Annual Report 2012 Year Ended March 31, 2012

Automotive Components • Shock Absorber (SA), High Performance Single Cylinder Shock Absorbers, Semi-Active Air Suspensions, Adjustable Shock Absorbers, Power Steering System, Electric Power Steering (EPS), Vane Pump for CVT Hydraulic System, Electronic Control Unit, Power Assisted Steering Control Unit, Solenoid, Sensors, Noise Resistant Pressure Sensors : **Motorcycle Components** • Suspension, Shock Absorbers for ATVs, Shock Absorbers for Snowmobiles : **Construction Machinery, Industrial Vehicles, Agricultural Machinery** • Hydraulic Pumps, Hydraulic Motors, Hydraulic Cylinders, Hydraulic Valves, Integrated HST (Pump + Motor), Control Units for Forklift Trucks : **Railroad Equipment** • Semi-active Suspension Systems for Bullet Train (Shinkansen), Caliper Brakes with Tread Cleaning Systems, Oil Dampers for Railroad Vehicles, Inter-car Yaw Dampers, Controllers for Semi-active Suspension Systems for Bullet Train (Shinkansen) : **Industrial Machinery** • Hydraulic Linear Actuators, Mini-buffer, Gas Springs/Free Lock Type, Buffers of Various Types, Multiple Electromagnetic Valves, Proportional Electromagnetic Pressure and Flow Control Valves, Position Control Solenoid Valves : **Building, Civil Engineering, and Stage Equipment** • Movable Roof Open/Close Systems, Measurement and Compensation Systems for Uneven Sinking of Structure, Stage Mechanisms, Movable Floors Rearranging Viewers Seats, Boom Headers (Hydraulic Tunnel Borers), Vibration Control Devices, Oil Dampers for Earthquakes, Housing Basic Isolation Systems : **Testers** • High Precision Leak Testers, Portable Fatigue Testers, Gate Type Fatigue Testers, Torsional Fatigue Testers, Internal Pressure Fatigue Testers, Shock Absorbers Testers, Noise Check Systems, Road Simulators for Automobiles, Road Simulators for Motorcycles, Simulators for Research and Training : **Aircraft Components** • Servo Actuators, Actuators, Light Weight Accumulators, Steering Actuators, Flight Control Actuators, Tail Skid Actuators, Wheel Brakes, Reservoir Modules, Reservoirs for Space Rockets : **Special-Purpose Vehicles** • e Mixer, Concrete Mixer Trucks, Granule Carriers, Inclined Mixers, Portable Retractable Large Audience Screen Display, Lift Bucket for Noise Abatement Wall Inspection, Chipping Vehicle for Pruned Branches, Vehicle for Shredding Sensitive Documents : **Marine Components** • Cable Handling Systems, Hejacules (Self Propelled Hydraulic Jack), Conveyers for Laser Cutting, Hydraulic Block Lifters : **Environment, Welfare, and Disaster Prevention** • Self-Propelled Waste Checker Conveyers, Earthquake Simulator Trucks, Biomixers (Rotating Drum High Speed Fermentation Equipment), Shock Absorbers for Chair Skis, Vehicle Kneeling Down Systems, Solar Projectors

KYB

Our Precision, Your Advantage

Automobiles and motorcycles must deliver the best possible riding comfort and handling stability. Shock absorbers, power steering systems, and other KYB products incorporate advanced technologies cultivated by rigorous testing under punishing conditions. Their performance plays a critical role in delivering drivability that can satisfy all drivers.

KYB's vibration control technologies help improve comfort and safety in applications ranging from railroad car shock absorbers to seismic damping systems for buildings.

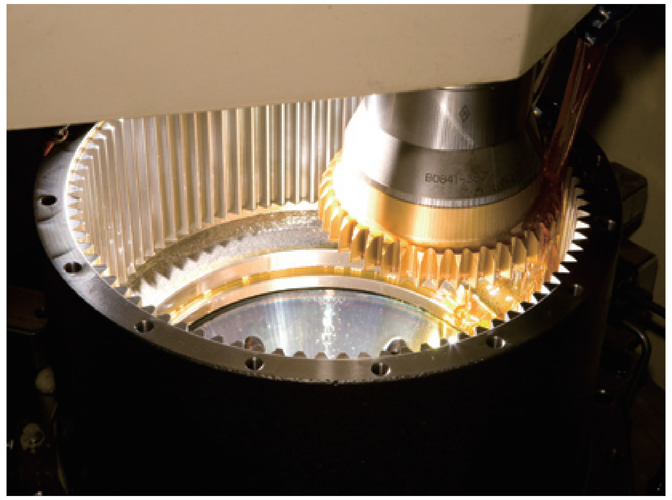
Hydraulic shock absorbers for the utmost in comfort and handling stability

Profile

The KYB Group, which has no affiliation with any other corporate group, uses its core expertise in hydraulic technology to supply a variety of products and technologies to manufacturers of automobiles, construction machinery, aircraft, railway cars, and many other products.

KYB's hydraulic devices are vital to the operation of construction machinery, agricultural machinery, industrial equipment, and even railroad cars and aircraft, which demand the highest levels of reliability.
All of our hydraulic devices proudly represent KYB's expertise in power control and precision processing.
By supplying these devices, KYB contributes to social progress and an infrastructure that allows people to lead their lives in safety and comfort.

Hydraulic devices for a broad range of requirements



Management Vision

Human Resources Development:
To cultivate the talent to achieve objectives with a thorough understanding of principles and strategy.

Technology and Product Development:
To provide products that are impressive, comfortable, and reliable to customers throughout the world.

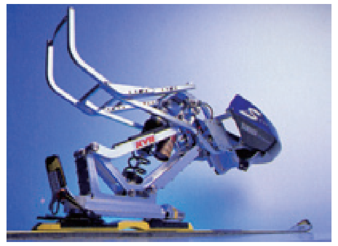
***Monozukuri* (Manufacturing expertise):**
To make our plants enjoyable, dynamic places to work, and at the same time full of discipline based on the field priority doctrine, in order to produce products satisfactory to the customer.

Management:
Always keep the social responsibilities of the corporation in mind and provide efficient group management.

KYB is always seeking new ways to leverage its know-how by combining its core hydraulic technology with skills in fields like electronic control, new materials, and air and water pressure to create composite systems.

One example is fully active suspension systems for automobiles and railroad cars. Combining technologies also makes possible products extending from theater equipment to Paralympic chair skis and wheelchair shock absorbers. All these products are vital to maintaining safety and comfort. Our dedication to developing technologies and products that improve the quality of life will always guide the operations of KYB.

The vast potential of technologies originating from hydraulics






Management Principles

The KYB Group contributes to society by providing technologies and products that make life safe and comfortable.

1. Challenge higher objectives and construct a livelier corporate cultural climate.
2. Maintain grace and good faith, and pay attention to nature and the environment.
3. Always seek creative ideas and contribute to the progress of customers, shareholders, suppliers, and society.

Major Performance Indicators in FY2011
Year ended March 31, 2012

Net sales
¥337,158 million
¥207,642 million in FY2002

Ratio of overseas sales
46.0%
25.4% in FY2002

Operating income
¥21,537 million
¥8,937 million in FY2002

Net income
¥13,897 million
¥2,663 million in FY2002

Equity ratio
33.2%
30.6% in FY2002

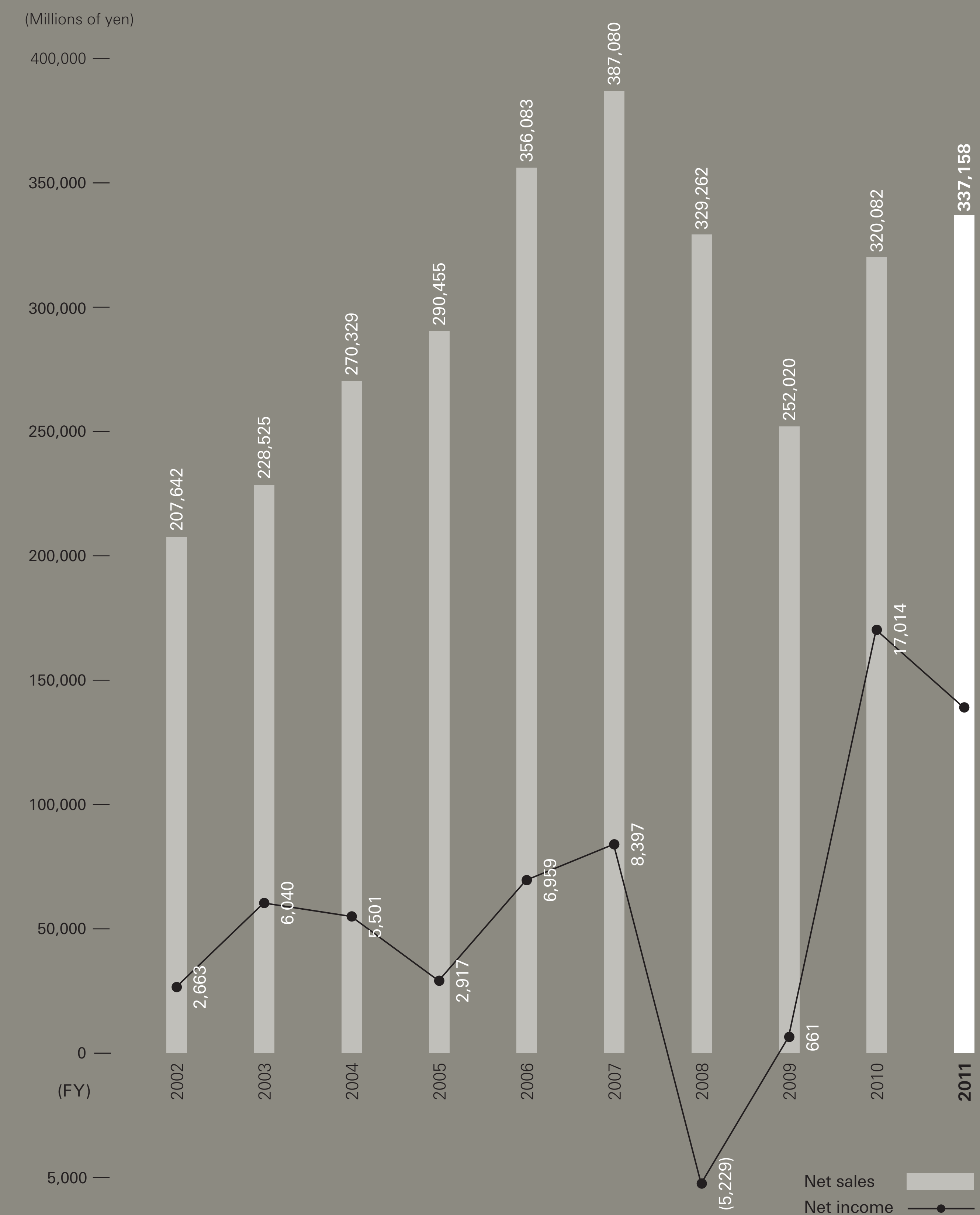
ROE
14.8%
4.5% in FY2002

Interest-bearing debt
¥78,386 million
¥51,053 million in FY2002

Capital expenditure
¥27,172 million
¥8,397 million in FY2002

Dividends
¥9
¥5 in FY2002

Ten-Year Trends in Net Sales and Net Income



Ten-Years Summary

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

	Millions of yen									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
For the year:										
Net sales	**¥337,158**	¥320,082	¥252,020	¥329,262	¥387,080	¥356,083	¥290,455	¥270,329	¥228,525	¥207,642
Cost and expenses	**315,621**	295,931	248,124	329,213	368,809	341,510	283,732	260,687	217,406	198,705
Operating income	**21,537**	24,151	3,896	49	18,271	14,573	6,723	9,642	11,119	8,937
Operating income margin [%]	**6.4**	7.5	1.5	0.0	4.7	4.1	2.3	3.6	4.9	4.3
Ordinary income (loss)	**22,755**	23,972	5,530	(1,395)	17,643	15,111	8,272	9,992	10,918	9,260
Income (loss) before income taxes and minority interests	**21,759**	24,439	1,670	(4,299)	15,218	13,480	8,008	10,138	10,856	5,465
Net income (loss)	**13,897**	17,014	661	(5,229)	8,397	6,959	2,917	5,501	6,040	2,663
Comprehensive income	**14,997**	14,405	—	—	—	—	—	—	—	—
Return on Equity (ROE)	**14.8**	21.1	0.9	—	9.9	8.7	4.0	8.0	9.6	4.5
Cash flows from operating activities	**17,399**	35,433	22,654	8,499	19,706	20,357	13,820	8,999	12,570	19,278
Cash flows from investing activities	**(20,000)**	(7,233)	(12,828)	(26,505)	(20,165)	(18,322)	(15,959)	(14,778)	(11,533)	(10,107)
Cash flows from financing activities	**(3,454)**	(16,967)	(6,646)	32,199	4,192	(3,157)	2,965	191	(2,310)	(1,260)
R&D expenses	**4,035**	3,218	2,816	3,268	3,367	3,707	3,705	3,533	3,393	3,845
Depreciation and amortization	**13,508**	13,426	15,318	16,551	14,973	12,288	10,250	9,780	8,268	8,157
Capital expenditure	**27,172**	8,915	10,081	24,968	23,564	19,735	15,677	14,070	10,395	8,397
At year-end:										
Working capital	**42,006**	46,024	48,701	43,512	29,120	23,758	21,392	26,492	17,917	24,550
Total net assets	**102,761**	89,964	78,489	76,450	91,738	87,816	76,718	70,656	66,819	59,520
Total assets	**301,348**	285,134	269,361	269,655	289,738	285,146	247,966	222,224	213,845	194,454
Cash and cash equivalents at end of period	**42,009**	48,122	37,663	34,272	20,073	16,651	14,963	13,960	18,901	20,252
Equity ratio [%]	**33.2**	30.6	27.3	26.6	29.8	29.1	30.9	31.8	31.2	30.6
	Yen									
Per share data:										
Net income (loss)	**¥ 62.87**	¥ 77.54	¥ 3.03	¥ (23.62)	¥ 37.72	¥ 31.33	¥ 12.63	¥ 24.15	¥ 26.55	¥ 11.47
Net worth	**453.00**	395.18	336.55	327.97	387.45	372.60	343.99	316.64	299.34	266.62
Cash dividends applicable to the year	**9.00**	8.00	2.50	3.50	7.00	7.00	6.00	6.00	6.00	5.00
P/E ratio [Times]	**8.0**	8.6	113.9	—	10.2	20.8	35.2	15.2	15.0	21.6
Number of employees	**11,975**	11,440	10,977	11,370	11,546	10,596	8,387	8,186	7,645	6,105

KYB aims to make lives safer and more comfortable with technologies and products backed by true manufacturing craftsmanship.

In fiscal 2011, ended March 31, 2012, the KYB Group completed the first year of the three-year management plan up to March 2014. We saw an increase in sales, while earnings were lower. Nevertheless, we made steady progress in building a sound foundation for global operations, which is the central goal of the plan.

The KYB Group is dedicated to remaining a source of exciting products that can satisfy customers around the world. To give our stakeholders a better understanding of the Group, I would like to explain major initiatives of the medium-term management plan in fiscal 2012. I will also cover our strategy for achieving medium- and long-term growth.

Masao Usui
President and Representative Director

臼井政夫

Our Vision for Fiscal 2020

We want to be an organization that supplies products to all of the world's major manufacturers of automobiles and construction machinery.

The starting point for creating the current medium-term management plan was to envision the KYB Group in fiscal 2020. We have clearly defined that vision and established a timeline for what we must do to achieve it. I believe this approach will allow us to establish effective business and investment plans that accurately reflect changes in our operating climate.

Our vision for fiscal 2020 is to be a highly reliable organization that supplies products to all of the world's major automobile and construction machinery manufacturers. For the KYB Group, Japan has become simply one base of operations in a global organization. Achieving sustained growth for the Group will require shifting the emphasis of management from the head office in Japan to an optimized worldwide emphasis. The Group must build an infrastructure that is capable of constantly producing creative products and systems at R&D bases around the world.

Milestones for Achieving Our Vision
Fiscal 2011 to 2013: Setting the stage for growth, putting the necessary framework in place
Fiscal 2014 to 2016: Making our global infrastructure more powerful
Fiscal 2017 to 2019: Taking the offensive and winning

Fundamental Policy for the Current Medium-term Management Plan

Compete on the global stage by using the power of the KYB Group.

The slogan of the current medium-term management plan is "compete on the global stage with the power of the KYB Group." To accomplish this, the plan has seven priority initiatives:

(1) Automotive Components (AC) Operations: expand overseas operations and aftermarket sales
(2) Hydraulic Components (HC) Operations: establish a global production framework
(3) Strengthen electronics technologies
(4) Recruit and train the human resources needed to execute our global growth strategies
(5) Reinforce the domestic development framework and establish new development frameworks overseas
(6) Reduce inventories and boost productivity by cutting lead times in half
(7) Speed up decision making by establishing regional headquarters in Europe, China, and North America

We must take into consideration a number of risk factors, notably the weaker euro caused by financial instability in Europe and increasingly heated global competition among suppliers. However, economic growth rates will likely remain high in emerging countries, particularly the BRICS and ASEAN countries. To increase our share of the expanding global markets where we compete, we must use the strengths of the entire Group to quickly leverage the *monozukuri* (manufacturing expertise) that can make us a winner worldwide. We will shift manufacturing and development activities to the best locations so as to make products where they are used. At the same time, we will reinforce measures to create and refine core technologies in Japan. In addition, we will build a stronger framework for our operations—one that is capable of generating consistent earnings regardless of fluctuations in sales.

Our Goals under the Current Medium-Term Management Plan
Consolidated net sales: ¥400 billion
Consolidated operating margin: At least 8%

Fiscal 2011 Initiatives and Accomplishments

Progress was made in building frameworks for global production, sales, and development.

During fiscal 2011, KYB's market faced events of historic magnitude: supply chain disruptions caused by the Great East Japan Earthquake, the increasingly serious debt crisis in Europe, and the yen's record strength. However, automakers in Japan quickly restored their supply chains and benefited from the resumption of eco-car subsidies, which resulted in higher automobile production than one year earlier. The construction machinery industry recorded a large increase in sales over fiscal 2010. The main causes for this were rapid growth in demand in China and the ASEAN region during the first half of fiscal 2011 and demand associated with earthquake reconstruction activities in Japan.

In this environment, the KYB Group made progress as follows in building frameworks for global production, sales, and development that will be needed to reach the current medium-term management plan's goals:

- In May 2011, we established a company in Brazil with Mando Corporation of Korea to increase OEM sales overseas.
- In July 2011, we began operating the KYB Developmental Experiment Center. This facility includes a test track, which enables us to strengthen our R&D infrastructure and to create new KYB exclusive technologies and products. We are using the track to test vehicles under actual driving conditions for assessing performance aspects such as the sensitivity of shock absorbers and ride comfort.
- In October 2011, we established an Aftermarket Business Headquarters to double aftermarket sales of shock absorbers by aggressively targeting new sources of demand.
- Also in October 2011, we established an ASEAN Purchasing Center in Thailand. This new center and our purchasing center in China allow us to purchase parts and materials worldwide, thereby better enabling us to lower expenses.
- We plan to add development capabilities to the KYB Group's overseas business sites in stages. This will enable us to use locally purchased parts to create new products at a development center in the same region. These localized activities will result in products that are competitive in terms of price and quality.

Fiscal 2012 Priorities

Channel substantial group resources to building a foundation for business operations that can compete and win on a global scale.

In fiscal 2012, the second year of the current medium-term management plan, we will move even faster to build a foundation for conducting business operations on a global scale. Our actions reflect market conditions for our major products and include a number of key initiatives.

