

# Meeting Materials for FY2016, Ended March 31, 2017

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May 18, 2017

KYB Corporation

(Stock Code: 7242; First Section of Tokyo Stock Exchange)

## **FY2016 Summary and Business Outlook**

### **2017 Mid-term Plan**

#### **Yasusuke Nakajima**

Representative Director,  
President Executive Officer

## **Financial Information**

#### **Takaaki Kato**

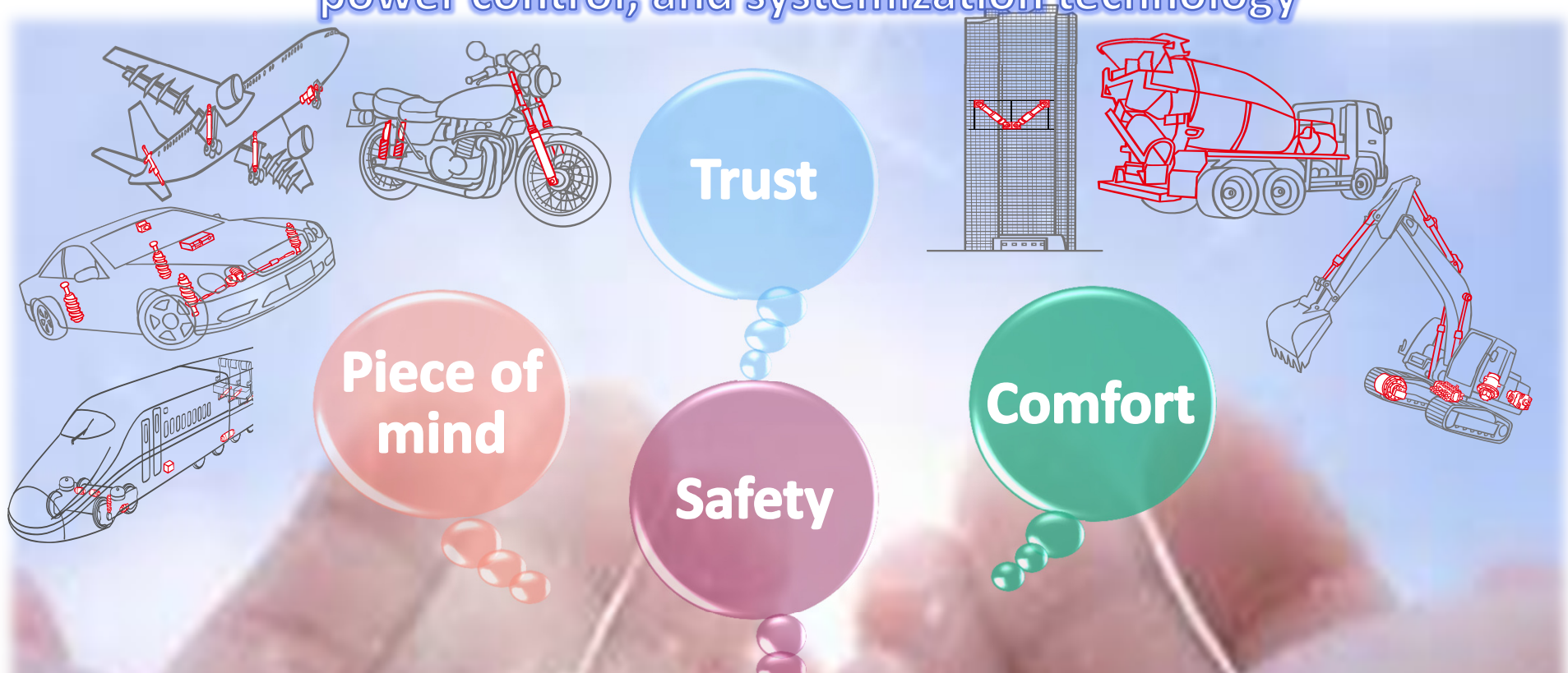
Member of the Board of Directors,  
Senior Managing Executive Officer

# Opening

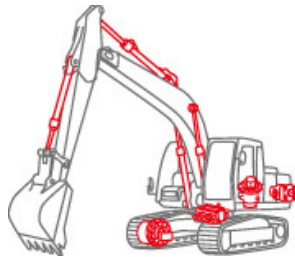
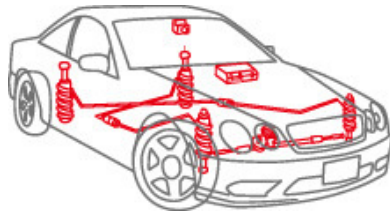


*Our Precision, Your Advantage*

Seeking sustainable growth as a world-leading manufacturer through our core hydraulic technology by combining vibration control, power control, and systemization technology



**KYB aims to be a company that contribute to an abundant, vibrant society where people lead happy, comfortable lives.**



# FY2016 Summary and Business Outlook

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Yasusuke Nakajima

Representative Director,  
President Executive Officer  
KYB Corporation

# Review of the 2014 mid-term plan



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(¥ Billion)		FY2016	
		Planned (JGAAP)	Actual (IFRS)
Net Sales	AC	250.0	231.0
	HC	144.0	96.3
	SV, A&S	36.0	28.0
	<b>Total</b>	<b>430.0</b>	<b>355.3</b>
Operating income / Segment profits*	AC	13.0	11.2
	HC	14.0	6.6
	SV,A&S	3.0	0.8
	<b>Total</b>	<b>30.0</b>	<b>18.6</b>

\*Segment profits correspond to operating income in JGAAP

AC: Automotive Components      HC: Hydraulic Components

SV, A&S: Special-purpose vehicles, hydraulic equipment for aircraft, and system product and electronic components

- Unable to achieve our targets for both sales and profits
- Sales stagnated due to sluggish hydraulic excavator market in China
- The level of management was not able to keep pace with the scale of business expansion at overseas companies, causing a decrease in profitability

# FY2016 Financial Summary



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(¥ Billion)	IFRS				Differences
	FY2015	FY2016			Previous period
	Actual	Forecast	Forecast (Feb. 8)	Actual	
Net Sales	355.3	342.0	353.0	<b>355.3</b>	(0.0)
Segment profits*	17.6	—	18.3	<b>18.6</b>	1.0
Operating profit	4.3	13.0	18.5	<b>19.2</b>	14.9
Profit (loss) attributable to owners of the parent	(3.2)	7.9	13.5	<b>14.5</b>	17.7
Dividend (¥)	11	11	11	<b>12</b>	1

\*Segment profits correspond to operating income in JGAAP

## FOREX (Average)

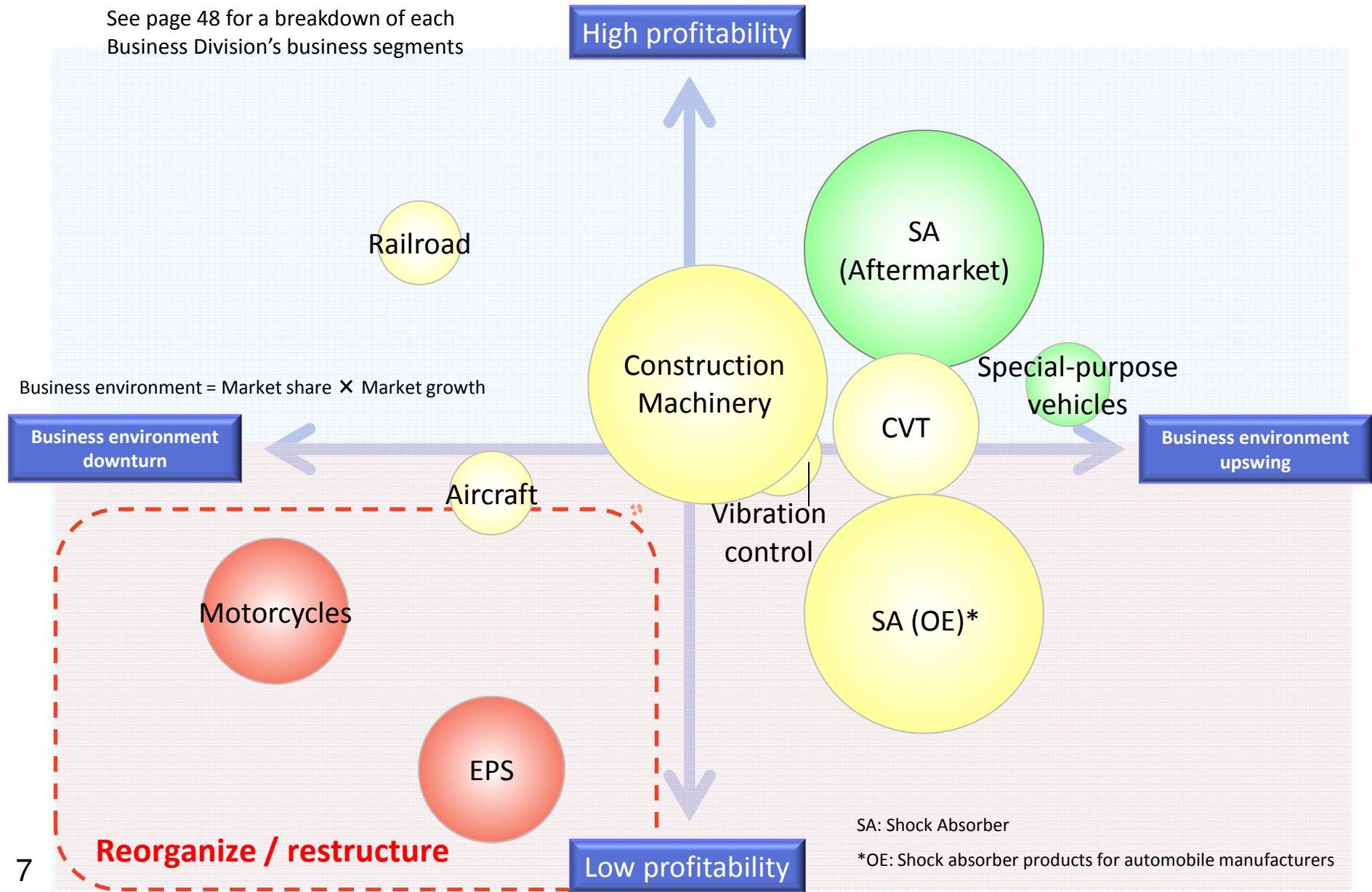
(¥)	FY2016	FY2017 Forecast
JPY / US\$	120.15	<b>108.38</b>
JPY / EUR	132.57	<b>118.79</b>
JPY / CNY	18.85	<b>16.10</b>
JPY / THB	3.44	<b>3.08</b>
JPY / RUB	1.91	<b>1.72</b>

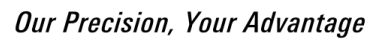
# Position of Each Business Division



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See page 48 for a breakdown of each Business Division's business segments





## A line drawing of a car chassis, showing the front and rear wheels, suspension components, and the engine compartment. Red shock absorbers and springs are highlighted on the front and rear wheels. A red rectangular box is also shown on the front of the car, near the engine compartment.



# Business Environment around KYB



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<b>Automobiles</b>	<ul style="list-style-type: none"> <li>• Domestic: Flat demand. Concern over a sales decrease after the consumption tax increase.</li> <li>• Overseas: The increasing trend is concern over the policies of the new U.S. administration.</li> </ul>
<b>Motorcycles</b>	<ul style="list-style-type: none"> <li>• Domestic: Demand falling</li> <li>• Overseas: Slowing growth in Southeast Asia, Production and sales in India driving the global motorcycle market</li> </ul>
<b>Construction machinery</b>	<ul style="list-style-type: none"> <li>• Domestic: Expectations of a rush in demand before new exhaust gas regulations in 2018</li> <li>• Overseas: Temporary downturn on a recovery trend</li> </ul>
<b>Railroad</b>	<ul style="list-style-type: none"> <li>• Domestic: Market plateau, shift towards high grade lines</li> <li>• Overseas: 40 thousand kilometer road extensions planned by 2025 in China (currently 20 thousand kilometers), infrastructure development in India, North America, etc.</li> </ul>
<b>Aircraft</b>	Cost competition intensifies with the market entry of new companies
<b>Mixer Trucks</b>	<ul style="list-style-type: none"> <li>• Domestic: Demand for Olympics, linear, disaster recovery, urban development</li> <li>• Overseas: Growth in the Indian market due to investment in infrastructure.</li> </ul>
<b>Equipment</b>	Domestic: Needs related to Olympics and disaster prevention continue

## Technology

- Accelerating technological evolution of IoT, AI, and automatic operation
- Cooperation with different types of businesses and business diversification

## Regulations

- Global strengthening of legal regulations as Antimonopoly Act, Transfer pricing Taxation, and Tax Haven Taxation
- Increasingly strict evaluations of corporate efforts regarding ESG (Environment, Social, Governance)

## 2017 New Mid-term Plan Policies



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**2017–2019 mid-term slogan**

