

Meeting Materials for FY2017, Ended March 31, 2018

May 15, 2018

KYB Corporation

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

FY2017 Financial Information

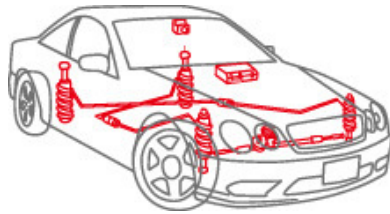
Takaaki Kato

Chief Financial Officer,
Representative Director

Strategy for Future Business

Yasusuke Nakajima

Representative Director,
President Executive Officer



FY2017 Financial Information



FY2017 Financial Summary



Our Precision, Your Advantage

- Net sales increased 10% YOY, due to a strong demand in construction machinery market.
- Segment profits, operating profit, profit attributable to owners of the parent also increased.
- Compared with the Forecast in February, profit decreased because of the increase in fixed costs.

(¥ Billion)	IFRS			Differences	
	FY2016	FY2017			
	Actual	Forecast (Feb. 5)	Actual	Previous period	Forecast (Feb. 5)
Net Sales	355.3	390.0	392.4	37.1	2.4
Segment profits*	18.6	22.4	21.6	3.0	(0.8)
(Segment profits ratio)	5.2%	5.7%	5.5%	0.3%	(0.2)%
Operating profit	19.2	21.5	20.9	1.6	(0.6)
Profit attributable to owners of the parent	14.5	15.8	15.2	0.7	(0.6)
ROE	9.3%	9.1%	8.8%	(0.5)%	(0.3)%
Dividend (¥)	120	135	150	30	15
FOREX (Average)					
JPY / US\$	108.38	111.28	110.85		
JPY / EUR	118.79	127.64	129.70		

FY2017 Financial Summary



Our Precision, Your Advantage

(¥ Billion)		FY2016	FY2017	Differences
		Actual	Actual	
Net Sales	Shock absorber for automobiles	151.0	162.5	11.5
	Shock absorber for motorcycles	28.5	29.5	1.0
	Hydraulic equipment for automobiles	46.5	45.7	(0.8)
	Others	5.1	4.9	(0.1)
	AC	231.0	242.6	11.5
	Hydraulic equipment for industrial use	88.6	114.1	25.4
	Others	7.7	8.5	0.8
	HC	96.3	122.6	+26.3
	Special-purpose vehicles	8.5	9.6	1.0
	Hydraulic equipment for aircraft	7.7	6.4	(1.4)
	System products and electronic components, etc.	11.7	11.3	(0.4)
	SV, A&S	28.0	27.2	(0.7)
	Total	355.3	392.4	37.1
Segment profits*	AC	11.0	9.5	(1.6)
	HC	6.6	11.1	4.5
	SV,A&S	0.9	1.0	0.1
	Total	18.6	21.6	3.0

AC: Automotive Components HC: Hydraulic Components

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

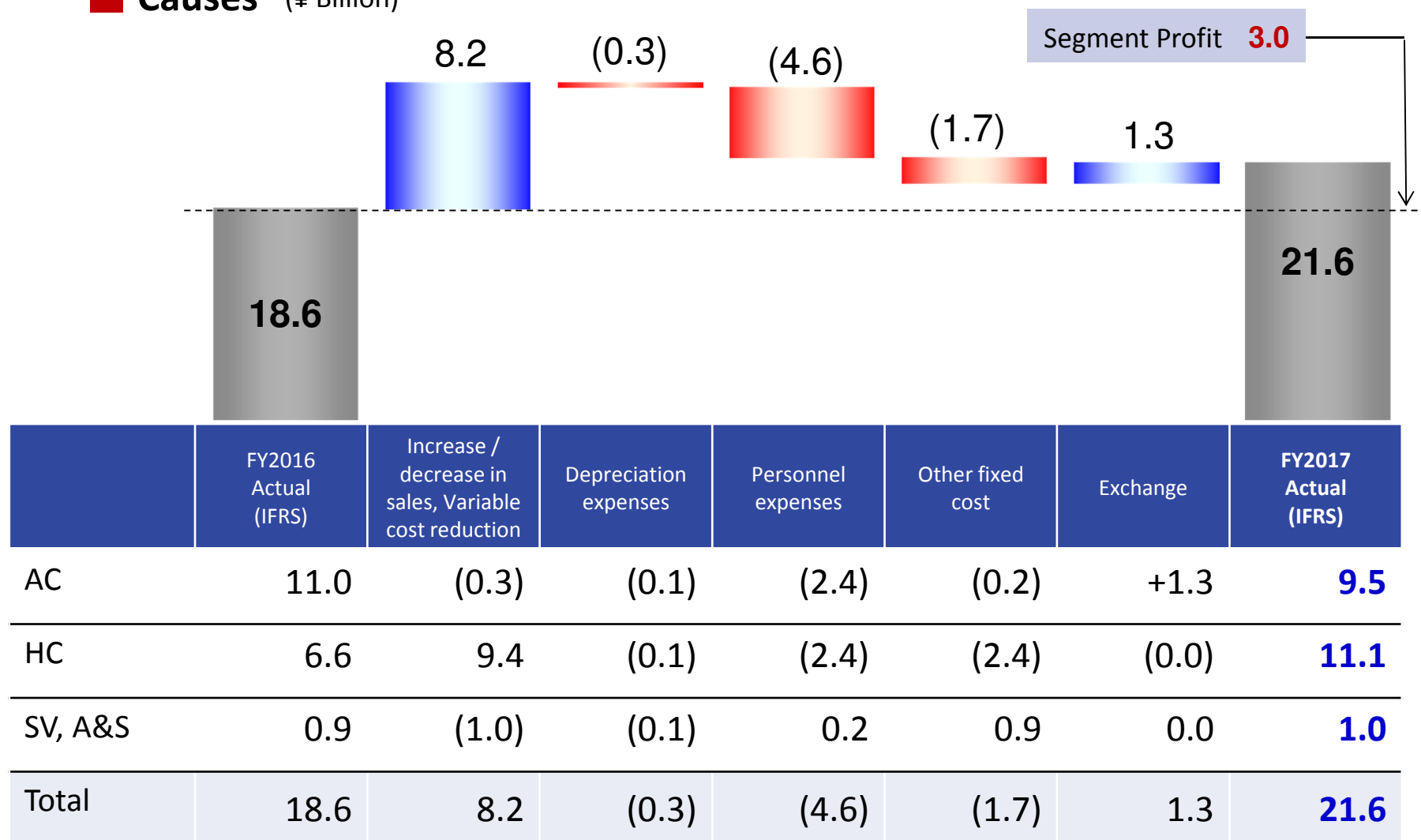
*Segment profits correspond to operating income in JGAAP

FY2017 Changes in Segment Profits



Our Precision, Your Advantage

Causes (¥ Billion)



AC: Automotive Components

HC: Hydraulic Components

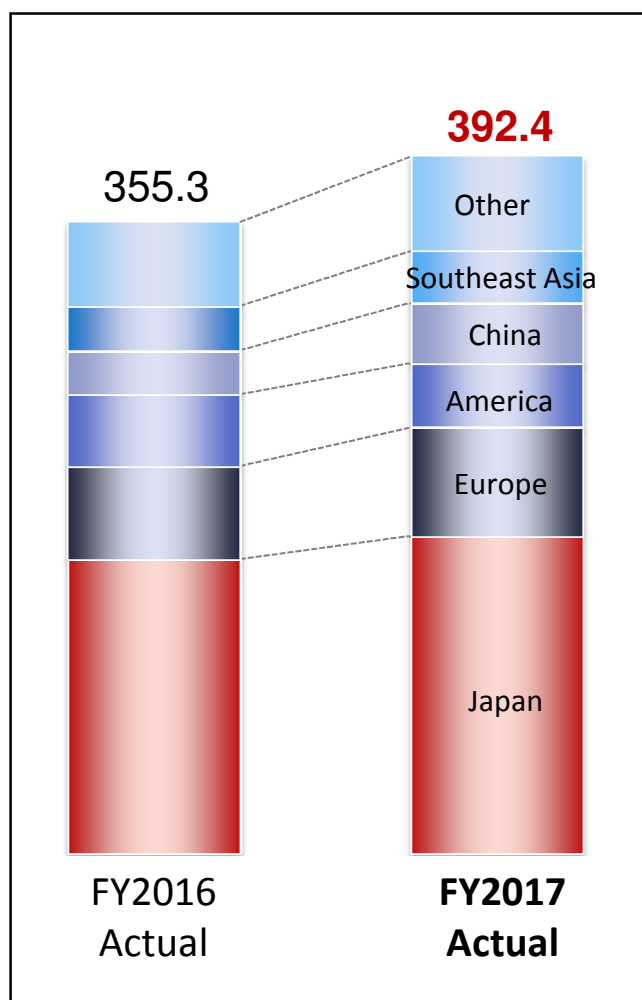
SV, A&S: Special-purpose vehicles, hydraulic equipment for aircraft, and system product and electronic components

FY2017 Net Sales by Region



Our Precision, Your Advantage

Net Sales by Region (¥ Billion)



	FY2016	FY2017	Differences
	Actual	Actual	Previous period
Japan	165.3	178.5	8.0%
Europe	52.5	61.1	16.5%
America	40.5	36.3	(10.4)%
China	24.8	34.2	38.2%
Southeast Asia	25.0	29.1	16.3%
Other	47.3	53.2	12.5%
Total	355.3	392.4	10.4%

Overseas Sales Ratio

53.5% → 54.5%

Financial Forecast for FY2018



Our Precision, Your Advantage

- Net sales increased 6% YOY, due to a favorable construction machinery market and an increase in the quantity of automotive shock absorbers.
- Segment profits increased slightly YOY, due to the large impact of the increase in fixed costs.

