



Our Precision, Your Advantage

FLASH REPORT

August. 7, 2018

Company name (official): KYB Corporation

URL <https://www.kyb.co.jp/english/>

Stock listing : Tokyo Stock Exchange (First Section)

Code number : 7242

Address of head office : World Trade Center Bldg., 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo 105-6111, Japan

Telephone : +81 3- 3435- 3541

For further information, please contact : Hiroshi Yamada, General Manager, Finance Dept.

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, 2018 (from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results

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

	Net sales		Segment profit		Operating profit		Profit before taxes	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2018	102,137	8.9	5,601	(10.5)	5,610	(11.7)	4,840	(24.4)
June 30, 2017	93,752	6.5	6,260	23.6	6,350	62.4	6,400	60.3

	Profit for the period		Profit attributable to owners of the parent		Comprehensive income for the period		Basic earnings per share
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
June 30, 2018	3,770	(14.5)	3,629	(14.7)	3,251	(51.1)	142.08
June 30, 2017	4,410	15.3	4,254	14.7	6,642	—	166.51

	Diluted earnings per share
Three months ended	Yen
June 30, 2018	—
June 30, 2017	—

*We carried out 1-for-10 reverse stock split on the effective date of October 1, 2017. Therefore basic earnings per share is calculated assuming that the reverse stock was carried out at the beginning of the previous consolidated fiscal year.

*We started to include 'Royalty income' and 'Income related to mold compensation' into the 'Net sales' in Consolidated Statements of Income from this first quarter of this fiscal year, which were previously included in 'Other income'. Financial information for the previous fiscal year has been revised to reflect this change.

*Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales.

(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
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
June 30, 2018	412,709	187,537	181,378	43.9	7,100.57
March 31, 2018	412,493	186,651	180,225	43.7	7,055.40

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	—	7.00	—	80.00	—
Current fiscal year	—				
Current fiscal year (forecast)		70.00	—	80.00	150.00

*We carried 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 "-". With taking reverse stock split into consideration,

cash dividends per share for the previous fiscal year were 150.00 yen.

3. Forecasts for the current fiscal year (April 1, 2018 to March 31, 2019)

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

	Net sales		Segment profit		Operating profit		Profit before taxes	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half	205,200	8.3	9,900	(7.5)	10,200	(7.7)	9,200	(15.6)
Current fiscal year	416,000	5.7	22,500	(2.0)	23,900	14.4	22,300	6.8

	Profit for the period		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
First half	7,200	(4.6)	6,900	(4.7)	270.12
Current fiscal year	16,700	5.8	16,000	5.3	626.37

*We started to include 'Royalty income' and 'Income related to mold compensation' into

the 'Net sales' in Consolidated Statements of Income from this first quarter of this fiscal year, which were previously included in 'Other income'. Therefore, the fluctuation ratio is also calculated using the reclassified value with the change.

*Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales.

Consolidated Statements of Financial Position

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	42,702	40,077
Trade and other receivables	103,881	104,644
Inventories	54,001	56,249
Other current financial assets	1,066	1,294
Other current assets	9,904	8,998
Total current assets	211,554	211,262
Non-current assets:		
Property, plant and equipment	161,886	162,565
Goodwill	268	264
Intangible assets	6,692	6,954
Investments accounted for using the equity method	4,342	4,039
Other non-current financial assets	24,731	24,572
Other non-current assets	532	534
Deferred tax assets	2,487	2,519
Total non-current assets	200,938	201,447
Total assets	412,493	412,709

(Unit: Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities and equity		
Current liabilities:		
Trade and other payables	82,695	80,626
Borrowings	57,098	55,939
Income tax payables	1,944	800
Other current financial liabilities	22,760	22,248
Provisions	5,438	8,313
Other current liabilities	1,708	844
Total current liabilities	171,643	168,770
Non-current liabilities:		
Borrowings	34,986	37,376
Liabilities for retirement benefits	9,592	9,548
Other non-current financial liabilities	2,255	2,164
Provisions	2,189	2,187
Other non-current liabilities	21	80
Deferred tax liabilities	5,156	5,047
Total non-current liabilities	54,198	56,402
Total liabilities	225,841	225,172
Equity		
Equity attributable to owners of the parent:		
Share capital	27,648	27,648
Capital surplus	29,414	29,414
Retained earnings	114,363	115,953
Treasury shares	(598)	(599)
Other components of equity	9,398	8,962
Total equity attributable to owners of the parent	180,225	181,378
Non-controlling interests	6,426	6,159
Total equity	186,651	187,537
Total liabilities and equity	412,493	412,709

