

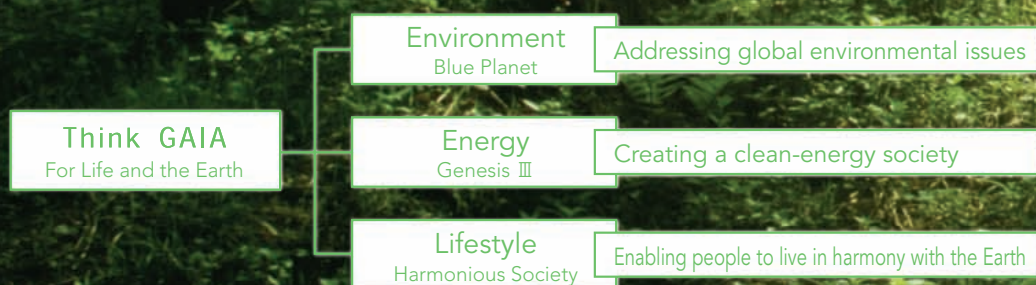
SANYO Electric Co., Ltd.

Sustainability Report 2006



Think GAIA

What can SANYO do for Life and the Earth?
Our answer is Think GAIA.



How do we ensure that children for the future will have a beautiful planet to live on?

For SANYO, the answer is to treat the Earth as a single living organism,

and create the products we truly need to continue living in harmony with this precious planet.

This is the conviction that inspires SANYO's vision, "Think GAIA."

It is a threefold approach, consisting of action on the environmental, energy and lifestyle fronts.

In each of these fields, SANYO redefines conventional ideas and takes a radically new perspective,

taking advantage of its unique technological resources to propose global solutions for Life and the Earth.



Our Goal is to Become a Unique Company that Contributes to "Life" and "Society."

We Seek to be a Company That Delights the Earth

We, at Sanyo, have just made a fresh start toward the goal to become a more sustainable company, which we call "the third beginning." Getting back to our founding philosophy, "We are committed to becoming an indispensable element in the lives of people all over the world," we have begun our reform to evolve into a global company that delights the Earth and that is appreciated by the people around the world. At the core of this reform is "Think GAIA," a vision we adopted on July 1, 2005.

Looking back, we have placed too much emphasis on the pursuit of greater convenience and comfort and consequently lost many valuable things. To break with these practices, we thought it necessary to effect a change within ourselves with the recognition that the Earth herself is a single organism (GAIA). We believe our commitment to evolving into a manufacturer capable of saving and sustaining life, and to promoting technical innovations to better serve life and the Earth, the mother of life, has an intrinsic value that can be shared by all the people on the planet, regardless of differences in race, nationality, religion, and lifestyle.



Tomoyo Nonaka, Executive Director & Chairman

Sanyo will remain fully committed to resolutely facing new challenges to create new solutions from our proprietary technologies, with special importance placed on the ability to contribute to life and society in line with our "Think GAIA" vision.

After one year upon the adoption of this vision, the change within ourselves has already taken shape. Over the past year, we have launched a series of new products that embody the "Think GAIA" vision, including the *eneloop* reusable battery, the *Virus Washer* technology to suppress more than 99% of airborne viruses, and the *AQUA* washer/drier that requires much less water for washing and can deodorize and disinfect clothes without the need for water.

Since our inception in 1947, we, at Sanyo, have remained committed to providing business solutions applicable beyond the boundaries of the home electronics market. However, we have posted consolidated net loss for two consecutive terms because of our delay in responding the recent drastic changes in the management environment and the lingering damage caused by the Niigata-Chuetsu Earthquake in 2004. We offer our apologies to all of our stakeholders.

Backed by the understanding and support of our shareholders and financial institutes, we recently raised new capital through issuance of preferred stocks to third parties. Currently, we are making concerted efforts to implement the Medium-Term Management Plan announced last year.

In the second year of our commitment to realize the "Think GAIA" vision, we will further accelerate our reform efforts. In so doing, we aim to evolve into a unique company in the world that contributes to "life" and "society," and that delights the Earth—as a truly global company.

A handwritten signature in black ink, appearing to read 'Tomoyo Nonaka', written in a cursive style.



Commitment to "Selection and Concentration"

Sanyo will celebrate its 60th anniversary in February 2007. We have been successfully expanding our business activities over the past 59 years, thanks to the support and patronage of our shareholders, customers, distributors and business partners. FY2005 was a period for us to drastically revise our conventional management strategies.

The electric and electronic industry is exposed to tough global competition and changing at an extremely rapid pace. If we are to enhance our corporate value in such a business environment, constant renovation of our corporate structure is required. To realize our "Think GAIA" vision, the Sanyo Group set up three programs, "Blue Planet," "Genesis III," and "Harmonious Society" last year. At the same time, we embarked on a structural reform initiative, "SANYO EVOLUTION PROJECT" to renovate our corporate portfolio, corporate culture, organization, and management process as well as improve our financial condition. By implementing this project, we hope to go through the phases of streamlining, rebuilding, and growing within three years to achieve further evolution. Through this structural reform effort, we aim to be a "leading provider of environment- and energy-related products and services." Specifically, we selected "Power Solutions," "HVAC products & Commercial Equipment" and "Personal Mobile Devices" businesses as three core businesses where we are concentrating our resources to further enhance our technical strength that ranks among the world's best. Other areas of businesses are also subject to our structural reform, with plans for a drastic overhaul of their business models.

In March 2006, we raised new capital of 300 billion yen through issuance of preferred stocks to third parties. With this capital increase, we now have sufficient financial base to steadily pursue the Medium-Term Management Plan we announced in November 2005 for further growth. We will invest more management resources in our core businesses to improve our business performance at the earliest stage possible.

For improved future prospects, we will take advantage of our proprietary technologies and productive power to continue to develop products and services that embody the "Think GAIA" vision and offer them to customers all over the world. We are aware that this is the most important responsibility for us. In our effort to pursue the "Think GAIA" vision, we have also launched the "Product Circulation" program, which aims to incorporate environmentally-friendly concepts such as zero-emission, 100% recycling, and a detoxified product life cycle in the development process of all Sanyo products and services. We believe such environmental consideration adds great values to the products and services we offer to our customers.

However, our responsibilities are not limited to offering quality products and services. Compliance with applicable laws and regulation, adherence to corporate ethics, respect of human rights, improvement of customer satisfaction, and



Toshimasa Iue, Executive Director & President

contribution to society: we are held responsible to fulfill such social missions and give greater satisfaction to our shareholders, financial institutes concerned, customers, distributors, business partners, local communities, and all the other stakeholders. By doing so, we can help realize a sustainable society, and this will further lead to sustainable development of the Sanyo Group. To better carry out these responsibilities, we hope to evolve into a company capable of offering unique global solutions that delights life and the Earth through dialog with our stakeholders.

In FY2006, we will be committed to regaining the credit of all stakeholders, and strive to become a sustainable enterprise that contributes to both global environmental conservation and rewarding lifestyles, while maintaining and enhancing the "value (brand)" we have fostered over these years with your kind patronage.

In this, we ask for your further understanding and support of the Sanyo Group.

Company Profile and Business Outline

Corporate Data (As of March 31, 2006)

Name of Company: SANYO Electric Co., Ltd.
 Head Office: 5-5, Keihan-Hondori 2-Chome,
 Moriguchi City, Osaka
 Founded/Incorporated: February 1947/April 1950
 Executive Director & Chairman: Tomoyo Nonaka
 Executive Director & President: Toshimasa Iue
 Capital: ¥322,242 million
 Number of Employees: Non-consolidated 14,137,
 Consolidated 106,389
 Number of Consolidated Companies:
 229 (95 domestic and 134 overseas)

profitability of operations and assets, structural reform related expenses and impairment loss on fixed assets were restated. As a result, losses before income taxes from continuing operations and the net loss for the current term came to ¥165.7 billion and ¥205.7 billion respectively.

The structural reform expenses had to be included in the FY2005 budget, because we thought structural reforms within the Group had to be introduced during FY2005 if we were to become a leading provider of environment- and energy-related products and services.

To strengthen our financial base, restore our credit with stakeholders and successfully implement the Medium-Term Management Plan, we raised capital of 300 billion yen through issuance of preferred stocks to third parties on March 14, 2006 with resolution of an Extraordinary Meeting of shareholders.

Financial Highlights

Business Results for Fiscal Year Ended March 31, 2006 (FY2005)

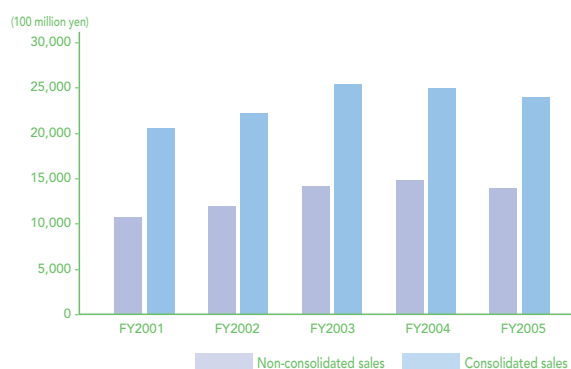
Sales in the fiscal year ended March 31, 2006 were down 3.5% from the previous year to ¥2,397.0 billion. Domestic sales declined 7.7% from the previous year to ¥1,162.4 billion, while overseas sales increased 0.8% to ¥1,234.6 billion.

Sanyo posted an operating loss of ¥17.1 billion due to a decline in sales and inventory valuation adjustment resulting from structural reforms. Upon reassessment of the

For more details about the Sanyo Group's business performance, please refer to the Annual Report 2006 at the following site.

<http://sanyo.web-ir.jp/SANYOIR/english/archive/index.cfm>

Sales (Non-consolidated/consolidated)



Net income (Consolidated)



SANYO EVOLUTION PROJECT

Sanyo posted a net loss of ¥171.5 billion on a consolidated basis in the fiscal year ended March 2005. Taking this situation seriously, Sanyo established a new management system by reshuffling management in July 2005 so as to avert the crisis of group-wide decline in profit. At the same time, we launched the "SANYO EVOLUTION PROJECT," upholding the new vision "Think GAIA," on the initiatives of new management. The SANYO EVOLUTION PROJECT comprises three plans: "business portfolio reforms"; "corporate culture, organization and management process reforms"; and "improving Sanyo's financial standing." To achieve these drastic structural reforms, we formulated the Medium-Term Management Plan in November 2005.

Sanyo has been pushing forward with structural reforms comprising the following three phases: streamlining, rebuilding and growing. In the fiscal year ended March 31, 2006, the first year of a three-year plan, Sanyo focused on attaining our "streamlining" goals. As a result, Sanyo sold and reduced assets such as old factory sites and capital holdings, and therefore reduced interest-bearing debts as scheduled.

In the fiscal year ending March 31, 2007, we have entered the second phase, "rebuilding." To reach the final phase, "growing" as quickly as possible, Sanyo will thoroughly review all businesses and functions so as to transform Sanyo into a company capable of sustainable growth. With regard to business restructuring, we have undertaken reforms of specific business models. As a leading provider of environment- and energy-related products and services, Sanyo will provide products on the environmental, energy and lifestyle fronts, making use of the unique technologies that Sanyo has developed from new perspectives. We will

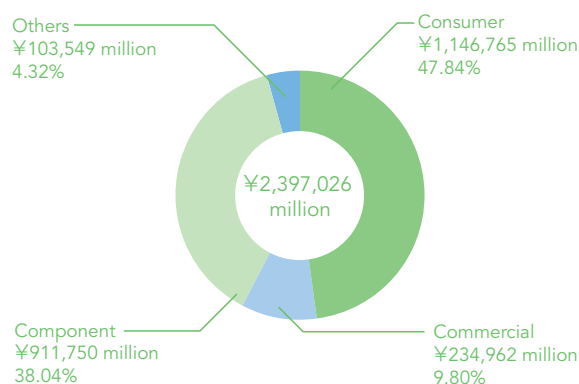
exert our maximum effort to increase profits and maximize our corporate value to realize growth, thereby regaining the trust of all our stakeholders. The capital increase through the issuance of preferred stocks to third parties has strengthened our financial structure. In the period ahead, we will strive to attain remarkable growth, using the funds for capital investment and research and development focusing on our core businesses, as well as for the acceleration of structural reforms.

Plan for Fiscal Year Ending March,31 2007

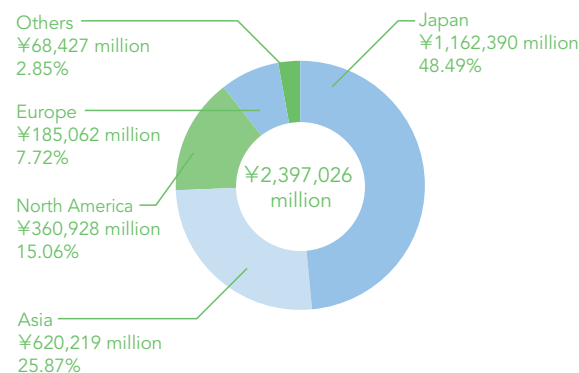
In the fiscal year ending in March 31, 2007, Sanyo should regain the trust of all stakeholders by implementing structural reforms that improve Sanyo's business performance, in line with Medium-Term Management Plan.

Sanyo will work to move forward from the "streamlining" to the "rebuilding" phase, and then advance into the "growing" phase as quickly as possible, and will definitely transform itself into a company that pleases all its stakeholders, including shareholders, financial institutes concerned, customers, business partners, employees and local communities. We would like to ask all of our stakeholders for their continued understanding and support.

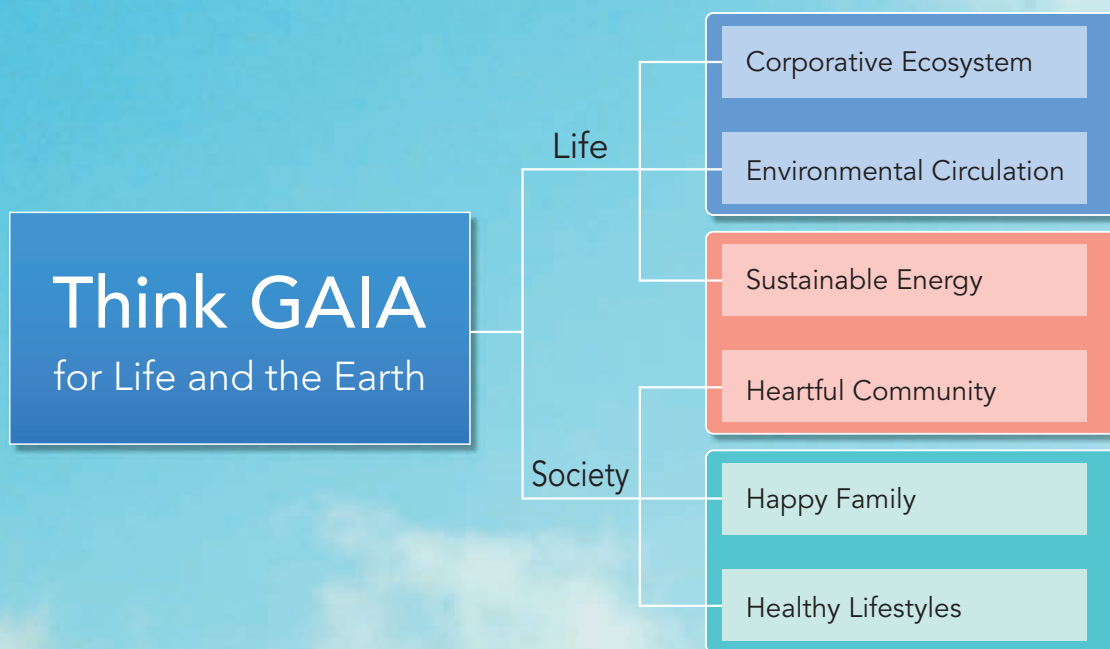
Sales by product category (Consolidated)



Sales by area (Consolidated)



With the aim of transforming Sanyo into
"a company that delights Life and the Earth,"
we will realize our vision "Think GAIA."



Environment

Blue Planet

Addressing global environmental issues

Energy

Genesis III

Creating a clean-energy society

Lifestyle

Harmonious Society

Enabling people to live in harmony with the Earth

Product Circulation

Realize zero emission, 100% recycling, and detoxified product life cycle

CO₂ compressor technology

Water treatment technology

Solar cells

Rechargeable batteries

HEV technology

ITS/NAVI technology

Consumer electronics

Optoelectronic technology

Communication technology

Hot and Cold technology

Medical technology

Ecological Co-Existence Solutions

Recycling-Oriented Environmental Solutions

Global Energy Solutions

Next-Generation Commuter Solutions

Family Relationship Solutions

LOHAS (Lifestyles of Health and Sustainability) Solutions



Proposal: A Reusable Battery for Environmentally-Friendly Lifestyle For effective recycling of resources

Integrating the Advantages of Dry-Cell Batteries and Rechargeable Batteries into One Product

Today dry-cell batteries are widely used as everyday commodities, and about 2.2 billion and 40 billion pieces are sold annually in Japan^{*1} and the world^{*2} respectively. Sanyo has long been offering rechargeable batteries that are compatible with dry-cell batteries for this huge battery market.

While rechargeable batteries had been known for advantages such as high capacity, repeated use, and an established recycling system, they could not fully penetrate into the market partly because of their image as "products for special use." Consumers also felt more reluctant to use rechargeable batteries than dry-cell batteries due to the self-discharge problem, where the battery gradually loses power even after it has been charged.

^{*1}Source: Statistical data issued by the Ministry of Economy, Trade and Industry.

^{*2}Estimation by Sanyo.

Rechargeable Batteries for More People

We, the members of the battery development team, were aware that if we were to promote the wider use of rechargeable nickel-hydrate batteries, we had to find a solution to the self-discharge problem. Through our market research, we collected comments from dissatisfied rechargeable battery users, many of them complaining, "Rechargeable batteries have to be charged before they can be used, and cannot be used upon purchase," and "Their life becomes shorter if left for some time after being charged."

We set a goal to develop "rechargeable batteries that can be used upon purchase" and started the development project. A drastic change occurred to our development environment when rechargeable batteries were designated as the first "Think GAIA" product. Thus, our project became a companywide project, which had to be completed in a much shorter time than originally intended.



Project members

From the left, Motoo Tadokoro (project leader, in charge of technology), Kenji Hirai (sales planning), Takashi Koike (advertising), and Kazuhisa Mizuta (design)



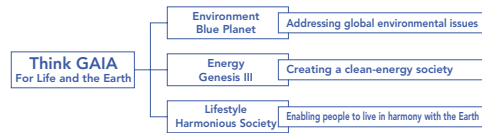
We have since conducted experiment after experiment in a race against time. During the course of development, another problem arose: we observed a lowering of the voltage during discharge, if rechargeable batteries were left for a long time after they had been charged. We used our proprietary technologies to increase the initial voltage and successfully solved this problem.

Introducing a New Battery Culture for More Environmentally-Friendly Life

The project members met frequently to discuss the design, naming and even advertising copy for the new product. While there were some disagreements, "we all shared the desire to launch to market a quality new product, as the first of the 'Think GAIA' products." (Takashi Koike, Advertising Unit Manager)

While conventional batteries were contained in disposable packages, for the new product, we adopted a package that can be used as a storage case, thus reducing the package waste by 80%. Also, we made package materials solely from recycled PET to eliminate the need to sort waste even if it would be thrown away after purchase.

The color we chose for the package was blue: the blue gradation, which represents GAIA (the Earth), is highly conspicuous in shops. "Our sales staff were opposed to this design at first and insisted on adopting a see-through package so that consumers could see the product inside. As it turns out, however, the design has proven highly successful. When I saw a woman picking up our eneloop at a shop, I felt my eyes welling up, all the more so because rechargeable batteries are said to be unpopular with women." (Kenji Hirai, Sales Unit Manager, Mobile Energy Company)



To make consumers feel like using *eneloop*, it was necessary to offer the product in a setting easily accessible to them. This was a difficult task for us, because Sanyo batteries were conventionally less represented in general retail shops. However, we eventually succeeded in securing sales space for *eneloop* in convenience stores, in spite of some anticipated difficulties. We are pleased to note that this case indicates that our concept of "reusable batteries" has now been widely accepted.

Process of Developing *eneloop* as an Embodiment of the "Think GAIA" Vision

In developing the concept of *eneloop*, all the project members were jointly engaged in discussions that covered everything from the naming of the product to its selling points. The process of the discussion also included general employees as well as engineers, designers and other technical staff. Their opinions greatly helped to shape the product concept.

Generally, product development personnel are engaged only in their assigned part of the development process, and have few opportunities to be involved in the entire process. This was not the case during the development of *eneloop*. Many of the staff involved happily remarked that they could see what product they were developing and understand how the development process worked. The project was significant in that many of the participating staff shared the desire to develop a product of great value. "All the project members took pride in playing a role in the revitalization of Sanyo." (Kazuhisa Mizuta, Chief Designer, Brand Development H.Q.)

Such a companywide commitment to the project, involving manufacturing, sales, advertising, design and publicity, not to mention technical development personnel, led to the

completion of a new product in which Sanyo's technical excellence is combined with its environmental consideration. Indeed, the development process to which concerted efforts were directed was the embodiment of the "Think GAIA" vision itself.

Contributing to the Conservation of Resources with a Well-Developed Recycling System

Sanyo's *eneloop* can be used approximately 1,000 times^{※3}, and therefore has excellent value in both terms of economic performance and reduced use of resources. In addition, to fulfill their responsibilities to collect and recycle used rechargeable batteries, manufacturers jointly maintain a recycling system, in which users are asked to bring used batteries to certain shops that bear a recycling mark or put them in the designated collection box so that collected batteries can be recycled.

※3: The battery life is estimated using the methods described in JIS C8708 2004 (4.4).
(Battery life varies depending on the condition of use and equipment for which it is used.)

Offering *eneloop* to Users all Over the World

Sanyo has offered rechargeable batteries of various types to the world for more than 40 years. Yet, the size of the market for commercially available rechargeable batteries compatible with dry-cell batteries was still less than 1% of the dry-cell battery market before *eneloop* was developed. In launching *eneloop* to the market, we hope to propose a "culture of reusing batteries" to the world and change society in a manner more delighting the Earth.

VOICE

I used 20 to 30 dry-cell batteries a month for my camera and flash unit before and felt guilty whenever I disposed of used batteries. I am very satisfied with *eneloop*, which is reusable, has longer life per charge, and can be charged during use. Now I have replaced all the batteries with *eneloops*.



Mamoru Oiwa
Food photographer
(Mamoru Oiwa Photo Office)

In developing *eneloop*, we placed special emphasis on user-friendliness, to ensure customers unfamiliar with rechargeable batteries could easily use them as they use dry-cell batteries.

Due to the limited time available, we experienced several difficulties in developing solutions to the self-discharge problem and in evaluating their effects. Our desire to promote use of environment-conscious rechargeable batteries and the concerted efforts of all the project members focusing on customers' viewpoint led us to the successful development of *eneloop*. We hope *eneloop* will be used in digital equipment such as digital cameras and various other products to help introduce the "culture of reusing batteries" into everyday life.



Motoo Tadokoro
General Manager, Engineering Department,
SANYO Energy Twicell Co., Ltd.

Involving Children in our Effort to Create the Bright Future of GAIA

Rechargeable battery raises awareness of the global environment and energy issues.



Let us bequeath our beautiful Earth to future generations.

With the release of *eneloop* to the market, Sanyo embarked on a project to donate *eneloop* to, and provide environmental lessons at elementary schools in various parts of Japan. This was out of the desire to communicate the importance of preserving the global environment to children who will lead the next generation. Named the "Energy Evolution Project for Elementary Schools," this initiative aims to provide hands-on opportunities for children to learn about issues concerning the "global environment and energy" through a battery, an everyday item familiar to them.

Rechargeable Battery as Tool for Teaching Environmental Issues

Learning about the "culture of reusing batteries" first-hand

From November 2005 to March 2006, Sanyo donated sets of *eneloop* and battery chargers to 250 elementary schools in various parts of Japan to offer hands-on opportunities for children to experience the "culture of reusing batteries," a concept advocated by Sanyo. At the recipient schools, dry-cell batteries used in various devices will be replaced with rechargeable *eneloop* when they run out.

Schools have many devices that use dry-cell batteries, such as loudspeakers, microphones, radio-cassette players, digital cameras, and clocks in classrooms. Dry-cell batteries are also used for experiments in science classes. At the recipient schools, most of these disposable batteries can be replaced with *eneloop*.

For example, Ichigaya Elementary School in Shinjuku-ku, Tokyo uses *eneloop* in digital cameras used to record class activities, and produce presentation materials, as well as in clocks and devices used in science class.

One of the children sent a letter saying that "the *eneloop* rechargeable battery can be repeatedly used and is so nice," while teachers are impressed with the ease of use and care of *eneloop* that has the advantage of lower self-discharge rate. These responses indicate the high likelihood of the culture of reusing batteries being accepted in society.

Environmental Lessons

Teaching children the importance of the Earth and life

Starting from April 2006, Sanyo offers a class on environmental issues to recipient elementary schools that place special importance on environmental education. Specifically, Sanyo employees are sent to these schools to give a 90-minute lesson to 5th- and 6th-grade children, teaching them issues concerning the global environment and energy using a battery as a learning tool.

At the beginning of the lesson, children are shown the "GAIA Calendar" that summarizes the 4.6 billion-year history of the Earth in one year, and learn that the Earth has undergone astounding transformations before taking on today's familiar look. Human history is negligible compared

Thank-you letter from a school child

Sixth grader of Onogami Elementary School in Gunma Prefecture

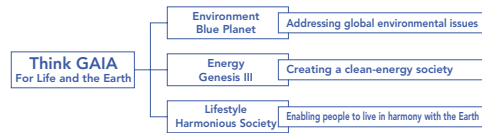
Thank you for donating *eneloop* to us today. We are very happy to have been selected as one of the recipients of *eneloop*, from among many elementary schools in Japan. By visiting your website, we learned that *eneloop* has more power than conventional batteries but is more environmentally-friendly.

