



8 May 2006

Company Name: Akebono Brake Industry Co., Ltd.
Representative: Hisataka Nobumoto, Representative Director, Chairman & CEO
(First section of the Tokyo Stock Exchange; Code No.: 7238)
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Notice of Basic Policy Regarding the Establishment of In-house Regulatory Systems

By resolution of a meeting of the Board of Directors of Akebono Brake Industry Co., Ltd., on 8 May 2006, the following basic policy regarding the establishment of in-house regulatory systems was determined.

1. System to ensure that the performance of duties by executives and associates conforms with legal statutes and the Articles of Incorporation

The Company's corporate compliance concept is based on its compliance manual, and is drawn from the corporate mission statement, directives from the CEO, corporate codes of behavior, corporate norms and so on.

To proceed with corporate compliance activities, the CEO is to direct Senior Managing Executive Directors responsible for each department to form a compliance committee, and to establish a compliance system to ensure that everyone acts in accordance with compliance norms and to provide relevant education for executives and employees. Compliance status reports are to be issued to Members of the Boards of Directors and Auditors, and the Internal Auditors Office is to regularly audit the compliance status of each department and group affiliate.

Moreover, for the early discovery of and solution to problems, as well as to prevent problems before they occur, both in-house and external consultative facilities are to be established to deal with enquiries from all group affiliate employees, including temporary and dispatched workers. In-house consultation is to be available at five facilities, including for employee/associate consultation. External consultation is to be consigned to an expert institution, with two hotlines to be established for issues regarding corporate ethics and the working environment. The details of such consultation are to be verified by the compliance committee, and in the event the results of such investigation identify problematic issues, the compliance committee is to take corrective measures and actions to prevent further occurrence. Consultation is to be conducted so as to preserve anonymity. The Company will ensure that information from persons utilizing the consultative facilities is to be treated as personal information, and that no disadvantage is bestowed upon such persons.

To further promote corporate compliance activities within the Akebono Group, a

compliance manager is to be designated at each Group affiliate, potential compliance risks at each affiliate are to be identified, and preventative measures adequately taken.

2. System regarding the management and custody of information pertaining to the performance of duties by Members of the Board of Directors

In accordance with corporate data management regulations, information pertaining to the performance of duties by Members of the Board of Directors in document and/or electronic form (hereafter "Documentation") is to be recorded, preserved and administered. Corporate data management regulations are to indicate persons responsible for administering Documentation, the scope of preservation of Documentation, the period and location of preservation, and other matters relating to the system of Documentation preservation. Members of the Board of Directors and Auditors shall, in accordance with the corporate data management regulations, be ordinarily able to access Documentation.

3. System regarding regulations, etc., pertaining to risk management

Risks currently managed at each department and Group affiliate are to be integrated and a risk management system is to be established; the organization promoting Group-wide risk management shall be a risk management committee chaired by the CEO, who shall select relevant members and persons responsible for managing the significant Group-wide risks per each fiscal year.

The risk management committee shall, with approval of the Board of Directors, set objectives and draft and implement programs pertaining to risk management, draft in-house regulations regarding risk management, ascertain current risk-management status, assess the effectiveness thereof, and draft and implement programs to correct and improve risk management.

Of market fluctuations, economic trends, resources, product quality, accidents, corporate compliance issues, IT security, changes in interest and exchange rates, and other matters that can significantly impact the Company's business and/or performance, five issues have been selected for the current fiscal year: risk from market fluctuations; risk of production stoppage; product quality risks; legal risks; and IT security risks.

Moreover, a manual is to be drafted and distributed relating to the risks regarding damage from earthquakes and other disasters.

4. System to ensure the efficient performance of duties by Members of the Board of Directors

An Executive Officer System is to be installed to separate management of the Company from executive duties, and authority and responsibility are to be clarified. Monthly meetings of the Board of Directors are to be held on a regular basis, with other meetings held when and as necessary. Moreover, a system of prior deliberation is to be set up involving a key multiple conferencing system to enable directors and officers to discuss relevant issues in advance, while board approval and decisions are to be issued only after such prior deliberations have been completed. Furthermore, to improve efficiency in data transmission for the prior deliberation

process, electronic media forms are to be used, and management data is to be shared prior to deliberation.

Regarding the implementation of determined matters, the relevant director or executive officer shall make an appropriate report to the meeting of the Board of Directors or Executive Officers, and this should also be regularly audited by the Auditors' Office and/or the Internal Audit Office.

5. System to ensure the appropriateness of Group affiliate business

To establish internal regulations relating to the Company and its Group affiliates, a section in the Company responsible for internal regulations for Group business is to be set up, while a system is to be established for the efficient holding of discussions on internal regulations for Group business, information sharing thereon and communication of instructions and requests.

The directors of the Company or executives at Group affiliates are to have the responsibility and authority to establish and enforce internal regulations to ensure the appropriateness of duties performed at the Company or Group affiliates.

The Company's Auditors' Office and/or Internal Audit Office shall conduct regular audits of Group affiliates, including those overseas, and shall report the results of such audits to the Board of Directors of the Company and other relevant sections.

To further ensure the appropriateness of duties performed by the Akebono Group, duty jurisdiction regulations shall be determined for each affiliate centered on the Company. Moreover, auditors at each affiliate shall have authority to conduct not only financial audits, but also audits of business.

6. Matters pertaining to support personnel when required by auditors in the performance of their duties

To assist auditors in the performance of duties, an Auditors Office is to be established and dedicated personnel are to be employed.

7. Matters regarding the independence from directors of the aforementioned support staff

To ensure the independence of staff employed in the Auditors Office from directors, such staff shall perform their duties under the command of the Board of Auditors. Moreover, personnel, assessment and disciplinary matters regarding said staff shall be conducted in consultation with the Board of Auditors.

8. System for reporting to auditors by directors and employees/System for reporting to other auditors

Directors and employees are to report to the Board of Auditors without delay the following: legal matters, matters significantly impacting the management and performance of the Company or Group affiliate, implementation status of the Internal Audit Office, infringement of laws and/or the Articles of Incorporation.

In addition to meetings of the Board of Directors, standing auditors are to attend other important meetings such as the Executive Policy Meetings and meetings of the Board of Executive Officers, in order to better ascertain important decision-making processes and the status of business enforcement. All auditors shall be provided in advance with relevant documents and materials (including electronic media)

pertaining to such meetings for inspection, and may also summon directors or employees for additional explanations and reports.

9. System to ensure the efficacy of audits conducted by other auditors

The Board of Auditors shall receive explanations regarding the contents of the financial audit carried out by independent auditors and the contents of business audits conducted by the Internal Audit Office, and shall exchange information thereon.

The Board of Auditors shall periodically hold exchanges of opinion with the management of the Company.