

A N N U A L

R E P O R T

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SANYODENKI

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Notes Regarding Future Plans and Estimates

This annual report contains projections concerning the future plans, strategies and estimated performance of Sanyo Denki. These statements do not include historical data but rather are based on management's projections given the information currently available. Accordingly, these projections involve risks and uncertainties relative to the status of the economy and demand, intensifying competition, exchange rates, taxation and other regulations.

Financial Highlights (Consolidated)

SANYO DENKI CO., LTD. and Subsidiaries

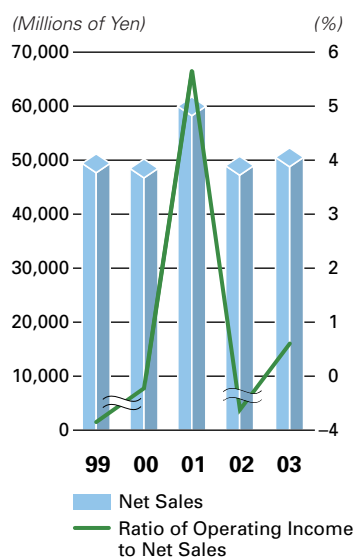
Years ended March 31, 2003 and 2002	Millions of Yen		Change in %	Thousands of U.S. dollars*
	2003	2002	2003-2002	2003
Net Sales	¥50,473	¥48,964	3.1%	\$419,908
Selling, General and Administrative Expenses	6,180	6,307	-2.0	51,414
Operating Income (Loss)	401	(1,241)	132.3	3,336
Net Income	305	1,863	-83.6	2,537
Cash Dividends Paid	358	496	-27.8	2,978
Total Assets	54,052	55,743	-3.0	449,684
Total Shareholders' Equity	28,986	29,348	-1.2	241,148

Per Share Data

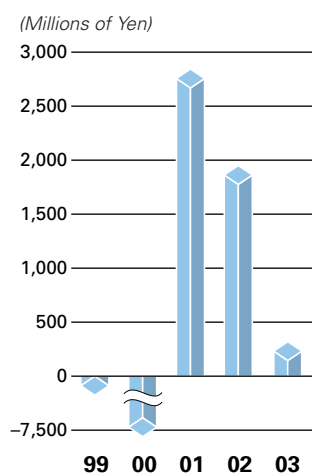
	Yen		Change in %	U.S. dollars
	2003	2002	2003-2002	2003
Net Income	¥5.1	¥30.2	-83.0%	\$0.04
Cash Dividends Paid	5.0	6.0	-16.7	0.04

*U.S. dollar amounts are translated from yen at the rate of ¥120.20 to U.S. \$1, the approximate rate of exchange on March 31, 2003.

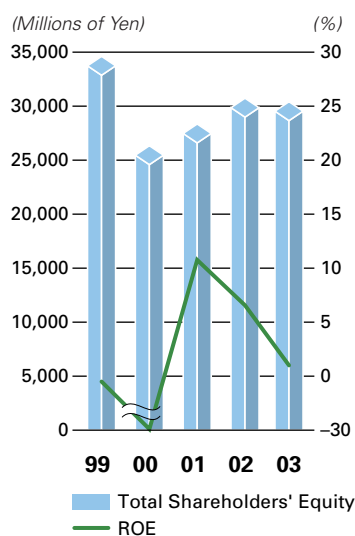
Net Sales & Ratio of Operating Income to Net Sales



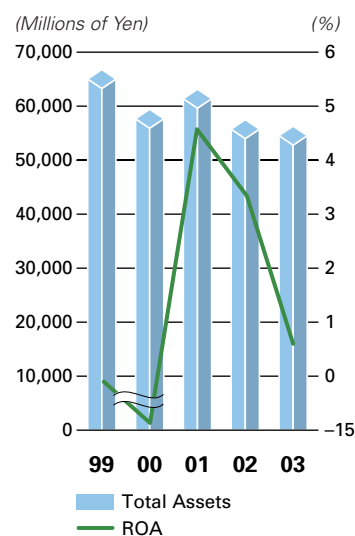
Net Income (Loss)



Total Shareholders' Equity & ROE



Total Assets & ROA



Message from the President

Review of This Term's Business Environment

The Japanese economy in this term was still at a standstill amid intensified competition under the deflationary economic environment.

In the electric machinery industry, we have seen satisfactory demand for semiconductor manufacturing equipment and liquid crystal-related equipment during the first half of this term. However, this was offset by increasingly severe economic conditions as the result of a sharp decline in information technology (IT)-related demand and the telecommunications-related depression originating in the United States.

Under these circumstances, this term's consolidated sales were ¥50,473 million. This is an increase of 3.1% from the previous term due to the increasing demand of liquid crystal equipment and despite the reverse effects from restrictions on investment of IT-related equipment and the larger than expected drop in demand for the telecommunications industry.

As for profit and loss, our company posted income before income taxes and minority interest of ¥558 million (as compared to ¥640 million in the previous term). We achieved this result even with losses due to foreign currency transactions and loss in value for certain securities because of a gain due to the transfer of a portion of the company's pension obligations to the Japanese government, etc. This term's net income was ¥305 million (while the previous term's net income was ¥1,863 million).

Implementation of Policies with Competition and Business Tie-up

Our company has continued the policies initiated last year to place the highest priority on "securing the amount of orders" and in "lowering of the break-even point". As important guidelines to achieving these missions, we promoted "competition among parties and groups in and outside the company" and "business tie-up with other companies". As a result, we took the steps listed below.

1. Within each business division, highly effective and competitive new products were developed that meet the needs of the user.
2. Our business system was reorganized to strengthen sales in promising international markets and, in line with this action, our staff was placed closer to customers.
3. We started a joint sales program with Hitachi Industrial Equipment Systems Co., Ltd. and Japan Servo Co., Ltd. with the aim of expanding market share through mutual sharing of each other's products and sales network.

Expansion of Sales in the Asian Market

4. Finally, we worked to lower the break-even point. This was accomplished with reduction of the fixed cost centering on personnel expenses and lowering of the rate of variable costs through international procurement and consolidated purchase of parts and materials.

Our company established the Shanghai branch office in April of this year as the new sales base for the northern part of China. This followed the establishment of the Taiwan branch office in October 2001 and the Hong Kong branch office in April 2002, with an aim of further increasing sales for our company's products in China and the surrounding areas.

However, this term's business performance was lower than expected despite such steady and considerable efforts.

As for environmental measures, sixteen products have been added to the list of ECO PRODUCTS or products with an environmental-conforming design. We also achieved the desired goals of savings in energy cost and reduction in waste.

Details on this term's business results are stated later in this annual report. As for the term-end dividend, ¥3.00 per share will be paid as compared with the ¥2.00 per share paid for the mid-term dividend.

June 2003



Shigeo Yamamoto
CEO/President & COO



Measures for Improving Profitability

Our company has set the policies of "securing the amount of orders" and "lowering of the break-even point" as the top-priority missions. We have adopted "competition among parties and groups in and outside the company" and "business tie-up with other companies" as important guidelines to achieve these missions. As a result, we implemented the following measures.

1. Increased ability to sell and support our products in key international markets
2. Lowering of the break-even point
3. Development of more competitive products
4. Improvement of profitability through competition
5. Expansion of market share through business tie-up

1 Increased Ability to Sell and Support Our Products in Key International Markets

In order to survive the severe international competition, our company stimulates business activities through expansion of the existing market and development of new markets and customers. We support this action by placing sales and technical staff in overseas offices and by coordinating local sales resources within our global sales system.

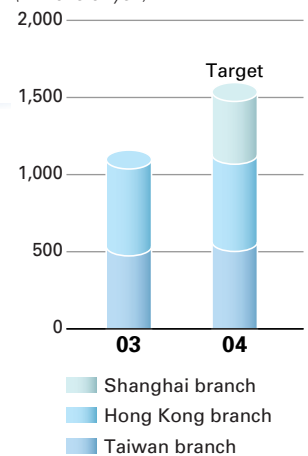


Asia

We are taking strong action to secure market share in the rapidly developing China, Taiwan, and other Asian regions with establishment of the Taiwan branch office in 2001, the Hong Kong branch office in 2002, and the Shanghai branch office in 2003. In the Asian market, demand for our servo systems is rising due to investment for liquid crystal and semiconductor manufacturing equipment in Taiwan and South Korea, plant and equipment investment within China as domestic makers work to lower manufacturing cost, and the car makers' strategic Asian investment. In line with these moves, we plan to improve our sales system and business technology service to further strengthen our competitiveness within Asia. In support of our intensified sales programs in Asia, we invited local sales partners to our first Asian Sales Meeting last November with the purpose of strengthening our mutual relationships. The meeting provided a good opportunity for exchanging information and for increasing the knowledge of our company's businesses and products. We are planning to continue these local meetings on a periodic basis for expansion of sales in the Chinese and other targeted Asian markets.

Sales Results and Plans of Each Sales Office

(Millions of yen)



North America

In North America, our company intensified joint sales activities with subsidiary Sanyo Denki America and subsidiary Automation Intelligence. This included the launch for power system products such as UPS and inverters in order to win new markets and customers. Sanyo Denki America hosted a sales meeting for sales partners from all around the United States to promote increased sales of cooling fans, servo system products, and the new power system products. In addition, we continued to expand the sales network in the entire U.S. At present, Sanyo Denki America has 79 sales partners. With this growing sales network, we expect to continue increasing opportunities for new customers and markets. Finally, we are increasing our brand awareness with stepped-up public relations including new advertisements in the United States and with establishment of a new sales and support office in the southeast region.



Europe

Sanyo Denki Europe, our sales subsidiary based in France and Germany, expanded our sales network by adding new sales agents. In regard to sales and expansion activities, the head office and Sanyo Denki Europe jointly displayed products at Germany's largest exhibition Hannover Messe and actively engaged in promotion activities for clients from all over Europe. As for the sales network, a European Sales Meeting was held for sales partners from all over the European continent. This inaugural meeting significantly enhanced the motivation of sales agencies throughout Europe by explaining our company's business policies and products. In addition, personal relationships between our staff and the sales agency personnel were developed with a deeper mutual understanding for all parties.

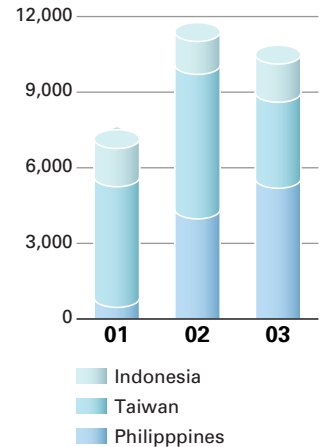


2 Lowering of the Break-even Point

In order to improve our profitability, we have increased the ratio of overseas production. Presently, we are increasing production at our manufacturing subsidiary Sanyo Denki Philippines and at other factories located in Indonesia and Taiwan. We have also consolidated and closed some factories within Japan to improve productivity. Overall, considering all measures, we succeeded in lowering the fixed costs by 11.7% and the break-even point from FY2001 to FY2002 has been lowered by 17.2%.

Sales of Overseas Production

(Millions of Yen)



In case of converting a portion contributed by the overseas production sales.

Reduction in Production Cost and Improvement of Customer Satisfaction at Sanyo Denki Philippines, Inc.



Floor space:

43,000 square meters

Number of employees: 302

Main manufacturing products:

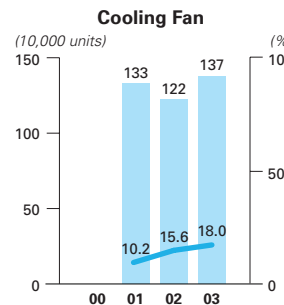
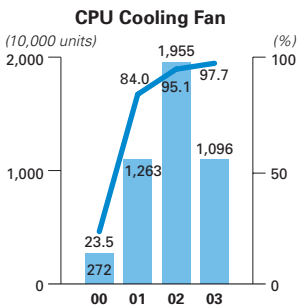
Fan motor
Uninterruptible power supply (UPS)
Inverter

Sanyo Denki Philippines, Inc., located in Subic Techno Park, 80 kilometers northeast of the Philippines' capital Manila, plays a crucial role as Sanyo Denki's overseas production base. The Park is designated as a special economic zone where customs and value-added taxes are exempted.

The district is ideal as the production base because a skilled labor force is abundant and communication is made in English. Since establishment in February 2002, production of cooling fans has been increasing, contributing to a reduction in production cost.

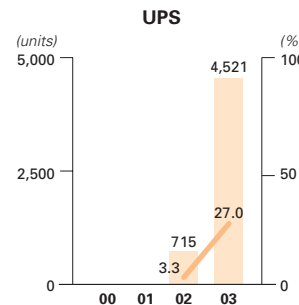
Since 2002, production of UPS products, inverters, and other items for overseas sales has started, helping to strengthen our international competitiveness. The factory has a capacity for producing 100 million fan motors per month, a system to deal with large quantity orders, and a tracking system for production status including delivery date.

Number of Units Produced Overseas & Ratio of Overseas Production



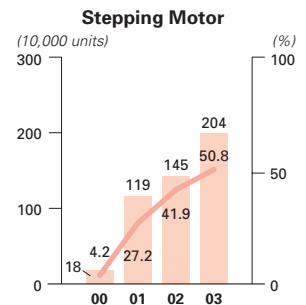
Production started in the Philippines in July 2000.

Left Scale: Number of Units Produced Overseas



Production started in the Philippines in December 2001.

Right Scale: Ratio of Overseas Production



Reduction in Procurement Cost

Our company works to reduce material, transportation, and indirect costs by thoroughly reviewing the procurement costs twice per year, by renegotiations of price with domestic and overseas procurement companies, and by on-site procurement of materials which makes the best use of overseas production bases. In addition, each product division takes cost reduction measures with respect to distinctive features of its products. The Servo Systems Division, the Power Systems Division, and the Cooling Systems Division work on reduction of procurement cost respectively through joint material procurement with Hitachi Industrial Equipment Systems and Japan Servo, streamlining of procurement operations using electronic data interchange (EDI), and by using a new bidding system.

