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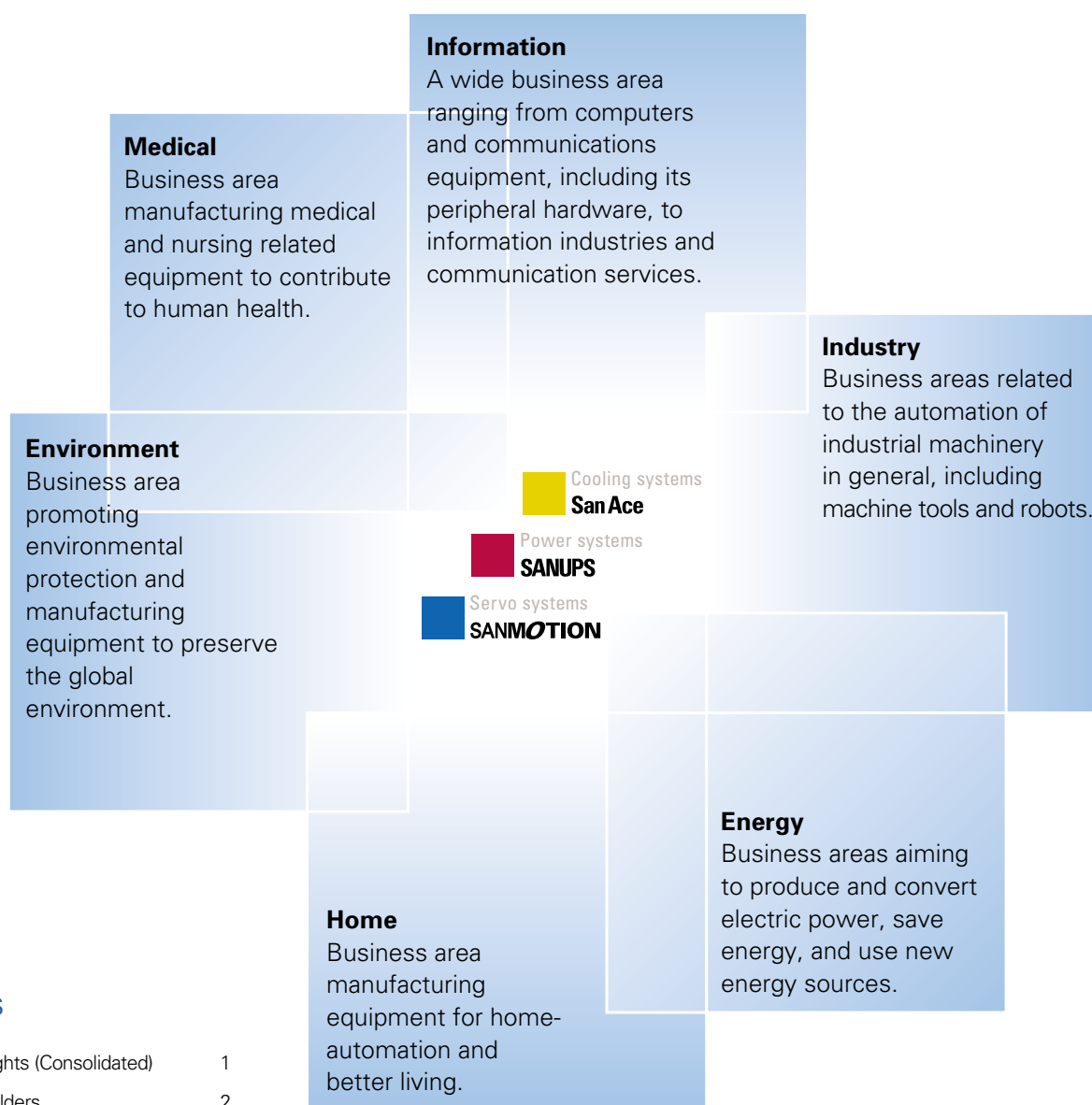
2006年度決算報告書



SANYO DENKI

Profile

From the wealth of knowledge and experience of developing new technologies from our foundation, Sanyo Denki provides products and technologies to six business area.



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Disclaimer Regarding Forecasts and Projections

This Annual Report includes forecasts, projections and other predictive statements that represent Sanyo Denki's assumptions and expectations in light of currently available information. These forecasts, etc., are based on industry trends, circumstances involving clients and other factors, and involve risks, variables and uncertainties. The Sanyo Denki Group's actual performance results may differ from those projected in this Annual Report. Consequently, no guarantee is presented or implied as to the accuracy of specific forecasts, projections or predictive statements contained herein.

> FINANCIAL HIGHLIGHTS (CONSOLIDATED)

SANYO DENKI CO., LTD. and consolidated subsidiaries

Years ended March 31, 2007 and 2006	Millions of Yen		% Change	Thousands of U.S. dollars (Note 1)
	2007	2006	2007/2006	2007

FOR THE YEAR

Net Sales	¥65,749	¥64,527	101.9%	\$556,958
Selling, General and Administrative Expenses	8,224	7,022	117.1	69,665
Operating Income	4,656	3,902	119.3	39,440
Net Income	3,046	2,719	112.0	25,802

AT YEAR-END

Total Assets	65,385	61,702	105.9	553,875
Total Net Assets (Note 2)	37,797	35,404	109.1	320,177

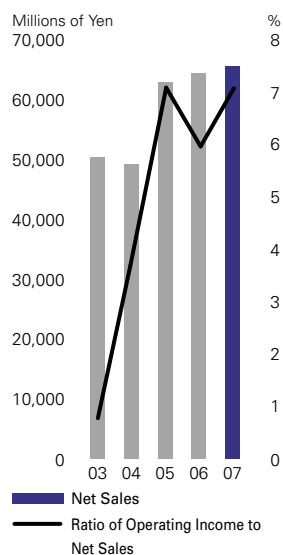
PER SHARE AMOUNTS

	Yen		Change	U.S. dollars (Note 1)
Net Income	¥50.67	¥44.21	+6.46	\$0.42
Cash Dividends	11.00	10.00	+1.00	0.09

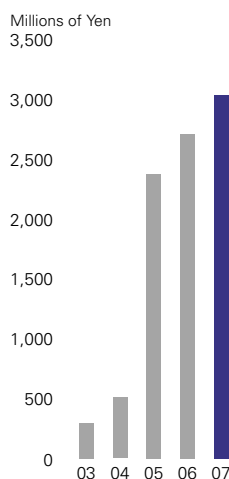
Notes: 1. U.S. dollar amounts have been converted for convenience only at the rate of ¥118.05=US\$1, the rate of exchange on 31 March, 2007.

2. Total net assets = total shareholders' equity + valuation and translation adjustments + minority interests.

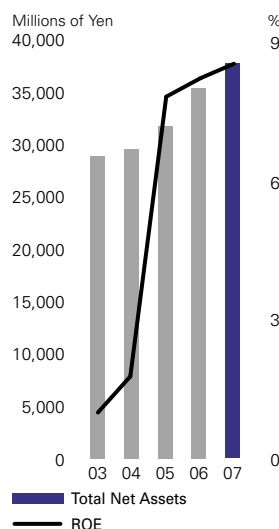
Net Sales & Ratio of Operating Income to Net Sales



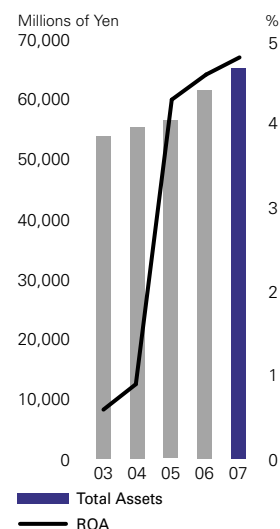
Net Income



Total Net Assets & ROE



Total Assets & ROA





Shigeo Yamamoto

CEO / President & COO

First of all, I hope you are all well and prosperous.

I would like to take the opportunity of the announcement of the Annual Report 2007 to say a few words to you.

In the fiscal year ended March 2007, against a background of increased infrastructural investment by corporations, a great deal of activity occurred in our client industries, as seen in such fields as telecommunications equipment, robots, machine tools, chip mounters, printed circuit board processors and injection molding machines.

In these circumstances, the shift by Sanyo Denki has progressed significantly from business in markets where the major retail factor is low prices to business in markets demanding enhanced performance and high reliability. As an example, new products such as the large airflow fans and endurance fan series, compact and high-performance servo motors and stepping motors, and control devices for these products have been well received in the market, and contributed to the Company's business performance.

At local branches established as overseas sales bases in the year before last, such as Hong Kong, Taiwan, Singapore, South Korea and Germany, business

with new clients and agents has commenced, and the results of this business started to become apparent in the fiscal year ended March 2007.

In terms of production capability, production at our second plant at Subic Bay in the Philippines, which commenced operations in February 2006, has expanded steadily.

As a result of these factors, consolidated net sales for the period increased 1.9% in comparison with the previous period, to ¥65,749 million. Consolidated operating income advanced 19.3%, to ¥4,656 million, and consolidated net income rose 12.0%, to ¥3,046 million. We plan to pay a year-end dividend of ¥6.00 per share for the fiscal term under review.

In the fiscal year ending March 2008, we intend to carry out product development and production with the aim of becoming the leaders in the industry, as well as taking on the challenge of further strengthening our customer service system, in what is the initial year of our Fifth Mid-Term Management Plan.

The Company has also embarked on a plan to construct a new plant at Ueda City in Nagano Prefecture, to enable integrated production of motors such as servo motors, stepping motors, linear motors and sensors, as a foundation for further future expansion. Completion of plant construction is scheduled for the fiscal year ending March 2008.

We sincerely ask for your continued support.

A handwritten signature in black ink, appearing to read 'Shigeo Yamamoto', with a long horizontal stroke extending to the left.

Shigeo Yamamoto

CEO / President & COO

> THE GROWTH ENGINE OF SANYO DENKI



With staff and technology that support growth, Sanyo Denki conducts new technology and new product development based on three technological themes. By seeking to maximize profitability via developing global marketing encompassing the three main areas of North America, Asia and Europe, while at the same time strengthening environmental initiatives, we seek harmony and coexistence with a broader spectrum of stakeholders as one corporate citizen, and aim to further boost our corporate value.

- > Global Marketing P 6
- > Research & Development P 8
- > Environment Actions P10

North American Region

For this region, we posted sales of ¥7,792 million in the fiscal year under review, down 16.0% from the previous year.

Although sales of our cooling system products for PCs and servers were healthy, sales of certain low-priced products were postponed. In the current fiscal year, we will continue to exploit new markets with the Endurance Fan Series, as well as the Large Airflow Fan Series.

In the power systems section, we carried out overseas sales of UPS systems. In the present term, we are focusing on developing the telecommunications market, centered on highly reliable UPS systems.

Sales of servo system products were robust, particularly for semiconductor manufacturing equipment. New stepping motors for factory automation equipment performed well. In the current period, we will continue to cultivate the market for such motors by introducing a number of new products.

Asian Region

Sales for this region, which mainly comprises Hong Kong, Taiwan and Shanghai, totaled ¥12,176 million in the term under review, down 16.5% from a year earlier.

Sales of cooling system products declined for the Chinese sales base of North America's leading server manufacturer. In the present term, we are developing various new markets primarily for low-vibration, low-noise cooling fan products and large airflow cooling systems.

As for power systems, we signed an OEM sales agreement involving power conditioners for photovoltaic systems in South Korea.

Sales of servo systems, mainly for embroidery machines, were healthy. In the current fiscal year, we aim to boost sales of products for printed circuit board processors, centered on new servo motors and servo drivers.

European Region

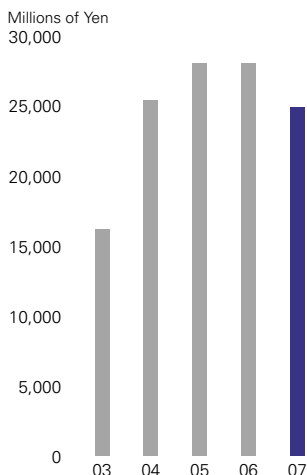
Sales for this region, centered on Sanyo Denki Europe S.A. and Sanyo Denki Germany GmbH, totaled ¥5,057 million in the term under review, up 16.8% from a year earlier.

Sales of cooling systems, mainly for use in telecommunications equipment, storage devices and power supplies, were strong. In the current fiscal year, we will search continually for new markets for these products.

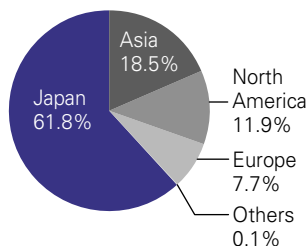
As for servo systems, centered on stepping motors for textile-related equipment, sales were brisk.

In the present term, we will cultivate new markets by establishing new agencies and improving our service system.

