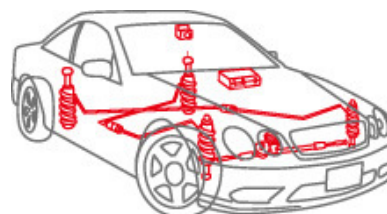
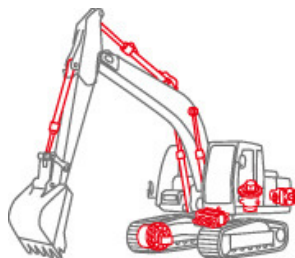




Our Precision, Your Advantage

Meeting Materials for First-Half of FY2013 Summary and Business Outlook



November 12, 2013

Masao Usui

Representative Director, President Executive Officer
KYB Corporation

Contents

1. Financial Information
 - Consolidated Financial Performance for 1H of FY2013
 - Consolidated Financial Forecast for FY2013
2. Capital Expenditure Plan Progress Report
3. Status for Automotive Components Operations (AC)
4. Status for Hydraulic Components Operations (HC)
5. Status for Other Business Operations
6. Product Development and *Monozukuri* (Manufacturing Expertise)
7. Moving towards the Next Medium-term Plan (FY2014–2016)

FY2013 = Year ended March 31, 2014

1. Financial Information

- Consolidated Financial Performance for
1H of FY2013

1. Financial Information



Consolidated Financial Performance for 1H of FY2013 *Our Precision, Your Advantage*

(¥ billion)	FY2012	FY2013		Differences	
	1H	1H Forecast	1H Actual	Previous period	Previous forecast
Net sales	154.3	168.7	170.6	16.2	1.9
Operating income	7.0	9.3	10.0	2.9	0.7
Ordinary income	6.4	9.7	10.5	4.1	0.8
Net income	3.9	5.8	6.5	2.6	0.7

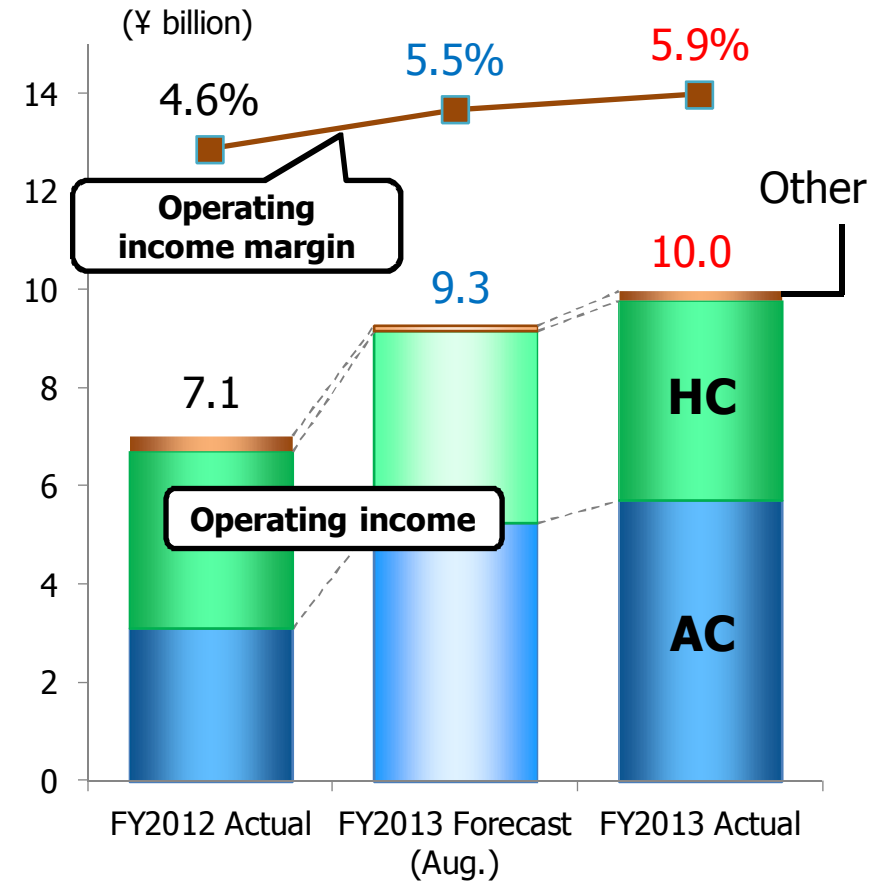
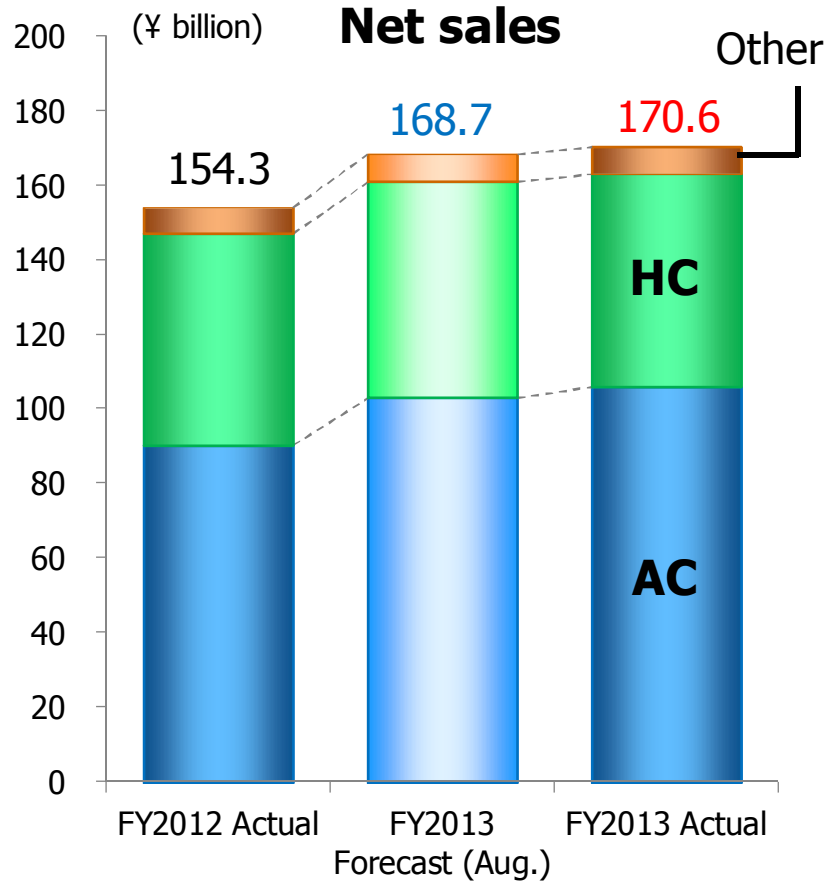
(¥)

Net income per share	17.78	26.24	29.72	11.94	3.48
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1. Financial Information



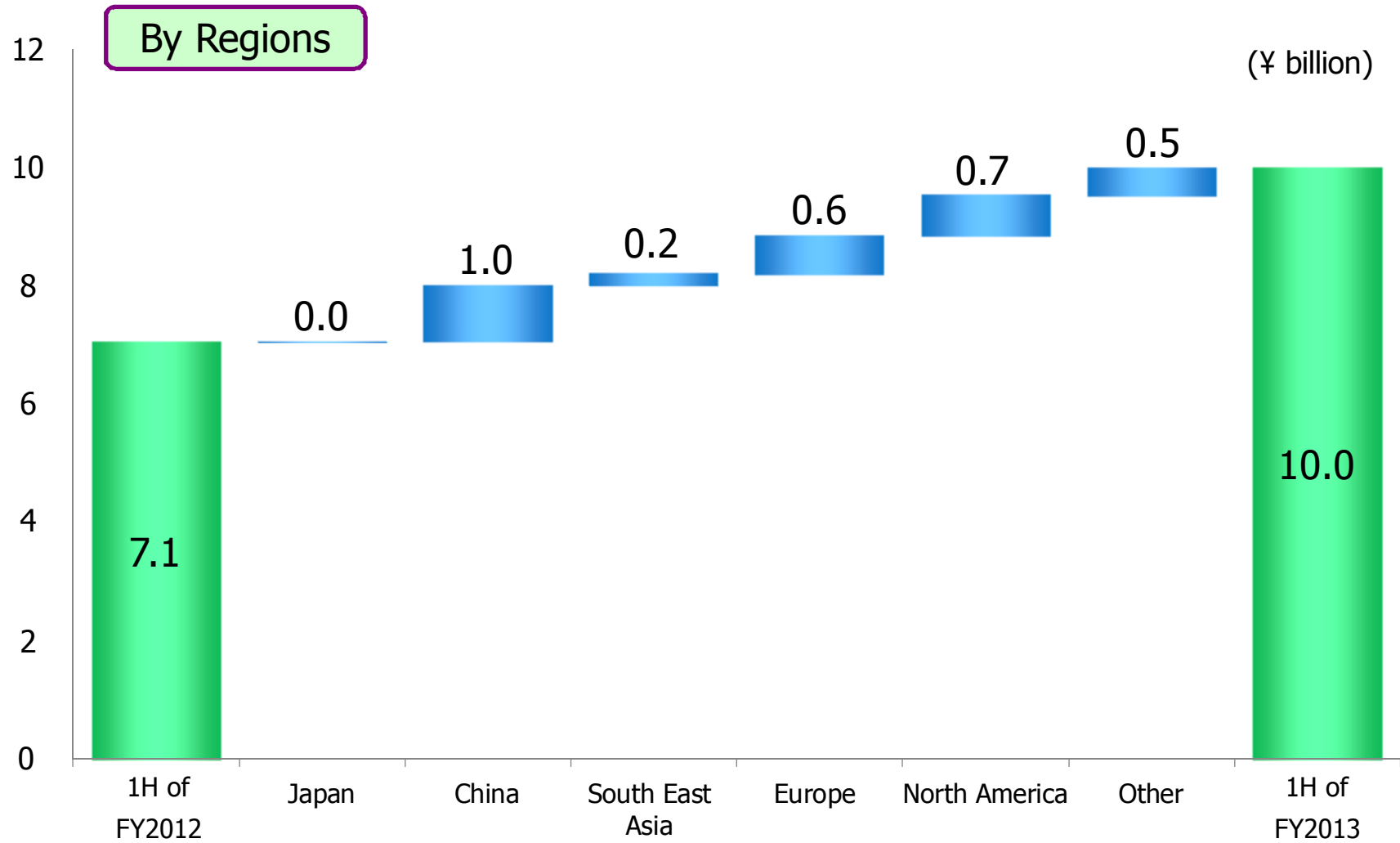
Consolidated Financial Performance for 1H of FY2013 *Our Precision, Your Advantage*



