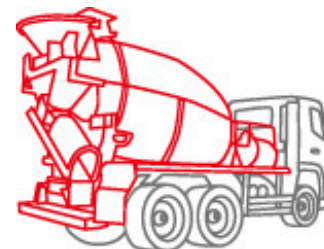
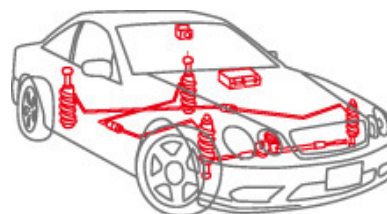
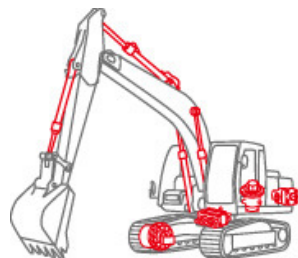




Our Precision, Your Advantage

Meeting Materials for First-Half of FY2012 Summary and Business Outlook



November 13, 2012

Masao Usui

Representative Director, President Executive Officer
KYB Corporation

Contents

1. Financial Information

- Consolidated Financial Performance for 1H of FY2012
- Consolidated Financial Forecast for 2H of FY2012
- Consolidated Financial Forecast for FY2012

2. Market Environment

- Automotive (AC; Automotive Components Operations)
- Construction Machinery [Hydraulic Excavators of more than 6t]
(HC; Hydraulic Components Operations)

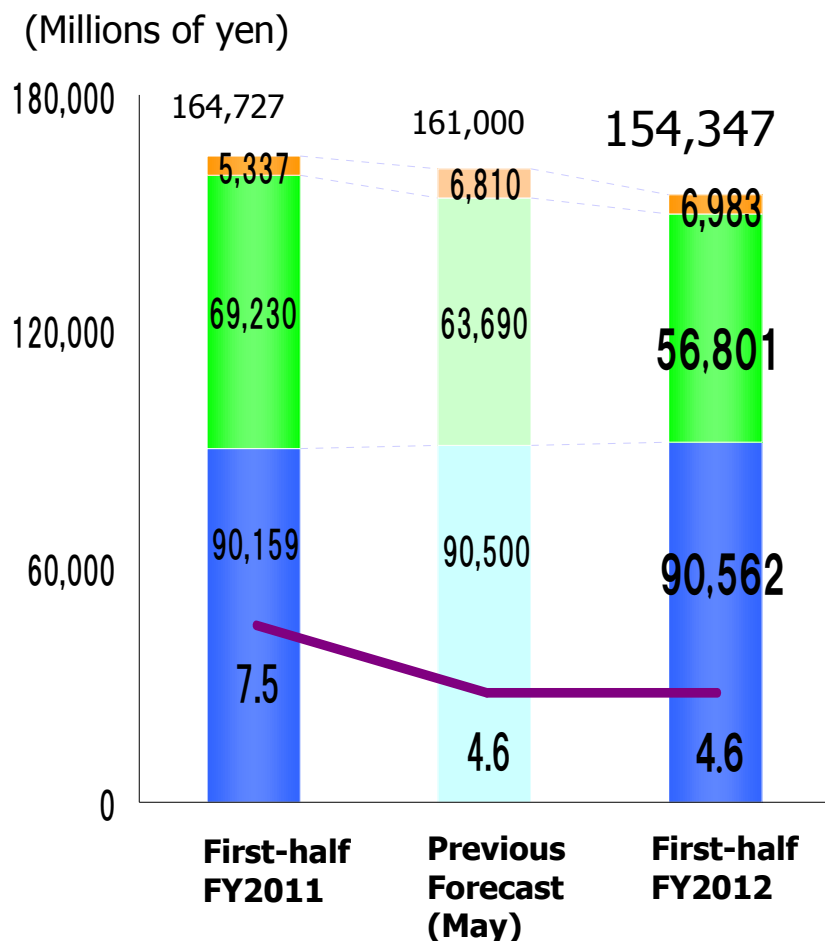
3. Three-year Business Plan (2011-2013) Implementation Status

4. Move towards Next Medium-term Business Strategies

1. Financial Information



Consolidated Financial Performance for 1H of FY2012 *Our Precision, Your Advantage*



	1H of FY2011	Y o Y	Previous Forecast (May)
Net sales	154,347	(10,380) (6.3%)	(6,653) (4.1%)
Operating income	7,055	(5,432) (43.5%)	(445) (5.9%)
Operating income ratio	4.6%	(3.0pt)	(0.1pt)
Ordinary income	6,464	(5,533) (46.1%)	(836) (11.5%)
Ordinary income ratio	4.2%	(3.1pt)	(0.3pt)

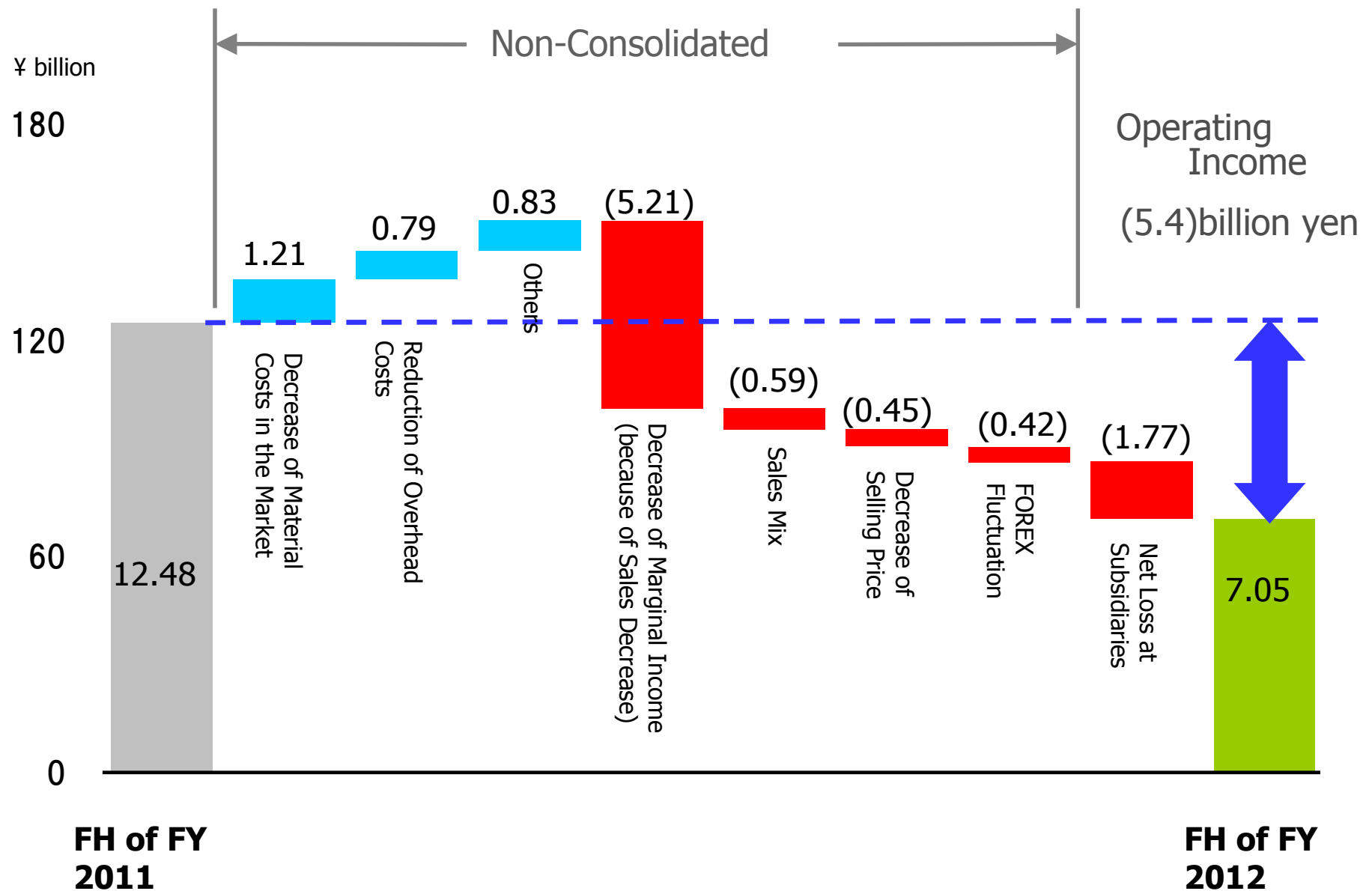
Performance down due to lower demand for hydraulic products for construction machinery in China

1. Financial Information

Analysis of Operating Income (vs. 1H of FY2011)



