

PANASONIC Corp  
Form 20-F  
June 28, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

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**FORM 20-F**

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

**For the fiscal year ended March 31, 2012**

**Commission file number 1 - 6784**

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**PANASONIC KABUSHIKI KAISHA**

(Exact name of Registrant as specified in its charter)

**PANASONIC CORPORATION**

(Translation of Registrant's name into English)

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**Japan**

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

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

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

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

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

**None**

(Title of Class)

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

**None**

(Title of Class)

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

| <u>Title of Class</u>   | <u>Outstanding as of</u>                     |   |
|---|--|---|
|   | <u>March 31, 2012</u><br><u>(Japan Time)</u> | <u>March 31, 2012</u><br><u>(New York Time)</u> |
| Common Stock  | 2,311,702,201                                |   |
| American Depositary Shares, each representing 1 share of Common Stock |  | 57,926,389                                      |

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer .

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

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

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

Item 17  Item 18

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

This form contains 173 pages.

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All information contained in this annual report is as of March 31, 2012 or for the year ended March 31, 2012 (fiscal 2012) unless the context otherwise indicates.

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 22, 2012 was 80.52 yen = U.S.\$1.

About the Company

Panasonic Corporation (hereinafter, unless the context otherwise requires, Panasonic, the Panasonic Group or the Company refers to Panasonic Corporation and its consolidated subsidiaries as a group) is one of the world's leading manufacturers of electronic and electric products for a wide range of consumer, business and industrial uses, as well as a wide variety of components. As of October 1, 2008, the Company changed its company name from Matsushita Electric Co., Ltd. to Panasonic Corporation. Based in Osaka, Japan, the Company recorded consolidated net sales of approximately 7,846 billion yen for fiscal 2012. Over the past nine decades, the Company has grown from a small domestic household electrical equipment manufacturer into a comprehensive electronic and electric equipment, systems and components manufacturer operating internationally. Of the fiscal 2012 net sales, nearly one-half was represented by sales in Japan, with the rest by overseas sales.

Cautionary Statement Regarding Forward-Looking Statements

This annual report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Panasonic and its Group companies (the Panasonic Group). To the extent that statements in this annual report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this annual report (June 2012). Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.



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

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

Not applicable

**Item 2. Offer Statistics and Expected Timetable**

Not applicable

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

Yen (billions), except per share amounts and yen exchange rates

|  | Fiscal year ended March 31, |       |         |          |        |
|--|-----------------------------|-------|---------|----------|--------|
|  | 2012                        | 2011  | 2010    | 2009     | 2008   |
| <b>Statements of Operations Data:</b>                    |                             |       |         |          |        |
| Net sales  | 7,846                       | 8,693 | 7,418   | 7,766    | 9,069  |
| Income (loss) before income taxes                        | (813)                       | 179   | (29)    | (383)    | 435    |
| Net income (loss)  | (816)                       | 86    | (171)   | (404)    | 311    |
| Net income (loss) attributable to Panasonic Corporation  | (772)                       | 74    | (103)   | (379)    | 282    |
| Per common share:  |                             |       |         |          |        |
| Net income (loss) attributable to Panasonic Corporation: |                             |       |         |          |        |
| Basic  | (333.96)                    | 35.75 | (49.97) | (182.25) | 132.90 |
| Diluted  |                             |       |         | (182.25) | 132.90 |
| Dividends declared per share                             | 10.00                       | 10.00 | 10.00   | 30.00    | 35.00  |

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|   | (U.S.\$ 0.12) | (U.S.\$ 0.12) | (U.S.\$ 0.11) | (U.S.\$ 0.30) | (U.S.\$ 0.35) |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Balance Sheet Data:</b>                                      |               |               |               |               |               |
| Total assets  | 6,601         | 7,823         | 8,358         | 6,403         | 7,444         |
| Long-term debt  | 942           | 1,162         | 1,029         | 651           | 232           |
| Total Panasonic Corporation shareholders equity                 | 1,930         | 2,559         | 2,792         | 2,784         | 3,742         |
| Common stock  | 259           | 259           | 259           | 259           | 259           |
| Number of shares issued at year-end (thousands)                 | 2,453,053     | 2,453,053     | 2,453,053     | 2,453,053     | 2,453,053     |
| Number of shares issued and outstanding at year-end (thousands) | 2,311,702     | 2,070,293     | 2,070,605     | 2,070,642     | 2,101,117     |
| <b>Yen exchange rates per U.S. dollar:</b>                      |               |               |               |               |               |
| Year-end  | 82.41         | 82.76         | 93.40         | 99.15         | 99.85         |
| Average   | 79.00         | 85.71         | 92.93         | 100.62        | 114.31        |
| High  | 75.72         | 78.74         | 86.12         | 87.80         | 96.88         |
| Low   | 85.26         | 94.68         | 100.71        | 110.48        | 124.09        |

|  | <b>Dec.<br/>2011</b> | <b>Jan.<br/>2012</b> | <b>Feb.<br/>2012</b> | <b>Mar.<br/>2012</b> | <b>Apr.<br/>2012</b> | <b>May<br/>2012</b> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|

**Yen exchange rates for each month during the previous six months:**

|      |       |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|-------|
| High | 76.98 | 76.28 | 76.11 | 80.86 | 79.81 | 78.29 |
| Low  | 78.13 | 78.13 | 81.10 | 83.78 | 82.62 | 80.36 |

- Notes:
- Dividends per share reflect those declared by Panasonic in each fiscal year and consist of interim dividends paid during the fiscal year and year-end dividends paid after the fiscal year-end.
  - United States dollar amounts for dividends per share are translated from yen for convenience at the year-end exchange rate of each period.
  - Diluted net income (loss), attributable to Panasonic Corporation common shareholders per share, for fiscal 2010, 2011 and 2012, has been omitted because the Company did not have potential common shares that were outstanding for the period.
  - SANYO and its subsidiaries became Panasonic's consolidated subsidiaries in December 2009. The operating results of SANYO and its subsidiaries after January 2010 are included in the Company's consolidated financial statements.

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**B. Capitalization and Indebtedness**

Not applicable

**C. Reasons for the Offer and Use of Proceeds**

Not applicable

**D. Risk Factors**

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

**Risks Related to Economic Conditions**

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

Demand for Panasonic's products and services may be affected by general economic trends in the countries or regions in which Panasonic's products and services are sold. Economic downturns and resulting declines in demand in Panasonic's major markets worldwide may thus adversely affect the Company's business, operating results and

financial condition. For fiscal 2013, ending March 31, 2013, the Company continues to anticipate that the business environment will remain sluggish due to various factors including the negative impact of the yen's appreciation and ever-intensified global competition as well as possible slowdown in the global economy due to the European debt crisis. Panasonic may incur increased costs for business restructuring that exceeds Panasonic's expectations in order to cope with the business environment. If global market conditions worsen beyond expectations, the business environment of Panasonic may deteriorate more than currently anticipated, which may adversely affect the Company's business, operating results and financial condition.

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

Foreign exchange rate fluctuations may adversely affect Panasonic's business, operating results and financial condition, because costs and prices of its products and services and certain other transactions that are denominated in a foreign currency are affected by foreign exchange rate changes. In addition, foreign exchange rate changes can also affect the yen value of Panasonic's investments in overseas assets and liabilities because Panasonic's consolidated financial statements are presented in Japanese yen. Generally, an appreciation of the yen against other major currencies such as the U.S. dollar and the euro may adversely affect Panasonic's operating results. Meanwhile, a depreciation of the yen against the aforementioned major currencies may have a favorable impact on Panasonic's operating results. In fiscal 2012, the appreciation of the yen against other major currencies continued to adversely and significantly affect Panasonic's operating results. Any further or continued appreciation of the yen may adversely affect the Company's business, operating results and financial condition.

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

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

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**Continuation or deterioration of financial market instability may adversely affect Panasonic's ability to raise funds or may increase the cost of fund raising**

Panasonic raises funds for its business through methods such as borrowing from financial institutions and issuance of bonds and commercial paper. Where, among other events, financial market continues to be instable or deteriorates, financial institutions reduce lending to Panasonic, or rating agencies downgrade Panasonic's credit ratings, Panasonic may not be able to raise funds in the time and amount necessary for Panasonic, or under conditions which Panasonic deems appropriate, and Panasonic may incur additional costs of raising funds, which may adversely affect the Company's business, operating results and financial condition.

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

Panasonic holds mostly Japanese stocks as part of its investment securities. Decreases in the value of Japanese stocks may cause losses due to decreases in the valuation of investment securities, thereby adversely affecting Panasonic's operating results and financial condition. The decrease in the value of Japanese stocks may also reduce stockholders equity on the balance sheet, as unrealized holding gains (losses) of available-for-sale securities are included as part of accumulated other comprehensive income (loss).

**Risks Related to Panasonic's Business**

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

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

**Declines in product prices may adversely affect Panasonic's financial condition**

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

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

One of Panasonic's business strategies is business expansion in overseas markets. In many of these markets, Panasonic may face risks generally associated with international manufacturing and other business operations, such as political instability, including war, civil war, conflict and terrorist attacks, cultural and religious differences and labor relations, as well as economic uncertainty and foreign currency exchange risks. Panasonic may also face barriers in commercial and business customs in foreign countries, including difficulties in timely collection of accounts receivable or in building and expanding relationships with customers, subcontractors or parts suppliers. Panasonic may also experience various political, legal or other restrictions in investment, trade, manufacturing, labor or other aspects of operations, including restrictions on foreign investment or the repatriation of profits on invested capital, nationalization of local industry, changes in export or import restrictions or foreign exchange controls, and changes in the tax system or the rate of taxation in countries where Panasonic operates businesses. With respect to products exported overseas, tariffs, other barriers or shipping costs may make Panasonic's products less competitive in terms of price. Expanding its overseas business may require significant investments long before Panasonic realizes returns on such investments, and increased investments may result in expenses growing at a faster rate than revenues.

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**Panasonic may not be able to keep pace with technological changes and develop new products or services in a timely manner to remain competitive**

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

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

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

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

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

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



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

**Panasonic is dependent on the ability of third parties to deliver parts, components and services in adequate quality and quantity in a timely manner, and at a reasonable price**

Panasonic's manufacturing operations depend on obtaining raw materials, parts and components, equipment and other supplies including services from reliable suppliers at adequate quality and quantity in a timely manner. It may be difficult for Panasonic to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all due to the shortage or interruption of supply caused by, among other things, natural disasters, the bankruptcy of suppliers or increased industry demand. This may adversely affect the Panasonic Group's operations. Although Panasonic decides purchase prices by contract, the prices of raw materials, including iron and steel, resin, and non-ferrous metals, and parts and components, may increase due to changes in supply and demand and the inflow of investment funds. Some components are only available from a limited number of suppliers, which also may adversely affect Panasonic's business, operating results and financial condition.

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**Panasonic is exposed to the risk that its customers may encounter financial difficulties**

Many of Panasonic's customers purchase products and services from Panasonic on payment terms that do not provide for immediate payment. If customers from whom Panasonic has substantial accounts receivable encounter financial difficulties and are unable to make payments on time, Panasonic's business, operating results and financial condition could be adversely affected.

**Risks Related to Panasonic's Management Plans**

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

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

**Risks Related to Legal Restrictions and Litigations**

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

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

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

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

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

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

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

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

**Leaks of confidential information, including personal information, or trade secrets may adversely affect Panasonic's business**

In the normal course of business, Panasonic holds confidential information mainly about customers regarding credit worthiness and other information, as well as confidential information about companies and other third parties. Such information may be leaked due to an accident or other inevitable cause, and any material leakage of confidential information may result in significant expense for related lawsuits and adversely affect Panasonic's business and image. Moreover, other than customer information, there is a risk that Panasonic's trade secrets, such as technology information, may be leaked due to illegal conduct of external parties, mere negligence or other causes. If such is the case, Panasonic's business, operating results and financial condition may be adversely affected.

**Governmental laws and regulations may limit Panasonic's activities, increase its operating costs or subject it to sanctions and lawsuits**

Panasonic is subject to governmental regulations in Japan and other countries in which it conducts its business, including governmental approvals required for conducting business and investments, laws and regulations governing the telecommunications businesses and electric product safety, national security-related laws and regulations and export/import laws and regulations, as well as commercial, antitrust, patent, product liability, environmental laws and regulations, consumer protection, financial and business taxation laws and regulations, and internal control regulations. If, due to the implementation of stricter laws and regulations and stricter interpretations, Panasonic cannot comply with these laws and regulations from technical and economic perspectives, or Panasonic determines that it will not be economical to continue to comply with them, Panasonic will need to limit its activities in the affected business areas. These laws and regulations could increase Panasonic's operating costs. In addition, in the event that governmental authorities find or determine that Panasonic has violated these laws and regulations, Panasonic could become subject to regulatory sanctions, including monetary penalties, as well as criminal sanctions or civil lawsuits for damages, and could also suffer reputational harm.

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**Risks Related to Disasters or Unpredictable Events**

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

Panasonic's headquarters and major facilities including manufacturing plants, sales offices and research and development centers are located in Japan. Panasonic also operates procurement, manufacturing, logistics, sales and research and development facilities all over the world. If major disasters, such as earthquakes, tsunamis, fires, floods, including those caused by climate change, wars, terrorist attacks, computer viruses or other events occur, or Panasonic's information system or communications network breaks down or operates improperly as a result of such events, Panasonic's facilities and other assets may be seriously damaged, or the Company may have to stop or delay production and shipment. Panasonic may incur expenses relating to such damages. In addition, if an infectious disease, such as a new highly-pathogenic flu strain, becomes prevalent throughout the world, Panasonic's manufacturing and sales may be materially disrupted. In addition, in the case where these natural disasters or other unpredictable events disrupt the supply chain of Panasonic including suppliers of parts or components and manufacturers to which Panasonic sells its products, the production and sales activities of Panasonic may be adversely and significantly affected due to the shortage or interruption in the supply of parts or components from such suppliers, or suspension of or decline in production activities of such manufacturers. Furthermore, if limitations on electricity use or rolling blackouts are implemented due to the shortage in the electricity supply caused by the closedown of certain nuclear power stations in the wake of the accidents at the Fukushima Daiichi Nuclear Power Station, the production at certain of Panasonic's manufacturing plants in Japan may decline or be suspended and the production and sales activities of Panasonic may be adversely and significantly affected.

**Other Risks**

**External economic conditions may adversely affect Panasonic's pension plans**

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

**Some long-lived assets may not produce adequate returns**

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

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

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

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

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

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

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

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

The customary dividend payout practice and relevant regulatory regime of publicly listed companies in Japan may differ from that followed in foreign markets. Panasonic's dividend payout practice is no exception. While the Company regularly announces forecasts of annual and interim dividends in April or May of each year, these forecasts are not legally binding. The payment of annual or interim dividends requires a resolution of its board of directors. If the board adopts such a resolution, the dividend payment is made to shareholders as of the applicable record date, which is currently specified by its Articles of Incorporation as March 31, in the case of annual dividends, and September 30, in the case of interim dividends. However, the board usually does not adopt a resolution with respect to an annual dividend until after March 31 or with respect to an interim dividend until after September 30, respectively. Shareholders of record as of an applicable record date may sell shares in the market after the record date in anticipation of receiving a certain dividend payment based on the previously announced forecasts. However, since these forecasts are not legally binding and resolutions to pay dividends are usually not adopted until after the record date, Panasonic's shareholders of record on record dates for annual or interim dividends may not receive the dividend they anticipate.

**Item 4. Information on the Company**

**A. History and Development of the Company**

**GENERAL**



The Company (Address: 1006, Oaza Kadoma, Kadoma-shi, Osaka 571-8501, Japan. Phone: +81-6-6908-1121 / Agent: Mr. Shinji Kasayama, President of Panasonic Finance (America), Inc.) was incorporated in Japan on December 15, 1935 under the laws of Japan as Matsushita Denki Sangyo Kabushiki Kaisha as the successor to an unincorporated enterprise founded in 1918 by the late Konosuke Matsushita. Mr. Matsushita led the Company with his corporate philosophy of contributing to the peace, happiness and prosperity of humankind through the supply of quality consumer electric and electronic goods. The Company's business expanded rapidly with the recovery and growth of the Japanese economy after World War II, as it met rising demand for consumer electric and electronic products, starting with washing machines, black-and-white TVs and refrigerators. During the 1950s, the Company expanded its operations by establishing mass production and mass sales structures to meet increasing domestic demand, while also creating subsidiaries, making acquisitions and forming alliances. During the 1960s, the Company expanded its overseas businesses, and its products started obtaining worldwide recognition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In July 2007, each of Victor Company of Japan, Limited (JVC), a consolidated subsidiary of the Company, Kenwood Corporation (KENWOOD), and SPARX International (Hong Kong) Limited, an investment management company which belongs to a group of companies headed by SPARX Group Co., Ltd. adopted resolutions for, or affirmed, JVC's issuance of 107,693 thousand new shares of its common stock through third party allotments, and the new shares were subscribed by KENWOOD and the several investment funds managed by SPARX International (Hong Kong) Limited. JVC issued and allocated the new shares to KENWOOD and the SPARX funds on August 10, 2007. As a result, the Company's shareholding in JVC decreased from 52.4% to 36.8%, and JVC became an associated company under the equity method from a consolidated subsidiary in the fiscal 2008 second quarter.

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

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

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

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

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

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

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

In January 2010, Panasonic transferred the rights and obligations with respect to the business of System Solutions Company, its internal division company, to Panasonic Communications Co., Ltd., its wholly-owned subsidiary, through business division.

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In April 2010, Panasonic reorganized and integrated the Home Appliance and Automotive Motor, and Industrial Motor businesses into the Home Appliances Company. Panasonic also transferred the Information Equipment Motor Business to Minebea Motor Manufacturing Corporation. Therefore, these businesses were transferred from Motor Company, and Motor Company was subsequently dissolved.

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

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

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

In December 2010, Panasonic and each of PEW and SANYO resolved to conduct share exchanges in order to make Panasonic a wholly-owning parent company, and PEW and SANYO wholly-owned subsidiaries, at a meeting of each respective company's board of directors. The share exchange agreements were executed between Panasonic and PEW, and between Panasonic and SANYO. After related procedures, PEW and SANYO became wholly-owned subsidiaries of Panasonic on April 1, 2011.

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

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

The Company restructured its Group organization into three business fields, comprising a total of nine business domains and one marketing sector on January 1, 2012.

On January 1, 2012, Panasonic absorbed PEW.

Panasonic reached a final agreement on March 5, 2012, following a basic agreement on November 15, 2011 with Innovation Network Corporation of Japan regarding the transfer of the Mobara plant of Panasonic Liquid Crystal Display Co., Ltd., a subsidiary of Panasonic, to Japan Display Inc. and executed the transfer in April 2012.

On April 1, 2012, Panasonic absorbed Panasonic Electronic Devices Co., Ltd. (PED), a wholly-owned consolidated subsidiary of Panasonic, and Panasonic Electronic Devices Japan Co., Ltd., a wholly-owned subsidiary of PED.

On June 27, 2012, Kazuhiro Tsuga became President of the Company.

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CAPITAL INVESTMENT

Total capital investment amounted to 295 billion yen, 404 billion yen and 385 billion yen for fiscal 2012, 2011 and 2010, respectively. (For a reconciliation of capital investment to the most directly comparable U.S. GAAP financial measures, see Overview Key performance indicators in Section A of Item 5.) In these years, the Company intended to curb capital investment in a number of business areas, in line with an increased management emphasis on cash flows and capital efficiency. The Company did, however, selectively invest for strategic business areas such as solar cell and rechargeable battery manufacturing facilities (Kasai City, Hyogo Prefecture, etc.) and facilities in Taiwan that manufacture electronic components for highly functional terminals including smart phones.

**B. Business Overview**SALES BY SEGMENT

Panasonic is engaged in the production and sales of electronic and electric products in a broad array of business areas. The Company organized its businesses into eight reportable segments: AVC Networks, Appliances, Systems & Communications, Eco Solutions, Automotive Systems, Industrial Devices, Energy, and Other. The Healthcare Company and Manufacturing Solutions Company are included in the Other segment. The following table sets forth the Company's sales breakdown by reportable segment for the last three fiscal years\*:

|                          | Yen (billions) (%)          |      |       |     |       |  |
|--------------------------|-----------------------------|------|-------|-----|-------|--|
|                          | Fiscal year ended March 31, |      |       |     |       |  |
|                          | 2012                        |      | 2011  |     | 2010  |  |
| AVC Networks             | 1,713                       | (21) | 2,157 | (1) | 2,185 |  |
| Appliances               | 1,534                       | 3    | 1,483 | 16  | 1,274 |  |
| Systems & Communications | 841                         | (10) | 938   | (7) | 1,004 |  |
| Eco Solutions            | 1,526                       | (0)  | 1,527 | 16  | 1,311 |  |
| Automotive Systems       | 653                         | 7    | 612   | 7   | 574   |  |
| Industrial Devices       | 1,405                       | (16) | 1,671 | 9   | 1,530 |  |
| Energy                   | 615                         | (3)  | 637   | 87  | 341   |  |



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|              |         |       |         |     |         |
|--------------|---------|-------|---------|-----|---------|
| Other        | 1,881   | (18)  | 2,305   | 49  | 1,549   |
| Eliminations | (2,322) |       | (2,637) |     | (2,350) |
| Total        | 7,846   | (10)% | 8,693   | 17% | 7,418   |

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

\* The Company restructured its Group organization on January 1, 2012, resulting in the number of reportable segments from six to eight. Accordingly, segment information for fiscal 2011 and 2010 have been reclassified to conform to the presentation for fiscal 2012.

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

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AVC Networks

In its digital AV networks business, Panasonic provides imaging equipment such as flat-panel TVs, AVC network equipment including Blu-ray Disc recorders, digital cameras and notebook PCs as well as projectors, in-flight entertainment systems and other business-use AV equipment. As digital AV products are increasingly commoditized, the Company is focusing on proposals that deliver clearly defined value to customers drawing on its accumulated technological capabilities and the strength of its BtoC and BtoB customer base. At the same time, Panasonic is engaged in such wide ranging activities as the creation of new cloud technology-based businesses.

For flat-panel TVs, in addition to the strong yen, the business environment in the flat-panel TV market continued to be harsh due to such factors as intense price competition and a decline in demand following the shift to digital broadcasting in Japan. Against this backdrop, Panasonic took steps to reform its manufacturing operation, placing greater emphasis on earnings as opposed to volume. As a result, unit sales fell to 17.52 million units, down around 2.5 million units year on year. Net sales also declined below 70% of the level recorded in the previous fiscal year.

For Blu-ray Disc recorders, the market in Japan has been impacted by the termination of analog broadcasting services resulting in the trend toward recording equipment digitization gathering pace. Driving the market forward, Panasonic ensured that all models within its lineup were 3D-compatible and introduced a new product equipped with the world's first triple tuner. Through these means, the Company enjoyed an increase in unit sales while maintaining its leading market share. However, sales were unchanged compared with the previous fiscal year due to the decline in prices.

For digital cameras, despite continued growth in developing countries, demand for compact digital cameras declined due mainly to the extensive use of smart phones in developed countries and lengthening replacement cycle. Under these circumstances, Panasonic's results mirrored the year-on-year drop in the amount of market sales that in turn reflected the steady deterioration in prices and the strong yen. Turning to its digital interchangeable lens cameras, Panasonic took concrete steps to strengthen its product lineup as well as its sales systems and structure. This included the release of LUMIX MDC-GX1, a mirrorless interchangeable lens camera. Unit sales increased 1.7 times compared with the previous year while sales on a value basis improved substantially year on year.

Results in the notebook PC market in fiscal 2012 were mixed. Despite little or no year-on-year change in value-basis sales, due primarily to the economic downturn in Europe and the U.S., the market witnessed dramatic growth in unit sales of tablet PCs and renewed activity through the release of an ultrathin notebook PC. Under these circumstances, and despite difficulties in procuring hard disks as a result of the floods in Thailand, Panasonic reported record levels of production and a year-on-year increase in sales after successfully capturing business demand in Japan and overseas.

For in-flight entertainment systems, despite the prolonged slump in the global economy, passenger demand continued to steadily recover and expand in fiscal 2012. Concerned with the impact of rising fuel prices on earnings, airline companies placed greater emphasis on fuel-efficient aircraft when renewing and upgrading their fleets. This in turn prompted an increase in demand for In-Flight Entertainment (IFE) systems. Against this backdrop, Panasonic worked closely with aircraft seat manufacturers to develop newly designed seat-integrated monitors. This formed part of the Company's aims to release the new lighter-weight IFE system with monitors. Panasonic reported double-digit percentage growth in sales compared with the previous fiscal year retaining its top global market share.

For projectors, taking full advantage of SANYO's engineering assets, Panasonic took steps to substantially expand its product lineup in fiscal 2012. The Company now boasts the industry's market leading lineup of portable, short throw and high luminance projectors. At the same time, Panasonic extended its sales network to over 60 countries worldwide including SANYO's channels. Despite these measures, overall sales declined year on year as growth in professional-use high brightness as well as home cinema models was insufficient to offset cutbacks in education budgets and other factors which drove down sales for medium luminance projectors.

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Appliances

In home appliances, leveraging the latest environmental technologies, Panasonic delivers products and services that meet customer needs in the homemaking, cooking, beauty & grooming and health, cooling and heating, hot water supply, and cold chain equipment fields. Focusing on products that are attuned to the unique lifestyles of each region, the Company is accelerating its overseas business development. Panasonic also engages in the development, manufacture, and sale of fuel cell cogeneration systems, car components and devices, and motors. Together with its BtoC activities, the Company is expanding into BtoB fields. In fiscal 2012, Panasonic continued to emphasize sales growth in ECO NAVI products, which automatically save electricity depending on the mode of use. Based on increased awareness toward saving electricity among consumers in Japan, sales of the Company's washing machines grew. Furthermore, in its established petit series of products for use in condominiums, the Company launched a countertop model of Petit Dish Washer in February 2012 and a new model of Petit Drum, a washer/dryer with slanted drum in March 2012. Panasonic is endeavoring to expand its customer base through such products. Panasonic also launched a new model of its Ene Farm home fuel cell in April 2011. This polymer electrolyte fuel cell offers the world's highest rated generation efficiency of 40% (LHV<sup>\*2</sup>) and the industry's smallest installation space<sup>\*1</sup>. Acclaimed for its lower price compared with conventional models, sales have expanded dramatically. Overseas, Panasonic marketed high value-added products including air conditioners, refrigerators, and washing machines equipped with the ECO NAVI function focusing mainly on Asia and South America. The Company engaged in product development based on local lifestyle research and targeting high volume segments. Panasonic also established the Global Marketing Planning Center in Shiga Prefecture in April 2011. By coordinating lifestyle research undertaken in each region to uncover trends in demand, the Company put in place a product planning process that is more attuned to local needs. In popularly priced products especially for emerging countries, Panasonic strengthened the Company's lineup including air conditioners with noise reduction and energy saving functions, and expanded sales channels in India. The Company also developed local models of refrigerators and washing machines in Brazil.

\*1 As of February 9, 2011. Source: Panasonic

\*2 The acronym for Lower heating Value

Systems & Communications

This segment is largely comprised of the system network and mobile communications businesses. In its system network activities, Panasonic is engaged in the worldwide delivery of advanced security and communication solution services. In its mobile communications business, the Company provides mobile phones incorporating cutting-edge functions, and communications infrastructure equipment.

In the system networks business, increasingly recognized as an effective disaster countermeasure, demand for cloud services grew steadily in Japan during fiscal 2012. In contrast, other developed countries and emerging regions cutback their investment activity due to factors such as the financial crisis in Europe. Against this backdrop, Panasonic recorded year-on-year double-digit percentage sales growth in business-use network cameras and home video intercom systems, reflecting heightened awareness toward the need for increasing safety and security. Overall system networks business sales, on the other hand, declined compared with the previous fiscal year, owing to the negative impact on compact MFPs caused by the sudden deterioration in market conditions in China and the downturn in demand for handy terminals as customers in Japan curtailed their investment activities following the earthquake disaster. Bringing new products to market, Panasonic released the BizPad tablet terminal for business use in December 2011. Under the Company's new organizational structure, this model harnesses the combined R&D capabilities of the Systems Networks Company and Panasonic Mobile Communications Co., Ltd. Designed for heavy duty use while offering extended operations at reduced cost, this product is receiving wide acclaim.

In the mobile communications business, sales of smartphone units in Japan exceeded that of feature phones (conventional mobile phones), accounting for more than half of the total demand in fiscal 2012. At the same time, the market continued to polarize between large-screen, high performance smartphones and lower priced feature phones. Under these circumstances, Panasonic commenced sales of smartphones in fiscal 2012. In the domestic market, the Company released eight models including My First Smartphone distinguished by its stylish design and easy-to-use large screen, in conjunction with NTT DOCOMO and Softbank Mobile. In terms of low-priced feature phones, the Company continued to enjoy strong sales of the simple and easy-to-use P-07B model, which was released in the previous year. Reflecting the drastic shift toward smartphones, the feature phone market has contracted substantially. As a result, overall sales in the mobile communications business were down year on year. Looking ahead, Panasonic will increasingly channel management resources into the smartphone field in an effort to expand its market share.

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Eco Solutions

Panasonic's Eco Solutions Company is comprised of four business groups. With lamps, devices, and equipment at its core, the lighting business engages in the development of products that conserve energy and contribute to comfortable and bright work spaces. The energy systems business is active in a wide range of fields from wiring equipment and distribution panelboards to energy management products. The housing systems business provides comprehensive home and building product, and material solutions. And, the environmental systems business delivers air quality appliances and solutions to promote a clean environment. As a growth engine, the Eco Solutions Company links a robust lineup of products to provide comprehensive solutions.

In lighting business, Panasonic upgraded and expanded its LED light bulb lineup while stepping up the joint development of LED lighting fixture products. The Company acquired large-scale orders for its LED lighting fixtures. In addition to the construction of Tokyo Sky Tree, Panasonic LED lighting fixtures were adopted by the Nakanoshima Festival Tower in Osaka. As a result, the Company more than doubled its LED lighting sales compared with the previous fiscal year. Overseas, Panasonic established sales channels in such prioritized markets as Asia and Latin America for its ball-type fluorescent lamps that offer outstanding energy savings. Turning to Europe and the U.S., Panasonic increased sales of LED modules to lighting fixture manufacturers.

In energy systems business, the Company was successful in bolstering its sales and manufacturing capabilities in India, China, and Indonesia, countries that continue to exhibit high rates of market expansion. In Japan, Panasonic recorded a year-on-year double-digit percentage increase in sales of condominium intercom systems.

In housing systems business, in addition to withdrawing from unprofitable businesses and implementing such structural reforms as overseas operating site consolidation, Panasonic undertook the following initiatives in fiscal 2012 to expand earnings. First, the Company released new popularly priced flooring material and modular kitchen system products. This was supported by the use of Panasonic's fully automatic self-cleaning A La Uno S toilet by major restaurant chains, which helped boost sales.

In environmental systems business, sales of DC motor ceiling mounted ventilation fans approximately tripled compared with the previous fiscal year. Results in bathroom heater / dryer / ventilation systems with a sauna-like mist function and energy saving dehumidifiers were also up by a significant margin year on year. Overseas, results were also up in air purifiers and pumps in China and Indonesia, respectively.

### Automotive Systems

Panasonic operates in wide-ranging fields, from car navigation systems through camera systems that support safe driving to such key devices as engine control units and batteries for eco-cars. Amid growing interest in more comfortable, more environmentally-conscious, and safer vehicles, the Company is engaging in the development of new products and putting forward proposals while contributing to the creation of a new motoring society through electronics.

In the automotive electronics business, despite the negative impacts on production of the Great East Japan Earthquake and the flooding in Thailand, new car sales in Japan registered a substantial recovery in the second half of fiscal 2012. This contributed to a return to growth for the first time in two years. Overseas, new car sales declined across developed countries with the exception of North America. Rates of growth in emerging countries such as China, Brazil, and India also slowed despite continuing economic growth in those countries. In overall terms, however, global trends were generally firm. Under these circumstances, the Company's products for environmentally-conscious vehicles performed well. As a result, overall sales in automotive electronics were up year on year.

### Industrial Devices

Panasonic's industrial devices business covers a wide range of products such as electronic components, electronic materials, semiconductors, and optical devices. Drawing on a level of proprietary technology rarely found anywhere else in the world, the Company generates added value that a single product business would find difficult to realize. Positioning industrial devices in each of the mobile, eco-car, and environmental infrastructure markets at the heart of its segment activities, Panasonic works to create new businesses and products.

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In electronic components and electronic materials businesses, results in Pyrolytic Graphite Sheets (PGSs), an extremely thin high thermal conductivity component, were particularly strong in Fiscal 2012. Applied as a smart phone heat dissipation component, sales nearly doubled year on year. In the field of eco-cars, Panasonic's products fared well. Acclaimed for ensuring the stable supply of power to motors, sales of film capacitors grew steadily reinforcing the Company's global market dominance. Buoyed by the integrity of its proprietary technology and proven track record, Panasonic also experienced strong growth in orders in electric vehicle relays. Moreover, the Company increased sales of its multi-layer circuit board material MEGTRON series. Balancing the needs for high-speed transmission and heat resistance, the MEGTRON series is used extensively in communication network equipment.

In the semiconductor business, Panasonic is promoting innovation and change by shifting away from mainstay system LSIs for digital AV products to sensors and power semiconductors, which continue to exhibit high-growth potential. In medical-use camera image sensors, Panasonic maintains a high market share in fiscal 2012. Products that are distinguished by their unparalleled color reproduction are contributing to sophistication in the medical field. The Company also boasts a strong position in Japan in power semiconductors through its IPDs\* that reduce the size and improve the power consumption of devices.

\* Intelligent Power Device (IPD): a semiconductor device that helps to improve energy efficiency by combining power devices with control circuits to reduce size and switching loss.

Energy

In projecting an increase in global demand due to growing environmental concerns, Panasonic is developing a broad energy-based business including solar photovoltaic systems and lithium-ion batteries where use is also expanding from consumer to storage, in-car, and other fields. The Company is also pursuing worldwide growth through such products as the EVOLTA dry alkaline battery, which boasts long-lasting performance, and lead-acid storage batteries.

In solar photovoltaic systems business, Panasonic worked to increase sales of its Heterojunction with Intrinsic Thin layer (HIT) photovoltaic modules that boast the industry's highest level energy density\* through its diverse sales channels in Japan. In addition to the three major European markets of Germany, Italy, and France, the Company promoted overseas sales in Belgium and the U.K. where residential use is particularly strong.

\* Efficiency per kW in solar power generation systems.



In lithium-ion batteries business, Panasonic is working diligently to further enhance its competitiveness. Construction of a new facility at the Company's Suzhou factory in China is ongoing with a view to bolstering Panasonic's integrated lithium-ion battery production system. Business is expanding steadily in in-car lithium-ion batteries. In addition to the supply of lithium-ion batteries for Toyota Motor Corporation's Prius Plug-in Hybrid vehicle, U.S.-based Ford Motor Company has decided to adopt the Company's products in four of its hybrid and plug-in hybrid models. Panasonic has also entered into an agreement to supply lithium-ion battery cells for use in Tesla Motors' electric vehicles. Panasonic is increasing its prismatic- and pouch-type lithium-ion battery production capacity for slim line PCs, which continue to exhibit dramatic market growth. In particular, sales of its pouch-type lithium-ion batteries surpassed levels recorded in the previous fiscal year on the back of increased production for tablet PCs that began from fiscal 2012.

In dry batteries business, utilizing an innovative manufacturing process to prevent leakage, the Company also released a new EVOLTA battery in April 2011. Amid the ongoing shift overseas from manganese to alkaline dry batteries, Panasonic commenced the production of EVOLTA batteries at its Thailand plant in March 2011 and extended the sales over around 60 countries worldwide.

#### Other

This segment includes Healthcare Company, Manufacturing Solutions Company, PanaHome Corporation and others.

#### Healthcare Company

Panasonic provides a variety of healthcare-related products and services primarily in the fields of In-Hospital Work Assistance, Home Healthcare, and Early Diagnosis and Treatment. Put simply, the Company is working to deliver healthcare that is affordable to more people. Its success in this endeavor will help the global community to lead an enriched and healthy life. Sales increased in high-precision next-generation blood glucose monitoring systems, while being introduced to various overseas markets including Europe. In ultrasound diagnostic systems, Panasonic commenced sales of proprietary brands in North America and Japan from fiscal 2012, in addition to its existing OEM supply activities. On the other hand, Healthcare Company withdrew from the devices business including fluid dynamic bearing motors and the AV business.

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**Manufacturing Solutions Company**

Panasonic provides a high operating rate and reliable manufacturing systems for electronic component mounting, welding, and other equipment. In addition to facility systems, the Company focuses on comprehensive solutions businesses. This entails putting forward total solutions that incorporate related materials and software. Panasonic cultivated customers in growth fields, securing orders for electronic component mounting equipment from the smart phone industry, where demand remained steady. At the same time, the Company strengthened its Next Production Modular (NPM) product lineup. Panasonic commenced sales of the RX series of inverter controlled arc welding equipment that offer outstanding energy-saving performance in May 2011. Panasonic also focused on expanding sales of its high-performance welding robot Active TAWERS.

**PanaHome Corporation**

As the housing company of the Panasonic Group which is striving to become the No. 1 Green Innovation Company in the Electronics Industry, PanaHome focuses mainly on delivering eco ideas homes through each of its detached housing, asset and property management, and home remodeling businesses. PanaHome launched CASART TERRA, a zero carbon footprint house, in October 2011. PanaHome also released EL MAISON FICASA, rental apartments with outstanding environmental performance, in April 2011. PanaHome has commenced steps to promote its own PanaHome Smart City concept. With the CASART TERRA eco ideas home at its core, a variety of measures have been introduced including landscape architecture that helps retain asset values over the long term, and security systems that deliver safety and security. Utilizing these measures, plans are in place to promote urban development nationwide.

**MARKETING CHANNELS**

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

**Yen (billions) (%)**

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**Fiscal year ended March 31,**

|                         | 2012         |             | 2011         |             | 2010         |             |
|-------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Japan                   | 4,162        | 53%         | 4,514        | 52%         | 3,994        | 54%         |
| North and South America | 966          | 12          | 1,071        | 12          | 918          | 12          |
| Europe                  | 744          | 10          | 857          | 10          | 771          | 11          |
| Asia and Others         | 1,974        | 25          | 2,251        | 26          | 1,735        | 23          |
| <b>Total</b>            | <b>7,846</b> | <b>100%</b> | <b>8,693</b> | <b>100%</b> | <b>7,418</b> | <b>100%</b> |

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

### Sales and Distribution in Japan and overseas

In Japan, Panasonic's products are sold through several sales channels, each established according to the type of products or customers: Sales of consumer products developed and manufactured mainly by AVC Networks Company and Appliances Company are handled or coordinated by Global Consumer Marketing Sector. Global Consumer Marketing Sector was established in January 2012 and has responsibility in marketing, sales and service of consumer products worldwide. The Company has strengthened its marketing to distribute products meeting customers' needs in each region in the world. For other products, there are also departments under the direct control of business domain companies that conduct sales and marketing of their own products, mostly to non-consumer customers, such as industrial and business corporations, public institutions, construction companies and governments through their sales offices and subsidiaries or through outside agencies.

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International marketing and sales of Panasonic's products are handled mainly through its sales subsidiaries and affiliates located in respective countries or regions in coordination with business domain companies and regional management headquarters. In some countries, however, marketing and sales are handled through independent agents or distributors, depending on regional characteristics. Additionally, certain products are also sold on an OEM basis and marketed under the brand names of third parties.

Overseas sales represented approximately 47% of the Company's total consolidated sales in fiscal 2012.

Overseas operations are expected to serve as a growth engine for the entire Panasonic Group. Panasonic will therefore further strengthen ties between manufacturing companies in various regions and business domain companies. Panasonic will also identify strategic products and sales channels for each region and country, and effectively allocate management resources in order to achieve further progress and strengthen management structure. In addition to markets in Europe and the United States, Panasonic views the emerging markets, such as China, India and Brazil, as a key to success overseas. For emerging markets, Panasonic strengthens lifestyle research and also rationalizes logistics cost, sharing marketing expertise across the regions to reduce cost of products for high-volume segments.