In the future, procurement cost will be further reduced through increased overseas procurement with full utilization of overseas branch offices, and expansion of the on-site procurement by using production bases and overseas production consigners.

This is the result of each division's procurement cost reduction.

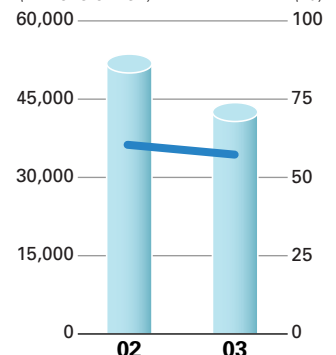
Cooling Systems Division: Cost was reduced by 20%, as compared with the old procurement method, by using overseas procurement of materials.

Servo Systems Division: Cost was reduced by 20 to 40%, as compared with the old procurement method, by partial procurement of materials via Asia.

Power Systems Division: Cost was reduced by 30 to 50%, as compared with the old procurement method, by partial overseas procurement of materials.

Break-even Point & Ratio of Materials Cost

(Millions of Yen)



Break-even point
Ratio of materials cost

3 Development of More Competitive Products

In order to survive the severe international competition, each business division works hard to develop products that ideally match the customers' needs.

Long-life Cooling Fan SAN ACE L

In recent years demand has increased for cooling fan motors with long life and high reliability. This is in addition to traditional requirements for high air volume, low noise, and small size. The higher requirements are a result of an increase in the amount of heat generation due to space-saving and high-density mounting of telecommunications-related equipment. The high air volume, low noise, compact, and long-life fan *San Ace L* was developed to meet these requirements. The product is suitable for cooling equipment such as information communication devices that require continuous operation.

Main Features

Maintenance-free cooling fan with a maximum of 200,000 continuous operating hours (more than 22 years).

This new product reduces noise by about 6%, size by about 20%, and improves the maximum air volume by 37%.

Target Applications

Communications equipment, routers, servers, and other cooling applications



AC Servo System SANMOTION Q

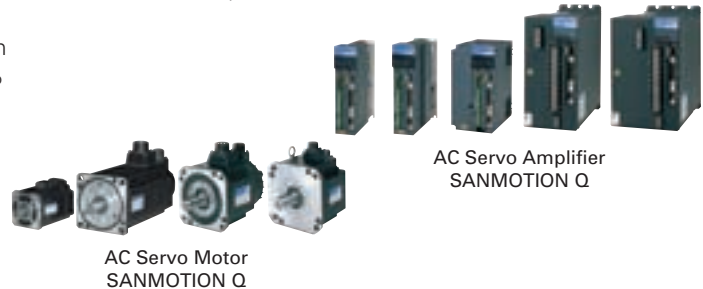
Customers' request for a servo system with low price and high efficiency is very strong in recent years and this has led to increased competition. The *Q* series is our new servo system developed to survive such competition. Since the *Q* series products are modular in design, manufacturing time is reduced. On top of that, the *Q* series has excellent performance resolution and is rich with many and various control functions. The result is customer equipment that runs faster but with increased precision as well. Furthermore, the new system consumes less power than the conventional servo systems which leads to reduced equipment operating cost and supports improved environmental measures. Even though the *Q* series has enhanced performance as already mentioned, a lower price was also achieved through reduction in material cost and procurement of some components from overseas production facilities.

Main Features

The new energy-saving and quick response AC servo system uses a high-efficiency CPU to reduce the power loss by 20% and to reduce the sampling time by 50% as compared to more conventional type servo systems.

Target Applications

Semiconductor manufacturing equipment, chip mounters, robots, machine tools, and other types of general industrial machinery



Uninterruptible Power Supply SANUPS E

The UPS (Uninterruptible Power Supply) is becoming more important as the power back-up for computers and various other information and communications equipment due to the ongoing build-up of the information highway. It is very important for the UPS to provide reliable and stable power at all times including periods of low voltage, power failure, and elimination of any power problems that would be harmful to communications equipment. In addition, UPS products are protecting our environment by using less power and a fewer number of parts.

In order to meet these requirements, the next-generation *SANUPS E* was developed resulting in an efficient, small, lightweight, and highly reliable product. Power is available to the load at all times, even in the event of power failure, because the UPS uses the new patent-pending parallel processing system where parallel operation of the commercial power and the inverter provide continuous power. The UPS achieves 97% efficiency which can save more than ¥1 million per year in power charges (100kVA unit). This UPS product contributes greatly in regard to cost savings and preservation of the environment.

Main Features

The 100kVA model is energy-saving, highly efficient, and highly reliable. It is possible to save more than ¥1 million per year in power charges and the package is 40% smaller than conventional models.

Target Applications

Back-up power for data centers, semiconductor manufacturing equipment, general industrial machinery, and other similar applications



4 Improvement of Profitability through Competition

"Free sales competition" was introduced among our existing business departments and sales channels. This means that any business is free to develop sales channels into any territory with the objective of maximizing sales and profit (without regard for any existing territory responsibilities). We introduced a similar concept for our product development and production. Without any regard for existing products, new products may be sourced internally or externally to maximize growth and profit. As a result, we succeeded in developing new markets and customers through increased sales activity and we lowered our fixed costs through factory unification and a restructuring of our business system.

Competition

- ◆ Competition among the company's business departments
- ◆ Competition among sales subsidiaries
- ◆ Competition among agencies and sales offices

◆ Customer satisfaction

- ◆ Competition among factories
- ◆ Competition among overseas production bases
- ◆ Competition among procurement companies

- ◆ Reductions in cost
- ◆ Shortening of delivery time
- ◆ Improvement of quality

5 Expansion of Market Share through Business Tie-up

Our company concluded joint sales agreements with Hitachi Industrial Equipment Systems and Japan Servo for factory automation and drive system businesses. Our customers are benefiting from the combination of our high value servo systems and cooling fans, the nation's largest sales network and excellent technology of Hitachi Industrial Equipment Systems, and the lineup of Japan Servo's servo motors. The first step in our joint sales program was the launch by all three companies of sales targeted at segments of factory automation control and drive systems starting April 1, 2003.

Concerning the factory automation control and drive system businesses, features ranging from energy savings, environmental issues, and system solutions are becoming increasingly important. Customers are also concerned more and more with lower cost. In order to meet these requirements quickly yet on target, swift product development and introduction to the market are necessary.

Our company agreed on cooperation for AC servo motor business with Hitachi Industrial Equipment Systems and on cooperation for the stepping motor business with Japan Servo.

This cooperative agreement combines the distinctive features of each company, results in a product lineup that no one company can provide, and provides best-of-class solutions to the market through mutual combination of each company's strong points. The combination of all three companies' results in the nation's largest lineup of products and sales network for factory automation control and drive system businesses.



Strength of competitive ability through mutual supplement of products and joint utilization of sales network

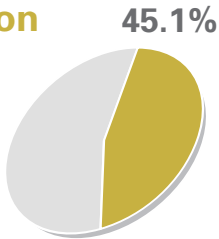
At a Glance

Share of Net Sales (%)

Outline

Main Products

Cooling Systems Division



The Cooling Systems Division manufactures and sells cooling fans.

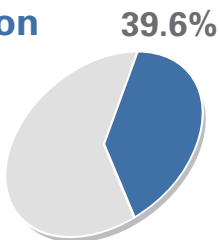
Fan motors are continuously produced at Sanyo Denki Philippines, our company's overseas factory, leading to cost reduction through more efficient procurement and reduced manufacturing costs. Some fan products are also made at our manufacturing and contracting subsidiary Sanyo Denki Techno Service.

In addition to our domestic and Asian sales activity, certain other cooling fan products are sold in Europe via our French sales subsidiary Sanyo Denki Europe and in North America via our U.S. subsidiary Sanyo Denki America.

San Ace

CPU Cooling Fan "SAN ACE MC"
 DC Cooling Fan "DC San Ace"
 AC Cooling Fan "AC San Ace"
 Splash-proof Fan "San Ace W / WS"
 Long Life Fan "San Ace L"
 Blower Fan "San Ace B"

Servo Systems Division



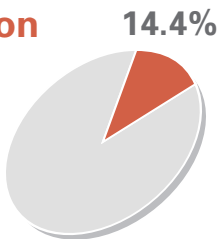
The Servo Systems Division manufactures and sells stepping motors and drivers, AC servo systems, DC servo systems, tachometer generators, moving coil motors, sensors, and other related products.

Some products are also made at our manufacturing and contracting subsidiary Sanyo Denki Techno Service. Active sales promotion is under way with a priority for expansion of the existing markets and development of new markets via French subsidiary Sanyo Denki Europe and U.S. subsidiaries Sanyo Denki America and Automation Intelligence.

SANMOTION

AC Servo System
 "SANMOTION Q"
 DC Servo System
 "SANMOTION T"
 Stepping System
 Linear Servo System
 Sensors

Power Systems Division



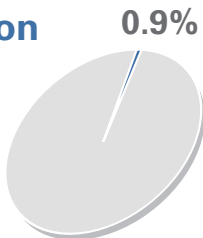
The Power Systems Division manufactures and sells static power supplies for telecommunications, uninterruptible power supply (UPS) with alternating current, constant voltage and constant frequency power supply units, inverters, converters, systems to monitor and control power systems, engine generators, motor generators, and other related products. Some products are also made at our manufacturing and contracting subsidiary Sanyo Denki Techno Service. Production of small-capacity UPS units began at our overseas factory Sanyo Denki Philippines.

With the start of sales for UPS products in North America, we have begun active sales promotion in order to open new overseas markets.

SANUPS

Uninterruptible Power Supply (UPS)
 "SANUPS"
 UPS Management Software
 UPS Controller
 Inverter
 Engine Generator
 Photovoltaic Power Generation Inverter

Control Systems Division



The Control Systems Division manufactures and sells solutions and components such as industrial PCs, control software, and other related products. Some products are sold in North America and Europe through U.S. subsidiary Automation Intelligence. The Control Systems Division was unified with the Servo Systems Division in April 2003 in order to improve the business effectiveness.

SANMOTION

Industrial PC
 "SANMOTION SMS-15"
 Motion Control Software
 "AML"

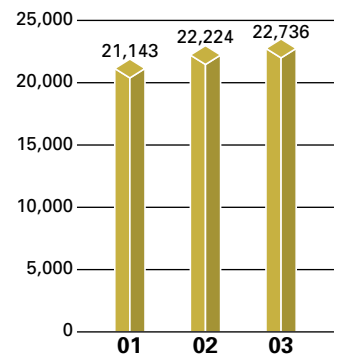
Major Use

Net Sales (Millions of Yen)



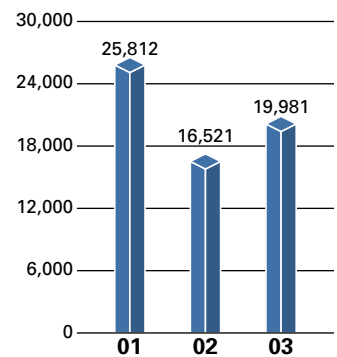
DC San Ace

- Cooling devices for electric equipment
- Telecommunications equipment
- Industrial machinery
- Base station
- High-end server
- Storage
- Personal Computer
- OA equipment



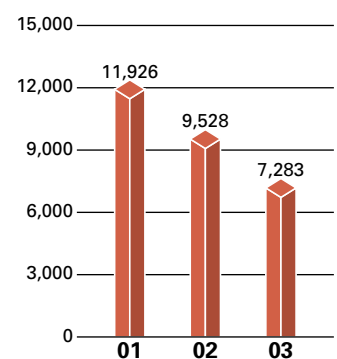
SANMOTION Q

- Servo system and stepping system for equipment
- Semiconductor manufacturing equipment
- Robots (assembly robots, welding robots, nursing robots, electric component inserters, etc.)
- Industrial equipment (printing presses, woodworking equipment, injection molding, etc.)
- ATM
- Ticket vending machine
- OA equipment
- Medical equipment



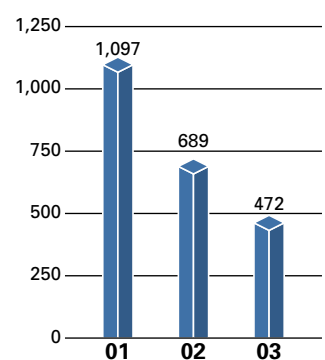
SANUPS ASE

- Power back-up system for electric equipment
- Communication systems
- Factory automation
- Network system
- Computers
- Medical facilities
- Control systems



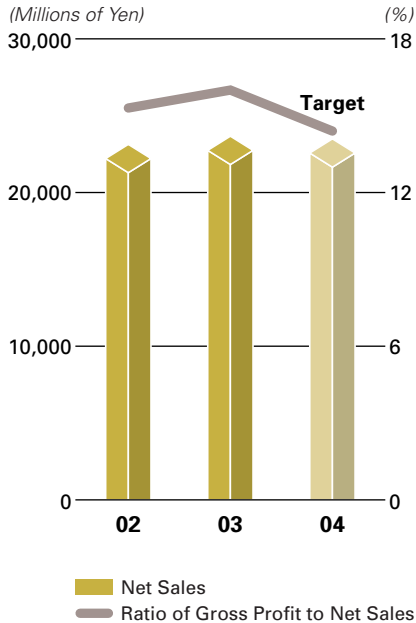
SANMOTION SMS-15

- Set up of the FA open system
- Semiconductor manufacturing devices
- Food wrapping machine
- Plastic processor
- Press machine
- Security system



Review of Operations

Net Sales & Ratio of Gross Profit to Net Sales



	02	03	04*
Net Sales (Millions of Yen)	22,224	22,736	22,570
Ratio of Gross Profit to Net Sales (%)	15.3	16.0	14.4

*Target

Cooling Systems Division

Sales remain sluggish for our company's main products, the cooling fan AC and DC *San Ace* series, which have been hit hard by the business slump in the information-technology (IT) and telecommunications industries. Sales of the CPU cooling fan *SAN ACE MC* series also dropped due to stagnant demand in the personal computer market and intense price competition.

On the other hand, use of cooling fans is spreading from existing markets for information processors and telecommunications equipment to new markets for home appliances, AV equipment, game devices, etc., which is leading to an overall expansion of the cooling fan market.

