

akebono's Corporate Mission

Through "Friction and Vibration, their Control and Analysis," we are determined to protect, grow and support every individual life

Our Corporate Mission was established in 1999 in recognition of the importance of laying out a roadmap for Akebono's future progress as a unified corporate group.

Akebono's core expertise is in the field of "friction and vibration, their control and analysis". We deliberately place control before analysis in order to express our firm belief that it is Akebono's primary duty to promptly address and resolve the issues our customers are facing.

Our commitment to protection extends not only to human life. For Akebono, the phrase "every individual life" includes every single life-form on the planet, and thus, by extension, the global environment itself. Our Corporate Mission thus stipulates that we will create corporate value based on sound management in order to continuously protect and support all such life.

By translating akebono's Corporate Mission into reality, we shall contribute to the development of a sustainable society.

akebono's Declaration for the 21st Century

We will continue to create value long into the 21st century as we pursue our Corporate Mission.

We declare that we will:

1. Recognize the real value of what we create and provide.
2. Assure our own indispensability by continuously creating new value.
3. Accomplish our tasks with speed and the courage of our convictions without fear of failure.
4. Achieve our aspirations through the pride of each and every individual.

akebono's Declaration for the 21st Century sets forth the basic mindset and code of conduct required in order to achieve akebono's Corporate Mission.

We aim to establish our company as a uniquely indispensable presence for our customers by ensuring that we recognize the real value of the products that we provide. We will be nimble and agile in our work, accomplishing our tasks and responding to matters quickly, investigating any outstanding issues until they are resolved to our satisfaction. Taking pride in the fact that our brake products directly contribute to people's safety and peace of mind, we will persevere in our efforts to achieve our aspirations.



Brand Statement

Brand Slogan

Absolute safety; Unparalleled control.

Brand Statement

Since 1929, akebono has brought assurance and peace of mind to our customers and end-users everywhere as a global industry leader in brake design and production. We take pride in our history of achieving safety without compromise, and continue to pursue new standards of perfection with innovation.

Looking to the future, we are inspired by the prospect of delighting and satisfying our customers, and never cease in the challenge to succeed in this goal.

Absolute safety; Unparalleled control. Putting a smile on people's faces all over the world.

In order to continuously and actively carry out our Corporate Mission, the Brand Statement was established to provide a short-to-medium-term vision for how we should create and deliver value to society through our brake business. It is the result of varied and careful deliberation among our associates, and expresses a vision of what Akebono is striving to become in a simple and intelligible manner.

The first paragraph encapsulates our history, devotion and the essence of our corporate DNA. It shows our total commitment to safety, as well as our pride and confidence in the advanced technologies that we have been continuously refining for more than 80 years.

The second paragraph embodies our spirit of challenge and the high standards we set ourselves. It shows our desire to contribute to society while striving to achieve new breakthroughs and generate new value.

The final two lines express our objective and promise, proclaiming our desire to continuously bring delight and satisfaction to everyone who comes into contact with Akebono and our products.

Corporate Goals

Customer Needs First

Technology Realignment

Establishing a Global Network

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As We Celebrate Our 85th Anniversary, We Look to the Future with an Awareness of Our Heritage as We Strive Together to Achieve True Globalization



The brake system used for the McLaren P1™ ultra-high-performance road car

One Team, One Akebono Pursuing One Goal

We marked the 85th anniversary of our founding in 2014. Looking back on our long history, three major phases of transition are apparent. The first phase was marked by a technological alliance with Bendix Corporation, then a world-leading brake manufacturer based in the United States. In 1960, when Japan was on the brink of large-scale motorization, we entered into this alliance and were able to use it as a springboard toward becoming a comprehensive brake manufacturer. The second phase came in 1986 when we established a joint venture with the U.S.-based automaker General Motors Corporation. This enabled us to establish an overseas stronghold in Kentucky and marked the first of our global investments. We entered the third phase in 2010 with the acquisition of the North American brake business of Robert Bosch LLC, the largest automotive component producer in the world. This investment was our first step toward true globalization.

Our goal has always been to accelerate our global expansion so in November 2012 we established a new midterm business plan entitled “akebono New Frontier 30 - 2013 (aNF 30 - 2013).” This was a major step toward becoming a true global player. We know that to achieve such status, we must integrate all of our associates into “One Team,” regardless of their nationalities, education, customs or value systems. Accordingly, we have embraced our diversity and are working together to create “One Akebono,” a unique and strong workforce that pursues “One Goal,” the goal of satisfying the needs of customers around the world. I have a sense of urgency about achieving this ideal because becoming a true global player will determine Akebono’s future 15 years from now—the year of its centennial.

akebono New Frontier 30 - 2013, a three-year plan launched in fiscal 2013, sets forth three priority measures: making a difference

with next-generation technologies; continuous drastic cost reduction and its global implementation; and the acceleration of globalization encompassing Japan, North America, Europe and Asia. For fiscal 2014, the second year of this plan, we have laid out three critical policies: establishing a global product supply network oriented toward two key fields, namely, brakes for high-performance (HP) commercial vehicles and brakes for cars produced using global platform (GPF) systems; re-creating Akebono Brake Iwatsuki Manufacturing Co., Ltd. (Iwatsuki Manufacturing) as a key domestic production base. Iwatsuki Manufacturing must simultaneously serve as an information hub for the global dissemination of our manufacturing technologies and as a center for recruiting and nurturing a motivated and successful workforce—our key resource as we aim for true globalization. In this way, we will tackle challenges identified during the plan’s first year of implementation.

Establishing a Global Supply Network Oriented Toward Two Key Fields—Meeting the Challenges

Our first annual policy for fiscal 2014—establishing a global supply network oriented toward two key fields—is at the core of akebono New Frontier 30 - 2013. In the plan’s first year, we initiated concrete programs aimed at promoting this initiative, developing prototypes while launching new production lines. In March 2013, we began delivering brake systems for the McLaren P1™ ultra-high-performance road car produced by U.K.-based McLaren, well before we ever began supplying products for HP commercial vehicles. Orders later rolled in from European automakers for brake products for use in HP commercial vehicles, spurring on our efforts to establish a solid supply structure in this field.

We launched an Indonesian production facility that produces brakes for cars produced using GPF systems for a Japanese

automaker. This initiative supports our global strategies, supplying local customers as well as customers in Europe.

As we strive to secure our global supply network, a number of challenges have begun to emerge. One such challenge involves logistics management, which entails controlling complicated and extended distribution channels and networks. Other challenges include the need for the ongoing improvement of next generation facilities as well as to further reinforce safety and quality assurance systems in step with the greater-than-expected rise in the number of product evaluation and testing requirements. In fiscal 2014, we are tackling these challenges one-by-one, overcoming each to establish a global production and supply structure. To that end, our concrete plans for the current fiscal year include the construction of our first European disc brake caliper production plant in Slovakia. Announced in May 2014, this plant construction project is now under way with an eye to operational kickoff in August 2015. Working in concert with our disc brake pad (friction material) production plant in France, this new production base will help us establish an integrated brake supply structure serving the European market.

Re-Creating Iwatsuki Manufacturing—Establishing a Stronghold from which to Disseminate Our *Monozukuri* Approach

Our second annual policy for fiscal 2014 is re-creating Iwatsuki Manufacturing. In line with this policy, we will reorganize this key production base into a next-generation flagship stronghold serving as a platform for our initiatives aimed at creating new value. Rapid globalization is accelerating the shift of Japanese automakers' production overseas and this is having an impact on Iwatsuki Manufacturing's profitability.

However, I am convinced that key to our becoming a truly successful global company requires us to utilize the wealth of know-how and experience accumulated over the 85 years of operation. This annual policy has been formulated based on this conviction. By positioning Japan as an information hub for the dissemination of manufacturing technologies, we will secure our responsiveness in an increasingly globalized business environment. Furthermore, we will go back to and keep heeding the basic principles embodied in Akebono Production System (APS), a manufacturing approach that insists on ideal processes and thus often the reordering of existing processes from the ground up. Taking this approach, we will streamline and thus transform the way we manufacture.

With the principal themes of creating "operator-friendly manufacturing processes" and "environment-friendly facilities and tools," we will take the aforementioned approach, applying creativity and leveraging our knowledge and experience. At the same time, we will enhance the efficiency of every aspect of operations by promoting the "Commonization and Standardization (C&S)" initiative. Moreover, we will incorporate enhanced product features (which we call "topping") that precisely meet the individual needs of customers and raise our competitiveness, thereby thoroughly practicing "C&S" plus "topping," collectively referred to as "C&S+t" initiative.

Recruiting and Nurturing Globally Capable Employees—Developing a Key Corporate Resource

In order for Akebono to realize true globalization and sustainable growth, it is essential to tackle and overcome the critical challenge of establishing a global supply structure oriented toward the aforementioned two key fields. Diverse and globally capable human resources will be crucial to our success.

In the time since we went through the third phase of transition in 2010, it has become clear that our global operations cannot be



sustained if we are limited to Japan-centric business concepts and standards. In other words, Akebono needs globally capable associates. In order to attract the best and brightest associates, we are reviewing our recruiting practices as well as our training and development programs to better motivate our most value resources. For example, since establishing "Ai-Village" global training center in December 2012, we have accepted a total of more than 10,000 trainees a year. And, the Monozukuri Center, another key training facility that was fully launched in 2011, provides programs aimed at nurturing associates who will go on to strengthen the functionality of Akebono production sites worldwide. Simultaneously, the center plays a key role in disseminating Akebono's unique approach to manufacturing to sites all around the world. Looking ahead, we will strive to build a foundation for creating "One akebono" by establishing a more diverse organization in which every associate can effectively communicate and collaborate even though their backgrounds may differ.

Looking Back at 85 Years of Our History and Looking Forward to the Future—A Celebration for All Associates

The business environment is changing drastically in step with rapid globalization. As we strive to respond and secure our position as the brake manufacturer of choice, it is not enough to merely commemorate our anniversary; we should look back 85 years to our roots and measure ourselves against the tenets of akebono's Corporate Mission. While reviewing our history, we must learn from it and cultivate a sense of unity as we consider the future and strive to create a business foundation for the next generation. I am confident that Akebono would better fulfill its social responsibilities if each associate Groupwide could proactively think and act to help realize akebono's Corporate Mission.

In the *AKEBONO REPORT 2014*, we shared with you some of our initiatives aimed at true globalization and feature the voices of young and mid-level associates who will lead the next generation. To help stakeholders' understand and appreciate the broader aspects of Akebono's business activities, we also introduce various initiatives. We sincerely ask for your understanding and ongoing cooperation with our efforts aimed at delivering safety and peace of mind through brake products.

June 2014

Hisataka Nobumoto
President and CEO
Akebono Brake Industry Co., Ltd.

Special Feature: New Midterm Business Plan

Strengthening Our Global Business Network

Overview of the reinforced strategies aimed at realizing "akebono New Frontier 30 - 2013"

Akebono established "Global 30," a long-term growth target of capturing 30% share of the global OEM disc brake pad market by fiscal 2020. This goal represents one of ideals we envision for the future of Akebono.

To achieve this goal, in November 2012 we established the midterm business plan entitled "akebono New Frontier 30 - 2013," with fiscal 2015 set as the final year. In this way, we are taking on challenges that confront us as we pursue the creation of new value.

New Midterm Business Plan : akebono New Frontier 30 - 2013

Long-Term Vision

Global 30*1

8-8-12*2

Global footprints for supply

Global R&D structure

*1 30% global share for OEM disc brake pads

*2 Cost of sales at 80%, SG&A expenses at 8% and operating income at 12% of sales

Strategies

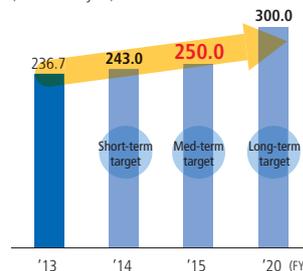
- Making a Difference with Next-Generation Technologies
- Continuous Drastic Cost Reduction and its Global Implementation
- Acceleration of Globalization Encompassing Japan, North America, Europe and Asia

Growth Targets for Fiscal 2020

Numerical targets to be achieved by the end of FY2020
FY2015 targets set as a milestone on the way toward FY2020 targets

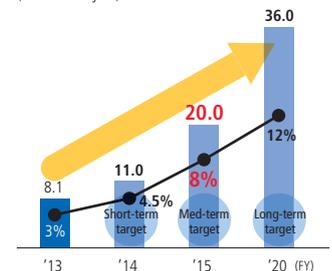
Net sales

(billions of yen)



Operating income/Operating income ratio

(billions of yen)



Strengthening Competitiveness—Policies Aimed at Achieving the Goals of akebono New Frontier 30 - 2013

Strategies	Field	Concrete initiatives
Making a Difference with Next-Generation Technologies	Brakes for high-performance (HP) commercial vehicles	Obtain sufficient orders to establish a solid business structure
	Brakes for cars produced using global platform (GPF) systems	Establish global supply structure
	Expansion in emerging markets	Develop low-cost products that meet market needs
	Environment-friendly operations	Employ materials that incorporate little or no copper, develop brakes made of cast aluminum as well as low-drag products
	New technologies	Develop electro-mechanical brakes, next-generation friction materials and production facilities
Continuous Drastic Cost Reduction and its Global Implementation	Reduction of overall material costs	Promote C&S+t initiative
	Improvement of profitability	Perform cost and expense analyses for every product
	Optimization of staffing	Reorganize production network, equalize operating rates and reallocate human resources
Acceleration of Globalization Encompassing Japan, North America, Europe and Asia	Human resource nurturing	Utilize "Ai-Village," provide globally capable associates with more career opportunities and review the roles of expatriates
	Expansion in emerging markets	Enter the Mexican market, expand operations in Vietnam and promote South American strategies
	Development and production	Develop electro-mechanical brakes for Europe and launch new production sites, establish ASEAN center

Japan

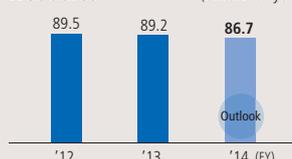
Establishing an information hub for the dissemination of technological expertise in response to a decline in domestic orders while strengthening profit base

Strategies

- Optimize staffing for production
- Reorganize production network
- Eliminate non-profitable projects
- Streamline back-office functions
- Expand aftermarket business
- Develop new products
- Launch next-generation facilities

Net Sales

(billions of yen)



Operating Income

(billions of yen)



North America

Maintain profitability while optimizing the subdivision of the local production network by including Mexico

Strategies

- Boost sales through the launch of new business
- Optimize the sourcing of casting parts
- Enhance cost competitiveness
- Pursue forward-looking development

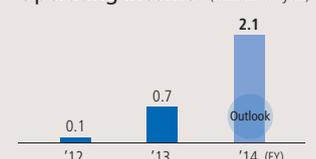
Net Sales

(billions of yen)

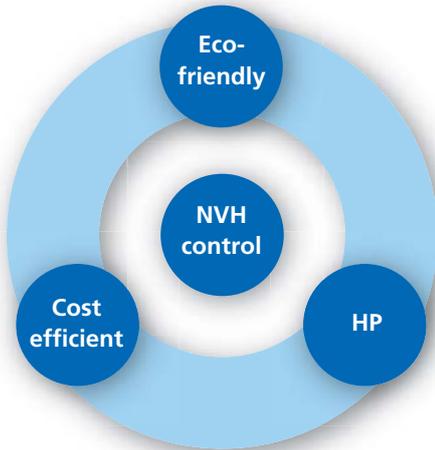


Operating Income

(billions of yen)



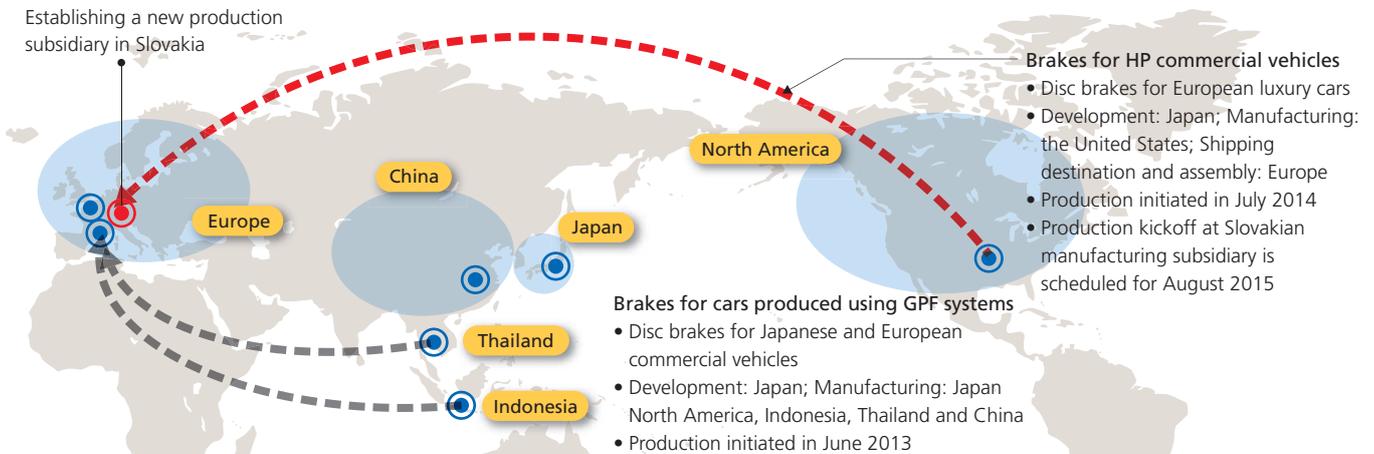
Core Strategy: Differentiation through Technology



Akebono has positioned technological differentiation as one of its core strategies in the pursuit of profitability improvement. Specifically, the Company is developing brakes with a focus on controlling noise, vibration and harshness (NVH), thereby helping realize greater driving comfort.

Going forward, we will continue to pursue better noise and vibration control, the basic performance determiners of excellent brakes, while developing environment-friendly, cost-efficient and high-performance brake products.

Core Strategy: Strengthening Our Global Business Network



To secure its responsiveness to the worldwide adoption of global platform (GPF) systems among car manufacturers, Akebono is striving to establish a production and supply structure capable of delivering its products to markets worldwide while satisfying quality requirements. To this end, efforts are now under way to build highly efficient development, production and distribution networks. Moreover, we are developing a supply network capable of providing the European market with brakes for high-performance (HP) commercial vehicles. Establishing a supply network oriented toward these two key fields will significantly contribute to the achievement of goals set forth in the mid-term business plan.

In line with our determination to expand the global supply network, in May 2014 we announced plans to establish a new production subsidiary in Slovakia. This subsidiary will begin with the assembly of calipers from parts manufactured in other regions and friction materials manufactured in France, both of which are designed for cars produced using GPF systems. In time, the subsidiary will serve as an integrated production base capable of handling aluminum casting, machining and assembly with the aim of supplying products for HP commercial vehicles.

*The areas enclosed in blue circles are target markets.

Europe

Fully enter the European market with brakes for HP commercial vehicles while restructuring existing plants

Strategies

- Expand sales of high-performance brake products
- Reorganize development structure
- Establish a caliper plant
- Boost production capacity of friction material plants while enhancing their operational efficiency



Asia

Expand operations in growth markets while optimizing sourcing

Strategies

- Secure responsiveness to automakers using GPF systems
- Promote local procurement
- Optimize sourcing of casting parts
- Pursue related projects targeting specific regions



Special Feature: Toward Our Centennial



On January 27, 2014, Akebono marked the 85th anniversary of its founding. To celebrate this milestone, Akebono is planning to hold an 85th anniversary ceremony in November 2014. Preparations for the ceremony involve the entire Akebono Group, and a project team was launched in August 2013 to spearhead the event. During a dialogue session, the 10 project team members, who represent departments and bases from throughout the Group, shared their perspectives on the significance of the 85th anniversary as well as how they themselves had grown over the course of the project and their visions of the future as they look toward the Company's centennial.



Yuki Okada, Project Ai,
Manufacturing Division
Joined in 1998



Tatsuya Imaizumi,
General Affairs Section,
General Affairs Department
Joined in 1996



Koji Hayashi, Sales Section No. 1,
Commercial Vehicle Sales
Department,
Automotive Sales Division
Joined in 2005



Tsutomu Nishiyama, Section No. 1,
Electro-mechanical Brake
Development Department,
R&D Division
Joined in 2010



Martina Fiebig, Sales Section,
Sensor Solutions Department
Joined in 2012

The 85th Anniversary Events

The 85th anniversary ceremony and related events will be solely the responsibility of Akebono associates. Aimed at promoting business growth and broadening the scope of the Company's social contributions, the event themes are: "Reviewing Our History," "Considering the Future" and "Building a Sense of Unity: A Celebration for All Associates." The series of events are intended to heighten awareness of Akebono's 85 years of history while providing opportunities to consider the Company's future as its centennial approaches.

The members of the project team spearheading the events comprise associates from sales, engineering, administrative and manufacturing sections, including the Company's four domestic production bases, as well as one foreign national. All 10 are young or mid-level associates who are expected to be among the next generation of Akebono's business leaders. Also, to support the project members, a secretariat team consisting of six general managers or manager-level associates has been set up.

Although we had originally planned to hold the anniversary ceremony on April 1, 2014, we rescheduled in the interests of enriching the event program and to ensure that every associate is given the opportunity to participate. Efforts are now under way with the ceremony planned for November 2014. In addition to the ceremony, various other commemorative events and initiatives will take place over the course of the fiscal year, making its 85th anniversary year memorable for the entire Akebono Group.

Confronting Challenges

Okada: We have been pushing forward with the organization of the 85th anniversary celebrations since the end of August 2013. Originally, the project schedule called for holding the ceremony on April 1, 2014, but we had a hard time making any headway in the beginning despite extensive discussions. Frankly, I found this completely frustrating. For any such event, there is always more than one right way to do things and merely summarizing all the member's ideas was quite challenging. I organized all the ideas into categories and tried to guide the group into making decisions. However, discussions rambled on, making reaching consensus difficult. We also struggled with determining individual areas of responsibility. Although the secretariat team assured us that we had a free hand, I was at a total loss, trying to move forward as I struggled with project leadership.

Imazumi: Despite weekly teleconferencing, until November 2013 the team failed to decide anything concrete. Although I was frustrated, I realized that of course each of us has our own views

as we all come from different business units and have different backgrounds.

Nishiyama: I'm a relative newcomer to the Company, so I had no idea about how day-to-day operations are handled at other Akebono location or what concerns other members may have. Right after I joined the project, I found myself annoyed by the back and forth any request prompted and dismayed when the results were less than expected.

Sakuma: Having only teleconferences and no face-to-face meetings when we began made it hard to build deeper mutual understanding. Because it was hard to communicate how things were going at my production site let alone to understand what was going on at the Ai-City headquarters, I sometimes felt that the project was stuck.

Okada: Things changed after November 2013, when we finally met face-to-face at a periodic Companywide associate gathering where we presented our plan to hold the ceremony on April 1, 2014. With each member starting to feel a sense of urgency, our discussions became productive.



A Companywide associate gathering held in November 2013. The project team gave presentations on the upcoming anniversary ceremony and related events planned for the fiscal year, with four members participating via teleconferencing from production sites.

Ono: That December, we had our first retreat-type meeting. This helped nurture a strong sense of unity as we got to know each other better.

Hayashi: By bringing us together in one place for in-depth discussion, the retreat brought to life the 85th anniversary theme of "Building a Sense of Unity: A Celebration for All Associates."

Nishiyama: For the first few teleconferences, we were all overly cautious, trying not to offend anyone and reluctant to say anything negative. However, as we gained a deeper understanding of our



Shinichi Sakuma, Administration Section, Akebono Brake Fukushima Manufacturing Co., Ltd. (Fukushima Manufacturing) Joined in 1995



Koki Ishii, Administration Section, Administration Department, Akebono Brake Iwatsuki Manufacturing Co., Ltd. (Iwatsuki Manufacturing) Joined in 2005



Tomoyuki Seko, Finance & Accounting Section, Administration Department, Akebono Brake Sanyo Manufacturing Co., Ltd. Joined in 2002



Katsuya Ono, Production Control Section No. 1, Manufacturing Division, Akebono Brake Iwatsuki Manufacturing Co., Ltd. Joined in 1995; transferred from Akebono Brake Yamagata Manufacturing Co., Ltd. on April 1, 2014



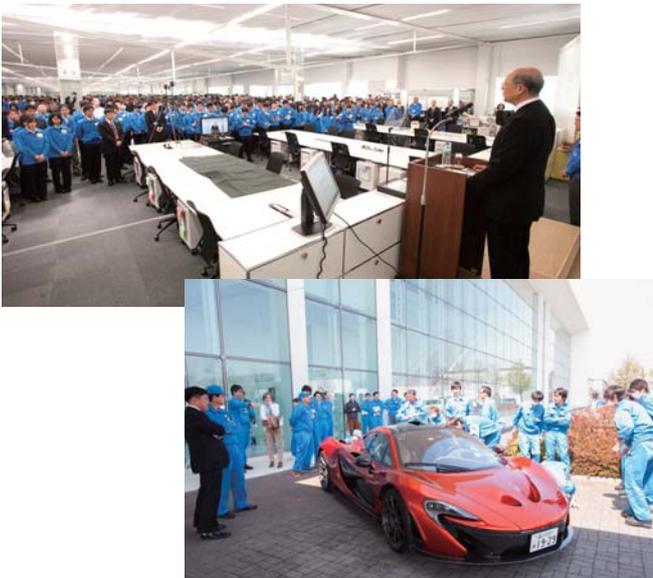
Norihiko Shirata, Quality Control Section, Akebono Brake Yamagata Manufacturing Co., Ltd. (Yamagata Manufacturing) Joined in 1993



A two-day retreat at "Ai-Village" global training center. The center's lounge, designed to provide a place for exchange between visitors, proved a great venue to get to know each other to develop team spirit.

fellow members, barriers gradually dissolved. Now we are able to identify sticking points and smoothly reach consensus.

Okada: Having struggled for a while, we eventually made a breakthrough, building a stronger sense of unity with an eye to holding the ceremony on April 1, 2014. Despite this, after discussions with top management, we had to reschedule the date of the ceremony. Although this was extremely discouraging, on April 1, 2014, the Ai-City headquarters held a "kickoff event" to herald the fiscal year in which we are celebrating the 85th anniversary. Each of our production bases also held a similar event on their own initiative. Looking back, I think the rescheduling was the right decision because we had not yet succeeded in getting anyone other than the project members involved in our activities.



The kickoff event at the Ai-City headquarters (Hanyu City, Saitama) on April 1, 2014. The Company president shared his perspective on Akebono's 85th anniversary year with all associates. The McLaren P1™, an ultra-high performance road car that incorporates Akebono's brake systems, was exhibited at the event.

Creating a "Celebration for All Associates"

Nishiyama: It took a while after the project started for me to calm my nerves as I initially thought that our group of 10 was solely responsible for organizing all the commemorative events.

Okada: At first, when we reached out to associates outside of the project members, things didn't work out well. The problem was that our communications were too arbitrary and we were failing to effectively share our passion for the project with them. As a result, they rarely accommodated our requests. The level of non-cooperation made us determined to do everything on our own. However, when the secretariat team and the director overseeing us learned what was going on, they advised us, saying, "No, that's not the way you want to go." Taking their advice to heart, we drastically changed our approach and began striving to share our enthusiasm with our colleagues, urging them to join our activities. This approach was successful and the number of participating associates has grown. For example, volunteers from each department at Group business sites in Hanyu City formed a steering committee to serve as a subordinate body of the project team. They are in charge of soliciting event-related suggestions from their co-workers. Our activities have come to involve an ever-growing number of associates.



The Hanyu City steering committee, consisting of 85 associates, painstakingly reviews ideas posted by associates from each department at committee meetings and encourages them to present ideas from a range of viewpoints. As a result, the committee has amassed a wealth of good ideas.

Ishii: Working at Iwatsuki Manufacturing, I can see that my colleagues' commitment to the 85th anniversary events varies widely. Nevertheless, I have adopted a forward-looking attitude. Although most associates are busy with daily operations, I hope that celebrating the 85th anniversary and reviewing Akebono's history will



To welcome new recruits, Iwatsuki Manufacturing holds a marathon every April. In 2014, the marathon was dubbed the "Commemorative Race" to mark the Group's 85th anniversary and all the project members ran in it. This demonstration of commitment won a lot of support for the project.

instill even greater pride in the Company. I believe that the project can also help create a vibrant workplace by encouraging associates to think about Akebono's future.

Imaizumi: Not only is there no unified commitment to the commemorative events among production site staff, everyone at the Ai-City headquarters has a different idea about how to best celebrate the anniversary! Therefore, I believe that it is essential to increase the number of volunteers.

Seko: It has been less than a decade since Akebono Brake Sanyo Manufacturing Co., Ltd., the business base I work at, joined the Akebono Group. So, this is the first time for me to participate in this kind of event. My impression is that it is not so easy to nurture a strong sense of unity, even when no special event is involved. However, my colleagues in my department have gladly cooperated



Akebono Brake Sanyo Manufacturing joined the Akebono Group in 2005. "Kickoff" events at each company site were held on April 4, 2014. The project members presented the outline of the commemorative events at their respective site locations. They also shared goals set by the heads of each location to mark the 85th anniversary year with attendees.



with me, making it easy to leave to engage in project activities whenever necessary. I'm so thankful for their support and am committed to making a full use of this opportunity to foster greater unity throughout Akebono Brake Sanyo Manufacturing, thereby returning the favor. I also hope to facilitate the ambitions of my colleagues to develop Sanyo Manufacturing into a key production base for the Group. I'm excited about what Sanyo Manufacturing can contribute to the centennial of the Group's founding. I also aspire to help provide colleagues Groupwide with a pleasant workplace that makes their jobs even more rewarding.

Okada: As a project advocate with associates engaged in the commemorative events, my hope is that we can help those associates gain some beneficial insights applicable to their daily performance of duties. I believe that the events will provide them with a chance to think of and experience something outside of their regular duties and I believe that's why getting all of them involved is of great significance. In the course of leading this project, I myself have gained a range of experience that could, in turn, enhance my daily performance. I'm certain that the Company's business will become even more robust if each associate works hard to gain such experience. At the individual level, I suppose that a major goal of the project is to facilitate the personal growth of associates by having them organize and run commemorative events from the ground up. I thank the Company that it has given me such a chance to grow.

Changes Prompted by the Project

Imaizumi: In addition to "Building a Sense of Unity: A Celebration for All Associates," the themes of the 85th anniversary year commemorative events encompass "Reviewing Our History" and "Considering the Future." Feeling the weight of history and cognizant of how the past informs the future, I began giving serious thought to the Company's future. I came to have a sense of urgency and stronger drive toward persistent improvement, a striving to go beyond my own "comfort zone." I've heard that at times in its 85 years of history, Akebono had faced internal conflicts related to its strategic direction. On learning about our predecessors' perseverance in the face of such challenges, I realized that we also need to remain committed to pushing forward past the barriers in our way.

Nishiyama: Of course, simultaneously handling regular duties and project tasks can be challenging. However, as my colleagues began to join in the project activities at my encouragement, I was able to relax now that the pressures and burdens that had previously fallen on me alone were shared. Moreover, I came to see things from a broader perspective and began willingly incorporating opinions from a greater cross section of people. Even challenges that cannot be overcome by a person acting alone can be met when we all work together. Moreover, we can achieve even better outcomes. That's what I realized in the course of this project.

Fiebig: When I joined the team, I was wary about taking part because I was afraid of being burdened with even more work than I already had. However, once the team began to produce concrete plans, I got excited about promoting the project. Eventually, the project activities became a joy. I admit that many associates might be facing difficult challenges in performing their duties. I wish,



To mark the 85th anniversary, we produced polo-shirts designed in collaboration with Team McLaren, a world-leading Formula One racing team. McLaren's logo and Akebono's 85th anniversary symbol are printed on the chest.

however, that the commemorative events will help all of them hope for an even brighter future.

Shirata: I feel that not every job assignment directly benefits someone or something and I assume other associates feel the same way. I happen to believe, however, that it is important to focus on the positive aspects of any job assignment, no matter the type of task to be done. Frankly speaking, until I joined the project I had little interest in the 85th anniversary events. However, as I became more engaged in this project, rather than passively waiting to “do what I am told,” I came to adopt a more proactive approach to all my work. I’m glad that I was given a chance to think about my duties and the Company’s future more proactively.

Ono: Looking back on my pre-project working life, I can see I was letting myself be swamped by day-to-day concerns. Overwhelmed, I couldn’t see into the future any further than a year or two, and thinking about how my career might develop over the years until retirement was impossible. Since joining the project, however, I have developed a more forward-thinking approach. Specifically, even as I celebrate the 85th anniversary, I am able to cast an eye toward the centennial to come and have developed a vision of how my career should look 15 years from now. I have broken this vision down into small short-term goals for six months from now, a year, two years, five years and so forth. This also allows me to determine monthly targets. Thanks to the project, I have become far more proactive, and now enjoy tackling daily operations.

Sakuma: Of course, organizing project activities often involves addressing challenging problems. But organizing a major event is a rare and invaluable experience. Moreover, I was positively affected by my fellow project members, who are brilliant, forward-thinking and highly motivated. What I have learned from them is priceless, for each is playing an important role at their respective business site. It is inspiring to be exposed to so many very unique and innovative perspectives, an experience I would never have had if I’d stayed confined to my own turf.

Seko: If I’d never ventured out of finance and accounting affairs, I, too, would have had little chance to get to know these project members from various age groups. Now, we are comfortable chatting

together and giving each other counsel whenever troubles arise. I’m so glad to have this kind of comradery. It’s a big change for me.

Ishii: Not only did involvement in the project boost my motivation, it made me aware of how important it is to maintain a smooth working relationship and communications with those around me. This is especially important for me as my regular duties in human resources and general affairs necessarily involve direct contact with many other associates. As I look back now at how good I was in the past at “getting colleagues involved,” I find that I have been failing for years. Indeed, the project gave me an opportunity to reflect on how to develop my competencies as a whole while helping me to achieve personal growth. I’m so grateful to be a part of a project that exposed me to various different perspectives and ways of thinking.

Hayashi: My job entails communicating the instructions of directors, general managers and managers to my junior colleagues. However, there had been times when I would wonder whether I fully understood my supervisors’ intentions and how to accurately convey them. Thanks to its nonhierarchical structure, this project team provided me with a chance to develop the skills needed to understand a wide variety of viewpoints. This, in turn, helped to deepen my understanding of other perspectives when engaging with my supervisors as well as senior and junior colleagues.



Toward Our Centennial— Looking 15 Years into the Future

Imaizumi: I want Akebono to become a company with an even more ambitious corporate culture. I would like to see the Company growing and evolving into a manufacturer that surprises and inspires users by creating innovative products utilized in every aspect of daily life and business, even in places where you least expect it. In 15 years, I’ll be only five years from retirement. Nevertheless, I wish to grow as a person in unison with the Company. The project enabled me to adopt a new approach toward work as I engaged with fellow members with different backgrounds and this positively affected my views. I want to grow constantly, taking every little chance for self-improvement. In this way, I hope someday to play a key role in the Company.

Fiebig: I will be in my mid-40s in 15 years. Before then, I would like to rise to a more responsible position managing a major project. Although Akebono has a number of strengths, it still has opportunities

for improvement. We should bolster the Company's strengths even further while working to seize these opportunities. I believe that in these ways, we can help all associates have hope for a brighter future for Akebono as well as for their careers, and further, create an even better company. Currently, only a few of the foreign nationals in the Company's employment are stationed in Japan. By the time we celebrate the centennial, however, I hope to see more working at the Ai-City headquarters. I expect the Company to become a more diversity-friendly organization.

Nishiyama: We should not fail to mention that the strong foundation that Akebono has built over 85 years is primarily due to customers' ongoing support. I expect the Company to remain an innovator that prioritizes customer satisfaction well beyond 15 years into the future. Working together, every business unit must strive to deliver even better products while every associate must accurately address user feedback, whether it be praise or constructive criticism. These tasks may seem nothing out of the ordinary, but I believe that it is this kind of quiet, steady effort that creates the foundation for a more vibrant and promising company. As a developer, I aspire to have overcome all the challenges I currently face by the time we celebrate the centennial. To this end, I will closely work with fellow engineers overseas as I promote global development initiatives. Also, I would hope to remain highly motivated, filled with as much fresh enthusiasm as the new recruits who will be joining me in 15 years.

