

PANASONIC Corp  
Form 6-K  
February 16, 2011  
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**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of**

**The Securities Exchange Act of 1934**

**For the Month of February 2011**

**Commission File Number: 1-6784**

**Panasonic Corporation**

**Kadoma, Osaka, Japan**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7):

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**This Form 6-K consists of:**

1. Quarterly report for the three months ended December 31, 2010, filed on February 14, 2011 with the Japanese government pursuant to the Financial Instruments and Exchange Law of Japan. (English translation)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Panasonic Corporation

BY: /s/ MASAHIRO YAMAMURA  
Masahito Yamamura, Attorney-in-Fact  
General Manager of Investor Relations  
Panasonic Corporation

Dated: February 16, 2011

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[English summary with full translation of consolidated financial information]

**Quarterly Report filed with the Japanese government  
pursuant to the Financial Instruments and Exchange  
Law of Japan**

**For the three months ended  
December 31, 2010**

**Panasonic Corporation**

**Osaka, Japan**

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**Disclaimer Regarding Forward-Looking Statements**

This quarterly 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 quarterly 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 quarterly report. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the U.S. Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, the Chinese yuan, Asian currencies and other currencies in which the Panasonic Group operates businesses, or in which assets and liabilities of the Panasonic Group are denominated; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the ability of the Panasonic Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results on the alliances or mergers and acquisitions including the acquisition of all shares of Panasonic Electric Works Co., Ltd. and SANYO Electric Co., Ltd. through tender offers and share exchanges; the ability of the Panasonic Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Panasonic Group to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Panasonic Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, deferred tax assets and uncertain tax positions; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in Panasonic's latest annual reports, on Form 20-F, and any other reports and documents which are on file with the U.S. Securities and Exchange Commission.

Note: Certain information previously filed with the SEC in other reports is not included in this English translation.



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**I Corporate Information****(1) Consolidated Financial Summary**

|   | Yen (millions), except per share amounts |                      |                       |                       | Year              |
|---|--|----------------------|-----------------------|-----------------------|-------------------|
|   | Nine<br>months<br>ended                  | Nine months<br>ended | Three months<br>ended | Three months<br>ended | ended             |
|   | December 31,<br>2010                     | December 31,<br>2009 | December 31,<br>2010  | December 31,<br>2009  | March 31,<br>2010 |
| Net sales   | 6,653,361                                | 5,219,884            | 2,285,413             | 1,886,588             | 7,417,980         |
| Income (loss) before income<br>taxes  | 227,320                                  | 54,642               | 82,767                | 81,095                | (29,315)          |
| Net income (loss)   | 123,060                                  | (16,477)             | 39,025                | 34,799                | (170,667)         |
| Net income (loss)<br>attributable to Panasonic<br>Corporation   | 114,701                                  | (14,609)             | 39,983                | 32,259                | (103,465)         |
| Total Panasonic Corporation<br>shareholders' equity   |  |                      | 2,640,941             | 2,763,230             | 2,792,488         |
| Total equity  |  |                      | 3,026,975             | 3,703,704             | 3,679,773         |
| Total assets  |  |                      | 8,138,376             | 8,675,083             | 8,358,057         |
| Panasonic Corporation<br>shareholders' equity per<br>share of common stock<br>(yen)                           |  |                      | 1,275.63              | 1,334.50              | 1,348.63          |
| Net income (loss) per share<br>attributable to Panasonic<br>Corporation common<br>shareholders, basic (yen)   | 55.40                                    | (7.06)               | 19.31                 | 15.58                 | (49.97)           |
| Net income (loss) per share<br>attributable to Panasonic<br>Corporation common<br>shareholders, diluted (yen) |  |                      |                       |                       |                   |
| Panasonic Corporation<br>shareholders' equity / total<br>assets (%)   |  |                      | 32.5                  | 31.9                  | 33.4              |
| Net cash provided by<br>operating activities  | 374,292                                  | 306,159              |                       |                       | 522,333           |
| Net cash used in investing<br>activities  | (140,429)                                | (338,219)            |                       |                       | (323,659)         |
| Net cash provided by (used<br>in) financing activities  | (155,233)                                | 183,049              |                       |                       | (56,973)          |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Cash and cash equivalents at<br>end of period | 1,125,951 | 1,110,905 | 1,109,912 |
| Total employees (persons)                     | 375,597   | 382,480   | 384,586   |

- Notes:
1. The Company's consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP).
  2. SANYO Electric Co., Ltd. (SANYO) and its subsidiaries became the Company'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.
  3. Diluted net income (loss) per share attributable to Panasonic Corporation common shareholders has been omitted because the Company did not have potential common shares that were outstanding for the period.

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**(2) Principal Businesses**

The Panasonic Group is comprised primarily of the parent Panasonic Corporation and 658 consolidated subsidiaries in and outside of Japan, operating in close cooperation with each other. As a comprehensive electronics manufacturer, Panasonic is engaged in production, sales and service activities in a broad array of business areas.

The Company strengthens the unity of all employees throughout the group and ultimately enhances the value of the Panasonic brand globally. The Company will continue its tireless efforts to generate ideas that brighten the lives of people everywhere in order to contribute to a better future both for the Earth and for the further development of society.

The Company's business segment classifications consist of six segments, namely, 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, electric motors and batteries. SANYO includes solar cells, lithium-ion batteries, and optical pickups. Other includes FA equipment and other industrial equipment.

For production, Panasonic adopts a management system that takes charge of each product in the Company or its affiliates. In recent years, the Company has been enhancing production capacity at its overseas affiliates to further develop global business. Meanwhile, in Japan, Panasonic's products are sold through sales channels at its domestic locations, each established according to products or customers. The Company also sells directly to large-scale consumers, such as the government and corporations. For exports, sales are handled mainly through sales subsidiaries and agents located in their respective countries. Certain products produced at domestic affiliates are purchased by the Company and sold through the same sales channels as products produced by the Company itself. Additionally, products produced at overseas affiliates are sold mainly through sales subsidiaries in respective countries. Meanwhile, most import operations are carried out internally, and the Company aims to expand them to promote international economic cooperation.

Certain PEW, PanaHome and SANYO products are sold on a proprietary basis in Japan and overseas.

During the three months ended December 31, 2010, there were no major changes in principal businesses.

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**(3) Changes in Affiliated Companies**

As of October 1, 2010, IPS Alpha Technology, Ltd., a consolidated subsidiary of the Company, integrated IPS Alpha Technology, Himeji, Ltd. and IPS Alpha Support Co., Ltd., and changed the company name to Panasonic Liquid Crystal Display Co., Ltd.

As of October 1, 2010, Panasonic Shikoku Electronics Co., Ltd., a consolidated subsidiary of the Company, changed the company name to Panasonic Healthcare Co., Ltd.

SANYO Semiconductor Co., Ltd. (SSC), a consolidated subsidiary of the Company, became a significant subsidiary, defined with Cabinet Office Ordinance of Japan, through the capital increase underwritten by SANYO, during the third quarter of fiscal 2011. As of January 1, 2011, SANYO transferred its entire shareholding of SSC to Semiconductor Components Industries LLC, a wholly-owned subsidiary of ON Semiconductor Corporation, and as a result, SSC was excluded from a consolidated subsidiary of the Company.

JVC KENWOOD Holdings, Inc. (JVC KENWOOD HD) and its subsidiaries ceased to be an associated company of the Company under the equity method as the voting rights of the Company in JVC Kenwood HD declined to less than 20%, due to JVC KENWOOD HD's issuance of new shares and disposition of treasury shares through a global offering on January 25, 2011.

**(4) Number of Employees (as of December 31, 2010)**

|                  |                 |
|------------------|-----------------|
| 1. Consolidated: | 375,597 persons |
| 2. Parent-alone: | 41,508 persons  |

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**II The Business**

**(1) Operating Results**

During the third quarter, although the bleak employment scenario continued to plague developed countries, the global economy has recovered gradually, due mainly to economic stimulus plans in several countries and the sustained high-growth in emerging countries. In such business conditions, Panasonic Group launched a new midterm management plan called Green Transformation 2012 (GT12) in the beginning of fiscal 2011.

Consolidated group sales for the third quarter increased 21% to 2,285,413 million yen from the third quarter of fiscal 2010.

Regarding earnings, operating profit\* for the third quarter decreased to 95,364 million yen, down 6% from a year ago. This result was due mainly to ever-intensified global price competition and rising material costs, despite increasing sales and the streamlining of material costs and other general expenses. Pre-tax income for the third quarter was 82,767 million yen, up 2% from a year ago. This result was due mainly to a decrease in business restructuring expenses incurred as other deductions. Accordingly, net income for the third quarter was 39,025 million yen, up 12% from a year ago, and net income attributable to Panasonic Corporation was 39,983 million yen, up 24% from a year ago.

\* 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.

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**(2) Operating Results by Segment**

The following information shows the operating results by business segment for the third quarter. The Company restructured the motor business on April 1, 2010. Accordingly, segment information for Home Appliances, and Component and Devices in the fiscal 2010 third quarter are reclassified to conform to the presentation for fiscal 2011.

**Digital AVC Networks**

Sales in this segment amounted to 927,569 million yen, a decrease of 5% compared with a year ago, due mainly to the sales decrease in digital cameras and mobile phones. Segment profit was 39,903 million yen, down 1% from a year ago. This amount level was almost in line with a year ago, due mainly to a fixed cost reduction and comprehensive streamlining efforts, despite the sales decrease.

**Home Appliances**

Sales in this segment amounted to 337,515 million yen, an increase of 10% compared with a year ago, due mainly to favorable sales in air conditioners, refrigerators and compressors. Segment profit amounted to 32,711 million yen, up 4% compared with a year ago, due mainly to favorable sales and a fixed cost reduction.