AC Operations

The KYB Group has prepared a detailed road map covering the new models that overseas automakers plan to launch. We plan to use this road map to increase sales outside Japan. In April 2012, we established an Electronics Technology Center. The primary role of the new center is to strengthen electronics technologies while enabling us to manufacture automotive electrical parts internally. Furthermore, the Electronics Technology Center is at the forefront of our measures to assemble a global development center network.

Shock absorbers are a core product of the KYB Group. In fiscal 2011, we accounted for only 18% of the OEM supply of shock absorbers to non-Japanese companies. We aim to raise this figure to 34% by 2020. Another goal is to double aftermarket sales of shock absorbers. To accomplish this, we will add aftermarket production lines in the United States, China, and Brazil and work on raising sales in the BRICS countries and mature markets.

HC Operations

Over the past several years, insufficient production capacity of industrial hydraulic devices, the core product of this business, has been a major issue for the KYB Group. We have taken the following steps to address this issue.

At the end of March 2012, we completed construction of a plant in Zhenjiang, China, that manufactures travel motors for mid-size hydraulic excavators (20 to 30 ton class). Production began in April. Initially, output will be 3,000 motors per month.

For cylinders used in mid-size hydraulic excavators, we raised monthly output to 14,000 units in China in October 2011 and started supplying these cylinders to customers in China and the ASEAN region. Furthermore, we are considering the construction of a plant in the ASEAN region to meet the growing local demand for these cylinders. In addition, a third building is under construction at Gifu East Plant to centralize the Group's production of mid-size cylinders. We will use space at the current cylinder plant in Gifu to increase output of ultra-large cylinders (more than 190 tons) for the rapidly growing mining machinery market. In addition, our wholly owned subsidiary KYB Cadac has started construction of a new plant in Japan to increase output of control valve castings for hydraulic excavators.

Special-Purpose Vehicles

This business involves the sale of systems that incorporate our advanced technologies in hydraulics, electronic control, and many other fields. Our best-known products are concrete mixer trucks, a category where we rank highest in Japan. Sales of these trucks have increased rapidly since the first half of fiscal 2011 because demand associated with earthquake reconstruction activity has emerged at the same time as strong demand for replacing older trucks. We expect cement mixer truck sales to continue to grow in the current fiscal year as well, with sales in this business sector increasing 33% to ¥3.3 billion.

Products with Growth Potential

We are targeting opportunities and expanding our presence in growing markets to create new profit centers.

To establish our future profit centers, three products will be of particular importance for the KYB Group in the coming years.

The first product is EHESS. Our engineers have developed the world's first system that can reuse the hydraulic pressure energy that is produced as hydraulic fluids flow back following the movement of a hydraulic excavator. Using EHESS cuts fuel consumption by about 30%. Benefits can be obtained by simply adding an EHESS unit to an existing hydraulic excavator. I believe that this innovative system will become widely used soon after we begin mass production.

The second product is aircraft actuators. Seven KYB actuators will be used in each Boeing 787 in the fleets of All Nippon Airways and Japan Airlines. Our actuators open and close wheel wells, withdraw and lock landing gear, and perform other tasks. We are currently conducting sales activities with the aim of having other airlines select our actuators for this aircraft.

The third product is seismic isolation and damping systems made by our wholly owned subsidiary Kayaba System Machinery. TOKYO SKYTREE, a 634-meter tall tower that began operating in May 2012, uses 96 of our high-speed seismic dampers in the tower and 130 high-attenuation oil dampers for the low-rise section of the complex. Interest in seismic isolation and damping systems has been very strong in the wake of the Great East Japan Earthquake. KYB will retain an aggressive stance towards sales in this product category.

Capital Expenditures Plan

We will continue making capital expenditures for growth while carefully monitoring changes in the operating climate.

Capital expenditures totaled ¥27.1 billion in fiscal 2011. We will continue to make substantial capital expenditures for projects that can contribute to our growth. As we make these expenditures, we will carefully monitor the rapid changes taking place in our markets. In fiscal 2012, we plan to make capital expenditures of ¥36.5 billion, ¥9.4 billion more than in fiscal 2011. One major project underway is construction of a third building at Gifu East Plant to centralize the Group's production of mid-size cylinders. This facility will allow us to increase output of cylinders used in ultra-large hydraulic excavators to meet the strong growth in demand for these excavators at mining companies. Another project will increase monthly output capacity at KYB Cadac for hydraulic excavator control valve castings from 700 tons to 1,200 tons.

The large amount of investments in Japan may appear to be inconsistent with our goal of making the KYB Group more global. However, investing in manufacturing activities in Japan does not contradict our goals. For example, KYB Cadac uses the world's most advanced casting technologies to fabricate its control valves. Transferring this production to another country is currently impractical. Furthermore, seismic isolation and damping equipment are functional components that embody sophisticated technologies. Here again, making these components in Japan and exporting them to countries prone to earthquakes is the most advantageous way to conduct this business. The same is true of electric power steering systems, which rely on both mechanical and electronic control expertise. Ultra-large cylinders are used in hydraulic excavators that are sold to customers outside Japan. However, we deliver most of these cylinders to factories in Japan. Therefore, we should increase output in Japan for a number of reasons, including consistency with our policy of making products where they are used.

We are shifting the manufacture of products that are used in many applications, such as aftermarket shock absorbers, from Japan to other countries. We will globalize our operations while increasing output of value-added products in Japan.

The Key Components of Growth at the KYB Group

We will make even greater use of our vibration and power control technologies. We will also combine this expertise with electronic control and other advanced technologies to create new system products.

We supply products and systems for a wide range of applications, such as automobiles, airplanes, railroads, ships, hydraulic excavators, special-purpose vehicles, and construction (seismic isolation and damping systems). This diversity significantly protects us from the effects of a downturn in any particular industry.

We are determined to achieve more growth by retaining an intent focus on speed.

In my role as president, I always keep the importance of speed in mind above all else. Reaching decisions with speed is vital to responding accurately to the rapid changes in our markets. Speed is particularly critical in the aftermarket sales business, which is directly linked to end users. Furthermore, the KYB Group will share information globally among group companies with no time differences for the purpose of thinking, acting, and evolving together.

Despite the uncertain outlook for our operating climate, the KYB Group will resolutely focus all its energy and resources on achieving the goals of the current medium-term management plan.

Earnings Distributions for Shareholders

Our goal is to maintain a DOE ratio of at least 2%.

My final subject is our basic policy for earnings distributions and our dividend plan for fiscal 2012.

Returning a suitable amount of earnings to shareholders is one of KYB's highest priorities. Our basic policy is to pay an annual dividend equivalent to a Dividend on Equity (DOE)* ratio of at least 2%. For fiscal 2012, we plan to pay a dividend of ¥9, the sum of a ¥4 interim dividend and ¥5 year-end dividend. We will also increase retained earnings, which helps fund capital expenditures and R&D expenditures. Overall, we aim to maximize shareholder value by sustaining growth year after year.

I ask for the support and understanding of shareholders, investors, and all other stakeholders as we take the actions required to achieve our goals.

*DOE=Dividends / (Net assets–Minority interests in consolidated subsidiaries–Revaluation and translation differences)

Automotive Components (AC) Operations

Major Products

Shock absorbers
Suspension systems
Power steering systems
Vane pumps
Front forks
Oil cushion units
Stay dampers
Free locks

Sales Composition
55.1%

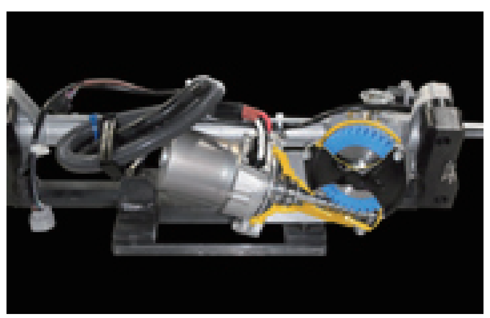


Photo credit by LEXUS

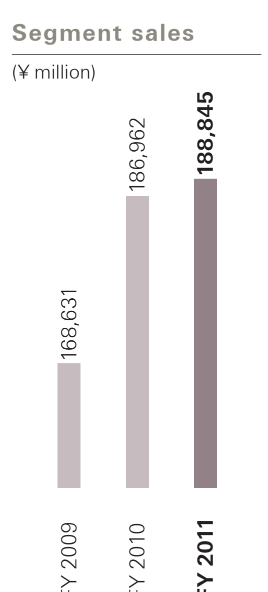
Performance in Fiscal 2011

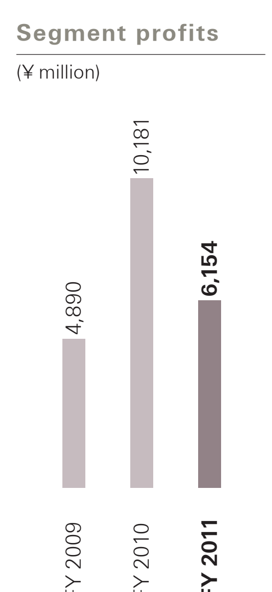
Segment sales increased 1.0% to ¥188.8 billion, yet segment profits were ¥6.1 billion, ¥4.0 billion less than in fiscal 2010.

The effects of the Great East Japan Earthquake and the flooding in Thailand were limited, but lower sales in Europe caused by the sovereign debt crisis attributed a 1.0% decrease to ¥117.9 billion in sales of automotive shock absorbers.

Sales of automotive hydraulic products, which consist mostly of power steering products, were down 6.9% to ¥35.9 billion because demand for hydraulic pumps fell along with the shift toward electric power steering and lower sales in Europe. Sales of Continuously Variable Transmission (CVT) pumps were strong.

Sales of other products, mainly automotive stay dampers and components for all-terrain vehicles, increased 11.0% to ¥7.5 billion.



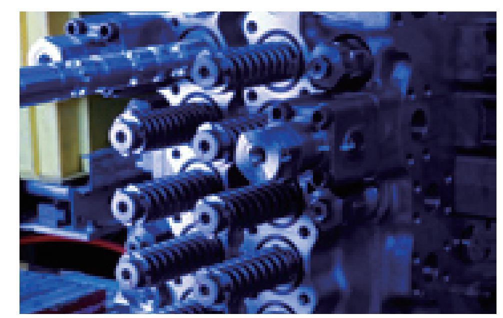


Hydraulic Components (HC) Operations

Major Products

Cylinders
Valves
Oil dampers for railway vehicles
Collision shock absorbers
Pumps
Motors
Equipment for landing systems
Flight control systems
Emergency devices for aircraft

Sales Composition
40.7%

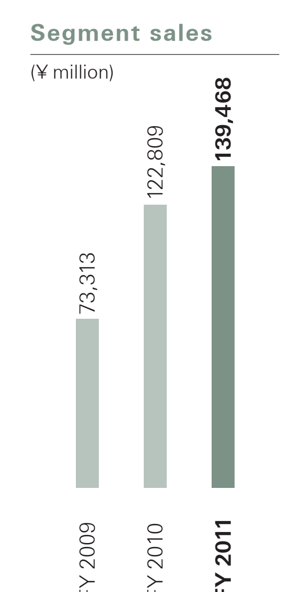


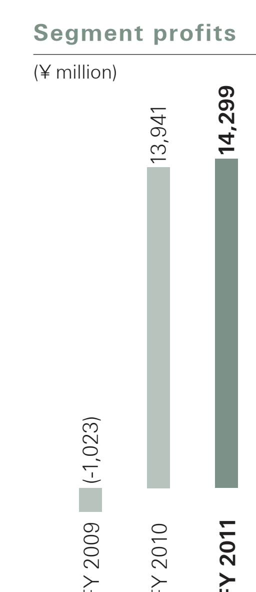
Performance in Fiscal 2011

Segment sales increased 13.5% to ¥139.4 billion and segment profits increased ¥3.5 billion to ¥14.2 billion.

Sales of industrial hydraulic components, which are used mainly in construction machinery, increased 15.6% to ¥124.1 billion. Sales were up significantly in the first half because of growth in China along with higher sales in the ASEAN region, and demand associated with earthquake recovery activities in Japan. This growth was offset somewhat by slowing sales in China in the second half due to the effects of monetary tightening.

Sales of hydraulic equipment for aircraft increased 18.9% to ¥6.5 billion along with growth in orders for spare parts. Sales of other products, which consist primarily of semi-active systems and oil dampers for railway cars, decreased 18.3% to ¥6.8 billion owing to a downturn in orders for semi-active systems from customers in China.





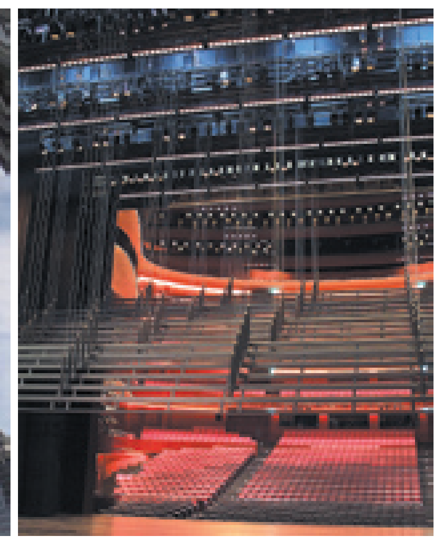
Other

Major Products

Concrete mixer trucks
Granule carriers
Special-function vehicles
Motion simulators
Hydraulic systems
Auditorium and stage control systems
Naval ship equipment
Tunnel borers
Environment-friendly equipment
Seismic isolation systems
Vibration control dampers
Electronic applications

Sales Composition

4.2%



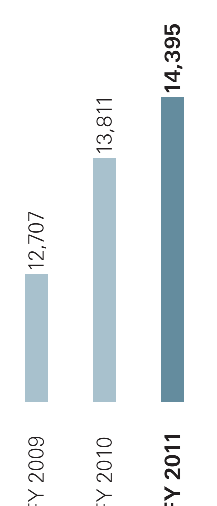
Performance in FY2011

Segment sales increased 4.2% to ¥14.3 billion and segment profits were ¥0.9 billion.

Sales of special-purpose vehicles, mostly concrete mixer trucks, surged 54.5% to ¥2.4 billion and sales of other products, mostly seismic isolation systems and vibration control dampers, increased 0.4% to ¥10.5 billion. The main cause for these was demand associated with earthquake recovery activities.

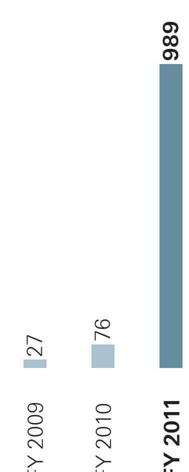
Segment sales

(¥ million)



Segment profits

(¥ million)

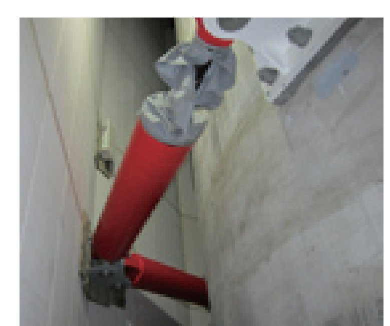


KYB Developmental Experiment Center

The test track allows performing tests over a broad range of road surfaces. This will improve KYB's ability to develop suspension components, steering components, electronic components, and other products that have even higher performance and reliability.

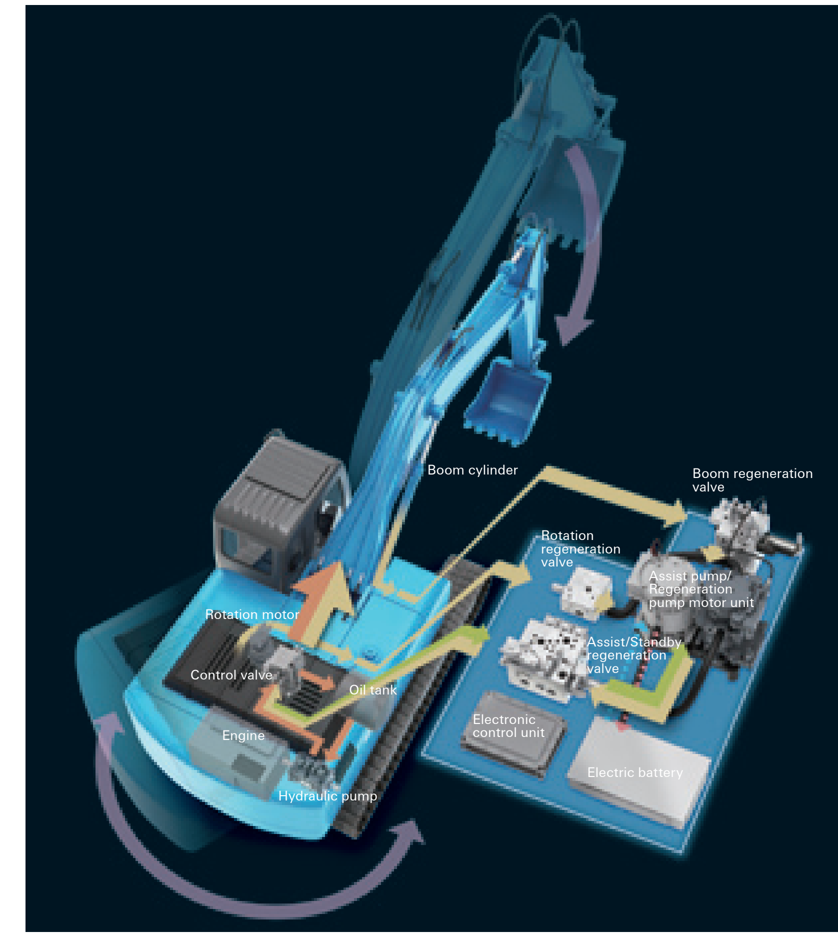
Seismic damping system for the TOKYO SKYTREE

KYB's seismic isolation and damping systems, which are made by our wholly owned subsidiary Kayaba System Machinery, are used for the TOKYO SKYTREE, a 634-meter tall tower.



Electro-Hydraulic Energy Saving System (EHESS)

KYB has developed a hybrid system that can directly reuse regenerative hydraulic pressure energy. The aim is to create a hybrid system incorporating simple yet sophisticated hydraulics technology.

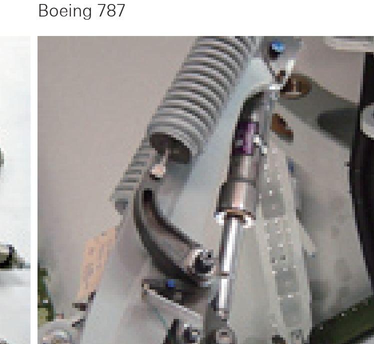


Aircraft Actuator for Boeing 787

Seven KYB actuators will be used in each Boeing 787 in the fleets of All Nippon Airways and Japan Airlines.

Boeing 787

Actuators for Boeing 787



Actuator for locking gear

New Company to Oversee the Americas

KYB established KYB Americas Corporation to centralize the supervision of manufacturing and sales companies in the Americas. This company will strengthen operations in the region by increasing management efficiency and capturing more synergies among the KYB Group's business activities. This action follows the establishment of similar regional management companies in Europe and China.

KYB Americas Corporation

New CVT Pump Plants in China and Thailand

KYB Hydraulics Industry (Zhenjiang) Ltd., which is located in Zhenjiang, China, has completed construction of a CVT hydraulic vane pump plant. The plant will soon begin full-scale production of 50,000 units per month. In addition, an 88,000m^2 site has been purchased at the Amata Nakorn Industrial Park in Thailand for construction of a CVT hydraulic vane pump plant slated for completion in February 2013. These two projects are part of the KYB Group's ongoing measures to enlarge its global production framework.

President Usui at the opening ceremony

Purchase of Land for KYB Cadac's New Casting Plant

KYB Cadac's new casting plant is scheduled for completion in February 2013 in Nagano Prefecture. The company plans to build the world's most advanced mono block valve casting plant while using an environmentally friendly design. The plant will increase output of castings—key elements of hydraulic devices for construction machinery—as part of measures to strengthen our production framework.