**A GLOBAL *KYB***  
**- CHALLENGE & INNOVATION -**

# Key Policies and Target of the New 2017 Mid-term Plan



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Key initiatives	FY2017	FY2018	FY2019	FY2020
Sustainable growth strategy	Advance into growth markets			
	In-house production, alliances and M&As for insufficient technology based on road map			New product development
	Strengthen the KYB brand		International races	Improve awareness
Stabilize revenue base	Effective utilization of existing plants/companies			Ensure profits by company and product line
	Continue structural reforms for stable profitability			
	Construct flexible small business department system			
Resolve management issues	Strengthen Corporate Governance			
	Strengthen Compliance			
	Strengthen Risk Management System			

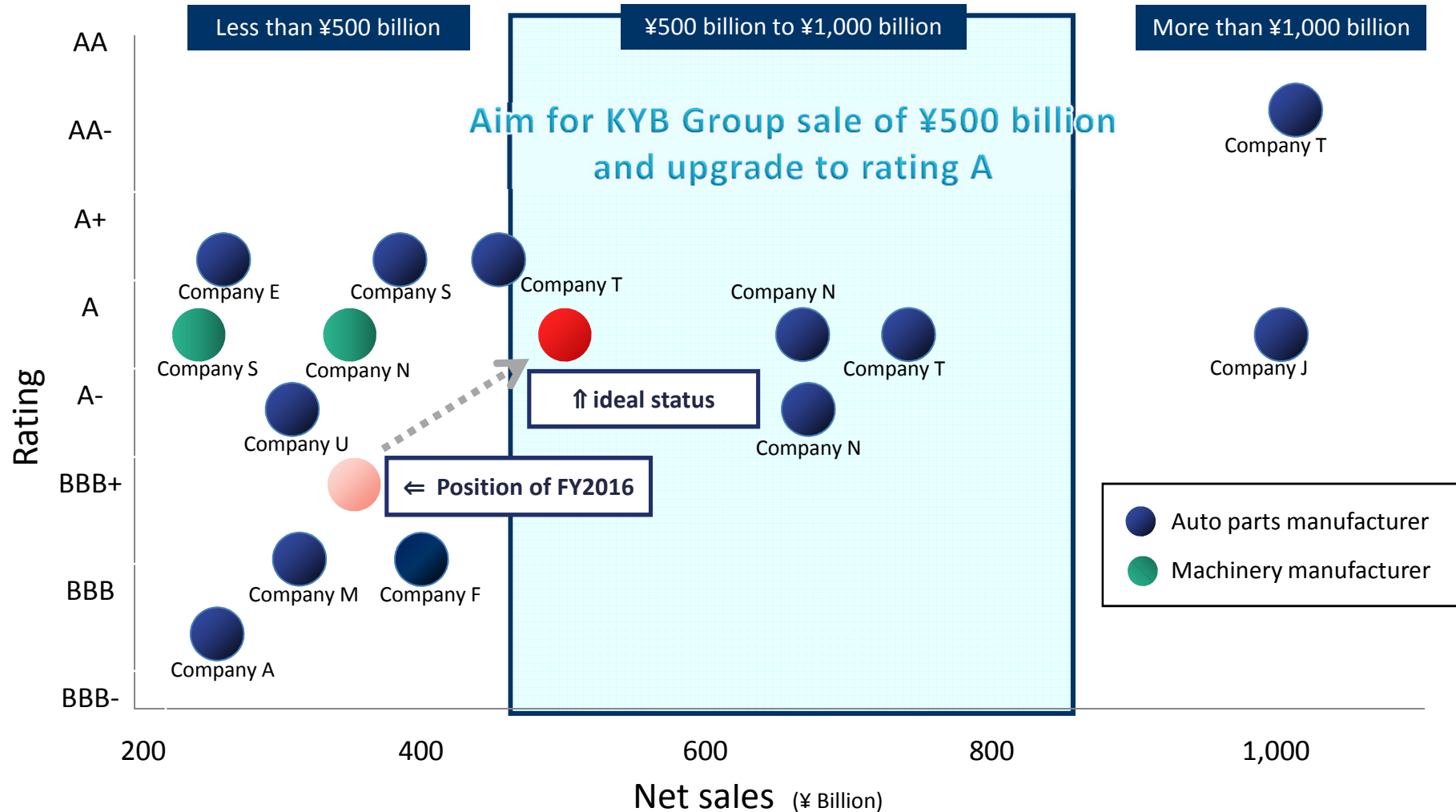
(¥ Billion)		FY2016	Target for FY2019
Net Sales	AC	231.0	243.0
	HC	96.3	124.0
	SV, A&S	28.0	31.0
	Total	355.3	398.0
Segment profits		18.6	26.0
Segment profits margin		5.2%	6.5%
ROE		9.3%	10.0%

AC: Automotive Components  
 HC: Hydraulic Components  
 SV, A&S: Special-purpose vehicles, hydraulic equipment for aircraft, and system product and electronic components

# Ideal Status



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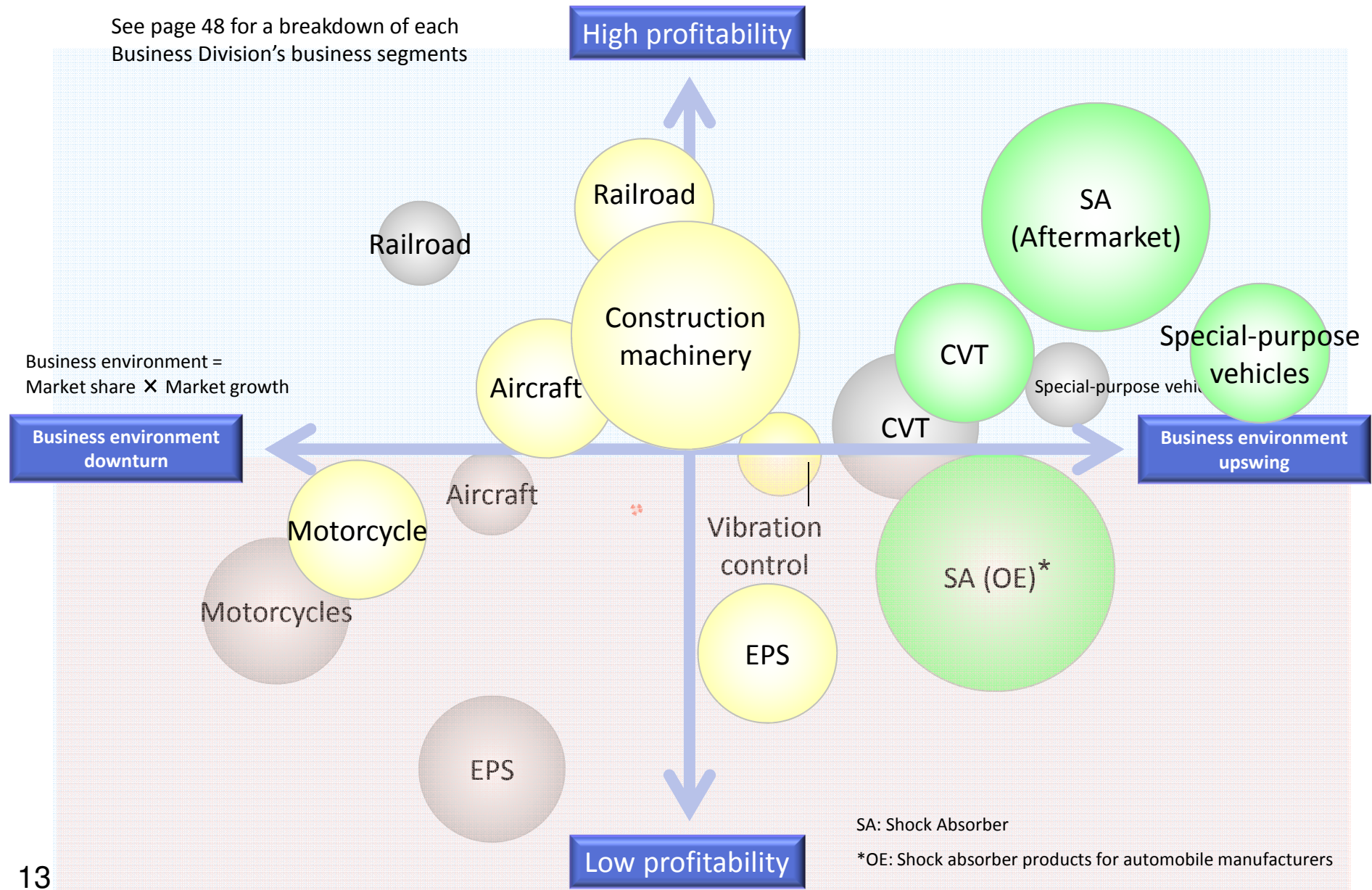
**Aim for KYB sales of ¥500 billion after FY2020**

# Target Position of Each Business Division



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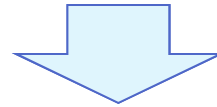
See page 48 for a breakdown of each Business Division's business segments



## ■ Dividend Policy Revision

Present

At least 2% (annual rate) of shareholders' equity on a consolidated basis



New  
Policy

We will aim for **consolidated dividend payout ratio of 30%**, and at least 2% (annual rate) of shareholders' equity on a consolidated basis

Starting from the FY 2017 interim dividend

## ■ Profit Distribution Policy

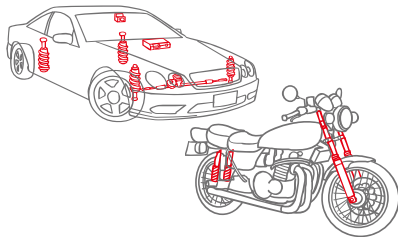
- Dividend
- Interest-bearing debt repayment
- Growth investments (Capital investment, M&A, R&D, etc.) / internal reserves

# Key Points for Each Business Segment



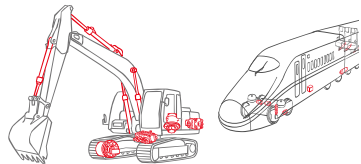
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## AC



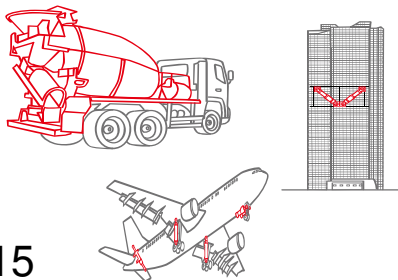
- Newly established divisions by products under AC Operations, planning to speed up strategy execution
- Ensure profits with mainstay shock absorbers in OEM and aftermarket
- Speed up innovative *monozukuri*
- Make motorcycles a profitable business through restructuring
- Newly established Motorsports Depts.

## HC



- Strengthen sales promotions for growth markets which we were not active while staying based in excavators
- Improve earnings structure by speeding up restructuring in excavator products.

## Other business



- In Special-Purpose Vehicles, meet domestic demand for Olympics and urban redevelopment, establish a production system for the growing India market
- In Aircraft, expand business and increase the share of private demand
- In Equipment, meet demand for Olympics



## Mid-term policy

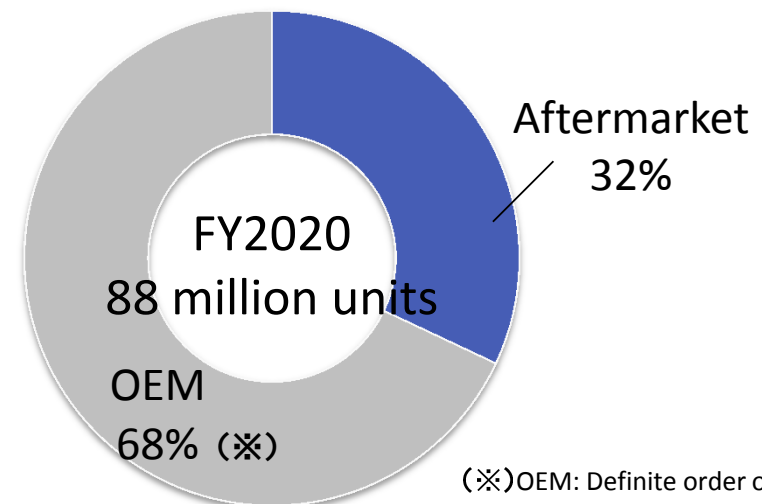
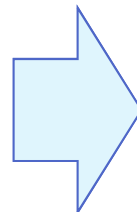
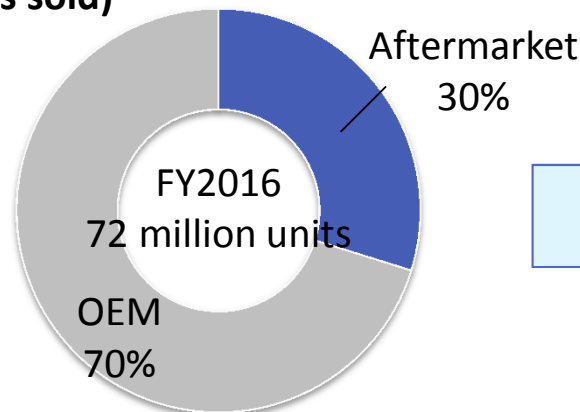
Plan long-term growth trajectory by reorganizing plants/companies to match the shifts in customer demand areas and development and sales promotion of value-added products  
Speed up by launching small business units (Suspension, steering, motorcycle)

