

We implement reforms to become a leading provider of Environment- and Energy-related products, and aim to create a foundation for a profitable company with renewed public confidence



Seiichiro Sano, Executive Director and President

During the three years leading up to fiscal 2007, the Sanyo Group has been rebuilding its business portfolio, and taking measures to improve management efficiency across the entire group. Through these efforts Sanyo has worked to recover its profit foundation and financial health, and promote management reconstruction. As a result, Sanyo has achieved the operating and net profit targets for fiscal 2007 that it indicated to its stakeholders. The profit foundation has been restored through increased earnings from rechargeable batteries, solar cells, electronic components, and digital cameras, thereby delivering definite results.

■ Setting targets for the achievement of a new medium-term management plan

As part of a new medium-term management plan beginning in fiscal 2008, Sanyo has established three-year management targets called, Challenge 1000. The medium-term management policy is to implement reforms to become a leading provider of Environment- and Energy-related products and to create a foundation for a profitable company with renewed public confidence. The goal is to achieve profitability in all the continuing operations within three years (about 1,000 days), and raise the consolidated operating profit to at least 90 billion yen (ideally 100 billion yen or more) by fiscal 2010. The group's businesses have been divided into three domains – energy, electronics, and ecology – according to fundamental technologies and directions. Moreover, based on their markets and business models, the group's businesses have been further divided into either component or electric appliance businesses, for the purposes of business strategy formulation and management.

■ Transitioning from management reconstruction to a growth path

In order to make a major strategic transition from the previous three years of management reconstruction to a growth path requiring a solid foundation for profitability, and in order to secure a foundation for sustainable growth, Sanyo is implementing its largest capital investment to date, totaling around 360 billion yen. Seventy percent will be invested in Sanyo's leading business areas: rechargeable batteries, solar technology, and electronic components.

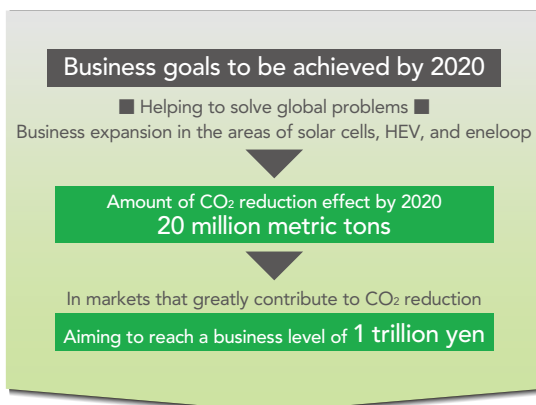
In fiscal 2008, the group is expecting a drop in operating profits due to an increase in depreciation costs ahead of the capital investment, and a deterioration of the business environment including rising material and oil prices, as well as exchange rate fluctuations. However, I would like to assure you that this will only be a temporary drop in profits while we stay focused on our growth strategy. We intend to earn the confidence of stakeholders through the achievement of our new medium-term management plan, as the investment starts to create steady profits.

■ Initiatives to tackle environmental and energy issues by 2020

Society in the 21st century is faced with ever-worsening problems for the Earth's environment, such as global warming, the depletion of resources, water shortages, and pollution. With the issue of global warming in particular, there has been a sudden increase in energy consumption by countries worldwide, together with industrialization, causing CO₂ levels to grow in Earth's atmosphere. As a result, we are now seeing the greatest rise in average global temperatures since the Industrial Revolution. It is expected that the world will run out of oil in 40 years, and natural gas in 60 years, making it urgently necessary to start switching to alternative energy sources.

Sanyo has technology that can contribute to solving these global environmental problems, and this will be a major business opportunity for the future. We are contributing greatly to the prevention of global warming by reducing CO₂ emissions, through rechargeable batteries such as nickel-metal hydride eneloop batteries for consumers, as well as through solar cells and rechargeable batteries for hybrid vehicles. The plan is to expand these business areas to the one trillion yen level by 2020. In doing so, we could possibly offset CO₂ emissions by about 20 million metric tons.

Sanyo is promoting technology development with the target of achieving carbon neutral* status by 2010. This is where the amount of CO₂ emissions generated through our business activities is equivalent to that of CO₂ emissions offset by the use of environmentally-conscious Sanyo products, such as solar cells and rechargeable batteries. Ultimately, we are aiming for a situation where the CO₂ offset by the use of our products is greater than our CO₂ emissions, thereby contributing to the planet with a carbon minus* operation.



* Here, "carbon neutral" and "carbon minus" are terms defined by Sanyo.

■ Strengthening human resource competence while improving functional capability

As a manufacturer, Sanyo needs to obtain the confidence and satisfaction of customers that use our products. In order for general consumers and corporate customers to use our products with confidence, it is important to deliver not only product quality, but also maintain sound management that includes corporate governance and compliance. With the J-SOX law coming into effect in Japan during fiscal 2008, Sanyo is promoting internal controls, legal compliance, and quality management, while increasing the soundness and transparency of our management through proper information disclosure.

Furthermore, it is necessary for the departments in charge of product R&D and design, procurement, manufacturing, sales, and distribution to function properly. The foundation for this is the company's human resource competence. Our employees are precious assets. Based on our human resources philosophy, "The foundation of the company is its people: improve individuals, and maximize skills and talents for the benefit of all." we are developing and placing personnel so that they can maximize their individual potential, while strengthening human resource competence and improving functional capabilities. Moreover, in order to increase functional capability it is necessary to create work environments that motivate employees and provide them with security and safety. We will continue to promote various initiatives in the future so that Sanyo will remain a company that values its employees.

Sanyo is aiming for the sustainable development of its business and society, by steadily executing a new medium-term management plan based on the support of our valued stakeholders. While living up to your expectations, we are carrying out reforms to become a leading provider of Environment- and Energy-related products. I look forward to your continued support in the future.

Seiichiro Sano
Executive Director and President