

FLASH REPORT

July. 31, 2017

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, 2017 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results

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

	Net sales		Operating profit		Profit before taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2017	93,513	6.5	6,350	62.4	6,400	60.3	4,410	15.3
June 30, 2016	87,776	(3.4)	3,909	(22.9)	3,991	(23.7)	3,826	18.3

	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
Three months ended						
June 30, 2017	4,254	14.7	6,642	—	16.65	—
June 30, 2016	3,709	19.3	(4,228)	—	14.52	—

(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, 2017	392,643	174,436	168,994	43.0	661.54
March 31, 2017	381,326	169,771	164,299	43.1	643.15

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	—	7.00	12.00
Current fiscal year	—				
Current fiscal year (forecast)		6.00	—	65.00	—

*We are going to carry out 1-for-10 reverse stock split on the effective date of October 1, 2017.

As for cash dividends per share of fiscal year 2017, we disclose the amount after we take the reverse stock split into consideration. And we disclose total annual cash dividends per share as "-". Without taking reverse stock split into consideration, cash dividends per share at year-end will be 6.50 yen and total annual cash dividends per share will be 12.50 yen.

3. Forecasts for the current fiscal year (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating profit		Profit before taxes		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	188,000	8.7	10,600	54.2	10,800	58.8	7,300	30.0	28.58
Current fiscal year	374,000	5.3	20,000	3.9	19,800	5.0	13,300	(8.6)	520.63

*As for basic earnings per share of full year, we calculate it taking the reverse stock split into consideration.

Consolidated Statements of Financial Position

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	33,988	37,649
Trade and other receivables	92,653	96,470
Inventories	49,640	51,463
Other current financial assets	1,039	1,042
Other current assets	3,641	3,871
Total current assets	180,962	190,495
Non-current assets:		
Property, plant and equipment	158,990	160,081
Goodwill	283	284
Intangible assets	5,850	6,098
Investments accounted for using the equity method	5,438	5,035
Other non-current financial assets	23,169	24,085
Other non-current assets	500	445
Deferred tax assets	6,132	6,121
Total non-current assets	200,364	202,148
Total assets	381,326	392,643

(Unit: Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities and equity		
Current liabilities:		
Trade and other payables	72,137	72,807
Borrowings	50,983	55,836
Income tax payables	1,536	1,428
Other current financial liabilities	18,274	19,127
Provisions	3,754	6,720
Other current liabilities	1,001	34
Total current liabilities	147,684	155,951
Non-current liabilities:		
Borrowings	39,962	37,790
Liabilities for retirement benefits	11,589	11,745
Other non-current financial liabilities	2,405	2,398
Provisions	2,127	2,131
Other non-current liabilities	56	62
Deferred tax liabilities	7,732	8,129
Total non-current liabilities	63,871	62,256
Total liabilities	211,555	218,207
Equity		
Equity attributable to owners of the parent:		
Share capital	27,648	27,648
Capital surplus	29,414	29,414
Retained earnings	100,995	103,526
Treasury shares	(587)	(588)
Other components of equity	6,829	8,994
Total equity attributable to owners of the parent	164,299	168,994
Non-controlling interests	5,472	5,442
Total equity	169,771	174,436
Total liabilities and equity	381,326	392,643

Consolidated Statements of Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2016 (Apr. 1 through Jun. 30, 2016)	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)
Net sales	87,776	93,513
Cost of sales	69,845	73,588
Gross profit	17,931	19,925
Selling, general and administrative expenses	13,105	13,903
Equity in earnings (losses) of affiliates	399	(77)
Other income	441	757
Other expenses	1,757	351
Operating profit	3,909	6,350
Finance income	357	307
Finance costs	275	258
Profit before taxes	3,991	6,400
Income tax expenses	165	1,989
Profit for the period	3,826	4,410
Profit attributable to:		
Owners of the parent	3,709	4,254
Non-controlling interests	117	157
Profit for the period	3,826	4,410
Earnings per share		
Basic earnings per share (in yen)	14.52	16.65