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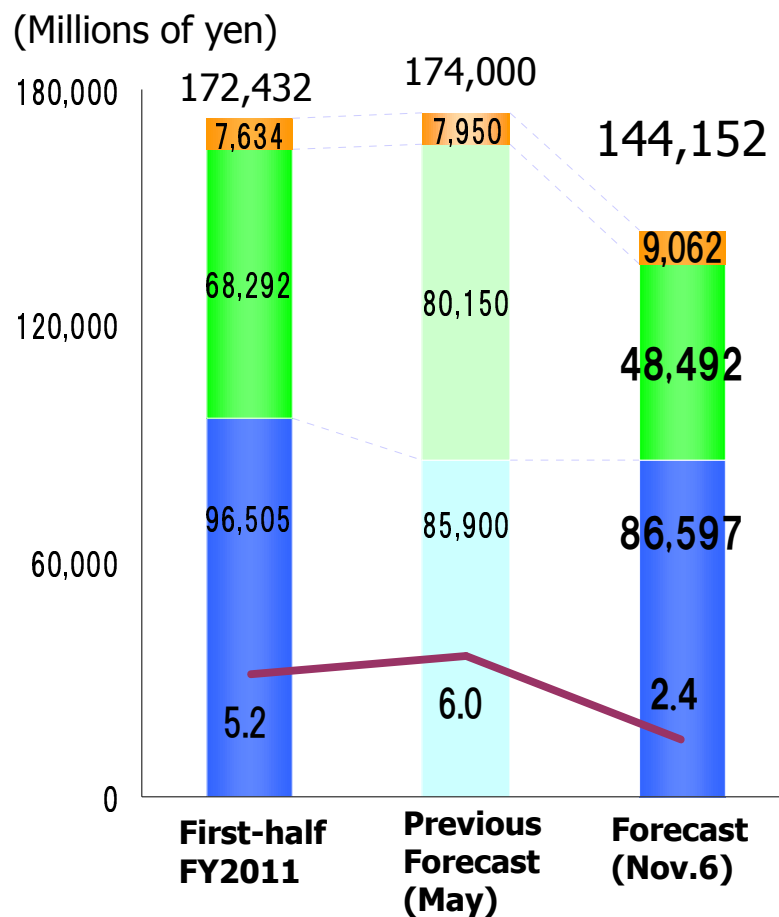


1. Financial Information

Consolidated Financial Forecast for 2H of FY2012



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■ Others
■ HC
■ AC
— Operating Income

	2H of FY2012 Forecast (Nov. 6)	Y o Y	Differences Previous Forecast (May)
Net sales	144,152	(28,280) (16.4%)	(29,848) (17.1%)
Operating income	3,445	(5,605) (61.9%)	(7, 055) (67.2%)
Operating income ratio	2.4%	(4.0pt)	(3.0pt)
Ordinary income	3,536	(7,222) (67.1%)	(6,664) (65.3%)
Ordinary income ratio	2.5%	(4.2pt)	(2.7pt)

- AC: Performance down due to declining demand at Japanese auto makers in China
- HC: Continuing decline of demand for hydraulic products for construction machinery in China

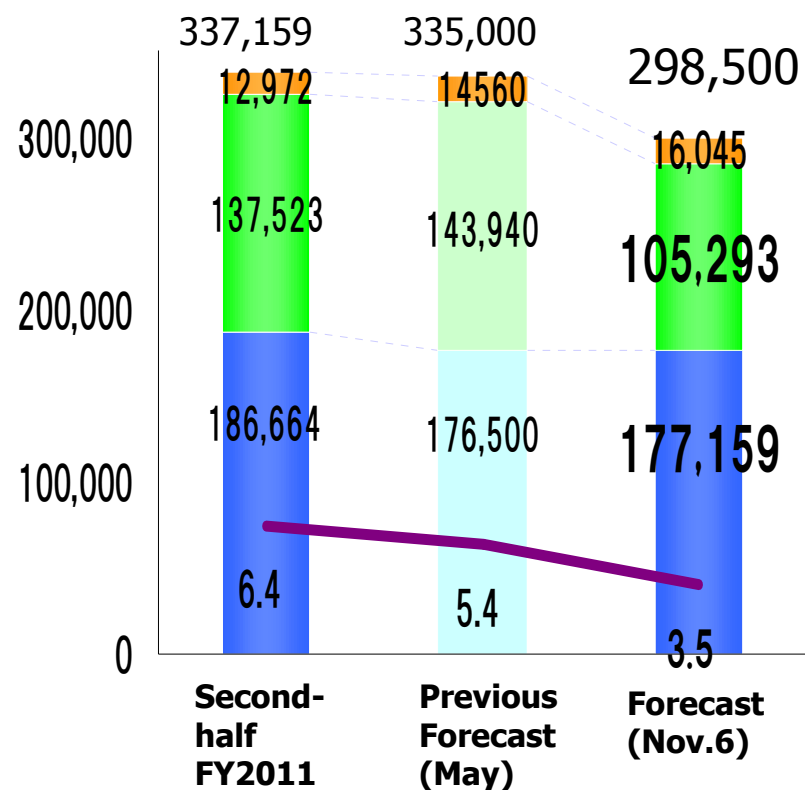
1. Financial Information

Consolidated Financial Forecast for FY2012



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(Millions of yen)



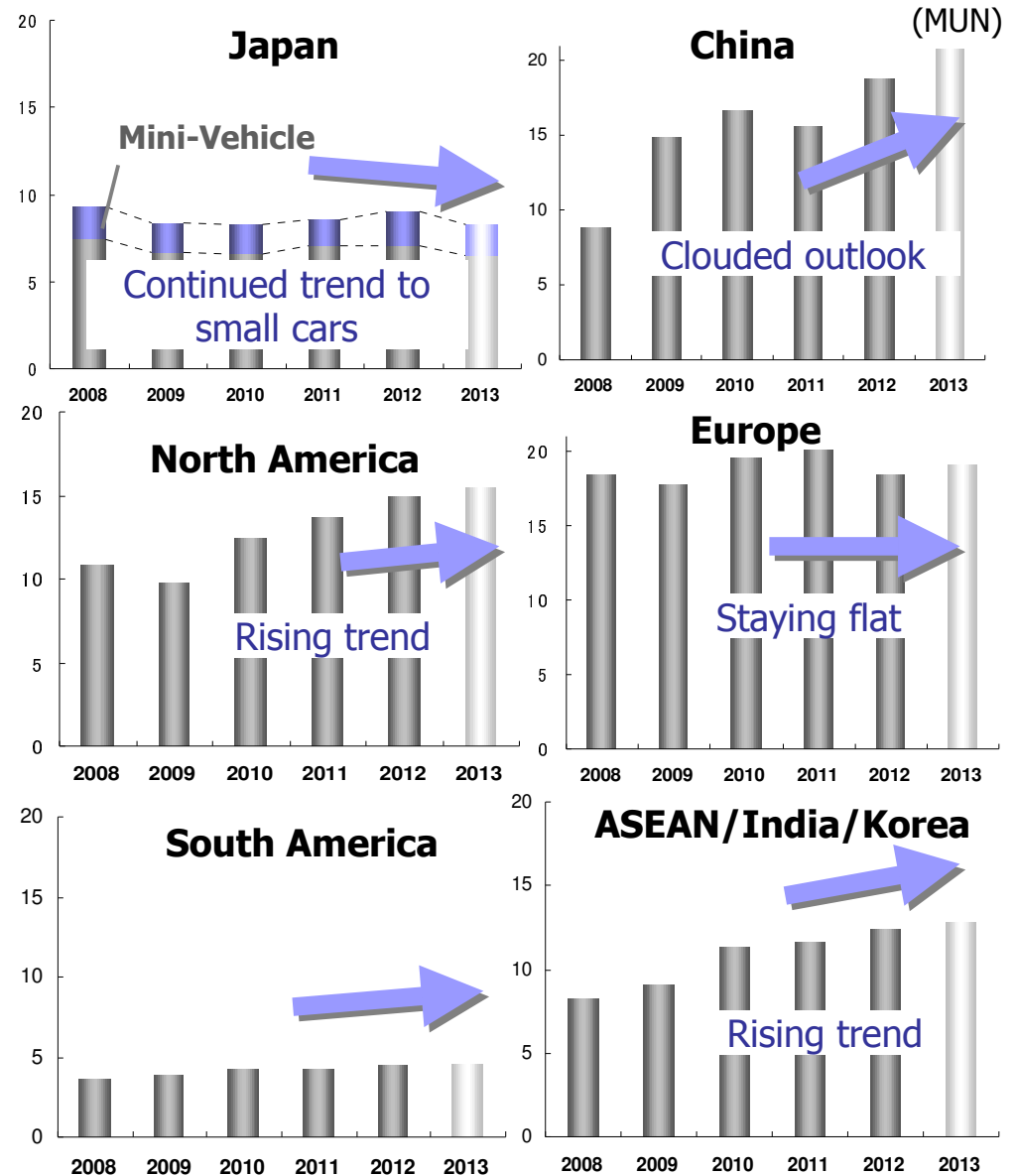
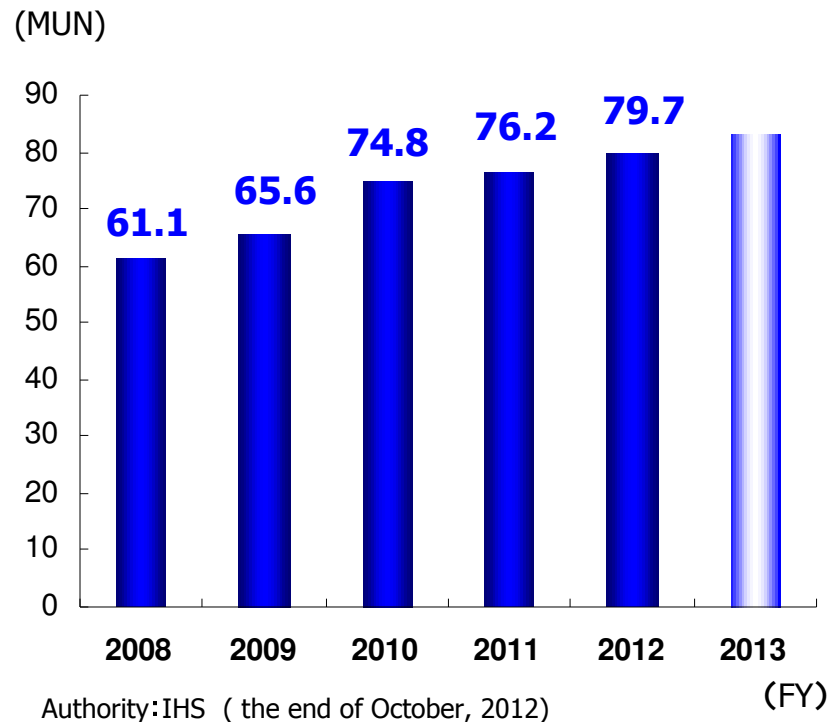
	FY2012 Forecast (Nov. 6)	Differences	
		Y o Y	Previous Forecast (May)
Net sales	298,500	(38,660) (11.5%)	(36,500) (10.9%)
Operating income	10,500	(11,000) (51.2%)	(7,500) (41.7%)
Operating income ratio	3.5%	(2.9pt)	(1.9pt)
Ordinary income	10,000	(12,700) (56.1%)	(7,500) (42.9%)
Ordinary income ratio	3.4%	(3.3pt)	(1.8pt)