Under these circumstances, this term's sales were ¥22,736 million, an increase of 2.3% from the previous term.

In FY2003, we will broaden our cooling fan *San Ace* series through consolidation of the higher air volume cooling fan *San Ace* series, sales of new blower fans, and standardized compatibility for the fan lineup. We will also push for expansion of sales in new markets including improvement of the overseas sales network.



Cooling Fan San Ace Series

New Products

DC Cooling Fan "San Ace 40" for 1U server



1. Product size: 40 mm square, 28 mm thick
2. Cooling fan for the 1U (43 mm-thick) server which mounts in a 19-inch rack
3. Excellent cooling capacity with a fixed rotation speed up to 15,500 min⁻¹

CPU Cooling Fan "SAN ACE MC" for 3.06 GHz processor



1. The industry's best performance for cooling the high-speed 3.06 GHz CPU
2. Product's service life: maximum 40,000 hours
3. A fan with the function of automatically adjusting rotation speed according to the surrounding temperature is also available

■ Servo Systems Division

Sales of AC servo systems and stepping systems, the main products for this division, were ¥19,981 million, an increase of 20.9% from the previous term. The increase is due to increasing demand from the markets in Taiwan, South Korea, and China.

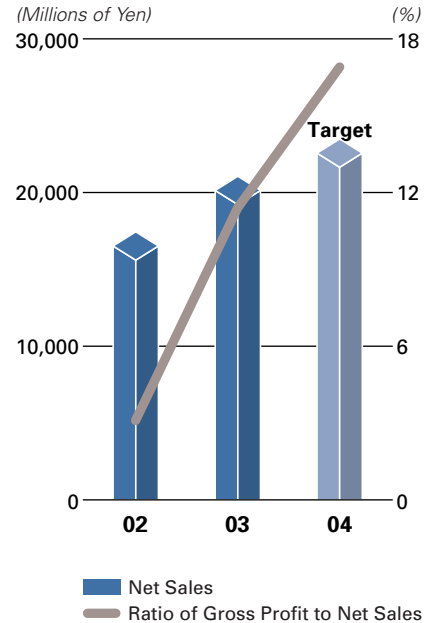
Specifically, the increase is due to investments made in liquid crystal-related equipment that is compatible with fifth-generation 1200 mm devices, a rise in investment for sewing machines and embroidery tools in the apparel industry due to China's membership in the World Trade Organization, and an increase in orders of industrial machine tools for automobile parts makers due to the Asian strategy of car manufacturers.

As for prospects in FY2003, we anticipate that there will be a move in the semiconductor manufacturing machines-related industry. We also plan to further expand sales through strengthening of our overseas business development.



AC Servo System SANMOTION Series

Net Sales & Ratio of Gross Profit to Net Sales



	02	03	04*
Net Sales (Millions of Yen)	16,521	19,981	22,200
Ratio of Gross Profit to Net Sales (%)	3.1	11.4	16.9

*Target

AC Servo System "SANMOTION Q"

Motor



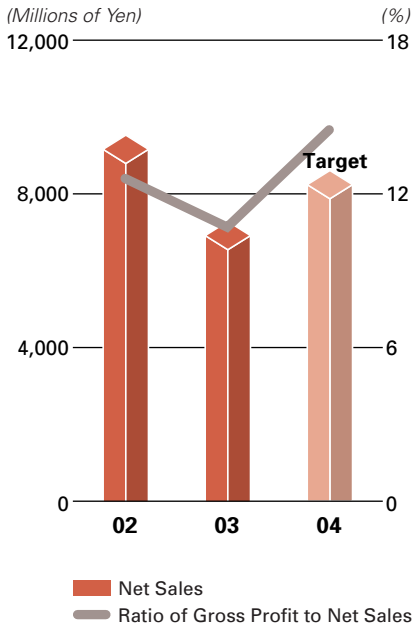
1. Available in two types: low inertia and medium inertia
Low inertia series: The instantaneous maximum power rate is improved up to 2.0 times as compared to the conventional type. Medium inertia series: Torque ripple is reduced to one-third as compared to the conventional type
2. Improvement in the waterproof rating for all Q-series motors. The waterproof rating allows for 30 minutes in water up to one-meter deep

Amplifier



1. More than 20% reduction in power loss has been achieved
2. Fast response and smooth operation are key features. The momentary speed variation is one-tenth and the settling time when stopping is one-fifth as compared to the conventional type
3. Size has been reduced by 30% due to the space-saving design

Net Sales & Ratio of Gross Profit to Net Sales



	02	03	04*
Net Sales (Millions of Yen)	9,528	7,283	8,230
Ratio of Gross Profit to Net Sales (%)	12.6	10.7	14.5

*Target

Power Systems Division

This division's sales in the 101st term were ¥7,283 million, a decrease of 23.6% from the previous term, due to a sharp decline for incoming orders from the NTT Group and other computer makers.

The main reasons for this decrease in orders were sluggishness in plant and equipment investment due to the IT-related industry. This included lack of large-scale investment for data centers and a slump in sales for computer hardware. However, we did see investment in the broadband area such as ADSL. Also, we did experience an increase in orders for our newly introduced uninterruptible power supply (UPS) *SANUPS E* in the markets for liquid crystal manufacturing equipment and semiconductor manufacturing machines. We also increased orders for our small-capacity UPS *SANUPS ASE* series.

However, overall sales dropped due to the huge 35% decrease in demand for the overall UPS products as compared with last year and stagnant sales of products other than the UPS products.

Under these severe conditions we will focus on development of the international markets, expansion into new fields such as general industries, and expansion of sales to computer makers.



UPS SANUPS Series

New Products

High Efficiency UPS "SANUPS E"



1. Energy-saving UPS with 97% efficiency
2. The 100kVA type UPS reduces annual electric costs by more than ¥1 million
3. Size and weight reduced by 40% as compared to the conventional model

1U (43mm thick) UPS "SANUPS ASE"



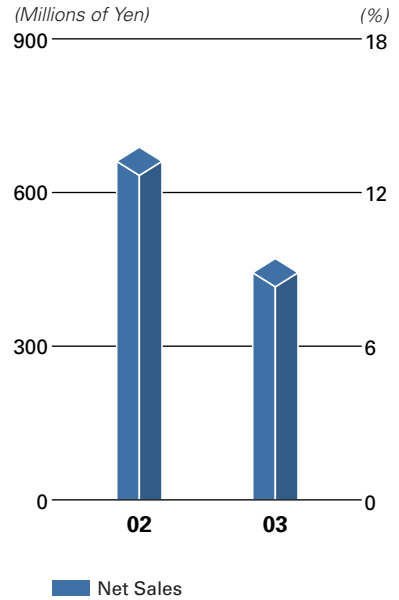
1. The 1U (only 43 mm thick) 1kVA-capacity UPS is the industries first such UPS using the continuous inverter power supply system
2. The continuous inverter power supply system supplies electric power with a perfect sine wave with no break in power even with imperfect input voltage, break in input power, or a complete loss of input power

■ Control Systems Division

The global economic stagnation in the overseas and domestic markets created business results that were far worse than expected. This division's sales were ¥472 million, a decline of 31.5% from the previous term.

The control systems division was unified with the servo systems division beginning with April 2003. We expect coordinated joint product development and management resulting in expansion of the combined businesses.

Net Sales & Ratio of Gross Profit to Net Sales



Motion Control Software AML



Industrial PC SANMOTION SMS-15

	02	03	04
Net Sales (Millions of Yen)	689	472	—
Ratio of Gross Profit to Net Sales (%)	—	—	—

Industrial PC "SANMOTION SMS-15"



1. The computer's service life is increased to 10-15 years by removing all rotating parts such as a hard disk memory
2. Reliable and continuous operation is possible (24 hours per day and 365 days per year) because of the environment-resistant design considering harsh vibration, temperatures, and electro-magnetic noise

Environmental Actions

In FY 2002, our company set targets for such activities as "promotion of ECO PRODUCTS", "reduction in electric power consumption", "reduction in fuel consumption", and "reduction in waste". As a result of these plans, we succeeded in achieving the following results.

Prevention of Global Warming

Controlling emission of CO₂ through energy saving activity is considered the top-priority task so we work hard to improve efficiency of the energy consumption rate and to increase the energy saving activity.

Consumption of electric power, LPG, and heavy fuel oil A decreased in FY 2002 as compared to last year. The amount of CO₂ gas exhaust was about the same as last year.

We worked hard to reduce electric power consumption through a review of operating hours for air compressors and other equipment. We also reduced consumption of LPG and heavy fuel oil A by reducing the operation hours for our air conditioners.

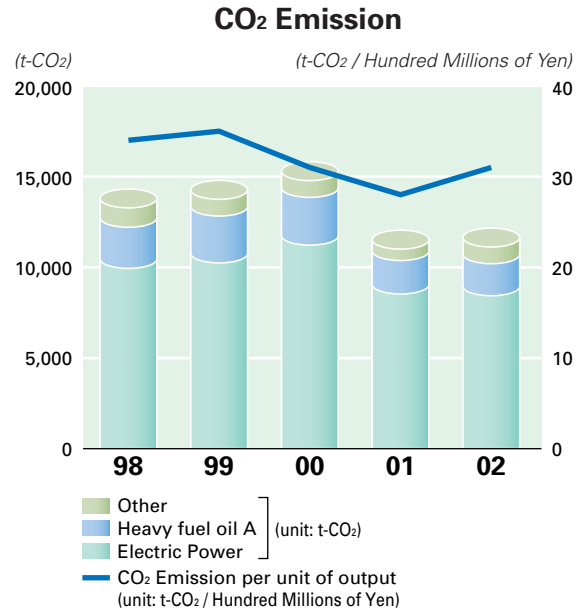
Green Procurement

The Green Procurement Guidelines were established to inform all our suppliers concerning procurement of materials and parts that are environmentally-friendly.

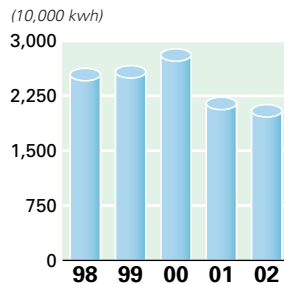
Our first step has been to explain our aims to procurement companies and to provide them with a questionnaire.

Based on the replies, we have urged cooperation for improvement.

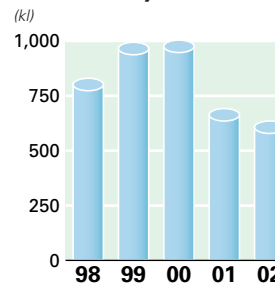
Our intention is to procure environmentally-conscious materials and parts in cooperation of our packaging material suppliers in full compliance with the standards stated in the Guidelines.



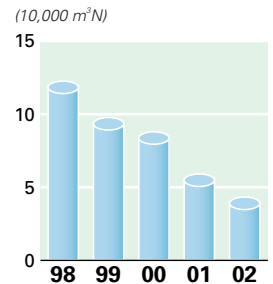
Electric Power



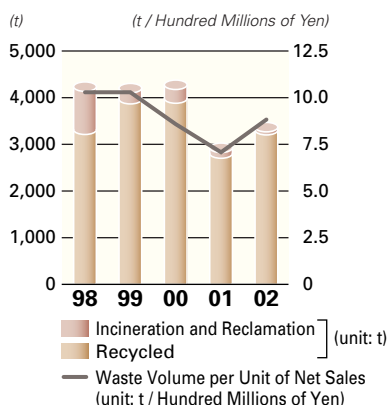
Heavy Fuel Oil A



LPG



Change in Amount of Discharge of Waste



Environmentally-Friendly Distribution

The packaging material used with our products is made from used paper and recycled materials while pallets are reused at all factories when moving products and parts from one place to another by forklift. We also reuse shock-absorbing materials and other similar materials used in our product packaging.

Zero Emission Activity

In FY 2001, we defined zero emission as a recycle rate in excess of 90% and the Technology Center and all domestic factories achieved the target. The target recycle rate is set at 98% in FY 2002 and four factories have achieved the target.

These data are about environmental performance of the head office, Technology Center and domestic factories such as Midorigaoka Works, Shioda Works, Tsuji Works, Aoki Works and Fujiyama Works. Data until 1999 are about Technology Center and domestic factories.

Development of ECO PRODUCTS

Sixteen products have been added to our ECO PRODUCTS list. The total number of our company's ECO PRODUCTS is now at 20.



◆ High Efficiency UPS SANUPS E (20kVA, 50kVA, 100kVA)

Energy saving was realized due to lighter weight, longer service life, and improved efficiency.

Main Features

1. Reduction in annual electric cost by 13% (The 100kVA model saves more than ¥1 million per year by reducing power consumption)
2. 97% efficiency
3. 40% reduction in installation space
4. Batteries with increased service life



◆ Inverter SANUPS DA10SR, DA10S

Power consumption has been reduced even though the new units are smaller and lighter as well. Disposal of the unit has also been made easier.

Main Features

1. Efficiency increased by 15%
2. Reduction in product volume by 40%
3. Reduction in mass by 50%



DA10SR



DA10S

◆ UPS SANUPS ASE-H (100V, 200V)

As compared with the previous model, part count has been reduced by about 50% and power consumption has been reduced by making the product lighter, smaller, and more efficient.

Main Features

1. Efficiency increased by 15%
2. Reduction in operating temperature by 70% (200V type)
3. Reduction in weight by 75% (200V type)



◆ Cooling Fan San Ace 140L

Improvement of cooling efficiency and longer service life

Main Features

1. Reduction in mass by 20%
2. Reduction in electric power consumption by 6.5%
3. Reduction in noise by 3dB
4. Increase of maximum air volume by 25%



◆ Industrial PC SMS-15

Compact package, long service life, and lower power consumption

Main Features

1. 100% solid-state construction resulting in high reliability and long service life (Expected service life is about 10-15 years due to no rotating parts such as a conventional hard disk drive.)
2. Continuous operation (24 hours per day and 365 days per year) is possible due to design for high levels of vibration, temperature, and electro-magnetic noise.



