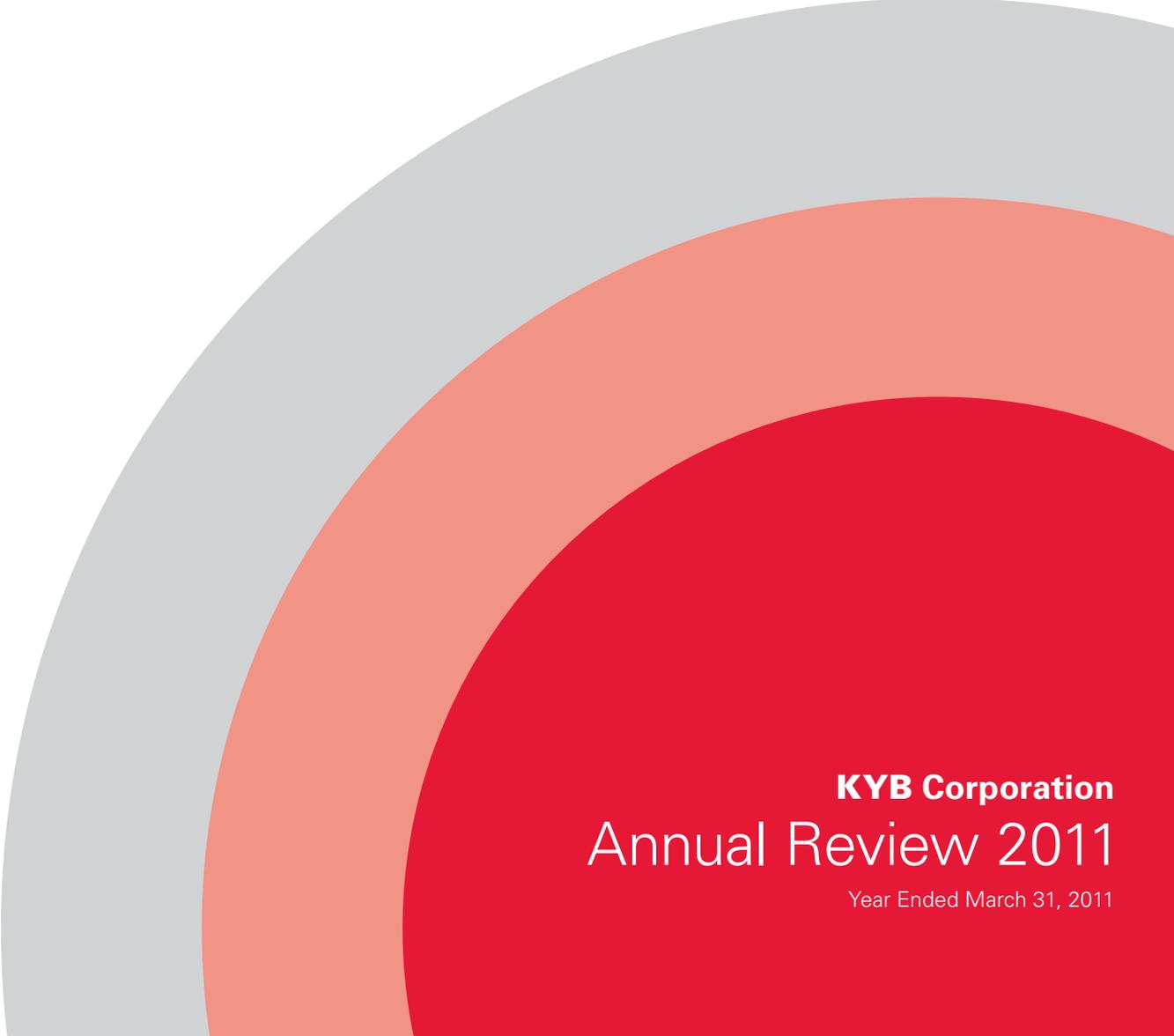




Our Precision, Your Advantage



KYB Corporation
Annual Review 2011

Year Ended March 31, 2011

Consolidated Five-Year Summary

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2011
For the year:						
Net sales	¥320,082	¥252,020	¥329,262	¥387,080	¥356,083	\$3,856,410
Costs and expenses	295,931	248,124	329,212	368,809	341,510	3,565,434
Net income (loss)	17,014	661	(5,229)	8,397	6,959	204,988
Capital expenditures	8,915	10,081	24,968	23,564	19,735	107,410
At year-end:						
Working capital	¥ 46,024	¥ 48,700	¥ 43,512	¥ 29,120	¥ 23,758	\$ 554,506
Total net assets	89,964	78,489	76,450	91,738	87,816	1,083,904
Total assets	285,134	269,361	269,655	289,738	285,146	3,435,349

	Yen					U.S. dollars
	2011	2010	2009	2008	2007	2011
Per share:						
Net income (loss)	¥ 77.54	¥ 3.03	¥ (23.62)	¥ 37.72	¥ 31.33	\$0.93
Cash dividends applicable to the year	8.00	2.50	3.50	7.00	7.00	0.10
Net assets	395.18	336.55	327.97	387.45	372.60	4.76
Number of employees	11,440	10,977	11,370	11,546	10,596	

Notes: 1. U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥83=U.S.\$1, the approximate exchange rate prevailing on March 31, 2011.
2. This document has been translated from the original Japanese, the Annual Securities Report.

Financial Review

Summary

In the automotive components segment, sales increased 10.9% to ¥186,795 million (US\$2,250,542 thousand). Sales of shock absorbers for automobiles were higher as automobile sales increased in Japan and other countries due in part to government programs to stimulate demand. Sales of shock absorbers for motorcycles also increased. Motorcycle manufacturers in Japan and overseas completed inventory reductions and increased output. Sales of hydraulic equipment for automobiles, chiefly for power steering, were higher. The main reason was strong growth in sales of vane pumps for continuously variable transmissions.

In the hydraulic components segment, sales increased 68.8% to ¥121,221 million (US\$1,460,494 thousand). There was a large increase in sales of hydraulic equipment for industrial-use, due to an expansion in demand in China and other emerging countries. However, sales of hydraulic equipment for aircraft decreased partly because Japan held down its defense budget.

