

PANASONIC Corp
Form 20-F
June 30, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 20-F

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

For the fiscal year ended March 31, 2011

Commission file number 1 - 6784

PANASONIC KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

PANASONIC CORPORATION

(Translation of Registrant's name into English)

Japan

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Masahito Yamamura, +81-6-6908-1121, yamamura.masahito@jp.panasonic.com, address is same as above

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

None

(Title of Class)

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

None

(Title of Class)

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

<u>Title of Class</u>	<u>Outstanding as of</u>	
	<u>March 31, 2011 (Japan Time)</u>	<u>March 31, 2011 (New York Time)</u>
Common Stock	2,070,293,396	
American Depositary Shares, each representing 1 share of Common Stock		78,609,861

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer .

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

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

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

Item 17 Item 18

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

This form contains 158 pages.

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All information contained in this annual report is as of March 31, 2011 or for the year ended March 31, 2011 (fiscal 2011) unless the context otherwise indicates.

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 24, 2011 was 80.32 yen = U.S.\$1.

About the Company

Panasonic Corporation (hereinafter, unless the context otherwise requires, Panasonic, the Panasonic Group or the Company refers to Panasonic Corporation and its consolidated subsidiaries as a group) is one of the world's leading manufacturers of electronic and electric products for a wide range of consumer, business and industrial uses, as well as a wide variety of components. As from October 1, 2008, the Company changed its company name from Matsushita Electric Co., Ltd. to Panasonic Corporation. Based in Osaka, Japan, the Company recorded consolidated net sales of approximately 8,693 billion yen for fiscal 2011. Over the past nine decades, the Company has grown from a small domestic household electrical equipment manufacturer into a comprehensive electronic and electric equipment, systems and components manufacturer operating internationally. Of the fiscal 2011 net sales, nearly one-half was represented by sales in Japan, with the rest by overseas sales.

Cautionary Statement Regarding Forward-Looking Statements

This annual report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Panasonic and its Group companies (the Panasonic Group). To the extent that statements in this annual report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this annual report (June 2011). Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.

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

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

Not applicable

Item 2. Offer Statistics and Expected Timetable

Not applicable

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

	Yen (billions), except per share amounts and yen exchange rates				
	Fiscal year ended March 31,				
	2011	2010	2009	2008	2007
Statements of Operations Data:					
Net sales	8,693	7,418	7,766	9,069	9,108
Income (loss) before income taxes	179	(29)	(383)	435	439
Net income (loss)	86	(171)	(404)	311	248
Net income (loss) attributable to Panasonic Corporation	74	(103)	(379)	282	217
Per common share:					
Net income (loss) attributable to Panasonic Corporation:					
Basic	35.75	(49.97)	(182.25)	132.90	99.50
Diluted			(182.25)	132.90	99.50
Dividends declared per share	10.00	10.00	30.00	35.00	30.00

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	(U.S.\$ 0.12)	(U.S.\$ 0.11)	(U.S.\$ 0.30)	(U.S.\$ 0.35)	(U.S.\$ 0.26)
Balance Sheet Data:					
Total assets	7,823	8,358	6,403	7,444	7,897
Long-term debt	1,162	1,029	651	232	227
Total Panasonic Corporation shareholders equity	2,559	2,792	2,784	3,742	3,917
Common stock	259	259	259	259	259
Number of shares issued at year-end (thousands)	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053
Number of shares issued and outstanding at year-end (thousands)	2,070,293	2,070,605	2,070,642	2,101,117	2,146,284
Yen exchange rates per U.S. dollar:					
Year-end	82.76	93.40	99.15	99.85	117.56
Average	85.71	92.93	100.62	114.31	116.92
High	78.74	86.12	87.80	96.88	110.07
Low	94.68	100.71	110.48	124.09	121.81

	<u>Dec. 2010</u>	<u>Jan. 2011</u>	<u>Feb. 2011</u>	<u>Mar. 2011</u>	<u>Apr. 2011</u>	<u>May 2011</u>
Yen exchange rates for each month during the previous six months:						
High	81.67	81.56	81.48	78.74	81.31	80.12
Low	84.23	83.36	83.79	82.98	85.26	82.12

- Notes: 1. Dividends per share reflect those declared by Panasonic in each fiscal year and consist of interim dividends paid during the fiscal year and year-end dividends paid after the fiscal year-end.
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. Diluted net income (loss), attributable to Panasonic Corporation common shareholders per share, for fiscal 2010 and 2011, has been omitted because the Company did not have potential common shares that were outstanding for the period.
4. 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 the Company's consolidated financial statements.

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B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

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

Risks Related to the Impact of the Great East Japan Earthquake

The Great East Japan Earthquake that occurred on March 11, 2011 not only caused direct damage to certain manufacturing plants of Panasonic but also, coupled with subsequent shortage in the electricity supply and accidents at the Fukushima Daiichi Nuclear Power Station, had an adverse effect on various areas of the Japanese economy. Panasonic has been experiencing, among other things, shortages in the supply of parts or components from certain suppliers, suspension of or decline in production activities of manufacturers to which Panasonic sells its products, and slowdown of the distribution network. If these conditions continue or deteriorate, the production activities and overall business of Panasonic may be adversely and significantly affected. In addition, production at certain of Panasonic's manufacturing plants in Japan may decline or be suspended due to limitations on electricity use or rolling blackouts

resulting from shortages in the electricity supply. Furthermore, if weak personal spending further worsens, demand for Panasonic's products and services may be adversely and significantly affected. In the case where imports of Japanese products are restricted or concerns and negative rumors regarding the impact of radioactive materials on Japanese products associated with the accidents at the Fukushima Daiichi Nuclear Power Station spread overseas, Panasonic's sales activities overseas may be adversely affected. These factors may have a negative impact on Panasonic's business, operating results and financial condition.

Risks Related to Economic Conditions

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

Demand for Panasonic's products and services may be affected by general economic trends in the countries or regions in which Panasonic's products and services are sold. Economic downturns and resulting declines in demand in Panasonic's major markets worldwide may thus adversely affect the Company's business, operating results and financial condition. For fiscal 2012, ending March 31, 2012, the Company anticipates that the business environment will remain severe due to various factors including the negative impact of the Great East Japan Earthquake, the yen's appreciation and ever-intensified global competition. Panasonic may incur increased costs for business restructuring that exceeds Panasonic's expectations in order to cope with the business environment. If global market conditions worsen beyond expectations, the business environment of Panasonic may deteriorate more than currently anticipated, which may adversely affect the Company's business, operating results and financial condition.

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

Foreign exchange rate fluctuations may adversely affect Panasonic's business, operating results and financial condition, because costs and prices of its products and services and certain other transactions that are denominated in a foreign currency 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. In fiscal 2011, the appreciation of the yen against other major currencies continued to adversely and significantly affect Panasonic's operating results. Any further or continued appreciation of the yen may adversely affect the Company's business, operating results and financial condition.

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

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

adversely affect the Company's business, operating results and financial condition.

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Continuation or deterioration of financial market instability 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 paper. Where, among other events, financial market instability continues or deteriorates, financial institutions reduce lending to Panasonic, or rating agencies downgrade Panasonic's credit ratings, Panasonic may not be able to raise funds in the time and amount necessary for Panasonic, or under conditions which Panasonic deems appropriate, and Panasonic may incur additional costs of raising funds, which may adversely affect the Company's business, operating results and financial condition.

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

Panasonic holds mostly Japanese stocks as part of its investment securities. The value of such stocks has dropped significantly due to the world financial crisis and the recession of Japanese economy in fiscal 2009, causing Panasonic to record losses on valuation of its investment securities in fiscal 2009, fiscal 2010 and fiscal 2011. Further decreases in the value of stocks may cause additional losses due to decreases in the valuation of investment securities, thereby adversely affecting Panasonic's operating results and financial condition. The decrease in the value of Japanese stocks may also reduce stockholders' equity on the balance sheet, as unrealized holding gains (losses) of available-for-sale securities are included as part of accumulated other comprehensive income (loss).

Risks Related to Panasonic's Business

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

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

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

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

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

One of Panasonic's business strategies is business expansion in overseas markets. In many of these markets, Panasonic may face risks generally associated with international manufacturing and other business operations, such as political instability, including war, civil war, conflict and terrorist attacks, 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.

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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 in both BtoC (business-to-consumer) and BtoB (business-to-business) areas are concentrated in industries where technological innovation is the central competitive factor. Panasonic continuously faces the challenge of developing and introducing viable and innovative new products. Panasonic must predict with reasonable accuracy both future demand and new technologies that will be available to meet such demand. If Panasonic fails to do so, it will not be able to compete effectively in new markets.

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

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

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

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

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

Panasonic develops its businesses by forming alliances or joint ventures with, and making strategic investments in, other companies, including investments in start-up companies. Furthermore, the strategic importance of partnering with third parties is increasing. In some cases, such partnerships are crucial to Panasonic's goal of introducing new products and services, but Panasonic may not be able to successfully collaborate or achieve expected synergies with its partners. Furthermore, Panasonic does not control these partners, who may make decisions regarding their business undertakings with Panasonic that may be contrary to Panasonic's interests. In addition, if these partners change their business strategies, Panasonic may fail to maintain these partnerships. On April 1, 2011, Panasonic made Panasonic Electric Works Co., Ltd. and SANYO Electric Co., Ltd. its wholly-owned subsidiaries through share exchanges, respectively. Panasonic plans to restructure its groupwide business organization by around January 2012 in order to develop the new Panasonic Group in which the three companies will be fully integrated. However, depending on progress on procedures and discussions both within and outside Panasonic, Panasonic may not be able to promptly implement or complete the restructuring. Even if it is completed, Panasonic may fail to fully achieve the expected results, such as promotion of rapid decision-making and maximization of group synergies.

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 shortage or interruption of supply caused by, among other things, the Great East Japan Earthquake, the bankruptcy of suppliers or increased industry demand. This may adversely affect the Panasonic Group's operations. Although Panasonic decides purchase prices by contract, the prices of raw materials, including iron and steel, resin, and non-ferrous metals, and parts and components, may increase due to changes in supply and demand and the inflow of investment funds. Some components are only available from a limited number of suppliers, which also may adversely affect Panasonic's business, operating results and financial condition.

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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Risks Related to Panasonic's Management Plans

Panasonic is implementing a midterm management plan called "Green Transformation 2012" (GT12), announced on May 7, 2010, which runs from fiscal 2011 to fiscal 2013. Under this plan, Panasonic aims to achieve an operating profit* to sales ratio of 5% or more, sales of 10 trillion yen, ROE of 10% and CO₂ emission reductions of 50 million tons (compared to level of fiscal 2006.) However, Panasonic announced on April 28, 2011 that it revised its target sales in fiscal 2013 to 9.4 trillion yen, taking into consideration further appreciation of the yen against other currencies and progress of the "Transformation Project" which Panasonic started after GT12 was announced. However, Panasonic may not be successful in achieving all the targets or in realizing the expected benefits because of various external and internal factors such as deterioration of the business environment including the negative impact of the Great East Japan Earthquake, and increased costs of business restructuring such as additional business reorganization, the impairment of fixed assets and employment adjustment in order to cope with the business environment.

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

Risks Related to Legal Restrictions and Litigations

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

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

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

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

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

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

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

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

Leaks of confidential information, including personal 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. If, due to the implementation of stricter laws and regulations and stricter interpretations, Panasonic cannot comply with these laws and regulations from technical and economic perspectives, or 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, as well as criminal sanctions or civil lawsuits for damages, and could also suffer reputational harm.

Risks Related to Disasters or Unpredictable Events

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

Panasonic's headquarters and major facilities including manufacturing plants, sales offices and research and development centers are located in Japan. Panasonic also operates procurement, manufacturing, logistics, sales and research and development facilities all over the world. If major disasters, such as earthquakes, tsunami, 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 and other assets may be seriously damaged, or the Company may have to stop or delay production and shipment. Panasonic may incur expenses relating to such damages. In addition, if an infectious disease, such as a new highly-pathogenic flu strain, becomes prevalent throughout the world, Panasonic's manufacturing and sales may be materially disrupted.

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Other Risks

External economic conditions may adversely affect Panasonic's pension plans

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

Some long-lived assets may not produce adequate returns

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

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

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

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

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

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

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

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

The customary dividend payout practice and relevant regulatory regime of publicly listed companies in Japan may differ from that followed in foreign markets. Panasonic's dividend payout practice is no exception. While the Company regularly announces forecasts of annual and interim dividends in April or May of each year, these forecasts are not legally binding. The 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.

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Item 4. Information on the Company

A. History and Development of the Company

GENERAL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In July 2007, each of Victor Company of Japan, Limited (JVC), a consolidated subsidiary of the Company, Kenwood Corporation (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 thousand new shares of its common stock through third party allotments, and the new shares were subscribed by KENWOOD and the several investment funds managed by SPARX International (Hong Kong) Limited. JVC issued and allocated the new shares to KENWOOD and the SPARX funds on August 10, 2007. As a result, the Company's shareholding in JVC decreased from 52.4% to 36.8%, and JVC became an associated company under the equity method from a consolidated subsidiary in the fiscal 2008 second quarter.

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

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

On October 1, 2008, the Company changed its name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation and its ticker symbol on the New York Stock Exchange from MC to PC. The Company completed its brand name change from the National brand, used for home appliances and housing equipment in Japan, to the Panasonic brand by the end of fiscal 2010.

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

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

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

In December 2009, Panasonic completed acquisition of a majority of the voting stock of SANYO. With this acquisition, SANYO and its subsidiaries became consolidated subsidiaries of the Company.

In January 2010, Panasonic transferred the rights and obligations with respect to the business of System Solutions Company, its internal division company, to Panasonic Communications Co., Ltd., its wholly-owned subsidiary, through business division. The Company aims to strengthen the system networking businesses including Security Systems, Broadcast Systems and Wireless VoIP Systems by integrating the system business and the fixed-line communications business toward global growth of BtoB 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. Therefore, these businesses were transferred from Motor Company, and Motor Company was subsequently dissolved.

In June 2010, Panasonic Corporation, Hitachi, Ltd. and Hitachi Displays announced that Hitachi Displays would conduct a corporate split to establish IPS Alpha Support Co., Ltd (IPS Alpha Support). IPS Alpha Support will assume Hitachi Displays' entire shareholding of 50.02% shares of IPS Alpha. In addition, Hitachi Displays transferred 94% shares of IPS Alpha Support to Panasonic, and 6% shares to Hitachi, Ltd. As a result of these transactions, Panasonic effectively acquired 47.02% shares of IPS Alpha. Adding to its existing shareholding of 44.98%, Panasonic had an effective investment in IPS Alpha of 92%. Subsequently, IPS Alpha changed the company name to Panasonic Liquid Cristal Co., Ltd., and took over IPS Alpha Technology, Himeji, Ltd. and IPS Alpha Support in October 2010.

In July 2010, Panasonic announced a plan to turn PEW and SANYO, which were both already consolidated subsidiaries, into wholly-owned subsidiaries through simultaneous first-step tender offers and subsequent share exchanges.

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 of each company, respectively.

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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 were executed between Panasonic and PEW, and between Panasonic and SANYO. After related procedures, PEW and SANYO became wholly-owned subsidiaries of Panasonic on April 1, 2011.

In January 2011, JVC KENWOOD HD and its consolidated subsidiaries ceased to be an associated company of Panasonic under the equity method as the ownership percentage of Panasonic in JVC KENWOOD HD fell due to JVC KENWOOD HD's issuance of new shares and disposition of treasury shares through an international offering.

In April 2011, Panasonic integrated the operations of System Networks Company of Panasonic Corporation, which has a competitive advantage in the visual and fixed communication equipment and the sales of their systems, and Panasonic Mobile Communications Co., Ltd., which have a competitive advantage in the field of mobile communication business. In line with this integration, the Company dissolved System Networks Company to establish Systems & Communications Company. Panasonic intends to achieve further growth in the BtoB systems business field, in which Visual, communication and IT systems are being integrated.

CAPITAL INVESTMENT

Total capital investment amounted to 404 billion yen, 385 billion yen and 494 billion yen for fiscal 2011, 2010 and 2009, respectively. (For a reconciliation of capital investment to the most directly comparable U.S. GAAP financial measures, see Overview Key performance indicators in Section A of Item 5.) In these years, the Company intended to curb capital investment in a number of business areas, in line with an increased management emphasis on cash flows and capital efficiency. The Company did, however, selectively invest in facilities for those product areas that are expected to drive future growth, including such key areas as flat-panel TVs and batteries.

B. Business Overview

SALES BY BUSINESS SEGMENT

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

	Yen (billions) (%)				
	Fiscal year ended March 31,				
	2011		2010		2009
Digital AVC Networks	3,304	(3)%	3,410	(9)%	3,749
Home Appliances	1,276	6	1,204	(7)	1,290
PEW and PanaHome	1,735	6	1,632	(8)	1,766
Components and Devices	926	(1)	931	(11)	1,045
SANYO	1,562	286	405		
Other	1,198	18	1,012	(6)	1,072
Eliminations	(1,308)		(1,176)		(1,156)
Total	8,693	17%	7,418	(4)%	7,766

* Percentage above reflects the changes from the previous year.

* SANYO and its subsidiaries became Panasonic's consolidated subsidiaries in December 2009. The operating results of SANYO and its subsidiaries after January 2010 are included in the Company's consolidated financial statements.

* Panasonic restructured the motor business on April 1, 2010. As a result of restructuring, the motor business was transferred from Components and Devices to Home Appliances. Accordingly, the prior figures for Home Appliances, and Components and Devices in fiscal 2009 and 2010 are reclassified to conform to the presentation for fiscal 2011.

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Digital AVC Networks

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

In the digital AVC business, Panasonic provides such imaging equipment as flat-panel TVs, digital AVC network equipment including Blu-ray Disc recorders and digital cameras as well as business-use AV equipment.

For flat-panel TVs, in fiscal 2011, global demand saw strong growth due mainly to the positive effect of Japan's eco-point program and a substantial upswing in emerging markets such as Asia, as well as central and south America. Amid these circumstances, Panasonic took steps to provide its customers with fresh and exciting television experiences, launching a series of advanced 3D- and Internet-compatible products. In addition to the release of a bass enhanced 32-inch LCD TV in India, the Company worked diligently to increase sales of high-volume segment products that address the local needs of each global region. As a result, unit sales in fiscal 2011 climbed to 20.23 million worldwide, 1.3 times higher year on year.

