Think GAIA
For Life and the Earth

SANYO

SANYO Electric Co., Ltd.

Sustainability Report 2007

Think GAIA

For Life and the Earth

"GAIA" is a term that encompasses the Blue Planet, "Earth,"and the infinite varieties of "life" that live and breathe on it.
It describes the world as a single living organism, where all life and nature co-exist interdependently.
SANYO is committed to listening to GAIA's voice and engaging in activities that are beneficial to life and the Earth.
As a testament to this, SANYO pledges to respond by developing only products that are absolutely essential to life and the Earth.
We aim to bequeath a beautiful Earth to future generations.
This is SANYO's Brand Vision — Think GAIA.
To realize this vision, SANYO promotes a threefold approach, focusing on the environment, energy and lifestyle.
As a leading provider of Environment- and Energy-related products, SANYO seeks to harness its exclusive, unique technology and innovative creativity to deliver global solutions.
All for the Earth. All for life. All for GAIA.

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SANYO Electric Group Environmental & Social Activities (Website)

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URL http://www.sanyo.co.jp/environment/en/

Other Information

For detailed financial information on the Sanyo Group also refer to the Annual Report and SANYO NOW.
For more technical information see the SANYO Technical Review.

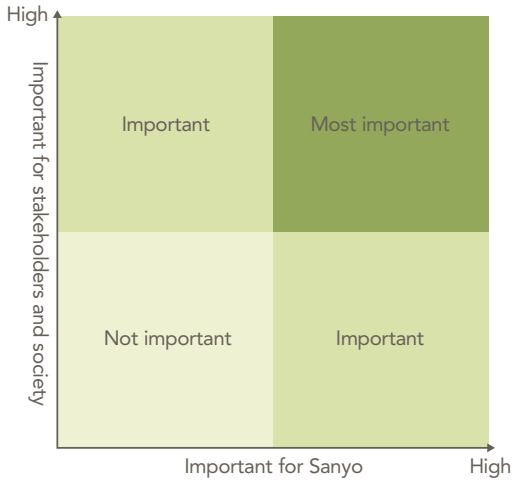
■Financial information: Annual Report (for institutional investors)
URL http://www.sanyo.co.jp/ir/e/library/annualreports.html
SANYO NOW (for individual shareholders)
URL http://www.sanyo.co.jp/ir/library/sanyonow.html (Japanese Only)
■Technical Information: SANYO Technical Review
URL http://www.sanyo.co.jp/giho/ (Japanese Only)

Editorial Policy

The SANYO Electric Group is engaged in various environmental and corporate social responsibility (CSR) activities. For the investigation and editing of this latest publication, we have endeavored to focus on selected topics, and highlight business, environmental, and social responsibility activities that are most important to society or that will interest many of stakeholders. We have also chosen topics that are important for the sustainability of the company.

This year, we have selected climate change, water resources, and the quality and safety of products as our key corporate and social issues. Consequently, this report features the technologies, solutions, and initiatives of the Sanyo Group that best address these issues. Various other environmental and CSR initiatives have also been presented here, focusing on topics that are important to the company.

On the SANYO Electric Group Sustainability Report website, there is also detailed performance data relating to Sanyo's overall environmental and CSR initiatives, in addition to an outline of the relevant activities and other information contained in this publication.



■Scope

Financial report: SANYO Electric Co., Ltd., and consolidated subsidiaries worldwide
Environmental report: SANYO Electric Co., Ltd., and manufacturing subsidiaries in Japan (including the scope of the Group Environmental Management System (GEMS), which covers Sanyo's main related companies in Japan)
Social responsibility report: SANYO Electric Co., Ltd., and main related companies worldwide

■Period

April 1, 2006 to March 31, 2007
(Also includes some data, targets, and forecasts outside of this period.)

■Accuracy of Report Information

The reliability of the information management system used by Sanyo for gathering environmental data, as well as the consistency of the information and relevant materials contained in this report has been reviewed by Det Norske Veritas AS (DNV), an independent auditing agency.

■Reference Guidelines

・GRI Sustainability Reporting Guidelines 2002
・Environmental Reporting Guidelines, 2003
(Japanese Ministry of the Environment)
・Environmental Accounting Guidelines, 2005
(Japanese Ministry of the Environment)

Inquiries

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Corporate Environment Center
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Overview of the SANYO Electric Group

Corporate Profile

Name of Company: SANYO Electric Co., Ltd.
Head Office: 5-5, Keihan-Hondori 2-Chome, Moriguchi City, Osaka Japan
Founded / Incorporated: February 1947 / April 1950
Executive Director & President: Seiichiro Sano

Capital: ¥322,242 million*1
Number of Employees: Non-consolidated 11,032; Consolidated 94,906*1
Number of Consolidated Companies: 206 (80 in Japan and 126 overseas)*1

■Employees*1

	Number of Employees	Average years of service
Total	11,032	19.5
Male	8,893	19.8
Female	2,139	18.1

■Total number of shares that can be issued, actually issued, and number of shareholders*1*2

Type	Total number of shares that can be issued	Total number of shares issued	Number of shareholders
Common shares	7,060,300,000	1,872,338,099	282,589
Preferred shares A	182,600,000	182,542,200	3
Preferred shares B	246,100,000	246,029,300	3

*1. As of March 31, 2007
*2. The total number of issued common shares includes 18,192,813 in own shares

Business Areas

■Consumer business: Products for general consumers such as imaging, communication, and household devices


Digital movie cameras

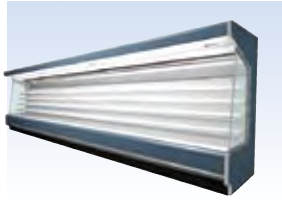

Mobile phones


Car navigation/audio system


Washer/dryers

■Commercial business: Equipment for business, industrial and medical purposes

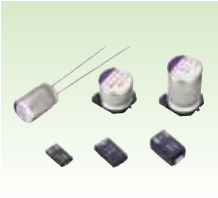

Gas-engine heat pump air conditioners


Supermarket showcases

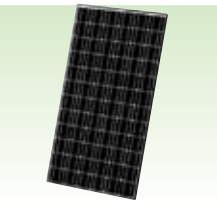

Ultra low temperature freezers


Computer-based patients record system

■Component business: Electronic parts, batteries, and semiconductors


Capacitors


Optical pickups


Solar cell modules


Lithium ion batteries


Rechargeable batteries for hybrid vehicles

■Other businesses: Distribution, maintenance, information services, residential products

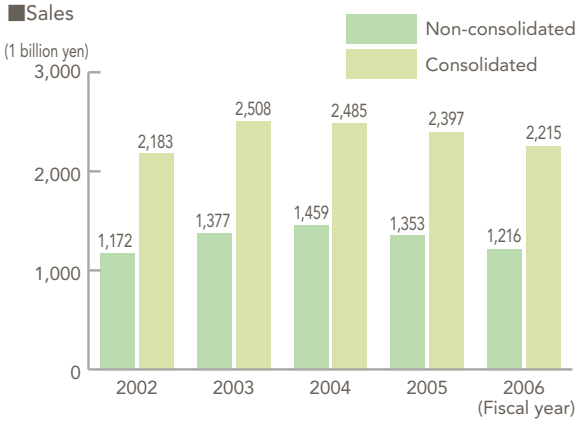
Financial Report

Consolidated Business Results for Fiscal Year Ended March 31, 2007

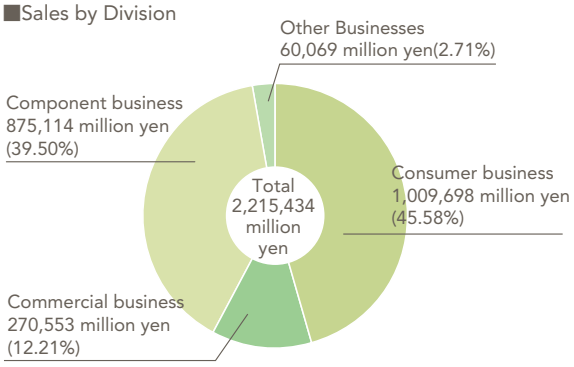
Sales in the fiscal year ended March 31, 2007 were down 7.6% from the previous year to ¥2,215.4 billion. Domestic sales declined 18.0% from the previous year to ¥953.7 billion, while overseas sales increased 2.2% to ¥1,261.7 billion.

Sanyo posted an operating profit of ¥49.6 billion due to a decline in the cost to sales ratio, and returned to profitability. However, as a result of loss posting arising from additional measures for restructuring, and an increase in product expenses, losses before income taxes and minority interests from continuing operations and the net loss for the current term came to ¥13.1 billion and ¥45.4 billion, respectively.

■Sales



■Sales by Division



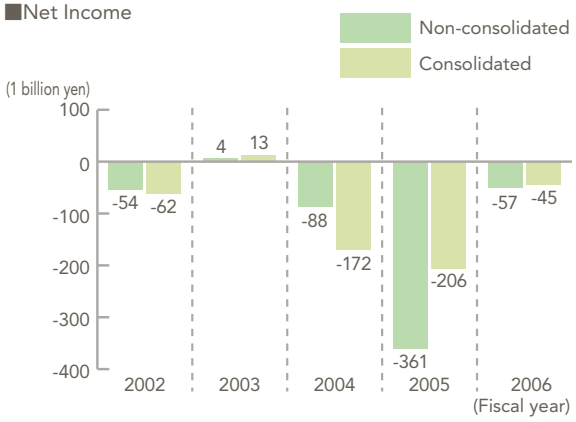
Future Prospects

Fiscal 2007 marks the final year of the Medium-term Management Plan, and the Sanyo Group is steadily implementing measures according to this agenda. As preparations for the growth of the corporate group, Sanyo will be placing the highest priority on restructuring and on intensive investment in the core business. The Sanyo Group is also optimizing its global development efforts, while strengthening its international competitiveness through the defining of regional strategies.

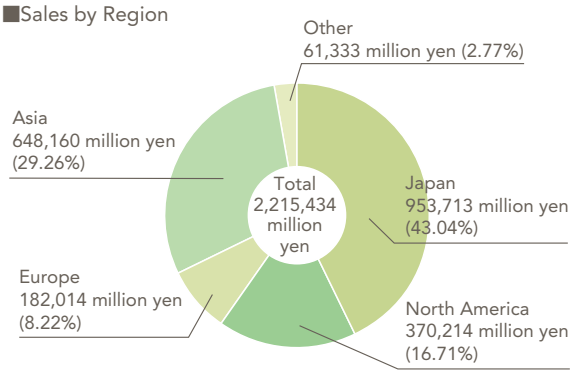
A new Medium-term Management Plan will be drafted to begin in fiscal 2008, and the Sanyo Group intends to realize steady growth according to this roadmap.

By taking these steps, Sanyo is looking to speed up the recovery of its business results, and aims to put all its efforts into boosting earnings and increasing corporate value. The Sanyo Group continues to rely on the support of its stakeholders in order to achieve these goals.

■Net Income



■Sales by Region



Becoming a Leading Provider of Environment- and Energy-related Products

Returning to the focus on product creation, and aiming for sustainable growth

Seiichiro Sano, Executive Director & President

During our 60-year history, Sanyo Electric has earned the confidence of customers through product creation and providing services. As a result, we have grown into a corporate group comprising about 200 companies both in and outside Japan. The driving force behind this expansion has been the passion of our many employees for product creation, their mutual support, and their continual hard work. Without the support of various stakeholders such as the customers that purchase our products and services, as well as our business partners, shareholders, investors, and local neighbors, Sanyo could not have achieved this kind of growth.

Based on our brand vision of "Think GAIA," Sanyo is aiming to become a leading provider of Environment- and Energy-related products and a company that delights the Earth and life. What can we do to help the planet and living things? Our goal is to return to the focus on product creation, and to run our operations by listening carefully to the needs and opinions of clients and general consumers that love Sanyo products. In the words of our management philosophy, "We are committed to becoming an indispensable element in the lives of people all over the world." Sanyo has no choice but to live up to this belief. It is the basic concept behind our responsibility to society, and it was the starting point for the founding of the company.

Return to Profitability and Steady Growth

Fiscal 2007 marks the final year of the current Medium-term Management Plan. Sanyo boasts world-class technology for solar power generation systems and rechargeable batteries. With the rising public awareness of global environmental issues, we are aiming to expand business opportunities by becoming a leading provider of Environment- and Energy-related products. We plan to utilize the technologies that Sanyo has developed over its history, including the reusable and rechargeable *eneloop* battery, the *AQUA* washer/dryer that realizes a large reduction in water usage, and the *energreen* refrigeration system that saves energy. By doing this and realizing steady growth along with a return to profitability, we can contribute to society through our products. Moreover, we will establish a Master Plan to clarify the future course of the company, and new path for Sanyo will be unveiled to stakeholders in the new Medium-term Management Plan, set to commence in fiscal 2008.

Promoting Products for Energy and Resource Saving

By going beyond restructuring and aiming to become a leading provider of Environment- and Energy-related products, while ardently addressing the issues of global environmental protection, we can ensure the sustainable development of the Sanyo Group. Based on the Group Environmental Policy, we are promoting environmental initiatives in all stages of our operations from product development, to manufacturing, to disposal.

Sanyo is placing particular importance on energy and resource saving measures (making items smaller and lighter) for all products provided to customers, in order to help fight pollution caused by harmful chemical substances, and to reduce emissions of greenhouse gases and waste. In this way, the company is working on the development and promotion of products that contribute to the improvement of the natural environment. As a result of these efforts, in fiscal 2006, products considered by Sanyo to be exceptionally environmentally conscious passed the 50% mark in term of sales.

It is also important to reduce environmental impact in the production process. Through reduced use of energy and harmful chemical substances, Sanyo has set specific long-term targets in order to help fight global warming and other worldwide environmental problems. Improvement activities are then carried out on a continual basis. Based on these kinds of efforts, Sanyo is taking a global leadership role in the environmental field as a leading provider of Environment- and Energy-related products, and we intend to further increase our corporate value.

Transforming into a Company with Greater Trust and Expectations

Our industry, the electronics sector, continues to face difficult management conditions, including soaring prices for raw materials, and the intensification of global competition. In fiscal 2006, the second year of our Medium-term Management Plan, we posted our third loss in three consecutive years of non-profitability. In addition, due to quality problems with our washer/dryers and mobile phone batteries, we have caused a lot of concern to the many customers, business partners, and other stakeholders that have supported us over the years.

The greatest responsibility we have as a manufacturer is to ensure the quality and safety of the products we deliver to customers. This is a belief that has remained unchanged since the founding of Sanyo, and is the most important objective for a producer. By placing priority on the restoration of customer confidence, and accepting customer criticism as a good opportunity for improvement, we are further strengthening our quality assurance system, and transforming ourselves into a company that meets the expectations and earns the trust of customers.

The activities of a company are carried out by people. Therefore, the growth of the company is achieved by having every employee pull in the same direction. They need to display their abilities to the fullest, and steadfastly carry out their roles. In order to improve the workplace and create an environment that is supportive, motivating, and that provides job satisfaction, Sanyo is actively pursuing policies to develop the abilities of its employees, to encourage the balance of work and family life, and to provide better support for women.

Sanyo is carrying out its own comprehensive revision of the financial statements from fiscal 2001 through 2006, in order to ensure that they properly adhere to accounting standards. After being evaluated by the accounting auditors, the revised financial statements will be passed on to the Board of Directors, and then promptly disclosed to the public. A committee of outside legal experts, the "Investigation Committee for Previous Financial Results," has been set up to review past financial reporting, and will issue an inspection report after the revision of the financial statements.

Fiscal 2007 is an important year for putting Sanyo back on the track of sustainable growth. In addition to showing the future goals of the SANYO Electric Group, and its CSR initiatives, this report seeks to show how we are moving forward. I hope you enjoy reading this publication, and welcome your honest feedback.

I look forward to the continued support of all our stakeholders.

Satoshi Sano

Executive Director & President

Vision and Strategy

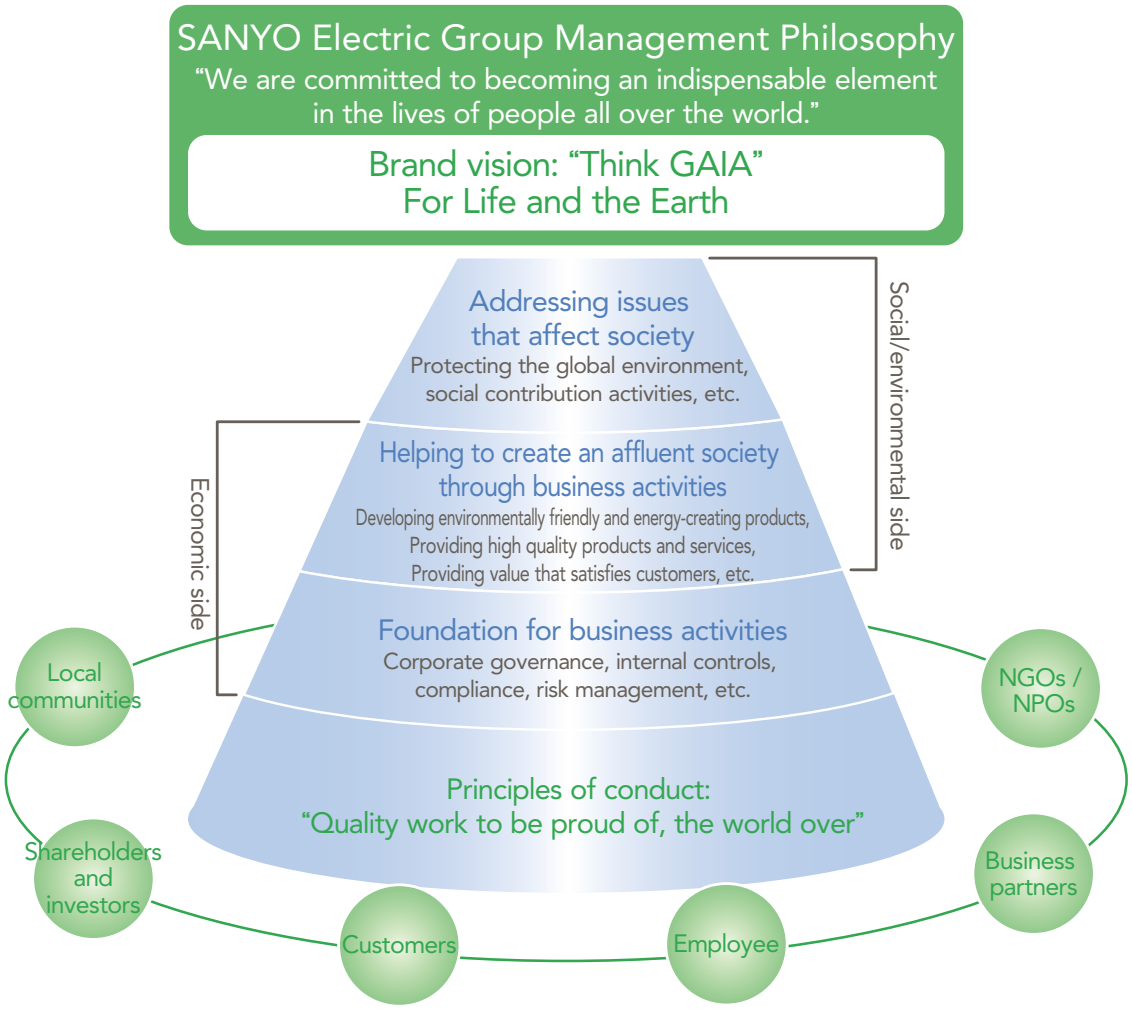
Aiming to become a company that delights the Earth and life, Sanyo is contributing to the realization of a sustainable society. This is also important for increasing the value of the SANYO Electric Group over the long term, and its development.

