GMAC LLC
Form 10-Q
August 08, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008, or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission file number: 1-3754

GMAC LLC
(Exact name of registrant as specified in its charter)

Delaware	**38-0572512**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)

(313) 556-5000
(Registrant s telephone number, including area code)

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

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

Large accelerated filer o	Accelerated filer o	Nonaccelerated filer þ	Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2008**	**2007**	**2008**	2007
Revenue				
Consumer	**$1,764**	$2,438	**$3,585**	$4,966
Commercial	**611**	754	**1,259**	1,477
Loans held-for-sale	**312**	396	**672**	874
Operating leases	**2,135**	1,728	**4,238**	3,296
Total financing revenue	**4,822**	5,316	**9,754**	10,613
Interest expense	**2,869**	3,735	**6,048**	7,407
Depreciation expense on operating lease assets	**1,401**	1,173	**2,797**	2,255
Impairment of investment in operating leases	**716**		**716**	
Net financing (loss) revenue	**(164)**	408	**193**	951
Other revenue				
Servicing fees	**465**	556	**936**	1,116
Servicing asset valuation and hedge activities, net	**(185)**	(152)	**225**	(454)
Insurance premiums and service revenue earned	**1,123**	1,051	**2,232**	2,092
(Loss) gain on mortgage and automotive loans, net	**(1,099)**	399	**(1,698)**	363
Investment income (loss)	**185**	227	**(45)**	535
Other income	**990**	786	**1,881**	1,651
Total other revenue	**1,479**	2,867	**3,531**	5,303
Total net revenue	**1,315**	3,275	**3,724**	6,254
Provision for credit losses	**771**	430	**1,244**	1,111
Noninterest expense				
Compensation and benefits expense	**591**	647	**1,204**	1,281
Insurance losses and loss adjustment expenses	**714**	563	**1,344**	1,136
Other operating expenses	**1,548**	1,183	**2,811**	2,429
Total noninterest expense	**2,853**	2,393	**5,359**	4,846

(Loss) income before income tax expense	**(2,309)**	452	**(2,879)**	297
Income tax expense	**173**	159	**192**	309
Net (loss) income	**($2,482)**	$293	**($3,071)**	($12)

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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GMAC LLC

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

($ in millions)	**June 30, 2008**	December 31, 2007
Assets		
Cash and cash equivalents	**$14,325**	$17,677
Investment securities	**11,955**	16,740
Loans held-for-sale	**12,942**	20,559
Finance receivables and loans, net of unearned income		
Consumer ($2,658 at fair value at June 30, 2008)	**76,707**	87,769
Commercial	**43,183**	39,745
Allowance for credit losses	**(2,547)**	(2,755)
Total finance receivables and loans, net	**117,343**	124,759
Investment in operating leases, net	**32,810**	32,348
Notes receivable from General Motors	**2,158**	1,868
Mortgage servicing rights	**5,417**	4,703
Premiums and other insurance receivables	**2,232**	2,030
Other assets	**28,510**	28,255
Total assets	**$227,692**	$248,939
Liabilities		
Debt		
Unsecured	**$83,868**	$102,339
Secured ($3,002 at fair value at June 30, 2008)	**89,621**	90,809
Total debt	**173,489**	193,148
Interest payable	**2,243**	2,253
Unearned insurance premiums and service revenue	**4,936**	4,921
Reserves for insurance losses and loss adjustment expenses	**3,105**	3,089
Deposit liabilities	**19,268**	15,281
Accrued expenses and other liabilities	**10,993**	13,432
Deferred income taxes	**1,342**	1,250
Total liabilities	**215,376**	233,374
Equity		
Members interest	**8,919**	8,912
Preferred interests	**1,052**	1,052
Retained earnings	**1,402**	4,649

Accumulated other comprehensive income	**943**	952
Total equity	**12,316**	15,565
Total liabilities and equity	**$227,692**	$248,939

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
Six Months Ended June 30, 2008 and 2007

($ in millions)	Members interest	Preferred interests	Retained earnings	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
Balance at January 1, 2007	$6,711		$7,173	$485	$14,369	
Net loss			(12)		(12)	($12)
Preferred interests dividends			(104)		(104)	
Capital contributions	1,033				1,033	
Other comprehensive income				301	301	301
Balance at June 30, 2007	$7,744		$7,057	$786	$15,587	$289
Balance at January 1, 2008, before cumulative effect of adjustments	**$8,912**	**$1,052**	**$4,649**	**$952**	**$15,565**	
Cumulative effect of a change in accounting principle, net of tax:						
Adoption of Statement of Financial Accounting Standards No. 157 (a)			**23**		**23**	
Adoption of Statement of Financial Accounting Standards No. 159 (a)			**(178)**		**(178)**	
Balance at January 1, 2008, after cumulative effect of adjustments	**8,912**	**1,052**	**4,494**	**952**	**15,410**	
Capital contributions	**7**				**7**	
Net loss			**(3,071)**		**(3,071)**	**($3,071)**
Dividends paid to members			**(27)**		**(27)**	
Other			**6**		**6**	
Other comprehensive loss				**(9)**	**(9)**	**(9)**
Balance at June 30, 2008	**$8,919**	**$1,052**	**$1,402**	**$943**	**$12,316**	**($3,080)**

(a) Refer to Note 13 to the Condensed Consolidated Financial Statements for further detail.

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
Six Months Ended June 30, 2008 and 2007

($ in millions)	**2008**	2007
Operating activities		
Net cash provided by operating activities	**$10,309**	$6,422
Investing activities		
Purchases of available-for-sale securities	**(9,665)**	(8,892)
Proceeds from sales of available-for-sale securities	**11,282**	3,563
Proceeds from maturities of available-for-sale securities	**2,470**	3,511
Net increase in finance receivables and loans	**(3,427)**	(47,973)
Proceeds from sales of finance receivables and loans	**655**	55,742
Purchases of operating lease assets	**(7,867)**	(11,579)
Disposals of operating lease assets	**3,483**	5,307
Sales of mortgage servicing rights	**174**	
Net increase in notes receivable from General Motors	**(277)**	(121)
Acquisitions of subsidiaries, net of cash acquired		(287)
Other, net	**12**	2,358
Net cash (used in) provided by investing activities	**(3,160)**	1,629
Financing activities		
Net decrease in short-term debt	**(10,222)**	(3,565)
Net increase (decrease) in bank deposits	**3,583**	(237)
Proceeds from issuance of long-term debt	**20,740**	33,531
Repayments of long-term debt	**(24,913)**	(43,029)
Dividends paid	**(62)**	(74)
Other, net (a)	**389**	2,134
Net cash used in financing activities	**(10,485)**	(11,240)
Effect of exchange rate changes on cash and cash equivalents	**(16)**	(47)

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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 Panasonic 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.

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 Panasonic 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.

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.

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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. Panasonic 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.

Risks Relating to Owning Panasonic s Common Stock and ADSs

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 Panasonic regularly announces forecasts of annual and interim dividends in April or May of each year, these forecasts are not legally binding. The payment of annual or interim dividends requires 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 by its Articles of Incorporation as March 31, in the case of annual dividends, and September 30, in the case of interim dividends. However, the board usually does not adopt a resolution with respect to an annual dividend until after March 31 or with respect to an interim dividend until after September 30, respectively. 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.

Investors holding less than a unit of shares will have limited rights as shareholders

Pursuant to the Company Law and other related legislation, Panasonic s Articles of Incorporation provide that 100 shares of common stock constitute one unit. The Company Law imposes significant restrictions and limitations on holdings of shares that do not constitute whole units. In general, holders of shares constituting less than one unit do not have the right to vote or to examine Panasonic s books and records. The transferability of

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shares of Panasonic s common stock constituting less than one unit is significantly limited. For a more complete description of the unit share system and its effect on the rights of holders of Panasonic shares, see Description of Panasonic s Common Stock Unit Share System.

Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions

Panasonic s Articles of Incorporation, Regulations of the Board of Directors, and the Company Law govern the corporate affairs of Panasonic. Legal principles relating to such matters as the validity of corporate procedures, directors fiduciary duties and liabilities, and shareholders rights may be different from those that would apply to a non-Japanese company. Shareholders rights under Japanese law may not be as extensive as shareholders rights under the laws of other countries or jurisdictions within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in another jurisdiction.

Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of Panasonic s common stock at a particular price on any particular trading day, or at all

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day s closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

It may not be possible for investors to effect service of process within the United States upon Panasonic or its directors, executive officers or corporate auditors, or to enforce against Panasonic or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States

Panasonic is a joint stock corporation organized under the laws of Japan. Almost all of Panasonic s directors, executive officers and corporate auditors reside outside the United States. Many of Panasonic s assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon Panasonic or these persons or to enforce against Panasonic or these persons judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. Panasonic believes that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

ADS holders must act through the depositary to exercise these rights and have fewer rights than shareholders

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 deposited shares. If shareholders choose to deposit shares allocated to them in the Share Exchange for ADS, the depositary will make efforts to exercise their voting rights underlying ADSs in accordance with the instructions of ADS holders, and will pay 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.

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SELECTED CONSOLIDATED FINANCIAL DATA OF PANASONIC

U.S. GAAP Selected Financial Data of Panasonic

The following selected consolidated statement of operations data for the years ended March 31, 2008, 2009 and 2010, and the selected consolidated balance sheet data as of March 31, 2009 and 2010, have been derived from Panasonic s audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data for the years ended March 31, 2006 and 2007, and the selected consolidated balance sheet data as of March 31, 2006, 2007 and 2008 are derived from Panasonic s audited consolidated financial statements not included in this prospectus. You should read the following selected consolidated financial data in conjunction with Panasonic s consolidated financial statements and the information in Panasonic Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus. Panasonic has prepared its consolidated financial statements in accordance with U.S. GAAP.

	Yen (billions), except per share amounts Fiscal year ended March 31,				
	2010	2009	2008	2007	2006
Statements of Operations Data:					
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
	($0.13)	($0.40)	($0.33)	($0.21)	($0.15)
Balance Sheet Data:					
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

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. Panasonic 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 Panasonic did not have potential common shares that were outstanding for the period.

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SELECTED CONSOLIDATED FINANCIAL DATA OF SANYO

U.S. GAAP Selected Financial Data of SANYO

The following selected consolidated statement of operations data for the years ended March 31, 2009 and 2010, and the selected consolidated balance sheet data as of March 31, 2009 and 2010, have been derived from SANYO s audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data for the years ended March 31, 2006, 2007 and 2008, and the selected consolidated balance sheet data as of March 31, 2006, 2007 and 2008 are derived from SANYO s audited consolidated financial statements not included in this prospectus. You should read the following selected consolidated financial data in conjunction with SANYO s consolidated financial statements and the information in SANYO Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus. SANYO has prepared its consolidated financial statements in accordance with U.S. GAAP.

	Yen (billions), except per share amounts Fiscal year ended March 31,				
	2010	2009	2008	2007	2006
Statements of Operations Data:					
Net sales	1,595	1,771	2,018	1,883	2,032
Income (loss) from continuing operations before income taxes	(38)	(114)	57	(16)	(182)
Income (loss) from continuing operations	(51)	(119)	42	(41)	(204)
Net income (loss) attributable to SANYO	(49)	(93)	29	(45)	(206)
Per common share:					
Net income (loss) attributable to SANYO:					
Basic	(7.94)	(15.18)	4.67	(72.66)	(194.96)
Diluted		(15.18)	4.67	(72.66)	(194.96)
Dividends					
Balance Sheet Data:					
Total assets	1,391	1,345	1,684	1,971	2,155
Long-term debt	324	305	271	335	494
Total SANYO stockholders equity	108	146	308	312	403
Common stock	322	172	172	172	172
Preferred stock		150	150	150	89
Number of shares issued at year-end (thousands)					
Common stock	6,158,053	1,872,338	1,872,338	1,872,338	1,872,338
Preferred stock		428,571	428,571	428,571	428,571
Number of shares issued and outstanding at year-end (thousands)					
Common stock	6,141,397	1,855,811	1,853,108	1,853,502	1,854,464
Preferred stock		428,571	428,571	428,571	428,571

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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SELECTED HISTORICAL AND PRO FORMA PER SHARE DATA

The following table sets forth certain historical pro forma and pro forma equivalent information with respect to net loss per share and dividend per share for the year ended March 31, 2010 and net book value per share as of March 31, 2010 for Panasonic and SANYO. The information that follows should be read in conjunction with the unaudited pro forma U.S. GAAP condensed consolidated financial information and related notes included elsewhere in this prospectus, together with the historical U.S. GAAP consolidated financial statements of Panasonic and SANYO included elsewhere in this prospectus.

The comparative pro forma and pro forma equivalent per share data have been included for comparative purposes only and do not purport to be indicative of: (1) the results of operations or financial position which actually would have been obtained if the Share Exchange had been completed at the beginning of the earliest period presented or as of the date indicated or (2) the results or financial position which may be obtained in the future.

	Panasonic		SANYO	
	Historical(1)	Pro Forma	Historical(1)	Pro Forma Equivalent(2)
Net book value per share	¥ 1,348.63	¥	¥ 17.64	¥
Cash dividends per share(3)	12.50		0	
Income (loss) from continuing operations per share:				
Basic	(49.97)	( )	(7.94)	( )

Notes:

1 Historical amounts were calculated using the weighted average number of shares outstanding for the period.
2 Pro forma equivalent per share amounts were calculated by multiplying the pro forma net book value per share, pro forma cash dividends per share and pro forma loss from continuing operations per share by the relevant share exchange ratio (for SANYO, each share of SANYO s common stock to shares of Panasonic s common stock).
3 Cash dividends per share reflect those declared for the year ended March 31, 2010.

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MARKET PRICE AND DIVIDEND INFORMATION

Panasonic s common stock is listed on the First Sections of the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange. Also, American Depositary Shares, each representing one Panasonic share, are listed on the New York Stock Exchange.

SANYO s common stock is listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange.

The following table sets forth, for the periods indicated, the reported high and low prices per share of Panasonic s common stock on the First Section of the Tokyo Stock Exchange, and the reported high and low composite prices of Panasonic s ADSs on the New York Stock Exchange:

	Tokyo Stock Exchange Price per Share of Common Stock (yen)		New York Stock Exchange Price per American Depositary Share (dollars)*	
	High	**Low**	**High**	**Low**
Fiscal Year ended March 31, 2006	¥ 2,650	¥ 1,485	$ 22.68	$14.19
Fiscal Year ended March 31, 2007	2,870	2,080	25.14	17.70
Fiscal Year ended March 31, 2008	2,585	1,912	22.59	16.63
Fiscal Year ended March 31, 2009	2,515	1,000	24.38	10.60
Fiscal Year ended March 31, 2010	1,585	1,062	17.19	10.77
Fiscal Year ended March 31, 2009:				
First quarter	2,515	2,000	24.38	19.71
Second quarter	2,380	1,774	22.02	16.54
Third quarter	1,882	1,000	17.66	10.91
Fourth quarter	1,322	1,016	13.74	10.60
Fiscal Year ended March 31, 2010:				
First quarter	1,510	1,070	15.37	10.77
Second quarter	1,541	1,175	16.60	12.76
Third quarter	1,356	1,062	14.80	12.40
Fourth quarter	1,585	1,228	17.19	13.72
Fiscal Year ending March 31, 2011:				
First quarter	1,480	1,104	15.72	12.35
Month of:				
March 2010	1,449	1,234	15.62	13.75
April 2010	1,480	1,345	15.72	14.42
May 2010	1,348	1,123	14.70	12.35
June 2010	1,288	1,104	14.06	12.43
July 2010	1,212	1,040	13.55	12.35
August 2010	1,155	1,027	13.35	12.14
September 2010	1,170	1,050	13.80	12.75

* The prices of ADSs are based upon reports by the NYSE, with all fractional figures rounded up to the nearest two decimal points.

On September 30, 2010, the last reported sale price of Panasonic shares on the Tokyo Stock Exchange was ¥1,131 per share.

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The following table sets forth, for the periods indicated, the reported high and low prices per share of SANYO s common stock on the First Section of the Tokyo Stock Exchange:

	SANYO s Common Stock Price per Share	
	High	Low
Fiscal year ended March 31, 2006	¥ 363	¥ 237
Fiscal year ended March 31, 2007	324	148
Fiscal year ended March 31, 2008	241	120
Fiscal year ended March 31, 2009	297	110
Fiscal year ended March 31, 2010	279	138
Fiscal year ended March 31, 2009:		
First quarter	297	208
Second quarter	254	176
Third quarter	245	110
Fourth quarter	175	132
Fiscal year ended March 31, 2010:		
First quarter	279	138
Second quarter	272	188
Third quarter	238	148
Fourth quarter	177	138
Fiscal year ending March 31, 2011:		
First quarter	159	112
Month of:		
March 2010	154	143
April 2010	159	147
May 2010	156	125
June 2010	135	112
July 2010	152	110
August 2010	138	136
September 2010	138	137

On September 30, 2010, the last reported sale price of SANYO shares on the Tokyo Stock Exchange was ¥138 per share.

Set forth below are the closing prices of Panasonic s common stock and SANYO s common stock on July 28, 2010, the last full trading day prior to the public announcement date on which the two companies had announced the tender offer and the Share Exchange, including the tender offer price, , , the date on which the two companies publicly announced the share exchange ratio, and , . The table also sets forth the implied equivalent value of SANYO s common stock on these dates, as determined by multiplying the applicable closing price of Panasonic s common stock by the exchange ratio of Panasonic shares per SANYO share. Panasonic urges you to obtain current market quotations for each of the two companies common stock.

	Panasonic s Common Stock	SANYO s Common Stock	
	Historical	Historical	Equivalent
July 28, 2010	¥1,167	¥ 118	¥
,			
,			

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The following table sets forth, for the periods indicated, the dividends per share paid on Panasonic s common stock and SANYO s common stock:

	Panasonic	SANYO
Fiscal Year Ended March 31,		
2006	¥ 17.50	
2007	25.00	
2008	32.50	
2009	40.00	
2010	12.50	

SANYO Shareholders

According to SANYO s register of shareholders as of , 2010, there were shares of its common stock issued, of which shares were outstanding and were held by shareholders of record, including shareholders of record with addresses in the United States who held shares, representing approximately % of the then issued common stock and approximately % of the then outstanding common stock. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States may be fewer than the number of beneficial owners in the United States. SANYO is not required by Japanese law to monitor or disclose beneficial ownership of its common stock.

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EXCHANGE RATES

The following table sets forth information regarding the noon buying rates for Japanese yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York expressed in Japanese yen per $1.00 during the periods and as of the dates shown. The average exchange rate for the periods shown is the average of the month-end rates during the period. We have translated some Japanese yen amounts presented in this prospectus into U.S. dollars solely for your convenience. Unless otherwise noted, the rate used for the translations was ¥93.40 per $1.00. This was the approximate exchange rate in Japan on March 31, 2010. The translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

The following table shows the noon buying rates for Japanese yen per $1.00.

	Low	High	Average	Period-End
Fiscal Year Ended March 31,				
2006	¥ 120.93	¥ 104.41	¥ 113.67	¥ 117.48
2007	121.81	110.07	116.55	117.56
2008	124.09	96.88	113.61	99.85
2009	110.48	87.80	100.85	99.15
2010	100.71	86.12	92.49	93.40
2011 (through September 24, 2010)	94.68	83.05	88.05	84.24
Calendar Year 2010				
March	¥ 93.40	¥ 88.43		
April	94.51	92.03		
May	94.68	89.89		
June	92.33	88.39		
July	88.59	86.40		
August	86.42	84.10		
September (through September 24, 2010)	85.77	83.05		

On September 24, 2010, the noon buying rate was ¥84.24 = $1.00.

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EXTRAORDINARY GENERAL MEETING OF SANYO SHAREHOLDERS

General

SANYO is distributing mail-in-ballots to its shareholders who are entitled to exercise their voting rights (or their standing proxies in Japan, as appropriate) for use at the SANYO extraordinary general meeting, currently expected to be held in March 2011, at 5-5, Keihan-Hondori 2-Chome, Moriguchi City, Osaka 570-8677, Japan. SANYO is distributing these mail-in-ballots, together with the notice of convocation of the meeting and reference documents concerning the shareholders meeting, by mail to its shareholders who have voting rights. Both the notice and mail-in-ballots are written in Japanese. An English translation of the notice of convocation of the meeting and reference documents for the shareholders meeting are included as an exhibit to the registration statement of which this prospectus forms a part. An English translation of the mail-in-ballot is also included as an exhibit to such registration statement. This prospectus is furnished to SANYO shareholders resident in the United States in connection with the issuance by Panasonic of shares of Panasonic s common stock pursuant to the Share Exchange.

The purpose of the SANYO extraordinary general meeting will be to, among other things, consider and to vote upon the approval of the terms of the Share Exchange, including the share exchange ratios.

Voting

Record Date

The close of business on , has been fixed by the resolution of board of directors to be as the SANYO record date for the determination of the holders of SANYO s common stock entitled to exercise the shareholders rights at the SANYO extraordinary general meeting. SANYO s shareholders may vote at the SANYO extraordinary general meeting only if they are registered as a holder of one unit or more shares of SANYO s common stock in SANYO s register of shareholders at that time.

As of , 2010, there were shares of SANYO s common stock issued and outstanding. Of those, shares were held by residents of the United States. Each unit of shares of SANYO s common stock outstanding on the SANYO record date is entitled to one vote on each matter properly submitted at the SANYO extraordinary general meeting subject to the limitation by the Unit share system. See Description of Panasonic s Common Stock Unit Share System.

Vote Required

Approval of the Share Exchange requires the affirmative vote of the holders of a two-thirds majority of the voting rights of shareholders of SANYO represented at the extraordinary general meeting of shareholders of SANYO at which shareholders holding one-third of the total voting rights of the shareholders who are entitled to exercise their voting rights are represented.

As of , 2010, the directors and corporate auditors of SANYO owned directly and indirectly an aggregate of shares of SANYO s common stock. Also, as of , 2010, a director of Panasonic owned directly and indirectly shares of SANYO s common stock.

Mail-in-ballots

Holders of SANYO s common stock entitled to vote at the SANYO extraordinary general meeting may vote their shares by mail-in-ballot, using the form in Japanese which SANYO is distributing by mail to those holders.

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Revocation

Any person who submits a mail-in-ballot by mail may revoke it any time before it is voted:

- By sending another mail-in-ballot dated a later date than the previous mail-in-ballot to SANYO, or
- By voting in person, or through another shareholder entitled to vote and appointed as such person s attorney-in-fact, at the general meeting of shareholders of SANYO.

SANYO shareholders who have instructed a broker to vote their shares must follow directions received from their broker to change and revoke their vote.

Questions About Voting SANYO Shares

If SANYO shareholders have any questions about how to vote or direct a vote in respect of their SANYO s common stock, they may call Koji Honda, Investor Relations Dept., at 81-6-6994-3480.

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THE SHARE EXCHANGE

General

The boards of directors of Panasonic and SANYO have agreed to the Share Exchange, to be approved by shareholders meeting of SANYO. Pursuant to the Share Exchange, each shareholder of SANYO will receive shares of Panasonic s common stock for each share of SANYO s common stock that such shareholder holds. If the terms of the Share Exchange are approved by the shareholders meeting of SANYO, and if the other conditions for completing the Share Exchange are satisfied, the Share Exchange is expected to become effective on April 1, 2011.

This section of the prospectus describes material aspects of the Share Exchange, including the material provisions of the Share Exchange Agreement. An English-language translation of the Share Exchange Agreement, the original of which is written in Japanese, is included in this prospectus as Appendix A**.**

Background to the Share Exchange

The Share Exchange is the final step in Panasonic s turning SANYO into a wholly-owned subsidiary. In order to implement a capital and business alliance with SANYO, Panasonic completed an initial tender offer for shares of SANYO s common stock and preferred stock in December 2009, and as a result of conversion of all shares of preferred stock into shares of common stock, Panasonic became the owner of 50.2% of SANYO s voting rights, and accordingly started consolidating SANYO in its consolidated financial statements.

After the completion of the initial tender offer in December 2009, Panasonic and SANYO launched a Collaboration Committee, which has been examining ways in which to create specific synergies. As a result, both companies have set a goal of creating various synergies, using various measures such as strengthening the Panasonic Group s sales network in the solar battery business and optimizing their strengths to the fullest extent in the lithium-ion battery business.

In addition, since SANYO became a consolidated subsidiary of Panasonic, SANYO and Panasonic have had certain joint management strategies as group companies and implemented various collaborative measures, such as initiating sales of the HIT® solar cell through Panasonic s sales routes since July 2010. However, the business environment surrounding the Panasonic Group, which includes SANYO and PEW, continues to change dramatically and rapidly. While business expansion opportunities have been offered by the rapidly expanding environment-related and energy-related markets and burgeoning emerging markets, the competition with Korean, Taiwanese, and Chinese companies, as well as Japanese, American, and European companies, has intensified not only in the Digital AVC Networks business, but also in the fields of rechargeable batteries, solar batteries, and electric vehicle-related business. It has become difficult for companies to effectively compete against global competitors in the expanding market without speeding up strategy execution and implementing all measures to demonstrate further group-wide potential.

In such circumstances, Panasonic considered various measures to further increase the corporate value of its group, and explored the possible acquisition of the shares of SANYO and PEW it did not already own.

Prior to the transaction, the President of Panasonic, Mr. Fumio Ohtsubo, and the Executive Vice President of Panasonic, Mr. Takahiro Mori, with the General Manager, Corporate Planning Group of Panasonic, Mr. Yoshiaki Nakagawa, decided to set up a new project team to commence concrete discussions regarding such a possible acquisition of shares of SANYO and PEW that Panasonic did not already own. Panasonic s project team discussed possible issues related to such transactions with Panasonic s financial advisor, Nomura Securities Co. Ltd., its Japanese legal counsel, Nagashima Ohno & Tsunematsu and its U.S. legal counsel, Sullivan & Cromwell LLP.

In late June 2010, SANYO received a proposal from Panasonic to discuss the possibility of the transaction. The President of Panasonic, Mr. Fumio Ohtsubo, the Executive Vice President of Panasonic, Mr. Takahiro Mori,

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and the President of SANYO, Mr. Seiichiro Sano had a meeting in which Mr. Ohtsubo proposed Panasonic s plan to acquire all the shares of SANYO and PEW that Panasonic did not already own in order to make them wholly-owned subsidiaries of Panasonic. During the meeting, SANYO promised to consider the possibility of accepting Panasonic s proposal.

Following the initial meeting, both Panasonic and SANYO had internal meetings and meetings with their respective outside advisors. Subsequently, the management members of Panasonic and SANYO had ongoing extensive discussions to negotiate the potential acquisition including the offer price, structure, schedule of the tender offer and the share exchange and the strategy of SANYO after the potential acquisition. In light of the proposal received from Panasonic, the management of SANYO engaged in ongoing discussions regarding, and considered, various measures to further increase value for its shareholders and the corporate value of both companies.

After receiving the proposal from Panasonic, SANYO retained ABeam M&A Consulting Ltd. (ABeam M&A Consulting) as its financial advisor. SANYO also retained Mori Hamada & Matsumoto as its Japanese legal counsel. Subsequently, SANYO, its financial advisor and its Japanese legal counsel held various meetings to discuss the terms, structure and schedule of the potential transaction and the strategy for negotiations. Among other things, Mori Hamada & Matsumoto provided SANYO s board of directors with legal advice concerning the decision-making method and procedures to be used by the board of directors, including various procedures related to the planned transaction.

Over the course of the discussions and negotiations between Panasonic and SANYO, Panasonic performed its legal and financial due diligence of SANYO with the assistance of legal and accounting professional firms. As part of this process, Panasonic also conducted an interview of SANYO s management. On behalf of Panasonic, legal due diligence was conducted by Nagashima Ohno & Tsunematsu, and an accounting due diligence was conducted by KPMG AZSA LLC.

Two weeks prior to the public announcement of the transaction, Panasonic and SANYO had a preliminary consultation meeting on the planned tender offers with the Tokyo Stock Exchange in accordance with its listing rules. Panasonic also had a preliminary consultation meeting on the tender offers with the Kanto Local Finance Bureau after the consultation.

On July 29, 2010, the date of public announcement, SANYO received from ABeam M&A Consulting, acting as its financial advisor and as a third-party valuation institution independent from Panasonic and SANYO, a share valuation report analyzing the value of SANYO s shares. In addition, on the same date, SANYO s board of directors received a fairness opinion from ABeam M&A Consulting stating that Panasonic s proposed tender offer purchase price of 138 yen per share is fair to shareholders of SANYO other than Panasonic, etc. (meaning Controlling Shareholders and other parties set forth in the Enforcement Regulations provided for in Article 441-2 of the Securities Listing Regulations of Tokyo Stock Exchange including Panasonic), especially from a financial viewpoint.

On the same date, at a meeting of the board of directors of SANYO (with five out of eight directors in attendance), based in part on the share valuation report and fairness opinion received from ABeam M&A Consulting, it was determined that the tender offer would contribute to the further development of SANYO s business, that the conditions relating to the tender offer were appropriate, and that the tender offer provided all of SANYO s shareholders with an opportunity to sell SANYO s shares for a reasonable price. Thus, a resolution was adopted with the approval of all five of the directors in attendance that SANYO would express its endorsement of the tender offer, and recommend that SANYO s shareholders tender their shares in the tender offer.

In addition, all of SANYO s statutory auditors who attended the above board of directors meeting (four out of five statutory auditors (including all three outside statutory auditors)) expressed the opinion that they had no objection to SANYO s board of directors endorsing the tender offer and recommending that SANYO s shareholders tender their shares. Messrs. Susumu Koike, Junji Esaka and Kenjiro Matsuba, who are directors of

SANYO, were officers or employees of Panasonic or its affiliates until January 2010 (in the case of Mr. Koike), until June 2009 (in the case of Mr. Esaka) or until March 2009 (in the case of Mr. Matsuba), and in addition, Messrs. Susume Koike and Junji Esaka continued to serve as corporate advisors to Panasonic. Accordingly, those three directors did not participate in any of the discussions or voting on the tender offer, in order to prevent conflicts of interest, and did not participate in any of the discussions or negotiations with Panasonic on behalf of SANYO. Mr. Takae Makita, a statutory auditor of SANYO, was an officer of Panasonic until March 2009 and continued to serve as a corporate advisor of Panasonic. Accordingly, he also did not participate in the above-referenced discussions, for the purpose of maintaining the fairness and the neutrality of SANYO s decisions.

In addition, on July 29, 2010, Panasonic received from Nomura Securities Co., Ltd., acting as Panasonic s financial advisor and a third-party valuation institution independent from Panasonic and from SANYO, a valuation report with respect to SANYO s shares of common stock. Furthermore, on the same date, Panasonic s board of directors received a fairness opinion from Nomura Securities Co., Ltd. stating that the proposed tender offer purchase price of 138 yen per share was proper for Panasonic from a financial viewpoint.

On July 29, 2010, a meeting of the board of directors of Panasonic was held to consider the planned acquisitions of all shares of SANYO that Panasonic did not already own, including the first-step tender offer. After review and discussions of the terms of the proposal, as well as the valuation report and fairness opinion received from Nomura Securities Co., Ltd., the board of directors of Panasonic unanimously resolved to approve the terms of the transaction scheme.

On July 29, 2010, Panasonic and SANYO announced the details of the tender offer and the acquisition. In addition to the offer price and terms for the tender offer, it was announced by Panasonic that, for the purposes of the share exchange ratio for each second-step share exchange, SANYO s shares were expected to be valued based on a price equivalent to the respective tender offer purchase price.

On August 23, 2010, Panasonic commenced the tender offer for all shares of SANYO that it did not already own on the terms announced on July 29, 2010, and further announced that the tender offer would remain open until October 6, 2010.

Reasons for the Share Exchange

As discussed above, the business environment surrounding the Panasonic Group continues to change dramatically and rapidly. Thus, it is indispensable for the Panasonic Group to speed up strategy execution and take further advantage of the total strengths of the group in order to effectively compete against the competition and achieve business growth in new markets. As a result, Panasonic made a determination to turn both SANYO and PEW, which are both currently consolidated subsidiaries, into wholly-owned subsidiaries through simultaneous first-step tender offers and subsequent share exchanges.