**PEW and PanaHome**

Sales in this segment amounted to 446,449 million yen, an increase of 9% compared with a year ago. Regarding Panasonic Electric Works Co., Ltd. (PEW) and its subsidiaries, in addition to improved sales mainly in home appliances and devices such as electronic materials and automation controls, sales recovery in housing/building related business such as electrical construction material also contributed to overall sales increase. For PanaHome Corporation and its subsidiaries, stable sales of housing construction such as detached housing and rental apartment housing led to the increase in overall sales. Segment profit amounted to 23,125 million yen, up 32% from a year ago, as strong sales covered the impact of rising material costs.

Components and Devices

Sales in this segment amounted to 232,810 million yen, a decrease of 6% compared with a year ago, due mainly to a sales decrease in semiconductors and exchange rate fluctuations. Segment profit amounted to 3,684 million yen, down 81% compared with a year ago, due mainly to a sales decrease and a price decline.

SANYO

Sales in this segment totaled 393,326 million yen. The sales of digital cameras and rechargeable batteries were sluggish due to weak demand. Segment profit resulted in a loss of 5,686 million yen after incurring expenses, such as amortization of intangible assets recorded at acquisition.

Other

Sales in this segment totaled 262,579 million yen, up 13% compared with a year ago, due mainly to a significant sales increase in factory automation equipment. Segment profit also improved to 12,224 million yen, up 99% compared with a year ago.

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**(3) Assets, Liabilities and Equity**

The Company's consolidated total assets as of December 31, 2010 decreased by 825,590 million yen to 8,138,376 million yen compared with 8,963,966 million yen at the end of the second quarter of fiscal 2011. This was due mainly to the decrease in cash and cash equivalents related to the tender offers for the shares of PEW and SANYO.

Regarding liabilities, total liabilities amounted to 5,111,401 million yen, a decrease of 314,720 million yen compared with the end of the second quarter of fiscal 2011. This was due mainly to a decrease of short-term bonds.

Panasonic Corporation shareholders' equity decreased by 11,019 million yen to 2,640,941 million yen compared with the end of the second quarter of fiscal 2011. This result was due primarily to a deterioration in accumulated other comprehensive income (loss) influenced by the appreciation of the yen and a decrease in capital surplus owing to acquisition of noncontrolling interests of the Company's subsidiaries, despite an increase in retained earnings by incurring quarterly net income attributable to Panasonic Corporation. Noncontrolling interests decreased by 499,851 million yen to 386,034 million yen due primarily to the tender offer.

**(4) Cash Flows**

**Cash flows from operating activities**

Net cash provided by operating activities in the fiscal 2011 third quarter totaled 126,970 million yen, a decrease of 22,959 million yen from a year ago. This was due primarily to a decrease in trade payables.

**Cash flows from investing activities**

Net cash used in investing activities in the fiscal 2011 third quarter amounted to 48,213 million yen, a decrease of 269,787 million yen from a year ago. This difference from a year ago was due primarily to a decrease in time deposits and the prior year's expenditures to purchase shares of a newly consolidated subsidiary.



Cash flows from financing activities

Net cash used in financing activities in the fiscal 2011 third quarter amounted to 808,960 million yen, an increase of 619,432 million yen from a year ago. This was due mainly to a decrease in short-term bonds and the expenditures related to the tender offers for the shares of PEW and SANYO.

All these activities associated with the effect of exchange rate fluctuations resulted in cash and cash equivalents of 1,125,951 million yen as of December 31, 2010, down 742,455 million yen compared with the end of the second quarter of fiscal 2011.

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**(5) Research and Development**

Panasonic's R&D expenditures for the third quarter of fiscal 2011 totaled 134,862 million yen. There were no significant changes in R&D activities for the period.

**(6) Risk Factors**

There were no risks newly identified during the three months ended December 31, 2010. However, there were significant changes with regard to the Risk Factors stated in the annual report of the prior fiscal year and the quarterly reports of the first and second quarter of this fiscal year as follows.

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

Panasonic develops its businesses by forming alliances or joint ventures with, and making strategic investments in, other companies, including investments in start-up companies. Furthermore, the strategic importance of partnering with third parties is increasing. In some cases, such partnerships are crucial to Panasonic's goal of introducing new products and services, but Panasonic may not be able to successfully collaborate or achieve expected synergies with its partners. Furthermore, Panasonic does not control these partners, who may make decisions regarding their business undertakings with Panasonic that may be contrary to Panasonic's interests. In addition, if these partners change their business strategies, Panasonic may fail to maintain these partnerships. Panasonic, Panasonic Electric Works (PEW) and SANYO Electric Co., Ltd. (SANYO) resolved, at their respective meetings of the Boards of Directors held on July 29, 2010, 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 (the Acquisitions) by around April 2011 by way of tender offers and, thereafter, share exchanges. Panasonic conducted, pursuant to the resolution of its above-mentioned Board of Directors meeting, the tender offers for the shares of PEW and SANYO at a purchase price of 1,110 yen per share of PEW common stock and 138 yen per share of SANYO common stock during a tender offer period from August 23, 2010 through October 6, 2010, and as a result, Panasonic's shareholdings of PEW and SANYO became approximately 84% and 81%, respectively. Thereafter, Panasonic, PEW and SANYO resolved, at their respective meetings of the Boards of Directors held on December 21, 2010, to conduct share exchanges in order to make Panasonic a wholly-owning parent company, and PEW and SANYO wholly-owned subsidiaries, and the share exchange agreements were executed between Panasonic and PEW, and between Panasonic and SANYO, respectively. The Acquisitions are scheduled to be completed on April 1, 2011 subject to approval of the share exchange agreements at extraordinary general meetings of PEW and SANYO, respectively. However, Panasonic may not be able to promptly complete the Acquisitions or realize the business reorganization which is scheduled thereafter. Furthermore, even if Panasonic completes the Acquisitions, Panasonic may fail to sufficiently achieve the expected results of the

Acquisitions, such as promotion of rapid decision-making and maximization of group synergies.

Note: The forward-looking statements in the above information are based on our belief as of the filing date of this quarterly report.

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**(7) Others**

Based on the Board of Directors meeting held on July 29, 2010, the Company conducted the tender offers for common shares of PEW and SANYO from August 23, 2010 through October 6, 2010. The aggregate purchase amount of the tender offers is 525.2 billion yen and, as a result of the tender offers, the equity ownership of the Company in PEW and SANYO is approximately 84% and 81%, respectively. Thereafter, Panasonic, PEW and SANYO resolved at their respective meetings of the Board of Directors held on December 21, 2010, to conduct share exchanges in order to make Panasonic a wholly-owning parent company, and the share exchange agreements were executed between Panasonic and PEW, and between Panasonic and SANYO. Shares of both subsidiaries are scheduled to be delisted on March 29, 2011, as the effective date for the share exchanges has been set as April 1, 2011, subject to approval of the share exchange agreements at extraordinary general meetings of PEW and SANYO, in early March 2011.

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**III Property, Plant and Equipment****(1) Major Property, Plant and Equipment**

During the three months ended December 31, 2010, there were no significant changes in major property, plant and equipment.

**(2) Plan of the Purchase and Retirement of Major Property, Plant and Equipment**

During the three months ended December 31, 2010, there were no significant changes in plan of the purchase and retirement of major property, plant and equipment from the last fiscal year. During the three months ended December 31, 2010, the Company does not have any current plans to purchase, expand, refurbish, retire and dispose major property, plant and equipment.

During the three months ended December 31, 2010, the Company invested a total of 92,375 million yen in property, plant and equipment, with an emphasis on production facilities in such priority business areas as flat-panel TVs and batteries. The breakdown of capital investment by business segment is as follows:

| <b>Business Segment</b> | <b>Yen<br/>(millions)</b> |
|-------------------------|---------------------------|
| Digital AVC Networks    | 32,212                    |
| Home Appliances         | 6,150                     |
| PEW and PanaHome        | 12,043                    |
| Components and Devices  | 18,835                    |
| SANYO                   | 20,831                    |
| Other                   | 756                       |
| Subtotal                | 90,827                    |
| Corporate               | 1,548                     |
| Total                   | 92,375                    |

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**IV Shares and Shareholders****(1) Shares of Common Stock Issued as of December 31, 2010: 2,453,053,497 shares**

The common stock of the Company is listed on the Tokyo, Osaka and Nagoya stock exchanges in Japan. In the United States, the Company's American Depositary Shares (ADSs) are listed on the New York Stock Exchange.

**(2) Amount of Common Stock (Stated Capital) as of December 31, 2010: 258,740 million yen****(3) Stock Price**

The following table sets forth the monthly reported high and low market prices per share of the Company's common stock on the Tokyo Stock Exchange for the nine months of fiscal 2011:

|      | <b>Yen</b>   |            |             |             |               |                  |                |                 |                 |
|------|--------------|------------|-------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
|      | <b>April</b> | <b>May</b> | <b>June</b> | <b>July</b> | <b>August</b> | <b>September</b> | <b>October</b> | <b>November</b> | <b>December</b> |
| High | 1,480        | 1,348      | 1,288       | 1,212       | 1,155         | 1,170            | 1,226          | 1,272           | 1,220           |
| Low  | 1,345        | 1,123      | 1,104       | 1,040       | 1,027         | 1,050            | 1,100          | 1,135           | 1,138           |

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**V Financial Statements**

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PANASONIC CORPORATION  
AND SUBSIDIARIES