Management Philosophy and CSR

"We are committed to becoming an indispensable element in the lives of people all over the world." This management philosophy is the starting point for the Sanyo Group's corporate social responsibility (CSR). Sanyo is aiming to be a group of companies that is liked and trusted by people around the world, by providing outstanding services and superior products based on original technology.

In fiscal 2005 Sanyo created a new brand vision called, "Think GAIA." This demonstrates the company's intention to always consider Life and the Earth first, in order to ensure Sanyo's sustainable development and to help realize a sustainable society. By putting this management philosophy and brand vision into practice, Sanyo is realizing its CSR management.

In order to fulfill its social responsibilities in the economic, social, and environmental fields, the Sanyo Group is listening to and working with its many stakeholders including customers, employees, shareholders, investors, suppliers, local communities, NGOs, and NPOs.



Contributing towards a Sustainable Society through Original Technology

The Sanyo Group possesses a range of original technologies that can realize, or may one day help realize a sustainable society.

For example, water is one resource that humans cannot live without. Sanyo's water electrolyzation technology, and its water processing technology based on filtration or ozone are useful for purification of public water sources or household wastewater. Along with the improvement of water quality and elimination of contamination, these technologies can also reduce the amount of water usage through water recycling. Furthermore, Sanyo's air purification system cleans indoor air using water electrolyzation technology. This device controls air-borne viruses, mold, and pollen, and helps create clean and comfortable living spaces for homes, and public facilities.

Sanyo's solar power generation system based on HIT solar cells is a good example of a clean energy technology that produces electricity without any CO_2 emissions. While meeting energy demands, this technology is expected to go a long way toward controlling global warming. With a global market share as high as 30%, Sanyo's rechargeable batteries provide energy for various consumer and commercial devices. Since these batteries can be used repeatedly before being finally recycled, they contribute towards resource saving and waste reduction.

Washer/dryer equipped with water processing technology

Air purification system

Solar cell module

Lithium ion batteries

Business Strategy and Sustainability

For the drafting of the current Medium-term Management Plan*, various revisions were made to the business portfolio from the perspective of core competence, profitability and growth. By becoming a leading provider of Environment- and Energy-related products for worldwide environmental problems, the Sanyo Group will be able to create value in the long term. A business model has been established that will allow Sanyo to develop in this way.

Sanyo is carrying out intensive capital investment and R&D in the following three business areas: 1) Power Solutions, which covers rechargeable batteries and automotive audio-visual devices, 2) HVAC (Heating, Ventilating, and Air-Conditioning) Products & Commercial Equipment, which includes heating and air-conditioning equipment for industrial use, as well as solar cells, bio-science/medical devices, and medical information systems, plus 3) Personal Mobile Devices, which encompasses mobile phones, digital cameras, and electronic devices. For the solar cell business in particular where the market growth has been extraordinary, Sanyo is strengthening its production system through strategic investment, while accelerating the movement towards providing clean electricity to the world.

In order to create revolutionary products that contribute to the realization of a sustainable society, the company has also established a product development system that crosses department walls with an inter-organizational structure. In this way, Sanyo is reforming its entire product creation process, through the promotion of company-wide product development.

Based on this, Sanyo is aiming for product creation that meets the demands of the market, by maximizing the use of the company's own technologies. This includes the development of value-added products that never existed before, through the fusing of different products and technology fields in the product development stage.

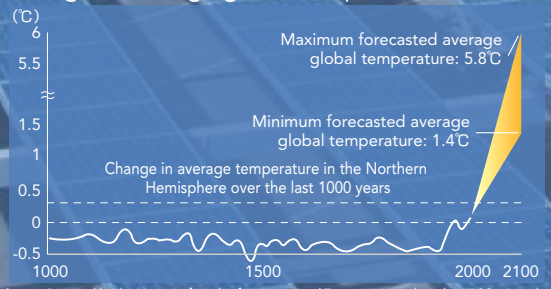
Therefore, along with raising the company's value over the long term, Sanyo's business strategy is closely linked to the sustainability of the entire society.

* For more detailed information on the Medium-term Management Plan, also see the Annual Report.

Key Issue No. 1 Climate Change and Energy

The various negative effects of climate change have captured people's attention in recent years. One possible solution to this serious threat that mankind has never faced before, is the use of clean energy. Sanyo Electric is putting its effort into the development of solar cells, and seeks to help control global warming through this kind of technology.

■ Change in average global temperatures



Source: Prepared by the Ministry of Land, Infrastructure and Transport Japan based on IPCC materials

4℃

The predicted increase in average temperatures by the end of this century, for a world that is dependant on fossil fuels

A Future Shaped by Global Warming

Since the Industrial Revolution, humankind has developed all kinds of machines and devices, and learned how to produce industrial products on a large scale. By consuming these goods in huge quantities, people today are able to enjoy affluent and convenient lifestyles unlike ever before. The resources that support this mass-producing, mass-consuming society are fossil fuels such as oil and coal. After being formed deep underground over eons, these fuels are set to be completely consumed by humans in the middle of the next century. The world's consumption of energy has increased 25-fold in the last 100 years. If this entire energy consumption were measured in term of oil, it would be equal to 10 billion tons of petroleum. However, not only are humans consuming all the fossil fuels, but the large amounts of CO_2 emissions released by burning these fuels are creating global warming as a byproduct.

In April 2007, the Intergovernmental Panel on Climate Change (IPCC)* adopted its fourth report in Brussels, Belgium. This report draws a grave picture of the future based on the combined research results from scientists around the world relating to the progress of climate change. Based on this prediction, if average global temperatures continue to rise at the current rate, a temperature increase of 1.5℃ to 2℃ presents the danger of 20% to 30% of living species becoming extinct. If the average temperature increases by 2℃ to 3℃, one million people will be threatened by rising sea levels. The report also predicts that over 200 million people in Africa will likely face severe water shortages. It has reached the point where the entire world needs to work together in order to avoid the realization of these predications.

Nicholas Stern, the former Chief Economist of the World Bank, was appointed by the UK government to conduct reviews on the economics of climate change, resulting in the *Stern Review*. According to this report, if the international community does not take action to reduce greenhouse gas emissions, the future economic loss due to global warming is expected to be over 20% of the world's total GDP. However, if measures to prevent global warming are started immediately, the resulting costs would only be 1% of global GDP annually, and economic growth would be possible at the same time. In other words, the cost of doing nothing is far greater than the cost of taking the necessary measures.

In June 2007, at the annual summit of the Group of Eight leading industrialized nations (G8) in Heiligendamm, Germany, measures to combat global warming were discussed as the top issue. The debate centered on policy for the post Kyoto Protocol era in 2013. The G8 countries were able to reach a consensus, and a course was charted for the world to become a low-carbon society.

* Established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) in 1988. Along with performing scientific, technological, and socio-economic evaluation relating to global warming, the IPCC is charged with ensuring that the knowledge it obtains is made widely available to policy makers and the general public.

If humankind continues to pursue economic growth through the current model of mass production and consumption, the resulting rise in temperatures will be around 4℃ (2.4℃ to 6.4℃). This would put many plants and animals at risk of extinction, and further exacerbate climatic changes.

Sanyo's Strategy to Help Prevent Global Warming Development of HIT Solar Cells

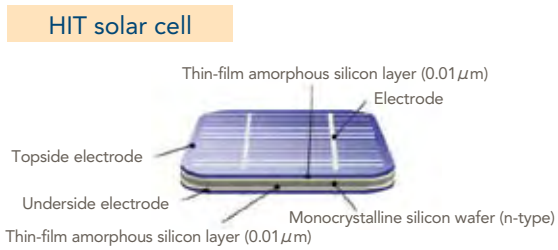
The biggest area of energy consumption in people's everyday lives is household use, which accounts for 42% of a consumer's energy usage. Within this area, the four appliances of air conditioners, refrigerators, lighting, and televisions, comprise over 60% of actual household energy consumption. A major key to preventing global warming is finding ways of reducing this direct energy use.

One answer to this problem is switching to natural energy sources that do not produce CO_2 emissions. Sanyo Electric began R&D into amorphous solar cells in 1975, and realized the technology for industrial purposes in 1980. The material used in this kind of solar cell is amorphous silicon, and it has superior light absorption qualities. The substance can produce electricity even in low light conditions, and can be treated in a low temperature manufacturing process. In 1990, Sanyo Electric began R&D into its own original technology: Heterojunction with Intrinsic Thin-layer (HIT) solar cells. Sanyo took on this long-term challenge based on the research team's enthusiastic desire to realize effective rooftop electrical generation.

The goal was to develop a design that combined a high level of production capability with the low level of energy needed for manufacturing with amorphous silicon, and the high conversion efficiency of monocrystalline silicon. HIT solar cells have a completely new structure formed by the fusion of different types of materials. This is achieved through the build up of p- and n-type amorphous silicon film, using amorphous silicon layers that do not contain any impurities on a monocrystalline silicon wafer.

The conventional manufacturing method for monocrystalline silicon solar cells required a high-temperature process that exceeded 900℃, which made the production complicated. By using thin-film formation technology that the company had already developed, Sanyo Electric was able to create a revolutionary new structure that combined p- and n-type silicon through the deposition of amorphous silicon layers at relatively low temperatures of under 200℃.

■HIT solar cell design



55,000 tons

It is estimated that the HIT solar cells produced by Sanyo in 2006 are yielding an annual reduction of CO_2 roughly equal to 55,000 tons.

In contrast to the conversion efficiency of 16% to 17% found in regular polycrystalline solar cells, the HIT solar cell has achieved the world's highest conversion rate of 22.0% for the research model (or 19.7% for the mass production model). By increasing the conversion efficiency, the surface area necessary to generate a given level of power is reduced, and this results in a saving of resources. The advantages for customers that use HIT solar cells include more electricity per installed surface area, and only a small drop in output during the hotter summer months. Moreover, since HIT solar cells can generate electricity on both sides, they can be made thinner using a symmetrical structure on the top and bottom, which is also beneficial for saving resources in the manufacturing stage. If the HIT solar cells produced in 2006 were all in operation, the reduction in CO_2 emissions* would be roughly 55,000 tons per year.

* Calculated based on the example of a 4.2-kW Sanyo system installed in Osaka, Japan, with an expected annual electrical generation of 4,909 kWh, and a reduction in CO_2 per 1 kWh equal to 0.3145 kg.

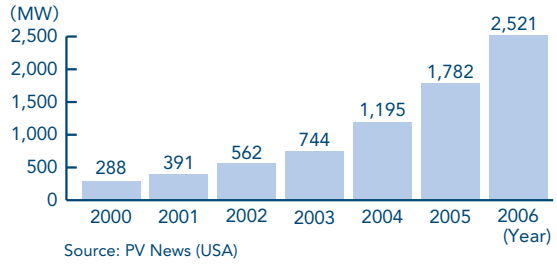
HIT solar cells installed as part of a home solar power system

Actively Investing in Solar Cell Production Plants to Help Meet World Demand

Sanyo Electric has two sites for the production of solar cells, Nishikinohama Plant (in Kaizuka, Osaka prefecture) and Shimane SANYO Electric Co., Ltd., (in Unnan, Shimane prefecture), with a combined production capacity of 165 MW (as of December 2006). Meanwhile, the production of solar cells worldwide soared to 2,521 MW in 2006, from a level of 1,782 MW in the previous year, marking an increase of 141%. The electrical capacity of 2,521 MW is roughly equal to the output of 2.5 nuclear power plants.

Given this exceedingly strong demand, Sanyo Electric intends to increase its production capacity for HIT solar cells starting in 2007. The company plans to invest 9 billion yen in the Nishikinohama Plant, in fiscal 2007, followed by 10 billion yen in Shimane SANYO Electric Co., Ltd., in fiscal 2008. Large-scale production increases will also be carried out in the future, as Sanyo aims to become a world-class producer of solar cells by fiscal 2010.

■Worldwide solar cell production



Source: PV News (USA)

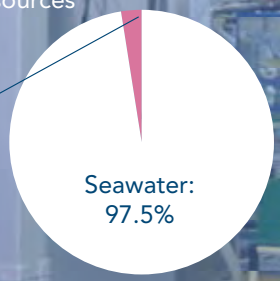
The future challenge will be to realize even more cost reductions. Currently, a solar system installed on a regular home has fallen to about the cost of a mid-priced automobile. However, in order to lower the price even further to the level of an inexpensive compact car, we are continually working on cost reduction so that more families will be able to practice energy conservation. In fact, it is estimated that if 3-kW solar systems were installed on about 80% of the single-family homes in Japan, enough electricity could be generated to cover 20% of the peak summertime demand. Some families that have already installed our systems are able to watch the current electrical generation levels and amount of electricity sold back to the power company on an optional monitor in their living rooms. It is satisfying to know that many people are raising their awareness of energy conservation and enjoying the process at the same time.

Kenichiro Wakisaka
Business Planning Dept.,
Solar Division,
Clean Energy Company
Commercial Solutions Group

Key Issue No. 2 Using Limited Water Resources

Water resources are indispensable to human life. However, the current reality is that a large number of people around the world do not have access to safe drinking water. What started as an idea by a Sanyo employee in Indonesia to supply clean and clear water to the local people today has changed the lives of many Indonesians.

■ Limited water resources



Freshwater breakdown:
Glacier ice: 1.76%
Groundwater: 0.76%
Rivers and lakes: 0.01%

Source: Materials from the Water Resources Department, Land and Water Bureau, Ministry of Land, Infrastructure and Transport Japan

0.01%

Percentage of the earth's water supply found in rivers and lakes, which is usable for humans

The World's Serious Water Situation

The earth is sometimes called the water planet, as 70% of the earth's surface is covered by ocean. Though the planet is blessed with an abundance of water, seawater comprises 97.5% of the world's entire water supply, leaving just 2.5% as freshwater that humans can use for their daily activities. The majority of this freshwater is actually trapped in glaciers, or else it flows deep under the surface as groundwater, making it difficult to access. Freshwater found in rivers and lakes that is comparatively easy to obtain and use makes up just 0.01% of all the water on this planet.

Although the world's population tripled in the 20th century, the quantity of water use actually grew six-fold. As a result, more and more people in Asia, Africa, and other regions are facing a constant shortage of water. The world's freshwater usage breaks down as follows: 70% goes to agriculture, 20% to industrial uses, and the remaining 10% is used for personal consumption. The global water shortage, which inevitably leads to food shortage, is a major problem. Experts predict that by 2025, half the world's population, or 4 billion people, will be faced with water stress*, and one in three people will likely encounter water shortages.

* Water stress is calculated as the ratio of the amount of water required compared to the maximum amount of circulating freshwater resources that can be used. When this value exceeds 0.4, water stress is considered to be high. Regions that are expected to experience water stress in the future include not only Asia and Africa, but also North and South America, Australia and Europe.

People without Access to Safe Drinking Water

The United Nations Millennium Declaration was adopted at the UN Millennium Summit in September 2000. One of the stated objectives of this declaration is to reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation, by 2015.

Even in 2002, there were 1.1 billion people in developing countries forced to use unclean water. With its high population density, Asia tops of the list of regions in terms of the number of people unable to obtain safe drinking water. Although Asia receives a lot of rainfall compared to other regions, in the last few decades Asia has seen a rise in population. There has also been a sudden increase in water demand due to migration and economic development, leaving this region with considerable water shortages and water quality deterioration. Lack of access to clean water is also a health problem that is closely tied to infant and child mortality rates.

It was under these circumstances that the Indonesian government made a pledge in response to the UN Millennium Declaration. It promised to improve public sanitation and provide access to clean water for over 80% of its people by 2015. In Indonesia the average water service connection rate is 30%, and even in the cities it is just 40%. The quality of the public water supply is poor, and it often smells and contains bacteria. It even causes a white T-shirt to turn light brown after repeated washings. Due to the lack of sewer systems, groundwater brought up from wells is also becoming increasingly contaminated due to environmental pollution from industrial and human activities. Consequently, the groundwater itself is seen as the problem. Even though it is a country with a lot of rainfall, most Indonesians today only have access to unclean water.

"By 2015, to reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation."

(from the UN Millennium Development Goals)

Bringing Clean Water to Indonesians for a Healthier Living

In the spring of 2007, Sanyo Electric began commercialization of the "Aquaoasis" water purification system for household use in Indonesia. The starting point for this project was the idea of a local employee to provide clean and clear water to the people there.

Based on filtration, electrolyzation, and ozone technologies, Sanyo Electric has been intensively developing business areas with the purpose of water pollution prevention, water purification, and reuse. Sanyo's representative technology in this area is the "AQUA" drum-type washer/dryer that purifies the final rinse water (or even leftover bathwater) with ozone, and then reuses it for washing clothes. Our company is also investing in other products that promote water recycling such as the "Aquaclean" system, which purifies pool water and eliminates bacteria based on water electrolyzation, and the "Aquacloser" silicon wastewater treatment system that filters and recycles wastewater from semiconductor and solar cell manufacturing processes.

