

*Our Precision, Your Advantage*



# Meeting Materials for First-Half of FY2017 Summary, Business Outlook and Financial Information

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November 10, 2017

KYB Corporation

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

## **Summary and Business Outlook**

### **Yasusuke Nakajima**

Chief Executive Officer,  
Representative Director

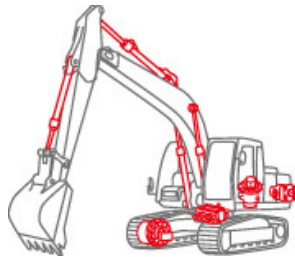
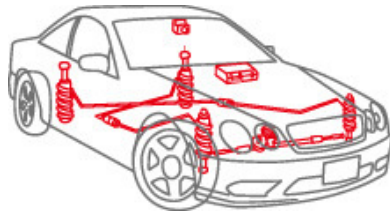
## **Financial Information**

### **Takaaki Kato**

Chief Financial Officer,  
Representative Director

In order to always deliver safe, trustworthy products to all our customers, we carry out our corporate social responsibility on a solid foundation of **Quality Management**.





# First-Half of FY2017 Summary and Business Outlook

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Yasusuke Nakajima

Chief Executive Officer,  
Representative Director  
KYB Corporation

# 1H of FY2017 Financial Summary



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- Increase in sales due to favorable construction machinery market
- In addition to the sales increase, profit ratio improvement due to the effects of structural reforms since FY2015

(¥ Billion)	IFRS			Differences	
	FY2016	1H of FY2017			
	1H actual	Forecast (Jul. 31, 2017)	Actual	Previous period	Previous forecast
Net Sales	172.9	188.0	188.9	16.0	0.9
Segment profits*	7.9	9.7	10.1	2.3	0.4
(Segment profits ratio)	4.5%	5.2%	5.4%	+0.9%	+0.2%
Operating profit	6.9	10.6	11.0	4.2	0.4
Profit (loss) attributable to owners of the parent	5.6	7.3	7.2	1.6	(0.1)
ROE	7.6%	8.7%	8.5%	+0.9%	(0.2%)
Dividend (¥)	5	6	7	+2	+1
FOREX(Average) (¥)					
JPY/ US\$	105.29	110.55	111.07		
JPY/ EUR	118.15	123.59	126.28		

\*Segment profits correspond to operating income in JGAAP

# Financial Forecast for FY2017



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- Sales will increase compared to the previous period due to continuing strength in the construction machinery market

(¥ Billion)	IFRS			Differences	
	FY2016	FY2017			
	Actual	Forecast (Jul. 31, 2017)	Actual	Previous period	Previous forecast
Net Sales	355.3	374.0	388.0	32.7	14.0
Segment profits(*1)	18.6	19.5	23.2	4.6	3.7
(Segment profits ratio)	5.2%	5.2%	6.0%	+0.8%	+0.8%
Operating profit	19.2	20.0	23.0	3.8	3.0
Profit (loss) attributable to owners of the parent	14.5	13.3	15.7	1.2	2.4
ROE	9.3%	7.9%	9.1%	(0.2%)	+1.2%
Dividend (¥) (*2)	120	125	135	+15	+10
FOREX(Average) (¥)					
JPY/ US\$	108.38	110.28	110.54		
JPY/ EUR	118.79	124.30	125.64		

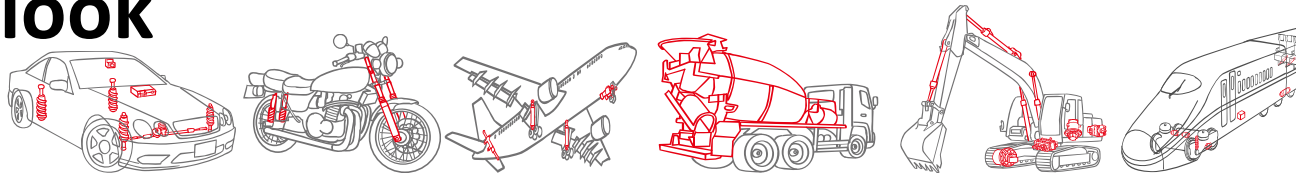
\*1 Segment profits correspond to operating income in JGAAP

\*2.The amount after we take the reverse stock split into consideration



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# Business Outlook



## Business Conditions (Summary)



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- ✓ Start of the new mid-term business plan
- ✓ Strengthen efforts for future profitability improvement in AC Operations
- ✓ An upturn in current demand in HC Operations, Launch efforts toward establishing an optimized production system
- ✓ Promote efforts to strengthen brand power

