akebono

Annual Report 2007

Year ended March 31, 2007

Taking the Next Step

AKEBONO BRAKE INDUSTRY CO., LTD.

Brake Experts

Akebono Brake Industry Co., Ltd. has developed brake friction materials and related products since its founding in 1929. Today, Akebono provides brake products for a wide range of segments including automobiles, motorcycles, rolling stock, forklifts and agricultural machinery.

Akebono boasts a large share of the Japanese market, and counts almost all Japanese automakers as customers. Outside Japan, Akebono is strengthening its foundations to become a global supplier of friction materials by leveraging its core technologies in brake development.

Akebono's brake products are used in a range of applications, safeguarding people throughout the world. We will expand our business in a manner consistent with our role as experts in brakes, a vital component of safety equipment, and in line with our Corporate Mission.

Corporate Mission

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

Corporate Goals

✤ Put our customers' needs first
✤ Realign our technologies to achieve a leading supply position in all vehicle segments
✤ Accept the challenges of operating and managing a global business

Challenges for 2007

Sparking new growth

1. Attain 100% customer satisfaction through prompt responses to reach 100% product quality.
2. Embrace the concept of "Mieruka" to achieve cost reduction and improvements throughout the company so that every issue, impediment and concern is identified, brought into the open and resolved in ways that encourage creative solutions.
3. Establish a competitive cost structure that allows Akebono to profitably expand business globally.

Contents

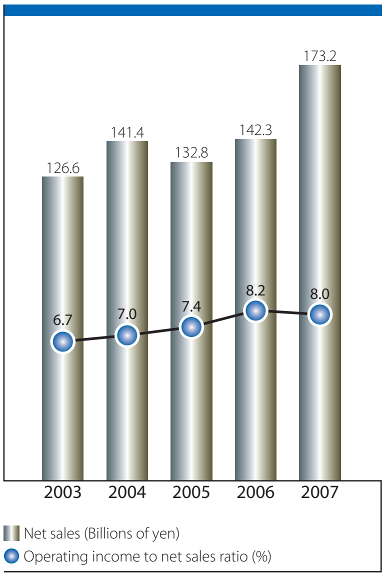
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

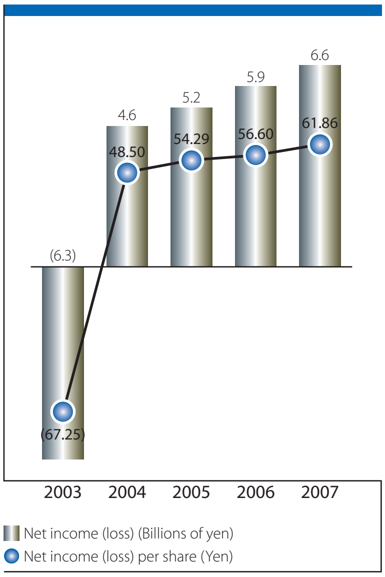
	Billions of yen					Millions of U.S. dollars (Note 1)
	2007	2006	2005	2004	2003	**2007**
Fiscal year						
Net sales	**¥173.2**	¥142.3	¥132.8	¥141.4	¥126.6	**$1,467**
Operating income	**13.9**	11.7	9.8	9.9	8.5	**118**
Net income (loss)	**6.6**	5.9	5.2	4.6	(6.3)	**56**
Year-end						
Total assets	**155.6**	150.1	122.2	126.6	143.2	**1,318**
Net assets (Note 2)	**52.3**	41.0	27.2	21.0	14.5	**443**
	Yen					U.S. dollars (Note 1)
Per share data						
Net income (loss)	**¥61.86**	¥56.60	¥54.29	¥48.50	¥(67.25)	**$0.52**
Cash dividends	**6.00**	6.00	6.00	4.00	1.00	**0.05**

Note 1: Yen amounts are translated into U.S. dollars, for convenience only, at US$1 = ¥118, the approximate exchange rate as of March 31, 2007.
Note 2: Beginning with the year ended March 31, 2007, minority interests have been included in net assets.

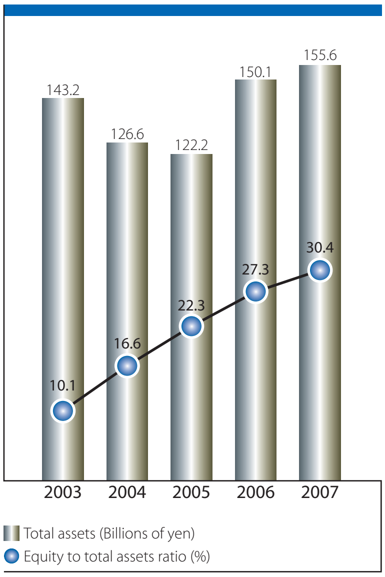
Net sales /
Operating income to net sales ratio
Each year ended March 31



Net income (loss) /
Net income (loss) per share
Each year ended March 31



Total assets /
Equity to total assets ratio
Each year ended March 31



TO OUR SHAREHOLDERS AND INVESTORS

Hisataka Nobumoto
President, CEO and Chairman of the Board

We posted a second consecutive year of record sales and profits as we forged ahead with our "Global 30" mid-term management plan worldwide.

During fiscal 2006, the year ended March 31, 2007, Akebono made progress in implementing portions of our management plan, Global 30. We focused on Japan where we continued to realign our operations consistent with our Cost Revolution program. In North America, we streamlined our management structure to allow faster information sharing and decision-making. In Europe we invested in facilities and products that should provide the basis for future profits. In China and Southeast Asia we focused on new investments that are the foundation for our fast growing operations in this region.

As a result of our efforts and higher vehicle production in most regions, Akebono posted record net sales, operating income and net income. Higher raw material and component costs, decreased aftermarket sales in Japan, and lower production by some of our Japanese customers were offset by a generally strong performance by operations outside of Japan and contributions from Ambrake Corporation (operating name: Akebono Brake, Elizabethtown Plant) and PT. Tri Dharma Wisesa, which were consolidated for the first time in fiscal 2006. Consolidated net sales improved ¥30.9 billion, or 21.7% over fiscal 2005 to ¥173.2 billion. Operating income increased ¥2.1

billion, or 18.3%, to ¥13.9 billion. Net income was ¥6.6 billion, an increase of ¥0.8 billion, or 13.2% over fiscal 2005.

Our original Global 30 objectives remain in place. The over-arching goal of Global 30 is the achievement of a 30% share of the worldwide OEM disc brake pad market and 10% of the global aftermarket disc brake pad business. But because of unexpected challenges in the automotive business, we have revised our original financial goals for fiscal 2009, the year ended March 31, 2010, to net sales of ¥200.0 billion and operating income of ¥ 20.0 billion (See table).

We cannot simply rely on market growth to achieve these goals. So we are focusing on operations and new products to generate higher margins. For example, Akebono is working to absorb the costs of higher material prices by investing in a foundry to insource critical components while promoting product standardization and higher added value friction materials. Increased capacity at our highly profitable Indonesian subsidiary and the opening of a new facility in Thailand will also result in better than originally planned performance in the region.

Akebono is realigning its business in Japan to cover both low-end, low-margin products and high performance brake pads. The Japanese market has shifted away from mid-size vehicles in favor of smaller cars. This requires Akebono to adjust production systems to improve returns on conventional products while investing in products where we have a higher return.

In North America, Akebono continues to integrate operations among its three production facilities to achieve economies of scale. The uncertainty in the U.S. with respect to demand for pickup trucks and sport utility vehicles requires us to tighten our product focus, continue to streamline management and focus on customers and products with higher returns.

Although Europe continues to trail our expectations, the opposite is true for Asia. We are taking actions in both regions to boost profitability and take advantage of new business opportunities. In Europe, our participation as an Official Supplier to the Vodafone McLaren Mercedes Formula 1 racing team has raised Akebono's profile among potential customers. In Asia, fast growth requires us to add capacity to serve our customers. We expect these initiatives will lead to increased profitability and new business opportunities in Europe and Asia.

Global 30

Each year ended March 31

(Billions of yen)

	2006 (results)	**2007 (results)**	2008 (plan)	2010 (targets)
Net sales	142.3	**173.2**	177.0	200.0
Operating income	11.7	**13.9**	15.5	20.0
Net income	5.9	**6.6**	7.3	10.0
Total assets	150.1	**155.6**		175.0
Shareholders' equity ratio (%)	27%	**30%**		39%
ROA (%)	4%	**4%**		6%
ROE (%)	17%	**15%**		15%
D/E ratio (times)	1.1	**0.9**		0.6

Interview with the President

Q Vehicle demand in Japan is sluggish. In addition, there is a sharp bifurcation in the mix away from middle market segments in favor of smaller cars with some growth in sales of luxury vehicles. How has this environment influenced Akebono's strategy?

First, Akebono believes that the changes in the Japanese market are permanent and the result of higher fuel prices as well as the aging of the population. In addition, Japanese vehicle producers will continue to invest in new capacity overseas. This means that our strategy has to take these long-term trends into account.

Second, in order to achieve our financial targets in Japan, we are placing more emphasis on reducing costs through product design, component standardization and better production efficiency while developing low-cost products to target smaller cars, which are seeing increased customer demand in Japan's bifurcating market. Changes will be made to the revenue structure in this segment to extract increased profits. We believe that high raw materials and component costs will remain and we are taking steps to reduce their impact in the future by changing designs and vertically integrating some components. Our new ¥5 billion casting foundry will allow us to have more control over the cost of many critical components where a worldwide shortage has driven up prices. A shift from selective to active automation will also play a role in boosting factory productivity.

Akebono believes that it is uniquely positioned to serve customers who demand high performance friction materials and high performance calipers in Japan and around the world.

Our success in motor sports from mountain bike racing to motorcycles and Formula 1 is convincing customers that Akebono has the resources and know how to customize products for their needs. We are also uniquely qualified to understand the demands of hybrid electric vehicles, which require highly engineered brake systems.

Brakes for industrial machinery and rolling stock also make up an important part of our business. For example, Japan's newest N700 series of Bullet Trains, which began operation in July 2007, are equipped with our brakes and their performance has been well-received by customers.

Tell us about your strategy for North America. The market challenges seem as tough there as they are in Japan.

Akebono has consistently made good profits in North America. However, North America is confronting many of the same issues as Japan. Consumers are buying fewer pickup trucks and sport utility models in favor of passenger cars and crossovers that offer better fuel economy. Akebono has increased its market share in crossover vehicles, which has enabled it to offset some of the sales mix shift. In the conventional products segment, we are redoubling efforts to penetrate the aftermarket with new products that are targeted at specific high volume vehicles in addition to concentrating all aftermarket manufacturing at Amtec Brake L.L.C. (operating name: Akebono Brake, Springfield Plant).

Akebono has had a long and productive alliance with Itochu Corporation. We will soon begin to implement Itochu's logistics management system. We believe that this will shorten delivery times and allow us to be more responsive, especially for aftermarket customers.

For several years we have been reducing our headquarters staff and consolidating administration near our manufacturing plants. Moving the headquarters to Kentucky in May 2007 should improve staff efficiency and speed decision-making.

New Akebono Corporation (North America) HQ
(operating name: Akebono Brake Corporation)

What strategies are you implementing in Europe and Asia? Are you convinced of the profit potential in both regions?

We remain committed to the European market even though achieving profits there has taken longer than we anticipated. Our success as an Official Supplier for Vodafone McLaren Mercedes has gotten attention within the automotive industry. Akebono is devoting resources to high-performance products tailored to the needs of individual auto companies. We are taking out costs in both product design and manufacturing while we direct more effort to the aftermarket in this region. Europe was profitable in the fourth quarter of fiscal 2006. We believe that we will be close to breakeven in Europe in fiscal 2007 assuming continued strong local vehicle production.

Southeast Asia is considered a promising market among Akebono's regional operations. We established a subsidiary in Thailand in August 2006, which will become our main Asian operation outside of Japan. Our two plants in China are generating rising revenues. To take advantage of the growing Chinese market Akebono will continue to selectively invest in China while still protecting our proprietary technologies.

Indonesia is one the world's largest markets for motor bikes. Our 50% owned subsidiary PT. Tri Dharma Wisesa has sales for motorbikes that outweigh those for passenger vehicles, making the outlook for higher revenues and profit growth favorable.