FOREX (Average)	FY2012 Actual	FY2013 Forecast (Aug.)	FY2013 Actual
JPY / USD	¥79.41	¥95.94	¥98.85
JPY / EUR	¥100.63	¥122.24	¥130.01

1. Financial Information

Analysis of Operating Income (1)

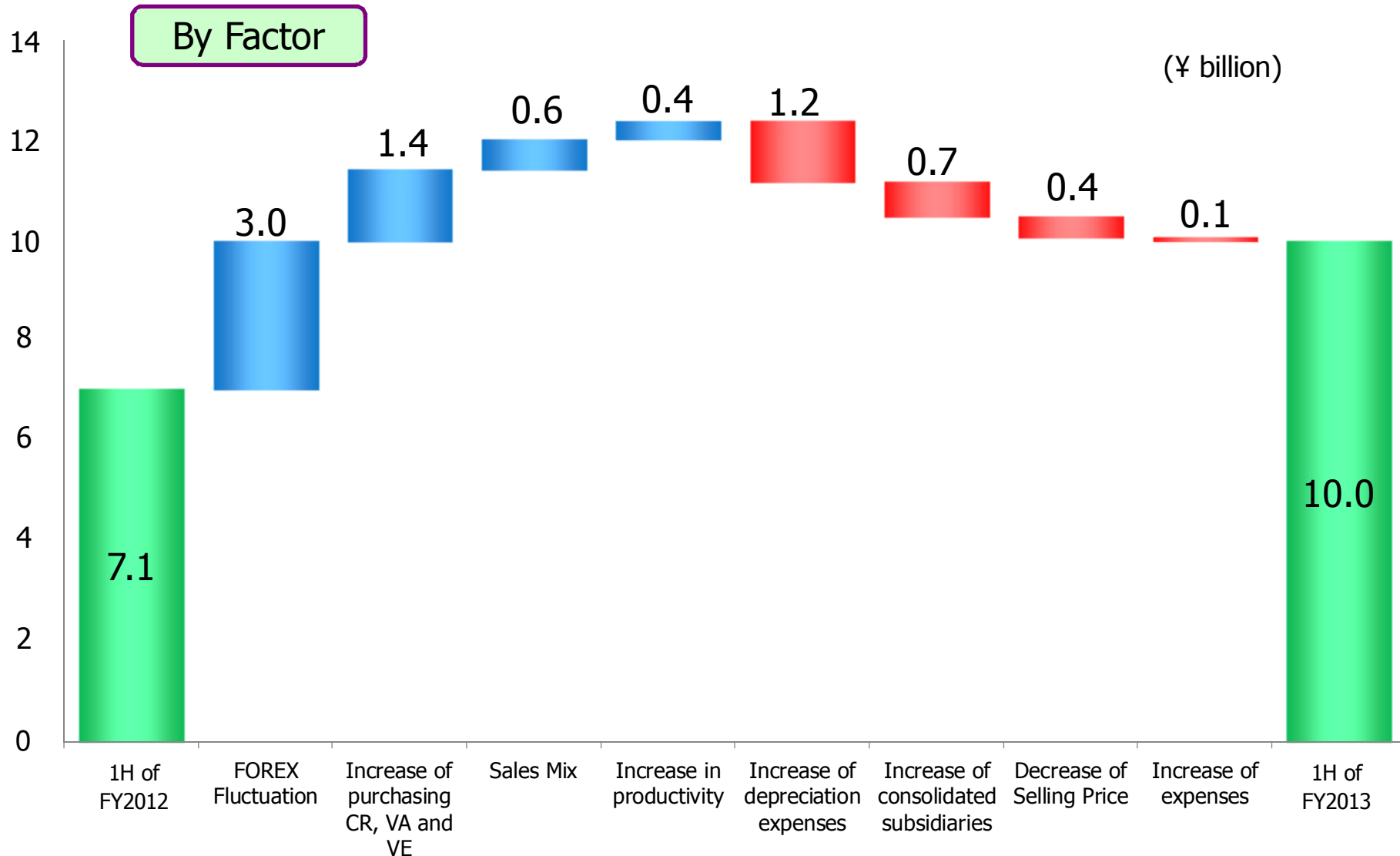


1. Financial Information

Analysis of Operating Income (2)



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1. Financial Information

- Consolidated Financial Forecast for FY2013

1. Financial Information

Consolidated Financial Forecast for FY2013



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(¥ billion)	FY2012	FY2013		Differences	
		Previous forecast	Forecast	Previous year	Previous forecast
Net sales	305.7	341.1	345.4	39.6	4.3
Operating income	10.4	18.0	18.7	8.2	0.7
Ordinary income	13.5	18.9	19.9	6.3	1.0
Net income	7.7	10.9	12.2	4.4	1.3

(¥)

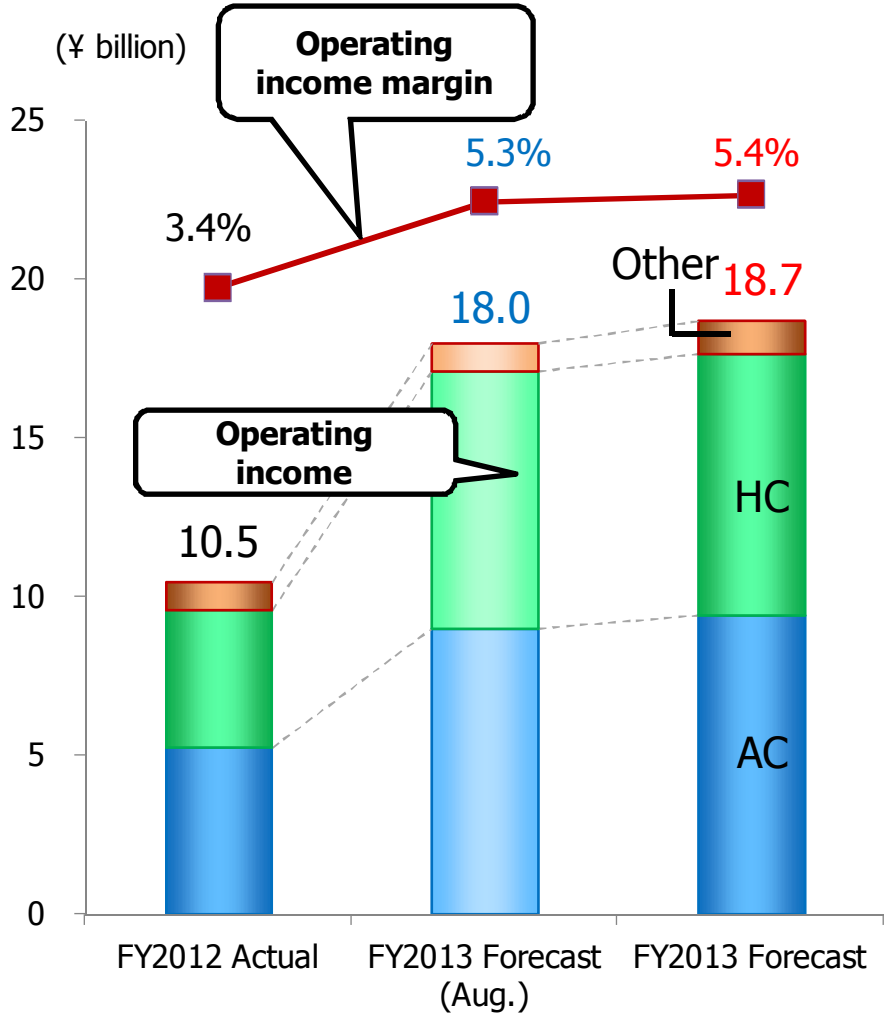
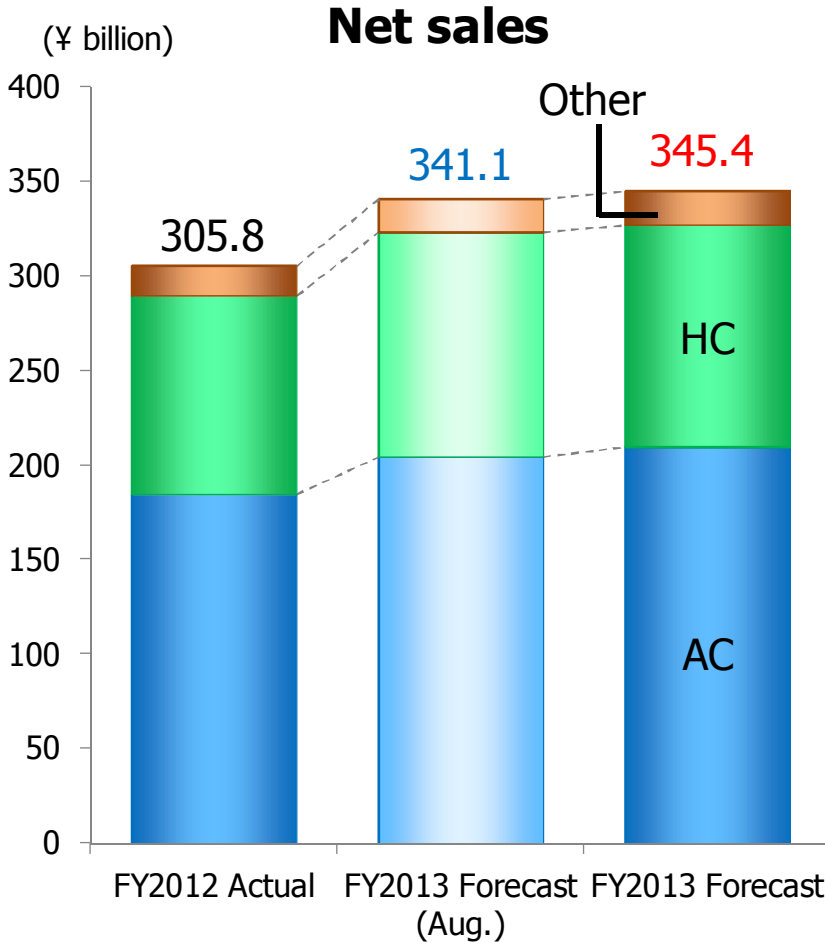
Net income per share	35.24	49.31	55.20	19.96	5.89
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1. Financial Information

