

Financial Review

Summary

In the automotive components segment, sales of shock absorbers for automobiles increased 7.6% to ¥162.5 billion. Sales declined in the United States, but the Japan, Chinese, and European markets were generally strong. Sales of motorcycle shock absorbers increased 3.5% to ¥29.5 billion because of strong sales in the core markets of China and India. Sales of hydraulic equipment for automobiles, which is used mainly for power steering, decreased 1.7% to ¥45.7 billion. Sales of vane pumps for continuous variable transmissions were steady, however, sales decreased for electric power steering and hydraulic pumps. Sales of other products, mainly ATV (all-terrain vehicle) equipment, were ¥4.9 billion. As a result, sales in the automotive components segment totaled ¥242.6 billion, segment profit was ¥9.5 billion and the segment profit margin was 3.9%.

In the hydraulic components segment, sales of industrial hydraulic components, which are used mainly in construction machinery, surged 28.7% to ¥114.1 billion. The increase was due to continued stable growth in large-sized excavators, particularly in the Chinese market, and favorable performance with small-sized and mini excavators in the Europe and U.S. markets. Sales of other components, mainly railway semi-active systems and shock absorbers, increased 10.9% to ¥8.5 billion. As a result, hydraulic components segment sales were ¥122.6 billion, segment profit was ¥11.1 billion and the segment profit margin was 9.1%.

In the other segment, the primary activities are special-purpose vehicles, aircraft components, system products and electronic components. Sales of special-purpose vehicles, mainly concrete mixer trucks, increased 11.8% to ¥9.6 billion due to a sales increase in India. Sales of hydraulic equipment for aircraft decreased 17.8% to ¥6.4 billion. Sales of system products and electronic components decreased 3.2% to ¥11.3 billion. As a result, segment sales were ¥27.2 billion, segment profit was ¥10.3 billion and the segment profit margin was 3.8%.

As a result, consolidated net sales increased ¥37.1 billion to ¥392.4 billion.

Operating profit was ¥20.9 billion, income before income taxes was ¥20.9 billion and profit attributable to owners of parent was ¥15.2 billion.

Financial Condition

Total assets increased ¥31.2 billion to ¥412.5 billion. This was mainly due to an increase in cash and cash equivalents, trade and other receivables, and property, plant and equipment.

Total liabilities increased ¥14.3 billion to ¥225.8 billion mainly because of an increase in trade and other payables.

Total equity increased ¥16.9 billion to ¥186.7 billion mainly because of an increase in retained earnings.

The ratio of equity attributable to owners of the parent increased 0.6 percentage point from one year earlier to 43.7% at the end of March 2018 due to an increase in net assets.

Cash Flows

Net cash flows from operating and investing activities was ¥12.9 billion and net cash used in financing activities was ¥4.5 billion. After a deduction of ¥0.3 billion for changes in foreign exchange rates, there was an increase of ¥8.7 billion in cash and cash equivalents to ¥42.7 billion.

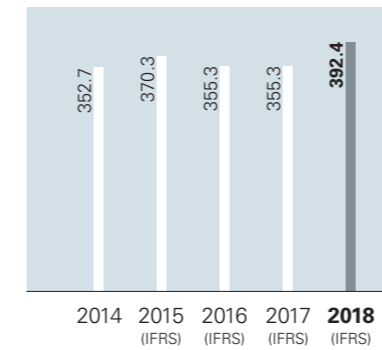
Net cash from operating activities decreased 6.1% to ¥29.3 billion. The main reasons for this decline were profit before tax of ¥20.9 billion, depreciation and amortization of ¥17.0 billion, and payment for income taxes of ¥4.9 billion.

Net cash used in investing activities decreased 23.2% to ¥16.4 billion. This was mainly due to payments of ¥14.4 billion for purchases of property, plant and equipment.

Net cash used in financing activities was ¥4.5 billion. There were payments of ¥13.4 billion for the repayment of long-term borrowings and ¥3.6 billion for dividends. Major sources of cash inflow were proceeds of ¥9.4 billion from long-term borrowing and a net increase of ¥3.4 billion in short-term borrowings.

