SANYO ELECTRIC CO LTD /FI
Form F-4
October 01, 2010
Table of Contents

As filed with the Securities and Exchange Commission on October 1, 2010

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PANASONIC KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

PANASONIC CORPORATION

(Translation of Registrant s name into English)

Japan	**3651**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1006, Oaza Kadoma,

Kadoma City, Osaka 571-8501

Japan

+81-6-6908-1121

(Address, including zip code, and telephone number, including area code, or registrant s principal executive offices)

Panasonic Finance (America), Inc.

1 Rockefeller Plaza, Suite 1001

New York, NY 10020-2002, U.S.A.

212-698-1360

(Name, address, including Zip code, and telephone number, including area code, of agent for service)

Copies to:

Izumi Akai, Esq.

Sullivan & Cromwell LLP

Otemachi First Square

5-1, Otemachi 1-chome

Chiyoda-ku, Tokyo 100-0004

Japan

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective and the consummation of the Share Exchange described herein.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ________

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ________

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Shares of Common Stock of Panasonic	$235,726,705 (1)(2)	$16,808 (1)(2)

(1) Calculated based on the minimum number of shares of common stock that the registrant currently expects to allocate to SANYO Electric Co., Ltd. shareholders resident in the United States in connection with the share exchange described in this registration statement. The shares to be allocated in connection with the share exchange outside the United States are not registered under this registration statement. Additional information on the shares to be registered, including the maximum number of shares of common stock that the registrant expects to allocate to SANYO Electric Co., Ltd. shareholders resident in the United States, will be included in subsequent amendments to this registration statement following the determination of the share exchange ratio.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(1) and Rule 457(c) of the Securities Act, based on the average of the high and low trading prices of SANYO Electric Co., Ltd. common stock on the Tokyo Stock Exchange on September 24, 2010 after conversion into U.S. dollars based on the Foreign Exchange Rate released by the Bank of Japan as in effect on such date.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete. Panasonic Corporation may complete or amend this preliminary prospectus without notice. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion Dated October 1, 2010

Prospectus

Panasonic Corporation

Exchange for Shares of Common Stock of SANYO Electric Co., Ltd.

Preliminary Note (as of October 1, 2010)

Panasonic Corporation and SANYO Electric Co., Ltd. currently plan to enter into a share exchange agreement with respect to the share exchange transaction contemplated herein, following further negotiation between the two parties. The disclosure in this prospectus is based on the assumption that (i) this share exchange agreement will have been entered into as of the time a registration statement on Form F-4 of which this prospectus is part is declared effective and (ii) the share exchange will require the approval of the shareholders of SANYO Electric Co., Ltd. (the actual need for such a shareholder approval will depend on the outcome of the currently ongoing tender offer, as described herein, by Panasonic Corporation for all shares of SANYO Electric Co., Ltd. that it does not already own).

The boards of directors of Panasonic Corporation (Panasonic) and SANYO Electric Co., Ltd. (SANYO) have agreed to a share exchange (the Share Exchange) between the two companies under the Company Law of Japan (the Company Law). Panasonic and SANYO have entered into a share exchange agreement (the Share Exchange Agreement) that sets forth the terms of the Share Exchange. 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. The terms of the Share Exchange (along with certain related matters) require approval by the shareholders of SANYO. The board of directors of SANYO has convened an extraordinary general meeting of shareholders to seek such approval.

Based on the number of shares of SANYO s common stock issued as of , 2010, Panasonic expects to dispose of own shares of its common stock in connection with the Share Exchange. Approximately % of those shares will be offered to shareholders of SANYO resident in the United States.

This document has been prepared for the shareholders of SANYO resident in the United States to provide detailed information in connection with the Share Exchange.

The date, time and place of the shareholders meeting of SANYO is expected to be on , 2011 (Japan Time) at .

To attend and vote at the shareholders meeting of SANYO, shareholders of SANYO must follow the procedures outlined in the convocation notice and the mail-in-ballot material which SANYO will send them.

The Share Exchange cannot be completed unless it is approved at the scheduled shareholders meeting of SANYO and certain other conditions are satisfied. The additional conditions and other terms of the Share Exchange are more fully described in this prospectus. For a discussion of these conditions, see The Share Exchange.

This document provides you with detailed information about the Share Exchange. It also provides you with important information about the shares of common stock of Panasonic to be transferred to SANYO shareholders in connection with the Share Exchange. You are encouraged to read this document in its entirety.

Panasonic shares are traded in yen on the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange. Also, American Depositary Shares (ADSs), each representing one Panasonic share, are listed on the New York Stock Exchange (the NYSE) under the symbol PC. On September 30, 2010, the last reported sale price of Panasonic shares on the Tokyo Stock Exchange was ¥1,131 per share, and the last reported sale price of the ADSs on the NYSE was $13.58 per ADS.

You may have dissenters rights in connection with the transactions under Japanese law. See page 32 for a complete discussion of your dissenters rights, if any.

You should consider carefully the risk factors beginning on page 10 of this prospectus.

SANYO is not asking for a proxy and you are not required to send a proxy.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2011.

Table of Contents

TABLE OF CONTENTS

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This prospectus is part of a registration statement on Form F-4, which includes additional important business and financial information about Panasonic and SANYO that is not included in or delivered with this prospectus. This information is available to you without charge upon written or oral request. If you would like to receive any of the additional information, please contact:

Masahito Yamamura Corporate Finance & IR Group Panasonic Corporation 1006, Oaza Kadoma Kadoma City, Osaka 571-8501 Japan Telephone: 81-6-6908-1121	Koji Honda Investor Relations Dept. SANYO Electric Co., Ltd. 5-5, Keihan-Hondori 2-Chome Moriguchi City, Osaka 570-8677 Japan Telephone: 81-6-6994-3480

IN ORDER TO OBTAIN TIMELY DELIVERY, YOU SHOULD REQUEST THE INFORMATION NO LATER THAN , 2011, WHICH IS FIVE BUSINESS DAYS BEFORE YOU MUST MAKE A DECISION REGARDING THE SHARE EXCHANGE.

For additional information about Panasonic and SANYO, see Where You Can Find More Information.

As used in this prospectus, references to Panasonic are to Panasonic Corporation, references to SANYO are to SANYO Electric Co., Ltd. and references to PEW are to Panasonic Electric Works Co., Ltd., in each case on a consolidated basis except where the context otherwise requires. Also, references to the Share Exchange are to the proposed share exchange between Panasonic and SANYO, and references to the Panasonic-PEW Share Exchange are to the proposed share exchange between Panasonic and PEW.

As used in this prospectus, except where the context otherwise requires, references to the shareholders meeting of SANYO or to the meeting of SANYO shareholders are to the extraordinary general meeting of shareholders of SANYO that is scheduled to take place on , 2011, at which SANYO s shareholders will vote on the terms of the Share Exchange and certain related matters. See Extraordinary General Meeting of SANYO Shareholders.

As used in this prospectus, dollar or $ means the lawful currency of the United States of America, and yen or ¥ means the lawful currency of Japan.

As used in this prospectus, U.S. GAAP means accounting principles generally accepted in the United States, and Japanese GAAP means accounting principles generally accepted in Japan.

In tables appearing in this prospectus, figures may not add up to totals due to rounding.

The year ended March 31, 2010 or fiscal 2010 refers to our fiscal year ended March 31, 2010 and other fiscal years are referred to in a corresponding manner.

Table of Contents

FORWARD-LOOKING STATEMENTS

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

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

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SHARE EXCHANGE

Q. Why is Panasonic proposing the Share Exchange?

A. 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 financial statements. On July 29, 2010, Panasonic announced that it would acquire all shares of SANYO that it did not already own through a tender offer and, if necessary, a second-step share exchange, and SANYO announced that its board of directors endorsed the tender offer. Panasonic commenced its tender offer on August 23, 2010, at a price of ¥138 per share. By turning SANYO into a wholly-owned subsidiary, Panasonic aims to speed up strategy execution and take further advantage of the total strengths of the Panasonic Group to effectively compete against global competitors.

Q. What will SANYO shareholders receive in the Share Exchange?

A. SANYO shareholders will receive shares of Panasonic s common stock for each share of SANYO s common stock which they hold.

Q. Does the board of directors of SANYO recommend the Share Exchange?

A. Yes. The board of directors of SANYO unanimously recommends that shareholders vote for the Share Exchange.

Q. How will fractions of a share be treated in the Share Exchange?

A. 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.

Q. How do the legal rights of Panasonic shares differ from those of SANYO shares?

A. 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.

Q. When is the Share Exchange expected to be completed?

A. The Share Exchange is expected to be completed on April 1, 2011.

Q. How will trading in SANYO shares be affected in connection with the completion of the Share Exchange?

A. SANYO expects that its shares will be delisted from the Tokyo Stock Exchange and the Osaka Securities Exchange about three trading days before April 1, 2011.

Q. Will SANYO shareholders receive dividends on common stock for the year ending March 31, 2011?

A. No. SANYO shareholders will not receive dividends on common stock for the year ending March 31, 2011.

Table of Contents

Q. Can the number of shares of Panasonic s common stock for which the shares of SANYO s common stock are exchanged change between now and the time the transaction is completed?

A. No. The exchange ratio is fixed, and it will not change even if the trading price of SANYO s common stock changes between now and the time the Share Exchange is completed. See Risk Factors beginning on page 10.

Q. What is the record date for voting at the shareholders meeting?

A. Holders of SANYO shares as of , will be eligible to vote at the shareholders meeting expected to be held on , 2011.

Q. How do I vote at the shareholders meeting?

A. You may exercise voting rights by mail-in-ballot or attending the meeting in person or through attorney-in-fact. SANYO will distribute materials to shareholders that will enable them to exercise their voting rights. Completed mail-in-ballots must be received at least one day before the shareholders meeting.

Q. May I change my vote?

A. Yes. If you want to change your vote expressed by mail-in-ballot, you must attend the meeting personally or through another shareholder you appoint as your attorney-in-fact, or send another mail-in-ballot dated a later date than the previous mail-in-ballot if SANYO redistributes mail-in-ballots. By attending the meeting in person you automatically revoke your mail-in-ballot.

Q. How will shares represented at the shareholders meeting by mail-in-ballots be treated?

A. The mail-in-ballots used for the shareholders meeting of SANYO will describe the proposals to be voted on by shareholders at the meeting, including approval of the Share Exchange. The mail-in-ballots will allow shareholders to indicate a for or against vote with respect to each proposal. In accordance with Japanese law and practice, SANYO intends to count toward the quorum requirements for its shareholders meeting the shares represented by mail-in-ballots that are returned without indicating a for or against vote for any of the proposals, and count these mail-in-ballots as having voted for the approval of the Share Exchange and other related proposals.

Q. Do I have dissenters rights?

A. Under the Company Law, you are entitled to dissenters rights of appraisal in connection with the Share Exchange if you comply with the procedures set forth in the Company Law. Any SANYO shareholder (i) who notifies SANYO prior to the shareholders meeting of his or her intention to oppose the Share Exchange, and who votes against the approval of the Share Exchange at the shareholders meeting, or (ii) who is not entitled to vote at such general meeting of shareholders, and complies with the other relevant procedures set forth in the Company Law, may demand that SANYO purchase his or her shares of SANYO s common stock at the fair value. The failure of a shareholder of SANYO who is entitled to vote at such general meeting of shareholders to provide such notice prior to the shareholders meeting or to vote against the approval of the Share Exchange at the shareholders meeting will in effect constitute a waiver of the shareholder s right to demand that SANYO purchase his or her shares of SANYO s common stock at the fair value.

4

Table of Contents

Q. What are the Japanese tax consequences of the Share Exchange?

A. 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 beginning on page 116.

Q. What are the U.S. federal income tax consequences of the Share Exchange to U.S. holders of SANYO shares?

A. 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.

Q. Is consummation of the Share Exchange conditioned upon successful execution of the Panasonic-PEW Share Exchange?

A. No. The Share Exchange is a transaction independent from the Panasonic-PEW Share Exchange and will be consummated, subject to necessary approvals and other conditions, whether or not the Panasonic-PEW Share Exchange actually occurs.

Q. Who can I call with questions?

A. If you have more questions about the Share Exchange, you should contact:
Masahito Yamamura

Corporate Finance & IR Group

Panasonic Corporation

1006, Oaza Kadoma

Kadoma City, Osaka 571-8501

Japan

Telephone: 81-6-6908-1121

Koji Honda

Investor Relations Dept.

SANYO Electric Co., Ltd.

5-5, Keihan-Hondori 2-Chome,

Moriguchi City, Osaka 570-8677

Japan

Telephone: 81-6-6994-3480

5

Table of Contents

SUMMARY

This summary highlights selected information from this document. It does not contain all the information that is important to you. You should read carefully the entire document to fully understand the Share Exchange.

Companies

Panasonic is one of the world s leading producers of electronics 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. A consolidated subsidiary of Panasonic since December 2009, SANYO manufactures and sells products in three fields: energy (solar cells and rechargeable batteries), ecology (commercial equipment, home appliances and car electronics) and electronics (electronic devices and digital system devices). SANYO has developed these businesses globally.

Panasonic s principal executive offices are located at 1006, Oaza Kadoma, Kadoma City, Osaka 571-8501, Japan, and its telephone number is 81-6-6908-1121. SANYO s principal executive offices are located at 5-5, Keihan-Hondori 2-Chome, Moriguchi City, Osaka 570-8677, Japan, and its telephone number is 81-6-6991-1181.

The Share Exchange

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

Notice of Meeting

To seek shareholders approval of the terms of the Share Exchange and certain other matters, the board of directors of SANYO has convened an extraordinary general meeting of shareholders. Under Japanese law, the notice of a general meeting of shareholders must be dispatched two weeks in advance to all shareholders of record having voting rights. SANYO will mail out its notices on such date as to be determined by the board of directors.

The affirmative vote of shareholders representing a two-thirds majority of the voting rights of the shareholders of SANYO represented at the shareholders meeting is required to approve the Share Exchange. Each shareholder is entitled to one vote per one unit of shares, which is comprised of 1,000 shares, subject to the limitation by the Unit share system. The required quorum for vote on the Share Exchange at the shareholders meeting is a one-third majority of the voting rights of the shareholders of SANYO who are entitled to exercise their voting rights.

The date, time and place of the meeting is expected to be on , 2011 (Japan Time) at .

Shareholders may attend the meeting in person or by proxy using a duly authorized power of attorney**,** or by mail-in-ballot.

Table of Contents

At the meeting, you will be allowed to vote upon the terms of the Share Exchange approved by the boards of directors of Panasonic and SANYO.

Reasons for the Share Exchange

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.

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,

Table of Contents

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 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.

No Solicitation of Proxies, Consents or Authorizations

SANYO s management is not soliciting proxies, consents or authorizations with respect to the Share Exchange prior to the extraordinary general meeting of shareholders.

Conditions to the Completion of 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 must be approved at the general meeting of shareholders of SANYO.

Dissenters Rights

Under Japanese law, you may have dissenters rights of appraisal in connection with the Share Exchange. See The Share Exchange Dissenters Rights for a complete discussion of dissenters rights.

Material Tax Consequences

Japanese Taxation

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.

Material U.S. Federal Income Tax Consequences

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.

Accounting Treatment of the Share Exchange

The Share Exchange will be accounted for by Panasonic as equity transactions in accordance with U.S. GAAP. See The Share Exchange Accounting Treatment.

Risk Factors

In determining whether to vote to approve the Share Exchange, you should consider carefully the risk factors beginning on page 10 of this prospectus.

Trading Markets for Shares of Panasonic s Common Stock

Panasonic s common stocks are currently traded 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.

Table of Contents

RISK FACTORS

Prior to making a decision on the Share Exchange, you should carefully consider, along with other matters set out in this prospectus, the following considerations:

Risks Relating to the Share Exchange

The exchange ratio for the Share Exchange is fixed and will not be adjusted to reflect changes in the market values of Panasonic s and SANYO s common stock; as a result, the value of Panasonic s common stock you receive in the transaction may be less than when you vote on the Share Exchange

Upon the completion of the Share Exchange, each share of SANYO s common stock will be exchanged for shares of Panasonic s common stock. The ratio at which SANYO s common stock will be exchanged for Panasonic s common stock is fixed, and will not be adjusted for changes in the market prices of either company s common stock. Therefore, even if the relative market values of Panasonic s and SANYO s common stock change, there will be no change in the number of shares of Panasonic s common stock which shareholders of SANYO will receive in the Share Exchange.

Any change in the prices of either company s common stock occurring prior to the effective date of the Share Exchange will affect the value that holders of SANYO s common stock receive in the Share Exchange. The value of the Panasonic s common stock to be received in the Share Exchange (which will occur approximately one month after the extraordinary general meeting of shareholders) may be higher or lower than the indicative value as of the date of this prospectus and/or as of the date of the extraordinary general meeting of SANYO shareholders, depending on the prevailing market prices of Panasonic s and SANYO s common stock.

The share prices of Panasonic s and SANYO s common stock are subject to the general price fluctuations in the market for publicly traded equity securities and have experienced significant volatility in the past. Stock price changes may result from a variety of factors that are beyond the control of Panasonic and SANYO, including actual changes in, or investor perception of, Panasonic s and SANYO s businesses, operations and prospects. Regulatory developments, as well as current or potential legal proceedings, and changes in general market and economic conditions may also affect the stock price of Panasonic or SANYO.

You should obtain and review recent market quotations for Panasonic s and SANYO s common stock before voting on the Share Exchange. There can be no assurances as to the future market prices of Panasonic s and SANYO s common stock before the completion of the Share Exchange, nor of the market price of Panasonic s common stock at any time after the completion of the Share Exchange.

Significant costs and expenses have been and are being incurred in the course of the Share Exchange and the Panasonic- PEW Share Exchange and subsequent consolidation of the business operations of the three companies

Significant costs and expenses have been and are being incurred related to the transactions contemplated herein. These costs and expenses include financial advisory, legal and accounting fees and expenses, arrangement fees to financial institutions, reorganization and restructuring costs, severance/employee benefit-related expenses, filing fees, printing expenses and other related charges. There may be significant costs in compensating dissenting shareholders who exercise their appraisal rights. There may also be additional unanticipated significant costs in connection with the any subsequent reorganization which we may not recoup.

Turning PEW and SANYO into wholly-owned subsidiaries may not produce the benefits anticipated by Panasonic

Through turning PEW and SANYO into wholly-owned subsidiaries through the tender offers and share exchanges described herein, Panasonic aims to promote more rapid decision-making and maximize group synergies, including through a restructuring of Panasonic s business organization to be completed by around January 2012. However, in order to achieve such benefits, the operations of the three companies will need to be reorganized and their resources will need to be combined in a timely and flexible manner. There can be no assurance that Panasonic will be able to implement these steps as anticipated. For example, factors that could cause a delay in the implementation of these plans include negotiations with labor unions and the ability to integrate the Panasonic brand name. If Panasonic fails to achieve the planned restructuring effectively within the time frame that is currently contemplated or to the extent that is currently planned, or if for any other reason the expected group synergies fails to materialize, these transactions may not produce the benefits anticipated by Panasonic.

Risks Relating to the Business of Panasonic

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

Demand for Panasonic s products and services may be affected by general economic trends in the countries or regions in which Panasonic s products and services are sold. Economic downturns and resulting declines in demand in Panasonic s major markets worldwide may thus adversely affect Panasonic s business, operating results and financial condition. Triggered by the financial crisis in fiscal 2009**,** Panasonic s business environment rapidly deteriorated due to declines in global consumption and business activities and due to intensified price competition. Regarding the business environment for fiscal 2011, ending March 31, 2011, Panasonic currently anticipates market conditions to remain unpredictable due to various factors including the yen s appreciation and ever-intensified global competition, despite a gradually recovering global economy. Panasonic may incur increased costs for additional business restructuring in order to cope with the business environment. If global market conditions worsen beyond expectations, the business environment of Panasonic may deteriorate more than currently anticipated, which may adversely affect Panasonic s business, operating results and financial condition.

Currency exchange rate fluctuations may adversely affect Panasonic s operating results

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

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

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

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

Panasonic raises funds for its business through methods such as borrowing from financial institutions and issuance of bonds and commercial papers. Where, among other events, financial market turmoil continues or deteriorates, financial institutions reduce lending to Panasonic, or rating agencies downgrade Panasonic s credit ratings, Panasonic may not be able to raise funds in the time and amount necessary for Panasonic, or under

Table of Contents

conditions which Panasonic deems appropriate, and Panasonic may incur additional costs of raising funds, which may adversely affect Panasonic s business, operating results and financial condition.

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

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

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

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

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

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

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

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

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

Panasonic may fail to introduce new products or services in response to technological changes in a timely manner. Some of Panasonic s core businesses, such as consumer digital electronics and key components and devices, are concentrated in industries where technological innovation is the central competitive factor.

Table of Contents

Panasonic continuously faces the challenge of developing and introducing viable and innovative new products. Panasonic must predict with reasonable accuracy both future demand and new technologies that will be available to meet such demand. If Panasonic fails to do so, it will not be able to compete effectively in new markets.

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

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

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

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

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

Panasonic develops its businesses by forming alliances or joint ventures with, and making strategic investments in, other companies, including investments in start-up companies. Furthermore, the strategic importance of partnering with third parties is increasing. In some cases, such partnerships are crucial to Panasonic s goal of introducing new products and services, but Panasonic may not be able to successfully collaborate or achieve expected synergies with its partners. Furthermore, Panasonic does not control these partners, who may make decisions regarding their business undertakings with Panasonic that may be contrary to Panasonic s interests. In addition, if these partners change their business strategies, Panasonic may fail to maintain these partnerships.

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

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

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

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

Table of Contents

Panasonic may not be able to achieve all the targets of its midterm management plan

Panasonic is implementing a midterm management plan called Green Transformation 2012 (GT12), announced on May 7, 2010, which runs from fiscal 2011 to fiscal 2013. Under this plan, Panasonic aims to achieve an operating profit* to sales ratio of 5% or more, sales of 10 trillion yen, ROE of 10% and CO_2 emission reductions of 50 million tons (compared to the estimated amount of emission in fiscal 2013 assuming that no remedial measures were taken since fiscal 2006). However, Panasonic may not be successful in achieving all the targets or in realizing the expected benefits because of various external and internal factors including deterioration of the business environment and increased costs of business restructuring such as additional business reorganization, the impairment of fixed assets and employment adjustment in order to cope with the business environment.

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

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

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

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

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

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

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

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

Panasonic is subject to environmental regulations such as those relating to climate change, air pollution, water pollution, elimination of hazardous substances, waste management, product recycling, and soil and

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Table of Contents

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.

Table of Contents

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.

Table of Contents

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	¥
,			
,			

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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,

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.,

Table of Contents

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.

Table of Contents

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.

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).

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

44

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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,

Table of Contents

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.

Table of Contents

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.

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

58

Table of Contents

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.

Table of Contents

(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.

Table of Contents

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.

Table of Contents

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.

62

Table of Contents

(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,		**Percent**
	2009	**2008**	**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)%

Table of Contents

* 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

(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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

	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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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	1.5%	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

	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	1.5%	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

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

Table of Contents

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.

Table of Contents

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.

81

Table of Contents

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.

Table of Contents

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)		Percent change (%)
	2010	2009	
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)

Table of Contents

	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.

Table of Contents

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.

Table of Contents

(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)%

86

Table of Contents

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.

Table of Contents

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.

Table of Contents

(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

90

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

97

Table of Contents

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%				

98

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

104

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

(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.

Table of Contents

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,

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 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.

Table of Contents

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,

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

F-2

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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)

Table of Contents

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.

Table of Contents

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)

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

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.

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

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

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

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

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

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

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

	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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

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.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

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.

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(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)			(3,745)
Translation adjustments			2,070				2,070
Other				(535)			(535)
Balance at March 31, 2010:							
Goodwill	316,314	14,756	75,949	69,637	514,419	13,020	1,004,095
Accumulated impairment losses	(77,349)			(3,745)			(81,094)
	238,965	14,756	75,949	65,892	514,419	13,020	923,001

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Acquired intangible assets, excluding goodwill, at March 31, 2010 and 2009 are as follows:

	Yen (millions)				
	2010		2009		
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization	Average amortization period
Finite-lived intangible assets:					
Patents and know-how	439,608	54,684	60,317	41,063	10 years
Software	283,075	210,726	257,859	188,439	4 years
Other	172,497	30,337	56,040	28,059	13 years
	895,180	295,747	374,216	257,561	

	Yen (millions)	
	2010	2009
Indefinite-lived intangible assets	5,432	4,057

Aggregate amortization expense for finite-lived intangible assets for the years ended March 31, 2010, 2009 and 2008 was 46,175 million yen, 38,903 million yen and 38,343 million yen, respectively. Estimated amortization expense for the next five years is as follows:

	Yen (millions)
Year ending March 31	
2011	83,551
2012	75,017
2013	66,696
2014	60,558
2015	53,794

The Company recognized impairment losses of 73 million yen of indefinite-lived intangible assets, in connection with the decline of their fair value during fiscal 2008. The impairment losses are included in other deductions in the consolidated statements of operations.

Impairment losses of finite-lived intangible assets that are being amortized are included in impairment losses of long-lived assets discussed in Note 7.

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(9) Long-term Debt and Short-term Borrowings

Long-term debt at March 31, 2010 and 2009 is set forth below:

	Yen (millions)	
	2010	**2009**
Unsecured Straight bond, due 2011, interest 1.64%	100,000	100,000
Unsecured Straight bond, due 2012, interest 1.14%	100,000	100,000
Unsecured Straight bond, due 2014, interest 1.404%	200,000	200,000
Unsecured Straight bond, due 2019, interest 2.05%	100,000	100,000
Unsecured Straight bonds issued by subsidiaries, due 2010 2019, interest 0.53% 2.02%	182,406	60,143
Unsecured bank loans, due 2009 2015, effective interest 1.1% in fiscal 2010 and 1.6% in fiscal 2009	404,318	22,043
Secured bank loans by subsidiaries, due 2009 2026, effective interest 2.04% in fiscal 2010 and 2.51% in fiscal 2009	4,558	3,136
Capital lease obligations	144,770	112,331
	1,236,052	697,653
Less current portion	207,124	46,343
	1,028,928	651,310

The aggregate annual maturities of long-term debt after March 31, 2010 are as follows:

	Yen (millions)
Year ending March 31	
2011	207,124
2012	368,594
2013	74,721
2014	283,617
2015	98,872
2016 and thereafter	203,124

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank.

Each of the loan agreements grants the lender the right to request additional security or mortgages on certain assets. At March 31, 2010 and 2009, other investments and advances, and property, plant and equipment with a book value of 9,933 million yen and 4,967 million yen respectively, was pledged as collateral by subsidiaries for secured loans from banks. At March 31, 2010 and 2009, loans subject to such general agreements amounted to 6,761 million yen and 7,130 million yen, respectively.

The balance of short-term loans also includes borrowings under acceptances and short-term loans of foreign subsidiaries. The weighted-average interest rate on short-term borrowings outstanding at March 31, 2010 and 2009 was 2.5% and 3.5%, respectively.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(10) Retirement and Severance Benefits

The Company and certain subsidiaries have contributory, funded benefit pension plans covering substantially all employees who meet eligibility requirements. Benefits under the plans are primarily based on the combination of years of service and compensation.

In addition to the plans described above, upon retirement or termination of employment for reasons other than dismissal, employees are entitled to lump-sum payments based on the current rate of pay and length of service. If the termination is involuntary or caused by death, the severance payment is greater than in the case of voluntary termination. The lump-sum payment plans are not funded.

Effective April 1, 2002, the Company and some of the above-mentioned subsidiaries amended their benefit pension plans by introducing a point-based benefits system, and their lump-sum payment plans to cash balance pension plans. Under point-based benefits system, benefits are calculated based on accumulated points allocated to employees each year according to their job classification and years of service. Under the cash balance pension plans, each participant has an account which is credited yearly based on the current rate of pay and market-related interest rate.

During the year ended March 31, 2009, the Company changed the measurement date to March 31 for those postretirement benefit plans with a December 31 measurement date in conformity with the measurement date provisions of ASC 715 Compensation-Retirement Benefits. The benefit obligations and plan assets of these plans were remeasured as of April 1, 2008. Net periodic benefit cost, net of tax, for the period from January 1, 2008 to March 31, 2008, in the amount of 3,727 million yen has been recorded as a reduction of beginning fiscal 2009 balance of retained earnings. Changes in fair value of plan assets and benefit obligations during the same transition period has been recorded, as a reduction of beginning fiscal 2009 balance of accumulated other comprehensive income (loss), in the amount of 73,571 million yen, net of tax of 44,726 million yen.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Reconciliation of beginning and ending balances of the benefit obligations of the contributory, funded benefit pension plans, the unfunded lump-sum payment plans, and the cash balance pension plans, and the fair value of the plan assets at March 31, 2010 and 2009 are as follows:

	Yen (millions)	
	2010	2009
Change in benefit obligations:		
Benefit obligations at beginning of year prior to adjustment	1,821,937	1,828,803
ASC 715 measurement date adjustment		4,378
Benefit obligations at beginning of year as adjusted	1,821,937	1,833,181
Service cost	50,285	49,660
Interest cost	51,239	50,114
Prior service benefit		(666)
Actuarial (gain) loss	12,040	(6,150)
Benefits paid	(102,014)	(85,073)
Effect of changes in consolidated subsidiaries	388,648	(5,560)
Foreign currency exchange impact	(1,304)	(13,569)
Curtailments, settlements and other	(6,724)	
Benefit obligations at end of year	2,214,107	1,821,937
Change in plan assets:		
Fair value of plan assets at beginning of year prior to adjustment	1,413,646	1,737,634
ASC 715 measurement date adjustment		(118,514)
Fair value of plan assets at beginning of year as adjusted	1,413,646	1,619,120
Actual return on plan assets	197,127	(268,049)
Employer contributions	87,963	153,161
Benefits paid	(93,462)	(77,682)
Effect of changes in consolidated subsidiaries	176,036	
Foreign currency exchange impact	(1,044)	(12,904)
Curtailments, settlements and other	(5,259)	
Fair value of plan assets at end of year	1,775,007	1,413,646
Funded status	(439,100)	(408,291)

The accumulated benefit obligation for the pension plans was 2,155,066 million yen and 1,814,118 million yen at March 31, 2010 and 2009, respectively.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets at March 31, 2010 and 2009 are as follows:

	Yen (millions)	
	2010	**2009**
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	2,094,302	1,821,937
Fair value of plan assets	1,649,951	1,413,646
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,035,647	1,814,118
Fair value of plan assets	1,649,951	1,413,646

Accounts recognized in the consolidated balance sheet at March 31, 2010 and 2009 consist of:

	Yen (millions)	
	2010	**2009**
Other assets	5,251	
Other current liabilities	(8,552)	(3,924)
Retirement and severance benefits	(435,799)	(404,367)
	(439,100)	(408,291)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2010 and 2009 consist of:

	Yen (millions)	
	2010	**2009**
Prior service benefit	(197,508)	(222,519)
Actuarial loss	455,780	641,371
	258,272	418,852

Net periodic benefit cost for the contributory, funded benefit pension plans, the unfunded lump-sum payment plans, and the cash balance pension plans of the Company for the three years ended March 31, 2010 consist of the following components:

	Yen (millions)		
	2010	**2009**	**2008**
Service cost benefits earned during the year	50,285	49,660	52,830

Interest cost on projected benefit obligation	51,239	50,114	50,667
Expected return on plan assets	(43,971)	(48,659)	(52,861)
Amortization of prior service benefit	(25,011)	(24,606)	(27,046)
Recognized actuarial loss	43,576	22,391	15,448
Net periodic benefit cost	76,118	48,900	39,038

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for fiscal 2011 are gain of 25,011 million yen and loss of 29,444 million yen, respectively.

Weighted-average assumptions used to determine benefit obligations at March 31, 2010 and 2009 are as follows:

	2010	2009
Discount rate	2.6%	2.7%
Rate of compensation increase	1.8%	1.7%

Weighted-average assumptions used to determine net cost for the three years ended March 31, 2010 are as follows:

	2010	2009	2008
Discount rate	2.7%	2.7%	2.7%
Expected return on plan assets	3.1%	3.1%	3.1%
Rate of compensation increase	1.7%	1.7%	1.6%

The expected return on plan assets is determined based on the portfolio as a whole and not on the sum of the returns on individual asset categories, considering long-term historical returns, asset allocation, and future estimates of long-term investment returns.

Each plan of the Company has a different investment policy, which is designed to ensure sufficient plan assets are available to provide future payments of pension benefits to the eligible plan participants and is individually monitored for compliance and appropriateness on an on-going basis. Considering the expected long-term rate of return on plan assets, each plan of the Company establishes a basic portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the basic portfolio in order to generate a total return that will satisfy the expected return on a mid-term to long-term basis. The Company evaluates the difference between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the basic portfolio. The Company revises the basic portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

The Company s pension plan assets allocation is approximately 40% for equity securities, approximately 40% for debt securities, and approximately 20% for other investments, primarily for life insurance company general accounts.

For the Company s major defined benefit pension plans, equity investments are invested mainly in listed equity securities, broadly in Japanese equity, developed international equity and emerging markets. The debt securities investments are comprised primarily of government, municipal, and corporate bonds. The Company mainly chooses debt securities with rating above BBB, high liquidity and appropriate repayment, and has appropriately diversified the investments by sector and geography. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. Other investments include fund-of-funds investment, equity long/short hedge funds investment and private equity investment. Fund-of-funds investment and equity long/short hedge funds investment are primarily invested in listed equity securities with frequency of transactions and stable return, while private equity investment are diversified products with low correlation.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The fair values of the Company s pension plan assets at March 31, 2010, by asset category are as follows:

	Yen (millions)			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	44,336	20,281		64,617
Equity securities:				
Japanese companies	116,053			116,053
Foreign companies	84,218			84,218
Commingled funds [(a)]		485,091		485,091
Debt securities:				
Government and Municipal bonds	204,898			204,898
Corporate bonds		41,113		41,113
Commingled funds [(b)]		451,246		451,246
Life insurance company general accounts		198,049		198,049
Other [(c)]		114,610	15,112	129,722
Total	449,505	1,310,390	15,112	1,775,007

(a) These funds invest mainly in listed equity securities, approximately 60% Japanese companies and 40% foreign companies.
(b) Primarily invests in Japanese government bonds and foreign government bonds.
(c) Other investments primarily include fund-of-funds investment, equity long/short hedge funds.

The three levels of the fair value hierarchy are discussed in Note 18.

Level 1 assets are comprised principally of equity securities and government and municipal bonds, which are valued using unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 assets are comprised principally of commingled funds, which are valued at their net asset values that are determined by the fund family and have daily liquidity, corporate bonds, which are valued using quoted prices for identical assets in market that are not active, and life insurance company general accounts, which are valued at conversion value. Fund of funds investment, hedge funds investment that use equity long/short strategies included in level 2, which primarily invest in listed equity securities and debt securities, are valued based on net asset value.

Level 3 assets are comprised principally of collateralized loan obligation investment and private equity investment, which are valued based on prices and other relevant information such as similar market transactions and latest round of financing data.