In the others segment, which consists of special-purpose vehicle and other products, sales increased slightly to ¥12,066 million (US\$145,373 thousand). Sales of special-purpose vehicles, primarily concrete mixer trucks, declined along with cuts in Japan's public-sector construction projects. However, there was an increase in sales of other products, mainly seismic isolation systems.

Consolidated net sales increased 27.0% to ¥320,082 million (US\$3,856,410 thousand).

Operating income increased to an all-time high of ¥24,151 million (US\$290,976 thousand). Growth in earnings was attributable to much higher earnings in the automotive and hydraulic components segments resulting from structural business reform efforts as the Companywide Cost Reduction Activity. Earnings increased in the others segment as well.

Non-operating income and expenses, net decreased ¥1,813 million to a net expense. Interest expenses decreased ¥382 million, but foreign exchange losses were ¥1,596 million below the previous fiscal year's gains and there was a decrease of ¥864 million in government subsidies for employment adjustment at KYB and other group companies in Japan.

Ordinary income increased by ¥18,442 million to ¥23,972 million (US\$288,819 thousand).

There was net extraordinary income of ¥466 million (US\$5,614 thousand), an improvement of ¥4,326 million over the previous fiscal year's net extraordinary losses. One reason was declines in extraordinary losses such as the impairment loss, special retirement expenses at a European subsidiary and business structure improvement expenses for reorganizing subsidiaries in Japan. In addition, there were gains from negative goodwill, sales of subsidiaries and affiliates' stock, and other items.

After adding the net extraordinary income of ¥466 million to the ordinary income of ¥23,972 million (US\$288,819 thousand), income before income taxes and minority interests totaled ¥24,439 million (US\$294,446 thousand). Deductions were ¥6,854 million for income taxes and ¥570 million for minority interests resulted in net income of ¥17,014 million (US\$204,988 thousand).

