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FLASH REPORT

November. 13, 2019

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, 2019 (from April 1, 2019 to September 30, 2019)

(1) Consolidated operating results

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

	Net sales		Segment profit		Operating profit		Profit before taxes	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	197,638	(2.5)	11,919	25.9	4,498	—	4,205	—
September 30, 2018	202,789	7.0	9,468	(11.5)	(11,300)	—	(12,369)	—

	Profit for the period		Profit attributable to owners of the parent		Comprehensive income for the period		Basic earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
September 30, 2019	1,919	—	1,666	—	(2,592)	—	65.20
September 30, 2018	(11,789)	—	(11,972)	—	(10,911)	—	(468.67)

	Diluted earnings per share
Six months ended	Yen
September 30, 2019	—
September 30, 2018	—

*Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales.

(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
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
September 30, 2019	439,368	152,718	146,475	33.3	5,734.39
March 31, 2019	441,074	155,643	149,338	33.9	5,846.39

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	—	0.00	—	0.00	0.00
Current fiscal year	—	0.00			
Current fiscal year (forecast)			—	—	—

3. Forecasts for the current fiscal year (April 1, 2019 to March 31, 2020)

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

	Net sales		Segment profit		Operating profit		Profit before taxes	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Current fiscal year	390,000	(5.4)	20,600	(6.4)	6,500	—	6,000	—

	Profit for the period		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Current fiscal year	3,300	—	2,800	—	109.62

*Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales.

Consolidated Statements of Financial Position

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	56,092	39,454
Trade and other receivables	107,426	100,331
Inventories	59,591	60,311
Other current financial assets	1,170	1,126
Other current assets	10,826	11,153
Total current assets	235,105	212,375
Non-current assets:		
Property, plant and equipment	161,368	182,494
Goodwill	264	251
Intangible assets	7,532	7,180
Investments accounted for using the equity method	5,570	5,205
Other non-current financial assets	22,983	21,621
Other non-current assets	650	2,012
Deferred tax assets	7,602	8,230
Total non-current assets	205,969	226,993
Total assets	441,074	439,368

(Unit: Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Current liabilities:		
Trade and other payables	87,189	75,541
Borrowings	54,255	57,081
Income tax payables	1,128	608
Other current financial liabilities	24,307	24,778
Provisions	37,876	39,716
Other current liabilities	2,224	1,154
Total current liabilities	206,979	198,878
Non-current liabilities:		
Borrowings	44,046	38,415
Liabilities for retirement benefits	10,807	10,844
Other non-current financial liabilities	8,521	27,925
Provisions	14,178	9,604
Other non-current liabilities	553	476
Deferred tax liabilities	346	508
Total non-current liabilities	78,451	87,772
Total liabilities	285,430	286,650
Equity		
Equity attributable to owners of the parent:		
Share capital	27,648	27,648
Capital surplus	29,414	29,414
Retained earnings	86,536	87,850
Treasury shares	(600)	(601)
Other components of equity	6,340	2,165
Total equity attributable to owners of the parent	149,338	146,475
Non-controlling interests	6,306	6,242
Total equity	155,643	152,718
Total liabilities and equity	441,074	439,368

Consolidated Statements of Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2018 (Apr. 1 through Sep. 30, 2018)	For the six months ended September 30, 2019 (Apr. 1 through Sep. 30, 2019)
Net sales	202,789	197,638
Cost of sales	162,560	158,851
Gross profit	40,229	38,787
Selling, general and administrative expenses	30,761	26,868
Equity in profit of affiliates	10	299
Other income	528	667
Other expenses	21,307	8,388
Operating profit (loss)	(11,300)	4,498
Finance income	376	339
Finance costs	1,445	632
Profit (loss) before taxes	(12,369)	4,205
Income tax expenses	(580)	2,286
Profit (loss) for the period	(11,789)	1,919
Profit attributable to:		
Owners of the parent	(11,972)	1,666
Non-controlling interests	183	254
Profit (loss) for the period	(11,789)	1,919
Earnings per share		
Basic earnings (loss) per share (in yen)	(468.67)	65.20