In December 2006 Akebono and Itochu formed a business alliance. What are the objectives of this alliance?

In March 2007 Itochu converted its 40% stake in Amak Brake L.L.C. into a 20% stake in Akebono Corporation (North America) (operating name: Akebono Brake Corporation), the controlling company of our North American business. We believe that through this and other alliances with Itochu in China, where they own 20% of our two ventures, Akebono will have greater access to non-automotive customers for brake friction materials, including industrial equipment producers and rolling stock manufacturers. Itochu's global presence can leverage Akebono's resources and its brand in countries where we could not market on our own.

What is the main factor that underpins Akebono's future success?

Few people realize the engineering and technical sophistication in a modern vehicle braking system. Eight small pads can bring the most powerful car or truck to a stop in a relatively short distance by absorbing the energy of today's powerful engines. Akebono's technology in friction materials has made it a global leader capable of handling the braking requirements from the newest Bullet Train series in Japan, the N700, to those of a downhill racer on a mountain bike. We have the highest share of the Japanese brake pad market and a growing share outside of Japan. We are determined to have the brandname, Akebono, stand for superior braking performance in all applications.

Shareholder value is now a growing concern for Japanese companies. How is Akebono addressing this issue?

First, let me say that we are not satisfied with our recent financial performance. Even though we have been changing our company faster than ever before, the global business environment is much less predictable than in the recent past which demands that Akebono be more responsive to whatever trends emerge. So internally we are aiming at taking costs out of our company while endeavoring to meet and hopefully exceed our customers' expectations. If we do this, we will increase the shareholder value of our company by increasing the value of Akebono to all of our customers.

Second, it is our goal to steadily increase our dividend. In fiscal 2006 we paid a dividend of ¥6 per share. That will increase to ¥8 in fiscal 2007 and to ¥10 in fiscal 2008. We hope that recent investments reach the point of generating more profits and higher cash flow so that Akebono will be able to accelerate its dividend payments in the future.

CORPORATE GOVERNANCE

Akebono recognizes achieving maximum corporate value by increasing transparency and conducting business in a fair manner as important issues. We will continue to enhance corporate governance by upgrading our internal control systems and strengthening risk management.

Basic Approach

Akebono is working to maximize corporate value through corporate governance that enables us to conduct management in a manner that is transparent and fair from a global viewpoint. Achieving this means increasing management transparency, strengthening monitoring functions, carrying out rapid and appropriate decision-making in response to changes in the operating environment, disclosing appropriate information in a timely manner, upgrading internal control systems and ensuring that management meets compliance requirements.

Strengthening corporate governance enables us to consistently improve our performance in the global market and increase corporate value. Ensuring we contribute to society by complying with laws, regulations and corporate ethics as a manufacturer of essential safety equipment and by fulfilling our corporate social responsibilities to all stakeholders is also an important factor.

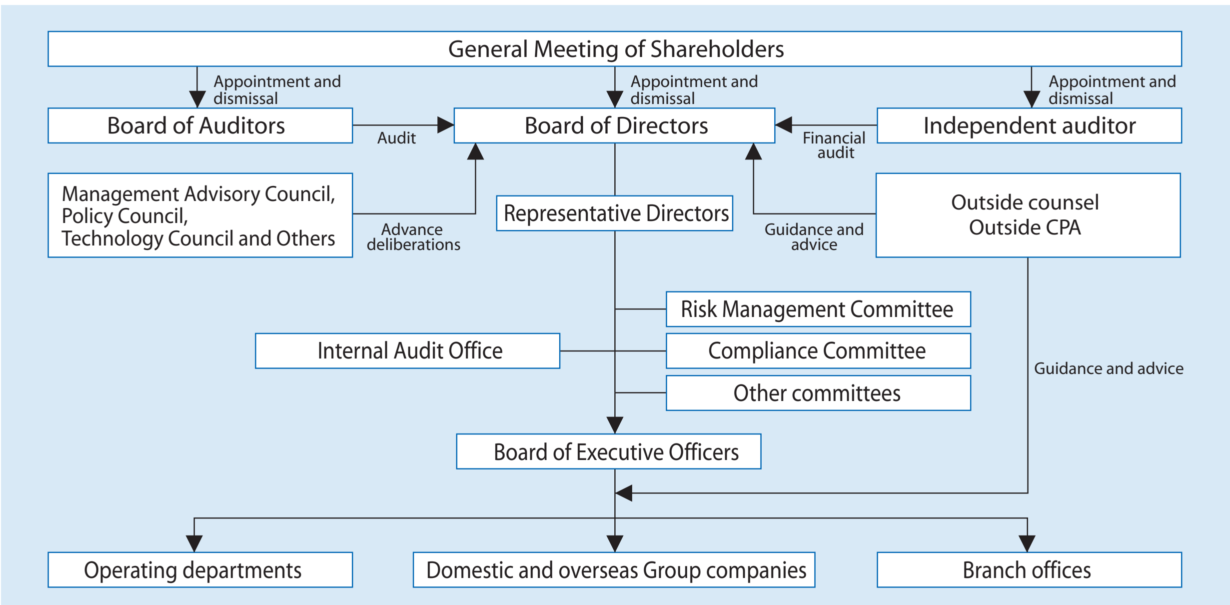
Corporate Governance Structure

We introduced the Executive Officer System in April 2000 with the aims of clarifying management responsibility and authority and improving management efficiency.

Effective June 21, 2007, we strengthened our corporate governance structure by increasing the number of directors from eight (including one non-executive director) to ten (including two non-executive directors).

Furthermore, to bolster the internal and external monitoring of business execution by management, we have put in place a three-part auditing system comprising the auditors, the independent auditor and the Internal Audit Office. The Board of Auditors is made up of two corporate auditors and two auditors (including two outside auditors). The Internal Audit Office comprises a dedicated staff of five that provides advice and recommendations from a fair and independent standpoint based on examination and assessment of management activities.

Overview of Corporate Governance Structure



COMPLIANCE

The Akebono Group is working to ensure sound business activities by upholding corporate ethics. To ensure compliance with laws and regulations, the Akebono Group has created a Compliance Manual, which also provides a set of action guidelines for employees.

Basic Approach

The Akebono Group believes that compliance is not limited to simply observing the letter of laws and regulations. We also recognize the need for employees to exercise good judgment in acting as responsible members of society by adhering to social customs and corporate ethics in both their work and private life.

Such standards for corporate behavior are gathered together with a code of conduct and other guidelines in the Compliance Manual. This manual was created to provide ongoing employee education, encourage sharing of information, and raise awareness.

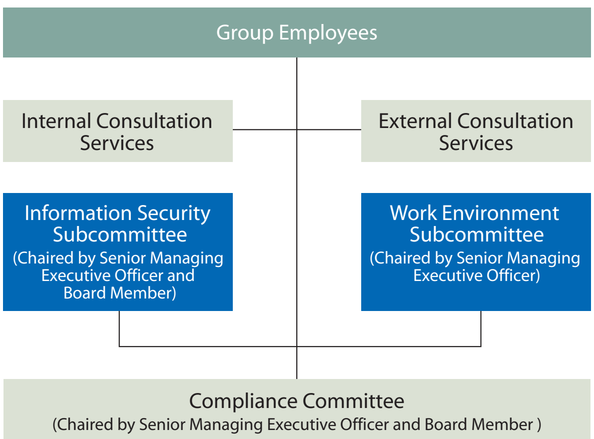
Compliance Structure

We continue to promote the activities of the Compliance Committee, which we established in January 2003. The committee is chaired by a Senior Managing Executive Officer and Board Member, and General Managers of each department act as committee members.

In fiscal 2006 we held General Compliance Meetings in April and October. These meetings, which comprised regular members of the Compliance Committee, as well as compliance promotion officers from our Japanese Group companies, aim to raise compliance awareness by providing information and training to directors, auditors and employees.

Specific initiatives include training for employees, the monthly publication of "Compliance News," posting compliance-related decisions on internal bulletin boards and the establishment of internal and external consultation services.

Akebono Group Compliance Structure



Internal and External Consultation Services

Akebono has established internal and external consultation services to deal with employees' questions, concerns and complaints. The services handle inquiries, including those made anonymously, from all Group employees including temporary and part-time employees. With this system we are striving to identify and rectify issues at an early stage.

Internally, consultation services are provided at five Group sites. There are multiple services, arranged to deal with different types of inquiries. In September 2005, external consultation services were outsourced to a specialist external organization and the "Corporate Ethics and Work Environment Hotline" was launched.

The details of any inquiries and reports, and personal information are kept confidential. To protect users of the consultation service from any prejudicial treatment, we have established internal rules to safeguard those who disclose information in the public interest. The Compliance Committee is mainly responsible for investigating reports and implementing remedial measures.

DIRECTOR AND OFFICERS

(as of June 21, 2007)

Hisataka Nobumoto
Representative Director
Chairman of the Board
President & CEO

Shunji Yokoo
Representative Director
Member of the Board
Executive Vice President

Yoshimasa Ogino
Member of the Board
Executive Vice President & CFO

Toshimitsu Nishigaki
Member of the Board
Senior Managing Executive Officer

Sachiyuki Ishige
Member of the Board
Senior Managing Executive Officer

Kazuhiko Goto
Member of the Board
Senior Managing Executive Officer

Takashi Kudo
Member of the Board
Senior Managing Executive Officer

Takeshi Saito
Member of the Board
Senior Managing Executive Officer

Kunio Ito
Member of the Board
(Non-executive Director)

Takuo Tsurushima
Member of the Board
(Non-executive Director)

EXECUTIVE OFFICERS

Vice Chairman
Hidemitsu Kuwano

Executive Vice President
Tsuyoshi Kashiwagi*

Senior Managing Executive Officers
Yoshihiro Ishigaki
Satoshi Utsugi

Managing Executive Officers
Mitsuo Sato
Yoshiharu Aizawa
Kiyoshi Dejima
Koji Kobayashi

Executive Officers
Masahiro Miyamoto
Toru Wakabayashi*
Seiya Odaka
Sueyoshi Mizobuchi
Kazuo Matsumoto*
Kazumi Saito
Kanji Miyajima
Masaaki Ando

AUDITORS AND ADVISORS

Corporate Auditors (Standing)
Akiyo Ishida
Keijiro Kimura

Corporate Auditors
Hidejiro Matsuda
Kesao Endo

Executive Advisor
J. W. Chai

Advisors
Shunichi Fujioka
Hiroki Sato

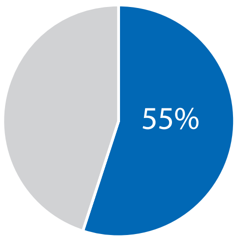
* Indicates that Executive currently has post(s) at Akebono Group subsidiary (subsidiaries) outside Japan, but has rank equivalent to an Executive at the parent company (Akebono Brake Industry Co., Ltd.).

