

# Consolidated Balance Sheets

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2016	2015	2016
<b>ASSETS</b>			
Cash and deposits	¥ 20,403	¥ 12,365	\$ 181,070
Notes and accounts receivable—trade	36,792	40,605	326,517
Merchandise and finished goods	4,075	4,369	36,166
Work in process	2,214	2,632	19,648
Raw materials and supplies	12,486	12,547	110,812
Accounts receivable—other	4,884	3,792	43,347
Deferred tax assets	1,035	1,049	9,185
Other	2,259	3,259	20,052
Allowance for doubtful accounts	(65)	(265)	(575)
Current assets	84,084	80,353	746,223
Buildings and structures, net	26,129	26,360	231,889
Machinery, equipment and vehicles, net	38,884	47,331	345,084
Land	21,595	21,656	191,649
Construction in progress	12,721	13,507	112,892
Other, net	2,687	2,454	23,848
Property, plant and equipment	102,016	111,308	905,362
Intangible assets	2,743	2,710	24,342
Investment securities	11,302	25,676	100,305
Net defined benefit assets	1,922	3,537	17,057
Deferred tax assets	967	1,213	8,583
Other	1,438	1,173	12,760
Allowance for doubtful accounts	(69)	(76)	(613)
Investments and other assets	15,560	31,522	138,091
Noncurrent assets	120,319	145,540	1,067,796
Total assets	¥204,404	¥225,894	\$1,814,019

Note: The value of the U.S. dollar is, purely for the sake of convenience, calculated using the approximate exchange rate as at March 31, 2016, which was ¥112.68 to \$1 (figures are rounded down to the nearest \$1,000).

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2016	2015	2016
<b>LIABILITIES AND NET ASSETS</b>			
Notes and accounts payable—trade	¥ 28,960	¥ 29,602	\$ 257,012
Short-term loans payable	21,416	21,266	190,060
Current portion of bonds	—	15,000	0
Current portion of long-term loans payable	16,257	16,538	144,275
Lease obligations	581	466	5,153
Income taxes payable	641	444	5,686
Accrued expenses	8,523	6,733	75,638
Deferred tax liabilities	0	—	1
Provision for bonuses	1,656	1,737	14,694
Notes payable—facilities	1,526	3,345	13,539
Provision for business structure improvement	519	—	4,603
Other	4,476	5,348	39,722
Current liabilities	84,553	100,480	750,382
Long-term loans payable	76,894	50,403	682,412
Long-term accounts payable—other	575	653	5,104
Lease obligations	4,607	4,489	40,888
Provision for director's retirement benefits	28	26	250
Net defined benefit liabilities	2,254	2,269	20,006
Deferred tax liabilities	777	4,259	6,893
Deferred tax liabilities for land revaluation	3,155	3,324	28,001
Other	1,457	72	12,927
Noncurrent liabilities	89,747	65,495	796,480
Total Liabilities	174,300	165,975	1,546,862
Capital stock	19,939	19,939	176,956
Capital surplus	12,971	12,978	115,117
Retained earnings	(19,373)	754	(171,931)
Treasury stock	(1,980)	(1,993)	(17,569)
Shareholders' equity	11,558	31,678	102,573
Valuation difference on available-for-sale securities	3,291	10,606	29,204
Revaluation reserve for land	6,741	6,572	59,824
Foreign currency translation adjustment	3,307	4,725	29,352
Remeasurements of defined benefit plans	(1,090)	319	(9,676)
Accumulated other comprehensive income	12,249	22,222	108,705
Subscription rights to shares	240	248	2,129
Non-controlling interests	6,057	5,771	53,750
Total net assets	30,103	59,919	267,157
Total liabilities and net assets	¥204,404	¥225,894	\$1,814,019