## Consolidated Balance Sheets

December 31 and March 31, 2010

|   | Assets | Yen (millions)    |                |
|---|--------|-------------------|----------------|
|   |        | December 31, 2010 | March 31, 2010 |
| Current assets:                           |        |                   |                |
| Cash and cash equivalents                 |        | 1,125,951         | 1,109,912      |
| Time deposits                             |        | 80,742            | 92,032         |
| Trade receivables:                        |        |                   |                |
| Notes                                     |        | 79,715            | 74,283         |
| Accounts (Note 12)                        |        | 1,103,191         | 1,134,915      |
| Allowance for doubtful receivables        |        | (22,599)          | (24,158)       |
| Net trade receivables                     |        | 1,160,307         | 1,185,040      |
| Inventories (Note 2)                      |        | 945,881           | 913,646        |
| Other current assets (Notes 12 and 13)    |        | 460,644           | 505,418        |
| Total current assets                      |        | 3,773,525         | 3,806,048      |
| Investments and advances (Notes 3 and 13) |        | 556,835           | 636,762        |
| Property, plant and equipment (Note 5):   |        |                   |                |
| Land                                      |        | 383,185           | 391,394        |
| Buildings                                 |        | 1,737,633         | 1,767,674      |
| Machinery and equipment                   |        | 2,250,935         | 2,303,633      |
| Construction in progress                  |        | 125,268           | 128,826        |
|   |        | 4,497,021         | 4,591,527      |
| Less accumulated depreciation             |        | 2,604,878         | 2,635,506      |
| Net property, plant and equipment         |        | 1,892,143         | 1,956,021      |



|                            |           |           |
|----------------------------|-----------|-----------|
| Other assets:              |           |           |
| Goodwill                   | 923,950   | 923,001   |
| Intangible assets (Note 5) | 565,809   | 604,865   |
| Other assets               | 426,114   | 431,360   |
| Total other assets         | 1,915,873 | 1,959,226 |
|                            | 8,138,376 | 8,358,057 |

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION  
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31 and March 31, 2010

|  | Yen (millions)    |                |
|--|-------------------|----------------|
|  | December 31, 2010 | March 31, 2010 |
| <b>Liabilities and Equity</b>  |                   |                |
| Current liabilities:   |                   |                |
| Short-term debt, including current portion of long-term debt (Notes 11 and 13) | 947,890           | 299,064        |
| Trade payables:  |                   |                |
| Notes  | 58,045            | 59,608         |
| Accounts (Note 12)   | 992,635           | 1,011,838      |
| Total trade payables   | 1,050,680         | 1,071,446      |
| Accrued income taxes   | 83,999            | 39,154         |
| Accrued payroll  | 117,077           | 149,218        |
| Other accrued expenses   | 822,196           | 826,051        |
| Deposits and advances from customers   | 72,213            | 64,046         |
| Employees deposits   | 10,394            | 10,009         |
| Other current liabilities (Notes 12 and 13)                                    | 387,669           | 356,875        |
| Total current liabilities  | 3,492,118         | 2,815,863      |
| Noncurrent liabilities:  |                   |                |
| Long-term debt (Note 13)   | 836,894           | 1,028,928      |
| Retirement and severance benefits  | 407,953           | 435,799        |
| Other liabilities  | 374,436           | 397,694        |
| Total noncurrent liabilities   | 1,619,283         | 1,862,421      |
| Equity:  |                   |                |
| Panasonic Corporation shareholders equity:                                     |                   |                |

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|  |           |           |
|--|-----------|-----------|
| Common stock (Note 6)  | 258,740   | 258,740   |
| Capital surplus  | 1,100,717 | 1,209,516 |
| Legal reserve  | 94,291    | 93,307    |
| Retained earnings  | 2,442,499 | 2,349,487 |
| Accumulated other comprehensive income (loss):                     |           |           |
| Cumulative translation adjustments                                 | (484,626) | (352,649) |
| Unrealized holding gains of available-for-sale securities (Note 3) | 21,669    | 40,700    |
| Unrealized gains of derivative instruments (Note 12)               | 5,563     | 1,272     |
| Pension liability adjustments                                      | (127,188) | (137,555) |
| Total accumulated other comprehensive income (loss)                | (584,582) | (448,232) |
| Treasury stock, at cost (Note 6)                                   | (670,724) | (670,330) |
| Total Panasonic Corporation shareholders' equity (Note 10)         | 2,640,941 | 2,792,488 |
| Noncontrolling interests (Note 10)                                 | 386,034   | 887,285   |
| Total equity (Note 10)   | 3,026,975 | 3,679,773 |
| Commitments and contingent liabilities (Notes 4 and 14)            |           |           |
|  | 8,138,376 | 8,358,057 |

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION  
AND SUBSIDIARIES

Consolidated Statements of Operations

Nine months ended December 31, 2010 and 2009

|   | Yen (millions)                |             |
|---|-------------------------------|-------------|
|   | Nine months ended December 31 |             |
|   | 2010                          | 2009        |
| Revenues, costs and expenses:   |                               |             |
| Net sales   | 6,653,361                     | 5,219,884   |
| Cost of sales (Note 12)   | (4,890,833)                   | (3,752,108) |
| Selling, general and administrative expenses  | (1,498,196)                   | (1,337,912) |
| Interest income   | 8,257                         | 8,876       |
| Dividends received  | 5,645                         | 6,183       |
| Other income (Notes 11 and 12)  | 40,270                        | 30,567      |
| Interest expense  | (21,093)                      | (16,545)    |
| Other deductions (Notes 5, 11, 12 and 13)   | (70,091)                      | (104,303)   |
| Income before income taxes  | 227,320                       | 54,642      |
| Provision for income taxes  | (111,842)                     | (69,856)    |
| Equity in earnings (losses) of associated companies   | 7,582                         | (1,263)     |
| Net income (loss) (Note 10)   | 123,060                       | (16,477)    |
| Less net income (loss) attributable to noncontrolling interests (Note 10)                       | 8,359                         | (1,868)     |
| Net income (loss) attributable to Panasonic Corporation (Note 10)                               | 114,701                       | (14,609)    |
|   |                               | Yen         |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders (Note 8): |                               |             |
| Basic   | 55.40                         | (7.06)      |
| Diluted   |                               |             |

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION  
AND SUBSIDIARIES

Consolidated Statements of Operations

Three months ended December 31, 2010 and 2009

|  | Yen (millions)                 |             |
|--|--------------------------------|-------------|
|  | Three months ended December 31 |             |
|  | 2010                           | 2009        |
| Revenues, costs and expenses:  |                                |             |
| Net sales  | 2,285,413                      | 1,886,588   |
| Cost of sales (Note 12)  | (1,691,283)                    | (1,328,571) |
| Selling, general and administrative expenses   | (498,766)                      | (457,010)   |
| Interest income  | 2,540                          | 2,832       |
| Dividends received   | 2,162                          | 2,080       |
| Other income (Notes 11 and 12)   | 10,010                         | 13,964      |
| Interest expense   | (6,808)                        | (4,979)     |
| Other deductions (Notes 5, 11, 12 and 13)  | (20,501)                       | (33,809)    |
| Income before income taxes   | 82,767                         | 81,095      |
| Provision for income taxes   | (47,695)                       | (47,082)    |
| Equity in earnings of associated companies   | 3,953                          | 786         |
| Net income (Note 10)   | 39,025                         | 34,799      |
| Less net income (loss) attributable to noncontrolling interests                          | (958)                          | 2,540       |
| Net income attributable to Panasonic Corporation   | 39,983                         | 32,259      |
|  |                                | Yen         |
| Net income per share attributable to Panasonic Corporation common shareholders (Note 8): |                                |             |
| Basic  | 19.31                          | 15.58       |
| Diluted  |                                |             |

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION  
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine months ended December 31, 2010 and 2009

|  | Yen (millions)                |           |
|--|-------------------------------|-----------|
|  | Nine months ended December 31 |           |
|  | 2010                          | 2009      |
| Cash flows from operating activities:  |                               |           |
| Net income (loss) (Note 10)  | 123,060                       | (16,477)  |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                               |           |
| Depreciation and amortization  | 268,894                       | 195,252   |
| Net gain on sale of investments  | (7,060)                       | (1,000)   |
| Provision for doubtful receivables   | 3,480                         | 3,098     |
| Deferred income taxes  | 3,561                         | 41,482    |
| Write-down of investment securities (Notes 11 and 13)                                    | 25,764                        | 6,074     |
| Impairment losses on long-lived assets (Notes 5 and 13)                                  | 6,847                         | 19,105    |
| Cash effects of change in:   |                               |           |
| Trade receivables  | (18,352)                      | (157,397) |
| Inventories  | (81,646)                      | 36,662    |
| Other current assets   | 2,357                         | 9,699     |
| Trade payables   | 13,249                        | 130,648   |
| Accrued income taxes   | 47,696                        | 8,548     |
| Accrued expenses and other current liabilities   | 24,203                        | 15,508    |
| Retirement and severance benefits  | (24,289)                      | (10,106)  |
| Deposits and advances from customers   | 6,368                         | 9,230     |
| Other, net   | (19,840)                      | 15,833    |
| Net cash provided by operating activities  | 374,292                       | 306,159   |
| Cash flows from investing activities:  |                               |           |
| Purchase of short-term investments   |                               | (6,369)   |
| Proceeds from disposition of investments and advances                                    | 64,005                        | 45,204    |
| Increase in investments and advances   | (7,100)                       | (6,803)   |



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|  |           |           |
|--|-----------|-----------|
| Capital expenditures   | (294,162) | (306,728) |
| Proceeds from disposals of property, plant and equipment   | 111,624   | 40,216    |
| Decrease in time deposits, net   | 5,103     | 95,660    |
| Purchase of shares of newly consolidated subsidiaries, net of acquired companies cash and cash equivalents |           | (174,808) |
| Other, net   | (19,899)  | (24,591)  |
| Net cash used in investing activities  | (140,429) | (338,219) |

(Continued)

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PANASONIC CORPORATION  
AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

Nine months ended December 31, 2010 and 2009

|   | Yen (millions)                |           |
|---|-------------------------------|-----------|
|   | Nine months ended December 31 |           |
|   | 2010                          | 2009      |
| Cash flows from financing activities:                                 |                               |           |
| Increase in short-term debt, net                                      | 542,725                       | 216,947   |
| Proceeds from long-term debt  | 4,457                         | 49,467    |
| Repayments of long-term debt  | (84,406)                      | (34,343)  |
| Dividends paid to Panasonic Corporation shareholders (Notes 9 and 10) | (20,705)                      | (25,883)  |
| Dividends paid to noncontrolling interests (Note 10)                  | (9,568)                       | (12,146)  |
| Repurchase of common stock (Note 10)                                  | (418)                         | (54)      |
| Sale of treasury stock (Note 10)                                      | 16                            | 21        |
| Purchase of noncontrolling interests (Note 10)                        | (588,539)                     | (10,885)  |
| Other, net  | 1,205                         | (75)      |
| Net cash provided by (used in) financing activities                   | (155,233)                     | 183,049   |
| Effect of exchange rate changes on cash and cash equivalents          | (62,591)                      | (13,951)  |
| Net increase in cash and cash equivalents                             | 16,039                        | 137,038   |
| Cash and cash equivalents at beginning of period                      | 1,109,912                     | 973,867   |
| Cash and cash equivalents at end of period                            | 1,125,951                     | 1,110,905 |

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION  
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

(a) **Description of Business**

Panasonic Corporation (hereinafter, the Company, including consolidated subsidiaries, unless the context otherwise requires) is one of the world's leading producers of electronic and electric products. The Company currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology, expanding to building materials and equipment, and housing business.

