

**FLASH REPORT**

Company name(official) : KAYABA INDUSTRY CO., LTD.

Stock listing : Tokyo Stock Exchange (First Section)

Code number : 7242

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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 the Japanese and English versions, the Japanese version is assumed to be correct.

(All amounts are rounded down to the nearest million yen, unless otherwise noted.)

**1. Result for the fiscal first half-year (April 1,2010 to September 30,2010 )****(1) Operating results**

	Net sales		Operating income	
	(% change from the previous period)		(% change from the previous period)	
	Millions of yen		Millions of yen	
Fiscal first half-year	155,928	41.6	12,607	—
Previous corresponding period	110,143	(43.5)	(2,938)	—
Previous fiscal year	252,020		3,896	

	Net income		Net income per share	
	(% change from the previous period)			
	Millions of yen		Yen	
Fiscal first half-year	8,059	—	36.89	—
Previous corresponding period	(1,898)	—	(8.68)	—
Previous fiscal year	661		3.03	

(Note) Equity in earnings of affiliates 772 million [Previous corresponding period 261 million]

**(2) Financial data**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal first half-year	274,471	82,471	28.3	357.39
Previous fiscal year	269,361	78,489	27.3	336.55

**(3) Scope of consolidation and equity method**

Consolidated subsidiaries : 29 companies

Equity method of affiliates : 4 companies

**2. Forecast for the current fiscal year ( April 1,2010 to March 31,2011 )**

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current fiscal year	318,000	21,300	20,000	13,600

(Reference) Net income per share for the current fiscal year is forecasted to be 62.50 yen.

## Consolidated Balance Sheets

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Half-year ended March 31, 2010 and September 30, 2010

ASSETS	Millions of yen		Thousands of U.S. dollars
	Sep. 30, 2010	Mar. 31, 2010	Sep. 30, 2010
<b>Current assets:</b>			
Cash and deposits	¥ 36,533	¥ 34,571	\$ 434,917
Notes and accounts receivable-trade	75,820	69,303	902,619
Short-term investment securities	6,000	5,000	71,429
Finished goods	14,729	15,141	175,345
Work in process	12,435	13,024	148,036
Raw materials and supplies	7,433	8,373	88,488
Deferred tax assets	4,171	3,553	49,655
Short-term loans receivable	4,358	140	51,881
Other	5,661	5,279	67,393
Allowance for doubtful accounts	(454)	(523)	(5,405)
Total current assets	166,690	153,864	1,984,405
<b>Property, plant and equipment:</b>			
Buildings and structures, net	24,398	25,383	290,452
Machinery, equipment and vehicles, net	38,757	42,835	461,393
Land	22,528	22,601	268,190
Lease assets, net	1,744	1,889	20,762
Construction in progress	1,445	1,427	17,202
Other, net	2,576	2,863	30,667
Total property, plant and equipment	91,450	97,000	1,088,690
<b>Intangible assets:</b>			
Goodwill	33	50	393
Software	91	106	1,083
Other	1,157	874	13,774
Total intangible assets	1,282	1,031	15,262
<b>Investments and other non-current assets:</b>			
Investment securities	9,898	11,101	117,833
Deferred tax assets	3,366	4,585	40,071
Other	1,825	2,487	21,726
Allowance for doubtful accounts	(43)	(710)	(512)
Total investments and other assets	15,047	17,464	179,131
Total noncurrent assets	107,780	115,496	1,283,095
Total assets	¥ 274,471	¥ 269,361	\$ 3,267,512

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥84=US\$ 1, the approximate exchange rate prevailing on September 30, 2010.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	Sep. 30, 2010	Mar. 31, 2010	Sep. 30, 2010
<b>Current liabilities:</b>			
Notes and accounts payable-trade	¥ 62,253	¥ 54,963	\$ 741,107
Short-term loans payable	35,820	29,072	426,429
Lease obligations	253	266	3,012
Accounts payable-other	5,789	5,091	68,917
Income taxes payable	2,171	888	25,845
Notes payable-facilities	382	594	4,548
Provision for product warranties	4,662	3,974	55,500
Provision for directors' bonuses	28	52	333
Provision for business structure improvement	260	119	3,095
Other	9,812	10,138	116,810
Total current liabilities	121,435	105,163	1,445,655
<b>Noncurrent liabilities:</b>			
Long-term loans payable	51,908	66,821	617,952
Lease obligations	1,510	1,644	17,976
Deferred tax liabilities for land revaluation	4,512	4,512	53,714
Provision for retirement benefits	10,904	11,033	129,810
Provision for directors' retirement benefits	620	684	7,381
Provision for environmental measures	222	207	2,643
Asset retirement obligations	209	—	2,488
Other	676	803	8,048
Total noncurrent liabilities	70,564	85,708	840,048
Total liabilities	191,999	190,871	2,285,702
<b>Net assets:</b>			
Shareholders' equity			
Capital stock	19,113	19,113	227,536
Capital surplus	20,256	20,256	241,143
Retained earnings	41,216	33,620	490,667
Treasury stock	(1,415)	(990)	(16,845)
Total shareholders' equity	79,170	71,999	942,500
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	1,045	1,490	12,440
Deferred gains or losses on hedges	—	45	—
Revaluation reserve for land	4,760	4,760	56,667
Foreign currency translation adjustment	(7,207)	(4,724)	(85,798)
Total valuation and translation adjustments	(1,400)	1,572	(16,667)
Minority interests	4,701	4,917	55,964
Total net assets	82,471	78,489	981,798
Total liabilities and net assets	¥ 274,471	¥ 269,361	\$ 3,267,512

