

ANNUAL FINANCIAL REVIEW 2008

Year ended March 31, 2008

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Brake Experts

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

Akebono boasts a large share of the Japanese market, and counts all Japanese automakers as its customer base. Outside Japan, Akebono has been strengthening its foundation to become a global supplier of friction materials by leveraging its core technologies in brake development.

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

Corporate Mission

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

Corporate Goals

1. Put customer needs first
2. Realign technology
3. Establish a global network

CONSOLIDATED FINANCIAL HIGHLIGHTS

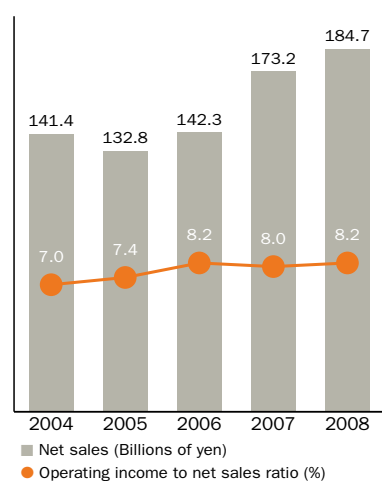
Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Each year ended March 31

	Billions of yen					Millions of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	2008
Fiscal year						
Net sales	¥184.7	¥173.2	¥142.3	¥132.8	¥141.4	\$1,847
Operating income	15.2	13.9	11.7	9.8	9.9	152
Net income.	6.6	6.6	5.9	5.2	4.6	66
Year-end						
Total assets	163.3	155.6	150.1	122.2	126.6	1,633
Equity (Note 2)	56.5	52.3	41.0	27.2	21.0	565
	Yen					U.S. dollars
Per share data						
Net income.	¥61.85	¥61.86	¥56.60	¥54.29	¥48.50	\$0.62
Cash dividends	10.00	6.00	6.00	6.00	4.00	0.10

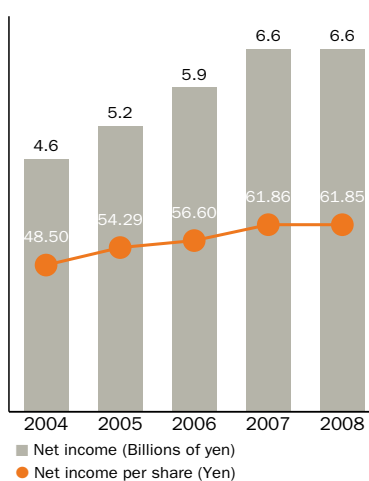
Note 1: Yen amounts are translated into U.S. dollars, for convenience only, at US\$1 = ¥100, the approximate exchange rate as of March 31, 2008.

Note 2: Beginning with the year ended March 31, 2007, minority interests have been included in equity.

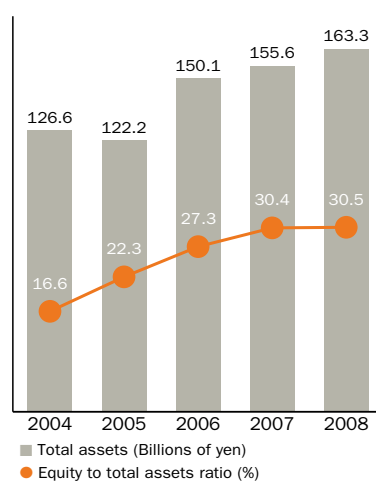
NET SALES/OPERATING INCOME TO NET SALES RATIO
Each year ended March 31



NET INCOME/NET INCOME PER SHARE
Each year ended March 31



TOTAL ASSETS/EQUITY TO TOTAL ASSETS RATIO
Each year ended March 31



Akebono recognizes that increasing transparency and conducting business in a fair manner are important issues in the context of achieving maximum corporate value. Based on this recognition, we will continue to enhance corporate governance by taking steps to upgrade our internal control systems and strengthen risk management.

Basic Approach

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

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

Corporate Governance Structure

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

Beginning in June 2007, we strengthened our corporate governance structure by increasing the number

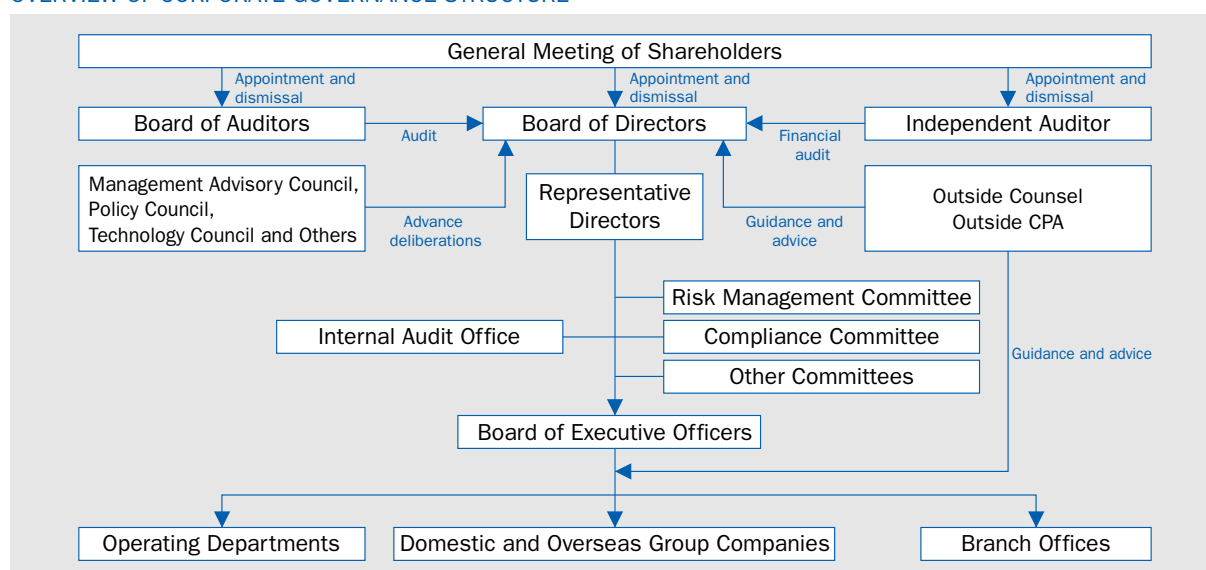
of directors from 8 (including 1 non-executive director) to 10 (including 2 non-executive directors).

Furthermore, to bolster the internal and external monitoring of business execution by management, we have a three-pronged auditing system comprising the corporate auditors, the independent auditor and the Internal Audit Office. The Company also receives guidance and advice on management from external legal counsel and certified public accountants.

The Board of Auditors is made up of two standing corporate auditors and two part-time corporate auditors, both of whom are from outside the Company. The Internal Audit Office comprises a dedicated staff of eight that provides advice and recommendations from a fair and independent standpoint based on examination and assessment of management activities.

Regarding risks facing the Akebono Group as a whole, we maintain a system for the rapid and appropriate dissemination of information in the event of a crisis, as well as an emergency response system. These efforts are led primarily by the Risk Management Committee. Formed in May 2006, this committee is chaired by the president. We have also created and distributed a disaster response manual in preparation for the materialization of any risks.