Consolidated Financial Forecast for FY2013

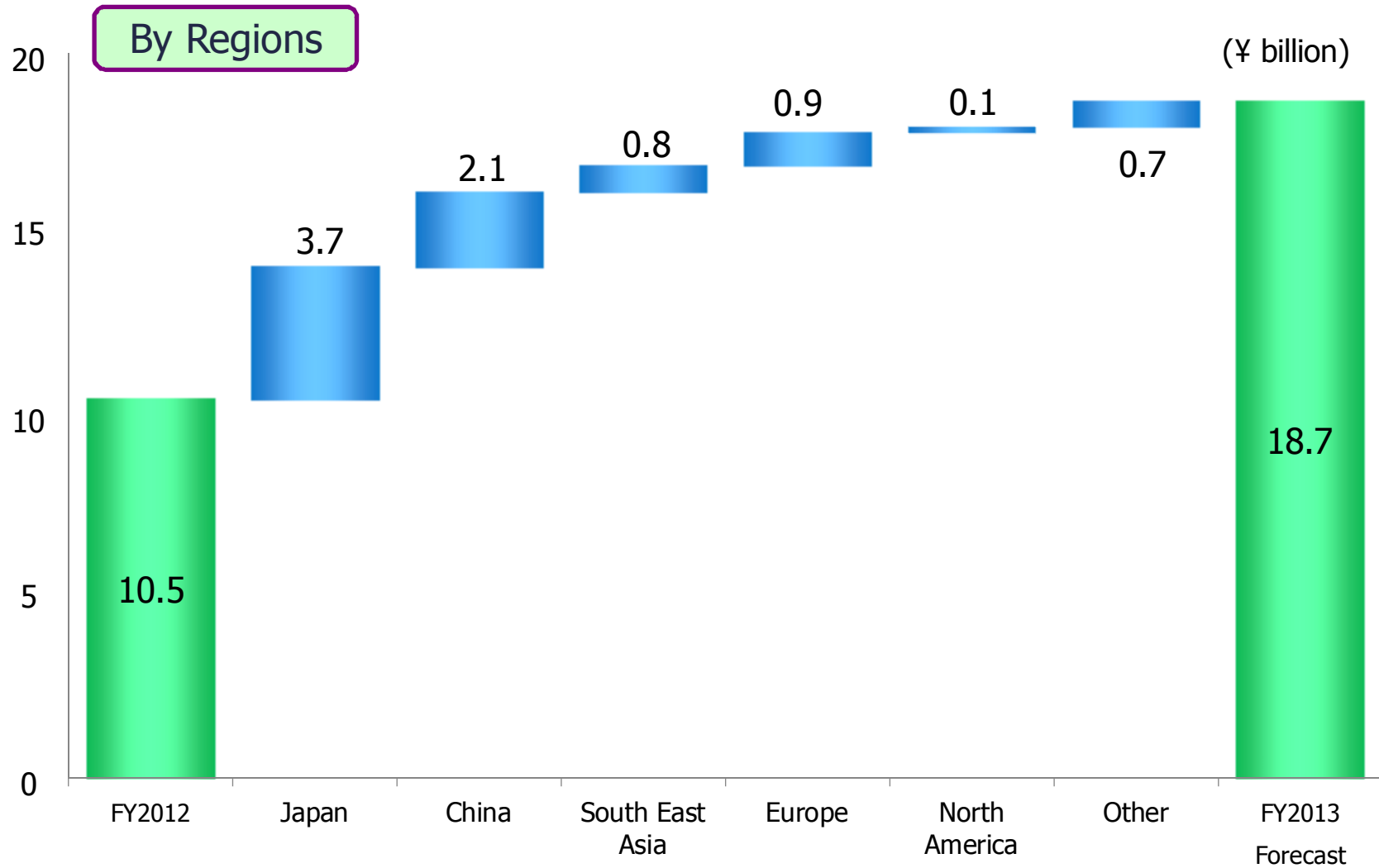


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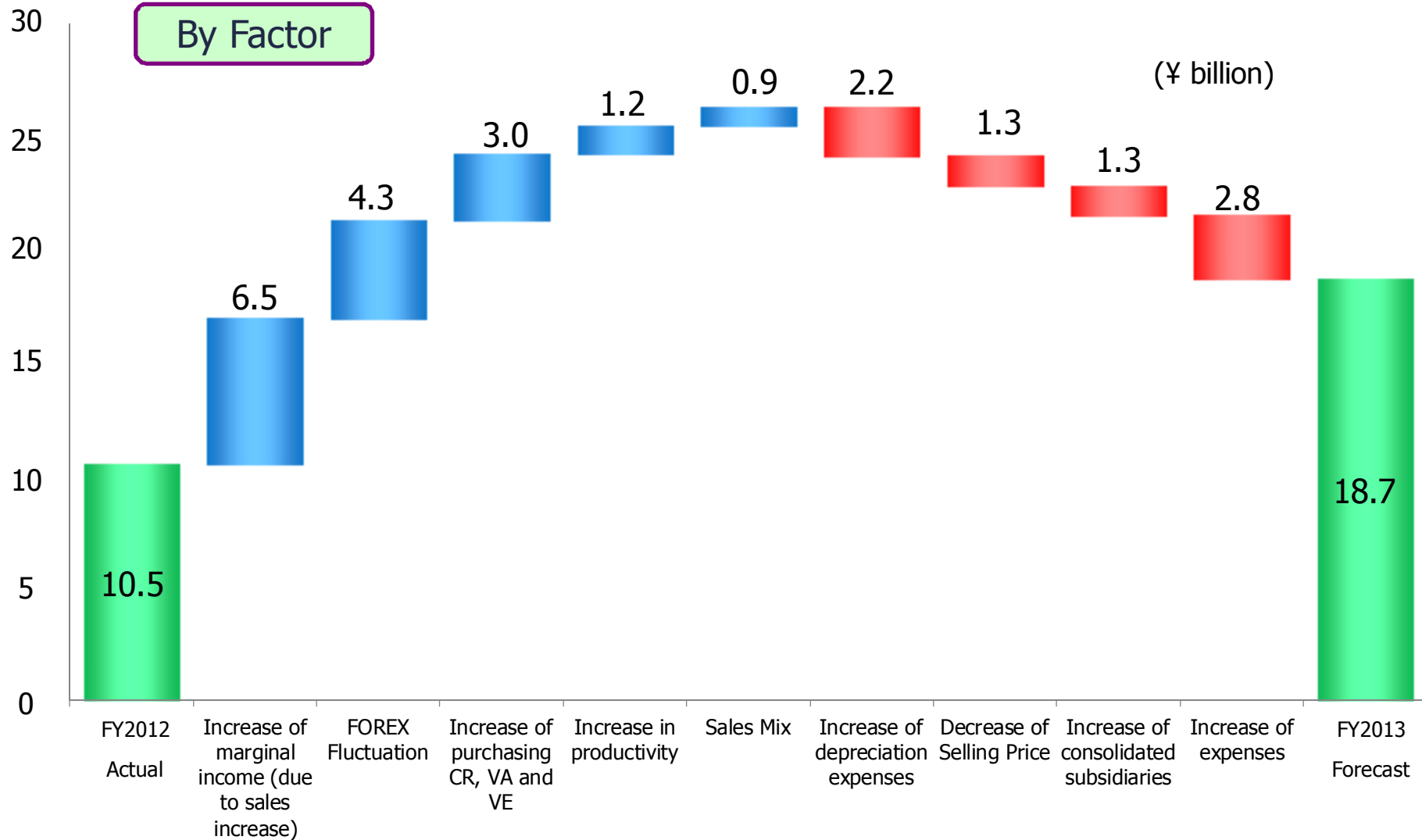
1. Financial Information

Analysis of Operating Income (1)



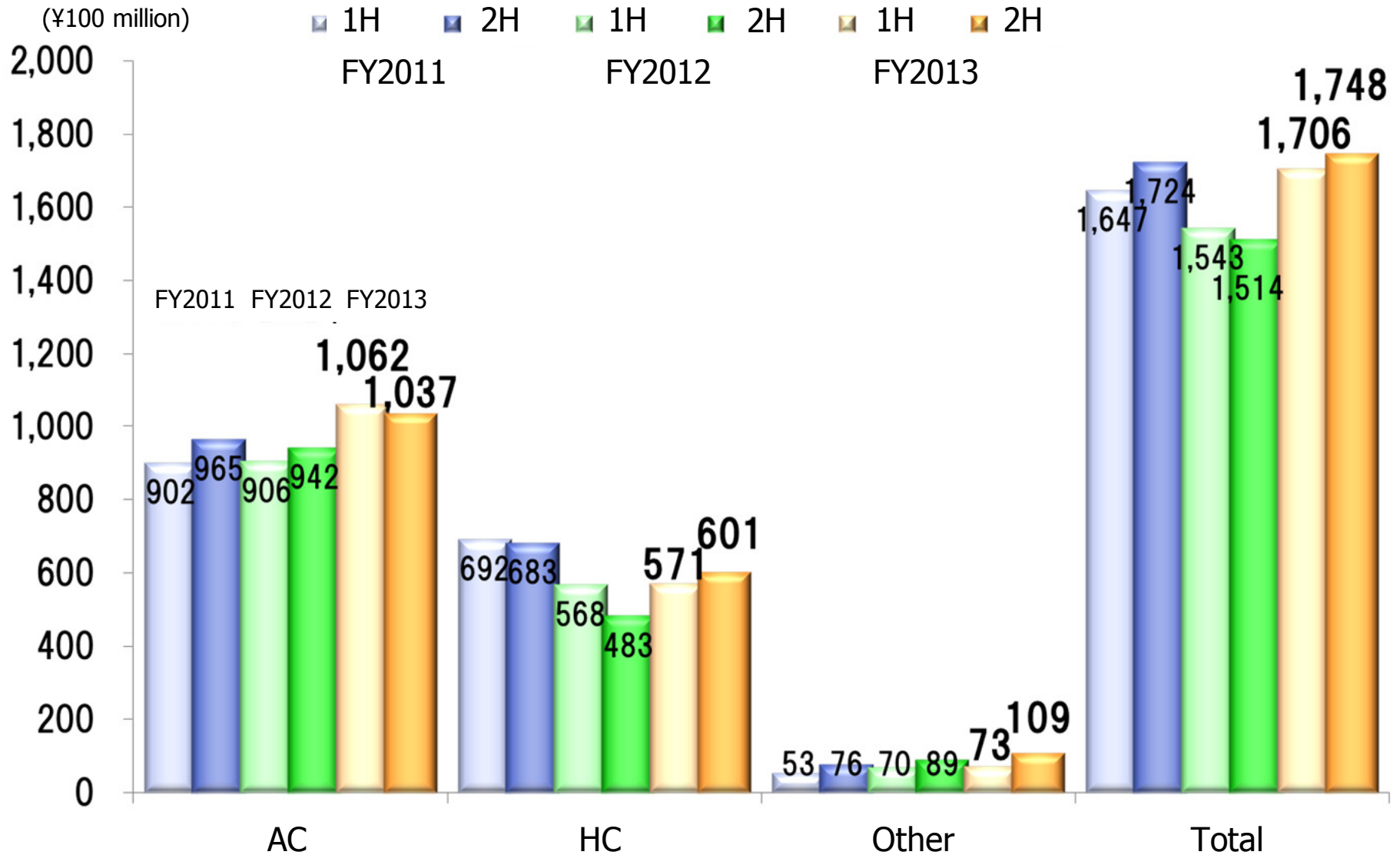
1. Financial Information

Analysis of Operating Income (2)



