



Our Precision, Your Advantage

KYB Corporation

Annual Review 2010

Year Ended March 31, 2010

Consolidated Five-Year Summary

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31

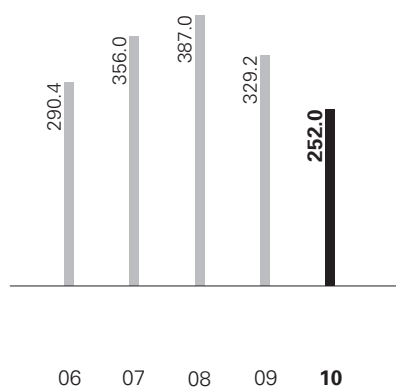
	Millions of yen					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	2010
For the year:						
Net sales	¥252,020	¥329,262	¥387,080	¥356,083	¥290,455	\$2,709,892
Costs and expenses	248,124	329,212	368,809	341,510	283,733	2,668,000
Net income (loss)	661	(5,229)	8,397	6,959	2,917	7,108
Capital expenditures	10,081	24,968	23,564	19,735	15,677	108,398
At year-end:						
Working capital	¥ 48,700	¥ 43,512	¥ 29,120	¥ 23,758	¥ 21,392	\$ 523,656
Total net assets	78,489	76,450	91,739	87,816	80,681	843,968
Total assets	269,361	269,655	289,738	285,146	247,966	2,896,355

	Yen					U.S. dollars
	Per share:					
Net income (loss)	¥ 3.03	¥ (23.62)	¥ 37.72	¥ 31.33	¥ 12.63	\$0.03
Cash dividends applicable to the year	—	3.50	7.00	7.00	6.00	—
Net worth	336.55	327.97	387.45	372.60	343.99	3.62
Number of employees	10,977	11,370	11,546	10,596	8,387	

Notes: 1. U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥93=U.S.\$1, the approximate exchange rate prevailing on March 31, 2010.
2. This document has been translated from the original Japanese, the Annual Securities Report. All amounts are rounded down to the nearest million yen, unless otherwise noted.

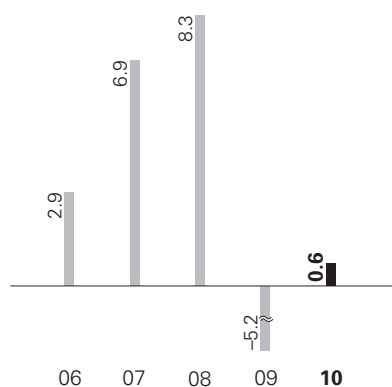
Net Sales

(Billions of yen)



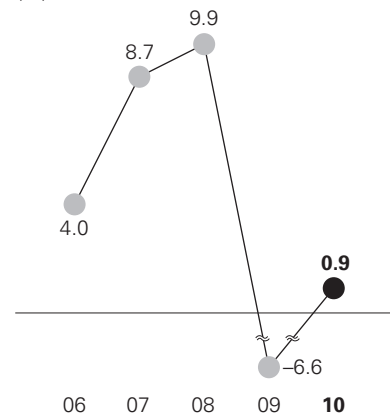
Net Income (Loss)

(Billions of yen)



Return on Equity (ROE)*

(%)



* ROE = Net income/(Net assets - Minority interests in consolidated subsidiaries)

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Financial Review

Summary

Consolidated net sales decreased 23.5% compared to the previous fiscal year, to ¥252,020 million (US\$2,709,892 thousand) in the fiscal year ended March 31, 2010. A sluggish worldwide economy effected the Group's sales and production in the first half of the fiscal year, but demand started to recover in the second half.

Amidst a difficult operating environment, the KYB Group aggressively pursued such structural business reform efforts as the Companywide Cost Reduction Activity, resulting in a ¥3,846 million increase in operating income to ¥3,896 million (US\$41,892 thousand).