OVERVIEW OF CORPORATE GOVERNANCE STRUCTURE



Internal control is a mechanism that provides action guidelines for officers and employees to ensure risk management, legal compliance, improved business efficiency, and accurate financial reporting. The Akebono Group thus recognizes internal control as a highly important management issue.

Creation of the Internal Control System

In May 2006, Akebono determined a basic policy for creating an internal control system for the Company and all Group companies. In August of that year, the Internal Control Project was launched with the aim of creating and implementing an appropriate internal control system, evaluating its effectiveness, and reporting the results outside the Group in order for the Company and management to ensure the reliability of financial reporting (stakeholder trust). Specifically, this involves making business processes more visible and increasing the quality and efficiency of business through implementation of appropriate mechanisms. The ultimate aim is to ensure the reliability of processes related to financial reporting, from sales, procurement, and development through to production.

Currently, the Group is pushing ahead with activities to prepare and implement internal control in order to ensure the reliability of financial reporting.

Compliance

The Akebono Group believes that compliance means more than simply observing the letter of laws and regulations. We also recognize the need for employees to exercise good judgment as responsible members of society by adhering to social customs and corporate ethics in both their work and private lives.

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

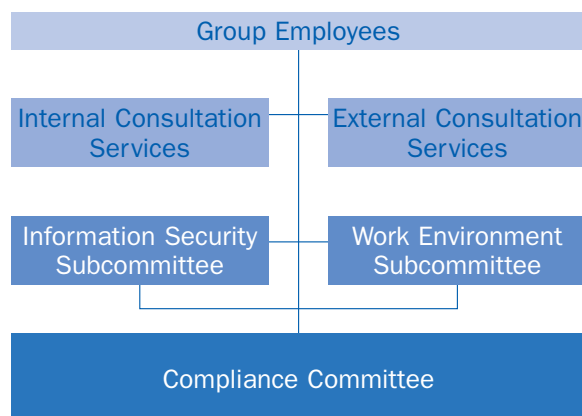
Compliance Structure

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

In fiscal 2006, in addition to holding Compliance Meetings we worked to raise compliance awareness through sessions run by Compliance Committee members and by providing information and training to directors, corporate auditors and employees.

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

Akebono Group Compliance Structure



DIRECTORS AND OFFICERS

(as of August 1, 2008)

DIRECTORS

Representative Director & Member of the Board
Hisataka Nobumoto

Representative Director & Member of the Board
Shunji Yokoo

Representative Director & Member of the Board
Yoshimasa Ogino

Member of the Board
Toshimitsu Nishigaki

Member of the Board
Sachiyuki Ishige

Member of the Board
Kazuhiko Goto

Member of the Board
Takashi Kudo

Member of the Board
Takeshi Saito

Member of the Board
Kunio Ito

Member of the Board
Takuo Tsurushima

CORPORATE AUDITORS

Corporate Auditor (Standing)
Keijiro Kimura

Corporate Auditor (Standing)
Yoshihiro Ishigaki

Corporate Auditor
Hidejiro Matsuda

Corporate Auditor
Kesao Endo

EXECUTIVE OFFICERS

Chairman, President & CEO
Hisataka Nobumoto

Vice Chairman
Hidemitsu Kuwano

Executive Vice President (Status)
Tsuyoshi Kashiwagi

Executive Vice President
Shunji Yokoo

Executive Vice President & CFO
Yoshimasa Ogino

Senior Managing Executive Officer
Toshimitsu Nishigaki

Senior Managing Executive Officer
Sachiyuki Ishige

Senior Managing Executive Officer
Kazuhiko Goto

Senior Managing Executive Officer
Takashi Kudo

Senior Managing Executive Officer
Takeshi Saito

Senior Managing Executive Officer
Satoshi Utsugi

Managing Executive Officer
Mitsuo Sato

Managing Executive Officer
Yoshiharu Aizawa

Managing Executive Officer
Kiyoshi Dejima

Managing Executive Officer
Koji Kobayashi

Managing Executive Officer
Takeshi Okumura

Executive Officer (Managing Executive Officer Status)
Ryohei Ito

Executive Officer (Status)
Toru Wakabayashi

Executive Officer
Seiya Odaka

Executive Officer
Sueyoshi Mizobuchi

Executive Officer (Status)
Kazuo Matsumoto

Executive Officer
Kazumi Saito

Executive Officer
Kanji Miyajima

Executive Officer
Masaaki Ando

Executive Officer
Kazuo Nishiyama

Executive Officer
Akira Hosoya

ADVISORS

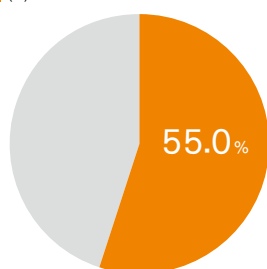
Executive Advisor
J. W. Chai

Advisor
Shunichi Fujioka

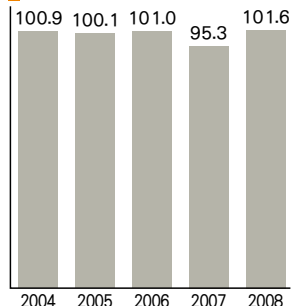
GEOGRAPHICAL SEGMENTS Each year ended March 31

Japan

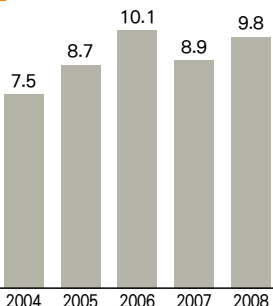
SHARE OF NET SALES (%)



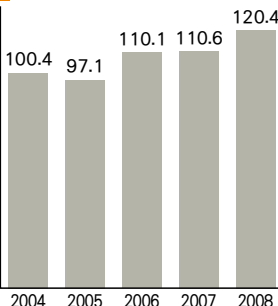
NET SALES (Billions of yen)



OPERATING INCOME (Billions of yen)

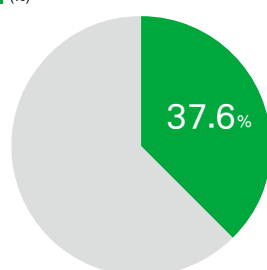


TOTAL ASSETS (Billions of yen)

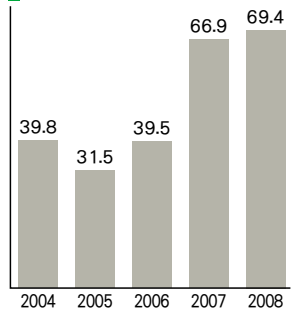


North America

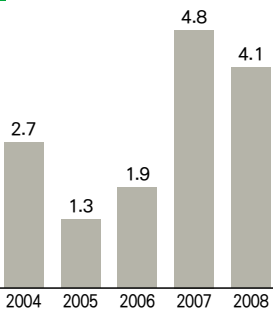
SHARE OF NET SALES (%)



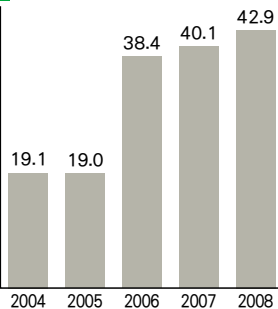
NET SALES (Billions of yen)



OPERATING INCOME (Billions of yen)

