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Consolidated Financial Results FY2022 First Half (1H)

November 10, 2022
Akebono Brake Industry Co., Ltd.

Presentation Outline

- FY2022 1H: Consolidated Financial Results
- Progress of Business Turnaround Plan
- Appendix

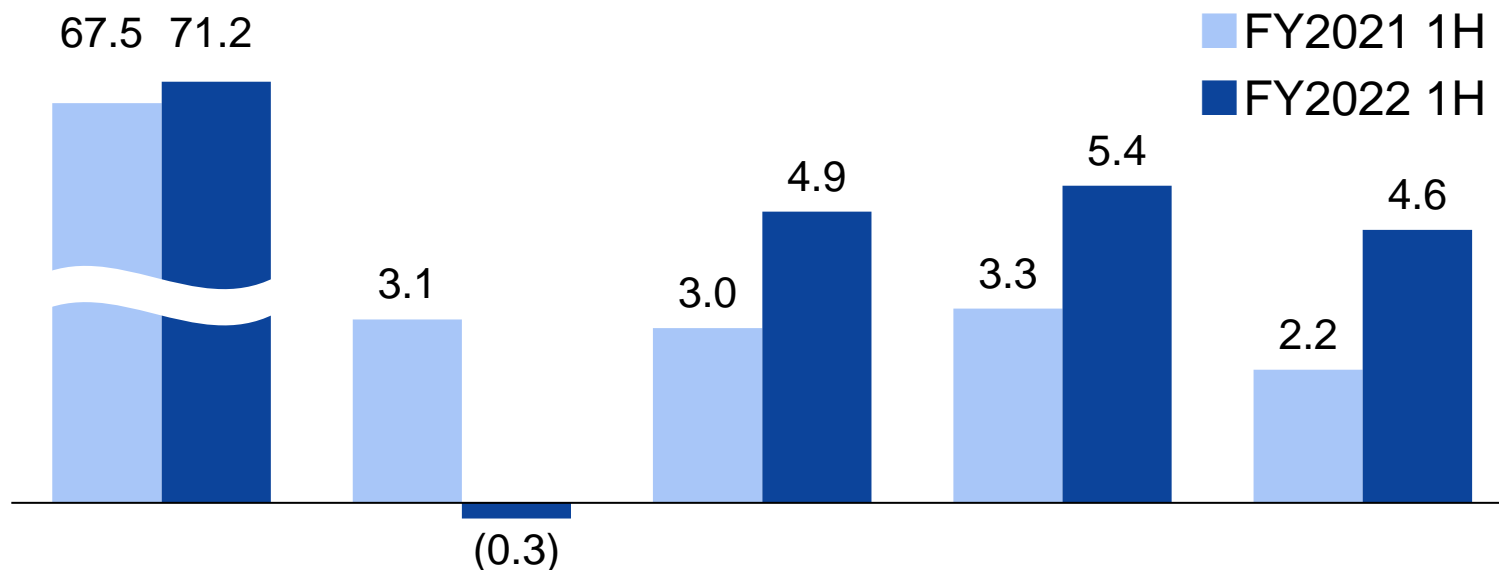
(Note) The first half (1H) of the fiscal year under review is defined as follows:

1. North America, China, Thailand and Indonesia: January 1, 2022 to June 30, 2022
2. Japan and Europe: April 1, 2022 to September 30, 2022

FY2022 1H: Consolidated Financial Results

FY2022 1H: Consolidated Results (YoY)

(Billion yen)



	Net Sales	Operating Profit	Ordinary Profit	Pre-tax Profit*	Net Profit**
FY2021 1H	67.5	3.1	3.0	3.3	2.2
FY2022 1H	71.2	(0.3)	4.9	5.4	4.6
YoY	3.7	(3.4)	2.0	2.1	2.4

* Profit before income taxes ** Profit attributable to owners of parent

FY2022 1H: Overview of Consolidated Results

In FY2022 1H (April 1 to September 30, 2022), Akebono continued to face an uncertain business environment. In addition to a reduction in production by automakers due to the worldwide shortage of semiconductors and a shortage of parts supply caused by lockdown in China, Akebono was also impacted by factors such as rising raw material costs and energy costs due to an increase in geopolitical risk.

Net Sales

There was a decrease in sales caused by the temporary suspension of manufacturing by automakers due to supply chain issues in accordance with the shortage of semiconductors and spread of COVID-19. However, there was also an impact from a depreciation of the yen. As a result, net sales amounted to 71.2 billion yen (an increase of 5.4% year-on-year).

FY2022 1H: Overview of Consolidated Results

Operating Profit

Despite a reduction in fixed costs and the optimization of human resources to recover from decreased profits due to a decline in orders, Akebono was impacted by steep rise in market prices such as raw material costs and energy costs. As a result, operating loss amounted to 0.3 billion yen (operating profit was 3.1 billion yen in the previous fiscal year).

