

PANASONIC Corp  
Form F-4/A  
February 04, 2011  
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As filed with the Securities and Exchange Commission on February 4, 2011.

Registration No. 333-171124

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**PRE-EFFECTIVE AMENDMENT NO. 2**

**TO**

**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**  
(State or other jurisdiction of incorporation or organization)

**3651**  
(Primary Standard Industrial Classification Code Number)

**Not Applicable**  
(I.R.S. Employer Identification No.)

1006, Oaza Kadoma,

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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 (1) | Amount to be Registered | Proposed Maximum Offering Price per Unit | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|--|-------------------------|--|---|----------------------------|
| Shares of Common Stock of Panasonic                    | 4,048 (1)               | (2)                                      | (2)                                       | \$2,684 (3)                |

- (1) Based upon the estimated number of shares of the Registrant's common stock that may be issued to U.S. holders of Panasonic Electric Works Co., Ltd.'s common stock in connection with the statutory share exchange (the "Share Exchange") described herein. Such estimate has been calculated by multiplying 1,677,072, which is the maximum number of shares of the Registrant's common stock that may be issued in the Share Exchange, by a fraction, of which the numerator is 1,813,051, which is the number of shares of Panasonic Electric Works Co., Ltd.'s common stock held of record by U.S. holders on January 12, 2011 (the most recent date for which information with respect to such record holders can be determined), and the denominator is 751,074,788, which is the total number of issued shares of Panasonic Electric Works Co., Ltd.'s common stock as of such date.
- (2) Not applicable.
- (3) Pursuant to Rule 457(f) under the Securities Act of 1933, the filing fee was calculated based on the market value of the securities of Panasonic Electric Works Co., Ltd. to be exchanged in the Share Exchange described herein for securities of the Registrant, calculated pursuant to Rule 457(c) by taking ¥1054.50, which is the average of the high and low prices per share of Panasonic Electric Works Co., Ltd.'s common stock as reported on the Tokyo Stock Exchange as of January 28, 2011 (converted into dollars based on ¥82.72 = U.S.\$1.00, which is the exchange rate for such day as reported by the Bank of Japan), multiplied by 1,813,051, which is the total number of shares of Panasonic Electric Works Co., Ltd.'s common stock held of record by U.S. holders on January 12, 2011 (the most recent date for which information with respect to Panasonic Electric Works Co., Ltd.'s U.S. record holders can be determined), and multiplying the result by 0.0001161.

**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 February 4, 2011**

**Prospectus**

## **Panasonic Corporation**

### **Exchange for Shares of Common Stock of Panasonic Electric Works Co., Ltd.**

The boards of directors of Panasonic Corporation ( Panasonic ) and Panasonic Electric Works Co., Ltd. ( PEW ) have agreed to a share exchange (the Share Exchange ) between the two companies under the Company Law of Japan (the Company Law ). Panasonic and PEW 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 PEW will receive 0.925 shares of Panasonic s common stock for each share of PEW s common stock that such shareholder holds. The terms of the Share Exchange (along with certain related matters) require approval by the shareholders of PEW. The board of directors of PEW has convened an extraordinary general meeting of shareholders to seek such approval.

Based on the number of shares of PEW s common stock issued as of January 12, 2011, Panasonic expects to dispose of 1,677,072 own shares of its common stock in connection with the Share Exchange. Approximately 0.07% of those shares will be offered to shareholders of PEW resident in the United States.

This document has been prepared for the shareholders of PEW 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 PEW is expected to be Wednesday, March 2, 2011, at 10:00 a.m. (Japan Time), at PEW s head office at 1048, Oaza Kadoma, Kadoma City, Osaka 571-8686, Japan.

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

The Share Exchange cannot be completed unless it is approved at the scheduled shareholders meeting of PEW 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 PEW 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

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symbol PC. On February 3, 2011, the last reported sale price of Panasonic shares on the Tokyo Stock Exchange was ¥1,090 per share, and the last reported sale price of the ADSs on the NYSE was \$13.37 per ADS.

**You may have dissenters' rights in connection with the transactions under Japanese law. See page 40 for a complete discussion of your dissenters' rights, if any.**

**You should consider carefully the risk factors beginning on page 11 of this prospectus.**

**PEW 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 PEW 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:

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Corporate Finance & IR Group  
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1006, Oaza Kadoma  
Kadoma City, Osaka 571-8501  
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1048, Oaza Kadoma,  
Kadoma City, Osaka 571-8686  
Japan  
Telephone: 81-6-6908-1131

**IN ORDER TO OBTAIN TIMELY DELIVERY, YOU SHOULD REQUEST THE INFORMATION NO LATER THAN FEBRUARY 23, 2011, WHICH IS FIVE BUSINESS DAYS BEFORE YOU MUST MAKE A DECISION REGARDING THE SHARE EXCHANGE.**

For additional information about Panasonic and PEW, see [Where You Can Find More Information](#).

*As used in this prospectus, references to [Panasonic](#) are to Panasonic Corporation, references to [PEW](#) are to Panasonic Electric Works Co., Ltd. and references to [SANYO](#) are to SANYO Electric 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 PEW, and references to the [Panasonic-SANYO Share Exchange](#) are to the proposed share exchange between Panasonic and SANYO.*

*As used in this prospectus, except where the context otherwise requires, references to the [shareholders meeting of PEW](#) or to the meeting of PEW shareholders are to the extraordinary general meeting of shareholders of PEW that is scheduled to take place on March 2, 2011, at which PEW's shareholders will vote on the terms of the Share Exchange and certain related matters. See [Extraordinary General Meeting of PEW 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.*

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**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 ability of Panasonic to maintain competitive strength in many product and geographical areas; the possibility of not achieving the expected benefits from our midterm management plan; 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 PEW into a wholly-owned subsidiary. Panasonic originally turned PEW into a consolidated subsidiary in April 2004, and as of March 31, 2010, Panasonic was the owner of 52.1% of PEW's voting rights. On July 29, 2010, Panasonic announced that it would acquire all shares of PEW that it did not already own through a tender offer and, if necessary, a second-step share exchange, and PEW announced that its board of directors endorsed the tender offer. On October 6, 2010, Panasonic completed the tender offer at a price of ¥1,110 per share and, as a result, increased its ownership percentage to approximately 84% of PEW's voting rights. By turning PEW 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 PEW shareholders receive in the Share Exchange?**

- A. PEW shareholders as of the moment immediately preceding the Share Exchange will receive 0.925 shares of Panasonic's common stock for each share of PEW's common stock which they hold.

**Q. Does the board of directors of PEW recommend the Share Exchange?**

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

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

- A. PEW 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 PEW shares on a proportionate basis in accordance with their respective fractions.

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

- A. There are no material differences between or among the rights of shareholders of Panasonic's common stock and PEW'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 PEW shares be affected in connection with the completion of the Share Exchange?**

A. PEW 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 PEW shareholders receive dividends on common stock for the year ending March 31, 2011?**

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

**Q. Can the number of shares of Panasonic's common stock for which the shares of Panasonic's or PEW'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 PEW's common stock changes between now and the time the Share Exchange is completed. See "Risk Factors" beginning on page 11.

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

- A. Holders of PEW shares as of January 12, 2011 will be eligible to vote at the shareholders meeting expected to be held on March 2, 2011.

**Q. How do I vote at the shareholders meeting?**

- A. You may exercise voting rights by electronic means, mail-in-ballot or attending the meeting in person or through attorney-in-fact. PEW 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 PEW redistributes mail-in-ballots. By attending the meeting in person you automatically revoke your mail-in-ballot.

If you wish to change a vote previously submitted via the Internet, you must either attend the shareholders meeting personally or through another shareholder having voting rights whom you appoint as your attorney-in-fact, or by resubmitting your vote via the Internet. By attending the meeting in person or having another shareholder entitled to vote your shares attend the meeting on your behalf, or by resubmitting your vote via the Internet, you will automatically revoke your vote previously submitted via the Internet. If you submit more than one vote via the Internet, the last vote submitted will be counted.

**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 PEW 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, PEW 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 and share handling regulations of PEW. Any PEW shareholder (i) who notifies PEW 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 PEW purchase his or her shares of PEW's common stock at the fair value. The failure of a shareholder of PEW 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 PEW purchase his or her shares of PEW's common stock at the fair value.

**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 PEW's common stock who will be allotted shares of Panasonic's common stock. As such, non-resident holders of shares of PEW'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 110.

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**Q. What are the U.S. federal income tax consequences of the Share Exchange to U.S. holders of PEW 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 PEW'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 PEW'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 PEW's common stock exceeds one year. For further discussion, see "Taxation - Material U.S. Federal Income Tax Consequences" beginning on page 112.

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

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

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Kazuaki Hashimoto

Financial Management Department

Panasonic Electric Works Co., Ltd.

1048, Oaza Kadoma

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Telephone: 81-6-6908-1131

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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. Among the six business areas on which Panasonic focuses, as a consolidated subsidiary of Panasonic since April 2004, PEW plays a role in four: energy systems, LED, security and healthcare. Energy systems is one of PEW's flagship businesses. PEW develops optimally controlled energy management systems for linking devices and appliances to generate, store and save energy. PEW has also developed an AC/DC Hybrid Wiring System, which is a next-generation wiring system that helps reduce CO2 emissions and save energy, that helps reduce energy loss when converting alternating current ( AC ) to direct current ( DC ). PEW also plans to actively market solar cells as key devices for generating energy.

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. PEW's principal executive offices are located at 1048, Oaza Kadoma, Kadoma City, Osaka 571-8686, Japan, and its telephone number is 81-6-6908-1131.

### **The Share Exchange**

The boards of directors of Panasonic and PEW have agreed to the Share Exchange, to be approved by PEW's shareholders at a shareholders meeting. Under the Share Exchange, each shareholder of PEW registered as of the moment immediately preceding the Share Exchange will receive 0.925 shares of Panasonic's common stock for each share of PEW's common stock that such shareholder holds. If the Share Exchange Agreement is approved by the shareholders of PEW, 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 PEW 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. PEW will mail out its notices on such date as to be determined.

The affirmative vote of shareholders representing a two-thirds majority of the voting rights of the shareholders of PEW 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 PEW who are entitled to exercise their voting rights.

The date, time and place of the meeting is expected to be Wednesday, March 2, 2011, at 10:00 a.m. (Japan Time), at PEW's head office at 1048, Oaza Kadoma, Kadoma City, Osaka 571-8686, Japan.

Shareholders may attend the meeting in person or by proxy using a duly authorized power of attorney, or vote via the Internet 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 PEW.

### **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 PEW and SANYO, 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 PEW and SANYO, 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 business growth 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. In addition, the Panasonic Group will reorganize its current 16 domain companies into nine, based on these new business sectors and as described below. 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.

Currently, direction of the reorganization of each business sector is expected to be as follows:

#### Consumer business sector:

The Panasonic Group intends to reorganize its marketing function on a global basis, and reorganize its marketing divisions, including Japan, to a global consumer marketing division. 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.

The Panasonic Group expects that the consumer business sector will have two domain companies: (1) AVC networks and (2) heating/refrigeration/air condition and home appliances. The AVC networks domain company will focus on creation of new businesses with next-generation products, with a unified concept of business and technology. The heating/refrigeration/air condition and home appliances domain company will aim to be the leading green innovation company in the home appliances business, with a strong line-up ranging from consumer use to commercial use, and is expected to globally expand its business in personal care and health enhancing products and cooking appliances.

#### 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

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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.

Specifically, the Panasonic Group expects that the components and devices business section will have three domain companies: (1) automotives, (2) devices and (3) energy devices. These three domain companies are expected to cooperate in providing strategic customer services and conducting new sales development, with a department established for the purposes of such cooperation. The automotive domain company will aim to strengthen multimedia systems displays, create new growth markets such as EV and e-cockpit, and establish a robust Japanese market share for car navigation systems. The devices domain company will aim to develop new markets and customer with new products and technologies, and focus on environment and energy, healthcare and medical, material and devices, automotives and emerging markets. The energy devices domain company will aim especially to strengthen its lithium-ion battery and solar battery businesses.

### 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.

Specifically, the Panasonic group expects that the solutions business sector will have four domain companies: (1) security and communication solutions, (2) environment and energy solutions, (3) healthcare and medical solutions, and (4) factory solutions. The security and communications solutions domain company will aim to provide network solutions with the Panasonic Group's comprehensive technologies, from fixed to wireless communications, including mobile phones. The environment and energy solutions domain company will focus on contributing to a comfortable eco-conscious lifestyle, and aim for unconventional growth through comprehensive solutions and sales, and effective collaboration with other domain companies. The healthcare and medical solutions domain company is expected to serve as a pillar of the next generation business and assist in providing simple and affordable healthcare service, including contributing to the robot business with products such as a robotic bed. The factory solutions domain company will aim to contribute to the progress and development of global society with manufacturing solutions, including the development of new businesses in mounting and circuit fabrication and welding, and laser technology.

In addition, the environment and energy domain company will lead the comprehensive solutions initiative, which will involve four steps: (1) offer a packaged series as a whole set to a specific space, (2) utilize network-packaged equipment, (3) have a vertical value chain business to offer coherent value from sales to customer services, and (4) create a unique comprehensive solutions business model. The goal is to create such a unique business model that combines vertical and horizontal value chains from the planning stage through participation in the smart city projects in the world.

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. The nine domain companies will be responsible for managing their businesses autonomously, while the new head office will focus on three functions: (1) develop a group-wide growth strategy, (2) establish group core competencies and (3) offer services beyond the domain companies' capabilities. The new head office is expected to have a global head office to govern the Panasonic Group based on each functional classification and regional



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management companies based on each region. By organizing the head office with a focus on indispensable functions, the Panasonic Group believes that it will be able to create new local businesses and solve local issues.

Further, together with this reorganization, Panasonic Group intends to integrate 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**

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

### **Expiration of the Share Exchange Agreement**

The Share Exchange Agreement shall cease to have any effect if, among others, the Share Exchange Agreement is not approved at the shareholders' meeting of PEW.

### **Dissenters' Rights**

Under Japanese law, you may have dissenters' rights of appraisal in connection with the Share Exchange. See The Share Exchange Dissenters' Appraisal 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 PEW's common stock who will be allotted shares of Panasonic's common stock. As such, non-resident holders of shares of PEW'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.

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### **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 PEW'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 PEW'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 PEW's common stock exceeds one year. For further discussion, see "Taxation" Material U.S. Federal Income Tax Consequences beginning on page 112.

### **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 11 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 PEW'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 PEW's common stock will be exchanged for 0.925 shares of Panasonic's common stock. The ratio at which PEW'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 PEW's common stock change, there will be no change in the number of shares of Panasonic's common stock which shareholders of PEW 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 PEW'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 PEW shareholders, depending on the prevailing market prices of Panasonic's and PEW's common stock.

The share prices of Panasonic's and PEW'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 PEW, including actual changes in, or investor perception of, Panasonic's and PEW'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 PEW.

You should obtain and review recent market quotations for Panasonic's and PEW's common stock before voting on the Share Exchange. There can be no assurances as to the future market prices of Panasonic's and PEW'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-SANYO 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

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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<sub>2</sub> emission reductions of 50 million tons (compared to the estimated amount of emission in fiscal 2013 assuming that no remedial measures were taken since fiscal 2006). However, Panasonic may not be successful in achieving all the targets or in realizing the expected benefits because of various external and internal factors including deterioration of the business environment and increased costs of business restructuring such as additional business reorganization, the impairment of fixed assets and employment adjustment in order to cope with the business environment.