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The reconciliation of the beginning and ending balances of level 3 assets is as follows:

	Yen (millions)		
	Collateralized loan obligation	Private equity	Total
Balance at beginning of year	630	5,635	6,265
Effect of changes in consolidated subsidiaries	5,822		5,822
Realized gains (losses)	804	27	831
Unrealized gains (losses) relating to assets held	2,393	23	2,416
Purchases, sales, issuances and settlements, net	(656)	712	56
Transfers out of Level 3	(278)		(278)
Balance at ending of year	8,715	6,397	15,112

The Company expects to contribute 91,195 million yen to its defined benefit plans in fiscal 2011.

The benefits expected to be paid from the defined pension plans in each fiscal year 2011 2015 are 120,297 million yen, 124,578 million yen, 125,097 million yen, 124,246 million yen and 127,403 million yen, respectively. The aggregate benefits expected to be paid in the five years from fiscal 2016 2020 are 660,662 million yen. The expected benefits are based on the same assumptions used to measure the Company s benefit obligation at March 31 and include estimated future employee service.

(11) Income Taxes

Income (loss) before income taxes and income taxes for the three years ended March 31, 2010 are summarized as follows:

	Yen (millions)		
	Domestic	Foreign	Total
For the year ended March 31, 2010			
Income (loss) before income taxes	(80,125)	50,810	(29,315)
Income taxes:			
Current	22,105	36,042	58,147
Deferred	80,954	2,732	83,686
Total income taxes	103,059	38,774	141,833
For the year ended March 31, 2009			
Income (loss) before income taxes	(345,776)	(36,858)	(382,634)
Income taxes:			

Current	38,297	23,543	61,840
Deferred	(10,232)	(14,250)	(24,482)
Total income taxes	28,065	9,293	37,358
For the year ended March 31, 2008			
Income before income taxes	266,972	168,021	434,993
Income taxes:			
Current	85,009	43,172	128,181
Deferred	(16,068)	2,460	(13,608)
Total income taxes	68,941	45,632	114,573

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The Company and its subsidiaries in Japan are subject to a National tax of 30%, an Inhabitant tax of approximately 20.5%, and a deductible Enterprise tax of approximately 7.4% varying by local jurisdiction, which, in aggregate, resulted in a combined statutory tax rate in Japan of approximately 40.5% for the three years ended March 31, 2010.

The effective tax rates for the years differ from the combined statutory tax rates for the following reasons:

	2010	2009	2008
Combined statutory tax rate	(40.5)%	(40.5)%	40.5%
Lower tax rates of overseas subsidiaries	(38.4)	(1.1)	(6.9)
Expenses not deductible for tax purposes	25.7	0.8	0.7
Change in valuation allowance allocated to income tax expenses	473.8	41.8	(5.4)
Tax effects attributable to investments in subsidiaries	45.7	5.8	(4.8)
Per capita tax	8.3	0.6	0.6
Goodwill impairment	5.2		
Other	4.0	2.4	1.6
Effective tax rate	483.8%	9.8%	26.3%

The significant components of deferred income tax expenses for the three years ended March 31, 2010 are as follows:

	Yen (millions)		
	2010	2009	2008
Deferred tax expense (exclusive of the effects of other components listed below)	111,579	94,250	16,898
Benefits of net operating loss carryforwards	(27,893)	(118,732)	(30,506)
	83,686	(24,482)	(13,608)

F-34

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2010 and 2009 are presented below:

	Yen (millions)	
	2010	**2009**
Deferred tax assets:		
Inventory valuation	94,596	78,930
Expenses accrued for financial statement purposes but not currently included in taxable income	154,679	138,580
Property, plant and equipment	295,091	246,276
Retirement and severance benefits	253,636	233,924
Tax loss carryforwards	616,648	333,383
Other	237,797	232,994
Total gross deferred tax assets	1,652,447	1,264,087
Less valuation allowance	1,014,703	477,997
Net deferred tax assets	637,744	786,090
Deferred tax liabilities:		
Net unrealized holding gains of available-for-sale securities	(42,458)	(5,882)
Intangible assets	(194,691)	
Other	(89,242)	(41,814)
Total gross deferred tax liabilities	(326,391)	(47,696)
Net deferred tax assets	311,353	738,394

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and loss carryforwards become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. 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 the Company will realize the benefits of these deductible differences and loss carryforwards, net of the existing valuation allowances at March 31, 2010.

The net change in total valuation allowance for the years ended March 31, 2010, 2009 and 2008 was an increase of 536,706 million yen, an increase of 129,427 million yen and a decrease of 90,267 million yen, respectively.

At March 31, 2010, the Company had, for income tax purposes, net operating loss carryforwards of approximately 1,667,709 million yen, of which 1,527,953 million yen expire from fiscal 2011 through 2017 and the remaining balance will expire thereafter or do not expire. At March 31, 2010, the Company had, for income tax purposes, tax credit carryforwards of approximately 58,482 million yen, which expire from fiscal 2011 through 2013.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Net deferred tax assets and liabilities at March 31, 2010 and 2009 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (millions)	
	2010	**2009**
Other current assets	232,165	227,059
Other assets	358,416	547,580
Other current liabilities	(1,470)	(1,168)
Other liabilities	(277,758)	(35,077)
Net deferred tax assets	311,353	738,394

The Company has not recognized a deferred tax liability for the undistributed earnings of its foreign subsidiaries and foreign corporate joint ventures of 875,626 million yen as of March 31, 2010, because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company no longer plans to indefinitely reinvest undistributed earnings. The calculation of related unrecognized deferred tax liability is not practicable.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the three years ended March 31, 2010 is as follows:

	Yen (millions)		
	2010	**2009**	**2008**
Balance at beginning of year	(7,187)	(9,327)	(4,281)
Increase related to prior year tax positions	(685)	(1,835)	(4,657)
Decrease related to prior year tax positions	1,780	3,561	82
Increase related to current year tax positions	(1,195)	(484)	(2,023)
Change in consolidated subsidiaries	(3,339)		
Settlements	747	60	1,552
Translation adjustments	36	838	
Balance at end of year	(9,843)	(7,187)	(9,327)

As of March 31, 2010, 2009 and 2008, the total amount of unrecognized tax benefits are 9,843 million yen, 7,187 million yen and 8,287 million yen, respectively, that if recognized, would reduce the effective tax rate. The Company does not expect that the total amount of unrecognized tax benefits will significantly change within the next twelve months. The Company has accrued interests and penalties related to unrecognized tax benefits and the amount of interest and penalties included in provision for income taxes and cumulative amount accrued were not material as of and for the years ended March 31, 2010, 2009 and 2008.

The Company files income tax returns in Japan and various foreign tax jurisdictions. There are a number of subsidiaries which operate within each of the Company s major jurisdictions resulting in a range of open tax years. The open tax years for the Company is fiscal 2010, and its significant subsidiaries in Japan, the United States of America, the United Kingdom and China range from fiscal 2004 and thereafter.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(12) Stockholders Equity

The Company may repurchase its common stock from the market pursuant to the Company Law of Japan. For the years ended March 31, 2010, 2009 and 2008, respectively, 53,863, 30,875,208 and 45,294,912 shares were repurchased for the aggregate cost of approximately 72 million yen, 72,416 million yen and 103,112 million yen, respectively, primarily with the intention to hold as treasury stock to improve capital efficiency.

The Company sold 17,731, 399,673 and 127,610 shares of its treasury stock for the years ended March 31, 2010, 2009 and 2008, respectively. The difference between sales price and book value was charged to capital surplus in the consolidated balance sheets.

The Company Law of Japan provides that an amount equal to 10% of appropriations be appropriated as a capital reserve or legal reserve until the aggregated amount of capital reserve and legal reserve equals 25% of stated capital. The capital reserve and legal reserve are not available for dividends but may be transferred to capital surplus or retained earnings or stated capital upon approval of the shareholders meeting.

Cash dividends and transfers to the legal reserve charged to retained earnings during the three years ended March 31, 2010 represent dividends paid out during the periods and related appropriation to the legal reserve. Cash dividends per share paid during the three years ended March 31, 2010 amounted to 12.50 yen, 40.00 yen and 32.50 yen, respectively. The accompanying consolidated financial statements do not include any provisions for the year-end dividend of 5.0 yen per share, totaling approximately 10,353 million yen in respect of the year ended March 31, 2010 approved by the board of directors in May 2010.

In accordance with the Company Law of Japan, there are certain restrictions on payment of dividends in connection with the treasury stock repurchased. As a result of restrictions on the treasury stock repurchased, retained earnings of 671,223 million yen at March 31, 2010 were restricted as to the payment of cash dividends.

The Company s directors and certain senior executives were granted options to purchase the Company s common stock. All stock options become fully exercisable two years from the date of grant and have a four-year term. Information with respect to stock options is as follows:

	Number of shares	Weighted-average exercise price (Yen)
Balance at March 31, 2007	47,000	2,008
Exercised	(8,000)	1,895
Forfeited	(27,000)	2,163
Balance at March 31, 2008	12,000	1,734
Forfeited	(12,000)	1,734
Balance at March 31, 2009		
Balance at March 31, 2010		

Treasury stock reserved for options at March 31, 2007 was 30,000 shares. There was no treasury stock reserved for options from March 31, 2008 through 2010.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(13) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the three years ended March 31, 2010 are as follows:

	Yen (millions)		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2010			
Translation adjustments:			
Translation adjustments arising during the period	(21,186)		(21,186)
Less: Reclassification adjustment for (gains) losses included in net income (loss)	10,129		10,129
Net translation adjustments	(11,057)		(11,057)
Unrealized holding gains (losses) of available-for-sale securities:			
Unrealized holding gains (losses) arising during the period	88,042	(36,356)	51,686
Less: Reclassification adjustment for (gains) losses included in net income (loss)	(703)	280	(423)
Net unrealized gains (losses)	87,339	(36,076)	51,263
Unrealized holding gains (losses) of derivative instruments:			
Unrealized holding gains (losses) arising during the period	4,607	(1,543)	3,064
Less: Reclassification adjustment for (gains) losses included in net income (loss)	4,657	(1,560)	3,097
Net unrealized gains (losses)	9,264	(3,103)	6,161
Pension liability adjustments:			
Prior service benefit arising during the period			
Less: Amortization of prior service benefit included in net periodic benefit cost	(23,947)	8,962	(14,985)
Net prior service benefit	(23,947)	8,962	(14,985)
Actuarial gain (loss) arising during the period	139,867	(49,300)	90,567
Less: Amortization of actuarial gain (loss) included in net periodic benefit cost	39,159	(14,963)	24,196
Net actuarial gain (loss)	179,026	(64,263)	114,763
Net pension liability adjustments	155,079	(55,301)	99,778
Other comprehensive income (loss)	240,625	(94,480)	146,145

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

	Yen (millions)		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2009			
Translation adjustments:			
Translation adjustments arising during the period	(116,738)		(116,738)
Less: Reclassification adjustment for (gains) losses included in net income (loss)	3,938		3,938
Net translation adjustments	(112,800)		(112,800)
Unrealized holding gains (losses) of available-for-sale securities:			
Unrealized holding gains (losses) arising during the period	(167,397)	67,907	(99,490)
Less: Reclassification adjustment for (gains) losses included in net income (loss)	73,075	(29,590)	43,485
Net unrealized gains (losses)	(94,322)	38,317	(56,005)
Unrealized holding gains (losses) of derivative instruments:			
Unrealized holding gains (losses) arising during the period	(4,043)	1,565	(2,478)
Less: Reclassification adjustment for (gains) losses included in net income (loss)	(10,855)	4,118	(6,737)
Net unrealized gains (losses)	(14,898)	5,683	(9,215)
Pension liability adjustments:			
Prior service benefit arising during the period	345	(140)	205
Less: Amortization of prior service benefit included in net periodic benefit cost	(22,727)	7,742	(14,985)
Net prior service benefit	(22,382)	7,602	(14,780)
Actuarial gain (loss) arising during the period	(273,853)	100,104	(173,749)
Less: Amortization of actuarial gain (loss) included in net periodic benefit cost	26,422	(6,782)	19,640
Net actuarial gain (loss)	(247,431)	93,322	(154,109)
Net pension liability adjustments	(269,813)	100,924	(168,889)
Other comprehensive income (loss)	(491,833)	144,924	(346,909)

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

	Yen (millions)		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2008			
Translation adjustments:			
Translation adjustments arising during the period	(128,047)		(128,047)
Less: Reclassification adjustment for (gains) losses included in net income	(1,207)		(1,207)
Net translation adjustments	(129,254)		(129,254)
Unrealized holding gains of available-for-sale securities:			
Unrealized holding gains (losses) arising during the period	(199,198)	83,370	(115,828)
Less: Reclassification adjustment for (gains) losses included in net income	735	(296)	439
Net unrealized gains (losses)	(198,463)	83,074	(115,389)
Unrealized holding gains (losses) of derivative instruments:			
Unrealized holding gains (losses) arising during the period	5,014	(1,914)	3,100
Less: Reclassification adjustment for (gains) losses included in net income	612	(248)	364
Net unrealized gains (losses)	5,626	(2,162)	3,464
Pension liability adjustments:			
Prior service benefit arising during the period	1,954	(6)	1,948
Less: Amortization of prior service benefit included in net periodic benefit cost	(24,197)	7,806	(16,391)
Net prior service benefit	(22,243)	7,800	(14,443)
Actuarial gain (loss) arising during the period	(62,744)	27,095	(35,649)
Less: Amortization of actuarial gain (loss) included in net periodic benefit cost	13,660	(3,383)	10,277
Net actuarial gain (loss)	(49,084)	23,712	(25,372)
Net pension liability adjustments	(71,327)	31,512	(39,815)
Other comprehensive income (loss)	(393,418)	112,424	(280,994)

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(14) Net Income (Loss) per Share Attributable to Panasonic Corporation Common Shareholders

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share attributable to Panasonic Corporation common shareholders computation for the three years ended March 31, 2010 is as follows:

	Yen (millions)		
	2010	2009	2008
Net income (loss) attributable to Panasonic Corporation common shareholders	(103,465)	(378,961)	281,877

	Number of shares		
	2010	2009	2008
Average common shares outstanding	2,070,623,618	2,079,296,525	2,120,986,052
Dilutive effect:			
Stock options			3,818
Diluted common shares outstanding		2,079,296,525	2,120,989,870

	Yen		
	2010	2009	2008
Net income (loss) per share attributable to Panasonic Corporation common shareholders:			
Basic	(49.97)	(182.25)	132.90
Diluted		(182.25)	132.90

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.

The effect of stock options was not included in the calculation of diluted net loss per share for the year ended March 31,2009 as the effect would be antidilutive due to the net loss incurred for the year.

(15) Restructuring Charges

In connection with the reorganization of the Company s operations, the Company has incurred certain restructuring charges. Components and related amounts of the restructuring charges, before the related tax effects, for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Yen (millions)		
	2010	2009	2008
Expenses associated with the implementation of early retirement programs:			
Domestic	33,070	26,452	27,050
Overseas	5,884	11,899	5,594

Total	38,954	38,351	32,644
Expenses associated with the closure and integration of locations	15,918	15,049	6,922
Total restructuring charges	54,872	53,400	39,566

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

These restructuring charges are included in other deductions in the consolidated statements of operations. The Company has provided early retirement programs to those employees voluntarily leaving the Company. The accrued early retirement programs are recognized when the employees accept the offer and the amount can be reasonably estimated. Expenses associated with the closure and integration of locations include amounts such as moving expenses of facilities and costs to terminate leasing contracts incurred at domestic and overseas manufacturing plants and sales offices. An analysis of the accrued restructuring charges for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Yen (millions)		
	2010	**2009**	**2008**
Balance at beginning of year	32,523	4,761	10,020
New charges	54,872	53,400	39,566
Cash payments	(78,006)	(25,638)	(44,825)
Balance at end of year	9,389	32,523	4,761

The following represents significant restructuring activities for the year ended March 31, 2010 by business segment:

Digital AVC Networks

Digital AVC Networks segment continued selection and concentration of its businesses for improving its cost competitiveness. The restructuring activities mainly consisted of the early retirement programs in Japan.

Total restructuring charges amounted to 15,409 million yen, including expenses associated with the implementation of early retirement programs of 11,757 million yen.

Home Appliances

Home Appliances segment restructured its operations to accelerate concentration of its business for strengthening its management structure. The restructuring activities were mainly integrations of overseas manufacturing bases and the early retirement programs in Japan.

Total restructuring charges amounted to 8,561 million yen, including expenses associated with the implementation of early retirement programs of 5,145 million yen.

PEW and PanaHome

PEW and PanaHome segment restructured to improve cost efficiency in Japan and overseas bases.

Total restructuring charges amounted to 6,975 million yen.

Components and Devices

Components and Devices segment restructured to mainly improve efficiency and cost effectiveness in Japan.

Total restructuring charges amounted to 8,173 million yen, including expenses associated with the implementation of early retirement programs of 6,451 million yen.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

SANYO

SANYO segment restructured to mainly improve cost effectiveness in Japan.

Total restructuring charges amounted to 3,483 million yen.

Other

Other segment restructured mainly to improve efficiency in domestic companies.

Total restructuring charges amounted to 12,271 million yen, including expenses associated with the implementation of early retirement programs of 10,300 million yen.

The following represents significant restructuring activities for the year ended March 31, 2009 by business segment:

Digital AVC Networks

Digital AVC Networks segment restructured mainly to accelerate selection and concentration of its businesses for improving its cost competitiveness. The restructuring activities mainly consisted of the implementation of early retirement programs in Japan.

Total restructuring charges amounted to 34,748 million yen, including expenses associated with the implementation of early retirement programs of 29,029 million yen.

Home Appliances

Home Appliances segment restructured its operations to accelerate concentration of its business for strengthening its management structure. The restructuring activities mainly consisted of integrations in Japan.

Total restructuring charges amounted to 3,206 million yen.

PEW and PanaHome

PEW and PanaHome segment restructured mainly its housing business in Japan.

Total restructuring charges amounted to 5,673 million yen.

Components and Devices

Components and Devices segment restructured mainly to improve efficiency in its components business.

Total restructuring charges amounted to 3,957 million yen, including expenses associated with the implementation of early retirement programs of 3,277 million yen.

Other

Other segment restructured mainly to improve efficiency in overseas sales companies.

The restructuring charges amounted to 5,816 million yen, including expenses associated with the implementation of early retirement programs of 4,145 million yen.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The following represents significant restructuring activities for the year ended March 31, 2008 by business segment:

Digital AVC Networks

Digital AVC Networks segment restructured mainly to accelerate selection and concentration of its businesses for improving its cost competitiveness. The restructuring activities mainly consisted of the implementation of early retirement programs in Japan.

Total restructuring charges amounted to 15,356 million yen, including expenses associated with the implementation of early retirement programs of 14,168 million yen.

Home Appliances

Home Appliances segment restructured its operations to accelerate concentration of its business for strengthening its management structure. The restructuring activities mainly consisted of integrations in Japan.

Total restructuring charges amounted to 8,375 million yen, including expenses associated with the implementation of early retirement programs of 5,611 million yen.

PEW and PanaHome

PEW and PanaHome segment mainly restructured its housing business in Japan. The restructuring activities mainly consisted of the implementation of early retirement programs.

Total restructuring charges amounted to 11,581 million yen, including expenses associated with the implementation of early retirement programs of 8,888 million yen.

Components and Devices

Components and Devices segment restructured mainly to improve efficiency in its battery business.

Total restructuring charges amounted to 3,128 million yen.

JVC

JVC segment incurred restructuring charges in the amount of 750 million yen in its domestic entertainment business.

Other

Other segment incurred restructuring charges in the amount of 376 million yen mainly in overseas sales companies.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(16) Supplementary Information to the Statements of Operations and Cash Flows

Research and development costs, advertising costs, shipping and handling costs and depreciation charged to income for the three years ended March 31, 2010 are as follows:

	Yen (millions)		
	2010	**2009**	**2008**
Research and development costs	476,903	517,913	554,538
Advertising costs	150,866	174,939	200,890
Shipping and handling costs	129,114	146,920	159,418
Depreciation	251,839	325,835	282,102

Foreign exchange losses included in other deductions for the years ended March 31, 2010, 2009 and 2008 are 3,486 million yen, 7,501 million yen and 11,492 million yen, respectively.

Shipping and handling costs are included in selling, general and administrative expenses in the consolidated statements of operations.

In fiscal 2010, 2009 and 2008, the Company sold, without recourse, trade receivables of 443,673 million yen, 458,321 million yen and 443,464 million yen to independent third parties for proceeds of 442,779 million yen, 456,870 million yen and 441,778 million yen, and recorded losses on the sale of trade receivables of 894 million yen, 1,451 million yen and 1,686 million yen, respectively. In fiscal 2010, 2009 and 2008, the Company sold, with recourse, trade receivables of 355,512 million yen, 411,778 million yen and 397,796 million yen to independent third parties for proceeds of 355,113 million yen, 411,022 million yen and 397,421 million yen, and recorded losses on the sale of trade receivables of 399 million yen, 756 million yen and 375 million yen, respectively. Those losses are mainly included in selling, general and administrative expenses. The Company is responsible for servicing the receivables. Included in trade notes receivable and trade accounts receivable at March 31, 2010 are amounts of 37,619 million yen without recourse and 26,576 million yen with recourse scheduled to be sold to independent third parties. The sale of trade receivables was accounted for under the provision of ASC 860, Transfers and Servicing, which provides accounting and reporting standards for transfer and servicing of financial assets and extinguishments of liabilities.

Interest expenses and income taxes paid, and noncash investing and financing activities for the three years ended March 31, 2010 are as follows:

	Yen (millions)		
	2010	**2009**	**2008**
Cash paid:			
Interest	26,301	19,627	20,911
Income taxes	51,441	95,198	122,416
Noncash investing and financing activities:			
Capital leases	37,505	12,235	36,330

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

JVC and its subsidiaries became associated companies under equity method from consolidated companies in August, 2007. Certain financial information of JVC and its subsidiaries at the date of deconsolidation is as follows:

	Yen (millions)
Assets:	
Current assets	311,080
Other assets	115,546
Total	426,626
Liabilities:	
Current liabilities	242,336
Other liabilities	36,149
Total	278,485

(17) Derivatives and Hedging Activities

The Company operates internationally, giving rise to significant exposure to market risks arising from changes in foreign exchange rates, interest rates and commodity prices. The Company assesses these risks by continually monitoring changes in these exposures and by evaluating hedging opportunities. Derivative financial instruments utilized by the Company to hedge these risks are comprised principally of foreign exchange contracts, interest rate swaps, cross currency swaps and commodity derivatives. The Company does not hold or issue derivative financial instruments for trading purpose.

Amounts included in accumulated other comprehensive income (loss) at March 31, 2010 are expected to be recognized in earnings principally over the next twelve months. The maximum term over which the Company is hedging exposures to the variability of cash flows for foreign currency exchange risk is approximately five months.

The Company is exposed to credit risk in the event of non-performance by counterparties to the derivative contracts, but such risk is considered mitigated by the high credit rating of the counterparties.

The contract amounts of foreign exchange contracts, interest rate swaps, cross currency swaps and commodity futures at March 31, 2010 and 2009 are as follows:

	Yen (millions)	
	2010	2009
Forward:		
To sell foreign currencies	375,430	334,586
To buy foreign currencies	196,439	190,495

Cross currency swaps	31,797	33,953
Interest rate swaps	33,702	
Commodity futures:		
To sell commodity	40,194	48,858
To buy commodity	113,682	168,527

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The fair values of derivative instruments at March 31, 2010 are as follows:

	Yen (millions)			
	Asset derivatives		Liability derivatives	
	Consolidated balance sheet location	Fair value	Consolidated balance sheet location	Fair value
Derivatives designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	415	Other current liabilities	(1,971)
Commodity futures	Other current assets	11,330	Other current liabilities	(3,345)
Total derivatives designated as hedging instruments under ASC 815		11,745		(5,316)
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	8,590	Other current liabilities	(2,307)
Cross currency swaps			Other current liabilities	(283)
Interest rate swaps	Other current assets	23		
Commodity futures	Other current assets	1,231	Other current liabilities	(1,231)
Total derivatives not designated as hedging instruments under ASC 815		9,844		(3,821)
Total derivatives		21,589		(9,137)

The fair values of derivative instruments at March 31, 2009 are as follows:

	Yen (millions)			
	Asset derivatives		Liability derivatives	
	Consolidated balance sheet location	Fair value	Consolidated balance sheet location	Fair value
Derivatives designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	2,299	Other current liabilities	(9,094)
Cross currency swaps	Other current assets	275		
Commodity futures	Other current assets	9,285	Other current liabilities	(53,050)
Total derivatives designated as hedging instruments under ASC 815		11,859		(62,144)
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	204	Other current liabilities	(808)
Cross currency swaps	Other current assets	1,260		
Commodity futures	Other current assets	4,670	Other current liabilities	(4,670)

Total derivatives not designated as hedging instruments under ASC 815	6,134	(5,478)
Total derivatives	17,993	(67,622)

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The effect of derivative instruments on the consolidated statement of operations for the year ended March 31, 2010 is as follows:

Hedging instruments in ASC 815 fair value hedging relationships	Yen (millions) Location of gain or (loss) recognized in operations	Amount of gain or (loss) recognized in operations
Commodity futures	Other income (deductions)	41,003
Total		41,003

Related hedged items in ASC 815 fair value hedging relationships	Yen (millions) Location of gain or (loss) recognized in operations	Amount of gain or (loss) recognized in operations
Trade accounts receivable (payable)	Other income (deductions)	(39,024)
Total		(39,024)

Fair value hedges resulted in gains of 1,979 million yen of ineffectiveness.

Derivatives in ASC 815 cash flow hedging relationships	Yen (millions) Amount of gain or (loss) recognized in OCI on derivative (effective portion)	Location of gain or (loss) reclassified from accumulated OCI into operations (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into operations (effective portion)
Foreign exchange contracts	(613)	Other income (deductions)	(4,599)
Cross currency swaps	(291)	Other income (deductions)	(16)
Commodity futures	3,611	Cost of sales	(42)
Total	2,707		(4,657)

Derivatives in ASC 815 cash flow hedging relationships	Yen (millions) Location of gain or (loss) recognized in operations on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in operations on derivative (ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	Other income (deductions)	1,228
Cross currency swaps		
Commodity futures		
Total		1,228

Derivatives not designated as hedging instruments under ASC 815	Yen (millions) Location of gain or (loss) recognized in operations on derivative	Amount of gain or (loss) recognized in operations on derivative
Foreign exchange contracts	Other income (deductions)	2,950
Cross currency swaps	Other income (deductions)	(1,543)
Interest rate swaps	Other income (deductions)	(3)
Commodity futures	Other income (deductions)	0
Total		1,404

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The effect of derivative instruments on the consolidated statement of operations for the three months ended March 31, 2009 is as follows:

Hedging instruments in ASC 815 fair value hedging relationships	Yen (millions) Location of gain or (loss) recognized in operations	Amount of gain or (loss) recognized in operations
Commodity futures	Other income (deductions)	5,700
Total		5,700

Related hedged items in ASC 815 fair value hedging relationships	Yen (millions) Location of gain or (loss) recognized in operations	Amount of gain or (loss) recognized in operations
Trade accounts receivable (payable)	Other income (deductions)	(5,352)
Total		(5,352)

Fair value hedges resulted in gains of 348 million yen of ineffectiveness.

Derivatives in ASC 815 cash flow hedging relationships	Yen (millions) Amount of gain or (loss) recognized in OCI on derivative (effective portion)	Location of gain or (loss) reclassified from accumulated OCI into operations (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into operations (effective portion)
Foreign exchange contracts	(9,251)	Other income (deductions)	2,355
Cross currency swaps	(90)	Other income (deductions)	(16)
Commodity futures	2,484	Cost of sales	(1,879)
Total	(6,857)		460

Derivatives in ASC 815 cash flow hedging relationships	Yen (millions) Location of gain or (loss) recognized in operations on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in operations on derivative (ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	Other income (deductions)	(1,226)

Cross currency swaps	
Commodity futures	
Total	(1,226)

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Derivatives not designated as hedging instruments under ASC 815	Yen (millions) Location of gain or (loss) recognized in operations on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in operations on derivative (ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	Other income (deductions)	814
Cross currency swaps	Other income (deductions)	1,624
Commodity futures	Other income (deductions)	0
Total		2,438

(18) Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, Time deposits, Trade receivables, Short-term debt, Trade payables and Accrued expenses

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-term investments

The fair value of short-term investments is estimated based on quoted market prices.

Investments and advances

The fair value of investments and advances is estimated based on quoted market prices or the present value of future cash flows using appropriate current discount rates.

Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using appropriate current discount rates.

Derivative financial instruments

The fair value of derivative financial instruments, all of which are used for hedging purposes, is estimated based on unadjusted market prices or quotes obtained from brokers, which are periodically validated by pricing models using observable inactive market inputs.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The estimated fair values of financial instruments, all of which are held or issued for purposes other than trading, at March 31, 2010 and 2009 are as follows:

	Yen (millions)			
	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivatives:				
Assets:				
Short-term investments			1,998	1,998
Other investments and advances	454,313	454,516	424,237	423,223
Liabilities:				
Long-term debt, including current portion	(1,236,052)	(1,250,048)	(697,653)	(698,502)
Derivatives:				
Other current assets:				
Forward:				
To sell foreign currencies	3,511	3,511		
To buy foreign currencies	5,494	5,494	2,503	2,503
Cross currency swaps			1,535	1,535
Interest rate swaps	23	23		
Commodity futures:				
To sell commodity			13,955	13,955
To buy commodity	12,561	12,561		
Other current liabilities:				
Forward:				
To sell foreign currencies	(2,390)	(2,390)	(9,902)	(9,902)
To buy foreign currencies	(1,888)	(1,888)		
Cross currency swaps	(283)	(283)		
Commodity futures:				
To sell commodity	(4,576)	(4,576)		
To buy commodity			(57,720)	(57,720)

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The provisions of ASC 820 defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets.
Level 2	

	Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Unobservable inputs for the asset or liability.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The following table presents assets and liabilities that are measured at fair value on a recurring basis at March 31, 2010 and 2009:

	Yen (millions) 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	379,358			379,358
Corporate and government bonds		3,961		3,961
Other debt securities		585		585
Total available-for-sale securities	379,358	4,546		383,904
Derivatives:				
Foreign exchange contracts		9,005		9,005
Interest rate swaps		23		23
Commodity futures	12,561			12,561
Total derivatives	12,561	9,028		21,589
Total	391,919	13,574		405,493
Liabilities:				
Derivatives:				
Foreign exchange contracts		(4,278)		(4,278)
Cross currency swaps		(283)		(283)
Commodity futures	(3,345)	(1,231)		(4,576)
Total derivatives	(3,345)	(5,792)		(9,137)
Total	(3,345)	(5,792)		(9,137)

	Yen (millions) 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	284,356			284,356
Corporate and government bonds		6,393		6,393
Other debt securities		5,515		5,515
Derivatives	9,285	8,708		17,993

Total	293,641	20,616	314,257
Liabilities:			
Derivatives	(57,720)	(9,902)	(67,622)
Total	(57,720)	(9,902)	(67,622)

The Company s existing marketable equity securities and commodity futures are included in Level 1, which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Level 2 available-for-sale securities include all debt securities, which are valued using inputs other than quoted prices that are observable. Level 2 derivatives including foreign exchange contracts and commodity futures are valued using quotes obtained from brokers, which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and market prices for commodity futures.

The following table presents assets and liabilities that are measured at fair value on a nonrecurring basis for the years ended March 31, 2010 and 2009:

	Yen (millions) 2010				
	Total gains (losses)	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in associated companies	(3,605)	1,058		1,980	3,038
Long-lived assets	(79,259)			27,800	27,800
Goodwill	(3,745)			0	0

	Yen (millions) 2009				
	Total gains (losses)	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in associated companies	(18,121)	9,326		2,151	11,477

During the year ended March 31, 2010, the Company classified most of assets described above in Level 3 as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through estimated future cash flows. The Company classified certain investments in Level 1 as the Company used an unadjusted quoted market price in active markets as input to value the investment.

During the year ended March 31, 2009, the Company classified the impaired security, representing a substantial portion of the write-down, in Level 1 as the Company used an unadjusted quoted market price in active markets as input to value the investment. The remaining impaired security is classified in Level 3 as the Company used unobservable inputs to value the investment.

(19) Commitments and Contingent Liabilities

The Company provides guarantees to third parties mainly on bank loans provided to associated companies and customers. The guarantees are made to enhance their credit. For each guarantee provided, the Company is required to perform under the guarantee if the guaranteed party defaults on a payment. Also, as discussed in Note 16, the Company sold certain trade receivables to independent third parties, some of which are with recourse. If the collectibility of those receivables with recourse becomes doubtful, the Company is obligated to assume the liabilities. At March 31, 2010, the maximum amount of undiscounted payments the Company would have to make in the event of default was 38,480 million yen. The carrying amount of the liabilities recognized for the Company s obligations as a guarantor under those guarantees at March 31, 2010 and 2009 were immaterial.

F-53

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

As discussed in Note 6, in connection with the sale and leaseback of certain machinery and equipment, the Company guarantees a specific value of the leased assets. For each guarantee provided, the Company is required to perform under the guarantee if certain conditions are met during or at the end of the lease term. At March 31, 2010, the maximum amount of undiscounted payments the Company would have to make in the event that these conditions were met was 40,528 million yen. The carrying amount of the liabilities recognized for the Company s obligations as a guarantor under those guarantees at March 31, 2010 and 2009 were immaterial.

The Company issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The change in accrued warranty costs for the years ended March 31, 2010 and 2009 are summarized as follows:

	Yen (millions)	
	2010	**2009**
Balance at beginning of year	41,478	36,178
Change in consolidated subsidiaries	4,253	
Liabilities accrued for warranties issued during the period	51,704	51,526
Warranty claims paid during the period	(45,489)	(45,797)
Changes in liabilities for pre-existing warranties during the period, including expirations	(640)	(429)
Balance at end of year	51,306	41,478

At March 31, 2010, commitments outstanding for the purchase of property, plant and equipment approximated 105,260 million yen.

Certain subsidiaries are under the contracts to purchase specific raw materials until 2020. At March 31, 2010, commitments outstanding for this contract approximated 113,210 million yen.

Liabilities for environmental remediation costs are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated. In January 2003, the Company announced that disposed electric equipment that contained polychlorinated biphenyls (PCB equipment) might be buried in the ground of its four manufacturing facilities and one former manufacturing facility. The applicable laws require that PCB equipment be appropriately maintained and disposed of by July 2016. The Company has accrued estimated total cost of 9,513 million yen for necessary actions such as investigating whether the PCB equipment is buried at the facilities, including excavations, maintaining and disposing the PCB equipment that is already discovered, and soil remediation, since it represents management s best estimate or minimum of the cost, but the payments are not considered to be fixed and reliably determinable.

The Company and certain subsidiaries are under the term of leasehold interest contracts for lands of domestic factories and have obligations for restitution on their leaving. The asset retirement obligations cannot be reasonably estimated because the durations of use of the leased assets are not specified and there are no plans to undertake relocation in the future. Therefore the Company did not recognize asset retirement obligations.