BUSINESS OVERVIEW

Geographical Segments Each year ended March 31

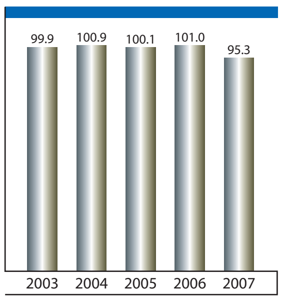
Japan

SHARE OF NET SALES
(%)

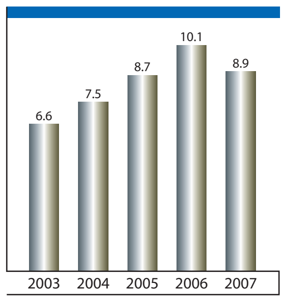


(year ended March 31, 2007)

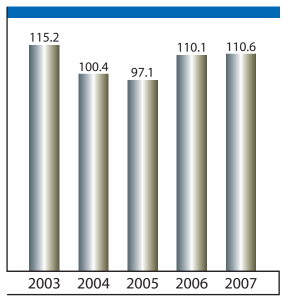
NET SALES
(Billions of yen)



OPERATING INCOME
(Billions of yen)

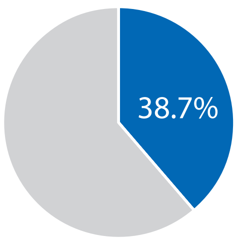


TOTAL ASSETS
(Billions of yen)



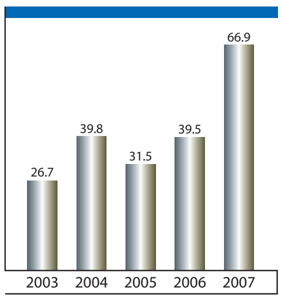
North America

SHARE OF NET SALES
(%)

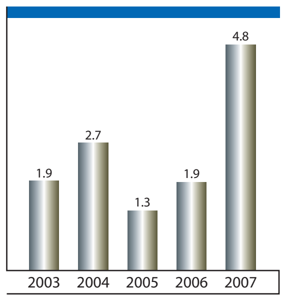


(year ended March 31, 2007)

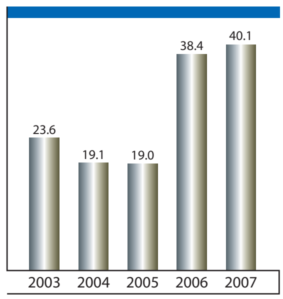
NET SALES
(Billions of yen)



OPERATING INCOME
(Billions of yen)

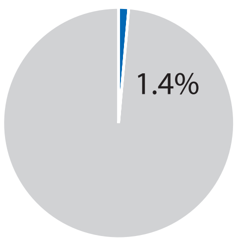


TOTAL ASSETS
(Billions of yen)



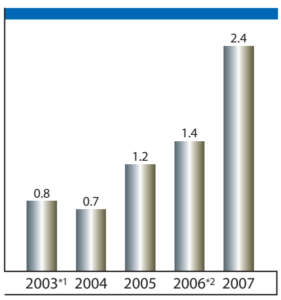
Europe

SHARE OF NET SALES
(%)

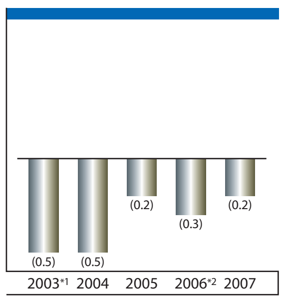


(year ended March 31, 2007)

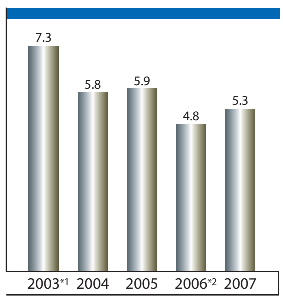
NET SALES
(Billions of yen)



OPERATING INCOME (LOSS)
(Billions of yen)

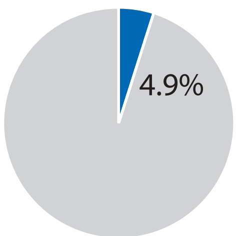


TOTAL ASSETS
(Billions of yen)



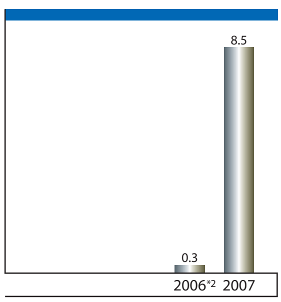
Asia

SHARE OF NET SALES
(%)

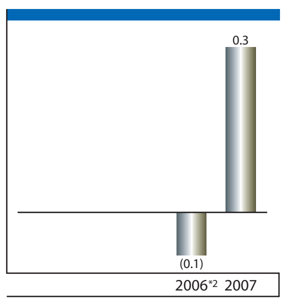


(year ended March 31, 2007)

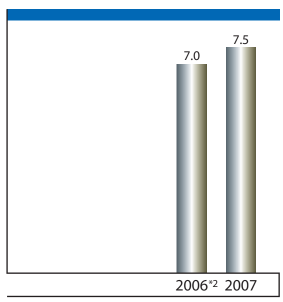
NET SALES
(Billions of yen)



OPERATING INCOME (LOSS)
(Billions of yen)



TOTAL ASSETS
(Billions of yen)



Change to Geographical Segments

*1: Up to and including the year ended March 31, 2003, we divided our operations into two geographical segments: Japan and North America. From the year ended March 31, 2004, this was changed to three geographical segments: Japan, North America and the new Europe segment. The segment information above denoted with *1 indicates information from the year ended March 31, 2003 adapted and presented based on the geographical segments in the year ended March 31, 2004.

*2: From the fiscal year ended March 31, 2007, information for the Asia region, previously included in the Europe and Others segment, is presented under the Asia segment. The segment information above denoted with *2 indicates information from the year ended March 31, 2006 adapted and presented based on the geographical segments in the year ended March 31, 2007.

Akebono Group Global Network

Belgium
① Akebono Brake Europe N.V.
(Administrative and sales)

France
② Akebono Arras S.A.S.
(Brake pad production)

③ Akebono Europe S.A.S.
(Administrative, R&D and sales)

Germany
④ Akebono Europe GmbH
(Sales)

China
⑤ Akebono Corporation (Suzhou)
(Brake pad production and sales)

⑥ Akebono Corporation (Guangzhou)
(Brake production for automobiles and sales)

Thailand
⑦ Akebono Brake (Thailand) Co., Ltd.
(Brake production for automobiles and sales)

Indonesia
⑧ PT. Tri Dharma Wisesa
(Brake production for automobiles and sales)

Japan
⑨ Ai-City (Headquarters)
⑨ Global Head Office

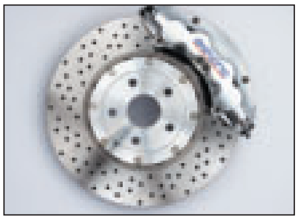
North America
⑩ Akebono Brake Corporation
(Headquarters)
Legal name: Akebono Corporation (North America)
(Administrative, sales, R&D
(R&D located in Michigan))
⑩ Akebono Brake, Elizabethtown Plant
Legal name: Ambrake Corporation
(Brake production for automobiles)

⑪ Akebono Brake, Glasgow Plant
Legal name: Amak Brake L.L.C.
(Brake production for automobiles)

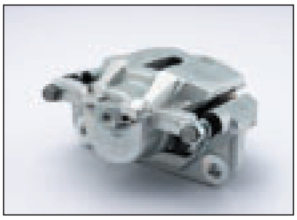
⑫ Akebono Brake, Springfield Plant
Legal name: Amtec Brake L.L.C.
(Brake pad production)

Main Products

Products for Automobiles

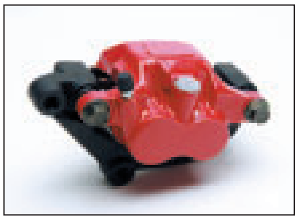

Eight-pot aluminum caliper and rotor for high-performance cars (concept)


Drum brakes


Disc brakes

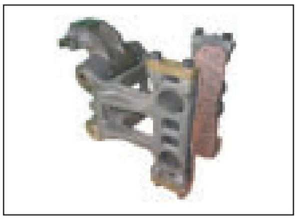

Disc brake pads

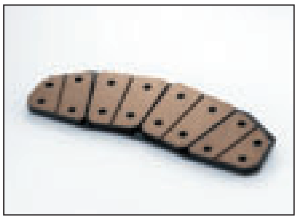
Products for Motorcycles


Disc brakes


Master cylinders

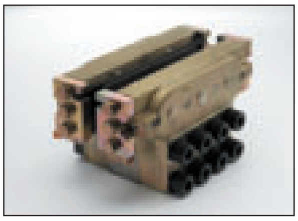
Products for Rolling Stock


Disc brakes for bullet trains

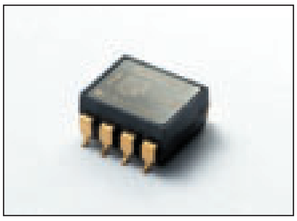

Disc brake linings for bullet trains

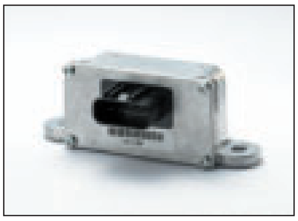
Products for Industrial Machinery


Disc brakes for industrial machinery


Disc brakes for wind power generators

Other Products


Sensor chips


Combined sensors

R&D ACTIVITIES

Overview

The Akebono Group, at its R&D sites in Japan, the U.S., Europe, and now China, utilizes each region's strengths and is improving cooperation to heighten global competitiveness and develop next-generation products.

Total R&D expenses in the consolidated fiscal year ended March 31, 2007 were ¥1,271 million, and other expenses in departments related to R&D were ¥8,413 million.

R&D Activities by Region

Japan

In friction materials, we are developing high-performance, high-quality products that use environmentally friendly materials, including high-performance passenger car brake pads and brake linings for medium and large vehicles. We are also proceeding with development aimed at lower costs. We are taking various environmental initiatives starting at the development and design phase with the aim of manufacturing products that minimize environmental impact. For example, we implement a system to evaluate the impact materials may have on the environment. This system assesses all materials in two stages, and procures only those that pass.

In disc brakes and drum brakes, we are designing environmentally friendly products as well as developing lighter products. We also completed the changeover to lead-free electrostatic paints in response to the European Union End-of-Life Vehicle (ELV) Directive, and are progressing with the full switch from hexavalent chromium to trivalent chromium. We are also promoting the standardization and sharing of components, which leads to improved cost competitiveness, and are working to improve production efficiency across the whole company.

North America

We are working on developing new friction materials and next-generation brakes optimized for the North American market. In this market, we are also conducting fully integrated local development for Japanese and Korean automakers, covering activities from development to mass production.

We are developing high-performance friction materials for use in a wide range of vehicles from passenger cars to pickup trucks. These materials have superior NVH (Noise, Vibration, Harshness) characteristics and are also environmentally friendly.

We are also developing a wide range of disc brakes for passenger cars, SUVs, and pickup trucks, and have completed development of a new disc brake that uses a lightweight aluminum alloy, which has already entered mass production. We are developing next-generation disc brakes with rear-wheel parking brakes and new disc brake rotors for full-size SUVs and pickup trucks to replace existing products, thereby expanding our product range. In addition, through link-ups with R&D in Japan, we are progressing with the development of next-generation products, such as low-cost brakes based on new designs, and calipers with superior heat capacity characteristics.

Europe

Our European operations specialize in developing friction materials, and we are conducting R&D to respond to a wide range of needs, such as friction materials that can be applied to European auto exports to Japanese and U.S. markets in addition to the European market. In particular, we are developing new customer relationships with a "hybrid material" that includes characteristics favored by both the Japanese and U.S. markets, which emphasize quietness, and the European market, which emphasizes high performance.

We have placed local development units in France and Germany to conduct development close to our customers. Cost competitiveness is also increasing through the standardization of materials resulting from locally procured raw materials and the introduction of European manufacturing methods.

CSR

Basic Approach

The Akebono Group's Corporate Code of Conduct is based on six elements: (1) compliance with laws, regulations and social standards; (2) provision of superior goods and services; (3) communication with society; (4) management with a global perspective; (5) consideration for the global environment; and (6) creating a positive work environment.

Based on this Corporate Code of Conduct, we put the highest priority on CSR (Corporate Social Responsibility) and comply with all relevant laws while engaging in a range of initiatives to foster good relationships with the customers, suppliers, shareholders, global community and government agencies that are our stakeholders.

Protecting the Global Environment and Community Activities

The Akebono Group has identified consideration for the global environment as an important management issue. Aiming to realize a sustainable society, we are making efforts to conserve energy, reduce waste and recycle resources.

Our aim to create environmentally friendly products starts from the initial development and design phase, and we proactively implement green purchasing practices. We procure parts, materials and secondary materials using a system that assesses the environmental impact of raw materials. At the manufacturing and distribution stages of our operations we aim to reduce CO_2 emissions. We also implement the 3Rs concept: reduce, reuse and recycle. Our environmental activities continue even after our products enter the marketplace. At every stage, including the collecting and recycling of used products, we undertake initiatives aimed at realizing a recycling society and aim to achieve zero emissions. The scope of these initiatives extends beyond Japan to encompass our worldwide operations including those located in North America, Europe and Asia.

We also actively contribute to communities in a variety of ways. These include meetings with members of the community and "Clean-up Campaigns" in areas around our facilities.

