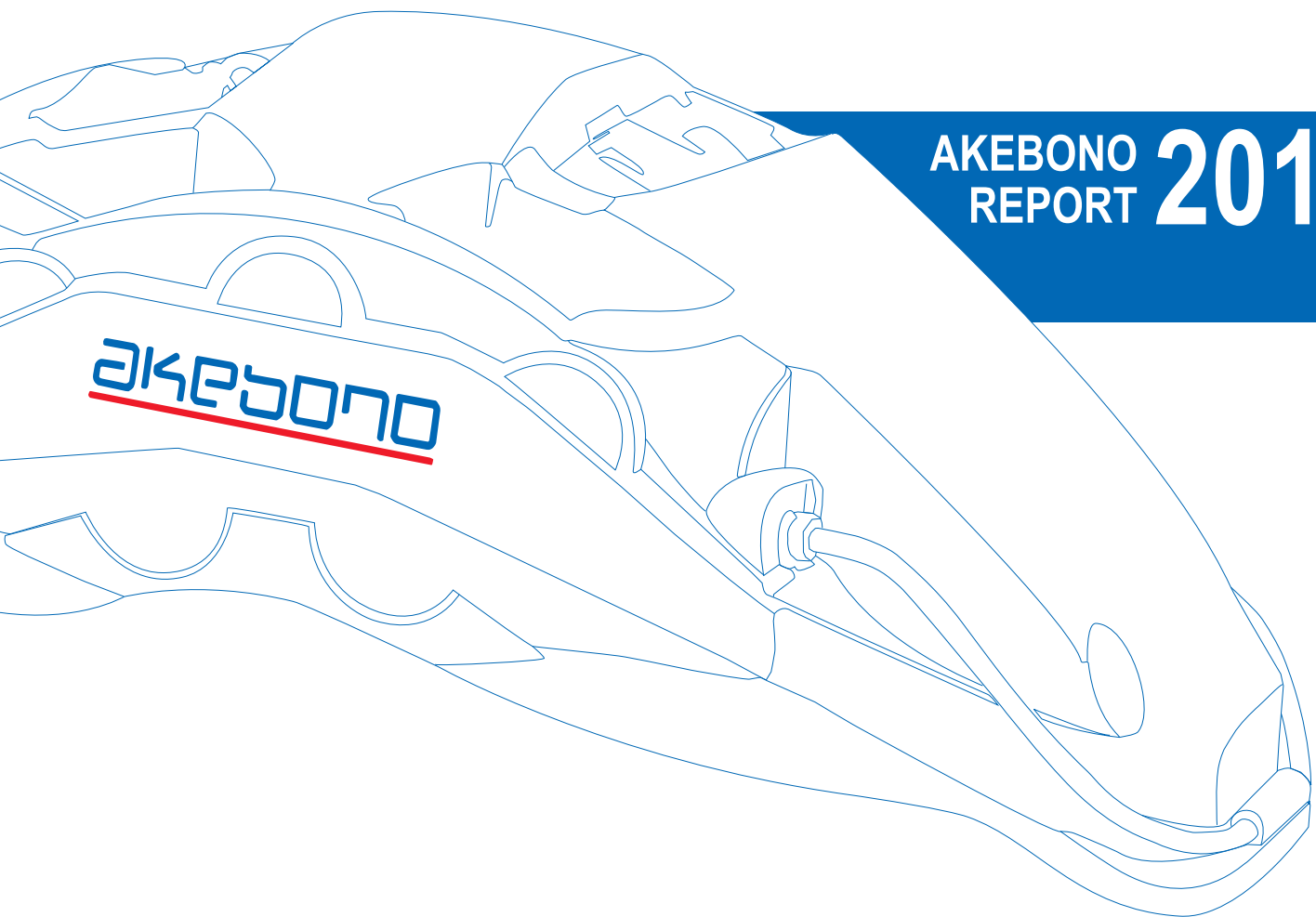


AKEBONO
REPORT **2016**



Since 1929 – The Dawn of the Japanese Automobile Industry

The Akebono Group was founded as Japan's first brake lining (friction material) manufacturer in January 1929, just at the dawn of the country's motorization.

Since then, we have striven to fulfill our mission of providing customers with reliability and safety. A look back at our more than 87 years of history shows that three major phases of transition have marked our transformation from automotive brake lining producer to comprehensive brake manufacturer.

1960

First phase of transition

Launched as a comprehensive brake manufacturer

1986

Second phase of transition

First full-scale overseas expansion



1958

Akebono resin brake shoes and disc brake linings are used on Japanese National Railways' Kodama express trains



1982

AD Type disc brakes win the 1982 Japan Society of Mechanical Engineers Medal

1960

Signs brake-related technical assistance agreement with a global brake manufacturer Bendix Corporation in the United States



1986

Establishes Ambrake Corporation as a joint venture with General Motors in the United States



1929

Founded as Japan's first brake lining manufacturer at the dawn of Japan's motorization



1996

Acquires equity interest in PT. Tri Dharma Wisesa in Indonesia (currently PT. Akebono Brake Astra Indonesia)
First step to establish a business foundation in Asia

Net sales trend

akebono's Corporate Mission

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

Brand Slogan

Absolute safety;
Unparalleled control

Brand Statement

Since 1929, akebono has brought assurance and peace of mind to our customers and end-users everywhere as a global industry leader in brake design and production.

We take pride in our history of achieving safety without compromise, and continue to pursue new standards of perfection with innovation. Looking to the future, we are inspired by the prospect of delighting and satisfying our customers, and never cease in the challenge to succeed in this goal.

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

2010

Third phase of
transition

Acceleration of globalization

2000

Starts using
the new
corporate logo

**2001**

New corporate headquarters,
the Akebono Crystal Wing
(ACW) is completed in
Hanyu City, Saitama
Prefecture

**2007**

Participates in the F1 with
providing brake components for
the Vodafone McLaren Mercedes
team

**2004**

Chinese local subsidiaries
Akebono Corporation (Guang-
zhou) and Akebono Corporation
(Suzhou) are established

**1998**

Establishes Akebono Arras
S.A. production facility in
France (currently Akebono
Europe S.A.S. [Arras])

**2009**

Signs a contract with Robert Bosch
GmbH to acquire its North
American brake business
Accelerates globalization from 2010

**2014**

Establishes Akebono
Brake Slovakia s.r.o.
in Slovakia

**2016**

Receives the Fiscal 2015
Japan Society of
Mechanical Engineers
Medal for New
Technology in the
"development and
mass production of
high-performance
brakes for road cars"

(Billions of yen)
250
200
150
100

Akebono 2016 – the Akebono Group Today

Akebono was founded as a dedicated automotive brake manufacturer.

Here we introduce Akebono's current status in figures as it works to expand its business scale and global operations.

87 Years since Foundation

Since our foundation in 1929, we have provided safety and reliability in numerous fields

Over its 87-year history, Akebono has leveraged technologies cultivated in the automotive brake field for numerous applications, including motorcycles, rolling stock, and industrial machinery. We have also drawn on vibration analysis technologies to develop and manufacture sensor products.

Akebono's Business Fields



Passenger cars



Motorcycles



Rolling stock



Commercial vehicles



Industrial machinery



High-performance vehicles



Sensors

Highest net sales since our foundation

With business expansion and increased production in overseas markets, we have achieved record net sales.

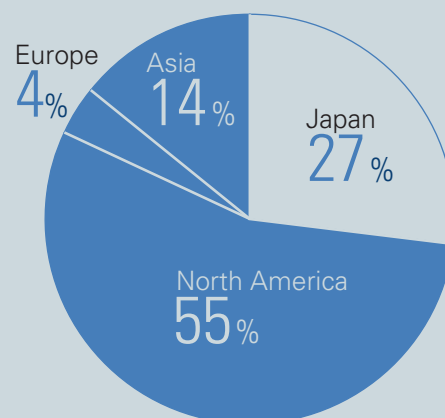
Consolidated Net Sales ¥281.3 Billion

More than 70% of Sales are for Overseas

Expansion mainly in North America. Europe and Asia follow

Akebono has been expanding its business in Japan, North America, Europe, and Asia, with a view to establishing a global network. In fiscal 2015 our overseas sales ratio exceeded 70%.

Net sales by region



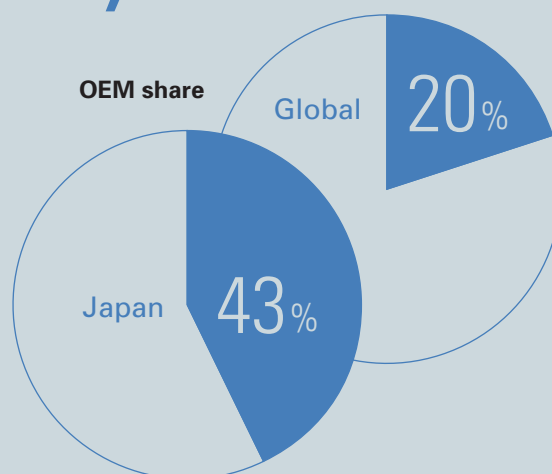
Global Brake Pad OEM^{*1} Market Share: Approximately 20%

One in every five vehicles worldwide have brake pads made by Akebono

Various auto manufacturers in Japan and overseas use Akebono products. As for brake pads, we have a global market share of approximately 20% and a domestic market share of approximately 43%^{*2}.

*1 Equipped on new vehicles

*2 Akebono research

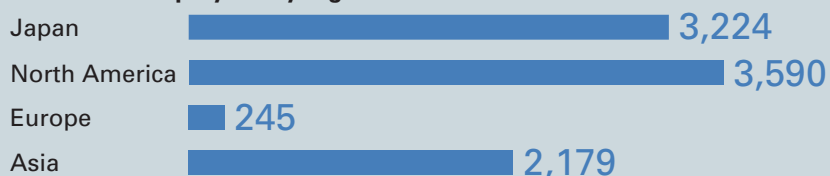


Employing over 9,000 People around the World

Business operations in 13 countries

Akebono employs 9,238 people around the world. We are developing global human resources as a truly global company.

Number of employees by region



akebono's Corporate Mission

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

akebono's Declaration for the 21st Century

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

We declare that we will:

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

Corporate Goals

1. Customer needs first
2. Technology realignment
3. Establishing a global network

Editorial Policy

We compiled the AKEBONO REPORT 2016 based on “integrated thinking,” a concept proposed by the International Integrated Reporting Council (IIRC). In doing so, we have focused on actual examples of the Akebono Group’s operations, the kind of growth it aims to achieve and how it will fulfill its commitment to delivering safety and peace of mind through brake products.

To effectively convey above mentioned content to our stakeholders, we prepared both printed booklet and web editions of the AKEBONO REPORT 2016. In the printed booklet, we put greater emphasis on reader-friendliness while narrowing the content to matters that we want to communicate to a broader range of stakeholders. We hope that readers wanting further details on topics presented in the printed booklet will visit our website and gain a deeper understanding of our initiatives.

It is our hope that the aforementioned articles help readers understand Akebono’s determination to lead the way in realizing unparalleled competitiveness as a specialized manufacturer with a lean organization and independent status. In preparing this edition, we referred to the Guiding Principles set forth by the IIRC as well as the Global Reporting Initiative Sustainability Reporting Guidelines (G4) and ISO 26000.

Reporting Period

This report covers the annual results data for the 2015 fiscal year (April 1, 2015 to March 31, 2016). In addition, the report contains references to some ongoing activities undertaken after the latter date to provide readers with a better understanding of latest status of initiatives.

Organizations

Japan: Akebono Brake Industry (including development, manufacturing, production engineering, purchasing, quality assurance, automotive sales, aftermarket sales departments and administrative departments as well as Tatebayashi Foundry), domestic Group companies including four production plants (Yamagata, Fukushima, Iwatsuki and Sanyo), Akebono Brake Industrial Machinery & Rolling Stock Component Sales, Alocs Corporation, Akebono Research & Development Centre, APS and Akebono 123, and Akebono Advanced Engineering; Overseas: ABC, AEC, ABE, ABG, ABCT and ABCS (U.S.); ABM (Mexico); AENV (Belgium); AESA, AASA and AECE (France); AEG (Germany); AAE (UK); ABSK (Slovakia); AKB, A&M (Thailand); two Chinese subsidiaries (Guangzhou and Suzhou); AAIJ (Indonesia); and AAVH (Vietnam). Please refer to “Akebono Locations” on pages 45 to 46 for the formal names of those organizations that are presented in the above listing as abbreviations.

Definition of Fiscal Year

To present content in a consistent and easy-to-follow manner, in this report, the period referred to as the fiscal year represents the fiscal period from April 1 to March 31 of the next year. The financial statements are also presented on a fiscal year basis.

The AKEBONO REPORT 2016 booklet presents financial and non-financial information on the Akebono Group’s fiscal 2015 initiatives with a focus on readability.

For detailed data on each initiative, please visit our website.



Website

Detailed data on each initiative is disclosed in our website.



Booklet

Matters related to priority themes are concisely discussed in the booklet.

Publication date : August 2016

(Last publication: August 2015;
next scheduled publication: August 2017)

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Corporate Communications Office

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

Website : The AKEBONO REPORT 2016 web edition is available on our website.

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

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Cautionary Statement Concerning Outlook

Current plans, projections, strategies, business performance and other statements reported herein that 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 forecast due to various factors.

akebono New Frontier 30 – 2016

Akebono has established a new midterm business plan, “akebono New Frontier 30 – 2016 (aNF30-2016)” ending with fiscal 2018. Goals of the new midterm plan include 1) rebuilding North American operations, 2) establishing global networks based on product-based business units, and 3) expanding high performance brake business and recreating European operations. By achieving these goals, Akebono aims to return to a sound financial condition and facilitate sustainable growth.



aNF30-2016 Fundamental Strategies

Shift priority from achieving sales targets to sustainable growth

- 1 | Rebuilding North American operations
- 2 | Establishing global networks based on product-based business units
- 3 | Expanding high performance brake business and recreating European operations

Return to a sound financial condition

Financial Targets

(Billions of yen)	FY2015 Actual	aNF30-2016		
		FY2016	FY2017	FY2018
Net sales	281.3	271.3	265.0	255.0
Operating income	(3.8)	1.6	8.0	10.0
Profit (loss) attributable to owners of parent	(19.5)	0.2	3.0	5.0
Equity ratio	11.6%	12.3%	14.1%	16.6%
Net D/E ratio	4.2	4.0	3.5	2.9
Free cash flow	(2.6)	1.4	2.0	3.5

1 | Rebuilding the North American Operations

Regain customer trust and return to profitability

Initiative 1 Rebuild ABC foundation	- Strengthened management and organizational improvements led by Akebono Brake Corporation
Initiative 2 Stronger cost management	- Necessary adjustments to sales and purchasing prices
Initiative 3 Increase productivity	- Utilization of Mexico Plant - Strengthen foundations with a return to fundamentals in terms of safety, quality and lead times

2 | Establishing Global Networks Based on Product-based Business Units

- Establish product-based business units responsible for sales, R&D, purchasing, production, manufacturing engineering and other functions
- Establish a global strategy through enhanced regional marketing functions
- Carry out a global product strategy based on the concept of standardization and topping (S+t)
- Rationalization effects achieved through global purchasing activities

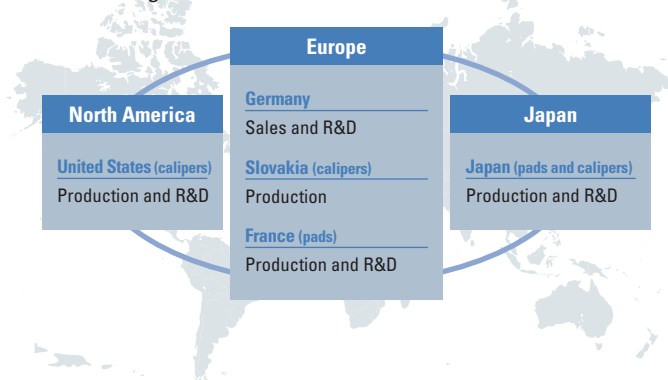
Business	Main products
High Performance	High performance disc brakes, brake pads
Foundation Brakes	Disc brakes, drum brakes, mechanical parts, etc.
Infrastructure and Mobility	Products for rolling stock, industrial machinery and sensors
Friction	Brake pads, lining and other friction materials
Aftermarket	Brake pads, linings and other aftermarket parts

3 | Expanding High Performance Brake Business and Recreating European Operations

- Strengthen high performance brake development structure centered in Europe
- Strengthen integrated production of high performance aluminum caliper brakes at Slovakia Plant

R&D Strategy	Absolute commitment to differentiated products, light weight, high performance, enhanced design and high quality
Sales Strategy	Expand on technologies gained through business in Europe, especially with premium German automakers, to develop and increase sales of high performance products to other companies

High Performance Brake Business Structure



Return to a Sound Financial Condition

Initiative 1 Control Investment	CAPEX ¥18.6 billion (Fiscal 2015 actual)	➔ Annual CAPEX amount ¥15.0 billion maximum
Initiative 2 Reduce SG&A*	SG&A* sales ratio in Japan 14.5% (Fiscal 2015 actual)	➔ 12% by Fiscal 2018
Initiative 3 Prioritize R&D	Shift priority from application R&D to advanced R&D	➔ Reduce R&D costs to ¥10.0 billion by Fiscal 2018

*Selling, general and administrative expenses

We Take Our Performance Results Seriously, and to Achieve Sustainable Growth, Will Devote All of Our Efforts to Executing Our New Midterm Business Plan



Review of the Akebono New Frontier 30 - 2013 Midterm Business Plan

"Akebono New Frontier 30 - 2013" midterm business plan, covering the three year period from fiscal 2013, was concluded at the end of March, 2016. However, due primarily to the continuing impact of production-related problems that arose in our North American operations in 2014, this year marked the second consecutive period of consolidated losses, and most unfortunately resulted in a failure to meet our quantitative targets by a significant margin.

