

SANYO Electric Co., Ltd.

Semiannual Report 2007

For the six months ended September 30, 2007

Think GAIA

For Life and the Earth

"GAIA" is a term that encompasses the Blue Planet, "Earth," and the infinite varieties of "life" that live and breathe on it.

It describes the world as a single living organism, where all life and nature co-exist interdependently.

SANYO is committed to listening to GAIA's voice and engaging in activities that are beneficial to life and the Earth.

As a testament to this, SANYO pledges to respond by developing only products that are absolutely essential to life and the Earth.

We aim to bequeath a beautiful Earth to future generations.

This is SANYO's Brand Vision — Think GAIA.

To realize this vision, as a leading provider of Environment- and Energy-related products, SANYO seeks to harness its exclusive, unique technology and innovative creativity to deliver global solutions.

All for the Earth. All for life. All for GAIA.

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Financial Highlights

Business Results

SANYO Electric Co., Ltd. and Subsidiaries (Six-month periods ended September 30, 2007 and 2006)

	Millions of Yen		Thousands of U.S. Dollars (Note a)	% Change from Same Period of Previous Year
	2007	2006	2007	
Net sales	¥ 1,091,438	¥ 1,095,539	\$ 9,490,765	-0.4 %
Operating income (Note b)	23,811	15,841	207,052	50.3
Net income (loss)	15,981	(3,618)	138,965	—
	Yen		U.S. Dollars	
Per share (Yen and U.S. dollars)				
Net income (loss):				
Basic	¥ 2.6	¥ (34.9)	\$ 0.02	—
Diluted	2.6	(34.9)	0.02	—

Sales by Product Category and Area

SANYO Electric Co., Ltd. and Subsidiaries (Six-month periods ended September 30, 2007 and 2006)

	Millions of Yen		Thousands of U.S. Dollars (Note a)	% Change from Same Period of Previous Year
	2007	2006	2007	
Sales by product category:				
Consumer	¥ 471,785	¥ 493,540	\$ 4,102,478	-4.4 %
Commercial	129,157	133,885	1,123,104	-3.5
Component	472,026	442,360	4,104,574	6.7
Others	18,470	25,754	160,609	-28.3
Net sales	¥ 1,091,438	¥ 1,095,539	\$ 9,490,765	-0.4
Sales by area:				
Japan	¥ 403,462	¥ 481,261	\$ 3,508,365	-16.2 %
Asia	350,407	313,121	3,047,017	11.9
North America	186,558	181,402	1,622,244	2.8
Europe	116,344	88,001	1,011,687	32.2
Others	34,667	31,754	301,452	9.2
Net sales	¥ 1,091,438	¥ 1,095,539	\$ 9,490,765	-0.4

Note: (a) U.S. dollar amounts translated from yen, for convenience only, at the rate of ¥115=US\$1, the approximate Tokyo foreign exchange market rate as of September 28, 2007.

(b) To be consistent with financial reporting principles and practices generally accepted in Japan, operating income is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. SANYO considers showing operating income 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 in the consolidated statements of income.

Notice Released to Future Outlook

All statements in this semiannual report, other than past factual matters, represent outlooks for projected future results and are in accordance with SANYO's present plans, outlook, and strategies, based on management judgments in light of currently available information. Therefore, SANYO does not guarantee the accuracy and reliability of information it receives, and requests that you do not rely on this information alone. There are various risks and uncertainties relating to factors that cause changes in business results. The principal factors influencing results include 1) large changes in economic conditions and capital markets, as well as changes in consumption in businesses in which SANYO engages, 2) the effects of changes in exchange rates between the yen and the dollar, as well as the yen and other currencies, on SANYO's international business activities, 3) various trade restrictions in the markets of individual countries, and 4) SANYO's ability to provide new technologies, new products and new services amid rapid technological innovation in information technology (IT), market competition and price competition. However, it should be noted that factors affecting SANYO's performance are not limited to the factors mentioned above and that there are other factors that pose latent risks and uncertainties.



Seiichiro Sano, Executive Director & President

We would like to thank all of you for your faithful support for SANYO.

Let us first look at business results of SANYO for the six-month period ended September 30, 2007. This period, continuously soaring prices of raw materials, including crude oil, had a significant impact on the businesses of SANYO. Against this background, with all employees teaming up and going for the same goal, the entire group devoted its comprehensive strength to enhancing profitability. As a result, we have successfully achieved a positive net profit being led by businesses such as rechargeable batteries, solar cells, electronic components, and digital cameras.