(¥ Billion)	IFRS		Differences
	FY2017	FY2018	
	Actual	Forecast	Previous period
Net Sales	392.4	415.0	22.6
Segment profits*	21.6	22.0	0.4
(Segment profits ratio)	5.5%	5.3%	(0.2)%
Operating profit	20.9	23.9	3.0
Profit attributable to owners of the parent	15.2	16.6	1.4
ROE	8.8%	8.9%	0.1%
Dividend (¥)	150	150	±0
FOREX (Average)			
JPY / US\$	110.85	105.00	
JPY / EUR	129.70	128.00	

*Segment profits correspond to operating income in JGAAP

Financial Forecast for FY2018



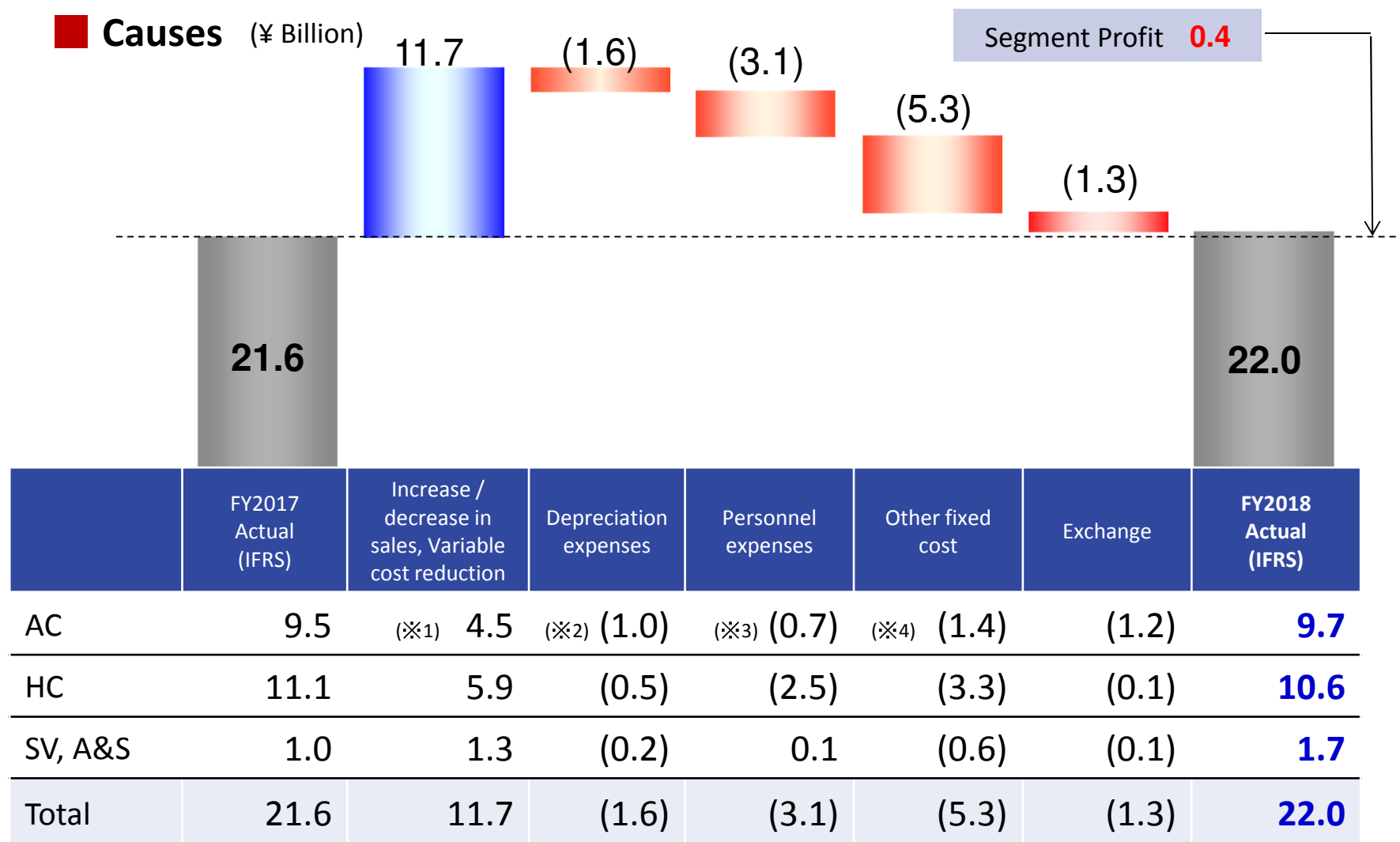
Our Precision, Your Advantage

(¥ Billion)		FY2017	FY2018	Differences
		Actual	Forecast	
Net Sales	Shock absorber for automobiles	162.5	170.3	7.8
	Shock absorber for motorcycles	29.5	29.1	(0.4)
	Hydraulic equipment for automobiles	45.7	42.5	(3.1)
	Others	4.9	4.9	(0.0)
	AC	242.6	246.9	4.3
	Hydraulic equipment for industrial use	114.1	130.0	15.9
	Others	8.5	8.1	(0.5)
	HC	122.6	138.1	15.5
	Special-purpose vehicles	9.6	10.7	1.1
	Hydraulic equipment for aircraft	6.4	7.1	0.7
	System products and electronic components, etc.	11.3	12.3	1.0
	SV, A&S	27.2	30.0	2.8
	Total	392.4	415.0	22.6
Segment profits	AC	9.5	9.7	0.2
	HC	11.1	10.6	(0.5)
	SV,A&S	1.0	1.7	0.7
	Total	21.6	22.0	0.4

FY2018 Changes in Segment Profits



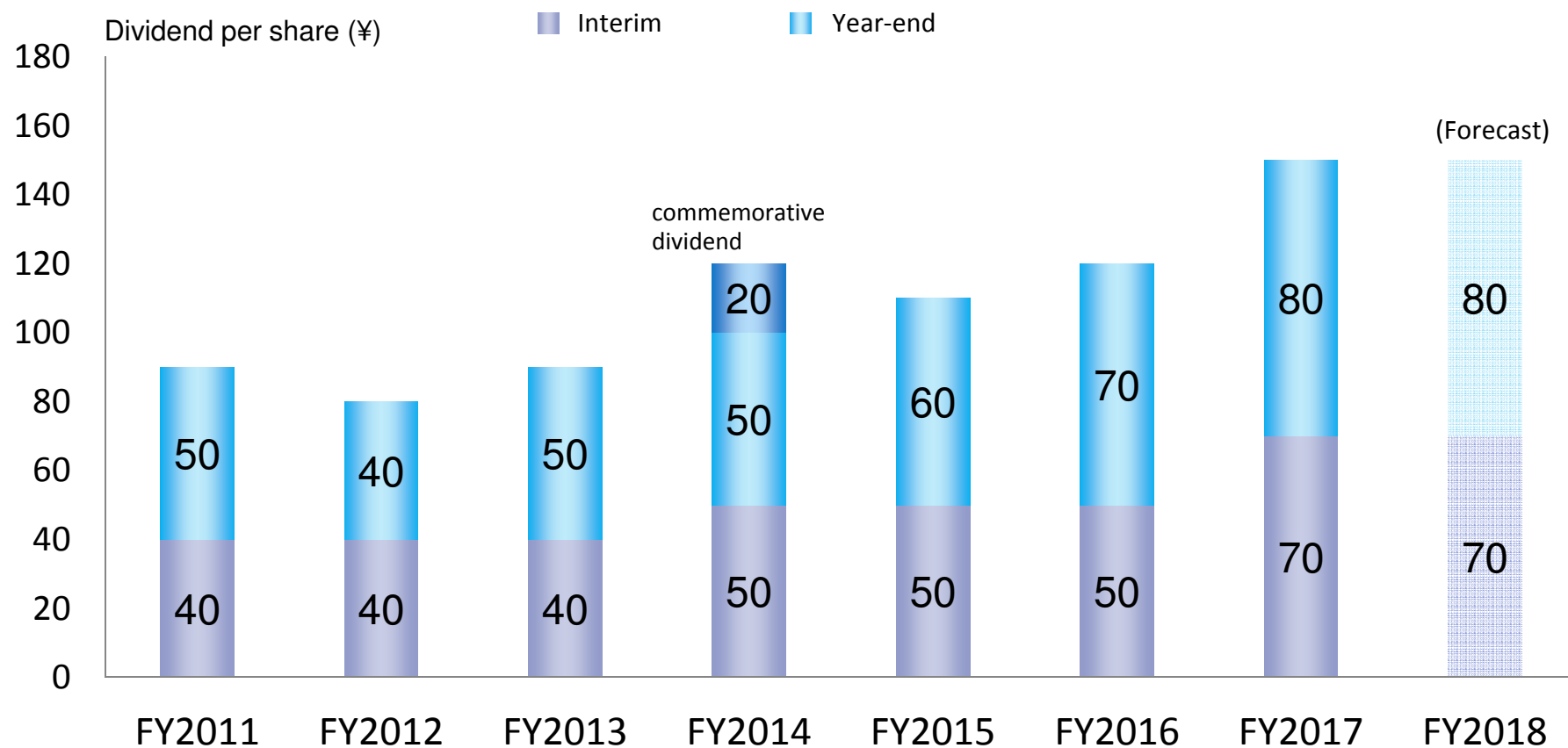
Our Precision, Your Advantage



Portion of which is attributable to our Brazilian company which become consolidated subsidiary from FY2018: (※1) ¥1.0 billion
 (※2) ¥(0.1) billion (※3) ¥(0.7) billion (※4) ¥(0.4) billion