Non-operating income and expenses, net increased ¥3,080 million to ¥1,634 million, compared to the previous fiscal year. This was attributable to a ¥2,650 million increase in foreign exchange gain, net, and a ¥476 million increase in government subsidies for employment adjustment to the Company and its domestic subsidiaries, despite a ¥202 million increase in interest expenses.

As a result, ordinary income increased ¥6,926 million to ¥5,530 million (US\$59,462 thousand) compared to an ordinary loss of ¥1,395 million in the previous fiscal year.

Extraordinary income and losses, net totaled a loss of ¥3,859 million, ¥955 million higher than in the previous fiscal year. There were increases in extraordinary losses, including business structure improvement expenses of ¥567 million, special retirement expenses of ¥528 million, a loss on prior periods adjustment of ¥366 million, retirement benefit expenses of ¥293 million, an impairment loss of ¥204 million, and a loss on disposal of non-current assets of ¥102 million.

Income before income taxes and minority interests amounted to ¥1,670 million (US\$17,957 thousand) compared to a loss of ¥4,299 million in the previous fiscal year, and total income taxes were ¥1,271 million (US\$13,667 thousand).

As a result, net income increased ¥5,890 million to ¥661 million (US\$7,108 thousand), compared to a net loss of ¥5,229 million in the previous fiscal year.

Financial Condition

Total assets amounted to ¥269,361 million (US\$2,896,355 thousand), the same level as the previous fiscal year-end.

Total current assets increased ¥6,989 million to ¥153,864 million (US\$1,654,452 thousand). This was mainly the result of an increase in cash and deposits of ¥16,049 million because of a change in fund management operation. On the other hand, there was a decrease in short-term loans receivable of ¥17,002 million as a source of temporary funds. In addition, there was an increase in notes and accounts receivable—trade of ¥9,797 million because of the sales recovery at the end of the fiscal year.

Total property, plant and equipment decreased ¥7,498 million to ¥97,000 million (US\$1,043,011 thousand). The reason for the decrease was that an investment budget in property, plant and equipment had been cut drastically to adjust production scale according to a sales drop in the first half of the fiscal year.

Total liabilities decreased ¥2,332 million to ¥190,871 million (US\$2,052,376 thousand). Although there was a ¥7,636 million increase in notes and accounts payable—trade due to the recovery in production at the end of the fiscal year, the Company anticipated repayment of loans as the fund management of the Group companies improved by reducing capital investment cost.

Total net assets increased ¥2,038 million to ¥78,489 million (US\$843,968 thousand). There were increases in valuation difference on available-for-sale securities of ¥727 million, in foreign currency translation adjustments of ¥586 million, and in retained earnings of ¥564 million, respectively, compared to the previous fiscal year.

Cash Flows

Net cash provided by operating activities increased ¥14,155 million, or 166.5%, to ¥22,654 million (US\$243,591 thousand). The primary source of cash was an increase in income before income taxes and minority interests to ¥1,670 million (US\$17,957 thousand) due to a recovery in operating income supported by the Companywide Cost Reduction Activity.

Net cash used in investing activities decreased ¥13,676 million, or 51.6%, to ¥12,828 million (US\$137,935 thousand). The major use of cash was ¥12,458 million (US\$133,957 thousand) for the purchase of property, plant and equipment.

Net cash used in financing activities amounted to ¥6,646 million (US\$71,462 thousand) compared to a ¥32,199 million cash inflow in the previous fiscal year. The major use of cash was a net decrease in short-term loans payable to ¥7,096 million (US\$76,301 thousand).

As a result, cash and cash equivalents at end of period increased ¥3,391 million, or 9.9%, to ¥37,663 million (US\$404,978 thousand). There was a ¥9,826 million cash inflow from operating and investing activities. Net increase in cash and cash equivalents was ¥3,340 million (US\$35,914 thousand).