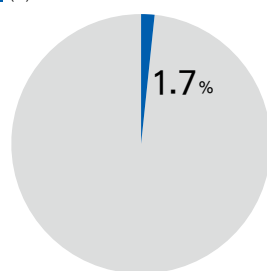


TOTAL ASSETS (Billions of yen)

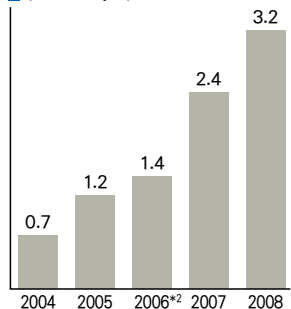


Europe

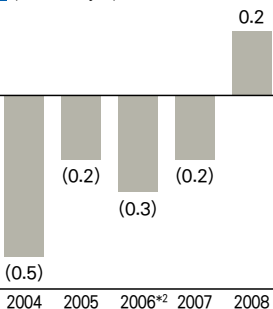
SHARE OF NET SALES (%)



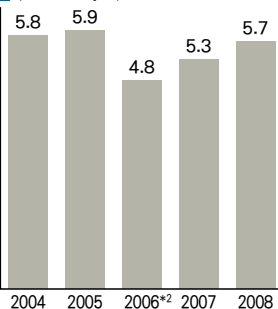
NET SALES (Billions of yen)



OPERATING INCOME (LOSS) (Billions of yen)

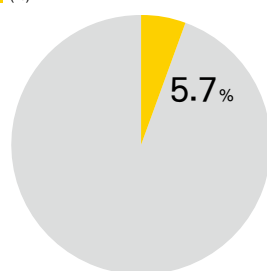


TOTAL ASSETS (Billions of yen)

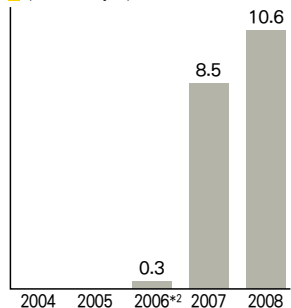


Asia

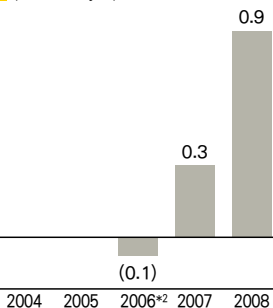
SHARE OF NET SALES (%)



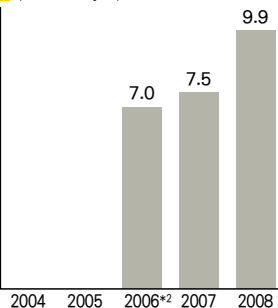
NET SALES (Billions of yen)



OPERATING INCOME (LOSS) (Billions of yen)



TOTAL ASSETS (Billions of yen)



Change to Geographical Segments

Net sales represent sales to outside customers, excluding interarea sales and transfers. From the fiscal year ended March 31, 2007, information for the Asia region, previously included in the Europe and Others segment, is presented under the Asia segment. Information for the fiscal year ended March 31, 2006 has been adapted and presented based on the geographical segments in the year ended March 31, 2007.

AKEBONO GROUP GLOBAL NETWORK



Belgium

- ① Akebono Brake Europe N.V.
(Europe Headquarters, sales and market research)

France

- ② Akebono Europe S.A.S. (Gonesse)
(Sales and R&D)
- ③ Akebono Europe S.A.S. (Arras)
(Manufacture of disc brake pads)

Germany

- ④ Akebono Europe GmbH (Sales)

UK

- ⑤ Akebono Advanced Engineering (UK) Ltd. (R&D)

China

- ⑥ Akebono Corporation (Suzhou)
(Manufacture and sale of disc brake pads)
- ⑦ Akebono Corporation (Guangzhou)
(Manufacture and sale of drum brakes and disc brakes)

Thailand

- ⑧ Akebono Brake (Thailand) Co., Ltd.
(Manufacture and sale of brake components)

Indonesia

- ⑨ PT. Tri Dharma Wisesa
(Manufacture of brake components)

Japan

- ⑩ Ai-City (Headquarters)
- ⑩ Global Head Office

North America

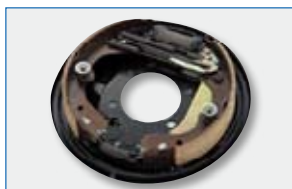
- ⑪ Akebono Brake Corporation
(North America Headquarters, sales and marketing)
- ⑪ Akebono Brake, Elizabethtown Plant
(Manufacture of brake components)
- ⑫ Akebono Brake Corporation Engineering Center (R&D)
- ⑬ Akebono Brake, Glasgow Plant
(Manufacture of brake components)
- ⑭ Akebono Brake, Springfield Plant
(Manufacture of disc brake pads)

MAIN PRODUCTS

Products for Automobiles



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



Drum brakes



Disc brakes



Disc brake pads

Products for Motorcycles



Disc brakes



Master cylinders

Products for Rolling Stock



Disc brakes for bullet trains



Disc brake pads for bullet trains

Products for Industrial Machinery



Disc brakes for industrial machinery



Disc brakes for wind power generators

Other Products



Sensor chips



Combined sensors

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

Overview

Total R&D expenses in the consolidated fiscal year ended March 31, 2008 were ¥2,439 million, and other expenses related to R&D for day-to-day improvements were ¥8,348 million.

R&D Activities by Region

[Japan]

In friction materials, development focuses on meeting two major market and customer needs: higher performance and lower cost.

We are developing products that use high-performance, high-quality and environmentally friendly materials, including high-performance passenger car brake pads and brake linings for medium and large vehicles. In parallel, we are pushing ahead with the development of lower-cost products. We are also taking various initiatives, beginning from the development and design phase, as we work to create products with minimal environmental impact. For example, we have implemented a system to evaluate the potential environmental impact of materials. This system assesses all materials at two stages, with only those that pass ultimately being procured.

In disc brakes and drum brakes, we are promoting common design and further standardization in order to provide distinctive products. For example, our opposed brakes that use an aluminum alloy developed for high-performance vehicles have won strong support from automakers. We are also making efforts to help combat global warming and thereby contribute to society. This involves innovations to reduce weight and drag to help improve fuel efficiency. Moreover, in order to further reinforce our ability to supply products on a global basis, we are proceeding with technological development aimed at achieving a manufacturing system that meets technical and cost benchmarks.

[North America]

We are working on developing new friction materials and next-generation brakes optimized for the North American market. In this market, we are also conducting fully integrated local development for Japanese

automakers, covering activities from development to mass production.

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

We are also developing a wide range of disc brakes for passenger cars, SUVs and pickup trucks, and have completed development of a new disc brake based on a lightweight aluminum alloy. This new product is already being mass produced.

We are developing next-generation disc brakes with rear-wheel parking brakes and new disc brake rotors for full-size SUVs and pickup trucks to replace existing products, thereby expanding our product range. In addition, through link-ups with R&D in Japan, we are progressing with the development of next-generation products, such as low-cost brakes based on new designs, and calipers with superior heat capacity characteristics.

