

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2009, 2008, 2007, 2006, and 2005

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2009	2008	2007	2006	2005	2009
For the year:						
Net sales	¥ 1,770,656	¥ 2,017,824	¥ 1,882,612	¥ 2,031,652	¥ 2,089,791	\$ 18,067,918
Operating income (loss) (Notes b and c)	8,276	76,141	42,605	(35,905)	4,850	84,449
Income (loss) before income taxes and minority interests from continuing operations (Note c)	(113,748)	57,228	(16,084)	(182,032)	(96,140)	(1,160,694)
Net income (loss) from continuing operations (Note c)	(122,158)	39,148	(45,029)	(207,375)	(179,260)	(1,246,510)
Net income (loss) from discontinued operations (Note c)	28,932	(10,448)	(333)	1,714	7,716	295,224
Net income (loss)	(93,226)	28,700	(45,362)	(205,661)	(171,544)	(951,286)
Capital expenditures	110,901	79,527	73,316	67,103	95,233	1,131,643
Depreciation and amortization	77,333	84,558	86,564	120,961	118,434	789,112
At the year-end:						
Total stockholders' equity	¥ 146,454	¥ 308,043	¥ 312,008	¥ 402,892	¥ 288,268	\$ 1,494,429
Total assets	1,345,403	1,683,837	1,970,940	2,154,837	2,600,677	13,728,602
Per share (Yen and U.S. dollars) (Notes c and d):						
Net income (loss) :						
Basic						
Net income (loss) from continuing operations	¥ (19.9)	¥ 6.4	¥ (72.6)	¥ (195.8)	¥ (96.6)	\$ (0.20)
Net income (loss) from discontinued operations	4.7	(1.7)	(0.1)	0.8	4.1	0.05
Net income (loss)	(15.2)	4.7	(72.7)	(195.0)	(92.5)	(0.15)
Diluted						
Net income (loss) from continuing operations	¥ (19.9)	¥ 6.4	¥ (72.6)	¥ (195.8)	¥ (96.6)	\$ (0.20)
Net income (loss) from discontinued operations	4.7	(1.7)	(0.1)	0.8	4.1	0.05
Net income (loss)	(15.2)	4.7	(72.7)	(195.0)	(92.5)	(0.15)
Cash dividends declared	—	—	—	—	3.0	—
Per American Depositary Share (Yen and U.S. dollars) (Notes c, d and e):						
Net income (loss)						
Basic						
Net income (loss) from continuing operations	¥ (99.5)	¥ 31.9	¥ (363.0)	¥ (979.0)	¥ (483.2)	\$ (1.01)
Net income (loss) from discontinued operations	23.6	(8.5)	(0.3)	4.2	20.8	0.24
Net income (loss)	(75.9)	23.4	(363.3)	(974.8)	(462.4)	(0.77)
Diluted						
Net income (loss) from continuing operations	¥ (99.5)	¥ 31.9	¥ (363.0)	¥ (979.0)	¥ (483.2)	\$ (1.01)
Net income (loss) from discontinued operations	23.6	(8.5)	(0.3)	4.2	20.8	0.24
Net income (loss)	(75.9)	23.4	(363.3)	(974.8)	(462.4)	(0.77)
Cash dividends declared	—	—	—	—	15.0	—
Weighted average number of shares (thousands) (Note d)	1,855,386	1,853,310	1,853,675	1,854,591	1,854,947	
Sales by product category :						
Consumer	¥ 678,708	¥ 756,690	¥ 676,876	¥ 781,391	¥ 833,321	\$ 6,925,592
Commercial	253,432	262,507	270,553	234,962	212,842	2,586,041
Component	804,930	953,290	875,114	911,750	946,433	8,213,571
Others	33,586	45,337	60,069	103,549	97,195	342,714
Net sales	¥ 1,770,656	¥ 2,017,824	¥ 1,882,612	¥ 2,031,652	¥ 2,089,791	\$ 18,067,918
Sales by area:						
Japan	¥ 670,777	¥ 742,528	¥ 782,012	¥ 975,597	¥ 1,034,825	\$ 6,844,663
Asia	608,469	713,325	641,455	603,714	591,877	6,208,867
North America	229,839	258,860	221,425	207,378	208,618	2,345,296
Europe	192,473	239,156	182,014	183,018	178,991	1,964,010
Others	69,098	63,955	55,706	61,945	75,480	705,082
Net sales	¥ 1,770,656	¥ 2,017,824	¥ 1,882,612	¥ 2,031,652	¥ 2,089,791	\$ 18,067,918
Other information:						
Price range of common stock						
(Tokyo Stock Exchange; Yen and U.S. dollars):						
High	¥ 297	¥ 241	¥ 324	¥ 363	¥ 545	\$ 3.03
Low	110	120	148	237	330	1.12
Number of employees (at the year-end)	86,016	99,875	94,906	106,389	96,023	

Notes : (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98 = US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009. See Note 3 of Notes to Consolidated Financial Statements.

(b) To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare SANYO's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges - for example, restructuring and impairment charges and abnormal product warranty costs - would be included in the determination of operating income (loss) in the consolidated statements of income.

(c) Due to a definitive agreement with Kyocera Corporation to sell its mobile phone business on January 21, 2008, SANYO shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to conform to the 2008 presentation. In addition, due to the sale of SANYO Electric Credit Co., Ltd. on December 27, 2005, SANYO shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to conform to the 2006 presentation.

(d) See Notes 2 and 22 of Notes to Consolidated Financial Statements.

(e) One American Depositary Share represents five shares of common stock.

Analysis of Major Factors Affecting Performance

1. OVERVIEW

During the fiscal year ended March 31, 2009 (fiscal 2009), the economic environment was generally steady during the first half of the year. However, the economic situation in the financial markets caused by the sub-prime loan crisis in the U.S. rippled through the economy, creating an unexpectedly rapid deceleration of the global economy, and now the world economy is showing signs of a global recession.

The electronics industry experienced extremely harsh conditions with a significant slump in sales during the second half of the year due to a reduction in corporate capital investments and a drastic decline in personal consumption. The difficult economic environment forced businesses to make massive production adjustments and implement further structural reforms.

Meanwhile, SANYO announced its new Mid-term Management Plan for the next three years, aiming to regain public trust and to establish the foundation for a highly profitable company, to become a leading company for energy and environment, and striving to strengthen its business base in terms of revenue and finance.

During fiscal 2009, the first year of the Mid-term Management Plan, SANYO implemented measures for profit growth over the next three years, such as up front investments in business areas with growth potential and for increasing cooperation with other companies.

- In the HEV (hybrid electric vehicle) lithium-ion battery business, SANYO entered into an agreement with Volkswagen Group of Germany to co-develop a next generation battery system. As well as addressing development and commercialization of a much more sophisticated system, a new commercial production line was completed and introduced. The implementation of these measures are expected to aid in future growth in the next fiscal period and beyond.

- In the photovoltaic systems business, to meet active demand, we have planned increases to production capacity by planning to build a new plant in Nishikinohama (Kaizuka City, Osaka, Japan), which is the solar cell production base of SANYO. We are also constructing a new plant for silicon ingots and wafers in Oregon, U.S.A. In addition, in January 2009, SANYO established a joint venture for the production of thin-film solar cells with Nippon Oil Corporation, which is a major energy company. Thin film solar cells market is expected to expand rapidly in the future, and the joint venture is aimed at realizing commercialization during

fiscal 2011.

- In the commercial business segment, to expand business globally and in China in particular, SANYO invested in Dalian Bingshan Group Co., Ltd., which is a major commercial equipment manufacturer in China, and became the largest stockholder.

To make functional improvements, cost structure reforms were promoted through group-wide cost reduction activities. SANYO aims to create a management structure less susceptible to the impact of harsh external conditions such as a surge in raw materials costs and the ongoing appreciation of the yen. In this context, global level actions were taken, including the implementation of measures to directly lead to current period earnings improvements and to review existing systems and structures concerned.

As for the electric appliance businesses, there has been a strengthening of the market due to strong sales of waterproof digital movie camera models in "Xacti" series. As well, there has been strong sales for integrated store management systems under "Eco Store Systems", label, which are capable of overall energy saving through the uniform management of in-store equipment such as display showcases and air conditioners. These positive changes have resulted from initiatives to create structures which facilitate product developments based on market needs and through appropriate marketing efforts.

Efforts to strengthen the management structure were made to enhance profitability. However, the management and market environments in which the Company operates rapidly deteriorated during the second half of the fiscal year, which resulted in an unexpectedly harsh impact on SANYO's earnings.

For fiscal 2009, sales increased in the first half of the fiscal year based on the strong demand for solar cells and lithium-ion batteries. However, due to the rapid decline of market conditions in the second half of the year, sales, primarily from semiconductors, electronic components, and digital cameras have decreased drastically. This resulted in consolidated net sales decreasing by 12.2% from the prior year to ¥1,770.7 billion (US\$18,068 million), while other operating revenue increased by 7.6% from the prior year to ¥70.5 billion (US\$720 million).

On the profit front, operating income* decreased to ¥8.3 billion (US\$84 million) due to a decrease in sales. The Company recorded an impairment loss on fixed assets related to the semiconductor business, which continues to experience a declining business environment. SANYO has

incurred increased expenses due to structural reforms to ensure profitability from the next period and going forward. Net income before income taxes and minority interests from continuing operations resulted in a loss of ¥113.7 billion (US\$1,161 million) and net income for fiscal 2009 resulted in a loss of ¥93.2 billion (US\$951 million) even through a gain was realized as a result of the sale of the mobile phone business.

Free cash flows drastically decreased from the previous year due to a downturn in business, resulting in a negative cash flows of ¥12.3 billion (US\$126 million).

(*) For consistency with financial reporting principles generally accepted in Japan, operating income (loss) is calculated as net sales and other operating revenue less cost of sales and selling, general and administrative expenses. SANYO is showing operating income (loss), making it convenient for investors to compare SANYO's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges such as, restructuring and impairment charges and abnormal product warranty costs are included in the consolidated statements of operations as part of operating income (loss).

2. NOTES IN THE FISCAL YEAR UNDER REVIEW

In December 2008, the Company and Panasonic Corporation entered into a Capital and Business Alliance Agreement on the premise that Panasonic Corporation will make the Company its subsidiary. This decision was made based on the judgment that in order for the Company to achieve strong growth as a "leading company for energy and environment" amid the increasingly fierce global competition, Panasonic Corporation will be an ideal partner and this alliance will create great synergy effects. Through collaboration and by utilizing the excellent know how and management resources of the two companies, the Company aims to maximize its corporate value to the benefit of all stakeholders.

Business Segments (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	2009								
	Billions of Yen								
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Impairment	Capital Expenditure	
External	Intersegment	Total							
Consumer.....	¥ 680.4	¥ 4.5	¥ 684.9	¥ (1.5)	¥ 347.0	¥ 16.0	¥ 2.4	¥ 12.1	
Commercial.....	252.9	2.7	255.6	5.3	169.2	5.1	0.8	4.9	
Component.....	806.3	8.4	814.7	32.8	644.8	51.1	54.0	91.9	
Others.....	101.6	2.3	103.9	(0.2)	100.6	2.0	0.1	0.5	
Sub-total.....	1,841.2	17.9	1,859.1	36.4	1,261.6	74.2	57.3	109.4	
Corporate and eliminations...	—	(17.9)	(17.9)	(28.1)	83.8	3.1	0.5	1.5	
Total.....	¥ 1,841.2	¥ —	¥ 1,841.2	¥ 8.3	¥ 1,345.4	¥ 77.3	¥ 57.8	¥ 110.9	
	Millions of U.S. Dollars								
Consumer.....	\$ 6,943	\$ 46	\$ 6,989	\$ (15)	\$ 3,541	\$ 163	\$ 25	\$ 123	
Commercial.....	2,580	28	2,608	54	1,726	52	8	50	
Component.....	8,227	86	8,313	334	6,580	522	551	938	
Others.....	1,037	23	1,060	(2)	1,026	20	1	5	
Sub-total.....	18,787	183	18,970	371	12,873	757	585	1,116	
Corporate and eliminations...	—	(183)	(183)	(287)	856	32	5	16	
Total.....	\$ 18,787	\$ —	\$ 18,787	\$ 84	\$ 13,729	\$ 789	\$ 590	\$ 1,132	

	2008								
	Billions of Yen								
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Impairment	Capital Expenditure	
External	Intersegment	Total							
Consumer.....	¥ 757.9	¥ 3.3	¥ 761.2	¥ 17.7	¥ 492.1	¥ 19.7	¥ 0.8	¥ 12.8	
Commercial.....	262.5	1.6	264.1	10.4	185.4	6.1	2.5	5.7	
Component.....	952.4	14.9	967.3	77.3	815.8	52.8	0.5	58.9	
Others.....	110.6	2.7	113.3	1.9	96.9	3.0	0.1	0.7	
Sub-total.....	2,083.4	22.5	2,105.9	107.3	1,590.2	81.6	3.9	78.1	
Corporate and eliminations...	—	(22.5)	(22.5)	(31.2)	93.6	3.0	0.9	1.4	
Total.....	¥ 2,083.4	¥ —	¥ 2,083.4	¥ 76.1	¥ 1,683.8	¥ 84.6	¥ 4.8	¥ 79.5	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98 = US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.

