

PANASONIC Corp  
Form 20-F  
June 30, 2010  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

---

**FORM 20-F**

---

**ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended March 31, 2010**

**Commission file number 1 - 6784**

---

**PANASONIC KABUSHIKI KAISHA**

(Exact name of Registrant as specified in its charter)

**PANASONIC CORPORATION**

(Translation of Registrant's name into English)

---

**Japan**

(Jurisdiction of incorporation or organization)

**1006, Oaza Kadoma, Kadoma-shi, Osaka 571-8501, Japan**

(Address of principal executive offices)

Masahito Yamamura, +81-6-6906-1763, yamamura.masahito@jp.panasonic.com, address is same as above  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

---

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock*	New York Stock Exchange

\* Not for trading, but only in connection with the registration of the American Depositary Shares evidenced by American Depositary Receipts. Each American Depositary Share represents one share of Common Stock.

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

**None**

(Title of Class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

**None**

(Title of Class)

Edgar Filing: PANASONIC Corp - Form 20-F

Indicate the number of outstanding shares (excluding treasury stock) of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Title of Class	Outstanding as of	
	March 31, 2010 (Japan Time)	March 31, 2010 (New York Time)
Common Stock	2,070,605,489	
American Depositary Shares, each representing 1 share of Common Stock		103,982,722

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No .

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No .

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer .

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

Edgar Filing: PANASONIC Corp - Form 20-F

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

This form contains 158 pages.

---

Table of Contents

## CONTENTS

	<u>Page</u>
<u>About the Company</u>	1
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	1
<u>PART I</u>	
Item 1. <u>Identity of Directors, Senior Management and Advisers</u>	2
Item 2. <u>Offer Statistics and Expected Timetable</u>	2
Item 3. <u>Key Information</u>	2
<u>A. Selected Financial Data</u>	2
<u>B. Capitalization and Indebtedness</u>	3
<u>C. Reasons for the Offer and Use of Proceeds</u>	3
<u>D. Risk Factors</u>	3
Item 4. <u>Information on the Company</u>	9
<u>A. History and Development of the Company</u>	9
<u>B. Business Overview</u>	12
<u>C. Organizational Structure</u>	21
<u>D. Property, Plants and Equipment</u>	24
Item 4A. <u>Unresolved Staff Comments</u>	27
Item 5. <u>Operating and Financial Review and Prospects</u>	28
<u>A. Operating Results</u>	28
<u>B. Liquidity and Capital Resources</u>	38
<u>C. Research and Development</u>	40
<u>D. Trend Information</u>	42
<u>E. Off-Balance Sheet Arrangements</u>	44
<u>F. Tabular Disclosure of Contractual Obligations</u>	45
<u>G. Safe Harbor</u>	45
<u>H. Accounting Principles</u>	46
Item 6. <u>Directors, Senior Management and Employees</u>	51
<u>A. Directors and Senior Management</u>	51
<u>B. Compensation</u>	58
<u>C. Board Practices</u>	59
<u>D. Employees</u>	59
<u>E. Share Ownership</u>	59

**Table of Contents**

	<u>Page</u>
Item 7. <u>Major Shareholders and Related Party Transactions</u>	60
<u>A. Major Shareholders</u>	60
<u>B. Related Party Transactions</u>	61
<u>C. Interests of Experts and Counsel</u>	61
Item 8. <u>Financial Information</u>	61
<u>A. Consolidated Statements and Other Financial Information</u>	61
<u>B. Significant Changes</u>	63
Item 9. <u>The Offer and Listing</u>	63
<u>A. Offer and Listing Details</u>	63
<u>B. Plan of Distribution</u>	65
<u>C. Markets</u>	65
<u>D. Selling Shareholders</u>	65
<u>E. Dilution</u>	65
<u>F. Expenses of the Issue</u>	65
Item 10. <u>Additional Information</u>	66
<u>A. Share Capital</u>	66
<u>B. Memorandum and Articles of Association</u>	66
<u>C. Material Contracts</u>	76
<u>D. Exchange Controls</u>	76
<u>E. Taxation</u>	77
<u>F. Dividends and Paying Agents</u>	81
<u>G. Statement by Experts</u>	81
<u>H. Documents on Display</u>	81
<u>I. Subsidiary Information</u>	81
Item 11. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	82
Item 12. <u>Description of Securities Other than Equity Securities</u>	85
<u>A. Debt Securities</u>	85
<u>B. Warrants and Rights</u>	85
<u>C. Other Securities</u>	85
<u>D. American Depositary Shares</u>	85
<b><u>PART II</u></b>	
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	86
Item 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	86
Item 15. <u>Controls and Procedures</u>	86

---

**Table of Contents**

	<b><u>Page</u></b>
Item 16A. <u>Audit Committee Financial Expert</u>	87
Item 16B. <u>Code of Ethics</u>	87
Item 16C. <u>Principal Accountant Fees and Services</u>	88
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	89
Item 16E. <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	90
Item 16F. <u>Change in Registrant's Certifying Accountant</u>	90
Item 16G. <u>Corporate Governance</u>	90
 <b><u>PART III</u></b> 	
Item 17. <u>Financial Statements</u>	93
Item 18. <u>Financial Statements</u>	93
Item 19. <u>Exhibits</u>	157

Table of Contents

- 1 -

All information contained in this annual report is as of March 31, 2010 or for the year ended March 31, 2010 (fiscal 2010) unless the context otherwise indicates.

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 21, 2010 was 91.18 yen = U.S.\$1.

About the Company

Panasonic Corporation (hereinafter, unless the context otherwise requires, "Panasonic," the "Panasonic Group" or the "Company" refers to Panasonic Corporation and its consolidated subsidiaries as a group) is one of the world's leading manufacturers of electronic and electric products for a wide range of consumer, business and industrial uses, as well as a wide variety of components. As from October 1, 2008, the Company changed its company name from Matsushita Electric Co., Ltd. to Panasonic Corporation. Based in Osaka, Japan, the Company recorded consolidated net sales of approximately 7,418 billion yen for fiscal 2010. Over the past nine decades, the Company has grown from a small domestic household electrical equipment manufacturer into a comprehensive electronic and electric equipment, systems and components manufacturer operating internationally. Of the fiscal 2010 net sales, nearly one-half was represented by sales in Japan, with the rest by overseas sales.

Cautionary Statement Regarding Forward-Looking Statements

This annual report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Panasonic and its Group companies (the Panasonic Group). To the extent that statements in this annual report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this annual report (June 2010). Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China, Asia



and other countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, the Chinese yuan, Asian currencies and other currencies in which the Panasonic Group operates businesses, or in which assets and liabilities of the Panasonic Group are denominated; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the ability of the Panasonic Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results on the alliances or mergers and acquisitions including the acquisition of SANYO Electric Co., Ltd. SANYO ; the ability of the Panasonic Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Panasonic Group to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Panasonic Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, and deferred tax assets and uncertain tax positions; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive.

**Table of Contents**

- 2 -

**PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable

**Item 2. Offer Statistics and Expected Timetable**

Not applicable

**Item 3. Key Information****A. Selected Financial Data**

	Yen (billions), except per share amounts and yen exchange rates				
	Fiscal year ended March 31,				
	2010	2009	2008	2007	2006
<b>Statements of Operations Data:</b>					
Net sales	7,418	7,766	9,069	9,108	8,894
Income (loss) before income taxes	(29)	(383)	435	439	371
Net income (loss)	(171)	(404)	311	248	153
Net income (loss) attributable to Panasonic Corporation	(103)	(379)	282	217	154
Per common share:					
Net income (loss) attributable to Panasonic Corporation:					
Basic	(49.97)	(182.25)	132.90	99.50	69.48
Diluted		(182.25)	132.90	99.50	69.48
Dividends	12.50	40.00	32.50	25.00	17.50
	(U.S.\$0.13)	(U.S.\$0.40)	(U.S.\$0.33)	(U.S.\$0.21)	(U.S.\$0.15)

**Balance Sheet Data:**

Edgar Filing: PANASONIC Corp - Form 20-F

Total assets	8,358	6,403	7,444	7,897	7,965
Long-term debt	1,029	651	232	227	264
Total Panasonic Corporation shareholders equity	2,792	2,784	3,742	3,917	3,788
Common stock	259	259	259	259	259
Number of shares issued at year-end (thousands)	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053
Number of shares issued and outstanding at year-end (thousands)	2,070,605	2,070,642	2,101,117	2,146,284	2,209,532
<u>Yen exchange rates per U.S. dollar:</u>					
Year-end	93.40	99.15	99.85	117.56	117.48
Average	92.93	100.62	114.31	116.92	113.15
High	86.12	87.80	96.88	110.07	104.41
Low	100.71	110.48	124.09	121.81	120.93

	<u>Dec.</u> <u>2009</u>	<u>Jan.</u> <u>2010</u>	<u>Feb.</u> <u>2010</u>	<u>Mar.</u> <u>2010</u>	<u>Apr.</u> <u>2010</u>	<u>May</u> <u>2010</u>
<u>Yen exchange rates for each month during the previous six months:</u>						
High	86.62	89.41	88.84	88.43	92.03	89.89
Low	93.08	93.31	91.94	93.40	94.51	94.68

- Notes:
1. Dividends per share reflect those paid during each fiscal year.
  2. United States dollar amounts for dividends per share are translated from yen for convenience at the year-end exchange rate of each period.
  3. The company adopted the provisions of ASC 810, Consolidation and the presentations requirements for the financial statements have been adopted retrospectively and prior year amounts of net income (loss) have been reclassified to conform to the presentation used for fiscal 2010.
  4. Diluted net income (loss), attributable to Panasonic Corporation common shareholders per share, for fiscal 2010, has been omitted because the company did not have potential common shares that were outstanding for the period.

**Table of Contents**

- 3 -

**B. Capitalization and Indebtedness**

Not applicable

**C. Reasons for the Offer and Use of Proceeds**

Not applicable

**D. Risk Factors**

Once a year, Panasonic implements a Groupwide risk assessment survey to identify potential risks in an integrated and comprehensive manner. By identifying, evaluating and prioritizing these risks, Panasonic specifies risks at the Corporate Headquarters, business domain companies and Group affiliates, takes countermeasures that correspond to the materiality of each risk, and seeks continuous improvements through the monitoring of the progress of such countermeasures. Primarily because of the business areas and geographical areas where it operates, and the highly competitive nature of the industry to which it belongs, Panasonic is exposed to a variety of risks and uncertainties in conducting its businesses, including, but not limited to, the following. These risks may adversely affect Panasonic's business, operating results and financial condition. This section includes forward-looking statements and future expectations as of the date of this annual report.

**Risks Related to Economic Conditions**

**Continued or further weakness in Japanese and global economies may cause reduced demand for Panasonic's products**

Demand for Panasonic's products and services may be affected by general economic trends in the countries or regions in which Panasonic's products and services are sold. Economic downturns and resulting declines in demand in Panasonic's major markets worldwide may thus adversely affect the Company's business, operating results and financial condition. Triggered by the financial crisis in fiscal 2009, Panasonic's business environment rapidly deteriorated due to declines in global consumption and business activities and due to intensified price competition.

Regarding the business environment for fiscal 2011, ending March 31, 2011, the Company currently anticipates market conditions to remain unpredictable due to various factors including the yen's appreciation and ever-intensified global competition, despite a gradually recovering global economy. Panasonic may incur increased costs for additional business restructuring in order to cope with the business environment. If global market conditions worsen beyond expectations, the business environment of Panasonic may deteriorate more than currently anticipated, which may adversely affect the Company's business, operating results and financial condition.

