Consolidated Financial Statements of the Company

The consolidated balance sheet and statement of operations of the Company are as follows. Please note the Company's consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles.

Consolidated Balance Sheet

	March 31, 2009 (in millions of yen)
Assets	
Current assets	**3,194,694**
Cash and cash equivalents	973,867
Time deposits	189,288
Short-term investments	1,998
Trade notes receivable	42,766
Trade accounts receivable	743,498
Allowance for doubtful receivables	(21,131)
Inventories	771,137
Other current assets	493,271
Investments and advances	**551,751**
Property, plant and equipment	**1,574,830**
Land	298,346
Buildings and structures	1,532,359
Machinery and equipment	2,229,123
Construction in progress	213,617
Accumulated depreciation	(2,698,615)
Other assets	**1,082,041**
Total assets	**6,403,316**

	March 31, 2009 (in millions of yen)
Liabilities	
Current liabilities	**2,000,428**
Short-term borrowings, including current portion of long-term debt	94,355
Trade notes payable	38,202
Trade accounts payable	641,166
Accrued income taxes	26,139
Other accrued expenses	788,681
Other current liabilities	411,885
Noncurrent liabilities	**1,190,307**
Long-term debt	651,310
Other liabilities	538,997
Total liabilities	**3,190,735**
Minority interests	**428,601**
Stockholders' equity	
Common stock	**258,740**
Capital surplus	**1,217,764**
Legal reserve	**92,726**
Retained earnings	**2,479,416**
Accumulated other comprehensive income (loss)	**(594,377)**
Treasury stock, at cost	**(670,289)**
Total stockholders' equity	**2,783,980**
Total liabilities, minority interests and stockholders' equity	**6,403,316**

(Note) Accumulated other comprehensive income (loss) breakdown:

Cumulative translation adjustments	¥(341,592) million
Unrealized holding gains (losses) of available-for-sale securities	¥ (10,563) million
Unrealized gains (losses) of derivative instruments	¥ (4,889) million
Pension liability adjustments	¥(237,333) million

Consolidated Statement of Operations

	from April 1, 2008 to March 31, 2009 (in millions of yen)
Net sales	7,765,507
Cost of sales	(5,667,287)
Selling, general and administrative expenses	(2,025,347)
Interest income	23,477
Dividends received	11,486
Interest expense	(19,386)
Expenses associated with the implementation of early retirement programs	(38,351)
Other	(432,733)
Loss before income taxes	**382,634**
Provision for income taxes:	
Current	(61,840)
Deferred	24,482
Minority interests	(24,882)
Equity in earnings of associated companies	16,149
Net loss	**378,961**

(Notes) 1. "Expenses associated with implementation of early retirement programs" are expenses at certain domestic and overseas companies.
2. Included in "Other" are write-down of investment securities and impairment losses from fixed assets.

Consolidated Statement of Stockholders' Equity

from April 1, 2008 to March 31, 2009
(in millions of yen)

	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balances at beginning of period before adjustment	**258,740**	**1,217,865**	**90,129**	**2,948,065**	**(173,897)**	**(598,573)**	**3,742,329**
Effects of changing the pension plan measurement date pursuant to the provisions of SFAS No. 158				(3,727)	(73,571)		(77,298)
Balances at beginning of period after adjustment	**258,740**	**1,217,865**	**90,129**	**2,944,338**	**(247,468)**	**(598,573)**	**3,665,031**
Gain (loss) from sale of treasury stock		(101)					(101)
Transfer from retained earnings			2,597	(2,597)			—
Cash dividends				(83,364)			(83,364)
Disclosure of comprehensive income (loss)							
Net loss				(378,961)			(378,961)
Translation adjustments					(112,800)		(112,800)
Unrealized holding gains (losses) of available-for-sale securities					(56,005)		(56,005)
Unrealized gains (losses) of derivative instruments					(9,215)		(9,215)
Pension liability adjustments					(168,889)		(168,889)
Total comprehensive income (loss)							(725,870)
Repurchase of common stock, net						(71,716)	(71,716)
Balances at end of period	**258,740**	**1,217,764**	**92,726**	**2,479,416**	**(594,377)**	**(670,289)**	**2,783,980**

Notes to Consolidated Financial Statements

Notes on the Basis of Presentation of Consolidated Financial Statements

1. Principles of Consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. In accordance with the U.S. Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," variable interest entities, of which the Company has controlling financial interests through means other than voting rights, are consolidated.