Through ownership of all of the shares of both SANYO and PEW, Panasonic intends to dynamically accelerate, and to achieve further progress under, its business plan by promoting rapid decision making and maximizing group synergies. Panasonic, PEW and SANYO intend to pursue the establishment of the new Panasonic Group, under which the three companies will be genuinely integrated, and will make efforts to (i) maximize value creation by strengthening contacts with customers, (ii) realize speedy and lean management, and (iii) accelerate growth businesses by boldly shifting management resources.

Furthermore, in order to realize these objectives, the Panasonic Group s business organization is scheduled to be restructured by around January 2012. From the perspective of maximization of customer value, the basic policy of such restructuring is to integrate and reorganize the business and marketing divisions of the three companies into three business sectors: Consumer, Components and Devices and Solutions, and to design optimal business models that are most suitable for the character of each business. The Panasonic Group will make efforts to establish a business organization under which it can effectively compete against global competitors in each business and in each industry.

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The direction of the reorganization of each business sector will be as follows:

Consumer business sector:
The Panasonic Group intends to reorganize its marketing function on a global basis. Under the reorganization, the Panasonic Group intends to enhance the function of its frontline business and accelerate the creation of customer-oriented products. Also, the Panasonic Group intends to work to strengthen, among others, its overseas consumer business by strategically distributing its marketing resources in Japan and overseas.

Components and Devices business sector:
The Panasonic Group intends to strengthen cooperation among the development, production and sales functions for each component and device having a common business model. By combining marketing and technology, the Panasonic Group intends to strengthen its proposal-style business, which foresees the potential needs of customers and aim to expand the business as an independent business that does not rely on internal needs. Particularly in this business sector, the Panasonic Group intends to continue to make maximum use of SANYO s strengths, such as its rechargeable batteries business and solar business, as well as its customer network.

Solutions business sector:
The Panasonic Group intends to unify the development, production and sales functions for each solution for business customers. The Panasonic Group aims to offer the most suitable products, services and solutions as quickly as possible, grasping customers needs in as timely a fashion as possible. In addition, the comprehensive solutions for the entire home, the entire building and the entire town that encompass these solutions will be accelerated. Particularly in this business sector, the Panasonic Group intends to continue to make maximum use of the strength and customer network of PEW.

In addition to the reorganization, the head office will aim for a lean and speedy global head office by strengthening its strategic functions, while integrating and streamlining the three companies organizations.

Further, together with this reorganization, Panasonic Group will consider integrating its brands, in principle, into Panasonic in the future. However, Panasonic Group expects that SANYO will continue to be partially utilized, depending on the particular business or region.

Panasonic Group believes that the acquisitions and business reorganizations mentioned above will promote the integration of the three companies advantages and the proposal capabilities for comprehensive solutions, and will enable rapid increase in global competitiveness especially in the energy systems, heating/refrigeration/air conditioning and network AV business, which are core businesses to lead sales and profits of the entire group companies. Also, in each business such as healthcare, security, and LED, which is positioned as a key business for the next generation, Panasonic will make efforts to accelerate the growth of such business by combining the capacities of the three companies for research and development, as well as market development.

Additionally, Panasonic intends to realize further reinforcement of management structure and cost competitiveness through business integration and unification of the business bases of the three companies, and through optimizing and streamlining its head office organization.

Considerations of SANYO

Determination of SANYO s Board of Directors

Opinions of SANYO s Financial Advisors

Considerations of Panasonic

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Structure of the Share Exchange

The Share Exchange is expected to become effective on April 1, 2011. Under the terms of the Share Exchange approved by the boards of directors of Panasonic and SANYO, the following events will occur upon the effectiveness of the Share Exchange:

Shareholders of SANYO s common stock whose names appear in the register of shareholders of SANYO as of the moment immediately preceding the Share Exchange will be allotted shares of Panasonic s common stock in amounts based on the ratio of Panasonic shares for one SANYO share, such amount (excluding any fraction of a share) to be reflected in Panasonic s register of shareholders; and

Any fraction of a share of Panasonic s common stock that would otherwise be allotted to former shareholders of SANYO will instead be cashed out as described in more detail below.

In accordance with the Company Law, SANYO shareholders will not receive any fractions of a share of Panasonic s common stock in the Share Exchange. Instead, the shares representing the aggregate of all such fractions (in case where such aggregated shares still include any fraction less than one share, such fraction shall be rounded off) will be sold in the Japanese market or sold to Panasonic and the net cash proceeds from the sale will be distributed to the former holders of SANYO shares on a proportionate basis in accordance with their respective fractions.

If a material change occurs in the financial condition or results of operations of Panasonic as a result of any natural disaster or any other event during the period from the date of the Share Exchange Agreement until the effective date of the Share Exchange, Panasonic and SANYO may, by the resolution of their respective boards of directors, amend the terms and conditions of the Share Exchange or terminate the Share Exchange Agreement.

Conditions to the Share Exchange

The Share Exchange can be completed only if certain conditions which will be specified in the Share Exchange Agreement are satisfied. Such conditions will include the following:

Under the Company Law, the Share Exchange Agreement must be approved at the general meeting of shareholders of SANYO.

Description of Material Share Exchange Terms

SANYO Voting Matters

The close of business on , has been fixed by the resolution of SANYO s board of directors as the record date for determination of the holders of SANYO s common stock entitled to exercise shareholders rights at SANYO s extraordinary general meeting. As of , 2010, there were shares of SANYO s common stock issued and outstanding. See Extraordinary General Meeting of SANYO Shareholders for a more detailed description of the vote required, and the use and revocation of mail-in-ballots at the general meeting of shareholders.

Dissenters Rights

Any SANYO shareholder (i) who notifies SANYO prior to the general meeting of shareholders of his or her intention to oppose the Share Exchange, and who votes against approval of the Share Exchange at the general meeting, or (ii) who is not entitled to vote at such general meeting of shareholders, and complies with the other procedures set forth in the Company Law discussed below (a dissenting shareholder) may demand that SANYO purchase his or her shares of SANYO s common stock at the fair value. The failure of a shareholder who is entitled to vote at such general meeting of shareholders to provide such notice prior to the general meeting or to vote against approval of the Share Exchange at the general meeting will in effect constitute a waiver of the shareholder s right to demand that SANYO purchase his or her shares of common stock at the fair value. The dissenting shareholder who has made such demand may withdraw such demand only if SANYO approves such withdrawal.

SANYO will give individual notice or public notice to its shareholders announcing that SANYO intends to perform the Share Exchange and providing the name and address of Panasonic, no later than 20 days prior to the effective date of the Share Exchange (such individual or public notice may be made prior to the date of the general meeting of shareholders). The demand referred to in the preceding paragraph must be made during the period from the day 20 days prior to the effective date of the Share Exchange to the date immediately preceding the effective date of the Share Exchange and should state the number of shares relating to such demand. The Company Law does not require any other statement in the demand. If the value of such shares is agreed upon between the dissenting shareholder of SANYO, then SANYO is required to make payment to such dissenting shareholder of the agreed value within 60 days of the effective date of the Share Exchange. If the dissenting shareholder and SANYO do not agree on the value of such shares within 30 days from the effective date of the Share Exchange, the shareholder or SANYO may, within 30 days after the expiration of such period, file a petition with the Osaka District Court for a determination of the value of his or her shares. SANYO is also required to make payment of statutory interest on such share value as determined by the court after the expiration of the 60-day period referred to in the second preceding sentence. The transfer of shares will become effective on the effective date of the Share Exchange.

Dissenter s rights in the context of a Share Exchange by a Japanese corporation are set forth in Articles 785 and 786 of the Company Law. An English translation of these articles is included in this prospectus as Appendix A.

Status of Panasonic s Common Stock under the Federal Securities Laws

The transfer of shares of Panasonic s common stock in connection with the Share Exchange to United States holders of SANYO s common stock has been registered under the United States Securities Act of 1933 (the Securities Act). Accordingly, there will be no restrictions under the Securities Act upon the resale or transfer of such shares by United States shareholders of SANYO except for those shareholders, if any, who are deemed to be affiliates of Panasonic, as such term is used in Rule 144 and Rule 145 under the Securities Act. Persons who may be deemed to be affiliates of Panasonic generally include individuals who, or entities that, directly or indirectly control, or are controlled by or are under common control with, Panasonic. With respect to those shareholders who may be deemed to be affiliates of Panasonic, Rule 144 and Rule 145 place certain restrictions on the offer and sale within the United States or to United States persons of Panasonic s common stock that may be received by them pursuant to the Share Exchange. This prospectus does not cover resales of shares of Panasonic s common stock received by any person who may be deemed to be an affiliate of Panasonic.

Accounting Treatment

SANYO was a consolidated subsidiary of Panasonic prior to the Share Exchange as Panasonic had a controlling financial interest. Since the changes in Panasonic s ownership interest do not result in a loss of control of SANYO, the Share Exchange will be accounted for by Panasonic in accordance with ASC 810 Consolidation. Under this U.S. GAAP guidance, changes in Panasonic s ownership interest while Panasonic retains its controlling financial interest in SANYO will be accounted for as equity transactions. There will be no gain or loss recognition in the consolidated statements of operations or comprehensive income (loss) of Panasonic and the carrying amount of the noncontrolling interest shall be adjusted to reflect the change in Panasonic s ownership interest in SANYO. Any difference between the fair value of the consideration paid by Panasonic and by which the noncontrolling interest is adjusted shall be recognized in Panasonic s shareholders equity caption in Panasonic s consolidated balance sheets.

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Differences in Shareholders   Rights

There are no material differences between or among the rights of shareholders of Panasonic s common stock and SANYO s common stock from a legal perspective.

Tax Consequences of the Share Exchange

Based on certain assumptions and subject to certain limited exceptions, the Share Exchange is expected to be a tax-free transaction for Japanese tax purposes for holders of shares of SANYO s common stock who will be allotted shares of Panasonic s common stock. As such, non-resident holders of shares of SANYO s common stock will generally not recognize any gains or losses for Japanese tax purposes at the time of the Share Exchange. See Taxation Japanese Tax Consequences for further discussion.

Panasonic expects that the Share Exchange to be a taxable event for U.S. federal income tax purposes. As a result, U.S. Holders will generally recognize a capital gain or loss measured by the difference between (i) the sum of (A) the fair market value (in U.S. dollars) of Panasonic s common stock received in exchange for their SANYO s shares and (B) any cash received in lieu of fractional shares of Panasonic s common stock, and (ii) their tax basis in the shares of SANYO s common stock they hold. Such capital gain or loss will be long-term capital gain or loss if, at the time of the exchange, their holding period in their shares of SANYO s common stock exceeds one year. For further discussion, see Taxation Material U.S. Federal Income Tax Consequences beginning on page 118.

Panasonic-PEW Share Exchange

The boards of directors of Panasonic and PEW have agreed to the Panasonic-PEW Share Exchange, pursuant to which each shareholder of PEW will receive   shares of Panasonic s common stock for each share of PEW s common stock that such shareholder holds. The terms of the Panasonic-PEW Share Exchange will be submitted to the shareholders meeting of PEW to be held on , 2011. The completion of the Panasonic-PEW Share Exchange is not conditioned in any respect on the completion of the Share Exchange. If the Panasonic-PEW Share Exchange is completed, PEW will become a wholly-owned subsidiary of Panasonic on April 1, 2011.

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BUSINESS OF PANASONIC

History and Development of Panasonic

Panasonic (Address: 1006, Oaza Kadoma, Kadoma City, Osaka 571-8501, Japan. Phone: +81-6-6908-1121 / Agent: Mr. Ko Kaneko, President of Panasonic Finance (America), Inc.) was incorporated in Japan on December 15, 1935 under the laws of Japan as Matsushita Denki Sangyo Kabushiki Kaisha as the successor to an unincorporated enterprise founded in 1918 by the late Konosuke Matsushita. Mr. Matsushita led Panasonic with his corporate philosophy of contributing to the peace, happiness and prosperity of humankind through the supply of quality consumer electric and electronic goods. Panasonic 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, Panasonic 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, Panasonic expanded its overseas businesses, and its products started obtaining worldwide recognition.

During the global recession caused by the first oil crisis in 1973, Panasonic strengthened its structure and overseas business relations. The advent and popularity of the video cassette recorder (VCR) from the late 1970s enabled Panasonic to receive worldwide recognition as a global consumer electronics manufacturer. In the 1980s, Panasonic 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, Panasonic has been emphasizing technological development and the use of advanced technology in every phase of life. In particular, Panasonic 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, Panasonic sold 80% equity interest in MCA (subsequently renamed Universal Studios, Inc.) which Panasonic purchased in December 1990, to The Seagram Company Ltd. (currently Vivendi Universal S.A.) for approximately $5.7 billion, leaving Panasonic with a minority interest. In February 2006, Panasonic sold the remaining shares to Vivendi Universal S.A.

In April 2000, Panasonic 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, Panasonic issued 16,321,187 shares of its common stock to shareholders of the respective companies.

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

In April 2001, Panasonic 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.

In April 2002, Panasonic 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 Panasonic.

As a drastic structural reform aimed at achieving new growth, Panasonic implemented share exchanges on October 1, 2002 with five of its majority-owned subsidiaries (Matsushita Communication Industrial Co., Ltd.,

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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 Panasonic.

As an extension of this Groupwide reorganization, Panasonic 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, Panasonic established a new global consolidated management system that focuses on capital efficiency and cash flows.

Also on April 1, 2003, Panasonic launched another joint venture company with Toshiba, upon separating their respective cathode ray tube (CRT) businesses with the exception of domestic CRT manufacturing operations. Panasonic 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, Panasonic had a 64.5% equity interest in MTPD. At March 30, 2007, Panasonic acquired the remaining 35.5% equity interest in MTPD from Toshiba and MTPD was renamed MT Picture Display Co., Ltd.

Since fiscal 2003, Panasonic has been gradually shifting its focus from restructuring to growth. Panasonic 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, Panasonic 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 Panasonic and its products, while further enhancing brand value.

In December 2003, Panasonic reached a basic agreement regarding a comprehensive business collaboration with its affiliate, Panasonic Electric Works Co., Ltd. (PEW), after which Panasonic initiated a tender offer for additional shares of PEW. As a result of the tender offer in which Panasonic 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 Panasonic 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, Panasonic 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 Panasonic in April 2005, and no longer operates as a separate entity.

In June 2006, Fumio Ohtsubo became President of Panasonic. 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.

In July 2007, each of Victor Company of Japan, Limited (JVC), a consolidated subsidiary of Panasonic, 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, Panasonic 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, Panasonic 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 Panasonic 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 Panasonic.

On October 1, 2008, Panasonic 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. Panasonic 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. Panasonic has 24.4% of total issued shares of JVC KENWOOD HD.

On December 19, 2008, Panasonic and SANYO entered into the capital and business alliance agreement. Panasonic 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 Panasonic 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. Panasonic 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.

In July 2010, Panasonic announced a plan to turn SANYO and PEW, which are both currently consolidated subsidiaries, into wholly-owned subsidiaries through simultaneous first-step tender offers and subsequent share exchanges. In August 2010, Panasonic commenced each tender offer.

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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 Panasonic Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Key performance indicators included elsewhere in this prospectus.) In these years, Panasonic curbed capital investment in a number of business areas, in line with an increased management emphasis on cash flows and capital efficiency. Panasonic 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.

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. 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. The following table sets forth Panasonic 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)
Total	7,418	(4)%	7,766	(14)%	9,069

* 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.
* Panasonic has changed the transactions related to Global Procurement Service Company 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.
* 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 Panasonic s consolidated financial statements.

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 Panasonic 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).

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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 Panasonic 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[*1] 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.

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, Panasonic 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.

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

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_2 emissions.

In the mobile communications business, Panasonic offers mobile phones incorporating advanced technologies, and communications infrastructure equipment such as base stations. Through these products, Panasonic 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, Panasonic 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.

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In the lighting business, Panasonic has been developing products that conserve energy and resources, and are based on universal design. Panasonic 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.

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.

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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® Integrated Platform combines software and hardware resources across different product categories to improve R&D efficiency and design quality. In fiscal 2008, Panasonic 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® system LSIs. Panasonic 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®. In fiscal 2010, Panasonic developed a new UniPhier® 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® 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, Panasonic extended the consolidation of operations to large diameter wafers, which facilitate higher production efficiency. In the assembly process, Panasonic shifted more of its operations to overseas plants. 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, Panasonic 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, Panasonic 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, Panasonic 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, Panasonic 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, Panasonic 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 (18650 size) 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.

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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 and its subsidiaries.

As SANYO and its subsidiaries became Panasonic 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.

SANYO manufactures and sells products in three fields: energy (photovoltaic (PV) systems 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) (HEVs), and HIT® 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 PV systems 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, Panasonic 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.

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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
Total	7,418	100%	7,766	100%	9,069	100%

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.

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 launched HIT® 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. Panasonic will fully utilize its sales channels in Japan.

Overseas Operations

Worldwide, Panasonic has 680 consolidated companies as well as 232 associated companies under the equity method as of March 31, 2010**.** 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 Panasonic 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[*1] and MINTS + B[*2] markets as a key to success overseas.

*1 BRICs+V: Brazil, Russia, India, China and Vietnam
*2 MINTS+B: Mexico, Indonesia, Nigeria, Turkey, Saudi Arabia and the Balkans

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

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

Panasonic 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 Panasonic s overall operations.

Raw Materials and Source of Supply

Panasonic purchases a wide variety of parts and materials from various suppliers globally. Panasonic applies a multi-sourcing policy not depending upon any one particular source of supply for most essential items. Panasonic 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.

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, Panasonic 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, Panasonic 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.

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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, Panasonic 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.

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

Competition

The markets in which Panasonic 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, Panasonic 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.

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

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April 1, 2004, PEW, PanaHome and their respective subsidiaries became consolidated subsidiaries of Panasonic. Accordingly, Panasonic 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 Panasonic s consolidated subsidiaries in December 2009.

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:

Name of internal divisional company
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:

Name of company	**Percentage owned**
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

(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

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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 Panasonic 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
(Panasonic)		
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
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
Branch Office and Sales Office, Osaka	559	Sales functions
Head Office etc., Osaka	3,935	Corporate administration, employee housing and welfare facilities

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Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
(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
(Overseas subsidiaries)		
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

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Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or 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, Panasonic 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, Panasonic 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.

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BUSINESS OF SANYO

A consolidated subsidiary of Panasonic since December 2009, SANYO manufactures and sells products in the following business segments: Energy, Electronic Device, Digital System, Commercial, Consumer electronics, and Other. 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, and HIT® Solar Cells, which boast high conversion efficiency. Against the backdrop of an increasing environmental awareness worldwide, SANYO has implemented a structural transformation in various areas since 2005 with the intention of capitalizing on its proprietary global environment-serving technologies to capture business opportunities. The structural reform included investments in HEV rechargeable batteries and PV systems, which SANYO considers to be promising business areas. SANYO concurrently executed group-wide cost reduction.

In order for SANYO to build lasting growth in the energy field, as well as to expand existing businesses, by launching the Energy Solution Business , SANYO is advancing development of the Smart Energy System which enables effective energy utilization (smart energy) based on a combination of technologies for energy generation, energy storage, and energy efficiency**.** Related products include PV modules, lithium-ion batteries, power conditioners, and commercial equipment.

Business Segments and Major Products

Energy Business Segment

In the Energy Business Segment, SANYO s major products include rechargeable batteries (lithium-ion batteries and nickel-cadmium batteries, etc.), PV systems and HEV rechargeable batteries.

In fiscal 2010, while sales of PV systems increased with the demand growth due to the introduction of environmental policies of various nations, sales of lithium-ion batteries decreased due to sharp price decline, resulting in a fall in sales for the entire Energy Business Segment.

Electronic Device Business Segment

In the Electronic Device Business Segment, SANYO s major products include electronic components (optical pickups and capacitors, etc.) and semiconductors.

In fiscal 2010, while sales of optical pickups increased due to increasing demand for personal computers, sales of semiconductors decreased, resulting in a fall in revenue for the entire Electronic Device Business Segment.

SANYO has judged that semiconductor business is not its strategic and growth field and on July 15, 2010, ON Semiconductor Corporation and SANYO signed a definitive purchase agreement providing for ON Semiconductor Corporation s acquisition of SANYO Semiconductor Co., Ltd., and other assets related to SANYO's semiconductor business by December 31, 2010. The acquiring company is Semiconductor Components Industries LLC., a 100%-owned subsidiary of ON Semiconductor Corporation.

Digital System Business Segment

In the Digital System Business Segment, SANYO s major products include digital cameras, TVs and projectors.

In fiscal 2010, while sales of TVs increased primarily in North America, sales of digital cameras and projectors decreased due to falling prices, resulting in a fall in sales for the entire Digital System Business Segment.

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Commercial Business Segment

In the Commercial Business Segment, SANYO s major products include cold chain equipment (showcases and commercial kitchen equipment, etc.), air conditioners, washing machines, biomedical equipment and medical information systems.

In fiscal 2010, due to continuing curbs in corporate capital investment, sales of major products, such as commercial air conditioning equipment and cold chain equipment decreased, resulting in a fall in revenue for the entire Commercial Business Segment.

Consumer Electronics Business Segment

In the Consumer Electronics Business Segment, SANYO s major products include home appliances (refrigerators, etc.) and car electronics (car navigation systems and car audio equipment).

In fiscal 2010, sales of car electronics increased due to the launch of new car navigation system models, resulting in an increase in revenue for the entire Consumer Electronics Business Segment.

Other Business Segment

Other Business Segment comprises representative service business in SANYO group companies and others.

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REGULATION

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. Panasonic 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, Panasonic 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. Panasonic 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, Panasonic 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. Panasonic 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, Panasonic 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. Panasonic 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,

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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 Chemicals 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.

Panasonic 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.

Report on Kerosene Fan Heater Recall and Panasonic 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, Panasonic established a special committee led by the then 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, Panasonic 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, Panasonic 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, Panasonic has established a new risk management system to enable prompt action in an emergency, in compliance with its primary principle, the customer comes first. Panasonic 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.

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PANASONIC MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the second quarter financial statements of Panasonic included in this prospectus. Panasonic prepares its consolidated financial statements in accordance with U.S. GAAP, and accordingly the following discussion is based on Panasonic s U.S. GAAP financial information. Panasonic s fiscal year end is March 31.

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, Panasonic changed its company name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation. Upon Panasonic name change, Panasonic implemented its brand name change from the National brand, used for home appliances and housing equipment in Japan, to the Panasonic brand, and the Technics brand will be used only for specific audio products. On December 21, 2009, Panasonic exchanged nonvoting stocks of SANYO, which had been acquired through a tender offer, for common stock, and as a result, Panasonic 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.

In the year ended March 31, 2010, Panasonic 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 Panasonic 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.

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, Panasonic has been strengthening production operations outside Japan to meet overseas demand, while reducing dependence on exports from Japan. Panasonic 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 Panasonic 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), Panasonic 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 Panasonic 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, Panasonic 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, Panasonic 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), Panasonic 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, Panasonic 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, Panasonic recorded a net income attributable to Panasonic Corporation of 282 billion yen, up 30% from the previous year.

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 Panasonic s consolidated subsidiaries in December 2009 through a tender offer. After deducting Panasonic 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 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 property, plant and equipment. 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 Panasonic s portfolio of property, plant and equipment as it excludes expenditures for repairs and maintenance, operating leases, and intangible assets that may be integral to the use of property, plant and equipment. 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.

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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

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)	(61)
Free cash flow	199	(353)	405

Details of Panasonic s consolidated sales and earnings results were as follows:

Year ended March 31, 2010 compared with 2009

(1) Sales

Consolidated group sales for fiscal 2010 amounted to 7,418 billion yen, down 4% from 7,766 billion yen in the previous fiscal year. Explaining fiscal 2010 results, Panasonic posted sales declines in all business segments. (For further details, see (11) Results of Operations by Business Segments of this section.)

In fiscal 2010, as the final year of its GP3 Plan, Panasonic simultaneously rebuilt its management structure, and took action for future growth. Specifically, Panasonic drastically reformed its business structure to rebuild its management structure. In addition, Panasonic pursued penetration and internalization of Itakona, acceleration of procurement cost reductions, reinforcement of comprehensive cost reduction efforts, and capital investment and inventory reductions. Meanwhile, to prepare for future growth, Panasonic developed its unique products with the following concepts as a cornerstone: super link, super energy saving and thorough universal design. Besides this, Panasonic globally developed its home appliances

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business, including launching refrigerators and drum-type washing machines in Europe; targeting emerging markets through local-oriented manufacturing; commercializing full high-definition (HD) 3D TVs that are expected to open a new era in television; and strengthening global systems and equipment businesses. These actions drove the Panasonic Group to new growth.

(2) Cost of Sales and Selling, General and Administrative Expenses

In fiscal 2010, cost of sales amounted to 5,341 billion yen, down from the previous year, and selling, general and administrative expenses amounted to 1,886 billion yen, down from the previous year. These results are due mainly to the effects of sharp sales declines.

(3) Interest Income, Dividends Received and Other Income

In fiscal 2010, interest income decreased 47% to 12 billion yen due mainly to decrease in invested funds, and dividends received decreased 41% to 7 billion yen and other income decreased 9% to 48 billion yen.

(4) Interest Expense and Other Deductions

Interest expense increased 33% to 26 billion yen. In other deductions, Panasonic incurred 79 billion yen as expenses associated with impairment losses of fixed assets, 39 billion yen as expenses associated with the implementation of early retirement program and 7 billion yen as a write-down of investment securities. (For further details, see Notes 4, 5, 7, and 15 of the Notes to Consolidated Financial Statements.)

(5) Income (loss) before Income Taxes

As a result of the above-mentioned factors, income (loss) before income taxes for fiscal 2010 amounted to a loss of 29 billion yen, compared with a loss of 383 billion yen in fiscal 2009.

(6) Provision for Income Taxes

Provision for income taxes for fiscal 2010 amounted to 142 billion yen, a significant increase compared with 37 billion yen in the previous year. This result was due primarily to the fact that Panasonic increased the valuation allowances to deferred tax assets. (For further details, see Notes 11 of the Notes to Consolidated Financial Statements.)

(7) Equity in Earnings (Losses) of Associated Companies

In fiscal 2010, equity in earnings of associated companies decreased to gains of 0.5 billion yen due to declining profitability of certain equity method investees, from the previous year s gains of 16 billion yen.

(8) Net Income (Loss)

Net income amounted to a loss of 171 billion yen for fiscal 2010, compared with a net loss of 404 billion yen in fiscal 2009.

(9) Net Income (Loss) attributable to noncontrolling interests

Net income attributable to noncontrolling interests amounted to a loss of 67 billion yen for fiscal 2010, compared with net loss attributable to noncontrolling interests of 25 billion yen in fiscal 2009. This result was due mainly to IPS Alpha Technology, Ltd.

(10) Net Income (Loss) attributable to Panasonic Corporation

As a result of all the factors stated in the preceding paragraphs, Panasonic recorded a net loss attributable to Panasonic Corporation of 103 billion yen for fiscal 2010, an improvement of 276 billion yen from the previous year s net loss attributable to Panasonic Corporation of 379 billion yen.

(11) Results of Operations by Business Segment
Results of operations by business segment for fiscal 2010, as compared with the previous fiscal year, were as follows:

	Yen (billions) Fiscal year ended March 31, 2010	2009	Percent change
Sales:			
Digital AVC Networks	3,410	3,749	(9)%
Home Appliances	1,142	1,223	(7)
PEW and PanaHome	1,632	1,766	(8)
Components and Devices	1,005	1,127	(11)
SANYO	405		
Other	1,012	1,072	(6)
Eliminations	(1,188)	(1,171)	
Total	7,418	7,766	(4)%
Segment profit (loss):			
Digital AVC Networks	87	3	2648%
Home Appliances	67	49	36
PEW and PanaHome	35	40	(13)
Components and Devices	36	7	408
SANYO	(1)		
Other	20	24	(18)
Corporate and eliminations	(54)	(50)	
Total	190	73	161%

* SANYO and its subsidiaries became Panasonic s consolidated subsidiaries in December 2009, and are disclosed as SANYO segment. The operating results of SANYO and its subsidiaries after January 2010 are included in Panasonic s consolidated financial statements.

Digital AVC Networks sales decreased 9% to 3,410 billion yen, compared with 3,749 billion yen in the previous year. Within this segment, although domestic sales of flat-panel TVs and automotive electronics and Blu-ray Disc recorders were favorable, overall sales declined due mainly to a sales decline of notebook PCs and mobile phones. Regarding digital cameras, although market conditions were tough, both high-end and standard models were favorable and the sales remained unchanged from the previous year.

With respect to this segment, despite the sales decline, operating profit significantly improved to 87 billion yen, or 2.6% of sales, from 3 billion yen in fiscal 2009. This was due mainly to comprehensive streamlining efforts.

Sales of Home Appliances decreased 7% to 1,142 billion yen, compared with 1,223 billion yen in the previous year. Within Home Appliances, despite strong sales of refrigerators, the overall sales decreased due mainly to weak sales of air conditioners and compressors.

Profit in this segment increased 36% from 49 billion yen in fiscal 2009, to 67 billion yen for fiscal 2010, or 5.8% of sales. Comprehensive streamlining efforts offset the negative impact of sales decline and led the operating profit increase in this segment.

Sales of PEW and PanaHome decreased 8% to 1,632 billion yen, compared with 1,766 billion yen a year ago. At PEW and its subsidiaries, sales mainly decreased in electrical construction materials and building materials. For PanaHome Corporation and its subsidiaries, ongoing sluggishness in the Japanese housing market conditions led to sales decrease.

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With respect to this segment, operating profit

was 35 billion yen, or 2.1% of sales, down 13% from 40 billion yen in fiscal 2009, due mainly to a decline in sales.

Sales of Components and Devices decreased 11% to 1,005 billion yen, from the previous year s 1,127 billion yen, due mainly to sales downturns in batteries and semiconductors.

With respect to this segment, profit increased 408% from 7 billion yen in fiscal 2009, to 36 billion yen for fiscal 2010, or 3.6% of sales, due mainly to fixed cost reductions.

Sales in SANYO segment amounted to 405 billion yen. In the period from January to March 2010, sales of solar cells were strong helped by economic stimulus programs and environment policies in several countries.

With respect to this segment, profit resulted in a loss of 0.7 billion yen, incurring the expenses such as amortization of intangible asset recorded at acquisition.

Sales in the Other segment amounted to 1,012 billion yen, down 6% from 1,072 billion yen in the previous year, due mainly to weak sales in factory automation equipment.

With respect to this segment, profit was down 18% from 24 billion yen for fiscal 2010, to 20 billion yen, which was equivalent to 1.9% against sales in fiscal 2010. This result was due mainly to the aforementioned sales declines.

(12) Sales Results by Region

Sales results by region for fiscal 2010, as compared with the previous fiscal year, were as follows:

	Yen (billions) Fiscal year ended March 31, 2010	2009	Percent change
Domestic Sales:	3,994	4,082	(2)%
Overseas Sales:			
North and South America	918	997	(8)
Europe	771	963	(20)
Asia and Others	1,735	1,724	1
Total	3,424	3,684	(7)
Total	7,418	7,766	(4)%

Sales in the domestic market amounted to 3,994 billion yen, down 2% from 4,082 billion yen in fiscal 2009, although sales gains were recorded in flat-panel TVs and refrigerators due to the positive effect of eco-point economic stimulus program. This sales decline was due mainly to a sales decrease in mobile phones, semiconductors and batteries.

Overseas sales amounted to 3,424 billion yen, down 7% from 3,684 billion yen in the previous fiscal year. Sales declined in all segments, and there were sharp sales declines particularly in AV products such as flat-panel TVs, automotive electronics.