Consolidated Balance Sheets (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
As of March 31, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets:			
Cash and deposits	¥ 34,571	¥ 18,521	\$ 371,731
Notes and accounts receivable—trade	69,303	59,506	745,194
Short-term investment securities	5,000	—	53,763
Finished goods	15,141	16,791	162,806
Work in process	13,024	14,820	140,043
Raw materials and supplies	8,373	7,952	90,032
Deferred tax assets	3,553	3,361	38,204
Short-term loans receivable	140	17,143	1,505
Other	5,279	9,088	56,763
Allowance for doubtful accounts	(523)	(311)	(5,624)
Total current assets	153,864	146,874	1,654,452
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	25,383	26,508	272,935
Machinery, equipment and vehicles, net	42,835	46,851	460,591
Land	22,601	21,978	243,022
Lease assets, net	1,889	888	20,312
Construction in progress	1,427	4,416	15,344
Other, net	2,863	3,855	30,785
Total property, plant and equipment	97,000	104,498	1,043,011
Intangible assets:			
Goodwill	50	90	538
Software	106	112	1,140
Other	874	283	9,398
Total intangible assets	1,031	486	11,086
Investments and other assets:			
Investment securities	11,101	10,277	119,366
Deferred tax assets	4,585	5,616	49,301
Other	2,487	2,609	26,742
Allowance for doubtful accounts	(710)	(707)	(7,634)
Total investments and other assets	17,464	17,795	187,785
Total non-current assets	115,496	122,780	1,241,892
Total assets	¥269,361	¥269,655	\$2,896,355

Notes: 1. U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥93=US\$1, the approximate exchange rate prevailing on March 31, 2010.

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LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current liabilities:			
Notes and accounts payable—trade	¥ 54,963	¥ 47,326	\$ 591,000
Short-term loans payable	29,072	31,951	312,602
Lease obligations	266	186	2,860
Accounts payable—other	5,091	8,056	54,742
Income taxes payable	888	217	9,548
Notes payable—facilities	594	1,535	6,387
Provision for product warranties	3,974	4,515	42,731
Provision for directors' bonuses	52	59	559
Provision for business structure improvement	119	—	1,280
Other	10,138	9,512	109,011
Total current liabilities	105,163	103,362	1,130,785
Non-current liabilities:			
Long-term loans payable	66,821	71,769	718,505
Lease obligations	1,644	482	17,677
Deferred tax liabilities for land revaluation	4,512	4,512	48,516
Provision for retirement benefits	11,033	11,125	118,634
Provision for directors' retirement benefits	684	851	7,355
Provision for environmental measures	207	207	2,226
Other	803	892	8,634
Total non-current liabilities	85,708	89,842	921,591
Total liabilities	190,871	193,204	2,052,376
Net assets:			
Shareholders' equity			
Capital stock	19,113	19,113	205,516
Capital surplus	20,256	20,257	217,806
Retained earnings	33,620	33,055	361,505
Treasury stock	(990)	(989)	(10,645)
Total shareholders' equity	71,999	71,437	774,183
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	1,490	763	16,022
Deferred gains or losses on hedges	45	48	484
Revaluation reserve for land	4,760	4,760	51,183
Foreign currency translation adjustment	(4,724)	(5,310)	(50,796)
Total valuation and translation adjustments	1,572	262	16,903
Minority interests	4,917	4,750	52,871
Total net assets	78,489	76,450	843,968
Total liabilities and net assets	¥269,361	¥269,655	\$2,896,355