The Company and certain of its subsidiaries are subject to a number of legal proceedings including civil litigations related to tax, products or intellectual properties, or governmental investigations. Since November 2007, the Company and MT Picture Display Co., Ltd. (MTPD), a subsidiary of the Company, are subject to investigations by government authorities, including the Japan Fair Trade Commission, the U.S. Department of Justice and the European Commission, in respect of alleged antitrust violations relating to

F-54

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

cathode ray tubes (CRTs). Subsequent to these actions by the authorities, a number of class action lawsuits have been filed in the U.S. and Canada against the Company and certain of its subsidiaries. In October 2009, the Japan Fair Trade Commission issued a cease and desist order against MTPD and assessed a fine against its three subsidiaries in South East Asia, but each named company filed for a hearing to challenge the orders which is currently subject to proceedings. Since February 2009, the Company is subject to investigations by government authorities, including the U.S. Department of Justice and the European Commission, in respect of alleged antitrust violations relating to compressors for refrigerator use. Subsequent to these actions by the authorities, a number of class action lawsuits have been filed in the U.S. and Canada against the Company and certain of its subsidiaries. The Company has been cooperating with the various governmental investigations. Depending upon the outcome of these different proceedings, the Company and certain of its subsidiaries may be subject to an uncertain amount of fines, and accordingly the Company has accrued for certain probable and reasonable estimated amounts for the fines. Other than those above, there are a number of legal actions against the Company and certain subsidiaries. Management is of the opinion that damages, if any, resulting from these actions will not have a material effect on the Company s consolidated financial statements.

(20) Segment Information

In accordance with the provisions of ASC 280, the segments reported below 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.

Business segments correspond to categories of activity classified primarily by markets, products and brand names. Digital AVC Networks includes video and audio equipment, and information and communications equipment. Home Appliances includes household equipment. PEW and PanaHome includes electrical supplies, electric products, building materials and equipment, and housing business. Components and Devices includes semiconductors, electronic components, batteries and electric motors. SANYO includes solar cells, lithium-ion batteries, optical pickups, and others. Other includes electronic-parts-mounting machines, industrial robots and industrial equipment.

The Company has changed the internal business transactions between Global Procurement Service Company and other segments since April 1, 2008. Accordingly, segment information for Other and Corporate and eliminations of fiscal 2008 have been reclassified to conform to the presentation for fiscal 2010 and 2009.

F-55

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

Information by segment for the three years ended March 31, 2010 is shown in the tables below:

By Business Segment:

	Yen (millions)		
	2010	**2009**	**2008**
Sales:			
Digital AVC Networks:			
Customers	3,360,278	3,701,996	4,267,217
Intersegment	49,223	46,961	52,377
Total	3,409,501	3,748,957	4,319,594
Home Appliances:			
Customers	951,503	1,009,958	1,126,037
Intersegment	190,739	212,992	190,365
Total	1,142,242	1,222,950	1,316,402
PEW and PanaHome:			
Customers	1,573,393	1,717,168	1,854,023
Intersegment	58,720	49,094	56,269
Total	1,632,113	1,766,262	1,910,292
Components and Devices:			
Customers	697,346	779,761	989,414
Intersegment	307,988	347,509	409,270
Total	1,005,334	1,127,270	1,398,684
SANYO:			
Customers	399,888		
Intersegment	4,953		
Total	404,841		
Other:			
Customers	435,572	556,624	650,941
Intersegment	576,582	515,114	433,313
Total	1,012,154	1,071,738	1,084,254
JVC:			
Customers			181,296
Intersegment			1,846
Total			183,142
Eliminations	(1,188,205)	(1,171,670)	(1,143,440)

Consolidated total	7,417,980	7,765,507	9,068,928

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	**2009**	**2008**
Segment profit (loss):			
Digital AVC Networks	87,289	3,176	252,239
Home Appliances	66,525	48,980	86,412
PEW and PanaHome	34,742	40,081	96,405
Components and Devices	36,094	7,107	104,989
SANYO	(730)		
Other	19,727	23,927	64,205
JVC			(9,672)
Corporate and eliminations	(53,194)	(50,398)	(75,097)
Total segment profit	190,453	72,873	519,481
Interest income	12,348	23,477	34,371
Dividends received	6,746	11,486	10,317
Other income	47,896	52,709	70,460
Interest expense	(25,718)	(19,386)	(20,357)
Other deductions	(261,040)	(523,793)	(179,279)
Consolidated income (loss) before income taxes	(29,315)	(382,634)	434,993

	Yen (millions)		
	2010	**2009**	**2008**
Identifiable assets:			
Digital AVC Networks	2,127,042	2,016,112	2,592,856
Home Appliances	666,403	689,111	758,976
PEW and PanaHome	1,252,243	1,258,465	1,356,588
Components and Devices	831,009	926,897	1,013,522
SANYO	2,435,829		
Other	239,736	216,411	416,217
JVC			
Corporate and eliminations	805,795	1,296,320	1,305,455
Consolidated total	8,358,057	6,403,316	7,443,614
Depreciation (including intangibles other than goodwill):			
Digital AVC Networks	85,364	142,026	91,607
Home Appliances	28,392	34,891	37,457
PEW and PanaHome	49,180	51,906	44,124
Components and Devices	74,527	97,177	89,799
SANYO	28,877		
Other	11,004	14,176	14,835
JVC			6,008

Corporate and eliminations	20,670	24,562	36,615
Consolidated total	298,014	364,738	320,445

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	2009	2008
Capital investment (including intangibles other than goodwill):			
Digital AVC Networks	258,999	250,891	228,358
Home Appliances	36,324	56,206	48,925
PEW and PanaHome	33,918	45,059	51,676
Components and Devices	87,400	141,974	139,003
SANYO	33,487		
Other	7,988	12,262	13,331
JVC			3,542
Corporate and eliminations	6,203	27,652	18,625
Consolidated total	464,319	534,044	503,460

Corporate expenses include certain corporate R&D expenditures and general corporate expenses.

Corporate assets consist of cash and cash equivalents, time deposits, marketable securities in short-term investments, investments and advances and other assets related to unallocated expenses.

Intangibles mainly represent patents and software.

By Geographical Area:

Sales attributed to countries based upon the customer s location and property, plant and equipment are as follows:

	Yen (millions)		
	2010	2009	2008
Sales:			
Japan	3,994,379	4,082,233	4,544,772
North and South America	917,898	996,647	1,250,677
Europe	771,251	962,981	1,212,971
Asia and Others	1,734,452	1,723,646	2,060,508
Consolidated total	7,417,980	7,765,507	9,068,928
United States included in North and South America	781,264	857,896	1,081,183
China included in Asia and Others	903,531	855,352	941,685
Property, plant and equipment:			
Japan	1,571,914	1,230,868	1,353,421
North and South America	42,215	31,694	34,260
Europe	48,444	48,398	69,844
Asia and Others	293,448	263,870	299,848

Consolidated total	1,956,021	1,574,830	1,757,373

There are no individually material countries which should be separately disclosed in North and South America, Europe, and Asia and Others, except for the United States of America and China on sales. Transfers between business segments or geographic segments are made at arms-length prices. There are no sales to a single external major customer for the three years ended March 31, 2010.

Table of Contents

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

The following information shows sales, geographical profit and identifiable assets which are attributed to geographic areas based on the country location of the Company or its subsidiaries for the three years ended March 31, 2010. In addition to the disclosure requirements under ASC 280, the Company discloses this information as supplemental information in light of the disclosure requirements of the Japanese Financial Instruments and Exchange Law, which a Japanese public company is subject to:

	Yen (millions)		
	2010	**2009**	**2008**
Sales:			
Japan:			
Customers	4,324,430	4,435,587	4,908,850
Intersegment	1,542,034	1,617,969	1,880,654
Total	5,866,464	6,053,556	6,789,504
North and South America:			
Customers	867,288	946,098	1,196,419
Intersegment	20,229	18,639	16,646
Total	887,517	964,737	1,213,065
Europe:			
Customers	742,226	934,525	1,170,932
Intersegment	15,960	34,977	47,300
Total	758,186	969,502	1,218,232
Asia and Others:			
Customers	1,484,036	1,449,297	1,792,727
Intersegment	1,035,297	1,008,345	1,167,322
Total	2,519,333	2,457,642	2,960,049
Eliminations	(2,613,520)	(2,679,930)	(3,111,922)
Consolidated total	7,417,980	7,765,507	9,068,928
Geographical profit (loss):			
Japan	146,866	72,673	422,071
North and South America	9,116	(2,783)	22,136
Europe	(23,225)	(30,451)	20,438
Asia and Others	113,491	82,611	125,056
Corporate and eliminations	(55,795)	(49,177)	(70,220)
Consolidated total	190,453	72,873	519,481
Identifiable assets:			
Japan	5,950,513	3,957,637	4,410,600

North and South America	403,831	285,039	320,487
Europe	275,790	272,513	430,149
Asia and Others	1,372,983	935,440	1,208,534
Corporate and eliminations	354,940	952,687	1,073,844
Consolidated total	8,358,057	6,403,316	7,443,614

PANASONIC CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2010, 2009 and 2008

(21) Subsequent Events

Panasonic resolved, at the board of directors meeting held on July 29, 2010, to pursue a plan to Panasonic s acquisition of all shares of PEW and SANYO (hereinafter collectively referred to as the Subsidiaries) in order to make them wholly-owned subsidiaries of Panasonic by around April 2011 by way of tender offers and, thereafter, share exchanges. In order to implement the acquisition of all shares of the Subsidiaries, Panasonic resolved, at its above-mentioned board of directors meeting, to simultaneously commence tender offers for common shares of the Subsidiaries. With respect to the tender offers, if Panasonic purchases all of the shares of the Subsidiaries eligible to be purchased, the maximum aggregate purchase amount is expected to be 818.4 billion yen.

Table of Contents

Schedule II

PANASONIC CORPORATION

AND SUBSIDIARIES

Valuation and Qualifying Accounts and Reserves

(In millions of yen)

Years ended March 31, 2010, 2009 and 2008

	Balance at beginning of period	Add Charged to income	Change in consolidated subsidiaries	Deduct Bad debts written off	Reversal	Add (deduct) Cumulative translation adjustments	Balance at end of period
Allowance for doubtful receivables:							
2010	21,131	10,862		4,234	3,623	22	24,158
2009	20,868	10,538		3,246	5,436	(1,593)	21,131
2008	29,061	6,008	4,378	5,109	3,542	(1,172)	20,868

F-61

Table of Contents

Independent Auditors Report

The Board of Directors

SANYO Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, stockholders equity and cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 report dated June 26, 2009, we expressed a qualified opinion that, except for the omission of segment information, the 2009 consolidated financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of SANYO Electric Co., Ltd. and its subsidiaries, in conformity with accounting principles generally accepted in the United States of America. As described in Note 24, the Company adopted Financial Accounting Standards Board Accounting Standards Codification 280, Segment Reporting (former Statement of Financial Accounting Standards No.131, Disclosures about Segment of an Enterprise and Related Information) in its 2009 consolidated financial statements to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the 2009 consolidated financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the notes to the consolidated financial statements in 2010, SANYO Electric Co., Ltd. and its subsidiaries changed the depreciation method and the useful lives of certain property, plant and equipment.

/s/ KPMG AZSA LLC
KPMG AZSA LLC
Osaka, Japan

June 23, 2010, except for Note 25, as to which the date is October 1, 2010

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Consolidated Statements of Operations

Years ended March 31, 2010 and 2009

	Millions of Yen	
	2010	**2009**
Revenues and other:		
Net sales and other operating revenue		
Net sales (Note 6)		
Affiliates	**58,038**	109,752
Other	**1,536,602**	1,660,904
Total net sales	**1,594,640**	1,770,656
Other operating revenue		
Affiliates	**951**	701
Other	**61,754**	69,810
Total other operating revenue	**62,705**	70,511
Total	**1,657,345**	1,841,167
Interest and dividends	**2,297**	4,343
Other income (Note 22)	**16,544**	18,391
Total revenues and other	**1,676,186**	1,863,901
Costs and expenses (Note 20):		
Cost of sales (Note 6)	**1,350,736**	1,520,583
Selling, general and administrative	**274,327**	312,308
Interest	**10,463**	12,107
Other expenses (Note 22)	**78,986**	132,651
Total costs and expenses	**1,714,512**	1,977,649
Loss from continuing operations, before income taxes	**(38,326)**	(113,748)
Provision for income taxes (Note 19):		
Current	**12,930**	12,357
Deferred	**203**	(6,939)
Total provision for income taxes	**13,133**	5,418
Loss from continuing operations	**(51,459)**	(119,166)
Discontinued operations (Note 3):		
Income from discontinued operations		32,535
Provision for income taxes		3,603
Net income from discontinued operations		28,932
Net loss before allocation to noncontrolling interests	**(51,459)**	(90,234)
Less: net income (loss) attributable to noncontrolling interests	**(2,670)**	2,992
Net loss attributable to SANYO	**(48,789)**	(93,226)

	Yen	
Per share (Note 21):		
Net income (loss) attributable to SANYO:		
Basic		
Net loss attributable to SANYO from continuing operations	**(7.9)**	(19.9)
Net income attributable to SANYO from discontinued operations		4.7
Net loss attributable to SANYO	**(7.9)**	(15.2)
Diluted		
Net loss attributable to SANYO from continuing operations		(19.9)
Net income attributable to SANYO from discontinued operations		4.7
Net loss attributable to SANYO		(15.2)
Per American Depositary Share:		
Net income (loss) attributable to SANYO:		
Basic		
Net loss attributable to SANYO from continuing operations	**(39.7)**	(99.5)
Net income attributable to SANYO from discontinued operations		23.6
Net loss attributable to SANYO	**(39.7)**	(75.9)
Diluted		
Net loss attributable to SANYO from continuing operations		(99.5)
Net income attributable to SANYO from discontinued operations		23.6
Net loss attributable to SANYO		(75.9)
Weighted average number of common shares outstanding (thousands) (Note 21)	**3,309,783**	1,855,386

See accompanying notes to consolidated financial statements.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of Yen	
	2010	**2009**
Assets		
Current assets:		
Cash and cash equivalents:		
Cash	**123,635**	155,205
Time deposits	**158,841**	64,188
	282,476	219,393
Notes and accounts receivable:		
Trade (Note 4)	**290,702**	284,806
Affiliates (Note 6)	**21,864**	25,247
Allowance for doubtful accounts (Note 6)	**(5,643)**	(7,508)
Inventories (Note 5)	**233,981**	254,474
Deferred income taxes (Note 19)	**5,502**	6,220
Prepaid expenses and other (Notes 8, 15 and 16)	**44,246**	47,113
Total current assets	**873,128**	829,745
Investments and advances:		
Affiliates (Note 6)	**40,558**	40,180
Securities and other investments (Notes 7, 8 and 15)	**29,932**	25,339
Total investments and advances	**70,490**	65,519
Property, plant and equipment (Notes 8, 9 and 11):		
Buildings	**356,657**	364,816
Machinery and equipment	**700,346**	729,161
	1,057,003	1,093,977
Accumulated depreciation	**(789,058)**	(814,344)
	267,945	279,633
Land	**89,095**	87,277
Construction in progress	**26,855**	26,703
Net property, plant and equipment	**383,895**	393,613
Deferred income taxes (Note 19)	**10,523**	11,032
Other assets (Note 10 and 12)	**53,237**	45,494
Total assets	**1,391,273**	1,345,403

See accompanying notes to consolidated financial statements.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Consolidated Balance Sheets (Continued)

March 31, 2010 and 2009

	Millions of Yen	
	2010	**2009**
Liabilities and Stockholders Equity		
Current liabilities:		
Short-term borrowings (Note 11)	**54,730**	57,195
Current portion of long-term debt (Note 11)	**161,368**	101,924
Notes and accounts payable:		
Trade	**293,765**	243,761
Affiliates (Note 6)	**7,087**	5,058
Construction	**35,648**	48,288
Accrued liabilities	**117,288**	125,783
Accrued income taxes	**8,421**	5,723
Other liabilities (Notes 8, 12, 14, 15, 16 and 19)	**40,937**	44,248
Total current liabilities	**719,244**	631,980
Long-term debt (Notes 11 and 15)	**324,372**	305,272
Accrued pension and severance costs (Note 12)	**203,963**	222,305
Deferred income taxes (Note 19)	**7,508**	6,824
Other non-current liabilities	**6,614**	7,418
Total liabilities	**1,261,701**	1,173,799
Commitments and contingent liabilities (Note 14)		
Stockholders equity:		
SANYO stockholders equity		
Common stock	**322,242**	172,242
Authorized (March 31, 2010 & 2009): 7,060,300,000 shares		
Issued (March 31, 2010): 6,158,053,099 shares		
(March 31, 2009): 1,872,338,099 shares		
Preferred stock (Note 18)		150,000
Authorized (March 31, 2010)		
Class A: 182,600,000 shares		
Class B: 246,100,000 shares		
(March 31, 2009)		
Class A: 182,600,000 shares		
Class B: 246,100,000 shares		
Issued (March 31, 2010)		
Class A: shares		
Class B: shares		
(March 31, 2009)		
Class A: 182,542,200 shares		
Class B: 246,029,300 shares		
	322,242	322,242
Additional paid-in capital	**781,966**	781,951
Accumulated deficit	**(751,202)**	(702,409)
Accumulated other comprehensive loss	**(238,162)**	(248,811)

Less, treasury stock at cost:	**(6,526)**	(6,519)
March 31, 2010: 16,655,826 shares		
March 31, 2009: 16,526,796 shares		
Total SANYO stockholders equity	**108,318**	146,454
Noncontrolling interests (Note 2)	**21,254**	25,150
Total stockholders equity	**129,572**	171,604
Total liabilities and stockholders equity	**1,391,273**	1,345,403

See accompanying notes to consolidated financial statements.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Consolidated Statements of Stockholders Equity

Years ended March 31, 2010 and 2009

	Millions of Yen											
	SANYO stockholders equity											
	Capital				Accumulated other comprehensive income (loss)							
	Common stock	Preferred stock (Note 18)	Additional paid-in capital	Accumulated deficit	Net unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Total	Treasury stock, at cost	Total SANYO Stockholders equity	Noncontrolling interests	Tota stockhol equit
ce, 31, 2008	172,242	150,000	781,951	(604,626)	3,625	(56,274)	(131,179)	(183,828)	(7,696)	308,043	26,394	334
ase of iary from ntrolling st											(1,039)	(1
rehensive												
come				(93,226)						(93,226)	2,992	(90
ehensive e (loss):												
nrealized on ies (net of million Note 7)					(4,310)			(4,310)		(4,310)	(54)	(4
ssification ments for sses on ies d in net e (net of illion					203			203		203		
n cy ation ments f tax of million						(33,391)		(33,391)		(33,391)	(912)	(34
lue to ation of as iaries						1,395		1,395		1,395		1
on y ments f tax of million Note 12)							(21,376)	(21,376)		(21,376)	(780)	(22

										(150,705)	1,246	(149
ends paid ntrolling sts											(1,451)	(1
s of ing n plan rement ursuant to 15 (net of lion yen)				(4,095)			(7,504)	(7,504)		(11,599)		(11
ase of ry stock housand)									(104)	(104)		
f treasury and other nd)									1,281	1,281		1
on al of ry stock				(462)						(462)		
ce, n 31,	**172,242**	**150,000**	**781,951**	**(702,409)**	**(482)**	**(88,270)**	**(160,059)**	**(248,811)**	**(6,519)**	**146,454**	**25,150**	**171**

See accompanying notes to consolidated financial statements.

F-66

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Consolidated Statements of Stockholders Equity (Continued)

Years ended March 31, 2010 and 2009

	Millions of Yen											
	SANYO stockholders equity											
	Capital				Accumulated other comprehensive income (loss)							
	Common stock	Preferred stock (Note 18)	Additional paid-in capital	Accumulated deficit	Net unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Total	Treasury stock, at cost	Total SANYO stockholders equity	Noncontrolling interests	Tota stockhol equit
e, 31, 2009	172,242	150,000	781,951	(702,409)	(482)	(88,270)	(160,059)	(248,811)	(6,519)	146,454	25,150	171
rsion referred o on stock	150,000	(150,000)										
se of ary from trolling ts			15							15	(55)	
ehensive s				(48,789)						(48,789)	(2,670)	(51
ehensive e (loss):												
realized on ies (net of llion Note 7)					5,732			5,732		5,732	18	5
sification nents for ses on ies d in net e (net of million					480			480		480		
n cy tion nents tax of llion						(4,383)		(4,383)		(4,383)	(56)	(4
ue to tion of as aries						1,631		1,631		1,631		1
n y							7,189	7,189		7,189	(600)	6

ments tax of llion Note 12)											
									(38,140)	(3,308)	(4
nds paid ntrolling ts										(533)	
se of y stock housand								(40)	(40)		
treasury nd other ousand								33	33		
n al of y stock			(4)						(4)		
ce, 31,	**322,242**	**781,966**	**(751,202)**	**5,730**	**(91,022)**	**(152,870)**	**(238,162)**	**(6,526)**	**108,318**	**21,254**	**12**

	Thousands of shares	
	Shares of common stock	**Shares of preferred stock**
As of March 31, 2008	1,872,338	428,572
As of March 31, 2009	1,872,338	428,572
As of March 31, 2010	6,158,053	

For the year ended March 31, 2010, common stock have increased by 4,285,715 thousands shares because some of the stockholders converted all of their preferred stock to common stock. This led to retirement of all shares of their preferred stocks.

See accompanying notes to consolidated financial statements.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2010 and 2009

	Millions of Yen	
	2010	**2009**
Cash flows from operating activities:		
Net loss before allocation to noncontrolling interests	**(51,459)**	(90,234)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	**68,296**	77,333
Gain on sale of marketable securities and investment securities	**(82)**	(429)
Impairment loss on marketable securities and investment securities	**809**	593
Loss (gain) on disposal of fixed assets	**1,970**	(235)
Impairment loss on fixed assets	**7,090**	57,775
Provision for deferred income taxes	**203**	(3,336)
Equity in earnings of affiliates	**(1,316)**	(1,837)
Change in assets and liabilities		
(Increase) decrease in trade receivables	**2,561**	78,413
(Increase) decrease in inventories	**17,472**	16,396
(Increase) decrease in other current assets	**7,150**	28,659
(Increase) decrease in other assets	**(14,884)**	(11,458)
Increase (decrease) in trade payables	**58,767**	(100,546)
Increase (decrease) in accrued income taxes	**2,797**	(891)
Increase (decrease) in other current liabilities	**(8,163)**	(24,973)
Other, net	**(18,320)**	(14,997)
Net cash provided by operating activities	**72,891**	10,233
Cash flows from investing activities:		
Purchase of held-to-maturity securities		(7,553)
Proceeds from sale of available-for-sale securities and other	**227**	1,082
Proceeds from redemption of held-to-maturity securities	**50**	10,063
Proceeds from sale of property, plant and equipment	**1,927**	8,057
Payments for purchase of property, plant and equipment	**(84,934)**	(80,689)
(Increase) decrease in time deposits	**281**	12,050
Purchase of shares of newly consolidated subsidiaries	**(203)**	
Proceeds from sale of shares of subsidiaries (Note 22)	**5,183**	547
Proceeds from sale of business (Note 3)		43,596
Other, net	**(3,341)**	(8,820)
Net cash used in investing activities	**(80,810)**	(21,667)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	**(6,820)**	(100,087)
Proceeds from issuance of long-term debt	**209,106**	140,610
Repayments of long-term debt	**(132,910)**	(78,485)
Dividends paid to noncontrolling interests	**(526)**	(1,213)
(Purchases) sales of treasury stock, net	**(37)**	679
Proceeds from noncontrolling interests on the issuance of new shares in a subsidiary		378
Other, net	**(47)**	(903)
Net cash provided by (used in) financing activities	**68,766**	(39,021)

Effect of exchange rate changes on cash and cash equivalents	**575**	(10,858)
Net increase (decrease) in cash and cash equivalents	**61,422**	(61,313)
Cash and cash equivalents at beginning of year	**219,393**	280,706
Cash and cash equivalents of newly consolidated subsidiaries	**1,661**	
Cash and cash equivalents at end of year	**282,476**	219,393

See accompanying notes to consolidated financial statements.

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

1 NATURE OF OPERATIONS

SANYO Electric Co., Ltd. and its subsidiaries (hereinafter collectively referred to as SANYO) are engaged in development, manufacture and sales of electric products in the various locations around the world. SANYO operates in six business segments: Energy, Electronic device, Digital system, Commercial, Consumer electronics, and Other. Fiscal 2010 net sales and other operating revenue comprised Energy (25%), Electronic device (19%), Digital system (18%), Commercial (24%), Consumer electronics (14%), and Other (0%). The principal markets are in Japan, Asia, North America and Others, with sales and other operating revenue in each area representing 54%, 32%, 8% and 6%, respectively, for the year ended March 31, 2010.

SANYO has manufacturing facilities located in more than 10 countries, principally in the Asian region, such as in Japan and China, as well as in North America and in Europe.

On December 21, 2009, SANYO Electric Co., Ltd. became a subsidiary of Panasonic Corporation through a tender offer bid by Panasonic Corporation. Panasonic Corporation is one of the world s leading manufacturer of electronic and electric products. Panasonic Corporation 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The accounting records of the Company and its domestic subsidiaries are maintained in accordance with accounting practices prevailing in Japan, its foreign subsidiaries in accordance with accounting practices prevailing in their respective domicile. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts and sales returns; the valuation of derivatives, deferred tax assets, fixed assets, inventories, investments, notes receivable and share-based compensation; and reserves for employee benefit obligations, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all subsidiaries. Investments in 20% to 50% held companies are carried at cost plus the equity in undistributed earnings, after elimination of unrealized inter-company profits.

In accordance with ASC810, Consolidation (former Financial Accounting Standards Board (FASB) Interpretation No.46 (R), Consolidation of Variable Interest Entities), the Company also consolidates any variable interest entities (VIE s) of which it is the primary beneficiary, as defined. When the Company does not

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments, including time deposits, purchased with original maturities of three months or less, are considered to be cash equivalents.

Investments in Debt and Equity Securities

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. Available-for-sale securities are reduced to net realizable value by a charge to earnings when there are other than temporary declines in fair value. For the purpose of computing realized gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Foreign currency assets and liabilities are translated at year end exchange rates and resulting exchange gains and losses are recognized in earnings currently. Assets and liabilities of foreign subsidiaries and affiliates accounted for on an equity basis are translated into yen at year end rates. Revenues and expenses are translated at the average rate of exchange prevailing for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen and are reported in accumulated other comprehensive income.

Allowances for Doubtful Accounts

SANYO maintains allowances for doubtful accounts for estimated losses inherent in its accounts receivable. SANYO s estimates of losses are based on various factors including the length of past due payments, historical experience and current business environments. In circumstances where it is aware of specific customers inability to meet its financial obligations, a specific allowance against these amounts is provided considering the fair value of assets pledged by the customers as collateral.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for raw materials.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant improvements and additions, are stated at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in income. Depreciation is principally computed using the straight-line method and are based on the asset s useful lives as follows:

Buildings	5 to 50 years
Machinery and equipment	2 to 20 years

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Maintenance and repairs, including minor replacements and improvements, are charged to income as incurred.

Change in Accounting Estimate

Effective April 1, 2009, SANYO elected to change the depreciation method of certain property, plant and equipment from the declining-balance method to the straight-line method. As a result of analysis made of capital investment, production output, sales and others in recent years, SANYO believes that this change equally allocates cost of capital investments based on the pattern of consumption of future benefits to be derived from those assets being depreciated and better reflects matching of costs and revenues over the assets estimated useful lives. This analysis also resulted in the reduction of the useful lives of property, plant and equipment. In accordance with ASC250, Accounting Changes and Error Corrections (former SFAS No.154, Accounting Changes and Error Corrections a replacement of APB Opinion No.20 and SFAS No.3), a change in depreciation method and review of useful lives is treated as a change in accounting estimate, without any restatement of prior period results. The effects of these changes for the consolidated results of operations for the fiscal year ended March 31, 2010 increased loss from continuing operations, before income taxes, net loss attributable to SANYO, and basic net loss attributable to SANYO per share by 4,663 million yen, 4,902 million yen, and 0.80 yen respectively.

Goodwill and Other Intangible Assets

Goodwill arising from business acquisition and intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually, and whenever events or changes in circumstances indicate the possibility of impairment. The fair value of these assets is generally estimated using a discounted cash flows analysis. Intangible assets with definite useful lives are amortized on a straight line basis over their estimated useful lives, being mainly 5 years.

Impairment of Long-Lived Assets

SANYO applies ASC360, Property, Plant, and Equipment (former SFAS No.144, Accounting for the Impairment or Disposal of Long-Lived Assets). In accordance with ASC360, SANYO s long-lived assets and amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined that an impairment loss has occurred, a loss calculated as the difference between the carrying amount and the fair value is recognized in the period.

Advertising Costs

Advertising costs are expensed as incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Provision for Product Warranty Costs

Provision for product warranty costs is established based on actual results at the time the revenue is recognized. This provision for product warranty is provided for specific periods of time and usage of the product depending on the nature of the products, the geographic location of its sale and other relevant factors. SANYO recognizes provision for product warranty costs based on historical experience of actual warranty costs.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted. SANYO 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. Interest and penalties related to income taxes are included in provision for income taxes in the consolidated statements of operations.

Derivatives

SANYO utilizes derivatives to manage the risk of changes in foreign currency exchange rates and interest rates. The derivatives SANYO utilizes are mainly foreign currency exchange contracts, interest rate swaps and foreign currency options. As a matter of policy, SANYO does not enter into derivative contract for trading or speculative purposes. SANYO applies ASC815, Derivatives and Hedging (former SFAS No.133, Accounting for Derivative Instruments and Hedging Activities). SANYO recognizes principally all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair value. The change in the fair value of a derivative that does not qualify for hedge accounting is recognized in earnings in the period of the change. If the derivatives are designated and qualify as cash flow hedges, changes in fair value are first recorded in other comprehensive income or loss, and then reclassified into earnings in the periods during which the hedged item affects earnings. SANYO formally documents hedging risk management objectives and strategies and relationships between the hedging instruments and the hedged items.

Stock-Based Compensation

ASC718, Compensation Stock Compensation (former SFAS No.123 (revised 2004), Accounting for Stock-Based Compensation) requires recognition of the cost of employee services in exchange for the award of equity instruments (including stock options) based on the grant-date fair value of the award, with limited exceptions. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common stock outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of stock options. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 21.

Revenue Recognition

SANYO generates revenue principally through the sale of consumer and industrial products, equipment, and supplies. SANYO 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 collectability is reasonably assured.

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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.

SANYO s policy is to accept product returns only in the case that the products are defective. SANYO 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 liabilities. Estimates for accrued warranty cost are primarily based on historical experience and current information on repair cost.

Historically, SANYO 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.

SANYO 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 Revenue Recognition (former EITF Issue No.01-9, Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor s Products).

Taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statements of operations.

Reclassifications

Certain reclassifications of comparative period have been made to the consolidated financial statements for the years ended March 31, 2009 to conform with the current year presentation.

Discontinued Operations

Throughout the notes to consolidated financial statements, the amounts of discontinued operations related to consolidated statements of operations have been excluded from the prior years, unless indicated otherwise.

Recently Adopted Accounting Standards

In June 2009, FASB issued SFAS No.168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of SFAS No.162 (SFAS 168). SFAS 168 prescribes the ASC as the single source of authoritative nongovernmental U.S. generally accepted

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

accounting principles (GAAP), other than guidance issued by the U.S. Securities and Exchange Commission (SEC). SFAS 168 is effective for interim and annual periods ending after September 15, 2009 and is required to be adopted by SANYO in the second quarter beginning on July 1, 2009. Adoption of SFAS 168 had no material impact on SANYO s consolidated results of operations and financial position. However, references to specific accounting standards in financial statements disclosure have been changed in accordance with the Codification.

In December 2007, FASB issued ASC805, Business Combinations (former SFAS No.141(R), Business Combinations). ASC805 requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value and requires noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity. This changes the accounting for transactions with noncontrolling interest holders. ASC805 is effective for periods beginning on or after December 15, 2008, and has been adopted by SANYO in the first quarter beginning on April 1, 2009. ASC805 will be applied to business combinations occurring after the effective date. ASC805 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. Adoption of ASC805 had no material impact on SANYO s consolidated results of operations and financial position.

In December 2007, FASB issued ASC810, Consolidation (former SFAS No.160 Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No.51). ASC810 requires noncontrolling interests (previously referred to as minority interests in subsidiaries) to be reported as a component of equity. ASC810 has been applied prospectively to all noncontrolling interests, including any that arose before the effective date, which became effective for SANYO from the first quarter beginning on April 1, 2009. Accordingly, noncontrolling interests, which were previously referred to as minority interests in subsidiaries and presented between total liabilities and stockholders equity on the consolidated balance sheets, are now treated as a separate component of equity. Based on this ¥25,150 million is posted therein. Adoption of ASC810 also impacted certain captions previously used on the consolidated financial statements. The presentation and disclosure requirements have been adopted retrospectively and prior year amounts in the consolidated financial statements have been adjusted to conform with ASC810.

In February 2008, FASB issued ASC820, Fair Value Measurements and Disclosures (former FASB Staff Position (FSP) No.157-2, Effective Date of FASB Statement No.157). ASC820 delays the effective date of ASC820 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis. ASC820 is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years and has been adopted by SANYO in the first quarter beginning on April 1, 2009. Adoption of ASC820 had no material impact on SANYO s consolidated results of operations and financial position.

In March 2008, FASB issued ASC815, Derivatives and Hedging (former SFAS No.161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No.133). ASC815 requires to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under ASC815, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position and results of operations. ASC815 is effective for interim and annual periods beginning after November 15, 2008 and has been adopted by SANYO in the year ended March 31, 2009. Adoption of ASC815 had no material impact on SANYO s consolidated results of operations and financial position as it is disclosure only in nature.

In December 2008, FASB issued ASC715, Compensation-Retirement Benefits (former FSP FAS No.132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets). ASC715 requires additional disclosures about plan assets including investment allocation, fair value of major categories of plan assets, development of fair value measurements, and concentrations of risk. ASC715 is effective for interim and annual

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

periods ending after December 15, 2009 and has been adopted by SANYO in the year ended March 31, 2010. Adoption of ASC715 had no material impact on SANYO s consolidated results of operations and financial position as it is disclosure only in nature.

In April 2009, FASB issued ASC320, Investments-Debt and Equity Securities (former FSP FAS No.115-2 and FSP FAS No.124-2, Recognition and Presentation of Other Than Temporary Impairments). ASC320 is intended to provide greater clarity to investors about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. ASC320 applies to debt securities only and requires the separate presentation of losses related to credit deterioration, and losses related to other market factors. ASC320 is effective for interim and annual periods ending after June 15, 2009 and has been adopted by SANYO in the first quarter beginning on April 1, 2009. Adoption of ASC320 had no material impact on SANYO s consolidated results of operations and financial position.