For Blu-ray Disc and DVD recorders, in fiscal 2011, the increased penetration of digital broadcasting and flat-panel TVs continued to drive growth in the Blu-ray Disc recorder market. Under these circumstances, higher DIGA sales were strongly supported by the product's networking features, which enhance enjoyment by helping to link various devices, as well as basic functions including extended recording in full HD video and simple operation. Buoyed by these factors, Panasonic increased its sales and maintained its top share in the global market.

For digital cameras, in fiscal 2011, the compact digital camera market expanded steadily driven largely by firm unit sales in emerging regions including Asia and China. In contrast, sales on a value basis fell below the level recorded in the previous fiscal year due to negative growth in Japan, Europe and the United States. Consistent with this market trend, sales of Panasonic products in North America and emerging markets climbed on a units sold basis. As a result, the Company recorded global year-on-year growth. In value terms, however, sales contracted owing primarily to the drop in product prices and the impact of the strong yen. In digital interchangeable lens cameras, Panasonic released a succession of innovative products which have compact bodies and are easy to operate attracting wide market acclaim.

For digital camcorders, in fiscal 2011, the market saw units sold surpass the previous fiscal year. Reflecting the growing trend toward lower priced products, however, sales contracted year on year on a value basis. Under these circumstances, units sold by the Company again climbed above the previous fiscal year, only to fall on a year-on-year value basis due primarily to the drop in retail prices and the strong yen.

In the fiscal 2011 notebook PC market displayed steady growth on a unit sales basis both in and outside Japan. Sales on a value basis were marginally lower than fiscal 2010. Sales of the Company's Let's note mobile computer designed for the Japanese market were robust, expanding year on year. While results overseas for the rugged TOUGHBOOK notebook PC were impacted by the strong yen falling below the previous fiscal year's level, units sold increased year on year.

In the business-use system solutions market, where image and communications technologies continue to converge, Panasonic is pursuing global growth in its system networks business. This is in response to advance in IP networks including increasing use of the Internet and LANs.

Issues of safety and security are attracting growing concern in Japan. Against this backdrop, demand for equipment and systems that ensure security continues to climb. In addition to the existing requirements of urban areas and schools, the need for security from retail stores, small offices and related facilities increased throughout fiscal 2011. Under these conditions, sales of the Company's security-related products, particularly network cameras, were robust. In North America, sales of POS system solutions that use touch-panel terminals saw substantial growth on the back of replacement demand as major fast food chains sought to renew or upgrade their systems. Turning to emerging markets, sales expanded mainly in China and Russia. Results were particularly strong for such products as compact multi-function printers (MFPs) and network cameras with sales rising substantially compared with fiscal 2010. Furthermore, analog surveillance cameras were also adopted by public transportation systems in China. Together with such factors as the development of new sales channels in North America, results were firm.

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In the mobile communications business, Panasonic offers mobile phones incorporating advanced functions, and cutting-edge communications infrastructure equipment such as base transceiver stations. Through these products, the Company works to realize a communications society that offers high-level security and greater convenience and comfort. In fiscal 2011, the Japanese mobile phone market became increasingly polarized along advanced function, top-tier and high-volume segment model lines. In the high-end handset category, Panasonic received favorable acclaim following the introduction of the LUMIX Phone, which harnesses the Company's accumulated digital camera technologies. While limiting models to basic functionality, the Company reported strong sales of high-volume segment models that balance the dual needs for reasonable pricing and stylish design. However, mobile communications business sales were lower than in fiscal 2010. This was largely attributable to delays in responding effectively to the rapid demand for smart phones.

In the automotive electronics business, Panasonic is developing its business in the automotive multimedia field while at the same time pursuing new opportunities in the environment and safety field. This is amid growing interest in more comfortable, environmentally-conscious, and safer vehicles. In 2010, new automobile sales saw a year-on-year increase for the first time in six years. This was mainly attributable to the eco car subsidy initiative implemented in Japan which served to ignite demand. Under these circumstances, sales of the Company's car navigation systems, cameras and digital terrestrial tuners were strong. In October 2010, Panasonic released Tabi Navi, a portable travel navigation device that condenses tour guide information, navigation function and a camera into a single unit. The Company has been successful with its marketing strategy to cultivate new demand among middle to older age travelers. Sales were strong mainly through the domestic electronics retail store channel. Outside of Japan, overall sales were strong including those for rear-seat entertainment systems. In addition to indications of a recovery in the North American market, this largely reflected the return to favor of large-sized vehicles. Sales also grew steadily in emerging countries including China, which led the world in annual new car sales at 18 million vehicles, India, and Brazil, where demand was high.

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 provides advanced technology-driven products and services across a variety of fields including housekeeping, cooking, cooling and heating, and hot water supply. Moreover, the Company is accelerating its overseas business activities pursuing product development that reflects the lifestyle habits of each region. In fiscal 2009, Panasonic introduced new refrigerators and washing machines with cutting-edge technologies in Europe in

March 2009. In fiscal 2010, 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 in Japan. Overseas, refrigerators and washing machines in Europe have sold well as consumers have appreciated their industry-leading environmental performance. In fiscal 2011, performance was favorably impacted by the eco-point program as well as an extremely hot summer in Japan. Moreover, sales of ECO NAVI products won strong support throughout the entire year. Overseas, Panasonic actively introduced products for high-volume segments focusing particularly on middle-income earners in each country in Asia. In China, sales were strong in washing machines featuring top-class water-saving functions released in March 2010, room air conditioners and vacuum cleaners. This was largely attributable to the Chinese government's home appliance subsidy program. In India, where the Company is intensifying efforts to boost sales, Panasonic launched the CUBE room air conditioner in January 2011. The CUBE room air conditioner was well received by the market due to its reduced noise levels and enhanced energy savings compared with competing products in the same price range. In Europe, two years have passed since Panasonic entered the refrigerator and washing machine markets, and the sales rose substantially higher than the previous fiscal year by expanding its line-up. In April 2010, Panasonic restructured the Motor Company by integrating the Home Appliance and Automotive Motor and Industrial Motor business into the Home Appliance Company. Over the ensuing period, steps have been taken to further strengthen product competitiveness.

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In the lighting business, Panasonic is actively developing products that conserve energy and resources, and are based on universal design. The Company continues to maintain a No.1 share in general lighting products 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. 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. In fiscal 2011, the Company released the industry's first* purpose-built inclined mounting-type product as well as a wide light distribution-type product. This wide light distribution type product produces a light that is essentially equivalent to electric bulbs in Japan. These new products and the small bulb type, which continue to be well received, have helped Panasonic secure a top share of the LED bulb market. In its overseas operations, which serve as another growth engine, Panasonic pursued efforts aimed at creating new demand in fiscal 2011. One initiative was the introduction of global ball-type fluorescent lamp models in emerging markets following the worldwide shift away from incandescent bulbs. As a result, sales were higher than fiscal 2010.

* Source: Panasonic

In the environmental systems business, Panasonic is developing ventilation fan systems and indoor air quality products while pursuing environmental engineering and component businesses. The Company is engaging in product development utilizing environmental technologies that are kind to the earth and humankind. 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. In fiscal 2011, sales of humidifiers and air purifiers in Japan were firm. Results were particularly strong in Uruoi Air Rich, equipped with ECO NAVI in addition to the nano-e* generator function, released in September 2010. Overseas, Panasonic launched air purifiers with standardized features and fresh design in the Chinese, Asian and Middle East markets in October 2010. This new model is attracting wide acclaim helping to rapidly boost sales.

* Minute ion particles produced from moisture in the air. Helpful in controlling fungi, odors and allergy-related substances

PEW and PanaHome

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

PEW provides wide-ranging products that incorporate society's need for energy and environmental conservation as well as information. PEW also undertakes measures that address the aging population, safety, security, and convenience. Moreover, PEW is promoting its business globally by developing products that realize synergies between comfort and eco-consciousness.

In fiscal 2009, new Panasonic brand products, including personal care products, such as nanoparticle ion steamers received strong market acceptance. In fiscal 2010, sales of new products such as Massage Sofa were favorable. In addition, PEW posted higher sales of LED lighting in Japan and 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. In fiscal 2011, in Japan, PEW continuously posted higher sales of eco-conscious LED lighting fixture. This was amid the ongoing upswing in energy-saving, CO₂ emission reduction and related needs. In addition, sales, mainly of such water-related products as the Living Station modular kitchen system, grew amid a modest recovery in new housing starts in Japan. Sales of personal-care products were also strong. Year-on-year results were again favorable for Lamdash men's shavers as well as Nanocare dryers equipped with a nanoe-ion generator function. Moreover, sales performed remarkably well in Pocket Doltz, a stylish pocket sonic vibration toothbrush. Overseas, buoyed by demand growth in China, sales were strong in home appliance- and communications-use relays and printed circuit board materials, factory-automation (FA)-related products as well as men's shavers and hair dryers.

PanaHome is committed to empowering all who live in its eco ideas Homes to lead comfortable lives for the bright future of the Earth. In this context, PanaHome mainly engages in detached housing, asset management, and home remodeling businesses.

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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 fiscal 2011, PanaHome introduced long-life products in response to the government's Long-Term Quality Housing Certification Program*. Moreover, PanaHome launched CASART which delivers superior earthquake-resistance, environmental and energy-saving performance, focusing initially on urban areas. PanaHome continued to promote medical and welfare facility construction. As a part of this endeavor, PanaHome commenced its Whole-Building Leasing System for special rental housing with nursing care services for the elderly.

* A housing certification system that recognizes high property values encouraging quality maintenance over the long term. Certified houses are eligible for preferential taxation measures.

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, such as semiconductors, general components and batteries. This business segment also contributes significantly to making finished products more energy efficient.

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

The UniPhier® Integrated Platform combines software and hardware resources across different product categories to improve R&D efficiency and design quality. In fiscal 2009, Panasonic proceeded with the commercialization of 45nm-process next-generation UniPhier® system LSIs. The Company also developed an application/transmission integrated LSI that combines one system LSI for the communications function of mobile phones and another system LSI for an application function in one UniPhier®. In fiscal 2010, Panasonic developed a new UniPhier® system LSI for displaying high-resolution 3D images, providing network capability and enabling other functions. This new system LSI is incorporated in 3D plasma TVs and Blu-ray Disc recorders. In fiscal 2011, Panasonic successfully developed the world's first mass-production technology for 32-nm generation system LSIs. This advanced technology enables system LSIs with higher performance and lower power consumption that help enhance the competitiveness of finished products. Utilizing this technology featuring Panasonic's proprietary UniPhier® integrated platform, shipments of system LSIs for use in Blu-ray Disc players commenced in October 2010. This new development allows 3D image playback as well as Internet video image and other services. In addition, Panasonic is accelerating efforts to commercialize gallium-nitride (GaN) power devices that can be used in motors, power supply control and other products that help achieve low-power consumption, as well as low-heat-generating home electric appliances.

In the electronic devices business, Panasonic develops and manufactures a variety of electronic components based on its three core technologies—power management, membrane and MEMS*, and circuit board and mounting technologies for use in the digital AV, information and telecommunications, automotive electronics, environment and energy, medical electronics and related fields. In fiscal 2009, sales of capacitors, electromechanical components and other products struggled due to deteriorating market conditions and inventory cutbacks at finished product manufacturers. Nevertheless, the Company focused on growing industries amid the economic downturn and actively endeavored to expand sales. In fiscal 2010, Panasonic worked to speed up management and enhance cost competitiveness. While concentrating business resources on growth fields such as devices for eco-cars, the Company achieved new process innovations, such as the rapid launch of new products by promoting localization in activities ranging from manufacturing to sales at overseas sites. In fiscal 2011, sales were particularly strong in products such as angular rate sensors for automobiles, chip resistors and graphite heat-conductive sheets for smart phones, and specialty polymer aluminum electrolytic capacitor for notebook PCs. Offering high-density and multilayer properties, Panasonic recorded sales growth in any layer interstitial via hole (ALIVH) high-density printed circuit boards. These products provide the advanced complex functions required by such mobile devices as smart phones. Panasonic's in-car power supplies and hybrid vehicle pedestrian alert systems were adopted in strategic automobiles for the global market by major automotive manufacturers. Panasonic also developed the industry's first eco-car speaker utilizing recycled resources. Mass production commenced in January 2011 and the product has been adopted by numerous automobile manufacturers.

- * Micro Electro Mechanical Systems: technology is related to the production of minute electrical equipment systems created via the silicon process technology used for semiconductors.

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In the energy business, Panasonic continues to develop its broad-based battery business. Products range from primary batteries including EVOLTA, which has won recognition for its long life, to rechargeable batteries such as lithium-ion and lead-acid batteries. The demand for rechargeable batteries is expected to increase significantly on the back of growing concerns for the environment. In fiscal 2009, the Company started to sell the dry alkaline EVOLTA batteries and rechargeable EVOLTA batteries, expanding its lineup to meet diversified needs. In fiscal 2010, Panasonic started to produce large volumes of high-energy-output 3.1 Ah lithium-ion batteries (18650size) ahead of competitors. In fiscal 2011, Panasonic's dry alkaline EVOLTA battery maintained its top market share in Japan. In addition to its longer life, the EVOLTA battery continues to receive high praise as the battery for use in the event of a disaster after lengthy storage. Recognizing the global shift in demand from manganese to dry alkaline batteries, Panasonic commenced EVOLTA production in Thailand where manufacturing and transportation costs are lower in March 2011. In its lithium-ion battery business, Panasonic commenced production at its Suminoe plant, Osaka City, from April 2010 in order to expand its production capacity. The Company's lithium-ion batteries use proprietary nickel-based cathodes. In addition to ensuring safety, these batteries are distinguished by their high-energy-output and durability.

The electric motors business provided products in a variety of fields, including home appliances, industrial equipment, and AV equipment and office products. In fiscal 2009, although sales declined due to a fall in demand, the electric motors business pushed ahead with efforts to accelerate collaboration with Panasonic's finished product divisions by proceeding with the start up of mass production of Dual DD motor for the Dancing laundering & drying system washer/dryer. In fiscal 2010, sales improved overall thanks to steady growth in sales of air conditioner motors in China and industrial motors in China and other Asian countries. In April 2010, Panasonic reorganized and integrated the Home Appliance and Automotive Motor, and Industrial Motor businesses into the Home Appliances Company. Panasonic also transferred the Information Equipment Motor Business to Minebea Motor Manufacturing Corporation.

SANYO

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

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

SANYO develops, manufactures, and sells products in three fields: energy (solar photovoltaic systems and rechargeable batteries), electronics (electronic devices and digital system devices), and ecology (commercial

equipment, home appliances, and car electronics). SANYO is expanding its business globally with a particular emphasis on energy-related businesses. To this end, SANYO promotes its broad lineup of lithium-ion batteries for use in such items as mobile devices and hybrid electric vehicles (HEVs) as well as leading-edge technologies including its HIT[®] solar cells that boast high energy 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 photovoltaic systems and optical pickups. In fiscal 2011, sales of solar photovoltaic systems continuously increased due mainly to growing demand in Japan. Meanwhile, in rechargeable batteries, sales of lithium-ion batteries were sluggish due primarily to increasingly intense competition, further declines in product prices and the impact of the strong yen. Under these circumstances, SANYO is working to expand its activities for battery systems for electric motors. In addition, sales of cold chain equipment including showcases and commercial-use kitchen instruments increased in China. In addition, car audio equipment results were supported by the positive turnaround in automobile sales in North America and China. In November 2010, SANYO launched GOPAN, a rice bread maker for baking rice bread from rice grains at home which attracted wide market acclaim. In December 2010, SANYO established a new technical facility for lithium-ion batteries at its Tokushima Plant (Tokushima, Japan). In addition, SANYO decided to transfer its three businesses (logistics, semiconductor and motor) to other companies in fiscal 2011. This decision was taken to help facilitate the selective channeling of SANYO's management resources to growth fields. The Kasai Green Energy Park (GEP) was opened in October 2010 within SANYO's Hyogo Prefecture Kasai Plant which manufactures rechargeable batteries for eco-cars. The GEP plays important roles in testing the efficacy of energy management technologies, and as a showroom open to customers that promotes optimal energy solutions.

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Other

In the factory automation (FA) business, Panasonic supplies high utilization and reliable production systems that support advanced production in the electronic equipment industry. In recent years, Panasonic has expanded its service beyond the mere sale of production equipment to focus on one-stop solution proposals that address customers production issues in their entirety. Moreover, the Company is strengthening its eco-solutions, which yield plant CO₂ reductions. In fiscal 2009, the Company developed a high-performance head and improved productivity and versatility in response to its client needs. NPM (Next Production Modular) achieves high area productivity by carrying out all processes, from printing and mounting to inspection using the same platform. In fiscal 2010, Panasonic launched a full dual lane mounting system as a next-generation platform offering outstanding function and flexibility as well as future-proofing. By combining the NPM-DSP (Next Production Modular-Dual Screen Printer) and NPM, this system conveys printed circuit boards (PCBs) on two lanes, that handle the mass production of single modules as well as the mixed production of various different types of PCBs and simultaneously print on the front and rear. In fiscal 2011, Panasonic launched new models in NPM series, which offers outstanding area productivity, while expanding sales of existing models at the same time. As a result, sales surged substantially in such emerging markets as China, South America, and Eastern Europe. In addition to commencing NPM series production at its plant in China, Panasonic strengthened its overseas production base activities by expanding chip mounter production capacity at its Singapore plant. In December 2010, the Company also began putting forward lease proposals for electronic component mounting equipment and systems utilizing carbon offsets to manufacturers seeking to reduce their CO₂ emissions.

MARKETING CHANNELS

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

	Yen (billions) (%)					
	Fiscal year ended March 31,					
	2011		2010		2009	
Japan	4,514	52%	3,994	54%	4,082	53%
North and South America	1,071	12	918	12	997	13
Europe	857	10	771	11	963	12
Asia and Others	2,251	26	1,735	23	1,724	22

Total	8,693	100%	7,418	100%	7,766	100%
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* SANYO and its subsidiaries became Panasonic's consolidated subsidiaries in December 2009, and are disclosed as the SANYO segment. The operating results of SANYO and its subsidiaries after January 2010 are included in the Company's consolidated financial statements.

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.

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As a part of the 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 the new series of HIT[®], household solar photovoltaic systems, the first series of collaborative products to be developed since SANYO became a part of the Panasonic Group. The Company also plans to introduce new storage systems in high demand in the summer of 2011, connecting with solar photovoltaic systems and multiply-connected lithium-ion batteries. In this manner, the Company fully utilizes its sales channels.

