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FLASH REPORT

October 31, 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 first half-year (April 1, 2014 to September 30, 2014)

(1) Operating results

	Net sales		Operating income	
	(% change from the previous period)		(% change from the previous period)	
	Millions of yen		Millions of yen	
Fiscal first half-year	181,606	6.4	8,855	(11.5)
Previous corresponding period	170,624	10.5	10,004	41.8
Previous fiscal year	352,710	15.4	18,170	73.5

	Net income		Net income per share
	(% change from the previous period)		
	Millions of yen		Yen
Fiscal first half-year	6,832	4.0	26.74
Previous corresponding period	6,569	67.2	29.72
Previous fiscal year	12,761	63.8	55.26

(2) Financial data

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Fiscal first half-year	368,730	163,589	42.9
Previous fiscal year	361,083	153,997	41.2

2. Cash dividends

	Annual cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Previous fiscal year	–	4.00	–	5.00	9.00
Fiscal year	–	5.00	–	–	–
Fiscal year (forecast)	–	–	–	5.00	10.00

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	19,600	12,000	46.97

Consolidated Balance Sheets

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2014	Sep.30, 2014	Sep.30, 2014
Assets			
Current assets			
Cash and deposits	39,505	28,295	259,587
Notes and accounts receivable - trade	86,443	89,928	825,028
Finished goods	24,642	25,053	229,844
Work in process	13,566	14,840	136,147
Raw materials and supplies	8,368	8,854	81,229
Deferred tax assets	4,815	4,857	44,560
Short-term loans receivable	45	54	495
Other	8,854	9,585	87,936
Allowance for doubtful accounts	(193)	(197)	(1,807)
Total current assets	186,048	181,271	1,663,037
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	47,362	50,376	462,165
Machinery, equipment and vehicles, net	54,846	60,531	555,330
Land	26,619	26,846	246,294
Leased assets, net	2,788	2,716	24,917
Construction in progress	13,012	12,118	111,174
Other, net	3,007	3,105	28,486
Total property, plant and equipment	147,636	155,696	1,428,404
Intangible assets			
Goodwill	622	544	4,991
Software	156	167	1,532
Other	1,391	1,369	12,560
Total intangible assets	2,170	2,081	19,092
Investments and other assets			
Investment securities	20,712	25,253	231,679
Net defined benefit asset	94	136	1,248
Deferred tax assets	1,934	2,119	19,440
Other	2,542	2,229	20,450
Allowance for doubtful accounts	(57)	(57)	(523)
Total investments and other assets	25,226	29,681	272,303
Total non-current assets	175,034	187,459	1,719,807
Total assets	361,083	368,730	3,382,844

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥109=US\$ 1, the approximate exchange rate prevailing on September 30, 2014.

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2014	Sep.30, 2014	Sep.30, 2014
Liabilities			
Current liabilities			
Notes and accounts payable - trade	62,584	66,298	608,239
Short-term loans payable	44,206	41,882	384,239
Lease obligations	585	587	5,385
Accounts payable - other	11,701	10,468	96,037
Income taxes payable	5,501	2,185	20,046
Notes payable - facilities	2,966	1,376	12,624
Provision for product warranties	5,220	5,290	48,532
Provision for directors' bonuses	173	104	954
Other	13,805	15,164	139,119
Total current liabilities	146,746	143,357	1,315,202
Non-current liabilities			
Long-term loans payable	41,395	39,972	366,716
Lease obligations	2,271	2,114	19,394
Deferred tax liabilities for land revaluation	3,965	3,965	36,376
Provision for directors' retirement benefits	74	80	734
Provision for environmental measures	220	220	2,018
Net defined benefit liability	9,949	12,195	111,881
Asset retirement obligations	386	397	3,642
Other	2,077	2,838	26,037
Total non-current liabilities	60,339	61,783	566,817
Total liabilities	207,085	205,141	1,882,028
Net assets			
Shareholders' equity			
Capital stock	27,647	27,647	253,642
Capital surplus	29,543	29,543	271,037
Retained earnings	78,323	82,123	753,422
Treasury shares	(565)	(566)	(5,193)
Total shareholders' equity	134,948	138,748	1,272,917
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,354	7,363	67,550
Revaluation reserve for land	5,316	5,316	48,771
Foreign currency translation adjustment	3,651	6,040	55,413
Remeasurements of defined benefit plans	506	547	5,018
Total accumulated other comprehensive income	13,828	19,268	176,771
Minority interests	5,220	5,572	51,119
Total net assets	153,997	163,589	1,500,817
Total liabilities and net assets	361,083	368,730	3,382,844

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥109=US\$ 1, the approximate exchange rate prevailing on September 30, 2014.