◆ AC Servo Amplifier PV2 (48V)

Small, lightweight, and wire-saving servo amplifier

Main Features

1. Reduction in package size by more than 20%
2. Reduction in mass by more than 20%
3. Reduction in wires due to network interface



◆ AC Servo Motor SANMOTION Q

Servo motor saves energy by controlling electric power loss

Main Features

- Reduction in electric power loss by 20%



◆ AC Servo Amplifier SANMOTION Q

Space-saving servo amplifier

Main Features

- Reduction in volume by 50%



The comparisons above are with our company's conventional models.

In FY 2003, we will actively promote development of ECO PRODUCTS, introduce environmental accounting and increased green procurement, obtain the ISO 14001 Certificate by October 2003 for our overseas factory Sanyo Denki Philippines, Inc., and pursue other initiatives such as increased environmentally-conscious business activities.

Research & Development

The Technology Center is the center of our R&D program which includes close coordination with our U.S. R&D and sales subsidiary Automation Intelligence. Our company's R&D system is focused on future market trends and customer needs.

Cooling Systems Division

As for fans, we developed the programmable fans equipped with a micro-controller to directly and digitally control the rotational speed, high air volume 40 mm sq. x 28 mm thick fans suitable for cooling a 1U server, four new blower type fans, and high air volume 140 mm sq. x 51 mm thick long life fans. The trend in cooling technology is higher air volume so we have worked to develop and expand our lineup to meet such a demand.

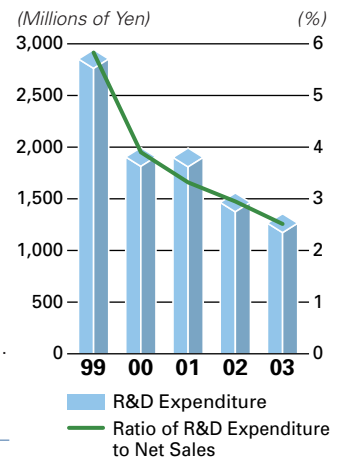
As for CPU coolers, we developed the 25 mm thick CPU cooler with copper heat sink targeted for the 1U server and the high-efficiency CPU cooler combining copper pillars and aluminum fins for cooling the latest high-speed CPU.

In the future, we need even more advanced cooling technology because we expect increased heat generation from future equipment.

In development of highly-efficient fans with high air volume and low power consumption and in the CPU cooling field for the remarkable 3GHz and higher speed technology, the division is constantly challenged to improve the CPU cooling technology with a focus on the simple structure of fans and heat sinks.

The research and development costs for the Cooling Systems Division were ¥466 million in this term.

R&D Expenditure & Ratio of R&D Expenditure to Net Sales



1999 is the numerical value for the non-consolidated account settlement.

Servo Systems Division

As for servo motors, the new *Q* series low inertia motor was commercialized with an emphasis on fast response. The maximum momentary power rate is 1.5 to 2 times more than the conventional type, position settling time has been shortened, and a maximum of 5,000 revolutions per minute is possible.

As for sensors, this division completed and started to sell an environmentally-friendly absolute sensor that requires no internal or external battery for data backup.

The division also developed and commercialized a small-size and high-resolution incremental sensor suitable for semiconductor manufacturing machines and testing instruments. We also added the new 400V series to the *Q* series AC servo system family.

As for stepping motors, we have added a wide range of products including synchronous motors for cryo-pumps using high pressure gas, stepping motors for vacuum equipment, and stepping motors for an environment with radiation exposure.

The research and development costs for the Servo Systems Division were ¥645 million in this term.

Power Systems Division

This division engages in development of products meeting requirements for higher efficiency, smaller size, lower weight, and lower cost. We introduced the highly efficient UPS with parallel redundant operation and commercialized the first 1U (43 mm thick) rack-mountable small-capacity UPS. The division also worked to achieve international standards and to expand our load capacity.

We also completed the parallel redundant inverter which accepts a direct current power supply.

A series of mid-capacity UPS products using the parallel processing method was commercialized. Development of a low-priced UPS with the continuous inverter power supply method is under way. In the new energy field, development of a low-priced and small inverter for the photovoltaic power generation is also under way.

We responded to the development and upgrade of power supply control equipment that can be used with various software products. Integrated management software to monitor multiple pieces of equipment in a 19-inch rack or similar configuration was completed.

The research and development costs for the Power Systems Division were ¥77 million in this term.

Control Systems Division

In the area of control solutions, based on our application experience, we developed controllers that accept CAD file input, that provide for high-speed control, and that offer control for complex packaging machines with high functionality.

We also tested our servo drive with a Profibus-interface, introduced our DeviceNet driver with DC-input, and completed our industrial PCs for measurement and remote-control monitoring.

The research and development costs for the Control Systems Division were ¥144 million in this term.

Overseas Activities

Sanyo Denki is aggressively advancing into international markets with an aim of increasing profits and achieving additional growth. We promote our global business development by taking advantage of our products' superiority in the steadily growing Asian market, the European market with emphasis on the European Union, and the enormous U.S. market.



We established a branch office in Shanghai during 2003 with the expectation of increased sales in the very promising China market. This followed the establishment of branch offices in Taiwan during 2001 and in Hong Kong during 2002. Our company's sales effort in China has been greatly expanded with the Hong Kong branch office,

the Shanghai branch office and the Taiwan branch office. In the future, we plan to further expand sales with these three offices as our core sales management base. As for sales activities in other parts of Asia, we plan to increase sales of the servo systems to industrial machine tool manufacturers and the fan motors to telecommunications-related manufacturers in South Korea. We will also expand sales of fan motors to subcontract manufacturers and target new sales activities at general industrial machinery in the Southeast Asian markets. Establishment of additional sales offices is under review.

The first Asian Sales Meeting was held for local sales partners last November as an action to increase sales. At the meeting, we actively exchanged information which will lead to an increase in sales. The meeting will be held periodically for promotion of continued sales growth in Asia.



Sanyo Denki America conducted an annual sales meeting for all North American sales partners including the introduction of our company's new products. In FY 2003, we are planning to increase sales through increased public relation activities and the establishment of a sales and support office in the southeast U.S.

In the cooling system business, we are planning to expand sales for server applications, switching power supplies, and telecommunications equipment with introduction of a new cooling fan system and with the introduction of the increasingly popular high air volume fans (40 mm, 60 mm, 80 mm, and 92 mm sizes).

In the servo system business, we are working to meet the broad needs of customers with new products such as the *Q* series AC servo system, the small-size *PB-R* programmable servo system, and consolidation of our synchronous motors and two-phase bipolar stepping motors. In the power system business, we concluded an agreement with six U.S. sales partners and started sales for small-size UPS products in North America.

We will differentiate our power supply offering by introducing UPS products using redundant technology and inverters. This will help in establishing our brand name and new sales channel in the U.S. market.



Sanyo Denki Europe works closely with our head office to emphasize activities in the following three areas.

First, we intend to increase market share through active sales of our products in new and existing markets. Second, we have expanded our sales network to give improved support for customers. And finally, we

hosted our first European sales meeting including all sales partners which has strengthened cooperation between all parties.

These efforts have resulted in new business and new customers in factory automation, office automation, and medical instrument markets.

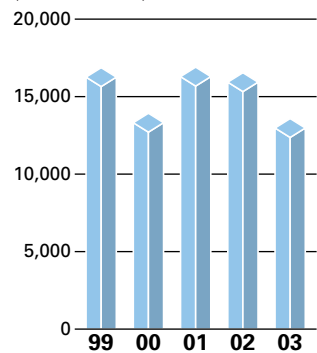
We set up new sales agents in Hungary, Poland, Sweden and Turkey, which has solidified the sales network under our company's German subsidiary office.

We also participated in a total of 18 exhibitions, including Germany's Hannover Messe, with an expectation of increasing sales.

In FY 2003, we will expand our market share in Germany and other European markets through improved customer satisfaction and introduction of new products.

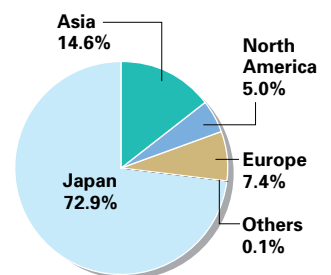
Overseas Sales

(Millions of Yen)



1999 is the numerical value for the non-consolidated account settlement.

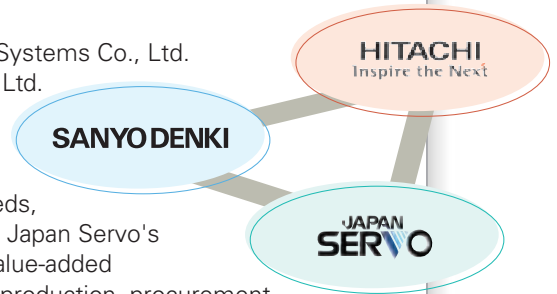
Percentage of Net Sales by Region



Highlights of the Year

Business Tie-up with Hitachi Industrial Equipment Systems and Japan Servo

Our company established joint sales cooperation with Hitachi Industrial Equipment Systems Co., Ltd. (hereinafter referred to as Hitachi Industrial Equipment Systems) and Japan Servo Co., Ltd. (hereinafter referred to as Japan Servo) in the factory automation control and drive system businesses. With these tie-up's, we can offer a wider selection of products as compared to any single supplier. This is a result of our company's lineup for servo systems and cooling fans that meet the customers' demanding needs, Hitachi Industrial Equipment Systems's sales network and superior technology, and Japan Servo's wide variety of servo motors. Our initial aim is providing customers with the more value-added products. In the future, we will expand the cooperation to other fields ranging from production, procurement, and others so that we can realize even more value-added business development and global competitiveness.



Establishment of the Shanghai Branch Office

Following the establishment of Taiwan and Hong Kong branch offices, the Shanghai branch office was established in April 2003. Up until that time, local sales agents in northern China conducted the primary sales activities. With the establishment of the Shanghai branch office, product sales and consolidation of the distribution route through a two-layer system of agencies and branch office have been possible.

Sanyo Denki Receives Intel's Prestigious Supplier Continuous Quality Improvement Award

Sanyo Denki was named a recipient of Intel Corporation's prestigious 2002 Supplier Continuous Quality Improvement (SCQI) award. This is Intel's highest honor for suppliers and it recognizes outstanding commitment to quality and performance by suppliers of products and services deemed essential to Intel's success.

The SCQI awards are part of Intel's Supplier Continuous Quality Improvement process, which encourages Intel's key suppliers to strive for excellence and continuous improvement. To qualify for SCQI status, suppliers must score at least 95% on a report card that assesses performance and ability to meet cost, quality, availability, delivery, technology, and responsiveness goals.



**Third party marks and brands are property of their respective holders.*

Publication of the 2003 Environmental Report in English and Japanese

The 2003 Environmental Report on our company's fiscal 2002 environmental preservation activities was published.

In this report, our company's environmental preservation activities such as development of ECO PRODUCTS, considered as one of the top-priority tasks for our environmental impact reduction activities, and the results of reductions in waste, energy consumption, and others, are explained in detail.

**Please refer to Page 14 to 15 for more details.*



Ways to Deal with Risk Management

Our company inaugurated the Crisis Management Committee in May 2001 to perform the activities listed below to prevent risks leading to a trouble or an accident that occurs frequently nowadays.

1) Details of activities

- The guidelines on preventive measures were prepared for preventing risks
- The guidelines to deal with risks were prepared to keep the damage of the risks at a minimum
- Thorough explanation of ways to deal with risks and implementation of education and training

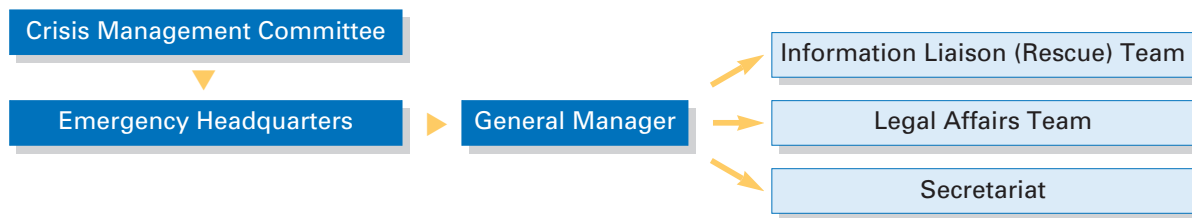
2) Details of measures implemented since May 2001

- Our company's thorough investigation on risks that may occur, discussion of preventive measures and preparation of guidelines
- Preparations of guidelines for dealing with risks at the time of natural disasters, accidents and crimes
- Implementation of the risk management training for supervisors and superintendents
- Fundamental study of our company's activity standards

3) Preparation for the Emergency Headquarters

The Crisis Management Committee is ready to select a well-qualified person and establish an Emergency Headquarters in case of emergency situation.

Structure of the Emergency Headquarters is as follow:



**The structure is subject to change depending on cases. The above chart shows the structure of our company's Emergency Headquarters at the time of the simultaneous terrorist attacks in the U.S. in September 2001.*

Participation in Trade Shows Held in Japan and Overseas in Fiscal Year 2002

The exhibitions held between April 2002 to March 2003 included the following:

	Date	Place
Techno-Frontier Week 2002	April 17-19	Makuhari Messe, Japan
Hannover Messe 2002	April 15-21	Hannover, Germany
Semicon Japan 2002	December 4-6	Makuhari Messe, Japan
NET&COM 2003	February 5-7	Makuhari Messe, Japan



NET&COM 2003



Hannover Messe 2002

Financial Section (Consolidated)

Six-Year Summary

SANYO DENKI CO., LTD. and Subsidiaries

Years ended March 31	Millions of Yen					
	2003	2002	2001	2000	1999	1998*
Net Sales	¥50,473	¥48,964	¥59,980	¥48,465	¥49,775	¥55,613
Cost of Sales	43,891	43,898	49,804	42,432	45,282	46,188
Selling, General and Administrative Expenses	6,180	6,307	6,736	6,484	6,197	6,102
Operating Income (Loss)	401	(1,241)	3,439	(451)	(1,705)	3,322
Net Income (Loss)	305	1,863	2,756	(7,492)	(1,019)	1,525
Net Income per Share (Yen)	5.1	30.2	44.4	(120.6)	(16.0)	23.7
Cash Dividends Paid per Share (Yen)	5.00	6.00	10.00	5.00	8.00	10.00
Total Assets	54,052	55,743	61,381	57,667	64,766	66,159
Total Shareholders' Equity	28,986	29,348	27,473	25,462	33,565	35,275
Current Assets	30,437	30,136	36,886	34,359	39,974	43,586
Current Liabilities	21,669	21,317	28,790	26,869	25,456	26,319
Return on Equity (%).....	1.05	6.56	10.41	-25.38	-3.04	4.37
Return on Assets (%).....	0.56	3.34	4.50	-12.99	-1.57	2.41
Dividend Payout Ratio (%)	97.7	19.5	22.5	—	—	42.0
Interest Coverage (X)	2.7	-5.8	12.9	-0.9	-4.9	20.8

*1998 is the numerical value for the non-consolidated account settlement.