In May 2009, FASB issued ASC855, Subsequent Events (former SFAS No.165, Subsequent Events). ASC855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC855 is effective for interim and annual periods ending after June 15, 2009 and has been adopted by SANYO in the first quarter beginning on April 1, 2009. Adoption of ASC855 had no material impact on SANYO s consolidated results of operations and financial position.

In August 2009, FASB issued Accounting Standards Update (ASU) 2009-05, an update to ASC820, Fair Value Measurements and Disclosures. ASU2009-05 provides amendments to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities. ASU2009-05 provides clarification for circumstances in which a quoted price in an active market for the identical liability is not available. ASU2009-05 is effective for the first reporting period including interim periods beginning after the date of issuance and has been adopted by SANYO in the third quarter beginning on October 1, 2009. Adoption of ASU2009-05 had no material impact on SANYO s consolidated results of operations and financial position.

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

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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.

In October 2009, FASB issued ASU2009-14, Certain Revenue Arrangements That Include Software Elements, an update to ASC985 Software (former AICPA Statement of Position 97-2 Software Revenue Recognition and related guidances). ASU2009-14 modifies the scope of the software revenue recognition guidance to exclude from its requirements non-software components of tangible products and software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product s essential functionality. ASU2009-14 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 ASU2009-14 on its consolidated results of operations and financial position.

Subsequent Events

SANYO has evaluated subsequent events that have occurred subsequent to the financial statement reporting date through the original financial statement issuance date of June 23, 2010 and has determined that there are no events to disclose.

Additionally, SANYO has evaluated subsequent events that have occurred subsequent to June 23, 2010 through the financial statement issuance date of October 1, 2010 and has disclosed subsequent events in Note 25.

3 DISCONTINUED OPERATIONS

To accelerate emphasis and concentration of investments based on the group-wide strategies, on January 21, 2008 SANYO entered into a definitive agreement with Kyocera Corporation to sell its mobile phone business. The sale of the business unit to Kyocera Corporation was completed by way of a spin-off on April 1, 2008. The consideration for the sale of the business was 43,671 million yen, and the gain from the sale of the business was 33,695 million yen.

In accordance with ASC205 (SFAS No.144), operating results of its mobile phone business are presented separately as discontinued operations in the consolidated statements of operations. The cash flows attributable to the discontinued operations are not presented separately from the cash flows attributable to the continuing operations in the consolidated statements of cash flows. In addition, gain from the sale of the business is included in 43,596 million yen of proceeds from sale of business in the consolidated statements of cash flows.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

A summary of selected financial data for the discontinued operations for the year ended March 31, 2009 is as follows:

	Millions of Yen 2009
Total revenues	6,095
Costs and expenses	6,166
Income before income taxes from discontinued operations	32,535
Provision for income taxes from discontinued operations	3,603
Net income from discontinued operations	28,932

4 SECURITIZATION OF TRADE RECEIVABLE

For the years ended March 31, 2010 and 2009, SANYO sold trade receivables mainly to third-party special purpose entities which securitized these receivables. In these securitizations, SANYO retained certain servicing responsibilities. No servicing asset or liability has been recorded because the estimated cost of servicing the receivables approximate market servicing fees. In addition, SANYO retained subordinated interests which amounted to 2,269 million yen and 3,026 million yen as of March 31, 2010 and 2009, respectively.

During the years ended March 31, 2010 and 2009, proceeds from the sale of trade receivables were 131,862 million yen and 139,472 million yen, respectively, and losses recognized from the sale of trade receivables were 236 million yen and 323 million yen, respectively.

5 INVENTORIES

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

	Millions of Yen	
	2010	2009
Finished products	**122,076**	141,041
Work in process	**34,101**	39,125
Raw materials	**77,804**	74,308
Total	**233,981**	254,474

6 INVESTMENTS AND ADVANCES

Summarized financial information for affiliates accounted for under the equity method are as follows:

At March 31, 2010, the principal affiliates are NTT Data SANYO System Corporation, SANYO Electric (Taiwan) Co., Ltd and Dalian Bingshan Group Co., Ltd. in which the Company has a 50.0%, 46.5%, and 30.0% equity interest, respectively.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

During fiscal 2009, the Company acquired 30% of equity interest in Dalian Bingshan Group Co., Ltd by investing 3,557 million yen. The carrying value of the investment in affiliates exceeded 2,448 million yen of SANYO s equity in the underlying net assets by 1,109 million yen. The excess is attributed primarily to the goodwill.

	Millions of Yen	
At March 31, 2010 and 2009	**2010**	**2009**
Current assets	**137,076**	144,856
Noncurrent assets	**69,913**	66,802
Total assets	**206,989**	211,658
Current liabilities	**98,446**	101,137
Noncurrent liabilities	**10,825**	13,537
Total liabilities	**109,271**	114,674
Net assets	**97,718**	96,984
Company s equity in net assets	**38,094**	38,706
Undistributed earnings of affiliates included in retained earnings	**6,661**	10,085
Investments in affiliates	**40,558**	39,818
Advances to affiliates	**1,135**	1,508
Allowance for doubtful accounts in affiliates	**(920)**	(480)

	Millions of Yen	
Years ended March 31, 2010 and 2009	**2010**	**2009**
Results of operations:		
Net sales	**240,651**	326,227
Net income	**4,364**	4,703
Equity in affiliates:		
Net income	**1,316**	1,837
Cash dividends	**849**	1,794
Transactions with affiliates:		
Sales to	**52,489**	110,453
Purchases from	**22,514**	38,864
Number of affiliated companies at March 31		
In Japan	**23**	25
Outside Japan	**26**	29
Total	**49**	54

The aggregate carrying amount and market value of investments in affiliates for which a quoted market price is available as at March 31, 2010 and 2009 are as follows:

Millions of Yen

	2010	2009
Carrying amount	**10,501**	9,202
Market value	**48,822**	25,865

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in prepaid expenses and other (current assets) and securities and other investments (non-current assets) at March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen							
	2010				2009			
	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Equity securities	**9,782**	**15,949**	**6,412**	**245**	11,443	10,961	658	1,140
	9,782	**15,949**	**6,412**	**245**	11,443	10,961	658	1,140
Held-to-maturity:								
Debt securities	**2,373**	**1,887**	**60**	**546**	2,423	1,989		434
	2,373	**1,887**	**60**	**546**	2,423	1,989		434
Total investments in debt and equity securities	**12,155**	**17,836**	**6,472**	**791**	13,866	12,950	658	1,574

Contractual maturities of investments in debt securities classified as held-to-maturity securities at March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen			
	2010		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year				
Due after 1 year through 5 years			50	50
Due after 5 years	2,373	1,887	2,373	1,939
	2,373	1,887	2,423	1,989

Proceeds from the sale of available-for-sale securities for the years ended March 31, 2010 and 2009 were 179 million yen and 1,082 million yen, respectively. The gross realized gains and losses on those sales were 8 million yen and 5 million yen, respectively, for the year ended March 31, 2010. The gross realized gains on those sales was 4 million yen for the year ended March 31, 2009.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Gross unrealized losses and fair value, 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:

	Millions of Yen							
	2010				2009			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:								
Equity securities	615	245			3,384	1,140		
	615	245			3,384	1,140		
Held-to-maturity:								
Debt securities			1,754	546	479	21	1,387	413
			1,754	546	479	21	1,387	413
Total investments in debt and equity securities	615	245	1,754	546	3,863	1,161	1,387	413

When fair value remains continuously below the acquisition cost over a certain period of time and recovery in relatively short period of time is not expected, the impairment in fair value is judged as other than temporary and an impairment loss is recognized to have occurred. However, for held-to-maturity securities, other factors are examined, such as whether the Company has both the will and ability to hold the securities over a period long enough so that recovery of fair value can be expected.

For fiscal 2010 and 2009, SANYO recorded 483 million yen and 474 million yen as impairment loss of available-for-sale securities.

As of March 31, 2010, the table above includes 13 securities that are available-for-sale and 3 securities that have been designated as held-to-maturity for which unrealized losses were recorded. 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 aggregate cost of non-marketable equity securities accounted for using the cost method totaled 6,106 million yen and 6,365 million yen at March 31, 2010 and 2009, respectively. The Company uses the cost method, as it is not practicable to measure the fair value. Non-marketable equity securities are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

8 FAIR VALUE MEASUREMENTS

According to ASC820 Fair Value Measurements and Disclosures (former FASB Statement No.157), fair value is defined as either the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC820 establishes a 3-level fair value hierarchy as shown below based on the quality of inputs used to measure fair value in terms of the degree of objectivity applied.

Level 1 — Level 1 inputs are unadjusted quoted market prices in active markets for identical assets and liabilities

Level 2 — Level 2 inputs include:

1) quoted prices for similar assets or liabilities in active markets

2) quoted prices for identical or similar assets or liabilities in markets that are not active

3) inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Level 3 inputs are unobservable inputs used to measure fair value of assets and liabilities

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2010 and 2009 are as follows:

	Millions of Yen 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Available-for-sale securities	15,949			15,949
Derivatives		102		102
Total:	15,949	102		16,051
Liabilities:				
Derivatives		718		718
Total:		718		718

	Millions of Yen 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Available-for-sale securities	10,860	101		10,961
Derivatives		364		364
Total:	10,860	465		11,325

Liabilities:		
Derivatives	1,178	1,178
Total:	1,178	1,178

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Available-for-sale securities

Level 1 include listed stocks which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 include investment trust funds which are valued using inputs other than quoted market prices that are observable. Fair values are evaluated according to market values based on observable market data provided by financial institutions.

Derivatives

Derivatives include foreign exchange forward contracts and interest-rate swap agreements. These are categorized as Level 2 because the fair values derived using quotes from brokers which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and interest rates.

Assets and liabilities measured at fair value on a nonrecurring basis

Assets and liabilities measured at fair value on a nonrecurring basis for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen 2010				
		fair value			
	Level 1	Level 2	Level 3	Total	income (loss)
Assets:					
Assets held for sale			11,830	11,830	(5,449)
Tangible fixed assets			1,450	1,450	(6,949)
Other current assets			1,399	1,399	(141)
Equity securities investments, at cost			53	53	(281)
Total:			14,732	14,732	(12,820)
Liabilities:					
Liabilities held for sale			11,350	11,350	
Total:			11,350	11,350	

	Millions of Yen 2009				
		fair value			
	Level 1	Level 2	Level 3	Total	income (loss)
Assets:					
Held-to-maturity securities		73		73	(127)
Total:		73		73	(127)

Assets and liabilities held for sale

Assets or liabilities held for sale are recorded at their estimated selling price for the sales of the business unit, which is determined based on valuation techniques such as the income approach. Excess portion of carrying value over estimated selling price was recognized as impairment loss. Assets and liabilities held for sale are categorized as Level 3 because the fair values are determined based on unobservable inputs.

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Tangible fixed assets

Tangible fixed assets are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined that an impairment loss has occurred, a loss calculated as the difference between the carrying amount and the fair value, is recognized in the period. Tangible fixed assets are categorized as Level 3 because the fair values are determined based on unobservable inputs, such as future cash flows expected to be generated from the corresponding assets.

Other current assets

Other current assets, such as unutilized real properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined that an impairment loss has occurred, a loss calculated as the difference between the carrying amount and the fair value, is recognized in the period. Other current assets are categorized as Level 3 because their fair values are evaluated mainly using their appraised values based on similar asset transactions or other evaluation techniques such as the discounted cash flow method, which are based on unobservable inputs.

Equity security investments, at cost

Included in Equity security investments, at cost, are unlisted stocks which are valued using the cost method, which are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Cost method investments are categorized as Level 3 as the fair values are evaluated based on unobservable inputs.

Held-to-maturity securities

Included in Held-to-maturity securities are debt securities, which are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Held-to-maturity securities, while not being directly observable, are categorized as Level 2 as the fair values are evaluated based on observable market inputs which are available from financial institutions.

9 LEASES

SANYO has capital and operating leases for certain machinery and equipment and office space. At March 31, 2010 and 2009, the gross amount of machinery and equipment and office space recorded under capital leases amounted to 30,641 million yen and 33,488 million yen, respectively and the related accumulated depreciation was 22,733 million yen and 23,116 million yen, respectively. Rental expenses associated with operating leases amounted to 4,032 million yen and 2,063 million yen for the years ended March 31, 2010 and 2009, respectively.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Future minimum lease payments under capital leases and non-cancelable operating leases at March 31, 2010 are as follows:

	Millions of Yen	
Years ending March 31	**Capital Leases**	**Operating Leases**
2011	4,379	3,235
2012	3,032	2,582
2013	2,241	1,565
2014	1,630	879
2015	817	249
2016 and thereafter	688	240
Total minimum lease payments	12,787	8,750
Less amount representing interest	561	
Present value of net minimum lease payments	12,226	
Less current portion	4,138	
Long-term capital lease obligations	8,088	

10 GOODWILL AND INTANGIBLE ASSETS

Movements in the carrying amount of goodwill for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Balance at beginning of year		2,641
Impairment loss		2,641
Balance at end of year		

The Company recognized an impairment loss of 2,641 million yen during fiscal 2009 related to goodwill of a subsidiary in the Energy business segment. This impairment is due to a decrease in market demand as a result of the global economic slowdown, resulting in the carrying amount of goodwill to exceed the implied fair value of that goodwill. The implied fair value was determined based on discounted cash flows.

Intangible assets not subject to amortization mainly consist of utility rights and telephone rights, with carrying amounts of 721 million yen, and 1,924 million yen as of March 31, 2010 and 2009, respectively.

Intangible assets subject to amortization at March 31, 2010 and 2009 are as follows:

Millions of Yen

	2010		2009	
	Gross Carrying Amounts	**Accumulated Amortization**	**Gross Carrying Amounts**	**Accumulated Amortization**
Software	**17,130**	**9,484**	15,772	7,801
Other	**9,080**	**4,826**	6,917	3,805
Total	**26,210**	**14,310**	22,689	11,606

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Intangible assets subject to amortization acquired during the year ended March 31, 2010 totaled 4,432 million yen, which are primarily consist of software of 1,488 million yen. Estimated weighted average useful lives of software and intangible assets in total used for computing depreciation is 5 years, 6 years, respectively.

Amortization expenses for the years ended March 31, 2010 and 2009 were 3,597 million yen and 4,621 million yen, respectively. Estimated amortization expense for the next five years ending March 31 are 2,873 million yen in 2011, 2,062 million yen in 2012, 1,327 million yen in 2013, 629 million yen in 2014, and 258 million yen in 2015, respectively.

11 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, include bank overdrafts and trade acceptances payable of foreign subsidiaries. The amount of unused lines of credit was approximately 345,000 million yen and 427,000 million yen at March 31, 2010 and 2009, respectively.

Short-term borrowings at March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Short-term bank loans with weighted average interest rate of 2.51% and 2.68% at March 31, 2010 and March 31, 2009, respectively	**54,730**	57,195
	54,730	57,195

Long-term debt at March 31, 2010 and 2009 is as follows:

	Millions of Yen	
	2010	**2009**
Loans, principally from banks and insurance companies with interest rates ranging from 0.60% to 16.00% due 2010 to 2015 at March 31, 2010 and interest rates ranging from 0.40% to 11.25% due 2009 to 2015 at March 31, 2009, respectively:		
Collateralized (Note a)	**1,948**	2,555
Uncollateralized (Note b)	**381,566**	246,599
Uncollateralized bonds (Note c):		
3.35% bonds due May 2009		30,000
1.25% bonds due May 2009		20,000
0.53% bonds due June 2010	**20,000**	20,000
0.82% bonds due June 2013	**10,000**	10,000
1.52% bonds due August 2011	**30,000**	30,000
2.02% bonds due August 2014	**30,000**	30,000
Capital lease obligations	**12,226**	18,042
Subtotal	**485,740**	407,196
Less: amount due within one year	**161,368**	101,924
Total	**324,372**	305,272

Note: (a) These loans belonging to the subsidiary are collateralized against property, plant and equipment of the company with a book value of 4,405 million yen and 6,342 million yen at March 31, 2010 and 2009, respectively.

(b) Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors.

(c) The Company and certain subsidiaries may not pledge their property or assets against any future borrowings without granting the same or equivalent collateral to the bondholders.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The aggregate annual maturities of long-term debt at March 31, 2010 are as follows:

Years ending March 31	Millions of Yen
2012	135,273
2013	48,660
2014	51,405
2015	87,154
2016 and thereafter	1,880
Total	324,372

12 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum payments or an annuity determined by reference to current basic rates of pay, retirement benefits points, length of service and conditions under which the terminations occur. The Company and certain subsidiaries, including those located which are overseas, adopt defined contribution pension plans.

Retirement benefits for their directors of the Company and its principal subsidiaries recognized as the accrued pension balance amounted to 131 million yen and 230 million yen in the fiscal years ended March 31, 2010 and 2009, respectively.

Severance and pension costs including discontinued operations of the Company and its subsidiaries include the following components for the years ended March 31, 2010 and 2009:

	Millions of Yen	
	2010	**2009**
Service cost	**9,669**	10,515
Interest cost	**8,136**	8,048
Expected return on plan assets	**(5,170)**	(6,637)
Amortization:		
Prior service benefit	**(3,098)**	(2,413)
Actuarial losses	**10,975**	9,670
Losses on curtailments and settlements	**362**	
Net periodic benefit cost	**20,874**	19,183

Weighted-average assumptions of the Company and its principal subsidiaries used in determining the net periodic benefit cost for the years ended March 31, 2010 and 2009 are as follows:

	2010	**2009**
Discount rate	**2.2%**	2.2%
Long-term rate of salary increase	**2.4%**	2.6%
Long-term rate of return on plan assets	**3.2%**	3.3%

The long-term rate of return on plan assets is based on the projected and actual return on each pension fund and based on the projected and actual return on each asset class.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The following table sets forth the changes in projected benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2010 and 2009:

	Millions of Yen	
	2010	**2009**
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	**391,537**	416,143
Effects of changing pension plan measurement date pursuant to ASC715		7,167
Service cost	**9,669**	10,515
Interest cost	**8,136**	8,048
Plan participants contributions	**23**	24
Actuarial (gains) losses	**17,377**	(15,410)
Benefits paid	**(32,666)**	(27,889)
Decrease due to sale of mobile business unit		(7,061)
Curtailments and settlements	**(3,480)**	
Projected benefit obligation at end of year	**390,596**	391,537
Change in plan assets:		
Fair value of plan assets at beginning of year	**164,929**	207,840
Effects of changing pension plan measurement date pursuant to ASC715		(4,514)
Actual return on plan assets	**21,827**	(38,421)
Employer contributions	**19,566**	20,036
Plan participants contributions	**23**	24
Benefits paid	**(20,634)**	(16,896)
Decrease due to sale of mobile business unit		(3,140)
Curtailments and settlements	**(2,467)**	
Fair value of plan assets at end of year	**183,244**	164,929
Funded status:		
Projected benefit obligation in excess of plan assets	**207,352**	226,608
Net amount recognized	**207,352**	226,608

The measurement dates of the projected benefit obligation and plan assets as of March 31, 2010 and 2009 are March 31, 2010 and March 31, 2009, respectively.

The accumulated benefit obligations of the Company and its subsidiaries as of March 31, 2010 and 2009 are 339,997 million yen and 341,577 million yen, respectively. The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets at March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**

Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	**387,977**	391,537
Fair value of plan assets	**180,043**	164,929
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	**335,385**	341,577
Fair value of plan assets	**177,378**	164,929

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Weighted-average assumptions of the Company and its principal subsidiaries used in determining the benefit obligations as of March 31, 2010 and 2009 are as follows:

	2010	**2009**
Discount rate	**2.0%**	2.2%
Long-term rate of salary increase	**2.3%**	2.4%

Amounts of the Company and its subsidiaries recognized in the consolidated balance sheets at March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Other assets	**(582)**	
Other liabilities	**4,102**	4,533
Accrued pension and severance costs	**203,832**	222,075
Net amount recognized	**207,352**	226,608

The estimated prior service benefit and actuarial loss of the Company and its subsidiaries for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen
Prior service benefit	(3,406)
Actuarial loss	9,989

The estimated contribution amount to plan assets by the Company and its principal domestic subsidiaries for the year ending March 31, 2011 is 19,885 million yen.

Future benefit payments of the Company and its principal domestic subsidiaries are expected as follows:

Years ending March 31	**Millions of Yen**
2011	20,550
2012	20,079
2013	18,734
2014	18,378
2015	18,460
2016 2020	95,926

Plan Assets

SANYO s investment policy is designed to secure sufficient plan assets to provide future payments of pension benefit to beneficiaries. SANYO designs the basic portfolio consisting of the most suitable combination of assets, i.e., equity securities and debt securities, by taking into consideration the expected long-term rate of return on plan assets and based on this policy, carries out plan asset investment. SANYO verifies the gap between the expected long-term investment returns and the actual investment returns every year and revises the basic portfolio if it is necessary to achieve the long-term rate of return on plan assets.

SANYO manages its plan assets by investing approximately 40% in equity securities, approximately 20% in debt securities, and approximately 40% in other assets, including general accounts of life insurance companies.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Equity securities are mainly listed stocks and investments are appropriately diversified by selecting industries and individual stocks through sufficient investigation and analysis of business performance and growth potential of target companies.

Debt securities are mainly corporate bonds and public bonds including national bonds and municipal bonds and investments are appropriately diversified by selecting issuers and issuing conditions through sufficient investigation and analysis of bond rating, interest rates, redemption dates, and other issuing conditions.

Investments in foreign securities are carried out by selecting target countries and currencies after sufficient investigation of political and economic stability and market characteristics such as payment system and tax system.

For general accounts of life insurance companies, a certain expected rate of return and the principal are guaranteed.

Other include alternative assets, such as hedge funds and asset-backed securities. Hedge fund investments are carried out based on relative value strategy, long-short stock investing strategy and directional trading strategy. Investments in alternative assets are carried out by managing price volatility risk, credit risk and liquidity risk through sufficient investigation and analysis of asset management companies, management techniques, and the characteristic of investment products, such as risk/return, liquidity and evaluation method.

The fair value of SANYO s plan assets by asset class as of March 31, 2010 is as follows. The three-level fair value hierarchy is shown in Note 8, FAIR VALUE MEASUREMENTS of Notes to Consolidated Financial Statements.

		Millions of Yen 2010			
Asset Category	**Investment Form**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents		9,081			9,081
Equity securities	Domestic stock	23,348			23,348
	Foreign stock	1,034			1,034
	Pension fund trust / investment trust (Note a)		51,585		51,585
	Subtotal	24,382	51,585		75,967
Debt securities	National bond, municipal bond. (Note b)	5,607	2,618		8,225
	Corporate bond	98	150		248
	Pension fund trust / investment trust (Note c)		23,915		23,915
	Subtotal	5,705	26,683		32,388
General accounts of life insurance company			39,039		39,039
Other	Hedge fund		21,001		21,001
	Asset-backed securities		669	5,099	5,768
	Subtotal		21,670	5,099	26,769
Total		39,168	138,977	5,099	183,244

Notes: (a) Main targets of equity securities investments through pension fund trusts and investment trusts are listed stocks, domestic stocks accounts for approximately 40% and foreign stocks approximately 60%.

(b) Investment in domestic national and municipal bonds accounts for approximately 30% and foreign national and municipal bonds approximately 70%.

(c) Main targets of debt securities investments through pension fund trusts and investment trusts are public bonds, such as national bonds and municipal bonds, and investment in domestic public bonds accounts for approximately 50% and foreign public bonds approximately 50%.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Level 1 assets include stocks and public bonds, such as national bonds and municipal bonds, which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 assets mainly include pension fund trusts and investment trusts which invest in listed stocks and public bonds such as national bonds and municipal bonds, corporate bonds and general accounts of life insurance companies. Pension fund trusts and investment trusts, which are traded on a day-to-day basis, are valued based on the equity ratio of the total net assets held as calculated by management institution. Corporate bonds are valued using a price announced by industry organization in markets that are not active. General accounts of life insurance company are valued by adding expected return to the principal. Hedge fund products are mostly listed stocks and debt securities, and are valued using its net asset values.

Level 3 assets include asset-backed securities, which are valued by comprehensively assessing future cash flows and the market environment, such as demand and supply.

The reconciliation of the beginning and ending balances of level 3 plan assets of SANYO for the fiscal year ended March 31, 2010 are as follows:

	Millions of Yen
Item	**Asset-backed securities**
Balance at beginning of the year	7,176
Realized gains, net	344
Unrealized losses, net	(510)
Purchase, sales and settlement, net	(1,911)
Transfers out of level 3	
Balance at ending of the year	5,099

The components of plan assets of the Company and its principal domestic subsidiaries as of March 31, 2009 is as follows:

Category	**Ratio**
Equity securities	34%
Debt securities	17%
General accounts of life insurance company	21%
Other	28%
Total	100%

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Amount of prior service benefit and actuarial loss of the Company and its subsidiaries recognized in accumulated other comprehensive income (loss) for the fiscal year ended March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Prior service benefit	30,131	33,229
Actuarial loss	(185,238)	(195,141)
Pension Liability Adjustments included in accumulated other comprehensive income, gross of tax	(155,107)	(161,912)
Impact of tax and noncontrolling interests	2,237	1,853
Pension Liability Adjustments included in accumulated other comprehensive income, net of tax	(152,870)	(160,059)

Amounts change in plan assets and benefit obligations of the Company and its subsidiaries recognized in accumulated other comprehensive income (loss) at March 31, 2010 are as follows:

	Millions of Yen 2010		
	Gross of tax amount	**Tax impact**	**Net of tax amount**
Amortization of prior service benefit	**(3,098)**	**36**	**(3,062)**
Actuarial loss	**(1,072)**	**473**	**(599)**
Amortization of actuarial loss	**10,975**	**(125)**	**10,850**
Total	**6,805**	**384**	**7,189**

Amounts change in plan assets and benefit obligations of the Company and its subsidiaries recognized in accumulated other comprehensive income (loss) at March 31, 2009 are as follows:

	Millions of Yen 2009		
	Gross of tax amount	**Tax impact**	**Net of tax amount**
Amortization of prior service benefit	(2,413)	8	(2,405)
Actuarial loss	(30,051)	1,440	(28,611)
Amortization of actuarial loss	9,670	(30)	9,640
Total	(22,794)	1,418	(21,376)

13 STOCK OPTION PLANS

The Company had a stock option plan to provide for grants of options to purchase shares of common stock for all its directors, corporate auditors, vice presidents, and certain key employees. The options granted vest over two years and are exercisable over a maximum of two years after vesting.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

A summary of stock option plan activity for the years ended March 31, 2009 is as follows:

	Number of Options (shares)	Weighted Average Exercise Price Yen
Options outstanding at March 31, 2008	3,094,000	455
Granted		
Exercised		
Canceled		
Expired	(3,094,000)	(455)
Options outstanding at March 31, 2009		

14 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2010 for the purchase of property, plant and equipment amounted to 27,692 million yen.

In the Energy business segment, SANYO entered into purchase agreements, in which it has committed to purchase certain materials until fiscal 2020. In accordance with the contractual agreements, commitments outstanding at March 31, 2010 amounted to 113,210 million yen.

Contingent liabilities at March 31, 2010 for discounted notes issued in the ordinary course of business and other guaranteed loans amounted to 2,763 million yen and 10,096 million yen, respectively.

No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

SANYO guarantees the quality and performance of its products and services for a certain period.

The movements in the provision for product warranty costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Balance at beginning of year	**4,131**	6,772
Provision for the warranty costs added during the period	**3,152**	2,450
Warranty paid during the period	**(3,320)**	(4,623)
Adjustment	**70**	(468)
Balance at end of year	**4,033**	4,131

SANYO is a defendant in several lawsuits. In the opinion of management, these lawsuits will not materially affect SANYO s operating results, financial position or cash flows.

15 FINANCIAL INSTRUMENTS

SANYO used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade receivables, short-term borrowings, current portion of long-term debt and trade payables

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is based on quoted market prices. (Note 7)

(c) Investments and advances

The fair value of certain investments is based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value cannot be made without incurring excessive costs. (Note 7)

(d) Long-term debt (Excluding current portion of long-term debt)

The fair value of long-term debt is estimated based on the present value of future cash flows using the quoted market price of the same or similar debt securities.

(e) Foreign currency exchange forward contracts and currency options

The fair value of foreign currency exchange forward contracts and currency options is estimated by obtaining quotes from brokers.

(f) Interest rate swap agreements

The fair value of interest rate swap agreements is estimated based on the present value of future cash flows using a quoted market rate such as discounted rate.

SANYO does not hold or issue any financial instruments for trading or speculative purposes.

Although SANYO may be exposed to losses in the event of nonperformance by counterparties or in interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2010 and 2009 are as follows:

						Debit (credit)
	Millions of Yen					
	2010			**2009**		
	Notional Amount	**Carrying Amount**	**Fair Value**	**Notional Amount**	**Carrying Amount**	**Fair Value**
Long-term debt		**(324,372)**	**(330,109)**		(305,272)	(311,040)
Foreign currency forward contracts-selling	**66,185**	**(807)**	**(807)**	49,690	(1,092)	(1,092)
Foreign currency forward contracts-buying	**12,325**	**168**	**168**	7,471	233	233
Currency option contracts-selling				79	(1)	(1)

Currency option contracts-buying				171	10	10
Interest rate swap	**33,702**	**23**	**23**	36,004	36	36

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies.

Considerable judgment is required in certain instances to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16 DERIVATIVES

Risk management policy

SANYO operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. SANYO s activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates.

Derivatives are held in accordance with the formally documented risk management program. SANYO utilizes certain derivatives to manage its foreign currency and interest risk exposure, including those related to forecasted transactions. In addition, SANYO does not enter into derivative contracts for either trading or speculative purposes. The Company or its subsidiaries may be exposed to a risk of loss of confidence in the event of nonperformance by a trading partner, regarding derivative instruments. However, all trading partners maintain a good credit rating and SANYO does not believe there is a risk of nonperformance by any trading partner. Further, SANYO does not enter into any derivative contracts, which it believes may create an unwanted credit risk.

Foreign currency exchange risk management

The Company and certain subsidiaries maintain a foreign currency exchange risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign currency forward contracts and foreign currency options are not designated, and do not qualify as hedges since they do not meet the requirements for hedge accounting. Changes in the fair value of these contracts and the foreign currency translation gains or losses arising from assets and liabilities denominated in foreign currencies are reported as a component of other income and expense in the consolidated statements of operations. At March 31, 2010, the total notional amounts of the SANYO s foreign currency forward contracts was 78,510 million yen and, at March 31, 2009, the total notional amounts of the SANYO s foreign currency forward contracts and foreign currency options were 57,161 million yen and 250 million yen, respectively.

Interest rate risk management

The Company and certain subsidiaries maintain an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. SANYO s goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible. The total notional amounts of the SANYO s interest rate swaps was 33,702 million yen and 36,004 million yen at March 31, 2010 and 2009, respectively.

Fair value hedges

The Company and certain subsidiaries use interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, SANYO agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

Fair value and changes in fair value of the interest rate swaps that were designated and qualified as a fair value hedge were not material and accordingly they were not recorded in the financial statement for the fiscal year ended March 31, 2010.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Cash flow hedges

The Company and certain subsidiaries have entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

Fair value and changes in fair value of the interest rate swaps that were designated and qualified as a cash flow hedge were not material and accordingly they were not recorded in the financial statement for the fiscal year ended March 31, 2010.

The following tables provide a quantitative summary of the derivative instruments, related to risk management activities, as of March 31, 2010 and 2009, and for the fiscal year ended March 31, 2010 and for the three months ended March 31, 2009.

Fair values of derivative instruments as of March 31, 2010 are as follows:

	Millions of Yen			
	2010 Asset Derivatives		2010 Liability Derivatives	
	Consolidated Balance Sheet Location	Fair Value	Consolidated Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	23	Other liabilities	
Foreign exchange contracts	Other assets	660	Other liabilities	1,299
Total		683		1,299

Fair values of derivative instruments as of March 31, 2009 are as follows:

	Millions of Yen			
	2009 Asset Derivatives		2009 Liability Derivatives	
	Consolidated Balance Sheet Location	Fair Value	Consolidated Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	36	Other liabilities	
Foreign exchange contracts	Other assets	539	Other liabilities	1,389
Total		575		1,389

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The effect of derivative instruments on the consolidated statement of operations for the year ended March 31, 2010 and for the year three months ended March 31, 2009 are as follows:

	Millions of Yen			
	2010		Three months ended March 31, 2009	
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Derivatives not designated as hedging instruments				
Interest rate contracts	Other expenses	(13)	Other income	4
Foreign exchange contracts	Other income	915	Other expenses	(1,540)
Total		902		(1,536)

Additional information regarding derivative instruments can be referenced in Note 8, FAIR VALUE MEASUREMENTS and Note 15, FINANCIAL INSTRUMENTS of the Notes to Consolidated Financial Statements.

17 STOCKHOLDERS EQUITY

The Japanese Company Law (the Law) provides that an amount equal to 10% of appropriations be appropriated as a capital reserve or legal reserve until the aggregated amount of capital reserve and legal reserves equal to 25% of stated capital. The capital reserve and legal reserves are restricted from being used as dividends. The amount available for dividends under the Law is based on the amount recorded in the Company s non-consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan.

The Law requires the approval of stockholders meeting for transferring an amount between common stock and capital reserve. Common stock and capital reserve also are available for being transferred to other capital surplus or being used to reduce a deficit mainly upon an approval of stockholders meeting.

18 PREFERRED STOCK

On January 25, 2006, the Company completed a stock subscription agreement with Daiwa Securities SMBC Principal Investments Co., Ltd., Goldman Sachs Group and Sumitomo Mitsui Banking Corporation for the purpose of further accelerating and driving forward the structural reforms and executing the capital investment necessary for a growth strategy centered on future core businesses.

At the extraordinary stockholders meeting held on February 24, 2006, the issuance of 182,600,000 shares of Series 1 Class A Preferred Stock and of 246,100,000 shares of Series 1 Class B Preferred Stock was approved. On March 14, 2006, the Company issued 182,542,200 shares of Series 1 Class A Preferred Stock and 246,029,300 shares of Series 1 Class B Preferred Stock at an issue price of 700 yen each. The total issue amount was 127,780 million yen for the Class A shares and 172,220 million yen for the Class B shares.

During the period from September 18, 2009 to December 21, 2009, some of the stockholders converted all of their Series 1 Class A and Class B Preferred Stocks to common stock. This led to a retirement of all shares of the Series 1 Class A and Class B Preferred Stocks as of December 25, 2009.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The terms of the preferred stock were as follows:

Series 1 Class A Preferred Stock

1) A share of the Series 1 Class A Preferred Stock (issue price being 700 yen) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from March 14, 2007 to March 13, 2026. Therefore, each share of the Series 1 Class A Preferred Stock may be converted into ten shares of common stock.

2) The dividends and interim dividends for the Series 1 Class A Preferred Stock shall be paid in the same priority as dividends to common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the paragraph above.

3) In the case of the distribution of residual assets, for each share of the Series 1 Class A Preferred Stock, 700 yen shall be paid to the stockholders of the Series 1 Class A Preferred Stock in preference to the common stockholders.

4) The Series 1 Class A Preferred Stock shall have voting rights at a Stockholders Meetings.

