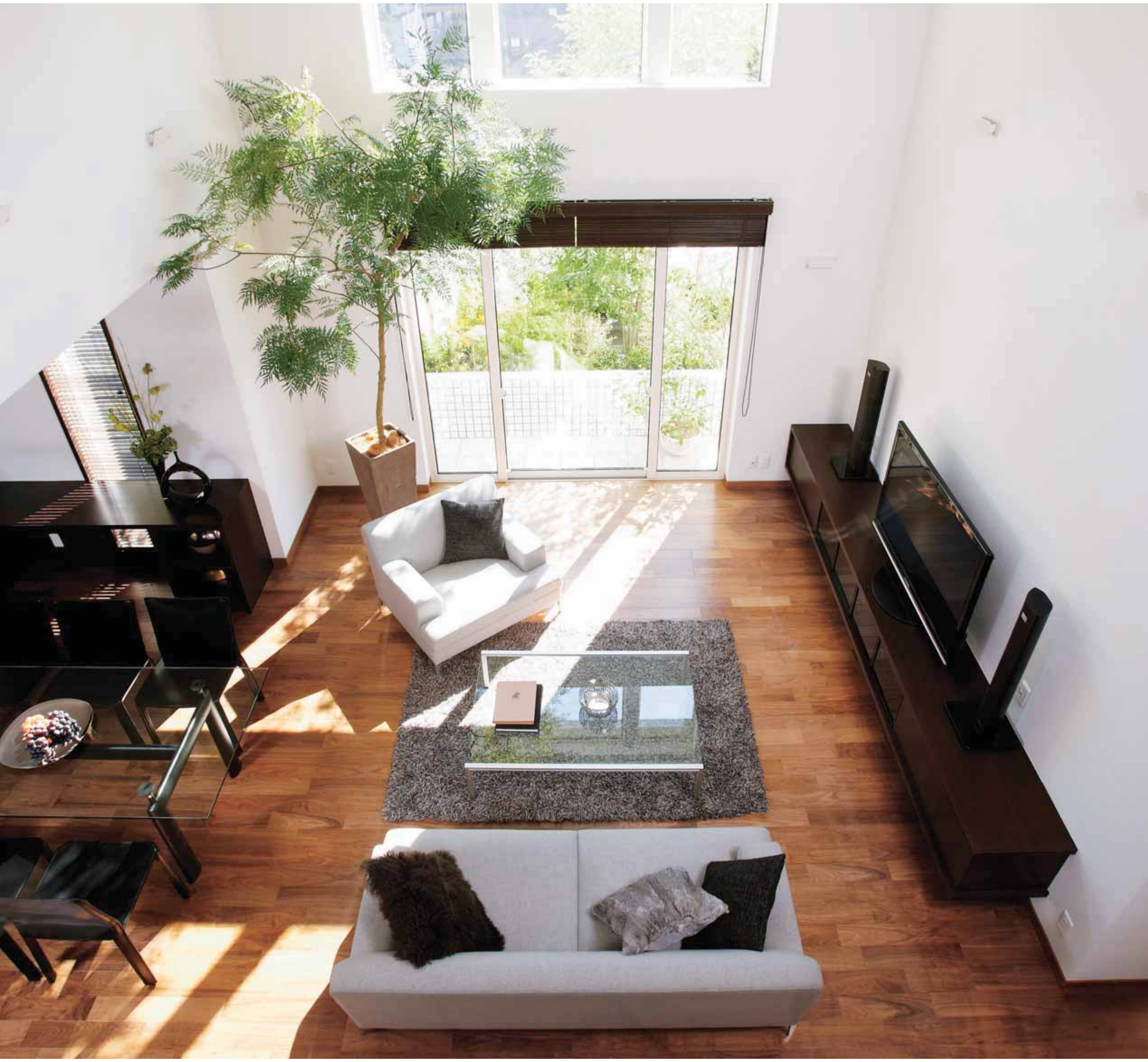
Annual Report 2011

PanaHome Corporation

For the year ended March 31, 2011



PanaHome

Corporate Profile

PanaHome Corporation is the housing company of the Panasonic Group.

Established in 1963, PanaHome traces its beginnings back to the passionate vision of Konosuke Matsushita, founder of the company known today as Panasonic Corporation, who sought to build quality homes befitting the vital role they play in people's lives. In the years since, PanaHome has built up a wealth of experience, earning the trust of customers nationwide.

PanaHome seeks to build houses that are in harmony with the environment and that will be passed on to future generations, leveraging its outstanding technological and design capabilities to provide homes that deliver peace of mind and lasting comfort. By harnessing the power of nature and the advanced technologies of the entire Panasonic Group, PanaHome is also working to build 'eco ideas' homes, that is, homes that are comfortable, appealing and ecologically sound.

Contents

Forward-Looking Statements

The forward-looking statements contained within this annual report, including PanaHome's plans and performance forecasts, are based upon certain assumptions deemed to be reasonable by the Company at the time of publication. Actual performance may differ substantially from the forward-looking statements, owing to a variety of factors, including, but not limited to, changes in economic conditions and market trends, changes in financial conditions and major fluctuations in land prices.

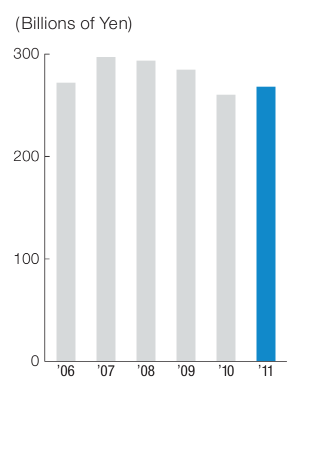
Financial Highlights

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, from 2006 to 2011

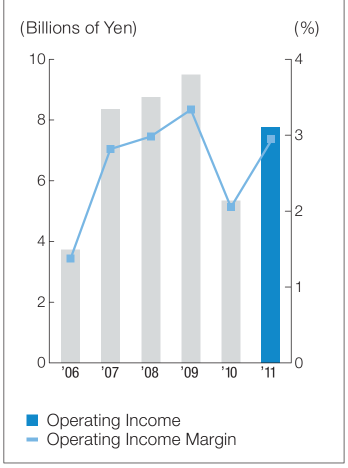
	Millions of Yen						Thousands of U.S. Dollars
	2006	2007	2008	2009	2010	**2011**	**2011**
Net Sales	¥272,294	¥296,817	¥293,617	¥284,625	¥260,389	**¥269,450**	**$3,246,386**
Operating Income	3,738	8,363	8,757	9,492	5,344	**7,831**	**94,350**
Income (Loss) before Income Taxes and Minority Interests	(1,779)	6,893	(1,188)	8,237	5,063	**6,768**	**81,542**
Net Income (Loss)	(2,701)	5,240	(606)	2,948	2,428	**4,325**	**52,108**
Total Assets	214,019	216,771	206,750	202,855	198,048	**205,908**	**2,480,819**
Equity	117,107	120,543	117,357	117,437	117,417	**119,234**	**1,436,554**
Return on Equity	(2.3)%	4.4%	(0.5)%	2.5%	2.1%	**3.7%**	
Equity Ratio	54.7%	55.3%	56.3%	57.5%	58.9%	**57.6%**	
	Yen						U.S. Dollars
Per Share Amounts:							
Net Income (Loss)	¥ (16.10)	¥ 31.21	¥ (3.61)	¥ 17.53	¥ 14.45	**¥ 25.73**	**$ 0.31**
Diluted Net Income	–	31.18	–	–	–	**–**	**–**
Cash Dividends	15.00	15.00	15.00	15.00	15.00	**15.00**	**0.18**
Number of Employees at Year-end (Persons)	5,978	5,750	5,097	5,076	5,011	**5,093**	

Notes: 1. In this annual report, “U.S. Dollars” and “$” refer to the currency of the United States of America and “Yen” and “¥” refer to the currency of Japan. U.S. Dollars are translated from yen at the rate of ¥83 = US$1, the approximate rate of exchange at March 31, 2011, solely for the convenience of the reader.
2. Cash dividends per share are those declared with respect to income for each fiscal year, and cash dividends charged to retained earnings are those actually paid.
3. Equity figures for 2006 and earlier do not include minority interests.

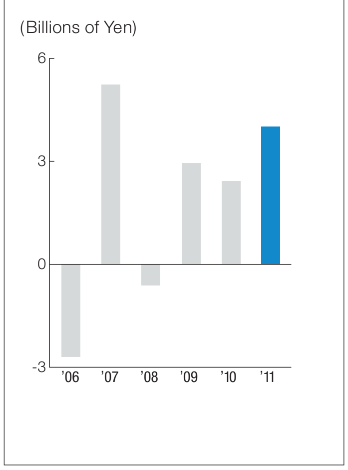
Net Sales



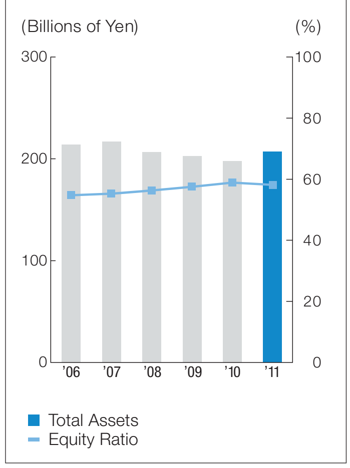
Operating Income/ Operating Income Margin



Net Income (Loss)



Total Assets/ Equity Ratio



A Message from the President

PanaHome is marshalling its strengths to help build next-generation homes and communities, thereby contributing to a profoundly positive recovery in earthquake-stricken regions.

Yasuteru Fujii
President & CEO

The Great East Japan Earthquake, which struck on March 11, 2011, caused catastrophic damage to a large area of northeastern and eastern Japan. In the immediate aftermath of the disaster, the management and employees of PanaHome pledged to work together, applying our full capabilities to assist with reconstruction and recovery efforts. Responding to a request from the Japanese government, we are currently in the process of erecting 1,000-plus emergency temporary dwellings in affected areas. We subsequently introduced specially priced homes for residents who have decided to rebuild or build anew—homes that will offer safety and peace of mind to people trying to craft new lives that will nurture strong family bonds.

For me, the earthquake was a heart-breaking reminder that our primary mission as a housing company is to continuously improve the performance of the houses we build, thereby ensuring our ability to provide homes that deliver safety, security and lasting comfort, while simultaneously retaining high asset value. The damage to the nuclear power plant in Fukushima has served to bring energy issues—most immediately, the problem of an insufficient electric power supply—to the fore. The growing call for safe, secure communities that feature energy creation, storage and management capabilities and are resistant to both natural and manmade disasters portends a change in the business model of housing companies. Today more than ever, we are aware of the importance of capitalizing on the advantages we enjoy as a member of the Panasonic Group to incorporate 'eco ideas' into everything we do, enabling us to help build next-generation environmentally sound homes and communities.

