To Our Stakeholders

Management Policies

Today, against the backdrop of ongoing environment-related issues, such as global warming and energy resource depletion, there is an increasing environmental awareness worldwide. In line with this trend, since 2005 SANYO has implemented a structural transformation in various areas with the intention of capitalizing on our proprietary global environment-serving technologies to capture business opportunities. Our aim is to transform from being a general home appliance manufacturer to being a "leading company for energy and environment." In May 2008, a three-year Mid-term Management Plan was launched with the mid-term management policy of "Regaining public trust and reputation and establishing the foundation for a highly profitable company to become a leading company for energy and environment."

During the fiscal year ended March 31, 2009 (fiscal 2009), the first year of the Mid-term Management Plan, SANYO implemented measures to make strategic moves for profitability growth in the future, including up-front investments in business areas with growth potential, such as HEV rechargeable batteries and PV systems, and establishing a joint company for thin-film solar cells with Nippon Oil Corporation. At the same time, to further increase profitability we have taken such actions as cost structure reform through group-wide cost reduction activities and strengthening of the market-in structure to increase sales in the electric appliance businesses.

Overall Business Performance in Fiscal 2009

In fiscal 2009, from September 2008 onward, there was an abrupt worldwide economic slowdown stemming from the financial crisis, resulting in reduced corporate capital investment and a drastic decline in consumption. To survive in this extremely harsh condition, businesses found themselves forced to make large-scale production adjustments and implement further structural reforms.

This abrupt slowdown of the world economy also had a larger-than-expected impact on the business performance of SANYO. Consequently, net sales for fiscal 2009 were down 12.2% from the previous year to ¥1,770.7 billion due to a drastic decrease in demand for semiconductors and electronic components in the digital equipment market and sluggish sales and a price decline of consumer equipment, such as digital cameras. As for income, while achieving an operating income of ¥8.3 billion, a net income before income taxes and minority interests from continuing operations showed a loss of ¥113.7 billion due to posting of an impairment loss on fixed assets in the semiconductor business forced by the rapidly deteriorating business environment and a large amount of structural reform expenses to rebuild the base for ensuring profitability from fiscal 2010 onward. A net loss of ¥93.2 billion was reported, even with the gain on the sale of the mobile phone business.

Anticipating that this murky business environment will continue, at least through the first half of fiscal 2010, we cannot be optimistic that the market environment will turn around any time soon to bring about a rapid expansion of sales. Under these circumstances, SANYO has partially revised the current Mid-term Management Plan now being executed.

Seiichiro Sano
Executive Director & President

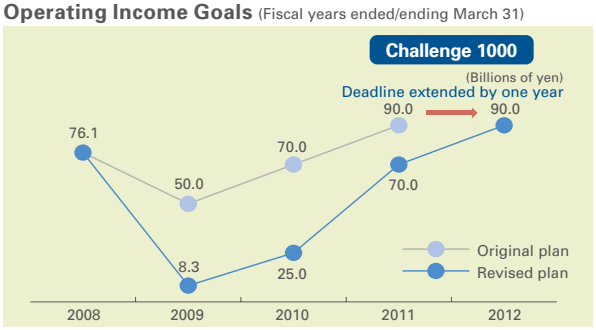
Revised Mid-term Management Plan

In the Mid-term Management Plan announced in May 2008 as "Challenge 1000," SANYO set an operating income goal of ¥90 billion for fiscal 2011 with the Challenge Goal being ¥100 billion or more (see the "Original plan" on the right). In the process of revising the plan, the current business environment was re-analyzed and business projects were carefully reviewed. As a result, a decision was made to extend the deadline for "Challenge 1000" by one year with the aim of realizing an operating income of ¥70 billion for fiscal 2011 and ¥90 billion for fiscal 2012. I will explain the background of this revision.

The economic environment is expected to remain harsh through the first half of fiscal 2010. However, we forecast that the economy will gradually recover from the second half of fiscal 2010 as the economic-stimulus packages promoted by various countries take effect. Nevertheless, price declines will further progress globally, which will keep the business environment severe even as the overall economy starts to recover. Therefore, we expect that a certain level of recovery will start in fiscal 2011 and a full recovery in fiscal 2012.