Seko: I would like to remain in good health, of course, and I hope to help create a company in which all associates find their work rewarding. I will thus do my best to carefully listen to the needs of other departments and to spearhead efforts to resolve problems throughout the Group.

Ishii: At the very least, I want to maintain my current level of passion. Simultaneously, I would like to become a senior associate who nurtures independent thinkers capable of resolving challenges. To that end, I will work to gain experience in various areas over the course of the next 15 years and to fully utilize my experience to train my junior colleagues.

Ono: If I can help make Akebono a better company that is even more loved by its associates, I would be quite happy. To win over as many "Akebono fans" as possible, I would like to consistently contribute to solutions whenever problems arise, carefully addressing and examining other associates' concerns, no matter how small they are.

Shirata: Until recently, I had never thought about what Akebono would be like in the year of its centennial, because 2029 seemed to be so far in the future. Becoming a project member increased my desire to see Akebono thriving in 2029 and beyond. To make this happen, one of my primary roles is to develop my junior colleagues into competitive associates who can lead the future of the Company. With years of training from senior colleagues behind me, I hope to become a good mentor for the junior associates I will be helping 15 years from now. I believe I can help make Akebono an even better company in this way. Although Yamagata Manufacturing is a world-leading brake pad manufacturer in terms of production capacity, I would like to help secure a world-leading reputation for product quality as well.

Sakuma: Building on our heritage, we must pass on our legacy to our junior colleagues. One of my personal goals for the Company's centennial is to further increase the number of associates with a proactive mindset.

Hayashi: My work on the project made me even more committed

to helping foster a true sense of unity throughout every business unit and location and to creating a company in which everyone works together as one toward common goals. I suspect that each department and business base has its own problems and issues, many of which may be invisible from the outside. When it comes to pursuing Group targets and profit goals, however, it should be easier for everyone to come together to achieve these goals, no matter what department he or she works in. Looking ahead to the centennial, I will help create a working environment in which all Group associates work as one toward these goals and find it rewarding to do so.

Okada: Fifteen years from now, the young people celebrating today will be in a position to volunteer and help organize the Centennial—I hope they do so. Until then, I will work to ensure that those future volunteers benefit from the experience and knowledge that I gained in the course of my service as the leader of this project. At the same time, I would like to help create a company that delivers even better products by employing its accumulated expertise. Also, I'm very happy to know that Group colleagues overseas are diligently supporting the 85th anniversary year commemorative events. I hope I will still be working with such comrades 15 years from now. When we celebrate the centennial, I hope to see that Akebono is the company of choice among customers worldwide while remaining the best place to work over the long-term. I'm also convinced that this project has helped me grow. I will work hard to apply skills I learned in the course of the project to enhance my capabilities in primary duties.



Each overseas Group subsidiary has proactively taken part in the 85th anniversary commemorative events. Preliminary rounds of robot competitions and rapid calculation contests have been held in preparation for the finals at the ceremony in November 2014, and have been a roaring success.

Special Features: Our Ongoing Initiatives Following the Great East Japan Earthquake

Three Years after the Great East Japan Earthquake

Establishing a Disaster-Proof Corporate Structure—Securing a Safe Workplace for Associates while Providing Ongoing Support for Reconstruction Efforts since the Great East Japan Earthquake

Fukushima Manufacturing Persists with Initiatives Aimed at Creating a Safe Working Environment

■ Radioactivity Measurement

Since the Great East Japan Earthquake, Akebono Brake Fukushima Manufacturing Co., Ltd. (Fukushima Manufacturing) has completed virtually all the necessary restoration work and installed earthquake countermeasures. However, the facility is only about 65 kilometers distant from the now crippled and contaminated Fukushima Daiichi Nuclear Power Station. With this in mind, we are taking necessary precautions to ensure the safety of associates working there. For example, radioactivity is measured daily at eight locations throughout the premises, including plant facilities. The log of the readings is updated every day and publicly disclosed.



Carrying out daily radioactivity measurement at eight locations

■ Cooperating with Municipal Organizations Decontamination Efforts

Some local municipalities affected by the nuclear accident were designated “Intensive Contamination Survey Areas” by the Japanese government. The local governments of such municipalities are thus striving to promote decontamination by, for example, removing contaminated soil in an effort to lessen the danger to human health. However, Koorimachi, where Fukushima Manufacturing operates, is having difficulty securing temporary storage space for soil removed from local residential areas. To help Koorimachi, we plan to provide the needed temporary storage space on Fukushima Manufacturing’s premises. Our plans call for carrying out the similar decontamination of the Fukushima Manufacturing plant premises, with an eye to ensuring the safety of student housing on the premises.

Earthquake Simulations

On October 1, 2013, Akebono conducted an earthquake simulation drill that assumed an 8.1-magnitude major earthquake with a seismic center located in the fault belt on the Kanto Plain’s northwestern margin. This drill was the seventh of this kind and entailed each domestic facility exercising its crisis management procedures. On the assumption that a large portion of the Kanto area had been hit by strong tremors with intensities of five to seven on the Japanese seismic scale, Akebono Brake Iwatsuki Manufacturing Co., Ltd. played the role of business site most devastated by the disaster. For the drill, other locations assumed that they had simultaneously suffered injuries to personnel, damage to buildings and facilities, the suspension of business operations and a snarled up commuter system preventing associates from reaching home.



Solidifying information sharing structure through simulations

Addressing a problem identified in the course of the previous drill with regard to information sharing between the response headquarters and other locations, we introduced a teleconference system that connects every domestic location and

thereby ensures that data on the disaster and situation each location is facing is promptly shared. Overall, the drill was comprehensive and practical and provided insights into disaster response.

“Ai-Village” Also Serves as Disaster Control Center

The Ai-Village global training center (Hanyu City, Saitama Prefecture) complex encompasses a training facility housing multipurpose training rooms and kitchen facilities as well as lounge areas to enhance communications and accommodations with 56 rooms for visitors. The center was designed to provide associates from around the world with a place for exchanging views, thereby facilitating the sharing of knowledge and experience to create new value.

At the same time, the center is able to serve as the Company’s disaster control center. With an earthquake-proof structure reinforced to 150% of the Japanese standard, the center has an independent electric power supply system in preparation for emergency blackouts as well as a disaster-resistant information system that ensures 24-hour contact with domestic and overseas locations.



Ai-Village’s emergency supply storage room (containing blankets, drinking water and emergency portable toilets, etc.)

Moreover, its accommodations can be expanded to house approximately 200 people. In addition, Ai-Village has a solar power generation systems that allows it to operate with less energy input from external sources.

Reconstructed “Ai-Ring” Facility Expands even Further

Now that the immediate restoration work at the earthquake-hit facilities of the Ai-Ring test course in Iwaki City, Fukushima Prefecture, has been completed, we plan to add multiple tracks, brake testing equipment and other verification facilities. This facility expansion plan was selected by the Japanese government as eligible for support in the fifth round of Subsidies for Establishment of Business Facilities for Industrial Reconstruction in Fukushima Prefecture. In keeping with the spirit of this initiative, Ai-Ring will make 20 new hires from the local area.

Facility expansion will be completed in March 2016. Once completed, Ai-Ring will be more capable than ever of flexibly accommodating technological advancement, helping us to create new products and technologies. Going forward, we will strive to develop Ai-Ring into an ideal testing facility.

A Shinto ceremony held at Ai-Ring to pray for safety



Supporting Restoration: Ongoing Co-Sponsor of the LFA Test Driving Event

Seeking to encourage young people living in the earthquake-stricken Fukushima region to keep their dreams and hope for the future alive, on June 8, 2013, a Lexus Future Advance (LFA) test driving event was held at Ai-Ring, following up on a similar event held the

year before. With Toyo System Co., Ltd., a company based in Iwaki City, Fukushima Prefecture, serving as the organizer, Toyota Motor Corporation and Akebono co-sponsored the event.

A luxury car marketed by Toyota under the Lexus brand name, the LFA boasts extremely high performance, and no more than 500 vehicles have been manufactured and made available around the world. Six LFA vehicles were prepared for the course, to which a total of 135 local students were invited. They were given the chance to ride in the navigator's seat, enjoying the thrill of high-speed turns



The lineup of LFA vehicles available for test drives

around the circuit. Also, Akebono's Mobile Brake Technology Educational Center was there to provide a presentation on brake systems. We will continue participating in this event going forward.

Addressing Management Issues to Ensure Crisis Control

Although we implemented initiatives that address issues identified

Management Issues Identified in the Wake of the Earthquake

Issues	Initiatives	Issues	Initiatives
BCP formulation	<ul style="list-style-type: none"> Assess BCP initiatives together with customers while identifying their requirements Formulate BCP basic policies Consider measures to ensure the restoration of mainstay production lines while securing substitute production facilities Implement earthquake-resistance reinforcement work at facilities and other countermeasures Prepare BCP procedure documentations and practice them through training and drills 	Visualize working conditions of associates	<ul style="list-style-type: none"> Track the attendance and absence of each associate Establish a real-time update and share system
Review of crisis management structure	<ul style="list-style-type: none"> Conduct drills focused on early response and recovery Review crisis management structure and disaster response manuals, expanding their scope to cover such events as weather and traffic accidents that may impact safety and product delivery. Other issues for discussion include rules for the setup and management of response headquarters, the means of ensuring greater information visibility, and equipment needed for disaster response 	Prompt communication	<ul style="list-style-type: none"> Collect information on the status of customers, etc., to forecast order trends in the medium and long terms Collect information from external information sources Ensure controlled sharing of information, appointing a person in charge to facilitate communication among bases
Clarify roles and responsibilities	<ul style="list-style-type: none"> Review the scale of response headquarters as well as emergency response measures Clarify matters to be confirmed at times of emergency (the safety of associates, the status of shipments, etc.) as well as persons in charge 	Review of purchasing	<ul style="list-style-type: none"> Collect information on the supply chain on a global basis, confirm the interchangeability of parts and materials and develop an integrated database Enhance C&S and design manufacturability to eliminate factors that hinder parts interchangeability Drive C&S and localization activities for GPF operations
		Reform of production systems	<ul style="list-style-type: none"> Reorganize global production systems (avoid overconcentration) Promote C&S+t initiatives (enhance compatibility of production facilities)
		Facility check-ups and reinforcement	<ul style="list-style-type: none"> Continued implementation of anti-seismic reinforcement work Establish a back-up functions for the response headquarters at Ai-Village (see page 27) Install emergency power supply systems at each site Update satellite phones

TOPICS

Three Years since the Earthquake—"It's Good to Be Alive!"

Graduation of The 41st Scholarship Class: Overcoming Difficulties Since the Earthquake

March 15, 2014 saw the graduation of 15 scholarship students who have been working at Fukushima Manufacturing while attending junior college under the Company's vocational scholarship program. Akebono hosted a celebratory gathering for the graduates and their families, and President Nobumoto presented each graduate with a commemorative gift.

The 41st group of students to pass through the scholarship program had been assigned to their respective worksites just the day before the Great East Japan Earthquake hit. Forced to relocate to evacuation shelters, the students volunteered to prepare rice balls for associates' breakfasts since the kitchen was closed due to earthquake damage. Every morning



The post-earthquake graduating class of scholarship students

in the wake of the Great East Japan Earthquake right away, we later began drawing up action plans to further strengthen our disaster response capabilities. Noting that the risk of supply chain disruption is a cause of growing concern among our customers, we recognize the maintenance and reinforcement of our Business Continuation Plans (BCPs) to be a crucial management issue. In particular, we aim to secure our ability to avoid the suspension of business operations due to such emergencies as natural disasters or highly-contagious influenza pandemics. Taking into account the guidelines issued by Japan's cabinet office and the Japan Auto Parts Industries Association (JAPIA), we are enhancing our BCPs for locations worldwide while encouraging our suppliers to formulate their own plans.

In fiscal 2013, we established the Business Continuation Management (BCM) Subcommittee under the Risk Evaluation Committee, simultaneously upgrading BCPs to make them more responsive to major earthquake disasters. The reformulated plans aim to ensure the restoration of operations within 30 days of an event. We have also undertaken risk analyses and reviews of countermeasures while implementing earthquake simulation drills.

for a month, they prepared approximately 350 rice balls, doing their part to contribute to the restoration efforts. Also, the college buildings were damaged by the earthquake so the students had to use temporary classrooms. Nevertheless, they worked hard to fulfill their dreams, with determination and smiles on their faces, and successfully achieved their respective academic goals.

Words of Gratitude from a Representative of the Graduates



Ruka Yabuki
Representative of the Graduates

I can never forget the moment when the Great East Japan Earthquake hit. I was full of anxiety as we faced a series of intense aftershocks. Gathered together in a gymnasium, we huddled close for warmth. We encouraged each other to hold on. Over the course of those days, I truly learned how selfless and kind people can be. I also became acutely aware of how much my happiness is dependent on a peaceful daily existence and how important it is to have people around you. Having received a lot of relief supplies from other locations, I also realized that the "One akebono" spirit is alive and well. When I think of all the ways that Akebono has helped us, I feel so grateful that I have been able to be a part of this Company. Going forward, we will draw from our experiences as we move forward to fulfill our dreams. (Please also see the section entitled "Vocational Scholarship Programs" on page 22.)

Our Products

Brakes Save Lives: Ensuring Absolute Safety

Mechanism of delivering unparalleled control

Sales of automotive brake related-products account for approximately 90% of the Company's net sales. Comprehensively developing and manufacturing brake systems and their components, such as brake pads and other friction materials as well as mechanical parts for disc and drum brakes, Akebono is an independent brake supplier serving markets worldwide without any constraint attributable to capital relationships with particular automakers.

What is a brake?

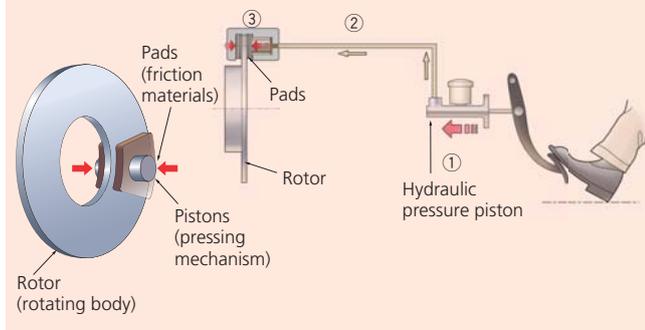
It is a device that utilizes friction to cause a vehicle to decelerate and/or cease motion by converting kinetic energy into heat energy. The sudden application of brakes when a vehicle is travelling at 100km/h generates enough heat to raise the temperature of two liters of water from 0°C to boiling (100°C). Distinguishing it from

other automotive parts, a brake is designated as **an important security component** that brings a vehicle to a halt safely.

Automotive brakes fall roughly into two categories, namely, disc brakes and drum brakes. Disc brakes deliver a stable braking force for high-speed running. Drum brakes are best suited to bringing heavier automobiles to a halt.

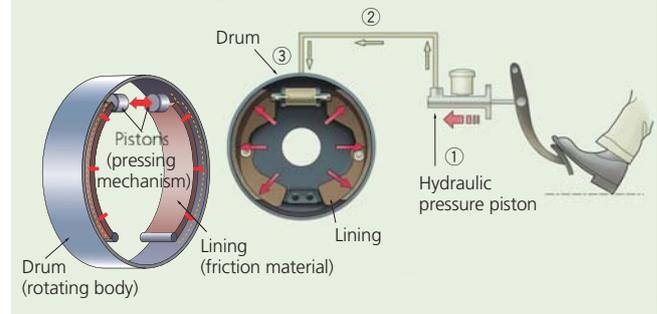
Disc brakes (usually used in passenger cars)

Pads clamp rotor, stopping its spinning

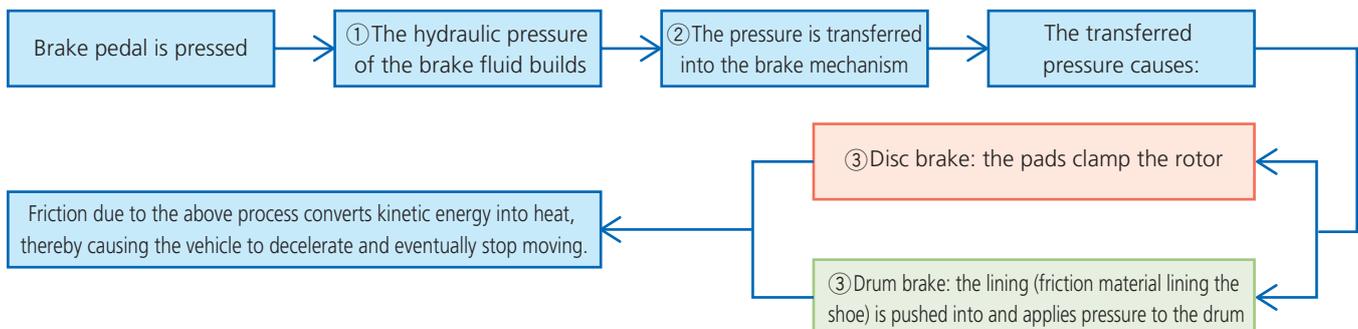


Drum brakes (usually used in buses and trucks)

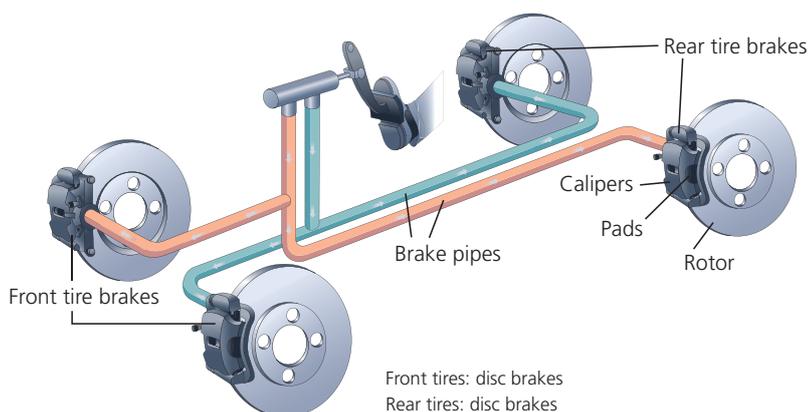
Lining is pushed into the drum from the inside, stopping its spinning



How Braking Works



Braking system: in case of disc brakes



Each of the four tires of a car may be equipped with brakes. The brakes can be configured in a number of different ways: disc brakes on the front and rear tires, only drum brakes, or a combination of the two.

Friction Materials for Brakes

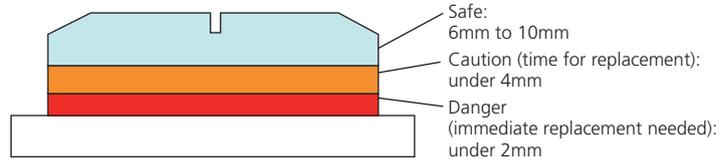
A brake is a mechanism that presses friction materials against a rotor, stopping its spinning. Friction materials used in pads and brake linings usually consist of three components: reinforcements to enhance strength; friction modifiers to enhance performance and reduce noise; and binders to form and stick together these compound materials.

Because the performance requirements for the friction materials depend on vehicle type and region, the raw materials and formulations used vary. In Europe, the most common are low-steel and semi-metallic pads, which perform well at high speeds and temperatures but generate significant noise and brake dust due to the high level of abrasion. In Japan, non-asbestos pads, which feature reduced noise and abrasion, are most common. Both types of pads are used in North America.

Components of Friction Materials

Friction Materials	Category	Purpose	Materials	
	Reinforcements	Ensure strength and resilience		Organic fiber
Friction modifiers	Adjust control and wear performance to increase reliability		Steel fiber	Metallic fiber
			Lubricants	Metallic dust
Binders	Form and stick together the compound raw materials		Grinding materials	Filling materials
			Thermosetting resins	

A tip for users



■ Pads Should Be Replaced when They Thin to About 4mm

The friction materials of new brake pads are about 10mm thick. About 7mm to 8mm of that can be used. For safety, pads should be regularly checked and replaced when they have thinned to 4mm or less.

Our Products

Akebono's Motorsports Challenge

Pursuit of "Absolute Safety and Unparalleled Control"

■ Formula One

Since 2007, Akebono has been supplying brake calipers and brake master cylinders to the "McLaren Mercedes" team, a leader in Formula One racing, the world's most prestigious motorsport.

In Formula One racing, brakes must be specifically tailored to high-speed running. For example, when a racing car is approaching a turn at a speed of 300km/h and has to decelerate to 80km/h within a mere three seconds, the braking for the deceleration heats the rotor almost instantly to about 800°C. To create brakes that are always reliable and stable under such conditions, Akebono continually strives to enhance all aspects of its products, including structure, materials and surface finishing.



■ Mountain Bike Racing and Motorcycle Racing

Taking on a new challenge, in 2004 Akebono began supplying brake systems to a team in the JSB 1000 class, a top category in the All Japan Road Race Championship.

Motorcycle racing requires high-performance brakes that enable a rider to quickly decelerate from a speed of 300km/h using just one finger. Riders also demand extreme responsiveness.

Since 2011, Akebono has been providing braking systems to "MUSASHI RT HARC-PRO," a leading road racing team that placed



first at the Suzuka 8-hour Endurance Road Race held as round two of the 2013 FIM Endurance World Championship Series.

Playing a Significant Role as McLaren's Partner



In February 2014, Akebono and McLaren entered into a technical partnership, renewing and upgrading their previous official partner contract and thereby announcing their commitment to building an even closer relationship. This renewal attests to Akebono's excellent technological capabilities and superior product performance. From the 2014 racing season, the Company is developing and supplying new brake systems tailored to the recently revised Formula One regulations. Relentlessly striving to achieve the world's leading performance, we will realize further technological advancement, which will, in turn, help us to create even better products in a variety of fields.

Our Products

Main Products

Products for Automobiles

- Disc brake calipers
- Disc brake pads
- Drum brakes
- Drum brake shoes
- Brake linings
- Disc rotors
- Brake drums



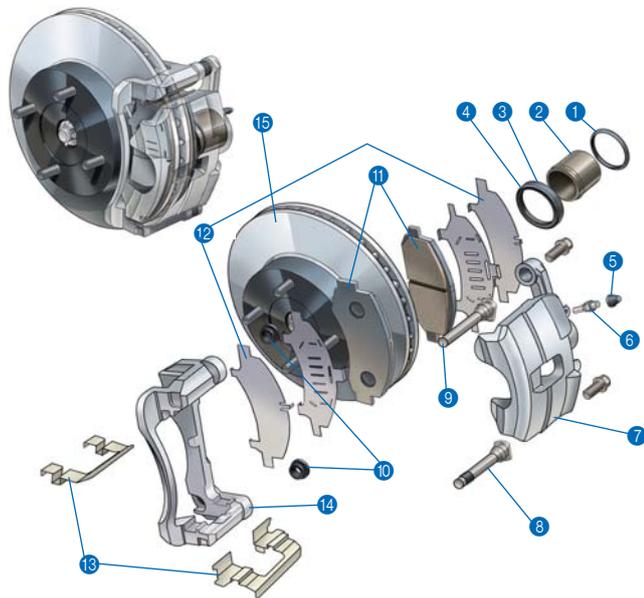
■ Disc brake



■ Drum brake

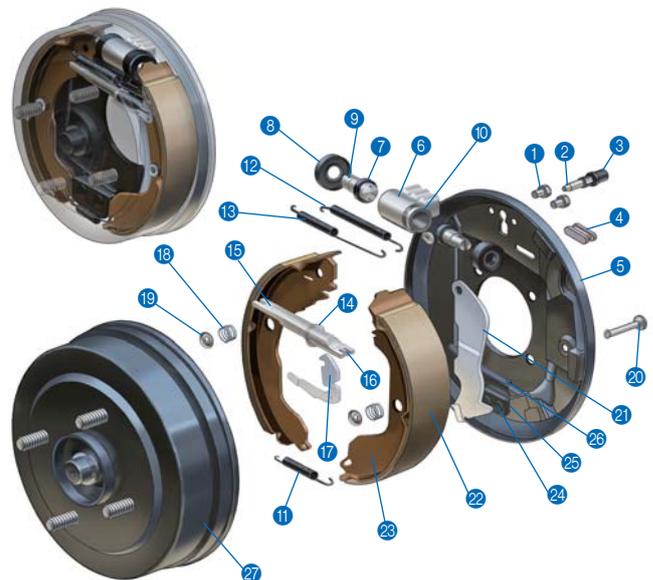


Main Components of Disc Brakes (Type AD)



- | | |
|-------------------|---------------------|
| 1 Piston seal | 9 Guide pin |
| 2 Piston | 10 Pin boot |
| 3 Piston boot | 11 Pads |
| 4 Boot ring | 12 Shims |
| 5 Bleed screw cap | 13 Pad clips |
| 6 Bleed screw | 14 Mounting bracket |
| 7 Cylinder body | 15 Rotor |
| 8 Lock pin | |

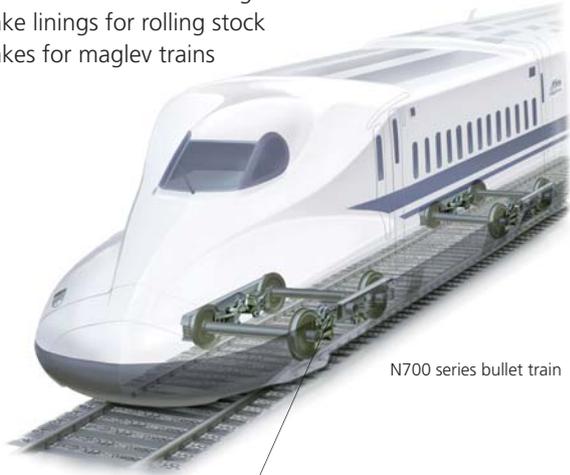
Main Components of Drum Brakes (Type LT)



- | | |
|---|--------------------------|
| 1 Bolt | 14 Adjuster screw |
| 2 Bleeding screw | 15 Adjuster nut |
| 3 Bleeding cap | 16 Adjuster socket |
| 4 Check hole cover | 17 Adjuster lever |
| 5 Back plate | 18 Shoe hold down spring |
| 6 Wheel cylinders body | 19 Shoe hold down cup |
| 7 Wheel cylinder cup | 20 Shoe hold down pin |
| 8 Wheel cylinder boot | 21 Parking brake lever |
| 9 Piston | 22 Lining |
| 10 Retainer | 23 Shoe |
| 11 Retainer spring | 24 Rivet |
| 12 Return spring (shoe to shoe spring) | 25 Anchor plate |
| 13 Return spring (shoe to lever spring) | 26 Wire guide |
| | 27 Drum |

Products for Rolling Stock

- Bullet train disc brake calipers
- Bullet train disc brake linings
- Brake linings for rolling stock
- Brakes for maglev trains



- Bullet train disc brake
- Railroad train brake shoes



■ Bullet train disc brake pads



■ Maglev train brake



Products for Motorcycles

- Disc brake calipers
- Disc brake pads
- Master cylinders



■ Disc brake

■ Master cylinder



Products for Industrial Machinery

- Forklift brakes
- Disc brakes for wind power generators
- Disc brakes for rough terrain cranes



■ Drum brake for forklifts

■ Disc brake for a wind power generator



■ Disc brake caliper for rough terrain cranes



Other Products

■ Sensor cluster



■ Concrete pouring detection system



■ IT tilt-measurement system



■ Vehicle behavior detection device for rolling stock



Management Systems

Corporate Governance, Internal Control System and Countermeasures against the Large-Scale Purchase of Equity

To win the trust of our stakeholders and better fulfill our responsibilities as a business corporation, we continually develop our corporate governance and internal control.

Basic Approach to Corporate Governance and Implementation Status

Akebono's corporate governance is intended to maximize corporate value to enable the execution of business operations in a transparent and fair manner from a global perspective. Increasing management transparency, carrying out rapid and appropriate decision making, disclosing appropriate information in a timely manner, upgrading internal control systems and ensuring that management meets compliance requirements are all indispensable to achieving this objective.

As a manufacturer of essential safety equipment, Akebono strives to maintain and facilitate sound and positive relationships with its stakeholders and aims to enhance its corporate governance.

Along with an Audit & Supervisory Board, Akebono has a Board of Directors that generally meets every month and holds special meetings as needed. To deal with important issues, Akebono has established separate councils for advanced deliberation as the Management Council and the Technology Council. In addition, the Executive Officer System was introduced in April 2000.

In order to provide an external viewpoint to management, Akebono invites individuals from outside the Company to become non-executive directors. Akebono reflects to management the counsel it receives from Dr. Kunio Ito, based on his academic knowledge, and Mr. Takuo Tsurushima, based on his experience as a corporate manager. Dr. Ito is currently a professor in the Faculty of Commerce of Hitotsubashi University and Hitotsubashi Graduate School's Graduate Course of Commerce. Mr. Tsurushima is a former president of Tokyo Stock Exchange Group, Inc. Of the 14 Board of Directors' meetings held in fiscal 2013, Dr. Ito attended 13, while Mr. Tsurushima was present for all. Neither of the two external directors has a conflict of interest with the general shareholders of Akebono, and both retain highly independent status vis-à-vis its management. Akebono has registered these two directors as independent directors in accordance with the rules of Tokyo Stock Exchange.

Maintaining an Internal Control System

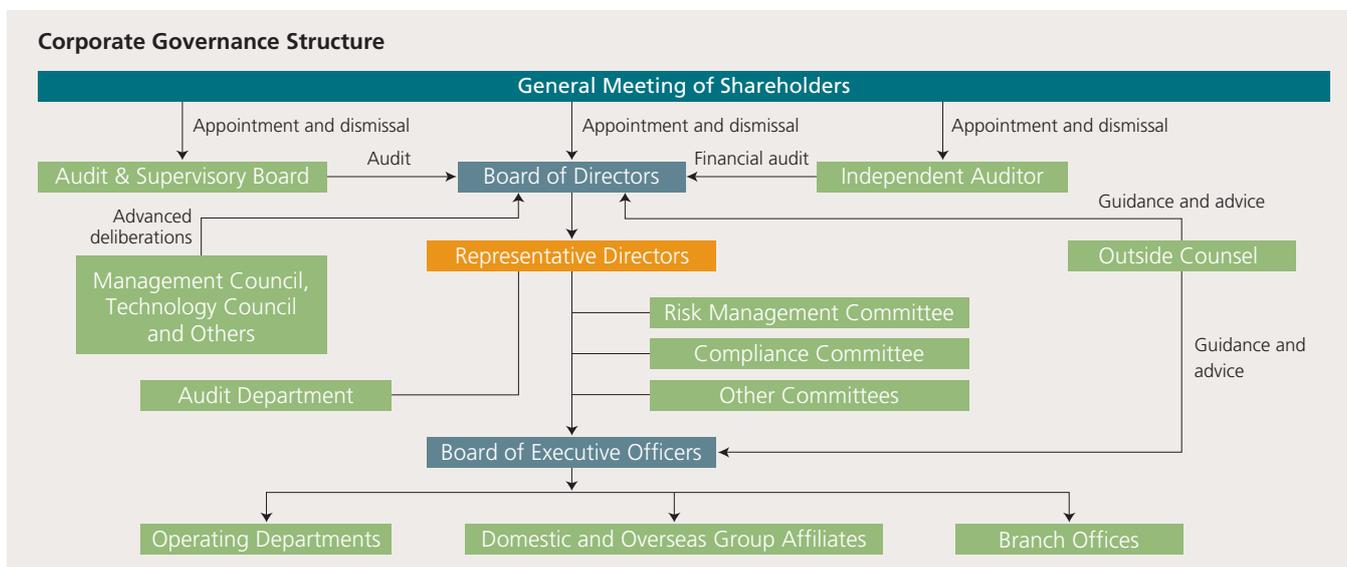
In May 2006, Akebono established the "Basic Policy Regarding the Establishment of In-House Regulatory Systems" based on a resolution made by its Board of Directors to respond to risks related to company size, business characteristics and management actions. On the basis of this policy, Akebono maintains systems related to risk management, adherence to laws and regulations, effective business performance, accurate financial reporting and the promotion of the development and operation of internal control systems throughout the Group. In addition, the Company utilizes auditors and the Audit Department to periodically verify these systems' effectiveness and to constantly enhance their functionality. With regard to internal control based on the Financial Instruments and Exchange Law, systems within the Company for financial reporting are continually upgraded to ensure the reliability of information that can have a major influence on financial statements.

Philosophy behind Large Equity Purchases

Akebono's philosophy regarding large equity purchases is that the buyer should abide by reasonable rules governing the disclosure of appropriate information and that this information be provided to the Company's Board of Directors prior to purchase.

The Board of Directors will take appropriate measures if it is deemed that there is an irregularity in the manner the purchase was made. We believe that these measures are necessary to protect the interests of our shareholders. We believe that any decision regarding a large-scale purchase or sale of equity should be made by our shareholders. We also believe that the best way to determine how the Company should respond to such a purchase is to engage in discussion with our shareholders to determine their intentions.

At a Board of Directors' meeting held on May 7, 2014, Akebono decided to maintain its policy of countermeasures against the large-scale purchase of equity.



Management Systems

Risk Management, Compliance Structure and Information Security Activities

We are striving to enhance our corporate structure, with each employee strictly abiding by Companywide policies regarding risk management, compliance and information security-related activities.

Risk Management

Akebono's Risk Management Committee, comprising a group of directors chaired by the Representative Director & CEO, is in charge of the Company's risk management activities. The Risk Evaluation Committee, which supervises the implementation of the PDCA cycle in risk management, operates under it and is chaired by the Representative Director & Executive Vice President.

For fiscal 2013, we classified Groupwide critical risks into priority management issues and regular management issues. While activities to address the priority management issues were monitored by the Risk Evaluation Committee, overall critical risks have been addressed through ongoing risk mitigation initiatives. Also, overseas locations have developed risk management structures that employ the PDCA cycle, which entails analyses of critical risks. Moreover, a special subcommittee was launched in fiscal 2013 to work on business continuity management (BCM). Specifically, efforts were launched to upgrade our business continuity plans, assuming the occurrence of a major earthquake. As for our fiscal 2014 operations, we have broken down Groupwide critical risks and identified six fields subject to special risk management and seven fields subject to regular risk management, thereby promoting risk management activities in Japan and overseas.

	Fiscal 2013 Groupwide critical risks		Fiscal 2014 Groupwide critical risks	
	Priority management issues	Regular management issues	Special risk management fields	Regular risk management fields
1	Disasters	Market and economic fluctuations	Technological innovation and the development of new products	Market and economic fluctuations
2	Procurement environment	Technology	Development of overseas businesses	Safety and environmental regulations
3	Regulations on overseas businesses	Compliance	Production technologies and facilities	Natural disasters
4	Safety and environmental regulations	Intellectual property	Information management system	Compliance
5	Information management system	Exchange rate fluctuation	Quality	Intellectual property
6	Quality	Nurturing and securing human resources	Human resources management and labor relations	Raw material sourcing
7	—	—	—	Financing

Compliance Structure

As it expands globally, it is important that Akebono, beyond complying with the law and regulations, correctly understands and fulfills its corporate social responsibility. For these purposes, we have set up the Compliance Committee, chaired by an executive officer, and established the "akebono Global Code of Conduct" and "akebono Global Standard of Behavior" to be observed by each associate.

We are implementing a range of educational programs in order to raise the level of compliance awareness among our associates with regard to such issues as information control and the prevention of harassment. In fiscal 2013, we asked all associates in Japan to take a "compliance proficiency test" while incorporating compliance education in job level-based training program for them.

For the prevention and early detection of problems, we have set up in-house and outsourced consultation counters to accept inquiries from any Group associate. The inquiries can be made anonymously. In fiscal 2013, a total of 17 such inquiries were received and they were addressed under the leadership of the Compliance Committee. In addition, in January 2014 we established the "Supplier Hotline" to field and address inquiries made by our suppliers in connection with Akebono associates' business conduct. As of May 31, 2014, however, this helpline has yet to receive any inquiry.

Akebono conducts hearings for Group associates every year on compliance. In fiscal 2013 we conducted hearings for over 200 persons inside and outside Japan. The results of hearings helped improve communications between Group members. Furthermore, we conducted additional training and campaigns focusing on the prevention of cartels and bribery.

Information Security Activities

Akebono has established the Information Security Committee, while clearly defining rules for the handling of information based on its significance and risk, in order to implement appropriate measures aimed at protecting information systems and data owned in-house or provided by our customers from all kinds of threats. We have also created a structure in which each section carries out self-checks against the information security risks their respective operations are vulnerable to. While raising associates' awareness through the implementation of the PDCA cycle, we are strictly enforcing our information security guidelines and other internal rules to ensure information security, and associates who violate these rules are subject to punishment.