**Currency exchange rate fluctuations may adversely affect Panasonic's operating results**

Foreign exchange rate fluctuations may adversely affect Panasonic's business, operating results and financial condition, because its international business transactions and costs and prices of its products and services in overseas countries are affected by foreign exchange rate changes. In addition, foreign exchange rate changes can also affect the yen value of Panasonic's investments in overseas assets and liabilities because Panasonic's consolidated financial statements are presented in Japanese yen. Generally, an appreciation of the yen against other major currencies such as the U.S. dollar and the euro may adversely affect Panasonic's operating results. Meanwhile, a depreciation of the yen against the aforementioned major currencies may have a favorable impact on Panasonic's operating results. The global financial crisis, which occurred in 2008, caused the rapid appreciation of the yen against other major currencies, which adversely and significantly affected Panasonic's operating results in fiscal 2009 and fiscal 2010. Any further or continued appreciation of the yen may adversely affect the Company's business, operating results and financial condition.

**Interest rate fluctuations may adversely affect Panasonic's financial condition, etc.**

Panasonic is exposed to interest rate fluctuation risks which may affect the Company's operational costs, interest expenses, interest income and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may adversely affect the Company's business, operating results and financial condition.

**Table of Contents**

- 4 -

**Continuation or deterioration of financial market turmoil may adversely affect Panasonic's ability to raise funds or may increase the cost of fund raising**

Panasonic raises funds for its business through methods such as borrowing from financial institutions and issuance of bonds and commercial papers. Where, among other events, financial market turmoil continues or deteriorates, financial institutions reduce lending to Panasonic, or rating agencies downgrade Panasonic's credit ratings, Panasonic may not be able to raise funds in the time and amount necessary for Panasonic, or under conditions which Panasonic deems appropriate, and Panasonic may incur additional costs of raising funds, which may adversely affect the Company's business, operating results and financial condition.

**Decreases in the value of Japanese stocks may adversely affect Panasonic's financial results**

Panasonic holds mostly Japanese stocks as part of its investment securities. The value of such stocks has dropped significantly due to the world financial crisis and the recession of Japanese economy in fiscal 2009, causing Panasonic to record losses on valuation of its investment securities in fiscal 2009 and fiscal 2010. Further decreases in the value of stocks may cause additional losses due to decreases in the valuation of investment securities, thereby adversely affecting Panasonic's operating results and financial condition. The decrease in the value of Japanese stocks may also reduce stockholders' equity on the balance sheet, as unrealized holding gains (losses) of available-for-sale securities are included as part of accumulated other comprehensive income (loss).

**Risks Related to Panasonic's Business**

**Competition in the industry may adversely affect Panasonic's ability to maintain profitability**

Panasonic develops, produces and sells a broad range of products and therefore faces many different types of competitors, from large international companies to relatively small, rapidly growing, and highly specialized organizations. Panasonic may choose not to fund or invest in one or more of its businesses to the same degree as its competitors in those businesses do, or it may not be able to do so in a timely manner or even at all. These competitors may have greater financial, technological, and marketing resources than Panasonic in the respective businesses in which they compete.

**Rapid declines in product prices may adversely affect Panasonic's financial condition**

Panasonic's business is subject to intense price competition worldwide, which makes it difficult for the Company to determine product prices and maintain adequate profits. Such intensified price competition may adversely affect Panasonic's profits, especially in terms of possible decreases in demand. Amid accelerating changes in the structure of markets, such as a demand shift to emerging markets and lower-priced products, and market expansion of environmental and energy-related businesses, Panasonic's product prices in digital electronics and many other business areas may continue to decline significantly.

**Panasonic's business is, and will continue to be, subject to risks generally associated with international business operations**

One of Panasonic's business strategies is business expansion in overseas markets. In many of these markets, Panasonic may face risks generally associated with international manufacturing and other business operations, such as political instability, including terrorist attacks and abduction, cultural and religious differences and labor relations, as well as economic uncertainty and foreign currency exchange risks. Panasonic may also face barriers in commercial and business customs in foreign countries, including difficulties in timely collection of accounts receivable or in building and expanding relationships with customers, subcontractors or parts suppliers. Panasonic may also experience various political, legal or other restrictions in investment, trade, manufacturing, labor or other aspects of operations, including restrictions on foreign investment or the repatriation of profits on invested capital, nationalization of local industry, changes in export or import restrictions or foreign exchange controls, and changes in the tax system or the rate of taxation in countries where Panasonic operates businesses. With respect to products exported overseas, tariffs, other barriers or shipping costs may make Panasonic's products less competitive in terms of price. Expanding its overseas business may require significant investments long before Panasonic realizes returns on such investments, and increased investments may result in expenses growing at a faster rate than revenues.

**Table of Contents**

- 5 -

**Panasonic may not be able to keep pace with technological changes and develop new products or services in a timely manner to remain competitive**

Panasonic may fail to introduce new products or services in response to technological changes in a timely manner. Some of Panasonic's core businesses, such as consumer digital electronics and key components and devices, are concentrated in industries where technological innovation is the central competitive factor. Panasonic continuously faces the challenge of developing and introducing viable and innovative new products. Panasonic must predict with reasonable accuracy both future demand and new technologies that will be available to meet such demand. If Panasonic fails to do so, it will not be able to compete effectively in new markets.

**Panasonic may not be able to develop product formats that can prevail as de facto standards**

Panasonic has been forming alliances and partnerships with other major manufacturers to strengthen technologies and the development of product formats, such as next-generation home and mobile networking products, data storage devices, and software systems. Despite these efforts, Panasonic's competitors may succeed in developing de facto standards for future products before Panasonic can. In such cases, the Company's competitive position, business, operating results and financial condition could be adversely affected.

**Panasonic may not be able to successfully recruit and retain skilled employees, particularly scientific, technical and management professionals**

Panasonic's future success depends largely on its ability to attract and retain certain key personnel, including scientific, technical and management professionals. Industry demand for skilled employees, however, exceeds the number of personnel available, and the competition for attracting and retaining these employees is intense. Because of this intense competition for skilled employees, Panasonic may be unable to retain its existing personnel or attract additional qualified employees to keep up with future business needs. If this should happen, Panasonic's business, operating results and financial condition could be adversely affected.

**Alliances with, and strategic investments in, third parties, and mergers and acquisitions undertaken by Panasonic, may not produce positive or expected results**



Panasonic develops its businesses by forming alliances or joint ventures with, and making strategic investments in, other companies, including investments in start-up companies. Furthermore, the strategic importance of partnering with third parties is increasing. In some cases, such partnerships are crucial to Panasonic's goal of introducing new products and services, but Panasonic may not be able to successfully collaborate or achieve expected synergies with its partners. Furthermore, Panasonic does not control these partners, who may make decisions regarding their business undertakings with Panasonic that may be contrary to Panasonic's interests. In addition, if these partners change their business strategies, Panasonic may fail to maintain these partnerships. Panasonic and SANYO, upon resolutions of meetings of their respective Boards of Directors held on December 19, 2008, entered into a Capital and Business Alliance Agreement to widely pursue synergies in all business aspects of both companies. Panasonic subsequently conducted a tender offer for SANYO shares (at a purchase price of 131 yen per share of common stock, 1,310 yen per share of Class A preferred stock and 1,310 yen per share of Class B preferred stock) from November 5 through December 9, 2009, pursuant to a resolution of its Board of Directors held on November 4, 2009. As a result of Panasonic's conversion of the Class B preferred stock of SANYO that it acquired through the tender offer into common stock, SANYO and its subsidiaries became Panasonic consolidated subsidiaries in December 2009. However, Panasonic may fail to achieve the expected results, despite the Company's efforts to maximize synergies from the addition of SANYO to the Panasonic Group. Furthermore, as a result of consolidation of SANYO, deterioration of SANYO's operating results and financial condition may adversely affect Panasonic's operating results and financial condition.

**Panasonic is dependent on the ability of third parties to deliver parts, components and services in adequate quality and quantity in a timely manner, and at a reasonable price**

Panasonic's manufacturing operations depend on obtaining raw materials, parts and components, equipment and other supplies including services from reliable suppliers at adequate quality and quantity in a timely manner. It may be difficult for Panasonic to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all due to the interruption of supply caused by, among other conditions, the bankruptcy of suppliers or increased industry demand. This may adversely affect the Panasonic Group's operations. Although Panasonic decides purchase prices by contract, the prices of raw materials, including iron and steel, resin, and non-ferrous metals, and parts and components, may increase due to changes in supply and demand and the inflow of investment funds. Some components are only available from a limited number of suppliers, which also may adversely affect Panasonic's business, operating results and financial condition.

**Table of Contents**

- 6 -

**Panasonic is exposed to the risk that its customers may encounter financial difficulties**

Many of Panasonic's customers purchase products and services from Panasonic on payment terms that do not provide for immediate payment. If customers from whom Panasonic has substantial accounts receivable encounter financial difficulties and are unable to make payments on time, Panasonic's business, operating results and financial condition could be adversely affected.

**Risks Related to Panasonic's Management Plans**

Panasonic is implementing a midterm management plan called "Green Transformation 2012" (GT12), announced on May 7, 2010, which runs from fiscal 2011 to fiscal 2013. Under this plan, Panasonic aims to achieve an operating profit\* to sales ratio of 5% or more, sales of 10 trillion yen, ROE of 10% and CO<sub>2</sub> emission reductions of 50 million tons (compared to the estimated amount of emission in fiscal 2013 assuming that no remedial measures were taken since fiscal 2006.) However, Panasonic may not be successful in achieving all the targets or in realizing the expected benefits because of various external and internal factors including deterioration of the business environment and increased costs of business restructuring such as additional business reorganization, the impairment of fixed assets and employment adjustment in order to cope with the business environment.

\* In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the company's financial results with those of other Japanese companies.

**Risks Related to Legal Restrictions and Litigations**

**Panasonic may be subject to product liability or warranty claims that could result in significant direct or indirect costs**

The occurrence of quality problems due to product defects, including safety incidents, in Panasonic products could make Panasonic liable for damages not covered by product and completed operation liability insurance, whereby the Company could incur significant expenses. Due to negative publicity concerning these problems, Panasonic's business, operating results and financial condition may be adversely affected.

**Panasonic may fail to protect its proprietary intellectual properties, or face claims of intellectual property infringement by a third party, and may lose its intellectual property rights on key technologies or be liable for significant damages**

Panasonic's success depends on its ability to obtain intellectual property rights covering its products and product design. Patents may not be granted or may not be of sufficient scope or force to provide Panasonic with adequate protection or commercial advantage. In addition, effective copyright and trade secret protections may be unavailable or limited in some countries in which Panasonic operates. Competitors or other third parties may also develop technologies that are protected by patents and other intellectual property rights, which make such technologies unavailable or available only on terms unfavorable to Panasonic. The Company obtains licenses for intellectual property rights from other parties; however, such licenses may not be available at all or on acceptable terms in the future. Litigation may also be necessary to enforce Panasonic's intellectual property rights or to defend against intellectual property infringement claims brought against Panasonic by third parties. In such cases, Panasonic may incur significant expenses for such lawsuits. Furthermore, Panasonic may be prohibited from using certain important technologies or liable for damages in cases of admitted violations of intellectual property rights of others.

**Table of Contents**

- 7 -

**Changes in accounting standards and tax systems may adversely affect Panasonic's financial results and condition**

Introduction of new accounting standards or tax systems, or changes thereof, which Panasonic cannot predict, may have a material adverse effect on the Company's operating results and financial condition. In addition, if tax authorities have different opinions from Panasonic on the Company's tax declarations, Panasonic may need to make larger tax payments than estimated.

**Payments or compensation related to environmental regulations or issues may adversely affect Panasonic's business, operating results and financial condition**

Panasonic is subject to environmental regulations such as those relating to climate change, air pollution, water pollution, elimination of hazardous substances, waste management, product recycling, and soil and groundwater contamination, and may be held responsible for certain related payments or compensation. Furthermore, if these regulations become stricter and an additional duty of eliminating the use of environmentally hazardous materials is imposed, or if the Company determines that it is necessary and appropriate, from the viewpoint of corporate social responsibility, to respond to environmental issues, the payment of penalties for the violation of these regulations or voluntary payment of compensation for consolation to parties affected by such issues may adversely affect Panasonic's business, operating results and financial condition.