Dividends

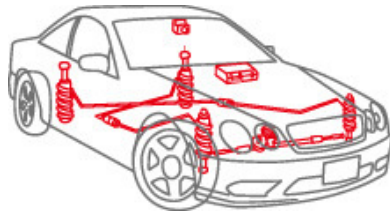
Changes to Dividends Distributed



Net income / Profit (loss) attributable to owners of the parent (Note 1) (¥ Billion)

13.9	7.8	12.8	7.1	(3.2)	14.5	15.2	16.6
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Note 1: Profit (loss) attributable to owners of the parent from FY2015



KYB

Our Precision, Your Advantage

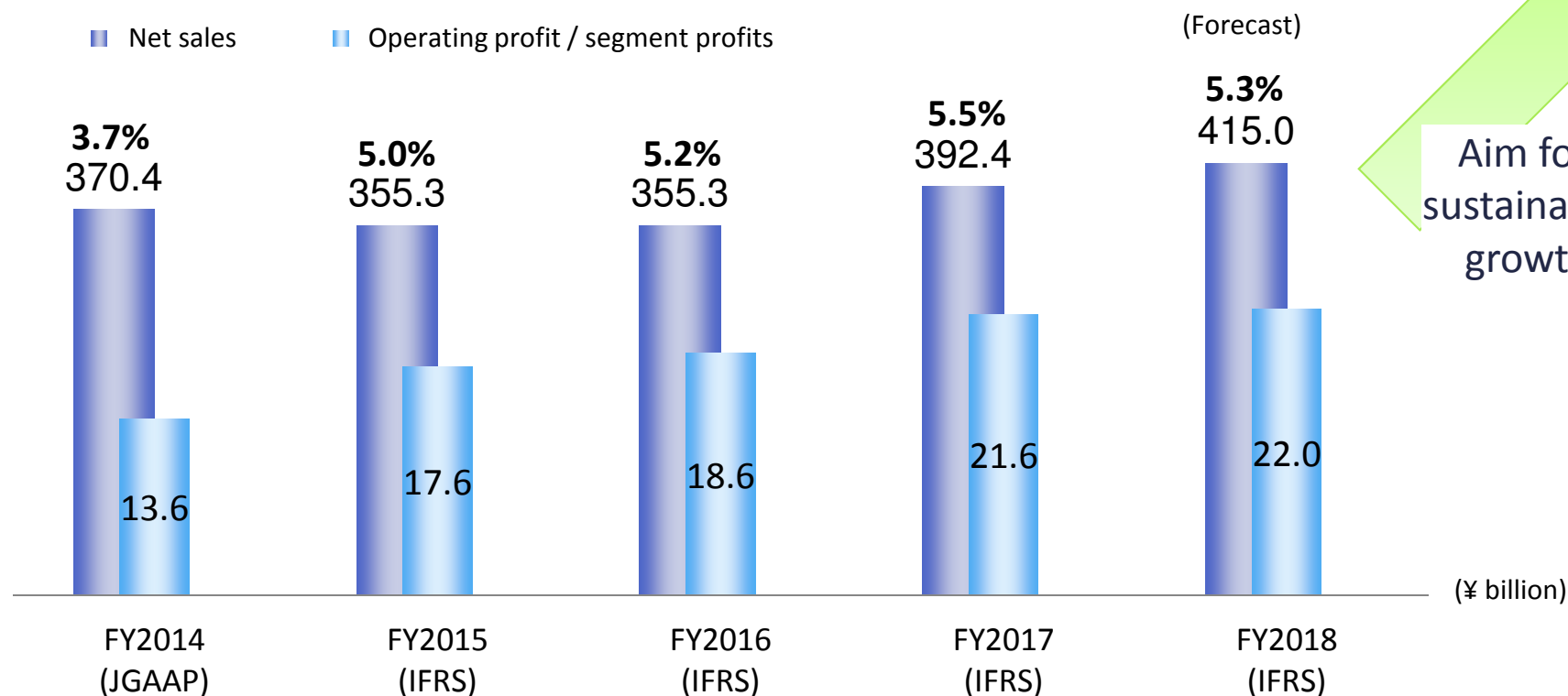
Strategy for future business



Looking Back



Our Precision, Your Advantage



Aim for sustainable growth

Previous Mid-term Plan

- Reorganized plants of construction machinery products in Japan and China
- Released High-value-added products for automobiles
- Strengthened innovative *monozukuri*
- Undertook consideration of restructuring of Motorcycles and EPS business

Current Mid-term Plan

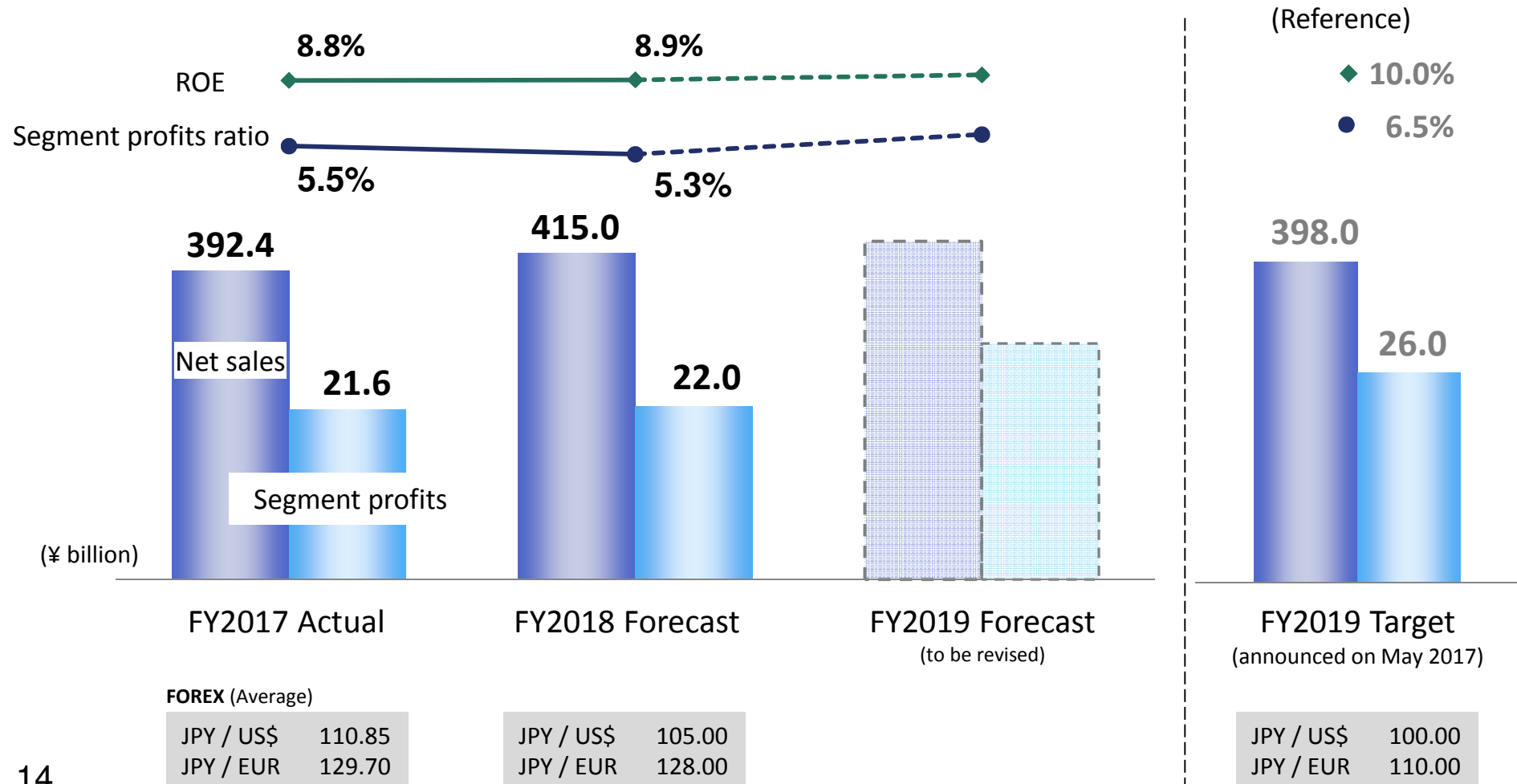
- Quality management
- Change to dividend plan
- Start work on transfer of control valve production line and changes of production layout