[Europe]

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

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

*REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals): A European Community regulation on chemicals and their safe use that entered into force on June 1, 2007. REACH obligates manufacturers and importers of all chemical substances manufactured or imported in quantities of 1 ton or more per year to conduct a survey on the effects on human health and the environment and register such substances with the European Chemicals Agency.

Basic Approach

The Akebono Group places the highest priority on CSR (Corporate Social Responsibility). We comply with all relevant laws while also fostering good relationships with stakeholders and fulfilling our social responsibilities as a sustainable enterprise, carefully balancing economic, environmental, and social performance.

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

Through promotion of corporate brand management, we work to enhance the value we provide to all the stakeholders we come into contact with through our business, including customers, shareholders, and employees.

Protecting the Global Environment and Community Activities

The Akebono Group has identified consideration for the global environment as an important management issue. Aiming to realize a sustainable society, we are

making efforts to conserve energy, reduce waste and recycle resources.

Our aim to create environmentally friendly products starts from the initial development and design phase, and we proactively implement green purchasing practices. We procure parts, materials and secondary materials using a system that assesses the environmental impact of raw materials. At the manufacturing and distribution stages of our operations, we aim to reduce CO₂ emissions. We also implement the 3Rs concept: reduce, reuse and recycle. Our environmental activities continue even after our products enter the marketplace. At every stage, including the collecting and recycling of used products, we undertake initiatives aimed at creating a recycling-oriented society and achieving zero emissions. The scope of these initiatives extends beyond Japan to encompass our worldwide operations including those located in North America, Europe and elsewhere in Asia.

In addition, by adopting lightweight materials for the many brake components, we help reduce energy use and CO₂ emissions by automobiles and trains. In this and other ways, we take the environment into account from a product performance perspective as well.

Environmental Mission

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

Basic Environmental Policy

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

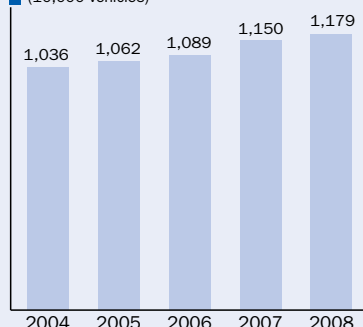
FINANCIAL SECTION

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AUTOMOBILE PRODUCTION IN JAPAN

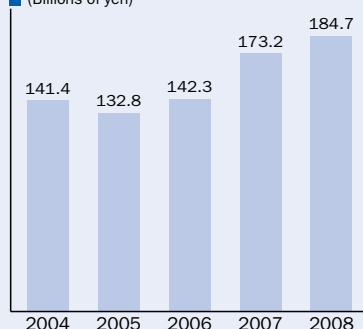
Each year ended March 31

(10,000 vehicles)

**NET SALES**

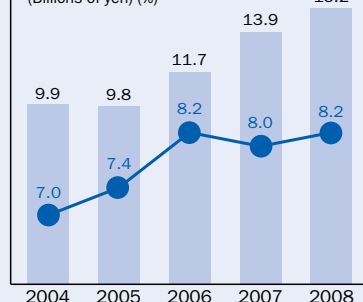
Each year ended March 31

(Billions of yen)

**OPERATING INCOME/OPERATING INCOME TO SALES RATIO**

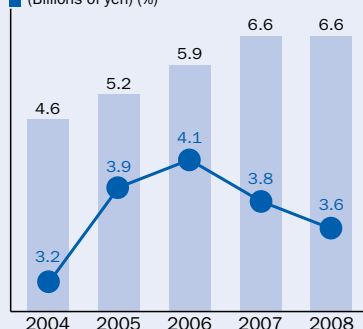
Each year ended March 31

(Billions of yen) (%)

**NET INCOME/RETURN ON SALES**

Each year ended March 31

(Billions of yen) (%)

**Business Environment and Operating Overview**

The Japanese economy was thrust into a period of uncertainty toward the end of fiscal 2007, the year ended March 31, 2008. The uncertainty was characterized by a visible downturn in corporate earnings and capital investment caused by the recent sharp rises in materials prices and the adverse impact of the U.S. dollar's depreciation on Japanese exporters.

Overseas, although newly emerging economies continued to show signs of expansion, uncertainty about the future increased in North America, Europe, and other regions in the wake of the subprime loan issue and other problems. In the automotive industry, domestic auto production rose year on year to 11.79 million units, driven by higher exports. Domestic vehicle sales, however, once again fell short of the previous year at 5.32 million units.

Under these conditions, net sales in fiscal 2007 were ¥184.7 billion, a year-on-year increase of ¥11.6 billion, or 6.7%. Operating income rose by ¥1.3 billion, or 9.2%, to ¥15.2 billion. Net income edged up 0.1% to ¥6.6 billion. Net sales, operating income, and net income were records for the third consecutive year.

Overview of Business Performance (Consolidated)**Net Sales**

Net sales increased by ¥11.6 billion, or 6.7%, to ¥184.7 billion, due in part to increased orders. Sales increased in all regions: Japan, North America, Europe and Asia.

Operating Income

Despite negative factors such as increased personnel costs, customer incentive expenses and tax code revisions, operating income increased by ¥1.3 billion, or 9.2%, to ¥15.2 billion. Active promotion of "Cost Revolution" cost-reduction activities in Japan and the U.S. made a significant contribution to this result. Higher orders also had a positive impact. The operating income to sales ratio rose by 0.2 percentage points to 8.2%.

Net Income

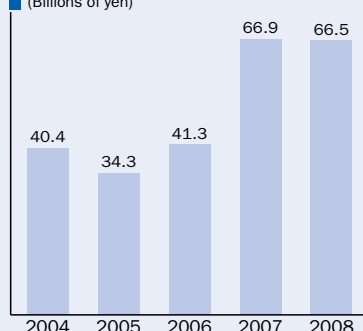
Income before income taxes and minority interests increased by ¥1.3 billion to ¥13.1 billion. This was largely due to higher operating income, as well as an ¥0.8 billion extraordinary gain on the contribution of securities to a retirement benefit trust during the fiscal year.

Total income taxes increased to ¥5.3 billion, up ¥0.8 billion from the previous fiscal year. Minority interests in net income increased ¥0.4 billion to ¥1.1 billion.

DISC BRAKE SALES

Each year ended March 31

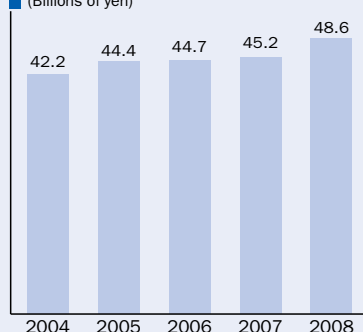
(Billions of yen)



DISC BRAKE PAD SALES

Each year ended March 31

(Billions of yen)



Accordingly, net income inched up 0.1% to ¥6.6 billion. As a result, the return on sales was 3.6%, down 0.2 of a percentage point compared to the previous fiscal year.

Sales by Segment

Trends by Product

Sales of disc brakes, one of Akebono's assembly products, decreased by ¥0.4 billion, to ¥66.5 billion. Drum brake sales rose by ¥8.1 billion to ¥34.8 billion. Sales of disc brake pads increased by ¥3.4 billion to ¥48.6 billion.