Today, the global environment is in greater danger than ever. Therefore, we think it is a wonderful thing to promote the development of environment-conscious products as Sanyo does. We hope more people will be conscious of global environmental issues. While we have

been implementing a recycling program as part of our school activities, I will also do my best to join in the recycling effort and contribute to the conservation of the global environment.



Donation of *eneloop* to Onogami Elementary School in Gunma Prefecture



with the Earth's history, and our continued pursuit of greater convenience increased our reliance on energy, resulting in environmental destruction. Then children are taught that rechargeable batteries can be used repeatedly if recharged, Sanyo's *eneloop* can be used approximately 1,000 times (refer to p.10^{*3}) and they can be reused as recycled resources.

The class also provides various enjoyable hands-on experiments, such as "human battery" production, in which children become "human batteries" themselves by using salt water, aluminum plates and spoons, and supply power to an electric music box. Other experiments include running a model train with *eneloop*, and rotating a motor using solar panels. The handouts distributed to children include some simple problems for them to answer that correspond to the school curriculum.

The content of these lessons were developed by Sanyo employees on their own, after much trial and error. At first, the employees involved in this program had no idea how the lesson would be accepted by children. "How can we best communicate our 'Think GAIA' concept to children in a limited time and in an enjoyable manner? How can we tell children the importance of the 'culture of reusing' through *eneloop* and encourage them to act in an environmentally-friendly manner? In developing the contents from scratch, we repeatedly asked ourselves these questions. Eventually we developed a participatory, hands-on way of learning, focusing on direct interaction with children and incorporating various experiments. As it turns out, children enjoyed the lesson very much, and from the reports they submitted after the class, we found that the class has made many children more aware of the importance of the environment and encouraged them to take action for environmental conservation. We are very happy with this

outcome."

(Masumi Suzuki (instructor), Human Resource Unit, General Affairs/Human resource Headquarters)

By offering opportunities to learn about the environment to children, who are the leaders of tomorrow, we aim to prompt them to do what they can do for the environment in their everyday life, and work hand-in-hand to preserve the precious global environment.



Outline of Sanyo's Environmental Lesson

Coverage: About 30 elementary schools in Japan (FY2006)

Venue: Classroom (school laboratory, etc.)

Duration: 90 minutes

Instructor: Sanyo employees, etc.

Contents: History of the Earth up to the dawn of humanity

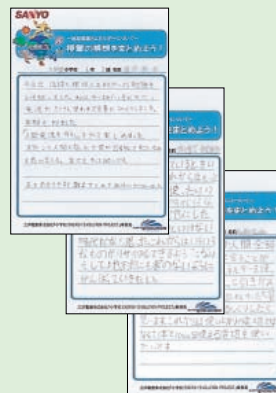
Mass consumption of energy and resulting environmental problems

Rechargeable battery *eneloop* that can be used repeatedly

Lesson report

Sixth grader of Myokenzaka Elementary School in Osaka Prefecture
The resources of the Earth (GAIA) are limited and should be conserved for future generation.

The Earth is shared us all, and by the people of the future and other organisms. Therefore, I think people of the current generation must not destroy its environment. Energy resources will run out eventually. I will repeatedly use resources (batteries, etc.) on an everyday basis to prolong their life as much as possible.



Environmental lesson at Matsushige Elementary School in Tokushima Prefecture

Proposal: Washing by Use of the Special Properties of Ozone

For more effective use of water resources

Readily Available Freshwater Resources Account for Only 0.01% of Global Water Resources

The Earth (GAIA) is a planet of water, where seas and rivers—the sources of life—occupy about 70% of its surface. However, most of the water is seawater, and freshwater accounts for only about 2.5% of the water resources. Moreover, the freshwater includes glacier water and groundwater which is not readily available for use. This means, only 0.01% of the global water resources is available for our everyday use, which includes river and lake water. Preserving such precious water resources means preserving the environment, and eventually protecting lives. We use a huge amount of water for purposes other than drinking. Taking everyday washing as an example, an average washing machine uses as much as 165 liters of water per wash cycle*1.

*1:Source: Bureau of Waterworks, Tokyo Metropolitan Government



AQUA, Product of Lake Biwa

Sanyo Electric's Shiga Factory where Sanyo's washing machine development team is based is located along the Seta River flowing from Lake Biwa, which is often called the "Water Pot of the Kansai Region." Home to Lake Biwa, Shiga Prefecture is known for its environment-conscious administration. Everywhere within the prefecture, a government-wide effort is underway to preserve the natural environment. We, the members of the washing machine development team, have also been committed to reducing the environmental impact of washing, to attain the goals to "purify water," "conserve water," and "be friendly to the water environment."

In developing a new washing machine, we were focused on reducing the resources to be used for washing, and considered how we could best reduce water consumption and how we could enhance washing efficiency with less detergent. In so doing, we hit upon a new idea that later led to the development of AQUA. It occurred to us that "If we purify water and recycle it, then the water can be used repeatedly forever. Moreover, we can purify water to be discharged into the environment as well."

From Disposal of Water to Recycling of Water

At the Shiga Factory, a team specializing in environmental technologies has been engaged in developing water purification equipment for industrial use, which has now grown to be one of Sanyo's specialist products. We applied this water purification technology to AQUA and realized the unique way of purifying water by means of ozone.

Ozone is a gas that is naturally present in the atmosphere and generates strong oxidation reactions when decomposed. When ozone is combined with organic matter, the cause of dirt and odor, when decomposed, it causes oxidation reactions that result in excellent disinfecting*2 and

Test to purify the last rinsing water



The water in the drum moves to the lower tank.



Ozone eliminates the sources of dirt and purifies the water.

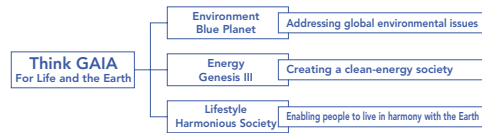


Project members

Upper left: Masahiro Naito (in charge of product planning)

Lower left: Kiyoshi Sarada (technology)

Right: Satoru Fujio (design)



deodorizing effects. Moreover, ozone itself turns into harmless water and oxygen after the disinfecting and deodorizing reactions have occurred. Due to these harmless reactions, ozone cleaning technology is now used for a wide range of purposes including air purification and food sanitation.

Our idea was to apply this technology to washer/drier for household use to purify and recycle rinsing water and realize "washing without disposing of water."

We were faced with many problems to be solved before completing the development. First, we had to consider how we could place a water tank and an ozone creation device in the limited space of a washing machine. The treatment of ozone presented another challenge. When ozone is injected into water, bubbles of ozone are generated and rise to the surface of the water, which can hardly be combined with the sources of dirt and odor. Therefore, we had to devise measures to ensure finer bubbles of ozone are created that better dissolve in water. In addressing these problems, "we strived to make the most use of the clean technology that relies on natural power, and conserve precious resources. Thus, the *AQUA LOOP* and *AIR WASH* functions were developed." (Kiyoshi Sarada, Senior Staff, Washing Engineering Department, Washing Appliances Central Business Unit)

The *AQUA LOOP* function allows the last ozone-disinfected and purified rinsing water to be reused as washing water for the next washing cycle or as cooling water for dehumidification when drying clothes, thus reducing water consumption per cycle to about 50 liters. On the other hand,

the *AIR WASH* function, which is unprecedented in the history of washing machines, eliminates bacteria and odors without use of water and detergent simply by spraying ozone directly on to the objects to be washed.

※2: Test conducted by the Japan Food Research Laboratories using the agar plate culture method to measure the effect of disinfection by ozone.

Washing Machine Still in Development Stage

While the washing machine is often said to be a product that is technically mature, there is still room for innovation and improvement. For example, *AQUA* users can choose from a right-hand door or a left-hand door depending on where it is to be placed. Even such basic considerations were not available before *AQUA*.

Since introducing Japan's first nozzle-type washing machine to the market in 1953, Sanyo has continued innovations and developed cutting-edge products, including the "zero-detergent program" washing machine that utilizes electrolyzed water to dissolve organic stains and dirt, and a top-open drum type machine that combines the advantages of vertical unit that is easy to use and drum-type unit that requires less water. *AQUA* is the newest addition to this acclaimed family of Sanyo's washing machines. We remain committed to offering washing machines that are friendly to the Earth and that better serve the needs of society and our customers.

VOICE

Recent washing machines are generally expensive. They are equipped with a drum and drier, quite different from the products available 10 years ago. It is not easy for us to decide to make such an expensive investment. Yet, recent machines employ energy-saving design and require less electricity and water than the machines of 10 years ago, so in the long run, perhaps these expensive machines have better value for money.

What I like most about *AQUA* is the feeling of security it gives to us. With *AQUA*, I can disinfect the belongings of my children if some infectious disease spreads at their school. In this sense, I think *AQUA* offers us a tangible, but invisible "sense of security."



Mrs. Yamada
a customer living in Osaka Prefecture

Today, even Japan does not have a wealth of water resources. Our Shiga Factory is located near Lake Biwa so we all have a high awareness of the importance of the water environment and of water conservation.

AQUA embodies our desire to protect water resources. To start development of *AQUA*, we parted with the idea of "using water for washing," and eventually succeeded in implementing an innovative way of washing by use of the disinfecting and deodorizing properties of ozone.

We will continue efforts to develop washing machines that are very friendly to the environment and customers, by making the most use of our proprietary environmental technologies.



Masahiro Naito
Senior Staff
Planning Department,
Washing Appliances Central Business Unit

Proposal: Purifying Air by Use of Electrolyzed Water

For effectively preventing spread of viruses

Growing Needs for "Purified Air"

The amount of air we take in per day is said to be about 15 m³*1. Due to the fact that airborne viruses and bacteria affect our bodies in various ways, people become more conscious of health and sanitation issues and accordingly the needs for purified air have been growing.

Having long been offering air conditioning equipment to schools, Sanyo thought it our responsibility to develop a product to protect children with lower immunity to airborne viruses. When we were considering developing a new product, the spread of an unknown virus from Asia to Europe was reported, and there was a growing anxiety in society that the virus would take hold internationally. This anxiety was reinforced by the recent increase in global population, concentration of populations into urban areas, and availability of air transport and other high-speed mass transportation systems. To respond to this situation, Sanyo embarked on development of a product to suppress airborne viruses, to be installed in crowded areas as well as schools. Thus, an electrolyzed-water-based air purification system for industrial use, employing our *virus washer* technology was developed.

*1: This is the average amount of air an adult take in per day. 15 m³ = 15,000 liters

Using Electrolyzed Water for Air Purification

Electrolyzed water is water with a disinfecting effect, prepared by electrolysis of tap water that contains chlorine ion. Sanyo has a long proven electrolyzed water technology, which it has applied to washing machines that can remove light dirt without detergent, and a water purification system for swimming pools that does not use any chlorine. Sanyo's R&D department conceived the idea of applying this technology to air purification, and approached the department in charge of air conditioning system development with the idea. Then, development of electrolyzed water technology for the air conditioning purpose started.

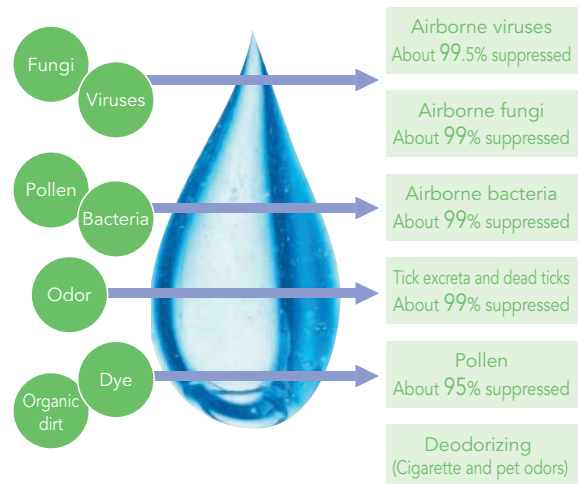
The first important task was selection of the electrode material, because it determines the property of the electrolyzed water. In addition, in order to enhance the efficacy of electrolyzed water, "disinfectant electrolyzed mist" and "disinfectant element" systems were developed. The "disinfectant electrolyzed mist" system generates mist from electrolyzed water by means of an ultrasonic vibrator, and discharges only very fine mist particles that are easily diffused into the air, thus realizing highly efficient spraying. The "disinfectant element" system, on the other hand, is a gas-liquid contact filter soaked in electrolyzed water, which, with its unique honeycomb structure, lets air efficiently pass through the filter and disinfects large areas at a rapid pace.

These efforts led to the recent launch of *mistream*, an air purification device for household use that employs the "disinfectant electrolyzed mist" system, followed by a *virus washer*-based air purification device for industrial use which employs the "disinfectant element" system.

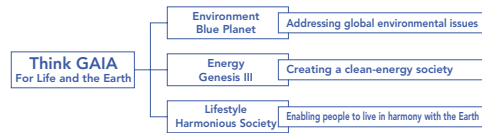


Sanyo's electrolyzed water technology

(Air purifying efficacy of the disinfectant electrolyzed mist system: test data)



Members involved in the development of the "air purification system for industrial use"



Efficacy of Electrolyzed Water Technology in Suppressing Airborne Bacteria

During product development, we conducted joint research with external research institutions to measure the efficacy of electrolyzed water on suppressing airborne viruses. As a result, it was found that by letting air pass through the "disinfectant element" just once, more than 99% of airborne viruses and bacteria can be suppressed^{※2}. Similar results were obtained when testing the efficacy of the "disinfectant electrolyzed mist" system^{※3}. This high virus suppressing efficacy is possibly the result of electrolyzed hypochlorous acid destroying protein called spikes on the surface of virus.

※2: [Test of virus suppressing efficacy]

Test method: Let virus-containing air pass through the "disinfectant element," capture viruses, and then determine the viral titer by means of the TCID50 method.
Test conducted jointly by Sanyo and the Gunma Prefectural Institute of Public Health and Environmental Sciences.

[Test of disinfecting efficacy]

Test method: Suspend bacteria in a test chamber of about 2 m³ in size, activate the air purification system (VW-VF8A) and capture airborne bacteria over time. Then determine the number of bacteria by means of the pour plate method.

※3: [Test of virus suppressing efficacy]

Test method: Suspend viruses in a test chamber of about 1 m³ in size, discharge disinfectant electrolyzed mist, and determine the viral titer by means of the TCID50 method after the lapse of a fixed period of time.
Test conducted by the Research Center for Medical Environment, Kitasato Institute Medical Center Hospital.

[Test of disinfecting efficacy]

Test method: Suspend bacteria in a test chamber of about 1 m³ in size, discharge disinfectant electrolyzed mist, and determine the number of bacteria after the lapse of a fixed period of time.
Test conducted by Kitasato Research Center of Environmental Sciences.

Meeting the Growing Expectations for Virus Suppression

We will continue dedicated efforts to contribute to the prevention of virus infection by installing our air purification system for industrial use which incorporates the electrolyzed water technology in waiting rooms, schools, nursing facilities for the elderly, and other spaces open to the public.

The efficacy of this product is endorsed by Professor Koichi Otsuki of Tottori University, who says "This product will prove to be highly helpful not only in Japan but in other countries which want to prevent the spread of new viruses." We hope to make a greater contribution to healthier life, both in Japan and overseas, through this innovative product.

VOICE

Today, calls are increasing worldwide for effective virus control measures to which nationwide efforts should be directed. I believe Sanyo's air purification system for industrial use incorporating the *virus washer* technology has great significance for our society, because of its ability to drastically reduce the risk of virus infection. This product will prove to be highly helpful not only in Japan but in other countries which want to prevent the spread of new viruses.

I think we can effectively prevent spread of highly infectious diseases by installing this product in public transportation facilities such as airplanes and trains, and in the animal husbandry industry for use in cattle sheds etc.



Professor Koichi Otsuki
Faculty of Agriculture, Tottori University

We incorporated Sanyo's new "disinfectant element" system that employs the electrolyzed water technology in our air purification equipment for industrial use, to take advantage of its ability to rapidly eliminate and suppress new viruses and airborne bacteria. I am pleased that the development of this product was undertaken on a companywide basis and successfully completed in such a short period of time.

Sanyo's air purification equipment for industrial use is an innovative product that can minimize the risk of virus infection and will prove highly reliable when installed in schools, public facilities and other venues freely accessible by many people.

Based on the "Think GAIA" vision, we, at Sanyo, will continue to ensure greater safety for people living in the 21st century through this product.



Hiroyuki Kuriyama
General Manager
Planning Unit, Group Management Division,
Commercial Solutions Group

Proposal: A Device that Protects Children from Possible Dangers

To ensure children's safety and security in everyday life

Rapidly Growing Need to Safeguard Children

Recently in Japan, there have been an increasing number of cases where children have fallen victim to crime. With the growing possibility of children embroiled in crime when commuting to a school far from home or attending cram school at night, a fuller implementation of anticrime measures is urgently being called for by society to protect children from possible danger.

Various measures have already been introduced, such as anticrime education offered jointly by police and schools, and neighborhood patrols by local residents, as well as disclosure of information on suspicious individuals by local government by use of mobile phone or other communication devices.

Sanyo is also involved in these efforts by offering mobile-phone-based safety measures to protect children. Sanyo's Kids phone, SA800i, is a product that reflects NTT DoCoMo's social responsibility to "consider better use of mobile phone for children" and Sanyo's desire to jointly fulfill this responsibility as a mobile phone manufacturer and offer our solutions to society.

Practical Functions Incorporating the Views of Children and Parents

Our customers' comments and responses to questionnaires show that children want to have their own mobile phones, while parents consider mobile phones as one of the measures to secure the safety of their children. Listening to the views of both parents and children, "we thought there could be a mobile phone targeted to children and therefore more considerate towards them. Based on the concept of a 'mobile phone that parents can allow children to carry with fewer concerns,' we added various functions to lessen the worries of parents over undesirable use, such as access to matchmaking websites, as much as possible. At the same time, we incorporated a number of useful functions to ensure parents that their children are protected from possible dangers." (Kimiaki Tsukiyama, Sanyo Telecom Company) SA800i is a perfect embodiment of this concept.

SA800i has a number of practical functions to protect children from becoming victims of crime. For example, it is equipped with an easy-to-activate alarm, which lets people near the phone know something is wrong, and also triggers an automatic voice call to pre-registered numbers. When combined with the GPS-based location information service (*imadoco search*) offered by NTT DoCoMo, the phone reports back its physical location at regular intervals.

The battery of the SA800i is secured with a special screw, which makes it difficult to remove. This is to prevent the battery from being removed and the phone being deactivated by a third person. These are some of the considerate features incorporated in Sanyo's safe, child-oriented mobile phone.



Role of a Communication Device Carried by Children

Children take their mobile phone everywhere, to school, cram school, and play areas. For them, a mobile phone is an important communication tool that connects them with their parents, and therefore it can possibly play a critical role even in life-threatening situations. We will continue to offer reliable communication services to ensure safety and security both in everyday life and in case of emergency.

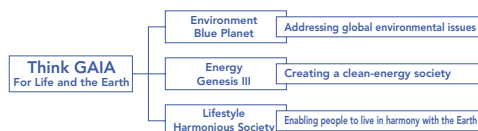
The SA800i is a device developed from our concept of "a mobile phone that parents can allow children to carry with fewer concerns and that can protect children when alone," which is in line with one of the DoCoMo Anshin (safety) Missions, "consideration for and protection of children." Features popular among users include an alarm, and the service to let parents know the location of the phone when the alarm is activated and when the phone is turned off offered in combination with our "imadoco search" service. The gentle, round form of the phone represents our design concept of "protecting and embracing children." I am pleased to note that the concerted efforts with the Sanyo staff who cooperated with us in the development process have led to the development of such a valuable product.

Norihiro Sekizaki
Product Department
NTT DoCoMo, Inc.



Proposal: Environmental Conservation Measures Tailored to the Needs of Ships

For protecting the marine environment



Enhancing the Environmental Measures of a Super Eco-Ship

Today, environmental consideration is required also for marine transportation. A major Japanese shipping company, Mitsui OSK Lines, has been taking a wide range of environmental measures on its super eco-ship named "Euphony Ace" (car carrier), based on their belief that "a ship is a community where environmentally-friendly practices should be implemented." Sanyo has helped them implement their environmental initiatives by offering the "industrial raw garbage disposal unit," "solar power generation system," and "Isotan system" waterproof and heat insulating paint for decks and ceilings.

Food Recycling on Ships

On the Euphony Ace, food recycling is conducted, in which food waste (raw garbage) is treated in a raw garbage disposal unit, then fermented by addition of a fermentation accelerator and finally turned into compost. The resulting compost is discharged at port for free distribution.

Under the International Convention for the Prevention of Pollution from Ships, raw garbage generated on ocean-going ships is allowed to be dumped into ocean waters if crushed. However, Mitsui OSK Lines was fully aware of the importance of preserving the ocean environment and chose not to dump, but take back the waste. On the other hand, Sanyo has always been eager to promote food recycling as a responsibility of a manufacturer and distributor of industrial raw garbage disposal units. Thus both companies joined in the effort to protect the ocean environment.

However, many obstacles had to be overcome before food recycling within the ship could be realized, because food recycling was originally conceived as land-based environmental measures, and no companies had ever introduced the process to ships to produce compost out of food waste and discharge the compost at port. We had also to meet strict legal requirements concerning immunity and compost registration and negotiations to obtain permission for unloading the compost with the relevant authorities took a long time. "Food recycling at sea was realized due largely to the resolution of both companies to take action for the good of the environment." (Keiichi Kawashima, Marketing Advisor, Governmental & Institutional Market Development H.Q.)

Compost discharged at port is processed by a compost manufacturer, packed in small bags and distributed to local residents for free by Mitsui OSK Line.

Energy Conservation and Generation on a Ship

Heat insulating paint is applied on the decks and ceilings of the Euphony Ace, to prevent temperature rises within the ship*, thereby reducing power consumption and improving the working environment for crew members.

The solar power generation system on the deck is used to supplement the diesel power generator, the main power source. This system supplies power for lighting of the cargo compartment in the ship.



The Euphony Ace and the solar power generation system



Industrial raw garbage disposal unit "Gominaisu G"



Packed compost

Opening Up New Possibilities for Marine Environmental Conservation

At Sanyo, we will remain committed to research and improvement of the products used by the super eco-ship to maximize their performance. At the same time, we will work to open up new possibilities for preserving the environment in a ship and at sea with our proprietary technologies, and continue to offer new solutions to better serve our customers.

※ Measurement of temperature of the inner surface of the decks on the ship near the equator shows that the paint can keep the temperature about 30°C lower.

※ Sanyo's New Business Development and Environment Business Unit of the Business Development H.Q. is in charge of sales of the paint and its application on decks/ceilings.

The Mitsui OSK Lines Group is determined to launch ships with advanced environmental measures in the seas all over the world till the day comes when super eco-ships such as the Euphony Ace will become the standard of the shipping industry.

We think highly of Sanyo's wide ranging environmental technologies and hope to share and realize ideas with them to effectively utilize these technologies at sea and in ships.

Kazuhiko Awata

M.O. Ship Management Co., Ltd.,
a company in charge of managing ships
of Mitsui OSK Lines



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Editorial Policy

Type of report and organizations covered :

Financial Report:	SANYO Electric Co., Ltd. and its consolidated subsidiaries, both in Japan and overseas
Environmental Report:	SANYO Electric Co., Ltd. and major related companies in Japan involved in the Group Environmental Management System (GEMS). A note is provided whenever data for any organization not associated with GEMS is shown.
Social Report:	Sanyo Group (SANYO Electric Co., Ltd. and its major related companies in Japan)

Period covered :

April 1, 2005-March 31, 2006 (Data from earlier dates and future objectives and prospects are also included.)

Topics reported :

"Management," "Environmental performance," "Social performance"

Guidelines consulted :

- GRI Sustainability Reporting Guidelines 2002
- Environmental Reporting Guidelines 2003 of the Ministry of the Environment, Japan

SANYO Management

We, at the Sanyo Group, will make a concerted effort to implement our management philosophy and vision, and enhance and strengthen our management structure to win greater confidence of all stakeholders.

Management Philosophy and Corporate Social Responsibility (CSR)

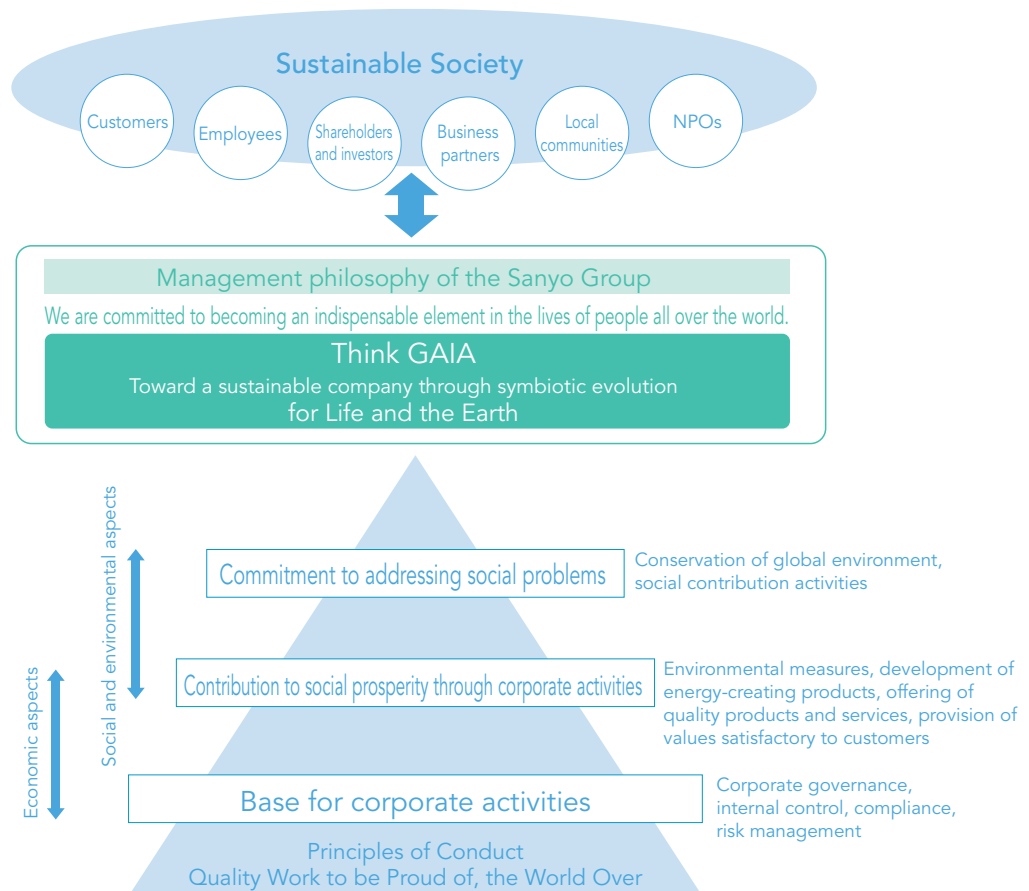
The Sanyo Group bases its CSR stance on our management philosophy, "We are committed to becoming an indispensable element in the lives of people all over the world." In pursuing this management philosophy, we aim to become a corporation chosen and trusted by the people of the world by developing innovative technologies and offering quality products and conscientious services.