We are also upgrading our information management structure to match the changing business environment. In light of the heightening risk of information leakage due to global business expansion, growing dependence on IT and the increased liquidity of employment, we are developing a structure to further strengthen controls on critical information. Specifically, after revising the information security guidelines in fiscal 2012, we expanded the scope of their application to include overseas Group members, thereby promoting information security activities at locations across the globe.

Toward Further Growth

Corporate Brand Management and Corporate Social Responsibility

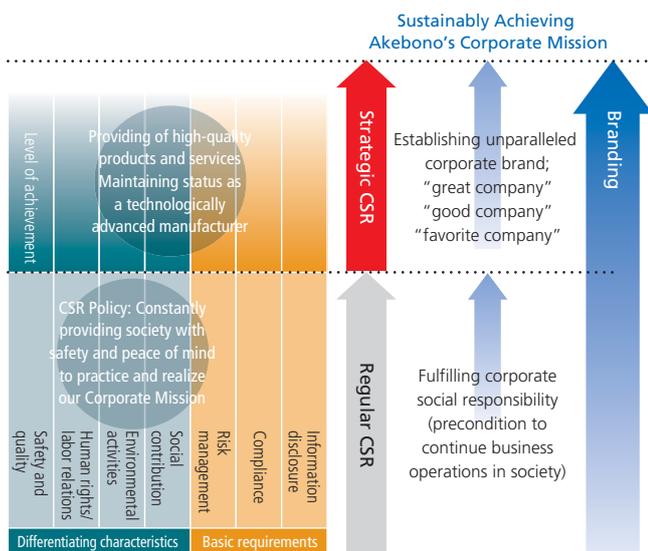
Achieving Akebono's Corporate Mission

Our Corporate Brand Management and Positioning of CSR Activities

In 2005, Akebono initiated corporate brand management, an initiative aimed at enhancing corporate value by meeting the expectations of stakeholders, namely, customers, shareholders and associates, with an equal emphasis placed on each of these key stakeholder groups. In October 2005, Akebono went on to formulate the Brand Statement, implementing the full-scale launch of its corporate brand management initiative with the aim of encouraging pride in the Akebono brand among associates and thereby strengthening the Company's competitive edge. From fiscal 2008 onward, we have focused on two aspects of our corporate image, namely, the provision of high-quality products and services and our status as a technologically advanced manufacturer. Since then, we have been striving to realize greater brand recognition by enhancing the Company's attractiveness and strengths.

Akebono considers fulfilling its corporate social responsibility (CSR) to be indispensable to continued business operations. In other words, its pursuit of regular CSR activities is an essential part of maintaining its operating foundation. At the same time, corporate branding initiatives reflect the Company's strategic CSR initiative aimed at further enhancing its social and corporate value. To realize our Corporate Mission, we will promote corporate branding initiatives to secure greater corporate strength, remaining a company that consistently provides people with safety and peace of mind through its operations.

The Relationship between Corporate Brand and CSR



Corporate Brand Awareness Survey and Brand Reports

Since 2005, Akebono has conducted annual surveys on corporate brand awareness among its associates, customers and suppliers, as it recognizes that such surveys are significant part of the Plan, Do, Check and Act (PDCA) cycle, which is an aspect of corporate brand management.

In fiscal 2013, the scope of survey was expanded further to include all of our domestic and overseas business locations. This move was in step with the Company's global expansion and the number of respondents totaled 7,115. To share what our stakeholders have to say with our associates worldwide, we issue the *Brand Report* in-house newsletter, which summarizes—in Japanese, English, French, Chinese, Thai, Indonesian and Vietnamese—wide-ranging stakeholder feedback and opinions gleaned from these surveys. This helps ensure that such feedback and opinions are reflected in our future initiatives to secure the greater satisfaction of our stakeholders.

A year earlier, as we carried out our fiscal 2012 survey, we set targets for each production plant nationwide with regard to our corporate brand management initiative recognition rate among associates. The target was set at 70% or greater, but we found the recognition rate of such associates were 59.4% and 28.3% at Akebono Brake Fukushima Manufacturing Co., Ltd. (Fukushima Manufacturing) and Akebono Brake Yamagata Manufacturing Co., Ltd. (Yamagata Manufacturing), respectively, far below the target rate. In response, we stepped up our communications with associates at these locations in fiscal 2013, and were able to improve the rates at Fukushima Manufacturing and Yamagata Manufacturing to 84.7% and 68.9%, respectively. Going forward, we will apply the lessons of our survey results to raise associates' awareness, thereby enhancing quality of their daily operations.



Status of CSR Promotion (in-House)

In accordance with the *CSR Guidebook* (revised edition as of April 2010) issued by the Japan Auto Parts Industries Association (JAPIA), Akebono maintains a list of its ongoing CSR activities. By making those activities more visible and managing them in a systematic manner, Akebono is ensuring that its CSR activities are steadily implemented.

Akebono also utilizes an internal inspection system based on the ISO 26000 management system to evaluate CSR activities conducted in each business segment. By doing so, Akebono works to clarify its management issues on CSR from a global perspective and thereby improve overall CSR activities.

CSR Promotion Status (in-house: fiscal 2013)

Explanatory note:
 A: 5.0 points, B: from 4.0 to 4.9 points, C: from 3.0 to 3.9 points, D: 2.9 points and below
 Points represent result of self-evaluation on a scale of 1.0 to 5.0 points that was implemented in reference to the "CSR Check Sheet (revised version as of April 2010)" formulated by JAPIA.

Category	Initiatives	Responsible organization	Numerical targets (if applicable)	Structure for promotion, action taken and degree of attainment	Self-evaluation
1. Safety and quality	1-1. Understanding customer needs, providing products that benefit society	Sales Division, R&D Division and Quality Assurance Department		Proactively seek to know the latest customer needs through meetings, etc. / Process inquiries and estimation requests in accordance with prescribed workflows and pass them on to the relevant sections through in-house computer networks / Update customers' product requirements and pass this data on to the relevant sections in a systematic manner / Analyze collected market information and pass it on to the relevant sections in accordance with prescribed workflows / Inspect products prior to delivery to verify performance in the actual usage environment through such failure mode analysis methods as FMEA and FTA	
	1-2. Providing information on products in an appropriate manner	Sales Division and Quality Assurance Department; production sites		Provide appropriate information on R&D phase technologies in accordance with prescribed workflows / Provide information in a systematic manner on product composition, such as chemical content, in accordance with customer and legal requirements / Collect information on product failures and share such information in a systematic manner	
	1-3. Ensuring product safety	R&D Division and Quality Assurance Department; production sites		Verify the safety of pre-productions pursuant to the prescribed operation procedures / Examine and verify conformity to legal and safety requirements as well as market and customer needs in a systematic manner at the R&D phase / Quality risk items requiring compliance with legal and safety requirements are identified and are closely controlled / For defective products that are found after the start of mass production, ensure appropriate processing in accordance with prescribed workflows that set forth procedures to check the details of the defect, analysis of magnitude and actions to be taken against its recurrence	B
	1-4. Ensuring product quality	Quality Assurance Department	Quality Management System Steering Committee (once a month)	Establish and apply quality management systems within an organizational structure designed to assist quality management activities / Quality management activities are constantly pursued using the PDCA method, with policies and targets being formulated for each fiscal year / Integrate product development processes at locations worldwide while reviewing Advanced Part Quality Planning (APQP) / Acquiring and maintaining the ISO 9001 and ISO/TS 16949 certifications / Posted initiatives undertaken by the Quality Management System Steering Committee on ISO focus (May/June 2013 edition)	
2. Human rights and working environment	2-1. Abolishment of discrimination (ensuring equal employment opportunity)	HR Department		Wage structure and personnel evaluation system are set forth irrespective of gender / Gender is eliminated from items verified at the examination for wage raise and promotion	
	2-2. Respect for human rights (prevention of harassment)	HR Department, Compliance Committee	Activities aimed at raising associates' awareness of compliance (twice a year)	Conduct "compliance proficiency tests" aimed at raising associates' awareness of compliance across the board (twice) / Internal consultation service has been established and announced companywide / Whistle blowers are protected under the prescribed in-house rules	
	2-3. Abolishment of child labor	HR Department		The Company demands newly recruited employees to submit documents to identify their age under the rules of employment	
	2-4. Abolishment of enforced labor	HR Department		Although the company may check employee's passport for proof of identity, the submission of a passport is not required	
	2-5. Appropriate wages	HR Department	Confirmation of minimum wage set forth by local governments (once a year)	The Company is comparing its wage levels and minimum wage set forth by each prefecture, ensuring that it is complying with the law (implemented utilizing a wage database system)	
	2-6. Working hours	HR Department		In accordance with an agreement with the labor union, notification of overtime work exceeding prescribed baseline hours must be submitted and permission gained in advance / Attendance management system is utilized to verify whether working situations are complying with the Labor Standard Law	B
	2-7. Communication and consultation with associates	HR Department		Frequency of labor-management consultations as well as matters to consult with are set forth in labor agreement	
	2-8. Safety and health of the working environment	Central Safety and Environment Committee		Annual activity plans for safety countermeasures and sanitary control at workplaces are formulated and implemented by the Safety and Health Committee / FRESH Center and Health Management Office formulate annual activity plans for health management and manage their implementation / Introduced standardized safety manuals for global locations based the manual used in Japan	
	2-9. Human resources nurturing	HR Department	Education programs for each rank and job role (once a year for all)	Education programs for associates tailored to their rank and job roles are implemented (conducted programs for newly appointed team leaders on two occasions, those for newly appointed assistant managers and for new managers on one occasion each and those for newly hired associates on two occasions) / Established Ai-Village global training center as a facility to nurture globally capable human resources / Prepared a guidebook that summarizes the content of in-house educational programs and distributed it to all associates while providing them with opportunities to participate in such programs	
3. Environment	3-1. Environmental management	Global Environment Committee, etc.	Renewal of the ISO 14001 certifications Environmental education	Renewed the ISO 14001 certifications at Akebono Corporation (Guangzhou), Sanyo Manufacturing, Akebono Brake Corporation (North America), Akebono Europe S.A. and other three locations/ Began providing online educational programs with regard to environmental activities (see page 36)	
	3-2. Reduction of greenhouse gas emissions	Global Environment Committee (CO ₂ Emission Reduction Project)	Improve CO ₂ intensity 1% or greater every year until 2020 (in reference to JAPIA target value)	The CO ₂ intensity in fiscal 2013 improved 1% year on year through the introduction of next-generation friction material production facilities and the application of heat-insulating coatings to the rooftops of plant buildings	
	3-3. Preventing pollution of environment (air, water and soil)	Manufacturing Division	Continued efforts aimed at reducing environmental impact	Energy efficiency in logistics operations improved 4% year on year through the introduction of a system for the real-time management of truck operations	
	3-4. Resource saving and waste reduction	Global Environment Committee (zero-emissions sectional committee)	Maintenance of zero-emissions status (no direct landfill of waste) Promote the reduction and proper disposal of waste	Reduced SOx emissions through the changeover of oil fired boilers to heat pumps at Iwatsuki Manufacturing	B
	3-5. Chemical substance management	R&D Division	Response to regulations on copper used in friction materials set forth by states of California and Washington, the United States / After January 1, 2021, materials for new automobile containing 5wt% of copper or more are going to be prohibited / After January 1, 2025, materials for new automobile containing 0.5wt% of copper or more are going to be prohibited	The Company is developing copper-free friction materials. Initiated mass-production of a copper-free friction material for rear brakes in 2014 / Chemical substances designated by PRTR laws contained in newly developed friction materials are checked and tracked	
4. Compliance	4-1. Compliance with laws and regulations	Compliance Committee	Compliance Committee meetings (six times per year) / Compliance understanding tests (twice a year)	Compliance Committee meetings are held six times a year and relevant issues and initiatives are discussed / Conducted "compliance proficiency tests" for all domestic associates to improve their understanding, in addition to other relevant activities implemented in line with priority themes set for each fiscal year (the tests were conducted on two occasions in fiscal 2012)	
	4-2. Compliance with competition laws	Compliance Committee	Provision of training sessions themed on relevant laws (seven occasions per year)	Training sessions: one session focusing on the prevention of private monopolies and cartels and nine focusing on Japan's "Act Against Delay in Payment, etc., to Subcontractors" / The Company raises alerts, regularly sharing data on the latest cases of legal violations through intranet	
	4-3. Corruption prevention	Compliance Committee		The Company raised awareness of the issue of illicit contributions, including political donations, and bribery by distributing booklets that present action guidelines for associates at domestic and overseas locations	
	4-4. Control and protection of secret information	Compliance Committee	Audit and review of trade secret management on an annual basis	Conduct audit and review of the status of trade secret management on an annual basis while raising alert over the handling of such secrets by distributing booklets presenting the action guidelines for associates at domestic and overseas locations	B
	4-5. Control of export transactions	Compliance Committee	Provision of training sessions themed on relevant laws (twice a year)	Export transactions are managed and overseen by structures set forth in the in-house rules and processed with prescribed operation flow provided by such rules / The Company submitted the "Export Control Rules for National Security" to the Ministry of Economy, Trade and Industry, and is registered as an exporter / Training sessions themed on relevant laws were held to raise associates' awareness of compliance (twice a year)	
	4-6. Intellectual property protection	Legal & Intellectual Property Department		In fiscal 2012, established the R&D Patent Committee to regularly confirm the latest patent information throughout the year. The activities are planned to continue in fiscal 2014 and beyond / Incorporate patent clearance into essential procedures set forth in ISO manuals so as to confirm noninfringement at every design review (peer review held to control product development process)	
5. Information disclosure	5-1. Information disclosure to stakeholders	Corporate Communications Office	The issuance of the AKEBONO REPORT (once a year, both in Japanese and English) and fact sheets (Japanese version: twice a year; English version: twice a year)	Information is appropriately disclosed to stakeholders, including mass communication media, shareholders, investors and associates, giving sufficient consideration to the content and the timing / Matters such as financial conditions, performance and business activities are disclosed through such media as Tdnet and EDINET pursuant to the rules of information disclosure set forth by such media / Update the Company's websites as needed to improve visibility and to ensure that the latest information is disclosed / The Company issues "AKEBONO REPORT," which integrates the corporate brochure, CSR report and annual report for the convenience of stakeholders / The Company produced a video introducing its activities to general public	B
6. Risk management	6-1. Companywide risk management structure	Launch risk management employing the PDCA cycle by formulating risk response plans for each critical issue	Risk assessment meetings (four times a year)	Conduct annual reviews on Companywide critical issues and appoint responsible person and organization to each issue, having them formulate risk response plans that have to be deliberated at the Risk Evaluation Committee; the plans approved by the committee will then be implemented and the status of these plans reported to the committee in a periodic manner / Utilize risk management system established at each location overseas to prepare biannual reports on the status of risk response plan implementation for review by the committee / The status of risk management activities undertaken by Group members worldwide and their risk management policies are reported annually to the Board of Directors after being discussed by the committee	
	6-2. Enhance Business Continuity Management (BCM)	BCM Countermeasure Subcommittee (a special subcommittee operating under the Risk Evaluation Committee)	Formulate business continuity plans (BCPs) for production line for each mainstay product / Conduct annual disaster drills aimed at practicing collaboration between locations	Continued to improve the level of first emergency response through the update of response plans, the implementation of earthquake drills and the preparation of disaster response manuals. / Launched the BCM Countermeasure Subcommittee in April 2013 in the wake of growing customer concerns about the risk of supply chain disruption since the Great East Japan Earthquake and the flooding in Thailand; the committee is intended to serve as a cross-organizational team that helps enhance the Company's crisis management capability and is upgrading our BCPs to encompass comprehensive recovery plans, formulating plans for facility structural reinforcement and analyzing and addressing risks to supply chains while considering the possibility of substitute facilities that can offset the depletion of production capabilities due to disasters	B
7. Social contribution	7-1. Contribution to local communities	General Affairs Department	Meeting with local residents for the exchange of opinions (once a year or more) / Summer festivals (once a year) / Voluntary cleanup activities at the local areas (twice a year)	Regularly hold meetings with local residents for the exchange of opinions (five meetings were held in fiscal 2013 attended by 43 people in total) / Voluntary cleanup activities at the local areas are undertaken by associates regularly (such activities were held 11 times in fiscal 2013 with 488 associates participating in total) / Sponsoring summer festivals every year (such festivals were held at seven domestic locations in fiscal 2013 with a total of 7,425 people participating) / Welcomed elementary and junior high school students to plant tours while hosting "Open House Events" for families of associates wishing to see workites (such events were held on 32 occasions on a Groupwide basis during fiscal 2013, with 1,818 attendees in total)	B
8. CSR promotion structure	8-1. Structure for developing CSR activities inside the Group	Corporate Branding Management Office		CSR activities are led by the Corporate Brand Management team under the recognition of "CSR is indispensable for corporate brand management and an essential for continuing our business operations" / Each relevant section and committee sets targets and evaluates achievements on a separate basis. The Company recognizes that those initiatives must be integrated and promoted on a Groupwide basis in the future	B
	8-2. Structure for developing CSR activities involving suppliers	Purchasing Division		Work to nurture more favorable partnerships with suppliers, strictly comply with relevant laws and regulations and the principles of fairness and equity in conducting business transactions / Revised the Green Purchasing Guidelines in February 2012 to step up green procurement efforts / Set up the "Supplier Hotline" on the Company's website in January 2014, establishing a system to address problems related to purchasing by reflecting suppliers' feedback in our business transactions	

With Local Communities

Contributing to Communities by Providing Secure Employment and Nurturing Future Generations

As a community member, Akebono is nurturing not only its associates but also future generations through scholarship and internship programs.

Vocational Scholarship Programs: Providing Ongoing Support for Working Students

Since 1964, Akebono has provided scholarships through its Vocational Scholarship Program, a program that allows students to earn wages by working at Akebono while also covering their academic fees for a period of three years. This program has supported junior college students earning degrees in early childhood education or nutrition to acquire specialist qualifications in these fields. At present, Akebono Brake Fukushima Manufacturing Co., Ltd. (Fukushima Manufacturing) is operating this program, and it signed up 23 students at the beginning of fiscal 2014. They live in the corporate dormitory and engage in shift work at Fukushima Manufacturing while pursuing their studies. Once they complete their respective academic courses and acquire qualifications, they will go on to work as kindergarten teachers, nursery workers and nutritionists, although some of them may pursue careers at corporations. To date, Akebono has nurtured more than 3,000 students through this program, including some second-generation scholarship recipients.



Welcome party for new scholarship recipients (April 2014)

Offering Office and Plant Tours

Akebono proactively invites external companies as well as students from local elementary and junior high schools to tour its offices and plants across Japan.

In fiscal 2013, we invited more than 900 students from nine elementary schools in Saitama Prefecture to tour Ai-City headquarters in Hanyu City. In addition to a briefing on the Company, these tours involved a visit to "Ai-Museum" (Brake Museum) and a presentation of our mobile brake technology educational center as well as programs aimed at providing hands-on experience of manufacturing at the Monozukuri Center. Such tours help raise visitors' safety awareness while facilitating their understanding of Akebono and its products.

Additionally, in July 2013, Akebono Brake Yamagata Manufacturing Co., Ltd. (Yamagata Manufacturing) and another automotive equipment manufacturer held a mutual plant tour that served to inspire participants as they compared the two companies' manufacturing approaches and initiatives.



Elementary school students on the Ai-City tour

In these ways, we will continue to share benefit from our business growth with people in local communities.

Providing Junior High and High School Students with Job Experience Programs

Akebono cooperates with junior high and high schools to provide

students with job experience programs at each domestic location. In fiscal 2013, Akebono Brake Iwatsuki Manufacturing Co., Ltd. (Iwatsuki Manufacturing) held two rounds of a three-day job experience program for junior high school students, while Fukushima Manufacturing held two rounds of a similar program for junior high and high school students.

Periodically, Iwatsuki Manufacturing also provides high school students with a five-day internship program. Through such programs, Akebono is striving to give local students more opportunities to learn "what is it like to work," thereby helping them enjoy successful job searching in the future.



Junior high school students who participated in a job experience program at Fukushima Manufacturing

Akebono 123 Celebrates its 10th Anniversary

Akebono 123 Co., Ltd. is a special-purpose subsidiary of Akebono Brake Industry Co., Ltd. which provides employment opportunities for people with disabilities. In September 2013, Akebono 123 marked the 10th anniversary of its founding, holding a commemorative event aimed at expressing gratitude to stakeholders. Among the approximately 90 attendees were the director of Saitama Prefectural Labor Bureau and the mayor of Hanyu City. At the event, bouquets of flowers were given to those who have supported Akebono 123, while associates performed the company song.

In addition, in 2013 the Saitama prefectural government certified Akebono 123 as an excellent business corporation in the provision of employment for people with disabilities, for its proactive initiatives aimed at hiring such people and developing a workplace that draws on each worker's strengths.

Going forward, Akebono 123 will continue providing a working environment that better develops the potential of each worker, thereby promoting the employment of people with disabilities.



Akebono 123 staff who gathered to express their gratitude to stakeholders

■ Employment Rate of People with Disabilities in the Akebono Group



With Local Communities

Facilitating Communication with Local Communities

Akebono cherishes the local communities in the regions in which it operates, whether they are in Japan or abroad. Accordingly, we are putting great emphasis on interaction and maintaining good relationships between our facilities and local communities.

Summer Festivals all over Japan

In Japan, every Akebono facility holds a summer festival, inviting local residents to join associates in playing music, running food stands and playing games at these events. While providing a fun time for associates and their families in which they can interact with local people, these events also help build even stronger relationships between the Company and local communities. This is one way we are creating a company that deserves support of society.



A summer festival held at Yamagata Manufacturing (August 2013)

Industrial Tourism Facility in Saitama Prefecture "Ai-Museum" Brake Museum Open to Public

From July to September 2013, Ai-Museum became a part of industrial tourism courses for the "WAKUWAKU Koujou Tanken Tai (An Exciting Plant Tour)," a program sponsored by the Sightseeing Department of Saitama prefectural government with the aim of providing facility tours and hands-on experience of manufacturing. Ai-Museum participated in similar events in the previous year. Looking ahead, we will strive to facilitate community residents' interest in and understanding of Akebono and its products through such and other initiatives.



Akebono associate sharing information about brakes to tour participants

Donating Food in the United States

Since 2012, Akebono Brake Elizabethtown Plant (ABE) in Elizabethtown, Kentucky, USA, has been assisting the local branch of the non-profit organization Feeding America, Kentucky's Heartland, with generous food donations. In 2013, Akebono donated 1,072 pounds (approximately 486kg) of food. In this way, Akebono is striving to enhance the well-being of local people.



A food drive at ABE in Kentucky, U.S.A.

Volunteer Activities in Thailand

In October 2013, Akebono Brake (Thailand) Co., Ltd. (AKBT) launched a fundraising campaign aimed at assisting approximately 900 households affected by flooding that hit areas near and around the AKBT plant. As a result, 17,210 bahts, or approximately ¥50,000, has been donated to supply drinking water to these households. Of course, AKBT provided aid for its associates affected by the disaster. Moreover, in March 2014, representatives of AKBT visited an orphanage to present gifts, including monetary donations. In these ways, AKBT is contributing to local society helped by associate volunteers.



AKBT staff conducting a fundraiser to help people affected by flooding

Providing Scholarship Programs in Indonesia

Since 2006, PT. Akebono Brake Astra Indonesia (AAII) has been operating scholarship programs to assist local children with their education. In 2013, a total of 117 children received scholarships. Akebono will continue to promote initiatives aimed at helping future generations worldwide.



Scholarship granting ceremony

Akebono President Attends a Breakfast Meeting Hosted by French President Hollande

In June 2013, Akebono President Hisataka Nobumoto was invited as the head of a major Japanese company operating in France to attend a breakfast meeting hosted by French President Mr. Francois Hollande. In addition, Akebono's officer in charge of development was invited to a meeting of the Japan-France Joint Committee on Cooperation in Science and Technology, sponsored by the Japanese and French ministries of foreign affairs, to give a presentation on the Company's technological development initiatives in Europe. We continue to strive to facilitate exchange between the two countries to build a more robust relationship.



Corporate managers of Japanese companies who attended the breakfast meeting

With Our Customers

Pursuing Superior Quality That Meets Diverse Customer Needs

As it pursues true globalization, Akebono strives to meet increasingly diversifying customer needs by delivering high-quality products capable of securing greater customer satisfaction.

Akebono Products Garner Praise around the World for their Quality

■ Winning Nissan Motor Best Performance Award

In October 2013, Akebono's aftermarket sales division received the "Fiscal 2012 Best Performance Award" from Nissan Motor Co., Ltd., for its superior on-time delivery rate. Going forward, we will continue working to ensure the timely delivery of our aftermarket products.



Award certificate from Nissan Motor Co., Ltd.

■ Becoming Honda North America's Prize-Winning Supplier for the Second Consecutive Year

In fiscal 2013, Akebono Brake Corporation (ABC) received the "Excellence in Quality Award" from Honda North America, Inc. for the second consecutive year, becoming one of 22 suppliers commended in this way. With its Elizabethtown Plant (ABE) delivering products to Honda North America, ABC received the award in recognition of its minimal rejection rate. Going forward, we will pursue greater product quality, performance and safety, reinforcing our position as a leading provider of excellent automotive components.



Winning the Excellence in Quality Award for the second consecutive year

■ Winning Mitsubishi Heavy Industries' Special Award for the Second Consecutive Year

In fiscal 2013, representatives of Akebono Brake Industrial Machinery & Rolling Stock Component Sales Co., Ltd. were invited by Mitsubishi Heavy Industries, Ltd. to a supplier awards ceremony where they were presented with a "Special Award" for the second consecutive year. Mitsubishi Heavy Industries granted the award in recognition of the company's superior product quality, cost effectiveness and on-time delivery performance compared with other suppliers.



Supplier award ceremony

■ Akebono Brake Components Installed in the "2014 North American Truck of the Year"

Equipped with Akebono brake components, the Chevrolet Silverado 1500, produced by the U.S.-based General Motors Corporation, was named the "2014 North American Truck of the Year" at the 26th annual North American International Auto Show in Detroit, Michigan. Looking ahead, we will continue to deliver products capable of ensuring the satisfaction of endusers.

Our Mobile Brake Technology Educational Center

Employing the "Mobile Brake Technology Educational Center," a vehicle specially designed to display braking mechanisms in an easy to understand way, representatives of Akebono's aftermarket sales section visit auto dealers and automobile repair shops nationwide to teach car salesman and auto mechanics about the structure and features of Akebono brakes and give them tips on brake maintenance. More than 200 training sessions are held each year and attendees' feedback and comments are later reflected in product development. We are confident that this initiative is helping to make driving safer by promoting optimal brake maintenance while at the same time promoting the Akebono brand.

Having upgraded the vehicle in 2013, we will continue presenting our Mobile Brake Technology Educational Center to as many people as possible to facilitate their understanding of our braking technologies.



Mobile Brake Technology Educational Center attracting the interest of elementary school students

TOPICS

Quality Management Systems (ISO/TS 16949 and ISO 26262)

With the aim of promoting its corporate branding initiative, the Akebono Group's principal bases nationwide have obtained and are maintaining the ISO/TS 16949 quality management system certifications introduced by automotive manufacturers overseas.

In addition, efforts are now under way to acquire the ISO 26262 certification with regard to automotive electronic and electrical safety-related systems.

With Our Shareholders

Ensuring Proactive and Timely Information Disclosure

Akebono is proactively striving to ensure fair and timely information disclosure through its annual General Meeting of Shareholders and Investor Relations (IR) briefings as well as by employing various media, including its website.

Briefings for Investors and Security Analysts

In fiscal 2013, Akebono strove to enhance the content of briefings for individual investors to facilitate their understanding of its operations, history and products. One such briefing held in August 2013 was attended by 129 investors, while another held in February 2014 welcomed more than 200 people.

We also held a briefing targeted at institutional investors and security analysts in China in March 2014, inviting 17 participants to attend a tour at Akebono Corporation (Guangzhou) and giving a presentation on the current situation of the Asia market. In April 2014, we held a facility tour and test driving event at Ai-Ring test course in Iwaki City, Fukushima Prefecture, welcoming 20 participants.



Test driving event at Ai-Ring (April 2014)

Akebono Receives Its First IR Special Award

December 2013, Akebono received an IR Special Award for its efforts aimed at enhancing IR activities, including appropriate information disclosure through its IR department using a variety of IR materials.

An IR Special Award is one of the prizes bestowed by the Japan Investor Relations Association (JIRA) to recognize companies that maintain a superior IR track record.



IR Activities on a Global Basis

Striving to enhance its IR activities overseas, Akebono gave IR presentations in regions worldwide on a total of seven occasions* in fiscal 2013. Reflecting Akebono's proactive attitude to responding to inquiries from overseas investors, their proportion in the Company's investor base is increasing.

Moreover, utilizing our Investor Relations website, we post materials and notes prepared for financial briefings and summaries of question and answer sessions in both Japanese and English. In fiscal 2013, we added similar materials prepared in French, enhancing the content of the website with due consideration given to the convenience of overseas readers who access the website from diverse countries.

Going forward, we will maintain proactive information disclosure aimed at communicating Akebono's value, thereby becoming the company of choice for investors.

*Two in North America, one each in Europe and Asia and three conferences sponsored by securities companies

(Please also visit our Investor Relations website to see the detail: <http://www.akebono-brake.com/english/ir/>)

With Our Suppliers

Securing Sustainable and Mutual Development through Business Operations

Akebono is striving to enhance its partnership with suppliers to secure mutual development. To that end, we are sharing our goals and challenges with our suppliers, putting great emphasis on maintaining robust communications.

Rooting Our Global Operations in Local Communities

In order to survive the global market, Akebono recognizes that meeting SGQCDDM* requirements is essential. We believe that our ability to satisfy these requirements is largely dependent on mutual understanding and relationships of trust with our local suppliers. With this in mind, Akebono has positioned a high regard for human rights as the cornerstone of its pursuit of global expansion. In doing so, we put great emphasis on maintaining robust communications to express our respect for and deepen understanding of local cultures and value systems in respective areas that we expand into. Moreover, when selecting our suppliers, we confirm that they comply with laws and are free of child labor and other human rights violations. In these ways, Akebono is striving to achieve the sustainable and mutual development of the Company and its suppliers.

*S: Safety; G: Global; Q: Quality; C: Cost; DD: Delivery and Development, or Differentiation through Development; and M: Management

Establishing Supplier Hotline on the Company's Website

With the aim of securing mutual prosperity with its suppliers, Akebono is striving to build relationships of trust with them in its purchasing activities. Specifically, the Company is committed to complying with applicable laws and regulations and maintaining fair business transactions. To eliminate problems arising from business conduct that is contrary to the aforementioned commitment, in fiscal 2013 the Company established a "Supplier Hotline" to receive complaints from its suppliers. Such complaints will be addressed by the Compliance Committee's secretariat, a body established to ensure that such problems are detected and settled at early stage and that preemptive countermeasures and other steps aimed at preventing recurrence are in place. Akebono will face up to risk that arises in the course of its operations and address it by implementing appropriate measures. By doing so, we will strive to better fulfill our responsibility as a corporate citizen.

*Supplier Hotline may be accessed from our website.

With Our Associates

Nurturing Human Resources to Enhance Corporate Value as a Global Company

Aiming to enhance its corporate value, Akebono is striving to develop a stronger workforce with an emphasis on respecting each associate's values and personality.

Basic Human Resources Policy

To provide opportunities to all associates and to support them so that they can share in the Company's successes.

Akebono believes that the most important factor that guides a company to success is human talent (our associates). Guided by that belief, we adopted a basic human resource policy that states "each associate must be given the opportunity to exert their abilities and be continuously supported to share their successes with the Company." We are striving to build our long-term global personnel policy as well as to facilitate associates' ability to establish their individuality and foster mutual respect and trust.

Moreover, we are reinforcing human rights education and enlightenment to support the achievement of an organization with abundant diversity and creativity.

In-House Education and Organizational Development Aimed at Nurturing Globally Capable Human Resources

In fiscal 2011, Akebono introduced the Akebono Starter Book, a standard educational package for use at all its locations worldwide by newly recruited associates. The book allows these associates to quickly familiarize themselves with Akebono's corporate culture while enhancing the content of the Group's educational programs.

Overseas Training Plan for Younger Associates

Since 2001, Akebono has encouraged younger associates to participate in the "Overseas Training Plan," which stations them overseas in their early years with Akebono. To date, approximately 200 associates have participated in this training plan. Utilizing the knowledge afforded by their exposure to diverse cultures, many of these associates are now demonstrating greater capabilities in daily operations and thus developing successful careers.



Voice of Participants

Naomi Abo, (Material Purchasing Section,) Purchasing Department, Purchasing Division (Joined fiscal 2011; dispatched to China from September 2013 to January 2014)

I had a hard time in China until I came to understand local business practices, which I found totally different from Japan's social norms. I truly learned that knowledge of local people's perspectives and of the culture and history of the country where I reside is important and can be crucial factors in my day-to-day operations. Also, I was inspired by local associates who acted proactively while maintaining independent mind-sets and assertive attitudes. Making full use of this experience, I will strive to build a successful career on the global stage.

Global Leadership Forum

In August 2013, a Global Leadership Forum was held at the Ai-Village global training center, welcoming associates who lead operations at Akebono's overseas locations worldwide. With 18 participants, the forum ended with the drawing up of concrete suggestions for how to achieve Global 30 and how to secure responsiveness to Global Platform Systems.

In fiscal 2013, Akebono held a "Junior Global Leadership Forum" for the first time, with 22 younger associates attending.

Global Meeting

To strengthen cooperation between the Group's R&D sites worldwide, in 2012 Akebono began holding meetings of developers from locations around the globe. In fiscal 2013, such meetings were entitled Global Meetings of Developers from Six Blocks, as the Company invited the leaders of development sections from six countries: Japan, France, the United States, China, Thailand and Indonesia. The meetings were convened on four occasions at sites in France, Japan and China. Also, evaluation departments at sites worldwide hold monthly meetings via teleconferencing to help provide even better products to markets worldwide.

In addition to the abovementioned meetings, in fiscal 2013 we held a number of other gatherings, including the Global Quality Meeting (September 2013) and Global Purchasing Strategy Meeting (October 2013), to which we invited leaders of quality assurance and purchasing sections, respectively. Moreover, we held the Global Safety Meeting (July 2013) for those in charge of safety at bases all around the world. In these ways, we are sharing our challenges and strategies on a global basis.

Bilateral Study Sessions in Thailand, Indonesia and China

In 2012, Akebono began holding bilateral study sessions involving multiple production sites so that associates can be inspired by one another's initiatives. Four such study sessions, co-hosted by Akebono Brake (Thailand) Co., Ltd., PT. Akebono Brake Astra Indonesia (AAIJ) and Akebono Corporation (Suzhou), were held in fiscal 2013. By discussing common issues that confronted them in the course of manufacturing the same items, associates who participated in these sessions were able to learn from each other's best practices, thereby enhancing the level of manufacturing skills.

TOPICS

Open House Event

We hold "Open House" days, providing the families of associates with the opportunity to see where their family members work and to understand Akebono better. In fiscal 2013, such events were held at three domestic locations* and attended by a total of 107 people.

Every Open House event offers programs organized by associates that ensure that everyone, kids and adults alike, gets to know about Akebono in a fun way. In April 2014, a similar event was held at Akebono Engineering Center (AEC), an R&D site in North America, under the title "Bring Your Kid's to Work Day."

*Ai-City headquarters, Akebono Brake Iwatsuki Manufacturing Co., Ltd. and Akebono Brake Fukushima Manufacturing Co., Ltd.



"Bring Your Kid's to Work Day" at AEC

Ai-Village—A Training Center Established to Create a “True Global Company”

A year and a half has passed since Ai-Village’s opening in 2012 as a training facility to nurture globally capable human resources. In 2013, approximately 10,000 associates in total participated in training sessions held at Ai-Village. The Human Resource Department spearheaded around half of these training sessions, with the remainder organized by various operating departments. In addition, there were some instances where

Ai-Village opened its accommodations to associates trapped by inclement weather. Plans for fiscal 2014 include “Ai-Campus,” a series of open seminars comprising 83 courses, including language training programs and lectures aimed at imparting basic knowledge on Akebono’s manufacturing processes and products. Going forward, we will fully utilize this facility to nurture competitive human resources.

