



A N N U A L R E P O R T 1 9 9 8

For the year ended March 31

Incorporated in 1950, SANYO Electric Co., Ltd., manufactures a broad range of electronic products grouped into six categories: video equipment, audio equipment, home appliances, industrial and commercial equipment, information systems and electronic devices, and batteries and other products. The Company's net sales in fiscal 1998, ended March 31, 1998, amounted to ¥1,866.4 billion (US\$14,140 million).

The name Sanyo means "three oceans"—specifically, the Pacific, Atlantic, and Indian oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly an international organization, comprising 77 manufacturing companies, 35 sales companies, and 27 other companies based in 27 countries.

A particular focus and strength of Sanyo is the development of environment-friendly technologies, such as those for clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. For example, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries. Sanyo is also aggressively expanding its multimedia business, where its three-dimensional display technologies, which were developed using its own independent technologies, have been highly acclaimed in a wide range of areas.

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FINANCIAL HIGHLIGHTS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

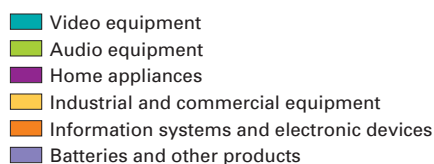
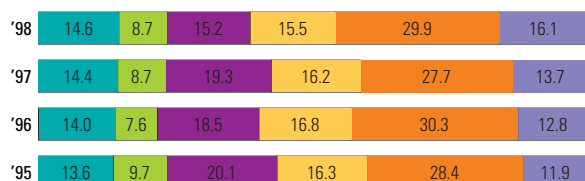
	Millions of Yen				Thousands of U.S. Dollars (Note a)
	1998	1997	1996	1995	1998
Net sales	¥1,866,426	¥1,793,004	¥ 513,356	¥1,707,100	\$14,139,591
Net income (loss)	12,320	17,674	(3,738)	15,551	93,333
Total stockholders' equity	750,572	775,805	809,628	803,094	5,686,152
Total assets	2,641,894	2,518,056	2,462,342	2,411,491	20,014,348
	Yen				U.S. Dollars (Note a)
Per share (Note b):					
Net income (loss):					
Basic.....	¥6.3	¥9.1	¥(1.9)	¥8.0	\$0.048
Diluted.....	6.3	9.0	(1.9)	8.0	0.048
Cash dividends declared	5.0	5.0	1.7	5.0	0.038
Per American Depositary Share (Note c):					
Net income (loss):					
Basic.....	¥31.5	¥45.5	¥(9.5)	¥40.0	\$0.239
Diluted.....	31.5	45.0	(9.5)	40.0	0.239
Cash dividends declared	25.0	25.0	8.5	25.0	0.189

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥132=US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 1998.

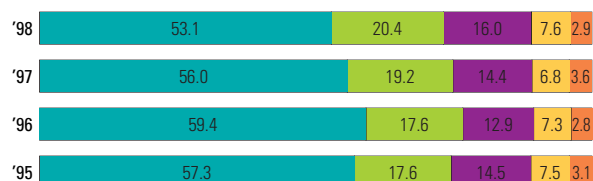
(b) See Notes 1 and 15 of Notes to Consolidated Financial Statements.

(c) One American Depositary Share represents five shares of common stock.

SALES BY PRODUCT CATEGORY (%)



SALES BY AREA (%)



TO OUR STOCKHOLDERS

We are pleased to report on the operations of SANYO Electric Co., Ltd., in fiscal 1998, ended March 31, 1998. In the world economy during the year under review, the U.S. economy sustained expansion while the European economies underwent a recovery. On the other hand, the economic situation in Asia deteriorated rapidly due to plunging currency values throughout that region. In Japan, the economic downturn



Satoshi Iue, Chairman

became increasingly pronounced owing to a rise in the national consumption tax rate, sluggish private-sector capital investment, and a slump in consumer spending amid concerns about Japan's financial system and the employment situation. The operating environment was also adversely affected by a reforming of Japan's health-care insurance system, which places an increased burden on individuals.

Difficult conditions also prevailed in the electronics industry, reflecting a slump in market prices for semiconductors, flagging demand for PCs, and lackluster sales of seasonal products.

Business Results

Amid these challenging conditions, Sanyo launched its ACCESS 21 Global Consolidated Management Plan, which

aims to position the Sanyo Group for continued growth in the 21st century. Under this plan, Sanyo intends to further promote its key components businesses, including semiconductors and batteries, while striving to develop innovative new products and technologies through concurrent engineering.

During fiscal 1998, Sanyo developed several new digital products that integrate key components. These included

digital still cameras that incorporate Sanyo's independently developed low-temperature polysilicone TFT-liquid crystal displays (LCDs) and LCD projectors with high-brightness and high-resolution displays.

Also during the year, Sanyo strengthened its product

lineup, including its range of solar cell power systems, that responds to needs of environmental protection.

Through these efforts, Sanyo posted a 4.1% increase in consolidated net sales, to ¥1,866.4 billion (US\$14,140 million). Domestic sales declined 1.2%, to ¥991.7 billion (US\$7,513 million), but overseas sales rose 10.8%, to ¥874.7 billion (US\$6,627 million). Operating income rose 1.7%, to ¥62.4 billion (US\$472 million). Net income was down 30.3%, to ¥12.3 billion (US\$93 million). Cash dividends per share amounted to ¥5.0 (US\$0.04) and included a ¥2.5 (US\$0.02) interim dividend and a ¥2.5 (US\$0.02) year-end dividend.

Capital Investment

During fiscal 1998, Sanyo allocated ¥133.1 billion (US\$1,008 million) for

capital investment. Sanyo focused its capital investment mainly on increasing and strengthening production facilities for batteries and semiconductors as well as for introducing labor-saving measures at facilities and rationalizing its other production divisions. Furthermore, to build a solid foundation for its future business activities Sanyo allocated funds for R&D facilities in addition to investments in such energy-related facilities as cogeneration systems. Sanyo also commenced construction of a new Head Office building. To provide funds for its capital investment, Sanyo issued ¥50.0 billion in straight bonds in the domestic market on May 20, 1997.

Stock Buyback and Retirement

Under the authorization of the Board of Directors, Sanyo repurchased 25 million shares of its common stock from the market with an aggregate acquisition cost of ¥9.9 billion during the period from April 8 to June 25, 1998. Those shares were recorded as treasury stock and are in the legal process of cancellation pursuant to the resolution of the annual stockholders' meeting held on June 26, 1998.

ACCESS 21 Global Consolidated Management Plan

With the aim of becoming an excellent company in the 21st century, the Company is implementing its ACCESS 21 Global Consolidated Management Plan from fiscal 1998 through fiscal 2001. Under this plan, Sanyo will progress with activities to enhance and reform its operations while ambitiously

entering promising new business fields. Sanyo will also work to develop new technologies, products, and businesses; strengthen and review its global distribution and production structures; fortify its independent business headquarters system; and carry out management that emphasizes environmental protection and customer satisfaction. Along with these measures, Sanyo will emphasize three themes in fiscal 1999. First, with the greater diffusion of information networks, Sanyo will strengthen its key components businesses, including semiconductors, batteries, liquid-crystal products, and optical pickups, primarily those that integrate leading-edge digital technologies. Sanyo will also combine these products with software to create various multimedia products. Second, based on its recently launched ACTION E21 Environmental Action Plan, Sanyo will develop such products as solar cell power systems, fuel cells, and raw refuse treatment systems that contribute to environmental protection; products that enhance energy and resource conservation; such technologies as new refrigerants; and household recycling systems. Third, the Company will develop such distinctive products as electromagnetic cooking devices, washing machines with braille-labeled switches for the sight-impaired, height-adjustable washbasins, and system kitchens with height-adjustable sinks as well as various services that address the needs of the growing number of elderly in Japan, who account for an increasingly larger proportion of the country's population.

ACTION E21 Environmental Action Plan

Environmental protection is one of the top priorities of the Sanyo Group, and a principal theme of Sanyo's ACCESS 21. Sanyo's environmental protection activities are guided by ACTION E21, formulated in January 1998. Since forming the Public Prevention Division in 1970 to find ways of preventing environmental pollution, the Sanyo Group has taken the lead in finding solutions to combat environmental pollution while promoting its clean-energy business, which was founded on the concept of fostering a harmonious coexistence with the environment.

As part of its structure for further progressing with environmental protection activities, the Sanyo Group established the Environmental Council in February 1998, with the president of Sanyo serving as chairman. Also, Sanyo carefully monitors the activities of each product group while all Sanyo manufacturing bases implement environmental protection activities. Also, as part of ongoing efforts to respond more promptly and flexibly to environmental issues, Sanyo has established three committees and two subcommittees, which operate under the auspices of the Environmental Council. In addition, Sanyo set up the Environment and Safety Technology Center for carrying out product assessments to assure that its products are compatible with

environmental protection and to provide support for the establishment of an environmental management system. Also, to contribute to the establishment of a recycling-oriented society, Sanyo is progressing with a project for the recycling of used electric appliances.

Taking a global perspective, Sanyo annually convenes its Overseas Regional Environmental Council in each of four geographic regions: Europe, North America, Southeast Asia, and China. Also, to respond more quickly to



Sadao Kondo, President

Profile

Born: January 18, 1938

Graduated from Niigata University, in Japan, and immediately entered Sanyo. Since joining Sanyo, Mr. Kondo has continued to be involved with semiconductors and has played a key role in the development of multimedia products.

various environmental protection-related issues, Sanyo is aiming for the rapid establishment of a regional environmental information network. Moreover, Sanyo considers matters related to market needs and environmental laws and regulations in each region. In addition, Sanyo works with various Group companies worldwide to carry out environmental protection activities, taking into consideration the special characteristics of each geographic region.

In another environment-related area, Sanyo is striving to obtain ISO 14001 certification or establish systems based on similar guidelines for certification at each of its manufacturing bases. At the end of March 1998, Sanyo had obtained ISO 14001 certification at 76 production bases, including those of affiliated companies. In April 1998, Sanyo and its subsidiaries began working toward the establishment of environmental management systems at affiliated companies, R&D and service divisions, and sales bases while establishing guidelines that will enable these divisions and bases to obtain ISO 14001 certification by the end of March 2001.

Global Activities

Sanyo continued to expand and strengthen its overseas operations during fiscal 1998. To this end, Sanyo established six new manufacturing and service bases, including one in Vietnam and five in China.

Southeast Asia, which has become one of the world's principal economic centers, has been severely affected by the region's currency crises, and the current economic situation there shows no signs of improving. Sanyo is restructuring its operations in Southeast Asia, particularly in those countries most severely affected by the currency crises and economic instability. It should be noted, however, that this restructuring has been an ongoing activity from before the current crises and is being carried out to better

respond to developments in the ASEAN Free Trade Area.

Management Change

At the Board of Directors' Meeting on June 26, 1998, I, Sadao Kondo, an executive managing director, was appointed the new president of Sanyo, while Yasuaki Takano, Sanyo president since December 1992, became vice chairman. I will play a leading role in Sanyo's efforts to develop new products that respond to the needs of the multimedia age.

Outlook

Looking at the world economy, the U.S. and European economies are expected to sustain stable growth. However, the Asian economies, which had served as a locomotive of global expansion, show no signs of emerging from their currency and economic crises, and a recovery in the short term is not expected.

In Japan, despite the implementation of large-scale economic stimulus measures, the Japanese economy is likely to remain sluggish due to such factors as further declining consumer spending and private-sector capital investment.

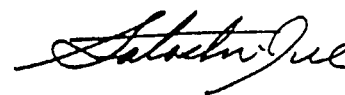
Under these conditions, Japan's electronics industry is experiencing mounting competition as companies vie to develop new technologies, cultivate new markets, and prune costs. In addition, manufacturers are being pressed to respond to the growing worldwide demand for measures to respond to various environmental

issues following the Third Conference of Parties to the U.N. Framework Convention on Climate Change (COP3) at the end of 1997.

Against this backdrop, Sanyo will implement ACCESS 21, which will guide the Group's efforts to meet the needs of society in the 21st century. Carrying out the activities outlined in the plan, Sanyo will strive to ensure customer satisfaction and further improve its business results while progressing with the expansion of its global business structure.

In closing, we ask our stockholders for their continued support.

July 1998



Satoshi Iue,
Chairman



Sadao Kondo,
President

Sanyo conducts its business operations based on two principal business concepts: “creating more comfortable living environments” and “enriching people’s lives.” Sanyo is contributing to the creation of more comfortable living environments primarily through its clean-energy business, while its efforts to enrich people’s lives are focused on multimedia products. As mentioned in the To Our Stockholders section, clean energy and multimedia also represent crucial areas of the Sanyo Group’s operations under the ACCESS 21 Global Consolidated Management Plan.

SANYO—SUPPORTING THE DEVELOPMENT OF CLEAN ENERGY AND MULTIMEDIA

Sanyo was one of the first companies in Japan to establish a structure for carrying out the clean-energy business, which is presently centered on solar cells. As protecting the natural environment becomes an increasingly crucial issue, Sanyo believes that its clean-energy business will play a vital role in addressing many of today’s most serious global environmental issues.