By region, sales in the Americas amounted to 918 billion yen, down 8% from 997 billion yen in fiscal 2009. This was due mainly to sales declines in information and communications equipments and home appliances, and the effect of exchange rate, although sales in AV products such as flat-panel TVs and digital cameras were favorable.

Sales in Europe amounted to 771 billion yen, down 20% from the previous year s 963 billion yen, suffered from weak economic demand in eastern Europe and Russia. This was due mainly to a sales decrease of automotive electronics and home appliances, although sales of digital AV products such as flat-panel TVs and digital cameras were favorable.

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In the Asia and Others region, sales increased 1% to 1,735 billion yen, from the previous year s 1,724 billion yen. In Asia, this was due mainly to an increase in sales of many products, including flat-panel TVs, air conditioners and washing machines, thanks to strong market conditions.

Year ended March 31, 2009 compared with 2008

(1) Sales
Consolidated group sales for fiscal 2009 amounted to 7,766 billion yen, down 14% from 9,069 billion yen in the previous fiscal year. Explaining fiscal 2009 results, Panasonic cited sales declines in all business segments. (For further details, see (11) Results of Operations by Business Segments of this section.)

In fiscal 2009, the second year of the midterm management plan GP3, Panasonic steadily implemented initiatives focused on four major themes: double-digit growth for overseas sales, four strategic businesses, manufacturing innovation and the eco ideas strategy. To achieve double-digit growth in overseas sales, Panasonic widened its target from affluent customers to upper-income customers in the strategic market regions of BRICs countries and Vietnam. With regard to the second theme, four strategic businesses digital AV business, businesses providing comfortable living, semiconductors/components and devices business, and automotive electronics business Panasonic launched various cross-group projects, established new strategies and implemented initiatives to expand sales in each business. As for manufacturing innovation, in addition to proactively promoting Itakona activities, which seek to standardize cost-reduction processes on a finer level, Panasonic established the New Business Promotion Subcommittee in April 2008 to strengthen cost-reduction activities. In terms of the eco ideas strategy, Panasonic made steady progress in reducing CO_2 emissions.

Despite these measures, Panasonic s performance differed markedly between the first and second half of fiscal 2009, due to a sharp deterioration in the business environment from September 2008, when the global financial crisis caused a rapid downturn in global demand and a sharp appreciation of the yen. In response to these business conditions, Panasonic accelerated business restructuring initiatives based on a policy of selection and concentration. These included integration and closure of manufacturing sites, from the view point of global optimal production, withdrawing from unprofitable businesses, and reassigning and downsizing of workforce. As a result of these and other factors, consolidated group sales for the period under review decreased compared with the previous year.

(2) Cost of Sales and Selling, General and Administrative Expenses
In fiscal 2009, cost of sales amounted to 5,667 billion yen, down from the previous year, and selling, general and administrative expenses amounted to 2,025 billion yen, down from the previous year. These results are due mainly to the effects of sharp sales declines.

(3) Interest Income, Dividends Received and Other Income
In fiscal 2009, interest income decreased 32% to 23 billion yen, and dividends received increased 11% to 11 billion yen. In other income, in addition to gains on sales of tangible fixed assets, Panasonic recorded 16 billion yen gain on the sale of the investment securities.

(4) Interest Expense and Other Deductions
Interest expense decreased 5% to 19 billion yen, owing primarily to a reduction in short-term borrowings. In other deductions, Panasonic 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. (For further details, see Notes 4, 5, 7, and 15 of the Notes to Consolidated Financial Statements.)

(5) Income (Loss) before Income Taxes
As a result of the above-mentioned factors, income (loss) before income taxes for fiscal 2009 amounted to a loss of 383 billion yen, compared with a profit of 435 billion yen in fiscal 2008.

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(6) Provision for Income Taxes

Provision for income taxes for fiscal 2009 amounted to 37 billion yen, a significant decrease compared with 115 billion yen in the previous year. This result was due primarily to the fact that Panasonic increased the valuation allowances to deferred tax assets as a result of incurring the aforementioned impairment losses of fixed assets and restructuring charges. (For further details, see Notes 11 of the Notes to Consolidated Financial Statements.)

(7) Equity in Earnings (Losses) of Associated Companies

In fiscal 2009, equity in earnings of associated companies amounted to gains of 16 billion yen, from the previous year s losses of 10 billion yen. This result is due mainly to the consolidation of IPS Alpha Technology Ltd. and the improvement of earnings in its associated companies under the equity method in China.

(8) Net Income (Loss)

As a result of all the factors stated in the preceding paragraphs, Panasonic recorded a net loss of 404 billion yen for fiscal 2009, a decrease of 715 billion yen from the previous year s net income of 311 billion yen.

(9) Net Income (Loss) attributable to noncontrolling interests

Net income attributable to noncontrolling interests amounted to a loss of 25 billion yen for fiscal 2009, compared with minority interests of 29 billion yen in fiscal 2008. This result was due mainly to decreased profits in PEW for the period and the consolidation of IPS Alpha Technology, Ltd.

(10) Net Income (Loss) attributable to Panasonic Corporation

As a result of all the factors stated in the preceding paragraphs, Panasonic recorded a net loss of 379 billion yen for fiscal 2009, a decrease of 661 billion yen from the previous year s net income of 282 billion yen.

(11) Results of Operations by Business Segment

Results of operations by business segment for fiscal 2009, as compared with the previous fiscal year, were as follows:

	Yen (billions) Fiscal year ended March 31, 2009	2008	Percent change
Sales:			
Digital AVC Networks	3,749	4,320	(13)%
Home Appliances	1,223	1,316	(7)
PEW and PanaHome	1,766	1,910	(8)
Components and Devices	1,127	1,399	(19)
Other	1,072	1,084	(1)
JVC		183	
Eliminations	(1,171)	(1,143)	
Total	7,766	9,069	(14)%
Segment profit:			

Digital AVC Networks	3	252	(99)%
Home Appliances	49	87	(43)
PEW and PanaHome	40	96	(58)
Components and Devices	7	105	(93)
Other	24	64	(63)
JVC		(10)	
Corporate and eliminations	(50)	(75)	
Total	73	519	(86)%

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* Panasonic has changed the transactions related to Global Procurement Service Company since April 1, 2008. Accordingly, segment information for Other and Corporate and eliminations for fiscal 2008 have been reclassified to conform to the presentation for fiscal 2009.
* The name of AVC Networks was changed to Digital AVC Networks from fiscal 2009.
* The name of MEW and PanaHome was changed to PEW and PanaHome as of October 1, 2008.

Digital AVC Networks sales decreased 13% to 3,749 billion yen, compared with 4,320 billion yen in the previous year. Within this segment, sales of video and audio equipment decreased, due mainly to weak sales of digital AV products, such as plasma TVs and digital cameras. Regarding flat-panel TVs, although sales of plasma TVs were lower than the previous year, LCD TVs recorded a double-digit increase in sales from the previous year, mainly as a result of expanding its product line-ups. Regarding digital cameras, although the world s smallest and lightest digital interchangeable lens cameras and products incorporating face recognition, an evolution from face detection, won market acclaim, weak demand particularly overseas led to a decrease in sales. Meanwhile, sales of information and communications equipment also decreased as a result of sluggish sales of automotive electronics and other products. This result was due mainly to further price erosion of car navigation system caused by the growing market share of low-priced Portable Navigation Devices (PND) in the domestic market, and sluggish sales of mobile phones due to a change in handsets sales incentives and economic downturn in Japan.

With respect to this segment, profit decreased 99% from 252 billion yen in fiscal 2008, to 3 billion yen for fiscal 2009, which is equivalent to 0.1% against sales. This decrease was attributable mainly to a decrease in sales as a result of a rapidly deteriorated market conditions, the negative effects of the appreciation of the yen and the effects of price declines. These factors led to a significant decrease in profit in this segment.

Sales of Home Appliances decreased 7% to 1,223 billion yen, compared with 1,316 billion yen in the previous year. Within Home Appliances, although induction-heating (IH) cooking equipment, Eco Cute natural-refrigerant water heating systems and other products for all-electric homes recorded strong sales, weak sales of air conditioners and compressors resulted in an overall sales decrease.

Profit in this segment decreased 43% from 87 billion yen in fiscal 2008, to 49 billion yen for fiscal 2009, or 4.0% of sales. Although there were the positive effects of various cost rationalization activities, a decrease in sales, the effects of price declines and rising costs for raw materials led to decreased earnings in this segment.

Sales of PEW and PanaHome decreased 8% to 1,766 billion yen, compared with 1,910 billion yen a year ago. At PEW and its subsidiaries, sluggish sales of electronic materials, automation controls and health-enhancing products led to a decrease in sales from the previous year. At PanaHome Corporation and its subsidiaries, a rapid deterioration sluggish housing market conditions after September 2008 led to a decrease in sales.

With respect to this segment, profit decreased 58% to 40 billion yen, which is equal to 2.3% of sales, from 96 billion yen in the previous year, as a result of the aforementioned decrease in sales and the effects of price declines.

Sales of Components and Devices decreased 19% to 1,127 billion yen, from the previous year s 1,399 billion yen, mainly as a result of sluggish sales in semiconductors and general electronic components. In general electronic components, Panasonic maintained its leading global market share in angular rate sensors for car navigation systems and digital cameras. In addition, sales of power supplies for plasma TVs were relatively steady. However, sales of capacitors, electromechanical components and other products dropped sharply due to deteriorated market conditions and inventory cutbacks at finished product manufacturers. In the semiconductor business, sales fell as demand slowed for semiconductors for digital equipment. In batteries, weak sales of such products as alkaline dry batteries and car batteries led to an overall decrease in sales.

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With respect to this segment, profit decreased 93% from 105 billion yen in fiscal 2008, to 7 billion yen for fiscal 2009, or 0.6% of sales. Although there were positive effects of cost rationalization, decreased sales and price declines resulted in decreased earnings in this segment.

Sales in the Other segment amounted to 1,072 billion yen, down 1% from 1,084 billion yen in the previous year. Although Panasonic expanded product line-ups of high-speed modular placement machines, sluggish sales of factory automation equipment as a result of sharply deteriorated market conditions led to a decrease in sales in this category.

With respect to this segment, profit was down 63% from 64 billion yen for fiscal 2008, to 24 billion yen, which were equivalent to 2.2% against sales in fiscal 2009. This result was due mainly to sales declines as a result of the aforementioned sales declines.

(12) Sales Results by Region
Sales results by region for fiscal 2009, as compared with the previous fiscal year, were as follows:

	Yen (billions)		Percent
	2009	**2008**	**change**
Domestic Sales:	4,082	4,545	(10)%
Overseas Sales:			
North and South America	997	1,251	(20)
Europe	963	1,213	(21)
Asia and Others	1,724	2,060	(16)
Total	3,684	4,524	(19)
Total	7,766	9,069	(14)%

Sales in Japan amounted to 4,082 billion yen, down 10% from 4,545 billion yen in fiscal 2008. Sales declined in all segments, and there were sharp sales declines particularly in automotive electronics equipment, mobile phones, semiconductors, general components and devices, and FA equipment.

Overseas sales amounted to 3,684 billion yen, down 19% from 4,524 billion yen in the previous fiscal year. Sales declined in all segments, and there were sharp sales declines particularly in business-use AV equipment, automotive electronics, PCs and peripherals, semiconductors, and general components and devices.

By region, sales in the Americas amounted to 997 billion, down 20% from 1,251 billion yen in fiscal 2008. Sales downturns in digital AV equipment, broadcast- and business-use AV equipment, automotive electronics, general components and other products led to decreased sales from the previous year for this region.

Sales in Europe amounted to 963 billion yen, down 21% from the previous year s 1,213 billion yen. Sales for this region decreased, due mainly to weak sales in digital cameras, automotive electronics, white goods, general components and batteries.

In the Asia and Others region, sales decreased 16% to 1,724 billion yen, from the previous year s 2,060 billion yen. In Asia (excluding China), sales decreased in PCs and peripherals, automotive electronics, compressors, as well as semiconductors and general components, resulting in overall sales declines. Meanwhile, in China, sales decreased mainly in PCs and peripherals, air-conditioners, compressors, and general components, resulting in overall decreased sales.

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Liquidity and Capital Resources

Panasonic s Policy on Financial Position and Liquidity

Panasonic maintains a basic policy of financing all required funds from internal sources. It also practices efficient fund management through internal financing activities. In addition to raising funds through borrowing as necessary, Panasonic in May 2009 expanded its commercial paper (CP) facility in Japan to 300 billion yen as a method for flexibly raising short-term capital for working capital and other requirements. There was no CP outstanding at March 31, 2010. This conservativeness is exemplified in the tradition of maintaining the ratio of shareholders equity to total assets at a relatively high level and keeping large cash balance. The ratio of shareholders equity to total assets as of March 31, 2010 was 33.4%, down from 43.5% as of March 31, 2009. The total of short-term borrowings and long-term debt amounted to 1,328 billion yen as of March 31, 2010, up by 582 billion yen from a year ago. Cash balance increased to 1,202 billion yen (the total of cash and cash equivalents of 1,110 billion yen plus time deposits with a maturity of more than three months of 92 billion yen) as of March 31, 2010, compared with the previous year s 1,163 billion yen (the total of cash and cash equivalents of 974 billion yen plus time deposits of 189 billion yen) as of March 31, 2009.

Regarding future cash requirements, Panasonic will spend capital investment (excluding intangibles) of 480 billion yen for fiscal 2011, 300 billion yen for fiscal 2012 and 280 billion yen for fiscal 2013. Panasonic will decrease total cost of investment from fiscal 2011, but increase its investment ratio of energy systems.

In order to facilitate access to global capital markets, Panasonic obtains credit ratings from the world s two leading credit rating agencies, Moody s Japan K.K. (Moody s) and Standard & Poor s Rating Services (S&P). In addition, Panasonic maintains credit ratings from Rating and Investment Information, Inc. (R&I), a rating agency nationally recognized in Japan, primarily for access to the Japanese capital markets. As of March 31, 2010, Panasonic s debt ratings are: Moody s: Aa3 (long-term) down from Aa2 on December 2009; S&P: A+ (long-term, outlook: stable) down from AA- on December 2009, A-1 (short-term) down from A-1+ on December 2009; and R&I: AA (long-term, outlook: stable) down from AA+ on January 2010, a-1+ (short-term). These downgrades in credit ratings were due mainly to downturn in business of Panasonic under the severe conditions with the impact of global recession, as well as the negative influence on the financial position of Panasonic by acquiring 50.2% of the voting rights of SANYO.

Panasonic believes that its credit ratings include the rating agencies assessment of the general operating environment, its positions in the markets in which it competes, reputation, movements and volatility in its earnings, risk management policies, liquidity and capital management. An adverse change in any of these factors could result in a reduction of Panasonic s credit ratings, and that could, in turn, increase its borrowing costs and limit its access to the capital markets or require it to post additional collateral and permit counterparties to terminate transactions pursuant to certain contractual obligations.

With the above-mentioned cash balance, combined with the generally and relatively high credit ratings from leading credit rating agencies, Panasonic believes that it has sufficient sources of liquidity for both working capital and long-term investment needs.

As of March 31, 2010, the outstanding balance of short-term borrowings totaled 299 billion yen, and long-term debt was 1,029 billion yen. Panasonic s borrowings are not significantly affected by seasonal factors. (For further details, see Note 9 of the Notes to Consolidated Financial Statements.) Most borrowings are at fixed rates.

Regarding cash flows, Panasonic uses free cash flow (see Panasonic Management s Discussion and Analysis of Financial condition and Results of Operations Overview Key performance indicators included elsewhere in this prospectus) as an important indicator to evaluate its performance.

Regarding the use of financial instruments for hedging purposes, see Panasonic Management s Discussion and Analysis of Financial condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk included elsewhere in this prospectus.

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Fiscal 2010 Financial Position and Liquidity

Panasonic s consolidated total assets as of the end of fiscal 2010 increased to 8,358 billion yen, as compared with 6,403 billion yen at the end of the last fiscal year. This increase was due primarily to the effect of consolidating SANYO and its subsidiaries.

Panasonic s consolidated total liabilities as of March 31, 2010 increased to 4,678 billion yen, as compared with 3,191 billion yen at the end of the last fiscal year. This increase was also due primarily to the effect of consolidating SANYO and its subsidiaries. (For further details, see Note 9 of the Notes to Consolidated Financial Statements.)

Panasonic Corporation shareholders equity as of March 31, 2010 amounted 2,792 billion yen, mostly unchanged from the previous year s 2,784 billion yen.

Noncontrolling interests increased by 459 billion yen, to 887 billion yen. This result was due mainly to the effect of consolidating SANYO and its subsidiaries.

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

Capital investment (excluding intangibles) during fiscal 2010 totaled 385 billion yen, down 22% from the previous fiscal year s total of 494 billion yen, as shown in the above table. Panasonic implemented capital investment primarily to increase production capacity in strategic business areas such as batteries and flat-panel TVs. Principal capital investments consisted of PDP manufacturing facilities for the domestic Plant No. 5 in Amagasaki, Hyogo Prefecture, Japan; LCD panel production facilities for the Himeji plant in Hyogo Prefecture, Japan; and lithium-ion battery production facilities for the Suminoe plant in Osaka Prefecture, Japan.

Depreciation (excluding intangibles) during fiscal 2010 amounted to 252 billion yen, down 23% compared with 326 billion yen in the previous fiscal year as Panasonic incurred impairment losses in fiscal 2009.

Net cash provided by operating activities in fiscal 2010 amounted to 522 billion yen, compared with 117 billion yen in the previous fiscal year. This result was due mainly to operational improvement, as well as an increase in trade payables, accrued expenses and other current liabilities, and a decrease in inventories, despite an increase in trade receivables. Net cash used in investing activities amounted to 323 billion yen, compared with 470 billion yen in fiscal 2009. This result was due primarily to the decrease of expenses by reduction in capital investment and a decrease in time deposits, despite an outflow to purchase of SANYO shares of 175 billion yen (deducting the amount of cash and cash equivalents of SANYO and its subsidiaries as of acquisition date.) Net cash used in financing activities was 57 billion yen, compared with cash inflow of 149 billion yen in fiscal 2009. This result was due mainly to the issuance of unsecured straight bonds of 400 billion yen in fiscal 2009, despite a decrease of dividend payment and repurchasing of its own shares. All these activities and the effect of exchange rate fluctuations (a negative impact of 6 billion yen) resulted in cash and cash equivalents at the end of fiscal 2010 of 1,110 billion yen, compared with 974 billion yen a year ago.

Free cash flow in fiscal 2010 amounted to a cash inflow of 199 billion yen, compared with a cash outflow of 353 billion yen in fiscal 2009. This result was due mainly to operational improvement, as well as a decrease in

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inventories and capital expenditures. (For a reconciliation of free cash flow to the most directly comparable U.S. GAAP financial measure and related discussion, see Panasonic Management s Discussion and Analysis of Financial condition and Results of Operations Overview Key performance indicators included elsewhere in this prospectus.

Commitments for Capital Expenditures

As of March 31, 2010, commitments outstanding for the purchase of property, plant and equipment amounted to 105 billion yen.

Research and Development

In fiscal 2010, Panasonic executed initiatives to accelerate R&D with a focus on key development themes and to bolster development of energy-saving and environmental technologies.

Panasonic engages in a broad range of R&D themes, including digital network software, device and environmental technologies. Panasonic has established R&D sites at optimal locations globally as it builds an R&D structure that optimally utilizes the personnel and technologies in Japan, North America, Europe, China and the ASEAN region. For example, at the Panasonic Hollywood Laboratory in North America, Panasonic has developed Blu-ray 3D technologies in collaboration with movie studios. In Europe and China, meanwhile, Panasonic has strengthened its development of appliances products that are more tailored to regional characteristics in terms of food, clothing and housing.

R&D Expenditures amounted to 477 billion yen, 518 billion yen and 555 billion yen for the three fiscal years ended March 31, 2010, 2009 and 2008, respectively, representing 6.4%, 6.7% and 6.1% of Panasonic s total net sales for each of those periods.

Key development themes during the fiscal year were as follows:

(1) Full HD 3D Plasma Display Panels (PDPs)
Panasonic developed high-speed 3D image display drive technology, including new panel materials and LSIs, that enables rapid illumination of pixels while maintaining brightness, as well as crosstalk reduction technology for minimizing double-image (ghosting) that occurs when left- and right-eye images are alternately displayed thanks to newly developed phosphors with short luminescence decay time and illumination control technology. Due to these developments, Panasonic nearly doubled luminous efficiency from the previous fiscal year and reduced the luminescence decay time to one-third*[1] of conventional phosphors.

As a result, Panasonic refined the world s first*[2] 103-inch full HD 3D PDP which developed in the previous fiscal year. The new panel can provide full HD images for the left and right eyes at twice the speed of conventional 2D displays (1/120 of a second), enabling the production of clear 3D images and making possible a true high-quality 3D movie-theatre experience in the home living room.

(2) Newly Developed ECO NAVI-equipped Room Air Conditioner With Three Sensors for Control
Panasonic has achieved energy savings of up to approximately 70%*[3] during heating due to automatic energy-conservation operation made possible by three types of sensors: a people sensor that detects people s location and movement in a room and also controls airflow according to body temperature; a room layout sensor that detects the position of furniture and controls the direction of airflow to reach people, as well as detects the position of walls to cap operation; and an insolation sensor which senses changes in the amount of sunlight in a room from windows due to changes in the weather and time of day and adjusts the room temperature accordingly.

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(3) The Industry s First*4 18650-type High-Capacity 3.1 Ah Lithium-ion Battery
Panasonic developed safe, high-capacity 3.1 Ah batteries with Company s safety technology. This technology, called Heat Resistance Layer (HRL) technology, forms an insulating metal oxide layer between the nickel positive and negative electrodes, preventing batteries from overheating even if a short circuit occurs. Panasonic has begun mass producing these batteries in December 2009.

Moreover, Panasonic developed a 3.4 Ah high-capacity battery with greater density (mass production is scheduled to commence in fiscal 2011) using a proprietary nickel positive electrode for extended operating times in notebooks PCs and electric vehicles (EVs) as well as a 4.0 Ah high-capacity battery that uses a silicon-based alloy for the negative electrode. Panasonic plans to begin mass production of the latter battery in fiscal 2012.

(4) World s First*5 Single Chip Gallium Nitride (GaN)-based Inverter IC
Panasonic has developed technology for fabricating GaN transistors on a cost-effective Si substrate with a large diameter. The GaN-based transistors function as high-speed switches between an on-state with low resistance and an off-state with a high breakdown voltage in order to efficiently and safely control large amounts of electricity.

In addition, the inverter conversion loss was decreased by approximately 42%[*6] to achieve the inverter function that converts direct to alternating current by single-chip by the insulation technology that enabled an independent drive of six GaN transistors, and a highly effective motor drive was achieved.

Notes:

- *1. Compared with the same size of existing models (V1 series).
- *2. As of September 24, 2008; Panasonic estimates.
- *3. For the X series. Calculated based on Panasonic s conditions and therefore the cumulative power consumption may differ from a calculation based on JIS. The figure is the maximum energy saving and will vary depending on the environment and conditions where the air conditioner is installed.
- *4. As of December 18, 2009; Panasonic estimates.
- *5. As of December 7, 2009; Panasonic estimates.
- *6 Compared to a conventional Si-based IGBT (Insulated Gate Bipolar Transistor) at the output power of 20W.

Trend Information

The world has drastically shifted to a sustainable multipolarized society with serious environmental issues, resource depletion, and the growth of emerging countries. A worldwide recession which began in the fall of 2008 accelerated this shift. Although Panasonic continues to anticipate uncertainties in the global economy in fiscal 2011, it expects a gradual recovery trend and greater demand from emerging markets. Panasonic also expects the greater presence of businesses, products, and services that are based on new values such as environmental awareness and conscientious consumption.

Panasonic has launched a new three-year midterm management plan, Green Transformation 2012, or GT12, for the period from fiscal 2011 to fiscal 2013. To realize its vision of becoming the No.1 Green Innovation Company in the Electronics Industry leading up to its 100th anniversary, Panasonic will contribute to the environment and business growth to build a new Panasonic with a Paradigm shift for growth and Lay a foundation to be a Green Innovation Company as key themes to establish a Panasonic Group with strong potential for growth.

To engineer a paradigm shift for growth, Panasonic will shift its business: 1) from existing to new fields such as energy, 2) from Japan-centric to globally oriented, and 3) from individual products to solutions and systems. To lay the foundation to be a Green Innovation Company, Panasonic aims to: 1) increase profitability based on growth and 2) contribute to the environment, using indexes respectively.

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Panasonic has set the following Group management goals for GT12: 5% or more in operating profit ratio, 10 trillion yen in sales, a three-year accumulative total of over 800 billion yen in free cash flow, 10% in ROE, and a 50 million ton reduction in CO_2 emissions (compared with the fiscal year ended March 31, 2006).

The four main Group strategies to achieve these goals are as follows:

(1) Growth Driven by Six Key Businesses: Panasonic has designated three businesses as core businesses that will drive Companywide sales and earnings: energy systems (annual average growth rate: 16%), heating/refrigeration/air conditioning (7.4%), and network AV (10%). In addition, Panasonic sees healthcare, security and LED as next-generation key businesses for building solid foundations for full-fledged growth. Panasonic will concentrate business resources on these six key businesses with the aim of increasing their sales by 1.2 trillion yen, which would account for more than 80% of the total sales growth target.

(2) Expanding Overseas Business Focusing on Emerging Markets: Panasonic will focus on BRICs + Vietnam and MINTS + B (Mexico, Indonesia, Nigeria, Turkey, Saudi Arabia and the Balkans) as it aims to increase consumer and systems product sales by 330 billion yen and thereby raise the Group s overseas sales ratio to 55%. To this end, Panasonic will strengthen customer-oriented manufacturing that directly targets the high-volume segments, globally expand the home appliance business based on core environmental technologies, and increase brand awareness through further investment in advertising and promotion overseas.

(3) Reinforcing Systems and Equipment Business: Panasonic aims to generate 2.6 trillion yen in sales from its systems and equipment business. In particular, in order to achieve large growth in overseas sales, Panasonic will strengthen its sales network, recruit people for reinforcing engineering and localization efforts, and strengthen relationships with local system integration companies. Furthermore, it will establish a system for promoting businesses as a Group so as to increase the ability to make comprehensive proposals.

(4) Collaboration with SANYO: Through collaboration with SANYO in business, Panasonic strives to increase operating profit by over 80 billion yen in fiscal 2013 by increasing sales, improving development efficiency and strengthening its management structure through centralized contracts and sharing infrastructure. On April 1, 2010, Panasonic set up the Strategic Working Committee for Group Collaboration to accelerate these efforts.

Panasonic will also promote management innovation for supporting these Group strategies. On April 1, 2010, Panasonic established the Group Management Innovation Division and the four subcommittees under it, which are implementing the following initiatives:

The Environment Innovation Subcommittee: Initiatives on environmental contribution and Itakona activities.

The V-Products Subcommittee: Promoting the manufacture of V-Products with outstanding features.

The New and Key Business Promotion Subcommittee: Strengthening the capability to generate new businesses and promoting key businesses.

The Management and IT Innovation Subcommittee: Promoting management and IT innovation

Besides the above actions, Panasonic is accelerating global human resources development and working on cash flow-oriented management. Regarding the latter, Panasonic will execute a clear-cut strategy that divides its business into four categories from the standpoint of growth potential and profitability. At the same time, in order to improve the cash flow generation capability at operating sites, Panasonic will implement its Midterm Enhanced Cash Flow Management Project. It will strengthen the monitoring of large-scale investments and develop the concept of theoretical inventories and apply this throughout all Group companies.

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Based on its basic management philosophy, Panasonic believes today s mission is to make all its business activities environment centered and take the lead to offer life innovation with decisive actions. Having added SANYO and its consolidated subsidiaries to the Panasonic Group, in the next three years of the new midterm management plan, Panasonic will take initiatives to change itself to fill Panasonic with innovation and growth potential to carry out its mission. In fiscal 2011, Panasonic will begin the first phase of innovation and targets a return to profitability and to parlay this into achievement of its GT12 goals.

Off-Balance Sheet Arrangements

Panasonic established sale-leaseback arrangements for manufacturing machinery and equipment, and sale of receivables without recourse and with recourse, as off-balance sheet arrangements in order to reduce its total assets.

In fiscal 2010, Panasonic sold machinery and equipment for 95 billion yen, which are used in manufacturing plasma display panel and other products, to Sumishin Matsushita Financial Services Co., Ltd. (On April 1, 2010, the name has been changed to Sumishin Panasonic Financial Services Co., Ltd.) and other third parties. The assets are leased back to Panasonic over a period of one to five years. Panasonic guarantees a specific value of the leased assets. These leases are classified as operating leases for U.S. GAAP purposes. Including the above-mentioned, the aggregate amount of future minimum lease payments under non-cancelable operating leases is 170 billion yen at March 31, 2010. (For further details, see Note 6 of the Notes to Consolidated Financial Statements.)

In fiscal 2010, Panasonic sold, without recourse, trade receivables of 444 billion yen to independent third parties for proceeds of 443 billion yen. In fiscal 2010, Panasonic sold, with recourse, trade receivables of 356 billion yen to independent third parties for proceeds of 355 billion yen. (For further details, see Note 16 of the Notes to Consolidated Financial Statements.)

In addition, Panasonic provides several types of guarantees and similar arrangements. (For further details, see Note 19 of the Notes to Consolidated Financial Statements.)

Tabular Disclosure of Contractual Obligations

The two tables below show Panasonic s cash payment obligations and guarantees and other commercial commitments, broken down by the payment amounts due for each of the periods specified below, as of March 31, 2010:

	Yen (millions) Payments Due by Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Contractual Obligations:					
Long-Term Debt Obligations	1,091,282	166,953	390,010	361,878	172,441
Interest Obligations	53,357	14,007	19,337	10,171	9,842
Capital Lease Obligations	144,770	40,171	53,305	20,611	30,683
Operating Lease Obligations	169,965	71,686	69,209	24,844	4,226
Purchase Obligations	218,470	118,499	26,257	22,905	50,809
Defined Benefit Plan Contribution	91,195	91,195			
Total Contractual Cash Obligations	1,769,039	502,511	558,118	440,409	268,001

Note: Contingent payments related to uncertain tax positions of 10 billion yen are excluded from the table above, as it is not possible to reasonably predict the ultimate amount of settlement or timing of payment.

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	Yen (millions) Total Amounts Committed
Other Commercial Commitments:	
Guarantees	38,480
Total Commercial Commitments	38,480

Discounted exported bills generally have contractual lives of less than one year. Loan guarantees are principally provided on behalf of employees, associated companies and customers, and generally have long-term contractual lives coinciding with the maturities of the guaranteed obligations. (For further details, see Notes 6, 9, 10, 11 and 19 of the Notes to Consolidated Financial Statements.)

Accounting Principles

Critical Accounting Policies

Panasonic has identified the following critical accounting policies which are important to its financial condition and results of operations, and require management s judgment.

Long-lived Assets

The useful lives of long-lived assets are summarized in Note 1(h) of the Notes to Consolidated Financial Statements included in this prospectus and reflect the estimated period that Panasonic expects to derive economic benefit from their use. In estimating the useful lives and determining whether subsequent revisions to the useful lives are necessary, Panasonic considers the likelihood of technological obsolescence, changes in demand for the products related to such assets, and other factors which may affect their utilization of the long-lived assets. The effect of any future changes to the estimated useful lives of the long-lived assets could be significant to Panasonic s results of operations.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs. Factors which may contribute to the need for future impairment charges include changes in the use of assets resulting from Panasonic s restructuring initiatives, technological changes or any significant declines in the demand for related products.