Investments in associated companies including the companies in which the Company's voting interest is 20% to 50%, and corporate joint ventures, are stated at their underlying net equity value after elimination of intercompany profits.

2. Principles of Consolidation and Application of the Equity Method

(1) Number of consolidated subsidiaries

539

(2) Number of associated companies under the equity method

182

3. Summary of Significant Accounting Policies

(1) Basis of presentation of consolidated financial statements

The Company's consolidated financial statements are prepared in accordance with the terminology, format and preparation method of U.S. Generally Accepted Accounting Principles (U.S. GAAP) as stipulated in Article 120, Paragraph 1 of the Company Accounting Regulations. Certain of the information and notes required by U.S. GAAP as specified in said Article, however, have been excluded.

(2) Inventories

Finished goods and work in process are stated at the lower of cost (average) or market. Raw materials are stated at cost, principally on a first-in, first-out basis, not in excess of current replacement cost.

(3) Valuation method of securities

The Company accounts for debt and equity securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in 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 in accordance with the provisions of SFAS No. 115.

Investments in available-for-sale securities

Market valuation method based on the fiscal year-end closing market price, etc. (The difference, net of tax, between acquisition cost and carrying market value of the securities, is included in accumulated other comprehensive income. The cost of the securities sold is computed based on the moving average method.)

(4) Method of depreciation of tangible fixed assets

Depreciation is computed primarily using the declining balance method.

(5) Goodwill and other intangible assets

In accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and intangible assets determined to have an indefinite useful life are not amortized, and are instead tested for impairment at least annually. Intangible assets where the useful life can be estimated are amortized using the straight-line method.

(6) Impairment of long-lived assets

The Company accounts for impairment or disposition of long-lived assets in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." In accordance with SFAS No. 144, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(7) Accounting for allowance and accruals

Allowance for doubtful receivables

An allowance for doubtful trade receivables and advances is provided at an amount calculated based on historical experience, while specific allowances for doubtful trade receivables and advances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility.

Provision for employee retirement and severance benefits

Liabilities incurred for the provision of employee retirement and severance benefits are stated based on projected benefit obligation and the fair value of pension fund assets at the fiscal year-end in accordance with SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."

Unrecognized prior service cost (benefit) is amortized on a straight-line basis over the average remaining service period of employees.

If the unrecognized actuarial gains or losses exceed the greater of 10% of projected benefit obligation or 10% of the fair value of pension fund assets, the excess amount is amortized on a straight-line basis based on the average remaining service period of employees.

The Company changed the measurement date applied to most of its postretirement benefit plan from December 31 to March 31, the date of the Company's fiscal year-end consolidated balance sheet, in accordance with the provisions of SFAS No. 158 regarding the change in the measurement date. With the change in the measurement date, the fiscal 2009 beginning balances of "retained earnings" and pension liability adjustments of "accumulated other comprehensive income (loss)" have been reduced by ¥3,727 million and ¥73,571 million, respectively.

(8) Consumption tax and local consumption tax in Japan are excluded from all items in the statement of operations.

(9) Application of new accounting standards

Effective from April 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements." The adoption of SFAS No. 157 did not have a material effect on the Company's consolidated financial statements.

