



*Our Precision, Your Advantage*

**KYB Corporation**

# Annual Review 2009

Year Ended March 31, 2009

# Consolidated Five-Year Summary

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

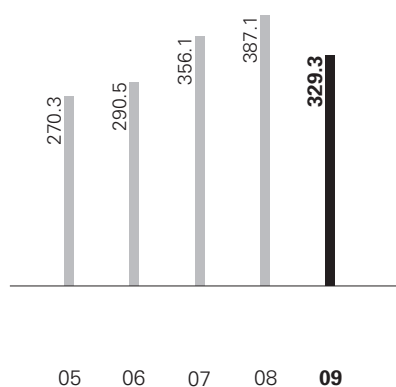
	Millions of yen					Thousands of U.S. dollars
	2009	2008	2007	2006	2005	2009
<b>For the year:</b>						
Net sales	<b>¥329,262</b>	¥387,080	¥356,083	¥290,456	¥270,329	<b>\$3,359,816</b>
Costs and expenses	<b>329,212</b>	368,809	341,510	283,733	260,687	<b>3,359,306</b>
Net income (loss)	<b>(5,230)</b>	8,398	6,959	2,917	5,501	<b>(53,367)</b>
Capital expenditures	<b>24,968</b>	23,564	19,735	15,678	14,070	<b>254,776</b>
<b>At year-end:</b>						
Working capital	<b>¥ 43,513</b>	¥ 29,120	¥ 23,758	¥ 21,392	¥ 26,492	<b>\$ 444,010</b>
Total net assets	<b>76,450</b>	91,739	87,817	80,681	74,037	<b>780,102</b>
Total assets	<b>269,655</b>	289,739	285,146	247,966	222,224	<b>2,751,581</b>

	Yen					U.S. dollars
<b>Per share:</b>						
Net income (loss)	<b>¥ (23.62)</b>	¥ 37.72	¥ 31.33	¥ 12.63	¥ 24.15	<b>\$ (0.24)</b>
Cash dividends applicable to the year	<b>3.50</b>	7.00	7.00	6.00	6.00	<b>0.04</b>
Net worth	<b>327.97</b>	387.45	372.60	343.99	316.64	<b>3.35</b>
<b>Number of employees</b>	<b>11,370</b>	11,546	10,596	8,387	8,186	

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥98=U.S.\$1, the approximate exchange rate prevailing on March 31, 2009.

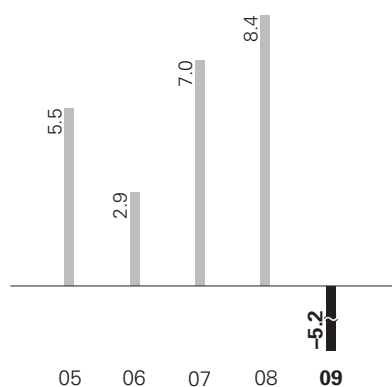
## Net Sales

(Billions of yen)



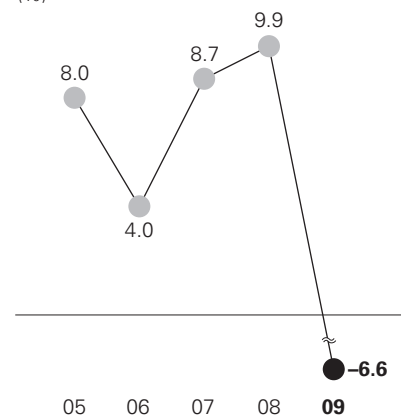
## Net Income (Loss)

(Billions of yen)



## Return on Equity (ROE)\*

(%)



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

## Contents

Financial Review.....	1
Consolidated Balance Sheets.....	2
Consolidated Statements of Income.....	4
Consolidated Statements of Cash Flows.....	5
Corporate Information / Shareholder Information.....	6

## Financial Review

### Summary

There was a significant decrease of 14.9% in consolidated net sales to ¥329,262 million (US\$3,359,816 thousand) in the fiscal year ended March 31, 2009. This was attributable to rapid and sharp depletion in sales of both automobile shock absorbers and industrial-use hydraulic equipment used primarily in construction machinery. Even though there were additions from the sales of four consolidated subsidiaries, one for manufacturing motorcycle shock absorbers and three for distributing after-parts to the market, these additions did not help to alleviate the large drop in sales.