Valuation of Investment Securities

Panasonic holds available-for-sale securities, held-to-maturity securities, equity method securities and cost method securities, included in short-term investments, and investments and advances. Available-for-sale securities are carried at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Individual securities are reduced to net realizable value by a charge to earnings for other-than-temporary declines in fair value. Management regularly reviews each investment security for impairment based on criteria that includes the extent to which cost exceeds market value, the duration of that market decline and the financial health of and specific prospects for the issuer. Because such specific information may become available after Panasonic makes the impairment evaluation, and whether the impairment is other-than-temporary depends upon future events that may or may not occur, Panasonic may be required to recognize an other-than-temporary impairment in the future. Determination of whether a decline in value is other-than-temporary requires judgment. At March 31, 2010, Panasonic has recorded 384 billion yen of available-for-sale securities, 2 billion yen of held-to-maturity securities, 22 billion yen of cost method securities, 50 billion yen of equity method securities that have market values, and 179 billion yen of equity method securities that do not have market values, advances and others. These investments could be determined to be other-than-temporarily impaired, depending on changes to the current facts and assumptions. In fiscal 2010, Panasonic recorded 7 billion yen impairment losses on investment securities.

For further discussion on valuation of investment securities, see Notes 4 and 5 of the Notes to Consolidated Financial Statements included in this prospectus.

Valuation of Inventory

Inventories are stated at the lower of cost, determined on a first-in, first-out basis or average basis, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. Panasonic routinely reviews its inventories for their salability and for indications of obsolescence to determine if inventories should be written-down to net realizable value. Judgments and estimates must be made and used in connection with establishing such allowances in any accounting period. In estimating the net realizable value of its inventories, Panasonic considers the age of the inventories and the likelihood of spoilage or changes in market demand for its inventories.

Warranties

Panasonic makes estimates of potential warranty claims related to its goods sold. Panasonic provides for such costs based upon historical experience and its estimate of the level of future claims. Management makes judgments and estimates in connection with establishing the warranty reserve in any accounting period. Differences may result in the amount and timing of its revenue for any period if management makes different judgments or utilizes different estimates. (For further details, see Note 19 of the Notes to Consolidated Financial Statements.)

Valuation of Accounts Receivable and Noncurrent Receivables

Panasonic reviews its accounts receivable on a periodic basis and provides an allowance for doubtful receivables based on historical loss experience and current economic conditions. In evaluating the collectibility of individual receivable balances, Panasonic considers the age of the balance, the customers payment history, their current credit-worthiness and adequacy of collateral.

Panasonic records noncurrent receivables, representing loans from finance lease transactions, at cost, less the related allowance for impaired receivables. A loan is considered to be impaired when, based on current information and events, it is probable that Panasonic will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows or the fair value of the collateral. Cash receipts on impaired receivables are applied to reduce the principal amount of such receivables until the principal has been recovered and are recognized as interest income thereafter. Management s judgment is required in making estimates of the future cash flows of an impaired loan. Such estimates are based on current economic conditions and the current and expected financial condition of the debtor. (For further details, see Schedule II of Financial Statements of Panasonic Corporation.)

Valuation of Goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired, such as an adverse change in business climate.

Impairment is recorded if the implied fair value of goodwill is less than its carrying amount. The fair value determination used in the impairment assessment requires estimates of the fair value of reporting units based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. These estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change. At March 31, 2010, Panasonic has recorded 923 billion yen of goodwill, part or all of which could be determined to be impaired in future periods, depending on changes to the current facts and assumptions. For further discussion on goodwill, see Note 8 of the Notes to Consolidated Financial Statements included in this prospectus.

Valuation of Deferred Tax Assets and Sustainability of Uncertain Tax Positions

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 benefit under uncertain tax position benefit will not be realized. The ultimate realization of deferred tax assets and uncertain tax positions is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or dependent on assessed sustainability of uncertain tax positions. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment over the valuation of deferred tax assets.

At March 31, 2010, Panasonic has recorded gross deferred tax assets of 1,652 billion yen with a total valuation allowance of 1,015 billion yen. Included in the gross deferred tax assets is 617 billion yen resulting from net operating loss carryforwards (NOLs) of 1,668 billion yen, which are available to offset future taxable income. In order to fully realize these NOLs, Panasonic will need to generate sufficient taxable income by the expiration of these NOLs. These NOLs of 1,528 billion yen expire from fiscal 2011 through 2017 and the remaining balance expire thereafter or do not expire. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Panasonic will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2010 based on available evidence. Panasonic could be required to increase the valuation allowance if such assumptions would change concluding that Panasonic would not be able to generate sufficient taxable income. At March 31, 2010, Panasonic has recorded 10 billion yen of unrecognized tax benefits. For further discussion on valuation of deferred tax assets and realizability of uncertain tax positions, see Note 11 of the Notes to Consolidated Financial Statements included in this prospectus.

Retirement and Severance Benefits

Retirement and severance benefits costs and obligations are dependent on assumptions used in calculating such amounts. The discount rate and expected return on assets are the most critical assumptions among others, including retirement rates, mortality rates and salary growth. While Panasonic s management believes that the assumptions used are appropriate, actual results in any given year could differ from actuarial assumptions because of economic and other factors. The resulting difference is accumulated and amortized and therefore, generally affect Panasonic s retirement and severance benefit costs and obligations in future period.

Panasonic determines discount rates by looking to rates of return on high-quality fixed income investments, and the expected long-term rate of return on pension plan assets by considering the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. Decreases in discount rates lead to increases in benefit obligations which, in turn, could lead to an increase in amortization cost through amortization of actuarial gain or loss, and vice versa. A decrease of 50 basis points in the discount rate is expected to increase the projected benefit obligation by approximately seven percent. A decline in market stock values generally results in a lower expected rate of return on plan assets, which would result in an increase of future retirement and severance benefit costs.

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Accounting for Derivatives

Panasonic has limited involvement with derivative financial instruments and does not use them for trading purposes. Panasonic uses derivative instruments principally to manage foreign currency risks resulting from transactions denominated in currencies other than the Japanese yen. Panasonic recognizes all derivatives as either assets or liabilities on the balance sheet at their fair values. Changes in the fair value of a derivative are reported in earnings or other comprehensive income (loss) depending on their use and whether they qualify for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the hedged item. Panasonic evaluates and determines on a continuous basis if the derivative remains highly effective in offsetting changes in the fair value or cash flows of the hedged item. If the derivative ceases to be highly effective in offsetting changes in the fair value or cash flows of the hedged item, Panasonic discontinues hedge accounting prospectively. Because the derivatives Panasonic uses are not complex, significant judgment is not required to determine their fair values. Fair values are determined based an unadjusted market prices or quotations from brokers.

Loss Contingencies

Loss contingencies may from time to time arise from situations such as product liability claims, warranty claims, disputes over intellectual property rights, environmental remediation obligations, and other legal actions. Loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. In recording liabilities for probable losses, management is required to make estimates and judgments regarding the amount or range of the probable loss. Management continually assesses the adequacy of estimated loss contingencies and, if necessary, adjusts the amounts recorded as better information becomes known.

New Accounting Pronouncements

In December 2009, FASB issued Accounting Standards Update (ASU) 2009-16, Accounting for Transfers of Financial Assets. ASU2009-16 removes the concept of a qualifying special-purpose entity (QSPE) from ASC 860, Transfers and Servicing, and the exception from applying ASC 810 to QSPEs, thereby requiring transferors of financial assets to evaluate whether to consolidate transferees that previously were considered QSPEs. ASU 2009-16 also clarifies ASC 860 s sale-accounting criteria pertaining to legal isolation and effective control and creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale. ASU 2009-16 is effective for Panasonic as of April 1, 2010. The adoption of ASU 2009-16 is not expected to have a material effect on Panasonic s consolidated financial statements.

In December 2009, FASB issued ASU 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17, which amends ASC 810, revises the test for determining the primary beneficiary of a Variable Interest Entities (VIE) from a primarily quantitative risks and rewards calculation based on the VIE s expected losses and expected residual returns to a primarily qualitative analysis based on identifying the party or related-party (if any) with the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. ASU 2009-17 is effective for Panasonic as of April 1, 2010. The adoption of ASU 2009-17 is not expected to have a material effect on Panasonic s consolidated financial statements.

In October 2009, FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements. ASU 2009-13 amends ASC 605 to eliminate the requirement that all undelivered elements have vendor specific objective evidence of selling price (VSOE) or third party evidence of selling price (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered.

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In the absence of VSOE and TPE for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements in a multiple-element arrangement. The overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity s estimated selling price. Application of the residual method of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted upon adoption of ASU 2009-13. ASU 2009-13 is effective prospectively for Panasonic s revenue arrangements entered into or materially modified beginning on or after April 1, 2011. Panasonic is currently in the process of assessing the impact of adoption of ASU 2009-13 on Panasonic s consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Panasonic is exposed to market risk, including changes of foreign exchange rates, interest rates and prices of marketable securities and commodities. In order to hedge the risks of changes in foreign exchange rates, interest rates and commodity prices, Panasonic uses derivative financial instruments. Panasonic does not hold or issue financial instruments for trading purposes. Although the use of derivative financial instruments exposes Panasonic to the risk of credit-related losses in the event of nonperformance by counterparties, Panasonic believes that such risk is minor because of the high credit rating of the counterparties.

Equity Price Risk

Panasonic holds available-for-sale securities included in short-term investments and investments and advances. In general, highly-liquid and low risk instruments are preferred in the portfolio. Available-for-sale securities included in investments and advances are held as longer term investments. Panasonic does not hold marketable securities for trading purposes.

Maturities of investments in available-for-sale securities at March 31, 2010 and 2009 are as follows:

	Yen (millions)			
	2010		2009	
	Cost	Fair value	Cost	Fair value
Due within one year			1,972	1,998
Due after one year through five years	4,462	4,546	9,782	9,910
Equity securities	275,579	379,358	269,735	284,356
Total	280,041	383,904	281,489	296,264

Foreign Exchange Risk

The primary purpose of Panasonic s foreign currency hedging activities is to protect against the volatility associated with foreign currency transactions. Panasonic primarily utilizes forward exchange contracts and options with a duration of less than a few months. Panasonic also enters into foreign exchange contracts from time to time to hedge the risk of fluctuation in foreign currency exchange rates associated with long-term debt that is denominated in foreign currencies. Foreign exchange contracts related to such long-term debt have the same maturity as the underlying debt.

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The following table provides the contract amounts and fair values of foreign exchange contracts, primarily hedging U.S. dollar and euro revenues, at March 31, 2010 and 2009. Amounts related to foreign exchange contracts entered into in connection with long-term debt denominated in foreign currencies which eliminate all foreign currency exposures, are shown in the table of Interest Rate Risk.

	Yen (millions)			
	2010		2009	
	Contract amount	Fair value	Contract amount	Fair value
Forward:				
To sell foreign currencies	375,430	1,121	334,586	(9,902)
To buy foreign currencies	196,439	3,606	190,495	2,503
Cross currency swaps	31,797	(283)	33,953	1,535
Interest rate swaps	33,702	23		

Commodity Price Risk

Panasonic is exposed to market risk of changes in prices of commodities including various non-ferrous metals used in the manufacturing of various products. Panasonic enters into commodity future contracts to offset such exposure.

The following table provides the contract amounts and fair values of commodity futures at March 31, 2010 and 2009.

	Yen (millions)			
	2010		2009	
	Contract amount	Fair value	Contract amount	Fair value
Commodity futures:				
To sell commodity	40,194	(4,576)	48,858	13,955
To buy commodity	113,682	12,561	168,527	(57,720)

Interest Rate Risk

Panasonic s exposure to market risk for changes in interest rates relates principally to its debt obligations. Panasonic has long-term debt primarily with fixed rates. Fixed-rate debt obligations expose Panasonic to variability in their fair values due to changes in interest rates. To manage the variability in the fair values caused by interest rate changes, Panasonic enters into interest rate swaps when it is determined to be appropriate based on market conditions. Interest rate swaps change fixed-rate debt obligations to variable-rate debt obligations by entering into fixed-receiving, variable-paying interest rate swap contracts. The hedging relationship between interest rate swaps and hedged debt obligations is highly effective in achieving offsetting changes in fair values resulting from interest rate risk. The following tables provide information about Panasonic s financial instruments that are sensitive to changes in interest rates at March 31, 2010 and 2009. For debt obligations, the table presents principal cash flows by expected maturity dates, related weighted average interest rates and fair values of financial instruments.

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Long-term debt, including current portion:

			Yen (millions)						
	Average interest rate	Carrying amount and maturity date (as of March 31, 2010)							
		Total	2011	2012	2013	2014	2015	There-after	Fair value
Unsecured Straight bonds	1.5%	500,000		200,000		200,000		100,000	514,400
Unsecured Straight bonds issued by subsidiaries	1.5%	182,406	20,000	30,643		30,000	31,769	69,994	184,887
Unsecured bank loans	1.1%	404,318	146,304	109,533	49,338	40,772	57,680	691	401,433
Secured bank loans by subsidiaries	2.0%	4,558	649	325	171	1,475	182	1,756	4,558
Total		1,091,282	166,953	340,501	49,509	272,247	89,631	172,441	1,105,278

			Yen (millions)						
	Average interest rate	Carrying amount and maturity date (as of March 31, 2009)							
		Total	2010	2011	2012	2013	2014	There-after	Fair value
Unsecured Straight bonds	1.5%	500,000			200,000		200,000	100,000	500,791
Unsecured Straight bonds issued by subsidiaries	1.6%	60,143			150		20,000	39,993	60,171
Unsecured bank loans	1.6%	22,043	7,446	7,531	5,560	1,347	159		22,073
Secured bank loans by subsidiaries	2.5%	3,136	29	344	197	187	193	2,186	3,136
Total		585,322	7,475	7,875	205,907	1,534	220,352	142,179	586,171

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SANYO MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of SANYO s financial condition and results of operations together with its consolidated financial statements and other information included in this prospectus. SANYO prepares its consolidated financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP), and accordingly the following discussion is based on SANYO s U.S. GAAP financial information. SANYO s fiscal year end is March 31.

Overview

A consolidated subsidiary of Panasonic since December 2009, SANYO manufactures and sells products in the following business segments: Energy, Electronic device, Digital system, Commercial, Consumer electronics, and Other. 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, and HIT® Solar Cells, which boast high conversion efficiency. Against the backdrop of an increasing environmental awareness worldwide, SANYO has implemented a structural transformation in various areas since 2005 with the intention of capitalizing on its proprietary global environment-serving technologies to capture business opportunities. The structural reform included investments in HEV rechargeable batteries and PV systems, which SANYO considers to be promising business areas. SANYO concurrently executed group-wide cost reduction.

In order for SANYO to build lasting growth in the energy field, as well as to expand existing businesses, SANYO launched the Energy Solution Business. In this new business, SANYO is advancing development of the Smart Energy System which enables effective energy utilization (smart energy) based on a combination of technologies for energy generation, energy storage, and energy efficiency related products include PV modules, lithium-ion batteries, power conditioners, and commercial equipment.

With respect to SANYO s consolidated business performance for the fiscal 2010, net sales were down 9.9% from the previous fiscal year to 1,594.6 billion yen. This is mainly due to sharp sales decline of rechargeable batteries, digital cameras as well as commercial air conditioners amid the economic stagnation during the first half, despite sales increase of PV systems and car electronics.

Meanwhile, net income attributable to SANYO for fiscal 2010 resulted in a loss of 48.8 billion yen due to the recognition of 70.6 billion yen as non-operating loss. The non-operating loss resulted from the capital and business alliance with Panasonic Corporation, which includes selling some of SANYO s battery businesses such as nickel metal hydride battery business other than those for use in automobiles, business restructuring such as implementation of our special career support plan mainly in the Electronic Device and Commercial Business Segments, and implementation of measures for quality related problems with some of SANYO s products, including a Top-Open Drum washer/dryer unit.

Economic environment

During the fiscal 2009, the economic environment was generally steady during the first half of the year. However, the economic situation in the financial markets caused by the sub-prime loan crisis in the U.S. rippled through the economy, creating an unexpectedly rapid deceleration of the global economy, and the world economy was showing signs of a global recession. The electronics industry experienced extremely harsh conditions with a significant slump in sales during the second half of the fiscal 2009 due to a reduction in corporate capital investments and a drastic decline in personal consumption. The difficult economic environment forced businesses to make massive production adjustments and implement further structural reforms.

During the fiscal 2010, the global economy showed a mild upwards trend in comparison to the second half of the previous fiscal year. This positive upwards trend is due to the economic growth in China and other Asian countries, as well as the positive effects of the economic stimulus packages of various nations. However, despite showing some signs of improvement, the business environment for the electronics industry continued to be difficult as a result of personal consumption and corporate capital investment not making a full recovery, and the deflationary conditions continuing in Japan.

Condition of foreign currency exchange rates and SANYO s policy

Foreign currency exchange rates fluctuated during the two-year period ended March 31, 2010. In the year ended March 31, 2009, there was 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, SANYO has traditionally used several currency risk hedging methods, such as forward foreign-exchange contracts and currency options contracts with leading banks. SANYO has also increased matching of export and import exchange contracts. As a basic countermeasure against currency exchange risk, SANYO has been strengthening production operations outside Japan to meet overseas demand, while reducing dependence on exports from Japan. SANYO does not have any material unhedged monetary assets, liabilities or commitments denominated in currencies other than the individual operations functional currencies.

Summary of operations

In fiscal 2009, SANYO announced its Mid-term Management Plan for the next three years, aiming to regain public trust and to establish the foundation for a highly profitable company, to become a leading company for energy and environment, and striving to strengthen its business base in terms of revenue and finance.

During fiscal 2009, the first year of the Mid-term Management Plan, SANYO implemented measures for profit growth over the next three years, such as up front investments in business areas with growth potential and for increasing cooperation with other companies.

In the HEV lithium-ion battery business, SANYO entered into an agreement with Volkswagen Group of Germany to co-develop a next generation battery system. Also, as addressing development and commercialization of a much more sophisticated system, a new commercial production line was completed and introduced.

In the PV business, to meet active demand, SANYO planned to increase production capacity by building a new plant in Nishikinohama (Kaizuka City, Osaka, Japan). SANYO also constructed a new plant for silicon ingots and wafers in Oregon, U.S.A.

In the commercial business segment, to expand business globally and in China in particular, SANYO invested in and became the largest stockholder of Dalian Bingshan Group Co., Ltd., a holding company of major commercial equipment manufacturers in China.

To create a management structure less susceptible to the impact of harsh external conditions such as a surge in raw materials costs and the ongoing appreciation of the yen, cost structure reforms were promoted through group-wide cost reduction activities such as having more concentrated material procurement and logistics practices.

Efforts to strengthen the management structure were made to enhance profitability. However, the management and market environments in which SANYO operates rapidly deteriorated during the second half of the fiscal year, which resulted in an unexpectedly harsh impact on its earnings.

For fiscal 2009, sales increased in the first half of the fiscal year based on the strong demand for PV systems and lithium-ion batteries. However, due to the rapid decline of market conditions in the second half of the year, sales, primarily from semiconductors, electronic components, and digital cameras, have decreased drastically. This resulted in consolidated net sales decreasing by 12.2% from the prior year to 1,770.7 billion yen, while other operating revenue increased by 7.6% from the prior year to 70.5 billion yen.

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On the profit front, SANYO recorded an impairment loss on fixed assets related to the semiconductor business, which continued to experience a declining business environment. SANYO incurred increased expenses due to structural reforms including impairment losses on fixed assets in the semiconductor business to ensure profitability from the next period and going forward. Therefore, net loss attributable to SANYO for fiscal 2009 amounted to 93.2 billion yen even through a gain was realized as a result of the sale of the mobile phone business.

Free cash flows drastically decreased from the previous year due to a downturn in business, resulting in a net cash outflow of 11.4 billion yen.

In fiscal 2010, in response to the difficult conditions, SANYO focused its investment into the energy business:

SANYO transferred manufacturing operations overseas for the capacitor business and, the commercial air conditioner business. SANYO also terminated the LEDs business, except for LED lighting products, and has discontinued the development and manufacturing of domestic household air conditioners.

SANYO strengthened the production capacity of the PV business, to promote investment in the energy business. SANYO also started construction of a new factory for HEV rechargeable batteries.

For fiscal 2010, sales of PV systems and car electronics increased. However, sales of rechargeable batteries, digital cameras, and commercial air conditioners decreased drastically, due to the decline of the market in the first half of the fiscal year. This resulted in decreased consolidated net sales of 9.9% from the previous fiscal year to 1,594.6 billion yen, while other operating revenue decreased by 11.1% from the previous fiscal year to 62.7 billion yen.

Loss from continuing operations before income taxes amounted to 38.3 billion yen and net loss attributable to SANYO for the fiscal year ended March 31, 2010 amounted to 48.8 billion yen. This mainly resulted from the recognition of non-operating expenses related to the capital and business alliance with Panasonic Corporation, which includes selling some of SANYO s battery businesses such as nickel metal hydride battery business other than those for use in automobiles, as well as quality problem related expenses and business restructuring related expenses such as implementation of our special career support plan mainly in the Electronic device and Commercial business segments.

Free cash flows resulted in net cash outflows of 7.9 billion yen, an improvement of 3.5 billion yen from the previous fiscal year.

Key performance indicators

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

	Yen (millions) (%) Fiscal year ended March 31, 2010	2009
Net sales	1,594,640	1,770,656
Loss before income taxes to net sales ratio	(2.4)%	(6.4)%
Research and development costs to net sales ratio	3.9%	4.3%
Total assets	1,391,273	1,345,403
SANYO stockholders equity	108,318	146,454
SANYO stockholders equity to total assets ratio	7.8%	10.9%
Return on equity	(38.3)%	(41.0)%
Capital investment	72,482	106,533
Free cash flow	(7,919)	(11,434)

Note: Return on equity is calculated by dividing net loss attributable to SANYO by the average of shareholders equity at the beginning and the end of each fiscal year.

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SANYO defines Capital investment as purchases of property, plant and equipment on an accrual basis which reflects the effects of timing differences between acquisition dates and payment dates. SANYO 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.

SANYO s management also believes that this indicator provides useful information when it is compared with depreciation expenses for purposes of evaluating the replacement of property, plant and equipment. 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 SANYO s portfolio of property, plant and equipment as it excludes expenditures for repairs and maintenance, operating leases, and intangible assets that may be integral to the use of property, plant and equipment. SANYO 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 (millions)	
	Fiscal year ended March 31,	
	2010	**2009**
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	84,934	80,689
Effects of timing difference between acquisition dates and payment dates	(12,452)	25,844
Capital investment	72,482	106,533

SANYO defines Free cash flow as the sum of net cash provided by operating activities and net cash provided by investing activities. SANYO 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.

SANYO s management also believes that this indicator is useful in understanding SANYO 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 SANYO 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 SANYO may be subject to mandatory debt service requirements and may have other non-discretionary expenditures that are not deducted from this indicator. SANYO 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.

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

	Yen (millions) Fiscal year ended March 31, 2010	2009
Net cash provided by operating activities	72,891	10,233
Net cash used in investing activities	(80,810)	(21,667)
Free cash flow	(7,919)	(11,434)

Business Segments

SANYO Electric Co., Ltd. and its Subsidiaries Years ended March 31, 2010 and 2009

	Yen (millions) 2010	2009	Percent change (%)
Net Sales and Other Operating Revenue:			
Energy			
External customers	419,177	461,376	(9)
Intersegment	22,623	15,926	42
Total	441,800	477,302	(7)
Electronic device			
External customers	303,943	312,500	(3)
Intersegment	25,506	46,086	(45)
Total	329,449	358,586	(8)
Digital system			
External customers	319,985	366,648	(13)
Intersegment	7,670	12,161	(37)
Total	327,655	378,809	(14)
Commercial			
External customers	396,094	461,888	(14)
Intersegment	24,928	20,183	24
Total	421,022	482,071	(13)
Consumer electronics			
External customers	229,110	204,763	12
Intersegment	11,078	18,661	(41)
Total	240,188	223,424	8
Other			
External customers	3,381	10,737	(69)
Intersegment	3,869	4,121	(6)
Total	7,250	14,858	(51)
Corporate and eliminations	(110,019)	(93,883)	
Consolidated	1,657,345	1,841,167	(10)

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	Yen (millions)		Percent
	2010	2009	change (%)
Segment Profit (loss):			
Energy	23,849	47,194	(49)
Electronic device	2,052	(26,679)	
Digital system	9,962	12,025	(17)
Commercial	7,246	(2,138)	
Consumer electronics	9,414	(2,116)	
Other	373	375	(1)
Corporate and eliminations	(20,614)	(20,385)	
Consolidated	32,282	8,276	290
Interest and dividends	2,297	4,343	(47)
Other income	16,544	18,391	(10)
Interest	(10,463)	(12,107)	
Other expenses	(78,986)	(132,651)	
Loss from continuing operations, before income taxes	(38,326)	(113,748)	

Impact of Exchange Rate Fluctuations

If the principal foreign currency denominated transactions were converted using the exchange rate applied for the year ended March 31, 2009, net sales and other operating revenue for the year ended March 31, 2010 would decrease 56.7 billion yen. These calculations are based on converting foreign-denominated accounts involving amounts in net sales, other operating revenue, cost of sales, selling, general and administrative expenses converted at the average exchange rate on the Tokyo foreign exchange market for the previous fiscal year.

Results of Operations

Details of SANYO s consolidated sales and earnings results were as follows:

Year ended March 31, 2010 compared with 2009

(1) Net Sales and Other Operating Revenue

Net sales for fiscal 2010 decreased by 9.9% from the previous fiscal year to 1,594.6 billion yen. Other operating revenue decreased by 11.1% from the previous fiscal year to 62.7 billion yen.

In the Energy business segment, sales and other operating revenue decreased by 7.4% from the previous fiscal year to 441.8 billion yen. Demand for PV systems and HEVs increased due to the introduction of economic stimulus packages, and environment policies of various nations, which resulted in increased sales of SANYO s PV systems, primarily in Japan. Additionally, sales of HEV rechargeable batteries increased steadily. The sales volume of lithium-ion batteries exceeded the previous fiscal year s level, however, sales decreased overall, due to price declines which continued throughout the year.

With respect to this segment, segment profit decreased by 49.5% from the previous fiscal year to 23.8 billion yen, due mainly to ongoing price decline.

In the Electronic device business segment, sales and other operating revenue decreased by 8.1% from the previous fiscal year to 329.4 billion yen. In the electric components product category, while revenue from capacitors decreased, sales of optical pickups significantly increased, resulting in an increase in overall sales. In the semiconductors components products category, while overall sales decreased, sales of products for car electronics, personal computers, and electric appliances were strong and continued to recover.

With respect to this segment, segment profit was 2.1 billion yen. This was due to an increase in profitability of semiconductors resulting from structural reforms carried out and an increase in profitability of electronic components including optical pickups.

In the Digital system business segment, sales and other operating revenue decreased by 13.5% from the previous fiscal year to 327.7 billion yen. Sales of digital cameras decreased due to the decline of market prices, and despite efforts to expand sales of SANYO brand products. Sales of projectors decreased due to slower sales of large models. This decrease in projector sales was partially offset by the steady sales of compact models for the education market. Sales of TVs increased overall, due to strong sales in SANYO s major market, North America, which offset the price declines resulting from intense market competition.

With respect to this segment, segment profit decreased by 17.2% from the previous fiscal year to 10.0 billion yen, due mainly to the falling prices.

In the Commercial business segment, sales and other operating revenue decreased by 12.7% from the previous fiscal year to 421.0 billion yen. This decrease is due to a drop in corporate capital investment, as a result of the challenging economic conditions, which has lead to lower sales of showcases and commercial air conditioners. Sales of medical computers increased in response to the growth in demand, as a result of preparation for the upcoming revision of medical treatment fees. Sales of biomedical equipment remained at the same level as the previous fiscal year.

With respect to this segment, segment profit was 7.2 billion yen. As a result of advancing segment-wide structural reforms, such as fixed cost reduction, a surplus was produced.

In the Consumer electronics business segment, sales and other operating revenue increased by 7.5% from the previous fiscal year to 240.2 billion yen. Sales of life electronics products decreased overall, despite healthy sales of high-value-added products, such as hybrid bicycles and rice cookers. Sales of refrigerators increased due to strong sales of eco-point models in Japan. Sales of in-vehicle devices, including car navigation systems, increased as a result of the recovery of auto sales and SANYO s efforts to expand new products.

With respect to this segment, segment profit was 9.4 billion yen. This was mainly due to an increase in sales of car electronics and steady sales of high-value-added life electronics, including rice cookers and electric hybrid bicycles.

In the Other business segment, sales and other operating revenue decreased by 51.2% from the previous fiscal year to 7.3 billion yen.

(2) Cost of Sales, Selling, General and Administrative Expenses

Cost of sales for fiscal 2010 decreased by 169.8 billion yen from the previous fiscal year to 1,350.7 billion yen. The cost of sales ratio decreased by 1.2% from the previous fiscal year to 84.7%. This was due to improved profitability, resulting from cost reductions promoted across the board.

Selling, general and administrative expenses decreased by 38 billion yen from the previous fiscal year to 274.3 billion yen, due to the decrease in labor costs. The ratio of selling, general and administrative expenses to net sales decreased by 0.4% from the previous fiscal year to 17.2%.

(3) Interest and dividends and interest expense

For fiscal 2010, interest and dividends decreased by 2.0 billion yen from the previous fiscal year to 2.3 billion yen. Interest expense decreased by 1.6 billion yen from the previous fiscal year to 10.5 billion yen. This was due mainly to low-interest funds that were procured through SANYO head office and extended to group companies.

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(4) Other Income (Expenses)

Other expenses net of other income amounted to 62.4 billion yen, resulting in a 51.8 billion yen decrease from the previous fiscal year. This was mainly due to costs for handling quality problems, restructuring expenses, and expenses related to the capital and business alliance with Panasonic Corporation.

(5) Loss from continuing operations, before income taxes

Loss from continuing operations before income taxes was 38.3 billion yen for fiscal 2010, compared with the previous fiscal year loss of 113.7 billion yen.

(6) Provision for income taxes

Provision for income taxes were 13.1 billion yen for fiscal 2010, compared with the previous fiscal year taxes of 5.4 billion yen.

(7) Loss from continuing operations

Loss from continuing operations amounted to 51.5 billion yen for fiscal 2010, compared with the previous fiscal year loss of 119.2 billion yen.

(8) Net income from discontinued operations

Net income from discontinued operations was 28.9 billion yen for fiscal 2009.

(9) Net income (loss) attributable to noncontrolling interests

Net loss attributable to noncontrolling interests was 2.7 billion yen for fiscal 2010, compared with the previous fiscal year income of 3.0 billion yen. This result was due mainly to the downturn in business.

(10) Net loss attributable to SANYO

Net loss attributable to SANYO amounted to 48.8 billion yen as compared with the previous fiscal year loss of 93.2 billion yen.

Net loss attributable to SANYO per share came to 7.9 yen for fiscal 2010 compared with a net loss attributable to SANYO per share of 15.2 yen for the previous fiscal year.

Sales Results by Region

Net sales and other operating revenue classified according to geographic areas based on customer location for the years ended March 31, 2010 and 2009 are as follows:

	Yen (millions) Fiscal year ended March 31,		**Percent change (%)**
	2010	**2009**	
Domestic Sales:	686,288	735,222	(7)
Overseas Sales			
Asia	562,269	612,437	(8)
North America	203,128	231,870	(12)
Europe	138,497	192,473	(28)
Other	67,163	69,165	(3)
Total	971,057	1,105,945	(12)

Total	1,657,345	1,841,167	(10)%

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Net sales and other operating revenue in the domestic market amounted to 686.3 billion yen, down 7% from 735.2 billion yen in the previous year, although sales gains were recorded in PV systems buoyed by booming demand. This sales decline was due mainly to a sales decrease in digital cameras and commercial air conditioners.

Overseas net sales and other operating revenue amounted to 971.1 billion yen, down 12% from 1,105.9 billion yen in the previous fiscal year. Sales declined in all segments, and there were sharp sales declines particularly in lithium-ion batteries and digital cameras due to the decline of market prices.

By region, net sales and other operating revenue in the Asia amounted to 562.3 billion yen, down 8% from 612.4 billion yen in the previous year. This was due mainly to decline in sales of rechargeable batteries driven by the decline of market prices, although sales of optical pickup increased reflected by healthy performance of the personal computer market.