Aside from those quantitative targets, however, we made progress with three main goals. In "making a difference with next-generation technologies," we began providing brakes to European manufacturers of high-performance vehicles. Another achievement was the creation of an organization for developing electro-mechanical brakes. Under the strategy of "continuous drastic cost reduction and its global implementation," we successfully shifted drum brake production from Iwatsuki Manufacturing to Sanyo Manufacturing. Overseas, however, we were unable to achieve our targets due to production problems in North America. In terms of "acceleration of globalization encompassing Japan, North America, Europe and Asia," in addition to plants in Mexico and Vietnam, in 2015 we established and began production at a new high performance brake plant in Slovakia. We expect to see profits improve as the plant ramps up to full production going forward.

Major Losses in North America

In response to the changing economic environment in North America since 2005, Akebono has worked to strengthen the competitiveness of its North American operations by restructuring the business. In 2008, we scaled down our production capacity in North America. In 2009, we acquired two North American manufacturing locations from Robert Bosch LLC, which was, at that time, reducing its production capacity in response to rapid sales declines caused by a US financial crisis. This acquisition transformed Akebono into a truly global company. While the acquisition price for the assets fairly reflected certain loss-making products at those plants, Akebono focused on quickly improving profitability by taking orders for new products at more favorable pricing. Just as we had proceeded to rebuild the business by scaling down production capacity and acquiring new business, around 2013, the economic recovery in North America accelerated, and with that recovery came a rapid increase in automobile sales, leaving us with more orders than our production capacity could handle. Because we were forced to move to a round-the-clock, three-shift labor system (operating seven days a week, 24 hours a day) to meet orders, labor costs increased significantly. Furthermore, continuous operation of equipment resulted in more breakdowns, and to meet delivery deadlines, products had to be shipped by air, resulting in additional logistics costs. The convergence of these and multiple other issues resulted in significant operating losses for fiscal 2015.

In addition, in our endeavor to enter a new field by providing high-performance brakes to European manufacturers, our products were so highly regarded that we won more orders than anticipated. Because we had expected to launch production on a small scale, we were unable to build out our production capacity in Europe in time to handle these large-scale orders, forcing us to take on production at our plant in Columbia, South Carolina, with a resulting increase in transportation costs as products were shipped from North America to Europe.

akebono New Frontier 30 – 2016 Midterm Business Plan

Given these results, and to return Akebono once again to a path to growth, we have established a new midterm business plan, akebono New Frontier 30 – 2016, covering the three years through fiscal 2018. The plan aims to break away from an emphasis on achieving sales targets, and focus on rebuilding our management foundations for the future.

Goals of the new midterm plan include “rebuilding the North American operations”, “establishing global networks based on product-based business units”, and “expanding high performance brake business and recreating European operations”. By achieving these goals, Akebono aims to return the company to a sound financial condition and facilitate sustainable growth.

In terms of rebuilding our North American operations, we strengthened our management structure with local leadership, first by welcoming a new CEO with experience in corporate turnarounds to Akebono Brake Corporation in April 2016, and then by hiring a new CFO as well. With the assistance of outside consultants, we also began working to understand a wide range of management and financial data and identify issues. Going forward, we will tie this information into efforts to optimize our production sites, reduce SG&A expenses, develop human resources management and rationalize personnel.

Establishing global networks based on product-based business units essentially means shifting from a region-centric to a product-centric business. By establishing

five product-specific business units, each with its own sales, R&D, purchasing, production and manufacturing engineering capabilities, and by formulating a global strategy not limited by region, we will enhance product-by-product profitability and strengthen our global competitiveness. While this represents a major challenge for Akebono, we believe that restructuring our business this way is imperative.

As for the third goal of expanding the high performance brake business and recreating European operations, ramping the Slovakia Plant up to full production will enable us to create an integrated structure for producing and supplying disc brakes in Europe. By applying the technology we have accumulated in the development and production of high-performance brakes to brakes for other vehicles, we hope to further differentiate our products.

Leveraging Our Unique Position as a Small, Specialized, Independent Manufacturing Company

We will work to rebuild our business as quickly as possible and achieve sustainable growth, by devoting all of our energies to creating a new structure in response to market changes, and to implementing strategies designed to enhance corporate value. The entire group is working together to quickly return to be profitable and earn back the trust of our stakeholders. To accomplish this, we must take full advantage of our unique position as a small, specialized, independent manufacturing company. By taking advantage of the swift decision-making capability that comes with our small organization. We will leverage our deep, specialized knowledge of friction and vibration as we take on the challenge of further expanding the range of our business. We will attempt to break into new fields by taking advantage of the freedom that comes with being independent, creating something from nothing through a focus on manufacturing. And because human resources are so important to the company, we will work to develop truly global personnel.

With an unwavering commitment to delivering safety and peace of mind, Akebono is poised to take on the challenge of a new phase in global management. We ask for your understanding and ongoing support with those efforts.

June 2016



Hisataka Nobumoto, President and CEO

Financial and Non-Financial Highlights

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

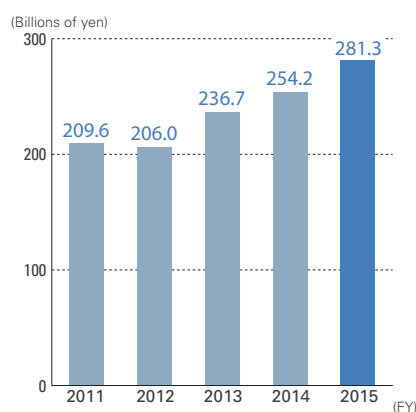
	Billions of yen			
	2005	2006	2007	2008
Net sales	¥ 142.3	¥ 173.2	¥ 184.7	¥ 159.6
Gross profit	30.9	35.1	36.6	14.6
Ratio of gross profit to sales (%)	21.7	20.3	19.8	9.2
Selling, general and administrative expenses	19.1	21.3	21.4	20.9
Ratio of selling, general and administrative expenses to sales (%)	13.5	12.3	11.6	13.1
Operating income (loss)	11.7	13.9	15.2	(6.3)
Ratio of operating income (loss) to sales (%)	8.2	8.0	8.2	(3.9)
Profit (loss) attributable to owners of parent	5.9	6.6	6.6	(16.3)
Ratio of net income (loss) to sales (%)	4.1	3.8	3.6	(10.2)
Return on assets (ROA) (%)	4.3	4.3	4.2	(10.2)
Return on equity (ROE) (%)	17.2	15.0	13.7	(42.2)
Capital investment	8.2	8.9	14.9	17.8
Depreciation and amortization	7.6	9.3	9.9	11.4
Cash flow from operating activities	12.2	10.8	15.1	4.2
Cash flow from investing activities	(11.9)	(9.1)	(16.0)	(13.6)
Cash flow from financing activities	(3.2)	(3.3)	0.1	38.6

	Thousands			
	2005	2006	2007	2008
Number of outstanding shares at the end of period (including treasury stock)	110,816	110,992	110,992	110,992

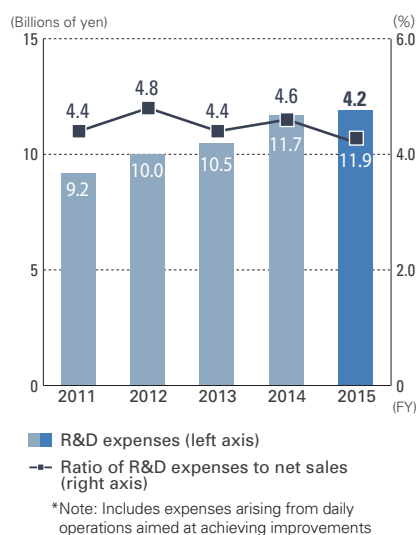
	Yen			
	2005	2006	2007	2008
Net income (loss) per share—basic	¥ 56.60	¥ 61.86	¥ 61.85	¥ (151.65)
Cash dividends per share	6.00	6.00	10.00	5.00

	Billions of yen			
	2005	2006	2007	2008
Total assets	¥ 150.1	¥ 155.6	¥ 163.3	¥ 155.4
Net interest-bearing debt	40.3	40.2	40.2	47.7
Net debt-equity ratio	1.0	0.8	0.8	1.7
Net equity (Equity minus minority interests minus stock subscription rights)	41.0	47.3	49.8	27.4
Net equity ratio (%)	27.3	30.4	30.5	17.6

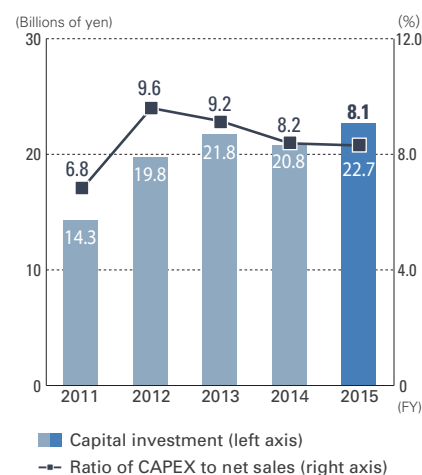
Net sales



R&D expenses* and ratio of R&D expenses to net sales



Capital investment and ratio of CAPEX to net sales



Billions of yen

2009	2010	2011	2012	2013	2014	2015
¥ 130.6	¥ 216.6	¥ 209.6	¥ 206.0	¥ 236.7	¥ 254.2	¥ 281.3
19.8	30.4	24.9	23.5	26.8	24.3	16.5
15.2	14.0	11.9	11.4	11.3	9.6	5.9
15.1	19.0	21.1	19.2	18.7	20.3	20.2
11.6	8.8	10.1	9.3	7.9	8.0	7.2
4.7	11.4	3.8	4.3	8.1	4.0	(3.8)
3.6	5.3	1.8	2.1	3.4	1.6	(1.3)
2.1	5.3	(3.2)	0.5	2.4	(6.1)	(19.5)
1.6	2.4	(1.5)	0.3	1.0	(2.4)	(6.9)
1.3	3.0	(1.8)	0.3	1.3	(2.9)	(9.0)
5.8	11.6	(7.1)	1.2	4.9	(11.5)	(50.1)
5.4	5.1	14.3	19.8	21.8	20.8	22.7
10.0	9.8	9.8	8.6	8.9	10.8	13.1
3.2	7.4	2.9	7.6	18.9	10.2	7.5
(13.4)	(8.6)	(23.8)	(4.1)	(20.3)	(17.7)	(10.1)
(0.0)	18.2	1.4	(2.0)	(6.2)	5.8	11.2

Thousands

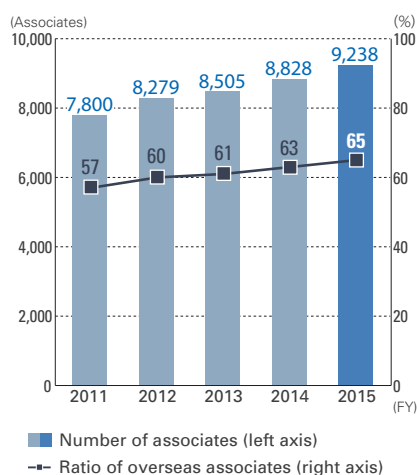
135,992	135,992	135,992	135,992	135,992	135,992	135,992
¥ 17.80	¥ 39.75	¥ (24.25)	¥ 3.90	¥ 18.24	¥ (45.83)	¥ (146.31)
5.00	10.00	10.00	10.00	10.00	10.00	—

Yen

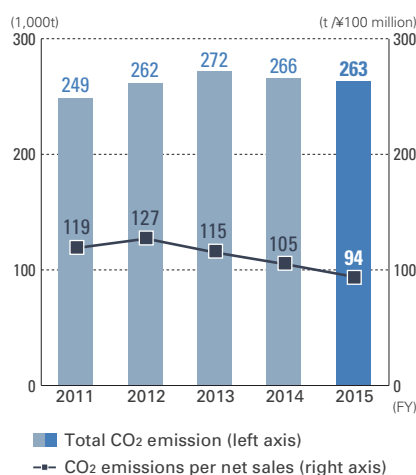
Billions of yen

¥ 164.1	¥ 186.0	¥ 181.0	¥ 186.6	¥ 199.2	¥ 225.9	¥ 204.4
39.5	36.9	52.4	68.1	76.2	95.8	99.4
0.9	0.8	1.2	1.46	1.45	1.78	4.17
43.8	47.1	43.3	46.5	52.7	53.9	23.8
26.7	25.4	23.9	24.9	26.4	23.9	11.6

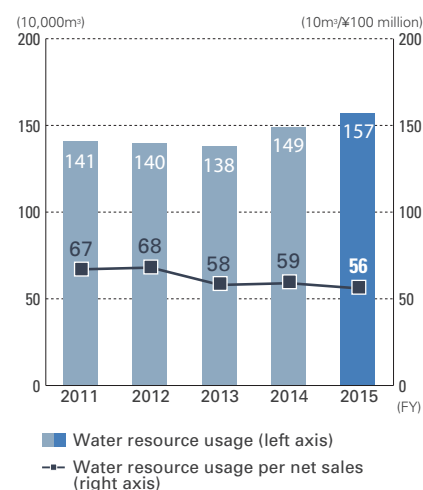
Number of associates and ratio of overseas associates



CO2 emissions and CO2 emissions per net sales (Akebono group worldwide)



Water resource usage and water resource usage per net sales (Akebono group worldwide)

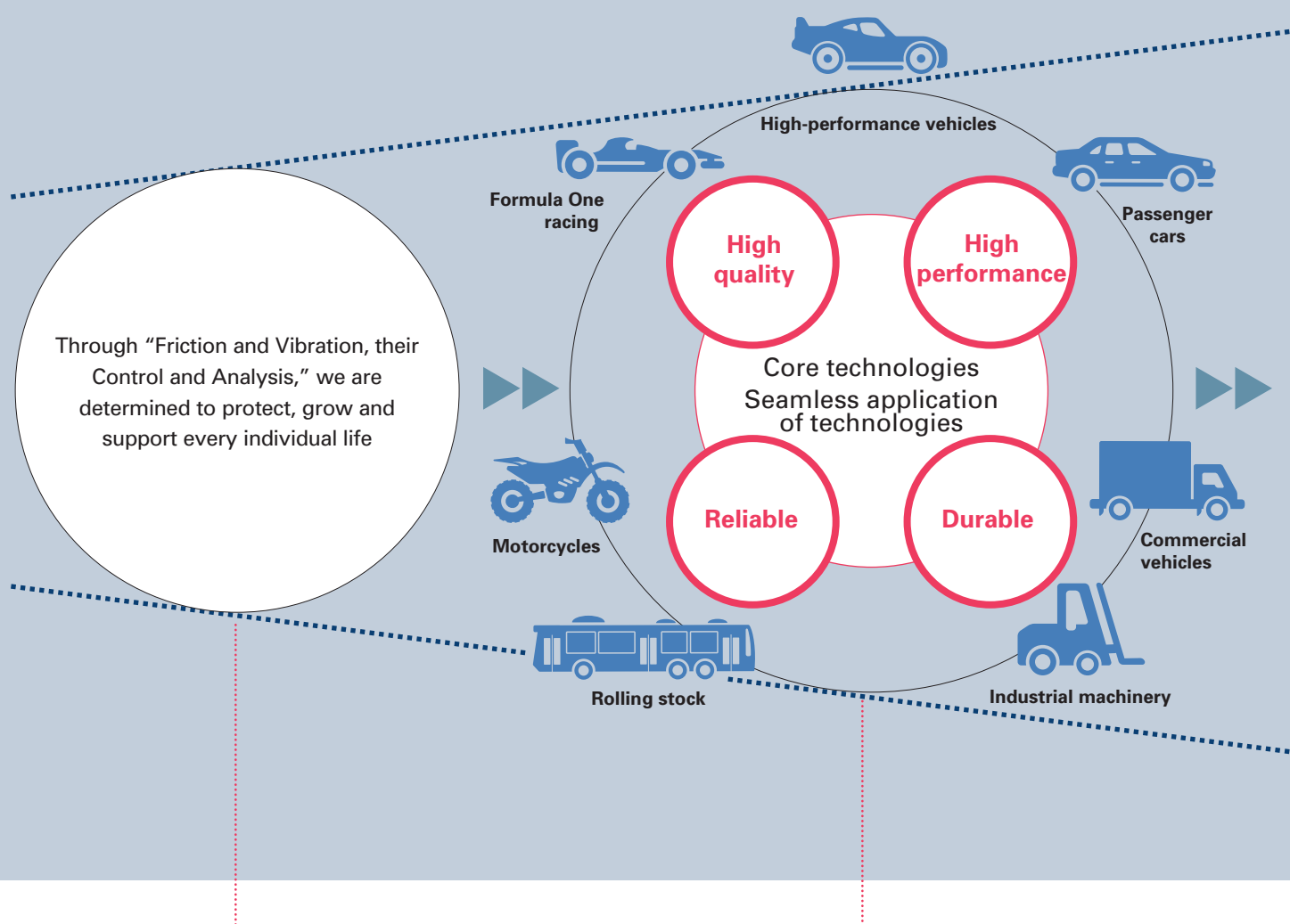


As an Independent Manufacturer Specialized in Brakes

As an independent manufacturer specialized in brakes, Akebono strives to delivery safety and peace of mind to customers all over the world.

