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FLASH REPORT

October. 31, 2017

Company name (official) : KYB Corporation

URL <https://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 Japanese and English versions, Japanese version is assumed to be correct.

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

1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results

(Percentages indicate the change of the same period of the previous year)

	Net sales		Operating profit		Profit before taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2017	188,892	9.2	11,048	60.8	10,902	60.3	7,548	29.4
September 30, 2016	172,929	(3.8)	6,873	—	6,802	—	5,834	—

	Profit attributable to owners of the parent		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
September 30, 2017	7,239	28.9	13,415	—	283.39	—
September 30, 2016	5,615	—	(1,807)	—	219.80	—

*We carried out 1-for-10 reverse stock split on the effective date of October 1, 2017. Therefore basic earnings per share is calculated assuming that the reverse stock was carried out at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2017	403,650	181,208	175,532	43.5	6,871.35
March 31, 2017	381,326	169,771	164,299	43.1	6,431.51

*We carried out 1-for-10 reverse stock split on the effective date of October 1, 2017. Therefore equity attributable to owners of the parent per share is calculated assuming that the reverse stock was carried out at the beginning of the previous consolidated fiscal year.

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	—	5.00	—	7.00	12.00
Current fiscal year	—	7.00			
Current fiscal year (forecast)			—	65.00	—

*We carried out 1-for-10 reverse stock split on the effective date of October 1, 2017.

As for cash dividends per share of fiscal year 2017, we disclose the amount after we take the reverse stock split into consideration.

And we disclose total annual cash dividends per share as "-". Without taking reverse stock split into consideration, cash dividends per share at year-end will be 6.50 yen and total annual cash dividends per share will be 13.50 yen.

3. Forecasts for the current fiscal year (April 1, 2017 to March 31, 2018)

(Percentages indicate the change of the same period of the previous year)

	Net sales		Operating profit		Profit before taxes		Profit for the period		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Current fiscal year	388,000	9.2	23,000	19.5	22,800	20.9	16,400	8.8	15,700	7.9	614.58

*As for basic earnings per share of full year, we calculate it taking the reverse stock split into consideration.

Consolidated Statements of Financial Position

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	33,988	37,612
Trade and other receivables	92,653	101,465
Inventories	49,640	52,272
Other current financial assets	1,039	942
Other current assets	3,641	3,696
Total current assets	180,962	195,988
Non-current assets:		
Property, plant and equipment	158,990	162,250
Goodwill	283	282
Intangible assets	5,850	6,330
Investments accounted for using the equity method	5,438	5,237
Other non-current financial assets	23,169	26,862
Other non-current assets	500	545
Deferred tax assets	6,132	6,156
Total non-current assets	200,364	207,661
Total assets	381,326	403,650

(Unit: Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities and equity		
Current liabilities:		
Trade and other payables	72,137	76,949
Borrowings	50,983	54,612
Income tax payables	1,536	1,979
Other current financial liabilities	18,274	21,527
Provisions	3,754	4,974
Other current liabilities	1,001	45
Total current liabilities	147,684	160,086
Non-current liabilities:		
Borrowings	39,962	36,634
Liabilities for retirement benefits	11,589	11,934
Other non-current financial liabilities	2,405	2,382
Provisions	2,127	2,163
Other non-current liabilities	56	31
Deferred tax liabilities	7,732	9,212
Total non-current liabilities	63,871	62,356
Total liabilities	211,555	222,442
Equity		
Equity attributable to owners of the parent:		
Share capital	27,648	27,648
Capital surplus	29,414	29,414
Retained earnings	100,995	106,514
Treasury shares	(587)	(589)
Other components of equity	6,829	12,545
Total equity attributable to owners of the parent	164,299	175,532
Non-controlling interests	5,472	5,676
Total equity	169,771	181,208
Total liabilities and equity	381,326	403,650

Consolidated Statements of Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)	For the six months ended September 30, 2017 (Apr. 1 through Sep. 30, 2017)
Net sales	172,929	188,892
Cost of sales	138,351	150,676
Gross profit	34,578	38,216
Selling, general and administrative expenses	26,728	28,074
Equity in earnings of affiliates	546	81
Other income	843	1,652
Other expenses	2,367	827
Operating profit	6,873	11,048
Finance income	445	377
Finance costs	515	523
Profit before taxes	6,802	10,902
Income tax expenses	968	3,354
Profit for the period	5,834	7,548
Profit attributable to:		
Owners of the parent	5,615	7,239
Non-controlling interests	219	308
Profit for the period	5,834	7,548
Earnings per share		
Basic earnings per share (in yen)	219.80	283.39