Ordinary Profit

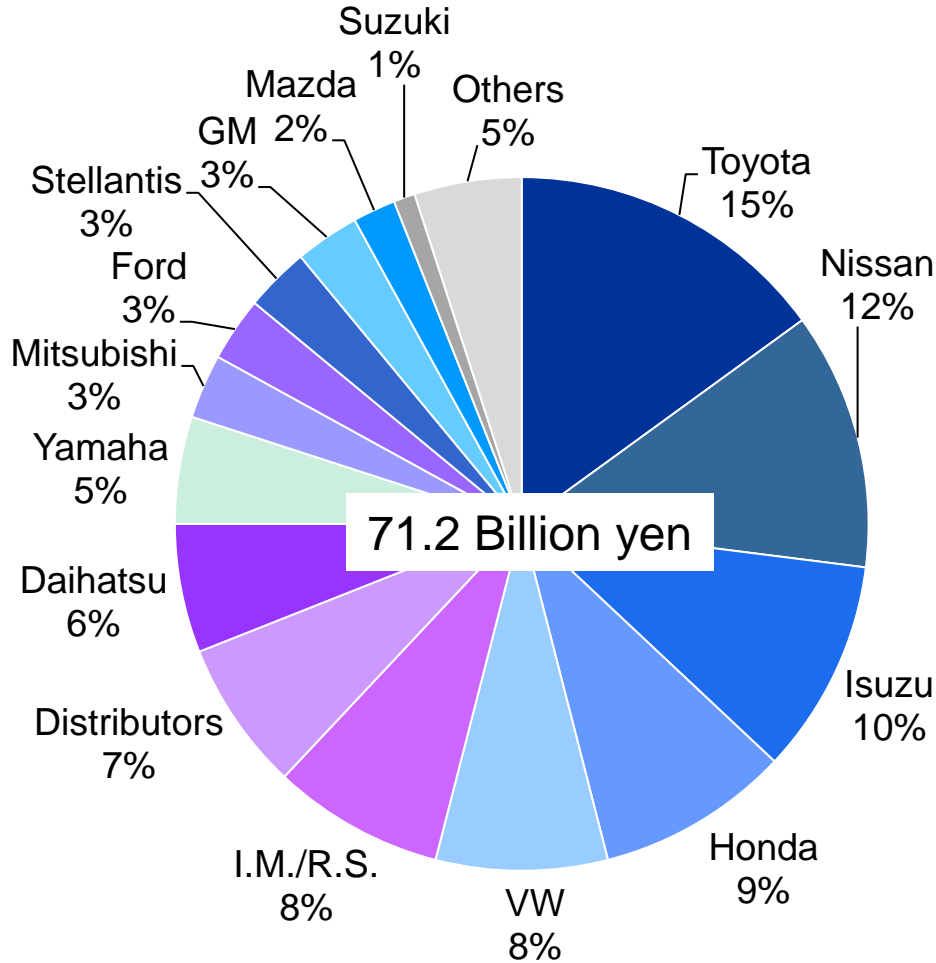
There were foreign exchange gains in relation to loans of foreign currency to affiliated companies due to fluctuations in exchange rates. As a result, ordinary profit amounted to 4.9 billion yen (an increase of 66.6% year-on-year).

Profit Attributable to Owners of Parent

The sale of non-current assets such as real estate associated with the closure of the facility in France resulted in an extraordinary income. As a result, profit attributable to owners of parent amounted to 4.6 billion yen (an increase of 105.1% year-on-year).

FY2022 1H: Net Sales by Customer

FY2022 1H Actual



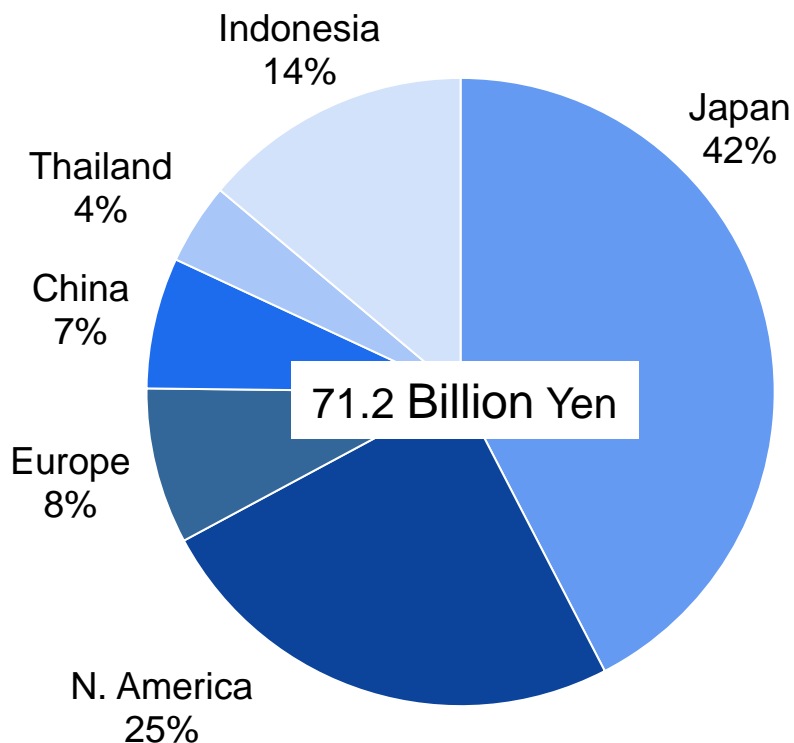
* Industrial Machinery / Rolling Stock

	FY2021 1H	FY2022 1H
Toyota	15%	15%
Nissan	13%	12%
Isuzu	9%	10%
Honda	8%	9%
VW	8%	8%
I.M./R.S.*	8%	8%
Distributors	6%	7%
Daihatsu	5%	6%
Yamaha	5%	5%
Mitsubishi	4%	3%
Others	19%	17%
Total	100%	100%