**2017–2019 mid-term slogan**

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

AC: Automotive Components

HC: Hydraulic Components



# AC Operations— Business Environment

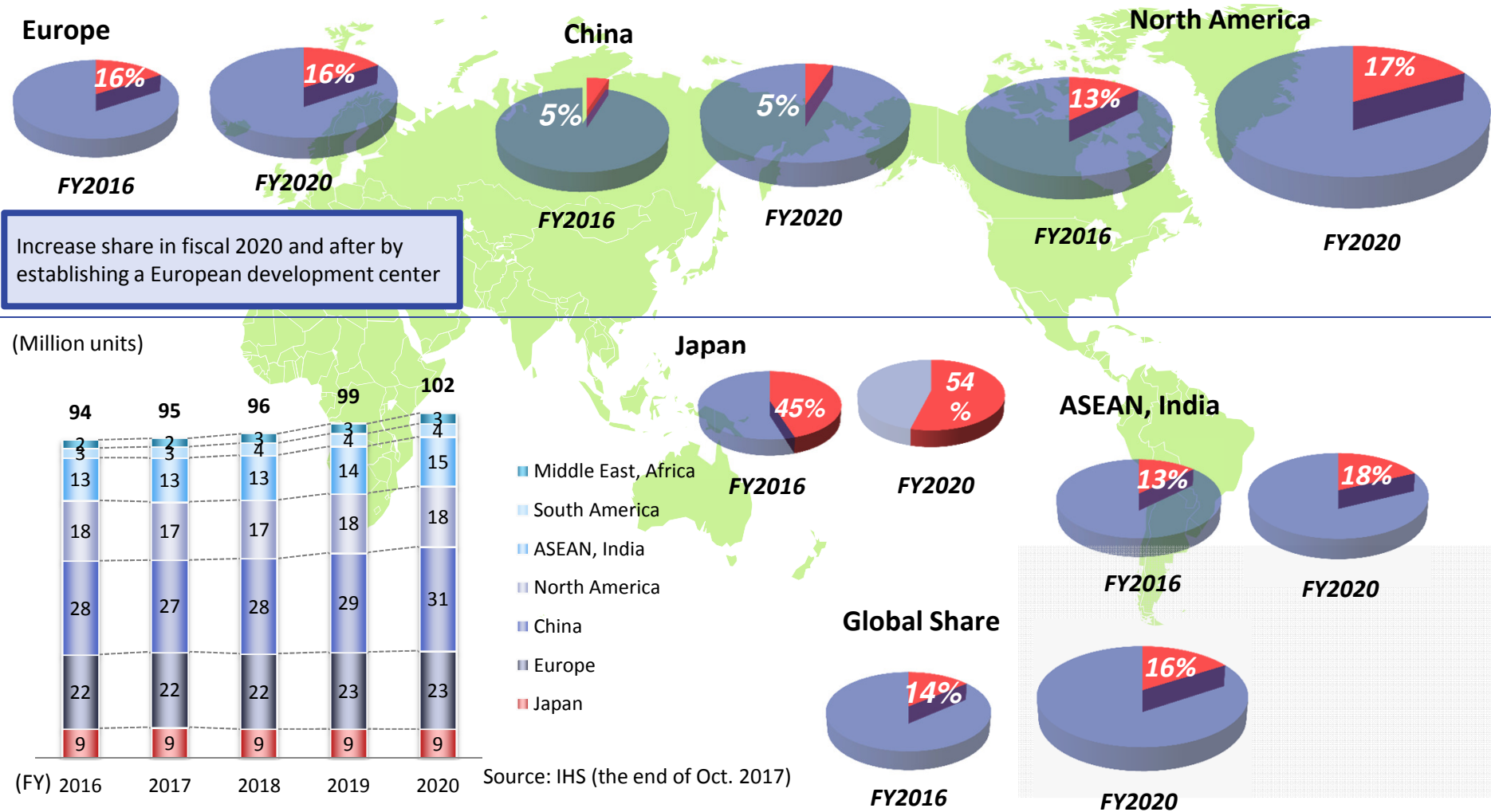


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## [ Automobile Production Forecast / Shock Absorber Market share of KYB ]

(Total of automobiles and small trucks)

■ KYB



Development	<b>Strengthen development system</b> <ul style="list-style-type: none"><li>■ Focus on receiving orders from three German premiere companies, prepare to establish <b>European development center</b> in Germany in April 2018</li></ul>
Products	<b>Promote sales of high value-added products</b> <ul style="list-style-type: none"><li>■ June: Start full-scale production of <b>lightweight shock absorbers for use in the new Camry</b>, a best-seller in North America (U.S. and Mexico plants)</li></ul>
Production	<b>Improve profitability by lowering costs for existing products</b> <ul style="list-style-type: none"><li>■ November: Start up <b>F0 line (innovative monozukuri)</b> for mass production of new models</li><li>■ Integrate global specifications of shock absorbers for volume sales</li></ul>
Sales	<b>Strengthen new transactions</b> <ul style="list-style-type: none"><li>■ October: Increase share of aftermarket shock absorbers by <b>opening a Turkey branch sales office</b></li><li>■ Start new transactions with major aftermarket dealerships in North America</li><li>■ Start provision of front forks and rear cushion units for Taiwan's Gogoro (Electric scooter manufacturer and battery sharing service)</li></ul>