In multimedia, Sanyo has combined its leading-edge digital technologies with its technologies for creating compact products to secure large market shares for various components and finished products, including its highly acclaimed digital still cameras.

SANYO and DIGITAL IMAGES

DIGITAL STILL CAMERAS

The trend toward digitization and more compact sizes in computers and telecommunications equipment is proceeding rapidly. Paralleling this trend has been the development of digital still cameras, which integrate CCD optosensors as a substitute for film to convert images into digital data for storage in a flash memory chip. This digital data can be input into a computer for a diverse range of uses. In 1995, Sanyo developed and introduced its first digital still camera. In March 1997, Sanyo introduced the DSC-V1, its own-brand digital still camera that incorporates the Company's independently developed image processing technologies that produce high-quality images. This camera has been highly acclaimed in markets for its ease of use and for incorporating a bright, easy-to-view low-temperature polysilicone (Poly-Si) ultrathin-film fabrication liquid crystal display (TFT-LCD). In June 1998, Sanyo launched a new type of digital still camera, which integrates the newly developed Super One Chip LSI for easier operation and features a moving image clip and high-speed continuous photo functions. Sanyo has an approximately 30% share of the total production of digital still cameras, including brands produced for other companies in the industry.

Sanyo also became the world's first company to incorporate a two-inch low-temperature Poly-Si TFT-LCD, which was developed independently by Sanyo into a digital still camera for allowing instantaneous viewing of images. In 1996, Sanyo became the first company to mass-produce low-temperature Poly-Si TFT-LCDs. TFT-LCDs offer several advantages, including the attainment of higher resolution and lower costs. TFT-LCDs are expected to become the principal type of technology to be used in the future.



LCD PROJECTORS

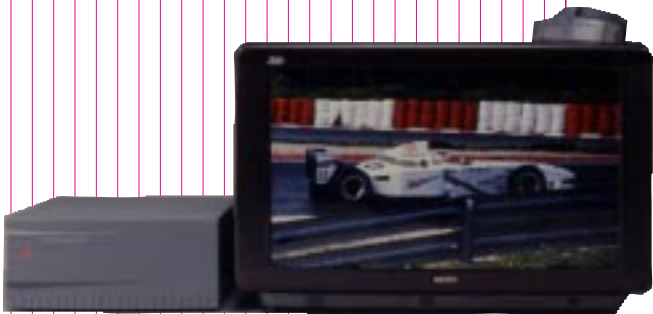
LCD projectors that enable images to be projected onto large computer screens debuted in 1989. Subsequently, demand for LCD projectors for use as presentation tools for conferences and other applications has jumped sharply together with the rapidly growing use of notebook computers. Sanyo entered the field for LCD projectors in 1990 and introduced its first projector for PCs in 1993. In this field, Sanyo independently developed various lenses and prisms for the development of high-quality, highly bright displays. Sanyo boasts an approximately 15% share of the world market for its high-resolution XGA-type LCD projectors, ranking the Company first among Japanese companies and second in the world in terms of market share.

DIGITAL THREE-DIMENSIONAL BROADCASTING SYSTEM

In March 1997, Sanyo and Nippon Television Network Corporation developed the world's first digital three-dimensional broadcasting and receiving system that conforms with global digital broadcasting standards. This system utilizes a progressive digital format for high-grade, multichannel broadcasting and is compatible with various computers and ideal for use in multimedia. Because of these features, the system is attracting attention as a next-generation broadcasting system.



◀ Sanyo's upgraded 86g cellular telephones allow users to talk up to approximately 110 minutes, remain on standby for receiving incoming calls for 140 hours, and are capable of making 500 calls using speed dialing.



SANYO'S ACTIVITIES *in* CLEAN ENERGY

SOLAR CELL POWER SYSTEMS

Sanyo commenced research on amorphous-silicon (a-Si) solar cells in 1975 and successfully commercialized the world's first solar cells in 1980. In November 1997, Sanyo continued to build on its numerous achievements in this field when it developed and launched a household-use hybrid hetero-junction with intrinsic thin-layer (HIT) 180W solar cell module—the largest-class module in the world. Hybrid solar cells feature layers of a-Si on single-crystal silicon substrates and have cell conversion efficiencies of 17.3% and module conversion efficiencies of 15.2%, one of the highest such conversion efficiencies in the world.

In 1994, with the aim of promoting the increased use of solar cells, Japan's Ministry of International Trade and Industry (MITI) introduced a program for providing subsidies to individuals that cover approximately half the cost of installing solar cell arrays at their homes. In fiscal 1999, MITI plans to provide ¥11.1 billion in subsidies for 9,400 such solar cell arrays.

Sanyo's solar cell power systems are currently being used in a wide range of applications. Particularly noteworthy is a Sanyo 100kW solar cell power system installed on a Shinkansen bullet train platform at Kyoto Station, near the site of the Third Conference of Parties to the U.N. Framework Convention on Climate Change that was held in December 1997. The largest of its type in the world, this solar cell power system provides electricity for lighting inside the station and on train platforms as well as for the operation of the station's air conditioners. The use of this solar cell power system also yields other benefits, chief among these is an approximately 62-ton reduction in CO₂ emissions annually.

ABSORPTION-TYPE CHILLER/HEATERS AND GAS-ENGINE HEAT PUMP (GHP)-TYPE AIR CONDITIONERS

Because absorption-type chiller/heaters and GHP-type air conditioners use waste heat as an energy source, they consume almost no electricity and are highly energy efficient and environment friendly. Sanyo manufactures a diverse array of absorption-type chiller/heaters, ranging from those in the 20-refrigerator-ton (RT) category to those in the 3,300-RT



The solar cell power system at Kyoto Station was built by Central Japan Railway Company and the New Energy Development Organization.



Sanyo's solar cell power system installed at a private home



Sanyo's solar cell power system installed at a shopping arcade in Kyoto

ABSORPTION-TYPE CHILLER/HEATERS AND GAS-ENGINE HEAT PUMP (GHP)-TYPE AIR CONDITIONERS

category. Sanyo's absorption-type chiller/heaters and GHP-type air conditioners each account for one-third of the total capacity in the domestic market.

Sanyo entered the field of absorption-type chiller/heaters in 1971. Although Sanyo was a latecomer to this field, by proposing the use of gas for cooling—which represented a revolutionary new method—while working closely with leading gas companies, Sanyo was able to secure the top share of the domestic market for absorption-type chiller/heaters in just three years. Sanyo's absorption-type chiller/heaters have found a diverse range of applications, including for district heating-and-cooling systems, which make optimal use of gas, electricity, and other forms of energy. As a recent example of such applications, Sanyo's absorption-type chiller/heaters are being used for a district heating-and-cooling system in the 55,000-seat Osaka Dome baseball stadium as well as nearby subway stations and commercial facilities. Overseas, Sanyo's absorption-type chiller/heaters are used in district heating-and-cooling systems in Sweden.

Sanyo is in the forefront of the development of refueling equipment for low NO_x emitting natural gas powered vehicles. At present, approximately 2,000 natural gas powered vehicles are in operation in Japan. Sanyo became the first Japanese electronics manufacturer to enter the market for refueling equipment. We are actively applying our advanced compressor technologies with the aim of commercializing refueling equipment and meeting growing demand for natural gas powered vehicles, which emit lower amounts of NO_x and are more fuel efficient than gasoline-powered vehicles. Through these efforts, Sanyo helps alleviate atmospheric pollution.

Sanyo inaugurated the production of GHP-type air conditioners in 1984. Collaborating closely with a prominent gas company, Sanyo developed the multitype GHP-type air conditioner for buildings. During a 12-year period from 1985, Sanyo manufactured GHP-type air conditioners with an aggregate capacity of 500,000 RTs. In March 1998, Sanyo reached a noteworthy milestone when it became the first company in the industry to surpass the four-million-unit level for cumulative production of absorption-type chiller/heaters and GHP-type air conditioners.



Absorption-type chiller/heaters



Compact gas refueling equipment

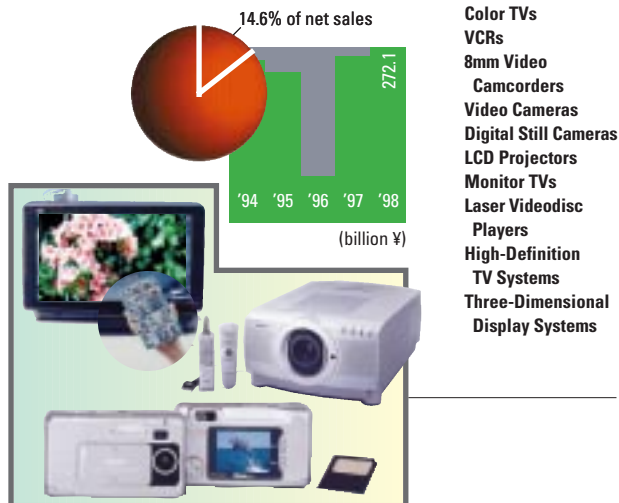


W-ecomulti air conditioners

REVIEW OF OPERATIONS

In 1996, Sanyo changed its fiscal year-end from November 30 to March 31; therefore, fiscal 1996 was only a four-month period.

VIDEO EQUIPMENT

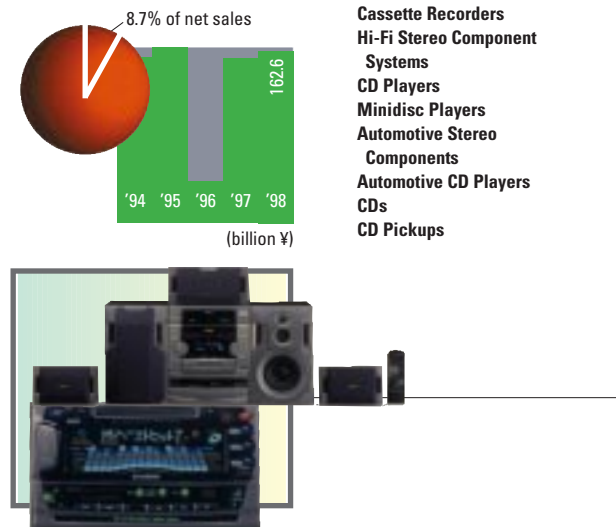


During the fiscal year, sales of video equipment rose 5.7%, to ¥272,073 million (US\$2,061 million), constituting 14.6% of Sanyo's consolidated net sales. Despite intensifying price competition in color TVs and video-cassette recorders (VCRs), sharp growth in sales of digital still cameras underpinned the increase in sales.

In Japan, Sanyo recorded a steep increase in sales of digital still cameras—which command a large share of the domestic market—as well as higher sales of LCD projectors. On the other hand, sales of color TVs and VCRs fell sharply, reflecting the effects of sluggish consumption. As a result, domestic sales of video equipment made up 8.2% of Sanyo's total domestic sales.

Overseas, Sanyo posted steady increases in sales of color TVs, VCRs, and digital still cameras as well as a sharp rise in sales of LCD projectors. By geographic region, sales of color TVs surged in North America and expanded smoothly in Europe. However, sales of color TVs in Asia were sluggish. Sales of VCRs jumped in North America and Asia but were lower in Europe. For the fiscal year, overseas sales of video equipment made up 21.8% of Sanyo's total overseas sales.

AUDIO EQUIPMENT

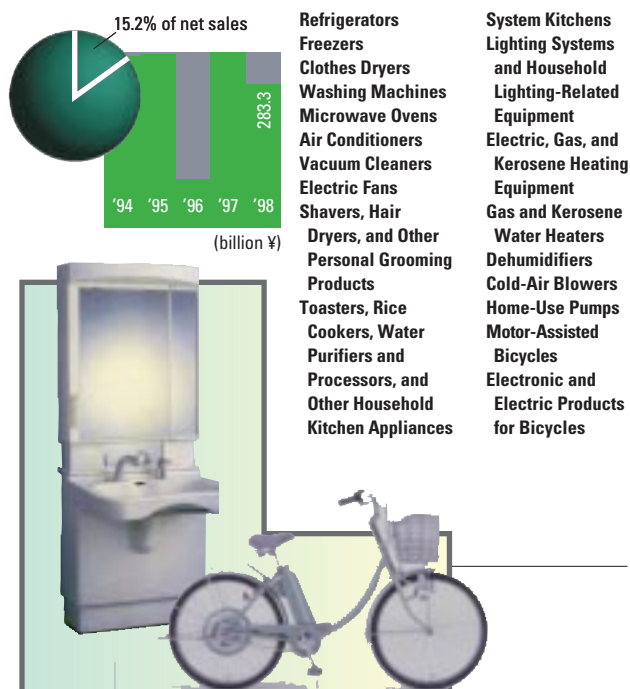


Sales of audio equipment increased 4.4%, to ¥162,626 million (US\$1,232 million), accounting for 8.7% of consolidated net sales, approximately the same as in the previous fiscal year. Although sales of most types of home audio equipment were generally lower, a large gain in sales of CD pickups—one of Sanyo's key components—supported the rise in total sales of audio equipment.