\* In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. 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

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

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

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

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

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

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

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

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

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

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA OF PANASONIC****U.S. GAAP Selected Financial Data of Panasonic**

The following selected consolidated statement of operations data for the years ended March 31, 2008, 2009 and 2010, and the selected consolidated balance sheet data as of March 31, 2009 and 2010, have been derived from Panasonic's audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data for the years ended March 31, 2006 and 2007, and the selected consolidated balance sheet data as of March 31, 2006, 2007 and 2008 have been derived from Panasonic's audited consolidated financial statements not included in this prospectus. The selected consolidated statement of operations data for the six months ended September 30, 2009 and 2010, and the selected consolidated balance sheet data as of September 30, 2010 have been derived from Panasonic's unaudited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of September 30, 2009 have been derived from Panasonic's unaudited 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 |                             |           |           |           | Six months ended |           |
|---|--|-----------------------------|-----------|-----------|-----------|------------------|-----------|
|   | 2010                                     | Fiscal year ended March 31, |           |           | 2006      | 2010             | 2009      |
|   | 2009                                     | 2008                        | 2007      |           |           |                  |           |
| <b>Statements of Operations Data:</b>                           |  |                             |           |           |           |                  |           |
| Net sales   | 7,418                                    | 7,766                       | 9,069     | 9,108     | 8,894     | 4,368            | 3,333     |
| Income (loss) before income taxes                               | (29)                                     | (383)                       | 435       | 439       | 371       | 145              | (26)      |
| Net income (loss)   | (171)                                    | (404)                       | 311       | 248       | 153       | 84               | (51)      |
| Net income (loss) attributable to Panasonic Corporation         | (103)                                    | (379)                       | 282       | 217       | 154       | 75               | (47)      |
| Per common share:   |  |                             |           |           |           |                  |           |
| Net income (loss) attributable to Panasonic Corporation:        |  |                             |           |           |           |                  |           |
| Basic   | (49.97)                                  | (182.25)                    | 132.90    | 99.50     | 69.48     | 36.09            | (22.63)   |
| Diluted   |  | (182.25)                    | 132.90    | 99.50     | 69.48     |                  |           |
| Dividends   | 12.50                                    | 40.00                       | 32.50     | 25.00     | 17.50     | 5.00             | 5.00      |
|   | (\$0.13)                                 | (\$0.40)                    | (\$0.33)  | (\$0.21)  | (\$0.15)  | (\$0.06)         | (\$0.06)  |
| <b>Balance Sheet Data:</b>                                      |  |                             |           |           |           |                  |           |
| Total assets  | 8,358                                    | 6,403                       | 7,444     | 7,897     | 7,965     | 8,964            | 6,809     |
| Long-term debt  | 1,029                                    | 651                         | 232       | 227       | 264       | 950              | 682       |
| Total Panasonic Corporation shareholders' equity                | 2,792                                    | 2,784                       | 3,742     | 3,917     | 3,788     | 2,652            | 2,701     |
| Common stock  | 259                                      | 259                         | 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 | 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 | 2,070,330        | 2,070,622 |

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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, and for the six months ended September 30, 2009 and 2010 have been omitted because Panasonic did not have potential common shares that were outstanding for these periods.

**Table of Contents****MARKET PRICE AND DIVIDEND INFORMATION**

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

PEW'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                     |         | New York Stock Exchange                           |          |
|---|--|---------|---|----------|
|   | Price per Share of<br>Common Stock (yen) |         | Price per American<br>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    |
| <b>Fiscal Year ended March 31, 2009:</b>  |  |         |   |          |
| 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    |
| <b>Fiscal Year ended March 31, 2010:</b>  |  |         |   |          |
| 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    |
| <b>Fiscal Year ending March 31, 2011:</b> |  |         |   |          |
| First quarter                             | 1,480                                    | 1,104   | 15.72   | 12.35    |
| Second quarter                            | 1,212                                    | 1,027   | 13.80   | 12.14    |
| Third quarter                             | 1,272                                    | 1,100   | 15.00   | 13.19    |
| <b>Month of:</b>                          |  |         |   |          |
| 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    |
| October 2010                              | 1,226                                    | 1,100   | 15.00   | 13.19    |
| November 2010                             | 1,272                                    | 1,135   | 14.95   | 14.03    |
| December 2010                             | 1,220                                    | 1,138   | 14.55   | 13.67    |
| January 2011                              | 1,206                                    | 1,120   | 14.56   | 13.64    |
| February 2011 (through February 3, 2011)  | 1,138                                    | 1,088   | 13.98   | 13.25    |

\* The prices of ADSs are based upon reports by the NYSE, with all fractional figures rounded up to the nearest two decimal points. On February 3, 2011, the last reported sale price of Panasonic shares on the Tokyo Stock Exchange was ¥1,090 per share.



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

|   | PEW<br>Common Stock<br>Price per Share |       |
|---|--|-------|
|   | High                                   | Low   |
| Fiscal year ended March 31, 2006          | ¥ 1,454                                | ¥ 851 |
| Fiscal year ended March 31, 2007          | 1,450                                  | 1,155 |
| Fiscal year ended March 31, 2008          | 1,649                                  | 923   |
| Fiscal year ended March 31, 2009          | 1,180                                  | 555   |
| Fiscal year ended March 31, 2010          | 1,192                                  | 695   |
| <b>Fiscal year ended March 31, 2009:</b>  |  |       |
| First quarter                             | 1,180                                  | 1,013 |
| Second quarter                            | 1,110                                  | 861   |
| Third quarter                             | 957                                    | 588   |
| Fourth quarter                            | 838                                    | 555   |
| <b>Fiscal year ended March 31, 2010:</b>  |  |       |
| First quarter                             | 924                                    | 695   |
| Second quarter                            | 1,162                                  | 809   |
| Third quarter                             | 1,187                                  | 921   |
| Fourth quarter                            | 1,192                                  | 974   |
| <b>Fiscal year ending March 31, 2011:</b> |  |       |
| First quarter                             | 1,245                                  | 876   |
| Second quarter                            | 1,124                                  | 860   |
| Third quarter                             | 1,119                                  | 1,041 |
| <b>Month of:</b>                          |  |       |
| March 2010                                | 1,192                                  | 1,035 |
| April 2010                                | 1,245                                  | 1,146 |
| May 2010                                  | 1,156                                  | 902   |
| June 2010                                 | 981                                    | 876   |
| July 2010                                 | 1,124                                  | 860   |
| August 2010                               | 1,110                                  | 1,098 |
| September 2010                            | 1,109                                  | 1,104 |
| October 2010                              | 1,115                                  | 1,055 |
| November 2010                             | 1,113                                  | 1,045 |
| December 2010                             | 1,119                                  | 1,041 |
| January 2011                              | 1,106                                  | 1,026 |
| February 2011 (through February 3, 2011)  | 1,042                                  | 995   |

On February 3, 2011, the last reported sale price of PEW shares on the Tokyo Stock Exchange was ¥995 per share.

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Set forth below are the closing prices of Panasonic's common stock and PEW'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, December 21, 2010, the date on which the two companies publicly announced the share exchange ratio, and February 3, 2011. The table also sets forth the implied equivalent value of PEW's common stock on these dates, as determined by multiplying the applicable closing price of Panasonic's common stock by the exchange ratio of 0.925 Panasonic shares per PEW share. Panasonic urges you to obtain current market quotations for each of the two companies' common stock.

|                   | <b>Panasonic's<br/>Common Stock<br/>Historical</b> | <b>PEW's<br/>Common Stock<br/>Historical</b> | <b>PEW's<br/>Common Stock<br/>Equivalent</b> |
|-------------------|--|--|--|
| July 28, 2010     | ¥ 1,167  | ¥ 974  | ¥ 1,079                                      |
| December 21, 2010 | 1,169  | 1,103  | 1,081  |
| February 3, 2011  | 1,090  | 995  | 1,008  |

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

| <b>Fiscal Year Ended March 31,</b> | <b>Panasonic</b> | <b>PEW</b> |
|------------------------------------|------------------|------------|
| 2006                               | ¥ 17.50          | ¥ 17.00    |
| 2007                               | 25.00            | 20.00      |
| 2008                               | 32.50            | 25.00      |
| 2009                               | 40.00            | 18.75      |
| 2010                               | 12.50            | 12.50      |

**PEW Shareholders**

According to PEW's register of shareholders as of January 12, 2011, there were 751,074,788 shares of its common stock issued, of which 739,772,769 shares were outstanding and were held by 19,706 shareholders of record, including 36 shareholders of record with addresses in the United States who held 1,813,051 shares, representing approximately 0.24% of the then issued common stock and approximately 0.25% 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. PEW is not required by Japanese law to monitor or disclose beneficial ownership of its common stock.



**Table of Contents****EXCHANGE RATES**

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

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

|                                    | Low      | High     | Average  | Period-End |
|------------------------------------|----------|----------|----------|------------|
| <b>Fiscal Year Ended March 31,</b> |          |          |          |            |
| 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 January 28, 2011)    | 94.68    | 80.48    | 85.53    | 82.03      |

**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 | 85.77   | 83.05   |  |  |
| October   | 83.33   | 80.48   |  |  |
| November  | 84.34   | 80.61   |  |  |
| December  | 84.23   | 81.67   |  |  |

**Calendar Year 2011**

|                                    |       |       |  |  |
|------------------------------------|-------|-------|--|--|
| January (through January 28, 2011) | 83.36 | 81.56 |  |  |
|------------------------------------|-------|-------|--|--|

On January 28, 2011, the noon buying rate was ¥82.03 = \$1.00.

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**EXTRAORDINARY GENERAL MEETING OF PEW SHAREHOLDERS**

**General**

PEW 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 PEW extraordinary general meeting, currently expected to be held in March 2011, at 1048, Oaza Kadoma, Kadoma City, Osaka 571-8686, Japan. PEW 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 PEW 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 purposes of the PEW extraordinary general meeting are:

- (1) to consider and to vote upon the approval of the Share Exchange Agreement; and
- (2) to consider and to vote upon the partial amendments to the Articles of Incorporation of PEW.

**Voting**

***Record Date***

The close of business on January 12, 2011 has been fixed by the resolution of board of directors to be as the PEW record date for the determination of the holders of PEW's common stock entitled to exercise the shareholders' rights at the PEW extraordinary general meeting. PEW's shareholders may vote at the PEW extraordinary general meeting only if they are registered as a holder of one unit or more shares of PEW's common stock in PEW's register of shareholders at that time.

As of January 12, 2011, there were 739,772,769 shares of PEW's common stock issued and outstanding. Of those, 1,813,051 shares were held by residents of the United States. Each unit of shares of PEW's common stock outstanding on the PEW record date is entitled to one vote on each matter properly submitted at the PEW 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 PEW represented at the extraordinary general meeting of shareholders of PEW 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 January 12, 2011, the directors, corporate auditors and their affiliates of PEW owned of record approximately 0.01% of the voting rights of PEW's common stock. Also, as of December 21, 2010, directors, corporate auditors and their affiliates of Panasonic owned of record approximately 1.98% of the voting rights of PEW's common stock.

**Mail-in-ballots and Electronic Vote**

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

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Holders of PEW's common stock are also entitled to exercise voting rights via the Internet by accessing a website designated by PEW and inputting an exercise code and password. Internet voting is available only on the Japanese-language website.

### ***Revocation***

Any person who submits a mail-in-ballot by mail or vote via the Internet 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 PEW, or by submitting a subsequent vote via the Internet (if a shareholder sends mail-in-ballot and submits vote via the Internet, the vote via Internet will be counted and if a shareholder submits vote via the Internet more than one time, the last vote will be counted), 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 PEW.

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

An electronic proxy voting platform operated by Mitsubishi UFJ Trust and Banking Corporation is available as a means of electronic voting for institutional investors.

### **Questions About Voting PEW Shares**

If PEW shareholders have any questions about how to vote or direct a vote in respect of their PEW's common stock, they may call Kazuaki Hashimoto, Financial Management Department, at 81-6-6908-1131.

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**THE SHARE EXCHANGE**

**General**

The boards of directors of Panasonic and PEW have agreed to the Share Exchange, to be approved by shareholders' meeting of PEW. Pursuant to the Share Exchange, each shareholder of PEW will receive 0.925 shares of Panasonic's common stock for each share of PEW's common stock that such shareholder holds. If the terms of the Share Exchange are approved by the shareholders' meeting of PEW, 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 PEW into a wholly-owned subsidiary. Panasonic originally turned PEW into a consolidated subsidiary in April 2004, and as of March 31, 2010, Panasonic was the owner of 52.1% of PEW's voting rights.

As PEW has been a consolidated subsidiary of Panasonic, PEW and Panasonic have had certain joint management strategies as group companies and implemented various collaborative measures. However, the business environment surrounding the Panasonic Group, which includes PEW and SANYO, 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 PEW and SANYO 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 PEW and SANYO that Panasonic did not already own. Subsequently, 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, PEW 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 PEW, Mr. Shusaku Nagae had a meeting in which Mr. Ohtsubo proposed Panasonic's plan to acquire all the shares of PEW and SANYO that Panasonic did not already own in order to make them wholly-owned subsidiaries of Panasonic. Mr. Ohtsubo proposed that the acquisitions occur by way of first-step tender offers and second-step share exchanges.

Following the initial meeting, both Panasonic and PEW had internal meetings and meetings with their respective outside advisors.

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In early July 2010, the President of PEW, Mr. Shusaku Nagae, met the President of Panasonic, Mr. Fumio Ohtsubo, and PEW promised to consider the possibility of accepting Panasonic's proposal.

Subsequently, the management members of Panasonic and PEW 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 PEW after the potential acquisition.

After receiving the proposal from Panasonic, PEW retained Daiwa Securities Capital Markets Co. Ltd. ( Daiwa ) as its financial advisor. PEW also retained Kikkawa Law Offices as its Japanese legal counsel. Subsequently, PEW, its financial advisors 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, Kikkawa Law Offices provided PEW'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 PEW, Panasonic performed its legal and financial due diligence of PEW with the assistance of legal and accounting professional firms. As part of this process, Panasonic also conducted an interview of PEW'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. In addition, Panasonic and PEW continued their negotiations regarding the appropriate tender offer price.

Two weeks prior to the public announcement of the transaction, Panasonic and PEW had a preliminary consultation meeting on the planned tender offers by Panasonic 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, PEW received from Daiwa, acting as its financial advisor and as a third-party valuation institution independent from Panasonic and from PEW, a share valuation report with respect to PEW's shares. In addition, on the same date, PEW's board of directors received a fairness opinion from Daiwa stating that Panasonic's proposed tender offer purchase price of 1,110 yen per share is fair to shareholders of PEW other than the controlling shareholders, 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, Inc. and Article 436-3 of the Enforcement Rules for the same, including Panasonic) from a financial viewpoint.

On the same date, at a meeting of the board of directors of PEW (which was attended by 14 directors out of 15 directors, including one of two outside directors), based in part on the share valuation report and fairness opinion received from Daiwa, it was determined that the tender offer would be highly beneficial to the enhancement of the corporate value of PEW, that the conditions relating to the tender offer are appropriate, and that the tender offer provided all of PEW's shareholders with an opportunity to sell PEW's shares for a reasonable price. Thus, a resolution was adopted with the approval of all of the directors in attendance that PEW would express its endorsement of the tender offer, and recommend that PEW's shareholders tender their shares in the tender offer.

In addition, all of PEW's corporate auditors (three corporate auditors out of four, including one of two outside corporate auditors) who attended the above board of directors' meeting expressed the opinion that they had no objections to PEW's board of directors endorsing the tender offer. Mr. Koshi Kitadai, an outside director of PEW, also served as a corporate advisor of Panasonic and was formerly a director of Panasonic. Accordingly, he did not participate in any of the deliberations or resolutions on the tender offer in order to prevent conflict of interests, and he did not participate in any of the discussions or negotiations with Panasonic on behalf of PEW. Mr. Yutaka Maehashi, who is an outside corporate auditor of PEW, because he also served as an employee of Panasonic, did not participate in the above-referenced deliberations, in order to prevent conflict of interests.

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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 PEW, a valuation report with respect to PEW'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 1,110 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 PEW 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 PEW 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 the second-step share exchange, PEW's shares were expected to be valued based on a price equivalent to the tender offer purchase price.

On October 6, 2010, Panasonic completed the tender offer for shares of PEW that it did not already own at a price of ¥1,110 per share and as a result increased its ownership percentage to approximately 84% of PEW's voting rights.

Following the completion of the tender offer, the management of Panasonic and PEW had ongoing extensive discussions to negotiate the share exchange ratio for the Share Exchange based on the purchase price for the tender offer, taking into account the results of the tender offer, the market share price levels of shares of Panasonic and other various factors. In addition, in order to prevent a transaction that would be advantageous only to Panasonic and would be disadvantageous to PEW and its minority shareholders, PEW took certain steps, such as receiving a fairness opinion from its financial advisor and seeking the opinions of the outside director and outside corporate auditor that did not come from Panasonic, as further discussed below.