Net Sales by Product

Each year ended March 31	(Billions of yen)	
	2007	2008
Disc brakes	66.9	66.5
Drum brakes	26.7	34.8
Disc brake pads	45.2	48.6
Other automotive parts	16.5	18.1
Products for Industrial machinery	6.9	7.3
Products for Rolling stock	4.0	4.5
Sensors	6.1	4.5
Other	0.9	0.4
Total	173.2	184.7

Results by Region

In Japan, higher demand from major customers lifted net sales by ¥5.6 billion, or 5.3%, to ¥111.7 billion. Operating income in Japan increased by ¥0.9 billion, or 10.6%, to ¥9.8 billion.

Sales in North America increased by ¥2.7 billion, or 3.9%, to ¥70.0 billion due to increased orders from Japanese automakers. Operating income fell by ¥0.7 billion, or 15.5%, to ¥4.1 billion as a result of lower orders of high-value-added products.

In Europe, sales rose by ¥2.1 billion, or 47.9%, to ¥6.3 billion, the result primarily of growth in the aftersales sector. The segment recorded a profit for the first time, posting ¥0.2 billion in operating income as the result of a ¥0.4 billion year-on-year increase.

In Asia, sales rose ¥1.7 billion, or 18.8%, to ¥10.7 billion due in part to healthy sales for motorbikes and compact cars in Indonesia. Operating income rose by ¥0.5 billion or 175.3% to ¥0.9 billion.

TOTAL ASSETS/ROA

Each year ended March 31

(Billions of yen) (%)



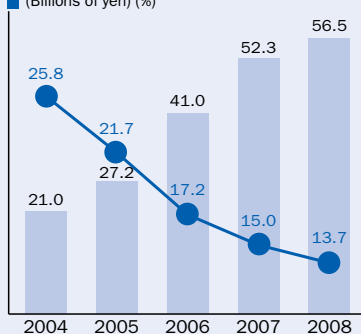
Financing and Liquidity

Akebono is working to reduce assets to generate funds for reducing interest-bearing liabilities, with the ultimate objective of strengthening its financial position and ensuring a sound balance sheet. Furthermore, as of March 31, 2008, Akebono had ¥14.5 billion in unused overdraft agreements and loan commitment agreements with financial institutions to secure stable financing and liquidity.

NET ASSETS/ROE

Each year ended March 31

(Billions of yen) (%)



Financial Position

Total assets increased by ¥7.7 billion from the end of the previous fiscal year to ¥163.3 billion.

Current assets increased by ¥3.6 billion from the previous fiscal year-end to ¥54.1 billion. This was due mainly to higher inventories.

Property, plant and equipment rose ¥7.8 billion to ¥87.5 billion due to the establishment of the Tatebayashi casting foundry and a Thai manufacturing base. Investments and other assets fell by ¥3.7 billion, primarily due to a decline in investment securities.

Total liabilities increased by ¥3.4 billion from the end of the previous fiscal year, to ¥106.7 billion. Current liabilities rose by ¥1.1 billion to ¥56.6 billion. This mainly reflected an increase of ¥3.3 billion in trade notes and accounts payable, due primarily to an increase in transactions in North America.

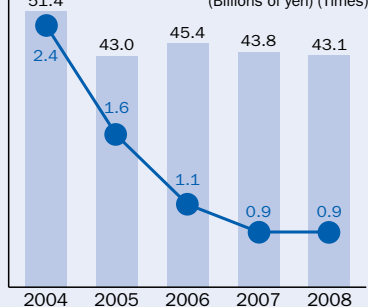
Long-term liabilities increased by ¥2.3 billion to ¥50.1 billion. This reflected an increase of ¥4.6 billion in long-term debt against a decrease of ¥2.0 billion in liability for retirement benefits.

Net assets as of March 31, 2008 were ¥56.5 billion. As a result, the equity ratio rose by 0.1 of a percentage point year on year to 30.5% and net assets per share totaled ¥463.82. Return on equity (ROE) fell by 1.3 percentage points to 13.7%. Return on assets (ROA), at 4.1%, was largely unchanged from the previous fiscal year.

BALANCE OF INTEREST-BEARING LIABILITIES/D/E RATIO

Each year ended March 31

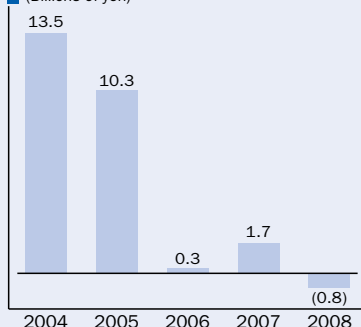
(Billions of yen) (Times)



FREE CASH FLOW

Each year ended March 31

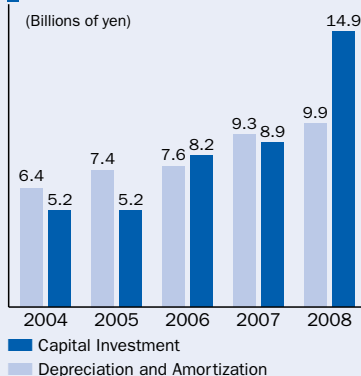
(Billions of yen)



CAPITAL INVESTMENT/ DEPRECIATION AND AMORTIZATION

Each year ended March 31

(Billions of yen)



Cash Flows

The closing balance of cash and cash equivalents on March 31, 2008 was ¥3.0 billion, down ¥0.6 billion from March 31, 2007. Free cash flow (net cash provided by operating and investing activities) was minus ¥0.8 billion.

Operating Activities

Net cash provided by operating activities was ¥15.1 billion. The principal contributing factors were income before income taxes and minority interests of ¥13.1 billion, depreciation and amortization of ¥9.9 billion, an increase of ¥2.6 billion in inventories, and income taxes paid of ¥3.3 billion.

Investing Activities

Net cash used in investing activities was ¥16.0 billion. The principal uses of cash in investing activities were payments of ¥14.4 billion for the acquisition of property, plant and equipment related to production facilities and payments of ¥1.3 billion for the acquisition of investment securities.

Financing Activities

Net cash provided by financing activities was ¥0.1 billion. This mainly reflected a ¥2.1 billion net increase in short-term bank loans, a ¥2.0 billion net inflow from short-term corporate bonds, an inflow of ¥1.1 billion from payments by minority shareholders, payment of ¥3.1 billion for redemption of corporate bonds, and ¥2.8 billion in repayments of finance lease obligations.

Capital Investment

Capital investment in the fiscal year under review totaled approximately ¥14.9 billion. This included investments of ¥9.3 billion for construction of the Tatebayashi casting foundry and the Chubu Office in Japan, ¥3.2 billion for new construction at the North America headquarters, ¥0.2 billion for production and development bases in Europe, and ¥2.3 billion in Asia, including for construction of a factory in Thailand.

Risk Information

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

Economic Conditions

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

Dependence on OEM Customers

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

Procurement of Materials and Components and Market Trends

While Akebono procures materials, steel products, components and other items from multiple suppliers, a number of materials and components are purchased only from certain specific companies. There is a possibility that surges in prices and shortages of materials due to changes in market conditions, delays in delivery due to the lack of production capacity on the part of the suppliers, defects in products manufactured by suppliers, deterioration of the financial position of suppliers, unforeseen accidents and other

factors, could have a negative impact on the Akebono Group's business performance and financial position by causing an increase in the Group's product costs, or production delays or suspensions.