Environmental Mission

Based on our corporate mission statement, together with our Declaration for the 21st Century, we will continue to create new value into the 21st century. As a global corporate citizen, we also strive to protect the environment on a global basis and implement voluntary ongoing activities aimed at creating a safe, vibrant society that co-exists in harmony with the environment.

Basic Environmental Policy

1. We will actively implement initiatives that give consideration to safety and the environment from the development and design phase, and promote the development of technologies and products that minimize environmental impact.
2. Each and every employee will make ongoing efforts to reduce environmental impact to promote a recycling society by conserving energy and resources, reducing waste and carrying out recycling.
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 inside and outside Japan.
4. We will actively disclose information to increase understanding of our environmental initiatives and encourage positive relationships with communities with the aim of realizing a better living environment.

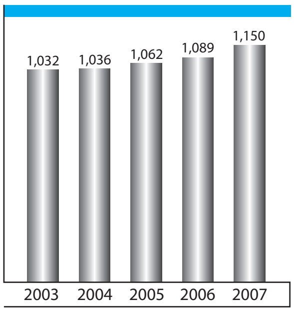
FINANCIAL SECTION

CONTENTS

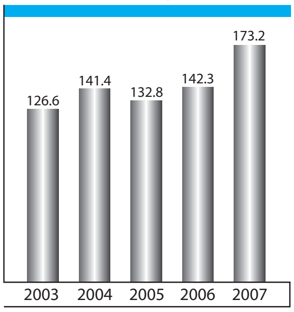
MANAGEMENT'S DISCUSSION & ANALYSIS

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

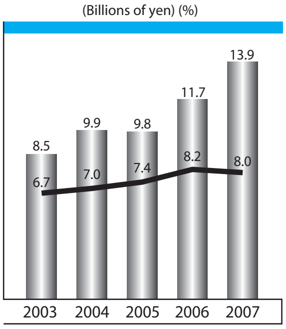
AUTOMOBILE PRODUCTION IN JAPAN
Each year ended March 31
(10,000 vehicles)



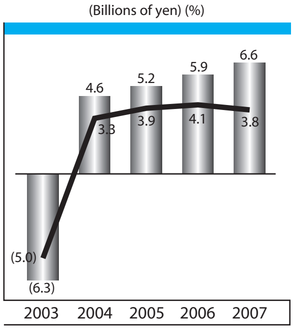
NET SALES
Each year ended March 31
(Billions of yen)



OPERATING INCOME/ OPERATING INCOME TO SALES RATIO
Each year ended March 31
(Billions of yen) (%)



NET INCOME (LOSS)/ RETURN ON SALES
Each year ended March 31
(Billions of yen) (%)



Business Environment and Operating Overview

The Japanese economy continued its steady recovery in fiscal 2006, the year ended March 31, 2007, underpinned by increasing capital investment that reflected improved corporate earnings, and by a brighter employment picture.

In the automotive industry, domestic auto production remained high, rising to 11.5 million units, driven by increasing exports and growing production of compact cars. However, the trend toward a bipolar market of luxury cars at one end and low-priced small cars at the other became increasingly evident.

In this environment, net sales in fiscal 2006 were ¥173.2 billion, a year-on-year increase of ¥30.9 billion, or 21.7%. Operating income rose by ¥2.1 billion, or 18.3%, to ¥13.9 billion. Net income increased by ¥0.8 billion, or 13.2%, to ¥6.6 billion. Net sales, operating income, ordinary income and net income posted record highs for the second consecutive year.

Overview of Business Performance (Consolidated)

Net Sales

Although there were negative factors, such as lower-than-expected sales at certain automobile manufacturers in Japan, net sales increased by ¥30.9 billion, or 21.7%, to ¥173.2 billion, due to favorable overseas operations, and an increase in the number of consolidated subsidiaries due to the acquisition in North America of Ambrake Corporation in August 2005, and the March 2006 acquisition of additional shares in PT. Tri Dharma Wisesa, an Akebono Group consolidated subsidiary in Indonesia.

Operating Income

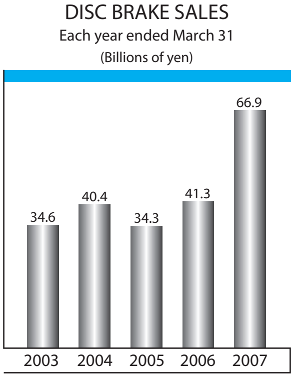
Despite the negative factors of escalating prices for oil and materials, operating income increased by ¥2.1 billion, or 18.3%, to ¥13.9 billion. This was due in part to the positive impact of cost reductions in Japan and North America, achieved through the Cost Revolution program, as well as the aforementioned increase in the number of consolidated subsidiaries. As a result, the operating income to sales ratio fell by 0.2 percentage points to 8.0%.

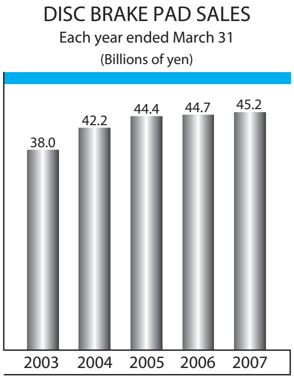
Net Income

Income before income taxes and minority interests increased by ¥4.5 billion, or 61.2%, to ¥11.8 billion. This was largely due to higher operating income and lower impairment loss, which was at the ¥0.2 billion level, compared to the ¥1.9 billion recorded in the previous fiscal year, mainly from the disposal and depletion of equipment in France.

Total income taxes increased to ¥4.5 billion, up ¥3.3 billion from the ¥1.1 billion recorded in the previous fiscal year. The increase reflects an increase in taxable income and a lower tax rate in the previous fiscal year because of the effect of impairment losses. Net income, adjusted for minority interests of ¥0.7 billion, was ¥6.6 billion, an increase of ¥0.8 billion, or 13.2%, compared to the previous fiscal year. As a result, the return on sales was 3.8%, a drop of 0.3 of a percentage point compared to the previous fiscal year.

Sales by Segment





Trends by Product

Sales of disc brakes and drum brakes, Akebono's assembly products, increased by ¥25.6 billion from the previous fiscal year, to ¥66.9 billion and by ¥4.2 billion to ¥26.7 billion, respectively. The gains came mainly from the inclusion of the aforementioned subsidiaries in the consolidation. Sales of disc brake pads increased by ¥500 million to ¥45.2 billion.

Net Sales by Product

Each year ended March 31 (Billions of yen)

	2006	2007	Rate of change
Disc brakes	41.3	**66.9**	62.0%
Drum brakes	22.5	**26.7**	18.7%
Disc brake pads	44.7	**45.2**	1.1%
Other automotive parts	17.5	**16.5**	-5.7%
Industrial machinery	6.9	**6.9**	0.0%
Rolling stock	3.4	**4.0**	17.6%
Sensors	4.5	**6.1**	35.6%
Other	1.5	**0.9**	-40.0%
Total	142.3	**173.2**	21.7%

Results by Region

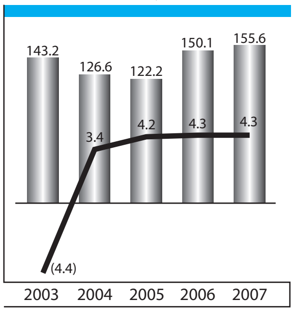
In Japan, net sales decreased by ¥5.7 billion, or 5.7%, to ¥95.3 billion. This was due mainly to the effects of lower-than-expected sales at certain automobile manufacturers and the effect of eliminations of sales as two equity-method affiliates became consolidated subsidiaries. Affected by sluggish sales in the aftermarket business, and by higher oil and material prices, operating income in Japan declined by ¥1.2 billion, or 11.6%, to ¥8.9 billion.

Sales in North America increased by ¥27.5 billion, or 69.6%, to ¥66.9 billion, as Ambrake Corporation was consolidated and new orders were won from Japanese automobile manufacturers in the U.S. and certain "Big 3" U.S. automobile manufacturers. Operating income rose by ¥2.9 billion, or 155.7% to ¥4.8 billion due in part to successful cost reductions.

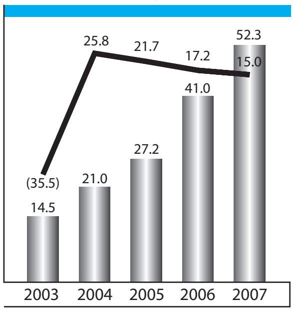
In Europe, sales rose by ¥1.0 billion, or 68.6% to ¥2.4 billion, as the market started to show promising signs of recovery. Despite the one-time cost of establishing a new consolidated subsidiary, segment operating loss declined by ¥0.1 billion from the previous fiscal year to ¥0.2 billion, as depreciation costs, up temporarily in the previous fiscal year due to impairment losses on equipment and other assets recorded at the end of the fiscal year, came down.

In Asia, although start-up costs of consolidated subsidiaries in China weighed on segment profit, operating income rose by ¥0.4 billion to ¥0.3 billion on a sales gain of ¥8.2 billion to ¥8.5 billion, mainly due to the consolidation of PT. Tri Dharma Wisesa in Indonesia.

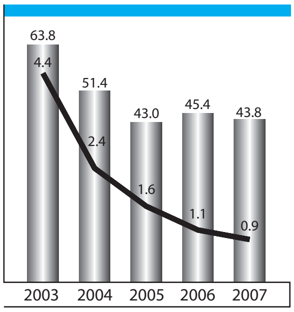
TOTAL ASSETS/ROA
Each year ended March 31
(Billions of yen) (%)



NET ASSETS / ROE
Each year ended March 31
(Billions of yen) (%)



BALANCE OF INTEREST-BEARING LIABILITIES/ D/E RATIO
Each year ended March 31
(Billions of yen) (times)



Sales by Region

Each year ended March 31 (Billions of yen)

	2006	2007
Japan	101.0	**95.3**
North America	39.5	**66.9**
Europe	1.4	**2.4**
Asia	0.3	**8.5**
Total	142.3	**173.2**

Financing and Liquidity

Akebono is working to reduce assets to generate funds and reduce interest-bearing liabilities, with the ultimate objective of strengthening its financial position and ensuring a sound balance sheet. Furthermore, as of March 31, 2007, Akebono had ¥14.5 billion in unused overdraft agreements and loan commitment agreements with financial institutions to secure stable financing and liquidity.

Financial Position

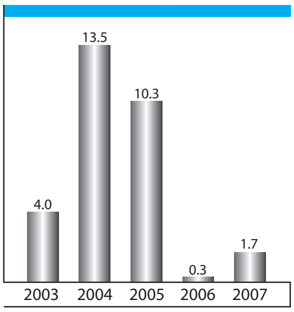
Total assets increased by ¥5.5 billion from the end of the previous fiscal year to ¥155.6 billion. Current assets increased by ¥2.8 billion from the previous fiscal year to ¥50.4 billion. This was due mainly to an increase in trade notes and accounts receivables of ¥4.0 billion, following completion of a program for the securitization of trade receivables in North America, coupled with rising levels of inventories, up by ¥2.3 billion, due to growing sales in North America.

Property, plant and equipment of ¥79.7 billion was largely unchanged from the previous fiscal year. Investments and other assets increased by ¥2.9 billion, primarily due to an increase in investment securities and investments in IT.

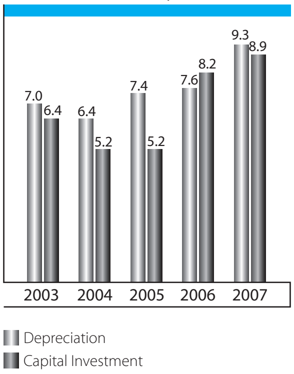
Total liabilities decreased by ¥1.6 billion from the end of the previous fiscal year, to ¥103.3 billion. Current liabilities decreased by ¥3.0 billion from the end of the previous fiscal year, to ¥55.5 billion. This was the net result of a decrease of ¥3.8 billion in short-term bank loans, a decrease of ¥0.1 billion in the current portion of long-term debt. Long-term liabilities increased by ¥1.4 billion, to ¥47.8 billion.

