



Efforts to Reduce Chemical Substances with Environmental Impacts

As awareness of environmental issues has been rising, domestic and international demand for the reduction and ban of the use of chemical substances with environmental impacts in products has also grown.

Since March 2003, the Sanyo Group has been committed to following green procurement guidelines. To cope with the demand for the reduction and ban of the use of chemical substances with environmental impacts, in May 2002, we made significant revisions to the previous corporate rules for green procurement as well as our publicly disclosed green procurement guidelines. Then, with the issuance of our Green Procurement Standards, which define standard guidelines for the Sanyo Group, we entered our *second stage of green procurement*.

To exert stricter controls over chemical substances with environmental impacts, since October 2003, we have made clear that supplier specifications must include *environmental information* and that chemical substances with environmental impacts affect both the specifications and the quality. In this way, we are building a framework for risk management to reduce chemical substances with environmental impacts.

In April 2004, we also issued our Control Standards for Chemical Substances with Environmental Impacts that stipulate the management of and control standards for chemical substances that our products may contain. At the same time, we began a system of *non-use consent letters* and *non-use certificates* so that suppliers can guarantee that their supplies only contain chemical substances at levels below our control standards. According to this arrangement, suppliers must submit *non-use consent letters* together with the supplier specifications, and a *non-use certificate* together with the first product delivered.

In accordance with these standards, we will actively promote *green procurement* in order to purchase "products and materials that satisfy the standards for environmental consciousness specified by the Sanyo Group" from "suppliers committed to environmental conservation."

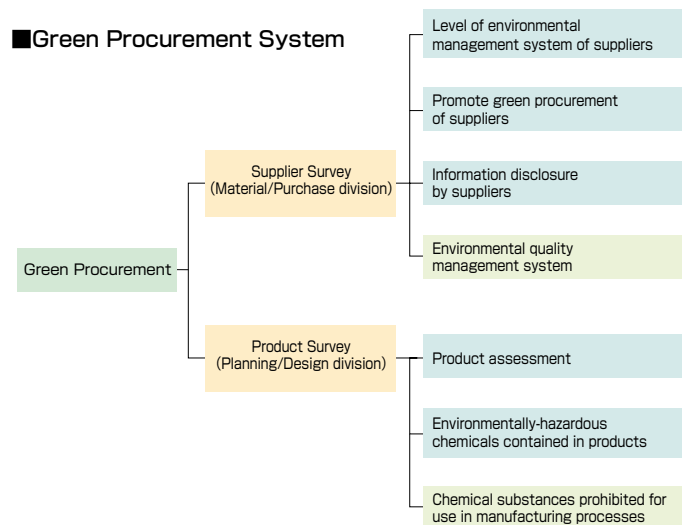
Basic Concept

In promoting green procurement, the Sanyo Group believes that a commitment to environmental consideration is equal in importance to quality, price, and delivery requirements. As such, related activities are now underway focused on the following six factors.

Product Survey Classification Based on Procurement System

Survey items	Product assessment	Environmentally-hazardous chemicals contained in products	Chemical substances prohibited for use in manufacturing processes
Purchased products			
Assembled products designed by other parties, finished products (including OEM), accessories, etc.	○	○	○
Manufacturing equipment	—	○	—
Parts/Materials	—	○	○

Green Procurement System



Supplier Environmental Management (Supplier Survey)

Establishing partnerships with suppliers is indispensable for promoting green procurement. In the period from October to December every year, the Sanyo Group surveys the state of environmental management system establishment among our suppliers. In the case of new suppliers, we execute a similar survey when the first transaction takes place to establish a green partnership. The survey is conducted via a web page where the suppliers directly enter their answers.



A view of the Green Procurement System Supplier Survey screen

Environmental Friendliness of Products (Product Surveys)

Sanyo conducts a product survey for every new procurement. If a new procurement is found not to satisfy our procurement standards, we ask the supplier to improve the product. We only make a purchase after the improvement is found to be effective.

The Sanyo Group believes green procurement that appropriately controls chemical substances with environmental impacts contained in products, components and materials is essential. Since promotion of green procurement leads to deeper supplier environmental commitment, environmental impacts are reduced when products intended for Sanyo are manufactured. The amounts of chemical substances with environmental impacts contained in Sanyo products are also decreased.

For unified corporate-wide control of chemical substances contained in products, the Sanyo Group established the Chemical Substances with Environmental Impacts Control

System in 1998. Since then we have been investigating about 600 chemical substances that must be controlled in accordance with laws and regulations.

In 2003, the Sanyo Group joined the Japan Green Procurement Survey Standardization Initiative that was organized primarily by electric equipment and electronics businesses in Japan. We are currently investigating 29 substance groups defined by the Council.

At the same time, the Sanyo Group has specified substances banned in the manufacturing process of purchased products and materials. We purchase a product or material only when we are sure that banned substances have not been used.

When procuring an assembled product, the Group executes a product assessment survey based on our product assessment standards and purchases the product only when it has cleared these standards.

Overseas Briefing Sessions for Green Procurement

The Sanyo Group will totally ban the use of lead, cadmium, mercury, hexavalent chromium and specific bromine fire retardants (PBB, PBDE) by the end of June 2005. To this end, the Group has established control standards for chemical substances with environmental impacts, including materials controlled by appropriate laws, and is executing level control based on the type and application of a chemical substance.

The Sanyo Group is enhancing environmental quality management systems for green procurement by such arrangements as entry of substances subject to control in the supplier specifications, and requiring the submission of *non-use consent letters* and *non-use certificates* for substances that are controlled by relevant laws.