■ Main Features of the Facility

- Training rooms and presentation rooms
- Accommodations comprising 56 rooms
- Lounge areas aimed at enhancing communications
- Green spaces to nurture visitors’ environmental awareness
- Kitchen facilities for experiencing diverse cuisines
- Library facilities to support self-study

Ai-Village also serves as an evacuation shelter should a disaster or other emergency arise. It is equipped with emergency aid supplies and is capable of converting its training rooms into accommodations for approximately 200 people.

■ Ai-Villages Wins Multiple Design Awards

In October 2013, Ai-Village won the Good Design Award 2013 sponsored by the Japan Institute of Design Promotion for its outstanding design as a place for facilitating communications. Moreover, the facility was selected as a prize-winning piece under the Japan Institute of Architects Top 100 Architects Award 2013.



Associates gathering in the lounge between training sessions



Kitchen facilities for cross-cultural exchange through cooking



Exterior of Ai-Village

Striving to Diversify Human Resources

At Akebono, the human resources we recruit are increasingly diverse as we aim to accelerate the expansion of global operations.

■ Accepting Trainees from New Overseas Locations

Prior to the launch of Akebono Brake Mexico S.A. de C.V. (ABM), in May 2013 we held training sessions for ABM’s founding staff at Akebono Brake Sanyo Manufacturing Co., Ltd. Such sharing of accumulated knowledge on brakes and manufacturing skills with local associates helps them achieve smooth production kickoff.

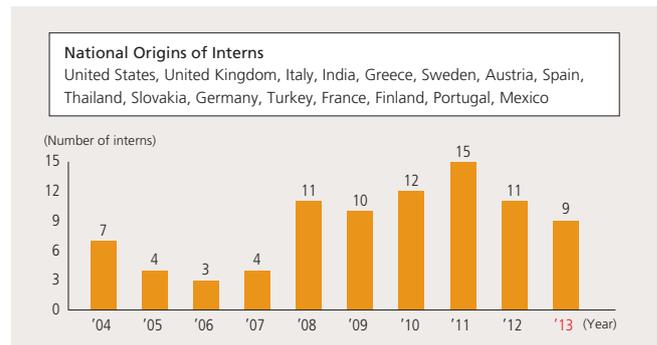


Trainees from ABM

■ Internship

Not only does Akebono proactively accept interns from abroad, it also organizes exchange events where interns and associates find their sense of being part of an international concern nurtured through the exchange of ideas. In 2012, the Company began holding such events under the title “Internship Forums.” In 2013, such forums were held on two occasions and attended by a total of 25 people. Looking ahead, we will provide our associates with opportunities to encounter diverse values by interacting with people from around the world. In this way, Akebono is striving to develop key human resources capable of leading its global operations.

■ Number of Interns Accepted



With Our Associates

Disseminating Our Monozukuri (Manufacturing) Approach across Bases Worldwide

Akebono is striving to nurture associates who will go on to strengthen its onsite capabilities, which will, in turn, help the Company compete on the global stage.

Teaching Akebono's Unique Manufacturing Approach

Opened in 2011 within the premises of the Ai-City headquarters, the Monozukuri Center serves as a forum for short-term intensive training courses on the principles of manufacturing and is always open to anyone in Akebono. With an emphasis on teaching trainees to think, work out problems for themselves and offer innovative solutions, the center nurtures engineers capable of reinforcing the foundation of Akebono's manufacturing strengths. The educational materials used in training courses are prepared by the lecturers themselves. In addition, the center plays an essential role in disseminating our manufacturing approach to bases all around the world. Specifically, since 2012 the center has been proactively organizing "Fundamental Skills Training School" courses at overseas locations. This initiative began at sites in the United States and Asia to instruct local trainer candidates and has subsequently expanded to include other regions. At present, 25 trainer candidates have completed their instruction and gained qualification, and they are now serving as Fundamental Skills Training School trainers at six locations overseas.

Fiscal 2013 Fundamental Skills Training Schools Held at Overseas Locations

Currently, Fundamental Skills Training Schools for overseas sites are being organized at four locations in North America and one location in Indonesia, with a number of associates undergoing training courses. Meanwhile, the Monozukuri Center in Japan has accepted 555 trainees from domestic locations and 46 from overseas locations during fiscal 2013.

Location	Number of trainees
Clarksville Plant (ABCT)	229
Elizabethtown Plant (ABE)	133
Columbia Plant (ABCS)	182
Glasgow Plant (ABG)	271
PT. Akebono Brake Astra Indonesia (AAIJ)	134

Localizing Training Programs

In March 2014, we established the first North American Monozukuri Center at Akebono Brake Corporation (ABC). The new center kicked off operations with a five-day training course in April 2014 that taught the basics of Akebono's manufacturing approach. Looking ahead, we intend to provide training programs tailored to the needs of overseas locations while enhancing content even further.



ABC associates participating in a training session at the local Monozukuri Center

Open Seminars

In fiscal 2013, the Monozukuri Center in Japan launched a new training program focused on 3 Basic Sheets (Standardized Work Combination Table, Standardized Production Capacity Sheet and Standardized Work Chart) while initiating a workshop-style training program on the utilization of a production survey sheet. The former program has participants identify and remedy problems in manufacturing processes. The latter program is not only for on-site operators but also directors and associates at the general manager level and aims to facilitate understanding of significance of key indicators presented in the production survey sheet. In fiscal 2014, we are providing a greater number of associates with training opportunities that spur their motivation to learn. Looking ahead, we will enhance the content of programs provided at the Monozukuri Center so that what associates learn there will augment their capabilities in daily operations.



Training session on 3 Basic Sheets



Workshop on the utilization of production survey sheet

TOPICS

Facilitating Robust Communications across the Board

Since its April 2005 issue, every edition of Akebono's in-house newsletter has featured a dialogue between the president and associates under the title of "Let's talk with Mr. Nobumoto!" To mark round 100 of these sessions, the July 2013 issue's dialogue involved approximately 100 associates. Many associates have benefited from the dialogue series as they have been able to stay apprised of challenges that they face in common and directly learn the opinions and advice of the president.

Also, each business unit is working to facilitate communications between directors, general managers and young associates by holding gatherings for the exchange of opinions.

Moreover, in fiscal 2014 we began to publish the President's Message newsletter at North American locations to encourage local associates to interact with the president while issuing monthly *Activities Committee Newsletters* that feature such content as information on in-house events activities and programs.



The 100th round of "Let's talk with Mr. Nobumoto!"

With Our Associates

Personnel System That Helps Create New Value

Akebono is working to establish a personnel system that embraces diverse human resources and organizational approaches.

Diversity Management

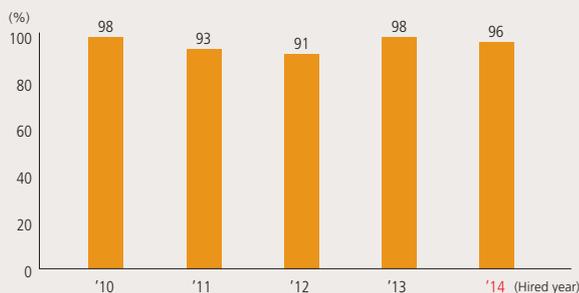
To become a truly global company capable of achieving sustainable growth, Akebono is proactively implementing diversity management centered on three key initiatives: diversity promotion; work-life balance promotion; and career development assistance.

Akebono also offers a global career track to associates in line with their aspirations. Reflecting this, a large number of associates who have gone on to become expatriates in recent years have been women. With the aim of nurturing creativity, Akebono pursues diversity management that highly respects individual goals regarding working and life styles. By doing so, we will strive to develop a corporate structure that helps each associate to fully realize their potential.

Initiatives Aimed at Maintaining a High Retention Rate

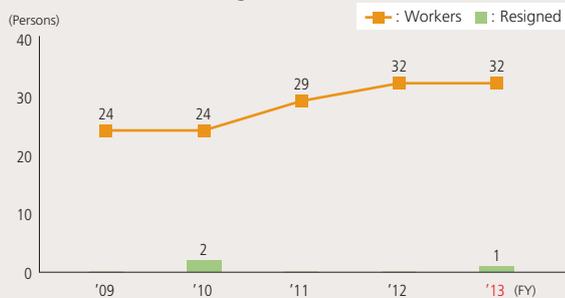
In recent years, Japanese industry has seen growing numbers of new graduates resigning within a few years of being hired. In response, Akebono is striving to maintain and improve its associate retention rate. Thanks to these efforts, as of the beginning of fiscal 2014, 93% of the associates hired in fiscal 2011 remained in the Company.

Associates' Retention Rate (Japan)



*For each group of associates who joined the Company in 2010 or 2011, the retention rate is determined as of April 1 three years post recruitment. For associate groups who joined in fiscal 2012 through 2014, however, the retention rate is calculated based on data as of April 1, 2014.

Number of Workers with Disabilities and Number of Such Workers Who Resigned



Overseas Labor Management

We recognize that maintaining stable labor-management relationships at overseas locations is important and, therefore, position it as an ongoing management issue.

With this in mind, while integrating the personnel systems of subsidiaries in Guangzhou and Suzhou, we are working to develop fine adjustments to suit regional characteristics, incorporating such features as regionally specific allowance programs. In addition, in fiscal 2012 we began providing local associates working at these two subsidiaries with English-language training programs. In Thailand, we have striven to recruit senior staff from local candidates while helping our local subsidiary raise brand awareness among people in universities and other educational institutions. In Mexico, our involvement in the establishment of Akebono Brake Mexico S.A. de C.V. included hiring managers locally and helping them formulate company rules.

Moreover, with the aim of nurturing associates' sense of purpose and pride in their work, since April 2013 efforts have been under way at overseas locations to prepare documents related to our Corporate Mission and other policies in local languages. In addition, such overseas production bases as Akebono Europe S.A.S. (Arras) and Akebono Brake (Thailand) Co., Ltd. have been striving to raise associates' awareness by putting up posters outlining these policies and showcasing the products they make. In Mexico, we gave a presentation on our corporate branding initiatives in June 2014 in support of efforts to nurture local associates' sense of unity as a Group member. We also organized a company trip in July 2013, in which more than 200 associates participated in and had a great time interacting.

To support personnel administration in each country, we hold "Global Personnel Administration Meetings" on a regular basis. At these meetings, we compare the personnel evaluation index adopted at sites worldwide to aid in the improvement of administration.

Looking ahead, we will continue to offer overseas operations labor management support that respects and understands the national character and labor practices of individual countries.



Associates on a company trip

With Our Associates

Improving Worksite Safety and Health

Akebono is striving to eliminate occupational accidents while developing a comfortable workplace.

Occupational Safety and Health Management

Striving to ensure the safety and health of its associates, the Akebono Group established the Occupational Safety and Health Management Structure, with the aim of thoroughly addressing various risks related to its operations, including disasters, accidents and other emergencies.

Placing the utmost emphasis on securing the safety of our personnel, we have set the rules that allow no newly recruited associate or contract worker to engage in actual operations unless they have undergone the required safety education. We also distribute *Need-to-Know about Safety*, a booklet summarizing important safety issues, to all associates to raise their safety awareness.



Response to the Problem of Asbestos

Well ahead of other domestic companies, Akebono began the development of asbestos-free products in the 1970s. Not only did we complete the transition to asbestos-free products for new cars by 1994, we have not manufactured service parts containing asbestos since 2000.

In July 2005, Akebono launched the "Asbestos Special Committee" and established a "Health Consultation Room" within each Group company, implementing complementary health checks for neighbors, ex-associates and their family members. In total, 613 people underwent health checks as of March 31, 2014. We plan to continue health checks in the future.

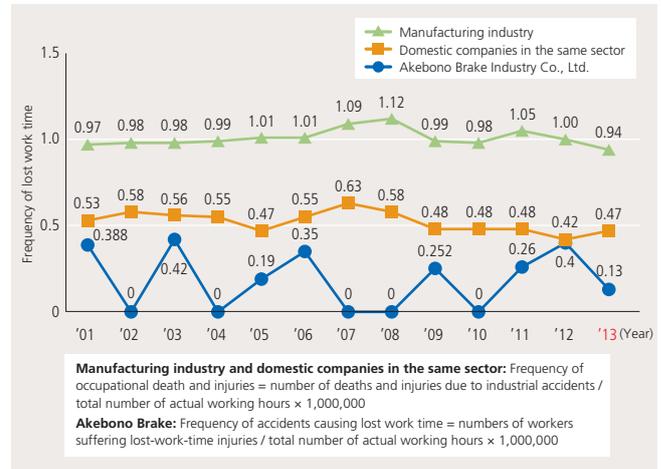
On November 28, 2012, a lawsuit was filed against Akebono by ex-associates and bereaved families of ex-associates, demanding compensation for health damage allegedly attributable to asbestos contained in its products. As of April 30, 2014, hearings were held on nine occasions. We will respond to their claims for such damage with sincerity.

Breakdown of Number of Examinees (from August 2005 to March 2014)

Figures in parentheses represent increases from the previous year

	Ex-associates	Families of ex-associates	Neighbors	Total
Asbestosis found	41	0	0	41
Pneumoconiosis found	16 (+1)	0	0	16 (+1)
No findings	407 (+3)	37	112	556 (+3)
Total	464 (+4)	37	112	613 (+4)

Frequency of Occupational Accidents (frequency of lost work time)



Safety Records at Overseas Locations

As a result of initiatives aimed at reducing occupational accidents, the frequency of lost work time due to occupational accidents in fiscal 2013 was 0.3, a record low.



Figures for 2013 do not contain U.S. national average data as such data had not been publicly disclosed as of June 11, 2014.

Data for Akebono from 2007 to 2009 included ABG and ABE; ABCS and ABCT were added from 2010. AAJ (Indonesia) was included from 2011.

Initiatives Aimed At Raising Safety and Health Awareness

Every year, we hold a "Safety Promotion Convention" during what Japan's Ministry of Health, Labour and Welfare has designated as "safety week" (July 1 to 7) while organizing a "Health Promotion Convention" in concert with the "National Occupational Health Week" (October 1 to 7) designated by said ministry.

At these conventions, prizes are given to associates who have made significant contributions to safety and health promotion over the past fiscal year. At the same time, lectures on occupational safety and health take place. As such, we are striving to develop a corporate structure capable of ensuring every worker's safety and health over the long term.

With Our Associates

Protecting Associates' Health and Safety to Secure Our Operational Foundation

Striving to maintain a sound workforce through the creation of a healthy workplace, Akebono is focusing on developing a better health management structure that is more responsive to current needs.

Our Basic Policy of Health Management

Akebono recognizes that maintaining associates' health is indispensable not only for its ongoing business operations but also for the society in which it operates. With this in mind, we are pursuing health promotion initiatives from the following viewpoints.

1. Enhancing the quality of life of associates
 - a. Promoting physical and mental health while helping associates maintain favorable family relationships and good human relationships at worksites
2. Maintaining a healthy working environment that ensures a long working life
 - a. Addressing the issue of increasing medical expenses
 - b. Preventing the occurrence of health problems that may result in long-term absence or a decline in job performance and productivity
3. Exercising risk control
 - a. Addressing health problems that may increase occupational and commuting accidents or product defects
 - b. Infectious disease prevention

While strengthening the protections on personal information, we are working to identify obstacles to health promotion and striving to overcome them while raising associates' health consciousness and encouraging them to proactively maintain healthy lifestyles. To enhance the quality of life for each associate, we are also promoting such initiatives as a mental healthcare program, thereby developing an even more robust health management structure capable of maintaining our occupational hygiene practices at high levels.

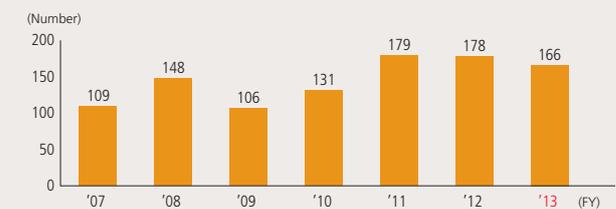
Continuously Enhancing Mental Healthcare Programs

As for our mental healthcare initiatives, in fiscal 2013 we offered a self-examination program to those who are or have been engaged in prolonged overtime work. Moreover, as we had in the year before, we participated in a liaison council hosted by the Japan Auto Parts Industries Association for those individuals responsible for their organization's mental healthcare efforts, which enabled us to update our standard mental healthcare educational program. The council entailed cross-company discussions of measures aimed at promoting mental healthcare.

We incorporated a new program into our training sessions for newly appointed managers to teach them about their roles in a "line-care" structure, in which staff are free to consult with

managers who give advice on how to address individual mental health problems and improve the working environment. Reflecting the effectiveness of our efforts, a growing number of associates are voluntarily consulting physicians about their mental health upon the advice of their supervisors. In fiscal 2014, we will continue to provide the self-examination program while implementing ongoing initiatives aimed at addressing issues identified through such examinations and assessments of each organizational unit's capability to manage mental health problems.

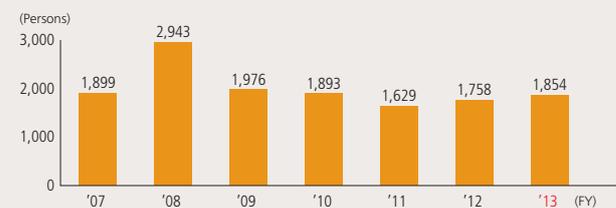
Number of Interviews Held in the Doctor's Room at Ai-City Headquarters



Reinforcing Our Health Management Structure

In fiscal 2014, we will increase the number of in-house physicians and other staff in charge of industrial hygiene. We will also strive to remain apprised of the status of health management at overseas locations to ensure that all our people are receiving necessary health care. Moreover, in cooperation with a health insurance association, we will utilize statistical data gleaned from the health examination results of association members to identify trends in health problems and to plan health promotion initiatives. In these ways, we will strive to prevent health problems from occurring while identifying and treating them at the early stages. We will also work to have more associates and their spouses participate in "Kenko Akebono 21," a health promotion program that encourages participants to set exercise targets.

Number of Participants in the Kenko Akebono 21 Program



TOPICS

Pursuing Worksite Safety and Health on a Global Basis

Global Safety Meeting

Since fiscal 2012, we have held Global Safety Meetings to discuss the application of the "Commonization and Standardization (C&S) plus topping (t)" (C&S+t) initiative to safety operations on a global basis. In the fiscal 2013 meeting, which was held in July, attendees from around the world benefited from discussions on such subjects as differences in safety standards enforced in each country and the exchange of opinions from diverse viewpoints.



Global Safety Meeting

Health Management Initiatives Overseas

In North America, Akebono Brake Corporation (ABC) holds a variety of health promotion events. In 2013, ABC distributed to associates helpful information on how to develop healthy lifestyles while holding a walking campaign that extended to a period of six weeks. It also participated in the Great American Smokeout which encourage smokers to stop using tobacco. As such, ABC is striving to ensure robust health management through in-house events and other cross-the-board initiatives.



ABC associates taking part in the walking campaign

With Our Associates

Highlights: A Look at Our Associates

Akebono assists its associates with their career development through various programs while striving to create a better working environment.

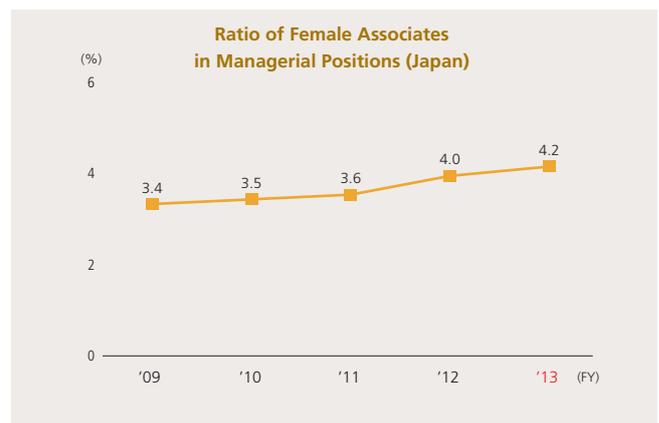
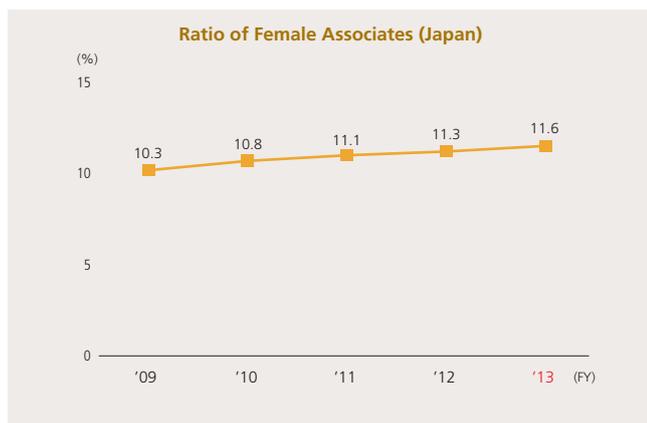
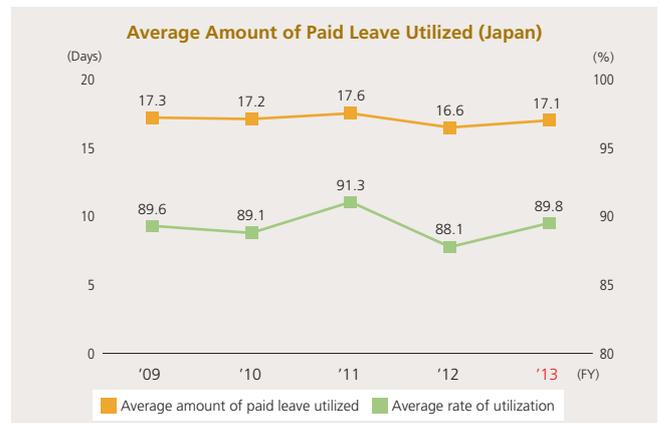
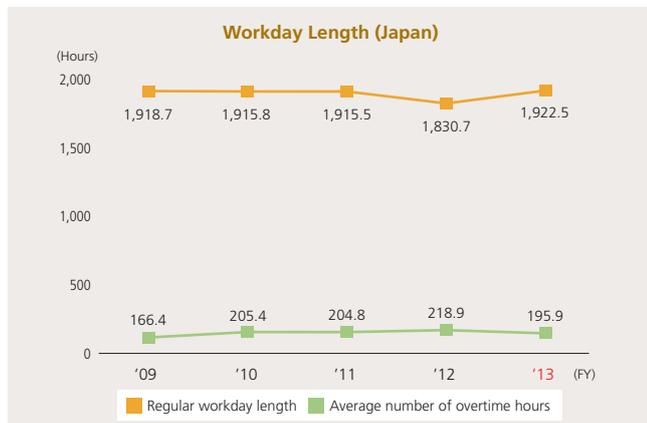
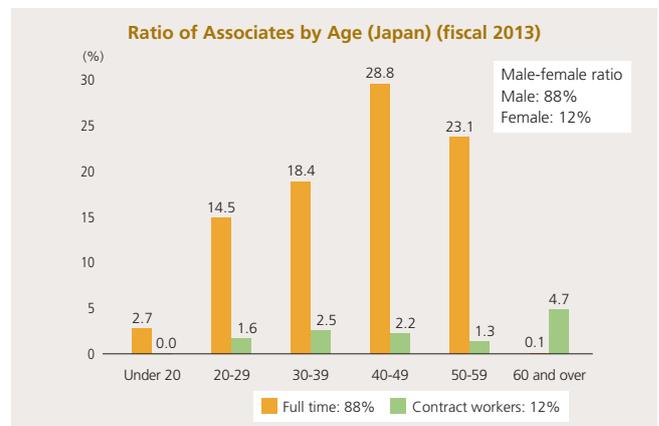
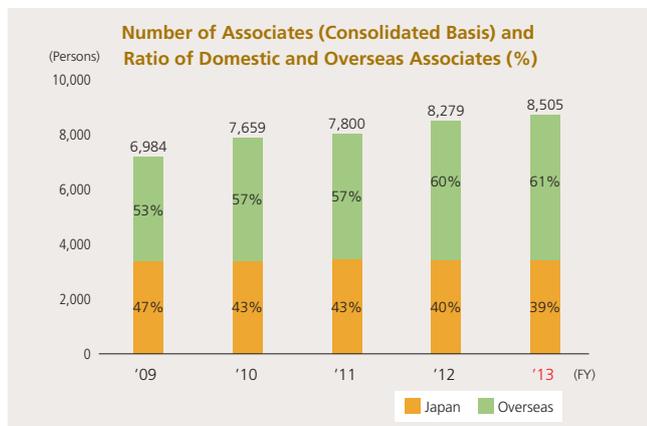
Akebono puts great emphasis on helping associates strike a good work-life balance. Accordingly, we are constantly working to realize a working environment that accommodates diverse work styles to meet individual needs.

For example, we have designed various programs for associates raising children and those caring for their family members to assist them with their efforts to strike a balance between their work and private lives. Some of these programs allow eligible associates to opt for shorter working hours or take leave for child rearing and nursing care. Moreover, we also offer a Career Partner Plan that allows the reinstatement of those who left Akebono due to prescribed reasons. We also support associates' career development efforts

while offering opportunities to participate in self-improvement activities.

We distribute *Life Supporter*, a booklet that summarizes the content of these and other programs with the aim of facilitating the utilization of the programs by associates.

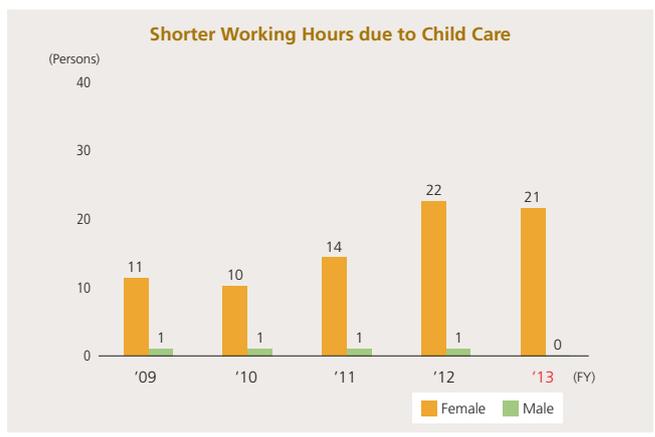
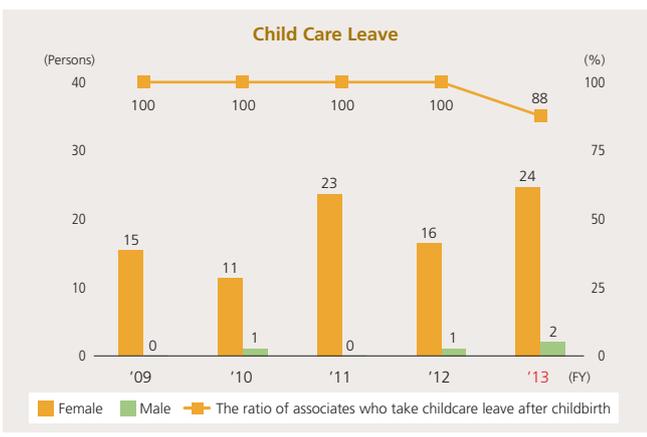
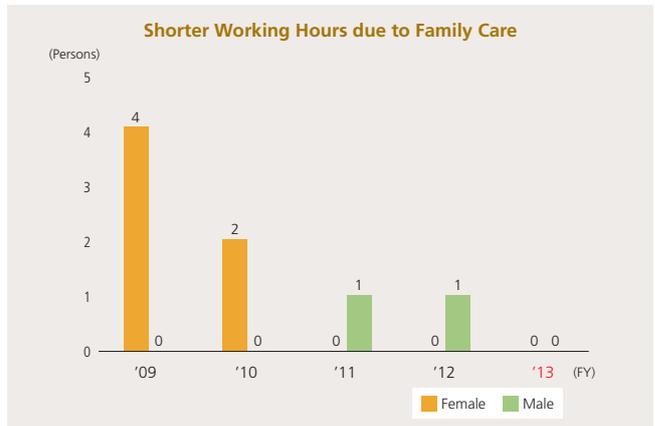
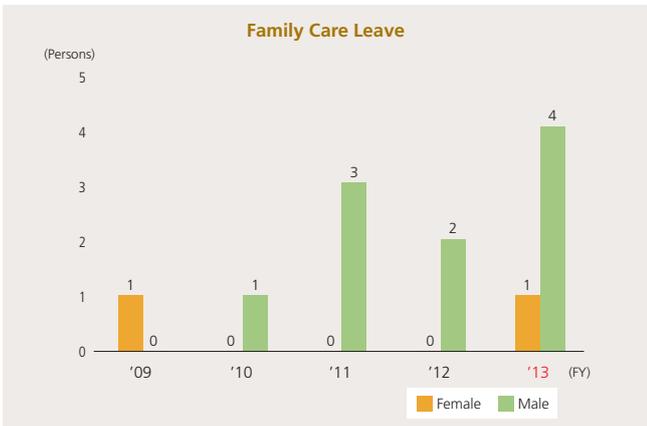
Going forward, we will also implement forward-thinking initiatives with an eye to future issues, thereby securing a corporate structure responsive to changes in the social environment. To create a working environment that offers diverse and flexible working styles, we will continuously enhance these programs by incorporating feedback from associates.



Akebono's Main Initiatives	
The status of utilization	Over the past three years, three male associates and 63 female associates took child care leave. During the same period, the average of postnatal leave ratio was 96%. Note: Akebono has a child care leave plan that exceeds legal standards.
Career Partner Plan	A program that provides those who left the Company due to family duties with opportunities to later rejoin Akebono within five years after their resignation. Eligible associates include those who had served for a continuous period of three years or more before leaving and are meeting other prescribed criteria. Status: To date, a total of six people have been reinstated under the program.
Nursing care leave plan	Associates can take up to two years paid leave per family member to nurse. Status: used by 4 male and 1female associates in fiscal 2013.
Child nursing care plan	Associates can take up to five days of leave per year (ten days for associates with two or more children) to nurse sick or injured children or for children's doctor visits until the child graduates from elementary school. This leave is separate from annual paid leave.
Measures to reduce working hours	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Child care plans</p> <ul style="list-style-type: none"> Reduced working-hours plan Associates can use the system multiple times until children graduate from elementary school. Status: used by 2 male and 57 female associates in the past three years Flex time plan Child care stipend plan A fixed monthly stipend until the March after the child's third birthday </div> <div style="width: 45%;"> <p>Nursing care plans</p> <ul style="list-style-type: none"> Reduced working-hours plan Associates can work reduced hours for up to a total of three years. These can be taken in multiple parts. Status: used by 2 male associates in the past three years. Flex time plan </div> </div>
Improvements to Company environment	<ul style="list-style-type: none"> The Company implements work-life balance workshops for newly appointed managers. Information about balancing work and private life is provided in pamphlets and via the Company intranet. Encourage associates to leave office on time every Wednesday and Friday and shut down the operations of company-run courtesy shuttle buses at 18:45 p.m. to facilitate changes in their working styles (Ai-City) During children's summer vacation every year, we hold "Open House Event" days, in which the families of associates can visit their workplace.

Note: Akebono has a child care leave plan that exceeds legal standards.

Work-Life Balance Statistics (Japan)



Environmental Management

Environmental Management System

Based on our Environmental Declaration and Basic Environmental Policies, we are promoting environmental and CSR management under the leadership of the Global Environment Committee.

In line with Akebono's Corporate Mission and Akebono's Declaration for the 21st Century, the Company established its Environmental Declaration and Basic Environmental Policies, setting forth guidelines for its environmental initiatives.

Our Environmental Vision

Akebono recognizes that responding to the environmental problems is an issue of the utmost importance and seeks to protect the environment on a global scale as part of efforts to fulfill its CSR. Based on this recognition, Akebono maintains a strong commitment to undertaking environmental preservation activities in a comprehensive manner and with a global perspective.

In line with this commitment, the Recycling Committee and the Global Environment Committee were established in 1991 and 1994, respectively, followed by the formulation of the Company's Environmental Declaration and Basic Environmental Policies in 2001.

Rallying the strength of entire Group, Akebono is striving to achieve both sustainable business operations and sustainable society.

Strengthening Cooperation between the Global Environment Committee and Task Forces

Based on its Environmental Declaration and Basic Environmental Policies, Akebono has its established environmental and CSR management systems. Accordingly, Akebono is pursuing more eco-efficient operations, preventing air pollution and other environmental risks from emerging while taking into account CO₂ emissions and industrial waste recycling as well as energy and resource saving.

With the aim of tackling global-scale environmental issues, such as the loss of biodiversity, the Company formed the Global Environment Committee to spearhead its initiatives, with task forces and sectional committees working in close cooperation with it.

Environmental Declaration

Based on our Corporate Mission and Declaration for the 21st Century, we will continue to create new value in the new millennium, contributing to both the Company and the environment. As a global corporate citizen, we will also strive to protect the environment on a global scale and implement ongoing voluntary activities aimed at creating a safe, vibrant society that co-exists in harmony with the environment.

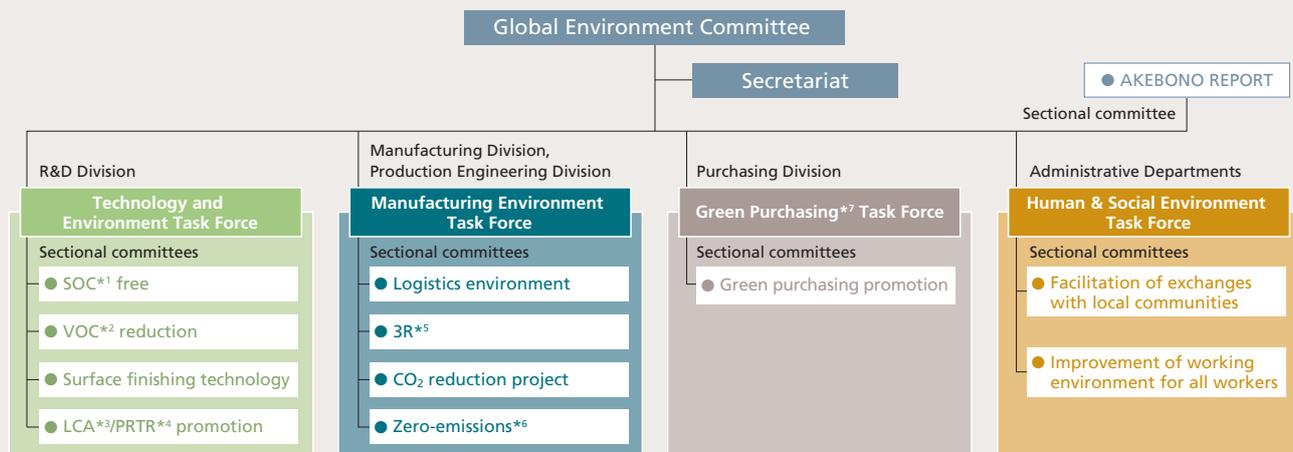
Established 2001

Basic Environmental Policies

1. From the early development and design stages, we will actively pursue initiatives that give consideration to both safety and the environment. We will promote the development of technologies and products that minimize environmental impact.
2. Each and every associate will make ongoing efforts to reduce environmental impact and promote a recycling-oriented society by conserving energy and resources, recycling and reducing waste.
3. In addition to complying with environmental laws, regulations and agreements, we will endeavor to enhance our environmental management by establishing voluntary management standards both in Japan and overseas.
4. We will actively disclose information to increase understanding of our environmental initiatives and encourage positive relationships with communities with the aim of creating a better living environment.

Established 2001

Environmental and CSR Management System



Established in 2001

*1 SOC (Substance of Concern): Environmentally hazardous substances, including mercury, cadmium, lead and hexavalent chromium

*2 VOC (Volatile Organic Compound): Toluene and xylene are representative of this group's compounds, which are suspected of involvement in the development of substances that cause health concerns, including oxidant and airborne particulate matters

*3 LCA (Life Cycle Assessment): A technique for analyzing and assessing the environmental impact associated with the entire life cycle of a product (mining of materials, manufacturing, use, recycling and disposal)

*4 PRTR (Pollutant Release and Transfer Register): Japan's Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act) was passed into law in 1999 and enforced in 2001. Under the law, business operators which handle more than a certain amount of specified chemical substances are required to submit reports to the competent minister annually.

