SANYO ELECTRIC CO LTD /FI
Form F-4
October 01, 2010
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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.

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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.

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

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.

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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.

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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.

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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

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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.

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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,

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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.

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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

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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.

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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.

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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

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groundwater contamination, and may be held responsible for certain related payments or compensation. Furthermore, if these regulations become stricter and an additional duty of eliminating the use of environmentally hazardous materials is imposed, or if Panasonic determines that it is necessary and appropriate, from the viewpoint of corporate social responsibility, to respond to environmental issues, the payment of penalties for the violation of these regulations or voluntary payment of compensation for consolation to parties affected by such issues may adversely affect Panasonic s business, operating results and financial condition.

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

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

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

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

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

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

External economic conditions may adversely affect Panasonic s pension plans

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

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Some long-lived assets may not produce adequate returns

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

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

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

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

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

Risks Relating to Owning Panasonic s Common Stock and ADSs

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

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

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

Pursuant to the Company Law and other related legislation, Panasonic s Articles of Incorporation provide that 100 shares of common stock constitute one unit. The Company Law imposes significant restrictions and limitations on holdings of shares that do not constitute whole units. In general, holders of shares constituting less than one unit do not have the right to vote or to examine Panasonic s books and records. The transferability of shares of Panasonic s common stock constituting less than one unit is significantly limited. For a more complete description of the unit share system and its effect on the rights of holders of Panasonic shares, see Description of Panasonic s Common Stock Unit Share System.

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

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

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

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

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

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

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

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

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SELECTED CONSOLIDATED FINANCIAL DATA OF PANASONIC

U.S. GAAP Selected Financial Data of Panasonic

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

	Yen (billions), except per share amounts Fiscal year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Statements of Operations Data:					
Net sales	7,418	7,766	9,069	9,108	8,894
Income (loss) before income taxes	(29)	(383)	435	439	371
Net income (loss)	(171)	(404)	311	248	153
Net income (loss) attributable to Panasonic Corporation	(103)	(379)	282	217	154
Per common share:					
Net income (loss) attributable to Panasonic Corporation:					
Basic	(49.97)	(182.25)	132.90	99.50	69.48
Diluted		(182.25)	132.90	99.50	69.48
Dividends	12.50	40.00	32.50	25.00	17.50
	($0.13)	($0.40)	($0.33)	($0.21)	($0.15)
Balance Sheet Data:					
Total assets	8,358	6,403	7,444	7,897	7,965
Long-term debt	1,029	651	232	227	264
Total Panasonic Corporation shareholders equity	2,792	2,784	3,742	3,917	3,788
Common stock	259	259	259	259	259
Number of shares issued at year-end (thousands)	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053
Number of shares issued and outstanding at year-end (thousands)	2,070,605	2,070,642	2,101,117	2,146,284	2,209,532

Notes:

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

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SELECTED CONSOLIDATED FINANCIAL DATA OF SANYO

U.S. GAAP Selected Financial Data of SANYO

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

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

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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SELECTED HISTORICAL AND PRO FORMA PER SHARE DATA

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

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

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

Notes:

1 Historical amounts were calculated using the weighted average number of shares outstanding for the period.

2 Pro forma equivalent per share amounts were calculated by multiplying the pro forma net book value per share, pro forma cash dividends per share and pro forma loss from continuing operations per share by the relevant share exchange ratio (for SANYO, each share of SANYO s common stock to shares of Panasonic s common stock).

3 Cash dividends per share reflect those declared for the year ended March 31, 2010.

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MARKET PRICE AND DIVIDEND INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

SANYO Shareholders

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

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EXCHANGE RATES

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

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

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

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

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EXTRAORDINARY GENERAL MEETING OF SANYO SHAREHOLDERS

General

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

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

Voting

Record Date

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

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

Vote Required

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

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

Mail-in-ballots

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

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.