FY2022 1H: Net Sales by Region

(Billion yen)

FY2022 1H Actual



	FY2021 1H	FY2022 1H	Change (%)	FOREX
Japan	32.6	32.3	(1%)	—
N. America	16.2	18.8	+ 16%	+2.4
Europe	6.3	6.1	(3%)	+0.4
Asia	17.8	18.9	+ 6%	+2.0
China	5.7	5.1	(10%)	+0.6
Thailand	3.4	3.2	(7%)	+0.2
Indonesia	8.6	10.6	+ 23%	+1.2
Subtotal	72.8	76.1	+ 5%	+4.8
Eliminations	(5.3)	(4.9)	—	—
Total	67.5	71.2	+ 5%	+4.8

* The amount of net sales in Asia is the simple sum of net sales in China, Thailand and Indonesia.

FY2022 1H: Results by Region (YoY)

(Billion Yen)	Net Sales				Operating Profit			
	FY2021 1H	FY2022 1H	Change	FOREX	FY2021 1H	FY2022 1H	Change	FOREX
Japan	32.6	32.3	(0.3)	-	2.7	0.4	(2.3)	-
N. America	16.2	18.8	+ 2.6	+ 2.4	(1.2)	(1.2)	+ 0.0	(0.2)
Europe	6.3	6.1	(0.2)	+ 0.4	(0.0)	(0.3)	(0.3)	(0.0)
Asia	17.8	18.9	+ 1.1	+ 2.0	1.6	0.8	(0.8)	+ 0.1
China	5.7	5.1	(0.6)	+ 0.6	0.2	(0.3)	(0.5)	(0.0)
Thailand	3.4	3.2	(0.3)	+ 0.2	0.5	0.3	(0.2)	+ 0.0
Indonesia	8.6	10.6	+ 1.9	+ 1.2	0.9	0.8	(0.1)	+ 0.1
Eliminations	(5.3)	(4.9)	+ 0.4	-	0.1	0.1	+ 0.0	-
Total	67.5	71.2	+ 3.7	+ 4.8	3.1	(0.3)	(3.4)	(0.1)

Exchange rates USD: 108.5→124.5, EUR: 131.2→139.1, CNY: 16.8→19.1, THB: 3.5→3.7, IDR: 0.0076→0.0086

Local currency	Net Sales		
	FY2021 1H	FY2022 1H	Change
N.America: USD mil.	149	151	+ 2
Europe: EUR mil.	48	44	(4)
China: CNY mil.	341	268	(73)
Thailand: THB mil.	985	867	(118)
Indonesia: IDR bil.	1,135	1,229	+ 93

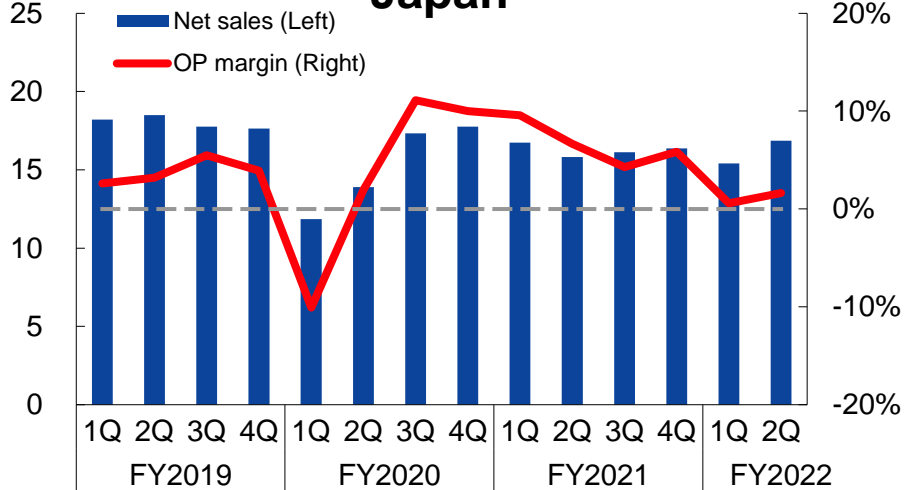
Operating Profit		
FY2021 1H	FY2022 1H	Change
(11)	(10)	+ 2
(0)	(2)	(2)
11	(14)	(25)
144	72	(73)
121	90	(31)

Historical Results by Region

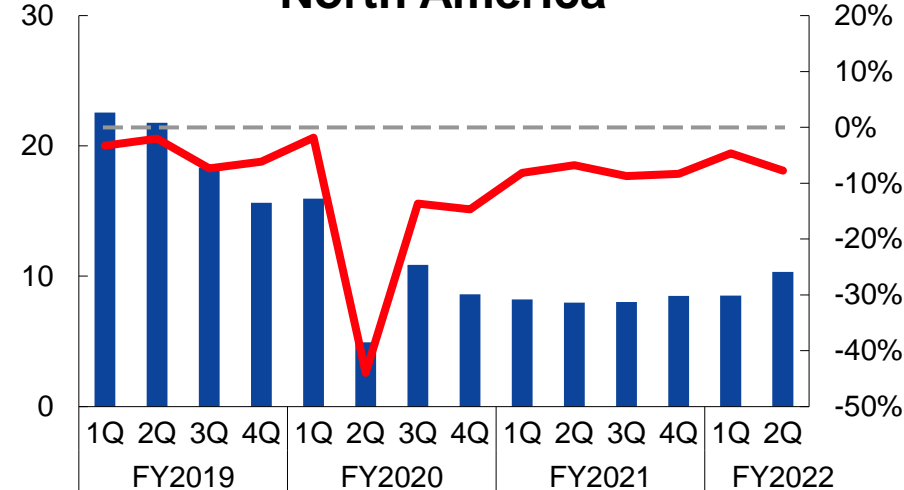
Quarterly Changes in Net Sales and OP Margin