**Leaks of confidential information or trade secrets may adversely affect Panasonic's business**

In the normal course of business, Panasonic holds confidential information mainly about customers regarding credit worthiness and other information, as well as confidential information about companies and other third parties. Such information may be leaked due to an accident or other inevitable cause, and any material leakage of confidential information may result in significant expense for related lawsuits and adversely affect Panasonic's business and image. Moreover, besides customer information, there is a risk that Panasonic's trade secrets, such as technology information, may be leaked by illegal conduct or by mere negligence of external parties, etc. If such is the case, Panasonic's business, operating results and financial condition may be adversely affected.

**Governmental laws and regulations may limit Panasonic's activities, increase its operating costs or subject it to sanctions and lawsuits**

Panasonic is subject to governmental regulations in Japan and other countries in which it conducts its business, including governmental approvals required for conducting business and investments, laws and regulations governing the telecommunications businesses and electric product safety, national security-related laws and regulations and export/import laws and regulations, as well as commercial, antitrust, patent, product liability, environmental laws and regulations, consumer protection, financial and business taxation laws and regulations, and internal control regulations due to the implementation of stricter laws and regulations and stricter interpretations. However, to the extent that Panasonic cannot comply with these laws and regulations from technical and economic perspectives, or if they become stricter and Panasonic determines that it would not be economical to continue to comply with them, Panasonic would need to limit its activities in the affected business areas. These laws and regulations could increase Panasonic's operating costs. In addition, in the event that governmental authorities find or determine that Panasonic has violated these laws and regulations, Panasonic could become subject to regulatory sanctions, including money penalties, or criminal sanctions or civil lawsuits for damages, and could also suffer reputational harm.

### **Risks Related to Disasters or Unpredictable Events**

#### **Panasonic's facilities and information systems could be damaged as a result of disasters or unpredictable events, which could have an adverse effect on its business operations**

Panasonic's headquarters and major facilities including manufacturing plants, sales offices and research and development centers are located in Japan. Panasonic also operates procurement, manufacturing, logistics, sales and research and development facilities all over the world. If major disasters, such as earthquakes, fires, floods, including those caused by climate change, wars, terrorist attacks, computer viruses or other events occur, or Panasonic's information system or communications network breaks down or operates improperly as a result of such events, Panasonic's facilities may be seriously damaged, or the Company may have to stop or delay production and shipment. Panasonic may incur expenses relating to such damages. In addition, if an infectious disease, such as a new highly-pathogenic flu strain, becomes prevalent throughout the world, Panasonic's manufacturing and sales may be materially disrupted.

**Table of Contents**

- 8 -

**Other Risks**

**External economic conditions may adversely affect Panasonic's pension plans**

Panasonic has contributory, funded benefit pension plans covering substantially all employees in Japan who meet eligibility requirements. A decline in interest rates may cause a decrease in the discount rate on benefit obligations. A decrease in the value of stocks may also affect the return on plan assets. As a result, the actuarial loss may increase, leading to an increase in future net periodic benefit costs of these pension plans.

**Some long-lived assets may not produce adequate returns**

Panasonic has many long-lived assets, such as plant, property and equipment, and goodwill, that generate returns. The Company periodically reviews the recorded value of its long-lived assets to determine if the fair value will be sufficient to support the remaining recorded asset values. If these long-lived assets do not generate sufficient cash flows, impairment losses will have to be recognized, adversely affecting Panasonic's results of operations and financial condition.

**Realizability of deferred tax assets and uncertain tax positions may increase Panasonic's provision for income tax**

In assessing the realizability of deferred tax assets and uncertain tax positions based on the expected future generation of taxable income or assessed sustainability of uncertain tax positions, Panasonic considers whether it is more likely than not that any portion or all of the deferred tax assets or recognized tax position benefit will not be realized. If Panasonic determines that temporary differences and loss carryforwards or recognized tax benefits cannot be realized upon the generation of future taxable income during the deductible periods due to deteriorating business conditions or tax position benefits may not be realized upon settlement, valuation allowance against deferred tax assets or unrecognized tax benefit reserves could be recognized and Panasonic's provision for income tax may increase.

**Financial results and condition of associated companies may adversely affect Panasonic's operating results and financial condition**

Panasonic holds equities of several associated companies. Panasonic can exercise influence over operating and financing policies of these companies. However, Panasonic does not have the right to make decisions for them since the companies operate independently. Some companies may record losses. If these associated companies do not generate profits, Panasonic's business results and financial condition may be adversely affected.

**American Depositary Share (ADS) holders have fewer rights than shareholders and may not be able to enforce judgments based on U.S. securities laws**

The rights of shareholders under Japanese law to take actions, including exercising their voting rights, receiving dividends and distributions, bringing derivative actions, examining Panasonic's accounting books and records, and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its nominee, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to exercise their voting rights underlying ADSs in accordance with the instructions of ADS holders and will pay the dividends and distributions collected from Panasonic. However, ADS holders will not be able to bring a derivative action, examine Panasonic's accounting books and records, or exercise appraisal rights through the depositary.

**Panasonic's shareholders of record on a record date may not receive the dividend they anticipate**

The customary dividend payout practice and relevant regulatory regime of publicly listed companies in Japan may differ from that followed in foreign markets. Panasonic's dividend payout practice is no exception. While the Company regularly announces forecasts of annual and interim dividends in April or May of each year, these forecasts are not legally binding. The actual payment of annual dividends requires a resolution of its shareholders. If the shareholders adopt such a resolution, the annual dividend payment is made to shareholders as of the applicable record date, which is currently specified as March 31 by its Articles of Incorporation. However, such a resolution of the Company's shareholders is usually made at an ordinary general meeting of shareholders held in June. The payment of interim dividends requires only a resolution of its board of directors. If the board adopts such a resolution, the dividend payment is made to shareholders as of the applicable record date, which is currently specified as September 30 by its Articles of Incorporation. However, the board usually does not adopt a resolution with respect to an interim dividend until after September 30. Shareholders of record as of an applicable record date may sell shares in the market after the record date in anticipation of receiving a certain dividend payment based on the previously announced forecasts. However, since these forecasts are not legally binding and resolutions to pay dividends are usually not adopted until after the record date, Panasonic's shareholders of record on record dates for annual or interim dividends may not receive the dividend they anticipate.

---

**Table of Contents**

- 9 -

**Item 4. Information on the Company**

**A. History and Development of the Company**

**GENERAL**

The Company was incorporated in Japan on December 15, 1935 under the laws of Japan as Matsushita Denki Sangyo Kabushiki Kaisha (Address: 1006, Oaza Kadoma, Kadoma-shi, Osaka 571-8501, Japan. Phone: +81-6-6908-1121 / Agent: Mr. Ko Kaneko, President of Panasonic Finance (America), Inc.) as the successor to an unincorporated enterprise founded in 1918 by the late Konosuke Matsushita. Mr. Matsushita led the Company with his corporate philosophy of contributing to the peace, happiness and prosperity of humankind through the supply of quality consumer electric and electronic goods. The Company's business expanded rapidly with the recovery and growth of the Japanese economy after World War II, as it met rising demand for consumer electric and electronic products, starting with washing machines, black-and-white TVs and refrigerators. During the 1950s, the Company expanded its operations by establishing mass production and mass sales structures to meet increasing domestic demand, while also creating subsidiaries, making acquisitions and forming alliances. During the 1960s, the Company expanded its overseas businesses, and its products started obtaining worldwide recognition.

During the global recession caused by the first oil crisis in 1973, the Company strengthened its structure and overseas business relations. The advent and popularity of the video cassette recorder (VCR) from the late 1970s enabled the Company to receive worldwide recognition as a global consumer electronics manufacturer. In the 1980s, the Company further worked to evolve from a consumer products manufacturer to a comprehensive electronics products manufacturer, expanding its business in the areas of information and communications technology, industrial equipment and components and devices. Since the 1990s, the Company has been emphasizing technological development and the use of advanced technology in every phase of life. In particular, the Company has been expanding its development activities in such areas as next-generation audiovisual (AV) equipment, multimedia products, and advanced electronic components and devices, many of which incorporate digital technology.

In June 1995, the Company sold 80% equity interest in MCA (subsequently renamed Universal Studios, Inc.) which the Company purchased in December 1990, to The Seagram Company Ltd. (currently Vivendi Universal S.A.) for approximately U.S. \$5.7 billion, leaving the Company with a minority interest. In February 2006, the Company sold the remaining shares to Vivendi Universal S.A.

In April 2000, the Company made two of its majority-owned subsidiaries, Matsushita Refrigeration Company and Wakayama Precision Company, into wholly-owned subsidiaries by means of share exchanges. As a result of the share exchanges, the Company issued 16,321,187 shares of its common stock to shareholders of the respective companies.



In June 2000, Kunio Nakamura became President of the Company and, under his leadership, the Company implemented structural reforms and growth strategies with an emphasis on enhancing growth potential, profitability and capital efficiency, thereby ensuring the Company's continued contribution to society.

In April 2001, the Company absorbed Matsushita Electronics Corporation, its wholly-owned subsidiary, by merger to implement unified operational management in such key device areas as semiconductors and display devices.

**Table of Contents**

- 10 -

In April 2002, the Company and Toshiba Corporation (Toshiba) separated their respective liquid crystal display (LCD) panel operations and established a joint venture company, Toshiba Matsushita Display Technology Co., Ltd. (TMD), for the development, manufacture and sale of LCD panels and next-generation display devices. Of the new company's initial stated capital of 10 billion yen, 60% was invested by Toshiba and 40% by the Company.

As a drastic structural reform aimed at achieving new growth, the Company implemented share exchanges on October 1, 2002 with five of its majority-owned subsidiaries (Matsushita Communication Industrial Co., Ltd., Kyushu Matsushita Electric Co., Ltd., Matsushita Seiko Co., Ltd., Matsushita Kotobuki Electronics Industries, Ltd. and Matsushita Graphic Communication Systems, Inc.) and transformed them into wholly-owned subsidiaries of the Company.

As an extension of this Groupwide reorganization, the Company transformed two of its majority-owned subsidiaries, Matsushita Electronic Components Co., Ltd. and Matsushita Battery Industrial Co., Ltd., into wholly-owned subsidiaries via share exchanges, effective April 1, 2003.

Upon the aforementioned Groupwide restructurings, in April 2003, to prepare a framework that enables each business domain company to implement autonomously responsible management, the Company established a new global consolidated management system that focuses on capital efficiency and cash flows.

Also on April 1, 2003, the Company launched another joint venture company with Toshiba, upon separating their respective cathode ray tube (CRT) businesses with the exception of domestic CRT manufacturing operations. The Company formerly accounted for the investment in the new company, Matsushita Toshiba Picture Display Co., Ltd. (MTPD) and its subsidiaries under the equity method, and began to consolidate MTPD on March 1, 2006 in accordance with Financial Accounting Standards Board (FASB) Interpretation No.46 (revised December 2003),

Consolidation of Variable Interest Entities (FIN 46R), as a result of certain restructuring activities of MTPD. At March 31, 2006, the Company had a 64.5% equity interest in MTPD. At March 30, 2007, the Company acquired the remaining 35.5% equity interest in MTPD from Toshiba and MTPD was renamed MT Picture Display Co., Ltd.

Since fiscal 2003, the Company has been gradually shifting its focus from restructuring to growth. The Company made concerted efforts to enhance product competitiveness. V-products, which aim to capture leading shares in high-volume markets, made a significant contribution to overall business results.

In April 2003, the Company announced that it would position the Panasonic brand as a globally unified brand for overseas markets under the global brand slogan of "Panasonic ideas for life." This new brand strategy conveys to

customers all over the world a new image for the Company and its products, while further enhancing brand value.

In December 2003, the Company reached a basic agreement regarding a comprehensive business collaboration with its affiliate, Panasonic Electric Works Co., Ltd. (PEW), after which the Company initiated a tender offer for additional shares of PEW. As a result of the tender offer in which the Company purchased an additional 140,550 thousand shares of common stock of PEW at the total cost of 147 billion yen, PEW, PanaHome Corporation and their respective subsidiaries became consolidated subsidiaries of the Company in April 2004. For fiscal 2005, Panasonic and PEW integrated overlapping businesses in the area of electrical supplies, building materials and equipment, home appliances and industrial equipment, and reformed distribution channels to establish an optimized, customer-oriented operational structure. In fiscal 2006, the Company leveraged the strengths of both companies to achieve sales increases in Collaboration V-products including bathroom systems, modular kitchens and air purifiers.