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, 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

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

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

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

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

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

Reasons for the Share Exchange

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

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

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

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

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

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

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

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

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

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

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

Considerations of SANYO

Determination of SANYO s Board of Directors

Opinions of SANYO s Financial Advisors

Considerations of Panasonic

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Structure of the Share Exchange

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

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

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

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

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

Conditions to the Share Exchange

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

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

Description of Material Share Exchange Terms

SANYO Voting Matters

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

Dissenters Rights

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

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shareholder s right to demand that SANYO purchase his or her shares of common stock at the fair value. The dissenting shareholder who has made such demand may withdraw such demand only if SANYO approves such withdrawal.

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

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

Status of Panasonic s Common Stock under the Federal Securities Laws

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

Accounting Treatment

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

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Differences in Shareholders Rights

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

Tax Consequences of the Share Exchange

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

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

Panasonic-PEW Share Exchange

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

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BUSINESS OF PANASONIC

History and Development of Panasonic

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

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

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

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

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

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

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

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

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Kyushu Matsushita Electric Co., Ltd., Matsushita Seiko Co., Ltd., Matsushita Kotobuki Electronics Industries, Ltd. and Matsushita Graphic Communication Systems, Inc.) and transformed them into wholly-owned subsidiaries of Panasonic.

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

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

Also on April 1, 2003, Panasonic launched another joint venture company with Toshiba, upon separating their respective cathode ray tube (CRT) businesses with the exception of domestic CRT manufacturing operations. Panasonic formerly accounted for the investment in the new company, Matsushita Toshiba Picture Display Co., Ltd. (MTPD) and its subsidiaries under the equity method, and began to consolidate MTPD on March 1, 2006 in accordance with Financial Accounting Standards Board (FASB) Interpretation No.46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46R), as a result of certain restructuring activities of MTPD. At March 31, 2006, Panasonic had a 64.5% equity interest in MTPD. At March 30, 2007, Panasonic acquired the remaining 35.5% equity interest in MTPD from Toshiba and MTPD was renamed MT Picture Display Co., Ltd.

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

In April 2003, Panasonic announced that it would position the Panasonic brand as a globally unified brand for overseas markets under the global brand slogan of Panasonic ideas for life. This new brand strategy conveys to customers all over the world a new image for Panasonic and its products, while further enhancing brand value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Capital Investment

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

Business Overview

Sales by Business Segment

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

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

* Percentage above reflects the changes from the previous year.
* From fiscal 2009, the name of AVC Networks was changed to Digital AVC Networks.
* The name of MEW and PanaHome was changed to PEW and PanaHome as of October 1, 2008.
* Panasonic has changed the transactions related to Global Procurement Service Company since April 1, 2008. Accordingly, segment information for Other and eliminations for fiscal 2008 have been reclassified to conform to the presentation for fiscal 2009.
* JVC became an associated company under the equity method from a consolidated subsidiary in the fiscal 2008 second quarter.
* SANYO and its subsidiaries became Panasonic s consolidated subsidiaries in December 2009. The operating results of SANYO and its subsidiaries after January 2010 are included in Panasonic s consolidated financial statements.

Digital AVC Networks

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

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

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

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

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

For digital cameras, in fiscal 2010, the market remained difficult as demand fell. While sales of Panasonic LUMIX digital cameras edged down slightly year on year, both high-value-added and standard models sold well. Impressively, sales of digital interchangeable lens system cameras such as the world s smallest and lightest[*1] GF1 model grew strongly on the back of widespread support from novices to camera enthusiasts alike for their easy to use functions on par with compact cameras as well as high performance and picture quality that only interchangeable lens system cameras can deliver.

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

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

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

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

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

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A highlight of the past fiscal year was the largest delivery of system products to an Olympic Winter Games at the Vancouver 2010 Olympic Winter Games. Panasonic supplied a range of equipment for the competition venues and the Olympic athlete villages, including LED large screen display systems, professional audio systems, DLP® (Digital Light Processing) projectors and AV security camera systems. Panasonic also shared the excitement of the Olympic Games through high-quality images and sound, such as by connecting welcome ceremonies at the Olympic athlete villages in Whistler and Vancouver via a HD Visual Communications System. This also helped cut athlete entourage travel time and costs as well as CO_2 emissions.