Notes to the Consolidated Balance Sheet

1. Guarantees provided to third parties on bank loans, recourse obligation for trade receivables sold and guarantees for specific value of leased assets . . . . . ¥66,047 million
2. Assets pledged as collateral and liabilities with collateral

(1) Assets pledged as collateral

Investments and advances	¥17,385 million
Property, plant and equipment	¥ 915 million

(2) Liabilities with collateral

Short-term borrowings, including current portion of long-term debt	¥ 209 million
Trade accounts payable	¥ 1,921 million
Other accrued expenses	¥ 1,942 million
Other current liabilities	¥ 176 million
Long-term debt	¥ 3,107 million

Notes to per Share Data

Stockholders' equity per share	¥1,344.50
Basic net loss per share	¥ 182.25
Diluted net loss per share	¥ 182.25

Parent-alone Financial Statements of the Company

Balance Sheet

	March 31, 2009 (in millions of yen)
Assets	
Current assets	**1,769,582**
Cash and deposits	3,670
Trade notes receivable	459
Trade accounts receivable	379,434
Finished goods, merchandise and semi-finished goods	111,569
Work in process	60,043
Raw materials and supplies	41,792
Other receivables	96,595
Deposits paid	499,343
Short-term loans	445,066
Deferred tax assets	117,712
Other current assets	15,392
Allowance for doubtful receivables	(1,493)
Fixed assets	**2,672,708**
Net tangible fixed assets	**408,211**
Buildings	142,764
Structures	5,504
Machinery and equipment	91,384
Vehicles	160
Tools, furniture and fixtures	16,809
Land	91,276
Leased assets	16,956
Construction in progress	43,358
Intangibles	**49,170**
Patent and trademark rights	18,705
Software	26,327
Facility utility and other rights	4,138
Investments and advances	**2,215,327**
Investment securities	297,137
Shares in subsidiaries and affiliates	1,275,701
Investments in equity, other than capital stock	36
Investments in subsidiaries and affiliates	408,683
Allowance for investment loss	(76,516)
Long-term deposits paid	5,463
Deferred tax assets	207,981
Other investments and other assets	96,842
Total assets	**4,442,290**

	March 31, 2009 (in millions of yen)
Liabilities	
Current liabilities	**1,638,978**
Trade notes payable	948
Trade accounts payable	320,940
Lease obligations	9,549
Other payables	28,463
Accrued expenses	424,858
Reserve for bonuses	44,265
Accrued income taxes	912
Advance receipts	2,088
Deposits received	709,157
Deposits received from customers	2,322
Reserve for warranty costs	21,095
Reserve for sales promotion	20,274
Other current liabilities	54,107
Long-term liabilities	**669,772**
Bonds	500,000
Lease obligations	12,653
Employee retirement and severance benefits	6,255
Long-term deposits received	150,864
Total liabilities	**2,308,750**
Net Assets	
Shareholders' Equity	
Capital stock	**258,740**
Capital surplus	**569,981**
Capital reserve	568,212
Other capital surplus	1,769
Retained earnings	**2,022,552**
Legal reserve	52,749
Other retained earnings	
Reserve for advanced depreciation	18,464
Reserve for dividends	81,000
Contingent reserve	1,918,680
Retained earnings brought forward	(48,341)
Treasury stock	**(671,182)**
Difference of valuation, translation and other adjustments	
Unrealized holding gains (losses) of available-for-sale securities, etc.	**(15,913)**
Deferred profit (loss) on hedges	**(30,638)**
Total net assets	**2,133,540**
Total liabilities and net assets	**4,442,290**

Statement of Operations

from April 1, 2008 to March 31, 2009
(in millions of yen)