In Japan, overall sales of audio equipment were lower, with the exception of sales of CD pickups. Domestic sales of audio equipment accounted for 3.1% of total domestic sales.

Overseas, sales of cassette recorders and hi-fi stereo component systems plummeted, but sales of automotive stereo components registered noticeable growth. By geographic region, although sales of cassette recorders increased in Europe, sales in North America were lower, and sales in Asia fell sharply. Sales of CD pickups in China—where Sanyo manufactures these components—posted a steep increase. Consequently, overseas sales of audio equipment made up 15.1% of Sanyo's total overseas sales.

HOME APPLIANCES

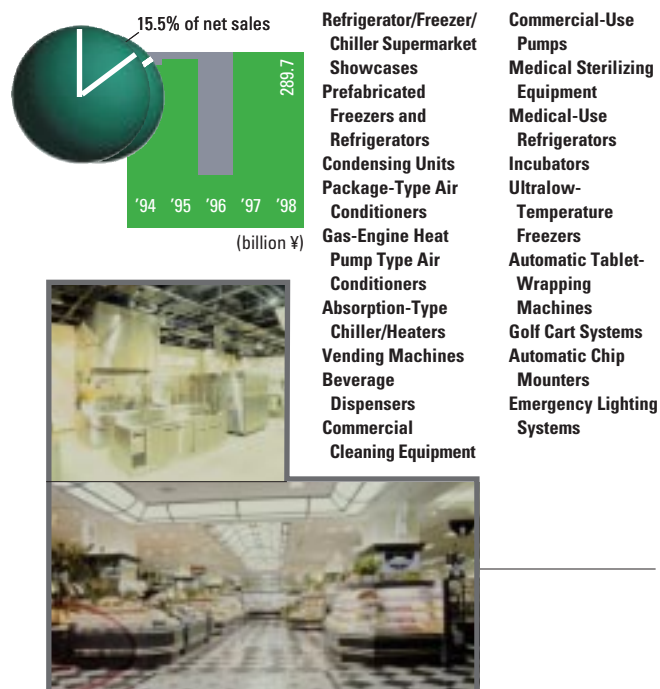


Sales of home appliances declined 18.2%, to ¥283,344 million (US\$2,147 million), or 15.2% of consolidated net sales. This decline was due to lower sales of air conditioners resulting from unseasonable weather and sluggish domestic consumption, which had an adverse impact on overall performance.

Domestically, unseasonable weather caused sales of our mainstay air conditioners to fall sharply. Sales of such other principal products as refrigerators and washing machines also declined because of lackluster consumption. As a result of these factors, domestic sales of home appliances accounted for 20.3% of total domestic sales.

Overseas, sales of such principal products as air conditioners and refrigerators declined as did sales of microwave ovens. By geographic region, sales of air conditioners in Asia advanced sharply but were lower in North America. Overseas sales of home appliances accounted for 9.4% of total overseas sales.

INDUSTRIAL AND COMMERCIAL EQUIPMENT

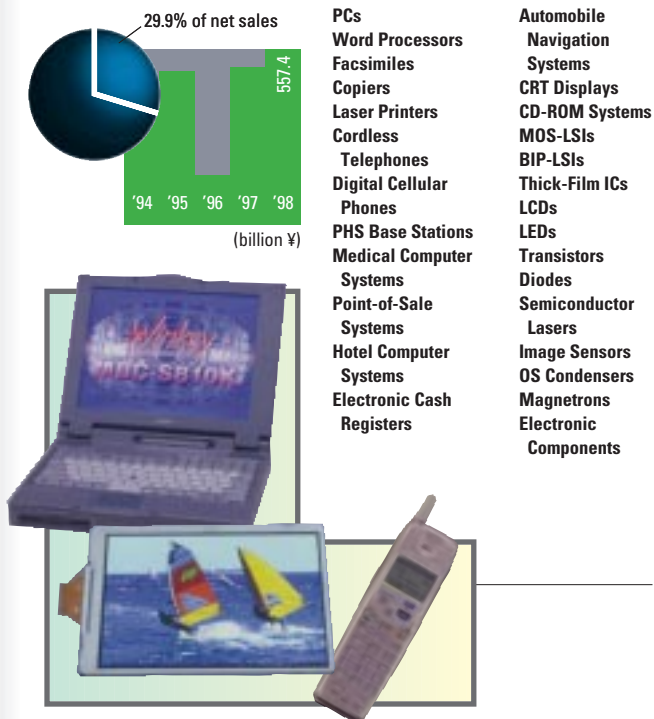


Sales of industrial and commercial equipment edged down 0.1%, to ¥289,656 million (US\$2,194 million), constituting 15.5% of consolidated net sales. Despite robust sales of vending machines, overall declines in other products caused the slight decrease in sales.

In the domestic market, despite firm sales of vending machines for beverages in polyethylene terephthalate (PET) bottles, sales of refrigerator showcases for supermarkets, large commercial-use air conditioners, and commercial-use kitchen equipment were lower due to the adverse effects of curtailments in private-sector capital investment. Therefore, domestic sales of industrial and commercial equipment made up 25.5% of total domestic sales.

Overseas, Sanyo registered growth in sales of absorption-type chiller/heaters, refrigerator showcases for supermarkets, and large commercial-use air conditioners. However, sales of commercial-use kitchen equipment declined. As a result of these factors, overseas sales of industrial and commercial equipment accounted for 4.2% of total overseas sales.

INFORMATION SYSTEMS AND ELECTRONIC DEVICES



Sales of information systems and electronic devices rose 12.0%, to ¥557,408 million (US\$4,223 million), making up 29.9% of net sales. Sanyo recorded more than 10% sales growth in most product categories.

In Japan, sales of digital cellular phones rose steeply. Sanyo also posted a large increase in sales of LCDs, including low-temperature Poly-Si TFT-LCDs. In semiconductors, Sanyo recorded a healthy increase in sales of metal oxide semiconductors for large-scale integration (MOS-LSI) and BIP-LSI chips. Domestic sales of information systems and electronic devices thus accounted for 29.5% of total domestic sales.

In overseas markets, Sanyo registered brisk sales of such electronic components as LCDs for digital cellular phones as well as CD-ROM systems. Sales of information devices and semiconductor products were also favorable. By geographic region, sales of information devices in Asia were significantly higher. Sales of semiconductor products were strong in Asia but were marginally lower in North America. Sanyo posted a significant increase in sales of electronic components in Asia. Overseas sales of information systems and electronic devices made up 30.3% of total overseas sales.

BATTERIES AND OTHER PRODUCTS



Sales of batteries and other products jumped 22.6%, to ¥301,319 million (US\$2,283 million), or 16.1% of net sales. Sanyo recorded overall increases in this sector, with sales of batteries showing the most significant rise.

Domestically, sales of lithium-ion rechargeable batteries continued to increase as a result of the growing use of digital cellular phones. Sales of nickel-metal hydride rechargeable batteries for use in power tools were also favorable. On the other hand, sales of compressors for freezer/refrigerators and air conditioners were lower. Domestic sales of batteries and other products thus accounted for 13.4% of total domestic sales.

Overseas sales of batteries and compressors were favorable. In Europe, Sanyo recorded a sharp rise in sales of lithium-ion rechargeable batteries for digital cellular phones. Sales of these batteries in North America and Asia were also firm. Sanyo achieved a smooth rise in sales of compressors in Asia, primarily in China, and a more than twofold increase in sales in North America. Therefore, overseas sales of batteries and other products constituted 19.2% of total overseas sales.

SELECTED FINANCIAL DATA

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Operating income.....	62,352	61,309	13,501	59,384	40,359	472,364
Income before income taxes and equity in (losses) earnings.....	38,267	41,486	3,485	41,193	28,266	289,902
Net income (loss)	12,320	17,674	(3,738)	15,551	11,325	93,333
Capital expenditures.....	133,103	119,273	34,962	118,191	84,266	1,008,356
Depreciation and amortization.....	101,091	99,969	30,118	79,757	80,136	765,841
At the year- or period-end:						
Total stockholders' equity	¥ 750,572	¥0,775,805	¥0,809,628	¥0,803,094	¥0,718,267	\$ 5,686,152
Total assets	2,641,894	2,518,056	2,462,342	2,411,491	2,190,903	20,014,348
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(yen and U.S. dollars) (Notes a, b and c):						
Net income (loss)						
Basic.....	¥6.3	¥9.1	¥(1.9)	¥8.0	¥5.8	\$0.048
Diluted.....	6.3	9.0	(1.9)	8.0	5.8	0.048
Cash dividends declared	5.0	5.0	1.7	5.0	5.0	0.038
Per American Depositary Share:						
(yen and U.S. dollars) (Notes a, b, c and d):						
Net income (loss)						
Basic.....	¥31.5	¥45.5	¥(9.5)	¥40.0	¥29.0	\$0.239
Diluted.....	31.5	45.0	(9.5)	40.0	29.0	0.239
Cash dividends declared	25.0	25.0	8.5	25.0	25.0	0.189
Weighted average number of shares outstanding (thousands) (Note b)						
	1,951,099	1,951,062	1,950,926	1,950,286	1,944,115	
Sales by product category:						
Video equipment	¥ 272,073	¥ 257,326	¥ 71,804	¥ 232,456	¥ 251,164	\$ 2,061,159
Audio equipment.....	162,626	155,791	39,183	166,237	156,250	1,232,015
Home appliances.....	283,344	346,380	95,212	342,292	336,944	2,146,545
Industrial and commercial equipment	289,656	289,997	86,085	277,725	267,656	2,194,364
Information systems and electronic devices.....	557,408	497,780	155,260	484,635	452,879	4,222,788
Batteries and other products.....	301,319	245,730	65,812	203,755	195,262	2,282,720
Net sales	¥1,866,426	¥1,793,004	¥ 513,356	¥1,707,100	¥1,660,155	\$14,139,591
Sales by area:						
Japan.....	¥ 991,726	¥1,003,665	¥0,305,069	¥0,977,985	¥0,938,903	\$ 7,513,076
Asia.....	379,638	344,301	90,356	299,566	268,840	2,876,045
North America.....	298,305	258,334	66,175	247,961	257,489	2,259,886
Europe.....	142,731	122,644	37,338	128,326	132,445	1,081,296
Others	54,026	64,060	14,418	53,262	62,478	409,288
Net sales	¥1,866,426	¥1,793,004	¥ 513,356	¥1,707,100	¥1,660,155	\$14,139,591
Other information:						
Price range of common stock (Tokyo Stock Exchange; yen and U.S. dollars (Note a)):						
High.....	¥535	¥680	¥672	¥587	¥609	\$4.053
Low	290	404	536	395	368	2.197
Number of employees						
(at the year- or period-end)	67,887	67,827	56,612	57,120	58,417	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥132=US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 1998.

See Note 2 of Notes to Consolidated Financial Statements.

(b) See Note 1 of Notes to Consolidated Financial Statements.

(c) Earnings per share and per American Depositary Share for fiscal 1996 and 1994 have been calculated without the inclusion of convertible bonds since they are anti-dilutive.

(d) One American Depositary Share represents five shares of common stock.

FINANCIAL REVIEW

In this financial review, “the Company” refers to SANYO Electric Co., Ltd., and “Sanyo” to SANYO Electric Co., Ltd., and its subsidiaries unless otherwise specified.

Overview

•In the fiscal year ended March 31, 1998, the slump in the Japanese economy deepened due to lackluster consumer spending resulting from the April 1997 increase in the national consumption tax rate from 3% to 5%; a reforming of Japan’s healthcare insurance system, which places a higher burden on individuals; and concerns about the financial system and employment conditions. The situation was further aggravated by sluggishness in private-sector capital investment.

•Difficult conditions also persisted in the electronics-related industry owing to slumping market prices for semiconductors, weak demand for personal computers, and sluggish sales of seasonal products.

•Under these conditions, Sanyo further promoted its key components businesses, including semiconductors and batteries, and worked to develop innovative new products and technologies through concurrent engineering. Through these efforts, despite lower sales of home appliances and several products in industrial and commercial equipment, Sanyo recorded overall growth in other product categories. These increases, along with the depreciation of the yen, enabled Sanyo to record a 4.2%, or ¥78.4 billion, increase in consolidated net sales and operating revenue, to ¥1,924.7 billion (US\$14,581 million). However, net income declined 30.3%, or ¥5.4 billion, to ¥12.3 billion (US\$93 million). This decrease reflected a rise in corporate income taxes, due to a revaluation of deferred tax assets that accompanied a revision to the corporate income tax law, and the effects of sharp declines in the value of Asian currencies on equity in earnings of affiliates and unconsolidated subsidiaries.

•From the perspective of maintaining stable dividends, the Company paid cash dividends, including interim dividends, of ¥5.0 (US\$0.04) per share and ¥25.0 (US\$0.189) per one American Depositary Share (ADS).