Geographic Segments (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	2009				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
External	Intersegment	Total			
Japan	¥ 1,002.2	¥ 426.5	¥ 1,428.7	¥ 4.8	¥ 871.7
Asia	437.2	437.8	875.0	20.8	347.8
North America	213.9	8.5	222.4	4.4	100.6
Others	187.9	8.5	196.4	1.3	75.9
Sub-total	1,841.2	881.3	2,722.5	31.3	1,396.0
Corporate and eliminations	—	(881.3)	(881.3)	(23.0)	(50.6)
Total	¥ 1,841.2	¥ —	¥ 1,841.2	¥ 8.3	¥ 1,345.4
	Millions of U.S. Dollars				
	External	Intersegment	Total	Operating Income	Assets
Japan	\$ 10,226	\$ 4,353	\$ 14,579	\$ 49	\$ 8,895
Asia	4,461	4,468	8,929	212	3,549
North America	2,183	86	2,269	45	1,027
Others	1,917	87	2,004	13	774
Sub-total	18,787	8,994	27,781	319	14,245
Corporate and eliminations	—	(8,994)	(8,994)	(235)	(516)
Total	\$ 18,787	\$ —	\$ 18,787	\$ 84	\$ 13,729

	2008				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
External	Intersegment	Total			
Japan	¥ 1,077.2	¥ 520.4	¥ 1,597.6	¥ 77.9	¥ 1,071.6
Asia	564.4	526.8	1,091.2	27.8	476.7
North America	240.8	8.1	248.9	4.5	124.8
Others	201.0	8.1	209.1	0.1	117.2
Sub-total	2,083.4	1,063.4	3,146.8	110.3	1,790.3
Corporate and eliminations	—	(1,063.4)	(1,063.4)	(34.2)	(106.5)
Total	¥ 2,083.4	¥ —	¥ 2,083.4	¥ 76.1	¥ 1,683.8

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98 = US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.

3. IMPACT OF EXCHANGE RATE FLUCTUATIONS

If the principal foreign currency denominated transactions were converted using the exchange rate applied for the previous fiscal year, net sales and operating revenue would decrease ¥79.2 billion (US\$808 million), while operating income would decrease by ¥0.5 billion (US\$5 million). These calculations are based on converting foreign-denominated accounts involving amounts in net sales, operating revenue, cost of sales, selling, general and administrative expenses converted at the average exchange rate on the Tokyo foreign exchange market for the previous fiscal year.

4. RESULTS OF OPERATIONS

Net Sales and Operating Revenue

Net sales for fiscal 2009 were down 12.2% from the previous year to ¥1,770.7 billion (US\$18,068 million), while other operating revenue increased 7.6% from the previous year to ¥70.5 billion (US\$720 million).

In the Consumer business segment, efforts were made to

expand sales of SANYO brand digital cameras and a water-proof digital movie camera "Xacti DMX-CA8" gained in popularity. However, the flagging market during the second half of the fiscal period, seriously affected the flagship OEM business, resulting in a decrease in sales. Shipping volume of SANYO brand TVs increased with expansion of flat-screen TVs in the North American market. However, due to the price declines throughout the market, sales slightly decreased overall. While we promoted the portable model series "GORILLA" and strengthened products for automakers, sales of car navigation systems remained unchanged compared to last year because of a decrease of auto sales. Due to a reduction in corporate demand, sales of office-use projectors decreased. Among white goods, washing machines, including the washer/dryer "AQUA," made good progress in sales. However, overall sales decreased due to a reduction in revenues from refrigerators and air conditioners. Nevertheless, as a result of being proactive, such as reviewing the domestic product lineup by prioritizing profitability, profit-earning capacity has steadily increased.

As a result, net sales in the Consumer business segment were down 10.3% from the previous year to ¥678.7 billion (US\$6,926 million).

In the Commercial business segment, sales of showcases showed steady growth in Asia, especially in China. In Japan, transport refrigerators for logistics services made strong progress. Meanwhile, sales of commercial air conditioners decreased both in Japan and overseas due to decreased capital investments caused by the economic downturn. In the medical systems business, sales increased due to a stronger demand for dispensing systems in preparation for the mandatory introduction of online medical fee billing and the steady growth of electronic medical chart systems primarily for new private practitioners. In the biomedical business area, strong progress was made domestically related to regenerative medicine and cellular therapy products. However, sales figures slightly decreased due to a reduction in overseas revenues. As a result, net sales in the Commercial business segment were down 3.5% from the previous year to ¥253.4 billion (US\$2,586 million).

In the Component business segment, despite the rapidly declining demand in major products market such as mobile phone market during the second half of the fiscal year, sales of lithium-ion batteries increased due to the effect of active demand during the first half of the fiscal year. However, sales of nickel-cadmium batteries and nickel-metal hydride batteries drastically dropped due to a decline in demand of final products, resulting in a decrease in overall sales of rechargeable batteries. The photovoltaic systems business was also affected by the economic slowdown. However, due to strong sales in Europe during the first half of the fiscal year, there was an overall increase in sales. Sales of semiconductors and electronic components drastically decreased due to the rapid fall in demand during the second half of the fiscal year and price declines of products in the electronic equipment markets; such as mobile phones, personal computers, and TVs. As a result, net sales in the Component business segment were down 15.6% from the previous year to ¥804.9 billion (US\$8,214 million). To ensure profitability from the next period onward, structural reforms with an emphasis on fixed cost reductions were implemented, primarily in the semiconductor business.

In the other business segment, the combined net sales were down 25.9% from the previous year to ¥33.6 billion (US\$343 million).

Within total consolidated net sales, domestic sales were down 9.7% from the previous year to ¥670.8 billion (US\$6,845 million), while overseas sales were down 13.8% from the previous year to ¥1,099.9 billion (US\$11,223 million). As a result, the

overseas sales ratio of consolidated net sales were down 1.1% from the previous year to 62.1%.

Cost of Sales, Selling, General and Administrative Expenses and Operating Income

Cost of sales for fiscal 2009 decreased ¥178 billion (US\$1,816 million) from the previous year to ¥1,520.6 billion (US\$15,516 million). The sales cost ratio was up 1.7% from the previous year to 85.9%, mainly due to decreased revenues.

Selling, general and administrative expenses increased ¥3.6 billion (US\$37 million) from the previous year to ¥312.3 billion (US\$3,187 million) due to the increase of price adjustments and royalties. The ratio of selling, general and administrative expenses to net sales increased 2.4% from the previous year to 17.6%.

As a result, due to an increase in selling, general and administrative expenses and a decrease in net sales, operating income decreased ¥67.9 billion (US\$693 million) from the previous year to ¥8.3 billion (US\$84 million).

Interest and dividend income, interest payment

For fiscal 2009, interest and dividend income amounted to ¥4.3 billion (US\$44 million), decreasing ¥4.4 billion (US\$45 million) from the previous year. While, interest payments amounted to ¥12.1 billion (US\$124 million), decreasing ¥4.3 billion (US\$44 million) from the previous year due to the reduction in debt and the repayment of corporate bonds.

Other Income (Expenses)

Net of other expenses amounted to ¥114.3 billion (US\$1,166 million), increasing ¥103.0 billion (US\$1,051 million) from the previous year. The increase is due to an impairment loss on fixed assets related to the semiconductor business and restructuring expenses related to business reorganization efforts to ensure future profitability.

Net Income

Loss before income taxes and minority interests from continuing operations was ¥113.7 billion (US\$1,161 million) for the year ended March 31, 2009 as compared with the previous fiscal year profit of ¥57.2 billion. Income taxes were ¥5.4 billion for the year ended March 31, 2009 as compared with the previous fiscal year taxes of ¥15.5 billion.

As a result, loss from continuing operations before minority interests amounted to ¥119.2 billion (US\$1,216 million) for the year ended March 31, 2009 as compared with the previous fiscal year profit of ¥41.8 billion. Net loss from continuing operations

after minority interests amounted to ¥122.2 billion (US\$1,247 million) as compared with the previous fiscal year profit of ¥39.1 billion. Adding net income from discontinued operations of ¥28.9 billion (US\$295 million) as compared with the previous fiscal year loss of ¥10.4 billion. Net loss for fiscal 2009 totaled ¥93.2 billion (US\$951 million) as compared with the previous fiscal year net income of ¥28.7 billion.

Net loss per share came to ¥15.2 (US\$0.15) for fiscal 2009 compared with a net income per share of ¥4.7 for the previous year.

Information on Capital Resources and Cash Flows

1. FINANCIAL STRATEGIES

SANYO procures funds for working capital and capital investment by borrowing and issuing corporate bonds. Working capital is financed through short-term borrowing with maturities of one year or less, while long-term funds for production facilities and equipments are procured by long-term loans, straight bonds, and preferred stock issues. In addition, the Company concentrated the financing of its separate subsidiaries into the parent company for the purpose of stable funding and effective funds management. As of March 31, 2009, short-term borrowing (including the current portion of long-term liabilities) was down ¥76.1 billion (US\$777 million) from the previous year, to ¥159.1 billion (US\$1,624 million), while corporate bond issues and long-term loans increased ¥34.2 billion (US\$349 million) to ¥305.3 billion (US\$3,115 million).

2. FINANCIAL POSITION

Assets

As a result of the consolidated business performance described above, total assets as of March 31, 2009 came to ¥1,345.4 billion (US\$13,729 million), down ¥338.4 billion (US\$3,453 million) from the previous year.

Total current assets decreased ¥264.2 billion (US\$2,696 million) to ¥829.7 billion (US\$8,467 million), due to a ¥227.4 billion (US\$2,320 million) decrease from the previous year in cash, notes and accounts receivable-trade, inventories, and assets held for-sale.

Investment and advances decreased ¥12.1 billion (US\$123 million) to ¥65.5 billion (US\$669 million) as a result of efforts to sell available-for sale securities.

Net property, plant and equipment declined ¥50.0 billion (US\$510 million) to ¥393.6 billion (US\$4,016 million), mainly due to an impairment loss on fixed assets.

Deferred income taxes non-current came to ¥11.0 billion

(US\$113 million), up ¥0.3 billion (US\$3 million) from the end of the previous year.

Other assets came to ¥45.5 billion (US\$464 million), down ¥12.5 billion (US\$128 million) from the end of the previous year.

Liabilities and Stockholders' Equity

Total liabilities as of March 31, 2009 were ¥1,173.8 billion (US\$11,978 million), a decline of ¥175.6 billion (US\$1,792 million) from the previous year. The major factors in this decline included a total decrease in the combined balance of notes and accounts payable-trade, and liabilities held for sale of ¥155.7 billion (US\$1,589 million) from the previous year. Total stockholders' equity decreased ¥161.6 billion (US\$1,649 million) to ¥146.5 billion (US\$1,494 million) mainly due to a ¥97.8 billion (US\$998 million) decrease in retained earnings, and a decrease of ¥65.0 billion (US\$663 million) in accumulated other comprehensive income. As a result, the stockholders' equity ratio decreased by 7.4% to 10.9% compared with the previous year.

3. CASH FLOWS

As of March 31, 2009, cash and cash equivalents amounted to ¥219.4 billion (US\$2,239 million), down ¥61.3 billion (US\$626 million) from the previous year, due to net loss and a decrease in interest-bearing debt.

Cash flows from operating activities decreased ¥96.6 billion (US\$986 million), mainly due to net loss of ¥93.2 billion (US\$951 million), resulting in net inflow of ¥10.2 billion (US\$104 million).

Net cash used for investing activities decreased ¥13.7 billion (US\$140 million), to ¥22.6 billion (US\$231 million), mainly due to proceeds from sale of business to Kyocera Corporation.

Consequently, free cash flows based on operating activities and investing activities decreased ¥82.9 billion (US\$846 million) from fiscal 2008, resulting in a net outflow of ¥12.3 billion (US\$126 million).

Net cash used in financing activities decreased ¥64.2 billion (US\$655 million), to ¥38.1 billion (US\$389 million), mainly due to a decrease in repayments of interest-bearing debt.

4. ACQUISITION OF TREASURY STOCK

During fiscal 2009, our consolidated subsidiary sold 2,945,000 shares in the market, the Company acquired 565,235 shares to cover odd-lot purchases of less than one trading unit. As a result, the total treasury stock held at the end of fiscal 2009 was 16,526,796 shares.