Net sales and other operating revenue in North America amounted to 203.1 billion yen, down 12% from 231.9 billion yen in the previous year. This was due mainly to a sales decrease of digital camera suffered from deceleration of the economy, although sales of audio were favorable due to positive effects of economic stimulus packages such as automobile subsidy.

In Europe, net sales and other operating revenue decreased 28% to 138.5 billion yen, from the previous year s 192.5 billion yen. This was due mainly to an decrease in sales of many products, including large air conditioner and digital cameras, suffered from corporate capital investment remaining stagnant due to deceleration of the economy.

In the Other amounted to 67.1 billion yen, down 3% from the previous year s 69.2 billion yen.

Liquidity and Capital Resources

Financial Strategies

SANYO maintains a basic policy of financing all required funds from internal sources. SANYO also practices efficient fund management through internal financing activities. In addition, SANYO procures funds for working capital and capital investment by borrowing and issuing corporate bonds. Working capital is financed through short-term borrowing with maturities of one year or less, while long-term funds for production facilities and equipments are procured by long-term loans and straight bonds. As of March 31, 2010, short-term borrowing (including the current portion of long-term debt) was up 57 billion yen from the end of the previous fiscal year to 216.1 billion yen, while corporate bond issues and long-term loans increased 19.1 billion yen from the end of the previous fiscal year to 324.4 billion yen. As of March 31, 2009, short-term borrowing (including the current portion of long-term liabilities) was down 76.1 billion yen from the previous year, to 159.1 billion yen, while corporate bond issues and long-term loans increased 34.2 billion yen to 305.3 billion yen.

Annual interest rates of short-term borrowings ranged primarily from 0.50% to 8.37% at March 31, 2010. The weighted average interest rate on such short-term borrowings was 2.51%. As for long-term debt, both fixed and floating rates were included in the interest rates, and the weighted average interest rate on such long-term debt at March 31, 2010, was 1.18%. With regard to the maturity profile of these borrowings, please refer to Tabular Disclosure of Contractual Obligations.

As of March 31, 2010, the outstanding balance of short-term borrowings totaled 216.1 billion yen, and long-term debt was 324.4 billion yen. SANYO s borrowings are not significantly affected by seasonal factors. (For further details, see Note 11 of the Notes to Consolidated Financial Statements.)

Regarding future cash requirements, SANYO will spend capital investment amounting to approximately 290.0 billion yen planned in the new Mid-term Management Plan from fiscal 2011 to fiscal 2013, SANYO will invest approximately 60% of the total in the energy business area, for example allocating approximately 50.0 billion yen to the photovoltaic business and approximately 120.0 billion yen to the businesses related to rechargeable batteries, including those for HEVs.

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In order to facilitate access to global capital markets, SANYO obtains credit ratings from the world s leading credit rating agencies, Moody s. In addition, SANYO maintains credit ratings from Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR), rating agencies nationally recognized in Japan, primarily for access to the Japanese capital markets. As of March 31, 2010, SANYO s debt ratings are: Moody s: Baa1 (long-term) up from Baa3 on December 2009; and R&I: A- (long-term, outlook: stable) up from BBB on January 2010, a-1 (short-term) up from a-2 on January 2010 ; and JCR:A+ (long-term, outlook: stable) up from BBB+ on December 2009. These upgrades in credit ratings were due mainly to becoming a consolidated subsidiary of Panasonic, which would help SANYO to improve its earnings and financial flexibility significantly.

Considering the circumstances mentioned above, SANYO believes that it has sufficient sources of liquidity for both working capital and long-term investment needs.

Fiscal 2010 Financial Position

Assets

As a result of the consolidated business performance described above, total assets as of March 31, 2010 came to 1,391.3 billion yen, up 45.9 billion yen from the end of the previous fiscal year.

Total current assets increased 43.4 billion yen from the end of the previous fiscal year to 873.1 billion yen, due to a 94.7 billion yen increase in time deposits and a 31.6 billion yen decrease in cash from the end of the previous fiscal year.

Investment and advances increased 5.0 billion yen from the end of the previous fiscal year to 70.5 billion yen, mainly due to the recovery of the market for available-for sale securities.

Net property, plant and equipment decreased 9.7 billion yen from the end of the previous fiscal year to 383.9 billion yen, mainly due to an impairment loss on fixed assets.

Deferred income taxes non-current amounted to 10.5 billion yen, a decrease of 0.5 billion yen from the end of the previous fiscal year.

Other assets amounted to 53.2 billion yen, an increase of 7.7 billion yen from the end of the previous fiscal year.

Liabilities and Stockholders Equity

Total liabilities as of March 31, 2010 were 1,261.7 billion yen , an increase of 87.9 billion yen from the end of the previous fiscal year. The change is due to an increase of 109.4 billion yen from the end of the previous fiscal year, mainly due to increases in the combined balance of the current portion of long-term liabilities, and notes and accounts payable-trade. Total SANYO stockholders equity decreased 38.1 billion yen from the end of the previous fiscal year to 108.3 billion yen, mainly due to a 48.8 billion yen increase in accumulated deficit and a decrease of 10.6 billion yen in accumulated other comprehensive loss. As a result, the stockholders equity ratio decreased by 3.1% from the end of the previous fiscal year to 7.8%.

Fiscal 2010 Cash Flows

Net cash provided by operating activities in fiscal 2010 amounted to 72.9 billion yen, compared with 10.2 billion yen in the previous fiscal year. This result was due mainly to improvement in funds resulting from collections/payments term differences. Net cash used in investing activities amounted to 80.8 billion yen, compared with 21.7 billion yen in fiscal 2009. This result was due primarily to the sale of a business to Kyocera Corporation resulted in a decrease in net cash used for investing activities. Net cash provided by financing activities was 68.8 billion yen, compared with cash outflow of 39.0 billion yen in fiscal 2009. This result was due mainly to new fund procurement. All these activities and the effect of exchange rate fluctuations (a positive impact of 1.7 billion yen) resulted in cash and cash equivalents at the end of fiscal 2010 of 282.5 billion yen, compared with 219.4 billion yen at the end of fiscal 2009.

Free cash flow in fiscal 2010 amounted to a cash outflow of 7.9 billion yen, compared with a cash outflow of 11.4 billion yen in fiscal 2009. This result was due mainly to operational improvement, as well as an increase in trade payable and a decrease in trade receivables. (For a reconciliation of free cash flow to the most directly comparable U.S. GAAP financial measure and related discussion, see SANYO Management s Discussion and Analysis of Financial condition and Results of Operations Overview Key performance indicators included elsewhere in this Prospectus.)

Commitments for Capital Expenditures

As of March 31, 2010, commitments outstanding for the purchase of property, plant and equipment amounted to 27.7 billion yen.

Research and Development

R&D Policy

Within SANYO, the R&D H.Q. works as one with each business division to create competitive products for the global arena through maximizing its proprietary technologies and power to create new ideas, for the business domains of Energy (Energy Business Segment), Electronics (Electronic Device and Digital System Business Segment), and Ecology (Commercial and Consumer Electronics Business Segment).

In the future, by focusing corporate resources on the energy field in which it has an edge, SANYO will advance the development of technologies, including energy control technology and other core technologies that will serve as driving forces for the newly-launched energy solution business.

Fiscal 2010 Activities

SANYO promotes selection and concentration in R&D activities to strengthen the competitive advantages of its core technologies, including energy-related technologies. At the same time, SANYO has been advancing efficient R&D through promoting across-the-board utilization of common, fundamental technologies and collaborating with universities and research institutes in Japan and overseas. Research and development expenses for the years ended March 31, 2010 and 2009 were 62.5 billion yen and 75.4 billion yen respectively. For fiscal 2010, research and development expenses were down 17.1% from the previous year to 62.5 billion yen.

Major activities included research and development of fundamental technologies related to next-generation rechargeable batteries and PV modules; image processing technologies to help realize smaller full HD Digital Dual Cameras with less power consumption; and environment-related technologies, such as water and air purification technologies represented by heat pump-based equipment using a natural refrigerant (CO_2) with zero ozone depletion potential, and products equipped with virus washer technology.

(1) Energy Business Segment

SANYO focuses on the development of rechargeable batteries, including those for HEVs with rapid growth potential; the HIT® solar cells offering the highest-class conversion efficiency in the world; and the Smart Energy System to utilize energy in the most effective way.

(2) Electronic Device Business Segment

For electronic components and semiconductors, SANYO advances the development of device/material technologies to further enhance the strengths of products and creation of proprietary devices which will lead the next generation as a core business.

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(3) Digital System Business Segment
SANYO works to create high-value-added digital equipment through developing image/optical processing technologies for products, such as digital cameras and projectors.

(4) Commercial Business Segment
SANYO promotes the development of environment-related fundamental technologies for the refrigeration/air-conditioning field that facilitates reduction of energy consumption and CO_2 emissions and the cutting-edge medical field; information technologies (IT) to support medical services and enhance people s health; and fundamental technologies related to the proprietary air purification system using electrolyzed water.

(5) Consumer Electronics Business Segment
SANYO works to develop energy-saving home appliances and fundamental technologies related to car electronics, including car navigation systems.

Trend Information

During the three months ended June 30, 2010, the global economy continued to show a mild upward trend due to increasing domestic demand in Asian countries, and the positive effects of the economic stimulus packages of various nations. In the Japanese economy, personal consumption showed some signs of improvement.

The outlook for the economy is still unclear due to corporate capital investment remaining stagnant and deflationary conditions continuing, as well as fears of continuing financial issues, primarily in Europe.

In response to these circumstances, SANYO formulated a new 3-year Mid-term Management Plan implemented during this fiscal year. According to this plan, SANYO will strengthen the management structure to improve profitability, focusing investment into the energy business to establish a continuous competitive edge, and to strengthen the overall competitiveness of profitable businesses.

To concentrate and focus its management resources on growth markets, SANYO decided to sell all shares of SANYO Electric Logistics Co., Ltd. to The Longreach Group and to sell the semiconductor business to ON Semiconductor Corporation.

New Mid-term Management Plan

SANYO formulated a new Mid-term Management Plan covering the period from fiscal 2011 to fiscal 2013 by revising the previous Mid-term Management Plan undertaken in fiscal 2009 due to the following reasons:

1) It was necessary to create a new business strategy to build lasting growth while keeping pace with drastic changes in the economic environment; and 2) To make clear SANYO s managerial goals as a member of the Panasonic Group, it was necessary to redevelop a mid-term management plan covering the period consistent with that of the plan by Panasonic Corporation. As the ultimate managerial goal set in the new Mid-term Management Plan, SANYO is aiming to realize an operating profit ratio of 4.5% in fiscal 2013.

As the strategic points for achieving this goal**,** SANYO will focus on the following: 1) Strengthen competitiveness for profitable businesses; 2) Make all businesses profitable; 3) Further strengthen management culture; and 4) Concentrate investment of management resources in the energy business.

(1) Strengthen Competitiveness for Profitable Businesses

SANYO s businesses can be classified into three large categories such as Businesses Supporting the Next Generation , Profitable Businesses and Businesses with Challenges from the perspective of market growth

potential and competitive superiority. "Profitable Businesses" correspond to businesses SANYO has a competitive edge in while their market growth potential is moderate, such as optical pickups, digital cameras, and car electronics.

For these businesses, SANYO will ensure maximum profitability by maintaining and improving their currently-held superior market position. To this end, SANYO will make efforts to further enhance its competitiveness, such as developing new products to distinguish ourselves from competitors and strengthening cost competitiveness through intensive cost reduction.

(2) Make All Businesses Profitable

Businesses with challenges correspond to businesses placed in a low position, in terms of both market growth potential and competitive superiority.

With the aim of making all businesses profitable, for businesses which fall into this category SANYO will decide on fundamental reform policies through exploring all possible options and take concrete actions during fiscal 2011.

(3) Further Strengthen Management Culture

Strengthening of its weak cash generation capability is a managerial challenge facing SANYO. SANYO must solve this challenge in order for SANYO to provide for forward-looking investment to facilitate expansion of the energy business in the future.

In this context, SANYO launched the Corporate Reform H.Q. in May 2010. Under the leadership thereof, it will conduct a broader range of activities to further strengthen management culture across-the-board, such as deploying the successful cost reduction technique used within the Panasonic Group.

(4) Concentrate Investment of Management Resources in the Energy Business

As the most important business area supporting the future of SANYO, it will concentrate investment of management resources in the energy business with potential for market expansion.

From a three-year capital investment amount of approximately 290.0 billion yen planned in the new Mid-term Management Plan, SANYO will invest approximately 60% of the total in the energy business area, for example, allocating approximately 50.0 billion yen to the PV business and approximately 120 billion yen to the businesses related to rechargeable batteries, including those for HEVs. To provide funds for these investments, it will steadily carry out strategic points (1) - (3) to earn sufficient cash.

In the PV business, with the aim of winning a top-three global sales share by fiscal 2016, SANYO will work on a further increase of power generation efficiency, strengthening of cost competitiveness, and development of a commercial PV market, as well as building a stronger sales structure in collaboration with Panasonic Corporation.

In the consumer rechargeable battery business, SANYO will further expand sales of its lithium-ion batteries, which hold the largest share of the global market, in current markets of battery use, including notebook PC. At the same time, SANYO will intensify marketing of large-capacity, highvoltage, lithium-ion battery systems to expand into new uses, such as large energy storage and electric motor. Thus, it will strive to maintain its currently-held superior position in the world.

In the HEV rechargeable battery business, SANYO will start operation of a new lithium-ion battery factory during fiscal 2011, and facilitate the commercialization of lithium-ion batteries for plug-in HEVs. It will lead the market for rechargeable batteries for environment-responsive cars as it implements an all-round sales strategy aiming to obtain a global share of 40% by fiscal 2021.

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By carrying out the measures described above, SANYO will ensure generation of free cash flow of more than 70 billion yen within the three fiscal years from fiscal 2011.

Off-Balance Sheet Arrangements

SANYO established sale of receivables without recourse as off-balance sheet arrangements in order to reduce its total assets.

In fiscal 2010, SANYO sold, without recourse, trade receivables of 131.9 billion yen to independent third parties for proceeds of 131.9 billion yen. In fiscal 2010, SANYO did not sell, with recourse, trade receivables to independent third parties. (For further details, see Note 4 of the Notes to Consolidated Financial Statements.)

In addition, SANYO provides several types of guarantees and similar arrangements. (For further details, see Note 14 of the Notes to Consolidated Financial Statements.)

Tabular Disclosure of Contractual Obligations

The two tables below show SANYO s cash payment obligations and guarantees and other commercial commitments, broken down by the payment amounts due for each of the periods specified below, as of March 31, 2010:

	Yen (millions) Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual Obligations:					
Long-Term Debt Obligations	473,041	157,589	178,673	136,429	350
Interest Obligations	11,867	4,669	5,083	2,113	2
Capital Lease Obligations	12,226	4,138	5,028	2,379	681
Operating Lease Obligations	8,750	3,235	4,147	1,128	240
Purchase Obligations	140,902	40,931	26,257	22,905	50,809
Defined Benefit Plan Contribution	19,885	19,885			
Total Contractual Cash Obligations	666,671	230,447	219,188	164,954	52,082

Note : Contingent payments related to uncertain tax positions of 3,788 million yen are excluded from the table above, as it is not possible to reasonably predict the ultimate amount of settlement or timing of payment.

	Yen (millions) Total Amounts Committed
Other Commercial Commitments:	
Guarantees	12,859
Total Commercial Commitments	12,859

Discounted exported bills generally have contractual lives of less than one year. Loan guarantees are principally provided on behalf of employees, associated companies and customers, and generally have long-term contractual lives coinciding with the maturities of the guaranteed obligations.

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Accounting Principles

Critical Accounting Policies

SANYO has identified the following critical accounting policies which are important to its financial condition and results of operations, and require management s judgment.

Long-lived Assets

The useful lives of long-lived assets reflect the estimated period that SANYO expects to derive economic benefit from their use. In estimating the useful lives and determining whether subsequent revisions to the useful lives are necessary, SANYO considers the likelihood of technological obsolescence, changes in demand for the products related to such assets, and other factors which may affect their utilization of the long-lived assets. The effect of any future changes to the estimated useful lives of the long-lived assets could be significant to SANYO s results of operations.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs. Factors which may contribute to the need for future impairment charges include changes in the use of assets resulting from SANYO s restructuring initiatives, technological changes or any significant declines in the demand for related products.

Valuation of Investment Securities

SANYO holds available-for-sale securities, held-to-maturity securities, equity method securities and cost method securities, included in prepaid expenses and other (current assets) and securities and other investments (non-current assets). Available-for-sale securities are carried at fair value with unrealized holding gains and losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Individual securities are reduced to net realizable value by a charge to earnings for other-than-temporary declines in fair value. Management regularly reviews each investment security for impairment based on criteria that includes the extent to which cost exceeds market value, the duration of that market decline and the financial health of and specific prospects for the issuer. Because such specific information may become available after SANYO makes the impairment evaluation, and whether the impairment is other-than-temporary depends upon future events that may or may not occur, SANYO may be required to recognize an other-than-temporary impairment in the future. Determination of whether a decline in value is other-than-temporary requires judgment. At March 31, 2010, SANYO has recorded 15.9 billion yen of available-for-sale securities, 2.4 billion yen of held-to-maturity securities, 6.1 billion yen of cost method securities, 10.5 billion yen of equity method securities that have market values, and 29.9 billion yen of equity method securities that do not have market values, advances and others. These investments could be determined to be other-than-temporarily impaired, depending on changes to the current facts and assumptions. In fiscal 2010, SANYO recorded 0.5 billion yen impairment losses on investment securities.

Valuation of Inventory

Inventories are stated at the lower of cost, determined on a first-in, first-out basis or average basis, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. SANYO routinely reviews its inventories for their salability and for indications of obsolescence to determine if inventories should be written-down to net realizable value. Judgments and estimates must be made and used in connection with establishing such allowances in any accounting period. In estimating the net realizable value of its inventories, SANYO considers the age of the inventories and the likelihood of spoilage or changes in market demand for its inventories.

Warranties

SANYO makes estimates of potential warranty claims related to its goods sold. SANYO provides for such costs based upon historical experience and its estimate of the level of future claims. Management makes judgments and estimates in connection with establishing the warranty reserve in any accounting period. Differences may result in the amount and timing of its revenue for any period if management makes different judgments or utilizes different estimates.

Valuation of Accounts Receivable and Noncurrent Receivables

SANYO reviews its accounts receivable on a periodic basis and provides an allowance for doubtful receivables based on historical loss experience and current economic conditions. In evaluating the collectibility of individual receivable balances, SANYO considers the age of the balance, the customers payment history, their current credit-worthiness and adequacy of collateral.

SANYO records noncurrent receivables, representing loans, at cost, less the related allowance for impaired receivables. A loan is considered to be impaired when, based on current information and events, it is probable that SANYO will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows or the fair value of the collateral. Cash receipts on impaired receivables are applied to reduce the principal amount of such receivables until the principal has been recovered and are recognized as interest income thereafter. Management s judgment is required in making estimates of the future cash flows of an impaired loan. Such estimates are based on current economic conditions and the current and expected financial condition of the debtor.

Valuation of Deferred Tax Assets and Sustainability of Uncertain Tax Positions

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, SANYO considers whether it is more likely than not that any portion or all of the deferred tax assets or recognized benefit under uncertain tax position benefit will not be realized. The ultimate realization of deferred tax assets and uncertain tax positions is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or dependent on assessed sustainability of uncertain tax positions. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment over the valuation of deferred tax assets.

At March 31, 2010, SANYO has recorded gross deferred tax assets of 405.3 billion yen with a total valuation allowance of 389.2 billion yen. Included in the gross deferred tax assets is 221.1 billion yen resulting from net operating loss carryforwards (NOLs) of 565.4 billion yen, which are available to offset future taxable income. In order to fully realize these NOLs, SANYO will need to generate sufficient taxable income by the expiration of these NOLs. These will expire mainly in the periods ending from March 31, 2011 through 2017. 515.2 billion yen of operating loss carryforwards is attributable to the Japanese consolidated companies which is included in the Company. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that SANYO will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2010 based on available evidence. SANYO could be required to increase the valuation allowance if such assumptions would change concluding that SANYO would not be able to generate sufficient taxable income. At March 31, 2010, SANYO has recorded 3.8 billion yen of unrecognized tax benefits.

Retirement and Severance Benefits

Retirement and severance benefits costs and obligations are dependent on assumptions used in calculating such amounts. The discount rate and expected return on assets are the most critical assumptions among others, including retirement rates, mortality rates and salary growth. While management believes that the assumptions used are appropriate, actual results in any given year could differ from actuarial assumptions because of economic and other factors. The resulting difference is accumulated and amortized and therefore, generally affect SANYO s retirement and severance benefit costs and obligations in future period.

SANYO determines discount rates by looking to rates of return on high-quality fixed income investments, and the expected long-term rate of return on pension plan assets by considering the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. Decreases in discount rates lead to increases in benefit obligations which, in turn, could lead to an increase in amortization cost through amortization of actuarial gain or loss, and vice versa. A decrease of 25 basis points in the discount rate is expected to increase the projected benefit obligation by approximately three percent. A decline in market stock values generally results in a lower expected rate of return on plan assets, which would result in an increase of future retirement and severance benefit costs.

Accounting for Derivatives

SANYO has limited involvement with derivative financial instruments and does not use them for trading purposes. SANYO uses derivative instruments principally to manage foreign currency risks resulting from transactions denominated in currencies other than the Japanese yen. SANYO recognizes all derivatives as either assets or liabilities on the balance sheet at their fair values. Changes in the fair value of a derivative are reported in earnings or other comprehensive income (loss) depending on their use and whether they qualify for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the hedged item. SANYO evaluates and determines on a continuous basis if the derivative remains highly effective in offsetting changes in the fair value or cash flows of the hedged item. If the derivative ceases to be highly effective in offsetting changes in the fair value or cash flows of the hedged item, SANYO discontinues hedge accounting prospectively. Because the derivatives SANYO uses are not complex, significant judgment is not required to determine their fair values. Fair values are determined based an unadjusted market prices or quotations from brokers.

Loss Contingencies

Loss contingencies may from time to time arise from situations such as product liability claims, warranty claims, disputes over intellectual property rights, environmental remediation obligations, and other legal actions. Loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. In recording liabilities for probable losses, management is required to make estimates and judgments regarding the amount or range of the probable loss. Management continually assesses the adequacy of estimated loss contingencies and, if necessary, adjusts the amounts recorded as better information becomes known.

New Accounting Pronouncements

In December 2009, FASB issued ASU2009-16, Accounting for Transfers of Financial Assets, an amendment of ASC860, Transfers and Servicing (former SFAS No.166 Accounting for Transfers of Financial Assets an amendment of SFAS No.140). ASU2009-16 removes the concept of a qualifying special-purpose entity (QSPE) from ASC860 and the exception from applying ASC810 to QSPEs, thereby requiring transferors of financial assets to evaluate whether to consolidate transferees that previously were considered QSPEs. ASU2009-16 also clarifies ASC860 s sale accounting criteria pertaining to legal isolation and effective control and creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale. ASU2009-16 has been adopted by SANYO in the first quarter beginning on April 1, 2010. SANYO does not expect that the adoption of ASU2009-16 will have any impact on its consolidated results of operations and financial position.

In December 2009, FASB issued ASU2009-17, Improvement to Financial Reporting by Enterprises Involved with Variable Interest Entities, an amendment of ASC810, Consolidations (former SFAS No.167 Amendments to FASB Interpretation No.46(R)). ASU2009-17 revises the test for determining the primary beneficiary of a Variable Interest Entities (VIE) from a primarily quantitative risks and rewards calculation based on the VIE s expected losses and expected residual returns to a primarily qualitative analysis based on identifying the party or related party (if any) with the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. ASU2009-17 has been adopted by SANYO in the first quarter beginning on April 1, 2010. SANYO does not expect that the adoption of ASU2009-17 will have any impact on its consolidated results of operations and financial position.

In October 2009, FASB issued ASU2009-13, Multiple-Deliverable Revenue Arrangements, an update to ASC605, Revenue Recognition (former EITF 00-21 Revenue Arrangements with Multiple Deliverables). ASU2009-13 modifies the criteria for separating consideration under multiple deliverable arrangements and requires allocation of the overall consideration to each deliverable using the estimated selling price in the absence of vendor-specific objective evidence or third party evidence of selling price for deliverables. ASU2009-13 eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU2009-13 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. SANYO is currently evaluating the effect of adoption of ASU2009-13 on its consolidated results of operations and financial position.

Quantitative and Qualitative Disclosures about Market Risk

SANYO is exposed to market risk, including changes of foreign exchange rates, interest rates and prices of marketable securities and commodities. In order to hedge the risks of changes in foreign exchange rates, interest rates and commodity prices, SANYO uses derivative financial instruments. SANYO does not hold or issue financial instruments for trading purposes. Although the use of derivative financial instruments exposes SANYO to the risk of credit-related losses in the event of nonperformance by counterparties, SANYO believes that such risk is minor because of the high credit rating of the counterparties.

Equity Price Risk

SANYO holds available-for-sale securities included in prepaid expenses and other (current assets) and securities and other investments (non-current assets). In general, highly-liquid and low risk instruments are preferred in the portfolio. Available-for-sale securities included in securities and other investments (non-current assets) are held as longer term investments. SANYO does not hold marketable securities for trading purposes.

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Equity securities in available-for-sale securities at March 31, 2010 and 2009 are as follows:

	Yen (millions)			
	2010		2009	
	Cost	Fair value	Cost	Fair value
Equity securities	9,782	15,949	11,443	10,961
Total	9,782	15,949	11,443	10,961

Foreign Exchange Risk

The primary purpose of SANYO s foreign currency hedging activities is to protect against the volatility associated with foreign currency transactions. SANYO primarily utilizes forward exchange contracts and options with a duration of less than a few months. SANYO also enters into foreign exchange contracts from time to time to hedge the risk of fluctuation in foreign currency exchange rates associated with long-term debt that is denominated in foreign currencies. Foreign exchange contracts related to such long-term debt have the same maturity as the underlying debt.

The following table provides the contract amounts and fair values of foreign exchange contracts, primarily hedging U.S. dollar and euro revenues, at March 31, 2010 and 2009.

	Yen (millions)			
	2010		2009	
	Contract amount	Fair value	Contract amount	Fair value
Forward:				
To sell foreign currencies	66,185	(807)	49,690	(1,092)
To buy foreign currencies	12,325	168	7,471	233
Option:				
To sell currency contracts			79	(1)
To buy currency contracts			171	10

Commodity Price Risk

SANYO is exposed to market risk of changes in prices of commodities including various non-ferrous metals used in the manufacturing of various products. SANYO enters into commodity future contracts to offset such exposure. There have been no transactions which have material impact on SANYO's consolidated results of operations and financial position.

Interest Rate Risk

SANYO s exposure to market risk for changes in interest rates relates principally to its debt obligations. SANYO has long-term debt primarily with fixed rates. Fixed-rate debt obligations expose SANYO to variability in their fair values due to changes in interest rates. To manage the variability in the fair values caused by interest rate changes, SANYO enters into interest rate swaps when it is determined to be appropriate based on market conditions. Interest rate swaps change fixed-rate debt obligations to variable-rate debt obligations by entering into fixed-receiving, variable-paying interest rate swap contracts. The hedging relationship between interest rate swaps and hedged debt obligations is highly effective in achieving offsetting changes in fair values resulting from interest rate risk. The following tables provide information about SANYO s financial instruments that are sensitive to changes in interest rates at March 31, 2010 and 2009. For debt obligations, the table presents principal cash flows by expected maturity dates, related weighted average interest rates and fair values of financial instruments. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Weighted average variable rates reflect the effective interest rates as of March 31, 2010 and 2009 respectively.

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Long-term debt, including current portion:

	Average interest rate	Yen (millions) Carrying amount and maturity date (as of March 31, 2010) Total	2011	2012	2013	2014	2015	There-after	Fair value
Unsecured Straight bonds	1.39%	90,000	20,000	30,000		10,000	30,000		92,145
Unsecured	1.13%	381,093	136,940	101,988	46,358	39,019	56,438	350	384,953
Secured bank loans	1.82%	1,948	649	214	113	972			2,005
Total		473,041	157,589	132,202	46,471	49,991	86,438	350	479,103

	Average interest rate	Yen (millions) Carrying amount and maturity date (as of March 31, 2009) Total	2010	2011	2012	2013	2014	There-after	Fair value
Unsecured Straight bonds	1.79%	140,000	50,000	20,000	30,000		10,000	30,000	141,986
Unsecured	1.64%	248,189	46,235	113,242	69,165	11,328	7,860	359	252,339
Secured bank loans	1.75%	2,555	642	614	614	418	267		2,612
Total		390,744	96,877	133,856	99,779	11,746	18,127	30,359	396,937

Interest rate Derivatives:

	Expected maturity date (as of March 31, 2010) Total	2011	2012	2013	2014	2015	There-after	Fair value
Interest Rate Swaps								
Variable to Fixed (Millions of yen)	17,502	2,000	15,502					
Average pay rate	1.18%	1.18%	1.18%					
Average receive rate	0.46%	0.55%	0.45%					

	Total	2011	2012	2013	2014	2015	There-after	Fair value
Fixed to Variable (Millions of yen)	16,200	200	16,000					23
Average pay rate	0.42%	0.00%	0.42%					
Average receive rate	1.15%	1.32%	1.15%					

	Expected maturity date (as of March 31, 2009) Total	2010	2011	2012	2013	2014	There-after	Fair value
Interest Rate Swaps								
Variable to Fixed (Millions of yen)	19,604	1,770	2,000	15,834				1
Average pay rate	1.11%	0.97%	0.63%	1.19%				
Average receive rate	0.79%	0.93%	0.73%	0.78%				

	Total	2010	2011	2012	2013	2014	There-after	Fair value
Fixed to Variable (Millions of yen)	16,400		400	16,000				35
Average pay rate	0.74%		0.72%	0.74%				
Average receive rate	1.16%		1.32%	1.15%				

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DIRECTORS AND MANAGEMENT OF PANASONIC AFTER THE SHARE EXCHANGE

The following provides information about those individuals who are expected to remain in the general capacities indicated for Panasonic after the Share Exchange.

