

# SANYO

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## SEMIANNUAL REPORT 2003

For the six months ended September 30, 2003

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FINANCIAL

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## TO OUR STOCKHOLDERS

an interim period ended September 30, 1997, we are reforming our business. We are pleased that consolidated net sales jumped 17.8% over the same period of the previous fiscal year and that operating profit increased 6. Profitability soared, with operating profit and net income increasing approximately

10% in the interim period. Sales of electronic devices, and batteries contributed 33%, or ¥186.1 billion, surge in consolidated net sales of ¥1 billion. Compared with the same period of the previous fiscal year, domestic sales rose 17.1%, or ¥90.7 billion, and overseas sales increased 18.5%, or ¥95.4 billion. Similar growth rates at home and abroad. The portion of domestic and overseas sales was the same as in the first half of the pre-

vious fiscal year. Information and Communications segment sales increased 10% with the same period in the previous fiscal year. The growth of sales growth in all major product categories. Overall segment sales amounted to ¥137.0 billion, and the ratio of domestic and overseas sales was 49:51. Segment operating profit increased 6% over the same period a year before, to ¥25.3 billion.

For the Home Appliances segment, mobile phones, digital cameras, and optical devices were the main products. Demand robust, with cellular phone sales gained 10% from the first half in the prior fiscal year. The trend in cellular phones to continue. Domestic sales of 10 million units for the first time. Domestic sales edged down 0.8%, or ¥1.0 billion, from the same period a year before. Sales of washing machines and home-use appliances were stable. Sales of refrigerator and air-conditioner were stable. Domestic sales provided the lion's share. Operating loss improved ¥1.7 billion, to



*Satoshi Iue, Chairman & Chief Executive Officer (left)  
Yukinori Kuwano, President & Chief Operating Officer (right)*

¥3.8 billion, compared with the first half of the previous year. The Home Appliances segment continues to shift production overseas. On a consolidated basis, overseas production accounted for 48.4% of manufacturing during the interim period, and plans call for this figure to rise to approximately 50% by the end of the fiscal year.

Industrial and Commercial Equipment segment sales increased 1.6%, or ¥1.6 billion, to ¥98.5 billion, over the same period a year earlier thanks to firm sales of commercial kitchen equipment and package air conditioners. Domestic sales remained the dominant contributor to sales, at 84.0%. Operating income climbed 8.3% year on year, to ¥1.3 billion.

Sales by the Electronic Devices segment rose 7.7%, or ¥17.3 billion, over the same interim period a year earlier, to ¥242.0 billion. The increase came on the strength of expanded sales of the major product categories of semiconductors, liquid crystal

electronic components. Among the segments, sales of charge-coupled devices increased 11.1% over the same period, at 60.9%, with domestic sales contribution increased 20.1% over the same period, to ¥12.2 billion. Sales of mobile phones surged 22.5%, or ¥30.0 billion, over the same period in the previous year. Among the battery segment, lithium-ion batteries posted particularly strong sales were dominant in this segment, with sales increasing 15.5%. Operating income decreased 3.5% over the same period, for the first-half period a year earlier. Domestic sales in the battery segment increased 2.5%, or ¥1.2 billion, over the same period in the previous year, to ¥50.3 billion. Sales of mobile phones accounted for the overwhelming portion of segment sales, with sales increasing 11.1%. Operating income was down 14.1% beyond that of the same period a year earlier, to ¥10.1 billion. Domestic sales were up slightly more, at 19.1%, than our foreign sales, which increased 17.2%, and administrative expenses rose 5.2%. Domestic operating income soared 35.3%, over the same period, to ¥45.5 billion, over the same period. Domestic operating expenses, interest expenses and depreciation rose 1.1% year on year thanks to our efforts to reduce expenses. Consequently, consolidated net income was up 1.1% over that of the same period in the previous year, to ¥7.5 billion. Domestic operating income improved, with cash and cash equivalents increasing 11.1% over the same period, rising to ¥310.7 billion over the same period in the previous year. Net cash provided by operating activities increased 11.1%. Because of a decrease in short-term investments, we held net cash used in investing activities at 11.1% in spite of an increase in capital investments in the battery and semiconductor segments. Net cash used in financing activities was ¥41.1 billion, due to increases in short-term borrowings and repayment of long-term debt. Dividend amounting to ¥3 per share, the same as in the same period in the previous fiscal year.