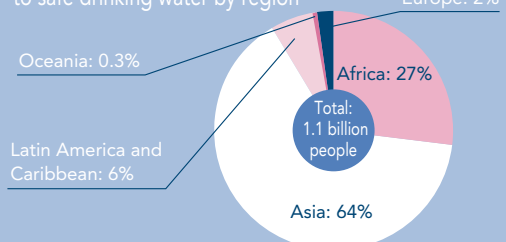
In Indonesia where most households obtain their water from wells, Sanyo Electric has been able to help with water supply through the provision of pump technology. In fact, the local people here refer to a pump as a "sanyo." In addition to its water purification technology, Sanyo's strength lies in the name-recognition already gained from the pump business, and its production plants and sales routes established in the country. By using these strengths, the company realized that if it developed a suitable product that was affordable for Indonesians, and put it on the market, it could offer the people there a healthier and more comfortable life through clean water. Indonesia is a country made up of large and small islands. The goal was to come up with a low-cost, low-maintenance, energy-saving, easy-to-install, and independent water purification system that does not require the infrastructure of building large water plants all over the country.

Well water and the same water after treatment with "Aquaoasis."
The well water is clearly brown.

Joint Development with the Institut Teknologi Bandung in Indonesia

In order to carry out further product development, Sanyo is working with the Institut Teknologi Bandung (ITB), a national university of technology in Indonesia. The reason ITB was chosen as a joint development partner is that it has the authority to carry out water quality research in Indonesia, and as a government-appointed research institution it is able to evaluate and analyze the performance of products. By combining the technology and expertise of ITB, Sanyo wants to develop and provide water purification solutions that will be popular with the Indonesian people. Sanyo also seeks to go beyond product development, and carry out joint operations for the improvement of engineer training and abilities, as well as the transfer of technology to the country. In this way, Sanyo is working to improve sanitation conditions, and help reduce waterborne illnesses.

Breakdown of global population without access to safe drinking water by region



Source: Prepared by the Water Resources Department, Ministry of Land, Infrastructure and Transport Japan based on data from the World Health Organization and the United Nations Children's Fund

64%

Percentage of the world's population without access to safe drinking water, living in Asia

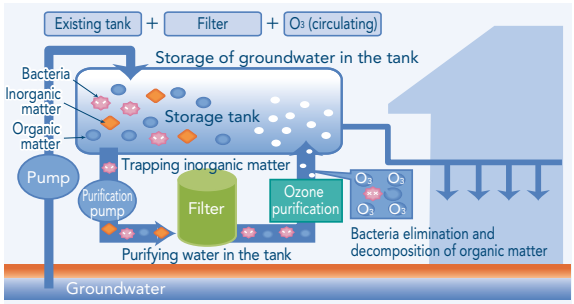
Reusing Water through Ozone Sanitization Technology

In the typical Indonesian home, water is pumped out of the ground and stored in a tank. The water in the storage tank is usually contaminated with bacteria, and other organic and inorganic matter. The "Aquaoasis" system takes in water from the tank and removes inorganic material with a filter. Bacteria in the water are then eliminated using ozone, and other organic matter is treated through oxidative decomposition, before the water is returned to the tank. This sanitization method based on ozone is a technology unique to Sanyo Electric, and is the same technology incorporated into the "AQUA" drum-type washer/dryer.

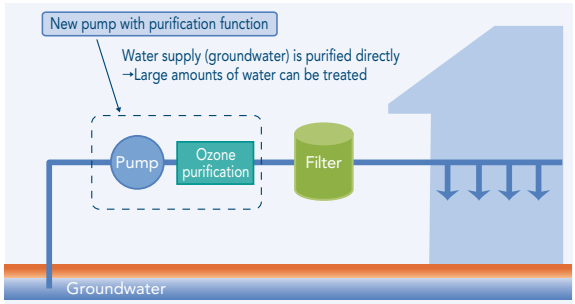
In the future, pumps will be developed that can directly purify the water being pumped out of the ground. Sanyo will also create systems that employ the power of bio-science to treat not just groundwater, but other polluted water sources such as rivers, lakes, marshes, and rainwater.

"Aquaoasis" installed in an individual home

There is great potential in the development of water treatment technology such as the drum-type "AQUA" washer/dryer and other systems to purify and reuse limited water resources. Sanyo Electric will continue to take on the constant challenges of this development in the future.



Ozone purification system



New pump with purification function

The most difficult thing we encountered in the development stage was the variation in water quality. Since the water quality in Indonesia yields completely different figures depending on the region, we were unable to use a consistent water quality level for our experiments. The water contamination figures were actually far greater than we had imagined in Japan, which was unbelievable.

Since Indonesia has a hot climate, there are a lot of microbes living in the water. Aquaoasis is a system for treating water supply, but we are now thinking about applying it to wastewater to help break down microbes using their particular characteristics. In the future our dream is to bring this technology to China, Vietnam, and other countries, so that as many people as possible can have access to safe water.

Tatsuya Hirota
Technoclean Dept.,
Aqua System Division,
Clean Energy Company,
Commercial Solutions Group

Key Issue No. 3 Product Quality and Safety

Sanyo strives to make everyday life healthier and more comfortable for customers, through the safe and proper use of products. The basis of Sanyo's product creation purpose lies in high quality and safety.

Shiga Product Inspection Center

Increasing Concern for Product Safety

The revised "Consumer Product Safety Law" went into force in Japan in May 2007. This law strengthened the operation of the reporting and disclosure systems mainly for incidents involving products used by general consumers in their daily lives. The objective for strengthening the system was to prevent the same types of accidents from reoccurring, through the prompt reporting of incidents by companies, and the open disclosure of this information to the public. Based on the revised law, manufacturers and importers are now obligated to report the occurrence of any major product accident that leads to serious injury or death, to the authorities (Japanese Ministry of Economy, Trade and Industry) within 10 days of learning of the facts.

Before the revised law, manufacturers were voluntarily reporting product accidents to the authorities and disclosing facts to the public based on governmental notices. However, now that reporting has become a legal obligation under the new law, the SANYO Electric Group is improving internal governance, and thoroughly implementing accident reporting rules group-wide, based on independent action plans for product safety.

In order for consumers to use products with confidence, manufacturers must first make and sell products with a high degree of inherent safety. Furthermore, by giving consumers information on the proper usage method and the hazards of incorrect handling, along with the explanation of the product functions and specifications, consumers are able to make purchases based informed decisions. Promoting the proper usage of products is an important manufacturer responsibility. If a manufacturer confirms that there is any kind of safety problem with a product, it must take measures that place the highest priority on the safety of consumers. It is the manufacturer's mission to further improve product quality and safety by faithfully observing the purpose of the law revised in 2007 and the background leading to its revision, by promptly reporting based on the law and preventing accident reoccurrence through disclosure.

Worldwide Development of Principles for Protecting the Environment and People's Health

The RoHS Directive of the European Union has led to a worldwide effort to restrict the use of hazardous chemical substances, and to minimize their impact on the environment and human health in all product stages from manufacturing to final disposal. If used electrical or electronic goods are improperly disposed of through illegal dumping or burying, there is the danger of the chemical substances contained in the products contaminating the soil or water supply over time, and ultimately affecting human health. The J-MOSS (Marking of presence of the Specific chemical Substances in electrical and electronic equipment), which is the Japanese version of the RoHS, is also a part of this trend. Its aim is to promote a recycling society along with the protection of human health, through the disclosure of chemical content on products, and proper recycling.

In this way, comprehensive regulations relating to product quality are being strengthened around the world. These rules apply not only to safety during product use, but also to safety after product disposal, in order to protect the environment and human health. The SANYO Electric Group is supporting this effort by only creating products that meet all the relevant regulations.

Main revisions to the Japanese Consumer Product Safety Law

- Manufacturers and importers must:
  - Report major product accidents to the Ministry of Economy, Trade and Industry in Japan
  - Investigate the accident causes and take measures to prevent recurrence including recalls
- Disclosure of accident information by the Ministry of Economy, Trade and Industry

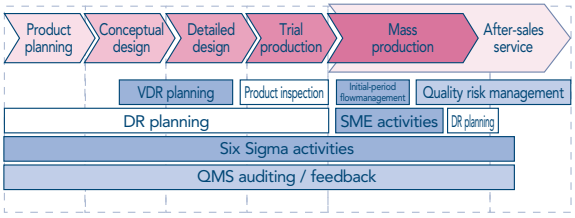
Revising the Quality Control System

During 2006 and 2007, Sanyo Electric was forced to inconvenience some of its customers through the replacement and recall of mobile phone battery packs, and the inspection and repair of washer/dryers. After carefully reviewing the quality problems relating to these products, the company has now strengthened its quality control system. The former head office quality control and customer satisfaction (CS) departments have been combined to create the Quality CS Headquarters. Along with the strengthening of activities for the improving of product quality from the customer's perspective, Sanyo is greatly increasing the number of staff in departments that perform pre-shipping product inspections, and is bolstering its product quality assurance system.

In fiscal 2006, the head office quality control department was added to the task of product inspections, which was previously carried out just by the individual divisions. Efforts were also made to re-establish the inspection standards and methods for each product type based on the product inspection rules. Using the findings of the original inspections, the standards for product improvement confirmation and for shipment determination were strengthened and thoroughly implemented. A mechanism has been established that requires inspections of new and key products in various areas including instruction manuals and packaging.

Independent safety rules have been established for products, which are stricter than the legal and regulatory requirements, and are used as standards for product safety inspections. Further preparations are being made to apply these standards not just to general consumer products, but also to commercial products.

■Product business process and quality management measures



VDR: Virtual design review (design quality improvement using 3D CAD data before trial production)
DR: Design review (design inspection)
SME activities: SANYO Electric Group production improvement activities
QMS: Quality Management System

Basic Principle about Quality (established, Jan. 1986)

Offering useful and safe 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, Sanyo is committed to quality management that places the utmost priority on quality.

Reinforcing Quality Training Group-wide

With the belief that quality management training is the most basic necessity for employees, Sanyo adopted the "Six Sigma" method and began employee training based on this technique in April 2006. By using scientific statistical management methods, and investigating the cause of problems that occur in the manufacturing process along with measures to deal with them, Six Sigma activities can reduce process defect rates and raise quality. The method has already been introduced at certain internal Sanyo companies, and due to the solid results, it will now be expanded group-wide. Moreover, the "Six Sigma" method will also be gradually expanded from activities for quality improvement to activities for resolution of manage-

275

Number of Sanyo employees with Black Belt status

ment problems.

In order to have the "Six Sigma" method function effectively, it is necessary to train numerous project leaders called "Black Belts*." Accordingly, a group of mostly younger section chiefs and general managers undergo a 15-day training course. They then identify a range of high-priority issues for their own departments or projects, and take on the challenge of resolving the problems while receiving coaching. Those that attain a certain level of results are given the Black Belt status, and engage in quality management training in their own departments. At present, there are 275 employees in the SANYO Electric Group with the Black Belt qualification.

The results of the Six Sigma activities were about 5.2 billion yen in fiscal 2006. The quality improvements in every department and the increased productivity and efficiency have yielded a high level of performance. Centering on the head office quality control department, the plan is to expand the activities to even more sites. By spreading the efforts to the grassroots of the company, even greater results are expected.

* A Black Belt is someone that has undergone internal training in the scientific statistical methods and how to apply them. The person has also undertaken to resolve individual operational issues, and has achieved a certain level of results.

Six Sigma training

Recall and Repair of Sanyo Products

Replacement and Recall of Mobile Phone Battery Packs

In December 2006, it was discovered that some of the mobile phone battery packs manufactured by a Sanyo subsidiary could become extremely hot and pose the risk of rupturing during or immediately after charging. The batteries in question were recalled and replaced as a result. The Sanyo subsidiary responsible took measures to resolve the problems in the manufacturing process that caused the problem, while the recall and replacement was carried out with the cooperation of the NTT DoCoMo Group and Mitsubishi Electric Corporation.

Progress Report on the Inspection and Repair of Washer/Dryers

In September 2004 and April 2005, Sanyo announced that its washer/dryers posed the risk of catching fire during the dryer operation. Since then the company has been carrying out free inspection and repairs of these products. As a result of notices in newspapers, on the company's Website, by direct mail and telephone, and thanks to the cooperation of customers and retailers, 151,896 of the 164,364 units sold have already been inspected and repaired. As of May 2007, a 92.4% completion rate has been achieved. Sanyo will continue these wholehearted efforts until the remaining 8% have been taken care of.

Quality, including craftsmanship and safety, is the most important priority among the criteria of quality, cost, and delivery. Staff at every site are working with the attitude that even one quality problem is too many, and good product creation can never be carried out by placing the highest priority on cost. In the event that a safety problem is discovered with a product, it is reported promptly and accurately, and improvements are made without fail. Our job is to strive for a balance of product performance, ease of use, design, and safety. We will continue to do our best to provide products that make customers happy, and that inspire their confidence.

Tomoyuki Shimamoto
Quality CS Planning Dept.
Quality CS Headquarters

Management

Sanyo is committed to obtaining stakeholders' trust by enhancing the soundness, efficiency and transparency of our corporate management. At the same time, we are working to develop an internal control system and to ensure that the system functions efficiently.

Corporate Governance

Board of Directors and Board of Auditors

The Company holds regular monthly meetings of the Board of Directors, to make important decisions and oversee business execution by executives. The resolution of certain important matters requires the approval of more than two-thirds of the total Board. To facilitate careful deliberation at such meetings and improve management efficiency, all board members attend the Steering Committee, which are held at least twice a month.

The Steering Committee preliminarily review items on the agenda for the meeting of the Board of Directors, and make swift decisions regarding fundamental and important subjects relating to certain business implementations. As of June 2007, the Board of Directors comprises nine directors, two of whom are outside directors.

Under our auditing system, the Company has a Board of Auditors. Corporate Auditors attend Board of Directors meetings and other important meetings, inspect important documents of decisions and receive reports from internal audit sections and other relevant departments. Through these activities, Corporate Auditors stringently monitor the performance of directors. Corporate Auditors also inquire into the auditing policies and plans of Accounting Auditors, and receive reports and explanations on the results of audits performed as occasion arises, so as to ensure mutual coordination with Accounting Auditors. As of June 2007, the Board of Auditors comprises six corporate auditors, three of whom are outside auditors.

Improving and Strengthening the Internal Control System

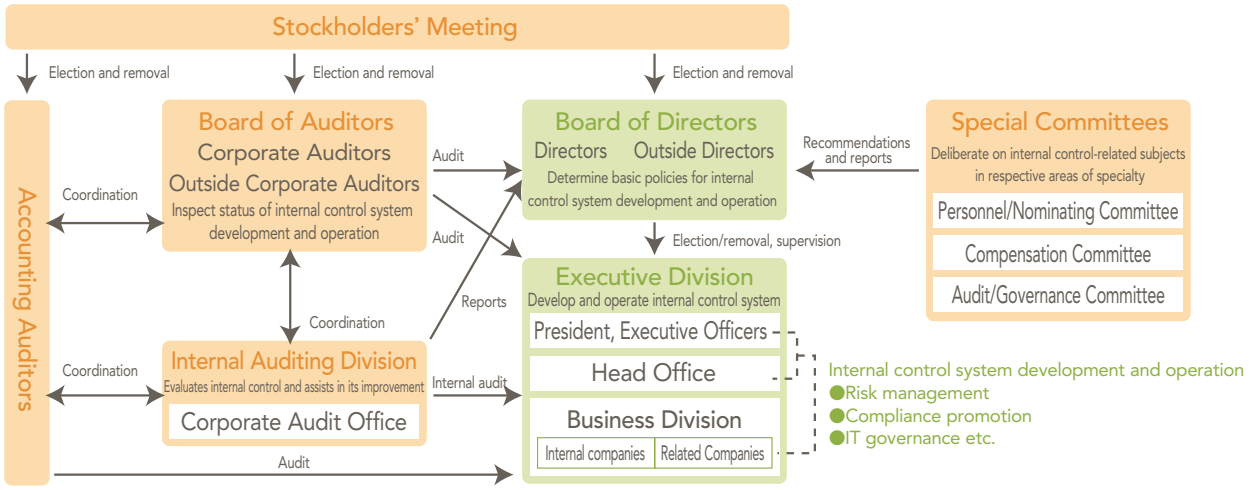
The Company is committed to obtaining stakeholders' trust by enhancing the soundness, efficiency and transparency of our corporate management, so as to develop sustainably as an enterprise. To this end, Sanyo believes it essential to develop an internal control system so as to ensure that the effective system function, as well as to comply with relevant laws and regulations.

Sanyo promotes internal control from three perspectives: financial reporting, risk management and compliance. To further improve and strengthen internal control, Sanyo has set up the Internal Auditing Division in the Company's Head Office. The Department works to ensure efficient business practices in compliance with laws and regulations, also reporting audit results and other relevant information to the Corporate Auditors. In this manner, the Department works to maintain and improve auditing quality by enhancing the efficiency and effectiveness of audit activities in coordination with the Corporate Auditors.

Information Disclosure and Accountability

To ensure management transparency and fulfill its accountability, Sanyo has established the information disclosure system, and has disclosed information in a timely and appropriate manner. Sanyo willingly discloses information about our management via financial statements and other legally required reporting documents, as well as via annual reports, sustainability reports, our website and other means.

■Management system and internal control system



Compliance

Sanyo regards compliance (the observing of applicable laws and internal rules and the acting on ethics) as an important basis for continuity of business operations. In 2006, we established the Sanyo Electric Group Code of Conduct and Ethics, to be applied to our executives and employees working at Sanyo all over the world. The Code of Conduct and Ethics provides guidelines for day-to-day work and other corporate activities from the perspective of compliance.

Compliance Promotion System

We have established a compliance promotion system, led by the Chief Supervisor (President) and the Compliance Officer (selected from among executives). In addition, compliance leaders appointed by head office, each internal company and each division play a central role in promoting compliance efforts. Compliance leaders ensure adherence to the Code of Conduct and Ethics and prevent violation of laws and regulations.