Highly advanced technologies are required to fabricate valve castings, which have very intricate shapes. To meet the demands of its customers, KYB Cadac plans to more than double its monthly output from the current 700 tons to 1,800 tons by fiscal 2014.

Illustration of the new KYB Cadac plant

Basic Policy for Corporate Governance

The KYB Group positions the upgrading of its corporate governance as one of its highest priorities in order to increase corporate value as the Group's activities become more global. In addition, we regard making contributions to society, including stakeholders, as our primary mission.

Corporate Governance Systems

a| Overview of the corporate governance system

KYB uses the Board of Auditors system and has the following units for the purpose of ensuring the effectiveness of corporate governance. In addition, we are taking actions to strengthen the framework for overseeing group management activities.

Board of Directors

The Board of Directors has seven members and, in principle, meets once each month. Directors reach decisions about items prescribed by laws and regulations as well as policies and other important matters involving management. The directors also oversee the management of business operations.

Board of Managing Executive Officers/Board of Executive Officers

KYB uses the executive officer system for the purposes of separating the role of management supervision and the management of business operations, speeding up decision-making, and improving the efficiency of management.

Executive officers meet to hold discussions about important matters associated with management.

Group Company Management Committee

This council discusses important matters concerning the management of business operations at group companies in Japan.

Global Strategy Committee

This committee discusses important matters concerning the management of group companies in other countries.

Operation Review with the President

These meetings are held at each site, with KYB's president reviewing problems involving the quality of products and issues concerning management.

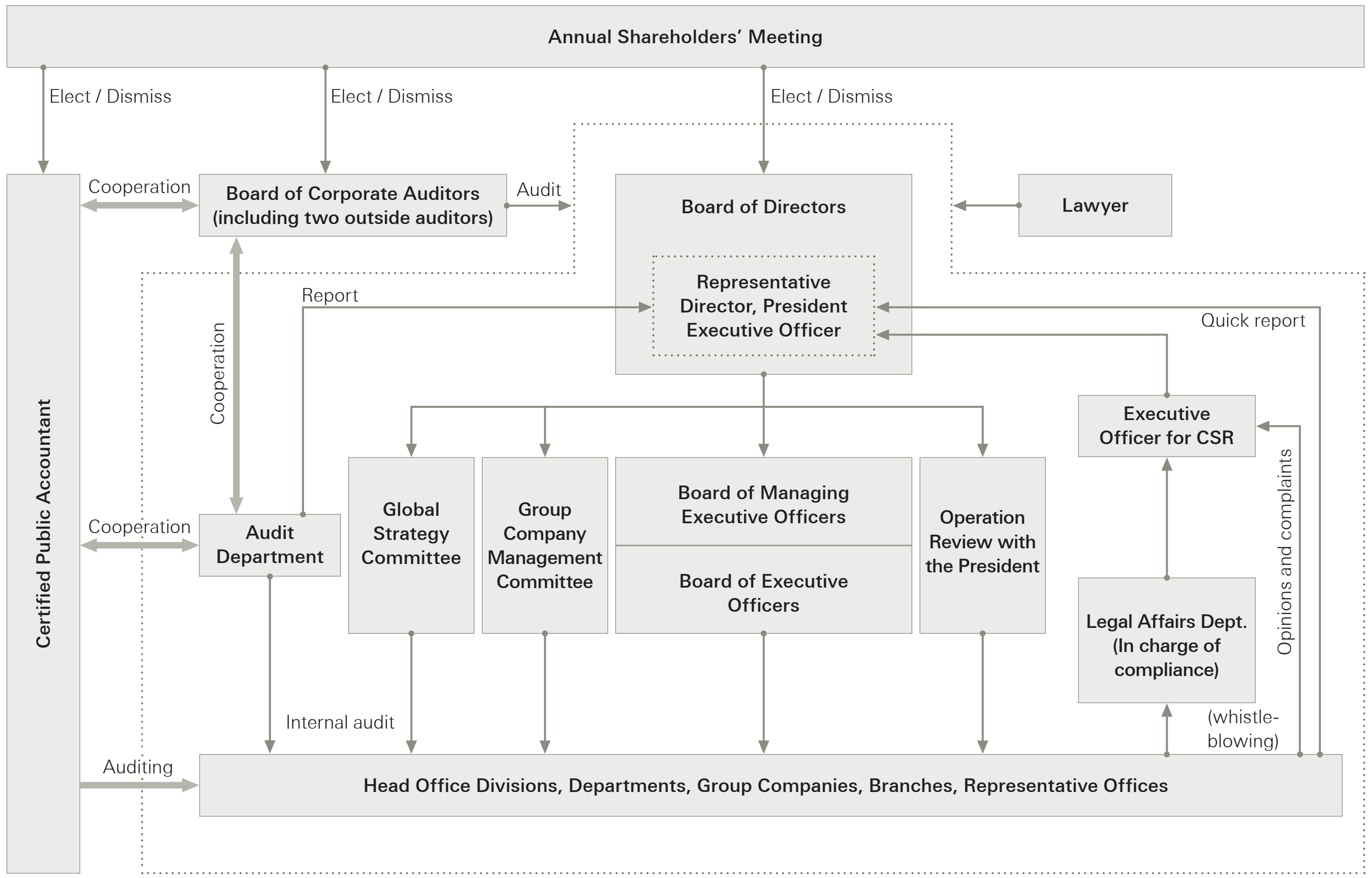
Board of Corporate Auditors

This board consists of four standing auditors, including two outside auditors (one of whom is an independent auditor). KYB believes that audits performed by these auditors provide for the effective oversight of management and create an effective framework for governance. There are no personal, financial, business, or other relationships involving financial or other interests between KYB and the outside auditors.

Audit Department

The Audit Department, which has a staff of 11 people, performs internal audits and is supervised directly by the President. This department performs audits of all business sites and group companies in accordance with the rules for internal audits. To ensure that audits are performed efficiently, there are periodic meetings with the Board of Corporate Auditors to share information about annual audit plans, discuss matters involving audits, exchange opinions about internal controls, and discuss other matters.

Management Structure and Internal Controls



Management (As of June 26, 2012)

Representative Director, Chairman

Tadahiko Ozawa

Representative Director, President Executive Officer

Masao Usui

Representative Director, Executive Vice President

Executive Officer

Kazuhisa Ikenoya

Members of the Board of Directors, Senior Managing Executive Officers

Akiyoshi Tanaka
Yasusuke Nakajima
Hidetsune Iseki
Keisuke Saito

Managing Executive Officers

Keiichi Handa
Takafumi Shoji
Kazuhiro Ogata
Morio Komiya
Masaki Nishiwaki
Eiji Hisada
Tadao Ogoshi

Executive Officers

Hitoshi Nitta
Michio Yoshino
Shigeru Ito
Makoto Kimura
Shigeo Kidokoro
Hiroaki Hirayama
Yuukou Yusa
Hideo Ookuma
Yasuo Ooe
Kiyokazu Nagata
Kiyoshi Kanamaru
Hitoshi Arakawa
Junichi Matsuo
Hiroshi Ogawa
Masao Ono
Hideki Nonoyama
Kenji Yamanouchi

Standing Auditors

Haruki Ubukata
Tomoo Akai
Michio Tani
Osamu Kawase

b| Internal controls

KYB positions internal controls as a vital base for the effective functioning of corporate governance. Internal controls contribute to heightening the transparency of business operations as well as to making these operations effective, efficient, and reliable. Every year, the Board of Directors approves resolutions regarding the Basic Policy for Internal Controls, which covers systems for compliance, information management, and group management.

c| Risk management

Head office departments are responsible for the management of risk as well as for monitoring issues involving risk management and responding as needed to a natural disaster or other such event. KYB has established rules and guidelines for risks associated with compliance, the environment and safety, natural disasters and accidents, product quality, information security, export controls, and other items. KYB also supervises, evaluates, and provides guidance for the implementation of these rules and guidelines.

Risks associated with the businesses and investments of the KYB Group are managed by the Board of Directors, Board of Executive Officers and other units. When a major problem occurs, KYB establishes an Emergency Response Headquarters led by the company President. This headquarters collects and analyzes information about the event and oversees actions aimed at minimizing damage and other losses.

Compensation

The following table shows compensation for directors and corporate auditors and the number of applicable individuals.

Category	Total compensation (millions of yen)	Compensation by category (millions of yen)				Number of applicable individuals
		Basic compensation	Stock options	Bonuses	Retirement payments	
Directors	365	278	—	64	22	21
Standing auditors (excludes outside auditors)	50	34	—	12	3	3
Outside auditors	55	41	—	12	1	3

The following table shows compensation paid to the independent auditor.

Category	Compensation for audit certification (millions of yen)	Compensation for non-auditing services (millions of yen)
KYB Corporation	65	35
Consolidated subsidiaries	8	—
Total	73	35

Note: Compensation for non-auditing services is for advisory services regarding the use of international accounting standards for other services.

Other Significant Compensation

Three consolidated subsidiaries, including KYB Americas Corporation, have paid ¥88 million to KPMG International, which belongs to the same network as the independent auditor used by the Company, for audit certification and other services for fiscal 2011.

Environmental Policies

In order for the KYB Group to tackle environmental preservation activities as a whole, we have developed a basic environmental policy.

Companywide Environmental Slogan
Protect the Green Earth and Create Products Gentle to the Environment

Basic Environmental Policies

The KYB Group creates products gentle to both people and the earth. As a company that provides power and comfort, we are dedicated to the promotion of environmental activities as an important tool for evaluating management.

1. Strive to ensure long-term and sustainable operations throughout the entire KYB Group.
2. Work to promote harmony with society and contribute to the global community as a good corporate citizen.
3. Clarify every employee's role so that all employees can participate fully.

Environmental & Safety Medium-Term Policy

(Fiscal 2011 to 2013)

The KYB Group established a new medium-term management plan in fiscal 2011. Based on this plan, we will implement environmental and safety activities based on our basic policy as abstracted below:

1. Creation of energy-saving plants:
   Reduce CO_2 basic unit by 1% each year and reduce CO_2 emissions by 25% compared to 1990 by 2020
2. Creation of waste-free plants:
   Reduce final disposal amount of industrial wastes by 65% compared to fiscal 2000 by 2015
3. Creation of accident-free plants:
   Create a workplace that is safe, pleasant and accident-free

From the Executive Officer for Environment & Safety

A Steady Push to Achieve the New Medium-Term Environmental Plan

The KYB Group already has a record of implementing a number of initiatives to protect the environment, such as reducing emissions of greenhouse gases and other environmentally burdensome substances and developing products that help conserve energy.

In 2011, however, we were unable to achieve some of our quantitative environmental targets, in part because of the impact of the Great East Japan Earthquake on the implementation and operation of independent power generation facilities.

In light of this, we are taking diverse strategic actions, such as operating some facilities at night to stay within peak power limits.

We have also established quantitative environmental targets for production bases outside Japan, where we are monitoring greenhouse gas emissions and taking initiatives to reduce them. In terms of safety, we aim to complete seismic durability measures at all plants by 2013. We are reinforcing buildings systematically and improving risk assessments so that employees' families will feel comfortable sending their loved ones off to work.

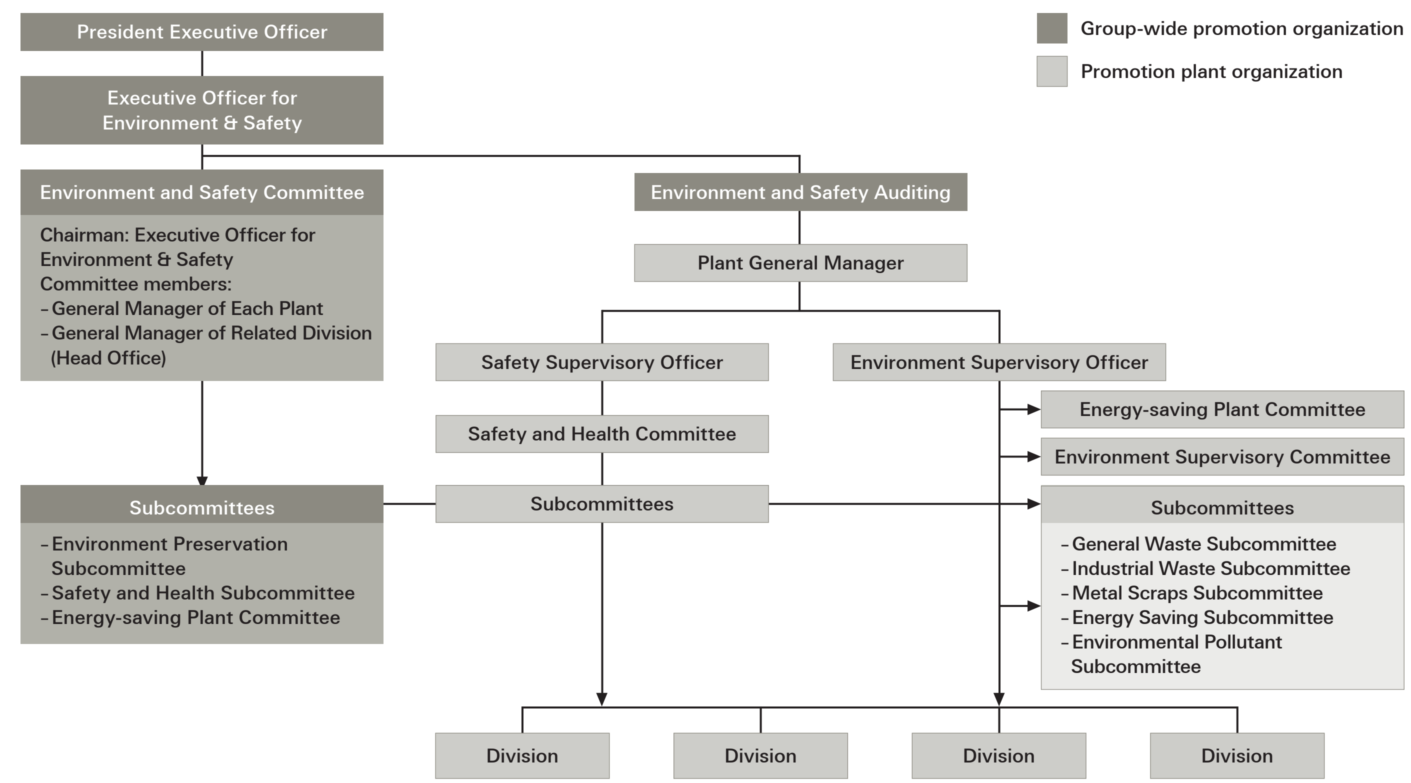
Finally, let me thank you for your interest in this report. I welcome your input on how we can improve in the future.

Kazuhiro Ogata
Managing Executive Officer

Environmental management organization

Environment and Safety Committee meetings are held twice a year, and environment and safety audits are held once a year to unify understanding of policies and activities related to the environment and the safety of each plant on a group-wide scale. Furthermore, we have been introducing various techniques so that employees can also save energy at home by changing the temperature setting of air conditioners and through environmental education and implementation of environmental housekeeping books.

Environmental and Safety Committee Organization



TOPICS

The 1st plant of TVC

Canteen of the 1st Plant

Award for Strong Environmental Awareness and Initiatives

Takako Vietnam Co., Ltd. (TVC) received the 2011 "Green Company Award" from the People's Committee of Binh Duong Province in 2011. The award honors companies engaged in environmentally friendly production activities. TVC handles the issues of waste separation and wastewater processing from the early stage and it continues to tackle environmental problems with strong awareness. The employee cafeteria at its 1st plant has won praise from workers for offering them a comfortable space surrounded by greenery.

TVC manufactures and assembles precision parts for hydraulic and electronic devices. Takako Industries has plants in Shiga Prefecture (Japan), Vietnam, and the U.S.A. In Vietnam, the 1st and 2nd plants are in Binh Duong Province, near Ho Chi Minh City. The area is an economic hub district of southern Vietnam with approximately 2,000 companies. The local government, which has actively promoted area business, is working to develop a town that ensures industrial development while providing a good living environment for its citizens.

Financial Review

Summary

In the automotive components segment, sales decreased 0.1% to ¥186,664 million. Sales of shock absorbers for automobiles decreased. The effects of the Great East Japan Earthquake and flooding in Thailand were limited, but sales were lower in Europe due to the effect of the sovereign debt crisis. Sales of shock absorbers for motorcycles increased owing to higher sales to customers in the United States and growth in sales in the ASEAN region, where demand is very strong. Sales of hydraulic equipment for automobiles, chiefly for power steering, decreased. Despite an increase in sales of continuously variable transmission pumps, demand for hydraulic pumps fell with the shift toward electric power steering and lower sales in Europe as the primary causes.

In the hydraulic components segment, sales increased 13.4% to ¥137,522 million. There was a large increase in sales of hydraulic equipment for industrial use due to strong first half sales in China, higher sales in the ASEAN region, and demand associated with earthquake reconstruction activities in Japan. However, sales growth slowed in the second half due to monetary tightening in China. Sales of hydraulic equipment for aircraft posted a large increase along with growth in orders for spare parts.

In the others segment, which consists of special-purpose vehicle and other products, sales increased 7.5% to ¥12,971 million. Sales of special-purpose vehicles, primarily concrete mixer trucks, were much higher mainly due to demand associated with earthquake recovery activities in Japan. There was also an increase in sales of other products, mainly seismic isolation systems.

As a result, consolidated net sales increased 5.3% to ¥337,158 million.

Operating income was ¥21,537 million. While there was a large decline in the automotive components segment, there were increases in the hydraulic components segment and in the other segment, mainly special-purpose vehicles.

Non-operating income and expenses, net improved to net non-operating income of ¥1,209 million. This was attributable mainly to a ¥1,141 million decrease in foreign exchange losses and a ¥120 million decrease in interest expenses.

Ordinary income decreased ¥1,217 million to ¥22,755 million.

There was net extraordinary loss of ¥995 million. Extraordinary losses included an impairment loss and provision for retirement benefits in association with an early retirement program at a subsidiary in Europe.

After subtracting the net extraordinary loss of ¥996 million from the ordinary income of ¥22,755 million, income before income taxes and minority interests totaled ¥21,759 million. Deductions were ¥7,317 million for income taxes and ¥544 million for minority interests, which resulted in net income of ¥13,897 million.

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 were higher due to an increase in property, plant and equipment resulting from making speedy investments in building production framework. The result was a ¥16,214 million increase in total assets from one year earlier to ¥301,348 million.

Total liabilities increased ¥3,416 million to ¥198,586 million. There were increases in notes and accounts payable—trade that accompanied the growth in net sales and accounts payable—other due to capital expenditures.

Total net assets increased ¥12,797 million to ¥102,761 million due to the increase in retained earnings.

The increase in net assets raised the equity ratio by 2.6 percentage points from one year earlier to 33.2%.

Cash Flows

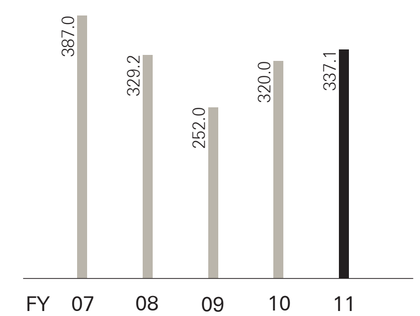
Net cash provided by operating activities decreased 50.9% to ¥17,399 million. Major sources of cash were income before income taxes and minority interests of ¥21,759 million and depreciation and amortization of ¥13,508 million. However, uses of cash included ¥7,098 million in increase in notes and accounts receivable—trade and ¥8,527 million in income taxes paid.

Net cash used in investing activities increased 176.5% to ¥20,000 million. The purchase of property, plant and equipment of ¥19,200 million was the primary use of cash.