Driven by our resolve as a housing company to build better homes, and by our desire to contribute to a profoundly positive recovery for areas devastated by the Great East Japan Earthquake, we are pressing ahead with efforts to evolve our businesses. In these and all our efforts, we thank you for your continued support.

July 2011

Our Performance in Fiscal 2010

Firm results for custom home building and remodeling supported increases in net sales and operating income

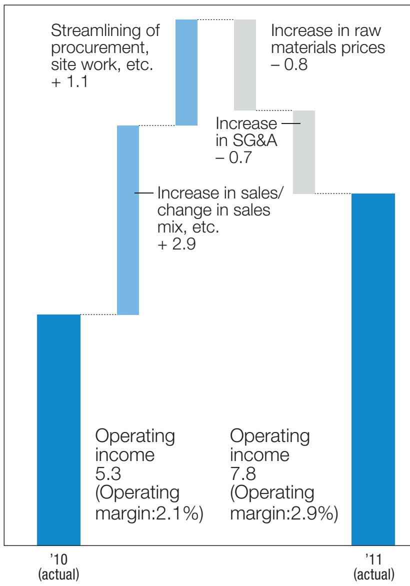
In fiscal 2010, the year ended March 31, 2011, housing starts in Japan rose gently, bolstered by government incentives to boost demand, including enhanced tax breaks on mortgages, measures to reduce gift taxes, preferential mortgage interest rates and an eco-points system for homes.

Operating under these conditions, we achieved a 3.5% increase in consolidated net sales, to ¥269.5 billion (US$3,246 million), reflecting such factors as firm results for custom home building and remodeling. We reported a 17% increase in orders for our mainstay custom-built detached housing—attributable to, among others, an effective promotional campaign that focused on our highly acclaimed *KIRATECH* tile exterior walls, which feature advanced photocatalytic technology. The backlog of orders, which will contribute to net sales in fiscal 2011, climbed 21%.

Consolidated operating income jumped 46.5%, to ¥7.8 billion (US$94 million), despite rising prices for materials purchased and advance investments for advertising and sales promotions, owing to the increase in net sales, as well as to ongoing rationalization efforts.

Factors Behind Change in Operating Income (Year on Year)

(Billions of yen)



Years ended March 31

Conditions in the Housing Industry

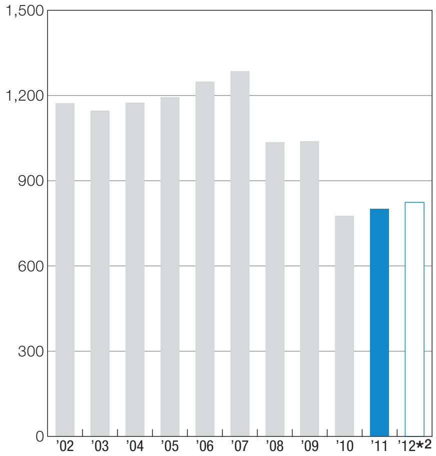
Demand is shifting toward high-quality, environment-friendly homes

Housing starts, which had fallen as low as 780,000 units in fiscal 2009, picked up, to 820,000 units in fiscal 2010. For fiscal 2011, we anticipate an increase in orders as homeowners rebuild after the Great East Japan Earthquake. Nonetheless, with sluggish consumer sentiment likely to hinder regular demand and government measures aimed at stimulating housing demand drawing to a conclusion, we expect new housing starts to be in the area of 830,000 units, essentially level with fiscal 2010.

Given that Japan's housing stock is currently at a sufficient level, housing starts are likely to decline gradually over the medium to long term. With the government emphasizing well-built housing stock, demand is likely to shift further toward high-quality, environment-friendly homes that are healthy, safe and secure, with energy creation, storage and management capabilities, and that will remain quality assets as they are passed down through the generations.

Number of New Housing Starts in Japan*1

(Thousands)



*1 Number of units; includes detached homes, rental apartment housing and condominiums
*2 PanaHome projection

Years ended March 31

Medium-Term Objectives

For 2018, the 100th anniversary of its founding, Panasonic Corporation has set the goal of becoming the No.1 Green Innovation Company in the Electronics Industry. To this end, Panasonic is taking a comprehensive approach, positioning the 'environment' as a central consideration in all of its business activities, declaring 'Unite Our Efforts–Drive Eco Innovation' as the Group's slogan for the fiscal year ending March 31, 2012, and linking environmental contribution directly with business growth.

Guided by this Group slogan, we are incorporating environmental concerns meticulously into all processes involved in the building of homes. We are also accelerating product development and enhancing sales activities, both of which require all employees to work together, thus becoming a powerful force for change. We have also set forth the following two key medium-term objectives:

1. Become the 'No.1 Green Innovation Company in the Housing Industry'
2. Achieve annual orders for 10,000 new homes

To become the No.1 Green Innovation Company in the Housing Industry, we are currently working to commercialize houses with a zero carbon footprint. We are also striving to further upgrade the environmental performance of homes over the medium term.

We see the entire process from our first meeting with a customer to the delivery of a completed home as our supply chain. Through supply chain innovation, we are working to reduce costs—including selling, general and administrative expenses—associated with housing construction, with the aim of providing high-value-added homes at affordable prices.

In addition, by promoting the strategic allocation of personnel, according to market size and growth potential, and by leveraging our ability to cultivate and reinforce sales channels through, among others, collaboration with Panasonic electronics dealers—an advantage we enjoy over other housing companies—we are targeting double-digit annual growth in the number of orders for new homes, to reach 10,000 by fiscal 2013, when we will celebrate our 50th anniversary, thereby elevating our position in the housing industry.

Environmental value: Solar power generation systems

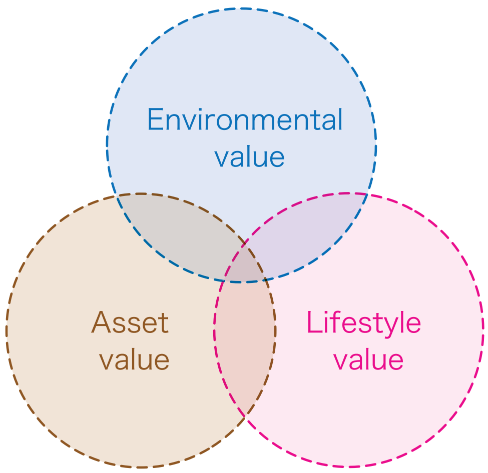
Lifestyle value: Comfortable open living environment that bring nature home

Asset value: A home with *KIRATECH* tile exterior walls that complies with the Ministry of Land, Infrastructure, Transport and Tourism's criteria for certifying quality long-life housing

Building 'eco ideas' Homes

In the years ahead, we will step up efforts to minimize the environmental impact of the homes we build by reducing CO_2 emissions and conserving resources.

We are drawing on our own proprietary technological development capabilities to improve the heat-insulating and airtight properties of the homes we build. We are also using environment-friendly Panasonic Group equipment, including solar power generation systems and fuel cells, as well as its eco household appliances, enabling us to reduce emissions of CO_2 and curb resource use, thus enhancing environmental value. Our proprietary earthquake-resistant steel-framed structures and exterior wall tiles further assist our efforts to build homes that provide safety and security over the long term and mean their enduring high asset value. Our outstanding design capabilities ensure the houses we build take advantage of the bounties of nature to deliver appealing, comfortable living environments and lifestyle value, conducive to the nurturing of family bonds. These three different types of value—environmental, asset and lifestyle—are the heart of our 'eco ideas' homes.



eco ideas 'eco ideas' Homes

Experimental zero carbon footprint house

Verification testing using an actual family

Promoting the Panasonic Group's Comprehensive Solutions for Residences

Providing comprehensive solutions for the home

In July 2010, we completed development of an experimental zero carbon footprint house, part of a research project involving collaboration between industry and academia, as well as cooperation across the entire Panasonic Group. We also began verification testing, which involves having an actual family live in the house, who measure and evaluate day-to-day energy consumption against total energy generated. We plan to commercialize the home in October 2011.

Applying comprehensive solutions to communities

By capitalizing on improvements in the performance of our homes, together with environmental technologies developed in collaboration with the Panasonic Group, we are spearheading construction of 'eco ideas' model towns consisting of homes that integrate energy creation, storage and management, are resistant to both natural and manmade disasters and which boast high asset value.

Our participation in Panasonic's project to build Fujisawa Sustainable Smart Town, which is scheduled to open in the fiscal year ending March 31, 2014, began with the development of the original concept. The project offers an excellent opportunity for us to maximize our key strengths—one of which is our accumulated know-how in all aspects of environment-friendly housing—to recommend or put forward ideas regarding technologies and performance features for homes.

Artist's conception of Fujisawa Sustainable Smart Town, where all homes will feature solar power generation systems and storage batteries

Pursuing comprehensive solutions overseas

We are also capitalizing on technologies for enhanced safety, security, energy efficiency and energy creation, as well as on the overall capabilities of the Panasonic Group, to pursue comprehensive solutions in a number of overseas markets, including Taiwan. In each market, we work with local Panasonic Group subsidiaries to promote green innovations for homes and communities that are tailored to local needs.

Financial and Investment Overview

Drawing on ample reserves to fund growth strategies

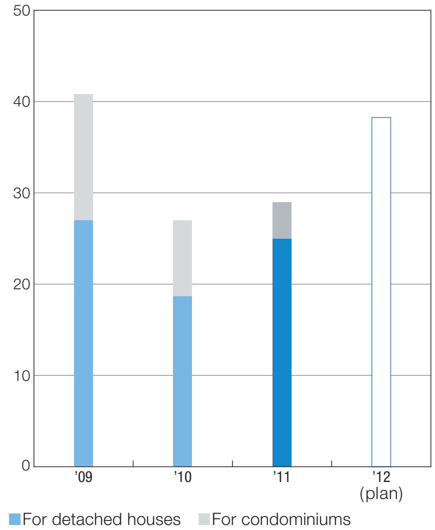
Owing to a net increase in cash and cash equivalents of ¥10.8 billion in fiscal 2010—thanks to an increase in net income, among others—cash and cash equivalents at year-end amounted to ¥80.5 billion (US$970 million). As of March 31, 2011, our inventory of land for use in property developments totaled ¥29.3 billion (US$353 million), an increase of ¥2.3 billion from the fiscal 2009 year-end.