## Key initiatives

- ✓ Optimize layout and reinforce capacity to match the market and customers' business strategies  
Expand in emerging economies markets and review existing plants
- ✓ Development and sales promotion of value-added products that use electronics  
Sales promotions for high performance electronically controlled automobile SA, develop electronically controlled motorcycle front forks
- ✓ Cost reductions for existing products by introducing innovative lines

## Automotive SA Business Breakdown

(Units sold)



(\*)OEM: Definite order only



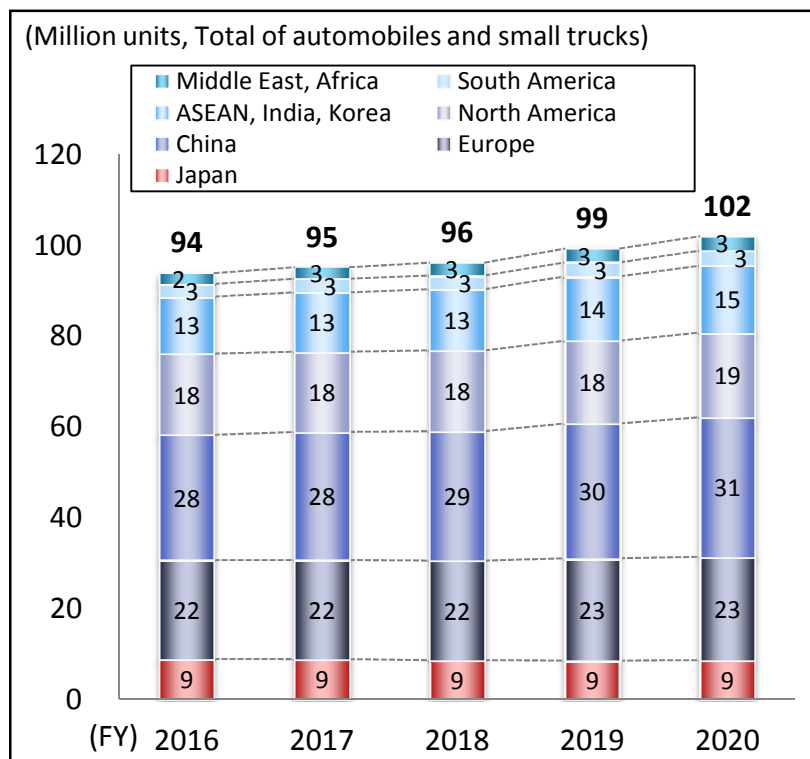
## AC Operations— Business Environment



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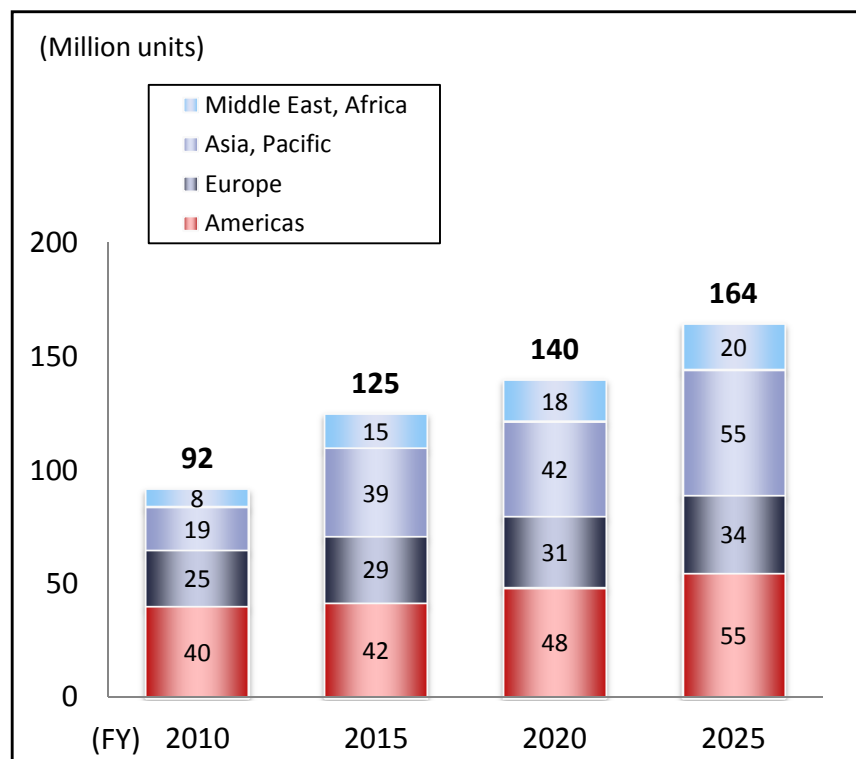
- Slight increase in overall global automobile demand due to increase market in emerging economies including southeast Asia.
- Domestically, we anticipate fixed amount of demand for automobiles, but there is uncertainty due to trade deficit reduction negotiations with the US
- Forecast for aftermarket market expansion based on emerging economies

### ■ Automobile Production Forecast



Source: IHS (the end of Mar. 2017)

### ■ Market Forecast by Aftermarket Area



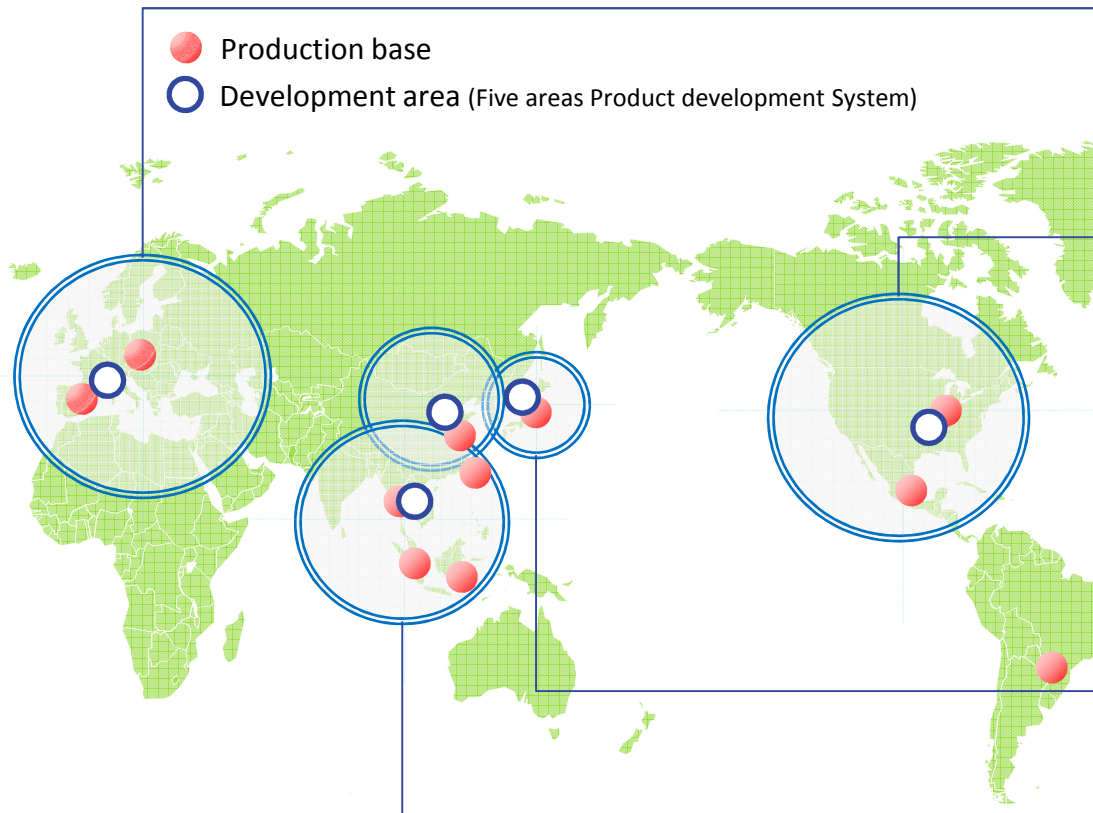
Source: FOURIN

# AC Operations— SA OEM Global Strategy



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## ■ Ensure profit with SA, the AC mainstay!



- ✓ Increase customer satisfaction with strengthening the **five areas product development system**
- ✓ **Increase capacity** in areas with demand
- ✓ Enter market for **high value-added products**
- ✓ Increase and preserve competitive power by introducing **innovative lines**

### Europe Area

Technology

Expand **electronically controlled SA** line up

Strengthen **development system** for Europe customers

### North America Area

Technology

Quickly introduce highly marketable **single tube gas SAs**

Production

Reorganize production to adapt to changes in US policies

### China Area

Technology

Offer technology that follows **European customers'** China strategies

Production

Ensure profits by promoting automation of existing lines

### Japan

Technology

Supervise five area product development system, **next-generation product development**

Production

Develop cost-competitive **innovative lines**

### Southeast Asia Area

Technology

Increase customer satisfaction by **strengthening the development system**

Production

Ensure competitive power by **introducing innovative lines**

### India

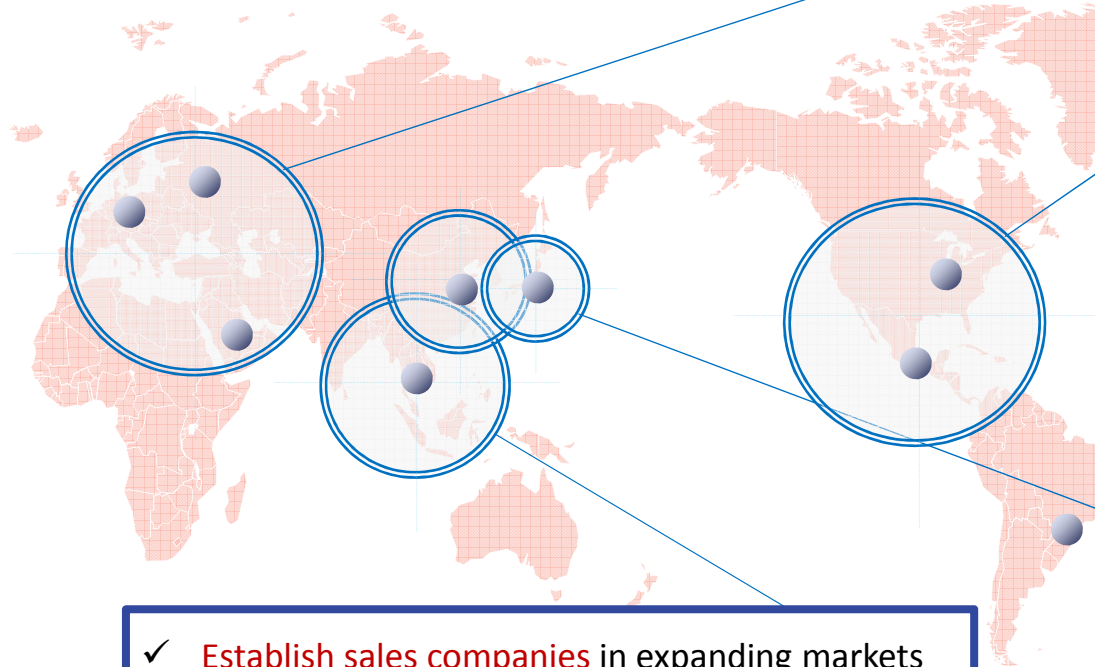
Analyze **local production** to respond to customer and market needs

# AC Operations— SA Aftermarket Global Strategy



## ■ Achieve FY 2020 sales target of 280 million units!

● Sales company



- ✓ Establish sales companies in expanding markets
- ✓ Develop / introduce new applications for SA in popular car models
- ✓ Develop / introduce new applications for SA-related components
- ✓ Achieve targets through exchange risk hedge by promoting local production / consumption

### Europe Area

New	Promote sales by establishing new brand for suspension spring
New	Strengthen sales promotions in the Middle East area
New	Increase share through expanding dealership transactions

### North America Area

New	Introduce high-performance SA for pick-ups / SUV
Ongoing	Promote sales by increasing transactions with four big dealerships

### China Area

Ongoing	Sales adapted to the growing used car market
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### Japan