Net sales	4,249,233
Cost of sales	(3,453,765)
Gross profit	**795,468**
Selling, general and administrative expenses	(853,191)
Interest and dividends income	199,037
Other income	53,853
Interest expense	(6,295)
Other expense	(71,746)
Recurring profit	**117,126**
Non-recurring profit	
Profit on sale of investment securities	1,125
Profit on sales of shares in affiliates	6,923
Profit on sale of tangible fixed assets	714
Profit on extinguishment of tie-in shares	118,466
Non-recurring loss	
Loss on devaluation of investment securities	(38,519)
Loss on devaluation of stock in affiliates	(66,983)
Impairment losses	(11,602)
Loss on business restructuring	(7,010)
Loss on reserve for retained deficits of affiliated companies	(78,236)
Company name change and brand unification expenses	(15,154)
Loss from adjustment of profit on sale of land	(5,315)
Income before income taxes	**21,535**
Provision for income taxes	
Current	(11,165)
Deferred	(66,682)
Net loss	**56,312**

Statement of Changes in Shareholders' Equity

from April 1, 2008 to March 31, 2009
(in millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Capital reserve	Other capital surplus	Total of capital surplus	Legal reserve	Reserve for advanced depreciation	Reserve for dividends	Contingent reserve	Unappropriated retained earnings	Total other retained earnings
Balances at beginning of period	**258,740**	**568,212**	**1,870**	**570,082**	**52,749**	**18,464**	**81,000**	**1,918,680**	**106,537**	**2,177,430**
Changes in the period										
Dividends from retained earnings									(83,364)	(83,364)
Net loss									(56,312)	(56,312)
Repurchase of common stock										
Sale of treasury stock			(101)	(101)						
Decrease due to business split-off									(15,202)	(15,202)
Net changes of items other than shareholders' equity										
Total changes in the period	**—**	**—**	**(101)**	**(101)**	**—**	**—**	**—**	**—**	**(154,878)**	**(154,878)**
Balances at end of period	**258,740**	**568,212**	**1,769**	**569,981**	**52,749**	**18,464**	**81,000**	**1,918,680**	**(48,341)**	**2,022,552**

	Shareholders' equity		Difference of valuation, translation and other adjustments			
	Treasury stock	Total of shareholders' equity	Unrealized holding gains (losses) of available-for-sale securities, etc.	Deferred profit (loss) on hedges	Total of difference of valuation, translation and other adjustments	Total net assets
Balances at beginning of period	**(599,466)**	**2,406,786**	**55,429**	**11,680**	**67,109**	**2,473,895**
Changes in the period						
Dividends from retained earnings		(83,364)				(83,364)
Net loss		(56,312)				(56,312)
Repurchase of common stock	(72,416)	(72,416)				(72,416)
Sale of treasury stock	700	599				599
Decrease due to business split-off		(15,202)				(15,202)
Net changes of items other than shareholders' equity			(71,342)	(42,318)	(113,660)	(113,660)
Total changes in the period	**(71,716)**	**(226,695)**	**(71,342)**	**(42,318)**	**(113,660)**	**(340,355)**
Balances at end of period	**(671,182)**	**2,180,091**	**(15,913)**	**(30,638)**	**(46,551)**	**2,133,540**