5) The number of shares of the Series 1 Class A Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

Series 1 Class B Preferred Stock

1) A share of the Series 1 Class B Preferred Stock (issue price being 700 yen) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from the day immediately after the Payment Date to March 13, 2026. Therefore, each share of the Series 1 Class B Preferred Stock may be converted into ten shares of common stock.

2) The dividends and interim dividends for the Series 1 Class B Preferred Stock shall be paid in the same priority as dividends to common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the paragraph above.

3) In the case of the distribution of residual assets, for each share of the Series 1 Class B Preferred Stock, 700 yen shall be paid to the stockholders of the Series 1 Class B Preferred Stock in preference to the common stockholders.

4) The Series 1 Class B Preferred Stock shall not have voting rights at a Stockholders Meetings unless otherwise stipulated by law.

5) The number of shares of the Series 1 Class B Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

In accordance with ASC480, Distinguishing Liabilities from Equity (former SFAS No.150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity), the Company analyzed and classified the preferred stock as equity since the preferred stock is not mandatorily redeemable, is not a financial instrument, other than an outstanding share that embodies an obligation to repurchase the Company s equity shares and that requires the transfer of Company s assets to settle the obligation, nor does it embody any unconditional obligation to settle by issuing a variable number of its common stock at conversion of the preferred stock.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

19 INCOME TAXES

SANYO is subject to a number of different income taxes which, in aggregate, result in a statutory income tax rate in Japan of approximately 40.7% for the year ended March 31, 2010 and 40.7% for 2009.

Income (loss) before income taxes and income taxes for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		
	Domestic	**Foreign**	**Total**
For the year ended March 31, 2010:			
Income (loss) before income taxes	(54,768)	16,442	(38,326)
Income taxes:			
Current	4,122	8,808	12,930
Deferred	(154)	357	203
Total income taxes	3,968	9,165	13,133
For the year ended March 31, 2009:			
Income (loss) before income taxes	(108,341)	(5,407)	(113,748)
Income taxes:			
Current	2,029	10,328	12,357
Deferred	(6,544)	(395)	(6,939)
Total income taxes	(4,515)	9,933	5,418

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2010 and 2009 are as follows:

	2010	**2009**
Statutory income tax rate	**40.7%**	40.7%
(Decrease) increase in taxes resulting from:		
Change in valuation allowance	**(79.5)**	(46.2)
Expenses not deductible for tax purposes and income not taxable, net	**(6.9)**	(1.1)
Tax credits	**0.0**	0.0
Differences in statutory tax rates of foreign subsidiaries	**8.8**	2.1
Other	**2.6**	(0.3)
Effective income tax rate	**(34.3)%**	(4.8)%

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Deferred income tax assets:		
Accrued pension and severance costs	**83,192**	89,846
Accrued expenses	**21,716**	22,208
Operating loss carryforwards	**221,077**	199,373
Inventories	**17,849**	18,865
Allowance for doubtful accounts	**2,102**	2,592
Property, plant and equipment	**46,718**	52,964
Long-term investments	**9,404**	5,586
Enterprise taxes	**497**	210
Other	**2,744**	1,419
Gross deferred income tax assets	**405,299**	393,063
Less valuation allowance	**(389,213)**	(375,098)
Total deferred income tax assets	**16,086**	17,965
Deferred income tax liabilities:		
Investment in affiliates	**(6,714)**	(5,068)
Unrealized gains on securities	**(437)**	
Other	**(725)**	(2,484)
Gross deferred income tax liabilities	**(7,876)**	(7,552)
Net deferred income tax assets	**8,210**	10,413

Current deferred income tax liabilities of 307 million yen and 15 million yen for the year ended March 31, 2010 and 2009, have been included in other liabilities in the consolidated balance sheets.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and operating loss carryforwards utilized. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred income tax assets are deductible, management believes it is more likely than not that SANYO will realize the benefits of these deductible differences, net of existing valuation allowances at March 31, 2010 and 2009.

Net changes in the total valuation allowance for the year ended March 31, 2010 was an increase of 14,115 million yen. Operating loss carryforwards at March 31, 2010 amounted to approximately 565,390 million yen and are available for offset against future taxable income. These will expire mainly in the periods ending from March 31, 2011 through 2017. 515,185 million yen of operating loss carryforwards is attributable to the Japanese consolidated companies which is included in the Company, 177,480 million yen will expire in the periods ending March 31, 2011 through 2013 and 261,384 million yen will expire in the periods ending from March 31, 2014 through 2016. Operating loss carryforwards of 35,750 million yen which are recorded in subsidiaries in Germany, Hong Kong, Malaysia, England, Hungary and Brazil will not expire.

F-99

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

SANYO has not recognized deferred tax liabilities related to a portion of undistributed earnings of foreign subsidiaries and overseas corporate joint ventures, which arose for the year ended March 31, 2010 and prior years, because SANYO currently does not expect to have such amounts distributed or paid as dividends to the parent company in the foreseeable future. The amount of undistributed earnings of foreign subsidiaries and overseas corporate joint ventures for which no deferred income tax liability has been provided amounted to 86,595 million yen at March 31, 2010. A deferred income tax liability for the undistributed earnings will be recognized when the collection of undistributed earnings through cash dividends or sale of the investments is anticipated. It is not practicable to determine the deferred tax liability for undistributed earnings of foreign subsidiaries and overseas corporate joint ventures.

On April 1, 2007, SANYO adopted ASC740, Income Taxes (former FASB Interpretation No.48, Accounting for Uncertainty in Income Taxes).

Reconciliations of the beginning and ending amount of total unrecognized tax benefits are as follows:

	Millions of Yen	
	2010	**2009**
Balance at beginning of year	**3,341**	1,265
Increase related to current tax year positions	**434**	2,149
Increase related to previous fiscal year tax positions	**1,006**	
Decrease related to previous fiscal year tax positions	**(611)**	(73)
Settlements	**(38)**	
Foreign currency translation adjustments	**(344)**	
Balance at end of year	**3,788**	3,341

3,788 million yen and 3,341 million yen of unrecognized tax benefits at March 31, 2010 and 2009, respectively, represent potential tax benefits that if recognized, would reduce the effective tax rate on income from continuing operations.

SANYO believes that it has made adequate provision for all income tax uncertainties. However, certain uncertainties regarding the final results of tax examination may affect the effective tax rate in the future. At March 31, 2010, we do not expect any significant changes in unrecognized tax benefits in the next 12 months.

Interest and penalties recognized in the consolidated statements of operations are included in provision for income taxes and accrued interest and penalties in the consolidated balance sheets are included in other non-current liabilities. The total amounts of accrued interest and penalties as of March 31, 2010 and interest and penalties included in the consolidated statement of operations for the year then ended were not material.

The Japanese tax authority completed income tax examinations up to the fiscal year ended March 31, 2004 for the Company and up to the fiscal year ended March 31, 2003 for its domestic subsidiaries. The Company s foreign subsidiaries, including the United States and China, have completed their income tax examinations by their respective local tax authorities up to the fiscal year ended March 31, 2003.

20 RESEARCH AND DEVELOPMENT, SHIPPING AND HANDLING, AND ADVERTISING EXPENSES

Research and development expenses for the years ended March 31, 2010 and 2009 were 62,501 million yen and 75,434 million yen, respectively.

Shipping and handling expenses which are included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were 23,793 million yen and 31,801 million yen, respectively.

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Advertising expenses which are included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were 8,673 million yen and 10,965 million yen, respectively.

21 INCOME (LOSS) PER SHARE

Income (loss) per share for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Basic income (loss) per share calculation:		
Income (loss) attributable to SANYO (numerator):		
Net loss from continuing operations	**(48,789)**	(122,158)
Amount allocated to participating preferred stockholders	**(22,495)**	(85,251)
Loss from continuing operations available to common stockholders	**(26,294)**	(36,907)
Net income from discontinued operations		28,932
Amount allocated to participating preferred stockholders		20,191
Income available to common stockholders		8,741
Net loss	**(48,789)**	(93,226)
Amount allocated to participating preferred stockholders	**(22,495)**	(65,060)
Loss available to common stockholders	**(26,294)**	(28,166)
Shares, thousands (denominator):		
Weighted average number of Shares	**3,309,783**	1,855,386
Basic income (loss) per share:		
Net loss attributable to SANYO from continuing operations	**(7.94)**	(19.89)
Net income attributable to SANYO from discontinued operations		4.71
Net loss attributable to SANYO	**(7.94)**	(15.18)
Diluted income (loss) per share calculation:		
Income (loss) attributable to SANYO (numerator):		
Net loss from continuing operations		(122,158)
Amount allocated to participating preferred stockholders		(85,251)
Loss from continuing operation available to common stockholders		(36,907)
Net income from discontinued operations		28,932
Amount allocated to participating preferred stockholders		20,191
Income available to common stockholders		8,741
Net loss		(93,226)
Amount allocated to participating preferred stockholders		(65,060)
Loss available to common stockholders		(28,166)
Shares, thousands (denominator):		
Weighted average number of shares		1,855,386
Diluted income (loss) per share:		
Net loss attributable to SANYO from continuing operations		(19.89)
Net income attributable to SANYO from discontinued operations		4.71
Net loss attributable to SANYO		(15.18)

(Note) Diluted net income (loss) attributable to SANYO per share is not presented since no dilutive shares existed for the year ended March 31, 2010.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

22 SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF OPERATIONS

Supplementary information to the consolidated statements of operations for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen 2010	Millions of Yen 2009
Other income:		
Gain on sale of equity securities	**82**	429
Net rental income received	**845**	2,324
Equity in earnings of affiliated companies	**1,316**	1,837
Gain on sale of fixed assets		235
Other (a)	**14,301**	13,566
Total	**16,544**	18,391
Other expenses:		
Restructuring charges (b)	**15,889**	75,358
Exchange loss, net	**1,823**	12,045
Impairment loss on investment securities	**809**	593
Impairment loss on fixed assets (c)	**6,822**	5,427
Other (d)	**53,643**	39,228
Total	**78,986**	132,651

Note: (a) Other

For the year ended March 31, 2010 and 2009, other income includes 536 million yen and 1,865 million yen for royalty revenue for technological support, respectively.

(b) Restructuring charges

For the year ended March 31, 2010 and 2009, SANYO recorded restructuring charges of 15,889 million yen and 75,358 million yen, respectively.

The details of the restructuring charges by business segments for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen 2010	Millions of Yen 2009
Energy	**991**	6,844
Electronic device	**3,096**	58,401
Digital system	**2,310**	3,977
Commercial	**7,498**	4,484
Consumer electronics	**222**	18
Other	**70**	3

Corporate	**1,702**	1,631
Total	**15,889**	75,358

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Energy

For the year ended March 31, 2010, SANYO liquidated certain consolidated subsidiaries. As a result, SANYO recorded a restructuring charge of 991 million yen which consists mainly of the costs associated with severance payments of 711 million yen and impairment losses on fixed assets of 268 million yen.

For the year ended March 31, 2009, SANYO withdrew from certain businesses. As a result, SANYO recorded a restructuring charge of 6,844 million yen, which consists mainly of impairment losses on fixed assets of 4,176 million yen and an impairment loss on goodwill of 2,641 million yen.

Electronic device

For the year ended March 31, 2010, SANYO implemented a special career support plan. As a result, SANYO recorded a restructuring charge of 3,096 million yen, which consists mainly of severance payments of 2,483 million yen.

For the year ended March 31, 2009, SANYO reduced the workforce of the Semiconductor business, as a result of a management review of its future profitability. The Semiconductor business deteriorated due to a decline in the Semiconductor market in the second half of fiscal 2009. As a result, SANYO recorded a restructuring charge of 58,401 million yen, which consists mainly of impairment losses on fixed assets of 46,128 million yen.

Digital system

For the year ended March 31, 2010, SANYO liquidated a consolidated subsidiary and settled its pensions. As a result, SANYO recorded a restructuring charge of 2,310 million yen, which consists mainly of the settlement costs of subsidiaries pension of 1,498 million yen by purchasing an annuity contract and the severance payments of 561 million yen.

For the year ended March 31, 2009, SANYO divested some affiliated companies and restructured the sales force in the TV business. As a result, SANYO recorded a restructuring charge of 3,977 million yen which consists mainly of the costs associated with the liquidation of these affiliated companies of 2,616 million yen.

Commercial

For the year ended March 31, 2010, SANYO implemented a special career support plan. As a result, SANYO recorded a restructuring charge of 7,498 million yen, which consists mainly of severance payments of 7,077 million yen.

For the year ended March 31, 2009, SANYO restructured the commercial air conditioner business in Europe. As a result, SANYO recorded a restructuring charge of 4,484 million yen, which consists mainly of impairment losses on fixed assets of 2,044 million yen.

Consumer electronic

For the year ended March 31, 2010, SANYO implemented a special career support plan. As a result, SANYO recorded a restructuring charge of 222 million yen, which consists of severance payments of 222 million yen.

For the year ended March 31, 2009, SANYO recorded a restructuring charge of 18 million yen which consists of severance payments of 18 million yen.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Other

For the year ended March 31, 2010, SANYO implemented a special career support plan. As a result, SANYO recorded a restructuring charge of 70 million yen, which consists mainly of severance payments of 69 million yen.

For the year ended March 31, 2009, SANYO recorded a restructuring charge of 3 million yen.

Corporate

For the year ended March 31, 2010, SANYO implemented a special career support plan. As a result, SANYO recorded a restructuring charge of 1,702 million yen, which consists of severance payments of 1,702 million yen.

For the year ended March 31, 2009, SANYO recorded a restructuring charge of 1,631 million yen.

The restructuring charges for the year ended March 31, 2010 and 2009 are as follows:

	Millions of Yen				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash impairment and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2009	1,090			605	1,695
Restructuring charges	12,825	268	248	2,548	15,889
Non-cash charges		(268)	(248)		(516)
Cash payments	(13,777)			(2,827)	(16,604)
Balance at March 31, 2010	138			326	464

(Note) Impairment and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets.

	Millions of Yen				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash impairment and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2008	1,103			39	1,142
Restructuring charges	10,559	52,348	3,362	9,089	75,358
Non-cash charges		(52,348)	(3,362)		(55,710)
Cash payments	(10,572)			(8,523)	(19,095)
Balance at March 31, 2009	1,090			605	1,695

(Note) Impairment and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets.

(c) Impairment losses on fixed assets

For the years ended March 31, 2010 and 2009, SANYO recorded impairment losses of 6,822 million yen and 5,427 million yen, respectively. These impairment losses resulted from the review of future cash flows for assets for which the carrying amounts may not be recoverable and decline in the fair value of assets to be disposed of by sale. An impairment loss is calculated as the difference between the carrying amount and fair value of an asset.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The fair value of assets are calculated mainly as present value of estimated future cash flows.

The details of the impairment losses by business segments for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Energy	**2,891**	1,039
Electronic device	**734**	2,383
Digital system		701
Commercial	**1,938**	653
Consumer electronics	**945**	128
Corporate	**314**	523
Total	**6,822**	5,427

For the year ended March 31, 2010, SANYO recorded impairment losses in the Energy business segment as a result of the weakening market related to Rectangular ion battery business. In the Commercial business segment, SANYO recorded impairment losses as a result of a review of future cash flows. In addition, SANYO recorded impairment losses of 268 million yen as restructuring charge.

For the year ended March 31, 2009, SANYO recorded impairment losses as a result of a review of future cash flows, triggered by the rapid deterioration of the market environment in the second half of the fiscal year. In addition, SANYO recorded impairment losses of 52,348 million yen as restructuring charge.

(d) Other

For the year ended March 31, 2010, other expenses include 15,804 million yen mainly of costs for faulty products in the Commercial business segment.

In addition, for the year ended March 31, 2010, other expenses include losses on sale of subsidiaries of the Energy business segment.

In November 2009 SANYO entered into an agreement with FDK Corporation, a subsidiary of Fujitsu Limited, to sale the wholly owned subsidiaries, SANYO Energy Twicell Co., Ltd. and SANYO Energy Tottori Co., Ltd. The sale was completed in January 2010.

The purpose of this agreement was to allow FDK Corporation take over certain businesses in the Energy business segment (previously, the Component business segment) as follows; the business related to nickel-metal hydride batteries, except those for use in vehicles; the business related to cylindrical lithium primary batteries; the business related to coin shaped rechargeable batteries; and a portion of the business related to NiCd battery plate processing.

These sale transactions were undertaken as a result of the tender offer for SANYO shares by Panasonic Corporation and was a necessary step required to obtain approval from the competition authorities of various countries.

Following the sale, SANYO has been outsourcing production of nickel-metal hydride batteries and NiCd battery plate processing to the corresponding companies which were sold.

The sale of the two companies resulted in a loss of 10,183 million yen, which has been entirely included in other expenses.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Proceeds from sale of the subsidiaries has been included in 5,183 million yen of proceeds from sale of the business in the consolidated statements of cash flows.

For the year ended March 31, 2009, other expenses include 14,664 million yen mainly of costs for faulty products in the Commercial business segment.

23 SUPPLEMENTARY INFORMATION OF CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplementary information relating to the consolidated statements of cash flows for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen	
	2010	**2009**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**14,109**	12,600
Income taxes (net)	**8,990**	11,339

For the years ended March 31, 2010 and 2009, acquired capital lease assets were 1,171 million yen and 4,067 million yen, respectively.

24 SEGMENT INFORMATION

In fiscal 2010, SANYO adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 280, Segment Reporting (former Statement of Financial Accounting Standards (SFAS) No.131, Disclosures about Segment of an Enterprise and Related Information), in accordance with Foreign Issuer Reporting Enhancements by the U.S. Securities and Exchange Commission (SEC), which eliminated exemption of segment disclosure requirements.

Business Segments

In accordance with the provisions of ASC280, the segments reported are the components of SANYO for which separate financial information is available that is evaluated regularly by the chief operating decision maker of SANYO in deciding how to allocate resources and in assessing performance.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Business segments correspond to SANYO s businesses based on its organizational structure. Energy covers products such as rechargeable batteries, and PV systems. Electronic device covers products such as electronic components and semiconductors. Digital system covers imaging products such as digital cameras, televisions, and projectors. Commercial covers products such as commercial equipment, including showcases, commercial kitchen equipment, air conditioners, and washing machines. Consumer electronics covers products such as home appliances, including refrigerators, and car navigation systems. Other comprises of supporting businesses within the SANYO Electric Group. Information by segment for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	**2009**
Net Sales and Other Operating Revenue:		
Energy		
External customers	**419,177**	461,376
Intersegment	**22,623**	15,926
Total	**441,800**	477,302
Electronic device		
External customers	**303,943**	312,500
Intersegment	**25,506**	46,086
Total	**329,449**	358,586
Digital system		
External customers	**319,985**	366,648
Intersegment	**7,670**	12,161
Total	**327,655**	378,809
Commercial		
External customers	**396,094**	461,888
Intersegment	**24,928**	20,183
Total	**421,022**	482,071
Consumer electronics		
External customers	**229,110**	204,763
Intersegment	**11,078**	18,661
Total	**240,188**	223,424
Other		
External customers	**3,381**	10,737
Intersegment	**3,869**	4,121
Total	**7,250**	14,858
Corporate and eliminations	**(110,019)**	(93,883)
Consolidated	**1,657,345**	1,841,167
Segment Profit (loss):		
Energy	**23,849**	47,194

Electronic device	**2,052**	(26,679)
Digital system	**9,962**	12,025
Commercial	**7,246**	(2,138)
Consumer electronics	**9,414**	(2,116)
Other	**373**	375
Corporate and eliminations	**(20,614)**	(20,385)
Consolidated	**32,282**	8,276
Interest and dividends	**2,297**	4,343
Other income	**16,544**	18,391
Interest	**(10,463)**	(12,107)
Other expenses	**(78,986)**	(132,651)
Loss from continuing operations, before income taxes	**(38,326)**	(113,748)

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

	Millions of Yen	
	2010	**2009**
Assets:		
Energy	**466,397**	448,295
Electronic device	**227,854**	212,159
Digital system	**202,294**	209,497
Commercial	**298,714**	310,866
Consumer electronics	**133,524**	104,460
Other	**8,890**	14,817
Corporate and eliminations	**53,600**	45,309
Consolidated	**1,391,273**	1,345,403
Depreciation and Amortization:		
Energy	**34,565**	25,401
Electronic device	**9,109**	24,942
Digital system	**4,841**	5,804
Commercial	**8,788**	9,578
Consumer electronics	**3,845**	4,814
Other	**101**	184
Corporate and eliminations	**7,047**	6,610
Consolidated	**68,296**	77,333
Capital Expenditure:		
Energy	**44,942**	66,968
Electronic device	**12,595**	19,447
Digital system	**5,006**	5,784
Commercial	**6,898**	7,490
Consumer electronics	**3,138**	4,332
Other	**90**	54
Corporate and eliminations	**3,459**	6,826
Consolidated	**76,128**	110,901

In accordance with ASC205 Presentation of Financial Statements Discontinued Operations (former FASB statement No.144, Accounting for the Impairment of Disposal of Long-Lived Assets), operating results from discontinued operations are excluded from the above segment information.

Fundamental research and development expenses, and corporate expenses relating to administrative and management functions of SANYO s head office are included in corporate and eliminations. Corporate assets consist of cash and cash equivalents, time deposits, investments and other unallocated assets of headquarters.

Intersegment trading is conducted based on the same price used in transactions with third parties.

As described in Property, Plant and Equipment and Depreciation in 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements, SANYO elected to change the depreciation method of major property, plant and equipment, and has also reviewed the useful lives. As a result, for fiscal 2010, in Energy, segment profit decreased by 2,532 million yen, compared with the amount which would have been recognized under the previous method. In Electronic device, segment profit decreased by 376 million yen, compared with the amount which would have been recognized under the previous method. In Digital system, segment profit decreased by 1,048 million yen, compared with the amount which would have

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

been recognized under the previous method. In Commercial, segment profit decreased by 831 million yen, compared with the amount which would have been recognized under the previous method. In Consumer electronics, segment profit increased by 783 million yen, compared with the amount which would have been recognized under the previous method.

In Other, segment profit decreased by 9 million yen, compared with the amount which would have been recognized under the previous method. In the Corporate, segment profit decreased by 650 million yen, compared with the amount which have been recognized under the previous method.

Geographic Information

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

	Millions of Yen	
	2010	**2009**
Net Sales and Other Operating Revenue:		
Japan	**686,288**	735,222
Asia	**562,269**	612,437
North America	**203,128**	231,870
Europe	**138,497**	192,473
Other	**67,163**	69,165
Consolidated	**1,657,345**	1,841,167
China included in Asia	**355,987**	378,661
United States included in North America	**186,856**	218,559
Long-Lived Assets:		
Japan	**298,569**	290,103
Asia	**62,453**	85,654
North America	**14,848**	9,669
Europe	**7,562**	7,865
Other	**463**	322
Consolidated	**383,895**	393,613
China included in Asia	**38,952**	49,260

There are no individual material countries which should be separately disclosed, except for Japan, the United States, and China on net sales and other operating revenue. There are no individual material countries which should be separately disclosed, except for Japan and China on long-lived assets. There are no material sales to a single external customer.

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The table below shows net sales and other operating revenue, geographic profit, and assets of SANYO by geographic segment based on the country location of SANYO for the years ended March 31, 2010 and 2009. In addition to information required in ASC280 Segment Reporting, SANYO discloses this information as supplemental information pursuant to the disclosure requirements of the Financial Instruments and Exchange Act of Japan.

	Millions of Yen	
	2010	**2009**
Net Sales and Other Operating Revenue:		
Japan		
External customers	**938,949**	1,002,158
Intersegment	**378,488**	426,556
Total	**1,317,437**	1,428,714
Asia		
External customers	**388,865**	437,181
Intersegment	**396,743**	437,745
Total	**785,608**	874,926
North America		
External customers	**190,726**	213,902
Intersegment	**12,756**	8,504
Total	**203,482**	222,406
Other		
External customers	**138,805**	187,926
Intersegment	**8,548**	8,483
Total	**147,353**	196,409
Corporate and eliminations	**(796,535)**	(881,288)
Consolidated	**1,657,345**	1,841,167
Geographic Profit:		
Japan	**34,051**	4,815
Asia	**22,203**	20,831
North America	**4,881**	4,347
Other	**1,005**	1,340
Corporate and eliminations	**(29,858)**	(23,057)
Consolidated	**32,282**	8,276
Assets:		
Japan	**886,976**	871,670
Asia	**355,582**	347,778
North America	**106,732**	100,663
Other	**75,876**	75,876

Corporate and eliminations	**(33,893)**	(50,584)
Consolidated	**1,391,273**	1,345,403

Table of Contents

SANYO Electric Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Segmentation of countries and regions based on geographic proximity. The main countries or regions that belong to other than Japan are as follows:

Asia	:	South Korea, China (including Hong Kong), Taiwan, Thailand, Malaysia, Singapore, Indonesia, Vietnam, and Philippines
North America	:	the United States, and Canada
Other	:	the United Kingdom, Germany, Italy, Australia, Hungary, and United Arab Emirates

In accordance with ASC205 Presentation of Financial Statements Discontinued Operations , operating results from discontinued operations are excluded from the above segment information.

As described in Property, Plant and Equipment and Depreciation in 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements, SANYO elected to change the depreciation method of major property, plant and equipment and, has also reviewed the useful lives. As a result, for fiscal 2010, geographic profit in Japan decreased by 4,663 million yen, compared to the amount which would have been recognized under the previous method.

25 SUBSEQUENT EVENTS

SANYO accepted a tender offer from LS Holdings Co., Ltd., a company owned by an investment fund managed by the Longreach Group, for shares of SANYO Electric Logistics Co., Ltd. The tender offer period was from May 26, 2010 through July 15, 2010 and SANYO decided to accept the offer and sold all applicable shares effective July 30, 2010.

ON Semiconductor Corporation and SANYO signed a definitive purchase agreement providing for the divestiture of SANYO Semiconductor Co., Ltd., and other assets related to SANYO Electric's semiconductor business by December 31, 2010. The acquiring company is Semiconductor Components Industries LLC., a 100%-owned subsidiary of ON Semiconductor Corporation.

Table of Contents

APPENDIX A

SHARE EXCHANGE AGREEMENT (ENGLISH TRANSLATION)

A-1

Table of Contents

APPENDIX B

FAIRNESS OPINION (ENGLISH TRANSLATION)

B-1

Table of Contents

APPENDIX C

[English Translation for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.]

Company Law

Law No. 86 of July 26, 2005

Part V Entity Conversion, Merger, Company Split, Share Exchange, and Share Transfer

Chapter IV Share Exchange and Share Transfer

SECTION 1 *Share Exchange*

Subsection 1 Common Provisions

(Conclusion of a Share Exchange Agreement)

Article 767 A Stock Company may effect Share Exchange. In such cases, the Stock Company shall conclude a Stock Exchange agreement with the company acquiring all of its Issued Shares (limited to a Stock Company or a Limited Liability Company; hereinafter referred to as the Wholly Owning Parent Company in Share Exchange in this Part).

Subsection 2 Share Exchange Which Causes a Stock Company to Acquire the Issued Shares

(Share Exchange Agreement Which Causes a Stock Company to Acquire the Issued Shares)

Article 768 In the case where a Stock Company effects a Share Exchange, if the Wholly Owning Parent Company in Share Exchange is a Stock Company, it shall prescribe the following matters in the Share Exchange agreement:

(i) the trade names and domiciles of the Stock Company effecting the Share Exchange (hereinafter referred to as the Wholly Owned Subsidiary Company in Share Exchange in this Part) and the Wholly Owning Parent Company in Share Exchange which is a Stock Company (hereinafter referred to as the Wholly Owning Parent Stock Company in Share Exchange in this Part);

(ii) if the Wholly Owning Parent Stock Company in Share Exchange is to deliver to shareholders of the Wholly Owned Subsidiary Company in Share Exchange Monies, etc. in lieu of the shares thereof when effecting the Share Exchange, the following matters concerning such Monies, etc.:

(a) if such Monies, etc. are shares of the Wholly Owning Parent Stock Company in Share Exchange, the description of the number of such shares (or, for a Company with Class Shares, the classes of the shares and the number of the shares for each class) or the method for calculating such numbers, and matters concerning the amount of the stated capital and capital reserves of the Wholly Owning Parent Stock Company in Share Exchange;

(b) if such Monies, etc. are Bonds of the Wholly Owning Parent Stock Company in Share Exchange (excluding those pertaining to Bonds with Share Options), the description of the classes of such Bonds and the total amount for each class of Bonds, or the method for calculating that total amount;

(c) if such Monies, etc. are Stock Options of the Wholly Owning Parent Stock Company in Share Exchange (excluding those attached to Bonds with Share Options), the description of the features and number of such Share Options, or the method for calculating such number;

(d) if such Monies, etc. are Bonds with Share Options of the Wholly Owning Parent Stock Company in Share Exchange, the matters prescribed in (b) concerning such Bonds with Share Options and the matters prescribed in (c) concerning the Share Options attached to such Bonds with Share Options; or

Table of Contents

(e) if such Monies, etc. are property other than shares, etc. of the Wholly Owning Parent Stock Company in Share Exchange, the description of the features and number or amount of such property, or the method for calculating such number or amount;

(iii) in the case prescribed in the preceding item, matters concerning the allotment of Monies, etc. set forth in that item to shareholders of the Wholly Owned Subsidiary Company in Share Exchange (excluding the Wholly Owning Parent Stock Company in Share Exchange);

(iv) if the Wholly Owning Parent Stock Company in Share Exchange is to deliver to holders of Share Options of the Wholly Owned Subsidiary Company in Share Exchange Share Options of the Wholly Owning Parent Stock Company in Share Exchange in lieu of such Share Options at the time of the Share Exchange, the following matters concerning such Share Options:

(a) the description of the features of the Share Options (hereinafter referred to as Share Options under Share Exchange Agreement in this Part) held by holders of Share Options of the Wholly Owned Subsidiary Company in Share Exchange who will receive delivery of Share Options of the Wholly Owning Parent Stock Company in Share Exchange;

(b) the description of the features and number of Share Options of the Wholly Owning Parent Stock Company in Share Exchange to be delivered to holders of Share Options under Share Exchange Agreement, or the method for calculating such number; and

(c) if Share Options under Share Exchange Agreement are Share Options attached to Bonds with Share Options, a statement to the effect that the Wholly Owning Parent Stock Company in Share Exchange will succeed to the obligations relating to the Bonds pertaining to such Bonds with Share Options and the description of the classes of the Bonds subject to such succession and the total amount for each class of Bonds, or the method for calculating that total amount;

(v) in the case prescribed in the preceding item, matters concerning the allotment of the Share Options of the Wholly Owning Parent Stock Company in Share Exchange set forth in that item to holders of Share Options under Share Exchange Agreement; and

(vi) the day on which the Share Exchange becomes effective (hereinafter referred to as the Effective Day in this Section).

(2) In the case prescribed in the preceding paragraph, if the Wholly Owned Subsidiary Company in Share Exchange is a Company with Class Shares, the Wholly Owned Subsidiary Company in Share Exchange and the Wholly Owning Parent Stock Company in Share Exchange may provide for the following matters in prescribing the matters set forth in item (iii) of that paragraph in accordance with the features of the classes of shares issued by the Wholly Owned Subsidiary Company in Share Exchange:

(i) if there is any arrangement that no Monies, etc. are allotted to shareholders of a certain class of shares, a statement to such effect and such class of shares; and

(ii) in addition to the matters listed in the preceding item, if there is any arrangement that each class of shares shall be treated differently with respect to allotment of Monies, etc., a statement to such effect and the details of such different treatment.

(3) In the case prescribed in paragraph (1), the provisions on the matters listed in item (iii) of that paragraph shall be such that the Monies, etc. are delivered in proportion to the number of the shares (or, in cases where there are provisions on the matters listed in item (ii) of the preceding paragraph, the number of the shares of each class) held by shareholders of the Wholly Owned Subsidiary Company in Share Exchange (excluding the Wholly Owning Parent Stock Company in Share Exchange and shareholders of the class of shares referred to in item (i) of the preceding paragraph).

(Effectuation, etc. of a Share Exchange Which Causes a Stock Company to Acquire the Issued Shares)

Article 769 The Wholly Owning Parent Stock Company in Share Exchange shall acquire all of the Issued Shares of the Wholly Owned Subsidiary Company in Share Exchange (excluding shares of the Wholly Owned Subsidiary Company in Share Exchange already held by the Wholly Owning Parent Stock Company in Share Exchange) on the Effective Day.

(2) In the case set forth in the preceding paragraph, the Wholly Owned Subsidiary Company in Share Exchange shall be deemed to have given the approval set forth in Article 137(1) with regard to the acquisition of shares of the Wholly Owned Subsidiary Company in Share Exchange (limited to Shares with a Restriction on Transfer, and excluding those already held by the Wholly Owning Parent Stock Company in Share Exchange prior to the Effective Day) by the Wholly Owning Parent Stock Company in Share Exchange.

(3) In the cases listed in the following items, shareholders of the Wholly Owned Subsidiary Company in Share Exchange shall become the persons specified respectively in those items, in accordance with the provisions on the matters set forth in paragraph (1)(iii) of the preceding Article, on the Effective Day:

(i) in cases where there is a provision on the matters set forth in (a) of item (ii) of paragraph (1) of the preceding Article: shareholders of shares set forth in (a) of that item;

(ii) in cases where there is a provision on the matters set forth in (b) of item (ii) of paragraph (1) of the preceding Article: bondholders of Bonds set forth in (b) of that item;

(iii) in cases where there is a provision on the matters set forth in (c) of item (ii) of paragraph (1) of the preceding Article: holders of Share Options set forth in (c) of that item; or

(iv) in cases where there is a provision on the matters set forth in (d) of item (ii) of paragraph (1) of the preceding Article: bondholders of the Bonds pertaining to Bonds with Share Options set forth in (d) of that item, and holders of the Share Options attached to such Bonds with Share Options.

(4) In the case prescribed in paragraph (1)(iv) of the preceding Article, the Share Options under Share Exchange Agreement shall be extinguished and holders of the Share Options under Share Exchange Agreement shall become holders of the Share Options of the Wholly Owning Parent Stock Company in Share Exchange set forth in item (iv)(b) of that Article, in accordance with the provisions on the matters set forth in item (v) of that Article, on the Effective Day.

(5) In the case prescribed in (c) of item (iv) of paragraph (1) of the preceding Article, the Wholly Owning Parent Stock Company in Share Exchange shall succeed to the obligations relating to the Bonds pertaining to Bonds with Share Options set forth in (c) of that item on the Effective Day.

(6) The provisions of the preceding paragraphs shall not apply in cases where procedures under the provisions of Article 789 or Article 799 are not completed yet or where the Share Exchange is cancelled.

Chapter V Procedures of Entity Conversion, Merger, Company Split, Share Exchange, and Share Transfer

Section 2 Procedures of an Absorption-type Merger, etc.

Subsection 1 Procedures for a Company Absorbed in Absorption-type Merger, a Splitting Company in Absorption-type Company Split, and a Wholly Owned Subsidiary Company in Share Exchange

Division 1 Procedures for a Stock Company

(Keeping and Inspection, etc. of Documents, etc. Concerning an Absorption-type Merger Agreement, etc.)