Concerned over the continuous deterioration of the global environment and the rise of various social problems in today's world, we, the Sanyo Group, reconsidered how we could contribute to the realization of a sustainable society. The conclusion we reached is a new vision, "Think GAIA," which we announced in July 2005. This vision reflects our

resolution to remain considerate to the Earth and living organisms, and transform ourselves into a company flexibly responsive to the needs of the Earth.

We believe implementation of this management philosophy and the "Think GAIA" vision itself constitutes our CSR activities. To realize a sustainable society, we should achieve social fairness and promote environmentally-friendly practices besides improving economic performance. We think it is our responsibility as an enterprise to work toward these social goals. We will also listen to the views of our customers, employees, shareholders, investors, business partners, local communities, and NPOs and work hand-in-hand with these stakeholders to fulfill our social responsibilities.

CSR Stance of the Sanyo Group



Corporate Governance

Reform of the Board of Directors

Four new directors were appointed under the direction of the underwriters of the preferred stocks Sanyo issued in March 2006 to increase capital. We also reduced the maximum number of directors from 15 to 9, and shortened the term of office for each director to one year, so that we will be more responsive to the changes in the management environment and expedite the decision-making process.

As of the end of June 2006, the Board of Directors comprises nine directors, including two outside directors. The Board of Directors meets regularly once a month to make decisions on important matters and oversee business activities.

Completing and Strengthening Internal Controls

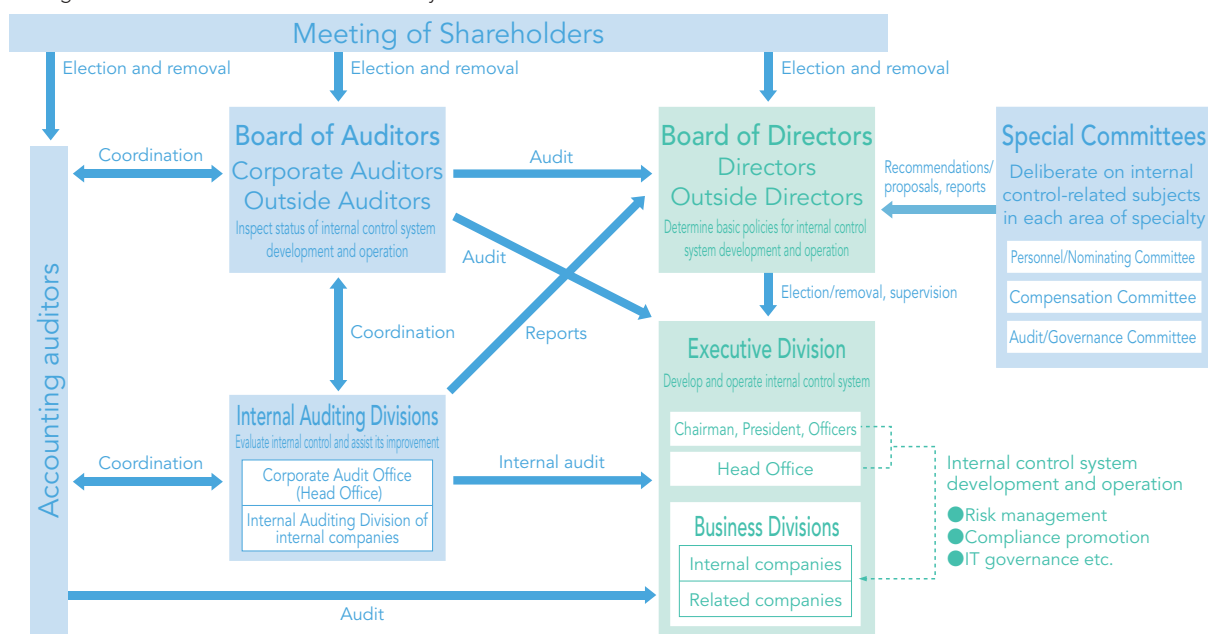
In order to enhance the soundness efficiency and transparency of our corporate management and win stakeholders' trust, we think it essential to develop an internal control system and ensure that the system functions efficiently. It should also comply with applicable laws and regulations. To this end, we developed an internal project to identify tasks to be addressed and submit proposals for improvement.

For FY2006, we set "reinforcing corporate governance" as one of the priority themes of our management policy. We will promote our reform efforts to achieve greater efficiency in the management of the Sanyo Group on a global basis.

Establishment of Special Committees

While Sanyo is not obligated to adopt the "Company with Committees" system under the Japanese Commercial Law, we have three special committees to deliberate on internal control-related issues in each area of specialty, make recommendations and proposals, and submit reports to the Board of Directors. They are the Personnel/Nominating Committee, the Compensation Committee, and the Audit/Governance Committee. To ensure deliberations will be conducted from an objective standpoint, the majority of the members of these Special Committees consist of outside directors and outside experts.

Management Structure and Internal Control System

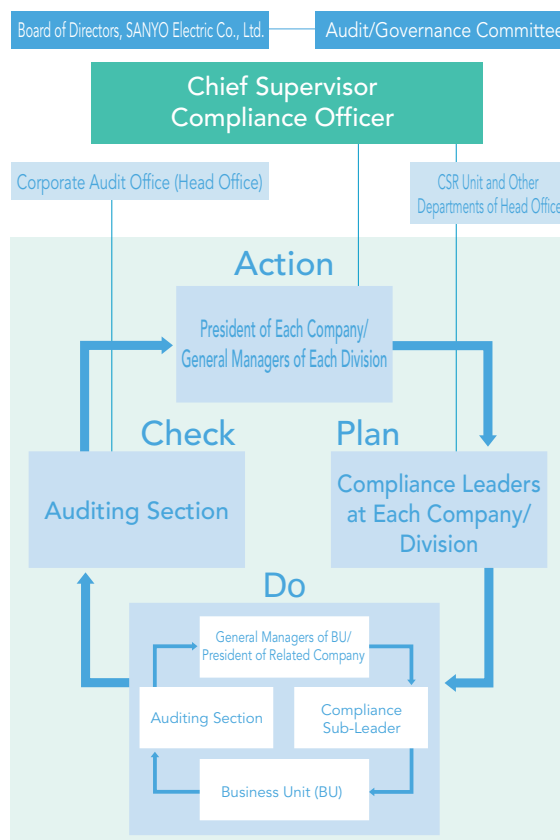


1. Integrity: We work with integrity.
 - (1) Pride and courage
 - (2) Respect for rules and fair competition
 - (3) Global perspective
2. Customer Oriented: We anticipate what will satisfy our customers.
 - (1) Work that meets expectations
 - (2) High-quality work
 - (3) Work that merits our customers' trust
3. Creativity: We single-handedly open up new eras.
 - (1) Creating markets
 - (2) Aiming for the top
 - (3) Innovation
4. Mutual Trust: We create a workplace imbued with the aura of freedom and the candid exchange of views.
 - (1) A fresh and open working environment
 - (2) An encouraging workplace
 - (3) Performing our duties
5. Social Commitment: We maximize efficiency in business management and distribute profits on the basis of fairness and equity.
 - (1) Strong presence in society
 - (2) Openness
 - (3) Harmony with the earth's environment

Sanyo is aware that thorough compliance is essential for continuity of business operations. With these aspects in mind, Sanyo advances group-wide compliance management while strengthening corporate governance.

The Audit/Governance Committee, a special committee established within the Board of Directors, supervises the compliance promotion activities under the internal control system of the Sanyo Group.

SANYO Group Compliance Promotion System (As of June 1, 2006)



Code of Conduct and Ethics

In 2002, the Sanyo Group formulated "Compliance Guidelines" to specify compliance procedures and have since been encouraging our domestic group companies toward compliance efforts.

In April 2006, we established "Code of Conduct and Ethics" based on the Compliance Guidelines to be applied to our Group companies all over the world.

To ensure the standards are fully understood by the Sanyo Group's directors, officers and employees worldwide, in FY2006 we will publish a manual tailored specifically to each of the major countries and regions that explains the Code of Conduct and Ethics and present cases where these standards have been implemented.

SANYO Electric Group "Code of Conduct and Ethics"

A. Business Activities

- A-1. Compliance with Laws, Regulations and Rules
- A-2. Supply of Products and Services from Customers' Viewpoint
- A-3. Free Competition and Fair Commercial Transactions
- A-4. Fair Commercial Transactions with Distributors
- A-5. Fair Commercial Transactions with Suppliers and Consignees
- A-6. Appropriate Advertising
- A-7. Compliance with Export Control Related Laws and Regulations
- A-8. Entertainment and Gifts

B. Relationship with Employees

- B-1. Respect for Human Rights
- B-2. Ensuring a Safe and Comfortable Working Environment
- B-3. Conflict of Interest

C. Assets and Information

- C-1. Proper Management and Use of Company's Assets
- C-2. Respect for Intellectual Property Rights
- C-3. Proper Handling of Confidential Information
- C-4. Proper Handling of Personal Information
- C-5. Prohibition of Insider Trading
- C-6. Recording and Disclosure of Corporate Information

D. Relationship with Local Communities and Society

- D-1. Coexistence with the Earth
- D-2. Coexistence and Mutual Prosperity with Society and Local Communities
- D-3. Political Activity and Political Contributions
- D-4. Severing of Contacts with Antisocial Force/Group

<http://www.sanyo.co.jp/koho/doc/j/corporate/rinri.html>

Compliance Promotion in Key Areas

As part of our compliance efforts, we have developed internal rules for each of the key compliance areas that require Group-wide commitment, to carry out compliance management throughout the Sanyo Group, ensure early detection of and response to problems, and offer educational and training programs.

Key compliance areas



Compliance Hotline

The Sanyo Group has installed Compliance Hotlines, service desk to receive inquiries and offer consultations about compliance-related issues. While the hotline service had been available only in Sanyo's head office and internal companies, we installed service desks also outside of our company in FY2005.

Starting from FY2006, we will install a consultation and inquiry system for foreign countries and regions as well, while disseminating our Code of Conduct and Ethics worldwide.

Risk Management

We have designated one of the officers as Chief Supervisor in charge of risk management and set up a department that supports them in overseeing and coordinating risk management across the Sanyo Group.

In particular, we conducted asbestos measures and drew up the Group's rules concerning insurance coverage for more effective risk transfer during FY2005.

In FY2006, we will develop procedures to conduct risk assessment and analysis in an integrated manner within the Sanyo Group as part of our effort to enhance and strengthen the internal control system.

Environmental Management

Through the Group-wide commitment to environmental management, the Sanyo Group hopes to contribute to the conservation of the global environment and social well-being.

Under SANYO Electric Group Environmental Policy, the Sanyo Group is promoting construction of environmental management systems based on ISO14001 both in Japan and overseas.

Domestically, we are striving to constantly achieve Group-wide improvement. For example, we introduced the Group Environmental Management System (GEMS), under which we integrated our major facilities and subsidiaries into one group to obtain ISO certification as a group.

SANYO Electric Group Environmental Policy

SANYO Electric Group's corporate vision is "Think GAIA" and based on this we aim to become "a company that delights the Earth." With "Sustainability" as our keyword, we will pursue "Symbiotic Evolution" to simultaneously realize global environmental conservation and a comfortable and prosperous society.

For this purpose we will focus on the approaches described below in all stages (research/development design, material procurement, manufacturing, distribution/sales, usage, and finally, disposal/recycling) related to SANYO Electric Group's business activities (offering of products and services in fields such as audio-visual & information communications equipment, home appliances, industrial/commercial equipment, electronic devices, and batteries).

1. We will establish and maintain an environmental management system. With the objective of pollution prevention, we will examine environmental issues from the global level down to those specific to corporate management. To address them we will work to continually improve our environmental management system. Further, we will periodically audit our system to confirm its effectiveness.
2. In addition to adhering to environment-related laws/regulations and all other requirements that SANYO Electric Group acknowledges, we will establish our own standards when necessary and work to reduce environmental risk.
3. In the field of product design, to contribute to the formation of a sustainable society, we will focus on reduction of energy consumption, effective utilization of recycled materials, improvement in durability and recyclability, and reduced use of chemical substances harmful to the environment. In this way, we will strive to develop and promote diffusion of "environmentally conscious products" with minimal environmental impact.
4. In our business activities, in addition to reducing energy consumption and material input through improving process efficiency and effectively using renewable energy and recycled materials, we will strive to reduce emission of chemical substances harmful to the environment, prevent global warming, conserve exhaustible resources, reduce waste, and prevent pollution.
5. In order to strengthen our efforts described above, SANYO Electric Group will put together the "Environmental Action Plan" to outline the objectives and targets. This plan will be periodically reexamined as we work to improve the quality of our environmental management.
 - (1) "SANYO Product Circulation Program: Realize zero-emission, 100% recycling and a detoxified product life cycle" Activities include reduction of greenhouse gas emission, waste reduction, increasing reuse of end-of-life products and parts, increase in recycling, reduction of chemical substance emission, improved management of chemical substances in products, reduction of chemical substances in products, and improved environmental quality of products.
 - (2) "SANYO Blue Planet Program: Tackle global environmental problems," "SANYO Genesis III Program: Pioneer the expansion of a sustainable and clean energy society," and "SANYO Harmonious Society Program: Create a compassionate and prosperous society" We will develop technologies and products to promote environmentally-conscious products and environmental technologies.
6. We will engage in environmental education and enlightenment activities to improve the environmental consciousness of all members of SANYO Electric Group, including employees, and those who perform work commissioned by SANYO Electric Group.
7. To facilitate good communication with every stakeholder, including customers, business partners, shareholders, and local communities, and to create an environment in which we work together for a better future, we will seize every opportunity to actively share information and engage in proactive dialogue with them. Further, we will positively incorporate their opinions to improve the quality of our environmental management.
8. As a means of achieving the above, SANYO Electric Group will maintain applicable certifications related to environmental management systems, such as ISO14001, and also obtain new certifications covering new areas.

July 1, 2005

Executive Director & President,
SANYO Electric Co., Ltd.
Toshimasa Iue

Environmental Management

Group Environmental Management System (GEMS)

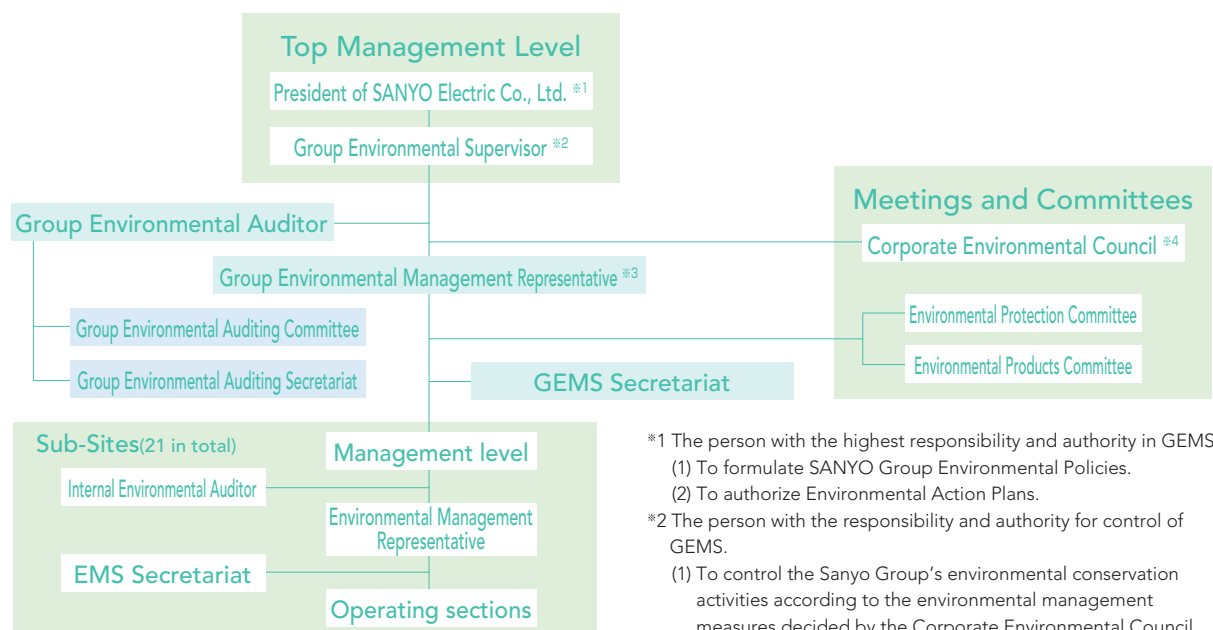
With a view to promoting environmental management on a Group-wide basis, the Sanyo Group established the Group Environmental Management System (GEMS) in which we integrated our main domestic business divisions (such as internal companies and subsidiaries) into one group (site) to obtain the ISO14001 certification as a group. Under this system, each of operating division is called a sub-site. Through this system, we can ensure SANYO Electric Group Environmental Policy will be fully rooted in the Sanyo Group, while expediting the decision-making process and promoting the Environmental Action Plan.

Status of ISO14001 Certification

As of the end of March 2006, a total of 74 ISO14001 registrations were made within the Sanyo Group.

It should be noted that there is a discrepancy between the number of registrations and the number of the certified related companies within the Sanyo Group, because some sites consist of two or more related companies, and some facilities of a company are registered as one site on its own. In the case of GEMS, 38 domestic related companies and major facilities of Sanyo Electric (internal companies) together comprise one ISO-certificated site.

Organizational Structure for Promoting Group Environmental Management System (GEMS) (As of March 31, 2006)



For details about the environmental management system of the Sanyo Group, please visit our website where the following information is available.

- Background to the establishment of the environmental management system
- List of GEMS sub-sites (FY2005)
- Map of domestic facilities (FY2005)
- Performance by site and by facilities
- List of ISO14001-certified sites

<http://www.sanyo.co.jp/Environment/>

*1 The person with the highest responsibility and authority in GEMS.

(1) To formulate SANYO Group Environmental Policies.

(2) To authorize Environmental Action Plans.

*2 The person with the responsibility and authority for control of GEMS.

(1) To control the Sanyo Group's environmental conservation activities according to the environmental management measures decided by the Corporate Environmental Council.

(2) To authorize SANYO Group annual Environmental Action Plans.

*3 The person with the responsibility and authority for establishing, implementing and maintaining GEMS.

*4 This meeting is chaired by the Group Environmental Supervisor and determines the direction of internal companies' environmental management policy.

Environmental Management

How GEMS Works

Identifying Significant Environmental Aspects

Once a year we conduct an “environmental impact assessment” (at GEMS, sub-site and division level) to clarify aspects of our corporate activities, products and services that affect or are likely to affect the environment. We then identify the aspects with significant environmental impact.

Main Significant Environmental Impacts for GEMS

- Use of energy (electricity)
- Use of chemical substances (sodium hydroxide) as materials
- Use of chemical substances (nickel, nickel compounds, etc.) contained in materials
- Generation of industrial waste (sludge, waste oil, etc.)
- Generation of specially controlled industrial waste (waste alkalis, waste acids, etc.)
- Final amount of industrial waste disposed to landfill
- Emission of PRTR substances into the atmosphere
- Research and development on themes important to the environment

Setting Objectives and Targets for GEMS

To ensure continued improvement of the significant environmental aspects so identified, these aspects are incorporated in the Group-wide mid-term targets (targets to be attained in three years) set by the President of SANYO Electric as well as in the SANYO Group Environmental Action Plan. Based on these objectives, the Group Environmental Supervisor develops annual targets and plans, and supervises their implementation.

The GEMS Secretariat is responsible to supervise and measure the progress of the Group Environmental Action Plan monthly and submit report to the Group Environmental Management Representative and the Group Environmental Supervisor.

Environmental Management at Sub-Sites

Following the instructions of the Group Environmental Management Representative, the sub-sites have set their own specific targets based on the Group Environmental Action Plan. The sub-sites also pursue improvement of “significant environmental aspects” based on their own objectives and targets, not included in the Group Environmental Action Plan. The environmental aspects that have been improved to a certain level are then reclassified as items that need maintaining, to which efforts are directed to maintain the current level.

Effects of the Environmental Risk on the Economic Aspects

The Sanyo Group considers the “possibility of physical impact on the global environment” and the “possibility of environment-related economic losses to be incurred by the Sanyo Group” as two major environmental risks, while specific environmental risks are identified by each sub-site within the Group. The environment-related economic losses to be incurred by the Sanyo Group can include direct monetary losses and intangible damage to our corporate image that may lead to monetary losses in the future. To be specific, such losses include the followings.

1. The possibility of impact on the global environment, including natural disasters, accidents at facilities, and environmental pollution, and the possibility of economic losses of the Company caused by the above events.
[Example] Possibility of soil pollution by toxic substances in the coating material.
2. The economic damage to the Company in case of a negative impact on the global environment.
[Example] The possibility of losing a sales opportunity in the case where a product contains a chemical substance that has a high environmental impact.
3. The possibility of economic damage to the Company caused by requirements concerning social environment including environmental regulations.
[Example] The possibility of objections and demands from the local residents arising as a result of insufficient explanation of the construction works, etc.
4. The possibility of economic damage caused to the Company as a result of the actions of others that have negative effects on the global environment.
[Example] The possibility of the brand value decreasing, caused by the illegal dumping of our refrigerators and its reporting.

Environmental Risk Management

The Sanyo Group has formulated and is promoting a range of measures to cope with environmental risks, and incorporates the measures which have been judged especially important as a result of environmental impact assessment in the Group Environmental Action Plan or sub-sites’ objectives and targets to ensure these measures are implemented without fail. For items that have achieved the targets, we set higher targets. However, for items where no future improvement is expected from pursuing numerical targets, we set new targets from a different angle while striving to maintain the current situation.

Emergency Relief Measures

Emergencies are defined as unexpected events that can cause serious impact, such as pollution, to the environment beyond the control of a sub-site or outside its boundaries following a natural disaster or accident. In GEMS, the storage of large quantities of substances that can cause serious impact to the environment in the case of leakage is identified as an environmental risk that can cause an emergency situation. Such substances include: chemicals such as hydrofluoric acid, sodium hydroxide, and nitric acid; cadmium and its compounds; solvents and other chemical substances; and hazardous wastes (waste alkalis, waste acids and waste oil).

Each sub-site, based on the result of environmental impact assessment, has identified potential emergency situations such as severe leakage of gas or chemicals. To cope with such emergencies, protective and preventive facilities and equipment are in place, and emergency procedures are set. These procedures are tested regularly and any inadequacies are reviewed and rectified.

To ensure information and instructions are given promptly and effective Group-wide action is taken in case of emergency, the Group Environmental Management Representative and the GEMS Secretariat conduct a simulation test every year assuming an emergency at a sub-site. In FY2005, a simulation test was conducted in December to measure the responsiveness to a leakage of electrodeposition coating solution at a sub-site that recently joined GEMS, in which no problems were observed through the entire emergency procedures from the initial response to the final stage of reporting to the management.

In January 2006, an accident occurred at our soon-to-be closed Kasai Factory, where a small amount of machine oil flowed into the river during demolition work on a holiday. We quickly responded to this situation by installing an oil fence according to the prescribed procedures to prevent oil from spreading, promptly informing the administrative body concerned of the incident, and recovering the spilled oil. Thereafter, efforts were made to prevent a similar incident from recurring, which included the review of the emergency procedures by the secretariat at the aforementioned sub-site.

Training

We provide training sessions to increase awareness of the need for environmental conservation on a regular basis for all the employees within the scope of GEMS (about 30,000 people including subcontractors working within the premises of the SANYO Group).

In particular, employees who are involved in operations which may have significant impact on the environment, such as handling of boilers, incineration systems and chemicals, and those in charge of environmental laws and regulations are subject to special training to prevent accidents from occurring.

Environmental training program

Trainees	Content
All employees (training is conducted on a division basis.)	Group Environmental Policy, environmental targets of each division, environmental measures to be taken in connection with respective operations (sales, service, administration, etc.)
Environmental Management Representative at sub-sites	Operation policy and direction of GEMS
GEMS Secretariat, Environmental Management Representative, EMS Secretariat, those in charge of environmental management and promotion of environmental measures	Knowledge and information necessary to promote environmental measures in-house (Group training, e-learning)



Training

Environmental Management

Compliance with Environmental Laws and Regulations

In its effort to comply with the environmental laws and regulations relevant to its business activities, each sub-site within the scope of GEMS ensures that information on all new environmental laws and regulations, as well as amendments to existing ones is obtained and communicated within the organization without fail. They also regularly monitor and check how these laws and regulations are observed internally. In addition, the Sanyo Group endeavors to observe other requirements to which the Group consented, such as agreement amongst industry groups.

The Sanyo Group not only observes regional environmental ordinances of prefectural and municipal governments, but also sets voluntary standards higher than those of the ordinances to ensure strict compliance with environmental requirements.