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Consolidated Statements of Shareholders' Equity	27
Consolidated Statements of Cash Flows	28
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Financial Review (Consolidated)

SANYO DENKI CO., LTD. and Subsidiaries

Operating Results

In the electric machinery industry, despite satisfactory demand for semiconductor manufacturing equipment and liquid crystal-related equipment during the first half of this term, economic conditions were increasingly severe as the result of a sharp decline in information technology (IT)-related demand and telecommunications-related depression originated in the United States. Under these circumstances, this term's consolidated sales supported by the increasing demand of liquid crystal equipment were ¥50,473 million, an increase of 3.1% from the previous term despite the reverse effects from restrictions on investment of IT-related equipment and lower than expected demand for the telecommunications industry.

Consolidated overseas sales were ¥13,699 million, a decrease of 14.0% from the previous term, because of a drop in sales in North America. The ratio of the consolidated overseas sales to the consolidated sales was 27.1%, a drop of 5.4 percentage points from the previous term. The ratio of consolidated profits to parent company's profits was 1.20 times in this term, compared with 1.09 times in the previous term.

Consolidated sales for the Cooling Systems Division were ¥22,736 million, an increase of 2.3% from the previous term. The ratio of gross profit to sales was 16.0%. Non-consolidated sales for this division were ¥15,603 million, a decrease of 18.5% from the previous term.

Consolidated sales for the Servo Systems Division were ¥19,981 million, an increase of 20.9% from the previous term. The ratio of gross profits to sales was 11.4%. Non-consolidated sales for this division were ¥19,180 million, an increase of 20.6% from the previous term.

Consolidated sales for the Power Systems Division were ¥7,283 million, a decrease of 23.6% from the previous term. The ratio of gross profits to sales was 10.7%. Non-consolidated sales for this division were ¥7,251 million, a decrease of 23.6% from the previous term.

Consolidated sales for the Control Systems Division

were ¥472 million, a decrease of 31.5% from the previous term. The ratio of gross profits to sales recorded the deficit of ¥106 million. Non-consolidated sales for this division were ¥180 million, a decline of 25.0% from the previous term.

Furthermore, the Control Systems Division was combined with the Servo Systems Division in April 2003 in order to improve the business effectiveness.

Net Sales by Product Category

	Millions of Yen		
	2001	2002	2003
Cooling Systems	¥21,143	¥22,224	¥22,736
Servo Systems	25,812	16,521	19,981
Power Systems	11,926	9,528	7,283
Control Systems	1,097	689	472

Cost of sales was ¥43,891 million, a decrease of ¥6 million from the previous term. The ratio of sales cost was 87.0%, a decline of 2.7 percentage points from 89.7% for the previous term.

Gross profit was ¥6,581 million, an increase of 29.9% from the previous term, and the ratio of gross profit to sales was 13.0%, an increase of 2.7 points from 10.3% for the previous term.

Selling, general and administrative expenses were ¥6,180 million, a decrease of ¥127 million or 2.0% from the previous term.

As a result, operating income in this term was ¥401 million (the previous term's operating loss was ¥1,241 million). As for other income (expenses), although there were the foreign currency transaction loss and the loss in value of securities, etc., our company posted income before income taxes and minority interest of ¥558 million (¥640 million in the previous term) in this term as the result of a gain from the transfer of a portion of the company's pension obligations to the Japanese government, etc. As a result, this term's net income was ¥305 million, a decline of 83.6% from ¥1,863 million for the previous term.

Net income per share in this term was ¥5.12, a drop from ¥30.20 for the previous term. Dividend per share was cut by ¥1.00, making the yearly dividend of ¥5.00.

Financial Position

Total assets at the end of this term were ¥54,052 million, a decrease of ¥1,690 million from the previous term. As for assets, current assets were ¥30,437 million, an increase of ¥300 million from the previous term. Fixed assets were ¥23,615, a decrease of ¥1,991 million from the previous term.

As for liabilities, current liabilities were ¥21,669 million, an increase of ¥351 million from the previous term. This was mainly due to an increase of trade payable. Total long-term liabilities were ¥2,837 million, a decrease of ¥1,672 million from the previous term. This is mainly due to decreases in long-term debts and accrued retirement benefits after the substitute return of the welfare pension funds.

In addition, retained earnings were ¥8,790 million, a decrease of ¥53 million, or 0.6%, from the previous term. As a result, the total shareholders' equity was

¥28,986 million, a decrease of ¥361 million from the previous term. The shareholders' equity per share was ¥486.37, a drop from ¥491.82 in the previous term. The shareholders' equity ratio rose 1.0 percentage point from 52.6% to 53.6%. The return on equity dropped 5.6 points from 6.6% to 1.0%.

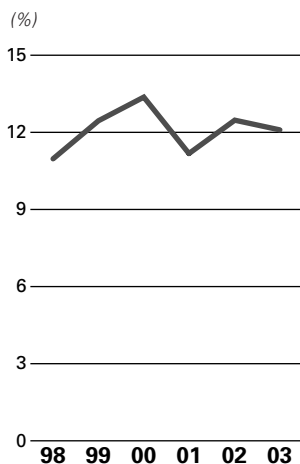
Cash Flows

During the fiscal year ended March 31, 2003, cash and cash equivalents stood at ¥3,083 million, a decrease of ¥347 million or 10.1% from the previous term.

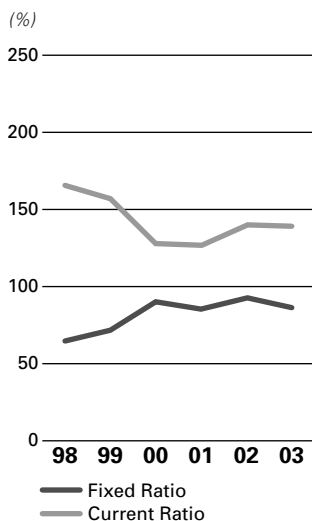
Net cash provided by operating activities was ¥3,156 million. This is mainly due to increases of ¥558 million, ¥2,022 million, and ¥2,093 million respectively in income before income taxes and minority interest, depreciation, and the trade payables, and decreases of ¥1,308 million and ¥1,197 million respectively in trade receivables and accrued retirement benefits.

Net cash used in investing activities was ¥255 million. This was mainly due to expenditure of ¥645 million for acquisition of tangible fixed assets such as

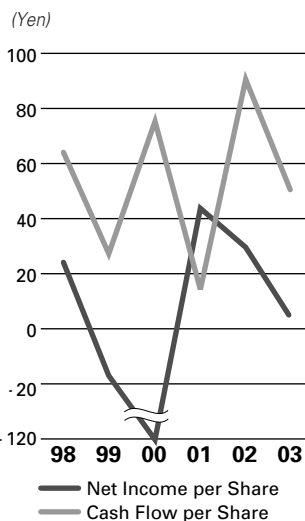
Ratio of SG&A to Net Sales



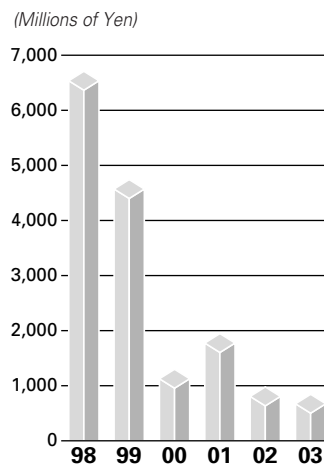
Fixed Ratio & Current Ratio



Net Income per Share & Cash Flow per Share



Capital Expenditure



1998 is the numerical value for the non-consolidated account settlement.

production facilities and others.

Net cash used in financing activities was ¥3,126 million. This was mainly due to a reduction of ¥1,462 million in short-term debts and payment of ¥1,289 million for long-term debts to strengthen our company's financial structure, and payment of ¥358 million for dividends.

Capital Expenditure

The amount of this term's plant and equipment investment was ¥717 million, a decrease of 13.6% from the previous term. Investment was made for rationalization of production equipment at each factory, reduction of costs, and improvement of quality.

Research and Development

Expenses for research and development in this term were ¥1,334 million, 2.6% of our consolidated sales. Each division put their efforts in the following research and development activities:

Cooling Systems Division

Development of high air volume cooling fan, cooling fan for high-speed CPU, fan with special functions, ECO PRODUCTS, and others

Servo Systems Division

Development of new high-efficiency, energy-saving, quick-response AC servo system, small but high resolution sensor, stepping motor for specific environments, ECO PRODUCTS, and others

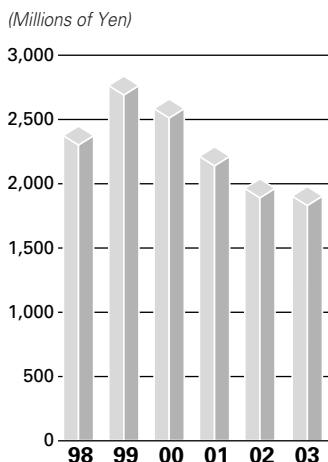
Power Systems Division

Development of small, lightweight and high-efficiency UPS, 1U (43 mm thick) UPS, ECO PRODUCTS, and others

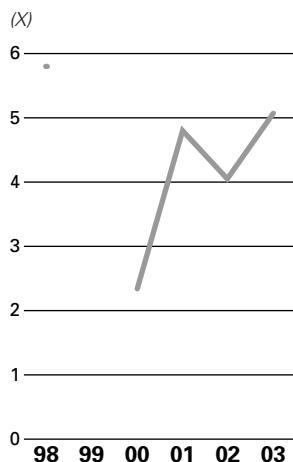
Control Systems Division

Development of industrial PCs, extensions for control language, and establishment of controller technology with high-speed positioning technology

Depreciation

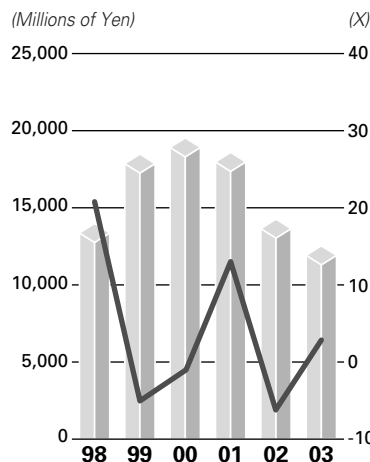


Inventory Turnover



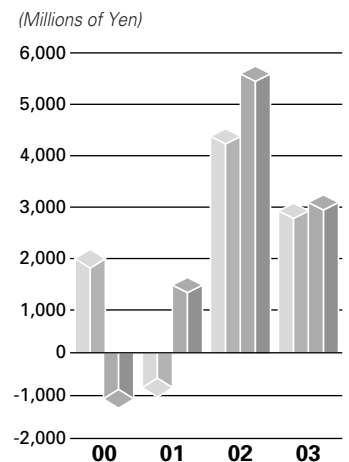
The inventory turnover for 1999 is not stated because the interim average of inventory is unclear.

Interest-bearing Debts & Interest Coverage



Interest-bearing Debts
Interest Coverage

Free Cash Flow & Cash Flow



Free Cash Flow
Cash Flow

1998 is the numerical value for the non-consolidated account settlement.

The calculation method was changed to the one based on the Securities and Exchange Law on March 2002.