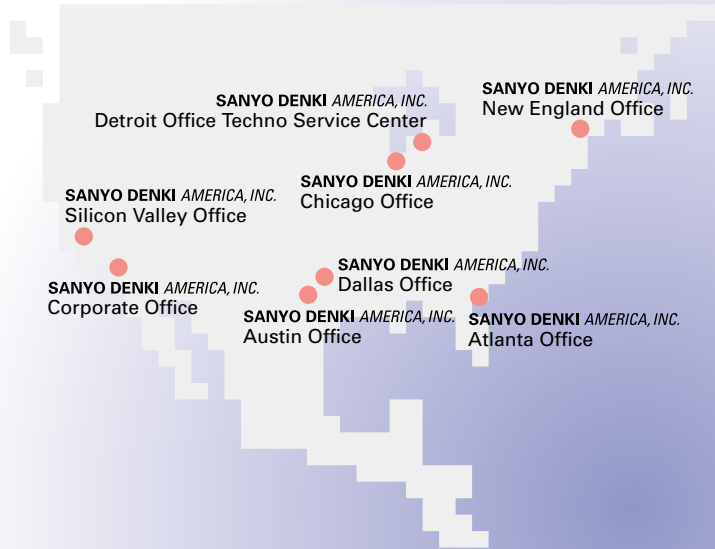
Overseas Sales



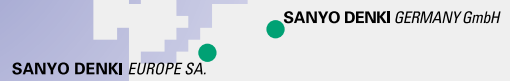
Percentage of 2007 Net Sales by Region



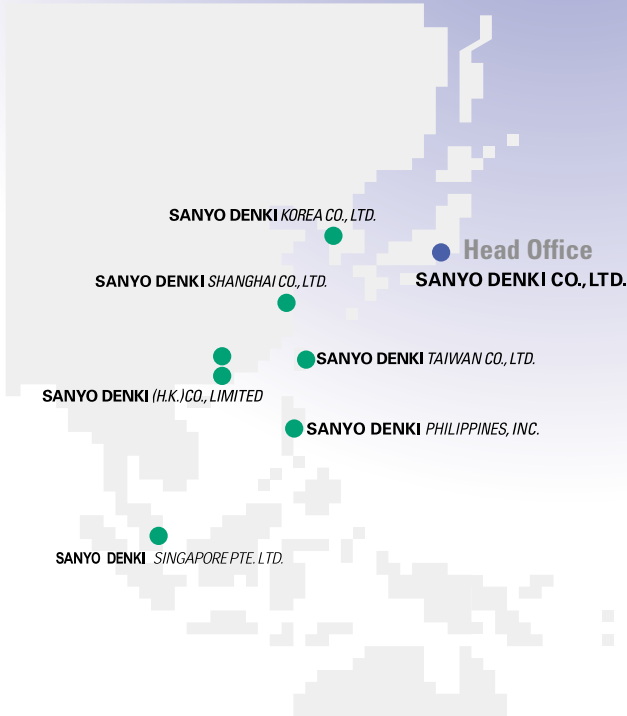
NORTH AMERICA



EUROPE



ASIA



- Head Office
- Subsidiary Company
- Affiliated Companies

> RESEARCH & DEVELOPMENT



Technology Center

During the fiscal year under review, the Group implemented research and development activities under the leadership of Sanyo Denki, while teaming up the sales section with the design/development section of the research institute, based on the fundamental concept of developing products with which customers can create new values.

Three of our business divisions actively carry out R&D activities, aiming to contribute to the development of technologies for protecting the global environment, protecting the health and safety of individuals, utilizing new energy sources, and conserving energy.

We adopt a unique design/development group system for our R&D system, built around the Company's Technology Center, so that we can easily form new teams for each product issue, which helps us anticipate market needs and better respond to customer needs.

Research and development costs during the fiscal year ending March 2007, on a consolidated basis, amounted to ¥1,345 million.

Cooling systems division

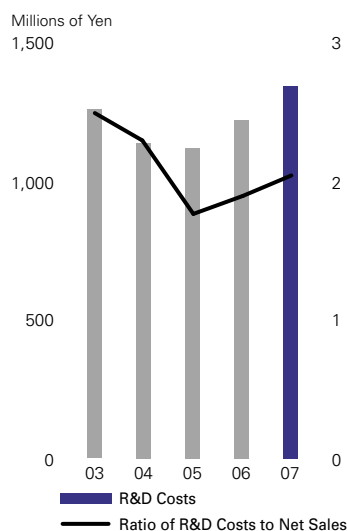
We developed the following products for the "San Ace" cooling system series.

Overheating countermeasures for electronic equipment such as increasingly compact and higher-performance-enabling telecommunications equipment and computer components have become a vital concern. Efforts to enable large air-flow, high static pressure, low noise and low power consumption have become a necessary part of countermeasures dealing with overheating issues, as a response to environmental concerns.

To comply with these trends encompassing customer needs, technology and the environment, we have developed a cooling fan that employs aerodynamic, motor and circuit design technology and provides performance drastically better than conventional products, strengthening our product lineup. In terms of CPU cooler products as well, we have developed more compact and slimmer devices that offer superior cooling performance. Both products are equipped with a control function for the number of fan rotations, and controlling the fan rotation speed within has reduced device noise. With our long-life fans, we have further enhanced our product lineup with the development of long-life fans that are more compact than conventional versions.

In the fiscal year under review, research and development costs for this division amounted to ¥278 million.

R&D Costs/
Ratio of R&D Costs to Net Sales



Power Systems Division

We developed the following products for the "SANUPS" power system series.

Within our range of dual power source systems, we have developed an electrical switching unit that uses a dual power source and makes possible redundant operation that enables higher power reliability for network component devices such as routers that normally employ single power sources. In terms of uninterruptible power supplies (UPS), we have taken the initiative to develop and enhance our array of high-efficiency hybrid-type products and our high-efficiency, compact, lightweight continuous inverter-type products. With our power conditioners for photovoltaic power generation systems, options for disaster prevention systems and peak-cut systems used for load-leveling have increased, and we have developed massive-capacity products equipped with standalone and recharging operation functions that can operate even in times of emergency or at night. In the field of UPS managing software, we have

commercialized the new "SANUPS SOFTWARE," which controls computer shutdowns during power outages. In the area of engine power generation devices, we have moved forward with the development of emergency power generation devices, and have tackled product development of mobile engine generators that are particularly compact, lightweight and low noise.

Research and development costs for this division totaled ¥293 million in the fiscal year under review.

Servo Systems Division

We developed the following products for the "SANMOTION" servo system series.

In the field of stepping motors, we have commercialized the 2-phase, 28 mm², and 5-phase, 28 mm² "SANMOTION F," both of which offer higher torque than conventional Sanyo Denki products. We have also commercialized a "SANMOTION F" compact 5-phase driver that can be mounted on control printed circuit boards within customers' devices. In terms of servo motors, we commercialized the "SANMOTION R" small-capacity AC servo motor, which is among the best compact and lightweight AC servo motors in the industry. Following on from this, we are also developing a medium-capacity AC servo motor. In the area of servo amplifiers, we have commercialized a CANopen interface equipped "SANMOTION R" servo amplifier, which is used on CANopen networks in the European market.

In the fiscal year under review, research and development costs for this division amounted to ¥773 million.



Large Laboratory in Technology Center



Design Rooms in Technology Center



Fujiyama Works

> ENVIRONMENTAL ACTIONS

Environmental Policy

Basic Philosophy

In regards to society and the environment, we are committed to management in which we can contribute to global environment conservation and human prosperity through our corporate activities.

Basic Policy

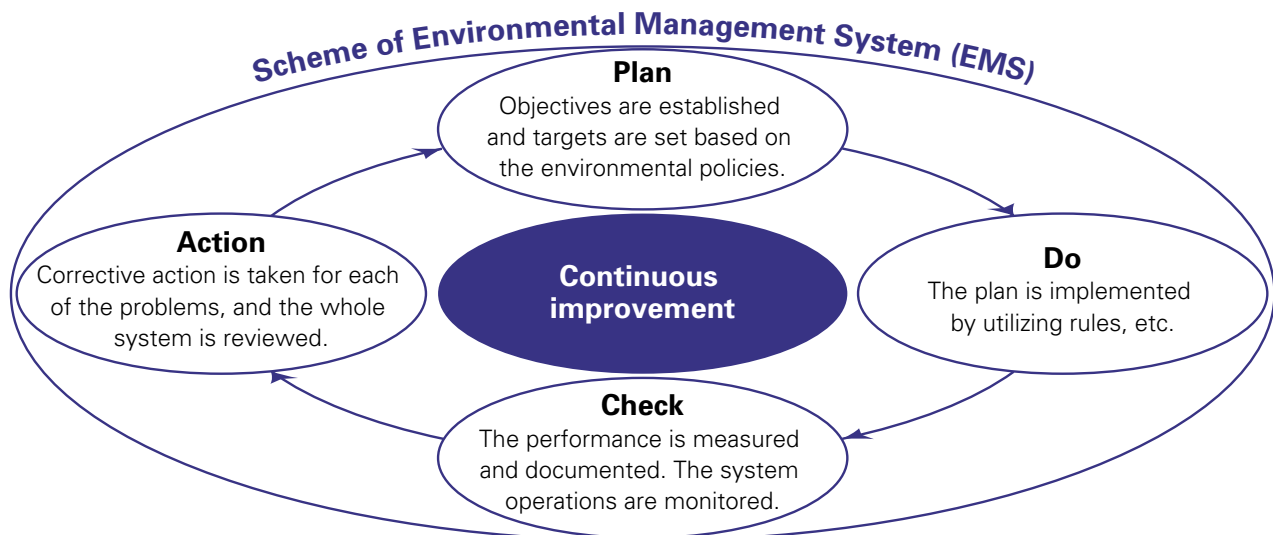
The businesses of Sanyo Denki Co., Ltd. (i.e., Midorigaoka Works, Tsuiji Works, Shioda Works, Aoki Works, Fujiyama Works, Technology Center, and Head Office) are focused on development, design, manufacturing and sales of servo motors/amplifiers, stepping motors/drivers, servo sensors, fan motors, power supplies, industrial personal computers, and industrial machine control systems. According to the principles listed below, every member of the company is engaged in environmentally friendly activities in order to contribute to the conservation of the rich global environment.

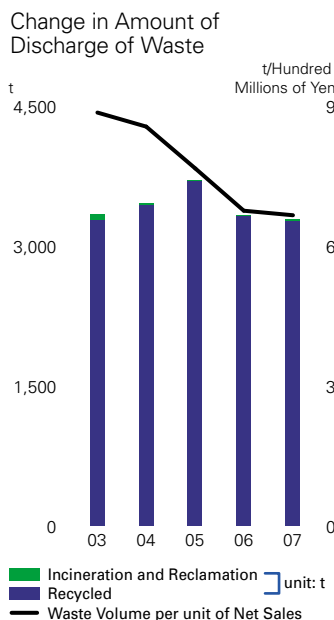
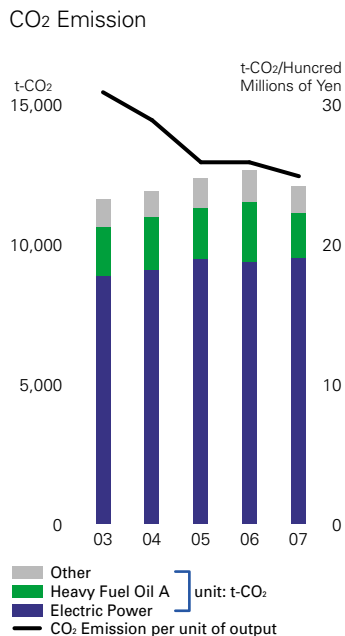
Systems

Seven years have passed since the company's Environmental Committee was launched in April 2000. From the last fiscal year, we started maintaining the status quo in some activities such as saving energy and waste reduction at the factories. In addition to the reduction of environmental impact, our activities focus on the environmental management priorities, the reduction of toxic chemical substances and development of ECOPRODUCTS.

Main Tasks of the Environmental Committee

- Formulation, notification and instruction of policies for environmental conservation activities
- Preparation and maintenance of the company's rules including the company's environmental manual concerning environmental conservation activities
- Promoting the environmental conservation activities at Head Office, factories and business offices through the persons in charge of environmental management
- Serving as a liaison with the outside with regard to the environmental conservation activities for the entire company
- Conducting research on the environmental activities in the society





We continue our efforts to improve our environmental preservation activities, and work toward the goal of a sustainable society through formulation of voluntary standards and establishment of concrete targets. A notable achievement in this regard was our initiation of the sale of cooling fans and stepping motors in correspondence with the RoHS Directive for reducing hazardous chemical substances.

Reduction of CO₂ Emissions

As a part of our efforts to prevent global warming, we have initiated an energy-saving campaign through increased efficiency in resource usage and cleaning, since we consider reductions of CO₂ emissions as our top-priority task in this area. In reality, consumption of electric power increased as the result of an increased output in this term as compared with the previous term. CO₂ emission was decreased and the unit cost in an output was also dropped due to decrease of heavy fuel oil A consumption.

Reduction in Hazardous Chemical Substances

The toxic chemicals reduction design working group, subordinate of the Chemical Substance Emission Reduction Subcommittee, and the planning section of the business division work together to deal with the RoHS directive total ban measure, which is the Company's high-priority theme.