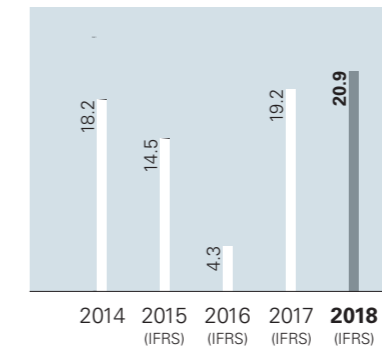
Net Sales

(Billions of yen)



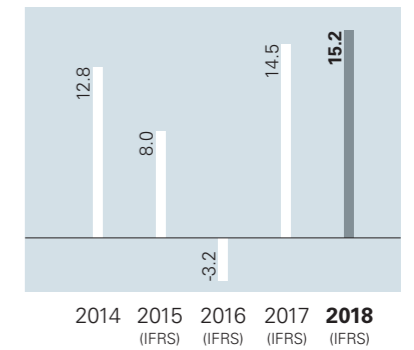
Operating Profit

(Billions of yen)



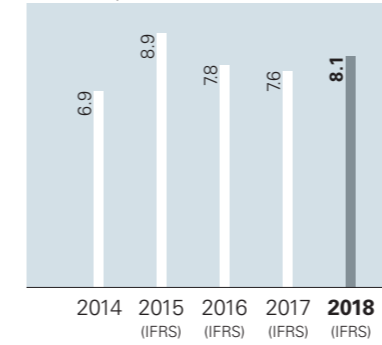
Profit (Loss) Attributable to Owners of the Parent / Net Income

(Billions of yen)



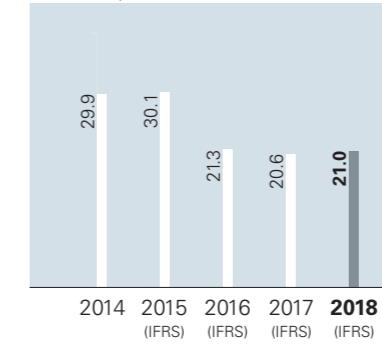
R&D Expenses

(Billions of yen)



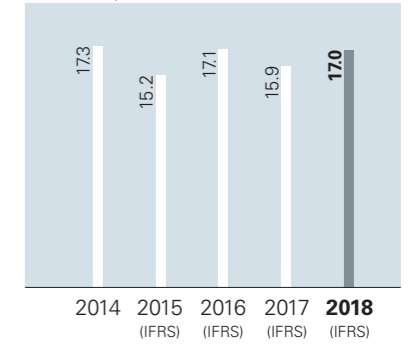
Capital Expenditure

(Billions of yen)



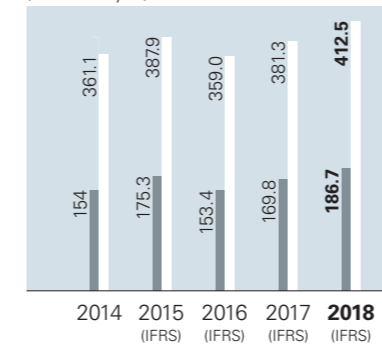
Depreciation and Amortization

(Billions of yen)



Total Equity and Total Assets / Total Assets

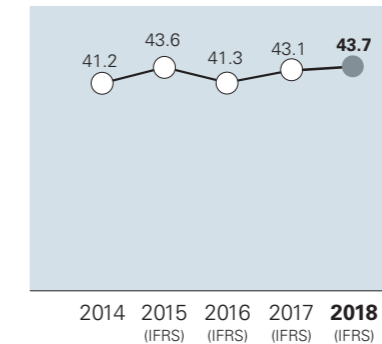
(Billions of yen)



■ Total Equity / Total Net Assets
□ Total Assets

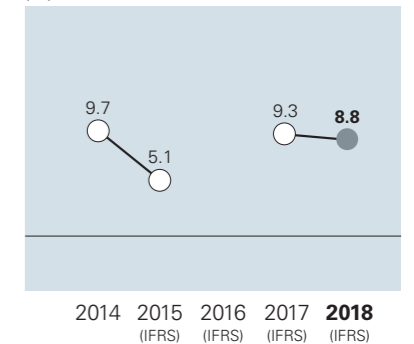
Ratio of Equity Attributable to Owners of the Parent / Equity Ratio