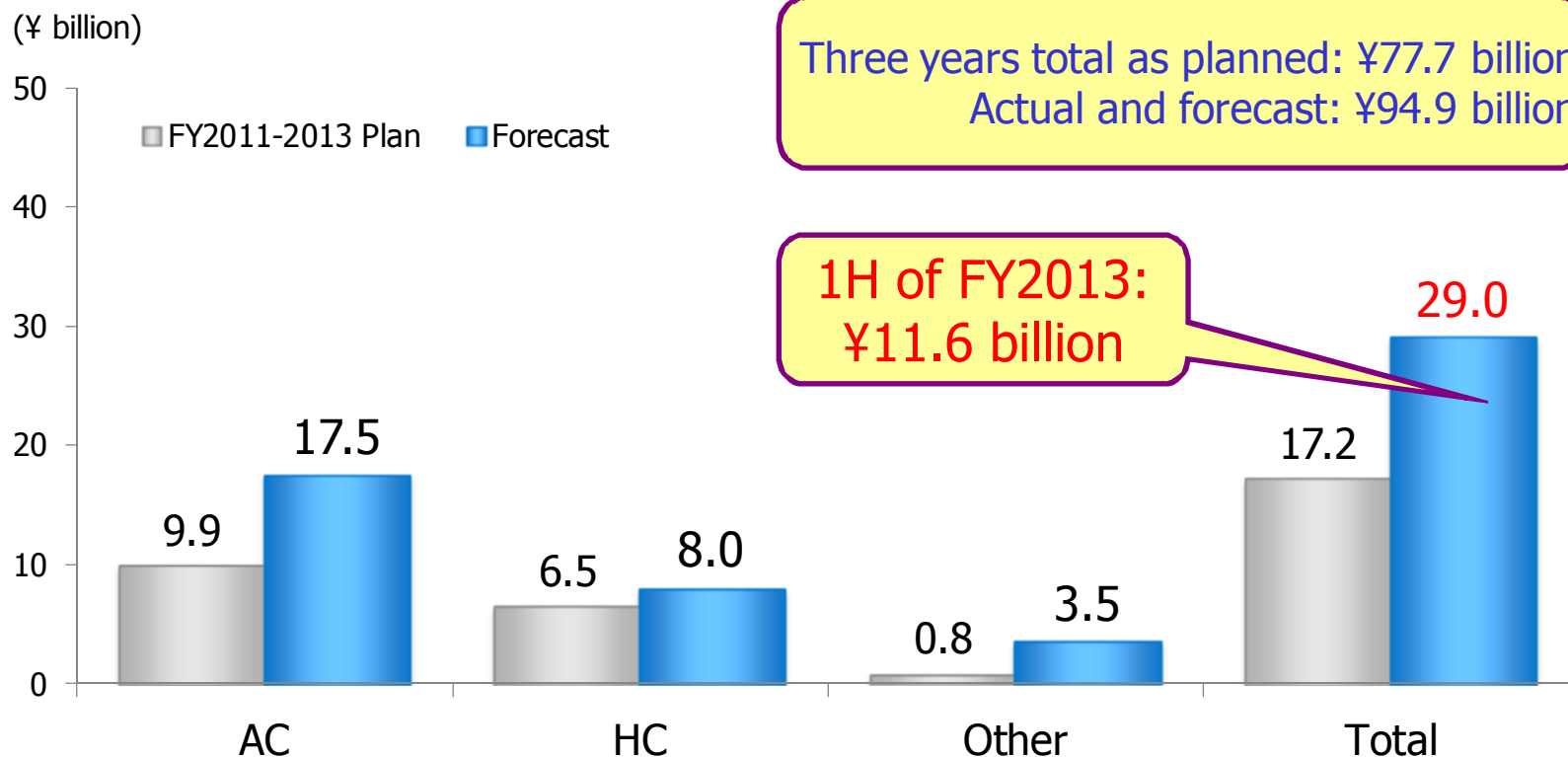
1. Financial Information

Segment Information



2. Capital Expenditure Plan Progress Report

2. FY2013 Capital Expenditures



Plan in FY2013

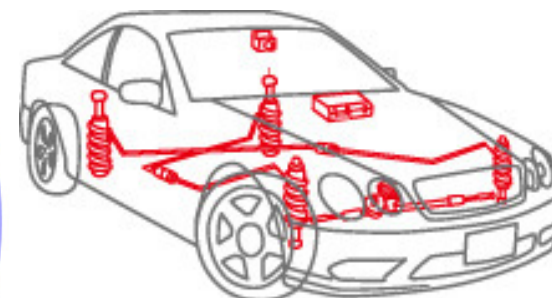
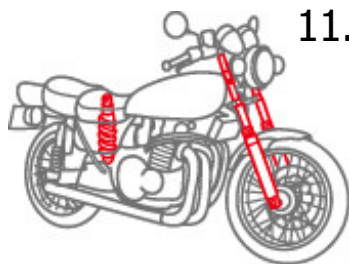
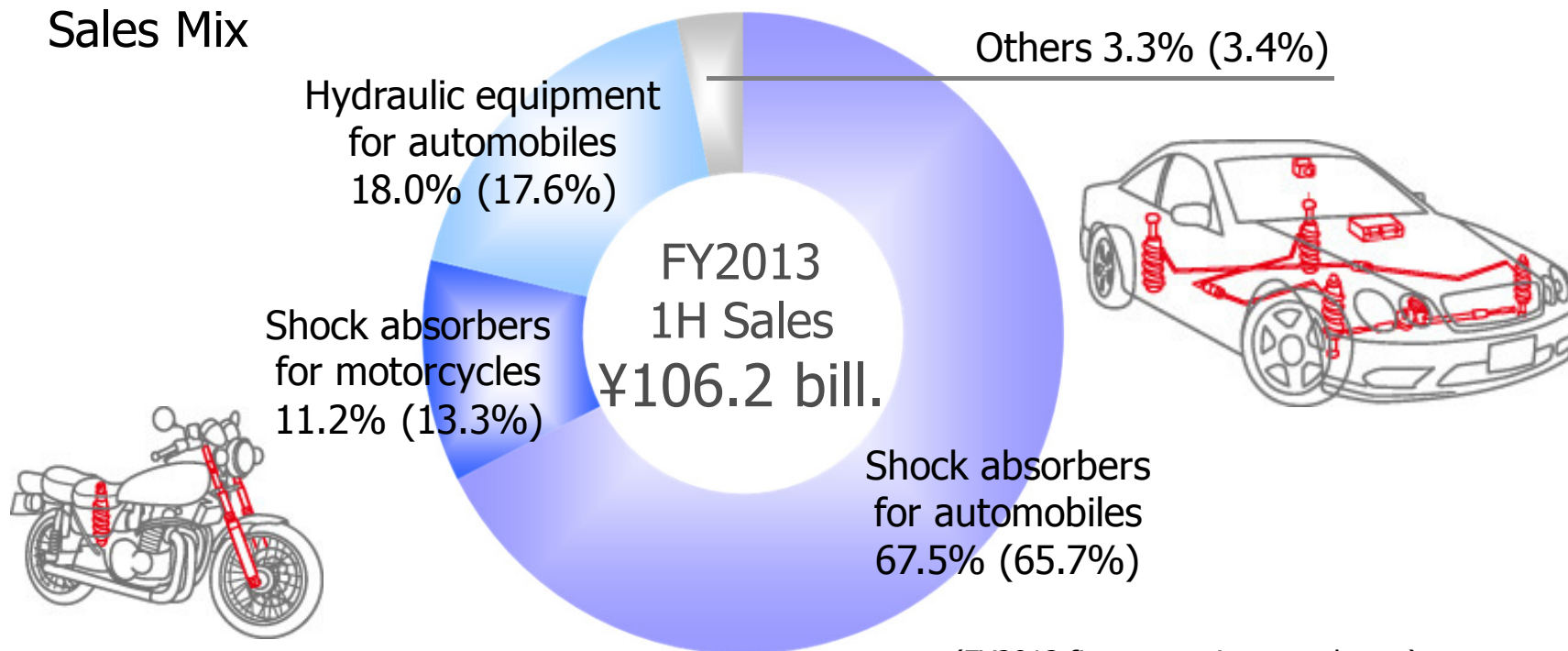
AC: Pumps for CVT (Mexico), Plant expansion (Czech Republic), Plant for springs for aftermarket (Czech Republic), Shock absorbers for motorcycles (India)

HC: Plant for Cylinders (Indonesia)

3. Status for Automotive Components Operations (AC)

3. AC Operations

Sales Mix



(FY2012 figures are in parentheses)