*5 3R: Acronym for reduce, reuse and recycling of resources, activities that contribute to a recycling society

*6 Zero-emissions: Proposed by the United Nations University in 1994, a system wherein companies aim to emit no waste, engaging rather in resource recycling and the effective utilization of waste

*7 Green purchasing: Affirmative selection and acquisition of products that impose less negative environmental impact; scope includes materials used in products as well as secondary materials used in the course of manufacturing. The manufacture of "Green Products" requires the practice of green purchasing.

Environmental Management

ISO Certifications, Environmental Audits and Education

While implementing environmental education programs, we are acquiring ISO certification at business sites worldwide and maintaining it through periodic audits.

Renewal of ISO Certifications

Since the former Akebono Brake Miharu Manufacturing Co., Ltd. became the first ISO 14001-certified facility in the Akebono Group in 1999, all Group members in Japan have obtained the ISO 14001 certification. To date, each has continuously passed two to four successive renewal examinations while extending the scope of their environmental initiatives to include back-office sections as well as their suppliers. Akebono Brake, Elizabethtown Plant (ABE) and other Group members overseas were also certified, with a majority of them completing renewal procedures in fiscal 2013.

Note: ISO 14001: An international standard for environmental management systems issued by the International Organization for Standardization. The next revision of ISO 14001 is scheduled for 2015.

Companies/Operations	Certification date	Renewal Schedule (Year)											
		'06	'07	'08	'09	'10	'11	'12	'13	'14			
Yamagata Manufacturing	00/03	○											
Fukushima Manufacturing	00/03	○											
Iwatsuki Manufacturing	02/03			○									
APS*1	02/03			○									
Ai-City Headquarters	03/03	○											
Tatebayashi Foundry	10/03					◎							
R&D Centre*2	03/03	○											
Alocs*3	07/07		◎										
Sanyo Manufacturing	01/05		○										
ABE (U.S.)	01/07		○										
ABG (U.S.)	01/07		○										
ABCS (U.S.)	02/08			○									
ABCT (U.S.)	01/10		○										
Akebono Europe (Gonesse) (France)	04/09		○										
Akebono Europe (Arras) (France)	04/09		○										
AAIJ (Indonesia)	02/01			○									
Akebono Corporation (Suzhou) (China)	08/11			◎									
AKBT (Thailand)	09/12				◎								
Akebono Corporation (Guangzhou) (China)	10/09					◎							

- Notes:
- 00/03 means "certified in March 2000."
 - Please see pages 66 to 67 for the official names of Group members and operations.
 - Operations marked by a single asterisk (*1) were certified as part of Iwatsuki Manufacturing.
 - Operations marked by double asterisks (*2) were certified as part of Ai-City Headquarters.
 - Operations marked by triple asterisks (*3) were certified accompanying an expansion in the scope of certification to encompass the Production Engineering Division in July 2007 and were included in Iwatsuki Manufacturing in March 2010.
 - Tatebayashi Foundry was certified accompanying an expansion in the scope of certification for Ai-City Headquarters.

Reflecting the Results of Audits in the Environmental Management System

Specifically to demonstrate this Akebono conducts both external and internal audits, we receive external audits which also included the required once per three years audits for ISO 14001 recertification. Additionally, Akebono conducts an internal and external audit to ensure our success.

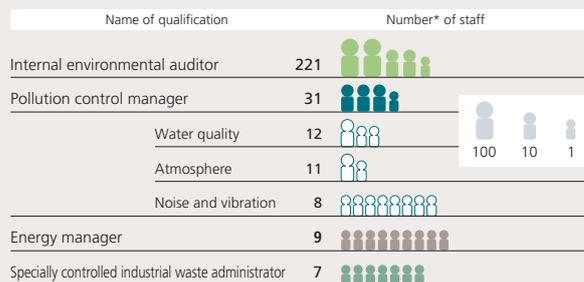
In the latest external audit held in fiscal 2013, the auditors pointed out failure to promptly communicate non-conformance report to the secretariat. In response, the company corrected this condition by requiring the secretariat to issue the audit results instead of the department that was subject to the audit. Moreover, we have revised the environmental committee's monthly meeting agenda to make sure that the committee regularly confirms the progress of environmental auditing under way.

On the other hand, our environmental management system was valued as appropriately established and operated. Specifically, the introduction of a binary-cycle power generation system* was highly rated. Employing the evaporation of a low-boiling point medium, the system collects and makes full use of low-grade heat, a previously untapped

energy resource. The utilization of this system is expected to contribute to energy savings by the generation of renewable electricity. As such, our proactive energy-saving efforts were judged as making great contributions to the mitigation of the environmental burden. We will continue with our environmental impact reduction initiatives.

*A power generation system that employs the evaporation of a medium with a low boiling point. While conventional steam electric generators use superheated 150°C or hotter steam to drive their turbines, binary power generators drive turbines using lower-grade 70°C-to-120°C heat sources that include regular steam or even hot water.

Number of Staff Holding Major Environment-Related Qualifications (as of March 31, 2014)



*Total for six operations (Yamagata, Fukushima, Tatebayashi, Iwatsuki, Sanyo and Ai-City Headquarters)

Enhancing the Content of Environmental and Safety Education

With the aim of securing sustainable development through in-house education, Akebono provides Education for Sustainable Development (ESD). While incorporating ESD in new recruit training and various other in-house education programs, the Company has established an across-the-board education system targeting all associates to raise their environmental awareness.

For example, our online education system offers 52 courses on such subjects as ISO 14001 and the global history of environmental pollution. The system allows associates to take these courses at work desk, at home, or even when they are on a trip abroad.

The Company is making the most of the advantages offered by both online education and hands-on experience. Meanwhile, the Environmental Dojo, a training center in Hanyu City, Saitama Prefecture, hosts environmental education programs centered on providing hands-on experience. One such program involves growing fireflies with the aim of nurturing awareness of how important and difficult biodiversity preservation is. Other programs include collecting CO₂ gas and compressed air leaking from equipment in plastic bags for a real-world hands-on lesson on the actual volume of such emissions and leakage.



An overseas associate taking an online course



A domestic associate taking an online course



Inspecting facilities using an ultrasonic measurement device



Hands-on experience: collecting CO₂ gas to really understand emission volume

Environmental Management

Targets and Results

Under the leadership of the Global Environment Committee, we establish medium- and long-term targets for each section as guidance for environmental preservation efforts.

Environmental Targets for Fiscal 2013 and Results Achieved

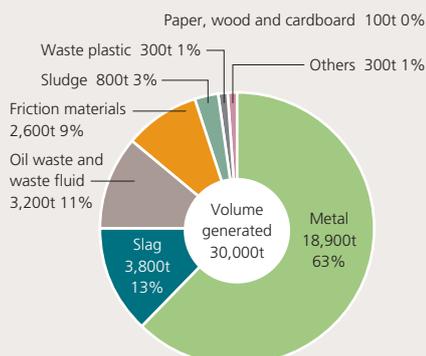
	Initiatives	Medium- and long-term targets	Targets for fiscal 2013
R&D	Promotion of products containing no substances of concern (SOCs)	Complete the conversion to lead-free sintered material by 2020 (for local and bullet train lines)	Develop lead-free sintered material in fiscal 2013 (for local and bullet train lines)
Production	Reduction of total CO ₂ emissions at five production plants in Japan	Improve CO ₂ intensity more than 1% every year until 2020	Improve CO ₂ intensity more than 1%
	Continue ISO 14001-related activities and improve environmental management system	Continue to enhance environmental activities	Firmly root ISO 14001 in operations and steadily renew certifications
	Promotion of zero-emission activities at production sites: eliminate direct landfill disposal	Maintain zero emissions	Maintain zero emissions
Environmental education	Environmental Dojo (training center)	Nurture human resources to disseminate environmental preservation methods to locations nationwide through training programs implemented at Environmental Dojo	Get feedback from the trainees and reflect it in the program
Logistics	Response to revised Energy Conservation Law (energy saving obligation of cargo owners)	Reduce unit energy consumption 1% on a year-on-year basis	Continue efforts to reduce unit energy consumption 1% on a year-on-year basis
Purchasing	Promotion of green purchasing	Establish structure that ensures purchasing activities in line with the Green Purchasing Guidelines	Revise supplier quality management (SQM) standard manuals
Production engineering	Promotion of resource-saving design	Develop manufacturing facilities that are reusable, achieving a greater yield ratio, energy saving and eco-friendly operations, thereby realizing environmentally friendly manufacturing	Further enhance energy-saving and resource-saving technologies

Continuation of Zero-Emission Efforts

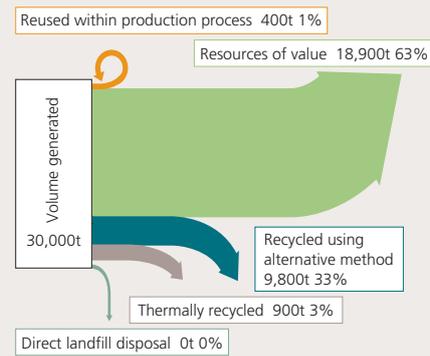
Akebono achieved zero emissions (zero direct landfill disposal) at all domestic facilities in February 2007 and has since been maintaining that status. In fiscal 2013, the Group's total waste

emission volume decreased 500 tons, or 2%, from fiscal 2012. We continue to pursue zero emissions through such efforts as recycling waste sand into cement raw materials, which we began outsourcing in 2010.

Waste Generated in Fiscal 2013 (primary operations in Japan)



Fiscal 2013 Volume of Waste Generated and Recycling Ratio (major operations in Japan)



Since fiscal 2007, we eliminated direct landfill disposal completely.

Change in Total Volume of Waste Generated and Recycling Ratio (major operations in Japan)



- Total volume of waste generated includes resources of value, such as metals.
- Values represent aggregation of eight operations. Tatebayashi Foundry was included in the scope of calculations in fiscal 2009.

Evaluations: A 100% accomplished / B not accomplished

Results achieved in fiscal 2013	Evaluations	Plans for fiscal 2014 and after	Related pages
Completed the development of a lead-free sintered material (not applicable to certain categories of rolling stock) Promoted a changeover of conventional materials to a lead-free material Lead-free rate is 40% as of fiscal 2013	B	<ul style="list-style-type: none"> • Further promote a changeover to the lead-free sintered material for applicable categories of rolling stock • Develop lead-free materials that suit for other categories of rolling stock 	42
Improved CO ₂ intensity 1% compared with fiscal 2012 through a changeover of oil fired boilers to heat pumps and the application of heat-insulating coatings to building rooftops	A	Improve CO ₂ intensity more than 1% compared with fiscal 2013	39
Renewed the ISO 14001 certifications at seven sites, including Akebono Corporation (Guangzhou) in China	A	Continue to firmly root ISO 14001 in operations and steadily renew certifications	35
Maintained zero emissions.	A	Continue to maintain zero emissions; generate no direct landfill disposal	36
<ul style="list-style-type: none"> • In response to comments that the program was overly technical, we introduced simpler experiments, such as making the volume of CO₂ gas visible by collecting it in plastic bags, in this way offering a greater degree of choice to the trainees • Started introducing the online education program implemented at ABCT (United States) to Japan 	A	Get feedback from the trainees and reflect it in the program	35
Improved unit energy consumption 4% compared with fiscal 2012 (from 0.253 to 0.243). <Improvements> <ul style="list-style-type: none"> • Introduced a dynamic management system for the real-time management of truck operations • Eco-friendly driving activities and seminars. 	A	Continue efforts to reduce unit energy consumption 1% or more on a year-on-year basis	46
<ul style="list-style-type: none"> • Conducted research in tandem with suppliers into the possibility of materials that use fewer environmental impact substances and require lower energy input with the aim of making concrete proposals for new material development • Carried out the following revisions to SQM standard manuals to ensure the greater understanding of suppliers with regard to the Company's approach to environmental impact substance reduction → Enhanced GADSL*² explanations → Provided clearer descriptions of procedures for the handling of environmental impact substances 	A	<ul style="list-style-type: none"> • Encourage suppliers to upgrade their environmental management systems • Continue supply chain survey using IMDS*³ 	44
Introduced a next-generation processing machine for friction materials that reduces energy usage by 50% during the thermoforming stage.	A	Further enhance energy-saving and resource-saving technologies	45

*1 Matters regarding safety and crisis management (business continuity plan) are presented on page 21 in a chart labeled "CSR Promotion Status"

*2 Global Automotive Declarable Substance List (See page 45)

*3 International Material Data System used by the automobile industry to report data on materials



Akebono Brake Yamagata Manufacturing Co., Ltd. installed a next-generation friction material production facility that thanks to improved manufacturing processes boasts 50% greater energy-saving efficiency.



In planters set up around the cafeteria building, loofah and bitter melon vines climb, acting as "green curtains" that, by providing shade and removing heat from the air through evaporation, help to keep the indoor temperature down and thereby reduce the need for air conditioning.



Special Feature

Social Report

Environmental Report

Economic Report

Corporate Information

Environmental Management

Environmental Accounting and Eco-Efficiency

Using environmental accounting data, we are continually revising our operations to achieve better eco-efficiency.

Using Environmental Accounting Data to Assess Eco-Efficiency

In accordance with the “Environmental Accounting Guidelines 2005” formulated by the Ministry of the Environment of Japan, Akebono has calculated the costs and effects of its environmental preservation activities in fiscal 2013. The economic effects of environmental preservation measures are calculated based on concrete evidence.

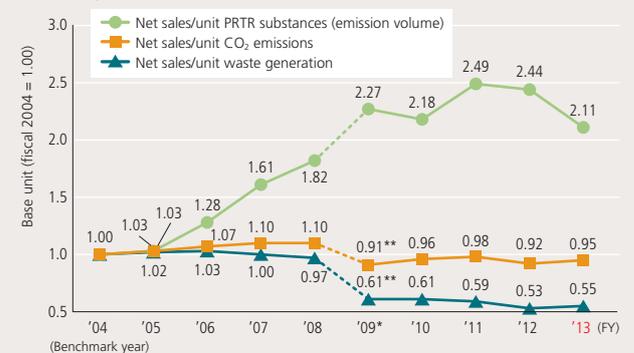
The environmental preservation costs for 11 domestic operations in fiscal 2013 amounted to ¥661 million, down 20% year on year, and represented approximately 0.7% of domestic net sales on a consolidated basis.

In fiscal 2013, among the three indicators that the Company employs to assess the eco-efficiency of its operations, the indicator for PRTR substance emissions deteriorated year on year (indicated by in green in the graph at right). This was mainly due to the growing proportion of net sales attributable to sales of brake pads and other products that have a higher chemical content and require more heat processing than other products. The proportion of brake pad sales to net sales rose from 20% in fiscal 2012 to 21% in fiscal 2013, up 1 percentage point or approximately 5% year on year. (Please also see page 51.) Brake pads contain more than a dozen chemical substances, and are applied under high pressure and temperature conditions to ensure a high degree of reliability and durability in demanding situations.

To improve eco-efficiency, Akebono is developing products (see page 37) and production processes (see page 42) that result in lower CO₂ emissions.

Changes in Eco-Efficiency Based on Consolidated Net Sales

(Eco-efficiency = Net sales / Environmental impact)



*From fiscal 2009, the scope of calculation includes the following seven production plants: Yamagata, Fukushima, Miharu, Iwaki, Tatebayashi, Iwatsuki and Sanyo.

**The decrease in the eco-efficiency base on net sales per unit CO₂ emissions and the eco-efficiency of net sales per unit waste generation recorded in fiscal 2009 was due to the inclusion of Tatebayashi Foundry in the scope of calculation.

Eco-efficiency: An indicator that integrates economic performance and environmental performance. It is defined as the net sales per unit environmental impact imposed by business activities. For this evaluation, Akebono has adopted measurements of industrial waste, CO₂ emissions and PRTR substances (emission volume) as indicators of environmental impact.

Environmental Accounting Guidelines: Guidelines for accounting management formulated by the Ministry of the Environment of Japan aimed at providing a method for defining the costs of environmental impact reduction activities to elucidate their effectiveness and performance. The latest version was issued in February 2005.

PRTR (Pollutant Release and Transfer Register): Japan's PRTR system legally obliges business operators handling certain chemical substances to collect and publically disclose information on said substances, including with regard to the volume generated, emitted and transported off premises. This information must be appropriately gathered, verified and reported by those operators.

Environmental Preservation Costs

(millions of yen)

Environmental preservation costs			FY2011		FY2012		FY2013	
Category	Major initiatives		Investment	Costs	Investment	Costs	Investment	Costs
Main business segment	Pollution prevention	Prevention of air, water and noise pollution	36	352	37	241	71	204
	Global environmental preservation	Prevention of global warming and ozone depletion	0	66	145	84	54	59
	Resource recycling	Reduction, disposition and recycle of industrial waste	0	174	0	186	0	188
Upstream and downstream	Recycling and reuse of products and their packing materials	0	3	0	-3	0	0	
Administrative	Environmental education and environmental management system (EMS) related activities, including the acquiring of EMS certification	0	63	0	46	0	34	
R&D	R&D of eco-friendly products	0	120	0	78	0	45	
Social activities	Initiatives to improve the environment, including nature preservation, planting and cleaning activities	0	11	0	8	1	5	
Recovery	Soil remediation and natural disaster recovery measures	0	0	0	0	0	0	
Subtotal			36	791	182	640	126	535
Total			827		822		661	

Notes:

- The scope of calculation for environmental preservation costs includes the following 11 bases: Yamagata, Fukushima, Miharu, Tatebayashi, Iwatsuki, Sanyo, ACW (including purchasing), R&D sections (including Ai-Ring), production engineering sections, Alocs and the R&D Centre.
- Environmental preservation costs are the amount spent for such activities as operation and maintenance of environment preservation facilities.
- Value of investment is amount invested on introduction of environment preservation facilities.
- Values indicated in subtotal of environmental preservation costs in fiscal 2011 differ from the actual sum of costs for the respective years due to rounding.

Major Quantitative Effects

(millions of yen)

Quantitative effects (reduction from the previous year)				Economic effects of environmental preservation measures				
Major items		FY2011	FY2012	FY2013	Effect	FY2011	FY2012	FY2013
Global warming prevention (CO ₂ reduction)	t-CO ₂	-900	-1,900	700	Income from recycling and others	69	68	87
Reduction of industrial waste generated	t	-1,800	3,100	500	Cost reduction through energy saving, VA* ¹ and VE* ²	317	162	181
Reduction of industrial waste disposed of in landfills	t	0	0	0	Decrease of waste disposal costs	98	71	47
Reduction of water usage level	1,000m ³	20	0	10	Total	484	302	315

Notes:

- The scope of calculation of quantitative effects and economic effects is the same as that used for environmental preservation costs and includes 11 operations.
- Values with a plus sign indicate a reduction. In addition, values have been retroactively adjusted accompanying the change in scope of calculation.
- Figures indicating economic effects for fiscal 2012 do not add up to 302 due to rounding.

Environmental Management

Global Warming-Related Initiatives

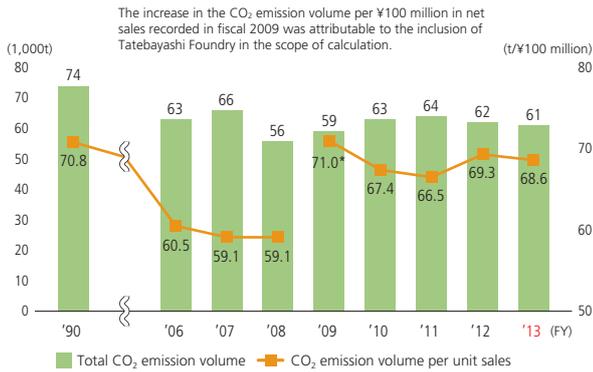
To help prevent global warming, we are continuing our efforts to reduce CO₂ emissions and water usage, mitigating the environmental footprint of our operations.

Reduction of CO₂ Emissions

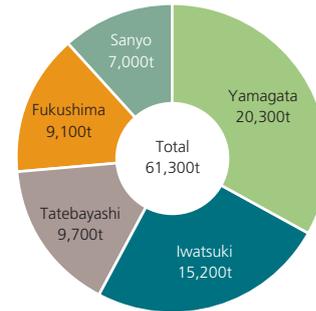
Since 2007, Akebono has engaged in energy conservation and CO₂ reduction projects at its production bases nationwide. These projects have included the upgrading of facilities, for example, replacing oil-fired boilers to curb CO₂ emission.

Akebono's CO₂ emission volume in fiscal 2013 (total of main production sites in Japan) was 61,300 tons, down 1.1% year on year. We thus achieved our target of a decrease of at least 1%.

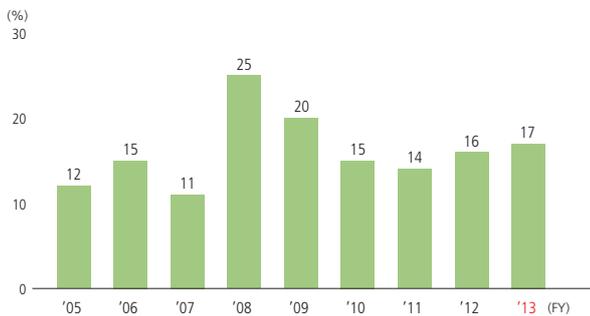
Total CO₂ Emission Volume and Emission Volume per ¥100 Million in Net Sales



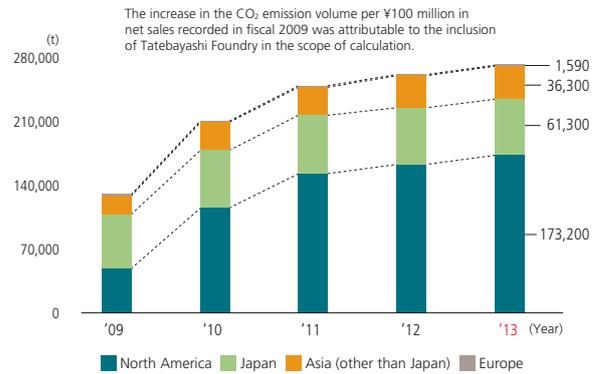
CO₂ Emission Volume in Fiscal 2013



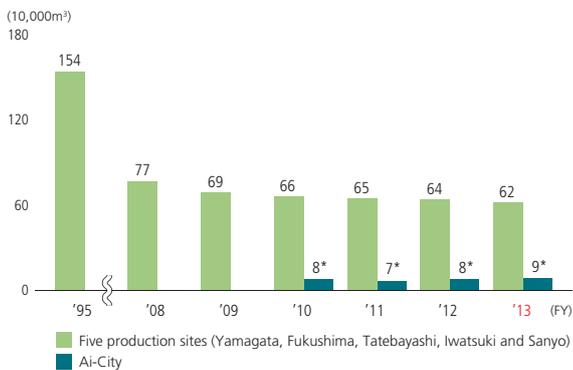
CO₂ Emission Reduction (from the 1990 baseline)



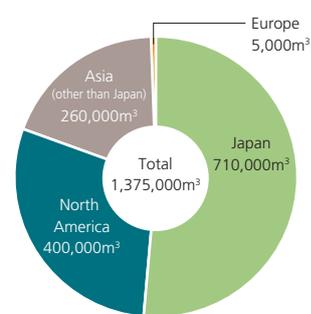
Total CO₂ Emission Volume and Emission Volume per ¥100 Million in Net Sales



Change in Water Resource Usage Volume (Japan)



Water Resource Usage Volume of the Akebono Group Worldwide



Environmental Management

Fiscal 2013 Emission Volume of PRTR Designated Chemical Substances

Through the monitoring, reduction and proper management of hazardous chemical substances, we strive to minimize their emissions to the environment.

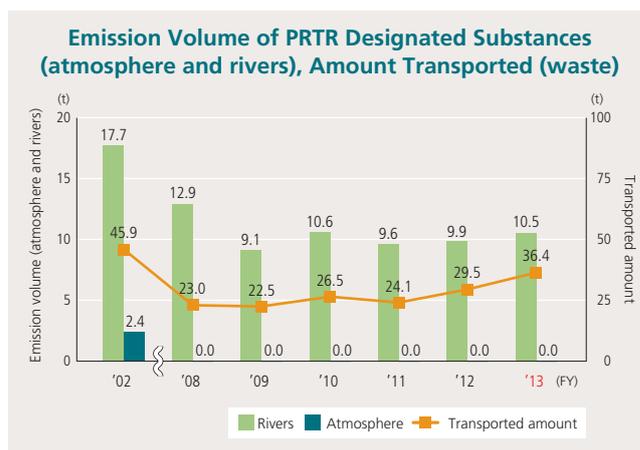
Reduction of Hazardous Chemical Substances

The PRTR (Pollutant Release and Transfer Register) is the legal system obliging business operators who handle potentially hazardous chemical substances to identify, collate and disclose information on such substances, including data on where the substances are generated and emitted and whether the substances are transported off premises mixed with waste.

The Pollutant Release and Transfer Law (PRTR Law) for the Promotion of Chemical Management, which is the basis of the above system, requires such business operators to record the amount of such substances they handle, emit and transport. In April 2001, 354 substances were listed as Class I Designated Chemical Substances requiring surveys and reports to business operators. A revision of the law enacted in October 2009 further extended the scope of listed substances to 462, and established 100 Class II Designated Chemical Substances. Business operators handling or manufacturing designated chemical substances must monitor the amount of such substances that are emitted into the environment as well as the amount transported off premises in waste or sewage water for disposal. Also, these matters must be annually reported to the competent authorities.

To reduce emissions of such chemical substances, Akebono has been introducing powdered paints as well as paints that contain lower amounts of organic solvents.

As a result, the Company's emission volume of PRTR designated substances decreased 41% to 10.5 tons in fiscal 2013, compared with 17.7 tons in fiscal 2002, the year PRTR law was enforced.



Fiscal 2013 Emission Volume of PRTR Designated Chemical Substances

Unit: Tons/Year

Name of substance*1	Amount handled		Amount emitted				Amount transported				Amount removed through proper removal methods		Amount consumed (attached to products)	
			Atmosphere		Rivers		Landfill		Recycled					
	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
Antimony and its compounds	36.8	81.6	0.0	0.0	0.0	0.0	0.0	0.0	4.4	11.6	0.0	0.0	32.4	70.0
Xylene	6.2	6.6	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	6.1	6.4	0.0	0.0
Trivalent chromium compounds	26.0	23.6	0.0	0.0	0.0	0.0	0.0	0.0	4.1	3.4	0.0	0.0	21.9	20.2
Chlorobenzene	2.7	2.8	2.7	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Triethylamine	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	1.2	1.4	0.0	0.0
Hexamethylene tetramine	113.5	116.3	0.0	0.0	0.0	0.0	0.0	0.0	10.5	10.8	103.0	105.5	0.0	0.0
Toluene	7.1	7.5	7.1	7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nickel compounds*2	18.8	12.7	0.0	0.0	0.0	0.0	0.0	0.0	5.1	5.6	0.0	0.0	13.7	7.1
Phenol	32.7	33.2	0.0	0.0	0.0	0.0	0.0	0.0	2.9	2.9	29.8	30.3	0.0	0.0
Manganese and its compounds	6.6	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.0	0.0	5.8	6.2
Molybdenum and its compounds	6.8	6.9	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.0	0.0	0.0	5.7	5.9
Boron compounds	2.1	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.0	0.0	1.7	1.4
Total	260.7	301.3	9.9	10.5	0.0	0.0	0.0	0.0	29.5	36.4	140.1	143.6	81.2	110.8

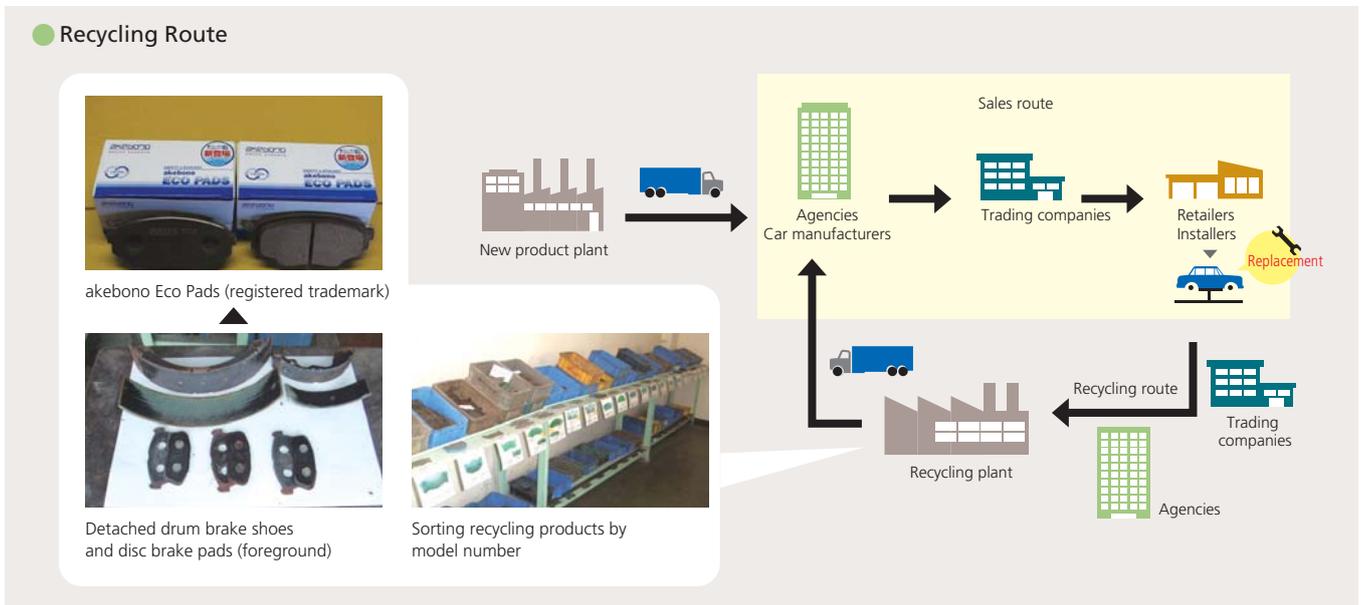
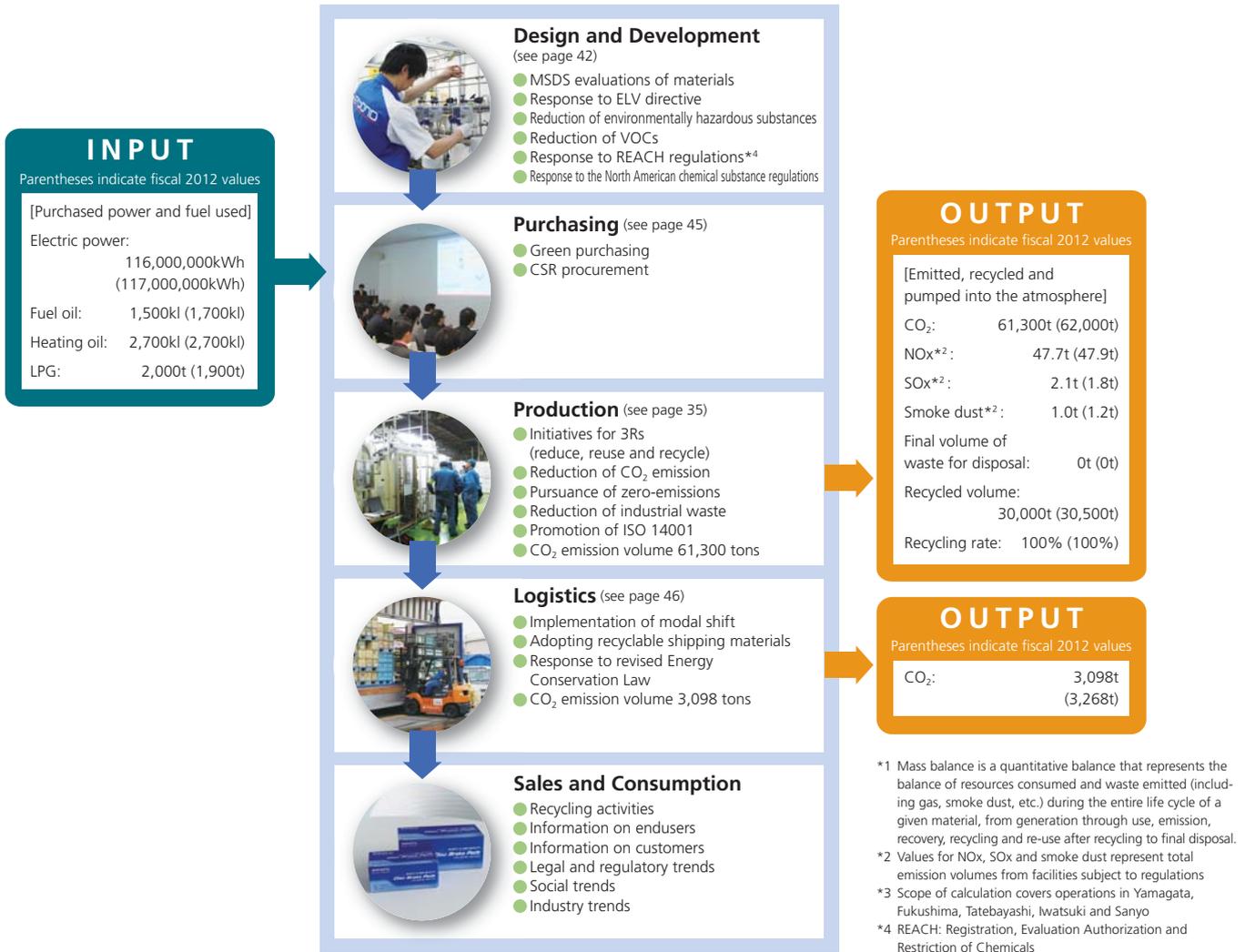
*1 The scope of calculation covers all of Akebono's domestic production plants. In principle, substances for which the amount handled is less than one ton per year are not included; however, substances marked by double asterisks (*2) have been included in the chart and amounts exceeding 0.5 ton per year are indicated.

Environmental Management

Product Life Cycles and Environmental Impact Mass Balance*1

With an eye on product life cycles, we seek to reduce the environmental impact at all stages from design and development to the recycling of used products.

Our initiatives for the environment begin with the design and development stage, covering all stages thereafter, including the recovery and recycling of used products. In all aspects of its business, Akebono is practicing the effective utilization of resources with the aim of contributing to a recycling society.



Special Feature
Social Report
Environmental Report
Economic Report
Corporate Information

Initiatives at the Design and Development Stage

Akebono is working to deliver brakes that are friendly to both people and the environment by creating products free of environmentally hazardous substances while pursuing a longer life for its products.

Developing Products Free of Environmentally Hazardous Substances

In North America, regulations on environmentally hazardous substances have been tightened due to anxiety over the impact of brake dust on the ecosystems of rivers and gulfs.

In response, Akebono is striving to develop technologies that reduce the volume of brake dust generated from the use of friction materials while extending the product life of brake pads.

Also, Akebono promotes the development of products with a lower environmentally hazardous substance content. In accordance with in-house guidelines, which set forth stricter regulations on brake raw materials than required by law, Akebono painstakingly examines these materials' possible impact on the environment and work environment even from the product design and development stages.



Painstakingly examining material data to avoid burdening the environment

Developing Proprietary Materials

The theme of one development project carried out at Akebono Research & Development Centre was creating a proprietary brake constituent that would improve the performance of friction materials at high temperature ranges. Under this project, we developed a new solid lubricant material with a thermal decomposition temperature of around 800°C, which is higher than that of any similar material. Moreover, the new material contributed to superior friction performance as well as improved braking performance (μ) and stability by helping raise seizure resistance to approximately 30% above that of conventional materials. This accomplishment enabled Akebono to supply friction materials with less braking

noise and greater durability for use in the McLaren P1™ ultra-high-performance road car on a mass-production basis. The incorporation of this new material also helps prolong the product life of brake pads, contributing to resource savings.

Moving forward, Akebono is striving to develop proprietary materials with the aim of differentiating itself and securing its competitive edge.



Further efforts are under way to create more proprietary materials

A Vehicle Incorporating Akebono's FNC Finished Rotors NMWS "2014 North American Truck of the Year"

In tandem with U.S.-based General Motors Corporation, Akebono developed brake components, such as calipers, rotors and brake pads, for use in the Chevrolet Silverado, a vehicle that was named the "2014 North American Truck of the Year." The rotors are finished using the ferritic nitro-carburizing (FNC) process and thus deliver superior braking performance as well as low noise and vibration while boasting an industry-leading product life, which, in turn, contributes to resource savings. Moreover, FNC finishing helps maintain the appearance of wheels, thereby adding more value to rotor products.