PEW continued to retain Daiwa as its financial advisor with respect to the Share Exchange. As discussed below, Daiwa provided PEW with financial advice, including the provision of a valuation report and a fairness opinion. PEW also continued to retain Kikkawa Law Offices as its Japanese legal advisor. Kikkawa Law Offices provided legal advice regarding, among other things, the appropriate methods and procedures for the board's decision making. In addition, PEW performed its legal and financial due diligence of Panasonic's operations with the assistance of its legal and accounting advisors. As part of this process, PEW also conducted an interview of Panasonic's management. On behalf of PEW, legal due diligence was conducted by Kikkawa Law Offices, and financial due diligence was conducted by Deloitte Tohmatsu FAS Co., Ltd., an accounting professional firm retained as PEW's accounting advisor for the financial due diligence. Subsequently, PEW, its financial advisor, its Japanese legal advisor and its accounting advisor held various meetings to discuss the terms, structure and schedule of the Share Exchange and the strategy for negotiations.

Panasonic Corporation continued to retain Nomura Securities Co. Ltd. as its financial advisor, Nagashima Ohno & Tsunematsu as its Japanese legal counsel, and Sullivan & Cromwell LLP as its U.S. legal counsel.

On December 21, 2010, PEW received from Daiwa, acting as PEW's financial advisor and as a third-party valuation institution independent from Panasonic and PEW, a valuation report calculating the share exchange ratio based on various valuation methods. In addition, on the same date, PEW's board of directors received a fairness opinion from Daiwa stating that Panasonic's proposed share exchange ratio of 0.925 Panasonic shares per share of PEW (the Share Exchange Ratio) is, from a financial viewpoint, fair to the shareholders of PEW other than the controlling shareholders, 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, Inc. and Article 436-3 of the Enforcement Rules for the same, including Panasonic)

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Taking into consideration the valuation report and fairness opinion received from Daiwa, as well as the legal advice received from Kikkawa Law Offices, the results of legal and financial due diligence and other factors, the PEW board of directors carefully reviewed the terms and conditions of the Share Exchange, including the Share Exchange Ratio. As a result, on December 21, 2010, at a meeting of the board of directors of PEW, the PEW board determined that the Share Exchange would enhance the corporate value of PEW and that the terms and conditions of the Share Exchange were reasonable. In view of the above, a resolution was adopted with the approval of all of the directors participating in the resolution (including one outside director) to conduct the Share Exchange and execute the Share Exchange Agreement.

In addition, all of PEW's corporate auditors participating in the above resolution (including one outside corporate auditor) expressed the opinion that they had no objections to the execution of the Share Exchange Agreement by the PEW board of directors. As was the case with the deliberations, resolutions and negotiations leading to the approval of the first-step tender offer, among 15 directors of PEW, Mr. Koshi Kitadai, who is an outside director of PEW, did not participate in any of the deliberations or resolutions on the Share Exchange and did not participate in any of the discussions or negotiations with Panasonic on behalf of PEW, in order to prevent any conflict of interests arising from his status as a former director of Panasonic and his continuing service as a corporate advisor to Panasonic. In addition, Mr. Yukata Maehashi, an outside corporate auditor of PEW, also did not participate in the above-referenced deliberations, in order to prevent any conflict of interests arising from his status as an employee of Panasonic.

In addition, on December 21, 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 PEW, a valuation report with respect to the Share Exchange. Furthermore, on the same date, Panasonic's board of directors received a fairness opinion from Nomura Securities Co., Ltd. stating that the proposed Share Exchange Ratio was proper for Panasonic from a financial viewpoint.

On December 21, 2010, a meeting of the board of directors of Panasonic was held to consider the planned acquisition of all shares of PEW that Panasonic did not already own through the Share Exchange. 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 Share Exchange.

On December 21, 2010, Panasonic and PEW announced the details of the Share Exchange, including the Share Exchange Ratio. The announcement also noted that the Share Exchange Ratio may be subject to change upon consultations between PEW and Panasonic in the case of any material changes to the assumptions underlying the calculation of the Share Exchange Ratio. The Share Exchange is expected to be implemented after the Share Exchange Agreement is approved by PEW shareholders at an extraordinary general meeting of shareholders scheduled for March 2, 2011. The Share Exchange is scheduled to occur on April 1, 2011.

## **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 PEW and SANYO, 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 PEW and SANYO, 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 business growth by boldly shifting management resources.

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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. In addition, the Panasonic Group will reorganize its current 16 domain companies into nine, based on these new business sectors and as described below. 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.

Currently, the direction of the reorganization of each business sector is expected to be as follows:

### Consumer business sector:

The Panasonic Group intends to reorganize its marketing function on a global basis, and reorganize its marketing divisions, including Japan, to a global consumer marketing division. 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.

The Panasonic Group expects that the consumer business sector will have two domain companies: (1) AVC networks and (2) heating/refrigeration/air condition and home appliances. The AVC networks domain company will focus on creation of new businesses with next-generation products, with a unified concept of business and technology. The heating/refrigeration/air condition and home appliances domain company will aim to be the leading green innovation company in the home appliances business, with a strong line-up ranging from consumer use to commercial use, and is expected to globally expand its business in personal care and health enhancing products and cooking appliances.

### 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.

Specifically, the Panasonic Group expects that the components and devices business section will have three domain companies: (1) automotives, (2) devices and (3) energy devices. These three domain companies are expected to cooperate in providing strategic customer services and conducting new sales development, with a department established for the purposes of such cooperation. The automotive domain company will aim to strengthen multimedia systems displays, create new growth markets such as EV and e-cockpit, and establish a robust Japanese market share for car navigation systems. The devices domain company will aim to develop new markets and customer with new products and technologies, and focus on environment and energy, healthcare and medical, material and devices, automotives and emerging markets. The energy devices domain company will aim especially to strengthen its lithium-ion battery and solar battery businesses.

### 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



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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.

Specifically, the Panasonic group expects that the solutions business sector will have four domain companies: (1) security and communication solutions, (2) environment and energy solutions, (3) healthcare and medical solutions, and (4) factory solutions. The security and communications solutions domain company will aim to provide network solutions with the Panasonic Group's comprehensive technologies, from fixed to wireless communications, including mobile phones. The environment and energy solutions domain company will focus on contributing to a comfortable eco-conscious lifestyle, and aim for unconventional growth through comprehensive solutions and sales, and effective collaboration with other domain companies. The healthcare and medical solutions domain company is expected to serve as a pillar of the next generation business and assist in providing simple and affordable healthcare service, including contributing to the robot business with products such as a robotic bed. The factory solutions domain company will aim to contribute to the progress and development of global society with manufacturing solutions, including the development of new businesses in mounting and circuit fabrication and welding, and laser technology.

In addition, the environment and energy domain company will lead the comprehensive solutions initiative, which will involve four steps: (1) offer a packaged series as a whole set to a specific space, (2) utilize network-packaged equipment, (3) have a vertical value chain business to offer coherent value from sales to customer services, and (4) create a unique comprehensive solutions business model. The goal is to create such a unique business model that combines vertical and horizontal value chains from the planning stage through participation in the smart city projects in the world.

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. The nine domain companies will be responsible for managing their businesses autonomously, while the new head office will focus on three functions: (1) develop a group-wide growth strategy, (2) establish group core competencies and (3) offer services beyond the domain companies' capabilities. The new head office is expected to have a global head office to govern the Panasonic Group based on each functional classification and regional management companies based on each region. By organizing the head office with a focus on indispensable functions, the Panasonic Group believes that it will be able to create new local businesses and solve local issues.

Further, together with this reorganization, Panasonic Group intends to integrate 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.

### ***Determination of PEW's Board of Directors***

As discussed in further detail above under Background to the Share Exchange, the Share Exchange was approved at a meeting of the board of directors of PEW held on December 21, 2010 by a unanimous vote of all

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fourteen of the directors that were not deemed to have conflict of interests (including one outside director). In order to prevent conflict of interests, the other outside director, Mr. Koshi Kitadai, who serves a corporate advisor of Panasonic, did not participate in any deliberations or resolutions regarding the Share Exchange Ratio and the Share Exchange Agreement, and furthermore did not participate in discussions and negotiations with Panasonic on behalf of PEW. In addition, out of the four corporate auditors of PEW, three corporate auditors (including one outside corporate auditor) were also present at the board meeting, and opined that they had no objections to the execution of the Share Exchange Agreement by the board of directors of PEW. In order to prevent conflict of interests, PEW's other outside corporate auditor, Mr. Yutaka Maehashi, who also serves as an employee of Panasonic, did not participate in the above deliberations.

As also discussed in further detail above under "Background to the Share Exchange", throughout the negotiation process leading to the board decision, the PEW board of directors heard the opinions of the outside director and outside corporate auditor other than those that came from Panasonic, in order to prevent a transaction that would benefit only Panasonic and cause damage to PEW and its minority shareholders, to make management decisions independently as a listed company and to enhance the objectivity of its decision. In addition, the PEW board of directors consulted with PEW's financial and legal advisors.

In making its determination to approve the Share Exchange Agreement, with advice from PEW's financial and legal advisors, the PEW board of directors considered a number of factors, including the following:

The board's knowledge of the businesses, operations, financial condition, earnings and future prospects of both PEW and Panasonic.

The board's knowledge of the current and prospective economic, market and industry environment in which PEW and Panasonic operate.

The results of the legal and financial due diligence of Panasonic's operations conducted by PEW and its legal and accounting advisors.

The results of analyses of the Share Exchange Ratio, prepared by Daiwa, which included the stock price analysis, comparable company analysis and discounted cash flow analysis.

The original signed version of the fairness opinion of Daiwa, which was delivered to the PEW board of directors immediately before the approval of the Share Exchange Agreement, to the effect that, as of the date of the opinion and subject to certain assumptions and reservations set forth therein, the proposed Share Exchange Ratio was fair from a financial point of view to the holders of PEW shares other than PEW's controlling shareholders as defined in Article 441-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. and Article 436-3 of the Enforcement Rules for the same.

The fact that the outside director and outside auditor that did not have conflict of interests expressed no objections to PEW's execution of the Share Exchange Agreement.

The terms of the Share Exchange Agreement and its effects, including without limitation the fact that Panasonic would become the sole shareholder of PEW upon consummation of the Share Exchange.

The fact that the Share Exchange Ratio was based primarily on the first-step tender offer price. As described in detail under "Background to the Share Exchange", the board recommended to PEW's shareholders to tender their shares in the tender offer, based on its discussions and negotiations with Panasonic, advice received from its legal and financial advisors and its consideration of the appropriateness of the tender offer price.

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The foregoing discussion of the information considered by the PEW board of directors is not exhaustive, but includes the material factors that the PEW board of directors considered in approving the Share Exchange. In view of the wide variety of factors considered in connection with its evaluation of the Share Exchange and the complexity of these matters, the PEW board did not find it useful, and did not attempt, to quantify, rank or

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otherwise assign relative weights to these factors. The PEW board conducted an overall analysis of the factors described above, including discussions with PEW's financial and legal advisors, and considered the factors overall to be favorable to, and to support, its determination.

The above explanation of the reasoning of the PEW board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Forward-Looking Statements" on page 2.

### **Opinion of PEW's Financial Advisor**

#### *Opinion of Daiwa*

Daiwa delivered its written opinion to PEW's board of directors that, as of December 21, 2010 and based upon and subject to the factors and assumptions set forth therein, the Share Exchange Ratio was fair from a financial point of view to the holders of PEW shares other than PEW's controlling shareholders as defined in Article 441-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. and Article 436-3 of the Enforcement Rules for the same.

The full text of the written opinion of Daiwa, dated December 21, 2010, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix B and is incorporated by reference in this prospectus. Holders of PEW shares are encouraged to read Daiwa's opinion carefully in its entirety. Daiwa provided its opinion for the benefit of PEW's board of directors in connection with its consideration of the Share Exchange from a financial point of view and does not address any other aspects of the Share Exchange. Daiwa's opinion does not address the relative merits of the Share Exchange or any related transaction as compared to other business strategies that might be available to PEW or PEW's underlying business decision to effect the Share Exchange or any related transaction. Daiwa's opinion does not constitute a recommendation as to how any holder of PEW shares should vote with respect to the Share Exchange, or any other matter.

Daiwa has consented to the inclusion of its opinion as Appendix B to this prospectus. By giving such consent, Daiwa does not thereby admit that it comes within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder, nor does it thereby admit that it is an expert with respect to any part of this registration statement on Form F-4 of which this prospectus forms a part within the meaning of the term "experts" as used in the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder.

In arriving at its opinion, Daiwa has:

1. reviewed and analyzed the draft of the Share Exchange Agreement dated December 21, 2010;
2. reviewed and analyzed financial information and business descriptions contained in the annual securities reports (yuka-shoken hokokusho) and other disclosure materials of PEW and Panasonic;
3. reviewed and analyzed publicly available materials, share-related information and other information related to PEW and Panasonic;
4. reviewed and analyzed the business plan and financial forecast of PEW prepared by the management of PEW for the fiscal years ending on March 31, 2011, March 31, 2012 and March 31, 2013 and other related information (the "PEW Business Plan") and the business plan and financial forecast of Panasonic prepared by the management of Panasonic for the fiscal years ending on March 31, 2011, March 31, 2012 and March 31, 2013 and other related information (the "Panasonic Business Plan"), both of which PEW consented for Daiwa's use for purposes of its analysis;
5. interviewed the management of each of PEW and Panasonic regarding their respective business operations and financial conditions, the PEW Business Plan, the Panasonic Business Plan and the effect of the Share Exchange;



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6. analyzed the share exchange agreement to be entered into on December 21, 2010 between Panasonic and SANYO, based on information provided by PEW;
7. reviewed and analyzed the historical market prices (including market prices as of 9:00 a.m. on December 21, 2010) and trading activity of PEW shares and Panasonic shares;
8. reviewed and analyzed financial and market share price data of selected publicly traded companies which Daiwa deemed to be generally similar to PEW and Panasonic;
9. reviewed PEW's advisors' advice and reports on Panasonic provided by PEW;
10. reviewed and analyzed other related information Daiwa deemed appropriate.

In preparing Daiwa's opinion, Daiwa has assumed and relied on the accuracy and completeness of all materials and information that Daiwa has reviewed or analyzed, and has not verified or assumed any obligation to independently verify the accuracy or completeness of such materials and information. In addition, Daiwa has not undertaken a separate evaluation, appraisal or assessment of any of the assets or liabilities, on an aggregate or individual basis, of PEW, Panasonic or their respective affiliates (including, but not limited to, financial derivative products, off-balance-sheet assets and liabilities and other contingent liabilities), nor has Daiwa made any request to a third party for any such valuation, appraisal or assessment. Daiwa has not evaluated the solvency and the credit ratings of PEW, Panasonic and their respective affiliates under any applicable laws relating to bankruptcy, insolvency or similar matters. Daiwa has not conducted any physical inspection of the properties or facilities of PEW, Panasonic, or their respective affiliates, nor has Daiwa assumed any obligation to do so.

Daiwa has assumed, with PEW's consent, that the PEW Business Plan and the Panasonic Business Plan furnished to Daiwa by PEW have been prepared reasonably, and reflect the best estimates and judgment at present of the management of each of PEW and Panasonic, and Daiwa has relied on such information without independent verification. Daiwa has assumed that all assumptions for the preparation of the PEW Business Plan and the Panasonic Business Plan are accurate and attainable and Daiwa has conducted no independent verifications of the accuracy or feasibility of such assumptions, nor has Daiwa assumed any obligation to do so.

Daiwa has assumed that the Share Exchange Agreement will be legally and validly executed with terms and conditions substantially the same as set forth in the draft of the Share Exchange Agreement that it reviewed, and the Share Exchange will be legally and validly performed and completed pursuant to such terms and conditions, without any waiver, revision or amendment of any material terms or conditions thereof. Further, Daiwa has assumed that the governmental, regulatory or other consents or approvals necessary for the execution of the Share Exchange will be obtained without any adverse effect on the expected benefits of the Share Exchange. Daiwa's opinion does not address PEW's underlying business decision to effect the Share Exchange or the relative merits of the Share Exchange as compared to any strategic alternatives that may be available to PEW, nor has Daiwa been requested by PEW to do so. Daiwa is not a legal, accounting or tax expert and has not independently analyzed or reviewed, nor assumed any obligation to analyze or review independently, the legality and validity of any matters regarding the Share Exchange or the acceptability of accounting and tax treatment of any matter regarding the Share Exchange.