## HC Operations— Business Environment (excavator market)



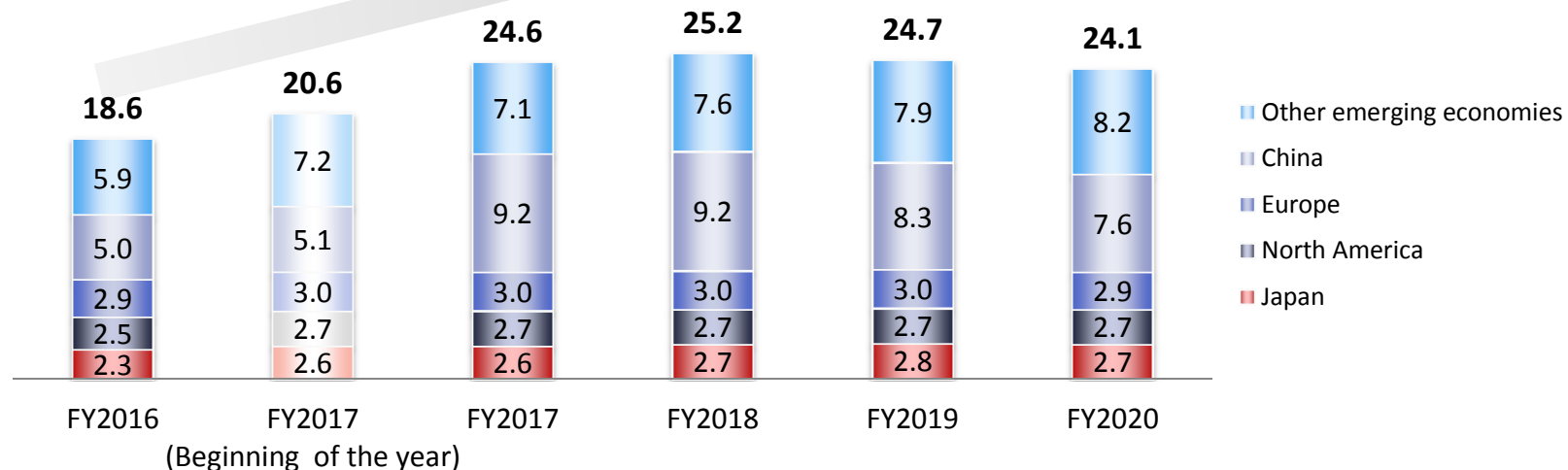
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- Fiscal 2017 global demand (six tons and over) increased 19% over the beginning of the year, driven by the swift recovery in the Chinese market
- Strong investment sentiment in the Chinese market as far as fiscal 2018
- Strong market for mini excavators, particularly in North America and Europe

### Demand for Hydraulic Excavators Forecast (6 tons and over)

(Ten thousand units)

Source: KYB's forecast, based on customer data



Strong demand also forecast to continue in the fiscal 2017 second half  
→ continue measures for ensuring production amounts

Component provision: Increase trade partner facility, deal with multiple supplier strategies  
Production capacity: Shift changes, outsourcing and considering moving forward with line reinforcement investments