Operating income decreased ¥18,221 million, or 99.7%, to ¥50 million (US\$510 thousand), mainly because of the large decrease in sales during the second half of the fiscal year.

Net other income (expenses) was ¥1,297 million lower than in the previous fiscal year. Although the Company and its domestic subsidiaries received government subsidies for employment adjustment of ¥413 million and there was no prior period provision for product warranty expenses for this fiscal year, there were increases in foreign exchange loss, net of ¥1,880 million; impairment loss on fixed assets of ¥598 million; valuation loss on inventories of ¥318 million; valuation loss on investment securities of ¥287 million; and severance and retirement benefit expenses of ¥518 million, all compared to the previous fiscal year.

Loss before income taxes and minority interests amounted to ¥4,300 million (US\$43,878 thousand) compared to an income of ¥15,218 million in the previous fiscal year. As a result, the Company recorded a net loss of ¥5,230 million (US\$53,367 thousand).

### Financial Condition

Total assets amounted to ¥269,655 million (US\$2,751,581 thousand), a decrease of ¥20,084 million compared with the previous fiscal year-end.

Total current assets decreased ¥21,718 million to ¥146,875 million (US\$1,498,724 thousand). This was mainly the result of a decline in trade notes and accounts receivable of ¥35,412 million because of the sales decrease. On the other hand, there was a ¥12,592 million increase in short-term loans receivable as a source of temporary funds. The large volume of capital expenditures in the first half of the fiscal year caused net property, plant and equipment to increase ¥2,704 million from the previous fiscal year to ¥104,499 million (US\$1,066,316 thousand). Due to the decline in investment securities resulting from lower market prices, total investments and other assets decreased ¥794 million to ¥17,795 million (US\$181,582 thousand).

Total liabilities decreased ¥4,795 million to ¥193,205 million (US\$1,971,479 thousand). There was a decline in trade notes and accounts payable of ¥31,254 million due to the decrease in production. Long-term debt less current maturities increased ¥31,985 million to ¥71,770 million (US\$732,347 thousand). This increase was carried out in preparation for possible unforeseen future events in the financial market.

Total net assets decreased ¥15,289 million to ¥76,450 million (US\$780,102 thousand). There was a decrease in retained earnings of ¥6,022 million due to a net loss, and decreases in net unrealized holding gains on securities, net of taxes of ¥2,062 million, and in foreign currency translation adjustments of ¥5,710 million due to a strong yen.

### Cash Flows

Net cash provided by operating activities amounted to ¥8,499 million (US\$86,724 thousand). Major uses of cash were a loss before income taxes and minority interests of ¥4,300 million (US\$43,878 thousand) and income taxes paid of ¥5,224 million (US\$53,306 thousand). The primary source of cash was depreciation and amortization of ¥16,552 million (US\$168,898 thousand).

Net cash used in investing activities was ¥26,505 million (US\$270,459 thousand). The major uses of cash were payment for acquisitions of property, plant and equipment of ¥24,431 million (US\$249,296 thousand) and payment for acquisition of investment securities of ¥1,126 million (US\$11,490 thousand).

Net cash provided by financing activities amounted to ¥32,200 million (US\$328,571 thousand). Major uses of cash were cash dividends paid of ¥1,558 million (US\$15,898 thousand) and ¥809 million (US\$8,255 thousand) for acquisition and disposal of treasury stock, net. The primary source of cash was proceeds from long-term debt of ¥36,475 million (US\$372,194 thousand).

As a result, cash and cash equivalents at end of year increased ¥14,199 million, or 70.7%, to ¥34,272 million (US\$349,714 thousand).