Notes on the Basis of Presentation of Parent-alone Financial Statements

Summary of Significant Accounting Policies

1. Standards and methods for valuation of assets
   (1) Securities
   Investments in subsidiaries and affiliates .... Valuation at cost, with cost determined by the moving average method
   Other securities
   Items with a market value: market valuation method based on year-end closing market price, etc. (The difference, net of tax, between acquisition cost and carrying market value of other securities is reported as a separate component of shareholders' equity. The cost of other securities sold is computed based on the moving average method.)
   Items with no market value: valuation at cost, with cost determined by the moving average method
   (2) Derivatives .... Fair value method
   (3) Inventories
   Valuation at cost (method of lowering carrying amount due to decline in profitability)
   Finished goods, semi-finished goods, work in process .... Average cost method
   Merchandise, raw materials, supplies .... Last purchase price method
2. Method of depreciation and amortization of fixed assets
   (1) Tangible fixed assets (Excluding leased assets)
   Depreciation for assets that become obsolete due to technological innovation is calculated using the declining balance method based on the reasonable useful life for different types of tangible fixed assets.
   (2) Intangible fixed assets
   With regard to the software used in the Company, amortization is computed on the straight-line method based on the logical, useful period of time. Other intangible assets are computed on the straight-line method based on standards identical to the method prescribed by corporate tax law.
   (3) Leased assets
   Leased assets related to finance leases other than those that transfer ownership rights
   The Company depreciates these leased assets using the straight-line method over the lease term (useful life) with no residual value.
3. Accounting for allowances
   (1) Allowance for doubtful receivables
   An allowance for doubtful receivables is provided at an amount calculated based on historical experience, while specific allowances for doubtful receivables are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility.
   (2) Provision of allowance for investment loss
   Loss on investments in affiliated companies in Japan and overseas is estimated according to Company regulations and taking into consideration the financial condition of those companies.
   (3) Allowance for bonuses
   An allowance for bonuses is provided at an amount calculated based on estimated bonus payments.
   (4) Allowance for product warranties, etc.
   An allowance for accrued warranty costs related to product after-sales services is provided at an amount calculated for estimated service costs during the period of the warranty based on historical experience.
   (5) Allowance for sales promotion costs
   Based on the Company's various sales promotion initiatives, estimates of costs related to sales commissions, product sales and other required expenses incurred for product promotion are recorded in accordance with prescribed Company standards.
   (6) Accrual for employee retirement and severance benefits
   Liabilities incurred for the provision of employee retirement and severance benefits are stated based on the projected benefit obligation and pension fund assets at the year-end. The transition obligation amounting to ¥42,077 million recognized at the adoption of new accounting standards (the transition obligation excluding the substitutional portion amounting to ¥17,115 million) is being amortized on a straight-line basis over 15 years.
4. Other significant items related to the preparation of financial statements
   (1) Basis of hedge accounting
   The Company applies deferral hedge accounting as defined in the accounting standards for financial instruments to its foreign exchange contracts and commodity futures trading.
   (2) Consumption tax and local consumption tax are excluded from all items in the statement of income.
5. Changes in significant accounting policies
   (1) Adoption of accounting standard for measuring inventories
   Effective from April 1, 2008, the Company adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006). This change had no effect on recurring profit or income before income taxes.
   (2) Adoption of accounting standard for leases
   The Company previously accounted for financial leases other than those that transfer ownership rights according to standards for operating leases. Effective from April 1, 2008, however, the Company adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 (June 17, 1993 (First Committee of the Business Accounting Council), revised March 30, 2007)) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee of Accounting System), revised March 30, 2007)) and now accounts for these leases as ordinary sale and purchase transactions. This change had no effect on recurring profit or income before income taxes.

Notes on the Balance Sheet

1. Assets pledged as collateral and significant liabilities with collateral
   (1) Assets pledged as collateral
   Investment securities ¥ 12,480 million
   Pledged as collateral when using the Deferred Payment System based on the Customs Act and Consumption Tax Law
   (2) Significant liabilities with collateral
   Trade accounts payable ¥ 1,921 million
   Accrued expenses ¥ 1,942 million
2. Accumulated depreciation of tangible fixed assets ¥1,354,121 million
3. Receivables from and liabilities to subsidiaries and affiliates
   Short-term receivables from subsidiaries and affiliates ¥1,280,611 million
   Long-term receivables from subsidiaries and affiliates ¥ 2 million
   Short-term payables to subsidiaries and affiliates ¥ 838,612 million
   Long-term payables to subsidiaries and affiliates ¥ 150,313 million

Notes on the Statement of Operations

1. Transactions with subsidiaries and affiliates
   Sales to subsidiaries and affiliates ¥3,207,458 million
   Purchases from subsidiaries and affiliates ¥2,070,532 million
   Turnover with subsidiaries other than sales and purchases ¥ 197,200 million