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

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

Home Appliances

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

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

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

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

PEW and PanaHome

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

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

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

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

In fiscal 2008, PanaHome became the first in the Japanese housing industry to offer an all-electric rental apartment house series called EL MAISON NEXT. In fiscal 2009 and 2010, PanaHome diligently pursued its superior environmental performance and energy conservation technologies, including solar power generation systems and all-electric home design fixtures. In recognition of strong acceptance for these activities, PanaHome won the House of the Year in Electric 2009 prize of excellence, receiving a House of the Year award for the third consecutive year.

Components and Devices

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

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

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

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

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

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

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

SANYO

The SANYO segment consists of SANYO and its subsidiaries.

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

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

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

Other

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

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Marketing Channels

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

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

Sales and Distribution in Japan

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

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

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

Overseas Operations

Worldwide, Panasonic has 680 consolidated companies as well as 232 associated companies under the equity method as of March 31, 2010**.** International marketing and sales of Panasonic s products are handled mainly through its sales subsidiaries and affiliates located in respective countries or regions in coordination with business domain companies and regional headquarter companies. In some countries, however, marketing and sales are handled through independent agents or distributors, depending on regional characteristics. Additionally, certain products are also sold on an OEM basis and marketed under the brand names of third parties.

Overseas sales represented approximately 46% of Panasonic s total consolidated sales in fiscal 2010. Overseas operations are expected to serve as a growth engine for the entire Panasonic Group. Panasonic will therefore further strengthen ties between manufacturing companies in various regions and business domain companies in Japan. Panasonic will also identify strategic products and sales channels for each region and country, and effectively allocate management resources in order to achieve further progress and strengthen management structure. In addition to markets in Europe and the United States, Panasonic views the growing BRICs + V[*1] and MINTS + B[*2] markets as a key to success overseas.

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

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

Customers

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

Seasonality of Business

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

Raw Materials and Source of Supply

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

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

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

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

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

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

Patent License Agreements

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

For example, Panasonic s patents related to MPEG2 technology, which is widely used in digital TVs, are licensed to other companies through MPEG LA LLC. Patents which are essential to DVD technology are licensed as a part of the joint licensing program operated by seven Japanese, U.S. and Korean companies. Furthermore, Panasonic s patents relating to CD technology are licensed to many manufacturers. Further, Panasonic has non-exclusive cross-license agreements with Samsung Electronics Co., Ltd. for semiconductor technology and with Sharp Corporation for mobile phone technology.

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

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

Competition

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

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

Organizational Structure

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

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

Panasonic s consolidated financial statements as of March 31, 2010 comprise the accounts of 680 consolidated companies, with 232 associated companies under the equity method. Principal divisional companies and subsidiaries as of March 31, 2010 are as listed below:

(1) Internal divisional companies of Panasonic Corporation:

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

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

(2) Principal domestic subsidiaries:

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

(3) Principal overseas subsidiaries:

Name of company	Country of incorporation	Percentage owned
Panasonic Corporation of North America	U.S.A.	100.0%
Panasonic Europe Ltd.	U.K.	100.0
Panasonic AVC Networks Czech, s.r.o.	Czech Republic	100.0
Panasonic Asia Pacific Pte. Ltd.	Singapore	100.0

Panasonic AVC Networks Singapore Pte. Ltd.	Singapore	100.0
Panasonic System Networks Philippines Corporation	Philippines	100.0
Panasonic Taiwan Co., Ltd.	Taiwan	69.8
Panasonic Corporation of China	China	100.0
Panasonic Home Appliances Air-Conditioning (Guangzhou) Co., Ltd.	China	67.8

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Property, Plants and Equipment

