

# We will enhance our corporate value by responding to changes in the automotive industry with improving performance of our North American operations.



## Sudden, Rapid Changes in the Automobile Industry

The automobile industry, an important business foundation for Akebono, is currently in a period of transformation, with increasing requirements for response to global environmental problems and safety issues. To address environmental problems, development of hybrid and plug-in hybrid vehicles, as well as EVs and FCVs is rapidly progressing. At the same time, safety improvements are also moving forward as autonomous driving technology evolves, along with research into supporting infrastructure and the electrification of various mechanisms. A number of other industries have entered this field, and we believe this will further intensify competition in development for survival. In addition, the development of information technology and the emergence of new values regarding cars have given rise to a shift from ownership to use, and the concept of ride sharing has been becoming popular. Akebono will need to respond to the wide variety of changes.

## Three Strategies Built Around Our Identity as Akebono

Amidst these changes in business conditions, we at Akebono aim to enhance corporate value by maximizing our unique position as a small, specialized, independent manufacturing company. By taking advantage of the swift decision-making capability that comes with being a small organization, we will leverage our deep, specialized knowledge of friction and vibration as we take on the challenge of further expanding the range of our business. We will attempt to break into new fields by

taking advantage of the freedom that comes with being independent, creating something from nothing through a focus on manufacturing. And because the Company requires organizational capabilities to accomplish what individuals alone cannot, we will work to respect the individual associates who support the organization as we develop truly global personnel.

As conditions surrounding the Company undergo sudden, rapid change, we have established the following three strategies for fiscal 2017 to ensure our survival in the market while taking advantage of our strengths as a “small, specialized, independent manufacturing company.”

## Forging the akebono Way for Global Roll-Out

The first strategy is to forge the akebono Way and roll out globally. A key factor in the formulation of this strategy was the manufacturing burden that arose in our North American operation in 2013. Over time, Akebono has weathered three major transitions and overcome many generational changes. Our resilience has been underpinned by our unique strengths and values, and as times have changed, we have reflected those changes in our company credo, in our APS\*, in our Corporate Mission, in our Declaration for the 21st Century, and in our Brand Statement. As we expand our business globally going forward, however, we find that we need more concrete guiding pillars for decision making. The akebono Way is thus being formulated and rolled out as a guideline for actions and decisions to ensure our sustainable growth.

## Establishing Foundations for Product-based Business Unit Structure

The second strategy is to build a foundation for product-based business units, an effort that began last year. To further deepen collaboration between our regional operations in Japan, North America, Europe and Asia and enhance customer satisfaction globally, we launched five product-based business units responsible for sales, R&D, purchasing, production, and manufacturing engineering functions. This will accelerate efforts to identify issues by business unit and construct operation mechanisms. By strengthening global competitiveness, we aim to increase the profitability of individual products while establishing a global network.

## Promoting Respect for People and Developing the Talent and Contribution of Every Individual Associate

The third strategy is to respect for people and develop the talent of every individual associate. In both of our other two strategies—Forging the Global Roll-Out of the akebono Way, and Establishing Foundations for Product-based Business Unit Structure—it is important that our

associates change their thinking and mindset and the way they work, responding to change on their own as individuals. We will work to develop the next generation of associates based on the concept of diversity.

### Progress with the Akebono New Frontier 30 – 2016 Midterm Business Plan

Rebuilding the North American operations is an important pillar of the midterm business plan. We have made faster-than-expected progress with the three initiatives involved: a rebuilding of the Company's foundations through a top-down reshuffling of key management positions, including the CEO; stronger cost management with the assistance of outside consultants; and increased productivity. Performance has steadily improved and prospects are for a return to profitability for the North American operations in fiscal 2017 and beyond. We will continue to focus on improving productivity to firmly establish a profitable structure.

Efforts to expand the high performance brake business and recreate European operations are moving forward as planned, and we hope to quickly establish an integrated production and supply system at the new Slovakia Plant. In China, meanwhile, sales of compact cars are strong due to tax reductions, while automotive markets in Thailand and Indonesia have also begun to show signs of recovery going into 2017. We will work to tie that recovery to earnings by further increasing our competitiveness in these regions.

### Development and Accumulation of Technology to Ensure Survival

To survive the intense competition in development in response to environmental problems and safety issues, it is essential that we continue to enhance our technological capability. As part of that effort, in 2007 we began supplying brake systems to the McLaren F1

team. This challenge grew out of the philosophy that for Akebono to become a world-class expert in the brake field it is essential that we take on the world's best, and 2016 marked its 10th anniversary. Today, we continue to pursue our core technology, "Friction and Vibration, their Control and Analysis," under these extreme conditions. Technology accumulated through our participation in these races comes to fruition in our high-performance brakes. Coupled with growing recognition of the Akebono name in Europe, our technology is contributing significantly to the expansion of the high performance brake business and the rebuilding of European operations, one of the pillars of our midterm business plan. The valuable experiences our engineers acquire on-site at these races are also linked to our human resource development efforts.

In addition, as seamless application of technology based on our expertise in "Friction and Vibration, their Control and Analysis," our Infrastructure and Mobility System business unit is moving forward with development of products for rolling stock, including bullet train brakes. Further, utilizing our sensor technology, we are also developing and marketing products in new fields including vehicle behavior detection devices for rolling stock and surface incline measurement systems in an effort to further expand our business. We are also diligently working to advance development of next-generation technologies, such as our innovative MR Fluid Brake, which successfully reduces environmental impact through the use of a structure that eliminates brake dust.

Since its founding, Akebono has centered all of its business activities around providing safety and peace of mind. The unfavorable situation in our North American operations over the past three years has caused considerable concern for our stakeholders, but performance is now on track toward recovery. We will continue to devote our efforts to further increasing corporate value, and we hope our stakeholders provide us continuous support. We would like to ask your frank opinions and comments on this report.

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Hisataka Nobumoto  
President and CEO



\* APS stands for the Akebono Production System as well as the Akebono Philosophy and Spirit.