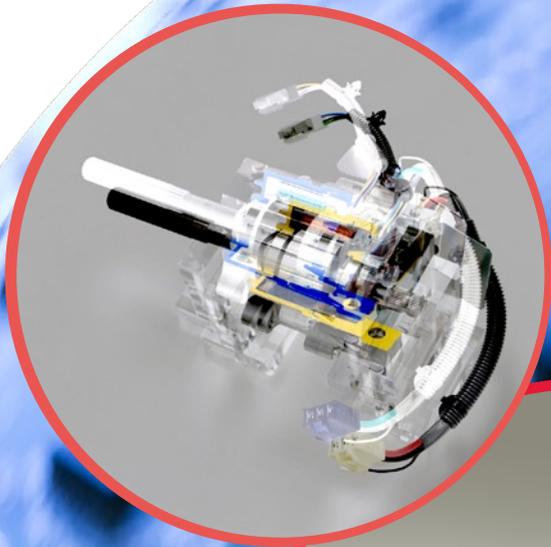




*Our Precision, Your Advantage*



**Steer-by-Wire**  
Started production in April 2013



**Annual Report 2013**

Year Ended March 31, 2013



Masao Usui

The KYB Group contributes to society by providing technologies and products that make life safe and comfortable. That's why we aim to be a highly reliable organization that supplies our products to all of the world's major automobile and construction machinery manufacturers by FY2020.

Our vision for FY2020 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 KYB Group will constantly produce creative products at R&D bases around the world.

The KYB Group is now in the third and final year of the current medium-term management plan, due to end in March 2014. During the period from FY2011 to FY2013, we faced many severe external factors: the Great East Japan Earthquake, extensive flooding in Thailand, an economic slowdown in China, and the lengthening of the European debt crisis. Facing the effects of these factors, we forecast that the sales targets originally determined in the KYB Group's current medium-term management plan will not be reached. We set FY2011 to FY2013 as the stage for "planting the seeds for growth" and "putting the necessary framework in place." The slogan of the current medium-term management plan is "compete on the global stage with the power of the KYB Group." We are making up-front investments for the future and taking on challenges with the collective strength of the entire KYB Group. FY2013 is both the final year of this plan as well as a time to set the stage for more progress during the next three-year plan. In this final year, we are concentrating on the themes of "reinforcing the foundation" and "growth and development." To accomplish these goals, we are redesigning a powerful foundation for our operations that can support vigorous expansion and growth during the next medium-term management plan.

We set FY2014 to FY2016 as the stage for "growth" on a global scale, which we will achieve by "aggressive measures" carried out throughout the Group.

I ask for the support and understanding of shareholders, investors, and all other stakeholders as we continue to move toward achieving our goals.

December 2013

Masao Usui  
Representative Director, President Executive Officer

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**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.

**Summary**

In the automotive components segment, sales decreased 1.0% to ¥184,802 million.

Sales of automotive shock absorbers in Japan were about the same as one year earlier but shipments in Europe were sluggish. Sales of shock absorbers increased in North America and Thailand and there was also an increase in sales of aftermarket shock absorbers, mainly in emerging countries. As a result, total shock absorber sales were higher than one year earlier. For motorcycle shock absorbers, shipments increased in Vietnam but were sluggish in Thailand. The result was a small decrease in sales. Sales of automotive hydraulic components, mainly for power steering, decreased in part because of a drop in demand in China.

In the hydraulic components segment, sales decreased 23.6% to ¥105,067 million.

Sales of industrial hydraulic components, which are used mainly in construction machinery, were strong in Japan as internal demand was created by earthquake recovery activities. Outside Japan, sales of industrial hydraulic components decreased. Although there was higher demand for hydraulic components used in large-size excavators for mining, demand for mid-size excavators in China fell sharply.

Sales of hydraulic equipment for aircraft declined along with decrease in orders for spare parts.

In the others segment, which consists of special-purpose vehicle and other products, sales increased 22.4% to ¥15,882 million. Sales of special-purpose vehicles, primarily concrete mixer trucks, were much higher due to the combined benefits of demand associated with earthquake reconstruction activity and replacement demand for older vehicles.

As a result, consolidated net sales decreased 9.3% to ¥305,752 million.

Operating income was ¥10,473 million. The large declines in the automotive components segment and the hydraulic components segment were the main causes. The other segment's segment profit also declined.

Non-operating income and expenses, net improved to net non-operating income of ¥1,870 million. Although interest expenses increased ¥129 million, there was an improvement in foreign exchanges from a ¥351 million loss to a ¥1,965 million gain.

Ordinary income decreased ¥9,194 million to ¥13,561 million.

There was net extraordinary loss of ¥567 million. Extraordinary losses included a loss on disposal of

non-current assets and provision for retirement benefits in association with an early retirement program at a subsidiary.

After subtracting the net extraordinary loss of ¥567 million from the ordinary income of ¥13,561 million, income before income taxes and minority interests totaled ¥12,994 million. Deductions were ¥4,725 million for total income taxes and ¥479 for minority interests in income, which resulted in net income of ¥7,789 million.

**Financial Condition**

Total current assets decreased mainly because of notes and accounts receivable—trade that accompanied the decline in net sales. Non-current assets were higher due to an increase in property, plant and equipment resulting from making speedy investments in strengthening KYB's production system. As the result, total assets increased ¥26,564 million to ¥327,912 million.

Total liabilities increased ¥12,890 million to ¥211,476 million. There were decreases in notes and accounts payable—trade that accompanied the decline in net sales and an increase in notes payable—facilities because of capital expenditures.

Total net assets increased ¥13,674 million to ¥116,435 million due to increase in retained earnings.

The increase in net assets raised the equity ratio by 1.3 percentage points from one year earlier to 34.5%.

**Cash Flows**

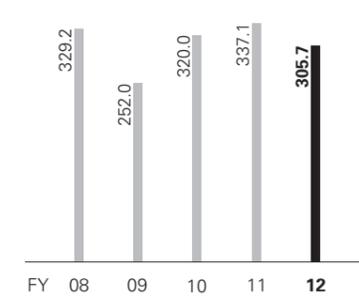
Net cash provided by operating activities increased 9.1% to ¥18,984 million. Major sources of cash were income before income taxes and minority interests of ¥12,994 million, depreciation and amortization of ¥14,554 million, and decrease in notes and accounts receivable—trade of ¥13,091 million. Cash was used for ¥14,882 million in decrease in notes and accounts payable—trade and ¥6,884 million in income taxes paid.

Net cash used in investing activities increased 80.6% to ¥36,125 million. The purchase of property, plant and equipment of ¥31,682 million was the primary use of cash.

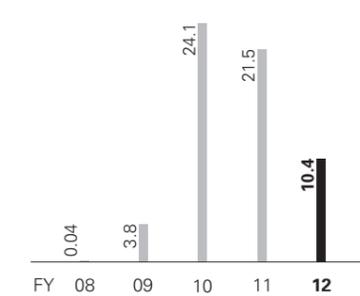
Net cash provided by financing activities was ¥8,529 million. This was due to net increase in short-term loans payable of ¥7,018 million and long-term loans payable of ¥4,326 million.