- Most of our cooling fans are RoHS compliant (except some service parts).
- Almost all of our servo motors are now RoHS compliant (except some service parts).
- All RoHS-designated servo motors, servo amplifiers, and stepping motor drivers are now RoHS compliant.
- RoHS compliance measures with RoHS-designated electrical devices are moving forward.
- Measures have been taken with regard to provision of RoHS guidelines for China and customer support.
- RoHS 6 material analysis of individual members conducted with the introduction of an X-ray analysis device (XRF).

* RoHS Directive (Restriction on the use of certain chemical substances in electrical and electronic equipment): instructions of the European Parliament and the European Council concerning regulations for the use of hazardous substances in electrical and electronic equipment. Relates to six substances (lead, chromium [VI] compounds, cadmium, mercury and two brominated flame-retardants [PBBs and PBDEs]).

Zero Emissions

The Company participates in the Zero Emission Promotion Committee by "Nagano Techno Foundation Asama Technopolis Regional Center" and the Zero Emission Promotion Society, which was inaugurated in April 2003, promoting environmental preservation activities in cooperation with local corporations.

The Zero Emission Promotion Society holds activity report meetings, carries out inspections of member corporations, and studies the separation and processing of waste products, and investigates means of further improving waste product processing. The society is expanding activities to construct a new "shared collection, shared processing system."

> TOPICS IN THE FISCAL YEAR TO MARCH 2007

Commencement of New Plant Construction

Sanyo Denki will commence construction of a new plant in Ueda City, Nagano Prefecture that will combine production of servo motors, stepping motors, linear servo motors, and sensors.

The plant will conduct motor-related production processes, including pressing, painting, heat processing, machining, winding, and assembly, in an integrated production process, and will aim to improve productivity and competitiveness, as well as production technology.

Plant Outline

- Name: Kangawa Works
- Location: Tonoshiro, Ueda City, Nagano Prefecture
- Site area: Approx. 67,000 m²
- Floor area: Approx. 36,000 m²
- Completion: During fiscal 2008
- Commencement of operations: Spring 2009
- Total investment: Approx. ¥7,000 million



Rendering of New Plant

Release of the "SANMOTION R" AC Servo System, the World's Smallest High-Performance Compact Servo Motor

Sanyo Denki has developed the world's smallest (as of September 2006) AC servo motor, the "SANMOTION R." It is 30% smaller (compared to conventional models), and the maximum power range has been improved by 26%. Seven models with flange sizes ranging from 40 mm² to 80 mm² have been made available, and the product was released on October 23, 2006.

Features

1. World's Smallest

Although it is 30% smaller (compared to conventional models), speed rippling has been minimized with high levels of torque. Standard output is 30 W to 750 W, and seven models are available with flange sizes ranging from 40 mm² to 80 mm².

2. Maximum Power Range Has Been Improved by Up to 26%

We have revised the magnetic circuit design, enabling an increase in maximum instantaneous stall torque* of 5% to 26% in comparison with conventional models. The maximum number of rotations per minute has also been increased in comparison with conventional models from 5,000 to 6,000 rotations, realizing a broad power range.

* Strength needed to instantaneously start and stop rotation of the motor.



Applications

Semiconductor manufacturing devices, chip mounters, robots, general industrial machinery, machine tools

• All of the details above are current as of October 23, 2006.

Release of the "SANMOTION R" AC Servo System, a High-Performance Multi-Axis AC Servo Amplifier

Sanyo Denki has developed a multi-axis AC servo amplifier incorporating six axes, the "SANMOTION R." This product enables a maximum 20% cost reduction in comparison with use of multiple single-axis amplifiers. It also enables a maximum 42% reduction in installation area. Amplifier capacity is 15 A and 30 A. The product was released on October 23, 2006.

Features

1. Reduced Installation Size

Enables a 42% reduction in installation size compared with using six single-axis amplifiers.

2. Excellent Cost Performance

Enables a maximum cost reduction of approximately 20% in comparison with use of multiple single-axis amplifiers.



Applications

Semiconductor manufacturing devices, chip mounters, robots, general industrial machinery, machine tools

• All of the details above are current as of October 23, 2006.

Basic Corporate Governance Philosophies

The Company has established an internal control system, through which we will strive to achieve corporate principles through fair and reasonable management, and have every employee fully understand the corporate principles in daily business operations. We will revise the system when necessary.

Details of Corporate Organization and Improvement of the Internal Control System

1) Overview of corporate organization

The Board of Directors always ensures that the operations of directors and employees comply with laws, regulations and the Articles of Incorporation of the Company, and it receives reports from the heads of responsible divisions at regular Board of Directors meetings, or when needed. It also makes decisions, gives instructions and offers guidance, when necessary.

The Board of Directors appoints the necessary number of executive officers to realize systematic, appropriate and speedy execution of operations, gives individuals the responsibility and authority they need for their duties, oversees operations, receives reports from the executive officers at Board of Directors meetings, and when needed. It also makes decisions, gives instructions and offers guidance, when necessary.

Corporate Auditors audit the operations of the directors, and checks whether executive officers, and the divisions under their control, are executing operations appropriately pursuant to laws, regulations, the Articles of Incorporation and in-house rules.

The Auditing Department, under direct control of the CEO, performs audits to check whether operations in all the organizations are being conducted appropriately according to laws, regulations, the Articles of Incorporation and in-house rules. It also offers guidance if it believes a practice needs to be improved.

The Committee of Business Conduct, appointed by the executive officers, provides employees of the Company and affiliated group companies with thorough education and training on compliance with laws and regulations and corporate code of conduct.

2) Internal audits, audits by Corporate Auditors, and accounting audits

The Auditing Department conducts internal audits to prevent illegal acts by the Company and to improve the management quality. These audits are carried out by two staff members.

Corporate Auditors fully oversee operations by attending all Board of Directors meetings and the Executive Board meeting, which is held twice a month.

The Company appoints Futaba Audit Corporation to conduct accounting audits. Audits are implemented even in the middle of a fiscal year, if necessary, to avoid the concentration of audit operations at the term-end. We are strengthening our audit system by, for example, verifying the consistency between computer-processed data and figures contained in forms.

The Auditing Department, Corporate Auditors and the accounting auditor are enhancing their mutual cooperation by exchanging information at various opportunities, including the regular meeting to discuss the annual schedule, earnings reports, and other data. The following are the certified public accountants (CPAs) who implemented accounting audits and the personnel at the time of such audits, including the assistants.

CPAs and their accounting firm:

Yuichi Toyama: Futaba Audit Corporation

Masaaki Koizumi: Futaba Audit Corporation

Composition of personnel involved in accounting audits:
3 CPAs, 1 assistant CPA, and another staff member

3) The corporate organization and internal control system are as follows:

Strengthening of the Risk Management System

The Company's Crisis Management Committee fully recognizes the risks that influence corporate management and strives to improve the "Crisis Management Manual." During times of normality, the committee formulates measures to prevent risks from occurring. The Company has also established a system to prepare for any unforeseen situation that might seriously affect corporate management.

Overview of Personal, Capital and Transaction Relationships or Other Conflicts of Interest between the Company and Outside Directors/Corporate Auditors

We appoint one lawyer and one auditor as outside Director and two persons as outside Corporate Auditors, but there are no conflicts of interests between the Company and these personnel.

Compensation Paid to Executives

Total annual compensation for Directors: ¥204 million

Total annual compensation for Corporate Auditors: ¥44 million

Compensation for Audit Services

Compensation for audit services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law: ¥18 million

The Company pays no compensation other than that described above.

Articles of Incorporation concerning Executive Officers

It is established within the Articles of Incorporation that there shall be no more than 10 Executive Officers.

Resolutions to Appoint Executive Officers

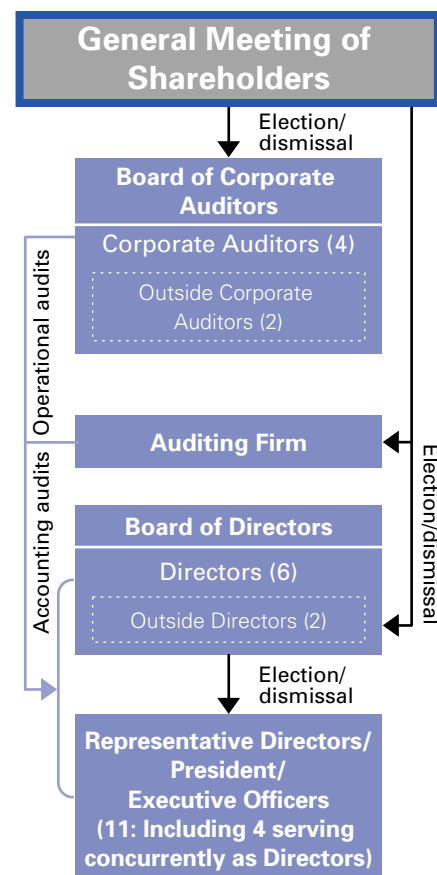
It is established within the Articles of Incorporation that resolutions concerning appointment of Executive Officers shall be adopted when shareholders having one-third of the total voting rights of shareholders entitled to exercise voting rights are present, and when approved by a majority of the votes of the shareholders present.

General Meeting of Shareholders Resolution Items Established in the Articles of Incorporation as Items to Be Resolved by the Board of Directors

With regard to acquisition of treasury stock, it is established within the Articles of Incorporation that in accordance with Article 165, Paragraph 2 of the Corporations Act, treasury stock may be acquired in accordance with resolutions by the Board of Directors. The aim of this is the execution of flexible capital policies in response to the business environment.

General Meeting of Shareholders Special Resolution Requirements

With regard to general meeting of shareholders special resolution requirements stipulated in Article 309, Paragraph 2 of the Corporations Act, it is established within the Articles of Incorporation that resolutions shall be adopted when shareholders having one-third of the total voting rights of shareholders entitled to exercise voting rights are present, and when approved by two-thirds of the votes of the shareholders present. The aim of this is the smooth running of the general meeting of shareholders.



San Ace

COOLING SYSTEMS DIVISION

The Cooling Systems Division develops, manufactures, and promotes cooling fans, CPU cooling fans and our liquid cooling system. The products are manufactured in Japan, the Philippines, and China, and are sold worldwide through our network of sales offices.



San Ace 80 CR Type

SANUPS

POWER SYSTEMS DIVISION

The Power Systems Division develops, manufactures, and promotes uninterruptible power supply (UPS) systems, engine generators, and photovoltaic power generators. The products are manufactured in Japan and the Philippines and are sold worldwide through our network sales offices.



SANUPS P83B

SANMOTION

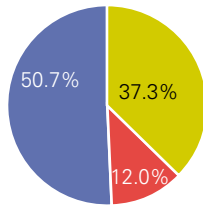
SERVO SYSTEMS DIVISION

The Servo Systems Division develops, manufactures, and promotes servomotors, servo drives, stepping motors and drives, sensors, and controllers. These products are manufactured in Japan, Indonesia, and the Philippines and are sold worldwide through our network of sales offices.

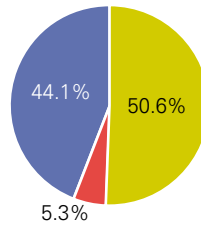


SANMOTION R

Percentage of 2007 Net Sales



Percentage of 2007 Gross Profit



■ Cooling Systems Division
■ Power Systems Division
■ Servo Systems Division

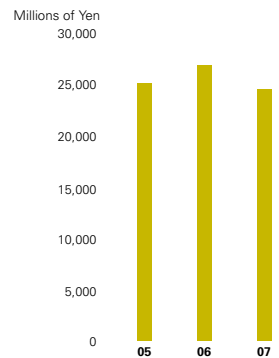


San Ace 60 CR Type

MAJOR USE

- Cooling devices for electric equipment
- Telecommunications equipment
- Industrial machinery
- Base stations
- High-end servers
- Storage devices
- Personal computers
- OA equipment

Net Sales

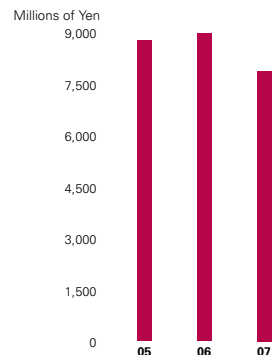


SANUPS E11A

MAJOR USE

- Photovoltaic power systems for public facilities
- Communication systems
- Factory automation
- Network systems
- Computers
- Medical facilities
- Control systems

Net Sales

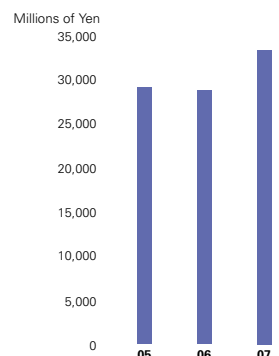


SANMOTION R

MAJOR USE

- Servo systems 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.)
- ATMs
- Ticket vending machines
- OA equipment
- Medical equipment
- Set up of the FA open system

Net Sales





COOLING SYSTEMS DIVISION

There has been increased demand for high-performance fan products from the "San Ace" cooling system series, for applications such as servers, PCs, and telecommunications equipment. Demand has also increased for endurance fan products, for applications such as FA systems and communication base stations.

Concurrently, we have also suspended sales of some products displaying low profitability in the PC market.