Consolidated Statements of Operations

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars(Note 3)
	2009	2008	2009
Revenues:			
Net sales (Note 7)	¥ 1,770,656	¥ 2,017,824	\$ 18,067,918
Other operating revenue	70,511	65,561	719,500
Interest and dividends	4,343	8,718	44,316
Other income (Note 23)	18,391	37,535	187,664
Total revenues	1,863,901	2,129,638	19,019,398
Costs and expenses (Note 21):			
Cost of sales (Note 7)	1,520,583	1,698,572	15,516,153
Selling, general and administrative	312,308	308,672	3,186,816
Interest	12,107	16,383	123,541
Other expenses (Note 23)	132,651	48,783	1,353,582
Total costs and expenses	1,977,649	2,072,410	20,180,092
Income (loss) before			
income taxes and minority interests from continuing operations	(113,748)	57,228	(1,160,694)
Provision for income taxes (Note 20):			
Current	12,357	11,324	126,092
Deferred	(6,939)	4,134	(70,806)
Income (loss) before minority interests from continuing operations	(119,166)	41,770	(1,215,980)
Minority interests	2,992	2,622	30,530
Net income (loss) from continuing operations	(122,158)	39,148	(1,246,510)
Discontinued operations (Note 4):			
Income (loss) before income taxes from discontinued operations	32,535	(9,919)	331,990
Provision for income taxes	3,603	529	36,766
Net income (loss) from discontinued operations	28,932	(10,448)	295,224
Net income (loss)	¥ (93,226)	¥ 28,700	\$ (951,286)
		Yen	U.S. Dollars(Note 3)
Per share (Yen and U.S. dollars) (Note 22):			
Net income (loss) :			
Basic			
Net income (loss) from continuing operations	¥ (19.9)	¥ 6.4	\$ (0.20)
Net income (loss) from discontinued operations	4.7	(1.7)	0.05
Net income (loss)	(15.2)	4.7	(0.15)
Diluted			
Net income (loss) from continuing operations	(19.9)	6.4	(0.20)
Net income (loss) from discontinued operations	4.7	(1.7)	0.05
Net income (loss)	(15.2)	4.7	(0.15)
Per American Depositary Share (Yen and U.S. dollars) :			
Net income (loss) :			
Basic			
Net income (loss) from continuing operations	¥ (99.5)	¥ 31.9	\$ (1.01)
Net income (loss) from discontinued operations	23.6	(8.5)	0.24
Net income (loss)	(75.9)	23.4	(0.77)
Diluted			
Net income (loss) from continuing operations	(99.5)	31.9	(1.01)
Net income (loss) from discontinued operations	23.6	(8.5)	0.24
Net income (loss)	(75.9)	23.4	(0.77)
Weighted average number of common shares outstanding (thousands) (Note 22)	1,855,386	1,853,310	

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2009 and 2008

Assets	Millions of Yen		Thousands of U.S. Dollars(Note 3)
	2009	2008	2009
Current assets:			
Cash and cash equivalents:			
Cash	¥ 155,205	¥ 204,237	\$ 1,583,724
Time deposits	64,188	76,469	654,980
	<u>219,393</u>	<u>280,706</u>	<u>2,238,704</u>
Securities (Note 8, 9 and 16)	9	2,188	92
Notes and accounts receivable:			
Trade (Note 5)	284,806	374,576	2,906,184
Affiliates (Note 7)	25,247	33,756	257,622
Allowance for doubtful accounts (Note 7)	(7,508)	(7,954)	(76,612)
Inventories (Note 6)	254,474	286,165	2,596,673
Deferred income taxes (Note 20)	6,220	6,687	63,469
Assets held for sale (Note 4)	—	56,908	—
Prepaid expenses and other (Note 9)	47,104	60,887	480,654
Total current assets	<u>829,745</u>	<u>1,093,919</u>	<u>8,466,786</u>
Investments and advances:			
Affiliates (Note 7)	40,180	46,877	410,000
Securities and other investments(Note 8, 9 and 16)	25,339	30,736	258,561
Total investments and advances	<u>65,519</u>	<u>77,613</u>	<u>668,561</u>
Property, plant and equipment (Notes 10 and 12):			
Buildings	364,816	382,416	3,722,612
Machinery and equipment	729,161	778,019	7,440,419
	<u>1,093,977</u>	<u>1,160,435</u>	<u>11,163,031</u>
Accumulated depreciation	(814,344)	(819,036)	(8,309,633)
	<u>279,633</u>	<u>341,399</u>	<u>2,853,398</u>
Land	87,277	90,663	890,582
Construction in progress	26,703	11,554	272,479
Net property, plant and equipment	<u>393,613</u>	<u>443,616</u>	<u>4,016,459</u>
Deferred income taxes (Note 20)	11,032	10,686	112,571
Other assets (Note 11)	45,494	58,003	464,225
Total assets	<u>¥ 1,345,403</u>	<u>¥ 1,683,837</u>	<u>\$ 13,728,602</u>

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Current liabilities:			
Short-term borrowings (Note 12)	¥ 57,195	¥ 166,570	\$ 583,622
Current portion of long-term debt (Note 12)	101,924	68,647	1,040,041
Notes and accounts payable:			
Trade	243,761	359,008	2,487,357
Affiliates	5,058	4,896	51,612
Construction	48,288	24,694	492,735
Accrued liabilities	125,783	148,274	1,283,500
Accrued income taxes	5,723	7,016	58,398
Liabilities held for sale (Note 4)	—	40,449	—
Other liabilities (Note 9, 13 and 20)	44,248	43,775	451,510
Total current liabilities	631,980	863,329	6,448,775
Long-term debt (Notes 12 and 16)	305,272	271,120	3,115,020
Accrued pension and severance costs (Note 13)	222,305	199,597	2,268,418
Deferred income taxes (Note 20)	6,824	8,961	69,633
Other non-current liabilities	7,418	6,393	75,694
Total liabilities	1,173,799	1,349,400	11,977,540
Minority interests in subsidiaries	25,150	26,394	256,633
Commitments and contingent liabilities (Note 15)			
Stockholders' equity:			
Common stock	172,242	172,242	1,757,572
Authorized (March 31, 2009 & 2008) : 7,060,300,000 shares			
Issued (March 31, 2009 & 2008) : 1,872,338,099 shares			
Preferred stock (Note 19)	150,000	150,000	1,530,612
Authorized (March 31, 2009)			
Class A : 182,600,000 shares			
Class B : 246,100,000 shares			
(March 31, 2008)			
Class A : 182,600,000 shares			
Class B : 246,100,000 shares			
Issued (March 31, 2009)			
Class A : 182,542,200 shares			
Class B : 246,029,300 shares			
(March 31, 2008)			
Class A : 182,542,200 shares			
Class B : 246,029,300 shares			
Additional paid-in capital	322,242	322,242	3,288,184
Accumulated deficit	(702,409)	(604,626)	(7,167,439)
Accumulated other comprehensive loss	(248,811)	(183,828)	(2,538,888)
Less, treasury stock at cost:	(6,519)	(7,696)	(66,520)
2009-16,526,796 shares			
2008-19,230,255 shares			
Total stockholders' equity	146,454	308,043	1,494,429
Total liabilities and stockholders' equity	¥ 1,345,403	¥ 1,683,837	\$ 13,728,602

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	Millions of Yen, except share data											
	Common Stock		Preferred Stock (Note 19)		Additional Paid-in Capital	Accumulated (deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss)				Treasury Stock	Total Comprehensive Loss
	Number of Shares (Thousands)	Amount	Number of Shares (Thousands)	Amount			Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Pension Liability Adjustments	Total		
Balance, March 31, 2007	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥ (633,315)	¥ 16,592	¥ (39,647)	¥ (128,119)	¥ (151,174)	¥ (7,696)	
Comprehensive loss :												
Net income						28,700						¥ 28,700
Other comprehensive income (loss):												
Net unrealized losses on securities (net of tax of ¥2,189 million) (Note 8)							(2,468)			(2,468)		(2,468)
Reclassification adjustments for net losses on securities realized in net income (net of tax of ¥1,780 million) ...							(10,499)			(10,499)		(10,499)
Foreign currency translation adjustments								(16,627)		(16,627)		(16,627)
Pension liability adjustments (net of tax of ¥40 million) (Note 13)									(3,060)	(3,060)		(3,060)
Total												¥ (3,954)
Purchase of treasury stock (442 thousand shares)												(79)
Sale of treasury stock and other (48 thousand shares)												79
Loss on disposal of treasury stock						(11)						
Balance, March 31, 2008	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥ (604,626)	¥ 3,625	¥ (56,274)	¥ (131,179)	¥ (183,828)	¥ (7,696)	

Millions of Yen, except share data												
	Common stock		Preferred Stock (Note 19)		Additional Paid-in Capital	Accumulated (deficit) retained earnings	Accumulated Other Comprehensive Income (Loss)				Treasury Stock	Total Comprehensive Loss
	Number of shares (Thousands)	Amount	Number of shares (Thousands)	Amount			Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Pension Liability Adjustments	Total		
Balance, March 31, 2008	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥ (604,626)	¥ 3,625	¥ (56,274)	¥ (131,179)	¥ (183,828)	¥ (7,696)	
Comprehensive loss:												
Net loss						(93,226)						¥ (93,226)
Other comprehensive income (loss):												
Net unrealized losses on securities (net of tax of ¥1,758 million) (Note 8)							(4,310)			(4,310)		(4,310)
Reclassification adjustments for net losses on securities realized in net income (net of tax of ¥139 million)							203			203		203
Amount for the term of Foreign currency translation adjustments (net of tax of ¥2,147 million)								(33,391)		(33,391)		(33,391)
Gain due to sale or liquidation of overseas subsidiaries								1,395		1,395		1,395
Pension liability adjustments (net of tax of ¥1,418 million) (Note 13)									(21,376)	(21,376)		(21,376)
Total												¥ (150,705)
Effects of changing pension plan measurement date pursuant to SFAS No.158 (net of tax of ¥63 million)						(4,095)			(7,504)	(7,504)		
Purchase of treasury stock (565 thousand shares)											(104)	
Sale of treasury stock and other (3,269 thousand shares)											1,281	
Loss on disposal of treasury stock						(462)						
Balance, March 31, 2009	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥ (702,409)	¥ (482)	¥ (88,270)	¥ (160,059)	¥ (248,811)	¥ (6,519)	
Thousands of U.S. Dollars (Note 3)												
Balance, March 31, 2008	1,872,338	\$ 1,757,572	428,572	\$ 1,530,612	\$ 7,979,092	\$ (6,169,653)	\$ 36,990	\$ (574,225)	\$ (1,338,561)	\$ (1,875,796)	\$ (78,531)	
Comprehensive loss:												
Net loss						(951,286)						\$ (951,286)
Other comprehensive income (loss):												
Net unrealized losses on securities (net of tax of \$18 million) (Note 8)							(43,980)			(43,980)		(43,980)
Reclassification adjustments for net losses on securities realized in net income (net of tax of \$1 million)							2,071			2,071		2,071
Amount for the term of Foreign currency translation adjustments (net of tax of \$22 million)								(340,724)		(340,724)		(340,724)
Gain due to sale or liquidation of overseas subsidiaries								14,235		14,235		14,235
Pension liability adjustments (net of tax of \$14 million) (Note 13)									(218,122)	(218,122)		(218,122)
Total												\$ (1,537,806)
Effect of changing pension plan measurement date pursuant to SFAS No.158 (net of tax of \$1 million)						(41,786)			(76,572)	(76,572)		
Purchase of treasury stock (565 thousand shares)											(1,061)	
Sale of treasury stock and other (3,269 thousand shares)											13,072	
Loss on disposal of treasury stock						(4,714)						
Balance, March 31, 2009	1,872,338	\$ 1,757,572	428,572	\$ 1,530,612	\$ 7,979,092	\$ (7,167,439)	\$ (4,919)	\$ (900,714)	\$ (1,633,255)	\$ (2,538,888)	\$ (66,520)	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Cash flows from operating activities:			
Net income (loss)	¥ (93,226)	¥ 28,700	\$ (951,286)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	77,333	90,808	789,112
Gain on sale of marketable securities and investment securities	(429)	(14,692)	(4,378)
Impairment loss on marketable securities and investment securities	593	100	6,051
(Gain) loss on disposal of fixed assets	(235)	1,849	(2,398)
Impairment loss on fixed assets	57,775	8,171	589,541
Provision for deferred income taxes	(3,336)	4,354	(34,041)
Equity in losses of affiliates	(1,837)	(3,230)	(18,745)
Change in assets and liabilities			
Decrease in notes and accounts receivable	78,413	34,634	800,133
Decrease in inventories	16,396	15,988	167,306
Decrease in prepaid expenses and other	28,659	292	292,439
Increase in other assets	(11,458)	(9,846)	(116,918)
Decrease in notes and accounts payable	(100,546)	(8,640)	(1,025,980)
Decrease in accrued income taxes	(891)	(1,199)	(9,092)
Decrease in accrued liabilities and other liabilities	(24,973)	(40,354)	(254,827)
Other, net	(12,005)	(100)	(122,499)
Total adjustments	103,459	78,135	1,055,704
Net cash provided by operating activities	10,233	106,835	104,418
Cash flows from investing activities:			
Purchase of available-for-sale securities	(63)	(1,708)	(643)
Purchase of held-to-maturity securities	(7,553)	(1,000)	(77,071)
Proceeds from sale of available-for-sale securities (Note 8)	1,082	39,858	11,041
Proceeds from redemption of held-to-maturity securities	10,063	801	102,684
Proceeds from sale of property, plant and equipment	8,057	9,071	82,214
Payments for purchase of property, plant and equipment	(80,689)	(79,259)	(823,357)
Decrease (increase) in time deposits	12,050	(2,020)	122,959
Payments for acquisition of subsidiaries	(903)	(253)	(9,214)
Proceeds from sale of subsidiaries	547	4,296	5,582
Proceeds from sale of business (Note 4)	43,596	—	444,857
Other, net	(8,757)	(6,051)	(89,358)
Net cash used in investing activities	(22,570)	(36,265)	(230,306)
Cash flows from financing activities:			
Decrease in short-term borrowings	(100,087)	(44,250)	(1,021,296)
Proceeds from issuance of long-term debt	140,610	2,886	1,434,796
Withdrawal from restricted cash	—	88,000	—
Repayments of long-term debt	(78,485)	(149,435)	(800,867)
Dividends paid	(1,213)	(749)	(12,378)
Sales (purchases) of treasury stock, net	679	(70)	6,929
Proceeds from minority stockholders on the issuance of new shares in a subsidiary	378	1,312	3,857
Net cash used in financing activities	(38,118)	(102,306)	(388,959)
Effect of exchange rate changes on cash and cash equivalents	(10,858)	(11,739)	(110,796)
Cash and cash equivalents included in assets held for sale (Note 4)	—	(10,505)	—
Net decrease in cash and cash equivalents	(61,313)	(53,980)	(625,643)
Cash and cash equivalents at beginning of year	280,706	334,686	2,864,347
Cash and cash equivalents at end of year	¥ 219,393	¥ 280,706	\$ 2,238,704