(Billion yen)

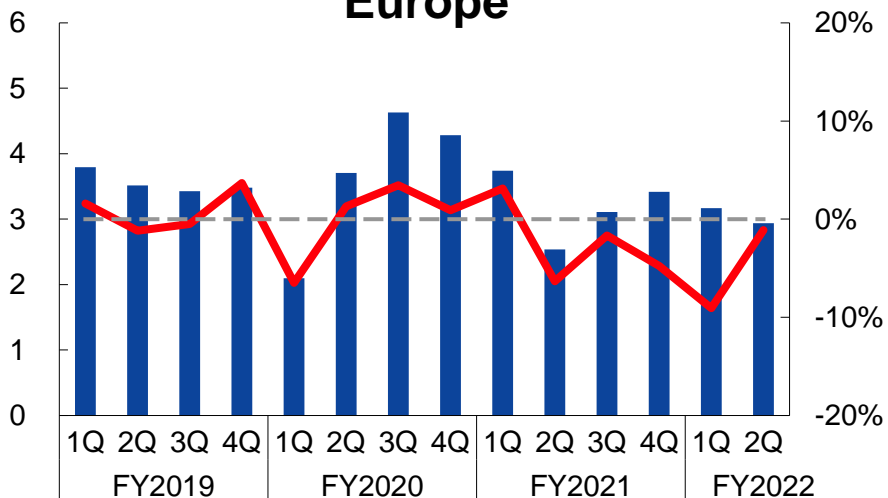
Japan



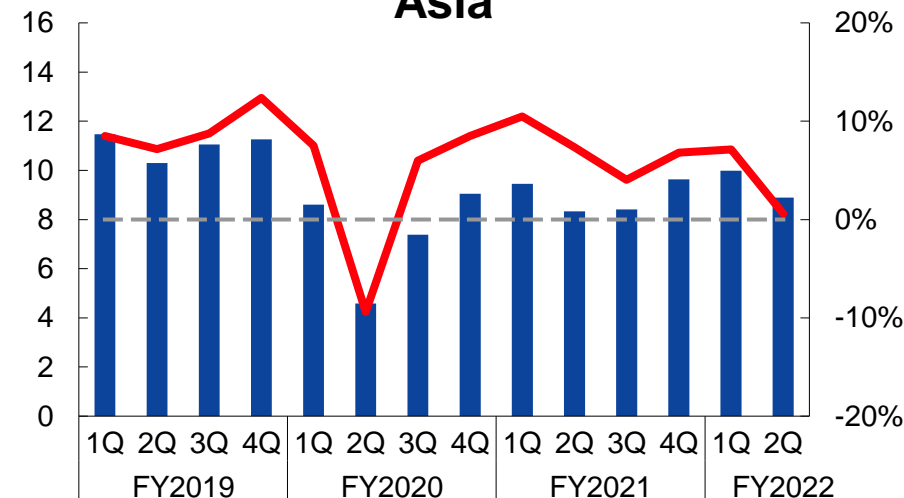
North America



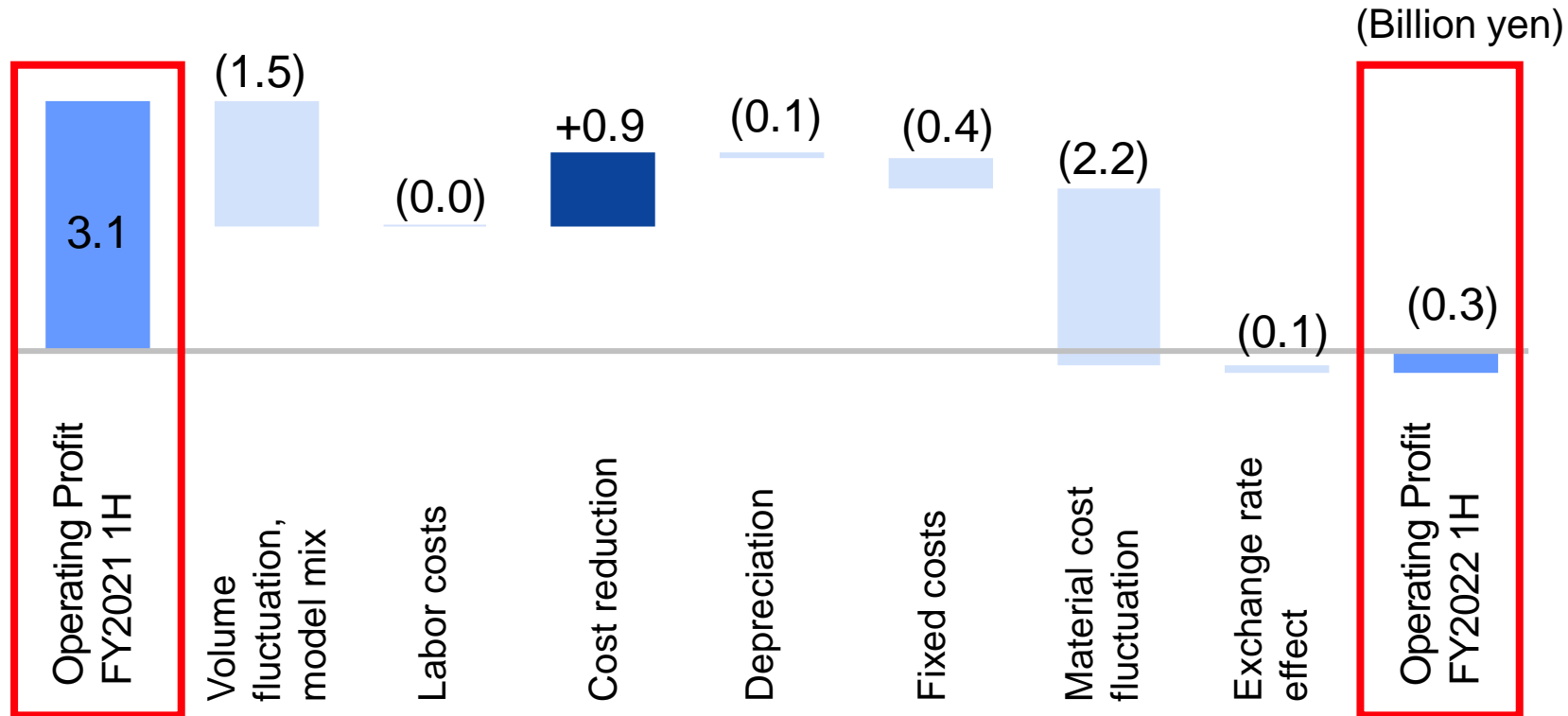
Europe



Asia



FY2022 1H: Operating Profit Analysis (YoY)



Japan	2.7	(0.9)	(0.2)	+ 0.6	(0.0)	(0.7)	(1.0)		0.4
N. America	(1.2)	+ 0.2	+ 0.2	+ 0.1	(0.1)	+ 0.4	(0.7)	(0.2)	(1.2)
Europe	(0.0)	(0.1)	+ 0.0	+ 0.0	+ 0.0	(0.1)	(0.1)	(0.0)	(0.3)
Asia	1.6	(0.8)	(0.1)	+ 0.2	+ 0.1	+ 0.0	(0.3)	+ 0.1	0.8
Eliminations	0.1	+ 0.0							0.1

FY2022 1H: Results by Profit

FY2021 1H		Main items		FY2022 1H		Main items		(Billion yen)
Operating Profit		3.1		Operating Profit		(0.3)		
		FOREX gain	+ 0.4			FOREX gain	+ 5.1	
Net non-operating income	(0.1)	Interest expenses	(0.4)	Net non-operating income	+ 5.2	Interest expenses	(0.5)	
		Other	(0.1)			Other	+ 0.6	
Ordinary Profit		3.0		Ordinary Profit		4.9		
Net extraordinary income	+ 0.3	Gain on sale of non-current assets	+ 0.5	Net extraordinary income	+ 0.4	Gain on sale of non-current assets	+ 0.5	
		Loss on sale and retirement of non-current assets	(0.1)			Business restructuring expenses	(0.1)	
		Business restructuring expenses	(0.1)					
Pre-tax Profit*		3.3		Pre-tax Profit*		5.4		
		Income taxes-current	(0.6)			Income taxes-current	(0.4)	