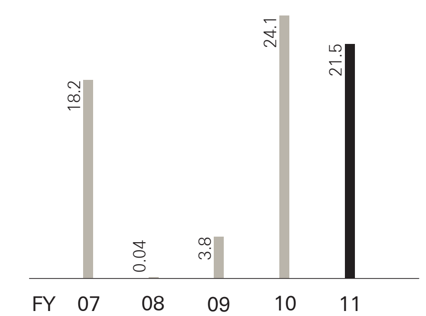
Net cash used in financing activities decreased 79.6% to ¥3,454 million. The primary uses of cash were ¥21,501 million for the repayment of long-term loans payable and ¥1,768 million for cash dividends paid. The major source of cash was a net increase in short-term loans payable of ¥6,476 million.

There was net cash outflow of ¥6,055 million resulting in a ¥6,113 million decrease in cash and cash equivalents, which totaled ¥42,009 million at the end of the period.

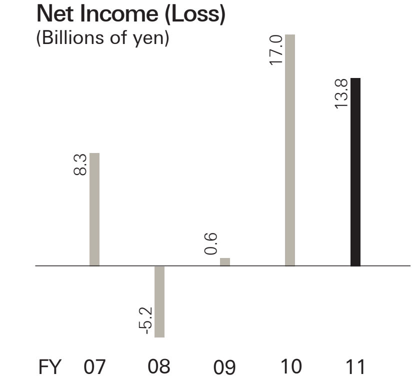
Net Sales
(Billions of yen)



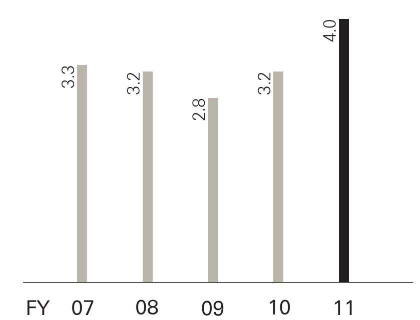
Operating Income
(Billions of yen)



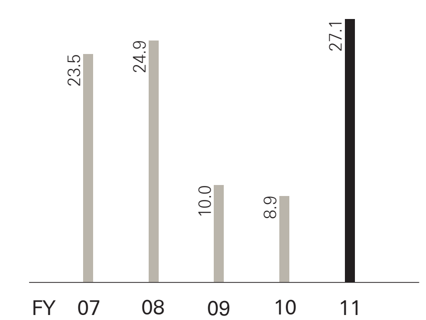
Net Income (Loss)
(Billions of yen)



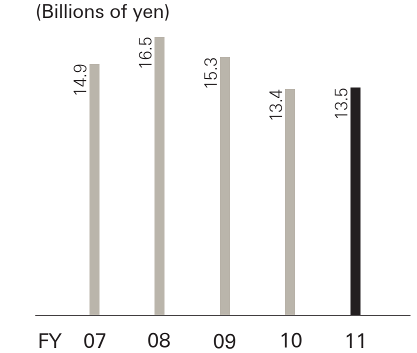
R&D Expenses
(Billions of yen)



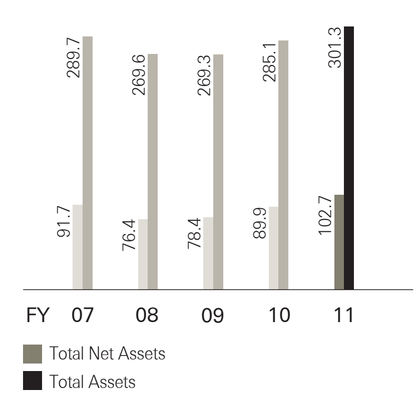
Capital Expenditure
(Billions of yen)



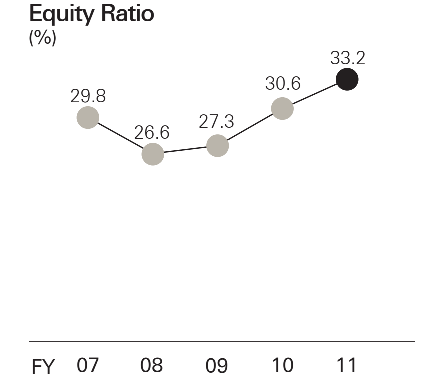
Depreciation and Amortization
(Billions of yen)



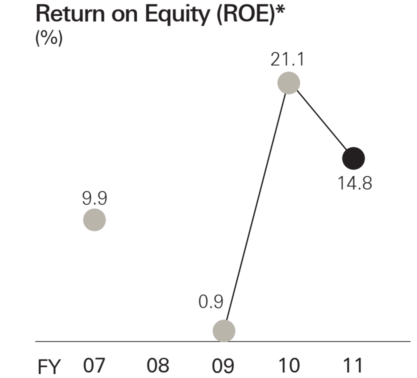
Total Net Assets and Total Assets
(Billions of yen)



Equity Ratio
(%)



Return on Equity (ROE)*
(%)



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

Consolidated Balance Sheets (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen	
ASSETS	**2012**	2011
Current assets:		
Cash and deposits	**¥ 36,460**	¥ 46,208
Notes and accounts receivable—trade	**86,582**	80,184
Finished goods	**17,121**	16,534
Work in process	**12,229**	12,879
Raw materials and supplies	**8,581**	8,098
Deferred tax assets	**3,996**	4,107
Short-term loans receivable	**7,042**	5,051
Other	**7,885**	5,058
Allowance for doubtful accounts	**(437)**	(469)
Total current assets	**179,462**	177,654
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	**26,864**	24,144
Machinery, equipment and vehicles, net	**41,537**	35,910
Land	**23,341**	22,324
Lease assets, net	**1,767**	1,725
Construction in progress	**5,747**	4,318
Other, net	**2,302**	2,397
Total property, plant and equipment	**101,562**	90,821
Intangible assets:		
Goodwill	**5**	16
Software	**58**	67
Other	**1,109**	1,107
Total intangible assets	**1,173**	1,191
Investments and other assets:		
Investment securities	**14,709**	10,258
Deferred tax assets	**2,865**	3,418
Other	**1,625**	1,828
Allowance for doubtful accounts	**(49)**	(38)
Total investments and other assets	**19,150**	15,467
Total non-current assets	**121,886**	107,479
Total assets	**¥301,348**	¥285,134

Note: This document has been translated from the original Japanese, the Annual Securities Report.

	Millions of yen	
LIABILITIES AND NET ASSETS	**2012**	2011
Current liabilities:		
Notes and accounts payable—trade	**¥ 69,596**	¥ 68,340
Short-term loans payable	**35,160**	34,802
Lease obligations	**341**	293
Accounts payable—other	**12,006**	7,083
Income taxes payable	**3,313**	4,959
Notes payable—facilities	**2,721**	756
Provision for product warranties	**3,339**	2,949
Provision for directors' bonuses	**159**	311
Other	**10,819**	12,134
Total current liabilities	**137,456**	131,630
Non-current liabilities:		
Long-term loans payable	**43,226**	44,774
Lease obligations	**1,464**	1,455
Deferred tax liabilities for land revaluation	**3,965**	4,513
Provision for retirement benefits	**10,431**	10,767
Provision for directors' retirement benefits	**264**	666
Provision for environmental measures	**222**	222
Asset retirement obligations	**354**	209
Other	**1,199**	930
Total non-current liabilities	**61,130**	63,539
Total liabilities	**198,586**	195,169
Net assets:		
Shareholders' equity:		
Capital stock	**19,113**	19,113
Capital surplus	**21,009**	21,008
Retained earnings	**61,416**	49,293
Treasury stock	**(544)**	(531)
Total shareholders' equity	**100,995**	88,883
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	**2,107**	1,365
Revaluation reserve for land	**5,316**	4,768
Foreign currency translation adjustment	**(8,283)**	(7,652)
Total accumulated other comprehensive income	**(859)**	(1,518)
Minority interests	**2,626**	2,599
Total net assets	**102,761**	89,964
Total liabilities and net assets	**¥301,348**	¥285,134

Consolidated Statements of Income (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Net sales	**¥337,158**	¥320,082
Cost of sales	**273,087**	257,006
Gross profit	**64,070**	63,075
Selling, general and administrative expenses	**42,533**	38,924
Operating income	**21,537**	24,151
Non-operating income:		
Interest income	**211**	197
Dividends income	**401**	239
Technical support fee	**837**	762
Equity in earnings of affiliates	**870**	1,192
Government subsidies for employment adjustment	**68**	25
Subsidies income	**279**	156
Other	**851**	758
Total non-operating income	**3,520**	3,332
Non-operating expenses:		
Interest expenses	**1,555**	1,675
Foreign exchange losses	**351**	1,492
Other	**395**	343
Total non-operating expenses	**2,302**	3,511
Ordinary income	**22,755**	23,972
Extraordinary income:		
Gain on sales of non-current assets	**33**	55
Gain on negative goodwill	**—**	718
Gain on sales of investment securities	**0**	5
Gain on sales of subsidiaries and affiliates' stock	**26**	410
Reversal of allowance for doubtful accounts	**—**	50
Other	**—**	230
Total extraordinary income	**60**	1,470
Extraordinary losses:		
Loss on disposal of non-current assets	**309**	351
Impairment loss	**481**	260
Loss on valuation of investment securities	**3**	0
Loss on valuation of investments in capital of subsidiaries and affiliates	**87**	—
Special retirement expenses	**166**	213
Business structure improvement expenses	**—**	2
Loss on adjustment for changes of accounting standard for asset retirement obligations	**—**	165
Other	**8**	10
Total extraordinary losses	**1,056**	1,003
Income before income taxes and minority interests	**21,759**	24,439
Income taxes—current	**6,928**	5,975
Refund of income taxes	**—**	(109)
Income taxes—deferred	**388**	987
Total income taxes	**7,317**	6,854
Income before minority interests	**14,441**	17,584
Minority interests in income (loss)	**544**	570
Net income	**¥ 13,897**	¥ 17,014

	Yen	
Amounts per share of common stock:		
Net income	**¥62.87**	¥77.54
Cash dividends applicable to the year	**9.00**	8.00

Note: This document has been translated from the original Japanese, the Annual Securities Report.

Consolidated Statements of Comprehensive Income (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Income before minority interests	**¥14,441**	¥17,584
Other comprehensive income:		
Valuation difference on available-for-sale securities	**741**	(128)
Foreign currency translation adjustment	**(463)**	(2,843)
Revaluation reserve for land	**548**	—
Share of other comprehensive income of associates accounted for using equity method	**(270)**	(206)
Total other comprehensive income (loss)	**555**	(3,179)
Comprehensive income	**14,997**	14,405
(Breakdown)		
Comprehensive income attributable to owners of the parent	**14,556**	13,915
Comprehensive income attributable to minority interests	**440**	489

Note: This document has been translated from the original Japanese, the Annual Securities Report.

Consolidated Statements of Changes in Net Assets (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2010	¥19,113	¥20,256	¥33,620	¥(990)	¥ 71,999
Dividends from surplus	—	—	(1,416)	—	(1,416)
Net income	—	—	17,014	—	17,014
Acquisition of treasury stock	—	—	—	(477)	(477)
Disposal of treasury stock	—	752	—	936	1,688
Change of scope of consolidation	—	—	83	—	83
Reversal of revaluation reserve for land	—	—	(7)	—	(7)
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance as of April 1, 2011	19,113	21,008	49,293	(531)	88,883
Dividends from surplus	—	—	(1,768)	—	(1,768)
Net income	—	—	13,897	—	13,897
Acquisition of treasury stock	—	—	—	(12)	(12)
Disposal of treasury stock	—	0	—	0	0
Change of scope of consolidation	—	—	(5)	—	(5)
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance as of March 31, 2012	¥19,113	¥21,009	¥61,416	¥(544)	¥100,995

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 2010	¥1,490	¥45	¥4,760	¥(4,724)	¥1,572	¥ 4,917	¥ 78,489
Dividends from surplus	—	—	—	—	—	—	(1,416)
Net income	—	—	—	—	—	—	17,014
Acquisition of treasury stock	—	—	—	—	—	—	(477)
Disposal of treasury stock	—	—	—	—	—	—	1,688
Change of scope of consolidation	—	—	—	—	—	—	83
Reversal of revaluation reserve for land	—	—	—	—	—	—	(7)
Net changes of items other than shareholders' equity	(125)	(45)	7	(2,928)	(3,090)	(2,318)	(5,408)
Balance as of April 1, 2011	1,365	—	4,768	(7,652)	(,518)	2,599	89,964
Dividends from surplus	—	—	—	—	—	—	(1,768)
Net income	—	—	—	—	—	—	13,897
Acquisition of treasury stock	—	—	—	—	—	—	(12)
Disposal of treasury stock	—	—	—	—	—	—	0
Change of scope of consolidation	—	—	—	—	—	—	(5)
Net changes of items other than shareholders' equity	741	—	548	(631)	658	27	685
Balance as of March 31, 2012	¥2,107	¥—	¥5,316	¥(8,283)	¥ (859)	¥ 2,626	¥102,761

Note: This document has been translated from the original Japanese, the Annual Securities Report.

Consolidated Statements of Cash Flows (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 21,759	¥ 24,439
Depreciation and amortization	13,508	13,426
Gain on sales of non-current assets	(33)	(55)
Loss on disposal of non-current assets	309	351
Gain on sales of investment securities	(0)	(5)
Loss on valuation of investment securities	3	0
Gain on sales of stocks of subsidiaries and affiliates	(26)	(410)
Loss on valuation of investments in capital of subsidiaries and affiliates	87	—
Impairment loss	481	260
Amortization of goodwill	17	33
Amortization of negative goodwill	(1)	(37)
Gain on negative goodwill	—	(718)
Increase (decrease) in allowance for doubtful accounts	8	(26)
Decrease in provision for retirement benefits	(289)	(234)
Increase (decrease) in provision for product warranties	449	(956)
Decrease in provision for directors' retirement benefits	(2)	(17)
(Decrease) increase in provision for directors' bonuses	(151)	258
Increase in provision for environmental measures	—	15
Decrease in provision for business structure improvement	—	(119)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	165
Interest and dividends income	(612)	(437)
Interest expenses	1,555	1,675
Equity in earnings of affiliates	(870)	(1,192)
Increase in notes and accounts receivable—trade	(7,098)	(13,347)
Increase in inventories	(1,480)	(4,847)
Increase in notes and accounts payable—trade	1,593	15,839
Increase in accounts payable—other	957	1,464
Other, net	(4,321)	2,461
Subtotal	25,841	37,988
Interest and dividends income received	1,316	847
Interest expenses paid	(1,507)	(1,717)
Income taxes paid	(8,527)	(1,916)
Income taxes refund	276	231
Net cash provided by operating activities	17,399	35,433
Cash flows from investing activities:		
Payments into time deposits	(856)	(6,920)
Proceeds from withdrawal of time deposits	2,427	5,644
Purchase of property, plant and equipment	(19,200)	(7,665)
Proceeds from sales of property, plant and equipment	281	566
Purchase of investment securities	(2,913)	(47)
Purchase of stocks of subsidiaries and affiliates	—	(225)
Proceeds from sales of stocks of subsidiaries and affiliates	—	1,349
Payments for investments in capital of subsidiaries and affiliates	(252)	(165)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(239)	—
Payments of loans receivable	(193)	(285)
Collection of loans receivable	1,087	692
Other, net	(140)	(176)
Net cash used in investing activities	(20,000)	(7,233)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	6,476	(7,756)
Repayments of lease obligations	(354)	(285)
Proceeds from long-term loans payable	13,975	2,106
Repayment of long-term loans payable	(21,501)	(8,986)
Redemption of bonds	—	(10)
Purchase of treasury stock	(12)	(477)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(1,768)	(1,416)
Cash dividends paid to minority shareholders	(269)	(141)
Net cash used in financing activities	(3,454)	(16,967)
Effect of exchange rate change on cash and cash equivalents	(180)	(753)
Net (decrease) increase in cash and cash equivalents	(6,236)	10,478
Cash and cash equivalents at beginning of period	48,122	37,663
Increase in cash and cash equivalents resulting from change of scope of consolidation	123	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(19)
Cash and cash equivalents at end of period	¥ 42,009	¥ 48,122

Note: This document has been translated from the original Japanese, the Annual Securities Report.

Notes to Consolidated Financial Statements (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

This document has been translated from the original Japanese, the Annual Securities Report.

1 Major Accounting Policies for the Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

1) Number of Consolidated Subsidiaries: 30

(1) Domestic subsidiaries: 8

Kayaba System Machinery Co., Ltd., KYB Engineering and Service Co., Ltd., KYB Kanayama Co., Ltd., KYB Logistics Co., Ltd., KYB Cadac Co., Ltd., KYB-YS Co., Ltd., KYB Trondule Co., Ltd., Takako Industries, Inc.

(2) Overseas subsidiaries: 22

KYB Americas Corporation, KYB Steering Spain, S.A., KYB Europe Headquarters GmbH, KYB Europe GmbH, KYB Manufacturing Taiwan Co., Ltd., KYB Steering (Thailand) Co., Ltd., KYB (Thailand) Co., Ltd., KYB Suspensions Europe, S.A., KYB Industrial Machinery (Zhenjiang) Ltd., KYB Hydraulics Industry (Zhenjiang) Ltd., KYB Manufacturing Vietnam Co., Ltd., KYB Manufacturing Czech s.r.o., KYB Middle East FZE, TSW Products Co., Inc., TAKAKO Vietnam Co., Ltd., Wuxi KYB Top Absorber Co., Ltd., KYB Trading (Shanghai) Co., Ltd., KYB Asia Co., Ltd., KYB Latinoamerica S.A. de C.V., KYB Advanced Manufacturing Spain, S.A., KYB (China) Investment Co., Ltd., KYB Panama S.A.

KYB do Brasil Fabricante de Autopeças Ltda., which was a consolidated subsidiary in previous fiscal years, was excluded from the scope of consolidation and reclassified to an equity-method affiliate of the Company, due to the sale of 50% shares the Company owned. This company was renamed KYB-Mando do Brasil Fabricante de Autopeças S.A.

Due to the increased materiality of its business operations, KYB Europe Headquarters GmbH has been included in the scope of consolidation commencing with fiscal 2011, ended March 31, 2012.

In fiscal 2011, consolidated subsidiaries KYB Manufacturing North America, Inc., and KYB America LLC merged with KYB Manufacturing North America, Inc., which was the surviving company, on October 1, 2011. Following the merger, the company was renamed KYB Americas Corporation and KYB America LLC was dissolved.

2) Major Non-Consolidated Subsidiaries

(1) Domestic subsidiaries

KYB Systemerit Co., Ltd., Kensiyuu Co., Ltd., KK Hydraulics Ltd.

(2) Overseas subsidiaries

KYB International America, Inc., KYB Suspansyion Sistemleri Sanayi ve Ticaret, A.S., KYB Technical Center (Thailand) Co., Ltd., KK Hydraulics Sales (Shanghai) Co., Ltd.

(Reason for exclusion from consolidation)

The remaining seven non-consolidated subsidiaries were not consolidated because their aggregate amount of total assets, net sales, net income (amount corresponding to ownership), and retained earnings (amount corresponding to ownership) were not material to the consolidated financial statements.

2. Application of Equity Method

1) Number of Equity-Method Affiliates: 5

Number of Affiliated Companies: 5

Towa Seisakusho Co., Ltd., P.T. Kayaba Indonesia, KYB-UMW Malaysia Sdn. Bhd., KYB-UMW Steering Malaysia Sdn. Bhd., KYB-Mando do Brasil Fabricante de Autopeças S.A. (formerly KYB do Brasil Fabricante de Autopeças Ltda.)

KYB do Brasil Fabricante de Autopeças Ltda., which was a consolidated subsidiary in previous fiscal years, was excluded from the scope of consolidation and reclassified to an equity-method affiliate of the Company, due to the sale of 50% shares the Company owned. This company was renamed KYB-Mando do Brasil Fabricante de Autopeças S.A.