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SANYO Electric Co., Ltd. and Subsidiaries

1 NATURE OF OPERATIONS

SANYO Electric Co., Ltd. and its subsidiaries (hereinafter collectively referred to as "SANYO") are engaged in development, manufacture and sales of electric products in the various locations around the world. SANYO operates in four business segments: "Consumer," "Commercial," "Component," and "Others." Fiscal 2009 net sales and other operating revenue comprised Consumer (37%), Commercial (14%), Component

(44%), and Others (5%). The principal markets are in Japan, Asia, North America and Others, with sales and other operating revenue in each area representing 53% , 32% , 8% and 7%, respectively, for the year ended March 31, 2009. SANYO has manufacturing facilities located in more than 10 countries, principally in the Asian region, such as in Japan and China, as well as in North America and in Europe.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The accounting records of the Company and its domestic subsidiaries are maintained in accordance with accounting practices prevailing in Japan, its foreign subsidiaries in accordance with accounting practices prevailing in their respective domicile. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts and sales returns; the valuation of derivatives, deferred tax assets, fixed assets, inventory, investments, notes receivable and share-based compensation; and reserves for employee benefit obligations, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all subsidiaries. Investments in 20% to 50% held companies are carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

In accordance with the Financial Accounting Standards

Board (FASB) Interpretation No.46 (R), Consolidation of Variable Interest Entities (FIN 46R), the Company also consolidates any variable interest entities (VIE's) of which it is the primary beneficiary, as defined. When the Company does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments, including time deposits, purchased with original maturities of three months or less, are considered to be cash equivalents.

Investments in Debt and Equity Securities

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. Available-for-sale securities are reduced to net realizable value by a charge to earnings when there are other than temporary declines in fair value. For the purpose of computing realized gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Foreign currency assets and liabilities are translated at year end exchange rates and resulting exchange gains and losses are recognized in earnings currently. Assets and liabilities of foreign subsidiaries and affiliates accounted for on an equity basis are translated into yen at year end rates. Revenues and expenses are translated at the average rate of exchange prevailing for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen and

are reported in accumulated other comprehensive income.

Allowances for Doubtful Accounts

SANYO maintains allowances for doubtful accounts for estimated losses inherent in its accounts receivable. SANYO's estimates of losses are based on various factors including the length of past due payments, historical experience and current business environments. In circumstances where it is aware of specific customers' inability to meet its financial obligations, a specific allowance against these amounts is provided considering the fair value of assets pledged by the customers as collateral.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for raw materials.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant improvements and additions, are stated at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in income. Depreciation is principally computed using the declining balance method and are based on the asset's useful lives as follows:

Buildings5 to 50 years
Machinery and equipment2 to 20 years

Maintenance and repairs, including minor replacements and improvements, are charged to income as incurred.

Goodwill and Other Intangible Assets

Goodwill arising from business acquisition and intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually, and whenever events or changes in circumstances indicate the possibility of impairment. The fair value of these assets is generally estimated using a discounted cash flows analysis. Intangible assets with definite useful lives are amortized on a straight line basis over their estimated useful lives, being mainly 5 years.

Impairment of Long-Lived Assets

SANYO applies Statement of Financial Accounting Standards ("SFAS") No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets". In accordance with SFAS No.144,

SANYO's long-lived assets and amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined that an impairment loss has occurred, a loss calculated as the difference between the carrying amount and the fair value is recognized in the period.

Advertising Costs

Advertising costs are expensed as incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Provision for Product Warranty Costs

Provision for product warranty costs is established based on actual results at the time the revenue is recognized. This provision for product warranty is provided for specific periods of time and usage of the product depending on the nature of the products, the geographic location of its sale and other relevant factors. SANYO recognizes provision for product warranty costs based on historical experience of actual warranty costs.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted. Beginning with the adoption of FASB Interpretation No.48, "Accounting for Uncertainty in Income Taxes (FIN 48)" as of April 1, 2007, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of FIN 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. Interest and penalties related to income taxes are included in provision for income taxes in the consolidated statements of operations.

Derivatives

SANYO utilizes derivatives to manage the risk of changes in for-

foreign currency exchange rates and interest rates. The derivatives SANYO utilizes are mainly foreign currency exchange contracts, interest rate swaps, foreign currency swaps and foreign currency options. As a matter of policy, SANYO does not enter into derivative contract for trading or speculative purposes. SANYO applies SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SANYO recognizes principally all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair value. The change in the fair value of a derivative that does not qualify for hedge accounting is recognized in earnings in the period of the change. If the derivatives are designated and qualify as cash flow hedges, changes in fair value are first recorded in other comprehensive income or loss, and then reclassified into earnings in the periods during which the hedged item affects earnings. SANYO formally documents hedging risk management objectives and strategies and relationships between the hedging instruments and the hedged items.

Stock-Based Compensation

SFAS No.123 (revised 2004) "Accounting for Stock-Based Compensation" ("SFAS 123(R)") requires recognition of the cost of employee services in exchange for the award of equity instruments (including stock options) based on the grant-date fair value of the award, with limited exceptions. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common stock outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of stock options. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 22.

Revenue Recognition

SANYO recognizes revenue when delivery has occurred, title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable, persuasive evidence of an arrangement exists,

and the collectability of the resulting receivable is reasonably assured.

The Company accounts for sales incentives as a reduction of revenue, in accordance with Emerging Issues Task Force ("EITF") Issue No.01-9, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products".

Taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statements of operations.

Reclassifications

Certain reclassifications of comparative period have been made to the consolidated financial statements for the years ended March 31, 2008 to conform with the current year presentation.

Discontinued Operations

Throughout the notes to consolidated financial statements, the amounts of discontinued operations related to consolidated statements of operations have been excluded from past years, unless indicated otherwise.

Recently Adopted Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.157 "Fair Value Measurements," which has been adopted by SANYO, in the first quarter beginning on April 1, 2008. Adoption of SFAS No.157 has no material impact on SANYO's consolidated results of operations and financial position. FASB Staff Position ("FSP") FAS 157-2, "Effective Date of FASB Statement No. 157," delays the effective date of SFAS 157 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

In September 2006, FASB issued SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No.87, 88, 106, and 132(R)." SANYO has adopted the measurement date provisions effective April 1, 2008. Due to this adoption, in the consolidated balance sheet as of the beginning of fiscal 2009, the accumulated deficit increased by ¥4,095 million (US\$ 41,786 thousand) and the pension liability adjustments included in the accumulated other comprehensive income (loss) decreased by ¥7,504 million (US\$ 76,571 thousand).

In February 2007, FASB issued SFAS No.159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No.115," which SANYO

has adopted in the first quarter beginning on April 1, 2008. Adoption of SFAS No.159 has no material impact on SANYO's consolidated results of operations and financial position.

In March 2008, FASB issued SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities, An amendment of FASB Statement No.133", which SANYO has adopted in the fourth quarter beginning on January 1, 2009. SFAS No.161 requires to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities" and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position and results of operations. Adoption of SFAS No.161 has no material impact on SANYO's consolidated results of operations and financial position as it is disclosure only in nature.

New Accounting Pronouncements

In December 2007, the FASB issued FASB Statement No.141(R), "Business Combinations" ("SFAS 141(R)") and FASB Statement No.160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No.51" ("SFAS 160"). SFAS 141(R) and 160 require most identifiable assets, liabilities,

noncontrolling interests, and goodwill acquired in a business combination to be recorded at "full fair value" and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity. This changes the accounting for transactions with noncontrolling interest holders. Both Statements are effective for periods beginning on or after November 15, 2008, and is required to be adopted by SANYO in the first quarter beginning April 1, 2009. SFAS 141(R) will be applied to business combinations occurring after the effective date. SFAS160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. SANYO is currently evaluating the effect of adoption of SFAS 141(R) and SFAS 160 on its consolidated results of operations and financial position.

In December 2008, the FASB issued "FSP" FAS No.132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132(R)-1"). FSP 132(R)-1 requires additional disclosures about plan assets including investment allocation, fair value of major categories of plan assets, development of fair value measurements, and concentrations of risk. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009 and is required to be adopted by SANYO in the year ending March 31, 2010. SANYO is currently evaluating the impact of the FSP 132(R) on its disclosures about plan assets.

3 UNITED STATES DOLLAR AMOUNTS

The U.S. dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2009 represent the arithmetical results of translating yen to dollars on the basis of ¥98 = US\$1, the approximate exchange rate at March 31, 2009.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥98 = US\$1 or at any other rate.

4 DISCONTINUED OPERATIONS

To accelerate emphasis and concentration of investments based on the group-wide strategies, on January 21, 2008 SANYO entered into a definitive agreement with Kyocera Corporation to sell its mobile phone business. The sale of the business unit to Kyocera Corporation was completed by way of a spin-off on April 1, 2008. The consideration for the sale of the business was ¥43,671 million (US\$445,622 thousand), and the gain from the sale of the business was ¥33,695 million (US\$343,827 thousand).

In accordance with SFAS No.144, operating results of its mo-

bile phone business are presented separately as discontinued operations in the consolidated statements of operations. The cash flows attributable to the discontinued operations are not presented separately from the cash flows attributable to the continuing operations in the consolidated statements of cash flows. In addition, gain from the sale of the business is included in ¥43,596 million (US\$444,857 thousand) of proceeds from sale of business in the consolidated statements of cash flows.

A summary of selected financial data for the discontinued operations for the year ended March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Total revenues	¥ 6,095	¥ 213,818	\$ 62,194
Costs and expenses	6,166	224,141	62,918
Income (loss) before income taxes from discontinued operations	32,535	(9,919)	331,990
Provision for income taxes from discontinued operations	3,603	529	36,766
Net income (loss) from discontinued operations	28,932	(10,448)	295,224

A summary of assets held for sale and liabilities held for sale at March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Assets held for sale			
Cash and cash equivalents	¥ —	¥ 10,505	\$ —
Notes and accounts receivable	—	15,695	—
Inventories	—	12,716	—
Property, plant and equipment	—	11,466	—
Others	—	6,526	—
Total	¥ —	¥ 56,908	\$ —
Liabilities held for sale			
Notes and accounts payable	¥ —	¥ 23,250	\$ —
Accrued liabilities	—	12,984	—
Others	—	4,215	—
Total	¥ —	¥ 40,449	\$ —

5 SECURITIZATION OF TRADE RECEIVABLE

For the financial years ended March 31, 2009 and 2008, SANYO sold trade receivables mainly to a trust bank which securitized these receivables.