Consolidated Balance Sheets

SANYO DENKI CO., LTD. and Subsidiaries

As of March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. dollars
	2003	2002	2003
Assets			
Current Assets			
Cash and cash equivalents	¥ 3,275	¥ 3,911	\$ 27,246
Notes and accounts receivable (trade)	15,068	14,035	125,358
Inventories	9,776	10,229	81,331
Accounts receivable (non-trade)	589	—	4,900
Deferred income taxes	1,317	846	10,957
Others	631	1,291	5,250
Less allowance for doubtful notes and accounts	(221)	(178)	(1,839)
Total current assets	<u>30,437</u>	<u>30,136</u>	<u>253,220</u>
Property, Plant and Equipment (at cost)			
Buildings and structures	7,900	8,601	65,724
Machinery and equipment, automotive equipment	3,897	3,729	32,421
Land	4,661	4,968	38,777
Others	941	1,062	7,829
Total property, plant and equipment (at cost)	<u>17,400</u>	<u>18,362</u>	<u>144,759</u>
Intangible fixed assets	<u>411</u>	<u>449</u>	<u>3,419</u>
Investments and Other Assets			
Investments in securities	2,273	2,901	18,910
Deferred income taxes	1,567	1,964	13,037
Other investments	2,022	1,959	16,822
Less allowance for doubtful notes and accounts	(59)	(31)	(491)
Total investments and other assets	<u>5,803</u>	<u>6,793</u>	<u>48,278</u>
Total fixed assets	<u>23,615</u>	<u>25,606</u>	<u>196,464</u>
Total Assets	<u><u>¥54,052</u></u>	<u><u>¥55,743</u></u>	<u><u>\$449,684</u></u>

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. dollars
	2003	2002	2003
Liabilities and Shareholders' Equity			
Current Liabilities			
Notes and accounts payables (trade)	¥ 9,356	¥ 7,634	\$ 77,837
Short-term debts	9,730	11,438	80,948
Accrued income taxes	44	53	366
Other current liabilities	2,538	2,190	21,115
Total current liabilities	<u>21,669</u>	<u>21,317</u>	<u>180,275</u>
Long-term Liabilities			
Long-term debts	1,348	2,206	11,215
Accrued retirement benefit	238	1,435	1,980
Other long-term liabilities	1,249	867	10,391
Total long-term liabilities	<u>2,837</u>	<u>4,509</u>	<u>23,602</u>
Total liabilities	<u>24,506</u>	<u>25,826</u>	<u>203,877</u>
Minority interest	<u>559</u>	<u>567</u>	<u>4,651</u>
Shareholders' Equity			
Common stock	9,526	9,526	79,251
Capital reserve	11,058	11,058	91,997
Retained earnings	8,790	8,843	73,128
Accumulated other comprehensive income	800	1,049	6,656
Accounts of translation gain and losses	(75)	(30)	(624)
Treasury stock	(1,114)	(1,098)	(9,268)
Total shareholders' equity	<u>28,986</u>	<u>29,348</u>	<u>241,148</u>
Liabilities, minority interest and shareholders' equity	<u>¥54,052</u>	<u>¥55,743</u>	<u>\$449,684</u>

Consolidated Statements of Income

SANYO DENKI CO., LTD. and Subsidiaries

Years ended March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. dollars
	2003	2002	2003
Net Sales	¥50,473	¥48,964	\$419,908
Cost of Sales	43,891	43,898	365,150
Gross Profit	6,581	5,066	54,750
Selling, General and Administrative Expenses	6,180	6,307	51,414
Operating income (loss)	401	(1,241)	3,336
Other Income (Expenses)			
Inter-set income and dividend received	47	69	391
Gain on sales of securities	36	—	300
Foreign currency transaction gain (loss)	(546)	230	(4,542)
Interest expense	(156)	(186)	(1,298)
Gain on sales of fixed assets	156	0	1,298
Loss on sales of fixed assets	(0)	(30)	(0)
Loss on disposal of fixed assets	(35)	(73)	(291)
Cost of solution for short of reserve, retirement.....	(412)	(445)	(3,428)
Directors retirement and severance benefits.....	(14)	(37)	(116)
Loss in value of securities	(413)	(863)	(3,436)
Gain on return of substituted portions of employee pension fund	1,346	—	11,198
Other income	148	3,219	1,231
Income before Income Taxes and Minority Interest	558	640	4,642
Income taxes	163	190	1,356
Deferred tax	23	(1,475)	191
Deduction.....	186	(1,285)	1,547
Minority interest	66	62	549
Net income.....	¥ 305	¥ 1,863	\$ 2,537

Per Share Data

	Yen		U.S. dollars
Net income.....	¥5.12	¥30.20	\$0.04
Cash dividends for the year	5.00	6.00	0.04

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

SANYO DENKI CO., LTD. and Subsidiaries

Years ended March 31, 2003 and 2002	Unit:1000	Millions of Yen		
	Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings
Balance at March 31, 2001	63,135	¥9,526	¥11,058	¥7,513
Net income	—	—	—	1,863
Cash dividends	—	—	—	(496)
Bonuses to directors and corporate auditors	—	—	—	(37)
Balance at March 31, 2002	63,135	9,526	11,058	8,843
Net income	—	—	—	305
Cash dividends	—	—	—	(358)
Bonuses to directors and corporate auditors	—	—	—	—
Balance at March 31, 2003	<u><u>63,135</u></u>	<u><u>¥9,526</u></u>	<u><u>¥11,058</u></u>	<u><u>¥8,790</u></u>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

SANYO DENKI CO., LTD. and Subsidiaries

Years ended March 31, 2003, 2002 and 2001	Millions of Yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Cash Flows from Operating Activities				
Income before income taxes and minority interest	¥ 558	¥ 640	¥2,009	\$ 4,642
Depreciation	2,022	2,119	2,330	16,822
Trust establishment profit for retirement benefit	—	—	(493)	—
Cost of solution for short of reserve retirement	—	—	996	—
Increase in retirement and severance benefits	(1,197)	89	541	(9,958)
Increase in allowance for doubtful accounts	71	89	22	591
Interest income and dividend received	(73)	(104)	(110)	(607)
Gain (loss) on sales of securities	(32)	46	(127)	(266)
Loss in value of securities	413	863	720	3,436
Interest expense	156	186	250	1,298
Exchange profit (loss)	294	(146)	(122)	2,446
Gain on disposal of fixed assets	(156)	30	(75)	(1,298)
Loss on disposal of fixed assets	35	73	223	291
Increase in trade receivables	(1,308)	4,098	(3,012)	(10,882)
Increase in inventories	263	3,572	(2,840)	2,188
Increase in trade payables	2,093	(4,989)	997	17,413
Others	308	(649)	449	2,562
Subtotal	<u>3,448</u>	<u>5,920</u>	<u>1,759</u>	<u>28,686</u>
Interest and dividend received	90	104	102	749
Interest expense	(171)	(200)	(254)	(1,423)
Income taxes	(211)	(165)	(187)	(1,755)
Net cash provided by operating activities	<u>3,156</u>	<u>5,658</u>	<u>1,420</u>	<u>26,256</u>
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(645)	(1,364)	(1,654)	(5,366)
Receipt from sales of property, plant and equipment	288	1	80	2,396
Purchase of intangible assets	(35)	(31)	(291)	(291)
Purchase of securities	(121)	(279)	(3,240)	(1,007)
Receipt from sales of investment securities	181	360	2,663	1,506
Loan expense	(265)	(624)	(61)	(2,205)
Loan recovered	170	591	148	1,414
Others	172	(15)	311	1,431
Net cash used in investing activities	<u>(255)</u>	<u>(1,362)</u>	<u>(2,044)</u>	<u>(2,121)</u>
Cash Flows from Financing Activities				
Increase in short-term debts	(1,462)	(1,415)	(309)	(12,163)
Proceeds from issue of long-term debts	205	343	466	1,705
Repayments of long-term debts	(1,289)	(1,418)	(1,276)	(10,724)
Purchase of treasury stock	(15)	(609)	(15)	(125)
Income from treasury stock	—	—	5	—
Dividends paid	(358)	(385)	(547)	(2,978)
Dividends paid for minority shareholders	(0)	(16)	(28)	(0)
Others	(205)	(173)	168	(1,705)
Net cash used in financing activities	<u>(3,126)</u>	<u>(3,675)</u>	<u>(1,536)</u>	<u>(26,007)</u>
Cash and Cash Equivalents Translation Difference	(121)	164	94	(1,007)
Net Increased in Cash and Cash Equivalents	(347)	785	(2,065)	(2,887)
Cash and Cash Equivalents at Beginning of Year	3,430	2,644	4,709	28,536
Cash and Cash Equivalents at End of Year	<u>¥3,083</u>	<u>¥3,430</u>	<u>¥2,644</u>	<u>\$25,649</u>

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

SANYO DENKI CO., LTD. and Subsidiaries

Important Subjects that Form Basis for Preparation of the Consolidated Financial Statements

Consolidated financial year (from April 1, 2002 to March 31, 2003)

1. Subjects concerning the scope of consolidation

Subsidiaries are all consolidated.

The relevant consolidated subsidiaries are SANYO DENKI EUROPE SA., AUTOMATION INTELLIGENCE, INC., SANYO DENKI AMERICA, INC., SANYO DENKI TECHNO SERVICE, CO., LTD. and SANYO DENKI PHILIPPINES, INC. Due to application of the domination power standard following revision in the financial statements regulations, Sanyo Denki America, Inc. is included in the scope of consolidation starting with this consolidated financial year since it is controlled by Sanyo Denki in practice.

2. Subjects concerning application of the equity method

There are no relevant subsidiaries.

3. Subjects concerning the business year for consolidated subsidiaries

The date of the account settlement for SANYO DENKI EUROPE SA., AUTOMATION INTELLIGENCE, INC., SANYO DENKI AMERICA, INC. and SANYO DENKI PHILIPPINES, INC. is December 31. The financial statements issued on the account settlement date of the relevant consolidated subsidiaries are used to prepare the consolidated financial statements. However, necessary adjustments are made on important transactions performed from January 1, 2003 to March 31, 2003. As the account settlement date of SANYO DENKI TECHNO SERVICE, CO., LTD. is March 31, it is the same as the date of the consolidated settlement of account.

4. Subjects concerning the accounting standards

(1) Assessment standards and assessment method of important assets

Securities are primarily valued at cost. The market value method (the entire differences between the book and market prices of marketable securities are charged to shareholders' equity. The cost of securities sold is calculated using the moving average method) is based on quoted market prices.

Inventories — Finished goods, work in process, and stores are mainly stated at cost according to the actual estimation method and the moving-average method.

Raw materials are valued at cost, cost being determined by the moving-average method.

(2) Depreciation method of important depreciation assets

The same standard as the one stipulated in the Corporate Tax Law is primarily applied. Tangible fixed assets are stated at cost according to the fixed percentage method while intangible fixed assets are stated at cost according to the straight-line method. However, buildings purchased by our company and consolidated subsidiaries in Japan after April 1, 1998 (excluding equipment and facilities attached with the buildings) are valued at cost according to the straight-line method, following revision in the Corporate Tax Law in 1998.

Main durable years are as follows:

Buildings and structures	3-50 years
Machinery, equipment, and transport vehicles	2-13 years
Others	2-15 years

Software used by the company itself is stated at cost according to the straight-line method, based on the in-house five year term of availability.

Software for sale is stated at cost according to the straight-line method based on the three-year estimated sales period.

(3) Standard to add important reserves

Allowance for doubtful reserves

In preparation for the loss from uncollectible liabilities, the estimated amount of doubtful debts is calculated.

a. Ordinary liabilities — Based on the ratio of doubtful reserves

b. Based on liabilities of doubtful reserves and the Liability Finance — Contents Assessment Law for Revival from Bankruptcy.

Allowance for employee retirement benefits — The parent company and consolidated subsidiaries in Japan add up funds that are recognized to occur at the end of this consolidated fiscal year, based on the estimated amount of retirement benefits liabilities and pension assets at the end of this consolidated fiscal year, in preparation for payment of the employee retirement allowance.

The entire difference stemming from the accounting change is proportionally disposed of in five years.

Past service cost are computed based on the number of certain years (15 years) within the average remaining years of service of employees at the time of retirement in each consolidated financial year and the liabilities are proportionally divided by the straight-line method.

The difference in mathematical calculation is disposed of starting the next consolidated financial year after the amount is proportionally divided into five years by the straight-line method, computed based on the number of certain years (15 years) within workers' average remaining years of service.

(4) Accounting of important lease transactions

Finance lease transactions, except when ownership of the leased property is authorized to be transferred to a borrower, are carried out according to the same accounting method as ordinary lease transactions.

(5) Standards of calculation for important foreign-currency assets and conversion of foreign-currency liabilities into yen are introduced at the time of preparing the consolidated companies' financial statements that become the basis for the consolidated financial statements. Credits and debts in foreign currencies are converted into yen based on the direct exchange rate on the date of the consolidated settlement of accounts, and the balance of the conversion rate is stated in profit and loss. Assets and liabilities of overseas affiliated companies, etc. are converted into yen based on the direct exchange rate on the settlement day of each affiliated company. Gains and losses are converted into yen based on the average exchange rate of the whole settlement term. The conversion balance is stated in the account of equity adjustment from foreign currency translation in the minority shareholders' share and the "capital" section.

(6) Accounting for consumption tax and others

The tax exclusive method is applied.

5. Matters concerning assessment of the consolidated subsidiaries' assets and liabilities

The total current price appraisal method is applied for the assessment of the consolidated subsidiaries' assets and liabilities.

6. Matters concerning handling of profit distribution

The consolidated surplus fund statement of accounts for the consolidated subsidiaries' profit distribution is prepared based on profit distribution settled during the consolidated financial year.

7. Scope of funds in the consolidated cash flow statement of accounts

Cash and cash equivalents, stated in the consolidated cash flow statement of accounts, include highly liquid deposits that can be withdrawn any time or within three month maturity from the date of purchase and investment securities that have a value less likely to fluctuate.

Annotated matters

(Concerning the Consolidated Balance Sheet)

1. Secured fixed assets and secured liabilities

Secured assets are as follow:

Buildings	¥1,359 million
Machinery and equipment	87 million
Land	3,012 million
Total	<u>¥4,458 million</u>

Secured liabilities are as follow:

Long-term debts	¥449 million
Short-term debts	¥113 million

2. Notes receivable discounted ¥850 million

3. Accumulated depreciation of tangible fixed assets ¥31,076 million

4. The balance of assessment for other securities is included in unrealized profits from other securities retained at the end of the settlement term.

5. Assessment of land lot

Based on laws and ordinances concerning reassessment of land lots (Ordinance No. 34 promulgated on March 31, 1998 and the last revision made on June 29, 2001), land lots purchased for the business purpose were re-evaluated on March 31, 2002.

As for the balance of land reassessment, based on the ordinance (Ordinance No. 24 promulgated on March 31, 1999) concerning a partial revision of laws and ordinances on reassessment of land lots, the proper taxation regarding the concerned balance of assessment is included in liabilities as deferred tax liabilities for reassessment, and the sum added up with the above amount is included in capital as the reassessment balance.

Method of reassessment

The reassessment amount of the fixed property tax, stipulated in Article 2 and No. 3 (Ordinance No. 119 promulgated on March 31, 1998) concerning reassessment of land lots, is computed with reasonable adjustments.

Date of reassessment March 31, 2002

Balance between the market price of land reassessed at the end of the term and the book value after reassessment	¥(339) million
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6. Overdraft contracts

The consolidated subsidiary (Sanyo Denki America, Inc.) concluded an agreement on overdraft contracts with a bank in order to efficiently acquire operating funds.