In fiscal 2005, as part of business restructuring of its Group companies, power distribution equipment and monitoring and control system operations of Matsushita Industrial Information Equipment Co., Ltd. (MIIE) were transferred to PEW, while MIIE's information machine business was shifted to Panasonic Communications Co., Ltd. Subsequently, MIIE was absorbed by the Company in April 2005, and no longer operates as a separate entity.

In June 2006, Fumio Ohtsubo became President of the Company. Under its new management, it has been making efforts to achieve global excellence, or in other words, to aim to earn the support of all its stakeholders worldwide by sustaining growth through continued innovation and ensuring sound business activities on a global basis.

**Table of Contents**

- 11 -

In July 2007, each of Victor Company of Japan, Limited ( JVC ), a consolidated subsidiary of the Company, KENWOOD and SPARX International (Hong Kong) Limited, an investment management company which belongs to a group of companies headed by SPARX Group Co., Ltd. adopted resolutions for, or affirmed, JVC 's issuance of 107,693,000 new shares of its common stock through third party allotments, and the new shares were subscribed by KENWOOD and the several investment funds managed by SPARX International (Hong Kong) Limited. JVC issued and allocated the new shares to KENWOOD and the SPARX funds on August 10, 2007. As a result, the Company 's shareholding in JVC decreased from 52.4% to 36.8%, and JVC became an associated company under the equity method from a consolidated subsidiary in the fiscal 2008 second quarter.

In February 2008, the Company finalized a definitive agreement with Hitachi, Ltd. related to comprehensive LCD panel business alliance under which it would acquire a majority voting interest in IPS Alpha Technology, Ltd. ( IPS Alpha ), which was owned by Hitachi Displays, Ltd. once certain conditions are satisfied. As a result, IPS Alpha became a consolidated subsidiary of the Company on March 31, 2008, in accordance with FIN 46R.

In April 2008, Matsushita Refrigeration Company was absorbed, and in October 2008, Matsushita Battery Industrial Co., Ltd. was absorbed, by the Company.

On October 1, 2008, the Company changed its name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation and its ticker symbol on the New York Stock Exchange from MC to PC. The Company completed its brand name change from the National brand, used for home appliances and housing equipment in Japan, to the Panasonic brand by the end of fiscal 2010, ended March 31, 2010. Subsequently, the National brand was abolished and the Technics brand will be used only for specific audio products.

On October 1, 2008, JVC and Kenwood integrated management by establishing JVC KENWOOD Holdings, Inc. (JVC KENWOOD HD) through a share transfer. The company has 24.4% of total issued shares of JVC KENWOOD HD.

On December 19, 2008, Panasonic and SANYO Electric Co., Ltd. ( SANYO ) entered into the capital and business alliance agreement. The Company aimed to acquire the majority of the voting rights of SANYO assuming full dilution (which takes into account conversion of Class A preferred stock and Class B preferred stock into common stock) by means of a public tender offer bid. Panasonic and SANYO formed a close alliance in business with the prospect of organizational restructurings of both companies.

In April 2009, Toshiba acquired all of Panasonic's shares in TMD, a joint venture that develops, manufactures and sells liquid crystal displays (LCDs) and organic light emitting displays (OLEDs).

In December 2009, Panasonic completed acquisition of a majority of the voting stock of SANYO. With this acquisition, SANYO and its subsidiaries became consolidated subsidiaries of the Company and will continue pursuing its business as a Panasonic Group company.

In January 2010, Panasonic transferred the rights and obligations with respect to the business of System Solutions Company, its internal division company, to Panasonic Communications Co., Ltd., its wholly-owned subsidiary, through business division. The company aims to strengthen the system networking businesses including Security Systems, Broadcast Systems and Wireless VoIP Systems by integrating the system business and the fixed-line communications business toward global growth of B to B system business, in which the visual and communications businesses have been integrating under the further progress of IP networks.

In April 2010, Panasonic reorganized and integrated the Home Appliance and Automotive Motor, and Industrial Motor businesses into the Home Appliances Company. Panasonic also transferred the Information Equipment Motor Business to Minebea Motor Manufacturing Corporation.

Table of Contents

- 12 -

CAPITAL INVESTMENT

Total capital investment amounted to 385 billion yen, 494 billion yen and 449 billion yen for fiscal 2010, 2009 and 2008, respectively. (For a reconciliation of capital investment to the most directly comparable U.S. GAAP financial measures, see Overview Key performance indicators in Section A of Item 5.) In these years, the Company curbed capital investment in a number of business areas, in line with an increased management emphasis on cash flows and capital efficiency. The Company did, however, selectively invest in facilities for those product areas that are expected to drive future growth, including such key areas as batteries and flat-panel TVs.

**B. Business Overview**SALES BY BUSINESS SEGMENT

Panasonic is engaged in the production and sales of electronic and electric products in a broad array of business areas. The Company divides its businesses into six segments: Digital AVC Networks, Home Appliances, PEW and PanaHome, Components and Devices, and Other, adding SANYO as a new segment. The following table sets forth the Company's sales breakdown by business segment for the last three fiscal years:

	Yen (billions) (%)					
	Fiscal year ended March 31,					
	2010		2009		2008	
Digital AVC Networks	3,410	(9)%	3,749	(13)%	4,320	
Home Appliances	1,142	(7)	1,223	(7)	1,316	
PEW and PanaHome	1,632	(8)	1,766	(8)	1,910	
Components and Devices	1,005	(11)	1,127	(19)	1,399	
SANYO	405					
Other	1,012	(6)	1,072	(1)	1,084	
JVC					183	
Eliminations	(1,188)		(1,171)		(1,143)	
<b>Total</b>	<b>7,418</b>	<b>(4)%</b>	<b>7,766</b>	<b>(14)%</b>	<b>9,069</b>	

- \* Percentage above reflects the changes from the previous year.
- \* From fiscal 2009, the name of AVC Networks was changed to Digital AVC Networks.
- \* The name of MEW and PanaHome was changed to PEW and PanaHome as of October 1, 2008.
- \* The Company has changed the transactions between Global Procurement Service Company and other segments since April 1, 2008. Accordingly, segment information for Other and eliminations for fiscal 2008 have been reclassified to conform to the presentation for fiscal 2009.
- \* The healthcare business was transferred to Panasonic Shikoku Electronics Co., Ltd. on April 1, 2007. Accordingly, the segment information for fiscal 2007 has been reclassified to conform with the presentation for the year ended March 31, 2008.
- \* JVC became an associated company under the equity method from a consolidated subsidiary in the fiscal 2008 second quarter.
- \* SANYO and its subsidiaries became Panasonic's consolidated subsidiaries in December 2009. The operating results of SANYO and its subsidiaries after January 2010 are included in the company's consolidated financial statements.

Table of Contents

- 13 -

Digital AVC Networks

Panasonic's principal products in Digital AVC Networks segment include video and audio equipment and information and communications equipment. This segment provides hardware, software, services and solutions built on cutting-edge technologies as a source of competitiveness. In addition to developing attractive products with the Company's proprietary technology, Digital AVC Networks links together various equipment to offer consumers more secure and comfortable lifestyles.

In the digital AVC business, Panasonic is manufacturing a high definition product group containing a variety of AV, security, electronic, and Internet-enabled equipment that can be linked to a flat-panel VIERA TV and easily operated with a single remote (VIERA Link).

For flat-panel TVs, in fiscal 2010, amid rising global demand, Panasonic expanded its lineup, doubling the number of basic models from the previous year and responding in detail to diversifying market needs. As a result, strong sales were recorded in Japan, where the market was buoyed by the government's eco-point program, and in Asia and emerging markets where high growth continued. Unit sales climbed sharply to 15.84 million units, 60% higher than the previous fiscal year.

In terms of flat-panel TV production, PDP manufacturing began at the fifth domestic PDP plant in Amagasaki in November 2009, and the Company also started operations at the IPS Alpha LCD plant in Himeji in April 2010. These state-of-the-art facilities should raise productivity further, increasing cost competitiveness, as should stepped-up efforts to relocate module and finished product production overseas.

For Blu-ray Disc and DVD recorders, in fiscal 2010, Panasonic increased its sales amid an expanding market for Blu-ray Disc recorders along with the spread of digital broadcasting and the popularity of flat-panel TVs. Higher sales were also strongly supported by the networking features of Panasonic's products which enable them to link various devices, as well as basic functions such as extended recording in full HD video and simple operation. Panasonic maintained its top share in the global market as a result.

For digital cameras, in fiscal 2010, the market remained difficult as demand fell. While sales of Panasonic LUMIX digital cameras edged down slightly year on year, both high-value-added and standard models sold well. Impressively, sales of digital interchangeable lens system cameras such as the world's smallest and lightest\*GF1 model grew strongly on the back of widespread support from novices to camera enthusiasts alike for their easy to use functions on par with compact cameras as well as high performance and picture quality that only interchangeable lens system



cameras can deliver.

\*1. For an interchangeable lens digital camera incorporating an internal flash as of April 1, 2010. Panasonic estimate.

For digital video cameras, in fiscal 2010, sales were down year on year again due to demand and price declines, particularly in Europe and the United States. The HDC-TM30, the lightest compact model on the market, captured the number-one share in Japan. The HDC-TM300, a high-end model featuring three proprietary sensors, won market acclaim in Japan and overseas. For example, Camcorderinfo.com, a major North American reviewer, selected this camcorder as its No.1 model.

In the fiscal 2010 notebook PC market, the Company's Let's note and TOUGHBOOK series posted lower sales year on year due to dwindling corporate demand both in Japan and overseas. However, Panasonic continued to develop and refine products in these series under the concept of high performance, light weight, long battery life and ruggedness, winning strong acclaim from the market. In particular, the TOUGHBOOK series has maintained the top position in the worldwide market for rugged mobile computers for eight consecutive years. And in October 2009, Panasonic added the CF-S and CF-N series business mobile PCs in the Japanese market. These Let's note models feature even higher performance and extended battery life.

Panasonic is strengthening its system networks business, which integrates the system solutions and fixed-line communications businesses. This is in response to global growth in the BtoB system market, which is seeing increasing integration of image and communications technologies due to advances in IP. As part of this, on January 1, 2010, Panasonic merged its internal division company System Solutions Company and Panasonic Communications Co., Ltd. to form Panasonic System Networks Co., Ltd.

In the system networks business, in fiscal 2010, Panasonic vigorously developed its business operations overseas, centered on Communication Products for connecting people through voice and image, and Security Products for safeguarding human, property and information in companies and regions.

A highlight of the past fiscal year was the largest delivery of system products to an Olympic Winter Games at the Vancouver 2010 Olympic Winter Games. Panasonic supplied a range of equipment for the competition venues and the Olympic athlete villages, including LED large screen display systems, professional audio systems, DLP® (Digital Light Processing) projectors and AV security camera systems. Panasonic also shared the excitement of the Olympic Games through high-quality images and sound, such as by connecting welcome ceremonies at the Olympic athlete villages in Whistler and Vancouver via a HD Visual Communications System. This also helped cut athlete entourage travel time and costs as well as CO<sub>2</sub> emissions.

Table of Contents

- 14 -

In the mobile communications business, Panasonic offers mobile phones incorporating advanced technologies, and communications infrastructure equipment such as base stations. Through these products, the Company aims to realize a ubiquitous networking society that offers high-level security and greater convenience and comfort. Moreover, Panasonic proposes new lifestyles by linking mobile phones with its other wide-ranging products, such as the DIGA Blu-ray Disc/DVD recorders. In fiscal 2010, sales were lower than the previous year in the mobile communications business amid persistently weak demand in the Japanese mobile phone market, particularly for high-end handsets. However, Panasonic further sought to add value to the VIERA Keitai series. Besides enabling users to watch programs recorded on Blu-ray Disc-enabled DIGA recorders, the VIERA Keitai series features cameras with enhanced functionality, including high-speed auto focus and Intelligent Auto (iA) mode. Also Panasonic captured market share by developing stylish and simple volume-zone handsets emphasizing basic functions.