Name (Date of birth)	Position and responsibilities in Panasonic, and brief personal records	
Kunio Nakamura	Chairman of the Board of Directors	
	-Jun. 1993	Director of Panasonic;
(Jul. 5, 1939)	-Jun. 1996	Managing Director of Panasonic;
	-Jun. 1997	Senior Managing Director of Panasonic;
	-Jun. 2000	President of Panasonic;
	-Jun. 2006	Chairman of the Board of Directors.
Masayuki Matsushita	Vice Chairman of the Board of Directors	
	-Feb. 1986	Director of Panasonic;
(Oct. 16, 1945)	-Jun. 1990	Managing Director of Panasonic;
	-Jun. 1992	Senior Managing Director of Panasonic;
	-Jun. 1996	Executive Vice President of Panasonic;
	-Jun. 2000	Vice Chairman of the Board of Directors.
Fumio Ohtsubo	President and Director	
	-Jun. 1998	Director of Panasonic;
(Sep. 5, 1945)	-Jun. 2000	Managing Director of Panasonic;
	-Jun. 2003	Senior Managing Director of Panasonic;
	-Jun. 2006	President of Panasonic.
Toshihiro Sakamoto*	Executive Vice President and Director	
	-Jun. 2000	Director of Panasonic;
(Oct. 27, 1946)	-Jun. 2004	Managing Director of Panasonic;
	-Apr. 2006	Senior Managing Director
	-Apr. 2009	Executive Vice President of Panasonic / in charge of Domestic Consumer Marketing and Design;
	-Apr. 2010	In charge of Domestic Customer Satisfaction.
Takahiro Mori	Executive Vice President and Director	
	-Jun. 2003	Executive Officer of Panasonic;
(Jun. 16, 1947)	-Jun. 2005	Managing Director of Panasonic
	-Apr. 2006	In charge of Corporate Planning;
	-Apr. 2008	Senior Managing Director of Panasonic;
	-Apr. 2009	Executive Vice President of Panasonic / in charge of Corporate Division for Promoting System & Equipment Business, and Electrical Supplies Sales, Project Sales and Building Products Sales.
Yasuo Katsura*	Executive Vice President and Director	
	-Jun. 2003	Executive Officer of Panasonic;
(Sep. 19, 1947)	-Jun. 2004	Managing Executive Officer of Panasonic;
	-Jun. 2007	Managing Director of Panasonic;
	-Apr. 2009	Senior Managing Director of Panasonic / Representative in Tokyo / Director, Corporate Division for Government & Public Affairs;
	-Apr. 2010	Executive Vice President of Panasonic

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Name (Date of birth)		Position and responsibilities in Panasonic, and brief personal records
Hitoshi Otsuki*	Senior Managing Director	
	-Jun. 2003	Executive Officer of Panasonic;
(Jun. 6, 1947)	-Apr. 2007	Managing Executive Officer of Panasonic / in charge of Overseas Operations;
	-Jun. 2007	Managing Director of Panasonic;
	-Apr. 2009	Senior Managing Director of Panasonic.
Ken Morita*	Senior Managing Director	
	-Jun. 2005	Executive Officer of Panasonic;
(Oct. 24, 1948)	-Apr. 2007	Managing Executive Officer of Panasonic;
	-Apr. 2009	Senior Managing Executive Officer of Panasonic / President, AVC Networks Company;
	-Jun. 2009	Senior Managing Director of Panasonic.
Ikusaburo Kashima*	Senior Managing Director	
	-Jun. 2003	Vice Chairman, Information Technology Promotion Agency;
(Oct. 8, 1948)	-Jun. 2005	Director of Panasonic;
	-Apr. 2007	Managing Director of Panasonic / in charge of Legal Affairs, and Corporate Business Ethics;
	-Apr. 2009	In charge of Intellectual Property;
	-Apr. 2010	Senior Managing Director of Panasonic.
Junji Nomura*	Senior Managing Director	
	-Jun. 2006	Executive Vice President, Matsushita Electric Works, Ltd;
(Apr. 10, 1947)	-Jun. 2009	Managing Director of Panasonic;
	-Feb. 2010	In charge of Technology;
	-Apr. 2010	Senior Managing Director of Panasonic / in charge of Corporate Division for Promoting Energy Solutions Business.
Yoshihiko Yamada*	Managing Director	
	-Jun. 2004	Executive Officer of Panasonic;
(May 11, 1951)	-Apr. 2007	Managing Executive Officer of Panasonic;
	-Apr. 2010	In charge of Industrial Sales;
	-Jun. 2010	Managing Director of Panasonic.
Kazunori Takami*	Managing Director	
	-Apr. 2006	Executive Officer of Panasonic;
(Jun. 12, 1954)	-Apr. 2008	Managing Executive Officer of Panasonic;
	-Apr. 2009	President, Home Appliances Company / in charge of Lighting Company;
	-Jun. 2009	Managing Director of Panasonic.
Makoto Uenoyama*	Managing Director	
	-Apr. 2006	Executive Officer of Panasonic;
(Feb. 14, 1953)	-Apr. 2007	In charge of Accounting and Finance;
	-Jun. 2007	Director of Panasonic;
	-Apr. 2009	In charge of Information Systems;
	-Apr. 2010	Managing Director of Panasonic.

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Name (Date of birth)	Position and responsibilities in Panasonic, and brief personal records	
Masatoshi Harada*	Managing Director	
	-Apr. 2008	Executive Officer of Panasonic / in charge of Personnel, General Affairs and Social Relations;
(Feb. 9, 1955)	-Jun. 2008	Director of Panasonic;
	-Apr. 2010	Managing Director of Panasonic.
Ikuo Uno	Director	
	-Apr. 2005	Chairman, Nippon Life Insurance Company;
(Jan. 4, 1935)	-Jun. 2005	Director of Panasonic.
Masayuki Oku	Director	
	-Jun. 2005	President, Sumitomo Mitsui Banking Corporation / Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc.;
(Dec. 2, 1944)	-Jun. 2008	Director of Panasonic.
Masashi Makino*	Director	
	-Jun. 2003	Executive Officer of Panasonic;
(Aug. 20, 1948)	-Apr. 2009	In charge of Manufacturing Innovation, Facility Management, Quality Administration, FF Customer Support & Management and Environmental Affairs;
	-Jun. 2009	Director of Panasonic.
Takashi Toyama*	Director	
	-Apr. 2007	Executive Officer of Panasonic;
(Sep. 28, 1955)	-Jan. 2010	President, System Networks Company / President, Panasonic System Networks Co., Ltd.;
	-Jun. 2010	Director of Panasonic.
Masaharu Matsushita	Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board	
	-Oct. 1947	Director of Panasonic;
(Sep. 17, 1912)	-Aug. 1949	Executive Vice President of Panasonic;
	-Jan. 1961	President of Panasonic;
	-Feb. 1977	Chairman, the Board of Directors;
	-Jun. 2000	Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board.
Kenichi Hamada	Senior Corporate Auditor	
	-Jun. 2005	Vice President, Panasonic Communications Co., Ltd.;
(May 2, 1947)	-Jun. 2007	Senior Corporate Auditor of Panasonic.
Masahiro Seyama	Senior Corporate Auditor	
	-Jun. 2005	Director, Latin American operations / President, Panasonic Corporation of Latin America;
(Jul. 18, 1949)	-Jun. 2008	Senior Corporate Auditor of Panasonic.

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Name (Date of birth)	Position and responsibilities in Panasonic, and brief personal records	
Yasuo Yoshino	Corporate Auditor	
(Oct. 5, 1939)	-Jul. 2001	Chairman, Sumitomo Life Insurance Company;
	-Jun. 2003	Corporate Auditor of Panasonic;
	-Jul. 2007	Advisory of Sumitomo Life Insurance Company.
Ikuo Hata	Corporate Auditor	
	-Sep. 1995	Registered as Attorney at law (member of Osaka Bar Association);
(Aug. 6, 1931)	-Jul. 2001	Member of Supreme Court s Building-Related Litigation Commission;
	-Jun. 2004	Corporate Auditor of Panasonic.
Hiroyuki Takahashi	Corporate Auditor	
	-Oct. 2000	Executive Managing Director and Secretary-General, Japan Corporate Auditors Association;
(Mar. 1, 1937)	-Jun. 2006	Corporate Auditor of Panasonic.

Asterisks (*) denote members of the Board of Directors who concurrently serve as Executive Officers, pursuant to the Executive Officer System which was introduced to facilitate the development of optimum corporate strategies that integrate the Panasonic Group s comprehensive strengths.

Ikuo Uno and Masayuki Oku are outside directors as stipulated in the Company Law.

Yasuo Yoshino, Ikuo Hata and Hiroyuki Takahashi are outside corporate auditors as stipulated in the Company Law.

All two (2) outside directors and three (3) outside corporate auditors were notified to the Japanese stock exchanges as independent directors/corporate auditors pursuant to the regulations of the Japanese stock exchanges.

There are no family relationships among any Directors or Corporate Auditors except as described below:

Masayuki Matsushita, Vice Chairman of the Board of Directors is the son of Masaharu Matsushita, Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board.

Compensation

The aggregate compensation paid, including benefits in kind granted, by Panasonic to its directors and corporate auditors who are listed above during the fiscal year ended March 31, 2010 was 976 million yen.

The aggregate amounts of remunerations, including equity compensation such as stock options, bonuses, and other financial benefits given in consideration of performance of duties (collectively, the remunerations), paid by Panasonic during the year ended March 31, 2010 to 21 Directors (other than Outside Directors) and 2 Corporate Auditors (other than Outside Corporate Auditors) for services in all capacities were 931 million yen and 63 million yen, respectively. The amounts of remunerations for 2 Outside Directors and 3 Outside Corporate Auditors were 26 million yen and 39 million yen, respectively, during the year ended March 31, 2010. The amounts of remunerations for Mr. Kunio Nakamura, Chairman of the Board of Director, and Mr. Fumio Ohtsubo, President and Director, were 122 million yen and 105 million yen, respectively, during the year ended March 31, 2010.

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Share Ownership

The following table lists the number of shares owned by the Directors and Corporate Auditors of Panasonic as of June 25, 2010. The total is 17,941,334 shares constituting 0.87% of all issued and outstanding shares of Panasonic s common stock, excluding its own stock.

Name	Position	Number of Panasonic Shares Owned as of June 25, 2010
Kunio Nakamura	Chairman of the Board of Directors	81,000
Masayuki Matsushita	Vice Chairman of the Board of Directors	7,913,000
Fumio Ohtsubo	President and Director	56,000
Toshihiro Sakamoto	Executive Vice President and Director	35,878
Takahiro Mori	Executive Vice President and Director	32,460
Yasuo Katsura	Executive Vice President and Director	23,816
Hitoshi Otsuki	Senior Managing Director	15,200
Ken Morita	Senior Managing Director	19,550
Ikusaburo Kashima	Senior Managing Director	15,100
Junji Nomura	Senior Managing Director	15,900
Yoshihiko Yamada	Managing Director	21,161
Kazunori Takami	Managing Director	14,700
Makoto Uenoyama	Managing Director	22,800
Masatoshi Harada	Managing Director	15,100
Ikuo Uno	Director	0
Masayuki Oku	Director	1,050
Masashi Makino	Director	12,400
Takashi Toyama	Director	16,400
Masaharu Matsushita	Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board	9,598,000
Kenichi Hamada	Senior Corporate Auditor	13,154
Masahiro Seyama	Senior Corporate Auditor	15,665
Yasuo Yoshino	Corporate Auditor	3,000
Ikuo Hata	Corporate Auditor	0
Hiroyuki Takahashi	Corporate Auditor	0
Total		17,941,334

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MAJOR SHAREHOLDERS

Panasonic

As of March 31, 2010, the following shareholders of record owned more than 5% of Panasonic s outstanding common stock. The information in the following table is based on Panasonic s register of shareholders. Panasonic is not required by Japanese law to monitor or disclose beneficial ownership of common stock.

Name	Shares Ownership (in thousands of shares)	Percentage of Outstanding Panasonic Shares Owned as of March 31, 2010
The Master Trust Bank of Japan, Ltd. (trust account)	112,992	5.45%
Moxley & Co.	103,982	5.02

* Holdings of less than 1,000 shares have been omitted.
* Percentage of outstanding Panasonic shares is calculated excluding Panasonic s own shares (382,448,008).
Notes:

Any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares with voting rights of common stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan, as calculated pursuant to the Financial Instruments and Exchange Law of Japan, must file with the Director General of a competent Local Finance Bureau of Ministry of Finance within five business days a report concerning such shareholding (a Substantial Shareholding Report). Panasonic is not aware of such Substantial Shareholding Reports.

Panasonic s major shareholders do not have different voting rights from any other holder of Panasonic shares. To Panasonic s knowledge, it is not owned or controlled by another corporation, any government or any natural or legal person, either severally or jointly. Panasonic knows of no arrangements the operation of which may result in a change of control of Panasonic.

DESCRIPTION OF PANASONIC S COMMON STOCK

The following information relates to the shares of Panasonic s common stock, including summaries of certain provisions of the Panasonic s Articles of Incorporation, Share Handling Regulations and of the Company Law relating to joint stock corporations (known in Japanese as *kabushiki kaisha*).

General

Except as otherwise stated, set forth below is information relating to Panasonic s Common Stock, including brief summaries of the relevant provisions of Panasonic s Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Company Law and related regulations.

Effective on January 5, 2009, a new central book-entry transfer system for listed shares of Japanese companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares etc. and regulations thereunder (collectively, the Book-entry Transfer Law), and this system is applied to the shares of Common Stock of Panasonic. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at Japan Securities Depository Center, Inc. (JASDEC), the only institution that is designated by the relevant authorities as a clearing house under the Book-entry Transfer Law. Account management institutions are financial instruments business operators (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Transfer Law. Transfer of the shares of Common Stock of Panasonic is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded at the transferee s account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Company Law and the Book-entry Transfer Law, in order to assert shareholders rights to which shareholders as of record dates are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends) against Panasonic, a shareholder must have its name and address registered in Panasonic s register of shareholders. Under the central book-entry transfer system, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Law and Panasonic s Share Handling Regulations, including their names and addresses, and the registration on the register of shareholders is made upon receipt by Panasonic of necessary information from JASDEC (as described in Record date). On the other hand, in order to assert, directly against Panasonic, shareholders rights to which shareholders are entitled regardless of record dates such as minority shareholders rights, including the right to propose a matter to be considered at a general meeting of shareholders, excluding shareholders rights to request Panasonic to purchase or sell shares constituting less than a full unit (as described in Unit share system), JASDEC shall, upon the shareholder s request, issue a notice of certain information including the name and address of such shareholder to Panasonic. Thereafter, such shareholder is required to present Panasonic with a receipt of the request of the notice in accordance with Panasonic s Share Handling Regulations. Under the Book-entry Transfer Law, the shareholder shall exercise such shareholders right within four weeks after the notice above has been given.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to Panasonic through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from Panasonic to non-resident shareholders are delivered to such standing proxies or mailing addresses.

The registered holder of deposited shares underlying the American Depositary Shares (ADSs) is the Depositary for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders rights against Panasonic.

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Authorized capital

Article 6 of the Articles of Incorporation of Panasonic provides that the total number of shares authorized to be issued by Panasonic shall be four billion nine hundred and fifty million (4,950,000,000).

As of March 31, 2010, 2,453,053,497 shares of Common Stock were issued. All shares of Common Stock of Panasonic have no par value. All issued shares of Panasonic are fully-paid and non-assessable.

Distribution of Surplus

Distribution of Surplus General

Under the Company Law, dividends shall be paid by way of distribution of Surplus (Surplus is defined in Restriction on Distributions of Surplus) in cash or in kind.

Panasonic may make distributions of Surplus to the shareholders any number of times per business year, subject to certain limitations described in Restriction on Distributions of Surplus. Distributions of Surplus need, in principle, to be declared by a resolution of a general meeting of shareholders, but Panasonic may also authorize distributions of Surplus by a resolution of the Board of Directors as long as its non-consolidated annual financial statements for the last business year fairly present its assets and profit or loss, as required by ordinances of the Ministry of Justice.

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of Common Stock of Panasonic held by respective shareholders. A resolution of a general meeting of shareholders or the Board of Directors, as the case may be, authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, Panasonic may, pursuant to a resolution of a general meeting of shareholders or the Board of Directors, as the case may be, grant a right to the shareholders to require Panasonic to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant Distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see Voting Rights with respect to a special resolution).

Under Panasonic s Articles of Incorporation, year-end dividends and interim dividends may be distributed to shareholders appearing in Panasonic s register of shareholders as of March 31 and September 30 each year respectively, in proportion to the number of shares of the Common Stock of Panasonic held by respective shareholders following approval by the general meeting of shareholders or the Board of Directors. Panasonic is not obliged to pay any dividends in cash which have not been received within three years from the commencement of payment thereof. In Japan, the ex-dividend date and the record date for dividends precede the date when the amount of the dividends to be paid is determined by Panasonic. The shares of common stock generally go ex-dividend on the second business day prior to the record date for dividends.

Distribution of Surplus Restriction on Distributions of Surplus

In making a distribution of Surplus, Panasonic must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside to its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

A + B + C + D (E + F + G)

In the above formula:

A = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year

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B = (if Panasonic has disposed of its treasury stock after the end of the last business year) the amount of the consideration for such treasury stock received by Panasonic less the book value thereof

C = (if Panasonic has reduced its stated capital after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

D = (if Panasonic has reduced its additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

E = (if Panasonic has cancelled its treasury stock after the end of the last business year) the book value of such treasury stock

F = (if Panasonic has distributed Surplus to its shareholders after the end of the last business year) the total book value of the Surplus so distributed

G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if Panasonic has reduced Surplus and thereby increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if Panasonic has distributed Surplus to the shareholders after the end of the last business year) the amount set aside from such Surplus to additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus to be distributed by Panasonic may not exceed a prescribed distributable amount (the Distributable Amount), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the followings:

(a) the book value of its treasury stock;

(b) the amount of consideration for any of treasury stock disposed of by Panasonic after the end of the last business year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

Panasonic, for the fiscal year ended March 31, 2010, elected to become a company with respect to which consolidated balance sheets should be considered in the calculation of the Distributable Amount (renketsu haito kisei tekiyo kaisha) as described below. If a company has become at its option a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount, a company shall, in calculating the Distributable Amount, further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of stockholders equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by ordinances of the Ministry of Justice over (y) the total amount of stockholders equity and certain other amounts set forth by ordinances of the Ministry of Justice appearing on the consolidated balance sheet as of the end of the last business year.

If Panasonic has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or, if so required by the Company Law, by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by Panasonic, during the period in respect of which such interim financial statements have been prepared. Panasonic may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by Panasonic must be audited by the Corporate Auditors and the Accounting Auditor, as required by ordinances of the Ministry of Justice.

Stock splits

Panasonic may at any time split shares in issue into a greater number of shares by resolution of the Board of Directors, and may in principle amend its Articles of Incorporation to increase the number of authorized shares to be issued in proportion to the relevant stock split pursuant to a resolution of the Board of Directors rather than a special shareholders resolution (as defined in Voting Rights) as is otherwise required for amending the Articles of Incorporation.

When a stock split is to be made, Panasonic must give public notice of the stock split, specifying the record date therefor, at least two weeks prior to such record date. Under the central book-entry transfer system operated by JASDEC, Panasonic must also give notice to JASDEC regarding a stock split at least two weeks prior to the relevant effective date. On the effective date of the stock split, the number of shares recorded in all accounts held by Panasonic s shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

Consolidation of shares

Panasonic may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in Voting Rights). When a consolidation of shares is to be made, Panasonic must give public notice or notice to each shareholder at least two weeks prior to the effective date of the consolidation of shares. Under the central book-entry transfer system operated by JASDEC, Panasonic must also give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the effective date of the consolidation of shares. On the effective date of the consolidation of shares, the number of shares recorded in all accounts held by Panasonic s shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. Panasonic must disclose the reason for the consolidation of shares at the general meeting of shareholders.

General meeting of shareholders

The ordinary general meeting of shareholders of Panasonic for each fiscal year is normally held in June in each year. In addition, Panasonic may hold an extraordinary general meeting of shareholders whenever necessary by giving notice of convocation thereof at least two weeks prior to the date set for the meeting.

Notice of convocation of a shareholders meeting setting forth the place, time, purpose thereof and certain matters set forth in the Company Law and the ordinances of the Ministry of Justice, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Under the Company Law, such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for exercising voting rights at the ordinary general meeting of shareholders is March 31 of each year.

Any shareholder or group of shareholders of Panasonic holding at least three percent of the total number of voting rights for a period of six months or more may require the convocation of a general meeting of shareholders for a particular purpose by showing such a purpose and reason for convocation to a Representative Director. Unless such shareholders meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders meeting.

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Any shareholder or group of shareholders of Panasonic holding at least 300 voting rights or one percent of the total number of voting rights for a period of six months or more may propose a matter to be considered at a general meeting of shareholders by showing such matter to a Representative Director at least eight weeks prior to the date of such meeting.

Under the Company Law, any of minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if the articles of incorporation of a joint stock corporation so provide.

Voting rights

So long as Panasonic maintains the unit share system (see Description of Panasonic s Common Stock Unit share system below; currently 100 shares constitute one unit) a holder of shares constituting one or more full units is entitled to one voting right per unit of shares subject to the limitations on voting rights set forth in the following two sentences. Any corporate or certain other entity, one-quarter or more of whose total voting rights are directly or indirectly owned by Panasonic, may not exercise its voting rights with respect to shares of Common Stock of Panasonic that it owns. In addition, Panasonic may not exercise its voting rights with respect to its shares that it owns. If Panasonic eliminates from its Articles of Incorporation the provisions relating to the unit of shares, holders of Common Stock will have one voting right for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting. The Company Law and Panasonic s Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total number of voting rights of all the shareholders entitled to exercise their voting rights. Panasonic s shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. Panasonic s shareholders also may cast their votes in writing, or exercise their voting rights by electronic means pursuant to the method determined by the Board of Directors.

The Company Law and Panasonic s Articles of Incorporation provide that in order to amend the Articles of Incorporation and in certain other instances, including:

(1) acquisition of its own shares from a specific party other than its subsidiaries;

(2) consolidation of shares;

(3) any offering of new shares at a specially favorable price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights at specially favorable conditions) to any persons other than shareholders;

(4) the removal of a Corporate Auditor;

(5) the exemption of liability of a Director, Corporate Auditor or Accounting Auditor to a certain extent set forth in the Company Law;

(6) a reduction of stated capital with certain exceptions in which just a usual resolution of shareholders is required or a shareholders resolution is not required;

(7) a distribution of in-kind dividends which meets certain qualifications;

(8) dissolution, liquidation, merger, consolidation, or corporate split with certain exceptions in which a shareholders resolution is not required;

(9) the transfer of the whole or a material part of the business;

(10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders resolution is not required; or

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(11) share exchange or share transfer for the purpose of establishing 100% parent-subsidiary relationships with certain exceptions in which a shareholders resolution is not required;

the quorum shall be one-third of the total voting rights of all the shareholders and the approval by at least two-thirds of the voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting is required (the special shareholders resolutions).

Pursuant to the terms of the Amended and Restated Deposit Agreement relating to American Depositing Receipts (ADRs) evidencing ADSs, each ADS representing one share of Common Stock of Panasonic, as soon as practicable after receipt of notice of any meeting of shareholders of Panasonic, the Depositary (currently JPMorgan Chase Bank, N.A.) will mail to the record holders of ADRs a notice which will contain the information in the notice of the meeting. The record holders of ADRs on a date specified by the Depositary will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the shares of Common Stock of Panasonic represented by their ADSs. The Depositary will endeavor, in so far as practicable, to vote the number of shares of Common Stock of Panasonic represented by such ADSs in accordance with such instructions. In the absence of such instructions, the Depositary has agreed to give a discretionary proxy to a person designated by Panasonic to vote in favor of any proposals or recommendations of Panasonic. However, such proxy may not be given with respect to any matter which Panasonic informs the Depositary that Panasonic does not wish such proxy given, or for any proposal that has, in the discretion of the Depositary, a materially adverse effect on the rights of shareholders of Panasonic.

Issue of additional shares

Holders of Panasonic s shares of Common Stock have no pre-emptive rights under the Company Law. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under Voting rights above. In the case of an issuance or transfer of Panasonic s shares of Common Stock or stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative opinion from a person independent of our management is generally required pursuant to the regulations of the Japanese stock exchanges. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date at least two weeks prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

Subject to certain conditions, Panasonic may issue stock acquisition rights or bonds with stock acquisition rights by a resolution of the Board of Directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon the exercise of stock acquisition rights, Panasonic will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it. Panasonic may determine by a resolution of the Board of Directors at the time of offerings that a transfer of the stock acquisition rights shall require the approval of Panasonic. Whether Panasonic will determine such a matter in future stock acquisition rights offerings will depend upon the circumstances at the time of such offerings.

Liquidation rights

In the event of a liquidation of Panasonic, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective numbers of shares of Common Stock held.

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Record date

As mentioned above (see Description of Panasonic s Common Stock Distribution of Surplus Distribution of Surplus General), March 31 is the record date for Panasonic s year-end dividends. So long as Panasonic maintains the unit share system, the shareholders who are registered as the holders of one or more units of shares in Panasonic s registers of shareholders at the end of each March 31 are entitled to exercise shareholders rights at the ordinary general meeting of shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends. In addition, Panasonic may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice. Under the Book-entry Transfer Law, JASDEC is required to give Panasonic a notice of the names and addresses of the shareholders, the number of shares held by them and other relevant information as of each such record date, and Panasonic s register of shareholders shall be updated accordingly.

The shares generally goes ex-dividends or ex-rights on Japanese stock exchanges on the second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

Acquisition by Panasonic of its common stock

Under the Company Law and Panasonic s Articles of Incorporation, Panasonic may acquire its own shares of Common Stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to a special shareholders resolution), (ii) from any of its subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which Panasonic s shares of Common Stock are listed or by way of tender offer (as long as its non-consolidated annual financial statements and certain documents for the last business year fairly present its asset and profit or loss status, as required by ordinances of the Ministry of Justice) (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to Panasonic that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

Shares acquired by Panasonic may be held for any period or may be cancelled by a resolution of the Board of Directors. Panasonic may also transfer such shares to any person, subject to a resolution of the Board of Directors and to other requirements similar to those applicable to the issuance of new shares, as described in Issue of additional shares and pre-emptive rights above. Panasonic may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

Unit share system

The Articles of Incorporation of Panasonic provide that 100 shares constitute one unit of shares of Common Stock. Although the number of shares constituting one unit is included in the Articles of Incorporation, any amendment to the Articles of Incorporation reducing (but not increasing) the number of shares constituting one unit or eliminating the provisions for the unit of shares may be made by a resolution of the Board of Directors rather than by a special shareholders resolution, which is otherwise required for amending the Articles of Incorporation. The number of shares constituting one unit, however, cannot exceed 1,000.

Under the unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

Under the central book-entry transfer system operated by JASDEC, shares constituting less than one unit are generally transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

A holder of shares constituting less than one unit may require Panasonic to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of Panasonic. In addition, the Articles of Incorporation of Panasonic provide that a holder of shares constituting less than one unit may request Panasonic to sell to such holder such amount of shares which will, when added together with the shares constituting less than one unit held by such holder, constitute one unit of stock, in accordance with the provisions of the Share Handling Regulations of Panasonic. As prescribed in the Share Handling Regulations, such requests shall be made through an account management institution and JASDEC pursuant to the rules set by JASDEC, without going through the notification procedure required for the exercise of shareholders rights entitled regardless of record dates as described in General.

A holder who owns ADRs evidencing less than 100 ADSs will indirectly own less than one full unit of shares of Common Stock. Although, as discussed above, under the unit share system holders of less than one unit have the right to require Panasonic to purchase their shares or sell shares held by Panasonic to such holders, holders of ADRs evidencing ADSs that represent other than integral multiples of units are unable to withdraw the underlying shares of Common Stock representing less than one unit and, therefore, are unable, as a practical matter, to exercise the rights to require Panasonic to purchase such underlying shares or sell shares held by Panasonic to such holders. As a result, access to the Japanese markets by holders of ADRs through the withdrawal mechanism will not be available for dispositions of shares of Common Stock in lots less than one unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

Sale by Panasonic of shares held by shareholders whose location is unknown

Panasonic is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in Panasonic s register of shareholders or at the address otherwise notified to Panasonic continuously for five years or more.

In addition, Panasonic may sell or otherwise dispose of shares of Common Stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for five years or more at the shareholder s registered address in Panasonic s register of shareholders or at the address otherwise notified to Panasonic, and (ii) the shareholder fails to receive distribution of Surplus on the shares continuously for five years or more at the address registered in Panasonic s register of shareholders or at the address otherwise notified to Panasonic, Panasonic may sell or otherwise dispose of the shareholder s shares by a resolution of the Board of Directors and after giving at least three months prior public and individual notice, and hold or deposit the proceeds of such sale or disposal of shares at the then market price of the shares for the shareholder, the location of which is unknown.

Reporting of substantial shareholdings, etc.

The Financial Instruments and Exchange Law of Japan and regulations thereunder requires any person, regardless of his/her residence, who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares with voting rights of common stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan, to file with the Director-General of a competent Local Finance Bureau of Ministry of Finance within five business days a Substantial Shareholding Report.

A similar report must also be filed in respect to any subsequent change of 1% or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose,

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shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares with voting rights held by such holder and the issuer s total issued share capital. Any such report shall be filed with the Director General of the relevant Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors Network (EDINET) system. Copies of such report must also be furnished to the issuer of such shares.

Except for the general limitations under Japanese anti-trust and anti-monopoly regulations on holding shares of common stock of a Japanese corporation which leads or may lead to a restraint of trade or a monopoly, except for the limitations under the Foreign Exchange Regulations as described in D. Exchange Controls below, and except for general limitations under the Company Law or Panasonic s Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is practically no limitation under Japanese laws and regulations applicable to Panasonic or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold the shares of Common Stock of Panasonic or exercise voting rights thereon.

There is no provision in Panasonic s Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of Panasonic and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving Panasonic. However, the Board of Directors resolved to adopt the ESV Plan which provides certain rules which a Large-scale Purchaser who intends to acquire 20% or more of all voting rights of Panasonic must comply with. (For details, please see Initiatives to Maximize Shareholder Value below.)

** Initiatives to Maximize Shareholder Value*

On April 28, 2005, the Board of Directors resolved to adopt a policy related to a Large-scale Purchase of the Panasonic s shares called the Enhancement of Shareholder Value (ESV) Plan. The ESV Plan has been approved at Board of Directors meetings every year since then. On May 7, 2010, the Board of Directors resolved to continue the ESV Plan.

With respect to a Large-scale Purchaser who intends to acquire 20% or more of all voting rights of Panasonic, this policy requires that (i) a Large-scale Purchaser provides sufficient information, such as its outline, purposes or conditions, the basis for determination of the purchase price and funds for purchase, and management policies and business plans which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase, to the Board of Directors before a Large-scale Purchase is to be conducted and (ii) after all required information is provided, the Board of Directors should be allowed a sufficient period of time (a sixty-day period or a ninety-day period) for consideration.

The Board of Directors intends to assess and examine any proposed Large-scale Purchase after the information on such purchase is provided, and subsequently to disclose the opinion of the Board of Directors and any other information needed to assist shareholders in making their decisions. The Board of Directors may negotiate with the Large-scale Purchaser regarding purchase conditions or suggest alternative plans to shareholders, if it is deemed necessary.

If a Large-scale Purchaser does not comply with the rules laid out in the ESV Plan, Panasonic s Board of Directors may take countermeasures against the Large-scale Purchaser to protect the interests of all shareholders. Countermeasures include the implementation of stock splits, issuance of stock acquisition rights (including allotment of share options without contribution) or any other measures that the Board of Directors is permitted to take under the Company Law in Japan, other laws and Panasonic s Articles of Incorporation.

If a Large-scale Purchaser complies with the Large-scale Purchase rules, the Board of Directors does not intend to prevent the Large-scale Purchase at its own discretion, unless it is clear that such Large-scale Purchase will cause irreparable damage or loss to Panasonic.

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The Board of Directors will make decisions relating to countermeasures by referring to advice from outside professionals, such as lawyers and financial advisers, and fully respect the opinions of outside directors and statutory corporate auditors.

When invoking the aforementioned countermeasures, if Panasonic s Board of Directors decides that it is appropriate to confirm the will of shareholders from the perspective of the interest of all shareholders, a general meeting of shareholders will be held. If Panasonic s Board of Directors decides to hold a general meeting of shareholders, it will give notice to that effect as well as the reasons for such a meeting at that time.

The Board of Directors will adopt specific countermeasures which it deems appropriate at that time. If the Board of Directors elects to make a stock split for shareholders as of a certain record date, the maximum ratio of the stock split shall be five-for-one. If the Board of Directors elects to issue stock acquisition rights to shareholders, Panasonic will issue one stock acquisition right for every share held by shareholders on a specified record date. One share shall be issued on the exercise of each stock acquisition right.

If the Board of Directors elects to issue stock acquisition rights as a countermeasure, it may determine the exercise period and exercise conditions of the stock acquisition rights in consideration of the effectiveness thereof as a countermeasure, such as the condition that shareholders do not belong to a specific group of shareholders including a Large-scale Purchaser, as well as the conditions that allow Panasonic to acquire share options by swapping Panasonic stock with a party other than the Large-scale Purchaser. Panasonic recognizes that the aforementioned countermeasures may cause damage or loss, economic or otherwise, to a prospective Large-scale Purchaser who does not comply with the Large-scale Purchase Rules.

