

## To Our Stakeholders

### Business Performance in the Fiscal Year Ended March 2008 (Fiscal 2008)

Under the 3-year Mid-term Management Plan from fiscal 2006, SANYO has carried out a group-wide structural transformation. As a result, for fiscal 2008, the final year of said plan, due to the steady growth of the digital camera and rechargeable battery businesses, consolidated net sales rose 7.2% from the previous year to ¥2,017.8 billion. As for income, with operating income up 78.7% from the previous year to ¥76.1 billion, net income before income tax and minority interests from continuing operations was ¥57.2 billion; and net income was ¥28.7 billion, both resulting in a successful return to profitability.

However, in spite of this, we regret that the decision has been made to continue to forgo a dividend payment for this year.

### Changing Strategy

In November 2007, to ensure steady growth as a global enterprise, SANYO formulated the mid-term business strategy "the Master Plan." In the formulation stage, we conducted a comprehensive review of all SANYO businesses to clarify the positioning of each business, and then made decisions, such as selling the mobile phone business to Kyocera Corporation and maintaining and developing the semiconductor business as one of SANYO's backbone businesses.

In the new 3-year Mid-term Management Plan from fiscal 2009, which is based on the Master Plan, SANYO will drastically change its strategy by shifting from "Business Reconstruction" to "Path to Growth" to establish a foundation for a highly profitable company. The following is an overview of the plan.

First, under the mid-term management goals called "Challenge 1000," we will make all continuing businesses profitable in three years (approximately 1,000 days). In addition, a consolidated operating income of ¥100 billion or more is the challenge goal for fiscal 2011 (¥90 billion is the must accomplish goal).

Second, we will carry out selection and concentration of capital investment. To establish the basis for growth, we will make a record-scale capital investment of approximately ¥360 billion over the next three years, focusing on the 3 component businesses: rechargeable battery business, photovoltaic (PV) system business, and electronic component business.

Further, in the rechargeable battery business, in May 2008, we reached an agreement with Volkswagen Group in Germany, including Audi, on co-development of a lithium-ion battery system for HEVs (Hybrid Electric Vehicles). Furthermore, in the PV system business, we will accelerate R&D of SANYO's proprietary "Next Generation Thin-film Silicon Solar Cell."

Third, we will increase the income-earning capacity of the Electric Appliance Businesses. In particular, to realize growth overseas, specific sales strategies will be clearly defined for the respective regions. At the same time, in Japan, as a new measure we are co-developing private brand products with AEON Co., Ltd. Thus, we are working to build new manufacturer-retailer relationships with a view to expanding globally in the future.

Fourth, we will strengthen the financial structure by emphasizing thorough cash flow management. Promoting management with a strong focus on cash-flow across the board will further strengthen our financial position.

During the next 3 years, we will implement appropriate dividend/capital policies and devise the best possible measures to further improve the corporate value of SANYO.

### Prospect for Fiscal 2009

For fiscal 2009, the first year of the new Mid-term Management Plan, due to an increase in depreciation costs related to up-front capital investment, etc., in addition to the effect of a worsening external environment, such as skyrocketing raw materials prices, rising crude oil prices, effect of foreign exchange rates, and global economic slowdown, estimated operating income is ¥50 billion. This is to be understood as a

temporary and planned operating income decline due to up-front capital investment in line with growth strategies. Under the circumstances, SANYO will strive to reinforce its business base by undertaking the following primary measures.

First, we will reform cost structure through group-wide cost reduction activities. Second, we will improve investment efficiency and intensify cash flow management. Third, we will strengthen market-in structure in the Electric Appliance Businesses, accurately identify market needs, and apply them to product development so as to secure added value.

Through steadily promoting these measures and achieving the business plans, we aim to restore our stakeholders' confidence and maximize corporate value as a "Company that Fulfills its Promises."

#### Advancing Toward 2020

SANYO has technologies and products capable of globally contributing to solving the global-scale environmental and energy problems. Outstanding examples of these are PV systems, rechargeable battery for HEVs, and the consumer nickel-metal hydride rechargeable battery "eneloop."

According to a proforma estimate by SANYO, these businesses will be capable of a total CO<sub>2</sub> reduction effect of approximately 20 million tons in 2020 and their business scale can potentially expand to up to ¥1 trillion. With environmental awareness growing worldwide, SANYO expects to globally demonstrate its ability to be a major contributor to the protection of the global environment.

Further, as internal goals, we will aim to achieve a "Carbon Neutral" status in 2010 in which CO<sub>2</sub> reduction through use of our environmentally-conscious products and CO<sub>2</sub> output from business activities become equal, and a "Carbon Minus" status in 2020 in which such reduction surpasses output. In this way, SANYO will be a unique company in the area of environmental contribution.

During the decade after fully accomplishing the new Mid-term Management Plan, SANYO will exert its comprehensive strength through integrating its energy-related/environmenten-



tal-purification technologies with its electronics technologies acquired through consumer electronics development. In this way, by 2020 we will transform into a "leading provider of Environment- and Energy-related products" indispensable to the world.

We ask all of our stakeholders for their continued understanding and support.

July 2008

A handwritten signature in black ink, appearing to read "Seiichiro Sano".

Seiichiro Sano,  
Executive Director & President