On November 27, 2007, SANYO announced its Medium-term Business Strategy "Master Plan" for three fiscal years from April 2008 to March 2011.

In this plan, we clarified the way to revitalization by defining those businesses to be continued among the businesses of our group and by setting a business strategy for each of them. The outline of Master Plan is on pages 5 through 6 hereof for your reference.

SANYO is currently in the process of formulating a new Medium-term Management Plan for three fiscal years from April 2008 to March 2011 based on Master Plan. Prior to its implementation, we are determined to achieve "a restoration of profitability to the bottom line," which is our goal for this fiscal year, as the first step toward the revitalization of SANYO.

Recently, through various activities we have successfully been increasing our capability to further exert the

strengths of SANYO to become a "Leading provider of Environment- and Energy-related products." Our major achievements include winning the "Good Design Grand Prize 2007" for "eneloop universe products," collaborating with IBM Japan for the world's first data center energy-saving air-conditioning equipment construction service, and cooperating with Coca-Cola USA in the development of a CFC-free beverage showcase cassette using an ozone-safe natural refrigerant. In addition, our employees are feeling increased confidence in response to the business results for this six-month period. Thus, foundations for revitalization are being steadily established.

It is our commitment to keep to the positive course we are on and continue to strive for further enhancement of the corporate value of SANYO.

We would like to sincerely ask for your continuous support and understanding.

Overview of operations in the six-month period ended September 30, 2007

For the business environment for this six-month period ended September 2007, economic expansion in China and other Asian countries and economic recovery in Europe continued. The Japanese economy, being helped by healthy business performance, also continued its recovery. Meanwhile, the environment for SANYO remained severe due to the impact of the subprime loan problems in the U.S., continually soaring raw material prices including crude oil, and sharp appreciation of the yen, resulting in an increase in uncertainty about the future.

In this surroundings, while sales increased in the Component Business Segment, which deals with rechargeable batteries and electronic components, sales decreased in the Consumer Business Segment and Commercial Business Segment. As a result, consolidated net sales for this six-month period were down 0.4% from the same period last year to 1,091.4 billion yen.

As for income, while being influenced by surging raw material prices, thanks to sales expansion in the digital cameras, batteries, and component businesses and profitability enhancement through cost reduction, consolidated operating income was up 50.3% from the same period last year to 23.8 billion yen and consolidated net income was 16.0 billion yen (3.6 billion yen loss for the same period last year). Thus, we successfully returned to profitability.

Sales for each business segment are outlined below.

■ Consumer Business Segment

As for digital cameras, OEM business, which is the core of the digital camera business, made good progress thanks to expansion of the whole market in addition to strengthening of overseas production.

As for projectors, with overseas markets leading the way sales increased with the release of high-brightness large models using a new optical engine. Sales of car navigation systems were also good.

Meanwhile, sales of mobile phones decreased due to a decrease in sales volume and overall sales of TVs also decreased while those of LCD televisions increased in North America.

As for Home Appliances, overseas sales increased. However, overall sales decreased as a result of reviewing our product lineups for the domestic market on a "emphasize and concentrate" basis.

The result was that net sales for the Consumer Business Segment were down 4.4% from the same period last year to 471.8 billion yen.

■ Commercial Business Segment

As for showcases, we tried to differentiate ourselves from our competitors through domestically expanding energy-saving and eco-friendly products. However, due to a downturn in the whole market, the domestic business was sluggish. Meanwhile, thanks to favorable sales overseas, primarily in China, overall sales of showcases increased.

As for commercial air conditioners, while sales of gas heat pump air conditioners decreased due to a slackening in the market associated with skyrocketing oil prices, packaged air conditioners made good progress thanks to increased orders related to school facilities and others. Overseas sales also made good progress. As a result, overall sales increased.

In the biomedical business, which deals with preservation systems for medical and scientific research, ultra-low temperature freezers etc., products for overseas made good progress, leading to an increase in sales. In the medical information systems business, sales of computer systems for pharmacists increased. However, computer systems for office work were slow after the previous increase in demand attributable to the legal changes, resulting in a decrease in sales.

The result was that net sales for the Commercial Business Segment were down 3.5% from the same period last year to 129.2 billion yen.

■ Component Business Segment

As for rechargeable batteries, as a result of increasing production capacity in the Tokushima Plant and other

facilities, lithium-ion batteries continued to make steady progress, leading to an increase in overall sales.

Solar cells were slow in Japan due to a downturn in the whole market. Meanwhile, we attracted the attention of overseas markets, including the expanding European market, with the high-performance features of our products, such as superior power generation efficiency. Such proactive efforts for business expansion led to an increase in sales.