Overseas Operations

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 48% of the Company's total consolidated sales in fiscal 2011.

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

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

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

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

Customers

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

SEASONALITY OF BUSINESS

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

RAW MATERIALS AND SOURCE OF SUPPLY

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

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.

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

Due to an increasing global awareness of CSR values, the Company recently decided to extend its commitment to social responsibility by requiring its suppliers to monitor conflict metal provision, understanding greenhouse gas status within our supply chain, comply with the REACH regulation in addition to ongoing activities such as maintaining environmental preservations, quality, safety, information security management, human rights and comply with the related laws and regulations.

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

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

PATENT LICENSE AGREEMENTS

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

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

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

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

COMPETITION

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

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

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GOVERNMENT REGULATIONS

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

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

In January 2003, the Company announced that disposed electric equipment containing polychlorinated biphenyl (PCB) might be buried in the ground of its four manufacturing facilities and one former manufacturing facility in Japan, and excavation measures were completed at the end of March 2009. The applicable laws in Japan require that PCB equipment be appropriately maintained and disposed of, by July 2016. The Company will continue to treat PCB waste and contaminated soil in a prompt manner.

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 1998, 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. Many other countries/regions also have regulations for energy conservation improvement (energy-saving standards and labeling systems) for home appliances and AV/IT products. Panasonic takes a proactive measure to comply with these requirements, and further promotes development of energy-saving products. Also, Panasonic is promoting its initiatives for regulations relevant to chemical substances management. In Europe, the RoHS Directive, which bans the sales of electrical and electronic equipment using six specified hazardous substances from the EU market, was issued in February 2003. The Company completed initiatives for the non-use of the abovementioned six specified hazardous substances in its covered products by the end of October 2005, in order to reduce possible contamination by these substances after products are disposed of. Additionally, the REACH regulation came into force in June 2007. The REACH requires all chemicals of one ton or more that are manufactured in or imported into the European Union each year to be evaluated for health and safety impact, registration with the European Chemical Agency (ECHA), and sharing of information and notification thereof to the ECHA regarding content of ECHA-specified substances of very high concern in products. Laws and regulations similar to the EU RoHS Directive are implemented in Japan, South Korea, China, Turkey, Ukraine and some states in the U.S. such as California. In the Act on the Promotion of Effective Resource Utilization of Resources in Japan, the Administration on the Control of Pollution Caused by Electronic Information Products in China, Turkey RoHS and the Ukraine RoHS technical regulation, manufacturers and importers are required to disclose information on the chemical substances targeted in the EU RoHS contained in specific products through label application and indication in instruction manuals. Panasonic is carrying out its compliance programs to meet the requirements of relevant regulations.

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

Regarding the Federal Mine Safety and Health Act of 1977, the Company is not an operator, or which has a subsidiary that is an operator, of a coal or other mine located in the U.S.

REPORT ON KEROSENE FAN HEATER RECALL
AND COMPANY'S COUNTERMEASURES

In 2005, certain kerosene fan heaters, which were manufactured by Panasonic between 1985 and 1992, resulted in hospitalization, and in some cases death, due to exposure to carbon monoxide exhaust. To prevent a recurrence, in November 2005, the Company established a special committee led by 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 many employees to distribute leaflets directly to users, and visit kerosene suppliers.

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

C. Organizational Structure

In order to maintain production, sales and service activities effectively in broad business areas as a comprehensive electronics manufacturer, Panasonic has been operating under a decentralized divisional management structure with substantial delegation of authority to divisional companies and subsidiaries, with the headquarters focusing on Groupwide strategic functions. In January 2003, Panasonic launched a new business domain-based organizational structure, and introduced new Group management control systems from April 1, 2003. Under this new structure, each business domain company, either an internal divisional company of the parent company or a subsidiary, takes full responsibility in its own business area, thereby establishing an autonomous management structure that expedites self-completive business operations to accelerate growth. On April 1, 2004, PEW, PanaHome and their respective subsidiaries became consolidated subsidiaries of the Company. Accordingly, the Company successfully eliminated overlaps in R&D, manufacturing and sales, thereby creating an optimum Group structure that facilitates the effective use of management resources to achieve growth strategies. In January 2011, JVC KENWOOD HD and its consolidated subsidiaries ceased to be an associated company of Panasonic under the equity method. On April 1, 2011, PEW and SANYO became wholly-owned subsidiaries of Panasonic with the aim of speeding up synergy generation and maximizing it. In addition, Panasonic integrated the operations of System Networks Company and Panasonic Mobile Communications Co., Ltd. In line with this integration, the Company dissolved System Networks Company to establish Systems & Communications Company. Panasonic intends to achieve further growth in the BtoB systems business field, in which visual, communication and IT systems are being integrated.

Panasonic's consolidated financial statements as of March 31, 2011 comprise the accounts of 634 consolidated companies, with 114 associated companies under the equity method.

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Principal divisional companies and subsidiaries as of March 31, 2011 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

Note: On April 1, 2011, the System Networks Company was renamed the System & Communications Company.

(2) Principal domestic subsidiaries:

Name of company	Percentage owned
SANYO Electric Co., Ltd.	81.3%
Panasonic Electric Works Co., Ltd.	84.4
Panasonic Liquid Crystal Display Co., Ltd.	92.0
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 Healthcare Co., Ltd.	100.0

- Notes: 1. Panasonic conducted tender offers and acquired shares of consolidated subsidiaries, Panasonic Electric Works Co., Ltd. and SANYO Electric Co., Ltd. during the fiscal year under review. As a result, Panasonic's ratio of voting rights in each company has increased.
2. On June 30, 2010, Panasonic acquired a majority of the shares of IPS Alpha Support Co., Ltd., which held shares in IPS Alpha Technology, Ltd., from Hitachi Displays, Ltd. Furthermore, on October 1, 2010, IPS Alpha Technology, Ltd. took over IPS Alpha Technology, Himeji, Ltd. and IPS Alpha Support Co., Ltd. IPS Alpha Technology, Ltd. was then renamed

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Panasonic Liquid Crystal Display Co., Ltd. As a result, Panasonic ratio of voting rights in Panasonic Liquid Crystal Display Co., Ltd. has increased.

3. On October 1, 2010, Panasonic's consolidated subsidiary, Panasonic Shikoku Electronics Co., Ltd. was renamed Panasonic Healthcare Co., Ltd.

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(3) Principal overseas subsidiaries:

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

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D. Property, Plants and Equipment

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

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

Substantially all of facilities are fully owned by the Company and its subsidiaries. The following table sets forth information as of March 31, 2011 with respect to Panasonic-owned principal facilities:

Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
(The Company)		
Kadoma Plant, Osaka	2,440	Video and audio 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	3,561	Room air-conditions and refrigerators
Kobe Plant, Hyogo	842	Information equipment and cooking appliances
Yashiro Plant, Hyogo	381	Rice cookers
Tsuyama Plant, Okayama	677	Recordable media
Nara Plant, Nara	1,725	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	1,512	Semiconductors
Osaka Plant, Osaka	1,433	Batteries
Suminoe Plant, Osaka	1,036	Batteries
Wakayama Plant, Wakayama	607	Batteries

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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	1,101	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	3,915	Corporate administration, employee housing and welfare facilities

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Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
(Domestic subsidiaries)		
Panasonic Mobile Communications Co., Ltd., Kanagawa	2,947	Mobile communications and communications network-related equipment
Panasonic System Networks Co., Ltd., Fukuoka	1,762	Surveillance and security cameras, settlement and verification terminals, IP-related equipment
Panasonic Healthcare Co., Ltd., Ehime	2,760	Healthcare equipment
Panasonic Plasma Display Co., Ltd., Hyogo	7,559	Plasma TVs and TV modules
Panasonic Liquid Crystal Display Co., Ltd., Hyogo	6,163	LCD panels
Panasonic Ecology Systems Co., Ltd., Aichi	1,480	Ventilation and air-conditioning equipment
Panasonic Photo & Lighting Co., Ltd., Osaka	313	Electric lamps
Panasonic Electric Works Co., Ltd., Osaka	17,198	Lighting fixtures, wiring devices and automation controls
PanaHome Corporation, Osaka	4,058	Detached housing and rental apartment housing
Panasonic Electronic Devices Co., Ltd., Osaka	3,147	Components
Panasonic Electronic Devices Japan Co., Ltd., Osaka	3,096	Components
Panasonic Semiconductor Discrete Devices Co., Ltd., Kyoto	843	Semiconductors
SANYO Electric Co., Ltd., Osaka	17,364	Solar photovoltaic systems, 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	372	Welding equipment
Panasonic Consumer Marketing Co., Ltd., Osaka	7	Sales functions

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Name and Principal Location	Floor Space (thousands of square feet)	Principal Products Manufactured or Functions
(Overseas subsidiaries)		
Panasonic Corporation of North America, U.S.A.	2,052	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
Panasonic U.K. Ltd., U.K.	86	Sales functions
Panasonic Semiconductor Asia Pte. Ltd., Singapore	462	Semiconductors
Panasonic Refrigeration Devices Singapore Pte. Ltd., Singapore	724	Refrigerators
Panasonic Taiwan Co., Ltd., Taiwan	1,419	Manufacture and sales functions
Panasonic Wanbao Compressor (Guangzhou) Co., Ltd., China	1,181	Compressors
Panasonic Semiconductor (Suzhou) Co., Ltd., China	469	Semiconductors
Panasonic Home Appliances Air-Conditioning (Guangzhou) Co., Ltd., China	1,102	Air-conditioning equipment
Panasonic Home Appliances Washing Machine (Hangzhou) Co., Ltd., China	1,357	Washing machines
Panasonic Corporation of China, China		Sales with regional headquarters functions

In addition to the Panasonic-owned facilities, as of March 31, 2011, the Company and its subsidiaries shown in above table leased approximately 14.4 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 2011, there was no material problem, regarding both the productive capacity and the extent of utilization of Panasonic's properties.

In terms of environmental issues, all of the Panasonic's properties operate in compliance with governmental and municipal laws and regulations. Furthermore, the Company established a number of internal environmental guidelines which are stricter than those provided by the relevant authorities. In case any occasional non-compliance may take

place, such as the previously mentioned PCB issue, Panasonic takes immediate and appropriate actions to meet the regulatory requirements and to ensure current good utilization standards.

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Item 4A. Unresolved Staff Comments

The Company is a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding the Company's periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2011 and which remain unresolved as of the date of the filing of this Form 20-F with the Commission.

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

Panasonic is one of the world's leading producers of electronic and electric products. Panasonic currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology, expanding to building materials and equipment, and housing business. As of October 1, 2008, the Company changed its company name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation. Upon the company name change, Panasonic implemented its brand name change from the National brand, used for home appliances and housing equipment in Japan, and Technics brand, used for audio equipment, to the Panasonic brand. On December 21, 2009, the Company exchanged nonvoting stocks of SANYO, which had been acquired through a tender offer, for common stock, and as a result, the Company acquired 50.2% of the voting rights of SANYO and obtained a controlling interest in SANYO. At this time, 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 way of tender offers and, thereafter, share exchanges. Subsequently, in October 2010, Panasonic completed the tender offers for shares of PEW and shares of SANYO, and as a result increased its ownership percentage of PEW to approximately 84% of PEW's voting rights and its ownership percentage of SANYO to approximately 81% of SANYO's voting rights. The aggregate purchase price of these tender offers was 525 billion yen. In December 2010, Panasonic, PEW and SANYO resolved to conduct a share exchange in order to make PEW and SANYO wholly-owned subsidiaries of Panasonic at a meeting of each respective company's Board of Directors, and a share exchange agreement was executed between Panasonic and each of PEW and SANYO. On April 1, 2011, PEW and SANYO became wholly-owned subsidiaries of Panasonic. Accordingly, the SANYO brand will be unified to Panasonic with exceptions in some regions and products, and the corporate brands will become Panasonic and PanaHome.

Panasonic divides its businesses into six segments: Digital AVC Networks, Home Appliances, PEW and PanaHome, Components and Devices, SANYO, and Other. 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, and batteries. SANYO includes solar photovoltaic systems and lithium-ion batteries, optical pickups, and others. Other includes FA equipment and other

industrial equipment.

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, due to the various economic stimulus programs such as the government's "eco-point" system, the Japanese economy regained strength and returned to recovery from the previous year. In the year ended March 31, 2011, the domestic market continued to be strong until November 2010 due to a last minute rush before the revision of the "eco-point" system. However, in addition to sluggish demand since December, the devastation brought by the Great East Japan Earthquake on March 11, 2011 significantly impacted the world economy and fiscal 2011 ended without there being a visible road to recovery.

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 as well 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. In the year ended March 31, 2011, while the growth in Europe and U.S. remained sluggish, the industry as a whole was steady, driven by the emerging countries like China and India.

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Condition of foreign currency exchange rates and Panasonic's policy

Foreign currency exchange rates fluctuated during the three-year period ended March 31, 2011. 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 and 2011, there was also an increasing appreciation of the yen. In order to alleviate the effects of currency-related transaction risks, Panasonic has traditionally used several currency risk hedging methods, such as forward foreign-exchange contracts and currency options contracts with leading banks. Panasonic has also increased matching of export and import exchange contracts. As a basic countermeasure against currency exchange risk, the Company has been strengthening production operations outside Japan to meet overseas demand, while reducing dependence on exports from Japan. The Company does not have any material unhedged monetary assets, liabilities or commitments denominated in currencies other than the individual operations' functional currencies.

Summary of operations

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

In fiscal 2011, net sales amounted to 8,693 billion yen, up 17% from the previous year, due mainly to the inclusion of sales of SANYO and its subsidiaries in the Company's consolidated financial results from January 2010 onwards. Regarding earnings, despite severe price competition, appreciation of the yen and rising material costs, along with the loss of production and subdued demand due to the Great East Japan Earthquake, earnings improved significantly due mainly to strong sales on an annual basis, and a wide range of exhaustive cost reductions, including streamlining of material costs and other general expenses. Although the restructuring cost including implementation of an early retirement program, as well as the loss related to the Great East Japan Earthquake, were incurred in other income (deductions), both income before income taxes and net income attributable to Panasonic Corporation improved significantly. Income before income taxes turned to a profit of 179 billion yen from a loss of 29 billion yen and net income attributable to Panasonic Corporation turned to a profit of 74 billion yen from a loss of 103 billion yen in fiscal 2010. Some part of our Group companies' buildings and equipment were damaged by the Great East Japan Earthquake including the Sendai Factory in Natori city, the Fukushima Factory in Fukushima city, and the Mobara Factory of Panasonic Liquid Crystal Display Co., Ltd. in Chiba prefecture. Currently, operations at all production facilities have recommenced either partially or in full. We believe the direct financial negative impacts of the earthquake are substantially covered by insurance.

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

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

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Key performance indicators

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

	Yen (billions) (%)		
	Fiscal year ended March 31,		
	2011	2010	2009
Net sales	8,693	7,418	7,766
Income (loss) before income taxes to net sales ratio	2.1%	(0.4)%	(4.9)%
Research and development costs to net sales ratio	6.1%	6.4%	6.7%
Total assets	7,823	8,358	6,403
Total Panasonic Corporation shareholders' equity	2,559	2,792	2,784
Total Panasonic Corporation shareholders' equity to total assets ratio	32.7%	33.4%	43.5%
Return on equity	2.8%	(3.7)%	(11.8)%
Capital investment	404	385	494
Free cash flow	266	199	(353)

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

SANYO and its subsidiaries became the Company's consolidated subsidiaries in December 2009 through a tender offer. Accordingly, the total assets in December 2009 increased by 2,046 billion yen.

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

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

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

	Yen (billions)		
	Fiscal year ended March 31,		
	2011	2010	2009
	—	—	—
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	421	376	522
Effects of timing difference between acquisition dates and payment dates	(17)	9	(28)
	—	—	—
Capital investment	404	385	494
	—	—	—

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

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

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

	Yen (billions)		
	Fiscal year ended March 31,		
	2011	2010	2009
Net cash provided by operating activities	469	522	117
Net cash used in investing activities	(203)	(323)	(470)
Free cash flow	266	199	(353)

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

Year ended March 31, 2011 compared with 2010

(1) Sales

Consolidated group sales for fiscal 2011 amounted to 8,693 billion yen, up 17% from 7,418 billion yen in the previous fiscal year. This was due mainly to the inclusion of sales of SANYO and its subsidiaries in the Company's consolidated financial results from January 2010 onwards. (For further details, see (11) Results of Operations by Business Segments of this section.)

In fiscal 2011, as a first step towards realizing the 100th anniversary vision of becoming the No.1 Green Innovation Company in the Electronics Industry, Panasonic started its three-year midterm management plan called Green Transformation 2012 (GT12), and worked towards the two themes of Paradigm Shift to Growth and Laying Foundations to be a Green Innovation Company.

Regarding Paradigm Shift to Growth, the Company worked towards shifting its businesses:

- 1) from existing businesses to new businesses such as energy
- 2) from Japan-oriented to globally-oriented
- 3) from individual product-oriented to solutions & systems business-oriented

Furthermore, the Company promoted expansion of key businesses such as Heating/Refrigeration/Air Conditioning and LED, and sales increase in emerging markets through high-volume segment products. Regarding Laying Foundations to be a Green Innovation Company, Panasonic worked for a larger contribution towards protection of the environment, through increased sales of energy saving and creating products, while reducing CO₂ emissions in production. In addition, the Company proceeded to discuss business reorganization and new growth strategies, as Panasonic and its subsidiaries, PEW and SANYO agreed to make these two companies wholly-owned subsidiaries of Panasonic with the aim of speeding up synergy generation and maximizing it. Accordingly, PEW and SANYO became wholly-owned subsidiaries of Panasonic on April 1, 2011.

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

In fiscal 2011, cost of sales amounted to 6,389 billion yen, up 1,048 billion yen from the previous year, and selling, general and administrative expenses amounted to 1,998 billion yen, up 112 billion yen from the previous year. These results are due mainly to the effects of sales increases, as discussed above.

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(3) Interest Income, Dividends Received and Other Income

In fiscal 2011, interest income decreased by 0.8 billion yen to 12 billion yen due mainly to the decrease in invested funds, and dividends received decreased by 0.4 billion yen to 6 billion yen and other income increased by 11 billion yen to 59 billion yen.