2. Market Environment - Automotive

Global Production Forecast, by Region



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- Global production volume increasing
- End to eco-car subsidies in Japan
- Unclear demand out-look

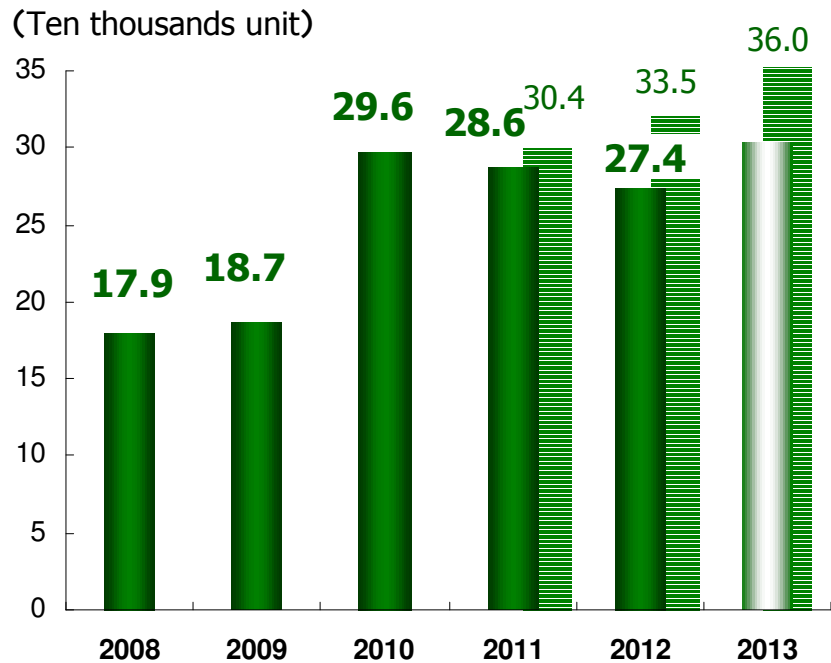
2. Market Environment - Construction Machinery

[Hydraulic Excavators of more than 6t]



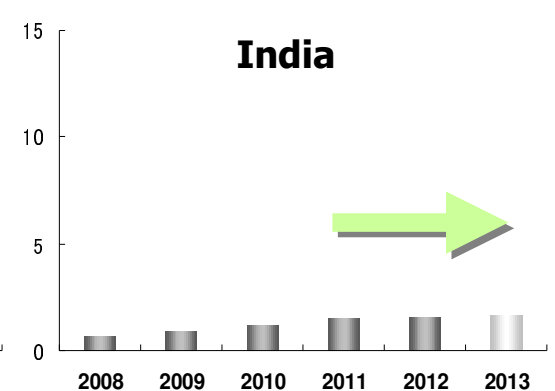
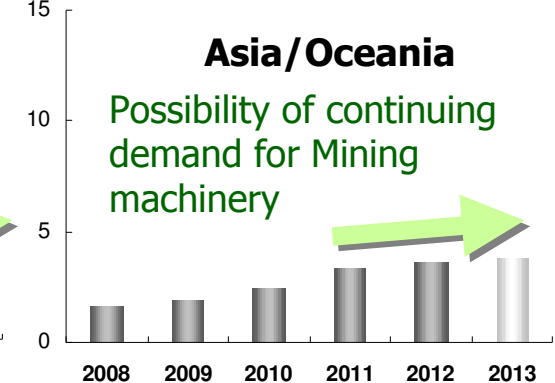
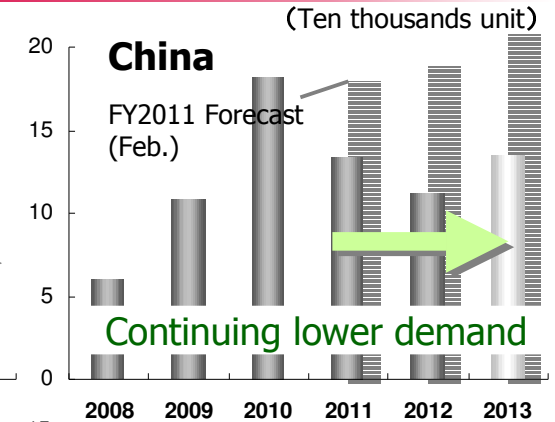
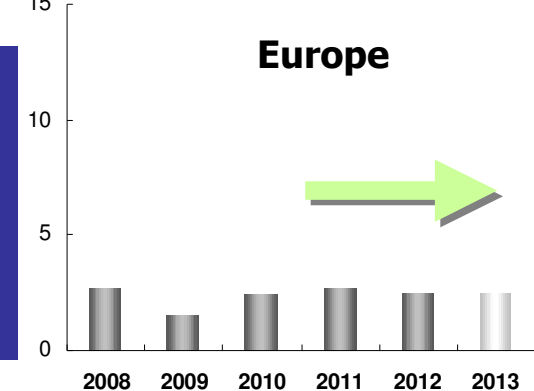
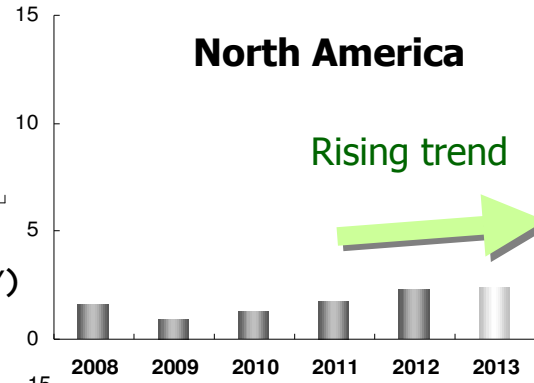
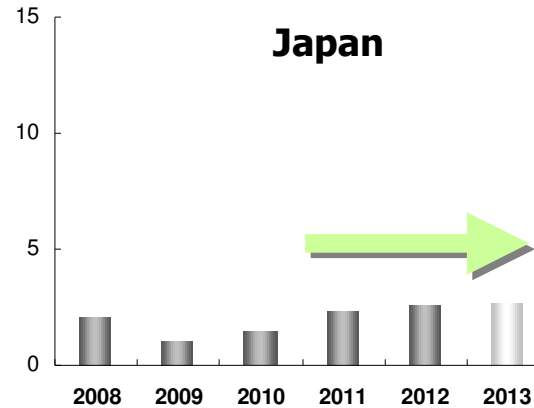
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Global Demand Forecasts, by Region



Authority: Forecast by KYB based on customer's forecasts

FY2012 forecast (Aug.)
 FY2011 Forecast (Feb.)