As a result, cash and cash equivalents at end of period decreased ¥6,794 million to ¥35,215 million.

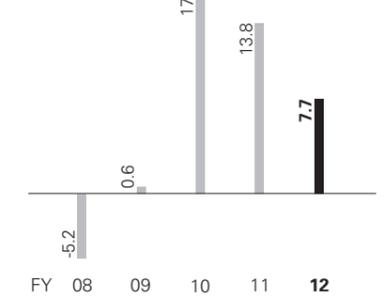
**Net Sales**  
(Billions of yen)



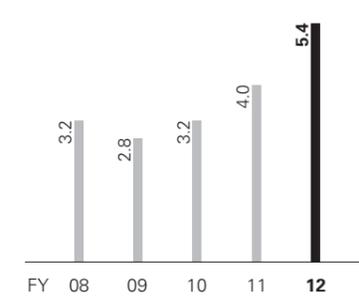
**Operating Income**  
(Billions of yen)



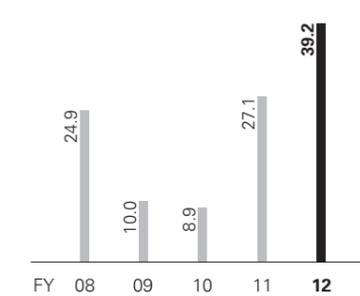
**Net Income (Loss)**  
(Billions of yen)



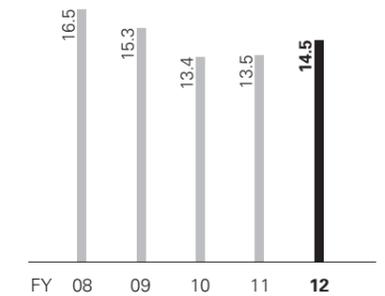
**R&D Expenses**  
(Billions of yen)



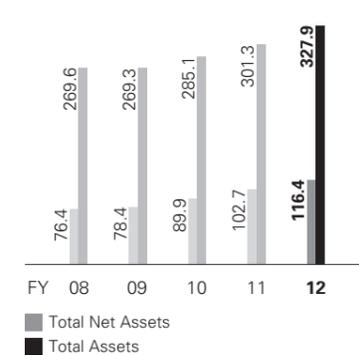
**Capital Expenditure**  
(Billions of yen)



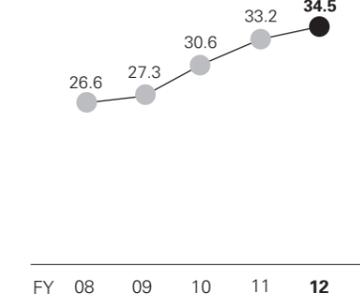
**Depreciation and Amortization**  
(Billions of yen)



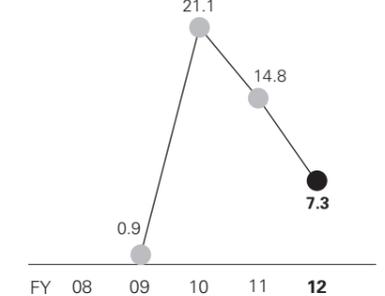
**Total Net Assets and Total Assets**  
(Billions of yen)



**Equity Ratio**  
(%)



**Return on Equity (ROE)\***  
(%)



\* ROE = Net income/(Net assets - Minority interest in consolidated subsidiaries)



**Consolidated Balance Sheets (Unaudited)**

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
As of March 31, 2013 and 2012

ASSETS	Millions of yen	
	2013	2012
<b>Current assets:</b>		
Cash and deposits	¥ 33,530	¥ 36,460
Notes and accounts receivable—trade	77,834	86,582
Finished goods	21,814	17,121
Work in process	11,647	12,229
Raw materials and supplies	8,607	8,581
Deferred tax assets	4,194	3,996
Short-term loans receivable	3,051	7,042
Other	9,597	7,885
Allowance for doubtful accounts	(436)	(437)
Total current assets	169,841	179,462
<b>Non-current assets:</b>		
Property, plant and equipment:		
Buildings and structures, net	39,417	26,864
Machinery, equipment and vehicles, net	47,198	41,537
Land	24,335	23,341
Lease assets, net	2,036	1,767
Construction in progress	15,687	5,747
Other, net	2,794	2,302
Total property, plant and equipment	131,469	101,562
Intangible assets:		
Goodwill	4	5
Software	114	58
Other	1,129	1,109
Total intangible assets	1,247	1,173
Investments and other assets:		
Investment securities	21,104	14,709
Deferred tax assets	2,451	2,865
Other	1,859	1,625
Allowance for doubtful accounts	(62)	(49)
Total investments and other assets	25,353	19,150
Total non-current assets	158,071	121,886
<b>Total assets</b>	<b>¥327,912</b>	<b>¥301,348</b>

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

LIABILITIES AND NET ASSETS	Millions of yen	
	2013	2012
<b>Current liabilities:</b>		
Notes and accounts payable—trade	¥ 58,558	¥ 69,596
Short-term loans payable	47,200	35,160
Lease obligations	401	341
Accounts payable—other	11,637	12,006
Income taxes payable	1,466	3,313
Notes payable—facilities	9,453	2,721
Provision for product warranties	3,605	3,339
Provision for directors' bonuses	147	159
Other	15,191	10,819
Total current liabilities	147,661	137,456
<b>Non-current liabilities:</b>		
Long-term loans payable	45,719	43,226
Lease obligations	1,683	1,464
Deferred tax liabilities for land revaluation	3,965	3,965
Provision for retirement benefits	10,404	10,431
Provision for directors' retirement benefits	70	264
Provision for environmental measures	222	222
Asset retirement obligations	390	354
Other	1,359	1,199
Total non-current liabilities	63,814	61,130
Total liabilities	211,476	198,586
<b>Net assets:</b>		
Shareholders' equity:		
Capital stock	19,113	19,113
Capital surplus	21,009	21,009
Retained earnings	67,216	61,416
Treasury stock	(549)	(544)
Total shareholders' equity	106,790	100,995
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,121	2,107
Revaluation reserve for land	5,316	5,316
Foreign currency translation adjustment	(2,018)	(8,283)
Total accumulated other comprehensive income	6,419	(859)
Minority interests	3,225	2,626
Total net assets	116,435	102,761
<b>Total liabilities and net assets</b>	<b>¥327,912</b>	<b>¥301,348</b>