Advances into Overseas Markets

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

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

Quality Risks

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

New Product Development

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

Protection of Intellectual Property

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

Information Security and Protection of Personal Information

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

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

Statutory Restrictions

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

Fluctuations in Exchange Rates and Interest Rates

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

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

Effects of Currency Conversion

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

Accounting for Impairment Loss

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

Asbestos

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

Natural and Other Disasters

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

Forecast for the Fiscal Year Ended March 31, 2009

In spite of increased orders in Southeast Asia, because of the slowdown of the North American market, we forecast net sales of ¥179.7 billion, for this fiscal year, lower than the previous year. As for profits, we also expect an impact due to price increases of materials and a decline in orders for high-margin brakes for light trucks in North America. Although we will put our efforts into improving profits by continuing our cost reduction activities and passing on material cost increases to customers, we forecast operating income of ¥6.8 billion and net income of ¥2.5 billion, both lower than the previous year.

CONSOLIDATED BALANCE SHEETS

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries March 31, 2008 and 2007

ASSETS	Millions of Yen		Thousand of U.S. Dollars (Note 1)
	2008	2007	2008
CURRENT ASSETS:			
Cash and cash equivalents	¥ 2,960	¥ 3,537	\$ 29,600
Receivables:			
Trade notes	2,553	2,426	25,530
Trade accounts	26,927	26,432	269,270
Associated companies	555	687	5,550
Other	4,465	3,802	44,650
Allowance for doubtful accounts	(9)	(8)	(90)
Inventories	13,089	10,809	130,890
Deferred tax assets	2,063	1,899	20,630
Prepaid expenses and other current assets	1,476	862	14,760
Total current assets	54,079	50,446	540,790
PROPERTY, PLANT AND EQUIPMENT:			
Land	22,727	22,340	227,270
Buildings and structures	46,096	43,220	460,960
Machinery, equipment and vehicles	129,662	127,168	1,296,620
Furniture and fixtures	24,067	23,307	240,670
Construction in progress	11,057	5,768	110,570
Total	233,609	221,803	2,336,090
Accumulated depreciation	(146,093)	(142,078)	(1,460,930)
Net property, plant and equipment	87,516	79,725	875,160
INVESTMENTS AND OTHER ASSETS:			
Investment securities	6,684	10,484	66,840
Investments in associated companies	358	365	3,580
Goodwill	595	744	5,950
Deferred tax assets	5,414	6,380	54,140
Other assets	8,704	7,521	87,040
Allowance for doubtful accounts	(87)	(85)	(870)
Total investments and other assets	21,668	25,409	216,680
TOTAL	¥ 163,263	¥ 155,580	\$ 1,632,630

	Millions of Yen		Thousand of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans	¥ 11,183	¥ 9,465	\$ 111,830
Current portion of long-term debt	5,738	12,117	57,380
Payables:			
Trade notes	7,603	7,292	76,030
Trade accounts	17,409	14,419	174,090
Associated companies	56	40	560
Other	4,451	1,635	44,510
Income taxes payable	581	1,089	5,810
Accrued expenses	6,420	6,481	64,200
Other current liabilities	3,152	2,980	31,520
Total current liabilities	56,593	55,518	565,930
LONG-TERM LIABILITIES:			
Long-term debt	26,835	22,200	268,350
Liability for retirement benefits	15,463	17,439	154,630
Deferred tax liabilities	7,449	7,608	74,490
Other	375	553	3,750
Total long-term liabilities	50,122	47,800	501,220
CONTINGENT LIABILITIES			
EQUITY:			
Common stock,			
authorized, 320,000,000 shares;			
issued, 110,992,343 shares in 2008 and 2007	13,578	13,578	135,780
Capital surplus	7,882	7,900	78,820
Stock acquisition rights	200	90	2,000
Retained earnings	24,323	18,545	243,230
Unrealized gain on available-for-sale securities	636	3,351	6,360
Deferred (loss) on derivatives under hedge accounting	—	(1)	—
Land Revaluation Surplus	5,276	5,276	52,760
Foreign currency translation adjustments	543	1,130	5,430
Treasury stock—at cost			
3,661,795 shares in 2008 and			
3,713,814 shares in 2007	(2,461)	(2,479)	(24,610)
Minority interests	6,571	4,872	65,710
Total equity	56,548	52,262	565,480
TOTAL	¥163,263	¥155,580	\$1,632,630

CONSOLIDATED STATEMENTS OF INCOME

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousand of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥184,731	¥173,159	\$1,847,310
COST OF SALES	148,124	138,011	1,481,240
Gross profit	36,607	35,148	366,070
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	21,449	21,273	214,490
Operating income	15,158	13,875	151,580
OTHER INCOME (EXPENSES):			
Interest and dividend income	262	303	2,620
Interest expense	(1,307)	(1,259)	(13,070)
Loss on disposal of property, plant and equipment	(162)	(447)	(1,620)
Loss on impairment of long-lived assets	(60)	(227)	(600)
Amortization of business commencement	(395)	—	(3,950)
Equity in earnings of associated companies	8	10	80
Gain from sales of investment securities	7	670	70
Other—net	(431)	(1,136)	(4,310)
Other expense—net	(2,078)	(2,086)	(20,780)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	13,080	11,789	130,800
INCOME TAXES:			
Current	2,766	3,923	27,660
Deferred	2,558	562	25,580
Total income taxes	5,324	4,485	53,240
MINORITY INTERESTS IN NET INCOME	(1,119)	(673)	(11,190)
NET INCOME	¥ 6,637	¥ 6,631	\$ 66,370
PER SHARE OF COMMON STOCK:			
Basic net income	¥ 61.85	¥ 61.86	\$ 0.62
Diluted net income	61.65	61.60	0.62
Cash dividends applicable to the year	10.00	6.00	0.10

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2008 and 2007

	Millions of Yen					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting
BALANCE, MARCH 31, 2006	¥13,559	¥7,912		¥12,878	¥ 2,812	
Reclassified balance as of March 31, 2006						
Net income				6,631		
Cash dividends paid						
Final for prior year, ¥6 per share				(642)		
Interim for current year, ¥3 per share				(322)		
Repurchase of treasury stock						
Disposal of treasury stock		(30)				
Exercise of warrants	19	18				
Transfer from land revaluation surplus, net of taxes						
Others			¥ 90		539	¥(1)
BALANCE, MARCH 31, 2007	13,578	7,900	90	18,545	3,351	(1)
Net income				6,637		
Cash dividends paid						
Final for prior year, ¥3 per share				(322)		
Interim for current year, ¥5 per share				(537)		
Repurchase of treasury stock						
Disposal of treasury stock		(18)				
Net change in the year			110		(2,715)	1
BALANCE, MARCH 31, 2008	¥13,578	¥7,882	¥200	¥24,323	¥ 636	-