During fiscal 2009, SANYO implemented structural reforms, primarily in the semiconductor business and the electronic component business, which were heavily affected by the economic slowdown. In the semiconductor business, to promote concentration of management resources in the power device business, production bases were reviewed on a global level, back-office operations were streamlined, and the workforce was downsized through soliciting voluntary retirement. In addition, a large amount of impairment loss on fixed assets was posted. In the electronic component business, production bases were consolidated and the workforce was downsized in accordance with the drastic decline in demand.

Operating Income Goals (Fiscal years ended/ending March 31)



Through these measures, approximately ¥85 billion was posted as structural reform expenses for fiscal 2009. For fiscal 2010, an effect of approximately ¥30 billion to improve an operating income is expected.

As for the capital investment strategy, the original plan was to invest heavily in the three component businesses: rechargeable battery business, PV system business, and electronic component business, with a total three-year capital investment amount of approximately ¥360 billion. This will be curbed by ¥70 billion to approximately ¥290 billion. The primary reason for this is a temporary hold on investment in the electronic component business to increase production of capacitors and optical pickups. As for the rechargeable battery business, while the total investment amount will remain as originally planned, investment to increase production of consumer lithium-ion batteries will be temporarily held back, while investment in the HEV rechargeable battery business will be implemented ahead of schedule. Investment in the PV system business will generally be implemented as originally planned.

Initiatives for Fiscal 2010

In the revised Mid-term Management Plan, we consider fiscal 2010 to be the year for laying the groundwork for steady growth from the following fiscal year onward. In this context, we are promoting the following two policies.

First, we will promote "Intensive Strengthening of Management Structure."

To transform into a management structure capable of ensuring profitability, even in a continuously harsh economic environment, we will implement thoroughgoing structural reforms, such as withdrawing from businesses with no prospect for profitability and shifting management resources to high-value-added products. At the same time, we will intensify cost-reduction activities.

In the electronics business domain, the electronic component business will withdraw from the general-purpose LED business and strengthen the lighting-purpose LED business. Thus, underperforming businesses will be discontinued and production bases reorganized accordingly to shift management resources to the growing fields.

In the ecology business domain, the home appliance business will accelerate shifting of management resources to sales of refrigerators and washing machines in regions with high future growth potential, including Asia, and discontinue in-house production of low-price household air conditioners, except for those for China, and switch to OEM-based procurement. In conjunction with this, overseas production bases will be consolidated to improve management efficiency. In the cold chain business, sales subsidiaries in Japan will be integrated to construct an efficient sales structure.

Through these measures, the decline in income due to decreased sales and foreign exchange rate fluctuations will be covered for fiscal 2010.

Consequently, for fiscal 2010, net sales of ¥1,660 billion, an operating income of ¥25 billion, and a net income of zero are forecast.

Second, we will promote "Making Strategic Moves for Future Growth."

Today, various advanced countries have passed economic-stimulus packages, as represented by the Green New Deal, which target the environment and energy-related fields. Their major contents can be categorized under three key phrases: Diffusion of next-generation vehicles; Utilization of renewable energy sources; and Construction of an energy-saving society. These are directly related to SANYO's HEV rechargeable battery, photovoltaic system, and commercial equipment businesses. Therefore, it is our conviction that this trend will bring about major business opportunities for SANYO, which has steadily concentrated business resources in the environment and energy-related business fields.

Economic-stimulus Packages and Environmental Policies of Various Countries and Region Directly Related to SANYO's Businesses

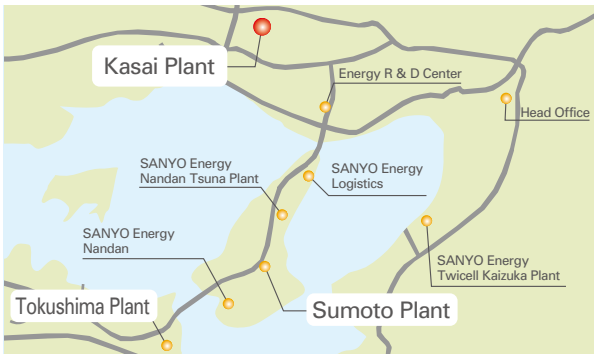
HEV Rechargeable Battery

Today, the HEV market is rapidly expanding because of price reduction and increasing awareness about the environment and energy conservation. Currently, nickel-metal hydride (NiMH) batteries are the mainstream HEV batteries. In response to this rapid HEV market expansion, SANYO will increase its production of NiMH batteries. Further, we will start full-scale production of lithium-ion batteries at the Tokushima Plant during 2009, which are expected to become the main HEV battery in the future. And by constructing a new lithium-ion battery manufacturing facility in the Kasai Plant in Hyogo Prefecture, we are responding to the rapid increase in demand for rechargeable batteries for environmentally friendly vehicles.

