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FLASH REPORT

August. 7, 2020

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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2020	60,417	(40.6)	(1,631)	—	(3,196)	—	(3,396)	—
June 30, 2019	101,643	(0.5)	6,849	22.3	3,608	(35.7)	3,659	(24.4)

	Profit for the period		Profit attributable to owners of the parent		Comprehensive income for the period		Basic earnings per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Three months ended								
June 30, 2020	(3,927)	—	(3,827)	—	(1,956)	—	(149.82)	
June 30, 2019	1,884	(50.0)	1,782	(50.9)	(666)	—	69.77	

	Diluted earnings per share	
	Yen	
Three months ended		
June 30, 2020	—	
June 30, 2019	—	

*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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
June 30, 2020	410,756	77,573	72,122	17.6	2,823.55
March 31, 2020	410,454	79,815	74,094	18.1	2,900.73

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	—				
Current fiscal year (forecast)		—	—	—	—

3. Forecasts for the current fiscal year (April 1, 2020 to March 31, 2021)

*Forecast for FY 2020 has not been decided because it is difficult to reasonably calculate the impact of COVID-19 infection on KYB Group. We will notify you as soon as the forecast is reasonably calculated.

Consolidated Statements of Financial Position

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	50,423	71,421
Trade and other receivables	95,547	77,835
Inventories	56,252	57,098
Other current financial assets	1,167	1,403
Other current assets	13,246	10,536
Total current assets	216,635	218,294
Non-current assets:		
Property, plant and equipment	165,825	163,923
Goodwill	238	235
Intangible assets	4,874	4,741
Investments accounted for using the equity method	5,534	4,607
Other non-current financial assets	14,230	16,401
Other non-current assets	1,093	988
Deferred tax assets	2,025	1,567
Total non-current assets	193,818	192,462
Total assets	410,454	410,756

(Unit: Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities and equity		
Current liabilities:		
Trade and other payables	69,661	55,853
Borrowings	88,714	79,732
Income tax payables	1,281	1,038
Other current financial liabilities	24,868	19,066
Provisions	51,247	52,927
Other current liabilities	2,160	1,231
Total current liabilities	237,931	209,848
Non-current liabilities:		
Borrowings	33,268	63,474
Liabilities for retirement benefits	15,977	15,960
Other non-current financial liabilities	28,415	28,403
Provisions	6,301	6,036
Other non-current liabilities	578	587
Deferred tax liabilities	8,167	8,876
Total non-current liabilities	92,707	123,335
Total liabilities	330,639	333,183
Equity		
Equity attributable to owners of the parent:		
Share capital	27,648	27,648
Capital surplus	29,414	29,414
Retained earnings	19,617	15,803
Treasury shares	(602)	(602)
Other components of equity	(1,983)	(141)
Total equity attributable to owners of the parent	74,094	72,122
Non-controlling interests	5,721	5,451
Total equity	79,815	77,573
Total liabilities and equity	410,454	410,756

Consolidated Statements of Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2019 (Apr. 1 through Jun. 30, 2019)	For the three months ended June 30, 2020 (Apr. 1 through Jun. 30, 2020)
Net sales	101,643	60,417
Cost of sales	81,145	50,839
Gross profit	20,499	9,578
Selling, general and administrative expenses	13,650	11,209
Equity in profit of affiliates	149	49
Other income	315	608
Other expenses	3,705	2,221
Operating profit (loss)	3,608	(3,196)
Finance income	384	432
Finance costs	333	633
Profit (loss) before taxes	3,659	(3,396)
Income tax expenses	1,775	531
Profit (loss) for the period	1,884	(3,927)
Loss attributable to:		
Owners of the parent	1,782	(3,827)
Non-controlling interests	102	(101)
Profit (loss) for the period	1,884	(3,927)
Earnings per share		
Basic earnings (loss) per share (in yen)	69.77	(149.82)

Consolidated Statements of Comprehensive Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2019 (Apr. 1 through Jun. 30, 2019)	For the three months ended June 30, 2020 (Apr. 1 through Jun. 30, 2020)
Profit (loss) for the period	1,884	(3,927)
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	(684)	1,526
Remeasurements of defined benefit plans	4	(2)
Share of other comprehensive income of investments accounted for using the equity method	(0)	7
Total	(681)	1,532
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(1,812)	832
Share of other comprehensive income of investments accounted for using the equity method	(58)	(393)
Total	(1,870)	439
Total other comprehensive income	(2,550)	1,971
Comprehensive income for the period	(666)	(1,956)
Comprehensive income for the period attributable to:		
Owners of the parent	(684)	(1,972)
Non-controlling interests	18	15
Comprehensive income for the period	(666)	(1,956)