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥84=US\$ 1, the approximate exchange rate prevailing on [September 30, 2010](#).

## Consolidated Statements of Income

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Half-year ended September 30, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	Half-year ended Sep. 30, 2010	Half-year ended Sep. 30, 2009	Half-year ended Sep. 30, 2010
<b>Net sales</b>	¥ 155,928	¥ 110,143	\$ 1,856,286
<b>Cost of sales</b>	124,956	96,590	1,487,571
Gross profit	30,972	13,553	368,714
<b>Selling, general and administrative expenses</b>	18,364	16,491	218,619
Operating income (loss)	12,607	(2,938)	150,083
<b>Non-operating income</b>			
Interest income	127	81	1,512
Dividends income	191	156	2,274
Foreign exchange gains	—	290	—
Technical support fee	89	47	1,060
Equity in earnings of affiliates	772	261	9,190
Subsidy income	23	630	274
Other	400	385	4,762
Total non-operating income	1,605	1,853	19,107
<b>Non-operating expenses</b>			
Interest expenses	933	1,040	11,107
Foreign exchange losses	1,375	—	16,369
Other	144	209	1,714
Total non-operating expenses	2,453	1,250	29,202
Ordinary income (loss)	11,759	(2,335)	139,988
<b>Extraordinary income</b>			
Gain on sales of noncurrent assets	6	14	71
Gain on negative goodwill	133	—	1,583
Reversal of allowance for doubtful accounts	13	23	155
Surrender value of insurance	—	173	—
Gain on sales of subsidiaries and affiliates' stocks	410	—	4,881
Other	31	—	369
Total extraordinary income	594	211	7,071
<b>Extraordinary loss</b>			
Loss on prior periods adjustment	—	366	—
Loss on disposal of noncurrent assets	176	221	2,095
Impairment loss	236	333	2,810
Loss on valuation of investment securities	—	10	—
Special retirement expenses	51	275	607
Business structure improvement expenses	2	—	24
Loss on adjustment for changes of accounting standard for asset retirement obligations	165	—	1,964
Other	16	—	190
Total extraordinary losses	648	1,206	7,714
Income (loss) before income taxes and minority interests	11,705	(3,329)	139,345
Income taxes-current	2,279	325	27,131
Income taxes-deferred	958	(1,591)	11,405
Total income taxes	3,237	(1,266)	38,536
Income before minority interests	8,468	—	100,810
Minority interests in income (loss)	408	(165)	4,857
Net income (loss)	¥ 8,059	(1,898)	\$ 95,940
<b>Amounts per share of common stock:</b>			
Net income	¥ 36.89	¥ (8.68)	\$ 0.44
Cash dividends applicable to the half-year	4.00	0.00	0.05

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥84=US\$ 1, the approximate exchange rate prevailing on September 30, 2010.