In the automotive electronics business, Panasonic operates in wide-ranging fields, from car navigation systems to key devices such as engine control units and batteries for eco cars. As interest rises in green and safer vehicles, automotive electronics are expected to fulfill a wider range of roles, highlighting the considerable growth potential. In fiscal 2010, sales recovered from the previous fiscal year thanks mainly to a rebound in auto sales instigated by government initiatives around the world to spur new car purchases, as well as the lowering of expressway toll charges in Japan, which stimulated demand for ETC terminals. New car navigation system products also drove sales. Strada F Class, for example, won high marks as the first car navigation system to deliver high-definition picture quality in combination with the world's first in-car Blu-ray Disc player. Panasonic also bolstered its product lineup with the aggressive launch of new products such as portable Strada Pocket car navigation systems.

Home Appliances

Panasonic's principal products in this segment include home appliances such as refrigerators, room air conditioners, washing machines and clothes dryers, and vacuum cleaners. This segment also includes lighting and environmental systems.

In home appliances, Panasonic offers safe, reliable and well-liked products and services in the fields of people's daily living environments closely linked to clothing, food and housing. It also develops products tailored to people's lives and enhances environmental performance. In fiscal 2009, Company marketed its home appliance products, such as room air conditioners, under the Panasonic brand for the first time nationwide in Japan. Overseas, Panasonic introduced new refrigerators and washing machines with cutting-edge technologies in Europe in March 2009. In fiscal 2010, sales declined because of lower demand, as well as the negative impact of sluggish room air conditioner sales during unseasonable weather. In Japan, however, refrigerator, room air conditioner, tilted-drum washer/dryers and other product models featuring ECO NAVI, which automatically saves electricity depending on the mode of use, won strong support as appliances with a high level of environmental performance, thereby driving sales. Sales were especially strong for large refrigerators with a capacity of 400 liters or more, which benefited from the eco-point

system in Japan. Overseas, Panasonic washing machines saw strong sales in China on the back of a Chinese government home appliance subsidy program. Furthermore, refrigerators and washing machines in Europe have sold well as consumers have appreciated their industry-leading environmental performance.

In the lighting business, Panasonic has been developing products that conserve energy and resources, and are based on universal design. The Company has maintained a top-class share in the lighting field in Japan. In fiscal 2010, low-power-consumption and long-life LED bulbs were released under the EVERLEDS brand in Japan to a strong response from the market. Coupled with the beneficial effect of the Japanese government's eco-point system, sales steadily increased. Due to the rapid expansion in demand for LED lighting products, production was moved to a facility in Indonesia that can manufacture large quantities in December 2009. This plant can manufacture 300,000 units per month and is ramping up its production as well as production efficiency by capitalizing on our expertise in producing ball-type fluorescent lamps.

The environmental systems business of Panasonic is developing ventilation fan systems, indoor air quality products and environmental engineering businesses, to offer environmentally-conscious and comfortable lifestyles, and a recycling-oriented society. In fiscal 2010, air purifiers and nano-e generators to combat influenza performed strongly in Japan. Moreover, sales of ultra pure water manufacturing equipment for plasma and LCD panels, lithium-ion batteries and other production equipment were strong. Overseas sales grew on the back of rising demand for ceiling fans, particularly in Asia.

Table of Contents

- 15 -

PEW and PanaHome

This segment includes Panasonic Electric Works Co., Ltd. (PEW), PanaHome Corporation (PanaHome) and their respective subsidiaries.

PEW manufactures, sells, installs and provides services related to a wide variety of products. These include electrical construction materials, home appliances, building products, electronic materials and automation controls.

In fiscal 2008, in response to an increase of public demand, home fire alarms recorded a rise in sales. Aesthetic products such as nanocare facial ionic steamers won strong market acceptance. Sales of environmentally-conscious products like multilayer printed circuit board materials and semiconductor encapsulation materials grew significantly. In fiscal 2009, new Panasonic brand products, including personal care products, such as nanoparticle ion steamers received strong market acceptance. In addition, environmentally-conscious lighting products including LED lighting showed steady growth. In fiscal 2010, PEW continuously posted higher sales of LED lighting in Japan. In addition, sales of new products grew steadily, including the hair dryer nano care , which provides UV care with nano-e particles, and Massage Sofa, which won strong acceptance in the market for interior design qualities. Modular kitchens and unit baths in the standard-price range also showed steady sales growth. Moreover, PEW aggressively expanded sales of automotive devices such as EV relays and Back & Corner (B&C) sensors in step with the growing demand for eco car in Japan. Overseas sales staged a recovery on rising demand for devices for use in vehicles, digital home appliances, and mobile phones, which was fanned by economic stimulus programs, particularly in China.

PanaHome is developing its business under the basic concept of offering Eco-Life Homes that provide people- and environment-conscious living spaces. PanaHome centers on detached housing, asset management and home remodeling businesses, emphasizing safety and security, health and comfort, and energy generation and conservation.

In fiscal 2008, PanaHome became the first in the Japanese housing industry to offer an all-electric rental apartment house series called EL MAISON NEXT. In fiscal 2009 and 2010, PanaHome diligently pursued its superior environmental performance and energy conservation technologies, including solar power generation systems and

all-electric home design fixtures. In recognition of strong acceptance for these activities, PanaHome won the House of the Year in Electric 2009 prize of excellence, receiving a House of the Year award for the third consecutive year.

### Components and Devices

This business segment of Components and Devices supplies high-performance and high-value-added components and devices used in various products ranging from digital AV equipment and information and communication devices to home appliances and industrial equipment. Panasonic develops and strengthens the competitiveness of cutting-edge devices that help equipment become smaller, lighter, slimmer and more sophisticated. This business segment also contributes significantly to making finished products more energy efficient.

In the semiconductor business, Panasonic provides a wide range of semiconductor products as total solutions, such as system LSIs integrating multiple functions on a single chip, and image sensors delivering higher picture quality for digital cameras.

The UniPhier<sup>®</sup> Integrated Platform combines software and hardware resources across different product categories to improve R&D efficiency and design quality. In fiscal 2008, the Company began mass production of 45nm-process system LSIs using 300mm wafers. In fiscal 2009, Panasonic proceeded with the commercialization of 45nm-process next-generation UniPhier<sup>®</sup> system LSIs. The Company also developed an application/transmission integrated LSI that combines one system LSI for the communications function of mobile phones and another system LSI for an application function in one UniPhier<sup>®</sup>. In fiscal 2010, Panasonic developed a new UniPhier<sup>®</sup> system LSI for displaying high-resolution 3D images, providing network capability and enabling other functions. This new system LSI is incorporated in 3D plasma TVs and Blu-ray Disc recorders. By the end of fiscal 2010, UniPhier<sup>®</sup> was applied in a total of 300 digital products. Panasonic developed technology for 32nm-process system LSIs with a view to commercialization by the end of fiscal 2011, in order to achieve even higher integration and lower power consumption for semiconductors. Panasonic also strengthened its management structure. Specifically, in the diffusion process, the Company extended the consolidation of operations to large diameter wafers, which facilitate higher production efficiency. In the assembly process, the Company shifted more of its operations to overseas plants.

---

**Table of Contents**

- 16 -

The electronic devices business develops products such as sensors, printed circuit boards, and capacitors based on three core technologies: membrane and micro electro mechanical system technology, circuit board and mounting technology, and power management technology.

To provide optimal key devices and total solutions worldwide to meet finished product concepts, Panasonic has developed high-value-added components mainly for Digital AV equipment, information and communication equipment, and automotive electronics equipment in recent years. In fiscal 2008, the Company opened Device Application Centers which have both development and sales functions, in the U.S., Europe and China, to improve competitive total solutions for its customers. In fiscal 2009, sales of capacitors, electromechanical components and other products struggled due to deteriorating market conditions and inventory cutbacks at finished product manufacturers. Nevertheless, the Company focused on growing industries amid the economic downturn and actively endeavored to expand sales. In fiscal 2010, Panasonic worked to speed up management and enhance cost competitiveness. While concentrating business resources on growth fields such as devices for eco-cars, the Company achieved new process innovations. For example, Panasonic achieved the rapid launch of new products by promoting localization in activities ranging from manufacturing to sales at overseas sites.

The battery business consists of primary batteries including dry batteries and rechargeable batteries such as lithium-ion batteries. In the primary battery business, Panasonic globally provides dry alkaline EVOLTA batteries, which have won recognition for their long life. In rechargeable batteries, the Company is expanding its business focusing on lithium-ion batteries. In fiscal 2008, responding to increasing demand for electronic equipment that consumes less electricity, Panasonic developed the dry alkaline EVOLTA batteries. In fiscal 2009, the Company started to sell the dry alkaline EVOLTA batteries and rechargeable EVOLTA batteries, expanding its lineup to meet diversified needs. In fiscal 2010, Panasonic started to produce large volumes of high-energy-output 3.1 Ah lithium-ion batteries (18650size) ahead of competitors. Demand for lithium-ion batteries is expected to increase along with the uptake of eco-cars. Besides outstanding safety, Panasonic's lithium-ion batteries boast high energy output and durability thanks to their nickel-based cathodes.

The electric motors business provides products in a variety of fields, including home appliances, industrial equipment, and AV equipment and office products. It aims to help customers achieve innovation in their finished products and to protect the global environment through the development of energy-efficient motors. In fiscal 2008, strong sales were recorded in FA servo motors, motors for vacuum cleaners and compact brushless motors used in game consoles. In fiscal 2009, although sales declined due to a fall in demand, the electric motors business pushed ahead with efforts to accelerate collaboration with Panasonic's finished product divisions by proceeding with the start up of mass production of Dual DD motor for the Dancing laundering & drying system washer/dryer. In fiscal 2010, sales improved overall thanks to steady growth in sales of air conditioner motors in China and industrial motors in China and other Asian countries.

In April 2010, Panasonic reorganized and integrated the Home Appliance and Automotive Motor, and Industrial Motor businesses into the Home Appliances Company. Panasonic also transferred the Information Equipment Motor Business to Minebea Motor Manufacturing Corporation.

SANYO

The SANYO segment consists of SANYO Electric Co., Ltd. (SANYO) and its subsidiaries.

As SANYO and its subsidiaries became the Company's consolidated subsidiaries in December 2009, information for this segment only pertains to the most recent fiscal year, the period from January to March 2010.

---

Table of Contents

- 17 -

SANYO manufactures and sells products in three fields: energy (solar cells and rechargeable batteries), ecology (commercial equipment, home appliances and car electronics), and electronics (electronic devices and digital system devices) to support the energy and ecology fields. SANYO has developed these businesses globally, placing a great emphasis on energy-related businesses. SANYO is drawing on its unique technologies such as lithium-ion batteries widely used in mobile devices and HEVs (hybrid electric vehicles), and HIT<sup>®</sup> Solar Cells, which boast high conversion efficiency.

In fiscal 2010, the three-month period from January to March 2010, sales of digital cameras struggled due mainly to lower market prices of products. However, overall sales were favorable as demand recovered, particularly for solar cells and optical pickups. Amid rising demand spurred by economic stimulus programs and environmental policies in various countries, sales of solar cells increased as SANYO strengthened competitiveness with high conversion efficiency and manufacturing cost reductions. Sales of lithium-ion batteries and electronic components such as optical pickups registered favorable growth due to recovering demand in the PC market.