Table of Contents

Article 782 Each of the Stock Companies listed in the following items (hereinafter referred to as an Absorbed Stock Company, etc. in this Division) shall, from the day on which the Absorption-type Merger Agreement, etc. began to be kept until the day on which six months have elapsed from the day on which the Absorption-type Merger, Absorption-type Company Split or Share Exchange (hereinafter referred to as an Absorption-type Merger, etc. in this Section) becomes effective (hereinafter referred to as the Effective Day in this Section) (or, in the case of a Stock Company Absorbed in Absorption-type Merger, until the Effective Day), keep documents or Electromagnetic Records that state or record the contents of the matters specified respectively in those items (hereinafter referred to as the Absorption-type Merger Agreement, etc. in this Section) and other matters prescribed by the applicable Ordinance of the Ministry of Justice at its head office:

(i) Stock Company Absorbed in Absorption-type Merger: the Absorption-type Merger agreement;

(ii) Splitting Stock Company in Absorption-type Company Split: the Absorption-type Company Split agreement; and

(iii) Wholly Owned Subsidiary Company in Share Exchange: the Share Exchange agreement.

(2) The day on which the Absorption-type Merger Agreement, etc. began to be kept prescribed in the preceding paragraph means the earliest of the following days:

(i) if the Absorption-type Merger Agreement, etc. is required to be approved by a resolution of a shareholders meeting (including a Class Meeting), the day two weeks prior to the day of the shareholders meeting (or, in the cases prescribed in paragraph (1) of Article 319, the day when the proposal under that paragraph is submitted);

(ii) if there are shareholders who are to receive the notice under the provisions of paragraph (3) of Article 785, the day of the notice under the provisions of that paragraph or the day of the public notice under paragraph (4) of that Article, whichever is earlier;

(iii) if there are holders of Share Options who are to receive the notice under the provisions of paragraph (3) of Article 787, the day of the notice under the provisions of that paragraph or the day of the public notice under paragraph (4) of that Article, whichever is earlier

(iv) if the procedures under the provisions of Article 789 are required to be carried out, the day of the public notice under the provisions of paragraph (2) of that Article or the day of the notice under the provisions of that paragraph, whichever is earlier; or

(v) in cases other than those prescribed in the preceding items, the day on which two weeks have elapsed from the day of conclusion of the Absorption-type Company Split agreement or the Share Exchange agreement.

(3) Shareholders and creditors of an Absorbed Stock Company, etc. (or, in the case of a Wholly Owned Subsidiary Company in Share Exchange, shareholders and holders of Share Options) may make the following requests to said Absorbed Stock Company, etc. at any time during its business hours; provided, however, that the fees designated by said Absorbed Stock Company, etc. are required to be paid in order to make the requests set forth in item (ii) or item (iv):

(i) requests for inspection of the documents set forth in paragraph (1);

(ii) requests for delivery of a transcript or extract of the documents set forth in paragraph (1);

(iii) requests for inspection of anything that indicates the matters recorded in the Electromagnetic Records set forth in paragraph (1) in a manner prescribed by the applicable Ordinance of the Ministry of Justice; and

(iv) requests that the matters recorded in the Electromagnetic Records set forth in paragraph (1) be provided by the Electromagnetic Method designated by the Absorbed Stock Company, etc., or requests for the delivery of any document that states such matters.

(Approval, etc. of the Absorption-type Merger Agreement, etc.)

Article 783 An Absorbed Stock Company, etc. shall obtain the approval of the Absorption-type Merger Agreement, etc. by a resolution of a shareholders meeting by the day immediately preceding the Effective Day.

(2) Notwithstanding the provisions of the preceding paragraph, in the cases where the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange is not a Company with Classes of Shares, if all or part of the Monies, etc. to be delivered to shareholders of the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange (hereinafter referred to as the Consideration for the Merger, etc. in this Article) are Equity Interests, etc. (meaning equity interests of a Membership Company or those prescribed by the applicable Ordinance of the Ministry of Justice as being equivalent thereto; hereinafter the same shall apply in this Article), the consent of all shareholders of the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange shall be obtained with regard to the Absorption-type Merger agreement or the Share Exchange agreement.

(3) In the cases where the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange is a Company with Classes of Shares, if all or part of the Consideration for the Merger, etc. are Shares with a Restriction on Transfer, etc. (meaning Shares with a Restriction on Transfer and those prescribed by the applicable Ordinance of the Ministry of Justice as being equivalent thereto; hereinafter the same shall apply in this Chapter), the Absorption-type Merger or the Share Exchange shall not become effective without a resolution of a Class Meeting constituted by the Class Shareholders of the class of shares subject to the allotment of the Shares with a Restriction on Transfer, etc. (excluding Shares with a Restriction on Transfer) (in cases where there are two or more classes of shares relating to such Class Shareholders, the respective Class Meetings constituted by Class Shareholders categorized by the class of such two or more classes of shares); provided, however, that this shall not apply to cases where there is no Class Shareholder who is able to exercise a voting right at such Class Meeting.

(4) In the cases where the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange is a Company with Classes of Shares, if all or part of the Consideration for the Merger, etc. are Equity Interests, etc., the Absorption-type Merger or the Share Exchange shall not become effective without the consent of all shareholders of the class subject to the allotment of the Equity Interests, etc.

(5) An Absorbed Stock Company, etc. shall notify its Registered Pledgees of Shares (excluding the Registered Pledgees of Shares in the cases prescribed in paragraph (3) of the following Article) and Registered Pledgees of Share Options concerning the Share Options specified in the items of Article 787(3) that it will effect the Absorption-type Merger, etc. by twenty days prior to the Effective Day.

(6) A public notice may be substituted for the notice under the provisions of the preceding paragraph.

(Cases Where Approval of the Absorption-type Merger Agreement, etc. Is Not Required)

Article 784 The provisions of paragraph (1) of the preceding Article shall not apply in the cases where the Company Surviving Absorption-type Merger, the Succeeding Company in Absorption-type Company Split or the Wholly Owning Parent Company in Share Exchange (hereinafter referred to as the Surviving Company, etc. in this Division) is the Special Controlling Company of the Absorbed Stock Company, etc.; provided, however, that this shall not apply in the cases where all or part of the value of the merger, etc. in the Absorption-type Merger or Share Exchange is Shares with a Restriction on Transfer, etc., and the Absorbed Stock Company, etc. is a Public Company and not a Company with Class Shares.

Table of Contents

(2) In the cases prescribed in the main clause of the preceding paragraph, in any one of the following cases where shareholders of the Absorbed Stock Company, etc. are likely to suffer disadvantage, shareholders of the Absorbed Stock Company, etc. may demand that the Absorbed Stock Company, etc. refrain from effecting the Absorption-type Merger, etc.:

(i) in cases where the Absorption-type Merger, etc. violates the applicable laws and regulations or articles of incorporation; or

(ii) in cases where the matters set forth in Article 749(1)(ii) or (iii), Article 751(1)(iii) or (iv), Article 758(iv), Article 760(iv) or (v), Article 768(1)(ii) or (iii), or Article 770(1)(iii) or (iv) are grossly improper in light of the financial status of the Absorbed Stock Company, etc. or the Surviving Company, etc.

(3) The provisions of the preceding Article and the preceding paragraph shall not apply in cases where the sum of the book value of the assets that the Succeeding Company in Absorption-type Company Split succeeds to through the Absorption-type Company Split does not exceed one-fifth (or, in cases where a lesser proportion is prescribed in the articles of incorporation of the Splitting Stock Company in Absorption-type Company Split, such proportion) of the amount calculated by the method specified by the applicable Ordinance of the Ministry of Justice as the total assets of the Splitting Stock Company in Absorption-type Company Split.

(Dissenting Shareholders Share Purchase Demand)

Article 785 In cases of effecting an Absorption-type Merger, etc. (excluding the following cases), dissenting shareholders may demand that the Absorbed Stock Company, etc. purchase, at a fair price, the shares held by such shareholders:

(i) in cases prescribed in Article 783(2); or

(ii) in cases prescribed in paragraph (3) of the preceding Article.

(2) The dissenting shareholders provided for in the preceding paragraph shall mean the shareholders provided for in the following items in the cases listed in the same items (excluding shareholders entitled to allotment of Equity Interests, etc. prescribed in Article 783(4) in the cases prescribed in that paragraph):

(i) in cases where a resolution of a shareholders meeting (including a Class Meeting) is required to effect the Absorption-type Merger, etc.: the following shareholders:

(a) shareholders who gave notice to such Absorbed Stock Company, etc. to the effect that they dissented from such Absorption-type Merger, etc. prior to such shareholders meeting and who dissented from such Absorption-type Merger, etc. at such shareholders meeting (limited to those who can exercise voting rights at such shareholders meeting);

(b) shareholders who are unable to exercise voting rights at such shareholders meeting; and

(ii) in cases other than those prescribed in the preceding item: all shareholders.

(3) An Absorbed Stock Company, etc. shall notify its shareholders (excluding shareholders entitled to allotment of Equity Interests, etc. prescribed in Article 783(4) in the cases prescribed in that paragraph) that it will effect an Absorption-type Merger, etc. and the trade name and domicile of the Surviving Company, etc., by twenty days prior to the Effective Day; provided, however, that this shall not apply in the cases listed in the items of paragraph (1).

(4) In the following cases, a public notice may be substituted for the notice under the provisions of the preceding paragraph:

(i) in cases where the Absorbed Stock Company, etc. is a Public Company; or

Table of Contents

(ii) in cases where the Absorbed Stock Company, etc. obtains the approval of the Absorption-type Merger Agreement, etc. by the resolution of a shareholders meeting set forth in Article 783(1).

(5) Demands under the provisions of paragraph (1) (hereinafter referred to as a Share Purchase Demand in this Division) shall be made, within the period from the day twenty days prior to the Effective Day to the day immediately preceding the Effective Day, by disclosing the number of shares relating to such Share Purchase Demand (or, for a Company with Classes of Shares, the classes of the shares and the number of shares for each class).

(6) Shareholders who made Share Purchase Demands may withdraw their Share Purchase Demands only in cases where such shareholders obtain the approval of the Absorbed Stock Company, etc.

(7) If the Absorption-type Merger, etc. is cancelled, the Share Purchase Demands shall become ineffective.

(Determination, etc. of Price of Shares)

Article 786 In cases where a Share Purchase Demand is made, if an agreement on the determination of the price of the shares is reached between the shareholder and the Absorbed Stock Company, etc. (or, after the Effective Day in cases of effecting an Absorption-type Merger, the Company Surviving Absorption-type Merger; hereinafter the same shall apply in this Article), the Absorbed Stock Company, etc. shall make payment within sixty days from the Effective Day.

(2) If no agreement on the determination of the price of the shares is reached within thirty days from the Effective Day, shareholders or the Absorbed Stock Company, etc. may file a petition to the court for a determination of the price within thirty days after the expiration of that period.

(3) Notwithstanding the provisions of paragraph (6) of the preceding Article, in the cases prescribed in the preceding paragraph, if the petition under that paragraph is not filed within sixty days from the Effective Day, shareholders may withdraw their Share Purchase Demands at any time after the expiration of such period.

(4) The Absorbed Stock Company, etc. shall also pay interest on the price determined by the court which shall be calculated at the rate of six percent per annum from and including the day of the expiration of the period referred to in paragraph (1).

(5) The purchase of shares relating to a Share Purchase Demand shall become effective on the Effective Day (or, in the case of effecting an Absorption-type Company Split, at the time of payment of the price of such shares).

(6) If a Company Issuing Share Certificates receives a Share Purchase Demand with respect to shares for which share certificates are issued, the Company must pay the price of the shares relating to such Share Purchase Demand in exchange for the share certificates.

(Demand for Purchase of Share Options)

Article 787 In cases of carrying out any one of the acts listed in the following items, holders of Share Options of the Absorbed Stock Company, etc. provided for in those items may demand that the Absorbed Stock Company, etc. purchase, at a fair price, the Share Options held by the same:

(i) Absorption-type Merger: Share Options other than those for which provisions on the matters set forth in Article 749(1)(iv) or (v) meet the conditions set forth in item (iii) of Article 236(1) (limited to those related to (a) of that item);

Table of Contents

(ii) Absorption-type Company Split (limited to cases where the Succeeding Company in Absorption-type Company Split is a Stock Company): among the following Share Options, Share Options other than those for which provisions on the matters set forth in Article 758(v) or (vi) meet the conditions set forth in item (viii) of Article 236(1) (limited to those related to (b) of that item):

(a) Share Options under Absorption-type Company Split Agreement; and

(b) Share Options other than Share Options under Absorption-type Company Split Agreement and for which there are provisions to the effect that, in the case of effecting an Absorption-type Company Split, Share Options of the Succeeding Stock Company in Absorption-type Company Split shall be delivered to holders of such Share Options; or

(iii) Share Exchange (limited to cases where the Wholly Owning Parent Company in Share Exchange is a Stock Company): Among the following Share Options, Share Options other than those for which provisions on the matters set forth in item (iv) or item (v) of Article 768(1) meet the conditions set forth in item (viii) of Article 236(1) (limited to those related to (d) of that item):

(a) Share Options under Share Exchange Agreement; and

(b) Share Options other than Share Options under Share Exchange Agreement and for which there are provisions to the effect that, in the case of effecting a Share Exchange, Share Options of the Wholly Owning Parent Stock Company in Share Exchange shall be delivered to holders of such Share Options.

(2) If holders of the Share Options attached to Bonds with Share Options intend to make the demand under the preceding paragraph (hereinafter referred to as a Share Option Purchase Demand in this Division), they shall also make a demand for the purchase of the Bonds pertaining to Bonds with Share Options; provided, however, that this shall not apply in cases where it is otherwise provided for with respect to the Share Options attached to such Bonds with Share Options.

(3) The Absorbed Stock Companies, etc. listed in the following items shall notify holders of Share Options provided for in those items that they will effect an Absorption-type Merger, etc. and the trade name and domicile of the Surviving Company, etc., by twenty days prior to the Effective Day:

(i) Stock Company Absorbed in Absorption-type Merger: all Share Options;

(ii) Splitting Stock Company in Absorption-type Company Split in cases where the Succeeding Company in Absorption-type Company Split is a Stock Company: the following Share Options:

(a) Share Options under Absorption-type Company Split Agreement; and

(b) Share Options other than Share Options under Absorption-type Company Split Agreement and for which there are provisions to the effect that, in the case of effecting an Absorption-type Company Split, Share Options of the Succeeding Stock Company in Absorption-type Company Split shall be delivered to holders of such Share Options;

(iii) Wholly Owned Subsidiary Company in Share Exchange in cases where the Wholly Owning Parent Company in Share Exchange is a Stock Company: the following Share Options:

(a) Share Options under Share Exchange Agreement; and

(b) Share Options other than Share Options under Share Exchange Agreement and for which there are provisions to the effect that, in the case of effecting a Share Exchange, Share Options of the Wholly Owning Parent Stock Company in Share Exchange shall be delivered to holders of such Share Options.

(4) A public notice may be substituted for the notice under the provisions of the preceding paragraph.

(5) A Share Option Purchase Demand shall be made, within the period from the day twenty days prior to the Effective Day to the day immediately preceding the Effective Day, by disclosing the features and number of Share Options relating to such Share Option Purchase Demand.

(6) Holders of Share Options who have made Share Option Purchase Demands may withdraw their Share Option Purchase Demands only in cases where they obtain the approval of the Absorbed Stock Company, etc.

(7) If the Absorption-type Merger, etc. is cancelled, the Share Option Purchase Demands shall become ineffective.

(Determination, etc. of Price of Share Options)

Article 788 In cases where a Share Option Purchase Demand is made, if an agreement on the determination of the price of the Share Options (in cases where such Share Options are those attached to Bonds with Share Options, if there is a demand for the purchase of Bonds pertaining to such Bonds with Share Options, they shall include such Bonds; hereinafter the same shall apply in this Article) is reached between the holder of Share Options and the Absorbed Stock Company, etc. (or, after the Effective Day in cases of effecting an Absorption-type Merger, the Company Surviving Absorption-type Merger; hereinafter the same shall apply in this Article), the Absorbed Stock Company, etc. shall make payment within sixty days from the Effective Day.

(2) If no agreement on the determination of the price of the Share Options is reached within thirty days from the Effective Day, holders of Share Options or the Absorbed Stock Company, etc. may file a petition to the court for a determination of the price within thirty days after the expiration of that period.

(3) Notwithstanding the provisions of paragraph (6) of the preceding Article, in the cases prescribed in the preceding paragraph, if the petition under that paragraph is not filed within sixty days from the Effective Day, holders of Share Options may withdraw their Share Option Purchase Demands at any time after the expiration of such period.

(4) The Absorbed Stock Company, etc. shall also pay interest on the price determined by the court which shall be calculated at the rate of six percent per annum from and including the day of the expiration of the period referred to in paragraph (1).

(5) The purchase of Share Options relating to a Share Option Purchase Demand shall become effective at the times provided for in the following items for the categories of Share Options set forth respectively in those items:

(i) Share Options provided for in paragraph (1)(i) of the preceding Article: the Effective Day;

(ii) Share Options set forth in paragraph (1)(ii)(a) of the preceding Article: the Effective Day.

(iii) Share Options set forth in paragraph (1)(ii)(b) of the preceding Article: the time of payment of the price of such Share Options;

(iv) Share Options set forth in paragraph (1)(iii)(a) of the preceding Article: the Effective Day.

(v) Share Options set forth in paragraph (1)(iii)(b) of the preceding Article: the time of payment of the price of such Share Options.

(6) If an Absorbed Stock Company, etc. receives a Share Option Purchase Demand with respect to a Share Option for which a Share Option certificate is issued, it shall pay the price of the Share Option relating to such Share Option Purchase Demand in exchange for the Share Option certificate.

Table of Contents

(7) If an Absorbed Stock Company, etc. receives a Share Option Purchase Demand with respect to a Share Option attached to a Bond with a Share Option for which a certificate for a Bond with a Share Option is issued, it shall pay the price of the Share Option relating to such Share Option Purchase Demand in exchange for such certificate for a Bond with a Share Option.

(Objections of Creditors)

Article 789 In the cases listed in the following items, the creditors provided for in those items may state their objections to the Absorption-type Merger, etc. to the Absorbed Stock Company, etc.:

(i) in cases of effecting an Absorption-type Merger: creditors of the Stock Company Absorbed in Absorption-type Merger;

(ii) in cases of effecting an Absorption-type Company Split: creditors of the Splitting Stock Company in Absorption-type Company Split who are unable to request the Splitting Stock Company in Absorption-type Company Split to perform the obligations (including performance of the guarantee obligations that the Splitting Stock Company in Absorption-type Company Split jointly and severally assumes with the Succeeding Company in Absorption-type Company Split as a guarantor) (or, in the case where there are provisions on the matter set forth in Article 758(viii) or Article 760(vii), creditors of the Splitting Stock Company in Absorption-type Company Split); and

(iii) in cases where the Share Options under Share Exchange Agreement are Share Options attached to Bonds with Share Options: bondholders pertaining to such Bonds with Share Options.

(2) In cases where all or part of the creditors of the Absorbed Stock Company, etc. are able to state their objection pursuant to the provisions of the preceding paragraph, the Absorbed Stock Company, etc. shall give public notice of the matters listed below in the official gazette and shall give notices separately to each known creditor (limited to one who is able to state an objection pursuant to the provisions of such paragraph), if any; provided, however, that the period under item (iv) may not be less than one month:

(i) a statement that an Absorption-type Merger, etc. will be effected;

(ii) the trade name and domicile of the Surviving Company, etc.;

(iii) the matters prescribed by the applicable Ordinance of the Ministry of Justice as the matters regarding the Financial Statements of the Absorbed Stock Company, etc. and the Surviving Company, etc. (limited to a Stock Company); and

(iv) a statement to the effect that creditors may state their objections within a certain period of time.

(3) Notwithstanding the provisions of the preceding paragraph, if the Absorbed Stock Company, etc. gives public notice under that paragraph by the Method of Public Notice listed in item (ii) or item (iii) of paragraph (1) of Article 939 in accordance with the provisions of the articles of incorporation under the provisions of that paragraph in addition to the official gazette, the Absorbed Stock Company, etc. is not required to give separate notices under the provisions of the preceding paragraph (excluding such notices to creditors of the obligations of the Splitting Stock Company in Absorption-type Company Split that have arisen due to a tort in the case of effecting an Absorption-type Company Split).

(4) In cases where creditors do not raise any objections within the period under paragraph (2)(iv), such creditors shall be deemed to have approved the Absorption-type Merger, etc.

(5) In cases where creditors raise objections within the period under paragraph (2)(iv), the Absorbed Stock Company, etc. shall make payment or provide reasonable security to such creditors, or entrust equivalent property to

a Trust Company, etc. for the purpose of having such creditors receive the payment; provided, however, that this shall not apply if there is no risk of harm to such creditors by such Absorption-type Merger, etc.

(Change in the Effective Day of an Absorption-type Merger, etc.)

Article 790 An Absorbed Stock Company, etc. may change the Effective Day by agreement with the Surviving Company, etc.

(2) In the cases prescribed in the preceding paragraph, the Absorbed Stock Company, etc. shall give public notice of the changed Effective Day by the day immediately preceding the original Effective Day (or, immediately preceding the changed Effective Day, in the case where the changed Effective Day comes before the original Effective Day).

(3) When the Effective Day is changed pursuant to the provisions of paragraph (1), the provisions of this Section and Article 750, Article 752, Article 759, Article 761, Article 769, and Article 771 shall apply by deeming the changed Effective Day to be the Effective Day.

(Keeping and Inspection, etc. of Documents, etc. Concerning an Absorption-type Company Split or Share Exchange)

Article 791 The Splitting Stock Company in Absorption-type Company Split or the Wholly Owned Subsidiary Company in Share Exchange shall, without delay after the Effective Day, prepare what are provided for in the following items for the categories set forth respectively in those items, jointly with the Succeeding Company in Absorption-type Company Split or the Wholly Owning Parent Company in Share Exchange:

(i) Splitting Stock Company in Absorption-type Company Split: documents or Electromagnetic Records that state or record the rights and obligations that the Succeeding Company in Absorption-type Company Split succeeded to by transfer from the Splitting Stock Company in Absorption-type Company Split through the Absorption-type Company Split and any other matters prescribed by the applicable Ordinance of the Ministry of Justice as those concerning an Absorption-type Company Split; and

(ii) Wholly Owned Subsidiary Company in Share Exchange: documents or Electromagnetic Records that state or record the number of shares of the Wholly Owned Subsidiary Company in Share Exchange acquired by the Wholly Owning Parent Company through the Share Exchange and any other matters prescribed by the applicable Ordinance of the Ministry of Justice as those concerning a Share Exchange.

(2) A Splitting Stock Company in Absorption-type Company Split or a Wholly Owned Subsidiary Company in Share Exchange shall, for a period of six months from the Effective Day, keep the documents or Electromagnetic Records set forth in the items of the preceding paragraph at its head office.

(3) Shareholders, creditors and any other interested parties of a Splitting Stock Company in Absorption-type Company Split may make the following requests to the Splitting Stock Company in Absorption-type Company Split at any time during its business hours; provided, however, that the fees designated by said Splitting Stock Company in Absorption-type Company Split are required to be paid in order to make the requests set forth in item (ii) or item (iv):

(i) requests for inspection of the documents set forth in the preceding paragraph;

(ii) requests for delivery of a transcript or extract of the documents set forth in the preceding paragraph;

(iii) requests for inspection of anything that indicates the matters recorded in the Electromagnetic Records set forth in the preceding paragraph in a manner prescribed by the applicable Ordinance of the Ministry of Justice; and

Table of Contents

(iv) requests that the matters recorded in the Electromagnetic Records set forth in the preceding paragraph be provided by the Electromagnetic Method designated by the Splitting Stock Company in Absorption-type Company Split, or requests for the delivery of any document that states such matters.

(4) The provisions of the preceding paragraph shall apply mutatis mutandis to a Wholly Owned Subsidiary Company in Share Exchange. In such cases, the phrase shareholders, creditors and any other interested parties of a Splitting Stock Company in Absorption-type Company Split shall be deemed to be replaced with persons who were shareholders or holders of Share Options of the Wholly Owned Subsidiary Company in Share Exchange as of the Effective Day.

(Special Provisions on Dividends of Surplus, etc.)

Article 792 The provisions of Article 458 and Part II, Chapter V, Section 6 shall not apply to the acts listed below:

(i) acquisition of shares set forth in Article 758(viii)(a) or Article 760(vii)(a); and

(ii) distribution of dividends of surplus set forth in Article 758(viii)(b) or Article 760(vii)(b).

Subsection 2 Procedures for the Company Surviving Absorption-type Merger, the Succeeding Company in Absorption-type Company Split and the Wholly Owning Parent Company in Share Exchange

Division 1 Procedures for a Stock Company

(Keeping and Inspection, etc. of Documents, etc. Concerning an Absorption-type Merger Agreement, etc.)

Article 794 The Stock Company Surviving Absorption-type Merger, the Succeeding Stock Company in Absorption-type Company Split or the Wholly Owning Parent Stock Company in Share Exchange (hereinafter referred to as the Surviving Stock Company, etc. in this Division) shall, from the day on which the Absorption-type Merger Agreement, etc. began to be kept until the day on which six months have elapsed from the Effective Day, keep documents or Electromagnetic Records that state or record the contents of the Absorption-type Merger Agreement, etc. and other matters prescribed by the applicable Ordinance of the Ministry of Justice at its head office.

(2) The day on which the Absorption-type Merger Agreement, etc. began to be kept prescribed in the preceding paragraph means the earliest of the following days:

(i) if the Absorption-type Merger Agreement, etc. is required to be approved by a resolution of a shareholders meeting (including a Class Meeting), the day two weeks prior to the day of the shareholders meeting (or, in the cases prescribed in paragraph (1) of Article 319, the day when the proposal under that paragraph is submitted);

(ii) the day of the notice under the provisions of paragraph 3 of Article 797 or the day of the public notice under paragraph (4) of that Article, whichever is earlier; or

(iii) if the procedures under the provisions of Article 799 are required to be carried out, the day of the public notice under the provisions of paragraph (2) of that Article or the day of the notice under the provisions of that paragraph, whichever is earlier.

(3) Shareholders and creditors of a Surviving Stock Company, etc. (or, in the case where the Monies, etc. to be delivered to shareholders of the Wholly Owned Subsidiary Company in Share Exchange are limited to shares of the Wholly Owning Parent Stock Company in Share Exchange or those prescribed by the applicable Ordinance of the Ministry of Justice as being equivalent thereto (excluding the case prescribed in Article 768(1)(iv)(c)), shareholders) may make the following requests to said Surviving Stock Company, etc. at

any time during its business hours; provided, however, that the fees designated by said Surviving Stock Company, etc. are required to be paid in order to make the requests set forth in item (ii) or item (iv):

(i) requests for inspection of the documents set forth in paragraph (1);

(ii) requests for delivery of a transcript or extract of the documents set forth in paragraph (1);

(iii) requests for inspection of anything that indicates the matters recorded in the Electromagnetic Records set forth in paragraph (1) in a manner prescribed by the applicable Ordinance of the Ministry of Justice; and

(iv) requests that the matters recorded in the Electromagnetic Records set forth in paragraph (1) be provided by the Electromagnetic Method designated by the Surviving Stock Company, etc., or requests for the delivery of any document that states such matters.

(Approval, etc. of the Absorption-type Merger Agreement, etc.)

Article 795 A Surviving Stock Company, etc. shall obtain the approval of the Absorption-type Merger Agreement, etc. by a resolution of a shareholders meeting by the day immediately preceding the Effective Day.

(2) In the cases listed below, a director shall explain to that effect at the shareholders meeting set forth in the preceding paragraph:

(i) in cases where the amount prescribed by the applicable Ordinance of the Ministry of Justice as the amount of obligations that the Stock Company Surviving Absorption-type Merger or the Succeeding Stock Company in Absorption-type Company Split succeeds to by transfer from the Company Absorbed in Absorption-type Merger or the Splitting Company in Absorption-type Company Split (referred to as the Amount of Succeeded Obligations in the following item) exceeds the amount prescribed by the applicable Ordinance of the Ministry of Justice as the amount of assets that the Stock Company Surviving Absorption-type Merger or the Succeeding Stock Company in Absorption-type Company Split succeeds to by transfer from the Company Absorbed in Absorption-type Merger or the Splitting Company in Absorption-type Company Split (referred to as the Amount of Succeeded Assets in the following item);

(ii) in cases where the book value of the Monies, etc. (excluding shares, etc. of the Stock Company Surviving Absorption-type Merger or the Succeeding Stock Company in Absorption-type Company Split) delivered by the Stock Company Surviving Absorption-type Merger or the Succeeding Stock Company in Absorption-type Company Split to shareholders of the Stock Company Absorbed in Absorption-type Merger, to partners of the Membership Company Absorbed in Absorption-type Merger or to the Splitting Company in Absorption-type Company Split exceeds the amount obtained by deducting the Amount of Succeeded Obligations from the Amount of Succeeded Assets; or

(iii) in cases where the book value of the Monies, etc. (excluding shares, etc. of the Wholly Owning Parent Stock Company in Share Exchange) delivered by the Wholly Owning Parent Stock Company in Share Exchange to shareholders of the Wholly Owned Subsidiary Company in Share Exchange exceeds the amount prescribed by the applicable Ordinance of the Ministry of Justice as the amount of shares of the Wholly Owned Subsidiary Company in Share Exchange to be acquired by the Wholly Owning Parent Stock Company in Share Exchange.

(3) In cases where the assets of the Company Absorbed in Absorption-type Merger or the Splitting Company in Absorption-type Company Split include shares of the Stock Company Surviving Absorption-type Merger or the Succeeding Stock Company in Absorption-type Company Split, a director shall explain the matters concerning such shares at the shareholders meeting set forth in paragraph (1).

(4) Where the Surviving Stock Company, etc. is a Company with Class Shares, in the cases listed in the following items, an Absorption-type Merger, etc. shall not become effective without a resolution of a Class Meeting constituted by Class Shareholders of the class of shares provided for respectively in those items

(limited to Shares with a Restriction on Transfer and for which the provisions of the articles of incorporation set forth in Article 199(4) do not exist) (in cases where there are two or more classes of shares relating to such Class Shareholders, the respective Class Meetings constituted by Class Shareholders categorized by the class of such two or more classes of shares); provided, however, that this shall not apply to cases where there is no Class Shareholder who is able to exercise a voting right at such Class Meeting:

(i) in cases where the Monies, etc. delivered to shareholders of the Stock Company Absorbed in Absorption-type Merger or to partners of the Membership Company Absorbed in Absorption-type Merger are shares of the Stock Company Surviving Absorption-type Merger: the class of shares set forth in Article 749(1)(ii)(a);

(ii) in cases where the Monies, etc. delivered to the Splitting Company in Absorption-type Company Split are shares of the Succeeding Stock Company in Absorption-type Company Split: the class of shares set forth in Article 758(iv)(a); or

(iii) in cases where the Monies, etc. delivered to shareholders of the Wholly Owned Subsidiary Company in Share Exchange are shares of the Wholly Owning Parent Stock Company in Share Exchange: the class of shares set forth in Article 768(1)(ii)(a).

(Cases Where Approval of the Absorption-type Merger Agreement, etc. Is Not Required, etc.)

Article 796 The provisions of paragraphs (1) to (3) of the preceding Article shall not apply in the cases where the Company Absorbed in Absorption-type Merger, the Splitting Company in Absorption-type Company Split or the Wholly Owned Subsidiary Company in Share Exchange (hereinafter referred to as the Absorbed Company, etc. in this Division) is the Special Controlling Company of the Surviving Stock Company, etc.; provided, however, that this shall not apply in the cases where all or part of the Monies, etc. to be delivered to shareholders of the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange, to partners of the Membership Company Absorbed in Absorption-type Merger or to the Splitting Company in Absorption-type Company Split are Shares with a Restriction on Transfer, etc. of the Surviving Stock Company, etc., and the Surviving Stock Company, etc. is not a Public Company.

(2) In the cases prescribed in the main clause of the preceding paragraph, in any one of the following cases where shareholders of the Surviving Stock Company, etc. are likely to suffer disadvantage, shareholders of the Surviving Stock Company, etc. may demand that the Surviving Stock Company, etc. refrain from effecting the Absorption-type Merger, etc.:

(i) in cases where the Absorption-type Merger, etc. violates the applicable laws and regulations or articles of incorporation; or

(ii) in cases where the matters set forth in Article 749(1)(ii) or (iii), Article 758(iv) or Article 768(1)(ii) or (iii) are grossly improper in light of the financial status of the Surviving Stock Company, etc. or the Absorbed Company, etc.

(3) The provisions of paragraphs (1) to (3) of the preceding Article shall not apply in cases where the amount set forth in item (i) does not exceed one-fifth (or, in cases where a lesser proportion is prescribed in the articles of incorporation of the Surviving Stock Company, etc., such proportion) of the amount set forth in item (ii); provided, however, that this shall not apply in the cases listed in the items of paragraph (2) of the preceding Article or the cases prescribed in the proviso to paragraph (1):

(i) the total amount of the amounts listed below:

(a) the amount obtained by multiplying the number of shares of the Surviving Stock Company, etc. to be delivered to shareholders of the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange, to partners of the Membership Company Absorbed in Absorption-type Merger or to the Splitting Company in Absorption-type Company Split (hereinafter referred to as Shareholders, etc. of the Absorbed Company, etc. in this item) by the amount of net assets per share;

Table of Contents

(b) the total amount of the book value of Bonds, Share Options or Bonds with Share Options of the Surviving Stock Company, etc. to be delivered to Shareholders, etc. of the Absorbed Company, etc.; and

(c) the total amount of the book value of property other than shares, etc. of the Surviving Stock Company, etc. to be delivered to Shareholders, etc. of the Absorbed Company, etc.; and

(ii) the amount calculated by the method specified by the applicable Ordinance of the Ministry of Justice as the total assets of the Surviving Stock Company, etc.

(4) In the cases prescribed in the main clause of the preceding paragraph, if shareholders that hold the shares (limited to those that entitle the shareholders to exercise voting rights at a shareholders meeting under paragraph (1) of the preceding article) in the number prescribed by the applicable Ordinance of the Ministry of Justice notify the Surviving Stock Company, etc. to the effect that such shareholders dissent from the Absorption-type Merger, etc., within two weeks from the day of the notice under the provisions of paragraph (3) of the following Article or the public notice under paragraph (4) of that Article, such Surviving Stock Company, etc. must obtain the approval of the Absorption-type Merger Agreement, etc. by a resolution of a shareholders meeting no later than the day immediately preceding the Effective Day.

(Dissenting Shareholders Share Purchase Demand)

Article 797 In cases of effecting an Absorption-type Merger, etc., dissenting shareholders may demand that the Surviving Stock Company, etc. purchase, at a fair price, the shares held by such shareholders.