Through our global operations, we develop, manufacture, and provide brake pads, brake linings and other friction materials, as well as such mechanical parts as disc brakes and drum brakes.

Drawing on the technological expertise we have developed through these operations, we will provide brakes in various fields, focusing on next-generation technology development including electrification.



Akebono's Corporate Mission

Value Creation based on Our Corporate Mission

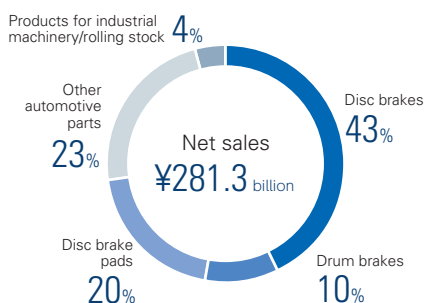
In 1999, Akebono established "akebono's Corporate Mission" as a guideline that indicates the path that the company should take. "Friction and Vibration, their Control and Analysis" is Akebono's original theme. Guided by the Corporate Mission, Akebono will continue to create value and contribute to the development of a sustainable society.

Core Technology and Seamless Application of Technologies

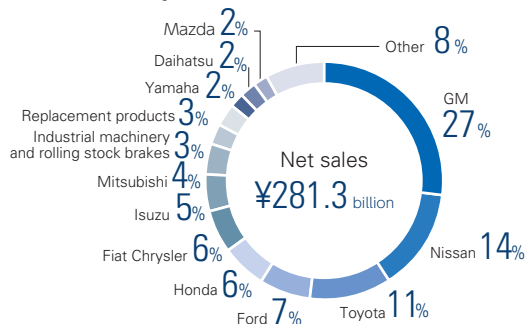
Working in Diverse and Numerous Fields

The development and manufacture of automotive brake-related products is Akebono's main business. Our product lineup ranges from passenger cars through to high-performance vehicles. Moreover, we provide products for various motorsports, including Formula One—the most prestigious motorsport category—with the aim of enhancing our technological strengths. We also produce brakes for motorcycles, rolling stock and industrial machinery, drawing on our core technologies cultivated in brake development. We supply sensor products that leverage our vibration analysis technologies, and our goal now is to expand into the fields of social infrastructure and mobility.

Sales Ratio by Product (Fiscal 2015)



Sales Ratio by Main Customers (Fiscal 2015)



Globalization

OEM Products (for New Cars)

Friction materials



Brake pads

Brake linings

Mechanical parts



Disc brakes

Drum brakes

Sensor products



Sensor clusters
(acceleration sensor + angular velocity sensor)

Aftermarket Products



Brake pads

Brake shoes and linings



Brake calipers

Wheel cylinders



Vehicle behavior detection
device for rolling stock

IT tilt-measurement
system

Development of Next-Generation Technologies

Main Products

A Solid Track Record in OEM

Our main OEM customers include Toyota, Nissan, Honda, Mitsubishi, Isuzu and all other domestic automakers as well as overseas automakers, including GM, Ford, Fiat Chrysler, Porsche and Mercedes. Currently, Akebono's share of the domestic OEM market for automotive disc brake pads stands at approximately 43%.

Aftermarket Parts Developed with Expertise

Akebono provides customers all over the world with aftermarket products designed in accordance with their needs, backed by the solid technologies and quality that has developed through diverse OEM operations with the world's leading automakers.

Basic Principles of Brakes

Here we explain the structure and function of Akebono's core product—brakes.

What is a Brake?

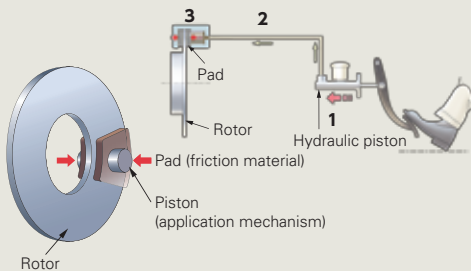
It is a device that utilizes friction to cause a vehicle to decelerate and/or stop by converting kinetic energy into heat energy. Sudden braking at 100 km/h generates enough heat to raise the temperature of two liters of water from 0°C to boiling (100°C). Brakes are relatively small compared with other major automobile components, and the space where they are mounted is restricted. Complex controls are required to absorb the output power of the engine and brake safely. Brakes are considered an important safety component in an automobile because of their key role in ensuring vehicle safety.

Types of Brakes

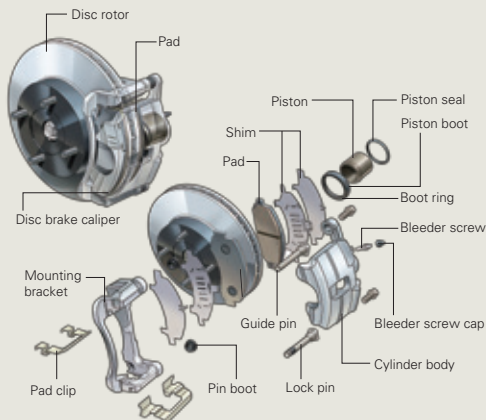
Each of the four wheels on an automobile is equipped with a brake. Depending on the usage and characteristics of the car, the wheels may have disc brakes or drum brakes. Disc brakes have the capability to stop a car in a stable manner even at a high speed, while drum brakes have the capability to stop heavier vehicles. A vehicle can be equipped with different combinations of disc and drum brakes. Some vehicles use disc brakes on the front and rear wheels, while others use disc brakes on the front and drum brakes on the rear.

Disc Brakes

Brake pads clamp the rotor to stop its rotation

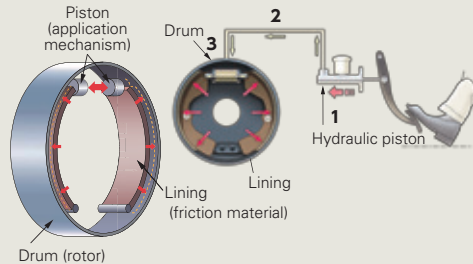


Main Parts of Disc Brakes

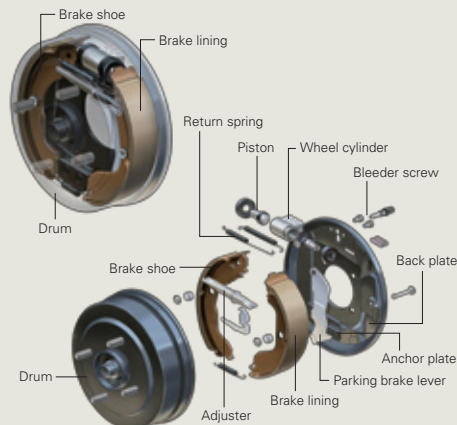


Drum Brakes

Lining is pushed out to drum from the inside to stop its rotation



Main Components of Drum Brakes



Providing Safety and Peace of Mind

Automotive brake-related products account for 90% of Akebono's net sales, and the Company also draws on its accumulated comprehensive brake technologies to develop and supply brakes for motorcycles, rolling stock and industrial machinery, as well as sensor products.



Products for Automobiles

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



Disc brake



Drum brake

Products for Motorcycles

- Disc brake calipers
- Disc brake pads
- Master cylinders



Master cylinder



Disc brake



Products for Rolling Stock

- Bullet train disc brakes
- Rolling stock brake linings
- Monorail disc brakes



Bullet train disc brake



Bullet train disc brake lining



Monorail disc brake



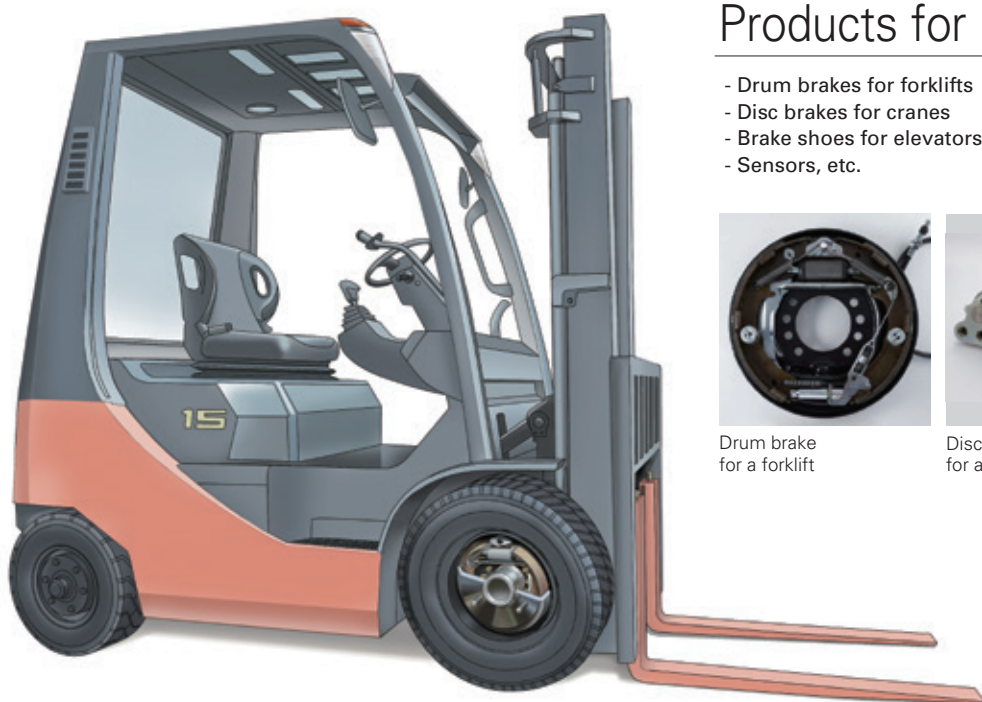
PICK UP

Contribution in Railway Field

Akebono has provided the brakes for many Japanese bullet trains, from the first generation Type 0 series to the latest N700A series, as well as conventional trains and monorails.

Products for Industrial Machinery

- Drum brakes for forklifts
- Disc brakes for cranes
- Brake shoes for elevators
- Sensors, etc.



Drum brake for a forklift



Disc brake for a rough-terrain crane



Concrete filling rate detection system

Motorsports Challenge

Akebono is developing its technologies in the demanding field of motorsports.

Formula One (F1)

Akebono has been supplying brake systems to the McLaren team to support their participation in the world's most prestigious motorsport – Formula One racing since 2007. In this demanding environment where rotor temperatures can soar to 800°C when braking to enter a corner, we strive to create brakes that always deliver reliable and stable performance by applying exacting standards in all aspects of our products, including structure, materials, and surface processing.



Formula One (F1)

FIA World Endurance Championship (WEC)

Akebono provides brake calipers for the cars of the TOYOTA GAZOO Racing team, which is participating in the World Endurance Championship series, including the Le Mans 24-hour race. In 2016, our brake calipers were used on the new model TS050 HYBRID.



FIA World Endurance Championship (WEC)

Nürburgring 24 Hour Endurance Race

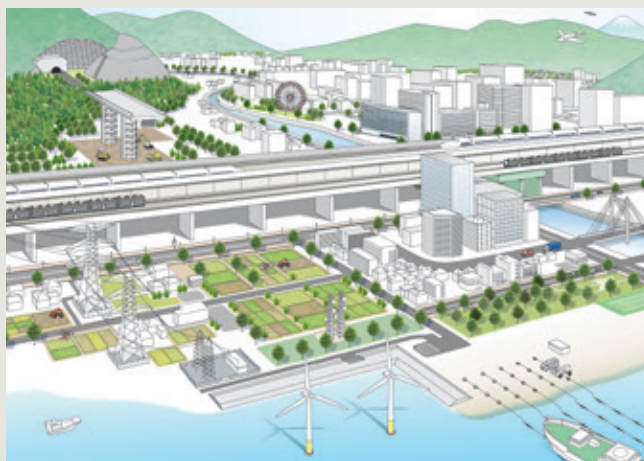
The Nürburgring 24 Hour Endurance race is said to be the toughest production car race in the world. The race was held from May 28 to 29, 2016, and Akebono supplied brake calipers and brake pads for the class-champion LEXUS RC F of TOYOTA GAZOO Racing with TOM'S team.



Nürburgring 24 Hour Endurance Race

Developing the Infrastructure & Mobility Business

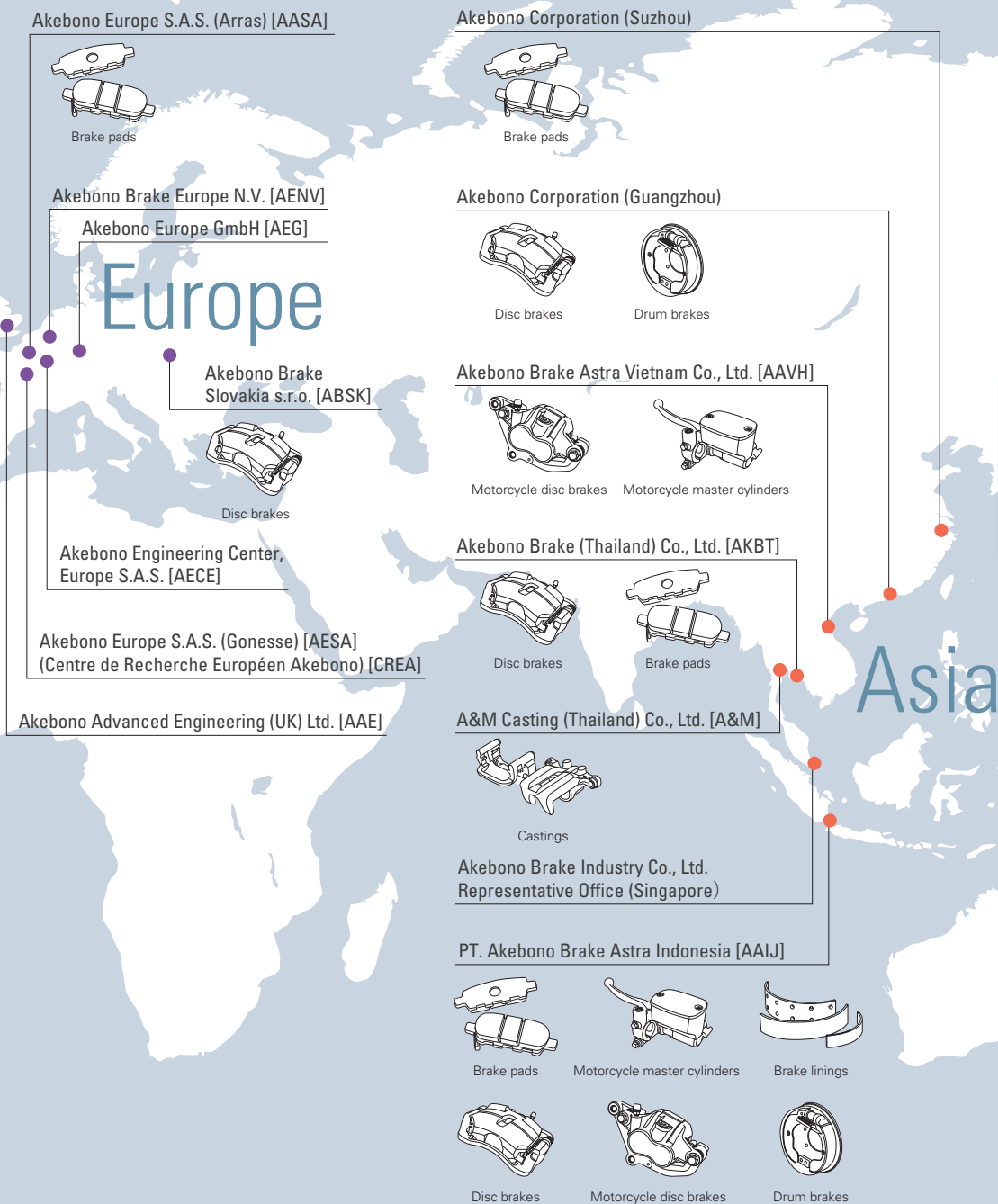
Using its expertise in products for rolling stock, products for industrial machinery, and sensor products, Akebono will open up new businesses in various fields such as civil engineering and construction, agriculture, shipping, energy, and urban development.