As a result, sales decreased 8.6% in comparison with the previous fiscal period, to ¥24,489 million.

NEW PRODUCTS

"San Ace 60" and "San Ace 80" Dual Counter-Rotating Fan

These fans are 60 mm² and 80 mm² dual counter-rotating fans that can be used in applications such as servers, storage systems, telecommunications equipment and various types of industrial machinery. New development has been conducted on the blades and frame, and the "San Ace 80" offers a 68% improvement in maximum airflow and 73% improvement in maximum static pressure when compared with two conventional units (in series).

(As of March 28, 2006)



San Ace 60



San Ace 80

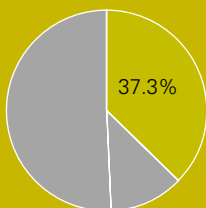
"San Ace 40L" Long-Life Fan

With the "San Ace 40L," we are the first in the industry to achieve an expected lifespan of 100,000 hours for a 40 mm² and 28 mm thickness fan. This is a 25% improvement over conventional products in terms of expected lifespan. We have achieved a maximum airflow of 0.52 m³/min, a maximum static pressure of 206 Pa, and a sound pressure level of 48 dB (A). This fan is optimal for applications such as telecommunications equipment, servers and various types of industrial machinery.

(As of February 21, 2006)

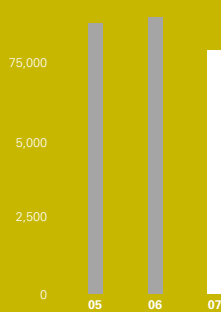


Percentage of 2007 Net Sales



Net Sales

Millions of Yen
10,000



POWER SYSTEMS DIVISION

Demand from NTT-related sources and defense-related sources has been less than planned for "SANUPS" power system series uninterruptible power supplies (UPS) and diesel engine generators. Demand for compact UPS has also stagnated in the general market.

Meanwhile, sales in new markets, such as UPS for FA systems and power conditioners for photovoltaic power generation systems, have increased; however, this increase in sales was unable to compensate for the overall decline.

Demand has exploded in particular for AC servo systems, mainly in the Chinese, American and European markets.

As a result of these combined factors, sales decreased 12.1% in comparison with the previous fiscal year, to ¥7,897 million.

NEW PRODUCTS

"SANUPS P83B" (100 kVA) Power Conditioners for Photovoltaic Power Generation Systems

- It has an efficiency of 93%.
- 57% reduction in installation area compared with conventional products; enables setup of a flexible system compliant with usage purpose-interconnected power systems, stand-alone operations, stand-alone and rechargeable power systems.

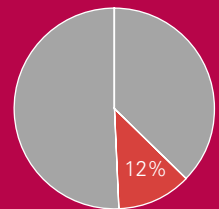


"SANUPS E11A" (1.5 kVA) UPS (Uninterruptible Power Supply)

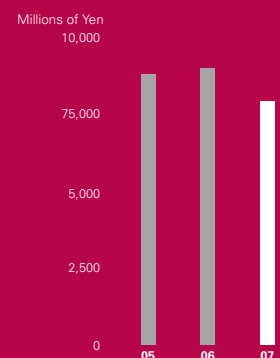
This hybrid UPS automatically selects the most appropriate power supply operation mode in accordance with the power source. It has an efficiency of 95% with a stable power source.



Percentage of 2007 Net Sales



Net Sales





SERVO SYSTEMS DIVISION

There has been ample demand in the domestic market for the “SANMOTION” servo system series, for applications such as robots, machine tools, chip mounters, printed circuit board processors and injection molding machines, and sales for this series have been strong.

Demand has exploded in particular for AC servo systems, mainly in the Chinese, American and European markets.

As a result of these combined factors, sales increased 16.1% in comparison with the previous fiscal period, to ¥33,362 million.

NEW PRODUCTS

“SANMOTION R” AC Servo System

This system combines the world’s smallest AC servo motor and a high-performance multi-axis AC servo amplifier. The AC servo motor size is 30% smaller (compared to conventional models) and the maximum power range has been improved by 26%.

The multi-axis AC amplifier delivers a reduction in power loss by up to 20% and reduces installation width by as much as 42% compared to current single-axis models.

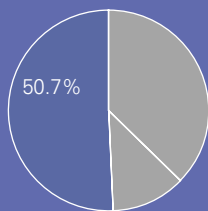


AC Servo Motor



Multi-Axis AC Servo Amplifier

Percentage of 2007 Net Sales



Net Sales

Millions of Yen
40,000



“SANMOTION F2” Stepping Motor with Internal Driver

By integrating the driver and motor, we have reduced installation space and wiring figures. A function enabling selection of operation modes in accordance with application makes the system design simple.

This product is optimal for applications such as semiconductor manufacturing equipment, chip mounters, and security cameras.



FINANCIAL SECTION

– CONSOLIDATED –

SANYO DENKI CO., LTD. and consolidated subsidiaries

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> SIX-YEAR SUMMARY

SANYO DENKI CO., LTD. and consolidated subsidiaries

Millions of Yen

Years ended March 31	2007	2006	2005	2004	2003	2002
For the Year:						
Net Sales	¥65,749	¥64,527	¥63,025	¥49,307	¥50,473	¥48,964
Cost of Sales	52,868	53,601	52,132	41,534	43,891	43,898
Selling, General and Administrative Expenses	8,224	7,022	6,470	5,957	6,180	6,307
Operating Income (Loss)	4,656	3,902	4,422	1,816	401	(1,241)
Net Income	3,046	2,719	2,386	516	305	1,863
Net Income per Share (Yen)	50.67	44.21	38.71	8.04	5.12	30.20
Cash Dividends per Share (Yen)	11.00	10.00	9.00	6.00	5.00	6.00
Total Assets	65,385	61,702	56,602	55,565	54,052	55,743
Total Net Assets*	37,797	35,404	31,825	29,647	28,986	29,348
Current Assets	41,592	38,879	35,385	34,084	30,437	30,136
Current Liabilities	25,141	23,550	22,458	23,301	21,669	21,317
Return on Equity (%)	8.5	8.2	7.8	1.8	1.0	6.6
Return on Assets (%)	4.8	4.6	4.3	0.9	0.6	3.2
Dividend Payout Ratio (%)	21.7	22.6	23.2	74.6	97.7	19.9
Interest Coverage Ratio	26.0	54.3	42.2	13.8	20.2	30.4

* Total net assets = total shareholders' equity + valuation and translation adjustments + minority interests.

> FINANCIAL REVIEW (CONSOLIDATED)

SANYO DENKI CO., LTD. and consolidated subsidiaries

OVERVIEW

During the fiscal year ended March 31, 2007, the Japanese economy continued to enjoy a recovery driven by the business sector, as corporate earnings and capital expenditures grew amid increased exports against the backdrop of expansion of overseas economies. Meanwhile, despite maintaining its recovery trend, personal consumption remained somewhat weak in the face of slight growth in income and the effects of unseasonable weather.

In these circumstances, we sought to strengthen our sales networks and technical support networks through efficient management of consolidated subsidiaries, pursuing the two top priorities of "securing the amount of orders" and "lowering the break-even point," as set out in our Fourth Mid-Term Management Plan. Consequently, consolidated net sales for the fiscal year under review rose 1.9% compared with the previous year, to ¥65,749 million.

Consolidated operating income increased 19.3%, to ¥4,656 million, while consolidated net income grew 12.0%, to ¥3,046 million.

OPERATING RESULTS

Net Sales

For the fiscal year ended March 31, 2007, we recorded consolidated net sales of ¥65,749 million, up 1.9% from

the previous year. This result was attributable to increased demand for our cooling system products, namely high-performance cooling fan products for use in servers, PCs and telecommunications equipment, and Endurance Fan products for use in FA devices and mobile communication base stations. Also contributing was higher domestic demand for our servo system products for use in robots, machine tools, chip mounters, printed-circuit board processing machines and injection molding machines.

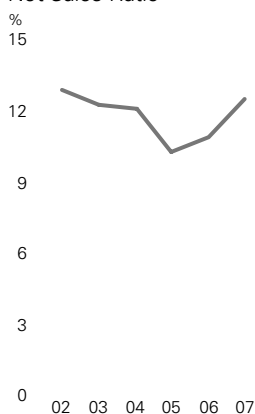
Overseas, the ratio of exports to Southeast Asia stood at 18.5%, declining 4.1 percentage points from 22.6% a year earlier, and the ratio of exports to North America was also down, by 2.5 percentage points to 11.9%, from 14.4% the previous year. The ratio of exports to Europe was up 1.0 percentage point, to 7.7%, from 6.7%. As a result, the ratio of consolidated overseas sales to consolidated net sales stood at 38.2%, declining 5.5 percentage points from 43.7% recorded the previous year.

Operating Income (Expenses)

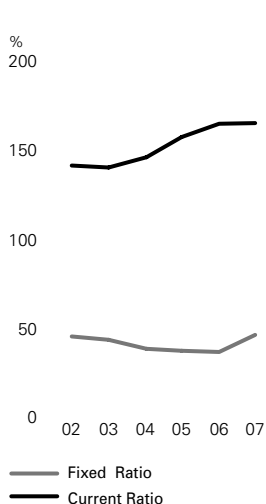
The cost of sales fell 1.4% from the previous year, to ¥52,868 million, with the cost of sales ratio also declining, by 2.7 percentage points to 80.4%, from 83.1% the previous year.

Selling, general and administrative expenses amounted to ¥8,224 million, up 17.1%.

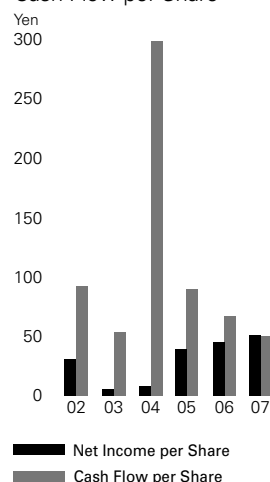
SG&A Expenses to Net Sales Ratio



Fixed Ratio & Current Ratio



Net Income per Share & Cash Flow per Share



As a result of the above, operating income rose 19.3%, to ¥4,656 million, while the ratio of operating income to net sales stood at 7.1%, up 1.1 percentage points from 6.0% the previous year.

Net Income

Net income for the term increased 12.0%, to ¥3,046 million.

SEGMENT OPERATING RESULTS BY GEOGRAPHICAL AREA

Japan

Operating in Japan are the Company and its consolidated subsidiary SANYO DENKI Techno Service CO., LTD.

Sales to external customers increased 1.2% from the previous year, to ¥43,824 million, and intersegment transactions grew 4.7%, to ¥15,296 million, for total sales of ¥59,120 million, up 2.1%. Operating income amounted to ¥5,292 million, up 32.8%.

North America

The Company has two consolidated subsidiaries in North America: SANYO DENKI AMERICA, INC. and its subsidiary AVC AMERICA, INC.

Sales to external customers amounted to ¥15,915 million, down 4.0%, and intersegment transactions were ¥71 million, up 20.2%, for total sales of ¥15,986 million, down 3.9% from the previous term. Operating income surged 163.3%, to ¥369 million.

Others

As for other areas, the Company has consolidated subsidiaries, SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH, in Europe. The Company's consolidated subsidiaries operating in Asia consist of SANYO DENKI PHILIPPINES, INC., SANYO DENKI SHANGHAI CO., LTD., SANYO DENKI (H.K.) CO., LIMITED, SANYO DENKI SINGAPORE PTE, LTD., SANYO DENKI KOREA CO., LTD. and SANYO DENKI TAIWAN CO., LTD., as well as SANYO DENKI Techno Service (Shenzhen) CO., LTD. and SANYO DENKI Techno Service (Singapore) PTE. LTD., both of which are subsidiaries of SANYO DENKI Techno Service Co., Ltd.

Sales to external customers amounted to ¥6,009 million, up 29.6%, and intersegment transactions were ¥12,687 million, up 68.6%, for total sales of ¥18,697 million, up 53.7% from the previous year. Operating income increased 5.5%, to ¥574 million.

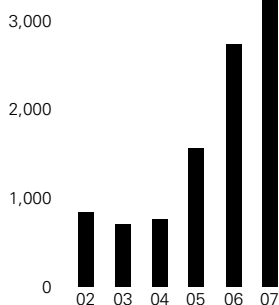
ANALYSIS OF CAPITAL RESOURCES AND LIQUIDITY

Cash Flows

Net cash provided by operating activities amounted to ¥3,162 million, reflecting an increase in cash flows from operating activities before interest and income taxes paid. Major contributors to the increase were income before income taxes and minority interests of ¥5,023 million and depreciation of ¥2,035 million, which were

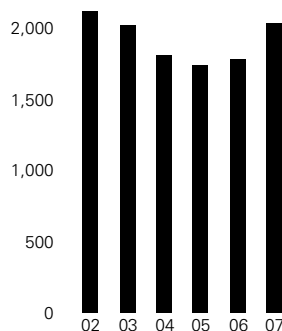
Capital Expenditure

Millions of Yen
4,000



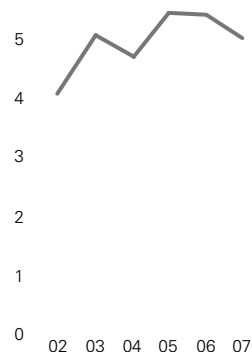
Depreciation

Millions of Yen
2,500



Inventory Turnover

Times
6



partially offset by a decrease in cash due to a ¥2,566 million increase in inventories.

