

March 27, 2018
PRESS RELEASE

Company name: KYB Corporation
(Securities code: 7242, TSE (First Section))

Notice Concerning Execution of Share Purchase Agreement for the Purchase of KYB-Mando do Brasil Fabricante de Autopeças S/A

We hereby inform you regarding the announcement made on January 29, 2018 on the purchase of additional shares of KYB-Mando do Brasil Fabricante de Autopeças S/A (KMB), an equity-method affiliate of KYB Corporation (KYB), making KMB a wholly-owned subsidiary of KYB, and KMB's capital increase through a third-party to KYB, that the share purchase agreement has been executed on March 26, 2018 with Mando Corporation of South Korea. Further to this announcement, we describe the purpose of this transaction as follows.

Notice

1. Number of Shares to be Acquired, and Share Ownership Before and After Acquisition

(1)	Share Ownership Before Acquisition	37,175,372 Shares (Number of Votes: 37,175,372) (Vote Interest: 50.0%)	
(2)	Number of Shares to be Acquired	37,175,372 Shares (Number of Votes: 37,175,372)	
(3)	Acquisition Price	Common Shares in KMB	1 BRL (JPY 35)
		Advisory Fee (estimate)	JPY 50,000,000
		Total (estimate)	JPY 50,000,000
(4)	Share Ownership After Acquisition	74,350,744 Shares (Number of Votes: 74,350,744) (Vote Interest: 100.0%)	

* Figures in parentheses are references based on the exchange rate on January 25, 2018 (Rate: 1 BRL = JPY 34.891).

2. Third-Party Allocation

(1)	Third-Party Allocation Amount	145,000,000BRL (Approx. JPY 5,600,000,000)
(2)	Capital Stock After Allocation	219,350,744BRL (Approx. JPY 7,650,000,000)
(3)	Subscriber	KYB Corporation
(4)	Payment Date	Late-May, 2018 (Expected)
(5)	Share Ownership After Allocation	KYB Corporation 100.0%

* Figures in parentheses are references based on the exchange rate on January 25, 2018 (Rate: 1 BRL = JPY 34.891).

3. Schedule

(1)	Board of Director Approval	January 29, 2018
(2)	Execution of Agreement	March 26, 2018
(3)	Closing	Late-May, 2018 (Expected)

4. Forecast of Business Performance

Due to this transaction, acquisition-related expenses of JPY 1,400 million is expected to be incurred during March 2018 fiscal year on a consolidated basis.

Consolidated performance forecast (reported February 5, 2018) and consolidated performance results of previous fiscal year.

Unit: JPY million

	Net Sales	Operating Income	Pre-Tax Income	Net Income	Net Income Attributable to Owners of the Parent
Forecast for Fiscal Year Ending March 2018	390,000	21,500	21,000	16,500	15,800
Actual Results for Fiscal Year Ending March 2017	355,316	19,247	18,852	15,078	14,544

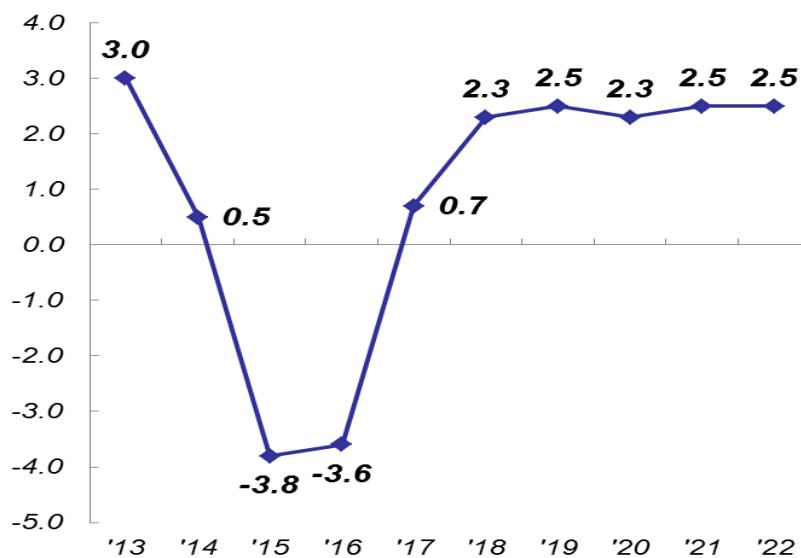
5. Purpose of the Acquisition of KMB

(1) About the Brazilian Automotive Market

Brazil's GDP growth rate turned positive in 2017, and the Brazilian economy is forecasted to grow steadily until 2022. Furthermore, the Brazilian automotive market (new vehicle sales) is also expected to continue growing after its trough in 2016.