(4) Interest Expense and Other Deductions

Interest expense increased by 2 billion yen to 28 billion yen. In other deductions, the Company incurred 35 billion yen as expenses associated with impairment losses of fixed assets, 57 billion yen as the restructuring charges, 28 billion yen as a write-down of investment securities, and 9 billion yen as the loss related to the Great East Japan Earthquake. (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 before income taxes for fiscal 2011 amounted to 179 billion yen, compared with a loss of 29 billion yen in fiscal 2010, due mainly to strong sales on an annual basis, and a wide range of exhaustive cost reductions, including the streamlining of material costs and other general expenses.

(6) Provision for Income Taxes

Provision for income taxes for fiscal 2011 decreased to 103 billion yen, compared with 142 billion yen in the previous year. This result was due primarily to profitability improvement at certain of the Company's subsidiaries, which resulted in the Company recording deferred tax benefits as result of the reversal of valuation allowance. (For further details, see Notes 11 of the Notes to Consolidated Financial Statements.)

(7) Equity in Earnings of Associated Companies

In fiscal 2011, equity in earnings of associated companies increased to gains of 10 billion yen from the previous year's gains of 0.5 billion yen, due mainly to the inclusion of SANYO's associated companies under the equity method.

(8) Net Income (Loss)

Net income amounted to 86 billion yen for fiscal 2011, compared with a net loss of 171 billion yen in fiscal 2010.

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

Net income attributable to noncontrolling interests amounted to 12 billion yen for fiscal 2011, compared with net loss attributable to noncontrolling interests of 67 billion yen in fiscal 2010. 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 74 billion yen for fiscal 2011, an improvement of 177 billion yen from the previous year's net loss attributable to Panasonic Corporation of 103 billion yen.

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(11) Results of Operations by Business Segment

Results of operations by business segment for fiscal 2011, as compared with the previous fiscal year, were as follows:

	Yen (billions)		Percent change
	2011	2010	
Sales:			
Digital AVC Networks	3,304	3,410	(3)%
Home Appliances	1,276	1,204	6
PEW and PanaHome	1,735	1,632	6
Components and Devices	926	931	(1)
SANYO	1,562	405	286
Other	1,198	1,012	18
Eliminations	(1,308)	(1,176)	
Total	8,693	7,418	17%
Segment profit (loss):			
Digital AVC Networks	115	87	32%
Home Appliances	92	66	40
PEW and PanaHome	73	35	110
Components and Devices	33	37	(10)
SANYO	(8)	(1)	
Other	53	20	168
Corporate and eliminations	(53)	(54)	
Total	305	190	60%

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

* Panasonic restructured the motor business on April 1, 2010. As a result of restructuring, the motor business was transferred from Components and Devices to Home Appliances. Accordingly, the prior figures for Home Appliances, and Components and Devices in fiscal 2010 are reclassified to conform to the presentation for fiscal 2011.

Digital AVC Networks sales decreased 3% to 3,304 billion yen, compared with 3,410 billion yen in the previous year. Despite favorable sales of Blu-ray Disc recorders, this result was due mainly to sales declines in mobile phones and digital cameras.

With respect to this segment, segment profit increased by 32% to 115 billion yen from 87 billion yen, mainly as a result of fixed cost reduction and streamlining efforts, offsetting the impact of a sales decline and the yen appreciation.

Sales of Home Appliances increased 6% to 1,276 billion yen, compared with 1,204 billion yen in the previous year, due mainly to favorable sales of air conditioners, refrigerators and compressors.

With respect to this segment, despite rising material costs, segment profit increased by 40% to 92 billion yen from 66 billion yen, due mainly to strong sales and a fixed cost reduction.

Sales of PEW and PanaHome increased 6% to 1,735 billion yen, compared with 1,632 billion yen a year ago. Regarding PEW and its subsidiaries, in addition to favorable sales mainly in home appliances and devices such as electronic materials and automation controls, sales growth in the housing/building-related business such as electrical construction and building materials also contributed to the overall sales increase. For PanaHome and its subsidiaries, stable sales of housing construction such as detached housing and rental apartment housing led to the increase in overall sales.

With respect to this segment, segment profit improved significantly by 110% to 73 billion yen from 35 billion yen a year ago. This increase in profit was due mainly to strong sales and streamlining efforts, which offset the impact of the yen appreciation and rising material costs.

Sales of Components and Devices decreased 1% to 926 billion yen, from the previous year's 931 billion yen.

Despite steady sales of general components, this result was due mainly to declines in sales of batteries and semiconductors.

With respect to this segment, segment profit decreased by 10% to 33 billion yen from 37 billion yen a year ago due mainly to falling sales, despite streamlining efforts.

Sales in the SANYO segment amounted to 1,562 billion yen. Within this segment, sales of solar photovoltaic systems, in-car-related equipment and cold-chain equipments were favorable, while sales of digital cameras and rechargeable batteries were sluggish due to price declines on the back of strong competition.

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With respect to this segment, segment loss was 8 billion yen, after incurring expenses such as amortization of intangible assets recorded at acquisition.

Sales in the Other segment significantly increased 18% to 1,198 billion yen from 1,012 billion yen a year ago, due mainly to strong sales in factory automation equipment.

With respect to this segment, segment profit also improved 168% to 53 billion yen from 20 billion due mainly to sales increase.

(12) Sales Results by Region

Sales results by region for fiscal 2011, as compared with the previous fiscal year, were as follows:

	Yen (billions)		Percent change
	2011	2010	
Domestic Sales:	4,514	3,994	13%
Overseas Sales:			
North and South America	1,071	918	17
Europe	857	771	11
Asia and Others	2,251	1,735	30
Subtotal	4,179	3,424	22
Total	8,693	7,418	17%

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

Sales in the domestic market amounted to 4,514 billion yen, up 13% from 3,994 billion yen in fiscal 2010. A last minute rush before the revision of the eco-point system, the Japanese government's economic stimulus program pushed sales up. As a result, sales in Japanese consumer products achieved record highs.

Overseas sales amounted to 4,179 billion yen, up 22% from 3,424 billion yen in the previous fiscal year. Strong sales in PEW's products, FA equipment and air conditioners in Asia and China, contributed to the overall sales increases.

By region, sales in the Americas amounted to 1,071 billion yen, up 17% from 918 billion yen in fiscal 2010. This was due mainly to sales increases in automotive electronics, general electric components and batteries.

Sales in Europe amounted to 857 billion yen, up 11% from the previous year's 771 billion yen. This was due mainly to sales increases of home appliances such as air conditioners.

In the Asia and Others, sales increased 30% to 2,251 billion yen, from the previous year's 1,735 billion yen. In Asia, this was due mainly to strong sales in PEW's products, FA equipment and air conditioners.

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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, the Company 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, the Company 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, the Company 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, the Company developed its unique products with the following concepts as a cornerstone: super link, super energy saving and thorough universal design. Besides this, the Company globally developed its home appliances business, including launching refrigerators and drum-type washing machines in Europe; targeting emerging markets through local-oriented manufacturing; commercializing full high-definition (HD) 3D TVs that are expected to open a new era in television; and strengthening global systems and equipment businesses. These actions drove the Panasonic Group to new growth.

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

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

(3) Interest Income, Dividends Received and Other Income

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

(4) Interest Expense and Other Deductions

Interest expense increased 33% to 26 billion yen. In other deductions, the Company 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 the Company 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.

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(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, the Company recorded a net loss attributable to Panasonic Corporation of 103 billion yen for fiscal 2010, an improvement of 276 billion yen from the previous year's net loss attributable to Panasonic Corporation of 379 billion yen.

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

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

	Yen (billions)		
	2010	2009	Percent change
Sales:			
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)	
Total	7,418	7,766	(4)%
Segment profit (loss):			
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)	
	<u> </u>	<u> </u>	<u> </u>
Total	190	73	161%
	<u> </u>	<u> </u>	<u> </u>

- * SANYO and its subsidiaries became Panasonic's consolidated subsidiaries in December 2009, and are disclosed as the SANYO segment. The operating results of SANYO and its subsidiaries after January 2010 are included in the Company's financial statements.
- * Panasonic restructured the motor business on April 1, 2010. As a result of restructuring, the motor business was transferred from Components and Devices to Home Appliances. Accordingly, the prior figures for Home Appliances, and Components and Devices in fiscal 2010 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.

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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.

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 the 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:

	<u>Yen (billions)</u>		<u>Percent change</u>
	<u>2010</u>	<u>2009</u>	
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
	<u> </u>	<u> </u>	<u> </u>
Subtotal	3,424	3,684	(7)
	<u> </u>	<u> </u>	<u> </u>
Total	7,418	7,766	(4)%
	<u> </u>	<u> </u>	<u> </u>

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

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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.

In the Asia and Others, 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.

B. 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, Panasonic issued unsecured straight bonds with a principal amount of 500 billion yen in March 2011 as a part of efforts to stabilize its financial position through the repayment of short-term interest-bearing liabilities. SANYO redeemed unsecured straight bonds totaling 20 billion yen issued in June 2003, which fell due in June 2010. The ratio of shareholders' equity to total assets as of March 31, 2011 was 32.7%, down from 33.4% as of March 31, 2010. The total of short-term borrowings and long-term debt

amounted to 1,595 billion yen as of March 31, 2011, up by 267 billion yen from a year ago. Cash balance decreased to 1,045 billion yen (the total of cash and cash equivalents of 975 billion yen, and time deposits with a maturity of more than three months of 70 billion yen) as of March 31, 2011, compared with the previous year's 1,202 billion yen (the total of cash and cash equivalents of 1,110 billion yen, and time deposits of 92 billion yen) as of March 31, 2010.

Regarding future cash requirements, Panasonic will work on cost reduction with efficient productivity and operating sites reorganization, in addition to cash generation to improve net cash positive in fiscal 2013 primarily through inventory reduction activities.

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 March 31, 2011, Panasonic's debt ratings are: Moody's: A1 (long-term, outlook: stable) 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: negative), A-1 (short-term); and R&I: AA (long-term, outlook: stable), 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.

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As of March 31, 2011, the outstanding balance of short-term borrowings totaled 433 billion yen, and long-term debt was 1,162 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 *Overview* *Key performance indicators* in Section A of this Item 5) as an important indicator to evaluate its performance.

Regarding the use of financial instruments for hedging purposes, see Item 11.

Fiscal 2011 Financial Position and Liquidity

The Company's consolidated total assets as of the end of fiscal 2011 decreased to 7,823 billion yen, as compared with 8,358 billion yen as of the end of the last fiscal year. This was due mainly to appreciation of the yen and a decrease in investments and advances affected by decreases in the market value of investments, in addition to falls in cash and cash equivalents and account receivables.

The Company's consolidated total liabilities as of March 31, 2011 increased to 4,877 billion yen, as compared with 4,678 billion yen as of the end of the last fiscal year. (For further details, see Note 9 of the Notes to Consolidated Financial Statements.)

Panasonic Corporation shareholders' equity as of March 31, 2011 decreased to 2,559 billion yen, as compared with the previous year's 2,792 billion yen. This was mainly due to deterioration in accumulated other comprehensive income (loss) influenced by appreciation of the yen and a decrease in capital surplus owing to acquisition of noncontrolling interests of the Company's subsidiaries.

Noncontrolling interests decreased by 500 billion yen, to 387 billion yen due mainly to the tender offer, for shares of PEW and shares of SANYO, which were completed in October 2010.

	Yen (billions)	
	Fiscal year ended March 31,	
	2011	2010
Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows	421	376
Effects of timing difference between acquisition dates and payment dates	(17)	9
Capital investment	404	385

Capital investment (excluding intangibles) during fiscal 2011 totaled 404 billion yen, up 4.7% from the previous fiscal year's total of 385 billion yen, as shown in the above table. Panasonic primarily implemented capital investment to increase production capacity in strategic business areas such as flat-panel TVs and batteries. Principal capital investments consisted of the panel production facilities of Panasonic Liquid Crystal Display Co., Ltd, in Himeji City, Hyogo Prefecture; and the solar cell and rechargeable battery production facilities of SANYO.

Depreciation (excluding intangibles) during fiscal 2011 amounted to 284 billion yen, up 13% compared with 252 billion yen in the previous fiscal year, due mainly to the inclusion of SANYO.

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Net cash provided by operating activities in fiscal 2011 amounted to 469 billion yen, compared with 522 billion yen in the previous fiscal year. This result was due mainly to a decrease in trade payables, accrued expenses and other current liabilities as well as an increase in inventories, despite an increase in net income and a decrease in trade receivables. Net cash used in investing activities amounted to 203 billion yen, compared with 323 billion yen in fiscal 2010. This result was due primarily to an outflow to purchase of SANYO shares in previous year despite a decrease in capital expenditures for tangible fixed assets. Net cash used in financing activities was 355 billion yen, compared with 57 billion yen in fiscal 2010. This result was due mainly to expenditures on purchasing of noncontrolling interests through the tender offers for PEW and SANYO and repayments of long-term debt. This was despite the issuance of unsecured straight bonds of 500 billion yen.

Free cash flow in fiscal 2011 amounted to 266 billion yen, compared with 199 billion yen in fiscal 2010, due primarily to an outflow to purchase SANYO shares in the previous year, and despite a decrease in net cash provided by operating activities mainly through an increase in inventories. (For a reconciliation of free cash flow to the most directly comparable U.S. GAAP financial measure and related discussion, see [Overview](#) [Key performance indicators](#) in Section A of this Item 5.)

Commitments for Capital Expenditures

As of March 31, 2011, commitments outstanding for the purchase of property, plant and equipment amounted to 35 billion yen.

C. Research and Development

In addition to conducting mainstay product R&D, Panasonic stepped up its development of environment- and energy-related technologies in new growth business fields in fiscal 2011. The Company was particularly active in pursuing energy solution-related themes encompassing energy generation, storage and management. Moreover, the Innovation Promotion Center collaborated closely with related divisions within the Panasonic Group working diligently to increase the pace of new business creation.

R&D Expenditures amounted to 528 billion yen, 477 billion yen and 518 billion yen for the three fiscal years ended March 31, 2011, 2010 and 2009, respectively, representing 6.1%, 6.4% and 6.7% 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 LCD TVs that Boast the Industry's Fastest**Scanning Speed to Deliver High Picture Quality

Reproducing full HD 3D images requires a display that can process massive volumes of information at over twice the speed of regular 2D image displays. This is because full HD images need to be displayed alternatively to the left and right eyes to create the 3D experience.

To tackle these challenges, Panasonic newly developed Advanced Pre-Charged Driving technology that achieves the fastest scanning rate in the industry of 2 ms. Moreover, the Company succeeded in thinning the liquid crystal layer while using a newly developed high-fluidity liquid crystal material. These initiatives helped in halving**² response times.

Drawing on the fruits of its R&D activities, Panasonic has accordingly developed an IPS Alpha LCD panel to complement its lineup of PDPs. Both products minimize overlap of left and right images to produce natural 3D images with minimal crosstalk (double imaging).

(2) World's First**Room Air Conditioner to Effectively Utilize Stored Exhaust Heat as Heating Energy

Utilizing its Ene Charge System to store exhaust heat released in the air by existing outdoor equipment in the newly developed heat storage unit, Panasonic has:

- 1) enabled the use of this stored exhaust heat to maintain the temperature of hot air expended at the time of next room air conditioner use at approximately 50° C**⁴
- 2) achieved non-stop heating**⁵ that facilitates the continuous blowing out of hot air during defrosting operations to remove frost from the outdoor heat exchanger

In addition to preventing the consumption of excess electricity, these advances help improve comfort levels for users during heating.

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(3) Solar Cells with the World's Highest⁶*Cell Conversion Efficiency of 21.6%

By optimizing the HIT joint region, the Company has successfully raised cell conversion efficiency by 0.5%. At the same time, steps have been taken to design thinner tabs connecting each cell and to increase the number of tabs from two to three. Not only has this helped in reducing electricity loss but it has also enlarged the effective area to capture more sunlight.

These new developments have made it possible to generate a greater amount of electricity in areas with limited space, such as on the roof of a house, etc.

(4) The Industry's First⁷*Integrated System for the Control of Lighting, Freezer and Refrigeration Equipment Environments

To date, the efficient control of store lighting, showcases and freezers at supermarkets, convenience and related outlets has been undertaken on an individual item basis. This has raised repeated calls for increased efficiency.

In response to these calls, Panasonic newly developed energy-saving solution technologies that cover the entire store. These technologies help automatically control store and showcase lighting, adjusting for external light and the time of day, as well as showcase temperatures.

The Company's integrated control system has helped reduce electricity consumption for store-wide lighting, freezer and refrigeration equipment including showcases, as well as air conditioning, by approximately 20%.

(Notes)

- *1. The time required to scan one frame of 3D video on an LCD TV. As of January 6, 2011; Source: Panasonic
- *2. Compared with the Company's existing panel.
- *3. For home-use room air conditioner systems that achieve non-stop heating using the stored exhaust heat from compressors; Source: Panasonic
- *4. Temperature at the air outlet and the time required to start blowing hot air vary depending on the usage environment and operating conditions.

- *5. In instances where the volume of frost is substantial, or in situations where operations continue for 24 hours or longer, during which the filter cleaning robot is operating, heating is stopped.
- *6. As of December 3, 2010; Source: Panasonic. Calculated from module output and the total area of cells.
- *7. As of September 29, 2010.

D. Trend Information

Despite concerns surrounding the considerable impact of wide-ranging damage caused by the Great East Japan Earthquake, when looking at the global economy as a whole in fiscal 2012, Panasonic anticipates emerging countries will continue to experience high rates of growth while Europe and the United States witnesses moderate expansion.

Under these circumstances, Panasonic will continue to support areas affected by the earthquake while at the same time resolving supply chain issues as quickly as possible, accelerating restoration of business, and taking all necessary steps to address the risks that lie ahead. Through its core business activities, Panasonic will contribute actively to reconstruction efforts by promoting the increased use of such energy-saving products as LED lighting and other solutions that combine the need for energy creation, energy storage and energy management.

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In addition, Panasonic will reorganize its entire Group structure in fiscal 2012, including PEW and SANYO, which became wholly-owned subsidiaries of Panasonic. In significantly reforming the Group's overall operations, Panasonic expects to commence activities under a new business structure in January 2012 and work diligently to accelerate its growth strategy.

The basic concepts of its reorganization are: 1) to maximize value creation by strengthening points of contact and relationships with customers, 2) to realize a management structure that is distinguished by its speed and agility, and 3) to accelerate the activities of growth businesses by promoting a dramatic shift in resources. Guided by these concepts, Panasonic will focus on the following three business sectors on an individual business model basis.