**Consolidated Statements of Income (Unaudited)**

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
<b>Net sales</b>	<b>¥305,752</b>	¥337,158
<b>Cost of sales</b>	<b>250,693</b>	273,087
Gross profit	<b>55,059</b>	64,070
<b>Selling, general and administrative expenses</b>	<b>44,585</b>	42,533
Operating income	<b>10,473</b>	21,537
<b>Non-operating income:</b>		
Interest income	<b>131</b>	211
Dividends income	<b>301</b>	401
Foreign exchange gains	<b>1,965</b>	—
Technical support fee	<b>784</b>	837
Equity in earnings of affiliates	<b>536</b>	870
Subsidies income	<b>422</b>	348
Other	<b>1,105</b>	851
Total non-operating income	<b>5,248</b>	3,520
<b>Non-operating expenses:</b>		
Interest expenses	<b>1,684</b>	1,555
Foreign exchange losses	<b>—</b>	351
Other	<b>476</b>	395
Total non-operating expenses	<b>2,160</b>	2,302
Ordinary income	<b>13,561</b>	22,755
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	<b>102</b>	33
Gain on sales of investment securities	<b>0</b>	0
Gain on sales of subsidiaries and affiliates' stock	<b>—</b>	26
Total extraordinary income	<b>103</b>	60
<b>Extraordinary losses:</b>		
Loss on disposal of non-current assets	<b>457</b>	309
Impairment loss	<b>55</b>	481
Loss on valuation of investment securities	<b>8</b>	3
Loss on valuation of investments in capital of subsidiaries and affiliates	<b>—</b>	87
Special retirement expenses	<b>147</b>	166
Other	<b>—</b>	8
Total extraordinary losses	<b>670</b>	1,056
Income before income taxes and minority interests	<b>12,994</b>	21,759
Income taxes—current	<b>4,054</b>	6,928
Income taxes for prior periods	<b>810</b>	—
Income taxes—deferred	<b>(138)</b>	388
Total income taxes	<b>4,725</b>	7,317
Income before minority interests	<b>8,268</b>	14,441
Minority interests in income (loss)	<b>479</b>	544
Net income	<b>¥ 7,789</b>	¥ 13,897

Yen

**Amounts per share of common stock:**

Net income	<b>¥35.24</b>	¥62.87
Cash dividends applicable to the year	<b>8.00</b>	9.00

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, 2013 and 2012

	Millions of yen	
	2013	2012
<b>Income before minority interests</b>	<b>¥ 8,268</b>	¥14,441
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	<b>1,014</b>	741
Foreign currency translation adjustment	<b>6,562</b>	(463)
Revaluation reserve for land	<b>—</b>	548
Share of other comprehensive income of associates accounted for using equity method	<b>214</b>	(270)
Total other comprehensive income (loss)	<b>7,791</b>	555
<b>Comprehensive income</b>	<b>16,060</b>	14,997
(Breakdown)		
Comprehensive income attributable to owners of the parent	<b>15,068</b>	14,556
Comprehensive income attributable to minority interests	<b>992</b>	440

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, 2013 and 2012

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2011</b>	¥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	—	—	—	—	—
<b>Balance as of April 1, 2012</b>	19,113	21,009	61,416	(544)	100,995
Dividends from surplus	—	—	(1,989)	—	(1,989)
Net income	—	—	7,789	—	7,789
Acquisition of treasury stock	—	—	—	(5)	(5)
Disposal of treasury stock	—	0	—	0	0
Change of scope of consolidation	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
<b>Balance as of March 31, 2013</b>	<b>¥19,113</b>	<b>¥21,009</b>	<b>¥67,216</b>	<b>¥(549)</b>	<b>¥106,790</b>

	Millions of yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance as of April 1, 2011</b>	¥1,365	¥4,768	¥(7,652)	¥(1,518)	¥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
<b>Balance as of April 1, 2012</b>	2,107	5,316	(8,283)	(859)	2,626	102,761
Dividends from surplus	—	—	—	—	—	(1,989)
Net income	—	—	—	—	—	7,789
Acquisition of treasury stock	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	0
Change of scope of consolidation	—	—	—	—	—	—
Net changes of items other than shareholders' equity	1,014	—	6,264	7,279	599	7,878
<b>Balance as of March 31, 2012</b>	<b>¥3,121</b>	<b>¥5,316</b>	<b>¥(2,018)</b>	<b>¥ 6,419</b>	<b>¥3,225</b>	<b>¥116,435</b>

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, 2013 and 2012

	Millions of yen	
	2013	2012
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	¥ 12,994	¥ 21,759
Depreciation and amortization	14,554	13,508
Gain on sales of non-current assets	(102)	(33)
Loss on disposal of non-current assets	457	309
Gain on sales of investment securities	(0)	(0)
Loss on valuation of investment securities	8	3
Gain on sales of stocks of subsidiaries and affiliates	—	(26)
Loss on valuation of investments in capital of subsidiaries and affiliates	—	87
Impairment loss	55	481
Amortization of goodwill	1	17
Amortization of negative goodwill	(1)	(1)
(Decrease) increase in allowance for doubtful accounts	(31)	8
Decrease in provision for retirement benefits	(146)	(289)
Increase in provision for product warranties	42	449
Decrease in provision for directors' retirement benefits	(195)	(2)
Decrease in provision for directors' bonuses	(11)	(151)
Interest and dividends income	(433)	(612)
Interest expenses	1,684	1,555
Equity in earnings of affiliates	(536)	(870)
Decrease (increase) in notes and accounts receivable—trade	13,091	(7,098)
Increase in inventories	(924)	(1,480)
(Decrease) increase in notes and accounts payable—trade	(14,882)	1,593
(Decrease) increase in accounts payable—other	(1,092)	957
Other, net	2,067	(4,321)
<b>Subtotal</b>	<b>26,599</b>	<b>25,841</b>
Interest and dividends income received	905	1,316
Interest expenses paid	(1,678)	(1,507)
Income taxes paid	(6,884)	(8,527)
Income taxes refund	43	276
<b>Net cash provided by operating activities</b>	<b>18,984</b>	<b>17,399</b>
<b>Cash flows from investing activities:</b>		
Payments into time deposits	(616)	(856)
Proceeds from withdrawal of time deposits	928	2,427
Purchase of property, plant and equipment	(31,682)	(19,200)
Proceeds from sales of property, plant and equipment	114	281
Purchase of investment securities	(606)	(2,913)
Purchase of stocks of subsidiaries and affiliates	(3,621)	—
Payments for investments in capital of subsidiaries and affiliates	(298)	(252)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(239)
Payments of loans receivable	(187)	(193)
Collection of loans receivable	187	1,087
Other, net	(342)	(140)
<b>Net cash used in investing activities</b>	<b>(36,125)</b>	<b>(20,000)</b>
<b>Cash flows from financing activities:</b>		
Net increase in short-term loans payable	7,018	6,476
Repayments of lease obligations	(427)	(354)
Proceeds from long-term loans payable	22,822	13,975
Repayment of long-term loans payable	(18,496)	(21,501)
Purchase of treasury stock	(5)	(12)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(1,989)	(1,768)
Cash dividends paid to minority shareholders	(392)	(269)
<b>Net cash provided by (used in) financing activities</b>	<b>8,529</b>	<b>(3,454)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>1,815</b>	<b>(180)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,794)</b>	<b>(6,236)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>42,009</b>	<b>48,122</b>
<b>Increase in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>—</b>	<b>123</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 35,215</b>	<b>¥ 42,009</b>

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, 2013 and 2012

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: 32

- (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: 24  
KYB Americas Corporation, KYB Steering Spain, S.A., KYB Europe Headquarters GmbH, KYB Europe Headquarters B.V., KYB Europe GmbH, LLC KYB Eurasia, 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 Panamá, S.A.