Customers

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

SEASONALITY OF BUSINESS

The Company's business has no significant seasonality in terms of sales or profits. However, for the consumer electronics business, the fiscal third quarter (October to December) is normally a peak period because it falls in the

year-end shopping season in Japan and many overseas markets. Additionally, seasonal appliances, such as air conditioners and refrigerators, have different business cycles, sales of which peak in summer. These do not have a material effect upon the Company's overall operations.

#### RAW MATERIALS AND SOURCE OF SUPPLY

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

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

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

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

Panasonic published the Green Procurement Standards (Ver. 1) in March 1999, and now favor procurement from suppliers who are proactive in reducing their environmental impact.

In the new Green Procurement Standards (Ver. 6), Panasonic request that our suppliers establish an environmental management system and ensure comprehensive chemical substance management as well as expedite the reduction of greenhouse gas (GHG) emissions, resource recycling and conservation of biodiversity. Being aware of the need to spread these initiatives across our supply chain, we have been asking our suppliers to encourage upstream suppliers to reduce their environmental impact.

Panasonic plans to contribute to global environment conservation with our suppliers by promoting eco-conscious procurement activities based on our revised Green Procurement Standards.

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

PATENT LICENSE AGREEMENTS

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

For example, Panasonic's patents related to MPEG2 technology, which is widely used in digital TVs, are licensed to other companies through MPEG LA LLC. Patents which are essential to DVD technology are licensed as a part of the

joint licensing program operated by seven Japanese, U.S. and Korean companies. Patents which are essential to CD technology, DVD technology and BD technology and are used in BD products are licensed as a part of the joint licensing program operated by fifteen Japanese, U.S., European and Taiwanese companies. Furthermore, the Company's patents relating to CD technology are licensed to many manufacturers. Further, Panasonic has non-exclusive cross-license agreements with Samsung Electronics Co., Ltd. for semiconductor technology, with Sharp Corporation for mobile phone technology and Hitachi Consumer Electronics Co., Ltd. for digital television technology.

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

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

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COMPETITION

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

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

GOVERNMENT REGULATIONS

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

To comply with recycling laws both in Japan and other countries/regions, Panasonic has been actively taking measures. The Company established an efficient system to collect and recycle used home appliances, namely, air conditioners, CRT TVs, flat-panel TVs, refrigerators, washing machines and clothes dryers in compliance with the Law for Recycling of Specified Kinds of Home Appliances in Japan effective April 1, 2001. As one of its measures to contribute to the establishment of a recycling-oriented society, the Company established recycling plants including Panasonic Eco Technology Center Co., Ltd. not only to dismantle used products, but also to promote research and development of recycling technologies. In Europe, various national laws based on the Waste Electrical and Electronic Equipment (WEEE) Directive designed to promote recycling came into force in the Member States sequentially after



August 2005. Preparing for mandatory recycling under the WEEE Directive, Panasonic established Ecology Net Europe GmbH (ENE) in Germany in April 2005. The Company promotes construction of networks connecting manufacturers, recycling companies and hauling companies through ENE. Additionally, Panasonic Corporation of North America, a regional company in the U.S., has established a new electronic product recycling management company, Electronics Manufacturers Recycling Management Company, LLC (MRM) with other manufacturers to satisfy requirements enacted in July 2007 in the state of Minnesota. Although MRM's initial focus was to collect products in Minnesota, the scope of operation is expanding its activities to other states. Through these activities, Panasonic is carrying out its compliance programs not only to meet the requirements demanded by legislation, but also to establish its own efficient recycling systems that will lead to environmental contribution to society and enhancement of its competitive edge.

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

To deal with climate change issues, various kinds of measures, especially those for energy efficiency of products, are being taken worldwide. In Japan, the Energy Conservation Law was revised in 1998, and the Top-runner standard was introduced, which aims to continuously increase products' energy efficiency performance on an industry-wide basis. As a target value for a goal year, the Program uses a value of the product with the highest energy consumption efficiency on the market during the standard establishment process. The scopes of covered products are expanding, and standards become more stringent as necessary. Many other countries/regions also have regulations for energy conservation improvement (energy-saving standards and labeling systems) for home appliances and AV/IT products. Panasonic takes a proactive measure to comply with these requirements, and further promotes development of energy-saving products. Also, Panasonic is promoting its initiatives for regulations relevant to chemical substances management. In Europe, the RoHS Directive, which bans the sales of electrical and electronic equipment using six specified hazardous substances from the EU market, was issued in February 2003. The Company completed initiatives for the non-use of the abovementioned six specified hazardous substances in its covered products by the end of October 2005, in order to reduce possible contamination by these substances after products are disposed of. Furthermore, enhancement of requirements was incorporated with time in response to amendments to exemptions in September 2010 and law amendment in July 2011. Additionally, the REACH regulation came into force in June 2007. The REACH requires all chemicals of one ton or more that are manufactured in or imported into the European Union each year to be evaluated for health and safety impact, registration with the European Chemical Agency (ECHA), and sharing of information and notification thereof to the ECHA regarding content of ECHA-specified substances of very high concern in products. Laws and regulations similar to the EU RoHS Directive are implemented in Japan, South Korea, China, Turkey, Ukraine and some states in the U.S. such as California. In the Act on the Promotion of Effective Resource Utilization of Resources in Japan, the Administration on the Control of Pollution Caused by Electronic Information Products in China, Turkey RoHS and the Ukraine RoHS technical regulation, manufacturers and importers are required to disclose information on the chemical substances targeted in the EU RoHS contained in specific products through label application and indication in instruction manuals. Panasonic is carrying out its compliance programs to meet the requirements of relevant regulations.

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

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

REPORT ON KEROSENE FAN HEATER RECALL  
AND COMPANY'S COUNTERMEASURES

In 2005, certain kerosene fan heaters, which were manufactured by Panasonic between 1985 and 1992, resulted in hospitalization, and in some cases death, due to exposure to carbon monoxide exhaust. To prevent a recurrence, in November 2005, the Company established a special committee led by the then President Nakamura to implement recall efforts, product inspections and repairs of affected models of kerosene fan heaters. Using various media, Panasonic notified customers of the risks involved in the use of these products, while sending out many employees to distribute leaflets directly to users, and visit kerosene suppliers.

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

### **C. Organizational Structure**

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

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On January 1, 2012, placing customers' perspectives in the center, the Panasonic Group was reorganized into three business fields by business model: Consumer, Components & Devices and Solutions. In these three business fields, nine internal companies called "business domain companies" and a marketing sector was established. Panasonic builds an optimum business model for each business field and aims to optimize synergies among the group companies. In this new organization, each domain company has more responsibility for its management and the Company strengthens comprehensive solution business across all domain companies.

The head offices of Panasonic, PEW and SANYO, and six corporate regional management divisions were consolidated to form a smaller global and group head office. The new global and group head office consists of a global head office and five regional management headquarters: China and Northeast Asia; North America; Latin America; Asia, Oceania, Middle East and Africa; and Europe and CIS. It has pursued lean, speedy and global business operations.

Panasonic's consolidated financial statements as of March 31, 2012 comprise the accounts of 579 consolidated companies, with 103 associated companies under the equity method.

Business domain companies and principal subsidiaries as of March 31, 2012 are as listed below:

- (1) Business domain companies of Panasonic Corporation:

**Name of business domain company**

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AVC Networks Company

Appliances Company

Systems & Communications Company

Eco Solutions Company

Automotive Systems Company

Industrial Devices Company

Energy Company

Healthcare Company

Manufacturing Solutions Company

- (2) Principal domestic subsidiaries:

| Name of company                            | Percentage owned |
|--|------------------|
| SANYO Electric Co., Ltd.                   | 100.0%           |
| Panasonic Liquid Crystal Display Co., Ltd. | 92.0             |
| Panasonic Plasma Display Co., Ltd.         | 75.0             |
| Panasonic System Networks Co., Ltd.        | 100.0            |
| PanaHome Corporation                       | 54.5             |
| Panasonic Electronic Devices Co., Ltd.     | 100.0            |
| Panasonic Mobile Communications Co., Ltd.  | 100.0            |
| Panasonic Factory Solutions Co., Ltd.      | 100.0            |
| Panasonic Ecology Systems Co., Ltd.        | 100.0            |
| Panasonic Healthcare Co., Ltd.             | 100.0            |

Notes: 1. On April 1, 2011, Panasonic conducted share exchanges in order to make Panasonic a wholly-owning parent company, and its subsidiaries PEW and SANYO its wholly-owned subsidiaries. Therefore, both PEW and SANYO became wholly-owned subsidiaries of the Company. The Company absorbed PEW on January 1, 2012.

2. The Company absorbed Panasonic Electronic Devices Co., Ltd. on April 1, 2012.

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## (3) Principal overseas subsidiaries:

| Name of company   | Country of<br>incorporation | Percentage<br>owned |
|---|-----------------------------|---------------------|
| Panasonic Corporation of North America                      | U.S.A.                      | 100.0%              |
| Panasonic Avionics Corporation                              | U.S.A.                      | 100.0               |
| Panasonic do Brasil Limitada                                | Brazil                      | 100.0               |
| Panasonic Europe Ltd.                                       | U.K.                        | 100.0               |
| Panasonic AVC Networks Czech, s.r.o.                        | Czech Republic              | 100.0               |
| Panasonic Asia Pacific Pte. Ltd.                            | Singapore                   | 100.0               |
| Panasonic India Pvt. Ltd.                                   | India                       | 100.0               |
| Panasonic Taiwan Co., Ltd.                                  | Taiwan                      | 69.8                |
| Panasonic Corporation of China                              | China                       | 100.0               |
| Panasonic Appliances Air-Conditioning (Guangzhou) Co., Ltd. | China                       | 67.8                |

Note: On January 1, 2012, Panasonic Home Appliances Air-Conditioning (Guangzhou) Co., Ltd. changed the company name to Panasonic Appliances Air-Conditioning (Guangzhou) Co., Ltd.

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**D. Property, Plants and Equipment**

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

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

Substantially all of facilities are fully owned by the Company and its subsidiaries. The following table sets forth information as of March 31, 2012 with respect to Panasonic-owned principal facilities:

| Name and Principal Location                             | Floor Space<br>(thousands of<br>square feet) | Principal Products Manufactured or Functions     |
|---|--|--|
| (The Company)   |  |  |
| Kadoma Plant, Osaka                                     | 2,440  | Video and audio equipment                        |
| Kobe Plant, Hyogo                                       | 842  | Information equipment and cooking appliances     |
| Kusatsu Plant, Shiga                                    | 3,577  | Room air-conditions and refrigerators            |
| Hikone Plant, Shiga                                     | 972  | Personal-care equipment and Healthcare equipment |
| Takatsuki Plant, Osaka                                  | 1,785  | Electric lamps                                   |
| Niigata Plant, Niigata                                  | 646  | Electric lamps                                   |
| Tsu Plant, Mie  | 1,080  | Wiring devices and Security equipment            |
| Nagaoka Plant, Kyoto                                    | 969  | Semiconductors                                   |
| Arai Plant, Niigata                                     | 1,115  | Semiconductors                                   |
| Uozu Plant, Toyama                                      | 1,527  | Semiconductors                                   |
| Tonami Plant, Toyama                                    | 1,512  | Semiconductors                                   |
| Ise Plant, Mie  | 651  | Automation controls                              |
| Osaka Plant, Osaka                                      | 1,411  | Batteries  |
| Suminoe Plant, Osaka                                    | 1,030  | Batteries  |
| Device Module Development Center, Kyoto                 | 208  | Research and development functions               |
| Energy Conversion System Development Center etc., Osaka | 804  | Research and development functions               |
|   | 1,077  | Research and development functions               |

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Production Engineering Laboratory etc.,  
Osaka

|  |       |  |
|--|-------|--|
| Advanced Technology Research<br>Laboratories, Kyoto      | 243   | Research and development functions                                   |
| Branch Office and Sales Office, Osaka                    | 2,471 | Sales functions  |
| Management department of Eco Solutions<br>Company, Osaka | 4,783 | Corporate administration   |
| Head Office etc., Osaka                                  | 3,822 | Corporate administration, employee housing<br>and welfare facilities |



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| Name and Principal Location                            | Floor Space<br>(thousands of<br>square feet) | Principal Products Manufactured or Functions  |
|--|--|---|
| (Domestic subsidiaries)                                |  |   |
| Panasonic Plasma Display Co., Ltd., Hyogo              | 7,559  | Plasma TVs and TV modules   |
| Panasonic Liquid Crystal Display Co., Ltd.,<br>Hyogo   | 4,431  | LCD panels  |
| Panasonic Mobile Communications Co.,<br>Ltd., Kanagawa | 2,322  | Mobile communications and<br>communications network-related equipment   |
| Panasonic System Networks Co., Ltd.,<br>Fukuoka        | 1,432  | Surveillance and security cameras,<br>settlement and verification terminals,<br>IP-related equipment                          |
| Panasonic Ecology Systems Co., Ltd., Aichi             | 1,480  | Ventilation and air-conditioning equipment<br>and air purifiers   |
| Panasonic Electronic Devices Co., Ltd.,<br>Osaka       | 3,210  | Components  |
| Panasonic Electronic Devices Japan Co.,<br>Ltd., Osaka | 3,095  | Components  |
| SANYO Electric Co., Ltd., Osaka                        | 17,488                                       | Solar photovoltaic systems, rechargeable<br>batteries, electronic components and<br>commercial-use freezers and refrigerators |
| Panasonic Healthcare Co., Ltd., Ehime                  | 2,760  | Healthcare equipment  |
| Panasonic Factory Solutions Co., Ltd.,<br>Osaka        | 619  | Electronic-components-mounting machines<br>and industrial robot   |
| Panasonic Welding Systems Co., Ltd.,<br>Osaka          | 372  | Welding equipment   |
| PanaHome Corporation, Osaka                            | 4,245  | Detached housing and rental apartment<br>housing  |
| Panasonic Consumer Marketing Co., Ltd.,<br>Osaka       | 7  | Sales functions   |

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| <b>Name and Principal Location</b>                                     | <b>Floor Space<br/>(thousands of<br/>square feet)</b> | <b>Principal Products Manufactured or Functions</b>            |
|--|---|--|
| <b>(Overseas subsidiaries)</b>   |   |  |
| Panasonic Corporation of North America,<br>U.S.A.                      | 1,661   | Manufacture and sales, with regional<br>headquarters functions |
| Panasonic Avionics Corporation, U.S.A.                                 |   | Airplane AV systems  |
| Panasonic do Brasil Limitada, Brazil                                   | 642   | Manufacture and sales functions                                |
| Panasonic AVC Networks Czech, s.r.o.,<br>Czech Republic                | 838   | Plasma and LCD TVs   |
| Panasonic Marketing Europe G.m.b.H.,<br>Germany                        | 493   | Sales functions  |
| Panasonic Semiconductor Asia Pte. Ltd.,<br>Singapore                   | 462   | Semiconductors   |
| P.T. Sanyo Jaya Components Indonesia.,<br>Indonesia                    | 334   | Digital Cameras and Components                                 |
| Panasonic Taiwan Co., Ltd., Taiwan                                     | 1,462   | Manufacture and sales functions                                |
| Panasonic Wanbao Appliances Compressor<br>(Guangzhou) Co., Ltd., China | 1,181   | Compressors  |
| Panasonic Appliances Air-Conditioning<br>(Guangzhou) Co., Ltd., China  | 1,102   | Air-conditioning equipment                                     |
| Panasonic Semiconductor (Suzhou) Co.,<br>Ltd., China                   | 475   | Semiconductors   |
| Sanyo Energy (Suzhou) Co., Ltd., China                                 | 580   | Batteries  |
| Panasonic Corporation of China, China                                  |   | Sales with regional headquarters functions                     |

In addition to the Panasonic-owned facilities, as of March 31, 2012, the Company and its subsidiaries shown in above table leased approximately 11.3 million square feet of floor space from third parties, most of which was for sales office space.

Substantially all of Panasonic's properties are free of material encumbrances and Panasonic believes such properties are in adequate condition for their purposes and suitably utilized. During fiscal 2012, there was no material problem, regarding both the productive capacity and the extent of utilization of Panasonic's properties.

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

regulatory requirements and to ensure current good utilization standards.

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**Item 4A. Unresolved Staff Comments**

The Company is a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding the Company's periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2012 and which remain unresolved as of the date of the filing of this Form 20-F with the Commission.

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

Panasonic is one of the world's leading producers of electronic and electric products. Panasonic currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology, expanding to building materials and equipment, and housing business. As of October 1, 2008, the Company changed its company name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation. Upon the company name change, Panasonic implemented its brand name change from the National brand, used for home appliances and housing equipment in Japan, and Technics brand, used for audio equipment, to the Panasonic brand. On December 21, 2009, the Company exchanged nonvoting stocks of SANYO, which had been acquired through a tender offer, for common stock, and as a result, the Company acquired 50.2% of the voting rights of SANYO and obtained a controlling interest in SANYO. At this time, the corporate brands became Panasonic, PanaHome and SANYO.

On July 29, 2010, Panasonic, PEW and SANYO announced that they resolved to pursue a plan of Panasonic's acquisition of all shares of PEW and SANYO in order to make them wholly-owned subsidiaries of Panasonic by way of tender offers and, thereafter, share exchanges. On April 1, 2011, PEW and SANYO became wholly-owned subsidiaries of Panasonic. Accordingly, the SANYO brand was unified to Panasonic with exceptions in some regions and products, and the corporate brands became Panasonic and PanaHome.

Panasonic changed the Group organizational structure in January 2012. The Company reorganized its business into three business fields: Consumer, Components & Devices and Solutions, comprising a total of nine internal companies called business domain companies, and one marketing sector (Global Consumer Marketing Sector.) The business domain companies are: AVC Networks Company, Appliances Company, Systems & Communications Company, Eco Solutions Company, Automotive Systems Company, Industrial Devices Company, Energy Company, Healthcare Company, and Manufacturing Solutions Company. The Global Consumer Marketing Sector supports the marketing functions of AVC Networks Company and Appliances Company. As the result of the reorganization, the number of reportable segments are changed from six to eight: AVC Networks, Appliances, Systems & Communications, Eco Solutions, Automotive Systems, Industrial Devices, Energy, and Other. The Healthcare Company and Manufacturing Solutions Company are included in the Other segment. AVC Networks provides imaging equipment such as flat-panel TVs, AVC network equipment including Blu-ray Disc recorders, digital cameras and notebook PCs as well as projectors, in-flight entertainment systems and other business-use AV equipment; Appliances delivers products and services that meet customer needs in the homemaking, cooking, beauty and grooming and health, cooling and heating,

hot water supply, and cold chain equipment fields; Systems & Communications is comprised of the system network and mobile communications businesses; Eco Solutions is comprised of four business groups, which are the lighting business, the energy systems business, the housing systems business, and the environmental systems business;

Automotive Systems operates in wide-ranging fields, from car navigation systems to camera systems that support safe driving to such key devices as engine control units and batteries for eco-cars; Industrial Devices covers a wide range of products such as electronic components, electronic materials, semiconductors, and optical devices; Energy develops a broad energy-based business including solar photovoltaic systems and lithium-ion batteries where use is also expanding from consumer to storage, in-car, and other fields; and Other provides a variety of healthcare-related products and services, manufacturing systems for electronic component mounting, detached housing, asset and property management, and home remodeling businesses.

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*Economic environment*

As for the Japanese economy, in the year ended March 31, 2010, due to the various economic stimulus programs such as the government's eco-point system, the Japanese economy regained strength and returned to recovery from the previous year. In the year ended March 31, 2011, the domestic market continued to be strong until November 2010 due to a last minute rush before the revision of the eco-point system. However, in addition to sluggish demand since December, the devastation brought by the Great East Japan Earthquake on March 11, 2011 significantly impacted the world economy and fiscal 2011 ended without there being a visible road to recovery. In the year ended March 31, 2012, sales in the Japanese consumer electronics industry declined from the last fiscal year when there was rush demand as a result of the eco-point system. Although there were signs of recovery with the normalization of the supply chain, which had been disrupted by the Great East Japan Earthquake, the Japanese economy as a whole was still severely affected by the shortage in electricity distribution after the disaster, the global economic slowdown, appreciation of the yen, and declining stock prices.

As for the overseas economy, in the year ended March 31, 2010, despite a visible market recovery in some regions such as China and Asia, the industry in general was unable to overcome the impact of the global recession. Due to these circumstances, the market structure underwent rapid change especially in terms of demand shifts to emerging markets and lower-priced products, along with the expansion of environment and energy related markets. In the year ended March 31, 2011, while the growth in Europe and U.S. remained sluggish, the industry as a whole was steady, driven by the emerging countries like China and India. In the year ended March 31, 2012, business conditions deteriorated globally due to multiple factors, such as the disruption of supply chains affected by the flooding in Thailand and the economic turmoil triggered by the European financial crisis.

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

Foreign currency exchange rates fluctuated during the three-year period ended March 31, 2012. In the year ended March 31, 2010, there continued a sharp increase in the Japanese yen against the major currencies such as the U.S. dollar and euro. In the year ended March 31, 2011 and 2012, there was also an increasing appreciation of the yen. In order to alleviate the effects of currency-related transaction risks, Panasonic has traditionally used several currency risk hedging methods, such as forward foreign-exchange contracts and currency options contracts with leading banks. Panasonic has also increased matching of export and import exchange contracts. As a basic countermeasure against currency exchange risk, the Company has been strengthening production operations outside Japan to meet overseas demand, while reducing dependence on exports from Japan. The Company does not have any material unhedged monetary assets, liabilities or commitments denominated in currencies other than the individual operations' functional currencies.

*Summary of operations*

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

In fiscal 2012, net sales amounted to 7,846 billion yen, down 10% from the previous year, due mainly to the Great East Japan Earthquake and the flooding in Thailand as well as a sales decrease in digital AV products. Income (loss) before income taxes turned to a loss of 813 billion yen from a profit of 179 billion yen due mainly to incurring business restructuring expenses such as early retirement charges and impairment losses of goodwill and fixed assets, as other deductions. Overall sales price declines and the appreciation of the yen, in addition to a sales decrease affected by the Great East Japan Earthquake and the flooding in Thailand also contributed to the loss, despite streamlining efforts for raw materials and fixed cost reductions. Net income (loss) attributable to Panasonic Corporation turned to a loss of 772 billion yen from a profit of 74 billion yen in fiscal 2011 which is partially affected by 26 billion yen for an adjustment to deferred tax assets and liabilities for changes in Japanese corporate tax rates as a provision for income taxes, in addition to the above.



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

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

*Key performance indicators*

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

|           | Yen (billions) (%)          |       |       |
|-----------|-----------------------------|-------|-------|
|           | Fiscal year ended March 31, |       |       |
|           | 2012                        | 2011  | 2010  |
| Net sales | 7,846                       | 8,693 | 7,418 |

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|   |         |       |        |
|---|---------|-------|--------|
| Income (loss) before income taxes to net sales ratio                  | (10.4)% | 2.1%  | (0.4)% |
| Research and development costs to net sales ratio                     | 6.6%    | 6.1%  | 6.4%   |
| Total assets  | 6,601   | 7,823 | 8,358  |
| Total Panasonic Corporation shareholders equity                       | 1,930   | 2,559 | 2,792  |
| Total Panasonic Corporation shareholders equity to total assets ratio | 29.2%   | 32.7% | 33.4%  |
| Return on equity  | (34.4)% | 2.8%  | (3.7)% |
| Capital investment  | 295     | 404   | 385    |
| Free cash flow  | (340)   | 266   | 199    |

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

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

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

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

|   | Yen (billions)              |            |            |
|---|-----------------------------|------------|------------|
|   | Fiscal year ended March 31, |            |            |
|   | 2012                        | 2011       | 2010       |
| Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows | 456                         | 421        | 376        |
| Effects of timing difference between acquisition dates and payment dates  | (161)                       | (17)       | 9          |
| <b>Capital investment</b>   | <b>295</b>                  | <b>404</b> | <b>385</b> |

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

Panasonic's management also believes that this indicator is useful in understanding Panasonic's current liquidity and financing needs in light of its operating and investing activities, i.e., its ability to pay down and draw on available cash. It should be noted, however, that free cash flow Panasonic reports may not be comparable to free cash flow reported by other companies. It should also be noted that free cash flow should not be viewed in a manner that inappropriately implies that it represents the residual cash flow available for discretionary uses, since at any given

time Panasonic may be subject to mandatory debt service requirements and may have other non-discretionary expenditures that are not deducted from this indicator. Panasonic compensates for these limitations by referring to this indicator together with relevant U.S. GAAP financial measures shown in its consolidated statements of cash flows and consolidated balance sheets, to present an accurate and complete picture for purposes of cash availability analysis.

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

|   | <b>Yen (billions)</b>              |             |             |
|---|------------------------------------|-------------|-------------|
|   | <b>Fiscal year ended March 31,</b> |             |             |
|   | <b>2012</b>                        | <b>2011</b> | <b>2010</b> |
| Net cash provided by (used in) operating activities | (37)                               | 469         | 522         |
| Net cash used in investing activities               | (303)                              | (203)       | (323)       |
| Free cash flow                                      | (340)                              | 266         | 199         |

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

Year ended March 31, 2012 compared with 2011

(1) Sales

Consolidated group sales for fiscal 2012 amounted to 7,846 billion yen, down 10% from 8,693 billion yen in the previous fiscal year.

In fiscal 2012, business conditions deteriorated in Japan and overseas due to multiple factors, such as concern surrounding shortages in the electric supply caused by the Great East Japan Earthquake, the disruptions in supply chains affected by the flooding in Thailand, the economic turmoil triggered by the European financial crisis, and the historically high yen.

Under such business circumstances, as the second year of the three-year midterm management plan called "Green Transformation 2012 (GT12)", Panasonic implemented various measures. In particular, the Company worked towards changing its business structure on the basis of paradigm shift to growth as follows:

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

The positive results have started showing in some regions and businesses with sales increases in products, such as air conditioners and refrigerators that meet local needs in India and Brazil, and "HIT" brand solar cells by maximizing Panasonic Group sales channels in Japan.

On the other hand, operating results in the flat-panel TV and semiconductor businesses worsened significantly due to

factors, such as the aforementioned severe business conditions, intense price competition and a decline in demand following the shift to digital broadcasting in Japan. Following the management decision to address the negative factors impacting on the future profitability, the Company implemented radical restructuring initiatives, including the consolidation of manufacturing sites of those unprofitable businesses.

In January 2012, the Company conducted the group reorganization as scheduled and started a new organization, which consists of nine business domain companies: AVC Networks Company, Appliances Company, Systems & Communications Company, Eco Solutions Company, Automotive Systems Company, Industrial Devices Company, Energy Company, Healthcare Company, Manufacturing Solutions Company, and one marketing sector: Global Consumer Marketing Sector.

With this reorganization, the Company has laid out the framework to utilize the full advantages of the Panasonic Group in order to establish the foundations for it to become a Green Innovation Company. In order to realize this objective, the Company established its new business structure, which enables it to strengthen a more direct relationship with consumers globally, promote comprehensive solutions, and maximize synergies in each business as well as eliminating its overlapping businesses.

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

In fiscal 2012, cost of sales amounted to 5,865 billion yen, down 525 billion yen from the previous year, and selling, general and administrative expenses amounted to 1,938 billion yen, down 60 billion yen from the previous year. These results are due mainly to the effects of sales decreases.

(3) Interest Income, Dividends Received and Other Income

In fiscal 2012, interest income increased by 2 billion yen to 13 billion yen, and dividends received decreased by 0.2 billion yen to 6 billion yen and other income decreased by 15 billion yen to 44 billion yen.

(4) Interest Expense, Goodwill Impairment and Other Deductions

Interest expense increased by 0.9 billion yen to 28 billion yen. Goodwill impairment was 164 billion yen, which was primarily related to Industrial Devices and Energy. In other deductions, the Company incurred 399 billion yen as expenses associated with impairment losses of fixed assets, which were mainly related to AVC Networks, 184 billion yen as restructuring charges, 17 billion yen as a write-down of investment securities. (For further details, see Notes 4, 5, 7, 8 and 15 of the Notes to Consolidated Financial Statements.)

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(5) Income (Loss) before Income Taxes

As a result of the above-mentioned factors, income (loss) before income taxes for fiscal 2012 amounted to a loss of 813 billion yen, compared with an income of 179 billion yen in fiscal 2011, due mainly to incurring business restructuring expenses such as early retirement charges and impairment losses of goodwill and property, plant and equipment.

(6) Provision for Income Taxes

Provision for income taxes for fiscal 2012 decreased to 10 billion yen, compared with 103 billion yen in the previous year. (For further details, see Notes 11 of the Notes to Consolidated Financial Statements.)

(7) Equity in Earnings of Associated Companies

In fiscal 2012, equity in earnings of associated companies decreased to gains of 6 billion yen from the previous year's gains of 10 billion yen.

(8) Net Income (Loss)

Net income (loss) amounted to a loss of 816 billion yen for fiscal 2012, compared with an income of 86 billion yen in fiscal 2011.

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

Net income (loss) attributable to noncontrolling interests amounted to a loss of 44 billion yen for fiscal 2012, compared with an income of 12 billion yen in fiscal 2011.

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

As a result of all the factors stated in the preceding paragraphs, the Company recorded a net loss attributable to Panasonic Corporation of 772 billion yen for fiscal 2012, a deterioration of 846 billion yen from the previous year's net income attributable to Panasonic Corporation of 74 billion yen.

(11) Results of Operations by Segment

Results of operations by segment for fiscal 2012, as compared with the previous fiscal year, were as follows\*:

|                               | Yen (billions) |              | Percent change |
|-------------------------------|----------------|--------------|----------------|
|                               | 2012           | 2011         |                |
| <b>Sales:</b>                 |                |              |                |
| AVC Networks                  | 1,713          | 2,157        | (21)%          |
| Appliances                    | 1,534          | 1,483        | 3              |
| Systems & Communications      | 841            | 938          | (10)           |
| Eco Solutions                 | 1,526          | 1,527        | (0)            |
| Automotive Systems            | 653            | 612          | 7              |
| Industrial Devices            | 1,405          | 1,671        | (16)           |
| Energy                        | 615            | 637          | (3)            |
| Other                         | 1,881          | 2,305        | (18)           |
| Eliminations                  | (2,322)        | (2,637)      |                |
| <b>Total</b>                  | <b>7,846</b>   | <b>8,693</b> | <b>(10)%</b>   |
| <b>Segment profit (loss):</b> |                |              |                |
| AVC Networks                  | (68)           | 27           | %              |
| Appliances                    | 81             | 84           | (3)            |
| Systems & Communications      | 17             | 48           | (64)           |
| Eco Solutions                 | 59             | 58           | 2              |
| Automotive Systems            | 5              | 23           | (78)           |
| Industrial Devices            | (17)           | 70           |                |
| Energy                        | (21)           | (15)         |                |
| Other                         | 24             | 61           | (61)           |
| Corporate and eliminations    | (36)           | (51)         |                |
| <b>Total</b>                  | <b>44</b>      | <b>305</b>   | <b>(86)%</b>   |

\* The Company restructured its Group organization on January 1, 2012, resulting in the number of reportable segments from six to eight. Accordingly, segment information for fiscal 2011 has been reclassified to conform to the presentation for fiscal 2012.



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Sales of AVC Networks decreased by 21% to 1,713 billion yen, compared with 2,157 billion yen in the previous year, due mainly to sales declines in flat-panel TVs and digital cameras.

With respect to this segment, segment profit decreased to a loss of 68 billion yen from a profit of 27 billion yen, due mainly to a sales decrease and sales price declines.

Sales of Appliances increased by 3% to 1,534 billion yen, compared with 1,483 billion yen in the previous year, due mainly to steady sales of washing machines and microwave ovens.

With respect to this segment, segment profit decreased by 3% to 81 billion yen from 84 billion yen, due mainly to rising prices for raw materials.

Sales of Systems & Communications decreased by 10% to 841 billion yen, compared with 938 billion yen in the previous year, due mainly to a sales decrease in small multifunction printers, business-oriented handheld computers and mobile phones.

With respect to this segment, segment profit decreased by 64% to 17 billion yen from 48 billion yen, due mainly to a sales decrease and a price decline.

Sales of Eco Solutions were 1,526 billion yen, securing the same level of the sales amount of previous year of 1,527 billion yen. Despite sales decreases in lighting business, this result was due mainly to stable sales in energy system, housing system, which provides comprehensive home and building product and material solutions, and environmental system businesses.

With respect to this segment, segment profit increased by 2% to 59 billion yen from 58 billion yen in the previous year, due mainly to a fixed cost reduction.

Sales of Automotive Systems increased by 7% to 653 billion yen, compared with 612 billion yen in the previous year,

due mainly to strong sales in components and devices for eco-cars including batteries for hybrid cars.

With respect to this segment, segment profit decreased by 78% to 5 billion yen from 23 billion yen, due mainly to insufficient cost reduction.

Sales of Industrial Devices decreased by 16 % to 1,405 billion yen, from the previous year's 1,671 billion yen, due mainly to sales decreases in general electronic components and semiconductors.

With respect to this segment, segment profit decreased to a loss of 17 billion yen, compared with a profit of 70 billion yen a year ago due mainly to a sales decrease and a price decline.

Sales of Energy decreased by 3% to 615 billion yen, compared with the previous year's 637 billion yen. Although sales in solar photovoltaic systems continued to be strong mainly in Japan, overall sales decreased due mainly to a weak result in lithium-ion batteries.

With respect to this segment, segment profit worsened to a loss of 21 billion yen, compared with a loss of 15 billion yen, due mainly to a price decline.

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Sales of Other decreased 18% to 1,881 billion yen from 2,305 billion yen a year ago. The sales decline owing to the semiconductor business transfer implemented by SANYO in fiscal 2011 led to the overall sales decrease.

With respect to this segment, segment profit worsened by 61% to 24 billion yen from 61 billion yen due mainly to a sales decrease.

(12) **Sales Results by Region**

Sales results by region for fiscal 2012, as compared with the previous fiscal year, were as follows:

|                         | <u>Yen (billions)</u> |              | <u>Percent change</u> |
|-------------------------|-----------------------|--------------|-----------------------|
|                         | <u>2012</u>           | <u>2011</u>  |                       |
| Domestic Sales:         | 4,162                 | 4,514        | (8)%                  |
| Overseas Sales:         |                       |              |                       |
| North and South America | 966                   | 1,071        | (10)                  |
| Europe                  | 744                   | 857          | (13)                  |
| Asia and Others         | 1,974                 | 2,251        | (12)                  |
| Subtotal                | <u>3,684</u>          | <u>4,179</u> | <u>(12)</u>           |
| Total                   | <u>7,846</u>          | <u>8,693</u> | <u>(10)%</u>          |

Sales in the domestic market amounted to 4,162 billion yen, down 8% from 4,514 billion yen in fiscal 2011 when there was a surge in demand as a result of the government's eco-point systems.

Overseas sales amounted to 3,684 billion yen, down 12% from 4,179 billion yen in the previous fiscal year. This result was due mainly to the weak global economy, extreme yen appreciation and the flooding in Thailand.

By region, sales in North and South America amounted to 966 billion yen, down 10% from 1,071 billion yen in fiscal 2011. This was due mainly to appreciation of the yen.

Sales in Europe amounted to 744 billion yen, down 13% from the previous year's 857 billion yen as a result of weak demand in digital AV products.

In the Asia and Others, sales decreased 12% to 1,974 billion yen, from the previous year's 2,251 billion yen. In Asia, this was due mainly to weak demand in digital AV products.

### *Restructuring Activities*

On an on-going basis, the Company monitors the dynamics of the economy in general, as well as the industries and the markets in which the Company operates and continues to assess opportunities for improved operational effectiveness and efficiency and better alignment of expenses with revenues, while preserving the ability to make investments in research and development projects, capital and human resources that are essential to the Company's long-term success. As a result of these assessments, the Company has undertaken various restructuring initiatives in order to enhance the Company's growth potential and ability to achieve long-term success.

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Various restructuring activities resulted in the Company incurring restructuring charges of 184 billion yen and 57 billion yen for the years ended March 31, 2012 and 2011, respectively. Although the restructuring activities are generally not significant individually, the termination of production in domestic plasma display panel fifth factory of Panasonic Plasma Display Co., Ltd., and the divestiture of SANYO Semiconductor Co., Ltd. represented significant restructuring activities which occurred during the fiscal year ended March 31, 2012 and 2011, respectively.

The Company made a decision to shut off production in domestic plasma display panel fifth factory of Panasonic Plasma Display Co., Ltd., a subsidiary of the Company. Due to the continuously substantial decline of product prices due to competition and the yen appreciation, the profitability of the flat-panel TV business declined significantly. The Company decided to restructure the panel business to optimize its production scale and consolidate manufacturing sites. The restructuring activity and material cash outlays are expected to take place through fiscal 2015. The total amount expected to be incurred in connection with the activity and the actual amount incurred for the year ended March 31, 2012 amounted to 51 billion yen. In connection with the Plasma Display business, there was no beginning liability balance with new restructuring charges incurred in the amount of 51 billion yen and costs paid or otherwise settled of 5 billion yen during the fiscal year. The ending liability balance amounted to 46 billion yen.

The restructuring activity resulted when SANYO decided to restructure the Semiconductor business as the result of the SANYO's Board of Director's action to approve the divestiture of the Semiconductor business on July 15, 2010. The divestiture became effective January 1, 2011. This restructuring activity and subsequent divestiture were the result of SANYO's conclusion that its Semiconductor business did not align with SANYO's strategic and growth initiatives. The total amount expected to be incurred in connection with the restructuring activity of SANYO's semiconductor business that was initiated in fiscal 2011 amounted to 44 billion yen as of March 31, 2012. The beginning liability balance amounted to 28 billion yen with no additional restructuring charges incurred and costs paid or otherwise settled of 24 billion yen during the fiscal year. The ending liability balance amounted to 4 billion yen. The material cash outlays are anticipated to take place through fiscal 2013.

Year ended March 31, 2011 compared with 2010

(1) Sales

Consolidated group sales for fiscal 2011 amounted to 8,693 billion yen, up 17% from 7,418 billion yen in the previous fiscal year. This was due mainly to the inclusion of sales of SANYO and its subsidiaries in the Company's consolidated financial results from January 2010 onwards.

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

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

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

Furthermore, the Company promoted expansion of key businesses such as Heating/Refrigeration/Air Conditioning and LED, and sales increase in emerging markets through high-volume segment products. Regarding Laying Foundations to be a Green Innovation Company, Panasonic worked for a larger contribution towards protection of the environment, through increased sales of energy saving and creating products, while reducing CO<sub>2</sub> emissions in production. In addition, the Company proceeded to discuss business reorganization and new growth strategies, as Panasonic and its subsidiaries, PEW and SANYO agreed to make these two companies wholly-owned subsidiaries of Panasonic with the aim of speeding up synergy generation and maximizing it. Accordingly, PEW and SANYO became wholly-owned subsidiaries of Panasonic on April 1, 2011.

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

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

(3) Interest Income, Dividends Received and Other Income

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

(4) Interest Expense and Other Deductions

Interest expense increased by 2 billion yen to 28 billion yen. In other deductions, the Company incurred 35 billion yen as expenses associated with impairment losses of fixed assets, 57 billion yen as the restructuring charges, 28 billion yen as a write-down of investment securities, and 9 billion yen as the loss related to the Great East Japan Earthquake. (For further details, see Notes 4, 5, 7, and 15 of the Notes to Consolidated Financial Statements.)

(5) Income (loss) before Income Taxes

As a result of the above-mentioned factors, income before income taxes for fiscal 2011 amounted to 179 billion yen, compared with a loss of 29 billion yen in fiscal 2010, due mainly to strong sales on an annual basis, and a wide range of exhaustive cost reductions, including the streamlining of material costs and other general expenses.