- 1) Consumer business sector consists of two business domain companies, AVC Networks and Heating/Refrigeration/Air Conditioning & Home Appliances, and a marketing division called Global Consumer Marketing.
- 2) Components & Devices business sector includes three business domain companies: Automotive Systems, Components & Devices and Energy Devices.
- 3) Solution business sector consists of four business domain companies: Systems & Communications, Environment & Energy Solutions, Healthcare & Medical Solutions and Factory Solutions.

Under an organizational structure that comprises these nine domain companies and one division, Panasonic will pursue its growth strategy to stay competitive in global markets.

Regarding the head office function, Panasonic expects to integrate the head offices of the Company, PEW and SANYO, and six corporate regional management divisions into the Global and Group head office. In this manner, Panasonic expects to pursue lean, speedy and global operations. The Company also expects to reorganize functional divisions in its efforts to ensure optimal globalization. As a part of this endeavor, the headquarters of manufacturing-related functions including procurement and logistics are expected to be moved to Asia thereby enhancing global manufacturing capabilities.

Excluding certain regions and products, Panasonic plans to unify its corporate brands under the single Panasonic. Many of the sub-brand, product, and technology names will be used when considered necessary, taking into account of the Group's overall strategy.

In line with its growth strategy, Panasonic will engage in activities that follow two core themes, act decisively and change in fiscal 2012.

In acting decisively, Panasonic will direct its energies toward two key fields:

1) Emerging countries:

Panasonic aims to achieve sales of 615 billion yen in BRICs + V and MINTS + B. Especially in India, the Company will strive to increase sales through business development tailored to local markets. In this context, Panasonic will engage in a variety of activities aimed at expanding product line-ups, strengthening marketing capabilities, and establishing showrooms for BtoB products.

2) Growing areas:

Panasonic will accelerate market development in growth areas, focusing particularly on environment- and energy-related businesses in and outside Japan. With regards to its solar business, the Company will channel its attention toward supply during the period of domestic recovery after the earthquake, while expanding new business models in Europe and the U.S. Panasonic will also expand the device and component businesses for smart phones.

To change, Panasonic will accelerate transformation by integrating its Group-wide innovation to the new Corporate Division for Group Management Innovation.

For example, Panasonic will ensure product development which focuses more on essentials while eliminating non-essentials based on its lifestyle research under the V-Products Subcommittee. In consumer electronics, the Company will endeavor to secure sales of competitive V-products in excess of 1 trillion yen, with an overseas ratio of more than 60% in fiscal 2013. Panasonic will also strengthen energy-saving and recycling-oriented products under the Environmental Innovation Subcommittee and aim to achieve a reduction in CO₂ emissions from products on a scale equivalent to 48.3 million tons in fiscal 2013.

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To reorganize its management structure, the Company will aim to reduce fixed costs while generating cash under the Management Strengthening Subcommittee. The goals are to lower its break-even point by 4% in the next two years and secure a positive net cash position in fiscal 2013.

Although it is difficult to avoid the negative impact of the earthquake during the first half of fiscal 2012, Panasonic will nevertheless try to offset the impact by increasing sales in the global market and contributing to the reconstruction efforts for the entire nation. For fiscal 2013, the Company originally set targets for sales and the operating profit to sales ratio of 10.0 trillion yen and more than 5%, respectively, under its GT12 midterm management plan. Panasonic has subsequently revised its sales target to 9.4 trillion yen. This mainly reflects appreciation in the value of the yen and decisions made under the Transformation Project, which Panasonic implemented after formulating GT12. Panasonic will on the other hand continue to aim for an operating profit to sales ratio of more than 5% with operating profit of 500 billion yen, consistent with its original target.

Moving forward, Panasonic recognizes that by realizing its 100th anniversary vision of becoming the No.1 Green Innovation Company in the Electronics Industry, the Company will be better placed to help build a sustainable society and contribute directly to reconstruction efforts following the earthquake. In steadfastly implementing its growth strategy, Panasonic will fulfill the expectations of society.

The discussion above includes forward-looking statements based on management's assumptions and beliefs as to the factors set forth above, as to market and industry conditions and as to our performance under those conditions, and are subject to the qualifications set forth in Cautionary Statement Regarding Forward-Looking Statements and the risks identified under Risk Factors in Item 3.D. Our actual results could vary significantly from the targets and other forward-looking numerical information set forth above.

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E. Off-Balance Sheet Arrangements

The Company 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 2011, Panasonic sold machinery and equipment for 127 billion yen, which are used for manufacturing liquid crystal display panel and other products, 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 237 billion yen at March 31, 2011. (For further details, see Note 6 of the Notes to Consolidated Financial Statements.)

In fiscal 2011, Panasonic sold, without recourse, trade receivables of 554 billion yen to independent third parties for proceeds of 553 billion yen and, with recourse, trade receivables of 402 billion yen to independent third parties for proceeds of 402 billion yen. (For further details, see Note 16 of the Notes to Consolidated Financial Statements.)

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

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F. 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, 2011:

	Yen (millions)				
	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual Obligations:					
Long-Term Debt Obligations	1,425,681	339,710	473,457	331,155	281,359
Interest Obligations	57,507	14,623	21,280	12,243	9,361
Capital Lease Obligations	110,177	33,861	33,613	18,920	23,783
Operating Lease Obligations	236,534	83,129	111,203	27,149	15,053
Purchase Obligations	119,119	46,120	21,542	18,674	32,783
Defined benefit plan contribution	85,724	85,724			
Total Contractual Cash Obligations	2,034,742	603,167	661,095	408,141	362,339

Note : Contingent payments related to uncertain tax positions of 15 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.

	Yen (millions)
	Total Amounts Committed
Other Commercial Commitments:	
Guarantees	24,610
Total Commercial Commitments	24,610

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.)

G. Safe Harbor

See Cautionary Statement Regarding Forward-Looking Statements.

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H. Accounting Principles

Critical Accounting Policies

The Company 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 annual report and reflect the estimated period that the Company expects to derive economic benefit from their use. In estimating the useful lives and determining whether subsequent revisions to the useful lives are necessary, the Company 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 the Company'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 the Company's restructuring initiatives, technological changes or any significant declines in the demand for related products.

Valuation of Investment Securities

The Company holds available-for-sale securities, equity method securities and cost method securities, included in short-term investments, and investments and advances. Available-for-sale securities are carried at fair value with

unrealized holding gains and losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Individual securities are reduced to net realizable value by a charge to earnings for other-than-temporary declines in fair value. Management regularly reviews each investment security for impairment based on criteria that includes the extent to which cost exceeds market value, the duration of that market decline and the financial health of and specific prospects for the issuer. Because such specific information may become available after the Company makes the impairment evaluation, and whether the impairment is other-than-temporary depends upon future events that may or may not occur, the Company 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, 2011, the Company has recorded 317 billion yen of available-for-sale securities, 28 billion yen of cost method securities, 39 billion yen of equity method securities that have market values, and 186 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 2011, the Company recorded 28 billion yen impairment losses on investment securities.

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

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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. The Company 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, the Company considers the age of the inventories and the likelihood of spoilage or changes in market demand for its inventories.

Warranties

The Company makes estimates of potential warranty claims related to its goods sold. The Company 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

The Company 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, the Company considers the age of the balance, the customers' payment history, their current credit-worthiness and adequacy of collateral.

The Company 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 the Company 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 Item 18.)

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, 2011, the Company has recorded 925 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 annual report.

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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, 2011, the Company has recorded gross deferred tax assets of 1,600 billion yen with a total valuation allowance of 990 billion yen. Included in the gross deferred tax assets is 653 billion yen resulting from net operating loss carryforwards (NOLs) of 1,755 billion yen, which are available to offset future taxable income. In order to fully realize these NOLs, the Company will need to generate sufficient taxable income by the expiration of these NOLs. These NOLs of 1,628 billion yen expire from fiscal 2012 through 2018 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 the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2011 based on available evidence. The Company could be required to increase the valuation allowance if such assumptions would change concluding that the Company would not be able to generate sufficient taxable income. At March 31, 2011, the Company has recorded 15 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 annual report.

Retirement and Severance Benefits

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

The Company determines discount rates by looking to rates of return on high-quality fixed income investments, and the expected long-term rate of return on pension plan assets by considering the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. Decreases in discount rates lead to increases in benefit obligations which, in turn, could lead to an increase in amortization cost through amortization of actuarial gain or loss, and vice versa. A decrease of 50 basis points in the discount rate is expected to increase the projected benefit obligation by approximately 7 percent. A decline in market stock values generally results in a lower expected rate of return on plan assets, which would result in an increase of future retirement and severance benefit costs.

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Accounting for Derivatives

The Company has limited involvement with derivative financial instruments and does not use them for trading purposes. The Company uses derivative instruments principally to manage foreign currency risks resulting from transactions denominated in currencies other than the Japanese yen. The Company 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. The Company 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, the Company discontinues hedge accounting prospectively. Because the derivatives the Company 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.

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New Accounting Pronouncements

In October 2009, FASB issued ASU 2009-13, *Multiple-Deliverable Revenue Arrangements*. ASU 2009-13 amends ASC 605, *Revenue Recognition* 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 the Company's revenue arrangements entered into or materially modified beginning on or after April 1, 2011. The adoption of ASU 2009-13 is not expected to have a material effect on the Company's consolidated financial statements.

In December 2010, FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. ASU 2010-28, which amends ASC 350,

Intangibles Goodwill and Other, modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. ASU 2010-28 is effective for the Company as of April 1, 2011. The adoption of ASU 2010-28 is not expected to have a material effect on the Company's consolidated financial statements.

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The Articles of Incorporation of the Company provide that the number of Directors of the Company shall be three or more and that of Corporate Auditors shall be three or more. Directors and Corporate Auditors shall be elected at the general meeting of shareholders.

The Board of Directors has ultimate responsibility for administration of the Company's affairs and monitoring of the execution of business by Directors. Directors may, by resolution of the Board of Directors, appoint a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, a President and Director, and one or more Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors. The Chairman of the Board of Directors, Vice Chairman of the Board of Directors, President and Director, Executive Vice Presidents and Directors, and Senior Managing Directors are Representative Directors and severally represent the Company. A Japanese joint stock corporation with corporate auditors, such as Panasonic, is not obliged under the Company Law of Japan and related laws and ordinances (collectively, the Company Law), to have any outside directors on its board of directors. However, Panasonic has two (2) outside Directors. An outside director is defined as a director of the company who does not engage or has not engaged in the execution of business of the company or its subsidiaries as a director of any of these corporations, and who does not serve or has not served as an executive officer, manager or in any other capacity as an employee of the company or its subsidiaries. Outside Directors directly or indirectly cooperate with the internal audit, audit by Corporate Auditors and external audit, receive reports from the Internal Auditing Group and conduct an effective monitoring through reports on financial results at meetings of the Board of Directors and through reviews of the basic policy regarding the development of internal control systems and other methods. The term of office of Directors shall, under the Articles of Incorporation of the Company, expire at the conclusion of the ordinary general meeting of shareholders with respect to the last business year ending within one year from their election.

Corporate Auditors of the Company are not required to be, and are not, certified public accountants. Corporate Auditors may not at the same time be Directors, accounting counselors, executive officers, managers or any other capacity as employees of the Company or any of its subsidiaries. Under the Company Law, at least half of the Corporate Auditors shall be outside corporate auditors. An outside corporate auditor is defined as a corporate auditor of the company who has never been a director, accounting counselor, executive officer, manager or in any other capacity as an employee of the company or any of its subsidiaries. Outside Corporate Auditors directly or indirectly cooperate with the internal audit, audit by Corporate Auditors and accounting audit, receive reports from the Internal Auditing Group and conduct an effective monitoring through reports on financial results at meetings of the Board of Directors, through reviews of the basic policy regarding the development of internal control systems and through exchanges of opinions and information at meetings of the Board of Corporate Auditors and other methods. Each Corporate Auditor has the statutory duty to audit the non-consolidated and consolidated financial statements and

business reports to be submitted by a Director to the general meeting of shareholders and, based on such audit and a report of an Accounting Auditor referred to below, to respectively prepare his or her audit report. Each Corporate Auditor also has the statutory duty to supervise Directors' execution of their duties. The Corporate Auditors are required to attend meetings of the Board of Directors and express opinions, if necessary, at such meetings, but they are not entitled to vote. In addition, Corporate Auditors receive monthly reports regarding the status of the internal control system, the audit results, etc. from the Internal Audit Group or from other sections. Corporate Auditors may request the Internal Audit Group or the Accounting Auditor to conduct an investigation, if necessary. The terms of office shall expire at the conclusion of the ordinary general meeting of shareholders with respect to the last business year ending within four years from their election. However, they may serve any number of consecutive terms if re-elected.

Corporate Auditors constitute the Board of Corporate Auditors. The Board of Corporate Auditors has a statutory duty to, based on the reports prepared by respective Corporate Auditors, prepare and submit its audit report to Accounting Auditors and certain Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements and the business report). A Corporate Auditor may note his or her opinion in the audit report if his or her opinion expressed in his or her audit report is different from the opinion expressed in the audit report of the Board of Corporate Auditors. The Board of Corporate Auditors shall elect one or more full-time Corporate Auditors from among its members. The Board of Corporate Auditors is empowered to establish auditing policies, the manner of investigation of the status of the corporate affairs and assets of the Company, and any other matters relating to the execution of the duties of Corporate Auditors. However, the Board of Corporate Auditors may not prevent each Corporate Auditor from exercising his or her powers.

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Pursuant to amendments to the regulations of the Japanese stock exchanges in fiscal 2010, the Company is required to have one or more independent director(s)/corporate auditor(s) which terms are defined under the relevant regulations of the Japanese stock exchanges as outside directors or outside corporate auditors (each of which terms is defined under the Company Law) who are unlikely to have any conflict of interests with shareholders of the Company. All five (5) outside directors and corporate auditors satisfy the requirements for the independent director/corporate auditor under the regulations of the Japanese stock exchanges, respectively. The definition of the independent director/corporate auditor is different from that of the independent directors under the corporate governance standard of the New York Stock Exchange or under Rule 10A-3 under the U.S. Securities Exchange Act of 1934.

In addition to Corporate Auditors, an independent certified public accountant or an independent audit corporation must be appointed by general meetings of shareholders as Accounting Auditor of the Company. Such Accounting Auditor has the duties to audit the consolidated and non-consolidated financial statements proposed to be submitted by a Director at general meetings of shareholders and to report their opinion thereon to certain Corporate Auditors designated by the Board of Corporate Auditors to receive such report (if such Corporate Auditors are not designated, all Corporate Auditors) and certain Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements). The consolidated financial statement is prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and financial information on a non-consolidated (a parent company alone) basis is in conformity with Japanese regulations.

Under the Company Law and the Articles of Incorporation of the Company, the Company may, by a resolution of the Board of Directors, exempt Directors or Corporate Auditors, acting in good faith and without significant negligence, from their liabilities owed to the Company arising in connection with their failure to perform their duties to the extent permitted by the Company Law. In addition, the Company has entered into liability limitation agreements with each of the outside Directors and outside Corporate Auditors, acting in good faith and without significant negligence, which limit the maximum amount of their liabilities owed to the Company arising in connection with their failure to perform their duties to the extent permitted by the Company Law.

The Company implemented in fiscal 2004 a reform of its corporate management and governance structure by (i) reorganizing the role of the Board of Directors, (ii) introducing Panasonic's own Executive Officer system* in its Group and (iii) strengthening its Corporate Auditor system, all tailored to the Group's new business domain-based, autonomous management structure.

Panasonic's Executive Officer system was introduced to address the diversity of business operations over the entire Group through delegation of authority and to help integrate the comprehensive strengths of all Group companies in Japan and overseas. The Board of Directors appoints Executive Officers mainly from senior management personnel of

business domain companies, such as internal divisional companies and subsidiaries, as well as from management personnel responsible for overseas subsidiaries and certain senior corporate staff. The Executive Officers assume responsibility as the Group's executives regarding execution of business. The Executive Officers may be given such titles as Vice President Executive Officer, Senior Managing Executive Officer, Managing Executive Officer and Executive Officer, depending on the extent of responsibility and achievement of each individual. The terms of office of the Executive Officers shall expire at the conclusion of the ordinary general meeting of shareholders with respect to the last business year of the Company ending within one year from their election. Each of the Executive Officers has the authority to operate businesses for which such Executive Officer is responsible, under the supervision of the Board of Directors and in accordance with the Board of Directors' decisions on the management of corporate affairs.

The Board of Directors has, at the same time, been reformed in order to concentrate on establishing corporate strategies and supervising the implementation thereof by the Executive Officers. The Company has limited the number of Directors to facilitate more effective decision-making, and shortened their term of office to one year in order to clarify their responsibilities. Taking into consideration the diversified scope of the Company's business operations, the Company has chosen to continue its policy of having management personnel, who are well-versed in day-to-day operations at operational fronts, be members of the Board of Directors, while outside Directors continue to fully participate in Board meetings.

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Meanwhile, the non-statutory full-time senior auditors were newly appointed within the Company's internal divisional companies in order to strengthen auditing functions at each business domain company. In addition, the Company has also launched the Panasonic Group Auditor Meeting chaired by the Senior Corporate Auditors of the Company in order to promote collaboration among the Company's Corporate Auditors, the non-statutory full-time senior auditors of the internal divisional companies and the corporate auditors of the Company's subsidiaries and affiliates. Moreover, as a part of their audit duties, Corporate Auditors maintain a close working relationship with the Internal Audit Group of the Company to ensure effective audits. Furthermore, in order to enhance the effectiveness of audits conducted by Corporate Auditors and ensure the smooth implementation of audits, the Company has established a Corporate Auditor's Office with full-time staff under the direct control of the Board of Corporate Auditors.

* Panasonic's Executive Officer (*Yakuin*) system is a non-statutory system and different from the corporate executive officer (*Shikkoyaku*) system that Japanese corporations with board of directors and an accounting auditor may adopt at their option under the statutory corporate governance system referred to as joint stock corporation with specified committees system stipulated in the Company Law.

The following table shows information about Panasonic's Directors and Corporate Auditors as of June 24, 2011, including their dates of birth, positions, responsibilities and brief personal records.