LLC KYB Eurasia and KYB Europe Headquarters B.V. are included in the consolidated financial statements because they were established during FY2012, which ended March 31, 2013.

##### 2) Major Non-Consolidated Subsidiaries

- (1) Domestic subsidiaries  
KYB Systemerit Co., Ltd., Kensiuyu Co., Ltd., KK Hydraulics Ltd.
- (2) Overseas subsidiaries  
KYB International America, Inc., KYB Suspansiyon Sistemleri Sanayi ve Ticaret, A.S., KYB Technical Center (Thailand) Co., Ltd., KYB Mexico S.A. de C.V., KYB-Conmat Pvt. Ltd., KYB Motorcycle Suspension India Pvt. Ltd., KYB CHITA Manufacturing Europe s.r.o., KK Hydraulics Sales (Shanghai) Co., Ltd.

(Reason for exclusion from consolidation)

The remaining 11 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 Industry 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.

##### 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, 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 FY2012, consolidated subsidiaries KYB Manufacturing Taiwan Co., Ltd. and KYB Manufacturing Vietnam Co., Ltd. changed their fiscal year ends to March 31. As a result, these financial statements cover the 15-month period from January 1, 2012, to March 31, 2013.

The fiscal year-end of KYB Industrial Machinery (Zhenjiang) Ltd., KYB Hydraulics Industry (Zhenjiang) Ltd., KYB Trading (Shanghai) Co., Ltd., KYB Latinoamerica S.A. de C.V., KYB (China) Investment Co., Ltd., and LLC KYB Eurasia are December 31. Adjustments were made as necessary for any significant transactions between the fiscal year end and March 31 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.

#### 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, plant and equipment (Excluding Lease assets)  
Depreciation on property, plant 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.

(Change in accounting policies which are difficult to distinguish from changes in accounting estimates)  
In association with the revisions to the Corporation Tax Act of Japan, starting with FY2012, KYB and its domestic consolidated subsidiaries have changed the depreciation method to comply with the method in the revised Corporation Tax Act for property, plant and equipment that was acquired on or after April 1, 2012.

Making this change caused increases of ¥247 million in operating income, ordinary income and income before income taxes in FY2012.

- (2) Intangible assets (Excluding Lease assets)  
Intangible assets are amortized using the straight-line method.  
For the useful lives, the same standards as for the method prescribed in the Corporation Tax Act 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 product warranties  
To provide for future expenses for repairs provided at free of charge, a provision for product warranties is established for the aggregate amount of the estimated cost of certain identified claims from customers and an amount calculating using the historical rate of sales to warranty expenses.
- (3) 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.
- (4) Provision for retirement benefits  
To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is recorded at an amount based on retirement benefit obligations and pension plan assets as of the end of the fiscal year.  
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.
- (5) 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.

## (6) 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.

**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.

(New accounting standards not yet applied)

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

## 1) Summary

For actuarial gains and losses and past service cost, a revision has been made to include these items in net assets in the consolidated balance sheet after a tax-effect adjustment. The accumulated amounts of these items are shown as liabilities or assets. Furthermore, for the method for determining the period for which expected retirement expenses are applicable, a revision has been made to allow use of the benefit formula method standard in addition to the straight-line attribution standard and the method for calculating the discount rate has been revised.

## 2) Planned start of application

The new standard will be applied starting with the consolidated financial statements as of the end of the fiscal year ending March 31, 2014. However, the revision to the method for determining periods for which expected retirement expenses are applicable will be applied at the beginning of the fiscal year ending March 2015.

Since transitional handling is specified in the applicable accounting standard, the revised method will not be applied retroactively to financial statements in prior fiscal years.

## 3) Effect of application of this accounting standard, etc.

The application of the Accounting Standard for Retirement Benefits and other items is expected to have a material effect on the consolidated financial statements of the KYB Group. In the consolidated balance sheet, actuarial gains and losses are generally recognized when they occur. As a result, it is anticipated that net assets changes, but the size of this change is currently being evaluated.

**2 Notes to Consolidated Financial Statements****1. Consolidated Balance Sheets****1) Accumulated Depreciation for Property, Plant and Equipment**

	(¥ million)	
	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
	207,426	220,969

**2) Assets of Non-Consolidated Subsidiaries and Equity-Method Affiliates**

	(¥ million)	
	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
Investment securities (Stock)	4,220	8,135
(Investments in companies under joint control in above amount)	2,492	2,566
Investments included in investments and other assets (Other)	305	354

**3) Assets Pledged as Collateral and Corresponding Liabilities**

(¥ million)		
Assets pledged	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
Property, plant and equipment:		
Buildings and structures	1,586	1,225
	[190]	[124]
Machinery, equipment and vehicles	43	29
	[43]	[29]
Land	709	709
	[—]	[—]
Leased land	124	—
	[—]	[—]
Other	0	—
	[0]	[—]
	¥2,463	¥1,964
	[234]	[153]
(¥ million)		
Corresponding liability secured	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
Short-term loans payable	1,880	1,134
	[149]	[—]
Long-term loans payable	1,595	1,607
	[—]	[100]
	3,475	2,741
	[149]	[100]

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

	(¥ million)	
	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
Difference at end of fiscal year between fair value and post-revaluation book value of land subject to revaluation	(6,069)	(6,175)

**5) Balance of Guaranteed Loans**

## (1) Loan guarantees

## 1. Guarantees of employees' loans from financial institutions

	(¥ million)	
	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
Home construction loans	0	—

## 2. Guarantees of affiliated company loans from financial institutions

	(¥ million)	
	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
KYB-Mando do Brasil Fabricante de Autopeças S.A.	219 (EUR 2 million)	<b>1,266</b> <b>(EUR 10 million)</b>
P.T. Chita Indonesia	8 (RP 960 million)	<b>4</b> <b>(RP 420 million)</b>

**6) Notes Receivable Discount and Notes Receivable Endorsed**

	(¥ million)	
	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
(1) Notes receivable discount	5	<b>35</b>
(2) Notes receivable endorsed	499	<b>482</b>

**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, 2013 and 2012, were as follows:

	(¥ million)	
	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
(1) Notes receivable—trade	681	<b>421</b>
(2) Notes payable—trade	539	<b>326</b>
(3) Notes payable—equipment	184	<b>449</b>

**2. Consolidated Statements of Income****1) Major Components of Selling, General and Administrative Expenses**

	(¥ million)	
	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Salaries and subsidies	11,781	<b>12,647</b>
Retirement benefit expenses	616	<b>627</b>
Provision for directors' retirement benefits	94	<b>30</b>
Packing and freight	9,430	<b>8,764</b>
Research and development expenses	4,035	<b>5,468</b>

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

	(¥ million)	
	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Salaries and subsidies	1,652	<b>1,818</b>
Retirement benefit expenses	99	<b>139</b>

**2) General and Administrative Expenses Include Research and Development Expenses**

	(¥ million)	
	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
	4,035	<b>5,468</b>

**3) Major Components of Gain on Sales of Non-current Assets**

	(¥ million)	
	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Buildings and structures	0	<b>0</b>
Machinery, equipment and vehicles	22	<b>24</b>
Land	—	<b>75</b>
Other	11	<b>2</b>
Total	33	<b>102</b>

**4) Major Components of Loss on Disposal of Non-current Assets**

	(¥ million)	
	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Buildings and structures	134	<b>261</b>
Machinery, equipment and vehicles	141	<b>174</b>
Other	32	<b>21</b>
Total	309	<b>457</b>

**5) Impairment Loss**

The KYB Group has been charged with impairment loss for the following groups of assets:

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

Location	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 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 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.