(6) Provision for Income Taxes

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

(7) Equity in Earnings of Associated Companies

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

(8) Net Income (Loss)

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

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

Net income attributable to noncontrolling interests amounted to 12 billion yen for fiscal 2011, compared with net loss attributable to noncontrolling interests of 67 billion yen in fiscal 2010. This result was due mainly to improved results in PEW.



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

As a result of all the factors stated in the preceding paragraphs, the Company recorded a net income attributable to Panasonic Corporation of 74 billion yen for fiscal 2011, an improvement of 177 billion yen from the previous year's net loss attributable to Panasonic Corporation of 103 billion yen.

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

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

|                               | <b>Yen (billions)</b> |              | <b>Percent change</b> |
|-------------------------------|-----------------------|--------------|-----------------------|
|                               | <b>2011</b>           | <b>2010</b>  |                       |
| <b>Sales:</b>                 |                       |              |                       |
| AVC Networks                  | 2,157                 | 2,185        | (1)%                  |
| Appliances                    | 1,483                 | 1,274        | 16                    |
| Systems & Communications      | 938                   | 1,004        | (7)                   |
| Eco Solutions                 | 1,527                 | 1,311        | 16                    |
| Automotive Systems            | 612                   | 574          | 7                     |
| Industrial Devices            | 1,671                 | 1,530        | 9                     |
| Energy                        | 637                   | 341          | 87                    |
| Other                         | 2,305                 | 1,549        | 49                    |
| Eliminations                  | (2,637)               | (2,350)      |                       |
| <b>Total</b>                  | <b>8,693</b>          | <b>7,418</b> | <b>17%</b>            |
| <b>Segment profit (loss):</b> |                       |              |                       |
| AVC Networks                  | 27                    | 15           | 88%                   |
| Appliances                    | 84                    | 56           | 49                    |
| Systems & Communications      | 48                    | 38           | 26                    |
| Eco Solutions                 | 58                    | 30           | 91                    |
| Automotive Systems            | 23                    | 22           | 2                     |
| Industrial Devices            | 70                    | 55           | 26                    |
| Energy                        | (15)                  | 1            |                       |
| Other                         | 61                    | 22           | 172                   |
| Corporate and eliminations    | (51)                  | (49)         |                       |

|       |     |     |     |
|-------|-----|-----|-----|
| Total | 305 | 190 | 60% |
|-------|-----|-----|-----|

- \* The Company restructured its Group organization on January 1, 2012, resulting in the number of reportable segments from six to eight. Accordingly, segment information for fiscal 2011 and 2010 has been reclassified to conform to the presentation for fiscal 2012.
- \* SANYO and its subsidiaries became Panasonic's consolidated subsidiaries in December 2009. The operating results of SANYO and its subsidiaries after January 2010 are included in the Company's consolidated financial statements.

Sales of AVC Networks decreased 1% to 2,157 billion yen, compared with 2,185 billion yen in the previous year. Despite favorable sales of Blu-ray Disc recorders, this result was due mainly to sales declines in digital cameras.

With respect to this segment, segment profit increased by 88% to 27 billion yen from 15 billion yen, mainly as a result of fixed cost reduction and streamlining efforts, offsetting the impact of a sales decline and the yen appreciation.

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Sales of Appliances increased 16% to 1,483 billion yen, compared with 1,274 billion yen in the previous year, due mainly to favorable sales of air conditioners, refrigerators and compressors.

With respect to this segment, despite rising material costs, segment profit increased by 49% to 84 billion yen from 56 billion yen, due mainly to strong sales and a fixed cost reduction.

Sales of Systems & Communications decreased 7% to 938 billion yen, compared with 1,004 billion yen in the previous year, affected by sales declines in mobile phones.

With respect to this segment, segment profit increased by 26% to 48 billion yen from 38 billion yen, mainly as a result of fixed cost reduction and streamlining efforts, offsetting the impact of a sales decline.

Sales of Eco Solutions increased 16% to 1,527 billion yen, compared with 1,311 billion yen a year ago. Sales growth in the housing/building-related business such as electrical construction and building materials contributed to the overall sales increase.

With respect to this segment, segment profit improved by 91% to 58 billion yen from 30 billion yen a year ago. This increase in profit was due mainly to strong sales and streamlining efforts, which offset the impact of the yen appreciation and rising material costs.

Sales of Automotive Systems increased 7% to 612 billion yen, compared with 574 billion yen in the previous year due mainly to strong sales in car navigation systems, driven by demand on the back of eco-car subsidies, the Japanese government's economic stimulus program.

With respect to this segment, segment profit increased by 2% to 23 billion yen from 22 billion yen.

Sales of Industrial Devices increased 9% to 1,671 billion yen, from the previous year's 1,530 billion yen, affected by steady sales of general components.

With respect to this segment, segment profit increased by 26% to 70 billion yen from 55 billion yen a year ago.

Sales in Energy increased 87% to 637 billion yen, from the previous year's 341 billion yen. This result was caused by the fact that the operating results of Energy segment in SANYO and its subsidiaries after January 2010 were included in the Company's consolidated financial statements.

With respect to this segment, segment loss was 15 billion yen, after incurring expenses such as amortization of intangible assets recorded at acquisition of SANYO, compared with a profit of 1 billion yen in the previous year.

Sales of Other increased 49% to 2,305 billion yen from 1,549 billion yen a year ago. The stable sales of housing construction such as detached housing and rental apartment housing led to the sales increase, and strong sales in factory automation equipment also contributed to the increase in overall sales.

With respect to this segment, segment profit improved 172% to 61 billion yen from 22 billion yen due mainly to sales increase.

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**(12) Sales Results by Region**

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

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

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

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

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

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

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

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

## **B. Liquidity and Capital Resources**

### *Panasonic's Policy on Financial Position and Liquidity*

Panasonic maintains a basic policy of financing all required funds from internal sources. It also practices efficient fund management through internal financing activities. In fiscal 2012, the Company issued commercial paper to finance working capital and other financial needs. The balance of commercial paper outstanding was 369 billion yen as of March 31, 2012. Panasonic redeemed the fifth series of unsecured straight bonds totaling 100 billion yen issued in February 2002, the sixth series of unsecured straight bonds totaling 100 billion yen issued in March 2009, and the nineteenth series of unsecured straight bonds totaling 30 billion yen issued by SANYO in August 2004, which fell due in December 2011, March 2012 and August 2011, respectively. The ratio of shareholders' equity to total assets as of March 31, 2012 was 29.2%, down from 32.7% as of March 31, 2011. The total of short-term debt and long-term debt amounted to 1,576 billion yen as of March 31, 2012, down by 20 billion yen from a year ago. Cash balance decreased to 611 billion yen (the total of cash and cash equivalents of 574 billion yen, and time deposits with a maturity of more than three months of 37 billion yen) as of March 31, 2012, compared with the previous year's 1,045 billion yen (the total of cash and cash equivalents of 975 billion yen, and time deposits of 70 billion yen) as of March 31, 2011.

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In order to facilitate access to global capital markets, Panasonic obtains credit ratings from the world's two leading credit rating agencies, Moody's Japan K.K. (Moody's) and Standard & Poor's Rating Japan (S&P). In addition, Panasonic maintains credit ratings from Rating and Investment Information, Inc. (R&I), a rating agency nationally recognized in Japan, primarily for access to the Japanese capital markets. As of May 31, 2012, Panasonic's debt ratings are: Moody's: A2 (long-term, outlook: negative) down from A1 and stable in January 2012 (this downgrade was due mainly to a negative influence from the losses in its TV business and declines in earnings in its semiconductor business, as well as the weak earnings of SANYO's electronic devices and energy business under the weak market conditions and supply chain disruptions after the flooding in Thailand); S&P: A- (long-term, outlook: negative) down from A+ and stable in November 2011, and down from A in February 2012 (these downgrades were due mainly to the effects of negative pressure on the competitiveness of the digital AV business and weak earnings as a result of severe economic conditions), A-2 (short-term) down from A-1 in February 2012 (this downgrade was due mainly to the possibility of delay in restoring financial condition); and R&I: A+ (long-term, outlook: negative) down from AA in November 2011, and down from AA- and stable in May 2012 (these downgrades were due mainly to the negative influence from the continued weak earnings of digital AV products such as flat panel TVs affected by the structural deterioration of the business environment and the recognition of impairment losses of SANYO goodwill due to lower earnings of SANYO's consumer-use lithium-ion batteries business), a-1 (short-term) down from a-1+ in May 2012 (this downgrade was due mainly to further deteriorated earnings of the flat panel TV and panel businesses and the recognition of impairment losses of SANYO goodwill due to lower earnings of SANYO's consumer-use lithium-ion batteries business). As of May 31, 2012, the debt ratings of Panasonic Finance (America) Inc. and Panasonic Finance (Europe) Plc, two of Panasonic's supported subsidiaries, are: Moody's: P-1 (short-term) and S&P: A-2 (short-term). As of May 2012, Moody's debt rating of Panasonic of A2 (long-term, outlook: negative) and Moody's debt ratings of Panasonic Finance (America) Inc. and Panasonic Finance (Europe) Plc of P-1 (short-term) are under review for downgrade due to an increase in net debt and weak forecasted free cash flow for the fiscal year ending March 31, 2013.

Panasonic believes that its credit ratings include the rating agencies' assessment of the general operating environment, its positions in the markets in which it competes, reputation, movements and volatility in its earnings, risk management policies, liquidity and capital management. An adverse change in any of these factors could result in a reduction of Panasonic's credit ratings, and that could, in turn, increase its borrowing costs and limit its access to the capital markets or require it to post additional collateral and permit counterparties to terminate transactions pursuant to certain contractual obligations.

With the above-mentioned cash balance, combined with the generally and relatively high credit ratings from leading credit rating agencies, Panasonic believes that it has sufficient sources of liquidity for both working capital and long-term investment needs.

As of March 31, 2012, the outstanding balance of short-term debt totaled 634 billion yen, and long-term debt was 942 billion yen. Panasonic's borrowings are not significantly affected by seasonal factors. (For further details, see Note 9 of the Notes to Consolidated Financial Statements.) Most borrowings are at fixed rates.

Regarding cash flows, Panasonic uses free cash flow (see Overview Key performance indicators in Section A of this Item 5) as an important indicator to evaluate its performance. The Company completed its drastic structural reform in fiscal 2012. As a result, free cash flow went from positive 266 billion yen to negative 340 billion yen. From fiscal 2013, Panasonic will enhance and promote its cash flow management in addition to achieve a profit recovery. Furthermore, with regard to corporate financing, the Company strives for the improvement of cash flow through working capital reduction and disposal of assets including stock.

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

#### *Fiscal 2012 Financial Position and Liquidity*

The Company's consolidated total assets as of March 31, 2012 decreased by 1,222 billion yen to 6,601 billion yen from the end of fiscal 2011. This was due mainly to a decrease in property, plant and equipment, net of accumulated depreciation, intangible assets, goodwill and other assets affected by impairment losses of goodwill and fixed assets, in addition to a decrease in cash and cash equivalents.

Total liabilities were 4,623 billion yen due to a decrease in account payables and other factors. (For further details, see Note 9 of the Notes to Consolidated Financial Statements.)

Panasonic Corporation shareholders' equity decreased by 629 billion yen compared with the end of fiscal 2011 to 1,930 billion yen as of March 31, 2012. This was due mainly to net loss attributable to Panasonic Corporation.



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Noncontrolling interests decreased by 340 billion yen from the end of fiscal 2011 to 48 billion yen due mainly to the share exchanges for making PEW and SANYO wholly owned subsidiaries.

|   | <u>Yen (billions)</u>              |             |
|---|------------------------------------|-------------|
|   | <u>Fiscal year ended March 31,</u> |             |
|   | <u>2012</u>                        | <u>2011</u> |
| Purchases of property, plant and equipment shown as capital expenditures in the consolidated statements of cash flows | 456                                | 421         |
| Effects of timing difference between acquisition dates and payment dates  | (161)                              | (17)        |
| <b>Capital investment</b>   | <b>295</b>                         | <b>404</b>  |

Capital investment (excluding intangibles) during fiscal 2012 totaled 295 billion yen, down 27% from the previous fiscal year's total of 404 billion yen, as shown in the above table, reflecting efforts to channel investment activities to specific priority businesses.

Principal capital investments were directed mainly to solar cell and rechargeable battery manufacturing facilities (Kasai City, Hyogo Prefecture, etc.) and facilities in Taiwan that manufacture electronic components for highly functional terminals including smart phones.

Depreciation (excluding intangibles) during fiscal 2012 amounted to 259 billion yen, down 9% compared with 284 billion yen in the previous fiscal year.

Net cash used in operating activities in fiscal 2012 amounted to 37 billion yen, compared with 469 billion yen of net cash provided by operating activities in the previous fiscal year. This result was attributable primarily to a net loss of fiscal 2012 and a decrease in trade payables. Net cash used in investing activities amounted to 303 billion yen, compared with 203 billion yen in fiscal 2011. This result was due mainly to a decrease in proceeds from disposals of property, plant and equipment. Net cash used in financing activities was 53 billion yen, compared with 355 billion yen in fiscal 2011. This result was due mainly to expenditures from the tender offer for PEW and SANYO in fiscal 2011,

despite an increase in bonds and loans through the issuance of unsecured straight bonds and others in fiscal 2011.

Free cash flow in fiscal 2012 amounted to an outflow of 340 billion yen, compared with an inflow of 266 billion yen in fiscal 2011, due primarily to a net loss of fiscal 2012 and a decrease in proceeds from disposals of property, plant and equipment. (For a reconciliation of free cash flow to the most directly comparable U.S. GAAP financial measure and related discussion, see [Overview](#) [Key performance indicators](#) in Section A of this Item 5.)

#### *Commitments for Capital Expenditures*

As of March 31, 2012, commitments outstanding for the purchase of property, plant and equipment amounted to 22 billion yen.

#### *Foreign Undistributed Earnings*

Undistributed earnings of Panasonic's foreign subsidiaries and foreign corporate joint ventures which are indefinitely reinvested amounted to 920 billion yen as of March 31, 2012. Accordingly, cash and cash equivalents and investments in securities amounts held by Panasonic's foreign subsidiaries, totaling approximately 457 billion yen as of March 31, 2012, are not available for dividend distributions to Panasonic for use in Japan. Panasonic currently believes it does not need the cash and investments held by its foreign subsidiaries and foreign corporate joint ventures to be repatriated back to Japan as it has adequate liquidity within Japan to support its Japanese operations and repay its debt obligations.

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**C. Research and Development**

The Company's R&D topics are wide in scope, ranging from digital network software to device and environmental technologies. Panasonic has established R&D sites at optimal locations globally so that it can make the most of engineers and technologies in Japan, North America, Europe, China and the ASEAN region. In recent years, the Company has placed particular emphasis on the development of products that are more closely tailored to the food, clothing and housing environments of emerging countries.

R&D Expenditures amounted to 520 billion yen, 528 billion yen and 477 billion yen for the three fiscal years ended March 31, 2012, 2011 and 2010, respectively, representing 6.6%, 6.1% and 6.4% of Panasonic's total net sales for each of those periods.

Key development themes during the fiscal year were as follows:

- (1) Creation-Storage Linked System for the Home that Integrates Solar Cells and Lithium-Ion Rechargeable Battery Units

This system integrates Panasonic's solar cells and 4.65kWh lithium-ion rechargeable battery units using the Company's newly developed Power Station\*<sup>1</sup> to optimally control rechargeable battery charging while balancing the amount of solar power generation with the volume of electricity consumption.

This configuration enables the use of electricity generated from sunlight during the day, stabilizes the supply of daytime electricity during periods affected by weather conditions, and allows use at night through the application of any surplus electricity\*<sup>2</sup>. Not only can this system be used during normal circumstances, but also during power outages that extend over several days.

- (2) Improved Room Air Conditioner Energy-Saving Performance and Comfort Using a Top Unit Structure

Focusing on the dead-space at the top of conventional room air conditioners, Panasonic shifted the electrical components located at the side of indoor units to the top. Utilizing this top unit structure, the Company has successfully expanded heat exchanger volume without markedly altering the size of the overall unit.

As a result, and by also enlarging the width of the air discharge port, new top unit structure room air conditioners roughly double\*<sup>3</sup> airstream speed while increasing airstream reach and distance by approximately 1.7 times\*<sup>4</sup> compared with conventional models. Harnessing airflow control and focus technologies, cooled and heated air is sent comfortably to every corner of the room while at the same time improving the energy efficiency ratio.

(3) Wireless Technologies that Help Connect Smart DIGA, VIERA, and Other Devices

Thanks to the newly developed simple Wi-Fi\*<sup>5</sup> technology, households can build their own wireless networks using the Company's Smart DIGA Blu-ray disc recorder\*<sup>6</sup> without the need for wireless broadband routers.

As a result, and with a simple set up, recorded TV dramas, live sports broadcasts, home videos and photos can through wireless operation be transmitted and viewed on VIERA, bathroom, and kitchen TVs in other rooms.

(4) World's First\*<sup>7</sup> Thermoelectric Tubes that use a Tilted Multilayer Structure

The application of differing temperatures to each end of thermoelectric conversion materials has been recognized as a method for producing electric voltage between the high- and low-temperature portions. Panasonic's thermoelectric tubes use an unconventional phenomenon called the transverse thermoelectric effect, which takes place in tilted multilayers made of thermally-resistive thermoelectric materials and thermally-conductive metals. This effect makes it possible to produce a vertical electric current flow.

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Harnessing the Company's technologies, Panasonic has succeeded in producing the fourfold increase in electric power of 1.3W compared with conventional methods using a 10cm-long fabricated thermoelectric tube. This is a significant step forward in realizing thermal electric power generation using geothermal energy and heat from hot springs.

- \*1. Power Station is under application as a registered trademark of the Panasonic Group.
- \*2. No power is discharged from the battery while surplus solar energy is being sold.
- \*3. Panasonic measurement criterion.
- \*4. Panasonic measurement criterion.
- \*5. Compliant with the wireless LAN standard, Wi-Fi Direct, issued by Wi-Fi Alliance, an organization that promotes increased awareness and acceptance of wireless LAN use.
- \*6. Compatible models: BZT920/820/720.
- \*7. As of June 20, 2011; Source: Panasonic.

**D. Trend Information**

While several downside risks are expected to cloud the global economy throughout fiscal 2013, there are signs that conditions are entering a modest growth trajectory. Despite indications of a slowdown in their rates of growth, emerging regions continue to expand. Buoyed by such factors as sound consumption in the U.S., the outlook for developed regions also remains positive with a few exceptions in Europe.

Under these circumstances, and as the first year following the Group's large-scale structural reform and reorganization, Panasonic has positioned fiscal 2013 as a period in which it aims to achieve better results. Taking into consideration the Group's performance in fiscal 2012, Panasonic was forced to abandon its numerical goals outlined under GT12. The Company was successful, however, in building a structure and foundation that is capable of achieving its vision of becoming a Green Innovation Company. Moving forward, Panasonic will endeavor to get the most out of its new organization and to achieve a V-shaped recovery.

The Company has put forward the three Group-wide policies of focusing on profitability, strengthening products, and taking initiatives to change itself and make changes. Guided by these Group-wide commonly shared policies, Panasonic will implement the following specific measures.

1. Focus on Profitability

Losses incurred in TV- and semiconductor-related businesses that continue to pose significant challenges are cancelling out the profits generated by high-earning activities. Given these current circumstances, Panasonic will promote the following initiatives in an effort to reform its operating structure.

- Restructure Unprofitable Business

In addition to large-scale cutbacks in fixed costs attributable to the positive effects of structural reform, the Company will withdraw from the manufacture of unprofitable models in its TV set business and further rationalize costs. In its panel business, Panasonic aims to shift its focus to non-TV products, which offer greater potential for added-value.

- Increase Profitability in Growing Businesses

In energy-related fields including its solar and lithium-ion battery businesses as well as such growth businesses as appliances, Panasonic will pursue increased earnings through higher sales. In specific terms, the Company will expand businesses of solar-related systems with HIT brand solar cells, maximize production capacity for in-car lithium-ion batteries while enhancing quality, and accelerating global growth in the appliance business. By making full use of its various strengths in this manner, Panasonic will work to generate earnings.

- Creating Strong Solution Business

In its devices and systems businesses, Panasonic will work diligently to develop solution business models in an effort to continuously put forward optimal value proposals for its customers including corporate and public organizations. Energies will be channeled toward creating businesses that while limited in scale boast robust earnings capacity.

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- Establish Comprehensive Business Models

Panasonic will assemble competitive individual products, combine and link them into a system and provide repair and maintenance service. With this process as the essence of its comprehensive solutions, the Company will create new earnings models that move away from the concept of single items that are discontinued after sale and replaced by the next single item. Currently, Panasonic is promoting a project to create 100 business models in the comprehensive solutions business.

- Strengthen the Business Structure

The Group as a whole will adhere strictly to a policy of cost reduction while rebuilding its profit structure. Among a host of measures, Panasonic will cut costs through the optimization of global procurement activities, reap the positive effects of structural reform, and reduce fixed costs through Group-wide emergency management initiatives.

2. Strengthen Products

In the consumer field, Panasonic will combine efforts to develop products that are deeply rooted in the local community with the Company's advanced core technologies. At the same time, in the industrial devices field, energies will be channeled toward actively involving both engineering and marketing in the product planning process at customers. Through these means, Panasonic will be better placed to enhance the competitiveness of its products. In addition, the Company will hone its strengths in linking products and offering a variety of product lines to aggressively boost individual product competitiveness.

3. Take Initiatives to Change Itself and Make Changes

In order to harvest the maximum benefits of business reorganization, each and every employee will take ownership of their own improvement and development. Particular weight will be placed on ensuring that local companies that stand at the forefront of each overseas region will take the initiative and fulfill their roles and missions. This includes those projects currently in progress in India and Brazil as well as efforts to create new businesses rooted in the regions. Success in these activities will allow Panasonic to fully harness its global growth potential. In addition, Panasonic is reforming and simplifying head office functions as well as rebuilding Group-wide management systems with the aim of putting in place a small head office that focuses on strategy and investment.

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**E. Off-Balance Sheet Arrangements**

The Company established sale-leaseback arrangements for manufacturing machinery and equipment, and sale of receivables without recourse and with recourse, as off-balance sheet arrangements in order to reduce its total assets.

In fiscal 2012, Panasonic sold machinery and equipment for 22 billion yen, which are used for manufacturing liquid crystal display panel and other products, to Sumishin Panasonic Financial Services Co., Ltd. (On April 1, 2012, the name has been changed to Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.) and other third parties. The assets were leased back to Panasonic with terms ranging up to ten years. Panasonic guarantees a specific value of the leased assets. These leases are classified as operating leases for U.S. GAAP purposes. Including the above-mentioned, the aggregate amount of future minimum lease payments under non-cancelable operating leases is 118 billion yen at March 31, 2012. (For further details, see Note 6 of the Notes to Consolidated Financial Statements.)

In fiscal 2012, Panasonic sold, without recourse, trade receivables of 505 billion yen to independent third parties for proceeds of 504 billion yen and, with recourse, trade receivables of 402 billion yen to independent third parties for proceeds of 401 billion yen. (For further details, see Note 16 of the Notes to Consolidated Financial Statements.)

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



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**F. Tabular Disclosure of Contractual Obligations**

The two tables below show Panasonic's cash payment obligations and guarantees and other commercial commitments, broken down by the payment amounts due for each of the periods specified below, as of March 31, 2012:

|   | Yen (millions)         |                     |                |                |                  |
|---|------------------------|---------------------|----------------|----------------|------------------|
|   | Payments Due by Period |                     |                |                |                  |
|   | Total                  | Less than<br>1 year | 1-3<br>years   | 3-5<br>years   | After<br>5 years |
| <b>Contractual Obligations:</b>           |                        |                     |                |                |                  |
| Long-Term Debt Obligations                | 1,083,311              | 198,885             | 362,703        | 240,699        | 281,024          |
| Interest Obligations                      | 42,579                 | 11,683              | 16,291         | 9,429          | 5,176            |
| Capital Lease Obligations                 | 74,082                 | 16,740              | 23,841         | 15,554         | 17,947           |
| Operating Lease Obligations               | 117,756                | 46,415              | 48,046         | 9,041          | 14,254           |
| Purchase Obligations                      | 97,215                 | 33,895              | 19,816         | 18,021         | 25,483           |
| Defined benefit plan contribution         | 89,796                 | 89,796              |                |                |                  |
| <b>Total Contractual Cash Obligations</b> | <b>1,504,739</b>       | <b>397,414</b>      | <b>470,697</b> | <b>292,744</b> | <b>343,884</b>   |

Note: Contingent payments related to uncertain tax positions of 15 billion yen are excluded from the table above, as it is not possible to reasonably predict the ultimate amount of settlement or timing of payment.

|                                      | Yen (millions)             |
|--------------------------------------|----------------------------|
|                                      | Total Amounts<br>Committed |
| <b>Other Commercial Commitments:</b> |                            |
| Guarantees                           | 31,008                     |
| <b>Total Commercial Commitments</b>  | <b>31,008</b>              |

Discounted exported bills generally have contractual lives of less than one year. Loan guarantees are principally provided on behalf of employees, associated companies and customers, and generally have long-term contractual lives coinciding with the maturities of the guaranteed obligations. (For further details, see Notes 6, 9, 10, 11 and 19 of the Notes to Consolidated Financial Statements.)

**G. Safe Harbor**

See Cautionary Statement Regarding Forward-Looking Statements.

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**H. Accounting Principles**

**Critical Accounting Policies**

The Company has identified the following critical accounting policies which are important to its financial condition and results of operations, and require management's judgment.

*Long-lived Assets*

The useful lives of long-lived assets are summarized in Note 1(h) of the Notes to Consolidated Financial Statements included in this annual report and reflect the estimated period that the Company expects to derive economic benefit from their use. In estimating the useful lives and determining whether subsequent revisions to the useful lives are necessary, the Company considers the likelihood of technological obsolescence, changes in demand for the products related to such assets, and other factors which may affect their utilization of the long-lived assets. The effect of any future changes to the estimated useful lives of the long-lived assets could be significant to the Company's results of operations.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs. Factors which may contribute to the need for future impairment charges include changes in the use of assets resulting from the Company's restructuring initiatives, technological changes or any significant declines in the demand for related products.

*Valuation of Investment Securities*

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

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

Individual securities are reduced to net realizable value by a charge to earnings for other-than-temporary declines in fair value. Management regularly reviews each investment security for impairment based on criteria that includes the extent to which cost exceeds market value, the duration of that market decline and the financial health of and specific prospects for the issuer. Because such specific information may become available after the Company makes the impairment evaluation, and whether the impairment is other-than-temporary depends upon future events that may or may not occur, the Company may be required to recognize an other-than-temporary impairment in the future. Determination of whether a decline in value is other-than-temporary requires judgment. At March 31, 2012, the Company has recorded 228 billion yen of available-for-sale securities, 25 billion yen of cost method securities, 31 billion yen of equity method securities that have market values, and 169 billion yen of equity method securities that do not have market values, advances and others. These investments could be determined to be other-than-temporarily impaired, depending on changes to the current facts and assumptions. In fiscal 2012, the Company recorded 17 billion yen impairment losses on investment securities.

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

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*Valuation of Inventory*

Inventories are stated at the lower of cost, determined on a first-in, first-out basis or average basis, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. The Company routinely reviews its inventories for their salability and for indications of obsolescence to determine if inventories should be written-down to net realizable value. Judgments and estimates must be made and used in connection with establishing such allowances in any accounting period. In estimating the net realizable value of its inventories, the Company considers the age of the inventories and the likelihood of spoilage or changes in market demand for its inventories.

*Warranties*

The Company makes estimates of potential warranty claims related to its goods sold. The Company provides for such costs based upon historical experience and its estimate of the level of future claims. Management makes judgments and estimates in connection with establishing the warranty reserve in any accounting period. Differences may result in the amount and timing of its revenue for any period if management makes different judgments or utilizes different estimates. (For further details, see Note 19 of the Notes to Consolidated Financial Statements.)

*Valuation of Accounts Receivable and Noncurrent Receivables*

The Company reviews its accounts receivable on a periodic basis and provides an allowance for doubtful receivables based on historical loss experience and current economic conditions. In evaluating the collectibility of individual receivable balances, the Company considers the age of the balance, the customers' payment history, their current credit-worthiness and adequacy of collateral.

The Company records noncurrent receivables, representing loans from finance lease transactions, at cost, less the related allowance for impaired receivables. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows or the fair value of the collateral. Cash receipts on impaired receivables are applied to reduce the principal amount of such receivables until the principal has been recovered and are recognized as interest income thereafter. Management's judgment is required in making estimates of the future cash

flows of an impaired loan. Such estimates are based on current economic conditions and the current and expected financial condition of the debtor. (For further details, see Schedule II of Item 18.)

#### *Valuation of Goodwill*

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired, such as an adverse change in business climate. Impairment is recorded if the implied fair value of goodwill is less than its carrying amount. The fair value determination used in the impairment assessment requires estimates of the fair value of reporting units based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. These estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change. At March 31, 2012, the Company has recorded 757 billion yen of goodwill, part or all of which could be determined to be impaired in future periods, depending on changes to the current facts and assumptions. For further discussion on goodwill, see Note 8 of the Notes to Consolidated Financial Statements included in this annual report.

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*Valuation of Deferred Tax Assets and Sustainability of Uncertain Tax Positions*

In assessing the realizability of deferred tax assets and uncertain tax positions based on the expected future generation of taxable income or assessed sustainability of uncertain tax positions, Panasonic considers whether it is more likely than not that any portion or all of the deferred tax assets or recognized benefit under uncertain tax position benefit will not be realized. The ultimate realization of deferred tax assets and uncertain tax positions is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or dependent on assessed sustainability of uncertain tax positions. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment over the valuation of deferred tax assets.

At March 31, 2012, the Company has recorded gross deferred tax assets of 1,640 billion yen with a total valuation allowance of 1,030 billion yen. Included in the gross deferred tax assets is 724 billion yen resulting from net operating loss carryforwards (NOLs) of 2,145 billion yen, which are available to offset future taxable income. In order to fully realize these NOLs, the Company will need to generate sufficient taxable income by the expiration of these NOLs. These NOLs of 1,992 billion yen expire from fiscal 2013 through 2021 and the remaining balance expire thereafter or do not expire. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2012 based on available evidence. The Company could be required to increase the valuation allowance if such assumptions would change concluding that the Company would not be able to generate sufficient taxable income. At March 31, 2012, the Company has recorded 15 billion yen of unrecognized tax benefits. For further discussion on valuation of deferred tax assets and realizability of uncertain tax positions, see Note 11 of the Notes to Consolidated Financial Statements included in this annual report.

*Retirement and Severance Benefits*

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

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



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*Accounting for Derivatives*

The Company has limited involvement with derivative financial instruments and does not use them for trading purposes. The Company uses derivative instruments principally to manage foreign currency risks resulting from transactions denominated in currencies other than the Japanese yen. The Company recognizes all derivatives as either assets or liabilities on the balance sheet at their fair values. Changes in the fair value of a derivative are reported in earnings or other comprehensive income (loss) depending on their use and whether they qualify for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the hedged item. The Company evaluates and determines on a continuous basis if the derivative remains highly effective in offsetting changes in the fair value or cash flows of the hedged item. If the derivative ceases to be highly effective in offsetting changes in the fair value or cash flows of the hedged item, the Company discontinues hedge accounting prospectively. Because the derivatives the Company uses are not complex, significant judgment is not required to determine their fair values. Fair values are determined based on unadjusted market prices or quotations from brokers.

*Loss Contingencies*

Loss contingencies may from time to time arise from situations such as product liability claims, warranty claims, disputes over intellectual property rights, environmental remediation obligations, and other legal actions. Loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. In recording liabilities for probable losses, management is required to make estimates and judgments regarding the amount or range of the probable loss. Management continually assesses the adequacy of estimated loss contingencies and, if necessary, adjusts the amounts recorded as better information becomes known.

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*New Accounting Pronouncements*

In June 2011, FASB issued Accounting Standards Update (ASU) 2011-05, *Presentation of Comprehensive Income*. Under ASU 2011-05, which amends ASC 220, *Comprehensive Income*, an entity has the option to present the components of net income and other comprehensive income in either one or two consecutive financial statements. ASU 2011-05 eliminates the option to present other comprehensive income in the statements of equity. ASU 2011-05 is effective for the Company as of April 1, 2012, and should be applied retrospectively. The adoption of ASU 2011-05 is not expected to have a material effect on the Company's consolidated financial statements. In December 2011, FASB decided to defer the effective date of those changes in ASU 2011-05 that relate only to the presentation of reclassification adjustments in the statement of income by issuing ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income* in Accounting Standards Update 2011-05.

In September 2011, FASB issued ASU 2011-08, *Testing Goodwill for Impairment*. ASU 2011-08, which amends ASC 350, *Intangibles—Goodwill and Other*, permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test. ASU 2011-08 is effective for the Company as of April 1, 2012. The adoption of ASU 2011-08 is not expected to have a material effect on the Company's consolidated financial statements.

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**Item 6. Directors, Senior Management and Employees**

**A. Directors and Senior Management**

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table shows information about Panasonic's Directors and Corporate Auditors as of June 27, 2012, including their dates of birth, positions, responsibilities and brief personal records.

| Name                            | Position and responsibilities in the Company, and brief personal records  |
|---------------------------------|---|
| (Date of birth)                 |   |
| Fumio Ohtsubo<br>(Sep. 5, 1945) | <u>Chairman of the Board of Directors</u><br>-Jun. 1998 Director of the Company;<br>-Jun. 2000 Managing Director of the Company;<br>-Jun. 2003 Senior Managing Director of the Company;<br>-Jun. 2006 President of the Company;<br>-Jun. 2012 Chairman of the Board of Directors. |
| Masayuki Matsushita             | <u>Vice Chairman of the Board of Directors</u>  |

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(Oct. 16, 1945)      -Feb. 1986 Director of the Company;  
-Jun. 1990 Managing Director of the Company;  
-Jun. 1992 Senior Managing Director of the Company;  
-Jun. 1996 Executive Vice President of the Company;  
-Jun. 2000 Vice Chairman of the Board of Directors.

Kazuhiro Tsuga

President and Director

(Nov. 14, 1956)

-Jun. 2004 Executive Officer of the Company;  
-Apr. 2008 Managing Executive Officer of the Company;  
-Apr. 2011 Senior Managing Executive Officer of the Company;  
-Jun. 2011 Senior Managing Director of the Company;  
-Jun. 2012 President of the Company.

Yasuo Katsura

Executive Vice President and Director

(Sep. 19, 1947)

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



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| Name                                     | Position and responsibilities in the Company, and brief personal records  |
|--|---|
| (Date of birth)                          |   |
| Shusaku Nagae*<br><br>(Jan. 30, 1950)    | <u>Executive Vice President and Director</u><br>-Jun. 2010 President, Panasonic Electric Works Co., Ltd.;<br>-Apr. 2011 Senior Managing Executive Officer of the Company;<br>-Jan. 2012 In charge of Solution Business / President, Eco Solutions Company;<br>-Jun. 2012 Executive Vice President of the Company / In charge of Corporate Division for Promoting Energy Solution Business.  |
| Ikusaburo Kashima*<br><br>(Oct. 8, 1948) | <u>Senior Managing Director</u><br>-Jun. 2003 Vice Chairman, Information Technology Promotion Agency;<br>-Jun. 2005 Director of the Company;<br>-Apr. 2007 Managing Director of the Company / In charge of Legal Affairs and Corporate Business Ethics;<br>-Apr. 2009 In charge of Intellectual Property;<br>-Apr. 2010 Senior Managing Director of the Company;<br>-Apr. 2011 In charge of Corporate Risk Management and Corporate Information Security. |
| Yoshihiko Yamada*<br><br>(May 11, 1951)  | <u>Senior Managing Director</u><br>-Jun. 2004 Executive Officer of the Company;<br>-Apr. 2007 Managing Executive Officer of the Company;<br>-Jun. 2010 Managing Director of the Company;<br>-Apr. 2011 Senior Managing Director of the Company;<br>-Jan. 2012 In charge of Industrial Devices Business.   |
| Yoshiiku Miyata*<br><br>(Apr. 24, 1953)  | <u>Senior Managing Director</u><br>-Apr. 2007 Executive Officer of the Company;<br>-Apr. 2009 Managing Executive Officer of the Company;<br>-Apr. 2011 Senior Managing Executive Officer of the Company;<br>-Jun. 2011 Senior Managing Director of the Company;<br>-Jan. 2012 Director, Global Consumer Marketing Sector / In charge of Design.   |
| Kazunori Takami*<br><br>(Jun. 12, 1954)  | <u>Senior Managing Director</u><br>-Apr. 2006 Executive Officer of the Company;<br>-Apr. 2008 Managing Executive Officer of the Company;<br>-Apr. 2009 President, Appliances Company;<br>-Jun. 2009 Managing Director of the Company;<br>-Apr. 2012 Senior Managing Director of the Company.  |
| Takashi Toyama*<br><br>(Sep. 28, 1955)   | <u>Managing Director</u><br>-Apr. 2007 Executive Officer of the Company;<br>-Jun. 2010 Director of the Company;<br>-Apr. 2011 Managing Director of the Company;   |

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-Jun. 2012 In charge of Planning and Information Systems

Hideaki Kawai\*

Managing Director

(Sep. 1, 1954)

-Apr. 2008 Executive Officer of the Company;

-Apr. 2011 Managing Executive Officer of the Company;

-Jun. 2012 Managing Director of the Company / In charge of Accounting and Finance

Yoshiyuki Miyabe\*

Managing Director

(Dec. 5, 1957)

-Apr. 2008 Executive Officer of the Company;

-Apr. 2011 Managing Executive Officer of the Company / In charge of Technology;

-Jun. 2011 Managing Director of the Company.

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| Name<br><br>(Date of birth)           | Position and responsibilities in the Company, and brief personal records   |
|---------------------------------------|--|
| Yoshiaki Nakagawa*<br>(Feb. 14, 1954) | <u>Managing Director</u><br>-Apr. 2009 Executive Officer of the Company;<br>-Apr. 2011 Managing Executive Officer of the Company / In charge of Human Resources and General Affairs;<br>-Jun. 2011 Managing Director of the Company;<br>-Jun. 2012 In charge of Facility Management. |
| Mamoru Yoshida*<br>(May 21, 1956)     | <u>Managing Director</u><br>-Apr. 2009 Executive Officer of the Company;<br>-Apr. 2012 Managing Executive Officer of the Company / President, AVC Networks Company;<br>-Jun. 2012 Managing Director of the Company.  |
| Ikuo Uno<br>(Jan. 4, 1935)            | <u>Director</u><br>-Apr. 2005 Chairman, Nippon Life Insurance Company;<br>-Jun. 2005 Director of the Company;<br>-Jul. 2011 Executive Advisor to the Board, Nippon Life Insurance Company.   |
| Masayuki Oku<br>(Dec. 2, 1944)        | <u>Director</u><br>-Jun. 2005 Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc.;<br>-Jun. 2008 Director of the Company.  |
| Seiichiro Sano<br>(Nov. 20, 1952)     | <u>Senior Corporate Auditor</u><br>-Jun. 2007 President, SANYO Electric Co., Ltd.;<br>-Apr. 2011 Senior Managing Executive Officer of the Company;<br>-Jun. 2012 Senior Corporate Auditor of the Company.  |
| Yoshihiro Furuta<br>(Sep. 22, 1954)   | <u>Senior Corporate Auditor</u><br>-Jun. 2008 Managing Director, Panasonic Electric Works Co., Ltd.;<br>-Jun. 2011 Senior Corporate Auditor of the Company / Chairman, Panasonic Group Auditors Meeting.   |
| Yasuo Yoshino<br>(Oct. 5, 1939)       | <u>Corporate Auditor</u><br>-Jul. 2001 Chairman, Sumitomo Life Insurance Company;<br>-Jun. 2003 Corporate Auditor of the Company;<br>-Jul. 2007 Advisory of Sumitomo Life Insurance Company.   |
| Ikuo Hata<br>(Aug. 6, 1931)           | <u>Corporate Auditor</u><br>-Sep. 1995 Registered as Attorney at law (member of Osaka Bar Association);<br>-Jul. 2001 Member of Supreme Court's Building-Related Litigation Commission;<br>-Jun. 2004 Corporate Auditor of the Company.  |
| Hiroyuki Takahashi                    | <u>Corporate Auditor</u>   |

|                |            |  |
|----------------|------------|--|
| (Mar. 1, 1937) | -Oct. 2000 | Executive Managing Director and Secretary-General, Japan Corporate Auditors Association; |
|                | -Jun. 2006 | Corporate Auditor of the Company.  |

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

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

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

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

There are no family relationships among any Directors or Corporate Auditors.