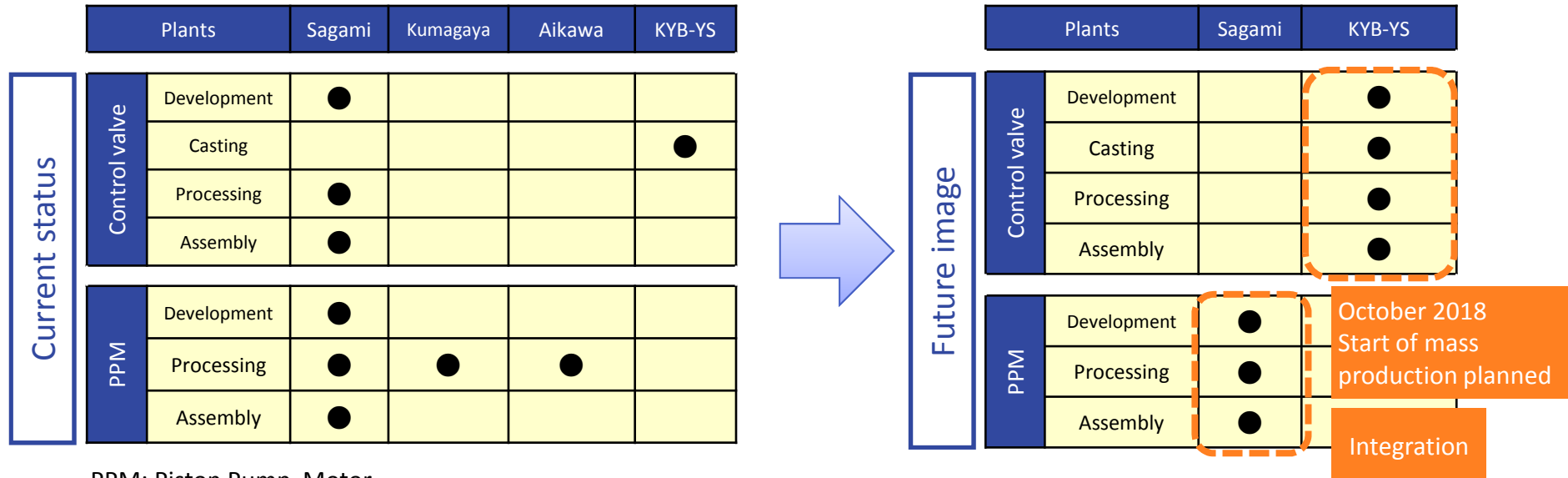
# HC Operations— Business Conditions



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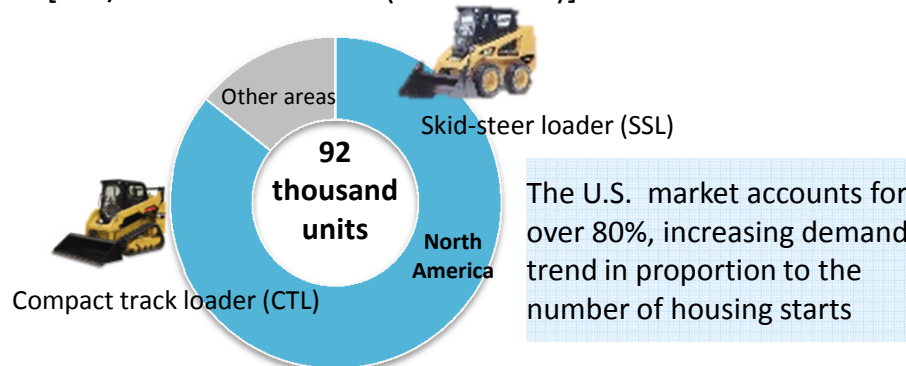
## Progress with establishing optimized production system

PPM: Piston Pump Motor



## Strengthen sales promotions for markets in which we were not active

[SSL/CTL market scale (fiscal 2016)]



### Strategy

- 1) Sales promotions to Japanese manufacturers
- 2) Develop the U.S. market, focus on next model changes
- 3) Develop compact wheel loader close to specifications

Switch to a business constitution that is unaffected by demand fluctuations through reorganization and sales promotions for growth markets

# Strengthen the KYB brand

## ■ Aiming to strengthen the KYB brand

### To be a globally trusted, recognized brand

Aiming to be the customer-preferred choice by **improving product power and brand value globally**

## ■ Efforts in FY2017

### Media Strategy

- Digital ads, newspaper/magazine ads, automobile news web sites
- Impress the brand on motor journalists (by holding test drives for new products and other means)



### Motor Show

- Tokyo Motor Show exhibition and event



### Motor Sports

- April 2017 Motorsports Dept. established

- 24 Hours of Le Mans endurance race  
The usage ratio of KYB's EPS in the top category LMP Class was 84%!



- World Rallycross Championship participation  
Support contract and EPS provision to Team EKS