Consolidated Statements of Comprehensive Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2018 (Apr. 1 through Sep. 30, 2018)	For the six months ended September 30, 2019 (Apr. 1 through Sep. 30, 2019)
Profit (loss) for the period	(11,789)	1,919
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	266	(1,287)
Remeasurements of defined benefit plans	(5)	4
Share of other comprehensive income of investments accounted for using the equity method	3	0
Total	264	(1,282)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	756	(2,889)
Effective portion of the net changes in the fair value of cash flow hedges	(7)	—
Share of other comprehensive income of investments accounted for using the equity method	(134)	(340)
Total	614	(3,229)
Total other comprehensive income	878	(4,511)
Comprehensive income for the period	(10,911)	(2,592)
Comprehensive income for the period attributable to:		
Owners of the parent	(11,151)	(2,711)
Non-controlling interests	240	119
Comprehensive income for the period	(10,911)	(2,592)

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, 2018	27,648	29,414	114,363	(598)
Impact of changes in accounting policies	—	—	—	—
Balance at April 1, 2018 (revised)	27,648	29,414	114,363	(598)
Comprehensive income for the period:				
Loss for the period	—	—	(11,972)	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	(11,972)	—
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	—	—	—	(1)
Dividends of surplus	—	—	(2,044)	—
Transfer to retained earnings	—	—	2	—
Total contributions by and distributions to owners in their capacity as owners	—	—	(2,042)	(1)
Changes in equity interest of subsidiaries:				
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	—	—	—
Total transactions with owners	—	—	(2,042)	(1)
Balance at September 30, 2018	27,648	29,414	100,349	(599)
Balance at April 1, 2019	27,648	29,414	86,536	(600)
Impact of changes in accounting policies	—	—	(150)	—
Balance at April 1, 2019 (revised)	27,648	29,414	86,386	(600)
Comprehensive income for the period:				
Profit for the period	—	—	1,666	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	1,666	—
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	—	—	—	(1)
Dividends of surplus	—	—	—	—
Transfer to retained earnings	—	—	(202)	—
Total contributions by and distributions to owners in their capacity as owners	—	—	(202)	(1)
Changes in equity interest of subsidiaries:				
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	—	—	—
Total transactions with owners	—	—	(202)	(1)
Balance at September 30, 2019	27,648	29,414	87,850	(601)

(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, 2018	9,480	—	(88)	6	9,398	180,225	6,426	186,651
Impact of changes in accounting policies	—	—	—	—	—	—	—	—
Balance at April 1, 2018 (revised)	9,480	—	(88)	6	9,398	180,225	6,426	186,651
Comprehensive income for the period:								
Loss for the period	—	—	—	—	—	(11,972)	183	(11,789)
Other comprehensive income	266	0	561	(6)	821	821	57	878
Total comprehensive income for the period	266	0	561	(6)	821	(11,151)	240	(10,911)
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	—	—	—	—	—	(1)	—	(1)
Dividends of surplus	—	—	—	—	—	(2,044)	—	(2,044)
Transfer to retained earnings	(1)	(0)	—	—	(2)	—	—	—
Total contributions by and distributions to owners in their capacity as owners	(1)	(0)	—	—	(2)	(2,045)	—	(2,045)
Changes in equity interest of subsidiaries:								
Dividends of surplus	—	—	—	—	—	—	(321)	(321)
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	(321)	(321)
Total transactions with owners	(1)	(0)	—	—	(2)	(2,045)	(321)	(2,366)
Balance at September 30, 2018	9,745	—	473	—	10,218	167,029	6,345	173,375
Balance at April 1, 2019	6,866	—	(526)	—	6,340	149,338	6,306	155,643
Impact of changes in accounting policies	—	—	—	—	—	(150)	—	(150)
Balance at April 1, 2019 (revised)	6,866	—	(526)	—	6,340	149,187	6,306	155,493
Comprehensive income for the period:								
Profit for the period	—	—	—	—	—	1,666	254	1,919
Other comprehensive income	(1,287)	2	(3,092)	—	(4,377)	(4,377)	(135)	(4,511)
Total comprehensive income for the period	(1,287)	2	(3,092)	—	(4,377)	(2,711)	119	(2,592)
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	—	—	—	—	—	(1)	—	(1)
Dividends of surplus	—	—	—	—	—	—	—	—
Transfer to retained earnings	204	(2)	—	—	202	—	—	—
Total contributions by and distributions to owners in their capacity as owners	204	(2)	—	—	202	(1)	—	(1)
Changes in equity interest of subsidiaries:								
Dividends of surplus	—	—	—	—	—	—	(182)	(182)
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	(182)	(182)
Total transactions with owners	204	(2)	—	—	202	(1)	(182)	(183)
Balance at September 30, 2019	5,783	—	(3,618)	—	2,165	146,475	6,242	152,718