**FY2012 (Apr. 1, 2012 – Mar. 31, 2013)**

Location	Use	Category
Kani-shi, Gifu	Idle assets	Machinery and equipment
Zhenjiang, China	Business assets	Machinery and equipment
Zhenjiang, China	Business assets	Automotive equipment

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

In FY2012, for idle assets not used for business operations, the book value was written down to the amount that can be recovered with no expected future cash flows. As a result, an impairment loss of ¥25 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 with no expected future cash flows. As a result, an impairment loss of ¥30 million 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 Expenses

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

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

### FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

Special retirement expenses include increased payments in association with additional benefits offered to employees who resign at one consolidated subsidiary in Japan, one consolidated subsidiary in South East Asia, and two consolidated subsidiaries in Europe.

## 7) Income Taxes for Prior Periods

### FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

KYB expects to receive from the Tokyo Regional Taxation Bureau a notice of a correction of past taxes based on the transfer pricing taxation system for transactions with KYB's overseas subsidiaries. As a result, an estimate of income taxes for prior periods has been recognized.

## 3. Consolidated Statements of Comprehensive Income

Other reclassification adjustments and tax effect for comprehensive income

(¥ million)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Valuation difference on available-for-sale securities:		
Amount arising during the year	1,062	<b>1,543</b>
Reclassification adjustments	3	<b>0</b>
Before tax effect	1,065	<b>1,543</b>
Tax effect	(324)	<b>(529)</b>
Valuation difference on available-for-sale securities	741	<b>1,014</b>
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)	<b>6,562</b>
Reclassification adjustments	(81)	—
Before tax effect	(465)	<b>6,562</b>
Tax effect	1	—
Foreign currency translation adjustments	(463)	<b>6,562</b>
Share of other comprehensive income of associates accounted for using equity method:		
Amount arising during the year	(270)	<b>214</b>
Total other comprehensive income	555	<b>7,791</b>

## 4. Consolidated Statements of Changes in Net Assets

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

### 1. Number and Type of Shares Issued and Treasury Stock

	Shares issued as of April 1, 2011	Increase	Decrease	(Thousands of shares) 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

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

### 1. Number and Type of Shares Issued and Treasury Stock

	Shares issued as of April 1, 2012	Increase	Decrease	(Thousands of shares) Shares issued as of March 31, 2013
Shares issued:				
Common shares	<b>222,984</b>	—	—	<b>222,984</b>
Total	<b>222,984</b>	—	—	<b>222,984</b>
Treasury stock:				
Common shares	<b>1,933</b>	<b>15</b>	<b>2</b>	<b>1,947</b>
Total	<b>1,933</b>	<b>15</b>	<b>2</b>	<b>1,947</b>

Note: The increase of 15 thousand shares of treasury stock is due to purchases by the Company of holdings of less than one unit (*tangen*). The decrease of 2 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. 26, 2012	Common shares	¥1,105 million	¥5.00	Mar. 31, 2012	Jun. 27, 2012
Board of Directors Meeting, Nov. 22, 2012	Common shares	¥884 million	¥4.00	Sept. 30, 2012	Dec. 6, 2012

#### 2) Of the Dividends for Which the Record Date Was in FY2011, Dividends for Which the Effective Date Falls After the End of FY2012.

Resolution	Type of shares	Aggregate dividend	Source of funds for dividends	Dividend per share	Record date	Effective date
Annual Shareholders' Meeting, Jun. 25, 2013	Common shares	¥884 million	Retained earnings	¥4.00	Mar. 31, 2013	Jun. 26, 2013

### 5. Consolidated Statements of Cash Flows

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

(¥ million)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Cash and deposits	36,460	33,530
Deposits with maturities more than three months	(1,449)	(1,314)
Purchases of commercial paper under repurchase agreements (Short-term loans receivable)	6,998	2,998
Cash and cash equivalents	42,009	35,215

### 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)		
	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
	FY2012 (Mar. 31, 2013)		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	4	3	1
Machinery, equipment and vehicles	705	580	124
Other	58	48	10
Total	768	632	136

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)

	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
Due within one year	160	83
Due after one year	141	52
Total	302	136

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 and assumed depreciation charge

(¥ million)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Lease payments	296	159
Assumed depreciation charge	296	159

(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 loss)

No impairment loss was recognized for leased assets.

### 2. Operating Leases (Lessee)

Future lease payments for operating leases that cannot be terminated

(¥ million)

	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
Due within one year	943	944
Due after one year	2,094	1,571
Total	3,037	2,516

### 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 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 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)

	FY2011 (Mar. 31, 2012)		
	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and 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) Notes payable—facilities	2,721	2,721	—
(7) Short-term loans payable	17,948	17,948	—
(8) Long-term loans payable (including current portion)	60,438	60,515	76
Liabilities	150,704	150,780	76
(9) Derivative transactions:			
Exempt from hedge accounting	—	—	—
Subject to hedge accounting	—	—	—
	FY2012 (Mar. 31, 2013)		
	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and deposits	33,530	33,530	—
(2) Notes and accounts receivables—trade	77,834	77,834	—
(3) Short-term loans receivable	3,051	3,051	—
(4) Investment securities	12,873	12,873	—
Assets	127,289	127,289	—
(5) Notes and accounts payables—trade	58,558	58,558	—
(6) Notes payable—facilities	9,453	9,453	—
(7) Short-term loans payable	26,375	26,375	—
(8) Long-term loans payable (including current portion)	66,544	66,764	220
Liabilities	160,930	161,150	220
(9) 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 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, (6) notes payable—facilities and (7) short-term loans payable

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

(8) 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 (9) 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

(9) 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 (8) above).

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

(¥ million)

Category	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Unlisted stock	104	95
Affiliated company stock	4,220	8,135

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)

	FY2011 (Mar. 31, 2012)			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	36,460	—	—	—
Notes and accounts receivables—trade	86,582	—	—	—
Short-term loans receivable	7,042	—	—	—
Total	130,085	—	—	—
	FY2012 (Mar. 31, 2013)			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	33,530	—	—	—
Notes and accounts receivables—trade	77,834	—	—	—
Short-term loans receivable	3,051	—	—	—
Total	114,415	—	—	—

4. Scheduled repayment of loans payable after the accounting period

(¥ million)

Category	FY2011 (Mar. 31, 2012)				
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Long-term loans payable	21,335	10,812	7,004	3,873	200

(¥ million)

Category	FY2012 (Mar. 31, 2013)				
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Long-term loans payable	11,151	14,996	12,656	6,595	319

## 8. Securities

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 loss, 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.