For early detection of and response to compliance-related issues, we have installed Compliance Hotlines inside and outside the Company, as service desks to receive inquiries from and offer consultations to our employees. The contents of inquiries from employees and consultations are reported via the Corporate Audit Office to Chief Supervisor and Compliance Officer, however, based on the guidance, measures such as investigation and assistance for improvement are forwarded.

Compliance Promotion in Key Areas

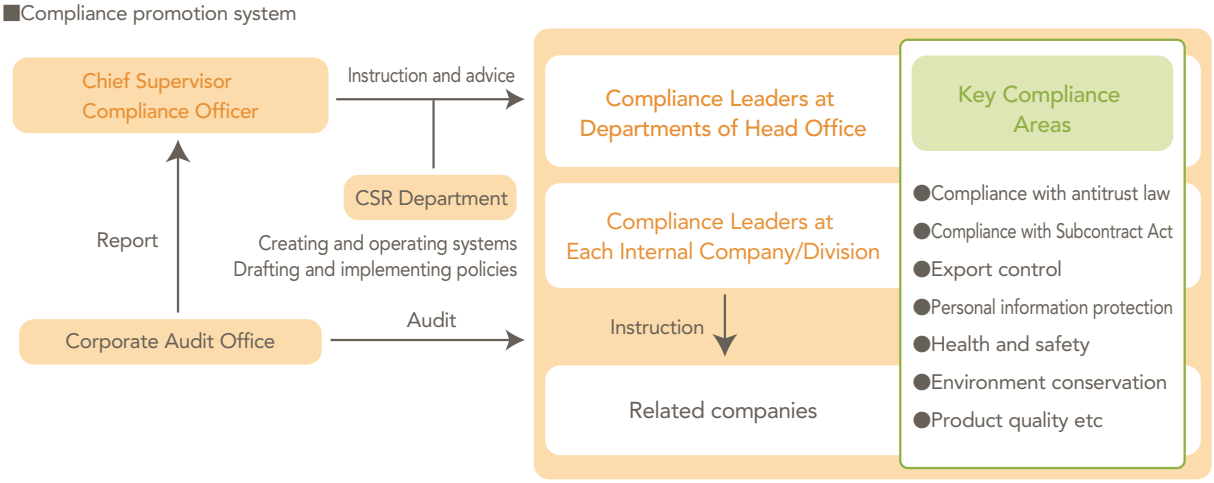
Compliance involves various areas, among which we have designated key compliance areas that require Groupwide commitment. These key areas include compliance with antitrust law, export control, personal information protection, product quality and health and safety. For each of these key areas we have developed internal rules, according to which management is exercised.

Dissemination of Code of Conduct and Ethics to All Employees

Sanyo formulated its Code of Conduct and Ethics in 2006. We have published the Code for the countries and regions where Sanyo's subsidiaries and affiliated companies are located (14 languages), so as to disseminate the Code to the Sanyo's executives, officers and employees worldwide. Furthermore, in fiscal 2007 we issued the compliance guidelines (the 2nd version), to explain the Code and present compliance-related cases. The compliance guidelines have been distributed to the Sanyo's executives, employees, and temporary staff in Japan.

In accordance with establishment of the Code of Conduct and Ethics, we have updated the compliance education programs for stratified training. As tasks to be continued in fiscal 2008 and beyond, we are preparing manuals and establishing systems whereby to receive compliance-related inquiries and offer consultations in other regions and countries than Japan, in conjunction with the reinforcement of global management.

■Compliance promotion system



Management

Risk Management

Regarding risks that may have a significant impact on business operations, it is necessary to analyze the possibility of risk occurrence, to quickly detect risk and take necessary measures to minimize the damage should the risk occur.

Each division of Sanyo has been consistent in its efforts to identify, assess, respond to and review risks. We are also planning a series of Group-wide risk management meetings, at which to share and discuss issues concerning the progress in risk management and its promotion, and to review our risk management policies, in fiscal 2008 and onward.

Risk Management System

Sanyo has designated one executive as Chief Supervisor, and has set up a department that supports the Chief Supervisor, to conduct risk management throughout the Group.

During fiscal 2007, as part of our effort to enhance and strengthen the internal control system we explicitly stated, in job descriptions the risks to be addressed, so as to clarify our responsibility and authority for responding to risks. In fiscal 2008 and onward, to further strengthen our ongoing efforts, we will implement comprehensive risk management by establishing the risk management system in accordance with JISQ2001 (Japan Industrial Standards guidelines for building risk management systems). Specifically, during fiscal 2008 we will establish the system and operate it on a trial basis, and will begin full-scale operation in fiscal 2009 and beyond.

SANYO Electric Group Risk Management Policies

(Established May 2007)

1. Basic Purposes of Risk Management
   Basic purposes of risk management are to continue business due to reduction of loss in management resources and rapid restoration at occurrence of an emergency event and to increase the corporate value, by making appropriate response to risks which may have a significant effect on the operation of business.
2. Action Guidelines of Risk Management
   (1)To try to maintain safety and health of company members and preserve management resources
   (2)Not to damage safety and health and interest of those who are concerned
   (3)To try to make a rapid and appropriate restoration in the event where any management resources are damaged
   (4)To take responsible actions complying with laws and regulations and generally accepted ideas in the event where any risk event occurs
   (5)To raise the society's valuation of the company through continuous risk management activities
   (6)To reflect social need regarding risk on risk management

Supply Chain Management

Based on the Basic Policy for Procurement Activities, the Sanyo Group seeks out suppliers around the world, and strives to perform its procurement in a global and open way. Suppliers are selected based on Sanyo's standards, and decisions are made after a rigorous, impartial, and comprehensive evaluation. Starting in fiscal 2005, corporate social responsibility initiatives, such as employment, human rights considerations, and compliance, were added to the criteria for supplier selection. In this way, Sanyo is fulfilling its social responsibilities together with supplier.

In order to provide outstanding products to society, Sanyo is striving to build relationships of trust with its suppliers and to deepen mutual understanding with these good partners. This is achieved by fulfilling a mutual mission, through sound transaction relationships.

Green Procurement Initiatives

The Sanyo Group has been implementing green procurement by purchasing articles that meet Sanyo's own environmental standards from suppliers that actively practice environmental protection. The building of partnerships with suppliers is essential for the promotion of green procurement. Every year from October to December, Sanyo investigates the situation at suppliers including the building of environmental management systems. In addition to management system evaluations according to the Guidelines for the Management of Chemical Substances in Products newly established by the Japan Green Procurement Survey Standardization Initiative (JGPSSI) in 2006, Sanyo began holding briefings for suppliers on its evaluation methods and online questionnaire system.

Briefing on green procurement surveys (Daito Plant)

Active Communication and Participation

In addition to holding annual Suppliers' Conferences to explain the direction of the Sanyo Group, the company strives to obtain the opinions and feedback of its suppliers by creating opportunities for information exchange at the business divisions.

Sanyo is also pursuing product creation that pleases customers, by creating added value and improving quality, while protecting the environment, and ensuring safety. This is done with the participation of the procurement and manufacturing divisions right from the design and development stages. In the area of commercial equipment, review meetings are held on added value creation (value analysis and engineering) and on teardown (analyzing products down to the component units, investigating quality and safety for each part including the manufacturing process, and then improving the products). By having suppliers actively participate in these review meetings, Sanyo is strengthening its partnerships for outstanding product creation.

Strengthening Global Procurement Abilities

The Sanyo Group conducts materials procurement activities on a global scale, and in recent years procurement from China and other parts of Asia has rapidly increased. The value of procurement from southern China in particular is equal to about 20% of the group's entire procurement. It has become important for Sanyo to further strengthen its partnerships and relations of trust with suppliers in this region, and to coordinate among purchasers at sites in southern China. Consequently, Sanyo established an international procurement center here in March 2006, and is promoting initiatives to improve the procurement ability of the Sanyo Group.

The same measures are being considered for the regions of northern and eastern China, as well as other parts of Asia. Sanyo also plans to increase the coordination between regions, while promoting even greater global procurement.

access
Green Procurement
Partnership Strengthening and Fair Transactions
→ www.sanyo.co.jp/environment/en/

With Global Environment

As a "leading provider of environment- and energy-related products," as we develop environmentally-conscious products we are making maximum effort to reduce environmental impact throughout the entire production process from the manufacturing to the disposal stage.

Targets and Achievements

■Environmental Action Plan (FY2006 achievements and three-year targets)

Environmental objectives and targets	Indicators for assessing progress
Ensuring of environmental quality of products	Percentage of products that have achieved the product assessment standard
Expansion of advanced environmental products	Percentage of advanced environmental products
Expansion of top-level environmental products	Percentage of top-level environmental products
Promotion of environmental technology development	No. of technologies developed (cumulative total since FY2000)
Reduction of greenhouse gas emissions in business activities	Reduction rate of CO_2 emission (per unit of sales as compared to the FY1999 level)
	Implementation of energy saving measures Energy-saving effects as compared to the energy consumption of FY2004
Promotion of reuse and recycling of used products and parts	Reuse or recycle of used components
Reduction of waste in business activities	Final disposal rate GEMS average disposal rate
	Percentage of sub-sites with 0.5% or less disposal rate
Reduction of chemical substance emissions in business activities	Reduction rate of emission of chemical substances subject to PRTR as compared to the 1999 level
Promotion of management of chemical substances contained in the products	Progress ratio of green procurement survey (with respect to new models released during the year concerned)
Reduction of the specified chemical substances contained in the products	Percentage of green components used (with respect to new models released during the year concerned)

Highlights

- Share of total product sales achieving SANYO's environmentally conscious standard exceeded 50%
- Use of PRTR applicable chemical substances reduced over 90% compared to 1999 levels
- "Zero Emission" redefined from less than 1% to 0.5% or less of final disposal rate

Target for FY2006	FY2006 achievement	Self evaluation*1	Target for FY2007	Target for FY2008	Target for FY2009	Reference
100%	100%	○	100%	100%	100%	P35
50% or more	58.2%	○	60% or more	70% or more	80% more	P35
6% or more	7.7%	○	8% or more	15% or more	20% or more	P35
44 or more	47	◎	50 or more	53 or more	56 or more	P35
1% or more *2	3.2%	○	3% or more	5% or more	7% or more	P41
Equivalent to 3%*2	3.3%	○	Equivalent to 4%	Equivalent to 6%	Equivalent to 8%	P42
Introduction with multiple numbers of parts	Implemented with 6 types of components	◎	17% over FY2006 achievement	33% over FY2006 achievement	50% over FY2006 achievement	P38
0.4% or less	0.18%	○	0.3% or less	0.3% or less	0.2% or less	P43
75% or more*2	84%	○	80% or more	100%	100%	P43
85% or more*2	91%	○	88% or more	90% or more	92% or more	P44
60% or more	73.5%	○	70% or more	80% or more	85% or more	P37
50% or more	56.1%	○	60% or more	70% or more	75% or more	P37

<Applicable scope: Group Environmental Management System (See Page 30 of GEMS)>

*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 In conjunction with the large expansion of the applicable scope of GEMS during FY2006, the original yearly targets were reviewed.

Environmental Management

Environmental Management System is the basis for corporate environmental management. In addition to the SANYO Electric Co., Ltd., all of our major business bases worldwide, including manufacturing subsidiaries, are ISO14001 certified, thus we are promoting Group-wide environmental management.

SANYO Electric Group Environmental Policies

Becoming a "Leading Provider of Environment- and Energy-related Products"

Basic Policy

Based on the corporate vision, "Think GAIA," and as a "leading provider of Environment- and Energy-related products," the SANYO Electric Group is aiming to protect the global environment while also realizing a prosperous and secure society. In order to achieve this goal, SANYO is taking a leadership role in the global environmental field.

Action Plan

To put into practice the basic policy, the SANYO Group as a whole is committed to undertaking the following measures on a global level.

1. Reforming awareness and behavior

   With all employees changing their thinking and actions and carrying out environmental protection activities independently, the SANYO Group also intends to actively enhance its environmental contribution through its products. In order to achieve this, SANYO will not only carry out environmental education and awareness-raising activities, it will also strengthen investment in management resources for the commercialization of products that help protect the environment.

2. Compliance

   In addition to identifying environmental issues, the SANYO Group will establish and observe regulations and standards that reflect both the law and the expectations of society.

3. Development of businesses that contribute to the environment

   By developing revolutionary technologies that help resolve environmental issues, the SANYO Group will actively develop business areas that promote products beneficial to the environment, and thereby increase its corporate value.

4. "Zero emissions" challenge

   The SANYO Group is rising to the challenge of attaining zero emissions through reforms based on the management of harmful chemical substances, the reduction of energy and materials use, and the streamlining of operations through individual employee efforts. As a result of this, SANYO will help to minimize the effects of global warming, save decreasing resources, reduce waste, and prevent pollution. Moreover, activities under the SANYO environmental management system must continually be improved, through the active setting and periodic reviewing of targets from a practical, long-term perspective.

5. Working with society to improve the global environment

   By actively disclosing information and participating in the improvement of the natural environment, the SANYO Group intends to build good relationships with societies around the world, and actively contribute to the conservation of the global environment.

Scope:
The activities mentioned above are to be systematically promoted at all product stages including R&D, design, materials procurement, manufacturing, distribution and sales, consumer use, disposal, and recycling. They apply to all business areas including the provision of products and services relating to AV and communication devices, electrical equipment, industrial equipment, electronic devices, and batteries.

Seiichiro Sano, President
SANYO Electric Co., Ltd.
April 2, 2007

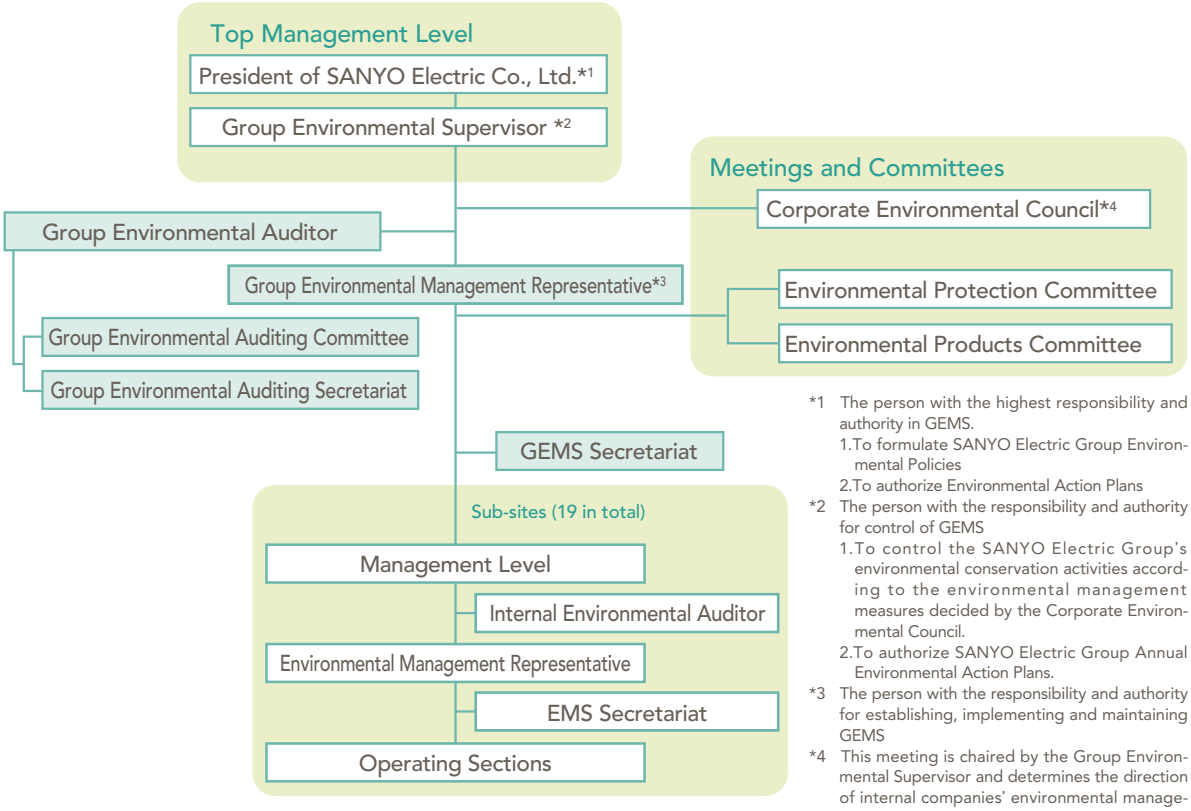
Environmental Management

Environmental Management System on Group-wide Basis

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 operating division is called a sub-site. Through this system, we can ensure that the SANYO Electric Group Environmental Policies will be fully rooted in the Sanyo Group, while expediting the decision-making process and promoting the Environmental Action Plan.

The GEMS Secretariat is responsible for supervising and measuring the progress of the Group Environmental Action Plan on a monthly basis and submitting a report to the Group Environmental Management Representative and the Group Environmental Supervisor. Respective sub-sites, in addition to the common targets presented by the Group Environmental Management Representative, set their own environmental targets based on the environmental impact assessment regarding their primary business and work to reduce environmental impact in day-to-day operations.

■Organizational structure for promoting Group Environmental Management System (As of March 31, 2007)



*1 The person with the highest responsibility and authority in GEMS.
1.To formulate SANYO Electric 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 Electric Group's environmental conservation activities according to the environmental management measures decided by the Corporate Environmental Council.
2.To authorize SANYO Electric 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.

access
List of GEMS Sub-sites / Map of Domestic Facilities
Performance by Site and Facilities
→ www.sanyo.co.jp/environment/en/

Environmental Management

Status of ISO14001 Certification

During FY2006, three additional overseas companies were ISO14001 certified. As of the end of March 2007, a total of 114 companies, 60 in Japan and 54 overseas, have been registered within the Sanyo Group*.

* Some sites consist of two or more associated companies, and some facilities of a company are registered as one site on its own. In the case of GEMS, 43 domestic related companies and major facilities of SANYO Electric Co., Ltd. (internal companies) together comprise one ISO-certificated site.

Continual Improvement through Internal Environmental Audits

Every sub-site conducts internal environmental audits on a regular basis in accordance with the requirements of ISO14001 and its voluntary standards, and takes corrective actions without delay if any nonconformity is found.

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

Through the Group Environmental Audit for FY2006, 34 nonconformities were identified (7 minor nonconformities and 27 cases requiring observation), which are less than the 43 cases last fiscal year.