Due to the expanding mobile phones and personal computer markets, electronic components made good progress. Sales of optical pickups also increased, primarily those for notebook personal computers. However, as for semiconductors, those for flat-panel televisions and video-game consoles slumped, resulting in a fall in sales.

The result was that net sales for the Component Business Segment were up 6.7% from the same period last year to 472.0 billion yen.

December 2007

Seiichiro Sano
Executive Director & President

(*Note) 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. SANYO 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.

On November 27, 2007, SANYO announced the Medium-term Business Strategy "Master Plan" in preparation for the new Medium-term Management Plan for three fiscal years from April 2008 to March 2011.

Based on the Medium-term Management Plan for three fiscal years from April 2005 to March 2008, SANYO has promoted structural transformation toward its revitalization and reconstruction. As a result, its business conditions have steadily been improving in terms of profitability and financial strength. Reflecting such a situation, the Medium-term Business Strategy has been formulated for the coming three fiscal years to clarify the way to achieve the full revitalization and make the next leap forward as a truly global company.

The Medium-term Business Strategy is composed of the following points:

1. Set Management goals in the new Medium-term Management Plan;
2. Emphasize and concentrate investments based on the group-wide strategy;
3. Improve earning power of the finished goods business and set up organizations to strengthen business expansion overseas; and
4. Maintain a sound financial structure through thorough cash flow management.

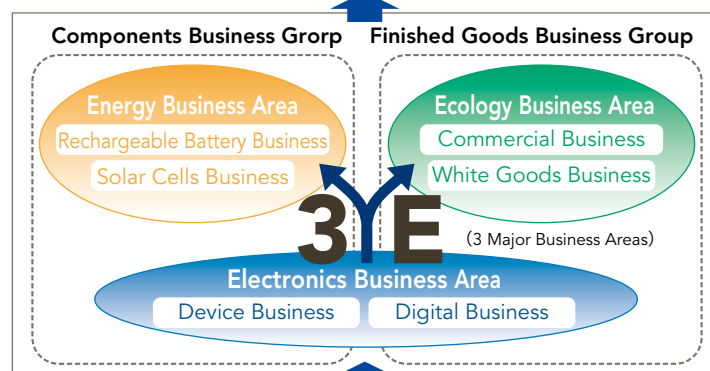
In the days ahead, SANYO will formulate the new Medium-term Management Plan based on this Medium-term Business Strategy. With group-wide commitment we will strive to turn all the continuing businesses into profitable business entities within the next three fiscal years.

Outline of "Master Plan"

- I. Medium-term Management Policies
Regaining public trust and reputation and establishing the foundation for a highly profitable company to transform into a "leading provider of Environment- and Energy-related products"
- II. Medium-term Management Goals
- Goals for the fiscal year ending March 2011
Challenge Goal:
Operating Income of 100 Billion Yen
"Must Accomplish" Goals:
Sales of 2,250 Billion Yen
Operating Income of 90 Billion Yen
(Operating Income to Sales Ratio: 4%)
- In approximately 1,000 days (3 years), make all continuing businesses profitable
- III. Essential Business Strategies
A. Business Grouping
According to the fundamental technology and our orientation in terms of business, all the business fields of SANYO will be classified into the following three areas: "Energy," "Electronics," and "Ecology." With these three business areas as the engine for full revitalization, SANYO will meet the challenge of achieving the highest profit level ever in the fiscal year ending March 2011.

Business Grouping

Medium-term Management Policy:
Transform into a "Leading Provider of Environment- and Energy-related Products"



Corporate Philosophy :
"We are committed to becoming an indispensable element in the lives people all over the world."

B. Business Strategies

Considering our customers, the marketplace, and various business models etc., from the group-wide management strategy point of view, the businesses of SANYO will be divided into two groups: "Components Business Group" and "Finished Goods Business Group." Business strategies applicable to each group will be formulated and promoted.

1. Components Business Group

Over three fiscal years, capital investments of approximately 350 billion yen will be made; approximately 70% of these investments will be concentrated on rechargeable batteries, solar cells, and electronic components. In particular, approximately 100 billion yen in total will be invested in the rechargeable battery business, for the purpose of increasing production capacity of lithium-ion batteries and starting a full-fledged HEV (Hybrid Electric Vehicle) battery business. Thus, we are aiming to achieve further growth. For the solar cell business, approximately 80 billion yen in total will be invested over three fiscal years to increase the production capacity. Also, in the electronic component business, intensive investment will be promoted in products which have dominant market share, such as capacitors, optical pickups, and vibration motors. As for the semiconductor business, thanks to the structural transformations made, a positive operating income has resulted. To establish a stable profit base in the future, continued efforts will be made through further pursuit of higher efficiency and by taking advantage of our proprietary analog device technology etc.