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

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

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

Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
(Panasonic)		
Kadoma Plant, Osaka	2,452	Video and audio equipment
Ibaraki Plant, Osaka	830	Video equipment
Sendai Plant, Miyagi	369	Video and audio equipment
Yamagata Plant, Yamagata	424	Video and audio equipment
Matsumoto Plant, Nagano	325	Car AVC equipment
Kusatsu Plant, Shiga	3,560	Room air-conditions and refrigerators
Kobe Plant, Hyogo	828	Information equipment and cooking appliances
Yashiro Plant, Hyogo	381	Rice cookers
Tsuyama Plant, Okayama	677	Recordable media
Okayama Plant, Okayama	604	Camcorders
Nara Plant, Nara	1,728	Home appliances
Saedo Plant, Kanagawa	348	Information equipment and car AVC equipment
Takatsuki Plant, Osaka	1,785	Electric lamps
Nagaoka Plant, Kyoto	969	Semiconductors
Arai Plant, Niigata	1,115	Semiconductors
Uozu Plant, Toyama	1,492	Semiconductors
Tonami Plant, Toyama	841	Semiconductors
Osaka Plant, Osaka	1,467	Batteries
Suminoe Plant, Osaka	1,030	Batteries
Wakayama Plant, Wakayama	178	Batteries
R&D Advanced Device Development Center, Kyoto	208	Research and development functions
Living Environment Development Center etc., Osaka	804	Research and development functions
Production Engineering Laboratory etc., Osaka	1,087	Research and development functions
Advanced Technology Research Laboratories, Kyoto	243	Research and development functions
Branch Office and Sales Office, Osaka	559	Sales functions
Head Office etc., Osaka	3,935	Corporate administration, employee housing and welfare facilities

Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
(Domestic subsidiaries)		
Panasonic Mobile Communications Co., Ltd., Kanagawa	3,007	Mobile communications and communications network-related equipment
Panasonic System Networks Co., Ltd., Fukuoka	1,556	Surveillance and security cameras, settlement and verification terminals, IP-related equipment
Panasonic Shikoku Electronics Co., Ltd., Ehime	2,664	Healthcare equipment, optical pickup and other electro-optic devices
Panasonic Plasma Display Co., Ltd., Hyogo	7,559	Plasma TVs and TV modules
IPS Alpha Technology, Ltd., Chiba	2,298	LCD panels
IPS Alpha Technology Himeji, Ltd., Hyogo	3,865	LCD panels
Panasonic Ecology Systems Co., Ltd., Aichi	1,480	Ventilation and air-conditioning equipment
Panasonic Photo & Lighting Co., Ltd., Osaka	388	Electric lamps
Panasonic Electric Works Co., Ltd., Osaka	17,410	Lighting fixtures, wiring devices and automation controls
PanaHome Corporation, Osaka	4,022	Detached housing and rental apartment housing
Panasonic Electronic Devices Co., Ltd., Osaka	3,224	Components
Panasonic Electronic Devices Japan Co., Ltd., Osaka	3,072	Components
Panasonic Semiconductor Discrete Devices Co., Ltd., Kyoto	846	Semiconductors
SANYO Electric Co., Ltd., Osaka	16,261	Solar cells, rechargeable batteries, electronic devices, commercial equipment, AV equipment and home appliances
Panasonic Factory Solutions Co., Ltd., Osaka	1,020	Electronic-components-mounting machines and industrial robot
Panasonic Welding Systems Co., Ltd., Osaka	386	Welding equipment
Panasonic Consumer Marketing Co., Ltd., Osaka	7	Sales functions
(Overseas subsidiaries)		
Panasonic Corporation of North America, U.S.A.	2,152	Manufacture and sales, with regional headquarters functions
Panasonic Avionics Corporation, U.S.A.		Airline AVC equipment
Panasonic Brazil Co., Ltd., Brazil	642	Manufacture and sales functions
Panasonic AVC Networks Czech, s.r.o., Czech Republic	838	Plasma and LCD TVs
IPS Alpha Technology Europe, s.r.o., Czech Republic	408	LCD modules
Panasonic U.K. Ltd., U.K.	100	Sales functions
Panasonic Semiconductor Asia Pte. Ltd., Singapore	462	Semiconductors
Panasonic Refrigeration Devices Singapore Pte. Ltd., Singapore	724	Refrigerators
Panasonic Taiwan Co., Ltd., Taiwan	1,473	Manufacture and sales functions