## Progress with Major Reforms

Effective April 2003, we initiated a fundamental, groupwide reform of our business organization. We formed four business groups around core customer bases and divided those groups into highly efficient business units. Based on harnessing the driving power of this innovative organization and its systems, we have set ambitious goals for the Sanyo Group for the fiscal year ending March 2006. We target consolidated operating income of ¥160 billion and a ¥300 billion reduction in interest-bearing debt. We attribute our strong performance in the first half of the fiscal year under way to steady progress in the reform of our business organization and toward the achievement of our goals.

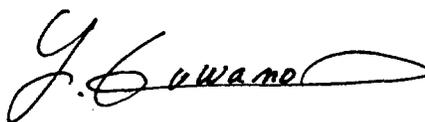
During the interim period under review, we achieved significant reductions in inventory assets and interest-bearing debt, strengthening our financial position. Inventory assets were down ¥44.1 billion from the same period in the previous fiscal year and ¥9.1 billion compared with March 2003. Similarly, interest-bearing debt fell ¥51.2 billion year on year and ¥40.9 billion compared with March 2003.

The Sanyo Group is committed to ongoing efforts to boost its corporate net worth. In undertaking this challenge, we look forward to the continued support of our shareholders.

December 2003



Satoshi Iue  
Chairman & Chief Executive Officer



Yukinori Kuwano  
President & Chief Operating Officer

# ▼ CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries Six-month periods ended September 30, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Revenue:</b>			
.....	¥1,231,135	¥1,045,053	\$11,091,306
.....	45,807	44,251	412,676
	<u>1,276,942</u>	<u>1,089,304</u>	<u>11,503,982</u>
.....	1,035,384	869,337	9,327,784
Operative.....	196,097	186,367	1,766,639
	<u>1,231,481</u>	<u>1,055,704</u>	<u>11,094,423</u>
.....	45,461	33,600	409,559
.....	4,272	4,455	38,487
.....	10,256	9,550	92,396
	<u>14,528</u>	<u>14,005</u>	<u>130,883</u>
.....	7,768	9,725	69,982
Financial losses, net.....	4,478	4,799	40,343
	<u>26,207</u>	<u>24,587</u>	<u>236,099</u>
	<u>38,453</u>	<u>39,111</u>	<u>346,424</u>
Expenses and minority interests.....	21,536	8,494	194,018
.....	8,808	10,073	79,352
.....	3,147	(6,635)	28,351
	<u>11,955</u>	<u>3,438</u>	<u>107,703</u>
Other interests.....	9,581	5,056	86,315
.....	2,062	2,592	18,576
	<u>¥ 7,519</u>	<u>¥ 2,464</u>	<u>\$ 67,739</u>
.....	¥ 7,519	¥ 2,464	\$ 67,739
Interest on convertible bonds, net of tax.....	7,519	2,464	67,739
Number of shares (thousands).....	1,855,213	1,869,639	
Weighted average number of shares (thousands).....	1,855,213	1,869,639	
Net income (yen and U.S. dollars).....	¥4.05	¥1.32	\$0.04
Diluted net income (yen and U.S. dollars).....	4.05	1.32	0.04

Weighted average number of shares for diluted net income per share in 2003 and 2002 do not include incremental shares of 48,164 thousand shares, respectively, from assumed conversions of convertible bonds, since their effects are antidilutive.