	Millions of Yen					
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	¥5,835	¥ 523	¥(2,510)	¥41,009		¥41,009
Reclassified balance as of March 31, 2006					¥4,199	4,199
Net income				6,631		6,631
Cash dividends paid						
Final for prior year, ¥6 per share				(642)		(642)
Interim for current year, ¥3 per share				(322)		(322)
Repurchase of treasury stock			(77)	(77)		(77)
Disposal of treasury stock			108	78		78
Exercise of warrants				37		37
Transfer from land revaluation surplus, net of taxes	¥ (559)			(559)		(559)
Others		607		1,235	673	1,908
BALANCE, MARCH 31, 2007	5,276	1,130	(2,479)	47,390	4,872	52,262
Net income				6,637		6,637
Cash dividends paid						
Final for prior year, ¥3 per share				(322)		(322)
Interim for current year, ¥5 per share				(537)		(537)
Repurchase of treasury stock			(38)	(38)		(38)
Disposal of treasury stock			56	38		38
Net change in the year		(587)		(3,191)	1,699	(1,492)
BALANCE, MARCH 31, 2008	¥5,276	¥ 543	¥(2,461)	¥49,977	¥6,571	¥56,548

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2008 and 2007

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for- sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting
BALANCE, MARCH 31, 2007	\$135,780	\$79,000	\$ 900	\$185,450	\$ 33,510	\$(10)
Net income				66,370		
Cash dividends paid						
Final for prior year, ¥3 per share				(3,220)		
Interim for current year, ¥5 per share				(5,370)		
Repurchase of treasury stock						
Disposal of treasury stock		(180)				
Net change in the year			1,100		(27,150)	10
BALANCE, MARCH 31, 2008	\$135,780	\$78,820	\$2,000	\$243,230	\$ 6,360	–

Thousands of U.S. Dollars (Note 1)

	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	\$52,760	\$11,300	\$(24,790)	\$473,900	\$48,720	\$522,620
Net income				66,370		66,370
Cash dividends paid						
Final for prior year, ¥3 per share				(3,220)		(3,220)
Interim for current year, ¥5 per share				(5,370)		(5,370)
Repurchase of treasury stock			(380)	(380)		(380)
Disposal of treasury stock			560	380		380
Net change in the year		(5,870)		(31,910)	16,990	(14,920)
BALANCE, MARCH 31, 2008	\$52,760	\$ 5,430	\$(24,610)	\$499,770	\$65,710	\$565,480

CONSOLIDATED STATEMENTS OF CASH FLOWS

Akebono Brake Industry Co., Ltd. and Consolidated Subsidiaries Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousand of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 13,080	¥ 11,789	\$ 130,800
Adjustments for:			
Income taxes—paid	(3,273)	(6,162)	(32,730)
Depreciation and amortization	9,876	9,284	98,760
Net loss on sales and disposal of property, plant and equipment	94	443	940
Loss on impairment of long-lived assets	60	227	600
(Reversal of) provision for allowance for doubtful accounts . .	2	(232)	20
(Reversal of) accrued retirement benefits	(1,941)	(1,300)	(19,410)
Net gain on sales of investment securities	(7)	(670)	(70)
Equity in earnings of associated companies	(8)	(10)	(80)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	(1,001)	(3,736)	(10,010)
Increase in inventories	(2,646)	(2,154)	(26,460)
Decrease in notes and accounts payable	2,313	905	23,130
Other—net:	(1,408)	2,455	(14,080)
Total adjustments	2,061	(950)	20,610
Net cash provided by operating activities	15,141	10,839	151,410
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(14,380)	(7,091)	(143,800)
Proceeds from sales of property, plant and equipment . . .	168	99	1,680
Purchases of intangible assets	(533)	(1,795)	(5,330)
Purchases of investment securities	(1,255)	(1,386)	(12,550)
Proceeds from sales of investment securities	17	975	170
Other—net	21	62	210
Net cash used in investing activities	(15,962)	(9,136)	(159,620)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	2,066	(4,065)	20,660
Net increase in commercial paper	1,997	—	19,970
Proceeds from long-term debt	8,409	13,603	84,090
Repayments of long-term debt	(9,775)	(9,105)	(97,750)
Payments of finance lease obligations	(2,756)	(2,686)	(27,560)
Proceeds from issuance of common stock	—	37	—
Dividends paid	(942)	(1,093)	(9,420)
Receipt from minority shareholders	1,121	—	11,210
Net increase in treasury stock	1	0	10
Other—net	28	4	280
Net cash provided by (used in) financing activities . .	149	(3,305)	1,490
Foreign currency translation adjustments on cash and cash equivalents	94	31	940
Net decrease in cash and cash equivalents	(578)	(1,571)	(5,780)
Cash and cash equivalents, beginning of year	3,537	5,108	35,370
Cash and cash equivalents, end of year	¥ 2,960	¥ 3,537	\$ 29,600

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Akebono Brake Industry Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100 to \$1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Consolidation—The consolidated financial statements as of March 31, 2008 include the accounts of the Company and its 33 significant (32 in 2007) subsidiaries (together, the “Group”). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The Company established Akebono Brake Europe N.V. and Akebono Brake Industrial & Rolling Stock Components Sales Co., Ltd., which were newly included in the scope of consolidation.

Akebono Arras S.A.S. was excluded from the scope of consolidation because it was merged with Akebono Europe S.A.S.

As a result, for the fiscal year under review, the Company included two companies in the scope of consolidation and excluded one company.

An investment in 1 (1 in 2007) associated company is accounted for by the equity method.

Investments in the remaining 2 (2 in 2007) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

3. SEGMENT INFORMATION

Information about industry segments and geographical segments of the Company and subsidiaries for the years ended March 31, 2008 and 2007 are as follows:

(1) Industry Segments

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

(2) Geographical Segments

The geographical segments of the Company and subsidiaries for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen					
	Japan	North America	Europe	Asia	Eliminations and Corporate	Consolidated
	2008					
Sales to customers	¥101,596	¥69,409	¥3,173	¥10,554		¥184,731
Interarea transfers	10,138	637	3,163	139	¥(14,077)	
Total revenue	111,734	70,046	6,335	10,692	(14,077)	184,731
Operating expenses	101,890	65,991	6,140	9,831	(14,279)	169,573
Operating income	¥ 9,844	¥ 4,055	¥ 195	¥ 862	¥ 202	¥ 15,158
Total assets	¥120,402	¥42,942	¥5,685	¥ 9,893	¥(15,559)	¥163,263

	Thousands of U.S. Dollars					
	Japan	North America	Europe	Asia	Eliminations and Corporate	Consolidated
	2008					
Sales to customers	\$1,015,960	\$ 694,090	\$ 31,730	\$105,540		\$1,847,310
Interarea transfers	101,380	6,370	31,630	1,390	\$(140,770)	
Total revenue	1,117,340	700,460	63,350	106,920	(140,770)	1,847,310
Operating expenses	1,018,900	659,910	61,400	98,310	(142,790)	1,695,730
Operating income	\$ 98,440	\$ 40,550	\$ 1,950	\$ 8,620	\$ 2,020	\$ 151,580
Total assets	\$1,204,020	\$429,420	\$56,850	\$ 98,930	\$(155,590)	\$1,632,630

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

Notes 1. The Company and subsidiaries are summarized in four segments by geographical area based on the countries where the Group is located.

The segments consisted of the following countries except for Japan.