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Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
Panasonic Wanbao Compressor (Guangzhou) Co., Ltd., China	1,181	Compressors
Panasonic Semiconductor (Suzhou) Co., Ltd., China	469	Semiconductors
Panasonic Home Appliances Air-Conditioning (Guangzhou) Co., Ltd., China	1,102	Air-conditioning equipment
Panasonic Home Appliances Washing Machine (Hangzhou) Co., Ltd., China	1,357	Washing machines
Panasonic Corporation of China, China		Sales with regional headquarters functions

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

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

In terms of environmental issues, all of the Panasonic s properties operate in compliance with governmental and municipal laws and regulations. Furthermore, Panasonic established a number of internal environmental guidelines which are stricter than those provided by the relevant authorities. In case any occasional non-compliance may take place, such as the previously mentioned PCB issue, Panasonic takes immediate and appropriate actions to meet the regulatory requirements and to ensure current good utilization standards.

BUSINESS OF SANYO

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

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

Business Segments and Major Products

Energy Business Segment

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

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

Electronic Device Business Segment

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

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

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

Digital System Business Segment

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

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

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Commercial Business Segment

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

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

Consumer Electronics Business Segment

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

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

Other Business Segment

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

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REGULATION

Government Regulations

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

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

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

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

Also, Panasonic is promoting its initiatives for regulations relevant to chemical substances management. In Europe, the RoHS Directive, which bans the sales of electrical and electronic equipment using six specified hazardous substances from the EU market, was issued in February 2003. Panasonic completed initiatives for the non-use of the abovementioned six specified hazardous substances in its covered products by the end of October 2005, in order to reduce possible contamination by these substances after products are disposed of. Additionally,

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the REACH regulation came into force in June 2007. The REACH requires all chemicals of one ton or more that are manufactured in or imported into the European Union each year to be evaluated for health and safety impact, registration with the European Chemicals Agency (ECHA), and sharing of information and notification thereof to the ECHA regarding content of ECHA-specified substances of very high concern in products. Laws and regulations similar to the EU RoHS Directive are implemented in Japan, South Korea, China, and some states in the US such as California. In the Act on the Promotion of Effective Resource Utilization of Resources in Japan and the Administration on the Control of Pollution Caused by Electronic Information Products in China, manufacturers and importers are required to disclose information on the chemical substances targeted in the EU RoHS contained in specific products through label application. Panasonic is carrying out its compliance programs to meet the requirements of relevant regulations.

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

Report on Kerosene Fan Heater Recall and Panasonic s Countermeasures

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

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

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PANASONIC MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

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

In the year ended March 31, 2010, Panasonic achieved a significant improvement in cash reserves through its enhanced cash flow management project. As a result, free cash flow for the year improved by 644 billion yen compared with Panasonic s original plan. This was more than enough to cover the acquisition cost of SANYO, 404 billion yen. Cash reserves were approximately 1,200 billion yen at the end of fiscal 2010 including SANYO s cash reserves.

Economic environment

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

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

Condition of foreign currency exchange rates and Panasonic s policy

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

Summary of operations

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

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

In fiscal 2009, net sales amounted to 7,766 billion yen, down 14% from the previous year. Sales declined in all segments mainly as a result of a sharp deterioration of the world economy from October 2008. Regarding earnings, although Panasonic implemented thorough streamlining of material costs by reducing the number of components and improving material yield ratio and made all-out efforts to reduce fixed costs, the effect of a sharp sales decline, including an approximately 20-30% decrease in prices for flat-panel TVs and rising prices for crude oil and other raw materials on a yearly basis, led to a decrease in earnings. In addition, Panasonic incurred 314 billion yen as expenses associated with impairment losses of fixed assets, 53 billion yen as restructuring charges and 92 billion yen as a write-down of investment securities. As a result of these and other factors, Panasonic incurred a pre-tax loss of 383 billion yen and a net loss attributable to Panasonic Corporation of 379 billion yen.

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

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impairment losses from tangible fixed assets. Reflecting all these factors and a decrease in provision for income taxes, Panasonic recorded a net income attributable to Panasonic Corporation of 282 billion yen, up 30% from the previous year.