Consolidated Statements of Income

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Half-year ended Sep.30,2013	Half-year ended Sep. 30, 2014	Half-year ended Sep. 30, 2014
Net sales	170,624	181,606	1,666,110
Cost of sales	135,836	144,653	1,327,092
Gross profit	34,787	36,953	339,018
Selling, general and administrative expenses	24,782	28,098	257,780
Operating income	10,004	8,855	81,239
Non-operating income			
Interest income	105	112	1,028
Dividend income	422	337	3,092
Foreign exchange gains	221	834	7,651
Technical support fee	102	401	3,679
Share of profit of entities accounted for using equity	140	164	1,505
Other	792	585	5,367
Total non-operating income	1,785	2,435	22,339
Non-operating expenses			
Interest expenses	795	709	6,505
Other	399	201	1,844
Total non-operating expenses	1,194	911	8,358
Ordinary income	10,594	10,379	95,220
Extraordinary income			
Gain on sales of non-current assets	271	10	92
Total extraordinary income	271	10	92
Extraordinary losses			
Loss on disposal of non-current assets	204	390	3,578
Impairment loss	3	2	18
Loss on sales of investment securities	21	—	—
Loss on valuation of investment securities	—	4	37
Special retirement expenses	12	2	18
Other	—	0	0
Total extraordinary losses	241	400	3,670
Income before income taxes and minority interests	10,625	9,989	91,642
Income taxes - current	3,546	3,618	33,193
Refund of income taxes for prior periods	—	(670)	(6,147)
Income taxes - deferred	230	(21)	(193)
Total income taxes	3,776	2,927	26,853
Income before minority interests	6,848	7,062	64,789
Minority interests in income	279	229	2,101
Net income	6,569	6,832	62,679

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥109=US\$ 1, the approximate exchange rate prevailing on September 30, 2014.

Consolidated Statements of Comprehensive Income

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Half-year ended Sep.30,2013	Half-year ended Sep. 30, 2014	Half-year ended Sep. 30, 2014
Income before minority interests	6,848	7,062	64,789
Other comprehensive income			
Valuation difference on available-for-sale securities	1,084	3,009	27,606
Foreign currency translation adjustment	2,745	2,666	24,459
Remeasurements of defined benefit plans, net of tax	—	32	294
Share of other comprehensive income of entities accounted for using equity method	337	(43)	(394)
Total other comprehensive income	4,167	5,665	51,972
Comprehensive income	11,016	12,727	116,761
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	10,686	12,272	112,587
Comprehensive income attributable to minority interests	329	455	4,174

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥109=US\$ 1, the approximate exchange rate prevailing on September 30, 2014.

Consolidated Statements of Cash Flows

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Half-year ended Sep.30,2013	Half-year ended Sep. 30, 2014	Half-year ended Sep. 30, 2014
Cash flows from operating activities			
Income before income taxes and minority interests	10,625	9,989	91,642
Depreciation	7,924	7,664	70,312
Loss (gain) on sales of non-current assets	(271)	(10)	(92)
Loss (gain) on disposal of non-current assets	204	390	3,578
Loss (gain) on sales and valuation of investment securities	21	4	37
Impairment loss	3	2	18
Amortization of goodwill	78	78	716
Amortization of negative goodwill	0	-	-
Increase (decrease) in allowance for doubtful accounts	(154)	4	37
Increase (decrease) in provision for retirement benefits	104	-	-
Increase (decrease) in net defined benefit liability	-	(317)	(2,908)
Increase (decrease) in provision for product warranties	277	44	404
Increase (decrease) in provision for directors' bonuses	(58)	(70)	(642)
Increase (decrease) in provision for directors' retirement benefits	(1)	6	55
Increase (decrease) in provision for environmental measures	(1)	-	-
Interest and dividend income	(528)	(449)	(4,119)
Interest expenses	795	709	6,505
Share of (profit) loss of entities accounted for using equity method	(140)	(164)	(1,505)
Decrease (increase) in notes and accounts receivable - trade	(2,585)	(2,667)	(24,468)
Decrease (increase) in inventories	598	(1,730)	(15,872)
Increase (decrease) in notes and accounts payable - trade	(1,038)	3,120	28,624
Increase (decrease) in accounts payable - other	540	324	2,972
Other, net	(4,399)	(3)	(28)
Subtotal	11,991	16,925	155,275
Interest and dividend income received	1,001	859	7,881
Interest expenses paid	(933)	(751)	(6,890)
Income taxes paid	(1,495)	(6,248)	(57,321)
Income taxes refund	-	50	459
Net cash provided by (used in) operating activities	10,562	10,835	99,404
Cash flows from investing activities			
Payments into time deposits	(226)	(202)	(1,853)
Proceeds from withdrawal of time deposits	180	334	3,064
Purchase of property, plant and equipment	(21,260)	(16,183)	(148,468)
Proceeds from sales of property, plant and equipment	541	113	1,037
Purchase of investment securities	(972)	(304)	(2,789)
Proceeds from sales of investment securities	9	-	-
Purchase of shares of subsidiaries and associates	(474)	-	-
Payments of loans receivable	(116)	(153)	(1,404)
Collection of loans receivable	115	133	1,220
Other, net	(690)	151	1,385
Net cash provided by (used in) investing activities	(22,894)	(16,112)	(147,817)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	839	746	6,844
Repayments of lease obligations	(191)	(305)	(2,798)
Proceeds from long-term loans payable	8,959	4,511	41,385
Repayments of long-term loans payable	(8,913)	(9,942)	(91,211)
Proceeds from share issuance to minority shareholders	-	205	1,881
Purchase of treasury shares	(4)	(1)	(9)
Proceeds from sales of treasury shares	-	0	0
Cash dividends paid	(884)	(1,277)	(11,716)
Cash dividends paid to minority shareholders	(441)	(308)	(2,826)
Net cash provided by (used in) financing activities	(636)	(6,371)	(58,450)
Effect of exchange rate change on cash and cash equivalents	929	497	4,560
Net increase (decrease) in cash and cash equivalents	(12,038)	(11,150)	(102,294)
Cash and cash equivalents at beginning of period	35,215	38,132	349,835
Increase in cash and cash equivalents from newly consolidated subsidiary	2,515	-	-
Cash and cash equivalents at end of period	25,692	26,981	247,532

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