FY2012 (Mar. 31, 2013)

### 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	11,247	6,344	4,903
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	11,247	6,344	4,903
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs	(1) Equity securities	1,625	1,742	(117)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,625	1,742	(117)
Total		12,873	8,086	4,786

Note: Unlisted equity securities (consolidated balance sheet amount of ¥95 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 FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

(¥ million)

	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	1	0	—

### 3. Securities Subject to Asset Impairment

In FY2012, there was an asset impairment loss of ¥8 million for equity securities included in other securities.

To determine asset impairment loss, 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

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 loans payable	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 payable because the swaps and loans are treated as a single unit.

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

### 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 loans payable	6,610	2,740	(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 payable because the swaps and loans are treated as a single unit.

## 10. Retirement Benefits

### 1. Overview of Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have three types of defined benefits plans: Employees' Pension Fund, defined benefit corporate pension plan, and lump-sum payment plan. 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 have withdrawn from a comprehensive employees' pension fund on October 1, 2012.

At the end FY2012, for the Company and its consolidated companies in Japan, six companies had lump-sum payment plans. In addition, for the Employees' Pension Fund, one company 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 domestic consolidated subsidiaries and other countries have established a defined contribution pension system in addition to a defined benefit pension system.

**2. Retirement Benefit Obligations**

(¥ million)

	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
(1) Retirement benefit obligation (Note 1)	(33,227)	<b>(34,591)</b>
(2) Pension plan assets	18,741	<b>22,330</b>
(3) Funded status (1)+(2)	(14,485)	<b>(12,260)</b>
(4) Unrecognized net actuarial gain	4,054	<b>1,885</b>
(5) Prepaid pension expenses (Note 2)	—	<b>28</b>
(6) Provision for retirement benefits (3)+(4)-(5)	(10,431)	<b>(10,404)</b>

Notes: 1. Some consolidated subsidiaries' retirement benefit obligations were calculated using a simplified method. In addition, pension plan assets at consolidated subsidiaries that use a comprehensive employees' pension fund, which were ¥2,321 million at the end of FY2011 and ¥3,100 million at the end of FY2012, are not included in the above plan assets.

2. In FY2012, prepaid pension expenses were recorded.

**3. Retirement Benefit Expenses**

(¥ million)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
(1) Service cost (Note)	2,148	<b>2,177</b>
(2) Interest cost	648	<b>634</b>
(3) Expected return on plan assets (deductible amounts)	(355)	<b>(229)</b>
(4) Net actuarial gain	438	<b>421</b>
(5) One-time payments of additional retirement benefits	28	<b>17</b>
(6) Retirement benefit expenses (1)+(2)+(3)+(4)+(5)	2,908	<b>3,021</b>

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

**4. Assumptions in Calculating Retirement Benefit Obligations**

(¥ million)

	FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)
(1) Allocation of projected retirement benefit obligations	Straight-line attribution	<b>Straight-line attribution</b>
(2) Discount rate	2.0%	<b>2.0%</b>
(3) Expected rate of return on investments	3.0%	<b>1.5–2.0%</b>
	(1.28% for retirement benefit payment trust)	(1.09% for retirement benefit payment trust)
(4) Years for amortizing net actuarial	14–15 years	<b>14–15 years</b>
	(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.)	(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**

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

Not applicable

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

Not applicable

**12. Tax Effect Accounting**

FY2011 (Mar. 31, 2012)	FY2012 (Mar. 31, 2013)		
<b>1. Major Components of Deferred Tax Assets and Deferred Tax Liabilities</b>	<b>1. Major Components of Deferred Tax Assets and Deferred Tax Liabilities</b>		
(¥ million)	(¥ million)		
Deferred tax assets:	Deferred tax assets:		
Provision for retirement benefits	7,527	Provision for retirement benefits	<b>7,483</b>
Tax loss carried forward	1,811	Tax loss carried forward	<b>2,026</b>
Accrued bonuses	1,463	Accrued bonuses	<b>1,599</b>
Software	1,110	Software	<b>1,292</b>
Provision for product warranties	907	Tax effect of unrealized gains on inventories	<b>1,065</b>
Tax effect of unrealized gains on inventories	628	Provision for product warranties	<b>735</b>
Impairment loss on non-current assets	317	Tax effect of unrealized gains on non-current assets	<b>412</b>
Valuation loss on inventories	297	Valuation loss on inventories	<b>327</b>
Accrued retirement benefits for directors and corporate auditors	237	Expenses payable (social security payments for bonuses)	<b>226</b>
Enterprise taxes	210	Accrued retirement benefits for directors and corporate auditors	<b>210</b>
Tax effect of unrealized gains on non-current assets	202	Limit on deductible expenses for assets used in research and development	<b>162</b>
Expenses payable (social security payments for bonuses)	195	Loss on valuation of investment securities, currently not deductible)	<b>144</b>
Other	1,075	Other	<b>1,138</b>
Subtotal	15,986	Subtotal	<b>16,823</b>
Less: Valuation allowance	(2,457)	Less: Valuation allowance	<b>(2,638)</b>
Total deferred tax assets	13,528	Total deferred tax assets	<b>14,185</b>
Deferred tax liabilities:		Deferred tax liabilities:	
Securities contributed to employees' retirement benefit trust	(3,040)	Securities contributed to employees' retirement benefit trust	<b>(2,993)</b>
Tax effect for retained earnings at overseas consolidated subsidiaries	(2,173)	Tax effect for retained earnings at overseas consolidated subsidiaries	<b>(2,598)</b>
Valuation difference on available-for-sales securities	(1,111)	Valuation difference on available-for-sales securities	<b>(1,644)</b>
Tax allowable reserves for deduction of fixed assets	(221)	Tax allowable reserves for deduction of fixed assets	<b>(187)</b>
Other	(347)	Other	<b>(389)</b>
Total deferred tax liabilities	(6,895)	Total deferred tax liabilities	<b>(7,813)</b>
Net deferred tax assets	6,633	Net deferred tax assets	<b>6,372</b>
		Net deferred tax assets as of March 31, 2012, are included in the following balance sheet items.	Net deferred tax assets as of March 31, 2013, are included in the following balance sheet items.
	(¥ million)		(¥ million)
Current assets—Deferred tax assets	3,996	Current assets—Deferred tax assets	<b>4,194</b>
Fixed assets—Deferred tax assets	2,865	Fixed assets—Deferred tax assets	<b>2,451</b>
Current liabilities—Other	(42)	Current liabilities—Other	<b>(38)</b>
Long-term liabilities—Other	(186)	Long-term liabilities—Other	<b>(235)</b>
<b>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.</b>		<b>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.</b>	
Statutory tax rate (Adjustment)	39.8 %	This information is omitted because the difference between the statutory tax rate and the effect of change in tax rate was less than 5% of the statutory tax rate.	
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 %		

### 13. Business Combinations

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

#### Transactions under Common Control

Establishment of KYB Europe Headquarters B.V. (KEH) and change in current European subsidiaries to indirectly-owned subsidiaries.