In these securitizations, SANYO retained certain servicing responsibilities. No servicing asset or liability has been recorded because the estimated cost of servicing the receivables approximate market servicing fees.

In addition, SANYO retained subordinated interests which

amounted to ¥3,026 million (US\$30,878 thousand) and ¥2,794 million as of March 31, 2009 and 2008, respectively. During the years ended March 31, 2009 and 2008, proceeds from the sale of trade receivables were ¥139,472 million (US\$1,423,184 thousand) and ¥91,472 million, respectively, and losses recognized from the sale of trade receivables were ¥323 million (US\$3,296 thousand) and ¥188 million, respectively.

6 INVENTORIES

Inventories at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products	¥ 141,041	¥ 148,337	\$ 1,439,193
Work in process	39,125	49,363	399,235
Raw materials	74,308	88,465	758,245
Total	¥ 254,474	¥ 286,165	\$ 2,596,673

7 INVESTMENTS AND ADVANCES

Summarized financial information for affiliates accounted for under the equity method are as follows:

At March 31, 2009, the principal affiliates are NTT DATA SANYO SYSTEM CORPORATION, SANYO ELECTRIC (TAIWAN) Co., Ltd and Dalian Bingshan Group Co., Ltd. in which the Company has a 50.0%, 46.6%, and 30.0% equity interest, respectively.

During fiscal 2009, the Company acquired 30% of equity interest

in Dalian Bingshan Group Co., Ltd by investing ¥3,557 million (US\$36,296 thousand).

The carrying value of the investment in affiliates exceeded ¥2,448 million (US\$24,980 thousand) of SANYO's equity in the underlying net assets by ¥1,109 million (US\$11,316 thousand).

The excess is attributed primarily to the goodwill.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
At March 31, 2009 and 2008			
Current assets	¥ 144,856	¥ 210,128	\$ 1,478,123
Noncurrent assets	66,802	77,988	681,653
Total assets	211,658	288,116	2,159,776
Current liabilities	101,137	145,026	1,032,010
Noncurrent liabilities	13,537	19,384	138,133
Total liabilities	114,674	164,410	1,170,143
Net assets	¥ 96,984	¥ 123,706	\$ 989,633
Company's equity in net assets	38,706	46,060	394,959
Investments in affiliates	¥ 39,818	¥ 46,094	\$ 406,306
Advances to affiliates	1,508	1,403	15,388
Allowance for doubtful accounts in affiliates	(480)	(620)	(4,898)

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Years ended March 31, 2009 and 2008			
Results of operations:			
Net sales	¥ 326,227	¥ 409,621	\$ 3,328,847
Net income	4,703	3,666	47,990
Equity in affiliates:			
Net income	¥ 1,837	¥ 3,017	\$ 18,745
Cash dividends	1,794	1,990	18,306
Transactions with affiliates:			
Sales to	¥ 110,453	¥ 122,411	\$ 1,127,071
Purchases from	38,864	41,180	396,571
Number of affiliated companies at March 31			
In Japan	25	30	
Outside Japan (Note a)	29	30	
Total	54	60	

Note:(a) Number of affiliated companies at March 31,2008, includes an affiliate which was discontinued (refer Note 4)

The aggregate carrying amount and market value of investments in affiliates for which a quoted market price is available as at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Carrying amount	¥ 9,202	¥ 11,947	\$ 93,898
Market value	25,865	32,611	263,929

8 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in securities (current assets) and securities and other investments (non-current assets) at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen							
	2009				2008			
	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Equity securities	¥ 11,443	¥ 10,961	¥ 658	¥ 1,140	¥ 14,170	¥ 19,023	¥ 6,102	¥ 1,249
	<u>11,443</u>	<u>10,961</u>	<u>658</u>	<u>1,140</u>	<u>14,170</u>	<u>19,023</u>	<u>6,102</u>	<u>1,249</u>
Held-to-maturity:								
Debt securities	2,423	1,989	—	434	5,656	5,492	9	173
	<u>2,423</u>	<u>1,989</u>	<u>—</u>	<u>434</u>	<u>5,656</u>	<u>5,492</u>	<u>9</u>	<u>173</u>
Total investments in debt and equity securities	<u>¥ 13,866</u>	<u>¥ 12,950</u>	<u>¥ 658</u>	<u>¥ 1,574</u>	<u>¥ 19,826</u>	<u>¥ 24,515</u>	<u>¥ 6,111</u>	<u>¥ 1,422</u>

	Thousands of U.S. Dollars			
	2009			
	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Equity securities	\$ 116,766	\$ 111,847	\$ 6,713	\$ 11,632
	<u>116,766</u>	<u>111,847</u>	<u>6,713</u>	<u>11,632</u>
Held-to-maturity:				
Debt securities	24,725	20,296	—	4,429
	<u>24,725</u>	<u>20,296</u>	<u>—</u>	<u>4,429</u>
Total investments in debt and equity securities	<u>\$ 141,491</u>	<u>\$ 132,143</u>	<u>\$ 6,713</u>	<u>\$ 16,061</u>

Contractual maturities of investments in debt securities classified as held-to-maturity securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥ —	¥ —	¥ 2,004	¥ 2,004	\$ —	\$ —
Due after 1 year through 5 years	50	50	50	50	510	510
Due after 5 years	2,373	1,939	3,602	3,438	24,215	19,786
	<u>¥ 2,423</u>	<u>¥ 1,989</u>	<u>¥ 5,656</u>	<u>¥ 5,492</u>	<u>\$ 24,725</u>	<u>\$ 20,296</u>

Proceeds from the sale of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥1,082 million (US\$11,041 thousand) and ¥39,858 million, respectively. The gross realized gains on those sales was ¥4 million (US\$41

thousand) for the year ended March 31, 2009. The gross realized gains and losses on those sales were ¥12,649 million and ¥82 million, respectively, for the year ended March 31, 2008.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2009 are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:								
Equity securities	¥ 3,384	¥ 1,140	¥ —	¥ —	\$ 34,530	\$ 11,632	\$ —	\$ —
	<u>3,384</u>	<u>1,140</u>	<u>—</u>	<u>—</u>	<u>34,530</u>	<u>11,632</u>	<u>—</u>	<u>—</u>
Held-to-maturity:								
Debt securities	479	21	1,387	413	4,888	215	14,153	4,214
	<u>479</u>	<u>21</u>	<u>1,387</u>	<u>413</u>	<u>4,888</u>	<u>215</u>	<u>14,153</u>	<u>4,214</u>
Total investments in debt and equity securities	¥ 3,863	¥1,161	¥ 1,387	¥ 413	\$ 39,418	\$ 11,847	\$ 14,153	\$ 4,214

When fair value remains continuously below the acquisition cost over a certain period of time and recovery in relatively short period of time is not expected, the impairment in fair value is judged as other than temporary and an impairment loss is recognized to have occurred. However, for held-to-maturity securities, other factors are examined, such as whether the Company has both the will and ability to hold the securities over a period long enough so that recovery of fair value can be expected.

For fiscal 2008, SANYO recorded ¥474 million (US\$4,837 thousand) as impairment loss.

As of March 31, 2009, the table above includes 37 securi-

ties that are available-for-sale and 3 securities that have been designated as held-to-maturity for which unrealized losses were recorded. The management concluded that the gross unrealized losses are not considered other-than-temporary impaired.

The aggregate cost of non-marketable equity securities accounted for using the cost method totaled ¥6,365 million (US\$64,949 thousand) and ¥3,982 million at March 31, 2009 and 2008, respectively. The company estimated that the fair value exceeded the carrying amounts of non-marketable equity securities.

9 FAIR VALUE MEASUREMENTS

According to SFAS No. 157, fair value is defined as either the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No.157 establishes a 3-level fair value hierarchy as shown below based on the quality of inputs used to measure fair value in terms of the degree of objectivity applied.

Level 1 ... Level 1 inputs are unadjusted quoted market prices in active markets for identical assets and liabilities

Level 2 ... Level 2 inputs include:

- 1) quoted prices for similar assets or liabilities in active markets
- 2) quoted prices for identical or similar assets or liabilities in markets that are not active
- 3) inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 ... Level 3 inputs are unobservable inputs used to measure fair value of assets and liabilities

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 are as follows:

	Level1	Level2	Level3	total	Level1	Level2	Level3	total
	Amount (Millions of Yen)				Amount(Thousands of U.S. Dollars)			
Assets:								
Investment securities.....	10,860	101	—	10,961	110,816	1,031	—	111,847
Derivatives.....	—	364	—	364	—	3,714	—	3,714
Total assets:	10,860	465	—	11,325	110,816	4,745	—	115,561
Liabilities:								
Derivatives.....	—	1,178	—	1,178	—	12,020	—	12,020
Total liabilities:	—	1,178	—	1,178	—	12,020	—	12,020

Investment securities

Level 1 inputs include marketable securities which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 inputs include investment trust funds which are valued using inputs other than quoted market prices that are observable. Fair values are evaluated according to market values based on observable market data provided by financial institutions.

Derivatives

Derivatives include foreign exchange forward contracts and interest-rate swap agreements. These are categorized as Level 2 inputs because the fair values derived using quotes from brokers which are periodically validated by pricing mod-

els using observable market inputs, such as foreign currency exchange rates and interest rates.

Assets and liabilities measured at fair value on a nonrecurring basis

The held-to-maturity security with a carrying amount of ¥200 million (US\$2,041 thousand) was written down to its fair value of ¥73 million (US\$745 thousand), resulting in other-than-temporary impairment charge of ¥127 million (US\$1,296 thousand) at March 31, 2009. This impaired held-to-maturity security was classified as Level 2, as the fair value was not directly observable but evaluated according to market values based on observable market data provided by financial institutions.

10 LEASES

SANYO has capital and operating leases for certain machinery and equipment, land, and office space. At March 31, 2009 and 2008, the gross amount of machinery and equipment, land and office space recorded under capital leases amounted to ¥33,488 million (US\$341,710 thousand) and ¥35,511 million, respectively and the related accumulated depreciation was

¥23,116 million (US\$235,875 thousand) and ¥24,605 million, respectively. Rental expenses associated with operating leases amounted to ¥2,063 million (US\$21,051 thousand) and ¥2,702 million for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments under capital leases and non-cancelable operating leases at March 31, 2009 are as follows:

Years ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2010	¥ 5,173	¥ 2,116	\$ 52,786	\$ 21,592
2011	4,537	1,388	46,296	14,163
2012	3,165	1,125	32,296	11,480
2013	2,384	906	24,327	9,245
2014	1,745	409	17,806	4,173
2015 and thereafter	2,005	13	20,458	133
Total minimum lease payments	¥ 19,009	¥ 5,957	193,969	\$ 60,786
Less amount representing interest	967		9,867	
Present value of net minimum lease payments	18,042		184,102	
Less current portion	4,803		49,010	
Long-term capital lease obligations	¥ 13,239		\$ 135,092	

11 GOODWILL AND INTANGIBLE ASSETS

Movements in the carrying amount of goodwill for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Balance at beginning of year	¥ 2,641	¥ 2,641	\$ 26,949
Impairment loss	2,641	—	26,949
Balance at end of year	¥ —	¥ 2,641	\$ —

The Company recognized an impairment loss of ¥2,641 million (US\$26,949 thousand) during fiscal 2009 related to goodwill of a subsidiary in the Component business segment. This impairment is due to a decrease in market demand as a result of the global economic slowdown, resulting in the carrying amount of goodwill to exceed the implied fair value of that

goodwill. The implied fair value was determined by using the estimated present value of future cash flows.

Intangible assets not subject to amortization mainly consist of leasehold land and telephone rights, with carrying amounts of ¥1,924 million (US\$19,633 thousand), and ¥2,015 million as of March 31, 2009 and 2008, respectively.

Intangible assets, subject to amortization at March 31, 2009 and 2008 are as follows:

	Millions of Yen			
	2009		2008	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Software	¥ 15,772	¥ 7,801	¥ 22,120	¥ 8,660
Other	6,917	3,805	5,226	3,227
Total	¥ 22,689	¥ 11,606	¥ 27,346	¥ 11,887

	Thousands of U.S. Dollars	
	2009	2008
	Gross Carrying Amounts	Accumulated Amortization
Software	\$ 160,939	\$ 79,602
Other	70,582	38,827
Total	\$ 231,521	\$ 118,429

Estimated weighted average useful lives of software used for computing depreciation is 5 years.

