

To Whom It May Concern

17th May, 2006

Name of Company : Sanshin Electronics Co., Ltd.  
Representative : Mitsumasa Matsunaga (President)  
(Code No. 8150 Listed in the First Section of the Tokyo Stock Exchange)  
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Notice on Resolution Regarding the Basic Policy to Establish  
an Internal Control System

Please be advised that Sanshin Electronics Co., Ltd. has passed the following resolution regarding the “Basic Policy to Establish an Internal Control System” at the meeting of the Board of Directors held on 17<sup>th</sup> May, 2006 pursuant to the provisions of Article 362 Paragraph 4 Item 6 of the Company Law and Article 100 Paragraph 1 and Paragraph 3 of the Enforcement Regulations of the Company Law.

Details

- (1) System to Store and Manage Information Regarding the Execution of Duty by Directors
  - Directors will store and manage documents and other types of information regarding the execution of their duties in accordance with the relevant rules of the Company.
  
- (2) Rules and Other Systems Regarding Business Loss Risk Management
  - The Company recognises those listed under ① through ⑥ below as serious risks for the execution of businesses and will set up committees to deal with these risks along with the implementation of the necessary measures, including the preparation of rules and manuals.
    - ① Marketing risk (credit risk, inventory risk and export risk)
    - ② Investment risk
    - ③ Safety and health risk for employees, etc.
    - ④ Environmental risk
    - ⑤ Information leakage risk
    - ⑥ Information disclosure risk
  
  - While the Company also recognise those listed under ⑦ and ⑧ below as important serious risks for the execution of businesses, the Company will not set up

committees to deal with these risks because of their uniqueness as well as abruptness. Instead, the Company will designate the responsible divisions and will deal with them in accordance with the relevant rules through consultations with the corporate lawyer and other relevant bodies.

⑦ Contract risk

⑧ Personnel affairs and labour risk

(3) System to Ensure Efficient Execution of Duties by Directors

- Apart from the regular monthly meetings, the Company holds an extraordinary meeting of the Board of Directors when ever such a meeting is deemed to be necessary.
- The Company will hold a monthly senior management meeting attended by the directors and the full-time corporate auditor. Important matters among those to be decided at the meetings of the Board of Directors will be thoroughly examined in advance at this senior management meeting.
- For the execution of business matters based on decisions taken at the meetings of the Board of Directors, the rules on the distribution of business duties and the rules on office authority, etc. will set forth the responsible divisions, responsible persons and execution procedures.

(4) System to Ensure Execution of Duties by Directors in Compliance with Laws and Articles of Association

- Compliance rules will be formulated to establish a compliance system, including an internal reporting system.
- When a director finds a serious violation of a law or an important fact relating to compliance at the Company, he/she will immediately report the matter to the corporate auditor along with reporting of the matter at a meeting of the Board of Directors or at a senior management meeting without delay.
- An internal audit body which is independent from the divisions responsible for the execution of business affairs will be set up for the purpose of auditing the business execution process of each division to discover or prevent irregularities and also to improve the process.
- The corporate auditor will attend all meetings of the Board of Directors and will be allowed to participate in other important meetings and committee meetings at his own discretion. Regular meetings will be held to hear the opinions of the accounting auditor.

- (5) System to Ensure Appropriate Execution of Business Within the Group
- The scope of application of the compliance rules will be all companies of the Sanshin Group and all employees of subsidiaries will be informed and made thoroughly aware of the said rules. Based on the compliance rules, each subsidiary will develop its own sets of necessary rules.
  - The measures to deal with the serious risks referred to in (2) will be followed by all companies in the Sanshin Group.
  - For the important matters specified in the management rules of related companies, subsidiaries must obtain the advance approval of the Company and must report the outcome to the Company.
  - The corporate auditor will conduct the necessary audit of subsidiaries.
- (6) System When Corporate Auditor Requests Appointment of Assistant(s) for Execution of Duties and Independence of Such Assistant(s) from Directors
- The corporate auditor can instruct the matters required for the execution of audit to the internal audit body.
  - When the corporate auditor instructs matters required for the execution of audit to the internal audit body, the members of the internal audit body will not be subject to commands by the directors as far as the instructed matters are concerned.
- (7) System for Reporting by Directors and Employees to Corporate Auditor, System for Reporting to Corporate Auditor and System to Ensure Effective Audit by Corporate Auditor
- The corporate auditor can request necessary reports to the directors and employees when ever such reports are deemed to be necessary.
  - The corporate auditor will hold regular meetings with the representative director.
  - When the internal audit body conducts the audit of business affairs, etc., it will submit the relevant report to the corporate auditor without fail.
  - An appropriate system for the reporting of compliance-related problems, such as the violation of a law, to the corporate auditor will be established through the preparation and introduction of the compliance rules.

(This notice has been translated from the original notice in Japanese. In the event of any discrepancy, the original in Japanese shall prevail.)