

PRESS RELEASE

Company name: KYB Corporation
 Representative: Yasusuke Nakajima
 Representative Director, President Executive Officer
 Stock Code: 7242 (First Section, TSE)
 Contact: Kimiro Sudo
 Executive Officer, Corporate Planning Department
 (TEL: +81-3-3435-3527)

Notice Concerning Business Alliance with Hubei Henglong Automotive System Group Co., Ltd.

We hereby inform you that KYB Corporation (“KYB”) and KYB (China) Investment Co., Ltd. (“KCI”), KYB’s wholly-owned subsidiaries, have agreed to form a business alliance with Hubei Henglong Automotive System Group Co., Ltd. (“Hubei Henglong”) in connection with the manufacture, sales, research and development of automotive electronic power steering systems and other automotive parts through a joint venture. We concluded a joint venture agreement with Hubei Henglong today. Details are as follows.

1. Reasons for Forming the Business Alliance

To date, KYB has manufactured automotive electronic power steering systems (“EPS”) and supplied them to finished vehicle manufacturers. In this operation, however, KYB has not been able to sufficiently meet customer requests in recent years for product supply to their overseas bases because its existing EPS manufacturing lines are limited to plants in Japan.

KYB is seeking to solve this problem through the latest business alliance with Hubei Henglong, the largest non-foreign EPS manufacturer in China, in the fields of EPS development, production and supply. At the same time, KYB aims to expand EPS sales in China and develop products for ecocars (EVs/PHVs/FCVs) and products for automated driving technologies whose markets are anticipated to expand in the future, making the most of the resources of the two companies.

2. Details of the Business Alliance and Other Information

(1) Details of the Business Alliance

- Manufacture and sales of EPS and other related products for Chinese and overseas markets in the joint corporation
- Joint development of EPS-related technologies

(2) Outline of the Joint Corporation

(1) Name	Hubei Henglong & KYB Automotive Electric Steering System Co., Ltd. (TBD)
(2) Address	No.1, Henglong Road, Economic and Technological Development Zone, Jingzhou City, Hubei Province, China
(3) Name and Position of Company Representative	Mr. Hanlin Chen, Chairman of the Board
(4) Business Description	Manufacture and sales of automotive electronic power steering systems and other automotive products
(5) Capital Stock	320 million RMB (approximately 5.5 billion yen)
(6) Date Founded	June 2018 (plan)
(7) Closing Period	December
(8) Capital contribution ratios	Hubei Henglong Automotive System Group Co., Ltd.: 66.6%, KYB (China) Investment Co., Ltd.: 33.4%

*Figures in parentheses are references based on the exchange rate on April 25, 2018.

(Exchange rate applied: 1 RMB=17.29 yen)

3. Outline of KCI

(1)	Name	KYB (China) Investment Co., Ltd.
(2)	Address	No.121, Wei 3 Road, Dingmao, Zhenjiang New Zone, Zhenjiang, Jiangsu, China
(3)	Name and Position of Company Representative	Mr. Guo Mao Ying, Chairman of the Board
(4)	Business Description	Management of KYB Groupe companies in China
(5)	Capital Stock	78.91 million US dollars (approximately 8.6 billion yen)
(6)	Capital contribution ratios	KYB Corporation: 100%

*Figures in parentheses are references based on the exchange rate on April 25, 2018.

(Exchange rate applied: 1 US dollar =108.89yen)

4. Outline of the Business Alliance Partner

(1)	Name	Hubei Henglong Automotive System Group Co., Ltd.		
(2)	Address	Dongfang Avenue, Development Zone of Jingzhou City, Hubei Province, China		
(3)	Name and Position of Company Representative	Mr. Hanlin Chen, Chairman of the Board		
(4)	Business Description	Design, production and sales of automotive parts		
(5)	Capital Stock	39 million US dollars (approximately 4.3 billion yen)		
(6)	Date Founded	March 7, 2007		
(7)	Major Shareholders and Shareholding Ratios	Great Genesis Holdings Ltd. : 100%		
(8)	Ties between KYB and the Company Concerned	Capital Ties	KYB has no capital ties with the company concerned that should be mentioned. Furthermore, no capital ties worthy of special mention exist between parties involved in KYB and its affiliates, and parties involved in the company concerned and its affiliates.	
		Personal Ties	KYB has no personal ties with the company concerned that should be mentioned. Furthermore, no personal ties worthy of special mention exist between parties involved in KYB and its affiliates, and parties involved in the company concerned and its affiliates.	
		Business Ties	KYB has no business ties with the company concerned that should be mentioned. Furthermore, no business ties worthy of special mention exist between parties involved in KYB and its affiliates, and parties involved in the company concerned and its affiliates.	
		State of Correspondence to Related Parties	The company concerned does not correspond to a related party of KYB. Furthermore, parties involved in the company concerned and its affiliates do not correspond to related parties of KYB.	
(9)	Business Performance and Financial Position of the Company Concerned in the Last Three Years			
	Fiscal Year Closed	Fiscal Year Ended December 2015	Fiscal Year Ended December 2016	Fiscal Year Ended December 2017
	Net Assets	1,194,062K RMB (20,645 million yen)	1,229,576K RMB (21,259 million yen)	1,265,663K RMB (21,883 million yen)

Total Assets	1,674,400K RMB (28,950 million yen)	1,792,202K RMB (30,987 million yen)	2,108,002K RMB (36,447 million yen)
Net Sales	368,674K RMB (6,374 million yen)	404,546K RMB (6,995 million yen)	645,527K RMB (11,161 million yen)
Operating Income	212,755K RMB (3,679 million yen)	42,747K RMB (739 million yen)	40,918K RMB (707 million yen)
Net Income Attributable to Owners of Parent	207,458K RMB (3,587 million yen)	36,048K RMB (623 million yen)	37,090K RMB (641 million yen)

*Figures in parentheses are references based on the exchange rate on April 25, 2018.

(Exchange rate applied: 1 US dollar = 108.89 yen, 1 RMB= 17.29 yen)

5. Schedule

(1)	Conclusion of Agreement	April 27, 2018
(2)	Business launch	June 2018 (plan)
(3)	Manufacturing launch	September 2018 (plan)

6. Forecast of Business Performance

The joint corporation is scheduled to be established in June 2018. Its establishment will have no impact on KYB's consolidated performance for the fiscal year ending March 2018. We will announce consolidated performance forecast for the fiscal year ending March 2019, which will include the impact of its establishment, in May 2018.