Amortization expenses for the years ended March 31, 2009 and 2008 were ¥4,621 million (US\$47,153 thousand) and ¥6,082 million, respectively. Estimated amortization expense

for the next five years ending March 31 are ¥3,081 million in 2010, ¥2,137 million in 2011, ¥1,311 million in 2012, ¥741 million in 2013, and ¥332 million in 2014, respectively.

12 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, include bank overdrafts and trade acceptances payable of foreign subsidiaries. The amount of unused lines of credit was

approximately ¥427,000 million (US\$4,357,143 thousand) and ¥524,000 million at March 31, 2009 and 2008, respectively.

Short-term borrowings at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Short-term bank loans with weighted average interest rate of 2.68% and 2.63% at March 31, 2009 and March 31, 2008, respectively	¥ 57,195	¥ 166,570	\$ 583,622
	¥ 57,195	¥ 166,570	\$ 583,622

Long-term debt at March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans, principally from banks and insurance companies with interest rates ranging from 0.40% to 11.25% due 2009 to 2015 at March 31, 2009 and interest rates ranging from 0.40% to 9.50% due to 2008 to 2015 at March 31, 2008, respectively:			
Collateralized (Note a)	¥ 2,555	¥ 160	\$ 26,071
Uncollateralized (Note b)	246,599	160,546	2,516,317
Uncollateralized bonds (Note c):			
3.35% bonds due May 2009	30,000	30,000	306,122
2.325% bonds due June 2008	—	20,000	—
1.25% bonds due May 2009	20,000	20,000	204,082
0.53% bonds due June 2010	20,000	20,000	204,082
0.82% bonds due June 2013	10,000	10,000	102,041
1.52% bonds due August 2011	30,000	30,000	306,122
2.02% bonds due August 2014	30,000	30,000	306,122
1.04% bonds issued by a subsidiary due October 2008	—	2,000	—
1.14% bonds issued by a subsidiary due March 2009	—	300	—
Capital lease obligations	18,042	16,761	184,102
Subtotal	407,196	339,767	4,155,061
Less: amount due within one year	101,924	68,647	1,040,041
Total	¥ 305,272	¥ 271,120	\$ 3,115,020

Note: (a) These loans belonging to the subsidiary are collateralized against property, plant and equipment of the company with a book value of ¥6,342 million (US\$64,714 thousand) and ¥1,184 million at March 31, 2009 and 2008, respectively.

(b) Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors.

(c) The Company and certain subsidiaries may not pledge their property or assets against any future borrowings without granting the same or equivalent collateral to the bondholders.

The aggregate annual maturities of long-term debt at March 31, 2009 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 144,125	\$ 1,470,663
2012	99,887	1,019,255
2013	11,795	120,357
2014	18,127	184,969
2015 and thereafter	31,338	319,776
Total	¥ 305,272	\$ 3,115,020

Financial covenants

Under the Company's syndicated loan agreement, which the outstanding loan balance amounted to ¥205,027 million (US\$2,092,112 thousand) at March 31, 2009, the Company commits to maintain at least a BBB⁻ rating for long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd." If the commitment is violated, the Company must repay the loan on the request of the major creditors.

Under the Company's loan commitment agreement, which the balance available amounted to ¥60,000 million (US\$ 612,245 thousand) with no outstanding loan balance at March 31, 2009, the Company commits to maintain at least a BBB⁻ rating for long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd." If the commitment is violated, the Company must repay the loan on the request of major creditors and the obligation of all creditors to provide loans to the Company is exempted.

13 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum payments or an annuity determined by reference to current basic rates of pay, retirement benefits points, length of service and conditions under which the terminations occur.

Retirement benefits for their directors of the Company and its principal subsidiaries recognized as the accrued pension balance amounted to ¥230 million (US\$ 2,347 thousand) and ¥215 million in the fiscal years ended March 31, 2009 and 2008, respectively.

Certain subsidiaries in the U.S. have adopted defined contribution pension plans in order to provide retirement benefits

while certain overseas subsidiaries have adopted defined benefit pension plans. The combined projected benefit obligations are ¥5,655 million (US\$57,704 thousand) and ¥7,234 million, accrued pension costs are ¥2,446 million (US\$24,959 thousand) and ¥1,741 million, and its plan assets are ¥3,209 million (US\$32,745 thousand) and ¥5,493 million in the fiscal years ended March 31, 2009 and 2008, respectively.

For the fiscal year ended March 31, 2008, the Company and certain of its subsidiaries modified a part of the existing defined benefit pension plan to a defined contribution pension plan to deal with the diversification of employees' personal retirement plans. As a result of this change, the retirement benefit obligation decreased by ¥10,309 million.

Severance and pension costs including discontinued operations of the Company and its principal domestic subsidiaries include the following components for the years ended March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 10,085	¥ 12,996	\$ 102,908
Interest cost	7,692	8,896	78,490
Expected return on plan assets	(6,315)	(7,789)	(64,439)
Amortization:			
Prior service benefit	(2,413)	(1,844)	(24,622)
Actuarial losses	9,688	7,754	98,857
Net periodic benefit cost	¥ 18,737	¥ 20,013	\$ 191,194

Assumptions of the Company and its principal domestic subsidiaries used in determining the net periodic benefit cost for the years ended March 31, 2009 and 2008 are as follows:

	2009	2008
Discount rate	2.0-2.5%	2.0-3.0%
Long-term rate of salary increase	2.6%	2.5%
Long-term rate of return on plan assets	2.0-3.3%	1.0-4.7%

The long-term rate of return on plan assets is based on the projected and actual return on each pension fund.

The following table sets forth the changes in projected benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	¥ 408,908	¥ 430,570	\$ 4,172,531
Effects of changing pension plan measurement date pursuant to FASB Statement No.158	7,167	—	73,133
Service cost	10,085	12,996	102,908
Interest cost	7,692	8,896	78,490
Plan participants' contributions	24	383	245
Actuarial gains	(13,436)	(7,440)	(137,103)
Benefits paid	(27,497)	(26,188)	(280,582)
Prior service benefit resulted from plan amendment	—	(10,309)	—
Decrease due to sale of mobile business unit	(7,061)	—	(72,051)
Projected benefit obligation at end of year	<u>385,882</u>	<u>408,908</u>	<u>3,937,571</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	202,347	217,593	2,064,765
Effects of changing pension plan measurement date pursuant to FASB Statement No.158	(4,514)	—	(46,061)
Actual return on plan assets	(36,229)	(18,400)	(369,684)
Employer contributions	19,738	21,891	201,408
Plan participants' contributions	24	383	245
Benefits paid	(16,506)	(19,120)	(168,428)
Decrease due to sale of mobile business unit	(3,140)	—	(32,041)
Fair value of plan assets at end of year	<u>161,720</u>	<u>202,347</u>	<u>1,650,204</u>
Funded status:			
Projected benefit obligation in excess of plan assets	224,162	206,561	2,287,367
Net amount recognized	<u>¥ 224,162</u>	<u>¥ 206,561</u>	<u>\$ 2,287,367</u>

The measurement dates of the projected benefit obligation and fund assets as of March 31, 2009 and 2008 are March 31, 2009 and December 31, 2007, respectively.

The accumulated benefit obligations of the Company and its principal domestic subsidiaries at March 31, 2009 and 2008

are ¥336,440 million (US\$3,433,061 thousand) and ¥355,205 million, respectively. There is no pension plan in which the fair value of plan assets exceeds the accumulated benefit obligation.

Assumptions of the Company and its principal domestic subsidiaries used in determining the benefit obligations as of March 31, 2009 and 2008 are as follows:

	2009	2008
Discount rate	1.9-2.5%	2.0-2.5%
Long-term rate of salary increase	2.4%	2.6%

Amounts of the Company and its principal domestic subsidiaries recognized in the consolidated balance sheets at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Liabilities held for sale	¥ —	¥ 3,421	\$ —
Other liabilities	4,533	5,499	46,255
Accrued pension and severance costs	219,629	197,641	2,241,112
Net amount recognized	<u>¥ 224,162</u>	<u>¥ 206,561</u>	<u>\$ 2,287,367</u>

The estimated prior service benefit and actuarial loss of the Company and its principal domestic subsidiaries for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Prior service benefit	¥	(3,098)	\$	(31,612)
Actuarial loss	¥	11,251	\$	114,806

The estimated contribution amount to plan assets by the Company and its principal domestic subsidiaries for the year ending March 31, 2010 is ¥20,466 million (US\$208,837 thousand).

Future benefit payments of the Company and its principal domestic subsidiaries are expected as follows:

Years ending March 31	Millions of Yen		Thousands of U.S. Dollars	
2010	¥	21,190	\$	216,224
2011		22,936		234,041
2012		23,436		239,143
2013		20,646		210,673
2014		20,316		207,306
2015 - 2019		103,008		1,051,102

As of March 31, 2009 and 2008, the Company and its principal domestic subsidiaries' plan assets consist of the following components:

	2009	2008
Equity securities	34 %	41 %
Debt securities	17 %	15 %
General accounts of life insurance company	21 %	16 %
Others	28 %	28 %
Total	100 %	100 %

SANYO's investment policy for plan assets is designed to secure sufficient plan assets to provide future payments of pension benefit to beneficiaries.

Plan assets are employed by taking into consideration the long-term rate of return, based on the most suitable combination of basic portfolio, i.e., equity securities or debt

securities.

The basic portfolio is determined by the medium-long term point of view. If amendment is needed to achieve the long-term rate of return, SANYO re-examines the basic portfolio as necessary.

Amount of prior service benefit and actuarial loss of the Company and its principal subsidiaries recognized in stockholders' equity for the fiscal year ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
Prior service benefit	¥ 33,229	¥ 36,297	\$ 339,071	
Actuarial loss	(195,141)	(167,828)	(1,991,234)	
Pension Liability Adjustments included in accumulated other comprehensive income, gross of tax	(161,912)	(131,531)	(1,652,163)	
Impact of tax and minority interest	1,853	352	18,908	
Pension Liability Adjustments included in accumulated other comprehensive income, net of tax	¥ (160,059)	¥ (131,179)	\$ (1,633,255)	

Amounts change in plan assets and benefit obligations of the Company and its principal subsidiaries recognized in stockholders' equity at March 31, 2009 are as follows:

	Millions of Yen		
	2009		
	Gross of tax amount	Tax impact	Net of tax amount
Amortization of prior service benefit	¥ (2,413)	¥ 8	¥ (2,405)
Actuarial loss	(30,051)	1,440	(28,611)
Amortization of actuarial loss	9,670	(30)	9,640
Total	¥ (22,794)	¥ 1,418	¥ (21,376)

	Thousands of U.S. dollars		
	2009		
	Gross of tax amount	Tax impact	Net of tax amount
Amortization of prior service benefit	\$ (24,622)	\$ 82	\$ (24,540)
Actuarial loss	(306,643)	14,694	(291,949)
Amortization of actuarial loss	98,673	(306)	98,367
Total	\$ (232,592)	\$ 14,470	\$ (218,122)

Amounts change in plan assets and benefit obligations of the Company and its principal subsidiaries recognized in stockholders' equity at March 31, 2008 are as follows:

	Millions of Yen		
	2008		
	Gross of tax amount	Tax impact	Net of tax amount
Prior service benefit resulted from plan amendment	¥ 10,309	¥ (35)	¥ 10,274
Amortization of prior service benefit	(1,844)	5	(1,839)
Actuarial loss	(19,319)	89	(19,230)
Amortization of actuarial loss	7,754	(19)	7,735
Total	¥ (3,100)	¥ 40	¥ (3,060)

14 STOCK OPTION PLANS

The Company has a stock option plan to provide for grants of options to purchase shares of common stock for all its directors, corporate auditors, vice presidents, and certain key

employees. The options granted vest over two years and are exercisable over a maximum of two years after vesting.

A summary of stock option plan activity for the years ended March 31, 2009 and 2008 is as follows:

	Number of Options (shares)	Weighted Average Exercise Price	
		Yen	U.S. Dollars
Options outstanding at March 31, 2007	5,503,000	466	
Granted	—	—	
Exercised	—	—	
Canceled	—	—	
Expired	(2,409,000)	481	
Options outstanding at March 31, 2008	3,094,000	455	
Granted	—	—	—
Exercised	—	—	—
Canceled	—	—	—
Expired	(3,094,000)	455	4.64
Options outstanding at March 31, 2009	—	¥ —	\$ —
Options exercisable :			
At March 31, 2008	3,094,000	455	4.64
At March 31, 2009	—	—	—

15 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2009 for the purchase of property, plant and equipment amounted to ¥9,564 million (US\$97,592 thousand).

In the Component business segment, the Company entered into purchase agreements, in which it has committed to purchase certain materials until 2020. In accordance with contractual agreements, commitments outstanding at March 31, 2009 amounted to ¥237,221 million (US\$2,420,622 thousand).