## Consolidated Statements of Cash Flows

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Half-year ended September 30, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	Half-year ended Sep. 30, 2010	Half-year ended Sep. 30, 2009	Half-year ended Sep. 30, 2010
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥ 11,705	¥ (3,329)	\$ 139,345
Depreciation and amortization	6,545	7,430	77,917
Loss (gain) on sales of noncurrent assets	(6)	(14)	(71)
Loss (gain) on disposal of noncurrent assets	176	221	2,095
Loss (gain) on sales and valuation of investment securities	—	10	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	(410)	—	(4,881)
Impairment loss	236	333	2,810
Amortization of goodwill	16	19	190
Amortization of negative goodwill	(18)	(18)	(214)
Gain on negative goodwill	(133)	—	—
Increase (decrease) in allowance for doubtful accounts	(39)	145	(464)
Increase (decrease) in provision for retirement benefits	(83)	(516)	(988)
Increase (decrease) in provision for product warranties	776	(425)	9,238
Increase (decrease) in provision for directors' bonuses	(24)	(28)	(286)
Increase (decrease) in provision for directors' retirement benefits	(63)	(220)	(750)
Allowance for environmental expenses	15	—	179
Increase (decrease) in provision for business structure improvement	140	—	1,667
Loss on adjustment for changes of accounting standard for asset retirement obligations	165	—	1,964
Interest and dividends income	(319)	(237)	(3,798)
Loss (gain) on cancellation of insurance contract	—	(173)	—
Interest expenses	933	1,040	11,107
Equity in (earnings) losses of affiliates	(772)	(261)	(9,190)
Decrease (increase) in notes and accounts receivable-trade	(8,925)	1,819	(106,250)
Decrease (increase) in inventories	(236)	3,616	(2,810)
Increase (decrease) in notes and accounts payable-trade	9,435	(5,050)	112,321
Increase (decrease) in accounts payable-other	950	809	11,310
Other, net	(977)	(491)	(11,631)
Subtotal	19,087	4,678	227,226
Interest and dividends income received	537	181	6,393
Interest expenses paid	(960)	(1,133)	(11,429)
Income taxes paid	(1,101)	(296)	(13,107)
Income taxes refund	202	2,642	2,405
Proceeds from insurance income	—	175	—
Proceeds from subsidy	179	—	2,131
Net cash provided by (used in) operating activities	17,944	6,248	213,619
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(4,606)	(747)	(54,833)
Proceeds from withdrawal of time deposits	1,380	1,137	16,429
Purchase of property, plant and equipment	(3,193)	(7,679)	(38,012)
Proceeds from sales of property, plant and equipment	96	194	1,143
Purchase of investment securities	(3)	(4)	(36)
Purchase of stocks of subsidiaries and affiliates	(225)	—	(2,679)
Proceeds from sales of stocks of subsidiaries and affiliates	1,349	—	16,060
Payments for investments in capital of subsidiaries and affiliates	(163)	—	(1,940)
Payments of loans receivable	(182)	(772)	(2,167)
Collection of loans receivable	184	89	2,190
Other, net	(164)	190	(1,952)
Net cash provided by (used in) investing activities	(5,529)	(7,592)	(65,821)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	(4,150)	(2,274)	(49,405)
Repayments of lease obligations	(136)	(75)	(1,619)
Proceeds from long-term loans payable	377	2,069	4,488
Repayment of long-term loans payable	(2,560)	(2,051)	(30,476)
Redemption of bonds	(10)	(15)	(119)
Purchase of treasury stock	(425)	(1)	(5,060)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(546)	—	(6,500)
Cash dividends paid to minority shareholders	(127)	(125)	(1,512)
Net cash provided by (used in) financing activities	(7,579)	(2,473)	(90,226)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(969)	72	(11,536)
<b>Net increase (decrease) in cash and cash equivalents</b>	3,865	(3,744)	46,012
<b>Cash and cash equivalents at beginning of period</b>	37,663	34,272	448,369
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	(19)	—	(226)
<b>Cash and cash equivalents at end of period</b>	¥ 41,510	30,528	\$ 494,167

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥4=US\$ 1, the approximate exchange rate prevailing on September 30, 2010.

## Segment Information

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Half-year ended September 30, 2010

First half-year ended September 30, 2010

	Millions of yen						
	Reportable segments			other	Total	Elimination of inter-segment transactions	Half-year ended Sep.30, 2010
	Automotive components	Hydraulic components	Total				
Net Sales:							
Outside customers	¥ 94,673	¥ 55,440	¥ 150,113	¥ 5,814	¥ 155,928	¥ —	¥ 155,928
Intersegment	87	830	918	474	1,392	(1,392)	—
Total sales	94,760	56,270	151,031	6,289	157,320	(1,392)	155,928
Segment Profits	6,620	6,069	12,689	(155)	12,534	72	12,607

First half-year ended September 30, 2010

	Thousands of U.S.dollars						
	Reportable segments			other	Total	Elimination of inter-segment transactions	Half-year ended Sep.30, 2010
	Automotive components	Hydraulic components	Total				
Net Sales:							
Outside customers	\$ 1,127,060	\$ 660,000	\$ 1,787,060	\$ 69,214	\$ 1,856,286	\$ —	\$ 1,856,286
Intersegment	1,036	9,881	10,929	5,643	16,571	(16,571)	—
Total sales	1,128,095	669,881	1,797,988	74,869	1,872,857	(16,571)	1,856,286
Segment Profits	78,810	72,250	151,060	(1,845)	149,214	857	150,083

Note: U.S dollar amounts were translated from Japanese yen, for convenience only, at ¥84=US\$ 1, the approximate exchange rate prevailing on September 30, 2010.