Main Products

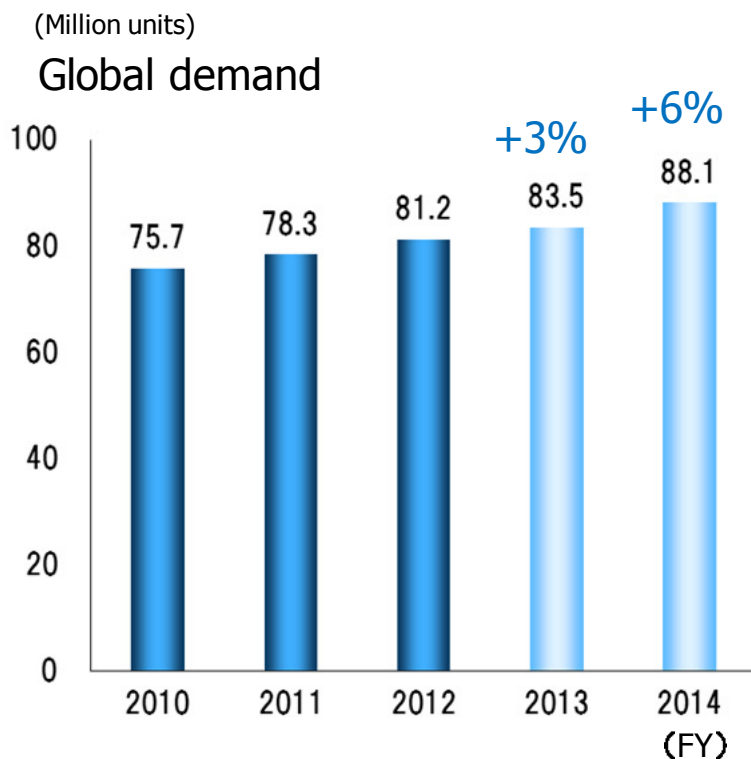
- Shock absorbers for automobiles: Shock absorbers (for OEM, aftermarket, genuine parts)
- Shock absorbers for motorcycles: Front fork, rear cushion unit
- Hydraulic equipment for automobiles: CVT (Continuously Variable Transmission), power steering (hydraulic, electric)
- Other products: Stay dampers, shock absorbers for ATV (All Terrain Vehicle)

3-1. Market Environment Automotive

Global Production Forecast, by Region

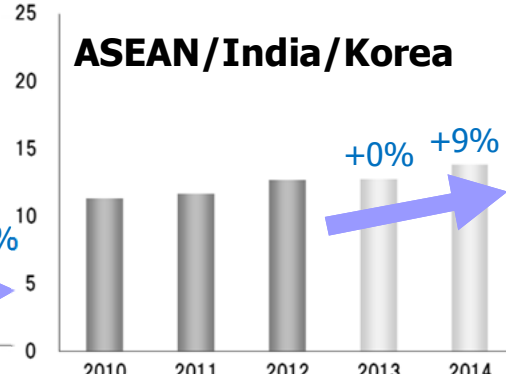
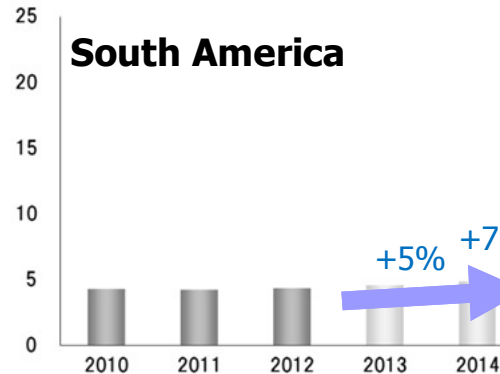
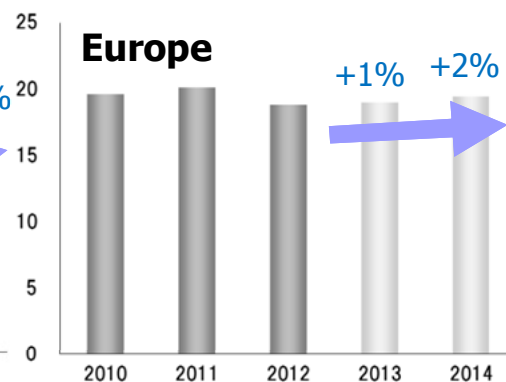
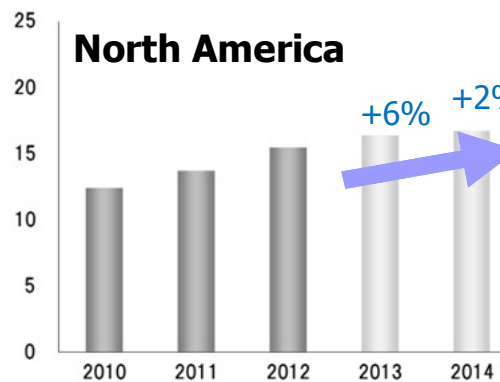
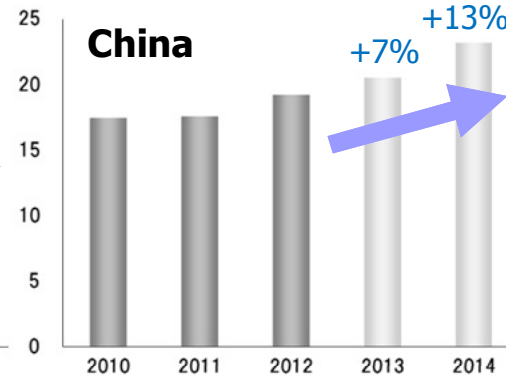
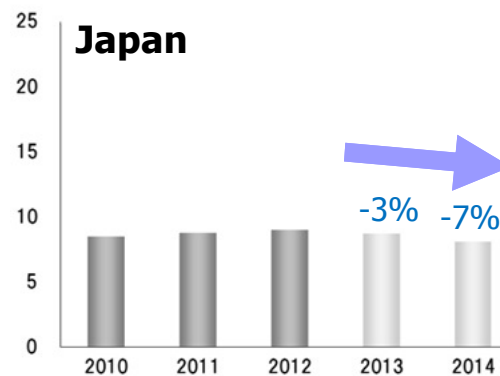


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Source: HIS (the end of Sept. 2013)

Global production volume increasing



3-2. Medium-term Plan Implementation Status

AC Operations



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**FY2011-2013
Plan**

1H of FY2013

2H of FY2013–

Strengthen R&D system	<ul style="list-style-type: none"> Constructed Developmental Experiment Center (Japan) Established of testing and evaluation infrastructure (US) 	<ul style="list-style-type: none"> Develop high-performance SA* (HARMOFREQ, IDC) and start customer presentations (Japan, Europe, US) LD campaign (determination of best specs) Use Yamaha joint venture to strengthen motorcycle development
Expand overseas sales of OEM	<ul style="list-style-type: none"> Measures to increase sales to non-Japanese customers, presentations using vehicles to European and American customers using the test course 	<ul style="list-style-type: none"> Continue activities to raise sales to non-Japanese customers Use unified development/sales activities to increase sales to European customers Start deliveries to Hyundai (Brazil)
Double aftermarket sales of shock absorbers (SA)	<ul style="list-style-type: none"> Increased overseas output of aftermarket SA (Brazil, China, US) Started full-scale operations of the Russian sales company 	<ul style="list-style-type: none"> Establish production/supply framework for aftermarket SA (Brazil, China, US) Strengthen sales activities in the Far East (Russia)
Prepare organized systems for manufacturing of CVT pumps	<p>Start of production in Thailand</p>	<ul style="list-style-type: none"> Establish optimum CVT supply framework, complete construction of new plant (Mexico)

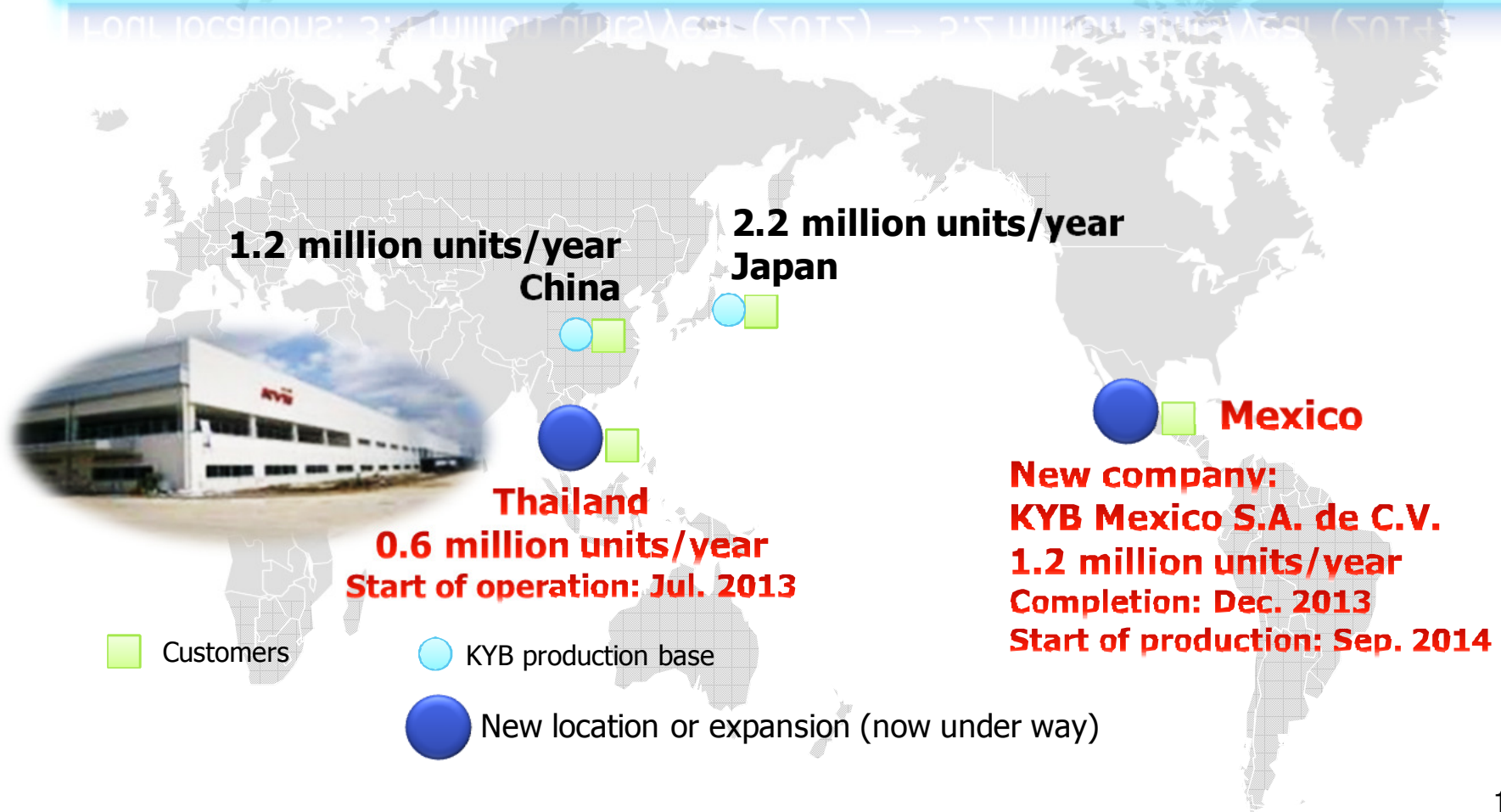
Medium-term goal
 Making profits in global markets