2) Major Affiliates Not Accounted for by the Equity Method

(1) Non-consolidated subsidiaries

KYB International America, Inc., KYB Technical Center (Thailand) Co., Ltd, etc.

(2) Affiliates

Chikuyo Seiki Kogyo K.K., etc.

(Reason for not accounted for by the equity method)

The equity method was not applied to these companies, because their net income and retained earnings were not material to consolidated net income and retained earnings, and have no overall material influence on the consolidated financial statements.

3) For equity method affiliates with a fiscal year end other than March 31, the financial statements for the fiscal year of each company are used.

3. Fiscal Year-End of Consolidated Subsidiaries

To prepare the consolidated financial statements, the financial statements of consolidated subsidiaries KYB Europe GmbH, KYB Manufacturing Taiwan Co., Ltd., KYB Manufacturing Vietnam Co., Ltd., Wuxi KYB Top Absorber Co., Ltd., and KYB Europe Headquarters GmbH as of December 31 are used. The consolidated financial statements are adjusted as necessary for any significant transactions between this date and March 31.

In fiscal 2011, consolidated subsidiaries KYB (Thailand) Co., Ltd., and KYB Panama S.A. changed their fiscal year ends to March 31.

In prior years, for KYB Industrial Machinery (Zhenjiang) Ltd., KYB Hydraulics Industry (Zhenjiang) Ltd., KYB Trading (Shanghai) Co., Ltd., KYB Latinoamerica S.A. de C.V., and KYB (China) Investment Co., Ltd., the financial statements as of the fiscal year-end of these companies were used to prepare the consolidated financial statements. Adjustments were made as necessary for any significant transactions between the fiscal year end and March 31. Starting with fiscal 2011, for the purpose of unifying fiscal year ends with the fiscal year of KYB, pro forma financial statements as of March 31 are used instead. As a result, these financial statements cover the 15-month period from January 1, 2011, to March 31, 2012.

4. Summary of Significant Accounting Policies

1) Standards and Methods for Valuing Assets

(1) Inventories

Inventories are stated at cost based on the average cost method (in which book values are reduced for inventories with declining profitability).

(2) Investment securities

Marketable other securities are stated at market value as of the fiscal year-end. Adjustments to market value are recorded as an increase or decrease in net assets. Costs of their sales are determined by the moving average method.

Other securities that are not marketable are stated at cost, with cost being determined by the moving average method.

(3) Derivatives

Derivatives are stated at market value.

2) Method of Depreciation of Material Depreciable Assets

(1) Property and equipment (Excluding Lease assets)

Depreciation on property and equipment is amortized using the declining-balance method.

For the useful lives and residual values, the same standards as for the method prescribed in the Corporation Tax Act are used.

However, for buildings (excluding building fixtures) acquired on or after April 1, 1998, the straight-line method is used. Consolidated subsidiaries outside Japan use primarily the straight-line method.

(2) Intangible fixed assets (Excluding Lease assets)

Intangible fixed assets are amortized using the straight-line method.

For the useful lives, the same standards as for the method prescribed in the Corporation Tax Law are used.

However, amortization of computer software for internal use is principally calculated using the straight-line method over five years, the estimated useful life.

(3) Lease assets

Finance leases and leased assets where there is no transfer of ownership

Method in which the leasing period is the useful life and the residual value is zero. However, for the finance lease exempt from passage of title, where the lease started on or before March 31, 2008, are treated as rental for accounting purposes.

(4) Long-term prepaid expenses

Amortized in equal installments

For the amortization period, the same standards as for the method prescribed in the Corporation Tax Act are used.

3) Accounting Basis for Allowances

(1) Allowance for doubtful accounts

Concerning receivables, the allowance for doubtful accounts is provided based on the actual loss rate. Concerning specific loans including doubtful accounts, each uncollectible debt is accounted for based on the probability of collection.

(2) Provision for directors' bonuses

To provide bonuses to directors and corporate auditors, the Company provides an allowance for that fiscal year portion based on the expected future payment amount.

(3) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is recorded that is equal to the amount of these benefits as of the end of the fiscal year based on retirement benefit obligations and pension plan assets.

Unrecognized actuarial net gains or losses are divided into proportional amounts using the straight-line method based over a period that does not exceed the average remaining service years (14–15 years) for employees in each fiscal year that an actuarial gain or loss occurred. Each proportional amount is recognized as an expense in the following fiscal year.

(4) Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors, some consolidated subsidiaries establish a provision for directors' retirement benefits based on year-end payments in accordance with their internal rules.

(5) Provision for environmental measures

To prepare for the payment of expenses for the removal and treatment of polychlorinated biphenyl (PCB) used in equipment and other locations, a provision has been made that is equal to expected future payments.

(6) Provision for product warranties

To prepare for the payment of expenses for future repairs, a provision is made that is based on estimated expenses for individual items and on the past level of these expenses as a percentage of sales.

4) Foreign Currency Translations (Assets and liabilities denominated in major foreign currencies)

Foreign currency denominated receivables and payables are translated into Japanese yen at the spot rate prevailing on the respective balance sheet dates. Translation differences are treated as gains and losses.

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot rate prevailing on the balance sheet date. Income and expenses are translated at the average rate for the period. Translation differences are included in Foreign currency translation adjustments and minority interests under the net assets section on the consolidated balance sheet.

5) Hedging

(1) Hedge accounting method

The Company uses the deferred method for hedge accounting.

However, the exceptional accrual method is used to account for interest rate swap agreements that meet specified conditions.

(2) Hedging instruments and hedging targets

Hedging instruments: Forward exchange contracts and interest rate swap agreements

Hedging targets: Foreign currency-denominated transactions and interest on loans payable

(3) Hedging policy

In accordance with internal administrative rules, the Company's policy is to use derivatives within the scope of actual demand for the purposes of hedging risk associated with foreign exchange rate volatility for foreign currency-denominated transactions and variable interest rates for loans payable.

(4) Determining hedging effectiveness

There are no assessments of hedging effectiveness because significant terms are the same for hedging methods and the items hedged.

6) Amortization Method and Period for Goodwill and Negative Goodwill

Goodwill and negative goodwill are amortized in equal installments over the estimated length of time that the benefits are expected to be received (five years). However, negative goodwill recognized on or after April 1, 2010 is treated as an extraordinary gain in the fiscal year in which the negative goodwill occurred.

7) Scope of Cash on Consolidated Statements of Cash Flows

The scope of cash (cash and cash equivalents) on the consolidated statements of cash flows is cash on hand, deposits readily convertible to cash and short-term investments that mature within three months and that carry little risk of price fluctuation.

8) Other Material Items in Basis of Presentation of Consolidated Financial Statements

Accounting for consumption taxes

Consumption taxes is accounted for using the net-of-tax method.

2 Changes in Presentation

Not applicable

3 Additional Information

1. Application of Accounting Standard for Accounting Changes and Error Corrections

For accounting changes and corrections of prior period errors that are made on or after April 1, 2011, "Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009)" and "Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009)" have been applied.

2. Termination of Retirement Benefit System for Directors

In prior years, the Company had maintained a provision for directors' retirement benefits that was based on the amount that must be paid according to internal rules. The Board of Directors approved a resolution on April 22, 2011, to terminate this retirement benefit system and shareholders approved a resolution on June 24, 2011, to stop making retirement benefit payments based on the length of the term of office. Retirement benefits are paid when each director and corporate auditor leaves. The "other" item of non-current liabilities includes ¥406 million yen for directors' retirement benefits that are owed for service up to the June 24, 2011.

4 Notes to Consolidated Financial Statements

1. Consolidated Balance Sheets

FY2010 (Mar. 31, 2011)

***1) Accumulated Depreciation for Property, Plant and Equipment:** ¥202,942 million

***2) Assets of non-consolidated subsidiaries and equity-method affiliates are as follows:**

	(¥ million)
Investment securities (stock)	3,742
(investments in companies under joint control in above amount)	1,937
Investments included in investments and other assets (other)	439

***3) Assets pledged as collateral and corresponding liabilities**

Assets pledged (¥ million)		Corresponding liability secured (¥ million)	
Property and equipment (Book values)			
Buildings and structures	1,514 [207]	Short-term loans payable	1,579 [49]
Machinery, equipment and automobiles	74 [74]	Long-term loans payable	2,062 [100]
Land	709 [—]		
Leased land	127 [—]		
Other	0 [0]		
	2,426 [282]		3,641 [149]

Figures in brackets are industrial park mortgages and the corresponding liabilities.

***4) Revaluations of Land Used for Business Operations**

In accordance with the "Act on Revaluation of Land (Act No. 34, March 31, 1998)," companies are required to reevaluate land used for business operations. An amount equivalent to taxes for the amount following the revaluation is then recognized as "Deferred tax liabilities for land revaluation" on the balance sheet. The amount less these deferred tax liabilities is recognized as "Revaluation reserve for land" in net assets.

Revaluation method

Revaluations are calculated by using the valuation for property tax as prescribed in Article 2-3 of the "Order for Enforcement of the Act on Revaluation of Land (Order No. 119, March 31, 1998)."

Revaluation date: Mar. 31, 2002

Difference at end of fiscal year between fair value and post-revaluation book value of land subject to revaluation: ¥(5,886) million

FY2011 (Mar. 31, 2012)

***1) Accumulated Depreciation for Property, Plant and Equipment: ¥207,426 million**

***2) Assets of non-consolidated subsidiaries and equity-method affiliates are as follows:**

	(¥ million)
Investment securities (stock)	**4,220**
(investments in companies under joint control in above amount)	**2,492**
Investments included in investments and other assets (other)	**305**

***3) Assets pledged as collateral and corresponding liabilities**

Assets pledged (¥ million)		Corresponding liability secured (¥ million)	
Property and equipment (Book values)			
Buildings and structures	**1,586 [190]**	Short-term loans payable	**1,880 [149]**
Machinery, equipment and automobiles	**43 [43]**	Long-term loans payable	**1,595 [—]**
Land	**709 [—]**		
Leased land	**124 [—]**		
Other	**0 [0]**		
	2,463 [234]		**3,475 [149]**

Figures in brackets are industrial park mortgages and the corresponding liabilities.

***4) Revaluations of Land Used for Business Operations**

In accordance with the "Act on Revaluation of Land (Act No. 34, March 31, 1998)," companies are required to reevaluate land used for business operations. An amount equivalent to taxes for the amount following the revaluation is then recognized as "Deferred tax liabilities for land revaluation" on the balance sheet. The amount less these deferred tax liabilities is recognized as "Revaluation reserve for land" in net assets.

Revaluation method

Revaluations are calculated by using the valuation for property tax as prescribed in Article 2-3 of the "Order for Enforcement of the Act on Revaluation of Land (Order No. 119, March 31, 1998)."

Revaluation date: Mar. 31, 2002

Difference at end of fiscal year between fair value and post-revaluation book value of land subject to revaluation: **¥(6,069) million**

5) Balance of Guaranteed Loans

1) Loan guarantees

(1) Guarantees of employees' loans from financial institutions (home construction loans): ¥0 million

(2) Guarantees of affiliated company loans from financial institutions

P.T. Chita Indonesia	¥14 million (RP 1,500 million)

6) Notes Receivable Discount and Notes Receivable Endorsed

	(¥ million)
(1) Notes receivable discount	4
(2) Notes receivable endorsed	452

5) Balance of Guaranteed Loans

1) Loan guarantees

(1) Guarantees of employees' loans from financial institutions (home construction loans): **¥0 million**

(2) Guarantees of affiliated company loans from financial institutions

P.T. Chita Indonesia	**¥8 million (RP 960 million)**
KYB-Mando do Brasil Fabricante de Autopeças S.A.	**¥219 million (EUR 2 million)**

6) Notes Receivable Discount and Notes Receivable Endorsed

	(¥ million)
(1) Notes receivable discount	**5**
(2) Notes receivable endorsed	**499**

***7) Notes Matured at the End of the Fiscal Year**

The end of the fiscal year was a holiday for financial institutions. However, notes that matured on this day were treated as having been settled the same day. Notes that matured on March 31, 2012, were as follows:

	(¥ million)
(1) Notes receivable—trade	**681**
(2) Notes payable—trade	**539**
(2) Notes payable—equipment	**184**

2. Consolidated Statements of Income

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

***1) Major components of selling, general and administrative expenses are as follows:**

	(¥ million)
Salaries and subsidies	10,157
Retirement benefit expenses	499
Provision for directors' retirement benefits	158
Packing and freight	8,771
Research and development expenses	3,218

Major components of the above research and development expenses are as follows:

	(¥ million)
Salaries and subsidies	1,437
Retirement benefit expenses	81

***2) General and administrative expenses include research and development expenses of ¥3,218 million.**

***3) Major components of gain on sales of non-current assets are as follows:**

	(¥ million)
Buildings and structures	14
Machinery, equipment and automobiles	24
Land	2
Other	13
Total	55

***4) Major components of loss on disposal of noncurrent assets are as follows:**

	(¥ million)
Buildings and structures	40
Machinery, equipment and automobiles	270
Land	4
Other	37
Total	351

***5) Impairment Losses**

During FY2010, the following groups of assets of the KYB Group have been charged with impairment losses.

Location (Prefectures)	Use	Category
Yamato-shi, Kanagawa	Idle assets	Land
Kani-shi, Gifu	Idle assets	Machinery and equipment
Tsu-shi, Miye	Idle assets	Land
Sagamihara-shi, Kanagawa	Idle assets	Land
—	Other	Goodwill

In principle, the KYB Group uses business sites as the standard for grouping assets used for business operations. Idle assets are grouped individually.

In FY2010, for idle assets not used for business operations, the book value was written down to the amount that can be recovered for land with no expected future cash flows. As a result, an impairment loss of ¥129 million was recorded as an extraordinary loss.

The increase in ownership of Wuxi KYB Top Absorber Co., Ltd., resulted in the recognition of goodwill. Since there are no prospects at this time for a recovery in earnings at this company, the resulting impairment loss of ¥131 million for this goodwill was recorded as an extraordinary loss.

The amount that can be recovered from these assets is determined by using net sales proceeds based on market prices.

***6) Special retirement payments include increased payments in association with additional benefits offered to employees who resign at two consolidated subsidiaries in Europe.**

***7) Business structure improvement expenses include expenses already incurred and an allowance for estimated future expenses in association with the liquidation of two consolidated subsidiaries in Japan.**

Business structure improvement expenses are as follows:

Expenses for relocation and removal of equipment	¥2 million

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

***1) Major components of selling, general and administrative expenses are as follows:**

	(¥ million)
Salaries and subsidies	**11,781**
Retirement benefit expenses	**616**
Provision for directors' retirement benefits	**94**
Packing and freight	**9,430**
Research and development expenses	**4,035**

Major components of the above research and development expenses are as follows:

	(¥ million)
Salaries and subsidies	**1,652**
Retirement benefit expenses	**99**

***2) General and administrative expenses include research and development expenses of ¥4,035 million.**

***3) Major components of gain on sales of non-current assets are as follows:**

	(¥ million)
Buildings and structures	**0**
Machinery, equipment and automobiles	**22**
Other	**11**
Total	**33**

***4) Major components of loss on disposal of noncurrent assets are as follows:**

	(¥ million)
Buildings and structures	**134**
Machinery, equipment and automobiles	**141**
Other	**32**
Total	**309**

***5) Impairment Losses**

During FY2011, the following groups of assets of the KYB Group have been charged with impairment losses.

Location (Prefectures)	Use	Category
Kani-shi, Gifu	Idle assets	Machinery and equipment
Zhenjiang, China	Business assets	Machinery and equipment
Zhenjiang, China	Business assets	Automotive equipment
—	Other	Goodwill

In principle, the KYB Group uses business sites as the standard for grouping assets used for business operations. Idle assets are grouped individually.

In FY2011, for idle assets not used for business operations, the book value was written down to the amount that can be recovered for land with no expected future cash flows. As a result, an impairment loss of ¥22 million was recorded as an extraordinary loss.

For assets used for business operations where there was a significant decline in profitability, the book value was written down to the amount that can be recovered for land with no expected future cash flows. As a result, an impairment loss of ¥355 million was recorded as an extraordinary loss.

The increase in ownership of Wuxi KYB Top Absorber Co., Ltd., resulted in the recognition of goodwill. Since there are no prospects at this time for a recovery in earnings at this company, the resulting impairment loss of ¥103 million for this goodwill was recorded as an extraordinary loss.

The amount that can be recovered from these assets is determined by using net sales proceeds based on market prices.

***6) Special retirement payments include increased payments in association with additional benefits offered to employees who resign at two consolidated subsidiaries in Europe.**

3. Consolidated Statements of Comprehensive Income

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

Other reclassification adjustments and tax effect for comprehensive income

	(¥ million)
Net unrealized loss on securities:	
Amount arising during the year	**1,062**
Reclassification adjustments	**3**
Before tax effect	**1,065**
Tax effect	**(324)**
Net unrealized loss on securities	**741**
Revaluation reserve for land:	
Amount arising during the year	**—**
Reclassification adjustments	**—**
Before tax effect	**—**
Tax effect	**548**
Revaluation reserve for land	**548**
Foreign currency translation adjustments:	
Amount arising during the year	**(384)**
Reclassification adjustments	**(81)**
Before tax effect	**(465)**
Tax effect	**1**
Foreign currency translation adjustments	**(463)**
Share of other comprehensive income of associates accounted for using equity method:	
Amount arising during the year	**(270)**
Total other comprehensive income	**555**

4. Consolidated Statements of Changes in Net Assets

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

1. Number and Type of Shares Issued and Treasury Stock

(Thousands of shares)

	Shares issued as of April 1, 2010	Increase	Decrease	Shares issued as of March 31, 2011
Shares issued:				
Common shares	222,984	—	—	222,984
Total	222,984	—	—	222,984
Treasury stock:				
Common shares	4,373	1,088	3,554	1,907
Total	4,373	1,088	3,554	1,907

Note: The increase of 1,088 thousand shares of treasury stock is mainly the result of a 1,000 thousand share increase due to repurchases authorized by the Board of Directors.

The Company purchased 88 thousand shares through purchases of holdings of less than one unit (*tangen*). The decrease of 3,554 thousand shares of treasury stock is mainly the result of an allocation of 3,554 thousand shares of Company stock for an exchange of stock that made KYB-YS Co., Ltd., a wholly owned subsidiary.

2. Stock Acquisition Rights and Stock Acquisition Rights Held by the Company

Not applicable

3. Dividends

1) Dividends Paid

Resolution	Type of shares	Aggregate dividend	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, Jun. 25, 2010	Common shares	¥546 million	¥2.50	Mar. 31, 2010	Jun. 28, 2010
Board of Directors Meeting, Nov. 18, 2010	Common shares	¥870 million	¥4.00	Sept. 30, 2010	Dec. 7, 2010

2) Of the dividends for which the record date was in FY2009, dividends for which the effective date falls after the end of FY2010.

Resolution	Type of shares	Aggregate dividend	Source of funds for dividends	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, Jun. 24, 2011	Common shares	¥884 million	Retained earnings	¥4.00	Mar. 31, 2011	Jun. 27, 2011

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

1. Number and Type of Shares Issued and Treasury Stock

(Thousands of shares)

	Shares issued as of April 1, 2011	Increase	Decrease	Shares issued as of March 31, 2012
Shares issued:				
Common shares	**222,984**	**—**	**—**	**222,984**
Total	**222,984**	**—**	**—**	**222,984**
Treasury stock:				
Common shares	**1,907**	**28**	**1**	**1,933**
Total	**1,907**	**28**	**1**	**1,933**

Note: The increase of 28 thousand shares of treasury stock is due to purchases by the Company of holdings of less than one unit (*tangen*). The decrease of 1 thousand shares of treasury stock is due to sales by the Company of treasury stock to shareholders who wanted to increase their holdings to one unit.