# CONSOLIDATED BALANCE SHEETS (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2003	March 31, 2003	September 30, 2003
.....	¥ 110,237	¥ 145,916	\$ 993,126
.....	200,416	173,837	1,805,550
.....	<u>310,653</u>	<u>319,753</u>	<u>2,798,676</u>
.....	20,603	29,328	185,613
.....	439,247	416,580	3,957,180
.....	242,067	235,247	2,180,784
dated subsidiaries .....	57,645	57,094	519,324
accounts and financial charges .....	(28,678)	(28,506)	(258,360)
.....	332,119	341,226	2,992,063
.....	36,916	31,435	332,577
ar .....	85,083	73,812	766,513
sets .....	<u>1,495,655</u>	<u>1,475,969</u>	<u>13,474,370</u>
ses:			
dated subsidiaries .....	33,822	35,263	304,703
and other .....	243,025	223,604	2,189,414
	<u>276,847</u>	<u>258,867</u>	<u>2,494,117</u>
ipment:			
.....	468,760	477,324	4,223,063
nt .....	993,119	987,442	8,947,018
	<u>1,461,879</u>	<u>1,464,766</u>	<u>13,170,081</u>
on .....	(997,383)	(998,521)	(8,985,432)
	464,496	466,245	4,184,649
	144,788	144,450	1,304,396
s .....	11,284	16,300	101,658
	<u>620,568</u>	<u>626,995</u>	<u>5,590,703</u>
	164,511	185,563	1,482,081
	206,829	197,132	1,863,324
	<u>¥2,764,410</u>	<u>¥2,744,526</u>	<u>\$24,904,595</u>

s in consolidated subsidiaries and stockholders' equity	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2003	March 31, 2003	September 30, 2003
.....	¥ 399,016	¥ 407,298	\$ 3,594,739
debt.....	114,650	153,095	1,032,883
.....	479,580	456,781	4,320,541
ed subsidiaries.....	11,097	9,836	99,973
.....	31,507	31,598	283,847
.....	9,982	15,372	89,928
.....	23,506	24,180	211,766
able and accrued expenses.....	251,776	228,082	2,268,252
ies.....	1,321,114	1,326,242	11,901,929
.....	589,418	583,556	5,310,072
ance costs.....	310,496	308,751	2,797,261
.....	2,221,028	2,218,549	20,009,262
olidated subsidiaries.....	46,198	44,785	416,198
housand shares			
nd March 31, 2003—1,872,338 thousand shares.....	172,242	172,242	1,551,729
.....	336,030	336,029	3,027,297
.....	127,640	125,686	1,149,910
ensive loss.....	(131,586)	(145,648)	(1,185,459)
.....	504,326	488,309	4,543,477
,097 thousand shares.....	(7,142)	—	(64,342)
,090 thousand shares.....	—	(7,117)	—
equity.....	497,184	481,192	4,479,135
.....	¥2,764,410	¥2,744,526	\$24,904,595

# DATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries Six-month periods ended September 30, 2003 and 2002

Stock—Thousands)	Millions of Yen				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Accumulated Other Comprehensive Income (Loss)	Total Comprehensive Income (Loss)
2002 (1,872,335) .....	¥172,241	¥336,028	¥209,674	¥(113,487)	
.....			2,464		¥ 2,464
Income (loss):					
Income on securities					
(3 million) .....				(278)	(278)
Provisions for net losses on securities					
(net of tax of ¥193 million) .....				263	263
Translation adjustments .....				(9,399)	(9,399)
Income on derivatives					
(3 million) .....				(463)	(463)
Provisions for net losses on derivatives					
(net of tax of ¥349 million) .....				255	255
.....					<u>¥ (7,158)</u>
.....			(5,346)		
Bonds (1) .....		1			
<b>2002 (1,872,336) .....</b>	<u>¥172,241</u>	<u>¥336,029</u>	<u>¥206,792</u>	<u>¥(123,109)</u>	
2003 (1,872,338) .....	¥172,242	¥336,029	¥125,686	¥(145,648)	
.....			<b>7,519</b>		<b>¥ 7,519</b>
Income (loss):					
Income on securities					
(3 million) .....				18,835	18,835
Provisions for net losses on securities					
(net of tax of ¥185 million) .....				33	33
Translation adjustments .....				(5,573)	(5,573)
Income on derivatives					
(3 million) .....				457	457
Provisions for net gains on derivatives					
(net of tax of ¥397 million) .....				310	310
.....					<u>¥ 21,581</u>
.....			(5,565)		
treasury stock .....		1			
<b>2003 (1,872,338) .....</b>	<u>¥172,242</u>	<u>¥336,030</u>	<u>¥127,640</u>	<u>¥(131,586)</u>	
Thousands of U.S. Dollars					
2003 (1,872,338) .....	\$1,551,729	\$3,027,288	\$1,132,306	\$(1,312,144)	
.....			67,739		\$ 67,739
Income (loss):					
Income on securities					
(83 thousand) .....				169,685	169,685
Provisions for net losses on securities					
(net of tax of \$1,667 thousand) .....				297	297
Translation adjustments .....				(50,207)	(50,207)
Income on derivatives					
(thousand) .....				4,117	4,117
Provisions for net gains on derivatives					
(net of tax of \$3,577 thousand) .....				2,793	2,793
.....					<u>\$194,424</u>
.....			(50,135)		
treasury stock .....		9			
<b>2003 (1,872,338) .....</b>	<u>\$1,551,729</u>	<u>\$3,027,297</u>	<u>\$1,149,910</u>	<u>\$(1,185,459)</u>	

# SOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries Six-month periods ended September 30, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Operating activities:</b>			
Net income to net cash provided by operating activities:	¥ 7,519	¥ 2,464	\$ 67,739
Depreciation	53,455	55,542	481,576
Marketable securities and investment securities	(3,789)	46	(34,135)
Property, plant and equipment	4,434	81	39,946
Assets—deferred	3,147	(6,635)	28,351
Liabilities and unconsolidated subsidiaries	(371)	(1,165)	(3,342)
Other activities:			
Dividends	(42,818)	(18,196)	(385,748)
Share repurchases	1,179	18,150	10,622
Intangibles and other	(3,421)	(15,228)	(30,820)
Accounts receivable	(17,480)	(22,976)	(157,477)
Notes and accounts payable	29,408	(5,518)	264,937
Income taxes	(5,252)	(5,814)	(47,315)
Other liabilities	28,213	6,181	254,171
	9,001	25,299	81,090
	<u>55,706</u>	<u>29,767</u>	<u>501,856</u>
Net operating activities	<u>63,225</u>	<u>32,231</u>	<u>569,595</u>
<b>Investing activities:</b>			
Capital expenditures	8,132	10,901	73,261
Acquisitions and collection of advances	15,501	5,675	139,649
Property, plant and equipment	9,347	3,036	84,207
Investments and advances	(6,441)	(12,759)	(58,027)
Property, plant and equipment	(50,465)	(44,416)	(454,640)
of consolidated subsidiaries	—	8,058	—
Sale of consolidated subsidiaries	(1,135)	2,330	(10,225)
	(1,421)	(176)	(12,802)
Net investing activities	<u>(26,482)</u>	<u>(27,351)</u>	<u>(238,577)</u>
<b>Financing activities:</b>			
Share repurchases	(5,831)	(25,160)	(52,532)
Long-term debt	80,538	125,396	725,568
Debt	(109,950)	(88,236)	(990,541)
	(5,827)	(5,881)	(52,495)
Dividends	(23)	(853)	(207)
Net provided by financing activities	<u>(41,093)</u>	<u>5,266</u>	<u>(370,207)</u>
<b>Changes on cash and cash equivalents</b>	<u>(4,750)</u>	<u>(4,351)</u>	<u>(42,793)</u>
<b>Cash and cash equivalents</b>	<u>(9,100)</u>	<u>5,795</u>	<u>(81,982)</u>
<b>of newly consolidated subsidiaries</b>	—	1,290	—
<b>at beginning of six-month period</b>	<u>319,753</u>	<u>259,682</u>	<u>2,880,658</u>
<b>at end of six-month period</b>	<u>¥310,653</u>	<u>¥266,767</u>	<u>\$2,798,676</u>

**ES TO  
ED FINANCIAL  
S (Unaudited)**

), Ltd. and Subsidiaries

**RS**

been translated from yen, for  
rate of ¥111 = US\$1, the approx-  
change at September 30, 2003.

**COUNTING STANDARDS**

ial Accounting Standards  
atement of Financial  
SFAS") No. 146, "Accounting  
h Exit or Disposal Activities."  
financial accounting and  
iated with an exit or disposal  
places Emerging Issues Task  
34-3, "Liability Recognition for  
ation Benefits and Other Costs  
ing Certain Costs Incurred in a  
-3").

TF 94-3 is recognition of liabili-  
with an exit or disposal activity.  
at a liability for costs associat-  
al activity be recognized and  
value only when the liability is  
efinition in FASB Concepts  
at the date of a commitment to  
Sanyo adopted the standard for  
s that were initiated after  
effect of adopting SFAS No.