Brazil GDP Growth Rate

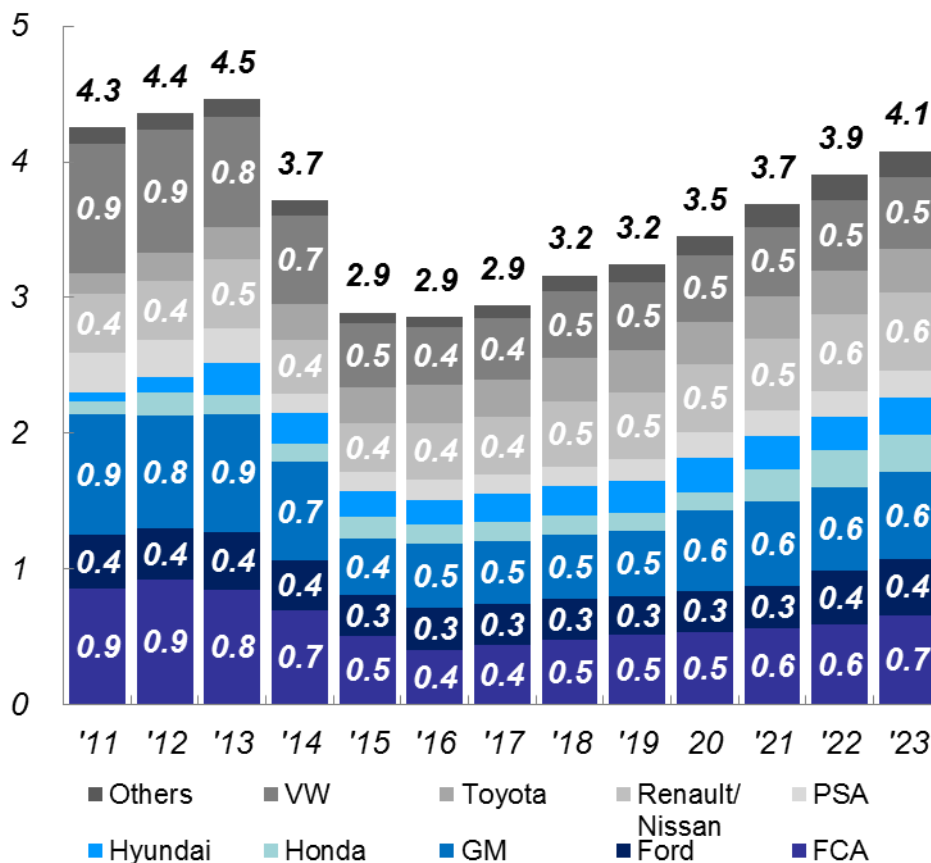
(Unit: %)



Source: Economist Intelligence Unit (2017 and beyond are estimates)

Brazil New Vehicle Sales (2011 ~ 2023)

(Units: million units)



Source: IHS

(2) Our Objectives

Under the environment explained above, by making KMB a wholly-owned subsidiary of KYB, KYB commits to restore soundness of the management and facilitate faster decision making, and maximize KMB's sales and profits through the following initiatives.

① Initiative for Sales Expansion

For shock absorbers for new vehicles, KYB will take the initiative to manage product quality and increase the satisfaction of the existing customers. At the same time, in this market that is expected to grow, we will attempt to expand KMB's sales by generating orders from new customers and for new models.

For shock absorbers for aftermarket sales, we will further localize production with KMB as the base, introduce cost competitive products, and utilize the distribution networks of Comercial de Autopeças KYB do Brasil LTDA (KBR (KYB's wholly-owned subsidiary)) in order to increase our market share in the 8 million-units-per-year Brazilian market. Furthermore, in the MERCOSUR region where the aftermarkets sales are also expected to grow, we will also strengthen localization with KMB as the base, increase coverage of aftermarket parts, decrease lead times, and take advantage of Free Trade agreements within MERCOSUR to attempt to expand our market share.

(Ref.) KYB's Aftermarket Sales Share in Brazil: 2016: Approximately 3% → 2022: Target of 15%

② Initiative for Cost Reduction

We will drive to reduce variable cost by expanding business with local suppliers, which we have not been able to achieve thus far. Furthermore, by changing the procurement source of the core parts of the product from a European site to KYB Mexico S.A. de C.V. (KMEX (began operations in May 2016)) KMB will be able to benefit from the favorable tariff rates between Mexico and Brazil (17% tariff reduced to 0%) and dramatically reduce tariff costs.