Progress of the 2017 Mid-term Plan



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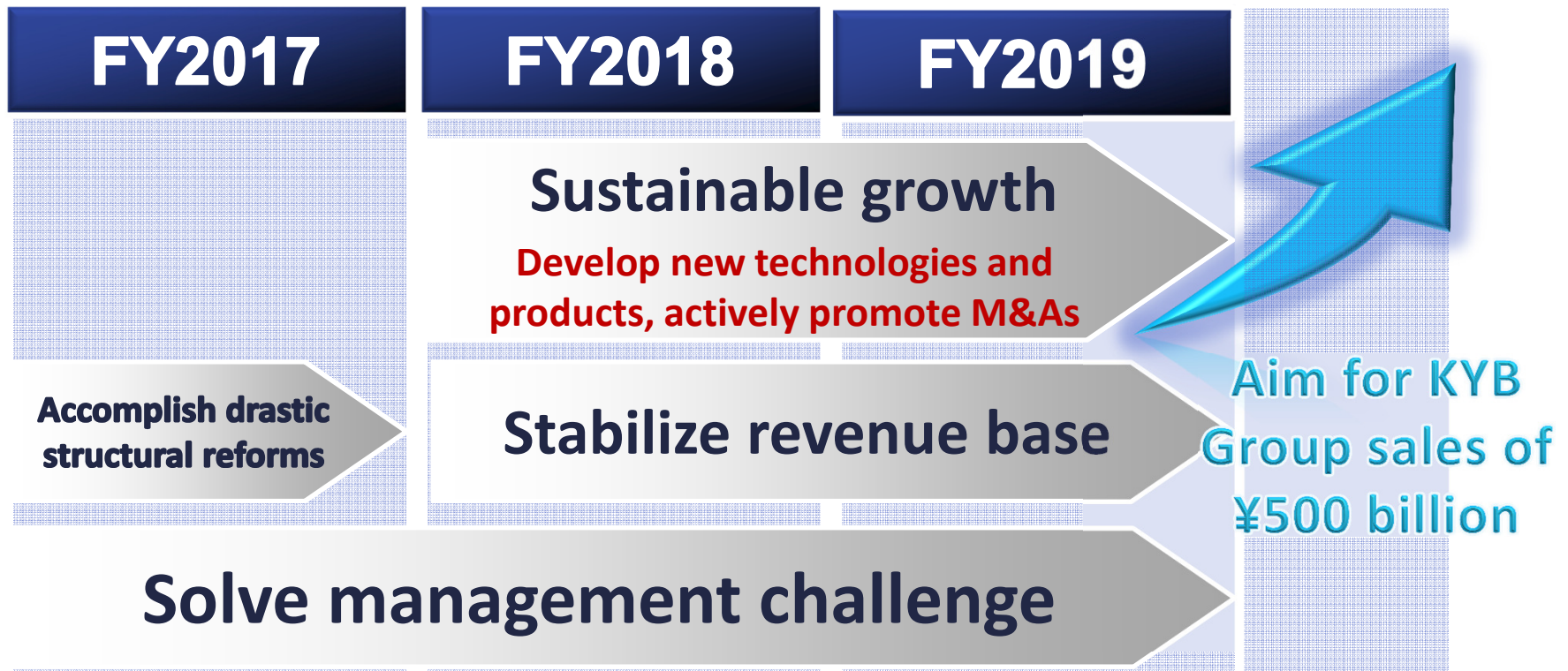
- We forecast achieving our sales target as sales are being driven by a favorable construction machinery market.
- We still need to work hard to achieve our targets for profit ratio and ROE.



2017 Mid-term Plan Policies



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2017–2019 mid-term slogan

A GLOBAL *KYB*
- CHALLENGE & INNOVATION -

2017 Mid-term Plan Activities (AC Operations)



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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

■ Key Activities

Accomplish drastic structural reforms

- Structural reform for the EPS business
⇒ Explained on a separate slide
- Accelerate reorganization for motorcycles plants / sales expansion at other companies → Strengthen insourcing in Indian plant

Stabilize revenue base

- Global specification integration for volume sale shock absorbers
- Increase productivity through innovative shock absorber *monozukuri line* ⇒ Explained on a separate slide
- Increase ordering precision for Aftermarket business through use of big data

Sustainable growth

- Start operation of Europe Technical Center in Munich, Germany
- Development / sales of high-value-added products for the future
⇒ Explained on a separate slide

2017 Mid-term Plan Activities (AC Operations)

EPS

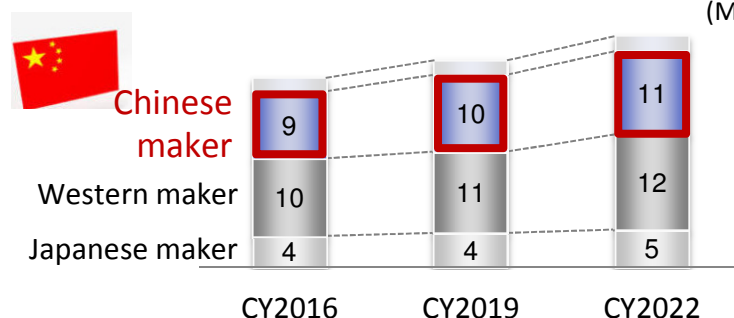


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- In order to achieve **autonomous driving** control system and shock absorbers and power steering integrated control system, we will **continue the EPS business and enter the growing China market**

[Forecast for automobile demand in the China market]

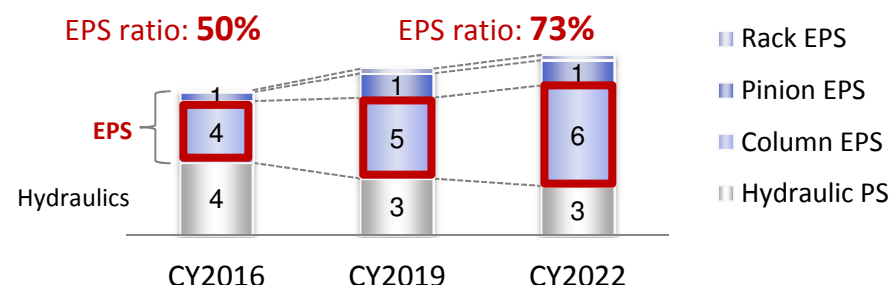
(Million units)



Chinese companies show impressive growth

[Chinese maker's steering systems by type]

(Million units)

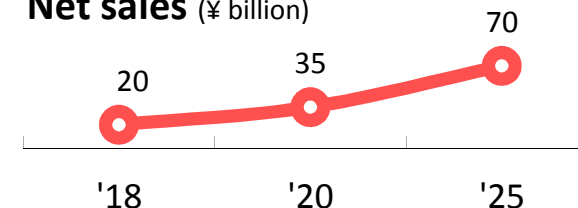


Switch from hydraulics to EPS is advancing

- Establish joint venture in China with **Hubei Henglong**, which is strong with Chinese makers

	Recent technologies	Role of the new company	Ownership
KYB	Pinion EPS	Development, production	33.4%
Hubei Henglong	Column EPS	Sales	66.6%

Net sales (¥ billion)



- ✓ (Short-term) Expand EPS line up **along with the expansion of the EPS market** in China
- ✓ (Short-term) **Reduce production costs in Japan** by using Chinese components
- ✓ (Mid- to long-term) Expand EPS business **globally** from the Chinese business

2017 Mid-term Plan Activities(AC Operations)

Next Generation SA



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Next-generation conventional shock absorbers