Consolidated Statements of Income (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net sales	¥252,020	¥329,262	\$2,709,892
Cost of sales	213,592	287,663	2,296,688
Gross profit	38,427	41,599	413,194
Selling, general and administrative expenses	34,531	41,549	371,301
Operating income	3,896	49	41,892
Non-operating income:			
Interest income	172	250	1,849
Dividends income	178	235	1,914
Foreign exchange gains	104	—	1,118
Technical support fee	517	530	5,559
Equity in earnings of affiliates	977	581	10,505
Government subsidies for employment adjustment	889	413	9,559
Subsidies received for construction of plants	565	—	6,075
Other	734	1,150	7,892
Total non-operating income	4,138	3,161	44,495
Non-operating expenses:			
Interest expenses	2,058	1,856	22,129
Foreign exchange losses	—	2,546	—
Other	445	203	4,785
Total non-operating expenses	2,503	4,606	26,914
Ordinary income (loss)	5,530	(1,395)	59,462
Extraordinary income:			
Gain on sales of noncurrent assets	95	37	1,022
Reversal of allowance for doubtful accounts	23	116	247
Surrender value of insurance	173	—	1,860
Gain on change in equity	164	—	1,763
Refund of prior periods taxes and dues	166	—	1,785
Total extraordinary income	624	154	6,710
Extraordinary losses:			
Loss on prior periods adjustment	366	—	3,935
Loss on disposal of noncurrent assets	519	417	5,581
Impairment loss	1,232	1,028	13,247
Loss on valuation of investment securities	288	607	3,097
Loss on valuation of inventories	—	317	—
Loss on retirement of inventories	—	170	—
Special retirement expenses	1,045	517	11,237
Retirement benefit expenses	293	—	3,151
Business structure improvement expenses	567	—	6,097
Other	170	—	1,828
Total extraordinary losses	4,484	3,058	48,215
Income (loss) before income taxes and minority interests	1,670	(4,299)	17,957
Income taxes—current	1,043	1,017	11,215
Refund of income taxes	(120)	(47)	(1,290)
Income taxes—deferred	348	18	3,742
Total income taxes	1,271	988	13,667
Minority interests in loss	(261)	(58)	(2,806)
Net income (loss)	¥ 661	¥ (5,229)	\$ 7,108

	Yen	U.S. dollars
Amounts per share of common stock:		
Net income (loss)	¥3.03	¥(23.62) \$0.03
Cash dividends applicable to the year	2.50	3.50 0.03

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Consolidated Statements of Cash Flows (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 1,670	¥ (4,299)	\$ 17,957
Depreciation and amortization	15,318	16,551	164,710
Gain on sales of non-current assets	(95)	(37)	(1,022)
Loss on disposal of non-current assets	519	417	5,581
Loss on sales and valuation of investment securities	288	607	3,097
Impairment loss	1,232	1,028	13,247
Amortization of goodwill	39	234	419
Amortization of negative goodwill	(37)	(36)	(398)
Increase (decrease) in allowance for doubtful accounts	230	(94)	2,473
Decrease in provision for retirement benefits	(108)	(1,096)	(1,161)
Increase (decrease) in provision for product warranties	(511)	922	(5,495)
Decrease in provision for directors' bonuses	(6)	(60)	(65)
Interest and dividends income	(350)	(486)	(3,763)
Gain on cancellation of insurance contract	(173)	—	(1,860)
Interest expenses	2,058	1,856	22,129
Equity in earnings of affiliates	(977)	(581)	(10,505)
(Increase) decrease in notes and accounts receivable—trade	(9,904)	32,025	(106,495)
Decrease in inventories	2,831	1,674	30,441
Increase (decrease) in notes and accounts payable—trade	7,712	(30,178)	82,925
Increase (decrease) in accounts payable—other	581	(3,621)	6,247
Increase in provision for business structure improvement	119	—	1,280
Subsidy income	(565)	—	(6,075)
Other, net	1,063	(282)	11,430
Subtotal	20,938	14,542	225,140
Interest and dividends income received	740	949	7,957
Interest expenses paid	(2,118)	(1,812)	(22,774)
Income taxes paid	(473)	(5,224)	(5,086)
Income taxes refund	2,978	44	32,022
Proceeds from insurance income	175	—	1,882
Proceeds from subsidy	412	—	4,430
Net cash provided by operating activities	22,654	8,499	243,591
Cash flows from investing activities:			
Payments into time deposits	(1,946)	(1,574)	(20,925)
Proceeds from withdrawal of time deposits	1,273	1,170	13,688
Purchase of property, plant and equipment	(12,458)	(24,432)	(133,957)
Proceeds from sales of property, plant and equipment	473	395	5,086
Purchase of investment securities	(8)	(1,125)	(86)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(473)	—
Payments of loans receivable	(329)	(403)	(3,538)
Collection of loans receivable	299	260	3,215
Other, net	(131)	(322)	(1,409)
Net cash used in investing activities	(12,828)	(26,505)	(137,935)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(7,096)	2,954	(76,301)
Repayments of lease obligations	(227)	(92)	(2,441)
Proceeds from long-term loans payable	4,354	36,475	46,817
Repayment of long-term loans payable	(4,184)	(4,550)	(44,989)
Redemption of bonds	(30)	(55)	(323)
Purchase of treasury stock	(3)	(812)	(32)
Proceeds from sales of treasury stock	0	3	0
Cash dividends paid	—	(1,558)	—
Proceeds from stock issuance to minority shareholders	664	—	7,140
Cash dividends paid to minority shareholders	(123)	(164)	(1,323)
Net cash provided by (used in) financing activities	(6,646)	32,199	(71,462)
Effect of exchange rate change on cash and cash equivalents	160	(1,234)	1,720
Net increase in cash and cash equivalents	3,340	12,959	35,914
Cash and cash equivalents at beginning of period	34,272	20,073	368,516
Increase in cash and cash equivalents resulting from change of scope of consolidation	50	1,239	538
Cash and cash equivalents at end of period	¥ 37,663	¥ 34,272	\$ 404,978