In addition to HEVs, there are other products being created based on rechargeable battery technology for motive power. One example is the electric hybrid bicycle. Electric hybrid bicycles are built to contribute to the global environment by using "energy generation" and "energy recharging" technologies that enable power generation and recharging through brake operation. Buoyed by the growing environmental awareness, they are coming into the spotlight as ecological and economical vehicles and their market is expected to expand in the future.

SANYO will also promote sales expansion in this area by intensively marketing the "eneloop bike" released in February 2009.

Rechargeable Battery-related Business Sites in Kansai Region (West Japan)



The Kasai Plant is located close to both the Sumoto Plant, which is a nickel-metal hydride HEV battery production base, and the Tokushima Plant, which is already engaged in production of lithium-ion HEV batteries, and is working to efficiently conduct business operations by coordinating closely with the business bases of the Mobile Energy Company (Main Office: Sumoto Plant) in charge of the consumer rechargeable battery business.

Product Introduction Serving Global Environment with "Energy Generation" and "Energy Recharging" Technologies that Enable Power Generation and Recharging while Running

New Generation Electric Hybrid Bicycle "eneloop bike" which Is Comfortable and Environmentally Friendly

eneloop bike

Electric Hybrid Bicycle

Main Features

1) "Energy generation" and "energy recharging" for effective energy use
   - Incorporates a regenerative charging function to generate electricity (energy generation) and recharge the battery power (energy recharging) when the brake is applied on a downgrade or when decelerating. Compared to models which do not recharge while running, the mileage per charge is dramatically longer.
   - Longer mileage results in reduction of charging frequency, leading to "energy conservation."
2) Responding to the New Standards and realizing comfortable riding
   - Is in line with the New Japanese Road Traffic Law Standard of "Assist Ratio up to 1:2," so, it requires less power to operate.
   - Incorporates a "Two-Wheel Drive System" in which the rear wheel is driven by human power and the front wheel is driven by a motor, guaranteeing a stable ride.

PV System

The PV system market is expected to continuously grow due to subsidy programs of various countries. However, due to market entry by many companies, competition is intensifying worldwide. To win this competition in the future, cost-competitiveness must be strengthened. Generally, the cost of a PV system is determined based on the cost per generated output. Therefore, SANYO is addressing this issue by improving generating efficiency as well as reducing production costs.

Efforts to improve electricity-generating efficiency have resulted in the HIT solar cell achieving the world's highest* conversion efficiency of 23.0% (22.3% with the existing model) for a practical-sized (100 cm^2 or larger) crystalline silicon solar cell at the research stage. In the future, we will apply this technology to mass-produced models while further advancing research and development to realize higher conversion efficiency. (*Data as of May 22, 2009, based on the Company's survey)

To lower production costs, we are working to realize a thinner wafer to reduce the use of silicon, which accounts for a large portion of the production cost. Further, to reduce the silicon wafer procurement cost, we are building a new silicon wafer plant in Oregon, U.S.A. The aim is to bring our in-house wafer production rate up to approximately 20% in fiscal 2011.

Regarding thin-film solar cells, whose market is expected to expand in the future, based on the alliance with Nippon Oil Corporation we are working to realize their commercialization at an early date. In the future, we will focus on securing orders from businesses like a large power plant.

Commercial Equipment

For the commercial equipment market, it is forecast that replacement demand for energy-saving purposes will increase in the future. SANYO operates commercial air conditioner and cold chain businesses and is capable of making comprehensive product proposals by adding engineering and maintenance services. To unfailingly capture sales opportunities, we will expand our customer base by strengthening the CRM (Customer Relationship Management) function and intensify comprehensive proposal activities, such as vigorously marketing "Eco Store System" that enables energy-saving through collaborative control of store equipment, such as air conditioners, showcases, and lighting.

SANYO will preferentially distribute group-wide management resources to its environment and energy-related businesses with growth potential where SANYO has unique strengths.

In addition to the environment and energy-related fields, the health-related field market is also expected to expand in the future. SANYO handles medical information systems, biomedical equipment, and "virus washer" products that incorporate electrolyzed water technology to suppress airborne viruses. We will strengthen our sales structure on a global scale for these "health-related" products and services.