2. Finished Goods Business Group

To stabilize and secure profit, we will seek further efficiency in the domestic business and strengthen overseas business. As for strengthening of overseas business, along with setting overall sales goals of SANYO-brand finished goods, an executive-class staff member will be placed as marketing manager in each region overseas, enabling the global sales structure to be made more robust. In the digital business, businesses for special clients (those in OEM business etc.) will be strengthened. In the commercial business, along with increasing profitability by intensively pursuing higher efficiency in the domestic market, resources will be shifted to overseas, taking advantage of opportunities to expand overseas business. In the white goods business, efforts will be made to enhance product competitiveness based on SANYO's proprietary technologies such as those related to the environment. Further, through reevaluating sales and distribution costs and optimizing overseas sales companies and sales network, efficiency improvement of the sales division will be promoted, so as to turn into a global-level profitable business.

IV. Financial Strategy

With the efforts made to improve the financial standing since the introduction of the Medium-term Management Plan in November 2005, interest-bearing debt is expected to be reduced to approximately 530 billion yen by the end of March 2008, which is approximately 720 billion yen down from the end of September 2005. We will enhance our efforts toward thorough cash flow-focused management over the next three fiscal years.

Overall Business Strategy

Business Group	Business	Market	Position	Scope of Investment (3 Years)	Sales Goal (for FY2011*)	
Components	Rechargeable Batteries	◎	◎ World's No. 1 Share	Approx. 100 bn. yen	Approx. 240 bn. yen (Approx. 70%)	Energy Business Area Approx. 600 bn. yen (Approx. 150% compared w/ FY2008*)
	Solar Cells	◎	◎ No. 1 Conversion Efficiency	Approx. 80 bn. yen		
	Electronic Devices	◎	◎ World's No. 1 Product Share	Approx. 60 bn. yen	Effective investing	Electronics Business Area Approx. 1,200 bn. yen (Approx. 125% compared w/ FY2008*)
	Semiconductors	○	○ Strength in Analog	Effective investing		
Finished Goods	Digital Products	○	○ Special Client Business	Effective investing	Approx. 110 bn. yen (Approx. 30%)	Ecology Business Area Approx. 600 bn. yen (Approx. 110% compared w/ FY2008*)
	Commercial Equipment	○	○ Domestic No. 1 Product Share			
	White Goods	○	○ Environment Technology / Proprietary Technology	Strengthen overseas business (of all finished goods)		

*Fiscal years ending March 31

Consolidated Balance Sheets (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries (September 30 and March 31, 2007)

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2007	March 31, 2007	September 30, 2007
Current assets:			
Cash and cash equivalents:			
Cash	¥ 150,892	¥ 148,382	\$ 1,312,104
Time deposits	172,793	186,304	1,502,548
	<u>323,685</u>	<u>334,686</u>	<u>2,814,652</u>
Restricted cash	27,400	88,000	238,261
Securities	795	672	6,913
Receivables:			
Notes and accounts receivable	473,101	453,999	4,113,922
Affiliates	29,276	21,117	254,574
Allowance for doubtful accounts	(7,453)	(7,493)	(64,809)
Inventories	338,938	329,108	2,947,287
Deferred income taxes	7,314	5,850	63,600
Prepaid expenses and other	62,057	62,271	539,626
Total current assets	<u>1,255,113</u>	<u>1,288,210</u>	<u>10,914,026</u>
Investments and advances:			
Affiliates	50,899	49,180	442,600
Securities and other investments	42,781	84,045	372,009
Total investments and advances	<u>93,680</u>	<u>133,225</u>	<u>814,609</u>
Property, plant and equipment:			
Buildings	403,574	401,796	3,509,339
Machinery and equipment	844,764	867,425	7,345,774
	<u>1,248,338</u>	<u>1,269,221</u>	<u>10,855,113</u>
Accumulated depreciation	(882,226)	(901,604)	(7,671,530)
	<u>366,112</u>	<u>367,617</u>	<u>3,183,583</u>
Land	91,916	91,605	799,269
Construction in progress	11,164	9,557	97,078
Net property, plant and equipment	<u>469,192</u>	<u>468,779</u>	<u>4,079,930</u>
Deferred income taxes	14,027	13,921	121,974
Other assets	66,284	66,805	576,383
Total assets	<u>¥ 1,898,296</u>	<u>¥ 1,970,940</u>	<u>\$ 16,506,922</u>