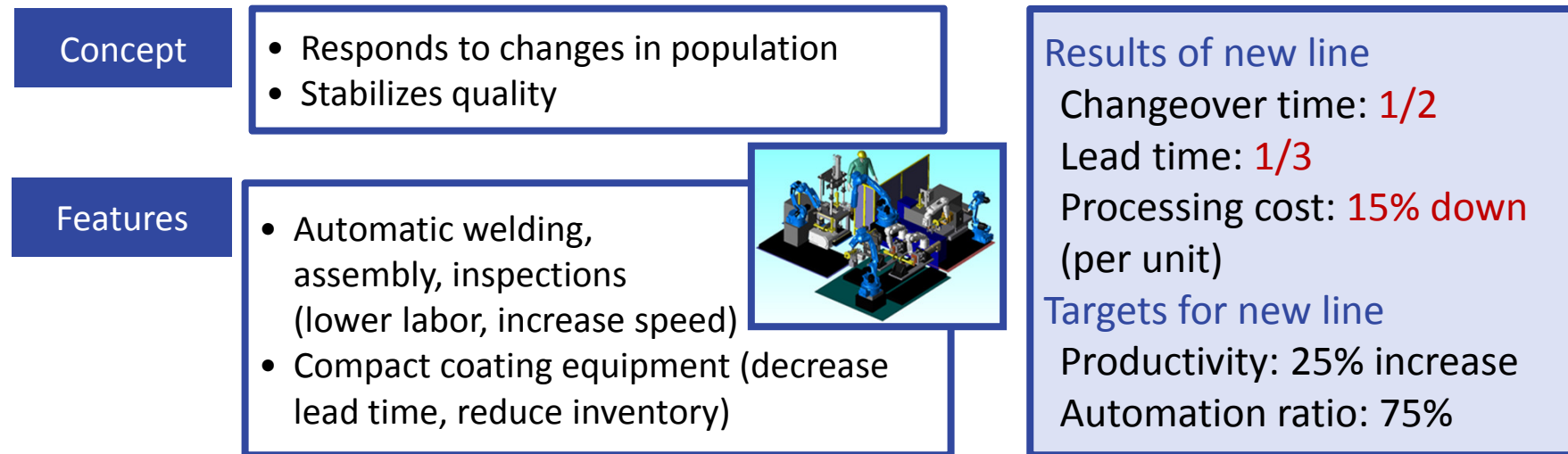
New	Expansion and sales promotions for SA-related components
Ongoing	Optimize global manufacturing / sales system and draft strategy

### Southeast Asia Area

New	Introduce new SA for pick ups / SUVs
Ongoing	Rationalize inventory control system in Asia

■ Speed up global development of innovative *monozukuri*

■ Outline of new SA line (F0)



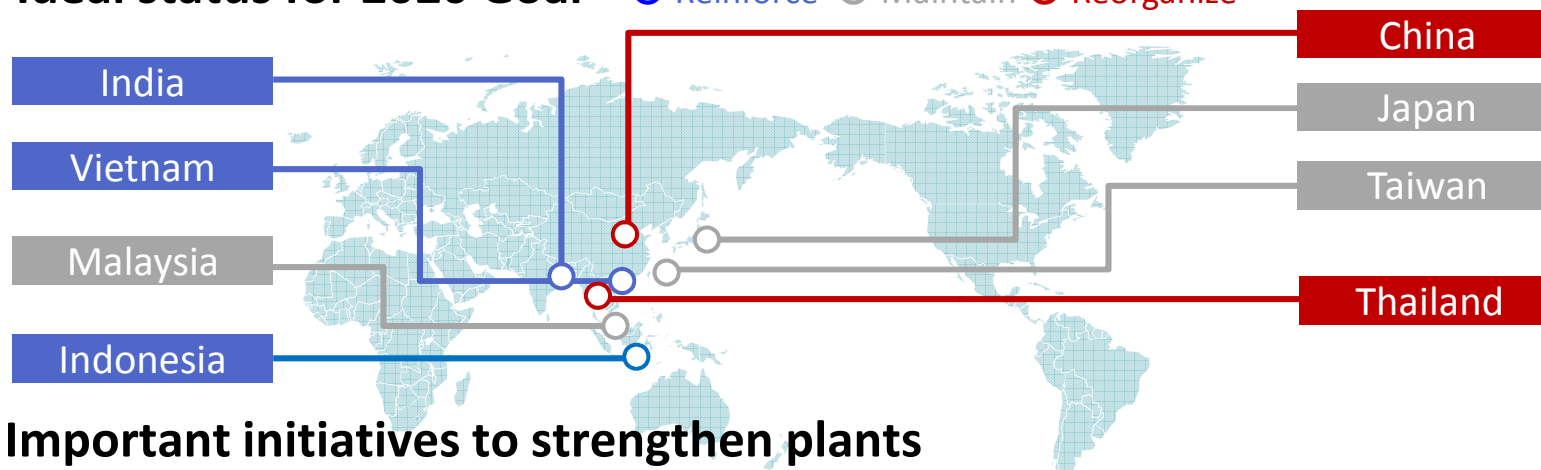
■ Global expansion plan to FY2020



■ Adjust redundant capacity, create profit-generating business structure through innovative development / manufacturing

## ■ Ideal status for 2020 Goal

○ Reinforce ○ Maintain ○ Reorganize



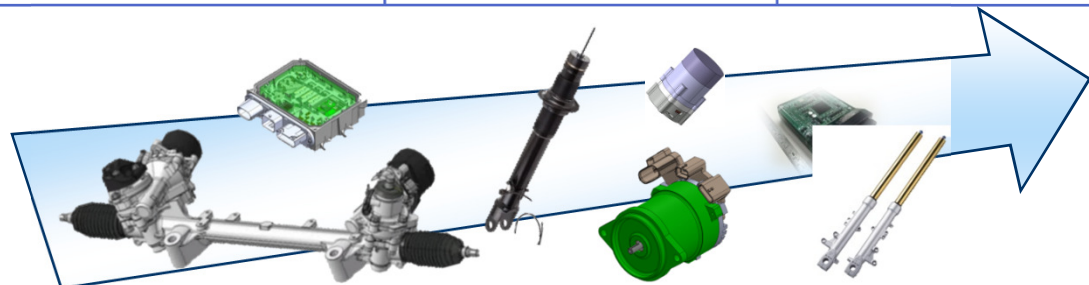
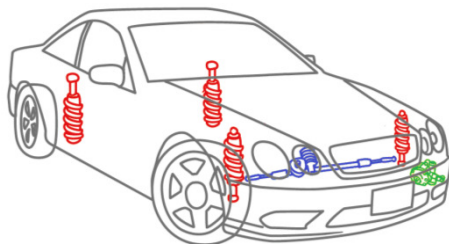
## ■ Important initiatives to strengthen plants

	FY2017	FY2018	FY2019
India		Decrease costs by increasing ratio of in-house production	Increase manufacturing for existing Indian customer, sales promotions to other companies
Vietnam	Bring together and strengthen small equipment manufacturing	Sales promotions of equipment for Company H	
Indonesia	Expand manufacture of sporting domain goods according to customer strategies	Increase competitive power by promoting domestic work for special processes	

## Strengthen development for high value added systems products

### Systems products road map

	2014–	2017–	2020–
System Technology development	ECU	Model-based design	
	MCU	Suspension, EPS cooperative control system	
	Functional safety logic	Functional safety redundancy	Automatic driving
Suspension	Electronic controlled suspension	Active suspension system	
		Electronic controlled suspension system	
		Electronic controlled suspension system for motorcycle	
Pumps		Electric hydraulic pump	
		Systematization of hydraulic systems	
Steering	steer-by-wire		
	Functional safety SW	Anti-redundancy EPS	
	Steering assist	Automatic driving	



## Mid-term policy

### Stable sales unaffected by market changes, ensure profits

Strengthen sales promotions for growth markets which we were not active while staying based in excavators

## Key initiatives

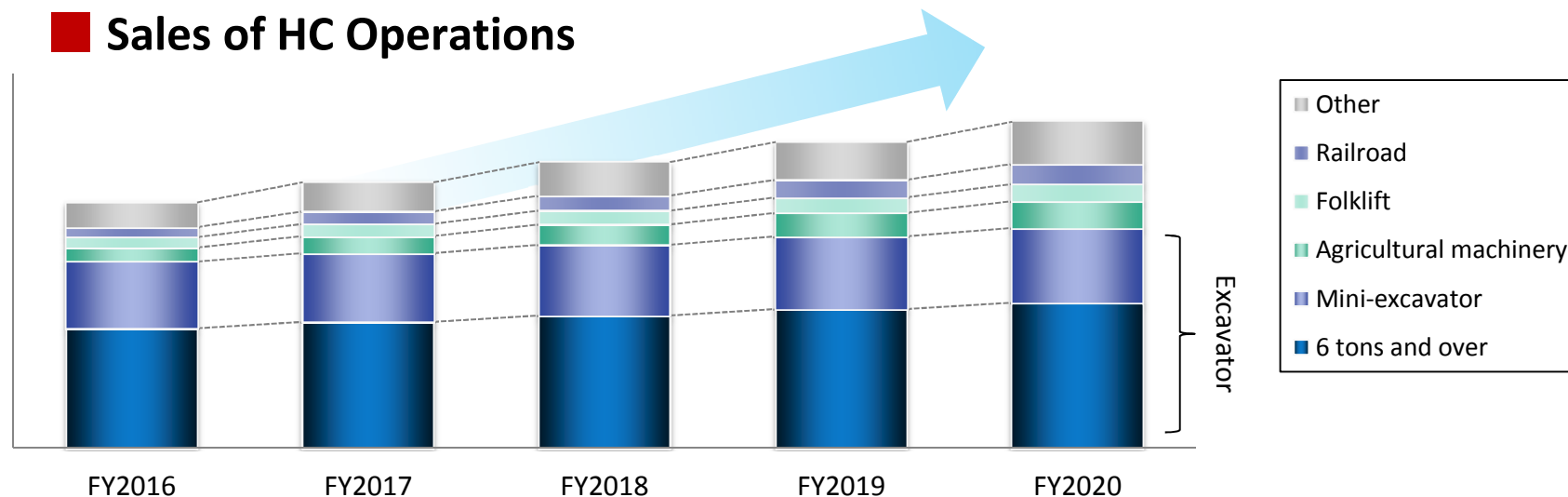
### ✓ Establish optimum production system

Ensure earnings by reorganizing control valve development / production systems

### ✓ Sales promotions for agricultural machinery, railway, and other growth markets

Plan sales promotions with product strategy and development that matches regional demand

## Sales of HC Operations





# HC Operations— Production sites



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## Domestic

### KYB-YS

Products: ● ● ●

Items: Cylinders, valves, casting for valves

### Gifu South Plant, Gifu East Plant

Products: ● ● ●

Items: Cylinders, MMP, seals

### Takako

Products: ● ● ● ●

Items: Piston pumps, motor parts, solenoid valve, micro pumps

### KYB Trondure

Products: ● ● ●

Items: Electric devices (Controllers, GPS, DC motors)

### Kumagaya Plant

Products: ● ● ●

Items: Gear pumps

### Sagami Plant

Products: ● ● ● ●

Items: Pumps, motors, valves, oil damper for railroad vehicles, caliper brakes, valves for railroad vehicles