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The following table shows information about Panasonic's Executive Officers as of June 27, 2012, including their positions and responsibilities.

| Name                | Positions and responsibilities   |
|---------------------|--|
| Takumi Kajisha      | Senior Managing Executive Officer<br>In charge of Corporate Communications   |
| Yutaka Takehana     | Managing Executive Officer<br>Director, Corporate Division for Government & Public Affairs   |
| Makoto Uenoyama     | Managing Executive Officer<br>Senior Vice President, Eco Solutions Company / In charge of<br>Administration, Eco Solutions Company                           |
| Toshiaki Kobayashi  | Managing Executive Officer<br>President, Industrial Devices Company  |
| Masatoshi Harada    | Managing Executive Officer<br>Representative in Kansai   |
| Yoshihisa Fukushima | Managing Executive Officer<br>In charge of Intellectual Property   |
| Laurent Abadie      | Managing Executive Officer<br>Regional Head for Europe & CIS / Chairman & CEO, Panasonic Europe Ltd. /<br>Managing Director, Panasonic Marketing Europe GmbH |
| Yorihisa Shiokawa   | Managing Executive Officer<br>Regional Head for Asia, the Middle East & Africa / Managing Director, Panasonic<br>Asia Pacific Pte. Ltd.                      |
| Jun Ishii           | Managing Executive Officer<br>In charge of Japan Region, Global Consumer Marketing Sector / President, Panasonic   |

Consumer Marketing Co., Ltd.

Tsuyoshi Nomura

Managing Executive Officer

In charge of Manufacturing Innovation, Quality Administration, FF Customer Support & Management, Environmental Affairs, Procurement and Logistics

Joseph Taylor

Executive Officer

Regional Head for North America / Chairman & CEO, Panasonic Corporation of North America

Toshiro Kisaka

Executive Officer

In charge of Groupwide Cost Busters Project / Director,

Corporate Procurement Division and Corporate Global Logistics Division

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| <b>Name</b>        | <b>Positions and responsibilities</b>   |
|--------------------|---|
| Masato Tomita      | Executive Officer<br>Vice President, Eco Solutions Company / In charge of Overseas Operations, Eco Solutions Company                          |
| Takeshi Uenoyama   | Executive Officer<br>In charge of Device Technology   |
| Shiro Nishiguchi   | Executive Officer<br>Director, AVC Marketing Division, Global Consumer Marketing Sector   |
| Yoshiro Takemoto   | Executive Officer<br>President, Manufacturing Solutions Company / President, Panasonic Factory Solutions Co., Ltd.                            |
| Kenji Yamane       | Executive Officer<br>President, Healthcare Company / President, Panasonic Healthcare Co., Ltd.  |
| Yoshio Ito         | Executive Officer<br>Senior Vice President, AVC Networks Company / Director, Display Devices Business Group, AVC Networks Company             |
| Hidetoshi Osawa    | Executive Officer<br>Regional Head for China & Northeast Asia / Chairman, Panasonic Corporation of China                                      |
| Yukio Nakashima    | Executive Officer<br>Director, Appliances Marketing Division, Global Consumer Marketing Sector  |
| Kuniaki Matsukage  | Executive Officer<br>Vice President, Eco Solutions Company / Director, Lighting Business Group, Eco Solutions Company                         |
| Masato Ito         | Executive Officer<br>President, Energy Company / President, SANYO Electric Co., Ltd.  |
| Yasutomo Fukui     | Executive Officer<br>In charge of Information Systems   |
| Katsuhiko Fujiwara | Executive Officer<br>Senior Vice President, Appliances Company / Director, Air Conditioning and Cold Chain Business Group, Appliances Company |
| Masahisa Shibata   | Executive Officer<br>President, Automotive Systems Company  |
| Toshiyuki Takagi   | Executive Officer   |

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President, Systems & Communications Company / President, Panasonic System Networks Co., Ltd.

Shiro Kitajima

Executive Officer

President, Panasonic Consumer Marketing Company of North America, Panasonic Corporation of North America



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| Name             | Positions and responsibilities   |
|------------------|--|
| Machiko Miyai    | Executive Officer<br>Director, Corporate Environmental Affairs Division and Corporate Electricity Saving Division              |
| Masahiro Ido     | Executive Officer<br>Vice President, Eco Solutions Company / In charge of Planning, Eco Solutions Company                      |
| Satoshi Takeyasu | Executive Officer<br>Vice President, Eco Solutions Company / Director, Comprehensive Solutions Division, Eco Solutions Company |
| Takeo Endo       | Executive Officer<br>Managing Director, Panasonic Consumer Marketing China, Panasonic Corporation of China                     |

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

**B. Compensation**

The aggregate amount of remuneration, including equity compensation such as stock options, bonuses, and other financial benefits given in consideration of performance of duties (collectively, the remunerations), paid by the Company during fiscal 2012 to 21 Directors (other than Outside Directors) and 3 Corporate Auditors (other than Outside Corporate Auditors) for services in all capacities was 1,081 million yen and 69 million yen, respectively. The amount of remunerations for 2 Outside Directors and 3 Outside Corporate Auditors was 28 million yen and 42 million yen, respectively, in fiscal 2012.

The amount of remunerations for Mr. Kunio Nakamura, Executive Adviser, and Mr. Fumio Ohtsubo, Chairman of the Board of Director, was 133 million yen and 113 million yen, respectively, in fiscal 2012.

Under the Company Law, the maximum amounts of remuneration of directors and corporate auditors of Japanese joint stock corporations, except for a joint stock corporation with specified committees, must be approved at a general meeting of shareholders if the articles of incorporation of the company do not provide items about remuneration of directors and corporate auditors. Companies must also obtain the approval at a general meeting of shareholders to change such maximum amounts. Therefore, the remuneration of the directors and corporate auditors are subject to the

approval of shareholders if the articles of incorporation of the company do not prescribe such items. The maximum total amounts of remunerations for Directors and Corporate Auditors of the Company are therefore determined by a resolution at a general meeting of shareholders, because the Articles of Incorporation of the Company do not provide such items, and thus remuneration of Directors and Corporate Auditors of the Company is under the oversight of shareholders. The remuneration amount for each Director is determined by the Company's Representative Directors who are delegated to do so by the Board of Directors, and the amount of remuneration for each Corporate Auditor is determined upon discussions amongst the Corporate Auditors.

The amounts of the remuneration and bonuses of Directors are linked to individual performance based on Capital Cost Management (CCM), sales and CO<sub>2</sub> emissions (an environmental management indicator). By implementing this new performance evaluation criteria based on shareholder interests, the Company intends to promote continuous growth and enhance profitability on a long-term basis for the Panasonic Group as a whole.

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**C. Board Practices**

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

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

**D. Employees**

The following table lists the number of full-time employees of Panasonic as of March 31, 2012, 2011 and 2010.

|            | <u>2012</u>    | <u>2011</u>    | <u>2010</u>    |
|------------|----------------|----------------|----------------|
| Employees: |                |                |                |
| Domestic   | 133,605        | 145,512        | 152,853        |
| Overseas   | 197,162        | 221,425        | 231,733        |
| Total      | <u>330,767</u> | <u>366,937</u> | <u>384,586</u> |

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

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

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

## E. Share Ownership

- (1) The following table lists the number of shares owned by the Directors and Corporate Auditors of the Company as of June 27, 2012. The total is 8,345,071 shares constituting 0.36% of all issued and outstanding shares of the Company's common stock, excluding its own stock.

| <u>Name</u>         | <u>Position</u>                         | <u>Number of<br/>Panasonic Shares<br/>Owned as of<br/>June 27, 2012</u> |
|---------------------|---|---|
| Fumio Ohtsubo       | Chairman of the Board of Directors      | 82,200  |
| Masayuki Matsushita | Vice Chairman of the Board of Directors | 7,924,100   |
| Kazuhiro Tsuga      | President and Director                  | 32,700  |
| Yasuo Katsura       | Executive Vice President and Director   | 44,316  |
| Shusaku Nagae       | Executive Vice President and Director   | 4,275   |
| Ikusaburo Kashima   | Senior Managing Director                | 25,600  |
| Yoshihiko Yamada    | Senior Managing Director                | 33,061  |
| Yoshiiku Miyata     | Senior Managing Director                | 22,200  |
| Kazunori Takami     | Senior Managing Director                | 20,000  |
| Takashi Toyama      | Managing Director                       | 32,200  |
| Hideaki Kawai       | Managing Director                       | 42,267  |
| Yoshiyuki Miyabe    | Managing Director                       | 31,700  |
| Yoshiaki Nakagawa   | Managing Director                       | 20,557  |
| Mamoru Yoshida      | Managing Director                       | 17,000  |
| Ikuo Uno            | Director                                | 0   |
| Masayuki Oku        | Director                                | 1,050   |
| Seiichiro Sano      | Senior Corporate Auditor                | 2,995   |
| Yoshihiro Furuta    | Senior Corporate Auditor                | 5,850   |
| Yasuo Yoshino       | Corporate Auditor                       | 3,000   |
| Ikuo Hata           | Corporate Auditor                       | 0   |
| Hiroyuki Takahashi  | Corporate Auditor                       | 0   |
| <b>Total</b>        |   | <b>8,345,071</b>  |

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- (2) The full-time employees of the Company and its major subsidiaries in Japan are eligible to participate in the Panasonic Corporation Employee Shareholding Association, whereby participating employees contribute a portion of their salaries to the Association and the Association purchases shares of the Company's common stock on their behalf. The Company provides the subsidy in proportion to the number of points that each employee selects to exchange within certain limitations under the Cafeteria Plan, the Company's flexible benefit plan. Under the Cafeteria Plan, each employee is allotted a certain number of points based on prescribed standards, which he or she may exchange for various benefits, including the Company's subsidy for contributions to the Association, subsidies for rental housing, subsidies for asset building savings, educational assistance, hotel accommodations, etc. As of March 31, 2012, the Association owned 49,871 thousand shares of the Company's common stock constituting 2.15% of all issued and outstanding shares of the Company's common stock, excluding treasury stock.

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

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

The shareholders that owned more than five percent of the Company's common stock on the register of shareholders as of March 31, 2012 were The Master Trust Bank of Japan, Ltd. (trust account) and Japan Trustee Services Bank, Ltd. (trust account), which are securities processing services companies. The Company understands that these shareholders are not the beneficial owners of the Company's common stock, but the Company does not have available further information concerning such beneficial ownership by these shareholders. The ten largest shareholders of record and their share holdings as of March 31, 2012 are as follows:

| <u>Name</u>  | <u>Share ownership<br/>(in thousands of shares)</u> | <u>Percentage of<br/>total issued<br/>shares</u> |
|--|---|--|
| The Master Trust Bank of Japan, Ltd. (trust account) | 133,064   | 5.75%  |
| Japan Trustee Services Bank, Ltd. (trust account)    | 127,720   | 5.52   |
| Nippon Life Insurance Company                        | 76,728  | 3.31   |
| Sumitomo Mitsui Banking Corporation                  | 66,817  | 2.89   |
| Moxley & Co. LLC                                     | 57,930  | 2.50   |
| Panasonic Employee Shareholding Association          | 49,871  | 2.15   |
| SSBT OD05 Omnibus Account-Treaty Clients             | 46,982  | 2.03   |
| Sumitomo Life Insurance Co.                          | 37,408  | 1.61   |

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|   |        |      |
|---|--------|------|
| State Street Bank and Trust Co.                     | 33,939 | 1.46 |
| Japan Trustee Services Bank, Ltd. (trust account 9) | 30,206 | 1.30 |

- Notes: 1. Holdings of less than 1,000 shares have been omitted.
2. Percentage of total issued shares is calculated excluding the Company's own shares (141,351,296). In accordance with the share exchange conducted on April 1, 2011 making Panasonic a wholly-owning parent company and both Panasonic Electric Works Co., Ltd. and SANYO Electric Co., Ltd. wholly-owned subsidiary companies, 241,961,655 shares from treasury stock were allotted and delivered to the shareholders of both companies.

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- (2) As of March 31, 2012, approximately 10.11% of the Company's common stock was owned by 136 United States shareholders, including the ADR Depositary's nominee, Moxley & Co. LLC, considered as one shareholder of record, owning approximately 2.50% of the total common stock.
- (3) Panasonic is not, directly or indirectly, owned or controlled by other corporations, by the Japanese government or any foreign government or by any natural or legal person or persons severally or jointly.
- (4) As far as is known to the Company, there is no arrangement, the operation of which may at a subsequent date result in a change in control of Panasonic.

**B. Related Party Transactions**

In the ordinary course of the Company's business, it has entered into transactions with certain of its related parties, but none of such transactions that were entered into during the year ended March 31, 2012 was material to the Company or to any such related party.

The Company had no loan receivable from an associated company under the equity method as of March 31, 2012.

**C. Interests of Experts and Counsel**

Not applicable

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

- (1) Consolidated Statements

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

(2) Legal Proceedings

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



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(3) Dividend Policy

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

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

In fiscal 2012, the Company posted the largest-ever losses due mainly to the Great East Japan Earthquake, the flooding in Thailand and significant business restructuring expenses. In light of the Company's policy emphasizing its stable rewards to its shareholders, the Company paid an interim dividend of 5 yen per share on November 30, 2011 and a year-end dividend of 5 yen per share on June 8, 2012, making an annual cash dividend of 10 yen per share. Meanwhile, the Company did not repurchase its own shares, except for acquiring fractions of a trading unit and other minor transactions. Although Panasonic expects severe business environment, the Company will strive to improve its performance and distribute earnings to shareholders.

(4) Initiatives to Maximize Shareholder Value

On April 28, 2005, the Board of Directors resolved to adopt a policy related to a Large-scale Purchase of the Company's shares called the Enhancement of Shareholder Value (ESV) Plan. The ESV Plan has been approved at Board of Directors meeting annually. On May 11, 2012, the Board of Directors resolved to continue the ESV Plan.

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

period) for consideration.

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

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

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

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

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

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

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

The Company does not anticipate that taking such countermeasures will cause shareholders, other than the Large-scale Purchaser, economic damage or loss of any rights. However, in the event that the Board of Directors determines to take a specific countermeasure, the Board of Directors will disclose such countermeasure in a timely and appropriate manner, pursuant to relevant laws and stock exchange regulations.

The terms of office of all Directors are for one year, and they are elected at an annual general meeting of shareholders in June of each year. All of the two Outside Directors and three Outside Corporate Auditors are notified to the Japanese stock exchanges as independent directors/corporate auditors pursuant to the regulations of the Japanese stock exchanges and are unlikely to have any conflict of interests with shareholders of the Company. Panasonic's Board of Directors intends to review the Large-scale Purchase Rules, as necessary, for reasons including amendments to applicable legislation. Any such review would be conducted strictly in the interests of all shareholders.

For further details about the ESV Plan, please see the press release issued on May 11, 2012 at the Company's Web site:

<http://panasonic.co.jp/corp/news/official.data/data.dir/en120511-5/en120511-5.pdf>

**B. Significant Changes**

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

**Item 9. The Offer and Listing**

**A. Offer and Listing Details**

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

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

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

| Fiscal Year ended March 31 | Tokyo Stock Exchange                  |       | New York Stock Exchange                        |       |
|----------------------------|---------------------------------------|-------|--|-------|
|                            | Price per Share of Common Stock (yen) |       | Price per American Depositary Share (dollars)* |       |
|                            | High                                  | Low   | High   | Low   |
| 2008                       | 2,585                                 | 1,912 | 22.59  | 16.63 |
| 2009                       | 2,515                                 | 1,000 | 24.38  | 10.60 |
| 2010                       | 1,585                                 | 1,062 | 17.19  | 10.77 |
| 2011                       | 1,480                                 | 826   | 15.72  | 10.76 |
| 2012                       | 1,070                                 | 582   | 12.75  | 7.77  |
| 2011                       |                                       |       |  |       |
| 1st quarter                | 1,480                                 | 1,104 | 15.72  | 12.35 |
| 2nd quarter                | 1,212                                 | 1,027 | 13.80  | 12.14 |
| 3rd quarter                | 1,272                                 | 1,100 | 15.00  | 13.19 |
| 4th quarter                | 1,206                                 | 826   | 14.56  | 10.76 |
| 2012                       |                                       |       |  |       |
| 1st quarter                | 1,070                                 | 902   | 12.75  | 11.29 |
| 2nd quarter                | 1,032                                 | 703   | 12.66  | 9.22  |
| 3rd quarter                | 834                                   | 638   | 11.00  | 8.13  |
| 4th quarter                | 783                                   | 582   | 9.46   | 7.77  |

Tokyo Stock Exchange                      New York Stock Exchange

| <b>Most recent 6 months</b> | <b>Price per Share of<br/>Common Stock (yen)</b> |            | <b>Price per American<br/>Depositary Share<br/>(dollars)*</b> |            |
|-----------------------------|--|------------|---|------------|
|                             | <b>High</b>                                      | <b>Low</b> | <b>High</b>   | <b>Low</b> |
| December 2011               | 748  | 638        | 9.54  | 8.13       |
| January 2012                | 671  | 606        | 8.69  | 8.00       |
| February 2012               | 777  | 582        | 9.46  | 7.77       |
| March 2012                  | 783  | 694        | 9.35  | 8.56       |
| April 2012                  | 780  | 616        | 9.27  | 7.59       |
| May 2012                    | 628  | 507        | 7.60  | 6.44       |

\* The prices of ADSs are based upon reports by the NYSE, with all fractional figures rounded up to the nearest two decimal points.

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**B. Plan of Distribution**

Not applicable

**C. Markets**

See Section A of this Item 9.

**D. Selling Shareholders**

Not applicable

**E. Dilution**

Not applicable

**F. Expenses of the Issue**

Not applicable

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**Item 10. Additional Information**

**A. Share Capital**

Not applicable

**B. Memorandum and Articles of Association**

**Organization**

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

**Objects and Purposes**

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

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



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

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

Directors

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

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

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

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

Common Stock

*General*

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

Effective on January 5, 2009, a new central book-entry transfer system for listed shares of Japanese companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares etc. and regulations thereunder (collectively, the Book-entry Transfer Law), and this system is applied to the shares of Common Stock of the Company. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at Japan Securities Depository Center, Inc. (JASDEC), the only institution that is designated by the relevant authorities as a clearing house under the Book-entry Transfer Law.

Account management institutions are financial instruments business operators (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Transfer Law. Transfer of the shares of Common Stock of the Company is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Company Law and the Book-entry Transfer Law, in order to assert shareholders' rights to which shareholders as of record dates are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends) against the Company, a shareholder must have its name and address registered in the Company's register of shareholders. Under the central book-entry transfer system, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Law and the Company's Share Handling

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

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

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

***Authorized capital***

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

As of March 31, 2012, 2,453,053,497 shares of Common Stock were issued. All shares of Common Stock of the Company have no par value. All issued shares of the Company are fully-paid and non-assessable.

***Distribution of Surplus***

***Distribution of Surplus - General***

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

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

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of Common Stock of the Company held by respective shareholders. A resolution of a general meeting of shareholders or the Board of Directors, as the case may be, authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the

distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders or the Board of Directors, as the case may be, grant a right to the shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see *Voting Rights* with respect to a special resolution ).

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

*Distribution of Surplus*    *Restriction on Distributions of Surplus*

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

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

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

In the above formula:

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

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

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

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

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

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

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



last business year) the amount set aside from such Surplus to additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

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

- (a) the book value of its treasury stock;
- (b) the amount of consideration for any of treasury stock disposed of by the Company after the end of the last business year; and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

The Company, for the fiscal year ended March 31, 2012, elected to become a company with respect to which consolidated balance sheets should be considered in the calculation of the Distributable Amount (renketsu haito kisei tekiyo kaisha) as described below. If a company has become at its option a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount, a company shall, in calculating the Distributable Amount, further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of stockholders' equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by ordinances of the Ministry of Justice over (y) the total amount of stockholders' equity and certain other amounts set forth by ordinances of the Ministry of Justice appearing on the consolidated balance sheet as of the end of the last business year.

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If the Company has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or, if so required by the Company Law, by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by the Company, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by the Company must be audited by the Corporate Auditors and the Accounting Auditor, as required by ordinances of the Ministry of Justice.

***Stock splits***

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

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

***Consolidation of shares***

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

The Company must disclose the reason for the consolidation of shares at the general meeting of shareholders.

***General meeting of shareholders***

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

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

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

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

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

***Voting rights***

So long as the Company maintains the unit share system (see Item 10.B. Memorandum and Articles of Association Common Stock Unit share system below; currently 100 shares constitute one unit) a holder of shares constituting one or more full units is entitled to one voting right per unit of shares subject to the limitations on voting rights set forth in the following two sentences. Any corporate or certain other entity, one-quarter or more of whose total voting rights are directly or indirectly owned by the Company, may not exercise its voting rights with respect to shares of Common Stock of the Company that it owns. In addition, the Company may not exercise its voting rights with respect to its shares that it owns. If the Company eliminates from its Articles of Incorporation the provisions relating to the unit of shares, holders of Common Stock will have one voting right for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting. The Company Law and the Company's Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total number of voting rights of all the shareholders entitled to exercise their voting rights. The Company's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. The Company's shareholders also may cast their votes in writing, or exercise their voting rights by electronic means pursuant to the method designated by the Company.

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

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

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- (8) dissolution, liquidation, merger, consolidation, or corporate split with certain exceptions in which a shareholders' resolution is not required;
- (9) the transfer of the whole or a material part of the business;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders' resolution is not required; or
- (11) share exchange or share transfer for the purpose of establishing 100% parent-subsidary relationships with certain exceptions in which a shareholders' resolution is not required;

the quorum shall be one-third of the total voting rights of all the shareholders and the approval by at least two-thirds of the voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting is required (the special shareholders resolutions).

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

***Issue of additional shares***

Holders of the Company's shares of Common Stock have no pre-emptive rights under the Company Law. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under "Voting rights" above. In

the case of an issuance or transfer of the Company's shares of Common Stock or stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative opinion from a person independent of our management is generally required pursuant to the regulations of the Japanese stock exchanges. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date at least two weeks prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

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

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***Liquidation rights***

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

***Record date***

As mentioned above (see Item 10.B. Memorandum and Articles of Association *Common Stock Distribution of Surplus Distribution of Surplus General*), March 31 is the record date for the Company's year-end dividends. So long as the Company maintains the unit share system, the shareholders who are registered as the holders of one or more units of shares in the Company's registers of shareholders at the end of each March 31 are entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends. In addition, the Company may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice. Under the Book-entry Transfer Law, JASDEC is required to give the Company a notice of the names and addresses of the shareholders, the number of shares held by them and other relevant information as of each such record date, and the Company's register of shareholders shall be updated accordingly.

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

***Acquisition by the Company of its common stock***

Under the Company Law and the Company's Articles of Incorporation, the Company may acquire its own shares of Common Stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to a special shareholders resolution), (ii) from any of its subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which the Company's shares of Common Stock are listed or by way of tender offer (as long as its non-consolidated annual financial statements and certain documents for the last business year fairly present its asset and profit or loss status, as required by ordinances of the Ministry of Justice) (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In



the case of (i) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

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

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***Unit share system***

The Articles of Incorporation of the Company provide that 100 shares constitute one unit of shares of Common Stock. Although the number of shares constituting one unit is included in the Articles of Incorporation, any amendment to the Articles of Incorporation reducing (but not increasing) the number of shares constituting one unit or eliminating the provisions for the unit of shares may be made by a resolution of the Board of Directors rather than by a special shareholders resolution, which is otherwise required for amending the Articles of Incorporation. The number of shares constituting one unit, however, cannot exceed 1,000 nor 0.5% of total number of issued shares.

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

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

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

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

dispositions of shares of Common Stock in lots less than one unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

***Sale by the Company of shares held by shareholders whose location is unknown***

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

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

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Reporting of substantial shareholdings, etc.

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

A similar report must also be filed in respect to any subsequent change of one percent or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares with voting rights held by such holder and the issuer's total issued share capital. Any such report shall be filed with the Director General of the relevant Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors' Network (EDINET) system. Copies of such report must also be furnished to the issuer of such shares.

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

There is no provision in the Company's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving the Company. However, the Board of Directors resolved to adopt the ESV Plan which provides certain rules which a Large-scale Purchaser who intends to acquire 20% or more of all voting rights of the Company must comply with. (For details, please see (4) Initiatives to Maximize Shareholder Value in Section A of Item 8.)

Daily price fluctuation limits under Japanese stock exchange rules

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

### **C. Material Contracts**

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

### **D. Exchange Controls**

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

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Exchange non-residents are:

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

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

Foreign investors are:

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

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

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

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

**E. Taxation**

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

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

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

For purposes of this discussion, a U.S. Holder is any beneficial owner of shares of Common Stock or ADSs that, for U.S. federal income tax purposes, is:



- (i) a citizen or individual resident of the United States;
- (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes organized in or under the laws of the United States, any State, or the District of Columbia;
- (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or
- (iv) a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

An Eligible U.S. Holder is a U.S. Holder that:

- (i) is a resident of the United States for purposes of the Treaty;
- (ii) does not maintain a permanent establishment in Japan (a) with which shares of Common Stock or ADSs are effectively connected or (b) of which shares of Common Stock or ADSs form part of the business property; and
- (iii) is eligible for benefits under the Treaty, with respect to income and gain derived in connection with the shares of Common Stock or ADSs.

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

**Japanese taxation**

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

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

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is 20% (20.42%, on or after January 1, 2013). However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of Common Stock of the Company or ADSs) to non-resident Holders, except for any individual shareholder who holds 3% or more of the total issued shares of the relevant Japanese corporation, the aforementioned 20% (20.42%, on or after January 1, 2013) withholding tax rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2012, (ii) 7.147% for dividends due and payable on or after January 1, 2013 but on or before December 31, 2013 and (iii) 15.315% for dividends due and payable on or after January 1, 2014. Due to the

imposition of a special additional withholding tax (2.1% of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 7%, 15% and 20%, as applicable, will be effectively increased, respectively, to 7.147%, 15.315% and 20.42%, during the period beginning on January 1, 2013 and ending on December 31, 2037. At the date of this annual report, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, in most cases to 15% or 10% for portfolio investors (15% under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, Spain and Sweden, and 10% under the income tax treaties with Australia, France, Hong Kong, the Netherlands, Switzerland, the U.K. and the United States.)

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

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

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

Japanese inheritance tax and gift tax at progressive rates may be payable by an individual who has acquired from an individual shares of Common Stock or ADSs as a legatee, heir or donee even though neither the acquiring individual nor the deceased nor donor is a Japanese resident.

Holders of shares of Common Stock of the Company or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. Holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

U.S. federal income taxation

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

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

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*Taxation of dividends*

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

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

*Taxation of capital gains*

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

*Sales of shares of Common Stock to the Company*

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

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*Passive foreign investment company considerations*

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

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

**F. Dividends and Paying Agents**

Not applicable

**G. Statement by Experts**

Not applicable

**H. Documents on Display**

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



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

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

**I. Subsidiary Information**

Not applicable

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**Item 11. Quantitative and Qualitative Disclosures about Market Risk**

The Company is exposed to market risk, including changes of foreign exchange rates, interest rates and prices of marketable securities and commodities. In order to hedge the risks of changes in foreign exchange rates, interest rates and commodity prices, the Company uses derivative financial instruments. The Company does not hold or issue financial instruments for trading purposes. Although the use of derivative financial instruments exposes the Company to the risk of credit-related losses in the event of nonperformance by counterparties, the Company believes that such risk is minor because of the high credit rating of the counterparties.

Equity Price Risk

The Company holds available-for-sale securities included in short-term investments and investments and advances. In general, highly-liquid and low risk instruments are preferred in the portfolio. Available-for-sale securities included in investments and advances are held as longer term investments. The Company does not hold marketable securities for trading purposes.

Maturities of investments in available-for-sale securities at March 31, 2012 and 2011 are as follows:

|                                       | Yen (millions) |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2012           |                | 2011           |                |
|                                       | Cost           | Fair value     | Cost           | Fair value     |
| Due within one year                   | 473            | 483            |                |                |
| Due after one year through five years | 1,769          | 1,821          | 2,686          | 2,747          |
| Equity securities                     | 171,412        | 225,433        | 250,400        | 313,813        |
| <b>Total</b>                          | <b>173,654</b> | <b>227,737</b> | <b>253,086</b> | <b>316,560</b> |

Foreign Exchange Risk

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

The following table provides the contract amounts and fair values of foreign exchange contracts, primarily hedging U.S. dollar and euro revenues, at March 31, 2012 and 2011. Amounts related to foreign exchange contracts entered into in connection with long-term debt denominated in foreign currencies which eliminate all foreign currency exposures, are shown in the table of Interest Rate Risk.

|                            | Yen (millions)     |               |                    |               |
|----------------------------|--------------------|---------------|--------------------|---------------|
|                            | 2012               |               | 2011               |               |
|                            | Contract<br>amount | Fair<br>value | Contract<br>amount | Fair<br>value |
| Forward:                   |                    |               |                    |               |
| To sell foreign currencies | 339,271            | (9,385)       | 397,580            | (3,116)       |
| To buy foreign currencies  | 376,075            | 4,482         | 225,444            | (2,835)       |
| Cross currency swaps       | 123,586            | 304           | 47,668             | (462)         |
| Interest rate swaps        |                    |               | 31,170             | 0             |

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Commodity Price Risk

The Company is exposed to market risk of changes in prices of commodities including various non-ferrous metals used in the manufacturing of various products. The Company enters into commodity future contracts to offset such exposure.

The following table provides the contract amounts and fair values of commodity futures at March 31, 2012 and 2011.

|                    | Yen (millions)     |               |                    |               |
|--------------------|--------------------|---------------|--------------------|---------------|
|                    | 2012               |               | 2011               |               |
|                    | Contract<br>amount | Fair<br>value | Contract<br>amount | Fair<br>value |
| Commodity futures: |                    |               |                    |               |
| To sell commodity  | 156,458            | (981)         | 128,411            | (5,333)       |
| To buy commodity   | 170,101            | 2,349         | 160,483            | 20,390        |

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Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates principally to its debt obligations. The Company has long-term debt primarily with fixed rates. Fixed-rate debt obligations expose the Company to variability in their fair values due to changes in interest rates. To manage the variability in the fair values caused by interest rate changes, the Company enters into interest rate swaps when it is determined to be appropriate based on market conditions. Interest rate swaps change fixed-rate debt obligations to variable-rate debt obligations by entering into fixed-receiving, variable-paying interest rate swap contracts. The hedging relationship between interest rate swaps and hedged debt obligations is highly effective in achieving offsetting changes in fair values resulting from interest rate risk. The following tables provide information about the Company's financial instruments that are sensitive to changes in interest rates at March 31, 2012 and 2011. For debt obligations, the table presents principal cash flows by expected maturity dates, related weighted average interest rates and fair values of financial instruments.

Long-term debt, including current portion\*:

|                                    |       | Yen (millions)   |                |                |               |                |             |                  |  |
|------------------------------------|-------|--|----------------|----------------|---------------|----------------|-------------|------------------|--|
|                                    |       | Carrying amount and maturity date (as of March 31, 2012) |                |                |               |                |             |                  |  |
| Average interest rate              | Total | 2013   | 2014           | 2015           | 2016          | 2017           | There-after | Fair value       |  |
| Unsecured Straight bonds           | 1.1%  | 931,765  | 150,000        | 230,000        | 31,769        | 239,996        | 280,000     | 952,120          |  |
| Unsecured bank loans               | 1.0%  | 149,814  | 48,885         | 41,874         | 58,649        | 389            | 17          | 147,934          |  |
| Secured bank loans by subsidiaries | 1.8%  | 1,732  |                | 269            | 142           | 146            | 151         | 1,732            |  |
| <b>Total</b>                       |       | <b>1,083,311</b>   | <b>198,885</b> | <b>272,143</b> | <b>90,560</b> | <b>240,531</b> | <b>168</b>  | <b>1,101,786</b> |  |

|                                    |       | Yen (millions)   |                |                |               |                |            |                  |            |
|------------------------------------|-------|--|----------------|----------------|---------------|----------------|------------|------------------|------------|
|                                    |       | Carrying amount and maturity date (as of March 31, 2011) |                |                |               |                |            |                  |            |
| Average interest rate              | Total | 2012   | 2013           | 2014           | 2015          | 2016           | 2017       | There-after      | Fair value |
| Unsecured Straight bonds           | 1.1%  | 931,765  | 150,000        | 230,000        | 31,769        | 239,996        | 280,000    | 952,120          |            |
| Unsecured bank loans               | 1.0%  | 149,814  | 48,885         | 41,874         | 58,649        | 389            | 17         | 147,934          |            |
| Secured bank loans by subsidiaries | 1.8%  | 1,732  |                | 269            | 142           | 146            | 151        | 1,732            |            |
| <b>Total</b>                       |       | <b>1,083,311</b>   | <b>198,885</b> | <b>272,143</b> | <b>90,560</b> | <b>240,531</b> | <b>168</b> | <b>1,101,786</b> |            |

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|                |      | <u>Total</u>     | <u>2012</u>    | <u>2013</u>    | <u>2014</u>    | <u>2015</u>   | <u>2016</u>    | <u>There-<br/>after</u> | <u>Fair<br/>value</u> |
|----------------|------|------------------|----------------|----------------|----------------|---------------|----------------|-------------------------|-----------------------|
| Unsecured      |      |                  |                |                |                |               |                |                         |                       |
| Straight bonds | 1.1% | 1,000,000        | 200,000        | 150,000        | 200,000        |               | 200,000        | 250,000                 | 1,011,955             |
| Unsecured      |      |                  |                |                |                |               |                |                         |                       |
| Straight bonds |      |                  |                |                |                |               |                |                         |                       |
| issued by      |      |                  |                |                |                |               |                |                         |                       |
| subsidiaries   | 1.6% | 162,407          | 30,493         | 150            | 30,000         | 31,769        | 39,995         | 30,000                  | 164,696               |
| Unsecured      |      |                  |                |                |                |               |                |                         |                       |
| bank loans     | 1.1% | 259,801          | 108,603        | 49,961         | 42,190         | 58,650        | 397            |                         | 257,950               |
| Secured bank   |      |                  |                |                |                |               |                |                         |                       |
| loans by       |      |                  |                |                |                |               |                |                         |                       |
| subsidiaries   | 1.9% | 3,473            | 614            | 309            | 847            | 168           | 176            | 1,359                   | 3,473                 |
| <b>Total</b>   |      | <b>1,425,681</b> | <b>339,710</b> | <b>200,420</b> | <b>273,037</b> | <b>90,587</b> | <b>240,568</b> | <b>281,359</b>          | <b>1,438,074</b>      |

\* Unsecured straight bonds as of March 31, 2012 include bonds, originally issued by PEW or SANYO and transferred to the Company in fiscal 2012.

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

Not applicable

**B. Warrants and Rights**

Not applicable

**C. Other Securities**

Not applicable

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

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

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

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- Share distributions, stock split, rights, merger.

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

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



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

- Any other charge payable by  
depository or its agents.

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**D4. Fees and Other Payment Made by the Depositary to the Issuer**

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

| <u>Category of Expenses</u>          | <u>Amount Reimbursed for fiscal 2012</u> |
|--------------------------------------|--|
| New York Stock Exchange Listing fees | US\$ 38,000                              |

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**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None

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

None

**Item 15. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934) as of March 31, 2012. Based on that evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of that date.

**Management's Report on Internal Control Over Financial Reporting**

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

- (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

The management of the Company, with the participation of the Company's principal executive and principal financial officers, conducted an evaluation of the effectiveness of internal control over financial reporting as of March 31, 2012 based on the framework in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on the assessment, the management of the Company concluded that the internal control over financial reporting of the Company was effective as of March 31, 2012.

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

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**Evaluation of Changes in Internal Control Over Financial Reporting**

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) under the U.S. Securities Exchange Act of 1934) occurred during the year ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

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

**Item 16B. Code of Ethics**

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

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

The following table shows the aggregate fees accrued or paid to KPMG AZSA LLC and its member firms (KPMG), the Company's principal accountant for the years ended March 31, 2012 and 2011:

|                    | <u>Yen (millions)</u> |              |
|--------------------|-----------------------|--------------|
|                    | <u>2012</u>           | <u>2011</u>  |
| Audit fees         | 3,376                 | 4,326        |
| Audit-related fees | 28                    | 167          |
| Tax fees           | 221                   | 137          |
| All other fees     | 215                   | 20           |
| <b>Total</b>       | <b>3,840</b>          | <b>4,650</b> |

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

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

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

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

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

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

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

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

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

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

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

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

To the extent permitted by Japanese law:

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



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

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

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

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**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table shows the number of shares purchased by or on behalf of the Company or any affiliated purchaser and the average price paid per share.

In fiscal 2012, the Company did not repurchase its own shares nor announced the repurchase plan, except for repurchase of its own shares constituting less than a full unit upon request from a holder of such shares and the other minor transactions described below.

| <u>Period</u>          | <u>(a) Total<br/>Number of<br/>Shares<br/>Purchased<br/>(Shares)</u> | <u>(b) Average<br/>Price Paid<br/>per Share*<br/>(Yen)</u> |
|------------------------|--|--|
| April 1 - 30, 2011     | 24,559   | 998  |
| May 1 - 31, 2011       | 25,431   | 954  |
| June 1 - 30, 2011      | 63,398   | 1,007  |
| July 1 - 31, 2011      | 28,219   | 944  |
| August 1 - 31, 2011    | 26,678   | 804  |
| September 1 - 30, 2011 | 26,029   | 733  |
| October 1 - 31, 2011   | 24,234   | 767  |
| November 1 - 30, 2011  | 26,975   | 697  |
| December 1 - 31, 2011  | 33,936   | 659  |
| January 1 - 31, 2012   | 31,217   | 657  |
| February 1 - 29, 2012  | 567,978  | 649  |
| March 1 - 31, 2012     | 27,395   | 746  |
| <b>Total</b>           | <b>906,049</b>   | <b>717</b>   |

\* The amounts less than yen are rounded to the nearest whole of a yen.

Under the Company Law, a holder of shares constituting less than a full unit may require the Company to purchase such shares at their market value (see Common Stock Unit share system in Section B of Item 10). During the year ended March 31, 2012, the Company purchased 81,923 shares for 73,607,132 yen upon such requests from holders of shares constituting less than one full unit.

The Directors, Corporate Auditors, Executive Officers and Executive Counselors in Japan are eligible to participate in the Panasonic Corporation Directors and Executive Officers Shareholding Association, which is an affiliated purchaser, and the Association purchases shares of the Company's common stock on their behalf. During the year ended March 31, 2012, the Association purchased 270,926 shares for 213,856,270 yen.

The information for the period May 1 31, 2011, June 1 30, 2011 and February 1 29, 2012, in the above table includes the purchase by the Company of 1,000, 12,000 and 540,200 shares of its common stock from certain shareholders at a price of 1,020 yen, 1,051 yen and 645 yen per share, respectively.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable

**Item 16G. Corporate Governance**

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as Panasonic, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

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The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Panasonic.

Corporate Governance  
Practices Followed by  
NYSE-listed U.S. companies

Corporate Governance Practices Followed by Panasonic

A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.