Since FY2001 when GEMS was established, there have been no particular violations of environmental laws/regulations and voluntary standards by sub-sites, though some sub-sites failed to comply with the voluntary standards for water and noise pollution in FY2004. There was also a deviation from the voluntary standards for water and noise pollution in FY2005, which was promptly rectified and appropriate measures were taken to prevent the same problem from recurring. There has been no serious breach of laws and regulations, with no issuing of guidance, recommendations, orders, or reprimands by the regulatory authority.

The Mechanism for Continuous Improvement

To prevent the occurrence of nonconformity and to ensure continuous improvement in operating and managing GEMS, we have developed a mechanism to investigate the causes and impacts of nonconformity of environmental regulations or voluntary standards, if any, and implement appropriate corrective and preventive measures and verify the effects of these measures.

When environmental performance exceeds the target provided in the Group Environmental Action Plan or sub-sites action plans, then the management reviews the plan and revises the target upwards for the following year. If a very high level of performance is achieved, we either strive to maintain that level or set a new target from a different angle, in order to continue our environmental activities with high goals.

Internal Environmental Audits

Every sub-site performs internal environmental audits on a regular basis in accordance with the requirements of ISO14001 and its voluntary standards, and takes corrective measures if any incompatibility is found.

Within the scope of GEMS, a "Group Environmental Audit" is conducted every year, where the group environmental auditors selected from each sub-site audits the performance of other sub-sites in accordance with the requirements stipulated in ISO14001 and the Group Environmental Manual to verify the effect of the internal environmental audit at sub-sites. The Group Environmental Audit enables sub-sites to share the cases of successful activities and achievements within the Group and thus contributes to the improvement of the operation of GEMS.

The results of internal audits are reported to the management, and reflected in the review of environmental policy, objectives, targets, and management system of the Sanyo Group. If an incompatibility is identified as a result of an internal audit, corrective measures are taken without delay.

Results of Group Environmental Audit (No. of cases)

	FY2004	FY2005
Serious incompatibility The environmental management system itself has some problem that requires improvement.	0	0
Minor incompatibility The environmental management system has some problem but it affects the system only slightly as a whole. (Improvement is needed.)	15	12
Observation Better effect is expected by improving the situation.	43	31

Measuring of Environmental Management Levels

The Sanyo Group has introduced the external environmental management assessment service of Nikkei Research Inc., to verify GEMS activities and achievements more objectively. In FY2005, manufacturing sub-sites were subjected to the assessment and matters that needed to be improved were identified. The results of the assessment are incorporated in the environmental measures for the next fiscal year so that the Group will continue to improve its environmental performance.

Targets and Achievements

To continue to improve our environmental performance under GEMS, we have adopted an Environmental Action Plan in which three-year objectives and yearly targets are set.

Though we revised some targets during FY2005 following the expansion of the scope of GEMS, we have already successfully achieved all the targets set for this fiscal year.

FY2005 achievements and three-year (2006-2008) targets of the Environmental Action Plan

Environmental targets	Indicators for assessing progress	Target for FY2005	FY2005 achievements	Self evaluation *1	Target for FY2006	Target for FY2007	Target for FY2008	Reference
1. Activities that aim for realization of "Zero Emission, Complete Recycling, and Detoxified Product Life Cycle" as part of the "SANYO Product Circulation Program."								
Reduction of greenhouse gas emissions	Reduction in CO ₂ emission (per unit of sales as compared to the FY1999 level)	1% or more*2	6.5%	○	5% or more	10% or more	15% or more	➡ P40
	Implementation of energy saving measures Energy-saving effect as compared to the energy consumption of FY2004	Equivalent to 0.7%*2	0.84%	○	Equivalent to 2.5%	Equivalent to 4%	Equivalent to 6%	➡ P42
Reduction of waste	Final landfill disposal ratio GEMS average disposal rate	0.5% or less*2	0.42%	○	0.4% or less	0.3% or less	0.3% or less	➡ P45
	Percentage of sub-sites with 1% or less disposal rate	85% or more	89%	○	85% or more	90%	100%	➡ P45
Promotion of reuse and recycling of used products and parts, promotion of recycling	Reuse or recycle of used components	Trial with one or more components	Trial with two components	○	Trial with multiple numbers of components	Implementation at major manufacturing sub-sites	Implementation at major manufacturing sub-sites on a larger scale	➡ P35
Reduction of chemical substance emissions	Reduction rate of emission of chemical substances subject to PRTR as compared to the FY1999 level	86% or more	92%	○	90% or more	92% or more	94% or more	➡ P43
Promotion of management of chemical substances contained in the products	Progress ratio of green procurement survey (Percentage of new supplier surveys registered on our website)	50% or more	66-99% (94% on an average)	○	60% or more	70% or more	80% or more	➡ P36
Reduction of the specified chemical substances contained in the products	Percentage of green components used (Percentage of components not using specified substances)	System construction	Construction completed	○	50% or more	60% or more	70% or more	➡ P36
	Usage rate of lead solder	25% or less till the end of June and 0% after July	Full phase-out	○	—	—	—	➡ P33
Promotion of ensuring environmental quality of products	Percentage of products that have achieved the environmental quality standard	70% or more	75%	○	—	—	—	➡ P33
Achievement of the product assessment standard	Percentage of products that have achieved the environmental assessment standard	—	—	—	100%	100%	100%	➡ P35
2. As part of programs, "SANYO Blue Planet," "SANYO Genesis III," and "SANYO Harmonious Society," expansion of products and development of technologies to contribute to the "Challenge of the Global Environmental Issues," "Development of a Society with Sustainable Clean Energy," and "Creation of a Compassionate and Prosperous Society and Mind."								
Expansion of environmentally conscious products	Ratio of environmentally conscious products	30% or more	49.9%	◎	50% or more	60% or more	70% or more	➡ P33
Expansion of Top-Level Environmental Products	Percentage of Top-Level Environmental Products	—	—	—	6% or more	15% or more	20% or more	➡ P33
Promotion of environmental technology	No. of technologies developed (cumulative total since FY2000)	36 or more	41	◎	44 or more	47 or more	50 or more	➡ P37

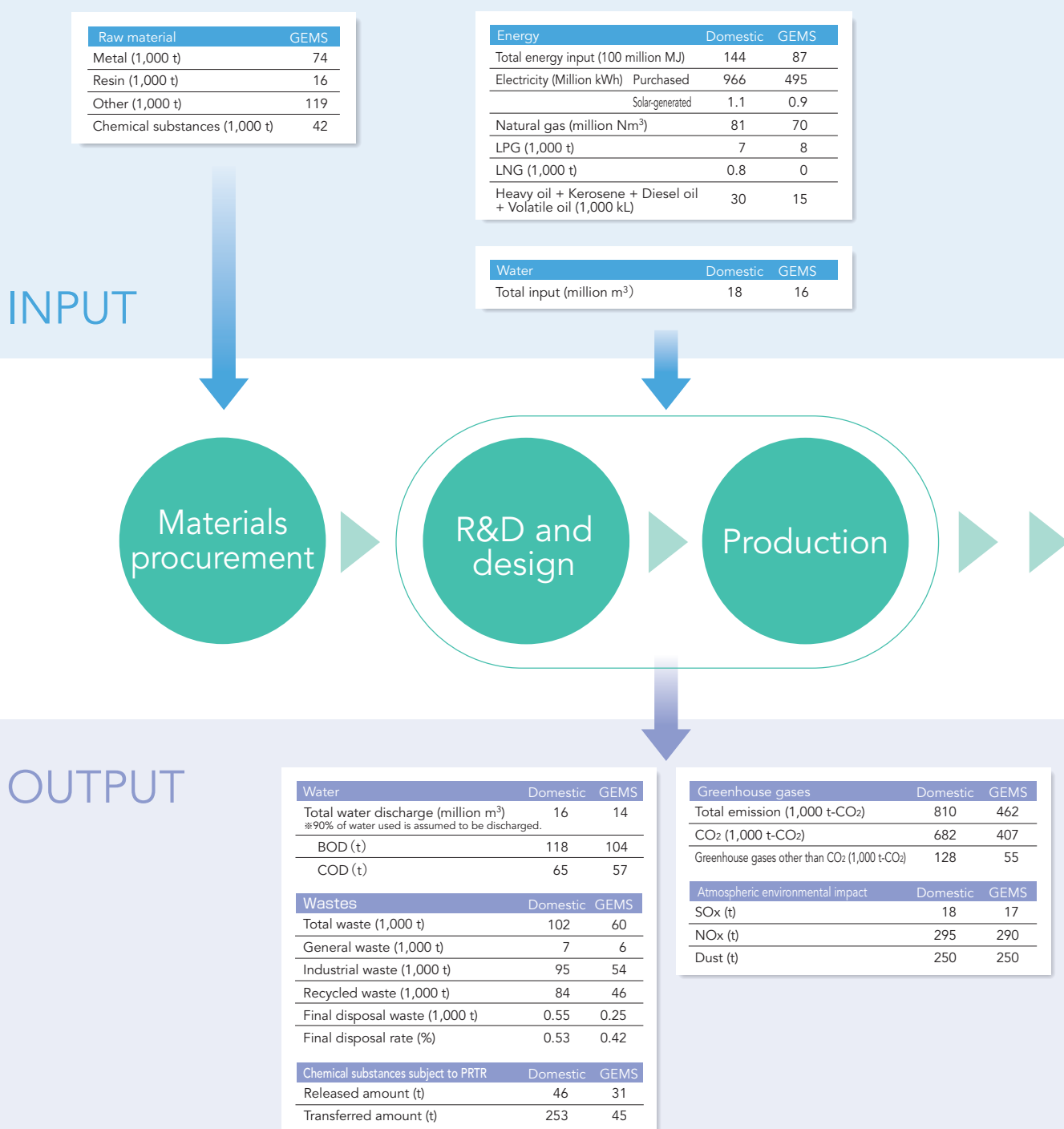
*1 Self evaluation standard: ◎ · · Excellent ○ · · Good × · · Poor

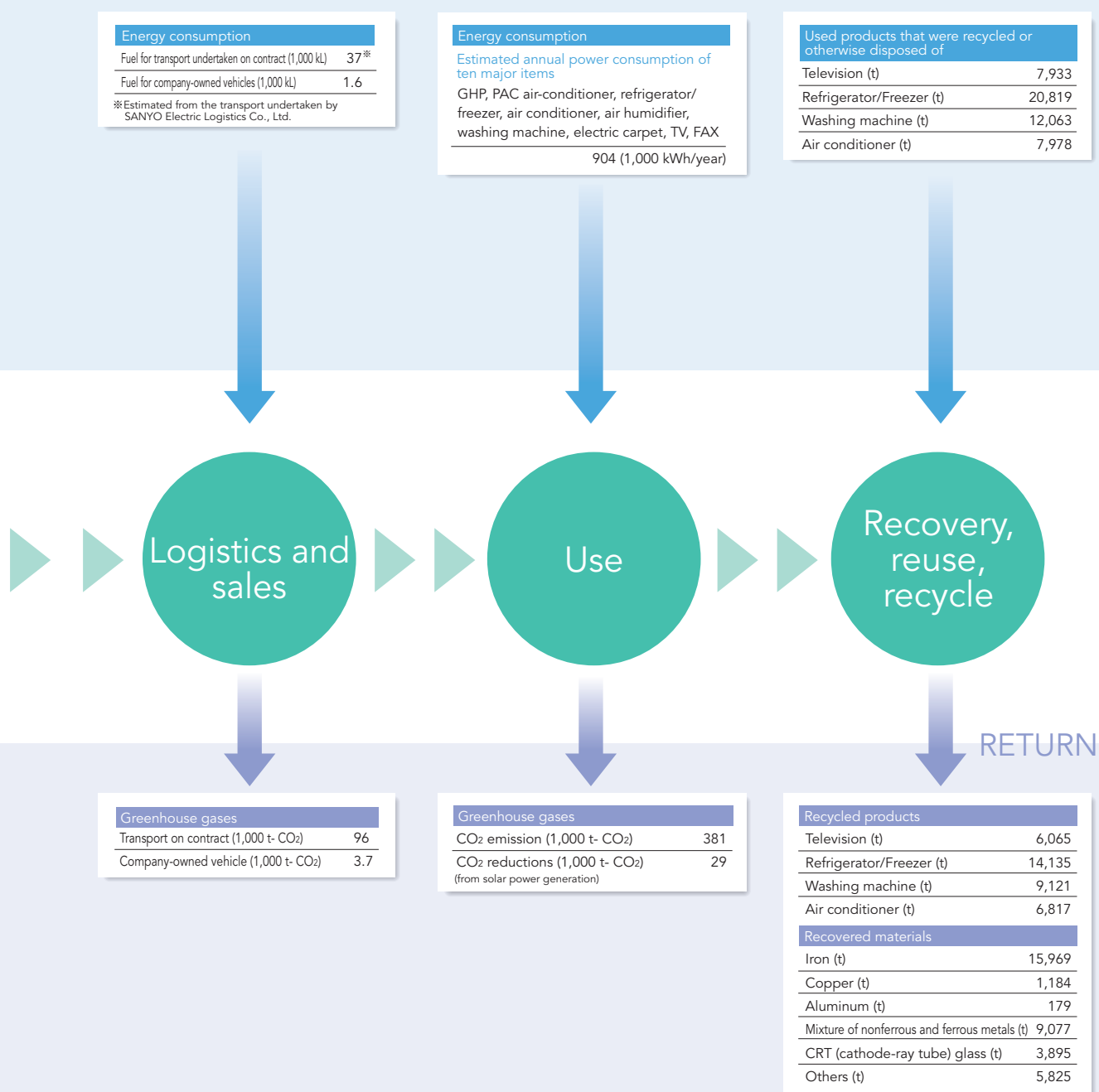
Excellent: Target achieved at least one year ahead of schedule. Good: Target achieved as scheduled. Poor: Target not achieved as scheduled.

*2 Following the expansion of GEMS due to the addition of SANYO Homes Co., Ltd. in October 2005, the original yearly targets were revised.

Overview of the Environmental Impact of the Sanyo Group (in Japan)

The Sanyo Group is fully committed to collecting precise data about the impact its business activities have on the environment over the entire life cycles of its products and services, and reducing that impact.





Reduction of Environmental Impact in Products

We strive to develop and expand "environmentally-friendly products" reducing the environmental impact via reduction of energy consumption, efficient usage of recycled materials, outstanding product durability, easier structure to recycle, and reduction of usage of chemical substances with environmental impact.

Strategy and Development Concepts for Environmentally-Friendly Products

In developing new products, special attention should be paid to the various impacts that the products can have on the environment. We, at the Sanyo Group, make it obligatory to incorporate a specific level of environmental measures in new products, so that all Sanyo products, ranging from general home appliances to industrial equipment and components, strive to be friendly to the environment.

Based on product assessment, we are striving to promote the 3Rs (reduce, reuse and recycle) as well as energy and resource conservation by reducing electricity, water and fuel consumption. We are also banning or reducing the use of chemical substances with high environmental impact.

Among these environmentally-friendly products, those having cleared our stricter internal standards were called "E21 products." We have designated the family of E21 products "Advanced Environmental Products" (environmentally-conscious products) and applied more rigorous environmental standards. We have also selected products with the highest-level of environmental consideration in the industry from among the Advanced Environmental Products and named them "Top-Level Environmental Products" which we offer to our customers with great confidence.

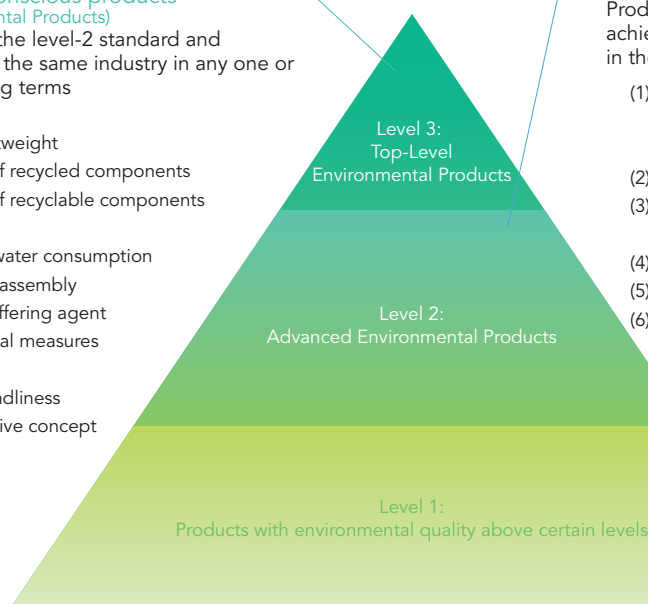
While our target for FY2005 was to achieve 30% in the share of environmentally-conscious products in our total sales, as it turns out, the share of these products has reached 49.9%, greatly exceeding the original target. We will significantly revise our target upwardly for the coming years and strive to achieve higher environmental performance.

Environmentally-conscious Products: Conceptual Diagram

Environmentally-conscious products (Top-Level Environmental Products)

Products that meet the level-2 standard and rank the top among the same industry in any one or more of the following terms

- (1) Small size and lightweight
- (2) Higher utilization of recycled components
- (3) Higher utilization of recyclable components
- (4) Longer life
- (5) Lower power and water consumption
- (6) Greater ease of disassembly
- (7) Reduced use of buffering agent
- (8) Other environmental measures incorporated
- (9) Environmental friendliness through an innovative concept



Environmentally-conscious products (Advanced Environmental Products)

Products that meet the level-1 standard and achieve higher environmental performance in the following terms.

- (1) Resource conservation (higher utilization of recyclable components, reduced weight, longer life)
- (2) More effective energy conservation
- (3) Greater ease of recycling (indication of materials used, ease of disassembly)
- (4) Reduced use of chemical substances
- (5) Less packaging materials
- (6) Awarded an external prize

Products that meet requirements under applicable laws and regulations and Sanyo's internal rules

- (1) Product assessment rules
- (2) Green procurement guidelines
- (3) Control regulations for chemical substances with environmental impacts contained in products

Top-Level Environmental Products

Product	Model	Features
Vacuum cleaner	SC-XW33G SC-XW66G SC-XW55G SC-XW22G SC-X45E2	<ul style="list-style-type: none"> By fitting tissue paper in front of the filter (our original specification), waste disposal and care of the machine is much easier and disposable paper dust bags are reduced. Reducing paper consumption by 686g or 65% over 7 years in comparison with cleaners using disposable paper dust bags. No need to wash the filter.
Drum type washer/drier	AWD-AQ1	<ul style="list-style-type: none"> Incorporating the world's first^{※1} "Air Wash" function, which disinfects and deodorizes objects with ozone. Incorporating the world's first^{※1} "Aqua Loop" function, which reuses rinse water purified with ozone. Realizing the best-in-industry for the amount of water-use (50L).
Twicell battery	HR-3UTG HR-4UTG	<ul style="list-style-type: none"> The world's first^{※2} ready-to-use rechargeable battery like a dry cell. The amount of electricity that can be taken from the battery six months after recharge increases by 17%^{※3}.
Digital movie camera	DMX-HD1	<ul style="list-style-type: none"> The world's smallest and lightest^{※4} high-vision video camera for consumer use. Meeting the requirements of the RoHS directive. Resin-coated components use trivalent chromium instead of hexavalent chromium. Circuit boards with lead-free solder are employed.
Commercial air purifier	VW-VF8A	<ul style="list-style-type: none"> The world's first^{※5} "virus washer" function that removes airborne virus by alpha-electrolyzed water adopted. Meeting the requirements of the RoHS directive.

※1: As of February 2, 2006

※2: As of November 1, 2005

※3: In comparison with Sanyo's conventional batteries

※4: As of January 11, 2006 (Source: Sanyo's internal data)

※5: As of January 20, 2006

Advanced Environmental Products

Product	Model	Features
Electric bicycle	CY-SS263D	<ul style="list-style-type: none"> The brake-rechargeable battery combined with the eco-rechargeable battery doubles the mileage at full charge. No polystyrene foam.
	CY-ST273-H	
	CY-SN243DB	
	CY-SQ263DB	
	CY-SR273DB	
Air purifier	ABC-HR15	<ul style="list-style-type: none"> Lead-free solder. Ink containing heavy metal is not used for the instruction manual and packaging materials.
	ABC-P3E2	
	ABC-TM30	
Foot massager	HER-FA201	<ul style="list-style-type: none"> No cadmium for the thermal fuse incorporated in the air pump. Lead-free solder.
Dish drier	SSK-WD81	<ul style="list-style-type: none"> No mercury or cadmium used in the electrical contacts of the thermal fuse, thermostat, and timer. Lead-free solder.
Electric fan	EF-30SM1	<ul style="list-style-type: none"> Lead-free solder. No hexavalent chromium.
	EF-30SR1	
Refrigerator	SR-FS44K	<ul style="list-style-type: none"> 2004 energy saving Top Runner target value is achieved. (Achievement rate: 275%) Cyclopentane, which does not have a global warming effect, for heat insulation. Fluorocarbon-free refrigerant R600a. The product is entitled to display the J-Moss Green Mark.
Split-type air-conditioner	SAP-EX28T (SAP-EX series 71, 63, 56, 45, 36, 28, 25, 22)	<ul style="list-style-type: none"> 2007 standard value stipulated under the Energy Conservation Law achieved. The product is entitled to display the J-Moss Green Mark.
Natural refrigerant heat pump hot water supply unit	SHP-TC37E	<ul style="list-style-type: none"> The industry's highest COP (as of September 2005) and the high heat retention capacity reduce energy consumption by approximately 15% (in comparison with Sanyo's 2003 model, SHP-TC37C). Natural refrigerant (CO₂) is used.
Vaporizing humidifier	CFK-VX50F	<ul style="list-style-type: none"> Power consumption is reduced by 30% (in comparison with Sanyo's 2004 model, CFK-VX50E). Lead-free solder.
Electric shaver	SV-QX1	<ul style="list-style-type: none"> Lead-free solder. Cadmium-free motor.
IH pressure rice cooker	ECJ-GZ10	<ul style="list-style-type: none"> Lead-free solder. Steel sheet with no hexavalent chromium.
OS-CON	Aluminum solid electrolytic capacitor with conductive polymer (SMD, radial type)	<ul style="list-style-type: none"> Lead-free solder. About 2.5 times longer life than that of an aluminum electrolytic capacitor.

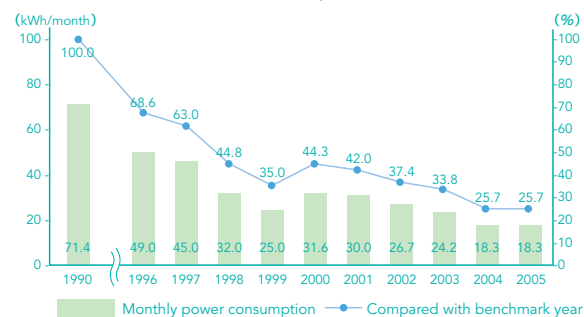
The list of the Top-Level Environmental Products and Advanced Environmental Products is shown on our website.

<http://www.sanyo.co.jp/Environment/>

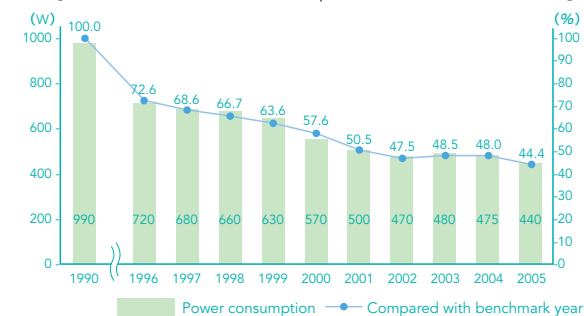
Development of Energy Conserving Products

We are working to develop products which consume as little energy as possible when in use. As a result, we have developed a number of the most energy efficient products in the industry.

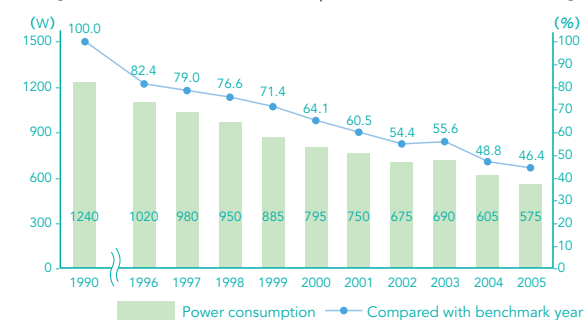
Changes in Electrical Power Consumption (Refrigerator)



Changes in Electrical Power Consumption (Air Conditioner: cooling)



Changes in Electrical Power Consumption (Air Conditioner: heating)



Reduction of Environmental Impact in Products

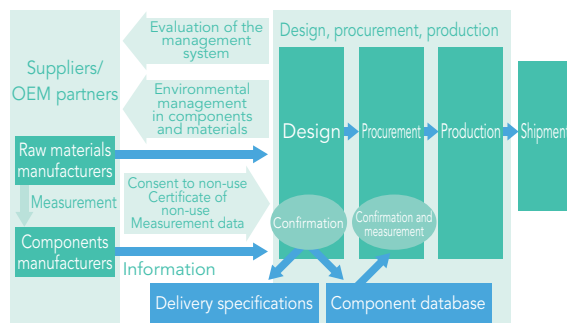
Complete Removal of Specified Chemical Substances from Products and Establishment of Management System

To meet the requirements of the EU RoHS directive that restricts the use of six chemical substances, namely, cadmium, lead, mercury, hexavalent chromium, PBB and PBDE, and those of J-Moss (the marking of the presence of the specific chemical substances for electric and electronic equipment) under the Japanese Law for the Promotion of Effective Utilities of Resources (amended on July 1, 2006), the Sanyo Group, conducted a survey, as a priority, on chemical substances with a high environmental impact, including the six substances specified by the RoHS directive. It has continued to replace these with safer substances as part of our green procurement efforts (refer to p.36). Consequently, we completed the removal of all six specified chemical substances from the products produced in Japan and those for the European market at the manufacturing stage by the end of December 2005.