*SA: Shock absorbers

Global Production Infrastructure for CVT Pumps

Establish a global supply network that can meet customers' needs

Four locations: 3.4 million units/year (2012) → 5.2 million units/year (2014)

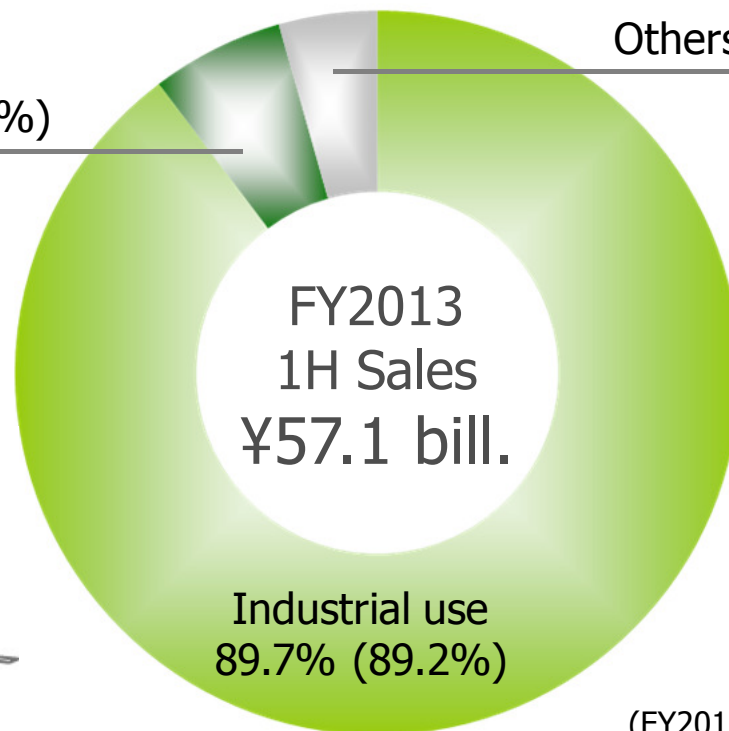
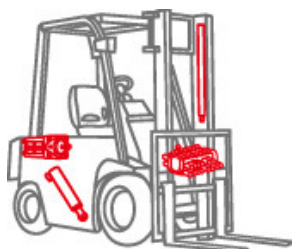
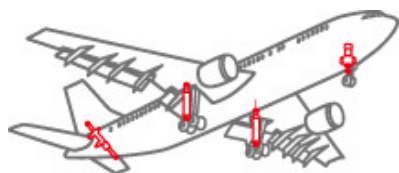


4. Status for Hydraulic Components Operations (HC)

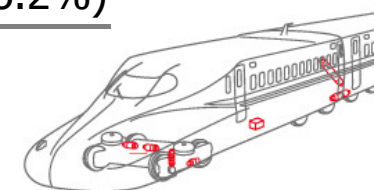
4. HC Operations

Sales Mix

Aircraft 5.9% (5.6%)



Others 4.4% (5.2%)



Industrial use
89.7% (89.2%)

(FY2012 figures are in parentheses)

Main Products

Industrial use: Cylinders, traveling motors, swing motors, control valves, pumps (for construction machinery, forklifts, agricultural machines)

Aircraft: Actuators, wheels and brake assembly

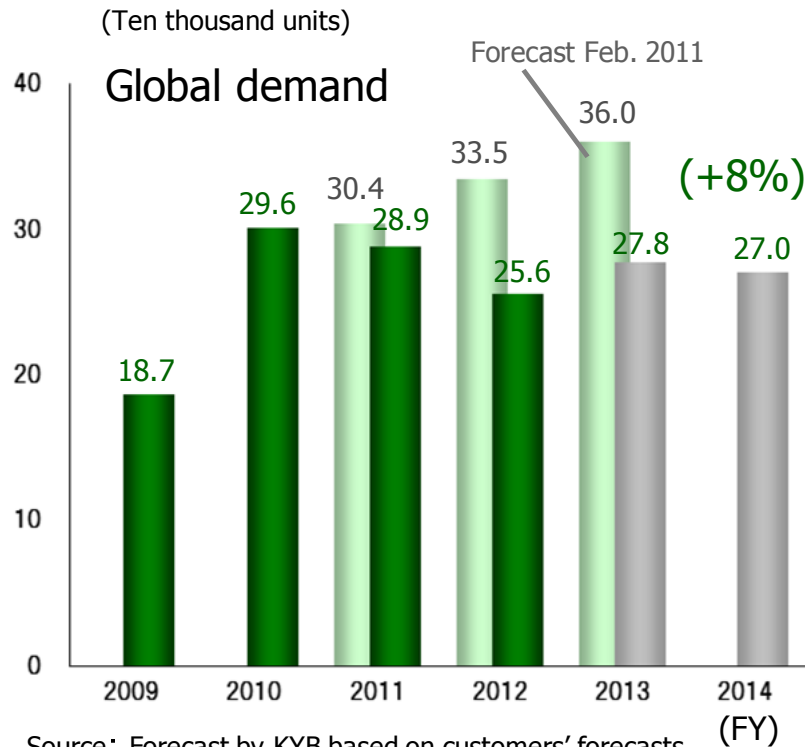
Others: Oil dampers for railway vehicles, semi-active suspension systems for bullet trains

4-1. Market Environment Hydraulic excavators of more than 6 tons



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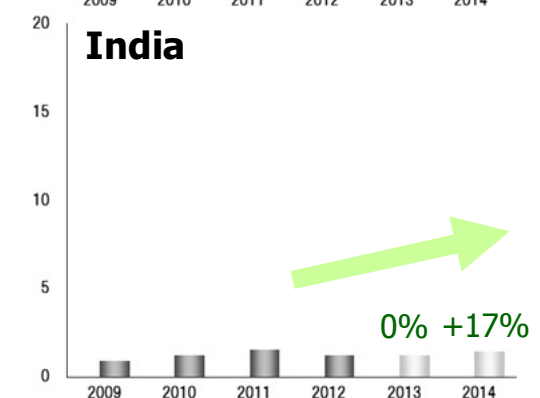
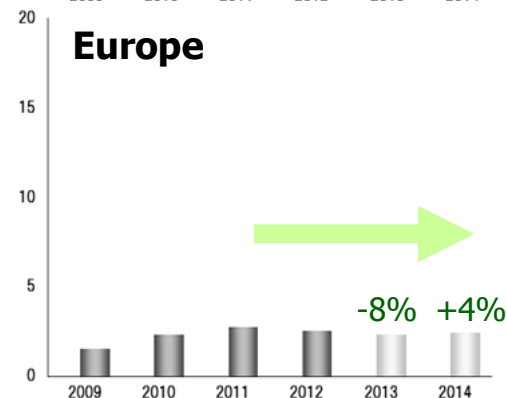
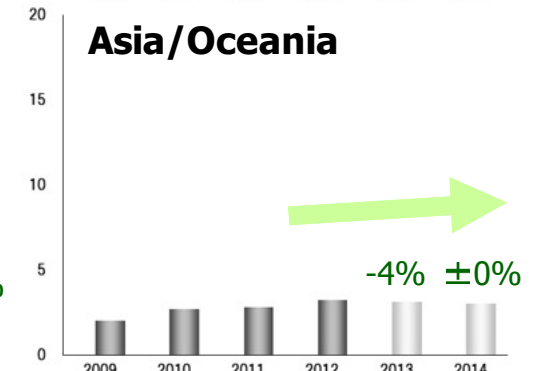
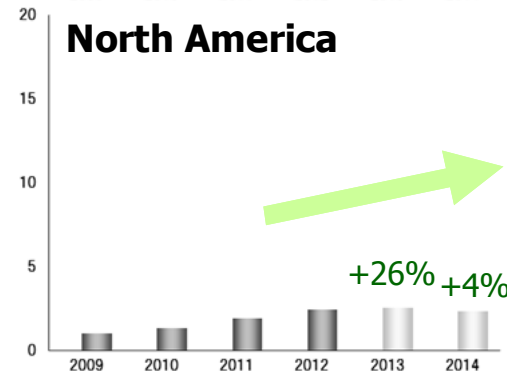
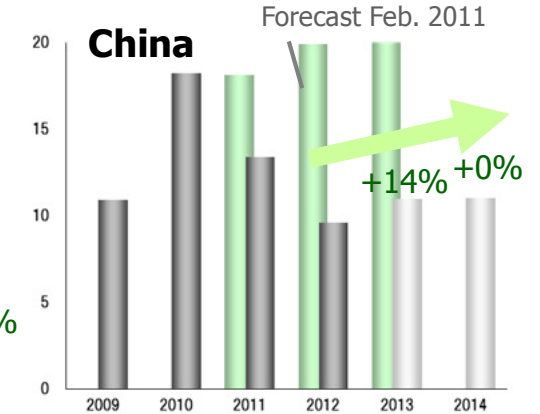
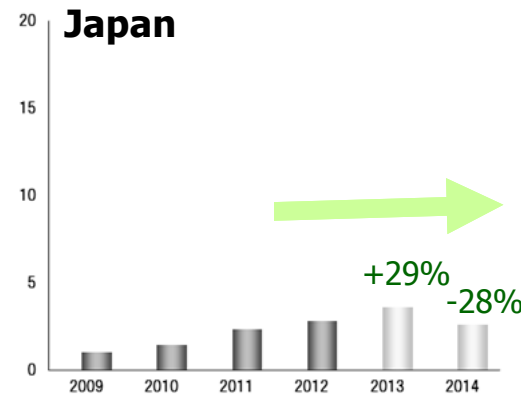
Global Production Forecast, by Region



Actual
 As of instituted Medium-term plan
 Forecast Oct. 2013

Slowly recovering after bottoming out in 2012 (greatly influenced by China)

In Japan, higher due to earthquake recovery-related demand and rush to buy before new emission restriction and consumption tax hike