Panasonic does not anticipate that taking such countermeasures will cause shareholders, other than the Largescale Purchaser, economic damage or loss of any rights. However, in the event that the Board of Directors determines to take a specific countermeasure, the Board of Directors will disclose such countermeasure in a timely and appropriate manner, pursuant to relevant laws and stock exchange regulations. The terms of office of all Directors are for one year, and they are elected at an annual general meeting of shareholders in June of each year. All of the two Outside Directors and three Outside Corporate Auditors are notified to the Japanese stock exchanges as independent directors/corporate auditors pursuant to the regulations of the Japanese stock exchanges and are unlikely to have any conflict of interests with our shareholders. Panasonic s Board of Directors intends to review the Large-scale Purchase Rules, as necessary, for reasons including amendments to applicable legislation. Any such review would be conducted strictly in the interests of all shareholders.

Daily price fluctuation limits under Japanese stock exchange rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the balance between bids and offers. These stock exchanges are order-driven markets without specialists or market makers to guide price formation. In order to prevent excessive volatility, these stock exchanges set daily upward and downward price range limitations for each listed stock, based on the previous day s closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit on these stock exchanges may not be able to effect a sale at such price on a particular trading day, or at all.

Exchange Controls

The Foreign Exchange and Foreign Trade Law of Japan and its related cabinet orders and ministerial ordinances (the Foreign Exchange Regulations) govern the acquisition and holding of shares of Common Stock of Panasonic by exchange non-residents and by foreign investors. The Foreign Exchange Regulations currently in effect may affect transactions between exchange non-residents to purchase or sell shares in certain circumstances, even if such transactions are being made outside Japan using currencies other than Japanese yen.

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Exchange non-residents are:

(i) individuals who do not reside in Japan; and

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

(i) individuals who are exchange non-residents;

(ii) corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and

(iii) corporations (1) of which 50% or more of their shares are held by individuals who are exchange non-residents and/or corporations (a) that are organized under the laws of foreign countries or (b) whose principal offices are located outside of Japan or (2) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of Common Stock of Panasonic) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of Common Stock of Panasonic) for consideration exceeding 100 million yen to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer, unless the transfer was made through a bank or financial instruments business operator licensed or registered under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of Common Stock of Panasonic) or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company on or before the 15th day of the month following the month in which such acquisition was made. However, in certain circumstances, such as where a business of a Japanese company falls under any business related to the national security of Japan or to maintenance of public safety, etc. which is listed in a schedule included in the Foreign Exchange Regulations, or where the foreign investor is in a country that is not listed in an exemption schedule included in the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with, and the proposed acquisition must be subject to an examination process by, the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition. In such circumstances, the foreign investor must wait until the examination process is completed, which ordinarily takes 30 days after the filing in principle although such waiting period may be shortened or extended to up to 5 months. Panasonic believes that certain businesses of Panasonic fall under businesses listed in the above-mentioned schedule in the Foreign Exchange Regulation, and thus, a foreign investor must file a prior notification of the acquisition with, and must be subject to an examination process by, the Minister of Finance and any other competent Ministers.

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from the sale in Japan of shares of Common Stock of Panasonic held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

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TAXATION

You are urged to consult your own tax advisor regarding the United States federal, state and local and the Japanese and other tax consequences of the Share Exchange and of owning and disposing of Panasonic s shares or ADSs in your particular circumstances.

For the purposes of discussion of Japanese and U.S. tax consequences of the Share Exchange below, the term Treaty shall refer to the current income tax convention between the United States and Japan, as amended (possibly with retroactive effect); a U.S. Holder shall refer to any beneficial owner of shares of Panasonic s common stock or of ADRs evidencing ADSs representing shares of Panasonic s common stock that, for U.S. federal income tax purposes, is: (i) a citizen or individual resident of the United States; (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes organized in or under the laws of the United States, any State, or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person; a non-U.S. Holder is a beneficial owner of shares of Panasonic s common stock who is not a United States person for U.S. federal income tax purposes; and an Eligible U.S. Holder shall refer to a U.S. Holder that: (i) is a resident of the United States for purposes of the Treaty; (ii) does not maintain a permanent establishment in Japan (a) with which shares of Panasonic s common stock or ADSs are effectively connected or (b) of which shares of Panasonic s common stock or ADSs form part of the business property; and (iii) is eligible for benefits under the Treaty, with respect to income and gain derived in connection with the shares of Panasonic s common stock or ADSs.

Japanese Tax Consequences

The following is a summary of the principal Japanese tax consequences (limited to national taxes) of the Share Exchange and the ownership of shares of Panasonic s common stock or ADSs to non-resident holders who hold shares of SANYO s common stock and ultimately of Panasonic s common stock or ADSs. A non-resident holder means a holder of shares of SANYO s or Panasonic s common stock or ADSs, as the case may be, who holds such shares or ADSs as portfolio investments, and who is a non-resident individual of Japan or a non-Japanese corporation without a permanent establishment in Japan.

The statements regarding Japanese tax laws set forth below are based on the laws in force and double taxation conventions applicable as of the date hereof which are subject to change, possibly on a retroactive basis. This summary is not exhaustive of all possible tax considerations which may apply to a particular non-resident holder and potential non-resident holders are advised to satisfy themselves as to the overall tax consequences of the Share Exchange and of the acquisition, ownership and disposition of Panasonic s shares or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are residents, and any tax treaty between Japan and their country of residence, by consulting their own tax advisors.

Consequences of the Share Exchange

Under the terms of the Share Exchange, shares of SANYO s common stock will be exchanged solely for shares of Panasonic s common stock, and no cash or other property other than shares of Panasonic s common stock will be distributed to holders of shares of SANYO s common stock, except that some holders of shares of SANYO s common stock may receive cash (i) in lieu of fractional shares of Panasonic s common stock where such fractional shares arise due to the exchange ratio in the Share Exchange or (ii) as a result of their exercise of dissenters appraisal rights under the Company Law.

On the basis of the foregoing, in the opinion of Panasonic s Japanese counsel, Nagashima Ohno & Tsunematsu, subject to certain limited exceptions set forth below, the Share Exchange is expected to be a tax-free transaction for Japanese tax purposes for holders of shares of SANYO s common stock. As such, except as

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described in the following paragraphs, as long as non-resident holders of shares of SANYO s common stock receive only shares of Panasonic s common stock in exchange for the SANYO shares in the Share Exchange, such non-resident shareholders will not recognize any gains or losses for Japanese tax purposes at the time of the Share Exchange.

If holders of shares of SANYO s common stock receive any cash in lieu of fractional shares of Panasonic s common stock, such cash is deemed to be sale proceeds for such fractional shares and, consequently, such shareholders will generally recognize capital gains or losses for Japanese tax purposes with respect to their SANYO shares that would otherwise have been exchanged for such fractional shares of Panasonic s common stock. However, non-resident holders holding SANYO shares as a portfolio investor are generally not subject to Japanese taxation with respect to such gains derived from the sale of their shares under Japanese tax law.

If holders of shares of SANYO s common stock receive cash payments of the sale price from SANYO as a result of their exercise of dissenters appraisal rights under the Company Law (see The Share Exchange Dissenters Appraisal Rights), the portion of such sale price in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws will be deemed dividends for Japanese tax purposes, and such deemed dividend portion, if any, will generally be subject to Japanese withholding tax. Non-resident holders who wish to exercise dissenters appraisal rights are urged to consult their own tax advisors with respect to the exact tax consequences of their exercise of dissenters appraisal rights.

Ownership and Disposition of Panasonic Shares

Generally, a non-resident holder will be subject to Japanese withholding tax on dividends paid by Panasonic. Such taxes are withheld prior to payment of dividends as required by Japanese law. Stock splits in themselves generally are not subject to Japanese income tax.

For the purpose of Japanese taxation, a non-resident holder of ADSs is generally treated as a beneficial owner of the shares of Panasonic s common stock underlying the ADSs evidenced by the ADRs. Deposits or withdrawals of shares of Panasonic s common stock by a non-resident holder in exchange for ADSs are generally not subject to Japanese income or corporation tax.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax, or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by a Japanese corporation to non-resident holders is generally 20%. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares of Panasonic s common stock or ADSs) to non-resident holders, except for any individual shareholder who holds 5% or more of the total number of shares issued by the relevant Japanese corporation, the aforementioned 20% withholding tax rate is reduced to (i) 7% for dividends to be paid on or before December 31, 2011, and (ii) 15% for dividends to be paid on or after January 1, 2012.

At the date of this prospectus, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, in most cases to 15% or 10% for portfolio investors (15% under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands. New Zealand, Norway, Singapore, Spain, Sweden and Switzerland, and 10% under the income tax treaties with Australia, France, the U.K. and the United States.)

Under the Treaty, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a portfolio investor is generally limited to 10% of the gross amount actually distributed, and dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a pension fund are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

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If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Panasonic to any particular non-resident holder is lower than the withholding tax rate otherwise applicable under Japanese tax law, or if any particular non-resident holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident holder, such non-resident holder of shares of Panasonic s common stock who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends in advance through the withholding agent to the relevant tax authority before such payment of dividends. A standing proxy for non-resident holders may provide this application service. With respect to ADSs, this reduced rate or exemption is applicable if the Depositary or its agent submits two Application Forms (one before payment of dividends, the other within eight months after the record date concerning such payment of dividends) together with certain other documents to the Japanese tax authority. To claim this reduced rate or exemption, any relevant non-resident holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depositary. A non-resident holder who is entitled, under an applicable income tax treaty, to a reduced treaty rate lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the whole of the withholding tax withheld (if such non-resident holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority, by complying with a certain subsequent filing procedure. Panasonic does not assume any responsibility to ensure withholding at the reduced treaty rate or not withholding for shareholders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale or other disposition of shares of Panasonic s common stock or ADSs outside Japan by a non-resident holder holding such shares or ADSs as a portfolio investor are, in general, not subject to Japanese income or corporation tax under Japanese tax law. Eligible U.S. Holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty, subject to a certain filing requirement under Japanese law.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual who has acquired from an individual shares of Panasonic s common stock or ADSs as legatee, heir or donee even if neither the acquiring individual nor the deceased nor the donor is a Japanese resident.

Holders of Panasonic s shares of common stock or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. Holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

Material U.S. Federal Income Tax Consequences

This section is the opinion of Sullivan & Cromwell LLP, U.S. tax counsel to Panasonic, regarding the material United States federal income tax consequences of the Share Exchange and the ownership of shares of Panasonic s common stock or ADSs. It applies to persons who hold the common stock of SANYO, and who will ultimately hold shares of Panasonic s common stock or ADSs, as capital assets for U.S. federal income tax purposes. This section does not apply to members of a special class of holders subject to special rules, including:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,

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a person that actually or constructively owns 10% or more of the voting stock of SANYO or Panasonic,

a person that holds SANYO s common stock or Panasonic s common stock or ADSs as part of a straddle or a hedging or conversion transaction, or

a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on the Treaty. These laws are subject to change, possibly on a retroactive basis.

In general, for purposes of U.S. federal income tax purposes, beneficial owners of ADRs evidencing ADSs will be treated as owners of the shares of Panasonic s common stock represented by those ADSs, and exchanges of shares of Panasonic s common stock for ADRs, and exchanges of ADRs for shares of Panasonic s common stock, will not be subject to U.S. federal income tax. Therefore, the following discussion of U.S. federal income tax consequences also applies to holders of Panasonic s common stock who, after the Share Exchange, exchange their Panasonic s common shares for Panasonic s ADSs, provided that the obligations contemplated by the deposit agreement between Panasonic and the depositary for Panasonic s ADR facility are performed in accordance with their terms.

If a partnership holds the shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the shares.

Shareholders of SANYO should consult their own tax advisor regarding the United States federal, state and local and the Japanese and other tax consequences of the Share Exchange and of owning and disposing of shares of Panasonic s common stock in their particular circumstances.

Transfer of SANYO Shares for Panasonic Shares

Panasonic expects that certain conditions necessary to qualify the Share Exchange as a reorganization will not be satisfied. As a result, U.S. Holders will generally recognize a capital gain or loss measured by the difference between (i) the sum of (A) the fair market value (in U.S. dollars) of Panasonic s common stock received in exchange for their SANYO shares and (B) any cash received in lieu of fractional shares of Panasonic s common stock, and (ii) their tax basis in the shares of SANYO s common stock they hold. Such capital gain or loss will be long-term capital gain or loss if, at the time of the exchange, their holding period in their shares of SANYO s common stock exceeds one year. A U.S. Holder s tax basis in shares of Panasonic s common stock received in the Shares Exchange will be the fair market value (in U.S. dollars) of those shares on the date the holder receives them. The U.S. Holder s holding period for shares of Panasonic s common stock received in the Share Exchange will begin on the day after the date the holder receives those shares.

Tax Consequences of Owning Panasonic s Common Stock

Taxation of Dividends U.S. Holders. Under the U.S. federal income tax laws a U.S. Holder must include in his or her gross income the gross amount of any dividend paid by Panasonic out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes). Dividends paid to a noncorporate U.S. Holder in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to the holder at a maximum tax rate of 15% provided that the holder holds the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends we pay with respect to the shares generally will be qualified dividend income. A U.S. Holder must include any Japanese tax withheld from the dividend payment in this gross amount even though the holder does not in fact receive it. The dividend is ordinary income that a U.S. Holder must include in income when the holder receives the dividend, actually or constructively. The dividend will not be

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eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that a U.S. Holder must include in the U.S. Holder s income will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar exchange rate on the date the dividend distribution is includible in the U.S. Holder s income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date a U.S. Holder includes the dividend payment in income to the date the holder converts the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Holder s basis in the shares of Panasonic s common stock and thereafter as capital gain.

The Japanese tax withheld in accordance with the Treaty and paid over to Japan will be eligible for credit against a U.S. Holder s U.S. federal income tax liability except to the extent a refund of the tax withheld is available to the holder under Japanese tax law or under the Treaty. The amount allowed to a U.S. Holder as a credit generally is limited to the amount of the holder s U.S. federal income tax liability that is attributable to income from sources outside the United States and is computed separately with respect to different types of income that the holder receives from non-U.S. sources. Dividends paid by Panasonic will be income from sources outside the United States and depending on the circumstances of the U.S. Holder, will be either passive or general income for purposes of computing the foreign tax credit allowable to a U.S. Holder.

Taxation of Dividends Non-U.S. Holders. Dividends paid to a non-U.S. Holder in respect of shares of Panasonic s common stock will not be subject to U.S. federal income tax unless the dividends are effectively connected with the holder s conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment that he or she maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting him or her to U.S. taxation on a net income basis. In such cases a non-U.S. Holder generally will be taxed in the same manner as a U.S. Holder. If a non-U.S. Holder is a corporate non-U.S. Holder, effectively connected dividends may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if it is eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Capital Gains U.S. Holders. A U.S. Holder who sells or otherwise disposes of the holder s shares of Panasonic s common stock will recognize a capital gain of loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that the holder realizes and the holder s tax basis, determined in U.S. dollars, in those shares. Capital gain of a noncorporate U.S. Holder is generally taxed at preferential rates when the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxation of Capital Gains Non-U.S. Holders. A non-U.S. Holder will not be subject to U.S. federal income tax on gain recognized on the sale or other disposition of the holder s shares of Panasonic s common stock unless:

- the gain is "effectively connected" with his or her conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that the holder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the holder to U.S. taxation on a net income basis, or

- the holder is an individual, is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist.

Effectively connected gains of a corporate non-U.S. Holder that it recognizes may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if it is eligible for the benefits of an income tax treaty that provides for a lower rate.

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Passive Foreign Investment Company Considerations

Panasonic believes that shares of common stock should not be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change. If Panasonic were to be treated as a PFIC (unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to the shares of common stock), gain realized on the sale or other disposition or shares of common stock would in general not be treated as capital gain, and a U.S. Holder would be treated as if such holder had realized such gain and certain excess distributions ratably over the holder's holding period for the shares of common stock and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year.

Medicare Tax

For taxable years beginning after December 31, 2012, a U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. person s net investment income for the relevant taxable year and (2) the excess of the U.S. person s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual s circumstances). A holder s net investment income will generally include its dividend income and its net gains from the disposition of share, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If a holder is a U.S. person that is an individual, estate or trust, the holder is urged to consult the holder s tax advisors regarding the applicability of the Medicare tax to the holder s income and gains in respect of the holder s investment in the shares.

Information with Respect to Foreign Financial Assets

Under recently enacted legislation, individuals that own specified foreign financial assets with an aggregate value in excess of $50,000 in taxable years beginning after March 18, 2010 will generally be required to file an information report with respect to such assets with their tax returns. Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the stock.

Backup Withholding and Information Reporting.

U.S. Holders. Information reporting requirements for a noncorporate U.S. Holder, on Internal Revenue Service Form 1099, generally will apply to:

- dividend payments or other taxable distributions made to him or her within the United States, and
- the payment of proceeds to him or her from the sale of shares effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments to a noncorporate U.S. Holder that:

- fails to provide an accurate taxpayer identification number,
- is notified by the Internal Revenue Service that he or she has failed to report all interest and dividends required to be shown on his or her federal income tax returns, or
- in certain circumstances, fails to comply with applicable certification requirements.

Pursuant to recently enacted legislation, certain payments in respect of shares made to corporate U.S. Holders after December 31, 2011 may be subject to information reporting and backup withholding.

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Non-U.S. Holders. A non-U.S. Holder is generally exempt from backup withholding and information reporting requirements with respect to:

- dividend payments made to the holder outside the United States and
- other dividend payments and the payment of the proceeds from the sale of shares of Panasonic s common stock effected at a U.S. office of a broker, as long as the income associated with such payments is otherwise exempt from U.S. federal income tax, and:
- the payor or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished the payor or broker:
  - an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which the holder certifies, under penalties of perjury that the holder is a non-United States person, or
  - other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
- he or she otherwise establishes an exemption.

Payment of the proceeds from the sale of shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of shares that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by a non-U.S. Holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to the holder at a U.S. address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption.

In addition, a sale of shares of Panasonic s common stock will be subject to information reporting, but not backup withholding, if it is effected at a foreign office of a broker that is:

- a United States person,
- a controlled foreign corporation for U.S. tax purposes,

- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period, or

- a foreign partnership, if at any time during its tax year:

  - one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

  - such foreign partnership is engaged in the conduct of a U.S. trade or business,

unless the broker does not have actual knowledge or reason to know that the person is a United States person and the documentation requirements described above are met or the person otherwise establishes an exemption.

A person generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed the person s income tax liability by properly filing a refund claim with the Internal Revenue Service.

COMPARISON OF SHAREHOLDERS RIGHTS

Both Panasonic and SANYO are joint stock corporations organized under the laws of Japan. Panasonic s common stock is listed on the First Sections of the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange. SANYO s common stock is listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange. In addition, the description of the attributes of shares of common stock in the share capital provisions of the articles of incorporation of Panasonic and SANYO are substantially similar. As a result, there are no material differences between the rights of holders of Panasonic s common stock and of SANYO s common stock from a legal perspective.

EXPERTS

The consolidated financial statements and schedule of Panasonic as of March 31, 2010 and 2009, and for each of the years in the three-year period ended March 31, 2010 have been included herein and in the registration statement in reliance upon the report of KPMG AZSA LLC, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of SANYO as of March 31, 2010 and 2009 and for each of the years in the two-year period ended March 31, 2010, have been included herein and in the registration statement in reliance upon the report of KPMG AZSA LLC, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

VALIDITY OF PANASONIC SHARES

Nagashima Ohno & Tsunematsu, Japanese counsel for Panasonic, will render an opinion with respect to the validity of the shares of its common stock to be transferred in the Share Exchange.

WHERE YOU CAN FIND MORE INFORMATION

Panasonic is a foreign private issuer and, under the rules adopted under the Securities Exchange Act of 1934 (the Exchange Act), will be exempt from some of the requirements of that Act, including the proxy and information provisions of Section 14 of the Exchange Act and the reporting and liability provisions applicable to officers, directors and significant shareholders under Section 16 of the Exchange Act.

Panasonic is subject to reporting obligations under the Exchange Act and the rules thereunder and any filings it makes will be available via the website of the United States Securities and Exchange Commission, or SEC, at www.sec.gov. You may also read and copy any reports, statements or other information filed by Panasonic at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates, or from commercial document retrieval services.

The SEC maintains a website that contains filings by reporting companies, including those filed by Panasonic at http://www.sec.gov. You may also access the SEC filings and obtain other information about Panasonic through the website it maintains, which is www.ms-ins.com/english/. The information contained in those website is not incorporated by reference into this prospectus.

Panasonic files annual and semi-annual securities reports and other reports, in Japanese, under the Financial Instruments and Exchange Law of Japan with the applicable local finance bureau in Japan.

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Panasonic has not authorized anyone to give any information or make any representation about the Share Exchange that is different from, or in addition to, that contained in this prospectus or in any of the materials that are incorporated by reference into this prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. The information contained in this prospectus speaks only as of the date of this document unless the information specifically indicates that another date applies.

ENFORCEABILITY OF CIVIL LIABILITIES

Panasonic is a joint-stock corporation with limited liability incorporated under the laws of Japan. Almost all of Panasonic s directors and corporate auditors reside in Japan. All or substantially all of Panasonic s assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for investors to effect service of process within the United States upon Panasonic or these persons or to enforce against it or these persons judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States. Panasonic s Japanese counsel, Nagashima Ohno & Tsunematsu, has advised it that there is doubt as to the enforceability in Japan, in original actions or inactions for enforcement of judgments of United States courts, of liabilities predicated solely upon the federal securities laws of the United States.

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INDEX TO FINANCIAL STATEMENTS

[1] All other schedules are omitted as permitted by the rules and regulations of the Securities and Exchange Commission as the required information is presented in the consolidated financial statements or notes thereto, or the schedules are not applicable.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Panasonic Corporation:

We have audited the accompanying consolidated balance sheets of Panasonic Corporation and subsidiaries (the Company) as of March 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended March 31, 2010. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Panasonic Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for noncontrolling interests with the adoption of Financial Accounting Standards Board Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (codified in FASB Accounting Standards Codification Topic 810, Consolidation), its method of accounting for business combinations with the adoption of Financial Accounting Standards Board Statement No.141R, Business Combinations (codified in FASB Accounting Standards Codification Topic 805, Business Combinations), and its method of computing depreciation effective April 1, 2009.

/s/ KPMG AZSA LLC
KPMG AZSA LLC

Osaka, Japan
June 30, 2010, except for Note 21, as to which the date is October 1, 2010

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PANASONIC CORPORATION

AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2010 and 2009

	Yen (millions)	
	2010	**2009**
Assets		
Current assets:		
Cash and cash equivalents (Note 9)	1,109,912	973,867
Time deposits (Note 9)	92,032	189,288
Short-term investments (Notes 5 and 18)		1,998
Trade receivables (Note 16):		
Related companies (Note 4)	37,940	16,178
Notes	74,028	42,582
Accounts (Note 17)	1,097,230	727,504
Allowance for doubtful receivables	(24,158)	(21,131)
Net trade receivables	1,185,040	765,133
Inventories (Note 3)	913,646	771,137
Other current assets (Notes 11, 17 and 18)	505,418	493,271
Total current assets	3,806,048	3,194,694
Investments and advances:		
Associated companies (Notes 4 and 18)	177,128	123,959
Other investments and advances (Notes 5, 9 and 18)	459,634	427,792
Total investments and advances	636,762	551,751
Property, plant and equipment (Notes 6, 7, 9 and 18):		
Land	391,394	298,346
Buildings	1,767,674	1,532,359
Machinery and equipment	2,303,633	2,229,123
Construction in progress	128,826	213,617
	4,591,527	4,273,445
Less accumulated depreciation	2,635,506	2,698,615
Net property, plant and equipment	1,956,021	1,574,830
Other assets:		
Goodwill (Notes 8 and 18)	923,001	410,792
Intangible assets (Notes 7, 8 and 18)	604,865	120,712
Other assets (Notes 10 and 11)	431,360	550,537
Total other assets	1,959,226	1,082,041

	8,358,057	6,403,316

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION

AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

March 31, 2010 and 2009

	Yen (millions)	
	2010	**2009**
Liabilities and Equity		
Current liabilities:		
Short-term debt, including current portion of long-term debt (Notes 6, 9 and 18)	299,064	94,355
Trade payables:		
Related companies (Note 4)	66,596	58,315
Notes	59,516	38,196
Accounts (Note 17)	945,334	582,857
Total trade payables	1,071,446	679,368
Accrued income taxes (Note 11)	39,154	26,139
Accrued payroll	149,218	115,845
Other accrued expenses (Note 19)	826,051	672,836
Deposits and advances from customers	64,046	60,935
Employees deposits	10,009	269
Other current liabilities (Notes 10, 11, 17 and 18)	356,875	350,681
Total current liabilities	2,815,863	2,000,428
Noncurrent liabilities:		
Long-term debt (Notes 6, 9 and 18)	1,028,928	651,310
Retirement and severance benefits (Note 10)	435,799	404,367
Other liabilities (Note 11)	397,694	134,630
Total noncurrent liabilities	1,862,421	1,190,307
Panasonic Corporation shareholders equity:		
Common stock (Note 12):		
Authorized 4,950,000,000 shares		
Issued 2,453,053,497 shares (2,453,053,497 shares in 2009)	258,740	258,740
Capital surplus (Note 12)	1,209,516	1,217,764
Legal reserve (Note 12)	93,307	92,726
Retained earnings (Note 12)	2,349,487	2,479,416
Accumulated other comprehensive income (loss) (Notes 5, 10, 13 and 17):		
Cumulative translation adjustments	(352,649)	(341,592)
Unrealized holding gains (losses) of available-for-sale securities	40,700	(10,563)
Unrealized gains (losses) of derivative instruments	1,272	(4,889)
Pension liability adjustments	(137,555)	(237,333)
Total accumulated other comprehensive loss	(448,232)	(594,377)
Treasury stock, at cost (Note 12):		
382,448,008 shares (382,411,876 shares in 2009)	(670,330)	(670,289)

Total Panasonic Corporation shareholders equity	2,792,488	2,783,980
Noncontrolling interests	887,285	428,601
Commitments and contingent liabilities (Notes 6 and 19)	3,679,773	3,212,581
	8,358,057	6,403,316

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	**2009**	**2008**
Revenues, costs and expenses:			
Net sales:			
Related companies (Note 4)	209,938	223,231	371,216
Other	7,208,042	7,542,276	8,697,712
Total net sales	7,417,980	7,765,507	9,068,928
Cost of sales (Notes 4, 16 and 17)	(5,341,059)	(5,667,287)	(6,377,240)
Selling, general and administrative expenses (Note 16)	(1,886,468)	(2,025,347)	(2,172,207)
Interest income	12,348	23,477	34,371
Dividends received	6,746	11,486	10,317
Other income (Notes 5, 6 and 17)	47,896	52,709	70,460
Interest expense	(25,718)	(19,386)	(20,357)
Other deductions (Notes 2, 4, 5, 7, 8, 15, 16, 17 and 18)	(261,040)	(523,793)	(179,279)
Income (loss) before income taxes	(29,315)	(382,634)	434,993
Provision for income taxes (Note 11):			
Current	58,147	61,840	128,181
Deferred	83,686	(24,482)	(13,608)
	141,833	37,358	114,573
Equity in earnings (losses) of associated companies (Note 4)	481	16,149	(9,906)
Net income (loss)	(170,667)	(403,843)	310,514
Less net income (loss) attributable to noncontrolling interests	(67,202)	(24,882)	28,637
Net income (loss) attributable to Panasonic Corporation	(103,465)	(378,961)	281,877

	Yen		
Net income (loss) per share attributable to Panasonic Corporation common shareholders (Note 14):			
Basic	(49.97)	(182.25)	132.90
Diluted		(182.25)	132.90

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Equity

Years ended March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	**2009**	**2008**
Common stock (Note 12):			
Balance at beginning of year	258,740	258,740	258,740
Balance at end of year	258,740	258,740	258,740
Capital surplus (Note 12):			
Balance at beginning of year	1,217,764	1,217,865	1,220,967
Sale of treasury stock	(8)	(101)	59
Decrease from issuance of new shares by a subsidiary			(3,161)
Equity transactions with noncontrolling interests and others	(8,240)		
Balance at end of year	1,209,516	1,217,764	1,217,865
Legal reserve (Note 12):			
Balance at beginning of year	92,726	90,129	88,588
Transfer from retained earnings	581	2,597	1,541
Balance at end of year	93,307	92,726	90,129
Retained earnings (Note 12):			
Balance at beginning of year prior to adjustment	2,479,416	2,948,065	2,737,024
Effects of changing the pension plan measurement date, net of tax (Note 10)		(3,727)	
Balance at beginning of year as adjusted	2,479,416	2,944,338	2,737,024
Net income (loss) attributable to Panasonic Corporation	(103,465)	(378,961)	281,877
Cash dividends to Panasonic Corporation stockholders	(25,883)	(83,364)	(69,295)
Transfer to legal reserve	(581)	(2,597)	(1,541)
Balance at end of year	2,349,487	2,479,416	2,948,065
Accumulated other comprehensive income (loss) (Note 13):			
Balance at beginning of year prior to adjustment	(594,377)	(173,897)	107,097
Effects of changing the pension plan measurement date, net of tax (Note 10)		(73,571)	
Balance at beginning of year as adjusted	(594,377)	(247,468)	107,097
Other comprehensive income (loss), net of tax	146,145	(346,909)	(280,994)
Balance at end of year	(448,232)	(594,377)	(173,897)
Treasury stock (Note 12):			
Balance at beginning of year	(670,289)	(598,573)	(495,675)
Repurchase of common stock	(72)	(72,416)	(103,112)

Sale of treasury stock	31	700	214
Balance at end of year	(670,330)	(670,289)	(598,573)

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PANASONIC CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Equity (Continued)

Years ended March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	**2009**	**2008**
Noncontrolling interests:			
Balance at beginning of year prior to adjustment	428,601	514,620	551,154
Effects of changing the pension plan measurement date, net of tax (Note 10)		(3)	
Balance at beginning of year as adjusted	428,601	514,617	551,154
Cash dividends paid to noncontrolling interests	(14,619)	(20,803)	(19,807)
Acquisition transaction	532,360		29,248
Issuance of shares by subsidiaries			40,000
Change in consolidated subsidiaries			(90,470)
Equity transactions with noncontrolling interests and others	(2,402)	(1,422)	(3,520)
Net income (loss) attributable to noncontrolling interests	(67,202)	(24,882)	28,637
Other comprehensive income (loss), net of tax:			
Translation adjustments	1,238	(18,043)	(8,260)
Unrealized holding gains (losses) of available-for-sale securities	2,378	(1,619)	(3,806)
Unrealized gains (losses) of derivative instruments	68	(12)	332
Pension liability adjustments	6,863	(19,235)	(8,888)
Balance at end of year	887,285	428,601	514,620
Disclosure of comprehensive income (loss):			
Net income (loss)	(170,667)	(403,843)	310,514
Other comprehensive income (loss), net of tax:			
Translation adjustments	(9,819)	(130,843)	(137,514)
Unrealized holding gains (losses) of available-for-sale securities	53,641	(57,624)	(119,195)
Unrealized gains (losses) of derivative instruments	6,229	(9,227)	3,796
Pension liability adjustments	106,641	(188,124)	(48,703)
Comprehensive income (loss)	(13,975)	(789,661)	8,898
Comprehensive income (loss) attributable to noncontrolling interests	(56,655)	(63,791)	8,015
Comprehensive income (loss) attributable to Panasonic Corporation	42,680	(725,870)	883

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	**2009**	**2008**
Cash flows from operating activities (Note 16):			
Net income (loss)	(170,667)	(403,843)	310,514
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	298,270	364,806	320,534
Net gain on sale of investments	(5,137)	(13,512)	(14,402)
Provision for doubtful receivables	10,862	10,538	6,008
Deferred income taxes	83,686	(24,482)	(13,608)
Write-down of investment securities (Notes 4, 5 and 18)	6,944	92,016	31,842
Impairment loss on long-lived assets (Notes 7 and 8)	83,004	313,466	44,627
Cash effects of changes in, excluding acquisition:			
Trade receivables	(119,966)	249,123	(56,677)
Inventories	100,576	21,011	(37,372)
Other current assets	24,151	30,279	39,602
Trade payables	83,719	(199,176)	(41,568)
Accrued income taxes	6,706	(33,358)	5,765
Accrued expenses and other current liabilities	102,743	(157,660)	9,973
Retirement and severance benefits	(8,655)	(107,196)	(128,937)
Deposits and advances from customers	(7,368)	(21,191)	(15,915)
Other	33,465	(4,174)	5,672
Net cash provided by operating activities	522,333	116,647	466,058
Cash flows from investing activities (Note 16):			
Proceeds from sale of short-term investments	6,442		697
Purchase of short-term investments	(6,369)		
Proceeds from disposition of investments and advances	61,302	221,127	313,947
Increase in investments and advances	(8,855)	(34,749)	(160,423)
Capital expenditures	(375,648)	(521,580)	(418,730)
Proceeds from disposals of property, plant and equipment	117,857	40,476	151,279
(Increase) decrease in time deposits	99,274	(136,248)	166,750
Purchase of shares of newly consolidated subsidiaries, net of acquired companies cash and cash equivalents (Note 2)	(174,808)		(68,309)
Other	(42,854)	(38,503)	(46,582)
Net cash used in investing activities	(323,659)	(469,477)	(61,371)

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Consolidated Statements of Cash Flows (Continued)

Years ended March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	**2009**	**2008**
Cash flows from financing activities (Note 16):			
Increase (decrease) in short-term debt	(3,360)	(34,476)	(5,815)
Proceeds from long-term debt	53,172	442,515	1,344
Repayments of long-term debt	(54,780)	(83,257)	(46,750)
Dividends paid to Panasonic Corporation shareholders (Note 12)	(25,883)	(83,364)	(69,295)
Dividends paid to noncontrolling interests	(14,619)	(20,803)	(19,807)
Repurchase of common stock (Note 12)	(72)	(72,416)	(103,112)
Sale of treasury stock (Note 12)	23	599	273
Purchase of noncontrolling interests	(11,095)		
Proceeds from issuance of shares by subsidiaries			39,866
Other	(359)	(86)	(252)
Net cash provided by (used in) financing activities	(56,973)	148,712	(203,548)
Effect of exchange rate changes on cash and cash equivalents	(5,656)	(36,831)	(129,521)
Effect of changes in consolidated subsidiaries (Note 16)			(93,441)
Net increase (decrease) in cash and cash equivalents	136,045	(240,949)	(21,823)
Cash and cash equivalents at beginning of year	973,867	1,214,816	1,236,639
Cash and cash equivalents at end of year	1,109,912	973,867	1,214,816

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

March 31, 2010, 2009 and 2008

(1) Summary of Significant Accounting Policies

(a) **Description of Business**

Panasonic Corporation (hereinafter, the Company, including consolidated subsidiaries, unless the context otherwise requires) is one of the world s leading producers of electronic and electric products. The Company 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.

