental measures	220	222	2,136
Net defined benefit liability	9,949	—	96,592
Asset retirement obligations	386	390	3,748
Other	2,077	1,359	20,165
Total noncurrent liabilities	60,339	63,814	585,816
Total liabilities	207,085	211,476	2,010,534
<b>Net assets:</b>			
Shareholders' equity			
Capital stock	27,647	19,113	268,417
Capital surplus	29,543	21,009	286,825
Retained earnings	78,323	67,216	760,417
Treasury stock	(565)	(549)	(5,485)
Total shareholders' equity	134,948	106,790	1,310,175
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,354	3,121	42,272
Revaluation reserve for land	5,316	5,316	51,612
Foreign currency translation adjustment	3,651	(2,018)	35,447
Remeasurements of defined benefit plans	506	—	4,913
Total accumulated other comprehensive income	13,828	6,419	134,252
Minority interests	5,220	3,225	50,680
Total net assets	153,997	116,435	1,495,117
Total liabilities and net assets	¥ 361,083	¥ 327,912	\$ 3,505,660

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥103=US\$ 1, the approximate exchange rate prevailing on March 31, 2014.

## Consolidated Statements of Income

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Year ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	Year ended Mar. 31, 2014	Year ended Mar. 31, 2013	Year ended Mar. 31, 2014
<b>Net sales</b>	¥ 352,710	¥ 305,752	\$ 3,424,369
<b>Cost of sales</b>	<b>282,465</b>	250,693	<b>2,742,379</b>
Gross profit	<u>70,245</u>	55,059	<u>681,990</u>
<b>Selling, general and administrative expenses</b>	<b>52,074</b>	44,585	<b>505,573</b>
Operating income	<u>18,170</u>	10,473	<u>176,408</u>
<b>Non-operating income</b>			
Interest income	232	131	2,252
Dividends income	517	301	5,019
Foreign exchange gains	485	1,965	4,709
Technical support fee	842	784	8,175
Equity in earnings of affiliates	275	536	2,670
Other	2,143	1,527	20,806
Total non-operating income	<u>4,496</u>	5,248	<u>43,650</u>
<b>Non-operating expenses</b>			
Interest expenses	1,577	1,684	15,311
Other	698	476	6,777
Total non-operating expenses	<u>2,276</u>	2,160	<u>22,097</u>
Ordinary income	<u>20,390</u>	13,561	<u>197,961</u>
<b>Extraordinary income</b>			
Gain on sales of noncurrent assets	272	102	2,641
Gain on sales of investment securities	—	0	—
Gain on sales of subsidiaries and affiliates' stocks	1,254	—	12,175
Total extraordinary income	<u>1,527</u>	103	<u>14,825</u>
<b>Extraordinary loss</b>			
Loss on disposal of noncurrent assets	436	457	4,233
Impairment loss	356	55	3,456
Loss on valuation of investment securities	13	8	126
Loss on sales of investment securities	21	—	204
Loss on change in equity	32	—	311
Special retirement expenses	25	147	243
Total extraordinary losses	<u>885</u>	670	<u>8,592</u>
Income before income taxes and minority interests	<u>21,032</u>	12,994	<u>204,194</u>
Income taxes-current	8,124	4,054	78,874
Income taxes for prior periods	—	810	—
Income taxes-deferred	(291)	(138)	(2,825)
Total income taxes	<u>7,833</u>	4,725	<u>76,049</u>
Income before minority interests	<u>13,198</u>	8,268	<u>128,136</u>
Minority interests in income (loss)	437	479	4,243
Net income	<u>¥ 12,761</u>	<u>¥ 7,789</u>	<u>\$ 123,893</u>
	Yen		U.S. dollars
<b>Amounts per share of common stock:</b>			
Net income	¥ 55.26	¥ 35.24	\$ 0.54
Cash dividends applicable to the year	9.00	8.00	0.09

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥103=US\$ 1, the approximate exchange rate prevailing on March 31, 2014.

## Consolidated Statements of Comprehensive Income

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Year ended Mar. 31, 2014	Year ended Mar. 31, 2013	Year ended Mar. 31, 2014
<b>Income before minority interests</b>	¥ 13,198	¥ 8,268	\$ 128,136
<b>Other comprehensive income</b>			
Unrealized holding gain and loss on securities	1,232	1,014	11,961
Translation adjustments	5,763	6,562	55,951
The amount for equity method company portion	115	214	1,117
Total of other comprehensive income	7,111	7,791	69,039
<b>Comprehensive income</b>	20,310	16,060	197,184
(Breakdown of comprehensive income)			0
Parent company portion of comprehensive income	19,664	15,068	190,913
Minority interest portion of comprehensive income	645	992	6,262

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥103=US\$ 1, the approximate exchange rate prevailing on March 31, 2014.