- Low demand in China; still large global market share
- Constant demand expected, despite lower mining machinery demand

2. Market Environment - China

Automotive Components Operations

- Forecast about 30% decline in sales at Chinese production base vs. plan due to lower production by Japanese auto makers, owing to boycotts of Japanese products

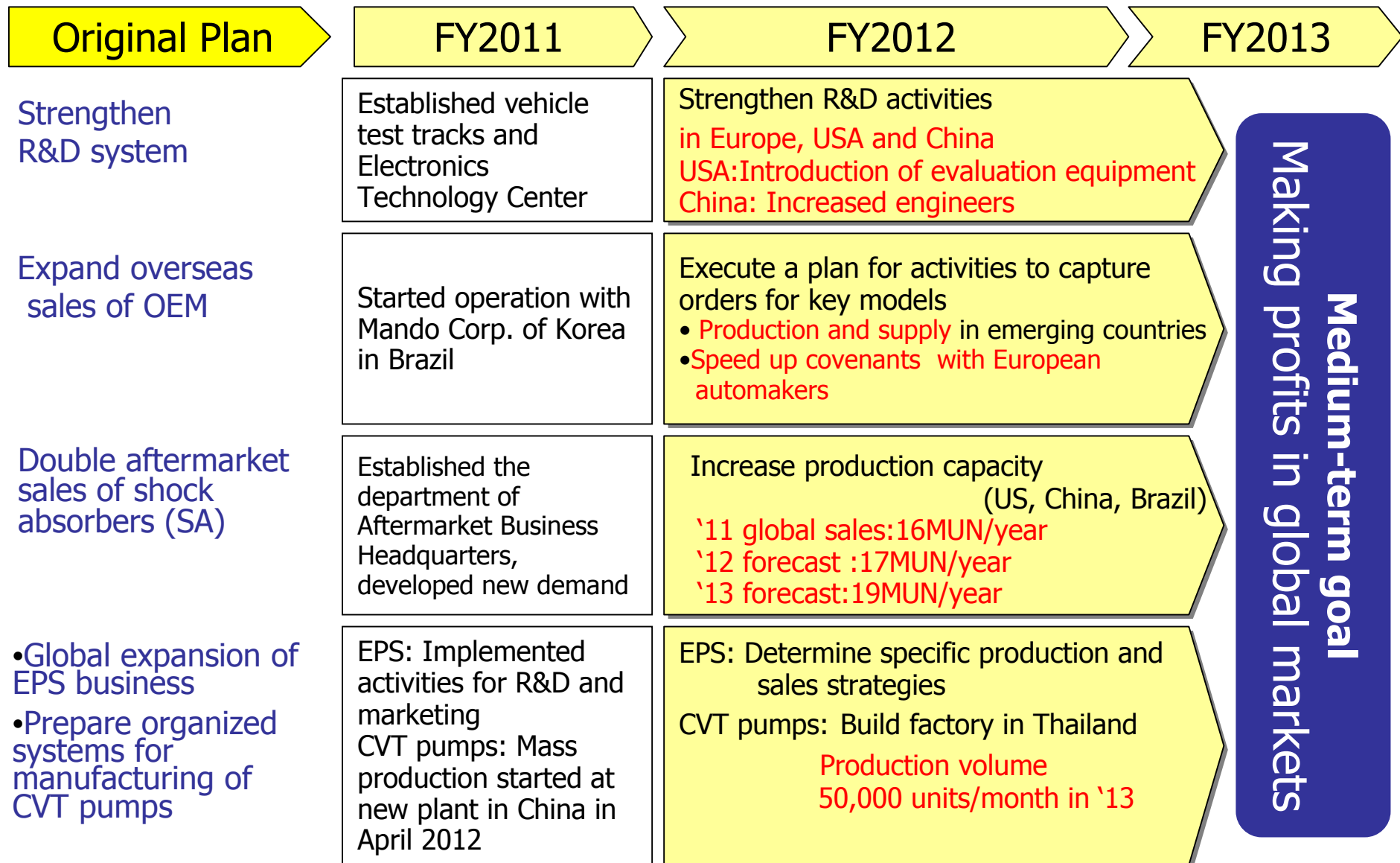
Hydraulic Components Operations

- Concern about continuing lower demand for construction machinery
- Appears to be influenced by recent consumer boycott

3. Medium-term Plan Implementation Status **KYB**

Automotive Components Operations

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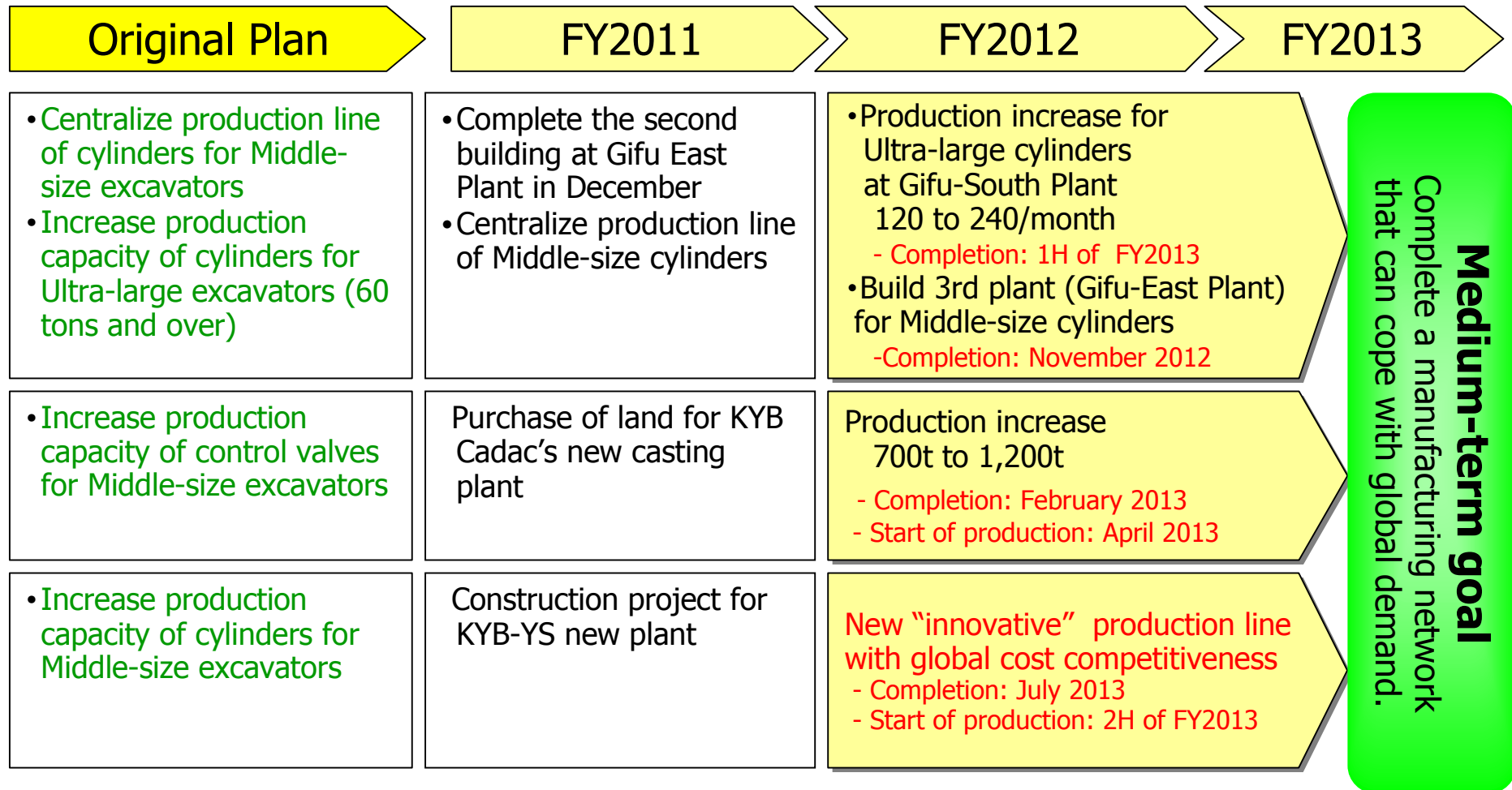


3. Medium-term Plan Implementation Status **KYB**

Hydraulic Components Operations

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Establish Production System: Japan