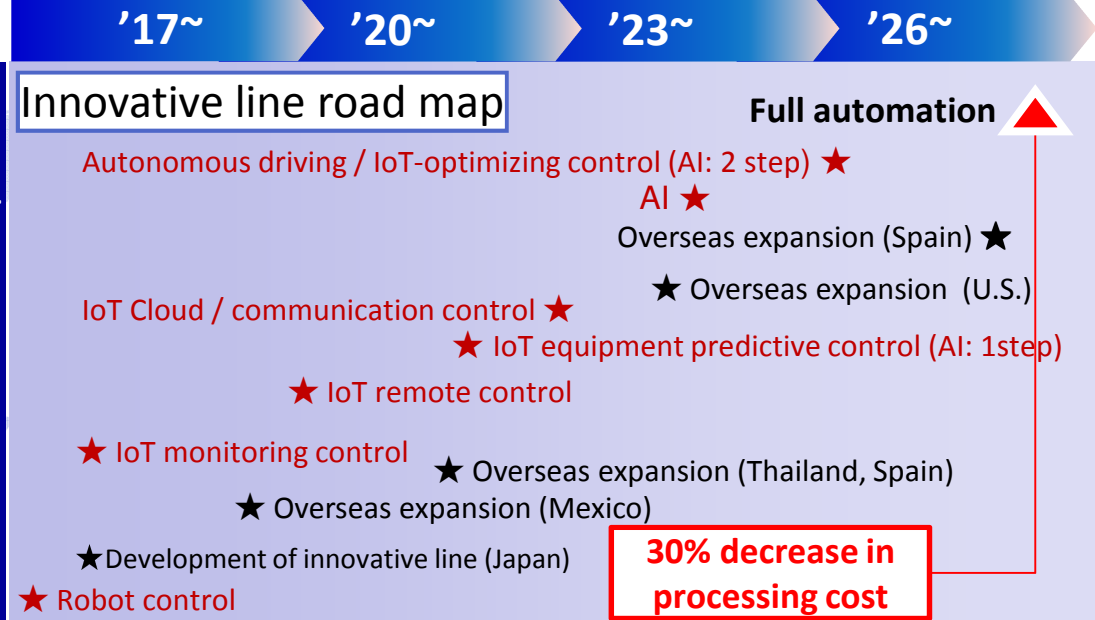
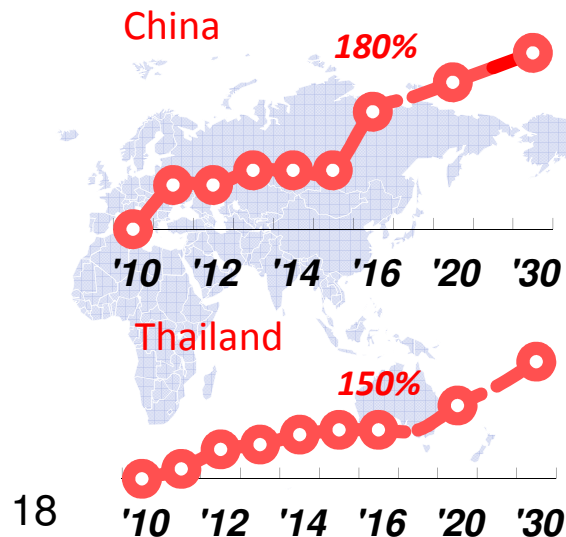
Develop the next generation of shock absorbers that simultaneously satisfy customer-required functions and cost needs

- ⇒ Develop products with a focus on customer-required functions coming in the near future
- ⇒ Achieve **high performance / low costs** through integrating parts

Reduce types **30%**, reduce product costs **20%**

Innovative lines that use IoT/AI

Change in personnel expenses since 2010



2017 Mid-term Plan Activities (HC Operations)



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Mid-term Policy

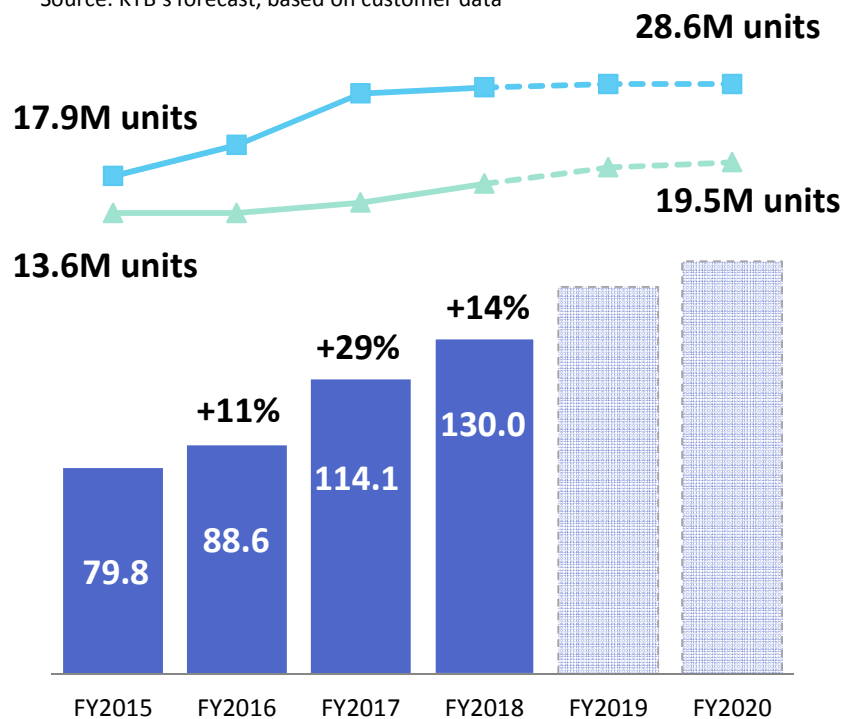
Stable sales unaffected by market changes, ensure profits

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

[Sales of industrial hydraulic equipment]

- Sales of industrial hydraulic equipment
- World demand 6 tons and over *
- World demand less than 6 tons *

*Source: KYB's forecast, based on customer data



Accomplish drastic structural reforms

Build an optimum production system

- Optimize / increase productivity by transferring control valve line for mid- to large-sized machines
- Concentrate motor products in Sagami plant / optimize production

Stabilize revenue base

Establish manufacturing/delivery system that can deal with high demand

- Move forward with investments to reinforce lines, reinforce capacities with additional investments, restart lines on hold, ensure and support dealers' capacities, expand suppliers

Strengthen sales promotions for markets in which we were not active

⇒ Explained on a separate slide

2017 Mid-term Plan Activities (HC Operations)

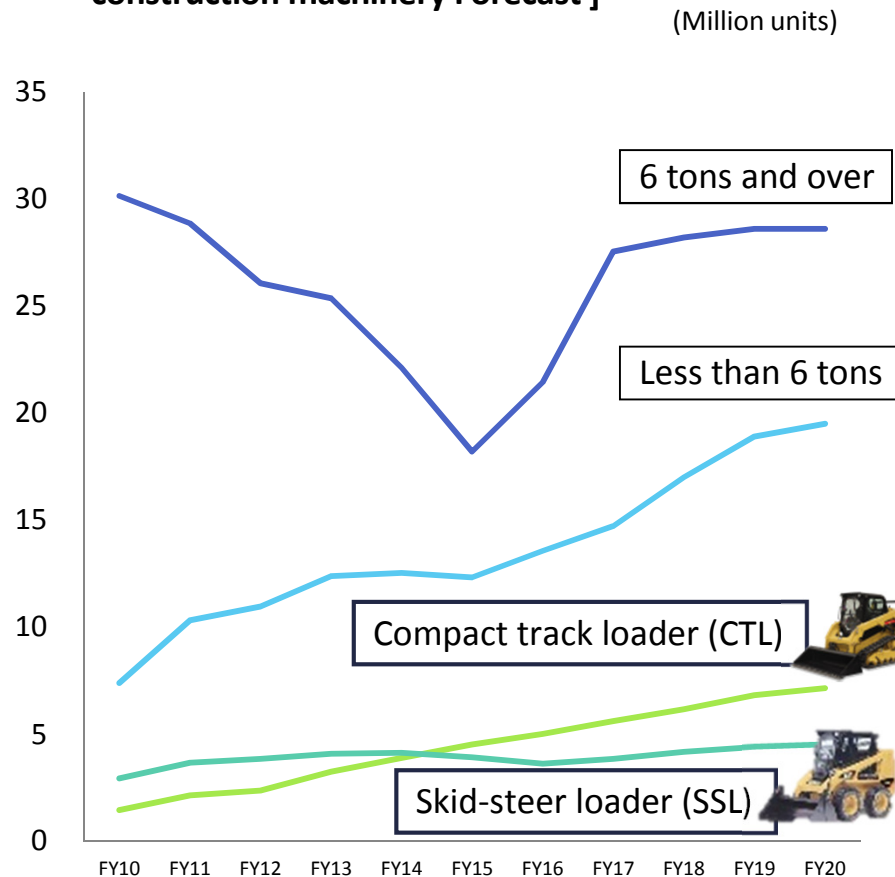
Strengthen Sales Promotions for Growth Markets



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Business Environment

[Demand for Excavators, other construction machinery Forecast]

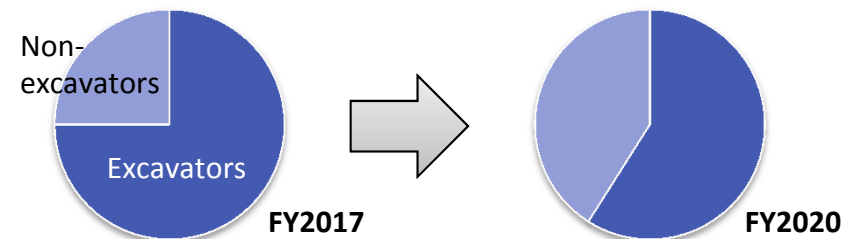


Excavators 6 tons and over face large fluctuations, while excavators less than 6 tons, CTL and SSL are stable.