To explain these arrangements to suppliers, the Sanyo Group held briefing sessions in Japan last year about its green procurement efforts (surveys and reduced use of chemical substances with environmental impacts). In China too, the Group is holding a series of similar sessions for its affiliates and suppliers.



May 2004, Shenzhen (Shekou), China
Briefing session for OEM manufacturers and Chinese affiliates by SANYO Sales and Marketing Corporation (attended by 60 companies and 120 persons)



May 2004, Dalian, China
Briefing session for affiliates in the Dalian region by Dalian SANYO Air Conditioner Co., Ltd. (attended by 11 companies and 30 persons)



November 2003, Shenzhen (Shekou), China
Briefing session for suppliers for Electronic Device Company by SANYO Electric (Shekou) Co., Ltd. (attended by 64 companies and 100 persons)

Green Procurement System

The 2nd stage of green procurement included a major revision of the supplier survey and the building of a green procurement system. The new system has suppliers fill out the survey questionnaire on the Internet.

The supplier survey began in December 2002, with suppliers filling out and sending the questionnaires on-line.

In April 2003, we started a supply survey system in which suppliers report the possible contents of chemical substances with environmental impacts in components and materials through the Internet. Furthermore, in May 2004, we introduced an English edition and began surveying our overseas suppliers.

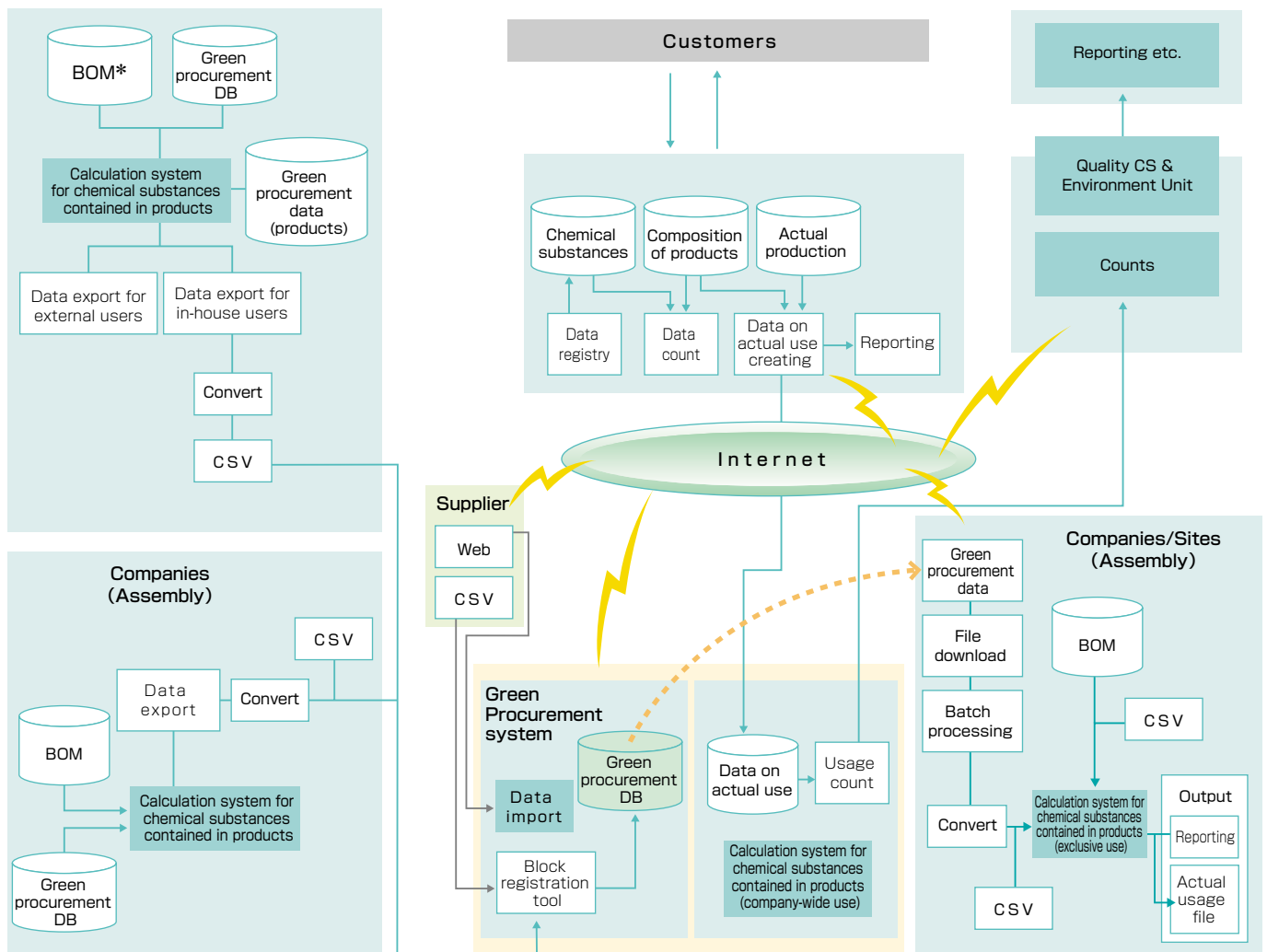
The green procurement system allows Sanyo to purchase and

develop products that exert minimal impact — from the planning and design stage right through to use and final landfill disposal of product — on the environment.



English version of the Green Procurement System screen

Outline of Green Procurement System



*Bills of Material : Data indicating the hierarchical relationships among components that constitute a product