		Income taxes-deferred	(0.0)			Income taxes-deferred	(0.1)	
		Non-controlling interests	(0.4)			Non-controlling interests	(0.2)	
Net Profit**		2.2		Net Profit**		4.6		

* Profit before income taxes

** Profit attributable to owners of parent

Balance Sheets

(Billion yen)

Assets	FY2021	FY2022 2Q	Change	FOREX	Liabilities and net assets	FY2021	FY2022 2Q	Change	FOREX
Current assets	74.9	78.0	+3.1	+5.6	Current liabilities	31.8	34.2	+2.5	+2.4
Cash and deposits	30.3	26.8	(3.5)	+1.3	Accounts payable	17.6	19.6	+1.9	+1.3
Accounts receivable	25.0	28.4	+3.4	+2.0	Interest-bearing debts	1.0	1.4	+0.4	+0.0
Inventories	16.7	19.3	+2.7	+2.0	Other	13.1	13.2	+0.1	+1.1
Other	2.9	3.4	+0.5	+0.3	Non-current liabilities	59.0	58.5	(0.5)	+2.2
Noncurrent assets	64.8	68.0	+3.2	+4.4	Interest-bearing debts	48.2	48.8	+0.6	+2.0
Tangible assets	46.6	50.3	+3.7	+3.9	Other	10.9	9.7	(1.1)	+0.2
Intangible assets	2.4	2.6	+0.2	+0.3	Total liabilities	90.8	92.7	+1.9	+4.6
Investment securities	7.7	6.5	(1.2)	-	Total net assets	48.9	53.2	+4.3	+5.4
Deferred tax assets	0.7	0.8	+0.1	+0.1	Share capital	19.9	19.9	-	-
Other	7.4	7.7	+0.3	+0.1	Capital surplus	2.4	2.4	(0.0)	-
Total assets	139.7	145.9	+6.3	+10.0	Retained earnings	13.4	18.0	+4.6	-
					Other	13.2	12.9	(0.3)	+5.4
					Total liabilities and net assets	139.7	145.9	+6.3	+10.0