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2007	March 31, 2007	September 30, 2007
Liabilities and Stockholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 210,014	¥ 219,785	\$ 1,826,209
Current portion of long-term debt	93,673	155,221	814,548
Notes and accounts payable:			
Trade	434,159	406,577	3,775,295
Affiliates	6,544	6,118	56,904
Construction	31,307	20,424	272,235
Accrued liabilities	186,932	188,771	1,625,496
Accrued income taxes	7,120	8,997	61,913
Other liabilities	66,967	68,995	582,322
Total current liabilities	1,036,716	1,074,888	9,014,922
Long-term debt	297,080	340,698	2,583,304
Accrued pension and severance costs	200,761	211,173	1,745,748
Deferred income taxes	8,145	8,327	70,826
Total liabilities	1,542,702	1,635,086	13,414,800
Minority interests in subsidiaries	26,489	23,846	230,339
Stockholders' equity:			
Common stock	172,242	172,242	1,497,757
Authorized:			
September 30, 2007 and March 31, 2007—7,060,300,000 shares			
Issued:			
September 30, 2007 and March 31, 2007—1,872,338,099 shares			
Preferred stock	150,000	150,000	1,304,348
Authorized: September 30, 2007 and March 31, 2007			
Class A: 182,600,000 shares			
Class B: 246,100,000 shares			
Issued: September 30, 2007 and March 31, 2007			
Class A: 182,542,200 shares			
Class B: 246,029,300 shares			
	322,242	322,242	2,802,105
Additional paid-in capital	781,951	781,951	6,799,574
Accumulated deficit	(617,339)	(633,315)	(5,368,165)
Accumulated other comprehensive loss	(150,056)	(151,174)	(1,304,835)
	336,798	319,704	2,928,679
Less, treasury stock at cost:	(7,693)	(7,696)	(66,896)
September 30, 2007—18,996,276 shares			
March 31, 2007 —18,835,705 shares			
Total stockholders' equity	329,105	312,008	2,861,783
Total liabilities and stockholders' equity	¥ 1,898,296	¥ 1,970,940	\$ 16,506,922

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries (Six-month periods ended September 30, 2007 and 2006)

	Millions of Yen, except share data												Treasury Stock	Total Comprehensive Income (Loss)
	Common stock		Preferred Stock		Additional Paid-in Capital	Accumulated deficit	Accumulated Other Comprehensive Income (Loss)					Total		
	Number of Shares (Thousands)	Amount	Number of Shares (Thousands)	Amount			Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives			
Balance, March 31, 2006	1,872,338	¥ 172,242	428,572	¥ 89,086	¥ 721,828	¥ (466,951)	¥ 21,184	¥ (42,111)	¥ (84,958)	¥ —	¥ —	¥ (105,885)	¥ (7,428)	
Comprehensive income (loss):														
Net loss														
Other comprehensive income (loss):						(3,618)								¥ (3,618)
Net unrealized losses on securities (net of tax of ¥1,332 million)							(9,989)					(9,989)		(9,989)
Reclassification adjustments for net gains on securities realized (net of tax of ¥804 million)							(1,180)					(1,180)		(1,180)
Foreign currency translation adjustments								(1,862)				(1,862)		(1,862)
Net unrealized losses on derivatives											(116)	(116)		(116)
Total														¥ (16,765)
Purchase of treasury stock (152 thousand stocks)														(39)
Sale of treasury stock (30 thousand stocks)														13
Losses on disposal of treasury stock							(5)							
Stock-based compensation					46									
Amortization of Beneficial Conversion Feature				32,033	31,592	(63,625)								
Balance, September 30, 2006	1,872,338	¥ 172,242	428,572	¥ 121,119	¥ 753,466	¥ (534,199)	¥ 10,015	¥ (43,973)	¥ (84,958)	¥ —	¥ (116)	¥ (119,032)	¥ (7,454)	
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 income (loss):														
Net income						15,981								¥ 15,981
Other comprehensive income (loss):														
Net unrealized losses on securities (net of tax of ¥149 million)							(216)					(216)		(216)
Reclassification adjustments for net gains on securities realized (net of tax of ¥1,884 million)							(10,070)					(10,070)		(10,070)
Foreign currency translation adjustments								8,467				8,467		8,467
Pension liability adjustments (net of tax of ¥18 million)										2,937		2,937		2,937
Total														¥ 17,099
Purchase of treasury stock (184 thousand stocks)														(35)
Sale of treasury stock (23 thousand stocks)														38
Losses on disposal of treasury stock							(5)							
Balance, September 30, 2007	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥ (617,339)	¥ 6,306	¥ (31,180)	¥ —	¥ (125,182)	¥ —	¥ (150,056)	¥ (7,693)	