Net cash used in investing activities amounted to ¥2,790 million, compared to net cash used the previous year of ¥2,380 million. The change was due primarily to expenditures consisting of ¥2,529 million incurred in the purchase of property, plant and equipment such as manufacturing equipment and ¥523 million incurred in the purchase of securities.

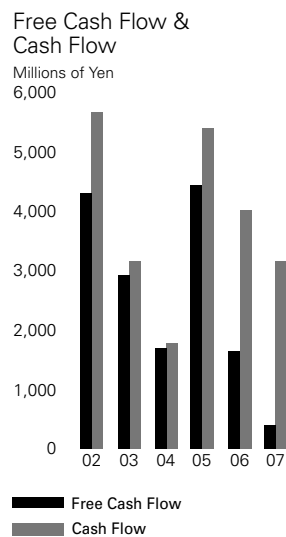
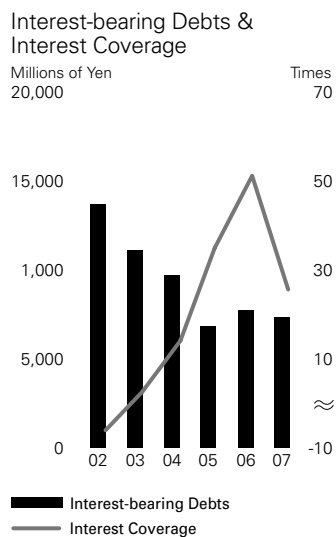
Net cash used in financing activities amounted to ¥1,284 million, compared to net cash provided of ¥1 million the previous year. The change was primarily attributable to expenditures consisting of ¥600 million in payments of short-term debts, ¥295 million in repayments of long-term debts and ¥658 million in dividends paid. These expenditures more than offset the proceeds of ¥500 million from long-term debts to finance the construction of additional plants of overseas subsidiaries.

plant and equipment, net, rose ¥907 million, while investments and other assets increased ¥62 million. Intangible fixed assets decreased ¥42 million.

Liabilities rose ¥1,290 million. Major components contributing to this increase were trade notes and accounts payable, which rose ¥1,000 million, and other current liabilities, which increased ¥1,130 million. Short-term debts and accrued income taxes decreased ¥392 million and ¥208 million, respectively. In the long-term liabilities section, long-term debt decreased by ¥3 million, reserve for retirement benefits by ¥207 million, and other long-term liabilities by ¥106 million.

Financial Position

Total assets increased ¥3,683 million from the previous tem-end. Significant contributing components in the current assets section were increases of ¥2,418 million in inventories, ¥1,063 million in other receivables, and ¥335 million in deferred tax assets. These were partially offset by decreases of ¥875 million in cash and bank deposits and ¥360 million in trade notes and accounts receivable. In the fixed assets section, total property,



> CONSOLIDATED BALANCE SHEETS

SANYO DENKI CO., LTD. and consolidated subsidiaries
As of March 31, 2007 and 2006

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	2007
Current Assets:			
Cash and bank deposits (Note 6).....	¥ 5,062	¥ 5,937	\$ 42,880
Notes and accounts receivable—trade.....	19,674	20,034	166,658
Inventories.....	14,354	11,936	121,592
Other receivables.....	1,235	172	10,461
Deferred tax assets (Note 11).....	1,075	740	9,106
Others.....	414	305	3,506
Less: Allowance for doubtful accounts.....	(225)	(247)	(1,905)
Total current assets.....	41,592	38,879	352,325
Property, Plant and Equipment, net (Note 8):			
Land.....	4,713	4,701	39,923
Buildings and structures.....	6,915	6,492	58,576
Machinery, equipment and vehicles.....	4,319	3,376	36,586
Others.....	1,613	2,084	13,663
Total property, plant and equipment, net.....	17,561	16,654	148,759
Investments and Other Assets:			
Investments in securities (Note 7).....	3,791	3,702	32,113
Others.....	2,443	2,470	20,694
Less: Allowance for doubtful accounts.....	(4)	(4)	(33)
Total investments and other assets.....	6,230	6,168	52,774
Total Assets	¥65,385	¥61,702	\$553,875

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	2007
Current Liabilities:			
Short-term debts (Notes 8 & 9).....	¥ 6,053	¥ 6,445	\$ 51,274
Notes and accounts payable-trade.....	13,205	12,205	111,859
Accrued income taxes (Note 11).....	1,146	1,354	9,707
Allowance for Bonuses to directors and corporate auditors.....	60	—	508
Other current liabilities.....	4,676	3,546	39,610
Total current liabilities.....	25,141	23,550	212,969
Long-term Liabilities:			
Long-term debts (Notes 8 & 9).....	1,250	1,253	10,588
Deferred tax liabilities-revaluation (Notes 8 & 11).....	714	714	6,048
Deferred tax liabilities-other (Note 11).....	132	115	1,118
Reserve for retirement benefits (Note 10).....	263	470	2,227
Other long-term liabilities.....	86	192	728
Total non-current liabilities.....	2,446	2,746	20,720
Total liabilities.....	27,587	26,297	233,689
NET ASSETS:			
Shareholders' Equity:			
Common stock, no par value			
Authorized: 2007 and 2006—250,000,000 shares			
Issued: 2007 and 2006—63,135,935 shares.....	9,526	9,526	80,694
Capital surplus.....	11,059	11,059	93,680
Retained earnings.....	15,214	12,996	128,877
Treasury stock, at cost			
Common stock (3,019,000 shares in 2007 and 2,991,180 shares in 2006).....	(894)	(869)	(7,573)
Total shareholders' equity.....	34,906	32,712	295,688
Valuation and Translation Adjustments:			
Revaluation reserve for land, net of tax (Note 8).....	1,062	1,062	8,996
Net unrealized holding gain on securities (Note 7).....	570	703	4,828
Foreign currency translation adjustments.....	387	172	3,278
Total valuation and translation adjustments.....	2,020	1,938	17,111
Minority Interests.....	869	752	7,361
Total net assets.....	37,797	35,404	320,177
Liabilities and Net Assets.....	¥65,385	¥61,702	\$553,875

> CONSOLIDATED STATEMENTS OF INCOME

SANYO DENKI CO., LTD. and consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	2007
Net Sales	¥65,749	¥64,527	\$556,958
Cost of Sales	52,868	53,601	447,844
Gross Profit	12,881	10,925	109,114
Selling, General and Administrative Expenses (Note 13):	8,224	7,022	69,665
Operating income	4,656	3,902	39,440
Other Income (Expenses):			
Interest income and dividend received	156	94	1,321
Gain on sales of securities, net (Note 7)	105	221	889
Foreign currency translation gain.....	127	610	1,075
Interest expense	(108)	(78)	(914)
Loss on sales and disposal of fixed assets (Note 14).....	(84)	(46)	(711)
Loss on liquidation of an affiliate	(7)	(123)	(59)
Directors' retirement benefits	(5)	(348)	(42)
Other, net	182	54	1,541
Total	366	384	3,100
Income before Income Taxes and Minority Interests	5,023	4,286	42,549
Income Taxes (Note 11):			
Current	2,060	1,548	17,450
Deferred	(236)	(70)	(1,999)
Total income taxes	1,824	1,477	15,451
Minority Interests	152	88	1,287
Net Income	¥ 3,046	¥ 2,719	\$ 25,802
Per Share Data (Note 16):			
Net income.....	¥ 50.67	¥ 44.21	\$ 0.42
Cash dividends for the year.....	11.00	10.00	0.09

See Notes to Consolidated Financial Statements.

> CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

SANYO DENKI CO., LTD. and consolidated subsidiaries
Years ended March 31, 2007 and 2006

Millions of Yen

	Number of shares of common stock	Shareholders' equity				Total
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
BALANCE—APRIL 1, 2005	63,135,935	¥9,526	¥11,059	¥10,878	¥(836)	¥30,627
Net income	—	—	—	2,719	—	2,719
Cash dividends	—	—	—	(541)	—	(541)
Bonus for directors and corporate auditors.....	—	—	—	(60)	—	(60)
Acquisition of treasury stock.....	—	—	—	—	(33)	(33)
Disposal of treasury stock	—	—	—	—	—	—
Surplus of treasury stock.....	—	—	—	—	—	—
Other, net	—	—	—	—	—	—
BALANCE—MARCH 31, 2006	63,135,935	¥9,526	¥11,059	¥12,996	¥(869)	¥32,713
Net income	—	—	—	3,046	—	3,046
Cash dividends	—	—	—	(661)	—	(661)
Bonus for directors and corporate auditors.....	—	—	—	(60)	—	(60)
Change in scope of consolidation	—	—	—	(107)	—	(107)
Acquisition of treasury stock.....	—	—	—	—	(24)	(24)
Disposal of treasury stock	—	—	—	—	0	0
Surplus of treasury stock.....	—	—	—	—	—	—
Other, net	—	—	—	—	—	—
BALANCE—MARCH 31, 2007	63,135,935	¥9,526	¥11,059	¥15,214	¥(894)	¥34,906

	Valuation and translation adjustments					
	Revaluation reserve for land, net of tax	Net unrealized holding gain on securities	Foreign currency translation adjustments	Total	Minority interests	Total
BALANCE—APRIL 1, 2005	¥1,062	¥ 264	¥130	¥1,196	¥606	¥31,825
Net income	—	—	—	—	—	2,719
Cash dividends	—	—	—	—	—	(541)
Bonus for directors and corporate auditors.....	—	—	—	—	—	(60)
Acquisition of treasury stock.....	—	—	—	—	—	(33)
Disposal of treasury stock	—	—	—	—	—	0
Surplus of treasury stock.....	—	—	—	—	—	—
Other, net	—	438	303	742	146	199
BALANCE—MARCH 31, 2006	¥1,062	¥ 703	¥172	¥1,938	¥752	¥35,405
Net income	—	—	—	—	—	3,046
Cash dividends	—	—	—	—	—	(661)
Bonus for directors and corporate auditors.....	—	—	—	—	—	(60)
Change in scope of consolidation	—	—	—	—	—	(107)
Acquisition of treasury stock.....	—	—	—	—	—	(24)
Disposal of treasury stock	—	—	—	—	—	0
Surplus of treasury stock.....	—	—	—	—	—	—
Other, net	—	(133)	215	81	117	199
BALANCE—MARCH 31, 2007	¥1,062	¥ 570	¥387	¥2,020	¥869	¥37,797

See Notes to Consolidated Financial Statements.

Thousands of U.S. Dollars

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total
BALANCE—MARCH 31, 2006	\$80,694	\$93,680	\$110,088	\$(7,361)	\$277,111
Net income.....	—	—	25,802	—	25,802
Cash dividends.....	—	—	(5,599)	—	(5,599)
Bonus for directors and corporate auditors.....	—	—	(508)	—	(508)
Change in scope of consolidation.....	—	—	(906)	—	(906)
Acquisition of treasury stock.....	—	—	—	(203)	(203)
Disposal of treasury stock.....	—	—	—	0	0
Surplus of treasury stock.....	—	—	—	—	—
Other, net.....	—	—	—	—	—
BALANCE—MARCH 31, 2007	\$80,694	\$93,680	\$128,877	\$(7,573)	\$295,688

	Valuation and translation adjustments					
	Revaluation reserve for land, net of tax	Net unrealized holding gain on securities	Foreign currency translation adjustments	Total	Minority interests	Total
BALANCE—MARCH 31, 2006	\$8,996	\$ 5,955	\$1,457	\$16,416	\$6,370	\$299,915
Net income.....	—	—	—	—	—	25,802
Cash dividends.....	—	—	—	—	—	(5,599)
Bonus for directors and corporate auditors.....	—	—	—	—	—	(508)
Change in scope of consolidation.....	—	—	—	—	—	(906)
Acquisition of treasury stock.....	—	—	—	—	—	(203)
Disposal of treasury stock.....	—	—	—	—	—	0
Surplus of treasury stock.....	—	—	—	—	—	—
Other, net.....	—	(1,126)	1,821	686	991	1,685
BALANCE—MARCH 31, 2007	\$8,996	\$ 4,828	\$3,278	\$17,111	\$7,361	\$320,177

See Notes to Consolidated Financial Statements.