## Overseas

### U.S.

Products: ● ●

Items: Parts for piston pump, motor

### Indonesia

Products: ●

Items: Cylinders

### Vietnam

Products: ● ●

Items: HST(※1), MMP(※2), MSF (※3), solenoid coils, parts for piston pump, motor

### China

Products: ● ●

Items: Cylinders, motors, oil damper for railroad vehicles

(※1)HST: Hydro-Static-Transmission

(※2)MMP: Mini motion package

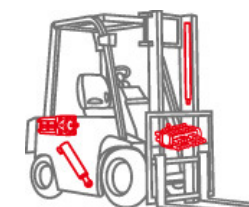
(※3)MSF: Fan motors

## [Products]

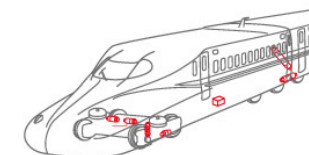
● Excavator



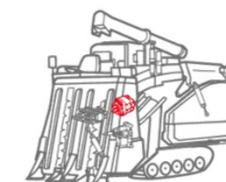
● Forklifts



● Railroad



● Agricultural machinery



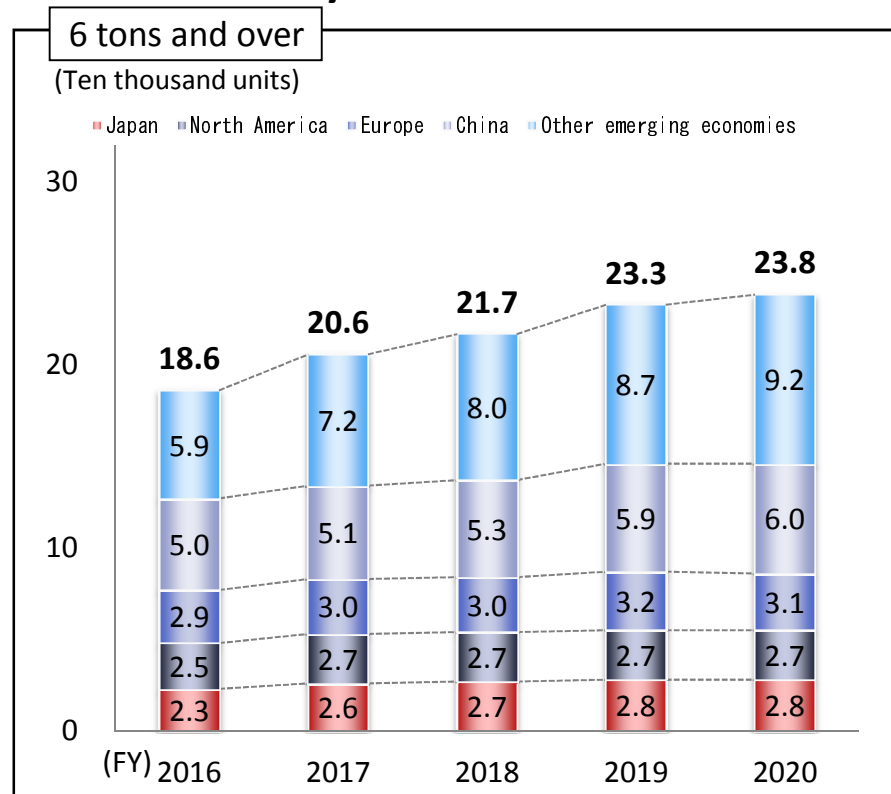


## HC Operations— Business Environment (excavator market)

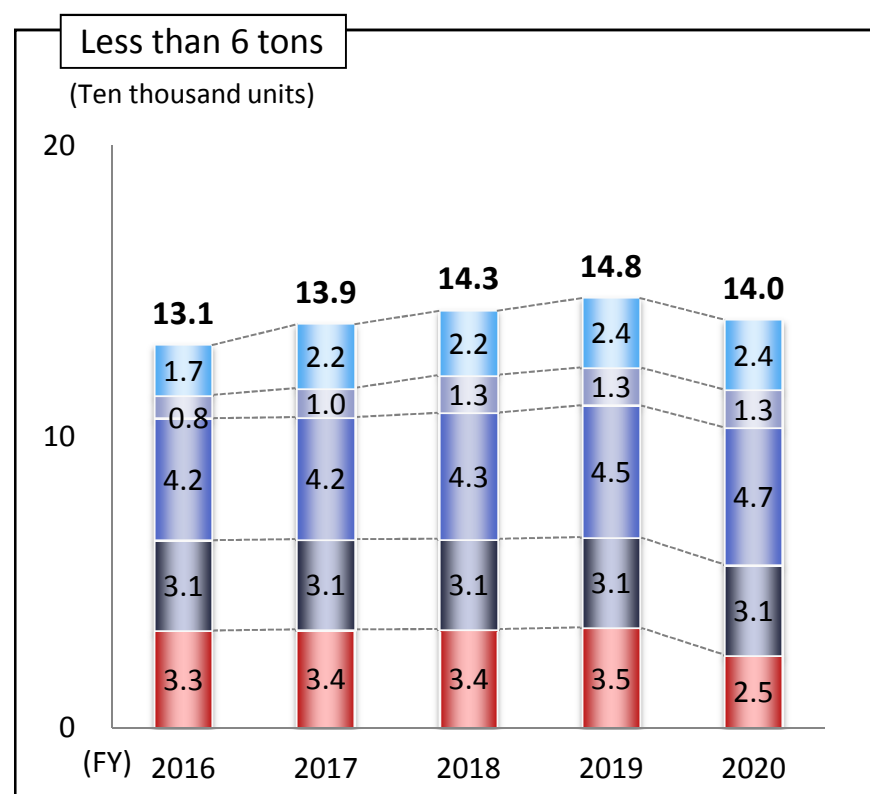


- Slight increase in Japanese market due exhaust gas regulations and Olympic demand
- Sense of bottoming out in the China market
- Growth continues in the India market driven by infrastructure investment

### ■ Demand for Hydraulic Excavators Forecast



### ■ Demand for Mini Excavators Forecast



Source: KYB's forecast, based on customer data

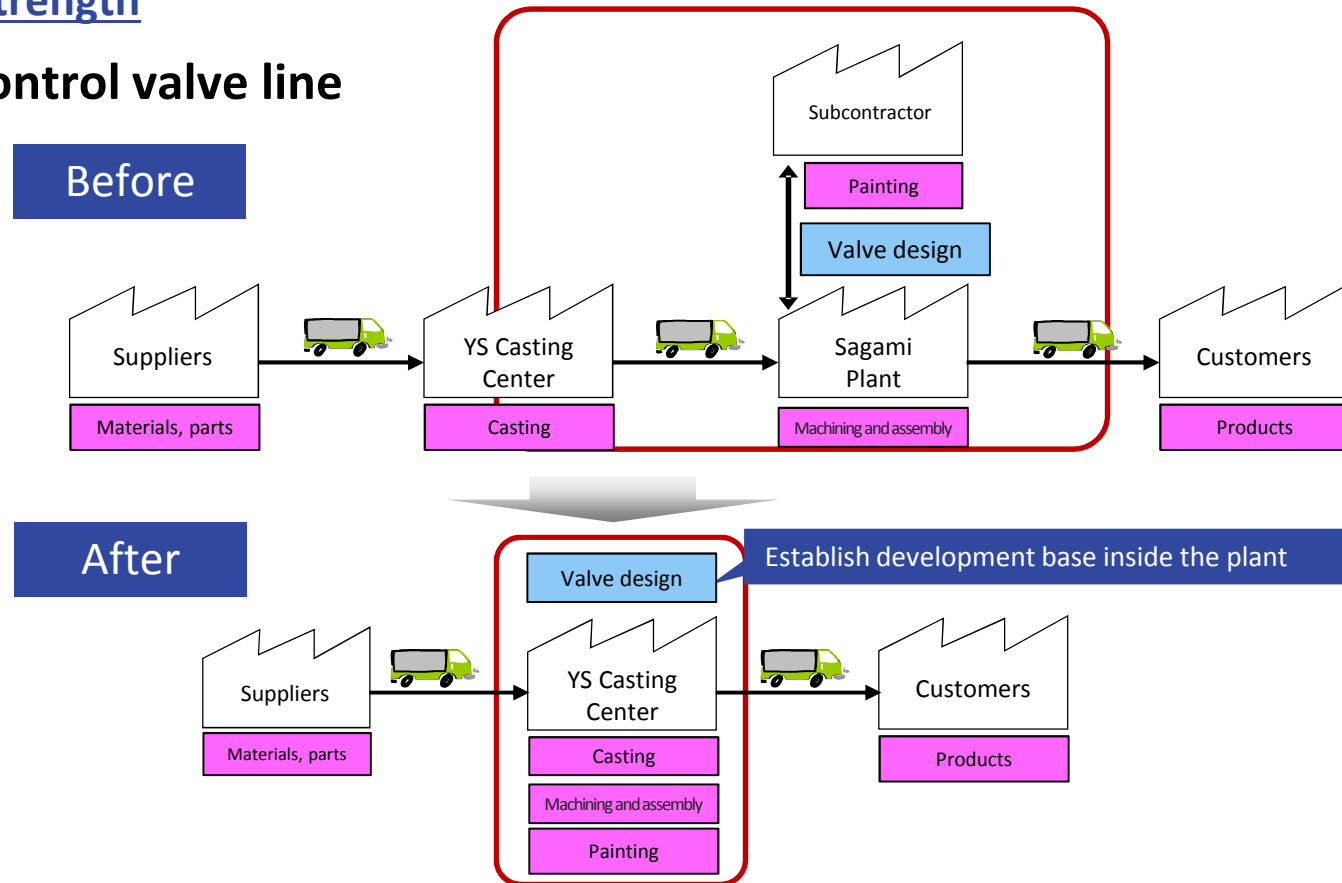
# HC Operations— Establish Optimum Production System



■ Structure that can further increase earnings with integrated production lines that use our group strength

## ■ Build integrated control valve line

Products  
Control Valve  
KVM series  
Transfer to  
KYB-YS Casting Center



### New line results

- Increase productivity by 15% with integrated casting and machining / assembly construction
- End transport within plants
- Shorten development times and increase product strength by integrating production and development bases

# HC Operations— Agricultural Machinery Products



## ■ Sales promotions with product strategy that matches regional demand

### Japan area

- Agricultural machinery with ICT / IoT onboard is becoming the norm
- Industry, the private sector and education are progressing with research and development into automation / unmanned operation

- ✓ Develop **electronics products** that can respond to automatic control / driving, deal with **systems**

Electric controlled HST, electric controlled piston pumps, electric controlled LS valves

### North America area

- Large equipment over 100 horsepower is the norm
- Semi-automated tractors have entered the market, there are semi-automated and fully automated operations

- ✓ Develop products that can handle **high capacity**
- ✓ Develop **electronics products** that can respond to automatic control / driving

Electric controlled HST, electric controlled LS valves, electric controlled piston pumps

### China area

- Shift from manual labor and mechanization to hydraulics
- Diversification of agricultural machinery progressing

- ✓ **Strengthen competitive power of existing products**  
**Expand** HST, gear pumps, MMP series, **lower costs**

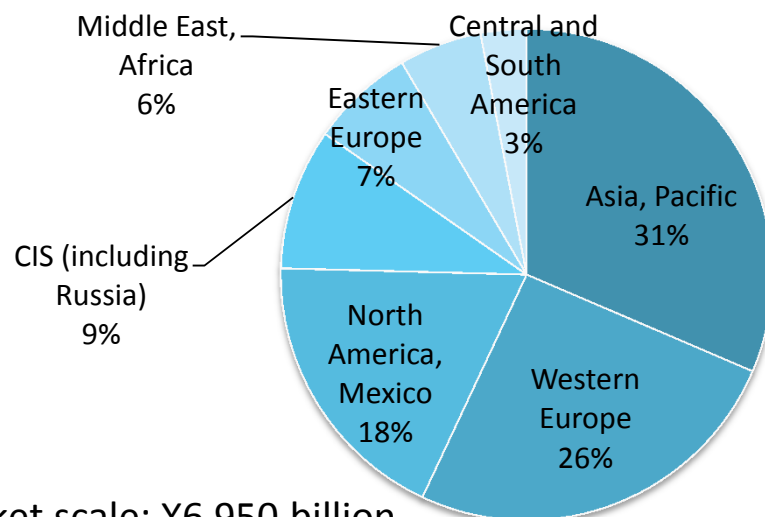
#### HST(Hydro-Static-Transmission)

- Products used in small agriculture equipment of less than 100 horsepower
- **Increase competitive power with Vietnam plant**, sales promotions in China, which has the largest small agriculture equipment market
- KYB share (China market)  
FY2016: 5% ⇒ FY2019: **15%**



## ■ Plan to expand through Sales promotions to overseas markets and new product strategy

### ■ Railroad industry demand



Market scale: ¥6,950 billion

Source: Generated by KYB, based on UNIFE World Rail Market Study

#### Markets to watch

##### China

High-speed railway extension planned  
Major lines rail grid (4+4)→ (8+8)

##### India

Mumbai to Ahmadabad high-speed rail  
open in 2023

##### North America

Texas high-speed rail open in 2022

##### Japan

Demand increase for high-grade lines

#### Strategy

##### China

Sales promotions for passive dampers for high speed (250–300 km/h) railroads / inter-city railroads (reduce costs with local production)

##### India, other

Support for sales promotions from Japanese Trade Union Confederation

##### Japan

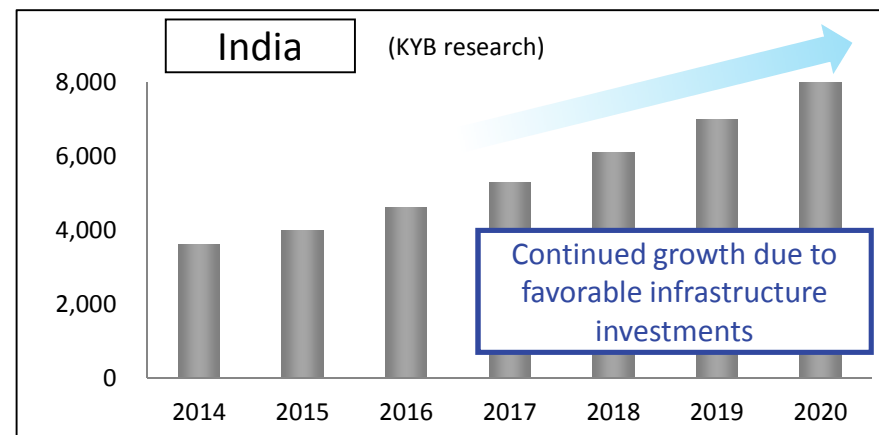
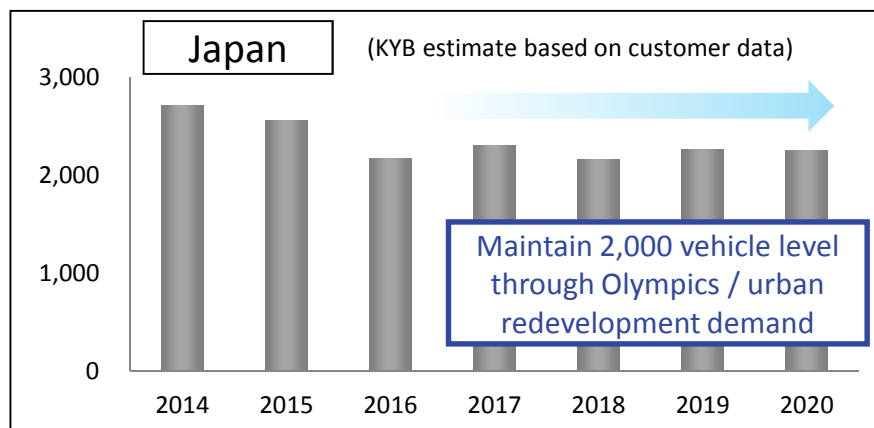
Sales promotions for active suspension systems targeting high grade trains, limited express trains and next model bullet trains