Source: KYB's forecast, based on customer data

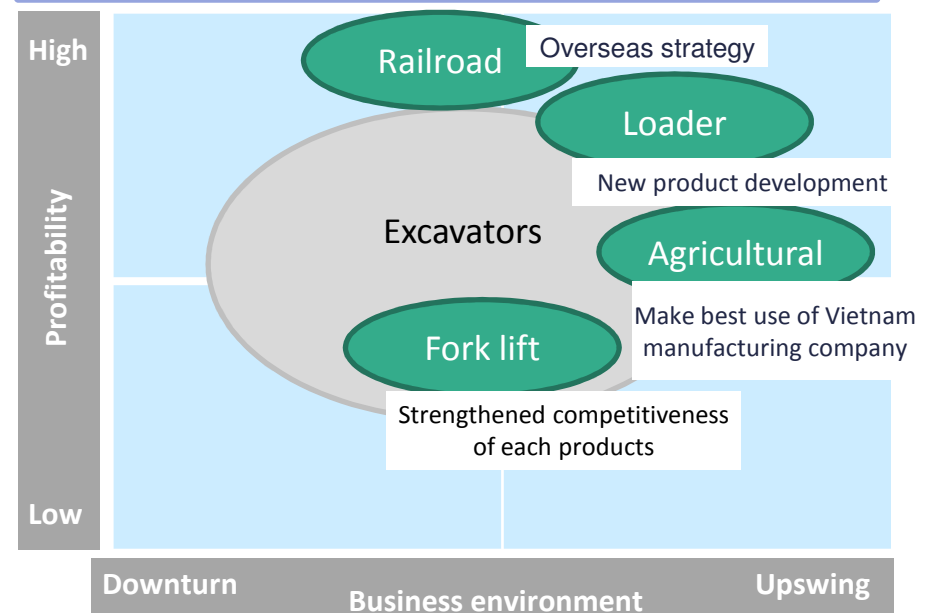
Strengthen sales promotions for growth markets

[HC Operations Sales components]



[Ideal status and strategy]

Minimize the fluctuation of HC sales by increasing the sales ratio of non-excavator products



Automobile Machine Solutions for the Future (2030 onward)



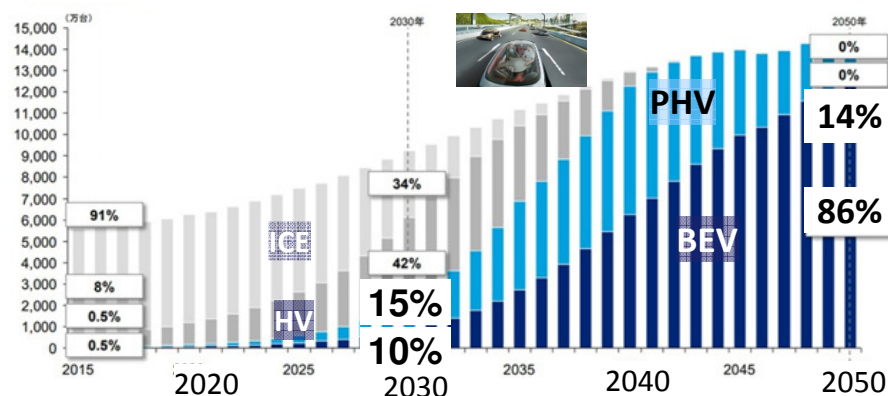
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With the popularization of battery EVs and automatic operation, **increased interior space** will grow in demand

Forecast of Battery EVs (BEV) popularization rate

(2017 Detroit data)

10% in 2030 ⇒ 86% in 2050

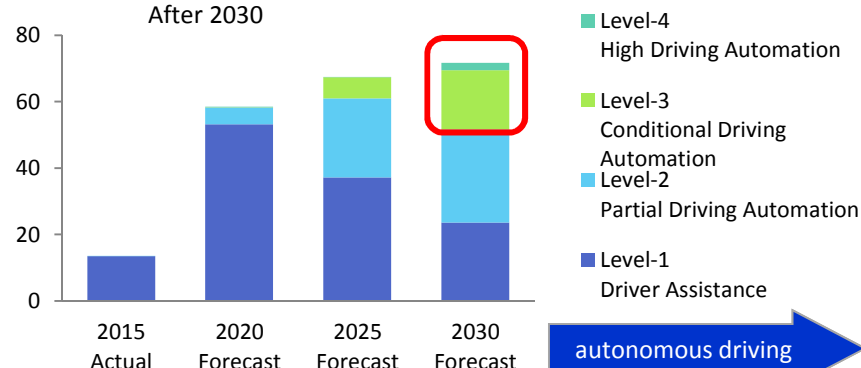


Forecast of automatic operation system market scale

(Yano Research Institute Ltd. data)

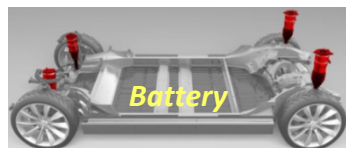
2030 levels 3 and 4 new car market will increase by 20 million vehicles

(Million units) Level-5 (Full Driving Automation)
After 2030



Changing platforms and marketing!

Monocoque ⇒ Frame-type chassis

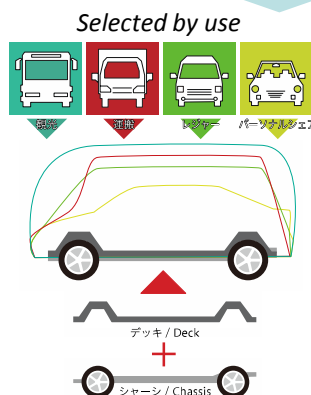


X-by-wire

Brake
Steering

Throttle

Pedal
gear-shift



Motor show concept vehicles

- Large interior space with low floor/cube design (Toyota: e-Palette Concept)
- Four-corner arrangement of wheels using the freedom of an EV layout (Toyota: Fine-Comfort Ride)
- Flat floor with no steps and a wider, more open cabin space than ever before (Nissan: IMx)



Automobile Machine Solutions for the Future (2030 onward)



Our Precision, Your Advantage

Increased interior space + ride feel ⇒ **comfortability (Cabin 1st)**

KYB's solution

<Comfortability>

Automobile performance

Driving / turning / stopping

Write / Read / No car sickness

Providing safety / ease/ comfort

- The ultimate suspension: passengers don't feel the vehicle moving
- Dynamic vehicle control that suppresses lateral acceleration
- Suspension layout that maximizes interior space

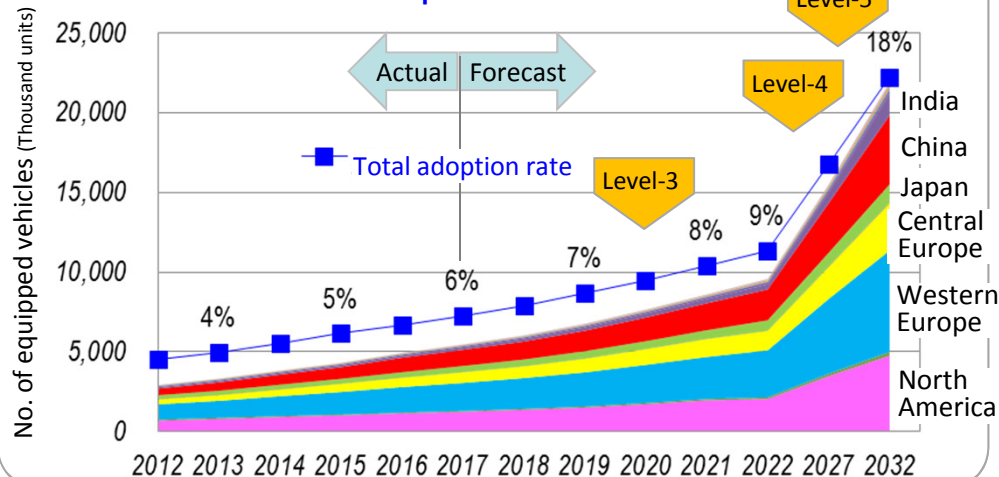
Chassis integrated system

Suspension & Steering integrated system

- Space-saving suspension model
- Eliminate the steering axle with left-right independent steering
- Cooperative control of suspension and steering

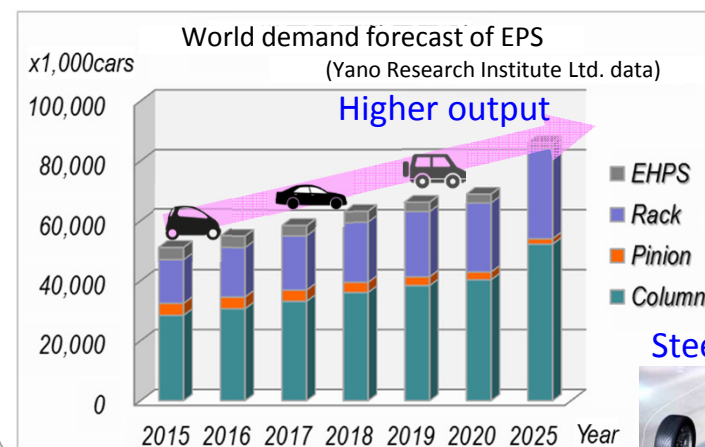
Expansion in the electronic controlled suspension market (Just Auto 2018 data)