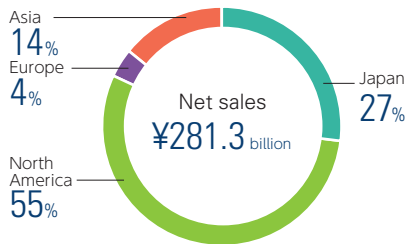
Global Business Expansion

Akebono operates its business in 13 countries around the world.

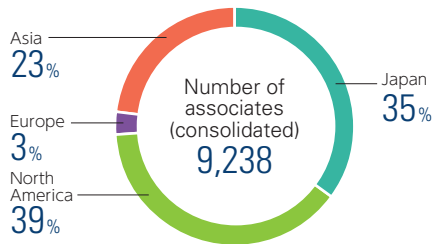
We are working to establish a global network built around the four focus regions of Japan, North America, Europe, and Asia.



Sales Ratio by Region (Fiscal 2015)

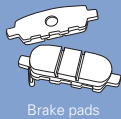


Ratio of Associate Numbers by Region (As of March 31, 2016)

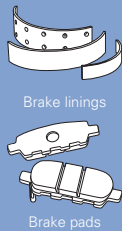


Japan

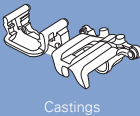
Akebono Brake
Yamagata
Manufacturing Co., Ltd.



Akebono Brake
Fukushima
Manufacturing Co., Ltd.



Tatebayashi Foundry



Akebono Brake
Iwatsuki
Manufacturing Co., Ltd.

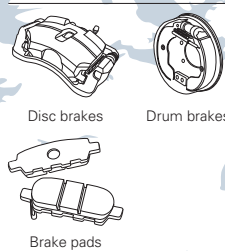


Akebono Research
& Development
Centre, Ltd.(Hanyu City)

Akebono Brake
Sanyo
Manufacturing
Co., Ltd.

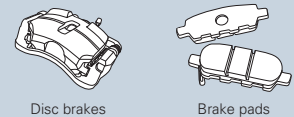


Akebono Brake Corporation
(Elizabethtown) [ABC]
Akebono Brake,
Elizabethtown Plant [ABE]

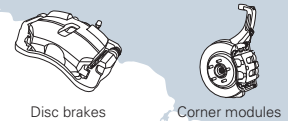


Akebono Brake Corporation [ABC]
Akebono Engineering Center [AEC]

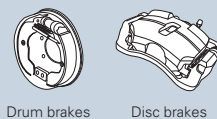
Akebono Brake, Glasgow Plant [ABG]



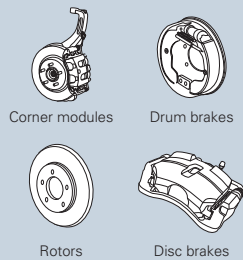
Akebono Brake, Columbia Plant [ABCS]



Akebono Brake Mexico
S.A. de C.V. [ABM]



Akebono Brake,
Clarksville Plant [ABCT]



Review of Operations

Operating Results

During fiscal 2015*¹, Akebono recorded a decline in domestic sales on the back of continued weak automobile production in Japan. Nevertheless, consolidated net sales rose 10.7% year over year to a record-high ¥281.3 billion thanks to a record level of automobile sales in North America, an increase in new orders in China, expansion of the brake caliper business in Europe, and the impact of foreign exchange translation due to the weaker yen, the latter of which contributed ¥22.2 billion to sales growth. On the earnings front, an expansion of orders in China, rationalization of production and procurement functions at sites in Japan and Asia, and efforts to reduce costs were effective in securing positive earnings in those regions. However, the prolonged influence of the production-related problems that occurred in North American operations in 2014 continued to have a significant impact in terms of higher costs of labor and expedited shipment of parts, resulting

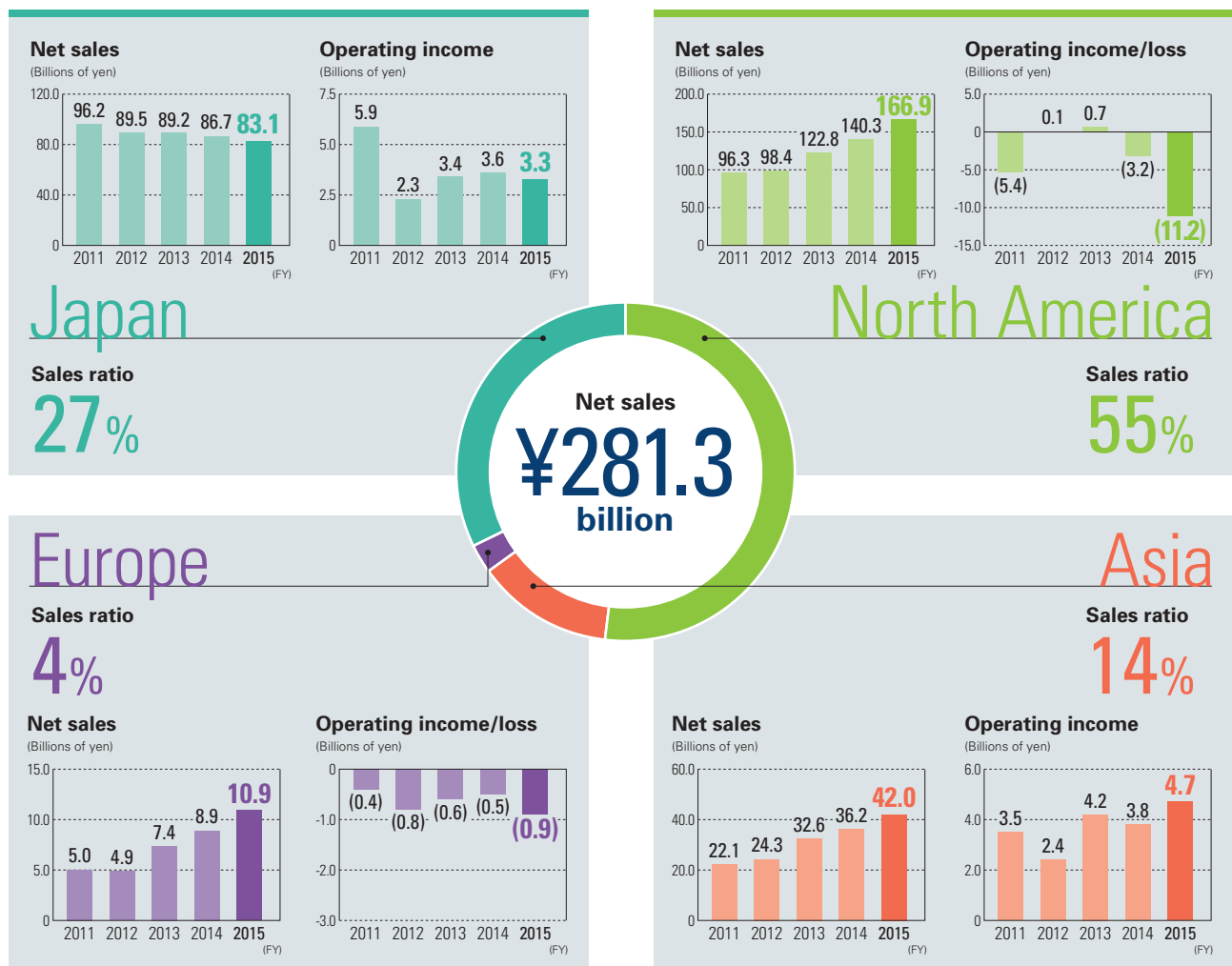
in a consolidated operating loss of ¥3.8 billion, (compared with operating income of ¥4.0 billion in the previous fiscal year). The impact of foreign exchange losses and interest payments also contributed to ordinary losses of ¥6.8 billion yen (compared with ordinary income of ¥2.8 billion yen in the previous fiscal year). While the Company posted extraordinary income from the sale of certain investment securities, the posting of impairment losses on tangible assets in North America, primarily at ABE, provision for business structure improvement, and loss on recall issue*² resulted in a loss attributable to owners of parent of ¥19.5 billion (compared to a loss attributable to owners of parent of ¥6.1 billion in the previous fiscal year).

*1 (1) January 2015 to December 2015 for North America, China, Thailand and Indonesia

(2) April 2015 to March 2016 for Japan and Europe

*2 As announced in the "General Motors Safety Recall" dated June 12, 2015.

At a glance



Japan

Review of Fiscal 2015

The impact of an additional tax introduced in fiscal 2015 targeting mini cars (displacement less than 660cc) resulted in sluggish demand for those vehicles, affecting the domestic automobile market as a whole. Akebono's business in Japan also saw a significant impact from weak automobile production in the form of lower earnings and a drop in sales of aftermarket products for export, and domestic net sales fell by ¥3.6 billion year on year, or 4.2%, to ¥83.1 billion. Looking at earnings, operating income fell 9.5%, or ¥0.3 billion, year on year to ¥3.3 billion with the

impact of a drop in orders and an increase in R&D expenses for group companies overseas resulting from globalization efforts. This was despite the effects of lower performance-linked bonuses and other labor costs, rationalization of production and procurement, and other cost reductions.

Fiscal 2016 Strategy and Outlook

While there are uncertainties ahead, including the impact of the Kumamoto Earthquake on domestic demand, we expect both net sales and operating income in Japan to be about level with fiscal 2015.

TOPICS

Akebono Exhibits High Performance Brake Calipers for Large SUVs at the 44th Tokyo Motor Show 2015.

Bringing together the expertise in brake technology it has acquired through years of involvement in motorsports, Akebono has developed a 10-pot opposed brake caliper (five to each side, for a total of 10 pistons per caliper) that provides superb brake performance at high speed, under high brake load and high heat conditions, along with the comfortable, low-noise brake experience demanded in luxury high-performance vehicles. Intended for use in the large SUV class, the calipers accommodate larger brake pads to absorb the energy generated by high brake loads, to realize

the industry's first 10-pot production calipers with stable braking performance designed for passenger vehicles. These brakes represent the full-scale launch of Akebono's European business.

The product was first exhibited at the 44th Tokyo Motor Show 2015 held between October and November, 2015. Also on display were a 6-pot opposed high-performance brake caliper, as well as McLaren P1™ super car equipped with the Akebono brake system.



10-pot opposed brake caliper



Akebono's booth at the 44th Tokyo Motor Show 2015

North America

Review of Fiscal 2015

Automobile sales in the United States reached record levels, boosted by falling oil prices and aggressive sales financing. Akebono's North American business also saw an increase in orders from major automakers, reflecting soaring demand, and with the impact of foreign currency translation contributing ¥20.1 billion, sales increased 19.0%, or ¥26.7 billion, year on year to ¥166.9 billion. On the other hand, operating loss, including Mexico, increased to a loss of ¥11.2 billion from an operating loss of ¥3.2 billion in the previous fiscal year, significantly below the initial plan, despite the implementation of a variety of measures, including productivity improvements and the transfer of production to other facilities in an effort to resolve production-related problems.

While various effective measures have been undertaken to address production-related problems at ABE that began in 2014, including facilities maintenance support dispatched from Japan and the transfer of some production, due to a continuing high volume of orders, ABE was unable to completely eliminate the three-shift, 24h/7 days a week production schedule. This made it impossible to reduce labor costs, and forced ABE to post a loss for a second consecutive year.

At ABG, a surge in orders at the end of 2014 also led to higher labor costs due to increased work hours, and the plant continued to generate expedited-shipment cost and other additional costs due to the production crunch. In response, production lines were added in May of last year, and a team of specialists in maintenance and production was dispatched from Japan to implement improvements in production efficiency. Measures also included the gradual transfer of some disk brake pad production to Japan and other global production facilities. However, ABG continued to require expedited-shipping in some cases, partly because productivity did not improve as expected.

ABCS also experienced excessive production loads. In addition, to avoid delays in deliveries due to a drastic drop in plant operating rates caused by the failure of aluminum casting equipment, enormous expedited shipping costs were generated (air transportation and other transport fees), and ABCS posted significant losses as a

result. The aluminum casting equipment was eventually repaired, and with the recovery in production capacity expedited-shipping cost dropped significantly; but orders continued to rise, generating additional overtime and other costs as winter holidays were cancelled to handle fourth quarter orders for certain automakers.

Quickly returning its North American operations to stable profitability remains a top priority for Akebono management. To achieve this, the Company has revamped its local management structure, reviewed its product lines, and has begun working on reforms in its North American business, including changes to its production structure. While these efforts have begun to show solid results, to accelerate its reforms, at the end of fiscal 2015 the Company decided to implement impairment accounting on property, plant and equipment of ABE to about US\$69 million. The Company also posted impairment losses against individual non-operational production facilities at ABCS and ABCT. At the same time, it posted ¥0.5 billion in extraordinary losses related to costs associated with structural management reforms in its North American business (provision for business structure improvement, including provision for retirement allowances.)

Fiscal 2016 Strategy and Outlook

While net sales are forecasted to decline with the transfer of some production from North America to other regions, on the earnings side, losses are expected to shrink. Efforts to prioritize order profitability, reduce production loads and improve productivity via transfer of some production, along with a significant reduction in expedited-shipping cost, will lead to smaller operating losses. In terms of management structure, Akebono has hired a new CEO with a track record in the United States, and subsequently also hired a new CFO. Together with additional consultant support, Akebono is accelerating its management reforms. While fiscal 2016 will not see the complete elimination of operating losses (estimated at ¥4.5 billion), by fiscal 2017 the effects of these and other measures will begin to appear in the operating results (operating profit of ¥1.2 billion), and Akebono aims for ¥3.5 billion in operating profit by fiscal 2018.

TOPICS

Dr. Wilm Uhlenbecker Takes Over as CEO at U.S. Subsidiary Tapped to Lead North American Management Reforms

To begin work on fundamental management reforms in the North American business, including resolving production-related problems there and strengthening governance, Dr. Wilm Uhlenbecker has been appointed president and CEO of Akebono Brake Corporation (ABC), the U.S.-based Akebono subsidiary that functions as its headquarters in North America. Dr. Uhlenbecker holds a doctorate in mechanical engineering as well as a master of business administration degree, both from RWTH Aachen University in Germany. His prior experience includes management positions in engineering, quality control, and numerous other fields. He has a successful record of corporate turnarounds through strategic cost reductions

and manufacturing footprint restructuring. Under his leadership, the North American business will move forward with locally-driven efforts to strengthen its management structure.



Dr. Wilm Uhlenbecker

Europe

Review of Fiscal 2015

Automobile sales increased over the previous year due to the impact of a gradual economic recovery, although levels remained below those prior to the European debt crisis. In its European operations, the Company saw a drop in some areas of its aftermarket products business, but strong sales of products for global platform cars (common platforms used on a worldwide basis), particularly products imported from the Company's Asian facilities, and of high-performance brakes imported from the Company's North American facilities. As a result, net sales rose ¥2.0 billion, or 22.2%, year on year to ¥10.9 billion. On the earnings front, the Company recorded increased costs generated by added labor and depreciation expenses associated with the start of operations at the Slovakia Plant, and costs associated with

building a sales structure for the caliper business ahead of future expansion. Nevertheless, optimization of disc brake pad pricing and the emerging impact of improvements in production processes combined with the effects of procurement rationalization kept the operating loss to ¥0.9 billion, as compared to an operating loss of ¥0.5 billion in the previous fiscal year.

Fiscal 2016 Strategy and Outlook

Net sales are forecasted to drop slightly in fiscal 2016. Operating losses are expected to continue, due in part to the change to a product-based structure, as well as to increased costs related to the future launch of high performance brake production.