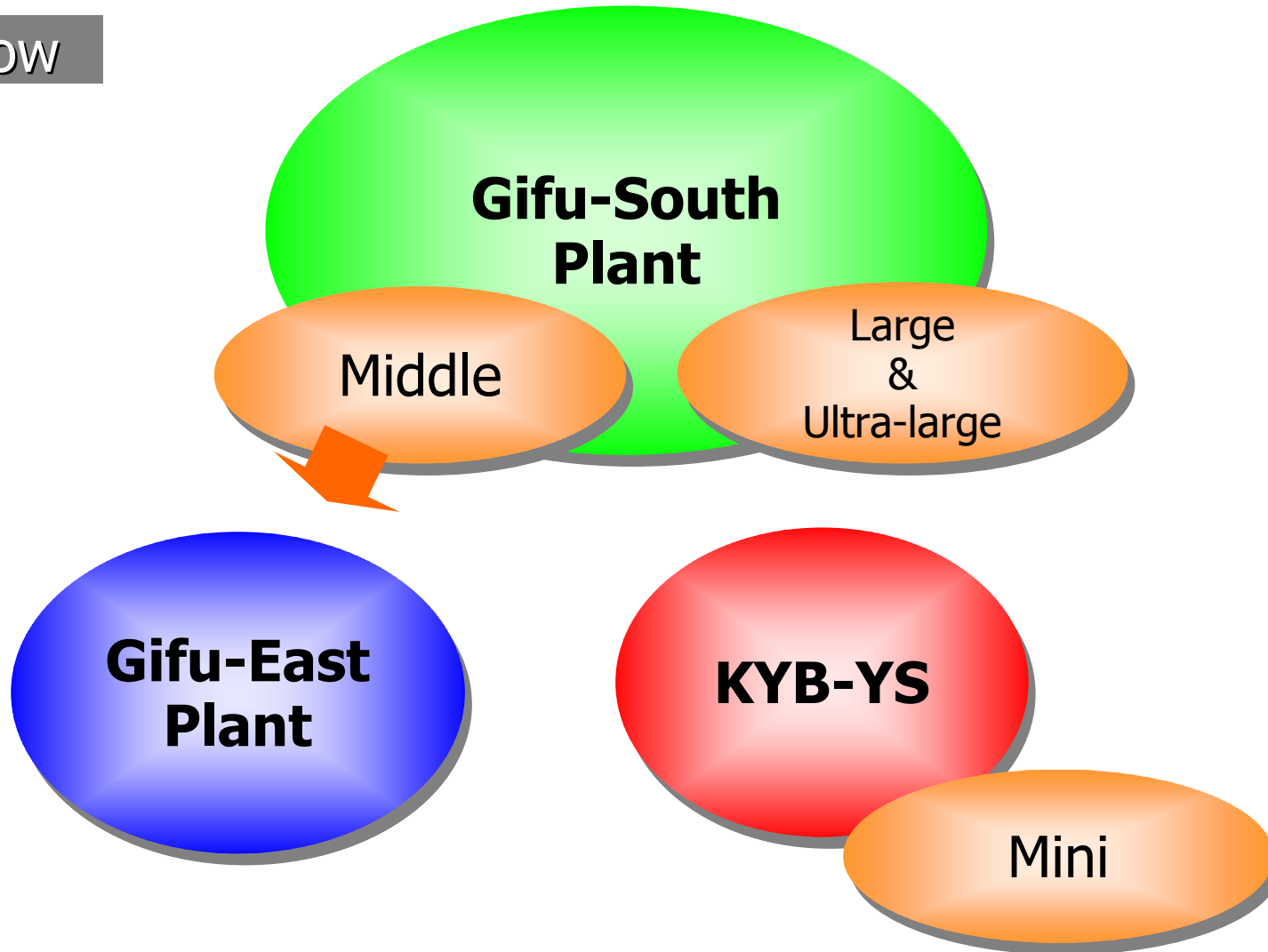
3. Medium-term Plan Implementation Status **KYB**

Hydraulic Components Operations

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Reconfiguration of Production System for Cylinders: Japan

Now



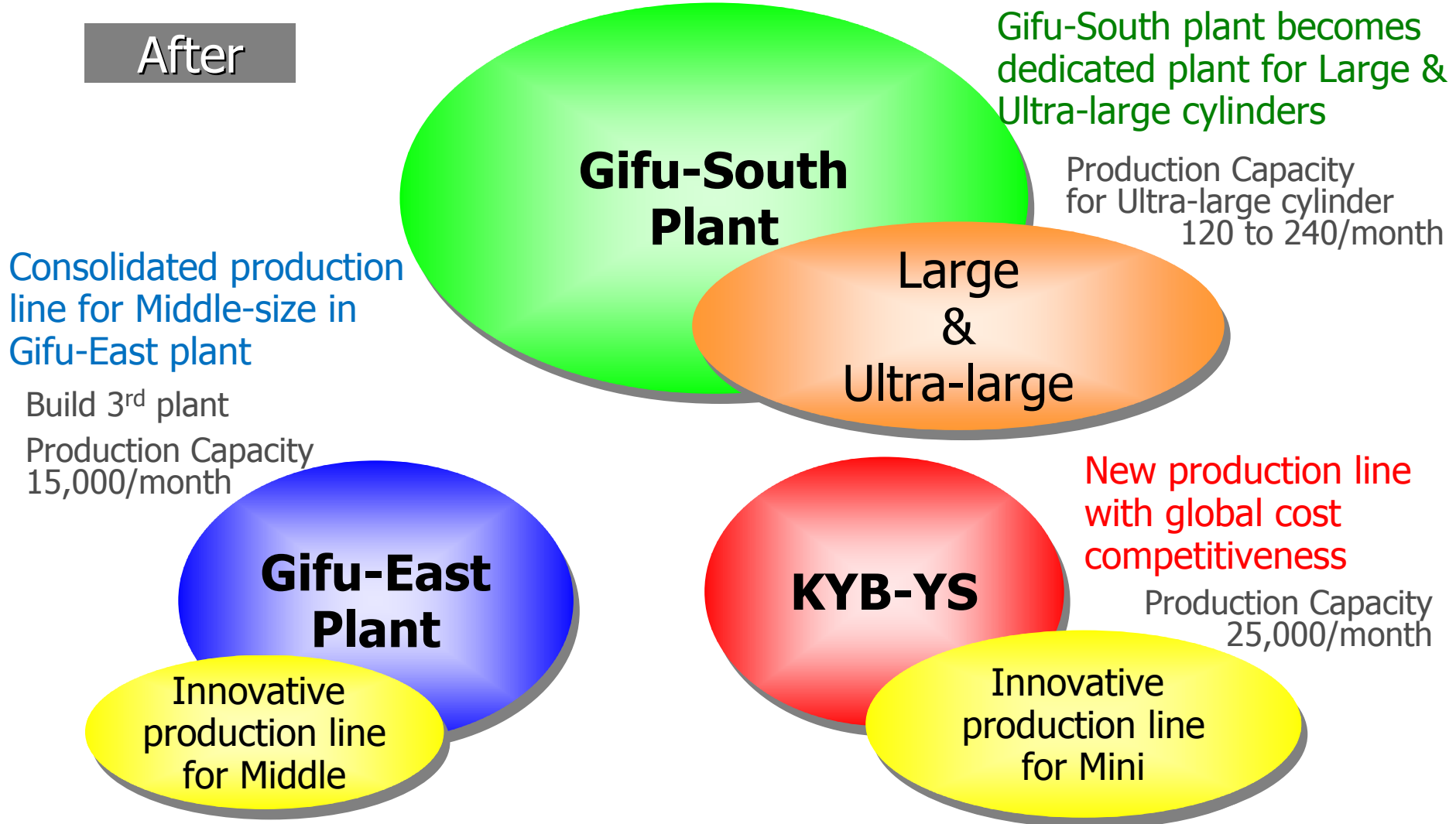
3. Medium-term Plan Implementation Status **KYB**

Hydraulic Components Operations

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Reconfiguration of Production System for Cylinders: Japan