In fiscal 2011, we will actively promote the purchase of attractive plots of land for first-time homebuyers and for holistic town development. We will also invest in product development. As part of our effort to promote innovation in the supply chain for homes, we will allocate funds to IT to significantly enhance the efficiency of Companywide business processes.

While investing decisively in forward-looking growth strategies, we will continue to place a high priority on ensuring sufficient cash reserves.

Inventory of Land for Property Development

(Billions of Yen)



As of March 31

Our Approach to Shareholder Returns

Maintaining stable annual dividends of ¥15.00 per share

We consider providing shareholders with a fair return on their investment as a crucial aspect of management. Accordingly, our policy is to maintain stable annual dividends. In determining dividend payments, we collectively analyze such factors as the need to strengthen our operating foundation, operating results and financial position.

For fiscal 2010, annual dividends were once again declared at ¥15.00 (US$0.18) per share, comprising interim and year-end dividends of ¥7.50 (US$0.09) each.

Looking ahead, we will make every effort to maintain stable dividends. At the same time, we will work to enhance corporate value and manage our operations to maximize our responsiveness to shareholder expectations.

PanaHome at a Glance

Custom-Built Detached Housing

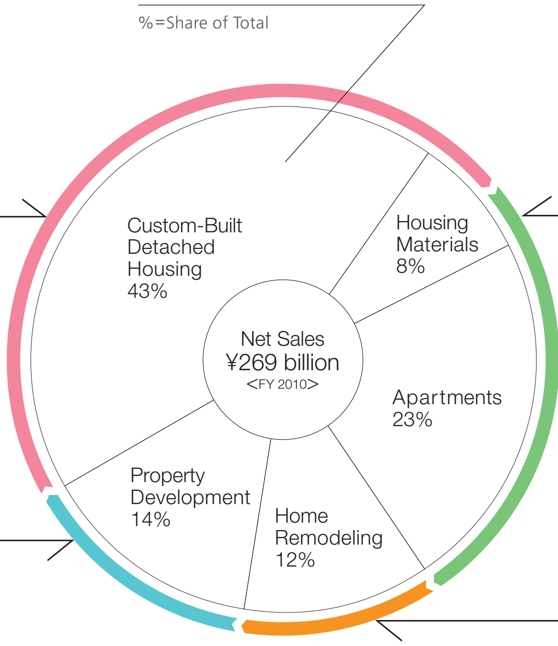
Please see page 9
for more information.

Please see page 11
for more information.

Property Development

Sales Breakdown by Business Category

%=Share of Total



Apartments

Please see page 10
for more information.

Please see page 11
for more information.

Home Remodeling

Three Distinctive Technologies

Outstanding steel-framed earthquake-resistant structures

PanaHome homes feature a proprietary earthquake-resistant steel-framed structure. As a result, they are able to withstand sizeable earthquakes and recurring tremors. The durability of PanaHome's houses has been verified through rigorous vibration testing, repeated 140 times, in which houses are subjected to seismic intensity approximately 4.3 times the intensity of the Great Hanshin-Awaji Earthquake of 1995 and 1.8 times the recent Great East Japan Earthquake. (Testing was conducted on *CASART* homes in June 2011.) Our steel-framed structure also accommodates future remodeling and ensures long-term security and comfort.

A commitment to clean air

Our original integrated hybrid ventilation system combines mechanical and natural ventilation. The system supplies cool fresh air under the floorboards in summer and warm fresh air in winter, thereby keeping the occupants comfortable and helping to conserve energy. Additionally, the use of diatomite from Wakkanai, in Hokkaido, in building materials ensures excellent regulation of humidity. Rigorous steps have also been taken to minimize emissions of volatile organic compounds (VOCs).

Photocatalytic tiles keep exterior walls clean

KIRATECH tile exterior walls employ advanced photocatalytic technology, which allows them to self-clean when exposed to sun or rain, meaning they remain clean long term. Because they are virtually maintenance-free, these walls contribute to significant savings in terms of both cost and resources. They also break down hazardous atmospheric pollutants, including nitrogen oxide (NOx), and purify the surrounding air, functioning in much the same way as does a natural forest.

Custom-Built Detached Housing

Capitalizing on innovative proprietary technologies and the comprehensive strengths of the Panasonic Group, we are addressing the challenge of building homes that contribute to the reduction of CO_2 emissions and provide lasting comfort to occupants.

In fiscal 2010, we continued to provide homes that deliver superior environmental performance, and which comply with criteria set by the Ministry of Land, Infrastructure, Transport and Tourism for certifying quality long-life housing, to a diversity of customers. Bolstered by efforts to promote sales of homes employing *KIRATECH* tile exterior walls, orders during the period remained firm.

In January 2011, we debuted the *CASART* series of mid-level to high-end detached houses, which combine outstanding earthquake resistance with superb environmental and energy-saving features, in key urban areas.

CASART homes use our innovative hyperspace (HS) construction technique, which facilitates adjustment in 15 cm increments, thereby enhancing layout flexibility. In April, we began offering *CASART* homes nationwide. We also launched the cost-effective *NEW EL·SOLANA* series of homes aimed at the so-called 'volume zone' (i.e., mid-range price, high sales volume), positioning us to respond to the needs of an increasingly broad range of customers.

Looking ahead, we will continue working toward commercialization of our exciting zero carbon footprint house. We will also revamp our selection of three-storey homes for urban neighborhoods, which boast excellent fire-resistant properties.

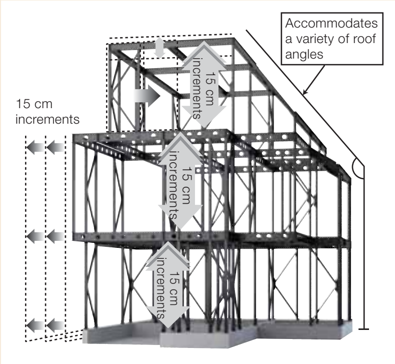
Classic-styled *CASART* detached house

Three-story *CASART* detached house for urban settings

Features of Our HS Construction Technique

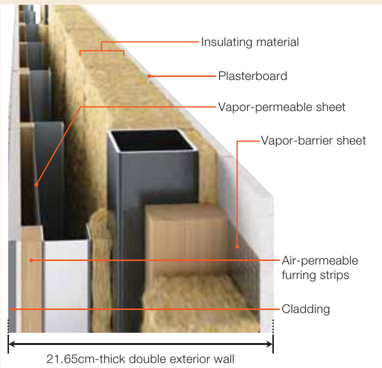
Outstanding earthquake resistance

We developed a special frame employing buckling restraint technology, commonly used in the construction of skyscrapers, making *CASART* the first prefabricated homes in Japan to feature this particular technology.* These homes easily clear the highest seismic performance level required by law, level 3, to ensure the quality of homes. (*As of April 2011; based on PanaHome research)



Excellent design flexibility

CASART homes feature steel-reinforced frames with no through posts, allowing independent posts on each floor, and a multimodular system that facilitates the adjustment of façade length, depth of the structure and roof slant in 15 cm increments, thereby enhancing layout flexibility.



Solid, high-performance walls

CASART homes boast 21.65 cm-thick double exterior walls, reinforcing their solid appearance. A substantial air-permeable layer inside the wall prevents condensation, as well as the deterioration of insulation and cladding, and imparts excellent insulating and soundproofing qualities.

Apartments

Rental apartment housing

We are engaged in the development of rental apartment housing that helps ensure stable rental management for property owners.

In April 2011, we launched the *EL MAISON FICASA* line of rental apartments, which combines industry-leading environmental performance features with improved earthquake resistance and adaptability to various building lot features—both thanks to our HS construction technique—and is designed to ensure sufficient returns in a wide range of rental markets, from big cities to regional population centers. *The EL MAISON FICASA* line features an innovative design in which common spaces and staircases are positioned on the inside of the building rather than the outside, a format that benefits tenants, by providing added security, and owners, by permitting the efficient use of space.

In the coming years, we will continue to provide high-value-added, competitive rental housing that reflects market trends and appeals to tenants.

Medical and nursing care facilities

Specialized rental housing for the elderly with nursing care services

Leveraging our expertise in home building, we provide a diverse range of community housing options tailored to the needs and lifestyles of the elderly.

In fiscal 2010, we took assertive steps to market our products to the operators of medical treatment and nursing care facilities. We also actively submitted bids for contracts under the Ministry of Land, Infrastructure, Transport and Tourism's Act for the Stable Living of the Elderly initiative and were successful in securing 18 such contracts over the course of the year.

With the aim of helping to provide secure, comfortable housing for the elderly, we will continue to build on our expertise and wealth of design and construction experience to expand our business in the area of residential facilities for the elderly that provide medical treatment and nursing care.

Property management services

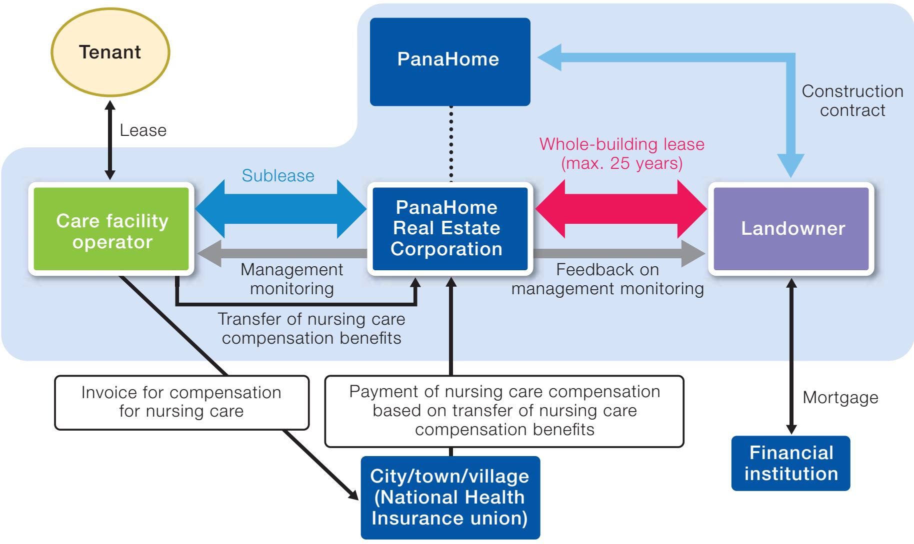
The PanaHome Group has established a comprehensive support system encompassing everything from business planning, design and construction through to building management, the acceptance and screening of potential tenants and building renovation.