Consolidated Statements of Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)	For the three months ended June 30, 2018 (Apr. 1 through Jun. 30, 2018)
Net sales	93,752	102,137
Cost of sales	73,588	81,442
Gross profit	20,163	20,695
Selling, general and administrative expenses	13,903	15,094
Equity in losses of affiliates	77	167
Other income	518	352
Other expenses	351	176
Operating profit	6,350	5,610
Finance income	307	304
Finance costs	258	1,074
Profit before taxes	6,400	4,840
Income tax expenses	1,989	1,070
Profit for the period	4,410	3,770
Profit attributable to:		
Owners of the parent	4,254	3,629
Non-controlling interests	157	141
Profit for the period	4,410	3,770
Earnings per share		
Basic earnings per share (in yen)	166.51	142.08

Consolidated Statements of Comprehensive Income

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)	For the three months ended June 30, 2018 (Apr. 1 through Jun. 30, 2018)
Profit for the period	4,410	3,770
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	756	(113)
Remeasurements of defined benefit plans	0	2
Share of other comprehensive income of investments accounted for using the equity method	(3)	3
Total	753	(108)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	1,612	(328)
Effective portion of the net changes in the fair value of cash flow hedges	(32)	(7)
Share of other comprehensive income of investments accounted for using the equity method	(101)	(76)
Total	1,479	(411)
Total other comprehensive income	2,232	(519)
Comprehensive income for the period	6,642	3,251
Comprehensive income for the period attributable to:		
Owners of the parent	6,415	3,197
Non-controlling interests	227	54
Comprehensive income for the period	6,642	3,251

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, 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 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)
Balance at April 1, 2018	27,648	29,414	114,363	(598)
Comprehensive income for the period:				
Profit for the period	—	—	3,629	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	3,629	—
Transactions with owners:				
Contributions by and distributions to owners in their capacity as owners:				
Acquisition of treasury shares	—	—	—	(1)
Dividends of surplus	—	—	(2,044)	—
Changes due to business combination	—	—	—	—
Transfer to retained earnings	—	—	4	—
Total contributions by and distributions to owners in their capacity as owners	—	—	(2,039)	(1)
Changes in equity interest of subsidiaries:				
Dividends of surplus	—	—	—	—
Total changes in equity interest of subsidiaries	—	—	—	—
Total transactions with owners	—	—	(2,039)	(1)
Balance at June 30, 2018	27,648	29,414	115,953	(599)

(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, 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)
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
Balance at April 1, 2018	9,480	–	(88)	6	9,398	180,225	6,426	186,651
Comprehensive income for the period:								
Profit for the period	–	–	–	–	–	3,629	141	3,770
Other comprehensive income	(113)	4	(317)	(6)	(432)	(432)	(87)	(519)
Total comprehensive income for the period	(113)	4	(317)	(6)	(432)	3,197	54	3,251
Transactions with owners:								
Contributions by and distributions to owners in their capacity as owners:								
Acquisition of treasury shares	–	–	–	–	–	(1)	–	(1)
Dividends of surplus	–	–	–	–	–	(2,044)	–	(2,044)
Changes due to business combination	–	–	–	–	–	–	–	–
Transfer to retained earnings	–	(4)	–	–	(4)	–	–	–
Total contributions by and distributions to owners in their capacity as owners	–	(4)	–	–	(4)	(2,045)	–	(2,045)
Changes in equity interest of subsidiaries:								
Dividends of surplus	–	–	–	–	–	–	(321)	(321)
Total changes in equity interest of subsidiaries	–	–	–	–	–	–	(321)	(321)
Total transactions with owners	–	(4)	–	–	(4)	(2,045)	(321)	(2,365)
Balance at June 30, 2018	9,367	–	(405)	(0)	8,962	181,378	6,159	187,537

Consolidated Statements of Cash Flows

KYB Corporation and its Consolidated Subsidiaries

(Unit: Millions of yen)