Net assets as of March 31, 2007 were ¥52.3 billion. As a result, the equity ratio rose by 3.1 percentage points year on year to 30.4% and net assets per share totaled ¥440.91. Return on equity (ROE) fell by 2.2 percentage points from the previous fiscal year to 15.0%. Return on assets (ROA), at 4.3%, was largely unchanged from the previous fiscal year.

FREE CASH FLOW
Each year ended March 31
(Billions of yen)



CAPITAL INVESTMENT/ DEPRECIATION
Each year ended March 31
(Billions of yen)



Cash Flows

The closing balance of cash and cash equivalents on March 31, 2007 was ¥3.5 billion, down ¥1.6 billion from the closing balance as of March 31, 2006. Free cash flow (net cash provided by operating and investing activities) was ¥1.7 billion.

Operating Activities

Net cash provided by operating activities was ¥10.8 billion. The principal sources of cash from operating activities were income before income taxes and minority interests of ¥11.8 billion and depreciation and amortization of ¥9.3 billion. The principal uses of cash in operating activities were an increase in trade accounts receivable of ¥3.7 billion and income tax payments of ¥6.2 billion.

Investing Activities

Net cash used in investing activities was ¥9.1 billion. The principal uses of cash in investing activities were payments of ¥7.1 billion for the acquisition of property, plant and equipment related to production facilities, payments of ¥1.8 billion for the acquisition of intangible assets, mainly IT investments, and payments of ¥1.4 billion for the acquisition of investment securities.

Financing Activities

Net cash used in financing activities was ¥3.3 billion. This mainly represented ¥9.1 billion in repayments of long-term debt and a ¥4.1 billion decline in short-term bank loans.

Capital Investment

Capital investment in the current fiscal year totaled approximately ¥8.9 billion. This included ¥5.0 billion for production and development equipment upgrades and acquisitions in Japan, a ¥2.0 billion investment in production and development bases in North America, a ¥0.2 billion investment in production and development bases in Europe, and a ¥1.6 billion investment in production bases in Asia.

Risk Information

The following risk factors could affect Akebono Group's business performance and its financial position. (The following risk factors do not represent all the risks which might adversely affect equity investment in the Company.)

Economic Conditions

The operating income of the Akebono Group is affected by economic conditions in countries and regions where Group companies manufacture and sell products. In other words, economic recessions in the Group's major markets, including Japan, North America, Asia and Europe, and a resulting decrease in demand that exceeds expectations, could negatively impact the Group's business performance and financial position.

Dependence on OEM Customers

OEM products account for approximately 70% of the Akebono Group's operating income. As such, there is a possibility that a poor performance of automobile manufacturers and Tier 1 manufacturers (manufacturers doing business directly with automobile manufacturers), unforeseen terminations of agreements, price discounting or changes in procurement policies, could negatively impact the Group's business performance and financial position.

Procurement of Materials and Components and Market Trends

While Akebono procures materials, steel products, components and other items from multiple suppliers, a number of materials and components are purchased only from certain specific companies. There is a possibility that surges in prices and shortages of materials due to changes in market conditions, delays in delivery due to the lack of production capacity on the part of the suppliers, defects in products manufactured by suppliers, deterioration of the financial position of suppliers, unforeseen accidents and other factors, could have a negative impact on the Akebono Group's business performance and financial position by causing an increase in the Group's product costs, or production delays or suspensions.

Advances into Overseas Markets

The Akebono Group is currently engaged in production and sales activities in different parts of the world, including North America, Europe and Asia. These advances into international markets involve the following risks, and there is a possibility that any of the following events could delay or cause suspension of production and sales, or both. Such delays and suspensions may negatively impact the Group's business performance and financial position.

(1) Enactment of unforeseen laws and regulations and changes in taxation systems resulting in an adverse impact
(2) Emergence of adverse political or economic factors
(3) Difficulty in recruiting and retaining human resources and the occurrence of labor problems
(4) Inadequate technological infrastructure
(5) Social unrest caused by terrorism, wars, strikes, or other similar events

Quality Risks

The Akebono Group constantly aims to improve the standard of its advanced quality assurance system, and strives to manufacture products under the best possible conditions. Since many of the Group's products are used in parts that relate directly to safety, there is a possibility that the Group's business performance and financial position could be impacted negatively in the unlikely event of a product defect, and the Group's failure to prevent its outflow to customers could result in substantial costs and a loss of public trust in the Group.

New Product Development

Although the Akebono Group invests substantial management resources into the development of new products and technologies to expand its business as an independent automotive parts manufacturer, there is a possibility that the Group's business performance and financial position could be impacted negatively in the event that it should become unable to develop new products or technologies required by customers as a result of discrepancies between market forecasts and actual conditions or anticipated customer needs, as well as sudden technological changes in the industry.

Protection of Intellectual Property

The Akebono Group possesses know-how that allows it to differentiate products from its competitors. Since these technologies and know-how are indispensable to the future development of the Group, Akebono makes utmost efforts to protect these assets. In some regions, however, the protection of intellectual property is not sufficient or adequately restrictive. As such, there is a possibility that Akebono will not be able to prevent third parties from using the Group's intellectual property to manufacture similar products. In such a situation, the Group's business performance and financial position may be negatively affected.

Information Security and Protection of Personal Information

The Akebono Group has established a special committee on information security and protection of personal information, to prevent information leaks from both hardware and software (through compliance with regulations and activities, and an educational campaign to increase awareness). However, there is a possibility that the Group's performance and financial position could be impacted negatively due to a loss of public trust in the event of any leak of confidential information or personal information that the Group possesses.

In addition, in the event a computer system malfunctions or shuts down due to a computer virus, hacking or any other reason, it may be difficult to conduct business as usual, depending on the nature and scale of the problem. As such, there is a possibility that the Group's business performance and financial position could be negatively affected.

Statutory Restrictions

The Akebono Group conducts business operations in countries that have differing environmental protection regulations, including standards for gas emissions, environmental noise regulations, energy conservation, recycling and emissions of pollutants from manufacturing facilities, motor vehicle safety regulations, regulations on corporate transactions, tax laws, and so on. Although the Group thoroughly enforces compliance with laws and regulations, there is a possibility that the Group's business performance and financial position could be affected by events such as unforeseen revisions to such laws and regulations.

Fluctuations in Exchange Rates and Interest Rates

The Akebono Group's regional business units import materials and components and export finished products from their respective regions. Although the Group strives to minimize exchange rate risk by means such as forward foreign exchange contracts, it is difficult to hedge against all risks. As such, there is a possibility that a fluctuation in exchange rates could negatively impact the Group's business performance and financial position.

There is also a possibility that changes in interest rates applicable to the Group's consolidated interest-bearing liabilities could negatively impact the Group's business performance and financial position.

Effects of Currency Conversion

Although the financial statements of the Akebono Group's affiliates outside Japan are prepared in local currencies, the amounts are converted into yen when preparing the Group's consolidated financial statements. As a result, the values indicated in consolidated financial statements are subject to prevailing exchange rates at the time of conversion, even though local values remain unchanged.

Accounting for Impairment Loss

The Akebono Group owns or leases facilities for production, sales and distribution, among other things. There is a possibility that the Group's business performance and financial position could be impacted negatively in the event that property, plant and equipment owned by the company, or assets acquired under finance lease agreements, have to be written down for impairment.

Asbestos

Although Akebono is working proactively on the asbestos issue by establishing a special in-house committee and offering a consultation service counter, there is a possibility that the Group's business performance and financial position could be negatively impacted by costs and lawsuits arising from the health problems of employees who were involved with products containing asbestos, and of residents in the vicinity of Akebono's plants.

Natural and Other Disasters

The Akebono Group has measures in place for suspension of operations due to earthquakes, typhoons, and other natural disasters. However, there is a possibility that the Group's business performance and financial position could be negatively impacted in the event of a temporary suspension in production of some products.

Fiscal 2007 Forecast

While we expect the operating environment in fiscal 2007, the year ended March 31, 2008, to be generally favorable, remaining uncertainties about the outlook for the U.S. economy, exchange rate volatility, a possible slowdown in domestic automobile sales, and escalation of oil and material prices, do not warrant optimism. In this environment, Akebono will continue to focus on reducing costs by enhancing productivity and efficiency. We forecast consolidated operating income of ¥15.5 billion, an increase of 11.7% from the previous fiscal year, and net income of ¥7.3 billion, up 10.1% year on year, on a sales gain of 2.2% to ¥177.0 billion. The operating income and net income forecasts are adjusted for higher depreciation expenses resulting from changes in the standards for calculating depreciation, following fiscal 2007 tax reforms.

We plan to substantially increase capital investment, which is expected to total ¥20 billion. Major items in the capital investment plan include the construction of a casting foundry and expansions to a sensor plant in Japan.

We also plan to reduce the balance of cash and cash equivalents by ¥1.5 billion compared to the previous fiscal year, to ¥2.0 billion.

CONSOLIDATED BALANCE SHEETS

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 3,537**	¥ 5,108	**$ 29,975**
Receivables:			
Trade notes	**2,426**	2,440	**20,559**
Trade accounts	**26,432**	22,461	**224,000**
Associated companies	**687**	610	**5,822**
Other	**3,802**	4,670	**32,220**
Allowance for doubtful accounts	**(8)**	(214)	**(68)**
Inventories (Notes 4 and 6)	**10,809**	8,469	**91,602**
Deferred tax assets (Note 10)	**1,899**	1,923	**16,093**
Prepaid expenses and other current assets	**862**	2,219	**7,305**
Total current assets	**50,446**	47,686	**427,508**
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 6)**:**			
Land	**22,340**	22,118	**189,322**
Buildings and structures	**43,220**	43,420	**366,271**
Machinery, equipment and vehicles	**127,168**	124,734	**1,077,695**
Furniture and fixtures	**23,307**	22,857	**197,517**
Construction in progress	**5,768**	2,084	**48,882**
Total	**221,803**	215,213	**1,879,687**
Accumulated depreciation	**(142,078)**	(135,286)	**(1,204,051)**
Net property, plant and equipment	**79,725**	79,927	**675,636**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**10,484**	8,537	**88,848**
Investments in associated companies	**365**	356	**3,093**
Goodwill	**744**	928	**6,305**
Development costs of software in progress	**3,600**		**30,508**
Deferred tax assets (Note 10)	**6,380**	7,156	**54,068**
Other assets	**3,921**	5,629	**33,229**
Allowance for doubtful accounts	**(85)**	(113)	**(720)**
Total investments and other assets	**25,409**	22,493	**215,331**
TOTAL	**¥ 155,580**	¥ 150,106	**$ 1,318,475**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 9,465	¥ 13,280	$ 80,212
Current portion of long-term debt (Note 6)	12,117	12,211	102,686
Payables:			
Trade notes	7,292	5,749	61,797
Trade accounts	14,419	14,121	122,195
Associated companies	40	50	339
Other	1,635	643	13,856
Income taxes payable	1,089	2,935	9,229
Accrued expenses	6,481	8,840	54,924
Other current liabilities	2,980	648	25,254
Total current liabilities	55,518	58,477	470,492
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	22,200	19,914	188,135
Liability for retirement benefits (Note 7)	17,439	18,125	147,788
Deferred tax liabilities (Note 10)	7,608	7,074	64,475
Other	553	1,308	4,687
Total long-term liabilities	47,800	46,421	405,085
MINORITY INTERESTS		4,199	
CONTINGENT LIABILITIES (Note 14)			
EQUITY (Notes 8 and 16.a)**:**			
Common stock, authorized, 320,000,000 shares; issued, 110,992,343 shares in 2007 and 110,816,343 shares in 2006	13,578	13,559	115,068
Capital surplus	7,900	7,912	66,949
Stock acquisition rights (Notes 2.j and 9)	90		763
Retained earnings	18,545	12,878	157,161
Unrealized gain on available-for-sale securities	3,351	2,812	28,398
Deferred gain (loss) on derivatives under hedge accounting	(1)		(8)
Land revaluation surplus	5,276	5,835	44,712
Foreign currency translation adjustments	1,130	523	9,576
Treasury stock—at cost 3,713,814 shares in 2007 and 3,803,551 shares in 2006	(2,479)	(2,510)	(21,008)
Minority interests	4,872		41,287
Total equity	52,262	41,009	442,898
TOTAL	¥155,580	¥150,106	$1,318,475

