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FLASH REPORT

Nov. 7, 2016

Company name (official) : KYB Corporation

URL <http://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 the Japanese and English versions, the 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, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results

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

	Net sales		Operating profit		Profit before tax		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2016	172,929	(3.8)	6,873	—	6,802	—	5,834	—
September 30, 2015	179,852	—	(179)	—	(556)	—	(2,875)	—

	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, 2016	5,615	—	(1,807)	—	21.98	—
September 30, 2015	(3,127)	—	(6,445)	—	(12.24)	—

(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 asset	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2016	352,840	150,930	146,259	41.5	572.50
March 31, 2016	359,002	153,381	148,278	41.3	580.40

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	—	6.00	11.00
Current fiscal year	—	5.00	—	—	—
Current fiscal year (forecast)	—	—	—	6.00	11.00

3. Forecast for the current fiscal year (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Current fiscal year	348,000	(2.1)	15,400	255.9	14,800	423.8	11,000	—	43.06

Consolidated Statements of Financial Position

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	25,296	28,475
Trade and other receivables	87,999	86,571
Inventories	48,291	46,080
Other current financial assets	954	807
Other current assets	3,793	2,854
Total current assets	166,333	164,787
Non-current assets:		
Property, plant and equipment	158,609	152,707
Goodwill	318	318
Intangible assets	4,424	4,882
Investments accounted for using the equity method	3,833	3,446
Other non-current financial assets	18,999	20,378
Other non-current assets	622	507
Deferred tax assets	5,865	5,814
Total non-current assets	192,669	188,053
Total assets	359,002	352,840

(Unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities and equity		
Current liabilities:		
Trade and other payables	66,211	64,658
Borrowings	50,492	53,173
Income tax payables	1,413	1,462
Other current financial liabilities	18,416	18,787
Provisions	5,313	5,087
Other current liabilities	978	99
Total current liabilities	142,822	143,266
Non-current liabilities:		
Borrowings	38,348	35,279
Liability for retirement benefits	13,893	13,994
Other non-current financial liabilities	2,592	2,442
Provisions	1,994	2,013
Other non-current liabilities	777	274
Deferred tax liabilities	5,194	4,641
Total non-current liabilities	62,799	58,643
Total liabilities	205,621	201,909
Equity		
Equity attributable to owners of the parent:		
Share capital	27,648	27,648
Capital surplus	29,414	29,414
Retained earnings	86,393	91,584
Treasury shares	(579)	(580)
Other components of equity	5,402	(1,807)
Total equity attributable to owners of the parent	148,278	146,259
Non-controlling interests	5,103	4,671
Total equity	153,381	150,930
Total liabilities and equity	359,002	352,840

Consolidated Statements of Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2015 (Apr. 1 through Sep. 30, 2015)	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)
Net sales	179,852	172,929
Cost of sales	144,021	138,351
Gross profit	35,831	34,578
Selling, general and administrative expenses	27,746	26,728
Equity in earnings (losses) of affiliates	(423)	546
Other income	1,069	843
Other expenses	8,910	2,367
Operating Profit (loss)	(179)	6,873
Finance income	358	445
Finance costs	735	515
Profit (loss) before tax	(556)	6,802
Income tax expense	2,319	968
Profit (loss) for the period	(2,875)	5,834
Profit attributable to:		
Owners of the parent	(3,127)	5,615
Non-controlling interests	251	219
Profit (loss) for the period	(2,875)	5,834
Earnings per share		
Basic earnings per share (in yen)	(12.24)	21.98

Consolidated Statements of Comprehensive Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2015 (Apr. 1 through Sep. 30, 2015)	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)
Profit (loss) for the period	(2,875)	5,834
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	(1,875)	276
Remeasurements of defined benefit plans	(217)	10
Share of other comprehensive income of investments accounted for using the equity method	(239)	(487)
Total	(2,331)	(201)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(1,379)	(7,380)
Effective portion of the change in the fair value of cash flow hedges	140	(61)
Total	(1,239)	(7,441)
Total other comprehensive income	(3,570)	(7,641)
Comprehensive income for the period	(6,445)	(1,807)
Comprehensive income for the period attributable to:		
Owners of the parent	(6,389)	(1,616)
Non-controlling interests	(56)	(191)
Comprehensive income for the period	(6,445)	(1,807)

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, 2015	27,648	29,544	97,931	(573)
Comprehensive income for the period:				
Loss for the period	—	—	(3,127)	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	(3,127)	—
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	—	—	—	(2)
Disposal of treasury shares	—	0	—	0
Dividends of surplus	—	—	(1,788)	—
Transfer to retained earnings	—	—	(215)	—
Total contributions by and distributions to owners in their capacity as owners	—	0	(2,003)	(1)
Changes in equity interest of subsidiaries:				
Acquisition of non-controlling interests	—	(130)	—	—
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	(130)	—	—
Total transactions with owners	—	(129)	(5,130)	(1)
Balance at September 30, 2015	27,648	29,414	92,802	(575)

(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 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 net change in the fair value of cash flow hedges	Total other components of equity			
Balance at April 1, 2015	8,697	—	5,963	97	14,757	169,307	5,949	175,256
Comprehensive income for the period:								
Loss for the period	—	—	—	—	—	(3,127)	251	(2,875)
Other comprehensive income	(1,875)	(215)	(1,322)	149	(3,263)	(3,263)	(307)	(3,570)
Total comprehensive income for the period	(1,875)	(215)	(1,322)	149	(3,263)	(6,389)	(56)	(6,445)
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	—	—	—	—	—	(2)	—	(2)
Disposal of treasury shares	—	—	—	—	—	0	—	0
Dividends of surplus	—	—	—	—	—	(1,788)	—	(1,788)
Transfer to retained earnings	—	215	—	—	215	—	—	—
Total contributions by and distributions to owners in their capacity as owners	—	215	—	—	215	(1,790)	—	(1,790)
Changes in equity interest of subsidiaries:								
Acquisition of non-controlling interests	—	—	—	—	—	(130)	(573)	(703)
Dividends of surplus	—	—	—	—	—	—	(269)	(269)
Total changes in equity interest of subsidiaries	—	—	—	—	—	(130)	(842)	(971)
Total transactions with owners	(1,875)	—	(1,322)	149	(3,048)	(8,309)	(898)	(9,207)
Balance at September 30, 2015	6,822	—	4,641	246	11,709	160,998	5,051	166,050