##### 1. Summary of Transaction

- (1) Business activities of the related company: Holding of stocks or investments in group companies in Europe and support and management for business activities in Europe
- (2) Date of business combination: May 29, 2012
- (3) Legal method of business combination: A transaction under common control was used to transfer stocks and other investments in current European subsidiaries from KYB to the newly established KEH as investments in kind. KEH became an intermediary holding company for these European subsidiaries, which made these companies subsidiaries of a subsidiary.

(4) Other information concerning summary of transaction:

List of European group companies that became indirectly-owned subsidiaries

KYB Suspensions Europe, S.A.  
 KYB Manufacturing Czech s.r.o.  
 KYB Advanced Manufacturing Spain, S.A.  
 KYB Steering Spain, S.A.  
 KYB Europe GmbH  
 KYB Europe Headquarters GmbH

##### 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).

#### Transactions under Common Control

Transfer of investments to KYB (China) Investment Co., Ltd. (KCI) as investments in kind and change in current Chinese subsidiaries to indirectly-owned subsidiaries.

##### 1. Summary of Transaction

- (1) Business activities of the related company: Holding of investments in group companies in China and support and management for business activities in China
- (2) Date of business combination: Mar. 29, 2013
- (3) Legal method of business combination: A transaction under common control was used to transfer investments in current Chinese subsidiaries from KYB to KCI as investments in kind. KCI became an intermediary holding company for these Chinese subsidiaries that owns 100% of the stock of these companies. As a result, the Chinese subsidiaries became subsidiaries of a subsidiary.

(4) Other information concerning summary of transaction:

List of Chinese group companies that became indirectly-owned subsidiaries

KYB Industrial Machinery (Zhenjiang) Ltd.  
 KYB Hydraulics Industry (Zhenjiang) Ltd.

##### 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).

### 14. Asset Retirement Obligations

FY2011 (Apr. 1, 2011 – 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 FY2011

	(¥ 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.

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

#### 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 4 to 31 years starting with the time of acquisition and a discount rate of 2.0%.

(3) Change in total asset retirement obligations during FY2012

	(¥ million)
Beginning of the year	363
Increase due to purchase of property, plant and equipment	31
Adjustment for passage of time	5
Decrease in assets retirement obligations	(8)
End of the year	390

#### 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.**

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

Omitted due to the absence of significant items

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

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 fork, oil cushion units, stay dampers, free lock, 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.

(Change in depreciation method)

As was explained in "Change in accounting policies which are difficult to distinguish from changes in accounting estimates," KYB and its domestic consolidated subsidiaries have changed to the depreciation method that complies with the revised Corporation Tax Act for property, plant and equipment that was acquired on or after April 1, 2012. Compared with the previous depreciation, this change increased segment profits by ¥73 million in the automotive components segment, ¥159 million in the hydraulic components segment and ¥14 million in other in FY2012.

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

(¥ million)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)						
	Reportable segment			Other (Note 1)	Total	Elimination of intersegment transactions (Notes 2 and 3)	Amount on consolidated statements (Note 4)
	Automotive Components	Hydraulic Components	Subtotal				
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 property, plant and equipment and intangible assets (Note 5)	9,378	17,395	26,773	398	27,172	—	27,172
Amortization of goodwill 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 property, plant and equipment and intangible assets includes long-term prepaid expenses.

(¥ million)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)						
	Reportable segment			Other (Note 1)	Total	Elimination of intersegment transactions (Notes 2 and 3)	Amount on consolidated statements (Note 4)
	Automotive Components	Hydraulic Components	Subtotal				
Segment sales							
Outside customers	184,802	105,067	289,870	15,882	305,752	—	305,752
Intersegment	2,424	2,402	4,826	1,136	5,962	(5,962)	—
Total	187,226	107,469	294,696	17,018	311,715	(5,962)	305,752
Segment profits	5,106	4,254	9,360	871	10,232	241	10,473
Segment assets	177,681	131,610	309,292	22,127	331,420	(3,507)	327,912
Other items							
Depreciation	7,394	6,642	14,037	516	14,554	—	14,554
Impairment loss	47	8	55	—	55	—	55
Increase in property, plant and equipment and intangible assets (Note 5)	18,086	17,659	35,746	3,469	39,215	—	39,215
Amortization of goodwill and/or negative goodwill	(0)	—	(0)	—	(0)	—	(0)
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 ¥241 million in segment profits is due to the elimination of intersegment transactions.  
 3. The deduction of ¥3,507 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 property, plant and equipment and intangible assets includes long-term prepaid expenses.

## 2. Related Information

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	U.S.A.	China	South East Asia	Other areas	Total
181,935	47,341	27,684	33,071	22,341	24,783	337,158

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

#### (2) Property, plant and equipment

(¥ million)						
Japan	Europe	U.S.A.	China	South East Asia	Other areas	Total
68,640	8,860	3,490	14,648	5,498	423	101,562

Notes: 1. Property, plant and equipment are based on the locations and categorized by countries and areas.  
 2. Regions are based on geographic proximity.  
 3. Major countries and areas in each region:  
 (1) Japan ..... Japan  
 (2) Europe ..... Germany, U.K., Spain, Italy, France, Czech Republic  
 (3) U.S.A. .... U.S.A.  
 (4) China ..... China  
 (5) South East Asia ..... Thailand, Vietnam  
 (6) Other areas ..... Taiwan, U.A.E., Mexico, 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.

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

### 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	U.S.A.	China	South East Asia	Other areas	Total
<b>162,261</b>	<b>43,646</b>	<b>30,598</b>	<b>17,872</b>	<b>25,589</b>	<b>25,784</b>	<b>305,752</b>

Notes: 1. Net 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, U.K., Spain, Italy, France, Czech Republic, Russia, Poland  
 (3) U.S.A. .... U.S.A.  
 (4) China ..... China  
 (5) South East Asia ..... Indonesia, Malaysia, Thailand, Vietnam  
 (6) Other areas ..... Taiwan, South Korea, U.A.E., Mexico, Brazil, Panama, Canada

#### (2) Property, plant and equipment

(¥ million)						
Japan	Europe	U.S.A.	China	South East Asia	Other areas	Total
86,944	9,260	4,848	18,493	11,429	492	131,469

Notes: 1. Property, plant and equipment are based on the locations and categorized by countries and areas.  
 2. Regions are based on geographic proximity.  
 3. Major countries and areas in each region:  
 (1) Japan ..... Japan  
 (2) Europe ..... Germany, U.K., Spain, Italy, France, Czech Republic, Russia, Netherlands  
 (3) U.S.A. .... U.S.A.  
 (4) China ..... China  
 (5) South East Asia ..... Thailand, Vietnam  
 (6) Other areas ..... Taiwan, U.A.E., Mexico, 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.