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, 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	—	—	1,782	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	1,782	—
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	—	—	(73)	—
Total contributions by and distributions to owners in their capacity as owners	—	—	(73)	(1)
Changes in equity interest of subsidiaries:				
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	—	—	—
Total transactions with owners	—	—	(73)	(1)
Balance at June 30, 2019	27,648	29,414	88,095	(601)
Balance at April 1, 2020	27,648	29,414	19,617	(602)
Impact of changes in accounting policies	—	—	—	—
Balance at April 1, 2020 (revised)	27,648	29,414	19,617	(602)
Comprehensive income for the period:				
Loss for the period	—	—	(3,827)	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	(3,827)	—
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	—	—	—	(0)
Dividends of surplus	—	—	—	—
Transfer to retained earnings	—	—	13	—
Total contributions by and distributions to owners in their capacity as owners	—	—	13	(0)
Changes in equity interest of subsidiaries:				
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	—	—	—
Total transactions with owners	—	—	13	(0)
Balance at June 30, 2020	27,648	29,414	15,803	(602)

(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	Total other components of equity			
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	—	—	—	—	1,782	102	1,884
Other comprehensive income	(684)	2	(1,784)	(2,466)	(2,466)	(84)	(2,550)
Total comprehensive income for the period	(684)	2	(1,784)	(2,466)	(684)	18	(666)
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	75	(2)	—	73	—	—	—
Total contributions by and distributions to owners in their capacity as owners	75	(2)	—	73	(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	75	(2)	—	73	(1)	(182)	(183)
Balance at June 30, 2019	6,257	—	(2,310)	3,947	148,503	6,141	154,644

Balance at April 1, 2020	2,120	—	(4,103)	(1,983)	74,094	5,721	79,815
Impact of changes in accounting policies	—	—	—	—	—	—	—
Balance at April 1, 2020 (revised)	2,120	—	(4,103)	(1,983)	74,094	5,721	79,815
Comprehensive income for the period:							
Loss for the period	—	—	—	—	(3,827)	(101)	(3,927)
Other comprehensive income	1,526	7	322	1,855	1,855	116	1,971
Total comprehensive income for the period	1,526	7	322	1,855	(1,972)	15	(1,956)
Transactions with owners:							
Contributions by and distributions to owners in their capacity as owners:							
Acquisition of treasury shares	—	—	—	—	(0)	—	(0)
Dividends of surplus	—	—	—	—	—	—	—
Transfer to retained earnings	(6)	(7)	—	(13)	—	—	—
Total contributions by and distributions to owners in their capacity as owners	(6)	(7)	—	(13)	(0)	—	(0)
Changes in equity interest of subsidiaries:							
Dividends of surplus	—	—	—	—	—	(285)	(285)
Total changes in equity interest of subsidiaries	—	—	—	—	—	(285)	(285)
Total transactions with owners	(6)	(7)	—	(13)	(0)	(285)	(285)
Balance at June 30, 2020	3,640	—	(3,780)	(141)	72,122	5,451	77,573

Consolidated Statements of Cash Flows

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2019 (Apr. 1 through Jun. 30, 2019)	For the three months ended June 30, 2020 (Apr. 1 through Jun. 30, 2020)
Cash flows from operating activities:		
Profit (loss) before taxes	3,659	(3,396)
Depreciation and amortization	5,110	4,530
Impairment losses	380	211
Reversal gain of impairment losses	(8)	(20)
Gain on sales of fixed asset	(4)	(24)
Increase (decrease) in assets and liabilities for retirement benefits	99	(41)
Increase (decrease) in provisions for product warranties	(1,705)	(4,091)
Finance income	(384)	(432)
Finance costs	333	633
Profit loss of affiliates	(149)	(49)
(Increase) decrease in trade and other receivables	(2,276)	17,950
(Increase) decrease in inventories	(2,007)	(746)
Increase (decrease) in trade and other payables	(3,159)	(14,091)
Other	4,189	3,578
Subtotal	4,077	4,013
Interest received	46	42
Dividends received	415	859
Interest paid	(354)	(416)
Income taxes paid	(1,901)	(499)
Net cash from operating activities	2,284	3,999
Cash flows from investing activities:		
Payment into time deposits	(1)	(531)
Proceeds from withdrawal of time deposits	—	303
Payment for purchases of property, plant and equipment	(5,605)	(3,644)
Proceeds from sales of property, plant and equipment	75	296
Payment for purchases of other financial assets	(13)	(0)
Proceeds from sale of other financial assets	271	8
Other	(396)	(184)
Net cash flows from investing activities	(5,669)	(3,753)