18% adoption forecast for 2032



Steering (EPS) Technology Trends

Increasing adoption in large SUVs etc. along with HV expansion



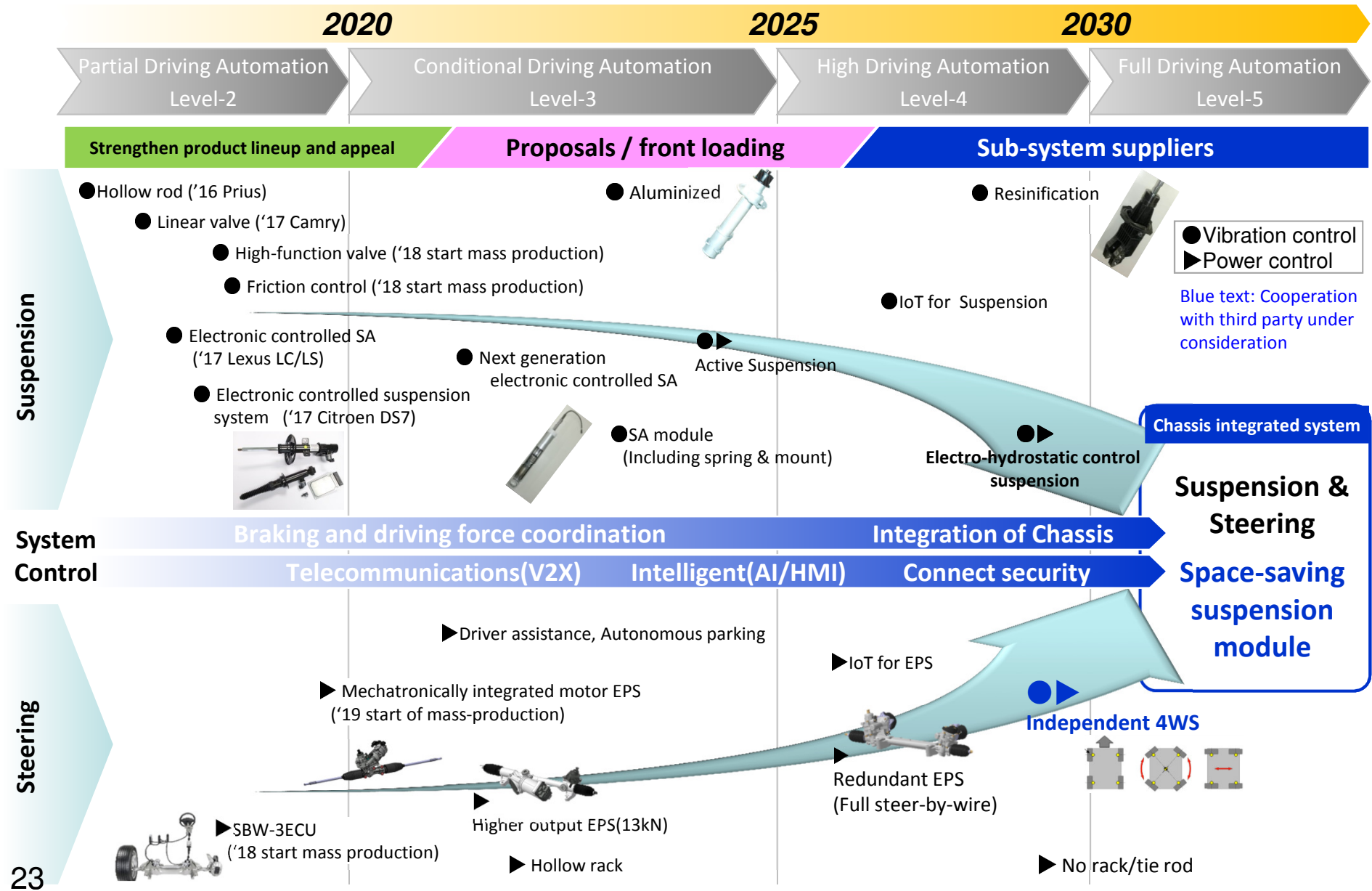
Steer-by-wire



Product Development Road Map for Automotive Equipment



Our Precision, Your Advantage





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.

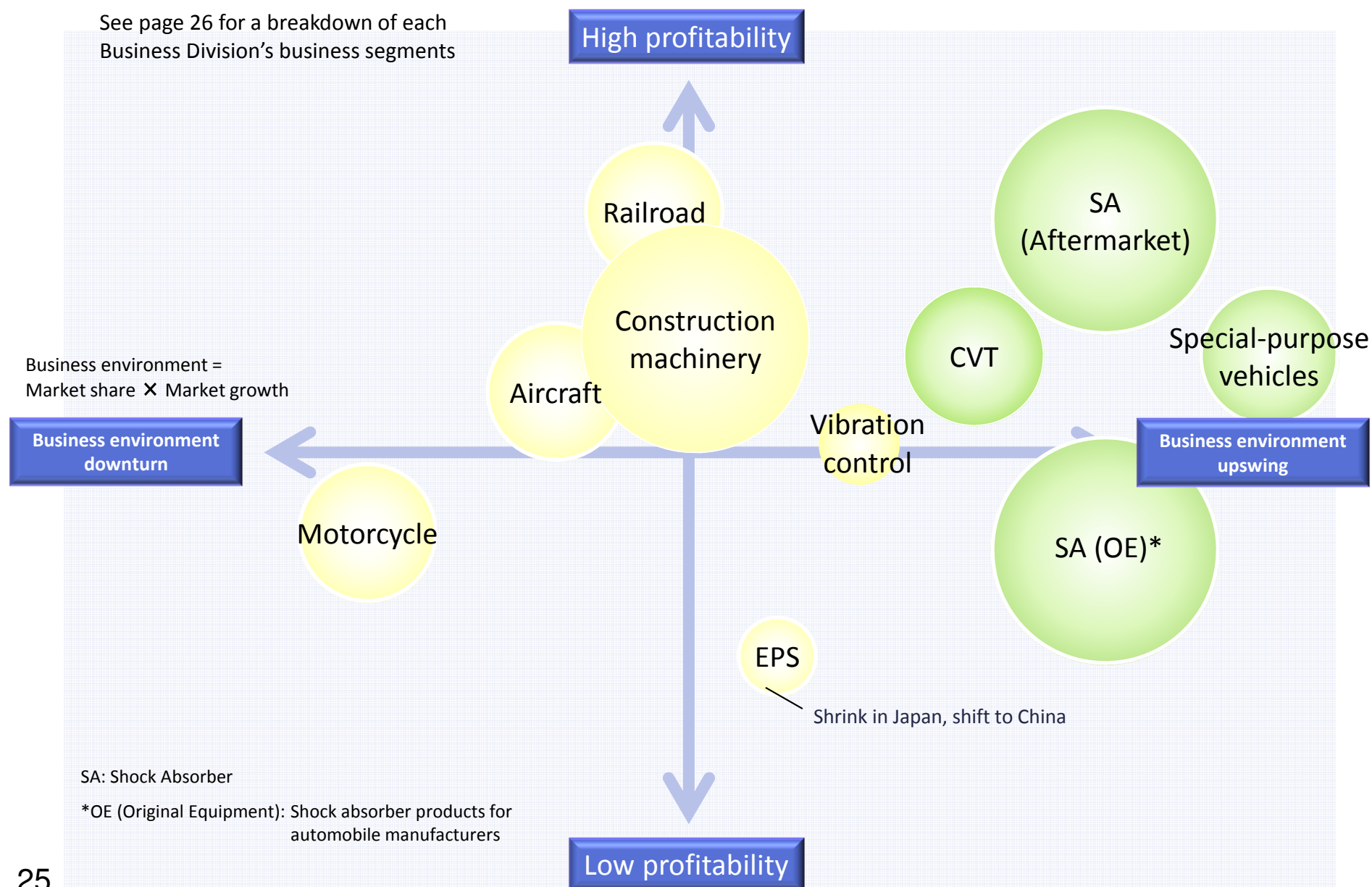
For further information, please contact to:
Investor Relations Sect., Finance Dept.
Tel: +81-3-3435-3580

Appendix Ideal Status Since FY2020



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See page 26 for a breakdown of each Business Division's business segments



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	ATV Stay dampers	ATV 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 page 25.