Contingent liabilities at March 31, 2009 for discounted notes

The movements in the provision for warranty costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Balance at beginning of year	¥ 6,772	¥ 7,867	\$ 69,102
Provision for the warranty costs added during the period	2,450	6,762	25,000
Warranty paid during the period	(4,623)	(7,491)	(47,173)
Adjustment	(468)	(366)	(4,776)
Balance at end of year	¥ 4,131	¥ 6,772	\$ 42,153

SANYO is a defendant in several lawsuits. In the opinion of management, these lawsuits will not materially affect SANYO's operating results, financial position or cash flows.

16 FINANCIAL INSTRUMENTS

SANYO used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade and short-term borrowings, current portion of long-term debt and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is based on quoted market prices. (Note 8)

(c) Investments and advances

The fair value of certain investments is based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value cannot be made without incurring excessive costs. (Note 8)

(d) Long-term debt (Excluding current portion of long-term debt)

The fair value of long-term debt is estimated based on the present value of future cash flows using quoted market price of same or similar debt securities.

issued in the ordinary course of business and other guaranteed loans amounted to ¥4,241 million (US\$43,276 thousand) and ¥12,751 million (US\$130,112 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

SANYO guarantees the quality and performance of its products and services for a certain period.

(e) Foreign currency exchange forward contracts and currency options

The fair value of foreign currency exchange forward contracts and currency options is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on the present value of future cash flows using a market rate of the quoted market prices for the same or similar issues.

SANYO does not hold or issue any financial instruments for trading or speculative purposes.

Although SANYO may be exposed to losses in the event of nonperformance by counterparties or in interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2009 and 2008 are as follows:

Debit (Credit)

	Millions of Yen					
	2009			2008		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
Long-term debt	¥ —	¥ (305,272)	¥ (311,040)	¥ —	¥ (271,120)	¥ (276,714)
Foreign currency forward contracts-selling	49,690	(1,092)	(1,092)	72,688	2,861	2,861
Foreign currency forward contracts-buying	7,471	233	233	15,012	(467)	(467)
Currency option contracts-selling	79	(1)	(1)	—	—	—
Currency option contracts-buying	171	10	10	—	—	—
Interest rate and currency swap	36,004	36	36	14,647	24	24

	Thousands of U.S. Dollars		
	2009		
	Notional Amount	Carrying Amount	Fair Value
Long-term debt	\$ —	\$ (3,115,020)	\$ (3,173,878)
Foreign currency forward contracts-selling	507,041	(11,143)	(11,143)
Foreign currency forward contracts-buying	76,235	2,378	2,378
Currency option contracts-selling	806	(10)	(10)
Currency option contracts-buying	1,745	102	102
Interest rate and currency swap	367,388	367	367

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies.

Considerable judgment is required in certain instances to develop estimates of fair value. Accordingly, the estimates

presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

17 DERIVATIVES

Risk management policy

SANYO operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. SANYO's activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates. Derivatives are held in accordance with the formally documented risk management program. SANYO utilizes certain derivatives to manage its foreign currency and interest risk exposure, including those related to forecasted transactions.

Foreign currency exchange risk management

The Company and certain subsidiaries maintain a foreign currency exchange risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign currency forward contracts, foreign currency swaps and foreign currency options are not designated, and do not qualify as hedges since they do not meet the requirements for hedge accounting. Changes in the

fair value of these contracts and the foreign currency translation gains or loss arising from assets and liabilities denominated in foreign currencies are reported as a component of other income and expense in the consolidated statements of operations. At March 31, 2009, the total notional amounts of the SANYO's foreign currency forward contracts and foreign currency options were ¥57,161 million (US\$583,276 thousand) and ¥250 million (US\$2,551 thousand), respectively.

Interest rate risk management

The Company and certain subsidiaries maintain an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. SANYO's goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible. At March 31, 2009, the total notional amount of the SANYO's interest rate swaps was ¥36,004 million (US\$367,388 thousand).

Fair value hedges

The Company and certain subsidiaries use interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, SANYO agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

Fair value and changes in fair value of the interest rate swaps that were designated and qualified as a fair value hedge were not material and accordingly they were not recorded in the financial statement for the fiscal year ended March 31, 2009.

Cash flow hedges

The Company and certain subsidiaries have entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

Fair value and changes in fair value of the interest rate swaps that were designated and qualified as a cash flow hedge were not material and accordingly they were not recorded in the financial statement for the fiscal year ended March 31, 2009.

The following tables provide a quantitative summary of the derivative instrument related risk management activity as of and for the three months ended March 31, 2009.

Fair Values of Derivative Instruments as of March 31, 2009 are as follows:

	Millions of Yen			
	2009		2009	
	Asset Derivatives		Liability Derivatives	
	Consolidated Balance Sheet Location	Fair Value	Consolidated Balance Sheet Location	Fair Value
Derivatives Not Designated as Hedging Instruments				
Interest rate contracts	Other assets	¥ 36	Other liabilities	¥ —
Foreign exchange contracts	Other assets	539	Other liabilities	1,389
Total		<u>¥ 575</u>		<u>¥ 1,389</u>
	Thousands of U.S. Dollars			
	2009		2009	
	Asset Derivatives		Liability Derivatives	
	Consolidated Balance Sheet Location	Fair Value	Consolidated Balance Sheet Location	Fair Value
	Derivatives Not Designated as Hedging Instruments			
Interest rate contracts	Other assets	\$ 367	Other liabilities	\$ —
Foreign exchange contracts	Other assets	5,500	Other liabilities	14,173
Total		<u>\$ 5,867</u>		<u>\$ 14,173</u>

The Effect of Derivative Instruments on the Consolidated Statement of Operations for the three months ended March 31, 2009 is as follows:

	Millions of Yen	
	Three months ended March 31, 2009	
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Derivatives Not Designated as Hedging Instruments		
Interest rate contracts	Other income	¥ 4
Foreign exchange contracts	Other expense	(1,540)
Total		¥ (1,536)
	Thousands of U.S. Dollars	
	Three months ended March 31, 2009	
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Derivatives Not Designated as Hedging Instruments		
Interest rate contracts	Other income	\$ 41
Foreign exchange contracts	Other expense	(15,714)
Total		\$ (15,673)

Additional information regarding derivative Instruments can be referenced in Note 9, Fair Value Measurements and Note 16, Financial Instruments of the Notes to Consolidated Financial Statements.

18 STOCKHOLDERS' EQUITY

The Japanese Company Law (the "Law") provides that an amount equal to 10% of appropriations be appropriated as a capital reserve or legal reserve until the aggregated amount of capital reserve and legal reserves equal to 25% of stated capital. The capital reserve and legal reserves are restricted from being used as dividends. The amount available for dividends under the Law is based on the amount recorded in the Company's non-consolidated financial statements prepared

in accordance with accounting principles generally accepted in Japan.

The Law requires the approval of stockholders' meeting for transferring an amount between common stock and capital reserve. Common stock and capital reserve also are available for being transferred to other capital surplus or being used to reduce a deficit mainly upon an approval of stockholders' meeting.

19 PREFERRED STOCK

On January 25, 2006, the Company completed a stock subscription agreement with Daiwa Securities SMBC Principal Investments Co., Ltd., Goldman Sachs Group and Sumitomo Mitsui Banking Corporation for the purpose of further accelerating and driving forward the structural reforms and executing the capital investment necessary for a growth strategy centered on future core businesses.

At the extraordinary stockholders' meeting held on February 24, 2006, the issuance of 182,600,000 shares of Series 1 Class A Preferred Stock and of 246,100,000 shares of Series 1 Class B Preferred Stock was approved. On March 14, 2006, the Company issued 182,542,200 shares of Series 1 Class A Preferred Stock and 246,029,300 shares of Series 1 Class B Preferred Stock at an issue price of ¥700 each. The total issue amount was ¥127,780 million for the Class A shares and ¥172,220 million for the Class B shares.

The terms of the preferred stock are as follows:

Series 1 Class A Preferred Stock

- 1) A share of the Series 1 Class A Preferred Stock (issue price being ¥700) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from March 14, 2007 to March 13, 2026. Therefore, each share of the Series 1 Class A Preferred Stock may be converted into ten shares of common stock.
- 2) The dividends and interim dividends for the Series 1 Class A Preferred Stock shall be paid in the same priority as dividends to common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the paragraph above.
- 3) In the case of the distribution of residual assets, for each share of the Series 1 Class A Preferred Stock, ¥700 shall be paid to the stockholders of the Series 1 Class A Preferred Stock in preference to the common stockholders.
- 4) The Series 1 Class A Preferred Stock shall have voting rights at a Stockholders' Meetings.
- 5) The number of shares of the Series 1 Class A Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

Series 1 Class B Preferred Stock

- 1) A share of the Series 1 Class B Preferred Stock (issue price being ¥700) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from the day immediately after the Payment Date to March 13, 2026. Therefore, each share of the Series 1 Class B Preferred Stock may be converted into ten shares of common stock.
- 2) The dividends and interim dividends for the Series 1 Class B Preferred Stock shall be paid in the same priority as dividends to common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the paragraph above.
- 3) In the case of the distribution of residual assets, for each share of the Series 1 Class B Preferred Stock, ¥700 shall be paid to the stockholders of the Series 1 Class B Preferred Stock in preference to the common stockholders.
- 4) The Series 1 Class B Preferred Stock shall not have voting rights at a Stockholders' Meetings unless otherwise stipulated by law.
- 5) The number of shares of the Series 1 Class B Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

In accordance with SFAS No.150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," the Company analyzed and classified the preferred stock as equity since the preferred stock is not mandatorily redeemable, is not a financial instrument, other than an outstanding share that embodies an obligation to repurchase the Company's equity shares and that requires the transfer of Company's assets to settle the obligation, nor does it embody any unconditional obligation to settle by issuing a variable number of its common stock at conversion of the preferred stock.

20 INCOME TAXES

SANYO is subject to a number of different income taxes which, in aggregate, result in a statutory income tax rate in

Japan of approximately 40.7% for the year ended March 31, 2009 and 40.5% for 2008.

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred income tax assets:			
Accrued pension and severance costs	¥ 25,620	¥ 29,031	\$ 261,429
Accrued expenses	22,208	11,965	226,612
Operating loss carryforwards	199,373	162,633	2,034,418
Inventories	18,865	19,865	192,500
Allowance for doubtful accounts	2,592	2,623	26,444
Property, plant and equipment	52,964	32,842	540,449
Enterprise taxes	210	727	2,143
Long-term investments	5,586	9,681	57,000
Other	1,419	4,156	14,480
Gross deferred income tax assets	328,837	273,523	3,355,480
Less valuation allowance	(310,872)	(253,003)	(3,172,164)
Total deferred income tax assets	17,965	20,520	183,316
Deferred income tax liabilities:			
Investment in affiliates	(5,068)	(8,394)	(51,714)
Unrealized gains on securities	—	(1,228)	—
Other	(2,484)	(2,485)	(25,347)
Gross deferred income tax liabilities	(7,552)	(12,107)	(77,061)
Net deferred income tax assets	¥ 10,413	¥ 8,413	\$ 106,255

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2009 and 2008 are as follows:

	2009	2008
Statutory income tax rate	40.7 %	40.5 %
(Decrease) increase in taxes resulting from:		
Change in valuation allowance	(46.2)	10.3
Expenses not deductible for tax purposes and income not taxable, net	(1.1)	(10.2)
Tax credits	0.0	0.1
Differences in statutory tax rates of foreign subsidiaries	2.1	(13.7)
Other	(0.3)	0.0
Effective income tax rate	(4.8) %	27.0 %

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and operating loss carry forwards utilized. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred income tax assets are deductible, management believes it is more likely

than not that SANYO will realize the benefits of these deductible differences, net of existing valuation allowances at March 31, 2009 and 2008.

Net changes in the total valuation allowance for the year ended March 31, 2009 was an increase of ¥57,869 million (US\$590,500 thousand). Operating loss carryforwards at March 31, 2009 amounted to approximately ¥528,038 million (US\$5,388,143 thousand) and are available for offset against future taxable income. These will expire mainly in the periods ending from March 31, 2010 through 2016. ¥445,059 million (US\$4,541,418 thousand) of operating loss carryforwards is attributable to the Japanese consolidated companies which is included in the Company, ¥86,114 million (US\$878,714 thousand) will expire in

the periods ending March 31, 2010 through 2012 and ¥293,961 million (US\$2,999,602 thousand) will expire in the periods ending from March 31, 2013 through 2015.

Operating loss carryforwards of ¥68,139 million (US\$695,296 thousand) which are recorded in subsidiaries in Germany, Singapore, Hong Kong, Malaysia, England, Hungary and Brazil will not expire.