Consolidated Statements of Cash Flows

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2018 (Apr. 1 through Sep. 30, 2018)	For the six months ended September 30, 2019 (Apr. 1 through Sep. 30, 2019)
Cash flows from operating activities:		
Profit (loss) before taxes	(12,369)	4,205
Depreciation and amortization	8,577	10,379
Impairment losses	2,050	557
Reversal gain of impairment losses	(19)	(22)
Gain on sales of fixed asset	(40)	(28)
Increase (decrease) in assets and liabilities for retirement benefits	15	34
Increase (decrease) in provisions for product warranties	14,483	(4,538)
Finance income	(376)	(339)
Finance costs	1,445	632
Equity in profit of affiliates	(10)	(299)
(Increase) decrease in trade and other receivables	2,327	3,482
(Increase) decrease in inventories	(2,378)	(2,179)
Increase (decrease) in trade and other payables	(3,885)	(9,743)
Increase (decrease) in provision for loss on cancellation of joint venture agreement	(1,189)	—
Loss associated with the Anti-Trust law	4,424	—
Other	(1,607)	1,455
Subtotal	11,447	3,596
Interest received	91	93
Dividends received	572	554
Interest paid	(524)	(645)
Income taxes paid	(2,274)	(2,702)
Net cash from operating activities	9,313	896
Cash flows from investing activities:		
Payment into time deposits	(446)	(2)
Proceeds from withdrawal of time deposits	94	46
Payment for purchases of property, plant and equipment	(10,260)	(11,509)
Proceeds from sales of property, plant and equipment	160	191
Payment for purchases of other financial assets	(19)	(13)
Proceeds from sale of other financial assets	2	528
Proceeds from changes in ownership interests in subsidiaries that result in changes in scope of consolidation	841	—
Payment for purchases of Investments accounted for using the equity method	(1,755)	—
Other	(1,169)	(741)
Net cash flows from investing activities	(12,554)	(11,500)

(Unit: Millions of yen)

	For the six months ended September 30, 2018 (Apr. 1 through Sep. 30, 2018)	For the six months ended September 30, 2019 (Apr. 1 through Sep. 30, 2019)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(204)	3,382
Repayments of lease liabilities	(275)	(2,251)
Proceeds from long-term borrowings	7,057	67
Repayment of long-term borrowings	(8,524)	(4,924)
Payment for borrowing fee	—	(1,233)
Payments for purchase of treasury shares	(1)	(1)
Dividends paid	(2,044)	—
Dividends paid to non-controlling interests	(321)	(182)
Net cash flows from financing activities	(4,312)	(5,142)
Effect of changes in foreign exchange rates	(58)	(892)
Net increase (decrease) in cash and cash equivalents	(7,610)	(16,638)
Cash and cash equivalents at beginning of period	42,702	56,092
Cash and cash equivalents at end of period	35,092	39,454

Segment Information

KYB Corporation and its Consolidated Subsidiaries

For the six months ended September 30, 2018

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	System Products	Aircraft Components	Subtotal				
Net sales:									
Outside customers	123,722	67,224	3,243	2,896	197,086	5,703	202,789	—	202,789
Intersegment sales and transfers	359	650	75	—	1,084	50	1,134	(1,134)	—
Total	124,081	67,874	3,318	2,896	198,170	5,753	203,922	(1,134)	202,789
Segment profit (loss)	4,264	5,547	(134)	(686)	8,991	338	9,329	139	9,468
Equity in earnings (loss) of affiliates	(99)	109	—	—	10	—	10	—	10
Other income and expenses (net)	(4,334)	29	(16,468)	(17)	(20,790)	12	(20,778)	—	(20,778)
Operating profit (loss)	(169)	5,684	(16,602)	(703)	(11,790)	350	(11,440)	139	(11,300)
Finance income and costs (net)									(1,069)
Loss before taxes									(12,369)

Notes: 1. "Others" includes "Special-purpose Vehicles" and "Electronic Equipment" that are not included in the four of reportable segment.
2. ¥139 million of adjustment of segment profit is the elimination of intersegment transactions.