(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)	—
Change 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	—	—	5,191	(1)
Balance at September 30, 2016	27,648	29,414	91,584	(580)

(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 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 net change 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)
Change 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	308	—	(7,458)	(60)	(7,209)	(2,019)	(432)	(2,451)
Balance at September 30, 2016	5,276	—	(7,183)	101	(1,807)	146,259	4,671	150,930

Consolidated Statements of Cash Flows

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the six months ended September 30, 2015 (Apr. 1 through Sep. 30, 2015)	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)
Cash flows from operating activities:		
Profit (loss) before tax	(556)	6,802
Depreciation and amortization	8,603	7,751
Impairment loss	108	1
Increase (decrease) in assets and liabilities for retirement benefits	802	164
Increase (decrease) in provision for product warranties	(784)	(659)
Finance income	(358)	(445)
Finance costs	735	515
Equity in earnings (losses) of affiliates	423	(546)
(Increase) decrease in trade and other receivables	9,132	(2,702)
(Increase) decrease in inventories	175	(876)
Increase (decrease) in trade and other payables	(6,873)	1,890
Loss associated with the Anti-Trust law	7,801	—
Reversal of foreign currency transaction adjustment	(82)	—
Other	215	2,778
Subtotal	19,342	14,673
Interest received	78	43
Dividends received	551	619
Interest paid	(641)	(531)
Income taxes paid	(2,387)	(1,316)
Refund of income taxes	44	—
Net cash from operating activities	16,986	13,488
Cash flows from investing activities:		
Payment into time deposits	(353)	(137)
Proceeds from withdrawal of time deposits	201	189
Payment for purchases of property, plant and equipment	(11,980)	(8,897)
Proceeds from sale of property, plant and equipment	47	8
Payment for purchases of other financial assets	(698)	(1)
Proceeds from sale of other financial assets	—	31
Other	(483)	(419)
Net cash flows from investing activities	(13,268)	(9,225)

(Unit: Millions of yen)

	For the six months ended September 30, 2015 (Apr. 1 through Sep. 30, 2015)	For the six months ended September 30, 2016 (Apr. 1 through Sep. 30, 2016)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	1,370	6,475
Repayments of lease obligations	(315)	(235)
Proceeds from long-term borrowings	2,650	5,716
Repayment of long-term borrowings	(6,222)	(9,644)
Payments for purchase of treasury shares	(2)	(1)
Proceeds from sales of treasury shares	0	—
Dividends paid	(1,788)	(1,533)
Dividends paid to non-controlling interests	(269)	(241)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(675)	—
Net cash flows from financing activities	(5,251)	537
Effects of changes in foreign exchange rates	(416)	(1,626)
Net increase (decrease) in cash and cash equivalents	(1,949)	3,174
Cash and cash equivalents at beginning of period	30,510	25,296
Increase (decrease) in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	5
Cash and cash equivalents at end of period	28,562	28,475

Segment Information

KYB Corporation and its Consolidated Subsidiaries

For the six months ended September 30, 2015

(Unit: Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customer	122,568	45,074	167,642	12,210	179,852	—	179,852
Intersegment and transfers	123	1,449	1,571	899	2,470	(2,470)	—
Total	122,691	46,522	169,213	13,109	182,322	(2,470)	179,852
Segment profits	7,210	408	7,618	413	8,032	54	8,085
Equity in earnings (losses) of affiliates	(434)	11	(423)	—	(423)	—	(423)
Other income and expenses (net)	(7,240)	(305)	(7,545)	(295)	(7,841)	—	(7,841)
Operating profits (losses)	(464)	114	(350)	118	(233)	54	(179)
Finance income and costs (net)							(377)
Profit before tax							(556)

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. ¥54 million of adjustment of segment profits are the elimination of intersegment transactions.

For the six months ended September 30, 2016

(Unit: Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customer	115,164	45,162	160,326	12,603	172,929	—	172,929
Intersegment and transfers	312	1,143	1,455	884	2,338	(2,338)	—
Total	115,476	46,306	161,781	13,486	175,267	(2,338)	172,929
Segment profits	6,174	1,536	7,710	62	7,772	78	7,850
Equity in earnings of affiliates	358	188	546	—	546	—	546
Other income and expenses (net)	(908)	(494)	(1,403)	(121)	(1,524)	—	(1,524)
Operating profits (losses)	5,624	1,230	6,853	(59)	6,795	78	6,873
Finance income and costs (net)							(70)
Profit before tax							6,802

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. ¥78 million of adjustment of segment profits are the elimination of intersegment transactions.

*With regard to the changes of reportable segment

Since the first quarter of this fiscal year, we reconsidered the business segment of "Aircraft components" which had been included in "Hydraulic components" and isolated it as "Aircraft components division" for the reinforcement and expansion of the management foundation.

With regard to the "Aircraft components division", we considered the quantitative criteria of reportable segment, it has been included in "Other" and disclosed.

With regard to the information for the six months of previous fiscal year, we disclose the information in which we take into account the change above