The Company Law does not require independent directors on the board of directors. The Company Law has provisions for an outside director, whose definition is similar to, but not the same as, an independent director under the NYSE Listed Company Manual. An outside director is defined as a director of the company who does not engage or has not engaged in the execution of business of the company or its subsidiaries as a director of any of these corporations, and who does not serve or has not served as an executive officer, manager or in any other capacity as an employee of the company or its subsidiaries. A Japanese joint stock corporation with corporate auditors, such as Panasonic, is not obliged under the Company Law to have any outside directors on its board of directors.

However, Panasonic had two (2) outside Directors as of June 27, 2012. In addition, pursuant to amendments to the regulations of the Japanese stock exchanges in fiscal 2010, Panasonic is required to have one or more independent director(s)/corporate auditor(s) which terms are defined under the relevant regulations of the Japanese stock exchanges as outside directors or outside corporate auditors (each of which terms is defined under the Company Law) who are unlikely to have any conflict of interests with shareholders of Panasonic. The definition of the independent director/corporate auditor is different from that of the independent directors under the NYSE Listed Company Manual or under Rule 10A-3 under the U.S. Securities Exchange Act of 1934. Each of the outside directors and outside corporate auditors of Panasonic satisfies the requirements for the independent director/corporate auditor under the regulations of the Japanese stock exchanges, respectively. The tasks of supervising the administration of the Company's affairs are assigned not only to the Board of Directors but also to Corporate Auditors, as more fully described below.

A NYSE-listed U.S. company must have an audit committee with responsibilities described

A Japanese joint stock corporation is not required to have any audit, nominating and compensation committees, except for a joint stock corporation with specified committees, which is a corporate governance system that may be adopted by

under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors, and the audit committee must have at least three (3) members and satisfy the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934.

Japanese joint stock corporations meeting certain criteria.

Most Japanese joint stock corporations, including Panasonic, employ a corporate governance system based on corporate auditors. With this system, the tasks of supervising the administration of the company's affairs conducted by directors are assigned not only to the board of directors but also to corporate auditors who are appointed at a general meeting of shareholders, and who are separate and independent from the board of directors. All corporate auditors must meet certain independence requirements under the Company Law. Under the Company Law, Panasonic is required to appoint at least three (3) Corporate Auditors, and at least half of Panasonic's Corporate Auditors are required to be Outside Corporate Auditors who must meet additional independence requirements. An outside corporate auditor is defined as a corporate auditor of the Company who has never been as a director, accounting counselor, executive officer, manager or in any other capacity as an employee of the company or any of its subsidiaries prior to the appointment. Under the Company Law, Panasonic is required to establish a Board of Corporate Auditors, comprising all the Company's Corporate Auditors.

As of June 27, 2012, Panasonic had five (5) Corporate Auditors, of which three (3) were Outside Corporate Auditors. Each Corporate Auditor of Panasonic has a four-year term. In contrast, the term of each Director of Panasonic is one year. Corporate Auditors are obliged to attend the meetings of the Board of Directors and express their opinion at the meetings if necessary. The Board of Corporate Auditors and Corporate Auditors have a statutory duty to supervise the administration of the Company's affairs by Directors. The Board of Corporate Auditors has a statutory duty to, based on the reports prepared by respective Corporate Auditors, prepare and submit its audit report to Accounting Auditors and certain Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements and the business report). A copy of the audit report is included in the appendix to the convocation notice of the ordinary general meeting of shareholders.

A Corporate Auditor also has a statutory duty to examine the financial statements of Panasonic, and receives auditors' reports from an accounting auditor (a certified public accountant or an accounting firm). The Board of Corporate Auditors has the power to request that Panasonic's Directors submit a proposal for dismissal of an accounting auditor to a general meeting of shareholders. The Board of Corporate Auditors also has the power to directly dismiss an accounting auditor under certain conditions. Panasonic's Directors must obtain the consent of its Board of Corporate Auditors in order to submit a proposal for election, dismissal and/or non-reelection of an accounting auditor to a general meeting of shareholders.

With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, Panasonic relies on an

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exemption under that rule which is available to foreign private issuers with a board of corporate auditors meeting certain requirements. In addition, each of the outside corporate auditors of Panasonic satisfies the requirements for the independent director/corporate auditor under the regulations of the Japanese stock exchanges as described above.

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A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.

Under the Company Law, Panasonic's Directors must be elected and/or dismissed at a general meeting of shareholders. The Board of Directors nominates Director candidates and submits a proposal for election of directors to a general meeting of shareholders. The Board of Directors does not have the power to fill vacancies thereon.

Panasonic's Corporate Auditors must also be elected and/or dismissed at a general meeting of shareholders. Panasonic's Directors must obtain the consent of the Board of Corporate Auditors in order to submit a proposal for election of a Corporate Auditor to a general meeting of shareholders. Each of the Corporate Auditors has the right to state his/her opinion concerning the election, dismissal and/or resignation of any Corporate Auditor, including himself/herself, at a general meeting of shareholders. The Board of Corporate Auditors is also empowered to request Directors to submit a proposal for election of a specific person as a Corporate Auditor to a general meeting of shareholders.

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A NYSE-listed U.S. company must have a compensation committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The compensation committee must be composed entirely of independent directors.

Under the Company Law, the maximum amounts of remunerations, including equity compensation such as stock options, bonuses, and other financial benefits given in consideration of performance of duties (collectively, the remunerations ) of directors and corporate auditors of Japanese joint stock corporations, except for a joint stock corporation with specified committees, must be approved at a general meeting of shareholders. Companies must also obtain the approval at a general meeting of shareholders to change such maximum amounts. Therefore, the remunerations of the directors and corporate auditors are subject to the approval of shareholders.

The maximum total amounts of remunerations for Directors and Corporate Auditors of Panasonic is therefore determined by a resolution at a general meeting of shareholders, and thus remunerations of the Directors and Corporate Auditors of Panasonic are under the oversight of shareholders. The remuneration amount for each Director is determined by Panasonic's Representative Directors who are delegated to make such determination by the Board of Directors, and the amount of remuneration for each Corporate Auditor is determined upon discussions amongst the Corporate Auditors.

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

Pursuant to the Company Law, if a Japanese joint stock corporation, such as Panasonic, desires to adopt an equity compensation plan under which stock acquisition rights are granted on specially favorable conditions (except where such rights are granted to all shareholders on a pro rata basis), such plan must be approved by a special resolution of a general meeting of shareholders that satisfies the prescribed quorum. (In the case of Panasonic, such quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required as provided by Panasonic's Articles of Incorporation pursuant to the Company Law.)

**Item 16H. Mine Safety Disclosure**

Not applicable



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**PART III**

**Item 17. Financial Statements**

Not applicable

**Item 18. Financial Statements**

Index of Consolidated Financial Statements of Panasonic Corporation and Subsidiaries:

|   | <b><u>Page</u></b> |
|---|--------------------|
| <u>Reports of Independent Registered Public Accounting Firm</u>   | 100                |
| <u>Consolidated Balance Sheets as of March 31, 2012 and 2011</u>  | 102                |
| <u>Consolidated Statements of Operations for the years ended March 31, 2012, 2011 and 2010</u>                      | 104                |
| <u>Consolidated Statements of Equity for the years ended March 31, 2012, 2011 and 2010</u>                          | 105                |
| <u>Consolidated Statements of Cash Flows for the years ended March 31, 2012, 2011 and 2010</u>                      | 107                |
| <u>Notes to Consolidated Financial Statements</u>   | 109                |
| Schedule for the years ended March 31, 2012, 2011 and 2010:   |                    |
| <u>Schedule II Valuation and Qualifying Accounts and Reserves for the years ended March 31, 2012, 2011 and 2010</u> | 171                |

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

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Panasonic Corporation:

We have audited the accompanying consolidated balance sheets of Panasonic Corporation and subsidiaries (the Company ) as of March 31, 2012 and 2011, and the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended March 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Panasonic Corporation and subsidiaries as of March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Panasonic Corporation and subsidiaries' internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 28, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG AZSA LLC

Osaka, Japan

June 28, 2012

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Panasonic Corporation:

We have audited Panasonic Corporation and subsidiaries (the Company) internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Panasonic Corporation and subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended March 31, 2012, and our report dated June 28, 2012 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA LLC

Osaka, Japan

June 28, 2012

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**PANASONIC CORPORATION  
AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2012 and 2011**

| <u>Assets</u>  | <u>Yen (millions)</u> |                  |
|--|-----------------------|------------------|
|  | <u>2012</u>           | <u>2011</u>      |
| <b>Current assets:</b>                                   |                       |                  |
| Cash and cash equivalents (Note 9)                       | 574,411               | 974,826          |
| Time deposits (Note 9)                                   | 36,575                | 69,897           |
| Short-term investments (Note 5)                          | 483                   |                  |
| Trade receivables (Note 16):                             |                       |                  |
| Related companies  | 14,834                | 17,202           |
| Notes  | 72,952                | 78,821           |
| Accounts (Note 17)                                       | 948,460               | 984,938          |
| Allowance for doubtful receivables                       | (26,604)              | (21,860)         |
| <b>Net trade receivables</b>                             | <b>1,009,642</b>      | <b>1,059,101</b> |
| Inventories (Note 3)                                     | 830,266               | 896,424          |
| Other current assets (Notes 7, 11 and 17)                | 454,663               | 489,601          |
| <b>Total current assets</b>                              | <b>2,906,040</b>      | <b>3,489,849</b> |
| <b>Investments and advances:</b>                         |                       |                  |
| Associated companies (Note 4)                            | 136,735               | 156,845          |
| Other investments and advances (Notes 5 and 9)           | 315,144               | 412,806          |
| <b>Total investments and advances</b>                    | <b>451,879</b>        | <b>569,651</b>   |
| <b>Property, plant and equipment (Notes 6, 7 and 9):</b> |                       |                  |
| Land   | 374,855               | 381,840          |

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|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Buildings                            | 1,679,665        | 1,771,178        |
| Machinery and equipment              | 2,248,137        | 2,290,760        |
| Construction in progress             | 90,786           | 96,489           |
|                                      | <u>4,393,443</u> | <u>4,540,267</u> |
| Less accumulated depreciation        | 2,659,160        | 2,656,958        |
|                                      | <u>1,734,283</u> | <u>1,883,309</u> |
| Other assets:                        |                  |                  |
| Goodwill (Note 8)                    | 757,417          | 924,752          |
| Intangible assets (Notes 6, 7 and 8) | 345,751          | 542,787          |
| Other assets (Notes 10 and 11)       | 405,685          | 412,522          |
|                                      | <u>1,508,853</u> | <u>1,880,061</u> |
|                                      | <u>6,601,055</u> | <u>7,822,870</u> |

See accompanying Notes to Consolidated Financial Statements.

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**PANASONIC CORPORATION  
AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2012 and 2011**

| <u>Liabilities and Equity</u>  | <u>Yen (millions)</u> |                  |
|--|-----------------------|------------------|
|  | <u>2012</u>           | <u>2011</u>      |
| <b>Current liabilities:</b>  |                       |                  |
| Short-term debt, including current portion of long-term debt (Notes 6 and 9) | 633,847               | 432,982          |
| <b>Trade payables:</b>   |                       |                  |
| Related companies  | 39,941                | 55,102           |
| Notes  | 52,987                | 59,889           |
| Accounts (Note 17)   | 758,085               | 886,261          |
| <b>Total trade payables</b>  | <b>851,013</b>        | <b>1,001,252</b> |
| Accrued income taxes (Note 11)   | 32,553                | 42,415           |
| Accrued payroll  | 204,842               | 192,279          |
| Other accrued expenses (Notes 15 and 19)                                     | 749,495               | 747,205          |
| Deposits and advances from customers   | 71,102                | 66,473           |
| Employees deposits   | 7,651                 | 9,101            |
| Other current liabilities (Notes 10, 11 and 17)                              | 329,001               | 355,343          |
| <b>Total current liabilities</b>   | <b>2,879,504</b>      | <b>2,847,050</b> |
| <b>Noncurrent liabilities:</b>   |                       |                  |
| Long-term debt (Notes 6 and 9)   | 941,768               | 1,162,287        |
| Retirement and severance benefits (Note 10)                                  | 566,550               | 492,960          |
| Other liabilities (Note 11)  | 235,667               | 374,238          |
| <b>Total noncurrent liabilities</b>  | <b>1,743,985</b>      | <b>2,029,485</b> |



|  |                       |   |
|--|-----------------------|---|
| Panasonic Corporation shareholders equity:                         |                       |   |
| Common stock (Note 12):  |                       |   |
| Authorized   | -4,950,000,000 shares |   |
| Issued   | -2,453,053,497 shares | 258,740 258,740   |
| Capital surplus (Note 12)  |                       | 1,117,530 1,100,181                                     |
| Legal reserve (Note 12)  |                       | 94,512 94,198   |
| Retained earnings (Note 12)  |                       | 1,441,177 2,401,909                                     |
| Accumulated other comprehensive income (loss):                     |                       |   |
| Cumulative translation adjustments                                 |                       | (482,168) (453,158)                                     |
| Unrealized holding gains of available-for-sale securities (Note 5) |                       | 13,283 16,835   |
| Unrealized gains (losses) of derivative instruments (Note 17)      |                       | (3,728) 2,277   |
| Pension liability adjustments (Note 10)                            |                       | (262,542) (191,254)                                     |
|  |                       | <u>                    </u> <u>                    </u> |
| Total accumulated other comprehensive loss                         |                       | (735,155) (625,300)                                     |
|  |                       | <u>                    </u> <u>                    </u> |
| Treasury stock, at cost (Note 12):                                 |                       |   |
| 141,351,296 shares (382,760,101 shares in 2011)                    |                       | (247,018) (670,736)                                     |
|  |                       | <u>                    </u> <u>                    </u> |
| Total Panasonic Corporation shareholders equity                    |                       | 1,929,786 2,558,992                                     |
|  |                       | <u>                    </u> <u>                    </u> |
| Noncontrolling interests   |                       | 47,780 387,343  |
|  |                       | <u>                    </u> <u>                    </u> |
| Total equity   |                       | 1,977,566 2,946,335                                     |
| Commitments and contingent liabilities (Notes 6 and 19)            |                       | <u>                    </u> <u>                    </u> |
|  |                       | <u>                    </u> <u>                    </u> |
|  |                       | 6,601,055 7,822,870                                     |
|  |                       | <u>                    </u> <u>                    </u> |

See accompanying Notes to Consolidated Financial Statements.

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**PANASONIC CORPORATION**  
**AND SUBSIDIARIES**

**Consolidated Statements of Operations**

**Years ended March 31, 2012, 2011 and 2010**

|  | Yen (millions)   |                  |                  |
|--|------------------|------------------|------------------|
|  | 2012             | 2011             | 2010             |
| Revenues, costs and expenses:                          |                  |                  |                  |
| Net sales:   |                  |                  |                  |
| Related companies                                      | 174,887          | 211,589          | 209,938          |
| Other  | 7,671,329        | 8,481,083        | 7,208,042        |
| <b>Total net sales</b>                                 | <b>7,846,216</b> | <b>8,692,672</b> | <b>7,417,980</b> |
| Cost of sales (Notes 4, 16 and 17)                     | (5,864,515)      | (6,389,180)      | (5,341,059)      |
| Selling, general and administrative expenses (Note 16) | (1,937,976)      | (1,998,238)      | (1,886,468)      |
| Interest income  | 13,388           | 11,593           | 12,348           |
| Dividends received                                     | 6,129            | 6,323            | 6,746            |
| Other income (Notes 5, 6, 16 and 17)                   | 44,124           | 59,050           | 47,896           |
| Interest expense                                       | (28,404)         | (27,524)         | (25,718)         |
| Impairment losses of long-lived assets (Note 7)        | (399,259)        | (34,692)         | (79,259)         |
| Goodwill impairment (Note 8)                           | (163,902)        |                  | (3,745)          |
| Other deductions (Notes 2, 4, 5, 15, 16 and 17)        | (328,645)        | (141,197)        | (178,036)        |
| <b>Income (loss) before income taxes</b>               | <b>(812,844)</b> | <b>178,807</b>   | <b>(29,315)</b>  |
| Provision for income taxes (Note 11):                  |                  |                  |                  |
| Current  | 69,206           | 88,910           | 58,147           |
| Deferred   | (59,439)         | 14,100           | 83,686           |
|  | 9,767            | 103,010          | 141,833          |
| Equity in earnings of associated companies (Note 4)    | 6,467            | 9,800            | 481              |
| <b>Net income (loss)</b>                               | <b>(816,144)</b> | <b>85,597</b>    | <b>(170,667)</b> |

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|  |                  |               |                  |
|--|------------------|---------------|------------------|
| Less net income (loss) attributable to noncontrolling interests                                  | (43,972)         | 11,580        | (67,202)         |
| Net income (loss) attributable to Panasonic Corporation  | <u>(772,172)</u> | <u>74,017</u> | <u>(103,465)</u> |
|  | <u>Yen</u>       |               |                  |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders (Note 14): |                  |               |                  |
| Basic  | (333.96)         | 35.75         | (49.97)          |
| Diluted  |                  |               |                  |

See accompanying Notes to Consolidated Financial Statements.

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**PANASONIC CORPORATION**  
**AND SUBSIDIARIES**

**Consolidated Statements of Equity**

**Years ended March 31, 2012, 2011 and 2010**

|  | Yen (millions)   |                  |                  |
|--|------------------|------------------|------------------|
|  | 2012             | 2011             | 2010             |
| <b>Common stock (Note 12):</b>   |                  |                  |                  |
| Balance at beginning of year   | 258,740          | 258,740          | 258,740          |
| Balance at end of year   | <u>258,740</u>   | <u>258,740</u>   | <u>258,740</u>   |
| <b>Capital surplus (Note 12):</b>                                      |                  |                  |                  |
| Balance at beginning of year   | 1,100,181        | 1,209,516        | 1,217,764        |
| Sale of treasury stock   | (1,752)          | (9)              | (8)              |
| Equity transactions with noncontrolling interests and others (Note 21) | 19,101           | (109,326)        | (8,240)          |
| Balance at end of year   | <u>1,117,530</u> | <u>1,100,181</u> | <u>1,209,516</u> |
| <b>Legal reserve (Note 12):</b>  |                  |                  |                  |
| Balance at beginning of year   | 94,198           | 93,307           | 92,726           |
| Transfer from retained earnings  | 314              | 891              | 581              |
| Balance at end of year   | <u>94,512</u>    | <u>94,198</u>    | <u>93,307</u>    |
| <b>Retained earnings (Note 12):</b>                                    |                  |                  |                  |
| Balance at beginning of year   | 2,401,909        | 2,349,487        | 2,479,416        |
| Sale of treasury stock   | (166,334)        |                  |                  |
| Net income (loss) attributable to Panasonic Corporation                | (772,172)        | 74,017           | (103,465)        |
| Cash dividends to Panasonic Corporation shareholders                   | (21,912)         | (20,704)         | (25,883)         |

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|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Transfer to legal reserve                                    | (314)             | (891)             | (581)             |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Balance at end of year                                       | 1,441,177         | 2,401,909         | 2,349,487         |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Accumulated other comprehensive income (loss):               |                   |                   |                   |
| Balance at beginning of year                                 | (625,300)         | (448,232)         | (594,377)         |
| Equity transactions with noncontrolling interests and others | (838)             | (5,885)           |                   |
| Other comprehensive income (loss), net of tax (Note 13)      | (109,017)         | (171,183)         | 146,145           |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Balance at end of year                                       | (735,155)         | (625,300)         | (448,232)         |
|  | <u>          </u> | <u>          </u> | <u>          </u> |

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**PANASONIC CORPORATION**  
**AND SUBSIDIARIES**

**Consolidated Statements of Equity**

**Years ended March 31, 2012, 2011 and 2010**

|  | Yen (millions)   |                  |                  |
|--|------------------|------------------|------------------|
|  | 2012             | 2011             | 2010             |
| <b>Treasury stock (Note 12):</b>                                   |                  |                  |                  |
| Balance at beginning of year                                       | (670,736)        | (670,330)        | (670,289)        |
| Repurchase of common stock   | (436)            | (432)            | (72)             |
| Sale of treasury stock   | 424,154          | 26               | 31               |
| <b>Balance at end of year</b>                                      | <b>(247,018)</b> | <b>(670,736)</b> | <b>(670,330)</b> |
| <b>Noncontrolling interests:</b>                                   |                  |                  |                  |
| Balance at beginning of year                                       | 387,343          | 887,285          | 428,601          |
| Cash dividends paid to noncontrolling interests                    | (11,642)         | (12,583)         | (14,619)         |
| Acquisition transaction (Note 2)                                   |                  |                  | 532,360          |
| Equity transactions with noncontrolling interests and others       | (283,711)        | (474,758)        | (2,402)          |
| Net income (loss) attributable to noncontrolling interests         | (43,972)         | 11,580           | (67,202)         |
| <b>Other comprehensive income (loss), net of tax (Note 13):</b>    |                  |                  |                  |
| Translation adjustments  | 1,059            | (21,764)         | 1,238            |
| Unrealized holding gains (losses) of available-for-sale securities | (151)            | (1,633)          | 2,378            |
| Unrealized gains (losses) of derivative instruments                |                  | (26)             | 68               |
| Pension liability adjustments                                      | (1,146)          | (758)            | 6,863            |
| <b>Balance at end of year</b>                                      | <b>47,780</b>    | <b>387,343</b>   | <b>887,285</b>   |
| <b>Disclosure of comprehensive income (loss):</b>                  |                  |                  |                  |
| Net income (loss)  | (816,144)        | 85,597           | (170,667)        |
| <b>Other comprehensive income (loss), net of tax (Note 13):</b>    |                  |                  |                  |
| Translation adjustments  | (19,887)         | (107,779)        | (9,819)          |

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|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Unrealized holding gains (losses) of available-for-sale securities | (3,476)           | (24,422)          | 53,641            |
| Unrealized gains (losses) of derivative instruments                | (6,018)           | 962               | 6,229             |
| Pension liability adjustments                                      | (79,874)          | (64,125)          | 106,641           |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Comprehensive loss   | (925,399)         | (109,767)         | (13,975)          |
| Comprehensive loss attributable to noncontrolling interests        | (44,210)          | (12,601)          | (56,655)          |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Comprehensive income (loss) attributable to Panasonic Corporation  | (881,189)         | (97,166)          | 42,680            |
|  | <u>          </u> | <u>          </u> | <u>          </u> |

See accompanying Notes to Consolidated Financial Statements.

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**PANASONIC CORPORATION**  
**AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Years ended March 31, 2012, 2011 and 2010**

|  | Yen (millions)  |                |                |
|--|-----------------|----------------|----------------|
|  | 2012            | 2011           | 2010           |
| <b>Cash flows from operating activities (Note 16):</b>                                   |                 |                |                |
| Net income (loss)  | (816,144)       | 85,597         | (170,667)      |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                 |                |                |
| Depreciation and amortization  | 338,112         | 367,263        | 298,270        |
| Net gain on sale of investments  | (5,822)         | (11,318)       | (5,137)        |
| Provision for doubtful receivables   | 12,162          | 4,392          | 10,862         |
| Deferred income taxes (Note 11)  | (59,439)        | 14,100         | 83,686         |
| Write-down of investment securities (Notes 4 and 5)                                      | 16,636          | 27,539         | 6,944          |
| Impairment losses on long-lived assets and goodwill (Notes 7 and 8)                      | 563,161         | 34,692         | 83,004         |
| Cash effects of changes in, excluding acquisition:                                       |                 |                |                |
| Trade receivables  | 24,228          | 83,333         | (119,966)      |
| Inventories  | 38,117          | (54,659)       | 100,576        |
| Other current assets   | 17,130          | (181)          | 24,151         |
| Trade payables   | (103,788)       | (12,826)       | 83,719         |
| Accrued income taxes   | (7,473)         | 13,038         | 6,706          |
| Accrued expenses and other current liabilities   | (9,089)         | (24,374)       | 102,743        |
| Retirement and severance benefits  | (29,374)        | (38,400)       | (8,655)        |
| Deposits and advances from customers   | (14,547)        | 607            | (7,368)        |
| Other, net   | (761)           | (19,608)       | 33,465         |
| <b>Net cash provided by (used in) operating activities</b>                               | <b>(36,891)</b> | <b>469,195</b> | <b>522,333</b> |
| <b>Cash flows from investing activities (Note 16):</b>                                   |                 |                |                |
| Proceeds from sale of short-term investments   |                 |                | 6,442          |



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|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Purchase of short-term investments  |                   |                   | (6,369)           |
| Proceeds from disposition of investments and advances   | 104,542           | 87,229            | 61,302            |
| Increase in investments and advances  | (6,945)           | (8,873)           | (8,855)           |
| Capital expenditures  | (456,468)         | (420,921)         | (375,648)         |
| Proceeds from disposals of property, plant and equipment  | 53,333            | 152,663           | 117,857           |
| Decrease in time deposits, net  | 30,952            | 19,005            | 99,274            |
| Purchase of shares of newly consolidated subsidiaries, net of acquired companies cash and cash equivalents (Note 2) |                   |                   | (174,808)         |
| Other, net  | (28,416)          | (32,048)          | (42,854)          |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Net cash used in investing activities   | (303,002)         | (202,945)         | (323,659)         |
|   | <u>          </u> | <u>          </u> | <u>          </u> |

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**PANASONIC CORPORATION  
AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Years ended March 31, 2012, 2011 and 2010**

|  | Yen (millions)   |                  |                  |
|--|------------------|------------------|------------------|
|  | 2012             | 2011             | 2010             |
| Cash flows from financing activities (Note 16):                |                  |                  |                  |
| Increase (decrease) in short-term debt, net                    | 362,128          | (34,034)         | (3,360)          |
| Proceeds from long-term debt                                   | 828              | 505,123          | 53,172           |
| Repayments of long-term debt                                   | (370,052)        | (201,906)        | (54,780)         |
| Dividends paid to Panasonic Corporation shareholders (Note 12) | (21,912)         | (20,704)         | (25,883)         |
| Dividends paid to noncontrolling interests                     | (11,642)         | (12,583)         | (14,619)         |
| Repurchase of common stock (Note 12)                           | (436)            | (432)            | (72)             |
| Sale of treasury stock (Note 12)                               | 73               | 17               | 23               |
| Purchase of noncontrolling interests                           | (10,640)         | (589,910)        | (11,095)         |
| Other, net   | (1,441)          | (198)            | (359)            |
| <b>Net cash used in financing activities</b>                   | <b>(53,094)</b>  | <b>(354,627)</b> | <b>(56,973)</b>  |
| Effect of exchange rate changes on cash and cash equivalents   | (7,428)          | (46,709)         | (5,656)          |
| <b>Net increase (decrease) in cash and cash equivalents</b>    | <b>(400,415)</b> | <b>(135,086)</b> | <b>136,045</b>   |
| Cash and cash equivalents at beginning of year                 | 974,826          | 1,109,912        | 973,867          |
| <b>Cash and cash equivalents at end of year</b>                | <b>574,411</b>   | <b>974,826</b>   | <b>1,109,912</b> |

See accompanying Notes to Consolidated Financial Statements.

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**PANASONIC CORPORATION  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**March 31, 2012, 2011 and 2010**

(1) Summary of Significant Accounting Policies

(a) **Description of Business**

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

Sales by segment in fiscal 2012 were as follows: AVC Networks 17%, Appliances 15%, Systems & Communications 8%, Eco Solutions 15%, Automotive Systems 7%, Industrial Devices 14%, Energy 6% and Other 18%. A sales breakdown in fiscal 2012 by geographical market was as follows: Japan 53%, North and South America 12%, Europe 10%, and Asia and Others 25%.

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

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

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

The consolidated financial statements presented herein have been prepared in a manner that reflects adjustments which are necessary to conform with U.S. generally accepted accounting principles.

(c) **Principles of Consolidation**

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

Investments and advances Associated companies in the consolidated balance sheets. All significant intercompany balances and transactions have been eliminated in consolidation.

(d) **Revenue Recognition**

The Company generates revenue principally through the sale of consumer and industrial products, equipment, and supplies. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, and title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

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Revenue from sales of products is generally recognized when the products are received by customers. Revenue from sales of certain products with customer acceptance provisions related to their functionality is recognized when the product is received by the customer and the specific criteria of the product functionality are successfully tested and demonstrated.

The Company enters into arrangements with multiple elements, which may include any combination of products or equipment, installation and maintenance. The Company allocates revenue to each element based on its relative selling price if such element meets the criteria for treatment as a separate unit of accounting as prescribed in the provisions of ASC 605, Revenue Recognition. Revenue from sales of products or equipment is generally recognized upon completion of installation or upon acceptance by customers if installation is not required. Maintenance revenue is recognized on a straight-line basis over the term of the maintenance agreement.

The Company's policy is to accept product returns only in the case that the products are defective. The Company issues contractual product warranties under which it guarantees the performance of products delivered and services rendered for a certain period of time. A liability for the estimated product warranty related cost is established at the time revenue is recognized, and is included in Other accrued expenses. Estimates for accrued warranty cost are primarily based on historical experience and current information on repair cost.

Historically, the Company has made certain allowances related to sales to its consumer business distributors. Such allowances are generally provided to compensate the distributors for price adjustments due to a decline in the product's value, and are classified as a reduction of revenue on the consolidated statements of operations. Estimated price adjustments are accrued when the related sales are recognized. The estimate is made based primarily on the historical experience and specific arrangements made with the distributors.

The Company also occasionally offers incentive programs to its distributors in the form of rebates. These rebates are accrued at the latter of the date at which the related revenue is recognized or the date at which the incentive is offered, and are recorded as reductions of sales in accordance with the provisions of ASC 605.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of operations.

(e) **Leases (See Note 6)**

The Company accounts for leases in accordance with the provisions of ASC 840, *Leases*. Leases of assets under certain conditions are recorded as capital leases in property, plant and equipment in the consolidated balance sheets.

(f) **Inventories (See Note 3)**

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

(g) **Foreign Currency Translation (See Note 13)**

Foreign currency financial statements are translated in accordance with the provisions of ASC 830, *Foreign Currency Matters*, under which all assets and liabilities are translated into yen at year-end rates and income and expense accounts are translated at weighted-average rates. Adjustments resulting from the translation of financial statements are reflected under the caption, *Accumulated other comprehensive income (loss)*, a separate component of equity.

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**(h) Property, Plant and Equipment**

Property, plant and equipment is stated at cost. Depreciation is computed primarily using the straight-line method based on the following estimated useful lives:

|                         |               |
|-------------------------|---------------|
| Buildings               | 5 to 50 years |
| Machinery and equipment | 2 to 10 years |

Effective April 1, 2009, the Company and certain of its domestic subsidiaries changed their depreciation method from the declining-balance method to the straight-line method. The Company believes that the straight-line method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated and provides a better matching of costs and revenues over the assets' estimated useful lives. Under the provisions of ASC 250, Accounting Changes and Error Corrections, a change in depreciation method is treated on a prospective basis as a change in estimate and prior period results have not been restated. The change in depreciation method caused a decrease in depreciation expense by 11,031 million yen for the year ended March 31, 2010. Net loss attributable to Panasonic Corporation and basic net loss per share attributable to Panasonic Corporation common shareholders decreased by 6,861 million yen and 3.31 yen, respectively, for the year ended March 31, 2010. Impact on diluted net income (loss) per share attributable to Panasonic Corporation common shareholders for the year ended March 31, 2010 has been omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

**(i) Goodwill and Other Intangible Assets (See Notes 7 and 8)**

Goodwill represents the excess of costs over the fair value of net assets of businesses acquired. The Company adopted the provisions of ASC 350, Intangibles Goodwill and Other. Goodwill and intangible assets determined to have an indefinite useful life are not amortized, and are instead reviewed for impairment at least annually based on assessment of current estimated fair value. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform the second step of the impairment test (measurement). If the fair value of the reporting unit exceeds its carrying amount, the second step does not need to be performed. Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation in business combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a guideline merged and acquired company method, guideline public company method, and a discounted cash flow analysis. The provisions of ASC 350 also requires that intangible assets with estimable useful lives be amortized over their

respective estimated useful lives to their estimated residual values, and reviewed for impairment based on an assessment of the undiscounted cash flows expected by the asset, whenever impairment indications are presented. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Until the third quarter of fiscal 2012, the Company had designated July 1 as the annual impairment measurement date for some reporting units that were associated with SANYO Electric Co. Ltd. (SANYO) and January 1 as the annual impairment measurement date for the other reporting units. In the fourth quarter of fiscal 2012, the Company restructured its group organization under which goodwill associated with SANYO was reallocated to new reporting units in accordance with the provision of ASC350. As a result of the reallocation, the Company designated January 1 as the annual impairment measurement date for all reporting units. The Company believes that this unification of the annual impairment measurement date is preferable under the circumstances given the fact that the reporting units that were associated with SANYO have been reallocated to other reporting units. The change in the measurement date had no impact on the Company's prior period financial statements.



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**(j) Investments and Advances (See Notes 4, 5 and 13)**

Investments and advances primarily consist of investments in and advances to associated companies, cost method investments, available-for-sale securities, and long-term deposits. Cost method investments and long-term deposits are recorded at historical cost.

The equity method is used to account for investments in associated companies in which the Company exerts significant influence over operating and financial policies, generally having a 20% to 50% voting interest, and corporate joint ventures. The Company also uses the equity method for certain investees if the minority shareholders have substantive participating rights. Under the equity method of accounting, investments are stated at their underlying net equity value after elimination of intercompany profits. The cost method is used when the Company does not have significant influence.

The excess of cost of the stock of the associated companies over the Company's share of their net assets at the acquisition date, included in the equity investment balance, is recognized as equity method goodwill. Such equity method goodwill is not amortized and is instead tested for impairment as part of the equity method investment.

The Company accounts for debt and marketable equity securities in accordance with the provisions of ASC 320, Investments - Debt and Equity Securities.

The provisions of ASC 320 require that certain investments in debt and marketable equity securities be classified as held-to-maturity, trading, or available-for-sale securities. The Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale. Available-for-sale securities are carried at fair value with unrealized holding gains or losses included as a component of accumulated other comprehensive income (loss), net of applicable taxes.

Realized gains and losses are determined on the average cost method and reflected in earnings.

On a continuous basis, but no less frequently than at the end of each quarter, the Company evaluates the carrying amount of each of the investments in associated companies, cost method investments and available-for-sale securities for possible other-than-temporary impairment. Factors considered in assessing whether an indication of

other-than-temporary impairment exists include the period of time the fair value has been below the carrying amount or cost basis of investment, financial condition and prospects of each investee, and other relevant factors.

Investments in associated companies, cost method investments and available-for-sale securities are reduced to fair value by a charge to earnings when impairment is considered to be other than temporary. Impairment is measured based on the amount by which the carrying amount or cost basis of the investment exceeds its fair value. Fair value is determined based on quoted market prices, discounted cash flows or other valuation techniques as appropriate.

(k) **Allowance for Doubtful Receivables**

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

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**(l) Income Taxes (See Note 11)**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for uncertainty in tax positions in accordance with the provisions of ASC 740, Income Taxes. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in Provision for income taxes Current in the consolidated statements of operations.

**(m) Advertising (See Note 16)**

Advertising costs are expensed as incurred.

**(n) Net Income (loss) per Share (See Note 14)**

The Company accounts for net income (loss) per share in accordance with the provisions of ASC 260, Earnings Per Share. This Codification Section establishes standards for computing net income (loss) per share and requires dual presentation of basic and diluted net income (loss) per share on the face of the statements of operations for all entities with complex capital structures.

Under the provisions of ASC 260, basic net income (loss) per share is computed based on the weighted-average number of common shares outstanding during each period, and diluted net income (loss) per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into

common stock or resulted in the issuance of common stock.

(o) **Cash Equivalents**

Cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

(p) **Derivative Financial Instruments (See Notes 13 and 17)**

Derivative financial instruments utilized by the Company are comprised principally of foreign exchange contracts, interest rate swaps, cross currency swaps and commodity futures used to hedge currency risk and commodity price risk.

The Company accounts for derivative instruments in accordance with the provisions of ASC 815, Derivatives and Hedging. On the date the derivative contract is entered into, the Company ordinarily designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ( fair-value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ( cash-flow hedge), or a foreign-currency fair-value or cash-flow hedge ( foreign-currency hedge). The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also formally assesses, both at the hedge s inception and on quarterly basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Company does not offset fair value of contracts in gain and loss positions.

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Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item. Changes in the fair value of derivatives that are highly effective as hedges and that are designated and qualify as foreign-currency hedges are recorded in either earnings or other comprehensive income (loss), depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge. The ineffective portion of the change in fair value of a derivative instrument that qualifies as either a fair-value hedge or a cash-flow hedge is reported in earnings.

**(q) Impairment of Long-Lived Assets (See Note 7)**

The Company accounts for impairment or disposition of long-lived assets in accordance with the provisions of ASC 360, Property, Plant, and Equipment. In accordance with the provisions of ASC 360, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds its fair value of the asset.

**(r) Restructuring Charges (See Note 15)**

The Company accounts for costs associated with exit or disposal activities in accordance with the provisions of ASC 420, Exit or Disposal Cost Obligations. Pursuant to the provisions of ASC 420, liabilities for restructuring costs are recognized when the liability is incurred, which may be subsequent to the date when the Company has committed to a restructuring plan.

**(s) Segment Information (See Note 20)**

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

The Company restructured its group organization on January 1, 2012 resulting in the number of reportable segments from six to eight. Accordingly, segment information for fiscal 2011 and fiscal 2010 has been reclassified to conform to the presentation for fiscal 2012.

(t) **Fair Value Measurements (See Note 18)**

The provisions of ASC 820, Fair Value Measurements and Disclosures define fair value and establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

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

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The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The Company maintains policies and procedures to value assets and liabilities using the best and most relevant data available. With regards to Level 3 valuations, the Company performs a variety of procedures to assess the reasonableness of the valuations quarterly or annually. These reviews are performed by the accounting section and approved by President and Chief Financial Officer of the Company. This detailed review may include the use of a third-party valuation firm.

**(u) Use of Estimates**

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

**(v) Adoption of New Accounting Standards**

On April 1, 2009, the Company adopted the provisions of ASC 805, Business Combinations. The provisions of ASC 805 requires most identifiable assets, liabilities, noncontrolling interests (previously referred to as minority interests), and goodwill acquired in a business combination to be recorded at full fair value. On April 1, 2009, the Company adopted the provisions of ASC 810, Consolidation. ASC 810 require noncontrolling interests to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. The provisions of ASC 805 are applied to business combinations occurring after the effective date. The provisions of ASC 810 are applied prospectively to all noncontrolling interests, including any that arose before the effective date and the disclosure requirement is applied retrospectively.

**(w) New Accounting Pronouncements**

In June 2011, FASB issued Accounting Standards Update (ASU) 2011-05, Presentation of Comprehensive Income. Under ASU 2011-05, which amends ASC 220, Comprehensive Income, an entity has the option to present the components of net income and other comprehensive income in either one or two consecutive financial statements. ASU 2011-05 eliminates the option to present other comprehensive income in the statements of equity. ASU 2011-05 is effective for the Company as of April 1, 2012, and should be applied retrospectively. The adoption of ASU 2011-05 is not expected to have a material effect on the Company's consolidated financial statements. In December 2011, FASB decided to defer the effective date of those changes in ASU 2011-05 that relate only to the presentation of reclassification adjustments in the statement of income by issuing ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05.

(x) **Reclassifications**

Certain reclassifications have been made to the prior years' consolidated financial statements in order to conform with the presentation used for the year ended March 31, 2012.



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(2) Acquisition

On December 16, 2009, the Company acquired all preferred shares of SANYO through a tender offer. On December 21, 2009, the Company subsequently converted the preferred shares to common shares, resulting in an acquisition of 50.2% of the voting rights and a controlling interest of SANYO.

SANYO is in the business of manufacturing and sales of solar cells, rechargeable batteries, electronic devices, commercial equipment, audio-visual equipment, home appliances, and other electronic and electric products. As a result of this acquisition, a collaborating relationship between the Company and SANYO is established under the larger business strategy as an united business group to generate synergy, such as the further expansion in the solar business, reinforcement of competitiveness in the rechargeable battery business, strengthening of the financial and business position of SANYO through the application of the Company's cost reduction know-how, and creation of a comprehensive solution business centered on the environment and energy.