An FNC finished rotor that contributes to longer brake life

TOPICS

Satisfying U.S. Regulations on Chemicals Used in Brake Friction Material

In 2014, new regulations were enforced in California and the state of Washington, the United States, setting limits on copper and other specified substance content in brake pads, linings and friction materials produced on and after January 1, 2014. Moreover, these regulations oblige manufacturers to label their pads and linings using Friction Materials Edge Code Markings that indicate compliance. In response, a number of Akebono's business units, including its U.S., Japanese and Asian production bases that manufacture friction materials destined for the



A brake pad labeled with Friction Materials Edge Code Markings

American market, as well as development, quality assurance, sales and production engineering sections worldwide, have striven to ensure compliance with

these requirements through across-the-board collaboration that has resulted in their functioning truly as "One Team," "One akebono." Looking ahead, we will painstakingly continue to implement measures aimed at complying with state laws and other regulations, such as package labeling statutes.



Voice of Associate

Yuko Matsumoto, Automotive Sales Department No. 2, Automotive Sales Division

As we endeavored to ensure compliance with the U.S. chemical substance regulations, I learned difficulty of securing the smooth collaboration of a number of different business units while identifying some areas of our weaknesses. I will draw lessons from this experience so that we can better handle the next challenge that comes our way.

Taking on Future Technological Challenges

Akebono is motivated to realize innovative technologies that can contribute to the reduction of CO₂ emissions and energy and resource saving.

Ceaseless Pursuit to Make Brake Components as Light as Possible

Since 2007, Akebono has been supplying its brake systems to the "McLaren Mercedes" Formula One racing team. To satisfy McLaren's requirements, Akebono has worked to enhance its brakes' reliability and stability to the greatest possible extent and, to this end, has developed technologies that improved the structure, materials, surface finishing and other aspects of its products.

Striving to develop competitive brakes for use in Formula One, FIA World Endurance Championship and other prestigious motorsports, Akebono will continue to achieve technological breakthroughs that contribute to the creation of products for mass production. For example, our weight-saving technologies will help enhance fuel efficiency and thereby contribute to lower energy consumption for automobiles. Furthermore, by participating in endurance racing, we will advance technologies for the greater wear performance of brakes in heavily loaded conditions. This will, in turn, help us create products with a longer life while helping to save resources.

In addition, Akebono is developing copper-free brake pads for use in high-performance vehicles in response to U.S. regulations. Looking ahead, we will launch brake pads that simultaneously achieve superior performance and environmental-friendliness for mass-produced vehicles. Moreover, we will go on to supply more environmentally friendly products even in the field of high-performance vehicles.

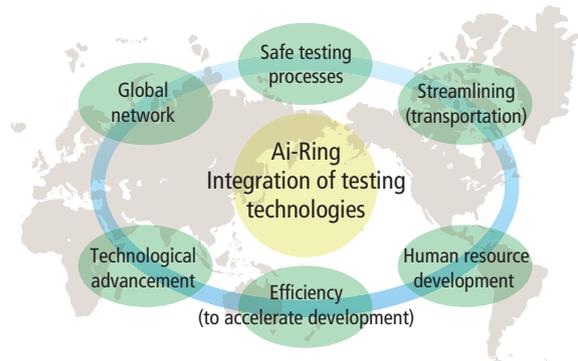


Manufacturing equipment that adjusts at the tenth of a millimeter level of fineness

Upgrading Ai-Ring to Secure Competitiveness in the Global Market

One of Japan's largest test courses possessed by an automobile part manufacturer, Ai-Ring is equipped with verification facilities that enable Akebono to carry out various types of brake testing using actual vehicles. A construction project aimed at upgrading the whole facility is now under way, with an eye to completion in March 2016, and will include new multiple tracks used for new product development. Once completed, the new Ai-Ring will enable us to test brakes in conditions even closer to actual driving environments, thereby helping us to better verify our advances. In addition, dynamometer brake testing equipment will be added, with the aim of implementing bench testing, dyno testing and vehicle testing in a single facility. While establishing a global development structure, Akebono will enhance its R&D competitiveness through this facility upgrade. Moreover, Ai-Ring will help us integrate testing techniques employed at R&D bases worldwide while providing a place for training designers and engineers.

The upgraded Ai-Ring will serve to accelerate our progressive initiatives by enhancing the critical development capabilities needed to achieve technological differentiation. At the same time, we will also utilize this facility to develop brakes that help save energy and resources.



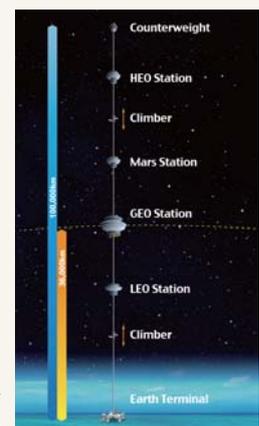
Concept map visualizing the functions of the new Ai-Ring

TOPICS

Brakes for a "Space Elevator"

A carbon nanotube is a lightweight material boasting superior strength. This innovative material offers the possibility of constructing a "space elevator," a futuristic transportation system connecting earth and space. The current concept of a space elevator includes the establishment of space stations in geostationary orbit to enable ground-space transportation. Projects are now under way at universities and other research institutions worldwide studying this concept. In Japan, Akebono is

providing technological assistance to JAPAN SPACE ELEVATOR ASSOCIATION, a general incorporated association established in 2008, by proposing designs for the brake systems such an elevator would require.



Conceptual drawing of the structure of a space elevator
(Provided by JAPAN SPACE ASSOCIATION)

The Development of New Products and Technologies

While encouraging young engineers to study about and apply cutting-edge manufacturing approaches, Akebono is incorporating their insights to create new products and technologies.

Building Miniature Lines to Train Young Technicians

Every year, Akebono has young technicians create a miniature brake or brake component manufacturing line that runs on a single motor as part of their training. A team of young and mid-level technicians from the Production Engineering Division creates the miniature line from the planning and design stages.

Marking the fourth round of its kind, in 2013 this fabrication training resulted in the creation of a miniature aluminum opposed-type disc brake manufacturing line comprising ten production processes. Consisting of parts fabricated in-house using 3D printers and laser cutters, the manufacturing line also incorporated a clockwork-type mechanism so that it would operate in a way more akin to the actual production line. Also, emphasis was put on making the entire mechanism easily visible and understandable from the outside.

Such activities help associates enhance their understanding of overall production processes. Moreover, the experience they gain through such exercises give them advantages when they go on to



improve real production lines, helping them to realize thoroughly streamlined, energy-saving, people- and environmentally friendly facilities.



Voices of Leader

Takayuki Yoshida, Friction Material Production Engineering Department, Production Engineering Division

I struggled with multiple mechanism defects that could have not been identified only by reviewing a blueprint.

Because it took considerable time to determine and remedy the cause of such defects, it brought home to me the difficulty of pushing forward overall facility construction processes while striving to fix every single defect. As a result, I was able to gain not only engineering knowledge but also an understanding of the importance of ensuring the on-time completion of project and keeping costs in check.

Taking a Closer Look at Leading Technologies at the Frankfurt Auto Show

Akebono encourages its young engineers to visit major automobile shows around the globe so that they are exposed to world-leading, cutting-edge technologies. We incorporate their insights in development activities with the aim of creating products with superior performance and environmental friendliness.

Voices of Associates



■ Witnessing a Growing Trend toward Electro-Mechanical Products

Yuichiro Inoue, Akebono Advanced Engineering (UK) Ltd.

Among the exhibits that inspired me were new cars for use in "Formula e," a recently launched racing category for vehicles powered solely by electricity. Also, many calipers incorporating electro-mechanical parking functions were on display. These exhibits brought home to me the growing need for electric parking brakes. I also discovered how important it is to pay attention to the field of high-end and high-performance vehicles in order to stay apprised of the latest trends in brakes in this field.



■ Recognizing the Need for Brakes Suited to Today's Vehicles

Shogo Mashimo, Special Assignment Project

I was particularly amazed to see that our competitors' electric parking brakes were incorporated in many vehicles produced by European automakers. Seeing the trend toward electro-mechanical products brought home to me the significance of a progressive technological development that can differentiate us from competitors.



■ Seeing the Latest Trends Urges Me to Accelerate Development

Takashi Masuda, Electro-mechanical Brake Development Department, R&D Division

I saw that electric parking brakes produced by four major European brake manufacturers were installed in about 80% of vehicles exhibited. On the other hand, Japanese manufacturers seemed to be a step behind in terms of the introduction of these brakes. This prompted a sense of urgency in me about accelerating our development efforts.

TOPICS

Taking on Challenges for More Added Value

To create new added value for Akebono products, we have formed caliper development working groups consisting mainly of young engineers with the aim of simultaneously realizing weight reduction and sophisticated product design. We are also



holding design workshops aimed at incorporating the perspectives of young associates and female associates to enrich the value of our products. These

activities have brought us new insights. Specifically, we learned that many women put emphasis on "harmony" when designing a product's outward appearance while showing preference for "human-centeredness" when it comes to functionality. As we also learned that majority of women are not so familiar with brakes, we are implementing various initiatives to develop products that can attract their interest.

In these ways, we will work together to blaze an innovative path to the future, with every associate fulfilling their roles and responsibilities as a part of "One Team," "One Akebono."

Initiatives at the Purchasing Stage

Akebono aims to deliver greater environmental quality by working together with its suppliers.

Promoting CSR and Green Purchasing Activities

Akebono's consideration for the environment and CSR begins at the material procurement stage. Based on "Green Purchasing*1 Guidelines" formulated in fiscal 2005, Akebono works with suppliers to select materials, secondary materials and parts that have lower environmental impact, with the aim of ensuring compliance with regulations on environmental impact substances through green procurement activities involving the entire supply chain.

Akebono is striving to bring its environmental management to a higher level by encouraging suppliers to obtain ISO 14001 and other external certifications.

Response to the Conflict Minerals*2 Issue

The U.S. Congress passed the "Conflict Minerals Rule," which aims to cut off sources of funding for armed groups in the Democratic Republic of Congo and neighboring countries. The rule requires public disclosure and reporting related to "conflict minerals" on manufacturers, obliging them to thoroughly track the origins of minerals that suppliers handle.

Akebono is working with the Japan Automobile Manufacturers Association, Inc. (JAMA) and Japan Auto Parts Industries Association (JAPIA) to meet the requirements in a systematic manner. In fiscal 2013, Akebono initiated full-scale tracking. Based on its results, Akebono is determined to improve and apply its tracking system in fiscal 2014.

Ranking and Management of Environmental Impact Substances under Green Purchasing Guidelines

Targeted chemical substances are categorized into three ranks and controlled as follows:

Rank	Chemical substances	Examples of control measures
Usage prohibited	Substances that are strictly banned from use and production by law and regulation	Prohibit use/draw up plans for abolishment if there is substance in use
Usage restricted	Substances which are projected to come under legal regulation and substances for which emission regulations are set under existing laws	Conduct research on alternative materials or reduction methods and draw up reduction plan
Proper management of usage information required	Substances listed in GADSL*3, that is, substances requiring declaration of usage amount	Ensure proper management of usage information and work toward reduction of usage

*1 Green purchasing

The absolute selection and acquisition of products that cause less negative environmental impact. Scope of products covers materials, secondary materials, office articles and equipment used in the course of manufacturing. Manufacture of "Green Products" requires the practice of green purchasing.

*2 Conflict Minerals

The Section 1502 of the Dodd-Frank Act targets minerals containing tungsten, tantalum, gold, and tin produced in the Democratic Republic of Congo and neighboring countries that provide sources of funding for armed groups involved in the conflict.

*3 GADSL (Global Automotive Declarable Substance List)

A list of chemical substances requiring proper management formulated by automobile manufacturers, their parts suppliers and material suppliers in Japan, the United States and Europe. It is an industrywide standard, targeting the following substances, which are possibly contained in parts and materials supplied to automotive manufacturers:

1. Substances that are subject to regulation under the laws of each country
2. Substances that are expected to come under legal regulation
3. Substances with a proven negative impact on health and/or the environment

The list contains substances classified into such categories as "Substances prohibited from use in all applications," "Substances prohibited from use in certain applications or that must be declared if used" and "Substances that must be declared if usage exceeds defined threshold limits."

Suppliers' Meetings Held around the World

Akebono holds suppliers' meetings every year to facilitate their understanding of the Company's initiatives. During fiscal 2013, such meetings were held in Japan, North America, Indonesia and Thailand. We gave presentations on each business unit's policies aimed at achieving the goals of our current midterm business plan while sharing information on our initiatives undertaken in regions worldwide. Also, we urged them to pursue quality enhancement activities and ongoing cost reductions.

We will continue to utilize these meetings to maintain robust communications aimed at building close partnerships between suppliers and our development, quality assurance and purchasing sections.



Suppliers' meeting in Thailand (February 13, 2014)



General suppliers' meeting in Japan (February 5, 2014)



Suppliers' meeting in North America (April 9, 2014)



Suppliers' meeting in Indonesia (February 11, 2014)

Initiatives at the Logistics Stage

Utilizing a dynamic management system for truck operations, Akebono is determined to ensure safe, efficient, energy-saving and environment-friendly logistics activities.

Promoting Safe and Eco-Friendly Driving

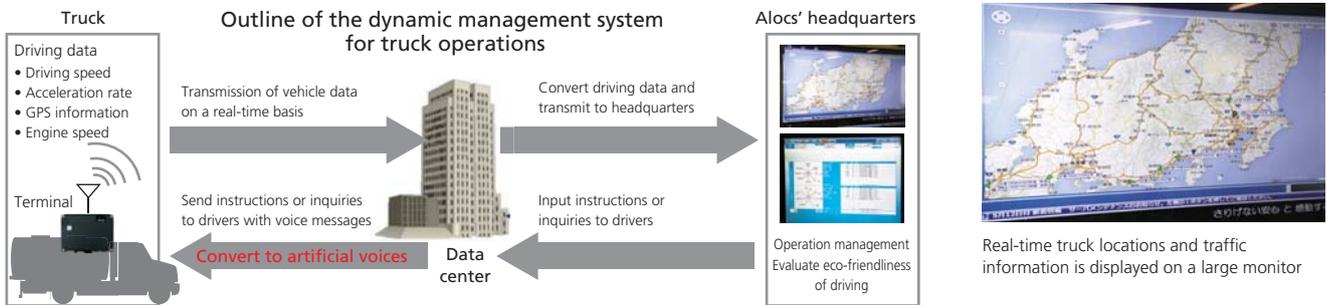
The Akebono Group member Alocs Corporation (a freight company) is employing a dynamic management system, specifically, a truck operation management system that utilizes data on individual vehicles gleaned from onboard sensors, such as engine speed, driving speed, acceleration rate and location. This data is automatically transmitted to the headquarters in Ai-City via data centers and checked by associates in charge of truck operation management as well as with informing drivers of weather and traffic jams. The Alocs system is able to give timely instruction to each driver so that they can avoid crowded routes and helps to ensure that drivers are taking breaks as needed. In these ways, Akebono is ensuring safe and environment-friendly truck operations.

Moreover, the introduction of this system contributed to an improvement in unit energy consumption for logistics activities. In fiscal 2013, unit energy consumption for these activities decreased 4% compared with the previous fiscal year, well surpassing our target of a year-on-year decrease of 1% or greater.

Energy Consumed and CO₂ Emitted by Logistics Activities

	FY10	FY11	FY12	FY13
Total traffic volume (10,000 ton kilometer)	5,718	5,291	5,023	4,957
Consumed energy (kl crude oil equivalent)	1,413	1,359	1,270	1,205
CO ₂ emission volume (t-CO ₂)	3,434	3,494	3,268	3,098
Unit energy consumption	0.247	0.257	0.253	0.243

Unit energy consumption: A value calculated by dividing the amount of energy consumed in transportation by traffic volume (ton-kilometer). A lower value represents a higher transportation efficiency, which also means imposing less environmental impact.



Initiatives at the Consumption Stage

Working with our customers and suppliers, we are working to expand the use of recycled products.

Recycling of Products

Akebono began marketing reconditioned products before the concept of recycling entered general awareness. As early as 1965, it established a nationwide network in Japan to recycle used drum brake shoes and launched "Eco Shoes" made using recycled products as a major aftermarket products business.

Furthermore, Akebono started selling "Akebono Eco Pads" made using recycled disc brake pads in 2005. The products are being standardized so as to serve global markets. Akebono will continue working to develop and supply eco-friendly products in order to meet the latest environmental needs.

Recovery of Recyclable Products

Used drum shoes and brake pads are recovered from all over Japan with the cooperation of dealers and other business partners. In fiscal 2013, 510,000 used shoes and 970,000 used pads were recovered.



Initiatives to Create a Better Workplace (Japan)

While working hard to meet the needs of society, Akebono is pursuing people-and environment-friendly business operations.

Receiving Class I Certification as an Excellent Large-Scale Business Facility

In fiscal 2013, Ai-City received Class I (semi-top level) certification as an “excellent large-scale business facility” under the cap-and-trade emissions trading system handled by the Saitama prefectural government to reduce greenhouse gas emissions.

Akebono has been pursuing highly eco-efficient operations to contribute to the preservation of the global environment. Following the 2011 introduction of the cap-and-trade emissions trading system in Saitama Prefecture, the Company went on to apply for the certification of “excellent large-scale business facility” (Plant Category) in fiscal 2012 and obtained Class II certification. In fiscal 2013, Akebono applied for and successfully obtained the Class I certification in the Office Category even though this category requires applicants to meet even higher standards for management system and facilities operations as well as a forward-looking management approach.



Excellent large-scale business facility certification

Prize-Winning Initiative in the Utilization of a Cogeneration System

Ai-City received an “Excellent Prize” in the Fiscal 2013 Cogeneration Grand Awards (Industrial-Use Category). This award program sponsored by the Advanced Cogeneration and Energy Utilization Center JAPAN with the aim of recognizing forward-looking initiatives and technologies that advance the development of cogeneration systems highly capable of contributing to energy savings. Among the 37 corporations that applied for the fiscal 2013 selection, only four applicants won Excellent Prizes. This accomplishment attests to the Company’s contributions to the reduction of energy use, especially during peak demand hours, through the utilization of cogeneration systems employing the heat of recovered steam.



Representatives from Ai-City carrying award certificate



“Kurumin Mark” Certification Renewed; Nurturing Future Generations

In fiscal 2007, Akebono obtained the Kurumin Mark—an authorization mark awarded by Japan’s Minister of Health, Labour and Welfare to certify businesses that proactively support the upbringing of future generations. In accordance with the Law for Measures to Support the Development of the Next Generation, the mark is bestowed only to corporations that have met goals set forth in action plans they formulated in accordance with prescribed criteria. Akebono has developed various programs aimed at providing associates in their childrearing years with assistance beyond the extent required by law. The Company is also facilitating a corporate culture that encourages eligible associates to utilize such programs. In fiscal 2013, Akebono renewed its Kurumin Mark certification and received a high evaluation for its initiatives to support educational programs for local elementary school students, such as inviting them to facility tours, in addition to the aforementioned efforts aimed at assisting its associates. In line with its fiscal 2014 action plan, Akebono will endeavor to help associates strike a balance between work and raising a family. Moreover, we will create a working environment capable of realizing each worker’s full potential while contributing to local society.



Certificate of Kurumin Mark

Action plan targets met by Akebono

1. At least two male associates took child care leave while 88% of eligible female associates took child care leave (excluding child-birth leave)
2. Distributed information on assistance programs using in-house newsletters while offering diverse working conditions and environments
3. Held “Open House Events” inviting associates families and facility tour events for local children
4. Upgraded the corporate structure to realize diverse working styles and utilized various media to raise associate awareness in line with the management policy of promoting diversity and work-life balance

Initiatives to Create a Better Workplace (Global)

Akebono is proactively implementing initiatives to contribute to local society at its global business sites.

Tree Planting in Indonesia

Akebono Brake Astra Indonesia (AAIJ) is undertaking environmental preservation activities, including ongoing tree planting in the Gunung Gede Pangrango National Park. In June 2013, AAIJ received a letter of appreciation from the national park in recognition of such activities.

These activities have been undertaken with due consideration given to cost effectiveness, the CO₂ absorption capabilities of the trees and forest diversity. Among the 3,000 trees planted by AAIJ were Mangliid trees, a species in the Magnoliaceae family that boasts superior CO₂ absorption ability. Moreover, because Mangliids are well suited for use as furniture materials, planting this tree is cost effective.

Other species included Puspa, an Indonesian species of Theaceae that produces beautiful flowers, as well as Rasamala (Hamamelidaceae family) and Kisireum (Myrtaceae family). By mixing various types of species, AAIJ is striving to preserve the diversity of forest ecosystems.



Letter of appreciation and AAIJ associates who took part in the tree planting

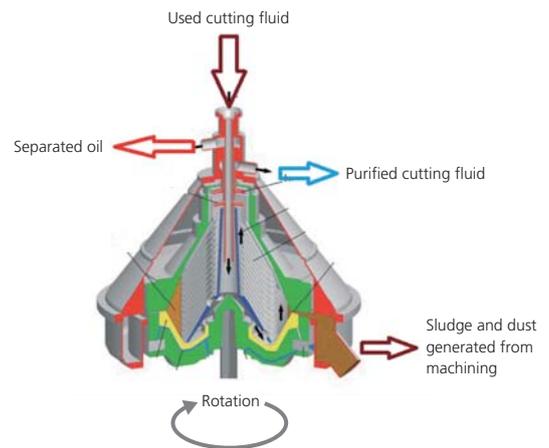


High praise was received for the feat of planting 3,000 trees

Initiatives in Production Processes

Akebono Brake Corporation (ABC) is promoting the recycling of cutting fluid used in the machining process. Previously, such fluid had been disposed of after use, but ABC was able to begin recycling it using filtration and centrifuge equipment. As result, ABC has succeeded in reducing the consumption of cutting fluid as well as the cost of disposing of it.

Internal structure of centrifuge equipment



Centrifuge equipment capable of separating a type of oil that could not have been separated using the settled separation method

TOPICS

ABCT Receives a "Material Management Award" from Montgomery County

In May 2013, Akebono Brake, Clarksville Plant (ABCT) received a "Material Management Award" from Montgomery County, Clarksville, Tennessee, in the United States, for its unique environmental initiatives.

Maintaining the ISO 14001 environmental management system certification, ABCT is promoting the recycling of office waste in collaboration with a waste treatment facility run by the county while encouraging its associates to incorporate eco-friendly lifestyle habits.

ABCT won the Material Management Award



Akebono History

Milestones of Global Development

 highlights Akebono's global expansion

1929	Akebono Sekimen Kogyosho is founded and begins manufacturing woven brake linings and clutch facings
1936	Reorganized as Akebono Sekimen Kogyo Co., Ltd.
1939	Hanyu Manufacturing Plant is constructed and begins operations
1952	Started producing wear-resistant resins for rail cars
1958	Akebono's resin brake shoe and disc brake linings are adopted for use in the new Japan National Railways "Kodama" and "Asakaze" express trains
1960	Signed a brake-related technical assistance contract with Bendix Corporation of the United States Changed the company name to Akebono Brake Industry Co., Ltd.
1961	The technical assistance contract with Bendix Corporation of the United States is extended to cover brake linings Listed on the Second Section of the Tokyo Stock Exchange
1962	Iwatsuki Manufacturing Plant is constructed and begins operations (now Akebono Brake Iwatsuki Manufacturing Co., Ltd.)
1965	Established Sanyo Brake Industry Co., Ltd. as a joint venture with Hiruta Kogyo Co., Ltd. and Mitsubishi Heavy Industries Ltd. (now Akebono Brake Sanyo Manufacturing Co., Ltd.)
1968	Established Hosei Brake Industry Co., Ltd. as a joint venture company with Toyota Motor Corporation, Aisin Seiki Co., Ltd. and Toyoda Iron Works Co., Ltd.
1969	Signed a contract with Bendix Corporation of the United States for anti-skid brakes
1971	Fukushima Manufacturing Plant is constructed and begins operations (now Akebono Brake Fukushima Manufacturing Co., Ltd.) Construction of the corporate head office is completed (in Nihonbashi, Tokyo)
1973	Established Sanyo Hydraulic Industry Co., Ltd. (now Akebono Brake Sanyo Manufacturing Co., Ltd)
1974	Established the Japan Brake Safety Research Institute Co., Ltd. (now the Akebono Research & Development Centre Ltd.)
1976	Miharu Manufacturing Plant is constructed and begins operations
1980	Established Akebono America, Inc. as a locally incorporated company in the United States
1981	Established Akebono Engineering Co., Ltd.
1982	Type AD disc brakes win the 1981 Japan Society of Mechanical Engineers Award
1983	Listed on the First Section of the Tokyo Stock Exchange
1984	The Japan Brake Safety Research Institute Co., Ltd. is renamed Akebono Research & Development Centre Ltd. Technology is licensed to Automotive Products Inc. in the United Kingdom
1985	Akebono Europe S.A. is established as a locally incorporated company in France (now Akebono Europe S.A.S. (Gonesse))
1986	Established Ambrake Corporation as a joint venture with General Motors of the United States (now Akebono Brake, Elizabethtown Plant) Established Akebono Brake Iwaki Manufacturing Co., Ltd. and began constructing a test course and manufacturing plant
1987	An anti-lock brake system (ABS) that is based on technology unique to Japan is adopted for the first time by automakers Signed a technical assistance contract relating to friction materials with Valeo of France Signed a technical assistance contract relating to ABS with Robert Bosch GmbH of West Germany (at the time)
1988	The "Proving Grounds" test course is completed (Iwaki City, Fukushima Prefecture) (now "Ai-Ring")
1989	Established Akebono B.S.E.C. Inc.
1992	Established Akebono Brake Yamagata Manufacturing Co., Ltd.
1994	Established AMAK Brake L.L.C. as a locally incorporated company in the United States (now Akebono Brake, Glasgow Plant)
1995	Established Akebono Corporation (a general holding company) as a locally-incorporated company in the United States Established the Centre de Recherche Européen Akebono (CREA) in France

1996	Acquired equity interest in PT. Tri Dharma Wisesa in Indonesia (now PT. Akebono Brake Astra Indonesia) The Tatebayashi manufacturing plant is constructed and begins operations
1997	Acquired ISO 9001 certification companywide for automobile disc brakes
1998	Established Akebono Arras S.A. as a production site in France (now Akebono Europe S.A.S. (Arras)) Established Akebono Corporation (North America) as a locally incorporated company in the United States (controlling company in the U.S.) (now Akebono Brake Corporation) Signed an exclusive sales agreement with B.E.I. Technologies, Inc. in the United States for quartz angle rate sensors for automobiles
2001	Completed construction of the "Akebono Crystal Wing" (ACW) as the new corporate office in Hanyu City, Saitama Prefecture
2003	Established Akebono 123 Co., Ltd. Established Akebono Corporation Asia PTE. LTD. in Singapore
2004	Akebono 123 Co., Ltd. received certification as a special subsidiary company, the first manufacturing site in Saitama Prefecture to receive this award Completed the "Ai-Museum," which is devoted to brakes, in Hanyu City, Saitama Prefecture Established Akebono Corporation (Guangzhou) as a locally incorporated company in China Established Akebono Corporation (Suzhou) as a locally incorporated company in China
2005	Established APS Corporation Merged Sanyo Brake Industry Co., Ltd. and Sanyo Hydraulic Industry Co., Ltd. to form Akebono Brake Sanyo Manufacturing Co., Ltd. Converted Ambrake Corporation to a wholly owned subsidiary (now Akebono Brake, Elizabethtown Plant)
2006	Established Akebono Advanced Engineering (UK) Ltd. as a locally incorporated company in the United Kingdom Established Akebono Brake (Thailand) Co., Ltd. as a locally incorporated company in Thailand
2007	Established Akebono Brake Europe N.V. as a locally incorporated company in Belgium Established Akebono Brake Industrial Machinery & Rolling Stock Component Sales Co., Ltd. Became an Official Supplier of McLaren Mercedes, joining the world of Formula One racing
2008	Completed the "Akebono Central Pier" (ACP) for the Akebono Chubu Office in Toyota City, Aichi Prefecture Tatebayashi Foundry begins operations The "Global Head Office" is completed in Nihonbashi, Tokyo as the new corporate head office
2009	Signed a contract with Robert Bosch GmbH to transfer Bosch's North America brake business
2010	PT. Tri Dharma Wisesa is renamed PT. Akebono Brake Astra Indonesia Started supplying disc brake pads for the Porsche Panamera
2011	Established Akebono Brake Astra Vietnam Co., Ltd. as a locally incorporated company in Vietnam Akebono Corporation (North America) is renamed Akebono Brake Corporation Type AD disc brakes are included in the "Registry of Essential Historical Materials for Science and Technology (Future Technology Legacy)"
2012	Established Akebono Brake Mexico S.A. de C.V. as a locally incorporated company in Mexico Completed "Ai-Village" global training center (Hanyu City, Saitama Prefecture)
2013	Expanded into the field of high-performance commercial vehicles, supplying brake systems for the McLaren P1™ ultra high-performance road car

Disclosure Policies

Akebono is striving to ensure proactive and easy-to-understand disclosure so that important information on its operations is appropriately communicated to all stakeholders.

Disclosure Standards

Disclosure is made in accordance with applicable laws and regulations, such as Japan's Company Law and the Financial Instruments and Exchange Law, as well as with the Timely Disclosure Regulations (the "Regulations") enacted by the Tokyo Stock Exchange ("TSE").

The Regulations require timely disclosure when a decision, event or financial information that affects investment judgments occurs; when an inquiry is made by the TSE; or when there is a material change or suspension or discontinuation of activity that affects the content of previously disclosed corporate information.

It is also our policy to disclose information that does not fall under the Regulations in a proactive and fair manner.

Information Disclosure Method

- (1) Disclosure of information falling under the Regulations is publicized through the Timely Information Disclosure System (TDnet) offered by the TSE in accordance with the Regulations. We post each piece of information publicized on TDnet on our website as soon as possible, but the posting of such information on the website may be made a substantial period of time after the disclosure on TDnet, due to problems attributable to systems and tools.
- (2) In disclosing information beyond that which is required to be released under applicable laws and regulations such as the Company Law and the Financial Instruments and Exchange Law, as well as the Regulations, we endeavor to ensure that such disclosure is communicated to investors in a precise and fair manner.

Future Prospects

In addition to disclosing the forecasts of full-year business performance, we provide information on initiatives based on management strategies, medium- and long-term performance forecasts and other information regarding our projections for future operations with due consideration given to ensure timeliness, appropriateness, accuracy and fairness. Such information is disclosed through our website and business reports and other publications.

Any news release, periodically issued document, website content, response to a question posed at financial or analyst meetings, or other information may include data on future plans, forecasts, and strategies.

The descriptions pertaining to our forecasts are based on the information available at the time and assumptions thereon that we believe reasonable. Therefore, actual results may substantially differ from forecasts due to changes in the business environment surrounding our Group operations or other unexpected factors.

Silent Period

In principle, we abide by the four-week "silent period" convention before announcing information on financial results in order to prevent any data that could affect the stock price from being divulged and ensure the fairness of our information disclosure. Although we refrain from making comments on the results in question during this period, we may respond to questions regarding information that has already been disclosed.

Websites

We maintain several websites to communicate detailed information on our operations to stakeholders.

● The Akebono Brake Industry Co., Ltd. official website

<http://www.akebono-brake.com/english/index.html>



● About Akebono

<http://www.akebono-brake.com/sp/corporate/jp/>



● Investor Relations

<http://www.akebono-brake.com/ir/>



● AKEBONO MOTORSPORTS CHALLENGE

<http://www.akebono-brake.com/motorsports/jp/>



Financial Review for the Fiscal Year Ended March 31, 2014

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

Financial Highlights

		2012	2013	2014
Fiscal year (billions of yen):	Net sales	209.6	206.0	236.7
	Operating income	3.8	4.3	8.1
	Net income (loss)	(3.2)	0.5	2.4
	Capital investment	14.3	19.8	21.8
	Depreciation and amortization	9.8	8.6	8.9
	Research and development*	1.7	2.3	2.3
Year-end (billions of yen):	Total assets	181.0	186.6	199.2
	Net assets	49.8	53.8	60.4
	Associates (number)	7,800	8,279	8,505
Per share data (yen):	Net income (loss) per share—basic	(24.25)	3.90	18.24
	Cash dividends per share	10.00	10.00	10.00
Key financial indicator (%):	Return on equity (ROE)	(7.1)	1.2	4.9

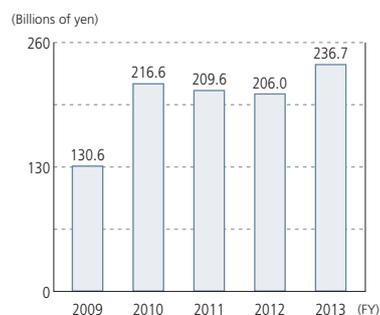
*Please see page 64 for total R&D-related expenditures, including R&D costs and expenses associated with day-to-day improvement activities.

Business Environment and Operating Results

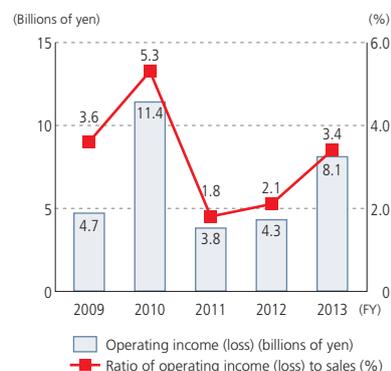
During fiscal 2013, ended March 31, 2014, the business performance of the Akebono Group was buoyed by such factors as recovery in the North American market, robust demand growth in emerging countries and the effect of foreign currency translation, which had contributed ¥28.6 billion to sales. As a result, consolidated sales rose ¥30.6 billion, up 14.9% year on year, to ¥236.7 billion, reaching a record high. Operating income surged ¥3.8 billion, up 87.3% year on year to

¥8.1 billion, due mainly to a rise in profit in Asia and the success of the Company's efforts aimed at improving profitability through production streamlining and the elimination of non-profitable projects. Ordinary income climbed to ¥7.3 billion, up 2.1 times year on year, due mainly to the posting of foreign exchange gains, while net income jumped to ¥2.4 billion, up 4.7 times year on year, reflecting the reversal of part of deferred tax assets.

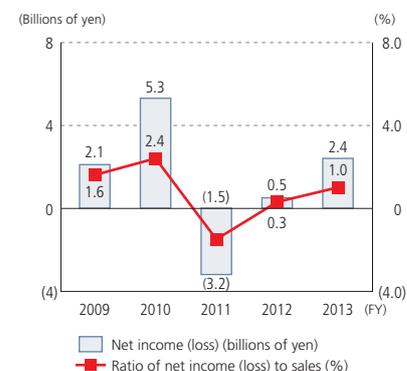
Net Sales



Operating Income (Loss)/Ratio of Operating Income (Loss) to Sales

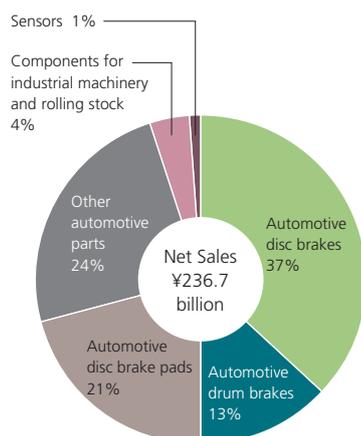


Net Income (Loss)/Ratio of Net Income (Loss) to Sales



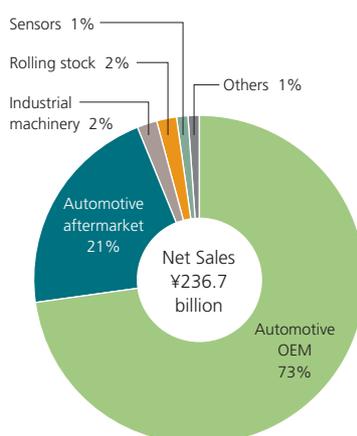
Sales Ratio by Product

Year Ended March 31, 2014



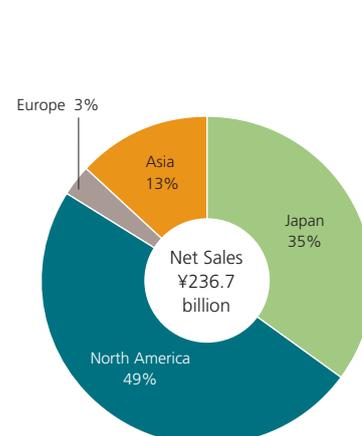
Sales Ratio by Business

Year Ended March 31, 2014



Sales Ratio by Region

Year Ended March 31, 2014



Japan

Fiscal 2013 Results

The Japanese economy saw a recovery due to firm domestic demand buoyed by steady growth in personal consumption and capital expenditures. The automobile industry recorded high production and sales volumes for the first time in several years, reflecting such factors as record-high light vehicle sales, major automakers' successive introduction of well-received new vehicles and the last-minute demand surge before the consumption tax hike that further boosted consumer sentiment in the second half of fiscal 2013.