The results of internal audits and Group Environmental Audit are reported to the respective top management, and reflected in the review of environmental policy, objectives, targets, and their management systems.

Environmental audit

Environmental Education/Training for All Employees

We provide various educational opportunities on a regular basis to increase awareness of the need for environmental conservation for the approximately 32,000 employees within the scope of GEMS (including subcontractors working within the premises of the SANYO Electric 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 specialized education and training and if necessary external training courses to prevent emergency situations and accidents from occurring.

Further, for the purpose of training internal auditors crucial to the operation of the environmental management system, internal auditor training is conducted on a regular basis at the in-house training center and other facilities.

Environmental education/training

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. We also regularly monitor and check how these laws and regulations are observed internally. In addition, the SANYO Electric Group endeavors to observe other requirements to which the Group has consented, such as agreement amongst industry groups.

The SANYO Electric 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 that no violations ever occur.

For FY2006, no sub-sites were found to have any problem with their compliance status and we received no guidance, recommendations, orders, or reprimands from regulatory authorities.

access
Status of ISO14001 Certification
→ www.sanyo.co.jp/environment/en/

Environmental Accounting

Environmental Conservation Cost

The environmental conservation cost for FY2006 was comprised of 22,105 million yen in expenses and 5,460 million yen in investment. Compared with FY2005, the expense amount was reduced by 8% while the investment amount increased by 16%.

The reduction of expenses is mainly attributable to the review of environmental advertising expenses as part of the social activity cost. Meanwhile, the R&D cost increased as a result of intensification of efforts to create more environmentally-conscious products. Pollution prevention cost also increased due to an increase in water pollution control cost.

The increase in investment amount is mainly attributable to the increase in the R&D cost related to development of environmentally-conscious products and the resource recycling cost involved in proper waste disposal.

Environmental Conservation Effects

The direct environmental conservation effects for FY2006 decreased by 20% compared with FY2005 to 11,031 million yen.

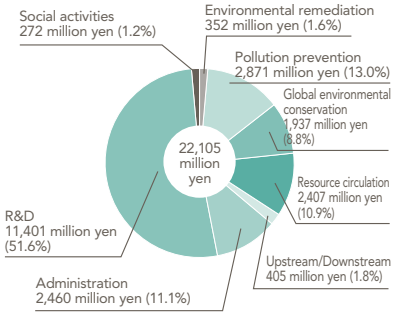
This decrease is mainly due to the fact that the level of reduction of material consumption did not stay at the same level as in the previous fiscal year, which had a negative impact on the resource conservation effect. On the other hand, there was an increase in environmental-related business activities and the profit from selling valuables.

■Environmental conservation cost

(million of yen)

Item	Main activities	Investment	Expense
1. Pollution prevention	Installation of exhaust gas treatment facilities and maintenance of wastewater plant	733	2,871
2. Global environmental conservation	Installation of cogeneration system and maintenance of solar power generation system	789	1,937
3. Resource circulation	Investment in waste disposal	344	2,407
4. Upstream/Downstream	Outsourcing of recycling	99	405
5. Administration	Maintenance and operation of environmental management systems	76	2,460
6. R&D	Research and development of environmentally-conscious products	3,359	11,401
7. Social activities	Investment in Solar Ark	17	272
8. Environmental remediation	Soil improvement, groundwater purification	41	352
	Total	5,460	22,105

■Breakdown of environmental conservation costs (Expenses)

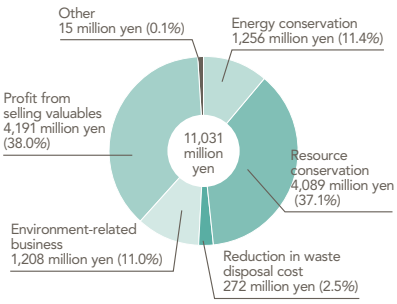


■Environmental conservation effects

(million of yen)

	Item	Main activities	Monetary effect
Direct effect	1. Energy conservation	Use of electricity saving equipment	1,256
	2. Resource conservation	Reduction of chemical usage	4,089
	3. Reduction in waste disposal cost	Reduction of emission of industrial waste	272
	4. Income from used paper collection	Sales of used paper	15
	5. Environment-related business activities	Environmental analysis	1,208
	6. Profit from selling valuables related to waste disposal and recycling	Profits on sale of scrap	4,191
		Total	11,031

■Breakdown of environmental conservation effects (Direct effects)



Calculation Method for Fiscal 2006

1.Environmental conservation costs (based on the Environmental Accounting Guidelines by the Ministry of the Environment)
Investment amount: amount of investment intended for environmental conservation
Expense: costs of labor intended for environmental conservation and other expenses related to investments in environmental conservation including depreciation expenses

2.Environmental conservation effects
Direct effects: the effects which have direct impact on the environment and which can be converted directly into a monetary sum

3.Environmental conservation indicators: calculation of environmental conservation achievements that are thought to have significant effect on the environment

4.Period of survey: April 2006 to March 2007

5.Scope of survey: 104 domestic and overseas related companies of the SANYO Electric Group with ISO14001 certification (51 companies in Japan and 53 overseas)

access
Indirect Environmental Conservation Effects
→ www.sanyo.co.jp/environment/en/

Overview of the Environmental Impact of the SANYO Electric Group (In Japan)

The SANYO Electric 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.

INPUT

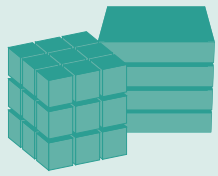
Raw material / subsidiary material	
Iron (t)	29,585
Aluminum (t)	5,512
Copper (t)	3,832
Nonferrous metals (t)	17,177
Plastic (t)	12,106
Rubber (t)	340
Glass (t)	1,550
Chemical substances (t) Including substances subject to PRTR	47,672
Gases (t)	104,351
Other (t)	6,007

* Parts input is not included.

Energy	
Total energy input (100 million MJ)	143
Electricity: Purchased(million kWh)	945
Solar-generated(million kWh)	1.1
Natural gas (million Nm^3)	82
LPG (1,000 t)	7.8
LNG (1,000 t)	5.7
Heavy oil / Kerosene / Diesel oil / Volatile oil (1,000 kL)	20

Water	
Total input (million m^3)	16

Materials Procurement → R&D → Production



OUTPUT

Greenhouse gases	
Total emission (1,000 t-CO_2)	772
CO_2*1(1,000 t-CO_2)	679
Greenhouse gases other than CO_2 (1,000 t-CO_2)	93

Atmospheric environmental impact	
NOx (t)	226
SOx (t)	19
Dust (t)	0

Water	
Total water discharge (million m^3)	14
BOD (t)	115
COD (t)	86

Wastes	
Total amount of waste generation (Including valuables) (1,000 t)	101
General waste (1,000 t)	9
Industrial waste (1,000 t)	92
Recycled waste (1,000 t)	77
Final disposal waste (1,000 t)	0.26
Final disposal rate (%)	0.26

Chemical substances subject to PRTR	
Released amount (t)	44
Transferred amount (t)	246

* Product shipment is not included.

Scope of Survey:SANYO Electric Co., Ltd., domestic manufacturing subsidiaries, and major non-manufacturing related companies

Energy

Fuel for transport undertaken on contract (1,000 kL)	20
Fuel for sales/service vehicles (1,000 kL)	2.3

* Estimated from the cost of transport undertaken by SANYO Electric Logistics Co., Ltd.

Energy

Estimated annual power consumption of ten major items

GHP, PAC air-conditioner, refrigerator/freezer, air conditioner, air humidifier, washing machine, electric carpet, TV, FAX

924 (million kWh/year)

Weight of the units recycled or otherwise treated

Television (t)	8,384
Refrigerator/Freezer (t)	20,965
Washing machine (t)	12,297
Air conditioner (t)	7,155

Logistics and Sales

Use

Recovery, Reuse, Recycle

RETURN

Greenhouse gases

Fuel for transport on contract (1,000 t-CO_2)	52
Fuel for sales/service vehicles (1,000 t-CO_2)	5.3

Greenhouse gases(by use of products)

CO_2*1 (1,000 t-CO_2)	393
CO_2 emission reduction*1,*2 (1,000 t-CO_2) (from solar power generation)	94

Weight of the units recycled

Television (t)	6,214
Refrigerator/Freezer (t)	15,148
Washing machine (t)	9,842
Air conditioner (t)	6,239

Recovered materials

Iron (t)	15,930
Copper (t)	1,175
Aluminum (t)	139
Mixture of nonferrous and ferrous metals (t)	8,792
CRT (cathode-ray tube) glass (t)	3,359
Other (t)	8,038

*1 The emission factor specified by the Federation of Electric Power Companies of Japan is used as the CO_2 emission factor for purchased electricity. However, since the figure for FY2006 has not been announced yet, the emission factor for FY 2005, which was 0.425kg-CO_2/kWh, is used on a temporary basis.

*2 Solar cells are capable of continuously generating power for approximately 20 years after they are sold. For this reason, CO_2 emission reduction from solar power generation is indicated by the accumulated value since FY2003 when sales expanded in full swing.

Reduction of Environmental Impact in Products

We strive to develop and disseminate "environmentally-conscious 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.

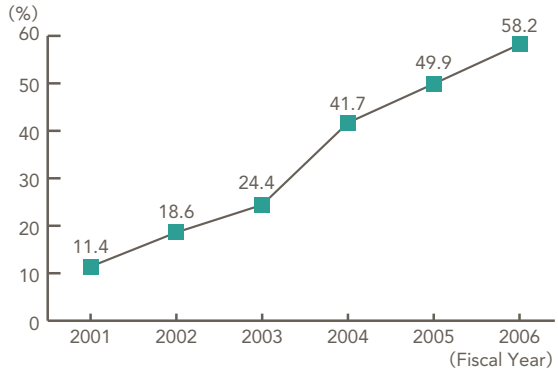
Making All Products Environmentally Conscious

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, are aimed to be conscious to the environment.

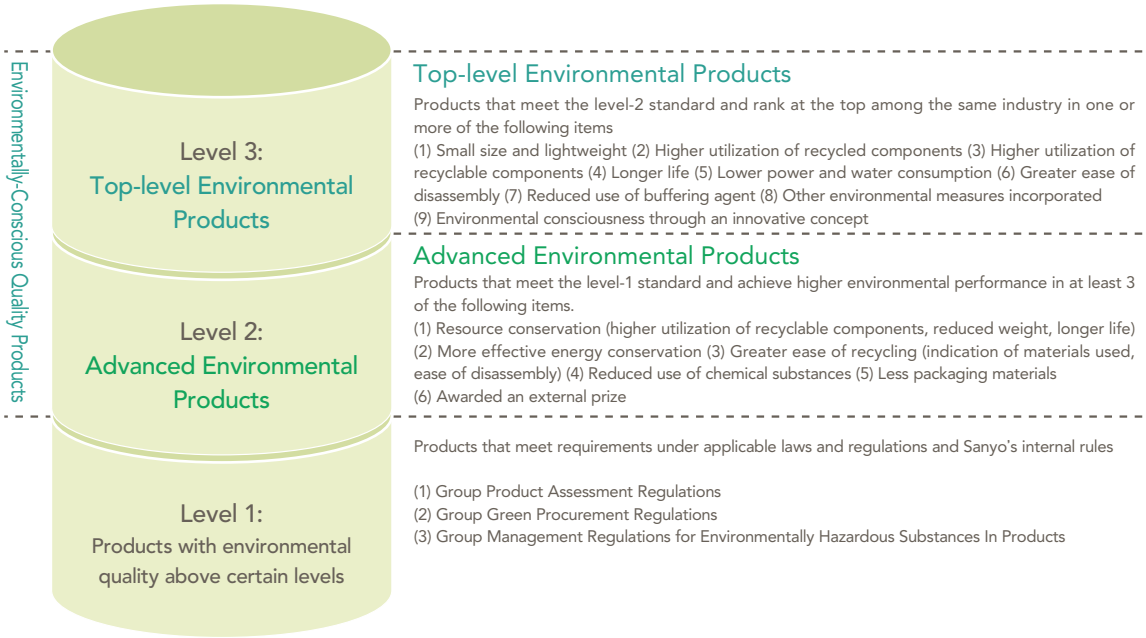
Among these environmentally-conscious products, those having cleared the internal standards set by the Sanyo Group are called "Advanced Environmental Products." We have also selected products with the highest-level of environmental consideration in the industry from among the Advanced Environmental Products and name them "Top-level Environmental Products" which we offer to our customers with great confidence.

For FY2006, in our total sales, the share of "Top-level Environmental Products" was 7.7% with the initial target being 6%, and that of "Advanced Environmental Products" was 58.2% with the initial target being 50%. We greatly exceeded our initial targets.

■Share of Advanced Environmental Products in total sales



■ Environmentally-conscious products: conceptual diagram



Environmentally-conscious Product Design

Conducting 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 products.

In conducting assessment, we use quantitative analysis as much as possible to indicate the results of each item in numeric terms. Further, in place of the single assessment sheet previously used for all products, in FY2006 we set up assessment items for the respective product categories, such as household product, industrial product, small product, and component, in consideration of the characteristics of each product. This enables more detailed analysis and accordingly more accurate product assessment, which helps us set clearer targets.

In order to introduce the product assessment practice at our overseas facilities, in addition to the assessment sheets in Japanese we produced the product assessment manuals and assessment sheets in English and Chinese, which are being distributed to the overseas Group companies.

Product Assessment Evaluation Items

1. Weight/volume reduction
2. Usage of recycled materials and parts
3. Improvement on possibility of recycled materials, etc.
4. Promotion on long term use
5. Ease of collection/transportation
6. Ease of manual disassembling/separating process
7. Ease of crushing/classification process
8. Packaging
9. Safety
10. Environmental protection
11. Conservation of energy and resources at usage phase
12. Distribution of Information
13. Reduction of environmental impacts in production phase
14. LCA (Life Cycle Assessment)

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

Improving Energy Efficiency

The Sanyo Group is working to develop products with high energy efficiency so that the users of such products can reap the benefits of lower energy consumption. For example, our new supermarket showcase refrigerating system named "enegreen" with a Dual Multi-System that connects multiple showcases and multiple refrigerators enables reduction of annual power consumption by as much as 38%.

Reducing Material Weight and Volume

The Sanyo Group makes efforts to develop new technologies and improve product design to enable reduction of materials used in products. For example, we developed a digital movie camera (DMX-HD1) without using a chassis to be the smallest and lightest*1 among all the Full High-Definition consumer cameras in the world.

*1 As of January 2006 (Source: Sanyo's internal data)

Designing Products Intended for Easy Recycling

Amid mounting international concern over proper disposal of electric and electronic equipment, the Sanyo Group strives to design products intended for easy recycling. To improve product recycling efficiency, in April 2007 we issued the "Guidelines for Designing Easily-Recycled Products," in which the following guidelines are specified regarding the four home appliance items (air conditioner, television, refrigerator/freezer, and washing machine) : (1) Use uniform resin material as much as possible ; (2) Work to reduce the use of hard-to-decompose composite materials ; (3) Increase the number of parts that can be detached without special tools; and (4) Place proper marking on plastic products according to ISO11469 (Generic Identification and Marking of Plastic Products) to facilitate material identification upon recycling.

Reduction of Environmental Impact in Products

Complete Removal of Specified Chemical Substances

Amid mounting concern over specified chemical substances in products, the Sanyo Group made it a priority to conduct a survey on chemical substances with a high environmental impact, including the six substances specified by EU RoHS Directive*1 and has been replacing these with safer substances. 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 that these chemical substances will never be used in our products, we have constructed a system for managing chemical substances contained in products and set internal rules applicable to the entire Sanyo Group to control the chemical substance data of each procured material and product.

It's no exaggeration to say that efforts to eliminate chemical substances in products cannot bear fruit without having the cooperation of suppliers. In line with this, we established the "Green Procurement Guidelines" in 2000 and issued our "Management Standards for Environmentally Hazardous Substances" in 2004, 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 addition, based on the "Guidelines for the Management of Chemical Substances in Products" for Japan*2, we evaluate and improve the chemical substance management system of suppliers. Thus, we work together with suppliers to construct an efficient management system.

*1 Six chemical substances which may be contained in electric and electronic equipment: cadmium, lead, mercury, hexavalent chromium, PBB, and PBDE

*2 Developed by the Japan Green Procurement Survey Standardization Initiative (JGPSSI)

Containers and Packages

To proactively contribute to the promotion of effective utilization of resources, the Sanyo Group has been fulfilling its duty to recycle containers and packaging materials based on the recycling consignment contract concluded with the Japan Containers and Packaging Recycling Association in FY2000 when the "Container and Packaging Recycling Law"*3 become fully effective.

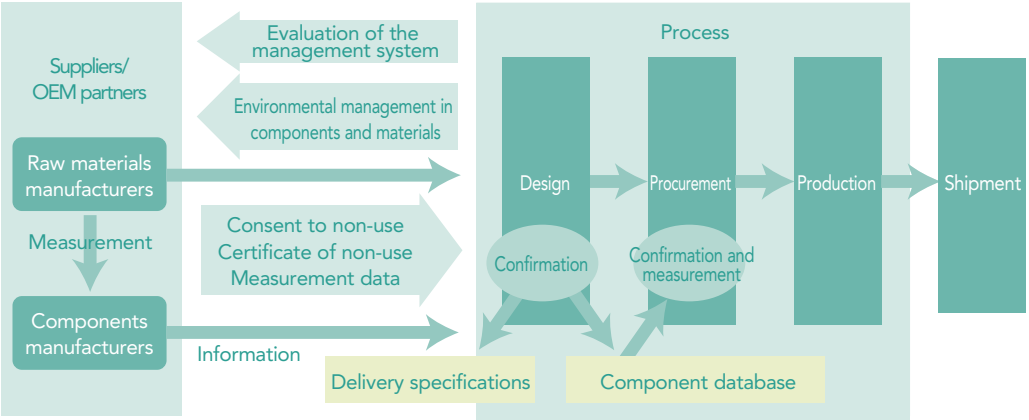
Specifically, we work to develop technologies to minimize environmental impact in cooperation with various businesses in all packaging-related fields, avoid excess packaging, and taking into account product strength provide maximum protection with minimum packaging. Further, we strive to improve the logistics process to reduce the use of containers and packages to achieve greater environment-consciousness and offer consumer education to facilitate separate collection of waste materials.