Consolidated Statements of Income and Comprehensive Income

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2016 and 2015

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2016	2015	2016
Net sales	¥ 281,341	¥254,157	\$2,496,813
Cost of sales	264,875	229,843	2,350,687
Gross profit	16,465	24,314	146,126
Selling, general and administrative expenses	20,227	20,310	179,505
Operating income (loss)	(3,761)	4,004	(33,380)
Interest income	113	138	1,007
Dividend income	496	446	4,399
Share of profit of entities accounted for using equity method	8	15	74
Foreign exchange gains	—	364	—
Miscellaneous income	118	235	1,048
Non-operating income	736	1,197	6,528
Interest expenses	1,712	1,204	15,192
Foreign exchange losses	675	—	5,990
Expenses for product compensation	445	429	3,953
Depreciation	182	89	1,619
Amortization of business commencement expenses	255	197	2,259
Miscellaneous expenses	520	450	4,614
Non-operating expenses	3,789	2,369	33,626
Ordinary income (loss)	(6,815)	2,833	(60,478)
Gain on sales of noncurrent assets	18	59	155
Gain on sales of investment securities	4,958	—	43,998
Subsidy income	67	218	594
Extraordinary income	5,042	277	44,747
Loss on sales and retirement of noncurrent assets	563	319	5,000
Impairment loss	11,840	3,271	105,072
Provision for business structure improvement	520	—	4,619
Loss on recall issue	799	—	7,089
Loss on reduction of noncurrent assets	—	102	—
Environmental expenses	—	33	—
Extraordinary loss	13,722	3,726	121,781
Loss before income taxes	(15,495)	(616)	(137,512)
Income taxes—current	1,999	1,935	17,741
Income taxes—deferred	855	2,326	7,586
Income taxes	2,854	4,261	25,327
Profit (loss)	(18,349)	(4,877)	(162,839)
Loss attributable to non-controlling interests	1,114	1,217	9,885
Loss attributable to owners of parent	¥ (19,462)	¥ (6,095)	\$ (172,723)

\* See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2016	2015	2016
Profit (loss)	¥(18,349)	¥ (4,877)	\$ (162,839)
Valuation difference on available-for-sale securities	(7,315)	5,524	(64,917)
Revaluation reserve for land	169	357	1,498
Foreign currency translation adjustment	(1,959)	3,983	(17,388)
Remeasurements of defined benefit plans, net of tax	(1,383)	987	(12,272)
Total other comprehensive income	(10,488)	10,850	(93,079)
Comprehensive income	(28,837)	5,973	(255,918)
Comprehensive income attributable to owners of the parent	(29,435)	4,055	(261,231)
Comprehensive income attributable to non-controlling interests	¥ 599	¥ 1,918	\$ 5,313

Note: The value of the U.S. dollar is, purely for the sake of convenience, calculated using the approximate exchange rate as at March 31, 2016, which was ¥112.68 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, 2016 and 2015

	Millions of Yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests
2016												
Balance at the beginning of period	¥19,939	¥12,978	¥ 754	¥(1,993)	¥31,678	¥10,606	¥6,572	¥4,725	¥ 319	¥22,222	¥248	¥5,771
Changes of items during period												
Dividends from surplus			(665)		(665)							
Loss attributable to owners of parent			(19,462)		(19,462)							
Purchases of treasury shares				(1)	(1)							
Disposal of treasury shares		(6)		14	8							
Net changes of items other than shareholders' equity						(7,315)	169	(1,417)	(1,410)	(9,973)	(8)	286
Total changes of items during period	—	(6)	(20,128)	14	(20,120)	(7,315)	169	(1,417)	(1,410)	(9,973)	(8)	286
Balance at end of current period	¥19,939	¥12,971	¥ (19,373)	¥(1,980)	¥11,558	¥ 3,291	¥6,741	¥3,307	¥(1,090)	¥12,249	¥240	¥6,057