Other

In the factory automation (FA) business, Panasonic supplies manufacturing systems that support the production of advanced electronic equipment, and is improving the performance of mounting equipment as well as its advanced technology in circuit manufacturing technology. This contributes to customers' businesses through the proposal of various solutions, such as raising the operating rate of mounting lines and mounting quality. In fiscal 2008, Panasonic released new products that enable multiple mounting and mounting of high-brightness LEDs. In fiscal 2009, the Company developed a high-performance head and improved productivity and versatility in response to its client needs. NPM (Next Production Modular) achieves high area productivity by carrying out all processes, from printing and mounting to inspection using the same platform. In fiscal 2010, Panasonic launched a full dual lane mounting system as a next-generation platform offering outstanding function and flexibility as well as future-proofing. By combining the NPM-DSP (Next Production Modular - Dual Screen Printer) and NPM, this system conveys printed circuit boards (PCBs) on two lanes, that handle the mass production of single modules as well as the mixed production of various different types of PCBs and simultaneously print on the front and rear.

MARKETING CHANNELS

The table below shows a breakdown of Panasonic's net sales by geographical area for the periods indicated:



	Yen (billions) (%)					
	Fiscal year ended March 31,					
	2010		2009		2008	
Japan	3,994	54%	4,082	53%	4,545	50%
North and South America	918	12	997	13	1,251	14
Europe	771	11	963	12	1,213	13
Asia and Others	1,735	23	1,724	22	2,060	23
<b>Total</b>	<b>7,418</b>	<b>100%</b>	<b>7,766</b>	<b>100%</b>	<b>9,069</b>	<b>100%</b>

### Sales and Distribution in Japan

In Japan, Panasonic's products are sold through several sales channels, each established according to the type of products or customers: Sales of consumer and household products are handled or coordinated by relevant corporate sales divisions, such as the Corporate Marketing Division for Digital AVC Products and the Home Appliances and Wellness Products Marketing Division, while sales of general electronic components and certain other devices to manufacturers are handled by the Corporate Industrial Marketing & Sales Division, in each case to stay close to respective customers and meet their specific and ever-diversifying needs. For other products, there are also organizations under the direct control of business domain companies that conduct sales and marketing of their own products, mostly to non-consumer customers, such as industrial and business corporations, public institutions, construction companies and governments through their sales offices and subsidiaries or through outside agencies.

Table of Contents

- 18 -

In fiscal 2005, Panasonic and PEW integrated the sales functions of each of the electrical supplies, building materials and equipment, and home appliances businesses as a part of collaboration between the two companies.

As a part of collaboration between Panasonic and SANYO, the two companies intend to promote mutual use of sales channels in Japan and overseas. On July 1, 2010, Panasonic will launch HIT<sup>®</sup> 215 Series household solar power generation systems, the first series of collaborative products to be developed since SANYO became a part of the Panasonic group. The Company will fully utilize its sales channels in Japan.

Overseas Operations

Worldwide, Panasonic has 679 consolidated companies as well as 232 associated companies under the equity method. International marketing and sales of Panasonic's products are handled mainly through its sales subsidiaries and affiliates located in respective countries or regions in coordination with business domain companies and regional headquarter companies. In some countries, however, marketing and sales are handled through independent agents or distributors, depending on regional characteristics. Additionally, certain products are also sold on an OEM basis and marketed under the brand names of third parties.

Overseas sales represented approximately 46% of the Company's total consolidated sales in fiscal 2010.

Overseas operations are expected to serve as a growth engine for the entire Panasonic Group. Panasonic will therefore further strengthen ties between manufacturing companies in various regions and business domain companies in Japan. Panasonic will also identify strategic products and sales channels for each region and country, and effectively allocate management resources in order to achieve further progress and strengthen management structure. In addition to markets in Europe and the United States, Panasonic views the growing BRICs + V<sup>\*1</sup> and MINTS + B<sup>\*2</sup> markets as a key to success overseas.

Panasonic established a Russia Division, India Coordination Department and Brazil Coordination Department in April 2007. The Company also established sales company in Turkey in June 2009.

\*1 BRICs+V: Brazil, Russia, India, China and Vietnam

\*2 MINTS+B: Mexico, Indonesia, Nigeria, Turkey, Saudi Arabia and the Balkans

## Customers

The largest markets for Panasonic have traditionally been consumer products. However, since the 1980s, the proportion of sales to non-consumer customers, such as industrial and business corporations, governments and other institutions, including large customers such as electric and electronic equipment manufacturers, automotive manufacturers and various other machinery makers, has been rising as Panasonic places increasing emphasis on industrial and commercial products and systems and electronic components. Panasonic's business is not materially dependent on any single customer.

## SEASONALITY OF BUSINESS

The Company's business has no significant seasonality in terms of sales or profits. However, for the consumer electronics business, the fiscal third quarter (October to December) is normally a peak period because it falls in the year-end shopping season in Japan and many overseas markets. Additionally, seasonal appliances, such as air conditioners and refrigerators, have different business cycles, sales of which peak in summer. These do not have a material effect upon the Company's overall operations.

## RAW MATERIALS AND SOURCE OF SUPPLY

Panasonic purchases a wide variety of parts and materials from various suppliers globally. The Company applies a multi-sourcing policy not depending upon any one particular source of supply for most essential items. The Company has also been endeavoring to promote a policy of global optimum procurement by concentrating order placements to qualified suppliers from all over the world and purchasing the most competitive parts and materials.

**Table of Contents**

- 19 -

In an attempt to improve operational efficiency and to reduce parts and materials costs, Panasonic has been increasing centralized purchasing at its headquarters for materials commonly used in many product divisions throughout Panasonic, such as steel, plastics, semiconductors and electronic components, while at the same time accelerating the initiatives to standardize parts and grade unification of steel and resin. Such efforts are coordinated by the Global Sourcing Center established in April 2003. At the business domain company level, an increasing focus has been put on centralized purchasing for parts and materials commonly used in factories within each business domain company.

To minimize the adverse effects of global price increase of raw materials, Panasonic further strengthened materials cost reduction initiatives including a reduction in the number of parts through the standardization of design, use of Value Engineering techniques, and additional cost reduction activities covering indirect materials.

Due to an increasing global awareness of CSR values, the Company recently decided to extend its commitment to social responsibility by requiring its suppliers to maintain environmental preservations, quality, safety, information security management, human rights and comply with the related laws and regulations.

To implement Panasonic's eco ideas Declaration, the Company is promoting joint activities with business partners to reduce the impact of business activities on the global environment and accelerate the PDCA management cycle, effective from fiscal 2010.

By implementing the above-mentioned activities and strengthening partnership with excellent suppliers, Panasonic aims to reinforce its procurement activities.

**PATENT LICENSE AGREEMENTS**

Panasonic holds numerous Japanese and foreign patent registrations for its products, and shares technologies with a number of Japanese and foreign manufacturers. Its technical assistance, or licensing, to other manufacturers has been increasing year by year.

For example, Panasonic's patents related to MPEG2 technology, which is widely used in digital TVs, are licensed to other companies through MPEG LA LLC. Patents which are essential to DVD technology are licensed as a part of the

joint licensing program operated by seven Japanese, U.S. and Korean companies. Furthermore, the Company's patents relating to CD technology are licensed to many manufacturers. Further, Panasonic has non-exclusive cross-license agreements with Samsung Electronics Co., Ltd. for semiconductor technology and with Sharp Corporation for mobile phone technology.

Panasonic is a licensee under various license agreements which cover a wide range of products, including AV products, computers, communications equipment, semiconductors and other components. Panasonic has non-exclusive patent license agreements with, among others, Technicolor S.A., Thomson Licensing LLC. and Thomson Licensing S.A. covering a broad range of products, including TVs, VCRs and DVD products. Panasonic has non-exclusive patent cross-license agreements with, among others, Texas Instruments Incorporated and International Business Machines Corporation, both covering semiconductors, information equipment and certain other related products. Further, Panasonic has a non-exclusive patent cross-license agreement with Eastman Kodak Company covering digital still camera, camcorder and mobile phones. Panasonic has a non-exclusive patent cross-license agreement with Ericsson covering mobile phones.

The Company considers all of its technical exchange and license agreements beneficial to its operations.

### COMPETITION

The markets in which the Company sells its products are highly competitive. Panasonic's principal competitors, across the full range of its products, consist of several large Japanese and overseas manufacturers and a number of smaller and more specialized companies. Advancements toward a borderless economy have also applied pressure to Japanese manufacturers, including Panasonic, in terms of global price competition, especially from Chinese and Korean manufacturers. To counter this, the Company is devising various measures to enhance its competitiveness, with a focus on the development of differentiated products, cost reduction and efficiency improvements. Such measures include the development of products with Panasonic's differentiated technologies, innovation of manufacturing processes through the use of information technology, increasing overseas production for optimum manufacturing allocation from a global perspective, and shortening production and distribution lead time.

Also, with the development of digital and networking technologies, competition in terms of the so-called de facto standard has become crucial. In response, Panasonic has been strengthening its efforts toward alliances with leaders not only in the electronics industry but also the software, devices, broadcasting, communications services and other diverse industries.

Table of Contents

- 20 -

GOVERNMENT REGULATIONS

Like other electronics manufacturers, Panasonic is subject to governmental regulations related to environmental preservation.

To comply with recycling laws both in Japan and other countries/regions, Panasonic has been actively taking measures. The Company established an efficient system to collect and recycle used home appliances, comprising air conditioners, CRT TVs, flat-panel TVs, refrigerators, washing machines and clothes dryers in compliance with the Law for Recycling of Specified Kinds of Home Appliances in Japan effective April 1, 2001. As one of its measures to contribute to the establishment of a recycling-oriented society, the Company established the Panasonic Eco Technology Center Co., Ltd. not only to dismantle used products, but also to promote research and development of recycling technologies. In Europe, the Waste Electrical and Electronic Equipment (WEEE) Directive designed to promote recycling came into force in August 2005. Preparing for mandatory recycling under the WEEE directive, Panasonic established Ecology Net Europe GmbH (ENE) in Germany in April 2005. The Company promotes construction of networks connecting manufacturers, recycling companies and hauling companies through ENE. In the U.S., Panasonic Corporation of North America, which is a regional company of Panasonic, has established a new electronic product recycling management company, Electronics Manufacturers Recycling Management Company, LLC (MRM) with other manufacturers to satisfy requirements enacted in July 2007 in the state of Minnesota. Although MRM's initial focus was to collect products in Minnesota, a scope of operation has been developing to expand its activities to other states with electronic product recycling mandates. Through these efforts, Panasonic is carrying out its compliance programs not only to meet the requirements demanded by legislations, but also to establish cost efficient systems that will further enhance its competitive edge.

In January 2003, the Company announced that disposed electric equipment containing polychlorinated biphenyl (PCB) might be buried in the ground of its four manufacturing facilities and one former manufacturing facility in Japan, and excavation measures were completed at the end of March 2009. The applicable laws in Japan require that PCB equipment be appropriately maintained and disposed of by July 2016. The Company has accrued estimated total cost of approximately 9 billion yen by March 31, 2010 for necessary actions, such as investigation on whether the PCB equipment is buried at the facilities by excavating, maintaining and disposing the PCB equipment that is already discovered, and soil remediation. In light of those regulations, the Company has been taking necessary actions such as investigating by excavation whether the PCB equipment is buried at the facilities, maintaining and disposing the PCB equipment that have been already discovered, and soil remediation, aiming to facilitate the proper management of PCB waste and full-scale measures for soil remediation.

To deal with climate change issues, various kinds of measures, especially those for energy efficiency of products, have

been taken worldwide. In Japan, the Energy Conservation Law was revised in 1999, and the Top-runner standard was introduced, which aims to continuously increase products' energy efficiency performance on an industry-wide basis. As a target value for a goal year, the Program uses a value of the product with the highest energy consumption efficiency on a market during the standard establishment process. The scopes of covered products are expanding, and standards become more stringent as necessary. Other countries/regions, such as the European Union, the United States, China, Korea, and Australia also have regulations for energy conservation improvement (energy-saving standards and labeling systems) for home appliances and AV products. Panasonic takes a proactive measure to comply with these requirements, and further promotes development of energy-saving products.