CONSOLIDATED STATEMENTS OF INCOME

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥173,159	¥142,260	$1,467,449
COST OF SALES (Note 11)	138,011	111,407	1,169,585
Gross profit	35,148	30,853	297,864
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	21,273	19,123	180,279
Operating income	13,875	11,730	117,585
OTHER INCOME (EXPENSES):			
Interest and dividend income	303	165	2,568
Interest expense	(1,259)	(903)	(10,670)
Loss on disposal of property, plant and equipment	(447)	(446)	(3,788)
Loss on impairment of long-lived assets (Note 5)	(227)	(1,936)	(1,924)
Charge of transitional obligation for employees' retirement benefits		(645)	
Equity in earnings of associated companies	10	828	85
Cumulative effect of accounting change for retirement benefits to directors and corporate auditors		(171)	
Gain from sales of investment securities (Note 3)	670	204	5,678
Other—net	(1,136)	(1,514)	(9,627)
Other expenses—net	(2,086)	(4,418)	(17,678)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	11,789	7,312	99,907
INCOME TAXES (Note 10)**:**			
Current	3,923	2,703	33,246
Deferred	562	(1,566)	4,763
Total income taxes	4,485	1,137	38,009
MINORITY INTERESTS IN NET INCOME	(673)	(318)	(5,703)
NET INCOME	¥ 6,631	¥ 5,857	$ 56,195

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.s and 15)**:**			
Basic net income	¥ 61.86	¥ 56.60	$ 0.52
Diluted net income	61.60	52.12	0.52
Cash dividends applicable to the year	6.00	6.00	0.05

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting
BALANCE, MARCH 31, 2005	97,234	¥ 9,628	¥4,077		¥ 7,274	¥1,271	
Adjustment of retained earnings for newly consolidated subsidiaries					325		
Net income					5,857		
Cash dividends, ¥6 per share					(583)		
Repurchase of treasury stock	(3,662)						
Disposal of treasury stock	134		(86)				
Conversion of convertible bonds	12,797	3,877	3,868				
Exercise of warrants	510	54	53				
Transfer from land revaluation surplus, net of taxes					6		
Net increase in unrealized gain on available-for-sale securities						1,541	
Net change in foreign currency translation adjustments							
Others					(1)		
BALANCE, MARCH 31, 2006	107,013	13,559	7,912		12,878	2,812	
Reclassified balance as of March 31, 2006 (Note 2.k)							
Net income					**6,631**		
Cash dividends paid:							
Final for prior year, ¥6 per share					**(642)**		
Interim for current year, ¥3 per share					**(322)**		
Repurchase of treasury stock	**(72)**						
Disposal of treasury stock	**162**		**(30)**				
Exercise of warrants	**176**	**19**	**18**				
Transfer from land revaluation surplus, net of taxes							
Net change in the year				**¥90**		**539**	**¥(1)**
BALANCE, MARCH 31, 2007	**107,279**	**¥13,578**	**¥7,900**	**¥90**	**¥18,545**	**¥3,351**	**¥(1)**

	Millions of Yen					
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2005	¥5,841	¥ (801)	¥ (98)	¥27,192		¥27,192
Adjustment of retained earnings for newly consolidated subsidiaries				325		325
Net income				5,857		5,857
Cash dividends, ¥6 per share				(583)		(583)
Repurchase of treasury stock			(2,499)	(2,499)		(2,499)
Disposal of treasury stock			87	1		1
Conversion of convertible bonds				7,745		7,745
Exercise of warrants				107		107
Transfer from land revaluation surplus, net of taxes	(6)					
Net increase in unrealized gain on available-for-sale securities				1,541		1,541
Net change in foreign currency translation adjustments		1,324		1,324		1,324
Others				(1)		(1)
BALANCE, MARCH 31, 2006	5,835	523	(2,510)	41,009		41,009
Reclassified balance as of March 31, 2006 (Note 2.k)					**¥4,199**	**4,199**
Net income				**6,631**		**6,631**
Cash dividends paid:						
Final for prior year, ¥6 per share				**(642)**		**(642)**
Interim for current year, ¥3 per share				**(322)**		**(322)**
Repurchase of treasury stock			**(77)**	**(77)**		**(77)**
Disposal of treasury stock			**108**	**78**		**78**
Exercise of warrants				**37**		**37**
Transfer from land revaluation surplus, net of taxes	**(559)**			**(559)**		**(559)**
Net change in the year		**607**		**1,235**	**673**	**1,908**
BALANCE, MARCH 31, 2007	**¥5,276**	**¥1,130**	**¥(2,479)**	**¥47,390**	**¥4,872**	**¥52,262**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (loss) on Derivatives Under Hedge Accounting
BALANCE, MARCH 31, 2006	$114,907	$67,051		$109,136	$23,831	
Reclassified balance as of March 31, 2006 (Note 2.k)						
Net income				**56,194**		
Cash dividends paid						
Final for prior year, ¥6 per share				**(5,441)**		
Interim for current year, ¥3 per share				**(2,728)**		
Repurchase of treasury stock						
Disposal of treasury stock		**(254)**				
Exercise of warrants	**161**	**152**				
Transfer from land revaluation surplus, net of taxes						
Net change in the year			**$763**		**4,567**	**$(8)**
BALANCE, MARCH 31, 2007	**$115,068**	**$66,949**	**$763**	**$157,161**	**$28,398**	**$(8)**

	Thousands of U.S. Dollars (Note 1)					
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	$49,449	$4,432	$(21,271)	$347,535		$347,535
Reclassified balance as of March 31, 2006 (Note 2.k)					**$35,585**	**35,585**
Net income				**56,194**		**56,194**
Cash dividends paid						
Final for prior year, ¥6 per share				**(5,441)**		**(5,441)**
Interim for current year, ¥3 per share				**(2,728)**		**(2,728)**
Repurchase of treasury stock			**(653)**	**(653)**		**(653)**
Disposal of treasury stock			**916**	**662**		**662**
Exercise of warrants				**313**		**313**
Transfer from land revaluation surplus, net of taxes	**(4,737)**			**(4,737)**		**(4,737)**
Net change in the year		**5,144**		**10,466**	**5,702**	**16,168**
BALANCE, MARCH 31, 2007	**$44,712**	**$9,576**	**$(21,008)**	**$401,611**	**$41,287**	**$442,898**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥11,789**	¥ 7,312	**$ 99,907**
Adjustments for:			
Income taxes—paid	**(6,162)**	(637)	**(52,220)**
Depreciation and amortization	**9,284**	7,622	**78,678**
Net loss on sales and disposal of property, plant and equipment	**443**	425	**3,754**
Loss on impairment of long-lived assets	**227**	1,936	**1,924**
(Reversal of) provision for allowance for doubtful accounts	**(232)**	151	**(1,966)**
(Reversal of) provision for accrued retirement benefits	**(1,300)**	97	**(11,017)**
Net gain on sales of investment securities	**(670)**	(204)	**(5,678)**
Equity in earnings of associated companies	**(10)**	(828)	**(85)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
(Increase) decrease in notes and accounts receivable	**(3,736)**	509	**(31,661)**
Increase in inventories	**(2,154)**	(146)	**(18,254)**
Increase (decrease) in notes and accounts payable	**905**	(2,902)	**7,669**
Other—net	**2,455**	(1,176)	**20,805**
Total adjustments	**(950)**	4,847	**(8,051)**
Net cash provided by operating activities	**10,839**	12,159	**91,856**
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	**(7,091)**	(5,709)	**(60,093)**
Proceeds from sales of property, plant and equipment	**99**	270	**839**
Purchases of intangible assets	**(1,795)**	(2,509)	**(15,212)**
Purchases of investment securities	**(1,386)**		**(11,746)**
Proceeds from sales of investment securities	**975**	262	**8,263**
Payments for purchases of consolidated subsidiaries, net of cash acquired		(4,174)	
Other—net	**62**	(17)	**525**
Net cash used in investing activities	**(9,136)**	(11,877)	**(77,424)**
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	**(4,065)**	2,695	**(34,449)**
Proceeds from long-term debt	**13,603**	9,000	**115,280**
Repayments of long-term debt	**(9,105)**	(12,091)	**(77,161)**
Payments of finance lease obligations	**(2,686)**		**(22,763)**
Proceeds from issuance of common stock	**37**	107	**314**
Dividends paid	**(1,093)**	(582)	**(9,263)**
Net increase in treasury stock		(2,498)	
Other—net	**4**	127	**34**
Net cash used in financing activities	**(3,305)**	(3,242)	**(28,008)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**31**	185	**263**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER		446	
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,571)**	(2,329)	**(13,313)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**5,108**	7,437	**43,288**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 3,537**	¥ 5,108	**$ 29,975**
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Convertible bonds converted into common stock		¥ 7,746	
ADDITIONAL INFORMATION:			
Assets acquired and liabilities assumed in acquisition:			
Assets acquired		18,661	
Goodwill		940	
Liabilities assumed		(8,704)	
Minority interests		(892)	
Investments in associated companies		(5,189)	
Cash paid for the capital		4,816	
Accounts payable		(152)	
Cash and cash equivalents of consolidated subsidiaries		(490)	
Cash paid, net of cash acquired		¥ (4,174)	

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities 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.

On December 27, 2005, the Accounting Standard Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 consolidated financial statements to conform to the classifications used in 2007.

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. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 32 significant (33 in 2006) subsidiaries (together, the "Group"). Under the control or influence concept, those 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.

Akebono Brake (Thailand) Co., Ltd., Akebono Advanced Engineering (UK) Ltd. and another company were established as subsidiaries for the year ended March 31, 2007.

The Company merged with Akebono Engineering Co., Ltd. on April 1, 2006.

Akebono Brake Fukushima Manufacturing Co., Ltd. was merged with Akebono Brake Tatebayashi Manufacturing Co., Ltd. on April 1, 2006. 2 other subsidiaries have been cleared for the year ended March 31, 2007.

As a result, the Company established 3 new subsidiaries and excluded 4 subsidiaries for the year ended March 31, 2007.

An investment in 1 (1 in 2006) associated company is accounted for by the equity method.

Investments in the remaining 2 (3 in 2006) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost and the underlying net equity (at fair value) of investments in consolidated subsidiaries and associated companies accounted for by the equity method have been amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents —In reporting cash flows, the Company considers cash and time deposits with maturities of three months or less to be cash and cash equivalents.

c. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' credit loss experience and an evaluation of potential losses in the receivables outstanding.

d. Inventories—Finished products and work in process are stated at cost, which is determined by the average cost method. Raw materials and supplies are stated at cost, which is determined by the last purchased price method.

Inventories of certain foreign subsidiaries are stated by lower of cost or market method. Cost is determined by first-in, first-out method.

e. Investment Securities—All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving average.

Non-marketable securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of the Company and its consolidated domestic subsidiaries is computed on the declining-balance method over the estimated useful lives of assets except buildings acquired since April 1, 1998 for which the straight-line method is adopted. Depreciation of its consolidated foreign subsidiaries is computed primarily on the straight-line method over the estimated useful lives of the respective assets.

The range of useful lives is principally from 3 to 60 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

g. Land Revaluation—Under the "Law of Land Revaluation", the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As at March 31, 2007, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥2,489 million ($21,093 thousand).

h. Long-lived Assets—In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets for the year ended March 31, 2006.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Retirement and Pension Plans—The Company and certain consolidated subsidiaries accrue for the liability for employees retirement benefits. The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The liability for retirement benefits to directors and corporate auditors is provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date and is included in the liability for retirement benefits in the consolidated balance sheet. However, the liability for retirement benefits to directors of the Company suspends the new additional provision from April 1, 2005.

j. Stock Options —On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006. The effect of adoption of this accounting standard for the year ended March 31, 2007 was to decrease operating income and income before income taxes and minority interests by ¥90 million ($763 thousand).

k. Presentation of Equity—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

l. Research and Development Costs— Research and development costs are charged to income when incurred.

m. Leases—All leases of the Company and domestic consolidated subsidiaries are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

n. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Group files a tax return under the consolidated corporate-tax system from the fiscal year ended March 31, 2006, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

p. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

q. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

r. Derivatives and Hedging Activities— The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates.