After

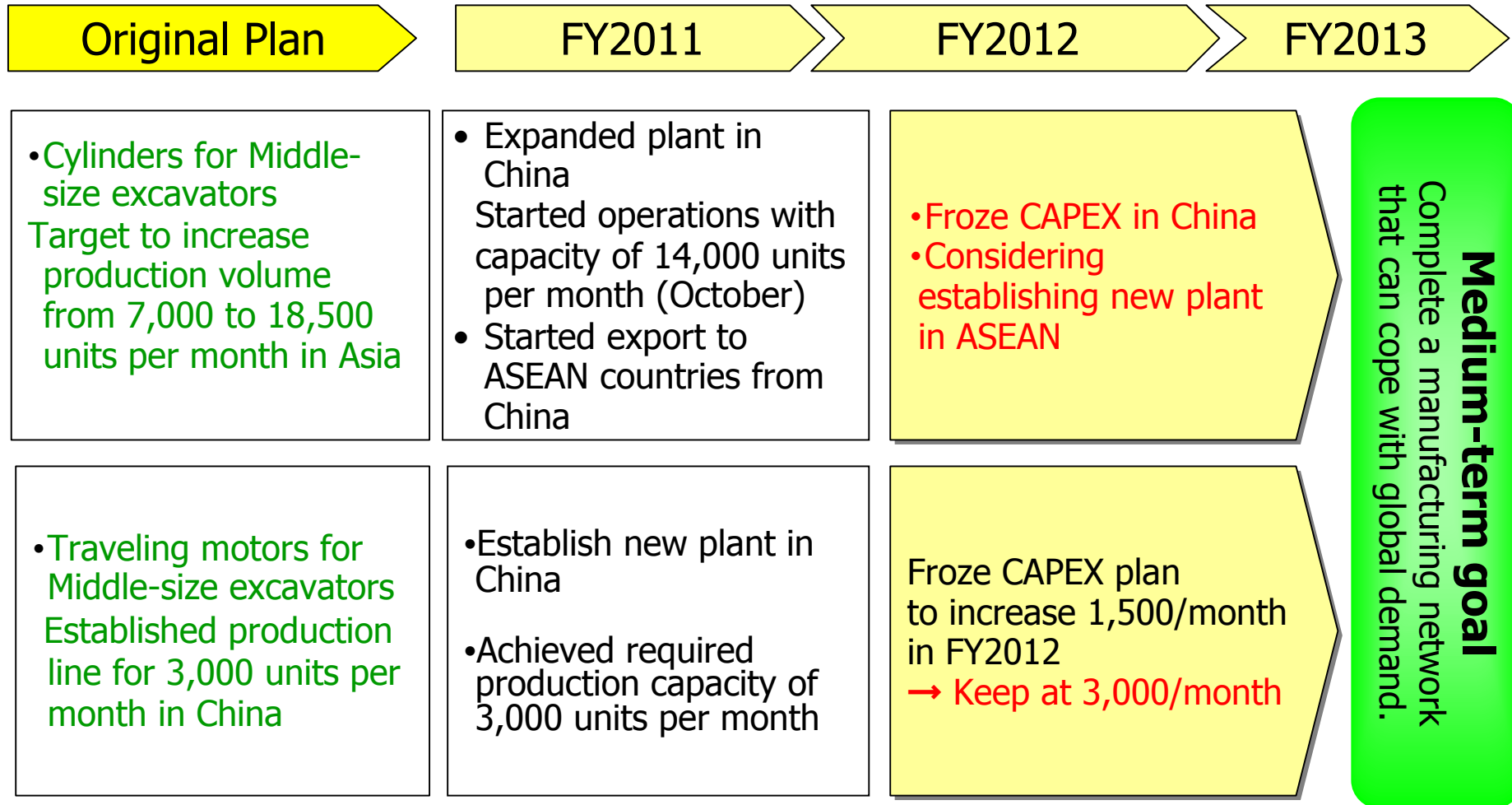


3. Medium-term Plan Implementation Status **KYB**

Hydraulic Components Operations

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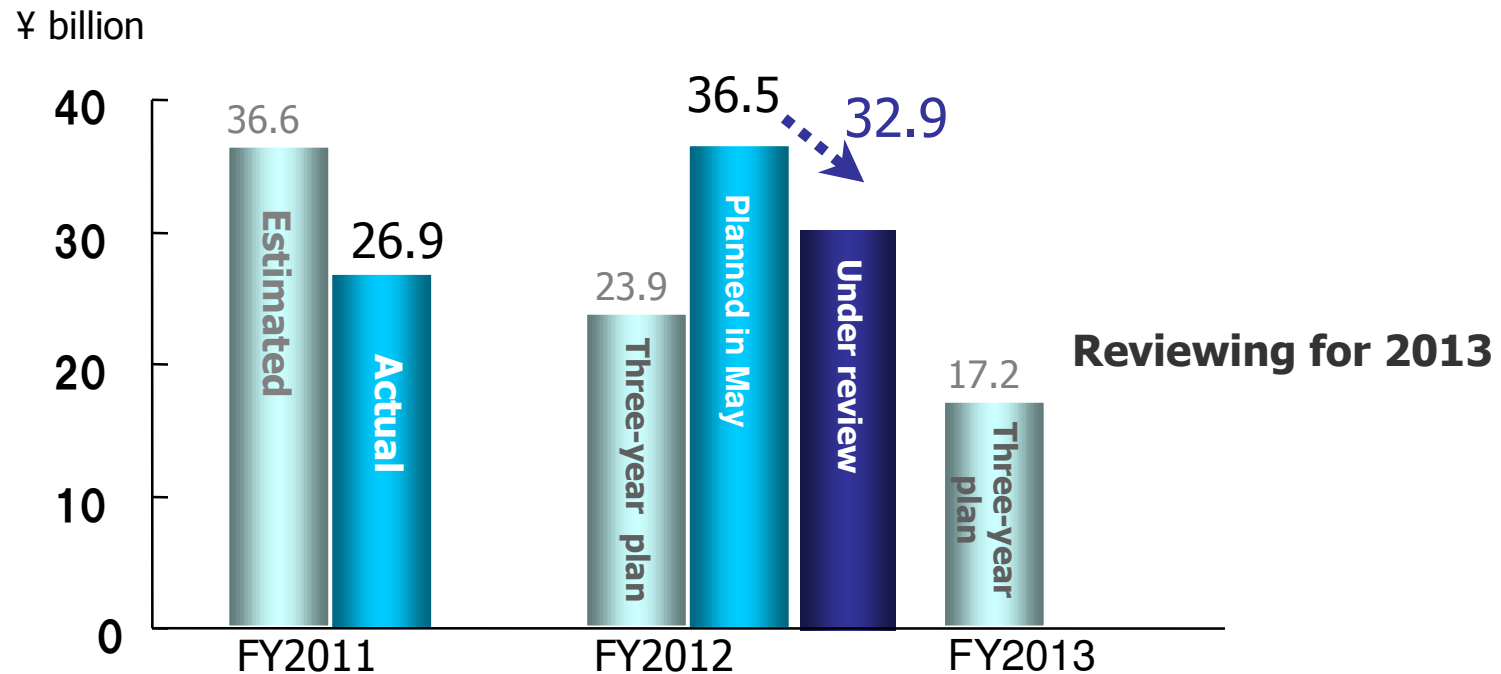
Establish of Production System: Overseas



3. Medium-term Plan Implementation Status **KYB**

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Capital Expenditure



Implementation in FY2012

- Production base for CVT pumps in Thailand
- Plants for subsidiaries (KYB-YS, KYB Cadac, Kayaba System Machinery)
- Increase of production volume for Ultra-large cylinders at Gifu-South plant

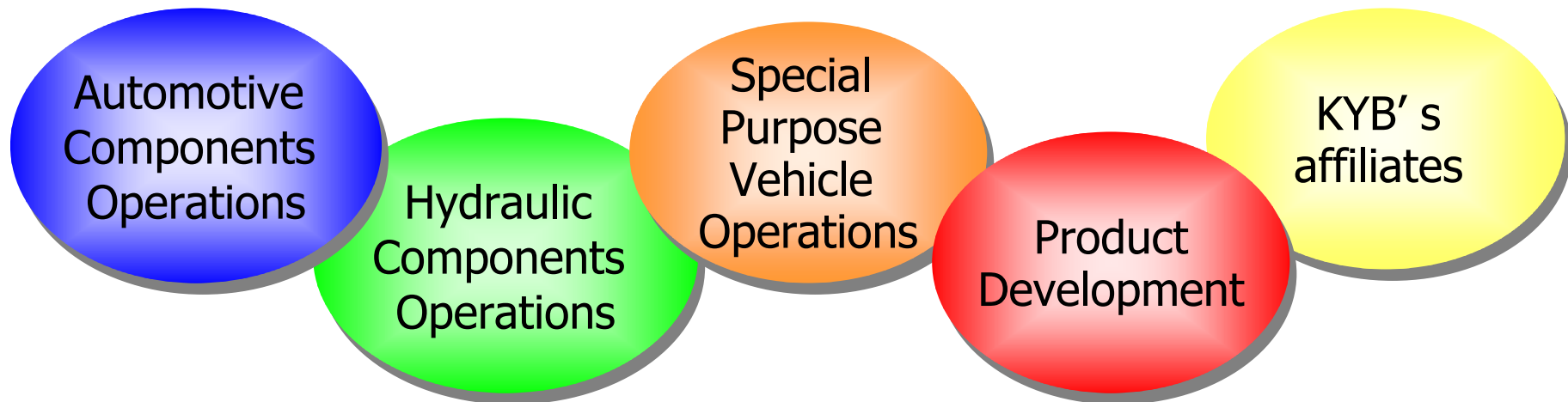
Frozen matters in FY2012: Enhancement of production volume for cylinders and motors in Japan and China

2H of FY2012 & FY2013 : Considering reducing CAPEX budget

4. Move towards Next Medium-term Management Plan



Move faster to maintain *monozukuri* (manufacturing expertise) that can compete and win worldwide with KYB Group's strength



Shift production/development activities to the best locations; make products where they are used