In fiscal 2010, we promoted our whole-building leasing system for rental apartment housing. In addition, we developed a scheme for whole-building leasing for specialized rental housing facilities with nursing care services that responds to the needs of the elderly and minimizes risks to both landowners and the companies operating the care facilities.

Looking ahead, we will continue to make the most of our extensive experience to help ensure stable rental income for owners.

EL MAISON FICASA features common spaces inside the building

Whole-Building Leasing System for Specialized Rental Housing Facilities with Nursing Care Services



Property Development

PanaHome develops housing primarily in the Tokyo, Nagoya and Osaka metropolitan areas.

In fiscal 2010, we developed communities of detached houses that emphasize space and a relaxed atmosphere, including *Chiba New Town Chuo Takahana Garden Suburb* in Inzai, Chiba, or that maximize the natural environment, such as *Eco-Life Town Futamatagawa*, in Asahi-ku, Yokohama, which was a proposal adopted by the Ministry of Land, Infrastructure, Transport and Tourism in the Excellent Long-Term Housing Promotion Act (townscape and residential environment category), both of which embody our desire to create towns that encourage long-term residence.

Condominium sales in fiscal 2010 included *THE CENTER HOUSE*, in Tsuzuki-ku, Yokohama. Situated in harmony with the environment, this complex comprises low- and medium-rise buildings containing spacious, attractive units.

In the years ahead, our efforts will emphasize the creation of comprehensive solutions for self-contained 'smart towns' that deliver safety and security and which have energy creation, storage and management capabilities.

Chiba New Town Chuo Takahana Garden Suburb

THE CENTER HOUSE

Home Remodeling

Our home remodeling services focus on leveraging the design prowess we have accumulated in the construction of new homes, together with the brand strength of the Panasonic Group, to provide comprehensive home remodeling services encompassing everything from interior design and equipment selection and installation, to residential exteriors and landscaping.

In fiscal 2010, we began working to expand our renovation services (complete residential renovation) for wooden detached homes and condominiums. In addition to advertising in newspapers and magazines and via the Internet, we sought to increase awareness of these services by holding remodeling fairs.

On another note, we sought to establish a solid business foundation by working to enhance our sales, design and execution capabilities. With the aim of creating a forum for communication with potential customers, we established Reform Plaza.

As the Panasonic Group's housing company, we will continue to evolve our home remodeling business by proposing ideas for comfortable and environmentally sound living. Over the medium term, we aim to significantly expand the scale of these operations by creating a business model that will substantially enhance both productivity and profitability.

Before

After

Remodeled home

Corporate Social Responsibility

Environmental Initiatives

PanaHome continues to promote a variety of initiatives in line with its stated goal of becoming the No.1 Green Innovation Company in the housing industry.

Our ‘eco ideas’ homes earn high marks

In the period under review, we were honored with 2010 House of the Year in Electric awards in three categories: detached homes, apartments and remodeling projects. This was the fourth consecutive year in which we received an award in the detached homes category, an accomplishment that earned us a special award for corporate excellence. The House of the Year in Electric awards, which recognize all-electric-energy efficient houses with minimal carbon footprints, are sponsored by the Japan Center for Area Development Research under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism.

HOUSE
OF THE YEAR
IN ELECTRIC


Detached Housing business:
NEW EL·SOLANA—honored with an award for excellence in 2010


Apartments business:
EL MAISON—another award winner


Home Remodeling business:
A prizewinning remodeled home in Aichi Prefecture

Involving ‘eco ideas’ homeowners in environmental initiatives

PanaHome has been approved by Japan’s Ministry of Economy, Trade and Industry (METI) to secure carbon credits for CO_2 emissions reductions achieved by homeowners who have opted to install a solar power generation system or fuel cell in their home as a partner in the ministry’s program to promote initiatives that help mitigate emissions. This enables us to combine emissions reductions achieved by customers who join our ‘eco ideas’ Homeowners Association to secure carbon credits and to participate in emissions trading, profits on which will be used to fund environmental protection and social contribution initiatives.

Lowering the environmental impact of housing construction

We continue working to lower CO_2 emissions attributable to housing construction, as well as to promote the effective use of recycled materials and to minimize emissions of chemical substances. To these ends, we are implementing measures to reduce energy consumption and promoting modal shift in all processes, from the transport of materials manufactured in factories to construction sites, through to on-site work.

Environmental education

All employees are required to undergo training through e-learning, among others, to ensure they have an adequate understanding of global environmental issues, the Panasonic Group’s environmental policy and environmental laws and regulations pertinent to the housing industry.

Enhancing the Quality of Management Systems

PanaHome has earned ISO 9001 and ISO 14001 certification for its quality assurance and environmental management systems. By linking efforts in all processes related to housing construction—from building and after-sale follow-up, to remodeling services—we strive constantly to enhance the quality of our management systems in conformance with the globally recognized ISO standards, thus enabling us to provide homes that deliver improved safety, security, comfort and energy efficiency.


PanaHome production lines incorporate stringent quality controls and measures to reduce environmental burden

Fulfilling Our Responsibilities as a Corporate Citizen

Each time a customer opts for environment-friendly fuel cells in their home, we acknowledge that customer’s advanced environmental awareness by sponsoring the transplant of a coral head in the ocean off Okinawa. Additionally, we strive to contribute to local environmental protection efforts and communities through, among others, self-developed greening projects at our various sites aimed at preserving regional biodiversity.


Transplanting a coral head

Corporate Governance and Compliance

Corporate Governance

We view reinforcing corporate governance as a key management goal. Accordingly, we have inaugurated a corporate governance structure that encompasses the Board of Directors, which makes important decisions pertaining to business execution and which oversees the conduct of directors, and the Board of Corporate Auditors and the corporate auditors, which are charged with auditing the conduct of directors independently of the Board of Directors.

We have also set up an executive officer system. Responsibility for frontline business execution is vested with the executive officers. This facilitates a corporate governance structure whereby directors' responsibilities are clarified and the Board of Directors concentrates on management-related decision making and on supervision.

Additionally, we have implemented and continue to operate a system of internal controls in line with our Basic Policy Regarding the Establishment of Internal Controls Systems.

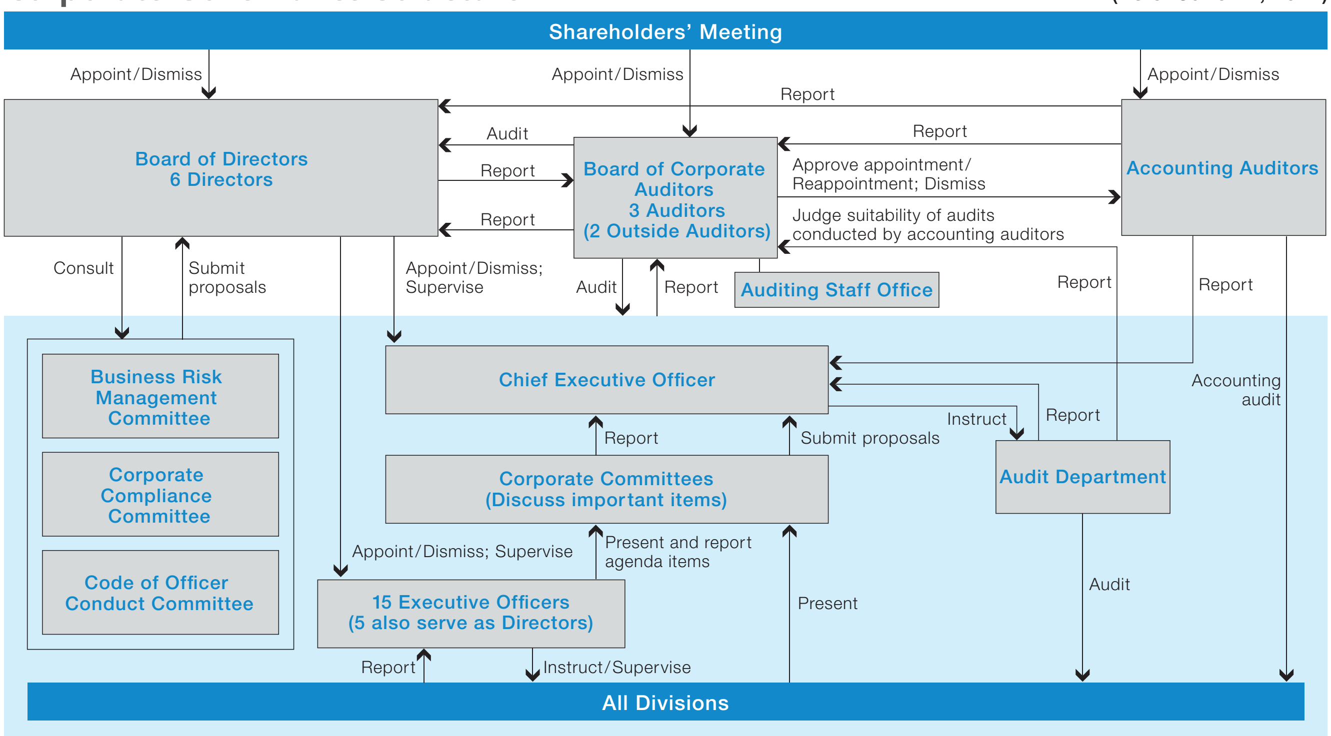
Compliance

To ensure compliance, we adhere strictly to the Code of Conduct of the Panasonic Group. In addition to designating October every year as Compliance Month, we provide ongoing web-based compliance training for employees. We also conduct awareness surveys to assess the extent to which the culture of compliance has taken root throughout the Company and to ascertain possible areas of difficulty. With the aim of promptly identifying and resolving ethical and legal noncompliance issues, we have installed a corporate ethics hotline, a sexual/power harassment hotline and a system for reporting to the corporate auditors.

To effectively manage risk, the Business Risk Management Committee spearheads an annual risk assessment effort that involves compiling and evaluating risk information for the entire Company in a thorough and integrated manner. Further, we have established a Corporate Compliance Committee, which is charged with rigorously eradicating relationships with antisocial elements, whether individuals or groups.

Corporate Governance Structure

(As of June 22, 2011)



Business Risks

The businesses and operations of the PanaHome Group involve risks that have the potential to significantly affect the decisions of investors. As of the date of publication of this document, these risks included, but were not limited to, the risks listed below. Forward-looking statements in this document are based on management's assumptions and beliefs in light of information available as of March 31, 2011.

1. Trends in the housing market

Orders may be negatively influenced by changes in external market conditions including, but not limited to, conditions in the job market, fluctuations in land prices, interest rate trends and policies governing housing taxes.

2. Rising prices for raw materials

Sudden sharp increases in prices for materials essential to housing construction, including steel and timber, have the potential to drive procurement prices up.