Sales by product category for the nine months ended December 31, 2010 were as follows: Digital AVC Networks 36%, Home Appliances 14%, PEW and PanaHome\* 17%, Components and Devices 9%, SANYO\* 18%, and Other 6%. A sales breakdown by geographical market was as follows: Japan 51%, North and South America 13%, Europe 10%, and Asia and Others 26%.

Sales by product category for the three months ended December 31, 2010 were as follows: Digital AVC Networks 38%, Home Appliances 14%, PEW and PanaHome\* 17%, Components and Devices 8%, SANYO\* 17%, and Other 6%. A sales breakdown by geographical market was as follows: Japan 53%, North and South America 12%, Europe 11%, and Asia and Others 24%.

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

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

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

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

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

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**(c) Principles of Consolidation**

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

The Company has 658 consolidated subsidiaries and 233 associated companies under equity method as of December 31, 2010.

**(d) Use of Estimates**

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

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**(e) Adoption of New Accounting Pronouncements**

On April 1, 2010, the Company adopted Accounting Standards Update (ASU) 2009-16, Accounting for Transfers of Financial Assets. ASU 2009-16 removes the concept of a qualifying special-purpose entity (QSPE) from ASC 860,

Transfers and Servicing, and the exception from applying ASC 810 to QSPEs, thereby requiring transferors of financial assets to evaluate whether to consolidate transferees that previously were considered QSPEs. ASU 2009-16 also clarifies ASC 860's sale-accounting criteria pertaining to legal isolation and effective control and creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale. The adoption of ASU 2009-16 did not have a material effect on the Company's consolidated financial statements.

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

For the three months ended December 31, 2010, the Company adopted the provisions of the disclosures as of the end of a reporting period included in ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 requires an entity to provide disclosures about the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses in order to increase transparency about disclosures of entity's credit risk exposures and adequacy of its allowance for credit losses. The adoption of the provisions of ASU 2010-20 did not have a material effect on the Company's consolidated financial statements.

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(2) **Inventories**

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

|                 | Yen (millions)    |                |
|-----------------|-------------------|----------------|
|                 | December 31, 2010 | March 31, 2010 |
| Finished goods  | 485,210           | 497,153        |
| Work in process | 180,839           | 159,699        |
| Raw materials   | 279,832           | 256,794        |
|                 | 945,881           | 913,646        |

(3) **Investments in Securities**

In accordance with ASC 320, Investments Debt and Equity Securities, the Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale.

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

|                                | Yen (millions)    |            |   |
|--------------------------------|-------------------|------------|---|
|                                | December 31, 2010 |            | Net unrealized<br>holding gains<br>(losses) |
|                                | Cost              | Fair value |   |
| Noncurrent:                    |                   |            |   |
| Equity securities              | 258,988           | 330,458    | 71,470                                      |
| Corporate and government bonds | 2,110             | 2,174      | 64  |
| Other debt securities          | 554               | 555        | 1   |
|                                | 261,652           | 333,187    | 71,535                                      |

Yen (millions)  
March 31, 2010

|                                | <b>Cost</b> | <b>Fair value</b> | <b>Net<br/>unrealized<br/>holding gains<br/>(losses)</b> |
|--------------------------------|-------------|-------------------|--|
| Noncurrent:                    |             |                   |  |
| Equity securities              | 275,579     | 379,358           | 103,779  |
| Corporate and government bonds | 3,894       | 3,961             | 67   |
| Other debt securities          | 568         | 585               | 17   |
|                                | 280,041     | 383,904           | 103,863  |

The carrying amount of the Company's held-to-maturity securities totaled 1,954 million yen at March 31, 2010.

The carrying amounts of the Company's cost method investments totaled 28,153 million yen and 22,039 million yen at December 31 and March 31, 2010, respectively.



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**(4) Leases**

The Company has operating leases for certain land, buildings, and machinery and equipment. Future minimum lease payments under operating leases at December 31, 2010 are as follows:

|                                  | <b>Yen (millions)</b> |
|----------------------------------|-----------------------|
| Due within 1 year                | 79,206                |
| Due after 1 year within 2 years  | 56,378                |
| Due after 2 years within 3 years | 39,672                |
| Due after 3 years within 4 years | 21,336                |
| Due after 4 years within 5 years | 5,620                 |
| Thereafter                       | 4,338                 |
| <br>Total minimum lease payments | <br>206,550           |

**(5) Long-Lived Assets**

The Company periodically reviews the recorded value of its long-lived assets to determine if the future cash flows to be derived from these assets will be sufficient to recover the remaining recorded asset values. Impairment losses are included in other deductions in the consolidated statements of operations, and are not charged to segment profit.

The Company recognized impairment losses in the aggregate of 6,847 million yen and 4,652 million yen of long-lived assets for the nine months and three months ended December 31, 2010, respectively.

Impairment losses for the nine months ended December 31, 2010 of 2,846 million yen, 2,660 million yen and 1,341 million yen related to PEW and PanaHome, SANYO and the remaining segments, respectively. Impairment losses for the three months ended December 31, 2010 of 1,010 million yen, 2,561 million yen and 1,081 million yen related to PEW and PanaHome, SANYO and the remaining segments, respectively.

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The Company recognized impairment losses in the aggregate of 19,105 million yen and 11,546 million yen of long-lived assets for the nine months and three months ended December 31, 2009, respectively.

The Company recorded the impairment losses of manufacturing facilities related to overseas lighting business for the three months ended December 31, 2009. The Company decided to aggregate manufacturing facilities of the lighting business in overseas and estimated that the carrying amounts of the assets would not be recovered through future cash flows. The fair value of the assets was determined based on discounted estimated future cash flows expected to result from their use and eventual disposition. The Company recorded the impairment losses of buildings and machineries related to domestic battery business for the three months ended December 31, 2009. In relation to the acquisition of SANYO, the Company has to transfer a part of its battery business within one year, and estimated that the carrying amounts of the assets would not be recovered through future cash flows. The fair value of the assets was determined based on discounted estimated future cash flows expected to result from their use and eventual disposition. The Company recorded the impairment losses of manufacturing facilities related to overseas motor businesses for the three months ended September 30, 2009. The Company decided to divest one of its motor business as part of the motor business structural reform and estimated that the carrying amounts of the assets would not be recovered through future cash flows. The fair value of the assets was determined based on discounted estimated future cash flows expected to result from their use and eventual disposition.

Impairment losses for the nine months ended December 31, 2009 of 12,250 million yen, 5,518 million yen and 1,337 million yen related to Home Appliances, Components and Devices and the remaining segments, respectively. Impairment losses for the three months ended December 31, 2009 of 6,144 million yen, 4,899 million yen and 503 million yen related to Home Appliances, Components and Devices and the remaining segments, respectively.

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(6) **Number of Common Shares**

Number of common shares authorized and issued and number of treasury common shares as of December 31 and March 31, 2010 are as follows:

|                | Number of shares  |                |
|----------------|-------------------|----------------|
|                | December 31, 2010 | March 31, 2010 |
| Common stock:  |                   |                |
| Authorized     | 4,950,000,000     | 4,950,000,000  |
| Issued         | 2,453,053,497     | 2,453,053,497  |
| Treasury stock | 382,749,048       | 382,448,008    |

(7) **Panasonic Corporation Shareholders' Equity per Share**

Panasonic Corporation shareholders' equity per share as of December 31 and March 31, 2010 are as follows:

|  | Yen               |                |
|--|-------------------|----------------|
|  | December 31, 2010 | March 31, 2010 |
| Panasonic Corporation shareholders' equity per share | 1,275.63          | 1,348.63       |

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

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share attributable to Panasonic Corporation common shareholders computation for the nine months ended December 31, 2010 and 2009 are as follows:

|  | <b>Yen (millions)</b>                |               |
|--|--------------------------------------|---------------|
|  | <b>Nine months ended December 31</b> |               |
|  | <b>2010</b>                          | <b>2009</b>   |
| Net income (loss) attributable to Panasonic Corporation common shareholders            | 114,701                              | (14,609)      |
|  | <b>Number of shares</b>              |               |
|  | <b>Nine months ended December 31</b> |               |
|  | <b>2010</b>                          | <b>2009</b>   |
| Average common shares outstanding  | 2,070,355,884                        | 2,070,628,077 |
|  | <b>Yen</b>                           |               |
|  | <b>Nine months ended December 31</b> |               |
|  | <b>2010</b>                          | <b>2009</b>   |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders: |                                      |               |
| Basic  | 55.40                                | (7.06)        |

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

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A reconciliation of the numerators and denominators of the basic and diluted net income per share attributable to Panasonic Corporation common shareholders computation for the three months ended December 31, 2010 and 2009 are as follows:

|   | <b>Yen (millions)</b>                 |               |
|---|---------------------------------------|---------------|
|   | <b>Three months ended December 31</b> |               |
|   | <b>2010</b>                           | <b>2009</b>   |
| Net income attributable to Panasonic Corporation common shareholders            | 39,983                                | 32,259        |
|   | <b>Number of shares</b>               |               |
|   | <b>Three months ended December 31</b> |               |
|   | <b>2010</b>                           | <b>2009</b>   |
| Average common shares outstanding   | 2,070,320,679                         | 2,070,619,530 |
|   | <b>Yen</b>                            |               |
|   | <b>Three months ended December 31</b> |               |
|   | <b>2010</b>                           | <b>2009</b>   |
| Net income per share attributable to Panasonic Corporation common shareholders: |                                       |               |
| Basic   | 19.31                                 | 15.58         |

Diluted net income per share attributable to Panasonic Corporation common shareholders has been omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

**(9) Cash Dividends**

On May 7, 2010, the board of directors approved a year-end dividend of 5.0 yen per share, totaling 10,353 million yen on outstanding common stock as of March 31, 2010. The dividends, which became effective on May 31, 2010, were sourced out of retained earnings.