Net Sales and Operating Revenue

During the period under review, net sales amounted to ¥1,866.4 billion (US\$14,140 million), an increase of 4.1%, or ¥73.4 billion, from the previous fiscal period. By product category, video equipment sales rose 5.7%, or ¥14.7 billion, to ¥272.1 billion (US\$2,061 million), reflecting steady growth in sales of digital still cameras and LCD projectors. Sales of audio equipment advanced 4.4%, or ¥6.8 billion, to ¥162.6 billion (US\$1,232 million), thanks to robust sales of CD pickups. On the other hand, sales of home appliances fell 18.2%, or ¥63.0 billion, to ¥283.3 billion (US\$2,147 million), due to a decline in sales of such seasonal products as air conditioners and heaters that resulted from unseasonable weather and overall price declines. Sales of industrial and commercial equipment, at ¥289.7 billion (US\$2,194 million), remained virtually unchanged from the previous fiscal year, mirroring sluggishness in sales of large commercial-use air conditioners and refrigerator show-cases for supermarkets. Information systems and electronic devices sales advanced 12.0%, or ¥59.6 billion, to ¥557.4 billion (US\$4,223 million), reflecting favorable sales of digital cellular phones, semiconductors, and electronic components. Batteries and other products sales jumped 22.6%, or ¥55.6 billion, to ¥301.3 billion (US\$2,283 million), thanks to robust overseas sales of rechargeable batteries, primarily lithium-ion rechargeable batteries. Batteries and other products, together with information systems and electronic devices sales, served as the principal sources of Sanyo’s growth in sales during fiscal 1998.

•Operating revenue, including revenues from financing, was favorable, rising 9.4%, or ¥5.0 billion, to ¥58.2 billion (US\$441 million).

•By geographic segment, despite a decline in sales in the domestic market, total sales and operating revenue generated in Japan rose 4.2%, or ¥69.5 billion, to ¥1,718.0 billion (US\$13,015 million), due to higher export sales to North America and Europe. In Asian countries outside Japan, despite an abrupt worsening of economic conditions due to plunging currency values, sales and operating revenue in Asian countries amounted to ¥487.5 billion (US\$3,693 million) and were supported by robust demand in North America and Europe. Sales and operating revenue in other regions totaled ¥256.6 billion (US\$1,944 million) and included brisk sales in the United States and Europe.

Costs, Expenses, and Earnings

•Cost of sales rose 4.9%, or ¥71.2 billion, to ¥1,510.7 billion (US\$11,445 million). The cost of sales ratio rose 0.7 percentage point, to 80.9%, from 80.3% in the preceding fiscal year, as a result of the impact of sales

price declines for such seasonal products as air conditioners and heaters.

•Thanks to Companywide efforts to reduce expenses, growth in selling, general and administrative (SG&A) expenses was held to 1.8%, or ¥6.2 billion, to ¥351.6 billion (US\$2,664 million), which was significantly below the rate of increase for consolidated net sales and operating revenue. SG&A expenses as a percentage of net sales and operating revenue was 18.3%, down 0.4 percentage point from the previous year.

•R&D expenses rose ¥1.1 billion, to ¥94.7 billion (US\$717 million). These expenditures were primarily for the development of digital technologies and multimedia products. R&D expenses as a percentage of net sales amounted to 5.1%, approximately the same level as in the previous fiscal year.

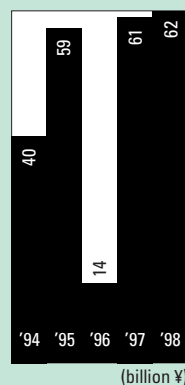
•Because of the previously mentioned increase in net sales and operating revenue and a reduction in the burden of expenses, operating income rose 1.7%, or ¥1.0 billion, to ¥62.4 billion (US\$472 million).

•Other expenses, net, rose ¥4.3 billion, to ¥24.1 billion (US\$183 million).

NET SALES



OPERATING INCOME



Note: Fiscal 1996 was only a four-month period.

•As a result of the preceding factors, income before income taxes and equity in earnings declined 7.8%, or ¥3.2 billion, to ¥38.3 billion (US\$290 million). Although income taxes declined ¥0.8 billion, to ¥24.9 billion (US\$189 million), the effective income tax rate rose to 65.1%, from 62.1% in the previous fiscal year. This reflects a temporary additional tax burden resulting from a revaluation of deferred tax assets based on U.S. accounting standards that accompanied a revision of the corporate tax law (a reduction in taxes). Equity in earnings of affiliates and unconsolidated subsidiaries amounted to a loss of ¥1.0 billion (US\$8 million), which represents a decrease of ¥3.0 billion from the ¥1.9 billion gain in the previous fiscal year. This loss reflected the influence of declines in the values of various Asian currencies on Sanyo companies accounted for by the equity method. As a result of these reasons, net income declined 30.3%, or ¥5.4 billion, to ¥12.3 billion (US\$93 million). Basic net income per share declined to ¥6.3 (US\$0.048), from ¥9.1 in the previous fiscal year, and diluted net income per share decreased to ¥6.3 (US\$0.048), from ¥9.0. Basic net income and diluted net income per one

ADS (five shares) both fell to ¥31.5 (US\$0.239), from ¥45.5 and ¥45.0, respectively, in the previous fiscal year.

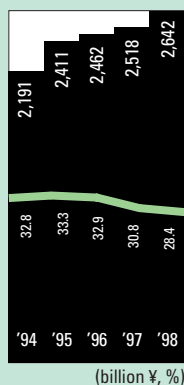
Financial Condition

Total current assets increased ¥43.6 billion, to ¥1,552.1 billion (US\$11,758 million). Finance receivables increased ¥40.3 billion, due to growth in Sanyo's credit business, while inventories rose ¥28.0 billion, mainly because of a slump in demand for seasonal products. On the other hand, short-term investments declined ¥28.1 billion due to the sale of such investments and declines in their market value.

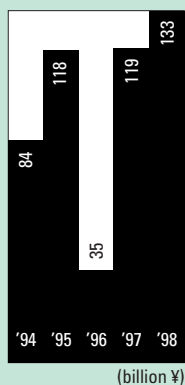
•In property, plant and equipment, Sanyo invested a total of ¥133.1 billion (US\$1,008 million), primarily for production facilities for semiconductors, batteries, and LCDs, in order to capitalize on the trends toward digitization and the need to enhance efficiency.

•On the other hand, total liabilities rose 8.4%, or ¥144.9 billion, to ¥1,868.2 billion (US\$14,153 million). Total short- and long-term interest-bearing debt expanded ¥116.3 billion, to ¥1,106.8 billion (US\$8,385 million). This increase was due mainly to a ¥55.4 billion increase in short-term

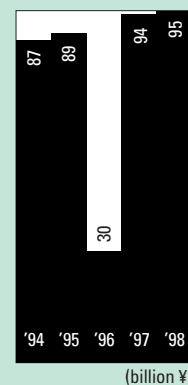
TOTAL ASSETS AND EQUITY RATIO



CAPITAL EXPENDITURES



R&D EXPENSES



borrowings to be used for operating funds and two uncollateralized domestic straight bonds issues totaling ¥50.0 billion in May 1997 to be used for capital investment.

•As a result of the preceding factors, working capital declined ¥34.9 billion, to ¥273.5 billion (US\$2,072 million). The current ratio edged down to 1.21, from 1.26 at the previous fiscal year-end.

•Total stockholders' equity declined ¥25.2 billion, to ¥750.6 billion (US\$5,686 million). The primary factors underlying the decrease in stockholders' equity were a ¥22.5 billion decrease in net unrealized gains on securities accompanying declining prices for marketable securities and ¥7.1 billion of minimum pension liability adjustments. Because of these factors and the increase in total liabilities, the stockholders' equity ratio slipped 2.4 percentage points, to 28.4%, from 30.8% at the previous fiscal year-end.

Cash Flows

Cash and cash equivalents at the end of the fiscal period rose ¥2.0 billion, to ¥341.2 billion (US\$2,585 million).

This figure is equivalent to 2.1 times average monthly sales and operating revenue of ¥160.4 billion, and Sanyo continues to maintain sufficient liquidity to carry out its business operations.

•Net cash provided by operating activities declined ¥38.7 billion from the previous fiscal year, to ¥25.6

billion (US\$194 million). Cash inflows consisting of net income after adding and subtracting inflows of non-cash items, centering on depreciation and amortization, amounted to ¥109.9 billion (US\$832 million), slightly higher than in the previous fiscal year. However, outflows of operating assets and liabilities and other assets and liabilities, net, increased ¥39.6 billion, to ¥84.3 billion (US\$639 million), due mainly to a rise in sales and financing receivables and an expansion in inventories.

•Net cash used in investing activities declined ¥9.5 billion from the previous fiscal year, to ¥125.1 billion (US\$948 million), and consisted mainly of ¥119.3 billion (US\$904 million) in payments for purchases of property, plant and equipment and an ¥8.3 billion (US\$63 million) increase in short-term investments.

•Net cash provided by financing activities, after the procurement and repayment of short- and long-term interest-bearing debt, increased ¥79.0 billion from the previous fiscal year, to ¥101.6 billion (US\$770 million). These funds were utilized to purchase property, plant and equipment and for short-term investment. This reflected ¥50.0 billion procured through the issue of two uncollateralized domestic straight bonds and a ¥51.4 billion net increase in short-term borrowings. On the other hand, the repayment of long-term debt from two Eurobonds amounted to ¥35.0 billion (US\$265 million).

Business Segment (Unaudited)

	1998						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
External	Intersegment	Total					
Consumer Electronics	¥ 789.2	¥ 6.7	¥ 795.9	¥10.3	¥1,032.0	¥ 27.5	¥ 29.4
Information/Communication & Industrial/Commercial....	1,135.5	24.9	1,160.4	52.1	1,182.3	73.2	103.7
Sub-total	1,924.7	31.6	1,956.3	62.4	2,214.3	100.7	133.1
Corporate Assets and Eliminations	—	(31.6)	(31.6)	—	427.6	0.4	—
Total	¥1,924.7	¥ —	¥1,924.7	¥62.4	¥2,641.9	¥101.1	¥133.1

	Millions of U.S. Dollars						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
External	Intersegment	Total					
Consumer Electronics	\$ 5,979	\$ 50	\$ 6,029	\$ 78	\$ 7,818	\$208	\$ 223
Information/Communication & Industrial/Commercial....	8,602	189	8,791	395	8,957	555	785
Sub-total	14,581	239	14,820	473	16,775	763	1,008
Corporate Assets and Eliminations	—	(239)	(239)	—	3,239	3	—
Total	\$14,581	\$ —	\$14,581	\$473	\$20,014	\$766	\$1,008

	1997						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
External	Intersegment	Total					
Consumer Electronics	¥0,822.7	¥10.9	¥0,833.6	¥18.2	¥0,942.8	¥028.1	¥128.0
Information/Communication & Industrial/Commercial....	1,023.5	27.1	1,050.6	43.1	1,113.7	71.5	91.3
Sub-total	1,846.2	38.0	1,884.2	61.3	2,056.5	99.6	119.3
Corporate Assets and Eliminations	—	(38.0)	(38.0)	—	461.6	0.4	—
Total	¥1,846.2	¥ —	¥1,846.2	¥61.3	¥2,518.1	¥100.0	¥119.3

Geographic Segment (Unaudited)

	1998				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
External	Intersegment	Total			
Japan	¥1,458.8	¥259.2	¥1,718.0	¥44.7	¥1,918.0
Asia	223.0	264.5	487.5	14.1	177.5
Other	242.9	13.7	256.6	3.6	148.0
Sub-total	1,924.7	537.4	2,462.1	62.4	2,243.5
Corporate Assets and Eliminations	—	(537.4)	(537.4)	—	398.4
Total	¥1,924.7	¥ —	¥1,924.7	¥62.4	¥2,641.9

	Millions of U.S. Dollars				
	Net Sales and Operating Revenue			Operating Income	Assets
External	Intersegment	Total			
Japan	\$11,052	\$1,963	\$13,015	\$ 339	\$14,530
Asia	1,689	2,004	3,693	107	1,345
Other	1,840	104	1,944	27	1,121
Sub-total	14,581	4,071	18,652	473	16,996
Corporate Assets and Eliminations	—	(4,071)	(4,071)	—	3,018
Total	\$14,581	\$ —	\$14,581	\$473	\$20,014

	1997				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
External	Intersegment	Total			
Japan	¥1,426.9	¥221.6	¥1,648.5	¥53.1	¥1,789.2
Asia	206.5	203.7	410.2	5.6	182.7
Other	212.8	0.8	213.6	2.6	139.9
Sub-total	1,846.2	426.1	2,272.3	61.3	2,111.8
Corporate Assets and Eliminations	—	(426.1)	(426.1)	—	406.3
Total	¥1,846.2	¥ —	¥1,846.2	¥61.3	¥2,518.1