2. Stock Acquisition Rights and Stock Acquisition Rights Held by the Company

Not applicable

3. Dividends

1) Dividends Paid

Resolution	Type of shares	Aggregate dividend	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, Jun. 24, 2011	Common shares	**¥884 million**	**¥4.00**	Mar. 31, 2011	Jun. 27, 2011
Board of Directors Meeting, Nov. 22, 2011	Common shares	**¥884 million**	**¥4.00**	Sept. 30, 2011	Dec. 6, 2011

2) Of the dividends for which the record date was in FY2010, dividends for which the effective date falls after the end of FY2011.

Resolution	Type of shares	Aggregate dividend	Source of funds for dividends	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, Jun. 26, 2012	Common shares	**¥1,105 million**	Retained earnings	**¥5.00**	Mar. 31, 2012	Jun. 27, 2012

5. Consolidated Statements of Cash Flows

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

The relationship between cash and cash equivalents and the amounts in the line items of the balance sheet as of the end of FY2010 was as follows:

	(¥ million)
Cash and deposits	46,208
Deposits with maturities more than three months	(3,084)
Purchases of commercial paper under repurchase agreements (Short-term loans receivable)	4,998
Cash and cash equivalents	48,122

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

The relationship between cash and cash equivalents and the amounts in the line items of the balance sheet as of the end of FY2011 was as follows:

	(¥ million)
Cash and deposits	**36,460**
Deposits with maturities more than three months	**(1,449)**
Purchases of commercial paper under repurchase agreements (Short-term loans receivable)	**6,998**
Cash and cash equivalents	**42,009**

6. Lease Transactions

1. Finance Leases (Lessee)

Finance leases where there is no transfer of ownership

1) Leased Assets

Property, plant and equipment

Mainly automobiles used in the Automotive Components and Hydraulic Components Operations

2) Method for Depreciation of Leased Assets

Major items for the preparation of the consolidated financial statements

These items are explained in "4. Summary of Significant Accounting Policies (2) Method of Depreciation of Material Depreciable Assets."

For finance leases where there is no transfer of ownership, leases are accounted for using the same method as for ordinary rental transactions for leases that started on or before March 31, 2008. These leases are as follows:

(1) Acquisition cost, accumulated depreciation and net book value of leased assets

(¥ million)

	FY2010 (Mar. 31, 2011)		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	52	48	4
Machinery, equipment and vehicles	1,430	938	491
Other	843	700	143
Total	2,326	1,688	638

	FY2011 (Mar. 31, 2012)		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	**4**	**2**	**2**
Machinery, equipment and vehicles	**1,089**	**819**	**269**
Other	**177**	**147**	**30**
Total	**1,271**	**969**	**302**

Note: The acquisition cost is calculated by including interest paid because future lease payments at the end of the fiscal year are a small percentage of property, plant and equipment at the end of the fiscal year.

(2) Future lease payments

(¥ million)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Due within one year	318	**160**
Due after one year	320	**141**
Total	638	**302**

Note: Future lease payments are calculated by including interest paid because future lease payments at the end of the fiscal year are a small percentage of property, plant and equipment at the end of the fiscal year.

(3) Lease payments, reversal of impairment loss on leased assets, assumed depreciation charge and impairment loss

(¥ million)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Lease payments	520	**296**
Assumed depreciation charge	520	**296**

(4) Calculation method of the assumed depreciation charge

Straight-line method using the leasing term as the asset life with a residual value of zero.

(Impairment losses)

No impairment losses were recognized for leased assets.

2. Operating Leases (Lessee)

Future lease payments for operating leases that cannot be terminated

(¥ million)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**
Due within one year	909	**943**
Due after one year	1,525	**2,094**
Total	2,434	**3,037**

7. Financial Instruments

1. Financial Instruments

1) Policy on Financial Instruments

For funds needed for capital expenditures, the Group uses internal funds from operating cash flows and uses bank loans and other sources to procure funds as needed. Funds that are temporarily unneeded are invested mainly in short-term deposits, investment-grade repurchase agreements and similar instruments. The Group's policy uses derivative financial instruments in order to hedge interest rate fluctuation risk and does not use these instruments for speculative purposes.

2) Financial Products and Their Risks

Trade notes and accounts receivable and payable expose the Group to credit risk associated with individual customers. Furthermore, the Group is vulnerable to foreign exchange rate volatility risk because of foreign currency-denominated receivables and payables associated with overseas operations.

Securities and investment securities are mainly long-term holdings of stock and the stock of companies where the Group has a business relationship. These securities expose the Group to market risk.

Almost all trade notes and accounts receivable and payable are due within one year. Some foreign currency-denominated receivables and payables are vulnerable to foreign exchange rate volatility risk. However, the amount of exposure is never more than the balance of receivables in the same foreign currency. Loans are used primarily to procure funds for capital expenditures. Since some loans carry floating interest rates, the Group is exposed to interest rate volatility risk. Derivatives (interest rate swaps) are used to hedge this risk.

Derivatives used by the Group are forward exchange contracts to hedge foreign exchange rate volatility risk and interest rate swaps to hedge interest rate volatility risk associated with loans. For information about hedging methods, items hedged, hedging policies and the evaluation of hedging effectiveness, please see in"4. Summary of Significant Accounting Policies (5) Hedging."

(3) Risk Management for Financial Instruments

Credit Risk Management (risk of a counterparty failing to fulfill a contractual obligation)

In accordance with the Company's internal administrative rules, the appropriate department of each business unit periodically monitors the status of all major counterparties for trade receivables. In addition, the Company works on quickly identifying situations where a decline in a customer's financial condition or other event raises concerns about the collection of a receivable and takes actions to reduce this risk. Consolidated subsidiaries as well use the same credit risk management procedures in accordance with the Company's internal administrative rules.

Derivatives are used solely for the purpose of reducing exposure to risk and are conducted only with financial institutions that have a high credit rating.

Market Risk Management (risk associated with changes in foreign exchange rates, interest rates, etc.)

The Company uses forward exchange contracts at times to reduce exposure to foreign exchange rate volatility risk. In addition, the Company uses interest rate swaps to reduce exposure to interest rate volatility risk associated with loans payable.

For securities and investment securities, the Company checks the fair value, financial condition of issuers (counterparty companies) and other items. This facilitates the continuous reexamination of these holdings in consideration of market conditions and the relationship with these counterparty companies.

Derivatives are used in accordance with internal rules.

Liquidity Risk Management Concerning to Fund Procurement (risk of being unable to make payments on payment dates)

The Company manages liquidity risk by preparing and updating cash flow plans at departments responsible for these plans, using reports from other departments of the Company, and by maintaining an adequate level of liquidity and taking other actions.

(4) Supplemental Explanations of Matters Relating to the Fair Value of Financial Instruments and Others

The fair values of financial instruments include the values based on market prices and those deemed as market prices obtained by a reasonable estimate when the financial instruments do not have market prices. Since certain assumptions are adopted for calculating such values, they may differ when different assumptions are adopted.

2. Matters Relating to the Fair Value of Financial Instruments

The following are the consolidated balance sheet amounts, fair values, and differences between them. Unlisted stocks and others, the fair values of which are extremely difficult to determine, have been excluded. (see Note 2)

(¥ million)

	FY2010 (Mar. 31, 2011)		
	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and time deposits	46,208	46,208	—
(2) Notes and accounts receivables—trade	80,184	80,184	—
(3) Short-term loans receivable	5,051	5,051	—
(4) Investment securities	6,411	6,411	—
Assets	137,856	137,856	—
(5) Notes and accounts payables—trade	68,340	68,340	—
(6) Short-term borrowings	11,512	11,512	—
(7) Long-term loans payable (including current portion)	68,063	68,383	320
Liabilities	147,916	148,236	320
(8) Derivative transactions:			
Exempt from hedge accounting	—	—	—
Subject to hedge accounting	—	—	—

	FY2011 (Mar. 31, 2012)		
	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and time deposits	**36,460**	**36,460**	**—**
(2) Notes and accounts receivables—trade	**86,582**	**86,582**	**—**
(3) Short-term loans receivable	**7,042**	**7,042**	**—**
(4) Investment securities	**10,384**	**10,384**	**—**
Assets	**140,470**	**140,470**	**—**
(5) Notes and accounts payables—trade	**69,596**	**69,596**	**—**
(6) Short-term borrowings	**17,948**	**17,948**	**—**
(7) Long-term loans payable (including current portion)	**60,438**	**60,515**	**76**
Liabilities	**147,982**	**148,059**	**76**
(8) Derivative transactions:			
Exempt from hedge accounting	**—**	**—**	**—**
Subject to hedge accounting	**—**	**—**	**—**

Notes: 1. Calculation of fair values of financial instruments and information concerning securities and derivatives

Assets

(1) Cash and time deposits, (2) Notes and accounts receivables—trade, and (3) Short-term loans receivable

Since all deposits are short term, book values are used as fair values because the two figures are virtually identical.

(4) Investment securities

Fair values of stocks and bonds are the prices on securities exchanges.

Liabilities

(5) Notes and accounts payables—trade and (6) short-term borrowings

Since payables and borrowings are repaid within a short time, book values are used as fair values because the two figures are virtually identical.

(7) Long-term loans payable (including current portion)

The fair value of long-term loans payable is calculated by using a discount rate that is equal to the interest rate for a new loan with the same total interest and principal. Long-term loans payable with floating interest rates are subject to the special accounting procedure for interest rate swaps (see (8) below). The fair value is calculated by using a reasonable estimate of the interest rate for a loan with the same total of interest and principal that was processed along with the applicable interest rate swap.

Long-term loans payable include the current portion to be repaid within one year.

Derivatives

(8) Derivative transactions

Interest rate swaps that use the special accounting procedure are processed as a single unit with long-term loans payable that have been hedged. Consequently, the fair values of these swaps are included in the fair values of the applicable long-term loans payable (see (7) above).

2. Financial instruments whose fair values are deemed too difficult to determine

(¥ million)

Category	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**
Unlisted stock	104	**104**
Affiliated company stock	3,742	**4,220**

The above stocks are not included in "(4) Investment Securities" due to the extreme difficulty of determining a fair value because there are no market prices.

3. Scheduled redemption amount of financial assets and securities with maturities

(¥ million)

	FY2010 (Mar. 31, 2011)			
	Due within one year	More than one year and up to five years	More than five years and up to ten years	Due after ten years
Cash and time deposits	46,208	—	—	—
Notes and accounts receivables—trade	80,184	—	—	—
Short-term loans receivable	5,051	—	—	—
Total	131,444	—	—	—

	FY2011 (Mar. 31, 2012)			
	Due within one year	More than one year and up to five years	More than five years and up to ten years	Due after ten years
Cash and time deposits	**36,460**	**—**	**—**	**—**
Notes and accounts receivables—trade	**86,582**	**—**	**—**	**—**
Short-term loans receivable	**7,042**	**—**	**—**	**—**
Total	**130,085**	**—**	**—**	**—**

4. Scheduled repayment of loans payable after the accounting period

Please refer to "Loans Payable, Etc." in the consolidated supplementary information.

8. Securities

FY2010 (Mar. 31, 2011)

1. Other Securities

(¥ million)

	Category	Consolidated balance sheet amount	Acquisition cost	Differences
Securities whose book values on the accompanying consolidated balance sheet exceed their acquisition costs	(1) Equity securities	5,061	2,597	2,464
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	5,061	2,597	2,464
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs	(1) Equity securities	1,350	1,637	(287)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,350	1,637	(287)
Total		6,411	4,235	2,176

Note: Unlisted equity securities (consolidated balance sheet amount of ¥104 million) are not included in the above table of "Other securities" due to the extreme difficulty of determining a fair value because there are no market prices.

2. Other Securities Sold During FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

(¥ million)

	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	20	5	—

3. Securities Subject to Asset Impairment

In FY2010, there was an asset impairment loss of ¥0 million for equity securities included in other securities.

To determine asset impairment losses, securities with a fair value that was at least less than half of the acquisition cost were written down to zero and securities with a fair value of about 30% to 50% below the acquisition cost were written down to the level regarded as necessary in consideration of the likelihood of recovering the investment and other factors.

FY2011 (Mar. 31, 2012)

1. Other Securities

(¥ million)

	Category	Consolidated balance sheet amount	Acquisition cost	Differences
Securities whose book values on the accompanying consolidated balance sheet exceed their acquisition costs	(1) Equity securities	9,385	5,978	3,406
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	9,385	5,978	3,406
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs	(1) Equity securities	999	1,163	(164)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	999	1,163	(164)
Total		10,384	7,142	3,242

Note: Unlisted equity securities (consolidated balance sheet amount of ¥104 million) are not included in the above table of “Other securities” due to the extreme difficulty of determining a fair value because there are no market prices.

2. Other Securities Sold During FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

(¥ million)

	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	0	0	—

3. Securities Subject to Asset Impairment

In FY2011, there was an asset impairment loss of ¥3 million for equity securities included in other securities.

To determine asset impairment losses, securities with a fair value that was at least less than half of the acquisition cost were written down to zero and securities with a fair value of about 30% to 50% below the acquisition cost were written down to the level regarded as necessary in consideration of the likelihood of recovering the investment and other factors.

9. Derivative Transactions

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

1. Derivative Transactions Exempt from Hedge Accounting

Not applicable

2. Derivative Transactions Subject to Hedge Accounting

Hedges related to interest rates

(¥ million)

Hedge accounting method	Type of derivative transactions	Hedging targets	Contractual amount, etc.	Contractual amount of more than one year	Fair value
Interest rate swap exceptional treatment	Interest rate swap transaction Receive floating, pay fixed	Long-term debt	16,485	6,485	(Note)

Note: For hedges where the exceptional treatment of interest rate swaps is used, fair value includes the fair values of the hedged long-term loans because the swaps and loans are treated as a single unit.

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

1. Derivative Transactions Exempt from Hedge Accounting

Not applicable

2. Derivative Transactions Subject to Hedge Accounting

Hedges related to interest rates

(¥ million)

Hedge accounting method	Type of derivative transactions	Hedging targets	Contractual amount, etc.	Contractual amount of more than one year	Fair value
Interest rate swap exceptional treatment	Interest rate swap transaction Receive floating, pay fixed	Long-term debt	7,286	3,743	(Note)

Note: For hedges where the exceptional treatment of interest rate swaps is used, fair value includes the fair values of the hedged long-term loans because the swaps and loans are treated as a single unit.

10. Footnotes to Retirement Benefits

1. Overview of Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have three types of defined benefits plans: defined benefit pension plans, tax-qualified pension plans, and lump-sum payments severance plans. In addition, additional retirement payments are made in some cases when employees retire or resign.

The Company has established a retirement benefit payment trust.

Some consolidated subsidiaries switched from a qualified pension plan system to a defined benefit corporate pension plan on October 1, 2011.

At the end of March 2012, for the Company and its consolidated companies in Japan, six companies had a lump-sum retirement payment system. In addition, for the Employees’ Pension Fund, two companies belonged to a comprehensive employees’ pension fund and, for the defined benefit corporate pension plan, five companies outsourced asset management to a life insurance company, etc.

Some consolidated subsidiaries in Japan and other countries have established a defined contribution pension system in addition to a defined benefit pension system.

2. Retirement Benefit Obligations

(¥ million)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
(1) Benefit obligation (Note)	(33,803)	**(33,227)**
(2) Plan assets	18,258	**18,741**
(3) Funded status (1)+(2)	(15,545)	**(14,485)**
(4) Unrecognized net actuarial gain	4,778	**4,054**
(5) Accrued severance indemnities for employees	(10,767)	**(10,431)**

Note: Certain subsidiaries' benefit obligations were calculated using a simplified method. In addition, plan assets at consolidated subsidiaries that use a comprehensive employees' pension fund, which were ¥2,223 million at the end of March 2011 and ¥2,321 million at the end of March 2012, are not included in the above plan assets.

3. Net Periodic Benefit Cost

(¥ million)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**
(1) Service cost (Note)	1,914	**2,148**
(2) Interest cost	648	**648**
(3) Expected return on plan assets (deductible amounts)	(386)	**(355)**
(4) Net actuarial gain	308	**438**
(5) One-time payments of additional retirement benefits	12	**28**
(6) Net periodic benefit cost (1)+(2)+(3)+(4)+(5)	2,497	**2,908**

Note: Net periodic benefit cost of consolidated subsidiaries using the simplified method are added up in (1) Service cost.

4. Assumptions in Calculating Retirement Benefit Obligations

(¥ million)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
(1) Allocation of projected retirement benefit obligations	Straight-line attribution	**Straight-line attribution**
(2) Discount rate	2.0%	**2.0%**
(3) Expected rate of return on investments	3.0% (1.30% for retirement benefit payment trust)	**3.0%** (1.28% for retirement benefit payment trust)
(4) Years for amortizing net actuarial	14–15 years (Amortized using the straight-line method over a period that does not exceed the average remaining service period for employees when an actuarial gain or loss occurs. Recognized as an expense starting in the following fiscal year.)	**14–15 years** (Amortized using the straight-line method over a period that does not exceed the average remaining service period for employees when an actuarial gain or loss occurs. Recognized as an expense starting in the following fiscal year.)

11. Stock Options

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Not applicable

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Not applicable

12. Tax Effect Accounting

FY2010 (Mar. 31, 2011)

1. Major Components of Deferred Tax Assets and Deferred Tax Liabilities

(¥ million)

Deferred tax assets:	
Employees' severance and retirement benefits	8,695
Tax loss carried forward	2,573
Accrued bonuses	1,840
Software	1,099
Allowance for product warranty expenses	805
Tax effect of unrealized gains on inventories	685
Enterprise taxes	451
Retirement benefits for directors and corporate auditors	268
Expenses payable (social security payments for bonuses)	248
Securities valuation losses	125
Depreciation and amortization	121
Valuation loss on inventories	116
Other	753
Subtotal	17,784
Less: Valuation allowance	(3,756)
Total deferred tax assets	14,027
Deferred tax liabilities:	
Securities contributed to employees' retirement benefit trust	(3,519)
Tax effect for retained earnings at overseas consolidated subsidiaries	(1,885)
Net unrealized loss on securities	(787)
Tax allowable reserves for deduction of fixed assets	(294)
Other	(249)
Total deferred tax liabilities	(6,736)
Net deferred tax assets	7,290

Net deferred tax assets as of March 31, 2011, are included in the following balance sheet items.

(¥ million)

Current assets—Deferred tax assets	4,107
Fixed assets—Deferred tax assets	3,418
Current liabilities—Other	(74)
Long-term liabilities—Other	(160)

FY2011 (Mar. 31, 2012)

1. Major Components of Deferred Tax Assets and Deferred Tax Liabilities

(¥ million)

Deferred tax assets:	
Employees' severance and retirement benefits	**7,527**
Tax loss carried forward	**1,811**
Accrued bonuses	**1,463**
Software	**1,110**
Allowance for product warranty expenses	**907**
Tax effect of unrealized gains on inventories	**628**
Impairment loss on fixed assets	**317**
Valuation loss on inventories	**297**
Accrued retirement benefits for directors and corporate auditors	**237**
Enterprise taxes	**210**
Tax effect of unrealized gains on fixed assets	**202**
Expenses payable (social security payments for bonuses)	**195**
Other	**1,075**
Subtotal	**15,986**
Less: Valuation allowance	**(2,457)**
Total deferred tax assets	**13,528**
Deferred tax liabilities:	
Securities contributed to employees' retirement benefit trust	**(3,040)**
Tax effect for retained earnings at overseas consolidated subsidiaries	**(2,173)**
Net unrealized loss on securities	**(1,111)**
Tax allowable reserves for deduction of fixed assets	**(221)**
Other	**(347)**
Total deferred tax liabilities	**(6,895)**
Net deferred tax assets	**6,633**

Net deferred tax assets as of March 31, 2012, are included in the following balance sheet items.