Despite the general industry turnaround, the Akebono Group hardly benefited from burgeoning demand for light and hybrid vehicles due to its limited lineup of brakes for such vehicles; at the same time, the Group faced a fall in orders received as many automakers continued to shift production overseas. To offset these deleterious effects, the Group placed greater emphasis on products for industrial machinery and rolling stock. As a result, sales edged down 0.2% year on year to ¥89.2 billion.

Looking at earnings, operating income rose 49.4% year on year to ¥3.4 billion. Among factors contributing to the rise in operating income were profits from the industrial machinery and rolling stock businesses, the success

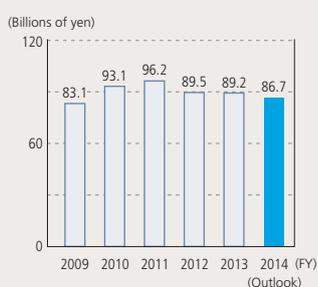
of the Company's efforts to cut labor costs and other expenses as well as to streamline production and procurement structures, and the recent change in the depreciation method. These factors countered an increase in energy costs as well as rising development expenses that reflected the change in the Group's development management system carried out in the previous fiscal year to consolidate all development costs incurred at subsidiaries worldwide under the management of Akebono Brake Industry Co., Ltd.

Fiscal 2014 Outlook

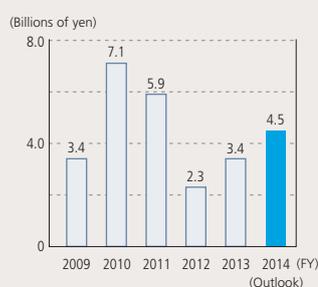
As domestic automobile manufacturing shifts overseas, the diminished production volume will, in turn, lead to lower sales, and the recoil in consumer spending from the pre-consumption tax hike will deepen the decline. At the same time, energy and raw material prices will surge due to the depreciation of the yen.

To address these factors, Akebono will steadily carry out priority measures aimed at expanding its aftermarket business, improving earnings in currently unprofitable businesses and cutting expenses through the optimization of staffing and fixed costs. Moreover, plans call for increasing royalty income overseas to secure greater profit.

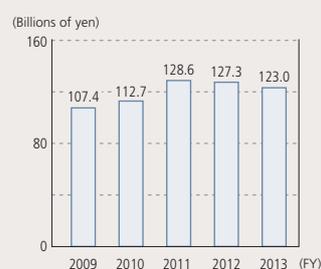
Net Sales



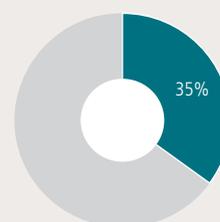
Operating Income



Total Assets



Ratio of Net Sales



North America

Fiscal 2013 Results

The effect of quantitative monetary easing has bolstered an ongoing trend toward economic recovery in tandem with a modest upswing in employment. In the automobile industry, markets for large pickup trucks and SUVs showed particular growth, with the overall annual vehicle sales volume rising 7.6% year on year to 15.6 million units.

Under these circumstances, the Akebono Group benefited from an uptick in replacement demand that helped offset the negative effect on orders of automakers' inventory adjustments. Moreover, thanks to the depreciation of the yen the effect of foreign currency translation boosted sales ¥22.4 billion. These factors caused sales to grow 24.8% year on year to ¥122.8 billion.

To boost earnings, the Company has steadily undertaken such steps as streamlining operations, optimizing the prices of products targeted at American automakers and shifting its focus to more profitable businesses while terminating some nonprofitable businesses. Consequently, operating

income improved to ¥0.7 billion, up 9.3 times year on year. From fiscal 2014 onward, Akebono will make every possible effort to stay in the black in its North American operations, including Mexico. At the same time, the Company will accelerate its growth strategies, steadily implementing initiatives aimed at establishing a more solid business foundation that enables it to secure greater profitability.

Fiscal 2014 Outlook

In the wake of growth in personal consumption, forecasts call for market expansion buoyed by an ongoing trend toward firm automobile sales. With this in mind, the Company will reinforce its profit structure and significantly boost profit by steadily promoting a shift from nonprofitable to highly profitable products while pursuing the streamlining of operations. Specifically, the Company will launch new production lines in response to recent orders, push forward reforms in the sourcing of casting parts and their logistics, expand the aftermarket business and optimize the production network covering Mexico.

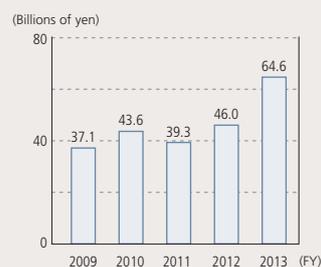
Net Sales



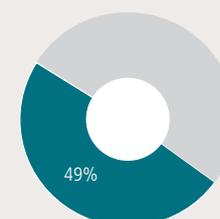
Operating Income (Loss)



Total Assets



Ratio of Net Sales



Europe

Fiscal 2013 Results

Despite facing lingering structural problems, such as tight monetary policies and high unemployment rates, a sense that the European economy has bottomed out emerged in the third quarter of fiscal 2013. Also in the third quarter, the automobile industry saw signs of recovery from demand stagnation.

As a result, sales rose 51.7% year on year to ¥7.4 billion due to such factors as the effect of foreign currency translation, which boosted sales by ¥1.5 billion. On the earnings front, however, the depreciation of the yen contributed to a loss of ¥0.1 billion due to translation from foreign currencies. Nevertheless, the success of negotiations to raise product prices and the Company's efforts to cut expenses including fixed costs have caused operating loss to improve by ¥0.2 billion year on year to ¥0.6 billion.

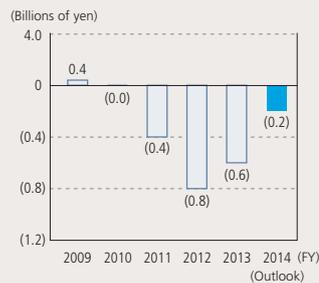
Fiscal 2014 Outlook

Following the bottoming out of economic deceleration, market conditions are expected to recover gradually. The Akebono Group will therefore strive to secure a more robust profit base, even though plans call for making major forward-looking investments in such initiatives as supply structure development in preparation for the launch of high-performance brake products. Simultaneously, the Company will promote revisions of sales prices in non-profitable business areas to restore earnings while pushing forward with the restructuring of existing friction material production facilities and the launch of a caliper plant.

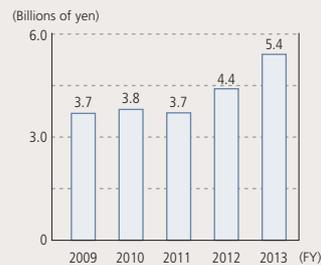
Net Sales



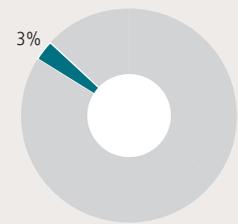
Operating Income (Loss)



Total Assets



Ratio of Net Sales



Asia

Fiscal 2013 Results

In China, orders from Japanese automakers grew, while foreign currency translation contributed ¥2.2 billion to sales, reflecting the depreciation of the yen. As a result, sales rose 78.1% year on year to ¥10.8 billion, while operating income surged to ¥1.6 billion, up 3.4 times year on year, both of which were record highs. This was mainly attributable to growth in orders mainly for highly profitable friction materials and the depreciation of the yen.

In Thailand, sales declined on a local currency basis due mainly to the sluggish demand for new cars and motorcycles. However, this decline was offset by the effect of a ¥1.1 billion boost from foreign currency translation. As a result sales increased 21.4% year on year to ¥6.2 billion. With regard to earnings, thanks to the success of the Company's efforts aimed at streamlining production and cutting expenses, including a shift to the in-house production of key components, operating income was a record high ¥0.5 billion, up 3.5 times year on year.

In Indonesia, while orders for motorcycle brakes decreased slightly, orders from Japanese automakers grew. As a result, sales increased 19.2% year on year to ¥15.7 billion, with the effect of foreign currency translation contributing ¥1.3 billion. Operating income rose 15.8% year on year to ¥2.1 billion, due mainly to the depreciation of the yen and success of the Company's efforts to pass a portion of the surging labor costs and raw material procurement costs on to sales prices.

Fiscal 2014 Outlook

In China, Japanese automakers are expected to see growth in sales volume. However, profits will decline slightly compared with fiscal 2013, reflecting rising labor costs and higher depreciation expenses accompanying investment aimed at expanding production capacity in preparation for new product launches.

In Thailand, both sales and income are expected to decline as domestic demand stagnates due to political instability. In Indonesia, the motorcycle and automobile markets are expected to grow in step with economic development, which will, in turn, drive up orders for Akebono products from new customers. Thus, the Company anticipates rising sales and income in Indonesia.

As for its policies for the overall Asian region, Akebono will further develop its local business networks, expanding the capacity of production facilities in response to growth in orders, establishing a solid development structure consisting of local facilities, optimizing procurement through the promotion of in-house production and sourcing from local suppliers while ensuring closer collaboration between locations in the region. Moreover, the Company will make full use of the newly established ASEAN Center, thereby seizing opportunities for further business growth in emerging Asian markets.

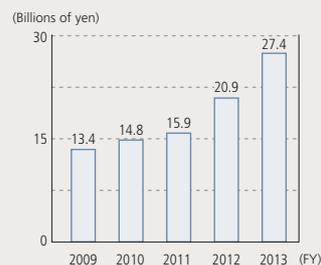
Net Sales



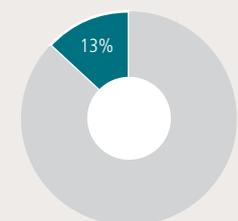
Operating Income (Loss)



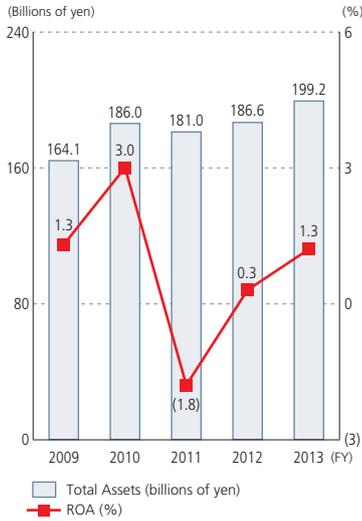
Total Assets



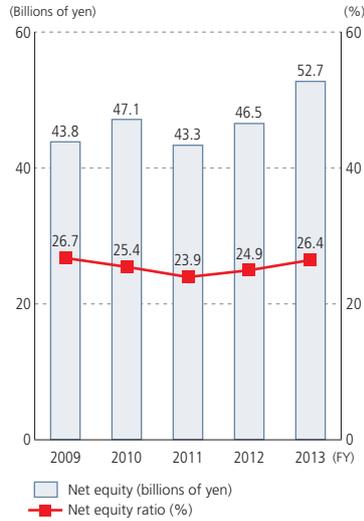
Ratio of Net Sales



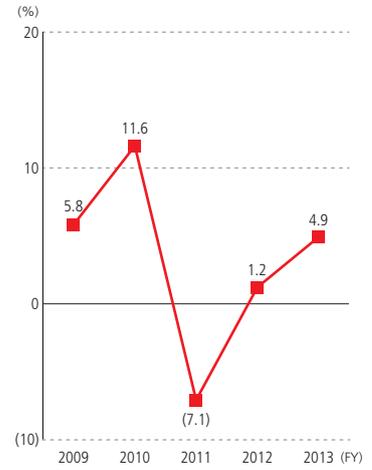
Total Assets/ROA



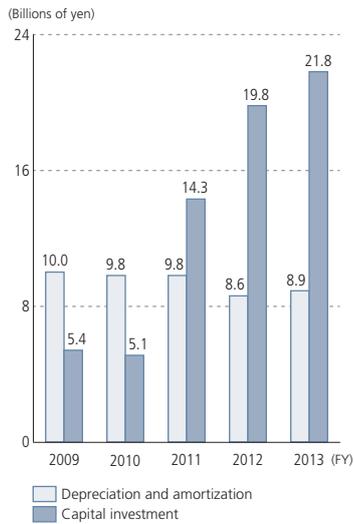
Net Equity/Net Equity Ratio



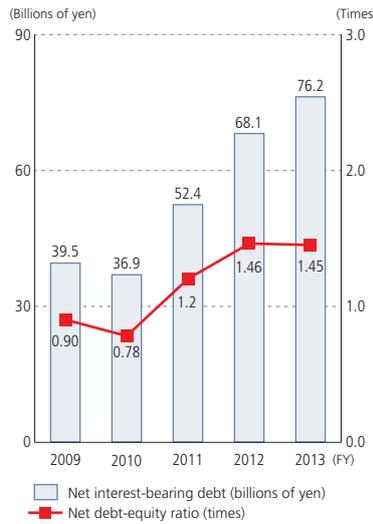
ROE



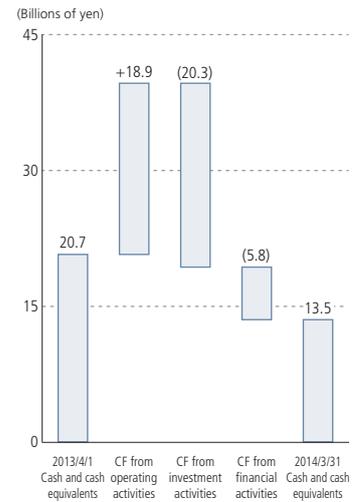
Capital Investment/Depreciation and Amortization



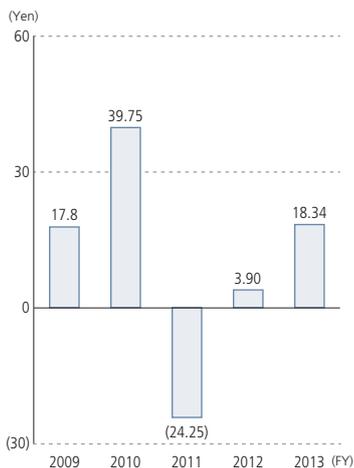
Net Interest-Bearing Debt/Net Debt-Equity Ratio



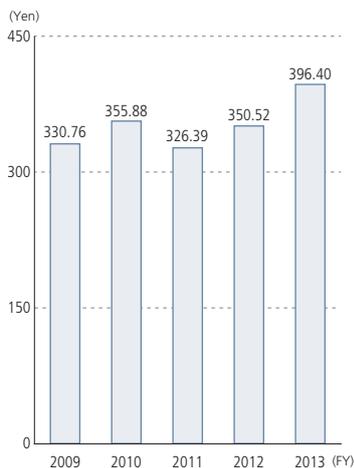
Cash Flow



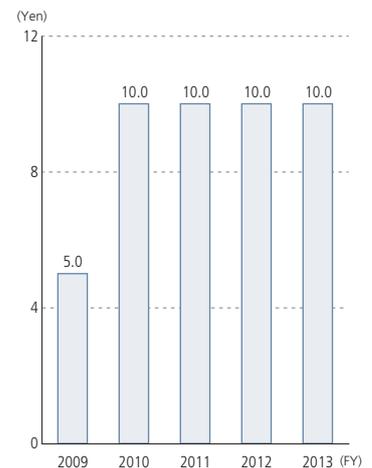
Cash Dividends per Share



Net Assets per Share



Cash Dividends per Share



Consolidated Assets, Liabilities, and Net Assets

Assets

At the end of fiscal 2013, total consolidated assets rose ¥12.6 billion from the end of fiscal 2012 to ¥199.2 billion. Over the same period, current assets declined ¥3.3 billion to ¥73.1 billion. This was mainly attributable to a ¥7.1 billion decrease in cash and deposits, which outweighed a ¥1.1 billion increase in notes and accounts receivable—trade and ¥2.5 billion rise in inventories that contributed to the increase of current assets. Noncurrent assets grew ¥16.0 billion from the end of fiscal 2012 to ¥126.1 billion at the end of fiscal 2013 due mainly to a ¥17.3 billion increase in property, plant and equipment arising from capital investments focusing on the United States.

Liabilities

Total consolidated liabilities increased ¥6.0 billion from the end of fiscal 2012 to ¥138.8 billion at the end of fiscal 2013. Over the same period, current liabilities increased ¥7.1 billion to ¥69.2 billion due primarily to increases of ¥4.5 billion and ¥7.9 billion in notes and accounts payable—trade and short-term loans payable, respectively, despite a ¥5.2 billion decrease in current portion of long-term loans payable. Consolidated noncurrent liabilities decreased ¥1.2 billion from the end of fiscal 2012 to ¥69.6 billion at the end of fiscal 2013 due mainly to a ¥5.1 billion decline in long-term loans payable which outpaced a ¥3.2 billion increase in lease obligations. Net interest-bearing debt amounted to ¥76.2 billion, following the exclusion of cash and equivalents from total interest-bearing debt of ¥90.2 billion.

Net Assets

At the end of fiscal 2013, consolidated net assets rose ¥6.6 billion from the end of fiscal 2012 to ¥60.4 billion. This was mainly attributable to a ¥1.1 billion increase in retained earnings and a ¥5.0 billion improvement in foreign currency translation adjustment due to the depreciation of the yen.

Consolidated Cash Flows

Consolidated cash and cash equivalents decreased ¥7.2 billion from the end of fiscal 2012 to ¥13.5 billion at the end of fiscal 2013.

Cash Flow from Operating Activities

A net inflow of ¥18.9 billion was seen in cash flow from operating activities (an increase of ¥11.3 billion from the inflow recorded in fiscal 2012). The main factors influencing this net inflow were income before income taxes and minority interests of ¥7.4 billion and depreciation and amortization totaling ¥8.9 billion.

Cash Flow from Investing Activities

A net outflow of ¥20.3 billion was recorded in cash flow from investing activities (an increase of ¥16.3 billion from the net outflow recorded in fiscal 2012). The main factors influencing this outflow were ¥21.7 billion used for purchases of property, plant and equipment in the course of facility investment focusing on North America.

Cash Flow from Financing Activities

A net outflow of ¥6.2 billion was recorded in cash flow from financing activities (an increase of ¥4.2 billion from the net outflow recorded in fiscal 2012). The main factors affecting this outflow included repayments of long term loans payable of ¥15.0 billion, which offset a net increase in short-term loans payable of ¥5.4 billion.

Basic Policy for Distribution of Earnings and Dividends for Fiscal 2013 and 2014

Akebono positions the return of profit to its shareholders as an important management issue. Accordingly, the Company adheres to a basic policy of ensuring long-term sustainable returns to shareholders while giving comprehensive consideration to its business performance and dividend payout ratio as well as to maintaining retained earnings at the level necessary to make investments for securing sustainable growth. In line with this policy, the Company paid a fiscal 2013 full-year dividend of ¥10 per share, which comprises an interim dividend of ¥5 per share and a year-end dividend of ¥5 per share. For fiscal 2014, the Company plans to pay a full-year dividend of ¥10 per share consisting of interim and full-year dividends each amounting to ¥5 per share.

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 accounting 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 ¥103 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, 2014. 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.

Summary of Significant Accounting Policies

The Scope of Consolidation

The consolidated financial statements as of March 31, 2014 include the accounts of the Company and its 24 significant (23 in the fiscal year ended March 31, 2013) 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 fiscal 2013, Akebono Engineering Center, Europe S.A.S. was newly established and included in the scope of consolidation.

An investment in one associated company (one in the fiscal year ended March 31, 2013) is accounted for by the equity method. Investments in the remaining two associated companies (two in the fiscal year ended March 31, 2013) are stated at cost, and their impact on the consolidated financial statements is insignificant. 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 five 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.

Note: Please refer to page 61 for Changes in Accounting Policies and Accounting Estimates.

Consolidated Balance Sheets

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)*
	2014	2013	2014
ASSETS			
Cash and deposits	¥ 13,937	¥ 21,031	\$ 135,413
Notes and accounts receivable—trade	36,861	35,786	358,150
Merchandise and finished goods	4,124	3,366	40,073
Work in process	2,385	2,054	23,170
Raw materials and supplies	10,474	9,036	101,767
Accounts receivable—other	1,382	2,023	13,427
Deferred tax assets	1,117	1,069	10,856
Other	2,923	2,145	28,396
Allowance for doubtful accounts	(59)	(43)	(569)
Current assets	73,144	76,467	710,685
Buildings and structures, net	23,367	19,767	227,039
Machinery, equipment and vehicles, net	33,895	25,753	329,333
Land	21,944	21,781	213,216
Construction in progress	17,359	12,261	168,664
Other, net	2,207	1,942	21,445
Property, plant and equipment	98,772	81,504	959,698
Intangible assets	3,251	3,879	31,592
Investment securities	17,960	17,520	174,509
Net defined benefit assets	2,837	—	27,565
Deferred tax assets	2,179	2,943	21,172
Other	1,131	4,335	10,986
Allowance for doubtful accounts	(76)	(77)	(740)
Investments and other assets	24,031	24,721	233,493
Noncurrent assets	126,055	110,105	1,224,784
Total Assets	¥ 199,198	¥ 186,572	\$ 1,935,469

*The value of the U.S. dollar is, purely for the sake of convenience, calculated using the approximate exchange rate as at March 31, 2014, which was ¥103 to \$1 (figures are rounded down to the nearest \$1,000).

	Millions of Yen		Thousands of U.S. Dollars (Note 1)*
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Notes and accounts payable—trade	¥ 27,595	¥ 23,079	\$ 268,117
Short-term loans payable	18,223	10,369	177,160
Current portion of long-term loans payable	9,746	14,931	94,695
Lease obligations	306	27	2,970
Income taxes payable	931	474	9,049
Accrued expenses	5,021	4,574	48,788
Deferred tax liabilities	0	—	0
Provision for bonuses	1,933	1,767	18,780
Notes payable—facilities	1,771	3,361	17,208
Other	3,651	3,458	35,476
Current liabilities	69,187	62,039	672,243
Bonds payable	15,000	15,000	145,744
Long-term loans payable	43,627	48,767	423,890
Long-term accounts payable—other	742	517	7,214
Lease obligations	3,266	54	31,731
Provision for retirement benefits	—	2,536	—
Provision for director's retirement benefits	31	34	299
Net defined benefit liabilities	2,641	—	25,656
Deferred tax liabilities	457	5	4,443
Deferred tax liabilities for land revaluation	3,761	3,761	36,540
Other	55	64	531
Noncurrent liabilities	69,579	70,736	676,048
Total Liabilities	138,766	132,776	1,348,291
Capital stock	19,939	19,939	193,737
Capital surplus	14,217	14,255	138,135
Retained earnings	8,348	7,253	81,108
Treasury stock	(2,069)	(2,186)	(20,103)
Shareholders' equity	40,435	39,262	392,877
Valuation difference on available-for-sale securities	5,082	4,467	49,377
Revaluation reserve for land	6,389	6,389	62,082
Foreign currency translation adjustment	1,451	(3,595)	14,103
Remeasurements of defined benefit plans	(676)	—	(6,570)
Accumulated other comprehensive income	12,247	7,261	118,992
Subscription rights to shares	199	242	1,936
Minority interests	7,552	7,031	73,373
Total Net Assets	60,432	53,797	587,178
Total Liabilities and Net Assets	¥ 199,198	¥ 186,572	\$ 1,935,469

Consolidated Statements of Income and Comprehensive Income

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2014 and 2013

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)*
	2014	2013	2014
Net sales	¥ 236,665	¥ 206,050	\$ 2,299,503
Cost of sales	209,856	182,553	2,039,016
Gross profit	26,809	23,496	260,487
Selling, general and administrative expenses	18,725	19,181	181,939
Operating income	8,084	4,315	78,548
Interest income	119	85	1,155
Dividend income	349	234	3,387
Equity in earnings of affiliates	22	10	211
Foreign exchange gains	564	356	5,476
Miscellaneous income	341	344	3,311
Non-operating income	1,393	1,029	13,539
Interest expenses	1,299	1,175	12,623
Expenses for product compensation	126	109	1,222
Depreciation	89	82	866
Amortization of initial cost of business	267	129	2,597
Miscellaneous expenses	428	448	4,154
Non-operating expenses	2,209	1,943	21,462
Ordinary income	7,269	3,402	70,626
Gain on sales of noncurrent assets	66	14	646
Gain on sales of investment securities	489	374	4,748
Subsidy	644	129	6,255
Gain on negative goodwill	19	—	184
Extraordinary income	1,218	517	11,833
Loss on sales and retirement of noncurrent assets	352	139	3,416
Impairment loss	31	34	303
Loss on reduction of noncurrent assets	599	47	5,823
Expense of environmental preservation countermeasures	148	—	1,442
Contribution for withdrawal from employee's pension fund of subsidiaries	—	117	—
Extraordinary loss	1,130	338	10,984
Income before income taxes and minority interests	7,356	3,581	71,474
Income taxes—current	2,035	1,329	19,770
Income taxes—deferred	1,307	669	12,702
Income taxes	3,342	1,999	32,473
Income before minority interests	4,014	1,583	39,001
Minority interests in income	1,591	1,065	15,463
Net income	¥ 2,423	¥ 518	\$ 23,538

*See accompanying Notes to Consolidated Financial Statements (pages 63 and 64).

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)*
	2014	2013	2014
Income before minority interests	¥ 4,014	¥ 1,583	\$ 39,001
Other comprehensive income			
Valuation difference on available-for-sale securities	615	1,757	5,976
Foreign currency translation adjustment	5,142	2,460	49,959
Total other comprehensive income	5,757	4,216	55,934
Comprehensive income	9,771	5,799	94,936
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	8,084	4,480	78,546
Comprehensive income attributable to minority interests	¥ 1,687	¥ 1,320	\$ 16,389

*The value of the U.S. dollar is, purely for the sake of convenience, calculated using the approximate exchange rate as at March 31, 2014, which was ¥103 to \$1 (figures are rounded down to the nearest \$1,000).

Consolidated Statements of Changes in Net Assets (Summary)

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)*
	2014	2013	2014
Shareholder's equity			
Capital stock			
Balance at the beginning of period	¥ 19,939	¥ 19,939	\$ 193,737
Balance at the end of period	19,939	19,939	193,737
Capital surplus			
Balance at the beginning of period	14,255	14,253	138,502
Disposal of treasury stock	(38)	2	(367)
Balance at the end of period	14,217	14,255	138,135
Retained earnings			
Balance at the beginning of period	7,253	8,062	70,476
Dividends from surplus	(1,328)	(1,327)	(12,906)
Net income	2,423	518	23,538
Balance at the end of period	8,348	7,253	81,108
Treasury stock			
Balance at the beginning of period	(2,186)	(2,278)	(21,236)
Purchases of treasury stock	(1)	(1)	(12)
Disposal of treasury stock	118	93	1,146
Balance at the end of period	(2,069)	(2,186)	(20,103)
Total shareholders' equity	40,435	39,262	392,877
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of period	4,467	2,710	43,401
Total changes of items during the period	615	1,757	5,976
Balance at the end of period	5,082	4,467	49,377
Revaluation reserve for land			
Balance at the beginning of period	6,389	6,389	62,082
Total changes of items during the period	—	—	—
Balance at the end of period	6,389	6,389	62,082
Foreign currency translation adjustment			
Balance at the beginning of period	(3,595)	(5,800)	(34,930)
Total changes of items during the period	5,046	2,205	49,032
Balance at the end of period	1,451	(3,595)	14,103
Remeasurements of defined benefit plans			
Balance at the beginning of period	—	—	—
Total changes of items during the period	(676)	—	(6,570)
Balance at the end of period	(676)	—	(6,570)
Accumulated other comprehensive income			
Balance at the beginning of period	7,261	3,299	70,554
Total changes of items during the period	4,985	3,962	48,439
Balance at the end of period	12,247	7,261	118,992
Subscription rights to shares			
Balance at the beginning of period	242	316	2,353
Total changes of items during the period	(43)	(74)	(417)
Balance at the end of period	199	242	1,936
Minority interests			
Balance at the beginning of period	7,031	6,223	68,319
Total changes of items during the period	520	808	5,054
Balance at the end of period	7,552	7,031	73,373
Total net assets	¥ 60,432	¥ 53,797	\$ 587,178

Special Feature

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Consolidated Statements of Cash Flows

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)*
	2014	2013	2014
CASH FLOW FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 7,356	¥ 3,581	\$ 71,474
Depreciation and amortization	8,869	8,594	86,169
Impairment loss	31	34	303
Increase (decrease) in allowance for doubtful accounts	8	(0)	79
Increase (decrease) in provision for retirement benefits	—	(2,893)	—
Increase (decrease) in net defined benefit liabilities	(528)	—	(5,135)
Interest and dividend income	(467)	(319)	(4,541)
Equity in (earnings) losses of affiliates	(22)	(10)	(211)
Interest expenses	1,299	1,175	12,623
Loss (gain) on sales and retirement of noncurrent assets	285	125	2,770
Loss (gain) on sales of investment securities	(489)	(374)	(4,748)
Decrease (increase) in notes and accounts receivable—trade	2,832	2,440	27,517
Decrease (increase) in inventories	(412)	(234)	(4,007)
Increase (decrease) in notes and accounts payable—trade	1,835	(2,575)	17,834
Other, net	447	(1,324)	4,341
Subtotal	21,044	8,220	204,467
Interest and dividend income received	467	319	4,541
Interest expenses paid	(1,342)	(1,169)	(13,035)
Income taxes paid	(1,700)	(1,747)	(16,515)
Income taxes refunded	402	1,963	3,905
Net cash provided by operating activities	18,872	7,585	183,364
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of short-term investment securities	—	(2,900)	—
Proceeds from redemption of securities	—	12,300	—
Payments into time deposits	(105)	(4,150)	(1,020)
Proceeds from withdrawal of time deposits	—	9,750	—
Purchases of property, plant and equipment	(21,698)	(18,322)	(210,822)
Proceeds from state subsidy	593	492	5,759
Proceeds from sales of property, plant and equipment	203	83	1,974
Purchases of intangible assets	(124)	(1,458)	(1,207)
Purchases of investment securities	(17)	(516)	(169)
Proceeds from sales of investment securities	1,016	869	9,873
Purchase of stocks of subsidiaries and affiliates	(207)	—	(2,012)
Other, net	(6)	(203)	(60)
Net cash used in investing activities	(20,346)	(4,055)	(197,684)
CASH FLOW FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	5,447	(4,804)	52,920
Proceeds from long-term loans payable	1,967	20,359	19,108
Repayments of long-term loans payable	(15,006)	(15,584)	(145,805)
Cash dividends paid	(1,329)	(1,325)	(12,908)
Cash dividends paid to minority shareholders	(537)	(674)	(5,214)
Proceeds from stock issuance to minority shareholders	—	24	—
Gain on sales and leaseback	3,321	—	32,267
Decrease (increase) in treasury stock	(1)	(1)	(10)
Other, net	(81)	(31)	(789)
Net cash provided by (used in) financing activities	(6,220)	(2,037)	(60,431)
Effect of exchange rate change on cash and cash equivalents	494	423	4,799
Net increase (decrease) in cash and cash equivalents	(7,199)	1,916	(69,952)
Cash and cash equivalents at beginning of period	20,731	18,815	201,429
Cash and cash equivalents—end of period (Note 3)*	¥ 13,532	¥ 20,731	\$ 131,478

*See accompanying Notes to Consolidated Financial Statements (page 61).

■ 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 years ended March 31, 2014 and 2013 is as follows:

	Millions of Yen						Total	Adjustment (Note 1)	Consolidated total (Note 2)
	Segment								
	Japan	North America	Europe	China	Thailand	Indonesia			
2014									
Sales to customers	¥ 80,356	¥ 119,572	¥ 5,284	¥ 10,775	¥ 5,908	¥ 14,771	¥ 236,665	¥ —	¥ 236,665
Intercompany sales/ transactions	8,882	3,219	2,119	13	251	910	15,393	(15,393)	—
Total revenue	¥ 89,238	¥ 122,790	¥ 7,403	¥ 10,788	¥ 6,158	¥ 15,681	¥ 252,058	¥ (15,393)	¥ 236,665
Operating income (loss)	¥ 3,427	¥ 749	¥ (567)	¥ 1,578	¥ 529	¥ 2,090	¥ 7,806	¥ 278	¥ 8,084
Total assets	¥ 122,960	¥ 64,629	¥ 5,368	¥ 12,059	¥ 4,856	¥ 10,462	¥ 220,335	¥ (21,136)	¥ 199,198

	Thousands of U.S. Dollars (Note 3)						Total	Adjustment (Note 1)	Consolidated total (Note 2)
	Segment								
	Japan	North America	Europe	China	Thailand	Indonesia			
2014									
Sales to customers	\$ 780,759	\$ 1,161,791	\$ 51,342	\$ 104,689	\$ 57,401	\$ 143,521	\$ 2,299,503	\$ —	\$ 2,299,503
Intercompany sales/ transactions	86,301	31,274	20,588	126	2,435	8,843	149,567	(149,567)	—
Total revenue	\$ 867,059	\$ 1,193,065	\$ 71,931	\$ 104,815	\$ 59,836	\$ 152,363	\$ 2,449,069	\$ (149,567)	\$ 2,299,503
Operating income (loss)	\$ 33,303	\$ 7,280	\$ (5,513)	\$ 15,335	\$ 5,135	\$ 20,310	\$ 75,850	\$ 2,698	\$ 78,548
Total assets	\$ 1,194,719	\$ 627,958	\$ 52,153	\$ 117,164	\$ 47,183	\$ 101,657	\$ 2,140,834	\$ (205,366)	\$ 1,935,469

	Millions of Yen						Total	Adjustment (Note 1)	Consolidated total (Note 2)
	Segment								
	Japan	North America	Europe	China	Thailand	Indonesia			
2013									
Sales to customers	¥ 82,895	¥ 96,446	¥ 3,473	¥ 6,049	¥ 4,891	¥ 12,296	¥ 206,050	¥ —	¥ 206,050
Intercompany sales/ transactions	6,562	1,982	1,407	9	182	861	11,003	(11,003)	—
Total revenue	¥ 89,456	¥ 98,427	¥ 4,880	¥ 6,058	¥ 5,073	¥ 13,158	¥ 217,053	¥ (11,003)	¥ 206,050
Operating income (loss)	¥ 2,294	¥ 80	¥ (789)	¥ 464	¥ 149	¥ 1,805	¥ 4,003	¥ 312	¥ 4,315
Total assets	¥ 127,276	¥ 45,967	¥ 4,383	¥ 6,905	¥ 4,782	¥ 9,259	¥ 198,573	¥ (12,001)	¥ 186,572

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, 2014, which was ¥103 to \$1 (figures are rounded down to the nearest \$1,000).

■ Changes in Accounting Policies and Accounting Estimates

Change in the Depreciation Method

Previously, the depreciation of property, plant and equipment had been calculated by the declining-balance method, while depreciation on buildings (excluding accompanying facilities) acquired since April 1, 1998 was calculated by the straight-line method. However, the Company has adopted the straight-line method in fiscal 2013 to calculate the depreciation of the aforementioned assets.

In line with the "akebono New Frontier 30 - 2013" midterm business plan, the Akebono Group is pursuing the advance of technologies for the future, cost reductions and environment-friendly operations through the introduction of energy- and labor-saving next-generation facilities with greater versatility. As the Company regards investment in these facilities as being a crucial factor with a significant influence on its investment policies, the adoption of a depreciation method that would better reflect the status of utilization of facilities subject to these investments was extensively discussed. As a result, Akebono decided to adopt the straight-line method, as the Company considered it as being capable of reflecting more appropriately the status of depreciation of Group facilities, which are expected to operate more stably due to the introduction of next-generation facilities boasting greater versatility.

Compared with calculations under the previous method, operating income for fiscal 2013 showed an increase of ¥1,433 million, while ordinary income and income before income taxes and minority interests rose ¥1,448 million each.

Adoption of Accounting Standard for Retirement Benefits, etc.