	Thousands of U.S. Dollars (Note)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests
2016												
Balance at the beginning of period	\$176,956	\$115,175	\$ 6,695	\$ (17,690)	\$ 281,136	\$94,121	\$58,325	\$41,931	\$ 2,835	\$197,212	\$2,200	\$51,216
Changes of items during period												
Dividends from surplus			(5,903)		(5,903)							
Loss attributable to owners of parent			(172,723)		(172,723)							
Purchases of treasury shares				(7)	(7)							
Disposal of treasury shares		(58)		128	71							
Net changes of items other than shareholders' equity						(64,917)	1,498	(12,579)	(12,510)	(88,508)	(70)	2,534
Total changes of items during period	—	(58)	(178,627)	121	(178,563)	(64,917)	1,498	(12,579)	(12,510)	(88,508)	(70)	2,534
Balance at end of current period	\$176,956	\$115,117	\$ (171,931)	\$ (17,569)	\$ (102,573)	\$29,204	\$59,824	\$29,352	\$ (9,676)	\$108,705	\$2,129	\$53,750

	Millions of Yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests
2015												
Balance at the beginning of period	¥19,939	¥14,217	¥8,348	¥(2,069)	¥40,435	¥ 5,082	¥6,389	¥1,451	¥(676)	¥12,247	¥199	¥7,552
Cumulative effects of changes in accounting policies			(343)		(343)							
Restated balance	19,939	14,217	8,005	(2,069)	40,092	5,082	6,389	1,451	(676)	12,247	199	7,552
Changes of items during period												
Dividends from surplus			(1,330)		(1,330)							
Loss attributable to owners of parent (net loss)			(6,095)		(6,095)							
Purchases of treasury shares				(1)	(1)							
Disposal of treasury shares		(28)		77	48							
Reversal of revaluation reserve for land			174		174							
Purchase of shares of consolidated subsidiaries		(1,210)			(1,210)							
Net changes of items other than shareholders' equity						5,524	183	3,273	996	9,975	49	(1,781)
Total changes of items during period	—	(1,239)	(7,250)	76	(8,414)	5,524	183	3,273	996	9,975	49	(1,781)
Balance at end of current period	¥19,939	¥12,978	¥ 754	¥(1,993)	¥31,678	¥10,606	¥6,572	¥4,725	¥ 319	¥22,222	¥248	¥5,771

Consolidated Statements of Cash Flows

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2016	2015	2016
CASH FLOW FROM OPERATING ACTIVITIES:			
Loss before income taxes	¥ (15,495)	¥ (616)	\$ (137,512)
Depreciation	13,074	10,756	116,025
Impairment loss	11,840	3,271	105,072
Increase (decrease) in allowance for doubtful accounts	(210)	224	(1,863)
Increase (decrease) in net defined benefit liabilities	(412)	(221)	(3,658)
Increase (decrease) in provision for business structure improvement	520	—	4,619
Interest and dividend income	(609)	(583)	(5,406)
Share of (profit) loss of entities accounted for using equity method	(8)	(15)	(74)
Interest expenses	1,712	1,204	15,192
Loss (gain) on sales and retirement of noncurrent assets	546	260	4,845
Loss (gain) on sales of investment securities	(4,958)	—	(43,998)
Decrease (increase) in notes and accounts receivable—trade	3,201	(585)	28,409
Decrease (increase) in inventories	509	(712)	4,513
Increase (decrease) in notes and accounts payable—trade	(155)	(528)	(1,377)
Other, net	1,640	1,212	14,558
Subtotal	11,194	13,666	99,345
Interest and dividend income received	609	583	5,406
Interest expenses paid	(1,742)	(1,189)	(15,460)
Income taxes paid	(2,546)	(2,850)	(22,591)
Cash flows from operating activities	7,516	10,210	66,701
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from withdrawal of time deposits	—	405	—
Purchases of property, plant and equipment	(17,547)	(20,585)	(155,722)
Proceeds from state subsidy	—	113	—
Proceeds from sales of property, plant and equipment	165	2,671	1,464
Purchases of intangible assets	(1,021)	(248)	(9,061)
Purchases of investment securities	(18)	(18)	(164)
Proceeds from sales of investment securities	8,570	—	76,054
Other, net	(230)	(47)	(2,044)
Cash flows from investing activities	(10,082)	(17,708)	(89,474)
CASH FLOW FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	465	1,044	4,131
Proceeds from long-term loans payable	43,051	20,019	382,067
Repayments of long-term loans payable	(16,599)	(9,761)	(147,314)
Redemption of bounds	(15,000)	—	(133,120)
Cash dividends paid	(668)	(1,331)	(5,926)
Dividends paid to non-controlling interests	(734)	(952)	(6,517)
Proceeds from stock issuance to non-controlling shareholders	435	114	3,858
Proceeds from sales and leasebacks	798	1,082	7,082
Decrease (increase) in treasury shares	(1)	(1)	(5)
Purchase of treasury shares of subsidiaries	—	(3,213)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(880)	—
Other, net	(526)	(308)	(4,667)
Cash flows from financing activities	11,222	5,812	99,590
Effect of exchange rate change on cash and cash equivalents	(617)	519	(5,480)
Net increase (decrease) in cash and cash equivalents	8,038	(1,167)	71,388
Cash and cash equivalents at beginning of period	12,365	13,532	109,733
Cash and cash equivalents end of period	¥ 20,403	¥12,365	\$ 181,070