Segment Information

Year ended March 31, 2011

	Millions of yen						Elimination of inter-segment transactions	Consolidated statements
	Reportable segments			Other	Total	Total		
	Automotive components	Hydraulic components	Total					
Net sales:								
Outside customers	¥186,795	¥121,221	¥308,016	¥12,066	¥320,082	¥ —	¥320,082	
Intersegment	167	1,588	1,756	1,745	3,501	(3,501)	—	
Total sales	186,962	122,809	309,772	13,811	323,583	(3,501)	320,082	
Segment profits	10,181	13,941	24,123	76	24,200	(48)	24,151	

	Thousands of U.S. dollars						Elimination of inter-segment transactions	Consolidated statements
	Reportable segments			Other	Total	Total		
	Automotive components	Hydraulic components	Total					
Net sales:								
Outside customers	\$2,250,542	\$1,460,494	\$3,711,036	\$145,373	\$3,856,410	\$ —	\$3,856,410	
Intersegment	2,012	19,133	21,157	21,024	42,181	(42,181)	—	
Total sales	2,252,554	1,479,627	3,732,193	166,398	3,898,590	(42,181)	3,856,410	
Segment profits	122,663	167,964	290,639	916	291,566	(578)	290,976	

Notes: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥83=US\$1, the approximate exchange rate prevailing on March 31, 2011.

Financial Condition

Current assets increased mainly because of an increase in notes and accounts receivable–trade that accompanied the growth in net sales. Non-current assets decreased because a large reduction in new capital expenditures caused total property, plant and equipment to decline. The result was a ¥15,773 million increase in total assets from one year earlier to ¥285,134 million (US\$3,435,349 thousand).

Total liabilities increased ¥4,298 million to ¥195,169 million (US\$2,351,434 thousand). Reduced capital expenditures and a recovery in earnings yielded consistent cash flows that were used to repay debt. However, there was an increase in notes and accounts payable–trade because the growth in goods procured for manufacturing activities.

Total net assets increased ¥11,475 million to ¥89,964 million (US\$1,083,904 thousand) mainly because of the increase in retained earnings.

The increase in net assets raised the equity ratio by 3.3 percentage points from one year earlier to 30.6%.

Cash Flows

Net cash provided by operating activities increased 56.4% to ¥35,433 million (US\$426,904 thousand). Cash was used by

increases of ¥13,347 million in notes and accounts receivable–trade and ¥4,847 million in inventories. Major sources of cash were income before income taxes and minority interests of ¥24,439 million, depreciation and amortization of ¥13,426 million and an increase of ¥15,839 million in notes and accounts payable–trade.

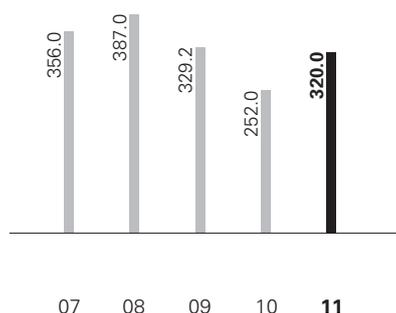
Net cash used in investing activities decreased 43.6% to ¥7,233 million (US\$87,145 thousand). The purchase of property, plant and equipment of ¥7,665 million was the primary use of cash.

Net cash used in financing activities increased 155.3% to ¥16,967 million (US\$204,422 thousand). The primary uses of cash were ¥7,756 million for the net decrease in short-term loans payable and ¥8,986 million for the repayment of long-term loans payable.

Free cash flows (sum of operating and investing cash flows) were a positive ¥28,200 million (US\$339,759 thousand) mainly because of the improvement of ¥22,769 million in income before income taxes and minority interests to ¥24,439 million. Even after the use of cash for the repayment of interest-bearing debt, there was a ¥10,459 million increase in cash and cash equivalents, which totaled ¥48,122 million (US\$579,783 thousand) at the end of the period.