(%)



Return on equity attributable to owners of the parent / Return on Equity (ROE)

(%)



Financial Statements

Consolidated Statements of Financial Position

KYB Corporation and its Consolidated Subsidiaries
March 31, 2017 and 2018

	Millions of yen	
	2017	2018
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 33,988	¥ 42,702
Trade and other receivables	92,653	103,881
Inventories	49,640	54,001
Other current financial assets	1,039	1,066
Other current assets	3,641	9,904
Total current assets	180,962	211,554
Non-current assets:		
Property, plant and equipment	158,990	161,886
Goodwill	283	268
Intangible assets	5,850	6,692
Investments accounted for using the equity method	5,438	4,342
Other non-current financial assets	23,169	24,731
Other non-current assets	500	532
Deferred tax assets	6,132	2,487
Total non-current assets	200,364	200,938
Total assets	¥381,326	¥412,493

LIABILITIES

Current liabilities:		
Trade and other payables	¥ 72,137	¥82,695
Borrowings	50,983	57,098
Income tax payables	1,536	1,944
Other current financial liabilities	18,274	22,760
Provisions	3,754	5,438
Other current liabilities	1,001	1,708
Total current liabilities	147,684	171,643

Non-current liabilities:

Borrowings	39,962	34,986
Liability for retirement benefits	11,589	9,592
Other non-current financial liabilities	2,405	2,255
Provisions	2,127	2,189
Other non-current liabilities	56	21
Deferred tax liabilities	7,732	5,156
Total non-current liabilities	63,871	54,198
Total liabilities	¥211,555	¥225,841

EQUITY

Equity attributable to owners of the parent:		
Share capital	¥ 27,648	¥27,648
Capital surplus	29,414	29,414
Retained earnings	100,995	114,363
Treasury shares	(587)	(598)
Other components of equity	6,829	9,398
Total equity attributable to owners of the parent	164,299	180,225
Non-controlling interests	5,472	6,426
Total equity	169,771	186,651
Total liabilities and equity	¥381,326	¥412,493

Consolidated Statements of Income

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen	
	2017	2018
Net sales	¥355,316	¥392,394
Cost of sales	282,886	312,810
Gross profit	72,430	79,583
Selling, general and administrative expenses	53,806	57,983
Equity in earnings of affiliates	1,016	173
Other income	2,036	2,665
Other expenses	2,430	3,553
Operating profit	19,247	20,885
Finance income	593	973
Finance costs	988	977
Profit before taxes	18,852	20,881
Income tax expenses	3,774	5,096
Profit for the year	¥15,078	¥15,786

Profit attributable to:

Owners of the parent	¥14,544	¥15,202
Non-controlling interests	533	584
Profit for the year	15,078	15,786

Earnings per share

	Yen	
Basic earnings per share	¥569.32	¥595.09

Consolidated Statements of Comprehensive Income

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen	
	2017	2018
Profit for the year	¥15,078	¥15,786
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	3,342	1,206
Remeasurements of defined benefit plans	1,705	1,698
Share of other comprehensive income of investments accounted for using the equity method	17	(27)
Total	5,064	2,876
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(1,509)	1,333
Effective portion of the change in the fair value of cash flow hedges	(85)	(71)
Share of other comprehensive income of investments accounted for using the equity method	(203)	191
Total	(1,797)	1,453
Total other comprehensive income	3,267	4,329
Comprehensive income for the year	¥18,345	¥20,115

Comprehensive income for the year attributable to:

Owners of the parent	¥17,708	¥19,445
Non-controlling interests	636	670
Comprehensive income for the year	¥18,345	¥20,115