Daiwa has acted as financial advisor to PEW in connection with, and has participated in certain of the negotiations leading to, the Share Exchange. Daiwa will receive a fee from PEW as consideration for its advisory services regarding the Share Exchange, a part of which is contingent upon consummation of the Share Exchange. PEW has agreed to indemnify Daiwa against certain liabilities that may arise in connection with its advisory services regarding the Share Exchange.

Daiwa and its affiliates have provided to PEW, Panasonic or their respective affiliates investment and financing services, including securities-related services, for which they have received compensation, including acting as a joint lead manager for the ¥400 billion offering of Panasonic's Sixth, Seventh and Eighth Series of Unsecured Straight Bonds in March 2009. Daiwa and its affiliates also may provide to PEW, Panasonic or their

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respective affiliates investment and financing services, including securities-related services, and may receive compensation for such services in the future. In addition, Daiwa and its affiliates may actively trade or hold financial products, including securities and derivatives products, of PEW, Panasonic or any of their respective affiliates, for Daiwa's own and its affiliates' accounts or for the accounts of customers.

Daiwa's opinion was prepared solely for the use and benefit of the Board of Directors of PEW in connection with its review of the Share Exchange Ratio. Accordingly, Daiwa assumes no responsibility for any matters arising out of or in connection with any other use of Daiwa's opinion. Daiwa assumes no liability to any party other than PEW for any matters arising out of or in connection with Daiwa's opinion or the Share Exchange. Daiwa's opinion does not constitute a recommendation or solicitation to any holders of PEW shares as to how such holder of shares should vote on the Share Exchange (including any exercise of appraisal rights by holders of shares opposing the Share Exchange), the assignment and receipt of PEW shares or any other related matters.

Daiwa's opinion addresses only the fairness of the Share Exchange Ratio from a financial point of view to the holders of PEW shares other than PEW's controlling shareholders. Daiwa's opinion does not address, the fairness to, or any other consideration of, any third party except the holders of PEW shares other than PEW's controlling shareholders. Daiwa does not provide any opinion on any premise or assumption upon which the determination of the Share Exchange Ratio was based or the underlying business decision of PEW to proceed with the Share Exchange. Daiwa is not expressing any opinion as to the prices at which PEW shares or Panasonic shares will trade at any time after the date of its opinion. In addition, Daiwa expresses no opinion with respect to the fairness of the amount or nature of any compensation to be received in relation to the Share Exchange Ratio by any officers, directors, employees or any class of such persons involved in the Share Exchange. In preparing Daiwa's opinion, Daiwa has not been authorized by PEW to solicit, nor has Daiwa solicited, any third-party indication of interest for the acquisition of all or any part of PEW.

Daiwa's opinion is based upon financial, economic, market and other conditions as they existed as of the date of its opinion, and relies on information made available to Daiwa up until such date. Additionally, although Daiwa's opinion may be affected by future changes in conditions, Daiwa does not assume any obligation to renew, revise or reaffirm its opinion.

The preparation and submission of Daiwa's opinion was authorized by its fairness opinion approval committee.

The Share Exchange Ratio was determined through negotiation between PEW and Panasonic and was approved by PEW's board of directors. Daiwa did not recommend any specific share exchange ratio to PEW or its board of directors. Daiwa's opinion and financial analyses were one of many factors considered by PEW's board of directors in its evaluation of the Share Exchange and should not be viewed as determinative of the views of PEW's board of directors or management with respect to the Share Exchange or the Share Exchange Ratio.

The following is a summary of the material financial analyses delivered by Daiwa to the board of directors of PEW in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Daiwa, nor does the order of analyses described represent relative importance or weight given to those analyses by Daiwa. The financial analyses summarized below include information presented in tabular format. The tables must be read together with the full text of the summary and are alone not a complete description of Daiwa's financial analyses. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 20, 2010 and is not necessarily indicative of current market conditions.

**Table of Contents*****Financial Analyses of Daiwa****Stock Price Analysis*

In performing its stock price analysis, Daiwa set December 20, 2010 as the reference date, and used the average closing stock prices of PEW shares and Panasonic shares during the one-week and one-month periods ending on the reference date. Daiwa also used the average closing stock prices for each of the following periods beginning on (i) December 1, 2010, which is the business day following the day on which SANYO issued its press release relating to amendments to the purchase agreement regarding the transfer of stock and loan of SANYO Semiconductor Co., Ltd.; (ii) October 8, 2010, which is the business day following the announcement of the results of Panasonic's tender offers, and (iii) July 30, 2010, which is the business day following the announcement of Panasonic's tender offers with each such period ending on the reference date.

|                                 | Exchange ratio |
|---------------------------------|----------------|
|                                 | per PEW share  |
| 1 Week                          | 0.930          |
| 1 Month                         | 0.919          |
| December 1    December 20, 2010 | 0.926          |
| October 8    December 20, 2010  | 0.910          |
| July 30    December 20, 2010    | 0.954          |

As a result of this analysis, the range of implied exchange ratios per share of PEW was calculated to be 0.910 to 0.954.

*Comparable Company Analysis*

Daiwa reviewed and compared certain financial information, ratios and public market multiples of PEW with the corresponding financial information, ratios and public market multiples for the following selected publicly traded companies, which shared similar characteristics with one of PEW's business segments. The business segments used for the purpose of this analysis do not necessarily correspond to any segment information prepared by PEW for purpose of public financial disclosures in Japan.

Electrical Construction Materials    and    Building Products

JS Group Corporation;

TOTO LTD.; and

TAKARA STANDARD CO.,LTD..  
Automation Controls

KEYENCE CORPORATION;

OMRON Corporation; and

HIROSE ELECTRIC CO., LTD..  
Electronic Materials



Hitachi Chemical Company, Ltd.; and

Sumitomo Bakelite Company Limited.  
Home Appliances

Panasonic.

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Daiwa reviewed and compared certain financial information, ratios and public market multiples of Panasonic with the corresponding financial information, ratios and public market multiples for the following selected publicly traded companies, which shared similar characteristics with one of Panasonic's business segments. The business segments used for the purpose of this analysis do not necessarily correspond to any segment information prepared by Panasonic for purpose of public financial disclosures in Japan, or to any U.S. GAAP segment information that appears elsewhere in this prospectus.

Digital AVC Networks and Home Appliances

Panasonic;

SONY CORPORATION;

Sharp Corporation;

TOSHIBA CORPORATION;

Hitachi, Ltd.; and

Mitsubishi Electric Corporation.  
PEW and PanaHome

The selected companies of PEW.  
Components and Devices

KYOCERA CORPORATION;

Murata Manufacturing Co., Ltd.; and

TDK Corporation.  
SANYO

Panasonic;

SONY CORPORATION;

Sharp Corporation; and

CASIO COMPUTER CO.,LTD..

Although none of the selected companies is directly comparable to either PEW, Panasonic, or their respective operating units or subsidiaries, the companies included were chosen because they are publicly traded companies with operations that for purposes of the analysis may be considered similar to certain operations of PEW or Panasonic.

In this analysis, Daiwa analyzed the ratio of enterprise value, calculated as the market capitalization plus debt less cash and cash equivalents, to the estimated fiscal year 2010 earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, for each of the selected companies. The multiples and ratios for each of the selected companies were based on market data as of December 20, 2010 and financial data as of or for the fiscal period ended September 30, 2010. The multiples for each of the selected companies were calculated using the International Brokers Estimate System, or IBES, or where IBES was not available, estimates prepared by Toyokeizai.

Based on an analysis of the relevant metrics for each of the selected companies, Daiwa selected reference ranges of EBITDA multiples of 6.0 to 6.8 for PEW and 5.2 to 5.9 for Panasonic. Daiwa calculated ranges of implied values for PEW shares and Panasonic shares by applying these ranges of multiples to the estimated fiscal year 2010 EBITDA for PEW and Panasonic, prepared by their respective managements that PEW approved for Daiwa's use for purposes of its analysis.

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The results of the analysis are as follows:

|                                      | Multiple range<br>for PEW | Multiple range<br>for Panasonic | Implied<br>exchange<br>ratios<br>per PEW<br>share |
|--------------------------------------|---------------------------|---------------------------------|---|
| EBITDA Multiple                      | 6.0x - 6.8x               | 5.2x - 5.9x                     | 0.689 - 0.913                                     |
| <i>Discounted Cash Flow Analysis</i> |                           |                                 |   |

Daiwa performed discounted cash flow analyses to estimate ranges of present values per PEW share and per Panasonic share, under the assumption that each company continues to operate as a stand-alone entity, using the PEW Business Plan and the Panasonic Business Plan that PEW approved for Daiwa's use for purposes of its analyses. For each company, Daiwa calculated this range by adding (1) the net present value of the standalone after-tax unlevered free cash flows to holders of PEW shares and Panasonic shares, respectively, that PEW and Panasonic each forecasted to generate over the last six months of fiscal year 2010 through fiscal year 2012 and (2) the present value of the company's terminal value. The terminal values were calculated by applying selected range of perpetual growth rates of 0.0% to 1.0% to each company's estimated normalized unlevered free cash flows for fiscal year 2012. The present values of cash flows and terminal values were calculated using discount rates ranging from 5.9% to 6.3% for PEW, reflecting estimates of PEW's weighted average cost of capital based upon an analysis of the selected companies, and from 6.0% to 6.4% for Panasonic, reflecting estimates of Panasonic's weighted average cost of capital based upon an analysis of the selected companies.

The discounted cash flow analysis resulted in a range of implied exchange ratios per PEW share of 0.660 to 0.872.

**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 PEW, the following events will occur upon the effectiveness of the Share Exchange:

Shareholders of PEW's common stock (other than PEW, with respect to its treasury shares, which will be cancelled, and Panasonic, with respect to shares of PEW owned by it) 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 0.925 Panasonic shares for one PEW 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 PEW will instead be cashed out as described in more detail below.

In accordance with the Company Law, PEW 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 PEW shares on a proportionate basis in accordance with their respective fractions.

If, during the period after the execution of the Share Exchange Agreement and before the effective date of the Share Exchange, (i) a material change occurs in the financial conditions or management conditions of Panasonic or PEW, (ii) a situation arises or is discovered that materially obstructs the implementation of the Share Exchange, or (iii) some other situation arises that makes it significantly difficult to achieve the purpose of the Share Exchange Agreement, Panasonic and PEW may, upon consultation, change the contents of the Share Exchange Agreement such as the terms and conditions of the Share Exchange or cancel the Share Exchange.



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### **Expiration of the Share Exchange Agreement**

The Share Exchange Agreement shall cease to have any effect if, among others, the Share Exchange Agreement is not approved at the shareholders' meeting of PEW.

### **Description of Material Share Exchange Terms**

#### **PEW Voting Matters**

The close of business on January 12, 2011 has been fixed by the resolution of PEW's board of directors as the record date for determination of the holders of PEW's common stock entitled to exercise shareholders' rights at PEW's extraordinary general meeting. As of January 12, 2011, there were 739,772,769 shares of PEW's common stock issued and outstanding. See Extraordinary General Meeting of PEW Shareholders for a more detailed description of the vote required, and the use and revocation of mail-in-ballots or electronic vote, at the general meeting of shareholders.

#### **Dissenters' Appraisal Rights**

Any PEW shareholder (i) who notifies PEW 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 and share handling regulations of PEW (a dissenting shareholder) may demand that PEW purchase his or her shares of PEW's common stock at the fair value. The failure of a shareholder who is entitled to vote at such general meeting of shareholders to provide such notice prior to the general meeting or to vote against approval of the Share Exchange at the general meeting will in effect constitute a waiver of the shareholder's right to demand that PEW 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 PEW approves such withdrawal.

PEW will give public notice to its shareholders announcing that PEW 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 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 and PEW, then PEW 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 PEW do not agree on the value of such shares within 30 days from the effective date of the Share Exchange, the shareholder or PEW 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. PEW is also required to make payment of statutory interest on such share value as determined by the court accruing from 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.

Dissenters' appraisal rights for shareholders of a company becoming a wholly-owned subsidiary through a Share Exchange 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 PEW'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

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such shares by United States shareholders of PEW 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**

PEW 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 PEW, 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 PEW 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 PEW. 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.

### **Differences in Shareholders' Rights**

There are no material differences between or among the rights of shareholders of Panasonic's common stock and PEW'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 PEW's common stock who will be allotted shares of Panasonic's common stock. As such, non-resident holders of shares of PEW'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 PEW'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 PEW'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 PEW's common stock exceeds one year. For further discussion, see "Taxation Material U.S. Federal Income Tax Consequences" beginning on page 112.

### **Panasonic-SANYO Share Exchange**

The boards of directors of Panasonic and SANYO have agreed to the Panasonic-SANYO Share Exchange, pursuant to which each shareholder of SANYO will receive 0.115 shares of Panasonic's common stock for each share of SANYO's common stock that such shareholder holds. The terms of the Panasonic-SANYO Share Exchange will be submitted to the shareholders' meeting of SANYO to be held on March 4, 2011. The completion of the Panasonic-SANYO Share Exchange is not conditioned in any respect on the completion of the Share Exchange. If the Panasonic-SANYO Share Exchange is completed, SANYO 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, 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 PEW and SANYO, which are both currently consolidated subsidiaries, into wholly-owned subsidiaries through simultaneous first-step tender offers and subsequent share exchanges.

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In October 2010, Panasonic completed its tender offers for shares of PEW and SANYO that it did not already own and, as a result, Panasonic's shareholdings of PEW and SANYO increased to approximately 84% and 81% of the total voting rights, respectively.

In December 2010, Panasonic and each of PEW and SANYO resolved to conduct share exchanges in order to make Panasonic a wholly-owning parent company, and PEW and SANYO wholly-owned subsidiaries, at a meeting of each respective company's board of directors. The share exchange agreements have been executed between Panasonic and PEW, and between Panasonic and SANYO. The share exchanges are scheduled to become effective on April 1, 2011.

**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) (%) |             |              |              |              |
|------------------------|--------------------|-------------|--------------|--------------|--------------|
|                        | 2010               |             | 2009         |              | 2008         |
| Digital AVC Networks   | 3,410              | (9)%        | 3,749        | (13)%        | 4,320        |
| Home Appliances        | 1,204              | (7)         | 1,290        | (8)          | 1,405        |
| PEW and PanaHome       | 1,632              | (8)         | 1,766        | (8)          | 1,910        |
| Components and Devices | 931                | (11)        | 1,045        | (19)         | 1,289        |
| SANYO                  | 405                |             |              |              |              |
| Other                  | 1,012              | (6)         | 1,072        | (1)          | 1,084        |
| JVC                    |                    |             |              |              | 183          |
| Eliminations           | (1,176)            |             | (1,156)      |              | (1,122)      |
| <b>Total</b>           | <b>7,418</b>       | <b>(4)%</b> | <b>7,766</b> | <b>(14)%</b> | <b>9,069</b> |

\* Percentage above reflects the changes from the previous year.

\* From fiscal 2009, the name of AVC Networks was changed to Digital AVC Networks.

\* The name of MEW and PanaHome was changed to PEW and PanaHome as of October 1, 2008.

\* 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.

\* Panasonic restructured the motor business on April 1, 2010. Accordingly, the prior figures for Home Appliances, and Components and Devices in fiscal 2010, 2009 and 2008 are reclassified to conform to the presentation for fiscal 2011.

**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



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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).

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<sup>\*1</sup> 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.

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

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

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

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

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

In the lighting business, Panasonic has been developing products that conserve energy and resources, and are based on universal design. 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 PEW, PanaHome Corporation (PanaHome) and their respective subsidiaries.