Sales by product category in fiscal 2010 were as follows: Digital AVC Networks 43%, Home Appliances 15%, PEW and PanaHome* 20%, Components and Devices 11%, SANYO* 5%, and Other 6%. A sales breakdown in fiscal 2010 by geographical market was as follows: Japan 54%, North and South America 12%, Europe 11%, and Asia and Others 23%.

The Company is not dependent on a single supplier, and has no significant difficulty in obtaining raw materials from suppliers.

* PEW stands for Panasonic Electric Works Co., Ltd. and PanaHome stands for PanaHome Corporation. SANYO stands for SANYO Electric Co., Ltd.

(b) **Basis of Presentation of Consolidated Financial Statements**

The Company and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared in a manner and reflect adjustments which are necessary to conform with U.S. generally accepted accounting principles.

(c) **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its majority-owned, controlled subsidiaries. The Company also consolidates entities in which controlling interest exists through variable interests in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation. Investments in companies and joint ventures over which the Company has the ability to exercise significant influence (generally through a voting interest of between 20% to 50%) are included in Investments and advances Associated companies in the consolidated balance sheets. All significant intercompany balances and transactions have been eliminated in consolidation.

(d) **Revenue Recognition**

The Company generates revenue principally through the sale of consumer and industrial products, equipment, and supplies. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, and title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

Revenue from sales of products is generally recognized when the products are received by customers. Revenue from sales of certain products with customer acceptance provisions related to their functionality is recognized when the product is received by the customer and the specific criteria of the product functionality are successfully tested and demonstrated.

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March 31, 2010, 2009 and 2008

The Company enters into arrangements with multiple elements, which may include any combination of products, equipment, installation and maintenance. The Company allocates revenue to each element based on its relative fair value if such element meets the criteria for treatment as a separate unit of accounting as prescribed in the provisions of ASC 605, Revenue Recognition. Product revenue is generally recognized upon completion of installation or upon shipment if installation is not required. Maintenance revenue is recognized on a straight-line basis over the term of the maintenance agreement.

The Company s policy is to accept product returns only in the case that the products are defective. The Company issues contractual product warranties under which it guarantees the performance of products delivered and services rendered for a certain period of time. A liability for the estimated product warranty related cost is established at the time revenue is recognized, and is included in Other accrued expenses. Estimates for accrued warranty cost are primarily based on historical experience and current information on repair cost.

Historically, the Company has made certain allowances related to sales to its consumer business distributors. Such allowances are generally provided to compensate the distributors for a decline in the product s value, and are classified as a reduction of revenue on the consolidated statements of operations. Estimated price adjustments are accrued when the related sales are recognized. The estimate is made based primarily on the historical experience or specific arrangements made with the distributors.

The Company also occasionally offers incentive programs to its distributors in the form of rebates. These rebates are accrued at the latter of the date at which the related revenue is recognized or the date at which the incentive is offered, and are recorded as reductions of sales in accordance with in the provisions of ASC 605.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of operations.

(e) **Leases (See Note 6)**

The Company accounts for leases in accordance with the provisions of ASC 840, Leases. Leases of the assets under certain conditions are recorded as capital leases in property, plant and equipment in the consolidated balance sheets.

(f) **Inventories (See Note 3)**

Finished goods and work in process are stated at the lower of cost (average) or market. Raw materials are stated at cost, principally on a first-in, first-out basis or average basis, not in excess of current replacement cost.

(g) **Foreign Currency Translation (See Note 13)**

Foreign currency financial statements are translated in accordance with the provisions of ASC 830, Foreign Currency Matters, under which all assets and liabilities are translated into yen at year-end rates and income and expense accounts are translated at weighted-average rates. Adjustments resulting from the translation of financial statements are reflected under the caption, Accumulated other comprehensive income (loss), a separate component of equity.

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March 31, 2010, 2009 and 2008

(h) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost. Depreciation is computed primarily using the straight-line method based on the following estimated useful lives:

Buildings	5 to 50 years
Machinery and equipment	2 to 10 years

Effective April 1, 2009, the Company and certain of its domestic subsidiaries changed their depreciation method from the declining-balance method to the straight-line method. The Company believes that the straight-line method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated and provides a better matching of costs and revenues over the assets estimated useful lives. Under the provisions of ASC 250, Accounting Changes and Error Corrections, a change in depreciation method is treated on a prospective basis as a change in estimate and prior period results have not been restated. The change in depreciation method caused a decrease in depreciation expense by 11,031 million yen for the year ended March 31, 2010. Net loss attributable to Panasonic Corporation and basic net loss per share attributable to Panasonic Corporation common shareholders decreased by 6,861 million yen and 3.31 yen, respectively, for the year ended March 31, 2010. Impact on diluted net income (loss) per share attributable to Panasonic Corporation common shareholders for the year ended March 31, 2010 has been omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

(i) **Goodwill and Other Intangible Assets (See Notes 7 and 8)**

Goodwill represents the excess of costs over the fair value of net assets of businesses acquired. The Company adopted the provisions of ASC 350, Intangibles Goodwill and Other. Goodwill and intangible assets determined to have an indefinite useful life are not amortized, and are instead reviewed for impairment at least annually based on assessment of current estimated fair value of the intangible asset. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform the second step of the impairment test (measurement). If the fair value of the reporting unit exceeds its carrying amount, the second step does not need to be performed. Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation in business combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a guideline merged and acquired company method, guideline public company method, and a discounted cash flow analysis. The provisions of ASC 350 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment based on an assessment of the undiscounted cash flows expected by the asset, whenever impairment indications are presented. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(j) **Investments and Advances (See Notes 4, 5, 13 and 18)**

Investments and advances primarily consist of investments in and advances to associated companies, cost method investments, available-for-sale securities, and long-term deposits. Cost method investments and long-term deposits are recorded at historical cost.

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The equity method is used to account for investments in associated companies in which the Company exerts significant influence, generally having a 20% to 50% voting interest, and corporate joint ventures. The Company also uses the equity method for certain investees if the minority shareholders have substantive participating rights. Under the equity method of accounting, investments are stated at their underlying net equity value after elimination of intercompany profits. The cost method is used when the Company does not have significant influence.

The excess of cost of the stock of the associated companies over the Company s share of their net assets at the acquisition date, included in the equity investment balance, is recognized as equity method goodwill. Such equity method goodwill is not being amortized and is instead tested for impairment as part of the equity method investment.

The Company accounts for debt and marketable equity securities in accordance with the provisions of ASC 320, Investments Debt and Equity Securities.

The provisions of ASC 320 require that certain investments in debt and marketable equity securities be classified as held-to-maturity, trading, or available-for-sale securities. The Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale. Available-for-sale securities are carried at fair value with unrealized holding gains or losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Realized gains and losses are determined on the average cost method and reflected in earnings.

On a continuous basis, but no less frequently than at the end of each quarter, the Company evaluates the carrying amount of each of the investments in associated companies, cost method investments and available-for-sale securities for possible other-than-temporary impairment. Factors considered in assessing whether an indication of other-than-temporary impairment exists include the period of time the fair value has been below the carrying amount or cost basis of investment, financial condition and prospects of each investee, and other relevant factors.

Investments in associated companies, cost method investments and available-for-sale securities are reduced to fair value by a charge to earnings when impairment is considered to be other than temporary. Impairment is measured based on the amount by which the carrying amount or cost basis of the investment exceeds its fair value. Fair value is determined based on quoted market prices, discounted cash flows or other valuation techniques as appropriate.

(k) **Allowance for Doubtful Receivables**

An allowance for doubtful trade receivables and advances is provided at an amount calculated based on historical experience, while specific allowances for doubtful trade receivables and advances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility.

(l) **Income Taxes (See Note 11)**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

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Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for uncertainty in tax positions in accordance with the provisions of ASC 740, Income Taxes. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interests and penalties related to unrecognized tax benefits in Provision for income taxes Current in the consolidated statements of operations.

(m) **Advertising (See Note 16)**
Advertising costs are expensed as incurred.

(n) **Net Income (loss) per Share (See Note 14)**
The Company accounts for net income (loss) per share in accordance with the provisions of ASC 260, Earnings Per Share. This statement establishes standards for computing net income (loss) per share and requires dual presentation of basic and diluted net income (loss) per share on the face of the statements of operation for all entities with complex capital structures.

Under the provisions of ASC 260, basic net income (loss) per share is computed based on the weighted-average number of common shares outstanding during each period, and diluted net income (loss) per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(o) **Cash Equivalents**
Cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

(p) **Derivative Financial Instruments (See Notes 13, 17 and 18)**
Derivative financial instruments utilized by the Company are comprised principally of foreign exchange contracts, interest rate swaps, cross currency swaps and commodity futures used to hedge currency risk and commodity price risk.

The Company accounts for derivative instruments in accordance with the provisions of ASC 815, Derivatives and Hedging. On the date the derivative contract is entered into, the Company ordinarily designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair-value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge), or a foreign-currency fair-value or cash-flow hedge (foreign-currency hedge). The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also formally assesses, both at the hedge s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Company does not offset fair value of contracts in gain and loss positions.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm

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March 31, 2010, 2009 and 2008

commitment of the hedged item that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item. Changes in the fair value of derivatives that are highly effective as hedges and that are designated and qualify as foreign-currency hedges are recorded in either earnings or other comprehensive income (loss), depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge. The ineffective portion of the change in fair value of a derivative instrument that qualifies as either a fair-value hedge or a cash-flow hedge is reported in earnings.

(q) **Impairment of Long-Lived Assets (See Note 7)**

The Company accounts for impairment or disposition of long-lived assets in accordance with the provisions of ASC 360, Property, Plant, and Equipment. In accordance with the provisions of ASC 360, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(r) **Restructuring Charges (See Note 15)**

The Company accounts for costs associated with exit or disposal activities in accordance with the provisions of ASC 420, Exit or Disposal Cost Obligations. Pursuant to the provisions of ASC 420, liabilities for restructuring costs are recognized when the liability is incurred, which may be subsequent to the date when the Company has committed to a restructuring plan.

(s) **Stock-Based Compensation (See Note 12)**

The provisions of ASC 718, Compensation Stock Compensation address accounting and disclosure requirements with measurement of the cost of employee service using a fair-value-based method of accounting for stock-based employee compensation plans.

(t) **Segment Information (See Note 20)**

The Company accounts for segment information in accordance with the provisions of ASC 280, Segment Reporting. Pursuant to the provisions of ASC 280, the reporting segments are the components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

(u) **Fair Value Measurements (See Note 18)**

On April 1, 2008, the Company adopted the provisions of ASC 820, Fair Value Measurements and Disclosures for all financial assets and liabilities and nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The provisions of ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. On April 1, 2009, the Company adopted the provisions of ASC 820 for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

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March 31, 2010, 2009 and 2008

(v) **Use of Estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions are reflected in valuation and disclosure of revenue recognition, allowance for doubtful receivables, valuation of inventories, impairment of long-lived assets, environmental liabilities, valuation of deferred tax assets, uncertain tax positions, employee retirement and severance benefit plans, and assets acquired and liabilities assumed by business combinations.

(w) **Adoption of New Accounting Standards**

On April 1, 2009, the Company adopted the provisions of ASC 805, Business Combinations. The provisions of ASC 805 requires most identifiable assets, liabilities, noncontrolling interests (previously referred to as minority interests), and goodwill acquired in a business combination to be recorded at full fair value. On April 1, 2009, the Company adopted the provisions of ASC 810, Consolidation. ASC 810 requires noncontrolling interests to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. The provisions of ASC 805 is applied to business combinations occurring after the effective date. The provisions of ASC 810 is applied prospectively to all noncontrolling interests, including any that arose before the effective date and the disclosure requirement is applied retrospectively. As a result, the prior years consolidated financial statements have been reclassified in order to conform with the presentation used for the year ended March 31, 2010.

(x) **Reclassifications**

Certain reclassifications have been made to the prior years consolidated financial statements in order to conform with the presentation used for the year ended March 31, 2010.

(2) Acquisition

On December 16, 2009, the Company acquired all preferred shares of SANYO Electric Co., Ltd. (SANYO) through a tender offer. On December 21, 2009, the Company subsequently converted the preferred shares to common shares, resulting in an acquisition of 50.2% of the voting rights and a controlling interest of SANYO.

SANYO is in the business of manufacturing and sales of solar cells, rechargeable batteries, electronic devices, commercial equipment, audio-visual equipment, home appliances, and other electronic and electric products. As a result of this acquisition, a collaborating relationship between the Company and SANYO is established under the large business strategy as an united business group to generate synergy, 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.

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The fair value of noncontrolling interests was measured based on the market price per share of SANYO as of the acquisition date. The fair value of the consideration paid for the controlling interests of SANYO and the noncontrolling interests as of the acquisition date is as follows:

	Yen (millions)
Fair value of consideration:	
Cash	403,780
Fair value of noncontrolling interests	532,360
Total	936,140

Acquisition-related cost of 5,058 million yen was included in other deductions in the consolidated statements of operations for the year ended March 31, 2010.

Assets acquired and liabilities assumed reflected in the Company s consolidated balance sheet as of the acquisition date were as follows:

	Yen (millions)
Cash and cash equivalents	228,972
Other current assets	653,709
Investments and advances	105,643
Property, plant and equipment	404,468
Goodwill	514,419
Intangible assets	494,103
Other assets	48,596
Total assets acquired	2,449,910
Current liabilities	606,639
Noncurrent liabilities	907,131
Total liabilities assumed	1,513,770
Total net assets acquired	936,140

Trade notes receivable, trade accounts receivable and other short-term receivables recorded at the fair value were included in other current assets in the table above, and the fair value was measured by deducting allowance for doubtful receivables of 73 million yen, 5,319 million yen and 964 million yen from their contractual amounts of 26,001 million yen, 314,175 million yen, 23,941 million yen, respectively. Long-term receivables recorded at the fair value were included in investments and advances, and the fair value was measured by deducting allowance for doubtful receivables of 2,730 million yen from their contractual amounts of 10,999 million yen.

Intangible assets of 492,476 million yen were subject to amortization, which include right of trademark of 45,451 million yen with a 10-year weighted-average useful life, customer relationship of 52,011 million yen with a 12-year weighted-average useful life and patents and know-how of 355,490 million yen with a 10-year weighted-average useful life.

The total amount of goodwill is included in SANYO segment, and is not deductible for tax purpose.

Accrued warranty costs of 4,253 million yen were included in current liabilities in the table above.

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March 31, 2010, 2009 and 2008

Net sales and loss before income taxes of SANYO and its subsidiaries that are included in the consolidated statements of operations for the year ended March 31, 2010 are 399,888 million yen and 23,352 million yen, respectively.

The unaudited pro forma information shows the results of the Company s consolidated operations for the year ended March 31, 2010 and 2009 as though SANYO and its subsidiaries had been consolidated at the beginning of fiscal 2010 and 2009. The pro forma data is not necessarily indicative of the Company s results of operations that would actually have been reported if the transaction in fact had occurred on April 1, 2009 or 2008, and is not necessarily representative of the Company s consolidated results of operations for future periods.

	Unaudited Yen (millions)	
	2010	**2009**
Net sales	8,617,400	9,537,809
Net income (loss) attributable to Panasonic Corporation	(155,294)	(482,520)

	Unaudited Yen	
	2010	**2009**
Net income (loss) per share attributable to Panasonic Corporation common shareholders:		
Basic	(75.00)	(232.06)
Diluted		(232.06)

Diluted net income (loss) per share attributable to Panasonic Corporation common shareholders for the year ended March 31, 2010 has been omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

(3) Inventories

Inventories at March 31, 2010 and 2009 are summarized as follows:

	Yen (millions)	
	2010	**2009**
Finished goods	497,153	439,747
Work in process	159,699	129,949
Raw materials	256,794	201,441
	913,646	771,137

(4) Investments in and Advances to, and Transactions with Associated Companies

Certain financial information in respect of associated companies in aggregate at March 31, 2010 and 2009, and for the three years ended March 31, 2010 is shown below. The most significant of these associated companies as of March 31, 2010 are JVC KENWOOD Holdings, Inc.

(JVC KENWOOD HD) and Sumishin Matsushita Financial Services Co., Ltd. (SMFC). At March 31, 2010, the Company has a 27.6% equity ownership in JVC KENWOOD HD and a 22.6% equity ownership in SMFC.

The Company formerly consolidated Victor Company of Japan, Ltd. (JVC) and its subsidiaries. On August 10, 2007, JVC issued and allocated new shares of its common stock to third parties. As a result, the

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Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Company s shareholding of JVC decreased from 52.4% to 36.8%, and JVC and its subsidiaries became associated companies under the equity method. On October 1, 2008, JVC and Kenwood Corporation integrated management by establishing JVC KENWOOD HD through a share transfer. The Company has 27.6% shareholding of JVC KENWOOD HD.

The Company formerly had a 34.0% equity ownership in SMFC. On November 5, 2009, the Company sold certain equity interest to The Sumitomo Trust and Banking Co., Ltd. and as a result, the Company had a 22.6% equity ownership in SMFC. On April 1, 2010, SMFC and STB Leasing Co., Ltd. merged its business to form Sumishin Panasonic Financial Services Co., Ltd. (SPFC). As a result, the Company has a 15.1% equity ownership in SPFC. The Company continues to apply the equity method subsequent to April 1, 2010 as the Company continues to hold significant influence over operating and financial policies of SPFC.

The Company formerly accounted for the investment in Toshiba Matsushita Display Technology Co., Ltd. (TMD) and its subsidiaries under the equity method. On April 28, 2009, the Company sold all of its shares in TMD to Toshiba Corporation.

	Yen (millions)	
	2010	**2009**
Current assets	1,065,594	1,012,194
Other assets	488,755	526,722
	1,554,349	1,538,916
Current liabilities	775,170	961,503
Other liabilities	370,949	292,788
Net assets	408,230	284,625
Company s equity in net assets	146,825	102,966

		Yen (millions)	
	2010	**2009**	**2008**
Net sales	1,176,332	1,568,499	1,968,527
Gross profit	254,507	292,589	377,989
Net loss	(10,572)	(70,779)	(52,915)

Purchases and dividends received from associated companies for the three years ended March 31, 2010 are as follows:

		Yen (millions)	
	2010	**2009**	**2008**
Purchases from	287,598	315,829	424,242
Dividends received	4,301	4,528	5,434

Retained earnings include undistributed earnings of associated companies in the amount of 33,489 million yen and 36,594 million yen, as of March 31, 2010 and 2009, respectively.

During the years ended March 31, 2010, 2009 and 2008, the Company incurred a write-down of 3,605 million yen, 18,121 million yen and 23,668 million yen, respectively, for other-than-temporary impairment of investments and advances in associated companies. The fair values of the investments and advances in associated companies were based on quoted market price or discounted cash flows by using appropriate discounted rate. An impairment charge was recorded to reduce the carrying value of the assets to fair value. The write-down is included in other deductions in the consolidated statements of operations.

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Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Investments in associated companies include equity securities which have quoted market values at March 31, 2010 and 2009 compared with related carrying amounts are as follows:

	Yen (millions)	
	2010	2009
Carrying amount	50,314	12,825
Market value	61,294	11,093

(5) Investments in Securities

The Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale.

The cost, fair value, gross unrealized holding gains and gross unrealized holding losses of available-for-sale securities included in short-term investments, and other investments and advances at March 31, 2010 and 2009 are as follows:

	Yen (millions) 2010			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Noncurrent:				
Equity securities	275,579	379,358	104,666	887
Corporate and government bonds	3,894	3,961	75	8
Other debt securities	568	585	22	5
	280,041	383,904	104,763	900

	Yen (millions) 2009			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Current:				
Corporate and government bonds	1,972	1,998	26	
	1,972	1,998	26	

Noncurrent:				
Equity securities	269,735	284,356	32,510	17,889
Corporate and government bonds	4,290	4,395	110	5
Other debt securities	5,492	5,515	23	
	279,517	294,266	32,643	17,894

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The cost, fair value, gross unrealized holding gains and gross unrealized holding losses of held-to-maturity securities included in other investments and advances are 1,954 million yen, 1,887 million yen, 16 million yen and 83 million yen at March 31, 2010, respectively.

Maturities of investments in available-for-sale securities at March 31, 2010 and 2009 are as follows:

	Yen (millions)			
	2010		2009	
	Cost	Fair value	Cost	Fair value
Due within one year			1,972	1,998
Due after one year through five years	4,462	4,546	9,782	9,910
Equity securities	275,579	379,358	269,735	284,356
	280,041	383,904	281,489	296,264

Maturity of investments in held-to-maturity securities at March 31, 2010 is due after 10 years. The cost and fair value of the related investments are 1,954 million yen and 1,887 million yen, respectively.

Proceeds from sale of available-for-sale securities for the years ended March 31, 2010, 2009 and 2008 were 18,275 million yen, 73,782 million yen and 106,466 million yen, respectively. The gross realized gains on sale of available-for-sale securities for the years ended March 31, 2010, 2009 and 2008 were 3,756 million yen, 797 million yen and 7,415 million yen, respectively. The gross realized losses on sale of available-for-sale securities for the years ended March 31, 2010, 2009 and 2008 were 88 million yen, 11 million yen and 148 million yen, respectively. The cost of securities sold in computing gross realized gains and losses is determined by the average cost method.

During the years ended March 31, 2010, 2009 and 2008, the Company incurred a write-down of 2,965 million yen, 73,861 million yen and 8,002 million yen, respectively, for other-than-temporary impairment of available-for-sale securities, mainly reflecting the aggravated market condition of certain industries in Japan. The write-down is included in other deductions in the consolidated statements of operations.

Gross unrealized holding losses on investments in available-for-sale securities and the fair value of the related investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010 and 2009 are as follows:

	Yen (millions)					
	2010					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equity securities	6,222	887			6,222	887
Corporate and government bonds	1,194	8			1,194	8
Other debt securities	40	5			40	5

	7,456	900	7,456	900

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	Yen (millions) 2009					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equity securities	105,647	17,889			105,647	17,889
Corporate and government bonds	1,780	5			1,780	5
	107,427	17,894			107,427	17,894

The gross unrealized loss position has been continuing for a relatively short period of time. Based on this and other relevant factors, management has determined that these investments are not considered other-than-temporarily impaired. The Company did not have investment securities that had been in a continuous loss position for twelve months or more at March 31, 2010 and 2009.

Gross unrealized holding losses on investments in held-to-maturity securities and the fair value of the related investments are 83 million yen and 1,281 million yen, respectively.

The carrying amounts of the Company s cost method investments totaled 22,039 million yen and 40,755 million yen at March 31, 2010 and 2009, respectively. For substantially all such investments, the Company estimated that the fair value exceeded the carrying amounts of investments (that is, the investments were not impaired). For the years ended March 31, 2010, 2009 and 2008, certain investments were considered other-than-temporarily impaired, resulting in a write-down of 374 million yen, 34 million yen and 172 million yen, respectively.

At March 31, 2010 and 2009, equity securities with a book value of 15,753 million yen and 13,333 million yen were pledged as collateral for the deferred payments of certain taxes based on the Japanese Custom Act and Consumption Tax Law, respectively.

(6) Leases

The Company has capital and operating leases for certain land, buildings, and machinery and equipment with SMFC and other third parties.

During the years ended March 31, 2010, 2009 and 2008, the Company sold and leased back certain land, buildings, and machinery and equipment for 95,316 million yen, 16,582 million yen and 109,311 million yen, respectively. The base lease term is 1 to 10 years. The resulting leases are being accounted for as operating leases or capital leases. The resulting gains of these transactions, included in other income in the consolidated statements of operations, were not significant. Regarding certain leased assets, the Company has options to purchase the leased assets, or to terminate the leases and guarantee a specified value of the leased assets thereof, subject to certain conditions, during or at the end of the lease term. Regarding leased land and buildings, there are no future commitments, obligations, provisions, or circumstances that require or result in the Company s continuing involvement.

At March 31, 2010 and 2009, the gross book value of land, buildings, and machinery and equipment under capital leases, including the above-mentioned sale-leaseback transactions was 164,119 million yen and 136,445 million yen, and the related accumulated depreciation recorded was 59,698 million yen and 65,001 million yen, respectively.

Rental expenses for operating leases, including the above-mentioned sale-leaseback transactions were 64,124 million yen, 63,490 million yen and 59,886 million yen for the years ended March 31, 2010, 2009 and 2008, respectively.

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Future minimum lease payments under non-cancelable capital leases and operating leases at March 31, 2010 are as follows:

	Yen (millions)	
	Capital leases	Operating leases
Year ending March 31		
2011	42,548	71,686
2012	30,215	42,942
2013	27,116	26,267
2014	12,229	20,074
2015	9,939	4,770
Thereafter	32,999	4,226
Total minimum lease payments	155,046	169,965
Less amount representing interest	10,276	
Present value of net minimum lease payments	144,770	
Less current portion	40,171	
Long-term capital lease obligations	104,599	

(7) Long-Lived Assets

The Company periodically reviews the recorded value of its long-lived assets to determine if the future cash flows to be derived from these assets or related asset group will be sufficient to recover the remaining recorded asset values. Impairment losses are included in other deductions in the consolidated statements of operations, and are not charged to segment profit.

The Company recognized impairment losses in the aggregate of 79,259 million yen of long-lived assets during fiscal 2010.

The Company recorded impairment losses for certain machinery and finite-lived intangible assets related to domestic liquid crystal display panel manufacturing facilities. As a result of the continuously substantial decline of product prices, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value was based on the discounted estimated cash flows expected to result from the use and eventual disposition of the assets.

The Company also recorded impairment losses for certain land, buildings, and machinery and equipment related to domestic battery manufacturing facilities. Due to the revamp of manufacturing capacity of lithium-ion battery business, certain factories experienced a downturn in profitability. In addition, the Company had to transfer a part of its nickel-hydrogen battery business in relation to the acquisition of SANYO. As a result, the carrying amounts of certain domestic battery manufacturing facilities would not be recoverable through future cash flows. The fair value of land was determined through an appraisal based on the comparable sales method. The fair value of buildings, and machinery and equipment was determined through an appraisal based on the repurchase cost.

Impairment losses of 37,872 million yen, 7,063 million yen, 24,329 million yen, 8,897 million yen and 1,098 million yen were related to Digital AVC Networks, Home Appliances, Components and Devices, SANYO and the remaining segments, respectively.

The Company recognized impairment losses in the aggregate of 313,466 million yen of long-lived assets during fiscal 2009.

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The Company recorded impairment losses for certain buildings, machinery and finite-lived intangible assets related to domestic liquid crystal display panel manufacturing facilities. As a result of the substantial decline of product prices due to the significant market downturn, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value of buildings and remaining assets, respectively, was determined through an appraisal based on the comparable sales method and the discounted estimated cash flows expected to result from the use and eventual disposition of the assets.

The Company also recorded impairment losses for certain buildings, machinery and finite-lived intangible assets related to domestic and overseas plasma display panel manufacturing facilities. As a result of the substantial decline of product prices due to the significant market downturn, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value of buildings and remaining assets, respectively, was determined through an appraisal based on the comparable sales method and the orderly liquidation value.

Impairment losses of 252,372 million yen, 18,131 million yen, 19,077 million yen, 18,747 million yen and 5,139 million yen were related to Digital AVC Networks, Home Appliances, PEW and PanaHome, Components and Devices and the remaining segments, respectively.

The Company recognized impairment losses in the aggregate of 44,554 million yen of long-lived assets during fiscal 2008.

The Company recorded impairment losses related to manufacturing facilities used in its domestic semiconductors business. As the profitability of domestic business declined, the Company estimated that the carrying amounts would not be recovered by the future cash flows. The fair value of manufacturing facilities was based on the discounted estimated future cash flows expected to result from the use and eventual disposition of them.

The Company also recorded impairment losses related to certain buildings and manufacturing facilities used in its device business at an overseas subsidiary. Due to the downsizing of business, the Company wrote down the carrying amounts of these assets to the fair value. The fair value was based on the discounted estimated future cash flows.

Impairment losses of 1,167 million yen, 2,231 million yen, 39,490 million yen and 1,666 million yen were related to Digital AVC Networks, Home Appliances, Components and Devices and the remaining segments, respectively.

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(8) Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2010 and 2009 are as follows:

	Yen (millions)						
	Digital AVC Networks	Home Appliances	PEW and PanaHome	Components and Devices	SANYO	Other	Total
Balance at March 31, 2008:							
Goodwill	319,392	14,756	89,941	70,172		12,990	507,251
Accumulated impairment losses	(77,349)						(77,349)
	242,043	14,756	89,941	70,172		12,990	429,902
Goodwill acquired during the year	702		262			30	994
Translation adjustments			(10,583)				(10,583)
Other	(3,780)		(5,741)				(9,521)
Balance at March 31, 2009:							
Goodwill	316,314	14,756	73,879	70,172		13,020	488,141
Accumulated impairment losses	(77,349)						(77,349)
	238,965	14,756	73,879	70,172		13,020	410,792
Goodwill acquired during the year					514,419		514,419
Goodwill impaired during the year				(3,745)			