To ensure these six specified chemical substances will never be used in our products, we have set internal rules for construction of a system for managing chemical substances contained in products, which are applicable to the entire Sanyo Group, to ensure better management and control of chemical substance data of each procured material and product.

In addition, we have joined efforts with our business partners to evaluate and improve their chemical substance management system (environmental quality control system) to promote more effective chemical substance management throughout the supply chain, based on the Guidelines for the Management of Chemical Substances in Products developed by the Japan Green Procurement Survey Standardization Initiative (JGPSSI).

Flow of the management process of chemical substances in products



Ensuring no specified chemical substances are contained by means of fluorescent X-ray analyzer.

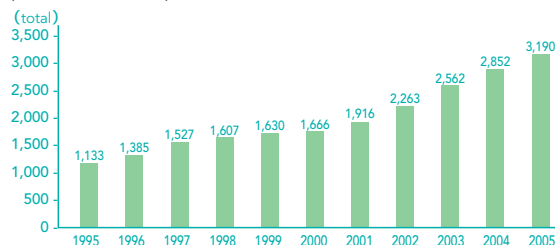
Product Assessment

In order to reduce environmental impact, the Sanyo Group conducts product assessment (preliminary environmental assessment of products) at the design and prototyping stages for household and industrial products and components.

For the assessment of products intended for the Japanese market (produced both in Japan and abroad), we established product assessment procedures based on the internal guidelines adopted in 1992 as well as the provisions of the Law for the Promotion of Effective Utilities of Resources in effect since April 2001 and manuals issued by the Association for Electric Home Appliances and other industrial bodies. In conducting assessment, we have tried to use the quantitative technique in place of the previously used qualitative technique as much as possible and indicate the results of each item in numeric values. This technique has helped us conduct more objective assessment and set clearer targets for the items subject to the assessment.

In order to introduce the product assessment practice at our overseas facilities, we will produce product assessment manuals and assessment sheets in English and Chinese and distribute them to the overseas Group companies.

Number of Products Subjected to Assessment by Fiscal Year (accumulated total)



The evaluation items applied are as follows.

1. Reduction of product weight and volume
2. Use of recycled resources and components
3. Enhanced recyclability
4. Longer product durability
5. Ease of collection and transportation
6. Ease of manual disassembly and waste classification
7. Ease of fragmentation and separation
8. Environmental friendliness of packaging
9. Safety
10. Environmental friendliness
11. Energy and resource conservation at the stage of use
12. Information availability
13. Reduction of environmental impact in the manufacturing stage
14. LCA (Life Cycle Assessment)

※ Reviewed following the revision of the manual of the Association for Electric Home Appliances

Green Procurement

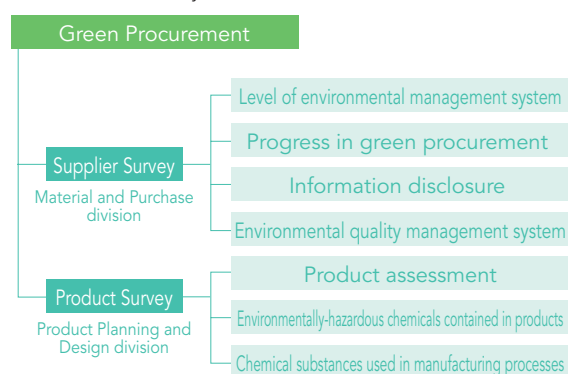
In response to the recent rise in the awareness of environmental issues, the Sanyo Group has been promoting green procurement according to the "Green Procurement Guidelines" we established in March 2000 (revised in part in May 2002) for reduction and non-use of hazardous chemical substances in our products.

In April 2004, we also issued our "Management Standards for Environmentally Hazardous Substances," under which we request our suppliers to submit "Consent to non-use" and "Certificate of non-use" so that we will be able to procure only materials that satisfy the standards. In FY2005, we have asked suppliers to enter into a basic agreement or memorandum specifying their environmental obligations while requesting them to submit Consent to non-use.

The Sanyo Group will actively promote "green procurement" according to the standards, where "goods which satisfy our own environmentally-friendly standards" are sourced from "suppliers who are actively involved with environmental conservation. These actions also represent our effort to respond to the requirements of EU RoHS directive and J-Moss.

In the near future, the regulation on the use of specified chemical substances will be introduced to China, Korea and the U.S. We will continue our effort to meet with the regulation, and construct a system to effectively manage and control the specified chemical substances in our products.

Green Procurement System



Supplier Survey: Supplier Environment Management

Establishing partnerships with suppliers is essential in promoting green procurement. In the period from October to December every year, the Sanyo Group surveys the state of the environmental management systems among our suppliers.

In the case of new suppliers, we execute a similar survey when the first transaction takes place. The survey is conducted using the Internet where the supplier directly enters their answers.

Product Survey: Chemical Substances in Goods Purchased

To ensure the environmental friendliness of purchased goods, each of our business facilities requests its suppliers to conduct a survey on chemical substances contained in their goods prior to placing the first order. If their goods are found to be noncompliant with our standards, as a result of the survey, we request them to take improvement measures and then decide whether to purchase the goods or not. The suppliers are also requested to register the data of chemical substances contained in the goods and answer our questions on our website, and this information is shared by the entire the Sanyo Group. Through the promotion of green procurement, the Group aims to reduce chemical substances contained in products, as well as to support the suppliers' efforts for the environment.

In addition, the Sanyo Group has specified chemical substances, which are prohibited for use in the manufacturing process, and the non-use for product to be purchased is confirmed at the time of purchase. When a finished product is purchased, the product is evaluated according to our product assessment standards, and only those products that have met the standards, are purchased.

Reduction of Environmental Impact in Products

Development of Systems with Reduced Environmental Impact

Water Purification System Utilizing Carbon Fiber Electrode

Taking note of the fact that microorganisms in water are negatively charged, we have developed an innovative water purification system which absorbs and removes larger microorganisms such as bacteria and sporeformers by applying a voltage to a carbon fiber electrode to make it positively charged.

Today, chemical substances, especially sodium hypochlorite, are widely used to kill microorganisms in water. However, this way of water disinfection often causes water to smell of chlorine and generates hazardous by-products in the water that may be discharged into the environment. Our new water purification system is characterized by its ability to disinfect water without using chemical substances, thus reducing the affects on the ingredients and taste of water, and contributing greatly to environmental conservation. (This technology was developed jointly with the Gunma Prefectural Institute of Public Health and Environmental Sciences.)



Recycling of Discharged Wastewater Containing Hydrofluoric Acid from Semiconductor Plants

We have developed a high-performance system for the recycling of wastewater containing hydrofluoric acid, which enables effective removal of fluorine from wastewater discharged from semiconductor plants, as well as recovery and recycling of calcium fluoride, a source of fluorine. Based on our proprietary "Aquacluster" technology, this unprecedented wastewater treatment system achieves the wastewater standard for fluorine (8 mg/L) independent of fluorine concentration, while recovering highly pure calcium fluoride from the wastewater. This system is expected to greatly contribute to reducing industrial waste.



Fuel Cell Power System for Household Use

The fuel cell power system for household use is a new high-performance energy system that simultaneously supplies electricity and heat (hot water) to serve the needs of home users, fueled by propane gas or natural gas.

Employing our proprietary polymer electrolyte fuel cell technology, this system boasts outstanding durability and achieves a total efficiency of 80% on an LHV basis (electricity: 35%, heat: 45%).

Currently, the Sanyo Group participates in the large-scale demonstration experiment led by the New Energy Foundation to identify areas to be improved upon for commercial application, and explore cost reduction measures.



Innovation Awards for Two Sanyo products at INTERCLIMA (Exhibition of Air Conditioning Equipment)

INTERCLIMA, a European exhibition of air conditioning equipment, was held in Paris, France from January 17 to 21, 2006 by Reed Expositions France, in which SANYO Airconditioners Europe S.r.l. exhibited household and commercial air conditioning equipment. At the exhibition, the "SANYO CO₂ ECO" and "SANYO ECO G" gas heat pump air conditioners were awarded Innovation Awards, the former winning the Grand Prix in the category for products/solutions for residential buildings and the latter a special award in the category for products/solutions for service-sector buildings.

Winners of the Innovation Awards are selected by the organizer from among the products shown at the exhibition, on the basis of innovativeness, originality, future viability and environmental-friendliness. "CO₂ ECO" was valued highly for its environmentally-friendly natural refrigerant as well as for its high performance and compact size made possible by Sanyo's proprietary two-stage compressor technology. On the other hand, "ECO G" was recognized for its lower power consumption and the ability to operate even in a -20°C environment.



High Performance HIT Solar Cell

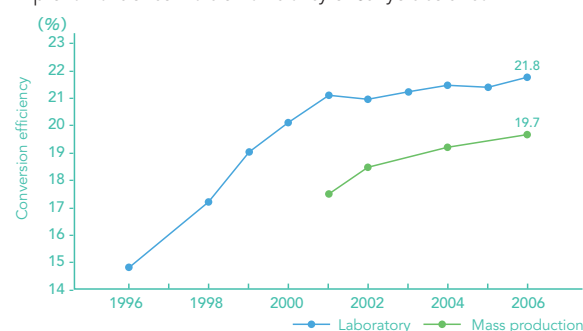
We have achieved the world's highest-level conversion efficiency at 21.8% for the practical-sized HIT solar cell in a laboratory situation, using a newly developed technology. The HIT solar cell is characterized by Sanyo's original layered structure of thin films of amorphous silicon and single crystalline silicon, and reduced environmental impact in the manufacturing process. With this technology, we are producing solar cell panels which have the highest output^{※1} per installed area in the world.

We are also working for the reduction of fuel and power consumption in the manufacturing process. HIT solar cells shipped from Japan are now completely lead-free.

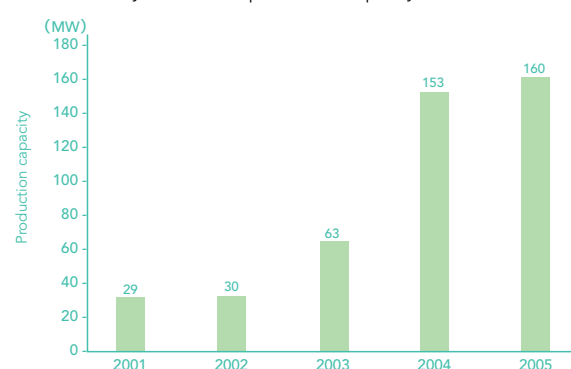
※1 : Source: Internal data as of April 2006 (mass production)



Improvement of conversion efficiency of Sanyo's solar cell



Growth of Sanyo's solar cell production capacity



Sanyo in Europe's largest trade fair in the solar industry

Intersolar, Europe's largest international trade fair for solar technology, was held in Freiburg, Germany from June 22 to 24, 2006, with about 450 exhibitors from Europe and many other parts of the world. This event is organized annually to present new solar products and technologies to business people and the general public, in which the Sanyo Group was represented by its local sales company, SANYO Component Europe GmbH. This was the fourth time we participated at this event.

Backed by the increasing public awareness of the environmental issues, solar cells are drawing greater attention worldwide. As a result, many of the Intersolar exhibitors had more exhibition space than the previous year. We, also, increased our exhibition space to 100 m² where we exhibited the "HIT Double" bifacial solar panel, high-output HIT 280 W module, and inverter of European specifications (reference exhibit) as well as the "eneloop" next-generation rechargeable battery. In the exhibition, we emphasized the advantages of Sanyo's HIT solar cells, such as their high conversion efficiency and greater power output than competitive products, as well as our commitment to realizing the "Think GAIA" vision. We also gave a practical demonstration of "HIT Double," applying light to both sides of the product to generate power, that highlighted its advantages. With our state-of-the-art proprietary technologies on display, Sanyo's booth was very popular, and was visited by many people everyday.



Reduction of Environmental Impact in Products

Recycling of Home Appliances

At Sanyo, committed efforts are also directed at recycling of used products to promote effective use of resources.

In FY2005, the Sanyo Group recovered and recycled a total of 1,240,000 units of the four items specified in the Law for Recycling Specified Kinds of Home Appliances, known as the Home Appliance Recycling Law—television, air conditioner, refrigerator/freezer, and washing machine. For all these items, the Sanyo Group achieved recycling rates higher than the legal requirements.

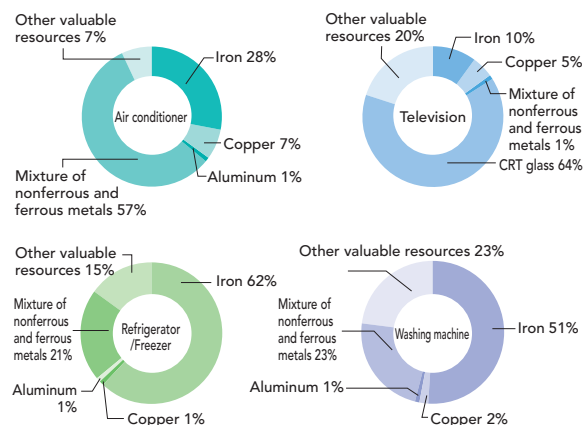
Recycling undertaken by the Sanyo Group in FY 2005 (Apr. 1, 2005-Mar. 31, 2006)

Category	Unit	Air conditioner	Television	Refrigerator /Freezer	Washing machine
Units recovered at designated sites	No.	188,834	291,986	371,630	387,448
Units recycled or otherwise treated	No.	189,266	291,468	369,533	389,480
Weight of the units recycled or otherwise treated	ton	7,978	7,933	20,819	12,063
Weight of the units recycled	ton	6,817	6,065	14,135	9,121
Recycling rate (Legal requirement)	%	85 (60 or more)	76 (55 or more)	67 (50 or more)	75 (50 or more)

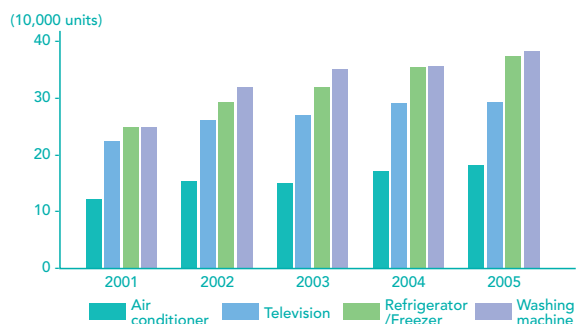
※ "Units recycled or otherwise treated" and "Weight of the units recycled or otherwise treated" refer to the total number and weight of the specified home appliances that underwent treatment necessary for recycling during FY2005.

※ Values are rounded down to the nearest integer.

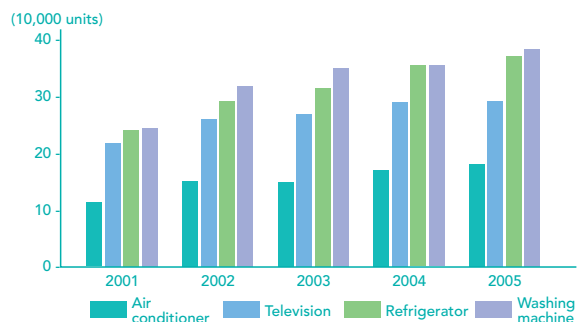
Valuable resources recovered from four items of disposed home appliances (FY2005)



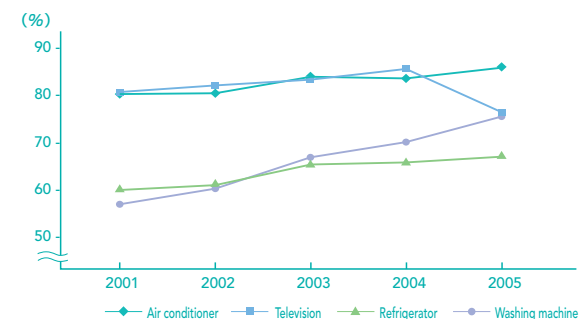
Year-to-year change in number of home appliances recovered (4 specified items)



Year-to-year change in number of home appliances recycled



Year-to-year change in recycling rate



Recycling of Containers and Packages

To comply with the "Container and Packaging Recycling Law,"* the Sanyo Group has been calculating the consumed volume of containers and packaging materials per year since FY2000 when the law came into full force. The annual volume is reported to the Japan Containers and Packaging Recycling Association, a designated corporation, and a recycling contract is exchanged. In this way, we are fulfilling our duty to recycle our containers and packaging materials.

In October 2005, the Japan Business Federation announced a proposal that manufacturers should establish their own action plan to promote the "3Rs" (reduce, reuse, and recycle) of containers and packages. In response to this proposal, Sanyo, as a member of the home appliance industry, set the following goals and is making concerted efforts to achieve them.

- Develop technologies to minimize environmental impact in cooperation with business partners in all packaging-related fields.
- Ensure optimal product strength and protection with minimum packaging and avoid excess packaging.
- Improve the logistic process to reduce the use of containers and packages to achieve greater environment-friendliness.
- Offer consumer education to facilitate separate collection of waste materials

※ Container and Packaging Recycling Law: Law for promotion of sorted collection and recycling of containers and packaging

<http://www.sanyo.co.jp/Environment/>

Reduction of Environmental Impact in Business Activities

We are making companywide efforts toward reducing environmental impact in our business activities, focusing on countermeasures against global warming, measures for chemical substances, and recycling of resources.

Countermeasures Against Global Warming

We, at the Sanyo Group, have set goals for the reduction of CO₂ and other greenhouse gas emissions, and are striving to prevent global warming by enhancing the efficiency of our business process to reduce overall energy consumption and encouraging the effective use of renewable energy.

Restraining the CO₂ Emissions

As part of the effort to reduce CO₂ emissions, the Sanyo Group resolved, at its Corporate Environment Council, to "reduce the total group-wide CO₂ emissions per real production unit* in Japan by 25% from the 1990 level by 2010."

Specifically, each of the Sanyo Group's domestic facilities is trying to minimize CO₂ emissions by reducing the power consumption of manufacturing equipment and air conditioners, enhancing the efficiency of and streamlining the production process, replacing kerosene with natural gas to meet fuel needs, introducing cogeneration, and promoting the use of solar cells and other alternative energy sources.

The total group-wide CO₂ emissions for FY 2005 in Japan were 682,000 t-CO₂, compared to 731,000 t-CO₂ the previous year. This reduction is attributable to the prolonged decline in production of semiconductors and other related products resulting from the Niigata-Chuetsu Earthquake in 2004, as well as the decline in production of household appliances and AV/communication equipment.

The CO₂ emissions per real production unit in FY2005 were 33% lower than the level of 1990.

* CO₂ emissions per real production unit = CO₂ emissions ÷ [gross production output ÷ corporate goods price index published by the Bank of Japan (electrical equipment)]

Total CO₂ Emissions of the Sanyo Group Domestic Facilities



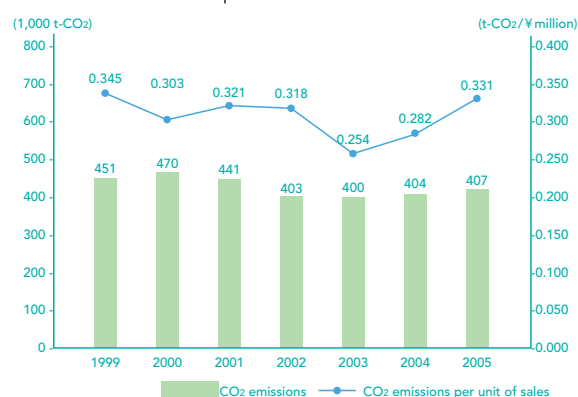
- The coverage includes all the domestic manufacturing facilities (including subsidiaries) and major non-manufacturing facilities within the GEMS.
- The emissions factor specified by the Federation of Electric Power Companies of Japan is used as the CO₂ factor for purchased electricity. (The figure for FY2005 has not been announced yet. The emissions factor for FY2004 was 0.421 kg-CO₂/kWh.)
- It should be noted that the data in this table is not absolute, because the number of the facilities covered varies from year to year due to M&A and other reasons.

On the other hand, CO₂ emissions within the scope of the GEMS (refer to p.26) were 407,000 t-CO₂, showing a slight increase from the previous year (404,000 t-CO₂). This is due to the opening of new facilities and the relocation of existing facilities to increase production of solar and rechargeable batteries.

With the integration of SANYO Homes Corporation into GEMS, we changed the FY2005 target figure for reduction of CO₂ emissions per unit of sales in our Environmental Action Plan, from 5% to 1% of the 1999 level, for the period from October 2005. We achieved a 6.5% reduction in FY2005, which is a significant setback from the previous year (18.8%). This is attributable to the increased production of batteries and the decline in sales of semiconductors and AV/communication equipment.

We remain committed to enhancing production efficiency by facilitating energy conservation to achieve the target figure for reduction of CO₂ emissions per unit of sales shown in the Environmental Action Plan. At the same time we will work to increase sales of energy-saving products to contribute to further reductions of CO₂ emissions.

CO₂ Emissions in the Scope of GEMS



Response to Amendment of Law Concerning the Promotion of Measures to Cope with Global Warming

With the amendment of the Law Concerning the Promotion of the Measures to Cope with Global Warming on April 1, 2006, companies responsible for emissions of a considerable amount of greenhouse gases are obligated to calculate the amount of emitted gas and report it to the national government from the next year.

The Sanyo Group, is also required to submit a report from next year, and has already taken steps toward the control and reduction of emissions of greenhouse gases under the law at each of its business facilities.

Reduction of Environmental Impact in Business Activities

Curtailing the Emission of Greenhouse Gases Other than CO₂

In the manufacturing process of semiconductors and related products, the Sanyo Group uses greenhouse gases^{*1} such as perfluorocarbon (PFC), sulfur hexafluoride (SF₆), hydrofluorocarbon (HFC). Efforts are being made to reduce the usage and emission of these gases and to replace them with other substances in order to prevent global warming.

Since FY2003, we have replaced hexafluoroethane (C₂F₆) in the semiconductor cleaning process, with perfluoropropane (C₃F₈)^{*3}, which has relatively low Global Warming Potential (GWP)^{*2}. At the same time, the gas emissions were made to minimal by improving the reaction process and by installing the reaction gas elimination devices. The Sanyo Group is currently investigating the use of carbonyl fluoride (COF₂) that emits very few greenhouse gases after reaction in order to further reduce the environmental impact.

The emission of greenhouse gases other than CO₂ in FY2005 was reduced by 12.5% from the previous year. This is mainly due to the decline in production of semiconductors and related products in the aftermath of the Niigata-Chuetsu Earthquake of 2004. Another factor that contributed to the reduction is the increased installation of equipment to remove harmful substances from waste, resulting from the disposal and enhancement of the conventional production lines.

^{*1} Greenhouse gases: Substances that have global warming effects due to their characters that allow solar energy of sunlight to pass through, while absorbing the heat (infra-red radiation) released from earth's surface, thus limiting the temperature of the earth's surface from cooling. The Kyoto Protocol specifies six substances as greenhouse gases, namely, carbon dioxide (CO₂), methane (CH₄), dinitrogen monoxide (N₂O), hydrofluorocarbon (HFC), perfluorocarbon (PFC), and sulfur hexafluoride (SF₆).

^{*2} Global Warming Potential (GWP): An indicator to represent the degree of effects on the global warming. The degree is calculated based on CO₂ as "1."

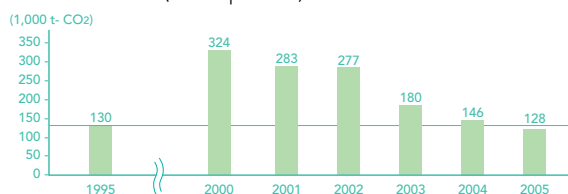
^{*3} The Global Warming Potential of C₂F₆: 7,000

The Global Warming Potential of C₂F₆: 9,200

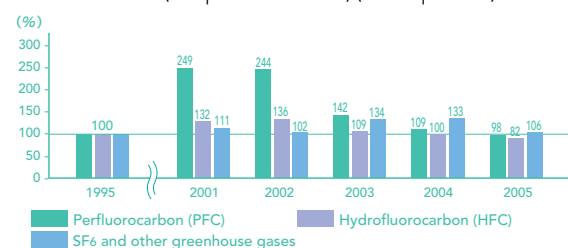
The Global Warming Potential of COF₂: less than 1

(Source: "Guidelines on calculating greenhouse gas emissions by business entities" by the Ministry of Environment.)

Greenhouse gas emissions other than CO₂ by the Sanyo Group domestic facilities (CO₂ equivalent)



Greenhouse gas emissions other than CO₂ by the Sanyo Group domestic facilities (compared to FY1995) (CO₂ equivalent)



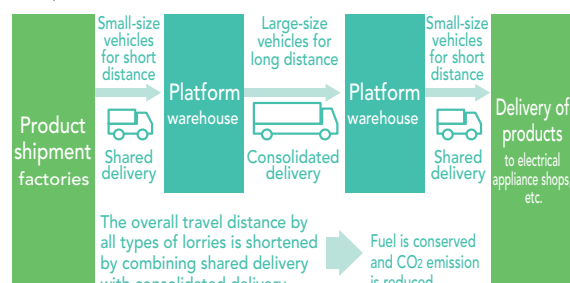
Improving Logistics

SANYO Electric Logistics Co., Ltd. offers the logistics solution services in storage, loading, unloading, shipping and delivery using the 3PL service*. The company is promoting environmental conservation activities by inviting participation of business partners who undertake transport and delivery services on a contract basis, as well as its own 25 facilities across the country.

In particular, the company aims to enhance the transport efficiency at each of its business bases to "reduce greenhouse gas emission from delivery vehicles," by introducing larger vehicles and building a network that connects its bases and relevant companies, in order to realize comprehensive and consolidated distribution and to promote highly efficient shared delivery and round-trip transportation.

* Practice of outsourcing services in which all corporate logistics functions are commissioned to one logistics agent.

Comprehensive and consolidated distribution



Modal Shift

In addition to increasing the efficiency by using larger vehicles, SANYO Electric Logistics Co., Ltd. is also promoting a modal shift, which utilizes rail and coastal marine transport.

