

Notes to Consolidated Financial Statements

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2011 and 2010

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related counting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Akebono Brake Industry Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to \$1 (rounded down to the nearest \$1,000; or rounded down to the nearest cent per share), the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

Scope of consolidation—The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 31 significant (33 in the fiscal year ended March 31, 2010) subsidiaries (together, the "Group"). Under the controlling company accounting method, companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. During the fiscal year ended March 31, 2011, Akebono Tec Corporation and Akebono Management Service Co., Ltd. were removed from the scope of consolidation following a short-form merger into the Company.

An investment in one associated company (one in the fiscal year ended March 31, 2010) is accounted for by the equity method. Investments in the remaining two associated companies (two in the fiscal year ended March 31, 2009) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material. The differences between the cost and the underlying net equity (at fair value) of investments in consolidated subsidiaries and associated companies accounted for by the equity method have been amortized over a period of 5 years. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

3. Matters Related to Consolidated Statements of Income

Loss on earthquake disaster

The Company recorded a ¥1,252 million loss on earthquake disaster, including an impairment loss on property, plant and equipment and restoration costs totaling ¥886 million and fixed costs due to the temporary shutdown of plants amounting to ¥111 million. Of this total, ¥515 million is a provision for loss on earthquake disaster.

4. Reconciliation between Consolidated Statements of Cash Flows and Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and deposits	¥ 26,661	¥ 16,754	\$ 321,216
Certificate of deposit included in marketable securities	20,300	10,800	244,578
Time deposits (certificate of deposit) with maturity over three months	(8,500)	(6,002)	(102,409)
Cash and cash equivalents – end of period	¥ 38,461	¥ 21,552	\$ 463,385

5. Per share information

	Yen		U.S. Dollars
	2011	2010	2011
Per share of common stock:			
Basic net income	¥ 39.75	¥ 17.80	\$ 0.47
Diluted net income	39.61	17.76	0.47
Cash dividends applicable to the year	10.00	5.00	0.12

5. Segment Information

Akebono Brake Industry Co., Ltd. and its consolidated subsidiaries engage mainly in the production and sale of brake products. A summary of information classified by reporting segment of the Company for the year ended March 31, 2011 is as follows.

	Millions of Yen						Total	Adjustment	Consolidated total
	Segment								
	Japan	United States	Europe	China	Thailand	Indonesia			
	2011								
Sales to customers	¥ 85,253	¥106,778	¥3,328	¥5,099	¥3,130	¥12,985	¥216,574	¥ —	¥216,574
Intercompany sales/ transactions	7,882	255	1,108	7	141	1,218	10,612	(10,612)	—
Total revenue	¥ 93,135	¥107,033	¥4,436	¥5,107	¥3,271	¥14,204	¥227,186	¥(10,612)	¥216,574
Operating income (loss)	¥ 7,097	¥ 416	¥ (28)	¥ 827	¥ 416	¥ 2,500	¥ 11,229	¥ 163	¥ 11,392
Total assets	¥112,652	¥ 43,603	¥3,761	¥4,475	¥2,703	¥ 7,600	¥174,793	¥ 11,159	¥185,952

	Thousands of U.S. Dollars						Total	Adjustment	Consolidated total
	Segment								
	Japan	United States	Europe	China	Thailand	Indonesia			
	2011								
Sales to customers	\$1,027,144	\$1,286,481	\$40,096	\$61,433	\$37,710	\$156,445	\$2,609,325	\$ —	\$2,609,325
Intercompany sales/ transactions	94,963	3,072	13,349	84	1,698	14,674	127,855	(127,855)	—
Total revenue	\$1,122,108	\$1,289,554	\$53,445	\$61,530	\$39,409	\$171,132	\$2,737,180	\$(127,855)	\$2,609,325
Operating income (loss)	\$ 85,506	\$ 5,012	\$ (337)	\$ 9,963	\$ 5,012	\$ 30,120	\$ 135,289	\$ 1,963	\$ 137,253
Total assets	\$1,357,253	\$ 525,337	\$45,313	\$53,915	\$32,566	\$ 91,566	\$2,105,939	\$ 134,445	\$2,240,385

Information about industry segments and geographical segments of the Company and subsidiaries for the year ended March 31, 2010 are as follows:

(1) Industry Segments

The Group operates in a single industry which includes sales and manufacturing of various brakes on a worldwide basis.

(2) Geographical Segments

The geographical segments of the Company and subsidiaries for the year ended March 31, 2010 are summarized as follows:

	Millions of Yen					Eliminations and Corporate	Consolidated
	Japan	North America	Europe	Asia			
	2010						
Sales to customers	¥ 76,655	¥35,462	¥2,822	¥15,665	¥ —	¥130,604	
Intercompany transactions	6,439	329	1,402	179	(8,349)	—	
Total revenue	83,094	35,791	4,224	15,844	(8,349)	130,604	
Operating expenses	79,730	36,908	4,183	13,636	(8,516)	125,941	
Operating income (loss)	¥ 3,365	¥ (1,117)	¥ 41	¥ 2,208	¥ 167	¥ 4,663	
Total assets	¥107,390	¥37,146	¥3,685	¥13,431	¥ 2,468	¥164,120	

Notes: 1. Adjustment to operating income (loss) to eliminate intersegment transactions.

2. Operating income (loss) after adjustments to reconcile total with figure presented in the consolidated statements of income.

3. The value of the U.S. dollar is, purely for the sake of convenience, calculated using the approximate exchange rate as at March 31, 2011, which was ¥83 to \$1 (figures are rounded down to the nearest \$1,000).

4. The Company and subsidiaries are summarized in four segments by geographical area based on the countries where the Group is located. The segments consisted of the following countries except for Japan.

North America: United States of America

Europe: France, United Kingdom

Asia: Thailand, China, Indonesia