Also, Panasonic is promoting its initiatives for regulations relevant to chemical substances management. In Europe, the RoHS Directive, which bans the sales of electrical and electronic equipment using six specified hazardous substances from the EU market, was issued in February 2003. The Company completed initiatives for the non-use of the abovementioned six specified hazardous substances in its covered products by the end of October 2005, in order to reduce possible contamination by these substances after products are disposed of. Additionally, the REACH regulation came into force in June 2007. The REACH requires all chemicals of one ton or more that are manufactured in or imported into the European Union each year to be evaluated for health and safety impact, registration with the European Chemical Agency (ECHA), and sharing of information and notification thereof to the ECHA regarding content of ECHA-specified substances of very high concern in products. Laws and regulations similar to the EU RoHS Directive are implemented in Japan, South Korea, China, and some states in the US such as California. In the Act on the Promotion of Effective Resource Utilization of Resources in Japan and the Administration on the Control of Pollution Caused by Electronic Information Products in China, manufacturers and importers are required to disclose information on the chemical substances targeted in the EU RoHS contained in specific products through label application. Panasonic is carrying out its compliance programs to meet the requirements of relevant regulations.

The Company is subject to a number of other government regulations in Japan and overseas as mentioned above, but overall, it presently manages to operate its businesses without any significant difficulty or financial burden in coping with them.

Table of Contents

- 21 -

REPORT ON KEROSENE FAN HEATER RECALL  
AND COMPANY'S COUNTERMEASURES

In 2005, certain kerosene fan heaters, which were manufactured by Panasonic between 1985 and 1992, resulted in hospitalization, and in some cases death, due to exposure to carbon monoxide exhaust. To prevent a recurrence, in November 2005, the Company established a special committee led by President Nakamura to implement recall efforts, product inspections and repairs of affected models of kerosene fan heaters. Using various media, Panasonic notified customers of the risks involved in the use of these products, while sending out employees (approximately 200,000 in total) to distribute leaflets directly to users, and visit kerosene suppliers.

Panasonic has made all-out efforts to locate recalled kerosene fan heaters through the cooperation of various parties, and will continue efforts to identify the purchasers and users of all remaining recalled heaters. At the same time, to prevent a recurrence, the Company is carrying out a wide range of initiatives. On May 1, 2006, Panasonic reorganized the aforementioned special committee into a permanent organization, the Corporate FF Customer Support & Management Division, under which Panasonic has continued recall efforts through various public awareness campaigns. Furthermore, the Company thoroughly has reviewed product safety in design and manufacturing processes. Specifically, Panasonic has undertaken studies of material deterioration caused by long-term use, together with the development of technologies to prevent risks caused by complex factors involved in the extended use of certain products. Furthermore, the Company has established a new risk management system to enable prompt action in an emergency, in compliance with its primary principle, the customer comes first. The Company has also reinforced safety education programs for the presidents of all Group companies, the directors of all divisions and the managers responsible for specific operations (such as design, manufacturing, and quality control). In terms of product quality issues, in addition to its commitment to the idea that safety and quality come first from the product design stage, Panasonic will continue to take all possible measures, such as the analysis of product age-related degradation and user environments, to ensure the quality and safety of products.

**C. Organizational Structure**

In order to maintain production, sales and service activities effectively in broad business areas as a comprehensive electronics manufacturer, Panasonic has been operating under a decentralized divisional management structure with substantial delegation of authority to divisional companies and subsidiaries, with the headquarters focusing on Groupwide strategic functions. In January 2003, Panasonic launched a new business domain-based organizational structure, and introduced new Group management control systems from April 1, 2003. Under this new structure, each business domain company, either an internal divisional company of the parent company or a subsidiary, takes full responsibility in its own business area, thereby establishing an autonomous management structure that expedites



self-completive business operations to accelerate growth. On April 1, 2004, PEW, PanaHome and their respective subsidiaries became consolidated subsidiaries of the Company. Accordingly, the Company successfully eliminated overlaps in R&D, manufacturing and sales, thereby creating an optimum Group structure that facilitates the effective use of management resources to achieve growth strategies. JVC became associated companies under the equity method from consolidated subsidiaries in August 2007. SANYO and its subsidiaries became the Company's consolidated subsidiaries in December 2009.

**Table of Contents**

- 22 -

Panasonic's consolidated financial statements as of March 31, 2010 comprise the accounts of 680 consolidated companies, with 232 associated companies under the equity method.

Principal divisional companies and subsidiaries as of March 31, 2010 are as listed below:

- (1) Internal divisional companies of Panasonic Corporation:

<b>Name of internal divisional company</b>
AVC Networks Company
Automotive Systems Company
System Networks Company
Home Appliances Company
Lighting Company
Semiconductor Company
Energy Company
Motor Company

Note: Home Appliances Company integrated Motor business of Motor Company, accordingly Motor Company was dissolved, effective April 1, 2010.

- (2) Principal domestic subsidiaries:

<b>Name of company</b>	<b>Percentage owned</b>
SANYO Electric Co., Ltd.	50.2%
Panasonic Electric Works Co., Ltd.	52.1
IPS Alpha Technology, Ltd.	44.9
Panasonic Plasma Display Co., Ltd.	75.0
Panasonic System Networks Co., Ltd.	100.0
PanaHome Corporation	54.5
Panasonic Electronic Devices Co., Ltd.	100.0
Panasonic Mobile Communications Co., Ltd.	100.0
Panasonic Factory Solutions Co., Ltd.	100.0
Panasonic Ecology Systems Co., Ltd.	100.0
Panasonic Shikoku Electronics Co., Ltd.	100.0

**Table of Contents**

- 23 -

## (3) Principal overseas subsidiaries:

Name of company	Country of incorporation	Percentage owned
Panasonic Corporation of North America	U.S.A.	100.0%
Panasonic Europe Ltd.	U.K.	100.0
Panasonic AVC Networks Czech, s.r.o.	Czech Republic	100.0
Panasonic Asia Pacific Pte. Ltd.	Singapore	100.0
Panasonic AVC Networks Singapore Pte. Ltd.	Singapore	100.0
Panasonic System Networks Philippines Corporation	Philippines	100.0
Panasonic Taiwan Co., Ltd.	Taiwan	69.8
Panasonic Corporation of China	China	100.0
Panasonic Home Appliances Air-Conditioning (Guangzhou) Co., Ltd.	China	67.8

**Table of Contents**

- 24 -

**D. Property, Plants and Equipment**

Panasonic's principal executive offices and key research laboratories are located in Osaka, Japan.

Panasonic's manufacturing plants are located principally in Japan, other countries in Asia, North and South America and Europe. Panasonic considers all of its factories well maintained and suitable for current production requirements. In addition to its manufacturing facilities, Panasonic's properties all over the world include sales offices, research and development facilities, employee housing and welfare facilities, and administrative offices.

Substantially all of facilities are fully owned by the Company and its subsidiaries. The following table sets forth information as of March 31, 2010 with respect to Panasonic-owned principal facilities:

Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
<b>(The Company)</b>		
Kadoma Plant, Osaka	2,452	Video and audio equipment
Ibaraki Plant, Osaka	830	Video equipment
Sendai Plant, Miyagi	369	Video and audio equipment
Yamagata Plant, Yamagata	424	Video and audio equipment
Matsumoto Plant, Nagano	325	Car AVC equipment
Kusatsu Plant, Shiga	3,560	Room air-conditions and refrigerators
Kobe Plant, Hyogo	828	Information equipment and cooking appliances
Yashiro Plant, Hyogo	381	Rice cookers
Tsuyama Plant, Okayama	677	Recordable media
Okayama Plant, Okayama	604	Camcorders
Nara Plant, Nara	1,728	Home appliances
Saedo Plant, Kanagawa	348	Information equipment and car AVC equipment
Takatsuki Plant, Osaka	1,785	Electric lamps
Nagaoka Plant, Kyoto	969	Semiconductors
Arai Plant, Niigata	1,115	Semiconductors
Uozu Plant, Toyama	1,492	Semiconductors
Tonami Plant, Toyama	841	Semiconductors
Osaka Plant, Osaka	1,467	Batteries
Suminoe Plant, Osaka	1,030	Batteries
Wakayama Plant, Wakayama	178	Batteries

Edgar Filing: PANASONIC Corp - Form 20-F

R&D Advanced Device Development Center, Kyoto	208	Research and development functions
Living Environment Development Center etc., Osaka	804	Research and development functions
Production Engineering Laboratory etc., Osaka	1,087	Research and development functions
Advanced Technology Research Laboratories, Kyoto	243	Research and development functions

**Table of Contents**

- 25 -

Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
Branch Office and Sales Office, Osaka Head Office etc., Osaka	559 3,935	Sales functions Corporate administration, employee housing and welfare facilities
(Domestic subsidiaries)		
Panasonic Mobile Communications Co., Ltd., Kanagawa	3,007	Mobile communications and communications network-related equipment
Panasonic System Networks Co., Ltd., Fukuoka	1,556	Surveillance and security cameras, settlement and verification terminals, IP-related equipment
Panasonic Shikoku Electronics Co., Ltd., Ehime	2,664	Healthcare equipment, optical pickup and other electro-optic devices
Panasonic Plasma Display Co., Ltd., Hyogo	7,559	Plasma TVs and TV modules
IPS Alpha Technology, Ltd., Chiba	2,298	LCD panels
IPS Alpha Technology Himeji, Ltd., Hyogo	3,865	LCD panels
Panasonic Ecology Systems Co., Ltd., Aichi	1,480	Ventilation and air-conditioning equipment
Panasonic Photo & Lighting Co., Ltd., Osaka	388	Electric lamps
Panasonic Electric Works Co., Ltd., Osaka	17,410	Lighting fixtures, wiring devices and automation controls
PanaHome Corporation, Osaka	4,022	Detached housing and rental apartment housing
Panasonic Electronic Devices Co., Ltd., Osaka	3,224	Components
Panasonic Electronic Devices Japan Co., Ltd., Osaka	3,072	Components
Panasonic Semiconductor Discrete Devices Co., Ltd., Kyoto	846	Semiconductors
SANYO Electric Co., Ltd., Osaka	16,261	Solar cells, rechargeable batteries, electronic devices, commercial equipment, AV equipment and home appliances
Panasonic Factory Solutions Co., Ltd., Osaka	1,020	Electronic-components-mounting machines and industrial robot
Panasonic Welding Systems Co., Ltd., Osaka	386	Welding equipment
Panasonic Consumer Marketing Co., Ltd., Osaka	7	Sales functions

**Table of Contents**

- 26 -

Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
<b>(Overseas subsidiaries)</b>		
Panasonic Corporation of North America, U.S.A.	2,152	Manufacture and sales, with regional headquarters functions
Panasonic Avionics Corporation, U.S.A.		Airline AVC equipment
Panasonic Brazil Co., Ltd., Brazil	642	Manufacture and sales functions
Panasonic AVC Networks Czech, s.r.o., Czech Republic	838	Plasma and LCD TVs
IPS Alpha Technology Europe, s.r.o., Czech Republic	408	LCD modules
Panasonic U.K. Ltd., U.K.	100	Sales functions
Panasonic Semiconductor Asia Pte. Ltd., Singapore	462	Semiconductors
Panasonic Refrigeration Devices Singapore Pte. Ltd., Singapore	724	Refrigerators
Panasonic Taiwan Co., Ltd., Taiwan	1,473	Manufacture and sales functions
Panasonic Wanbao Compressor (Guangzhou) Co., Ltd., China	1,181	Compressors
Panasonic Semiconductor (Suzhou) Co., Ltd., China	469	Semiconductors
Panasonic Home Appliances Air-Conditioning (Guangzhou) Co., Ltd., China	1,102	Air-conditioning equipment
Panasonic Home Appliances Washing Machine (Hangzhou) Co., Ltd., China	1,357	Washing machines
Panasonic Corporation of China, China		Sales with regional headquarters functions

In addition to the Panasonic-owned facilities, as of March 31, 2010, the Company and its subsidiaries shown in above table leased approximately 15.0 million square feet of floor space from third parties, most of which was for sales office space.