For the six months ended September 30, 2019

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	System Products	Aircraft Components	Subtotal				
Net sales:									
Outside customers	118,892	66,507	4,441	2,570	192,410	5,228	197,638	—	197,638
Intersegment sales and transfers	426	775	136	—	1,337	45	1,382	(1,382)	—
Total	119,318	67,281	4,577	2,570	193,747	5,273	199,020	(1,382)	197,638
Segment profit (loss)	6,927	4,071	864	(445)	11,417	509	11,926	(7)	11,919
Equity in earnings of affiliates	155	144	—	—	299	—	299	—	299
Other income and expenses (net)	(1,138)	(408)	(5,963)	(160)	(7,668)	(53)	(7,721)	—	(7,721)
Operating profit (loss)	5,945	3,807	(5,099)	(605)	4,048	456	4,505	(7)	4,498
Finance income and costs (net)									(293)
Profit before taxes									4,205

Notes: 1. "Others" includes "Special-purpose Vehicles" and "Electronic Equipment" that are not included in the four of reportable segment.
2. ¥7 million of adjustment of segment loss is the elimination of intersegment transactions.

*With regard to the changes of reportable segment

*Conventionally, as for "Special-purpose Vehicles", "Aircraft Components and Electronic Equipment", as a result of taking into account the quantitative criteria etc. in the reporting segment, they were included in "Others". However, as for the contract with the Ministry of Defense relating to defense equipment, it has come to light that we made inappropriate claim to Ministry of Defense.

As a result of recording the estimated cost of this case, the "Aircraft Components" included in "Others" increased its qualitative importance, so "Aircraft Components" is separated from "Others" from FY2018. Therefore, we have four reporting segments, "Automotive Components", "Hydraulic Components", "System Products" and "Aircraft Components". Financial information for the previous fiscal year has been revised to reflect this change.

Second Quarter of FY2019 Financial Results Supplementary Information

1. Breakdown of sales

	FY2018 2Q		FY2019 2Q		Differences	
	Sales (¥ million)	composition ratio	Sales (¥ million)	composition ratio	Sales (¥ million)	composition ratio
Automotive Components	123,722	61.0%	118,892	60.2%	△ 4,830	-3.9%
Shock absorber for automobiles	85,092	42.0%	86,023	43.5%	931	1.1%
Shock absorber for motorcycles	14,052	6.9%	12,726	6.4%	△ 1,326	-9.4%
Hydraulic equipment for automobiles	21,890	10.8%	17,512	8.9%	△ 4,378	-20.0%
Others	2,688	1.3%	2,632	1.3%	△ 56	-2.1%
Hydraulic Components	67,224	33.1%	66,507	33.7%	△ 718	-1.1%
Hydraulic equipment for industrial use	63,198	31.2%	62,130	31.4%	△ 1,069	-1.7%
Others	4,026	2.0%	4,377	2.2%	351	8.7%
Special-purpose vehicles, hydraulic equipment for aircraft, and system product and electronic components	11,842	5.8%	12,239	6.2%	397	3.4%
Special-purpose vehicles	4,363	2.2%	4,251	2.2%	△ 112	-2.6%
Hydraulic equipment for aircraft	2,896	1.4%	2,570	1.3%	△ 326	-11.3%
System products and electronic components, etc.	4,583	2.3%	5,418	2.7%	835	18.2%
Total	202,789	100.0%	197,638	100.0%	△ 5,151	-2.5%

2. FOREX Rate

Average FOREX Rate	FY2018				FY2019	
	Apr-Jun 2018	Apr-Sep 2018	Apr-Dec 2018	Full year	Apr-Jun 2019	Apr-Sep 2019
JPY/USD	109.07	110.26	111.14	110.91	109.90	108.62
JPY/EUR	130.06	129.84	129.48	128.40	123.48	121.41
JPY/CNY	17.12	16.74	16.60	16.53	16.07	15.68
JPY/THB	3.42	3.40	3.41	3.43	3.48	3.48
JPY/RUB	1.76	1.73	1.72	1.71	1.70	1.68