Reinforce core technologies in Japan

Build a powerful operating framework that can adapt to changes

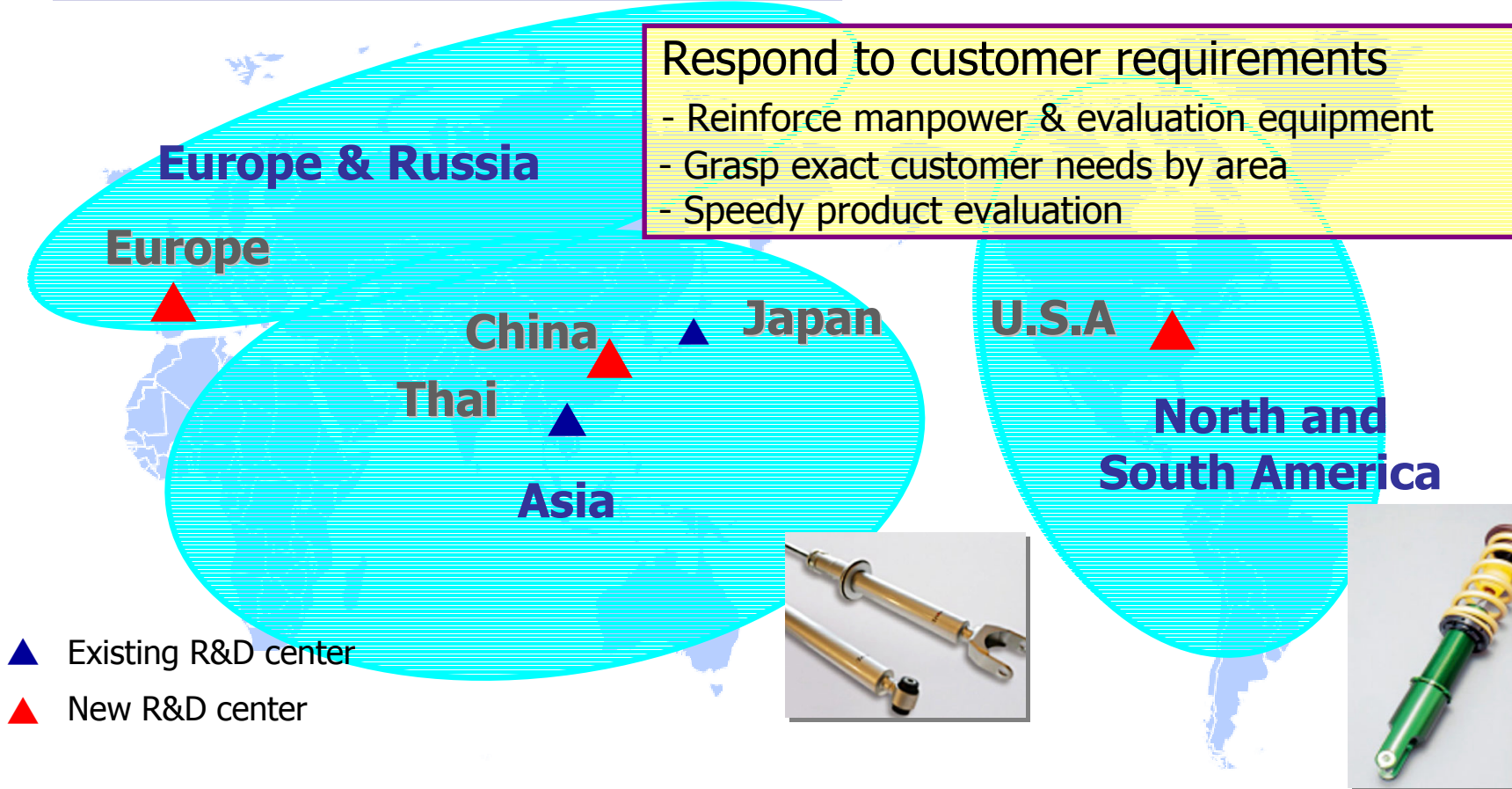
4. Reinforcement of Global Structure

R&D center for Shock Absorbers



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Automotive Components Operations



Establish global R&D center for Shock Absorbers

4. Reinforcement of Global Structure

CVT pump & EPS



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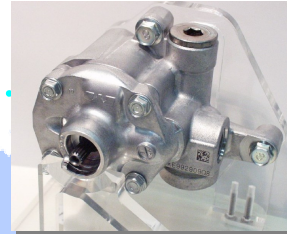
Automotive Components Operations



China **Japan**
Thailand

Establish new production base
Start of production in FY2013
Planned production volume
50,000 / month

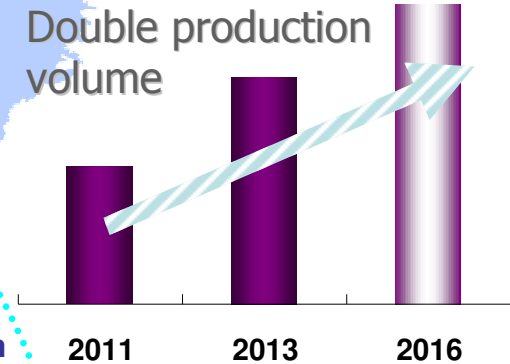
■ Production base for CVT pump



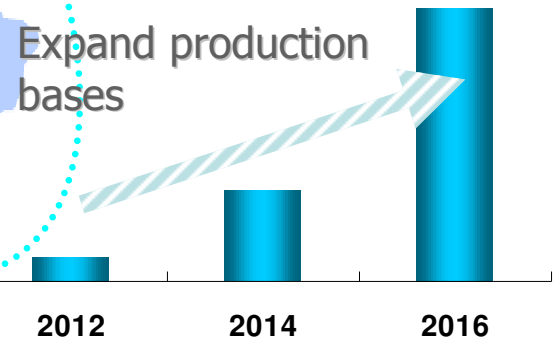
Considering establishing
new production base
for CVT pumps
in North and South America



CVT Pumps



EPS



1. Preparing organized systems for manufacturing CVT pumps
Promoting "Local production for local consumption"
2. Global expansion of EPS business to capture new orders

4. Reinforcement of Global Structure

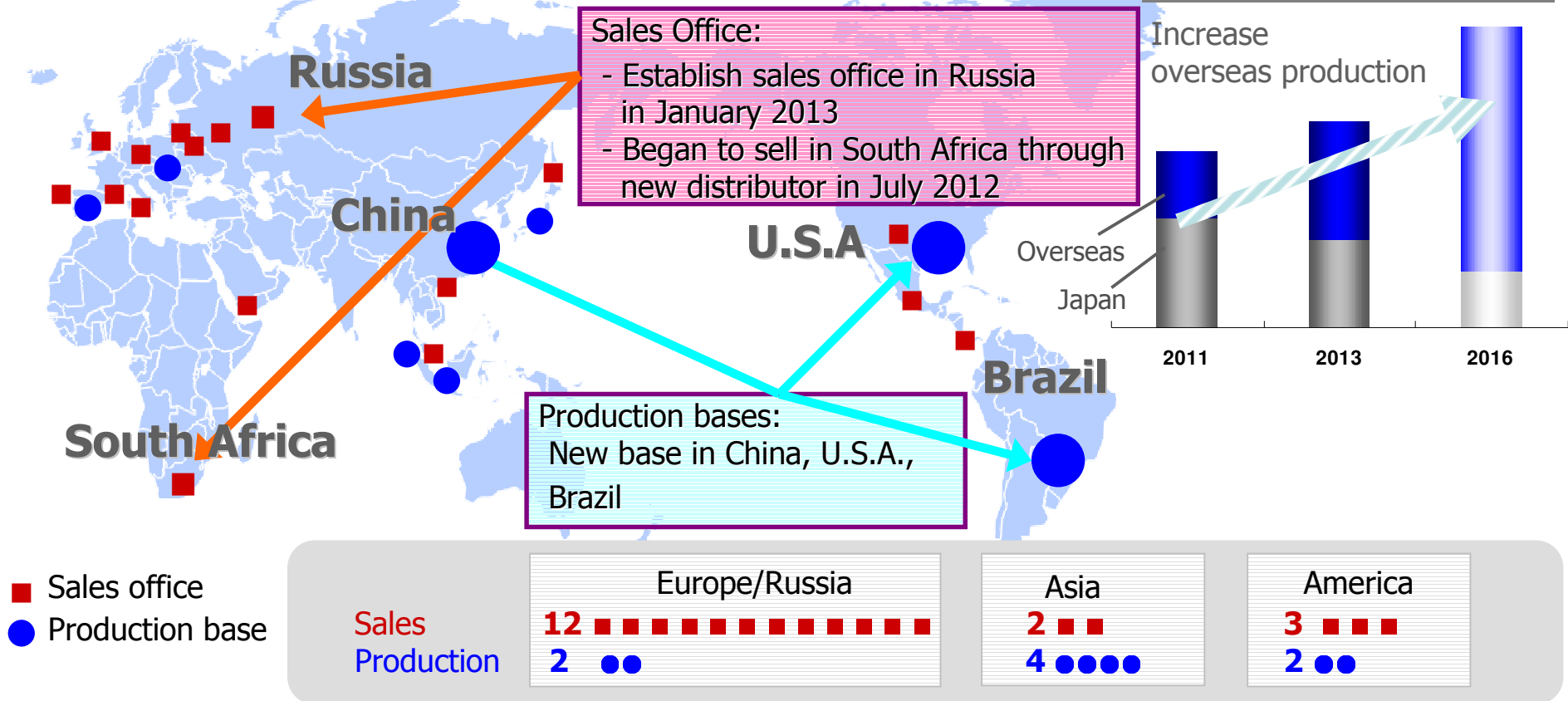
Shock Absorbers for Aftermarket



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Automotive Components Operations