Name (Date of birth)	Position and responsibilities in the Company, and brief personal records
Kunio Nakamura (Jul. 5, 1939)	<u>Chairman of the Board of Directors</u> -Jun. 1993 Director of the Company; -Jun. 1996 Managing Director of the Company; -Jun. 1997 Senior Managing Director of the Company; -Jun. 2000 President of the Company; -Jun. 2006 Chairman of the Board of Directors.
Masayuki Matsushita (Oct. 16, 1945)	<u>Vice Chairman of the Board of Directors</u> -Feb. 1986 Director of the Company; -Jun. 1990 Managing Director of the Company; -Jun. 1992 Senior Managing Director of the Company; -Jun. 1996 Executive Vice President of the Company; -Jun. 2000 Vice Chairman of the Board of Directors.
Fumio Ohtsubo (Sep. 5, 1945)	<u>President and Director</u> -Jun. 1998 Director of the Company; -Jun. 2000 Managing Director of the Company; -Jun. 2003 Senior Managing Director of the Company;

-Jun. 2006 President of the Company.

Toshihiro Sakamoto*

Executive Vice President and Director

(Oct. 27, 1946)

-Jun. 2000 Director of the Company;
 -Jun. 2004 Managing Director of the Company;
 -Apr. 2006 Senior Managing Director of the Company;
 -Apr. 2009 Executive Vice President of the Company / in charge of Domestic Consumer Marketing and Design;
 -Apr. 2010 In charge of Domestic Customer Satisfaction.

Takahiro Mori

Executive Vice President and Director

(Jun. 16, 1947)

-Jun. 2003 Executive Officer of the Company;
 -Jun. 2005 Managing Director of the Company;
 -Apr. 2006 In charge of Corporate Planning;
 -Apr. 2008 Senior Managing Director of the Company;
 -Apr. 2009 Executive Vice President of the Company / in charge of Corporate Division for Promoting System & Equipment Business, and Electrical Supplies Sales, Project Sales and Building Products Sales.

Yasuo Katsura

Executive Vice President and Director

(Sep. 19, 1947)

-Jun. 2003 Executive Officer of the Company;
 -Jun. 2004 Managing Executive Officer of the Company;
 -Jun. 2007 Managing Director of the Company;
 -Apr. 2009 Senior Managing Director of the Company / Representative in Tokyo;
 -Apr. 2010 Executive Vice President of the Company.

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Name (Date of birth)	Position and responsibilities in the Company, and brief personal records
Ken Morita* (Oct. 24, 1948)	<u>Senior Managing Director</u> -Jun. 2005 Executive Officer of the Company; -Apr. 2007 Managing Executive Officer of the Company; -Apr. 2009 Senior Managing Executive Officer of the Company; -Jun. 2009 Senior Managing Director of the Company; -Apr. 2011 In charge of Manufacturing Innovation, Facility Management, Quality Administration, FF Customer Support & Management and Environmental Affairs.
Ikusaburo Kashima* (Oct. 8, 1948)	<u>Senior Managing Director</u> -Jun. 2003 Vice Chairman, Information Technology Promotion Agency; -Jun. 2005 Director of the Company; -Apr. 2007 Managing Director of the Company / in charge of Legal Affairs, and Corporate Business Ethics; -Apr. 2009 In charge of Intellectual Property; -Apr. 2010 Senior Managing Director of the Company; -Apr. 2011 In charge of Corporate Risk Management and Corporate Information Security.
Yoshihiko Yamada* (May 11, 1951)	<u>Senior Managing Director</u> -Jun. 2004 Executive Officer of the Company; -Apr. 2007 Managing Executive Officer of the Company; -Apr. 2010 In charge of Industrial Sales; -Jun. 2010 Managing Director of the Company; -Apr. 2011 Senior Managing Director of the Company.
Kazuhiro Tsuga* (Nov. 14, 1956)	<u>Senior Managing Director</u> -Jun. 2004 Executive Officer of the Company; -Apr. 2008 Managing Executive Officer of the Company; -Apr. 2011 Senior Managing Executive Officer of the Company / President, AVC Networks Company; -Jun. 2011 Senior Managing Director of the Company.
Yoshiiku Miyata* (Apr. 24, 1953)	<u>Senior Managing Director</u> -Apr. 2007 Executive Officer of the Company; -Apr. 2009 Managing Executive Officer of the Company; -Apr. 2011 Senior Managing Executive Officer of the Company / In charge of Overseas Operations; -Jun. 2011 Senior Managing Director of the Company.
Kazunori Takami*	<u>Managing Director</u> -Apr. 2006 Executive Officer of the Company;

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(Jun. 12, 1954) -Apr. 2008 Managing Executive Officer of the Company;
 -Apr. 2009 President, Home Appliances Company;
 -Jun. 2009 Managing Director of the Company.

Makoto Uenoyama* Managing Director
(Feb. 14, 1953) -Apr. 2006 Executive Officer of the Company;
 -Apr. 2007 In charge of Accounting and Finance;
 -Jun. 2007 Director of the Company;
 -Apr. 2010 Managing Director of the Company.

Masatoshi Harada* Managing Director
(Feb. 9, 1955) -Apr. 2008 Executive Officer of the Company;
 -Jun. 2008 Director of the Company;
 -Apr. 2010 Managing Director of the Company;
 -Apr. 2011 Representative in Kansai.

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<u>Name</u> (Date of birth)	<u>Position and responsibilities in the Company, and brief personal records</u>
Takashi Toyama* (Sep. 28, 1955)	<u>Managing Director</u> -Apr. 2007 Executive Officer of the Company; -Jan. 2010 President, Panasonic System Networks Co., Ltd.; -Jun. 2010 Director of the Company; -Apr. 2011 Managing Director of the Company / President, Systems & Communications Company.
Yoshiyuki Miyabe* (Dec. 5, 1957)	<u>Managing Director</u> -Apr. 2008 Executive Officer of the Company / In charge of Digital Network & Software Technology; -Apr. 2011 Managing Executive Officer of the Company / In charge of Technology; -Jun. 2011 Managing Director of the Company.
Yoshiaki Nakagawa* (Feb. 14, 1954)	<u>Managing Director</u> -Apr. 2009 Executive Officer of the Company; -Apr. 2011 Managing Executive Officer of the Company / In charge of Personnel and General Affairs; -Jun. 2011 Managing Director of the Company.
Ikuo Uno (Jan. 4, 1935)	<u>Director</u> -Apr. 2005 Chairman, Nippon Life Insurance Company; -Jun. 2005 Director of the Company; -Apr. 2011 Director and Executive Advisor to the Board, Nippon Life Insurance Company.
Masayuki Oku (Dec. 2, 1944)	<u>Director</u> -Jun. 2005 Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc.; -Jun. 2008 Director of the Company.
Masaharu Matsushita (Sep. 17, 1912)	<u>Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board</u> -Oct. 1947 Director of the Company; -Aug. 1949 Executive Vice President of the Company; -Jan. 1961 President of the Company; -Feb. 1977 Chairman, the Board of Directors; -Jun. 2000 Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board.
Masahiro Seyama (Jul. 18, 1949)	<u>Senior Corporate Auditor</u> -Jun. 2005 Director, Latin American operations / President, Panasonic Corporation of Latin America; -Jun. 2008 Senior Corporate Auditor of the Company.

Yoshihiro Furuta (Sep. 22, 1954)	<u>Senior Corporate Auditor</u> -Apr. 2009 Deputy Director, Corporate Division for Promoting Systems & Equipment Business of the Company; -Jun. 2011 Senior Corporate Auditor of the Company / Chairman, Panasonic Group Auditors Meeting.
Yasuo Yoshino (Oct. 5, 1939)	<u>Corporate Auditor</u> -Jul. 2001 Chairman, Sumitomo Life Insurance Company; -Jun. 2003 Corporate Auditor of the Company; -Jul. 2007 Advisory of Sumitomo Life Insurance Company.
Ikuo Hata (Aug. 6, 1931)	<u>Corporate Auditor</u> -Sep. 1995 Registered as Attorney at law (member of Osaka Bar Association); -Jul. 2001 Member of Supreme Court's Building-Related Litigation Commission; -Jun. 2004 Corporate Auditor of the Company.

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<u>Name</u> (Date of birth)	<u>Position and responsibilities in the Company, and brief personal records</u>
Hiroyuki Takahashi (Mar. 1, 1937)	<u>Corporate Auditor</u> -Oct. 2000 Executive Managing Director and Secretary-General, Japan Corporate Auditors Association; -Jun. 2006 Corporate Auditor of the Company.

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.

The following table shows information about Panasonic's Executive Officers as of June 24, 2011, including their positions and responsibilities.

<u>Name</u>	<u>Positions and responsibilities</u>
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Shusaku Nagae	Senior Managing Executive Officer In charge of Lighting Company and Panasonic Ecology Systems Co., Ltd. / President, Panasonic Electric Works Co., Ltd.
Seiichiro Sano	Senior Managing Executive Officer President, SANYO Electric Co., Ltd.
Takumi Kajisha	Managing Executive Officer In charge of Corporate Communications
Yutaka Takehana	Managing Executive Officer Director, Corporate Division for Government & Public Affairs
Toshiaki Kobayashi	Managing Executive Officer President, Panasonic Electronic Devices Co., Ltd.
Masaaki Fujita	Managing Executive Officer In charge of Global Procurement and Global Logistics
Yoshihisa Fukushima	Managing Executive Officer In charge of Intellectual Property
Hideaki Kawai	Managing Executive Officer General Manager, Corporate Planning Group

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Name	Positions and responsibilities
Laurent Abadie	Managing Executive Officer Director, Corporate Management Division for Europe / Chairman & CEO, Panasonic Europe Ltd. / Managing Director, Panasonic Marketing Europe GmbH
Yorihisa Shiokawa	Managing Executive Officer Director, Corporate Management Division for Asia and Oceania / Managing Director, Panasonic Asia Pacific Pte. Ltd.
Joseph Taylor	Executive Officer Director, Corporate Management Division for North America / Chairman & CEO, Panasonic Corporation of North America
Jun Ishii	Executive Officer President, Panasonic Consumer Marketing Co., Ltd.
Toshiro Kisaka	Executive Officer Director, Corporate Management Division for China and Northeast Asia / Chairman, Panasonic Corporation of China
Masato Tomita	Executive Officer Director, Corporate Management Division for CIS, the Middle East & Africa
Takeshi Uenoyama	Executive Officer In charge of Device Technology
Shiro Nishiguchi	Executive Officer Director, Digital AVC Products Marketing Division, Consumer Products Marketing
Yoshio Ito	Executive Officer Senior Vice President, Director, Display Devices Business Group, AVC Networks Company
Hidetoshi Osawa	Executive Officer Director, Corporate Communications Division
Mamoru Yoshida	Executive Officer Senior Vice President, Director, Display Network Products Business Group, AVC Networks Company
Tsuyoshi Nomura	Executive Officer Director, Corporate Manufacturing Innovation Division
Nobuharu Akamine	Executive Officer Senior Vice President, Systems & Communications Company / Executive Senior Vice President, Panasonic System Networks Co., Ltd.

Kuniaki Okahara

Executive Officer
Director, Corporate Engineering Quality Administration Division

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Name	Positions and responsibilities
Yukio Nakashima	Executive Officer Director, Home Appliances and Wellness Products Marketing Division, Consumer Products Marketing
Kuniaki Matsukage	Executive Officer President, Lighting Company / Senior Managing Director, Director of Lighting Manufacturing Business Unit, Panasonic Electric Works Co., Ltd.
Masato Ito	Executive Officer President, Energy Company / Senior Vice President, Company President, Energy Devices Company, SANYO Electric Co., Ltd.
Yasutomo Fukui	Executive Officer In charge of Information Systems
Katsuhiko Fujiwara	Executive Officer Senior Vice President, in charge of Air Conditioner & Cold-Chain Business, Home Appliances Company
Masahisa Shibata	Executive Officer President, Automotive Systems Company
Toshiyuki Takagi	Executive Officer Senior Vice President, Director, Network Systems Business Group, AVC Networks Company
Shiro Kitajima	Executive Officer COO, Panasonic Corporation of North America / President, Panasonic Consumer Electronics Company
Machiko Miyai	Executive Officer Director, Corporate Environmental Affairs Division

(Directors who concurrently serve as Executive Officers are not included in the above list.)

B. Compensation

The aggregate amount of remuneration, including equity compensation such as stock options, bonuses, and other financial benefits given in consideration of performance of duties (collectively, the remunerations), paid by the Company during fiscal 2011 to 18 Directors (other than Outside Directors) and 2 Corporate Auditors (other than Outside Corporate Auditors) for services in all capacities was 971 million yen and 67 million yen, respectively. The

amount of remunerations for 2 Outside Directors and 3 Outside Corporate Auditors was 28 million yen and 42 million yen, respectively, in fiscal 2011.

The amount of remunerations for Mr. Kunio Nakamura, Chairman of the Board of Director, and Mr. Fumio Ohtsubo, President and Director, was 126 million yen and 109 million yen, respectively, in fiscal 2011.

Under the Company Law, the maximum amounts of remuneration of directors and corporate auditors of Japanese joint stock corporations, except for a joint stock corporation with specified committees, must be approved at a general meeting of shareholders if the articles of incorporation of the company do not provide items about remuneration of directors and corporate auditors. Companies must also obtain the approval at a general meeting of shareholders to change such maximum amounts. Therefore, the remuneration of the directors and corporate auditors are subject to the approval of shareholders if the articles of incorporation of the company do not prescribe such items. The maximum total amounts of remunerations for Directors and Corporate Auditors of the Company are therefore determined by a resolution at a general meeting of shareholders, because the Articles of Incorporation of the Company do not provide such items, and thus remuneration of Directors and Corporate Auditors of the Company is under the oversight of shareholders. The remuneration amount for each Director is determined by the Company's Representative Directors who are delegated to do so by the Board of Directors, and the amount of remuneration for each Corporate Auditor is determined upon discussions amongst the Corporate Auditors.

The amounts of the remuneration and bonuses of Directors are linked to individual performance based on Capital Cost Management (CCM), sales and CO₂ emissions (an environmental management indicator). By implementing this new performance evaluation criteria based on shareholder interests, the Company intends to promote continuous growth and enhance profitability on a long-term basis for the Panasonic Group as a whole.

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C. Board Practices

For information on the Company's Directors and Corporate Auditors, see Section A of this Item 6.

The rights of ADR holders, including their rights relating to corporate governance practices, are governed by the Amended and Restated Deposit Agreement dated as of December 11, 2000, as amended by Amendment No.1 dated as of October 1, 2008 (incorporated by reference to the Registration Statements on Form F-6 (File Nos. 333-12694 and 333-133099) filed on October 4, 2000 and September 30, 2008, respectively).

D. Employees

The following table lists the number of full-time employees of Panasonic as of March 31, 2011, 2010 and 2009.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Employees:			
Domestic	145,512	152,853	132,144
Overseas	221,425	231,733	160,106
Total	<u>366,937</u>	<u>384,586</u>	<u>292,250</u>

Most regular Company employees in Japan, except management personnel, are members of unions that belong to the Panasonic Workers Unions. As is customary in Japan, the Company negotiates annually with the unions and revises annual wages. The annual bonuses of unionized employees are determined in consideration of the Company's performance of the previous year. The Company also renews the terms and conditions of labor contracts, other than those relating to wages and bonuses, every other year. In recent years, the Company has introduced in Japan new comprehensive employment and personnel systems to satisfy the diverse needs of employees.

Such systems include an individual performance-oriented annual salary system, a region-based employee remuneration system and an alternative payment system under which employees can receive retirement and fringe benefits up front in addition to their semiannual bonuses. During the last few years, the Company and its several subsidiaries have also implemented special early retirement programs for employees who wished to pursue careers

outside the Company. Over a quarter century, Panasonic has not experienced any major labor strikes or disputes. The Company considers its labor relations to be excellent.

E. Share Ownership

- (1) The following table lists the number of shares owned by the Directors and Corporate Auditors of the Company as of June 24, 2011. The total is 18,039,787 shares constituting 0.87% of all issued and outstanding shares of the Company's common stock, excluding its own stock.

Name	Position	Number of Panasonic Shares Owned as of June 24, 2011
Kunio Nakamura	Chairman of the Board of Directors	91,600
Masayuki Matsushita	Vice Chairman of the Board of Directors	7,924,100
Fumio Ohtsubo	President and Director	66,600
Toshihiro Sakamoto	Executive Vice President and Director	42,278
Takahiro Mori	Executive Vice President and Director	41,060
Yasuo Katsura	Executive Vice President and Director	31,716
Ken Morita	Senior Managing Director	25,250
Ikusaburo Kashima	Senior Managing Director	19,300
Yoshihiko Yamada	Senior Managing Director	25,461
Kazuhiro Tsuga	Senior Managing Director	24,800
Yoshiiku Miyata	Senior Managing Director	9,400
Kazunori Takami	Managing Director	16,900
Makoto Uenoyama	Managing Director	22,800
Masatoshi Harada	Managing Director	18,900
Takashi Toyama	Managing Director	22,800
Yoshiyuki Miyabe	Managing Director	22,000
Yoshiaki Nakagawa	Managing Director	12,057
Ikuo Uno	Director	0
Masayuki Oku	Director	1,050
Masaharu Matsushita	Honorary Chairman of the Board of Directors and Executive Advisor, Member of the Board	9,598,000
Masahiro Seyama	Senior Corporate Auditor	18,865
Yoshihiro Furuta	Senior Corporate Auditor	1,850
Yasuo Yoshino	Corporate Auditor	3,000
Ikuo Hata	Corporate Auditor	0
Hiroyuki Takahashi	Corporate Auditor	0
Total		18,039,787

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- (2) The full-time employees of the Company and its major subsidiaries in Japan are eligible to participate in the Panasonic Corporation Employee Shareholding Association, whereby participating employees contribute a portion of their salaries to the Association and the Association purchases shares of the Company's common stock on their behalf. The Company provides the subsidy in proportion to the number of points that each employee selects to exchange within certain limitations under the Cafeteria Plan, the Company's flexible benefit plan. Under the Cafeteria Plan, each employee is allotted a certain number of points based on prescribed standards, which he or she may exchange for various benefits, including the Company's subsidy for contributions to the Association, subsidies for rental housing, subsidies for asset building savings, educational assistance, hotel accommodations, etc. As of March 31, 2011, the Association owned 43,446 thousand shares of the Company's common stock constituting 2.09% of all issued and outstanding shares of the Company's common stock, excluding treasury stock.

Item 7. Major Shareholders and Related Party Transactions**A. Major Shareholders**

- (1) To the knowledge of the Company, no shareholders beneficially own more than five percent of the Company's common stock, which is the only class of stock it has issued.