# Special-purpose Vehicle Division

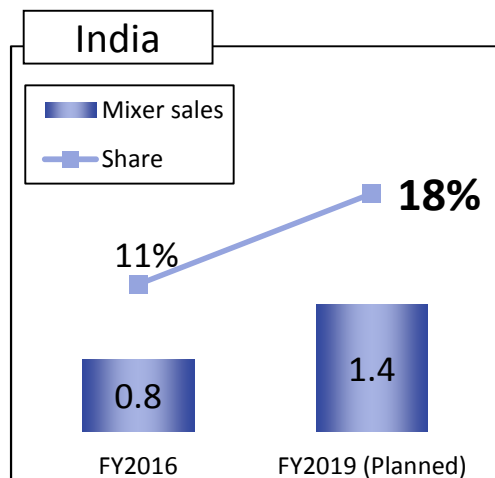
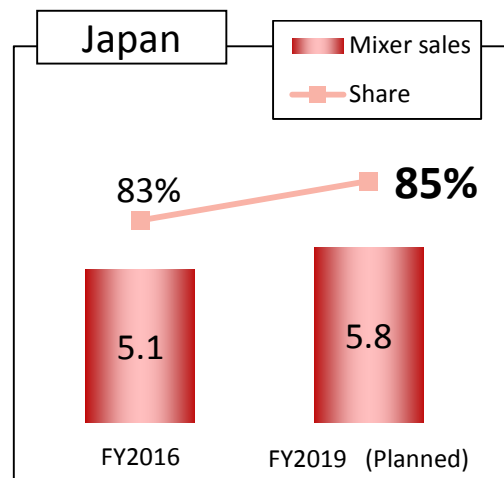


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## Mixer Truck Demand in India (Per truck)



## Mixer Truck Sales Forecast (¥ Billion)



### KYB's mixer strengths in India

#### Technology

- High-performance concrete ejection
- Stable driving due to low center of gravity when carrying concrete

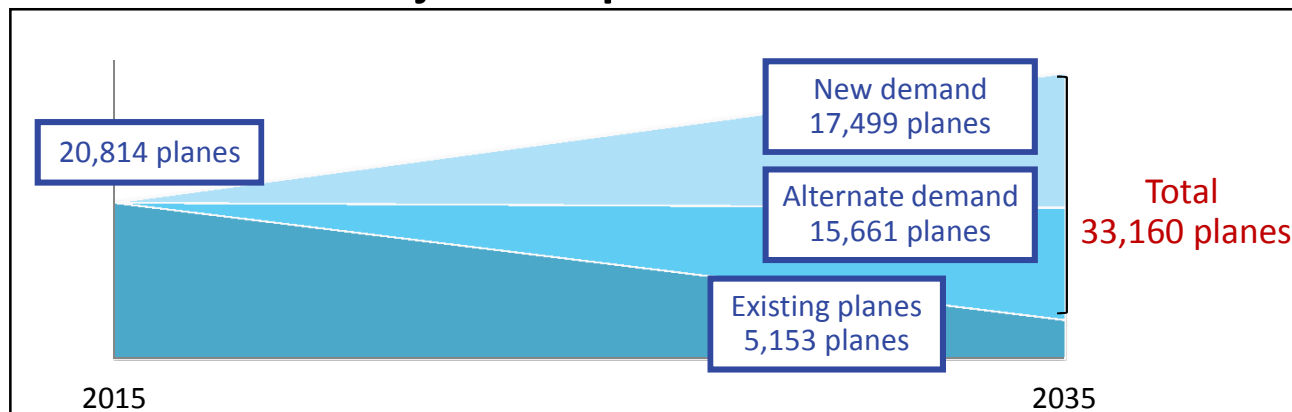
#### Sales

- Confidence to Japanese companies

Capture domestic demand, expand sales in Special-purpose Vehicles by strengthening the production system and technological strength to match the growing India market

# Aircraft Components Division

## Forecast for jet transport demand

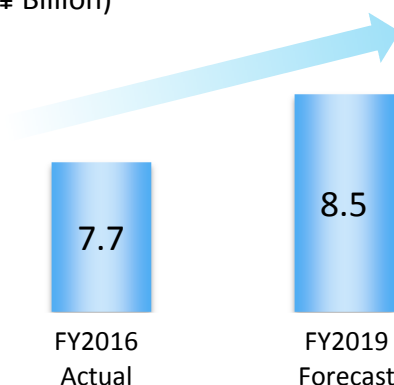


Source: Japan Aircraft Development Corporation

- In 20 years the number of planes in commission will double
- Demand for narrow-body aircraft will constitute 50% of overall demand

## Aircraft Sales Forecast

(¥ Billion)



### Key initiatives

Official demand: Take part in new programs, expand repair business  
 Private demand: Expand lineup for Boeing and Moog  
 Start sales to Airbus

Development / technology:  
 Approach Tier 1 systems suppliers

Response to Electric Aircraft



Electric brake



EHA

**FY2020: Aim for aircraft business sales of over ¥10.0 billion**

# Establish of the Motorsports Department



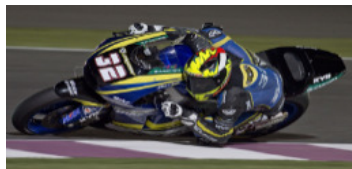
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## ■ Increase awareness of the KYB brand, technological strength, train human resources

### Established Motorsports Dept. (Apr. 2017)

- Aim to increase awareness of the KYB brand through motorsports activities
- Shift motorsports activities into high gear, increase technological strength, train human resources.
- Aim at participation in the world's top class races (WRX, WEC, MotoGP)

#### Motorcycle



#### Automobile



#### World's top class motorcycle races

Start efforts to compete in FY 2019

#### More viewers than F1

- ▶ 24 hours of Le Mans  
Top category (LMP class)  
FY 2017 EPS use ratio  
84% (26 out of a total of 31 cars)
- ▶ Efforts to get SA equipped in race cars

- ▶ Suspension use  
(2 out of 28 cars)
- ▶ Record achievements  
in MotoGP

**MotoGP**  
**Moto2**

All Japan Road  
Race Championship,  
etc.

World  
Championship

Regional Championship

**WEC**  
**WRX**

JAPAN SUPER-  
FORMULA,  
etc.

#### Rally races have seen a sudden rise in popularity

- ▶ EPS use (3 out of 21 cars)
- ▶ Efforts to get SA equipped in race cars

EPS use ratio 100%  
(19 out of 19 cars)



## Environment

### ■ CO<sub>2</sub> Emission Reduction

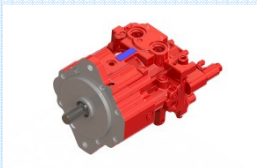
Install thermal barrier on Kumagaya Plant roof, cut CO<sub>2</sub> emissions by 7% per year by reducing air conditioning



### ■ Energy-saving Product

Piston pump for mini-excavator (New)

Contribute to excavator operability improvement and energy saving



## Social

### ■ Social Contribution Activities

As an official sponsor / supplier of NPO JAPAN Para-Ski Federation's Alpine Skiing National Team, conduct product development / technological support for SA used by Japan team alpine skiers.



Takeshi Suzuki (KYB)

## Governance

### ■ Strengthen Governance System

Establish CSR Div. (Apr. 2017)

- Internal Control  
Strengthen corporate governance as well as internal controls by integration / specialization.
- Risk Management  
Establish a business continuity plan and business continuity management to respond to customer demand



# Financial Forecast for FY2017



Our Precision, Your Advantage

(¥ Billion)	IFRS				Differences
	FY2016	FY2017 Forecast			Previous period
	Actual	1H	2H	Full year	
Net Sales	355.3	176.0	179.0	<b>355.0</b>	(0.3)
Segment profits*	18.6	6.6	7.5	<b>14.1</b>	(4.5)
Operating profit	19.2	7.1	8.5	<b>15.6</b>	(3.6)
Profit (loss) attributable to owners of the parent	14.5	4.0	5.3	<b>9.3</b>	(5.2)
Dividend (¥)	12	6	※ 65	—	—

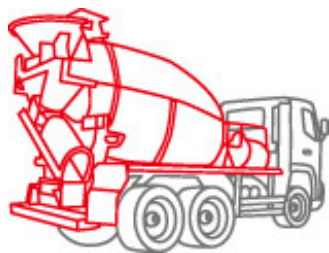
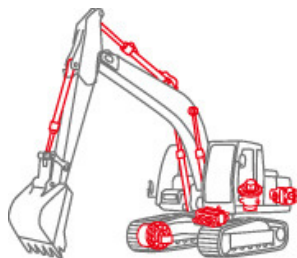
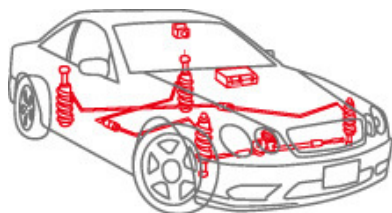
\*Segment profits correspond to operating income in JGAAP

※ Effective on October 1, KYB will implement a 1-for-10 reverse stock split of outstanding shares of the Company's common stock.

## FOREX (Average)

(¥)	FY2016	FY2017 Forecast
JPY / US\$	108.38	<b>100.00</b>
JPY / EUR	118.79	<b>110.00</b>
JPY / CNY	16.10	<b>15.00</b>
JPY / THB	3.08	<b>2.90</b>
JPY / RUB	1.72	<b>1.60</b>

- The exchange rate was estimated conservatively to match the formulation of the mid-term plan.
- Deterioration in profitability caused by the rise in steel material prices and changes in product composition



## FY2016 Financial Information

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Takaaki Kato

Member of the Board of Directors,  
Senior Managing Executive Officer  
KYB Corporation

# FY2016 Financial Summary



Our Precision, Your Advantage

(¥ Billion)	IFRS			Differences
	FY2015	FY2016		
	Actual	Forecast (Feb. 8)	Actual	Previous period
Net Sales	355.3	353.0	355.3	(0.0)
Segment profits*	17.6	18.3	18.6	1.0
Operating profit	4.3	18.5	19.2	14.9
Profit (loss) attributable to owners of the parent	(3.2)	13.5	14.5	17.7
Dividend (¥)	11	11	12	1

\*Segment profits correspond to operating income in JGAAP

## FOREX (Average)

(¥)	FY2016	FY2017 Forecast
JPY / US\$	120.15	<b>108.38</b>
JPY / EUR	132.57	<b>118.79</b>
JPY / CNY	18.85	<b>16.10</b>
JPY / THB	3.44	<b>3.08</b>
JPY / RUB	1.91	<b>1.72</b>

# FY2016 Net Sales and Segment Profits



Our Precision, Your Advantage

(¥ Billion)		FY2015	FY2016	Differences
		Actual	Actual	
Net Sales	Shock absorbers for automobiles	162.6	151.0	(11.6)
	Shock absorbers for motorcycles	26.3	28.5	2.1
	Hydraulic equipment for automobiles	46.3	46.5	0.2
	Others	5.7	5.1	(0.6)
	<b>AC Operations</b>	240.9	231.0	(9.9)
	Hydraulic equipment for industrial use	79.8	88.6	8.8
	Others	8.2	7.7	(0.5)
	<b>HC Operations</b>	88.0	96.3	8.3
	Special-purpose Vehicles	9.1	8.6	(0.6)
	Hydraulic equipment for aircraft	7.0	7.7	0.7
	System products and electronic components, etc.	10.3	11.7	1.4
	<b>Special-purpose Vehicles, Hydraulic equipment for aircraft, System Products and Electronics Components</b>	26.4	28.0	1.6
	<b>Total Sales</b>	355.3	355.3	(0.0)
Segment Profits	AC Operations	15.5	11.2	(4.3)
	HC Operations	0.5	6.6	6.2
	Special-purpose Vehicles, Hydraulic equipment for aircraft, System Products and Electronics Components	1.6	0.8	(0.8)
	<b>Total</b>	17.6	18.6	1.0



HC Operations: Increase in sales due to market recovery and effect of structural reforms