> CONSOLIDATED STATEMENTS OF CASH FLOWS

SANYO DENKI CO., LTD. and consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	2007
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 5,023	¥ 4,286	\$ 42,549
Adjustments for:			
Depreciation	2,035	1,780	17,238
Decrease in retirement benefits	(207)	(36)	(1,753)
Increase (decrease) in allowance for doubtful accounts	(25)	100	(211)
Interest income and dividend received	(156)	(95)	(1,321)
Gain on sales of securities	(94)	(214)	(796)
Interest expenses	117	78	991
Exchange (profit) loss	30	(175)	254
Gain on sale of fixed assets	0	(1)	0
Loss on disposal of fixed assets	84	43	711
Loss on liquidation of an affiliate	7	123	59
(Increase) decrease in notes and accounts receivable—trade	512	(1,327)	4,337
(Increase) decrease in inventories	(2,566)	255	(21,736)
Increase (decrease) in notes and accounts payable—trade	829	(823)	7,022
Others	(143)	402	(1,211)
Subtotal	5,447	4,397	46,141
Interest and dividend received	169	80	1,431
Interest paid	(121)	(73)	(1,024)
Income taxes paid	(2,332)	(390)	(19,754)
Net cash provided by operating activities	3,162	4,013	26,785
Cash Flows from Investing Activities:			
Increase in time deposits	(36)	(1)	(304)
Purchase of property, plant and equipment	(2,529)	(2,378)	(21,423)
Proceeds from sales of property, plant and equipment	0	7	0
Purchase of intangible assets	(63)	(380)	(533)
Purchase of securities	(523)	(105)	(4,430)
Proceeds from sales of investment securities	386	471	3,269
Payments of loans	—	(4)	—
Proceeds from loans	34	36	288
Others	(57)	(27)	(482)
Net cash used in investing activities	(2,790)	(2,380)	(23,634)
Cash Flows from Financing Activities:			
Decrease in short-term debts	(600)	(152)	(5,082)
Proceeds from long-term debts	500	1,400	4,235
Repayments of long-term debts	(295)	(370)	(2,498)
Purchase of treasury stock	(24)	(33)	(203)
Proceeds from sales of treasury stocks	0	0	0
Dividends paid	(658)	(541)	(5,573)
Dividends paid for minority shareholders	(29)	(32)	(245)
Others	(176)	(269)	(1,490)
Net cash provided by (used in) financing activities	(1,284)	1	(10,876)
Cash and Cash Equivalents Translation Difference	104	274	880
Net Increase (Decrease) in Cash and Cash Equivalents	(807)	1,909	(6,836)
Cash and Cash Equivalents at Beginning of Year	5,924	4,015	50,182
Net Decrease due to A Change in Scope of Consolidation	(52)	—	(440)
Cash and Cash Equivalents at End of Year	¥ 5,064	¥ 5,924	\$ 42,897

See Notes to Consolidated Financial Statements.

> NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SANYO DENKI CO., LTD. and consolidated subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Sanyo Denki Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

Effective the year ended March 31, 2007, the Company adopted a new accounting standard for the presentation of net assets in the balance sheet (ASBJ Statement No.5) and the related implementation guidance (ASBJ Guidance No.8) issued by Accounting Standards Board of Japan ("ASBJ"). In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007. In addition, certain English wordings for certain items under net assets were changed based on the wordings used by ASBJ in its English publications.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the total shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Some supplementary information included in the statutory Japanese consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

2. U.S. DOLLAR AMOUNTS

The accounts of consolidated financial statements presented herein are originally expressed in Japanese yen. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥118.05 to U.S. \$1, the rate of exchange prevailing at March 31, 2007 and then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of Consolidation

(a) Scope of Consolidation

The Company had 13 subsidiaries as at March 31, 2007 and 2006.

The accompanying consolidated financial statements for the years ended March 31, 2007 and 2006 include the accounts of the Company

and all subsidiaries. All intercompany balances and transactions are eliminated on consolidation.

(b) Fiscal Terms of The Subsidiaries

The fiscal year-end of 12 subsidiaries out of 13 consolidated subsidiaries is December 31. Consolidation of these subsidiaries is therefore performed by using their financial statements as at December 31, and certain adjustments are made to reflect any significant transactions having occurred during the period from January 1 to March 31. Sanyo Denki Techno Service Co., Ltd., a subsidiary, has the same fiscal year-end of March 31.

(c) Valuation of Assets and Liabilities of the Subsidiaries

The Company adopts "full fair value method" so that the full portion of the assets and liabilities of the subsidiaries is measured at fair value as of the acquisition of the control.

(d) Application of Equity Method

There is no affiliate accounted for by the equity method.

(2) Translation of Foreign Currency

Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are charged or credited to income for the period.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date of each subsidiary. Income and expenses of foreign subsidiaries are translated into Japanese yen using the average exchange rates of the fiscal year of each subsidiary. The translation differences in Japanese yen amounts arising from the use of different rates are recognized as cumulative translation adjustments in the balance sheets. A portion of the cumulative translation adjustments is allocated to "Minority interest in consolidated subsidiaries" and the Company's portion is presented as a separate component of valuation and translation adjustments in net assets in the balance sheets.

(3) Valuation of Securities

Securities owned by the Group categorized in accordance with the accounting standard for the financial instruments and are stated as follows:

(a) Securities with market quotations

Securities with market quotations are stated at the prevailing market price as at the balance sheet date. Net unrealized gains or losses on these securities are reported at net of taxes as a component of valuation and translation adjustments in net assets in the consolidated balance sheets. The cost of securities sold is determined based on the moving average cost at the time of sale.

(b) Securities without market quotations

Securities without market quotations are stated at cost by the moving average method.

(4) Derivatives and Hedge Accounting

The Company and its subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

- a. the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
 - b. the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedging and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company and its subsidiaries use forward foreign exchange contracts and interest rate swap contracts as hedging instruments to hedge the exposure arisen from foreign currency transactions and interest on borrowings.

The derivative transactions are executed in accordance with the resolution of board of directors.

The Company evaluates hedge effectiveness by comparing the cumulative changes in fair value of hedged items and hedging instruments.

(5) Valuation of Inventories

Raw materials are stated at cost by the moving average method.

Other inventories including finished products, work in process and stores are stated at cost mainly by the specific identification method or by the moving average method.

(6) Depreciation of Fixed Assets

Property, plant and equipment are depreciated by the declining balance method, while the straight-line method is applied to buildings acquired on and after April 1, 1998.

Major useful lives are as follows:

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

Intangible fixed assets are depreciated by the straight-line method.

Software for in-house use and for sales are depreciated by the straight-line method based on either the estimated useful lives of 5 years or estimated sales period of 3 years, respectively.

(7) Impairment of Fixed Assets

In accordance with the accounting standard for impairment of fixed assets, the Company and its consolidated subsidiaries periodically review their fixed assets for impairment by grouping the assets in income generating units whenever there is any indication of a significant decline in the fair value against its book value based on an independent appraisal, and when the existence of any impairment for the group of the assets is identified, an impairment loss will be recognized and such amount is directly deducted from the related assets.

(8) Allowance for Doubtful Accounts

Allowance for doubtful accounts are provided based on the amount calculated at the actual ratio of bad debt for ordinary receivables,

and an amount recognized for the uncollectible account for specific doubtful receivables.

(9) Reserve for Retirement Benefits

The Company and its subsidiaries record a reserve for retirement benefits to provide for the future payments of employees' retirement benefits based on the projected benefit obligation and the estimated fair value of the pension plan assets.

Unrecognized prior service cost is amortized on a straight line basis over a certain period (15 years) that does not exceed the average remaining service period of employees.

Unrecognized net actuarial gain or loss is amortized from the following year on a straight line basis over a certain period (15 years) that does not exceed the average remaining service period of employees.

(10) Leases

All leases are accounted for as operating leases. Under the Japanese accounting standard for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(11) Consumption Taxes

The consumption taxes withheld and consumption taxes paid are excluded from revenues and expenses in the accompanying financial statements. The net balance of the consumption taxes withheld and consumption taxes paid is included in current liabilities of the balance sheet as of the end of the fiscal year.

(12) Appropriations of Retained Earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders. Bonus for directors and corporate auditors for the year ended March 31, 2006 was approved at the regular shareholders' meeting held in June 2006 and accordingly, such amount was included as an appropriation of retained earnings in the accompanying consolidated statements of changes in net assets for the year ended March 31, 2007, although accrued bonus for the year ended March 31, 2007 was charged to income as noted in note 5.

(13) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consists of cash on hands, bank deposits payable on demand and short-term investments due within three months from acquisition with little value fluctuation risk.

(14) Income Taxes

Income taxes of the Company and its subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

The Company and its subsidiaries adopt the deferred tax accounting in accordance with the regulations for preparation of consolidated financial statements in Japan. Deferred income taxes are determined using the assets and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(15) Cash Dividends per Share

Cash dividends per share presented in the consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

Effective the year ended March 31, 2007, the Company adopted the new accounting standard for directors' bonuses ("Accounting Standard for Directors' Bonuses" (ASBJ No.4) issued by ASBJ on November 29, 2005. Under ASBJ No.4, allowance for bonuses to directors and corporate auditors was recorded based on the estimates as of the balance sheet date. As a result of the adoption of ASBJ No.4, operating income and income before income taxes and minority interests decreased by ¥60 million (\$508 thousand) for the year ended March 31, 2007, compared with the previous occurring standard.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statements of cash flows include cash on hand, readily available deposits in banks and short-term investments, which are readily convertible into cash and have very little risk of change in value with original maturities of three month or less. The reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cash and bank deposits	¥5,062	¥5,937	\$42,880
Short-term investments	542	488	4,591
Time deposits maturing over 3 months	(539)	(501)	(4,565)
Cash and cash equivalents	¥5,064	¥5,924	\$42,897

7. SECURITIES

(1) Securities with market quotations

The following tables summarize acquisition costs and book values of securities with market quotations at March 31, 2007 and 2006:

(a) Securities with book values exceeding acquisition costs

At March 31	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Acquisition cost			
Stocks	¥1,242	¥1,226	\$10,520
Others	160	116	1,355
Total	1,402	1,343	11,876
Book value			
Stocks	2,342	2,522	19,839
Others	179	130	1,516
Total	2,521	2,652	21,355
Difference			
Stocks	1,100	1,295	9,318
Others	18	13	152
Total	¥1,118	¥1,309	\$ 9,470

(b) Securities with book values not exceeding acquisition costs

At March 31	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Acquisition cost			
Stocks	¥ 719	¥ 490	\$ 6,090
Others	542	549	4,591
Total	1,261	1,039	10,681
Book value			
Stocks	578	357	4,896
Others	542	543	4,591
Total	1,121	901	9,495
Difference			
Stocks	(140)	(132)	(1,185)
Others	—	(5)	—
Total	¥ (140)	¥ (138)	\$(1,185)

(2) Securities without market quotations

The following table summarizes book values of securities without market quotations.

At March 31	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Book value			
Unlisted equity securities	¥148	¥148	\$1,253

(3) Securities sold

The following table summarizes the total sales of securities sold.

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Sales proceeds	¥1,110	¥1,015	\$9,402
Total gain on sales	130	221	1,101
Total loss on sales	24	—	203

8. PROPERTY, PLANT AND EQUIPMENT

The following amounts of accumulated depreciation are deducted from the acquisition costs of property, plant and equipment in the accompanying consolidated balance sheets at March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Total accumulated depreciation	¥34,911	¥34,173	\$295,730

The Company revaluated its land for business use on March 31, 2002 in accordance with the "Law Concerning Revaluation of Land" (Law No. 34 enforced on March 31, 1998) and the "Law to Partially Modify the Law Concerning Revaluation of Land" (Law No. 24 enforced on March 31, 1999), and included in the "Valuation and translation adjustments" under net assets as the "Revaluation reserve for land" in the amount of the revaluation difference minus the revaluation-related deferred income taxes.

Revaluation is based on the appraisal value by real estate appraisers as specified by Clause 5, Article 2 of the "Enforcement Regulations of the Law Concerning Revaluation of Land" (Ordinance No. 119 enforced on March 31, 1998), and computed by reasonable adjustment of the fixed asset valuation as specified by Clause 3, Article 2 of the same Ordinance.

The difference between the fair market value and the carrying book value of the revaluated land at March 31, 2007 and 2006 was (¥1,406 million) (US\$11,910 thousand) and (¥1,181 million), respectively.

The following assets are pledged as collateral against the liabilities at March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Pledged assets:			
Buildings and structures	¥ 774	¥ 834	\$ 6,556
Machinery and equipment	67	74	567
Land	2,895	2,895	24,523
Total	¥3,737	¥3,804	31,656
Related liabilities:			
Long-term debts	¥ —	¥ 28	\$ —
Short-term debts	28	108	237

9. SHORT-TERM DEBTS AND LONG-TERM DEBTS

Short-term debts and long-term debts at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Short-term debts (average interest rate of 0.95%)	¥5,550	¥6,150	\$47,013
Current portion of long-term debts (average interest rate of 1.33%)	503	295	4,260
Long-term debts due from August 31, 2010 through March 31, 2011 (average interest rate of 1.29%)	1,250	1,253	10,588
Total	¥7,303	¥7,698	\$61,863

The aggregate annual maturities of long-term debts at March 31, 2007 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥475	\$4,023
2010	475	4,023
2011	300	2,541
2012	—	—

10. RETIREMENT BENEFITS

The Company and its domestic subsidiaries have adopted lump-sum retirement payment plans and defined benefits corporate pension plans based on the Defined Benefits Corporate Pension Law.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligations	¥(10,447)	¥(9,864)	\$(88,496)
Unrecognized prior service cost	(309)	(344)	(2,617)
Unrecognized actuarial differences	84	(55)	(711)
Plan assets	10,409	9,793	88,174
Reserve for retirement benefits	¥ (263)	¥ (470)	\$ 2,227

The components of periodic retirement benefit expenses for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥426	¥412	\$3,608
Interest cost	249	235	2,109
Expected return on plan assets	(195)	(143)	(1,651)
Amortization of prior service cost	(34)	(34)	(288)
Amortization of actuarial differences	48	189	406
Retirement benefit expenses	¥493	¥659	\$4,176

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

Method of allocating the projected benefit obligations over certain period	Straight-line basis
Discount rate	2.5%
Expected rate of return on plan assets	2.0%
Amortization period for actuarial differences	15 years
Amortization period for unrecognized prior service cost	15 years

11. INCOME TAXES

The Company and its subsidiaries are subject to various income taxes according to the national and local income laws in force, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.2% for the years ended March 31, 2007 and 2006.