CONSOLIDATED STATEMENTS OF INCOME

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

	Millions of Yen				Thousands of U.S. Dollars (Note 2)
	1998	1997	1996	1995	1998
Sales and operating revenue:					
Net sales (Note 5)	¥1,866,426	¥1,793,004	¥513,356	¥1,707,100	\$14,139,591
Operating revenue	58,249	53,225	11,247	35,186	441,280
	<u>1,924,675</u>	<u>1,846,229</u>	<u>524,603</u>	<u>1,742,286</u>	<u>14,580,871</u>
Costs and expenses (Note 13):					
Cost of sales (Note 5).....	1,510,709	1,439,504	411,300	1,365,609	11,444,765
Selling, general and administrative.....	351,614	345,416	99,802	317,293	2,663,742
	<u>1,862,323</u>	<u>1,784,920</u>	<u>511,102</u>	<u>1,682,902</u>	<u>14,108,507</u>
Operating income.....	62,352	61,309	13,501	59,384	472,364
Other income:					
Interest and dividends.....	12,583	11,999	5,835	20,950	95,326
Foreign currency transaction gains, net	—	2,011	72	—	—
Gain on public stock issuance by subsidiary (Note 14)	—	1,248	—	—	—
Other (Note 6)	22,285	17,124	7,741	23,398	168,826
	<u>34,868</u>	<u>32,382</u>	<u>13,648</u>	<u>44,348</u>	<u>264,152</u>
Other expenses:					
Interest.....	33,001	31,765	9,821	38,081	250,008
Foreign currency transaction losses, net	5,482	—	—	3,497	41,530
Write-off of bad debts and investments	—	—	7,971	—	—
Other	20,470	20,440	5,872	20,961	155,076
	<u>58,953</u>	<u>52,205</u>	<u>23,664</u>	<u>62,539</u>	<u>446,614</u>
Income before income taxes and equity in (losses) earnings	38,267	41,486	3,485	41,193	289,902
Income taxes (Note 12):					
Current.....	26,061	27,694	7,079	25,625	197,432
Deferred.....	(1,158)	(1,942)	1,176	3,195	(8,772)
	<u>24,903</u>	<u>25,752</u>	<u>8,255</u>	<u>28,820</u>	<u>188,660</u>
Income (loss) before equity in (losses) earnings	13,364	15,734	(4,770)	12,373	101,242
Equity in (losses) earnings of affiliates and unconsolidated subsidiaries (Note 5).....					
	(1,044)	1,940	1,032	3,178	(7,909)
Net income (loss)	<u>¥ 12,320</u>	<u>¥ 17,674</u>	<u>¥ (3,738)</u>	<u>¥ 15,551</u>	<u>\$ 93,333</u>
			Yen		U.S. Dollars (Note 2)
Per share:					
Net income (loss) (Notes 1 and 15)					
Basic.....	¥6.3	¥9.1	¥(1.9)	¥8.0	\$0.048
Diluted.....	6.3	9.0	(1.9)	8.0	0.048
Cash dividends declared	5.0	5.0	1.7	5.0	0.038
Per American Depositary Share:					
Net income (loss)					
Basic.....	¥31.5	¥45.5	¥(9.5)	¥40.0	\$0.239
Diluted.....	31.5	45.0	(9.5)	40.0	0.239
Cash dividends declared	25.0	25.0	8.5	25.0	0.189
Weighted average number of shares (thousands)	1,951,099	1,951,062	1,950,926	1,950,286	

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

SANYO Electric Co., Ltd. and Subsidiaries March 31, 1998 and 1997

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1998	1997	1998
Current assets:			
Cash and cash equivalents:			
Cash	¥ 56,725	¥ 59,148	\$ 429,735
Time deposits	284,487	280,071	2,155,205
	<u>341,212</u>	<u>339,219</u>	<u>2,584,940</u>
Short-term investments (Notes 6 and 10)	222,180	250,304	1,683,182
Receivables:			
Notes and accounts	368,655	367,455	2,792,841
Finance receivables (Note 3)	137,711	97,448	1,043,265
Affiliates and unconsolidated subsidiaries	37,087	37,065	280,962
Allowance for doubtful accounts and financial charges	(12,716)	(9,584)	(96,333)
Inventories (Note 4)	417,067	389,023	3,159,598
Deferred income taxes	1,210	—	9,167
Prepaid expenses and other	39,708	37,549	300,818
Total current assets	<u>1,552,114</u>	<u>1,508,479</u>	<u>11,758,440</u>
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	22,408	24,600	169,757
Other (Notes 6 and 10)	176,994	178,239	1,340,864
	<u>199,402</u>	<u>202,839</u>	<u>1,510,621</u>
Property, plant and equipment:			
Buildings	422,432	404,165	3,200,242
Machinery and equipment	902,616	858,128	6,838,000
	<u>1,325,048</u>	<u>1,262,293</u>	<u>10,038,242</u>
Accumulated depreciation	(851,998)	(808,547)	(6,454,530)
	<u>473,050</u>	<u>453,746</u>	<u>3,583,712</u>
Land	142,391	139,601	1,078,720
Construction in progress	38,284	22,239	290,030
	<u>653,725</u>	<u>615,586</u>	<u>4,952,462</u>
Deferred income taxes (Note 12)	32,409	21,065	245,522
Other assets	204,244	170,087	1,547,303
	<u>¥2,641,894</u>	<u>¥2,518,056</u>	<u>\$20,014,348</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1998	1997	1998
Current liabilities:			
Short-term borrowings (Note 7)	¥ 528,662	¥ 473,231	\$ 4,005,015
Current portion of long-term debt (Note 7).....	121,481	106,759	920,311
Notes and accounts payable:			
Trade	333,901	317,678	2,529,553
Affiliates and unconsolidated subsidiaries.....	17,494	17,815	132,530
Construction	52,193	38,457	395,402
Accrued income taxes.....	14,016	16,346	106,182
Deferred income taxes (Note 12).....	—	20,775	—
Employees' savings deposits.....	30,866	30,951	233,833
Other, including dividends payable and accrued expenses.....	180,042	178,125	1,363,955
Total current liabilities	<u>1,278,655</u>	<u>1,200,137</u>	<u>9,686,781</u>
Long-term debt (Notes 7 and 10)	456,636	410,506	3,459,363
Accrued pension and severance costs (Note 8)	132,899	112,611	1,006,810
Total liabilities	<u>1,868,190</u>	<u>1,723,254</u>	<u>14,152,954</u>
Minority interests in consolidated subsidiaries	23,132	18,997	175,242
Commitments and contingent liabilities (Note 9)			
Stockholders' equity:			
Common stock, ¥50 (\$0.38) par value:			
Authorized—5,000,000,000 shares			
Issued (Note 11):			
March 31, 1998 and 1997—1,951,131,137 shares	172,238	172,238	1,304,833
Additional paid-in capital (Note 11)	368,361	368,361	2,790,614
Legal reserve (Note 11)	30,876	29,719	233,909
Net unrealized gains on securities (Note 6).....	20,899	43,371	158,326
Retained earnings.....	180,487	179,087	1,367,326
Foreign currency translation adjustments	(15,184)	(16,946)	(115,030)
Minimum pension liability adjustments (Note 8)	(7,082)	—	(53,652)
Total stockholders' equity	<u>750,595</u>	<u>775,830</u>	<u>5,686,326</u>
Less, treasury stock at cost:			
1998—29,213 shares	(23)	—	(174)
1997—32,379 shares	—	(25)	—
Total stockholders' equity	<u>750,572</u>	<u>775,805</u>	<u>5,686,152</u>
	<u>¥2,641,894</u>	<u>¥2,518,056</u>	<u>\$20,014,348</u>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

(Number of Shares of Common Stock—Thousands)	Millions of Yen						
	Common Stock	Additional Paid-in Capital	Legal Reserve	Net Unrealized Gains on Securities	Retained Earnings	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments
Balance, November 30, 1994 (1,950,271)	¥171,985	¥368,344	¥27,226	¥ —	¥174,818	¥(24,062)	¥ —
Net income					15,551		
Cash dividends					(9,714)		
Appropriation for legal reserve			1,050		(1,050)		
Conversion of convertible debt (685)	201	(35)					
Adjustment to beginning balance for change in accounting principle (Note 6)				80,241			
Change in net unrealized gains (Note 6)				(631)			
Current year's adjustments						(802)	
Balance, November 30, 1995 (1,950,956)	172,186	368,309	28,276	79,610	179,605	(24,864)	—
Net loss					(3,738)		
Cash dividends					(3,323)		
Appropriation for legal reserve			365		(365)		
Conversion of convertible debt (10)	3	3					
Change in net unrealized gains (Note 6)				12,214			
Current year's adjustments						1,376	
Balance, March 31, 1996 (1,950,966)	172,189	368,312	28,641	91,824	172,179	(23,488)	—
Net income					17,674		
Cash dividends					(9,688)		
Appropriation for legal reserve			1,078		(1,078)		
Conversion of convertible debt (165)	49	49					
Change in net unrealized gains (Note 6)				(48,453)			
Current year's adjustments						6,542	
Balance, March 31, 1997 (1,951,131)	172,238	368,361	29,719	43,371	179,087	(16,946)	—
Net income					12,320		
Cash dividends					(9,763)		
Appropriation for legal reserve			1,157		(1,157)		
Change in net unrealized gains (Note 6)				(22,472)			
Current year's adjustments						1,762	(7,082)
Balance, March 31, 1998 (1,951,131)	¥172,238	¥368,361	¥30,876	¥20,899	¥180,487	¥(15,184)	¥(7,082)

	Thousands of U.S. Dollars (Note 2)						
Balance, March 31, 1997	\$1,304,833	\$2,790,614	\$225,144	\$328,568	\$1,356,720	\$(128,378)	\$ —
Net income					93,333		
Cash dividends					(73,962)		
Appropriation for legal reserve			8,765		(8,765)		
Change in net unrealized gains (Note 6)				(170,242)			
Current year's adjustments						13,348	(53,652)
Balance, March 31, 1998	\$1,304,833	\$2,790,614	\$233,909	\$158,326	\$1,367,326	\$(115,030)	\$(53,652)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

	Millions of Yen				Thousands of U.S. Dollars (Note 2)
	1998	1997	1996	1995	1998
Cash flows from operating activities:					
Net income (loss)	¥ 12,320	¥ 17,674	¥ (3,738)	¥ 15,551	\$ 93,333
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization.....	101,091	99,969	30,118	79,757	765,841
Gain on sales of marketable securities and investment securities	(5,209)	(7,408)	(2,374)	(10,602)	(39,462)
Loss (gain) on disposal of property, plant and equipment.....	1,783	3,846	(1,070)	(1,955)	13,508
Write-off of bad debts and investments	—	—	7,971	—	—
Deferred income taxes.....	(1,158)	(1,942)	1,176	3,195	(8,772)
Gain on public stock issuance by subsidiary	—	(1,248)	—	—	—
Equity in losses (earnings) of affiliates and unconsolidated subsidiaries ..	1,044	(1,940)	(1,032)	(3,178)	7,909
Change in assets and liabilities, net of effects from newly consolidated subsidiaries in 1997:					
(Increase) decrease in receivables	(38,040)	(14,005)	17,206	(8,304)	(288,182)
Increase in inventories	(25,966)	(13,429)	(28,814)	(17,236)	(196,712)
Increase in prepaid expenses and other	(960)	(2,348)	(147)	(1,078)	(7,273)
Increase in other assets.....	(45,306)	(29,737)	(12,465)	(24,576)	(343,227)
Increase (decrease) in notes and accounts payable.....	13,158	3,877	(4,850)	7,185	99,682
(Decrease) increase in accrued income taxes.....	(2,295)	5,701	(4,416)	(8,564)	(17,386)
Increase (decrease) in other current liabilities.....	1,802	1,664	(7,204)	6,670	13,651
Other, net.....	13,308	3,563	2,510	13,783	100,818
Total adjustments.....	13,252	46,563	(3,391)	35,097	100,395
Net cash provided by (used in) operating activities.....	25,572	64,237	(7,129)	50,648	193,728
Cash flows from investing activities:					
(Increase) decrease in short-term investments.....	(8,286)	5,598	3,763	2,542	(62,773)
Proceeds from sales of investments and collection of advances	20,142	22,766	2,443	9,105	152,591
Proceeds from sales of property, plant and equipment	7,185	7,652	4,609	11,853	54,432
Payments for purchases of investments and advances	(24,311)	(34,003)	(15,904)	(28,524)	(184,174)
Payments for purchases of property, plant and equipment	(119,340)	(137,435)	(32,083)	(104,732)	(904,091)
Other, net.....	(518)	805	329	(1,175)	(3,924)
Net cash used in investing activities	(125,128)	(134,617)	(36,843)	(110,931)	(947,939)
Cash flows from financing activities:					
Increase (decrease) in short-term borrowings	51,381	(14,524)	21,131	3,975	389,250
Proceeds from issuance of long-term debt.....	180,913	153,579	49,688	125,407	1,370,553
Repayments of long-term debt	(120,934)	(108,241)	(33,079)	(77,848)	(916,167)
Dividends paid.....	(9,756)	(8,194)	(4,877)	(9,751)	(73,909)
Other, net.....	2	3	(0)	16	15
Net cash provided by financing activities	101,606	22,623	32,863	41,799	769,742
Effect of exchange rate changes on cash and cash equivalents	(57)	3,840	827	692	(432)
Net increase (decrease) in cash and cash equivalents	1,993	(43,917)	(10,282)	(17,792)	15,099
Cash and cash equivalents of newly consolidated subsidiaries at beginning	—	6,803	—	—	—
Cash and cash equivalents at beginning	339,219	376,333	386,615	404,407	2,569,841
Cash and cash equivalents at end	¥341,212	¥339,219	¥376,333	¥386,615	\$2,584,940

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SANYO Electric Co., Ltd. and Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Fiscal Year

Effective December 1, 1995, SANYO Electric Co., Ltd. (the Company) and its major subsidiaries changed fiscal year-ends from November 30 to March 31. Accordingly, fiscal 1996 includes only 4 months of operations whereas the other fiscal periods consist of 12 months.