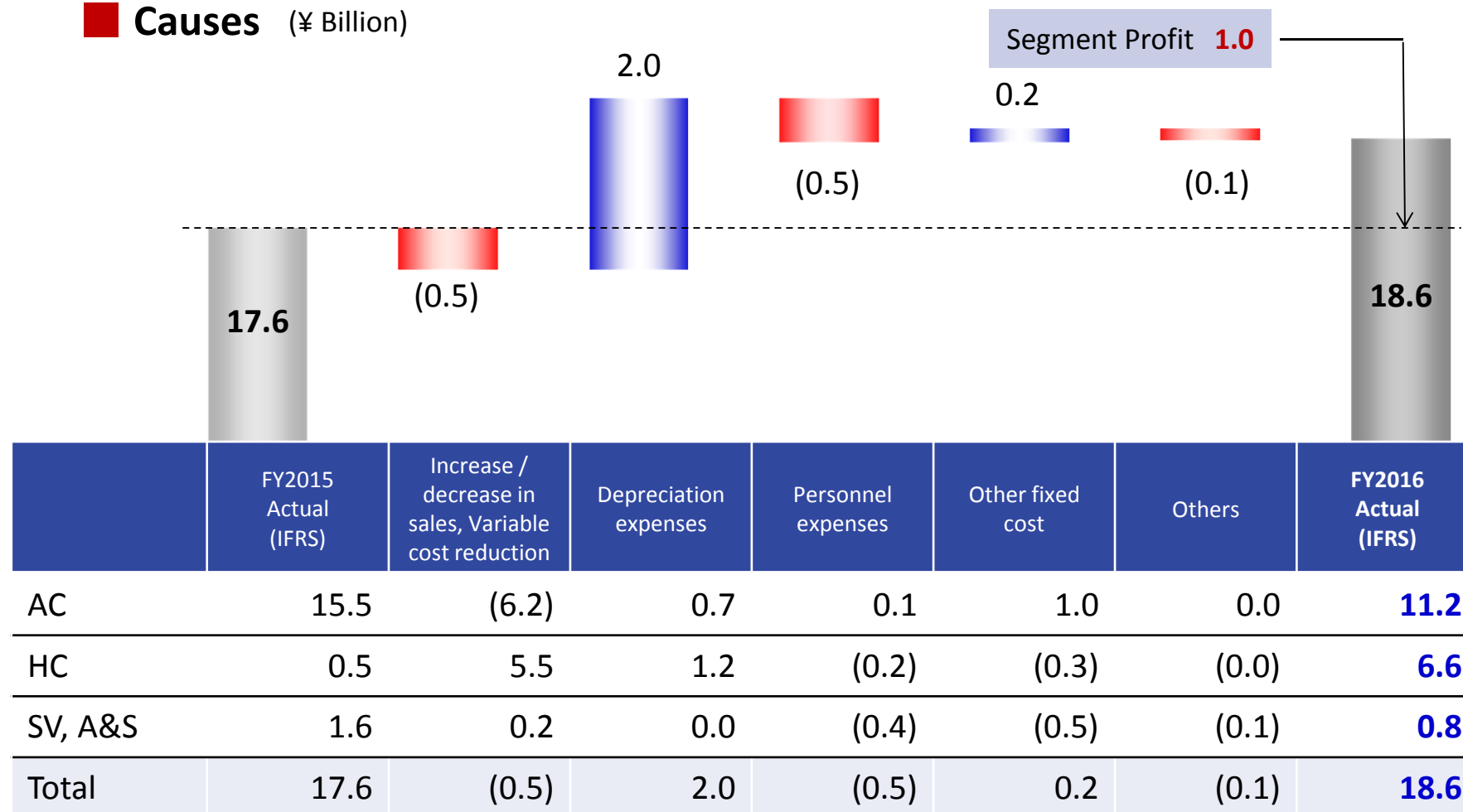
AC Operations: Decrease in sales and profit due to appreciation of the yen

# FY2016 Changes in Segment Profits



Our Precision, Your Advantage

## Causes (¥ Billion)



Note: The effect of the exchange rate on segment profits throughout the entire Company is –¥3.2 billion, and is not reflected in the above breakdown.

AC: Automotive Components

HC: Hydraulic Components

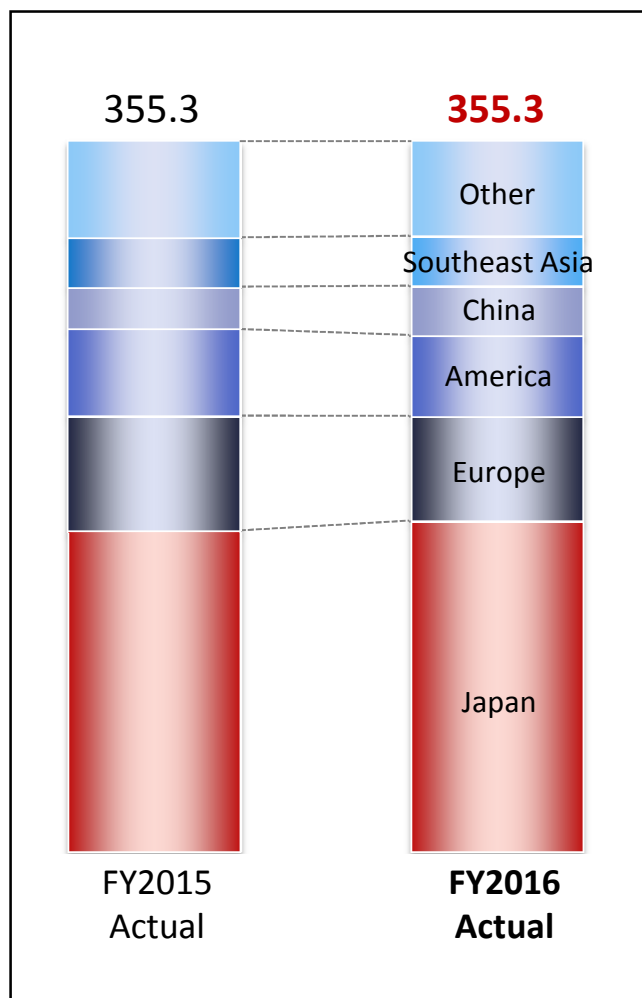
SV, A&S: Special-purpose vehicles, hydraulic equipment for aircraft, and system product and electronic components

## FY2016 Net Sales by Region



Our Precision, Your Advantage

### Net Sales by Region (¥ Billion)



	FY2015	FY2016	Differences
	Actual	Actual	Previous period
Japan	160.4	165.3	3.1%
Europe	57.5	52.5	(8.8)%
America	43.4	40.5	(6.8)%
China	21.2	24.8	16.6%
Southeast Asia	24.7	25.0	1.2%
Other	48.1	47.3	(1.7)%
<b>Total</b>	<b>355.3</b>	<b>355.3</b>	<b>(0.0)%</b>

Overseas Sales Ratio

54.9% → 53.5%

# Financial Forecast for FY2017



Our Precision, Your Advantage

(¥ Billion)	IFRS				Differences
	FY2016	FY2017 Forecast			Previous period
	Actual	1H	2H	Full year	
Net Sales	355.3	176.0	179.0	<b>355.0</b>	(0.3)
Segment profits*	18.6	6.6	7.5	<b>14.1</b>	(4.5)
Operating profit	19.2	7.1	8.5	<b>15.6</b>	(3.6)
Profit (loss) attributable to owners of the parent	14.5	4.0	5.3	<b>9.3</b>	(5.2)
Dividend (¥)	12	6	※ 65	—	—

\*Segment profits correspond to operating income in JGAAP

※ Effective on October 1, KYB will implement a 1-for-10 reverse stock split of outstanding shares of the Company's common stock.

## FOREX (Average)

(¥)	FY2016	FY2017 Forecast
JPY / US\$	108.38	<b>100.00</b>
JPY / EUR	118.79	<b>110.00</b>
JPY / CNY	16.10	<b>15.00</b>
JPY / THB	3.08	<b>2.90</b>
JPY / RUB	1.72	<b>1.60</b>

# FY2017 Net Sales and Segment Profits Forecast



Our Precision, Your Advantage

(¥ Billion)		FY2016	FY2017	Differences
		Actual	Forecast	
Net Sales	Shock absorber for automobiles	151.0	148.0	(3.0)
	Shock absorber for motorcycles	28.5	27.0	(1.5)
	Hydraulic equipment for automobiles	46.5	45.0	(1.5)
	Others	5.1	4.5	(0.6)
	<b>AC Operations</b>	231.0	224.5	(6.5)
	Hydraulic equipment for industrial use	88.6	95.5	6.9
	Others	7.7	7.5	(0.2)
	<b>HC Operations</b>	96.3	103.0	6.7
	Special-purpose Vehicles	8.6	9.5	1.0
	Hydraulic equipment for aircraft	7.7	6.7	(1.0)
	System products and electronic components, etc.	11.7	11.3	(0.4)
	<b>Special-purpose Vehicles, Hydraulic equipment for aircraft, System Products and Electronics Components</b>	28.0	27.5	(0.5)
	<b>Total Sales</b>	355.3	355.0	(0.3)
Segment Profits	AC Operations	11.2	8.5	(2.7)
	HC Operations	6.6	5.0	(1.6)
	Special-purpose Vehicles, Hydraulic equipment for aircraft, System Products and Electronics Components	0.8	0.6	(0.2)
	<b>Total</b>	18.6	14.1	(4.5)



AC Operations:  
Decrease in sales and profit due to appreciation of the yen



HC Operations:  
Decrease in profit due to change in product structures

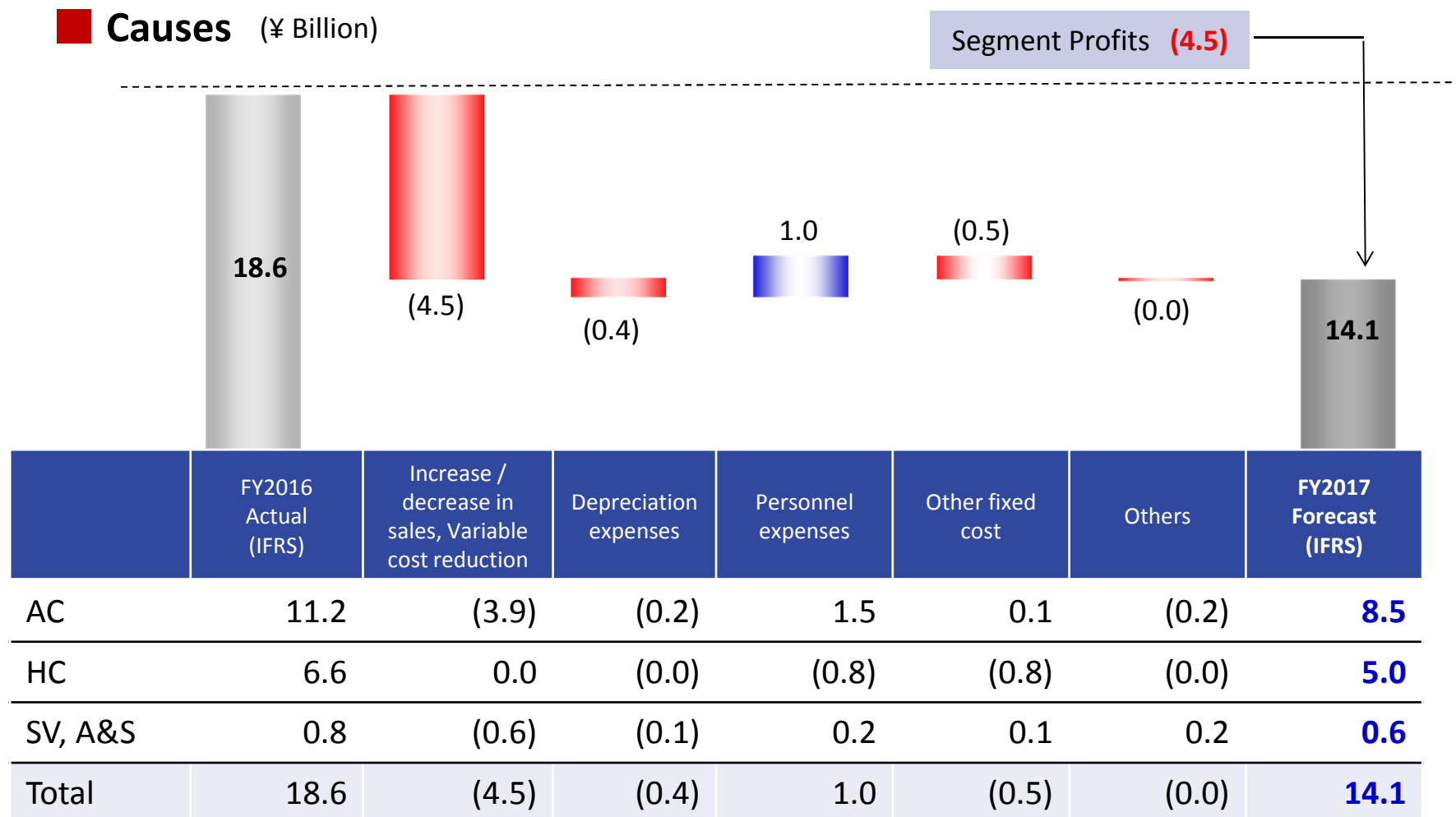


# FY2017 Changes in Segment Profits



Our Precision, Your Advantage

## Causes (¥ Billion)



Note: The effect of the exchange rate on segment profits throughout the entire Company is –¥2.1 billion, and is not reflected in the above breakdown.