Exchange Rates USD: 115.0→136.7, EUR: 136.7→142.3, CNY: 18.1→20.4, THB: 3.4→3.9, IDR: 0.0081→0.0092

Changes in Financial Performance Indicators

	Unit	FY2018	FY2019	FY2020	FY2021	FY2022 2Q
Total assets	Billion yen	168.6	149.0	132.6	139.7	145.9
Equity capital	Billion yen	2.9	48.4	37.3	42.6	45.8
Equity ratio	%	1.7	32.5	28.1	30.5	31.4
Interest-bearing debts	Billion yen	113.7	54.0	48.9	49.2	50.2
Net interest-bearing debts	Billion yen	94.9	21.3	19.3	18.9	23.4
Net debt equity ratio	Times	33.05	0.44	0.52	0.44	0.51
Free cash flow	Billion yen	1.9	(2.3)	2.8	3.2	1.2

FY2022 1H: R&D Expenses, CapEx/Depreciation

R&D Expenses

(Billion yen)

	FY2021 1H	FY2022 1H	FY2022 Forecast (reference)
R&D Expenses*	2.8	3.3	7.1

* Including costs for application development

FY2022 1H Main Projects

- Electric brake
- Next-generation friction material
- New construction brake
- Brakes for infrastructure & mobility

Capital Expenditure/Depreciation

(Billion yen)

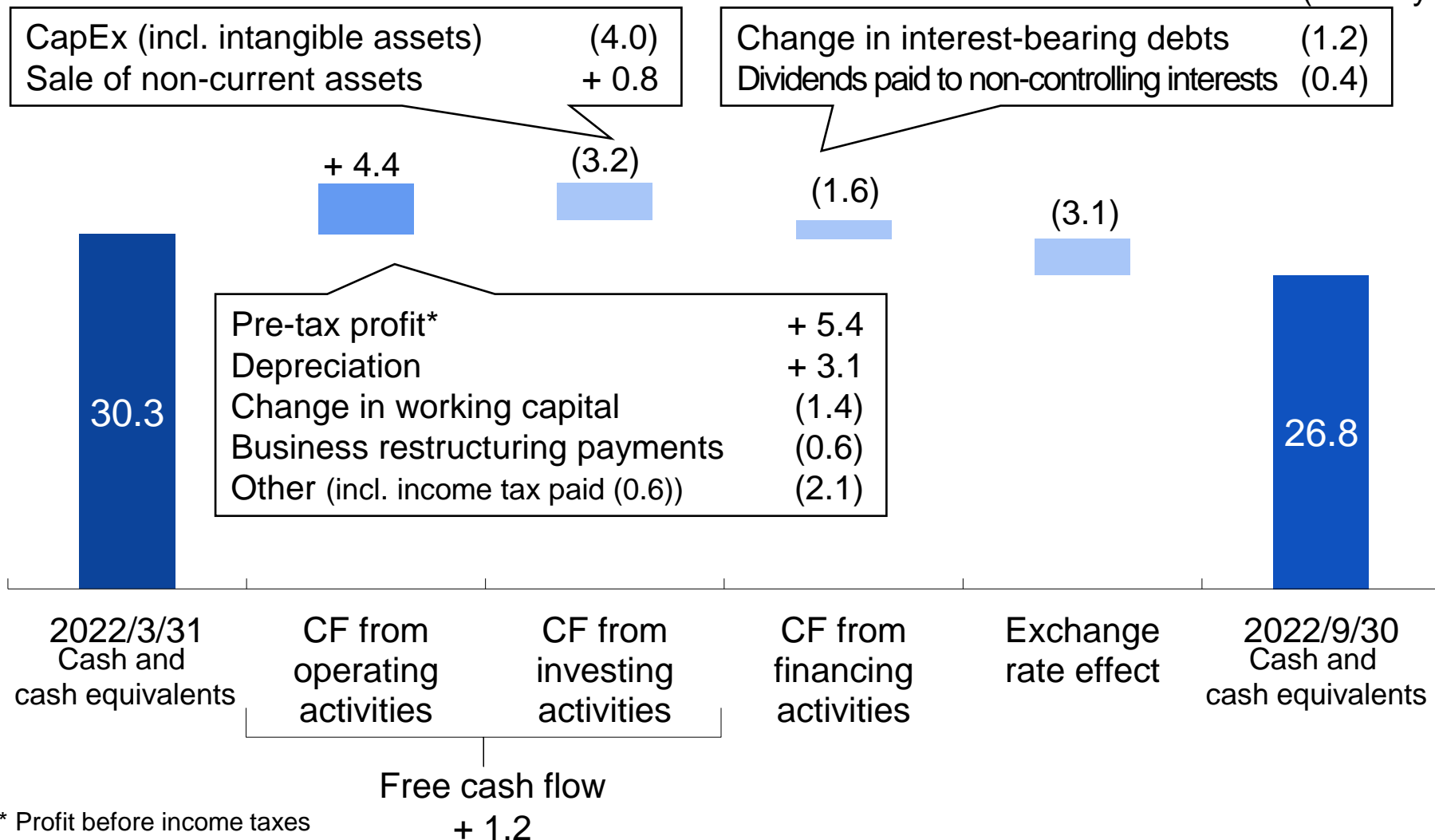
	FY2021 1H	FY2022 1H	FY2022 Forecast (reference)
CapEx	1.8	4.0	6.3
Depreciation	2.8	3.1	6.5

