

## **Regarding Amendments to Previous Financial Statements**

Tokyo, December 25, 2007 – SANYO Electric Co., Ltd. (SANYO), based on an announcement made on February 27, 2007 to independently review company financial statements for previous fiscal years, today announces that it has finished its internal investigation and review. Having reached a decision, SANYO disclosed a written report on its investigation and intention to amend results of marketable securities.

### **1. Outline**

SANYO, regarding the six fiscal terms from fiscal year (FY) 2000 (ending March 2001) to FY 2005 (ending March 2006), has amended its previous fiscal year non-consolidated financial statements in conformance to practical business guidelines related to accounting standards and financial commodities accounting. The amendments were based on and include the following:

1. Judging the importance of the selection regarding which subsidiaries and affiliates would be the subject of investigation for impairment losses
2. In addition to conducting a comprehensive review ensuring compliance to accounting standards and practical guidelines in order to decide which subsidiaries and affiliates will be subject for review for impairment losses and which companies have the potential of recoverable performance, particularly in the semiconductor business which has been subject to market fluctuations.

SANYO also received an accounting audit for the periods starting from FY 2000 from Grant Thornton Taiyo ASG. The audit also included the recalculation of impairment losses for subsidiaries/affiliates and deferred tax assets for each fiscal year.

The amendments apply to the account processing for the six terms for losses in investments in subsidiaries and affiliates, and the total amount amended for the six terms are as follows.

Amendment of losses in investments in subsidiaries and affiliates:

Before amendment	372.6 billion yen
After amendment	378.6 billion yen (Change: -6 billion yen)

Amendment of deferred tax assets:

Before amendment	100.2 billion yen
After amendment	100.2 billion yen (No change)

The amendments are restricted to the non-consolidated results for previous fiscal years up to FY2005, which ended on March 31, 2006. The amendments do not significantly affect the consolidated results for the mentioned period.

## 2. Measures taken to prevent future problems

SANYO established an internal "Investigation Committee for Previous Financial Results" (Committee) in May of this year which included third party members, such as lawyers and accountants from outside the company. Following its establishment, the Committee was entrusted to conduct an investigation to determine the cause of and how to prevent such problems from recurring and today SANYO received the report and proposed preventative measures from the investigation Committee.

The following are disclosed in the report as the primary causes of the problem:

1. Inadequacy and vulnerability in financial division accounting system
2. Lack of independence for the auditors and insufficient auditing organization
3. Inadequate governance system and incomplete management supervisory function and inspection
4. Corporate culture and the effects of the company system

Additionally, as for SANYO's handling of impairment losses for subsidiaries and affiliates, while the Committee found the company's accounting to not be in accordance with accounting standards and practical guidelines relating to financial commodities, the Committee reported that these actions were not done with ill-intent by those in authority during the applicable terms, and that there was no intentional foul play involved for the financial results of the applicable terms.

SANYO has realized the seriousness of the situation requiring amendments to the previous fiscal years' financial results, and along with sincerely reflecting the situation, SANYO will strengthen its internal control through implementing various measures thoroughly to prevent further similar instances, based on the recommendations and report from the third-party Committee. SANYO will further focus efforts on strengthening the company-system by adding to the drastic reforms for governance that started in March 2006. These efforts are to include the following:

1. Have management personnel recognize the important of suitable financial statements, and develop risk-minded financial affairs
  - Implement training for executive personnel and managers
  - Hold regular meetings between management and auditors
  - Share ethics of financial reporting company-wide
2. Strengthen governance system
  - Reform deliberation process used by the board of directors for measures (implemented)
  - Decentralized authority (implemented)
  - Strengthen internal control systems (implemented)
  - Establish personnel/nominating committee, compensation committee, and governance committee
  - Strengthen and establish accounting employee system
  - Create a 'compliance hotline'
3. Strengthen financial affairs and accounting systems/Remove the barriers of the company-system
  - Adopt system for accepting management personnel (implemented)

- Strengthen management of affiliated companies
- Adopt standards for management of affiliated companies (implemented)
- Increase financial affairs personnel from the current number of 12 (as of April 2007) to 24, or approximately double the current amount, increasing both quality and quantity
- Separate managerial accounting and system accounting
- Introduce complete structure for thorough compliance to accounting standards
- Establish business planning inspection system

4. Enable close cooperation and sharing of information between auditors, standing corporate auditors and financial affairs headquarters personnel through regularly held meetings

### **3. Management responsibility and punishment**

The responsibility for the amendments made to the six applicable terms will be shared by management. SANYO recognizes the importance of educating management to be in compliance with guidelines, and, as such, will not award 1.2 billion yen in bonuses or retirement to both former and current management, and pay to seven persons, including the Executive Director & President, as well as standing corporate auditors.

The Executive Director & President of SANYO Electric Co., Ltd., Seiichiro Sano commented,

“SANYO deeply and sincerely regrets having to go back and amend previous fiscal year financial results for the past six terms. Hereafter, in order to never again cause this type of problem, drastic preventative measures such as maintaining internal structures, reinforcing account management and checking functions, will be implemented and thoroughly executed.”

He added, “The amendments will be limited to the non-consolidated financial results of previous terms, and will not have any significant or noteworthy impact on consolidated results for the same periods. Also, new measures have already been applied to previous and current results regarding standards for losses, and along with receiving approval from the new auditing firm, there will be absolutely no effects on the situation of current financial affairs. SANYO will hereafter work to regain trust and reputation with its new three-year 'Mid-term Management Plan' set to be put in effect from FY 2008 through FY 2010, and will guide SANYO to fulfilling its revitalization.”

#### **Press Contact (English Only)**

SANYO Electric Co., Ltd.

Global Communications Department

Tel: +81-3-6414-8615

Fax: +81-3-6414-8720

E-mail: [i\\_press.1014390@sanyo.co.jp](mailto:i_press.1014390@sanyo.co.jp)