AC: Automotive Components

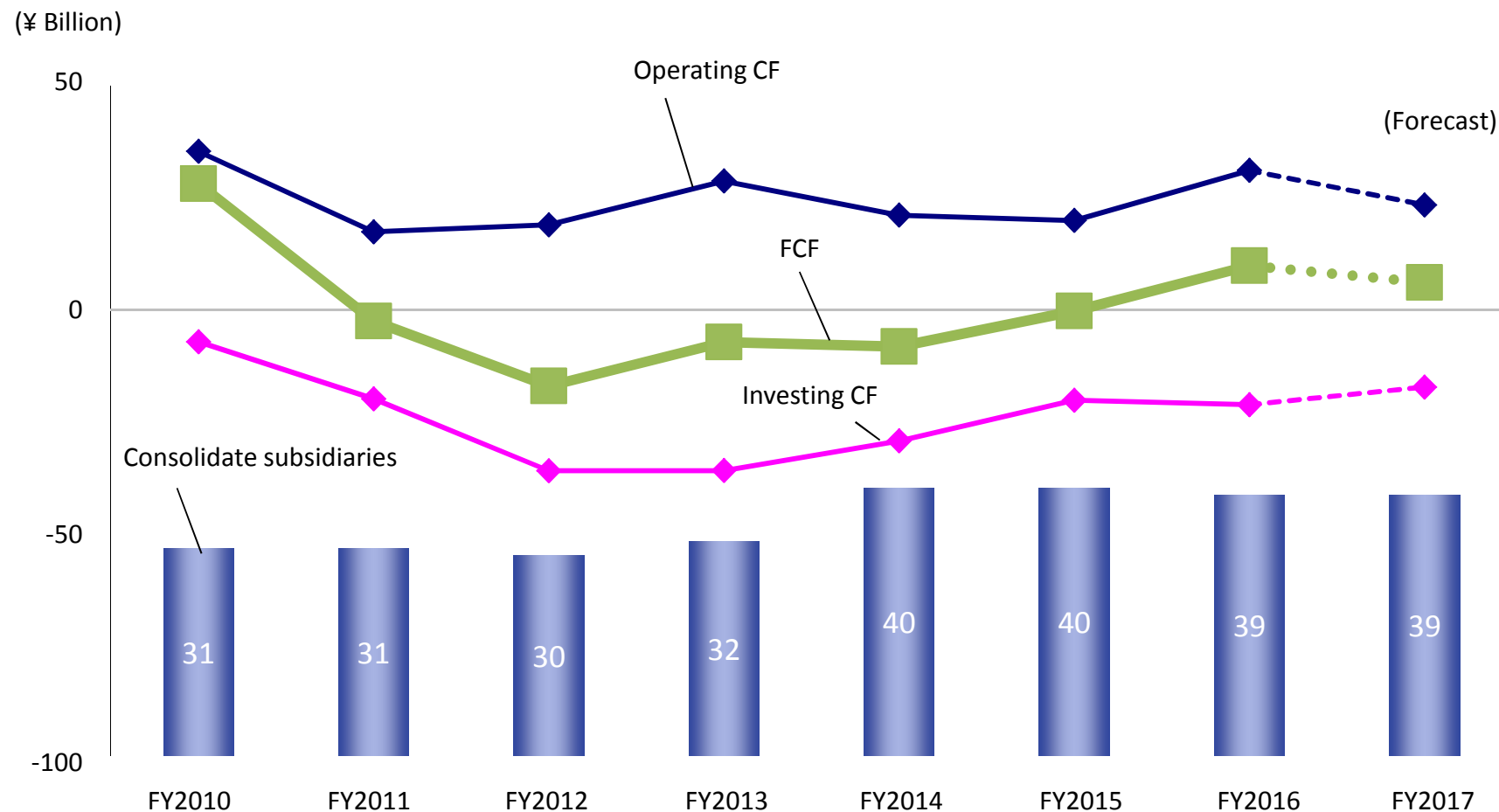
HC: Hydraulic Components

SV, A&S: Special-purpose vehicles, hydraulic equipment for aircraft, and system product and electronic components

# Free Cash Flows



Our Precision, Your Advantage



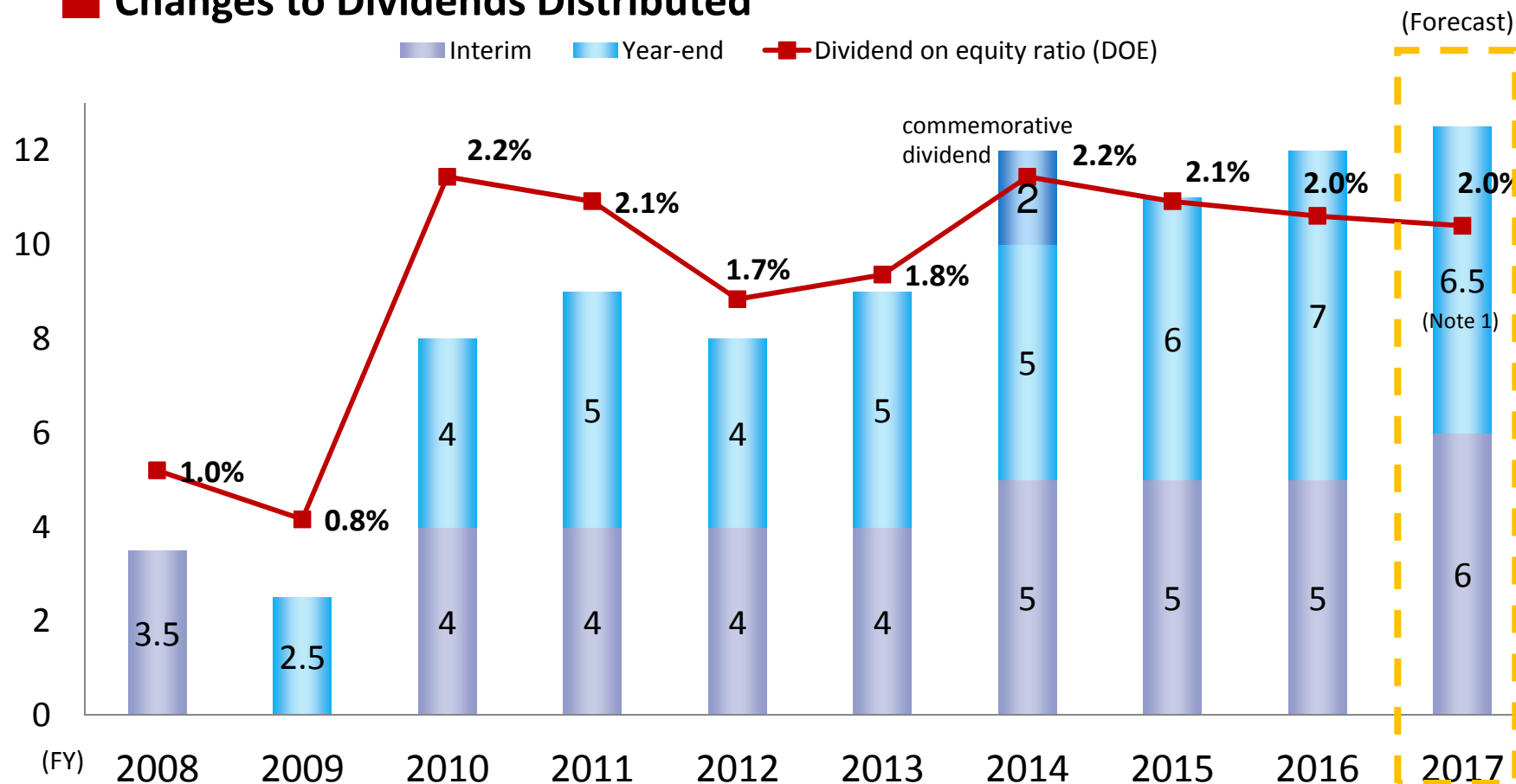
**In FY 2016, free cash flow was in the black for the first time in six years.**

# Dividends



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## Changes to Dividends Distributed



### Net income / Profit (loss) attributable to owners of the parent (Note 2) (¥ Billion)

(5.2)	0.7	17.0	13.9	7.8	12.8	7.1	(3.2)	14.5	9.3
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Notes: 1. Calculated on a basis prior to the consolidation of stocks 2. Profit (loss) attributable to owners of the parent from FY2015



***Our Precision, Your Advantage***

**Cautionary Statement**

This report contains forward-looking statements, including KYB's plans and strategies, as well as statements that report historical results. Forward-looking statements involve such known and unknown risks and uncertainties as economic conditions; currency exchange rates; laws, regulations, and government policies; and political instability in principal markets.

For further information, please contact to:  
Investor Relations Sect., Finance Dept.  
Tel: +81-3-3435-3580

# Appendix Financial Data



Our Precision, Your Advantage

## Capital Expenditure, Depreciation

(¥ billion)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Capital Expenditure	8.92	27.17	39.22	29.91	29.79	21.30	18.20	19.60
Depreciation Exp.	13.43	13.51	14.55	17.29	16.49	17.08	15.92	16.00

(\*1)

\*Capital expenditure and \*Depreciation exp. = invested and depreciated in property, plant and equipment

(Est.)

(\*1) The estimation of "Capital Expenditure in FY2016 Total" is on order basis. Actual figures were calculated on inspection basis.

## Interest-bearing Debt

(¥ billion)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Interest-bearing Debt	81.64	80.52	92.95	88.81	92.45	91.69	93.56

## R&D Expenses

(¥ billion)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
R&D Expenses	3.22	4.04	5.47	6.92	8.91	7.76	7.62

## Number of Employees

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Number of Employees	11,440	11,975	12,306	13,033	13,732	13,796	14,350

## Foreign Exchange Rate

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Average FOREX Rate - JPY/USD	85.72	79.08	83.11	100.24	109.93	120.15	108.38	100.00
Average FOREX Rate - JPY/EUR	113.12	108.97	107.14	134.37	138.77	132.57	118.79	110.00
Average FOREX Rate - JPY/CNY	12.89	12.38	13.22	16.40	17.73	18.85	16.10	15.00
Average FOREX Rate - JPY/THB	2.75	2.58	2.70	3.19	3.38	3.44	3.08	2.90
Average FOREX Rate - JPY/RUB	-	-	2.82	3.03	2.53	1.91	1.72	1.60

(Est.)

## Appendix Net Sales by Region



Our Precision, Your Advantage

(¥ billion)

		FY2015				FY2016			
		AC	HC	Others	Total	AC	HC	Others	Total
Japan	1st Half	36.2	33.8	10.4	80.4	36.2	32.9	10.9	80.0
	2nd Half	36.3	31.7	11.9	80.0	37.0	35.6	12.7	85.3
	Total	72.5	65.5	22.3	160.4	73.1	68.5	23.6	165.3
Europe	1st Half	27.1	2.4	0.0	29.5	24.1	2.8	0.0	26.9
	2nd Half	25.8	2.3	0.0	28.0	22.7	2.9	0.0	25.6
	Total	52.8	4.7	0.0	57.5	46.8	5.6	0.0	52.5
America	1st Half	19.9	2.3	0.5	22.7	17.4	2.3	0.4	20.2
	2nd Half	17.5	2.6	0.5	20.7	17.0	2.9	0.4	20.2
	Total	37.4	4.9	1.1	43.4	34.4	5.2	0.8	40.5
China	1st Half	7.5	3.7	0.0	11.2	7.2	3.5	0.0	10.6
	2nd Half	8.0	2.1	0.0	10.1	8.2	5.9	0.0	14.1
	Total	15.4	5.8	0.0	21.2	15.4	9.4	0.0	24.8
South East Asia	1st Half	12.2	0.3	0.0	12.6	10.9	0.7	0.0	11.7
	2nd Half	11.8	0.3	0.0	12.1	12.5	0.8	0.0	13.4
	Total	24.1	0.6	0.0	24.7	23.5	1.6	0.0	25.0
Others	1st Half	19.8	2.5	1.3	23.5	19.3	3.0	1.2	23.5
	2nd Half	18.9	4.0	1.7	24.6	18.5	3.0	2.3	23.8
	Total	38.7	6.5	3.0	48.1	37.8	6.0	3.5	47.3
Total	1st Half	122.6	45.1	12.2	179.9	115.2	45.2	12.6	172.9
	2nd Half	118.3	42.9	14.2	175.5	115.9	51.1	15.4	182.4
	Total	240.9	88.0	26.4	355.3	231.0	96.3	28.0	355.3

## Appendix Awards from Customers

### ■ Awards from Customers (FY2016, partial excerpt)

Customer	Award
JATCO	Regional Quality Award
Mitsubishi Fuso Truck and Bus	Daimler Asia Partner
Yamaha Motor	Global Contribution Award
BRP	BRP Supplier Award
TOYOTA MOTOR	Cost Improvement Excellence Award
TOYOTA MOTOR EAST JAPAN	Quality appreciation
CATERPILLAR	Platinum prize
Kobelco Construction Machinery	New Model Contribution Award
KUBOTA	A rating for Machinery Div. GM Prize
Sany Heavy Industry	Best Supplier Award

## Appendix Breakdown of Business Divisions



*Our Precision, Your Advantage*

Reportable segment		Business breakdown	Major products
AC Operations	Shock absorber for automobiles	Shock absorber (OE) Shock absorber (Aftermarket)	SA for automobiles
	Shock absorber for motorcycles	Motorcycles	Front fork Rear cushion units
	Hydraulic equipment for automobiles	Vane pump CVT pumps EPS	Vane pump, power steering systems CVT pumps EPS
	Others	Stay dampers	Stay dampers
HC Operations	Hydraulic equipment for industrial use	Construction machinery Industrial machinery Agricultural machinery	Cylinders, valves, pumps, motors, Gear pumps MMP, HST
	Others	Railroad equipment Seals	Railroad dampers, brakes Seals
Other	Special-purpose vehicles	Special-purpose vehicles	Concrete mixer trucks
	Hydraulic equipment for aircraft	Aircraft equipment	Actuator, valves, wheels brakes
	System products and electronic components, etc.	Vibration control devices Stage equipment Electronic components	Earthquake dampers Stage control systems ECU, mobile communication device

Red letters correspond to each business division on pages 7 and 13.