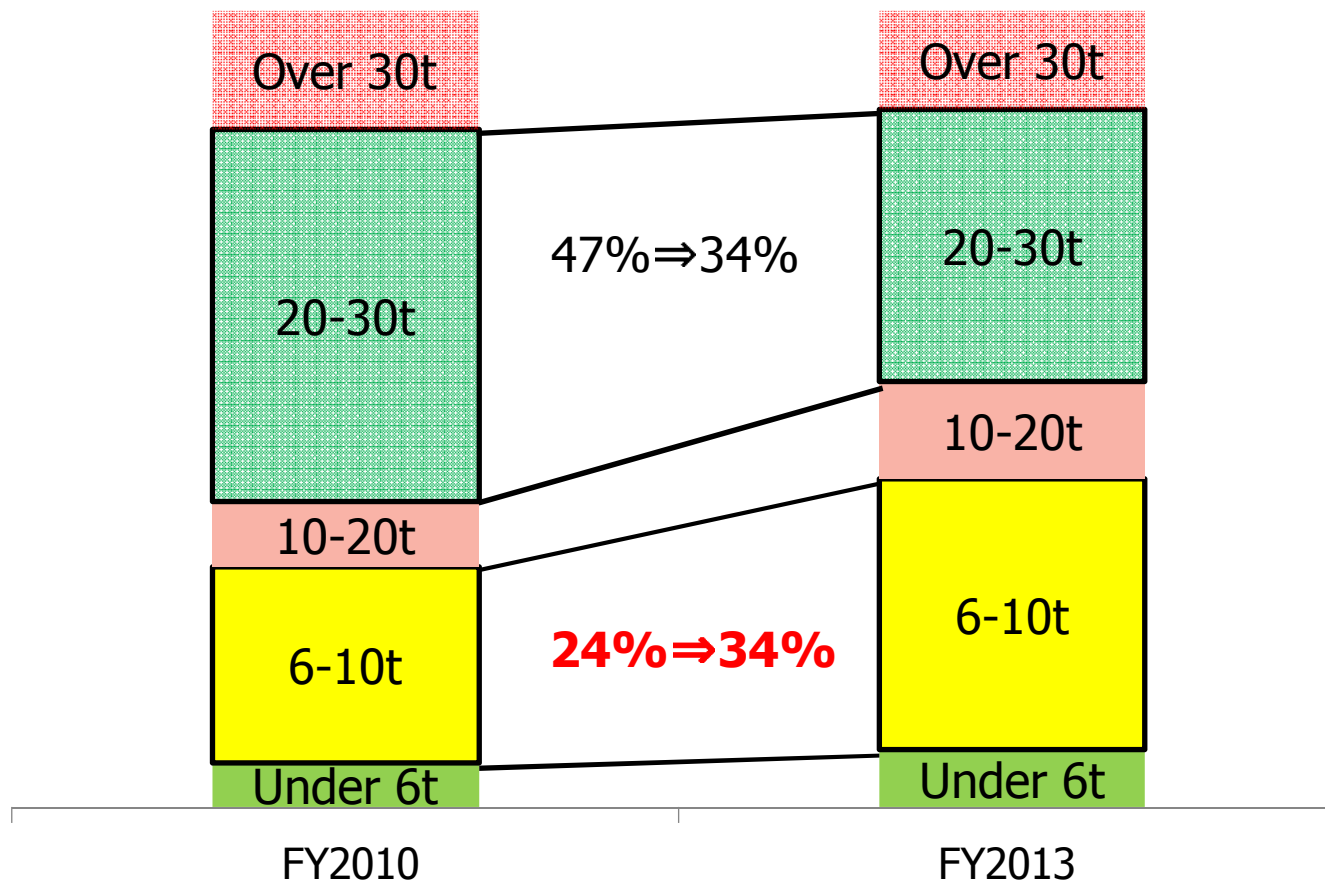
4-1. Market Environment Hydraulic excavators of more than 6 tons

Chinese Market



Our Precision, Your Advantage

Market share of small-size excavators (6-10 tons) is increasing in China



Source: Forecast by KYB based on customers' forecasts

4-2. Medium-term Plan Implementation Status

HC Operations



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**FY2011-2013
Plan**



Establish Production System

Increase production capacity of control valves for mid-size excavators	KYB-CADAC new plant Started production	Self manufacture of heat treatment process for spool at Sagami Plant
Increase production capacity of cylinders for mini excavators	KYB-YS new plant	Innovative production line with global cost competitiveness, Start of production
Cylinders for mid-size excavators New plant in ASEAN	Purchased land for plant in Indonesia	Started construction of new plant in Indonesia
Production system for traveling and swing motor for small-size excavators	Considering manufacturing in China	Establish capability in China for production of small-size excavator travel and swing motors

Medium-term goal
 Complete a manufacturing network that can cope with global demand.

4-2. Medium-term Plan Implementation Status

HC Operations



KYB-CADAC (Nagano pref.)

New casting plant for control valves
(Start of production: Sept. 2013)



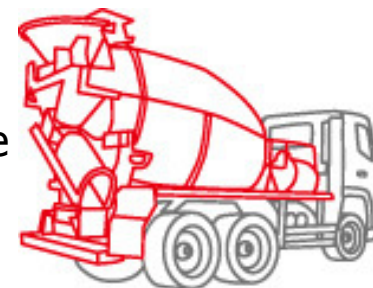
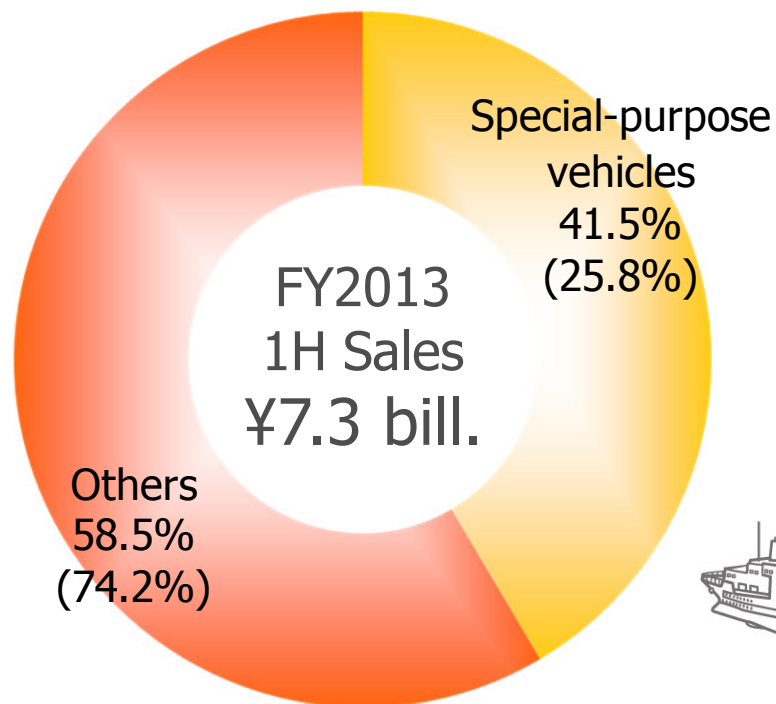
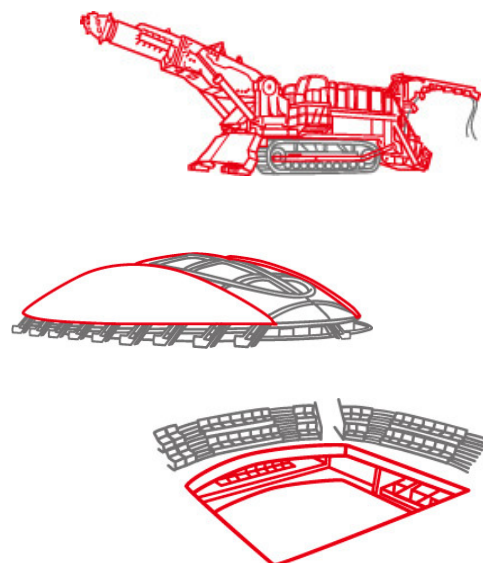
KYB-YS (Nagano pref.)

New plant with innovative production
line of cylinders for mini excavators
(Start of production: Feb. 2014)

5. Status for Other Business Operations

5. Other Business Operation

Sales Mix



Main Products

(FY2012 figures are in parentheses)

Special-purpose vehicles: Concrete mixer trucks

Others: Seismic & vibration control systems, Theater equipment, Building and structural equipment, Rock tunneling equipment, Marine equipment, Simulated conditions testing, Environmentally-friendly equipment, Electronic components

5-1. Other Business Operation

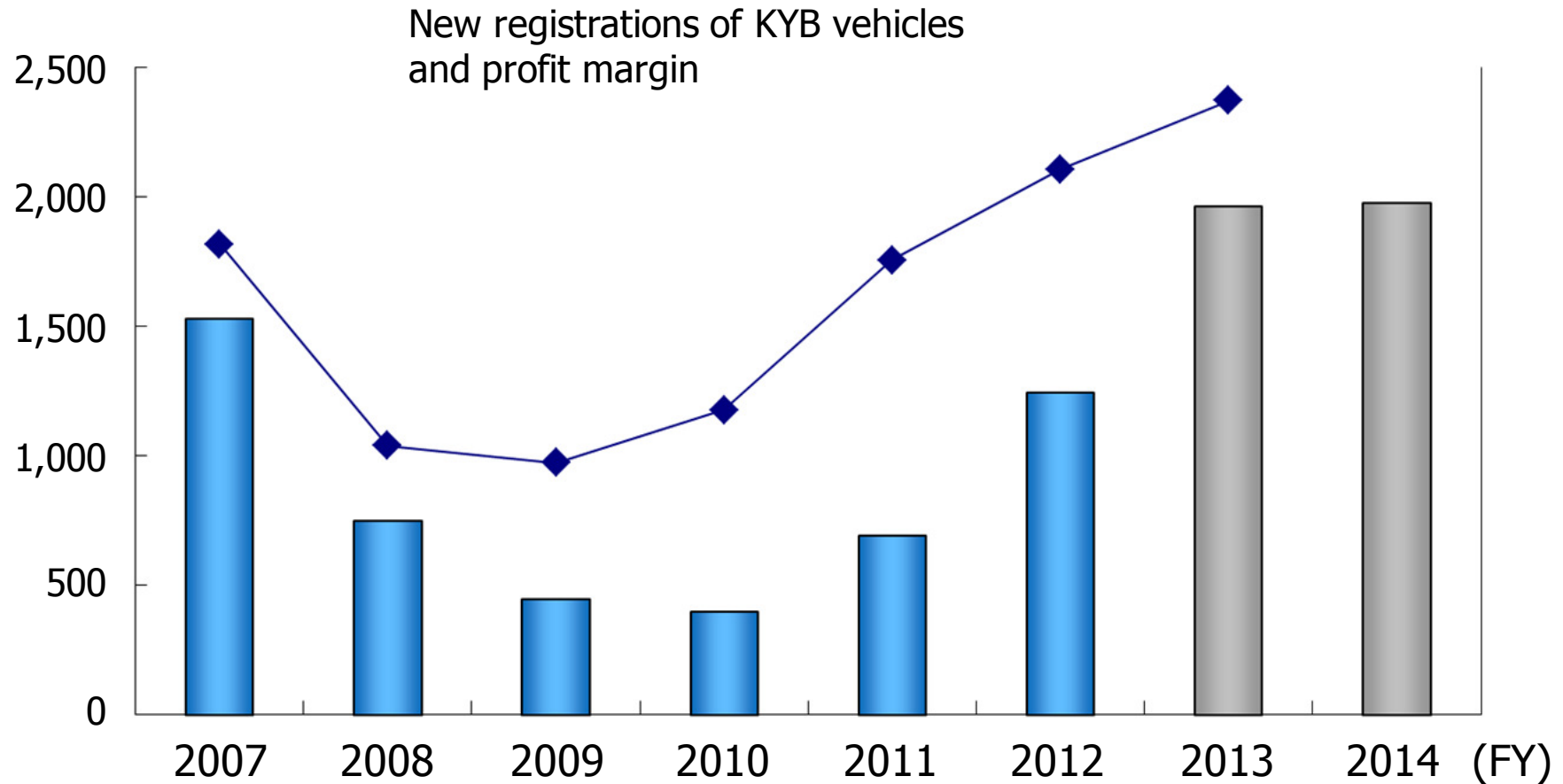
Special-Purpose Vehicle Operations: Concrete Mixer Trucks