## Consolidated Statements of Cash Flows

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Year ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	Year ended Mar. 31, 2014	Year ended Mar. 31, 2013	Year ended Mar. 31, 2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 21,032	¥ 12,994	\$ 204,194
Depreciation and amortization	17,293	14,554	167,893
Loss (gain) on sales of noncurrent assets	(272)	(102)	(2,641)
Loss (gain) on disposal of noncurrent assets	436	457	4,233
Loss (gain) on sales of investment securities	21	(0)	204
Loss (gain) on valuation of investment securities	13	8	126
Loss (gain) on valuation of investments in capital of subsidiaries and affiliates	—	—	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	(1,254)	—	(12,175)
Impairment loss	356	55	3,456
Amortization of goodwill	156	1	1,515
Amortization of negative goodwill	(0)	(1)	(0)
Increase (decrease) in allowance for doubtful accounts	(349)	(31)	(3,388)
Increase (decrease) in provision for retirement benefits	—	(146)	—
Increase (decrease) in net defined benefit liability	240	—	2,330
Increase (decrease) in provision for product warranties	1,307	42	12,689
Increase (decrease) in provision for directors' retirement benefits	3	(195)	29
Increase (decrease) in provision for directors' bonuses	25	(11)	243
Increase (decrease) in provision for environmental measures	(2)	—	(19)
Interest and dividends income	(749)	(433)	(7,272)
Interest expenses	1,577	1,684	15,311
Equity in earnings of affiliates	(275)	(536)	(2,670)
Decrease (increase) in notes and accounts receivable-trade	(3,935)	13,091	(38,204)
Decrease (increase) in inventories	(1,746)	(924)	(16,951)
Increase (decrease) in notes and accounts payable-trade	519	(14,882)	5,039
Increase (decrease) in accounts payable-other	276	(1,092)	2,680
Other, net	(1,281)	2,067	(12,437)
Subtotal	33,391	26,599	324,184
Interest and dividends income received	1,303	905	12,650
Interest expenses paid	(1,718)	(1,678)	(16,680)
Income taxes paid	(4,188)	(6,884)	(40,660)
Income taxes refund	—	43	—
Net cash provided by (used in) operating activities	28,788	18,984	279,495
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(839)	(616)	(8,146)
Proceeds from withdrawal of time deposits	870	928	8,447
Purchase of property, plant and equipment	(35,550)	(31,682)	(345,146)
Proceeds from sales of property, plant and equipment	859	114	8,340
Purchase of investment securities	(1,474)	(606)	(14,311)
Purchase of stocks of subsidiaries and affiliates	(474)	(3,621)	(4,602)
Proceeds from sales of stocks of subsidiaries and affiliates	1,793	—	17,408
Payments for investments in capital of subsidiaries and affiliates	—	(298)	—
Payments of loans receivable	(252)	(187)	(2,447)
Collection of loans receivable	279	187	2,709
Other, net	(1,290)	(342)	(12,524)
Net cash provided by (used in) investing activities	(36,078)	(36,125)	(350,272)
<b>Cash flows from financing activities:</b>			
Net decrease in short-term loans payable	3,251	7,018	31,563
Repayments of lease obligations	(476)	(427)	(4,621)
Proceeds from long-term loans payable	12,265	22,822	119,078
Repayment of long-term loans payable	(25,187)	(18,496)	(244,534)
Proceeds from issuance of common stock	17,067	—	165,699
Proceeds from stock issuance to minority shareholders	1,014	—	9,845
Purchase of treasury stock	(16)	(5)	(155)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(1,768)	(1,989)	(17,165)
Cash dividends paid to minority shareholders	(441)	(392)	(4,282)
Net cash provided by (used in) financing activities	5,708	8,529	55,417
<b>Effect of exchange rate change on cash and cash equivalents</b>	1,836	1,815	17,825
<b>Net increase in cash and cash equivalents</b>	255	(6,794)	2,476
<b>Cash and cash equivalents at beginning of period</b>	35,215	42,009	341,893
<b>Increase in cash and cash equivalents resulting from change of scope of consolidation</b>	2,661	—	25,835
<b>Cash and cash equivalents at end of period</b>	¥ 38,132	¥ 35,215	\$ 370,214

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥103=US\$ 1, the approximate exchange rate prevailing on March 31, 2014.

## Segment Information

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries

Year ended March 31, 2014

	Millions of yen						
	Reportable segments			other	Total	Elimination of inter-segment transactions	Consolidated statements
	Automotive components	Hydraulic components	Total				
Net Sales:							
Outside customers	¥ 218,948	¥ 115,485	¥ 334,433	¥ 18,276	¥ 352,710	¥ —	¥ 352,710
Intersegment	2,501	2,783	5,284	2,530	7,815	(7,815)	—
Total sales	<u>221,449</u>	<u>118,268</u>	<u>339,718</u>	<u>20,807</u>	<u>360,525</u>	<u>(7,815)</u>	<u>352,710</u>
Segment Profits	9,152	7,994	17,146	1,123	18,270	(100)	18,170

Year ended March 31, 2014

	Thousands of U.S.dollars						
	Reportable segments			other	Total	Elimination of inter-segment transactions	Consolidated statements
	Automotive components	Hydraulic components	Total				
Net Sales:							
Outside customers	\$ 2,125,709	\$ 1,121,214	\$ 3,246,922	\$ 177,437	\$ 3,424,369	\$ —	\$ 3,424,369
Intersegment	24,282	27,019	51,301	24,563	75,874	(75,874)	—
Total sales	<u>2,149,990</u>	<u>1,148,233</u>	<u>3,298,233</u>	<u>202,010</u>	<u>3,500,243</u>	<u>(75,874)</u>	<u>3,424,369</u>
Segment Profits	88,854	77,612	166,466	10,903	177,379	(971)	176,408

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥103=US\$ 1, the approximate exchange rate prevailing on March 31, 2014.

Year ended March 31, 2013

	Millions of yen						
	Reportable segments			other	Total	Elimination of inter-segment transactions	Consolidated statements
	Automotive components	Hydraulic components	Total				
Net Sales:							
Outside customers	¥ 184,802	¥ 105,067	¥ 289,870	¥ 15,882	¥ 305,752	¥ —	¥ 305,752
Intersegment	2,424	2,402	4,826	1,136	5,962	(5,962)	—
Total sales	<u>187,226</u>	<u>107,469</u>	<u>294,696</u>	<u>17,018</u>	<u>311,715</u>	<u>(5,962)</u>	<u>305,752</u>
Segment Profits	5,106	4,254	9,360	871	10,232	241	10,473