	Thousands of U.S. Dollars (Note 1)												Treasury Stock	Total Comprehensive Income (Loss)
	Number of Shares (Thousands)	Amount	Number of Shares (Thousands)	Amount	Additional Paid-in Capital	Accumulated deficit	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total		
Balance, March 31, 2007	1,872,338	\$1,497,757	428,572	\$1,304,348	\$6,799,574	\$(5,507,087)	\$144,278	\$ (344,757)	\$ —	\$(1,114,078)	\$ —	\$(1,314,557)	\$ (66,922)	
Comprehensive income (loss):														
Net income						138,965								\$138,965
Other comprehensive income (loss):														
Net unrealized losses on securities (net of tax of \$1,939 thousand)							(2,235)					(2,235)		(2,235)
Reclassification adjustments for net gains on securities realized (net of tax of \$15,748 thousand)							(91,678)					(91,678)		(91,678)
Foreign currency translation adjustments								73,626				73,626		73,626
Pension liability adjustments (net of tax of \$157 thousand)										25,539		25,539		25,539
Total														\$148,687
Purchase of treasury stock (184 thousand stocks)														(304)
Sale of treasury stock (23 thousand stocks)														330
Losses on disposal of treasury stock							(43)							
Balance, September 30, 2007	1,872,338	\$1,497,757	428,572	\$1,304,348	\$6,799,574	\$(5,368,165)	\$ 54,835	\$ (271,131)	\$ —	\$(1,088,539)	\$ —	\$(1,304,835)	\$ (66,896)	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries (Six-month periods ended September 30, 2007 and 2006)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Cash flows from operating activities:			
Net income (loss)	¥ 15,981	¥ (3,618)	\$ 138,965
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	43,744	48,825	380,383
Gain on sale of marketable securities and investment securities	(16,946)	(3,803)	(147,356)
Impairment losses on marketable securities and investment securities	685	1,000	5,957
Impairment losses on fixed assets	850	3,914	7,391
Gain on disposal of fixed assets	(70)	(11,388)	(609)
Provision for deferred income taxes	(291)	101	(2,530)
Equity in (earnings) losses of affiliates	(3,135)	4,100	(27,261)
Change in assets and liabilities:			
(Increase) decrease in notes and accounts receivables	(26,953)	542	(234,374)
Increase in inventories	(7,948)	(52,319)	(69,113)
Decrease (increase) in prepaid expenses and other	4,071	(3,777)	35,400
(Increase) decrease in other assets	(5,747)	2,586	(49,974)
Increase in notes and accounts payable	27,767	42,444	241,452
Decrease in accrued income taxes	(400)	(2,276)	(3,478)
Decrease in other current liabilities	(3,053)	(4,248)	(26,548)
Other, net	1,077	476	9,365
Net cash provided by operating activities	<u>29,632</u>	<u>22,559</u>	<u>257,670</u>
Cash flow from investing activities:			
Purchase of available-for-sale securities	(231)	(2,587)	(2,009)
Purchase of held-to-maturity securities	—	(800)	—
Proceeds from sale of available-for-sale securities	39,419	8,567	342,774
Proceeds from repayment of held-to-maturity securities	1	1,116	9
Proceeds from sale of property, plant and equipment	2,610	26,784	22,696
Payments for purchase of property, plant and equipment	(28,080)	(35,930)	(244,174)
Increase in time deposits	(420)	—	(3,652)
(Payments for) proceeds from sale of consolidated subsidiaries	(71)	1,124	(618)
Other, net	(1,219)	764	(10,600)
Net cash provided by (used in) investing activities	<u>12,009</u>	<u>(962)</u>	<u>104,426</u>
Cash flow from financing activities:			
Decrease in short-term borrowings	(9,741)	(17,223)	(84,704)
Proceeds from issuance of long-term debt	1,898	2,455	16,504
Withdrawal from restricted cash	60,600	72,800	526,957
Repayments of long-term debt	(105,372)	(38,042)	(916,278)
Dividends paid to minority stockholders	(563)	(376)	(4,896)
Repurchases of treasury stock, net	(31)	(31)	(270)
Proceeds from minority stockholders on the issuance of new shares in a subsidiary	1,312	—	11,409
Net cash (used in) provided by financing activities	<u>(51,897)</u>	<u>19,583</u>	<u>(451,278)</u>
Effect of exchange rate changes on cash and cash equivalents	(745)	1,491	(6,479)
Net (decrease) increase in cash and cash equivalents	<u>(11,001)</u>	<u>42,671</u>	<u>(95,661)</u>
Cash and cash equivalents at beginning of six-month period	<u>334,686</u>	<u>297,500</u>	<u>2,910,313</u>
Cash and cash equivalents at end of six-month period	<u>¥ 323,685</u>	<u>¥ 340,171</u>	<u>\$ 2,814,652</u>