For example, the Tottori branch is expanding its use of JR's railway freight service (5-ton containers), and the percentage of rail transport out of total shipments grew to 4.1% in FY2005. Ship transport (15-ton containers), which started in August 2004, also shows steady growth. Combining this with the rail transport, the modal shift has grown to reach 6.6%.

Response to Amendment of Energy Conservation Law

With the amendment of the Energy Conservation Law on April 1, 2006, large companies that use freight transport services are obligated to improve transportation methods and loading rates for the purpose of energy conservation. The Sanyo Group will continue to enhance its logistic efficiency by promoting a modal shift and use of 3PL service with cooperation of freight carriers.

Energy Conservation

Introduction of Cogeneration System

The Sanyo Group has been actively introducing cogeneration systems at its facilities (factories and large-scale buildings) to achieve independent power generation. At the same time, the exhaust heat (heat energy) from the system is fully utilized to produce steam and hot water, which is then used for cooling and warming of production processes and facilities. The usage of waste heat improves the energy efficiency at the facilities, curtailing the increase in the energy consumption.

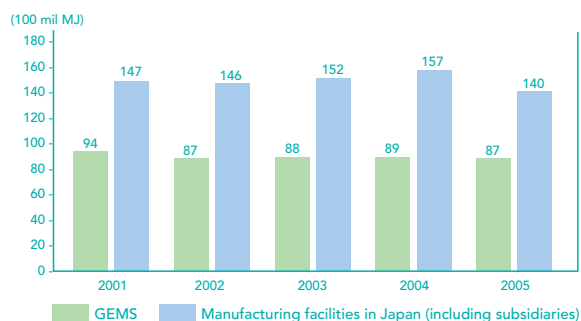
Energy Flow (Head Office Building)



Electricity generated by the cogeneration systems at major business facilities in FY2005

Facility	Generation capacity	Fuel	Electricity generated (1,000 kWh)
Tokyo Plant	6,500kW 4 units	Natural gas 13 A	175,580
SANYO Energy Twicell Co., Ltd., Kaizuka Plant	560kW 1 unit	Natural gas 13 A	4,139
Head Office Building No.1	400kW 2 units	Natural gas 13 A	2,441
Head Office Building No.2	460kW 2 units	Natural gas 13 A	3,538
Daito Plant	400kW 2 units	Natural gas 13 A	691

Energy consumption by the domestic facilities of the Sanyo Group



Energy Creation

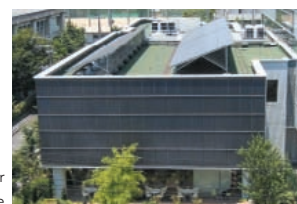
Installation of Solar Power Generation Systems

The Sanyo Group is committed to developing clean energy technology using solar power and encouraging the use of the technology. As well as producing and selling modules for solar power generation, we promote the usage of clean energy by installing them within our facilities.

Electricity generated by solar power generation systems at major business facilities in FY2005

Facility	Generation capacity (kW)	Electricity generated (kWh)	CO ₂ equivalent (t-CO ₂)
Gifu Plant	641	580,672	401
Head Office Building	118	81,588	56
Saga SANYO Industries Co., Ltd.	100	121,237	84
SANYO Electric Logistics Co., Ltd.	100	101,207	70
Tokushima Factory	85	83,442	58
Tokyo Plant	40	44,865	31
Daito Plant	30	15,600	11
SANYO Seimitsu Co., Ltd.	20	23,604	16
SANYO Energy Nandan Co., Ltd.	20	20,560	14
SANYO Energy Logistics Co., Ltd.	5	4,328	3

※ The emission coefficient of the thermal power generation of 0.69 kg-CO₂/kWh is used for the CO₂ conversion.



Sanyo Head Office and solar power generation module

Solar Ark

Completed in December 2001, the "Solar Ark" solar power generation system is an embodiment of the Sanyo Group's commitment to developing potential for and realizing the dream of clean energy. Shaped like a gigantic ark, this facility measures 315 meters in length and weighs approximately 3,000 tons. It has 5,046 solar panels that cover the exterior walls, has a capacity of up to 630 kW, and has one of the biggest generation capacities in the world. Approximately 580,000 kWh was generated in FY2005, which was supplied to the Gifu Plant via a substation located on the premises.



Solar Ark

Reduction of Environmental Impact in Business Activities

Measures to Control Chemical Substances

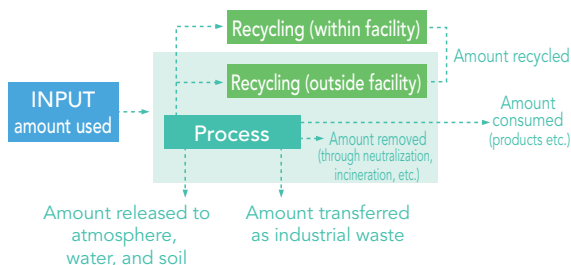
Measures to Control Chemical Substances in Business Activities

Pollutant Release and Transfer Register (PRTR*)

We, at the Sanyo Group, have identified the processes within our facilities including subsidiaries, where chemical substances that can pollute the environment are used, and have been conducting a survey to find out how these substances are released. Based on the finding of the survey, we are taking measures to control the release of such substances and reduce their environmental impact.

Approximately 20 facilities in Japan notify the relevant administrative bodies of the PRTR substances before June every year, in accordance with the PRTR Law in Japan.

Material Balance



※PRTR is a system that collects data, creates a database, and discloses information about sources and quantities of potentially harmful chemical substances released to the environment or transferred off-site in the form of waste.

Reduction of PRTR Substance Emission

We have set a target to reduce the emission of PRTR substances as part of the GEMS Environmental Action Plan and are striving to achieve the target. While our target for FY2005 was to reduce the emission by 86% or more from the FY1999 level, in fact, we have achieved a 92.7% reduction. The measures we took include: (1) replacing the organic solvent (xylene, toluene) used in the coating process with other substances such as water-based coating; (2) shifting from CFC substitute to non-fluorocarbons; (3) installing hazardous emission removal devices; and (4) recovering emissions to the maximum extent possible. We will continue our efforts to reduce PRTR substance emission through these measures.

Fiscal 2005 PRTR Survey Results (Domestic facilities of the Sanyo Group)
(t/year)

	FY2005	FY2004
Amount of PRTR substances used	17,686	18,691
Amount released	46	62
Amount transferred	253	345
Amount consumed as product	16,696	17,625
Amount removed	33	2
Amount recycled	658	658

Implementation of Management System for Chemical Substances

All the domestic facilities of the Sanyo Group provide centralized management of the treated, released, and transferred amounts of PRTR substances contained in materials to be included in our products. This practice enables us to aggregate the data at the level of the entire Group, each company, facility, and division, and also allows each department to learn about harmful substances contained in the materials to be used in manufacturing. Based on this data, we will endeavor to reduce consumption and emission of harmful substances by replacing them with alternative substances, and investigating and improving the production process.

Curtailing Emission and Scattering of Volatile Organic Compounds (VOC)*

To control emission of VOC, a cause of photochemical smog, the revised Air Pollution Control Law requires business entities to take appropriate measures to collect data on VOC emitted to the atmosphere in the course of their activities, and reduce those emissions.

The Sanyo Group conducted a survey on VOC emissions in FY2005 at all its domestic manufacturing facilities, including subsidiaries and found that 1,200 tons of VOC (64% of the FY2000 level) was treated by 12 facilities and 110 tons was released into the atmosphere (23% of the FY2000 level). This was as a result of the continued efforts by these facilities in reducing emission of chemical substances.

※VOC (Volatile Organic Compounds): Organic compounds that easily evaporate at room temperature, including methanol, isopropyl alcohol, toluene, benzene and xylene.

For the results of the PRTR survey conducted by the Sanyo Group and its facilities, and the VOC survey conducted by the Sanyo Group, please refer to our website at:

<http://www.sanyo.co.jp/Environment/>

Management of Items that Contain PCBs

Main PCB-containing items possessed by the Sanyo Group include electrical condensers (about 300 units) attached to the buildings and condenser chips (about 110,000 units) recovered from some waste home appliances and old fluorescent ballast.

At the Sanyo Group, we established the "Regulations for Controlling PCB-Containing Items" within the scope of GEMS and obligate each facility to store PCB-containing items appropriately and report its storage to the relevant authority. Beyond the scope of GEMS, we also apply the regulations to some company-owned buildings as well as related and collaborating companies to ensure appropriate control of PCB-containing items.

We will dispose of PCBs in our possession on a phased basis through the Japan Environmental Safety Corporation (JESCO), which specializes in PCB disposal.

Use of Asbestos in Products

It was found that asbestos-containing materials are used in some of the home electrical, gas and oil appliances (such as air conditioners, refrigerators, gas water heaters, electric stoves, electric kotatsu heater, oven toasters, and hair driers) manufactured and imported by us. However, this asbestos is mixed with rubber or other materials and immobilized, before being incorporated into components such as packings and gaskets. Therefore, there is a negligible likelihood that the asbestos fibers will be released into the atmosphere during use of these products.

Information of products which were found to contain asbestos is available on our website.

For the Sanyo products that contain asbestos, please refer to our website at:

<http://www.sanyo.co.jp/koho/doc/j/info/as/index.html> <Japanese Only>

Measures to Control Soil and Groundwater Contamination

Since the mid 1990s, the Sanyo Group has conducted a survey on how organochlorine compounds and heavy metals have been used at its facilities and how such use has affected the soil and groundwater in the premises.

Measures to Control Contamination by Organochlorine Compounds

From the mid to late 1990s, the Sanyo Group conducted a survey on how organochlorine compounds were used at almost all of its manufacturing facilities including subsidiaries at 36 locations, and later at all the other facilities that were found to have used the compounds. As a result of the survey, contaminations higher than the environmental standard level were found in the premises of some of the manufacturing facilities. We soon reported these contaminations to the relevant administrative bodies and took measures to decontaminate and excavate the contaminated soil.

Countermeasures Situation against Organic Chlorine Solvents

Facility	Contamination situation	Measures
Tokyo Plant	Trichloroethylene, etc.	Decontamination in progress
Shiga Factory	cis-1, 2-dichloroethylene, etc.	Decontamination in progress
Kasai Factory	Trichloroethylene, etc.	Decontamination in progress
Former Kanto SANYO (Omama)	Trichloroethylene	Decontamination in progress
Former site of Sanwa Electric Co., Ltd. (Yamagata)	Trichloroethylene	Decontamination in progress

Measures to Control Contamination by Heavy Metals

Since 1999, the Sanyo Group has been surveying contaminations by heavy metals at all of its manufacturing facilities including subsidiaries, first tracking how these facilities have used chemical substances and then conducting on-the-spot surveys. When contaminations were found in the premises, we took measures to decontaminate and excavate the contaminated soil.

Progress Status of Heavy Metal Contamination Surveys

Facility	Status of survey	Status
Tokyo Plant	Complete	No problems
Sumoto Factory	Complete	No problems
Tokushima Factory	Complete	No problems
Tokonabe Factory	Complete	No problems
Research Laboratories	Complete	No problems
SANYO Mediatec, Mochizuki Factory	Complete	Countermeasures completed
Daito Plant	Complete	Countermeasures completed
Former Yodogawa Factory	Complete	Countermeasures completed
Gifu Factory	Complete	No problems
Shiga Factory	in progress	—
Kasai Factory	in progress	To be completed within FY2006 in most part.
Other subsidiaries	in progress	—

※ Former Ashikaga Factory was sold after the survey was completed and necessary measures were taken.

Reduction of Environmental Impact in Business Activities

Resource Recycling

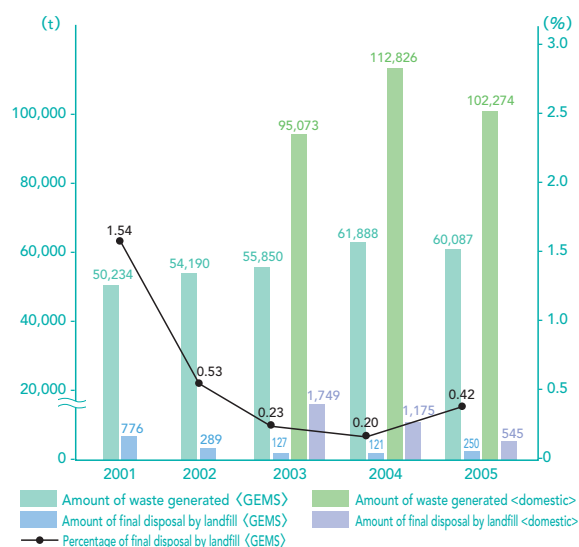
Waste Reduction Measures

The Sanyo Group has been making efforts to reduce the rate of waste for final disposal (percentage of waste for landfill out of the total waste generated), and in FY2002, achieved zero-emission (final disposal rate of under 1% by Sanyo's definition) within GEMS (refer to p.26). Since FY2004, we have been striving to keep the "zero-emission" level within GEMS, while aiming to achieve zero-emission also at each of our sub-sites.

In FY2005, a related company was newly incorporated in GEMS, which disposed of waste by landfill in an amount equal to the total amount of the landfill waste generated from all the other facilities covered by GEMS. Accordingly, we changed the FY2005 target of zero-emission level within GEMS from 0.3% to 0.5%. The level we eventually achieved was 0.42%.

We also achieved zero-emission at all of our domestic facilities (all the manufacturing facilities and major non-manufacturing facilities), at a final disposal rate of 0.53% as compared to 1.04% in FY2004.

Waste Reduction Results



<Domestic> SANYO Electric Co., Ltd., all the domestic manufacturing subsidiaries, and major non-manufacturing related companies.
 <GEMS> SANYO Electric Co., Ltd. and major related companies in Japan (please refer to p.26 and our website.)

Conservation of Water Resources

The Sanyo Group is promoting water recycling while striving for the reduction of water consumption.

Water consumption by the domestic and overseas facilities in the Sanyo Group in FY2005 totaled approximately 22.2 million m³, which is almost equal to the level of the previous year. In particular, the semiconductor division that accounts for some 60% of the Group's water consumption is committed to recycling water resources by introducing internally developed semiconductor wastewater treatment technology at its facilities in Japan and overseas, and also by pursuing technical innovations based on this technology.

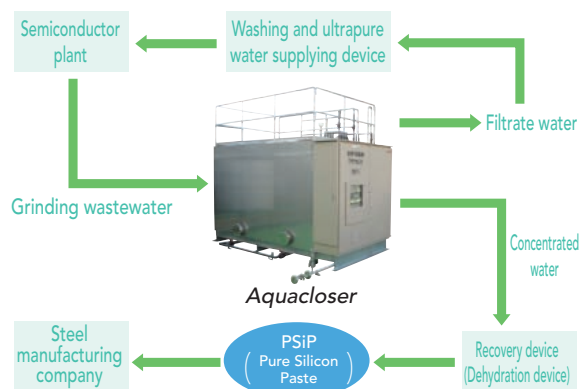
Amount of water consumed: GEMS and the Sanyo Group facilities, domestic and overseas

	GEMS	Domestic (including GEMS)	Overseas	Total
Groundwater (10,000 m ³)	246	314	18	332
Non-groundwater (10,000 m ³)	1,382	1,473	414	1,887
Total (10,000 m ³)	1,628	1,787	432	2,219

Turning the by-products from processes into valuable resources

The Sanyo Group developed a wastewater treatment system, "Aquacloser." This environmentally-friendly recycling technology allows low-cost extraction of recyclable service water from grinding wastewater discharged from the manufacturing process of semiconductors that contains microparticles of silicon. It also creates pure silicon paste (PSiP) by solidifying the silicon sludge contained in the concentrated water by means of a dehydration device. PSiP is marketed as a molten steel deoxidizing substances for steel converters and electric furnaces.

Flow of recycling of wastewater containing silicon microparticles



Changes in water consumption

<http://www.sanyo.co.jp/Environment/>

Environmental Accounting

The Sanyo Group has been conducting environmental accounting since 1998 to ensure effective and efficient promotion of our environmental conservation efforts.

Calculation Method for Fiscal 2005

1. Environmental conservation costs (based on the Environmental Accounting Guidelines by the Ministry of the Environment).
Investment amount: expenditures intended for environmental conservation.
Expenses: costs of labor intended for environmental conservation, and depreciation expenses related to investments in environmental conservation.
2. Environmental conservation effects (calculated according to Sanyo's own criteria).
Direct effects: the effects which have direct impact on the environment and which can be converted directly into a monetary sum.
Indirect effects: effects that have indirect contribution to the environmental conservation activities, such as environmental education within the company and effects of environmental risk avoidance.
3. Environmental conservation indicators: calculation of environmental conservation achievements that are thought to have significant effect on the environment.
4. Period of survey: April 2005 to March 2006
5. Scope of survey: 161 domestic and overseas facilities with ISO14001 certification.

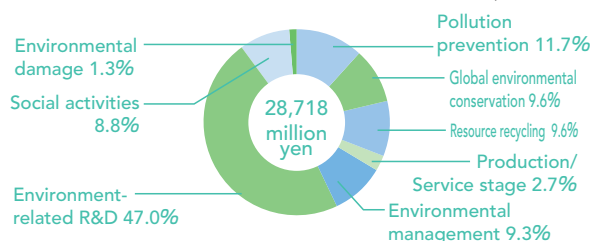
Environmental Conservation Cost

The Sanyo Group's environmental conservation cost was 28,718 million yen in total, comprised of 4,696 million yen in investment and 24,022 million yen in expense.

While the global environmental conservation cost and the environmental management cost increased to 124.2% and 103.9% respectively of the previous year and the cost at the production/service stage remained unchanged, all the other cost items were reduced from the previous year.

This reduction is mainly attributable to the drastic reduction from FY2004 in the Solar Ark investment and in the pollution prevention cost due to the closure of some production lines, as well as the streamlining of R&D activities.

Breakdown of Environmental Conservation Costs (investments + expenses)



Environmental Conservation Cost

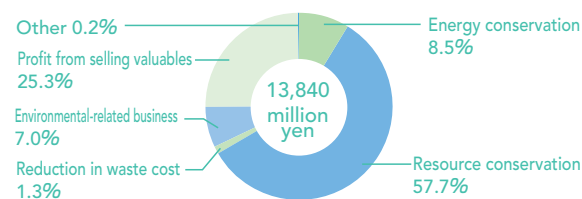
(million of yen)						
Item	Main activities	Investment	Expenses	Total cost	Ratio (%)	Change from the previous year
1. Pollution prevention	Installation and maintenance of wastewater treatment facilities	784	2,590	3,374	11.7%	73.1%
2. Global environmental conservation	Maintenance of solar power generation system and installation of invertors	777	1,985	2,763	9.6%	124.2%
3. Resource recycling	Introduction of wastewater recycling devices and investment in waste disposal	162	2,591	2,753	9.6%	73.8%
4. Production/Service stage	Outsourcing recycling of containers and packaging	16	773	789	2.7%	100.0%
5. Environmental management	Maintenance and operation of environmental management systems	40	2,621	2,661	9.3%	103.9%
6. Environment-related R&D	Research and development of environmentally-conscious products	2,863	10,622	13,485	47.0%	93.2%
7. Social activities	Investment in Solar Ark	14	2,504	2,519	8.8%	72.8%
8. Environmental damage	Groundwater purification	39	334	373	1.3%	57.6%
Total		4,696	24,022	28,718	100.0%	88.4%

Environmental Conservation Effects

The direct environmental conservation effects increased 209% from the previous year to 13,840 million yen.

This increase is mainly due to the reduction in materials consumption resulting from the yield improvement at the battery producing process, which greatly contributed to resource conservation. On the other hand, there was a decline in the profit from selling valuables from the previous year due to decrease in the availability of valuables.

Environmental Conservation Effects (Breakdown of Direct Effects)



Environmental Conservation Effects (millions of yen)

(million of yen)				
Item	Details of main effects	Monetary effect	Ratio (%)	
1. Energy conservation	Reduction of energy consumption by introducing electricity saving equipment	1,172	8.5%	
2. Resource conservation	Reduction of materials consumption	7,990	57.7%	
3. Reduction in waste disposal cost	Reduction of emission of industrial waste	178	1.3%	
4. Income from used paper collection	Sales of used paper	30	0.2%	
5. Environment-related business activities	ISO consultation income	971	7.0%	
6. Profit on selling valuables related to waste disposal and recycling	Profits on sale of scrap	3,499	25.3%	
Total of direct effects		13,840	100.0%	

For information on indirect environmental conservation effects, please refer to our website at:

<http://www.sanyo.co.jp/Environment/>

Working with Our Customers

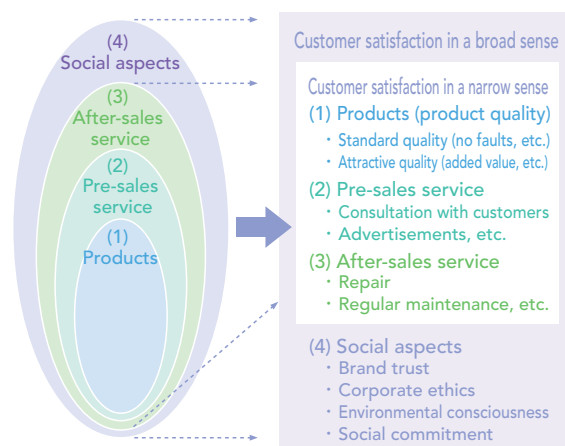
The Sanyo Group provides a wide range of products, from home appliances through electronic components to industrial equipment, and we fulfill our responsibility to our customers pursuing an ongoing dialog with the priority on quality and safety of the products including servicing.

Putting Customer Satisfaction First

Since our foundation, Sanyo has remained committed to achieving high customer satisfaction (CS) in our business activities. Our Customer-First principle is explicitly expressed in our management philosophy and principles of conduct. In the Sanyo Group, all officers and employees keep this principle in mind at all times, and ensure their day-to-day activities will lead to greater customer satisfaction.

The Sanyo Group believes that it is our responsibility as a manufacturer to ensure customers are satisfied with Sanyo products throughout our products' life cycles, from purchase to disposal. Our group-wide efforts to enhance customer satisfaction involve sales and service personnel who directly interact with customers as well as planning, engineering, design, production, and quality control personnel.

Elements of Customer Satisfaction



Pursuit of Higher Quality

To achieve higher customer satisfaction, the Sanyo Group has been striving to enhance the quality of our products and management. To this end, we will continue to offer product information to customers whenever possible, and incorporate opinions from customers in our products and management practice to achieve higher quality.

Raising Product Quality Forms the Basis of CS

For us, as a manufacturer, the most critical factor for customer satisfaction is product quality. By product quality, we mean not only safety, reliability, usability and basic functions of our products, but also the quality of pre-sales and after-sales services, offered in the form of instruction manuals, warning labels, and ways of providing information on products and their usage. At the Sanyo Group, the "Basic Principle about Quality" is inseparably from the "Basic Principles about Customer Relations" in our pursuit of quality improvement.

The quality-control section of Sanyo head office, conducts purchase inspections to make sure that products bearing the Sanyo brand conform with Japanese and foreign safety and technical standards, as well as on-the-spot inspections at the divisions involved in manufacture and import of products to confirm effective quality control is in place and that applicable laws are observed. In addition, in FY2006 we will review the product safety standards currently in place at each of the divisions and ensure their compliance with the standards under the supervision of the head office in our effort to further enhance product safety.

We also inspect the product quality control system and the risk management system employed by the sales and distribution divisions as well as by the manufacturing division, using our own check sheets for quality achievement as part of our efforts for continued quality improvement.

Basic Principle about Quality

(established in Jan. 1986)

Offering useful and harmless products that satisfy customers is the most important consideration among the social responsibilities of a corporation, and is the basis for its development. For this reason, we are committed to quality management that places the utmost priority on quality.

Basic Principles about Customer Relations

(established in Dec. 1992)

1. Always consider the perspective of the customer and give priority to customer satisfaction.
2. The true target is the hearts of the customers. Always react in a way that will leave a positive impression in the memories of customers.

Basic Policy about Customer Relations

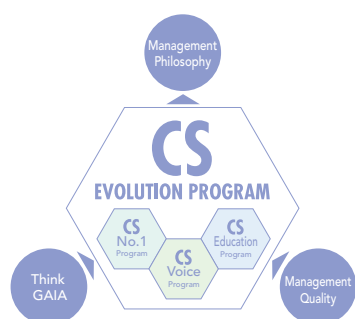
(established in Dec. 1992)

1. Build systems that make it easy for customers to approach our group.
2. Respond appropriately to the customer's goodwill.
3. Actively provide the information that customers want.
4. Incorporate customer's opinions in management.

Enhancing Overall Management Quality

To better serve our customers, and society at large, with various needs and achieve greater satisfaction, it is important to enhance the quality of management, in addition to that of our products and service. The Sanyo Group has adopted the concept of the Japan Quality Program proposed by the Japan Quality Award*, which is to develop organizational structures and corporate cultures for voluntarily evaluating and innovating the management system on a continuous basis. Starting from FY2005, we are implementing three programs of our own development, which are collectively called "CS Evolution Program."

※ The Japan Quality Award was established in 1995 by the Japan Productivity Center for Socio-Economic Development. This Award is presented to Japanese companies and other corporate entities displaying outstanding management qualities, selected in accordance with its own assessment criteria for innovative management practice to meet the changing needs of society.



CS Education Program

This is a training program tailored separately to each organizational position and responsibility, in which employees are trained to develop the ability to think "customer first," and offer highly distinctive value to customers.

CS No.1 Program

Under this program, each division sets targets, objectives and management indicators and strives to achieve the "CS No.1" position.

CS Voice Program

Opinions of employees and their family members who are registered as "CS Partners" are incorporated into the development of products and services to achieve higher CS.

Providing Safety and Reliability

As a manufacturer, the Sanyo Group believes that it is one of our most important responsibilities to ensure the safety of customers while using our products. Therefore, we give special consideration to safety and potential health effect, from the planning stage, when developing new products. We also ensure the safety of our products after they are delivered to customers by providing all necessary information and offering sufficient inspection and repair services.

