

## Corporate Governance

In order to build good relations with stakeholders and increase corporate value, SANYO is striving for sound company management that is more efficient and transparent, along with improved internal controls.

### Basic Approach to Corporate Governance

SANYO believes that the improvement of corporate governance is essential for putting its management philosophy into practice and increasing corporate value. Therefore it is strengthening its internal control system based on sound management systems, and is securing management transparency through suitable and timely information disclosure.

For SANYO, compliance is an important foundation for fulfilling its social responsibilities, and SANYO understands that thorough compliance is essential for the continuation of business activities. In addition to improving its own corporate governance, SANYO is actively promoting compliance management throughout the group. The SANYO Electric Group Principles of Conduct have been established as a policy that must be followed by all group executives and employees. It requires them to not only observe all relevant laws and in-house rules, but also to comply with a wide range of corporate ethics. A specific code of conduct has also been established in order to carry out the Principles of Conduct, and the group executives and employees have been made well aware of this code.

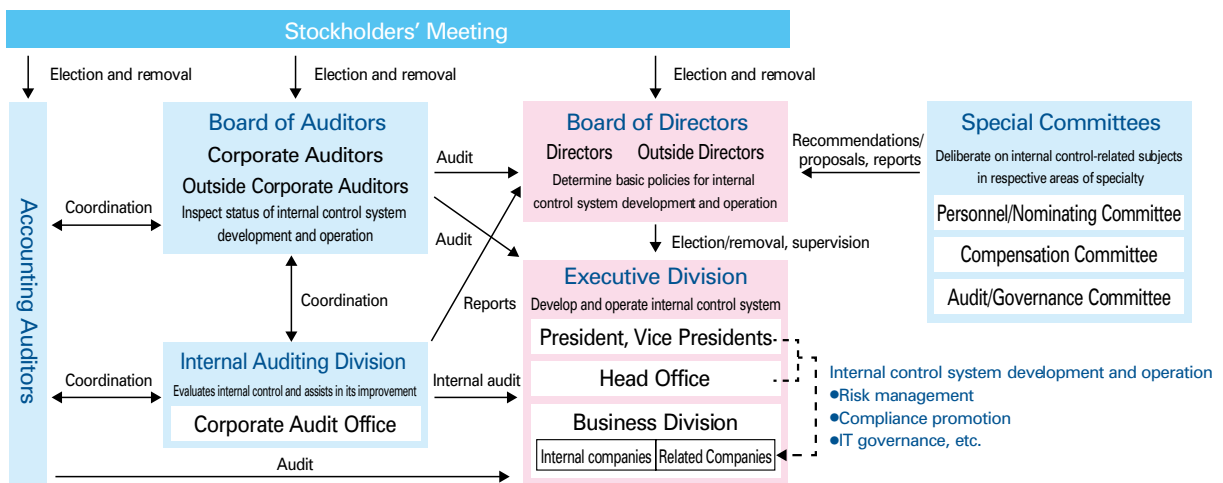
### Board Members and Board of Directors

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 members of the Board 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.

In fiscal 2008, Board of Directors' meetings were held 27 times, and the average attendance rate for outside directors was 87%. As of June 2008, the Board of Directors comprises nine directors, two of whom are outside directors. They were appointed by a resolution of the stockholders' meeting, and were nominated by preferred stockholders. The purpose was to have experts in the areas of investment, finance, and management strategy, participate in the Board of Directors.

Management System and Internal Control System



## ■ Corporate Auditors and Board of Auditors

Based on the Japanese Company Law, the Company has a Board of Auditors. The Corporate Auditors attend Board of Directors' meetings and other significant meetings, inspect important documents of decisions and receive reports from internal audit sections and other relevant departments. Through these activities, the Corporate Auditors stringently monitor the performance of the directors. The Corporate Auditors also inquire into the auditing policies and plans of the accounting auditors, and receive reports and explanations on the results of audits whenever they are performed, so as to ensure mutual coordination with the accounting auditors.

After problems requiring the amendment of previous financial statements, SANYO implemented regular financial investigation meetings attended by the accounting auditors, the Corporate Auditors, and the accounting department in order to share information while identifying and resolving any accounting issues.

In fiscal 2008, the Board of Auditors met 19 times, and the average attendance rate for outside auditors was 96%. As of June 2008, the Board of Auditors comprises six corporate auditors, three of whom are outside corporate auditors.

## ■ Special Committees

SANYO has three Special Committees: the Personnel/Nominating Committee, the Compensation Committee, and the Audit/Governance Committee. With the inclusion of members who are outside experts, these committees discuss specialized matters relating to internal control, make recommendations and prepare report for the Board of Directors. The main areas of deliberation for these committees are as follows.

Committee name	Main deliberation area
Personnel/ Nominating Committee	①Agenda items to be submitted to the General Meeting of Stockholders relating to director dismissal, selection of director candidates
	②Important agenda items relating to executive personnel and management execution
Compensation Committee	①Agenda items to be submitted to the General Meeting of Stockholders relating to the total amount of director compensation
	②Individual board member (and vice president) compensation (policy determination, calculation method, etc.)
Audit/Governance Committee	①Agenda items relating to internal control (especially group-wide internal control) and corporate governance
	②Agenda items relating to compliance hotline reports and internal audit results

## ■ Internal Control System

In order to improve and strengthen its internal controls, SANYO has established a position in charge of this area. It is observing the relevant laws relating to financial report reliability, as well as effectiveness and efficiency of business activities. In order to ascertain internal control activities in a unified way, in October 2007, the company established an Internal Control Office, and is promoting the implementation of an internal control system in an across the board manner. SANYO is also detecting and resolving any internal control deficiencies through internal audits by the internal audit sections.