	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)	For the three months ended June 30, 2018 (Apr. 1 through Jun. 30, 2018)
Cash flows from operating activities:		
Profit before taxes	6,400	4,840
Depreciation and amortization	4,035	4,256
Impairment losses	134	—
Increase (decrease) in assets and liabilities for retirement benefits	147	(32)
Increase (decrease) in provisions for product warranties	58	15
Increase (decrease) in provision for loss on cancellation of joint venture agreement	—	(1,189)
Finance income	(307)	(304)
Finance costs	258	560
Equity in losses of affiliates	77	167
(Increase) decrease in trade and other receivables	(2,610)	(746)
(Increase) decrease in inventories	(993)	(1,366)
Increase (decrease) in trade and other payables	(374)	(2,107)
Other	1,673	1,919
Subtotal	8,496	6,013
Interest received	32	54
Dividends received	531	545
Interest paid	(232)	(257)
Income taxes paid	(1,735)	(2,026)
Net cash from operating activities	7,091	4,329
Cash flows from investing activities:		
Payment into time deposits	(1)	(307)
Proceeds from withdrawal of time deposits	29	94
Payment for purchases of property, plant and equipment	(2,843)	(4,796)
Proceeds from sales of property, plant and equipment	17	112
Payment for purchases of other financial assets	(8)	(9)
Proceeds from sale of other financial assets	8	—
Proceeds from changes in ownership interests in subsidiaries that result in changes in scope of consolidation	—	841
Other	(454)	(580)
Net cash flows from investing activities	(3,253)	(4,645)

(Unit: Millions of yen)

	For the three months ended June 30, 2017 (Apr. 1 through Jun. 30, 2017)	For the three months ended June 30, 2018 (Apr. 1 through Jun. 30, 2018)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	2,202	1,129
Repayments of lease obligations	(141)	(123)
Proceeds from long-term borrowings	2,773	5,380
Repayment of long-term borrowings	(3,296)	(6,014)
Payments for purchase of treasury shares	(1)	(1)
Dividends paid	(1,788)	(2,044)
Dividends paid to non-controlling interests	(257)	(321)
Net cash flows from financing activities	(508)	(1,994)
Effect of changes in foreign exchange rates	289	(316)
Net increase (decrease) in cash and cash equivalents	3,619	(2,625)
Cash and cash equivalents at beginning of period	33,988	42,702
Increase (decrease) in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	42	—
Cash and cash equivalents at end of period	37,649	40,077

Segment Information

KYB Corporation and its Consolidated Subsidiaries

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	59,662	28,210	87,873	5,879	93,752	—	93,752
Intersegment sales and transfers	192	334	527	61	588	(588)	—
Total	59,855	28,545	88,399	5,940	94,339	(588)	93,752
Segment profit	3,190	2,842	6,032	151	6,183	77	6,260
Equity in earnings (losses) of affiliates	(102)	25	(77)	—	(77)	—	(77)
Other income and expenses (net)	278	21	300	(132)	167	—	167
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.

For the three months ended June 30, 2018

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Automotive components	Hydraulic components	Subtotal				
Net sales:							
Outside customers	62,816	33,741	96,557	5,580	102,137	—	102,137
Intersegment sales and transfers	223	319	542	62	604	(604)	—
Total	63,039	34,060	97,100	5,642	102,742	(604)	102,137
Segment profit	3,102	2,999	6,101	(559)	5,543	59	5,601
Equity in earnings (losses) of affiliates	(196)	29	(167)	—	(167)	—	(167)
Other income and expenses (net)	235	(55)	180	(4)	176	—	176
Operating profit (losses)	3,141	2,973	6,114	(562)	5,551	59	5,610
Finance income and costs (net)							(770)
Profit before taxes							4,840

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. ¥59 million of adjustment of segment profit is the elimination of intersegment transactions.

*With regard to the changes of reportable segment

*We started to include 'Royalty income' and 'Income related to mold compensation' into the 'Net sales' in Consolidated Statements of Income from this first quarter of this fiscal year, which were previously included in 'Other income'. Financial information for the previous fiscal year has been revised to reflect this change. As a result, "Net sales" and "Segment profit" increased by 218 million yen in the Automotive components and 21 million yen in the Hydraulic components, respectively.