3. Product quality assurance

The PanaHome Group maintains stringent quality control over the development, production and purchase of the materials, components and fittings it uses, as well as over the houses it builds, using a quality assurance system that has been certified under both Japan's domestic prefabricated housing performance certification system and ISO 9001. Nonetheless, owing to variations in the quality of materials used and in processes, and to the degradation of materials and components over time, it is impossible to entirely rule out the possibility of quality issues.

4. Natural disasters

In the event of a major earthquake, typhoon or other natural disaster, there is a risk PanaHome Group may incur significant costs for the repair of damage to its own facilities and/or to construction sites, as well as for initial and subsequent customer support, including building inspections and emergency measures. There is also a risk that the time required to repair damaged facilities will force the suspension of production and/or that infrastructure damage may temporarily disrupt supplies of materials and components, thus delaying the completion and delivery of houses.

5. Retirement benefit liabilities

PanaHome and certain of its domestic consolidated subsidiaries maintain external retirement and pension plans for eligible employees. There is a risk that at some point in the future changes in actuarial assumptions and/or the management of pension assets may lead to increases in unrecognized actuarial pension losses, resulting in higher net periodic pension plan benefit costs.

6. Laws and regulations

The PanaHome Group acquires building permits, real estate business licenses and architectural office registrations in the course of conducting its businesses and complies with laws and regulations pertaining to the environment and recycling. Owing to an amendment to the Consumer Product Safety Act on May 14, 2007, the Group is required to report consumer product accidents. In the event any of these laws or regulations are revised or abolished, or new legal regulations established, or in the unlikely event violations of any of these laws or regulations occurs, there is a risk that it may negatively affect the Group's business activities.

7. Protection of personal information

Due to the nature of its business, the PanaHome Group handles a significant volume of personal information relevant to its customers. Measures to protect personal information are implemented on an ongoing basis throughout the entire Group. However, in the unlikely event of a leak or other problem pertaining to such information, there is a risk of substantial damage to public trust in the Group.

Operating Results

Net sales

Despite a decline in the number of units sold in the property development business, consolidated net sales rose 3.5%, from the previous fiscal year, to ¥269,450 million (US$3,246 million), owing to firm results for custom home building and remodeling.

Cost of sales and selling, general and administrative expenses

Cost of sales increased 2.9%, to ¥207,110 million (US$2,495 million). Despite rising prices for materials purchased, cost of sales as a percentage of net sales declined 0.4 percentage point, to 76.9%, reflecting the increase in net sales, together with efforts to rationalize procurement and construction site costs.

Despite Companywide efforts to reduce fixed costs, selling, general and administrative (SG&A) expenses edged up 1.3%, to ¥54,509 million (US$657 million), a consequence of advance investments for advertising and sales promotions.

Earnings

Spurred by higher net sales, among other factors, operating income in the period under review jumped 46.5%, to ¥7,831 million (US$94 million). Notwithstanding a ¥635 million (US$8 million) loss on impairment of long-lived assets and losses from the natural disaster of ¥397 million (US$5 million), net income soared 78.1%, to ¥4,325 million (US$52 million). Net income per share was ¥25.73 (US$0.31), up from ¥14.45 in the previous fiscal year.

Financial Position

As of March 31, 2011, total assets of the Company amounted to ¥205,908 million (US$2,481 million), up 4.0% from the end of fiscal 2009.

Current assets rose 7.9%, to ¥140,235 million (US$1,690 million), as the purchase of certificates of deposit pushed up cash and cash equivalents, offsetting a decline in inventories. Accumulated depreciation was the principal factor behind a 1.7% decrease in property, plant and equipment, to ¥38,427 million (US$463 million). Investments and other assets declined 6.1%, to ¥27,246 million (US$328 million), reflecting a decrease in deferred tax assets.

Current liabilities, at ¥67,531 million (US$814 million), were up 9.3%, as trade payables and deposits received expanded in tandem with an increase in construction projects in progress. Long-term liabilities rose 1.7%, to ¥19,143 million (US$231 million), despite the repayment of long-term debt, owing to the recognition of asset retirement obligations.

Equity was ¥119,234 million (US$1,437 million), an increase of 1.5%. Contributing factors included the advance of net income for the period, which counterbalanced the distribution of earnings for the payment of dividends.

Cash Flows

Net cash provided by operating activities amounted to ¥16,137 million (US$194 million). This result was primarily attributable to net income, as well as to a decrease in inventories.

Net cash used in investing activities was ¥1,934 million (US$23 million). The chief factor was outlays for additions to property, plant and equipment.

Net cash used in financing activities amounted to ¥3,415 million (US$41 million), the foremost application of which was cash dividends paid.

Operating, investing and financing activities thus resulted in cash and cash equivalents as of March 31, 2011, of ¥80,521 million (US$970 million), an increase of ¥10,785 million from the previous fiscal year-end.

Consolidated Balance Sheets

PanaHome Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

ASSETS	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 80,521	¥ 69,736	$ 970,133
Short-term investments (Note 15)	74	47	892
Receivables (Notes 13 and 15):			
Trade	3,884	2,985	46,795
Other	955	654	11,506
Allowance for doubtful receivables	(62)	(47)	(748)
Inventories (Note 4)	47,245	50,548	569,217
Deferred tax assets (Note 11)	6,351	5,360	76,518
Other current assets	1,267	646	15,265
Total current assets	140,235	129,929	1,689,578
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 6)	21,002	21,215	253,036
Buildings and structures (Note 6)	47,061	46,497	567,000
Machinery and equipment (Note 6)	18,158	18,726	218,771
Lease assets	1,720	1,404	20,723
Construction in progress	131	49	1,578
Total	88,072	87,891	1,061,108
Less accumulated depreciation	(49,645)	(48,802)	(598,132)
Net property, plant and equipment	38,427	39,089	462,976
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 15)	1,210	1,270	14,578
Investments in associated companies	7,341	7,279	88,446
Long-term loans (Notes 7 and 15)	3,192	3,793	38,458
Long-term loans to employees (Note 15)	583	610	7,024
Prepaid pension costs (Note 8)	8,108	6,725	97,687
Deferred tax assets (Note 11)	293	3,215	3,530
Intangibles and other asset (Note 6)	7,109	7,038	85,651
Allowance for doubtful accounts	(590)	(900)	(7,109)
Total investments and other assets	27,246	29,030	328,265
TOTAL	¥ 205,908	¥ 198,048	$ 2,480,819

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2011	2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 11	¥ 100	$ 133
Payables (Notes 13 and 15):			
Trade	32,224	29,840	388,241
Other	7,246	6,201	87,301
Accrued income taxes	417	344	5,024
Deposits received	16,544	14,507	199,325
Accrued expenses and other current liabilities	11,089	10,808	133,602
Total current liabilities	67,531	61,800	813,626
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 15)	2,562	3,291	30,868
Liability for employees' retirement benefits (Note 8)	5,028	4,611	60,578
Deferred tax liabilities (Note 11)	360	—	4,337
Deferred tax liabilities on land revaluation (Note 5)	2,102	2,125	25,325
Asset retirement obligations (Note 9)	514	—	6,193
Long-term deposits received	7,928	8,125	95,519
Other long-term liabilities	649	679	7,819
Total long-term liabilities	19,143	18,831	230,639
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 16 and 17)			
EQUITY (Notes 10 and 21):			
Common stock, authorized - 596,409,000 shares, issued - 168,563,533 shares in 2011 and 2010	28,376	28,376	341,880
Capital surplus	31,984	31,983	385,349
Retained earnings	64,935	63,098	782,349
Treasury stock - at cost, 530,508 shares in 2011 and 501,797 shares in 2010	(278)	(262)	(3,349)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	300	158	3,614
Land revaluation difference (Note 5)	(6,804)	(6,770)	(81,976)
Foreign currency translation adjustments	(1)	1	(12)
Total	118,512	116,584	1,427,855
Minority interests	722	833	8,699
Total equity	119,234	117,417	1,436,554
TOTAL	¥ 205,908	¥ 198,048	$ 2,480,819

Consolidated Statements of Income

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
NET SALES (Note 13)	¥ 269,450	¥ 260,389	$ 3,246,386
COST OF SALES (Note 13)	207,110	201,248	2,495,301
Gross profit	62,340	59,141	751,085
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 14)	54,509	53,797	656,735
Operating income	7,831	5,344	94,350
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 13)	264	275	3,181
Interest expense	(139)	(179)	(1,675)
Equity in earnings (losses) of affiliated companies	20	(476)	241
Gain on sales of property, plant and equipment	10	5	120
Loss on disposal and sales of property, plant and equipment	(36)	(89)	(434)
Loss on impairment of long-lived assets (Note 6)	(635)	(24)	(7,651)
Effect of application of accounting standard for asset retirement obligations	(373)	—	(4,494)
Losses from a natural disaster (Note 18)	(397)	—	(4,783)
Other - net	223	207	2,687
Other expenses - net	(1,063)	(281)	(12,808)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,768	5,063	81,542
INCOME TAXES (Note 11):			
Current	310	247	3,735
Deferred	2,145	2,373	25,843
Total	2,455	2,620	29,578
NET INCOME BEFORE MINORITY INTERESTS	4,313	2,443	51,964
MINORITY INTERESTS IN NET INCOME (LOSS) OF SUBSIDIARIES	(12)	15	(144)
NET INCOME	¥ 4,325	¥ 2,428	$ 52,108
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net income	¥ 25.73	¥ 14.45	$ 0.31
Diluted net income	—	—	—
Cash dividends applicable to the year	15.00	15.00	0.18

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

PanaHome Corporation and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 4,313	$ 51,964
OTHER COMPREHENSIVE INCOME (Note 19):		
Unrealized gain on available-for-sale securities	140	1,687
Foreign currency translation adjustments	(3)	(36)
Share of other comprehensive income in associates	1	12
Total other comprehensive income	138	1,663
COMPREHENSIVE INCOME (Note 19)	¥ 4,451	$ 53,627
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 19):		
Owners of the parent	¥ 4,464	$ 53,784
Minority interests	(13)	(157)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Thousands	Millions of Yen			
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, APRIL 1, 2009	168,086	¥ 28,376	¥ 31,983	¥ 63,188	¥ (248)
Net income	—	—	—	2,428	—
Cash dividends, ¥15.00 per share	—	—	—	(2,522)	—
Reversal of land revaluation difference	—	—	—	4	—
Purchase of treasury stock	(28)	—	—	—	(16)
Disposal of treasury stock	4	—	0	—	2
Net change in the year	—	—	—	—	—
BALANCE, MARCH 31, 2010	168,062	28,376	31,983	63,098	(262)
Net income	—	—	—	4,325	—
Cash dividends, ¥15.00 per share	—	—	—	(2,522)	—
Reversal of land revaluation difference	—	—	—	34	—
Purchase of treasury stock	(32)	—	—	—	(17)
Disposal of treasury stock	3	—	1	—	1
Net change in the year	—	—	—	—	—
BALANCE, MARCH 31, 2011	168,033	¥ 28,376	¥ 31,984	¥ 64,935	¥ (278)

