

Business Risks

SANYO is strengthening its risk management under the system established to identify/evaluate business-related risks and devise countermeasures accordingly to prevent or minimize possible losses. The major risk factors that may affect SANYO's business results, stock prices, financial conditions, etc. are set out below.

All forward-looking statements included in this section are based on SANYO's judgment as of March 31, 2009.

Business-related Risks

- Every SANYO product is designed and manufactured in accordance with the relevant laws, regulations and public standards in the country where the product is sold. However, it cannot be stated as fact that SANYO's future products will have no defects of any kind, and that no product recall will occur. Although SANYO carries product liability insurance and recall insurance, there is no assurance that any possible future liability claim or damages will be fully covered by such insurance. In the event of a large-scale product recall, major quality problem, or lawsuit against SANYO over product liability, the Company's brand creditworthiness may be degraded and the cost of compensation could adversely affect SANYO's business results.
- In the business areas where SANYO operates, market needs are changing quickly and technological innovation is advancing at a rapid pace. Existing products and services could rapidly become obsolete and lose marketability. SANYO is therefore making constant efforts to provide advanced and attractive products and services. However, if it fails to develop advanced technology or introduce new products and services into the market in an optimum manner, SANYO may not be able to remain competitive, and its business results and financial condition could deteriorate.
- SANYO is making efforts to create and protect intellectual properties. However, it may not be possible to entirely prevent third parties from illegally using intellectual property rights held by SANYO, such as using a similar trade names or manufacturing/selling similar products. Meanwhile, of products manufactured and marketed by SANYO, some are manufactured under license from other companies. There is the future possibility that necessary licenses will not be granted or unfavorable conditions could be attached to the granting of licenses. Furthermore, although SANYO pays the greatest attention to intellectual property rights held by third parties at the time of product development, it could face unforeseen litigation from third parties for infringement of intellectual property rights and suspension of export/import of the corresponding product.
- In recent years, various lawsuits have been filed over employee inventions and their attribution. SANYO has established its rules on employee inventions and makes necessary payments to relevant inventors in accordance with the rules. Nevertheless, there is a possibility that SANYO could be subject to payment of compensation resulting from lawsuits in connection with employee inventions.
- With regard to environmental problems, SANYO is making efforts to improve environmental management, including periodic audits and the promotion of green procurement. SANYO avoids using specified chemical substances for products and investigates soil and groundwater contamination. Nevertheless, supplier negligence, discoveries of pollution resulting from past activities, amendments to laws and regulations, and other factors could damage not only SANYO's performance, but also its credibility.
- SANYO closely investigates the credit standings of business customers before initiating transactions. However, in the event of contingent liability or other problems, SANYO may discontinue transactions with a business customer. If that happens, the supply of products or parts could be suspended temporarily, or SANYO could incur losses due to bad debt.
- SANYO establishes good business relationships with various business partners, and conducts smooth transactions with them on an ongoing basis. However, there is a possibility that extensive damage could be incurred by SANYO due to a problem, such as breach of contract by a business partner, which would lead SANYO to enter into an action against the business partner for the purpose of receiving compensation for the corresponding damage. At the same time, there is a possibility that damage could be incurred by a business partner or other relevant parties due to SANYO's negligence, which would cause SANYO to be responsible for reparations for the corresponding damage. In such cases, corresponding damage, cost of action, compensatory payment, and other related expenses could have a negative impact on SANYO's performance.
- Production and supply systems have become borderless and competitors are found worldwide. With the expanding technological capabilities and productivity of newly emerging countries, including South Korea, Taiwan and China, product prices are rapidly dropping. If product prices drop at a faster-than-expected pace and SANYO fails to maintain cost competitiveness, its business results could be adversely affected.
- SANYO uses various materials. There is a possibility that material prices could sharply climb, due to such factors as social conditions, unbalanced supply and demand, or speculative price manipulation. SANYO procures materials in accordance with a prescribed plan, but a sharp rise in materials prices could push the ratio of materials price up considerably. Although SANYO plans and takes necessary countermeasures, such as hedging against risk with forward contracts, etc. and cutting fixed costs, a rapid hike in material prices may disrupt such measures, and could have a negative impact on SANYO's performance.
- In addition to SANYO brand products, the Company produces a high proportion of certain products on an OEM basis. Additionally, components account for a large percentage of sales. Therefore, policy changes (such as second sources and cost cutting) at OEM purchasers or companies to which SANYO supplies components could cause a decrease in orders received, which may adversely affect SANYO's performance.
- SANYO promotes various types of alliances with other companies according to need, including technological collaboration, business cooperation and establishment of joint ventures in such areas as manufacturing, sales, and research and development. However, various circumstances could cause SANYO and a counterparty to terminate such a collaborative relation or fail to achieve substantial results. In such cases, SANYO's performance may be affected.
- From time to time SANYO obtains personal information and other information on customers, suppliers and other parties. Although SANYO

employs various measures to protect such information, it is impossible to guarantee that absolutely no leakage will occur. In the event of leakage of such information, SANYO's credibility may be undermined and liability for damages could be incurred. This could eventually have a negative impact on SANYO's business results.