#### (Changes in Presentation)

In FY2012, the United States, which was previously included in North America, became a separate category because U.S.A. sales were more than 10% of net sales in the consolidated statement of income. To reflect this change in presentation, "2. Information for Geographic Regions (1) Net sales" for the previous fiscal year has been restated. Canada, which was included in North America in the previous fiscal year, is now included in Other areas.

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

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)

Omitted because the same information is provided in segment information.

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

Omitted because the same information is provided in segment information.

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

	(¥ million)				
	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)				
	Reportable segment			Other	Total
Automotive Components	Hydraulic Components	Subtotal			
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, 2010.

	(¥ million)				
	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)				
	Reportable segment			Other	Total
Automotive Components	Hydraulic Components	Subtotal			
Goodwill					
Amortization of goodwill	1	—	1	—	1
Balance at fiscal year end	4	—	4	—	4
Negative goodwill					
Amortization of goodwill	1	—	1	—	1
Balance at fiscal year end	0	—	0	—	0

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

**5. Gains on Negative Goodwill in Reportable Segments**

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

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)  
Not applicable

**6. Related Parties**

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

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)  
Not applicable

**17. Special Purpose Companies Subject to Disclosure**

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

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)  
Not applicable

**18. Per Share Data**

FY2011 (Apr. 1, 2011 – Mar. 31, 2012)		FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	
Net assets per share (¥)	453.00	Net assets per share (¥)	<b>512.18</b>
Net income per share (¥)	62.87	Net income per share (¥)	<b>35.24</b>
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:

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Net income (¥ million)	13,897	<b>7,789</b>
Amount not attributable to common shares (¥ million)	—	—
Net income related to common shares (¥ million)	13,897	<b>7,789</b>
Average number of common shares outstanding in fiscal year (Thousands)	221,064	<b>221,046</b>

**19. Subsequent Events**

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)  
Not applicable

**3 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	17,948	26,375	1.7	—
Current portion of long-term loans payable	17,212	20,824	1.7	—
Leases obligations due within one year	341	401	—	—
Long-term loans payable (excluding current portion)	43,226	45,719	1.7	2014.4.25 to 2025.6.30
Lease obligations (excluding current portion)	1,464	1,683	—	2014.4.1 to 2018.11.30
Other interest-bearing debts:				
Security deposits payable ("Others" in noncurrent liabilities)	325	333	0.0	—
<b>Total</b>	<b>80,518</b>	<b>95,338</b>	<b>—</b>	<b>—</b>

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	(¥ million)				
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Long-term loans payable	11,151	14,996	12,656	6,595	319
Lease obligations	357	274	177	872	1

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

**3. Asset Retirement Obligations**

Asset retirement obligations as of April 1, 2012 and March 31, 2013, 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	FY2012
Net sales (¥ million)	77,922	154,347	224,650	305,752
Income before income taxes and minority interests (¥ million)	4,490	6,248	8,800	12,994
Net income (¥ million)	3,105	3,929	5,262	7,789
Net income per share (¥)	14.05	17.78	23.81	35.24

	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (¥)	14.05	3.73	6.03	11.43

## 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  
Landmark Plaza, 6-7, Shibakoen 1-chome, Minato-ku, Tokyo 105-0011, Japan  
Tel: 81-3-6895-1260 Fax: 81-3-6895-1270

#### 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-shi, 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 Higashijou, 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 389-0688, 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.

—Packaging and delivery of shock absorbers and hydraulic equipment  
1790, Dota, Kani-shi, Gifu 509-0206, Japan  
Tel: 81-574-26-6427 Fax: 81-574-26-8389

### 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 B.V.

—Headquarters of KYB's European base  
Godsweerdersingel 77 6041 GK Roermond The Netherlands

#### 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 Ipertergui 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 Covice, 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

#### LLC KYB Eurasia

— Import and sales of shock absorbers  
56, Profsoyuznaya Str., Moscow, 117393, Russia  
Tel: 7-495-781-88-52 Fax: 7-495-781-88-53

### Asia

#### 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 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 Manufacturing Taiwan Co., Ltd.

— Manufacturing and sales of shock absorbers  
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  
700/829 Moo 6 (Amata Nakorn Industrial Estate) T. Nongtamlueng A.Panthong Chonburi 20160, Thailand  
Tel: 66-3-818-5559 Fax: 66-3-818-5552

#### KYB (Thailand) Co., Ltd.

— Manufacturing and sales of shock absorbers  
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 cho-me, 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  
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

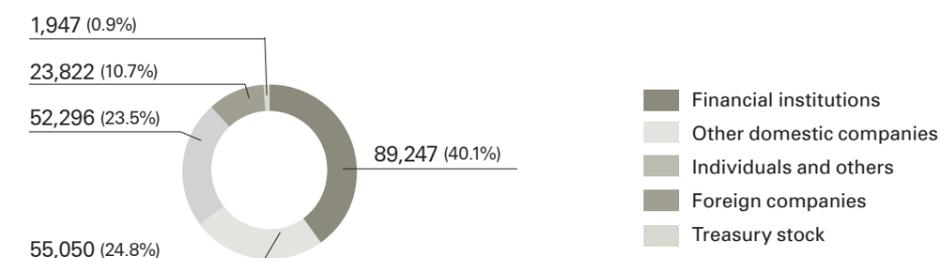
<b>Head Office:</b>	World Trade Center Bldg., 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo 105-6111, Japan Tel: 81-3-3435-3511 Fax: 81-3-3436-6759 URL: <a href="http://www.kyb.co.jp">http://www.kyb.co.jp</a>
<b>Date of Establishment:</b>	November 25, 1948
<b>Fiscal Year:</b>	April 1 to March 31
<b>Paid-in Capital:</b>	¥19,113 million
<b>Number of Employees:</b>	12,306 (Consolidated basis)
<b>Securities Traded:</b>	Tokyo Stock Exchange (First Section)
<b>Plants:</b>	Sagami, Kumagaya, Gifu North, Gifu South, Gifu East
<b>R&amp;D Centers:</b>	Basic Technology R&D Center, Production Technology R&D Center
<b>Sales Branches:</b>	Nagoya, Osaka, Fukuoka, Hamamatsu, Hiroshima

<b>Common Stock Issued:</b>	222,984,315 shares
<b>Number of Shareholders:</b>	13,008
<b>Transfer Agent and Registrar:</b>	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan

Major Shareholders:	Name	Shareholding (Thousand)	Percent of Total Shares Issued
	Toyota Motor Corporation	19,654	8.81
	Japan Trustee Services Bank, Ltd. (Trust Account)	12,459	5.59
	The Master Trust Bank of Japan (Trust Account)	12,311	5.52
	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
	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
	KYB suppliers' stock ownership	5,856	2.63
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,799	2.15
	<b>Total</b>	<b>93,238</b>	<b>41.81</b>

#### Composition of Shareholders:

(Thousands)



#### Monthly Stock Price Range:

(Tokyo Stock Exchange)



# **KYB Corporation**