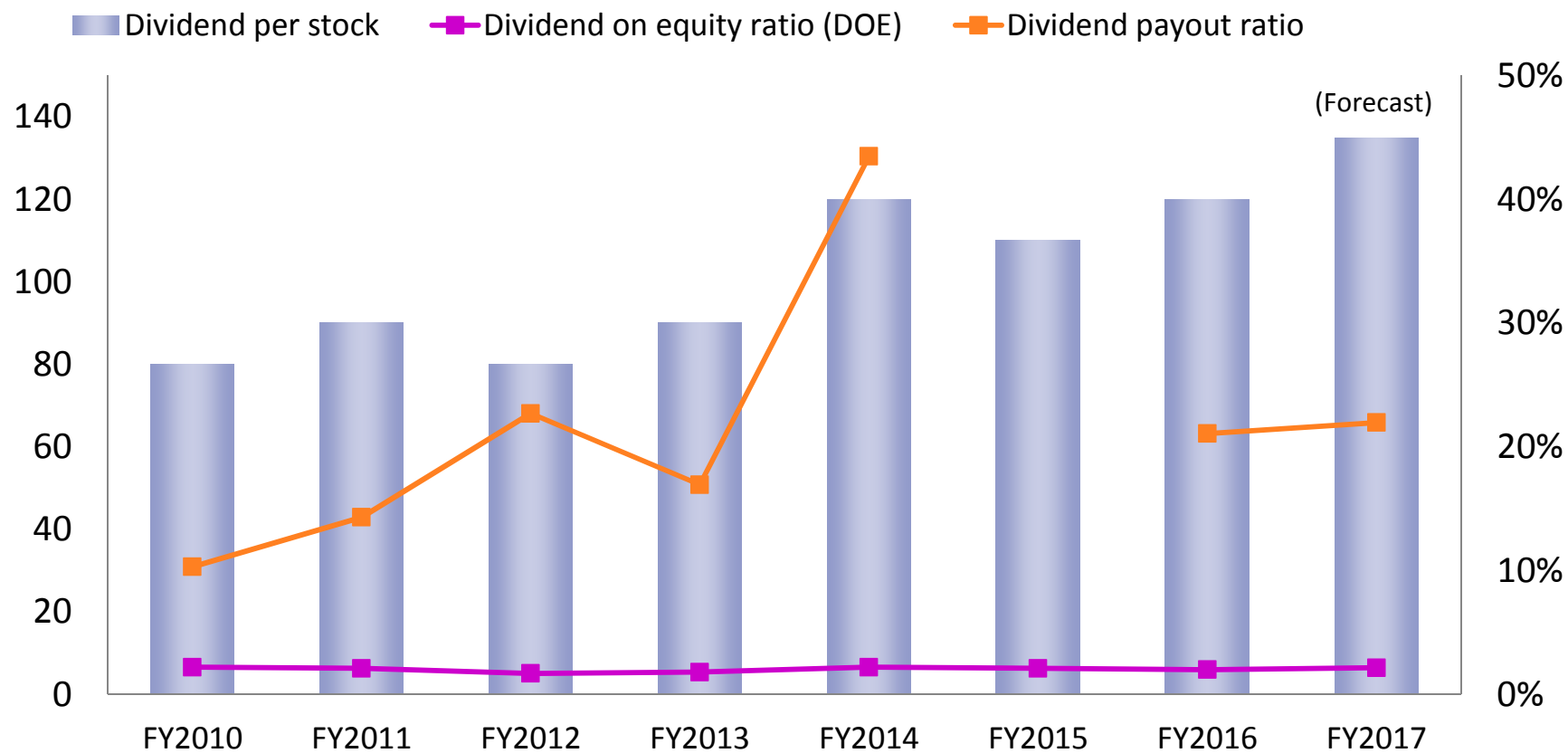


- Motorcycle World Road Race Championship  
Sponsor contract and suspension provision to Moto2 class team TECH3

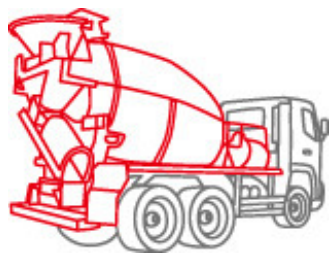
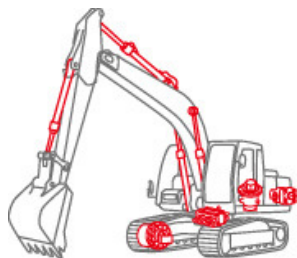
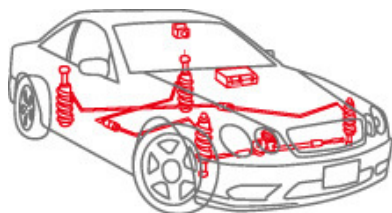


# Dividends

## Changes to Dividends Distributed



Profit ( loss)	17.0	13.9	7.8	12.8	7.1	(3.2)	14.5	15.7
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## First-Half of FY2017 Financial Information

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Takaaki Kato

Chief Financial Officer,  
Representative Director  
KYB Corporation



# 1H of FY2017 Net Sales and Segment Profits



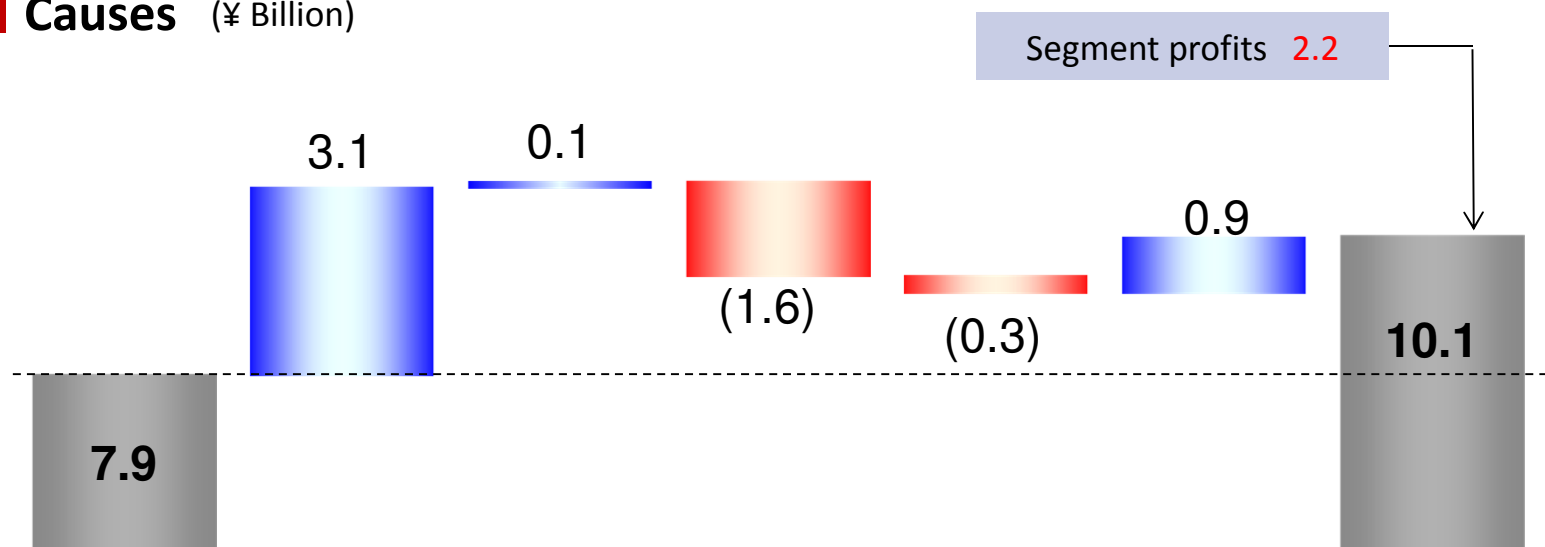
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(¥ Billion)		FY2016	FY2017	Differences
		1H actual	1H actual	
Net Sales	Shock absorbers for automobiles	76.6	79.2	2.6
	Shock absorbers for motorcycles	12.8	14.7	1.9
	Hydraulic equipment for automobiles	23.2	22.3	(0.9)
	Others	2.6	2.8	0.3
	<b>AC Operations</b>	<b>115.2</b>	<b>119.1</b>	<b>3.9</b>
	Hydraulic equipment for industrial use	41.1	53.2	12.0
	Others	4.0	4.3	0.2
	<b>HC Operations</b>	<b>45.2</b>	<b>57.4</b>	<b>12.3</b>
	Special-purpose Vehicles	3.8	4.3	0.5
	Hydraulic equipment for aircraft	3.9	3.0	(0.8)
	System products and electronic components, etc.	4.9	5.1	0.2
	<b>Special-purpose Vehicles, Aircraft Components, System Products and Electronics Components</b>	<b>12.6</b>	<b>12.4</b>	<b>(0.2)</b>
	<b>Total</b>	<b>172.9</b>	<b>188.9</b>	<b>16.0</b>
Segment Profits	AC Operations	6.2	4.7	(1.4)
	HC Operations	1.5	5.2	3.7
	Special-purpose Vehicles, Aircraft Components, System Products and Electronics Components	0.1	0.2	0.0
	<b>Total</b>	<b>7.9</b>	<b>10.1</b>	<b>2.3</b>