Thus, we will steadily make strategic moves for future growth in other promising areas as well as the environment and energy-related fields.

Product Introduction Master Controller that Centrally Manages Store Equipment Operation

"Eco Store System" that Realizes Energy Saving for Supermarkets

By installing the Consolidated Energy Saving System for Stores, "Eco Store System," in a supermarket, optimum energy-saving control is possible with the Master Controller centrally managing the freezing/cooling equipment in the store, such as showcases for keeping food cool/frozen, refrigerating machines for cooling the showcases, and air conditioners

Save energy with "Eco Store System" that coordinates store equipment, such as a refrigerating machine and an air conditioner

Controlling excess cooling of open showcases leads to effective energy-saving for a store. By keeping the in-store temperature down with an air conditioner capable of a high cooling effect per wattage, instead of depending on the cold air coming from the showcases, the operating load of showcases can be effectively reduced.

The Eco Store System uses a communication network to connect store equipment which used to be individually operated, such as showcases, refrigerating machines, and air conditioners. Through optimally controlling this store equipment based on their real-time operation statuses, in terms of inner showcase temperature, air conditioner set temperature, etc., power consumption can be reduced drastically while preserving the freshness of food.

Capital and Business Alliance with Panasonic Corporation

In December 2008, the Company and Panasonic Corporation (Panasonic) entered into a capital and business alliance agreement on the premise that Panasonic will make the Company its subsidiary. This decision was made based on the judgment that in order for the Company to increase its corporate value amid the ever-increasing fierce global competition, Panasonic would be an ideal partner and this alliance could bring about great synergy effects. I will explain about the background which led to the conclusion of this alliance agreement.

Based on the Mid-term Management Plan, SANYO was aiming to make a further leap forward through making a strategy change toward a growth path. However, the rapid deterioration of the economic environment stemming from the financial crisis has seriously impacted the businesses of SANYO, and forced us to implement additional structural reforms.

In addition, regarding handling of the Company's preferred stocks, the restrictive period for their conversion to common stock or their transfer expired in the midst of the increasingly severe financial situation, and from a capital policy point of view we recognized the necessity for accelerating concrete discussion of this matter.

Under these circumstances, we received a proposal from Panasonic to form a capital and business alliance on the premise that Panasonic would make the Company its subsidiary. After carefully examining this possibility from the perspective of SANYO's corporate value enhancement, we concluded, based on the four points that follow, that Panasonic would be our best partner, in terms of realizing SANYO's future vision, and reached the decision to enter into this agreement.

First, the issue on how to handle the preferred stock will be settled.

For the Company, the most preferable and practical way to handle the preferred stock issue would be to have them transferred from the current holders to a third party of our choosing. This judgment was made after examining the situation from multiple perspectives, such as business operational advantages, possible impact on the stock market, and possible synergy effects if the third party is not a financial institution, but business corporation. In this context, we thought that the kind of party most suited to be the Company's partner would be a business corporation with a sufficient corporate scale and financial base to take the lead in the ongoing fierce global competition and capable of generating great synergy effects with the Company. In the end, we concluded that Panasonic clearly met these conditions.

Second, maximum synergy effects can be expected.

In the midst of the current unclear and harsh business environment, to further expand SANYO's businesses, primarily the environment and energy-related businesses, we thought it would be a great advantage for the Company to be able to utilize mutual management resources with a company like Panasonic, which is in the same trade. By combining the technologies and "*Monozukuri*" (innovative production) capabilities which the two companies have developed over the years, we can expect that new ideas and products, only possible by businesses in the same trade, will be created and great synergy effects generated.

Third, the Company's credibility will be enhanced.

To continue to advance businesses in such a harsh business and financial environment, the Company's credibility needs to be further enhanced. But, the reality is that there is a limit to what the Company can do alone to meet this requirement. In this context, tying up with Panasonic through a capital and business alliance will result in enhancement of the Company's credibility because of Panasonic's large corporate scale and financial base, which is a great advantage for the Company from a growth strategy perspective.

Fourth, SANYO brand will be kept and the Company will continue to be listed.