(2) The dissenting shareholders provided for in the preceding paragraph shall mean the shareholders provided for in the following items in the cases listed in the same items:

(i) in cases where a resolution of a shareholders meeting (including a Class Meeting) is required to effect the Absorption-type Merger, etc.: the following shareholders:

(a) shareholders who gave notice to such Surviving Stock Company, etc. to the effect that they dissented from such Absorption-type Merger, etc. prior to such shareholders meeting and who dissented from such Absorption-type Merger, etc. at such shareholders meeting (limited to those who can exercise voting rights at such shareholders meeting);

(b) shareholders who are unable to exercise voting rights at such shareholders meeting; and

(ii) in cases other than those prescribed in the preceding item: all shareholders;

(3) A Surviving Stock Company, etc. shall notify its shareholders that it will effect an Absorption-type Merger, etc. and the trade name and domicile of the Absorbed Company, etc. (or, in the cases prescribed in Article 795(3), the fact that it will effect an Absorption-type Merger, etc., the trade name and domicile of the Absorbed Company, etc. and the matters concerning shares set forth in that paragraph), by twenty days prior to the Effective Day.

(4) In the following cases, a public notice may be substituted for the notice under the provisions of the preceding paragraph:

(i) in cases where the Surviving Stock Company, etc. is a Public Company; or

(ii) in cases where the Surviving Stock Company, etc. obtains the approval of the Absorption-type Merger Agreement, etc. by the resolution of a shareholders meeting set forth in Article 795(1).

(5) Demands under the provisions of paragraph (1) (hereinafter referred to as the Share Purchase Demand in this Division) shall be made, within the period from the day twenty days prior to the Effective Day to the day

Table of Contents

immediately preceding the Effective Day, by disclosing the number of shares relating to such Share Purchase Demand (or, for a Company with Classes of Shares, the classes of the shares and the number of shares for each class).

(6) Shareholders who made Share Purchase Demands may withdraw their Share Purchase Demands only in cases where such shareholders obtain the approval of the Surviving Stock Company, etc.

(7) If the Absorption-type Merger, etc. is cancelled, the Share Purchase Demands shall become ineffective.

(Determination, etc. of Price of Shares)

Article 798 In cases where a Share Purchase Demand is made, if an agreement on the determination of the price of the shares is reached between the shareholder and the Surviving Stock Company, etc., the Surviving Stock Company, etc. shall make payment within sixty days from the Effective Day.

(2) If no agreement on the determination of the price of the shares is reached within thirty days from the Effective Day, shareholders or the Surviving Stock Company, etc. may file a petition to the court for a determination of the price within thirty days after the expiration of that period.

(3) Notwithstanding the provisions of paragraph (6) of the preceding Article, in the cases prescribed in the preceding paragraph, if the petition under that paragraph is not filed within sixty days from the Effective Day, shareholders may withdraw their Share Purchase Demands at any time after the expiration of such period.

(4) The Surviving Stock Company, etc. shall also pay interest on the price determined by the court which shall be calculated at the rate of six percent per annum from and including the day of the expiration of the period referred to in paragraph (1).

(5) The purchase of shares relating to a Share Purchase Demand shall become effective at the time of payment of the price of such shares.

(6) If a Company Issuing Share Certificates receives a Share Purchase Demand with respect to shares for which share certificates are issued, the Company must pay the price of the shares relating to such Share Purchase Demand in exchange for the share certificates.

(Objections of Creditors)

Article 799 In the cases listed in the following items, the creditors provided for in those items may state their objections to the Absorption-type Merger, etc. to the Surviving Stock Company, etc.:

(i) in cases of effecting an Absorption-type Merger: creditors of the Stock Company Surviving Absorption-type Merger;

(ii) in cases of effecting an Absorption-type Company Split: creditors of the Succeeding Stock Company in Absorption-type Company Split; or

(iii) in cases of effecting a Share Exchange other than where the Monies, etc. to be delivered to shareholders of the Wholly Owned Subsidiary Company in Share Exchange are only shares of the Wholly Owning Parent Stock Company in Share Exchange or those prescribed by the applicable Ordinance of the Ministry of Justice as being equivalent thereto, or in the cases prescribed in Article 768(1)(iv): creditors of the Wholly Owning Parent Stock Company in Share Exchange.

(2) In cases where the creditors of the Surviving Stock Company, etc. are able to state their objection pursuant to the provisions of the preceding paragraph, the Surviving Stock Company, etc. shall give public notice

Table of Contents

of the matters listed below in the official gazette and shall give notices separately to each known creditor, if any; provided, however, that the period under item (iv) may not be less than one month:

(i) a statement that an Absorption-type Merger, etc. will be effected;

(ii) the trade name and domicile of the Absorbed Company, etc.;

(iii) the matters prescribed by the applicable Ordinance of the Ministry of Justice as the matters regarding the Financial Statements of the Surviving Stock Company, etc. and the Absorbed Company, etc. (limited to a Stock Company); and

(iv) a statement to the effect that creditors may state their objections within a certain period of time.

(3) Notwithstanding the provisions of the preceding paragraph, if the Surviving Stock Company, etc. gives public notice under that paragraph by Method of Public Notice listed in item (ii) or item (iii) of paragraph (1) of Article 939 in accordance with the provisions of the articles of incorporation under the provisions of that paragraph in addition to the official gazette, the Surviving Stock Company, etc. is not required to give separate notices under the provisions of the preceding paragraph.

(4) In cases where creditors do not raise any objections within the period under paragraph (2)(iv), such creditors shall be deemed to have approved the Absorption-type Merger, etc.

(5) In cases where creditors raise objections within the period under paragraph (2)(iv), the Surviving Stock Company, etc. shall make payment or provide reasonable security to such creditors, or entrust equivalent property to a Trust Company, etc. for the purpose of having such creditors receive the payment; provided, however, that this shall not apply if there is no risk of harm to such creditors by such Absorption-type Merger, etc.

(Special Provisions on Cases Where the Monies, etc. to Be Delivered to Shareholders, etc. of the Absorbed Company, etc. Are the Parent Company s Shares of the Surviving Stock Company, etc.)

Article 800 Notwithstanding the provisions of Article 135(1), in cases where all or part of the Monies, etc. to be delivered to shareholders of the Stock Company Absorbed in Absorption-type Merger or the Wholly Owned Subsidiary Company in Share Exchange, to partners of the Membership Company Absorbed in Absorption-type Merger or to the Splitting Company in Absorption-type Company Split (hereinafter referred to as Shareholders, etc. of the Absorbed Company, etc. in this paragraph) are the Parent Company s Shares (meaning the Parent Company s Shares prescribed in paragraph (1) of that Article; hereinafter the same shall apply in this Article) of the Surviving Stock Company, etc., the Surviving Stock Company, etc. may acquire such Parent Company s Shares in a number not exceeding the total number of such Parent Company s Shares to be delivered to the Shareholders, etc. of the Absorbed Company, etc. at the time of the Absorption-type Merger, etc.

(2) Notwithstanding the provisions of Article 135(3), the Surviving Stock Company, etc. set forth in the preceding paragraph may hold the Parent Company s Shares of the Surviving Stock Company, etc. until the Effective Day; provided, however, that this shall not apply when the Absorption-type Merger, etc. is cancelled.

(Keeping and Inspection, etc. of Documents, etc. Concerning an Absorption-type Merger, etc.)

Article 801 The Stock Company Surviving Absorption-type Merger shall, without delay after the Effective Day, prepare documents or Electromagnetic Records that state or record the rights and obligations that the Stock Company Surviving Absorption-type Merger succeeded to by transfer from the Company Absorbed in Absorption-type Merger through the Absorption-type Merger and any other matters prescribed by the applicable Ordinance of the Ministry of Justice as those concerning an Absorption-type Merger.

(2) The Succeeding Stock Company in Absorption-type Company Split (limited to the Succeeding Stock Company in Absorption-type Company Split where the Limited Liability Company effects the Absorption-type

Company Split) shall, without delay after the Effective Day, prepare, jointly with the Splitting Limited Liability Company in Absorption-type Company Split, documents or Electromagnetic Records that state or record the rights and obligations that the Succeeding Stock Company in Absorption-type Company Split succeeded to by transfer from the Splitting Limited Liability Company in Absorption-type Company Split through the Absorption-type Company Split and any other matters prescribed by the applicable Ordinance of the Ministry of Justice as those concerning an Absorption-type Company Split.

(3) Each of the Surviving Stock Companies, etc. listed in the following items shall, for a period of six months from the Effective Day, keep what are specified respectively in those items at its head office:

(i) Stock Company Surviving Absorption-type Merger: documents or Electromagnetic Records set forth in paragraph (1);

(ii) Succeeding Stock Company in Absorption-type Company Split: documents or Electromagnetic Records set forth in the preceding paragraph or Article 791(1)(i); and

(iii) Wholly Owning Parent Stock Company in Share Exchange: documents or Electromagnetic Records set forth in Article 791(1)(ii).

(4) Shareholders and creditors of the Stock Company Surviving Absorption-type Merger may make the following requests to said Stock Company Surviving Absorption-type Merger at any time during its business hours; provided, however, that the fees designated by said Stock Company Surviving Absorption-type Merger are required to be paid in order to make the requests set forth in item (ii) or item (iv):

(i) requests for inspection of the documents set forth in item (i) of the preceding paragraph;

(ii) requests for delivery of a transcript or extract of the documents set forth in item (i) of the preceding paragraph;

(iii) requests for inspection of anything that indicates the matters recorded in the Electromagnetic Records set forth in item (i) of the preceding paragraph in a manner prescribed by the applicable Ordinance of the Ministry of Justice; and

(iv) requests that the matters recorded in the Electromagnetic Records set forth in item (i) of the preceding paragraph be provided by the Electromagnetic Method designated by the Stock Company Surviving Absorption-type Merger, or requests for the delivery of any document that states such matters.

(5) The provisions of the preceding paragraph shall apply mutatis mutandis to the Succeeding Stock Company in Absorption-type Company Split. In such cases, the phrase shareholders and creditors in that paragraph shall be deemed to be replaced with shareholders, creditors and any other interested parties, and the term item (i) of the preceding paragraph in the items of that paragraph shall be deemed to be replaced with item (ii) of the preceding paragraph.

(6) The provisions of paragraph (4) shall apply mutatis mutandis to the Wholly Owning Parent Stock Company in Share Exchange. In such cases, the phrase shareholders and creditors in that paragraph shall be deemed to be replaced with shareholders and creditors (or, in cases where Monies, etc. to be delivered to shareholders of the Wholly Owned Subsidiary Company in Share Exchange are limited to shares of the Wholly Owning Parent Stock Company in Share Exchange or those prescribed by the applicable Ordinance of the Ministry of Justice as being equivalent thereto (excluding the case prescribed in Article 768(1)(iv)(c)), shareholders of the Wholly Owning Parent Stock Company in Share Exchange), and the term item (i) of the preceding paragraph in the items of that paragraph shall be deemed to be replaced with item (iii) of the preceding paragraph.

Source: Unofficial translation of the Company Law (which is referred to as Companies Act in the translation) of Japan, published by Ministry of Justice, Government of Japan

Table of Contents

APPENDIX D

July 29, 2010

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ANNOUNCEMENT OF FINANCIAL RESULTS

PANASONIC REPORTS FIRST-QUARTER RESULTS

- Earnings turnaround on double-digit sales growth;

annual forecast revised upward -

Osaka, Japan, July 29, 2010 Panasonic Corporation (Panasonic [NYSE: PC]) today reported its consolidated financial results for the first quarter, ended June 30, 2010, of the current fiscal year ending March 31, 2011 (fiscal 2011).

First-quarter Results

Consolidated group sales for the first quarter increased 35% to 2,161.1 billion yen, from 1,595.5 billion yen in the first quarter of fiscal 2010 (a year ago), growing sales in all segments. Of the consolidated group total, domestic sales amounted to 1,054.4 billion yen, up 23% from 858.8 billion yen a year ago. Overseas sales increased 50% to 1,106.7 billion yen, from 736.7 billion yen a year ago.

During the first quarter under review, the global economic recovery continued led by China and Asian countries, despite credit uncertainties in Europe. In this business condition, Panasonic launched a new midterm management plan called Green Transformation 2012 (GT12) in the beginning of fiscal 2011. The company s vision is to become the No.1 Green Innovation Company in the Electronics Industry leading up to Panasonic s 100th anniversary in 2018, taking a lead in solving global environmental issues, the world s common challenge. As a first step in GT12, Panasonic will contribute to environmental protection and business growth, as is emphasized in the two themes of the plan: Paradigm shift for growth, and Laying a foundation to be a Green Innovation Company. Panasonic aims to establish Panasonic Group filled with strong growth potential in fiscal 2013.

Regarding earnings, operating profit[1], pre-tax income and net income attributable to Panasonic Corporation were 83.8 billion yen, 84.3 billion yen and 43.7 billion yen, significantly improved from losses of 20.2 billion

[1] For information about operating profit, see Note 2 of the Notes to consolidated financial statements on page D-9.

Table of Contents

yen, 51.8 billion yen and 53.0 billion yen a year ago. This result was due mainly to strong sales, streamlining of material cost and fixed cost reduction, offsetting severe price competition, appreciation of yen and rising prices of raw materials.

Breakdown by Business Segment

The company s first quarter consolidated sales and operating profits by business segment, compared with the amounts a year ago, are summarized as follows:

Digital AVC Networks

Sales in this segment increased 8% to 831.7 billion yen, from 773.3 billion yen a year ago. Despite sales decline of mobile phones, this was due primarily to strong sales of flat-panel TVs, Blu-ray Disc recorders and automotive electronics. Operating profit significantly improved to 27.9 billion yen from operating loss of 13.6 billion yen a year ago. This was due mainly to sales increase and comprehensive streamlining efforts.

Home Appliances[2]

Sales in this segment increased 5% to 322.8 billion yen, compared with 306.6 billion yen a year ago, due mainly to favorable sales in air conditioners, compressors and microwave ovens. Operating profit increased 73% to 32.3 billion yen, compared with 18.6 billion yen a year ago, due mainly to favorable sales and comprehensive streamlining efforts.

PEW and PanaHome

Sales in this segment increased 9% to 391.2 billion yen, from 357.7 billion yen a year ago. Regarding Panasonic Electric Works Co., Ltd. (PEW) and its subsidiaries, sales increased mainly in devices such as electrical construction materials and automation controls. For PanaHome Corporation and its subsidiaries, the recovery in Japanese housing market conditions and sales promotion of detached housing led overall sales increased. Operating profit was 8.3 billion yen, increased from an operating loss of 7.8 billion yen a year ago, due mainly to improvement in sales.

Components and Devices[2]

Sales in this segment increased 11% to 236.3 billion yen, compared with 213.3 billion yen a year ago. Strong sales of general electronic components, semiconductors and batteries contributed to this double-digit growth. Operating profit improved significantly to 11.8 billion yen from operating loss of 9.7 billion yen a year ago. This was due mainly to sales improvement and fixed cost reduction.

SANYO

Sales in this segment totaled 413.0 billion yen. Sales of solar cells, car-related equipments such as car navigation systems, and optical pickups were strong with economic stimulus programs in several countries and continuing demand expansion for PCs. Operating profit resulted in 5.0 billion yen, even after incurring the expenses such as amortization of intangible assets recorded at acquisition.

[2] The company restructured the motor business on April 1, 2010. Accordingly, segment information for Home Appliances and, Components and Devices in fiscal 2010 are reclassified to conform to the presentation for fiscal 2011.

Table of Contents

Other

Sales in this segment totaled 275.4 billion yen, up 35% from 204.7 billion yen a year ago, due mainly to significantly strong sales in factory automation equipment. Operating profit also improved significantly to 12.8 billion yen, compared with an operating loss of 0.9 billion yen a year ago.

Consolidated Financial Condition

Net cash provided by operating activities for the first quarter amounted to 144.9 billion yen. This was attributable primarily to net income and depreciation. Net cash provided by investing activities amounted to 19.4 billion yen. This was due primarily to proceeds from disposition of investments and advances, and proceeds from disposals of property, plant and equipment, offsetting capital expenditures for manufacturing facilities such as flat-panel TVs and batteries, which are the company s priority business areas. Net cash used in financing activities was 69.5 billion yen, due mainly to expenditures on purchasing of noncontrolling interests of the company s subsidiaries. All these activities associated with the effect of exchange rate fluctuations, resulted in cash and cash equivalents of 1,169.2 billion yen as of June 30, 2010, up 59.3 billion yen, compared with the end of the last fiscal year (March 31, 2010).

The company s consolidated total assets as of June 30, 2010 decreased 7.0 billion yen to 8,351.0 billion yen from the end of the fiscal 2010. This was due mainly to decrease in investments and advances affected by decline of market value in investments, despite increasing inventories experiencing seasonality. Panasonic Corporation shareholders equity decreased 141.8 billion yen, compared with the end of fiscal 2010, to 2,650.7 billion yen as of June 30, 2010. This result was due primarily to appreciation of yen, deterioration in accumulated other comprehensive income (loss) influenced by decline of market value in investments, and decrease in capital surplus influenced by the acquisition of noncontrolling interests of the company s subsidiaries.

[Intentionally Omitted]

Panasonic Corporation is one of the world s leading manufacturers of electronic and electric products for consumer, business and industrial use. Panasonic s shares are listed on the Tokyo, Osaka, Nagoya and New York stock exchanges.

[Intentionally Omitted]

Disclaimer Regarding Forward-Looking Statements

This press release includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Panasonic and its Group companies (the Panasonic Group). To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or Implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the U.S. Securities Exchange Act of 1934 and its other filings. The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, the Chinese yuan, Asian currencies and other currencies in which the Panasonic Group operates businesses, or in which assets and liabilities of the Panasonic Group are denominated; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the ability of the Panasonic Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results on the alliances or mergers and acquisitions including the acquisition of all shares of Panasonic Electric Works Co., Ltd. and SANYO Electric Co., Ltd. through tender offers and share exchanges; the ability of the Panasonic Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Panasonic Group to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Panasonic Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, deferred tax assets and uncertain tax positions; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in Panasonic s latest annual report on Form 20-F, which is on file with the U.S. Securities and Exchange Commission.

(Financial Tables and Additional Information Attached)

Table of Contents

Panasonic Corporation

Consolidated Statement of Operations*

(Three months ended June 30)

	Yen (millions)		Percentage
	2010	2009	2010/2009
Net sales	¥ 2,161,126	¥ 1,595,458	135%
Cost of sales	(1,570,787)	(1,170,871)	
Selling, general and administrative expenses	(506,501)	(444,770)	
Interest income	2,769	2,913	
Dividends received	3,058	3,417	
Interest expense	(7,381)	(6,045)	
Expenses associated with the implementation of early retirement programs**	(927)	(21,586)	
Other income (deductions), net	2,973	(10,281)	
Income (loss) before income taxes	84,330	(51,765)	
Provision for income taxes	(38,337)	(7,752)	
Equity in earnings (losses) of associated companies	1,745	(1,839)	
Net income (loss)	47,738	(81,356)	
Less net income (loss) attributable to noncontrolling interests	4,060	(8,379)	
Net income (loss) attributable to Panasonic Corporation	¥ 43,678	¥ (52,977)	
Net income (loss) attributable to Panasonic Corporation, basic			
per common share	21.10 yen	(25.58) yen	
per ADS	21.10 yen	(25.58) yen	
Net income (loss) attributable to Panasonic Corporation, diluted			
per common share ***			
per ADS***			

(Parentheses indicate expenses, deductions or losses.)

* ** *** See Notes to consolidated financial statements on pages D-9-D-10.

Supplementary Information

(Three months ended June 30)

	Yen (millions)	
	2010	2009
Depreciation (tangible assets)	¥ 68,775	¥ 57,203
Capital investment****	¥ 98,650	¥ 114,315
R&D expenditures	¥ 133,688	¥ 113,581
Number of employees (June 30)	384,816	288,933

**** These figures are calculated on an accrual basis.

Table of Contents

Panasonic Corporation

Consolidated Balance Sheet**

June 30, 2010

With comparative figures for March 31, 2010

	Yen (millions)	
Assets	**June 30, 2010**	**March 31, 2010**
Current assets:		
Cash and cash equivalents	¥ 1,169,237	¥ 1,109,912
Time deposits	86,385	92,032
Trade receivables:		
Notes	76,850	74,283
Accounts	1,106,918	1,134,915
Allowance for doubtful receivables	(24,625)	(24,158)
Inventories	975,862	913,646
Other current assets	556,331	505,418
Total current assets	3,946,958	3,806,048
Investments and advances	547,593	636,762
Property, plant and equipment, net of accumulated depreciation	1,897,105	1,956,021
Other assets	1,959,375	1,959,226
Total assets	¥ 8,351,031	¥ 8,358,057
Liabilities and Equity		
Current liabilities:		
Short-term debt, including current portion of long-term debt	¥ 406,882	¥ 299,064
Trade payables:		
Notes	62,328	59,608
Accounts	1,010,959	1,011,838
Other current liabilities	1,507,060	1,445,353
Total current liabilities	2,987,229	2,815,863
Noncurrent liabilities:		
Long-term debt	1,008,100	1,028,928
Other long-term liabilities	809,760	833,493
Total noncurrent liabilities	1,817,860	1,862,421
Total liabilities	4,805,089	4,678,284
Panasonic Corporation shareholders equity:		
Common stock	258,740	258,740
Capital surplus	1,127,206	1,209,516
Legal reserve	93,797	93,307
Retained earnings	2,382,322	2,349,487
Accumulated other comprehensive income (loss)*	(540,640)	(448,232)
Treasury stock, at cost	(670,692)	(670,330)

Total Panasonic Corporation shareholders equity	2,650,733	2,792,488
Noncontrolling Interests	895,209	887,285
Total equity	3,545,942	3,679,773
Total liabilities and equity	¥ 8,351,031	¥ 8,358,057

* Accumulated other comprehensive income (loss) breakdown:

	Yen (millions)	
	June 30, 2010	**March 31, 2010**
Cumulative translation adjustments	¥ (410,781)	¥ (352,649)
Unrealized holding gains (losses) of available-for-sale securities	(910)	40,700
Unrealized gains (losses) of derivative Instruments	7,077	1,272
Pension liability adjustments	(136,026)	(137,555)

** See Notes to consolidated financial statements on pages D-9-D-10.

D-6

Table of Contents

Panasonic Corporation

Consolidated Information by Business Segment*

(Three months ended June 30)

By Business Segment:

	Yen (billions)		Percentage
[Sales]	**2010**	**2009**	**2010/2009**
Digital AVC Networks	¥ 831.7	¥ 773.3	108%
Home Appliances	322.8	306.6	105%
PEW and PanaHome	391.2	357.7	109%
Components and Devices	236.3	213.3	111%
SANYO	413.0		
Other	275.4	204.7	135%
Subtotal	2,470.4	1,855.6	133%
Eliminations	(309.3)	(260.1)	
Consolidated total	¥ 2,161.1	¥ 1,595.5	135%
[Segment Profit (Loss)]**			
Digital AVC Networks	¥ 27.9	¥ (13.6)	
Home Appliances	32.3	18.6	173%
PEW and PanaHome	8.3	(7.8)	
Components and Devices	11.8	(9.7)	
SANYO	5.0		
Other	12.8	(0.9)	
Subtotal	98.1	(13.4)	
Corporate and eliminations	(14.3)	(6.8)	
Total segment profit	¥ 83.8	¥ (20.2)	

* ** See Notes to consolidated financial statements on pages D-9-D-10.

Table of Contents

Panasonic Corporation

Consolidated Statement of Cash Flows*

(Three months ended June 30)

	Yen (millions)	
Cash flows from operating activities:	**2010**	**2009**
Net income (loss)	¥ 47,738	¥ (61,356)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	89,249	65,895
Net gain on sale of investments	(3,733)	(241)
Cash effects of changes in, excluding acquisition:		
Trade receivables	6,143	(71,640)
Inventories	(90,092)	(21,235)
Trade payables	19,805	74,520
Retirement and severance benefits	(9,602)	(8,699)
Other	85,376	92,772
Net cash provided by operating activities	144,884	70,016
Cash flows from investing activities:		
Proceeds from disposition of investments and advances	54,464	31,809
Increase in investments and advances	(453)	(1,827)
Capital expenditures	(94,135)	(102,526)
Proceeds from disposals of property, plant and equipment	63,914	3,519
(Increase) decrease in time deposits	1,883	2,655
Other	(6,286)	(16,917)
Net cash provided by (used in) investing activities	19,387	(83,287)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	42,668	110,645
Increase (decrease) in long-term debt	(35,617)	(6,592)
Dividends paid to Panasonic Corporation shareholders	(10,353)	(15,530)
Dividends paid to noncontrolling interests	(5,031)	(7,062)
(Increase) decrease in treasury stock	(366)	(14)
Purchase of noncontrolling interests and other	(60,800)	(23)
Net cash provided by (used in) financing activities	(69,499)	81,424
Effect of exchange rate changes on cash and cash equivalents	(35,447)	(894)
Net increase (decrease) in cash and cash equivalents	59,325	67,259
Cash and cash equivalents at beginning of period	1,109,912	973,867
Cash and cash equivalents at end of period	¥ 1,169,237	¥ 1,041,126

* See Notes to consolidated financial statements on pages D-9-D-10.

Table of Contents

Notes to consolidated financial statements:

1. The company s consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

2. In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. The company believes that this is useful to investors in comparing the company s financial results with those of other Japanese companies. Please refer to the accompanying consolidated statement of operations and Note 3 for the U.S. GAAP reconciliation.

3. Under U.S. GAAP, expenses associated with the implementation of early retirement programs at certain domestic and overseas companies are included as part of operating profit in the statement of operations.

4. Comprehensive income (loss) attributable to Panasonic Corporation was reported as a loss of 48,730 million yen for the first quarter of fiscal 2011, and a loss of 21,791 million yen for the first quarter of fiscal 2010. Comprehensive income (loss) attributable to Panasonic Corporation includes net income (loss) attributable to Panasonic Corporation and increases (decreases) in accumulated other comprehensive income (loss) attributable to Panasonic Corporation.

5. Diluted net income (loss) per share attributable to Panasonic Corporation common shareholders has been omitted because the company did not have potential common shares that were outstanding for the period.

6. Regarding consolidated segment profit (loss), expenses for basic research and administrative expenses at the corporate headquarters level are treated as unallocatable expenses for each business segment, and are included in Corporate and eliminations.

7. SANYO and its subsidiaries became Panasonic s consolidated subsidiaries in December 2009. The operating results of SANYO and its subsidiaries are not included in the company s consolidated financial statements for the first quarter of fiscal 2010.

8. The company s business segments are classified according to a business domain-based management system, which focuses on global consolidated management by each business domain, in order to ensure consistency of its internal management structure and disclosure. The company restructured the motor business on April 1, 2010. Accordingly, segment information for Home Appliances and, Components and Devices in fiscal 2010 is reclassified to conform to the presentation for fiscal 2011.

Principal internal divisional companies or units and subsidiaries operating in respective segments are as follows:

Digital AVC Networks

AVC Networks Company, System Networks Company,

Panasonic Mobile Communications Co., Ltd., Automotive Systems Company,

Panasonic Shikoku Electronics Co., Ltd.

Home Appliances

Home Appliances Company, Lighting Company, Panasonic Ecology Systems Co., Ltd.

PEW and PanaHome

Panasonic Electric Works Co., Ltd., PanaHome Corporation

Table of Contents

Components and Devices

Semiconductor Company, Panasonic Electronic Devices Co., Ltd., Energy Company

SANYO

SANYO Electric Co., Ltd.

Other

Panasonic Factory Solutions Co., Ltd., Panasonic Welding Systems Co., Ltd.

9. Number of consolidated companies: 672 (including parent company)

10. Number of associated companies under the equity method: 238

Subsequent event:

The company resolved, at the Board of Directors meeting held on July 29, 2010, to pursue a plan of Panasonic s acquisition of all shares of PEW and SANYO (hereinafter collectively referred to as the Subsidiaries) in order to make them wholly-owned subsidiaries of Panasonic (hereinafter referred to as the Acquisition of All Shares of the Subsidiaries) by around April 2011 by way of tender offers and, thereafter, share exchanges. In order to implement the Acquisition of All Shares of the Subsidiaries, the company resolved, at its above-mentioned Board of Directors meeting, to simultaneously commence tender offers for common shares of the Subsidiaries, respectively.

APPENDIX E

Consolidated Financial Results for Three Months Ended June 30, 2010 (U.S. GAAP)

August 3, 2010

SANYO Electric Co., Ltd.
Company Code: 6764
Representative: Seiichiro Sano, President
Contact: Taisuke Outani, General Manager of Corporate Accounting Dept.
Expected date to file for first-quarter report (Japanese): August 4, 2010
Preparation of quarterly results supplemental explanatory document: Applicable
Holding of quarterly results briefing: Applicable

Stock Exchange Listings: Tokyo, Osaka
URL: http://jp.sanyo.com

(Telephone +81-6-6991-1181)

Scheduled Dividend Payment Start Date: -

(Amounts below one million yen are rounded off.)

1. Consolidated Business Results for the Three Months Ended June 30, 2010 (April 1, 2010 June 30, 2010)

(1) Consolidated Business Results (Cumulative) (%: Changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income (loss)		Income (loss) from continuing operations, before income taxes		Net income (loss) attributable to SANYO	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st quarter ended Jun. 30, 2010	387,392	9.1	13,948		12,290		10,552	
1st quarter ended Jun. 30, 2009	354,996	(22.9)	(5,711)		(12,886)		(18,401)	

(Notes)

1. From the three months ended June 30, 2010, net sales presented include other operating revenue. The amounts presented for the three months ended June 30, 2009 have been adjusted accordingly.
2. The semiconductor business was regarded as discontinued operations for the three months ended June 30, 2010. Therefore, based on U.S. GAAP, net income from the semiconductor business is presented separately as income from discontinued operations, net of taxes in the comparative consolidated statements of operations, and the amounts for the three months ended June 30, 2009 have been adjusted accordingly.

	Net income (loss) per share of this quarter attributable to SANYO	Diluted income per share of this quarter attributable to SANYO
	Yen	Yen
1st quarter ended Jun. 30, 2010	1.72	
1st quarter ended Jun. 30, 2009	(3.00)	

(2) Consolidated Financial Position

	Total assets	Total equity	Total SANYO stockholders equity	Total SANYO stockholders equity ratio	Total SANYO stockholders equity per Share
	Million yen	Million yen	Million yen	%	Yen
1st quarter ended Jun. 30, 2010	1,350,944	130,346	109,209	8.1	17.78
Year Ended March 31, 2010	1,391,273	129,572	108,318	7.8	17.64

Table of Contents

2. [Intentionally Omitted]

4. Others (For details, see (4) Others in 1. Qualitative Information & Consolidated Financial Statements)

(1) Changes in scope of consolidated subsidiaries during the quarter: None

Added: 0 (Company name) Excluded: 0 (Company name)

(Note) Changes of specific subsidiaries during the three months ended June 30, 2010, resulting in the change in the scope of consolidation, are applicable.

(2) Adoption of simplified accounting or particular accounting: None

(Note) The above corresponds to adoption of simplified accounting or accounting used particularly for preparation of consolidated quarterly financial statements.

(3) Changes in accounting principles, practices, and presentation

Adoption of new accounting standards: None

Other changes: None

(4) Outstanding stocks (common stocks)

Number of stocks outstanding (including treasury stock)

As of June 30, 2010 (end of 1st quarter)	As of March 31, 2010
6,158,053,099	6,158,053,099

Number of treasury stocks

As of June 30, 2010 (end of 1st quarter)	As of March 31, 2010
16,673,406	16,655,826

Average number of stocks

1st quarter ended June 30, 2010	1st quarter ended June 30, 2009
6,141,384,912	1,855,761,578

* Presentation regarding quarterly review procedures implementation status

In conjunction with the disclosure of these quarterly financial results, the quarterly consolidated financial statements undergo review procedures based on the Financial Instruments and Exchange Act.

(Note) Remarks on appropriate use of forecasted results of operation and other special matters

All statements in this report, other than past factual matters, are future results projected in accordance with SANYO s present plans, outlooks and strategies based on management judgments in light of information currently available.

There are various risks and uncertainties relating to factors that can cause change in business results. The principal factors influencing results include:

1) large changes in economic conditions and capital markets, as well as consumption changes in businesses SANYO engages in;

2) the effects on SANYO s international business activities of fluctuation in exchange rates between the yen and the U.S. dollar, as well as the yen and other currencies;

3) various trade restrictions in the markets of individual countries; and

4) SANYO s ability to provide new technologies, new products and new services amid rapid technological innovation, market competition and price competition.

However, it should be noted that factors affecting SANYO s performance are not limited to those mentioned above; there are other factors that pose latent risks and uncertainties.

[Intentionally Omitted]

Table of Contents

Supporting Data Index

Table of Contents

1. Qualitative Information & Consolidated Financial Statements

(1) Qualitative Information on Results of Operations

Overview for the three months ended June 30, 2010

(From April 1, 2010 to June 30, 2010)

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 in the United States. SANYO Electric Logistics Co., Ltd. is a consolidated subsidiary which operates a logistics business.

Overview of Consolidated Business Results

For the three months ended June 30, 2010, consolidated net sales increased by 9.1% from the same period of the previous year to ¥387.4 billion. Within this total of consolidated net sales, domestic sales decreased by 4.9% from the same period of the previous year to ¥146.3 billion, while overseas sales increased by 19.9% from the same period of the previous year to ¥241.0 billion.

In the Energy business segment, sales increased by 6.6% from the same period of the previous year to ¥103.3 billion.

Sales of photovoltaic systems significantly increased, driven primarily by sales in Japan. However sales of lithium-ion batteries remained unchanged from the previous year. Overall sales of rechargeable batteries decreased due to the sale of some businesses; including the nickel-metal hydride battery business which was divested in January 2010.

In the Electronic device business segment, sales increased by 48.2% from the same period of the previous year to ¥60.9 billion.

In the electronic components product category, sales increased due to strong sales of optical pickups and capacitors, due to the healthy performance of the personal computer market. Sales in the semiconductor business, which is classed as a discontinued operation, have been excluded.

In the Digital systems business segment, sales decreased by 0.4% from the same period of the previous year to ¥78.8 billion.

Overall sales of digital cameras decreased, despite an overall sales volume increase, which was offset by the continued unit price declines of digital camera products. Sales of projectors remained strong in China and other Asian countries and sales of TVs improved in North America; resulting in increased sales, in these respective product categories.

Table of Contents

In the Commercial business segment, sales decreased by 4.4% from the same period of the previous year to ¥67.3 billion.

Sales of cold-chain equipment products, such as showcases and commercial kitchen equipment, and air-conditioning equipment, including commercial air conditioners, decreased. Overall sales in the medical information system business also decreased. Sales of washing machines increased, driven by strong sales primarily in Japan. Sales in the biomedical business increased, both in Japan and overseas.

In the Consumer electronics business segment, sales increased by 19.4% from the same period of the previous year to ¥55.3 billion.

In the life electronics product category, sales of rice cookers and vacuum cleaners increased due to healthy sales. However, sales of refrigerators remained unchanged from the previous year. Sales of car electronics products, such as car navigation and audio systems, significantly increased as a result of the recovery of auto sales.

In the Other business segment, sales increased by 2.6% from the same period of the previous year to ¥21.7 billion.