	Thousands of U.S. Dollars (Note 1)			
	Common stock	Capital surplus	Retained earnings	Treasury stock
BALANCE, MARCH 31, 2010	$ 341,880	$ 385,337	$ 760,217	$ (3,157)
Net income	—	—	52,108	—
Cash dividends, $0.18 per share	—	—	(30,386)	—
Reversal of land revaluation difference	—	—	410	—
Purchase of treasury stock	—	—	—	(205)
Disposal of treasury stock	—	12	—	13
Net change in the year	—	—	—	—
BALANCE, MARCH 31, 2011	$ 341,880	$ 385,349	$ 782,349	$ (3,349)

(Continued)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity (Continued)

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen					
	Accumulated other comprehensive income					
	Net unrealized gains on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total	Minority interests	Total equity
BALANCE, APRIL 1, 2009	¥ 108	¥ (6,767)	¥ —	¥ 116,640	¥ 797	¥ 117,437
Net income	—	—	—	2,428	—	2,428
Cash dividends, ¥15.00 per share	—	—	—	(2,522)	—	(2,522)
Reversal of land revaluation difference	—	—	—	4	—	4
Purchase of treasury stock	—	—	—	(16)	—	(16)
Disposal of treasury stock	—	—	—	2	—	2
Net change in the year	50	(3)	1	48	36	84
BALANCE, MARCH 31, 2010	158	(6,770)	1	116,584	833	117,417
Net income	—	—	—	4,325	—	4,325
Cash dividends, ¥15.00 per share	—	—	—	(2,522)	—	(2,522)
Reversal of land revaluation difference	—	—	—	34	—	34
Purchase of treasury stock	—	—	—	(17)	—	(17)
Disposal of treasury stock	—	—	—	2	—	2
Net change in the year	142	(34)	(2)	106	(111)	(5)
BALANCE, MARCH 31, 2011	¥ 300	¥ (6,804)	¥ (1)	¥ 118,512	¥ 722	¥ 119,234

	Thousands of U.S. Dollars (Note 1)					
	Accumulated other comprehensive income					
	Net unrealized gains on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total	Minority interests	Total equity
BALANCE, MARCH 31, 2010	$ 1,903	$ (81,566)	$ 12	$ 1,404,626	$ 10,036	$ 1,414,662
Net income	—	—	—	52,108	—	52,108
Cash dividends, $0.18 per share	—	—	—	(30,386)	—	(30,386)
Reversal of land revaluation difference	—	—	—	410	—	410
Purchase of treasury stock	—	—	—	(205)	—	(205)
Disposal of treasury stock	—	—	—	25	—	25
Net change in the year	1,711	(410)	(24)	1,277	(1,337)	(60)
BALANCE, MARCH 31, 2011	$ 3,614	$ (81,976)	$ (12)	$ 1,427,855	$ 8,699	$ 1,436,554

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

PanaHome Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,768	¥ 5,063	$ 81,542
Adjustments for:			
Depreciation	2,986	2,993	35,976
Loss on impairment of long-lived assets	635	24	7,651
Effect of application of accounting standard for asset retirement obligations	373	—	4,494
Losses from a natural disaster	397	—	4,783
Provision for retirement and severance benefits	(965)	(681)	(11,627)
Interest and dividend income	(264)	(275)	(3,181)
Interest expense	139	179	1,675
Equity in losses (earnings) of affiliated companies	(20)	476	(241)
Loss on disposal and sales of property, plant and equipment	36	89	434
Decrease (increase) in trade receivables	(949)	221	(11,434)
Decrease in inventories	3,302	12,565	39,783
Increase (decrease) in trade payables	2,384	(3,704)	28,723
Increase in advances received	2,037	344	24,542
Other	(644)	(1,677)	(7,759)
Sub total	16,215	15,617	195,361
Interest and dividend income received	302	316	3,639
Interest expense paid	(144)	(185)	(1,735)
Income taxes paid	(236)	(217)	(2,843)
Net cash provided by operating activities	16,137	15,531	194,422
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and redemption of marketable securities	—	2,006	—
Additions to property, plant and equipment	(1,900)	(965)	(22,892)
Proceeds from sales of property, plant and equipment	14	23	169
Additions to intangibles	(1,022)	(689)	(12,313)
Proceeds from sales and redemption of investment securities	330	2,010	3,976
Other	644	613	7,759
Net cash provided by (used in) investing activities	(1,934)	2,998	(23,301)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in short-term bank loans	(89)	(25)	(1,072)
Repayments of long-term debt	(437)	(480)	(5,265)
Purchase of treasury stock	(17)	(16)	(205)
Cash dividends paid	(2,522)	(2,520)	(30,386)
Other	(350)	(278)	(4,217)
Net cash used in financing activities	(3,415)	(3,319)	(41,145)
Effect of exchange rate changes on cash and cash equivalents	(3)	1	(36)
Net increase in cash and cash equivalents	10,785	15,211	129,940
Cash and cash equivalents at beginning of year	69,736	54,525	840,193
Cash and cash equivalents at end of year	¥ 80,521	¥ 69,736	$ 970,133

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 19. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which PanaHome Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation -*** The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 13 significant (14 in 2010) subsidiaries (together, the "Group").

Under the control or influence concept, those companies over whose operations the Company, directly or indirectly, is able to exercise control are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 14 (14 in 2010) associated companies are accounted for by the equity method.

Investments in 1 associated company (1 unconsolidated subsidiary and 1 associated company in 2010) are stated at cost. If the equity method of accounting had been applied to investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of cost over the fair value of net assets of associated companies acquired is amortized over their respective estimated useful lives not exceeding 20 years. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Cash Equivalents -*** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

c. ***Marketable and Investment Securities -*** Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, in which the Company has both the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group does not hold securities for trading purpose.

The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

d. ***Short-term Investments -*** Short-term investments are time deposits, which mature or become due more than three months from the date of acquisition.

e. ***Inventories -*** Inventories are stated at the lower of cost, determined by the specific identified cost method for real estate for sale and contracts in progress, and by the average cost method for finished goods, work in progress, raw materials and supplies, or net selling value.

f. ***Property, Plant and Equipment -*** Property, plant and equipment are stated at cost. Depreciation is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets while the straight-line method is applied to buildings. The range of useful lives is principally from 3 to 50 years for buildings and structures, and from 4 to 8 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

g. ***Long-lived Assets -*** The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Leases -*** In March 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. All other leases are accounted for as operating leases.

i. ***Construction Contracts -*** In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts". Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and was effective for fiscal years beginning on or after April 1, 2009. The Group applied the accounting standard effective April 1, 2009. Revenue and the related costs from contracts with a short term construction schedule are recorded under the completed-contract method. Other contracts are accounted for under the percentage-of completion method, if the outcome of construction contract can be reliably estimated.

j. ***Retirement and Pension Plans -*** The Company and domestic subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans, and may grant additional benefits for retired employees.

k. ***Asset Retirement Obligations -*** In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥57 million ($687 thousand) and income before income taxes and minority interests by ¥430 million ($5,181 thousand).

l. ***Income Taxes -*** The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax law to the temporary differences.

m. ***Foreign Currency Transactions -*** All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

n. ***Foreign Currency Financial Statements -*** The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at historical exchange rates. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

o. ***Derivative Financial Instruments -*** The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes. Gains or losses on derivatives are deferred until maturity of the hedged transactions if the derivatives used for hedging purposes qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential received under the swap agreements are recognized and included in interest income.

p. ***Per Share Information -*** Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. The number of shares used in the computations was 168,053 thousand shares and 168,075 thousand shares for the years ended March 31, 2011 and 2010, respectively. The Company did not have securities or contingent stock agreements that could potentially dilute net income per common share in the years ended March 31, 2011 and 2010.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

q. ***New Accounting Pronouncements***

Accounting Changes and Error Corrections - In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars 2011
Non-current:			
Marketable equity securities	¥ 710	¥ 770	$ 8,554
Government and corporate bonds	500	500	6,024
Total	¥ 1,210	¥ 1,270	$ 14,578

The costs amounts and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	2011			
Securities classified as:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 225	¥ 479	¥ 1	¥ 703
Held-to-maturity	500	1	—	501

	Millions of Yen			
	2010			
Securities classified as:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 538	¥ 216	¥ 1	¥ 753
Held-to-maturity	500	—	1	499

	Thousands of U.S. Dollars			
	2011			
Securities classified as:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 2,711	$ 5,771	$ 12	$ 8,470
Held-to-maturity	6,024	12	—	6,036

The information for available-for-sale securities which were sold during the year ended March 31, 2011 was as follows:

	Millions of Yen		
March 31, 2011	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	¥ 330	¥ 26	¥ —

	Thousands of U.S. Dollars		
March 31, 2011	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	$ 3,976	$ 313	$ —

The impairment losses on available-for-sale equity securities for the year ended March 31, 2011 was ¥20 million ($241 thousand).

4. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Real estate for sale	¥ 37,956	¥ 43,008	$ 457,301
Contracts in progress	7,651	6,546	92,181
Finished goods	1,231	877	14,831
Work in process, raw materials and supplies	407	117	4,904
Total	¥ 47,245	¥ 50,548	$ 569,217

5. LAND REVALUATION

Under the "Act of Land Revaluation", the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2000.

The resulting land revaluation difference represents unrealized depreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference and related deferred tax liabilities.

At March 31, 2011, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥4,978 million ($59,976 thousand).

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2011 and 2010.

As a result, for the year ended March 31, 2011, the Group recognized an impairment loss of ¥635 million ($7,651 thousand) as other expenses for certain rental properties in Fukushima Prefecture and others due to substantial declines in the fair market value and sluggish rental market value, certain idle assets in Fukuoka Prefecture and others due to substantial declines in the fair market value, and certain business properties in Shiga Prefecture and others due to plans to dispose of old facilities and replace them with new ones. The carrying amounts of those assets were written down to the estimated recoverable amounts.