A summary of the significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 is as follows:

	Millions of Yen		Thousands of
	2007	2006	U.S. Dollars
Deferred tax assets:			
Allowance for bonus	¥ 486	¥ 384	\$ 4,116
Retirement benefit trust	202	202	1,711
Reserve for retirement benefits	105	190	889
Others	580	408	4,913
Subtotal	1,374	1,185	11,639
Deferred tax liabilities:			
Net unrealized gains on other securities	394	470	3,337
Others	36	90	304
Subtotal	431	560	3,650
Net deferred tax assets	¥ 943	¥ 624	\$ 7,988

In addition to above, deferred tax liabilities in an amount of ¥714 million (US\$6,048 thousand) arising from the revaluation of the land is recorded under "Long-term liabilities" in the consolidated balance sheets at March 31, 2007 and 2006.

Reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the consolidated income statements for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Statutory tax rate	40.2 %	40.2 %
Expenses not deductible for income tax purposes (entertainment, etc.)	0.2	0.6
Income not included for income tax purposes (dividends received, etc.)	(0.2)	(0.3)
Tax credit for R&D costs	(2.4)	(7.2)
Tax assessment	2.3	—
Per capital tax and others	0.5	0.6
Tax rate differences between the Company and certain subsidiaries	(2.8)	(0.2)
Others	(1.5)	0.8
Effective income tax rate	36.3 %	34.5 %

12. LEASES

The pro forma information on finance leases other than those deemed to transfer ownership of the leased assets to the lessee could be summarized as follows:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation, and net book value at March 31, 2007 and 2006 is as follows:

	Millions of Yen		
	Acquisition cost	Accumulated depreciation	Net book value
At March 31, 2007			
Tangible fixed assets	¥149	¥79	¥70

	Thousands of U.S. Dollars		
	Acquisition cost	Accumulated depreciation	Net book value
At March 31, 2007			
Tangible fixed assets	\$1,262	\$669	\$592

	Millions of Yen		
	Acquisition cost	Accumulated depreciation	Net book value
At March 31, 2006			
Tangible fixed assets	¥299	¥211	¥87
Intangible fixed assets	6	5	0
Total	¥305	¥217	¥87

(2) Future lease payments

	Millions of Yen		Thousands of
	2007	2006	U.S. Dollars
At March 31			
Due within one year	¥34	¥46	\$288
Due after one year	37	43	313
Total	¥71	¥89	\$601

(3) Lease payments, depreciation equivalent and interest equivalent

	Millions of Yen		Thousands of
	2007	2006	U.S. Dollars
At March 31			
Lease payments	¥51	¥77	\$432
Depreciation equivalent	49	74	415
Interest equivalent	1	2	8

(4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed by the straight-line basis over the relevant lease period with no residual value.

(5) Calculation of interest equivalent

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

(6) Operating leases

A summary of future lease payment commitments under operating leases is as follows:

	Millions of Yen		Thousands of
	2007	2006	U.S. Dollars
At March 31			
Due within one year	¥ 4	¥2	\$ 33
Due after one year	7	6	59
Total	¥12	¥9	\$101

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Freight and packing	¥ 896	¥ 695	\$ 7590
Salaries and allowances to employees	2,185	2,117	18,509
Retirement benefit expenses	59	99	499
Allowance for bonuses to directors and corporate auditors	60	—	508
Depreciation	103	58	872

Research and development costs included in selling, general and administrative expenses and manufacturing expenses for the years ended March 31, 2007 and 2006 were ¥1,345 million (US\$11,393 thousand) and ¥1,224 million, respectively.

14. LOSS ON SALES OR DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Loss on sales or disposal of property, plant and equipment for the years ended March 31, 2007 and 2006 is arising from the following assets:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loss on sales:			
Machinery and equipment	¥ 0	¥ 3	\$ 0
Tools, furniture and fixtures	0	—	0
Loss on disposal:			
Buildings	¥14	¥ 0	\$118
Machinery and equipment	50	34	423
Tools, furniture and fixtures	19	8	160
Software	0	—	0
Total	¥84	¥43	\$711

15. DERIVATIVES

The Company and its subsidiaries have no derivative financial instruments to be reported for the years ended March 31, 2007 and 2006.

16. PER SHARE INFORMATION

Net assets per share at March 31, 2007 and 2006, and net income per share for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Net assets per share	¥614.27	¥576.15	\$5.20
Basic net income per share	50.67	44.21	0.42

Diluted net income is not disclosed since there is no potential share.

Basic net income per share is calculated based on the following data for the years ended March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Net income per income statement	¥3,046	¥2,719	\$25,802
Net income attributable to common shares	3,046	2,659	25,802
Major items not attributable to common shareholders:			
Directors' bonuses	—	60	—
Average number of common shares outstanding	60,130,431	60,171,431	

17. SEGMENT INFORMATION

Operating segment information has been omitted since sales, operating income and total assets of the operating segment of "manufacturing and distribution of industrial electric equipment" of the Company and its consolidated subsidiaries represented more than 90% of the consolidated sales, operating income and total assets of all segments for the years ended March 31, 2007 and 2006.

(1) Geographical segment information

	Millions of Yen					
	Japan	North America	Others	Total	Eliminations	Consolidated
For the year ended March 31, 2007						
I. Net sales and operating income						
Sales:						
From outside customers	¥43,824	¥15,915	¥ 6,009	¥65,749	¥ —	¥65,749
Intersegment transactions	15,296	71	12,687	28,054	(28,054)	—
Total	59,120	15,986	18,697	93,804	(28,054)	65,749
Operating expenses	53,827	15,617	18,122	87,567	(26,474)	61,092
Operating income	¥ 5,292	¥ 369	¥ 574	¥ 6,236	¥ (1,579)	¥ 4,656
II. Assets	¥59,210	¥ 5,943	¥12,897	¥78,051	¥(12,666)	¥65,385

	Thousands of U.S. Dollars					
	Japan	North America	Others	Total	Eliminations	Consolidated
For the year ended March 31, 2007						
I. Net sales and operating income						
Sales:						
From outside customers	\$371,232	\$134,815	\$ 50,902	\$556,958	\$ —	\$556,958
Intersegment transactions	129,572	601	107,471	237,645	(237,645)	—
Total	500,804	135,417	158,382	794,612	(237,645)	556,958
Operating expenses	455,967	132,291	153,511	741,778	(224,260)	517,509
Operating income	\$ 44,828	\$ 3,125	\$ 4,862	\$ 52,825	\$ (13,375)	\$ 39,440
II. Assets	\$501,567	\$ 50,343	\$109,250	\$661,168	\$ (107,293)	\$553,875

For the year ended March 31, 2006	Millions of Yen					Eliminations	Consolidated
	Japan	North America	Others	Total			
I. Net sales and operating income							
Sales:							
From outside customers	¥43,307	¥16,581	¥ 4,637	¥64,527	¥ —	¥64,527	
Intersegment transactions	14,611	59	7,526	22,197	(22,197)	—	
Total	57,919	16,641	12,164	86,725	(22,197)	64,527	
Operating expenses	53,934	16,500	11,620	82,055	(21,431)	60,624	
Operating income	¥ 3,985	¥ 140	¥ 544	¥ 4,669	¥ (766)	¥ 3,902	
II. Assets	¥52,179	¥ 7,776	¥ 7,545	¥67,501	¥ (5,799)	¥61,702	

The geographical segments are divided into Japan, North America (U.S.A.) and Others.

Others include France, Germany, Philippines, China, Singapore and Korea.

(2) Overseas sales

Overseas sales against total consolidated sales are as follows:

For the year ended March 31, 2007	Millions of Yen				
	North America	Europe	Southeast Asia	Others	Total
I. Oversea sales	¥7,792	¥5,057	¥12,176	¥56	¥25,083
II. Consolidated sales	—	—	—	—	65,749
III. Ratio of overseas sales to consolidated sales	11.9%	7.7%	18.5%	0.1%	38.2%

For the year ended March 31, 2007	Thousands of U.S. Dollars				
	North America	Europe	Southeast Asia	Others	Total
I. Oversea sales	\$66,005	\$42,837	\$103,142	\$474	\$212,477
II. Consolidated sales	—	—	—	—	556,958
III. Ratio of overseas sales to consolidated sales	11.9%	7.7%	18.5%	0.1%	38.2%

For the year ended March 31, 2006	Millions of Yen				
	North America	Europe	Southeast Asia	Others	Total
I. Oversea sales	¥9,277	¥4,330	¥14,585	¥0	¥28,193
II. Consolidated sales	—	—	—	—	64,527
III. Ratio of overseas sales to consolidated sales	14.4%	6.7%	22.6%	0.0%	43.7%

18. RELATED PARTY TRANSACTIONS

The transactions for the years ended March 31, 2007 and 2006 and related account balances outstanding at each year end by related parties were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Kyodo Kogyo Co., Ltd.			
Insurance premium	¥ 21	¥ 23	\$ 177
Repairs	0	1	0
Sanyo Kogyo Co., Ltd.			
Sales commission	27	25	228
Purchase of parts	204	181	1,728
Sales	1,259	1,112	10,664
Accrued expenses	16	15	135
Accounts payable	53	39	448
Accounts receivables	275	290	2,329
Notes receivable	402	332	3,405
Sanyo Kaihatsu Co., Ltd.			
Rent expense	190	190	1,609
Prepaid expenses	18	18	152
Other investments	301	301	2,549

Kyodo Kogyo Co., Ltd. is a main shareholder owning 12.4% of voting rights of the Company and the majority of the company is owned by the directors of the Company and their relatives.

Sanyo Kogyo Co., Ltd. is a company whose director is the one of the relatives of directors of the Company.

Sanyo Kaihatsu Co., Ltd. is a Company whose majority is owned by certain main shareholders of the Company.

19. SUBSEQUENT EVENTS

Pursuant to the resolution of the Board of Directors' meeting held on February 15, 2007, the Company acquired the land for a plant at Ueda City in Nagano Prefecture on April 26, 2007. The total acquisition cost is ¥1,529 million (US\$12,952 thousand). The total budget for the new plant is amounted to approx. ¥7 billion (US\$59,296 thousand). The plant will be operated in 2008.

> REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Sanyo Denki Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Sanyo Denki Co., Ltd. and subsidiaries (the "Company") as of March 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Additional information

As described in Note 19, the Company acquired the land on April 26, 2007.

The consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in "2. U.S. DOLLAR AMOUNTS".

Futaba Audit Corporation

Futaba Audit Corporation
Tokyo, Japan
June 20, 2007

> HISTORY

Organization, system and Facilities

1920	Aug. 1927	Hideo Yamamoto founded Sanyo Shokai Co., Ltd.
1930	Jun. 1932 Dec. 1936	A factory built in Tokyo. Reorganized into a joint stock company.
1940	Apr. 1942 Feb. 1944 Dec. 1945	Renamed Sanyo Denki Co., Ltd. A factory established in Nagano Prefecture. Head office and Tokyo Works relocated to the current location of the head office.
1960	Nov. 1960 Oct. 1961 Sep. 1962 Nov. 1964	A factory established in Saitama Prefecture. Osaka Office established. Listed on the Second Section of the Tokyo Stock Exchange. Hiroshi Yamamoto becomes president.
1970	Mar. 1973 Apr. 1979	Nagoya Office established. The Shioda Works established.
1980	Mar. 1980 Feb. 1983 Feb. 1984 Apr. 1984 Jul. 1984 Nov. 1984 Jan. 1986 Jun. 1986 Dec. 1988 Jan. 1989 Oct. 1989	Tsujii Works established. Hokuriku Office established. Sendai Office established. Hiroshima Office established. Shizuoka Office established. Aoki Works established. Ueda Office established. Shinjiro Yokozawa took office as president. Sanyo Denki Europe SA. (FRANCE) established. Chicago Resident Office established. Kyushu Office established.
1990	Apr. 1990 Feb. 1991 Mar. 1993 Jun. 1994 Apr. 1995 Apr. 1995 Apr. 1996 Apr. 1997 Jul. 1997 Dec. 1997 Jul. 1998 Mar. 1999	Fujiyama Works established. Toyota Office established. Sapporo Office established. Shigeo Yamamoto took office as president. Utsunomiya Office established. Sanyo Denki America, Inc. (USA) established. Kyoto Office established. Kofu and Nagaoka Offices established. Technology Center established. Automation Intelligence, Inc. (USA) purchased. Fujiyama Works expands. A production subsidiary, Sanyo Denki Techno Service Co., Ltd., established.
2000	Feb. 2000 Sep. 2001 Apr. 2002 Apr. 2003 Nov. 2004 Jul. 2005 Oct. 2005 Jan. 2006 Jan. 2006 Jan. 2006 Jan. 2006 Jan. 2006 Aug. 2007	A production subsidiary, Sanyo Denki Philippines, Inc. (PHILIPPINES) established. Sanyo Denki Co., Ltd. Taiwan Branch (ROC) established. Sanyo Denki Co., Ltd. Hong Kong Branch (HONG KONG) established. SANYO DENKI SHANGHAI CO., LTD. (China) established. Sanyo Denki Co., Ltd. Hong Kong Branch (HONG KONG) Shenzhen Office. established. SANYO DENKI (H.K.) CO., LIMITED established. SANYO DENKI Techno Service (Shenzhen) CO.,LTD. established. SANYO DENKI TAIWAN CO., LTD. (Taiwan) established. SANYO DENKI SINGAPORE PTE.LTD. (Singapore) established. SANYO DENKI GERMANY GmbH (Germany) established. SANYO DENKI KOREA CO., LTD. (Korea) established. SANYO DENKI Techno Service (Singapore) PTE. LTD. established.