Product Safety Assessment

In order to offer products that assure safety to our customers, we have a Product Safety Testing Laboratory in our Tokyo Plant, which is one of the largest facilities of its kind in the industry.

The laboratory engages in preventative safety measures by evaluating and verifying the safety of products and components in continuous operations under a wide variety of the most severe conditions to ensure that none will ever give rise to fire or smoke hazards. In addition to verifying the safety of their products, these results are employed in the design and development of products throughout our various divisions.

Disclosure of Product Safety Information

The Sanyo Group offers product safety information in various ways to ensure our products and services are used safely and appropriately.

In the unlikely event that we find a particular product presents any kind of safety problem or other serious quality problem, we immediately disclose the information, inspect the suspect part, and repair or replace it to minimize customer inconvenience, always placing the priority on the safety of customers.

In FY2005, faults were found in a drum-type washer/drier and a heat exchanger for hot water systems. We soon disclosed the information to the public and then inspected and repaired the products concerned for free.

The Main Methods of Providing Product Safety Information

1. When a product is found to have a safety-related problem, we display an "Important Announcement" on our corporate website, and provide guidance about inspections and repairs.
2. On the theme of proper product usage, we regularly provide lectures for government organs such as Consumer Centers. With the aim of contributing to consumer education we also produce instruction videotapes on the right way to use products and present them to consumer centers, consumer organizations, schools, fire services, etc.
3. For 26 categories of product that have been used by customers for many years, we have produced a "Tender Loving Care" guidebook that specifies items to be checked and any special care to be taken in their continued use. As well as showing this on our website, we distribute copies to customer via sales outlets or when repairs are made. Basic knowledge and information about batteries and their proper handling is also provided on our website under the title "The Academy of Battery Whys and Wherefores."
4. Our instruction manuals and product catalogs always provide the telephone numbers of information desks that can advise on usage or other product-related matter.

Working with Our Customers

Advancing Universal Design

As part of our effort to realize the "Think GAIA" vision, the Sanyo Group has remained committed to developing products incorporating our "Universal Design" concept. Thus, we always give full consideration to the entire process of product development, addressing the needs of the widest variety of customers including the elderly, those with disabilities, children, and expectant mothers, so as to maximize the user-friendliness of our products.

The SANYO Universal Design Concept

Our group set up SANYO Universal Design Concept in April 1999: "For all." This embodies the determination of the Sanyo Group to develop products that are easier to use by everyone, including the elderly and those suffering from physical and other disabilities.

At the same time, we set up the SANYO Universal Design Guide to establish targets for the realization of this concept, and have been actively committed to product development on this basis ever since.

Elements that constitute the SANYO Universal Design Concept

Easy-to-understand	Very safe
Easy-to-use	Beautiful
No effort to use	

Inspection and Repair Service

Sanyo's after-sales service division provides inspection and repair services for a wide range of SANYO-branded home electronic appliances including peripherals and software, through 108 locations in its service network (as of April 2006).

This division has set a goal to provide services satisfactorily to customers in a "Swift, Reliable and Obliging" manner, and aims to enhance customer satisfaction by catering to customers' needs for after-sales service promptly and precisely.

When our customer service engineers visit customers' homes upon request, they ask customers to fill out questionnaires. By doing so we hope to reflect customers' voice into our service and better cater to their needs.

In Japan, to increase customer satisfaction by developing the skills of customer service engineers, we introduced a new program in FY2004 in which ten selected technical personnel who have distinguished skills and leadership communicate their technical skills and the correct attitude toward customers to customer service engineers at the 108 service locations nationwide. This program has significantly enhanced our reputation as a user-friendly manufacturer, as shown in the customers' opinions and the results of customer satisfaction assessments conducted by external organizations.

We will continue to take the opinions of our customers seriously and provide them with quality, impressive services. We will also offer proper inspection and repair services to prolong product lives, thereby reducing waste and contributing to environmental conservation.

For further information, please inquire at SANYO Consumer Marketing Co., Ltd. at:

<http://www.sanyo-scm.com/index.html> <Japanese Only>

Universal Design Products



Built-in IH Cooking Heater
JIC-B732GR

- Instructions on the operation of the heater and procedures to be taken when the safety function is activated are given by "audio navigation."
- Signs on the operation buttons are also provided in Braille.



IH Pressure Rice Cooker
ECJ-HZ10

- Audio guide provides audible confirmation of the state of the rice and the operating procedures.
- The large, highly legible display prevents operational errors.
- Simple, easy-to-use center control keys



Drum-Type Washer/Drier
AWD-AQ1

Machine of an ideal height that can be used without stooping[※]

[※]The height from the bottom to the center of the drum is set at approximately 85 cm, which is an ideal height for a kitchen counter recommended by kitchen equipment manufacturers.

We Value Dialog with Customers

We Set Up Desks to Respond Directly to Customers

Sanyo has provided information desks to deal with the various matters raised and requests made by customers. In our catalogs, we include guidance to purchase inquiries, and in our instruction manuals, we include guidance for general inquiries and repairs, and accept telephone calls, faxes and letters. Our Customer Center is the general location for all purchase inquiries and questions concerning how to handle products, while our after-service divisions take care of servicing inquiries. Our corporate website also provides similar guidance to the information desks, and provides for discussions via E-mail.

On the other hand, corporate customers who purchase Sanyo's products and components are served by our business divisions that deals with the respective products and components. By doing so, we aim to deepen and maintain mutual trust with these business partners.

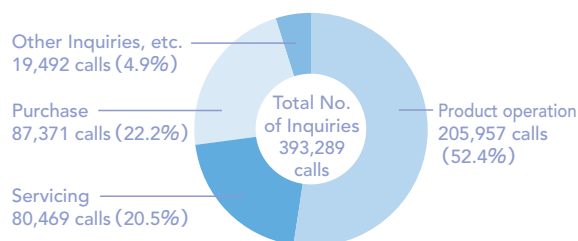
Responses at the Customer Center

At the Customer Center, dialog is always based on basic principles and policy about customer relations, under the slogan "Swift, Reliable and Obliging." The customers are always put first in our efforts to respond.

The Customer Centers are manned all-year round, readily enabling all to call at their own convenience, and specialist staff always stand by to handle specific problems assisted by the introduction of an interactive voice recognition (IVR) system. Toll free calls from mobile phones are also accepted.

In response to the increase of highly sophisticated and complicated products, we will continue to train customer-service specialists who can provide the needed information and better address the diversified needs and requests of our customers.

Content of Customer Center Inquiries (in fiscal 2005)



[Safety-related information] Inquiries—Customer support

<http://www.sanyo.co.jp/cs> <Japanese Only>

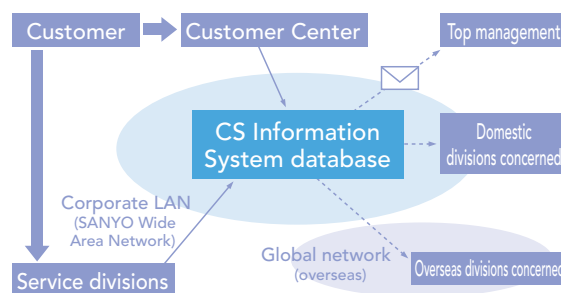
Mechanism to Reflect Uses Customer Opinions in Product Development

Opinions and requests of customers, as well as information on repair and quality of products, accepted and collected by the Customer Center, respective divisions, and after-sales

service personnel are registered in the internal "CS Information System" and shared throughout the Sanyo Group over the corporate LAN. Such information is effectively incorporated into the product development and improvement processes by the divisions involved in quality control, planning/design, production, and usability research. We also analyze the opinions and requests of customers and report any problems and concerns identified as a result of the analysis to the top management and the divisions involved on a timely basis.

Furthermore, each of our business divisions independently promotes dialog with customers in various ways and shares the result of such dialog among its divisions, in order to incorporate customers' needs in the product planning process, improve quality of the products, identify defective products available in the marketplace and take corrective measures at an earlier stage, and enhance customer service.

Information transfer arrangements



The home appliance company within the Sanyo Group has set up a section dedicated to conducting customer surveys to better understand their needs and ensure the findings of the surveys are properly incorporated into the entire process of Sanyo's corporate activities, starting from product concept planning through to design, development and sales of products. Specifically, the section operates a membership organization called "Oeuf Club"※ which consists of Sanyo customers, and conducts customer satisfaction surveys, regular surveys (mail surveys), speedy surveys (FAX surveys) and group interviews for the club members to find out how customers evaluate our products, deepen understanding on consumers' viewpoints, and identify new customer needs.

In FY2005, these surveys helped us to find out that many customers wanted a washing machine that would use less water and yet maintain the cleanliness of clothes at a high level. This finding led us to the development of AQUA, a drum-type washer/drier embodying our "Think GAIA" vision. In addition, we have continued our efforts to develop customer-oriented products by testing the user-friendliness of our products and identifying and analyzing customers' needs and complaints through the CS Voice Program (refer to p.48).

※ This organization was established in 2000. "Oeuf" is the French word for "egg" and symbolizes our desire to work with customers to give birth to something new. Customers who filled in and sent back the user's card included in Sanyo products and then responded to a follow-up customer satisfaction questionnaire are invited to join the club. The membership period is two years. As of June 2006, the club has 2,300 members.

Working with Our Business Partners

Dealing with a wide variety of materials and components suppliers, the Sanyo Group places special emphasis on fair trading practices and compliance with applicable laws, and endeavors to maintain good partnerships with these suppliers.

Establishment of Good Partnership with Suppliers

The Sanyo Group procures materials and components for its products according to the "Basic Policy for Procurement Activities" and carries out various programs in cooperation with our suppliers to establish good partnership with them.

In FY2005, we organized a "Suppliers' Conference" jointly with our suppliers to communicate the Sanyo Group's management policy to them. We also introduced a new supplier evaluation system, in which "social aspects" (employment, respect of human rights, and compliance with law) were newly added to the evaluation items. While this new evaluation system is currently applied to new suppliers only, existing suppliers will also be subjected to this new system in a phased manner.

In order to be able to supply the market with better products, we intend to continue exchanges of information with our various suppliers, building good partnerships with them based on fair business practices.

Basic Policy for Procurement Activities

The Sanyo Group conducts its business activities seeking to realize symbiosis with the environment, the world and society as a 21st century enterprise.

Global and open procurement

We will perform open procurement activities both in Japan and overseas, providing equal opportunities to all suppliers and seeking always the best quality, price, and delivery date to give the highest possible satisfaction to our customers.

Fair and transparent selection of suppliers

We will, in selecting our suppliers, strive to make strictly fair and impartial overall assessments based on our group's procurement standards.

Partnership

We will, through fair business dealings with our suppliers, deepen mutual understanding as a "good partner" to fulfill each role and build relationships of mutual trust.

Symbiosis with the environment

We will advance "green procurement" that is the purchase of goods with little impact on the environment preferentially from suppliers positive to environmental protection, and seek to realize symbiosis with the environment.

Legal Compliance and Information Management

We will, in our procurement activities, observe strictly the laws and social norms of Japan and the other countries related to our business operations. We also keep strict control of the proprietary information that we may acquire through our procurement activities in order to maintain its confidentiality.

The Sanyo Group seeks to form good partnerships with its suppliers that enable both parties to contribute to society, and seek the understanding and cooperation of its suppliers for these efforts.

Adherence to Fair Trading Practices

Compliance with the Subcontract Act

The Sanyo Group provides for "Fair Commercial Transactions with Suppliers and Consignees" in the internal "Code of Conduct and Ethics" and ensures adherence to this principle. In procuring materials and components, the Group also respects the provisions of the basic business agreement concluded with each of its suppliers, while ensuring strict compliance with the "Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors" ("the Subcontract Act"). At Sanyo, a group-wide mechanism to ensure the compliance with the Subcontract Act is in place, and under this mechanism, efforts are made to exercise appropriate control over subcontractors, deal with subcontractors in a desirable manner, and increase awareness and knowledge of Sanyo's officers and employees involved in dealings with subcontractors. In addition, we conduct regular internal surveys and audit relating to the Subcontract Act with a view to preventing violation of the Act and ensuring adherence to it.

Survey on Compliance with the Antitrust Law

The Sanyo group confirms compliance with the provisions of the Antitrust Law in business and seeks to prevent any non-compliance before it can take place, by implementing regular surveys of managers in divisions, such as sales, purchasing, engineering and production.

Surveys are carried out face-to-face or in writing by a person responsible for promoting compliance with the Antitrust Law assigned to each internal company within the Group. They use an internally developed checklist based on the Guidelines provided by the Japan Fair Trade Commission and other relevant authorities for these surveys. The results of the surveys are reported to each internal company's president and, if a problem has been identified, corrective measures are taken as necessary.

Establishment of International Procurement Center in China

The Sanyo Group established an International Procurement Center in Southern China in February 2006, with a view to promoting the Group's procurement activities more strategically and efficiently. In March, prior to the beginning of full operation of the Center, a managers' meeting was convened where managers of the procurement division of Sanyo's head office and 18 procurement locations in the Southern China region met. The purpose of this meeting was to share information so as to optimize the procurement process in the Southern China region, and to devise measures to conduct intensive negotiations with local suppliers, develop new channels for procuring components, and secure reliable logistics services.

We will organize meetings in the Northern China region (Dalian) and Eastern China region (Suzhou) as well as in the Southern China region, to announce our procurement policy and deepen inter-regional partnership.

Working with Our Shareholders/Investors

The Sanyo Group, in order to secure profits for shareholders and investors while at the same time ensuring sustainable progress as an enterprise, engages in investor relations (IR) activities with the stress on the disclosure of information and communications.

IR※ Activities Based on the Appropriate Disclosure of Information

Policy for Information Disclosure and Investor Relations (IR) Activities

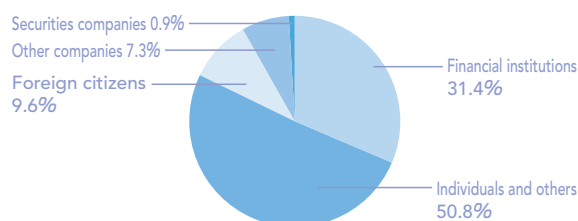
Sanyo discloses important information about our social responsibilities including financial and environmental aspects to shareholders, investors and other stakeholders with various backgrounds in an appropriate manner.

Aware of the importance of transparent, unbiased and continuous disclosure of information, we, freely and willingly, provide our shareholders and investors with information required under the timely disclosure rules of the stock exchanges in Japan, and also with information on financial status and business strategies presented in our meetings. By so doing, we assist shareholders and investors in evaluating our performance and making investment decisions, and seek to ensure smooth and equitable trading in securities (Sanyo shares and bonds).

In conducting IR activities, we endeavor to continue to reflect the opinions of our shareholders and investors in our corporate activities not only by disclosing information but also by promoting direct dialogs with them in order to increase our corporate value and to build enthusiasm for Sanyo brands.

※ IR (Investor Relations) : Publicity for shareholders and investors.

Shareholdings by category of shareholder (common stock)



Data as of March 31, 2006. The total number of Sanyo's shareholders is about 280,000.

IR Activities to Cater to the Shareholder and Investor Needs

Sanyo, while following its own IR policy, seeks to meet the needs of shareholders and investors in different situations and with different requirements by its IR activities. Through these IR activities, the opinions we receive from shareholders and investors are immediately communicated from the departments responsible for IR to top management so that they can be reflected in future business and IR activities.

Communications with Individual Shareholders

We provide individual investors with information on a wide range of issues through our business and annual reports and other publications as well as on our corporate website. To provide all the investors with the necessary information in an easy-to-understand manner, these publications present the Sanyo Group's business performance and financial statements using many photographs and diagrams.

At our General Meeting of Shareholders, attended by nearly 2,000 shareholders, our management personnel commit themselves to presenting the Group's business

performance in an easy-to-understand manner, and responding to questions and comments from shareholders respectfully.

We also operate a system for shareholders to exercise their voting rights on-line, and provide a video of the General Meeting of Shareholders to our stakeholders on our corporate website.



Annual Report

Business Report

Communications with Institutional Investors and Analysts

For institutional investors and analysts, we frequently provide opportunities to visit our factories in Japan and overseas. In addition, explanatory meetings for our financial statements are held quarterly, with an annual meeting to explain corporate policy and business strategy, and individual visits follow the publication of our financial statements. We are also willing to accept individual requests for interviews by investors and analysts whenever possible. As a result, the number of interviews we received during FY2005 totaled 401.

IR Information Disclosure on Our Website

On our website we offer a wide variety of "Investor Relations" information, including our financial statements, fact books, annual report, information subject to the timely disclosure rules, and handouts distributed at financial results briefings, so that the investors will be able to understand the wide range of activities conducted by the Sanyo Group.

In FY2005, we started an "Investor Relations" e-mail newsletter service for our shareholders and investors to prompt more of them to visit our website.



"Investor Relations" information on Sanyo's corporate website.

Socially Responsible Investment (SRI)

In addition to financial information, we also disclose information on our environmental conservation and other social responsibility activities. This is to attract investors who are expected to hold our shares for a long term from an SRI viewpoint. Sanyo is included in the Morningstar SRI Index and other domestic SRI funds and eco-funds.

Working with Our Employees

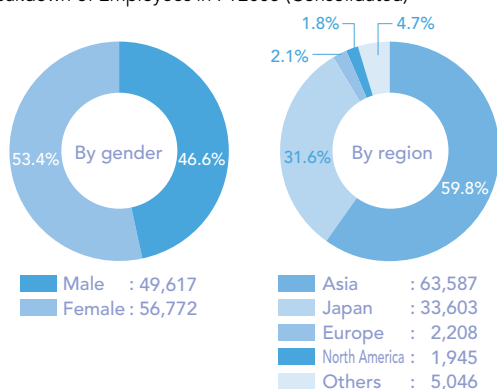
The Sanyo Group seeks to provide fair employment and treatment, and to secure fully the health and safety of employees. To ensure the growth of the enterprise, and of all its employees, we are working to strengthen educational and training programs for employees and to improve and expand our personal system.

Fair Employment

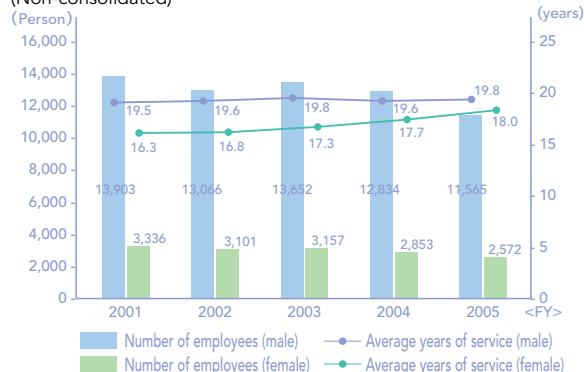
The Condition of Our Employees

The Sanyo Group is operating businesses on a worldwide scale, and as of March 2006, it employed 106,389 around the world.

Breakdown of Employees in FY2005 (Consolidated)



Number of employees and average years of service by gender (Non-consolidated)



Employment Policy

We, at the Sanyo Group, are committed to adhering to fair and unbiased employment practices in accordance with our Principles of Conduct and Code of Conduct and Ethics. In the cases of both new graduate and mid-career employment, we ensure strict compliance with applicable laws and regulations, and also prohibit any discrimination based on gender or nationality.

In Japan, we place special importance on recruiting engineers and sales and administration personnel to be assigned to the divisions designated for reinforcement of our business strategies.

Overseas, we recruit local personnel for a wide range of areas including production, product development, management, quality control and sales to better cope with the globalization of our business activities. We will enhance our global management ability and further upgrade our evaluation, promotion, and training programs for locally employed personnel.

Employment Data (Non-consolidated)

		FY2003	FY2004	FY2005
Job Type	Office Worker	118	143	47
	Engineer	261	232	233
Gender	Male	345	348	250
	Female	34	27	30
New Graduate/ Experienced	New Graduate	239	205	240
	Experienced	140	170	40

Employment of People with Disabilities

We have been actively increasing job opportunities for those with disabilities so that they can work with others and enjoy the satisfaction of working.

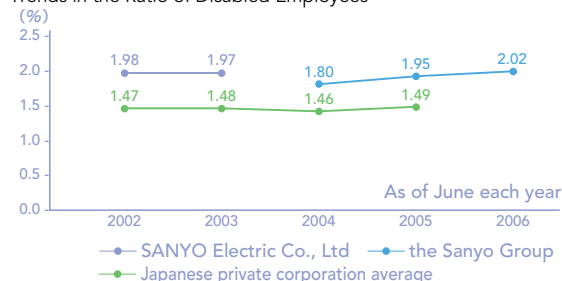
Currently, disabled employees are working in various offices and facilities where their abilities can be optimally developed, including specially designated^{※1} subsidiaries SANYO Heart Ecology Co., Ltd., which cultivates flowers and vegetable seedlings, and Harima SANYO Industry Co., Ltd., which mainly packages batteries. We will continue our efforts to offer a friendlier working environment for those with disabilities to help them achieve social and economic independence.

The employment ratio^{※2} for the disabled in the Sanyo Group was 2.02% as of June 2006.

※1 These are subsidiaries that satisfy certain conditions, including employing those with disabilities in at least 20% of the number of workforce. Under the provisions of the law for employment of the disabled, the number of workforces of such subsidiaries can be consolidated with those of the parent company, in calculating the ratio of disabled employees for the parent company.

※2 This calculation was made for Sanyo, two specially designated subsidiaries, and 11 subsidiaries that have been authorized for consolidation in the disabled persons employment grouping. Calculations from fiscal 2004, as reported to the Ministry of Health and Welfare. Authorization for consolidation in the disabled persons employment grouping is given to companies that meet certain conditions and whose parent company already possesses specially designated subsidiaries. Authorized companies are entitled to be consolidated with the parent company's employment of disabled persons.

Trends in the Ratio of Disabled Employees



Reemployment after Retirement (at age 60 or later)

Sanyo actively encourages reemployment, and has responded to employees who wish to use their skills after their retirement by introducing a system of reemployment and part-time employment, etc.

Company policy calls for expansion of reemployment after retirement.

Offering a Working Environment Where All Employees can Make the Most of Their Potential

Our Basic Policy on Human Resources

"The foundation of the company is people : improve yourself, and utilize the abilities of others."

Under this personnel management policy, we encourage and enable each of the employees to "improve themselves" and "demonstrate their full potential." Through this, we believe that each of the employees will have a sense of self-fulfillment when they endeavor to enhance the quality of their work and do their best in their pursuit of the management philosophy.

We are conducting an objective and fair evaluation of employees' performance as well as for matching the right person to the right role, to ensure that employees will think their job is worthwhile and they can demonstrate their abilities to the full.

In addition, we recruit and treat employees without any discrimination based on gender or personal history, and strive to create workplaces that respect the human rights and the individuality of all employees.

Cultivating Human Resources

At the Sanyo Group, we implement extensive training programs based on our personnel management policy, to ensure that the employees will take pleasure and have a sense of self-fulfillment in their work.

To be specific, we offer some group trainings and e-learning trainings, such as skills and knowledge training tailored to the needs of each position and function, IT and foreign language training, and lifelong education, while providing employees with opportunities to study in MBA or other courses overseas. As well, we support employees in their self-development efforts by covering part of the tuitions of external web-learning programs and correspondence course designated by Sanyo.

Expanding Employment Opportunities for Women

Sanyo formed a labor-management Positive Action* Committee in 1993 and has since been working to expand job categories for women by regularly analyzing internal data about employment, assignments and evaluations of female employees.

As part of the effort to create a friendly working environment for women, Sanyo has operated a sexual harassment hotline while offering training to increase the awareness of employees.

Sanyo will continue its efforts to offer opportunities for employees, both male and female, to take an active role in corporate activities.

※The voluntary and proactive efforts of a company to eliminate discrepancies that arise between male and female workers due to fixed concepts about role division based on gender and past practice.

Supporting the Balancing of Work and Family Life

In addition, we are creating a friendly working environment for employees who want to balance work and family life. To this end, we have introduced systems for maternity, childcare and nursing (maternity leave, leave or shorter working hours for childcare, family care or nursing, and reemployment of ex-workers who resigned for these reasons).

The Next Generation Nurturing Support Measures Promotion Law came into force in 2005. Accordingly, we revised our child-rearing system (shorter working hours) in FY2005 to increase its applicable period from "up to the end of March after the child reaches the age of three and for the first year after the child enrolls in elementary school" to "up to the end of March after the child enrolls in elementary school." (The revised system was put into force from April 2006.)

We will endeavor to create corporate culture which actively encourages employees to apply for these work and family support programs.

Work and Family Support (for childbirth and childcare)

Support programs provided under law	Sanyo	Legal requirements
Maternity leave	16 weeks including the expected date of confinement (These are treated as days at work.)	Six weeks before and eight weeks after the childbirth
Childcare leave	Up to the end of March after the child reaches the age of one. (The period can be prolonged with some conditions.)	Up to the date when the child reaches the age of one (The period can be prolonged with some conditions.)
Child-rearing system (shorter working hours)	Up to the end of March after the child enrolls in elementary school (revised in April 2006)	Up to the date when the child reaches the age of three
Child nursing leave	Up to five days per year. Applicable to employees bringing up elementary school or younger children	Up to five days per year. Applicable to employees bringing up children under elementary school age
Restrictions on Overtime Work	Upon application by those bringing up elementary school or younger children · Up to 20 hrs in any one month · Up to 150 hrs in any one year	Upon application by those bringing up children under elementary school age · Up to 24 hrs in any one month · Up to 150 hrs in any one year
Sanyo's own support programs		
Family Support System	Childbirth allowance (¥500,000 for the first child, ¥700,000 for the second child, ¥900,000 for the third child), child-rearing support allowance (¥100,000 per year)	
Special leave for wife's maternity	Five days (treated as paid holidays)	
Welfare Loan System	Up to 2 million yen for child-rearing expenses	
Nursery Care Room	Space to rest for expectant employees and for employees to nurse their children (available in some workplaces)	
Home Nursery Service	Discount tickets issued up to third grade of elementary school	

Working with Our Employees

Fair Assessment and Fair Treatment

Evaluation-Based Employee Treatment

At Sanyo, we specify the level of performance (achievement) expected of each employee and disclose the items to be evaluated. In so doing, we evaluate the performance of employees fairly and properly, and decide on their conditions according to the results of the evaluation.