Operating income was ¥13.9 billion, an increase of ¥19.7 billion from the same period of the previous year, mainly due to an increase in sales and continuous cost reduction activities. Income from continuing operations before income taxes for the three months ended June 30, 2010 was ¥12.3 billion and net income attributable to SANYO for the three months ended June 30, 2010 was ¥10.6 billion.

(2) Qualitative Information on Financial Position

<Assets>

Total assets as of June 30, 2010 were ¥1,350.9 billion, a decrease of ¥40.3 billion from the end of the previous fiscal year. This decrease was mainly due to a ¥24.9 billion decrease in cash and a ¥23.1 billion decrease in time deposits, from the end of the previous fiscal year; which resulted from interest-bearing debt reductions.

<Liabilities and SANYO Stockholders Equity>

Total liabilities as of June 30, 2010 were ¥1,220.6 billion, a decrease of ¥41.1 billion from the end of the previous fiscal year. This decrease was mainly due to a ¥23.7 billion decrease in the current portion of long-term debt and a ¥15.4 billion decrease in long-term debt, compared with the previous fiscal year end. Total SANYO stockholders equity was ¥109.2 billion, an increase of ¥0.9 billion from the end of the previous fiscal year. This increase was mainly due to a ¥10.6 billion decrease in accumulated deficit from the end of the previous fiscal year, which was partially offset by an increase in accumulated other comprehensive loss of ¥9.7 billion from the end of the previous fiscal year.

<Cash Flows>

For the three months ended June 30, 2010, net cash provided by operating activities amounted to ¥5.8 billion, net cash used in investing activities amounted to ¥11.5 billion, and net cash used in financing activities amounted to ¥30.7 billion. With the effect of exchange rate changes, cash and cash equivalents as of June 30, 2010 amounted to ¥234.5 billion, a decrease of ¥48.0 billion from the end of the previous fiscal year.

(3) [Intentionally Omitted]

Table of Contents

(4) Others

Changes in significant subsidiaries during the period (Changes in specified subsidiaries with a change in the consolidation scope)

None

Adoption of simplified accounting or accounting used particularly for preparation of consolidated quarterly financial statements

None

Changes in accounting principles, practices, and presentation of consolidated quarterly financial statements

None

Table of Contents

2. Consolidated Quarterly Financial Statements

[Consolidated]

(1) Comparative Consolidated Balance Sheets (Unaudited)

Item	As of June 30, 2010 (A)	(Millions of yen) As of March 31, 2010 (B)	Change (A - B)
(Assets)			
Current assets			
Cash	98,760	123,635	(24,875)
Time deposits	135,705	158,841	(23,136)
Notes and accounts receivable Trade	271,386	290,702	(19,316)
Notes and accounts receivable Affiliates	16,563	21,864	(5,301)
Allowance for doubtful accounts	(5,430)	(5,643)	213
Inventories	211,127	233,981	(22,854)
Deferred income taxes	5,051	5,502	(451)
Assets held for sale	88,173		88,173
Others	42,359	44,246	(1,887)
Total current assets	**863,694**	**873,128**	**(9,434)**
Investment and advances			
Affiliates	41,581	40,558	1,023
Securities and other investments	21,360	29,932	(8,572)
Total investment and advances	**62,941**	**70,490**	**(7,549)**
Property, plant and equipment			
Buildings	288,490	356,657	(68,167)
Machinery and equipment	549,378	700,346	(150,968)
Accumulated depreciation	(581,458)	(789,058)	207,600
Land	83,230	89,095	(5,865)
Construction in progress	22,216	26,855	(4,639)
Net property, plant and equipment	**361,856**	**383,895**	**(22,039)**
Deferred income taxes	11,224	10,523	701
Other assets	51,229	53,237	(2,008)
Total assets	**1,350,944**	**1,391,273**	**(40,329)**

E-7

Table of Contents

Item	(Millions of yen) As of June 30, 2010 (A)	As of March 31, 2010 (B)	Change (A - B)
(Liabilities)			
Current liabilities			
Short-term borrowings	47,129	54,730	(7,601)
Current portion of long-term debt	137,633	161,368	(23,735)
Notes and accounts payable Trade	287,760	293,765	(6,005)
Notes and accounts payable Affiliates	7,504	7,087	417
Notes and accounts payable Construction	31,297	35,648	(4,351)
Accrued income taxes	5,500	8,421	(2,921)
Deposits received from employees	9,865	9,766	99
Liabilities held for sale	54,763		54,763
Others	128,451	148,459	(20,008)
Total current liabilities	**709,902**	**719,244**	**(9,342)**
Long-term debt	308,984	324,372	(15,388)
Accrued pension and severance costs	187,895	203,963	(16,068)
Deferred income taxes	7,196	7,508	(312)
Others	6,621	6,614	7
Total liabilities	**1,220,598**	**1,261,701**	**(41,103)**
(Equity)			
SANYO stockholders equity			
Capital	322,242	322,242	
Additional paid-in capital	781,967	781,966	1
Accumulated deficit	(740,650)	(751,202)	10,552
Accumulated other comprehensive loss	(247,822)	(238,162)	(9,660)
Treasury stock, at cost	(6,528)	(6,526)	(2)
Total SANYO stockholders equity	**109,209**	**108,318**	**891**
Noncontrolling interests	21,137	21,254	(117)
Total equity	130,346	129,572	774
Total liabilities and equity	**1,350,944**	**1,391,273**	**(40,329)**

(Note) Assets and liabilities of SANYO Electric Logistics Co., Ltd. and the semiconductor business are respectively presented in assets held for sale and liabilities held for sale.

E-8

Table of Contents

[Consolidated]

(2) Comparative Consolidated Statements of Operations (Unaudited)

	(Millions of yen)					
	Three Months Ended June 30, 2010 (A)		Three Months Ended June 30, 2009 (B)		Change [Amount: A - B] Percentage of change [%: (A-B) / B]	
Item	Amount	Percentage %	Amount	Percentage %	Amount	Percentage %
Net sales	**387,392**	**100.0**	**354,996**	**100.0**	**32,396**	**9.1**
Cost of sales	310,204	80.1	297,110	83.7	13,094	4.4
Selling, general and administrative expenses	63,240	16.3	63,597	17.9	(357)	(0.6)
Operating income (loss)	13,948	3.6	(5,711)	(1.6)	19,659	
Other income (expense):						
Interest and dividend income	592	0.2	784	0.2	(192)	
Other income	5,572	1.4	2,755	0.8	2,817	
Interest expense	(1,907)	(0.5)	(2,546)	(0.7)	639	
Other expenses	(5,915)	(1.5)	(8,168)	(2.3)	2,253	
Income (loss) from continuing operations, before income taxes	**12,290**	**3.2**	**(12,886)**	**(3.6)**	**25,176**	
Provision for income taxes	3,109	0.8	1,736	0.5	1,373	79.1
Income (loss) from continuing operations	**9,181**	**2.4**	**(14,622)**	**(4.1)**	**23,803**	
Discontinued operations						
Income (loss) from discontinued operations	1,003	0.3	(4,041)	(1.2)	5,044	
Provision for income taxes	(182)	(0.0)	72	0.0	(254)	
Net income (loss) from discontinued operations	1,185	0.3	(4,113)	(1.2)	5,298	
Net income (loss) before allocation to noncontrolling interests	**10,366**	**2.7**	**(18,735)**	**(5.3)**	**29,101**	
Net loss attributable to noncontrolling interests	(186)	(0.0)	(334)	(0.1)	148	
Net income (loss) attributable to SANYO	**10,552**	**2.7**	**(18,401)**	**(5.2)**	**28,953**	

(Notes)

1. From the three months ended June 30, 2010, net sales presented include other operating revenue. The amounts for the three months ended June 30, 2009 have been adjusted accordingly.
2. In accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 205 Presentation of Financial Statements Discontinued Operations, operating results from discontinued operations are presented as income from discontinued operations, net of taxes in the comparative consolidated statements of operations, and the amounts for the three month ended June 30, 2009 have been adjusted accordingly.

E-9

Table of Contents

[Consolidated]

(3) Comparative Consolidated Statements of Cash Flows (Unaudited)

	Item	Three Months Ended June 30, 2010 (Millions of yen)	Three Months Ended June 30, 2009 (Millions of yen)
I.	**Cashflows from operating activities**		
	Net income (loss) before allocation to noncontrolling interests	10,366	(18,735)
	Adjustmentsto reconcile net income (loss) to net cash provided by (used in) operating activities		
	Depreciation and amortization	17,269	16,424
	(Increase) decrease in trade receivables	(5,232)	9,850
	(Increase) decrease in inventories	(17,153)	2,679
	Increase (decrease) in trade payables	13,444	(2,162)
	Other, net	(12,853)	(21,207)
	Net cash provided by (used in) operating activities	**5,841**	**(13,151)**
II.	**Cashflows from investing activities**		
	Proceeds from sale of marketable securities and investment securities, net of payments for purchase	1,172	173
	Payments for purchase of property, plant and equipment	(18,156)	(13,227)
	Proceeds from sale of property, plant and equipment	5,396	700
	Other, net	95	(806)
	Net cash used in investing activities	**(11,493)**	**(13,160)**
III.	**Cashflows from financing activities**		
	Increase (decrease) in short-term borrowings	(7,752)	4,123
	Increase (decrease) in long-term debt	(22,876)	116,327
	Dividends paid	(53)	(277)
	Other, net	(5)	(13)
	Net cash (used in) provided by financing activities	**(30,686)**	**120,160**
IV.	**Effectof exchange rate changes on cash and cash equivalents**	**(4,140)**	**1,787**
V.	**Cashand cash equivalents included in assets held for sale**	**(7,533)**	
VI.	**Net increase (decrease) in cash and cash equivalents**	**(48,011)**	**95,636**
VII.	**Cashand cash equivalents at beginning of the period**	**282,476**	**219,393**
VIII.	**Cashand cash equivalents of newly consolidated subsidiaries**		**1,637**
IX.	**Cashand cash equivalents at end of the period**	**234,465**	**316,666**

(Note) The cash flows attributable to the discontinued operations are not presented separately from the cash flows attributable to the continuing operations in the comparative consolidated statements of cash flows.

Table of Contents

[Consolidated]

(4) Segment Information (Unaudited)

Business Segments

Segment	Three Months Ended June 30, 2010 (A) Amount	Percentage %	Three Months Ended June 30, 2009 (B) Amount	Percentage %	Change [Amount: A - B] Percentage of change [%: (A-B) / B] Amount	Percentage %
	(Millions of yen)					
Net sales						
Energy	106,369	26.1	100,265	26.2	6,104	6.1
Electronic device	66,081	16.2	52,101	13.6	13,980	26.8
Digital system	75,319	18.5	78,539	20.5	(3,220)	(4.1)
Commercial	97,966	24.0	97,961	25.5	5	0.0
Consumer electronics	58,222	14.3	52,365	13.7	5,857	11.2
Other	3,448	0.9	2,110	0.5	1,338	63.4
Total	407,405	100.0	383,341	100.0	24,064	6.3
Corporate and eliminations	(20,013)		(28,345)		8,332	
Consolidated	387,392		354,996		32,396	9.1
Operating income						
Energy	7,475	48.9	1,692	233.1	5,783	341.8
Electronic device	6,323	41.4	(1,973)	(271.8)	8,296	
Digital system	55	0.4	2,103	289.7	(2,048)	(97.4)
Commercial	(289)	(1.9)	(1,124)	(154.8)	835	
Consumer electronics	1,627	10.7	(58)	(8.0)	1,685	
Other	81	0.5	86	11.8	(5)	(5.8)
Total	15,272	100.0	726	100.0	14,546	
Corporate and eliminations	(1,324)		(6,437)		5,113	
Consolidated	13,948		(5,711)		19,659	

(Notes)

1. Business Segment

The segments reported are the components of the SANYO for which separate financial information is available that is evaluated regularly by the chief operating decision maker of the SANYO in deciding how to allocate resources and in assessing performance.

2. The major products and services of each operating segment are as follows:

Energy	: Rechargeable batteries, PV systems, and other products
Electronic device	: Electronic components and other products

Digital system	: Digital cameras; video equipment, such as TVs and projectors; and other products
Commercial	: Refrigerated showcases, commercial kitchen equipment, commercial air conditioners, washing machines and other products
Consumer electronics	: Home appliances, such as refrigerators; navigation systems; and other products
Other	: Supporting business with in the SANYO Electric Group

E-11

Table of Contents

3. Fundamental research and development expenses, and corporate expenses relating to administrative and management functions of SANYO s head office are included as a part of corporate and eliminations.
4. From the three months ended June 30, 2010, net sales include other operating revenue. The amounts for the three months ended June 30, 2009 have been adjusted accordingly.
5. In accordance with ASC205 Presentation of Financial Statements Discontinued Operations, operating results from discontinued operations have been excluded from the above segment information.

[Consolidated]

Business Domain

	(Millions of yen)					
	Three Months Ended June 30, 2010 (A)		Three Months Ended June 30, 2009 (B)		Change [Amount: A B] Percentage of change [%: (A-B) / B]	
Business Domain	**Amount**	**Percentage %**	**Amount**	**Percentage %**	**Amount**	**Percentage %**
Net Sales						
Energy	106,369	26.1	100,265	26.2	6,104	6.1
Electronics	141,400	34.7	130,640	34.1	10,760	8.2
Ecology	156,188	38.3	150,326	39.2	5,862	3.9
Others	3,448	0.9	2,110	0.5	1,338	63.4
Total	407,405	100.0	383,341	100.0	24,064	6.3
Corporate and eliminations	(20,013)		(28,345)		8,332	
Consolidated	387,392		354,996		32,396	9.1
Operating income						
Energy	7,475	48.9	1,692	233.1	5,783	341.8
Electronics	6,378	41.8	130	17.9	6,248	
Ecology	1,338	8.8	(1,182)	(162.8)	2,520	
Others	81	0.5	86	11.8	(5)	(5.8)
Total	15,272	100.0	726	100.0	14,546	
Corporate and eliminations	(1,324)		(6,437)		5,113	
Consolidated	13,948		(5,711)		19,659	

(Notes)
1. Business Domains
Our company divides our business groups into the three domains based on the basic technology of the products , and determines the business strategy.
The three domains are as follows: Energy, Electronics and Ecology.
2. Business Domain contents
The three business domains consist of the following business segments; net sales and operating income are calculated by a sum of the total of each business segment.

Business Domains	**Business Segments**
Energy business domain	Energy
Electronics business domain	Electronic device/Digital system

Ecology business domain	Commercial/Consumer electronics

3. From the three months ended June 30, 2010, net sales include other operating revenue.
   The amounts for the three months ended June 30, 2009 have been adjusted accordingly.
4. In accordance with ASC205 Presentation of Financial Statements Discontinued Operations, operating results from discontinued operations have been excluded from the above segment information.

Table of Contents

(5) Assumption for going concern

None

(6) Significant changes in stockholders equity

None

[Consolidated]

(7) Comparative Net Sales by Product Category (Unaudited)

Product Category	Three Months Ended June 30, 2010 (A)		Three Months Ended June 30, 2009 (B)		Change [Amount: A - B] Percentage of change [%: (A-B) / B]	
(Millions of yen)	Amount	Percentage %	Amount	Percentage %	Amount	Percentage %
Energy	103,317	26.7	96,930	27.3	6,387	6.6
Electronic device	60,907	15.7	41,086	11.6	19,821	48.2
Digital system	78,807	20.3	79,086	22.3	(279)	(0.4)
Commercial	67,327	17.4	70,391	19.8	(3,064)	(4.4)
Consumer electronics	55,322	14.3	46,350	13.0	8,972	19.4
Other	21,712	5.6	21,153	6.0	559	2.6
Total	387,392	100.0	354,996	100.0	32,396	9.1
Sales by area						
Domestic sales	146,349	37.8	153,889	43.3	(7,540)	(4.9)
Overseas sales	241,043	62.2	201,107	56.7	39,936	19.9

(Notes)
1. SANYO changed the category of consolidated net sales by product category in accordance with the revision of segment reporting for the fiscal year ended March 31, 2010. From the three months ended June 30, 2010, consolidated net sales by product category include other operating revenue.
The amounts for the three months ended June 30, 2009 have been adjusted accordingly.
2. In accordance with ASC205 Presentation of Financial Statements Discontinued Operations, operating results from discontinued operations have been excluded from the above segment information.

Table of Contents

July 28, 2010

SANYO Electric Co., Ltd.

Supplemental Consolidated Financial Data for the First Quarter Ended June 30, 2010

1. Results of Operations

2. Business Segment

3. Non-operating Balance

4. Net Sales
(1) Sales by Product Category

(2) Sales by Area

(3) Sales of Major Products

5. Balance Sheets

6. Cash Flows

7. Supplemental Information
(Notice Related to Future Outlook)

All statements in this report, other than past factual matters, are future results projected in accordance with SANYO s present plans, outlooks and strategies, based on management judgments in light of information currently available. Therefore, SANYO cannot guarantee the accuracy and reliability of this information, and requests that you should not rely on this information alone. There are various factors influencing business forecasts such as business risks and uncertainties. The principal factors that may cause changes in the forecasts include: 1) large changes in economic conditions and capital markets, as well as consumption changes in businesses SANYO engages in, 2) the effects on SANYO s international business activities of fluctuation in exchange rates between the yen and the U.S. dollar, as well as the yen and other currencies, 3) various trade restrictions in the markets of individual countries, and 4) SANYO s ability to provide new technologies, new products and new services amid rapid technological innovation, market competition and price competition. However, it should be noted that factors affecting SANYO s performance are not limited to those mentioned above; there are other factors that pose latent risks and uncertainties.

Table of Contents

1. Results of Operations

Items	2010 Actual	2009 Actual	Increase (Decrease)	%
	(Millions of Yen) First quarter ended June 30			
Net sales	**387,392**	**354,996**	**32,396**	**9.1%**
Operating income (loss)	13,948	(5,711)	19,659	
Income (loss) from continuing operations, before income taxes	12,290	(12,886)	25,176	
Net income (loss) from discontinued operations	1,185	(4,113)	5,298	
Net income (loss) attributable to SANYO	10,552	(18,401)	28,953	
Net income (loss) attributable to SANYO per share (yen)	1.72	(3.00)	4.72	

(Note 1) From the first quarter ended June 30, 2010 on, the amounts of sales represent a total of net sales and other operating revenues as a result of the change of the calculation method. Along with the change, the results for the same period fiscal year are reclassified in the same manner.

(Note 2) We defined semiconductor business as discontinued business in the first quarter ended June 30, 2010, and shows its business results independently as discontinued operations. Accordingly, the results for the same period of the previous fiscal year are reclassified in the same manner.

2. Business Segment

Group		2010 Actual	2009 Actual	Increase (Decrease)	%
		(Millions of Yen) First quarter ended June 30			
Net sales	Energy	106,369	100,265	6,104	6.1%
	Electronic Device	66,081	52,101	13,980	26.8%
	Digital System	75,319	78,539	(3,220)	(4.1%)
	Commercial	97,966	97,961	5	0.0%
	Consumer Electronics	58,222	52,365	5,857	11.2%
	Other	3,448	2,110	1,338	63.4%
	Corporate and Eliminations	(20,013)	(28,345)	8,332	
	Total	**387,392**	**354,996**	**32,396**	**9.1%**
Operating income (loss)	Energy	7,475	1,692	5,783	341.8%
	Electronic Device	6,323	(1,973)	8,296	
	Digital System	55	2,103	(2,048)	(97.4%)
	Commercial	(289)	(1,124)	835	
	Consumer Electronics	1,627	(58)	1,685	
	Other	81	86	(5)	(5.8%)
	Corporate and Eliminations	(1,324)	(6,437)	5,113	
	Total	**13,948**	**(5,711)**	**19,659**	

(Note 1) The segments reported are the components of SANYO for which separate financial information is available that is evaluated regularly by the chief operating decision maker of SANYO in deciding how to allocate resources and in assessing performance.

(Note 2)

From the first quarter ended June 30, 2010 on, the amounts of sales represent a total of net sales and other operating revenues as a result of the change of the calculation method. Along with the change, the results for the same period of the previous fiscal year are reclassified in the same manner.

(Note 3) Business results for discontinued operations (i.e. semiconductor business) are excluded.

Table of Contents

3. Non-operating Balance

	(Millions of Yen) First quarter ended June 30		
Items	**2010 Actual**	**2009 Actual**	**Increase (Decrease)**
Financial balance	(1,315)	(1,762)	447
Exchange profit, net	1,109	174	935
Investment profit on equity method	1,489	528	961
Others, net	(2,941)	(6,115)	3,174
Non-operating balance	(1,658)	(7,175)	5,517

(Note) Business results for discontinued operations (i.e. semiconductor business) are excluded.

4. Net Sales

(1) Sales by Product Category

	(Millions of Yen) First quarter ended June 30			
Product Category	**2010 Actual**	**2009 Actual**	**Increase (Decrease)**	**%**
Energy	103,317	96,930	6,387	6.6%
Domestic	32,608	27,642	4,966	18.0%
Overseas	70,709	69,288	1,421	2.1%
Electronic Device	60,907	41,086	19,821	48.2%
Domestic	2,754	2,373	381	16.1%
Overseas	58,153	38,713	19,440	50.2%
Digital System	78,807	79,086	(279)	(0.4%)
Domestic	13,833	27,047	(13,214)	(48.9%)
Overseas	64,974	52,039	12,935	24.9%
Commercial	67,327	70,391	(3,064)	(4.4%)
Domestic	41,870	45,549	(3,679)	(8.1%)
Overseas	25,457	24,842	615	2.5%
Consumer Electronics	55,322	46,350	8,972	19.4%
Domestic	35,156	31,440	3,716	11.8%
Overseas	20,166	14,910	5,256	35.3%
Other	21,712	21,153	559	2.6%
Domestic	20,128	19,838	290	1.5%
Overseas	1,584	1,315	269	20.5%
Total	387,392	354,996	32,396	9.1%
Domestic	146,349	153,889	(7,540)	(4.9%)
Overseas	241,043	201,107	39,936	19.9%

(Note 1) The amounts are sales of major products to outside customers, and do not include internal sales. As such, amounts herein do not correspond to sales in Business Segment.

(Note 2)

From the first quarter ended June 30, 2010 on, the amounts of sales represent a total of net sales and other operating revenues as a result of the change of the calculation method. Along with the change, the results for the same period of the previous fiscal year are reclassified in the same manner.

(Note 3) Business results for discontinued operations (i.e. semiconductor business) are excluded.

Table of Contents

(2) Sales by Area

	(Millions of Yen)			
	First quarter ended June 30			
Area	2010 Actual	2009 Actual	Increase (Decrease)	%
Overseas Total	**241,043**	**201,107**	**39,936**	**19.9%**
Asia	133,037	104,311	28,726	27.5%
China	87,797	67,210	20,587	30.6%
Others	45,240	37,101	8,139	21.9%
North America	53,651	46,732	6,919	14.8%
Europe	37,512	36,476	1,036	2.8%
Others	16,843	13,588	3,255	24.0%
Domestic Total	146,349	153,889	(7,540)	(4.9%)
Total	387,392	354,996	32,396	9.1%

(Note 1) From the first quarter ended June 30, 2010 on, the amounts of sales represent a total of net sales and other operating revenues as a result of the change of the calculation method. Along with the change, the results for the same period of the fiscal year are reclassified in the same manner.

(Note 2) Business results for discontinued operations (i.e. semiconductor business) are excluded.

(3) Sales of Major Products

		(Millions of Yen)			
		First quarter ended June 30			
Group	Products	2010 Actual	2009 Actual	Increase (Decrease)	%
Energy	Photovoltaic systems	27,288	19,136	8,152	42.6%
	Rechargeable batteries	64,777	66,574	(1,797)	(2.7%)
Electronic Device	Electronic components*	59,093	39,669	19,424	49.0%
Digital System	Digital cameras	32,335	37,193	(4,858)	(13.1%)
	Projectors	10,737	9,024	1,713	19.0%
	TVs	29,203	24,215	4,988	20.6%
Commercial	Commercial air conditioners*	9,813	11,593	(1,780)	(15.4%)
	Cold chain equipment	20,651	21,685	(1,034)	(4.8%)
	Washing machines	9,426	9,156	270	2.9%
Consumer	Refrigerators	10,010	10,123	(113)	(1.1%)
Electronics	Car electronics*	24,938	17,850	7,088	39.7%

* Electronic components: Optical pickups, Capacitors, Motors, etc.
Commercial air conditioners: Large scale air conditioners, Absorption chillers
Cold chain equipment: Showcases, Commercial kitchen equipment
Car electronics: Car navigation systems, Car audios

5. Balance Sheets

	(Millions of Yen)		
	As of June 30, 2010	As of Mar. 31, 2010	Increase (Decrease)
Total assets	1,350,944	1,391,273	(40,329)

SANYO stockholders equity	109,209	108,318	891
SANYO stockholders equity ratio	8.1%	7.8%	0.3 point
Inventories	211,127	233,981	(22,854)
Interest-bearing debt	483,846	527,771	(43,925)
Net interest-bearing debt	249,381	245,295	4,086
Net debt equity ratio	2.3times	2.3times	
SANYO stockholders equity per share (yen)	17.78	17.64	0.14

Table of Contents

6. Cash Flows

	(Millions of Yen) First quarter ended June 30		
	2010 Actual	2009 Actual	Increase (Decrease)
Cash flows from operating activities	5,841	(13,151)	18,992
Cash flows from investing activities	(11,493)	(13,160)	1,667
Free cash flows	(5,652)	(26,311)	20,659
Cash flows from financing activities	(30,686)	120,160	(150,846)
Cash and cash equivalents at end of the period	234,465	316,666	(82,201)

(Note) Cash flows for discontinue operations (i.e. semiconductor business) are not presented independently, but only those for both continuing operations and discontinued operations combined are presented.

7. Supplemental Information

	(Millions of Yen) First quarter ended June 30		
	2010 Actual	2009 Actual	Increase (Decrease)
Capital expenditure (excluding intangibles)	15,173	8,256	6,917
Energy	9,585	3,585	6,000
Electronic Device	2,836	1,236	1,600
Digital System	643	469	174
Commercial	1,179	1,124	55
Consumer Electronics	628	587	41
Other	302	1,255	(953)
Depreciations (excluding intangibles)	15,768	14,768	1,000
R&D expenses	15,788	14,563	1,225

(Note) Business results for discontinued operations (i.e. semiconductor business) are excluded.

	First quarter ended June 30		
	2010 Actual	2009 Actual	Increase (Decrease)
Exchange rate			
U.S. Dollars			
Average	92 yen	97 yen	(5 yen)
End of the period	89 yen	96 yen	(7 yen)
Euro			
Average	117 yen	133 yen	(16 yen)
End of the period	108 yen	135 yen	(27 yen)

	As of June 30, 2010	As of Mar. 31, 2010	Increase (Decrease)
Number of consolidated subsidiaries	154	157	(3)
Number of equity method affiliates	49	49	
Number of employees	106,622	104,882	1,740
Domestic	26,617	26,486	131
Overseas	80,005	78,396	1,609

Table of Contents

PART II

Information Not Required in Prospectus

Item 20. Indemnification of Officers and Directors

Article 330 of the Company Law of Japan makes the provision of Section 10, Chapter 2, Book III of the Civil Code of Japan applicable to the relationship between the Registrant and its directors and corporate auditors, respectively. Section 10, among other things, provides in effect that:

(1) Any director or corporate auditor of a company may demand advance payment of expenses which are considered necessary for the management of the affairs of such company entrusted to him;

(2) If a director or a corporate auditor of a company has defrayed any expenses which are considered necessary for the management of the affairs of such company entrusted to him, he may demand reimbursement therefor from the company;

(3) If a director or a corporate auditor has assumed an obligation necessary for the management of the affairs entrusted to him, he may require the company to perform it in his place or, if it is not due, to furnish adequate security; and

(4) If a director or a corporate auditor, without any fault on his part, sustains damage through the management of the affairs entrusted to him, he may demand compensation therefor from the company.

Under Article 388 of the Company Law, a company may not refuse a demand from a corporate auditor referred to in subparagraphs (1) through (3) above unless the company establishes that the relevant expense or obligation was or is not necessary for the performance of the corporate auditor s duties.

The directors and corporate auditors of the Registrant maintain liability insurance to cover themselves against liability for damages incurred by them in connection with their performance of duties in their respective capacities as such and litigation expenses incurred in relation thereto. The premium for the insurance is paid by the Registrant, except for the premium for the special coverage portion of the insurance relating to liability arising from a derivative action to be owed by a director or corporate auditor to the Registrant and litigation expenses incurred in relation thereto

Item 21. Exhibits and Financial Statements Schedules

(5) (a) Exhibits

2.1 Share Exchange Agreement among Panasonic Corporation and SANYO (English translation filed herewith as Appendix A to the prospectus which is part of this Registration Statement) (1)

3.1 Articles of Incorporation of Panasonic Corporation (English translation) (2)

3.2 Share Handling Regulations of Panasonic Corporation (English translation) (2)

3.3 Regulations of the Board of Directors of Panasonic Corporation (English translation) (3)

3.4 Regulations of the Board of Corporate Auditors of Panasonic Corporation (English translation) (4)

4.1 Form of Amended and Restated Deposit Agreement among Panasonic, Morgan Guaranty Trust Company of New York (now

	JPMorgan Chase Bank, N.A.) as Depositary and all owners and holders from time to time of American Depositary Receipts [5] and form of Amendment No. 1 to Deposit Agreement among such parties, including the form of American Depositary Receipt [6]
5.1	Opinion of Nagashima Ohno & Tsunematsu regarding legality of securities [1]

Table of Contents

8.1	Opinion of Sullivan & Cromwell LLP regarding United States Federal tax consequences of the Share Exchange [(1)]
8.2	Opinion of Nagashima Ohno & Tsunematsu regarding Japanese tax consequences of the Share Exchange (included in Exhibit 5.1) [(1)]
10.1	Liability Limitation Agreement (English translation)
	Matsushita and Ikuo Uno entered into a Liability Limitation Agreement, dated June 29, 2005, in the form of this Exhibit. [(7)]
	Matsushita and Masayuki Oku entered into a Liability Limitation Agreement, dated June 26, 2008, in the form of this Exhibit. [(8)]
	Matsushita and each of Yasuo Yoshino, Ikuo Hata and Hiroyuki Takahashi, entered into a Liability Limitation Agreement, each dated June 28, 2006, in the form of this Exhibit. [(9)]
21.1	Subsidiaries of Panasonic Corporation [(2)]
23.1	Consent of KPMG AZSA LLC
23.2	Consent of KPMG AZSA LLC
23.4	Consent of Nagashima Ohno & Tsunematsu (included in Exhibit 5.1)
23.5	Consent of Sullivan & Cromwell LLP (included in Exhibit 8.1)
24.1	Powers of Attorney (included in Part II of this Registration Statement)
24.2	Power of Attorney of the Registrant
99.1	Notice of convocation of SANYO s general meeting of shareholders and attachments thereto (English translation)[(1)]
99.2	Form of mail-in-ballot for SANYO s general meeting of shareholders (English translation)[(1)]
99.3	Selected Articles of the Company Law of Japan (English translation filed herewith as Appendix C to the prospectus which is part of this Registration Statement)
99.4	Consent of SANYO s financial advisor[(1)]

(1) To be filed by amendment.
(2) Incorporated by reference from Panasonic s annual report on Form 20-F filed on June 30, 2010.
(3) Incorporated by reference from Panasonic s annual report on Form 20-F filed on September 11, 2006.
(4) Incorporated by reference from Panasonic s annual report on Form 20-F filed on June 30, 2009.
(5) Incorporated by reference from the Registration Statement on Form F-6 (File No. 333-12694) filed by Panasonic and Morgan Guaranty Trust Company of New York (now JPMorgan Chase Bank, N.A.) on October 4, 2000.
(6) Incorporated by reference to Post-effective Amendment No. 1 to the Registration Statement on Form F-6 (File No. 333-133099) filed by Panasonic and JPMorgan Chase Bank, N.A. on September 29, 2008.
(7) Incorporated by reference to the Annual Report on Form 20-F filed on September 12, 2005.
(8) Incorporated by reference to the Annual Report on Form 20-F filed on June 30, 2008.
(9) Incorporated by reference to the Annual Report on Form 20-F filed on September 11, 2006.

(6) (b) Financial Statement Schedules

The financial statement schedule is set forth on page F-61 of the prospectus which is part of this Registration Statement.

(7) (c) Reports, Opinions and Appraisals

Not applicable.

Table of Contents

Item 22. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the Registration Statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Securities Act of 1933 need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements.

(b) The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(c) The undersigned Registrant hereby undertakes that every prospectus (i) that is filed pursuant to paragraph (a) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment will be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial *bona fide* offering thereof.

Table of Contents

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(e) The undersigned Registrant hereby undertakes: (i) to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means; and (ii) to arrange or provide for a facility in the U.S. for the purpose of responding to such requests. The undertaking in subparagraph (i) above includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(f) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction and Panasonic being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Osaka, Japan on September 30, 2010.

PANASONIC CORPORATION

By: /s/ FUMIO OHTSUBO
Fumio Ohtsubo

President and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Makoto Uenoyama, Hideaki Kawai and Ko Kaneko, and each of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities (until revoked in writing), to sign any and all amendments, including post-effective amendments, and supplements to this registration statement, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on September 30, 2010.

Signature	Title
/s/ KUNIO NAKAMURA Kunio Nakamura	Chairman of the Board of Directors
/s/ MASAYUKI MATSUSHITA Masayuki Matsushita	Vice Chairman of the Board of Directors
/s/ FUMIO OHTSUBO Fumio Ohtsubo	President and Director (Principal Executive Officer)
/s/ TOSHIHIRO SAKAMOTO Toshihiro Sakamoto	Executive Vice President and Director
/s/ TAKAHIRO MORI Takahiro Mori	Executive Vice President and Director
/s/ YASUO KATSURA Yasuo Katsura	Executive Vice President and Director
/s/ HITOSHI OTSUKI Hitoshi Otsuki	Senior Managing Director
/s/ KEN MORITA Ken Morita	Senior Managing Director

Table of Contents

Signature	Title
/s/ IKUSABURO KASHIMA Ikusaburo Kashima	Senior Managing Director
/s/ JUNJI NOMURA Junji Nomura	Senior Managing Director
/s/ YOSHIHIKO YAMADA Yoshihiko Yamada	Managing Director
/s/ KAZUNORI TAKAMI Kazunori Takami	Managing Director
/s/ MAKOTO UENOYAMA Makoto Uenoyama	Managing Director (Principal Financial Officer and Principal Accounting Officer)
/s/ MASATOSHI HARADA Masatoshi Harada	Managing Director
/s/ IKUO UNO Ikuo Uno	Director
/s/ MASAYUKI OKU Masayuki Oku	Director
/s/ MASASHI MAKINO Masashi Makino	Director
/s/ TAKASHI TOYAMA Takashi Toyama	Director
/s/ MASAHARU MATSUSHITA Masaharu Matsushita	Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board

Table of Contents

Signature	Title
/s/ Ko Kaneko Ko Kaneko	Authorized Representative in the United States

Table of Contents

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Table of Contents

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