FOREX Rate prevailing at the end of quarter	FY2018				FY2019	
	30 Jun 2018	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019
JPY/USD	110.54	113.58	110.91	111.01	107.75	107.96
JPY/EUR	127.88	132.15	126.88	124.56	122.46	118.04
JPY/CNY	16.67	16.50	16.14	16.48	15.68	15.14
JPY/THB	3.33	3.50	3.41	3.49	3.51	3.53
JPY/RUB	1.76	1.73	1.59	1.71	1.71	1.67

3. Segment sales

	FY2018				FY2019	
	1Q	2Q	3Q	4Q	1Q	2Q
Automotive Components	62,816	60,906	62,204	59,882	61,395	57,497
Hydraulic Components	33,741	33,483	36,496	36,904	34,811	31,696
Other (*1)	5,580	6,262	5,420	8,520	5,438	6,801
Total	102,137	100,651	104,120	105,305	101,643	95,995

	FY2018			FY2019
	1st Half	2nd Half	Full year	1st Half
Automotive Components	123,722	122,085	245,807	118,892
Hydraulic Components	67,224	73,400	140,625	66,507
Other (*1)	11,842	13,940	25,782	12,239
Total	202,789	209,425	412,214	197,638

4. Segment operating income (*2)

	FY2018				FY2019	
	1Q	2Q	3Q	4Q	1Q	2Q
Automotive Components	3,138	1,213	2,549	2,907	4,204	2,722
Hydraulic Components	3,019	2,575	3,243	3,071	2,663	1,408
Other (*1)	△ 555	79	182	590	△ 17	941
Total	5,601	3,867	5,975	6,567	6,849	5,071

	FY2018			FY2019
	1st Half	2nd Half	Full year	1st Half
Automotive Components	4,351	5,456	9,807	6,925
Hydraulic Components	5,594	6,314	11,908	4,070
Other (*1)	△ 477	772	295	924
Total	9,468	12,542	22,010	11,919

5. Capital Expenditure, Depreciation

	FY2018				FY2019	
	1Q	2Q	3Q	4Q	1Q	2Q
Capital Expenditure	4,470	5,454	4,700	8,048	4,707	7,206
Depreciation Expenses	4,256	4,321	4,408	4,596	5,087	5,291

	FY2018			FY2019
	1st Half	2nd Half	Full year	1st Half
Capital Expenditure	9,924	12,747	22,672	11,912
Depreciation Expenses	8,577	9,004	17,581	10,377

6. R&D Expenses

	FY2018				FY2019	
	1Q	2Q	3Q	4Q	1Q	2Q
R&D Expenses	1,737	1,810	1,673	1,530	1,563	1,587

	FY2018			FY2019
	1st Half	2nd Half	Full year	1st Half
R&D Expenses	3,547	3,203	6,750	3,150

7. Foreign Exchange gain or loss (*3)

	FY2018				FY2019	
	1Q	2Q	3Q	4Q	1Q	2Q
Other Income / Other Expenses	89	△ 85	△ 61	△ 314	△ 565	△ 577
Finance Income / Finance Costs	△ 812	△ 117	163	△ 46	129	△ 121
Total	△ 723	△ 202	102	△ 361	△ 436	△ 698

	FY2018			FY2019
	1st Half	2nd Half	Full year	1st Half
Other Income / Other Expenses	3	△ 376	△ 372	△ 1,142
Finance Income / Finance Costs	△ 929	117	△ 812	8
Total	△ 926	△ 259	△ 1,184	△ 1,134

(*1) "Other" includes "special-purpose vehicles", "Hydraulic equipment for aircraft" and "System Products and Electronic Equipment" that are not included in the two reportable segments.

(*2) "Segment operating income", which is described above, is different from "Segment profits (losses)" which is described in "Segment Information" section in the Flash Report. "Segment operating income" amount includes "Adjustment" amount, which is described in the Flash Report.

(*3) "Foreign Exchange Gain or Loss", which is described above, comes from the amount of foreign exchange gain or loss in "Other income", "Other expense", "Finance income" and "Finance costs" in the Consolidated Statements of Income. Foreign exchange gain is written as plus and foreign exchange loss is written as minus.