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

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

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

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

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### ***Components and Devices***

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

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

The UniPhier<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup>. In fiscal 2010, Panasonic developed a new UniPhier<sup>®</sup> system LSI for displaying high-resolution 3D images, providing network capability and enabling other functions. This new system LSI is incorporated in 3D plasma TVs and Blu-ray Disc recorders. By the end of fiscal 2010, UniPhier<sup>®</sup> was applied in a total of 300 digital products. Panasonic developed technology for 32nm-process system LSIs with a view to commercialization by the end of fiscal 2011, in order to achieve even higher integration and lower power consumption for semiconductors. Panasonic also strengthened its management structure. Specifically, in the diffusion process, 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 (18650size) ahead of competitors. Demand for lithium-ion batteries is expected to increase along with the uptake of eco-cars. Besides outstanding safety, Panasonic's lithium-ion batteries boast high energy output and durability thanks to their nickel-based cathodes.



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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 Electric Co., Ltd. (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<sup>®</sup> Solar Cells, which boast high conversion efficiency.

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

### ***Other***

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

**Table of Contents****Marketing Channels**

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

|                         | Yen (billions) (%)          |      |       |      |       |      |
|-------------------------|-----------------------------|------|-------|------|-------|------|
|                         | 2010                        |      | 2009  |      | 2008  |      |
|                         | Fiscal year ended March 31, |      |       |      |       |      |
| 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<sup>®</sup> 215 Series household solar power generation systems, the first series of collaborative products to be developed since SANYO became a part of the Panasonic Group. 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<sup>\*1</sup> and MINTS + B<sup>\*2</sup> markets as a key to success overseas.

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

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



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

### *Customers*

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

### Seasonality of Business

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

### Raw Materials and Source of Supply

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

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

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

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

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

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

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### Patent License Agreements

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

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

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

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

### Competition

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

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

### Organizational Structure

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

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

(3) Principal overseas subsidiaries:

| <b>Name of company</b>                 | <b>Country of incorporation</b> | <b>Percentage owned</b> |
|--|---------------------------------|-------------------------|
| Panasonic Corporation of North America | U.S.A.                          | 100.0%                  |
| Panasonic Europe Ltd.                  | U.K.                            | 100.0                   |

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|  |                |       |
|--|----------------|-------|
| Panasonic AVC Networks Czech, s.r.o.                             | Czech Republic | 100.0 |
| Panasonic Asia Pacific Pte. Ltd.                                 | Singapore      | 100.0 |
| Panasonic AVC Networks Singapore Pte. Ltd.                       | Singapore      | 100.0 |
| Panasonic System Networks Philippines Corporation                | Philippines    | 100.0 |
| Panasonic Taiwan Co., Ltd.                                       | Taiwan         | 69.8  |
| Panasonic Corporation of China                                   | China          | 100.0 |
| Panasonic Home Appliances Air-Conditioning (Guangzhou) Co., Ltd. | China          | 67.8  |

**Table of Contents**Property, Plants and Equipment

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

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

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

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



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| <b>Name and Principal Location</b>                             | <b>Floor Space<br/>(thousands of<br/>square feet)</b> | <b>Principal Products Manufactured or Functions</b>   |
|--|---|---|
| <b>(Domestic subsidiaries)</b>                                 |   |   |
| 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   |
| <b>(Overseas subsidiaries)</b>                                 |   |   |
| Panasonic Corporation of North America, U.S.A.                 | 2,152   | Manufacture and sales, with regional headquarters functions   |
| Panasonic Avionics Corporation, U.S.A.                         |   | Airline AVC equipment   |
| Panasonic Brazil Co., Ltd., Brazil                             | 642   | Manufacture and sales functions   |
| Panasonic AVC Networks Czech, s.r.o., Czech Republic           | 838   | Plasma and LCD TVs  |
| IPS Alpha Technology Europe, s.r.o., Czech Republic            | 408   | LCD modules   |
| Panasonic U.K. Ltd., U.K.                                      | 100   | Sales functions   |
| Panasonic Semiconductor Asia Pte. Ltd., Singapore              | 462   | Semiconductors  |
| Panasonic Refrigeration Devices Singapore Pte. Ltd., Singapore | 724   | Refrigerators   |
| Panasonic Taiwan Co., Ltd., Taiwan                             | 1,473   | Manufacture and sales functions   |

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

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

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

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

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### **BUSINESS OF PEW**

#### **Overview**

Among the six business areas on which Panasonic focuses, as a consolidated subsidiary of Panasonic since April 2004, PEW plays a role in four: energy systems, LED, security and healthcare. Energy systems is one of PEW's flagship businesses. PEW will develop optimally controlling energy management systems for linking devices and appliances to generate, store and save energy. PEW has also developed an AC/DC Hybrid Wiring System, which is a next-generation wiring system that helps reduce CO2 emissions and save energy, that helps reduce energy loss when converting alternating current ( AC ) to direct current ( DC ). PEW also plans to actively market solar cells as key devices for generating energy.

PEW set the overarching goal of becoming the leading global company in Asia, combining comfort and eco-friendliness in 2018, the 100th anniversary of Panasonic's foundation. The new mid-term management plan is built around two growth strategies: thorough cultivation of the Asia, China and India ( AC&I ) markets, and development of new growth businesses based on the key concept of offering comfort and eco-friendliness side by side. PEW plans to invest efficiently in bringing these growth strategies to fruition, which it believes will enhance its corporate value over the medium and long term.

#### **Business Units and Major Products**

PEW's businesses are divided into Electrical Construction Materials Business Unit, Home Appliances Business Unit, Building Products Business Unit, Electronic Materials Business Unit and Automation Controls Business Unit.

#### ***Electrical Construction Materials Business Unit***

In the Electrical Construction Materials business unit, PEW has two subunits, Lighting Products and Information Equipment and Wiring Products.

#### **Lighting Products**

As one of the world's leading manufacturers of lighting fixtures, PEW serves all markets, including the residential, industrial, commercial, and outdoor sectors. In recent years, PEW has also been actively developing businesses offering added value in response to key social trends such as increasing environmental awareness and the desire to create comfortable spaces through ambient lighting. PEW also supplies other lighting fixture manufacturers with ballasts and other lighting devices. PEW's major lighting products include residential lighting, institutional and industrial lighting, commercial lighting, outdoor lighting, lighting devices, automatic doors and LED lighting.

PEW believes that lighting must not only offer outstanding energy-saving performance, but also play a role in creating comfortable spaces through ambience. As PEW sees LED lighting as a cutting-edge, mid-term strategic product that achieves both requirements, it is working to strengthen the products themselves as well as the software technology and other intangible aspects of this business. PEW believes that its extensive lineup of around 1,100 LED lighting products are top level in the industry, and feature energy-saving performance that allows PEW to propose all-LED lighting for homes, buildings and cities. With this growing lineup, PEW aims to expand its lighting fixtures business in Japan, China and the rest of Asia, and its device business in Europe and the U.S. to achieve global sales of 120 billion yen in fiscal 2016. To strengthen products, PEW is enhancing its technologies for controlling light and modulating color, and for luminous-intensity distribution.

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### **Information Equipment and Wiring Products**

The Information Equipment and Wiring Products subunit provides electrical- and information-related equipment for houses and other buildings. Products include electrical equipment, ranging from power distribution equipment to switches and power outlets; energy-conservation management systems; security equipment for preventing crime and disasters; and network wiring systems. PEW's major information equipment and wiring products include wiring devices, electric control equipment, electrical conduits and wiring materials, home amenity and security systems, and security and building automation systems.

PEW is researching and developing an AC/DC Hybrid Wiring System. The AC/DC Hybrid Wiring System allows efficient transfer of DC generated by photovoltaic power systems or fuel cells to residential equipment such as LED lighting and ventilation fans. PEW's next step is to focus on commercializing the core components of the system: AC/DC Hybrid Power Stations, and DC-compliant switches and energy control systems.

PEW also anticipates a growing need for infrastructure to charge electric vehicles (EV) and plug-in hybrid vehicles (PHV) as these vehicles become more prevalent in the future.

### ***Home Appliances Business Unit***

In the Home Appliances business unit, PEW creates products and services in the areas of beauty, health, and comfort in the home appliance field. These products are designed to enhance the minds and bodies of customers around the world, enabling them to lead vibrant lives. PEW's major home appliance products include men's personal-care products, ladies' personal-care products, healthy-life products, comfortable-life products and devices, and electric power tools.

### ***Building Products Business Unit***

In the Building Products business unit, PEW provides a comprehensive range of housing equipment and construction materials to the new housing and remodeling markets. These include water-related products such as modular kitchens and bathrooms, interior and storage products, exterior materials, IH cookers and Eco Cute (heat pump hot water supply systems that use natural refrigerants) water heaters, and electrical equipment such as home elevators and photovoltaic power systems. PEW's major building products include interior furnishing materials, modular kitchen systems, bathrooms and fixtures, exterior finishing materials, photovoltaic power systems, composite structural materials and home elevators.

In fiscal 2010, housing starts in Japan slumped to slightly below 800,000 units due to the sharp economic downturn resulting from the global recession. In fiscal 2011, PEW expects its business environment to remain difficult mainly due to waning consumer sentiment brought about by concerns for the future and a weak job market. Based on this presumption, PEW will take steps to further improve the structure of its operations, while targeting growth in the remodeling market in Japan and in the interior finishing business in China.

### ***Electronic Materials Business Unit***

In the Electronic Materials business unit, PEW has a slogan "Partnering to go beyond." In line with this slogan, the unit supplies electronic materials on a global basis that support the functionality and reliability of electronic devices for creating comfortable living environments. Applications include digital home appliances, mobile phones, communications network equipment, personal computers and automobiles. PEW's major electronic materials include semiconductor encapsulation materials, plastic molding compounds, precision molded plastic products, circuit board materials, mass lamination boards, flexible printed circuit board materials, advanced films and catering and medical care equipment. One example is *ECOOL*, high thermal conductive glass composite circuit board materials, which PEW developed as a solution for the major design challenge for electrical circuit boards of LEDs because they generate a large amount of heat that must be dissipated.

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### ***Automation Controls Business Unit***

In the Automation Controls business unit, based on its business slogan of finer control for better living, PEW supplies automation control devices and components that help downsize finished products such as automation control components, Factory Automation ( FA ) equipment and automotive devices, while also offering greater labor saving and enhanced reliability. To deliver sophisticated and high-quality products, this business unit is honing its proprietary manufacturing capabilities. Moreover, the basic goal of this business is to create greater value via cooperation with cutting-edge manufacturers from around the world. PEW's major automation control products include relays, switches, sensors, connectors, factory automation equipment and automotive devices. One example is Aicure UD80 series LED line-type UV curing system with a maximum output of 4,000 mW/cm<sup>2</sup>, an energy-saving product which slashes energy consumption to 1/5 compared with conventional lamp-type models, thanks to LED heat-dissipation process technology.

### **Global Operations**

As of March 31, 2010, PEW was active in 36 countries and regions worldwide, conducting operations through 87 companies with a total of 158 business sites. With this framework, PEW supplies customers in more than 100 countries with a wide range of products. In fiscal 2010, PEW posted overseas sales of 239.2 billion yen, accounting for 16.4% of consolidated net sales. PEW's overseas workforce totaled 24,961 employees as of March 31, 2010.

Expanding global operations is a company-wide growth strategy. As such, PEW will maintain its efforts to expand overseas. AC&I are particularly important areas as PEW targets business expansion in growth sectors including the high-volume segment.

To meet increasingly global customer needs, PEW's B2B-focused lighting devices, Electronic Materials, and Automation Controls businesses are building vendor-managed inventory ( VMI ) and just-in-time ( JIT ) systems based on production at optimal locations, while bolstering seamless marketing activities worldwide. Meanwhile, PEW is targeting further growth by supplying high-value-added products for the expected growth markets of energy-conservation and environmental solutions, and by supplying highly reliable devices in the AC&I and other markets where demand continues to grow for vehicles, mobile phones, digital home appliances and other products.

In PEW's consumer goods-centered Electrical Construction Materials, Home Appliances and Building Products businesses, PEW is strengthening locally based product planning and development efforts as it targets the rapidly expanding high-volume segment in the key AC&I market. In fiscal 2010, for example, PEW made a concerted effort to create products tailored to local needs by improving and expanding design bases in China and conducting lifestyle research in the Chinese and Indian markets.

### **Research and Development and Intellectual Property**

With the aim of providing living spaces that are comfortable as well as eco-friendly, PEW is engaged in research and development ( R&D ) of comfort technologies such as lighting and air-conditioning control, security and safety, and beauty and health, as well as environmentally-friendly technologies that help conserve energy and resources. To this end, PEW is strengthening R&D in a number of priority areas to build up technologies. In particular, these key areas are facility networking technology for the linking and control of equipment connected through a network; microfabrication process technology and highly functional materials technology for creating advanced devices that underpin increased product functionality and performance; and vital sensing and bioactivation technologies for increasing individual comfort.

Furthermore, R&D at PEW extends beyond individual products to encompass everything from materials and devices to systems that link products. This expansive approach to R&D contributes in various ways to the goal of creating comfortable lifestyles that are also eco-friendly.

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Also, PEW is enhancing and accelerating R&D by actively working with Panasonic Group companies, universities, research organizations, and companies worldwide that have cutting-edge technologies, and by leveraging its overseas operating sites.

R&D expenses in fiscal 2010 were 56.0 billion yen, down 7.6% year on year, and accounted for 3.8% of net sales. PEW intends to maintain R&D expenses at approximately 4% of net sales, focusing investment on achieving the important goal of creating comfortable lifestyles that are also eco-friendly.

PEW's R&D division, business units and intellectual property department work as one to boost business competitiveness by protecting the results of R&D activities as high-quality intellectual property. Specifically, the groups analyze the ability of each business unit to create intellectual property through its patent portfolios and in other ways, and hold regular coordination meetings to share the information. PEW is implementing these strategic intellectual property activities with an eye to the competition.

PEW is committed to hastening the development of businesses for the future in priority technology fields represented by comfortable lifestyles and eco-friendliness, as well as in new product and business fields. To this end, PEW is collaborating with universities to build a solid wall of intellectual property around these fields, as well as using methods of invention and discovery to promote strategic intellectual property activities. PEW has also taken steps to improve its registration rate for patents while respecting rights belonging to other companies by introducing a new survey tool that enables users to coordinate with engineers and conduct better surveys of the latest technologies. This has also increased the efficiency of its intellectual property activities and the quality of its intellectual property assets. As a result of these activities, PEW acquired 1,552 patents and utility model rights in Japan in fiscal 2010.

Meanwhile, PEW is also strengthening its global intellectual property activities, actively acquiring patent rights with a view to expanding business not only in Europe and the U.S., but also in Southeast Asia and China. In 2009, PEW made 235 international patent filings under the Patent Cooperation Treaty (PCT), ranking it 65th in the world. PEW is also collaborating with local affiliated companies in activities to discover inventions locally, and to set up intellectual property management frameworks to suit the situation in each country. Moreover, PEW is taking steps to reduce intellectual property risks in each region.

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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.

On July 29, 2010, Panasonic, PEW and SANYO announced that they resolved, at their respective board of directors meetings held on the same day, to pursue a plan of Panasonic's acquisition of all shares of PEW and SANYO in order to make them wholly-owned subsidiaries of Panasonic by around April 2011 by way of tender offers and, thereafter, share exchanges. Subsequently, on October 6, 2010, Panasonic completed the tender offers for shares of SANYO (at a price of ¥138 per share) and shares of PEW (at a price of ¥1,110 per share), and as a result increased its ownership percentage of SANYO to approximately 81% of SANYO's voting rights and its ownership percentage of PEW to approximately 84% of PEW's voting rights. The aggregate purchase price of these tender offers was ¥525.2 billion. The Panasonic Group will further combine the strengths of the three companies through the acquisitions, and aim to accomplish the three-year midterm management plan called the Green Transformation 2012 (GT12), and further accelerate its efforts toward becoming the No. 1 Green Innovation Company in the Electronics Industry, presented as the vision of the 100th anniversary of its foundation.

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. For the six months ended September 30, 2010, Panasonic achieved an improvement in cash reserves through its enhanced cash flow management project. As a result, free cash flow for the six months ended September 30, 2010 improved by 19 billion yen compared with the same period of last fiscal year.

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### *Economic environment*

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. For the six months ended September 30, 2010, the Japanese economy continued to recover, due in part to the government's eco-point system, and an extremely hot summer.

As for the overseas economy, 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. For the six months ended September 30, 2010, the global economy continued to recover gradually due mainly to economic stimulus government programs, despite uncertain economic conditions in developed countries.