The estimated recoverable amounts of the rental properties and the business properties were measured at their value in use or by their net selling price at disposition. The estimated recoverable amounts of the idle assets were measured by their net selling price at disposition. Discount rate used for computation of present value of future cash flows for value in use was 5%. Net selling price at disposition was principally calculated by the appraisal value.

For the year ended March 31, 2010, the Group recognized an impairment loss of ¥24 million as other expenses for certain idle assets in Shiga Prefecture and others due to substantial declines in the fair market value. The carrying amounts of those assets were written down to the estimated recoverable amounts.

The estimated recoverable amounts of the idle assets were measured by their net selling price at disposition, principally calculated by the appraisal value.

Impairment losses which the Group recognized for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Rental properties:			
Land	¥ 213	¥ —	$ 2,567
Buildings and structures	333	—	4,012
Total	¥ 546	¥ —	$ 6,579
Idle assets:			
Land	¥ —	¥ 3	$ —
Buildings and structures	5	—	60
Other	2	21	24
Total	¥ 7	¥ 24	$ 84
Business properties:			
Machinery and equipment	¥ 58	¥ —	$ 699
Intangibles and other asset	24	—	289
Total	¥ 82	¥ —	$ 988

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

For short-term bank loans at March 31, 2011, the annual interest rates ranged from 1.08% to 1.11%. And for short-term bank loans at March 31, 2010, the annual interest rate was 1.48%.

Long-term debt, excluding finance leases of ¥388 million ($4,675 thousand), at March 31, 2011 consisted of collateralized loans from banks of ¥2,174 million ($26,193 thousand) due serially to 2023, with the annual interest rate of 1.94%.

Annual maturities of long-term debt, excluding finance leases of ¥388 million ($4,675 thousand), at March 31, 2011, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 152	$ 1,831
2013	157	1,892
2014	162	1,952
2015	168	2,024
2016	173	2,084
2017 and thereafter	1,362	16,410
Total	¥ 2,174	$ 26,193

At March 31, 2011, long-term loans of ¥2,881 million ($34,711 thousand) were pledged as collateral for long-term debt of ¥2,174 million ($26,193 thousand).

As is customary in Japan, the Company maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

In addition, collateral must be provided if requested by the lending banks and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payables to the bank concerned. The Company has never received any such request.

8. RETIREMENT AND PENSION PLANS

The Company and certain domestic subsidiaries have two types of pension plans for employees; a non-contributory and a contributory funded defined benefit pension plans.

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 39,728	¥ 38,024	$ 478,651
Fair value of plan assets	(29,375)	(27,820)	(353,916)
Unrecognized prior service benefit	424	1,697	5,108
Unrecognized actuarial loss	(13,857)	(14,015)	(166,952)
Prepaid pension costs	8,108	6,725	97,687
Net liability	¥ 5,028	¥ 4,611	$ 60,578

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 1,657	¥ 1,685	$ 19,964
Interest cost	925	889	11,145
Expected return on plan assets	(822)	(688)	(9,904)
Prior service benefit	(1,273)	(1,251)	(15,337)
Recognized actuarial loss	1,186	1,340	14,289
Net periodic benefit costs	¥ 1,673	¥ 1,975	$ 20,157

Assumptions used for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	3.0%	3.0%
Amortization period of prior year service benefit (cost)	Principally 10 years	Principally 10 years
Recognition period of actuarial gain (loss)	Principally 19 years	Principally 19 years

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 492	$ 5,928
Additional provisions associated with the acquisition of property, plant and equipment	64	771
Reconciliation associated with passage of time	1	12
Reduction associated with settlement of asset retirement obligations	(43)	(518)
Balance at end of year	514	6,193

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2011 and 2010.

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Loss carryforward	¥ 2,980	¥ 4,564	$ 35,904
Accrued expenses	2,392	2,466	28,819
Depreciation	1,025	913	12,349
Employees' retirement benefits	229	255	2,759
Write-down of inventories	953	979	11,482
Other	2,014	2,545	24,265
Subtotal	9,593	11,722	115,578
Valuation allowance	(1,615)	(1,986)	(19,458)
Total	7,978	9,736	96,120
Deferred tax liabilities:			
Employees' retirement benefits	(1,484)	(1,114)	(17,879)
Unrealized gains on available-for-sale securities	(171)	(47)	(2,060)
Other	(40)	—	(482)
Total	(1,695)	(1,161)	(20,421)
Net deferred tax assets	¥ 6,283	¥ 8,575	$ 75,699

The reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Normal effective statutory rate	40.7%	40.7%
Per capita levy	2.2	2.7
Expenses permanently not deductible for income tax purposes	1.3	1.5
Increase (decrease) of valuation allowance	(4.8)	3.6
Equity in losses (gains) of affiliated companies	(0.1)	3.8
Unrealized intercompany profits	(0.4)	(2.1)
Other - net	(2.6)	1.5
Actual effective rate	36.3%	51.7%

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,406 million ($16,940 thousand) and ¥1,338 million for the years ended March 31, 2011 and 2010, respectively.

13. RELATED PARTY TRANSACTIONS

Sales to associated companies were ¥21,318 million ($256,843 thousand) and ¥21,191 million for the years ended March 31, 2011 and 2010, respectively. Trade accounts receivable due from associated companies were ¥579 million ($6,976 thousand) and ¥764 million at March 31, 2011 and 2010, respectively.

Purchases from Panasonic Electric Works Co., Ltd., a wholly-owned subsidiary of Panasonic Corporation, the parent company of the Company, were ¥5,413 million ($65,217 thousand) and ¥5,149 million for the years ended March 31, 2011 and 2010, respectively. Trade accounts payable due to Panasonic Electric Works Co., Ltd. were ¥2,242 million ($27,012 thousand) and ¥2,087 million at March 31, 2011 and 2010, respectively.

The average balance of short-term loans to Panasonic Corporation were ¥40,960 million ($493,494 thousand) and ¥14,699 million for the years ended March 31, 2011 and 2010, respectively. There were no related balances at March 31, 2011 and 2010, respectively. Interest income received from Panasonic Corporation for the year ended March 31, 2011 was ¥96 million ($1,157 thousand).

14. LEASES

The Group leases certain showrooms and other assets.

Total lease payments under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥673 million ($8,108 thousand) and ¥1,374 million for the years ended March 31, 2011 and 2010, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Group applied the ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions.

Pro forma information of leased property whose lease inception was before March 31, 2008 that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		
	2011		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥ 1,223	¥ 62	¥ 1,285
Accumulated depreciation	1,064	53	1,117
Net leased property	¥ 159	¥ 9	¥ 168

	Millions of Yen		
	2010		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥ 4,093	¥ 117	¥ 4,210
Accumulated depreciation	3,275	94	3,369
Accumulated impairment loss	16	—	16
Net leased property	¥ 802	¥ 23	¥ 825

	Thousands of U.S. Dollars		
	2011		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	$ 14,735	$ 747	$ 15,482
Accumulated depreciation	12,819	639	13,458
Net leased property	$ 1,916	$ 108	$ 2,024

Obligations under such finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 164	¥ 657	$ 1,976
Due after one year	4	168	48
Total	¥ 168	¥ 825	$ 2,024

Depreciation expense and other information under finance leases for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense	¥ 673	¥ 1,374	$ 8,108
Lease payments	673	1,374	8,108
Reversal of allowance for impairment loss on leased property	16	334	193

Depreciation expense which is not reflected in the accompanying statements of income, is computed by the straight-line method.

The minimum rental commitments (Lessee) under noncancellable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥14,059	¥11,964	$169,385
Due after one year	8,273	7,131	99,675
Total	¥22,332	¥19,095	$269,060

The minimum rental commitments (Lessor) under noncancellable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 27	¥ 27	$ 325
Due after one year	293	320	3,530
Total	¥ 320	¥ 347	$ 3,855

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments, long-term debt including bank loans or bonds considering environment of market, if necessary. Cash surpluses, if any, are invested only in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk.

Long-term loans due up to 17 years are mainly loans for constructions of nursing-care homes from a special purpose company which is a consolidated subsidiary of the Company. Most long-term loans to employees are due up to 26 years, and are for housing loans. Both loan types are exposed to credit risks and market risks from changes in variable interest rates partially hedged by using interest-rate swaps.

Marketable and investment securities, primarily held-to-maturity securities, are exposed to the risk of market price fluctuations and default risk.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Long-term debt is primarily long-term bank loans as corresponding to the long-term loans receivables of the special purpose company.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables and long-term loans on the basis of internal guidelines, which include monitoring of payment term and balances of major customers and borrowers by administrative department of each business office to identify the default risk of them in early stage.

Market Risk Management
Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Liquidity Risk Management
Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate financial department. Also, the Group uses a cash management system for a flexible finance in the Group.

(4) Fair values of financial instruments
Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The details of fair value for derivatives are described in Note 16.

(a) Fair value of financial instruments

	Millions of Yen		
At March 31, 2011	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 80,521	¥ 80,521	¥ —
Short-term investments	74	74	—
Receivables - Trade	3,884	3,884	—
Investment securities	1,203	1,204	1
Long-term loans (including long-term loans to employees)	3,775		
Allowance for doubtful accounts	(125)		
Sub total	3,650	3,632	(18)
Total	¥ 89,332	¥ 89,315	¥ (17)
Payables - Trade	¥ 32,224	¥ 32,224	¥ —
Long-term debt (excluding finance leases)	2,174	2,174	—
Total	¥ 34,398	¥ 34,398	¥ —

	Millions of Yen		
At March 31, 2010	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 69,736	¥ 69,736	¥ —
Short-term investments	47	47	—
Receivables - Trade	2,985	2,985	—
Investment securities	1,253	1,252	(1)
Long-term loans (including long-term loans to employees)	4,403		
Allowance for doubtful accounts	(139)		
Sub total	4,264	4,234	(30)
Total	¥ 78,285	¥ 78,254	¥ (31)
Payables - Trade	¥ 29,840	¥ 29,840	¥ —
Long-term debt (excluding finance leases)	2,610	2,610	—
Total	¥ 32,450	¥ 32,450	¥ —

At March 31, 2011	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	$ 970,133	$ 970,133	$ —
Short-term investments	892	892	—
Receivables - Trade	46,795	46,795	—
Investment securities	14,493	14,505	12
Long-term loans (including long-term loans to employees)	45,482		
Allowance for doubtful accounts	(1,506)		
Sub total	43,976	43,759	(217)
Total	$ 1,076,289	$ 1,076,084	$ (205)
Payables - Trade	$ 388,241	$ 388,241	$ —
Long-term debt (excluding finance leases)	26,193	26,193	—
Total	$ 414,434	$ 414,434	$ —

Cash and cash equivalents, short-term investment, receivables and payables

The carrying values of cash and cash equivalents, short-term investment, receivables and payables are used as the fair values because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Long-term loans (including long-term loans to employees)

The carrying values of long-term loans with variable interest approximate fair value since the credit risk of borrowers has not changed significantly since the origination. The fair values of long-term loans with fixed rates are determined by discounting the cash flows related to loans at the rate reflecting credit risk for each classification of the loans.