On October 29, 2010, the board of directors approved an interim dividend of 5.0 yen per share, totaling 10,352 million yen on outstanding common stock as of September 30, 2010. The dividends, which became effective on November 30, 2010, were sourced out of retained earnings.

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(10) Equity

The change in the carrying amount of Panasonic Corporation shareholders' equity, noncontrolling interests and total equity in the consolidated balance sheets for the nine months ended December 31, 2010 and 2009 are as follows:

|  | Yen (millions)                                |                             |              |
|--|---|-----------------------------|--------------|
|  | Nine months ended December 31, 2010           |                             |              |
|  | Panasonic Corporation<br>shareholders' equity | Noncontrolling<br>interests | Total equity |
| Balance at April 1, 2010   | 2,792,488                                     | 887,285                     | 3,679,773    |
| Dividends paid to Panasonic Corporation shareholders               | (20,705)                                      |                             | (20,705)     |
| Dividends paid to noncontrolling interests                         |   | (9,568)                     | (9,568)      |
| Repurchase of common stock   | (418)   |                             | (418)        |
| Sale of treasury stock   | 16  |                             | 16           |
| Equity transactions with noncontrolling interests                  | (114,676)                                     | (471,151)                   | (585,827)    |
| Other  |   | (2,545)                     | (2,545)      |
| Comprehensive income (loss):                                       |   |                             |              |
| Net income   | 114,701                                       | 8,359                       | 123,060      |
| Other comprehensive income (loss), net of tax:                     |   |                             |              |
| Translation adjustments  | (117,483)                                     | (25,582)                    | (143,065)    |
| Unrealized holding gains (losses) of available-for-sale securities | (17,972)                                      | (1,637)                     | (19,609)     |
| Unrealized holding gains (losses) of derivative instruments        | 4,291   | (28)                        | 4,263        |
| Pension liability adjustments                                      | 699   | 901                         | 1,600        |
| Total comprehensive income (loss)                                  | (15,764)                                      | (17,987)                    | (33,751)     |
| Balance at December 31, 2010                                       | 2,640,941                                     | 386,034                     | 3,026,975    |

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|   | <b>Yen (millions)</b>                                    |                                     |                     |
|---|--|-------------------------------------|---------------------|
|   | <b>Nine months ended December 31, 2009</b>               |                                     |                     |
|   | <b>Panasonic Corporation<br/>shareholders<br/>equity</b> | <b>Noncontrolling<br/>interests</b> | <b>Total equity</b> |
| Balance at April 1, 2009                                  | 2,783,980  | 428,601                             | 3,212,581           |
| Dividends paid to Panasonic Corporation shareholders      | (25,883)   |                                     | (25,883)            |
| Dividends paid to noncontrolling interests                |  | (12,146)                            | (12,146)            |
| Repurchase of common stock                                | (54)   |                                     | (54)                |
| Sale of treasury stock                                    | 21   |                                     | 21                  |
| Equity transactions with noncontrolling interests         | (8,139)  | (2,746)                             | (10,885)            |
| Acquisition transaction                                   |  | 532,360                             | 532,360             |
| Other   |  | 454                                 | 454                 |
| Comprehensive income (loss):                              |  |                                     |                     |
| Net income (loss)   | (14,609)   | (1,868)                             | (16,477)            |
| Other comprehensive income (loss), net of tax:            |  |                                     |                     |
| Translation adjustments                                   | (22,467)   | (3,558)                             | (26,025)            |
| Unrealized holding gains of available-for-sale securities | 45,105   | 1,075                               | 46,180              |
| Unrealized holding gains of derivative instruments        | 5,295  | 60                                  | 5,355               |
| Pension liability adjustments                             | (19)   | (1,758)                             | (1,777)             |
| Total comprehensive income (loss)                         | 13,305   | (6,049)                             | 7,256               |
| Balance at December 31, 2009                              | 2,763,230  | 940,474                             | 3,703,704           |

Comprehensive income for the three months ended December 31, 2010 and 2009 amounted to 27,106 million yen and 78,956 million yen, respectively. Comprehensive income for the three months ended December 31, 2010 and 2009 includes Net income in the amount of 39,025 million yen and 34,799 million yen, and other comprehensive income (loss), net of tax, in the amount of a loss of 11,919 million yen and an income of 44,157 million yen, respectively.

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(11) **Supplementary Information**

Included in other deductions for the nine months and three months ended December 31, 2010 and 2009 are as follows:

|  | Yen (millions)                |        |
|--|-------------------------------|--------|
|  | Nine months ended December 31 |        |
|  | 2010                          | 2009   |
| Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries | 8,224                         | 24,436 |
| Write-down of investment securities  | 25,764                        | 6,074  |
| Foreign exchange losses  |                               | 6,420  |

|  | Yen (millions)                 |       |
|--|--------------------------------|-------|
|  | Three months ended December 31 |       |
|  | 2010                           | 2009  |
| Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries | 6,619                          | 1,742 |
| Write-down of investment securities  | 73                             | 3,215 |
| Foreign exchange losses  |                                | 1,230 |

Foreign exchange gains included in other income for the nine months and three months ended December 31, 2010 are 6,905 million yen and 151 million yen, respectively.

Net periodic benefit cost for the nine months ended December 31, 2010 and 2009 are 43,329 million yen and 53,338 million yen, respectively. Net periodic benefit cost for the three months ended December 31, 2010 and 2009 are 14,326 million yen and 17,468 million yen, respectively.

572,858 million yen of short-term bonds, which were newly issued during the nine months ended December 31, 2010, are included in short-term debt, including current portion of long-term debt in the consolidated balance sheets as of December 31, 2010.



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(12) Derivatives and Hedging Activities

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

The Company accounts for derivative instruments in accordance with ASC 815, Derivatives and Hedging. Amounts included in accumulated other comprehensive income (loss) at December 31, 2010 are expected to be recognized in earnings principally over the next twelve months. The maximum term over which the Company is hedging exposures to the variability of cash flows for foreign currency exchange risk is approximately five months.

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

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

|  | Yen (millions)  |               |   |               |
|--|---|---------------|---|---------------|
|  | Asset derivatives<br>Consolidated balance<br>sheet location | Fair<br>value | Liability derivatives<br>Consolidated balance<br>sheet location | Fair<br>value |
| Derivatives designated as hedging<br>instruments under ASC 815:          |   |               |   |               |
| Foreign exchange contracts   | Other current assets  | 4,089         | Other current liabilities                                       | (1,267)       |
| Commodity futures  | Other current assets  | 15,213        | Other current liabilities                                       | (1,542)       |
| Total derivatives designated as hedging<br>instruments under ASC 815     |   | 19,302        |   | (2,809)       |
| Derivatives not designated as hedging<br>instruments under ASC 815:      |   |               |   |               |
| Foreign exchange contracts   | Other current assets  | 4,769         | Other current liabilities                                       | (3,679)       |
| Cross currency swaps   |   |               | Other current liabilities                                       | (965)         |
| Commodity futures  | Other current assets  | 7,637         | Other current liabilities                                       | (7,637)       |
| Total derivatives not designated as hedging<br>instruments under ASC 815 |   | 12,406        |   | (12,281)      |
| Total derivatives  |   | 31,708        |   | (15,090)      |

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

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

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The effect of derivative instruments on the consolidated statement of operations for the nine months ended December 31, 2010 is as follows:

|  | Yen (millions)   |  |
|--|--|--|
|  | Location of gain or (loss)<br>recognized in operations | Amount of gain or (loss)<br>recognized in operations |
| <b>Hedging instruments in<br/>ASC 815 fair value<br/>hedging relationships</b> |  |  |
| Commodity futures  | Other income (deductions)                              | (2,707)  |
| Total  |  | (2,707)  |

|   | Yen (millions)   |  |
|---|--|--|
|   | Location of gain or (loss)<br>recognized in operations | Amount of gain or<br>(loss)<br>recognized in<br>operations |
| <b>Related hedged items in<br/>ASC 815 fair value<br/>hedging relationships</b> |  |  |
| Trade accounts receivable (payable)   | Other income (deductions)                              | 3,927  |
| Total   |  | 3,927  |

Fair value hedges resulted in gains of 1,220 million yen of ineffectiveness.

|   | Yen (millions)   |  | Amount of gain (loss)<br>reclassified<br>from<br>accumulated<br>OCI<br>into operations<br>(effective<br>portion) |
|---|--|--|--|
|   | Amount of gain (loss)<br>recognized in<br>OCI on<br>derivative<br>(effective<br>portion) | Location of gain (loss)<br>reclassified from<br>accumulated OCI<br>into operations<br>(effective<br>portion) |  |
| <b>Derivatives in ASC<br/>815 cash flow<br/>hedging relationships</b> |  |  |  |
| Foreign exchange contracts  | 13,939   | Other income (deductions)  | 9,395  |
| Commodity futures   | 6,360  | Cost of sales  | 541  |
| Total   | 20,299   |  | 9,936  |