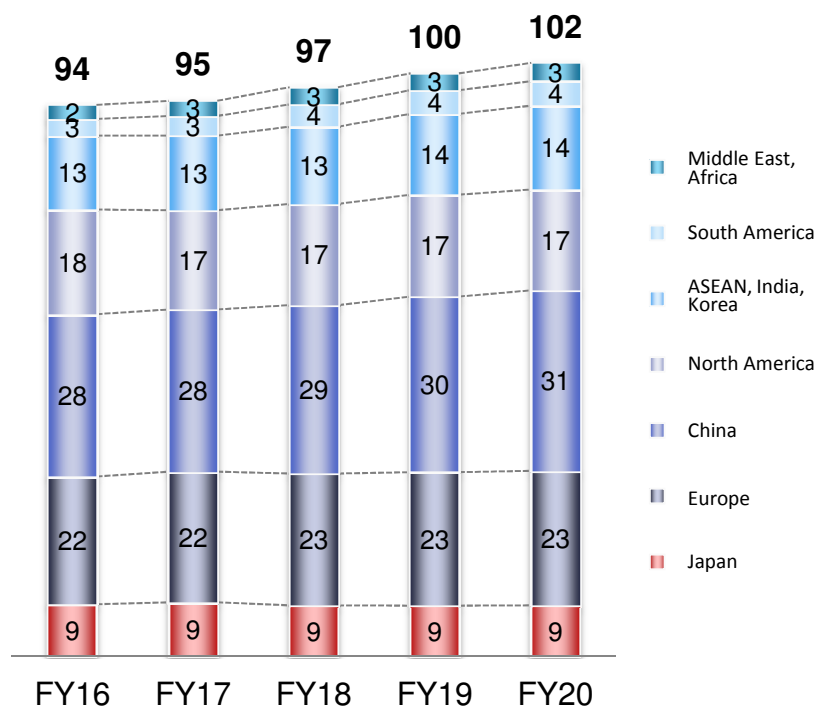
Appendix Demand Forecast



Our Precision, Your Advantage

Automobile Production Forecast

(Million units)

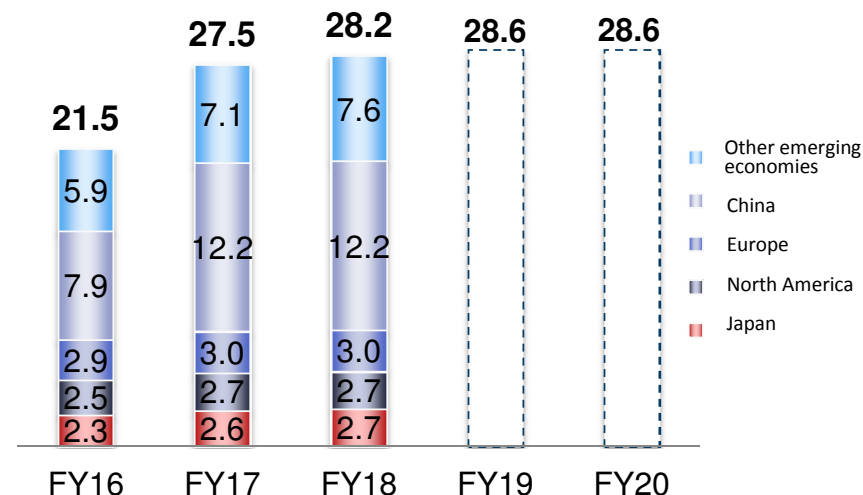


Source: IHS (the end of Mar. 2018)

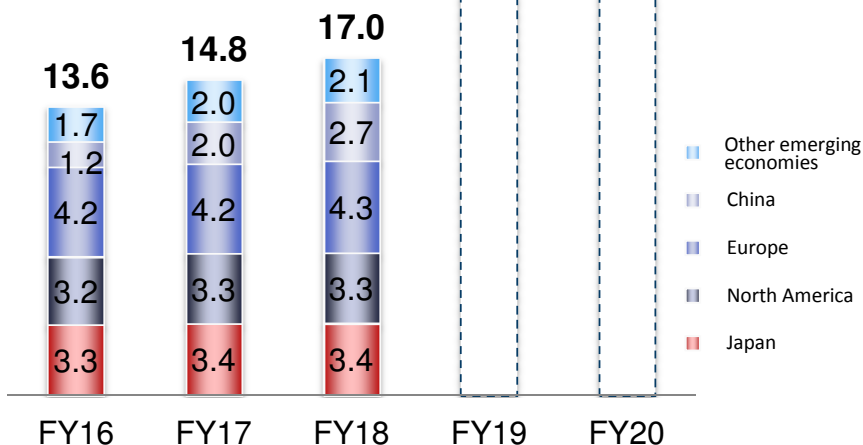
Demand for Hydraulic Excavators Forecast

(Ten thousand units)

6 tons and over



Less than 6 tons



Source: KYB's forecast, based on customer data

Appendix Financial Data



Our Precision, Your Advantage

Adoption of IFRS since FY2015

(¥ billion)

Capital Expenditure, Depreciation

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Capital Expenditure	27.17	39.22	29.91	29.79	21.30	18.20	18.49	19.20
Depreciation Exp.	13.51	14.55	17.29	16.49	17.08	15.92	16.99	18.20

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

(Est.)

(*1) The estimation of "Capital Expenditure in FY2018 Total" is on order basis. Actual figures were calculated on inspection basis.

(¥ billion)

Interest-bearing Debt

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Interest-bearing Debt	80.52	92.95	88.81	92.45	91.69	93.56	94.64

(¥ billion)

R&D Expenses

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
R&D Expenses	4.04	5.47	6.92	8.91	7.76	7.62	8.10	8.83

(Est.)

Number of Employees

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Number of Employees	11,975	12,306	13,033	13,732	13,796	14,350	14,754

Foreign Exchange Rate

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Average FOREX Rate - JPY/USD	79.08	83.11	100.24	109.93	120.15	108.38	110.85	105.00
Average FOREX Rate - JPY/EUR	108.97	107.14	134.37	138.77	132.57	118.79	129.70	128.00
Average FOREX Rate - JPY/CNY	12.38	13.22	16.40	17.73	18.85	16.10	16.74	15.90
Average FOREX Rate - JPY/THB	2.58	2.70	3.19	3.38	3.44	3.08	3.35	3.20
Average FOREX Rate - JPY/RUB	-	2.82	3.03	2.53	1.91	1.72	1.91	1.75

(Est.)

Appendix Financial Forecast by Business Division (1H, 2H)



Our Precision, Your Advantage

(¥ billion)

			FY2017 (IFRS)			FY2018 Forecast (IFRS)		
			1st Half	2nd Half	Total	1st Half	2nd Half	Total
Net Sales		Shock absorbers for automobiles	79.2	83.3	162.5	84.2	86.1	170.3
		Shock absorbers for motorcycles	14.7	14.8	29.5	15.3	13.8	29.1
		Hydraulic equipment for automobiles	22.3	23.4	45.7	20.6	21.9	42.5
		Others	2.8	2.1	4.9	2.4	2.5	4.9
	AC Operations Total		119.1	123.5	242.6	122.5	124.4	246.9
		Hydraulic equipment for industrial use	53.2	60.9	114.1	64.3	65.7	130.0
		Others	4.3	4.2	8.5	4.2	3.9	8.1
	HC Operations Total		57.4	65.2	122.6	68.5	69.6	138.1
		Special-purpose Vehicles	4.3	5.3	9.6	4.5	6.1	10.7
		Hydraulic equipment for aircraft	3.0	3.4	6.4	3.6	3.5	7.1
		System products and electronic components, etc.	5.1	6.2	11.3	5.5	6.8	12.3
Special-purpose Vehicles, System Products and Electronics Components			12.4	14.8	27.2	13.6	16.4	30.0
Total Sales			188.9	203.5	392.4	204.6	210.4	415.0
Segment Profits	AC Operations Total		4.7	4.8	9.5	4.0	5.7	9.7
	HC Operations Total		5.2	5.9	11.1	5.3	5.3	10.6
	Special-purpose Vehicles, System Products and Electronics Components		0.2	0.8	1.0	0.3	1.4	1.7
	Total		10.1	11.5	21.6	9.6	12.4	22.0

Appendix Net Sales by Region



Our Precision, Your Advantage

(¥ 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	35.7	12.7	85.3	39.0	43.0	11.6	93.6
	Total	73.1	68.6	23.6	165.3	73.9	82.9	21.8	178.5
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	27.5	3.2	0.0	30.7
	Total	46.8	5.6	0.0	52.5	55.4	5.8	0.0	61.1
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	14.3	3.5	0.4	18.1
	Total	34.4	5.2	0.8	40.5	29.0	6.6	0.7	36.3
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	9.2	9.7	0.0	18.9
	Total	15.4	9.4	0.0	24.8	17.6	16.6	0.0	34.2
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	13.5	1.4	0.0	14.9
	Total	23.5	1.6	0.0	25.0	26.4	2.6	0.0	29.1
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	20.1	4.4	2.8	27.3
	Total	37.8	6.0	3.5	47.3	40.3	8.2	4.7	53.2
Total	1st Half	115.2	45.2	12.6	172.9	119.1	57.4	12.4	188.9
	2nd Half	115.9	51.2	15.4	182.4	123.5	65.2	14.8	203.5
	Total	231.0	96.3	28.0	355.3	242.6	122.6	27.2	392.4