> BOARD OF DIRECTORS AND CORPORATE AUDITORS AND OPERATING OFFICERS

Chief Executive Officer

Shigeo Yamamoto

Executive Officers

Taketomi Kotani
Kaoru Tamura
Nobumasa Kodama
Yuichiro Miyake
Toru Suzuki

Corporate Auditors (Full time)

Sakon Hatanaka

Corporate Auditors

Hisashi Yamamoto
Hisayuki Ogura
Takeshi Yamamoto

Operating Officers

President and Chief Operating Officer
Shigeo Yamamoto

Senior Operating Officer

Taketomi Kotani

Major Operating Officers

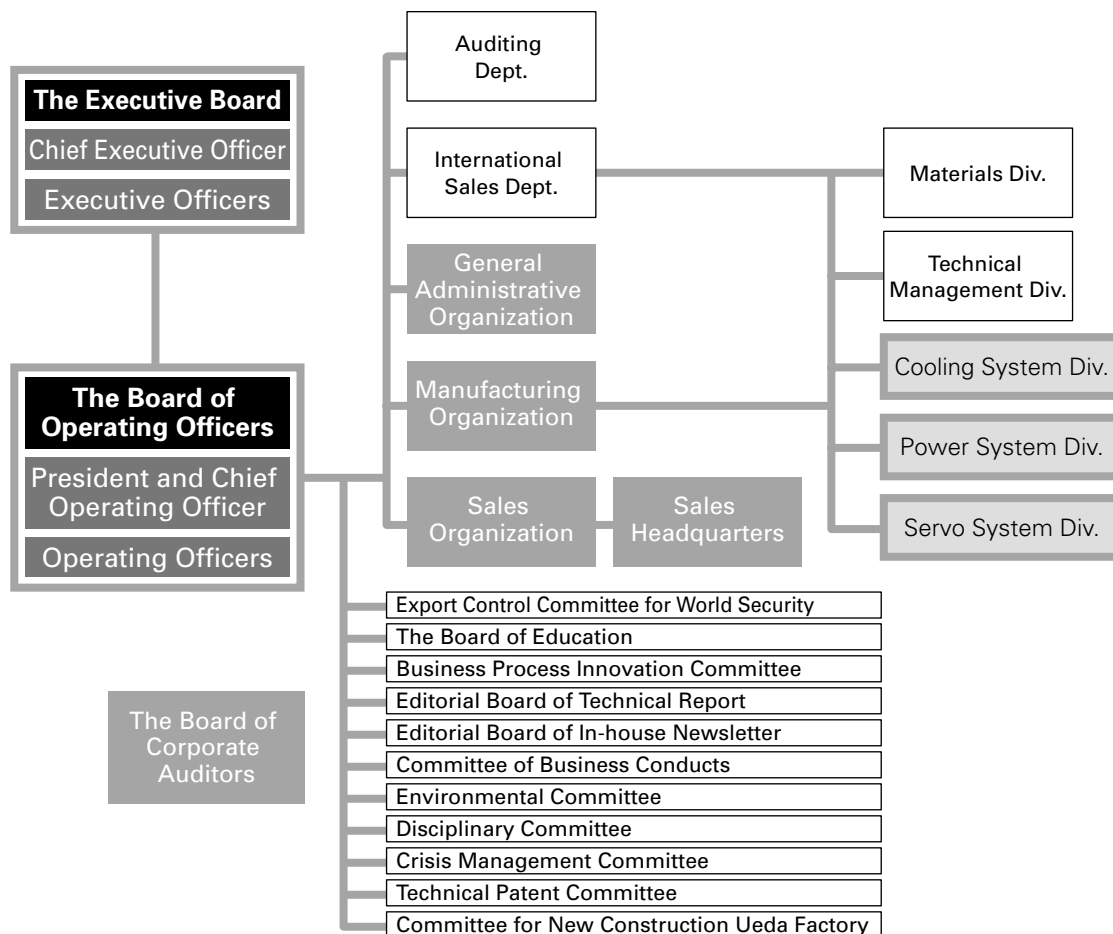
Kaoru Tamura
Nobumasa Kodama
Yuuji Okamatsu
Shigejiro Miyata

Operating Officers

Yoshimasa Matsumoto
Yoshio Terajima
Shigeto Murata
Kazuyuki Kitazawa
Akira Tsukada

(As of June 19, 2007)

> ORGANIZATION



> CORPORATE DATA

Established	1927
Paid-in Capital	9,526 million yen
Net Sales	65,749 million yen
CEO/President & COO	Shigeo Yamamoto
Main Bank	Mizuho Bank Ltd.
Number of Employees	2,477 (Consolidated), 1,456 (Sanyo Denki Co., Ltd.)
Number of Branches	24 (including 12 Overseas)

(As of March 31, 2007)

> NETWORK

HEAD OFFICE

Tokyo 1-15-1, Kita-otsuka
Toshima-ku, Tokyo 170-8451, Japan
TEL: +81 3 3917 5151
FAX: +81 3 3917 5415

SUBSIDIARY COMPANIES

SANYO DENKI EUROPE SA.

P.A. PARIS NORD II
48 Allée des Erables-VILLEPINTE
BP.57286 F-95958 ROISSY CDG
CEDEX, FRANCE
TEL: +33 1 48 63 26 61
www.sanyodenkieurope.fr

SANYO DENKI GERMANY GmbH

Frankfurter Strasse 63-69 65760
Eschborn, Germany
TEL: +49 6196 76113 0

SANYO DENKI KOREA CO., LTD.

9F 5-2, Sunwha- dong Jung-gu Seoul
100-130, Korea
TEL: +82 2 773 5623

SANYO DENKI SHANGHAI CO., LTD.

Room 2116, Bldg B, FAR EAST
INTERNATIONAL PLAZA,
No.317 XianXia Rd., Shanghai 200051,
China
TEL: +86 21 6235 1107

SANYO DENKI TAIWAN CO., LTD.

Room 1208,12F, No.96 Chung Shan N,
Rd., Sec.2, Taipei 104, Taiwan, R.O.C.
TEL: +886 2 2511 3938

SANYO DENKI (H.K.)CO., LIMITED

Room 2305, 23/F, South Tower,
Concordia Plaza,
1 Science Museum Rd., TST East,
Kowloon, Hong Kong
TEL: +852 2312 6250

SANYO DENKI SINGAPORE PTE. LTD.

10 Hoe Chiang Road #14-03A/04
Keppel Towers, Singapore 089315
TEL: +65 6223 1071

AFFILIATED COMPANIES

SANYO DENKI AMERICA, INC.

468 Amapola Avenue Torrance, CA
90501, U.S.A.
TEL: +1 310 783 5400
FAX: +1 310 212 6545
www.sanyo-denki.com

Silicon Valley Office

1700 Wyatt Dr.Suite 17 Santa Clara,
CA 95054, U.S.A.
TEL: +1 408 988 1700

New England Office

271 Waverley Oaks Rord, Suite 103
Waltham,
MA 02452, U.S.A.
TEL: +1 781 392 2121

Chicago Office

2100 Golf Road, Suite 410 Rolling Meadows,
IL 60008, U.S.A.
TEL: +1 847 871 4400

Dallas Office

1850 North Greenville Avenue, Suite 174
Richardson, Texas 75081, U.S.A.
TEL: +1 972 479 1313

Austin Office

13284 Pond Springs Road, Austin, Texas
78729, U.S.A.
TEL: +1 512 335 7100

Detroit Office Techno Service Center

37511 Schoolcraft Road, Livonia, Michigan
48150, U.S.A.
TEL: +1 734 525 1806

Atlanta Office

6340 Sugarloaf Parkway, Suite 200
Duluth, GA 30097
TEL: +1 770 490 8088

SUBSIDIARY FACTORY

SANYO DENKI PHILIPPINES, INC.

No.2 Block F-1 Subic Technopark,
Argonaut Highway Boton Area,
Subic Bay Freeport Zone,
PHILIPPINES 2222
TEL: +63 47 252 1735

SERVICE FACTORY

SANYO DENKI Techno Service(Shenzhen) CO., LTD.

1A-2, Tianji Building, Taianan Cyber
Park, Futian District,
Shenzhen 518040, China
TEL: +86 755 8342 5095

> INVESTOR INFORMATION

Number of Authorized Shares 250,000,000

Number of Issued Shares 63,135,935

Number of Shareholders 6,664

Major Shareholders

	Thousands of Shares	% of Total Shares
Kyodo Kogyo Co., Ltd.....	7,404	11.73%
SN Kohsan Ltd.....	5,500	8.71
Deutsche Bank AG London PB Non-Treaty Clients 613	2,667	4.22
Mizuho Bank Ltd.....	2,179	3.45
Sanyo Kaihatsu Co., Ltd.....	2,099	3.33
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,888	2.99
Sanyo Kogyo Co., Ltd.....	1,598	2.53
Nippon Life Insurance Company	1,573	2.49
The Bank of New York Jascid Treaty Account	1,199	1.90
Japan Trustee Services Bank, Ltd. (Trust Account)	1,189	1.88

Stock Listing

Tokyo Stock Exchange 2nd Section

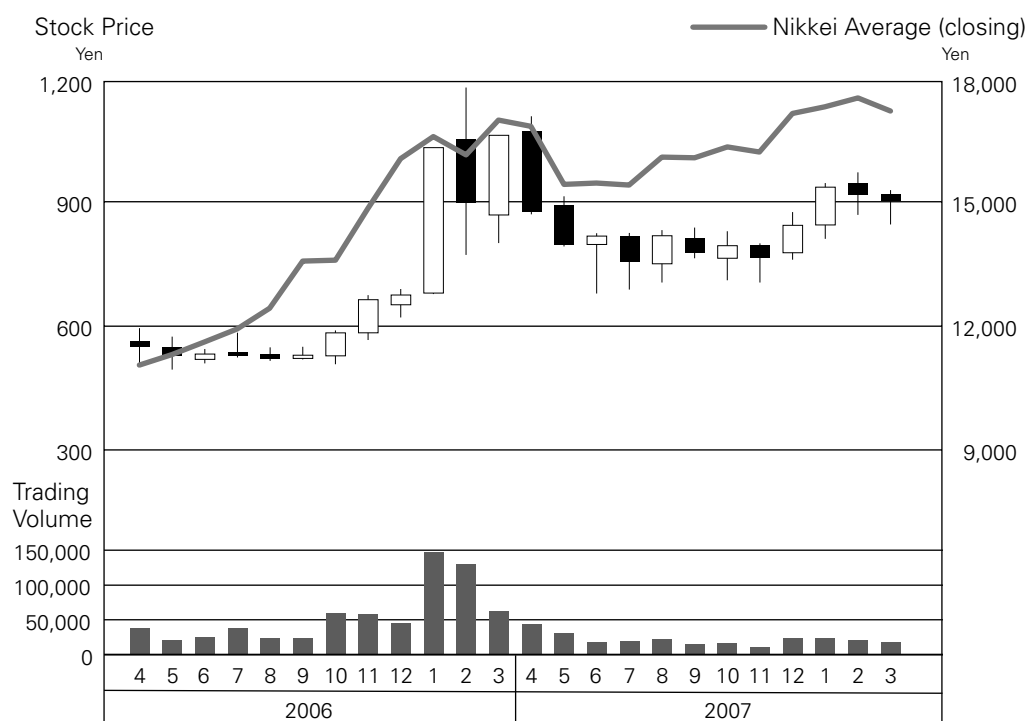
Independent Certified Accountants

Futaba Audit Corporation

Transfer Agent

JAPAN SECURITIES AGENTS, LTD.

Share of Range (Tokyo Stock Exchange)



(As of March 31, 2007)

SANYO DENKI CO., LTD.

1-15-1 Kita-otsuka, Toshima-ku
Tokyo 170-8451, Japan
Homepage <http://www.sanyodenki.co.jp>