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|   | Yen (millions)   |  |
|---|--|--|
| <b>Derivatives in ASC<br/>815 cash flow<br/>hedging relationships</b> | <b>Location of gain (loss) recognized in<br/>operations on derivative<br/>(ineffective portion and amount excluded<br/>from effectiveness testing)</b> | <b>Amount of gain (loss)<br/>recognized in<br/>operations on derivative<br/>(ineffective portion and amount excluded from<br/>effectiveness testing)</b> |
| Foreign exchange contracts  | Other income (deductions)  | 485  |
| Commodity futures   |  |  |
| Total   |  | 485  |

|  | Yen (millions)  |   |
|--|---|---|
| <b>Derivatives not designated<br/>as hedging instruments<br/>under ASC 815</b> | <b>Location of gain (loss)<br/>recognized in operations<br/>on derivative</b> | <b>Amount of gain (loss)<br/>recognized in operations<br/>on derivative</b> |
| Foreign exchange contracts   | Other income (deductions)   | 14,147  |
| Cross currency swaps   | Other income (deductions)   | (682)   |
| Interest rate swaps  | Other income (deductions)   | (23)  |
| Commodity futures  | Other income (deductions)   | 0   |
| Total  |   | 13,442  |

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

| <b>Hedging instruments in<br/>ASC 815 fair value<br/>hedging relationships</b> | <b>Yen (millions)</b>  |  | <b>Amount of gain or (loss)<br/>recognized in operations</b> |
|--|--|--|--|
|  | <b>Location of gain or (loss)<br/>recognized in operations</b> |  |  |
| Commodity futures  | Other income (deductions)                                      |  | 36,264   |
| Total  |  |  | 36,264   |

| <b>Related hedged items in<br/>ASC 815 fair value<br/>hedging relationships</b> | <b>Yen (millions)</b>  |  | <b>Amount of gain or<br/>(loss)<br/>recognized in<br/>operations</b> |
|---|--|--|--|
|   | <b>Location of gain or (loss)<br/>recognized in operations</b> |  |  |
| Trade accounts receivable (payable)   | Other income (deductions)                                      |  | (34,756)   |
| Total   |  |  | (34,756)   |

Fair value hedges resulted in gains of 1,508 million yen of ineffectiveness.

| <b>Derivatives in ASC<br/>815 cash flow<br/>hedging relationships</b> | <b>Yen (millions)</b>  |  | <b>Amount of gain (loss)<br/>reclassified<br/>from<br/>accumulated<br/>OCI<br/>into operations<br/>(effective<br/>portion)</b> |
|---|--|--|--|
|   | <b>Amount of gain (loss)<br/>recognized in<br/>OCI on<br/>derivative<br/>(effective<br/>portion)</b> | <b>Location of gain (loss)<br/>reclassified from<br/>accumulated OCI<br/>into operations<br/>(effective portion)</b> |  |
| Foreign exchange contracts  | 1,541  | Other income (deductions)  | (3,690)  |
| Cross currency swaps  | (291)  | Other income (deductions)  | (16)   |
| Commodity futures   | 3,359  | Cost of sales  | (498)  |
| Total   | 4,609  |  | (4,204)  |

| <b>Derivatives in ASC<br/>815 cash flow<br/>hedging relationships</b> | <b>Yen (millions)<br/>Location of gain (loss) recognized in<br/>operations on derivative<br/>(ineffective portion and amount excluded<br/>from effectiveness testing)</b> | <b>Amount of gain (loss) recognized in<br/>operations on derivative<br/>(ineffective portion and amount excluded from<br/>effectiveness testing)</b> |
|---|---|--|
| Foreign exchange contracts  | Other income (deductions)   | 1,166  |
| Cross currency swaps  |   |  |
| Commodity futures   |   |  |
| Total   |   | 1,166  |

| <b>Derivatives not designated<br/>as hedging instruments<br/>under ASC 815</b> | <b>Yen (millions)<br/>Location of gain (loss)<br/>recognized in operations<br/>on derivative</b> | <b>Amount of gain (loss)<br/>recognized in operations<br/>on derivative</b> |
|--|--|---|
| Foreign exchange contracts   | Other income (deductions)  | (7,561)   |
| Cross currency swaps   | Other income (deductions)  | 308   |
| Commodity futures  | Other income (deductions)  | 0   |
| Total  |  | (7,253)   |

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The effect of derivative instruments on the consolidated statement of operations for the three months ended December 31, 2010 is as follows:

| <b>Hedging instruments in</b> |                              | <b>Yen (millions)</b>                                      | <b>Amount of gain or (loss) recognized in operations</b> |
|-------------------------------|------------------------------|--|--|
| <b>ASC 815 fair value</b>     | <b>hedging relationships</b> | <b>Location of gain or (loss) recognized in operations</b> |  |
| Commodity futures             |                              | Other income (deductions)                                  | 5,067  |
| Total                         |                              |  | 5,067  |

| <b>Related hedged items in</b>      |                              | <b>Yen (millions)</b>                                      | <b>Amount of gain or (loss) recognized in operations</b> |
|-------------------------------------|------------------------------|--|--|
| <b>ASC 815 fair value</b>           | <b>hedging relationships</b> | <b>Location of gain or (loss) recognized in operations</b> |  |
| Trade accounts receivable (payable) |                              | Other income (deductions)                                  | (4,817)  |
| Total                               |                              |  | (4,817)  |

Fair value hedges resulted in gains of 250 million yen of ineffectiveness.

| <b>Derivatives in ASC</b>  |                              | <b>Yen (millions)</b>  | <b>Location of gain (loss) reclassified from accumulated OCI into operations</b> | <b>Amount of gain (loss) reclassified from accumulated OCI into operations (effective portion)</b> |
|----------------------------|------------------------------|--|--|--|
| <b>815 cash flow</b>       | <b>hedging relationships</b> | <b>Amount of gain (loss) recognized in OCI on derivative (effective portion)</b> | <b>(effective portion)</b>   |  |
| Foreign exchange contracts |                              | 3,189  | Other income (deductions)  | 1,754  |
| Commodity futures          |                              | 4,817  | Cost of sales  | 273  |



|       |       |       |
|-------|-------|-------|
| Total | 8,006 | 2,027 |
|-------|-------|-------|

| <b>Derivatives in ASC<br/>815 cash flow<br/>hedging relationships</b> | <b>Yen (millions)<br/>Location of gain (loss) recognized in<br/>operations on derivative<br/>(ineffective portion and amount excluded<br/>from effectiveness testing)</b> | <b>Amount of gain (loss)<br/>recognized in<br/>operations on derivative<br/>(ineffective portion and amount excluded from<br/>effectiveness testing)</b> |
|---|---|--|
| Foreign exchange contracts  | Other income (deductions)   | (143)  |
| Commodity futures   |   |  |
| Total   |   | (143)  |

| <b>Derivatives not designated<br/>as hedging instruments<br/>under ASC 815</b> | <b>Yen (millions)<br/>Location of gain (loss)<br/>recognized in operations<br/>on derivative</b> | <b>Amount of gain (loss)<br/>recognized in operations<br/>on derivative</b> |
|--|--|---|
| Foreign exchange contracts   | Other income (deductions)  | 2,171   |
| Cross currency swaps   | Other income (deductions)  | 2,242   |
| Interest rate swaps  | Other income (deductions)  |   |
| Commodity futures  | Other income (deductions)  | 0   |
| Total  |  | 4,413   |

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

|                                     |                                   | Yen (millions)        |  |
|-------------------------------------|-----------------------------------|-----------------------|--|
| <b>Hedging instruments in</b>       |                                   |                       |  |
| <b>ASC 815 fair value</b>           | <b>Location of gain or (loss)</b> |                       | <b>Amount of gain or (loss) recognized in operations</b> |
| <b>hedging relationships</b>        | <b>recognized in operations</b>   |                       |  |
| Commodity futures                   | Other income (deductions)         |                       | 13,521   |
| Total                               |                                   |                       | 13,521   |
| <b>Related hedged items in</b>      |                                   | <b>Yen (millions)</b> |  |
| <b>ASC 815 fair value</b>           | <b>Location of gain or (loss)</b> |                       | <b>Amount of gain or (loss) recognized in operations</b> |
| <b>hedging relationships</b>        | <b>recognized in operations</b>   |                       |  |
| Trade accounts receivable (payable) | Other income (deductions)         |                       | (12,941)   |
| Total                               |                                   |                       | (12,941)   |

Fair value hedges resulted in gains of 580 million yen of ineffectiveness.

|                              |  | Yen (millions)   |  |
|------------------------------|--|--|--|
| <b>Derivatives in ASC</b>    | <b>Amount of gain (loss) recognized in OCI on derivative (effective portion)</b> | <b>Location of gain (loss) reclassified from accumulated OCI into operations (effective portion)</b> | <b>Amount of gain (loss) reclassified from accumulated OCI into operations (effective portion)</b> |
| <b>815 cash flow</b>         |  |  |  |
| <b>hedging relationships</b> |  |  |  |
| Foreign exchange contracts   | (1,451)  | Other income (deductions)  | 2,082  |
| Cross currency swaps         |  |  |  |
| Commodity futures            | 603  | Cost of sales  | 522  |

|       |       |       |
|-------|-------|-------|
| Total | (848) | 2,604 |
|-------|-------|-------|

| <b>Derivatives in ASC</b>    | <b>Yen (millions)</b>                           | <b>Amount of gain (loss)</b>                         |
|------------------------------|---|--|
| <b>815 cash flow</b>         | <b>Location of gain (loss) recognized in</b>    | <b>recognized in</b>                                 |
| <b>hedging relationships</b> | <b>operations on derivative</b>                 | <b>operations on derivative</b>                      |
|                              | <b>(ineffective portion and amount excluded</b> | <b>(ineffective portion and amount excluded from</b> |
|                              | <b>from effectiveness testing)</b>              | <b>effectiveness testing)</b>                        |
| Foreign exchange contracts   | Other income (deductions)                       | 532  |
| Cross currency swaps         |   |  |
| Commodity futures            |   |  |
| Total                        |   | 532  |

| <b>Derivatives not designated</b> | <b>Yen (millions)</b>           | <b>Amount of gain (loss)</b>    |
|-----------------------------------|---------------------------------|---------------------------------|
| <b>as hedging instruments</b>     | <b>Location of gain (loss)</b>  | <b>recognized in operations</b> |
| <b>under ASC 815</b>              | <b>recognized in operations</b> | <b>recognized in operations</b> |
|                                   | <b>on derivative</b>            | <b>on derivative</b>            |
| Foreign exchange contracts        | Other income (deductions)       | 1,159                           |
| Cross currency swaps              | Other income (deductions)       | 955                             |
| Commodity futures                 | Other income (deductions)       | 0                               |
| Total                             |                                 | 2,114                           |