(¥ million)

Current assets—Deferred tax assets	**3,996**
Fixed assets—Deferred tax assets	**2,865**
Current liabilities—Other	**(42)**
Long-term liabilities—Other	**(186)**

2. Breakdown of the principal categories that are factors underlying significant differentials between the burden of the statutory tax rate and income taxes after the application of tax effect accounting.

Statutory tax rate	39.8 %
(Adjustment)	
Tax rate differences among consolidated subsidiaries	(3.3)%
Unrecognized tax effect for write-off of unrealized gains	(2.0)%
Equity-method investment income	(1.9)%
Tax exemptions at overseas consolidated subsidiaries	(1.9)%
Special deduction for R&D expenditures	(1.9)%
Gain on sales of related company stock	1.5 %
Other	(2.2)%
Effective tax rate	28.1 %

2. Breakdown of the principal categories that are factors underlying significant differentials between the burden of the statutory tax rate and income taxes after the application of tax effect accounting.

Statutory tax rate	**39.8 %**
(Adjustment)	
Tax rate differences among consolidated subsidiaries	**(3.4)%**
Change in valuation reserves	**(3.3)%**
Tax exemptions at overseas consolidated subsidiaries	**(2.2)%**
Equity-method investment income	**(1.6)%**
Retained earnings at overseas consolidated subsidiaries	**1.7 %**
Effect of change in tax rate	**3.7 %**
Other	**(1.1)%**
Effective tax rate	**33.6 %**

3. Information Concerning Change in Tax Rate for Corporate Income Tax, Etc.

Starting with fiscal years that begin on or after April 1, 2012, corporate tax rates will be lowered and special reconstruction corporate taxes will be applied following the issuance on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act., etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures (Act No. 114 of 2011)" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake (Act No. 117 of 2011)." As a result, the statutory corporate tax rate used to calculate deferred tax assets and deferred tax liabilities has been lowered from the previous 39.8% to 37.2% for temporary differences expected to be covered or settled for fiscal years that begin between April 1, 2012, and April 1, 2014, and to 34.8% for temporary differences expected to be covered or settled for fiscal years that begin on or after April 1, 2015.

Due to these changes, there were decreases of ¥1,279 million in deferred tax assets, ¥674 million in deferred tax liabilities and ¥548 million deferred tax liabilities for land revaluation. There were also increases of ¥763 million in deferred income taxes, ¥158 million in the valuation difference on available-for-sale securities and ¥548 million in the revaluation reserve for land.

13. Business Combinations

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

Transactions under common control

1. Summary of Transaction

(1) Names and business activities of companies that were combined

Name of the company: Yanagisawa Seiki MFG Co., Ltd.

Business activities: Manufacturing and sales of AC and HC Operations' products

(2) Date of business combination: Sept. 30, 2010, and Nov. 15, 2010 (dates of effectiveness)

(3) Legal method of business combination: Acquisition of stock (additional acquisition) and exchange of stock to make Yanagisawa Seiki a wholly owned subsidiary

(4) Company name after business combination: No change. Yanagisawa Seiki was renamed KYB-YS Co., Ltd., on April 1, 2011.

(5) Overview of transaction, including purpose

To further strengthen consolidated group management, the Company made Yanagisawa Seiki a wholly owned subsidiary by using cash and deposits to purchase additional stock on September 30, 2010, and conducted an exchange of stock on November 15, 2010.

2. Summary of Accounting Treatment of Mergers

The Company accounted for these mergers as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

3. Information Concerning Additional Acquisition of Subsidiary Stock

(1) Acquisition cost and description

		(¥ million)
Payment for acquisition	Cash and deposits	225
	Exchange of stock	1,688
Direct expenses for acquisition		0
Acquisition cost		1,914

(2) Exchange ratio for each type of stock, calculation method, number of shares submitted and the value

a) Type of stock and exchange ratio

Common share: 1 share of KYB to 14.85 shares of Yanagisawa Seiki

b) Calculation of exchange ratio

To ensure that the ratio for the exchange of stock is fair and proper, the Company and Yanagisawa Seiki selected American Appraisal Japan Co., Ltd., as a third party to calculate an exchange ratio. The Company and Yanagisawa Seiki then held discussions to determine the final exchange ratio while using the third-party ratio as reference.

c) Number of shares submitted and value

Shares submitted: 3,554,459 shares

Value: ¥1,688 million

4. Amount of and Reason for Negative Goodwill

(1) Negative goodwill: ¥718 million

(2) Reason

Negative goodwill was recorded because the minority shareholders' portion of the fair value of net assets at the time of this business combination was higher than acquisition cost.

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Transactions under common control
Merger of KYB Manufacturing North America, Inc. (KMNA) and KYB America LLC (KAC)

1. Summary of Transaction

(1) Names and business activities of companies that were combined
(Remaining company)
Name of the company: KMNA
Business activities: Manufacturing and sales of AC Operations' products
(Dissolved company)
Name of the company: KAC
Business activities: Sales of AC and HC Operations' products
(2) Date of business combination: Oct. 1, 2011
(3) Legal method of business combination: KMNA (consolidated subsidiary of KYB) and KAC (consolidated subsidiary of KYB) merged with KMNA the remaining company and KAC was dissolved.
(4) Company name after business combination: KYB Americas Corporation (Consolidated subsidiary of the Company)
(5) Overview of transaction, including purpose
These two companies were merged because the combination of manufacturing and sales activities is expected to improve efficiency and produce business synergies that will strengthen business operations in the Americas. In addition, KYB plans to use this merger to achieve more growth in the Americas by expanding operations in North and Central America, where these two companies are located. Since KAC was a wholly owned subsidiary of KMNA, no shares were issued and there was no increase in capital due to this merger and there was no merger payment.

2. Summary of Accounting Treatment of Mergers

The Company accounted for these mergers as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

Formation of Company under Common Control

1. Summary of Transaction

(1) Names and business activities of operations that were combined
Name of business operations: Shock Absorber for Automobile Business
Business activities: Manufacturing and sales of shock absorber for automobiles
(2) Date of business combination: May 31, 2011
(3) Legal method of business combination: KYB Mando do Brasil Fabricante de Autopecas Ltda., which was a wholly owned subsidiary of KYB in Brazil, became a company under common control with 50/50 ownership following the sale of half of its stock to the Korean company Mando Corporation.
(4) Company name after business combination: KYB-Mando do Brasil Fabricante de Autopeças S.A.
(5) Other information concerning summary of transaction
KYB and Mando both have global automotive shock absorber operations. In Brazil, a market with good prospects for growth, the companies signed a joint venture agreement that will allow capturing business synergies through the mutual utilization of the two companies' resources and knowledge.
(6) Reason for decision to form a company under common control
To form this company under common control, KYB and Mando signed a joint venture agreement in which the two companies will jointly control KYB Mando do Brasil Fabricante de Autopecas S.A. The payment for this business combination was entirely an interest in voting rights. There are no other items that show the control of this company. Consequently, the decision was reached that this business combination should use the company under common control format.

2. Summary of Accounting Treatment of Mergers

The Company accounted for these mergers as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

As a result of this business combination, the Company and Mando each hold half of the voting rights of KYB Mando do Brasil Fabricante de Autopecas S.A., making this company an equity-method affiliate of the Company.

14. Asset Retirement Obligations

FY2010 (Mar. 31, 2011)

1. Asset Retirement Obligations Included in the Consolidated Balance Sheet

(1) Summary of asset retirement obligations
The Company and some consolidated subsidiaries have posted asset retirement obligations based on a reasonable estimate of the cost of removing equipment that used chrome plating, asbestos and certain other materials. These estimates are based on the Waste Management and Public Cleaning Act, Ordinance on Prevention of Health Impairment due to Asbestos and other laws and regulations.
(2) Method for calculating amount of asset retirement obligations
The Company and some consolidated subsidiaries calculate balance sheet asset retirement obligations by using an estimated the time of use of 9 to 31 years starting with the time of acquisition and a discount rate of 2.0%.
(3) Change in total asset retirement obligations during fiscal 2010

	(¥ million)
Beginning of the year (Note)	217
Adjustment for passage of time	2
Decrease due to retirement of assets	(10)
End of the year	209

Note: Beginning with the fiscal year ended March 31, 2012, the Company has applied Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008). The balance at the beginning of the fiscal year uses this new accounting standard.

2. Asset Retirement Obligations Not Shown on the Consolidated Balance Sheet

Office space used by the Company and some consolidated subsidiaries have leases requiring the payment of the cost to restore the space to its original condition when the space is vacated. A reasonable estimate of the asset retirement obligations associated with this office space is not possible because the length of time the space will be used is not known and there are currently no plans to relocate these offices. Consequently, no asset retirement obligations are recognized for these offices.

FY2011 (Mar. 31, 2012)

1. Asset Retirement Obligations Included in the Consolidated Balance Sheet

(1) Summary of asset retirement obligations
The Company and some consolidated subsidiaries have posted asset retirement obligations based on a reasonable estimate of the cost of removing equipment that used chrome plating, asbestos and certain other materials. These estimates are based on the Waste Management and Public Cleaning Act, Ordinance on Prevention of Health Impairment due to Asbestos and other laws and regulations.
(2) Method for calculating amount of asset retirement obligations
The Company and some consolidated subsidiaries calculate balance sheet asset retirement obligations by using an estimated the time of use of 5 to 31 years starting with the time of acquisition and a discount rate of 2.0%.
(3) Change in total asset retirement obligations during fiscal 2011

	(¥ million)
Beginning of the year	**209**
Increase due to purchase of property, plant and equipment	**141**
Adjustment for passage of time	**4**
Other net increase (decrease)	**8**
Decrease in assets retirement obligations	**(0)**
End of the year	**363**

2. Asset Retirement Obligations Not Shown on the Consolidated Balance Sheet

Office space used by the Company and some consolidated subsidiaries have leases requiring the payment of the cost to restore the space to its original condition when the space is vacated. A reasonable estimate of the asset retirement obligations associated with this office space is not possible because the length of time the space will be used is not known and there are currently no plans to relocate these offices. Consequently, no asset retirement obligations are recognized for these offices.

15. Real Estate Leases, etc.

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Omitted due to the absence of significant items

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Omitted due to the absence of significant items

16. Segment Information, etc.

1. Segment Information

1) Summary of Reportable Segments

The Company's reportable segments are organizational units for which separate financial data can be obtained and where the Board of Directors conducts regular studies to determine the allocation of resources and evaluate performance.

The Company has a business headquarters or department for individual products and services. Each headquarters or department determines comprehensive strategies in Japan and overseas for its products and services and conducts business operations. As a result, the Company has four business categories: Automotive Components, Hydraulic Components, Special-purpose Vehicles, and Other Products, which consists of activities that do not belong to the other three segments.

In consideration of the volume standard and other items concerning reportable segments, Special-purpose Vehicles and Other Products are combined into the Other segment for disclosure purposes. Consequently, the Company has two reportable segments: Automotive Components and Hydraulic Components.

Automotive Components involves the manufacture of automotive hydraulic devices and other products. Major products are shock absorbers for automobiles and motorcycles and power steering products. Hydraulic Components involves the manufacture of primarily industrial hydraulic components used in construction machinery.

Segment		Major Products
Reportable segment	Automotive Components	Shock absorbers, suspension system, power steering, vane pumps, front folk, oil cushion units, stay dampers, free rock, and other automotive products
	Hydraulic Components	Cylinders, valves, oil damper for railway vehicles, collision shock absorbers, pumps, motors, equipment for landing systems, flight control systems, and emergency devices for aircraft
Other	Other	Concrete mixer trucks, granule carriers, special-function vehicles, motion simulators, hydraulic systems, auditorium and stage control systems, naval ships equipment, tunnel borers, environment-friendly equipment, seismic isolation systems and vibration control dampers, electronic application

2) Method of Calculating Sales, Profits, Assets and Other Items for Each Reportable Segment

The accounting procedure for the reportable segments is based on "Basis of Presentation of Consolidated Financial Statements."

The income or loss for each reportable segment is based on operating income or loss.

In principle, prevailing market prices are used for transfers for intersegment transactions.

3) Reportable Segment Sales, Profits, Assets, and Other Items

(¥ million)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)						
	Reportable segment						
	Automotive Components	Hydraulic Components	Subtotal	Other (Note 1)	Total	Elimination of intersegment transactions (Notes 2 and 3)	Amount on consolidated statements (Note 4)
Segment 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	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
Segment assets	148,116	123,672	271,789	16,598	288,388	(3,253)	285,134
Other items							
Depreciation	7,713	5,194	12,908	518	13,426	—	13,426
Impairment loss	143	8	151	109	260	—	260
Increase in tangible and intangible noncurrent assets (Note 5)	3,988	4,361	8,350	565	8,915	—	8,915
Amortization of and/or negative goodwill	(1)	(2)	(4)	—	(4)	—	(4)
Gain on negative goodwill	164	453	617	101	718	—	718

Notes: 1. The Other category includes special-purpose vehicles and other products that are not included in the two reportable segments.
2. The deduction of ¥48 million in segment profits is due to the elimination of intersegment transactions.
3. The deduction of ¥3,253 million in segment assets is due to the elimination of intersegment transactions.
4. Segment profits have been adjusted for consistency with operating income in the consolidated statement of income.
5. The increase in tangible and intangible noncurrent assets includes long-term prepaid expenses.

(¥ million)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)						
	Reportable segment						
	Automotive Components	Hydraulic Components	Subtotal	Other (Note 1)	Total	Elimination of intersegment transactions (Notes 2 and 3)	Amount on consolidated statements (Note 4)
Segment sales							
Outside customers	**186,664**	**137,522**	**324,186**	**12,971**	**337,158**	**—**	**337,158**
Intersegment	**2,181**	**1,945**	**4,126**	**1,423**	**5,550**	**(5,550)**	**—**
Total	**188,845**	**139,468**	**328,313**	**14,395**	**342,709**	**(5,550)**	**337,158**
Segment profits	**6,154**	**14,299**	**20,453**	**989**	**21,443**	**94**	**21,537**
Segment assets	**147,552**	**138,807**	**286,359**	**18,318**	**304,678**	**(3,329)**	**301,348**
Other items							
Depreciation	**7,297**	**5,786**	**13,084**	**424**	**13,508**	**—**	**13,508**
Impairment loss	**466**	**14**	**481**	**—**	**481**	**—**	**481**
Increase in tangible and intangible noncurrent assets (Note 5)	**9,378**	**17,395**	**26,773**	**398**	**27,172**	**—**	**27,172**
Amortization of and/or negative goodwill	**(1)**	**16**	**15**	**—**	**15**	**—**	**15**
Gain on negative goodwill	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Notes: 1. The Other category includes special-purpose vehicles and other products that are not included in the two reportable segments.
2. The deduction of ¥94 million in segment profits is due to the elimination of intersegment transactions.
3. The deduction of ¥3,329 million in segment assets is due to the elimination of intersegment transactions.
4. Segment profits have been adjusted for consistency with operating income in the consolidated statement of income.
5. The increase in tangible and intangible noncurrent assets includes long-term prepaid expenses.

2. Related Information

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

1) Information for Products and Services

Omitted because categories of products and services are the same as for reportable segments.

2) Information for Geographic Regions

(1) Net sales

(¥ million)

Japan	Europe	North America	China	South East Asia	Other areas	Total
172,447	45,713	32,297	30,427	18,617	20,578	320,082

Notes: 1. Sales are based on the locations of customers and categorized by countries or areas.
2. Regions are based on geographic proximity.
3. Major countries and areas in each region:
(1) Japan .... Japan
(2) Europe .... Germany, Great Britain, Spain, Italy, France, Czech Republic, Russia, Poland
(3) North America .... U.S.A., Canada
(4) China .... China
(5) South East Asia ...... Indonesia, Malaysia, Thailand, Vietnam
(6) Other areas .... Taiwan, Korea, United Arab Emirates, Mexico, Brazil, Panama

(2) Property and equipment

(¥ million)

Japan	Europe	North America	China	South East Asia	Other areas	Total
65,221	9,449	3,334	5,995	5,685	1,135	90,821

Notes: 1. Sales are based on the locations of customers and categorized by countries or areas.
2. Regions are based on geographic proximity.
3. Major countries and areas in each region:
(1) Japan .... Japan
(2) Europe .... Germany, Great Britain, Spain, Italy, France, Czech Republic
(3) North America .... U.S.A.
(4) China .... China
(5) South East Asia ...... Thailand, Vietnam
(6) Other areas .... Taiwan, United Arab Emirates, Mexico, Brazil, Panama

3) Information for Major Customers

Since no single customer accounts for more than 10% of net sales from external customers on the consolidated statement of income, information for major customers was omitted.

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

1) Information for Products and Services

Omitted because categories of products and services are the same as for reportable segments.

2) Information for Geographic Regions

(1) Net sales

(¥ million)

Japan	Europe	North America	China	South East Asia	Other areas	Total
181,935	**47,341**	**33,313**	**33,071**	**22,341**	**19,154**	**337,158**

Notes: 1. Sales are based on the locations of customers and categorized by countries or areas.
2. Regions are based on geographic proximity.
3. Major countries and areas in each region:
(1) Japan .... Japan
(2) Europe .... Germany, Great Britain, Spain, Italy, France, Czech Republic, Russia, Poland
(3) North America .... U.S.A., Canada
(4) China .... China
(5) South East Asia ...... Indonesia, Malaysia, Thailand, Vietnam
(6) Other areas .... Taiwan, Korea, United Arab Emirates, Mexico, Brazil, Panama

(2) Property and equipment

(¥ million)

Japan	Europe	North America	China	South East Asia	Other areas	Total
68,640	**8,860**	**3,490**	**14,648**	**5,498**	**423**	**101,562**

Notes: 1. Sales are based on the locations of customers and categorized by countries or areas.
2. Regions are based on geographic proximity.
3. Major countries and areas in each region:
(1) Japan .... Japan
(2) Europe .... Germany, Great Britain, Spain, Italy, France, Czech Republic
(3) North America .... U.S.A.
(4) China .... China
(5) South East Asia ...... Thailand, and Vietnam
(6) Other areas .... Taiwan, United Arab Emirates, Mexico, Brazil, Panama

3) Information for Major Customers

Since no single customer accounts for more than 10% of net sales from external customers on the consolidated statement of income, information for major customers was omitted.

3. Information for Impairment Loss of Fixed Assets by Reportable Segment

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

Omitted because the same information is provided in segment information.

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

Omitted because the same information is provided in segment information.

4. Amortization of Goodwill and Unamortized Balance of Goodwill by Reportable Segments

(¥ million)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)				
	Reportable segment				
	Automotive Components	Hydraulic Components	Subtotal	Other (Note)	Total
Goodwill					
Amortization of goodwill	—	33	33	—	33
Balance at fiscal year end	—	16	16	—	16
Negative goodwill					
Amortization of goodwill	1	35	37	—	37
Balance at fiscal year end	4	—	4	—	4

Note : This table shows amortization of goodwill and unamortized balance of goodwill for negative goodwill resulting from business combinations before April 1, 2010.

(¥ million)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)				
	Reportable segment				
	Automotive Components	Hydraulic Components	Subtotal	Other (Note)	Total
Goodwill					
Amortization of goodwill	**0**	**16**	**17**	**—**	**17**
Balance at fiscal year end	**5**	**—**	**5**	**—**	**5**
Negative goodwill					
Amortization of goodwill	**1**	**—**	**1**	**—**	**1**
Balance at fiscal year end	**2**	**—**	**2**	**—**	**2**

Note : This table shows amortization of goodwill and unamortized balance of goodwill for negative goodwill resulting from business combinations before April 1, 2011.

5. Gains on Negative Goodwill in Reportable Segments

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
In the Automotive Components, Hydraulic Components and Other segments, consolidated subsidiary Yanagisawa Seiki MFG Co., Ltd. (now KYB-YS Co., Ltd.) became a wholly owned subsidiary of the Company following the additional acquisition of its stock through an exchange of stock. This resulted in a gain on negative goodwill. This gain in the fiscal year ended March 31, 2012, was ¥164 million in Automotive Components, ¥453 million in Hydraulic Components and ¥101 million in Other, respectively.