Now that the Japanese Financial Instruments and Exchange Law has taken effect, SANYO is obligated to submit internal control reports as a listed company.

Specifically, SANYO must carry out self evaluations and internal audits regarding implementation conditions for its internal audit system in order to ensure the reliability of financial reports. The company must also prepare internal control reports, and submit auditor-prepared internal control reports along with financial statements. SANYO's Internal Control Office is mainly involved in the selection of internal control promotion staff in the Head Office, internal companies, and subsidiaries & affiliated companies. The office also identifies problems across the group, while promoting evaluation of internal control implementation and operation, progress management, training of staff, and other measures.

### ■ 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 in Japan and 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 the Head Office, each internal company and each headquarters 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 and consultations to employees are reported 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

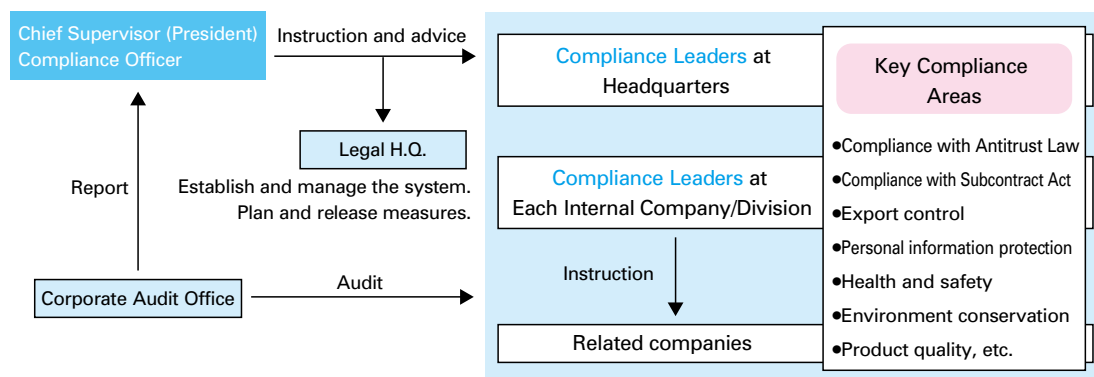
SANYO has designated key compliance areas that require group-wide commitment. These key areas include compliance with antitrust law, export control, personal information protection, product quality and health and safety. For each of these key areas we have developed internal rules, according to which management is exercised.

### ■ Dissemination of Code of Conduct and Ethics to All Employees

We have published the Code of Conduct and Ethics for the countries and regions where SANYO's subsidiaries and affiliated companies are located (15 languages), so as to disseminate the Code to the SANYO's executives and employees worldwide. In Japan, the Compliance Guidelines have been distributed internally in order to explain the Code and present compliance-related cases.

In order to deepen understanding of the Code of Conduct and Ethics among executives and employees, SANYO is continuing to implement compliance education programs for stratified training. In fiscal 2008, compliance training was carried out for the newly appointed Vice Presidents in the new management system taking effect in April 2008, and for the executives of SANYO's internal companies and headquarters. In fiscal 2009 and beyond, SANYO will place importance on compliance for the improvement and strengthening of its internal control system, while further reinforcing compliance on a global management level.

Compliance promotion system



## 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.

In addition to compliance promotion, the SANYO has placed importance on risk management for the improvement and strengthening of its internal control system. Integrated risk management is being implemented for the entire group including consolidated subsidiaries.

## Risk Management System

SANYO has designated one executive as Chief Supervisor, and has set up a group-wide risk management office that supports the Chief Supervisor, in order to conduct risk management throughout the Group. In fiscal 2008, we established a risk management system on a trial basis, in accordance with JISQ2001 (the Japan Industrial Standards guidelines for building risk management systems).

Specifically, each department is identifying, evaluating, responding to and minimizing risks, according to the SANYO Electric Group Risk Management Policy. The resulting information is gathered by the group-wide risk management office, and continual improvements are made. Past risk and response cases, such as large-scale disasters, health and safety accidents, and product quality problems, are put into a group database and shared on a special intranet site. This is done in order to realize rapid and effective risk response while preventing similar disasters or accidents.

## SANYO Electric Group Risk Management Policies

(Established May 2007)

1. Fundamental Objectives of Risk Management By appropriately responding to risks that may significantly impact business operations, we will mitigate damage to management resources and quickly recover from damage in the event of emergency, so as to enable early resumption of operations and thereby enhance our corporate value.
2. Risk Management Principles
  - (1) To ensure the safety and health of employees and the conservation of management resources
  - (2) Not to damage the safety, health or benefits of parties concerned
  - (3) To take speedy and appropriate measures for recovery if management resources are damaged
  - (4) To take responsible action in compliance with laws and regulations as well as social norms, if risk becomes apparent
  - (5) To improve the social valuation of the company through constant risk management activities
  - (6) To reflect social demand regarding risks in our risk management SANYO Electric Group Risk Management

## Risk Management System