During FY2006, in order for the entire Sanyo Group to re-acknowledge the importance of further reduction of waste originating from container and packaging materials and global environmental conservation, environmental education opportunities were provided for the respective business facilities in Japan by the departments specializing in environmental issues and packaging materials to promote environmentally-conscious design and the 3Rs*4 from the product development stage to packaging stage.

*3 Law for promotion of sorted collection and recycling of containers and packaging

*4 Reduce, Reuse, and Recycle

■Management system for chemical substances in products



Exercising leadership in Europe

As the Corporate Environmental Affairs Manager in Europe, through membership in relevant industry groups and associations I am able to gather the latest local information and work to maintain close coordination with Sanyo head office to ensure that necessary actions can be taken promptly. One of our important activities in these industry groups is to lobby the government on behalf of our company. Through exercising leadership in Europe in this way, we play a vital role in supporting sales companies and manufacturing plants.

In promoting system construction, particularly for those non-manufacturing business locations, which do not yet have a sufficient environmental management system, we occasionally face difficulties dealing with the various differences in national character and different systems in European countries. By providing guidance and education and maintaining effective communication, we are able to deal with and solve each problem which results in the steady strengthening of the environmental management system in Europe.

Mihai Scumpieru
Corporate Environmental Affairs Manager in Europe
SANYO FISHER Sales (Europe) GmbH

Collecting and Recycling Used Products

Based on the Law for Recycling Specified Kinds of Home Appliances, known as the Home Appliance Recycling Law, enforced in 2001 in Japan, the SANYO Electric Group, as a manufacturer of home appliances, collects and recycles used product units of the four specified items (air conditioner, television, refrigerator/freezer, and washing machine) in a responsible manner.

For FY2006, a total of approx. 1,230 thousand used units of the four specified items have been treated for recycling. As for recycling rates, we achieved 87% for air conditioners, 74% for televisions, 72% for refrigerator/freezers, and 80% for washing machines.

■Recycling performance of specified kinds of discarded home appliances

Category	Air Conditioner	Television	Refrigerator/Freezer	Washing machine
Units recovered at designated sites (units)	172,483	300,619	371,085	390,191
Units treated for recycling (units)	172,732	299,203	370,134	389,985
Weight of the units recycled or otherwise treated (t)	7,155	8,384	20,965	12,297
Weight of the units recycled (t)	6,239	6,214	15,148	9,842
Recycling rate (%)	87	74	72	80

* "Units treated for recycling" and "Weight of the units recycled or otherwise treated" refer to the number and weight of the specified discarded home appliances that underwent treatment necessary for recycling during FY2006.
* Values are rounded down to the nearest integer.

■Valuable resources recovered from specified kinds of discarded home appliances

Item	Air conditioner	Television	Refrigerator/Freezer	Washing machine
Iron (t)	1,674	903	8,547	4,806
Copper (t)	432	340	247	156
Aluminum (t)	35	4	50	50
Mixture of nonferrous and ferrous metals (t)	3,522	27	3,114	2,129
CRT glass (t)	—	3,359	—	—
Other valuable resources (t)	573	1,577	3,189	2,699
Total weight (t)	6,239	6,214	15,148	9,842

* Values are rounded down to the nearest integer.
* "Other valuable resources" include plastics and other.

Reduction of Environmental Impact in Products

Top-level Environmental Products (As of July 2007)

Resource Saving Products

Sustained Suction Power and Paper Resource Saving "Cyclone Vacuum Cleaner"

Cyclone Vacuum Cleaner
SC-XW33H

This cyclone vacuum cleaner with its "Blocking by Tissue" function can operate at full suction power for an extended time even with no filter cleaning. A tissue set in front of the filter stops dust from hitting the filter. In addition, the improved cyclone flow channel shape funnels and presses dust down to the sides to enable better airflow. Thanks to these features, full suction power can be maintained for approximately 7 years with no filter cleaning. Compared to conventional paper bag vacuum cleaners it uses 686g less paper during a 7-year period, which is an amazing 65% reduction in paper use.

World's Smallest/Lightest Model Realized by No Waterproof Case Design "Waterproof Digital Movie Camera"

Waterproof Digital Movie Camera
DMX-CA6

With superior features including a non-chassis structure, we have realized the world's smallest and lightest* model among waterproof type digital movie cameras. Further, to be in compliance with EU RoHS Directive we have switched from coated resin parts containing hexavalent chromium compounds to those using trivalent chromium compounds and made circuit boards using lead-free solder.

* As of June 15, 2007

Amazing Water Saving with Power of Air (Ozone) "Drum Type Washer/Dryer"

This washer/dryer incorporates "Air Wash Wide" function which has been evolved from our "Air Wash" function that disinfects and deodorizes with the power of air (ozone). Now, even heat-sensitive materials like leather and silk can be washed with air. This washer/dryer also uses our "Aqua Loop Wide" technology to recycle water with the power of air (ozone), which enables bath water to be reused in the entire laundry process from washing to drying. Thanks to this feature, one load of laundry only takes about 8 liters* of tap water from washing to drying. This amazingly small water usage greatly contributes to daily life water conservation.

* Tap water is used to prime the bath water pump and to dissolve fabric softener when the recycled water / purified bath water setting is selected.

Drum Type Washer/Dryer
AWD-AQ2000

Energy Saving Products

Providing Comfort While Achieving Efficient Use of Energy "Electric Hybrid Bicycle"

Electric Hybrid Bicycle CY-SPE Series

In addition to the industry's first "Brake Charging System" that generates power when the brake is applied, this bicycle incorporates another feature called "Eco Charging Mode." With the "Eco Charging Mode," for travel over flat land and downhill grades, energy saving is enabled at slow speeds and regenerative charging starts at a speed of 12 km per hour. On uphill grades appropriate power assist is given based on the degree of incline and when going downhill the mode is automatically switched to regenerative charging. It is possible to travel almost twice as far on one battery charge making for efficient use of energy.

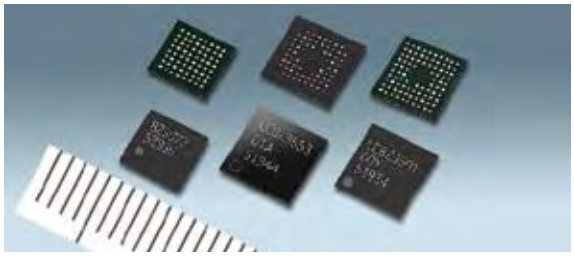
New Illumination System and Control Function to Save Energy "Supermarket Showcase (EX Series)"

Supermarket Showcase (EX Series)
CPW-EX085Y

This is the industry's first refrigerator-freezer showcase using the newly developed "Slim e" illumination system using T5 slim lamps and new-type electric ballast. Its energy saving control through power peak shaving can reduce annual power consumption to as low as 10,437 kWh, which greatly contributes to energy-saving measures of supermarkets (stores).

Energy Saving Components

LSI Helping to Reduce Power Consumption of Portable Equipment

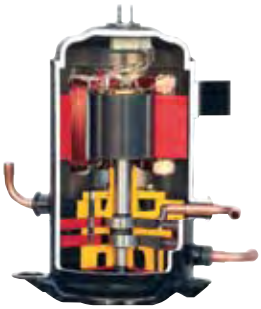


Gok-Low Power Portable Audio LSI LC823XXX Series LC823xxx

We have advanced the miniaturization of semiconductor process to reduce chip size and achieve lower voltage. Also, a hard-wired architecture is used to keep the internal operation frequency low. These features can successfully keep power consumption under 10mW, which is less than half the power existing products consume. This "Extremely" low power consumption capability has captured the attention of the industry and now a variety of portable devices (music players etc.) incorporate this series of LSIs. Thus, we have helped the industry create more environmentally-conscious products.

Resource Saving Components

Industry's Smallest and Lightest* Highly Efficient CO_2 Compressor Using Original Two-Stage Compression Technology



15F Rotary Two-Stage Compression
CO_2 Compressor
C-CV133HOR

In 2000, we developed and commercialized the world's first CO_2 rotary two-stage compressor using naturally occurring CO_2 (ozone depletion potential: 0, global warming potential: 1) as refrigerant, which has contributed to the prevention of ozone depletion and global warming. In addition, Sanyo's original two-stage compression technology and internal medium pressure mechanism have realized high efficiency, reduced size/weight, low noise, low vibration, and high reliability for this compressor.

*As of March 2007

Reduction of Environmental Impact in Business Activities

The Sanyo Group continues its efforts to reduce environmental impact in business activities with prevention of global warming, waste reduction, and chemical substance control measures as top priority issues.

Prevention of Global Warming

Reducing the CO_2 Emissions

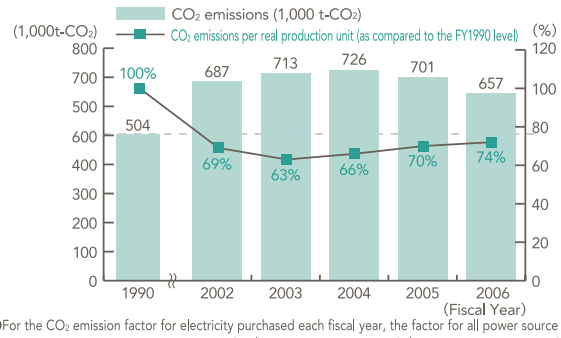
As part of the effort to reduce CO_2 emissions, the Sanyo Group set the goal of realizing at least a 25% reduction in total CO_2 emissions per real production unit*1 from the FY1990 level for all domestic manufacturing facilities*2 by FY2010. For FY2006, the total CO_2 emissions per real production unit for all domestic manufacturing facilities were 26% lower than the FY1990 level with the total CO_2 emissions being 657,000 t-CO_2, which was 44,000 t-CO_2 less compared to the previous year level.

The main activities that our domestic manufacturing facilities undertake to reduce CO_2 emissions include reducing energy consumption of manufacturing equipment and air conditioners, enhancing the efficiency of and streamlining the production process, switching to fuels causing less CO_2 emissions such as LNG and natural gas, and promoting the use of solar cells and other alternative energy sources. Further, at the semiconductor division, which has particularly high CO_2 emissions, additional measures to reduce environmental impact were taken, such as introducing the inverter driven pure water pump and outdoor cold water/air cooling system with outdoor air conditioning unit. As a result of these activities, CO_2 emissions of domestic manufacturing facilities are being reduced in total. However, due to the prolonged decline in semiconductor production resulting from the Niigata-Chuetsu Earthquake in 2004, the CO_2 emissions per real production unit show an increase.

*1 CO_2 emissions per real production unit = CO_2 emissions ÷ [gross production output ÷ corporate goods price index published by the Bank of Japan (electrical equipment)]

*2 Manufacturing facilities and subsidiaries of SANYO Electric Co., Ltd. in Japan

■Change in CO_2 emissions (Manufacturing facilities in Japan)



●For the CO_2 emission factor for electricity purchased each fiscal year, the factor for all power source average (generating end) announced each fiscal year by the Federation of Electric Power Companies of Japan is used. However, since the CO_2 emission factor for FY2006 has not been announced yet, the emissions factor for FY2005 was temporarily used, which is 0.425 kg-CO_2/kWh.

●Data in this table is calculated based on the GHG protocol. It should be noted that the data for each fiscal year is not absolute, because the number of facilities covered varies from year to year due to M&A.

Curtailing the Emission of Greenhouse Gases Other than CO_2

In the manufacturing process of semiconductors and related products, the Sanyo Group uses greenhouse gases*3 other than CO_2, such as perfluorocarbon (PFC), sulfur hexafluoride (SF_6), and hydrofluorocarbon (HFC). These gases account for approx. 12% of the total greenhouse gas emissions. We are making constant efforts to reduce the usage and emission of these gases and to replace them with other substances.

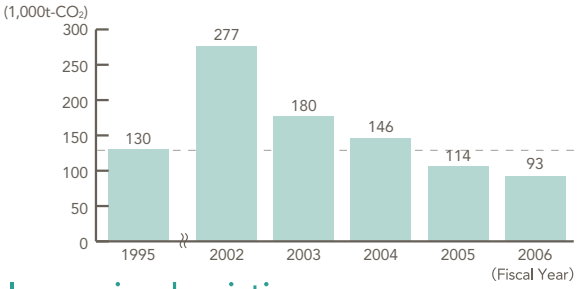
Since FY2003, in the semiconductor cleaning process we have replaced hexafluoroethane (C_2F_6) with perfluoropropane (C_3F_8), which has relatively low Global Warming Potential*4. At the same time, we have worked to minimize gas emissions by improving the reaction process and by installing reaction gas elimination devices. We are currently investigating the use of carbonyl fluoride (COF_2) that emits very few greenhouse gases after reaction in order to further reduce the environmental impact.

The emission of greenhouse gases other than CO_2 in FY2006 was reduced by 18% from the previous year (28% from FY1995).

*3 Greenhouse gases: Substances that have global warming effects due to their characteristic of allowing 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.

*4 Global Warming Potential: An indicator representing the degree of effect on the global warming. The degree is calculated based on CO_2 as "1."

■Change in greenhouse gas emissions other than CO_2 (Manufacturing Facilities in Japan)



Improving Logistics

SANYO Electric Logistics Co., Ltd. offers logistics solution services in storage, loading, shipping, and delivery using the 3PL system*5. The company is not only promoting environmental conservation activities in its 25 business bases across the country but also soliciting the participation of business partners who undertake transport and delivery services on a contract basis. 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.

In addition to increasing the transport efficiency by using larger vehicles, the Tottori branch of SANYO Electric Logistics Co., Ltd. is also promoting a modal shift, which utilizes rail and coastal marine transport. Accordingly, its use of JR's railway freight service (5-ton containers) and ship transport (15-ton containers) showed steady growth, resulting in rail/ship transports making up 8.0% of total shipments in terms of weight in FY2006, which is a 1.4% increase over the previous year.


Modal shift

*5 3PL: 3rd Party Logistics. Practice of outsourcing services in which all corporate logistics functions are commissioned to one logistics agent.

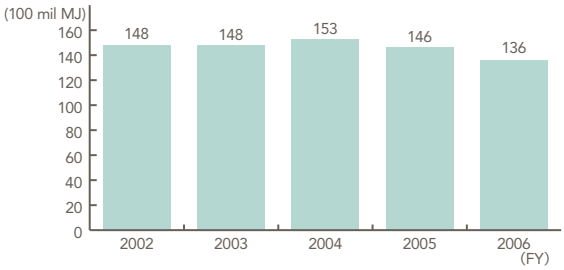
Promoting Energy Conservation

The Sanyo Group has been actively introducing cogeneration systems primarily at its 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 the exhaust heat facilitates energy saving at facilities and improves energy efficiency in production processes, thus preventing an increase in energy consumption.

■Electricity generated by cogeneration systems in FY2006 (Major facilities in Japan)

Facility	Electricity generated (1,000 kWh)
Tokyo Plant	175,886
SANYO Energy Twicell Co., Ltd., Kaizuka Plant	4,226
Head Office Building No. 1	2,291
Head Office Building No. 2	3,325
Daito Plant	1,104
Total	186,832

■Change in energy consumption (Manufacturing facilities in Japan)



Introducing Renewable Energy

The Sanyo Group is striving to develop and disseminate clean energy technology using solar power, and has introduced solar power generation systems at 10 major facilities in Japan to play a role in reducing CO_2 emissions. Through this, in FY2006 we achieved an emission reduction of 474,000 tons* in CO_2 equivalent.

Solar Ark, completed in December 2001, has 5,046 solar panels covering the exterior surface. Its 630kW generating capacity is one of the largest generation capacities in the world. Approximately 580,000 kWh was generated in FY2006, which was supplied to the Gifu Plant via a substation located on the premises.

* CO_2 emission factor for purchased electricity (0.425 kg-CO_2/kWh) is used for calculation.

■Electricity generated by solar power generation systems in FY2006 and CO_2 equivalent (Major facilities in Japan)

Facility	Electricity generated (kWh)	CO_2 equivalent (t-CO_2)
Gifu Plant	581,609	247
Tokyo Plant	128,414	55
Head Office Buildings	73,132	31
Saga SANYO Industries Co., Ltd.	96,000	41
SANYO Electric Logistics Co., Ltd.	96,012	41
Tokushima Factory	76,982	33
Daito Plant	14,756	6
SANYO Seimitsu Co., Ltd.	23,000	10
SANYO Energy Nandan Co., Ltd.	20,556	9
SANYO Energy Logistics Co., Ltd.	4,134	2
Total	1,114,595	474


Solar Ark (Gifu Plant)

access
CFC Control Measures
→ www.sanyo.co.jp/environment/en/

Reduction of Environmental Impact in Business Activities

Waste Reduction and Recycling

Aiming to Achieve Zero-emission

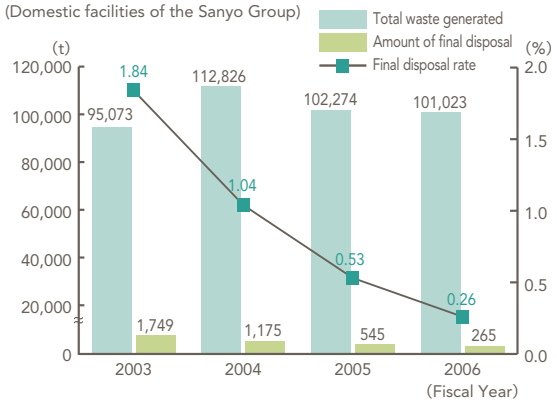
In FY2006, Japanese industry as a whole, including the electric/electronic industry group which the Sanyo Group belongs to, reviewed and revised their targets based on new indicators in order to facilitate their overall effort to minimize waste generation.

The total waste (including valuable resources) generated by our domestic group companies in FY2005 accounted for approximately 5.0% of the total waste generated by the entire electric/electronic industry and approximately 1.6% in terms of amount of final disposal by landfill. In the future, while considering our company's situation, we will make our best effort to cooperate with the industry-wide efforts.