Consolidated Statements of Comprehensive Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)	For the six months ended September 30, 2017 (Apr. 1 through Sep. 30, 2017)
Profit for the period	5,834	7,548
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Net changes in financial assets measured at fair value through other comprehensive income	276	2,725
Remeasurements of defined benefit plans	10	(1)
Share of other comprehensive income of investments accounted for using the equity method	(487)	1
Total	(201)	2,725
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(7,380)	3,290
Effective portion of the net changes in the fair value of cash flow hedges	(61)	(52)
Share of other comprehensive income of investments accounted for using the equity method	—	(96)
Total	(7,441)	3,142
Total other comprehensive income	(7,641)	5,867
Comprehensive income for the period	(1,807)	13,415
Comprehensive income for the period attributable to:		
Owners of the parent	(1,616)	12,955
Non-controlling interests	(191)	460
Comprehensive income for the period	(1,807)	13,415

Consolidated Statements of Changes in Equity

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance at April 1, 2016	27,648	29,414	86,393	(579)
Comprehensive income for the period:				
Profit for the period	—	—	5,615	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	5,615	—
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	—	—	—	(1)
Dividends of surplus	—	—	(1,533)	—
Changes of scope of equity method	—	—	1,175	—
Changes due to business combination	—	—	(45)	—
Transfer to retained earnings	—	—	(23)	—
Total contributions by and distributions to owners in their capacity as owners	—	—	(425)	(1)
Changes in equity interest of subsidiaries:				
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	—	—	—
Total transactions with owners	—	—	(425)	(1)
Balance at September 30, 2016	27,648	29,414	91,584	(580)
Balance at April 1, 2017	27,648	29,414	100,995	(587)
Comprehensive income for the period:				
Profit for the period	—	—	7,239	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	7,239	—
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	—	—	—	(2)
Dividends of surplus	—	—	(1,788)	—
Changes of scope of equity method	—	—	—	—
Changes due to business combination	—	—	69	—
Transfer to retained earnings	—	—	(0)	—
Total contributions by and distributions to owners in their capacity as owners	—	—	(1,720)	(2)
Changes in equity interest of subsidiaries:				
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	—	—	—
Total transactions with owners	—	—	(1,720)	(2)
Balance at September 30, 2017	27,648	29,414	106,514	(589)

(Unit: Millions of yen)

	Other components of equity					Comprehensive income for the year attributable to owners of the parent	Non-controlling interests	Total equity
	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of the net changes in the fair value of cash flow hedges	Total other components of equity			
Balance at April 1, 2016	4,967	—	275	160	5,402	148,278	5,103	153,381
Comprehensive income for the period:								
Profit for the period	—	—	—	—	—	5,615	219	5,834
Other comprehensive income	276	9	(7,458)	(60)	(7,232)	(7,232)	(410)	(7,641)
Total comprehensive income for the period	276	9	(7,458)	(60)	(7,232)	(1,616)	(191)	(1,807)
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	—	—	—	—	—	(1)	—	(1)
Dividends of surplus	—	—	—	—	—	(1,533)	—	(1,533)
Changes of scope of equity method	—	—	—	—	—	1,175	—	1,175
Changes due to business combination	—	—	—	—	—	(45)	—	(45)
Transfer to retained earnings	32	(9)	—	—	23	—	—	—
Total contributions by and distributions to owners in their capacity as owners	32	(9)	—	—	23	(403)	—	(403)
Changes in equity interest of subsidiaries:								
Dividends of surplus	—	—	—	—	—	—	(241)	(241)
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	(241)	(241)
Total transactions with owners	32	(9)	—	—	23	(403)	(241)	(644)
Balance at September 30, 2016	5,276	—	(7,183)	101	(1,807)	146,259	4,671	150,930
Balance at April 1, 2017	8,274	—	(1,521)	77	6,829	164,299	5,472	169,771
Comprehensive income for the period:								
Profit for the period	—	—	—	—	—	7,239	308	7,548
Other comprehensive income	2,725	0	3,039	(49)	5,715	5,715	152	5,867
Total comprehensive income for the period	2,725	0	3,039	(49)	5,715	12,955	460	13,415
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	—	—	—	—	—	(2)	—	(2)
Dividends of surplus	—	—	—	—	—	(1,788)	—	(1,788)
Change of scope of equity method	—	—	—	—	—	—	—	—
Changes due to business combination	—	—	—	—	—	69	—	69
Transfer to retained earnings	0	(0)	—	—	0	—	—	—
Total contributions by and distributions to owners in their capacity as owners	0	(0)	—	—	0	(1,722)	—	(1,722)
Changes in equity interest of subsidiaries:								
Dividends of surplus	—	—	—	—	—	—	(257)	(257)
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	(257)	(257)
Total transactions with owners	0	(0)	—	—	0	(1,722)	(257)	(1,978)
Balance at September 30, 2017	10,999	—	1,518	28	12,545	175,532	5,676	181,208