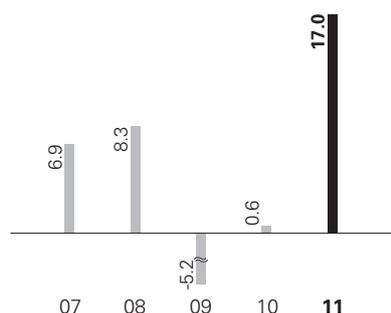
Net Sales

(Billions of yen)



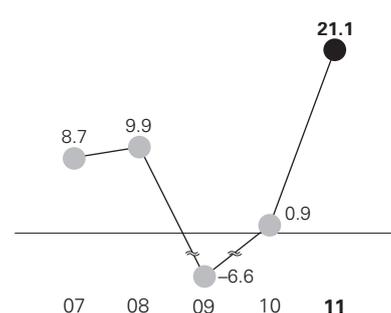
Net Income (Loss)

(Billions of yen)



Return on Equity (ROE)*

(%)



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

Consolidated Balance Sheets (Unaudited)

KYB Corporation and its Consolidated Subsidiaries
As of March 31, 2011 and 2010

ASSETS	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets:			
Cash and deposits	¥ 46,208	¥ 34,571	\$ 556,723
Notes and accounts receivable—trade	80,184	69,303	966,072
Short-term investment securities	—	5,000	—
Finished goods	16,534	15,141	199,205
Work in process	12,879	13,024	155,169
Raw materials and supplies	8,098	8,373	97,566
Deferred tax assets	4,107	3,553	49,482
Short-term loans receivable	5,051	140	60,855
Other	5,058	5,279	60,940
Allowance for doubtful accounts	(469)	(523)	(5,651)
Total current assets	177,654	153,864	2,140,410
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	24,144	25,383	290,892
Machinery, equipment and vehicles, net	35,910	42,835	432,651
Land	22,324	22,601	268,964
Lease assets, net	1,725	1,889	20,783
Construction in progress	4,318	1,427	52,024
Other, net	2,397	2,863	28,880
Total property, plant and equipment	90,821	97,000	1,094,229
Intangible assets:			
Goodwill	16	50	193
Software	67	106	807
Other	1,107	874	13,337
Total intangible assets	1,191	1,031	14,349
Investments and other assets:			
Investment securities	10,258	11,101	123,590
Deferred tax assets	3,418	4,585	41,181
Other	1,828	2,487	22,024
Allowance for doubtful accounts	(38)	(710)	(458)
Total investments and other assets	15,467	17,464	186,349
Total non-current assets	107,479	115,496	1,294,928
Total assets	¥285,134	¥269,361	\$3,435,349

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LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current liabilities:			
Notes and accounts payable—trade	¥ 68,340	¥ 54,963	\$ 823,373
Short-term loans payable	34,802	29,072	419,301
Lease obligations	293	266	3,530
Accounts payable—other	7,083	5,091	85,337
Income taxes payable	4,959	888	59,747
Notes payable—facilities	756	594	9,108
Provision for product warranties	2,949	3,974	35,530
Provision for directors' bonuses	311	52	3,747
Provision for business structure improvement	—	119	—
Other	12,134	10,138	146,193
Total current liabilities	131,630	105,163	1,585,904
Non-current liabilities:			
Long-term loans payable	44,774	66,821	539,446
Lease obligations	1,455	1,644	17,530
Deferred tax liabilities for land revaluation	4,513	4,512	54,373
Provision for retirement benefits	10,767	11,033	129,723
Provision for directors' retirement benefits	666	684	8,024
Provision for environmental measures	222	207	2,675
Asset retirement obligations	209	—	2,518
Other	930	803	11,205
Total non-current liabilities	63,539	85,708	765,530
Total liabilities	195,169	190,871	2,351,434
Net assets:			
Shareholders' equity:			
Capital stock	19,113	19,113	230,277
Capital surplus	21,008	20,256	253,108
Retained earnings	49,293	33,620	593,892
Treasury stock	(531)	(990)	(6,398)
Total shareholders' equity	88,883	71,999	1,070,880
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,365	1,490	16,446
Deferred gains or losses on hedges	—	45	—
Revaluation reserve for land	4,768	4,760	57,446
Foreign currency translation adjustment	(7,652)	(4,724)	(92,193)
Total accumulated other comprehensive income	(1,518)	1,572	(18,289)
Minority interests	2,599	4,917	31,313
Total net assets	89,964	78,489	1,083,904
Total liabilities and net assets	¥285,134	¥269,361	\$3,435,349