(Unit: Millions of yen)

	For the three months ended June 30, 2019 (Apr. 1 through Jun. 30, 2019)	For the three months ended June 30, 2020 (Apr. 1 through Jun. 30, 2020)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	2,118	1,832
Repayments of lease liabilities	(376)	(1,250)
Proceeds from long-term borrowings	65	21,842
Repayment of long-term borrowings	(2,410)	(2,648)
Proceeds from sale and lease back	—	709
Payment for borrowing fee	—	(45)
Payments for purchase of treasury shares	(1)	(0)
Dividends paid to non-controlling interests	(182)	(285)
Net cash flows from financing activities	(785)	20,156
Effect of changes in foreign exchange rates	(389)	597
Net increase (decrease) in cash and cash equivalents	(4,560)	20,999
Cash and cash equivalents at beginning of period	56,092	50,423
Cash and cash equivalents at end of period	51,532	71,421

Segment Information

KYB Corporation and its Consolidated Subsidiaries

For the three months ended June 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	61,395	34,811	1,733	1,113	99,051	2,592	101,643	—	101,643
Intersegment sales and transfers	248	391	36	—	675	33	708	(708)	—
Total	61,643	35,201	1,769	1,113	99,726	2,625	102,351	(708)	101,643
Segment profit (loss)	4,207	2,665	231	(523)	6,580	277	6,857	(8)	6,849
Equity in earnings of affiliates	78	71	—	—	149	—	149	—	149
Other income and expenses (net)	(373)	(110)	(2,857)	(63)	(3,403)	13	(3,390)	—	(3,390)
Operating profit (loss)	3,912	2,626	(2,626)	(586)	3,326	290	3,616	(8)	3,608
Finance income and costs (net)									51
Profit before taxes									3,659

Notes: 1. "Others" includes "Special-purpose Vehicles" and "Electronic Equipment" that are not included in the four of reportable segment.

2. ¥8 million of adjustment of segment loss is the elimination of intersegment transactions.

For the three months ended June 30, 2020

(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	31,749	24,369	1,454	1,079	58,651	1,766	60,417	—	60,417
Intersegment sales and transfers	138	249	12	—	399	22	421	(421)	—
Total	31,887	24,618	1,466	1,079	59,050	1,788	60,837	(421)	60,417
Segment profit (loss)	(1,544)	(131)	242	(279)	(1,712)	59	(1,654)	23	(1,631)
Equity in earnings of affiliates	35	14	—	—	49	—	49	—	49
Other income and expenses (net)	164	48	(1,759)	(48)	(1,595)	(19)	(1,614)	—	(1,614)
Operating profit (loss)	(1,344)	(70)	(1,516)	(327)	(3,258)	39	(3,218)	23	(3,196)
Finance income and costs (net)									(201)
Loss before taxes									(3,396)

Notes: 1. "Others" includes "Special-purpose Vehicles" and "Electronic Equipment" that are not included in the four of reportable segment.

2. ¥23 million of adjustment of segment profit is the elimination of intersegment transactions.