TOPICS

Manufacturing Subsidiary Akebono Brake Slovakia s.r.o. Begins Mass Production and Supply of Disc Brakes in Europe

To strengthen its operating base in Europe, in 2014 Akebono established disc brake manufacturing subsidiary Akebono Brake Slovakia s.r.o. (ABSK), in Trenčin, the Slovak Republic. While the Company has a presence in Europe with AASA of France, which also manufactures disc brake pads, the addition of ABSK is part of Akebono's strategy to create a total supply structure for brakes in Europe and strengthen competitiveness on a global basis. An opening ceremony for ABSK was held in June 2015. Approximately 50 guests attended the ceremony, including The First State Secretary of the Ministry of Economy of the Slovak Republic, Mr. Rastislav Chovanec, the Mayor of Trenčin, Mr. Richard Rybníček, and the Ambassador of Japan to the Slovak

Republic, Mr. Akio Egawa. Akebono was represented by the President and CEO of Akebono Brake Industry, Hisataka Nobumoto, along with several executives and associates. Events included a tree planting ceremony, the presentation of commemorative items, and a ribbon cutting ceremony, as well as the plant tour. ABSK currently handles cast-iron brake caliper assembly operations, and plans to start mass production in August of 2016. The company is also considering expanding operations by adding state of the art facilities for manufacturing aluminum brake calipers for high performance vehicles, which will make the new plant a strategic manufacturing location.

(Note: Titles are as of the date of the ceremony.)



ABSK office building

Akebono Brake Slovakia s.r.o.
(ABSK) opening ceremony

Outline of Subsidiary

- (1) Name: Akebono Brake Slovakia s.r.o.
- (2) Location: Trenčin, Slovak Republic
(110 km northeast of Bratislava, the capital)
- (3) Representative: Jean de Montlau
- (4) Business: Manufacturing and sale of automotive brakes
- (5) Capital: €12,000,000
- (6) Date of establishment: April 1, 2014
- (7) Equity ratio: Akebono Brake Europe N.V.
(Wholly-owned subsidiary of Akebono Brake Industry) 100%
- (8) Lot area: Approx. 42,000 m²
- (9) Building area: Approx. 12,000 m²
- (10) Start of production: August 2015

Asia

Review of Fiscal 2015

Automobile sales in China in the first half of fiscal 2015 rose only slightly year on year, due to sluggish demand and a build-up of inventory. In the second half, however, demand increased significantly due to the impact of a tax reduction on compact cars (those with a displacement of less than 1600 cc). Operations in China saw an increase in sales of products for global platform cars, expansion of orders, including business with new

customers, and the impact of foreign currency translation (¥2.0 billion). As a result, sales increased 36%, or ¥5.1 billion, year on year to ¥19.4 billion. At the same time, operating income rose by 50.5%, or ¥0.8 billion, year on year to ¥2.5 billion, reflecting increased earnings with the expansion of orders and the impact of production and procurement rationalization and cost reductions, despite increases in depreciation costs and labor costs, among others.

In Thailand, domestic sales of new cars continued to be sluggish, but production of automobiles in Thailand hit a record high, boosted as export numbers reflected the impact of worldwide sales expansion of eco-cars in addition to pickup trucks. In Akebono's Thailand operations, stagnant domestic demand was compensated by strong exports, and increased aftermarket sales for Middle East markets. As a result, sales rose by 9.8% year on year, or ¥0.5 billion, to ¥6.0 billion. On the earnings side, while depreciation costs increased, the increase in orders for aftermarket products contributed significantly, and operating income rose 81.1% year on year, to ¥0.5 billion, for increases in both sales and profits.

In Indonesia, both production and sales of automobiles and motorcycles in fiscal 2015 fell below those of the previous year, but the domestic sales market is expected to expand further over the medium to long term. Akebono's operations in Indonesia experienced sluggish domestic demand

and a drop in production as Japanese automobile manufacturers adjusted inventories at the end of the fiscal year, as well as decreased orders from motorcycle manufacturers. However, sales of brake-related products for global platform cars and being marketed in Europe were strong. As a result, sales rose by 1.1% year on year, or ¥0.2 billion, to ¥16.6 billion. Operating income fell 7.6%, or ¥0.1 billion, year on year to ¥1.7 billion, largely due to a drop in orders, a rise in labor costs, and an increase in depreciation costs.

Fiscal 2016 Strategy and Outlook

Akebono will continue its aggressive business expansion centered on China, and expects sales to increase. However, operating income is expected to remain flat due to changes in product mix, persistently high labor costs, and an increase in expenses associated with environmental measures, among other factors.

TOPICS

A&M Casting (Thailand) Co., Ltd., Established as Part of Strengthening Global Competitiveness, Holds Furnace Ignition Ceremony

In October 2014, Akebono established A&M Casting (Thailand) Co., Ltd. for the production of cast-iron automotive parts, in a joint venture with Mohka Manufacturing Co., Ltd. The joint venture's production will center on cast-iron brake caliper components for Akebono Brake (Thailand) Co., Ltd. Production volume will be 600 tons per month until 2017, and from 2018 is scheduled to rise to 1,300 tons per month

in anticipation of market trends. The new company is also considering sales of cast-iron components to other companies in Thailand. A cornerstone-laying ceremony was held in December 2014, followed by a furnace ignition ceremony in December 2015, attended by executives from both Akebono Brake Industry and Mohka Manufacturing.



Executives and employees attended the ignition ceremony

Outline of Subsidiary

- (1) Name: A&M Casting (Thailand) Co., Ltd.
- (2) Location: Ratchaburi Industrial Estate, Ratchaburi Province, Kingdom of Thailand
(approx. 100 km west of Bangkok)
- (3) Representative: Masami Nagasaki
- (4) Business: Manufacture and sale of cast-iron automotive components
- (5) Date of establishment: October 2014
- (6) Equity ratios: Akebono Brake Industry Co., Ltd. 74.9%
Mohka Manufacturing Co., Ltd. 25.1%
- (7) Lot area: approx. 37,000 m²
- (8) Building area: approx. 5,000 m²
- (9) Start of production: August 2016 (tentative)

Akebono is working to improve brake performance and to develop the next generation technology. We are also focused on developing products and technologies that will reduce environmental burden.

FNC Finished Rotors

Akebono supplies rotors for trucks produced by U.S.-based General Motors Company. These rotors are finished using the ferritic nitrocarburizing (FNC) process and thus deliver superior braking performance as well as low noise and vibration while boasting an industry-leading product life, which, in turn, contributes to resource savings. Moreover, since FNC finishing provides greater abrasion resistance, it also reduces the generation of dust, which not only often mars the appearance of wheels, but poses an environmental burden.



FNC Finished Rotors

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

In 2014, new regulations were enforced in California and the state of Washington, the United States, setting limits on copper and other specified substance content in brake pads, linings and friction materials produced on and after January 1, 2014. The regulations are intended to prevent the impact of such substances on ecosystems in rivers and oceans. Moreover, the regulations oblige manufacturers to label their pads and linings using Friction Materials Edge Code Markings that indicate compliance.

In response, a number of Akebono's business units, including its U.S., Japanese and Asian production bases that manufacture friction materials destined for the American market, as well as development, quality assurance, sales and production engineering sections worldwide, have striven to ensure compliance with these requirements through across-the-board collaboration. Looking ahead, we will painstakingly continue to implement measures aimed at complying with state laws and other regulations, such as package labeling statutes.



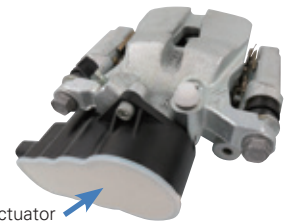
A copper-free brake pad (prototype pictured)

Development of New Brakes for Greater Fuel Efficiency

We are developing a new automobile braking system that improves fuel efficiency by weight savings. In addition, we aim to contribute to resource savings by reducing the number of parts.

■ Electro-Mechanical Brakes

This new brake system employs an electric operating mechanism to press down the disc brake pads. The system helps to improve fuel efficiency by saving weight. Moreover, this system can contribute to environmental preservation by eliminating use of hydraulic brake fluid, which must be properly disposed of whenever repairs are made.



Arrow indicates the electro-mechanical actuator

■ Low Drag Caliper

In a conventional disc brake there is always slight contact between the brake pads and the rotor, even when the brakes are released. This creates rotational resistance of the rotor and negatively affects fuel economy. Also, if the gap between the rotor and pad alters, however subtle the change, it affects how far the pedal must travel to initiate braking. This reduces driver confidence. The low drag caliper incorporates specially designed components to ensure that the pad to rotor gap is precisely maintained at the micron level. In this way, brake drag is reduced, contributing to improved fuel economy.



Low Drag Caliper

Upgrading Ai-Ring to Secure Competitiveness in the Global Market

Ai-Ring is one of the largest test courses to be operated by an automotive parts manufacturer in Japan. The facility enables various types of brake testing using actual vehicles, such as high-speed braking tests. A new Ai-Ring is scheduled for completion in October 2016. The plans for the facility include expanding various type of test course, such as a new winding road, rough roads, and slopes. We will use these courses to further enhance the performance and quality of our products for high-performance vehicles, and to bolster our development of electro-mechanical brakes. We also plan to increase our dyno testing facilities (brake testing machines) to help ensure safety as a top



Ai-Ring

priority from the design stage. This will enable us to conduct comprehensive brake testing from bench testing, through dyno testing, to vehicle testing in a single facility. Akebono will also shorten development lead times by improving its vehicle testing capabilities and enhancing its NVH* analysis and simulation technologies. With the new facility we aim to establish a global development structure that will enhance our R&D competitiveness. At the same time, Ai-Ring will help us to integrate testing techniques employed at R&D bases worldwide while providing a place for training designers and engineers who will be able to propose their own ideas as brake experts.

*NVH: Noise vibration harshness

Quality Management Systems (ISO/TS16949, ISO26262)

With the aim of promoting its corporate branding initiative, Akebono has acquired and maintains the ISO/TS16949 quality management system certification that has been widely introduced by automakers overseas, in addition to ISO9001.

Moreover, efforts are now underway to acquire ISO 26262 certification with regard to automotive electronic and electrical safety-related systems with help from external specialists.

TOPICS

Akebono Receives Award in the Japan Society of Mechanical Engineers Medal for New Technology

For achievement in the “development and mass production of high-performance brakes for road cars” Akebono was awarded the FY2015 Japan Society of Mechanical Engineers (JSME) Medal for New Technology. The brake systems are used in the ultra-high performance road car “P1™” made by the U.K. automaker McLaren.

Established in 1958 with the aims of encouraging research activities and development of mechanical engineering in Japan, the JSME Medal has been presented annually to outstanding papers, technologies and products. In awarding the medal, the judges recognized Akebono’s high achievement in “stability when braking at ultra-high speed and high temperature levels,” “significant weight reduction,” and “comfortable braking in city driving.”

This is the second time in 34 years that Akebono has received the award, the previous time being in 1982.



Brake system for McLaren P1™

Environment | Environmental Management

The Akebono Group has a shared Environmental Declaration and Basic Environmental Policies that govern its efforts to reduce the environmental impact of its business activities and promote development of environmentally considerate products.

Basic Policy and Structure

The Environmental Declaration and Basic Environmental Policies that were formulated in 2001 will be shared throughout the Group, and we will continue to undertake

environmental preservation activities led by the Global Environment Committee.

Environmental Declaration

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

Established 2001

Basic Environmental Policies

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

Established 2001

Environmental and CSR Management System



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

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

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

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

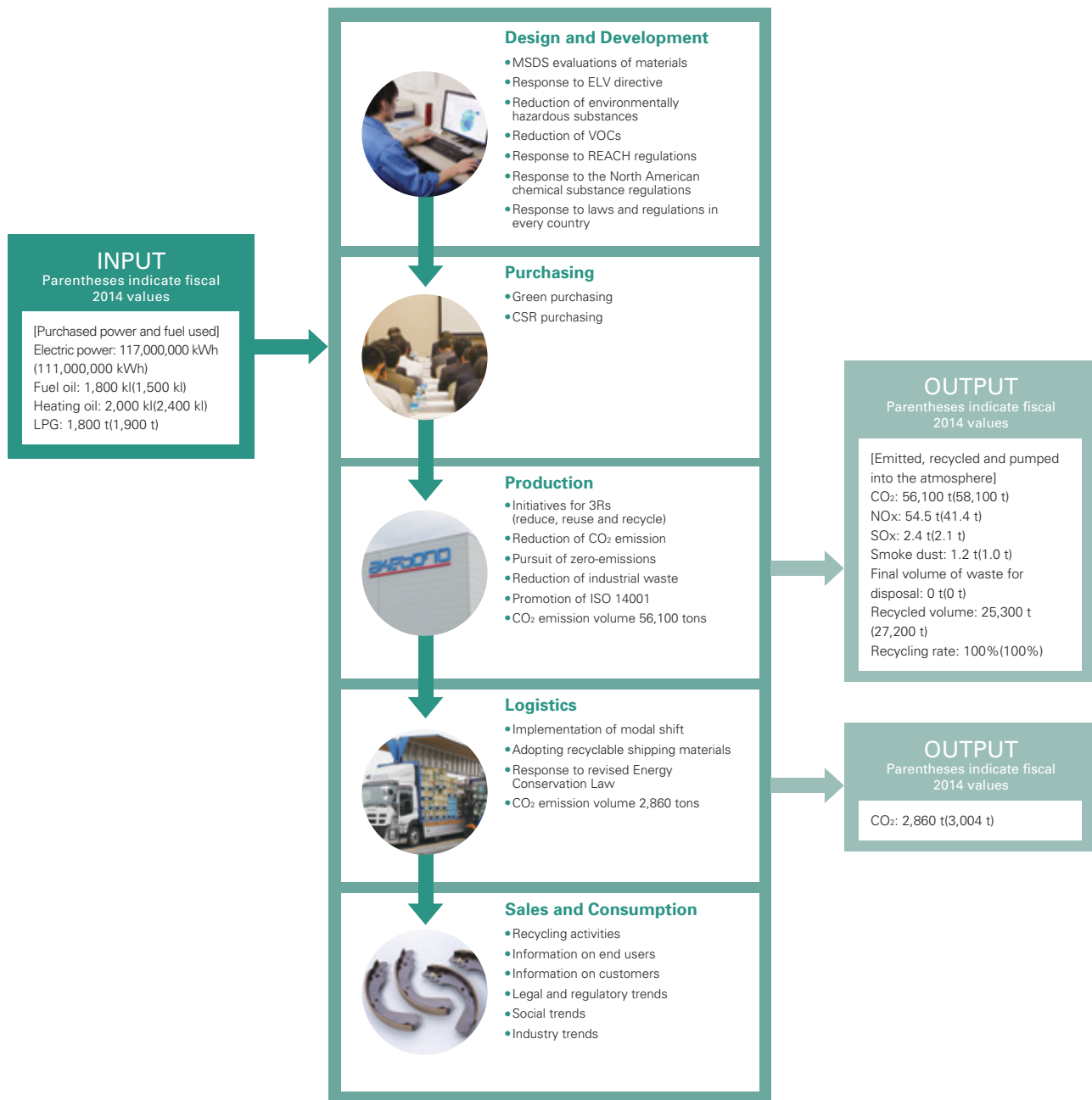
*5 3R: Acronym for reduce, reuse and recycling of resources, activities that contribute to a recycling society

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

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

Environment | Product Life Cycles and Environmental Impact Mass Balance

We will work to reduce environmental impacts at every stage in the product life cycle, from design and development through to recovery and recycling.



* Mass balance is a quantitative balance that represents the balance of resources consumed and waste emitted (including gas, smoke dust, etc.) during the entire life cycle of a given material, from generation through use, emission, recovery, recycling and re-use after recycling to final disposal.

* Values for NO_x, SO_x and smoke dust represent total emission volumes from facilities subject to regulations

* Scope of calculation covers operations in Yamagata, Fukushima, Tatebayashi, Iwatsuki and Sanyo

* REACH: Registration, Evaluation Authorization and Restriction of Chemicals

Purchasing

Akebono is working to reduce environmental and social impacts in cooperation with its suppliers.

Promoting CSR and Green Purchasing*

Akebono introduced its Green Purchasing Guideline in 2005, revising it in 2011. Under the guidelines we are considering the environment and CSR from the purchasing stage by working together with suppliers to procure materials, components, and secondary materials that have a low environmental impact. We are also encouraging our suppliers to improve their environmental management performance by recommending activities to acquire external accreditation such as ISO 14001.

* Green Purchasing

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

Ranking and Management of Environmental Impact Substances under Green Purchasing a Guidelines

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

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

Response to the Conflict Minerals* Issue

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

Akebono conducts investigations in accordance with industry standards from a CSR procurement perspective and has not found any use of conflict minerals.

* Conflict Minerals

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

* GADSL (Global Automotive Declarable Substance List)

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

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

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

Supply Chain Safety Promotion

Akebono is taking steps to ensure safety across its supply chains by working to eliminate occupational accidents. We urge our suppliers to create safer, more secure work places by raising the theme of safety at our suppliers meetings held throughout the world and in our Seiwa Kai study sessions consists of major suppliers.

Response to Substances of Very High Concern*

In cooperation with our suppliers, Akebono performs testing of purchased products to determine if they contain substances of very high concern (SVHC*) or banned substances. The tests are performed on the individual product level and their results are communicated back to the suppliers.