The balance of borrowings, based on the overdraft contracts at the end of this consolidated financial year, was as follows:

Total overdraft amount	¥359 million
The operating remainder of borrowings	¥103 million
Balance	<u>¥256 million</u>

7. Authorized number of shares Common shares 99,000,000 shares

Issued number of shares Common shares 63,135,935 shares

8. Number of possessing treasury stock

Number of the consolidated financial statements-presented company's shares possessed by consolidated companies is as follows:

Common shares	3,538,369 shares
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Consolidated financial year (from April 1, 2002 to March 31, 2003)

(Concerning the Statements of Operations)

1. Main items of expenditure and sum in selling, general and administrative expenses are as follows:

Packing and transportation expenses	¥499 million
Allowance	¥1,919 million
Sum transferred into the reserve for retirement allowance	¥164 million
Depreciation	¥73 million

2. Breakdown of gain on sales of fixed assets

Gain on sales of buildings and other structures	¥153 million
Gain on sales of machinery and equipment	¥0 million
Gain on sales of vehicle carriers	¥0 million
Gain on sales of land lots	¥2 million

3. Breakdown of loss on sales of fixed assets

Loss on selling vehicle carriers	¥0 million
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4. Breakdown of loss on disposition of fixed assets

Loss on disposition of buildings	¥7 million
Loss on disposition of structures	¥2 million
Loss on disposition of machinery and equipment	¥15 million
Loss on disposition of tools, utensil and furnishings	¥9 million
Loss on disposal of fixed assets, etc	¥1 million

5. Securities appraisal loss was resulted from the compulsory paper reduction of securities and others. Breakdown is as follow:

Investment securities	¥409 million
Others	¥3 million

6. Research and development expenses, included in selling, general and administrative expenses and this term's manufacturing expenses, amount to ¥1,334 million.

(Concerning the Statements of Cash Flows)

Consolidated financial year (from April 1, 2002 to March 31, 2003)

1. Relations between the term-end balance of cash and cash equivalents and items of sum listed in the consolidated balance sheet

	Millions of Yen	
	The term-end balance	Cash and cash equivalent among those listed at the left
Cash and deposits accounts	¥3,275	¥2,775
Securities accounts	2,273	307
Total	<u>¥5,548</u>	<u>¥3,083</u>

(Concerning Retirement Benefits)

1. Outlines of the retirement benefits system in use

Our company and Japanese consolidated affiliated companies set up a welfare pension funding system and a retirement lump-sum system for paying the certain amount of allowance to retirees.

With regard to the substitute portion of the welfare pension fund, our company was given a permission for exemption from the payment of future benefits from the Health, Welfare and Labor Minister on February 1, 2003.

2. Matters concerning retirement benefits liabilities

Regarding the partial substitute return, the interim measures stipulated in Clause 2 No. 47 of the business guidelines (middle term report) for the retirement benefits accounting (No. 13 Report of the Japanese Institute of Certified Public Accountants' Accounting Committee) are applied.

Accounting adjustments are made in accordance with the above application, deeming nullification of the substitute portion of retirement benefits liabilities and the pension assets equivalent to the returned sum, based on the date of receiving a permission from the Health, Welfare and Labor Minister for the exemption from the payment of future benefits. The returned sum of the pension assets calculated as of March 31, 2003 is ¥3,207 million.

(1) Retirement benefits liabilities	¥(8,683) million
(Breakdown)	
(2) Unrecognized prior service obligation	¥(447) million
(3) Unrecognized gain and loss	¥1,264 million
(4) Difference in undisposed amount at the time of amendment of the accounting standards	¥489 million
(5) Plan assets	¥7,139 million
(6) Allowance for employee retirement benefits	¥238 million

(Notes) Japanese consolidated affiliated companies employ the Simple and Convenient Method to calculate liabilities of retirement benefits.

3. Matters concerning expenses for retirement benefits

(1) Service cost	¥588 million
(2) Interest cost	¥383 million
(3) Expected return	¥(165) million
(4) Expenses for prior service obligation	¥(78) million
(5) Expenses for gain and loss	¥240 million
(6) Expenses for filling the difference at the time of the accounting standard amendment	¥412 million
(7) Retirement benefits expenses	¥1,381 million
(8) Profit accompanied by the substitute return of the welfare pension fund	¥1,346 million

4. Matters concerning the basis of calculation for expected retirement benefits liabilities, etc.

(1) Method of periodical distribution of the expected retirement benefits Periodical fixed-amount standards	
(2) Discount rate	3.0 %
(3) Rate of expected return	2.0 %
(4) Difference in disposal years based on mathematical calculations	15 years
(Expenses will be disposed starting the next term, based on the straight-line method determined by the number of the employee's average remaining years of service.)	
(5) Difference in disposal years at the time of the accounting standards amendment	5 years
(6) The number of years for disposal of the past service costs	15 years

(It is disposed of by the straight-line method, based on the number of certain years within the average remaining years of service of employees at the time of the employees' retirement.)

(Lease Transactions)

Consolidated financial year (from April 1, 2002 to March 31, 2003)

Finance lease transactions excluding those ownership of leased properties is approved to be transferred to a borrower.

1. The amount equivalent to the purchase price of leased properties, the amount equivalent to accumulated depreciation and the amount equivalent to the term-end balance

	Millions of Yen		
	Amount equivalent to purchase price	Amount equivalent to accumulated depreciation	Amount equivalent to term-end balance
Machinery, equipment and transportation vehicles	¥1,749	¥1,670	¥ 78
(Tangible fixed assets)			
Others	332	102	229
(Intangible fixed assets)			
Others	1,348	1,262	86
Total	¥3,430	¥3,035	¥395

2. The amount equivalent to the term-end balance of unexpired leasing rate

Within one year	¥254 million
More than one year	¥162 million
Total	¥416 million

3. Leasing rate payable, the amount equivalent to accumulated depreciation and the amount equivalent to paid interest

Leasing rate payable	¥866 million
Amount equivalent to accumulated depreciation	¥775 million
Amount equivalent to paid interest	¥27 million

4. The calculation method of the amount equivalent to accumulated depreciation

The amount is calculated according to the straight-line method, setting the term of lease as durable years and the residual value as zero.

5. The calculation method of the amount equivalent to interest

The balance between the total lease charges and the sum equivalent to the purchase price of leased properties is set as the amount equivalent to interest.

The distribution method for each term is determined by the Interest Rate Law.

6. Operating lease transactions

Unexpired lease charge	
Within one year	¥11 million
More than one year	¥— million
Total	<u>¥11 million</u>

(Quotations for Securities)

Consolidated financial year (as of March 31, 2003)

1. Bonds to be held until a maturity date and having the current market price

As there is no pertinent bond on this term's consolidated settling day, no mention is made here.

2. Securities with an unclear purpose of possession and having the current market price

Type	Millions of Yen		
	Buying Price	Sum added to the consolidated balance sheet	Balance
Stocks	¥2,085	¥1,660	¥424
Bonds	—	—	—
Government bond and municipal bond, etc	—	—	—
Corporate bond	—	—	—
Others	—	—	—
Others	492	465	26
Total	¥2,577	¥2,125	¥451

3. Securities with an unclear purpose of possession sold

	Millions of Yen
The amount of sale	¥ 441
Total selling profits	¥ 40
Total selling loss	¥ 0

4. Securities that are not assessed at the current market price. (exc. No.1)

Amount added up in the consolidated balance sheet

	Millions of Yen
Securities with an unclear purpose of possession	
Shares unlisted in the stock market	¥ 146
Others	—

(Notes) In this consolidated financial year, ¥409 million (¥310 million of stocks which are marketable securities, etc. with market price, ¥96 million of others and ¥3 million of unlisted stocks) is deducted from marketable securities. Impairment is applied on all when the market cost price at the term end drops 50% or more than the buying price.

(Derivatives Trading)

Consolidated financial year (from April 1, 2002 to March 31, 2003)

1. Matters concerning the trading condition

(1) Details of transactions

Our company's derivatives transactions are interest rate swapping for interest-related transactions, and forward exchange contracts and others for currency transactions.

(2) Our policy to deal with trading

As for interest rate-related derivatives transactions, our company restricts transactions only in the interest rate swapping for the purpose of reducing interests for liabilities. We do not engage in speculative transactions or transactions of profit and loss from short-term buying and selling.

We do currency-related derivatives transactions to make a hedge mainly for dollar-based sales contracts. We will not engage in any speculative transactions.

(3) Purpose of utilizing trading

As for interest rate-related derivatives transactions, interest rate swapping is used for cutting down costs for the procurement fund of long-term debts.

As for currency-related derivatives transactions, we engage in transactions utilizing forward exchange contracts to minimize risk from exchange rate fluctuations occurred during ordinary import and export processes.

(4) Details of risks concerning trading: margin trading

Breach of contract by our business connections is unlikely because derivatives trading is conducted only with Japan's highly-reliable financial institutions.

(5) Details of risks concerning trading: market risk

As for interest rate swapping transactions, a risk from fluctuations of the market interest rate exists.

As for forward exchange contracts, a risk from fluctuations of the exchange rate exists.

Breach of contract by our business connections is unlikely because derivatives trading is conducted only with Japan's highly-reliable financial institutions.

(6) Trading concerning the risk management system

Based on resolutions at the board of directors' meeting, a hedge is applied to risk in exchange rate fluctuations and risk in variable interest rates.

2. Matters concerning the trading quotations

Those related with interest rates

In this consolidated financial year, interest rate swapping that meet requirements of the hedge accounting are not listed because they are handled as special cases.

Those related with currency

Forward exchange contract	Millions of yen			
	Contract money	Contract exceeding one year	Market price	Appraisal of profit and loss
Sales base				
U.S. dollars	¥900	—	¥902	¥2

(Notes) Market price calculation method

Forward exchange contract based on the forward exchange rate

(Concerning the tax effect accounting)

Consolidated financial year (as of March 31, 2003)

1. Breakdown by major causes of deferred tax charges and deferred tax liabilities

	Millions of Yen
Deferred tax charges	
Loss carried forward	¥ 2,215
Amount exceeds limit of allowance for bonus	218
Others	591
Subtotal of deferred tax charges	3,025
Deferred tax liabilities	
The amount exceeding the limit of allowance for employee retirement benefits	97
Fixed assets reduction reserve	43
Subtotal	140
Net sum of deferred tax charges	¥ 2,884

Deferred tax liabilities of ¥728 million, concerning reassessment other than those listed above, are added to long-term liabilities.

2. The differences between the aggregate statutory tax rate and the effective tax rate of the company were as follows:

Statutory tax rate	41.5 %
(Adjustments)	
Items such as entertainment expenses, etc., that are not included in loss permanently	2.0 %
Items such as dividends received, etc., that are not included in profit permanently	-0.6 %
Inhabitant taxes, etc.	4.6 %
Revision of reduction in deferred tax charges at the end of the term due to the tax rate change	2.8 %
Unrecognized gains for tax purposes of foreign affiliated companies	-15.3 %
Others	-1.5 %
The effective tax rate after applying the tax effect accounting	<u>33.5 %</u>

(Financial Information by Segment)

1. Segment information by the type of businesses

As the ratio of both industrial electric machinery manufacturing and sales businesses exceeds 90% of that of all segments' total sales, the operating profits and the sum of all segments' assets in the previous and this year's consolidated financial year, listing of the segment information by the type of business is omitted.

2. Information on the segment locations

Consolidated financial year (from April 1, 2002 to March 31, 2003)

	Millions of Yen					Consolidation
	Japan	North America	Other regions	Total	Elimination or whole company	
I Sales and operating profit and loss						
Sales						
(1) Sales for outside clients	¥ 32,259	¥ 15,921	¥ 2,292	¥ 50,473	¥ —	¥ 50,473
(2) Internal sales and transfers between segments	10,032	154	4,691	14,878	(14,878)	—
Total	¥ 42,292	¥ 16,075	¥ 6,984	¥ 65,352	¥ (14,878)	¥ 50,473
For operating expenses	¥ 41,564	¥ 15,907	¥ 6,706	¥ 64,178	¥ (14,106)	¥ 50,071
Operating profit or operating loss	728	167	277	1,173	(772)	401
II Assets	¥ 45,422	¥ 5,761	¥ 3,964	¥ 55,148	¥ (1,095)	¥ 54,052

(Notes) 1. Countries or regions are classified by geographical proximity.

2. Major countries or regions that belong to the category other than Japan

(1) North America

(2) Other regions

3. As for operating expenses, most of the undistributable operating expenses (¥812 million), that are included in the category of elimination and whole company, are expenditure of the general affairs division and others of our main office's administrative department.

4. As for assets, most of the whole company's assets (¥4,566 million), that are included in the category of elimination and whole company, are the surplus operating funds (cash and securities), the long-term investment fund (investment securities) and the assets of the administrative department.

3. Overseas sales

Consolidated financial year (from April 1, 2002 to March 31, 2003)

	Millions of Yen				
	North America	Europe	Southeast Asia	Others	Total
I Overseas sales	¥ 2,538	¥ 3,734	¥ 7,387	¥ 38	¥ 13,699
II Consolidated sales	—	—	—	—	¥ 50,473
III Ratio of overseas sales in consolidate sales	5.0 %	7.4 %	14.6 %	0.1 %	27.1 %

(Notes) 1. Countries or regions are classified by geographical proximity.

2. Breakdown by regions is as follow.

(1) North America

(2) Europe

(3) Southeast Asia

(4) Others

3. Overseas sales are those in the countries and regions other than Japan, excluding the sales of the parent company and its consolidated subsidiaries.

(Concerning per Share Data)

Consolidated financial year (from April 1, 2002 to March 31, 2003)

1. Net asset worth per share	¥486.37
2. This term's net income per share	¥5.12
3. After adjustment of consolidation-based potential shares	

This term's net income per share

This term's net income per share after adjustment of the consolidation-based potential shares is not listed because the potential shares with diluted effects does not exist.

From this consolidated financial year, the accounting standards concerning this term's net income per share (the Accounting Standards Board of Japan's September 25, 2002 Corporate Accounting Standards No. 2) and the application guidelines of accounting standards concerning this term's net income per share (the Accounting Standards Board of Japan's September 25, 2002 Corporate Accounting Standards Application Guidelines No. 4) are applied.

As for this consolidated financial year, information about a share based on the old method is as follow;

Net asset worth per share	¥486.37
Net income per share	¥5.12

Basis on computation of this term's net income per share

This term's net income stated in the consolidated profit and loss statements

This term's net income concerning common shares

Main breakdown of the sum that does not belong to shareholders

Average number of common shares during the term

Outline of potential shares excluded from computation of this term's net income per share after the potential share adjustment because there was no diluted effect.