Nature of Operations

The Company and the Sanyo Group of companies (collectively, the Sanyo Group) are engaged in development, manufacture and sale in various locations around the world. The Sanyo Group's principal lines of business are the "Consumer Electronics" segment including video equipment, audio equipment and home appliances, and the "Information/Communication & Industrial/Commercial" segment including industrial and commercial equipment, information systems and electronic devices and batteries and other products. Fiscal 1998 net sales were comprised of video equipment (14%), audio equipment (9%), home appliances (15%), industrial and commercial equipment (16%), information systems and electronic devices (30%), and batteries and other products (16%). The principal markets are Japan, Asia, North America, Europe and others with sales in each area representing 53%, 20%, 16%, 8% and 3%, respectively, of net sales for March 31, 1998. The Sanyo Group has subsidiaries in each market area, which offer services such as consumer credits, leases, after-sales service, maintenance, logistics and others. Manufacturing facilities are located in more than 20 countries, principally Asian areas such as Japan and China, as well as North America and Europe.

Accounting Principles

The accounting records of the domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect adjustments necessary for a presentation in terms of generally accepted accounting principles as defined in the United States of America. Such adjustments consist primarily of accruing pension and severance costs; translating foreign currencies as discussed below; valuing marketable securities at fair value; deferring bond issue expenses; and effecting deferred tax accounting for temporary differences between financial and tax reporting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries (Sanyo as a consolidated group). All significant intercompany transactions and accounts have been eliminated. Minority interests in net income (loss) of consolidated subsidiaries are included in other expenses.

Investments in 20%-to-50% held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions,

carried at cost plus equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents

All highly liquid investments, including time deposits, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Effective December 1, 1994, Sanyo adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Available-for-sale securities, which were previously carried at the lower of aggregate cost or market, are recorded at fair value, with unrealized gains and losses which are excluded from earnings and reported in a separate component of stockholders' equity on a net-of-tax basis. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at exchange rates in effect at the respective balance sheet dates, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of the consolidated foreign subsidiaries and foreign affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet dates. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported separately as a component of stockholders' equity.

Inventories

Inventories are stated at the lower of cost or market. Cost for finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposition, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on estimated useful lives of the assets.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Installment Sales

Income from installment sales is recognized in full at the time of shipment.

Advertising Costs

Advertising costs are generally expensed as incurred.

Income Taxes

Under the provisions of SFAS No. 109, "Accounting for Income Taxes," deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at fiscal period-end. Deferred tax assets and liabilities are measured by using currently enacted tax rates and the effect on these deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the end of an accounting period and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the end of such accounting period. Sanyo adopted SFAS No. 128, "Earning per Share," for financial statements for the year ended March 31, 1998. SFAS No. 128 establishes standards for computing and presenting income per share and requires the presentation of both basic and diluted income per share. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. All prior years' income per share and per American Depositary Share have been restated to conform with the standards established by SFAS No. 128. Adoption of the standards did not have a material effect on reported income per share. The calculation of basic and diluted income per share is presented in Note 15.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for 1998 represent the arithmetical results of translating yen to dollars on a basis of ¥132=US\$1, the approximate effective rate of exchange at March 31, 1998.

3 FINANCE RECEIVABLES

In accordance with generally recognized trade practice, finance receivables at March 31, 1998 included installment receivables of

New Accounting Pronouncements

The Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in June 1997 and SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," in February 1998, which are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS No. 131 establishes standards for the way to report information about operating segments in annual financial statements and for related disclosures about products and services, geographic areas, and major customers, and requires enterprises to report selected information about operating segments in interim financial reports issued to stockholders. SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans by standardizing the disclosure requirements for pensions and other postretirement benefits, by requiring additional information on changes in the benefit obligations and fair value of plan assets, and by eliminating certain disclosures that are no longer useful. SFAS No. 130 and No. 132 do not change the measurement or recognition of related items. The Company has not disclosed the segment information required by SFAS No. 14. Accordingly, the Company is not currently considering disclosing the segment information required by SFAS No. 131, which will supersede SFAS No. 14.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥132=US\$1 or at any other rate.

4 INVENTORIES

Inventories at March 31, 1998 and 1997 were comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Finished products	¥233,054	¥216,743	\$1,765,560
Work in process	92,351	86,750	699,629
Raw materials.....	91,662	85,530	694,409
	<u>¥417,067</u>	<u>¥389,023</u>	<u>\$3,159,598</u>

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
At March 31, 1998 and 1997			
Current assets	¥ 97,069	¥110,652	\$ 735,371
Noncurrent assets	52,469	52,782	397,492
Total assets	149,538	163,434	1,132,863
Current liabilities	91,938	95,335	696,500
Noncurrent liabilities	33,264	30,957	252,000
Total liabilities	125,202	126,292	948,500
Net assets	¥ 24,336	¥ 37,142	\$ 184,363
Sanyo's investments in affiliates	¥ 12,530	¥ 14,146	\$ 94,924
Number of affiliated companies at end of fiscal period:			
In Japan	20	20	
Outside Japan	2	2	

	Millions of Yen				Thousands of U.S. Dollars
	1998	1997	1996	1995	1998
Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995					
Results of operations:					
Net sales	¥229,645	¥246,025	¥82,345	¥237,306	\$1,739,735
Net (loss) income	(14,490)	4,108	1,787	6,268	(109,773)
Sanyo's equity in affiliates:					
Net (loss) income	¥(875)	¥2,368	¥581	¥2,373	\$(6,629)
Cash dividends	85	1,842	146	1,026	644
Transactions with affiliates:					
Sales to	¥88,572	¥74,482	¥26,830	¥85,016	\$671,000
Purchases from	49,502	49,740	15,674	48,278	375,015

Aggregate carrying amount and market value at March 31, 1998 and 1997 of investments in affiliates (for which a quoted market price is available) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Carrying amount	¥ 7,730	¥10,318	\$ 58,561
Market value	16,563	25,207	125,477

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities at March 31, 1998 and 1997 included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) are summarized as follows:

	Millions of Yen							
	1998				1997			
	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	¥ 50,798	¥ 44,937	¥ 909	¥ 6,770	¥ 52,532	¥ 51,168	¥ 779	¥ 2,143
Equity securities	178,902	222,938	57,426	13,390	171,448	259,428	96,060	8,080
	<u>¥229,700</u>	<u>¥267,875</u>	<u>¥58,335</u>	<u>¥20,160</u>	<u>¥223,980</u>	<u>¥310,596</u>	<u>¥96,839</u>	<u>¥10,223</u>

	Thousands of U.S. Dollars			
	1998			
	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Debt securities	\$ 384,834	\$ 340,432	\$ 6,886	\$ 51,288
Equity securities	1,355,318	1,688,924	435,046	101,440
	<u>\$1,740,152</u>	<u>\$2,029,356</u>	<u>\$441,932</u>	<u>\$152,728</u>

Contractual maturities of investments in debt securities classified as available-for-sale securities at March 31, 1998 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Costs	Fair Value	Costs	Fair Value
	Due within one year	¥33,890	¥29,204	\$256,742
Due after 1 year through 5 years	15,567	13,853	117,932	104,947
Due after 5 years	1,341	1,880	10,159	14,243
	<u>¥50,798</u>	<u>¥44,937</u>	<u>\$384,833</u>	<u>\$340,432</u>

The proceeds from sales of available-for-sale securities for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 were ¥23,541 million (\$178,341 thousand), ¥20,955 million, ¥6,439 million and ¥18,036 million, respectively. The gross realized gains and losses on those sales were ¥6,819 million (\$51,659 thousand) and ¥1,847 million (\$13,992 thousand), respectively, for the year ended

March 31, 1998, ¥6,748 million and ¥2,380 million, respectively, for the year ended March 31, 1997, ¥3,065 million and ¥656 million, respectively, for the four-month period ended March 31, 1996, and ¥10,034 million and ¥3,053 million, respectively, for the year ended November 30, 1995.

For the purpose of computing gains and losses, the cost of those securities was determined by the moving average method.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans included bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of the unused lines of credit was approximately ¥727,000 million (\$5,507,576 thousand) at March 31, 1998.

Short-term borrowings at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
	Short-term bank loans with interest ranging from 0.69% to 14.50%	¥432,102	¥434,259
Commercial paper with interest ranging from 0.99% to 6.30%	96,560	38,972	731,515
	<u>¥528,662</u>	<u>¥473,231</u>	<u>\$4,005,015</u>

Long-term debt at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Loans, principally from banks and insurance companies, due 1998 to 2015 with interest rates ranging from 0.69% to 14.50%:			
Collateralized	¥ 20,311	¥ 23,994	\$ 153,871
Uncollateralized	292,231	243,156	2,213,871
Uncollateralized convertible yen bonds (a):			
1.7% convertible bonds due November 2002	5,657	5,657	42,856
1.5% convertible bonds due November 1998	19,559	19,559	148,174
1.6% convertible bonds due November 2004	49,899	49,899	378,022
Uncollateralized Euroyen notes (a):			
Floating rate notes due August 1997	—	15,000	—
6.0% notes due September 1997	—	20,000	—
Floating rate notes due May 1998	10,000	10,000	75,758
5.1% notes due September 1999	20,000	20,000	151,515
Uncollateralized bonds (a):			
2.85% bonds due May 2000	20,000	20,000	151,515
3.05% bonds due May 2001	10,000	10,000	75,758
2.40% bonds due June 2001	20,000	20,000	151,515
2.25% bonds due June 2000	10,000	10,000	75,758
2.325% bonds due September 2001	10,000	10,000	75,758
2.625% bonds due September 2002	20,000	20,000	151,515
2.825% bonds due September 2003	20,000	20,000	151,515
3.10% bonds due May 2007	20,000	—	151,515
3.35% bonds due May 2009	30,000	—	227,273
3.1% bonds due September 2001 with detachable warrants (b)	460	—	3,485
	578,117	517,265	4,379,674
Less, amount due within one year	121,481	106,759	920,311
	¥456,636	¥410,506	\$3,459,363

(a) The Company may not pledge its property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.

(b) SANYO Electric Credit Co., Ltd. ("SECR"), a consolidated subsidiary, issued bonds with detachable warrants on September 10, 1997, and at the same time, acquired all warrants. These warrants were distributed to directors or sold to certain employees of SECR for their benefits.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 1998 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2000.....	¥097,482	\$0,738,500
2001.....	82,805	627,310
2002.....	85,084	644,576
2003.....	61,118	463,015
2004 and thereafter.....	130,147	985,962
	¥456,636	\$3,459,363

Under the terms of the agreements of the convertible debt outstanding at March 31, 1998, redemption and conversion options are as follows:

	Redeemable		Current Conversion Price per Share (b)
	On or After	Price Range	
Convertible yen bonds (a):			
1.7% convertible bonds due November 2002	Dec. 1, 1997	104%–100%	¥600.0
1.5% convertible bonds due November 1998	Dec. 1, 1997	100%	¥1,036.0
1.6% convertible bonds due November 2004	Dec. 1, 1997	106%–100%	¥1,036.0

(a) May be repurchased at any time in the open market
(b) Subject to adjustments under certain circumstances

As of March 31, 1998, the number of shares of common stock required to convert all of the convertible debt was 76,473 thousand shares.

8 SEVERANCE AND PENSION PLANS

Employees who terminate their services with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. Fifty percent of the severance indemnities payable when an employee retires at his or her designated retirement age under the regulations of the Company and its principal domestic subsidiaries are paid as an annuity or in a lump sum from a pension plan, which was established pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). On April 1, 1995, a part of the severance indemnities payable for employees retired before their designated retirement age was shifted to the pension plan. In accordance with the JWPIL, a portion of the government's social security pension program, under which the employer and employees contribute nearly equal amounts, is contracted out to these companies. The companies add to the plan their own noncontributory pension plans. On November 1, 1993, another noncontributory

pension plan was established to cover a part of the severance indemnities payable. These pension plans are managed and operated by insurance companies and trust banks, which act as the trustees. The Company's funding policy is to contribute annually the amount that is required by applicable laws and regulations.

Certain consolidated U.S. subsidiaries have a defined contribution retirement plan, which is called the Sanyo Retirement Savings Plan. The plan covers all eligible full-time employees with one year of service who elect to participate.

The Company and its principal domestic subsidiaries provide for lump-sum severance benefits with respect to directors and corporate auditors. While the Company has no legal obligation, it is a customary practice in Japan to make lump-sum payments to a director or a corporate auditor upon retirement. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not funded.