# 1H of FY2017 Changes in Segment Profits

## Causes (¥ Billion)



	FY2016 1H actual (IFRS)	Increase / decrease in sales, Variable cost reduction	Depreciation expenses	Personnel expenses	Other expenses	FOREX	FY2017 1H actual (IFRS)
AC	6.2	(1.7)	0.2	(0.7)	(0.1)	0.9	4.7
HC	1.5	5.1	(0.1)	(0.9)	(0.4)	(0.0)	5.2
SV&S	0.1	(0.3)	(0.1)	0.1	0.2	0.0	0.2
Total	7.9	3.1	0.1	(1.5)	(0.3)	0.9	10.1

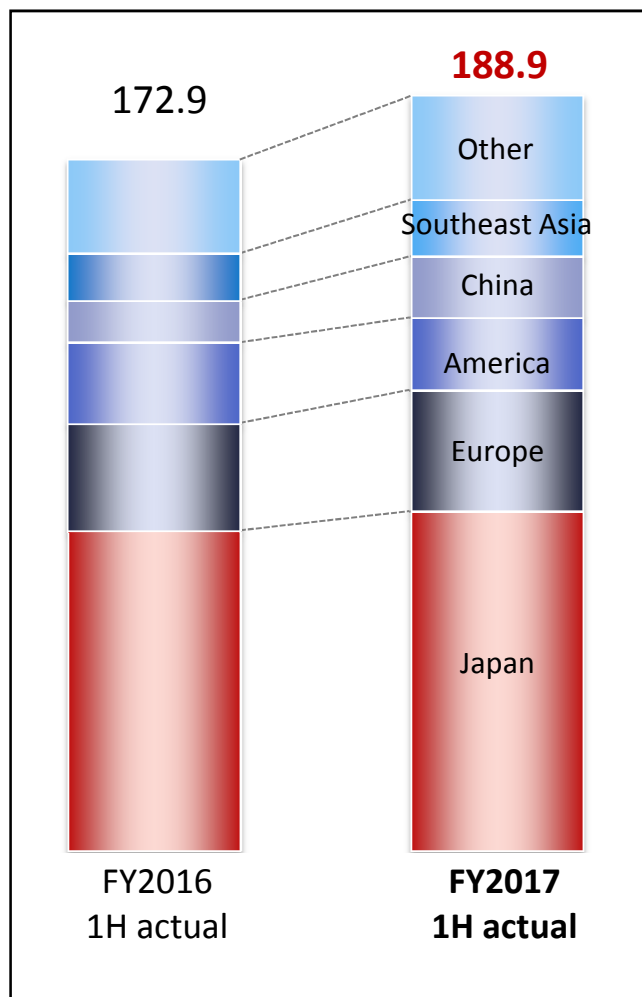
AC: Automotive Components

HC: Hydraulic Components

SV&S: Special-purpose vehicles, aircraft components, and system product and electronic components

# 1H of FY2017 Net Sales by Region

## Net Sales by Region (¥ Billion)



	FY2016	FY2017	Differences
	1H actual	1H actual	Previous period
Japan	80.0	84.9	6.1%
Europe	26.9	30.4	13.1%
America	20.2	18.1	(10.3)%
China	10.6	15.3	44.1%
Southeast Asia	11.7	14.2	21.7%
Other	23.5	26.0	10.4%
<b>Total</b>	<b>172.9</b>	<b>188.9</b>	<b>9.2%</b>