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(13) Fair Value

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

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

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

*Investments and advances*

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

*Long-term debt, including current portion*

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

*Derivative financial instruments*

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

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

|   | Yen (millions)    |             |                 |             |
|---|-------------------|-------------|-----------------|-------------|
|   | December 31, 2010 |             | March 31, 2010  |             |
|   | Carrying amount   | Fair value  | Carrying amount | Fair value  |
| Non-derivatives:                          |                   |             |                 |             |
| Assets:                                   |                   |             |                 |             |
| Other investments and advances            | 400,439           | 400,472     | 454,313         | 454,516     |
| Liabilities:                              |                   |             |                 |             |
| Long-term debt, including current portion | (1,149,653)       | (1,166,569) | (1,236,052)     | (1,250,048) |
| Derivatives:                              |                   |             |                 |             |
| Other current assets:                     |                   |             |                 |             |
| Forward:                                  |                   |             |                 |             |
| To sell foreign currencies                | 8,451             | 8,451       | 3,511           | 3,511       |
| To buy foreign currencies                 | 407               | 407         | 5,494           | 5,494       |
| Interest rate swaps                       |                   |             | 23              | 23          |
| Commodity futures:                        |                   |             |                 |             |
| To sell commodity                         | 3                 | 3           |                 |             |
| To buy commodity                          | 22,847            | 22,847      | 12,561          | 12,561      |
| Other current liabilities:                |                   |             |                 |             |
| Forward:                                  |                   |             |                 |             |
| To sell foreign currencies                | (14)              | (14)        | (2,390)         | (2,390)     |
| To buy foreign currencies                 | (4,932)           | (4,932)     | (1,888)         | (1,888)     |
| Cross currency swaps                      | (965)             | (965)       | (283)           | (283)       |
| Commodity futures:                        |                   |             |                 |             |
| To sell commodity                         | (9,176)           | (9,176)     | (4,576)         | (4,576)     |
| To buy commodity                          | (3)               | (3)         |                 |             |

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*Limitations*

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

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets.
- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Unobservable inputs for the asset or liability.

*Assets and liabilities measured at fair value on a recurring basis*

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

|                                     | Yen (millions) |         |         | Total   |
|-------------------------------------|----------------|---------|---------|---------|
|                                     | Level 1        | Level 2 | Level 3 |         |
| Assets:                             |                |         |         |         |
| Available-for-sale securities:      |                |         |         |         |
| Equity securities                   | 330,458        |         |         | 330,458 |
| Corporate and government bonds      |                | 2,174   |         | 2,174   |
| Other debt securities               |                | 555     |         | 555     |
| Total available-for-sale securities | 330,458        | 2,729   |         | 333,187 |

|                            |         |         |          |
|----------------------------|---------|---------|----------|
| Derivatives:               |         |         |          |
| Foreign exchange contracts |         | 8,858   | 8,858    |
| Commodity futures          | 18,935  | 3,915   | 22,850   |
| Total derivatives          | 18,935  | 12,773  | 31,708   |
| Total                      | 349,393 | 15,502  | 364,895  |
| Liabilities:               |         |         |          |
| Derivatives:               |         |         |          |
| Foreign exchange contracts |         | (4,946) | (4,946)  |
| Cross currency swaps       |         | (965)   | (965)    |
| Commodity futures          | (5,457) | (3,722) | (9,179)  |
| Total derivatives          | (5,457) | (9,633) | (15,090) |
| Total                      | (5,457) | (9,633) | (15,090) |

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|  | <b>Yen (millions)</b> |                |                |                |
|--|-----------------------|----------------|----------------|----------------|
|  | <b>March 31, 2010</b> |                |                |                |
|  | <b>Level 1</b>        | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
| <b>Assets:</b>                             |                       |                |                |                |
| <b>Available-for-sale securities:</b>      |                       |                |                |                |
| Equity securities                          | 379,358               |                |                | 379,358        |
| Corporate and government bonds             |                       | 3,961          |                | 3,961          |
| Other debt securities                      |                       | 585            |                | 585            |
| <b>Total available-for-sale securities</b> | <b>379,358</b>        | <b>4,546</b>   |                | <b>383,904</b> |
| <b>Derivatives:</b>                        |                       |                |                |                |
| Foreign exchange contracts                 |                       | 9,005          |                | 9,005          |
| Interest rate swaps                        |                       | 23             |                | 23             |
| Commodity futures                          | 12,561                |                |                | 12,561         |
| <b>Total derivatives</b>                   | <b>12,561</b>         | <b>9,028</b>   |                | <b>21,589</b>  |
| <b>Total</b>                               | <b>391,919</b>        | <b>13,574</b>  |                | <b>405,493</b> |
| <b>Liabilities:</b>                        |                       |                |                |                |
| <b>Derivatives:</b>                        |                       |                |                |                |
| Foreign exchange contracts                 |                       | (4,278)        |                | (4,278)        |
| Cross currency swaps                       |                       | (283)          |                | (283)          |
| Commodity futures                          | (3,345)               | (1,231)        |                | (4,576)        |
| <b>Total derivatives</b>                   | <b>(3,345)</b>        | <b>(5,792)</b> |                | <b>(9,137)</b> |
| <b>Total</b>                               | <b>(3,345)</b>        | <b>(5,792)</b> |                | <b>(9,137)</b> |

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

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



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*Assets and liabilities measured at fair value on a nonrecurring basis*

The following table presents significant assets and liabilities that are measured at fair value on a nonrecurring basis for the nine months ended December 31, 2010:

|                                     | <b>Total gains<br/>(losses)</b> | <b>Yen (millions)</b>                      |                |                | <b>Total</b> |
|-------------------------------------|---------------------------------|--|----------------|----------------|--------------|
|                                     |                                 | <b>Nine months ended December 31, 2010</b> |                |                |              |
|                                     |                                 | <b>Level 1</b>                             | <b>Level 2</b> | <b>Level 3</b> |              |
| <b>Assets:</b>                      |                                 |  |                |                |              |
| Investments in associated companies | (8,318)                         | 23,196                                     |                | 2,933          | 26,129       |

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

For three months ended December 31, 2010, there were no circumstances that required any significant assets and liabilities that are not measured at fair value on an ongoing basis to be measured and recognized at fair value.

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The following table presents significant assets and liabilities that are measured at fair value on a nonrecurring basis for the nine months and three months ended December 31, 2009:

|                                     | Yen (millions)                      |         |                                  |       |       |
|-------------------------------------|-------------------------------------|---------|----------------------------------|-------|-------|
|                                     | Nine months ended December 31, 2009 |         |                                  |       |       |
|                                     | Total gains<br>(losses)             | Level 1 | Fair value<br>Level 2    Level 3 |       | Total |
| Assets:                             |                                     |         |                                  |       |       |
| Investments in associated companies | (3,203)                             | 1,058   |                                  | 0     | 1,058 |
| Long-lived assets                   | (19,105)                            |         |                                  | 1,832 | 1,832 |

|                                     | Yen (millions)                       |         |            |         |       |
|-------------------------------------|--------------------------------------|---------|------------|---------|-------|
|                                     | Three months ended December 31, 2009 |         |            |         |       |
|                                     | Total gains<br>(losses)              | Level 1 | Level<br>2 | Level 3 | Total |
| Assets:                             |                                      |         |            |         |       |
| Investments in associated companies | (1,052)                              | 1,058   |            |         | 1,058 |
| Long-lived assets                   | (11,546)                             |         |            | 112     | 112   |

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

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(14) Commitments and Contingent Liabilities

The Company provides guarantees to third parties mainly on bank loans provided to associated companies and customers. The guarantees are made to enhance their credit. For each guarantee provided, the Company is required to perform under the guarantee if the guaranteed party defaults on a payment. Also, the Company sold certain trade receivables to independent third parties, some of which are with recourse. If the collectibility of those receivables with recourse becomes doubtful, the Company is obligated to assume the liabilities. At December 31, 2010, the maximum amount of undiscounted payments the Company would have to make in the event of default is 37,346 million yen. The carrying amount of the liabilities recognized for the Company's obligations as a guarantor under those guarantees at December 31 and March 31, 2010 was insignificant.

In connection with the sale and lease back of certain machinery and equipment, the Company guarantees a specific value of the leased assets. For each guarantee provided, the Company is required to perform under the guarantee if certain conditions are met during or at the end of the lease term. At December 31, 2010, the maximum amount of undiscounted payments the Company would have to make in the event that these conditions are met is 45,006 million yen. The carrying amount of the liabilities recognized for the Company's obligations as guarantors under those guarantees at December 31 and March 31, 2010 was insignificant.