First Quarter of FY2020 Financial Results Supplementary Information

1. Breakdown of sales

	FY2019 1Q		FY2020 1Q		Differences	
	Sales (¥ million)	composition ratio	Sales (¥ million)	composition ratio	Sales (¥ million)	composition ratio
Automotive Components	61,395	60.4%	31,749	52.5%	△ 29,646	-48.3%
Shock absorber for automobiles	44,929	44.2%	23,823	39.4%	△ 21,106	-47.0%
Shock absorber for motorcycles	6,042	5.9%	3,716	6.2%	△ 2,326	-38.5%
Hydraulic equipment for automobiles	9,259	9.1%	3,687	6.1%	△ 5,572	-60.2%
Others	1,166	1.1%	523	0.9%	△ 643	-55.2%
Hydraulic Components	34,811	34.2%	24,369	40.3%	△ 10,442	-30.0%
Hydraulic equipment for industrial use	32,542	32.0%	22,485	37.2%	△ 10,057	-30.9%
Others	2,269	2.2%	1,885	3.1%	△ 384	-16.9%
System products	1,733	1.7%	1,454	2.4%	△ 279	-16.1%
System products	1,733	1.7%	1,454	2.4%	△ 279	-16.1%
Aircraft Components	1,113	1.1%	1,079	1.8%	△ 34	-3.0%
Aircraft Components	1,113	1.1%	1,079	1.8%	△ 34	-3.0%
Special-purpose Vehicles and Electronic Equipment, etc.	2,592	2.6%	1,766	2.9%	△ 827	-31.9%
Special-purpose Vehicles	2,112	2.1%	1,622	2.7%	△ 490	-23.2%
Electronic Equipment, etc.	480	0.5%	143	0.2%	△ 337	-70.1%
Total	101,643	100.0%	60,417	100.0%	△ 41,227	-40.6%

2. FOREX Rate

Average FOREX Rate	FY2019				FY2020
	Apr-Jun 2019	Apr-Sep 2019	Apr-Dec 2019	Full year	Apr-Jun 2020
JPY/USD	109.90	108.62	108.67	108.74	107.62
JPY/EUR	123.48	121.41	121.04	120.81	118.47
JPY/CNY	16.07	15.68	15.60	15.60	15.16
JPY/THB	3.48	3.48	3.52	3.51	3.37
JPY/RUB	1.70	1.68	1.69	1.68	1.49

FOREX Rate prevailing at the end of quarter	FY2019				FY2020
	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020	30 Jun 2020
JPY/USD	107.75	107.96	109.55	108.83	107.74
JPY/EUR	122.46	118.04	122.51	119.65	121.05
JPY/CNY	15.68	15.14	15.68	15.30	15.23
JPY/THB	3.51	3.53	3.63	3.34	3.49
JPY/RUB	1.71	1.67	1.76	1.36	1.53

3. Segment sales

	FY2019				FY2020
	1Q	2Q	3Q	4Q	1Q
Automotive Components	61,395	57,497	57,057	56,151	31,749
Hydraulic Components	34,811	31,696	29,134	29,680	24,369
System Products	1,733	2,708	1,226	2,480	1,454
Aircraft Components	1,113	1,457	1,871	1,040	1,079
Special-purpose Vehicles and Electronic Equipment, etc.	2,592	2,636	2,617	2,689	1,766
Total	101,643	95,995	91,905	92,041	60,417

4. Segment operating income (*1)

	FY2019				FY2020
	1Q	2Q	3Q	4Q	1Q
Automotive Components	4,202	2,721	2,273	2,500	△ 1,532
Hydraulic Components	2,662	1,407	937	527	△ 122
System Products	231	633	443	224	243
Aircraft Components	△ 523	78	△ 404	△ 1,336	△ 279
Special-purpose Vehicles and Electronic Equipment etc.	277	232	203	288	59
Total	6,849	5,071	3,452	2,204	△ 1,631

5. Capital Expenditure, Depreciation

	FY2019				FY2020
	1Q	2Q	3Q	4Q	1Q
Capital Expenditure	4,707	7,206	5,238	4,351	2,672
Depreciation Expenses	5,087	5,291	5,254	4,984	4,530

	FY2019		
	1st Half	2nd Half	Full year
Capital Expenditure	11,912	9,589	21,502
Depreciation Expenses	10,377	10,238	20,615

6. R&D Expenses

	FY2019				FY2020
	1Q	2Q	3Q	4Q	1Q
R&D Expenses	1,563	1,587	1,584	1,578	1,355

	FY2019		
	1st Half	2nd Half	Full year
R&D Expenses	3,150	3,162	6,312

7. Foreign Exchange gain or loss (*2)

	FY2019				FY2020
	1Q	2Q	3Q	4Q	1Q
Other Income / Other Expenses	△ 565	△ 577	786	△ 2,820	△ 210
Finance Income / Finance Costs	129	△ 121	76	△ 219	124
Total	△ 436	△ 698	862	△ 3,038	△ 86

	FY2019		
	1st Half	2nd Half	Full year
Other Income / Other Expenses	△ 1,142	△ 2,034	△ 3,176
Finance Income / Finance Costs	8	△ 143	△ 134
Total	△ 1,134	△ 2,177	△ 3,310

(*1) "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.

(*2) "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.