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Corporate Information

(As of March 31, 2010)

Head Office:	World Trade Center Bldg., 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo 105-6111, Japan Tel: 81-3-3435-3511 Fax: 81-3-3436-6759 URL: http://www.kyb.co.jp
Date of Establishment:	November 25, 1948
Fiscal Year:	April 1 to March 31
Paid-in Capital:	¥19,113 million
Number of Employees:	10,977 (Consolidated basis)
Securities Traded:	Tokyo Stock Exchange (First Section)
Plants:	Sagami, Kumagaya, Gifu North, Gifu South, Gifu East
R&D Centers:	Basic Technology R&D Center, Production Technology R&D Center
Sales Branches:	Nagoya, Osaka, Fukuoka, Hamamatsu, Hiroshima
Overseas Offices:	Europe Branch Kimpler Str. 336, 47807 Krefeld, Germany Tel: 49-2151-9314365 Fax: 49-2151-9314330 California Representative Office 5790 Katella Ave., Cypress, CA 90630, U.S.A. Tel: 1-562-799-3862 Fax: 1-562-799-3863

Shareholder Information

(As of March 31, 2010)

Common Stock Issued:	222,984,315 shares
Number of Shareholders:	15,156
Transfer Agent and Registrar:	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 100-0005, Japan

Major Shareholders:

Name	Shareholdings (Thousands)	Percent of Total Shares Issued
Japan Trustee Services Bank, Ltd. (Trust Account)	29,991	13.45
Toyota Motor Corporation	19,654	8.81
Trust & Custody Services Bank, Ltd.	16,234	7.28
The Master Trust Bank of Japan, Ltd.	14,322	6.42
Meiji Yasuda Life Insurance Company	10,046	4.51
Hitachi Construction Machinery Co., Ltd.	8,920	4.00
Bridgestone Corporation	7,952	3.57
Mizuho Corporate Bank, Ltd.	7,163	3.21
Sompo Japan Insurance Inc.	6,744	3.02
The Ogaki Kyoritsu Bank, Ltd.	5,914	2.65
Total	126,941	56.93

Composition of Shareholders:

(Thousands)