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries

1. U.S. Dollar Amounts

U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥115=US\$1. This was the approximate effective rate of exchange as of September 28, 2007.

2. Basis of Preparation of Consolidated Financial Statements

A. Progress of the Medium-term Management Plan

Due to the intensification of global competition in recent years, SANYO has been experiencing a difficult management environment. This was compounded by the effects of the Chuetsu Earthquake that struck Niigata prefecture in October 2004. As a result, SANYO recorded a substantial consolidated loss of 171,544 million yen, for the fiscal year ended March 2005. In order to overcome this group-wide crisis, a Medium-term Management Plan was formulated in November 2005, covering the three years until the fiscal year ending March 2008. The main objectives of the plan involved the review and restructuring of the business portfolio, the reform of cost structures, and the strengthening of the financial position.

Despite recording the net loss and resulting in two consecutive years, in the fiscal year ended March 31, 2006, the following measures were steadily executed based on the Medium-term Management Plan: the liquidation of the financial services and OLED businesses, as businesses subject to structural transformation, and unprofitable overseas businesses. In addition, SANYO reduced its interest-bearing debt, disposed of dormant assets, and downsized its workforce.

Due to the recent major changes in the business environment, part of the Medium-term Management Plan was reviewed in November 2006, and the overall strategy including core businesses was reconsidered. In order to complete structural transformation with the goal of attaining steady growth, and to promote recovery of profitability, SANYO identified areas meriting intensive investment, among the core businesses.

Given this situation, SANYO spun off the semiconductor business into a separate company in the fiscal year ended March 31, 2007. In home appliance business, SANYO formed a strategic

partnership with Haier Co., Ltd. in China to produce refrigerators, and ceased manufacturing this product in Japan. In the mobile phone/digital camera businesses, SANYO transferred production outside Japan in order to thoroughly reduce fixed costs, for the purpose of speeding up the construction of a corporate structure that can respond to rapid changes in the business environment.

As for other unprofitable businesses, SANYO withdrew from the LCD panel business, and moved ahead with reforms that include selling the stocks of group companies which are not highly beneficial to SANYO's business operation.

B. Future Policy

In the fiscal year ended March 2008, the final year of the Medium-term Management Plan, SANYO will implement the following measures.

(1) Core businesses

SANYO will concentrate the investment of its resources in the power solutions business, HVAC products & commercial equipment business, and electronic component business. It will set out measures to establish new engines of growth and boost overall corporate profitability at the same time. In particular, SANYO will carry out strategic investment in the solar cell business, where the market is expanding considerably, and enhance our manufacturing capability.

Given the changes in the mobile phone market, SANYO examined the position of this business within the company, along with its possible synergy with other businesses. As a result of this examination, SANYO decided that it was necessary to strengthen its management base by transferring the mobile phone business to another company, rather than continuing to carry out business development on its own, in order to maximize the value of this business. Based on this situation, SANYO granted preferential negotiating rights to Kyocera Corporation in October 2007, and signed a basic agreement with this company for future negotiations concerning sale of the mobile phone business. Meetings will be held with the aim of reaching a final agreement.

(2) Businesses subject to structural transformation

SANYO has continued to examine various

possibilities for the development and growth of its semiconductor business. As a result, SANYO decided not to sell off its semiconductor business or transfer it to another company. Under the new Medium-term Management Plan, it will be developed as one of the key businesses in the Components Business Group that comprises SANYO. Based on this policy, further examination will be carried out for ways to expand the semiconductor business within the corporate group. For the TV business, SANYO aims to achieve a steady recovery of earnings, by concentrating on North America where SANYO is particularly competitive. In the home appliance business, SANYO will develop its business by continuing to carry out measures such as sales activity reforms in Japan, while placing top priority on recovery of profitability in the future.