Financial Statements

Consolidated Statements of Changes in Equity

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen												
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity							Comprehensive income for the year attributable to owners of the parent	Non-controlling interests
Net change 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 change in the fair value of cash flow hedges	Total other components of equity					
Balance at April 1, 2016	¥27,648	¥29,414	¥86,393	¥(579)	¥4,967	¥ —	¥275	¥160	¥5,402	¥148,278	¥5,103	¥153,381	
Comprehensive income for the year:													
Profit for the year	—	—	14,544	—	—	—	—	—	—	14,544	533	15,078	
Other comprehensive income	—	—	—	—	3,342	1,702	(1,796)	(83)	3,164	3,164	103	3,267	
Total comprehensive income for the year	—	—	14,544	—	3,342	1,702	(1,796)	(83)	3,164	17,708	636	18,345	
Transactions with owners:													
Contributions by and distributions to owners in their capacity as owners:													
Acquisition of treasury shares	—	—	—	(8)	—	—	—	—	—	(8)	—	(8)	
Disposal of treasury shares	—	—	—	—	—	—	—	—	—	—	—	0	
Dividends of surplus	—	—	(2,810)	—	—	—	—	—	—	(2,810)	—	(2,810)	
Changes of scope of equity method	—	—	1,175	—	—	—	—	—	—	1,175	—	1,175	
Changes due to business combination	—	—	(45)	—	—	—	—	—	—	(45)	—	(45)	
Transfer to retained earnings	—	—	1,737	—	(35)	(1,702)	—	—	(1,737)	—	—	—	
Total contributions by and distributions to owners in their capacity as owners	—	—	57	(8)	(35)	(1,702)	—	—	(1,737)	(1,687)	—	(1,687)	
Changes in equity interest of subsidiaries:													
Change of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	
Dividends of surplus	—	—	—	—	—	—	—	—	—	—	(267)	(267)	
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	—	—	—	—	(267)	(267)	
Total transactions with owners	—	—	57	(8)	(35)	(1,702)	—	—	(1,737)	(1,687)	(267)	(1,955)	
Balance at March 31, 2017	27,648	29,414	100,995	(587)	8,274	—	(1,521)	77	6,829	164,299	5,472	169,771	
Comprehensive income for the year:													
Profit for the year	—	—	15,202	—	—	—	—	—	—	15,202	584	15,786	
Other comprehensive income	—	—	—	—	1,206	1,675	1,433	(71)	4,243	4,243	87	4,329	
Total comprehensive income for the year	—	—	15,202	—	1,206	1,675	1,433	(71)	4,243	19,445	670	20,115	
Transactions with owners:													
Contributions by and distributions to owners in their capacity as owners:													
Acquisition of treasury shares	—	—	—	(11)	—	—	—	—	—	(11)	—	(11)	
Disposal of treasury shares	—	0	—	0	—	—	—	—	—	0	—	—	
Dividends of surplus	—	—	(3,576)	—	—	—	—	—	—	(3,576)	—	(3,576)	
Change of scope of equity method	—	—	—	—	—	—	—	—	—	—	—	—	
Changes due to business combination	—	—	69	—	—	—	—	—	—	69	—	69	
Transfer to retained earnings	—	—	1,674	—	1	(1,675)	—	—	(1,674)	—	—	—	
Total contributions by and distributions to owners in their capacity as owners	—	0	(1,834)	(11)	1	(1,675)	—	—	(1,674)	(3,518)	—	(3,518)	
Changes in equity interest of subsidiaries:													
Change of non-controlling interests	—	—	—	—	—	—	—	—	—	—	541	541	
Dividends of surplus	—	—	—	—	—	—	—	—	—	—	(257)	(257)	
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	—	—	—	—	284	284	
Total transactions with owners	—	0	(1,834)	(11)	1	(1,675)	—	—	(1,674)	(3,518)	284	(3,235)	
Balance at March 31, 2018	¥27,648	¥29,414	¥114,363	¥(598)	¥9,480	¥ —	¥(88)	¥6	¥9,398	¥180,225	¥6,426	¥186,651	