The combined total of industrial waste that includes valuable resources and general waste generated by the Sanyo Group amounts to approximately 100,000 tons, of which industrial waste accounts for over 90%. Industrial waste tends to be highly recyclable and consequently at almost all the manufacturing divisions with a high industrial waste rate, the final disposal rate is under 1.0%. Meanwhile, most general waste ends up in a landfill after being incinerated. As a result, at the non-manufacturing facilities with a high general waste rate, particularly sales/service office facilities, the rate of final disposal by landfill is high and there are still some divisions with their final disposal rate being over 1.0%.

Among domestic group companies, all the manufacturing subsidiaries achieved a final disposal rate of under 1.0%, which was then defined as zero-emission. In response to this, our definition of zero-emission was changed in September 2006 to a final disposal rate of 0.5% or less, based on which we will set higher goals and strive to meet the challenge of achieving them.

■Amount of waste discharged and final disposal rate
(Domestic facilities of the Sanyo Group)

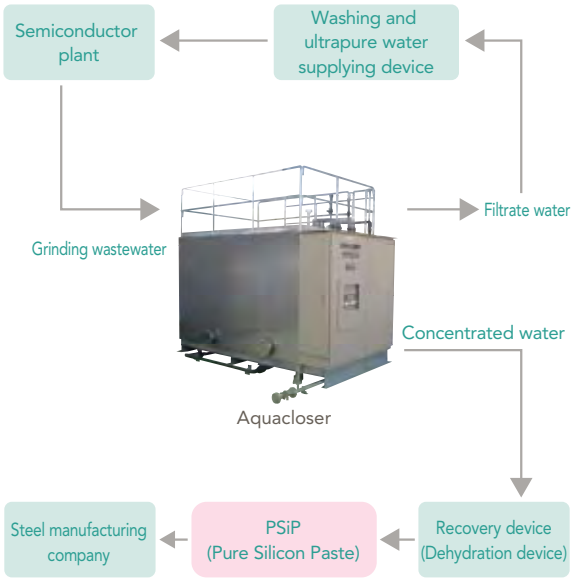


Cyclical Use of Water Resources

Of the total water consumption by the Sanyo Group, the semiconductor division uses approximately 60%, which after use is discharged as wastewater containing silicon microparticles (mainly silicon wafer cutting/grinding water). We have developed and are making an effort to disseminate a technology to separate this wastewater into silicon sludge and water so that they can be reutilized effectively. Separated water is cleaned for reuse as ultrapure water. It is also reused as low-grade washing water and cooling water. Thus, the entire Sanyo Group implements measures to promote factory-wide comprehensive utilization of water.

As a result, water consumption in FY2006 totaled approximately 20.64 million m³, which is approximately 2 million m³ less compared to the FY2005 level.

■Recycling flow for wastewater containing silicon microparticles



■Breakdown of amount of water consumed for FY2006

	Domestic	Overseas	Total (Domestic + Overseas)
Groundwater (10,000 m³)	401	39	440
Non-groundwater (10,000 m³)	1,165	459	1,624
Total (10,000 m³)	1,566	498	2,064

Proper Management of Chemical Substances and Emission Reduction

Proper Management of Chemical Substances

We, at the Sanyo Group, conducted a survey based on our original chemical substance management system to find out how environment-polluting chemical substances are being released from our domestic manufacturing facilities including subsidiaries. Based on the findings of the survey, we are shifting to alternative substances and planning and implementing improvement of manufacturing processes to control the release of such substances and reduce their environmental impact.

As for the items containing PCBs (polychlorinated biphenyl) possessed by the Sanyo Group, such as power capacitors/transformers and capacitors recovered from some waste home appliances and old light fittings, control managers are installed at the facilities where they originated from to maintain strict control of them. In FY2006, upon selling a number of domestic in-house buildings and old factory land, some PCB-containing equipment and machines needed to be moved and they were safely moved to facilities where they can be properly stored and managed.

Reduction of Chemical Substance Emission

The emission of substances subject to PRTR*1 Law into the environment by our domestic manufacturing facilities was 44 tons in FY2006, achieving a reduction of over 90% compared to the FY1999 level. The major emission control measures we took include: (1) improving the processes (switching to coating materials, such as water-based/powder coating materials etc., which do not use organic solvents like toluene and xylene); (2) installing harm removal devices; and (3) recovering emissions to the maximum extent possible.

Further, in accordance with the Air Pollution Control Law of Japan, we conduct a survey on emissions of VOC*2 into the atmosphere on an ongoing basis and take necessary measures accordingly.

*1 PRTR (Pollutant Release and Transfer Register) is a system to collect data, make reports, and disclose information on sources and quantities of harmful chemical substances released to the environment or transferred off-site in the form of waste.

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

■PRTR survey results (Domestic manufacturing facilities)

	FY2006	FY2005
Amount of PRTR substances used (t)	14,952	17,686
Amount released into environment (t)	44	46
Amount transferred (t)	246	253
Amount consumed as product (t)	14,057	16,696
Amount removed (t)	58	33
Amount recycled (t)	547	658

Pollution Risk Survey and Information Disclosure

From the late 1990s, the Sanyo Group has systematically conducted a survey on contamination of the premises of company facilities by organochlorine solvents and heavy metals. As a result of the survey, contamination levels higher than the environmental standard level were found in the premises of some manufacturing facilities. We reported these contamination levels to the relevant administrative authorities and took measures to decontaminate the corresponding sites and excavate/remove the contaminated soil.

In FY2006, Hojo Factory Kasai Plant, which was the oldest facility of the Sanyo Group, was closed and accordingly its registration as a specified facility according to the Water Pollution Control Law was cancelled (August 2006). Following this, based on the Soil Contamination Countermeasures Law we conducted a survey on all the hazardous substances specified by the law (Class I, Class II, Class III specified hazardous substances).

As a result of the survey, in the sites of the former paint/plating plant and metal stamping plant we detected the following contamination: fluorine at approximately 39 times higher than the environmental standard level, hexavalent chromium at approximately 16 times higher, arsenic at approximately 26 times higher, and lead at approximately 6 times higher, and some amount of cyanogens, boron, and selenium. We reported these contamination levels to the relevant administrative authorities and disclosed the information on November 14, 2006. We disposed of the contaminated soil of the former Hojo Plant in an appropriate manner based on the treatment plan in accordance with the Soil Contamination Countermeasures Law. We submitted the contaminated soil treatment completion report to the relevant administrative authorities in May 2007.

access
PRTR Survey Reports,
Countermeasures to Soil/Groundwater Problems
→ www.sanyo.co.jp/environment/en/

Together with Customers

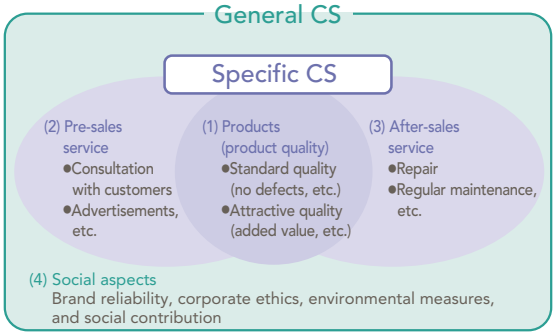
The Sanyo Group provides a wide range of products from home appliances, to electronic components, to industrial equipment. We fulfill our responsibilities to our customers by pursuing an ongoing dialog with them, while placing priority on the quality and safety of products and servicing.

Improving Customer Satisfaction

Since its foundation, Sanyo has remained committed to achieving high customer satisfaction (CS) in its business activities. A Customer-First principle is explicitly expressed in the management philosophy and principles of conduct. Every officer and employee of the Sanyo Group keeps this principle in mind at all times, and strives to ensure that day-to-day activities lead to greater customer satisfaction.

The goal is to always ensure customer satisfaction at every stage, from the time that a customer is investigating a purchase, to the after-sales stage of repair and maintenance, and finally to the product disposal stage. Sanyo strives to improve all aspects of CS in inventive and imaginative ways, through coordination of the relevant divisions including planning, technology, design, manufacturing, and quality control, as well as the sales and service divisions that have direct contact with customers.

■Elements of customer satisfaction (CS)



Highlights

- The Sanyo Website was updated to enable customers to use products with more safety
- Employees in Sanyo's customer-related divisions participated in over 100 hours of seminars per person per year
- About 4,000 Sanyo employees participated in surveys on product satisfaction and ease of use

Providing Information to Customers

Providing Product Safety Information

After the establishment of the Basic Policy on Product Safety in May 2007, Sanyo took new initiatives for strengthening the safety of its products. One of these was the revising of its online "Tender Loving Care Guide" (a Web site in Japanese), and re-launching it as the "Tender Loving Care and Appliance Safety Tips."

This site provides customers with information on regular inspection points for each product and how to use them safely, as well as ways to get the most out of home appliances from purchase to disposal. The online resource also provides helpful advice in the form of important notices on product safety, and links to Sanyo locations for repair and maintenance.

In addition to the online information, Sanyo has also prepared the Tender Loving Care Guidebook outlining regular inspection items and precautions for product use. The publication covers 28 different products, so that customers may enjoy these products for many years. The guidebook is distributed to customers through retailers and repair personnel.

Sanyo has dedicated staff in order to provide the right information in response to direct inquiries from customers concerning product operation and other questions.

Sanyo's "Tender Loving Care and Appliance Safety Tips"
(Website in Japanese)

Important Notices concerning Products

In the event that a product safety issue or other serious quality problem is discovered and confirmed, Sanyo's first priority is to ensure customer safety. The relevant information is immediately released to the public, and prompt measures are taken such as inspection of affected products, and repair or replacement of necessary parts. In this way, Sanyo strives to minimize any harm to customers. Important notices are also posted on the company Website detailing information on required inspection and repair.

Providing Lecturers and Distributing Awareness-raising Videos

Sanyo sends lecturers to government agencies including Consumer Centers across Japan, to speak on topics such as using home appliances effectively, saving energy, and product safety. With the aim of contributing to consumer education, the company also produces instructional videotapes on the right way to use products and provides them to Consumer Centers, consumer organizations, schools, fire services, and other institutions. In this way, Sanyo is working to raise the awareness of as many people as possible concerning the importance of proper product usage.

In the future Sanyo will continue to work with these kinds of outside organizations, while maintaining its efforts to increase understanding of product safety. Customers should be able to use their products with more confidence as a result.

■ Sample product inspection checklist (website in Japanese)

access

Initiatives to Improve Management Quality
→ www.sanyo.co.jp/environment/en/
Tender Loving Care and Appliance Safety Tips
→ www.sanyo.co.jp/cs/aijoutenken/(Japanese Only)

Together with Customers

Placing Importance on Customer Dialogue

Call Centers Respond Directly to Customers

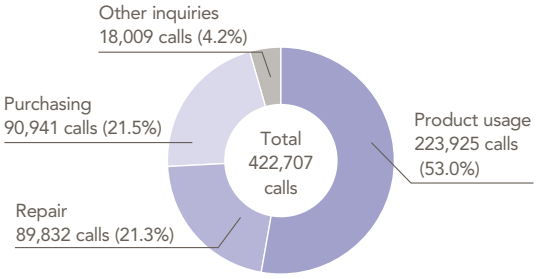
Sanyo has a range of specialized centers to provide information to and receive requests from customers. For example, the Customer Center provides general information to consumers about purchasing or using Sanyo home appliances and products. The sales desks at each of the Sanyo business divisions respond to corporate customers concerning industrial equipment and parts. Finally, the after-sales service and maintenance division answers all kinds of repair inquiries. The specialized staff at all of these centers are ready to listen to callers and strive to achieve customer satisfaction.

Customer Center

The Sanyo Customer Center receives about 420,000 calls annually. In order to respond quickly and accurately to these requests and inquiries, an interactive voice response system (IVR) is used to connect callers to the relevant specialized staff without delay. The center also operates 365 days a year, and calls are toll free even from mobile phones. In this way, the Customer Center aims to provide convenient service every day of the year.

In order to enhance the knowledge and response capabilities of the Customer Center staff and to keep pace with the increasingly complex and function-equipped products and technologies, these staff undergo training and product seminars with the support of the product planning and design divisions. Each Customer Center staff member participates in about 30 to 40 seminars per year, and thereby strives to provide accurate information to customers on a range of topics.

■Customer Center inquiry types (FY2006)



Sales Desks

Corporate customers for industrial equipment and parts require products tailored to their individual business characteristics. In order to meet these needs, the sales desks at each business division respond to inquiries concerning their respective equipment and parts. Along with providing the best solutions to meet the business needs of each customer, the business divisions strive to build and maintain good partnerships with corporate clients, based on relations of trust.

After-sales Service and Maintenance Division

SANYO Electric Service Co., Ltd., is Sanyo's division for after-sales service and maintenance. In addition to providing service and maintenance for all Sanyo products and industrial equipment, this division also strives to improve customer satisfaction through various kinds of support activities ranging from proposals for optimal devices and systems to meet customer needs, to the design and building of these products.

The after-sales service division operates a customer center for industrial equipment and a call center for home appliances. Here specially trained staff receive inquiries about repairs, while technicians for each product type provide product and technical consultation. With a service network of 115 locations across Japan, the division is able to deliver fast and attentive repair service. Moreover, the division is helping to reduce the environmental impact of products by maintaining them in top condition, and ensuring the effectiveness of energy saving features. In the area of home appliances, even more accurate after-sales service is being provided to customers. This is achieved through the strengthening of cooperation with retailers, such as detailed information exchange and the establishment of a direct shipping system for repair parts.

access
Inquiries and Customer Service Support
→ www.sanyo.co.jp/cs/ (Japanese Only)
After-sales Service and Maintenance
(SANYO Electric Service Co., Ltd.)
→ www.sanyo.co.jp/cmservice/ (Japanese Only)

Making customers happy

Our most important role at the Customer Center is to quickly connect callers with the specialized staff that meet their needs, to help them fully understand the answers to their questions, and to provide customer satisfaction. In order to achieve this, it is important to listen carefully to the customers, and accurately determine what is troubling them and what they are asking for.

There is nothing like the feeling of satisfaction and happiness when a customer says, "thank you," or "I can use this with confidence now," or "I'll be buying Sanyo products again in the future." It also reminds us of our responsibility as the faces and voices of the company.

In the future I will remain proud of my job and improve my skills in order to provide more customer satisfaction. I want as many people as possible to have a great experience with Sanyo products and our company.

Eri Watanabe
Customer Center

Utilizing Customer Feedback in Product Development

Sanyo is continuing its initiatives to ensure that customer opinions are reflected in the entire product development process from concept creation to planning, development and sales.

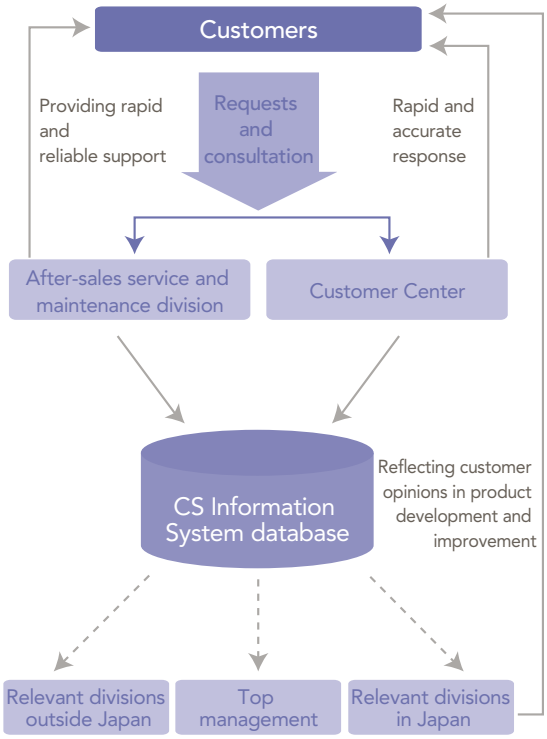
The sales division has set up a section dedicated to conducting customer surveys, and operates a membership organization*1 called, Oeuf Club, comprised of Sanyo customers. Members are given customer satisfaction surveys and group interviews, in order to find out how customers evaluate Sanyo products after purchase, to deepen understanding of consumers' viewpoints, and to identify new customer needs.

Information obtained by the Customer Center and the after-sales service division, including customer opinions and requests or product repair and quality data, is entered into an internal CS Information System and shared on 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.

Based on the idea that employees are the customers closest to the company, Sanyo is also promoting a CS Voice Program that gathers and analyzes employee feedback on products and their usability. In fiscal 2006, about 4,000 employees took part in questionnaires and interviews in order to review new product functions and identify points for improvement.

*1. The club is comprised of invited customers who completed and sent back the user's card included in Sanyo products and then responded to a follow-up customer satisfaction questionnaire.

■Customer information flow and feedback



Together with Employees

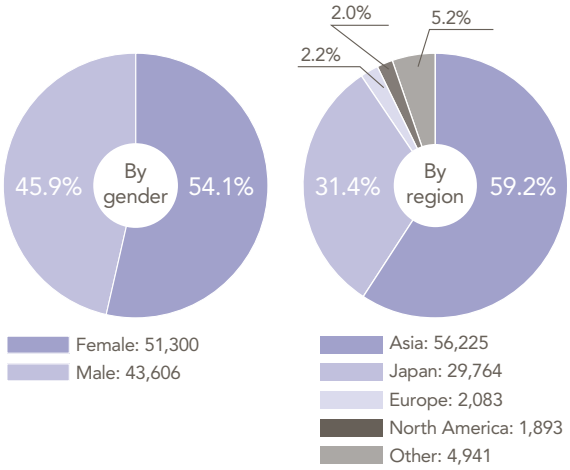
Respecting the diversity of individuals, and creating workplace environments that allow all employees to fully realize their abilities and career goals.

Fair Employment

With operations on a global scale, the Sanyo Group employs 94,906 employees worldwide, as of March 31, 2007. The ratio of male and female employees is mostly equal, employment regions span the globe, and the Sanyo workforce is rich in diversity.

Recruitment, hiring, and promotion are carried out in an open and fair manner in every respect, according to the Sanyo Group's Principles of Conduct, and its Code of Conduct and Ethics. In addition to observing the relevant laws and regulations in each country concerned, Sanyo respects the intent of the UN's Universal Declaration of Human Rights, and the ILO's International Labor Standards. The individual rights of Sanyo employees are respected, and there is no toleration of discrimination based on race, religion, nationality, age, or gender.