Consolidated Statements of Comprehensive Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2016 (Apr. 1 through Jun. 30, 2016)	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)
Profit for the period	3,826	4,410
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	(1,278)	756
Remeasurements of defined benefit plans	11	0
Share of other comprehensive income of investments accounted for using the equity method	(155)	(3)
Total	(1,422)	753
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(6,614)	1,612
Effective portion of the net changes in the fair value of cash flow hedges	(18)	(32)
Share of other comprehensive income of investments accounted for using the equity method	-	(101)
Total	(6,632)	1,479
Total other comprehensive income	(8,054)	2,232
Comprehensive income for the period	(4,228)	6,642
Comprehensive income for the period attributable to:		
Owners of the parent	(3,955)	6,415
Non-controlling interests	(273)	227
Comprehensive income for the period	(4,228)	6,642

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, 2016	27,648	29,414	86,393	(579)
Comprehensive income for the period:				
Profit for the period	–	–	3,709	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	3,709	–
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	–	–	–	(0)
Dividends of surplus	–	–	(1,533)	–
Changes of scope of equity method	–	–	1,175	–
Changes due to business combination	–	–	(45)	–
Transfer to retained earnings	–	–	8	–
Total contributions by and distributions to owners in their capacity as owners	–	–	(395)	(0)
Changes in equity interest of subsidiaries:				
Dividends of surplus	–	–	–	–
Total changes in equity interest of subsidiaries	–	–	–	–
Total transactions with owners	–	–	(395)	(0)
Balance at June 30, 2016	27,648	29,414	89,707	(579)
Balance at April 1, 2017	27,648	29,414	100,995	(587)
Comprehensive income for the period:				
Profit for the period	–	–	4,254	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	4,254	–
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	–	–	–	(1)
Dividends of surplus	–	–	(1,788)	–
Changes of scope of equity method	–	–	–	–
Changes due to business combination	–	–	69	–
Transfer to retained earnings	–	–	(3)	–
Total contributions by and distributions to owners in their capacity as owners	–	–	(1,722)	(1)
Changes in equity interest of subsidiaries:				
Dividends of surplus	–	–	–	–
Total changes in equity interest of subsidiaries	–	–	–	–
Total transactions with owners	–	–	(1,722)	(1)
Balance at June 30, 2017	27,648	29,414	103,526	(588)

(Unit: Millions of yen)

	Other components of equity					Comprehensive income for the year attributable to owners of the parent	Non-controlling interests	Total equity
	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of the net changes in the fair value of cash flow hedges	Total other components of equity			
Balance at April 1, 2016	4,967	—	275	160	5,402	148,278	5,103	153,381
Comprehensive income for the period:								
Profit for the period	—	—	—	—	—	3,709	117	3,826
Other comprehensive income	(1,278)	8	(6,370)	(24)	(7,664)	(7,664)	(390)	(8,054)
Total comprehensive income for the period	(1,278)	8	(6,370)	(24)	(7,664)	(3,955)	(273)	(4,228)
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	—	—	—	—	—	(0)	—	(0)
Dividends of surplus	—	—	—	—	—	(1,533)	—	(1,533)
Changes of scope of equity method	—	—	—	—	—	1,175	—	1,175
Changes due to business combination	—	—	—	—	—	(45)	—	(45)
Transfer to retained earnings	—	(8)	—	—	(8)	—	—	—
Total contributions by and distributions to owners in their capacity as owners	—	(8)	—	—	(8)	(402)	—	(402)
Changes in equity interest of subsidiaries:								
Dividends of surplus	—	—	—	—	—	—	(241)	(241)
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	(241)	(241)
Total transactions with owners	—	(8)	—	—	(8)	(402)	(241)	(644)
Balance at June 30, 2016	3,689	—	(6,095)	136	(2,269)	143,920	4,589	148,509

Balance at April 1, 2017	8,274	—	(1,521)	77	6,829	164,299	5,472	169,771
Comprehensive income for the period:								
Profit for the period	—	—	—	—	—	4,254	157	4,410
Other comprehensive income	756	(3)	1,440	(31)	2,162	2,162	70	2,232
Total comprehensive income for the period	756	(3)	1,440	(31)	2,162	6,415	227	6,642
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	—	—	—	—	—	(1)	—	(1)
Dividends of surplus	—	—	—	—	—	(1,788)	—	(1,788)
Change of scope of equity method	—	—	—	—	—	—	—	—
Changes due to business combination	—	—	—	—	—	69	—	69
Transfer to retained earnings	0	3	—	—	3	—	—	—
Total contributions by and distributions to owners in their capacity as owners	0	3	—	—	3	(1,720)	—	(1,720)
Changes in equity interest of subsidiaries:								
Dividends of surplus	—	—	—	—	—	—	(257)	(257)
Total changes in equity interest of subsidiaries	—	—	—	—	—	—	(257)	(257)
Total transactions with owners	0	3	—	—	3	(1,720)	(257)	(1,977)
Balance at June 30, 2017	9,030	—	(81)	46	8,994	168,994	5,442	174,436