- SANYO is making every effort to ensure compliance with laws and regulations and has strengthened internal controls for that purpose. However, if SANYO fails to accomplish said purpose, violation of laws, regulations or other rules may occur, which could affect SANYO's business results.

Labor related Risks

- SANYO places particular importance on employing and fostering capable personnel because adequate know how and knowledge are required to develop and produce its products. If SANYO fails to prevent existing employees from leaving the Group, or fails to hire capable personnel, its future growth and performance could be adversely affected.

Financial Risks

- A fall in stock prices due to rapid changes in market conditions and a drop in land prices could cause the value of assets held by SANYO to diminish.
- Rapid changes in interest rates may have a negative impact on SANYO's performance.
- A considerable proportion of the transactions carried out by SANYO are overseas transactions. Fluctuations in foreign exchange rates could therefore have a significant impact. Although SANYO is making efforts to hedge against such risk by such means as adjusting the proportion of overseas production, forward exchange contracts, etc., the related risk cannot be entirely eliminated. In the event of major exchange rate fluctuations in the future, SANYO's performance could be adversely affected.
- In a syndicated loan contract and a commitment line contract, the Company made a commitment to maintain its long-term issue rating at BBB- or above based on using the highest rating determined from among Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. In the event of the Company's failure to meet this commitment, at the request of majority lenders, the Company may lose its benefit of term with regard to obligations under the syndicated loan contracts, and the same right with regards to obligations under the commitment line contracts. In addition, all lenders' loan obligations may be extinguished.
- The Company issued preferred stocks in March 2006. Possible conversion of preferred stocks into common stocks in the future could cause dilution of the Company's common stocks and may impact its stock price.
- SANYO has adopted a retirement pension system that employs an external pension fund. Any drop in the value of pension assets due to deterioration in investment returns, or any increase in accumulated benefit obligations due to a drop in the discount rate, could lead to a rise in actuarial losses and an increase in retirement pension costs in the future.

Political, Economic and Social Risks

- SANYO has sales and production bases all over the world, thereby diversifying country risk. Nevertheless, sudden policy changes or economic fluctuations in such countries could cause SANYO to temporarily post losses or face problems in product supply.
- Infectious disease pandemics, terrorist attacks or other unexpected events could hinder transactions with the countries involved and have a negative impact on SANYO's performance.

Disaster and Accident-related Risks

- Regarding damage from natural disasters, SANYO has already taken countermeasures to minimize possible influences on relevant operations, after examining the cost effectiveness of such measures. However, a major natural disaster beyond the scope of assumption in an area of SANYO operations would inevitably cause damage and a halt in production, which could result in the loss of customer trust and deterioration in SANYO's performance.
- Antivirus software has been installed on every computer used by SANYO. Nevertheless, in the event of a computer virus attack, there is a possibility that certain SANYO facilities could suffer damage, possibly leading to interruption of some operations and delays in production and shipment.

Matters Concerning Capital and Business Alliance with Panasonic Corporation

- The Company expects that its capital and business alliance with Panasonic Corporation will further enhance the Company's corporate value and promote the interests of all stockholders. However, if regulatory approval cannot be obtained from some of the relevant countries for the public tender offer for the Company's stocks by Panasonic Corporation or any approval comes with an unfavorable condition that may have a material impact on the business operation of the Company and/or Panasonic Corporation, there is a possibility that the corresponding tender offer or the corresponding business alliance will not come to realization or the originally-expected advantages of the capital and business alliance cannot be achieved. Further, in response to the Company becoming a subsidiary of Panasonic Corporation, which is one of its competitors, or publicly announcing the policy related thereto, certain negative synergy effects may be created, such that the Company's customers react in a negative way, which could adversely affect the Company's management and business operation. The Company, at the current moment, expects that the impact of such possibly created negative synergy effects will be limited, and will take necessary measures from time to time to avoid or alleviate such negative synergy effects. Furthermore, there may be a case where the result of the above-mentioned tender offer leads to a conflict with the requisite for the Company's common stock to continue being listed. However, the Company and Panasonic Corporation endorse their mutually recognized policy of continuing to list the Company's common stock even after the completion of the above-mentioned tender offer, and have confirmed that should there be a conflict with the corresponding requisite the two companies will hold talks so as to avoid delisting of the Company's common stock.