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Japan: Consistent demand from earthquake recovery and equipment replacement

Production capacity: From 6.1/Day (2H of FY2012) to **8/Day** (current)



5-1. Other Business Operation

Special-Purpose Vehicle Operations: Concrete Mixer Trucks



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India: Investment in Conmat Systems Pvt. Ltd. (Gujarat)

Start production in August 2013

Increase sales to current Conmat customers and new customers

Production volume: 450 in FY2014; 2,000 in FY2020



5-2. Other Business Operation

Kayaba System Machinery: Seismic & Vibration Dampers



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Proved effectiveness of seismic & vibration dampers during the long-period vibration of the Great East Japan Earthquake
Establish production system corresponding to demand increase
Production capacity : From 200 units/month to 350 units/month
[Completion: Dec. 2013]



Tokyo selected to host the 2020 Summer Olympics



More demand expected for seismic & vibration dampers due to increase in construction activity

6. Product Development and *Monozukuri* (Manufacturing Expertise)

6-1. Upgrade Development/Evaluation and *Monozukuri* Expertise

Product Development



R&D base

KYB Trondule
No. 2 Plant at Niigata pref.
(Completed in Oct. 2012)



Production
base

Enhance electronics technology and
manufacturing expertise

Auto, excavator, railway ECU, GPS terminals



Machine Tools Center
(Established Oct. 2011)
Production Technology R&D / Machine
Tools Center Building at Gifu pref.
(Completed Apr. 2013)

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



Development & Experiment Center
at Gifu pref.

Utilize test course

Enable product evaluation with custom

6-2. Strengthen Electronics Technologies

The Future of Hydraulics + Electronics



No. 2 Plant, KYB Trondule

Development and Design
Electronics Technology Center

Production
KYB Trondule



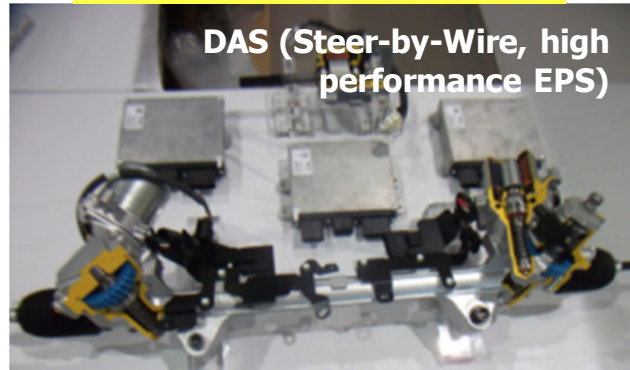
Start manufacturing Electronic Control Units (ECU) for high performance Electric Power Steering (EPS) systems in April 2013 at No. 2 Plant.

Three domains

On-board electrical components (ECU)

Network peripheral devices (GPS and communication devices)

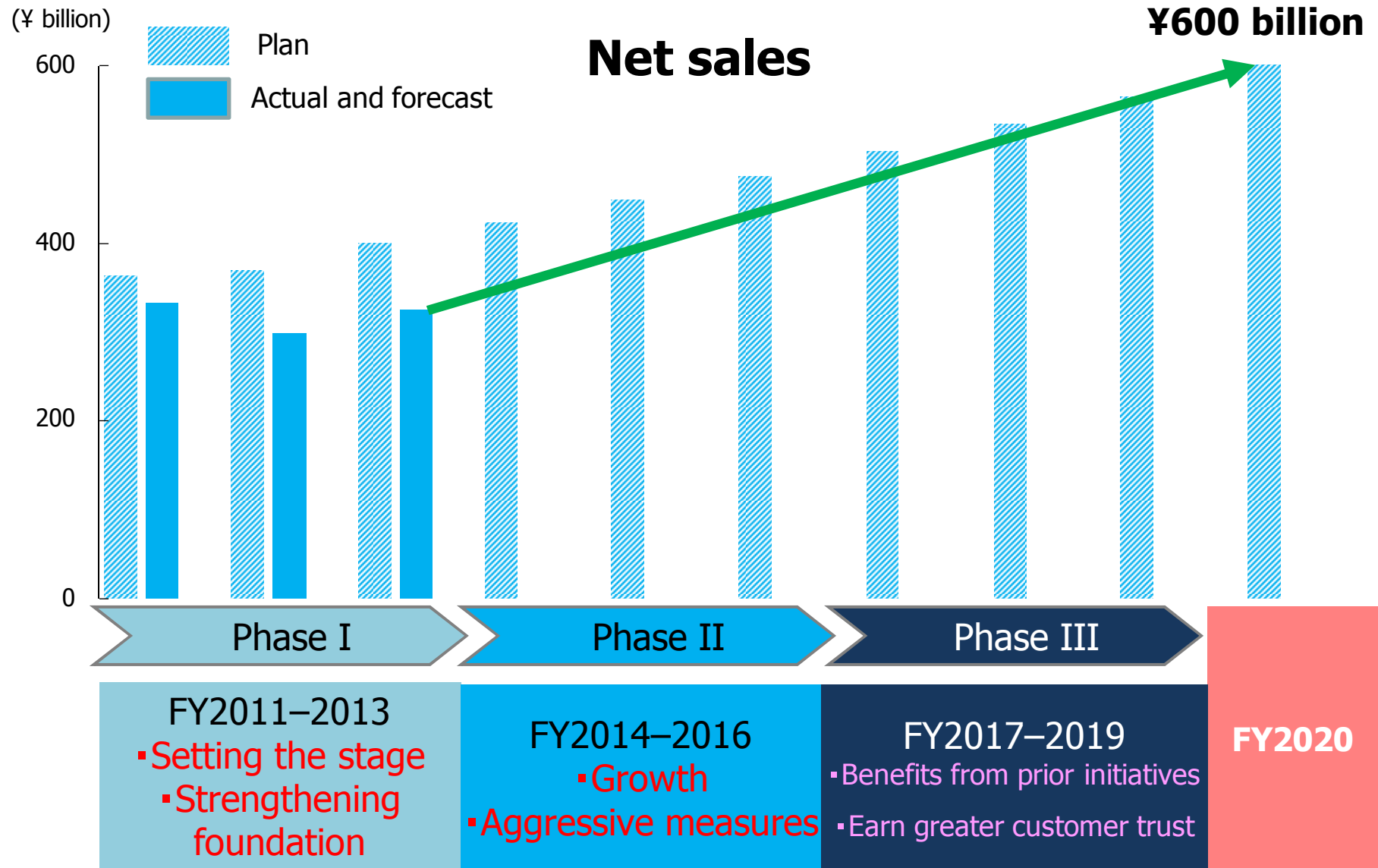
Enter new product categories



DAS (Steer-by-Wire, high performance EPS)

7.7. Moving towards the Next Medium-term Plan (FY2014–2016)

7-1. Moving towards the Next Medium-term Plan



7-2. Moving towards the Next Medium-term Plan



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 medium-term plan

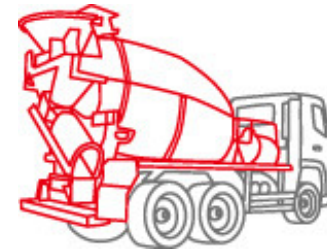
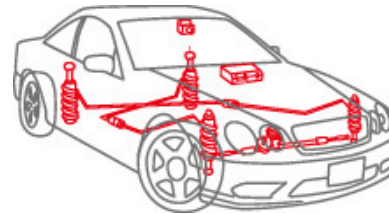
Optimize global management

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	<ul style="list-style-type: none"> Recruit and train people with global skills Utilize the diversity of the workforce 	<p>[Ideal Image]</p> <p>Serve as a trusted supplier to leading customers around the globe</p>
	Technology & Product Development	<p>Strengthen global R&D (Japan, Europe, N. America, China, ASEAN)</p> <ul style="list-style-type: none"> Develop electronic components Electric hydraulic energy-saving systems for construction machinery 	
	<i>Monozukuri</i> (Manufacturing Expertise)	<ul style="list-style-type: none"> Increase overseas procurement Increase emerging country production of major products <p>Use LT50 overseas and enact logistics reforms</p>	
	Management	<p>Regional HQ</p> <ul style="list-style-type: none"> Establish a framework for global management Establish more aftermarket SA sales bases (Russia, Turkey, etc.) 	

In Phase 2 (the next medium-term plan, to be announced in May 2014), the KYB Group will leverage all its strengths to take **aggressive measures** for achieving global **growth** in order to reach the 2020 goals.

Thank you





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Cautionary Statement

This report contains forward-looking statements, including KYB's plans and strategies, as well as statements that report historical results. Forward-looking statements involve such known and unknown risks and uncertainties as economic conditions; currency exchange rates; laws, regulations, and government policies; and political instability in principal markets.