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

The Company and certain of its subsidiaries are subject to a number of legal proceedings including civil litigations related to tax, products or intellectual properties, or governmental investigations. Since November 2007, the Company and MT Picture Display Co., Ltd. (MTPD), a subsidiary of the Company, are subject to investigations by government authorities, including the Japan Fair Trade Commission, the U.S. Department of Justice and the European Commission, in respect of alleged antitrust violations relating to cathode ray tubes (CRTs). Subsequent to these actions by the authorities, a number of class action lawsuits have been filed in the U.S. and Canada against the Company and certain of its subsidiaries. In October 2009, the Japan Fair Trade Commission issued a cease and desist order against MTPD and assessed a fine against its three subsidiaries in South East Asia, but each named company filed for a hearing to challenge the orders which is currently subject to proceedings. Since February 2009, the Company is subject to investigations by government authorities, including the U.S. Department of Justice and the European Commission, in respect of alleged antitrust violations relating to compressors for refrigerator use. Subsequent to these actions by the authorities, a number of class action lawsuits have been filed in the U.S. and Canada against the Company and certain of its subsidiaries. The Company has been cooperating with the various

governmental investigations. Depending upon the outcome of these different proceedings, the Company and certain of its subsidiaries may be subject to an uncertain amount of fines, and accordingly the Company has accrued for certain probable and reasonable estimated amounts for the fines. On September 30, 2010, the Company has entered into a plea agreement with the U.S. Department of Justice to resolve alleged antitrust violations relating to compressors for refrigerator use. This agreement did not have a material effect on the Company's consolidated financial statements. Other than those above, there are a number of legal actions against the Company and certain subsidiaries. Management is of the opinion that damages, if any, resulting from these actions will not have a material effect on the Company's consolidated financial statements.

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(15) Segment Information

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

Business segments correspond to categories of activity classified primarily by markets, products and brand names.

Digital AVC Networks includes video and audio equipment as well as information and communications equipment.

Home Appliances includes household equipment. PEW and PanaHome includes electrical supplies, electric products, building materials and equipment, and housing business. Components and Devices includes semiconductors, electronic components and batteries. SANYO includes solar cells, lithium-ion batteries, optical pickups and others.

Other includes electronic-parts-mounting machines, industrial robots and industrial equipment.

The company transferred its motor business to Home Appliances on April 1, 2010. Accordingly, segment information for Home Appliances and Components and Devices in fiscal 2010 are reclassified to conform to the presentation for fiscal 2011.

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## By Business Segment

Information by business segment for the nine months ended December 31, 2010 and 2009 is shown in the tables below:

|                         | Yen (millions)                |           |
|-------------------------|-------------------------------|-----------|
|                         | Nine months ended December 31 |           |
|                         | 2010                          | 2009      |
| Sales:                  |                               |           |
| Digital AVC Networks:   |                               |           |
| Customers               | 2,542,116                     | 2,547,466 |
| Intersegment            | 43,281                        | 30,699    |
| Total                   | 2,585,397                     | 2,578,165 |
| Home Appliances:        |                               |           |
| Customers               | 820,471                       | 756,356   |
| Intersegment            | 153,719                       | 144,162   |
| Total                   | 974,190                       | 900,518   |
| PEW and PanaHome:       |                               |           |
| Customers               | 1,240,292                     | 1,147,071 |
| Intersegment            | 40,203                        | 37,310    |
| Total                   | 1,280,495                     | 1,184,381 |
| Components and Devices: |                               |           |
| Customers               | 475,092                       | 491,399   |
| Intersegment            | 238,650                       | 212,336   |
| Total                   | 713,742                       | 703,735   |
| SANYO:                  |                               |           |
| Customers               | 1,198,437                     |           |
| Intersegment            | 24,559                        |           |
| Total                   | 1,222,996                     |           |
| Other:                  |                               |           |
| Customers               | 376,953                       | 277,592   |
| Intersegment            | 445,978                       | 400,167   |
| Total                   | 822,931                       | 677,759   |

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|                    |           |           |
|--------------------|-----------|-----------|
| Eliminations       | (946,390) | (824,674) |
| Consolidated total | 6,653,361 | 5,219,884 |

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|   | Yen (millions)                |             |
|---|-------------------------------|-------------|
|   | Nine months ended December 31 |             |
|   | 2010                          | 2009        |
| Segment profit:                             |                               |             |
| Digital AVC Networks                        | 101,172                       | 52,929      |
| Home Appliances                             | 81,875                        | 58,009      |
| PEW and PanaHome                            | 53,957                        | 21,627      |
| Components and Devices                      | 29,155                        | 22,834      |
| SANYO                                       | 393                           |             |
| Other                                       | 35,200                        | 8,262       |
| Corporate and eliminations                  | (37,420)                      | (33,797)    |
| <br>Total segment profit                    | <br>264,332                   | <br>129,864 |
| <br>Interest income                         | <br>8,257                     | <br>8,876   |
| Dividends received                          | 5,645                         | 6,183       |
| Other income                                | 40,270                        | 30,567      |
| Interest expense                            | (21,093)                      | (16,545)    |
| Other deductions                            | (70,091)                      | (104,303)   |
| <br>Consolidated income before income taxes | <br>227,320                   | <br>54,642  |

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



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Information by business segment for the three months ended December 31, 2010 and 2009 is shown in the tables below:

|                         | Yen (millions)                 |           |
|-------------------------|--------------------------------|-----------|
|                         | Three months ended December 31 |           |
|                         | 2010                           | 2009      |
| Sales:                  |                                |           |
| Digital AVC Networks:   |                                |           |
| Customers               | 914,013                        | 963,452   |
| Intersegment            | 13,556                         | 10,643    |
| Total                   | 927,569                        | 974,095   |
| Home Appliances:        |                                |           |
| Customers               | 281,328                        | 257,787   |
| Intersegment            | 56,187                         | 47,823    |
| Total                   | 337,515                        | 305,610   |
| PEW and PanaHome:       |                                |           |
| Customers               | 432,433                        | 396,030   |
| Intersegment            | 14,016                         | 14,627    |
| Total                   | 446,449                        | 410,657   |
| Components and Devices: |                                |           |
| Customers               | 151,345                        | 170,872   |
| Intersegment            | 81,465                         | 76,038    |
| Total                   | 232,810                        | 246,910   |
| SANYO:                  |                                |           |
| Customers               | 383,862                        |           |
| Intersegment            | 9,464                          |           |
| Total                   | 393,326                        |           |
| Other:                  |                                |           |
| Customers               | 122,432                        | 98,447    |
| Intersegment            | 140,147                        | 133,216   |
| Total                   | 262,579                        | 231,663   |
| Eliminations            | (314,835)                      | (282,347) |
| Consolidated total      | 2,285,413                      | 1,886,588 |

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|   | <b>Yen (millions)</b>                 |             |
|---|---------------------------------------|-------------|
|   | <b>Three months ended December 31</b> |             |
|   | <b>2010</b>                           | <b>2009</b> |
| Segment profit (loss):                      |                                       |             |
| Digital AVC Networks                        | 39,903                                | 40,181      |
| Home Appliances                             | 32,711                                | 31,346      |
| PEW and PanaHome                            | 23,125                                | 17,453      |
| Components and Devices                      | 3,684                                 | 19,208      |
| SANYO                                       | (5,686)                               |             |
| Other                                       | 12,224                                | 6,131       |
| Corporate and eliminations                  | (10,597)                              | (13,312)    |
| <br>Total segment profit                    | <br>95,364                            | <br>101,007 |
| <br>Interest income                         | <br>2,540                             | <br>2,832   |
| Dividends received                          | 2,162                                 | 2,080       |
| Other income                                | 10,010                                | 13,964      |
| Interest expense                            | (6,808)                               | (4,979)     |
| Other deductions                            | (20,501)                              | (33,809)    |
| <br>Consolidated income before income taxes | <br>82,767                            | <br>81,095  |

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

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## By Geographical Area

Sales attributed to countries based upon the customer's location for the nine months ended December 31, 2010 and 2009 are as follows:

|   | <b>Yen (millions)</b>                |             |
|---|--------------------------------------|-------------|
|   | <b>Nine months ended December 31</b> |             |
|   | <b>2010</b>                          | <b>2009</b> |
| Sales:  |                                      |             |
| Japan   | 3,390,089                            | 2,780,897   |
| North and South America                           | 841,383                              | 675,034     |
| Europe  | 671,052                              | 581,862     |
| Asia and Others                                   | 1,750,837                            | 1,182,091   |
| Consolidated total                                | 6,653,361                            | 5,219,884   |
| United States included in North and South America | 706,191                              | 574,672     |
| China included in Asia and Others                 | 918,502                              | 562,886     |

Sales attributed to countries based upon the customer's location for the three months ended December 31, 2010 and 2009 are as follows:

|   | <b>Yen (millions)</b>                 |             |
|---|---------------------------------------|-------------|
|   | <b>Three months ended December 31</b> |             |
|   | <b>2010</b>                           | <b>2009</b> |
| Sales:  |                                       |             |
| Japan   | 1,200,538                             | 1,004,850   |
| North and South America                           | 288,029                               | 250,452     |
| Europe  | 243,415                               | 228,767     |
| Asia and Others                                   | 553,431                               | 402,519     |
| Consolidated total                                | 2,285,413                             | 1,886,588   |
| United States included in North and South America | 242,180                               | 209,617     |
| China included in Asia and Others                 | 291,580                               | 186,736     |

There are no individually material countries of which should be separately disclosed in North and South America, Europe, and Asia and Others, except for the United States of America and China.

Transfers between business segments or geographic segments are made at arms-length prices. There are no sales to a single external major customer for the nine months and three months ended December 31, 2010 and 2009.

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(16) Subsequent Events

Based on the board of directors meeting held on February 2, 2011, the Company resolved to issue unsecured straight bonds up to 500 billion yen in or after February 2011 in order to enhance the stability of financial position with long-term stabilization of debt. The Company plans to issue the bonds through public offering in Japan and the purpose of funding is to repay short-term interest-bearing debt.