The fair value of noncontrolling interests was measured based on the market price per share of SANYO as of the acquisition date. The fair value of the consideration paid for the controlling interests of SANYO and the noncontrolling interests as of the acquisition date is as follows:

|  | <u>Yen (millions)</u> |
|--|-----------------------|
| Fair value of consideration:           |                       |
| Cash                                   | 403,780               |
| Fair value of noncontrolling interests | 532,360               |
|  | <u>          </u>     |
| Total                                  | 936,140               |
|  | <u>          </u>     |

Acquisition-related cost of 5,058 million yen was included in other deductions in the consolidated statements of operations for the year ended March 31, 2010.

Assets acquired and liabilities assumed reflected in the Company's consolidated balance sheet as of the acquisition date were as follows:

|                               | <u>Yen (millions)</u> |
|-------------------------------|-----------------------|
| Cash and cash equivalents     | 228,972               |
| Other current assets          | 653,709               |
| Investments and advances      | 105,643               |
| Property, plant and equipment | 404,468               |
| Goodwill                      | 514,419               |
| Intangible assets             | 494,103               |
| Other assets                  | 48,596                |
|                               | <hr/>                 |
| Total assets acquired         | 2,449,910             |
|                               | <hr/>                 |
| Current liabilities           | 606,639               |
| Noncurrent liabilities        | 907,131               |
|                               | <hr/>                 |
| Total liabilities assumed     | 1,513,770             |
|                               | <hr/>                 |
| Total net assets acquired     | 936,140               |
|                               | <hr/>                 |

Trade notes receivable, trade accounts receivable and other short-term receivables recorded at the fair value were included in other current assets in the table above, and the fair value was measured by deducting allowance for doubtful receivables of 73 million yen, 5,319 million yen and 964 million yen from their contractual amounts of 26,001 million yen, 314,175 million yen, 23,941 million yen, respectively. Long-term receivables recorded at the fair value were included in investments and advances, and the fair value was measured by deducting allowance for doubtful receivables of 2,730 million yen from their contractual amounts of 10,999 million yen.

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Intangible assets of 492,476 million yen were subject to amortization, which include right of trademark of 45,451 million yen with a 10-year weighted-average useful life, customer relationship of 52,011 million yen with a 12-year weighted-average useful life and patents and know-how of 355,490 million yen with a 10-year weighted-average useful life.

The total amount of goodwill had been included in SANYO segment. For the year ended March 31, 2012, the Company changed its segmentation and as a result, the goodwill was allocated to certain new segments such as Industrial Devices and Energy. The total amount of goodwill is not deductible for tax purposes.

Accrued warranty costs of 4,253 million yen were included in current liabilities in the table above.

Net sales and loss before income taxes of SANYO and its subsidiaries that are included in the consolidated statements of operations for the year ended March 31, 2010 are 399,888 million yen and 23,352 million yen, respectively.

The unaudited pro forma information shows the results of the Company's consolidated operations for the year ended March 31, 2010 as though SANYO and its subsidiaries had been consolidated at the beginning of fiscal 2010. The pro forma data is not necessarily indicative of the Company's results of operations that would actually have been reported if the transaction in fact had occurred on April 1, 2009, and is not necessarily representative of the Company's consolidated results of operations for future periods. The unaudited pro forma information of net sales, net loss attributable to Panasonic Corporation and net loss per share attributable to Panasonic Corporation common shareholders for the year ended March 31, 2010 are 8,617,400 million yen, 133,012 million yen and 64.24 yen, respectively.

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(3) Inventories

Inventories at March 31, 2012 and 2011 are summarized as follows:

|                 | <u>Yen (millions)</u> |                |
|-----------------|-----------------------|----------------|
|                 | <u>2012</u>           | <u>2011</u>    |
| Finished goods  | 450,990               | 466,261        |
| Work in process | 144,403               | 164,329        |
| Raw materials   | 234,873               | 265,834        |
|                 | <u>830,266</u>        | <u>896,424</u> |

(4) Investments in and Advances to, and Transactions with Associated Companies

Certain financial information in respect of associated companies in aggregate at March 31, 2012 and 2011, and for each of the three years ended March 31, 2012 is shown below. The most significant of these associated companies as of March 31, 2012 is Sumishin Panasonic Financial Services Co., Ltd. (SPFC). At March 31, 2012, the Company has a 15.1% equity ownership in SPFC.

The Company formerly had a 34.0% equity ownership in Sumishin Matsushita Financial Services Co., Ltd. (SMFC). On November 5, 2009, the Company sold certain equity interest to The Sumitomo Trust and Banking Co., Ltd. (On April 1, 2012, the name has been changed to Sumitomo Mitsui Trust Bank, Limited through a merger) and as a result, the Company had a 22.6% equity ownership in SMFC. On April 1, 2010, SMFC and STB Leasing Co., Ltd. merged their businesses to form SPFC. As a result, the Company has a 15.1% equity ownership in SPFC. The Company continues to apply the equity method subsequent to April 1, 2010 as the Company continues to hold significant influence over operating and financial policies of SPFC. On April 1, 2012, SPFC changed its name to Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.

The Company formerly had a 27.6% shareholding of JVC KENWOOD Holding, Inc. (JVC KENWOOD HD). On January 25, 2011, JVC KENWOOD HD issued new shares of its common stock and disposed of its treasury shares through an international offering. As a result, JVC KENWOOD HD and its consolidated subsidiaries ceased to be an associated company of the Company under the equity method as the ownership percentage of the Company fell under

20% and the Company lost the ability to exercise influence over operating and financial policies of JVC KENWOOD HD. Financial information associated with JVC KENWOOD HD and its subsidiaries prior to January 25, 2011 is included in the aggregate information below; however, financial information subsequent to January 25, 2011 is not included.

The Company formerly accounted for the investment in Toshiba Matsushita Display Technology Co., Ltd. (TMD) and its subsidiaries under the equity method. On April 28, 2009, the Company sold all of its shares in TMD to Toshiba Corporation.

|                                | Yen (millions) |           |
|--------------------------------|----------------|-----------|
|                                | 2012           | 2011      |
| Current assets                 | 1,163,276      | 1,307,304 |
| Other assets                   | 244,720        | 370,295   |
|                                | 1,407,996      | 1,677,599 |
| Current liabilities            | 651,044        | 740,580   |
| Other liabilities              | 376,906        | 541,691   |
| Net assets                     | 380,046        | 395,328   |
| Company's equity in net assets | 119,421        | 127,219   |

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|                   | Yen (millions) |           |           |
|-------------------|----------------|-----------|-----------|
|                   | 2012           | 2011      | 2010      |
| Net sales         | 942,008        | 1,151,710 | 1,176,332 |
| Gross profit      | 170,920        | 267,498   | 254,507   |
| Net income (loss) | 20,104         | 38,377    | (10,572)  |

Purchases and dividends received from associated companies for the three years ended March 31, 2012 are as follows:

|                    | Yen (millions) |         |         |
|--------------------|----------------|---------|---------|
|                    | 2012           | 2011    | 2010    |
| Purchases from     | 278,342        | 198,560 | 287,598 |
| Dividends received | 3,603          | 4,968   | 4,301   |

Retained earnings include undistributed earnings of associated companies in the amount of 41,562 million yen and 39,661 million yen, as of March 31, 2012 and 2011, respectively.

During the years ended March 31, 2012, 2011 and 2010, the Company incurred a write-down of 8,831 million yen, 8,318 million yen and 3,605 million yen, respectively, for other-than-temporary impairment of investments and advances in associated companies. The fair values of the investments and advances in associated companies were based on quoted market price or discounted cash flows by using appropriate discounted rate. An impairment charge was recorded to reduce the carrying value of the assets to fair value. The write-down is included in other deductions in the consolidated statements of operations.

Investments in associated companies include marketable equity securities which have quoted market values at March 31, 2012 and 2011 compared with the related carrying amounts as follows:

| Yen (millions) |      |
|----------------|------|
| 2012           | 2011 |
|                |      |

|                 |        |        |
|-----------------|--------|--------|
| Carrying amount | 31,077 | 39,267 |
| Market value    | 30,910 | 42,920 |

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(5) Investments in Securities

The Company classifies its existing marketable equity securities, other than investments in associated companies, and all debt securities as available-for-sale.

The cost, fair value, gross unrealized holding gains and gross unrealized holding losses of available-for-sale securities included in short-term investments, and other investments and advances at March 31, 2012 and 2011 are as follows:

|                                | Yen (millions) |                |                                |                                 |
|--------------------------------|----------------|----------------|--------------------------------|---------------------------------|
|                                | 2012           |                |                                |                                 |
|                                | Cost           | Fair value     | Gross unrealized holding gains | Gross unrealized holding losses |
| <b>Current:</b>                |                |                |                                |                                 |
| Other debt securities          | 473            | 483            | 10                             |                                 |
|                                | <u>473</u>     | <u>483</u>     | <u>10</u>                      |                                 |
| <b>Noncurrent:</b>             |                |                |                                |                                 |
| Equity securities              | 171,412        | 225,433        | 54,545                         | 524                             |
| Corporate and government bonds | 1,689          | 1,711          | 22                             |                                 |
| Other debt securities          | 80             | 110            | 30                             |                                 |
|                                | <u>173,181</u> | <u>227,254</u> | <u>54,597</u>                  | <u>524</u>                      |

|  | Yen (millions) |            |                                |                                 |
|--|----------------|------------|--------------------------------|---------------------------------|
|  | 2011           |            |                                |                                 |
|  | Cost           | Fair value | Gross unrealized holding gains | Gross unrealized holding losses |
|  |                |            |                                |                                 |



|                                | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Noncurrent:</b>             |                          |                          |                          |                          |
| Equity securities              | 250,400                  | 313,813                  | 67,755                   | 4,342                    |
| Corporate and government bonds | 2,142                    | 2,201                    | 59                       |                          |
| Other debt securities          | 544                      | 546                      | 8                        | 6                        |
|                                | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        |
|                                | <b>253,086</b>           | <b>316,560</b>           | <b>67,822</b>            | <b>4,348</b>             |
|                                | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> |

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Maturities of investments in available-for-sale securities at March 31, 2012 and 2011 are as follows:

|                                       | Yen (millions) |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2012           |                | 2011           |                |
|                                       | Cost           | Fair value     | Cost           | Fair value     |
| Due within one year                   | 473            | 483            |                |                |
| Due after one year through five years | 1,769          | 1,821          | 2,686          | 2,747          |
| Equity securities                     | 171,412        | 225,433        | 250,400        | 313,813        |
|                                       | <b>173,654</b> | <b>227,737</b> | <b>253,086</b> | <b>316,560</b> |

Proceeds from sale of available-for-sale securities for the years ended March 31, 2012, 2011 and 2010 were 73,141 million yen, 22,102 million yen and 18,275 million yen, respectively. The gross realized gains on sale of available-for-sale securities for the years ended March 31, 2012, 2011 and 2010 were 13,532 million yen, 5,474 million yen and 3,756 million yen, respectively. The gross realized losses on sale of available-for-sale securities for the years ended March 31, 2012, 2011 and 2010 were 5,561 million yen, 965 million yen and 88 million yen, respectively. The cost of securities sold in computing gross realized gains and losses is determined by the average cost method.

During the years ended March 31, 2012, 2011 and 2010, the Company incurred a write-down of 7,597 million yen, 19,154 million yen and 2,965 million yen, respectively, for other-than-temporary impairment of available-for-sale securities, mainly reflecting the aggravated market condition of certain industries in Japan. The write-down is included in other deductions in the consolidated statements of operations.

Gross unrealized holding losses on investments in available-for-sale securities and the fair value of the related investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2012 and 2011 are as follows:

Yen (millions)

| 2012                  |                     |                   |                   |                   |            |                   |
|-----------------------|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
|                       | Less than 12 months |                   | 12 months or more |                   | Total      |                   |
|                       | Fair value          | Unrealized losses | Fair value        | Unrealized losses | Fair value | Unrealized losses |
| Equity securities     | 5,365               | 524               | —                 | —                 | 5,365      | 524               |
|                       | 5,365               | 524               | —                 | —                 | 5,365      | 524               |
| Yen (millions)        |                     |                   |                   |                   |            |                   |
| 2011                  |                     |                   |                   |                   |            |                   |
|                       | Less than 12 months |                   | 12 months or more |                   | Total      |                   |
|                       | Fair value          | Unrealized losses | Fair value        | Unrealized losses | Fair value | Unrealized losses |
| Equity securities     | 48,891              | 4,342             | —                 | —                 | 48,891     | 4,342             |
| Other debt securities | 35                  | 6                 | —                 | —                 | 35         | 6                 |
|                       | 48,926              | 4,348             | —                 | —                 | 48,926     | 4,348             |

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The gross unrealized loss position has been continuing for a relatively short period of time. Based on this and other relevant factors, management has determined that these investments are not considered other-than-temporarily impaired. The Company did not have investment securities that had been in a continuous loss position for twelve months or more at March 31, 2012 and 2011.

The carrying amounts of the Company's cost method investments totaled 24,553 million yen and 27,914 million yen at March 31, 2012 and 2011, respectively. For substantially all such investments, the Company estimated that the fair value exceeded the carrying amounts of investments (that is, the investments were not impaired). For the years ended March 31, 2012, 2011 and 2010, certain investments were considered other-than-temporarily impaired, resulting in a write-down of 208 million yen, 67 million yen and 374 million yen, respectively.

At March 31, 2012 and 2011, equity securities with a book value of 32,130 million yen and 14,047 million yen were pledged as collateral for the deferred payments of certain taxes based on the Japanese Custom Act and Consumption Tax Law, respectively.

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**(6) Leases**

The Company has capital and operating leases for certain land, buildings, machinery and equipment, and finite-lived intangible assets with SPFC and other third parties.

During the years ended March 31, 2012, 2011 and 2010, the Company sold and leased back some of land, buildings, and machinery and equipment for 21,783 million yen, 126,639 million yen and 95,316 million yen, respectively. The base lease term ranges up to 10 years. The resulting leases are being accounted for as operating leases or capital leases. The amortization of deferred gains of these transactions, included in other income in the consolidated statements of operations, were not significant. Regarding certain leased assets, the Company has options to purchase the leased assets, or to terminate the leases and guarantee a specified value of the leased assets thereof, subject to certain conditions, during or at the end of the lease term. Regarding leased land and buildings, there are no future commitments, obligations, provisions, or circumstances that require or result in the Company's continuing involvement.

At March 31, 2012 and 2011, the gross book value of land, buildings, machinery and equipment, and finite-lived intangible assets under capital leases, including the above-mentioned sale-leaseback transactions was 72,931 million yen and 137,783 million yen, and the related accumulated amortization recorded was 34,712 million yen and 48,744 million yen, respectively.

Rental expenses for operating leases, including the above-mentioned sale-leaseback transactions were 84,062 million yen, 88,473 million yen and 64,124 million yen for the years ended March 31, 2012, 2011 and 2010, respectively.

Future minimum lease payments under non-cancelable capital leases and operating leases at March 31, 2012 are as follows:

|                             | <u>Yen (millions)</u>     |                             |
|-----------------------------|---------------------------|-----------------------------|
|                             | <u>Capital<br/>leases</u> | <u>Operating<br/>leases</u> |
| <b>Year ending March 31</b> |                           |                             |
| 2013                        | 18,084                    | 46,415                      |
| 2014                        | 14,613                    | 32,835                      |

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|   |               |                |
|---|---------------|----------------|
| 2015  | 10,601        | 15,211         |
| 2016  | 8,527         | 5,715          |
| 2017  | 7,922         | 3,326          |
| Thereafter                                  | 18,982        | 14,254         |
|   | <u>78,729</u> | <u>117,756</u> |
| Total minimum lease payments                |               |                |
|   | <u>4,647</u>  |                |
| Less amount representing interest           |               |                |
|   | <u>74,082</u> |                |
| Present value of net minimum lease payments |               |                |
|   | <u>16,740</u> |                |
| Less current portion                        |               |                |
|   | <u>57,342</u> |                |
| Long-term capital lease obligations         |               |                |

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(7) Long-Lived Assets

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

The disclosure below has been modified to reflect the revised segments.

The Company recognized impairment losses in the aggregate of 399,259 million yen of long-lived assets during fiscal 2012.

The Company recorded impairment losses for certain buildings, machinery and equipment, and finite-lived intangible assets related to certain domestic flat TV manufacturing facilities in AVC Networks segment. As a result of the continuously substantial decline of product prices and the yen appreciation, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value of buildings was determined through an appraisal based on the repurchase cost. The fair value of machinery and equipment was determined through an appraisal based on the repurchase cost or net realizable value. The fair value of finite-lived intangible assets was determined based on the discounted estimated cash flows expected to result from the use and eventual disposition of the assets.

The Company recorded impairment losses for certain machinery and equipment related to domestic semiconductor manufacturing facilities in Industrial Devices segment. As a result of the decline in market demand and per unit selling price of Digital AV products on which semiconductor business is heavily dependent as a supplier, the Company decided to cease the use of the above-mentioned facilities. The fair value of machinery and equipment was determined through an appraisal based on the net realizable value.

The Company recorded impairment losses of 25,536 million yen for certain finite-lived intangible assets related to customer relationship, and patents and know-how of optical pick-up business in Industrial Devices segment. As a result of the decline of product prices and the increase in material cost, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value was mainly determined based on excess earnings method and relief-from-royalty method.

The Company recorded impairment losses of 95,546 million yen for certain finite-lived intangible assets related to customer relationship, and patents and know-how of consumer lithium-ion battery business in Energy segment. As a result of decline of the product prices and the yen appreciation, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value was mainly determined based on excess earnings method and relief-from-royalty method.

Impairment losses of 212,151 million yen, 78,406 million yen, 99,183 million yen and 9,519 million yen were related to AVC Networks, Industrial Devices, Energy and the remaining segments, respectively.

On March 5, 2012, the Company and Innovation Network Corporation of Japan reached a final agreement regarding the sale of the Mobara plant of Panasonic Liquid Crystal Display Co., Ltd., a subsidiary of the Company, to Japan Display Inc. The Company classified these buildings, machinery and equipment, and finite-lived intangible assets related to the plant as assets held for sale and these assets were included in other current assets in the consolidated balance sheet at March 31, 2012. The Company sold these assets in April 2012.

The Company recognized impairment losses in the aggregate of 34,692 million yen of long-lived assets during fiscal 2011.

The Company recorded impairment losses for certain machinery and equipment, and other assets related to domestic and overseas flat TV manufacturing facilities. As a result of the continuously substantial decline of product prices and the yen appreciation, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value was determined through an appraisal based on the repurchase cost.



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The Company recorded impairment losses for certain finite-lived intangible assets related to right of trademark of SANYO. The Company decided Panasonic will be the only brand that conveys corporate messages for all the business groups, except for certain regions and products, and as a result, the Company estimated the carrying amounts of the assets would not be recoverable through future cash flows. The fair value was based on the discounted estimated cash flows expected to result from the use of the assets.

Impairment losses of 12,380 million yen, 2,004 million yen, 4,176 million yen, 2,092 million yen, 8,561 million yen, 3,056 million yen and 2,423 million yen were related to AVC Networks, Systems & Communications, Eco Solutions, Industrial Devices, Energy, Other and the remaining segments, respectively.

The Company recognized impairment losses in the aggregate of 79,259 million yen of long-lived assets during fiscal 2010.

The Company recorded impairment losses for certain machinery and finite-lived intangible assets related to domestic liquid crystal display panel manufacturing facilities. As a result of the continuously substantial decline of product prices, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value was based on the discounted estimated cash flows expected to result from the use and eventual disposition of the assets.

The Company recorded impairment losses for certain land, buildings, and machinery and equipment related to domestic battery manufacturing facilities. Due to the revamp of manufacturing capacity of the lithium-ion battery business, certain factories experienced a downturn in profitability. In addition, the Company had to transfer a part of its nickel-hydrogen battery business in relation to the acquisition of SANYO. As a result, the carrying amounts of certain domestic battery manufacturing facilities would not be recoverable through future cash flows. The fair value of land was determined through an appraisal based on the comparable sales method. The fair value of buildings, and machinery and equipment was determined through an appraisal based on the repurchase cost.

Impairment losses of 36,672 million yen, 8,193 million yen, 6,935 million yen, 19,629 million yen and 7,830 million yen were related to AVC Networks, Appliances, Eco Solutions, Energy and the remaining segments, respectively.

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**(8) Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2012 and 2011, which have been modified to reflect the revised segments, are as follows:

|                                   | Yen (millions)  |            |                                |                  |                       |                       |          |          |           |
|-----------------------------------|-----------------|------------|--------------------------------|------------------|-----------------------|-----------------------|----------|----------|-----------|
|                                   | AVC<br>Networks | Appliances | Systems<br>&<br>Communications | Eco<br>Solutions | Automotive<br>Systems | Industrial<br>Devices | Energy   | Other    | Total     |
| Balance at March 31, 2010:        |                 |            |                                |                  |                       |                       |          |          |           |
| Goodwill                          | 43,483          | 32,287     | 222,815                        | 112,026          | 73,307                | 175,202               | 274,963  | 70,012   | 1,004,095 |
| Accumulated impairment losses     |                 | (3,745)    | (77,349)                       |                  |                       |                       |          |          | (81,094)  |
|                                   | 43,483          | 28,542     | 145,466                        | 112,026          | 73,307                | 175,202               | 274,963  | 70,012   | 923,001   |
| Goodwill acquired during the year |                 |            |                                |                  |                       |                       |          |          |           |
| Translation adjustments           | 3,561           |            |                                | 1,087            |                       |                       |          |          | 4,648     |
|                                   |                 |            |                                | (2,897)          |                       |                       |          |          | (2,897)   |
| Balance at March 31, 2011:        |                 |            |                                |                  |                       |                       |          |          |           |
| Goodwill                          | 47,044          | 32,287     | 222,815                        | 110,216          | 73,307                | 175,202               | 274,963  | 70,012   | 1,005,846 |
| Accumulated impairment losses     |                 | (3,745)    | (77,349)                       |                  |                       |                       |          |          | (81,094)  |
|                                   | 47,044          | 28,542     | 145,466                        | 110,216          | 73,307                | 175,202               | 274,963  | 70,012   | 924,752   |
| Goodwill Acquired during the year |                 |            |                                |                  |                       |                       |          |          |           |
| Goodwill impaired during the year | 575             |            |                                |                  |                       |                       |          |          | 575       |
| Translation adjustments           | (8,394)         |            |                                |                  |                       | (71,617)              | (73,387) | (10,504) | (163,902) |
| Other                             |                 |            |                                | (3,710)          |                       |                       |          | (298)    | (3,710)   |
|                                   |                 |            |                                |                  |                       |                       |          | (298)    | (298)     |
| Balance at March 31, 2012:        |                 |            |                                |                  |                       |                       |          |          |           |
| Goodwill                          | 47,619          | 32,287     | 222,815                        | 106,506          | 73,307                | 175,202               | 274,963  | 69,714   | 1,002,413 |
| Accumulated impairment losses     | (8,394)         | (3,745)    | (77,349)                       |                  |                       | (71,617)              | (73,387) | (10,504) | (244,996) |

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|        |        |         |         |        |         |         |        |         |
|--------|--------|---------|---------|--------|---------|---------|--------|---------|
| 39,225 | 28,542 | 145,466 | 106,506 | 73,307 | 103,585 | 201,576 | 59,210 | 757,417 |
|--------|--------|---------|---------|--------|---------|---------|--------|---------|

The Company recorded an impairment loss of 26,988 million yen for the year ended March 31, 2012 related to goodwill of semiconductor business in Industrial Devices segment. This impairment was due to a decrease in the estimated fair value of the reporting unit caused by the decline in market demand and per unit selling price of Digital AV products on which semiconductor business is heavily dependent as a supplier. The fair value was determined based on the combination of discounted cash flow method and guideline public company method.

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The Company recorded an impairment loss of 44,629 million yen for the year ended March 31, 2012 related to goodwill of optical pick-up business in Industrial Devices segment. This impairment was due to a decrease in the estimated fair value of the reporting unit caused by the decline of product prices and the increase in material cost. The fair value was determined based on the combination of discounted cash flow method, guideline public company method and guideline transaction method.

The Company recorded an impairment loss of 73,387 million yen for the year ended March 31, 2012 related to goodwill of consumer lithium-ion battery business in Energy segment. This impairment was due to a decrease in the estimated fair value of the reporting unit caused by the decline of product prices and the yen appreciation. The fair value was determined based on the combination of discounted cash flow method, guideline public company method and guideline transaction method.

The Company recorded an impairment loss of 8,394 million yen and 10,504 million yen for the year ended March 31, 2012 related to AVC Networks and Other segment, respectively. These impairments were due to a downturn in profitability and the fair value was determined based on the discounted cash flow method.

Intangible assets, excluding goodwill, at March 31, 2012 and 2011 are as follows:

|                                 | Yen (millions)              |                             |                             |                             |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                 | 2012                        |                             | 2011                        |                             |
|                                 | Gross<br>carrying<br>amount | Accumulated<br>amortization | Gross<br>carrying<br>amount | Accumulated<br>amortization |
| Finite-lived intangible assets: |                             |                             |                             |                             |
| Patents and know-how            | 301,614                     | 106,291                     | 451,868                     | 97,450                      |
| Software                        | 321,623                     | 255,040                     | 298,328                     | 229,132                     |
| Other                           | 115,728                     | 36,738                      | 163,220                     | 47,180                      |
|                                 | <b>738,965</b>              | <b>398,069</b>              | <b>913,416</b>              | <b>373,762</b>              |

Yen (millions)

|                                    | <u>2012</u> | <u>2011</u> |
|------------------------------------|-------------|-------------|
| Indefinite-lived intangible assets | 4,855       | 3,133       |

Aggregate amortization expense for finite-lived intangible assets for each of the years ended March 31, 2012, 2011 and 2010 was 78,455 million yen, 82,762 million yen and 46,175 million yen, respectively.

Estimated amortization expenses for the next five years are as follows:

| <b>Year ending March 31</b> | <b><u>Yen (millions)</u></b> |
|-----------------------------|------------------------------|
| 2013                        | 60,239                       |
| 2014                        | 51,955                       |
| 2015                        | 42,990                       |
| 2016                        | 34,447                       |
| 2017                        | 26,371                       |

There were no impairment losses of indefinite-lived intangible assets for each of the three years ended March 31, 2012. Impairment losses of finite-lived intangible assets are included in impairment losses of long-lived assets discussed in Note 7.

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(9) Long-term Debt and Short-term Debt

Long-term debt at March 31, 2012 and 2011 is set forth below:

|   | Yen (millions)   |                  |
|---|------------------|------------------|
|   | 2012             | 2011             |
| Unsecured Straight bond, due 2011, interest 1.64%   |                  | 100,000          |
| Unsecured Straight bond, due 2012, interest 1.14%   |                  | 100,000          |
| Unsecured Straight bond, due 2013, interest 0.38%   | 150,000          | 150,000          |
| Unsecured Straight bond, due 2013, interest 0.82% *1  | 10,000           |                  |
| Unsecured Straight bond, due 2013, interest 1.49% *2  | 20,000           |                  |
| Unsecured Straight bond, due 2014, interest 1.404%  | 200,000          | 200,000          |
| Unsecured Straight bond, due 2014, interest 2.02% *1  | 31,769           |                  |
| Unsecured Straight bond, due 2015, interest 1.66% *2  | 39,996           |                  |
| Unsecured Straight bond, due 2016, interest 0.752%  | 200,000          | 200,000          |
| Unsecured Straight bond, due 2018, interest 1.081%  | 150,000          | 150,000          |
| Unsecured Straight bond, due 2019, interest 2.05%   | 100,000          | 100,000          |
| Unsecured Straight bond, due 2019, interest 1.593% *2   | 30,000           |                  |
| Unsecured Straight bonds issued by subsidiaries, due 2011 - 2019, interest 0.82% - 2.02% *1,2                         |                  | 162,407          |
| Unsecured bank loans, due 2011 - 2015, effective interest 1.0% in fiscal 2012 and 1.1% in fiscal 2011                 | 149,814          | 259,801          |
| Secured bank loans by subsidiaries, due 2011 - 2027, effective interest 1.84% in fiscal 2012 and 1.91% in fiscal 2011 | 1,732            | 3,473            |
| Capital lease obligations   | 74,082           | 110,177          |
|   | <u>1,157,393</u> | <u>1,535,858</u> |
| Less current portion  | 215,625          | 373,571          |
|   | <u>941,768</u>   | <u>1,162,287</u> |

\*1 Bonds originally issued by SANYO were transferred to the Company in fiscal 2012.

\*2 Bonds originally issued by Panasonic Electric Works Co., Ltd. (PEW) were transferred to the Company in fiscal 2012.

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The aggregate annual maturities of long-term debt after March 31, 2012 are as follows:

| <b>Year ending March 31</b> | <b>Yen (millions)</b> |
|-----------------------------|-----------------------|
| 2013                        | 215,625               |
| 2014                        | 285,960               |
| 2015                        | 100,584               |
| 2016                        | 248,594               |
| 2017                        | 7,659                 |
| 2018 and thereafter         | 298,971               |

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank. At March 31, 2012 and 2011, loans subject to such general agreements amounted to 1,732 million yen and 3,899 million yen, respectively.

Each of the loan agreements grants the lender the right to request additional security or mortgages on certain assets. At March 31, 2012 and 2011, other investments and advances, and property, plant and equipment with a book value of 2,550 million yen and 8,945 million yen respectively, were pledged as collateral by subsidiaries for secured loans from banks.

The balance of short-term debt also includes borrowings under acceptances and short-term loans of foreign subsidiaries. Additionally, the balance of short-term debt at March 31, 2012 includes 369,489 million yen of short-term bonds, which were newly issued during fiscal 2012. The weighted-average interest rate on short-term debt outstanding at March 31, 2012 and 2011 was 0.6% and 2.8%, respectively.

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**(10) Retirement and Severance Benefits**

The Company and certain subsidiaries have contributory, funded benefit pension plans covering substantially all employees who meet eligibility requirements. Benefits under the plans are primarily based on the combination of years of service and compensation.

In addition to the plans described above, upon retirement or termination of employment for reasons other than dismissal, employees are entitled to lump-sum payments based on the current rate of pay and length of service. If the termination is involuntary or caused by death, the severance payment is greater than in the case of voluntary termination. The lump-sum payment plans are not funded.

Effective April 1, 2002, the Company and some of the subsidiaries amended their benefit pension plans by introducing a point-based benefits system, and their lump-sum payment plans to cash balance pension plans. Under the point-based benefits system, benefits are calculated based on accumulated points allocated to employees each year according to their job classification and years of service. Under the cash balance pension plans, each participant has an account which is credited yearly based on the current rate of pay and market-related interest rate.

Reconciliation of beginning and ending balances of the benefit obligations of the contributory, funded benefit pension plans, the unfunded lump-sum payment plans, and the cash balance pension plans, and the fair value of the plan assets at March 31, 2012 and 2011 are as follows:

|  | <b>Yen (millions)</b> |             |
|--|-----------------------|-------------|
|  | <b>2012</b>           | <b>2011</b> |
| <b>Change in benefit obligations:</b>          |                       |             |
| Benefit obligations at beginning of year       | 2,241,669             | 2,214,107   |
| Service cost                                   | 55,368                | 55,371      |
| Interest cost                                  | 54,552                | 57,093      |
| Prior service benefit                          | 28,019                |             |
| Actuarial loss                                 | 84,360                | 29,895      |
| Benefits paid                                  | (159,892)             | (109,591)   |
| Effect of changes in consolidated subsidiaries |                       | 8,391       |
| Foreign currency exchange impact               | (886)                 | (4,649)     |
| Curtailments, settlements and other            | (9,546)               | (8,948)     |



|  |           |           |
|--|-----------|-----------|
| Benefit obligations at end of year             | 2,293,644 | 2,241,669 |
| Change in plan assets:                         |           |           |
| Fair value of plan assets at beginning of year | 1,746,518 | 1,775,007 |
| Actual return on plan assets                   | 31,681    | (16,703)  |
| Employer contributions                         | 78,728    | 93,612    |
| Benefits paid                                  | (133,310) | (100,004) |
| Effect of changes in consolidated subsidiaries |           | 3,646     |
| Foreign currency exchange impact               | (1,021)   | (4,145)   |
| Curtailments, settlements and other            | (1,198)   | (4,895)   |
| Fair value of plan assets at end of year       | 1,721,398 | 1,746,518 |
| Funded status                                  | (572,246) | (495,151) |

The accumulated benefit obligation for the pension plans was 2,246,385 million yen and 2,184,954 million yen at March 31, 2012 and 2011, respectively.

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The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets at March 31, 2012 and 2011 are as follows:

|  | Yen (millions) |           |
|--|----------------|-----------|
|  | 2012           | 2011      |
| Plans with projected benefit obligations in excess of plan assets:   |                |           |
| Projected benefit obligations  | 2,209,646      | 2,135,047 |
| Fair value of plan assets  | 1,636,662      | 1,635,656 |
| Plans with accumulated benefit obligations in excess of plan assets: |                |           |
| Accumulated benefit obligations                                      | 2,162,639      | 2,078,759 |
| Fair value of plan assets  | 1,636,662      | 1,632,963 |

Accounts recognized in the consolidated balance sheet at March 31, 2012 and 2011 consist of:

|                                   | Yen (millions) |           |
|-----------------------------------|----------------|-----------|
|                                   | 2012           | 2011      |
| Other assets                      | 738            | 4,240     |
| Other current liabilities         | (6,434)        | (6,431)   |
| Retirement and severance benefits | (566,550)      | (492,960) |
|                                   | (572,246)      | (495,151) |

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2012 and 2011 consist of:

|  | Yen (millions) |      |
|--|----------------|------|
|  | 2012           | 2011 |

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|                       |                |                |
|-----------------------|----------------|----------------|
| Prior service benefit | (122,795)      | (172,964)      |
| Actuarial loss        | 588,447        | 530,195        |
|                       | <u>465,652</u> | <u>357,231</u> |

Net periodic benefit cost for the contributory, funded benefit pension plans, the unfunded lump-sum payment plans, and the cash balance pension plans of the Company for each of the three years ended March 31, 2012 consist of the following components:

|   | Yen (millions) |               |               |
|---|----------------|---------------|---------------|
|   | <u>2012</u>    | <u>2011</u>   | <u>2010</u>   |
| Service cost benefits earned during the year  | 55,368         | 55,371        | 50,285        |
| Interest cost on projected benefit obligation | 54,552         | 57,093        | 51,239        |
| Expected return on plan assets                | (52,299)       | (55,583)      | (43,971)      |
| Amortization of prior service benefit         | (23,347)       | (24,544)      | (25,011)      |
| Recognized actuarial loss                     | 31,203         | 25,493        | 39,758        |
| Losses on curtailments and settlements        | 10,419         | 2,123         | 3,818         |
| Net periodic benefit cost                     | <u>75,896</u>  | <u>59,953</u> | <u>76,118</u> |

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The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for fiscal 2013 are gains of 22,259 million yen and losses of 32,802 million yen, respectively.

Weighted-average assumptions used to determine benefit obligations at March 31, 2012 and 2011 are as follows:

|                               | <u>2012</u> | <u>2011</u> |
|-------------------------------|-------------|-------------|
| Discount rate                 | 2.2%        | 2.5%        |
| Rate of compensation increase | 1.8%        | 1.8%        |

Weighted-average assumptions used to determine net periodic benefit cost for the three years ended March 31, 2012 are as follows:

|                                | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------|-------------|-------------|-------------|
| Discount rate                  | 2.5%        | 2.6%        | 2.7%        |
| Expected return on plan assets | 3.1%        | 3.2%        | 3.1%        |
| Rate of compensation increase  | 1.8%        | 1.8%        | 1.7%        |

The expected return on plan assets is determined based on the portfolio as a whole and not on the sum of the returns on individual asset categories, considering long-term historical returns, asset allocation, and future estimates of long-term investment returns.

Each plan of the Company has a different investment policy, which is designed to ensure sufficient plan assets are available to provide future payments of pension benefits to the eligible plan participants and is individually monitored for compliance and appropriateness on an on-going basis. Considering the expected long-term rate of return on plan assets, each plan of the Company establishes a basic portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the basic portfolio in order to generate a total return that will satisfy the expected return on a mid-term to long-term basis. The Company evaluates the difference between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the basic portfolio. The Company revises the basic portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

The Company's pension plan assets allocation is approximately 40% for equity securities, approximately 40% for debt securities, and approximately 20% for other investments, primarily in life insurance company general accounts.

For the Company's major defined benefit pension plans, equity investments are invested mainly in listed equity securities, broadly in Japanese equity, developed international equity and emerging markets. The debt securities investments are comprised primarily of government, municipal, and corporate bonds. The Company mainly chooses debt securities with rating above BBB, high liquidity and appropriate repayment, and has appropriately diversified the investments by sector and geography. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. Other investments include fund-of-funds investment, equity long/short hedge funds investment and private equity investment. Fund-of-funds investment and equity long/short hedge funds investment are primarily invested in listed equity securities with frequency of transactions and stable return, while private equity investment are diversified products with low correlation.

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The fair values of the Company's pension plan assets at March 31, 2012 and 2011, by asset category are as follows:

|   | Yen (millions) |                  |               |                  |
|---|----------------|------------------|---------------|------------------|
|   | 2012           |                  |               |                  |
|   | Level 1        | Level 2          | Level 3       | Total            |
| Cash and cash equivalents               | 22,503         | 28,345           |               | 50,848           |
| Equity securities:                      |                |                  |               |                  |
| Japanese companies                      | 84,697         |                  |               | 84,697           |
| Foreign companies                       | 78,952         |                  |               | 78,952           |
| Commingled funds (a)                    |                | 457,196          |               | 457,196          |
| Debt securities:                        |                |                  |               |                  |
| Government and Municipal bonds          | 133,962        |                  |               | 133,962          |
| Corporate bonds                         |                | 50,011           |               | 50,011           |
| Commingled funds (b)                    |                | 526,810          |               | 526,810          |
| Life insurance company general accounts |                | 196,880          |               | 196,880          |
| Other (c)                               |                | 121,470          | 20,572        | 142,042          |
| <b>Total</b>                            | <b>320,114</b> | <b>1,380,712</b> | <b>20,572</b> | <b>1,721,398</b> |

|   | Yen (millions) |         |         |         |
|---|----------------|---------|---------|---------|
|   | 2011           |         |         |         |
|   | Level 1        | Level 2 | Level 3 | Total   |
| Cash and cash equivalents               | 42,417         | 11,191  |         | 53,608  |
| Equity securities:                      |                |         |         |         |
| Japanese companies                      | 86,831         |         |         | 86,831  |
| Foreign companies                       | 113,294        | 2,236   |         | 115,530 |
| Commingled funds (a)                    | 71             | 444,559 |         | 444,630 |
| Debt securities:                        |                |         |         |         |
| Government and Municipal bonds          | 177,679        |         |         | 177,679 |
| Corporate bonds                         |                | 45,019  |         | 45,019  |
| Commingled funds (b)                    |                | 474,016 |         | 474,016 |
| Life insurance company general accounts |                | 198,010 |         | 198,010 |

|           |         |                   |                   |                   |
|-----------|---------|-------------------|-------------------|-------------------|
| Other (c) |         | 130,181           | 21,014            | 151,195           |
|           |         | <u>          </u> | <u>          </u> | <u>          </u> |
| Total     | 420,292 | 1,305,212         | 21,014            | 1,746,518         |
|           |         | <u>          </u> | <u>          </u> | <u>          </u> |

- (a) These funds invest mainly in listed equity securities, approximately 60% Japanese companies and 40% foreign companies.
- (b) These funds primarily invest in Japanese government bonds and foreign government bonds.
- (c) Other investments primarily include fund-of-funds investment and equity long/short hedge funds investment.

The three levels of the fair value hierarchy are discussed in Note 18.