FY2022 1H Main Projects

- Equipment for new order items
- Update old equipment
- Improvements to quality
- Improvement in productivity
- Equipment for environmental measures and infrastructure
- Restructuring of plants

FY2022 1H: Cash Flows

(Billion yen)



* Profit before income taxes

Progress of Business Turnaround Plan

Progress of Business Turnaround Plan

Akebono is soundly implementing each measure for business structural reforms in accordance with the Business Turnaround Plan. Based on the Plan, Akebono will continue to implement these reforms across the entire organization with no areas exempted and aim to achieve profitability.

Japan

- Regarding the downsizing of four plants in Japan, Akebono is implementing improvement activities for the optimization of production. Especially, regarding the transfer of production between domestic plants, some programs are being implemented ahead of schedule.
- Akebono implemented measures to optimize our workforce in line with the revitalization of manufacturing operations at Japan plants and aims to achieve the Plan through steady implementation of each measure to reduce fixed cost.

North America

- Akebono successfully completed the process of the sale of land and buildings of its plants in Tennessee and South Carolina, which were closed in FY2020.
- Akebono will continue to aim at securing profits from appropriately sized operations by enhancing productivity, including consideration of shifting to a one-plant structure in the U.S., and reducing SG&A expenses through optimization of indirect personnel at the U.S. headquarters in response to a decrease in sales.

Progress of Business Turnaround Plan

Europe

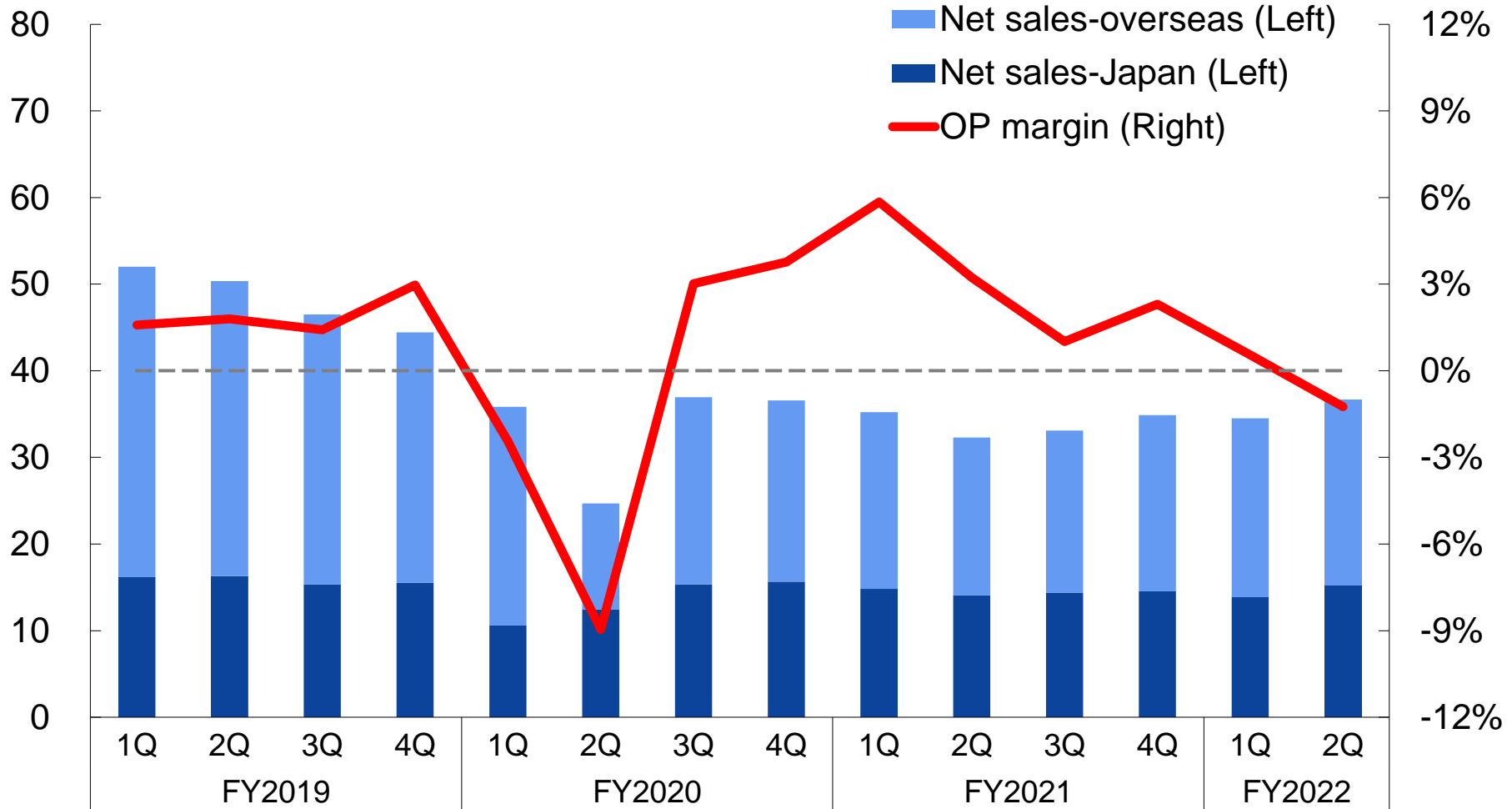
- In Europe, Akebono Europe S.A.S. (France) was dissolved according to schedule at the end of June 2022.
- The R&D facility in Gonesse (France) was closed already at the end of March 2021, and Akebono successfully completed the process of the sale of land and building at the end of June 2022.
- Regarding the plant in Arras (France), it was closed in June 2022 and Akebono is currently in the process of selling the land and buildings.
- The plant in Slovakia and its support facilities in Germany, for which it was decided to continue operations as it has become profitable and potential for new orders is high, have received inquiries from several customers, including new customers, and are now working aggressively to win new orders.