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Not applicable

6. Related Parties

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Not applicable

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Not applicable

17. Special Purpose Companies Subject to Disclosure

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Not applicable

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Not applicable

18. Per Share Data

FY2010 (Apr. 1, 2010 – Mar. 31, 2011)		**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**	
Net assets per share (¥)	395.18	Net assets per share (¥)	**453.00**
Net income per share (¥)	77.54	Net income per share (¥)	**62.87**
Diluted net income per share is not shown because there are no common stock equivalents.		Diluted net income per share is not shown because there are no common stock equivalents.	

Note: Base of calculations for net income per share are as follows.

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**
Net income (¥ million)	17,014	**13,897**
Amount not attributable to common shares (¥ million)	—	**—**
Net income related to common shares (¥ million)	17,014	**13,897**
Average number of common shares outstanding in fiscal year (Thousands)	219,413	**221,064**

19. Subsequent Events

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Not applicable

5 Consolidated Supplementary Information

1. Corporate Bonds

Not applicable

2. Loans Payable, etc.

Category	Beginning of fiscal year (¥ million)	End of fiscal year (¥ million)	Average interest rate (%)	Repayment deadline
Short-term loans payable	11,512	17,948	2.0	—
Current portion of long-term loans payable	23,289	17,212	2.0	—
Leases obligations due within one year	293	341	—	—
Long-term loans payable (excluding current portion)	44,774	43,226	2.1	2013.5.31 to 2025.6.30
Lease obligations (excluding current portion)	1,455	1,464	—	2013.4.1 to 2017.10.7
Other interest-bearing debts:				
Security deposits payable (“Others” in noncurrent liabilities)	315	325	0.0	—
Total	81,641	80,518	—	—

Notes: 1. The average interest rate is the weighted average interest rate for loans payable as of the end of the fiscal year.
2. The average interest rate for lease obligations is not shown because lease obligations in the consolidated balance sheet are prior to the deduction of the interest portion that is included in total lease payments.
3. Total repayments in each of the next five fiscal years for long-term loans payable and lease obligations (excluding the current portions) and other interest-bearing debts are as follows:

Category	Due after one year through two years (¥ million)	Due after two years through three years (¥ million)	Due after three years through four years (¥ million)	Due after four years through five years (¥ million)
Long-term loans payable	21,335	10,812	7,004	3,873
Lease obligations	268	219	138	78

Note: Security deposits payable are not shown because there is no repayment deadline.

3. Asset Retirement Obligations

Asset retirement obligations as of March 31, 2012, did not exceed 1% of the sum of liabilities and net assets on this date. Consequently, a list of these obligations is not presented as provided for in Article 92-2 of the Consolidated Financial Statement Regulations.

4. Other

Quarterly information

	Cumulative first quarter	Cumulative second quarter	Cumulative third quarter	FY2011
Net sales (¥ million)	79,868	164,727	247,216	337,158
Income before income taxes and minority interests (¥ million)	6,860	11,756	15,639	21,759
Net income (¥ million)	4,017	7,147	9,066	13,897
Net income per share (¥)	18.17	32.33	41.01	62.87

	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (¥)	18.17	14.16	8.68	21.86

As of March 31, 2012

Consolidated Subsidiaries

Japan

Kayaba System Machinery Co., Ltd.
- Manufacturing and sales of stage equipment and seismic base isolation and vibration control dampers

Sumitomo Fudosan Shiba Daimon Bldg., 5-5, Shibadaimon 2-chome, Minato-ku, Tokyo 105-0012, Japan
Tel: 81-3-5733-9441 Fax: 81-3-5733-9504

KYB Engineering and Service Co., Ltd.
- Sales of shock absorbers and hydraulic equipment

1159 Bijogi, Toda-shi, Saitama 335-0031, Japan
Tel: 81-48-449-0852 Fax: 81-48-449-8256

KYB Trondule Co., Ltd.
- Manufacturing and sales of electronic equipment

3909 Ura, Nagaoka City, Niigata 949-5406, Japan
Tel: 81-258-92-6903 Fax: 81-258-92-6921

KYB Kanayama Co., Ltd.
- Manufacturing of shock absorbers and hydraulic equipment

4350-130 Aza-Funeno Tobe, Kanayama-cho, Gero City, Gifu 509-1605, Japan
Tel: 81-576-35-2201 Fax: 81-576-35-2204

KYB Cadac Co., Ltd.
- Manufacturing and sales of casting and metal mold products

1088, Tojo, Chikuhoku-mura, Higashi Chikuma-gun, Nagano 399-7502, Japan
Tel: 81-263-66-2150 Fax: 81-263-66-2608

KYB-YS Co., Ltd.
- Manufacturing and sales of shock absorbers and hydraulic equipment

9165 Sakaki, Sakaki-machi, Hanishina-gun, Nagano 389-0601, Japan
Tel: 81-268-82-2850 Fax: 81-268-82-2857

Takako Industries, Inc.
- Manufacturing and sales of hydraulic pump components and electronic machine parts

32-1, Housono-Nishi 1-chome, Seika-cho, Souraku-gun, Kyoto 619-0240, Japan
Tel: 81-774-95-3336 Fax: 81-774-95-3337

KYB Logistics Co., Ltd.
- Packages and delivers of shock absorbers and hydraulic equipment

1790, Dota, Kani-shi, Gifu 509-0206, Japan
Tel: 81-57-426-6427 Fax: 81-57-426-8389

North America and South America

KYB Americas Corporation
- Manufacturing and sales of shock absorbers for automobiles

2625 North Morton, Franklin, Indiana 46131, U.S.A.
Tel: 1-317-736-7774 Fax: 1-317-736-4618

TSW Products Co., Inc.
- Sales of shock absorbers and hydraulic equipment

715 Corey Road Hutchinson, Kansas 67504-1642, U.S.A.
Tel: 1-620-663-1790 Fax: 1-620-663-1797

KYB Latinoamerica, S.A. de C.V.
- Sales of shock absorbers

Av. de Las Palmas #731, Despacho 1301, Col. Lomas de Chapultepec, C.P. 11000, Mexico D.F.
Tel: 52-55-5282-5770 Fax: 52-55-5282-5661

KYB Panamá, S.A.
- Sales of shock absorbers

P.H. World Trade Center Piso 17, Oficina 1705, Marbella, Panamá, República de Panamá, P.O. Box 0832-0075
Tel: 507-213-8300

Europe

KYB Europe Headquarters GmbH
- Headquarters of KYB's European base

Kimpler Strasse 336, 47807 Krefeld, Germany
Tel: 49-2151-9314380 Fax: 49-2151-9314330

KYB Europe GmbH
- Sales of shock absorbers

Kimpler Strasse 336, 47807 Krefeld, Germany
Tel: 49-2151-931430 Fax: 49-2151-9314320

KYB Steering Spain, S.A.
- Manufacturing and sales of pumps for power steering

Poligono Industrial de Ipertegui No. 2, nave 12, CP-31160, Orcoyen (Navarra), Spain
Tel: 34-948-321004 Fax: 34-948-321005

KYB Suspensions Europe, S.A.
- Manufacturing and sales of shock absorbers for automobiles

Ctra. Irurzun S/No. 31171, Ororbia (Navarra), Spain
Tel: 34-948-421700 Fax: 34-948-322165

KYB Advanced Manufacturing Spain S.A.
- Manufacturing and sales of shock absorbers for automobiles

Poligono Industrial Perguita Calle B, No. 15, 31210 Los Arcos (Navarra), Spain
Tel: 34-948-640338 Fax: 34-948-640328

KYB Manufacturing Czech s.r.o.
- Manufacturing and sales of shock absorbers for automobiles

U Panasonicu 277, Stare Civice, 530 06 Pardubice, Czech Republic
Tel: 420-466-812-232 Fax: 420-466-812-861

KYB Middle East FZE
- Sales of shock absorbers

LOB 16-302, Jebel Ali Free Zone, P.O. Box 261819, Dubai, United Arab Emirates
Tel: 971-4-887-2448 Fax: 971-4-887-2438

Asia

KYB Industrial Machinery (Zhenjiang) Ltd.
- Manufacturing and sales of shock absorbers for automobiles

Wei 3 Road 38, Dingmao, Zhenjiang New Zone, Zhenjiang, Jiangsu 212009, People's Republic of China
Tel: 86-511-8889-1008 Fax: 86-511-8888-6848

KYB Hydraulics Industry (Zhenjiang) Ltd.
- Manufacturing and sales of hydraulic equipment for industrial use

Wei 3 Road 121, Dingmao, Zhenjiang New Zone, Zhenjiang, Jiangsu 212009, People's Republic of China
Tel: 86-511-8889-7200 Fax: 86-511-8888-7222

Wuxi KYB Top Absorber Co., Ltd.
- Manufacturing and sales of shock absorbers for motorcycles

No. 2 Xikun North Road, Singapore Industrial Zone, Wuxi New District, Jiangsu 214028, People's Republic of China
Tel: 86-510-8528-0258 Fax: 86-510-8528-0616

KYB Trading (Shanghai) Co., Ltd.
- Sales of shock absorbers and supplies components

B1008-1009 Far East International Plaza, 317 Xianxia Road, Shanghai 200051, People's Republic of China
Tel: 86-21-6211-9299 Fax: 86-21-5237-9001

KYB (China) Investment Co., Ltd.
- Headquarter of KYB's China base

Wei 3 Road 121, Dingmao, Zhenjiang New Zone, Zhenjiang, Jiangsu 212009, People's Republic of China
Tel: 86-511-8888-2057 Fax: 86-511-8888-7615

KYB Manufacturing Taiwan Co., Ltd.
- Manufacturing and sales of shock absorbers for motorcycles and automobiles

No. 493, Kuang Hsing Road, Bade City, Taoyuan Pref. 33450, Taiwan
Tel: 886-3-368-3123 Fax: 886-3-368-3369

KYB Steering (Thailand) Co., Ltd.
- Manufacturing and sales of pumps for power steering

700/460 Moo 7, Tambol Don Hua Roh, Amphur Muang, Chonburi 20000, Thailand
Tel: 66-3-845-0076 Fax: 66-3-845-4313

KYB (Thailand) Co., Ltd.
- Manufacturing and sales of shock absorbers for motorcycles and automobiles

700/363 Moo 6, Amata Nakorn Industrial Park 2, Bangna-Trad Road, K.M. 57, Tambol Don Hua Roh, Amphur Muang, Chonburi 20000, Thailand
Tel: 66-3-846-9999 Fax: 66-3-845-8331

KYB Asia Co., Ltd.
- Sales of shock absorbers

105/1-2 Moo 1, Bangna-Trad Road, K.M. 21, Srisajorakaeyai, Bangsaothong, Samutprakarn 10540, Thailand
Tel: 66-2-769-2140 Fax: 66-2-769-2144

KYB Manufacturing Vietnam Co., Ltd.
- Manufacturing and sales of shock absorbers for motorcycles

Plot I 10-11-12, Thang Long Industrial Park, Dong Anh District, Hanoi, Vietnam
Tel: 84-4-881-2773 Fax: 84-4-881-2774

Takako Vietnam Co., Ltd.
- Manufacturing of internal parts for hydraulic equipment

27 Dai Lo Doc Lap, Vietnam Singapore Industrial Park, Thuan An District, Binh Duong, Vietnam
Tel: 84-650-378-2954 Fax: 84-650-378-2955

Equity-Method Affiliates

Towa Industry Co., Ltd.
- Manufacturing of hydraulic cylinders and jacks

5-2, Kawai-cho 4-chome, Minokamo-shi, Gifu 505-0022, Japan
Tel: 81-574-25-3828 Fax: 81-574-27-1021

P.T. Kayaba Indonesia
- Manufacturing and sales of shock absorbers for automobiles and motorcycles

JL, Jawa Blok II No. 4, Kawasan MM 2100, Cikarang Barat 17520, Indonesia
Tel: 62-21-8981456 Fax: 62-21-8980713

KYB-UMW Malaysia Sdn. Bhd. / KYB-UMW Steering Malaysia Sdn. Bhd.
- Manufacturing and sales of shock absorbers and hydraulic equipment

Lot 8, Jalan Waja 16, Telok Panglima Garang, 42500 Kuala Langat, Selangor Darul Ehsan, Malaysia
Tel: 60-3-3122-6222 Fax: 60-3-3122-6677

KYB-Mando do Brasil Fabricante de Autopeças, S.A.
- Manufacturing and sales of shock absorbers for automobiles

Rua Francisco Ferreira da Cruz, 3000, Fazenda Rio Grande PR, CEP 83820-000, Brazil
Tel: 55-41-2102-8200 Fax: 55-41-2102-8210

Corporate Information

As of March 31,2012

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: 11,975 (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

Forward-Looking Statements

This annual 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.

Shareholder Information

As of March 31,2012

Common Stock Issued: 222,984,315 shares

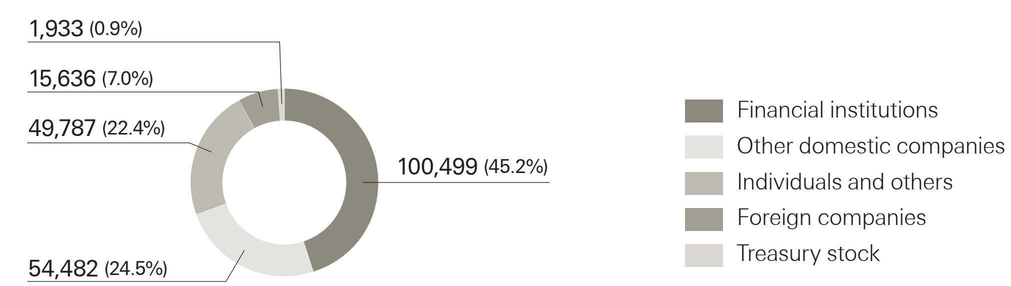
Number of Shareholders: 12,655

Transfer Agent and Registrar: Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan

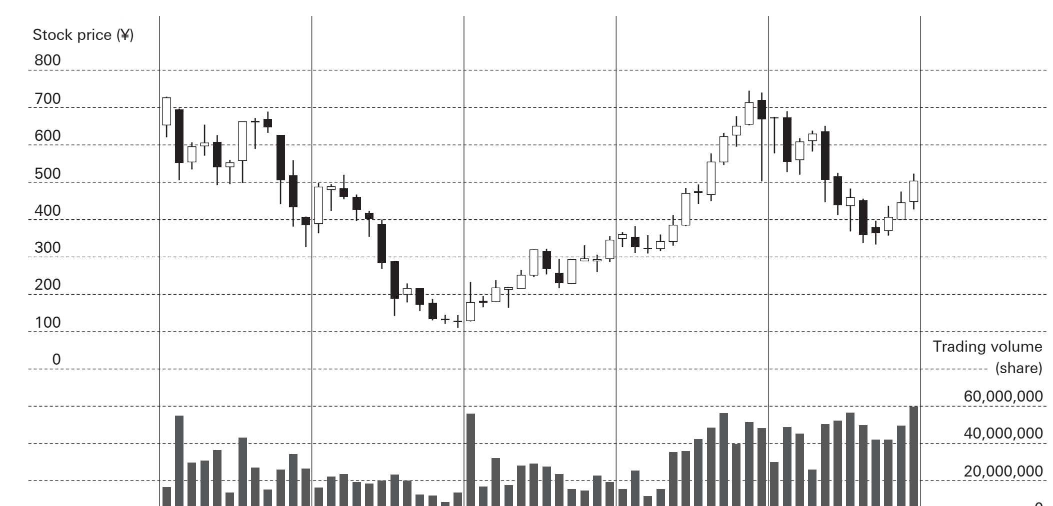
Major Shareholders:

Name	Shareholdings (Thousands)	Percent of Total Shares Issued
Toyota Motor Corporation	19,654	8.81
Japan Trustee Services Bank, Ltd. (Trust Account)	13,493	6.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,999	5.83
Japan Trustee Services Bank, Ltd. (Trust Account 9)	11,703	5.25
Meiji Yasuda Life Insurance Company	10,046	4.51
Hitachi Construction Machinery Co., Ltd.	8,920	4.00
Mizuho Corporate Bank, Ltd.	7,163	3.21
Sompo Japan Insurance Inc.	6,744	3.02
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	6,115	2.74
Ogaki Kyoritsu Bank, Ltd.	5,914	2.65
Total	102,752	46.08

Composition of Shareholders:
(Thousands)



Monthly Stock Price Range:
(Tokyo Stock Exchange)



	FY2007	FY2008	FY2009	FY2010	FY2011
High (¥)	729	520	356	745	690
Low (¥)	326	110	127	309	333
At Year-End (¥)	385	125	345	669	503

Automotive Components • Shock Absorber (SA), High Performance Single Cylinder Shock Absorbers, Semi-Active Air Suspensions, Adjustable Shock Absorbers, Power Steering System, Electric Power Steering (EPS), Vane Pump for CVT Hydraulic System, Electronic Control Unit, Power Assisted Steering Control Unit, Solenoid, Sensors, Noise Resistant Pressure Sensors : **Motorcycle Components** • Suspension, Shock Absorbers for ATVs, Shock Absorbers for Snowmobiles : **Construction Machinery, Industrial Vehicles, Agricultural Machinery** • Hydraulic Pumps, Hydraulic Motors, Hydraulic Cylinders, Hydraulic Valves, Integrated HST (Pump + Motor), Control Units for Forklift Trucks : **Railroad Equipment** • Semi-active Suspension Systems for Bullet Train (Shinkansen), Caliper Brakes with Tread Cleaning Systems, Oil Dampers for Railroad Vehicles, Inter-car Yaw Dampers, Controllers for Semi-active Suspension Systems for Bullet Train (Shinkansen) : **Industrial Machinery** • Hydraulic Linear Actuators, Mini-buffer, Gas Springs/Free Lock Type, Buffers of Various Types, Multiple Electromagnetic Valves, Proportional Electromagnetic Pressure and Flow Control Valves, Position Control Solenoid Valves : **Building, Civil Engineering, and Stage Equipment** • Movable Roof Open/Close Systems, Measurement and Compensation Systems for Uneven Sinking of Structure, Stage Mechanisms, Movable Floors Rearranging Viewers Seats, Boom Headers (Hydraulic Tunnel Borers), Vibration Control Devices, Oil Dampers for Earthquakes, Housing Basic Isolation Systems : **Testers** • High Precision Leak Testers, Portable Fatigue Testers, Gate Type Fatigue Testers, Torsional Fatigue Testers, Internal Pressure Fatigue Testers, Shock Absorbers Testers, Noise Check Systems, Road Simulators for Automobiles, Road Simulators for Motorcycles, Simulators for Research and Training : **Aircraft Components** • Servo Actuators, Actuators, Light Weight Accumulators, Steering Actuators, Flight Control Actuators, Tail Skid Actuators, Wheel Brakes, Reservoir Modules, Reservoirs for Space Rockets : **Special-Purpose Vehicles** • e Mixer, Concrete Mixer Trucks, Granule Carriers, Inclined Mixers, Portable Retractable Large Audience Screen Display, Lift Bucket for Noise Abatement Wall Inspection, Chipping Vehicle for Pruned Branches, Vehicle for Shredding Sensitive Documents : **Marine Components** • Cable Handling Systems, Hejacules (Self Propelled Hydraulic Jack), Conveyers for Laser Cutting, Hydraulic Block Lifters : **Environment, Welfare, and Disaster Prevention** • Self-Propelled Waste Checker Conveyers, Earthquake Simulator Trucks, Biomixers (Rotating Drum High Speed Fermentation Equipment), Shock Absorbers for Chair Skis, Vehicle Kneeling Down Systems, Solar Projectors

KYB

Our Precision, Your Advantage