Substantially all of Panasonic's properties are free of material encumbrances and Panasonic believes such properties are in adequate condition for their purposes and suitably utilized. During fiscal 2010, there was no material problem, regarding both the productive capacity and the extent of utilization of Panasonic's properties.

In terms of environmental issues, all of the Panasonic's properties operate in compliance with governmental and municipal laws and regulations. Furthermore, the Company established a number of internal environmental guidelines

which are stricter than those provided by the relevant authorities. In case any occasional non-compliance may take place, such as the previously mentioned PCB issue, Panasonic takes immediate and appropriate actions to meet the regulatory requirements and to ensure current good utilization standards.



**Table of Contents**

- 27 -

**Item 4A. Unresolved Staff Comments**

The Company is a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding the Company's periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2010 and which remain unresolved as of the date of the filing of this Form 20-F with the Commission.

---

**Table of Contents**

- 28 -

**Item 5. Operating and Financial Review and Prospects****A. Operating Results****Overview**

Panasonic is one of the world's leading producers of electronic and electric products. Panasonic currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology, expanding to building materials and equipment, and housing business. As of October 1, 2008, the Company changed its company name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation. Upon the company name change, Panasonic implemented its brand name change from the National brand, used for home appliances and housing equipment in Japan, and Technics brand, used for audio equipment, to the Panasonic brand. On December 21, 2009, the Company exchanged nonvoting stocks of SANYO, which had been acquired through a tender offer, for common stock, and as a result, the Company acquired 50.2% of the voting rights of SANYO and obtained a controlling interest in SANYO. Accordingly, the corporate brands became Panasonic, PanaHome and SANYO.

Panasonic divides its businesses into six segments: Digital AVC Networks, Home Appliances, PEW and PanaHome, Components and Devices, and Other, adding SANYO as a new segment. Digital AVC Networks includes video and audio equipment, and information and communications equipment. Home Appliances includes household equipment. PEW and PanaHome includes electrical supplies, home appliances, building materials and equipment, and housing business. Components and Devices includes semiconductors, general electronic components, batteries and electric motors. SANYO includes solar cells and lithium-ion batteries, optical pickups, and others. Other includes FA equipment and other industrial equipment.

SANYO focuses its efforts in manufacturing, sales, maintenance and services in the consumer, commercial, component and other businesses. As a result of this acquisition, the Company and SANYO believe that a strong collaborating relationship between the two companies will be established under the large business strategy as an united business group, and through this collaboration, great synergy will be generated, such as the further expansion in the solar business, reinforcement of competitiveness in the rechargeable battery business, strengthening of the financial and business position of SANYO through the application of the Company's cost reduction know-how, and creation of a comprehensive solution business centered on the environment and energy.

In the year ended March 31, 2010, the Company achieved a significant improvement in cash reserves through its enhanced cash flow management project. As a result, free cash flow for the year improved by 644 billion yen compared with the Company's original plan. This was more than enough to cover the acquisition cost of SANYO, 404

billion yen. Cash reserves were approximately 1,200 billion yen at the end of fiscal 2010 including SANYO's cash reserves.

*Economic environment*

In the year ended March 31, 2008, the Japanese economy for the first half continued a recovery trend with an improvement in consumer spending, but for the second half the Japanese economy slowed down, as a result of negative factors such as rising prices for crude oil and raw materials, and a stronger yen against the U.S. dollar. In the year ended March 31, 2009, the Japanese economy encountered very severe conditions due to the global financial crisis and the sharp deterioration of the world economy. In the year ended March 31, 2010, thanks to the various economic stimulus programs such as the government's eco-point system, the Japanese economy hit bottom and returned to recovery from the previous year.

As for the overseas economy, in the year ended March 31, 2008, the U.S. economy was sluggish in the second half of fiscal 2008 as the subprime loan problem in the U.S. led to downturns in both housing investment and consumer spending. Meanwhile, in Europe, economic growth continued for the first half, but slowed down in the second half of fiscal 2008, due mainly to a downturn in consumer spending. In Asia, the Chinese economy maintained a high growth rate due mainly to strong exports. In the year ended March 31, 2009, the global financial crisis caused a rapid economic downturn worldwide, and this caused negative effects on the Japanese economy through a sharp decrease in exports and capital investment. In the year ended March 31, 2010, despite a visible market recovery in some regions such as China and Asia, the industry in general was unable to overcome the impact of the global recession. Due to these circumstances, the market structure underwent rapid change especially in terms of demand shifts to emerging markets and lower-priced products, along with the expansion of environment and energy related markets.

**Table of Contents**

- 29 -

*Condition of foreign currency exchange rates and Panasonic's policy*

Foreign currency exchange rates fluctuated during the three-year period ended March 31, 2010. In the year ended March 31, 2008, there was a sharp increase in the Japanese yen against the U.S. dollar. In the year ended March 31, 2009, there continued a sharp increase in the Japanese yen against the major currencies such as the U.S. dollar and euro. In the year ended March 31, 2010, there was also an increasing appreciation of the yen. In order to alleviate the effects of currency-related transaction risks, Panasonic has traditionally used several currency risk hedging methods, such as forward foreign-exchange contracts and currency options contracts with leading banks. Panasonic has also increased matching of export and import exchange contracts. As a basic countermeasure against currency exchange risk, the Company has been strengthening production operations outside Japan to meet overseas demand, while reducing dependence on exports from Japan. The Company does not have any material unhedged monetary assets, liabilities or commitments denominated in currencies other than the individual operations' functional currencies.

*Summary of operations*

Panasonic's consolidated sales and earnings results during the last three fiscal years, reflecting the aforementioned external and internal conditions, can be summarized as follows:

In fiscal 2010, net sales amounted to 7,418 billion yen, down 4% from the previous year. Sales declined in all segments mainly as a result of a sharp deterioration of the world economy. The operating results of SANYO and its subsidiaries after January 2010 are included in the Company's consolidated financial statements. Earnings improved significantly due mainly to restructuring initiatives such as streamlining material costs and reducing fixed costs. Regarding other income (deductions), the Company incurred expenses of 220 billion yen including business restructuring expense such as the implementation of early retirement programs. These factors resulted in a pre-tax loss of 29 billion yen, improved from a pre-tax loss of 383 billion yen in fiscal 2009. Accordingly, net income attributable to Panasonic Corporation was a loss of 103 billion yen, improved from a loss of 379 billion yen a year ago.

In fiscal 2009, net sales amounted to 7,766 billion yen, down 14% from the previous year. Sales declined in all segments mainly as a result of a sharp deterioration of the world economy from October 2008. Regarding earnings, although the Company implemented thorough streamlining of material costs by reducing the number of components and improving material yield ratio and made all-out efforts to reduce fixed costs, the effect of a sharp sales decline, including an approximately 20-30% decrease in prices for flat-panel TVs and rising prices for crude oil and other raw materials on a yearly basis, led to a decrease in earnings. In addition, the Company incurred 314 billion yen as expenses associated with impairment losses of fixed assets, 53 billion yen as restructuring charges and 92 billion yen as a write-down of investment securities. As a result of these and other factors, the Company incurred a pre-tax loss of

383 billion yen and a net loss attributable to Panasonic Corporation of 379 billion yen.

In fiscal 2008, net sales amounted to 9,069 billion yen, approximately the same level as the previous year. In real terms, excluding JVC (Victor Company of Japan, Ltd. and its subsidiaries), the Company cited sales gains in all segments, due mainly to favorable sales in digital AV products and white goods. Regarding earnings, despite the effects of rising prices for crude oil and other raw materials, and ever-intensified global price competition, sales gains excluding the effect of JVC and the cost reduction efforts including materials costs and fixed costs led to the earnings gains. In addition, the Company incurred 33 billion yen as expenses associated with the implementation of early retirement programs and 32 billion yen as impairment losses on investments, as well as 45 billion yen as impairment losses from tangible fixed assets. Reflecting all these factors and a decrease in provision for income taxes, the Company recorded a net income attributable to Panasonic Corporation of 282 billion yen, up 30% from the previous year.

**Table of Contents**

- 30 -

*Key performance indicators*

The following are performance measures that Panasonic believes are key indicators of its business results for the last three fiscal years.

	Yen (billions) (%)		
	Fiscal year ended March 31,		
	2010	2009	2008
Net sales	7,418	7,766	9,069
Income (loss) before income taxes to net sales ratio	(0.4)%	(4.9)%	4.8%
Research and development costs to net sales ratio	6.4%	6.7%	6.1%
Total assets	8,358	6,403	7,444
Total Panasonic Corporation shareholders' equity	2,792	2,784	3,742
Total Panasonic Corporation shareholders' equity to total assets ratio	33.4%	43.5%	50.3%
Return on equity	(3.7)%	(11.8)%	7.4%
Capital investment	385	494	449
Free cash flow	199	(353)	405

Note: Return on equity is calculated by dividing net income (loss) attributable to Panasonic Corporation by the average of shareholders' equity at the beginning and the end of each fiscal year.

SANYO and its subsidiaries became the Company's consolidated subsidiaries in December 2009 through a tender offer. After deducting the Company's investment in SANYO of 404 billion yen from the total assets acquired of 2,450 billion yen, the total assets in December 2009 increased by 2,046 billion yen.

Panasonic defines Capital investment as purchases of property, plant and equipment (PP&E) on an accrual basis which reflects the effects of timing differences between acquisition dates and payment dates. Panasonic has included the information concerning capital investment because its management uses this indicator to manage its capital expenditures and it believes that this indicator is useful for presenting to investors accrual basis capital investments as supplementing information to the cash basis information in the consolidated statements of cash flows.

Panasonic's management also believes that this indicator provides useful information when it is compared with depreciation expenses, which are shown in Note 16 of the Notes to Consolidated Financial Statements, for purposes of evaluating the replacement of PP&E. This indicator is, however, subject to the limitation that capital investments may not produce future returns (because current expenditures may not provide an efficient use of capital) and may also be subject to impairment. Also, this indicator is subject to the limitation that it may not represent the true cost of maintaining the Company's portfolio of PP&E as it excludes expenditures for repairs and maintenance, operating leases, and intangible assets that may be integral to the use of PP&E. Panasonic compensates for these limitations by referring to this indicator together with relevant U.S. GAAP financial measures, such as capital expenditures, depreciation and amortization, shown in its consolidated statements of cash flows, to present an accurate and complete picture for purposes of capital expenditure analysis.

The following table shows a reconciliation of capital investment to purchases of property, plant and equipment:

	Yen (billions)		
	Fiscal year ended March 31,		
	2010	2009	2008
	—	—	—
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	376	522	419
Effects of timing difference between acquisition dates and payment dates	9	(28)	30
	—	—	—
Capital investment	385	494	449
	—	—	—

**Table of Contents**

- 31 -

Panasonic defines "Free cash flow" as the sum of net cash provided by operating activities and net cash provided by investing activities. Panasonic has included the information concerning free cash flow because its management uses this indicator, and it believes that such indicator is useful to investors, to assess its cash availability after financing of its capital projects.

Panasonic's management also believes that this indicator is useful in understanding Panasonic's current liquidity and financing needs in light of its operating and investing activities, i.e., its ability to pay down and draw on available cash. It should be noted, however, that free cash flow Panasonic reports may not be comparable to free cash flow reported by other companies. It should also be noted that free cash flow should not be viewed in a manner that inappropriately implies that it represents the residual cash flow available for discretionary uses, since at any given time Panasonic may be subject to mandatory debt service requirements and may have other non-discretionary expenditures that are not deducted from this indicator. Panasonic compensates for these limitations by referring to this indicator together with relevant U.S. GAAP financial measures shown in its consolidated statements of cash flows and consolidated balance sheets, to present an accurate and complete picture for purposes of cash availability analysis.

The following table shows a reconciliation of free cash flow to net cash provided by operating activities:

	Yen (billions)		
	Fiscal year ended March 31,		
	2010	2009	2008
Net cash provided by operating activities	522	117	466
Net cash used in investing activities	(323)	(470)	