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

Foreign currency exchange rates fluctuated during the three-year period ended March 31, 2010 and the six-month period ended September 30, 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, a trend that became even more pronounced in the six months ended September 30, 2010. 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 and the six months ended September 30, 2009 and 2010, reflecting the aforementioned external and internal conditions, can be summarized as follows:

For the six months ended September 30, 2010, net sales increased 31% to 4,368 billion yen, compared with 3,333 billion yen in the same period of fiscal 2010 (a year ago). Although overall sales had a significant negative impact as a result of appreciation of the yen, all main products, excluding mobile phones, recorded sales increases compared with the same period last year. Also, sales increased in all regions led by continued double-digit growth in emerging countries, despite a severe business environment due to continuous appreciation of the yen. Pre-tax income totaled 145 billion yen, improving from a pre-tax loss of 26 billion yen. Net income attributable to Panasonic Corporation turned to an income of 75 billion yen from a loss of 47 billion yen, due mainly to aforementioned sales increase.

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

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fixed costs. Regarding other income (deductions), Panasonic incurred expenses of 220 billion yen including business restructuring expense such as the implementation of early retirement programs. These factors resulted in a pre-tax loss of 29 billion yen, improved from a pre-tax loss of 383 billion yen in fiscal 2009. Accordingly, net income attributable to Panasonic Corporation was a loss of 103 billion yen, improved from a loss of 379 billion yen a year ago.

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

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

*Key performance indicators*

The following are performance measures that Panasonic believes are key indicators of its business results for the last three fiscal years and the six months ended September 30, 2009 and 2010.

|   | Yen (billions) (%)          |         |       |                                |        |  |
|---|-----------------------------|---------|-------|--------------------------------|--------|--|
|   | Fiscal year ended March 31, |         |       | Six months ended September 30, |        |  |
|   | 2010                        | 2009    | 2008  | 2010                           | 2009   |  |
| Net sales   | 7,418                       | 7,766   | 9,069 | 4,368                          | 3,333  |  |
| Income (loss) before income taxes to net sales ratio                  | (0.4)%                      | (4.9)%  | 4.8%  | 3.3%                           | (0.8)% |  |
| Research and development costs to net sales ratio                     | 6.4%                        | 6.7%    | 6.1%  | 6.1%                           | 7.1%   |  |
| Total assets  | 8,358                       | 6,403   | 7,444 | 8,964                          | 6,809  |  |
| Total Panasonic Corporation shareholders equity                       | 2,792                       | 2,784   | 3,742 | 2,652                          | 2,701  |  |
| Total Panasonic Corporation shareholders equity to total assets ratio | 33.4%                       | 43.5%   | 50.3% | 29.6%                          | 39.7%  |  |
| Return on equity  | (3.7)%                      | (11.8)% | 7.4%  | 2.7%                           | (1.7)% |  |
| Capital investment  | 385                         | 494     | 449   | 201                            | 204    |  |
| Free cash flow  | 199                         | (353)   | 405   | 155                            | 136    |  |

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

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of 2,450 billion yen, the total assets in December 2009 increased by 2,046 billion yen. For the six months ended September 30, 2010, Panasonic improved free cash flow by 19 billion yen compared with the same period of last fiscal year. This was attributable primarily to increase in net income.

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

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

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

|   | Yen (billions)              |            |            |                             |            |
|---|-----------------------------|------------|------------|-----------------------------|------------|
|   | Fiscal year ended March 31, |            |            | Six months                  |            |
|   | 2010                        | 2009       | 2008       | ended September 30,<br>2010 | 2009       |
| Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows | 376                         | 522        | 419        | 201                         | 203        |
| Effects of timing difference between acquisition dates and payment dates  | 9                           | (28)       | 30         | 0                           | 1          |
| <b>Capital investment</b>   | <b>385</b>                  | <b>494</b> | <b>449</b> | <b>201</b>                  | <b>204</b> |

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.

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

|   | Yen (billions)              |       |      |                                |      |
|---|-----------------------------|-------|------|--------------------------------|------|
|   | Fiscal year ended March 31, |       |      | Six months ended September 30, |      |
|   | 2010                        | 2009  | 2008 | 2010                           | 2009 |
| Net cash provided by operating activities | 522                         | 117   | 466  | 247                            | 156  |
| Net cash used in investing activities     | (323)                       | (470) | (61) | (92)                           | (20) |
| Free cash flow                            | 199                         | (353) | 405  | 155                            | 136  |

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

Six Months ended September 30, 2010 compared with Six Months ended September 30, 2009

**(1) Sales**

Consolidated Group sales for six months ended September 30, 2010 increased 31% to 4,368 billion yen, compared with 3,333 billion yen in the same period of fiscal 2010. The operating results of SANYO and its subsidiaries after January 2010 are included in Panasonic's consolidated financial statements which contributed to a significant portion of the sales increase. In addition, although overall sales had a significant negative impact as a result of appreciation of the yen, all main products, excluding mobile phones, recorded sales increases compared with the same period last year. Also, sales increased in all regions led by continued double-digit growth in emerging countries, despite a severe business environment due to continuous appreciation of the yen.

Panasonic group launched a new midterm management plan called "Green Transformation 2012" (GT12) in the beginning of fiscal 2011. In GT12, Panasonic aims to integrate environmental protection and business growth, and to become a Panasonic Group filled with significant growth potential in fiscal 2013.

Panasonic resolved, at the Board of Directors meeting held in July 2010, to pursue a plan to make PEW and SANYO wholly-owned subsidiaries of Panasonic by around April 2011. Panasonic is in the process of finalizing growth strategies and reorganizing business structure in order to maximize synergy for the entire Panasonic Group. Panasonic will accelerate this process in order to achieve its GT12 targets.

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

For six months ended September 30, 2010, cost of sales amounted to 3,200 billion yen, up from the same period of previous year, and selling, general and administrative expenses amounted to 999 billion yen, up from the same period of previous year. These results are due mainly to the effects of sales increase.

**(3) Interest Income, Dividends Received and Other Income**

Interest income decreased 5% to 6 billion yen due mainly to decrease in invested funds, and dividends received decreased 15% to 3 billion yen and other income increased 82% to 30 billion yen due mainly to the consolidation of SANYO and foreign exchange gains. In other income, Panasonic recorded foreign exchange gains of 7 billion yen, compared with foreign exchange losses (included in other deductions) of 5 billion yen for the same period of previous year.

**(4) Interest Expense and Other Deductions**

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Interest expense increased 24% to 14 billion yen due mainly to the consolidation of SANYO and other deductions decreased 30% to 50 billion yen. In other deductions, Panasonic recorded expenses associated with impairment losses of fixed assets, expenses associated with the implementation of early retirement program and write-down of investment securities.

### (5) Income before Income Taxes

As a result of the above-mentioned factors, income before income taxes for six months ended September 30, 2010 amounted to an income of 145 billion yen, compared with a loss of 26 billion yen.

**Table of Contents****(6) Provision for Income Taxes**

Provision for income taxes amounted to 64 billion yen, due to the improvement of income before income taxes.

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

Equity in earnings of associated companies increased to gains of 4 billion yen due to profitability of certain equity method investees, from the previous year's loss of 2 billion yen. This result was due mainly to SANYO associated companies being newly added to Panasonic Group, and favorable earnings in the associated companies.

**(8) Net Income (Loss)**

Net income amounted to 84 billion yen, compared with a net loss of 51 billion yen.

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

Net income attributable to noncontrolling interests amounted to 9 billion yen, compared with net loss attributable to noncontrolling interests of 4 billion yen. This result was due mainly to improved results in PEW.

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

As a result of all the factors stated in the preceding paragraphs, the Company recorded a net income attributable to Panasonic Corporation of 75 billion yen, improved from the previous six-month period's net loss attributable to Panasonic Corporation of 47 billion yen.

**(11) Results of Operations by Business Segment**

Results of operations by business segment for six months ended September 30, 2010, as compared with the previous six-month period, were as follows:

|                               | <b>Yen (billions)</b>                          |              | <b>Percent change</b> |
|-------------------------------|--|--------------|-----------------------|
|                               | <b>Six months ended<br/>September 30, 2010</b> |              |                       |
|                               | <b>2010</b>                                    | <b>2009</b>  |                       |
| <b>Sales:</b>                 |  |              |                       |
| Digital AVC Networks          | 1,658  | 1,604        | 3%                    |
| Home Appliances               | 637  | 595          | 7                     |
| PEW and PanaHome              | 834  | 774          | 8                     |
| Components and Devices        | 481  | 457          | 5                     |
| SANYO                         | 830  |              |                       |
| Other                         | 560  | 446          | 26                    |
| Eliminations                  | (632)  | (543)        |                       |
| <b>Total</b>                  | <b>4,368</b>                                   | <b>3,333</b> | <b>31%</b>            |
| <b>Segment profit (loss):</b> |  |              |                       |
| Digital AVC Networks          | 61   | 13           | 381%                  |
| Home Appliances               | 49   | 27           | 84                    |
| PEW and PanaHome              | 31   | 4            | 639                   |

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|                            |      |      |      |
|----------------------------|------|------|------|
| Components and Devices     | 26   | 4    | 602  |
| SANYO                      | 6    |      |      |
| Other                      | 23   | 2    | 978  |
| Corporate and eliminations | (27) | (21) |      |
| Total                      | 169  | 29   | 486% |

\* 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.



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Sales in Digital AVC Networks increased 3% to 1,658 billion yen, from 1,604 billion yen. Despite a decline in sales of mobile phones and digital cameras, this result was due mainly to favorable sales of flat-panel TVs, automotive electronics and Blu-ray Disc recorders.

With respect to this segment, segment profit improved 381% to 61 billion yen from 13 billion yen, mainly as a result of fixed cost reduction and comprehensive streamlining efforts.

Sales in Home Appliances increased 7% to 637 billion yen, compared with 595 billion yen, due mainly to favorable sales of air conditioners and compressors.

With respect to this segment, segment profit increased 84% to 49 billion yen from 27 billion yen, due mainly to strong sales.

Sales in PEW and PanaHome increased 8% to 834 billion yen, from 774 billion yen. Regarding PEW and its subsidiaries, sales increased mainly in devices such as electrical construction materials and automation controls, and in home appliances such as personal-care products and health enhancing products. For PanaHome Corporation and its subsidiaries, the recovery in Japanese housing market conditions and stable sales of housing construction led to the increase of overall sales.

With respect to this segment, segment profit improved to 31 billion yen from 4 billion yen, due mainly to strong sales.

Sales in Components and Devices increased 5% to 481 billion yen, compared with 457 billion yen a year ago, due mainly to a strong sales of general electronic components and favorable sales of batteries and semiconductors.

With respect to this segment, segment profit improved to 26 billion yen from 4 billion yen a year ago. This was due mainly to sales recovery and comprehensive streamlining efforts.

Sales in SANYO segment totaled 830 billion yen. Sales of solar cells and car-related equipment such as car navigation systems were strong because of economic stimulus programs in several countries, as well as favorable sales of electronic components by continuing increase in demand for PCs.

With respect to this segment, segment profit resulted in 6 billion yen, even after incurring the expenses such as the amortization of intangible assets recorded at acquisition.

Sales in the Other segment significantly increased 26% to 560 billion yen from 446 billion yen, due mainly to strong sales in factory automation equipment.

With respect to this segment, segment profit also improved to 23 billion yen from 2 billion yen.

**(12) Sales Results by Region**

Sales results by region for six months ended September 30, 2010, as compared with the previous fiscal year, were as follows:

|                         | Yen (billions)                         |       | Percent change |
|-------------------------|--|-------|----------------|
|                         | Six months ended<br>September 30, 2010 |       |                |
|                         | 2010                                   | 2009  |                |
| Domestic Sales:         | 2,190                                  | 1,776 | 23%            |
| Overseas Sales:         |  |       |                |
| North and South America | 553                                    | 425   | 30             |
| Europe                  | 428                                    | 353   | 21             |
| Asia and Others         | 1,197                                  | 779   | 54             |
| Total                   | 2,178                                  | 1,557 | 40             |

|       |       |       |     |
|-------|-------|-------|-----|
| Total | 4,368 | 3,333 | 31% |
|-------|-------|-------|-----|

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The operating results of SANYO and its subsidiaries after January 2010 are included in Panasonic's consolidated financial statements which contributed to a significant portion of the regional sales increases. Sales in the domestic market amounted to 2,190 billion yen, up 23% from 1,776 billion yen. Sales in the Japanese consumer products achieved record high in the second quarter, following the first quarter, thanks to the eco-point system, the Japanese government's economic stimulus program, and an extremely hot summer.

Overseas sales amounted to 2,178 billion yen, up 40% from 1,557 billion yen. Sales increased in all regions.

By region, sales in the Americas amounted to 553 billion, up 30% from 425 billion yen for the six months ended September 30, 2010. This was due mainly to sales increase in automotive electronics and general electronic components, despite the effect of exchange rate and sales decrease in AV products including flat-panel TVs.

Sales in Europe amounted to 428 billion yen, up 21% from the previous year's 353 billion yen. This was due mainly to a sales increase of flat-panel TVs, home appliances, and general electronic components, automotive electronics and home appliances, although sales decrease in digital cameras.

In the Asia and Others region, sales increased 54% to 1,197 billion yen, from the previous year's 779 billion yen. Especially, sales in China increased by 67% from last year due to strong sales in PEW's products and FA equipment. Sales increase in air conditioners and compressors also contributed to sales growth.

### 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.

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(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

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Results of operations by business segment for fiscal 2010, as compared with the previous fiscal year, were as follows:

|                               | Yen (billions)<br>Fiscal year ended<br>March 31, |              | Percent<br>change |
|-------------------------------|--|--------------|-------------------|
|                               | 2010   | 2009         |                   |
| <b>Sales:</b>                 |  |              |                   |
| Digital AVC Networks          | 3,410  | 3,749        | (9)%              |
| Home Appliances               | 1,204  | 1,290        | (7)               |
| PEW and PanaHome              | 1,632  | 1,766        | (8)               |
| Components and Devices        | 931  | 1,045        | (11)              |
| SANYO                         | 405  |              |                   |
| Other                         | 1,012  | 1,072        | (6)               |
| Eliminations                  | (1,176)  | (1,156)      |                   |
| <b>Total</b>                  | <b>7,418</b>                                     | <b>7,766</b> | <b>(4)%</b>       |
| <b>Segment profit (loss):</b> |  |              |                   |
| Digital AVC Networks          | 87   | 3            | 2648%             |
| Home Appliances               | 66   | 47           | 41                |
| PEW and PanaHome              | 35   | 40           | (13)              |
| Components and Devices        | 37   | 9            | 292               |
| SANYO                         | (1)  |              |                   |
| Other                         | 20   | 24           | (18)              |
| Corporate and eliminations    | (54)   | (50)         |                   |
| <b>Total</b>                  | <b>190</b>                                       | <b>73</b>    | <b>161%</b>       |

\* 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.

\* Panasonic restructured the motor business on April 1, 2010. Accordingly, the prior figures for Home Appliances, and Components and Devices in fiscal 2010 and 2009 are reclassified to conform to the presentation for fiscal 2011.

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 1,204 billion yen, compared with 1,290 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 41% from 47 billion yen in fiscal 2009, to 66 billion yen for fiscal 2010, or 5.5% 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 931 billion yen, from the previous year's 1,045 billion yen, due mainly to sales downturns in batteries and semiconductors.

With respect to this segment, profit increased 292% from 9 billion yen in fiscal 2009, to 37 billion yen for fiscal 2010, or 3.9% 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)    |              | Percent change |
|-------------------------|-------------------|--------------|----------------|
|                         | Fiscal year ended |              |                |
|                         | March 31,         |              |                |
|                         | 2010              | 2009         |                |
| 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)            |
| <b>Total</b>            | <b>7,418</b>      | <b>7,766</b> | <b>(4)%</b>    |

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<sub>2</sub> 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.