SA for aftermarket



Promote overseas production of aftermarket Shock Absorbers

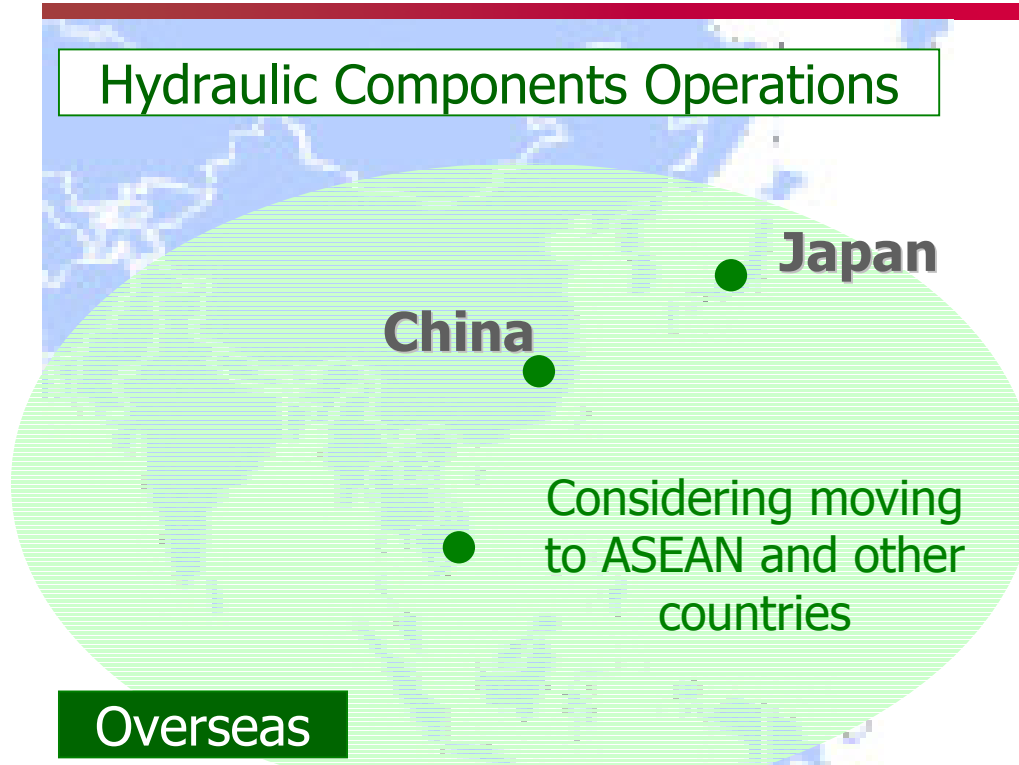
1. Reduce FOREX risk
2. Shorten lead time
3. Optimize production bases

4. Move towards Next Three-year Management Plan



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Hydraulic Components Operations



Mono block valve

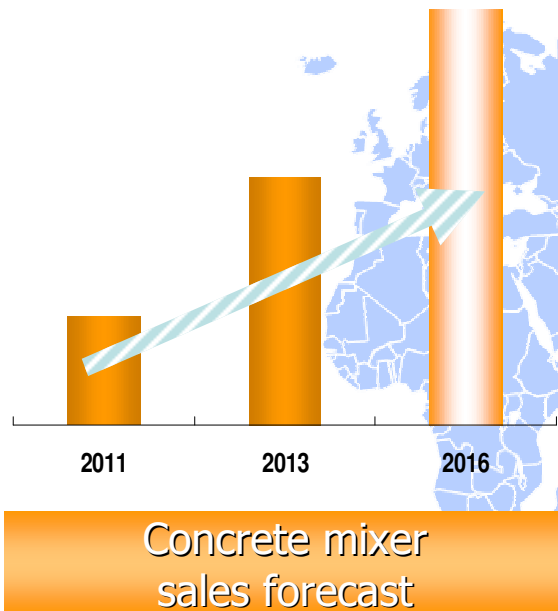
- 1. Expand market for hydraulic equipment for construction machinery in globally (Promoting "Local production for local consumption")
- 2. Increase sales in non-construction machinery markets (e.g., Agricultural)

Strengthen casting technology
KYB Cadac aims to be No.1 mono block valve manufacturer in Japan

4. Move towards for Next Three-year Management Plan

KYB
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Special Purpose Vehicle Operations



Expand into emerging countries market

Japan Post 3/11 reconstruction and replacement demand
Concrete mixer production volume
FY2010 2 units/day → FY2012 and beyond 6 units or more/day
Global Develop business in emerging countries

4. Move towards for Next Three-year Management Plan

Product Development



R&D base

Electronics Technology Center at Kanagawa pref.

Production base

KYB Trondute at Niigata pref.



Machine Tools Center
Established October 2011
New building completion April 2013
next to Gifu-Higashi plant

Self-manufacture of KYB-exclusive equipment to accumulate know-how and improve reliability



Development & Experiment Center at Gifu prefecture

Enhance electronics technology and manufacturing expertise
Auto, excavator, railway ECU, GPS terminals

Utilize test course
Enable product evaluation with customers

4-7. Group Company Initiatives 1

Kayaba System Machinery (Mie Prefecture)



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New technology :
Rotary Inertia Active Damper

Joint development product with
Shimizu Corporation and NSK

Reduce the number of
dampers 1/3 from
previous model by using
high damping force



158 vibration control dampers supplied Tokyo Station
We provide security and safety by reinforcing core technology

Respond to increasing demand for vibration control dampers by
building new plant [Completion: November 2013]

Production capacity: 200 units/month → 350 units/month

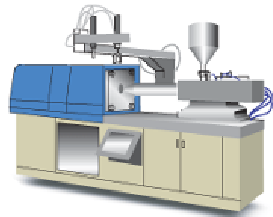
4-8. Group Company Initiatives 1

Takako Industries, INC. (Kyoto Prefecture)

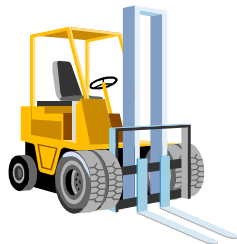


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[Current examples of use]



Hybrid injection molding machines



Forklifts (steering systems)



Micro pumps

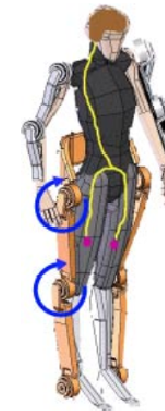
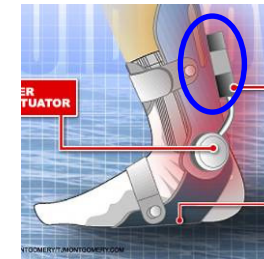
[Future expansion]

- Automobile market



- Energy regeneration
- Performance enhancement for brakes and other equipment

- Robotic and assist equipment market



Offering micro pump and pump unit products that help solve social problems (environment and aging population, etc)

4. Move towards the Next Three-years Business Strategies (Summary)



Drastic changes in the world business, environment, market needs

1. Build a powerful system by action with speed and flexibility
2. Boldly take on issues ahead of next three-years management plan

Optimize global management

1. Develop new value-added products
2. Reinforce competitiveness in overseas production basis
3. Expand HR and production technology to overseas subsidiaries

Focus policies for FY2011 - 2013

HR Development	Foster and strengthen global HR
Technology & Product Development	Strengthen global R&D (Japan, Europe, N. America, China, ASEAN) Expand EPS business Aqua drive system Energy-saving electric & hydraulic construction systems
<i>Monozukuri</i> (Manufacturing Expertise)	Expand LCC procurement Produce major products in emerging countries Expand new "innovative" production lines outside Japan
Management	Four regional HQ with authority Expand aftermarket shock absorber sales offices (Russia, S. Africa, Turkey, etc.) Hire local persons as directors of overseas bases

[Ideal Image]
Serve as a trusted supplier to leading customers around the globe

Strengthen core technologies and functions as Mother Plant in Japan



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ご注意事項

本資料のうち、業績見通し等に記載されている将来の数値は、現時点で把握可能な情報に基づき当社が判断した見通しであり、リスクや不確実性を含んでおります。

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