(Reservation rights for new shares)

Types of potential shares

Number of potential shares

Exercise price

Average share price during this term

Report of Independent Certified Public Accountants

To The Board of Directors

Sanyo Denki Co., Ltd.

We have examined the accompanying balance sheets of Sanyo Denki Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the related statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japan yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above, expressed in Japanese yen, present fairly the financial position of Sanyo Denki Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the period.

June 20, 2003

Futaba Audit Corporation

Futaba Audit Corporation

Eiritu Shinjuku Bldg.

7-2-10 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan

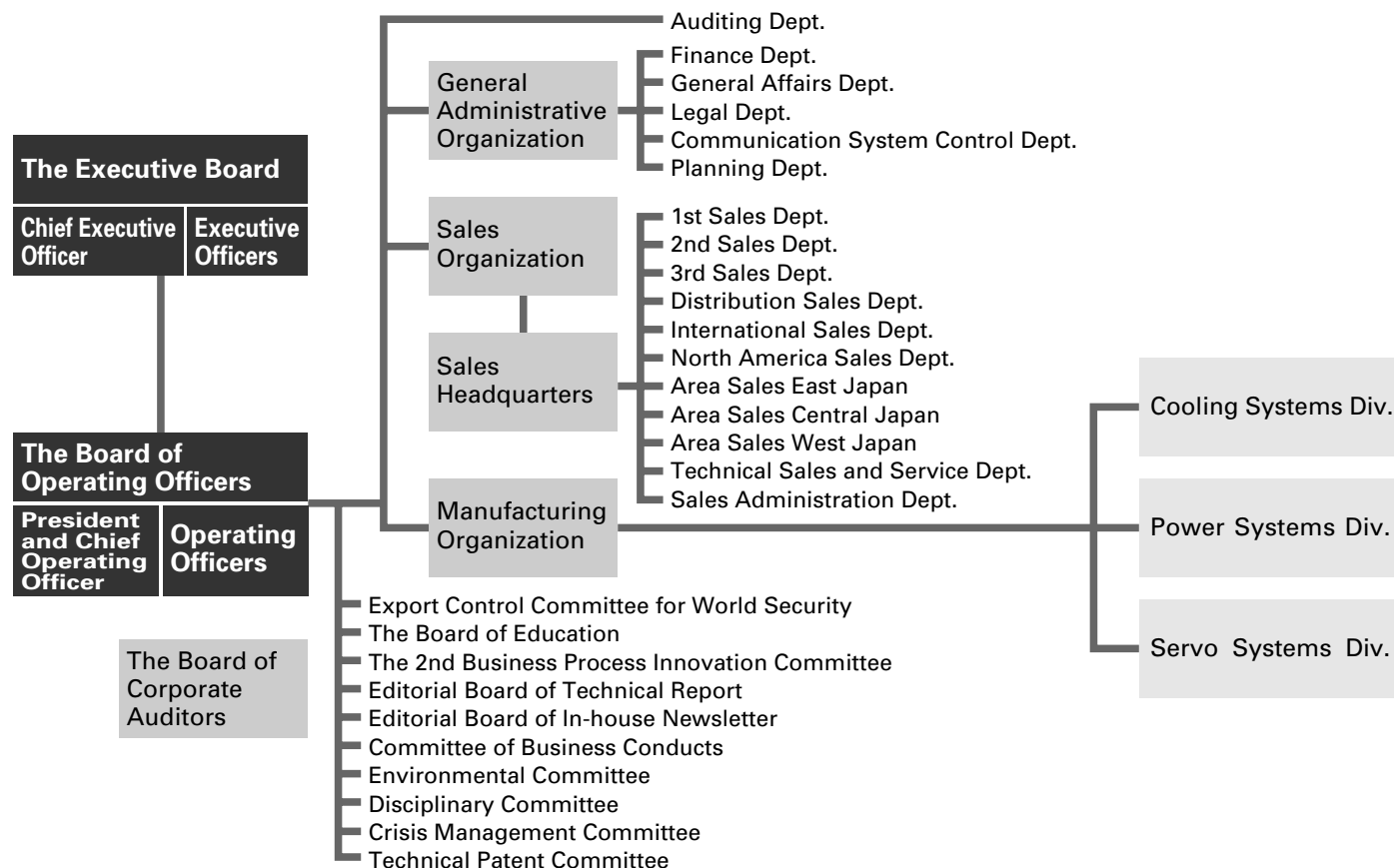
Board of Directors and Corporate Auditors

(As of June 20, 2003)

Chief Executive Officer	Shigeo Yamamoto		
Executive Counselor	Hiroshi Yamamoto		
Executive Officers	Hisashi Yamamoto	Taketomi Kotani	Yuichiro Miyake
Corporate Auditors (Full time)	Shukichi Komatsu	Masahiko Kudou	Singou Tanaka
Corporate Auditor	Tooru Suzuki		

Operating Officers			
President and Chief Operating Officer	Shigeo Yamamoto		
Senior Operating Officer	Taketomi Kotani		
Major Operating Officers	Akira Sugawara	Kaoru Tamura	Nobumasa Kodama
Operating Officers	Tetsuji Ogiwara	Keiichi Kitamura	Yuuji Okamatsu
	Yoshio Terajima		

Organization

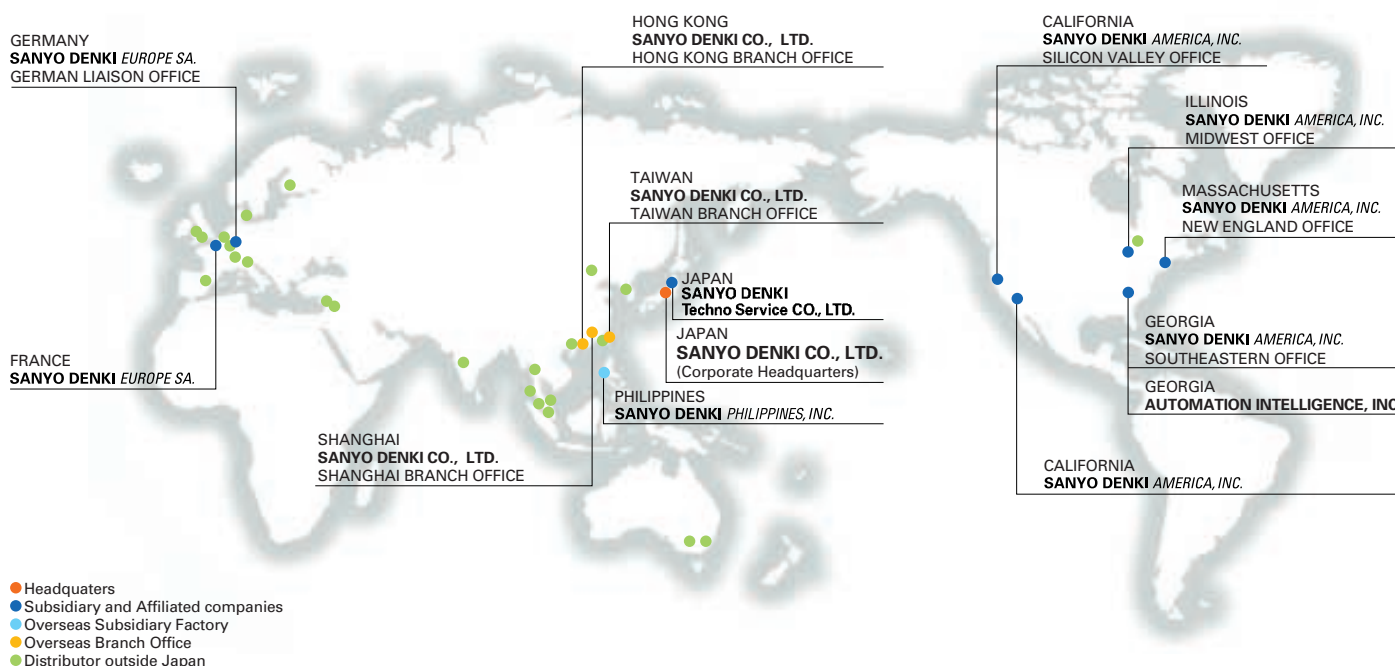


Corporate Data

(As of March 31, 2003)

Established	1927
Paid-in Capital	9,526 million yen
Net Sales	50,473 million yen
CEO/President & COO	Shigeo Yamamoto
Banks	Mizuho Bank Ltd., Sumitomo Mitsui Banking Corporation, The Sumitomo Trust & Banking Co., Ltd.
Number of Employees	1,992 (Consolidated), 1,613 (Non-consolidated)
Number of Branches	24 (including 12 Overseas)

Network



Corporate Headquarters

SANYO DENKI CO., LTD.
1-15-1 Kita-otsuka, Toshima-ku
Tokyo 170-8451, Japan
+81 3 3917 5151
<http://www.sanyodenki.co.jp>

Subsidiary Companies

SANYO DENKI Techno Service CO., LTD.
4024-8 Ohaza Fujiyama,
Ueda-shi Nagano 386-1212, Japan

SANYO DENKI EUROPE SA.
P.A. PARIS NORD II
48 Allee des Erables-VILLEPINTE
BP. 50286
F-95958 ROISSY CDG CEDEX, France
+33 1 48 63 26 61
<http://www.sanyodenkieurope.fr>

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D-76829 Landau, Germany
+49 6341 9673 0

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2855 Premiere Parkway,
Suite A Duluth,
GA 30097-4902, U.S.A.
+1 770 497 8086
<http://www.motiononline.com>

Subsidiary Factory

SANYO DENKI PHILIPPINES, INC.
No.2 Block F-1 Subic Technopark,
Argonaut Highway Boton Area,
Subic Bay Freeport Zone,
Philippines 2222

Overseas Branch

SANYO DENKI CO., LTD. TAIWAN BRANCH OFFICE
Room 401, 4F,
No.96, Chung Shan N, Rd., Sec.2,
Taipei 104, Taiwan, R.O.C.
+886 2 2511 3938

SANYO DENKI CO., LTD. HONG KONG BRANCH OFFICE
1109, 11F New East Ocean Centre
9 Science Museum Road,
TST East, Kowloon, Hong Kong, China
+852 2312 6250

SANYO DENKI CO., LTD. SHANGHAI BRANCH OFFICE
Room 2116, Bldg B, FAR EAST
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XianXia Rd., Shanghai 200051, China
+86 21 6235 1107

Affiliated Companies

SANYO DENKI AMERICA, INC.
468 Amapola Avenue Torrance,
CA 90501, U.S.A.
+1 310 783 5400
<http://www.sanyo-denki.com>

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100 Fairway Drive, Suite 126 Vernon Hills,
IL 60061, U.S.A.
+1 847 362 3723

NEW ENGLAND OFFICE
35 Merchants Drive, Walpole,
MA 02081, U.S.A.
+1 508 660 2470

SILICON VALLEY OFFICE
1700 Wyatt Drive #17, Santa Clara,
CA 95054, U.S.A.
+1 408 988 1700

SOUTHEASTERN OFFICE
2855 Premiere Parkway, Suite A Duluth,
GA 30097-4902, U.S.A.
+1 770 497 8086

Investor Information

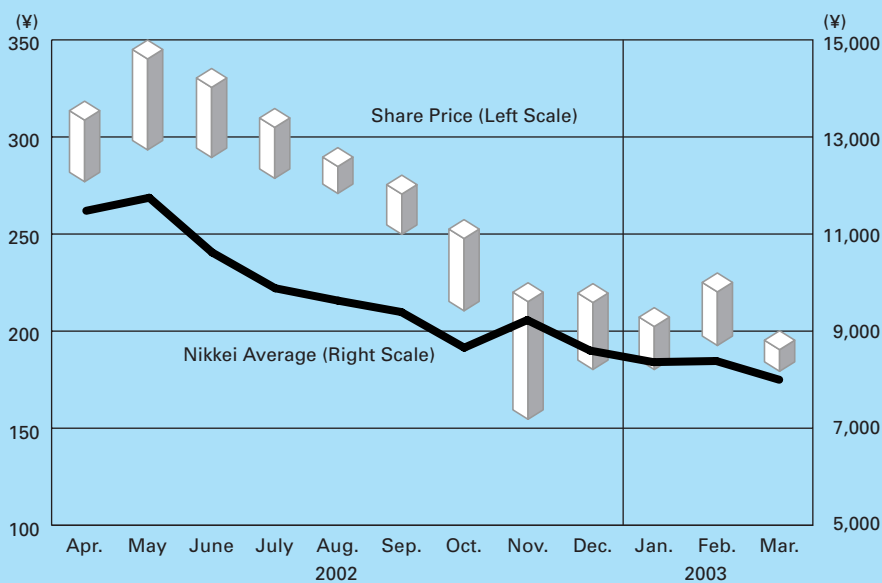
(As of March 31, 2003)

Number of Authorized Shares	99,000,000
Number of Outstanding Shares	63,135,935
Number of Shareholders	10,233

Major Shareholders

	Thousands of Shares	Percentage of Total Shares
Kyodo Kogyo Co., Ltd.	7,014	11.11%
Sanyo Kaihatsu Co., Ltd.	2,484	3.93
Sumitomo Mitsui Banking Corporation	2,182	3.46
Mizuho Bank Ltd.	2,179	3.45
The Nichido Fire & Marine Insurance Co., Ltd.	1,888	2.99
Sanyo Kogyo Co., Ltd.	1,598	2.53
Nippon Life Insurance Co.	1,573	2.49
UFJ Tsubasa Securities Co., Ltd.	977	1.55
The Sumitomo Trust & Banking Co., Ltd.	970	1.54
Sanyo Denki Cooperative Companies' holding Association	894	1.42

Share of Range (Tokyo Stock Exchange)



Stock Listing	Tokyo Stock Exchange 2nd Section
Independent Certified Accountants	Futaba Audit Corporation
Transfer Agent	JAPAN SECURITIES AGENTS, LTD.

SANYO DENKI CO., LTD.

1-15-1 Kita-otsuka, Toshima-ku

Tokyo 170-8451, Japan

Homepage <http://www.sanyodenki.co.jp>