- (3) Reorganization of subsidiaries and affiliates and manufacturing bases (elimination and business integration)

Having a large number of subsidiaries and affiliates generates a lot of unnecessary costs for SANYO, as well as dispersal of management resources. Therefore, SANYO will continue to promote greater corporate efficiency through business reorganization, liquidation, and business integration.

- (4) Establishing a new Medium-term Management Plan

With the aim of continuous development in the future, SANYO will examine the restructuring of its business portfolio, based on Master Plan established as a Medium-term Business Strategy. Then a new Medium-term Management Plan for the three fiscal years from April 2008 to March 2011 will be determined. As part of this, management measures will be established and implemented based on the following policies: 1) investment promotion based on a group-wide strategy, 2) thorough cost reduction, and 3) strengthening business expansion outside Japan.

The future operational performance of SANYO is dependent on successfully completing the Medium-term Management Plan. The syndicated loan agreement and loan commitment agreement

include certain financial covenants which require SANYO maintains an appropriate credit rating. The accompanying financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business and do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should SANYO be unable to continue as a going concern.

3. Reclassifications

Certain reclassifications of previously reported amounts have been made to the consolidated financial statements for the six-month period ended September 30, 2006 and the year ended March 31, 2007 to conform them to the current year presentation.

Members of the Board

Executive Director & President

Seiichiro Sano

Executive Directors & Executive Vice Presidents

Koichi Maeda
Kazuhiko Suruta
Kentaro Yamagishi

Members of the Board (Outside)

Hideo Watanabe
Ankur Sahu

Members of the Board

Mitsuru Honma
Hidetoshi Arima
Hiromoto Sekino

Corporate Auditors

Standing Corporate Auditors

Ryota Tominaga
Kenzo Kurokawa
Toshiya Uchida

Corporate Auditors (Outside)

Hiroshi Toda
Osamu Okamoto
Takeharu Nagata

President and Vice Presidents

President

Seiichiro Sano

Executive Vice Presidents

Koichi Maeda
Kazuhiko Suruta
Kentaro Yamagishi

Senior Vice Presidents

Mitsuru Honma	Akira Kan
Hidetoshi Arima	Teruo Tabata
Hiromoto Sekino	Toshiaki Iue
Satoshi Inoue	Takenori Ugari
Osamu Kajikawa	Yoshihiro Nishiguchi
Hiroshi Ono	Tadao Shimada

Vice Presidents

Shinya Tsuda	Satoru Hotta
Keiichi Yodoshi	Tsuyoshi Takemura
Nobuaki Matsuoka	Tetsuhiro Maeda
Takuya Kobayashi	Yoshio Watabe
Tsutomu Asano	Takao Ando
Katsuhisa Kawashima	Shigeharu Yoshii
Kazuhiro Takeda	Takashi Hirao
Masato Ito	Hirokazu Teshima
Sousei Takeuchi	Tsutomu Nozaki
Morihiro Kubo	Masahisa Shimizu
Hideo Matsui	Tsuyoshi Egami

Company Information

SANYO Electric Co., Ltd.

Foundation and Incorporation

Founded: February 1947

Incorporated: April 1950

Capital

¥322,242,319,083

Consolidated Subsidiaries

194 (Domestic 74 Overseas 120)

Affiliated Companies

64 (Domestic 36 Overseas 28)

Number of Employees

11,042 (Consolidated 98,907)

Head Office

5-5, Keihan-Hondori 2-chome, Moriguchi City,

Osaka 570-8677, Japan

Telephone: +81-6-6991-1181

Facsimile: +81-6-6992-0009

U.S. Contact Address

SANYO NORTH AMERICA CORPORATION

2055 Sanyo Avenue, San Diego, CA92154, U.S.A.

Telephone: +1-619-661-1134

Facsimile: +1-619-661-6795

Corporate Web Site

Company information

(Japanese) <http://www.sanyo.co.jp/>

(English) <http://www.sanyo.com/>

IR information

(Japanese) <http://www.sanyo.co.jp/ir/>

(English) <http://www.sanyo.co.jp/ir/e/>

Stock Information

Stock Data

Type	Total number of shares issuable	Total capital shares issued	Number of stockholders
Common stock	7,060,300,000	1,872,338,099	278,201
Class A preferred stock	182,600,000	182,542,200	3
Class B preferred stock	246,100,000	246,029,300	3

Stock Listings

Tokyo, Osaka

Securities Code

6764

Number of Unit Stocks

1,000 stocks

Stock Transfer Agent

The Sumitomo Trust & Banking Co., Ltd.

5-33, Kitahama 4-chome, Chuo-ku,

Osaka 540-8639, Japan