③ Merger with Existing Brazilian Subsidiary

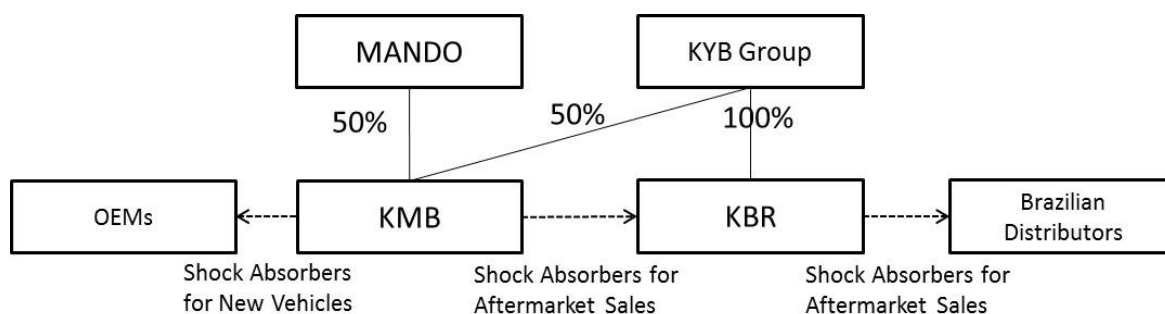
To further ensure the sales increase and cost reduction initiatives above we will merge the two Brazilian subsidiaries.

More specifically, we will merge KBR (sales company) and KMB (production company) in an attempt to reduce fixed costs by consolidating overlapping functions between the two companies. Furthermore, as a result of the merger, the approximately 12% inter-state taxes on the transactions between the two companies will no longer be incurred, resulting in profitability improvement.

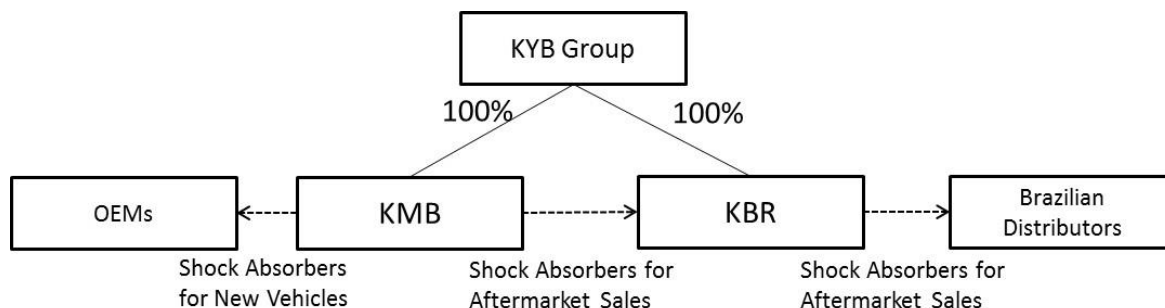
The merger is expected to occur in 2019.

Merger Process Overview

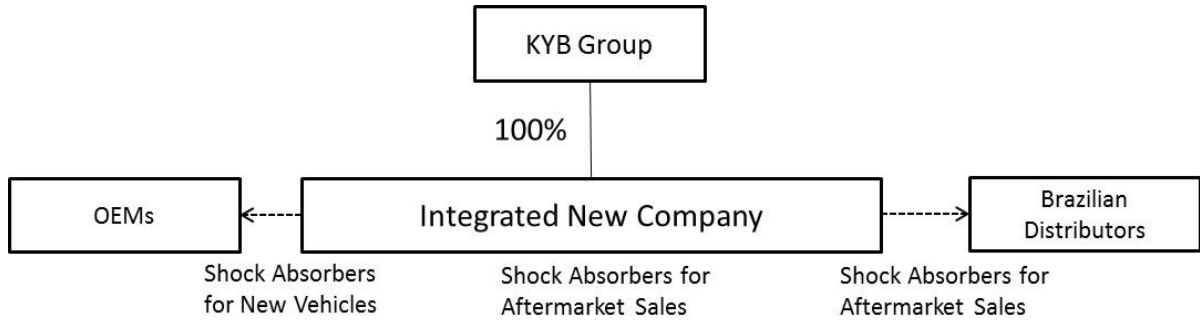
a. Current



b. Step 1 (Acquisition of KMB)



c. Step 2 (Merger with Distributor Company)



6. Contact

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