## Consolidated Balance Sheets (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
As of March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Current assets:</b>			
Cash and time deposits	¥ 18,521	¥ 15,938	\$ 188,990
Trade receivables:			
Notes and accounts	59,506	94,918	607,204
Allowance for doubtful accounts	(311)	(952)	(3,173)
Inventories	39,565	43,818	403,724
Deferred tax assets	3,362	3,910	34,306
Short-term loans receivable	17,143	4,551	174,929
Marketable securities	—	734	—
Other current assets	9,089	5,676	92,744
Total current assets	146,875	168,593	1,498,724
<b>Property, plant and equipment:</b>			
Buildings and structures	58,185	54,424	593,725
Machinery, equipment and automobiles	169,970	170,721	1,734,388
Land	21,978	19,173	224,265
Construction in progress	4,416	5,277	45,061
Other property, plant and equipment	40,587	39,326	414,153
Total property, plant and equipment	295,136	288,921	3,011,592
Less: Accumulated depreciation	(190,637)	(187,126)	(1,945,276)
Net property, plant and equipment	104,499	101,795	1,066,316
<b>Intangible assets:</b>			
Goodwill	90	325	918
Software	113	133	1,153
Other non-current assets	283	304	2,888
Total non-current assets	486	762	4,959
<b>Investments and other assets:</b>			
Investment securities	10,278	13,392	104,878
Deferred tax assets	5,616	3,396	57,306
Other assets	2,609	1,911	26,622
Allowance for doubtful accounts	(708)	(110)	(7,224)
Total investments and other assets	17,795	18,589	181,582
Total assets	¥ 269,655	¥ 289,739	\$ 2,751,581

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥98=U.S.\$1, the approximate exchange rate prevailing on March 31, 2009.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Current liabilities:</b>			
Trade payables:			
Notes and accounts	¥ 47,327	¥ 78,581	\$ 482,929
Bank loans and current maturities of long-term debt	31,951	30,578	326,031
Accrued payables	8,057	10,256	82,214
Income taxes payable	217	1,826	2,214
Notes payable—equipment	1,536	3,440	15,673
Allowance for product warranty expenses	4,516	3,672	46,082
Allowance for bonuses to directors and corporate auditors	59	121	602
Other current liabilities	9,699	10,999	98,969
Total current liabilities	103,362	139,473	1,054,714
<b>Long-term liabilities:</b>			
Long-term debt less current maturities	71,770	39,785	732,347
Deferred tax liabilities on land revaluation	4,513	4,513	46,051
Employees' severance and retirement benefits	11,126	12,397	113,530
Retirement benefits for directors and corporate auditors	851	737	8,684
Allowance for environmental expenses	208	208	2,122
Other long-term liabilities	1,375	887	14,031
Total long-term liabilities	89,843	58,527	916,765
<b>Net assets:</b>			
Common stock:			
Authorized—491,955,000 shares in 2009 and 2008			
Issued—222,984,315 shares in 2009 and 2008	19,114	19,114	195,041
Capital surplus	20,257	20,263	206,704
Retained earnings	33,056	39,078	337,306
Less: Treasury stock, at cost	(989)	(186)	(10,092)
Net unrealized holding gains on securities, net of taxes	763	2,825	7,786
Unrealized gain from hedging instruments	49	8	500
Revaluation reserve for land, net of taxes	4,761	4,761	48,582
Foreign currency translation adjustments	(5,311)	399	(54,194)
Minority interests in consolidated subsidiaries	4,750	5,477	48,469
Total net assets	76,450	91,739	780,102
Total liabilities and net assets	¥269,655	¥289,739	\$2,751,581