**Table of Contents****(6) Provision for Income Taxes**

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

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

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

**(8) Net Income (Loss)**

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

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

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

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

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

**(11) Results of Operations by Business Segment**

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

|                        | Yen (billions)                 |              | Percent<br>change |
|------------------------|--------------------------------|--------------|-------------------|
|                        | Fiscal year ended<br>March 31, |              |                   |
|                        | 2009                           | 2008         |                   |
| Sales:                 |                                |              |                   |
| Digital AVC Networks   | 3,749                          | 4,320        | (13)%             |
| Home Appliances        | 1,290                          | 1,405        | (8)               |
| PEW and PanaHome       | 1,766                          | 1,910        | (8)               |
| Components and Devices | 1,045                          | 1,289        | (19)              |
| Other                  | 1,072                          | 1,084        | (1)               |
| JVC                    |                                | 183          |                   |
| Eliminations           | (1,156)                        | (1,122)      |                   |
| <b>Total</b>           | <b>7,766</b>                   | <b>9,069</b> | <b>(14)%</b>      |

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|                            |      |      |       |
|----------------------------|------|------|-------|
| Segment profit:            |      |      |       |
| Digital AVC Networks       | 3    | 252  | (99)% |
| Home Appliances            | 47   | 92   | (49)  |
| PEW and PanaHome           | 40   | 96   | (58)  |
| Components and Devices     | 9    | 99   | (91)  |
| Other                      | 24   | 64   | (63)  |
| JVC                        |      | (10) |       |
| Corporate and eliminations | (50) | (74) |       |
| Total                      | 73   | 519  | (86)% |

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- \* Panasonic has changed the transactions related to Global Procurement Service Company since April 1, 2008. Accordingly, segment information for Other and Corporate and eliminations for fiscal 2008 have been reclassified to conform to the presentation for fiscal 2009.
- \* The name of AVC Networks was changed to Digital AVC Networks from fiscal 2009.
- \* The name of MEW and PanaHome was changed to PEW and PanaHome as of October 1, 2008.
- \* Panasonic restructured the motor business on April 1, 2010. Accordingly, the prior figures for Home Appliances, and Components and Devices in fiscal 2009 and 2008 are reclassified to conform to the presentation for fiscal 2011.

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 8% to 1,290 billion yen, compared with 1,405 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 49% from 92 billion yen in fiscal 2008, to 47 billion yen for fiscal 2009, or 3.6% 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 1,045 billion yen, from the previous year's 1,289 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 91% from 99 billion yen in fiscal 2008, to 9 billion yen for fiscal 2009, or 0.9% 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 change |
|-------------------------|----------------|--------------|----------------|
|                         | 2009           | 2008         |                |
| 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)           |
| <b>Total</b>            | <b>7,766</b>   | <b>9,069</b> | <b>(14)%</b>   |

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

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

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

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

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

**Table of Contents****Liquidity and Capital Resources***Panasonic's Policy on Financial Position and Liquidity*

Panasonic maintains a basic policy of financing all required funds from internal sources. It also practices efficient fund management through internal financing activities. In addition to raising funds through borrowing as necessary, Panasonic in May 2009 expanded its commercial paper (CP) facility in Japan to 300 billion yen as a method for flexibly raising short-term capital for working capital and other requirements. There was no CP outstanding at March 31, 2010. As of September 30, 2010, there were 825 billion yen of CP outstanding to cover the acquisition cost of PEW and SANYO. The ratio of shareholders' equity to total assets as of September 30, 2010 was 29.6%, down from 33.4% as of March 31, 2010. 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 2,064 billion yen as of September 30, 2010, up by 736 billion yen from March 31, 2010 due to 825 billion yen of short-term bonds issuance. 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 1,970 billion yen (the total of cash and cash equivalents of 1,868 billion yen plus time deposits with a maturity of more than three months of 102 billion yen) as of September 30, 2010, compared with at the end of fiscal 2010, 1,202 billion yen (the total of cash and cash equivalents of 1,110 billion yen plus time deposits of 92 billion yen) as of March 31, 2010. 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 Japan (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 December 31, 2010, Panasonic's debt ratings are: Moody's: A1 (long-term) down from Aa3 in October 2010 (this downgrade in credit ratings was due mainly to the expectation of a negative influence on the financial position of Panasonic resulting from its acquisition of all shares of PEW and SANYO); S&P: A+ (long-term, outlook: stable) down from AA- in December 2009, A-1 (short-term) down from A-1+ in December 2009; and R&I: AA (long-term, outlook: stable) down from AA+ in January 2010, a-1+ (short-term).

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 September 30, 2010, the outstanding balance of short-term borrowings totaled 1,114 billion yen, and long-term debt was 950 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.

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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.

*Financial Position and Liquidity as of and for the Six Months ended September 30, 2010*

Panasonic's consolidated total assets as of the end of September, 2010 increased to 8,964 billion yen compared with 8,358 billion yen as of March 31, 2010. This increase was due primarily to an increase in cash and cash equivalents by issuing short-term bonds, despite decreases in investments and advances affected by decline of the market value in investments.

Panasonic's consolidated total liabilities as of September 30, 2010 increased to 5,426 billion yen compared with 4,678 billion yen as of March 31, 2010. This increase was due primarily to an increase in short-term debt.

Panasonic Corporation shareholders' equity as of September 30, 2010 decreased to 2,652 billion yen compared with 2,792 billion yen as of March 31, 2010. This decrease was due mainly to deterioration in accumulated other comprehensive income (loss) influenced by appreciation of the yen and decline of market value in investments, and decrease in capital surplus accompanied by the acquisition of noncontrolling interests of the company's subsidiaries.

Noncontrolling interests amounted 886 billion yen, mostly unchanged from 887 billion yen as of March 31, 2010.

|   | <b>Yen (billions)</b>   |             |
|---|-------------------------|-------------|
|   | <b>Six months ended</b> |             |
|   | <b>September 30,</b>    |             |
|   | <b>2010</b>             | <b>2009</b> |
| Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows | 201                     | 203         |
| Effects of timing difference between acquisition dates and payment dates  | 0                       | 1           |
| <b>Capital investment</b>   | <b>201</b>              | <b>204</b>  |

Capital investment (excluding intangibles) during fiscal 2011 first six months totaled 201 billion yen, down 1% from the previous six-months ended total of 204 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 2011 first six months amounted to 138 billion yen, up 21% compared with 114 billion yen in the previous fiscal year first six months.

Net cash provided by operating activities in the fiscal 2011 first six months totaled 247 billion yen, an increase of 91 billion yen from the same period a year ago. This was due primarily to an increase of net income. Net cash used in investing activities in the fiscal 2011 first six months amounted to 92 billion yen an increase of 72 billion yen the same period a year ago. This difference from a year ago was due primarily to a significant decrease in time deposits in last fiscal year. Net cash provided by financing activities in the fiscal 2011 first six months amounted to 654 billion yen, an increase of 281 billion yen from the same period a year ago. This was due mainly to an increase of short-term bonds issued by Panasonic and certain overseas subsidiaries, offsetting a decrease in long-term debt. All these activities associated with the effect of exchange rate fluctuations resulted in cash and cash equivalents of 1,868 billion yen as of September 30, 2010, up 409 billion yen, compared with the same period a year ago.



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Free cash flow in fiscal 2011 first six months amounted to a cash inflow of 155 billion yen, compared with a cash inflow of 136 billion yen in fiscal 2010 first six months. This result was due mainly to operational improvement, as well as a decrease in 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.

*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,<br>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)       |
| <b>Capital investment</b>   | <b>385</b>                          | <b>494</b> |

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.

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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 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. For the six months ended September 30, 2010 and 2009, R&D Expenditures amounted to 266 billion yen and 236 billion yen, representing 6.1% and 7.1% 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\*<sup>1</sup> of conventional phosphors.

As a result, Panasonic refined the world's first\*<sup>2</sup> 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%\*<sup>3</sup> 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

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people, as well as detects the position of walls to cap operation; and an insulation 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.

(3) The Industry's First 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 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 business environment surrounding the Panasonic Group has continued to change dramatically and rapidly. While business expansion opportunities have been provided by the expanding environment- and energy-related markets and rapidly growing emerging markets, competition with Korean, Taiwanese and Chinese companies as well as Japanese, U.S. and European companies has intensified not only in the Digital AVC Networks field, but also in the fields of rechargeable batteries, solar cells and electric vehicles-related business. Speeding up strategy execution and taking further advantage of the total strengths of the Panasonic Group are indispensable in order to effectively compete against the competition and to achieve business growth in new markets.

Through ownership of all of the shares of the subsidiaries, Panasonic intends to dynamically accelerate, and to achieve further progress under, GT12 by promoting rapid decision making and maximizing group synergies. Panasonic, PEW and SANYO will 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.

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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 will reorganize its marketing function on a global basis. Under the reorganization, the Panasonic Group will enhance the function of its frontline business and accelerate the creation of customer-oriented products. Also, the Panasonic Group will 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 will strengthen the 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 will 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 will 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 will 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 will 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.

The details of the reorganization will be announced as soon as they are determined.

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

Panasonic believes that the acquisitions and business reorganization 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 indicated in the GT12 as 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 the head office organization.

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Through these measures, Panasonic aims to ensure the achievement of the targets of the midterm management plan, GT12, which Panasonic announced on May 7, 2010: 10 trillion yen in sales, 5 percent or more in operating profit to sales ratio, 10 percent in ROE, a three-year accumulative total of over 800 billion yen in free cash flow, and 50 million ton reduction in CO2 emissions compared to the estimated amount of emissions, assuming no action was taken after the fiscal year ended March 2006 targeted for the fiscal year ending March 2013, and further aims to exceed these targets.

**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)   |                        |                |                |                  |
|---|------------------|------------------------|----------------|----------------|------------------|
|   | Total            | Payments Due by Period |                |                |                  |
|   |                  | Less than<br>1 year    | 1-3 years      | 3-5 years      | After<br>5 years |
| <b>Contractual Obligations:</b>           |                  |                        |                |                |                  |
| 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                 |                |                |                  |
| <b>Total Contractual Cash Obligations</b> | <b>1,769,039</b> | <b>502,511</b>         | <b>558,118</b> | <b>440,409</b> | <b>268,001</b>   |

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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|                                      | <b>Yen (millions)<br/>Total Amounts<br/>Committed</b> |
|--------------------------------------|---|
| <b>Other Commercial Commitments:</b> |   |
| Guarantees                           | 38,480  |
| <b>Total Commercial Commitments</b>  | <b>38,480</b>   |

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.)

Panasonic issued 824,731 million yen of short-term bonds during the six months ended September 30, 2010, which are included in short-term debt in the consolidated balance sheets as of September 30, 2010. Interest obligation for the short-term bonds, which mature in less than one year, amounts to 321 million yen.

**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

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health of and specific prospects for the issuer. Because such specific information may become available after Panasonic makes the impairment evaluation, and whether the impairment is other-than-temporary depends upon future events that may or may not occur, Panasonic may be required to recognize an other-than-temporary impairment in the future. Determination of whether a decline in value is other-than-temporary requires judgment. At March 31, 2010, Panasonic has recorded 384 billion yen of available-for-sale securities, 2 billion yen of held-to-maturity securities, 22 billion yen of cost method securities, 50 billion yen of equity method securities that have market values, and 179 billion yen of equity method securities that do not have market values, advances and others. These investments could be determined to be other-than-temporarily impaired, depending on changes to the current facts and assumptions. In fiscal 2010, Panasonic recorded 7 billion yen impairment losses on investment securities. Panasonic recorded 26 billion yen impairment losses on investment securities for the six months ended September 30, 2010.

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.)

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### *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



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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.

*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 on 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. ASU 2009-16 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.

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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. 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 |
| <b>Forward:</b>                    |                 |            |                 |            |
| 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         |                 |            |
| <b><u>Commodity Price Risk</u></b> |                 |            |                 |            |

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 |
| <b>Commodity futures:</b>        |                 |            |                 |            |
| To sell commodity                | 40,194          | (4,576)    | 48,858          | 13,955     |
| To buy commodity                 | 113,682         | 12,561     | 168,527         | (57,720)   |
| <b><u>Interest Rate Risk</u></b> |                 |            |                 |            |

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<br>interest<br>rate | Yen (millions)   |                |                |               |                |               |                | There-<br>after  | Fair value |
|--|-----------------------------|--|----------------|----------------|---------------|----------------|---------------|----------------|------------------|------------|
|  |                             | Carrying amount and maturity date (as of March 31, 2010) |                |                |               |                |               |                |                  |            |
|  |                             | Total  | 2011           | 2012           | 2013          | 2014           | 2015          |                |                  |            |
| Unsecured Straight bonds                           | 1.5%                        | 500,000  |                | 200,000        |               | 200,000        |               | 100,000        | 514,400          |            |
| Unsecured Straight bonds<br>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<br>subsidiaries              | 2.0%                        | 4,558  | 649            | 325            | 171           | 1,475          | 182           | 1,756          | 4,558            |            |
| <b>Total</b>                                       |                             | <b>1,091,282</b>   | <b>166,953</b> | <b>340,501</b> | <b>49,509</b> | <b>272,247</b> | <b>89,631</b> | <b>172,441</b> | <b>1,105,278</b> |            |

|  | Average<br>interest<br>rate | Yen (millions)   |              |              |                |              |                |                | There-<br>after | Fair value |
|--|-----------------------------|--|--------------|--------------|----------------|--------------|----------------|----------------|-----------------|------------|
|  |                             | Carrying amount and maturity date (as of March 31, 2009) |              |              |                |              |                |                |                 |            |
|  |                             | Total  | 2010         | 2011         | 2012           | 2013         | 2014           |                |                 |            |
| Unsecured Straight bonds                           | 1.5%                        | 500,000  |              |              | 200,000        |              | 200,000        | 100,000        | 500,791         |            |
| Unsecured Straight bonds<br>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<br>subsidiaries              | 2.5%                        | 3,136  | 29           | 344          | 197            | 187          | 193            | 2,186          | 3,136           |            |
| <b>Total</b>                                       |                             | <b>585,322</b>   | <b>7,475</b> | <b>7,875</b> | <b>205,907</b> | <b>1,534</b> | <b>220,352</b> | <b>142,179</b> | <b>586,171</b>  |            |

**Table of Contents****DIRECTORS AND MANAGEMENT OF PANASONIC AFTER THE SHARE EXCHANGE**

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

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

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

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

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**Name Position and responsibilities in Panasonic, and brief personal records**

**(Date of birth)**

Yasuo Yoshino

Corporate Auditor

-Jul. 2001 Chairman, Sumitomo Life Insurance Company;

(Oct. 5, 1939)

-Jun. 2003 Corporate Auditor of Panasonic;

-Jul. 2007 Advisory of Sumitomo Life Insurance Company.

Ikuo Hata

Corporate Auditor

-Sep. 1995 Registered as Attorney at law (member of Osaka Bar Association);

(Aug. 6, 1931)

-Jul. 2001 Member of Supreme Court's Building-Related Litigation Commission;

-Jun. 2004 Corporate Auditor of Panasonic.

Hiroyuki Takahashi

Corporate Auditor

-Oct. 2000 Executive Managing Director and Secretary-General, Japan Corporate Auditors Association;

(Mar. 1, 1937)

-Jun. 2006 Corporate Auditor of Panasonic.

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

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

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

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

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

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

**Compensation**

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

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



**Table of Contents****Share Ownership**

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

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

**Table of Contents****MAJOR SHAREHOLDERS****Panasonic**

As of September 30, 2010, the following shareholders of record owned more than 5% of Panasonic's outstanding common stock. The information in the following table is based on Panasonic's register of shareholders. Panasonic is not required by Japanese law to monitor or disclose beneficial ownership of common stock.

| Name   | Shares Ownership<br>(in thousands of<br>shares) | Percentage of<br>Outstanding Panasonic<br>Shares Owned as of<br>September 30, 2010 |
|--|---|--|
| The Master Trust Bank of Japan, Ltd. (trust account) | 126,397   | 6.11%  |
| Japan Trustee Services Bank, Ltd. (trust account)    | 110,516   | 5.34   |

\* Holdings of less than 1,000 shares have been omitted.

\* Percentage of outstanding Panasonic shares is calculated excluding Panasonic's own shares (382,723,437).