Foreign exchange forward contracts, currency options, interest rate swaps, and interest rate options, are utilized by the Group to reduce foreign currency exchange and interest rate risks.

The Group does not enter into derivatives for trading or speculative purposes.

The Group has adopted "Accounting Standard for Financial Instruments" and "Accounting Standard for Foreign Currency Transactions".

These standards require that: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, with gains or losses on these derivative transactions being recognized in the statement of income and (b) for derivatives used for hedging purpose, if such derivatives qualify for hedge accounting due to high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on these derivative transactions are deferred until maturity.

Foreign exchange forward contracts, currency options employed to hedge the foreign currency fluctuations are measured at fair value and the related unrealized gains and losses are recognized in income.

Interest rate swaps, interest rate options employed to hedge interest rate fluctuations are measured at fair value and the related unrealized gains and losses are recognized in income. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not assured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

s. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. New Accounting Pronouncements

Measurement of Inventories—Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal year beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Non-current:			
Marketable equity securities	**¥10,415**	¥8,466	**$88,263**
Non-marketable equity securities	**69**	71	**585**
Total	**¥10,484**	¥8,537	**$88,848**

The carrying amounts and aggregate fair values of marketable equity securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥4,854**	**¥5,561**		**¥10,415**
March 31, 2006				
Available-for-sale:				
Equity securities	¥3,775	¥4,692	¥1	¥8,466

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$41,136**	**$47,127**		**$88,263**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Equity securities	**¥69**	¥71	**$585**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥975 million ($8,263 thousand) and ¥262 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥670 million ($5,678 thousand) and nothing, respectively, for the year ended March 31, 2007 and ¥204 million and nothing, respectively, for the year ended March 31, 2006.

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products	¥ 6,454	¥ 5,828	$54,695
Work in process	837	769	7,093
Raw materials and supplies	3,518	1,872	29,814
Total	¥10,809	¥ 8,469	$91,602

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2007 and, as a result, recognized an impairment loss of ¥227 million ($1,924 thousand) on the following group of long-lived assets:

Location	Major Use	Asset Category	Millions of Yen	Thousands of U.S. Dollars
Koori town, Fukushima Pref.	Idle equipment, others	Machinery, equipment and tools	¥ 41	$ 347
Hanyu city, Saitama Pref.	Idle equipment, others	Machinery, equipment and tools	48	407
Saitama city, Saitama Pref.	Idle equipment	Machinery, equipment and tools	82	695
Soja city, Okayama Pref.	Idle equipment	Machinery, equipment and tools	56	475
Total			¥227	$1,924

The Company classified fixed assets into groups by product category, which are the minimum units generating cash flows. The Company reduced the carrying amount of the assets to a recoverable amount and recognized an impairment loss of ¥227 million ($1,924 thousand) for the idle assets listed above. As for the idle equipment and others, the book value of the assets was reduced to ¥1 as a memorandum price.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2007 and 2006 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.79% to 11.75% and 0.40% to 14.75% at March 31, 2007 and 2006, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
0.46%-1.04% Japanese Yen unsecured bonds, due in 2007	¥ 1,900	¥ 2,100	$ 16,102
0.49% Japanese Yen unsecured bonds, due in 2008	1,000	1,000	8,475
0.46% Japanese Yen unsecured bonds, due in 2010	700	900	5,932
15.50% secured bank loan due in 2008	121	180	1,025
1.5% secured bank loan due in 2013	697	803	5,907
0.66%-5.80% unsecured loans principally from banks, due serially through 2013	24,326	19,160	206,152
3.6%-6.90% unsecured other debt due in 2017	5,033	7,352	42,653
2.5% secured other debt due in 2013	540	630	4,575
Total	34,317	32,125	290,821
Less current portion	(12,117)	(12,211)	(102,686)
Long-term debt, less current portion	¥ 22,200	¥ 19,914	$ 188,135

Annual maturities of long-term debt at March 31, 2007, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 3,783	$ 32,059
2009	3,888	32,949
2010	2,035	17,246
2011	12,116	102,678
2012 and thereafter	378	3,203
Total	¥22,200	$188,135

The carrying amounts of assets pledged as collateral for short-term bank loans and long-term debt at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Inventories	¥ 67	$ 568
Building and structures–net of accumulated depreciation	2,270	19,237
Machinery, equipment and vehicles –net of accumulated depreciation	66	559
Land	748	6,339
Total	¥3,151	$26,703

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

7. RETIREMENT AND PENSION PLANS

The Company and consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

The Company and its domestic consolidated subsidiaries have defined benefit plans, qualified defined benefit pensions plan, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain foreign consolidated subsidiaries have defined benefit and contribution plans. The Company also makes contributions to NIHON JIDOSHA BUHIN KOGYO KOSEI NENKIN KIKIN and SAITAMAKEN TRUCK KOSEI NENKIN KIKIN, joint contributory pension plans established by a company engaged in the automobile industry. The Company's portion of funded assets of these joint contributory pension plans at March 31, 2007 was estimated at ¥981 million ($8,314 thousand).

The liability for retirement benefits at March 31, 2007 and 2006, included for directors and corporate auditors of ¥904 million ($7,661 thousand) and ¥960 million. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders meeting (in accordance with the new corporate law of Japan (the "Corporate Law")).

The liability for employees' retirement benefits at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars	
	2007		2006	2007	
	Domestic Plans	Foreign Plans	Group Plans	Domestic Plans	Foreign Plans
Projected benefit obligations	¥(29,251)	¥(392)	¥(28,983)	$(247,890)	$(3,322)
Fair value of plan assets	11,144		9,649	94,441	
Unfunded retirement benefit obligation	(18,107)	(392)	(19,334)	(153,449)	(3,322)
Unrecognized actuarial obligation loss	3,012	80	2,966	25,525	678
Unrecognized prior service cost	(340)	42	(657)	(2,881)	356
Net accrued pension liabilities	(15,435)	(270)	(17,025)	(130,805)	(2,288)
Prepaid pension cost	830		140	7,034	
Liabilities for retirement benefits	¥(16,265)	¥(270)	¥(17,165)	$(137,839)	$(2,288)

The components of net periodic benefit costs and relevant gains and losses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars	
	2007		2006	2007	
	Domestic Plans	Foreign Plans	Group Plans	Domestic Plans	Foreign Plans
Service cost	¥1,277	¥517	¥1,569	$10,822	$4,381
Interest cost	559	29	536	4,737	246
Expected return on plan assets	(257)		(101)	(2,178)	
Recognized actuarial loss	299	20	400	2,534	169
Amortization of prior service cost	(203)	12	(255)	(1,720)	102
Retirement benefits expense	1,675	578	2,149	14,195	4,898
Effect of application of the standard method for calculation of retirement benefit obligation			645		
Net periodic benefit costs	¥1,675	¥578	¥2,794	$14,195	$4,898

	2007	2006
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	3.00%	1.50%
Amortization period of prior service cost	5 years	5 years
Recognition period at actuarial gain/loss	14-15 years	14-15 years

8. EQUITY

On and after May 1, 2006, Japanese companies are subject to the Corporate Law, which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

Stock options outstanding as of March 31, 2007 are as follows:

Stock Option	Persons Granted (Number of person granted)	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Subscription rights	Employees (2,680)	2,680,000 shares	2001.2.28	¥209	2002.6.24-2006.6.23
The first Stock Option	Directors, directors of subsidiaries and associated companies, and employees (517)	693,000 shares	2005.2.3	¥554	2006.8.1-2010.7.31
The second Stock Option	Directors, executive officers, corporate auditors and an advisor (34)	184,000 shares	2005.8.1	¥1	2005.8.1-2009.7.31
The second Stock Option (2)	Non-executive director (1)	3,200 shares	2006.4.19	¥1	2006.4.19-2010.4.18
The third Stock Option (A)	Directors and managing executive officers (17)	30,200 shares	2006.7.3	¥1	2008.7.4-2010.7.3
The third Stock Option (B)	Directors and managing executive officers (17)	59,500 shares	2006.7.3	¥1	2011.7.4-2016.7.3

The stock option activity is as follows:

	Subscription rights	The first Stock Option	The second Stock Option	The second Stock Option (2)	The third Stock Option (A)	The third Stock Option (B)
For the year ended March 31, 2007						
Non-vested						
March 31, 2006 –Outstanding		688,000				
Granted				3,200	30,200	59,500
Canceled						
Vested		688,000		3,200	30,200	59,500
March 31, 2007 –Outstanding						
Vested						
March 31, 2006 –Outstanding	284,000		52,000			
Vested		688,000		3,200	30,200	59,500
Exercised	176,000	139,000	23,000			
Canceled	108,000	2,000				
March 31, 2007 –Outstanding		547,000	29,000	3,200	30,200	59,500
Exercise price	¥ 209	¥ 554	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	1,183	1,038	1,062			
Fair value price at grant date					1,011	994

The assumptions used to measure fair value of stock options granted on and after May 1, 2006.

	The third stock option (A)	The third stock option (B)
Estimated method	Black-Scholes option pricing model	Black-Scholes option pricing model
Volatility of stock price	30.9%	37.3%
Estimated remaining outstanding period	3 years	6 years
Estimated dividend	¥6 per share	¥6 per share
Interest rate with risk free	1.05%	1.56%

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Employees' retirement benefits	**¥ 6,275**	¥ 6,784	**$53,178**
Accrued bonus	**944**	885	**8,000**
Retirement benefits for directors and corporate auditors	**353**	375	**2,992**
Allowance for doubtful accounts	**244**		**2,068**
Accrued enterprise tax	**138**	307	**1,169**
Impairment loss	**297**	229	**2,517**
Accrued expense	**393**	343	**3,331**
Undistributed loss of overseas consolidated subsidiaries	**1,816**	1,816	**15,390**
Foreign tax credit carryforwards	**219**		**1,856**
Other	**732**	970	**6,203**
Less valuation allowance	**(349)**	(172)	**(2,958)**
Total	**¥11,062**	¥11,537	**$93,746**
Deferred tax liabilities:			
Unrealized gain on securities	**¥ 2,374**	¥ 1,876	**$20,119**
Property and equipment	**3,473**	3,561	**29,432**
Land revaluation surplus	**4,450**	3,890	**37,712**
Other	**94**	205	**797**
Total	**¥10,391**	¥ 9,532	**$88,060**
Net deferred tax assets	**¥ 671**	¥ 2,005	**$ 5,686**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	**40.0%**	40.0%
Expenses not deductible for income tax purposes	**1.5**	1.9
Special tax credit on experiment and research expenses	**(3.7)**	(9.7)
Foreign tax credit	**(4.7)**	(8.9)
Valuation allowance		2.3
Tax credit carryforwards	**(1.4)**	8.7
Dividends from consolidated foreign subsidiaries eliminated for consolidation purpose	**6.1**	8.4
Decrease in deferred tax liabilities for newly consolidated foreign subsidiaries		(5.2)
Undistributed loss of foreign subsidiaries		(16.2)
Investment loss of foreign subsidiaries		(4.5)
Other—net	**0.2**	(1.2)
Actual effective tax rate	**38.0%**	15.6%

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,271 million ($10,774 thousand) and ¥484 million for the years ended March 31, 2007 and 2006, respectively.

12. LEASES

The Group leases certain machinery, computer equipment and other assets.

