

# Press Information

31 March 2005

No.05-07

## Akebono to Review Executive Compensation System

Akebono has introduced the following measures regarding its executive compensation system to link it to the shareholder value and corporate performance integral to management reform.

**Objective:** The introduction of a result-oriented executive compensation system linked to shareholder value to clarify the responsibility of management regarding corporate performance and increase corporate value.

**Targeted executive levels:** Members of the board of directors, senior managing executive officers and managing executive officers

1. Suspension of the newly added retirement compensation in recognition of services rendered
  - From 1 April 2005, the newly added compensation in recognition of services rendered by retiring members of the board of directors, senior managing executive officers and managing executive officers shall be suspended. However, members of the board of directors, senior managing executive officers and managing executive officers holding office as of 31 March 2005 will be compensated under the current system for the appropriate amount of time such office was held prior to 31 March 2005 (and requiring the appropriate resolution of a general meeting of shareholders in the case of retirement of members of the board of directors). Furthermore, the above-mentioned measure is conditional upon approval of the introduction of performance-linked compensation (outlined in 2 below) to be put before the 104th ordinary general meeting of shareholders of the company, scheduled for 22 June 2005.
2. Introduction of performance-linked compensation bonus (scheduled for introduction from 1 April 2005)
  - The amount of compensation is to be determined based upon corporate performance and personal performance (i.e. the performance of the department for which one is responsible).
    - Corporate performance  
To be determined based upon attainment rates for annual consolidated net profit and consolidated operating profit.
    - Personal performance (i.e. of the department for which one is responsible)  
To be determined based upon attainment rates for targets agreed in advance between each executive and the president of the company.

Performance-linked compensation will comprise cash for the short term, stock options with an option term of four years for the medium term, and stock options with an option term of ten years for the long term.