First Quarter of FY2018 Financial Results Supplementary Information

1. Breakdown of sales

	FY2018 1Q	
	Sales (¥ million)	composition ratio
Automotive Components	62,816	61.5%
Shock absorber for automobiles	43,493	42.6%
Shock absorber for motorcycles	6,966	6.8%
Hydraulic equipment for automobiles	11,145	10.9%
Others	1,212	1.2%
Hydraulic Components	33,741	33.0%
Hydraulic equipment for industrial use	31,462	30.8%
Others	2,280	2.2%
Special-purpose vehicles, hydraulic equipment for aircraft, and system product and electronic components	5,580	5.5%
Special-purpose vehicles	2,215	2.2%
Hydraulic equipment for aircraft	1,496	1.5%
System products and electronic components, etc.	1,869	1.8%
Total	102,137	100.0%

2. FOREX Rate

(¥)

Average FOREX Rate	FY2017				FY2018
	Apr-Jun 2017	Apr-Sep 2017	Apr-Dec 2017	Full year	Apr-Jun 2018
JPY/USD	111.10	111.07	111.70	110.85	109.07
JPY/EUR	122.18	126.28	128.52	129.70	130.06
JPY/CNY	16.21	16.42	16.64	16.74	17.12
JPY/THB	3.24	3.28	3.33	3.35	3.42
JPY/RUB	1.94	1.91	1.92	1.91	1.76

(¥)

FOREX Rate prevailing at the end of quarter	FY2017				FY2018
	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 Jun 2018
JPY/USD	112.00	112.74	113.05	106.27	110.54
JPY/EUR	127.95	132.81	134.95	130.58	127.88
JPY/CNY	16.49	16.96	17.30	16.92	16.67
JPY/THB	3.30	3.38	3.46	3.40	3.33
JPY/RUB	1.89	1.94	1.96	1.86	1.76

3. Segment sales

(¥ million)

	FY2017				FY2018
	1Q	2Q	3Q	4Q	1Q
Automotive Components	59,662				62,816
Hydraulic Components	28,210				33,741
Other (*1)	5,879				5,580
Total	93,752				102,137

4. Segment operating income (*2)

(¥ million)

	FY2017				FY2018
	1Q	2Q	3Q	4Q	1Q
Automotive Components	3,239				3,138
Hydraulic Components	2,865				3,019
Other (*1)	156				△ 555
Total	6,260				5,601

5. Capital Expenditure, Depreciation

(¥ million)

	FY2017				FY2018
	1Q	2Q	3Q	4Q	1Q
Capital Expenditure	3,445	5,274	4,182	5,587	4,470
Depreciation Expenses	4,035	4,148	4,413	4,392	4,256

	FY2017		
	1st Half	2nd Half	Full year
Capital Expenditure	8,719	9,769	18,488
Depreciation Expenses	8,183	8,804	16,988

6. R&D Expenses

(¥ million)

	FY2017				FY2018
	1Q	2Q	3Q	4Q	1Q
R&D Expenses	1,699	1,703	2,367	2,334	1,737

	FY2017		
	1st Half	2nd Half	Full year
R&D Expenses	3,401	4,700	8,102

7. Foreign Exchange gain or loss (*3)

(¥ million)

	FY2017				FY2018
	1Q	2Q	3Q	4Q	1Q
Other Income / Other Expenses	244	317	143	△ 441	89
Finance Income / Finance Costs	63	20	35	311	△ 812
Total	307	336	178	△ 129	△ 723

	FY2017		
	1st Half	2nd Half	Full year
Other Income / Other Expenses	561	△ 298	262
Finance Income / Finance Costs	82	347	429
Total	643	49	692

(*1) "Other" includes "special-purpose vehicles", "Hydraulic equipment for aircraft" and "System Products and Electronic Equipment" that are not included in the two reportable segments.

(*2) "Segment operating income", which is described above, is different from "Segment profits (losses)" which is described in "Segment Information" section in the Flash Report. "Segment operating income" amount includes "Adjustment" amount, which is described in the Flash Report".

(*3) "Foreign Exchange Gain or Loss", which is described above, comes from the amount of foreign exchange gain or loss in "Other income", "Other expense", "Finance income" and "Finance costs" in the Consolidated Statements of Income. Foreign exchange gain is written as plus and foreign exchange loss is written as minus.