Overseas Sales Ratio

53.7% → 55.1%

# FY2017 Net Sales and Segment Profits Forecast



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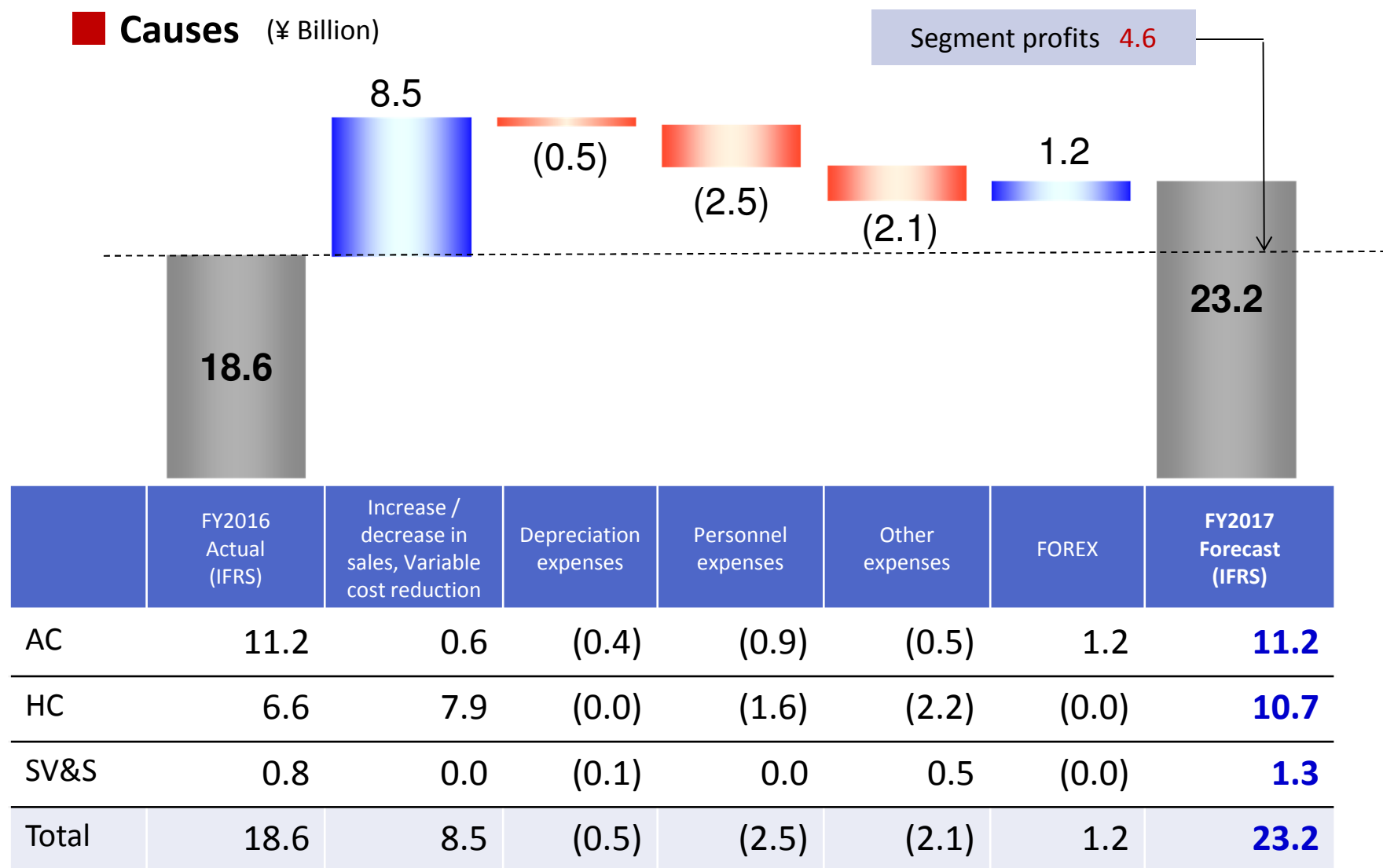
		FY2016 Actual	FY2017 Forecast	Differences
Net Sales	Shock absorbers for automobiles	151.0	161.1	10.1
	Shock absorbers for motorcycles	28.5	29.1	0.7
	Hydraulic equipment for automobiles	46.5	45.2	(1.3)
	Others	5.1	5.8	0.8
	<b>AC Operations</b>	<b>231.0</b>	<b>241.2</b>	<b>10.2</b>
	Hydraulic equipment for industrial use	88.6	110.9	22.3
	Others	7.7	8.0	0.3
	<b>HC Operations</b>	<b>96.3</b>	<b>118.9</b>	<b>22.5</b>
	Special-purpose Vehicles	8.6	9.5	0.9
	Hydraulic equipment for aircraft	7.7	7.2	(0.5)
	System products and electronic components, etc.	11.7	11.3	(0.4)
	<b>Special-purpose Vehicles, Aircraft Components, System Products and Electronics Components</b>	<b>28.0</b>	<b>27.9</b>	<b>(0.0)</b>
	<b>Total</b>	<b>355.3</b>	<b>388.0</b>	<b>32.7</b>
Segment Profits	AC Operations	11.2	11.2	0.1
	HC Operations	6.6	10.7	4.1
	Special-purpose Vehicles, Aircraft Components, System Products and Electronics Components	0.8	1.3	0.4
	<b>Total</b>	<b>18.6</b>	<b>23.2</b>	<b>4.6</b>

# FY2017 Changes in Segment Profits



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■ Causes (¥ Billion)



AC: Automotive Components      HC: Hydraulic Components

SV&S: Special-purpose vehicles, aircraft components, and system product and electronic components



As an official sponsor and supplier of the JAPAN Para-Ski Federation, KYB supports the chair skiers who represent Japan. Five Japan-representing skiers use KYB-made shock absorbers, including ace skier Takashi Suzuki, who is also a member of our PR department.