* Substance of Very High Concern

A substance may (but not necessarily must) be designated as SVHC if it meets one or more of the following criteria: it is carcinogenic, mutagenic or toxic for reproduction, and in addition is either persistent, bioaccumulative and toxic, or very persistent and very bioaccumulative. Such substances are identified as having probability of causing serious adverse effects to human health or the environment.

Human Resources and Diversity

As Akebono globalizes its operations, the Group is working to recruit and develop human resources who can work in and outside of Japan, and taking a proactive approach on issues such as managing diversity and achieving a work-life balance.

Basic Human Resources Policy

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

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

Moreover, we are working on human rights education and enlightenment with high regard for human rights to achieve an organization with abundant diversity and creativity.

communication skills, flexibility in dealing with diverse cultures and their linguistic abilities. Addressing differences in training programs and personnel systems by location, we are working to enhance our Japanese associates' ability to operate in global business settings, putting emphasis on training those who have had few opportunities to engage in duties with peers from other countries with different cultures and native tongues.

Nurturing Globally Capable Human Resources

As a part of training programs for newly recruited associates, Akebono has prepared globally unified educational materials for use at all Group business locations. In fiscal 2011, Akebono has issued the Akebono Starter Book, a standard educational package that features the Company's corporate history since its founding, characteristics of its operations in each region and explanations of APS (Akebono Production System or Akebono Philosophy and Spirit), its corporate culture and philosophy as well as corporate brand management activities. The book is being used in training programs. By learning through this book, all associates are equally informed of the basic knowledge and concepts necessary to act as Akebono business persons. Moreover, with the addition of programs that reflect local concerns, we are developing human resource educational programs optimized for each region and location.

Human Resources Nurturing and Personnel System

We strive to ensure that our associates are assigned optimal positions and work locations based on their competencies, regardless of their nationality. To this end, our human resource recruitment, nurturing and administration systems are premised on abundant respect for human rights as well as associates' individuality, privacy rights and diverse value systems.

In particular, we are developing our associates'

"Ai-Village"

A Center for Nurturing Globally Capable Associates

Since its establishment in 2012, Ai-Village global training center has served as a training ground for numerous associates. Around half of the training sessions held there consist of programs spearheaded by the Human Resources Department, in addition to which there are job level-based training programs and training for selected associates organized by operating departments, such as those handling development, technology, sales and production. In addition to being used as a place for retreat-type training sessions, there were some instances where Ai-Village was used by associates trapped by inclement weather. To maximize the site's utilization, in fiscal 2014 the Company decided to expand the lineup of training programs, initiating Ai-Campus, a series of open seminars comprising around 80 courses. Among

these are language training programs aimed at nurturing globally capable associates as well as lectures on basic knowledge about manufacturing and Akebono products. Looking ahead, we will continue to strive to fully utilize this facility to nurture competitive human resources.



View of Ai-Village

Human Resources and Diversity

Promoting Diversity

Akebono aims to strengthen its corporate capabilities in a way that reflects the high respect it has for the values of each associate and their diversity. In other words, the Company cherishes associates' individual aspirations regarding work and life so that each can develop their creativity in the course of their duties, which, in turn, will help bring about a more vibrant company overall.

Akebono is promoting diversity because it recognizes that as it expands globally, it is becoming increasingly important to establish a corporate structure that helps each associate realize their full potential regardless of their value system or cultural background. In line with this recognition, we are promoting diversity management centered on three key initiatives, namely, diversity promotion; work-life balance promotion; and career development assistance.

Basic Themes of Diversity Management



TOPICS Akebono Receives “Eru Boshi Designation” based on the Act Concerning Promotion of Women’s Career Activities

In April 2016, Akebono received the Eru Boshi Designation (Third Grade)* from the chief of the Saitama Labor Bureau. The Eru Boshi Designation system provides business owners who have performed excellent activities to promote women’s career by applying their detailed plan to prefectural labor bureau. The designation is received from the Minister of Health, Labour and Welfare. There are five evaluation criteria and accredited between grade 1 and grade 3 based on a result of the evaluation. Akebono achieved the top rank of Grade 3. We will continue working to be a company where all of our associates can work with motivation and enthusiasm, regardless of gender.

*Official nickname for the designation of the General Business Owner Complying with the Standard based on the Act for Promoting the Advancement of Women.



Eru Boshi Mark (Third Grade)

Promoting Work-Life Balance

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

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

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

Going forward, we will also implement forward-

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

In addition, Akebono obtained the Kurumin Mark—an authorization mark awarded by Japan's Minister of Health, Labour and Welfare to certify businesses that proactively support the upbringing of future generations, in November 2007 and renewed it in June 2013.



Kurumin Mark

Akebono's Main Initiatives

Child care leave plan	Associates can take leave until the March after the child's third birthday while receiving aid. This can be taken in multiple parts. Note: Akebono has a child care leave plan that exceeds legal standards.
Career partner plan	A program that provides those who left the Company due to family duties with opportunities to later rejoin Akebono within five years after their resignation. Eligible associates include those who had served for a continuous period of three years or more before leaving and meet other prescribed criteria.
Nursing care leave plan	Associates can take up to two years leave per family member to provide nursing care while receiving a stipend
Child nursing care plan	Associates can take up to five days of leave per year (ten days for associates with two or more children) to nurse sick or injured children or for children's doctor visits until the child graduates from elementary school. This leave is separate from annual paid leave.
Measures to reduce working hours	Child care plans <ul style="list-style-type: none"> • Reduced working-hours plan: Associates can use the system multiple times until children graduate from elementary school. • Flex time plan • Child care aid plan: A fixed monthly aid until the March following the child's third birthday
Improvements to company environment	Nursing care plans <ul style="list-style-type: none"> • Reduced working-hours plan: Associates can work reduced hours for a total of up to three years per family member to provide nursing care. These can be taken in multiple parts. • Flex time plan

Workplace Safety and Health

At Akebono we aim to create safe workplaces and an even better environment for all associates.

Occupational Safety and Health Management

Striving to ensure the safety and health of its associates, the Akebono Group established the Occupational Safety and Health Management Structure, with the aim of thoroughly addressing various risks related to its operations, including disasters, accidents and other emergencies. Placing the utmost emphasis on securing the safety of our personnel, we have set the rules that allow no newly recruited associate or contract worker to engage in actual operations unless they have undergone the required safety education. We also distribute *Need-to-Know about Safety Knowledge*, a booklet summarizing important safety issues, to all associates to raise their safety awareness.



"Safety Knowledge" booklet

Response to the Problem of Asbestos

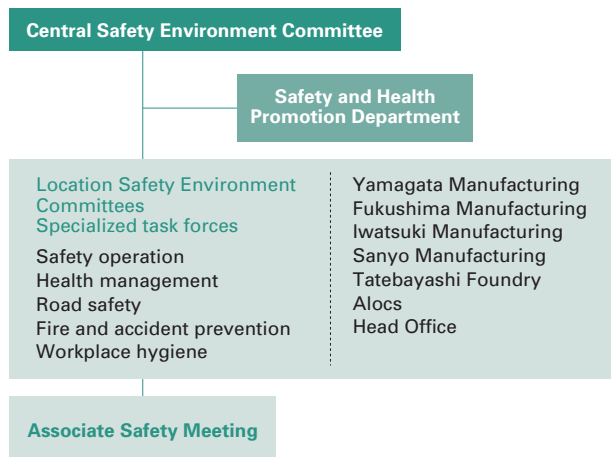
Well ahead of other domestic companies, Akebono began the development of asbestos-free products in the 1970s. Not only did we lead the field in completing the transition to asbestos-free OEM products for new cars by 1992 and commercial vehicles by 1994, we have not manufactured service parts containing asbestos since 2000. We provide health consultations relating to asbestos and have implemented complementary health checks for neighbors, ex-associates and their family members. In total, 619 people have undergone asbestos health checks as of March 31, 2016. We plan to continue these checks in the future.

Breakdown of Number of Examinees (from August 2005 to March 2016)

Figures in parentheses represent increases from the previous year

	Ex- associates	Families of ex- associates	Neighbors	Total
Asbestosis found	41	0	0	41
Pneumoconiosis found	16	0	0	16
No findings	412 (+2)	37	113 (+1)	562 (+3)
Total	469 (+2)	37	113 (+1)	619 (+3)

Akebono's Safety and Health Management Structure



Social Contribution

Akebono is contributing to society through various activities.

Vocational Scholarship Program; Assisting Future Leaders in Their Pursuit of Education

Since 1965, Akebono has provided scholarships through its Vocational Scholarship Program, a program that allows students to earn wages by working at Akebono while also covering their academic fees for a period of three years. This program has supported junior college students earning degrees in early childhood education or nutrition to acquire specialist qualifications in these fields.

The Vocational Scholarship Program is currently operated only at Akebono Brake Fukushima Manufacturing Co., Ltd. The scholarship students live together in the corporate dormitory and engage in shift work to pursue their studies while working. By using their pay to cover their course fees, they can graduate by their own efforts and acquire qualifications. Once they complete their qualifications, they will go on to work at other companies, or as kindergarten teachers or nursery workers.

Over its 50-year-long history, the program has provided scholarships to more than 3,000 students, who include some second generation recipients.

We strive to maintain robust relationships with local residents through the provision of scholarship programs aimed at helping young people realize their dreams.

On the site of Fukushima Manufacturing is a dormitory called "To-En-Ryo". As the dormitory had aged, it was rebuilt in fiscal 2015 and the completion ceremony was held in March 2016.



The rebuilt "To-En-Ryo"

Internships

Not only does Akebono proactively accept interns from abroad, it also organizes exchange events where interns and associates find their sense of being part of an international concern nurtured through the exchange of ideas. In fiscal 2012, the Company began holding such events under the title "Internship Forums" under set themes. Stepping up this initiative, in fiscal 2014 these events were renamed "Diversity Forums," with

the scope of eligible participants being expanded to include trainees from overseas Group members as well as Japanese expatriates. Approximately 60 attendees participate in each of these forums, which facilitate mutual understanding of countries around the world through presentations on local industries and cultures and question and answer sessions. Going forward, we will provide further opportunities for exposure to diverse cultures and value systems, thereby nurturing a greater number of human resources capable of succeeding on the global stage.

* National Origins of Interns

United States, United Kingdom, Italy, India, Greece, Sweden, Austria, Spain, Thailand, Slovakia, Germany, Turkey, France, Finland, Portugal, Mexico, Morocco, Canada, Hungary, Netherlands, Poland

Offering Office and Plant Tours

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

In fiscal 2015, we invited more than 159 students from four elementary schools in Saitama Prefecture to tour Ai-City headquarters.

In addition to a briefing on the Company, these tours involved a visit to "Ai-Museum" (Brake Museum) and a presentation by our mobile brake technology educational center as well as programs aimed at providing hands-on experience of manufacturing at the Monozukuri Center. Such tours help raise visitors' safety awareness while facilitating their understanding of Akebono and its products.

Looking ahead, we will implement initiatives with local enterprises and communities in regions around our domestic and overseas locations. Learning from and inspiring each other, we will grow in tandem with our stakeholders.



Elementary school students visiting Ai-City

Corporate Governance System

Basic Approach to Corporate Governance

Akebono has formulated the following corporate mission:

"Through 'Friction and Vibration, their Control and Analysis, 'we are determined to protect, grow and support every individual life.'" Under this corporate mission, we are creating new values through monozukuri (value-added manufacturing) and striving to increase shareholder value and corporate value even further in line with our corporate goals of "Customer needs first", "Technology realignment", and "Establishing a global network". As a maker of essential safety equipment, we believe that it is important to maintain and promote healthy and friendly relationship with all stakeholders including customers, shareholders, suppliers, our associates, and local communities in order to achieve sustainable growth and development.

In line with this conviction, we have positioned the strengthening of corporate governance as an important management issue, establishing a solid governance structure consisting of such bodies as the Board of Directors and the Audit & Supervisory Board, with every Board member committed to maintaining the vigilant oversight of management.

Initiatives to Strengthen Corporate Governance

April 2000	Introduced an Executive Officer System
June 2005	<ul style="list-style-type: none"> - Reduced the number of directors from 25 to 12 - Introduced an Outside Director System and elected one outside director - Established the Compensation Advisory Committee and introduced a performance-based remuneration system for directors
June 2006	Increased the number of outside Audit & Supervisory Board members from one to two
June 2007	Increased the number of outside directors from one to two
June 2010	Increased the number of outside Audit & Supervisory Board members from two to three
June 2014	Increased the number of outside directors from two to three
December 2015	Established the Director Nomination Advisory Committee

Overview of Corporate Governance System

Akebono has adopted the "company with auditors" governance model. We have built a corporate governance system centered on the Board of Directors, Audit & Supervisory Board members, and the Audit & Supervisory Board. We introduced the Executive Officer System in April 2000 to clarify the responsibility and the authority for business execution, and to enhance management efficiency.

The Board of Directors meets regularly once a month, and extraordinary meetings are held as needed. In order to make prompt and accurate judgments on important management matters through sufficient discussion and reviews, Akebono established various important bodies, including the Management Council and the

Board of Executive Officers. These bodies operate in accordance with prescribed internal rules. Furthermore, to complement the functions of the Board of Directors and strengthen the transparency and soundness of management, the Company has established the Director Nomination Advisory Committee and the Director Compensation Advisory Committee. As regards the selection criteria and candidates for the Board of Directors, the Audit & Supervisory Board, and executive officers, the Board of Directors determines these by resolutions after receiving and considering contributions and advice from the Nomination Advisory Committee.

In order to ensure that the compensation system applied to these officers possesses a high degree of objectivity and transparency, the Company receives reports about the basics of the system from the Compensation Advisory Committee.

Management information and suchlike is shared through electronic media, thereby ensuring efficient information sharing among management officers. The execution status of business matters that have been decided is reported to the Board of Directors or the Board of Executive Officers, as appropriate, by the member of the Board or the executive officer who is in charge. This status is also periodically audited by the Audit & Supervisory Board members and the Internal Audit Department.

The chairperson assigns a certain department (or an individual) as the secretariat of each internal important body. The secretariat is responsible for conducting paperwork such as notices of agenda and minutes.

In order to ensure appropriate business execution by members of management, a three-way audit system is applied by means of the Audit & Supervisory Board members and the Audit & Supervisory Board, the independent auditor, and the Internal Audit Department. Audit & Supervisory Board Members attend essential management meetings, such as the Board of Directors meetings, to monitor the processes of important decision-making and the execution status of business operations. These members also exchange opinions with directors in order to examine without delay any matters that could have a serious impact on Akebono's management or performance, and then respond promptly.

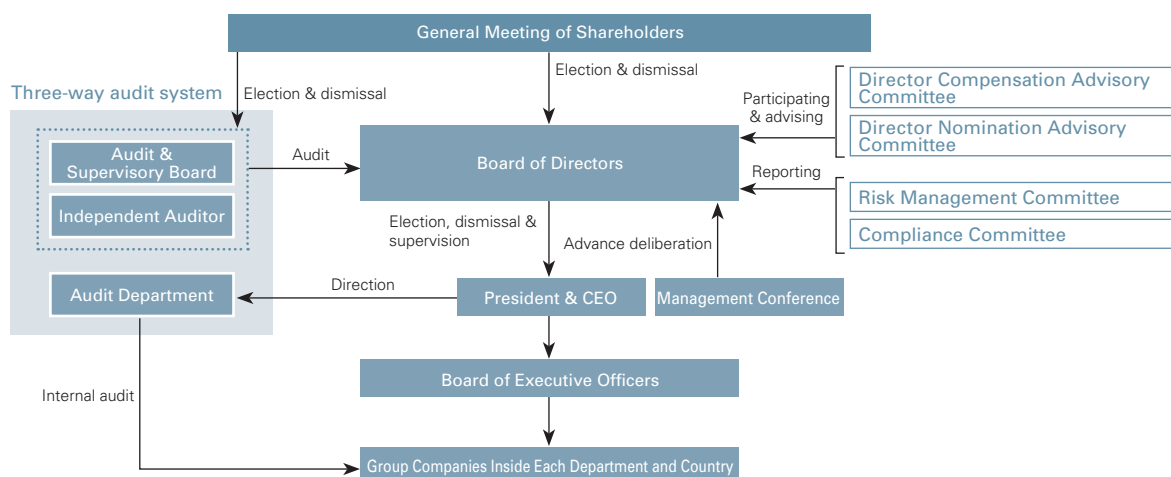
The remuneration for directors and Audit & Supervisory Board members is determined by the Company's rules and the compensation criteria are clearly disclosed. Compensation for directors consists of fixed remuneration and performance-based remuneration. The fixed portion is basic compensation for duties and is based on positions. The performance-based portion is determined based on the performance of the Company and individual directors. The total amount of directors' remuneration is determined by the General Meeting of Shareholders, and the individual allocations are decided by the Board of Directors. The total amount of Audit & Supervisory Board members' remuneration is also determined by the General Meeting

of Shareholders, and the individual allocations are decided through consultation with the Audit & Supervisory Board.