■ 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, 2016 and 2015 is as follows:

	Millions of Yen								
	Segment						Total	Adjustment (Note 1)	Consolidated total (Note 2)
	Japan	North America	Europe	China	Thailand	Indonesia			
2016									
Sales to customers	¥72,245	¥161,970	¥ 9,169	¥19,028	¥5,457	¥13,471	¥281,341	¥ —	¥281,341
Intercompany sales/ transactions	10,851	4,941	1,682	401	577	3,081	21,532	(21,532)	—
Total sales	¥83,096	¥166,911	¥10,851	¥19,430	¥6,034	¥16,551	¥302,873	¥ (21,532)	¥281,341
Operating income (loss)	¥ 3,259	¥ (11,202)	¥ (887)	¥ 2,531	¥ 474	¥ 1,683	¥ (4,142)	¥ 381	¥ (3,761)

	Thousands of U.S. Dollars (Note 3)								
	Segment						Total	Adjustment (Note 1)	Consolidated total (Note 2)
	Japan	North America	Europe	China	Thailand	Indonesia			
2016									
Sales to customers	\$641,154	\$1,437,436	\$81,376	\$168,871	\$48,428	\$119,549	\$2,496,813	\$ —	\$2,496,813
Intercompany sales/ transactions	96,300	43,848	14,923	3,560	5,117	27,339	191,088	(191,088)	—
Total sales	\$737,454	\$1,481,284	\$96,299	\$172,432	\$53,546	\$146,887	\$2,687,901	\$ (191,088)	\$2,496,813
Operating income (loss)	\$ 28,925	\$ (99,418)	\$ (7,868)	\$ 22,459	\$ 4,205	\$ 14,934	\$ (36,762)	\$ 3,383	\$ (33,380)

	Millions of Yen								
	Segment						Total	Adjustment (Note 1)	Consolidated total (Note 2)
	Japan	North America	Europe	China	Thailand	Indonesia			
2015									
Sales to customers	¥76,759	¥137,228	¥6,745	¥13,934	¥5,138	¥14,352	¥254,157	¥ —	¥254,157
Intercompany sales/ transactions	9,981	3,031	2,135	352	357	2,020	17,876	(17,876)	—
Total sales	¥86,740	¥140,259	¥8,880	¥14,286	¥5,496	¥16,372	¥272,033	¥ (17,876)	¥254,157
Operating income (loss)	¥ 3,602	¥ (3,165)	¥ (544)	¥ 1,681	¥ 262	¥ 1,821	¥ 3,656	¥ 348	¥ 4,004

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, 2016, which was ¥112.68 to \$1 (figures are rounded down to the nearest \$1,000).