#### 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

**KYB**

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# Appendix Financial Data



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## Capital Expenditure, Depreciation

(¥ billion)

	FY'14 1st Half	FY'14 2nd Half	FY'15 1st Half	FY'15 2nd Half	FY'16 1st Half	FY'16 2nd Half	FY'17 1st Half	FY'17 Total
Capital Expenditure	13.68	16.11	8.92	12.38	8.84	9.36	8.72	19.60
Depreciation Exp.	7.66	8.83	8.60	8.47	7.75	8.17	8.18	16.00

(\*\*1)

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

(Est.)

(\*\*1) The estimation of "Capital Expenditure in FY2017 Total" is on order basis. Actual figures were calculated on inspection basis.

## Interest-bearing Debt

(¥ billion)

	FY'14 1st Half	FY'14 2nd Half	FY'15 1st Half	FY'15 2nd Half	FY'16 1st Half	FY'16 2nd Half	FY'17 1st Half
Interest-bearing Debt	84.92	92.45	90.40	91.69	91.13	93.56	93.92

## R&D Expenses

(¥ billion)

	FY'14 1st Half	FY'14 2nd Half	FY'15 1st Half	FY'15 2nd Half	FY'16 1st Half	FY'16 2nd Half	FY'17 1st Half
R&D Expenses	4.29	4.62	7.76	0.00		3.74	3.40

## Number of Employees

	FY'14 1st Half	FY'14 2nd Half	FY'15 1st Half	FY'15 2nd Half	FY'16 1st Half	FY'16 2nd Half	FY'17 1st Half
Number of Employees	13,478	13,732	13,771	13,796	14,192	14,350	14,657

## Foreign Exchange Rate

	FY'14 1st Half	FY'14 2nd Half	FY'15 1st Half	FY'15 2nd Half	FY'16 1st Half	FY'16 2nd Half	FY'17 1st Half	FY'17 2nd Half
Average FOREX Rate - JPY/USD	103.04	116.83	121.80	118.50	105.29	111.48	111.07	110.00
Average FOREX Rate - JPY/EUR	138.91	138.64	135.06	130.09	118.15	119.43	126.28	125.00
Average FOREX Rate - JPY/CNY	16.63	18.85	19.43	18.27	15.94	16.27	16.42	15.50
Average FOREX Rate - JPY/THB	3.20	3.58	3.56	3.32	3.00	3.16	3.28	3.10
Average FOREX Rate - JPY/RUB	2.90	2.17	2.12	1.70	1.61	1.84	1.91	1.80

(Est.)

## Appendix Net Sales by Region



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(¥ billion)

		FY2016				FY2017			
		AC	HC	Others	Total	AC	HC	Others	Total
Japan	1st Half	36.2	32.9	10.9	80.0	34.9	39.9	10.1	84.9
	2nd Half	37.0	35.6	12.7	85.3	-	-	-	-
	Total	73.1	68.5	23.6	165.3	34.9	39.9	10.1	84.9
Europe	1st Half	24.1	2.8	0.0	26.9	27.8	2.6	0.0	30.4
	2nd Half	22.7	2.9	0.0	25.6	-	-	-	-
	Total	46.8	5.6	0.0	52.5	27.8	2.6	0.0	30.4
America	1st Half	17.4	2.3	0.4	20.2	14.7	3.0	0.4	18.1
	2nd Half	17.0	2.9	0.4	20.2	-	-	-	-
	Total	34.4	5.2	0.8	40.5	14.7	3.0	0.4	18.1
China	1st Half	7.2	3.5	0.0	10.6	8.4	6.9	0.0	15.3
	2nd Half	8.2	5.9	0.0	14.1	-	-	-	-
	Total	15.4	9.4	0.0	24.8	8.4	6.9	0.0	15.3
South East Asia	1st Half	10.9	0.7	0.0	11.7	13.0	1.2	0.0	14.2
	2nd Half	12.5	0.8	0.0	13.4	-	-	-	-
	Total	23.5	1.6	0.0	25.0	13.0	1.2	0.0	14.2
Others	1st Half	19.3	3.0	1.2	23.5	20.3	3.8	1.9	26.0
	2nd Half	18.5	3.0	2.3	23.8	-	-	-	-
	Total	37.8	6.0	3.5	47.3	20.3	3.8	1.9	26.0
Total	1st Half	115.2	45.2	12.6	172.9	119.1	57.4	12.4	188.9
	2nd Half	115.9	51.1	15.4	182.4	-	-	-	-
	Total	231.0	96.3	28.0	355.3	119.1	57.4	12.4	188.9

## Appendix Breakdown of Business Divisions



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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