Long-term debt (excluding finance lease)

The carrying values of long-term debt (excluding finance lease) approximate fair value because long-term debt consists of long-term bank loans by the variable rate and there was no significant change in the credit risk of the Group after the origination.

Derivatives

The information of the fair value for derivatives is included in Note 16.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investment securities and investments in associated companies that do not have a quoted market price in an active market	¥7,348	¥7,296	$88,530

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
At March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 80,521	¥ —	¥ —	¥ —
Short-term investments	74	—	—	—
Receivables - Trade	3,884	—	—	—
Investment securities				
Held-to-maturity securities	—	500	—	—
Long-term loans (including long-term loans to employees)	181	773	1,073	1,624
Total	¥ 84,660	¥ 1,273	¥ 1,073	¥ 1,624

	Thousands of U.S. Dollars			
At March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 970,133	$ —	$ —	$ —
Short-term investments	892	—	—	—
Receivables - Trade	46,795	—	—	—
Investment securities				
Held-to-maturity securities	—	6,024	—	—
Long-term loans (including long-term loans to employees)	2,180	9,313	12,928	19,566
Total	$ 1,020,000	$ 15,337	$ 12,928	$ 19,566

Long-term loans in the table above exclude the doubtful accounts of ¥124 million ($1,494 thousand).
Annual maturities of long-term debt excluding finance leases are disclosed in Note 7.

16. DERIVATIVES

The Group enters into interest rate swap contracts to manage its interest rate risks associated with long-term loans.
The Group uses derivatives only for the purpose of reducing interest rate risks. It is the Group's policy not to use derivatives for speculative purposes.
Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.
Derivative transactions entered into by the Group have been executed in accordance with internal policies which prohibit investing activities for speculative purposes. The operations and controls of derivative transactions are managed by the accounting department of the Company cooperating with the applicable departments.

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
At March 31, 2011	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps	Long-term loans	¥2,881	¥2,734	—

	Millions of Yen			
At March 31, 2010	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps	Long-term loans	¥3,425	¥3,264	—

	Thousands of U.S. Dollars			
At March 31, 2011	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps	Long-term loans	$34,711	$32,940	—

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.
The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest income. In addition, the fair value of such interest rate swaps is included in that of long-term loans in Note 15.

17. CONTINGENT LIABILITIES

Guarantees of Loans - At March 31, 2011, the Group had contingent liabilities principally related to guarantees of customer housing loans in the amount of ¥10,578 million ($127,446 thousand).

18. LOSSES FROM A NATURAL DISASTER

The main breakdowns of the "Losses from a natural disaster" are as follows:

	2011	
	Millions of Yen	Thousands of U.S. Dollars
Losses from a natural disaster:		
Restoration expenses for damaged assets	¥ 136	$ 1,639
Restoration support expenses for customers	100	1,205
Overhead during the suspension of factory operations and sales activities	58	698
Other	103	1,241
Total	¥ 397	$ 4,783

19. COMPREHENSIVE INCOME

For the year ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 2,479
Minority interests	15
Total comprehensive income	¥ 2,494

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 53
Foreign currency translation adjustments	2
Share of other comprehensive income in associates	(3)
Total other comprehensive income	¥ 52

20. SUPPLEMENTARY CASH FLOWS INFORMATION

Non-cash investing and financing activities for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finance lease obligation for property and equipment recorded for the fiscal year	¥ —	¥ 471	$ —
Asset retirement obligations recorded for the fiscal year	556	—	6,699

21. SUBSEQUENT EVENT

Appropriation of Retained Earnings - The following appropriation of retained earnings at March 31, 2011 was resolved at the Board of Directors' meeting held on April 26, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.50 ($0.09) per share	¥1,261	$15,193

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1, Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 6 4560 6000
Fax: +81 6 4560 6001
www.deloitte.com/jp

To the Board of Directors of PanaHome Corporation:

We have audited the accompanying consolidated balance sheets of PanaHome Corporation and subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statement of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PanaHome Corporation and subsidiaries as of March 31, 2011 and 2010 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 22, 2011

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Corporate Data (As of March 31, 2011)

Head Office
1-4, Shinsenrinishimachi 1-chome,
Toyonaka, Osaka 560-8543, Japan
Phone: +81-6-6834-5111
English: www.panahome.jp/english/
Japanese: www.panahome.jp/

Established
July 1, 1963

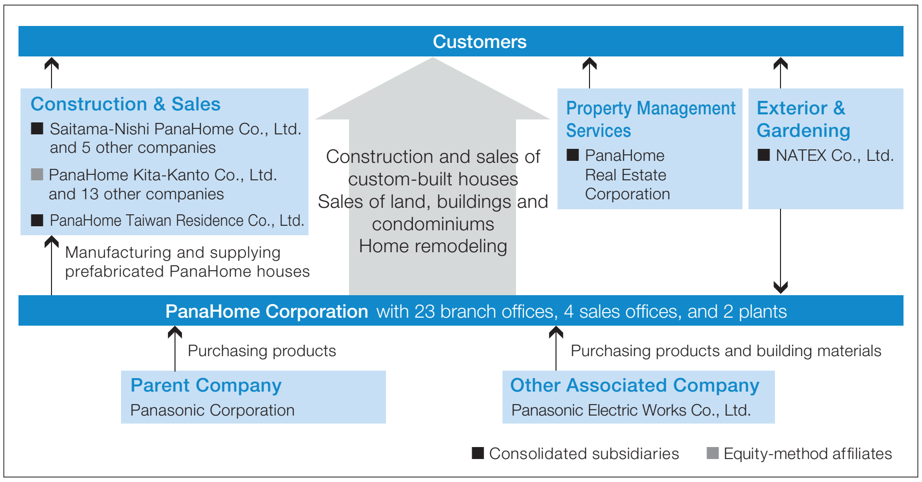
Stock Exchange Listings
Tokyo, Osaka

Capital
¥28,376 million

Shares
Authorized 596,409,000 shares
Issued 168,563,533 shares

Number of Shareholders
7,906

Subsidiaries and Affiliates (As of March 31, 2011)



Management (As of June 22, 2011)

Members of the Board

President & Chief Executive Officer
Yasuteru Fujii *

Directors
Hidehiko Nonomura *
Hirofumi Yasuhara
Tomiharu Yamada
Makoto Hatakeyama
Atsushi Hongo

** Representative Director*

Corporate Auditors

Senior Standing Corporate Auditor
Yoshifumi Tsuruda

Standing Corporate Auditor
Yasuhiro Nakamura *

Corporate Auditor
Jun Demizu *

** Outside Corporate Auditor*

Corporate Executive Officers

Senior Managing Executive Officer
Hidehiko Nonomura

Managing Executive Officers
Hirofumi Yasuhara
Tomiharu Yamada
Makoto Hatakeyama
Mitsuhiko Nakata

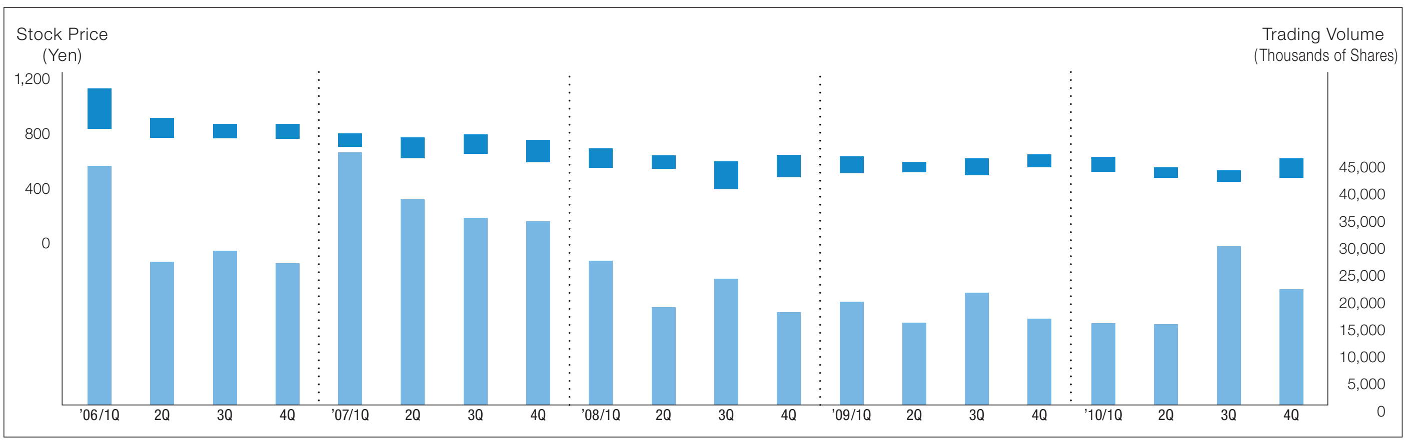
Executive Officers
Atsushi Hongo
Hirohiko Nagata
Hiroshi Hirasawa
Toshimitsu Sakai
Kazuo Kitagawa
Masato Nadamoto
Tadashi Manabe
Taku Hirao
Ryoji Sakata
Kenichi Takahashi

Major Shareholders (As of March 31, 2011)

Name	Thousands of Shares Held	Shareholding Ratio (%)
Panasonic Corporation	45,518	27.00
Panasonic Electric Works Co., Ltd.	45,518	27.00
Northern Trust Co. (AVFC) Sub A/C American Clients	3,932	2.33
Japan Trustee Services Bank, Ltd. (trust account)	3,062	1.81
Trust & Custody Services Bank, Ltd. (security investment trust account)	2,987	1.77
PanaHome Employee Shareholding Association	2,958	1.75
The Master Trust Bank of Japan, Ltd. (trust account)	2,817	1.67
Deutsche Securities Inc.	2,597	1.54
Sumitomo Mitsui Banking Corporation	2,358	1.39
The Bank of New York, Treaty Jasdec Account	2,126	1.26

Note: PanaHome holds 496,608 shares of its own common stock.

Stock Price Range and Trading Volume (Tokyo Stock Exchange)



PanaHome

PanaHome Corporation

1-4, Shinsenrinishimachi 1-chome,
Toyonaka, Osaka 560-8543, Japan

www.panahome.jp/english/