Key performance indicators

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

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

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

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

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

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

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

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

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

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

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

	Yen (billions) Fiscal year ended March 31,		
	2010	2009	2008
Net cash provided by operating activities	522	117	466
Net cash used in investing activities	(323)	(470)	(61)
Free cash flow	199	(353)	405

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

Year ended March 31, 2010 compared with 2009

(1) Sales

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

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

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

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

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

(3) Interest Income, Dividends Received and Other Income

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

(4) Interest Expense and Other Deductions

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

(5) Income (loss) before Income Taxes

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

(6) Provision for Income Taxes

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

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

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

(8) Net Income (Loss)

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

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

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

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

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

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

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

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

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

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

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

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

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

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With respect to this segment, operating profit

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

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

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

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

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

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

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

(12) Sales Results by Region

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

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

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

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

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

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

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

Year ended March 31, 2009 compared with 2008

(1) Sales

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

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

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

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

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

(3) Interest Income, Dividends Received and Other Income

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

(4) Interest Expense and Other Deductions

Interest expense decreased 5% to 19 billion yen, owing primarily to a reduction in short-term borrowings. In other deductions, Panasonic incurred 314 billion yen as expenses associated with impairment losses of fixed assets, 53 billion yen as restructuring charges and 92 billion yen as a write-down of investment securities. (For further details, see Notes 4, 5, 7, and 15 of the Notes to Consolidated Financial Statements.)

(5) Income (Loss) before Income Taxes

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

(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)%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Liquidity and Capital Resources

Panasonic s Policy on Financial Position and Liquidity

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

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

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

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

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

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

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

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

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Fiscal 2010 Financial Position and Liquidity

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

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

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

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

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

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

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

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

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

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

Commitments for Capital Expenditures

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

Research and Development

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

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

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

Key development themes during the fiscal year were as follows:

(1) Full HD 3D Plasma Display Panels (PDPs)

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

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

(2) Newly Developed ECO NAVI-equipped Room Air Conditioner With Three Sensors for Control

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

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

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

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

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

Notes:

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

Trend Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

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

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

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

Tabular Disclosure of Contractual Obligations

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

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

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

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

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

Accounting Principles

Critical Accounting Policies

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

Long-lived Assets

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

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

Valuation of Investment Securities

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

Individual securities are reduced to net realizable value by a charge to earnings for other-than-temporary declines in fair value. Management regularly reviews each investment security for impairment based on criteria that includes the extent to which cost exceeds market value, the duration of that market decline and the financial health of and specific prospects for the issuer. Because such specific information may become available after Panasonic makes the impairment evaluation, and whether the impairment is other-than-temporary depends upon future events that may or may not occur, Panasonic may be required to recognize an other-than-temporary

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impairment in the future. Determination of whether a decline in value is other-than-temporary requires judgment. At March 31, 2010, Panasonic has recorded 384 billion yen of available-for-sale securities, 2 billion yen of held-to-maturity securities, 22 billion yen of cost method securities, 50 billion yen of equity method securities that have market values, and 179 billion yen of equity method securities that do not have market values, advances and others. These investments could be determined to be other-than-temporarily impaired, depending on changes to the current facts and assumptions. In fiscal 2010, Panasonic recorded 7 billion yen impairment losses on investment securities.

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

Valuation of Inventory

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

Warranties

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

Valuation of Accounts Receivable and Noncurrent Receivables

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

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

Valuation of Goodwill

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

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

Valuation of Deferred Tax Assets and Sustainability of Uncertain Tax Positions

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

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

Retirement and Severance Benefits

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

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

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Accounting for Derivatives

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

Loss Contingencies

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

New Accounting Pronouncements

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

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

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

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

Quantitative and Qualitative Disclosures about Market Risk

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

Equity Price Risk

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

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

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

Foreign Exchange Risk

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

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

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

Commodity Price Risk

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

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

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

Interest Rate Risk

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

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Long-term debt, including current portion:

	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

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SANYO MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

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

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

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

Economic environment

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

During the fiscal 2010, the global economy showed a mild upwards trend in comparison to the second half of the previous fiscal year. This positive upwards trend is due to the economic growth in China and other Asian countries, as well as the positive effects of the economic stimulus packages of various nations. However, despite

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showing some signs of improvement, the business environment for the electronics industry continued to be difficult as a result of personal consumption and corporate capital investment not making a full recovery, and the deflationary conditions continuing in Japan.