## Consolidated Statements of Income (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Net sales</b>	<b>¥329,262</b>	¥387,080	<b>\$3,359,816</b>
<b>Cost of sales</b>	<b>287,663</b>	324,401	<b>2,935,337</b>
Gross profit	<b>41,599</b>	62,679	<b>424,479</b>
<b>Selling, general and administrative expenses</b>	<b>41,549</b>	44,408	<b>423,969</b>
Operating income	<b>50</b>	18,271	<b>510</b>
<b>Other income (expenses):</b>			
Interest income	<b>251</b>	225	<b>2,561</b>
Dividend income	<b>235</b>	232	<b>2,398</b>
Royalty income	<b>530</b>	781	<b>5,408</b>
Equity in earnings of unconsolidated subsidiaries and affiliated companies	<b>581</b>	612	<b>5,929</b>
Government subsidies for employment adjustment	<b>413</b>	—	<b>4,214</b>
Interest expense	<b>(1,856)</b>	(2,054)	<b>(18,939)</b>
Loss on disposal of inventories	<b>—</b>	(298)	<b>—</b>
Loss on retirement of inventories	<b>(170)</b>	—	<b>(1,735)</b>
Foreign exchange loss, net	<b>(2,547)</b>	(667)	<b>(25,989)</b>
Gain on sale of investment securities	<b>—</b>	219	<b>—</b>
Reversal of allowance for uncollectibles	<b>117</b>	97	<b>1,194</b>
Loss on sale and disposal of property, plant and equipment, net	<b>(380)</b>	(683)	<b>(3,877)</b>
Impairment loss on fixed assets	<b>(1,028)</b>	(430)	<b>(10,490)</b>
Valuation loss on inventories	<b>(318)</b>	—	<b>(3,245)</b>
Valuation loss on investment securities	<b>(607)</b>	(320)	<b>(6,194)</b>
Prior period provision for product warranty expenses	<b>—</b>	(1,308)	<b>—</b>
Severance and retirement benefit expenses	<b>(518)</b>	—	<b>(5,286)</b>
Provision for environmental expenses	<b>—</b>	12	<b>—</b>
Others, net	<b>947</b>	529	<b>9,663</b>
Income (loss) before income taxes and minority interests	<b>(4,300)</b>	15,218	<b>(43,878)</b>
Income taxes:			
Current	<b>970</b>	5,672	<b>9,898</b>
Deferred	<b>19</b>	456	<b>193</b>
Income (loss) before minority interests	<b>(5,289)</b>	9,090	<b>(53,969)</b>
Minority interests	<b>(59)</b>	692	<b>(602)</b>
Net income (loss)	<b>¥ (5,230)</b>	¥ 8,398	<b>\$ (53,367)</b>

	Yen		U.S. dollars
<b>Amounts per share of common stock:</b>			
Net income (loss)	<b>¥ (23.62)</b>	¥37.72	<b>\$ (0.24)</b>
Cash dividends applicable to the year	<b>3.50</b>	7.00	<b>0.04</b>

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥98=U.S.\$1, the approximate exchange rate prevailing on March 31, 2009.