Severance and pension costs of the Company and its principal domestic subsidiaries included the following components for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995:

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1995
Service-cost benefits earned during the period	¥17,868	¥14,391	¥4,525	¥12,648
Interest cost on projected benefit obligation	15,505	15,290	4,942	13,668
Actual loss (return) on plan assets	648	(9,603)	(2,971)	(4,531)
Net amortization and deferral.....	(6,846)	3,699	553	6,132
Net severance and pension costs for the period	¥27,175	<u>¥23,777</u>	<u>¥7,049</u>	<u>¥27,917</u>
				\$205,871

The following table sets forth the plans' funded status of the Company and its principal domestic subsidiaries at March 31, 1998 and 1997:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Actuarial present value of benefit obligation:			
Vested	¥333,957	¥302,369	\$2,529,977
Non-vested	73	99	553
Accumulated benefit obligation	334,030	302,468	2,530,530
Additional benefits related to projected salary increase	46,037	44,905	348,765
Projected benefit obligation	380,067	347,373	2,879,295
Plan assets at fair value	206,743	193,343	1,566,235
Projected benefit obligation in excess of plan assets	173,324	154,030	1,313,060
Unrecognized net transition obligation at date of adoption	(6,312)	(7,134)	(47,818)
Unrecognized prior service cost	(10,263)	(11,129)	(77,750)
Unrecognized net loss	(59,659)	(44,668)	(451,962)
Additional minimum liabilities	30,195	18,026	228,750
Net pension liability recognized in the consolidated balance sheets	¥127,285	¥109,125	\$ 964,280

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 are as follows:

	1998	1997	1996	1995
Discount rate	4.5%	4.5%	5.5%	5.5%
Long-term rate of salary increase	3.2%	3.2%	4.0%	4.0%
Long-term rate of return on fund assets	4.5%	4.5%	5.5%	5.5%

9 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expense is related to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, total rental expense is not significant. Commitments outstanding at March 31, 1998 for purchase of property, plant and equipment approximate ¥17,371 million (\$131,598 thousand).

Contingent liabilities at March 31, 1998 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted

to ¥14,885 million (\$112,765 thousand), ¥93,790 million (\$710,530 thousand) and ¥45,508 million (\$344,758 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

10 FINANCIAL INSTRUMENTS

Sanyo uses derivative financial instruments, which comprise principally foreign exchange forward contracts and interest rate and currency swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. Sanyo does not hold or issue financial instruments for trading purposes.

Sanyo has entered into foreign exchange forward contracts, generally maturing within six months, as a hedge against transactions in foreign currencies. The foreign exchange forward contracts are used by Sanyo to minimize exposure and to reduce risk from exchange rate fluctuations in the ordinary course of its worldwide operations. Sanyo had foreign exchange forward contracts to sell ¥36,431 million (\$275,992 thousand) and purchase ¥6,379 million (\$48,326 thousand) at March 31, 1998 and to sell ¥39,208 million and purchase ¥14,972 million at March 31, 1997 in foreign currencies.

Sanyo has also entered into various interest rate and currency swap agreements with financial institutions, which will mature mainly during 1998 to 2003. These agreements were arranged to hedge against exposure of interest rate and currency fluctuations of certain assets and liabilities on the balance sheet. The amounts of the underlying interest rate swap agreements were ¥290,585 million (\$2,201,402 thousand) and ¥162,447 million at March 31, 1998 and 1997, respectively. The amounts of the underlying currency swap agreements were ¥11,983 million (\$90,780 thousand) and ¥18,990 million at March 31, 1998 and 1997, respectively. The related differentials to be paid or received are recognized over the terms of agreements.

Although Sanyo may be exposed to losses in the event of non-performance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements described previously.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(a) *Cash and cash equivalents, trade and finance receivables, short-term borrowings, and trade payables*

The carrying amount approximates fair value because of the short maturity of these instruments.

(b) *Short-term investments*

The fair value of short-term investments is estimated based on quoted market prices. (See Note 6.)

(c) *Investments and advances*

The fair value of certain investments is estimated based on quoted market prices for those instruments. For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. (See Note 6.)

(d) *Long-term debt*

The fair value of long-term debt is estimated based on quoted market prices or the present (discounted) value of future cash flows using an appropriate current discount rate.

(e) *Foreign exchange forward contracts*

The fair value of foreign exchange forward contracts is estimated by obtaining quotes from brokers.

(f) *Interest rate and currency swap agreements*

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates or the amount that Sanyo would receive or pay to terminate the swap agreements at the balance sheet date.

The estimated fair values of financial instruments as of March 31, 1998 and 1997 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	1998		1997		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivatives:						
Liabilities:						
Long-term debt.....	¥456,636	¥462,067	¥410,506	¥408,832	\$3,459,363	\$3,500,508
Derivatives:						
Foreign exchange forward contracts	¥ —	¥ (1,528)	¥ —	¥ (1,187)	\$ —	\$ (11,576)
Interest rate and currency swap agreements.....	—	(1,742)	—	262	—	(13,197)

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop the estimate of fair value. Accordingly, the estimate presented herein may not be indicative of the amounts that could be realized in the current market exchange. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

11 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the Code), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares (subject in all cases, however, to the remainder being not less than the total par value of such new shares) as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash payments for appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of its stated capital. The legal reserve may be used to reduce a deficit or may be transferred to stated capital through appropriate stockholder and director actions but is not available for dividend payment.

12 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 51% for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995.

On March 31, 1998, the Japanese Tax Reform Act was enacted that, among other things, decreased the Japanese national corporate tax rate and enterprise tax rate by 3% and 1%, respectively, effective for fiscal years starting on or after April 1, 1998. As a

result, the Company's statutory income tax rate is decreased to 48% from the year ending March 31, 1999. The deferred tax assets and liabilities at March 31, 1998 were adjusted to reflect this revised rate. As a result, income taxes—deferred increased by ¥2,816 million for the year ended March 31, 1998.

Reconciliations of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 are as follows:

	1998	1997	1996	1995
Statutory income tax rate	51.0 %	51.0 %	51.0 %	51.0 %
Increase (decrease) in taxes resulting from:				
Valuation allowance provided for current period losses of subsidiaries	29.7 %	22.7 %	182.5 %	10.1 %
Effect of change in statutory tax rate	7.4 %	—	—	—
Expenses not deductible for tax purposes	3.2 %	2.9 %	10.6 %	2.7 %
Tax credits	(19.3)%	(17.3)%	(17.6)%	(3.5)%
Differences in statutory tax rates of foreign subsidiaries	(3.4)%	(3.0)%	(5.7)%	(2.3)%
Other	(3.5)%	5.8 %	16.1 %	12.0 %
Effective income tax rate	65.1 %	62.1 %	236.9 %	70.0 %

The significant components of deferred tax assets and deferred tax liabilities at March 31, 1998 and 1997 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Deferred tax assets:			
Accrued pension and severance costs	¥23,751	¥16,828	\$179,932
Accrued expenses	13,718	10,270	103,924
Operating loss carryforwards	10,717	11,935	81,189
Inventories	4,006	6,715	30,348
Allowance for doubtful accounts	3,411	2,790	25,841
Property, plant and equipment	865	2,016	6,553
Enterprise taxes	1,012	1,091	7,667
Long-term investments	3,788	2,496	28,697
Other	6,932	7,041	52,516
Gross deferred tax assets	68,200	61,182	516,667
Less, valuation allowance	(9,405)	(11,981)	(71,250)
Total deferred tax assets	58,795	49,201	445,417
Deferred tax liabilities:			
Short-term investments	(17,074)	(38,355)	(129,348)
Long-term investments	—	(2,328)	—
Deferred income	(6,477)	(5,615)	(49,068)
Deferred expenses	(963)	(1,093)	(7,295)
Other	(662)	(1,520)	(5,017)
Gross deferred tax liabilities	(25,176)	(48,911)	(190,728)
Net deferred tax assets	¥33,619	¥ 290	\$254,689

At March 31, 1998, valuation allowance of ¥9,405 million (\$71,250 thousand) was recorded against deferred tax assets for items that may not be realized. In 1998, total valuation allowance decreased by ¥2,576 million (\$19,515 thousand).

Operating loss carryforwards of consolidated subsidiaries at March 31, 1998 amounted to approximately ¥30,809 million (\$233,402 thousand) and are available as an offset against future taxable income of such subsidiaries. These will expire in the period from 1999 through 2013.

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year

ended November 30, 1995 were ¥94,683 million (\$717,295 thousand), ¥93,633 million, ¥29,858 million and ¥88,657 million, respectively.

14 GAIN ON PUBLIC STOCK ISSUANCE BY SUBSIDIARY

On July 10, 1996, SANYO Electric Credit Co., Ltd. ("SECR"), a consolidated domestic subsidiary, completed an issuance of 2,000,000 shares of its common stock at prices ranging from ¥1,750 (\$13.26) to ¥2,760 (\$20.91) per share in an initial public offering. As a result

of this issuance, the Company's ownership in SECR decreased from 72.50% to 65.91% and a gain of ¥1,248 million (\$9,455 thousand) was recognized due to the offering prices exceeding the Company's average carrying value per share.

15 INCOME PER SHARE

Income per share for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 is as follows:

	Millions of Yen				Thousands of U.S. Dollars
	1998	1997	1996	1995	1998
Basic income per share calculation:					
Income (numerator):					
Net income (loss)	¥ 0,012,320	¥ 0,017,674	¥ 0,0(3,738)	¥ 0,015,551	\$ 93,333
Shares, thousand (denominator)					
Weighted average number of shares.....	1,951,099	1,951,062	1,950,926	1,950,286	1,951,099
Basic income (loss) per share (yen and U.S. dollars)	¥ 6.31	¥ 9.06	¥ (1.92)	¥ 7.97	\$ 0.048
Diluted income per share calculation:					
Income (numerator):					
Net income (loss)	¥ 12,320	¥ 17,674	¥ 0,0(3,738)	¥ 15,551	\$ 93,333
Interest on convertible bonds, net of tax	47	677	—	727	356
Adjusted net income (loss)	12,367	18,351	(3,738)	16,278	93,689
Shares, thousand (denominator):					
Weighted average number of shares.....	1,951,099	1,951,062	1,950,926	1,950,286	1,951,099
Assumed conversion of convertible bonds.....	9,428	90,457	—	98,191	9,428
Adjusted weighted average number of shares	1,960,527	2,041,519	1,950,926	2,048,477	1,960,527
Diluted income (loss) per share (yen and U.S. dollars).....	¥ 6.31	¥ 8.99	¥ (1.92)	¥ 7.95	\$ 0.048

The calculation of weighted average number of shares for diluted income (loss) per share in 1998 and 1996 does not include incremental shares of 67,045 thousand and 97,564 thousand, respectively, from assumed conversions of convertible bonds since their effects are anti-dilutive.

As described in Note 17, on April 7, 1998, the Board of Directors approved the repurchase of certain shares of the Company's common stock during the period from April 8 to June 25, 1998. Shares repurchased will be excluded from outstanding shares in the calculation of income per share for the years starting on or after April 1, 1998.

16 SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information relating to the statements of cash flows for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and year ended November 30, 1995 is as follows:

	Millions of Yen				Thousands of U.S. Dollars
	1998	1997	1996	1995	1998
Supplemental disclosures of cash flow information:					
Cash paid during the period for:					
Interest.....	¥31,101	¥29,193	¥8,599	¥39,027	\$235,614
Income taxes	25,962	21,203	9,629	33,773	196,682
Conversion of convertible debt into common stock	¥ —	¥ 98	¥ 6	¥ 166	\$ —

17 SUBSEQUENT EVENT

Under the authorization of the Board of Directors, the Company repurchased 25 million shares of its common stock from the market with an aggregate acquisition cost of ¥9.9 billion during the period from April 8 to June 25, 1998. Those shares were recorded as

treasury stock and are in the legal process of cancellation pursuant to the resolution of the annual stockholders' meeting held on June 26, 1998.

REPORT OF INDEPENDENT ACCOUNTANTS



To the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 1998 and 1997 and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended March 31, 1998, the four-month period ended March 31, 1996 and the year ended November 30, 1995, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 14 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for the omission of the information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 1998, the four-month period ended March 31, 1996 and the year ended November 30, 1995, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Coopers & Lybrand".

Osaka, Japan

June 3, 1998 except as to the information presented in Note 17, for which the date is June 26, 1998

CORPORATE DIRECTORY

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 26, 1998)

Chairman

Satoshi Iue

Vice Chairman

Yasuaki Takano

President

Sadao Kondo

Executive Vice Presidents

Masaho Sugimoto
Yoshio Shimoda

Executive Managing Directors

Isamu Nakagawa
Yasusuke Tanaka
Junichiro Yano

Managing Directors

Tsutomu Odaka
Yasuo Ohira
Yukinori Kuwano
Hiromoto Sekino
Toshimasa Iue
Sunao Okubo

Director, Counselor

Masaru Yamano

Directors

Yutaka Kimoto
Motoharu Iue
Minoru Hagihara
Osamu Seto
Fusao Terada
Akiyoshi Takano
Hitoshi Komada
Akira Yoshida
Masabumi Kawano
Satoshi Inoue
Tadahiko Tanaka
Tadao Shimada
Shosaku Kurome

Corporate Auditors

Tsuyoshi Morikawa
Akihide Kawanaka
Shigeru Sakata

Outside Corporate Auditors

Sotoo Tatsumi
Takao Sudo
(Sotoo Tatsumi is advisor of the Sumitomo Bank, Limited, and Takao Sudo is president of STC Co., Ltd.)