Level 1 assets are comprised principally of equity securities and government and municipal bonds, which are valued using unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 assets are comprised principally of commingled funds, which are valued at their net asset values that are calculated by the fund and have daily liquidity, corporate bonds, which are valued based on quoted prices for identical assets in market that are not active, and life insurance company general accounts, which are valued at conversion value. Fund of funds investment and hedge funds investment that use equity long/short strategies, which primarily invest in listed equity securities and debt securities, are valued based on net asset value.

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Level 3 assets are comprised principally of collateralized loan obligation investment and private equity investment, which are valued based on prices and other relevant information such as similar market transactions and latest round of financing data.

The reconciliation of the beginning and ending balances of level 3 assets at March 31, 2012 and 2011, are as follows:

|   | Yen (millions)                       |                   |               |
|---|--------------------------------------|-------------------|---------------|
|   | Collateralized<br>loan<br>obligation | Private<br>equity | Total         |
| Balance at April 1, 2010                          | 8,715                                | 6,397             | 15,112        |
| Realized gains (losses)                           | 2,167                                |                   | 2,167         |
| Unrealized gains (losses) relating to assets held | 3,036                                | (330)             | 2,706         |
| Purchases, sales, issuances and settlements, net  | 912                                  | 1,663             | 2,575         |
| Transfers out of Level 3                          | (1,546)                              |                   | (1,546)       |
| <b>Balance at March 31, 2011</b>                  | <b>13,284</b>                        | <b>7,730</b>      | <b>21,014</b> |
| Realized gains (losses)                           | 2,515                                | 1,656             | 4,171         |
| Unrealized gains (losses) relating to assets held | (775)                                | 71                | (704)         |
| Purchases, sales, issuances and settlements, net  | (2,397)                              | 765               | (1,632)       |
| Transfers out of Level 3                          | (2,277)                              |                   | (2,277)       |
| <b>Balance at March 31, 2012</b>                  | <b>10,350</b>                        | <b>10,222</b>     | <b>20,572</b> |

The Company expects to contribute 89,796 million yen to its defined benefit plans in fiscal 2013.

The benefits expected to be paid from the defined pension plans in each fiscal year 2013 – 2017 are 116,691 million yen, 116,306 million yen, 119,053 million yen, 120,245 million yen and 118,469 million yen, respectively. The aggregate benefits expected to be paid in the five years from fiscal 2018 – 2022 are 643,928 million yen. The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at March 31 and include estimated future employee service.



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**(11) Income Taxes**

Income (loss) before income taxes and income taxes for each of the three years ended March 31, 2012 are summarized as follows:

|  | Yen (millions)  |               |                |
|--|-----------------|---------------|----------------|
|  | Domestic        | Foreign       | Total          |
| <b>For the year ended March 31, 2012</b> |                 |               |                |
| Income (loss) before income taxes        | (838,217)       | 25,373        | (812,844)      |
| Income taxes:                            |                 |               |                |
| Current                                  | 26,346          | 42,860        | 69,206         |
| Deferred                                 | (58,706)        | (733)         | (59,439)       |
| <b>Total income taxes</b>                | <b>(32,360)</b> | <b>42,127</b> | <b>9,767</b>   |
| <b>For the year ended March 31, 2011</b> |                 |               |                |
| Income before income taxes               | 23,356          | 155,451       | 178,807        |
| Income taxes:                            |                 |               |                |
| Current                                  | 28,479          | 60,431        | 88,910         |
| Deferred                                 | 20,913          | (6,813)       | 14,100         |
| <b>Total income taxes</b>                | <b>49,392</b>   | <b>53,618</b> | <b>103,010</b> |
| <b>For the year ended March 31, 2010</b> |                 |               |                |
| Income (loss) before income taxes        | (80,125)        | 50,810        | (29,315)       |
| Income taxes:                            |                 |               |                |
| Current                                  | 22,105          | 36,042        | 58,147         |
| Deferred                                 | 80,954          | 2,732         | 83,686         |
| <b>Total income taxes</b>                | <b>103,059</b>  | <b>38,774</b> | <b>141,833</b> |

The Company and its subsidiaries in Japan are subject to a National tax of 30%, an Inhabitant tax of approximately 20.5%, and a deductible Enterprise tax of approximately 7.4% varying by local jurisdiction, which, in aggregate, resulted in a combined statutory tax rate in Japan of approximately 40.5% for the three years ended March 31, 2012.

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The effective tax rates for each of the years differ from the combined statutory tax rates for the following reasons:

|  | <u>2012</u>       | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|-------------------|
| Combined statutory tax rate                                    | (40.5)%           | 40.5%             | (40.5)%           |
| Lower tax rates of overseas subsidiaries                       | (0.4)             | (15.4)            | (38.4)            |
| Expenses not deductible for tax purposes                       | 0.5               | 3.2               | 25.7              |
| Change in valuation allowance allocated to income tax expenses | 27.2              | 24.4              | 473.8             |
| Tax effects attributable to investments in subsidiaries        | 0.8               | 2.2               | 45.7              |
| Per capita tax   | 0.2               | 1.2               | 8.3               |
| Goodwill impairment  | 8.2               |                   | 5.2               |
| Effect of enacted changes in Japanese tax laws and rates       | 3.7               |                   |                   |
| Other  | 1.5               | 1.5               | 4.0               |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Effective tax rate   | 1.2%              | 57.6%             | 483.8%            |
|  | <u>          </u> | <u>          </u> | <u>          </u> |

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For the year ended March 31, 2012, Japanese corporate tax law and statutory tax rates to apply to taxable income from next year onwards were enacted in Japan. Tax law changes result in reductions in rates in two steps in future years. In consequence, the Company has recorded income tax expense of 25,536 million yen for adjustments of deferred tax assets and liabilities.

The significant components of deferred income tax expenses for the three years ended March 31, 2012 are as follows:

|   | Yen (millions)  |               |               |
|---|-----------------|---------------|---------------|
|   | 2012            | 2011          | 2010          |
| Deferred tax expense (exclusive of the effects of other components listed below)                      | (50,086)        | 31,999        | 111,579       |
| Adjustments of deferred tax assets and liabilities for enacted changes in Japanese tax laws and rates | 25,536          |               |               |
| Benefits of net operating loss carryforwards  | (34,889)        | (17,899)      | (27,893)      |
|   | <u>(59,439)</u> | <u>14,100</u> | <u>83,686</u> |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2012 and 2011 are presented below:

|  | Yen (millions) |         |
|--|----------------|---------|
|  | 2012           | 2011    |
| Deferred tax assets:   |                |         |
| Inventory valuation  | 81,004         | 87,647  |
| Expenses accrued for financial statement purposes but not currently included in taxable income | 179,860        | 171,779 |
| Property, plant and equipment  | 240,033        | 231,987 |
| Retirement and severance benefits  | 236,565        | 273,830 |
| Tax loss carryforwards   | 723,897        | 653,378 |
| Other  | 178,700        | 181,190 |

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|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Total gross deferred tax assets                               | 1,640,059                   | 1,599,811                   |
| Less valuation allowance                                      | 1,029,825                   | 990,354                     |
|   | <u>                    </u> | <u>                    </u> |
| Net deferred tax assets                                       | 610,234                     | 609,457                     |
|   | <u>                    </u> | <u>                    </u> |
| Deferred tax liabilities:                                     |                             |                             |
| Net unrealized holding gains of available-for-sale securities | (20,604)                    | (26,130)                    |
| Intangible assets   | (89,442)                    | (166,403)                   |
| Other   | (65,595)                    | (82,936)                    |
|   | <u>                    </u> | <u>                    </u> |
| Total gross deferred tax liabilities                          | (175,641)                   | (275,469)                   |
|   | <u>                    </u> | <u>                    </u> |
| Net deferred tax assets                                       | 434,593                     | 333,988                     |
|   | <u>                    </u> | <u>                    </u> |

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and loss carryforwards become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences and loss carryforwards, net of the existing valuation allowances at March 31, 2012.

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The net change in total valuation allowance for the years ended March 31, 2012, 2011 and 2010 was an increase of 39,471 million yen, a decrease of 24,349 million yen and an increase of 536,706 million yen, respectively.

At March 31, 2012, the Company had, for income tax purposes, net operating loss carryforwards of approximately 2,144,980 million yen, of which 1,991,944 million yen expire from fiscal 2013 through 2021 and the remaining balance will expire thereafter or do not expire. At March 31, 2012, the Company had, for income tax purposes, tax credit carryforwards of approximately 46,983 million yen, which expire from fiscal 2013 through 2015.

Net deferred tax assets and liabilities at March 31, 2012 and 2011 are reflected in the accompanying consolidated balance sheets under the following captions:

|                           | Yen (millions) |           |
|---------------------------|----------------|-----------|
|                           | 2012           | 2011      |
| Other current assets      | 226,180        | 254,413   |
| Other assets              | 338,754        | 329,920   |
| Other current liabilities | (4,789)        | (1,466)   |
| Other liabilities         | (125,552)      | (248,879) |
| Net deferred tax assets   | 434,593        | 333,988   |

The Company has not recognized a deferred tax liability for the undistributed earnings of its foreign subsidiaries and foreign corporate joint ventures of 920,083 million yen as of March 31, 2012, because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company no longer plans to indefinitely reinvest undistributed earnings. The calculation of related unrecognized deferred tax liability is not practicable.

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A reconciliation of the beginning and ending amounts of unrecognized tax benefits for each of the three years ended March 31, 2012 is as follows:

|  | Yen (millions) |          |         |
|--|----------------|----------|---------|
|  | 2012           | 2011     | 2010    |
| Balance at beginning of year                   | (14,693)       | (9,843)  | (7,187) |
| Increase related to prior year tax positions   | (6,058)        | (5,690)  | (685)   |
| Decrease related to prior year tax positions   | 1,435          | 532      | 1,780   |
| Increase related to current year tax positions | (3,541)        | (1,986)  | (1,195) |
| Change in consolidated subsidiaries            | 1,616          |          | (3,339) |
| Settlements                                    | 5,646          | 1,451    | 747     |
| Translation adjustments                        | 284            | 843      | 36      |
| Balance at end of year                         | (15,311)       | (14,693) | (9,843) |

As of March 31, 2012, 2011 and 2010, the total amount of unrecognized tax benefits are 14,457 million yen, 14,175 million yen and 9,843 million yen, respectively, that if recognized, would reduce the effective tax rate. It is reasonably possible that developments on tax matters in certain tax jurisdictions may result in approximately twenty percent decrease of the Company's total unrecognized tax benefits within the next twelve months. The Company has accrued interests and penalties related to unrecognized tax benefits and the amount of interest and penalties included in provision for income taxes and cumulative amount accrued were not material as of and for the years ended March 31, 2012, 2011 and 2010.

The Company files income tax returns in Japan and various foreign tax jurisdictions. There are a number of subsidiaries which operate within each of the Company's major jurisdictions resulting in a range of open tax years. The open tax year for the Company is fiscal 2012. The open tax years for its significant subsidiaries in Japan, the United States of America, the United Kingdom and China range from fiscal 2004 and thereafter.

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(12) Stockholders Equity

The Company may repurchase its common stock from the market pursuant to the Company Law of Japan. For the years ended March 31, 2012, 2011 and 2010, respectively, 635,123 shares, 327,193 shares and 53,863 shares were repurchased.

The Company sold 242,043,928 shares, 15,100 shares and 17,731 shares of its treasury stock for the years ended March 31, 2012, 2011 and 2010, respectively. Sales of treasury stock for the year ended March 31, 2012 includes the share exchange of treasury stock to noncontrolling interest holders. On April 1, 2011, PEW and SANYO became wholly-owned subsidiaries through the share exchange in order to accelerate synergy generation and maximize synergy. All the shares delivered by the Company were sourced from its treasury stocks (241,961,655 shares) held by the Company. As a result, treasury stock decreased by 424,010 million yen. The difference between the fair value of the shares of the Company delivered to the noncontrolling interest and the decrease in the carrying amount of the treasury stock was recognized as an adjustment to capital surplus and retained earnings in the consolidated balance sheets.

The Company Law of Japan provides that an amount equal to 10% of appropriations be appropriated as a capital reserve or legal reserve until the aggregated amount of capital reserve and legal reserve equals 25% of stated capital. The capital reserve and legal reserve are not available for dividends but may be transferred to capital surplus or retained earnings or stated capital upon approval of the shareholders meeting.

Cash dividends and transfers to the legal reserve charged to retained earnings during the three years ended March 31, 2012 represent dividends paid out during the periods and related appropriation to the legal reserve. Cash dividends per share paid during each of the three years ended March 31, 2012 amounted to 10.00 yen, 10.00 yen and 12.50 yen, respectively. The accompanying consolidated financial statements do not include any provisions for the year-end dividend of 5.0 yen per share, totaling approximately 11,559 million yen in respect of the year ended March 31, 2012 approved by the board of directors in May 2012.

In accordance with the Company Law of Japan, there are certain restrictions on payment of dividends in connection with the treasury stock repurchased. As a result of restrictions on the treasury stock repurchased, retained earnings of 247,277 million yen at March 31, 2012 were restricted as to the payment of cash dividends.

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(13) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for each of the three years ended March 31, 2012 are as follows:

|  | Yen (millions)    |                |                      |
|--|-------------------|----------------|----------------------|
|  | Pre-tax<br>amount | Tax<br>expense | Net-of-tax<br>amount |
| For the year ended March 31, 2012  |                   |                |                      |
| Translation adjustments:   |                   |                |                      |
| Translation adjustments arising during the period                                  | (27,206)          |                | (27,206)             |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | 6,260             |                | 6,260                |
| Net translation adjustments  | (20,946)          |                | (20,946)             |
| Unrealized holding gains (losses) of available-for-sale securities:                |                   |                |                      |
| Unrealized holding gains (losses) arising during the period                        | (7,989)           | 4,887          | (3,102)              |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | (374)             | 151            | (223)                |
| Net unrealized gains (losses)  | (8,363)           | 5,038          | (3,325)              |
| Unrealized holding gains (losses) of derivative instruments:                       |                   |                |                      |
| Unrealized holding gains (losses) arising during the period                        | (583)             | 3              | (580)                |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | (9,556)           | 4,118          | (5,438)              |
| Net unrealized gains (losses)  | (10,139)          | 4,121          | (6,018)              |
| Pension liability adjustments:   |                   |                |                      |
| Prior service benefit arising during the period                                    | (28,019)          | 11,348         | (16,671)             |
| Less: Amortization of prior service benefit included in net periodic benefit cost  | (23,117)          | 9,772          | (13,345)             |



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|   |           |          |           |
|---|-----------|----------|-----------|
| Net prior service benefit   | (51,136)  | 21,120   | (30,016)  |
| Actuarial gain (loss) arising during the period                                   | (100,235) | 26,854   | (73,381)  |
| Less: Amortization of actuarial gain (loss) included in net periodic benefit cost | 40,941    | (16,272) | 24,669    |
| Net actuarial gain (loss)   | (59,294)  | 10,582   | (48,712)  |
| Net pension liability adjustments   | (110,430) | 31,702   | (78,728)  |
| Other comprehensive income (loss)   | (149,878) | 40,861   | (109,017) |

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|  | Yen (millions)    |                |                      |
|--|-------------------|----------------|----------------------|
|  | Pre-tax<br>amount | Tax<br>expense | Net-of-tax<br>amount |
| For the year ended March 31, 2011  |                   |                |                      |
| Translation adjustments:   |                   |                |                      |
| Translation adjustments arising during the period                                  | (88,016)          |                | (88,016)             |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | 2,001             |                | 2,001                |
| <b>Net translation adjustments</b>   | <b>(86,015)</b>   |                | <b>(86,015)</b>      |
| Unrealized holding gains (losses) of available-for-sale securities:                |                   |                |                      |
| Unrealized holding gains (losses) arising during the period                        | (53,060)          | 21,554         | (31,506)             |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | 14,645            | (5,928)        | 8,717                |
| <b>Net unrealized gains (losses)</b>   | <b>(38,415)</b>   | <b>15,626</b>  | <b>(22,789)</b>      |
| Unrealized holding gains (losses) of derivative instruments:                       |                   |                |                      |
| Unrealized holding gains (losses) arising during the period                        | 16,125            | (7,364)        | 8,761                |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | (12,947)          | 5,174          | (7,773)              |
| <b>Net unrealized gains (losses)</b>   | <b>3,178</b>      | <b>(2,190)</b> | <b>988</b>           |
| Pension liability adjustments:   |                   |                |                      |
| Prior service benefit arising during the period                                    |                   |                |                      |
| Less: Amortization of prior service benefit included in net periodic benefit cost  | (23,803)          | 10,077         | (13,726)             |
| <b>Net prior service benefit</b>   | <b>(23,803)</b>   | <b>10,077</b>  | <b>(13,726)</b>      |
| Actuarial gain (loss) arising during the period                                    | (99,459)          | 33,979         | (65,480)             |
| Less: Amortization of actuarial gain (loss) included in net periodic benefit cost  | 26,276            | (10,437)       | 15,839               |

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|                                   |           |        |           |
|-----------------------------------|-----------|--------|-----------|
| Net actuarial gain (loss)         | (73,183)  | 23,542 | (49,641)  |
| Net pension liability adjustments | (96,986)  | 33,619 | (63,367)  |
| Other comprehensive income (loss) | (218,238) | 47,055 | (171,183) |

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|  | Yen (millions)    |                |                      |
|--|-------------------|----------------|----------------------|
|  | Pre-tax<br>amount | Tax<br>expense | Net-of-tax<br>amount |
| For the year ended March 31, 2010  |                   |                |                      |
| Translation adjustments:   |                   |                |                      |
| Translation adjustments arising during the period                                  | (21,186)          |                | (21,186)             |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | 10,129            |                | 10,129               |
| Net translation adjustments  | (11,057)          |                | (11,057)             |
| Unrealized holding gains (losses) of available-for-sale securities:                |                   |                |                      |
| Unrealized holding gains (losses) arising during the period                        | 88,042            | (36,356)       | 51,686               |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | (703)             | 280            | (423)                |
| Net unrealized gains (losses)  | 87,339            | (36,076)       | 51,263               |
| Unrealized holding gains (losses) of derivative instruments:                       |                   |                |                      |
| Unrealized holding gains (losses) arising during the period                        | 4,607             | (1,543)        | 3,064                |
| Less: Reclassification adjustment for (gains) losses included in net income (loss) | 4,657             | (1,560)        | 3,097                |
| Net unrealized gains (losses)  | 9,264             | (3,103)        | 6,161                |
| Pension liability adjustments:   |                   |                |                      |
| Prior service benefit arising during the period                                    |                   |                |                      |
| Less: Amortization of prior service benefit included in net periodic benefit cost  | (23,947)          | 8,962          | (14,985)             |
| Net prior service benefit  | (23,947)          | 8,962          | (14,985)             |
| Actuarial gain (loss) arising during the period                                    | 139,867           | (49,300)       | 90,567               |
| Less: Amortization of actuarial gain (loss) included in net periodic benefit cost  | 39,159            | (14,963)       | 24,196               |

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|                                   |                |                 |                |
|-----------------------------------|----------------|-----------------|----------------|
| Net actuarial gain (loss)         | <u>179,026</u> | <u>(64,263)</u> | <u>114,763</u> |
| Net pension liability adjustments | <u>155,079</u> | <u>(55,301)</u> | <u>99,778</u>  |
| Other comprehensive income (loss) | <u>240,625</u> | <u>(94,480)</u> | <u>146,145</u> |

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

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share attributable to Panasonic Corporation common shareholders computation for each of the three years ended March 31, 2012 is as follows:

|   | Yen (millions) |        |           |
|---|----------------|--------|-----------|
|   | 2012           | 2011   | 2010      |
| Net income (loss) attributable to Panasonic Corporation common shareholders | (772,172)      | 74,017 | (103,465) |

|                                   | Number of shares |               |               |
|-----------------------------------|------------------|---------------|---------------|
|                                   | 2012             | 2011          | 2010          |
| Average common shares outstanding | 2,312,167,772    | 2,070,341,989 | 2,070,623,618 |

|  | Yen      |       |         |
|--|----------|-------|---------|
|  | 2012     | 2011  | 2010    |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders: |          |       |         |
| Basic  | (333.96) | 35.75 | (49.97) |
| Diluted  |          |       |         |

Diluted net income (loss) per share attributable to Panasonic Corporation common shareholders for the years ended March 31, 2010 through 2012 has been omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

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**(15) Restructuring Charges**

In connection with the reorganization of the Company's operations, the Company has incurred certain restructuring charges. Components and related amounts of the restructuring charges, before the related tax effects, for each of the three years ended March 31, 2012 are as follows:

|   | Yen (millions) |               |               |
|---|----------------|---------------|---------------|
|   | 2012           | 2011          | 2010          |
| Expenses associated with the implementation of early retirement programs: |                |               |               |
| Domestic  | 91,880         | 14,312        | 33,070        |
| Overseas  | 9,114          | 3,359         | 5,884         |
| <b>Total</b>  | <b>100,994</b> | <b>17,671</b> | <b>38,954</b> |
| Expenses associated with the closure and integration of locations         | 83,459         | 39,282        | 15,918        |
| <b>Total restructuring charges</b>  | <b>184,453</b> | <b>56,953</b> | <b>54,872</b> |

These restructuring charges are included in other deductions in the consolidated statements of operations.

The Company has provided early retirement programs to those employees voluntarily leaving the Company. The accrued early retirement benefits are recognized when the employees accept the offer and the amount can be reasonably estimated. Expenses associated with the closure and integration of locations include amounts such as moving expenses of facilities and costs to terminate leasing contracts incurred at domestic and overseas manufacturing plants and sales offices. An analysis of the accrued restructuring charges for each of the three years ended March 31, 2012 is as follows:

|                              | Yen (millions) |       |        |
|------------------------------|----------------|-------|--------|
|                              | 2012           | 2011  | 2010   |
| Balance at beginning of year | 31,492         | 9,389 | 32,523 |

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|                                    |                   |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|
| New charges                        | 184,453           | 56,953            | 54,872            |
| Cash payments or otherwise settled | (145,003)         | (34,850)          | (78,006)          |
|                                    | <u>          </u> | <u>          </u> | <u>          </u> |
| Balance at end of year             | 70,942            | 31,492            | 9,389             |
|                                    | <u>          </u> | <u>          </u> | <u>          </u> |

The restructuring activities are generally insignificant on an individual activity basis and are short term in nature and are generally completed within one year of initiation. The total amount of costs expected to be incurred in connection with the activity are generally not materially different from the respective restructuring charges as disclosed below except as indicated otherwise. Furthermore, the amounts of restructuring costs incurred subsequent to the fiscal year end of the initiation of any given restructuring activity are not significant except as indicated otherwise.

The disclosure below has been modified to reflect the revised segments.



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The following description represents restructuring activities for the year ended March 31, 2012 by segment:

*AVC Networks*

AVC Networks segment restructured its operations to improve cost competitiveness through selection and concentration of business mainly in Japan. Total restructuring charges amounting to 79,287 million yen included implementation of early retirement programs of 18,729 million yen and closure and integration of manufacturing locations in the amount of 60,558 million yen. The ending liability balance amounted to 45,819 million yen and 174 million yen for the years ended March 31, 2012 and 2011, respectively.

In addition to various restructuring activities in this segment, the Company made a decision to shut off production in domestic plasma display panel fifth factory of Panasonic Plasma Display Co., Ltd., a subsidiary of the Company. Due to the continuously substantial decline of product prices caused by intense price competition and the yen appreciation, the profitability of the flat-panel TV business declined significantly. The Company decided to restructure the panel business to optimize its production scale by consolidating manufacturing sites. The restructuring activity and material cash outlays are expected to take place through fiscal 2015. The total amount expected to be incurred in connection with the activity and the actual amount incurred for the year ended March 31, 2012 amounted to 51,083 million yen. In connection with the plasma display panel business, there was no beginning liability balance with new restructuring charges incurred in the amount of 51,083 million yen and costs paid or otherwise settled of 5,264 million yen during the fiscal year. The ending liability balance amounted to 45,819 million yen.

*Appliances*

Appliances segment restructured its operations to improve efficiency. Total restructuring charges amounting to 11,728 million yen included implementation of early retirement programs of 9,584 million yen and closure and integration of locations in the amount of 2,144 million yen. The ending liability balance amounted to 59 million yen and 168 million yen for the years ended March 31, 2012 and 2011, respectively.

*Systems & Communications*

Systems & Communications segment restructured its operations to improve efficiency. Total restructuring charges amounting to 740 million yen included implementation of early retirement programs of 619 million yen and closure and integration of locations in the amount of 121 million yen. There was no ending liability balance for the year ended March 31, 2012. The ending liability balance amounted to 1,882 million yen for the year ended March 31, 2011.

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*Eco Solutions*

Eco Solutions segment restructured its operations mainly in Japan to improve cost effectiveness. Total restructuring charges amounting to 11,834 million yen included implementation of early retirement programs of 9,037 million yen and closure and integration of locations in the amount of 2,797 million yen. The ending liability balance amounted to 170 million yen for the year ended March 31, 2012. There was no ending liability balance for the year ended March 31, 2011.

*Automotive Systems*

Automotive Systems segment restructured its operations to improve efficiency overseas. Total restructuring charges amounting to 658 million yen included implementation of early retirement programs of 572 million yen and closure and integration of locations in the amount of 86 million yen. There was no ending liability balance for the years ended March 31, 2012 and 2011, respectively.

*Industrial Devices*

Industrial Devices segment restructured its operations to improve efficiency and cost effectiveness mainly in Japan. Total restructuring charges amounting to 21,531 million yen included implementation of early retirement programs of 19,429 million yen and closure and integration of locations in the amount of 2,102 million yen. The ending liability balance amounted to 831 million yen and 91 million yen for the years ended March 31, 2012 and 2011, respectively.

*Energy*

Energy segment restructured its operations mainly to accelerate integration of manufacturing bases and organization in Japan. Total restructuring charges amounting to 7,684 million yen included implementation of early retirement programs of 4,560 million yen and closure and integration of locations in the amount of 3,124 million yen. The ending liability balance amounted to 177 million yen and 137 million yen for the years ended March 31, 2012 and 2011, respectively.

*Other*

Other segment restructured its operations for selection and concentration of its businesses in Japan and overseas. Total restructuring charges amounting to 50,991 million yen included early retirement programs of 38,464 million yen and closure and integration of locations in the amount of 12,527 million yen. The ending liability balance amounted to

23,886 million yen and 29,040 million yen for the years ended March 31, 2012 and 2011, respectively.

The total amount expected to be incurred in connection with the restructuring activity of SANYO's semiconductor business that was initiated in fiscal 2011 amounted to 44,170 million yen as of March 31, 2012. The beginning liability balance amounted to 28,060 million yen with no additional restructuring charges incurred and costs paid or otherwise settled of 24,416 million yen during the fiscal year. The ending liability balance amounted to 3,644 million yen.

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The following description represents restructuring activities for the year ended March 31, 2011 by segment:

*AVC Networks*

AVC Networks segment restructured its operations to improve efficiency. Total restructuring charges amounting to 2,140 million yen included implementation of early retirement programs of 1,845 million yen and closure and integration of locations in the amount of 295 million yen. The ending liability balance amounted to 174 million yen and 992 million yen for the years ended March 31, 2011 and 2010, respectively.

*Appliances*

Appliances segment restructured its operations to improve efficiency. Total restructuring charges amounting to 3,101 million yen included implementation of early retirement programs of 1,023 million yen and closure and integration of manufacturing locations in the amount of 2,078 million yen. The ending liability balance amounted to 168 million yen and 3,192 million yen for the years ended March 31, 2011 and 2010, respectively.

*Systems & Communications*

Systems & Communications segment restructured its operations consisting mainly of integration of manufacturing bases in Japan. Total restructuring charges amounting to 2,218 million yen included implementation of early retirement programs of 26 million yen and closure and integration of locations in the amount of 2,192 million yen. The ending liability balance amounted to 1,882 million yen and 760 million yen for the years ended March 31, 2011 and 2010, respectively.

*Eco Solutions*

Eco Solutions segment restructured its operations mainly in Japan to improve cost effectiveness. Total restructuring charges amounting to 1,325 million yen included implementation of early retirement programs of 434 million yen and closure and integration of locations in the amount of 891 million yen. There was no ending liability balance for the year ended March 31, 2011. The ending liability balance amounted to 1,047 million yen for the year ended March 31, 2010.

*Automotive Systems*

There was no restructuring charge in Automotive Systems segment. There was no ending liability balance for the year ended March 31, 2011. The ending liability balance amounted to 232 million yen for the year ended March 31, 2010.

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*Industrial Devices*

Industrial Devices segment restructured its operations to improve efficiency and cost effectiveness. Total restructuring charges amounting to 1,346 million yen included implementation of early retirement programs of 324 million yen and closure and integration of locations in the amount of 1,022 million yen. The ending liability balance amounted to 91 million yen and 2,247 million yen for the years ended March 31, 2011 and 2010, respectively.

*Energy*

Energy segment restructured its operations to improve cost effectiveness. Total restructuring charges amounting to 468 million yen included implementation of early retirement programs of 303 million yen and closure and integration of locations in the amount of 165 million yen. The ending liability balance amounted to 137 million yen and 40 million yen for the years ended March 31, 2011 and 2010, respectively.

*Other*

Other segment restructured its operations to improve efficiency. Total restructuring charges amounting to 46,355 million yen included early retirement programs of 13,716 million yen and closure and integration of manufacturing locations in the amount of 32,639 million yen. The ending liability balance amounted to 29,040 million yen and 879 million yen for the years ended March 31, 2011 and 2010, respectively.

In addition to various restructuring activities in this segment, SANYO decided to restructure the Semiconductor business as the result of the SANYO's Board of Directors' action to approve the divestiture on July 15, 2010. The divestiture became effective January 1, 2011. This restructuring activity and subsequent divestiture were the result of SANYO's conclusion that its Semiconductor business did not align with SANYO's strategic and growth initiatives. The restructuring activity and material cash outlays are expected to take place through fiscal 2013. The total amount expected to be incurred in connection with the activity and the actual amount incurred for the year ended March 31, 2011 amounted to 44,170 million yen. In connection with the Semiconductor business, there was no beginning liability balance with new restructuring charges incurred in the amount of 44,170 million yen and costs paid or otherwise settled of 16,110 million yen during the fiscal year. The ending liability balance amounted to 28,060 million yen.

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The following description represents restructuring activities for the year ended March 31, 2010 by segment:

*AVC Networks*

AVC Networks segment restructured its operations to improve its cost competitiveness. Total restructuring charges amounting to 2,289 million yen included implementation of early retirement programs of 1,534 million yen and closure and integration of locations in the amount of 755 million yen. The ending liability balance amounted to 992 million yen and 3,412 million yen for the years ended March 31, 2010 and 2009, respectively.

*Appliances*

Appliances segment restructured its operations to accelerate concentration of its business for strengthening its management structure. Total restructuring charges amounting to 7,710 million yen included implementation of early retirement programs of 5,996 million yen and closure and integration of locations in the amount of 1,714 million yen. The ending liability balance amounted to 3,192 million yen and 107 million yen for the years ended March 31, 2010 and 2009, respectively.

*Systems & Communications*

Systems & Communications segment restructured its operations to improve efficiency in Japan. Total restructuring charges amounting to 13,549 million yen included implementation of early retirement programs of 11,209 million yen and closure and integration of locations in the amount of 2,340 million yen. The ending liability balance amounted to 760 million yen and 23,489 million yen for the years ended March 31, 2010 and 2009, respectively.

*Eco Solutions*

Eco Solutions segment restructured its operations to improve cost efficiency in Japan and overseas. Total restructuring charges amounting to 9,174 million yen included implementation of early retirement programs of 5,787 million yen and closure and integration of locations in the amount of 3,387 million yen. The ending liability balance amounted to 1,047 million yen and 1,853 million yen for the years ended March 31, 2010 and 2009, respectively.

*Automotive Systems*

Automotive Systems segment restructured its operations to improve cost effectiveness overseas. Total restructuring charges amounting to 233 million yen included implementation of early retirement programs of 209 million yen and closure and integration of locations in the amount of 24 million yen. The ending liability balance amounted to 232 million yen and 401 million yen for the years ended March 31, 2010 and 2009, respectively.

#### *Industrial Devices*

Industrial Devices segment restructured its operations to improve efficiency and cost effectiveness mainly in Japan. Total restructuring charges amounting to 7,777 million yen included implementation of early retirement programs of 5,511 million yen and closure and integration of locations in the amount of 2,266 million yen. The ending liability balance amounted to 2,247 million yen and 1,423 million yen for the years ended March 31, 2010 and 2009, respectively.

#### *Energy*

Energy segment restructured its operations to improve cost effectiveness. Total restructuring charges amounting to 77 million yen included implementation of early retirement programs of 37 million yen and closure and integration of locations in the amount of 40 million yen. The ending liability balance amounted to 40 million yen for the year ended March 31, 2010. There was no ending liability balance for the year ended March 31, 2009.

#### *Other*

Other segment restructured its operations to improve efficiency. Total restructuring charges amounting to 14,063 million yen included early retirement programs of 8,671 million and yen and closure and integration of locations in the amount of 5,392 million yen. The ending liability balance amounted to 879 million yen and 1,838 million yen for the years ended March 31, 2010 and 2009, respectively.



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**(16) Supplementary Information to the Statements of Operations and Cash Flows**

Research and development costs, advertising costs, shipping and handling costs and depreciation charged to earnings for each of the three years ended March 31, 2012 are as follows:

|                                | <b>Yen (millions)</b> |             |             |
|--------------------------------|-----------------------|-------------|-------------|
|                                | <b>2012</b>           | <b>2011</b> | <b>2010</b> |
| Research and development costs | 520,217               | 527,798     | 476,903     |
| Advertising costs              | 137,942               | 156,894     | 150,866     |
| Shipping and handling costs    | 153,345               | 145,315     | 129,114     |
| Depreciation                   | 259,135               | 284,244     | 251,839     |

Net foreign exchange gains included in other income for the years ended March 31, 2012 and 2011 are 4,658 million yen and 12,128 million yen, respectively. Net foreign exchange losses included in other deductions for the year ended March 31, 2010 are 3,486 million yen.

Shipping and handling costs are included in selling, general and administrative expenses in the consolidated statements of operations.

In fiscal 2012, 2011 and 2010, the Company sold, without recourse, trade receivables of 505,018 million yen, 554,243 million yen and 443,673 million yen to independent third parties for proceeds of 504,098 million yen, 553,130 million yen and 442,779 million yen, and recorded losses on the sale of trade receivables of 920 million yen, 1,113 million yen and 894 million yen, respectively. In fiscal 2012, 2011 and 2010, the Company sold, with recourse, trade receivables of 401,693 million yen, 402,359 million yen and 355,512 million yen to independent third parties for proceeds of 401,158 million yen, 401,979 million yen and 355,113 million yen, and recorded losses on the sale of trade receivables of 535 million yen, 380 million yen and 399 million yen, respectively. Those losses are mainly included in selling, general and administrative expenses. The Company is responsible for servicing most of the receivables. The amounts of trade receivables sold to independent third parties which have not been collected at March 31, 2012 and 2011 are 129,946 million yen and 153,550 million yen, respectively. Those receivables had been derecognized at March 31, 2012 and 2011. Included in trade notes receivable and trade accounts receivable at March 31, 2012 are amounts of 34,293 million yen without recourse and 33,200 million yen with recourse scheduled to be sold to independent third parties. The sale of trade receivables was accounted for under the provision of ASC 860, Transfers and Servicing, which provides accounting and reporting standards for transfer and servicing of financial assets and extinguishments of liabilities.

Net gain from insurance recovery related to the Great East Japan Earthquake included in other income for the year ended March 31, 2012 amounted to 5,706 million yen, which was net of loss of 9,721 million yen incurred due to the earthquake. Net loss related to the Great East Japan Earthquake included in other deductions for the year ended March 31, 2011 amounted to 9,160 million yen, which was net of insurance recovery from loss related to the earthquake of 15,430 million yen.

Net loss related to the flooding in Thailand included in other deductions for the year ended March 31, 2012 amounted to 2,513 million yen, which was net of insurance recovery from loss related to the flooding of 7,987 million yen.

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Interest and income taxes paid, and noncash investing and financing activities for each of the three years ended March 31, 2012 are as follows:

|   | <u>Yen (millions)</u> |             |             |
|---|-----------------------|-------------|-------------|
|   | <u>2012</u>           | <u>2011</u> | <u>2010</u> |
| Cash paid:                                      |                       |             |             |
| Interest  | 28,636                | 28,308      | 26,301      |
| Income taxes                                    | 76,679                | 75,872      | 51,441      |
| Noncash investing and financing activities:     |                       |             |             |
| Capital leases                                  | 6,668                 | 5,777       | 37,505      |
| Treasury stock transferred under share exchange | 424,010               |             |             |

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**(17) Derivatives and Hedging Activities**

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

Amounts included in accumulated other comprehensive income (loss) at March 31, 2012 are expected to be recognized in earnings principally over the next twelve months. The maximum term over which the Company is hedging exposures to the variability of cash flows for foreign currency exchange risk is approximately five months.