Condition of foreign currency exchange rates and SANYO s policy

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

Summary of operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key performance indicators

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

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

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

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

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

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

	Yen (millions) Fiscal year ended March 31,	
	2010	**2009**
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	84,934	80,689
Effects of timing difference between acquisition dates and payment dates	(12,452)	25,844
Capital investment	72,482	106,533

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

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

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

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

Business Segments

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

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

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

Impact of Exchange Rate Fluctuations

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

Results of Operations

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

Year ended March 31, 2010 compared with 2009

(1) Net Sales and Other Operating Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Interest and dividends and interest expense

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

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(4) Other Income (Expenses)

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

(5) Loss from continuing operations, before income taxes

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

(6) Provision for income taxes

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

(7) Loss from continuing operations

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

(8) Net income from discontinued operations

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

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

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

(10) Net loss attributable to SANYO

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

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

Sales Results by Region

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

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

Financial Strategies

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

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

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

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

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

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

Fiscal 2010 Financial Position

Assets

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

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

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

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

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

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

Liabilities and Stockholders Equity

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

Fiscal 2010 Cash Flows

Net cash provided by operating activities in fiscal 2010 amounted to 72.9 billion yen, compared with 10.2 billion yen in the previous fiscal year. This result was due mainly to improvement in funds resulting from collections/payments term differences. Net cash used in investing activities amounted to 80.8 billion yen, compared with 21.7 billion yen in fiscal 2009. This result was due primarily to the sale of a business to Kyocera Corporation resulted in a decrease in net cash used for investing activities. Net cash provided by financing

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activities was 68.8 billion yen, compared with cash outflow of 39.0 billion yen in fiscal 2009. This result was due mainly to new fund procurement. All these activities and the effect of exchange rate fluctuations (a positive impact of 1.7 billion yen) resulted in cash and cash equivalents at the end of fiscal 2010 of 282.5 billion yen, compared with 219.4 billion yen at the end of fiscal 2009.

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

Commitments for Capital Expenditures

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

Research and Development

R&D Policy

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

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

Fiscal 2010 Activities

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

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

(1) Energy Business Segment

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

(2) Electronic Device Business Segment

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

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(3) Digital System Business Segment

SANYO works to create high-value-added digital equipment through developing image/optical processing technologies for products, such as digital cameras and projectors.

(4) Commercial Business Segment

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

(5) Consumer Electronics Business Segment

SANYO works to develop energy-saving home appliances and fundamental technologies related to car electronics, including car navigation systems.

Trend Information

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

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

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

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

New Mid-term Management Plan

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

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

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

(1) Strengthen Competitiveness for Profitable Businesses

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

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

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

(2) Make All Businesses Profitable

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

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

(3) Further Strengthen Management Culture

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

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

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

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

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

Tabular Disclosure of Contractual Obligations

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

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

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

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

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

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Accounting Principles

Critical Accounting Policies

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

Long-lived Assets

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

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

Valuation of Investment Securities

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

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

Valuation of Inventory

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

Warranties

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

Valuation of Accounts Receivable and Noncurrent Receivables

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

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

Valuation of Deferred Tax Assets and Sustainability of Uncertain Tax Positions

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

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

Retirement and Severance Benefits

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

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

Accounting for Derivatives

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

Loss Contingencies

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

New Accounting Pronouncements

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

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

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

Quantitative and Qualitative Disclosures about Market Risk

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

Equity Price Risk

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

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

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

Foreign Exchange Risk

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

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

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

Commodity Price Risk

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

Interest Rate Risk

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

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Long-term debt, including current portion:

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

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

Interest rate Derivatives:

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

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