Financial Statements

Consolidated Statements of Cash Flows

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of yen	
	2017	2018
Cash flows from operating activities:		
Profit before tax	¥18,852	¥20,881
Depreciation and amortization	15,922	16,988
Impairment loss	147	383
Increase (decrease) in assets and liabilities for retirement benefits	149	422
Increase (decrease) in provision for product warranties	(1,495)	351
Finance income	(593)	(973)
Finance costs	988	977
Equity in (earnings) losses of affiliates	(1,016)	(173)
Loss on sales of investments accounted for using the equity method	—	367
(Increase) decrease in trade and other receivables	(5,052)	(9,820)
(Increase) decrease in inventories	(1,889)	(3,874)
Increase (decrease) in trade and other payables	6,640	9,745
Provision for loss on cancellation of joint venture agreement	—	1,189
Loss associated with the Anti-Trust law	700	—
Other	2,209	(3,065)
Subtotal	35,562	33,399
Interest received	94	131
Dividends received	1,072	1,593
Interest paid	(1,003)	(1,012)
Income taxes paid	(3,815)	(4,859)
Payments of loss associated with the Anti-Trust law	(757)	—
Net cash from operating activities	31,153	29,252
Cash flows from investing activities:		
Payment into time deposits	(237)	(203)
Proceeds from withdrawal of time deposits	255	136
Payment for purchases of property, plant and equipment	(19,734)	(14,402)
Proceeds from sale of property, plant and equipment	31	99
Payment for purchases of other financial assets	(1)	(24)
Proceeds from sale of other financial assets	178	8
Proceeds from sale of investments accounted for using the equity method	—	286
Other	(1,830)	(2,287)
Net cash flows from investing activities	(21,337)	(16,386)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	5,207	3,408
Repayments of lease obligations	(456)	(589)
Proceeds from long-term borrowings	15,294	9,388
Repayment of long-term borrowings	(17,928)	(13,386)
Proceeds from non-controlling interests	—	541
Payments for purchase of treasury shares	(8)	(11)
Proceeds from sales of treasury shares	—	0
Dividends paid	(2,810)	(3,576)
Dividends paid to non-controlling interests	(267)	(257)
Net cash flows from financing activities	(969)	(4,482)
Effects of changes in foreign exchange rates	(160)	288
Net increase (decrease) in cash and cash equivalents	8,687	8,672
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	¥33,988	¥42,702

Segment Information

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2017 and 2018

FY2016 (April 1, 2016–March 31, 2017)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customer	¥231,025	¥96,327	¥327,352	¥27,964	¥355,316	¥ —	¥355,316
Intersegment sales and transfers	577	2,336	2,913	481	3,393	(3,393)	—
Total	231,601	98,663	330,265	28,445	358,709	(3,393)	355,316
Segment profit (Note 3)	10,997	6,615	17,612	941	18,553	71	18,624
Equity in earnings of affiliates	639	377	1,016	—	1,016	—	1,016
Other income and expenses (net)	(315)	(120)	(436)	42	(394)	—	(394)
Operating profit	11,321	6,872	18,193	983	19,175	71	19,247
Finance income and costs (net)							(395)
Profit before taxes							18,852
Depreciation and amortization	9,987	5,158	15,145	783	15,928	(6)	15,922
Impairment loss	81	42	123	23	147	—	147
Increase of non-current assets (Note 4)	14,794	3,751	18,545	2,030	20,575	4	20,578

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

2. ¥71 million of adjustment of segment profits are the elimination of intersegment transactions.

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

4. Non-current assets do not include investments accounted for using the equity method, other non-current financial assets and deferred tax assets.

FY2017 (April 1, 2017–March 31, 2018)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customer	¥242,560	¥122,603	¥365,163	¥27,231	¥392,394	¥ —	¥392,394
Intersegment sales and transfers	771	1,363	2,134	488	2,622	(2,622)	—
Total	243,331	123,966	367,297	27,719	395,016	(2,622)	392,394
Segment profit (Note 3)	9,256	11,021	20,277	1,004	21,281	320	21,600
Equity in earnings (losses) of affiliates	(207)	380	173	—	173	—	173
Other income and expenses (net)	(490)	(238)	(729)	(160)	(888)	—	(888)
Operating profit	8,559	11,163	19,722	844	20,566	320	20,885
Finance income and costs (net)							(4)
Profit before taxes							20,881
Depreciation and amortization	10,936	5,230	16,166	828	16,994	(6)	16,988
Impairment loss	301	57	358	25	383	—	383
Increase of non-current assets (Note 5)	14,114	5,489	19,603	1,402	21,005	(48)	20,956

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

2. ¥320 million of adjustment of segment profits are the elimination of intersegment transactions.

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

4. Non-current assets do not include investments accounted for using the equity method, other non-current financial assets and deferred tax assets.

Changes in reportable segments

In 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.