Sanyo's consolidated financial

ASB issued FASB Interpretation  
olidation of Variable Interest  
n of Accounting Research  
" FIN 46 provides guidance on  
l financial reporting for, entities  
rieved through means other  
entities are known as variable  
. FIN 46 applies to new entities  
e effective date, as well as to  
s created before February 1,  
id measurement provisions of  
Sanyo after June 15, 2003,  
fter January 31, 2003, the  
ement provisions of FIN 46 are  
he adoption of FIN 46 was not  
olidated financial statements.

**BOARD OF DIRECTORS  
AND CORPORATE AUDITORS**

(As of September 30, 2003)

**Executive Directors**

**Chairman**  
Satoshi Iue

**President**  
Yukinori Kuwano

**Executive Directors**  
Toshimasa Iue  
Yoichiro Furuse

**Directors**  
Nobuaki Kumagai  
Tomoyo Nonaka  
Louis E. Lataif  
Sadao Kondo  
Sunao Okubo  
Hiromoto Sekino  
Eiji Kotobuki  
Tadahiko Tanaka

**Corporate Executive Auditors**

Ryota Tominaga  
Takeshi Inoue

**Corporate Auditors**

Sotoo Tatsumi  
Hiroshi Toda

**OFFICERS**

(As of September 30, 2003)

**Chairman & CEO**  
Satoshi Iue

**President & COO**  
Yukinori Kuwano

**Executive Vice President & CMO**  
Toshimasa Iue

**Executive Vice President & CFO**  
Yoichiro Furuse

**Executive Officers**  
Sunao Okubo  
Hiromoto Sekino  
Eiji Kotobuki  
Tadahiko Tanaka

**Senior Officers**  
Yasusuke Tanaka  
Fusao Terada  
Satoshi Inoue  
Osamu Kajikawa  
Hiroshi Ono

**Officers**  
Akira Kan  
Akiyoshi Takano  
Tadao Shimada  
Shosaku Kurome  
Teruo Tabata  
Mitsuru Honma  
Shinichi Miki  
Hideo Yamase  
Toshiaki Iue  
Takenori Ugari  
Shinya Tsuda  
Itsuo Nakamura  
Keiichi Yodoshi  
Kenzo Kurokawa  
Yoshio Iwasa  
Nobuaki Matsuoka  
Takuya Kobayashi  
Tutomu Nozaki  
Michihiro Shigeta  
Tutomu Asano  
Kohei Wakayama  
Katsuhisa Kawashima

## LISTED SUBSIDIARIES

**Co., Ltd.**  
Wholesale Sales, Leasing, and Financing

**Co., Ltd.**  
Wholesale and Sales of Electronic Parts

**Co., Ltd.**  
Wholesale and Sales

**Wholesaling Co., Ltd.**  
Wholesale and Sales of Air Conditioners

**Wholesale Co., Ltd.**  
Wholesale, Sales, and Installation of  
Refrigerators

**Wholesale Corporation**  
Wholesale, Import, and Export of Electrical and  
Electronic Equipment

**Wholesale Co., Ltd.**  
Wholesale and Sales

**Wholesale Equipment Co., Ltd.**  
Wholesale and Installation of Refrigerators,  
Air Conditioners, and Air Purifiers

**Wholesale Co., Ltd.**  
Wholesale of Semiconductors

**Wholesale Corporation**  
Wholesale of Electrical Equipment

**Wholesale Corporation**  
Wholesale and Sales of Color TVs and  
Video Cassette Recorders

**Wholesale Corporation**  
Wholesale and Sales of Batteries

**Wholesale (P) Limited**  
Wholesale of Electrical Equipment

**Wholesale (S) Co., Ltd.**  
Wholesale of Semiconductors

Consolidated subsidiaries—

## FOUNDATION

Founded: February 1947

Incorporated: April 1950

## COMMON STOCK

Authorized: 4,921,196,000 shares

Issued: 1,872,338,099 shares

Capital: ¥172,242,294,083

Number of Stockholders: 209,967

Listings: Common stock is listed on the Tokyo, Osaka, and three other  
domestic stock exchanges.

Overseas listings are on the Amsterdam, Frankfurt, Swiss, and  
Paris stock 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 540-8639, Japan

(As of September 30, 2003)

## HEAD OFFICE

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## U.S. CONTACT ADDRESS

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ric Co., Ltd.



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