North America: United States of America

Europe: France

Asia: China, Indonesia

2. Regarding assets acquired on or before March 31, 2007, in accordance with revisions to the Japanese Tax Code, the Company and its consolidated domestic subsidiaries are depreciating the difference between 5% of the acquisition cost and the nominal value evenly over 5 years, beginning from the consolidated fiscal year after the consolidated fiscal year the net book value reaches 5% of the acquisition cost due to the application of the depreciation method based on the same tax code before revision. This depreciation is included in depreciation expenses.

This change had the effect of increasing operating expenses in the "Japan" geographical segment by ¥546 million and reducing segment operating income by the same amount, compared with the previous method of accounting.

FINANCIAL DATA

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

	2008	2007	2006	2005
Net sales.	¥184,731	¥173,159	¥142,260	¥132,836
Gross profit	36,607	35,148	30,853	26,021
Gross profit to sales ratio (%)	19.8	20.3	21.7	19.6
Selling, general and administrative expenses	21,449	21,273	19,123	16,180
Selling, general and administrative expenses to sales ratio (%)	11.6	12.3	13.4	12.2
Operating income	15,158	13,875	11,730	9,841
Operating income to sales ratio (%)	8.2	8.0	8.2	7.4
Net income (loss)	6,637	6,631	5,857	5,232
Net income (loss) to sales ratio (%)	3.6	3.8	4.1	3.9
ROE (%)	13.7	15.0	17.2	21.7
Depreciation and amortization.	9,876	9,284	7,622	7,401
Net cash provided by (used in) operating activities . .	15,141	10,839	12,159	14,020
Net cash used in investing activities	(15,962)	(9,136)	(11,877)	(3,731)
Net cash provided by (used in) financing activities . .	149	(3,305)	(3,242)	(9,367)
Shares issued	110,992	110,992	110,816	97,509
Net income (loss) per share	¥ 61.85	¥ 61.86	¥ 56.60	¥ 54.29
Cash dividends per share	10.00	6.00	6.00	6.00
Total assets.	¥163,263	¥155,580	¥150,106	¥122,202
Equity	49,777	47,300	41,009	27,192
Equity to total assets ratio (%).	30.5	30.4	27.3	22.3

Millions of yen						
2004	2003	2002	2001	2000	1999	1998
¥141,386	¥126,595	¥126,655	¥126,449	¥121,079	¥120,679	¥124,605
28,357	24,954	21,940	21,553	19,107	15,511	19,428
20.1	19.7	17.3	17.0	15.8	12.9	15.6
18,427	16,501	16,380	15,703	14,704	14,338	13,505
13.0	13.0	12.9	12.4	12.1	11.9	10.8
9,930	8,452	5,560	5,850	4,403	1,173	5,923
7.0	6.7	4.4	4.6	3.6	1.0	4.8
4,590	(6,318)	99	(1,366)	(924)	(5,713)	2,537
3.2	(5.0)	0.1	(1.1)	(0.8)	(4.7)	2.0
25.8	(35.5)	0.6	(9.1)	(5.7)	(29.3)	12.0
6,433	7,077	7,565	7,916	8,059	7,015	6,885
17,802	8,035	12,276	9,229	12,319	(429)	14,904
(4,347)	(4,032)	(10,988)	(4,568)	(8,642)	(9,323)	(9,594)
(13,270)	(2,756)	(669)	(7,118)	(7,790)	13,522	(8,198)
Thousands						
95,508	94,019	94,019	94,010	94,010	93,821	93,585
Yen						
¥ 48.50	¥ (67.25)	¥ 1.05	¥ (14.54)	¥ (9.84)	¥ (60.98)	¥ 27.12
4.00	1.00	1.00	2.00	3.00	3.00	6.00
Millions of yen						
¥126,641	¥143,225	¥141,229	¥129,536	¥128,453	¥132,010	¥123,820
21,049	14,501	21,110	14,490	15,493	16,999	22,045
16.6	10.1	14.9	11.2	12.1	12.9	17.8

■ Trade Name

Akebono Brake Industry Co., Ltd.

■ Address

Global Head Office

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

103-8534, Japan

TEL: +81-3-3668-5171

Ai-City (Headquarters)

5-4-71 Higashi, Hanyu City, Saitama

348-8508, Japan

TEL: +81-48-560-1500 FAX: +81-48-560-2880

■ Founded

January 27, 1929

■ Paid-in Capital

13,578 million yen

■ Stock Listing

First Section of the Tokyo Stock Exchange

■ Common Stock

Authorized: 440,000,000 shares

Issued: 110,992,343 shares

■ Number of Employees (Consolidated)

6,985

■ Registrar of Shareholder List

Corporate Agency Department

Mitsubishi UFJ Trust and Banking

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

■ Annual Shareholders General Meeting

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

■ Independent Auditor

Deloitte Touche Tohmatsu

(As of March 31, 2008)

Principal Shareholders

	Number of shares held (Thousands)	Percentage of shares held (%)
Toyota Motor Corporation	15,495	13.96
Robert Bosch Corporation	12,597	11.34
ITOCHU Corporation	10,553	9.50
Deutsche Bank AG, Frankfurt	5,900	5.31
Japan Trustee Services Bank, Ltd.	5,725	5.15
Isuzu Motors Limited	4,648	4.18
Mizuho Corporate Bank, Ltd.	3,915	3.52
Aisin Seiki Co., Ltd.	3,134	2.82
Bridgestone Corporation	2,800	2.52
The Master Trust Bank of Japan, Ltd.	2,525	2.27

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

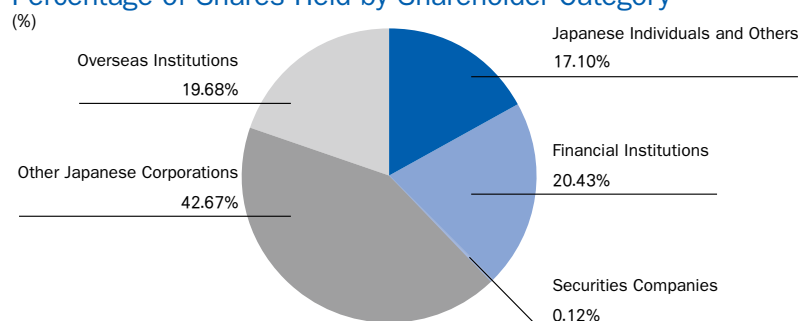
Number of Shareholders and Number of Shares Held

	Number of shareholders	Number of shares held (Thousands)
Japanese Individuals and Others	6,773	18,955
Financial Institutions	46	22,652
Securities Companies	25	135
Other Japanese Corporations	127	47,301
Overseas Institutions	66	21,814
Total	7,037	110,859
Odd-lot shares	—	132,843

Notes 1: As of the end of the fiscal year, the Company held 3,661,795 shares of treasury stock, of which 36,617 units were included in "Japanese Individuals and Others" and the remaining 95 shares were included in "Odd-lot shares."

2: As of the end of the fiscal year, the Japan Securities Depository Center held 3,600 shares, of which 36 units were included in "Other Japanese Corporations" and the remaining 500 shares were included in "Odd-lot shares." The 3,661,795 shares of treasury stock is the number of shares recorded on the shareholders' register, while the actual number of shares as of the end of the fiscal year was 3,660,795.

Percentage of Shares Held by Shareholder Category



Cautionary Statement Concerning Outlooks

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



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