Total rental expenses including lease payments for the years ended March 31, 2007 and 2006 were ¥3,194 million ($27,068 thousand) and ¥1,373 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen			
	2007			
	Machinery and equipment	Furniture and fixtures	Other assets	Total
Acquisition cost	**¥1,865**	**¥324**	**¥1,426**	**¥3,615**
Accumulated depreciation	**1,323**	**245**	**1,203**	**2,771**
Accumulated impairment loss	**12**			**12**
Net leased property	**¥ 530**	**¥ 79**	**¥ 223**	**¥ 832**

	Millions of Yen			
	2006			
	Machinery and equipment	Furniture and fixtures	Other assets	Total
Acquisition cost	¥1,890	¥669	¥1,556	¥4,115
Accumulated depreciation	1,046	495	1,023	2,564
Accumulated impairment loss	15			15
Net leased property	¥ 829	¥174	¥ 533	¥1,536

	Thousands of U.S. Dollars			
	2007			
	Machinery and equipment	Furniture and fixtures	Other assets	Total
Acquisition cost	**$15,805**	**$2,746**	**$12,085**	**$30,636**
Accumulated depreciation	**11,211**	**2,076**	**10,195**	**23,482**
Accumulated impairment loss	**102**			**102**
Net leased property	**$ 4,492**	**$ 670**	**$ 1,890**	**$ 7,052**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	**¥535**	¥ 817	**$4,534**
Due after one year	**333**	772	**2,822**
Total	**¥868**	¥1,589	**$7,356**

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥780**	¥911	**$6,610**
Interest expense	**38**	57	**322**
Total	**¥818**	¥968	**$6,932**
Lease payments	**¥868**	¥973	**$7,356**
Reversal of allowance for impairment loss on leased property	**5**		**42**
Impairment loss		15	

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥146**	¥179	**$1,237**
Due after one year	**93**	292	**788**
Total	**¥239**	¥471	**$2,025**

13. DERIVATIVES

The Company enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made with the ordinary course of business in accordance with internal policies which regulate the authorization.

The Group had the following derivatives contracts outstanding at March 31, 2007 and 2006:

	Millions of Yen					
	2007			2006		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:						
Selling						
U.S. dollars	**¥173**	**¥176**	**¥(3)**	¥ 71	¥ 70	¥1
Buying						
Euro	**91**	**94**	**3**	128	128	

	Thousands of U.S. Dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Selling			
U.S. dollars	$1,466	$1,492	$(26)
Buying			
Euro	771	797	26

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit risk.

14. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 1	$ 8
Guarantees for bank loans	164	1,390
The covering duty ceiling with credits fluidity	529	4,483

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders	¥6,631	107,186	¥61.86	$0.52
Effect of Dilutive Securities				
Warrants		456		
Diluted EPS				
Net income for computation	¥6,631	107,642	¥61.60	$0.52
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥5,857	103,488	¥56.60	
Effect of Dilutive Securities				
Warrants		790		
Convertible bonds	15	8,395		
Diluted EPS				
Net income for computation	¥5,872	112,673	¥52.12	

16. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the Company's shareholders' meeting held on June 21, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3 ($0.03) per share	**¥322**	**$2,729**

b. Restructuring of the business operations in Europe

At the Company's board of directors' meeting held on March 13, 2007, the decision was made to restructure the business operations in Europe as part of the fundamental business reform in Europe. Based on the decision, Akebono Brake Europe N.V. (a specific subsidiary) was established on April 2, 2007.

The following is a summary of the newly established company:

Company's name:	Akebono Brake Europe N.V.
Location:	Belgium
Capital:	€19 million
Description of business:	Overall business management in Europe, marketing, market research
Shareholder structure:	Wholly owned by the Company

The entire stock of Akebono Europe S.A.S. (a specific subsidiary), a consolidated subsidiary, was also transferred to Akebono Brake Europe N.V. for €19 million on April 2, 2007.

c. Restructuring of the business operations in North America

At the Company's board of directors' meeting held on March 13, 2007, the decision to restructure the business operations in North America was made. The decision was made based on the business tie-up contract with ITOCHU Corporation. The contract was made on December 19, 2006 to expand the management resources and to improve distribution productivity for auto-brake parts aftermarket business in North America. The following actions were taken on March 31, 2007.

(1) Wholly owned subsidiary of Amak Brake L.L.C.

Akebono Corporation (North America) (a specific subsidiary of the Company) had owned 60% of Amak Brake L.L.C. (a specific subsidiary) equity while ITOCHU Group had owned 40% of the equity. However, Akebono Corporation (North America) acquired the equity owned by the ITOCHU Group for $20 million and has owned whole equity of Amak Brake L.L.C.

(2) Capital increase through third party allocation by Akebono Corporation (North America)

Akebono Corporation (North America) has increased its capital to $28.4 million through a third-party allocation to the ITOCHU Group. As a result, the stock holding ratio of Akebono Corporation (North America) is now 80% by the Company and 20% by the ITOCHU Group.

17. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2007 and 2006 are as follows:

(1) Industry Segments

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

(2) Geographical Segments

The geographical segments of the Company and subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen					
	Japan	North America	Europe	Asia	Eliminations and corporate	Consolidated
	2007					
Sales to customers	¥ 95,324	¥66,944	¥2,433	¥8,458		¥173,159
Interarea transfers	10,760	445	1,852	540	¥(13,597)	
Total revenue	106,084	67,389	4,285	8,998	(13,597)	173,159
Operating expenses	97,186	62,589	4,481	8,685	(13,657)	159,284
Operating income (loss)	¥ 8,898	¥ 4,800	¥ (196)	¥ 313	¥ 60	¥ 13,875
Total assets	¥110,637	¥40,096	¥5,277	¥7,540	¥ (7,970)	¥155,580

	Thousands of U.S. Dollars					
	Japan	North America	Europe	Asia	Eliminations and corporate	Consolidated
	2007					
Sales to customers	$807,830	$567,322	$20,619	$71,678		$1,467,449
Interarea transfers	91,187	3,771	15,695	4,576	$(115,229)	
Total revenue	899,017	571,093	36,314	76,254	(115,229)	1,467,449
Operating expenses	823,610	530,415	37,975	73,602	(115,738)	1,349,864
Operating income (loss)	$ 75,407	$ 40,678	$ (1,661)	$ 2,652	$ 509	$ 117,585
Total assets	$937,602	$339,797	$44,720	$63,898	$ (67,542)	$1,318,475

	Millions of Yen				
	Japan	North America	Europe and others	Eliminations and corporate	Consolidated
	2006				
Sales to customers	¥101,046	¥39,482	¥ 1,732		¥142,260
Interarea transfers	5,097	365	1,744	¥ (7,206)	
Total revenue	106,143	39,847	3,476	(7,206)	142,260
Operating expenses	96,075	37,970	3,895	(7,410)	130,530
Operating income (loss)	¥ 10,068	¥ 1,877	¥ (419)	¥ 204	¥ 11,730
Total assets	¥110,067	¥38,430	¥11,772	¥(10,163)	¥150,106

Notes 1. The Company and subsidiaries are summarized in four segments by geographical area based on the countries where the Group is located. The segments consisted of the following countries except for Japan.
North America: United States of America
Europe: France
Asia: China, Indonesia

2. The effect of adoption of the new accounting standard for stock options, described in Note 2.j, was to increase operating expense of Japan by ¥90 million ($763 thousand) and decrease operating income of Japan by ¥90 million ($763 thousand) from the segment in the prior year.

3. Effective for the year ended March 31, 2007, the Company has reclassified geographical segment information from “Japan”, “North America”, “Europe and others” to “Japan”, “North America”, “Europe”, and “Asia”. “Asia” had previously been included in “Europe and others”. If the segment information for the year ended March 31, 2006 were prepared using the new segment, the information would be as follows:

	Millions of Yen					
	Japan	North America	Europe	Asia	Eliminations and corporate	Consolidated
	2006					
Sales to customers	¥101,046	¥39,482	¥1,443	¥ 289		¥142,260
Interarea transfers	5,097	365	1,704	40	¥ (7,206)	
Total revenue	106,143	39,847	3,147	329	(7,206)	142,260
Operating expenses	96,075	37,970	3,485	410	(7,410)	130,530
Operating income (loss)	¥ 10,068	¥ 1,877	¥ (338)	¥ (81)	¥ 204	¥ 11,730
Total assets	¥110,067	¥38,430	¥4,842	¥6,981	¥(10,214)	¥150,106

(3) Sales to Foreign Customers

The sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen			
	2007			
	North America	Europe	Other	Total
Overseas sales (A)	**¥61,996**	**¥2,800**	**¥15,579**	**¥ 80,375**
Consolidated sales (B)				**173,159**
(A)/(B)	**35.8%**	**1.6%**	**9.0%**	**46.4%**

	Thousands of U.S. Dollars			
	2007			
	North America	Europe	Other	Total
Overseas sales (A)	**$525,390**	**$23,729**	**$132,025**	**$ 681,144**
Consolidated sales (B)				**1,467,449**

	Millions of Yen			
	2006			
	North America	Europe	Other	Total
Overseas sales (A)	¥37,270	¥2,195	¥7,384	¥ 46,849
Consolidated sales (B)				142,260
(A)/(B)	26.2%	1.5%	5.2%	32.9%

Note: The Company and subsidiaries are summarized in three segments by geographical area based on the countries where the customers are located. The segments consisted of the following countries:

North America: United States of America, Canada
Europe: Germany, France
Other: Indonesia, Taiwan, China

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Akebono Brake Industry Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Akebono Brake Industry Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Akebono Brake Industry Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 21, 2007

Member of
Deloitte Touche Tohmatsu

INVESTOR INFORMATION

❒ Trade Name
Akebono Brake Industry Co., Ltd.

❒ Address
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TEL: +81-3-3668-5171 FAX: +81-3-5695-7391

Ai-City (Headquarters)
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan
TEL: +81-48-560-1500 FAX: +81-48-560-2880

❒ Founded
January 27, 1929

❒ Paid-in Capital
13,578 million yen

❒ Stock Listing
First Section of the Tokyo Stock Exchange

❒ Common Stock
Authorized: 320,000,000 shares
Issued: 110,992,343 shares

❒ Number of Employees (Consolidated)
6,810

❒ Registrar of Shareholder List
Corporate Agency Department
Mitsubishi UFJ Trust and Banking
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

(As of March 31, 2007)

❐ Principal Shareholders

	Number of shares held (Thousands)	Percentage of shares held (%)
Toyota Motor Corporation	15,495	13.96
Robert Bosch Corporation	12,597	11.34
ITOCHU Corporation	10,553	9.50
Japan Trustee Services Bank, Ltd.	8,292	7.47
Deutsche Bank AG, Frankfurt	5,900	5.31
Isuzu Motors Limited	4,648	4.18
Mizuho Corporate Bank, Ltd.	3,915	3.52
The Master Trust Bank of Japan, Ltd.	3,571	3.21
Aisin Seiki Co., Ltd.	3,133	2.82
Bridgestone Corporation	2,800	2.52

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

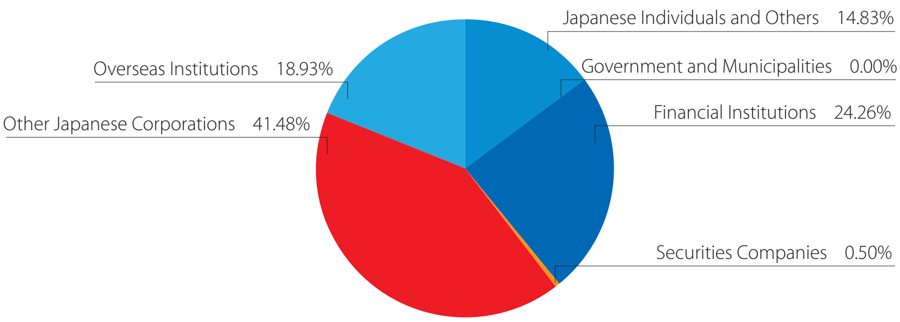
❐ Number of Shareholders and Number of Shares Held

	Number of shareholders	Number of shares held (Thousands)
Japanese Individuals and Others	3,739	16,302
Government and Municipalities	0	0
Financial Institutions	50	26,678
Securities Companies	25	553
Other Japanese Corporations	89	45,606
Overseas Institutions	71	20,809
Total	3,974	109,948
Odd-lot shares	–	1,044,343

Notes 1: As of the end of the fiscal year, the Company held 3,708,846 shares of treasury stock, of which 3,708 units were included in "Japanese Individuals and Others" and the remaining 846 shares were included in "Odd-lot shares."
2: As of the end of the fiscal year, the Japan Securities Depository Center held 20,500 shares, of which 20 units were included in "Other Japanese Corporations" and the remaining 500 shares were included in "Odd-lot shares."
The 3,708,846 shares of treasury stock is the number of shares recorded on the shareholders' register, while the actual number of shares as of the end of the fiscal year was 3,707,846.

❐ Percentage of Shares Held by Shareholder Category

(%)



❐ Contact

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Cautionary Statement Concerning Outlooks

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.

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