As of March 31, 2014, the Company adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ), Statement No. 26, issued on May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter the "Guidance"), excluding the provisions stipulated in the main clause of Article 35 of the Retirement Benefits Accounting Standards and in the main clause of Article 67 of the Guidance.

Accordingly, the Company's retirement benefit liabilities are now presented as net defined benefit liabilities, which are calculated by deducting pension assets from retirement benefit liabilities and including previously unrecognized actuarial gains or losses and costs of the past services.

The adoption of the Retirement Benefits Accounting Standards and its Guidance is subject to the transitional treatment stipulated by Article 37 of the Retirement Benefits Accounting Standards. Accordingly, as of the end of fiscal 2013, the Company made an adjustment in the remeasurements of defined benefit plans recorded as accumulated other comprehensive income, taking into consideration the impact of the abovementioned revision in calculation methods.

As a result, as of March 31, 2014, the Company posted net defined benefit assets and net defined benefit liabilities totaling ¥2,837 million and ¥2,641 million, respectively. At the same time, accumulated other comprehensive income decreased ¥676 million while minority interests fell ¥161 million.

Eleven-Year Financial Summary

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years ended March 31

	Billions of yen			
	2004	2005	2006	2007
Net sales	¥ 141.4	¥ 132.8	¥ 142.3	¥ 173.2
Gross profit	28.4	26.0	30.9	35.1
Ratio of gross profit to sales (%)	20.1	19.6	21.7	20.3
Selling, general and administrative expenses	18.4	16.2	19.1	21.3
Ratio of selling, general and administrative expenses to sales (%)	13.1	12.2	13.5	12.3
Operating income (loss)	9.9	9.8	11.7	13.9
Ratio of operating income (loss) to sales (%)	7.0	7.4	8.2	8.0
Net income (loss)	4.6	5.2	5.9	6.6
Ratio of net income (loss) to sales (%)	3.2	3.9	4.1	3.8
Return on assets (ROA) (%)	3.4	4.2	4.3	4.3
Return on equity (ROE) (%)	25.8	21.7	17.2	15.0
Capital investment	6.3	5.8	8.2	8.9
Depreciation and amortization	6.3	7.4	7.6	9.3
Cash flow from operating activities	17.8	14.0	12.2	10.8
Cash flow from investing activities	(4.3)	(3.7)	(11.9)	(9.1)
Cash flow from financing activities	(13.3)	(9.4)	(3.2)	(3.3)

	Thousands			
	2004	2005	2006	2007
Number of outstanding shares at the end of period (including treasury stock)	95,508	97,508	110,816	110,992
Net income (loss) per share—basic	¥ 48.50	¥ 54.29	¥ 56.60	¥ 61.86
Cash dividends per share	4.00	6.00	6.00	6.00

	Billions of yen			
	2004	2005	2006	2007
Total assets	¥ 126.6	¥ 122.2	¥ 150.1	¥ 155.6
Net interest-bearing debt	44.9	35.5	40.3	40.2
Net debt-equity ratio	2.1	1.3	1.0	0.8
Net equity (Equity minus minority interests minus stock subscription rights)	21.0	27.2	41.0	47.3
Net equity ratio (%)	16.6	22.3	27.3	30.4

2002

2005

2008

Forward 30

Main Achievements

- Achieved a record-high profit through the streamlining of operations, including drastic cost reductions, and initiatives aimed at creating new value
- Expanded into broader markets in step with initiatives aimed at realizing “true globalization”
Established of brake assembly plant and friction material production plant in China

Global 30

Main Achievements

- Promoted initiatives aimed at realizing “true globalization”
Promoted Thai and Indonesian operations while making the current Akebono Brake, Elizabethtown Plant, a wholly owned subsidiary
- Strengthened *Monozukuri*
Launched “Commonization and Standardization (C&S)” initiatives while resuming the casting business

akebono New Frontier 30

Main Achievements

- Realized the cost reductions needed to ensure business sustainability
Carried out the realignment of bases in Japan, Europe and the United States and work-force optimization as well as a shift to the in-house manufacture of key components while promoting C&S initiatives
- Pursued technological differentiation
Initiated the development of high-performance brakes and promoted environmental responsiveness while developing low-cost products for lightweight and compact vehicles
- Accelerated expansion into Asia
Launched a plant in Thailand and secured responsiveness to growing number of orders from major Japanese automakers while making all our Asian locations’ operations profitable
- Acquired a part of the North American brake business of Robert Bosch LLC
Significantly increased market share while optimizing the product performance of highly calibrated brakes to better match North American market requirements

Billions of yen

	2008	2009	2010	2011	2012	2013	2014
	¥ 184.7	¥ 159.6	¥ 130.6	¥ 216.6	¥ 209.6	¥ 206.0	¥ 236.7
	36.6	14.6	19.8	30.4	24.9	23.5	26.8
	19.8	9.2	15.2	14.0	11.9	11.4	11.3
	21.4	20.9	15.1	19.0	21.1	19.2	18.7
	11.6	13.1	11.6	8.8	10.1	9.3	7.9
	15.2	(6.3)	4.7	11.4	3.8	4.3	8.0
	8.2	(3.9)	3.6	5.3	1.8	2.1	3.4
	6.6	(16.3)	2.1	5.3	(3.2)	0.5	2.4
	3.6	(10.2)	1.6	2.4	(1.5)	0.3	1.0
	4.2	(10.2)	1.3	3.0	(1.8)	0.3	1.3
	13.7	(42.2)	5.8	11.6	(7.1)	1.2	4.9
	14.9	17.8	5.4	5.1	14.3	19.8	21.8
	9.9	11.4	10.0	9.8	9.8	8.6	8.9
	15.1	4.2	3.2	7.4	2.9	7.6	18.9
	(16.0)	(13.6)	(13.4)	(8.6)	(23.8)	(4.1)	(20.3)
	0.1	38.6	(0.0)	18.2	1.4	(2.0)	(6.2)

Thousands

	2008	2009	2010	2011	2012	2013	2014
	110,992	110,992	135,992	135,992	135,992	135,992	135,992
	¥ 61.85	¥ (151.65)	¥ 17.80	¥ 39.75	¥ (24.25)	¥ 3.90	¥ 18.34
	10.00	5.00	5.00	10.00	10.00	10.00	10.00

Yen

	2008	2009	2010	2011	2012	2013	2014
	¥ 163.3	¥ 155.4	¥ 164.1	¥ 186.0	¥ 181.0	¥ 186.6	¥ 199.2
	40.2	47.7	39.5	36.9	52.4	68.1	76.2
	0.8	1.7	0.9	0.8	1.2	1.46	1.45
	49.8	27.4	43.8	47.1	43.3	46.5	52.7
	30.5	17.6	26.7	25.4	23.9	24.9	26.4

Billions of yen

2010

2013

akebono New Frontier 30 Rolling Plan

Main Achievements

- **Made a difference with next-generation technologies**
Introduced next-generation friction material production facilities while expanding the high-performance brake business
- **Achieved continuous drastic cost reductions and implemented them globally**
Persistently reduced fixed costs and expanded the North American operations while entering Vietnamese and Mexican markets
- **Accelerated globalization encompassing Japan, North America, Europe and Asia**
Obtained orders for brakes for cars produced using global platform (GPF) systems

akebono New Frontier 30-2013

Core Strategies

- Making a difference with next-generation technologies
- Continuous drastic cost reduction and its global implementation
- Acceleration of globalization encompassing Japan, North America, Europe and Asia.

Progress

- Europe
Established a disc brake assembly plant (April 2014)
- North America
Began delivering drum brakes in Mexico (January 2014)
- Japan
Improved non-profitable businesses to secure more earnings

Special Feature

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Fiscal 2013 R&D by Region

"Friction and Vibration, their Control and Analysis" is not merely a phrase in "Akebono's Corporate Mission," it refers to the basis of the Company's core technologies.

Akebono constantly leverages its competencies to develop new friction materials and next-generation brakes for automobiles and other means of transportation, focusing on core technologies and upgrading the analytic methods essential to product development.

Our product development efforts focus on the three pillars of "environmental-friendliness," "high performance" and "low cost." In addition to our global R&D structure consisting of facilities in Japan, North America, Europe and China, we established a new development facility in Thailand in January 2014, with the aim of seizing business opportunities in promising ASEAN markets. While promoting the policy of "local production for local consumption," we will further enhance our local development and procurement networks, fully leveraging the strengths of each location. By doing so, we will maximize our Groupwide technological capabilities and thereby develop new products that are highly competitive in the global market.

Details of R&D activities in each region are as follows.

Japan

Akebono is working to develop high-performance, low-cost friction materials for brakes responsive to the entire spectrum of the market and customer needs. In terms of quality, Akebono focuses on controlling noise and vibration and minimizing brake dust. In addition to using environmentally friendly, and safe materials, we are working on developing new friction materials in response to the recent regulations introduced in several U.S. states.

At the same time, we are taking steps to reduce costs through the use of both new materials and improved manufacturing processes, without compromising on product performance and environmental considerations. Among our recent achievements in improving both braking and environmental performances, our opposed-type disc brakes, which employ an aluminum alloy developed for high-performance cars, have won a solid reputation among customers. Furthermore, we went on to develop new opposed-type disc brakes made with aluminum alloy that apply recent technological breakthroughs accomplished in the course of developing brake systems for Formula One racing cars.

We are also focusing our efforts on the "Commonization and Standardization" (C&S) of parts and production processes and otherwise working to boost our cost competitiveness. Resources saved through these efforts are allocated to the development of new, differentiated products.

In the development of environment-friendly products, we are striving to raise fuel efficiency through innovative weight and drag reductions. We are also developing brakes that apply next-generation technologies, including an electro-mechanical brake and electric parking brakes with an electro-mechanical actuator, in collaboration with our North American development locations. Meanwhile, we are continuing our efforts to meet stringent technical and cost benchmarks to reinforce our global supply system and ability to supply built-to-purpose products.

The R&D activities at Akebono Research & Development Centre Ltd. are focused on the following themes: (1) development of new materials for improved friction and environmental performances; (2) development of next-generation friction materials to achieve smaller, weight-saving and higher performance products; and (3) analysis of friction mechanisms.

Through such research, we are striving to establish stand-alone technologies that realize next-generation brakes and friction materials. Specifically, our R&D themes include the development of highly durable materials that enable safer and more comfortable driving, substitute brake materials aimed at addressing the depletion of fossil resources and reducing the environmental burden, cast iron with a lower rare earth content, functional particles for use in new product fields and zero-emission surface finishing technologies. At the same time, we will pursue further research on the relationship between friction materials and friction phenomena. In these ways, we will differentiate ourselves from competitors.

North America

Based on the local needs of U.S.-based automotive manufacturers, Akebono is working to develop new friction materials and next-generation foundation brakes that conform with the environmental regulations enacted by several state governments. We support Japanese automotive manufacturers as well with completely local operations, from development to mass production.

Akebono undertakes the development of friction materials for use in a wide range of vehicles, from passenger cars to pickup trucks. These materials realize exceptional NVH control and their level of environmental-friendliness more than meets the abovementioned regulations.

We also develop brake mechanisms for a wide range of vehicles from passenger cars to SUVs to pickup trucks and are proactively engaged in the mass production of lightweight aluminum alloy disc brakes. Furthermore, we mass-produce disc rotors and drum brakes for various vehicle types and market lightweight products with excellent performance with regard to noise and vibration thanks to the development of brake modules. Also, reflecting customer feedback, development efforts are now under way in tandem with locations in Japan to advance electro-mechanical braking technologies.

Europe

In our European operations, we are developing friction materials that reduce judder and realize greater control during high-speed running to meet unique performance demands. Also, we are giving full consideration to vibration characteristics and noise reduction as well as the chemical content of materials to ensure that products meet regional environmental regulations such as REACH.* Our R&D activities in Europe aim to respond to a wide range of customer needs, from friction materials designed to meet the above regulations to friction materials intended for auto exports to the Japanese and U.S. markets. As such, we develop, produce and supply friction materials for a wide range of customers in the European market. To reinforce our cost competitiveness in Europe, we are standardizing our materials procurement by purchasing from local markets while introducing a European-style manufacturing process.

In addition to our existing development location in France, we have established local subsidiaries in Germany and the U.K. In Germany, our R&D focus is on developing application technologies for disc brakes, while in the U.K. we develop disc brakes for racing cars and high-end commercial vehicles in collaboration with locations in Japan.

China

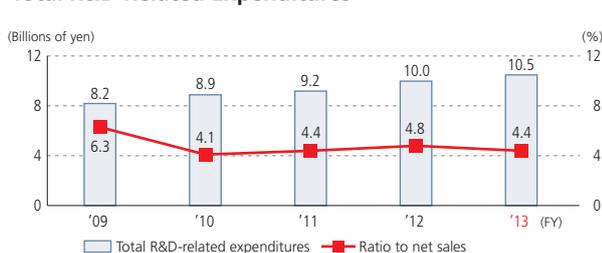
We have been promoting the development and design of products that reflect the needs of local customers. While accelerating the local procurement of materials and parts and adopting production methods that are best suited to the local environment, we are developing friction materials with levels of cost competitiveness and performance characteristics that make them suitable for the markets of emerging countries. When developing localized disc brake products, we survey and analyze local customer requirements as well as how customers use our products to determine what they need. Based on this, we can develop and propose products that have the required features and performance at a lower cost.

Thailand

We established a new location in Thailand in January 2014 to develop brakes tailored to markets in ASEAN countries, where demand is becoming remarkably robust. While promoting the policy of "local production for local consumption," we will push forward a shift to local development and procurement, thereby reflecting customer needs in product development.

*Registration, Evaluation, Authorization and Restriction of Chemicals

Total R&D-Related Expenditures*



*The above figures include R&D costs and other R&D-related expenditures incurred as part of regular improvements.

Corporate Information

Directors and Officers

(As of June 18, 2014)

Directors:



Representative Director & Member of the Board
Hisataka Nobumoto



Representative Director & Member of the Board
Yoshimasa Ogino



Member of the Board
Takashi Kudo



Member of the Board
Takeshi Saito



Member of the Board
Kazuo Matsumoto



Member of the Board
Kanji Miyajima



Member of the Board
Kunio Ito*



Member of the Board
Takuo Tsurushima*



Member of the Board
Ken Okazaki*

Audit & Supervisory Board:

Audit & Supervisory Board Member (Standing)	Takeshi Okumura
Audit & Supervisory Board Member (Standing)	Satoshi Utsugi
Audit & Supervisory Board Member	Kesao Endo**
Audit & Supervisory Board Member	Michiyoshi Homma**
Audit & Supervisory Board Member	Keizo Tannawa**

Audit & Supervisory Board:

Chairman, President & CEO	Hisataka Nobumoto
Executive Vice President	Yoshimasa Ogino
Senior Managing Executive Officer	Takashi Kudo
Senior Managing Executive Officer	Takeshi Saito
Senior Managing Executive Officer	Kazuo Matsumoto
Senior Managing Executive Officer	Kanji Miyajima
Senior Managing Executive Officer	Yuji Ando
Senior Managing Executive Officer	Katsuji Hidaka
Managing Executive Officer	Seiki Takahashi
Managing Executive Officer	Seiji Onoda
Managing Executive Officer	Masahiro Miyamoto
Managing Executive Officer	Yoichi Shinagawa
Managing Executive Officer	Seiji Nishimura
Managing Executive Officer	Jean de Montlaur
Managing Executive Officer	Yoshihiko Fujimoto
Executive Officer	Masaaki Ando
Executive Officer	Akira Hosoya
Executive Officer	Toshiyuki Negishi
Executive Officer	Peter Schmitz
Executive Officer	Hadrian Rori
Executive Officer	Tomokazu Hamada

Advisors:

Executive Advisor	J.W. Chai
Honorary Senior Advisor	Hidemitsu Kuwano
Executive Technical Advisor	Shunji Yokoo
Executive Technical Advisor	Toshifumi Maehara
Advisor	Sachiyuki Ishige
Advisor	Toshimitsu Nishigaki

*Outside directors in accordance with Article 2-15 of the Companies Act

**Outside corporate auditors in accordance with Article 2-16 of the Companies Act

Corporate Information

Akebono Locations (Japan)

(As of June 18, 2014)

Akebono Group (Japan)

Akebono Brake Industry Co., Ltd.

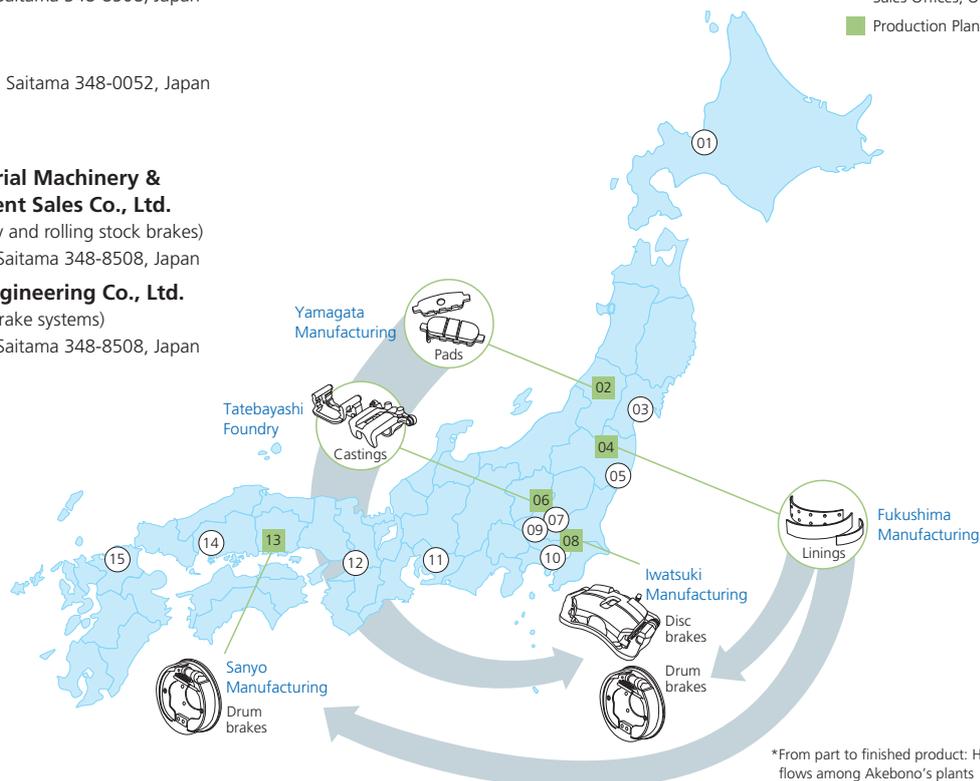
- ⑩ **Global Head Office**
19-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo 103-8534, Japan
- ⑦ **Ai-City (Headquarters)**
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan
- ⑪ **Chubu Office**
3-13 Obayashi-cho, Toyota City, Aichi 473-0902, Japan
- ① **Sapporo Sales Office**
3-2-66 Kitaokadama Sanjo, Higashi-ku, Sapporo City, Hokkaido 007-0883, Japan
- ③ **Sendai Sales Office**
3-7-13 Hinode-machi, Miyagino-ku, Sendai City, Miyagi 983-0035, Japan
- ⑦ **Kanto Sales Office**
5-4-71 Higashi, Hanyu City, Saitama 348-8501, Japan
- ⑦ **Metropolitan Sales Office**
19-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo 103-8534, Japan
- ⑫ **Osaka Sales Office**
2-17 Enoki-cho, Suita City, Osaka 564-0053, Japan
- ⑭ **Hiroshima Sales Office**
4-1-13 Yanonishi, Aki-ku, Hiroshima City, Hiroshima
- ⑮ **Fukuoka Sales Office**
6-12-41 Itazuke, Hakata-ku, Fukuoka City, Fukuoka 812-0888, Japan
- ⑥ **Tatebayashi Foundry (Casting of brake components)**
6012 Aza-Tobu Kogyo Danchi, Oshima-cho, Tatebayashi City, Gunma 374-0001, Japan
- ⑤ **Ai-Ring**
(Testing and evaluation)
41-42 Aza-Osaruda, Uwadaira, Ogawa-machi, Iwaki City, Fukushima 979-3112, Japan
- ⑦ **Ai-Museum (Brake museum)**
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan
- ⑦ **Ai-Village**
(Global training center)
5-11-26 Higashi, Hanyu City, Saitama 348-0052, Japan

Akebono Affiliates

- ⑦ **Akebono Brake Industrial Machinery & Rolling Stock Component Sales Co., Ltd.**
(Sales of industrial machinery and rolling stock brakes)
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan
- ⑦ **Akebono Advanced Engineering Co., Ltd.**
(R&D of high-performance brake systems)
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan

- ② **Akebono Brake Yamagata Manufacturing Co., Ltd.**
(Manufacture of disc brake pads and other brake components)
161-3 Chuo Kogyo Danchi, Sagae City, Yamagata 991-0061, Japan
- ④ **Akebono Brake Fukushima Manufacturing Co., Ltd.**
(Manufacture of brake linings and other brake components)
10 Aza-Shinjuku, Oaza-Narita, Koori-machi, Date-gun, Fukushima 969-1652, Japan
- ⑧ **Akebono Brake Iwatsuki Manufacturing Co., Ltd.**
(Manufacture of disc brakes, drum brakes and brake components)
1190 Oaza-Kanamuro, Iwatsuki-ku, Saitama City, Saitama 339-8601, Japan
- ⑬ **Akebono Brake Sanyo Manufacturing Co., Ltd.**
(Manufacture of drum brakes and wheel cylinders)
1966-8 Kushiro, Soja City, Okayama 710-1201, Japan
- ⑨ **Alocs Corporation**
(Logistics)
255-1 Ainohara, Iwatsuki-ku, Saitama City, Saitama 339-0071, Japan
- ⑦ **Akebono Research & Development Centre Ltd.**
(R&D)
5-4-71 Higashi, Hanyu City, Saitama 348-8511, Japan
- ⑦ **Akebono 123 Co., Ltd. (Special subsidiary company)**
(Cleaning-related services, packing, and printing of business cards)
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan
- ⑨ **APS Co., Ltd.**
(Consultancy for business streamlining)
1190 Oaza-Kanamuro, Iwatsuki-ku, Saitama City, Saitama 339-8601, Japan
- ⑦ **NeoStreet Inc.**
(Web shop)
5-4-71 Higashi, Hanyu City, Saitama 348-8501, Japan

- Head Office, Headquarters, Sales Offices, Others
- Production Plants



*From part to finished product: How production flows among Akebono's plants

Akebono Locations (Overseas)

(As of June 18, 2014)

Akebono Group (Overseas)

North America

Akebono Brake Corporation (ABC)

- ① **Akebono Engineering Center (AEC)**
(North American Head Office, R&D)
34385 W. Twelve Mile Road, Farmington Hills, MI 48331, U.S.A.
- ⑫ (North American Co-head Office)
310 Ring Road, Elizabethtown, KY 42701, U.S.A.
- ⑫ **Akebono Brake, Elizabethtown Plant (ABE)**
(Manufacture of disc brakes, drum brakes and disc brake pads)
300 Ring Road, Elizabethtown, KY 42701, U.S.A.
- ⑬ **Akebono Brake, Glasgow Plant (ABG)**
(Manufacture of disc brakes and disc brake pads)
1765 Cleveland Avenue, Glasgow, KY 42141-1057, U.S.A.
- ⑭ **Akebono Brake, Clarksville Plant (ABCT)**
(Manufacture of disc rotors, drum brakes, corner modules and other brake components)
780 International Boulevard, Clarksville, TN 37040-5327 U.S.A.
- ⑮ **Akebono Brake, Columbia Plant (ABCS)**
(Manufacture of disc brakes, corner modules, castings and other brake components)
201 Metropolitan Drive, West Columbia, SC 29170-2294 U.S.A.
- ⑯ **Akebono Brake Mexico S.A. de C.V. (ABM)**
(Manufacture of disc brakes and drum brakes)
Av. Mineral de Valenciana 186 Fracc, Industrial Santa Fe II Guanajuato Puerto Interior, Silao, Guanajuato, 36275, Mexico

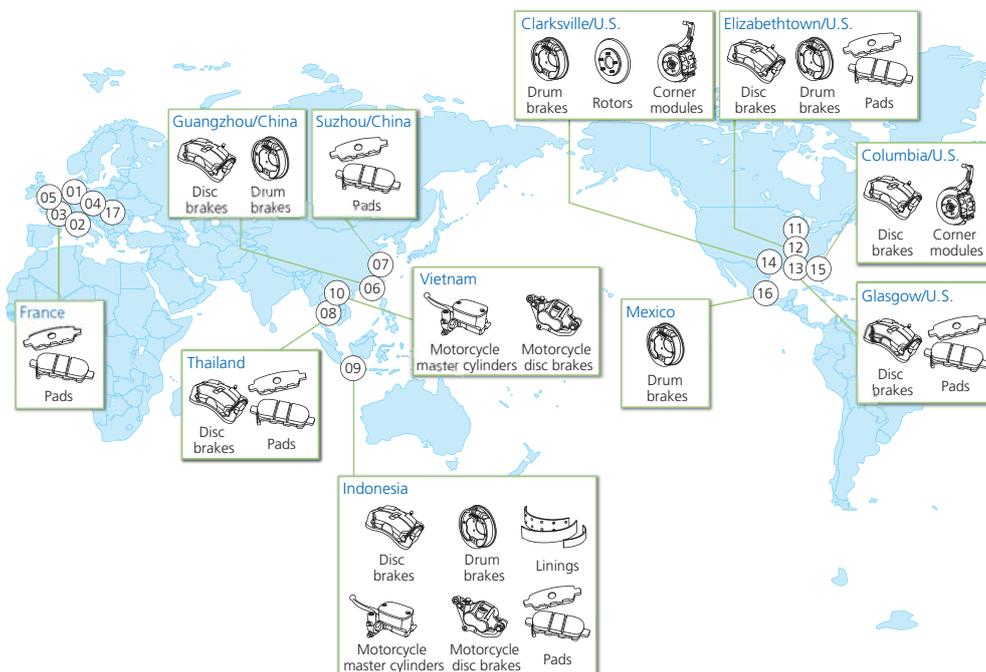
Europe

- ① **Akebono Brake Europe N.V. (AENV)**
(European Head Office, sales and marketing)
Pegasuslaan 5, 1831 Diegem, Belgium
- ② **Akebono Europe S.A.S. (Gonesse) (AESA)**
(CREA: Centre de Recherche Européen Akebono) (CREA)
(Sales and R&D)
6 Avenue Pierre Salvi BP 90111, 95505 Gonesse Cedex, France

- ③ **Akebono Europe S.A.S. (Arras) (AASA)**
(Manufacture of disc brake pads)
Site Artoipôle, 244 Allée d'Espagne, 62118 Monchy-le-Preux, France
- ④ **Akebono Europe GmbH (AEG)**
(Sales)
Auf der Heide 11-13, 65553, Limburg-Dietkirchen, Germany
- ⑤ **Akebono Advanced Engineering (UK) Ltd. (AAE)**
(R&D)
415 Wharfedale Road, Winnersh Triangle, Wokingham, Berkshire RG41 5RA, United Kingdom
- ⑰ **Akebono Brake Slovakia s.r.o. (ABSK)**
(Manufacture and sales of disc brakes)
Námestie SNP 7, 911 01 Trenčín, Slovakia (Temporary office)

Asia

- ⑧ **Akebono Brake (Thailand) Co., Ltd. (AKBT)**
(Manufacture and sales of disc brakes and Pads)
700/880 Moo 1 Tambol Panthong Amphur Panthong, Chonburi 20160, Thailand
- ⑥ **Akebono Corporation (Guangzhou)**
(Manufacture and sales of disc brakes and drum brakes)
No. 8 Hefeng 1st Street, Yonghe Economic Zone of Guangzhou Development District, Guangzhou, China 511356
- ⑦ **Akebono Corporation (Suzhou)**
(Manufacture and sales of disc brake pads)
TingLan Road No. 168 ChangYang Street, Industrial Park, Suzhou, China 215021
- ⑨ **PT. Akebono Brake Astra Indonesia (AAIJ)**
(Manufacture and sales of disc brakes, drum brakes, pads, linings, master cylinders and other brake components)
Jl. Pegangsaan Dua Blok A1, Km. 1, 6 Kelapa Gading, Jakarta, 14250, Indonesia
- ⑩ **Akebono Brake Astra Vietnam Co., Ltd. (AAVH)**
(Manufacture and sales of disc brakes and master cylinders for motorcycles)
Plot D-10 (Rf-1a) Thang Long Industrial Park II, Yen My district, Hung Yen Province, Vietnam



Corporate Information

Company Outline

(As of June 21, 2014)

Company Outline

■ Company Name

Akebono Brake Industry Co., Ltd.

■ Established

January 27, 1929

■ Global Head Office

19-5 Nihonbashi Koami-cho,
Chuo-ku, Tokyo 103-8534, Japan

■ Ai-City (Headquarters)

5-4-71 Higashi, Hanyu City,
Saitama 348-8508, Japan

■ President and CEO

Hisataka Nobumoto

■ Paid-in Capital

¥19.9 billion
(as of March 31, 2014)

■ Net Sales

¥236.7 billion (fiscal 2013)

■ Number of Associates

8,505 (as of March 31, 2014)



Ai-City (Headquarters): Akebono Crystal Wing (ACW)
(Hanyu City, Saitama, Japan)



Global Head Office:
Akebono Nihonbashi Building (Chuo-ku, Tokyo)



Ai-Museum (brake museum)
Opening hours: Every Wed. 14:00-16:00

Investor Information

■ Stock Listing

Tokyo Stock Exchange, First Section (Code: 7238)

■ Common Stock

Authorized: 440,000,000 Shares

Issued: 135,992,343 Shares

■ Principal Shareholders

Shareholders	No. of shares held (1,000 shares)	% of issued common stock
Toyota Motor Corporation	15,495	11.39
Robert Bosch LLC	12,597	9.26
Isuzu Motors Limited	12,111	8.90
ITOCHU Corporation	6,449	4.74
Deutsche Bank AG, Frankfurt Domestic Custody Services	5,900	4.33
BBH Boston for Metzler Investment GmbH, Frankfurt	5,261	3.86
Japan Trustee Services Bank, Ltd. (Trust Account)	5,218	3.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,474	3.29
Aisin Seiki Co., Ltd.	3,133	2.30
Kayaba Industry Co., Ltd.	2,000	1.47
SECOM CO., LTD.	2,000	1.47

Note: The Company's holding of treasury stock is not included in the above list of principal shareholders, but is equivalent to 8th position.

■ Transfer Agent & Registrar

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Department

7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan

■ Annual Shareholders' General Meeting

The annual shareholders' general meeting is normally held in June each year.

■ Independent Auditor

Deloitte Touche Tohmatsu

■ Shareholders

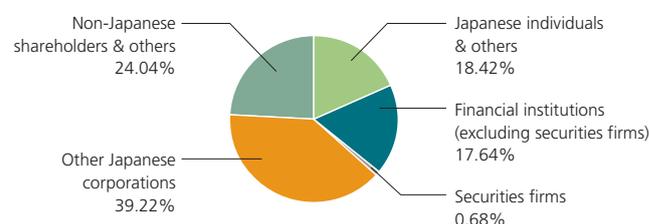
Category	No. of shareholders	No. of shares held (1,000 shares)
Japanese individuals & others	10,774	25,027
Japanese government & municipal corporations	0	0
Financial institutions (excluding securities firms)	38	23,974
Securities firms	34	922
Other Japanese Corporations	142	53,284
Non-Japanese shareholders & others	131	32,672
TOTAL	11,119	135,882
No. of shares in less than units of 100	—	110,143 shares

Note: The number of treasury shares as of March 31, 2014 was 3,071,012. Of these, 3,071,000 shares are included under "Japanese individuals & others," and 12 shares are included under "No. of shares in less than units of 100."

The number of shares in the name of the Japan Securities Depository Center as of March 31, 2014 is 3,500. Of these, 3,500 shares are included under "Other Japanese corporations."

The number of treasury shares indicated in the shareholders' list is 3,245,149, whereas the actual number as of March 31, 2014 was 3,071,012.

■ Percentage of Shares Held by Shareholder Category (%)



Akebono Brake Industry Co., Ltd. ("the Company") and Group affiliates ("Akebono" or "the Group") began preparing and disclosing the *AKEBONO REPORT* in fiscal 2009. Being aware of the need for accountability, the Company has since then issued the report every year with the aim of providing a better communication tool with a variety of useful information for stakeholders. The *AKEBONO REPORT* is intended to increase public understanding of the Group's environmental policy and related activities and achievements while highlighting the Company's CSR initiatives and presenting such financial information as a review of operational results and consolidated financial statements.

We aim to present our value creation process to our stakeholders in an appropriate fashion. The International Integrated Reporting Council (IIRC), which provides an international framework for integrated reporting, has set out the following seven guiding principles. Of these, we strive for a presentation that especially considers "*strategic focus and future orientation*." In addition, of the eight content elements set forth by the IIRC, we put particular emphasis on disclosing "*strategy and resource allocation*."

Guiding principles

- | | |
|--|---|
| 1. <i>Strategic focus and future orientation</i> | 5. <i>Conciseness</i> |
| 2. <i>Connectivity of information</i> | 6. <i>Reliability and completeness</i> |
| 3. <i>Stakeholder relationships</i> | 7. <i>Consistency and comparability</i> |
| 4. <i>Materiality</i> | |

Content elements

- | | |
|--|--|
| 1. <i>Organizational overview and external environment</i> | 5. <i>Strategy and resource allocation</i> |
| 2. <i>Governance</i> | 6. <i>Performance</i> |
| 3. <i>Business model</i> | 7. <i>Outlook</i> |
| 4. <i>Risks and opportunities</i> | 8. <i>Basis of presentation</i> |

In the 2014 report, we have worked to prepare a forward-thinking integrated report focused on introducing medium- and long-term initiatives aimed at creating new value. Specifically, we present the details of top management's policies while featuring a dialogue session, entitled "Toward Our Centennial," in which project team members in charge of the 85th year anniversary commemorative events share their visions of their own and the Company's future. The dialogue participants are chosen from throughout the Group and are the kind of competitive associates who will lead Akebono into the future, making these dialogues a good showcase for the real-life daily execution of the Company's Corporate Mission and other top management policies. With regard to the disclosure of strategy and resource allocation, we include reporting on the progress of our latest midterm business plan "akebono New Frontier 30 - 2013," which is aimed at achieving true globalization

The report also features the details of our compliance structure (page 19), human resource nurturing aimed at developing globally capable associates (pages 26 to 27), data on the diversity and work-life balance of associates (pages 32 to 33) and our disclosure policies (page 52).

Moreover, the report covers our ongoing activities since the Great East Japan Earthquake (pages 12 to 13) while disclosing information on our response to the new U.S. chemical substance regulations on brake friction materials (page 42), sharing with readers our recognition of risk and approach to securing business continuity.

Reporting Scope

Reporting Period

This report covers the annual results data for the 2013 fiscal year (April 1, 2013 to March 31, 2014). In addition, certain information on activities after the latter date is included to provide a better understanding of our ongoing efforts.

Organizations

Activity details and data are provided for Akebono facilities in Japan, North America, Europe, Thailand, China and Indonesia. Official names of some Group facilities have been abbreviated. Please see pages 66 and 67 for a complete listing of Group locations.

Publication date: August 2014 (Last publication: September 2013; Next scheduled publication: August 2015)

Inquiries:

Akebono Brake Industry Co., Ltd. Corporate Communications Office

Tel: +81 (0) 3-3668-5183

Fax: +81 (0) 3-5695-7391

URL: <http://www.akebono-brake.com>

E-mail: akebono_pr@akebono-brake.com

Cautionary Statement Concerning Outlook

Current plans, projections, strategies, business performance and other statements reported herein which are not historic facts represent forecasts made under Akebono's assumptions and views based on information available at the time this report was prepared. These statements, therefore, are exposed to risks and uncertainties, including but not limited to those associated with the economic climate surrounding Akebono's business domain, trends in market competition, exchange rates, tax systems and various institutions. Please note that actual business performance may differ significantly from Akebono's forecasts due to various factors.

AKEBONO REPORT 2014

Business & CSR Activities

Issued August 2014

Akebono Brake Industry Co., Ltd.

Corporate Communications Office

19-5 Nihonbashi Koami-cho, Chuo-ku,

Tokyo 103-8534, Japan

TEL +81 (0) 3-3668-5183 **FAX** +81 (0) 3-5695-7391

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E-mail akebono_pr@akebono-brake.com

Please send your opinions and impressions to the above office.



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