## Consolidated Statements of Cash Flows (Unaudited)

Kayaba Industry Co., Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥ (4,300)	¥ 15,218	\$ (43,878)
Depreciation and amortization	16,552	15,127	168,898
Loss on sale and disposal of property, plant and equipment, net	380	683	3,878
Gain on sale of investment securities	—	(219)	—
Valuation loss on investment securities	607	320	6,194
Impairment loss on fixed assets	1,028	430	10,490
Amortization of goodwill	235	597	2,398
Amortization of negative goodwill	(37)	(36)	(378)
Decrease in allowance for doubtful accounts	(95)	(74)	(969)
Decrease in retirement benefits	(1,096)	(1,810)	(11,184)
Increase (decrease) in allowance for directors and corporate auditors	(61)	1	(622)
Increase in allowance for environmental expenses	—	12	—
Interest and dividend income	(486)	(457)	(4,959)
Interest expense	1,856	2,054	18,939
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(581)	(612)	(5,929)
Decrease in trade notes and accounts receivable	32,026	854	326,796
Increase (decrease) in inventories	1,674	(424)	17,082
Decrease in trade notes and accounts payable	(30,179)	(2,742)	(307,950)
Decrease in payables—other	(3,622)	(406)	(36,959)
Increase in allowance for product warranty expenses	923	1,779	9,418
Other, net	(282)	(638)	(2,878)
Subtotal	14,542	29,657	148,387
Interest and dividends received	949	1,025	9,684
Interest paid	(1,812)	(1,935)	(18,490)
Income taxes paid	(5,224)	(9,161)	(53,306)
Income taxes refunded	44	121	449
Net cash provided by operating activities	8,499	19,707	86,724
<b>Cash flows from investing activities:</b>			
Transfer to time deposits	(1,575)	(2,048)	(16,071)
Transfer from time deposits	1,171	1,318	11,949
Payment for acquisition of property, plant and equipment	(24,431)	(21,197)	(249,296)
Proceeds from sale of property, plant and equipment	396	104	4,041
Payment for acquisition of investment securities	(1,126)	(277)	(11,490)
Proceeds from sale of investment securities	—	1,519	—
Proceeds from redemption of investment securities	—	1,000	—
Payment for acquisition of subsidiaries' stock	(473)	—	(4,827)
Payment for loans	(404)	(384)	(4,122)
Proceeds from collection of loans	260	268	2,653
Other, net	(323)	(469)	(3,296)
Net cash used in investing activities	(26,505)	(20,166)	(270,459)
<b>Cash flows from financing activities:</b>			
Increase in bank loans, net	2,954	983	30,143
Repayment of lease obligation	(93)	—	(949)
Proceeds from long-term debt	36,475	9,982	372,194
Repayments of long-term debt	(4,550)	(4,811)	(46,429)
Payment for bond redemption	(55)	(100)	(561)
Acquisition and disposal of treasury stock, net	(809)	(24)	(8,255)
Cash dividends paid	(1,558)	(1,670)	(15,898)
Cash dividends paid for minority interests	(164)	(168)	(1,674)
Net cash provided by financing activities	32,200	4,192	328,571
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,235)</b>	<b>(311)</b>	<b>(12,602)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,959</b>	<b>3,422</b>	<b>132,234</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>20,073</b>	<b>16,651</b>	<b>204,827</b>
<b>Increase in cash and cash equivalents due to change of consolidation scope</b>	<b>1,240</b>	<b>—</b>	<b>12,653</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 34,272</b>	<b>¥ 20,073</b>	<b>\$ 349,714</b>

Note: U.S. dollar amounts were translated from Japanese yen, for convenience only, at ¥98=U.S.\$1, the approximate exchange rate prevailing on March 31, 2009.

## Corporate Information

(As of March 31, 2009)

<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>	¥19,114 million
<b>Number of Employees:</b>	11,370 (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, Sapporo, Hamamatsu, Hiroshima
<b>Overseas Offices:</b>	<b>Europe Branch</b> Kimplerstr. 336, 47807 Krefeld, Germany Tel: 49-2151-9814365 Fax: 49-2151-9314330 <b>California Representative Office</b> 5790 Katella Ave., Cypress, CA 90630, U.S.A. Tel: 1-562-799-3862 Fax: 1-562-799-3863

## Shareholder Information

(As of March 31, 2009)

<b>Common Stock Issued:</b>	222,984,315 shares
<b>Number of Shareholders:</b>	16,396
<b>Transfer Agent and Registrar:</b>	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 100-0005, Japan

### Major Shareholders:

Name	Shareholdings (Thousands)	Percent of Total Shares Issued
Toyota Motor Corporation	19,654	9.00
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	11,957	5.50
Japan Trustee Services Bank, Ltd. (Trust Account)	10,620	4.90
Meiji Yasuda Life Insurance Company	10,046	4.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,399	4.30
Hitachi Construction Machinery Co., Ltd.	8,920	4.10
Bridgestone Corporation	7,952	3.60
Mizuho Corporate Bank, Ltd.	7,163	3.30
Sompo Japan Insurance Inc.	6,744	3.10
UBS AG London A/C IPB Segregated Client Account	6,636	3.00
Total	99,091	45.40

### Composition of Shareholders:

(Thousands)