Consolidated Statements of Cash Flows

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)	For the six months ended September 30, 2017 (Apr. 1 through Sep. 30, 2017)
Cash flows from operating activities:		
Profit before taxes	6,802	10,902
Depreciation and amortization	7,751	8,183
Impairment losses	1	425
Increase (decrease) in assets and liabilities for retirement benefits	164	327
Increase (decrease) in provisions for product warranties	(659)	422
Finance income	(445)	(377)
Finance costs	515	523
Equity in earnings of affiliates	(546)	(81)
(Increase) decrease in trade and other receivables	(2,702)	(6,557)
(Increase) decrease in inventories	(876)	(1,014)
Increase (decrease) in trade and other payables	1,890	2,836
Other	2,778	183
Subtotal	14,673	15,773
Interest received	43	32
Dividends received	619	555
Interest paid	(531)	(560)
Income taxes paid	(1,316)	(2,318)
Net cash from operating activities	13,488	13,483
Cash flows from investing activities:		
Payment into time deposits	(137)	(3)
Proceeds from withdrawal of time deposits	189	112
Payment for purchases of property, plant and equipment	(8,897)	(5,549)
Proceeds from sales of property, plant and equipment	8	35
Payment for purchases of other financial assets	(1)	(9)
Proceeds from sale of other financial assets	31	8
Other	(419)	(851)
Net cash flows from investing activities	(9,225)	(6,256)

(Unit: Millions of yen)

	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)	For the six months ended September 30, 2017 (Apr. 1 through Sep. 30, 2017)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	6,475	1,621
Repayments of lease obligations	(235)	(308)
Proceeds from long-term borrowings	5,716	3,636
Repayment of long-term borrowings	(9,644)	(7,307)
Payments for purchase of treasury shares	(1)	(2)
Dividends paid	(1,533)	(1,788)
Dividends paid to non-controlling interests	(241)	(257)
Net cash flows from financing activities	537	(4,405)
Effect of changes in foreign exchange rates	(1,626)	760
Net increase (decrease) in cash and cash equivalents	3,174	3,582
Cash and cash equivalents at beginning of period	25,296	33,988
Increase (decrease) in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	5	42
Cash and cash equivalents at end of period	28,475	37,612

Segment Information

KYB Corporation and its Consolidated Subsidiaries

For the six months ended September 30, 2016

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customers	115,175	45,152	160,326	12,603	172,929	—	172,929
Intersegment sales and transfers	312	1,143	1,455	190	1,645	(1,645)	—
Total	115,486	46,295	161,781	12,793	174,574	(1,645)	172,929
Segment profit	6,107	1,526	7,632	140	7,772	78	7,850
Equity in earnings of affiliates	358	188	546	—	546	—	546
Other income and expenses (net)	(905)	(493)	(1,397)	(126)	(1,524)	—	(1,524)
Operating profit	5,560	1,221	6,781	13	6,795	78	6,873
Finance income and costs (net)							(70)
Profit before taxes							6,802

Notes: 1. "Others" includes "Special-purpose Vehicles", "Aircraft Components" and "System Products and Electronic Equipment" that are not included in the two of reportable segment.

2. ¥78 million of adjustment of segment profit is the elimination of intersegment transactions.

For the six months ended September 30, 2017

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customers	119,076	57,406	176,482	12,410	188,892	—	188,892
Intersegment sales and transfers	385	742	1,127	211	1,338	(1,338)	—
Total	119,461	58,148	177,610	12,621	190,230	(1,338)	188,892
Segment profit	4,614	5,165	9,779	181	9,960	182	10,142
Equity in earnings (losses) of affiliates	(41)	121	81	—	81	—	81
Other income and expenses (net)	957	(40)	916	(91)	826	—	826
Operating profit	5,530	5,246	10,776	90	10,866	182	11,048
Finance income and costs (net)							(146)
Profit before taxes							10,902

Notes: 1. "Others" includes "Special-purpose Vehicles", "Aircraft Components" and "System Products and Electronic Equipment" that are not included in the two of reportable segment.

2. ¥182 million of adjustment of segment profit is the elimination of intersegment transactions.

*With regard to the changes of reportable segment

In the first quarter of this fiscal year, due to the change in the management method of some domestic affiliated companies, we reexamined the "Electronic Equipment" business, etc which had been included in "Hydraulic components" and "Others". And we disclose part of it into "Automotive components" and "Hydraulic components".

Financial information for the previous fiscal year has been revised to reflect this change.