On the other hand, our management environment is undergoing drastic changes, while employees' views on work are increasingly diversified. To better cope with these situations, we are in the process of improving the ongoing personnel system so that we can conduct evaluation of employee performance in a more convincing manner and ensures fair treatment for them at all times.

This motivates employees to try for the very best results, building a corporate climate that encourages each employee's creativity and personal growth and seeks to make Sanyo a company that provides employees with more rewarding experiences.

Target Management System

We have introduced a target management system as a tool for supervising and assessing the efforts of employees in achieving their clearly defined goals.

We always explain the results of the assessments to each employee, and based on the results, set targets and plans for the subsequent year. By doing so, we aim to help employees achieve performance with greater values and develop higher skills. This system also allows objective assessment of employee performance, and thus enables us to accord fair treatment to employees.

The System of Pay Scales and Promotions

At Sanyo, an assessment-based annual pay raise system is in place, which determines pay raises for all employees based on their individual annual performance. We set the range of the assessment widely, so that we can reflect the individual performance in pay raise as much as possible.

Promotions are also no longer based on seniority. Employees who have exhibited outstanding quality and ability and achieved great performance are promoted to a higher position regardless of their age.

Our Approach to Employee Inventions

To provide employees with incentives for innovation, we have set up the inventor reward system for employee inventions made within the company. These incentives include: rewards for making patent applications; early rewards for outstanding inventions that appear to be particularly promising; payments

for inventions that are used by Sanyo; payments of part of the royalty income from other companies for use of inventions; and payments of part of the income generated from cross-licensing agreements. Patents that make a significant contribution to Sanyo's corporate performance are given special awards at the annual Convention of Engineering and Environment Invention* to recognize the employees' achievements and further motivate them in their inventive efforts.

With the amendment of the Patent Law in 2004 (which came into force in April 2005), we revised the conventional incentive rules in FY2005, abolishing the upper limit of the reward money and introducing new rewards for exceptional achievements. We will consider establishing a better reward system for retired employees and temporary workers.

※ The Convention is held with the aim of sharing the latest information on research activities, product development, and environmental measures throughout the Sanyo Group, thereby ensuring closer integration of the engineering activities and environmental conservation efforts of the Group for further development. The Convention is attended by our top management.

Sincere Dialog with Employees

Encouraging Dialog with the Union

The Sanyo Group considers dialog and good relations between the company and its employees and their union as very important. Discussions of working conditions, etc., frequently take place between representatives of Sanyo and representatives of the SANYO Electric Workers' Union of which employees of Sanyo and its main domestic subsidiaries become a member (membership about 20,000). Leaders of both management and union attend the Joint Management-Labor Conference which is held regularly. At the Joint Management-Labor Conference, top management explains management policy and listens to the voices of employees from the union side, and seeks to reflect them in management of the company. Joint Management-Labor Conferences are also held regularly at each facility, with similar efforts to achieve mutual understanding.



Management-Labor
Conference

Occupational Health and Safety

Health and Safety Management System

At the Sanyo Group, a health and safety management system is in place under the supervision of the General Affairs/Human Resources Administration Officer who serves as a group-wide general safety manager. To be more specific, we have a Health and Safety Committee consisting of representatives of the management and labor unions, industrial doctors and members of the health insurance society. At each division, local Health and Safety Committees carry out health and safety measures tailored to the needs and concerns of the respective divisions in line with the group-wide Health and Safety Action Policy adopted by the Central Health and Safety Committee (chaired by the group-wide general safety manager).

Every year, a group-wide Health and Safety Conference is held with the participation of approximately 1,300 people including executives and division managers, to increase awareness of health and safety issues through the sharing of information on the current situations and advances made in the workplace.



The Group-Wide Health and Safety Conference

Basic Policy for Health and Safety

1. Achieve zero industrial accidents in the workplace
2. Promote overall health
3. Hold health and safety activities for all employees

Health and Safety Activities at SANYO

During FY2005, we investigated past industrial accidents to prevent similar accidents from recurring, while encouraging employees to have a regular medical checkup and follow-up checkup if necessary in order to maintain and promote the health of our employees.

At Sanyo, when an industrial accident occurs, an accident report is immediately sent to all the health and safety managers and measures are taken to prevent recurrence of similar accidents. In addition, the Health and Safety Committee arranges intensive inspections and patrols at workplaces where there has been an increase in the number of industrial accidents under the accident prevention program, for which stricter criteria have been adopted in designating workplaces that require such inspections and patrols.

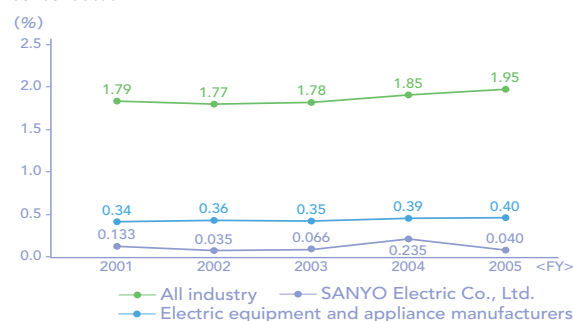
At the divisions where the Occupational Health and Safety Management System* is introduced, risk assessments and

internal audits are carried out to continue to improve the management system, and the local Health and Safety Committees hold meetings to report successful improvement activities for promotion of industrial accident prevention.

While the rate of employees who have taken up this opportunity of a follow-up checkup has increased on a group-wide basis, the rate is still low in some locations. We will work to improve the situation in cooperation with industrial health center in each location.

*In order to further reduce industrial accidents and to advance the systematic and stable management of health and safety by successfully inheriting the proper experience and skills of the person responsible for health and safety, etc., the Plan-Do-Check-Act (PDCA) cycle is followed, clarifying related processes and forming an ongoing continual system.

Trends in Accidents Occurrence Ratio (per million labor hours) non-consolidated



Mental Health Measures

To ensure employees are healthy both physically and mentally, we also implement a number of measures to promote mental health.

Specifically, we offer mental health training by both internal and external lecturers in each location. The training is primarily intended for managers, with the aim to deepen their understanding of mental health and help them identify problems in the workplace at an earlier stage. We will further enhance the quality of the training and also consider introducing an examination system. In addition, we provide managers with a list of practical approaches to mental health care and make them aware of their role in referring their staff with mental health problems to industrial doctors, medical staff, or external physicians.

Over the corporate intranet, employees are provided with a stress checklist for self diagnosis and information on counseling and other services offered by an industrial health center in each location. Each location also takes its own distinctive approaches in close cooperation with industrial doctors and other medical staff, sending "Health Information" E-mail which contains a wide spectrum of mental health and other information, and conducting "active listening" training for mental health counseling.

Working with Local Communities

The Sanyo Group has continued to work for the wellbeing of local communities, by promoting environmental education and social action programs and making donations and providing assistance to a wide variety of local groups, thereby fostering closer relationships with local residents.

Environmental Education

Offering Sanyo's Expertise for Environmental Education and Awareness Promotion Activities

Solar Ark, a solar power generation facility, symbolizes the desire of the Sanyo Group to open up new possibilities of clean energy. With its impressive appearance, this facility has helped to increase public awareness of the importance and effectiveness of solar power generation. Attached to the Solar Ark is the Solar Energy Museum called Solar Labo, which is used for a variety of purposes. This includes general consumers for their lifelong learning programs to study environmental conservation issues; elementary school children and junior and senior high schools students for their social studies; the "Energy Conservation & New Energy Study Groups" of foreign trainees organized by the Energy Conservation Center; educators (teachers and members of Boards of Education, etc) for inspection tours; and also corporate employees for their training programs.

To coincide with these inspection and training programs, we organize "environmental lectures" from time to time to introduce environment-conscious activities promoted by the Sanyo Group. We also actively accommodate requests to participate in events and programs organized by local groups and the prefectural government to increase public interest in the environment and science.

Solar Ark is also used as a venue for various environmental education programs offered by Gifu Prefecture. The facility is now widely recognized as an ideal destination for local lifelong education and social studies field trips for schools, which is partly because of the series of programs held here, such as the Gifu Earth Environment School that started with the opening of the facility. Since its opening in 2002, Solar Ark has been visited by over 200,000 people in total. In February 2006, Solar Ark was awarded the 56th Gifu Shimbun Prize in the Environmental Section for its meaningful contributions to environmental education.



Solar Ark



Field Labo adjacent to Solar Ark



Solar Labo, Solar Energy Museum

Gifu Youngsters' Science Festival at the Solar Ark

The Youngsters' Science Festival is held annually in all the prefectures throughout Japan, and Solar Ark was again used as one of the venues for the Gifu festival in June 2005. At this event, a number of scientific experiment workshops were held over two days at Solar Ark, which were attended by 11,310 peoples. The event was hosted by the Gifu Prefectural Board of Education with the voluntary cooperation of science teachers and local students. As a center of science education, Solar Ark also plays an important role in developing the ability to contribute to the future development of science and technology.



Gifu Youngster's Science Festival

Workshops and Scientific Experiment Shows

Since FY2002, Solar Labo has organized original workshops and scientific experiment shows to increase awareness of global environmental issues and interest in science and technology among children. During FY2005, a total of 5,511 parents and children joined these events. Starting from FY2005, Solar Labo hosts the Science Class organized by the Tokai Chapter of the Japan Society of Applied Physics, and participates in the regional science museum partnership projects supported by the Japan Science and Technology Agency, in its effort to provide greater assistance to educational activities.



Workshop and scientific experiment show

Gifu Earth Environment School

Since its foundation in June 2002, the Gifu Earth Environment School has provided elementary school children and their parents in the Seino region of Gifu Prefecture with opportunities to join lectures on the environment and nature, hands-on sessions held in a workshop style, and inspection tours to environmental facilities in Gifu Prefecture throughout the year. The Sanyo Group supports these programs by assisting in their operations and sending lecturers. During FY2005, 37 pairs (72 people) participated in the programs.



Gifu Earth Environment School

Social Contribution Activities

Communications with Local Communities

Providing Opportunities to Visit Factories

As part of its communications with local communities, each Sanyo factory actively accepts visitors, whether as part of education in schools or as training of central and local government officials. In fiscal 2005, a total of 7,038 visitors in 179 groups visited when the visits for the six factories were combined. In addition, the Solar Ark/Solar Labo located in the premises of our Gifu factory and the Sanyo Museum in the head office building were visited by about 68,500 people and 10,000 people respectively.

Working with Local Citizens and NPOs/NGOs, etc.

Sanyo is increasing its cooperation with representatives of the local communities and local NPOs and NGOs through the participation in volunteer activities for environmental protection, events arranged by local government and local communities activities. Our overseas subsidiaries also attach importance to communications with local residents, and Chambers of Commerce and Industry, as members of the local communities. From now on, we will seize more such opportunities for effective dialogs to build better relationships.

Volunteer Activities by Employees

"SANYO Forest" Work Camp Project

In FY2005, the SANYO Committee to Encourage Volunteers, set up by the management and labor unions, and Gunma Prefecture started the joint "SANYO Forest" work camp project to reserve 2 ha. of the prefecture-owned forest in Takasaki City in Gunma Prefecture as the SANYO Forest. Employee volunteers of the Sanyo Group will undertake maintenance of the forest several times a year for the next five years.



"SANYO Forest" Work Camp Project

International Coastal Cleanup Activity

The Sanyo Group endorsed the aim of International Coastal Cleanup Activities started by the US nonprofit group, the Ocean Conservancy and has been participating since 1992. Worldwide in scope, it is intended not only to clean beaches but also to survey the quantity and types of garbage left on them. Its purpose is to formulate environmental protection measures based on the analysis of pollution sources. A total of 1,017 employees from the Sanyo Group had participated by the end of 2005.



Coastal Cleanup activities

Supporting Employee Volunteer Activities

To encourage employees to participate in volunteer and local community activities, Sanyo offers a "Volunteer Vacation" program which grants up to six extra paid holidays per year to employees who wish to take part in these activities on workdays, and a "Volunteer Temporary Leave" program which allows employees to take paid leaves for a period from one month to less than a year to participate in long-term volunteer activities.

In FY2005, the "Volunteer Vacation" program and the "Volunteer Temporary Leave" program were applied to a total of 193 and 2 employees respectively.

Major activities to which the programs were applied (as of the end of FY2005)

Volunteer Vacation Program

Participation in overseas work camps, mangrove planting on Iriomote island, support of welfare facilities, reading volunteers, disaster relief services, help with a marrow donor registry, and "SANYO Forest" Work Camp.

Volunteer Temporary Leave Program

Participation in the Overseas Cooperation Volunteers service (including a pre-departure training period) and planning and advertising activities for the Japan Marrow Donation Registry Promotion Conference.

Working with Local Communities

Social Welfare Activities

Inviting Children of Traffic Victims to the SANYO Professional Baseball All-Star Games

Every year, we invite children who have lost parents in traffic accidents to the SANYO Professional Baseball All-Star Game that we regularly sponsor*. Fifteen years have passed since 1991, when this program started, and the number of children invited has reached 2,050. Our employee volunteers are available to take care of the invited children at the stadium.

※Cooperation by the National Agency for Automotive Safety & Victims' Aid (We commit to the Agency the selection of children and their families who are invited and the contact with them.)



Invited children enjoying the All-Star Game

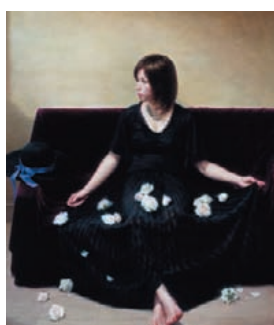
Corporate Philanthropic Activities

Supporting Cultural and Artistic Activities

With a view to nurturing the talents of young artists in Japan and promoting artistic and cultural activities in Osaka, we sponsor the awards of the Hakujitsukai art promotion group and provide support for concerts by the Orchestra Osaka Symphoniker.



Philanthropic support (Hakujitsukai)



Philanthropic support (Orchestra Osaka Symphoniker)

Support and Donations

The SANYO Environmental Fund

Following the completion of the solar power generation system, Solar Ark, in December 2001, we established the SANYO Environmental Fund in April 2002 to contribute funds of an amount equivalent to that of the energy saved, to various environmental conservation activities. Having its secretariat at Corporate Environment Center, this Fund has been offering financial support to serious environmental activities carried out by volunteer organizations and NPOs.

April 2006 marked the fifth term of the Fund since its establishment. For the past four years until March 2006, the Fund contributed a total of about 29,440,000 yen to 19 projects.

Recipients of the SANYO Environmental Fund in FY2005

Name of organization	Location	Theme of activity
Gifu Earth Environment School Conference	Ogaki City, Gifu Pref.	Gifu Earth Environment School
Youngsters' Science Festival-Gifu Festival Executive Committee	Gifu City, Gifu Pref.	2005 Gifu Youngsters' Science Festival at the Solar Ark
Ashikaga Ecology Investigation Group	Ashikaga City, Tochigi Pref.	Creation of an environment-oriented society
Otsu Environmental Forum	Otsu City, Shiga Pref.	Supporting the Otsu Environmental Forum's raw garbage recycling business "Soil reformation trends and the quality of cultivated vegetables" analyzing business.
Soni National Nature Children's Center	Soni Village, Uda-gun, Nara Pref.	Teaching young people the importance of nature, through of activities in nature and overnight trips, that enriches and strengthens them.

A summary of the SANYO Environmental Fund and the activities it has supported can be found on our website.

<http://www.sanyo-ecocikin.jp> <Japanese Only>

Main Donation Activities in Fiscal 2005

In August 2005, Hurricane Katrina caused widespread devastation to the United States. For the relief of victims, Sanyo's subsidiaries in the U.S. donated US\$100,000 and 500 small-sized refrigerators worth US\$200,000 to the American Red Cross, while Sanyo's employees in Japan made a donation to the Japan Red Cross.

Also, in the wake of the North Pakistan Earthquake in October 2005, Sanyo and its employees made a donation to the Japan Red Cross and Asia Volunteer Center for victims in Pakistan and India.

Independent Review Report



DET NORSKE VERITAS

Independent Review Report

November 7, 2006

To: SANYO Electric Co., Ltd.

Det Norske Veritas AS (DNV) has reviewed "Sustainability Report 2006" published by SANYO Electric Co., Ltd. SANYO is responsible for the contents of the report and DNV is responsible for conducting a high-level independent review of the report to establish whether the information reported is accurate.

Review scope and procedures

Currently there are no formal generally accepted international sustainability reporting and verification standards. Therefore, DNV has referred to the "Draft Japanese guidelines for environmental reporting verification (Ministry of the Environment, Japan, 2004)" and emerging good practices and guidance. DNV's review was conducted at Corporate Environment Center and CSR Unit at SANYO's Headquarters (Daito City, Osaka, Japan) on 7 August 2006 and has not included any other site visits. DNV has therefore not reviewed the reliability of data management systems at the SANYO's local sites and nor verified data presented in the report. No other stakeholder engagement was conducted.

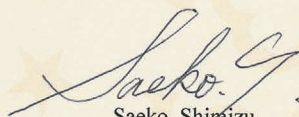
Overview of review processes

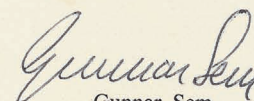
DNV reviewed the following items, through document review and interviews with management responsible for processes to collect and interpret information from individual sites, at SANYO's Headquarters, and focused on:

- (1) Reliability of data management systems at the SANYO's Headquarters, covering the collation and interpretation of the information received from individual sites.
- (2) Consistency of the information presented in the report with supporting documents obtained during the interview process on a sampling basis.

Results of the review

As a result of the review, we are not aware of any material modification that should be made to the parameters, environmental accounting indicators and other information in the SANYO's report, consistent with the information DNV reviewed at the Headquarters.


Saeko Shimizu
Project Leader
DNV Certification, Japan


Gunnar Sem
General Manager
DNV Certification, Japan

Sanyo Group Sustainability Report 2006 Questionnaire

Thank you for reading our Sustainability Report 2006. We would find it very helpful if you would kindly fill in this form and send it back to us by fax. Your information will help us improve our environmental and social activities and produce future corporate reports.

1 From which standpoint did you read this report?

- ☐ General consumer ☐ Homemaker ☐ Corporate environmental manager/staff ☐ NGO/NPO ☐ Sanyo business partner
☐ Public servant ☐ Student ☐ Investor ☐ Sanyo shareholder ☐ Research/Education institution
☐ Local resident of a community where a Sanyo office is located ☐ Other ()

2 Could you understand Sanyo Group's environmental and social activities?

- Environmental activities: ☐ Easy to understand ☐ Understandable ☐ Difficult to understand ☐ Very difficult to understand
● Social activities: ☐ Easy to understand ☐ Understandable ☐ Difficult to understand ☐ Very difficult to understand

3 What do you think of Sanyo Group's environmental and social activities?

- Environmental activities: ☐ Very good ☐ Good ☐ Average ☐ Not very good ☐ Poor
● Social activities: ☐ Very good ☐ Good ☐ Average ☐ Not very good ☐ Poor

4 Are you satisfied with the Sustainability Report?

- Contents: ☐ Satisfactory ☐ Somewhat satisfactory ☐ Average ☐ Somewhat unsatisfactory ☐ Unsatisfactory
Please give the reason or comment if any. ()
● Amount of text/Number of pages: ☐ Too much ☐ A little too much ☐ Appropriate ☐ Not quite enough ☐ Not enough
Please give the reason or comment if any. ()
● Ease of understanding: ☐ Satisfactory ☐ Somewhat satisfactory ☐ Average ☐ Somewhat unsatisfactory ☐ Unsatisfactory
Please give the reason or comment if any. ()

5 Please select the item/items in which you were interested. (You can select more than one item.)

- ☐ Top Management Commitment
☐ Company Profile and Business Outline

Special Feature

- ☐ Proposal: A Reusable Battery for Environmentally-Friendly Lifestyle
☐ Involving Children in our Effort to Create the Bright Future of GAIA
☐ Proposal: Washing by Use of the Special Properties of Ozone
☐ Proposal: Purifying Air by Use of Electrolyzed Water
☐ Proposal: A Device that Protects Children from Possible Dangers
☐ Proposal: Environmental Conservation Measures Tailored to the Needs of Ships

SANYO Management

- ☐ Management Philosophy and Corporate Social Responsibility (CSR)
☐ Corporate Governance
☐ Principles of Conduct
☐ Compliance

Environmental Report

- ☐ Environmental Management/How GEMS Works
☐ Targets and Achievements
☐ Overview of the Environmental Impact of the Sanyo Group
☐ Strategy and Development Concepts for Environmentally-Friendly Products
☐ Green Procurement
☐ Development of Systems with Reduced Environmental Impact
☐ Recycling of Home Appliances/Recycling of Containers and Packages
☐ Restraining the CO2 Emissions
☐ Curtailing the Emission of Greenhouse Gases Other than CO2
☐ Improving Logistics
☐ Energy Conservation/Energy Creation
☐ Measures to Control Chemical Substances in Business Activities
☐ Measures to Control Soil and Groundwater Contamination

- ☐ Waste Reduction Measures
☐ Conservation of Water Resources
☐ Environmental Accounting

Social Performance Report

- ☐ Working with Our Customers
☐ Working with Our Business Partners
☐ Working with Our Shareholders/Investors
☐ Working with Our Employees
☐ Working with Local Communities

6 If you have any comments or requests regarding the Sustainability Report 2006 and/or Sanyo Group's environmental and social activities, please enter them here.

()

Thank you very much for your cooperation. We would also like to ask you to provide us with the following information. Please be assured that we will keep your personal information strictly confidential and it will be use solely for the purposes of sending our report to you, responding to your inquiry, or contacting you when necessary.

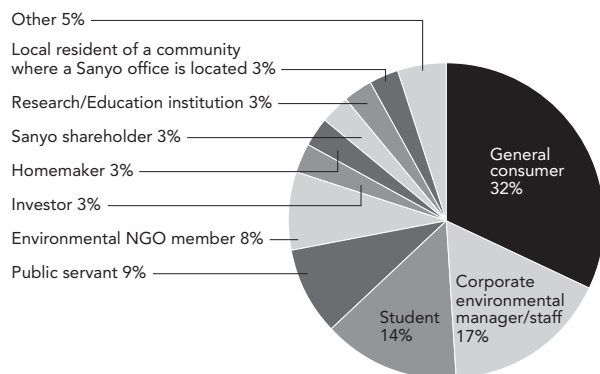
May we send our next report to you? (Yes / No)

Name		Sex	Male / Female	Age	
Address					
TEL		FAX		E-mail	
Organization	(company/department, school, etc.)				

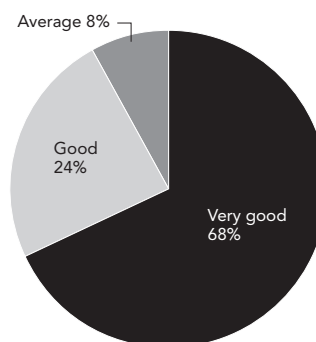
Result of the Sanyo Group Sustainability Report 2005 Questionnaire Survey

The following is the result of the questionnaire survey on Sanyo Group Sustainability Report 2005 (published in August 2005). Our readers' valuable feedback helped us produce the Sustainability Report 2006 and improve the Group's environmental and social activities. Thank you very much.

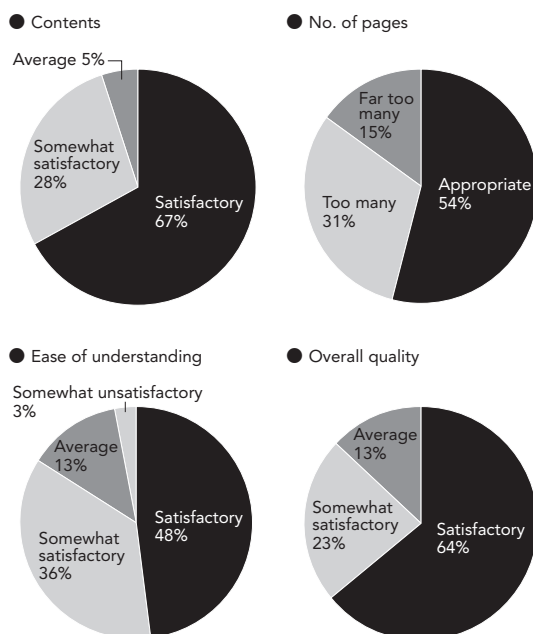
1 From which standpoint did you read this report?



2 What do you think of Sanyo Group's environmental and social activities?



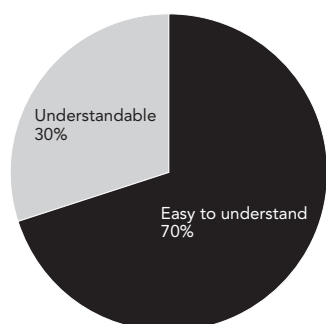
3 What do you think of the Sustainability Report?



4 Main items of interest



5 Could you understand Sanyo Group's environmental and social activities?



6 Selected opinions on the Sustainability Report 2005 and Sanyo Group's environmental and social activities

- You can enhance the transparency of the report by showing how the goals of action plans have been achieved.
- I want to read more daily-life-oriented reports incorporating the viewpoints of consumers (users).
- I suggest giving more space to comments from third parties.
- I hope Sanyo will continue its efforts to develop products friendly to the local and global environment.
- I hope Sanyo will be further committed to taking measures to prevent global warming and providing environmental education to children who will be the leaders in tomorrow's world.

SANYO Electric Co., Ltd.

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Innovation Group

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ECOS9A044000008@sanyo.co.jp
http://www.sanyo.co.jp/Environment/sanyo_e

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