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 1998)

Tottori SANYO Electric Co., Ltd.

Principal Business: Manufacture and Sale of Audio Equipment, Information Systems, Electronic Devices, and Home Appliances

Niigata SANYO Electronic Co., Ltd.

Principal Business: Manufacture and Sale of Semiconductors

SANYO Life Electronics Co., Ltd.

Principal Business: Sale of Electric and Electronic Equipment

SANYO Electric Trading Co., Ltd.

Principal Business: Import, Export, and Sale of Electric and Electronic Equipment

SANYO Electric Credit Co., Ltd.

Principal Business: Credit Sale and Lease of Equipment

SANYO Manufacturing Corporation

Principal Business: Manufacture and Sale of Color TVs

SANYO Electronics (Singapore) Private Limited

Principal Business: Manufacture and Sale of Telephones and Color TVs

SANYO North America Corporation

Principal Business: Sale of Electric and Electronic Equipment

SANYO Semiconductor (H.K.) Co., Ltd.

Principal Business: Sale of Semiconductors

(Sanyo has a total of 79 consolidated subsidiaries—51 in Japan and 28 overseas.)

PRINCIPAL SANYO SUBSIDIARIES AND AFFILIATES WORLDWIDE

(As of March 31, 1998)

● Manufacturing Companies	77
■ Sales Companies	35
◆ Other Companies	27
Total	139

NORTH AMERICA

United States

- SANYO Manufacturing Corporation, *Forrest City, Arkansas*
- SANYO E & E Corporation, *San Diego, California*
- SANYO California Corporation, *San Diego, California*
- SANYO Information Systems Corporation, *San Diego, California*
- SANYO Energy (U.S.A.) Corporation, *San Diego, California*
- SANYO Audio Manufacturing (USA) Corporation, *Milroy, Pennsylvania*
- SANYO Video Components (U.S.A.) Corporation, *San Diego, California*
- Solec International, Inc., *Hawthorne, California*
- SANYO Semiconductor Corporation, *Allendale, New Jersey*
- SANYO Semiconductor Distribution (U.S.A.) Corporation, *Norwood, New Jersey*
- ◆ SANYO North America Corporation, *New York, New York*
- ◆ SANYO Laser Products, Inc., *Richmond, Indiana*
- ◆ SANYO Logistics Corporation, *Carson, California*
- ◆ SANYO Electric Finance (USA) Corporation, *New York, New York*

Canada

- SANYO Canada Inc., *Toronto, Ontario*
- ◆ SANYO E.T. Canada Inc., *Toronto, Ontario*
- ◆ SANYO Canada Holdings 1990 Inc., *Toronto, Ontario*

Mexico

- Sanmex, S.A. de C.V., *Tijuana*
- MABE SANYO Compressors S.A. de C.V., *Tijuana*
- ◆ SIA Electronica de Baja California, S.A. de C.V., *Tijuana*

SOUTH AMERICA

Brazil

- ◆ SANYO do Brasil Participações e Empreendimentos S/C Ltda., *São Paulo*
- ◆ Umuarama Administrações de Bens e Participações, S/A., *Curitiba*

Argentina

- NEWSAN S.A., *Buenos Aires*
- ◆ Sanelco S.A., *Ushuaia*

EUROPE

United Kingdom

- SANYO Industries (U.K.) Limited, *Lowestoft*

- SANYO Electric Manufacturing (U.K.) Limited, *Newton Aycliffe*
- SANYO Gallenkamp PLC, *Uxbridge*
- SANYO Energy (U.K.) Company Limited, *Hemel Hempstead*
- SANYO U.K. Sales Limited, *Watford*
- SANYO Information Systems (UK) Limited, *Watford*
- ◆ SANYO Electric International Finance (UK) PLC, *Watford*

The Netherlands

- SANYO Gallenkamp B.V., *Breda*
- ◆ SANYO Electric Finance Netherlands B.V., *Amsterdam*

Belgium

- ◆ N.V. SANYO Sales (Antwerp) S.A., *Antwerp*

Germany

- SANYO Industries Deutschland GmbH, *Nördlingen*
- SANYO Energy (Europe) Corporate GmbH, *Haar*
- SANYO FISHER Vertriebs GmbH, *München*
- SANYO Büro-Electronic Europa-Vertrieb GmbH, *München*
- SANYO Semiconductor (Europe) GmbH, *Eschborn*

Italy

- SANYO Argo Clima S.r.L., *Gallarate*
- SANYO Airconditioners Europe S.r.L., *Milano*
- SANYO Sales Italia s.r.L., *Milano*

Spain

- SANYO España, S.A., *Barcelona*

Portugal

- SANYO Portugal Electronica S.A., *Amadora*

AFRICA

Kenya

- SANYO ARMCO (Kenya) Limited, *Nairobi*

Ghana

- Ghana SANYO Company Limited, *Tema*

South Africa

- SANYO South Africa (Pty) Ltd., *Sandton*

ASIA

China

- SANYO Electric (Shekou) Ltd., *Shenzhen*
- Huaqiang SANYO Electronics Co., Ltd., *Shenzhen*
- Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguan*
- Dongguan Huaqiang SANYO Plastic Injection Co., Ltd., *Dongguan*
- Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguan*
- Shenzhen Huaqiang SANYO Optical Technology Co., Ltd., *Shenzhen*
- Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin*
- Suzhou SANYO Electro-Mechanical Co., Ltd., *Jiangsu*
- SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Suzhou*
- Hefei SANYO Rongshida Electric Co., Ltd., *Suzhou*

- Dalian SANYO Compressor Co., Ltd., *Dalian*
- Dalian SANYO Refrigeration Co., Ltd., *Dalian*
- Guangdong SANYO Air Conditioner System Manufacturing Ltd., *Fushan*
- Shenyang SANYO Airconditioner Co., Ltd., *Shenyang*
- Dalian Honjo Chemical Corporation, *Dalian*
- Dalian SANYO Air Conditioner Co., Ltd., *Dalian*
- Dalian SANYO Cold-Chain Co., Ltd., *Dalian*
- Guangdong SANYO KELON Refrigerator Co., Ltd., *Guangdong*
- Dalian SANYO Food Systems Co., Ltd., *Dalian*
- SANYO Semiconductor (Shekou) Ltd., *Shenzhen*
- Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen*
- Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen*
- Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou*
- Dalian SANYO Home Appliances Co., Ltd., *Dalian*
- ◆ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen*
- ◆ Guangdong Huaqiang SANYO Group Co., Ltd., *Dongguan*
- ◆ Shanghai SANYO Bubugao Cleaning Co., Ltd., *Dalian*
- ◆ SANYO Electric (China) Co., Ltd., *Beijing*
- ◆ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian*
- Dalian Bingshan Metal Processing Co., Ltd., *Dalian*
- ◆ Beijing SANYO Cleaning Co., Ltd., *Beijing*
- ◆ (Hong Kong)
- SANYO Energy (Hong Kong) Company Limited
- Tottori SANYO Electric (Hong Kong) Limited
- Tatt Sing SANYO Electric Company Limited
- SANYO Electronics (H.K.) Limited
- SANYO Semiconductor (H.K.) Co., Ltd.
- SANYO Commercial Refrigeration International Co., Ltd.
- ◆ SANYO Electric (Hong Kong) Limited

Taiwan

- SANYO Electric (Taiwan) Co., Ltd., *Taipei*
- SANYO Electronic (Taichung) Co., Ltd., *Taichung*
- SANYO Energy (Taiwan) Co., Ltd., *Taipei*
- SANYO Semiconductor Taipei Co., Ltd., *Taipei*
- Chen Ho & Co., Ltd., *Taipei*

Republic of Korea

- Korea Tokyo Electronic Co., Ltd., *Masan*
- Korea Tokyo Silicon Co., Ltd., *Masan*
- Korea T.T. Co., Ltd., *Masan*
- Korea SANYO Electric Co., Ltd., *Chang Won*

Philippines

- SANYO (Philippines), Inc., *Metro Manila*
- SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac*

- Sanwa Electric Philippines, Inc., *Cavite*
- SANYO Marketing Corporation, *Metro Manila*
- Tottori SANYO Electric (Philippines) Corporation, *Cavite*

Thailand

- SANYO Universal Electric Public Co., Ltd., *Bangkok*
- SANYO Semiconductor (Thailand) Co., Ltd., *Ayutthaya*
- SANYO (Thailand) Co., Ltd., *Bangkok*
- SANYO SMI Thailand Co., Ltd., *Bangkok*

Vietnam

- SANYO Home Appliances Vietnam Corporation, *Bien-hoa*

Malaysia

- SANYO Electric (Penang) Sdn. Bhd., *Penang*
- Santronics (M) Sdn. Bhd., *Johor*
- FMS Audio Sdn. Bhd., *Penang*
- SANYO Sales and Service Sdn. Bhd., *Petaling Jaya*

Singapore

- SANYO Industries (Singapore) Private Limited
- SANYO Electronics (Singapore) Private Limited
- SANYO Airconditioners Manufacturing Singapore, Pte., Ltd.
- SANYO Compressor Singapore Pte., Ltd.
- SANYO Denso Industries (Singapore) Pte., Ltd.
- SANYO Malaysia Sdn. Bhd.
- SANYO Airconditioners (Singapore) Pte., Ltd.
- SANYO Semiconductor (S) Pte., Ltd.
- SANYO Energy (Singapore) Corporation Pte., Ltd.
- Kumagaya Precision Motor (Singapore) Pte., Ltd.
- SANYO Electronic Components (Singapore) Private Limited
- ◆ S.C. STAFF Private Limited

Indonesia

- P.T. SANYO Industries Indonesia, *Jakarta*
- P.T. SANYO Jaya Components Indonesia, *Bogor*
- P.T. SANYO Energy (Batam) Corporate, *Batam Island*
- P.T. SANYO Compressor Indonesia, *Bekasi, West Java*
- P.T. Kumagaya Precision Motor Batam, *Batam Island*
- P.T. Jaya Indah Casting, *Bekasi, West Java*
- P.T. SANYO Electronics Indonesia, *West Java*

India

- BPL SANYO Limited, *Bangalore*
- ◆ BPL SANYO Finance Limited, *Bangalore*

OCEANIA

Australia

- SANYO Australia Pty. Ltd., *Homebush, N.S.W.*

New Zealand

- Autocrat SANYO Holdings (N.Z.) Limited, *Auckland*

INVESTOR INFORMATION

HEAD OFFICE

5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Tel: (06) 991-1181
Facsimile: (06) 991-6566 (Corporate Communications Department)

TOKYO OFFICE

1-10, Ueno 1-chome, Taito-ku, Tokyo 110-8534, Japan
Tel: (03) 3835-1111
Facsimile: (03) 3837-6381 (Corporate Communications Department)

U.S. CONTACT ADDRESS

SANYO North America Corporation
666 Fifth Avenue, New York, NY 10103, U.S.A.
Tel: (212) 315-3232
Facsimile: (212) 315-3263 (Corporate Communications Department)

FOUNDATION

Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 1998)

Authorized: 5,000,000,000 shares Issued: 1,951,131,137 shares

CAPITAL (As of March 31, 1998)

¥172,238,795,113

NUMBER OF STOCKHOLDERS (As of March 31, 1998)

212,259

LISTINGS

Common stock is listed on the Tokyo, Osaka, and six other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT

The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

COMMON STOCK PRICE RANGE

The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 1998, 1997, 1996 and 1995 were as follows:

	Fiscal 1998		Fiscal 1997		Fiscal 1996		Fiscal 1995	
	High	Low	High	Low	High	Low	High	Low
First quarter.....	¥535	¥434	¥680	¥625	¥672	¥536	¥587	¥487
Second quarter.....	533	365	674	552			519	425
Third quarter.....	439	290	600	462			555	395
Fourth quarter.....	405	295	526	404			582	504

(a) Fiscal 1995 for Sanyo began on December 1 of the preceding calendar year.

(b) Fiscal 1996 for Sanyo was the four-month period from December 1, 1995 to March 31, 1996.

(c) Fiscal 1997 and 1998 for Sanyo began on April 1 of the preceding calendar year.

CASH DIVIDENDS

Interim and year-end cash dividends per share paid to stockholders for fiscal 1998, 1997, 1996 and 1995 were as follows:

1998-II	1998-I	1997-II	1997-I	1996	1995-II	1995-I
¥2.50	¥2.50	¥2.50	¥2.50	¥1.70	¥2.50	¥2.50

For further information and additional copies of our annual report and other publications, please write to the Corporate Communications Department at our Head Office.

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