Notes on the Statement of Changes in Shareholders' Equity

1. Type and number of shares issued as of the fiscal year-end
   Common stock 2,453,053,497
2. Type and number of shares of treasury stock as of the fiscal year-end
   Common stock 382,411,876
3. Items related to dividends
   (1) Dividend payments

Resolution	Type of share	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
April 28, 2008 Board of Directors' Meeting	Common stock	36,770	17.5	March 31, 2008	June 2, 2008
October 28, 2008 Board of Directors' Meeting	Common stock	46,594	22.5	September 30, 2008	November 28, 2008
Total		83,364	40.0		

(2) Dividends for record dates during the year under review with effective dates in the following fiscal year

Resolution	Type of share	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
May 15, 2009 Board of Directors' Meeting	Common stock	15,530	7.5	March 31, 2009	June 1, 2009

Notes to Tax-effect Accounting

Breakdown of significant reasons for the recording of deferred tax assets and deferred tax liabilities:

Deferred tax assets

Inventory valuation	¥ 23,441 million
Accrued expenses	¥ 36,356 million
Depreciation and amortization	¥ 73,092 million
Deferred profit (loss) on hedges	¥ 20,854 million
Unrealized holding gains (losses) of other marketable securities	¥ 10,799 million
Allowance for investment loss	¥ 30,989 million
Loss on devaluation of investment securities	¥ 59,419 million
Operating loss carryforwards	¥ 65,817 million
Other	¥ 254,999 million
Total gross deferred tax assets	¥ 575,766 million
Less valuation allowance	¥(219,918) million
Net deferred tax assets	¥ 355,848 million

Deferred tax liabilities

Prepaid pension cost	¥ (17,587) million
Reserve for advanced depreciation	¥ (12,568) million
Total gross deferred tax liabilities	¥ (30,155) million
Net deferred tax assets	¥ 325,693 million

Business Combinations, etc.

In accordance with a business merger agreement concluded between the Company and Matsushita Refrigeration Company, the Company absorbed Matsushita Refrigeration Company on April 1, 2008. This move was made to further strengthen refrigeration operations and promote growth worldwide.

Details of business transferred to Panasonic	Business related to the manufacture and sale of refrigerators, vending machines, compressors, and heating and cooling components
Assets and liabilities transferred to Panasonic	(millions of yen) Assets: 96,819 Liabilities: 60,283

In addition, on April 1, 2008, the Company transferred the domestic sales business operated by Panasonic System Solutions Company to Panasonic SS Engineering Co., Ltd., based on a business division agreement concluded between the Company and Panasonic SS Engineering. The aim of this transfer was to integrate management of the systems solutions business from the sale of system products to system implementation, maintenance and services.

Details of business transferred to Panasonic SS Engineering	Business related to the sale of system products, system integration and implementation, and maintenance and services
Assets and liabilities transferred to Panasonic SS Engineering	(millions of yen) Assets: 34,755 Liabilities: 19,552

No new shares were issued upon this separation.

The Company absorbed Matsushita Battery Industrial Co., Ltd. on October 1, 2008, in accordance with a business merger agreement concluded between the Company and Matsushita Battery Industrial. This move was made to drive growth by strengthening the battery business worldwide.

Details of business transferred to Panasonic	Business related to the manufacture and sale of batteries and battery-applied products
Assets and liabilities transferred to Panasonic	(millions of yen) Assets: 161,842 Liabilities: 68,652

The business mergers and separation above fall under the category of transactions made under common control.

Notes to per Share Data

Net assets per share ¥1,030.38
Net loss per share . . . . ¥ 27.11

Significant Subsequent Events

The Company absorbed Panasonic Semiconductor Device Solutions Co., Ltd. on April 1, 2009, in accordance with a business merger agreement concluded between the Company and Panasonic Semiconductor Device Solutions Co., Ltd.

Notes to Application of Restrictions on Maximum Dividend Payments

The Company is subject to restrictions on maximum dividend payments.

Other

All monetary amounts have been rounded to the nearest million yen.