The members of the Audit & Supervisory Board, Akebono's independent auditor Deloitte Touche

Tohmatsu, and the Internal Audit Department closely cooperate together by mutually exchanging information such as annual plans and audit reports, and by holding regular opinion-exchanging meetings.

Corporate Governance Structure



Outline of Akebono's Corporate Governance Structure (Fiscal 2015)

Type of governance model	A company with auditors
Executive Officer System	Yes
Director's term stipulated by the articles of incorporation	Two years
Chairman of the Board	Representative Director, Chairman and President
Number of acting directors	Nine
Of whom, outside directors	Three
Of whom, those registered as independent directors	Three
Number of Board of Directors meetings held during fiscal 2015	15
Outside directors' average board meeting attendance rate during fiscal 2015	98%
Number of Audit & Supervisory Board members	Five
Of whom, outside members	Three
Of whom, those registered as independent auditors	Three
Outside Audit & Supervisory Board members' board meeting attendance rate during fiscal 2015	100%
Board of Directors' advisory committees	Nomination Advisory Committee, Compensation Advisory Committee
Independent auditor	Deloitte Touche Tohmatsu

Board of Directors' advisory committees

Committee members' names	Role	Composition	Committee head (Chairperson)	Frequency of meetings
Director Compensation Advisory Committee	Compensation structure of directors (including executive officers), compensation standards, process of compensation determination (including evaluation criteria and allocation) and other setting verifications, and reporting to the Board of Directors	Internal director 2 Outside director 1 Outside expert 1	Internal director	In principle once every three months, with extraordinary meetings as needed
Director Nomination Advisory Committee	Formulation of selection criteria of directors, Audit & Supervisory Board members, including outside members, and executive officers, nomination of candidates, and appropriate involvement in the selection and development plans of successor candidates such as for Chief Executive Officer, together with reporting to the Board of Directors	Internal director 2 Outside director 1 Outside expert 1	Internal director	In principle once every three months, with extraordinary meetings as needed

Corporate Governance System

Outside Directors and Outside Audit & Supervisory Board Members

Of the nine current directors, Akebono has appointed three independent outside directors with a variety of experience and skills. Their role is to strengthen the corporate governance structure by reinforcing the Board of Directors' management monitoring functions, and contributing advice to management that will help improve medium- and long-term corporate value.

Furthermore, three out of the five Audit & Supervisory Board members are outside Audit & Supervisory Board

members, thereby ensuring that the audit system functions from a more independent perspective, and strengthening the audit function of management.

Akebono aims to collaborate with outside directors and Audit & Supervisory Board members and to strengthen its corporate governance system. It therefore regularly convenes opinion-exchanging meetings between representative directors and outside directors, and between representative directors, outside directors, and outside Audit & Supervisory Board members.

Outside Directors (as of March 31, 2016)

Name	Reasons for Election	Any Important Representation of Other Entities	Attendance at Board of Directors Meetings(Attended/ Convened in Fiscal 2015)
Kunio Ito	Mr. Ito has extensive knowledge and a wealth of experience in corporate management cultivated over his years as a university professor (Accounting & Management) and as an outside director at other companies. He was nominated as an outside director to bring to bear his knowledge and experience when providing advice and recommendations regarding the Company's business judgments and decision-making processes.	<ul style="list-style-type: none"> - Adjunct Professor, Graduate School of Commerce and Management, Hitotsubashi University - Director, Center for CFO Education and Research, Hitotsubashi University - Special Appointed Professor, Chuo University Graduate School of Strategic Management - Outside Director, Sumitomo Chemical Company, Limited - Outside Director, Kobayashi Pharmaceutical Co., Ltd. - Outside Director, Seven & i Holdings Co., Ltd. - Outside Director, Toray Industries, Inc. 	14/15
Takuo Tsurushima	Mr. Tsurushima served as a corporate leader at a number of companies, including as President & CEO of Tokyo Stock Exchange, Inc. He was nominated as an outside director to bring to bear his extensive knowledge of and experience in corporate management when providing advice and recommendations regarding the Company's business judgments and decision-making processes.		15/15
Ken Okazaki	Mr. Okazaki has not previously been involved in corporate management. However, he possesses specialized advanced academic knowledge in the fields of environmental protection, energetics and thermal engineering. Mr. Okazaki was nominated as an outside director to bring to bear his knowledge and capability to provide appropriate supervision and advice in aid of the Company's business operations.	<ul style="list-style-type: none"> - Institute Professor, Tokyo Institute of Technology - Visiting Professor, World Premier International Research Center Initiative, Kyushu University 	15/15

Cooperation among Audit & Supervisory Board Members, the Independent Auditor, and the Internal Audit Department

The Audit & Supervisory Board members and the Audit & Supervisory Board receive appropriate explanations about the audit content from the independent auditor, and provide cooperation, such as witnessing the audits of the independent auditor, if necessary. In addition, they have regular meetings with the independent auditor as regards the audit system, the audit plan, and the audit implementation status.

The Audit & Supervisory Board members and

the Internal Audit Department comprise a mutually complementary system in order to enhance the effectiveness of each audit. They cooperate together in conducting the pre-adjustment of the fiscal year's activities policy, in arranging the monthly report meeting, and in the mutual distribution of the audit report, together with conducting joint audits. Furthermore, the Internal Audit Department and the independent auditor formulate audit plans related to assessments of internal control over financial reporting. The results of these audit plans are discussed at meetings held from time to time on a regular basis, as necessary.

Outside Audit & Supervisory Board Members (as of March 31, 2016)

Name	Reasons for Election	Attendance at Board of Directors meetings(a)/ Audit & Supervisory Board meetings(b)
		(Attended/Convened in Fiscal 2015)
Kesao Endo	Mr. Endo has extensive knowledge and experience as a certified public accountant. He was nominated as an outside Audit & Supervisory Board member based on his specialist perspective and highly independent status from management to bring to bear his knowledge and experience in the performance of audits.	(a) 15/15 (b) 15/15
Michiyoshi Homma	A lawyer, Mr. Homma has extensive knowledge and experience in corporate legal affairs. He was nominated as an outside Audit & Supervisory Board member based on his specialist perspective and highly independent status from management to bring to bear his knowledge and experience in the performance of audits.	(a) 15/15 (b) 14/15
Keizo Tannawa	Mr. Tannawa has extensive knowledge and experience as a management, organizational and human resources consultant in addition to as a corporate manager. He was nominated as an outside Audit & Supervisory Board member based on his specialist perspective and highly independent status from management to bring to bear his knowledge and experience in the performance of audits.	(a) 15/15 (b) 14/15

Compensation

■ Basic Policy for Determining Compensation Paid to Directors and Audit & Supervisory Board Members

Akebono has formulated the basic policy for determining the compensation for directors and Audit & Supervisory Board members as follows.

1. Acquire and develop talented human resources
2. Motivate them to continuously improve corporate performance and value
3. Maintain a high level of fairness and rationality

To maintain an objective and fair compensation system for Directors, we have established a Compensation Advisory Committee, which reviews the basic matters relating to director compensation. Based on the results of this review, the amount of compensation for each director will be determined at the Board of Directors' Meeting within the limit of the total amount approved by the Ordinary General Meeting of Shareholders.

Compensation for directors (excluding outside directors) consists of fixed remuneration and

performance-based remuneration. The fixed portion is basic compensation for duties and is based on positions. The total amount of fixed remuneration must be approved by the Ordinary General Meeting of Shareholders.

The performance-based portion is determined based on the performance of the Company and individual Directors in the preceding fiscal year. The upper limit for performance-based remuneration is set at 100% of the fixed portion. Of this amount 40% (cash) may be provided as short-term performance-based remuneration; 20% (subscription rights to shares) as medium-term performance-based remuneration; and 40% (subscription rights to shares) as long-term performance-based remuneration.

The compensation for outside directors consists of fixed remuneration only.

The compensation for each Audit & Supervisory Board Member is determined through discussion by the Audit & Supervisory Board, within limits approved by the Ordinary General Meeting of Shareholders.

Total Amount of Compensation Paid to Directors and Audit & Supervisory Board Members (Fiscal 2015)

	Amount of compensation (Millions of yen)	Compensation by category (Millions of yen)				Number of directors/Audit & Supervisory Board members
		Fixed remuneration (Cash)	Performance-based remuneration			
			Short-term (Cash)	Medium-term (subscription rights to shares)	Long-term (subscription rights to shares)	
Directors	254	245	9	—	—	9
Audit & Supervisory Board members	54	54	—	—	—	5
Total	309	300	9	—	—	14
(Outside directors and Audit & Supervisory Board members)	42	42	—	—	—	6

Upper limits of annual compensation for directors and Audit & Supervisory Board members upon resolution of the Ordinary General Meeting of Shareholders (Annual amount)

(1) Directors Fixed Remuneration 300 million

Short-term performance-based remuneration 120 million(excluding outside directors)

Medium-term performance-based remuneration 60 million(excluding outside directors)

Long-term performance-based remuneration 120 million(excluding outside directors)

(2) Audit & Supervisory Board members Fixed remuneration 60 million

Management Systems

Corporate Governance, Compliance and Information Security Activities

Supporting a solid corporate structure, every Akebono associate is committed to ensuring thoroughgoing risk management and legal compliance and implementing information security policies.

Risk Management

Akebono's risk management structure is supported by the Risk Management Committee, comprising a group of directors chaired by the Representative Director & CEO, and the Risk Evaluation Committee, which oversees the implementation of the PDCA* cycle in risk management and is chaired by the Representative Director & Executive Vice President. Under the former's supervision, the latter plays two key risk management functions, controlling Groupwide critical risks and promoting business continuity management (BCM) activities.

* **PDCA**: A management methodology that controls company's activities from the four aspects of Plan (planning), Do (implementation of a plan), Check (checking the outcome) and Act (effecting improvement based on the check)

Compliance Structure

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

To respond to the globalization of management, Akebono not only conducts compliance but also endeavors to correctly recognize and carry out its corporate social responsibility. To this end, we have established and promoted the akebono Global Code of Conduct together with the akebono Global Standard of Behavior, and we also work to improve awareness of compliance, by conducting a variety of educational programs. As part of these efforts in our job-level-based training program, we include compliance training to raise the level of awareness on general compliance issues such as information control and prevention of harassment. In addition to this, in fiscal 2015 compliance proficiency tests were given to all associates in Japan, and a month dedicated to strengthening compliance generated thoughtful workplace discussions.

To prevent compliance violations or to detect them at an early stage, and resolve them, Akebono has set up consultation counters, both in-house and outsourced, to provide counseling for all associates, including temporary employees and contract employees. Among these, some of the outsourced consultation has been entrusted to specialized agencies. At all of these counters, Akebono protects the details of the consultation and the personal information of the person seeking the consultation, and ensures that the person seeking consultation does not receive any prejudicial treatment.

Moreover, Akebono conducts hearings about compliance for associates of domestic group companies every year. The results of these hearings can help

to improve the Company's business and workplace communication.

In November 2015, Akebono made public the fact that it had uncovered an incidence of inappropriate accounting, and the Company decided to increase the frequency of Compliance Committee meetings from once a quarter to once every two months. At the same time, we again verified the positioning and functioning of this committee, and worked to improve the committee's effectiveness, notably by increasing its members and their training.

Information Security Activities

Akebono has established an Information Security Committee, as well as information security policies, guidelines and rules for the handling of information in order to implement appropriate measures protecting information assets appropriately. We clarify measures according to materiality and risk, in order to provide appropriate protection for data owned in-house or provided by customers or business partners from all kinds of threats, including negligence, accidents, natural disasters, and criminal acts. Under the Information Security Committee, the Company has also set up a working group, and established a system where an information security personnel or information system administrator in each section carries out their own checks against the information security risks to which their respective operations are vulnerable. Using a PDCA cycle to raise awareness of and adherence to the various regulations and guidelines through education and training, the Company is working to ensure information security. In the unlikely event that a violation does occur, such as with regard to the Company's rules of employment, it is strictly dealt with. The Company complies with all relevant laws and regulations and other social norms, and strives to achieve the continuous improvement of its management systems, including in response to changes in the environment.

Moreover, in recent years, in light of the increasing risk of information leakage due to global business expansion, growing dependence on IT and the increased liquidity of employment, the Company is further strengthening its information security. As part of these efforts, we implemented information security assessments by an external vendor for domestic Group companies in fiscal 2014 and for overseas Group companies in fiscal 2015.

In the future, at the same time as continuing to implement global education and awareness-raising activities, we will continue to regularly conduct information security assessments, and strengthen our countermeasures to cyber-attacks, which are becoming increasingly sophisticated.

Sustainably achieving Akebono's Corporate Mission by establishing the relevant policies and being fully engaged in employee training and other related activities.

Our Corporate Brand Management and Positioning of CSR Activities

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

Akebono considers fulfilling its corporate social responsibility (CSR) to be indispensable to continued business operations.

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

Corporate Brand Awareness Survey and Brand Reports

Akebono conducts its own annual surveys on corporate brand awareness in order to effectively put into practice corporate brand management. These surveys have been conducted every year since 2005, when corporate brand management was introduced, as they are an essential part of the Plan, Do, Check and Act (PDCA) cycle that drives our branding promotion activities.

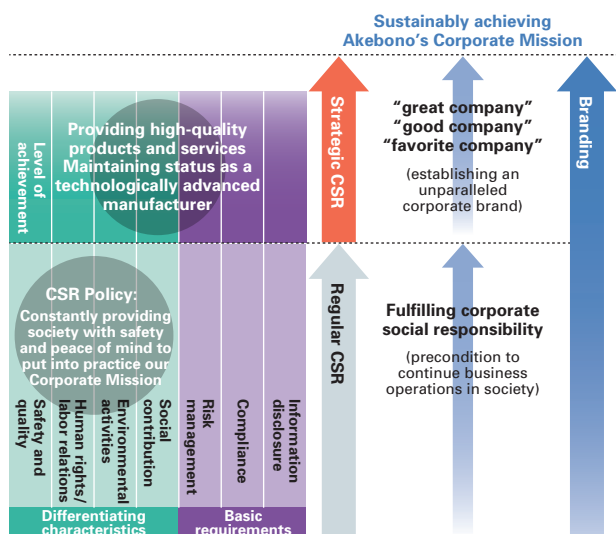
Recently, the scope of the survey was expanded to include a wide range of our domestic and overseas business locations, such as customers and suppliers in each field. In fiscal 2015, we conducted a survey of all our bases in Japan, North America, Europe and Asia. The number of respondents totaled 6,928.

To share what our stakeholders have to say with our associates worldwide, we issue the Brand Report, which summarizes—in Japanese, English, French, Chinese, Thai, Indonesian, Vietnamese and Spanish—wide-ranging stakeholder feedback and opinions gleaned from these surveys. This helps ensure such feedback and opinions are reflected in our future initiatives to secure the greater satisfaction of our stakeholders.

When we carried out our fiscal 2015 survey, we set a targets of 80% or higher with regard to our corporate brand management initiative recognition rate among associates. In fiscal 2015, we were able to significantly improve the rates at Sanyo Manufacturing Co., Ltd. from 55.1% in the previous fiscal year to 68.3%, and at Alocs Corporation from 79.5% in the previous fiscal year to 85.1%.

Going forward, we will apply our survey results to further raise associates' awareness, thereby enhancing the quality of their daily operations.