Considering the long-term continuing relationships built up with the Company's customers, employees' motivation, and liquidity of the common stock, maintenance of the SANYO brand and the continued listing of the Company's stock are also major factors to be considered in making a decision about an alliance. Regarding these, Panasonic recognizes that maintaining the SANYO brand and keeping the Company's stock listed for the time being will benefit both companies in maximizing synergy effects, and this is confirmed in the Capital and Business Alliance Agreement. In this way, the Company can unite the entire workforce to forge ahead toward the realization of the ongoing Mid-term Management Plan.

Regarding Dividend Payment

According to the Companies Act of Japan, the distributable dividend amount is calculated based on the non-consolidated financial statements. The Company posted a net loss of ¥100.5 billion in its stand-alone account settlement for fiscal 2009. Consequently, the Company's distributable dividend amount was negative as of March 31, 2009, which cannot be resolved even through reversal of capital reserve. Under the circumstances, we regret that the decision has been made to continue to forgo a year-end dividend payment for fiscal 2009.

In order for the Company to resume dividend payment in the future, a stable income needs to be ensured on a continuous basis. To this end, as previously described, we will emphasize the policies of Intensive Strengthening of Management Structure and Making Strategic Moves for Future Growth and will steadily promote these. At the same time, we will work to promptly generate synergy effects with Panasonic. Through these, we will aim to maximize future income.

Aiming to Become a leading Company for Energy and Environment

SANYO has major technologies relating to all three elements necessary for energy management: Energy Generation (power generation); Energy Recharging (power storage); and Energy Conservation (power saving). Related products include PV systems, rechargeable batteries, power conditioners, and commercial equipment. This is a unique strength of SANYO. By combining these technologies, it is possible to offer solutions which can realize significant reduction of energy cost, as well as help to reduce the negative effects on the environment. As a new business direction, SANYO will expand into providing comprehensive solutions for energy management

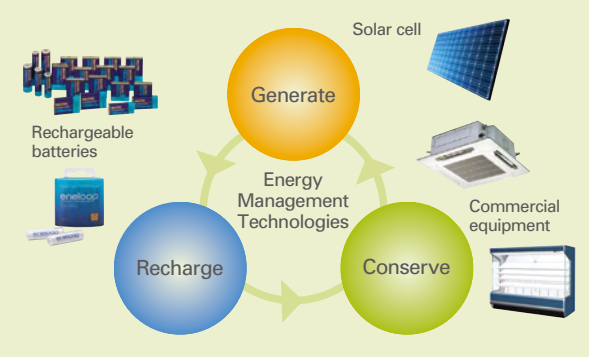
As well as developing such new businesses, by intensively strengthening and expanding our ongoing PV system business and HEV rechargeable battery business, we are hoping to make a significant contribution to the control of global-warming CO_2 emissions. The Japanese government has set the year 2020 as the deadline for its mid-term goal of greenhouse gas reduction. In line with this, SANYO is aiming to achieve a "carbon minus status (CO_2 emission control effect through use of our products surpasses the CO_2 emissions from our business activities)" in 2020. Thus, SANYO will work to increase its presence as an enterprise capable of contributing to the resolution of global environmental problems.

To realize this vision, we will intensively strengthen the management structure so that we can take advantage of growing business opportunities to realize our future growth.

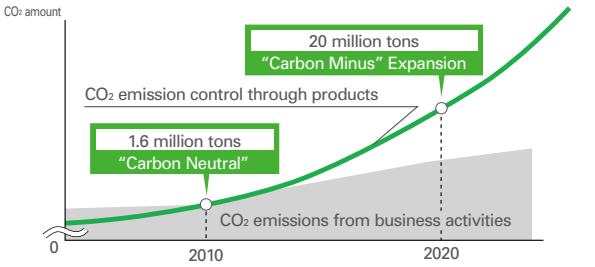
Through achieving steady growth and development as a "leading company for energy and environment," SANYO will continue to respond to its stakeholders' support and expectations.

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

Energy Management Technologies of SANYO
– A Comprehensive Solution Provider



Achieve Carbon Minus Status



SANYO's definition of the following terms

* Carbon neutral status: CO_2 emissions from SANYO's business activities and CO_2 emission control effect through use of SANYO products are balanced.
* Carbon minus status: CO_2 emission control effect through use of SANYO products surpasses CO_2 emissions from SANYO's business activities.
* CO_2 emission control effect through use of SANYO products is calculated based on SANYO's standards.

July 2009

Seiichiro Sano
Executive Director & President