Consolidated Statements of Income (Unaudited)

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net sales	¥320,082	¥252,020	\$3,856,410
Cost of sales	257,006	213,592	3,096,458
Gross profit	63,075	38,427	759,940
Selling, general and administrative expenses	38,924	34,531	468,964
Operating income	24,151	3,896	290,976
Non-operating income:			
Interest income	197	172	2,373
Dividends income	239	178	2,880
Foreign exchange gains	—	104	—
Technical support fee	762	517	9,181
Equity in earnings of affiliates	1,192	977	14,361
Government subsidies for employment adjustment	25	889	301
Subsidies income	156	565	1,880
Other	758	734	9,133
Total non-operating income	3,332	4,138	40,145
Non-operating expenses:			
Interest expenses	1,675	2,058	20,181
Foreign exchange losses	1,492	—	17,976
Other	343	445	4,133
Total non-operating expenses	3,511	2,503	42,301
Ordinary income	23,972	5,530	288,819
Extraordinary income:			
Gain on sales of non-current assets	55	95	663
Gain on sales of subsidiaries and affiliates' stock	410	—	4,940
Gain on negative goodwill	718	—	8,651
Reversal of allowance for doubtful accounts	50	23	602
Surrender value of insurance	—	173	—
Gain on change in equity	—	164	—
Refund of prior periods taxes and dues	—	166	—
Other	236	—	2,843
Total extraordinary income	1,470	624	17,711
Extraordinary losses:			
Loss on prior periods adjustment	—	366	—
Loss on disposal of non-current assets	351	519	4,229
Impairment loss	260	1,232	3,133
Loss on valuation of investment securities	0	288	0
Special retirement expenses	213	1,045	2,566
Retirement benefit expenses	—	293	—
Business structure improvement expenses	2	567	24
Loss on adjustment for changes of accounting standard for asset retirement obligations	165	—	1,988
Other	10	170	120
Total extraordinary losses	1,003	4,484	12,084
Income before income taxes and minority interests	24,439	1,670	294,446
Income taxes—current	5,975	1,043	71,988
Refund of income taxes	(109)	(120)	(1,313)
Income taxes—deferred	987	348	11,892
Total income taxes	6,854	1,271	82,578
Income before minority interests	17,584	—	211,855
Minority interests in income (loss)	570	(261)	6,867
Net income	¥ 17,014	¥ 661	\$204,988

	Yen	U.S. dollars
Amounts per share of common stock:		
Net income	¥77.54	¥3.03
Cash dividends applicable to the year	8.00	2.50
		\$0.93
		0.10

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Consolidated Statements of Comprehensive Income (Unaudited)

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Income before minority interests	¥17,584	¥—	\$211,855
Other comprehensive income:			
Valuation difference on available-for-sale securities	(128)	—	(1,542)
Foreign currency translation adjustment	(2,843)	—	(34,253)
Share of other comprehensive income of associates accounted for using equity method	(206)	—	(2,482)
Total other comprehensive loss	(3,179)	—	(38,301)
Comprehensive income	14,405	—	173,554
(Breakdown)			
Comprehensive income attributable to owners of the parent	13,915	—	167,651
Comprehensive income attributable to minority interests	489	—	5,892

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Consolidated Statements of Cash Flows (Unaudited)