The Relationship between Corporate Brand and CSR



"Brand Report 2015" newsletter

Consolidated Balance Sheets

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

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

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

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

Consolidated Statements of Income and Comprehensive Income

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

Consolidated Statements of Income

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

* See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

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

Consolidated Statements of Changes in Net Assets (Summary)

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

2016	Millions of Yen												
	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at the beginning of period	¥19,939	¥12,978	¥ 754	¥(1,993)	¥31,678	¥10,606	¥6,572	¥4,725	¥ 319	¥22,222	¥248	¥5,771	¥59,919
Changes of items during period													
Dividends from surplus			(665)		(665)								(665)
Loss attributable to owners of parent			(19,462)		(19,462)								(19,462)
Purchases of treasury shares				(1)	(1)								(1)
Disposal of treasury shares		(6)		14	8								8
Net changes of items other than shareholders' equity						(7,315)	169	(1,417)	(1,410)	(9,973)	(8)	286	(9,695)
Total changes of items during period	—	(6)	(20,128)	14	(20,120)	(7,315)	169	(1,417)	(1,410)	(9,973)	(8)	286	(29,816)
Balance at end of current period	¥19,939	¥12,971	¥ (19,373)	¥(1,980)	¥11,558	¥ 3,291	¥6,741	¥3,307	¥(1,090)	¥12,249	¥240	¥6,057	¥30,103

2016	Thousands of U.S. Dollars (Note)												
	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at the beginning of period	\$176,956	\$115,175	\$ 6,695	\$(17,690)	\$ 281,136	\$94,121	\$58,325	\$41,931	\$ 2,835	\$197,212	\$2,200	\$51,216	\$531,763
Changes of items during period													
Dividends from surplus			(5,903)		(5,903)								(5,903)
Loss attributable to owners of parent			(172,723)		(172,723)								(172,723)
Purchases of treasury shares				(7)	(7)								(7)
Disposal of treasury shares		(58)		128	71								71
Net changes of items other than shareholders' equity						(64,917)	1,498	(12,579)	(12,510)	(88,508)	(70)	2,534	(86,044)
Total changes of items during period	—	(58)	(178,627)	121	(178,563)	(64,917)	1,498	(12,579)	(12,510)	(88,508)	(70)	2,534	(264,607)
Balance at end of current period	\$176,956	\$115,117	\$(171,931)	\$(17,569)	\$(102,573)	\$29,204	\$59,824	\$29,352	\$(9,676)	\$108,705	\$2,129	\$53,750	\$267,157

2015	Millions of Yen												
	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at the beginning of period	¥19,939	¥14,217	¥8,348	¥(2,069)	¥40,435	¥ 5,082	¥6,389	¥1,451	¥(676)	¥12,247	¥199	¥7,552	¥60,432
Cumulative effects of changes in accounting policies			(343)		(343)								(343)
Restated balance	19,939	14,217	8,005	(2,069)	40,092	5,082	6,389	1,451	(676)	12,247	199	7,552	60,089
Changes of items during period													
Dividends from surplus			(1,330)		(1,330)								(1,330)
Loss attributable to owners of parent (net loss)			(6,095)		(6,095)								(6,095)
Purchases of treasury shares				(1)	(1)								(1)
Disposal of treasury shares		(28)		77	48								48
Reversal of revaluation reserve for land			174		174								174
Purchase of shares of consolidated subsidiaries		(1,210)			(1,210)								(1,210)
Net changes of items other than shareholders' equity						5,524	183	3,273	996	9,975	49	(1,781)	8,243
Total changes of items during period	—	(1,239)	(7,250)	76	(8,414)	5,524	183	3,273	996	9,975	49	(1,781)	(170)
Balance at end of current period	¥19,939	¥12,978	¥ 754	¥(1,993)	¥31,678	¥10,606	¥6,572	¥4,725	¥ 319	¥22,222	¥248	¥5,771	¥59,919

Consolidated Statements of Cash Flows

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

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

■ Segment Information

Akebono Brake Industry Co., Ltd. and its consolidated subsidiaries engage mainly in the production and sale of brake products. A summary of information classified by reporting segment of the Company for the years ended March 31, 2016 and 2015 is as follows:

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

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

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

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

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

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

Directors (As of June 17, 2016)



Representative Director &
Member of the Board
Hisataka Nobumoto



Representative Director &
Member of the Board
Yoshimasa Ogino



Representative Director &
Member of the Board
Kazuo Matsumoto



Member of the Board
Kanji Miyajima



Member of the Board
Kunio Ito *



Member of the Board
Takuo Tsurushima *



Member of the Board
Ken Okazaki *

* Outside directors in accordance with Article 2-15 of the Corporation Law

Audit & Supervisory Board

(As of June 17, 2016)

Audit & Supervisory Board Member (Standing)	Takeshi Okumura
Audit & Supervisory Board Member (Standing)	Takunobu Okada
Audit & Supervisory Board Member	Kesao Endo **
Audit & Supervisory Board Member	Keizo Tannawa **
Audit & Supervisory Board Member	Tomohiro Katayama **

** Outside members in accordance with Article 2-16 of the Corporation Law

Executive Officers (As of July 1, 2016)

Chairman, President & CEO	Hisataka Nobumoto
Executive Vice President	Yoshimasa Ogino
Executive Vice President	Kazuo Matsumoto
Senior Managing Executive Officer	Kanji Miyajima
Senior Managing Executive Officer	Takeshi Saito
Senior Managing Executive Officer	Jean de Montlaur
Senior Managing Executive Officer	Yuji Ando
Senior Managing Executive Officer	Katsuji Hidaka
Managing Executive Officer	Seiji Onoda
Managing Executive Officer	Yoichi Shinagawa
Managing Executive Officer	Seiji Nishimura
Managing Executive Officer	Toshiyuki Negishi
Managing Executive Officer	Wilm Uhlenbecker
Executive Officer	Masaaki Ando
Executive Officer	Kiyoshi Tanaka
Executive Officer	Takao Watanabe

Advisors (As of July 1, 2016)

Executive Advisor	J.W. Chai
Honorary Senior Advisor	Hidemitsu Kuwano
Executive Technical Advisor / Assistant to the President & CEO	Shunji Yokoo
Assistant to the President & CEO	Sachiyuki Ishige
Technical Advisor	Takashi Kudo
Technical Advisor	Toshifumi Maehara
Advisor	Masahiro Miyamoto

(As of March 31, 2016)

Ai-City (Headquarters): Akebono Crystal Wing (ACW)
(Hanyu City, Saitama, Japan)Global Head Office:
Akebono Nihonbashi Building (Chuo-ku, Tokyo)Ai-Museum (brake museum)
Opening hours: Every Wed. 14:00-16:00

Company Outline

Company Name	Akebono Brake Industry Co., Ltd.
Founded	January 27, 1929
Global Head Office	19-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo 103-8534, Japan
Ai-City (Headquarters)	5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan
President and CEO	Hisataka Nobumoto
Paid-in Capital	¥19.9 billion (as of March 31, 2016)
Net Sales	¥281.3 billion (fiscal 2015)
Number of Associates	9,238 (as of March 31, 2016)

Investor Information

Stock Listing	Tokyo Stock Exchange, First Section (Code: 7238)
Common Stock	Authorized: 440,000,000 Shares Issued: 135,992,343 Shares

Principal Shareholders	Shareholders	No. of shares held (1,000 shares)	% of issued common stock
	Toyota Motor Corporation	15,495	11.4
	Robert Bosch L.L.C.	12,597	9.3
	Isuzu Motors Limited	12,111	8.9
	Itochu Corporation	5,546	4.1
	BBH Boston for Metzler Investment GmbH, Frankfurt	5,261	3.9
	Japan Trustee Services Bank, Ltd. (trust account)	4,146	3.0
	Deutsche Bank AG Frankfurt-Domestic Custody Services	3,900	2.9
	Aisin Seiki Co., Ltd.	3,133	2.3
	Akebono Brake SEIWAKON Employee's Shareholding Association	2,142	1.6
	Marubeni-Itochu Steel Inc.	2,000	1.5
	KYB Corporation	2,000	1.5
	SECOM CO., LTD.	2,000	1.5

Note: The Company's holding of treasury stock is not included in the above list of principal shareholders.

Transfer Agent & Registrar	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department, 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan
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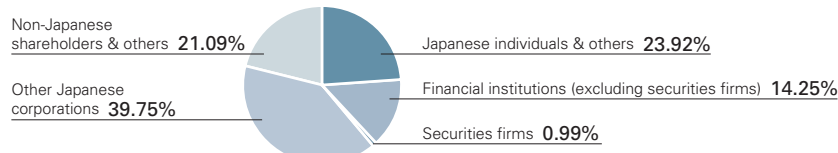
Annual Shareholders' General Meeting	The annual shareholders' general meeting is normally held in June each year.
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Independent Auditor	Deloitte Touche Tohmatsu LLC
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Shareholders	Category	No. of shareholders	No. of shares held(100 shares)
	Japanese Individuals & Others	13,398	325,087
	Japanese Government & Municipal Corporations	0	0
	Financial Institutions (Excluding Securities Firms)	31	193,567
	Securities Firms	27	13,396
	Other Japanese Corporations	144	540,174
	Non-Japanese Shareholders & Others	136	286,646
	TOTAL	13,736	1,358,870
	No. of Shares in less than units of 100	—	105,343 shares

Note: The number of treasury shares as of March 31, 2016 was 2,938,199. Of these, 2,938.1 thousand shares are included under "Japanese individuals & others," and 99 shares are included under "No. of shares in less than units of 100."
The number of shares in the name of the Japan Securities Depository Center as of March 31, 2016 is 3,500. Of these, 3.5 thousand shares are included under "Other Japanese corporations."
The number of treasury shares indicated in the shareholders' list is 2,938,199, whereas the actual number as of March 31, 2016 was 2,937,199.

Percentage of Shares Held by Shareholder Category (%)



Akebono Group (Japan) (As of June, 2016)

Akebono Brake Industry Co., Ltd.

Global Head Office

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

Ai-City (Headquarters)

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

Chubu Office

3-13 Obayashi-cho, Toyota City, Aichi 473-0902, Japan

Sapporo Sales Office

3-2-66 Kitaokadama Sanjo, Higashi-ku, Sapporo City,
Hokkaido 007-0883, Japan

Sendai Sales Office

3-7-13 Hinode-machi, Miyagino-ku, Sendai City,
Miyagi 983-0035, Japan

Kanto Sales Office

5-4-71 Higashi, Hanyu City, Saitama 348-8501, Japan

Tokyo Metropolitan Sales Office

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

Osaka Sales Office

2-17 Enoki-cho, Suita City, Osaka 564-0053, Japan

Hiroshima Sales Office

4-1-13 Yanonishi, Aki-ku, Hiroshima City, Hiroshima
736-0085, Japan

Fukuoka Sales Office

6-12-41 Itazuke, Hakata-ku, Fukuoka City, Fukuoka
812-0888, Japan

Tatebayashi Foundry (Casting of brake components)

6012 Aza-Tobu Kogyo Danchi, Oshima-cho,
Tatebayashi City, Gunma 374-0001, Japan

Ai-Ring (Testing and evaluation)

41-42 Aza-Osaruda, Uwadaira, Ogawa-machi, Iwaki
City, Fukushima 979-3112, Japan

Ai-Museum (Brake museum)

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

Ai-Village (Global training center)

5-11-26 Higashi, Hanyu City, Saitama 348-0052, Japan

Akebono Affiliates

Akebono Advanced Engineering Co., Ltd.

(R&D of high-performance brake systems)
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan

Akebono Brake Yamagata Manufacturing Co., Ltd.

(Manufacture of disc brake pads and other brake components)
161-3 Chuo Kogyo Danchi, Sagae City, Yamagata
991-0061, Japan

Akebono Brake Fukushima Manufacturing Co., Ltd.

(Manufacture of drum brake linings, disc brake pads and other brake components)
10 Aza-Shinjuku, Oaza-Narita, Koori-machi, Date-gun,
Fukushima 969-1652, Japan

Akebono Brake Iwatsuki Manufacturing Co., Ltd.

(Manufacture of disc brakes, drum brakes and brake components)
1190 Oaza-Kanamuro, Iwatsuki-ku, Saitama City,
Saitama 339-8601, Japan

Akebono Brake Sanyo Manufacturing Co., Ltd.

(Manufacture of drum brakes and wheel cylinders)
1966-8 Kushiro, Soja City, Okayama 710-1201, Japan

Alocs Corporation

(Logistics)
255-1 Ainohara, Iwatsuki-ku, Saitama City, Saitama
339-0071, Japan

Akebono Research & Development Centre Ltd.

(R&D)
5-4-71 Higashi, Hanyu City, Saitama 348-8511, Japan

Akebono 123 Co., Ltd. (Special subsidiary company)

(Cleaning-related services, packing, and printing of business cards)
5-4-71 Higashi, Hanyu City, Saitama 348-8508, Japan

NeoStreet Inc.

(Web shop)
5-4-71 Higashi, Hanyu City, Saitama 348-8501, Japan

Akebono Group (Overseas) (As of June, 2016)

North America

Akebono Brake Corporation (ABC)
(North American Head Office)
34385 W. Twelve Mile Road, Farmington Hills, MI
48331, U.S.A.

Akebono Engineering Center (AEC)
(R&D)
34385 W. Twelve Mile Road, Farmington Hills, MI
48331, U.S.A.

Akebono Brake Corporation (Elizabethtown) (ABC)
(North American Co-head Office, sales and marketing)
310 Ring Road, Elizabethtown, KY 42701, U.S.A.

Akebono Brake, Elizabethtown Plant (ABE)
(Manufacture of disc brakes, drum brakes and disc brake pads)
300 Ring Road, Elizabethtown, KY 42701, U.S.A.

Akebono Brake, Glasgow Plant (ABG)
(Manufacture of disc brakes and disc brake pads)
1765 Cleveland Avenue, Glasgow, KY 42141, U.S.A.

Akebono Brake, Clarksville Plant (ABCT)
(Manufacture of disc brakes, disc rotors, drum brakes, corner modules and other brake components)
780 International Boulevard, Clarksville, TN 37040, U.S.A.

Akebono Brake, Columbia Plant (ABCS)
(Manufacture of disc brakes, corner modules, castings and other brake components)
201 Metropolitan Drive, West Columbia, SC 29170, U.S.A.

Akebono Brake Mexico S.A. de C.V. (ABM)
(Manufacture of disc brakes, drum brakes and other brake components)
Av. Mineral de Valenciana 186 Fracc, Industrial Santa Fe II, Guanajuato Puerto Interior, Silao, Guanajuato, C.P. 36275, Mexico

Europe

Akebono Brake Europe N.V. (AENV)
(European Head Office, sales and marketing)
Pegasuslaan 5, 1831 Diegem, Belgium

Akebono Europe S.A.S. (Gonesse) (AESA)
(Centre de Recherche Européen Akebono) (CREA)
(Sales and R&D)
6 Avenue Pierre Salvi BP 90111, 95505 Gonesse
Cedex, France

Akebono Europe S.A.S. (Arras) (AASA)
(Manufacture of disc brake pads)
Site Artoipôle, 244 Allée d'Espagne, 62118
Monchy-le-Preux, France

Akebono Europe GmbH (AEG)
(Sales)
Auf der Heide 11-13, 65553, Limburg-Dietkirchen,
Germany

Akebono Advanced Engineering (UK) Ltd. (AAE)
(R&D)
415 Wharfedale Road, Winnersh Triangle, Wokingham,
Berkshire RG41 5RA, United Kingdom

Akebono Brake Slovakia s.r.o. (ABSK)
(Manufacture and sales of disc brakes)
Bratislavská 581, 911 05 Trenčín, Slovak Republic

Akebono Engineering Center, Europe S.A.S. (AECE)
(R&D for foundation brakes)
Bezannes, France

Asia

Akebono Brake (Thailand) Co., Ltd. (AKBT)
(Manufacture and sales of disc brakes and Pads)
700/880 Amata Nakorn Industrial Estate Moo.1,
Tambol Panthong Amphur Panthong, Chonburi 20160,
Thailand

Akebono Corporation (Guangzhou)
(Manufacture and sales of disc brakes and drum brakes)
No. 8 Hefeng 1st Street, Yonghe Economic Zone of
Guangzhou Development District, Guangzhou, China
511356

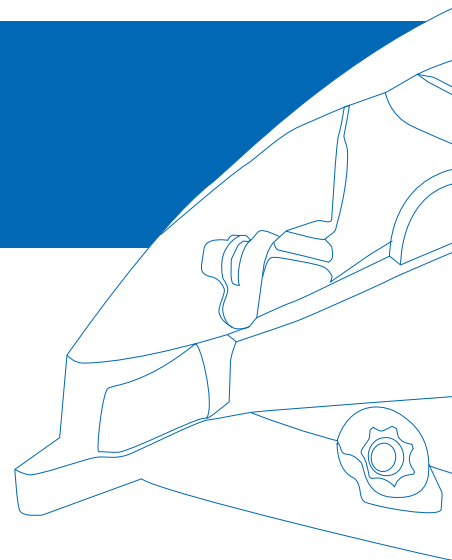
Akebono Corporation (Suzhou)
(Manufacture and sales of disc brake pads)
TingLan Road No. 168 ChangYang Street, Industrial
Park, Suzhou, China 215021

PT. Akebono Brake Astra Indonesia (AAIJ)
(Manufacture and sales of disc brakes, drum brakes,
pads, linings, master cylinders and other brake
components)
Jl. Pegangsaan Dua Blok A1, Km. 1, 6 Kelapa Gading,
Jakarta, 14250, Indonesia

Akebono Brake Astra Vietnam Co., Ltd. (AAVH)
(Manufacture and sales of disc brakes and master
cylinders for motorcycles)
Plot F-3, Thang Long Industrial Park II, Lieu Xa Commune,
Yen My District, Hung Yen Province, Vietnam

A&M Casting (Thailand) Co., Ltd. (A&M)
(Manufacture and sale of cast-iron automotive
components)
Ratchaburi Industrial Estate 155/63 Moo.4, T.Chet Samian,
A.Photharam, Ratchaburi 70120, Thailand

Akebono Brake Industry Co., Ltd.
Representative Office (Singapore)
80 Robinson Road #10-01A Singapore 068898



AKEBONO REPORT 2016

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

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Please send your opinions and impressions to the above office.



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