The shareholders that owned more than five percent of the Company's common stock on the register of shareholders as of March 31, 2011 were The Master Trust Bank of Japan, Ltd. (trust account) and Japan Trustee Services Bank, Ltd. (trust account), which are securities processing services companies. The Company understands that these shareholders are not the beneficial owners of the Company's common stock, but the Company does not have available further information concerning such beneficial ownership by these shareholders. The ten largest shareholders of record and their share holdings as of March 31, 2011 are as follows:

<u>Name</u>	<u>Share ownership (in thousands of shares)</u>	<u>Percentage of total issued shares</u>
The Master Trust Bank of Japan, Ltd. (trust account)	116,892	5.64%
Japan Trustee Services Bank, Ltd. (trust account)	108,189	5.22
Moxley & Co.	78,609	3.79
Nippon Life Insurance Company	67,000	3.23
Sumitomo Mitsui Banking Corporation	57,024	2.75
Panasonic Employee Shareholding Association	43,446	2.09
SSBT OD05 Omnibus Account-Treaty Clients	39,700	1.91
Sumitomo Life Insurance Co.	37,408	1.80

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State Street Bank and Trust Co.	33,117	1.59
Mitsui Sumitomo Insurance Co., Ltd.	30,105	1.45

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

* Percentage of total issued shares is calculated excluding the Company's own shares (382,760,101).

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- (2) As of March 31, 2011, approximately 12.60% of the Company's common stock was owned by 150 United States shareholders, including the ADR Depositary's nominee, Moxley & Co., considered as one shareholder of record, owning approximately 3.79% of the total common stock.
- (3) Panasonic is not, directly or indirectly, owned or controlled by other corporations, by the Japanese government or any foreign government or by any natural or legal person or persons severally or jointly.
- (4) As far as is known to the Company, there is no arrangement, the operation of which may at a subsequent date result in a change in control of Panasonic.

B. Related Party Transactions

In the ordinary course of the Company's business, it has entered into transactions with certain of its related parties, but none of such transactions that were entered into during the year ended March 31, 2011 was material to the Company or to any such related party.

The Company had no loan receivable from an associated company under the equity method as of March 31, 2011.

C. Interests of Experts and Counsel

Not applicable

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

- (1) Consolidated Statements

Refer to Consolidated Financial Statements and Notes to Consolidated Financial Statements (see Item 18).

Finished goods and materials sent out of Japan are mainly bound for consolidated subsidiaries of the Panasonic Group, and are not, therefore, recorded as exports on a consolidated basis. For this reason, the proportion of exports to total net sales is not significant.

(2) Legal Proceedings

There are some legal actions and administrative investigations against Panasonic. Management is of the opinion that damages, based on the information currently available, if any, resulting from these actions will not have a material effect on Panasonic's results of operations or financial position.

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(3) Dividend Policy

Since its establishment, Panasonic has managed its businesses under the concept that returning profits to shareholders is one of its most important policies. The Company has implemented a proactive and comprehensive profit return to shareholders through dividend payments and own share repurchases, upon careful consideration of its consolidated business performance.

From the perspective of return on the capital investment made by shareholders, Panasonic, in principle, distributes profits to shareholders based on its business performance and is aiming for stable and continuous growth in dividends, targeting a dividend payout ratio of between 30% and 40% with respect to consolidated net income attributable to Panasonic Corporation. Regarding share buybacks, the Company is repurchasing its own shares as it considers appropriate, taking comprehensively into consideration strategic investments and the Company's financial condition, with the aim of increasing shareholder value per share and return on capital.

In fiscal 2011 for the first year of the three year midterm management plan called Green Transformation 2012 (GT12), the Company returned to profitability and took a large step towards business restructuring, making PEW and SANYO its wholly-owned subsidiaries. Regarding the dividends for fiscal 2011, considering the requirement for further stabilization of financial position to support these reforms and the above policy for profit return to shareholders, the Company paid an interim dividend of 5 yen per share on November 30, 2010 and a year-end dividend of 5 yen per share on May 31, 2011, making an annual cash dividend of 10 yen per share. Meanwhile, the Company did not repurchase its own shares, except for acquiring fractions of a trading unit and other minor transactions. Although Panasonic expects severe business environment to continue with uncertain world's economic trends and the effect of the Great East Japan Earthquake, the Company will strive to improve its performance and distribute earnings to shareholders.

(4) 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 Company's shares called the Enhancement of Shareholder Value (ESV) Plan. The ESV Plan has been approved at every Board of Directors meeting since then. On April 28, 2011, 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 the Company, 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, the Company'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 the Company'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 the Company.

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.

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When invoking the aforementioned countermeasures, if the Company'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 the Company'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, the Company 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 the Company to acquire share options by swapping Company stock with a party other than the Large-scale Purchaser. The Company 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.

The Company 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 shareholders of the Company. 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.

For further details about the ESV Plan, please see the press release issued on April 28, 2011 at the Company's Web site:

<http://panasonic.co.jp/corp/news/official.data/data.dir/en110428-6/en110428-6-1.pdf>

B. Significant Changes

No significant changes have occurred since the date of the annual financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offer and Listing Details

The primary market for the Company's common stock (Common Stock) is the Tokyo Stock Exchange (TSE). The Common Stock is traded on the First Section of the TSE and is also listed on two other stock exchanges (Osaka and Nagoya) in Japan. In the United States, the Company's American Depositary Shares (ADSs) have been listed on and traded in the NYSE in the form of American Depositary Receipts (ADRs). There may from time to time be a differential between the Common Stock's price on exchanges outside the United States and the market price of ADSs in the United States.

Panasonic delisted its shares from the Amsterdam Stock Exchange in June 2006 and the Frankfurt Stock Exchange in August 2006.

ADRs were originally issued pursuant to a Deposit Agreement dated as of April 28, 1970, as amended from time to time (Deposit Agreement), among the Company, the Depository for ADRs, and the holders of ADRs. The current Depository for ADRs is JPMorgan Chase Bank, N.A., which succeeded to this business from Morgan Guaranty Trust Company of New York upon their merger. Effective December 11, 2000, Panasonic again revised its ADR Deposit Agreement and executed a 10:1 ADS ratio change. As a result, one ADS now represents one share of Common Stock. ADRs evidence ADSs that represent the underlying Common Stock deposited under the Deposit Agreement with Sumitomo Mitsui Banking Corporation, as agent of the Depository.

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The following table sets forth for the periods indicated the reported high and low prices of the Company's Common Stock on the TSE, and the reported high and low prices of the Company's ADSs on the NYSE:

Fiscal Year ended March 31	Tokyo Stock Exchange		New York Stock Exchange	
	Price per Share of Common Stock (yen)		Price per American Depositary Share (dollars)*	
	High	Low	High	Low
2007	2,870	2,080	25.14	17.70
2008	2,585	1,912	22.59	16.63
2009	2,515	1,000	24.38	10.60
2010	1,585	1,062	17.19	10.77
2011	1,480	826	15.72	10.76
2010				
1st quarter	1,510	1,070	15.37	10.77
2nd quarter	1,541	1,175	16.60	12.76
3rd quarter	1,356	1,062	14.80	12.40
4th quarter	1,585	1,228	17.19	13.72
2011				
1st quarter	1,480	1,104	15.72	12.35
2nd quarter	1,212	1,027	13.80	12.14
3rd quarter	1,272	1,100	15.00	13.19
4th quarter	1,206	826	14.56	10.76
Most recent 6 months	Tokyo Stock Exchange		New York Stock Exchange	
	Price per Share of Common Stock (yen)		Price per American Depositary Share (dollars)*	
	High	Low	High	Low
December 2010	1,220	1,138	14.55	13.67
January 2011	1,206	1,120	14.56	13.64
February 2011	1,138	1,081	13.98	13.10
March 2011	1,111	826	13.53	10.76
April 2011	1,070	970	12.75	11.85

May 2011	1,031	931	12.67	11.30
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* The prices of ADSs are based upon reports by the NYSE, with all fractional figures rounded up to the nearest two decimal points.

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B. Plan of Distribution

Not applicable

C. Markets

See Section A of this Item 9.

D. Selling Shareholders

Not applicable

E. Dilution

Not applicable

F. Expenses of the Issue

Not applicable

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Item 10. Additional Information

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

Organization

The Company is a joint stock corporation (kabushiki kaisha) incorporated in Japan under the Company Law (kaishaho) of Japan (Company Law). The Company is registered in the Commercial Register (shogyo tokibo) maintained by the Osaka Legal Affairs Bureau.

Objects and Purposes

Article 3 of the Articles of Incorporation of the Company provides that its purpose is to engage in the following lines of business:

1. manufacture and sale of electric machinery and equipment, communication and electronic equipment, as well as lighting equipment;
2. manufacture and sale of gas, kerosene and kitchen equipment, as well as machinery and equipment for building and housing;
3. manufacture and sale of machinery and equipment for office and transportation, as well as for sales activities;
4. manufacture and sale of medical, health and hygienic equipment, apparatus and material;

5. manufacture and sale of optical and precision machinery and equipment;
6. manufacture and sale of batteries, battery-operated products, carbon and manganese and other chemical and metal products;
7. manufacture and sale of air conditioning and anti-pollution equipment, as well as industrial machinery and equipment;
8. manufacture and sale of other machinery and equipment;
9. engineering and installation of machinery and equipment related to any of the preceding items as well as engineering and performance of and contracting for other construction work;
10. production and sale of software;
11. sale of iron and steel, nonferrous metals, minerals, oil, gas, ceramics, paper, pulp, rubber, leather, fiber and their products;
12. sale of foods, beverages, liquor and other alcoholics, agricultural, livestock, dairy and marine produces, animal feed and their raw materials;

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13. manufacture and sale of drugs, quasi-drugs, cosmetics, fertilizer, poisonous and deleterious substance and other chemical products;
14. manufacture and sale of buildings and other structures and components thereof;
15. motion picture and musical entertainment business and promotion of sporting events;
16. export and import of products, materials and software mentioned in each of the preceding items (other than item 9);
17. providing repair and maintenance services for the products, goods and software mentioned in each of the preceding items for itself and on behalf of others;
18. provision of information and communication services, and broadcasting business;
19. provision of various services utilizing the Internet including Internet access and e-commerce;
20. business related to publishing, printing, freight forwarding, security, maintenance of buildings, nursing care, dispatch of workers, general leasing, financing, non-life insurance agency and buying, selling, maintaining and leasing of real estate;
21. investment in various businesses;
22. accepting commission for investigations, research, development and consulting related to any of the preceding items; and
23. all other business or businesses incidental or related to any of the preceding items.

Directors

Each Director (other than an outside Director) has executive powers and duties to manage the affairs of the Company and each Representative Director, who is elected from among the Directors by the Board of Directors, has the statutory authority to represent the Company in all respects. Under the Company Law, the Directors must refrain from

engaging in any business competing with the Company unless approved by the Board of Directors and any Director who has a special interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote on such resolution. Under the Company Law, the maximum total amounts of remunerations must be approved at a general meeting of shareholders. The Company must also obtain the approval at a general meeting of shareholders to change such maximum amounts. Within such authorized amounts, the remuneration amount for each Director is determined by Representative Director who is delegated to do so by the Board of Directors, and the amount of remuneration for each Corporate Auditor is determined upon discussions amongst the Corporate Auditors.

Except as stated below, neither the Company Law nor the Company's Articles of Incorporation make special provisions as to the Directors' or Corporate Auditors' power to vote in connection with their own compensation or retirement age, the borrowing power exercisable by a Representative Director (or a Director who is given power by a Representative Director to exercise such power), or requirements to hold any shares of Common Stock of the Company. Under the Company Law, the Company is required to obtain resolutions of the Board of Directors in specific circumstances, e.g. for a company to acquire or dispose of material assets; to borrow a substantial amount of money; to appoint or dismiss important employees such as a manager; to establish, change or abolish material corporate organizations such as a branch office; to determine such material conditions for offering of corporate bonds as set forth in the ordinances of the Ministry of Justice; to establish and maintain the internal control system to secure legitimate performance of duties of Directors as set forth in the ordinances of the Ministry of Justice; and to exempt a Director or Corporate Auditor from the liability for his/her actions under Article 423, Paragraph 1 of the Company Law pursuant to Article 426, Paragraph 1 of the Company Law.

The Regulations of the Board of Directors of the Company require a resolution of the Board of Directors for the Company to borrow a large amount of money or to give a guarantee in a large amount. There is no statutory requirement as to what constitutes a large amount in these contexts. However, it has been the general practice of the Company's Board of Directors to adopt a resolution for a borrowing in an amount not less than 10 billion yen or its equivalent.

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Common Stock

General

Except as otherwise stated, set forth below is information relating to the Company's Common Stock, including brief summaries of the relevant provisions of the Company'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 the Company. 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 the Company 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 the Company, a shareholder must have its name and address registered in the Company'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 the Company's Share Handling Regulations, including their names and addresses, and the registration on the register of shareholders is made upon receipt by the Company of necessary information from JASDEC (as described in Record date). On the other hand, in order to assert, directly against the Company, 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 the Company 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 the Company. Thereafter, such

shareholder is required to present the Company with a receipt of the request of the notice in accordance with the Company's Share Handling Regulations. Under the Book-entry Transfer Law, the shareholder shall exercise such shareholder's 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 the Company through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

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

Authorized capital

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

As of March 31, 2011, 2,453,053,497 shares of Common Stock were issued. All shares of Common Stock of the Company have no par value. All issued shares of the Company are fully-paid and non-assessable.

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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.

The Company 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 the Company 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 the Company 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, the Company 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 the Company 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 the Company's Articles of Incorporation, year-end dividends and interim dividends may be distributed to shareholders appearing in the Company'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 the Company held by respective shareholders following approval by the general meeting of shareholders or the Board of Directors. The Company 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 the Company. 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, the Company 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.

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

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

In the above formula:

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

B = (if the Company 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 the Company less the book value thereof

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

F = (if the Company 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 the Company 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 the Company 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 the Company 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 the Company 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.

The Company, for the fiscal year ended March 31, 2011, 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 the Company 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 the Company, during the period in respect of which such interim financial statements have been prepared. The Company 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 the Company must be audited by the Corporate Auditors and the Accounting Auditor, as required by ordinances of the Ministry of Justice.

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Stock splits

The Company 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, the Company 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, the Company 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 the Company's shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

Consolidation of shares

The Company 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, the Company 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, the Company 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 the Company's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. The Company 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 the Company for each fiscal year is normally held in June in each year. In addition, the Company 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 the Company 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.

Any shareholder or group of shareholders of the Company 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.

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Voting rights

So long as the Company maintains the unit share system (see Item 10.B. Memorandum and Articles of Association 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 the Company, may not exercise its voting rights with respect to shares of Common Stock of the Company that it owns. In addition, the Company may not exercise its voting rights with respect to its shares that it owns. If the Company 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 the Company'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. The Company'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. The Company's shareholders also may cast their votes in writing, or exercise their voting rights by electronic means pursuant to the method designated by the Company.

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

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares at a specially favorable price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights at specially favorable conditions) to any persons other than shareholders;
- (4) the removal of a Corporate Auditor;
- (5) the exemption of liability of a Director, Corporate Auditor or Accounting Auditor to a certain extent set forth in the Company Law;

- (6) a reduction of stated capital with certain exceptions in which just a usual resolution of shareholders is required or a shareholders resolution is not required;
- (7) a distribution of in-kind dividends which meets certain qualifications;
- (8) dissolution, liquidation, merger, consolidation, or corporate split with certain exceptions in which a shareholders resolution is not required;
- (9) the transfer of the whole or a material part of the business;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders resolution is not required; or
- (11) share exchange or share transfer for the purpose of establishing 100% parent-subsiidiary relationships with certain exceptions in which a shareholders resolution is not required;

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

Issue of additional shares

Holders of the Company'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 the Company'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, the Company 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, the Company will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it. The Company 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 the Company. Whether the Company 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 the Company, 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 Item 10.B. Memorandum and Articles of Association Common Stock *Distribution of Surplus Distribution of Surplus General*), March 31 is the record date for the Company's year-end dividends. So long as the Company maintains the unit share system, the shareholders who are registered as the holders of one or more units of shares in the Company'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, the Company 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 the Company 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 the Company'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 the Company of its common stock

Under the Company Law and the Company's Articles of Incorporation, the Company 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 the Company'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 the Company 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 the Company may be held for any period or may be cancelled by a resolution of the Board of Directors. The Company 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. The Company 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 the Company 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 nor 0.5% of total number of issued shares.

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

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

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A holder of shares constituting less than one unit may require the Company to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of the Company. In addition, the Articles of Incorporation of the Company provide that a holder of shares constituting less than one unit may request the Company 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 the Company. 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 the Company to purchase their shares or sell shares held by the Company 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 the Company to purchase such underlying shares or sell shares held by the Company 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 the Company of shares held by shareholders whose location is unknown

The Company 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 the Company's register of shareholders or at the address otherwise notified to the Company continuously for five years or more.

In addition, the Company 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 the Company's register of shareholders or at the address otherwise notified to the Company, and (ii) the shareholder fails to receive distribution of Surplus on the shares continuously for five years or more at the address registered in the Company's register of shareholders or at the address otherwise notified to the Company, the Company 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 five percent of the total issued shares with voting rights of common stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan, to file with the Director-General of a competent Local Finance Bureau of Ministry of Finance within five business days a report concerning such shareholdings.

A similar report must also be filed in respect to any subsequent change of one percent or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, 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 the Company'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 the Company or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold the shares of Common Stock of the Company or exercise voting rights thereon.

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There is no provision in the Company's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving the Company. 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 the Company must comply with. (For details, please see (4) Initiatives to Maximize Shareholder Value in Section A of Item 8.)

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.

C. Material Contracts

Except as described elsewhere in this Annual Report, all contracts concluded by the Company during the two years preceding the date of this annual report were entered into in the ordinary course of business.

D. 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 the Company 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 the Japanese yen.

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 nonresidents 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.

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In general, the acquisition of shares of a Japanese company (such as the shares of Common Stock of the Company) 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 the Company) 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 through the Bank of Japan 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 the Company) 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. The Company believes that certain businesses of the Company 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 the Company held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

E. Taxation

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the ownership and disposition of shares of Common Stock and ADSs. Prospective purchasers and holders of the shares of Common Stock or ADSs should consult their own tax advisors concerning the tax consequences of their particular

situations.