■Employee breakdown in FY2006 (consolidated basis)



Highlights

- The ratio of women in management positions is increasing overall
- Obtained certification based on the Next Generation Nurturing Support Measures Promotion Law of Japan, in April 2007
- Revised the personnel system to make it even more satisfactory, fair, and transparent

Promoting Diversity

It is the diversity of individual Sanyo employees that helps create new value, and that serves as the driving force behind the growth of the company. Accordingly, issues such as nationality diversity, creating opportunities for women, hiring persons with disabilities, and promoting locally hired human resources have been given high priority in each region. Sanyo is now promoting further initiatives in these areas.

Promoting the Role of Women

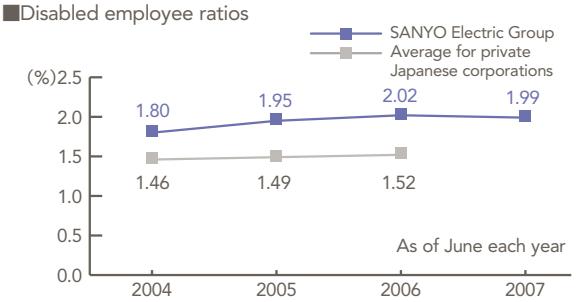
In order to further promote the role of women in the company, Sanyo has established a Positive Action Committee comprised of both labor and management members. The committee actively discusses issues relating to the proper evaluation and treatment of men and women, and initiatives based on these discussions have steadily produced results. Women now have a greater role in many divisions, including planning, sales, and technology development. The percentage of women in overall management positions has increased as a result. In fiscal 2006, the rate was 1.3%, which was double the rate of only three years earlier.

Employees with Disabilities

In order to create work environments that are rewarding and motivating for everyone, the Sanyo Group is striving to increase job opportunities for people with disabilities.

Currently, disabled employees are working at Sanyo sites across Japan where their abilities can be best developed, including two specially designated subsidiaries*1: SANYO Heart Ecology Co., Ltd., which cultivates flowers and vegetable seedlings, and Harima SANYO Industry Co., Ltd., which packages batteries and assembles electrical products. The employment ratio*2 for disabled persons in the Sanyo Group is 1.99% as of June 2007.

■Disabled employee ratios



*1. These are subsidiaries that must satisfy certain conditions, including employing those with disabilities for at least 20% of the workforce. Under the Japanese Law for Employment Promotion, etc., of the Disabled, the employees in these subsidiaries can be included in the calculation of the disabled employee ratio for the parent company.

*2. This calculation includes SANYO Electric Co., Ltd., two specially designated subsidiaries, and 9 subsidiaries authorized for consolidation in the disabled persons employment calculation.

Active Promotion of Locally Hired Human Resources

Along with the global expansion of its operations, Sanyo is carrying out local hiring at overseas sites in various fields including not just manufacturing, but also technology development, quality control, sales, and business planning.

Sanyo's objective is to realize optimal posting of human resources on a global scale, as well as business management that is more in touch with local conditions. This is being achieved through the strengthening of global management and the creation of systems for training, evaluation, and treatment of employees that are tailored for each country or region.

Creating Supportive Workplaces

Encouraging a Balance of Work and Family Life

The Sanyo Group is creating a friendly working environment for both male and female employees who want to balance work and family life. Initiatives were carried out mainly by the labor-management Committee for Measures to Support the Development of the Next Generation and action plans were achieved. These included expanding the eligibility period under the system of shorter working hours for parents with young children (eligibility until the end of March after the child enters grade one), and promoting the use of childcare leave by male employees (two male employees took childcare leave in fiscal 2006). In recognition of these initiatives, in April 2007, Sanyo obtained certification*3 based on the Next Generation Nurturing Support Measures Promotion Law.

*3. Based on achieving an action plan for child-rearing support, and meeting the certification standards of the Japanese Ministry of Health, Labour and Welfare.

Next-generation certification program logo

access
Promoting Fair Employment and Diversity
Creating Supportive Workplaces
→ www.sanyo.co.jp/environment/en/

Together with Employees

Sincere Dialogue with Employees

The Sanyo Group places importance on dialogue with its labor union and building good relations with employees. The SANYO Electric Workers' Union is made up of about 20,000 employees from SANYO Electric Co., Ltd., and its main subsidiaries in Japan. The company holds daily discussions with the union on employee labor conditions and other matters, and both management and union leaders attend the Joint Management-Labor Conference, which is held regularly. At this conference, top management explains management policy and listens to the opinions of employees from the union perspective, and strives to reflect them in management of the company.

Sometimes large-scale personnel reassignment is necessary as part of business restructuring. In these cases, and after prior consultation with the union, Sanyo provides employees with sufficient explanation about the reasons for the measures, as well as basic policies and plans relating to the implementation. Individual consultation with employees is also carried out as necessary.

Joint Management-Labor Conference

Proper Evaluation and Treatment

In order to ensure sustainable growth in the future, it is important for the Sanyo Group to specify organizational roles according to the brand vision and management policy. The desired direction for the organization then needs to be unified, and the cohesive momentum increased.

A new personnel system was implemented in fiscal 2007. The new system clarifies the organizational functions and the expected roles of employees within this framework. It also specifies the specialized abilities that need to be acquired in order to fulfill each of the roles. The target management system, evaluation standards, and promotion conditions are then established based on this. By evaluating whether a good balance has been achieved for both the acquisition of specialized skills and the execution of the expected role, and by reflecting this in the treatment and remuneration, a more results-oriented personnel system has been established for better satisfaction, transparency and fairness. For promotions in particular, the selection exams have been abolished, and promotion candidates are now evaluated and chosen based on various criteria including work level, specialized skills, and the overall role execution.

Developing Human Resource Abilities

The Sanyo Group is improving its skills development system in order that all employees may find their potential, achieve job satisfaction, and realize their abilities to the fullest.

In fiscal 2007, the skills development programs were reconstructed along with the implementation of the new personnel system. Skills requirements were also established for each job type. The skills development programs for each career type are comprised of on-the-job, job level, specialized ability, and career path trainings, and the system enables employees to set medium and long-range career plans. The training methods now include e-learning in addition to group and correspondence courses, and there is a range of other skills development support including courses from outside educational institutions, and a study-abroad system for MBA and other learning. These programs will be introduced at some Sanyo overseas subsidiaries as well.

Occupational Health and Safety

Placing Importance on Health and Safety

In fiscal 2006, the Sanyo Group implemented a safety management policy to prevent the reoccurrence of similar labor accidents due to management or physical causes, based on an analysis of past accidents. In the area of health management, Sanyo implemented a group-wide activity policy that places importance on maintaining and improving employee health. This is done through more detailed medical exams for those employees that discovered issues in their regular health check-ups, and through measures to prevent health problems due to poor mental health and overwork.

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

Basic Policy for Health and Safety

1. Establish zero-hazard workplaces
2. Promote overall health
3. Hold health and safety activities for all employees

We want employees to work with health and vigor

At the Industrial Health Center, we are promoting mental and physical health management for employees in the workplace. In addition to implementing policies to prevent mental and physical health problems, we talk with employees in person, and by phone or email in order to help them in the earliest stages of their health issues. There are also accessible consultation offices for employees to visit the occupational health nurse, in person. Our role is the important job of ascertaining the best course of action based on the consultation and interview results, and referring the employee to the industrial physician or other specialized staff, as necessary.

During an in-person consultation, we try to create an open atmosphere, and give specific advice so that the employee can take some action to improve his or her health after the visit. The goal of this job is to enable those that visit us to later say that they were glad they came for a health consultation. In order to achieve this, we analyze and evaluate the current policies and their results, and then further improve the quality of our activities. We want to provide support for employees to help them become more aware of their health.

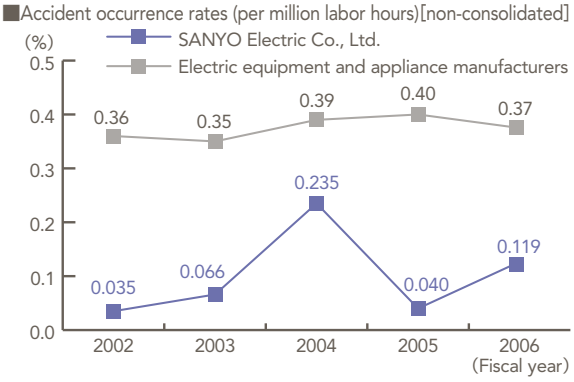
Yuko Aoyama
Occupational Nurse
Industrial Health Center,
Tokyo Plant

Working towards Zero Occupational Accidents

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, when multiple accidents occur within a three-month period, or when there is a serious accident, or one resulting in an employee missing work, the site in question is designated as requiring safety management measures. A plan is then drafted in order to prevent reoccurrence of similar accidents. Based on the plan, the designated site must carry out workplace safety patrols and intensive inspection activities for three months. Such initiatives help to sustain the awareness and concern of managers and employees towards safety.

Sanyo sites that have introduced occupational health and safety management strive for continual improvement of the system through risk assessment and internal auditing. Moreover, we hold meetings to report successful improvement activities, and promote policies for occupational accident prevention.

■Accident occurrence rates (per million labor hours)[non-consolidated]



Promoting Good Mental Health

The environmental stress in companies has become more pronounced in recent years, and the percentage of employees missing work due to mental health issues has increased as a result. Therefore, appropriate measures are necessary to combat this trend.

Sanyo provides mental health materials for employees on the company intranet, including a checklist for self-evaluation of stress levels, and information on consultation offices at the company's industrial health centers. In fiscal 2006, a Sanyo site was selected for mental healthcare improvements. Based on employee stress check results, individual care and workplace environment improvement activities were implemented at this site. This has yielded positive developments, and the program will be expanded to other sites in fiscal 2007. Furthermore, in order to deepen awareness of good mental health, and to detect and help employees with mental health issues in the early stages, Sanyo offers classes for managers given by internal and outside mental health experts, as well as "active listening" training for mental health counseling, at each Sanyo site. Since managers play an important role in connecting subordinates with the industrial physicians and other experts, the need to improve communication skills is also being highlighted. In fiscal 2007, participants in the mental health classes were given a questionnaire, and based on this feedback, the training program will be improved and better results achieved.

access
Occupational Health and Safety
→ www.sanyo.co.jp/environment/en/

Together with Local Communities

By living together with local communities and helping them to grow and prosper, Sanyo is contributing to society in its own effective way.

Dialogue with Local Communities

With operations worldwide, the Sanyo Group promotes harmonious business activities by adapting the company's standards to better meet the regulations and conditions in each country or region that Sanyo operates.

Communication is essential in order to determine the activities and policies that are needed for each community. When participating in and supporting local volunteer activities such as community renewal, it is the employees of the Sanyo site concerned that maintain a dialogue with the local government or local resident representatives. Community understanding of the vision and business activities of the Sanyo Group is also deepened through this kind of dialogue.

Corporate Contribution together with Society

By utilizing its management resources and specialized technology, Sanyo is helping local communities to grow and prosper in the areas of environmental protection, youth education, and social welfare. In this way, the company is working with local communities to advance its social contribution activities.

These kinds of corporate citizenship activities help instill the spirit of volunteerism in every Sanyo employee, and they are an important opportunity for meaningful communication with local society. By building community partnerships with the aim of helping to create a vibrant society based on open cooperation, Sanyo is also investing in its own business future.

access

Social Contribution Activities
→ www.sanyo.com/corporate/culture/social/

Highlights

- Provided environmental education to 2,910 children at 40 schools through the Energy Evolution Project for Elementary Schools
- Grants provided by the Sanyo Think GAIA Foundation reached at total 35 million yen over five years

Environmental Protection

Education and Awareness-raising with the Solar Ark

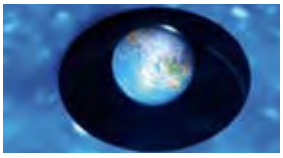
The Solar Ark solar power generation system is a symbol of the Sanyo Group's commitment to developing potential for and realizing the dream of clean energy. With its impressive appearance, the Solar Ark has helped raise awareness of solar power.

Solar Labo is a unique solar-cell science museum next to the Solar Ark, and is used for a variety of purposes. It is visited by members of the general public for continuing education programs on environmental issues, as well as by elementary, junior high, and senior high school students as part of their social studies. Solar Labo is also used by foreign trainees invited by the Energy Conservation Center, by educators on inspection tours, and by corporate employees for their training programs. Moreover, Sanyo works with the prefecture and local organizations that want to hold events at Solar Labo in order to raise public awareness of the environment and science. School visitors are given a diverse learning experience that goes beyond the typical science museum visit, including an interactive energy learning room, and global warming experimentation.

In August 2006, a new exhibit opened at the Solar Labo, entitled the "Story of Our Planet of Life." The new attraction tells the history of the earth and gives visitors a visual experience spanning 13.7 billion years, from the birth of the universe to the appearance of humankind. A total of 260,000 people have visited the museum since it opened in 2002.

Solar Ark

Interactive Exhibit outside the Solar Ark



The Story of Our Planet of Life

"Environment for All" Activities

Based on the concept of protecting water resources, Sanyo promoted work camp projects to install water supply systems in the Malaysian state of Sarawak, from 1999 to 2004. The location for these activities was switched to Japan in 2005, and the Sanyo Forest work camp project for Japanese forest protection was begun. Two hectares of a prefecture-owned forest in Kurabuchi, Takasaki, Gunma have been set aside for the project, and Sanyo employee volunteers have been carrying out maintenance of this forest several times a year. This has become an important opportunity to refocus awareness on the importance of the natural environment.

Youth Development

Energy Evolution Project for Elementary Schools

Since November 2005, Sanyo has been carrying out environmental education for school children, centered on the topic of Sanyo's *eneloop* rechargeable batteries, which can be reused about 1,000 times.

In fiscal 2006, Sanyo instructors visited 40 elementary schools in Japan and gave lessons to 2,910 students about the importance of protecting the global environment and reusing batteries. These classes will be continued in fiscal 2007. In order to provide environmental education to even more elementary schools, Sanyo began initiatives to provide classroom materials free of charge to teachers involved in environmental education. Along with the expansion of *eneloop* sales to markets outside Japan, the demand for environmental education is also increasing overseas. The necessary support system has been prepared, and in February 2007, environmental education classes were given at a Japanese school in Beijing, China.

Environmental class

Holding Sports Workshops

With the goal of contributing to the sound development and social education of children, retired employees from Sanyo's badminton and rugby teams hold sports workshops for elementary and junior high school students using the company gymnasiums and playing fields. Moreover, Sanyo also sends out sports instructors to elementary schools during class hours, after school, and on weekends, while working in cooperation with schools and local volunteers.

Badminton workshop

Together with Local Communities

Social Contribution outside Japan

SANYO Philippines, Inc.
Support for the Bantay Kalikasan Forest Conservation Project

SANYO Philippines, Inc. supports the local Bantay Kalikasan forest conservation project, and has been fundraising since September 2006. The activities are being carried out across the country with the cooperation of suppliers who have set up collection boxes on their own premises. The money raised is donated to the project promoters and used for the purpose of environmental protection such as forest conservation and air pollution prevention. Moreover, the project promoters and employees from Sanyo Philippines worked together and planted 400 trees on one hectare around La Mesa Dam, the only forest in the city of Manila.

Tree-planting in the Philippines

SANYO Hungary, Kft.
Support for the Environmental Children Day Event

SANYO Hungary, Ltd. produces solar cells, rechargeable batteries, and environmentally-conscious air conditioning equipment. By supporting an environmental event for local elementary and junior high school students, Environmental Children Day, the company is conveying the importance of environmental protection and resource recycling. Moreover, Sanyo Hungary welcomes university and technical college students as interns, and lets them learn about the company's environmental strategy and activities through onsite training. By maintaining these kinds of activities, Sanyo is helping to raise the environmental awareness of local people.

A fun event to learn about ecology: Environmental Children Day

Supporting Employee Volunteer Activities

Based on management-labor cooperation, Sanyo is creating work environments that make it easy for employees to actively participate in volunteer activities.

The Volunteer Time Off and Temporary Leave Programs were introduced in 1992 as a specific workplace improvement policy. In fiscal 2006, a total of 258 employees took volunteer time off, while 2 people went on volunteer temporary leave, in order to participate in various activities. In fiscal 2006, a Silver Ribbon Award system was created to recognize the social contribution activities of employees. In this way, Sanyo is encouraging the spirit of volunteerism among its staff, increasing understanding in the workplace, and creating environments that are easier to work in.

Volunteer time off

If employees wish to participate in volunteer or community service activities on a weekday, they can obtain special paid days off up to six days a year (or 12 half-days).

Volunteer temporary leave

If employees wish to participate in extended-term volunteer activities, they can take paid leave for one month, or up to one year. (This includes training and actual activity time for those participating in the Japan Overseas Cooperation Volunteers program.)

Grants and Donations

Supporting Environmental Conservation Activities SANYO Think GAIA Foundation

Following the completion of the Solar Ark solar power generation system in December 2001, the SANYO Environmental Fund was established in April 2002 with the goal of contributing the energy savings generated by the system to various environmental conservation activities. Headquartered at Corporate Environment Center, this fund has been offering financial support to worthy environmental activities carried out by volunteer organizations and NPOs.

In February 2006, the name of the fund was changed to the SANYO Think GAIA Foundation, and its activities were expanded to include support for the sound development of youth and social education. In the five years since the foundation's original establishment, it has given 29 grants*1 totaling over 35 million yen to 19 organizations. Recipients include the Gifu Youngsters' Science Festival, the Gifu Earth Environment School, and the Otsu Environmental Forum.

*1 Since some projects are ongoing, the number of grants is greater than the number of organizations.

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SANYO Think GAIA Foundation
→ www.sanyo-ecokikin.jp/ (Japanese Only)

Independent Review Report

DET NORSKE VERITAS

Independent Review Report

October 20, 2007

To: SANYO Electric Co., Ltd.

Det Norske Veritas AS (DNV) has reviewed "Sustainability Report 2007" 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)" as well as emerging good practices and guidance.

DNV's review was conducted at Corporate Environment Center and CSR Department at SANYO's Headquarters (Daito City, Osaka, Japan) on 2 August 2007 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 Industry, Japan

Luca Crisciotti
General Manager
DNV Industry, Japan

DNV INDUSTRY, JAPAN Q20A/REV 5/2002.03.01

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