Consolidated Statements of Cash Flows

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2016 (Apr. 1 through Jun. 30, 2016)	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)
Cash flows from operating activities:		
Profit before taxes	3,991	6,400
Depreciation and amortization	3,905	4,035
Impairment losses	—	134
Increase (decrease) in assets and liabilities for retirement benefits	66	147
Increase (decrease) in provisions for product warranties	(222)	58
Finance income	(357)	(307)
Finance costs	275	258
Equity in earnings (losses) of affiliates	(399)	77
(Increase) decrease in trade and other receivables	(4,014)	(2,610)
(Increase) decrease in inventories	(1,557)	(993)
Increase (decrease) in trade and other payables	3,687	(374)
Other	3,458	1,673
Subtotal	8,833	8,496
Interest received	24	32
Dividends received	599	531
Interest paid	(252)	(232)
Income taxes paid	(572)	(1,735)
Net cash from operating activities	8,632	7,091
Cash flows from investing activities:		
Payment into time deposits	(87)	(1)
Proceeds from withdrawal of time deposits	180	29
Payment for purchases of property, plant and equipment	(4,510)	(2,843)
Proceeds from sales of property, plant and equipment	23	17
Payment for purchases of other financial assets	(0)	(8)
Proceeds from sale of other financial assets	32	8
Other	(464)	(454)
Net cash flows from investing activities	(4,827)	(3,253)

(Unit: Millions of yen)

	For the three months ended June 30, 2016 (Apr. 1 through Jun. 30, 2016)	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	9,834	2,202
Repayments of lease obligations	(123)	(141)
Proceeds from long-term borrowings	1,201	2,773
Repayment of long-term borrowings	(4,687)	(3,296)
Payments for purchase of treasury shares	(0)	(1)
Dividends paid	(1,533)	(1,788)
Dividends paid to non-controlling interests	(241)	(257)
Net cash flows from financing activities	4,451	(508)
Effect of changes in foreign exchange rates	(1,533)	289
Net increase (decrease) in cash and cash equivalents	6,723	3,619
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	32,024	37,649

Segment Information

KYB Corporation and its Consolidated Subsidiaries

For the three months ended June 30, 2016

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customers	59,540	22,112	81,652	6,124	87,776	—	87,776
Intersegment sales and transfers	8	112	120	13	133	(133)	—
Total	59,549	22,224	81,772	6,137	87,909	(133)	87,776
Segment profit	4,216	601	4,818	34	4,851	(25)	4,826
Equity in earnings of affiliates	290	109	399	—	399	—	399
Other income and expenses (net)	(1,343)	54	(1,289)	(27)	(1,316)	—	(1,316)
Operating profit	3,164	764	3,928	7	3,934	(25)	3,909
Finance income and costs (net)							82
Profit before taxes							3,991

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

2. ¥25 million of adjustment of segment losses are the elimination of intersegment transactions.

For the three months ended June 30, 2017

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customers	59,445	28,189	87,634	5,879	93,513	—	93,513
Intersegment sales and transfers	192	334	527	61	588	(588)	—
Total	59,637	28,524	88,161	5,940	94,100	(588)	93,513
Segment profit	2,972	2,821	5,793	151	5,944	77	6,022
Equity in earnings (losses) of affiliates	(102)	25	(77)	—	(77)	—	(77)
Other income and expenses (net)	496	42	538	(132)	406	—	406
Operating profit	3,366	2,888	6,254	19	6,273	77	6,350
Finance income and costs (net)							49
Profit before taxes							6,400

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

2. ¥77 million of adjustment of segment profit is the elimination of intersegment transactions.

*With regard to the changes of reportable segment

In the first quarter of 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.