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

The contract amounts of foreign exchange contracts, cross currency swaps, interest rate swaps and commodity futures at March 31, 2012 and 2011 are as follows:

|                            | <b>Yen (millions)</b> |             |
|----------------------------|-----------------------|-------------|
|                            | <b>2012</b>           | <b>2011</b> |
| Forward:                   |                       |             |
| To sell foreign currencies | 339,271               | 397,580     |
| To buy foreign currencies  | 376,075               | 225,444     |
| Cross currency swaps       | 123,586               | 47,668      |
| Interest rate swaps        |                       | 31,170      |
| Commodity futures:         |                       |             |
| To sell commodity          | 156,458               | 128,411     |
| To buy commodity           | 170,101               | 160,483     |

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The fair values of derivative instruments at March 31, 2012 are as follows:

|   | Yen (millions)                         |               |  |                 |
|---|--|---------------|--|-----------------|
|   | Asset derivatives                      |               | Liability derivatives                  |                 |
|   | Consolidated balance<br>sheet location | Fair<br>value | Consolidated balance<br>sheet location | Fair<br>value   |
| Derivatives designated as hedging instruments under ASC 815:          |  |               |  |                 |
| Foreign exchange contracts  | Other current assets                   | 56            | Other current liabilities              | (10,209)        |
| Commodity futures   | Other current assets                   | 1,599         | Other current liabilities              | (231)           |
| Total derivatives designated as hedging instruments under ASC 815     |  | <u>1,655</u>  |  | <u>(10,440)</u> |
| Derivatives not designated as hedging instruments under ASC 815:      |  |               |  |                 |
| Foreign exchange contracts  | Other current assets                   | 6,774         | Other current liabilities              | (1,524)         |
| Cross currency swaps  | Other current assets                   | 304           |  |                 |
| Commodity futures   | Other current assets                   | 979           | Other current liabilities              | (979)           |
| Total derivatives not designated as hedging instruments under ASC 815 |  | <u>8,057</u>  |  | <u>(2,503)</u>  |
| Total derivatives   |  | <u>9,712</u>  |  | <u>(12,943)</u> |

The fair values of derivative instruments at March 31, 2011 are as follows:

|  | Yen (millions)                         |               |  |               |
|--|--|---------------|--|---------------|
|  | Asset derivatives                      |               | Liability derivatives                  |               |
|  | Consolidated balance<br>sheet location | Fair<br>value | Consolidated balance<br>sheet location | Fair<br>value |

|   |                      |                   |                           |                   |
|---|----------------------|-------------------|---------------------------|-------------------|
| Derivatives designated as hedging instruments under ASC 815:          |                      |                   |                           |                   |
| Foreign exchange contracts  | Other current assets | 252               | Other current liabilities | (4,584)           |
| Commodity futures   | Other current assets | 15,658            | Other current liabilities | (601)             |
|   |                      | <u>          </u> |                           | <u>          </u> |
| Total derivatives designated as hedging instruments under ASC 815     |                      | 15,910            |                           | (5,185)           |
|   |                      | <u>          </u> |                           | <u>          </u> |
| Derivatives not designated as hedging instruments under ASC 815:      |                      |                   |                           |                   |
| Foreign exchange contracts  | Other current assets | 1,619             | Other current liabilities | (3,238)           |
| Cross currency swaps  |                      |                   | Other current liabilities | (462)             |
| Interest rate swaps   | Other current assets | 0                 |                           |                   |
| Commodity futures   | Other current assets | 4,732             | Other current liabilities | (4,732)           |
|   |                      | <u>          </u> |                           | <u>          </u> |
| Total derivatives not designated as hedging instruments under ASC 815 |                      | 6,351             |                           | (8,432)           |
|   |                      | <u>          </u> |                           | <u>          </u> |
| Total derivatives   |                      | 22,261            |                           | (13,617)          |
|   |                      | <u>          </u> |                           | <u>          </u> |

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The effect of derivative instruments on the consolidated statement of operations for the year ended March 31, 2012 is as follows:

| Yen (millions)  |  |  |
|---|--|--|
| Hedging instruments in<br>ASC 815 fair value<br>hedging relationships | Location of gain or (loss)<br>recognized in operations | Amount of gain or (loss)<br>recognized in operations |
| Commodity futures   | Other income (deductions)                              | (4,787)  |
| <b>Total</b>  |  | <b>(4,787)</b>                                       |

| Yen (millions)   |  |  |
|--|--|--|
| Related hedged items in<br>ASC 815 fair value<br>hedging relationships | Location of gain or (loss)<br>recognized in operations | Amount of gain or (loss)<br>recognized in operations |
| Trade accounts receivable (payable)                                    | Other income (deductions)                              | 6,510  |
| <b>Total</b>   |  | <b>6,510</b>   |

Fair value hedges resulted in gains of 1,723 million yen of ineffectiveness.

| Yen (millions)   |   |  |  |
|--|---|--|--|
| Derivatives in<br>ASC 815 cash flow<br>hedging relationships | Amount of gain or (loss)<br>recognized in OCI<br>on derivative<br>(effective portion) | Location of gain or (loss)<br>reclassified from<br>accumulated OCI<br>into operations<br>(effective portion) | Amount of gain or (loss)<br>reclassified from<br>accumulated OCI<br>into operations<br>(effective portion) |
| Foreign exchange contracts                                   | 4,571   | Other income (deductions)  | 8,070  |
| Commodity futures  | (5,154)   | Cost of sales  | 1,486  |

|       |       |       |
|-------|-------|-------|
| Total | (583) | 9,556 |
|-------|-------|-------|

## Yen (millions)

| <b>Derivatives in<br/>ASC 815 cash flow<br/>hedging relationships</b> | <b>Location of gain or (loss) recognized in<br/>operations on derivative<br/>(ineffective portion and amount<br/>excluded from effectiveness testing)</b> | <b>Amount of gain or (loss) recognized in<br/>operations on derivative<br/>(ineffective portion and amount<br/>excluded from effectiveness testing)</b> |
|---|---|---|
| Foreign exchange contracts  | Other income (deductions)   | (94)  |
| Commodity futures   |   |   |
| Total   |   | (94)  |

## Yen (millions)

| <b>Derivatives not designated as<br/>hedging instruments<br/>under ASC 815</b> | <b>Location of gain or (loss) recognized in<br/>operations on derivative</b> | <b>Amount of gain or (loss) recognized in<br/>operations on derivative</b> |
|--|--|--|
| Foreign exchange contracts   | Other income (deductions)  | 16,234   |
| Cross currency swaps   | Other income (deductions)  | 766  |
| Interest rate swaps  | Other income (deductions)  | 0  |
| Commodity futures  | Other income (deductions)  | 0  |
| Total  |  | 17,000   |



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The effect of derivative instruments on the consolidated statement of operations for the year ended March 31, 2011 is as follows:

| Yen (millions)  |  |  |
|---|--|--|
| Hedging instruments in<br>ASC 815 fair value<br>hedging relationships | Location of gain or (loss)<br>recognized in operations | Amount of gain or (loss)<br>recognized in operations |
| Commodity futures   | Other income (deductions)                              | (1,724)  |
| <b>Total</b>  |  | <b>(1,724)</b>                                       |

| Yen (millions)   |  |  |
|--|--|--|
| Related hedged items in<br>ASC 815 fair value<br>hedging relationships | Location of gain or (loss)<br>recognized in operations | Amount of gain or (loss)<br>recognized in operations |
| Trade accounts receivable (payable)                                    | Other income (deductions)                              | 3,181  |
| <b>Total</b>   |  | <b>3,181</b>   |

Fair value hedges resulted in gains of 1,457 million yen of ineffectiveness.

| Yen (millions)   |   |  |  |
|--|---|--|--|
| Derivatives in<br>ASC 815 cash flow<br>hedging relationships | Amount of gain or (loss)<br>recognized in OCI<br>on derivative<br>(effective portion) | Location of gain or (loss)<br>reclassified from<br>accumulated OCI<br>into operations<br>(effective portion) | Amount of gain or (loss)<br>reclassified from<br>accumulated OCI<br>into operations<br>(effective portion) |
| Foreign exchange contracts                                   | 7,662   | Other income (deductions)  | 11,501   |
| Commodity futures  | 8,463   | Cost of sales  | 1,446  |
| <b>Total</b>   | <b>16,125</b>   |  | <b>12,947</b>  |

Yen (millions)

| Derivatives in<br>ASC 815 cash flow<br>hedging relationships | Location of gain or (loss) recognized in<br>operations on derivative<br>(ineffective portion and amount<br>excluded from effectiveness testing) | Amount of gain or (loss) recognized<br>in operations on derivative<br>(ineffective portion and amount<br>excluded from effectiveness testing) |
|--|---|---|
| Foreign exchange contracts                                   | Other income (deductions)   | 539   |
| Commodity futures  |   |   |
| <b>Total</b>   |   | <b>539</b>  |

Yen (millions)

| Derivatives not designated as<br>hedging instruments<br>under ASC 815 | Location of gain or (loss) recognized in<br>operations on derivative | Amount of gain or (loss) recognized in<br>operations on derivative |
|---|--|--|
| Foreign exchange contracts  | Other income (deductions)  | 7,707  |
| Cross currency swaps  | Other income (deductions)  | (179)  |
| Interest rate swaps   | Other income (deductions)  | (23)   |
| Commodity futures   | Other income (deductions)  | 0  |
| <b>Total</b>  |  | <b>7,505</b>   |

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The effect of derivative instruments on the consolidated statement of operations for the year ended March 31, 2010 is as follows:

| Yen (millions)  |  |  |
|---|--|--|
| Hedging instruments in<br>ASC 815 fair value<br>hedging relationships | Location of gain or (loss)<br>recognized in operations | Amount of gain or (loss)<br>recognized in operations |
| Commodity futures   | Other income (deductions)                              | 41,003   |
| <b>Total</b>  |  | <b>41,003</b>  |

| Yen (millions)   |  |  |
|--|--|--|
| Related hedged items in<br>ASC 815 fair value<br>hedging relationships | Location of gain or (loss)<br>recognized in operations | Amount of gain or (loss)<br>recognized in operations |
| Trade accounts receivable (payable)                                    | Other income (deductions)                              | (39,024)   |
| <b>Total</b>   |  | <b>(39,024)</b>                                      |

Fair value hedges resulted in gains of 1,979 million yen of ineffectiveness.

| Yen (millions)   |  |  |  |
|--|--|--|--|
| Derivatives in<br>ASC 815 cash flow<br>hedging relationships | Amount of gain or (loss)<br>recognized in OCI on<br>derivative (effective portion) | Location of gain or (loss)<br>reclassified from<br>accumulated OCI<br>into operations<br>(effective portion) | Amount of gain or (loss)<br>reclassified from<br>accumulated OCI<br>into operations<br>(effective portion) |
| Foreign exchange contracts                                   | (613)  | Other income (deductions)  | (4,599)  |
| Cross currency swaps   | (291)  | Other income   | (16)   |

|                   |       |               |         |
|-------------------|-------|---------------|---------|
|                   |       | (deductions)  |         |
| Commodity futures | 3,611 | Cost of sales | (42)    |
| Total             | 2,707 |               | (4,657) |

## Yen (millions)

| Derivatives in<br>ASC 815 cash flow<br>hedging relationships | Location of gain or (loss) recognized in<br>operations on derivative<br>(ineffective portion and amount<br>excluded from effectiveness testing) | Amount of gain or (loss) recognized in<br>operations on derivative<br>(ineffective portion and amount<br>excluded from effectiveness testing) |
|--|---|---|
| Foreign exchange contracts                                   | Other income (deductions)   | 1,228   |
| Cross currency swaps   |   |   |
| Commodity futures  |   |   |
| Total  |   | 1,228   |

## Yen (millions)

| Derivatives not designated<br>as hedging instruments<br>under ASC 815 | Location of gain or (loss) recognized in<br>operations on derivative | Amount of gain or (loss) recognized in<br>operations on derivative |
|---|--|--|
| Foreign exchange contracts  | Other income (deductions)  | 2,950  |
| Cross currency swaps  | Other income (deductions)  | (1,543)  |
| Interest rate swaps   | Other income (deductions)  | (3)  |
| Commodity futures   | Other income (deductions)  | 0  |
| Total   |  | 1,404  |

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(18) Fair Value

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

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

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

*Short-term investments*

The carrying amount is equal to the fair value which is estimated based on quoted market prices.

*Investments and advances*

The fair value of investments and advances is estimated based on quoted market prices or the present value of future cash flows using appropriate current discount rates. The Company classified advances in Level 2. The three levels of the fair value hierarchy are described below in this Note.

*Long-term debt, including current portion*

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using appropriate current discount rates. The Company classified long-term debt in Level 2. The three levels of the fair value hierarchy are described below in this Note.

*Derivative financial instruments*

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

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The estimated fair values of financial instruments, all of which are held or issued for purposes other than trading, at March 31, 2012 and 2011 are as follows:

|   | Yen (millions)     |               |                    |               |
|---|--------------------|---------------|--------------------|---------------|
|   | 2012               |               | 2011               |               |
|   | Carrying<br>amount | Fair<br>value | Carrying<br>amount | Fair<br>value |
| Non-derivatives:                          |                    |               |                    |               |
| Assets:                                   |                    |               |                    |               |
| Short-term investments                    | 483                | 483           |                    |               |
| Other investments and advances            | 310,529            | 310,526       | 409,938            | 410,023       |
| Liabilities:                              |                    |               |                    |               |
| Long-term debt, including current portion | (1,157,393)        | (1,175,868)   | (1,535,858)        | (1,548,251)   |
| Derivatives:                              |                    |               |                    |               |
| Other current assets:                     |                    |               |                    |               |
| Forward:                                  |                    |               |                    |               |
| To sell foreign currencies                | 452                | 452           | 1,420              | 1,420         |
| To buy foreign currencies                 | 6,378              | 6,378         | 451                | 451           |
| Cross currency swaps                      | 304                | 304           |                    |               |
| Interest rate swaps                       |                    |               | 0                  | 0             |
| Commodity futures:                        |                    |               |                    |               |
| To sell commodity                         | 19                 | 19            |                    |               |
| To buy commodity                          | 2,559              | 2,559         | 20,390             | 20,390        |
| Other current liabilities:                |                    |               |                    |               |
| Forward:                                  |                    |               |                    |               |
| To sell foreign currencies                | (9,837)            | (9,837)       | (4,536)            | (4,536)       |
| To buy foreign currencies                 | (1,896)            | (1,896)       | (3,286)            | (3,286)       |
| Cross currency swaps                      |                    |               | (462)              | (462)         |
| Commodity futures:                        |                    |               |                    |               |
| To sell commodity                         | (1,000)            | (1,000)       | (5,333)            | (5,333)       |
| To buy commodity                          | (210)              | (210)         |                    |               |

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*Limitations*

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

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

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

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The following table represents assets and liabilities that are measured at fair value on a recurring basis at March 31, 2012 and 2011:

|  | Yen (millions) |                 |         |                 |
|--|----------------|-----------------|---------|-----------------|
|  | 2012           |                 |         |                 |
|  | Level 1        | Level 2         | Level 3 | Total           |
| <b>Assets:</b>                             |                |                 |         |                 |
| Available-for-sale securities:             |                |                 |         |                 |
| Equity securities                          | 225,433        |                 |         | 225,433         |
| Corporate and government bonds             |                | 1,711           |         | 1,711           |
| Other debt securities                      |                | 593             |         | 593             |
| <b>Total available-for-sale securities</b> | <b>225,433</b> | <b>2,304</b>    |         | <b>227,737</b>  |
| <b>Derivatives:</b>                        |                |                 |         |                 |
| Foreign exchange contracts                 |                | 6,830           |         | 6,830           |
| Cross currency swaps                       |                | 304             |         | 304             |
| Commodity futures                          | 2,056          | 522             |         | 2,578           |
| <b>Total derivatives</b>                   | <b>2,056</b>   | <b>7,656</b>    |         | <b>9,712</b>    |
| <b>Total</b>                               | <b>227,489</b> | <b>9,960</b>    |         | <b>237,449</b>  |
| <b>Liabilities:</b>                        |                |                 |         |                 |
| Derivatives:                               |                |                 |         |                 |
| Foreign exchange contracts                 |                | (11,733)        |         | (11,733)        |
| Commodity futures                          | (753)          | (457)           |         | (1,210)         |
| <b>Total derivatives</b>                   | <b>(753)</b>   | <b>(12,190)</b> |         | <b>(12,943)</b> |
| <b>Total</b>                               | <b>(753)</b>   | <b>(12,190)</b> |         | <b>(12,943)</b> |
|  | Yen (millions) |                 |         |                 |
|  | 2011           |                 |         |                 |



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|  | <u>Level 1</u> | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>    |
|--|----------------|-----------------|----------------|-----------------|
| <b>Assets:</b>                             |                |                 |                |                 |
| Available-for-sale securities:             |                |                 |                |                 |
| Equity securities                          | 313,813        |                 |                | 313,813         |
| Corporate and government bonds             |                | 2,201           |                | 2,201           |
| Other debt securities                      |                | 546             |                | 546             |
| <b>Total available-for-sale securities</b> | <b>313,813</b> | <b>2,747</b>    |                | <b>316,560</b>  |
| <b>Derivatives:</b>                        |                |                 |                |                 |
| Foreign exchange contracts                 |                | 1,871           |                | 1,871           |
| Interest rate swaps                        |                | 0               |                | 0               |
| Commodity futures                          | 18,564         | 1,826           |                | 20,390          |
| <b>Total derivatives</b>                   | <b>18,564</b>  | <b>3,697</b>    |                | <b>22,261</b>   |
| <b>Total</b>                               | <b>332,377</b> | <b>6,444</b>    |                | <b>338,821</b>  |
| <b>Liabilities:</b>                        |                |                 |                |                 |
| Derivatives:                               |                |                 |                |                 |
| Foreign exchange contracts                 |                | (7,822)         |                | (7,822)         |
| Cross currency swaps                       |                | (462)           |                | (462)           |
| Commodity futures                          | (2,427)        | (2,906)         |                | (5,333)         |
| <b>Total derivatives</b>                   | <b>(2,427)</b> | <b>(11,190)</b> |                | <b>(13,617)</b> |
| <b>Total</b>                               | <b>(2,427)</b> | <b>(11,190)</b> |                | <b>(13,617)</b> |

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

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

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The following table presents assets and liabilities that are measured at fair value on a nonrecurring basis for the years ended March 31, 2012 and 2011:

|                                     | Yen (millions) |         |          |          |
|-------------------------------------|----------------|---------|----------|----------|
|                                     | 2012           |         |          |          |
|                                     | Fair value     |         |          |          |
| Total gains<br>(losses)             | Level 1        | Level 2 | Level 3  | Total    |
| <b>Assets:</b>                      |                |         |          |          |
| Investments in associated companies | (8,831)        | 29,349  |          | 29,349   |
| Long-lived assets                   | (399,259)      |         | 227,311  | 227,311  |
| Goodwill                            | (163,902)      |         | 87,379   | 87,379   |
| <b>Liabilities:</b>                 |                |         |          |          |
| Other accrued expenses              | (48,000)       |         | (48,000) | (48,000) |

|                                     | Yen (millions) |         |         |        |
|-------------------------------------|----------------|---------|---------|--------|
|                                     | 2011           |         |         |        |
|                                     | Fair value     |         |         |        |
| Total gains<br>(losses)             | Level 1        | Level 2 | Level 3 | Total  |
| <b>Assets:</b>                      |                |         |         |        |
| Investments in associated companies | (8,318)        | 23,196  | 2,933   | 26,129 |
| Long-lived assets                   | (34,692)       |         | 31,114  | 31,114 |

During the year ended March 31, 2012, the Company classified most of assets and liabilities described above in Level 3 as the Company used unobservable inputs to value these assets and liabilities when recognizing impairment losses related to the assets and accrued expenses related to the liabilities. The fair value for the major assets and liabilities was measured through repurchase cost method, excess earnings method, relief-from-royalty method, discounted cash flow method, guideline public company method, and guideline merged and acquired company method. The Company classified certain investments in Level 1 as the Company used an unadjusted quoted market price in active markets as input to value the investment.

During the year ended March 31, 2011, the Company classified most of assets described above in Level 3 as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through estimated future cash flows. The Company classified certain investments in Level 1 as the Company used an unadjusted quoted market price in active markets as input to value the investment.

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The following table presents assets and liabilities that are measured at fair value on a nonrecurring basis in Level 3 for the three months ended March 31, 2012:

| Yen (millions)                            |                                 |  |                                  |             |
|---|---------------------------------|--|----------------------------------|-------------|
| For the three months ended March 31, 2012 |                                 |  |                                  |             |
|   | Fair value at<br>March 31, 2012 | Valuation<br>technique                       | Unobservable<br>inputs           | Range       |
| <b>Assets:</b>                            |                                 |  |                                  |             |
| Long-lived assets                         | 212,821                         | Repurchase cost method                       | Residual value ratio             | 12.2%-43.9% |
|   |                                 | Excess earnings method                       | Discount rate                    | 8.0%-15.0%  |
|   |                                 | Relief-from-royalty method                   | Discount rate                    | 8.0%-15.0%  |
| Goodwill                                  | 76,911                          | Discounted cash flow method                  | Weighted average cost of capital | 5.4%-7.9%   |
|   |                                 | Guideline public company method              | EBITDA multiple                  | 4.4-8.3     |
|   |                                 | Guideline merged and acquired company method | EBITDA multiple                  | 9.0-10.0    |

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**(19) Commitments and Contingent Liabilities**

The Company provides guarantees to third parties mainly on bank loans provided to associated companies and customers. The guarantees are made to enhance their credit. For each guarantee provided, the Company is required to perform under the guarantee if the guaranteed party defaults on a payment. Also, as discussed in Note 16, the Company sold certain trade receivables to independent third parties, some of which are with recourse. If the collectibility of those receivables with recourse becomes doubtful, the Company is obligated to assume the liabilities. At March 31, 2012, the maximum amount of undiscounted payments the Company would have to make in the event of default was 31,008 million yen. The carrying amount of the liabilities recognized for the Company's obligations as a guarantor under those guarantees at March 31, 2012 was immaterial.

As discussed in Note 6, in connection with the sale and leaseback of certain machinery and equipment, the Company guarantees a specific value of the leased assets. For each guarantee provided, the Company is required to perform under the guarantee if certain conditions are met during or at the end of the lease term. At March 31, 2012, the maximum amount of undiscounted payments the Company would have to make in the event that these conditions were met was 8,960 million yen. The carrying amount of the liabilities recognized for the Company's obligations as a guarantor under those guarantees at March 31, 2012 was 3,083 million yen.

The Company issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The change in accrued warranty costs for the years ended March 31, 2012 and 2011 are summarized as follows:

|   | <b>Yen (millions)</b> |             |
|---|-----------------------|-------------|
|   | <b>2012</b>           | <b>2011</b> |
| Balance at beginning of year  | 55,304                | 51,306      |
| Liabilities accrued for warranties issued during the period                                 | 41,094                | 47,644      |
| Warranty claims paid during the period  | (34,013)              | (35,885)    |
| Changes in liabilities for pre-existing warranties during the period, including expirations | (4,246)               | (7,761)     |
| Balance at end of year  | 58,139                | 55,304      |

At March 31, 2012, commitments outstanding for the purchase of property, plant and equipment approximated 22,461 million yen. Certain subsidiaries are under contracts to purchase specific raw materials until 2020. At March 31, 2012, commitments outstanding for this contract approximated 74,754 million yen.

Liabilities for environmental remediation costs are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated. In January 2003, the Company announced that disposed electric equipment that contained polychlorinated biphenyls (PCB equipment) might be buried in the ground of its four manufacturing facilities and one former manufacturing facility. The applicable laws require that PCB equipment be appropriately maintained and disposed of by July 2016. At March 31, 2012, the Company has accrued estimated total cost of 5,167 million yen for necessary actions such as investigating whether the PCB equipment is buried at the facilities, including excavations, maintaining and disposing the PCB equipment that is already discovered, and soil remediation, since it represents management's best estimate or minimum of the cost, but the payments are not considered to be fixed and reliably determinable.

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

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The Company and certain of its subsidiaries are subject to a number of legal proceedings including civil litigations related to tax, products or intellectual properties, or governmental investigations.

Since November 2007, the Company and MT Picture Display Co., Ltd. (MTPD), a subsidiary of the Company, are subject to investigations by government authorities, including the Japan Fair Trade Commission, the U.S. Department of Justice and the European Commission, in respect of alleged antitrust violations relating to cathode ray tubes (CRTs). Subsequent to these actions by the authorities, a number of class action lawsuits have been filed in the U.S. and Canada against the Company and certain of its subsidiaries. In October 2009, the Japan Fair Trade Commission issued a cease and desist order against MTPD and assessed a fine against its three subsidiaries in South East Asia, but each named company filed for a hearing to challenge the orders which is currently subject to proceedings. Since February 2009, the Company is subject to investigations by government authorities, including the U.S. Department of Justice and the European Commission, in respect of alleged antitrust violations relating to compressors for refrigerator use. Subsequent to these actions by the authorities, a number of class action lawsuits have been filed in the U.S. and Canada against the Company and certain of its subsidiaries. The Company has paid a fine to the U.S. Department of Justice and the Competition Bureau Canada for the year ended March 31, 2011 to resolve alleged antitrust violations relating to compressors for refrigerator use. In December 2011, the Company received notification of a European Commission Decision and paid a fine on refrigerator compressors for the year ended March 31, 2012. The Company has been cooperating with various governmental investigations. Depending upon the outcome of these different proceedings, the Company and certain of its subsidiaries may be subject to an uncertain amount of fines, and accordingly the Company has accrued for certain probable and reasonable estimated amounts for the fines. The ability to predict the outcome of these actions and proceedings is difficult to assess given that certain of the investigations and legal proceedings are still at an early stage, present novel legal theories, involve a large number of parties or taking place in jurisdictions outside of Japan where the laws are complex or unclear. Accordingly, the Company is unable to estimate the losses or range of losses for the actions and proceedings where there is only a reasonable possibility that a loss exceeding amounts already recognized may have been incurred.

Other than those above, there are a number of legal actions against the Company and certain subsidiaries. Management is of the opinion that unfavorable outcome, if any, resulting from these actions will not have a material effect on the Company's consolidated financial statements.



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(20) Segment Information

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

The Company restructured its Group organization on January 1, 2012 resulting in the number of reportable segments from six to eight. AVC Networks provides imaging equipment such as flat-panel TVs, AVC network equipment including Blue-ray Disc recorders, digital cameras and notebook PCs as well as projectors, airplane AV systems and other business-use AV equipment. Appliances delivers products and services that meet customer needs in the homemaking, cooking, beauty and grooming and health, cooling and heating, hot water supply, and cold chain equipment fields. Systems & Communications is comprised of the system network and mobile communications businesses. Eco Solutions is comprised of four business groups, which are the lighting business, the energy systems business, the housing systems business, and the environmental systems business. Automotive Systems operates in wide-ranging fields such as car-use-multimedia-related equipment, eco-car-related equipment and electrical components. Industrial Devices covers a wide range of products such as electronic components, electronic materials, semiconductors, and optical devices. Energy develops a broad energy-based business including solar photovoltaic systems and lithium-ion batteries where use is also expanding from consumer to storage, in-car, and other fields. Other provides a variety of healthcare-related products and services, manufacturing systems for electronic component mounting, eco ideas homes through each of its detached housing, asset and property management, and home remodeling businesses.

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By Segment:

Segment information for fiscal 2011 and fiscal 2010 has been reclassified to conform to the presentation for fiscal 2012. Information by segment for each of the three years ended March 31, 2012 is shown in the tables below:

|                                     | Yen (millions)   |                  |                  |
|-------------------------------------|------------------|------------------|------------------|
|                                     | 2012             | 2011             | 2010             |
| <b>Sales:</b>                       |                  |                  |                  |
| <b>AVC Networks:</b>                |                  |                  |                  |
| Customers                           | 1,451,410        | 1,812,495        | 1,874,278        |
| Intersegment                        | 262,065          | 344,264          | 310,578          |
| <b>Total</b>                        | <b>1,713,475</b> | <b>2,156,759</b> | <b>2,184,856</b> |
| <b>Appliances:</b>                  |                  |                  |                  |
| Customers                           | 1,133,104        | 1,074,046        | 941,176          |
| Intersegment                        | 401,079          | 408,834          | 333,119          |
| <b>Total</b>                        | <b>1,534,183</b> | <b>1,482,880</b> | <b>1,274,295</b> |
| <b>System &amp; Communications:</b> |                  |                  |                  |
| Customers                           | 637,931          | 717,541          | 772,201          |
| Intersegment                        | 202,929          | 220,606          | 231,783          |
| <b>Total</b>                        | <b>840,860</b>   | <b>938,147</b>   | <b>1,003,984</b> |
| <b>Eco Solutions:</b>               |                  |                  |                  |
| Customers                           | 1,256,633        | 1,253,165        | 1,059,616        |
| Intersegment                        | 269,180          | 273,377          | 251,488          |
| <b>Total</b>                        | <b>1,525,813</b> | <b>1,526,542</b> | <b>1,311,104</b> |
| <b>Automotive Systems:</b>          |                  |                  |                  |
| Customers                           | 624,878          | 573,170          | 550,178          |
| Intersegment                        | 28,369           | 38,462           | 23,902           |
| <b>Total</b>                        | <b>653,247</b>   | <b>611,632</b>   | <b>574,080</b>   |
| <b>Industrial Devices:</b>          |                  |                  |                  |
| Customers                           | 1,152,872        | 1,354,817        | 1,216,981        |
| Intersegment                        | 251,698          | 316,138          | 312,564          |

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|                    |             |             |             |
|--------------------|-------------|-------------|-------------|
| Total              | 1,404,570   | 1,670,955   | 1,529,545   |
| Energy:            |             |             |             |
| Customers          | 319,877     | 315,495     | 104,447     |
| Intersegment       | 295,008     | 321,520     | 236,469     |
| Total              | 614,885     | 637,015     | 340,916     |
| Other:             |             |             |             |
| Customers          | 1,269,511   | 1,591,943   | 899,103     |
| Intersegment       | 611,350     | 712,827     | 649,494     |
| Total              | 1,880,861   | 2,304,770   | 1,548,597   |
| Eliminations       | (2,321,678) | (2,636,028) | (2,349,397) |
| Consolidated total | 7,846,216   | 8,692,672   | 7,417,980   |

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|   | Yen (millions)   |                |                 |
|---|------------------|----------------|-----------------|
|   | 2012             | 2011           | 2010            |
| Profit (loss):  |                  |                |                 |
| AVC Networks  | (67,853)         | 27,342         | 14,572          |
| Appliances  | 81,470           | 84,032         | 56,363          |
| Systems & Communications                              | 17,341           | 47,558         | 37,860          |
| Eco Solutions   | 58,859           | 57,905         | 30,348          |
| Automotive Systems                                    | 4,941            | 22,678         | 22,307          |
| Industrial Devices                                    | (16,599)         | 69,940         | 55,400          |
| Energy  | (20,880)         | (15,232)       | 711             |
| Other   | 23,576           | 60,850         | 22,381          |
| Corporate and eliminations                            | (37,130)         | (49,819)       | (49,489)        |
| <b>Total segment profit</b>                           | <b>43,725</b>    | <b>305,254</b> | <b>190,453</b>  |
| Interest income                                       | 13,388           | 11,593         | 12,348          |
| Dividends received                                    | 6,129            | 6,323          | 6,746           |
| Other income  | 44,124           | 59,050         | 47,896          |
| Interest expense                                      | (28,404)         | (27,524)       | (25,718)        |
| Impairment losses of long-lived assets                | (399,259)        | (34,692)       | (79,259)        |
| Goodwill impairment                                   | (163,902)        |                | (3,745)         |
| Other deductions                                      | (328,645)        | (141,197)      | (178,036)       |
| <b>Consolidated income (loss) before income taxes</b> | <b>(812,844)</b> | <b>178,807</b> | <b>(29,315)</b> |

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|                                       | Yen (millions)   |                  |                  |
|---------------------------------------|------------------|------------------|------------------|
|                                       | 2012             | 2011             | 2010             |
| <b>Identifiable assets:</b>           |                  |                  |                  |
| AVC Networks                          | 848,999          | 1,208,534        | 1,228,951        |
| Appliances                            | 716,387          | 745,116          | 767,730          |
| Systems & Communications              | 516,300          | 503,390          | 534,504          |
| Eco Solutions                         | 893,430          | 922,079          | 940,574          |
| Automotive Systems                    | 287,390          | 235,177          | 259,610          |
| Industrial Devices                    | 1,035,572        | 1,142,202        | 1,212,212        |
| Energy                                | 908,644          | 1,140,545        | 1,210,992        |
| Other                                 | 776,412          | 1,009,532        | 1,075,235        |
| Corporate and eliminations            | 617,921          | 916,295          | 1,128,249        |
| <b>Consolidated total</b>             | <b>6,601,055</b> | <b>7,822,870</b> | <b>8,358,057</b> |
| <b>Depreciation and amortization:</b> |                  |                  |                  |
| AVC Networks                          | 58,123           | 68,480           | 63,033           |
| Appliances                            | 33,021           | 34,083           | 29,038           |
| Systems & Communications              | 11,052           | 12,869           | 13,760           |
| Eco Solutions                         | 34,822           | 34,493           | 42,075           |
| Automotive Systems                    | 7,528            | 7,463            | 6,295            |
| Industrial Devices                    | 74,961           | 78,597           | 69,907           |
| Energy                                | 68,355           | 76,069           | 30,885           |
| Other                                 | 34,958           | 39,560           | 23,985           |
| Corporate and eliminations            | 14,770           | 15,392           | 19,036           |
| <b>Consolidated total</b>             | <b>337,590</b>   | <b>367,006</b>   | <b>298,014</b>   |
| <b>Capital investment:</b>            |                  |                  |                  |
| AVC Networks                          | 53,223           | 138,476          | 239,494          |
| Appliances                            | 44,754           | 34,008           | 24,663           |
| Systems & Communications              | 11,886           | 17,222           | 10,181           |
| Eco Solutions                         | 32,476           | 32,270           | 37,424           |
| Automotive Systems                    | 6,216            | 4,849            | 3,568            |
| Industrial Devices                    | 74,714           | 81,655           | 47,820           |
| Energy                                | 55,370           | 81,250           | 66,195           |
| Other                                 | 28,804           | 37,051           | 22,922           |
| Corporate and eliminations            | 23,359           | 25,404           | 12,052           |
| <b>Consolidated total</b>             | <b>330,802</b>   | <b>452,185</b>   | <b>464,319</b>   |

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

Corporate assets consist of cash and cash equivalents, time deposits, marketable securities in short-term investments, investments and advances and other assets related to unallocated expenses.

Depreciation and amortization include amortization of intangibles, but exclude amortization of deferred bond issuance expenses.

Capital investment consists of purchases of property, plant and equipment, and intangibles on an accrual basis.

Intangibles mainly represent patents and know-how, and software.

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By Geographical Area:

Sales attributed to countries based upon the customer's location and property, plant and equipment are as follows for each of the three years ended March 31, 2012:

|   | Yen (millions)   |                  |                  |
|---|------------------|------------------|------------------|
|   | 2012             | 2011             | 2010             |
| <b>Sales:</b>                                     |                  |                  |                  |
| Japan   | 4,162,025        | 4,514,246        | 3,994,379        |
| North and South America                           | 966,527          | 1,070,833        | 917,898          |
| Europe  | 743,547          | 857,192          | 771,251          |
| Asia and Others                                   | 1,974,117        | 2,250,401        | 1,734,452        |
| <b>Consolidated total</b>                         | <b>7,846,216</b> | <b>8,692,672</b> | <b>7,417,980</b> |
| United States included in North and South America | 804,012          | 904,968          | 781,264          |
| China included in Asia and Others                 | 1,043,036        | 1,178,010        | 903,531          |
| <b>Property, plant and equipment:</b>             |                  |                  |                  |
| Japan   | 1,339,115        | 1,509,705        | 1,571,914        |
| North and South America                           | 36,739           | 36,738           | 42,215           |
| Europe  | 39,607           | 45,714           | 48,444           |
| Asia and Others                                   | 318,822          | 291,152          | 293,448          |
| <b>Consolidated total</b>                         | <b>1,734,283</b> | <b>1,883,309</b> | <b>1,956,021</b> |

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

Transfers between segments are made at arms-length prices. There is no material concentration of sales to a single external major customer for each of the three years ended March 31, 2012.

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(21) Equity Transactions with Noncontrolling Interests

Net income (loss) attributable to Panasonic Corporation and transfers (to) from the noncontrolling interests for each of the three years ended March 31, 2012 are as follows:

|  | Yen (millions) |                  |                |
|--|----------------|------------------|----------------|
|  | 2012           | 2011             | 2010           |
| Net income (loss) attributable to Panasonic Corporation  | (772,172)      | 74,017           | (103,465)      |
| Transfers (to) from the noncontrolling interests:  |                |                  |                |
| Increase (decrease) in capital surplus for purchase of additional shares in consolidated subsidiaries primarily for the purpose of conversion into wholly-owned subsidiaries | 19,101         | (109,326)        | (8,240)        |
| <b>Total</b>   | <b>19,101</b>  | <b>(109,326)</b> | <b>(8,240)</b> |
| Change from net income (loss) attributable to Panasonic Corporation and transfers (to) from the noncontrolling interests   | (753,071)      | (35,309)         | (111,705)      |

The Company conducted tender offers in October 2010 to purchase additional common shares of PEW and SANYO. As a result, the equity ownership of the Company in PEW and SANYO became approximately 84% and 81%, respectively. On April 1, 2011, PEW and SANYO became wholly-owned subsidiaries through share exchanges. The difference between cash consideration paid or the fair value of the shares of the Company delivered to the noncontrolling interests and the decrease in the carrying amount of the noncontrolling interests was recognized as an adjustment to capital surplus.

In June 2010, the Company purchased the noncontrolling interests of IPS Alpha Technology, Ltd., whose name was subsequently changed to Panasonic Liquid Display Co. Ltd.



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Schedule II

**PANASONIC CORPORATION  
AND SUBSIDIARIES**

**Valuation and Qualifying Accounts and Reserves**

(In millions of yen)

Years ended March 31, 2012, 2011 and 2010

|                                     | <u>Balance at<br/>beginning<br/>of period</u> | <u>Add</u><br>Charged<br>to<br>income | <u>Deduct</u><br>Bad debts<br>written<br>off | <u>Reversal</u> | <u>Add<br/>(deduct)</u><br>Cumulative<br>translation<br>adjustments | <u>Balance<br/>at end<br/>of<br/>period</u> |
|-------------------------------------|---|---------------------------------------|--|-----------------|---|---|
| Allowance for doubtful receivables: |   |                                       |  |                 |   |   |
| 2012                                | 21,860  | 12,162                                | 1,648  | 4,696           | (1,074)   | 26,604                                      |
| 2011                                | 24,158  | 4,392                                 | 1,835  | 3,919           | (936)   | 21,860                                      |
| 2010                                | 21,131  | 10,862                                | 4,234  | 3,623           | 22  | 24,158                                      |

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**Item 19. Exhibits**

Documents filed as exhibits to this annual report are as follows:

- 1.1 Articles of Incorporation of the Registrant (English translation) [incorporated by reference to the Annual Report on Form 20-F (File No. 001-06784) filed on June 30, 2010]
- 1.2 Share Handling Regulations of the Registrant (English translation)
- 1.3 Regulations of the Board of Directors of the Registrant (English translation) [incorporated by reference to the Annual Report on Form 20-F (File No. 001-06784) filed on September 11, 2006]
- 1.4 Regulations of the Board of Corporate Auditors of the Registrant (English translation) [incorporated by reference to the Annual Report on Form 20-F (File No. 001-06784) filed on June 30, 2009]
- 2.1 Form of Amended and Restated Deposit Agreement among the Registrant, Morgan Guaranty Trust Company of New York (now JPMorgan Chase Bank, N.A.) as Depositary and all owners and holders from time to time of American Depositary Receipts [incorporated by reference to the Registration Statement on Form F-6 (File No. 333-12694) filed on October 4, 2000] and form of Amendment No.1 to Deposit Agreement among such parties, including the form of American Depositary Receipt [incorporated by reference to Post-effective Amendment No.1 to the Registration Statement on Form F-6 (File No. 333-133099) filed on September 30, 2008]
- 4.1 Liability Limitation Agreement (English translation)  
  
[Matsushita and Ikuo Uno entered into a Liability Limitation Agreement, dated June 29, 2005, in the form of this Exhibit.] [incorporated by reference to the Annual Report on Form 20-F (File No. 001-06784) filed on September 12, 2005]  
  
[Matsushita and Masayuki Oku entered into a Liability Limitation Agreement, dated June 26, 2008, in the form of this Exhibit.] [incorporated by reference to the Annual Report on Form 20-F (File No. 001-06784) filed on June 30, 2008]  
  
[Matsushita and each of Yasuo Yoshino, Ikuo Hata and Hiroyuki Takahashi, entered into a Liability Limitation Agreement, each dated June 28, 2006, in the form of this Exhibit.] [incorporated by reference to the Annual Report on Form 20-F (File No. 001-06784) filed on September 11, 2006]
- 4.2 Share Exchange Agreement dated December 21, 2010 between the Company and Panasonic Electric Works Co., Ltd (English translation) [incorporated by reference to Appendix A to the final Prospectus filed pursuant to Rule 424 (b) (3) and relating to the registration statement on Form F-4 (File No. 333-171124) filed on February 10, 2011]
- 4.3 Share Exchange Agreement dated December 21, 2010 between the Company and SANYO Electric Co., Ltd (English translation) [incorporated by reference to Appendix A to the final Prospectus filed pursuant to Rule

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424 (b) (3) and relating to the registration statement on Form F-4 (File No. 333-171125) filed on February 10, 2011]

- 8.1 Subsidiaries of the Registrant [List of significant subsidiaries (see Section C of Item 4)]
- 11.1 Code of Ethics for Directors and Executive Officers (English translation) [incorporated by reference to the Annual Report on Form 20-F (File No. 001-06784) filed on June 30, 2009]
- 12.1 Certification of the principal executive officer of the Company required by Rule 13a-14(a)
- 12.2 Certification of the principal financial officer of the Company required by Rule 13a-14(a)
- 13.1 Certification required by Rule 13a-14(a) and Section 1350 of Chapter 63 of Title 18 of the United States Code
- 15.1 Continuation of Policy toward Large-scale Purchases of Panasonic Shares
- 101 INS XBRL Instance Document
- 101 SCH XBRL Taxonomy Extension Schema
- 101 CAL XBRL Taxonomy Extension Calculation Linkbase
- 101 DEF XBRL Taxonomy Extension Definition Linkbase
- 101 LAB XBRL Taxonomy Extension Label Linkbase
- 101 PRE XBRL Taxonomy Extension Presentation Linkbase

The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

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**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Company certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

PANASONIC CORPORATION  
(Registrant)

Date: June 28, 2012

By

/s/ Masahito Yamamura  
Masahito Yamamura  
Attorney-in-Fact  
General Manager of Investor Relations  
Panasonic Corporation

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