Appendix

(1) Consolidated Results

Quarterly Changes in Net Sales and OP Margin

(Billion yen)



(2) FY2022: Results by Region

Quarterly Changes in Net Sales and OP

(Billion yen)	Net Sales				Operating Profit			
	1Q	2Q	1H	FY Forecast	1Q	2Q	1H	FY Forecast
Japan	15.4	16.9	32.3	69.7	0.1	0.3	0.4	2.3
N. America	8.5	10.3	18.8	37.0	(0.4)	(0.8)	(1.2)	(2.3)
Europe	3.2	2.9	6.1	11.7	(0.3)	(0.0)	(0.3)	(0.3)
Asia	10.0	8.9	18.9	44.5	0.7	0.1	0.8	3.1
China	2.9	2.2	5.1	16.4	(0.0)	(0.3)	(0.3)	0.1
Thailand	1.7	1.5	3.2	6.5	0.2	0.1	0.3	0.7
Indonesia	5.4	5.2	10.6	21.6	0.5	0.2	0.8	2.3
Eliminations	(2.6)	(2.4)	(4.9)	(10.9)	0.1	0.1	0.1	0.2
Total	34.5	36.7	71.2	152.0	0.2	(0.5)	(0.3)	3.0

Local currency	Net Sales				Operating Profit			
	1Q	2Q	1H	FY Forecast	1Q	2Q	1H	FY Forecast
N.America:USD mil.	72	79	151	303	(3)	(6)	(10)	(19)
Europe:EUR mil.	23	21	44	85	(2)	(0)	(2)	(2)
China:CNY mil.	157	112	268	850	(0)	(14)	(14)	5
Thailand:THB mil.	482	386	867	1,757	49	22	72	189
Indonesia:IDR bil.	647	582	1,229	2,512	65	25	90	267

(2) FY2021: Results by Region

Quarterly Changes in Net Sales and OP

(Billion yen)	Net Sales						Operating Profit					
	1Q	2Q	1H	3Q	4Q	FY Total	1Q	2Q	1H	3Q	4Q	FY Total
Japan	16.7	15.8	32.6	16.1	16.4	65.0	1.6	1.1	2.7	0.7	1.0	4.3
N. America	8.2	8.0	16.2	8.0	8.5	32.7	(0.7)	(0.5)	(1.2)	(0.7)	(0.7)	(2.6)
Europe	3.7	2.5	6.3	3.1	3.4	12.8	0.1	(0.2)	(0.0)	(0.1)	(0.2)	(0.3)
Asia	9.4	8.3	17.8	8.4	9.6	35.8	1.0	0.6	1.6	0.3	0.7	2.6
China	3.1	2.7	5.7	2.8	3.6	12.1	0.2	0.0	0.2	(0.1)	0.3	0.4
Thailand	1.8	1.7	3.4	1.4	1.4	6.2	0.3	0.2	0.5	0.1	(0.0)	0.6
Indonesia	4.6	4.0	8.6	4.2	4.7	17.5	0.5	0.4	0.9	0.3	0.4	1.6
Eliminations	(2.9)	(2.4)	(5.3)	(2.6)	(3.0)	(10.9)	0.0	0.1	0.1	0.1	0.1	0.2
Total	35.2	32.3	67.5	33.1	34.9	135.5	2.1	1.0	3.1	0.3	0.8	4.2

Local currency	Net Sales						Operating Profit					
	1Q	2Q	1H	3Q	4Q	FY Total	1Q	2Q	1H	3Q	4Q	FY Total
N. America: USD mil.	77	73	149	73	74	297	(6)	(5)	(11)	(6)	(6)	(24)
Europe: EUR mil.	28	20	48	24	26	98	1	(1)	(0)	(0)	(1)	(2)
China: CNY mil.	186	155	341	164	203	708	10	1	11	(4)	17	23
Thailand: THB mil.	504	481	985	413	403	1,800	79	65	144	33	(7)	170
Indonesia: IDR bil.	607	528	1,135	535	576	2,246	72	49	121	38	48	208

The description pertaining to our forecasts is based on the information available at this moment and our assumption which we believe is reasonable, therefore actual results may be different from the forecasts due to surrounding business environment including market situation, foreign exchange rate in the market, and other unexpected reasons.