The amount of undistributed earnings of foreign subsidiaries and overseas corporate joint ventures for which no deferred income tax liability has been provided amounted to ¥92,625 million (US\$945,153 thousand) at March 31, 2009. A deferred

income tax liability for the undistributed earnings will be recognized at the time of the collection of undistributed earnings through cash dividends or sale of the investments. It is not practicable to determine the tax liability for undistributed earnings of foreign subsidiaries and overseas corporate joint ventures.

On April 1, 2007, SANYO adopted FASB Interpretation No.48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No.109."

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Balance at April 1, 2008	¥ 1,265	¥ 1,492	\$ 12,908
Increase related to current tax year positions	2,149	334	21,929
Increase related to previous year tax positions	—	29	—
Decrease related to previous year tax positions	(73)	(425)	(745)
Settlements	—	(165)	—
Balance at March 31, 2009	¥ 3,341	¥ 1,265	\$ 34,092

¥3,341 million (US\$34,092 thousand) and ¥1,265 million of unrecognized tax benefits at March 31, 2009 and 2008, respectively, represent potential tax benefits that if recognized, would reduce the effective tax rate on income from continuing operations.

SANYO believes that it has made adequate provision for all income tax uncertainties. However, certain uncertainties regarding the final results of tax examination may affect the effective tax rate in the future. At March 31, 2009, we do not expect any significant changes in unrecognized tax benefits in the next 12 months.

Interest and penalties recognized in the consolidated statements of operations are included in provision for income taxes

and accrued interest and penalties in the consolidated balance sheets are included in other non-current liabilities. The total amounts of accrued interest and penalties as of March 31, 2009 and interest and penalties included in the consolidated statement of operations for the year then ended were not material.

The Japanese tax authority completed income tax examinations up to the fiscal year ended March 31, 2004 for the Company and up to the fiscal year ended March 31, 2002 for its domestic subsidiaries. The Company's foreign subsidiaries, including the United States and China, have completed their income tax examinations by their respective local tax authorities up to the fiscal year ended March 31, 2002.

21 RESEARCH AND DEVELOPMENT, SHIPPING AND HANDLING, AND ADVERTISING EXPENSES

Research and development expenses for the years ended March 31, 2009 and 2008 were ¥75,434 million (US\$769,735 thousand) and ¥71,797 million, respectively.

Shipping and handling expenses which are included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were ¥31,801 million (US\$324,500

thousand) and ¥34,882 million, respectively. Advertising expenses which are included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were ¥10,965 million (US\$111,888 thousand) and ¥12,428 million, respectively.

22 INCOME (LOSS) PER SHARE

Income (loss) per share for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Basic income (loss) per share calculation:			
Income (loss) (numerator) :			
Net income (loss) from continuing operations	¥ (122,158)	¥ 39,148	\$ (1,246,510)
Amount allocated to participating preferred stockholders	(85,251)	27,330	(869,908)
Income (loss) available to common stockholders	¥ (36,907)	¥ 11,818	\$ (376,602)
Net income (loss) from discontinued operations	¥ 28,932	¥ (10,448)	\$ 295,224
Amount allocated to participating preferred stockholders	20,191	(7,294)	206,030
Income (loss) available to common stockholders	¥ 8,741	¥ (3,154)	\$ 89,194
Net income (loss)	¥ (93,226)	¥ 28,700	\$ (951,286)
Amount allocated to participating preferred stockholders	(65,060)	20,036	(663,878)
Income (loss) available to common stockholders	¥ (28,166)	¥ 8,664	\$ (287,408)
Shares, thousands (denominator):			
Weighted average number of shares	1,855,386	1,853,310	
Basic income (loss) per share (Yen and U.S. dollars):			
Net income (loss) from continuing operations	¥ (19.9)	¥ 6.4	\$ (0.20)
Net income (loss) from discontinued operations	4.7	(1.7)	0.05
Net income (loss)	¥ (15.2)	¥ 4.7	\$ (0.15)
Diluted income (loss) per share calculation:			
Income (loss) (numerator) :			
Net income (loss) from continuing operations	¥ (122,158)	¥ 39,148	\$ (1,246,510)
Amount allocated to participating preferred stockholders	(85,251)	27,330	(869,908)
Income (loss) available to common stockholders	¥ (36,907)	¥ 11,818	\$ (376,602)
Net income (loss) from discontinued operations	¥ 28,932	¥ (10,448)	\$ 295,224
Amount allocated to participating preferred stockholders	20,191	(7,294)	206,030
Income (loss) available to common stockholders	¥ 8,741	¥ (3,154)	\$ 89,194
Net income (loss)	¥ (93,226)	¥ 28,700	\$ (951,286)
Amount allocated to participating preferred stockholders	(65,060)	20,036	(663,878)
Income (loss) available to common stockholders	¥ (28,166)	¥ 8,664	\$ (287,408)
Shares, thousands (denominator):			
Weighted average number of shares	1,855,386	1,853,310	
Assume exercise of stock options	—	—	
Adjusted weighed average number of shares	1,855,386	1,853,310	
Diluted income (loss) per share (Yen and U.S. dollars):			
Net income (loss) from continuing operations	¥ (19.9)	¥ 6.4	\$ (0.20)
Net income (loss) from discontinued operations	4.7	(1.7)	0.05
Net income (loss)	¥ (15.2)	¥ 4.7	\$ (0.15)

23 SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF OPERATIONS

Supplementary information to the consolidated statements of operations for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Other income:			
Gain on sale on equity securities	¥ 429	¥ 10,922	\$ 4,378
Net rental income received	2,324	2,427	23,714
Equity in earnings of affiliated companies	1,837	3,017	18,745
Gain on sale on fixed assets	235	—	2,398
Other (a)	13,566	21,169	138,429
Total	¥ 18,391	¥ 37,535	\$ 187,664
Other expenses:			
Exchange loss, net	¥ 12,045	¥ 19,056	\$ 122,908
Restructuring charges (b)	75,358	2,738	768,959
Impairment loss on investment securities	593	99	6,051
Impairment loss on fixed assets (c)	5,427	4,185	55,378
Other (d)	39,228	22,705	400,286
Total	¥ 132,651	¥ 48,783	\$ 1,353,582

Note: (a)Other

For the year ended March 31, 2009 and 2008, other income includes ¥1,865 million (US\$19,031 thousand) and ¥2,643 million for royalty revenue for technological support, respectively.

(b)Restructuring charges

For the year ended March 31, 2009 and 2008, SANYO recorded restructuring charges of ¥75,358 million (US\$768,959 thousand) and ¥2,738 million, respectively.

The details of the restructuring charges by business segments for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Component business segment	¥ 66,568	¥ 554	\$ 679,265
Consumer business segment	5,125	2,112	52,296
Commercial business segment	2,015	—	20,561
Other business segment	1,650	72	16,837
Total	¥ 75,358	¥ 2,738	\$ 768,959

Component business segment

For the year ended March 31, 2009, SANYO reviewed future profitability and reduced the workforce, primarily in the Semiconductor business which was affected by the market which began deteriorating in the second half of fiscal 2009. As a result, SANYO recorded a restructuring charge of ¥66,568 million (US\$679,265 thousand) which consists mainly of impairment losses on fixed assets of ¥50,610 million (US\$516,429 thousand), severance benefits of ¥9,328 million (US\$95,184 thousand) and an impairment loss on goodwill of ¥2,641 million (US\$26,949 thousand).

For the year ended March 31, 2008, SANYO began restructuring in the Semiconductor and Photonics business.

As a result, SANYO recorded a restructuring charge of ¥554 million.

Consumer business segment

For the year ended March 31, 2009, SANYO divested some affiliate companies and restructured the sales force in the TV business. As a result, SANYO recorded a restructuring charge of ¥5,125 million (US\$52,296 thousand) which consists mainly of the costs associated with the divestiture of affiliate companies of ¥2,616 million (US\$26,694 thousand) in the TV business, impairment losses on fixed assets of ¥931 million (US\$9,500 thousand) and severance benefits of ¥823 million (US\$8,398 thousand).

For the year ended March 31, 2008, SANYO reduced the

workforce of subsidiaries. As a result, SANYO recorded a restructuring charge of ¥2,112 million which consists mainly of severance benefits of ¥920 million in the AV equipment business, impairment losses on fixed assets of ¥582 million in the home appliance business and a disposal loss on fixed assets and inventories of ¥317 million.

Commercial business segment

For the year ended March 31, 2009, SANYO reorganized the commercial air conditioner business in Europe. As a

result, SANYO recorded a restructuring charge of ¥2,015 million (US\$20,561 thousand) which consists mainly of an asset disposal loss of ¥982 million (US\$10,020 thousand) and impairment losses on fixed assets of ¥807 million (US\$8,235 thousand).

Other business segment

For the year ended March 31, 2009, SANYO recorded a restructuring charge of ¥1,650 million (US\$16,837 thousand).

The restructuring charges for the year ended March 31, 2009 and 2008 are as follows :

	Millions of Yen				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2008	¥ 1,103	¥ —	¥ —	¥ 39	¥ 1,142
Restructuring costs	10,559	52,348	3,362	9,089	75,358
Non-cash charges	—	(52,348)	(3,362)	—	(55,710)
Cash payments	(10,572)	—	—	(8,523)	(19,095)
Balance at March 31, 2009	¥ 1,090	¥ —	¥ —	¥ 605	¥ 1,695

(Note) Evaluation and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets.

	Millions of Yen				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2007	¥ 2,138	¥ —	¥ —	¥ 641	¥ 2,779
Restructuring costs	1,494	645	317	282	2,738
Non-cash charges	—	(645)	(317)	—	(962)
Cash payments	(2,529)	—	—	(884)	(3,413)
Balance at March 31, 2008	¥ 1,103	¥ —	¥ —	¥ 39	¥ 1,142

(Note) Evaluation and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets.

	Thousands of U.S. Dollars				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2008	\$ 11,255	\$ —	\$ —	\$ 398	\$ 11,653
Restructuring costs	107,745	534,163	34,306	92,745	768,959
Non-cash charges	—	(534,163)	(34,306)	—	(568,469)
Cash payments	(107,877)	—	—	(86,970)	(194,847)
Balance at March 31, 2009	\$ 11,123	\$ —	\$ —	\$ 6,173	\$ 17,296

(Note) Evaluation and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets

(c) Impairment losses on fixed assets

For the year ended March 31, 2009 and 2008, SANYO recorded impairment losses of ¥5,427 million (US\$55,378 thousand) and ¥4,185 million, respectively. These impairment losses resulted from the review of future cash flows for assets for which the carrying amounts may not be recoverable. An impairment loss is calculated as the dif-

ference between the carrying amount and fair value of an asset, if the fair value of the asset is found to be lower.

The impairment losses are calculated as the difference between the carrying value and present value of estimated future net cash flows.

The details of the impairment losses by business segments for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Component business segment	¥ 3,423	¥ 455	\$ 34,929
Consumer business segment	1,481	194	15,112
Commercial business segment	—	2,505	—
Other business segment	53	70	541
Corporate	470	961	4,796
Total	¥ 5,427	¥ 4,185	\$ 55,378

For the year ended March 31, 2009, SANYO recorded impairment losses as a result of a review of future cash flows due to the rapid deterioration of the market environment in the second half of the fiscal year.

In addition, SANYO recorded impairment losses of ¥52,348 million (US\$534,163 thousand) as restructuring costs.

For the year ended March 31, 2008, in the Commercial business segment, SANYO recorded impairment losses as a result of a review of future cash flows.

In addition, SANYO recorded impairment losses of ¥645 million as restructuring costs.

(d) Other

For the years ended March 31, 2009, other expense includes ¥14,664 million (US\$149,633 thousand) of costs for faulty products in the Consumer business segment.

For the years ended March 31, 2008, other expense includes ¥6,915 million of costs for faulty products in the Component business and Consumer business segment.

24 SUPPLEMENTARY INFORMATION OF CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplementary information relating to the consolidated statements of cash flows for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. dollars
	2009	2008	2009
Supplemental disclosures of cash flow information :			
Cash paid during the period for :			
Interest	¥ 12,600	¥ 15,720	\$ 128,571
Income taxes (net)	11,339	16,074	115,704

For the years ended March 31, 2009 and 2008, acquired capital lease assets were ¥ 4,067 million (US\$41,495 thousand) and ¥6,969 million, respectively.

Independent Auditors' Report



The Board of Directors
SANYO Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The segment information required to be disclosed in the Company's consolidated financial statements under accounting principles generally accepted in the United States of America is not presented in the accompanying consolidated financial statements.

In our opinion, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 has been translated into U.S. dollars solely for convenience. We have audited the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into U.S. dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 26, 2009