KYB Corporation and its Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 24,439	¥ 1,670	\$ 294,446
Depreciation and amortization	13,426	15,318	161,759
Gain on sales of non-current assets	(55)	(95)	(663)
Loss on disposal of non-current assets	351	519	4,229
Loss on valuation of investment securities	0	288	0
Gain on sales of stocks of subsidiaries and affiliates	(410)	—	(4,940)
Impairment loss	260	1,232	3,133
Amortization of goodwill	33	39	398
Amortization of negative goodwill	(37)	(37)	(446)
Gain on negative goodwill	(718)	—	(8,651)
(Decrease) increase in allowance for doubtful accounts	(26)	230	(313)
Decrease in provision for retirement benefits	(234)	(108)	(2,819)
Decrease in provision for product warranties	(956)	(511)	(11,518)
Increase (decrease) in provision for directors' bonuses	258	(6)	3,108
Increase in provision for environmental measures	15	—	181
(Decrease) increase in provision for business structure improvement	(119)	119	(1,434)
Loss on adjustment for changes of accounting standard for asset retirement obligations	165	—	1,988
Interest and dividends income	(437)	(350)	(5,265)
Gain on cancellation of insurance contract	—	(173)	—
Interest expenses	1,675	2,058	20,181
Equity in earnings of affiliates	(1,192)	(977)	(14,361)
Increase in notes and accounts receivable—trade	(13,347)	(9,904)	(160,807)
(Increase) decrease in inventories	(4,847)	2,831	(58,398)
Increase in notes and accounts payable—trade	15,839	7,712	190,831
Increase in accounts payable—other	1,464	581	17,639
Subsidy income	(156)	(565)	(1,880)
Other, net	2,274	1,063	27,398
Subtotal	37,666	20,938	453,807
Interest and dividends income received	847	740	10,205
Interest expenses paid	(1,717)	(2,118)	(20,687)
Income taxes paid	(1,916)	(473)	(23,084)
Income taxes refund	231	2,978	2,783
Proceeds from insurance income	41	175	494
Proceeds from subsidy	279	412	3,361
Net cash provided by operating activities	35,433	22,654	426,904
Cash flows from investing activities:			
Payments into time deposits	(6,920)	(1,946)	(83,373)
Proceeds from withdrawal of time deposits	5,644	1,273	68,000
Purchase of property, plant and equipment	(7,665)	(12,458)	(92,349)
Proceeds from sales of property, plant and equipment	566	473	6,819
Purchase of investment securities	(47)	(8)	(566)
Purchase of stocks of subsidiaries and affiliates	(225)	—	(2,711)
Proceeds from sales of stocks of subsidiaries and affiliates	1,349	—	16,253
Payments of loans receivable	(285)	(329)	(3,434)
Collection of loans receivable	692	299	8,337
Other, net	(342)	(131)	(4,120)
Net cash used in investing activities	(7,233)	(12,828)	(87,145)
Cash flows from financing activities:			
Net decrease in short-term loans payable	(7,756)	(7,096)	(93,446)
Repayments of lease obligations	(285)	(227)	(3,434)
Proceeds from long-term loans payable	2,106	4,354	25,373
Repayment of long-term loans payable	(8,986)	(4,184)	(108,265)
Redemption of bonds	(10)	(30)	(120)
Purchase of treasury stock	(477)	(3)	(5,747)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(1,416)	—	(17,060)
Proceeds from stock issuance to minority shareholders	—	664	—
Cash dividends paid to minority shareholders	(141)	(123)	(1,699)
Net cash used in financing activities	(16,967)	(6,646)	(204,422)
Effect of exchange rate change on cash and cash equivalents	(753)	160	(9,072)
Net increase in cash and cash equivalents	10,478	3,340	126,241
Cash and cash equivalents at beginning of period	37,663	34,272	453,771
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	50	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(19)	—	(229)
Cash and cash equivalents at end of period	¥ 48,122	¥ 37,663	\$ 579,783

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Corporate Information

(As of March 31, 2011)

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:	11,440 (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:	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, 2011)

Common Stock Issued:	222,984,315 shares
Number of Shareholders:	10,835
Transfer Agent and Registrar:	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan

Major Shareholders:

Name	Shareholdings (Thousands)	Percent of Total Shares Issued
Japan Trustee Services Bank, Ltd. (Trust Account)	22,295	10.00
Toyota Motor Corporation	19,654	8.81
The Master Trust Bank of Japan, Ltd.	18,006	8.08
Meiji Yasuda Life Insurance Company	10,046	4.51
Trust & Custody Services Bank, Ltd.	9,868	4.43
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	116,563	52.27

Composition of Shareholders:

(Thousands)