The following is a summary of the material Japanese national and U.S. federal tax consequences of the ownership and disposition of shares of Common Stock or ADSs by an Eligible U.S. Holder and a U.S. Holder (each as defined below), as the case may be, that holds those shares or ADSs as capital assets (generally, property held for investment). This summary does not purport to address all material tax consequences that may be relevant to holders of shares of Common Stock or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, investors liable for alternative minimum tax, investors that own or are treated as owning 10% or more of the Company's voting stock, investors that hold shares of Common Stock or ADSs as part of a straddle, hedge, conversion or constructive sale transaction or other integrated transaction, investors that hold shares of Common Stock or ADSs through a partnership or other pass-through entity and investors whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the national or federal tax laws of Japan and of the United States as in effect on the date hereof, as well as on the current income tax convention between the United States and Japan (the Treaty), all of which are subject to change (possibly with retroactive effect) and to differing interpretations

In addition, this summary is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement for ADSs and in any related agreement will be performed in accordance with its terms.

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For purposes of this discussion, a **U.S. Holder** is any beneficial owner of shares of Common Stock or ADSs 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 Treasury regulations to be treated as a U.S. person.

An **Eligible U.S. Holder** is 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 Common Stock or ADSs are effectively connected or (b) of which shares of 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 Common Stock or ADSs.

This summary does not address any aspects of U.S. federal tax law other than income taxation, and does not discuss any aspects of Japanese tax law other than national income taxation, inheritance and gift taxation. Investors are urged to consult their tax advisors regarding the U.S. federal, state and local and Japanese and other tax consequences of owning and disposing of shares of Common Stock or ADSs. In particular, where relevant, investors are urged to confirm their status as Eligible U.S. Holders with their tax advisors and to discuss with their tax advisors any possible consequences of their failure to qualify as Eligible U.S. Holders. In general, taking into account the earlier assumption, for purposes of the Treaty and for U.S. federal income and Japanese income tax purposes, beneficial owners of ADRs evidencing ADSs will be treated as the owners of the shares of Common Stock represented by those ADSs, and exchanges of shares of Common Stock for ADRs, and exchanges of ADRs for shares of Common Stock,

will not be subject to U.S. federal income tax or Japanese income tax.

Japanese taxation

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to nonresidents of Japan or non-Japanese corporations without permanent establishments in Japan (non-resident Holders) who are holders of shares of Common Stock of the Company or of ADRs evidencing ADSs representing shares of Common Stock of the Company. The information given below regarding Japanese taxation is based on the tax laws and tax treaties in force and their interpretations by the Japanese tax authorities as of the date of this annual report. Tax laws and tax treaties as well as their interpretations may change at any time, possibly with retroactive effect. We will not update this summary for any changes in the tax laws or tax treaties or their interpretation that occurs after the date of this annual report.

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by a Japanese corporation. 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.

In the absence of an 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 Japanese corporations to non-resident Holders is 20%. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of Common Stock of the Company or ADSs) to non-resident Holders, except for any individual shareholder who holds 5% or more (or 3% or more with respect to dividends due and payable on or after October 1, 2011) of the total issued shares of the relevant Japanese corporation, the aforementioned 20% withholding tax rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2013, and (ii) 15% for dividends due and payable on or after January 1, 2014. At the date of this annual report, 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.)

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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.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by the Company 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 the Company's shares of 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 of a Japanese corporation 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 authorities. 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. The Company 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 of shares of 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 and gift tax at progressive rates may be payable by an individual who has acquired from an individual shares of Common Stock or ADSs as a legatee, heir or donee even though neither the acquiring individual nor the deceased nor donor is a Japanese resident.

Holders of shares of Common Stock of the Company 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.

U.S. federal income taxation

The following is a summary of certain United States federal income tax consequences of the ownership of shares of Common Stock or ADSs by a U.S. Holder. This summary is based on United States tax laws, including the United States Internal Revenue Code of 1986, as amended, and on the Treaty all of which are subject to change possibly with retroactive effect.

This summary is not a comprehensive description of all the tax considerations that may be relevant with respect to a U.S. holder's shares or ADSs. Each beneficial owner of shares or ADSs should consult its own tax advisor regarding the U.S. federal, state and local and other tax consequences of owning and disposing of shares and ADSs in its particular circumstances.

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Taxation of dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company (PFIC) rules discussed below, the gross amount of any dividends received by a U.S. Holder (before reduction for Japanese withholding taxes) to the extent paid out of the Company's current or accumulated earnings and profits (as determined for United States federal income tax purposes) will be subject to U.S. federal taxation. Dividends paid to non-corporate U.S. Holders in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable at a maximum tax rate of 15% provided that the U.S. Holders held the shares of Common Stock or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends the Company pays with respect to the shares of Common Stock or ADSs generally will be qualified dividend income. The U.S. Holder must include any Japanese tax withheld from the dividend payment in this gross amount even though it does not in fact receive it. The dividend is taxable to the U.S. Holder when the U.S. Holder, in the case of shares of Common Stock, or the Depositary, in the case of ADSs, receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend the U.S. Holder must include in its income will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend 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 the U.S. Holder includes the dividend payment in income to the date the U.S. Holder converts the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. 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 United States 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 Common Stock or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against the U.S. Holder's United States federal income tax liability. To the extent a refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax that is refundable will not be eligible for credit against your United States federal income tax liability. Please see "Japanese Taxation", above, for the procedures for obtaining a reduced rate of withholding under the Treaty or a tax refund. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. For foreign tax credit limitation purposes, the dividend will be income from sources outside the United States and will, depending on the U.S. Holder's circumstances, be either passive income or general income for purposes of computing the foreign tax credit allowable to a U.S. Holder.

Taxation of capital gains

Subject to the PFIC rules discussed below, upon a sale or other disposition of shares of Common Stock or ADSs, a U.S. Holder will recognize gain or loss in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. Holder's tax basis (determined in U.S. dollars) in such shares of Common Stock or ADSs. Generally, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period for such shares of Common Stock or ADSs is greater than 1 year. Long-term capital gain of a non-corporate U.S. Holder that is recognized in taxable years beginning before January 1, 2013 is generally taxed at a maximum rate of 15%. Any such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Transfers of retained earnings and sales of shares of Common Stock to the Company

A transfer of retained earnings or legal reserve to stated capital is generally treated as a dividend payment for Japanese tax purposes subject to withholding tax. A sale of shares of Common Stock or ADSs to the Company results in a deemed dividend for Japanese tax purpose to the selling shareholders to the extent that the sales price exceeds the aggregate of the stated capital and the capital surplus attributable to the shares sold. Transfers of retained earnings or legal reserves to stated capital and deemed dividends that may result from sales of shares of Common Stock to the Company are not generally taxable events that give rise to foreign source income for U.S. federal income tax purposes and U.S. Holders would not be able to use the foreign tax credit arising from any Japanese withholding tax imposed on such transactions unless they can apply the credit (subject to limitations) against U.S. tax due on other foreign source income in the appropriate category for foreign tax credit purposes.

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Passive foreign investment company considerations

The Company believes that shares of Common Stock and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change. If the Company 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 or ADSs), gain realized on the sale or other disposition of shares of Common Stock or ADSs 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 or ADSs 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. With certain exceptions, shares of Common stock or ADSs will be treated as stock in a PFIC if the Company were a PFIC at any time during the U.S. Holder's holding period in the shares of Common Stock or ADSs.

Dividends that such U.S. Holder receives from the Company will not be eligible for the special tax rates applicable to qualified dividend income if the Company is treated as a PFIC with respect to such U.S. Holder either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

F. Dividends and Paying Agents

Not applicable

G. Statement by Experts

Not applicable

H. Documents on Display

According to the Securities Exchange Act of 1934, as amended, the Company is subject to the requirements of informational disclosure. The Company files various reports and other information, including its annual report on Form 20-F, with the U.S. Securities and Exchange Commission. These reports and other information may be

inspected at the public reference room at the Securities and Exchange Commission, 100 F Street, N.E., Washington D.C. 20549. You can also obtain a copy of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange Commission public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330.

Also, documents filed via the Electronic Data Gathering, Analysis, and Retrieval system (EDGAR) are available at the website of the U.S. Securities and Exchange Commission (<http://www.sec.gov>).

I. Subsidiary Information

Not applicable

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Item 11. Quantitative and Qualitative Disclosures about Market Risk

The Company 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, the Company uses derivative financial instruments. The Company does not hold or issue financial instruments for trading purposes. Although the use of derivative financial instruments exposes the Company to the risk of credit-related losses in the event of nonperformance by counterparties, the Company believes that such risk is minor because of the high credit rating of the counterparties.

Equity Price Risk

The Company 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. The Company does not hold marketable securities for trading purposes.

Maturities of investments in available-for-sale securities at March 31, 2011 and 2010 are as follows:

	Yen (millions)			
	2011		2010	
	Cost	Fair value	Cost	Fair value
Due after one year through five years	2,686	2,747	4,462	4,546
Equity securities	250,400	313,813	275,579	379,358
Total	253,086	316,560	280,041	383,904

Foreign Exchange Risk

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

The following table provides the contract amounts and fair values of foreign exchange contracts, primarily hedging U.S. dollar and euro revenues, at March 31, 2011 and 2010. 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)			
	2011		2010	
	Contract amount	Fair value	Contract amount	Fair value
Forward:				
To sell foreign currencies	397,580	(3,116)	375,430	1,121
To buy foreign currencies	225,444	(2,835)	196,439	3,606
Cross currency swaps	47,668	(462)	31,797	(283)
Interest rate swaps	31,170	0	33,702	23

Commodity Price Risk

The Company is exposed to market risk of changes in prices of commodities including various non-ferrous metals used in the manufacturing of various products. The Company 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, 2011 and 2010.

	Yen (millions)			
	2011		2010	
	Contract amount	Fair value	Contract amount	Fair value
Commodity futures:				

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To sell commodity	128,411	(5,333)	40,194	(4,576)
To buy commodity	160,483	20,390	113,682	12,561

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Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates principally to its debt obligations. The Company has long-term debt primarily with fixed rates. Fixed-rate debt obligations expose the Company 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, the Company 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 the Company's financial instruments that are sensitive to changes in interest rates at March 31, 2011 and 2010. For debt obligations, the table presents principal cash flows by expected maturity dates, related weighted average interest rates and fair values of financial instruments.

Long-term debt, including current portion:

Yen (millions)

Average interest rate	Carrying amount and maturity date (as of March 31, 2011)								
	Total	2012	2013	2014	2015	2016	There- after	Fair value	
Unsecured Straight bonds	1.1%	1,000,000	200,000	150,000	200,000	200,000	250,000	1,011,955	
Unsecured Straight bonds issued by subsidiaries	1.6%	162,407	30,493	150	30,000	31,769	39,995	30,000	164,696
Unsecured bank loans	1.1%	259,801	108,603	49,961	42,190	58,650	397	257,950	
Secured bank loans by subsidiaries	1.9%	3,473	614	309	847	168	176	1,359	3,473

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Total	1,425,681	339,710	200,420	273,037	90,587	240,568	281,359	1,438,074	
Yen (millions)									
Carrying amount and maturity date (as of March 31, 2010)									
Average interest rate	Total	2011	2012	2013	2014	2015	There-after	Fair value	
Unsecured Straight bonds	1.5%	500,000		200,000		200,000		100,000	514,400
Unsecured Straight bonds issued by subsidiaries	1.5%	182,406	20,000	30,643		30,000	31,769	69,994	184,887
Unsecured bank loans	1.1%	404,318	146,304	109,533	49,338	40,772	57,680	691	401,433
Secured bank loans by subsidiaries	2.0%	4,558	649	325	171	1,475	182	1,756	4,558
Total		1,091,282	166,953	340,501	49,509	272,247	89,631	172,441	1,105,278

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Item 12. Description of Securities Other than Equity Securities**A. Debt Securities**

Not applicable

B. Warrants and Rights

Not applicable

C. Other Securities

Not applicable

D. American Depositary Shares**D3. Fees and Charges Payable by ADR Holders**

Our American Depositary Shares (ADSs) are traded on the New York Stock Exchange under the symbol PC. The ADSs are evidenced by American Depositary Receipts (ADRs), issued by JPMorgan Chase Bank, N.A. The following table shows the fees and charges that a holder of our ADRs may have to pay to the Depositary, either directly or indirectly:

Category	Depositary Actions	Associated Fee
(a) Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of Shares, including deposits and issuances in respect of:	US\$ 5.00 for each 100 ADSs (or portion thereof) evidenced by the new ADRs delivered.

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- Share distributions, stock split, rights, merger.

- Exchange of securities or any other transaction or event or other distribution affecting the ADSs or the Deposited Securities.

(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities.	US\$ 5.00 for each 100 ADSs (or portion thereof)
(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities.	US\$ 5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered.
(e) Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts.	US\$ 2.50 per ADR Certificate
(g) Expenses of the depositary	<p>Expenses incurred on behalf of Holders in connection with.</p> <ul style="list-style-type: none"> - Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment. - The depositary's or its custodian's compliance with applicable law, rule or regulation. - Stock transfer or other taxes and other governmental charges. - Cable, telex, facsimile transmission/delivery. - Expenses of the depositary in connection with the conversion of 	Expenses payable at the sole discretion of the depositary by billing Holders or by deducting charges from one or more cash dividends or other cash distributions.

foreign currency into U.S. dollars
(which are paid out of such foreign
currency).

- Any other charge payable by
depository or its agents.

D4. Fees and Other Payment Made by the Depository to the Issuer

The following table shows the fees and other direct and indirect payments made by JPMorgan Chase Bank, N.A., as Depository to us:

<u>Category of Expenses</u>	<u>Amount Reimbursed for fiscal 2011</u>
New York Stock Exchange Listing fees	US\$ 38,000

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934) as of March 31, 2011. Based on that evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of that date.

Management's Report on Internal Control Over Financial Reporting

Panasonic's management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

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The management of the Company, with the participation of the Company's principal executive and principal financial officers, conducted an evaluation of the effectiveness of internal control over financial reporting as of March 31, 2011 based on the frame work in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, the management of the Company concluded that the internal control over financial reporting of the Company was effective as of March 31, 2011.

The Company's independent registered public accounting firm, KPMG AZSA LLC, has audited the effectiveness of the Company's internal control over financial reporting as stated in their report which is included herein.

Evaluation of Changes in Internal Control Over Financial Reporting

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) under the U.S. Securities Exchange Act of 1934) occurred during the year ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Panasonic's Board of Corporate Auditors has determined that Mr. Yoshihiro Furuta, a Senior Corporate Auditor of Panasonic, is an audit committee financial expert as such term is defined by Item 16A of Form 20-F. Mr. Furuta meets the independence requirements imposed on corporate auditors under the Company Law.

Item 16B. Code of Ethics

Panasonic has adopted a Code of Ethics applicable to the Chief Executive Officer, the Chief Financial Officer and other Executive Officers. The Code of Ethics is attached as an exhibit to the annual report for the fiscal year ended March 31, 2009 on Form 20-F.

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Item 16C. Principal Accountant Fees and ServicesFees and services by the Company's principal accountant

The following table shows the aggregate fees accrued or paid to KPMG AZSA LLC and its member firms (KPMG), the Company's principal accountant for the years ended March 31, 2011 and 2010:

	<u>Yen (millions)</u>	
	<u>2011</u>	<u>2010</u>
Audit fees	4,326	3,050
Audit-related fees	167	42
Tax fees	137	176
All other fees	20	28
Total	4,650	3,296

Audit fees are fees for professional services for the audit of the Company's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

Audit-related fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the Audit fees category, such as financial due diligence service. Tax fees are fees for professional services rendered mainly for tax compliance, tax advice, tax consulting associated with international transfer prices and expatriate employee tax services. All other fees are fees for those services not reported under the Audit fees, Audit-related fees, and Tax fees categories.

No services were provided for which pre-approval was waived pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Policy of the Company's Board of Corporate Auditors on pre-approval of audit or non-audit services

In accordance with paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X and the related adopting release of the U.S. Securities and Exchange Commission, the Company's Board of Corporate Auditors must pre-approve the engagement of the Company's principal accountant, currently KPMG AZSA LLC, by Panasonic or its subsidiaries to render audit or non-audit services. Also, paragraph (c)(4) of Rule 2-01 of Regulation S-X provides that an accountant is not independent from an audit client if the accountant provides certain non-audit services to the audit client. Under the policy adopted by the Company's Board of Corporate Auditors, all audit or non-audit services provided by KPMG AZSA LLC must be specifically pre-approved by the Board of Corporate Auditors. Such pre-approval is considered at the monthly meetings of the Board of Corporate Auditors. Any service that either falls into a category of services that are not permitted by the applicable law or regulation or is otherwise deemed by the Board of Corporate Auditors to be inconsistent with the maintenance of the principal accountant's independence is rejected. Management's requests for proposed engagement of the principal accountant to render services that require immediate approval, if considered necessary, are pre-approved by a designated member of the Board of Corporate Auditors, and then reported to the Board of Corporate Auditors at its next meeting.

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Item 16D. Exemptions from the Listing Standards for Audit Committees

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which apply to the Company through Section 303A.06 of the New York Stock Exchange's Listed Company Manual, the Company relies on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with boards of corporate auditors meeting certain requirements. For a New York Stock Exchange-listed Japanese company with a board of corporate auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

The board of corporate auditors must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with corporate auditors.

Japanese law must and does require the board of corporate auditors to be separate from the board of directors.

None of the members of the board of corporate auditors is elected by management, and none of the listed company's executive officers is a member of the board of corporate auditors.

Japanese law must and does set forth standards for the independence of the members of the board of corporate auditors from the listed company or its management.

The board of corporate auditors, in accordance with Japanese law or the listed company's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its consolidated financial statements included in its annual reports on Form 20-F.

To the extent permitted by Japanese law:

the board of corporate auditors must establish procedures for (i) the receipt, retention and treatment of complaints received by the listed company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by the listed company's employees of

concerns regarding questionable accounting or auditing matters;

the board of corporate auditors must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and

the listed company must provide for appropriate funding, as determined by its board of corporate auditors, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, (ii) compensation to any advisers employed by the board of corporate auditors, and (iii) ordinary administrative expenses of the board of corporate auditors that are necessary or appropriate in carrying out its duties.

In the Company's assessment, its Board of Corporate Auditors, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided by that Rule) at acting independently of management and performing the functions of an audit committee as contemplated therein.