Notes:

Any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares with voting rights of common stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan, as calculated pursuant to the Financial Instruments and Exchange Law of Japan, must file with the Director General of a competent Local Finance Bureau of Ministry of Finance within five business days a report concerning such shareholding (a Substantial Shareholding Report). Panasonic is aware that Mitsubishi UFJ Financial Group filed a Substantial Shareholding Report on March 2, 2009, stating that The Bank of Tokyo-Mitsubishi UFJ, Ltd. and its three affiliate holders owned a total of 122,788 thousand shares of Panasonic's common stock as of February 23, 2009, representing 5.01% of Panasonic's issued common stock.

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

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**DESCRIPTION OF PANASONIC'S COMMON STOCK**

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

**General**

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

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

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

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

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

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*Authorized capital*

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

As of September 30, 2010, 2,453,053,497 shares of Common Stock were issued. All shares of Common Stock of Panasonic have no par value. All issued shares of Panasonic are fully-paid and non-assessable.

*Distribution of Surplus*

*Distribution of Surplus General*

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

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

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

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

*Distribution of Surplus Restriction on Distributions of Surplus*

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

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

$$A + B + C + D \quad (E + F + G)$$

In the above formula:

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

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

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

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

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

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

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

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

(a) the book value of its treasury stock;

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

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

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

If Panasonic has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or, if so required by the Company Law, by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by Panasonic, during the

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period in respect of which such interim financial statements have been prepared. Panasonic may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by Panasonic must be audited by the Corporate Auditors and the Accounting Auditor, as required by ordinances of the Ministry of Justice.

### ***Stock splits***

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

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

### ***Consolidation of shares***

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

### ***General meeting of shareholders***

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

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

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

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

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

### ***Voting rights***

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

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

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares at a specially favorable price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights at specially favorable conditions) to any persons other than shareholders;
- (4) the removal of a Corporate Auditor;
- (5) the exemption of liability of a Director, Corporate Auditor or Accounting Auditor to a certain extent set forth in the Company Law;
- (6) a reduction of stated capital with certain exceptions in which just a usual resolution of shareholders is required or a shareholders resolution is not required;
- (7) a distribution of in-kind dividends which meets certain qualifications;
- (8) dissolution, liquidation, merger, consolidation, or corporate split with certain exceptions in which a shareholders resolution is not required;

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



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(11) share exchange or share transfer for the purpose of establishing 100% parent-subsidary relationships with certain exceptions in which a shareholders' resolution is not required; the quorum shall be one-third of the total voting rights of all the shareholders and the approval by at least two-thirds of the voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting is required (the special shareholders resolutions).

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

### ***Issue of additional shares***

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

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

### ***Liquidation rights***

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

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### *Record date*

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

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

### *Acquisition by Panasonic of its common stock*

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

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

### *Unit share system*

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

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

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

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

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

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

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

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

**Reporting of substantial shareholdings, etc.**

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

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

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

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

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

*\*Initiatives to Maximize Shareholder Value*

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

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

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

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

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

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

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

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

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

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

### **Daily price fluctuation limits under Japanese stock exchange rules**

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

### **Exchange Controls**

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

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Exchange non-residents are:

- (i) individuals who do not reside in Japan; and
- (ii) corporations whose principal offices are located outside Japan.

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

Foreign investors are:

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

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

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

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

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**TAXATION**

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

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

**Japanese Tax Consequences**

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

The statements regarding Japanese tax laws set forth below are based on the laws in force and double taxation conventions applicable as of the date hereof which are subject to change, possibly on a retroactive basis, including changes due to the forthcoming 2011 Annual Tax Reform. This summary is not exhaustive of all possible tax considerations which may apply to a particular non-resident holder and potential non-resident holders are advised to satisfy themselves as to the overall tax consequences of the Share Exchange and of the acquisition, ownership and disposition of Panasonic's shares or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are residents, and any tax treaty between Japan and their country of residence, by consulting their own tax advisors.

**Consequences of the Share Exchange**

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

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

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

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

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

### **Ownership and Disposition of Panasonic Shares**

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

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

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

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

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



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

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

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

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

### **Material U.S. Federal Income Tax Consequences**

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

a dealer in securities or currencies,

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,



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

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

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

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

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

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

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

***Transfer of PEW Shares for Panasonic Shares***

Panasonic expects that certain conditions necessary to qualify the Share Exchange as a reorganization will not be satisfied. As a result, U.S. Holders will generally recognize a capital gain or loss measured by the difference between (i) the sum of (A) the fair market value (in U.S. dollars) of Panasonic's common stock received in exchange for their PEW 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 PEW'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 PEW's common stock exceeds one year. A U.S. Holder's tax basis in shares of Panasonic's common stock received in the Share Exchange will be the fair market value (in U.S. dollars) of those shares on the date the holder receives them. The U.S. Holder's holding period for shares of Panasonic's common stock received in the Share Exchange will begin on the day after the date the holder receives those shares.

***Tax Consequences of Owning Panasonic's Common Stock***

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

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

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

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

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

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

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

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

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

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### ***Passive Foreign Investment Company Considerations***

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

### ***Medicare Tax***

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

### ***Information with Respect to Foreign Financial Assets***

Under recently enacted legislation, individuals that own specified foreign financial assets with an aggregate value in excess of \$50,000 in taxable years beginning after March 18, 2010 will generally be required to file an information report with respect to such assets with their tax returns.

Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the stock.

### ***Backup Withholding and Information Reporting.***

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

dividend payments or other taxable distributions made to him or her within the United States, and

the payment of proceeds to him or her from the sale of shares effected at a United States office of a broker. Additionally, backup withholding may apply to such payments to a noncorporate U.S. Holder that:

fails to provide an accurate taxpayer identification number,

is notified by the Internal Revenue Service that he or she has failed to report all interest and dividends required to be shown on his or her federal income tax returns, or

in certain circumstances, fails to comply with applicable certification requirements.

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

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

dividend payments made to the holder outside the United States and

other dividend payments and the payment of the proceeds from the sale of shares of Panasonic's common stock effected at a U.S. office of a broker, as long as the income associated with such payments is otherwise exempt from U.S. federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished the payor or broker:

an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which the holder certifies, under penalties of perjury that the holder is a non-United States person, or

other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or

he or she otherwise establishes an exemption.

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

the proceeds are transferred to an account maintained by a non-U.S. Holder in the United States,

the payment of proceeds or the confirmation of the sale is mailed to the holder at a U.S. address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption.

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

a United States person,

a controlled foreign corporation for U.S. tax purposes,

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

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

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

such foreign partnership is engaged in the conduct of a U.S. trade or business, unless the broker does not have actual knowledge or reason to know that the person is a United States person and the documentation requirements described above are met or the person otherwise establishes an exemption.

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



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**COMPARISON OF SHAREHOLDERS' RIGHTS**

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

**EXPERTS**

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

**VALIDITY OF PANASONIC SHARES**

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

**WHERE YOU CAN FIND MORE INFORMATION**

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

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

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

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

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

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

**ENFORCEABILITY OF CIVIL LIABILITIES**

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

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

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Panasonic Corporation:

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

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

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

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

/s/ KPMG AZSA LLC  
KPMG AZSA LLC

Osaka, Japan

June 30, 2010, except for Notes 20 and 21, as to which the date is January 12, 2011

**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Balance Sheets****March 31, 2010 and 2009 and September 30, 2010**

|  | Yen (millions)    |                  |                                      |
|--|-------------------|------------------|--------------------------------------|
|  | March 31,<br>2010 | 2009             | September 30,<br>2010<br>(Unaudited) |
| <b><u>Assets</u></b>   |                   |                  |                                      |
| <b>Current assets:</b>                                       |                   |                  |                                      |
| Cash and cash equivalents (Note 9)                           | 1,109,912         | 973,867          | 1,868,406                            |
| Time deposits (Note 9)                                       | 92,032            | 189,288          | 102,076                              |
| Short-term investments (Notes 5 and 18)                      |                   | 1,998            |                                      |
| Trade receivables (Note 16):                                 |                   |                  |                                      |
| Related companies (Note 4)                                   | 37,940            | 16,178           | 45,644                               |
| Notes  | 74,028            | 42,582           | 77,308                               |
| Accounts (Note 17)   | 1,097,230         | 727,504          | 1,057,328                            |
| Allowance for doubtful receivables                           | (24,158)          | (21,131)         | (22,906)                             |
| <b>Net trade receivables</b>                                 | <b>1,185,040</b>  | <b>765,133</b>   | <b>1,157,374</b>                     |
| Inventories (Note 3)   | 913,646           | 771,137          | 1,010,673                            |
| Other current assets (Notes 11, 17 and 18)                   | 505,418           | 493,271          | 459,005                              |
| <b>Total current assets</b>                                  | <b>3,806,048</b>  | <b>3,194,694</b> | <b>4,597,534</b>                     |
| <b>Investments and advances:</b>                             |                   |                  |                                      |
| Associated companies (Notes 4 and 18)                        | 177,128           | 123,959          | 154,387                              |
| Other investments and advances (Notes 5, 9 and 18)           | 459,634           | 427,792          | 379,182                              |
| <b>Total investments and advances</b>                        | <b>636,762</b>    | <b>551,751</b>   | <b>533,569</b>                       |
| <b>Property, plant and equipment (Notes 6, 7, 9 and 18):</b> |                   |                  |                                      |
| Land   | 391,394           | 298,346          | 385,279                              |
| Buildings  | 1,767,674         | 1,532,359        | 1,757,887                            |
| Machinery and equipment                                      | 2,303,633         | 2,229,123        | 2,234,098                            |
| Construction in progress                                     | 128,826           | 213,617          | 125,708                              |
|  | 4,591,527         | 4,273,445        | 4,502,972                            |
| Less accumulated depreciation                                | 2,635,506         | 2,698,615        | 2,590,061                            |
| <b>Net property, plant and equipment</b>                     | <b>1,956,021</b>  | <b>1,574,830</b> | <b>1,912,911</b>                     |
| <b>Other assets:</b>   |                   |                  |                                      |
| Goodwill (Notes 8 and 18)                                    | 923,001           | 410,792          | 920,312                              |
| Intangible assets (Notes 7, 8 and 18)                        | 604,865           | 120,712          | 576,481                              |
| Other assets (Notes 10 and 11)                               | 431,360           | 550,537          | 423,159                              |
| <b>Total other assets</b>                                    | <b>1,959,226</b>  | <b>1,082,041</b> | <b>1,919,952</b>                     |

|           |           |           |
|-----------|-----------|-----------|
| 8,358,057 | 6,403,316 | 8,963,966 |
|-----------|-----------|-----------|

See accompanying Notes to Consolidated Financial Statements.

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**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Balance Sheets (Continued)****March 31, 2010 and 2009 and September 30, 2010**

|  | Yen (millions) |           |                     |
|--|----------------|-----------|---------------------|
|  | March 31,      | 2009      | September 30,       |
|  | 2010           |           | 2010<br>(Unaudited) |
| <b><u>Liabilities and Equity</u></b>   |                |           |                     |
| Current liabilities:   |                |           |                     |
| Short-term debt, including current portion of long-term debt (Notes 6, 9 and 18) | 299,064        | 94,355    | 1,113,805           |
| Trade payables:  |                |           |                     |
| Related companies (Note 4)   | 66,596         | 58,315    | 97,049              |
| Notes  | 59,516         | 38,196    | 57,398              |
| Accounts (Note 17)   | 945,334        | 582,857   | 934,239             |
| Total trade payables   | 1,071,446      | 679,368   | 1,088,686           |
| Accrued income taxes (Note 11)   | 39,154         | 26,139    | 59,446              |
| Accrued payroll  | 149,218        | 115,845   | 159,753             |
| Other accrued expenses (Note 19)   | 826,051        | 672,836   | 818,935             |
| Deposits and advances from customers   | 64,046         | 60,935    | 67,729              |
| Employees' deposits  | 10,009         | 269       | 9,704               |
| Other current liabilities (Notes 10, 11, 17 and 18)                              | 356,875        | 350,681   | 362,201             |
| Total current liabilities  | 2,815,863      | 2,000,428 | 3,680,259           |
| Noncurrent liabilities:  |                |           |                     |
| Long-term debt (Notes 6, 9 and 18)   | 1,028,928      | 651,310   | 950,131             |
| Retirement and severance benefits (Note 10)                                      | 435,799        | 404,367   | 415,931             |
| Other liabilities (Note 11)  | 397,694        | 134,630   | 379,800             |
| Total noncurrent liabilities   | 1,862,421      | 1,190,307 | 1,745,862           |
| Equity:  |                |           |                     |
| Panasonic Corporation shareholders' equity:                                      |                |           |                     |
| Common stock (Note 12):  |                |           |                     |
| Authorized 4,950,000,000 shares  |                |           |                     |
| Issued 2,453,053,497 shares  | 258,740        | 258,740   | 258,740             |
| Capital surplus (Note 12)  | 1,209,516      | 1,217,764 | 1,126,269           |
| Legal reserve (Note 12)  | 93,307         | 92,726    | 93,949              |
| Retained earnings (Note 12)  | 2,349,487      | 2,479,416 | 2,413,210           |
| Accumulated other comprehensive income (loss) (Notes 5, 10, 13 and 17):          |                |           |                     |
| Cumulative translation adjustments   | (352,649)      | (341,592) | (445,087)           |
| Unrealized holding gains (losses) of available-for-sale securities               | 40,700         | (10,563)  | 10,353              |
| Unrealized gains (losses) of derivative instruments                              | 1,272          | (4,889)   | 1,728               |
| Pension liability adjustments  | (137,555)      | (237,333) | (136,507)           |
| Total accumulated other comprehensive loss                                       | (448,232)      | (594,377) | (569,513)           |

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|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Treasury stock, at cost (Note 12):  |                  |                  |                  |
| 382,448,008 shares as of March 31, 2010, 382,411,876 shares as of March 31, 2009, and 382,723,437 shares as of September 30, 2010 | (670,330)        | (670,289)        | (670,695)        |
| <b>Total Panasonic Corporation shareholders equity</b>  | <b>2,792,488</b> | <b>2,783,980</b> | <b>2,651,960</b> |
| Noncontrolling interests  | 887,285          | 428,601          | 885,885          |
| <b>Total equity</b>   | <b>3,679,773</b> | <b>3,212,581</b> | <b>3,537,845</b> |
| Commitments and contingent liabilities (Notes 6 and 19)   |                  |                  |                  |
|   | 8,358,057        | 6,403,316        | 8,963,966        |

See accompanying Notes to Consolidated Financial Statements.

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**Table of Contents****PANASONIC CORPORATION****AND SUBSIDIARIES****Consolidated Statements of Operations****Years ended March 31, 2010, 2009 and 2008 and Six Months ended September 30, 2010 and 2009**

|   | Yen (millions)               |                              |             | Six months ended    |             |
|---|------------------------------|------------------------------|-------------|---------------------|-------------|
|   | Year ended March 31,<br>2010 | Year ended March 31,<br>2009 | 2008        | 2010<br>(Unaudited) | 2009        |
| Revenues, costs and expenses:                             |                              |                              |             |                     |             |
| Net sales:  |                              |                              |             |                     |             |
| Related companies (Note 4)                                | 209,938                      | 223,231                      | 371,216     | 114,544             | 102,631     |
| Other   | 7,208,042                    | 7,542,276                    | 8,697,712   | 4,253,404           | 3,230,665   |
| Total net sales   | 7,417,980                    | 7,765,507                    | 9,068,928   | 4,367,948           | 3,333,296   |
| Cost of sales (Notes 4, 16 and 17)                        | (5,341,059)                  | (5,667,287)                  | (6,377,240) | (3,199,550)         | (2,423,537) |
| Selling, general and administrative expenses (Note 16)    | (1,886,468)                  | (2,025,347)                  | (2,172,207) | (999,430)           | (880,902)   |
| Interest income   | 12,348                       | 23,477                       | 34,371      | 5,717               | 6,044       |
| Dividends received  | 6,746                        | 11,486                       | 10,317      | 3,483               | 4,103       |
| Other income (Notes 5, 6 and 17)                          | 47,896                       | 52,709                       | 70,460      | 30,260              | 16,603      |
| Interest expense  | (25,718)                     | (19,386)                     | (20,357)    | (14,285)            | (11,566)    |
| Other deductions (Notes 2, 4, 5, 7, 8, 15, 16, 17 and 18) | (261,040)                    | (523,793)                    | (179,279)   |                     |             |