Annual Securities Report

for the fiscal year ended March 31, 2014

(the 107th Business Term)

Panasonic Corporation

[Cover]

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Certain References and Information

This is an English translation of the Annual Securities Report ("Yukashoken Hokokusho") submitted to the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network ("EDINET") on June 27, 2014, pursuant to the Financial Instruments and Exchange Act of Japan.

Certain information in "Part I. Information on Panasonic Group - V. Consolidated Financial Statements" in this document incorporates financial statements prepared in conformity with accounting principles generally accepted in the United States and independent auditor's report instead of the English translation of the Annual Securities Report.

In this document, "fiscal 2014" refers to the year ended March 31, 2014. All information contained in this document is as of March 31, 2014 or for fiscal 2014, unless otherwise indicated. "The Company" is used to indicate Panasonic Corporation and its subsidiaries, unless otherwise indicated. "4 Divisional Companies" or "Divisional Companies" are used to indicate the four companies established on April 1, 2013; Appliances Company, Eco Solutions Company, AVC Networks Company and Automotive & Industrial Systems Company.

Disclaimer Regarding Forward-Looking Statements

This report includes forward-looking statements (that include those within the meaning of 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 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 report. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings under the Financial Instrument and Exchange Act of Japan (the FIEA) and other publicly disclosed documents.

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 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 and further information is contained in the most recent English translated version of Panasonic’s securities reports under the FIEA and any other documents which are disclosed on its website.

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Part Ⅰ Information on Panasonic Group

Ⅰ Overview of Panasonic Group

1. Key Financial Data (Consolidated)

(Millions of yen, unless otherwise stated)

Fiscal year	103rd business term	104th business term	105th business term	106th business term	107th business term
Year end	March 2010	March 2011	March 2012	March 2013	March 2014
Net sales	7,417,980	8,692,672	7,846,216	7,303,045	7,736,541
Income (loss) before income taxes	(29,315)	178,807	(812,844)	(398,386)	206,225
Net income (loss) attributable to Panasonic Corporation	(103,465)	74,017	(772,172)	(754,250)	120,442
Comprehensive income (loss) attributable to Panasonic Corporation	42,680	(97,166)	(881,189)	(647,324)	296,972
Total Panasonic Corporation shareholders' equity	2,792,488	2,558,992	1,929,786	1,264,032	1,548,152
Total equity	3,679,773	2,946,335	1,977,566	1,304,273	1,586,438
Total assets	8,358,057	7,822,870	6,601,055	5,397,812	5,212,994
Panasonic Corporation shareholders' equity per share (yen)	1,348.63	1,236.05	834.79	546.81	669.74
Net income (loss) attributable to Panasonic Corporation common shareholders per share, basic (yen)	(49.97)	35.75	(333.96)	(326.28)	52.10
Net income (loss) attributable to Panasonic Corporation common shareholders per share, diluted (yen)	―	―	―	―	―
Total Panasonic Corporation shareholders' equity to total assets ratio (%)	33.4	32.7	29.2	23.4	29.7
Return on equity (%)	(3.7)	2.8	(34.4)	(47.2)	8.6
Price earnings ratio (times)	―	29.59	―	―	22.51
Net cash provided by operating activities	566,879	516,606	1,983	338,750	581,950
Net cash provided by (used in) investing activities	(368,205)	(250,356)	(341,876)	16,406	12,128
Net cash provided by (used in) financing activities	(56,973)	(354,627)	(53,094)	(491,058)	(532,315)
Cash and cash equivalents at end of year	1,109,912	974,826	574,411	496,283	592,467
Number of employees (persons)	384,586	366,937	330,767	293,742	271,789

(Notes)

1. The Company's consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Panasonic Corporation shareholders' equity per share (yen), Total Panasonic Corporation shareholders' equity to total assets ratio and Return on equity are calculated based on Total Panasonic Corporation shareholders' equity.
2. Net sales do not include consumption tax, etc.

3. Total assets increased by 2,046,130 million yen due to SANYO Electric Co., Ltd. and its subsidiaries becoming Panasonic’s consolidated subsidiaries in December 2009. The operating results of SANYO Electric Co., Ltd. and its subsidiaries after January 2010 are included in the Company’s consolidated financial statements.
4. Diluted net income (loss), attributable to Panasonic Corporation common shareholders per share, has been omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.
5. Effective from the beginning of the 106th business term, investments in molding dies are included in "Capital investment". Accordingly, the amounts of "Net cash provided by operating activities" and "Net cash provided by (used in) investing activities" before the 105th business term are changed.

2. History

Month/Year	Events
March, 1918	Konosuke Matsushita founded Matsushita Denkikigu Seisakusho at Daikai-cho, Fukushima-ku, Osaka and started to manufacture wiring instrument.
March, 1923	Bullet-shaped bicycle lamp developed and marketed.
April, 1927	Established "National" brand.
May, 1933	Relocated new head office and factory in Kadoma. Instituted divisional system.
August, 1935	Established Matsushita Electric Trading Co., Ltd.
December, 1935	Incorporated as Matsushita Electric Industrial Co., Ltd. on December 15, 1935 (10 million yen in capital).
May, 1949	Listed on Tokyo Stock Exchange and Osaka Securities Exchange.
September, 1951	Listed on Nagoya Stock Exchange.
January, 1952	Formed a capital alliance with Nakagawa Kikai Kabushiki Kaisha (subsequently renamed Matsushita Refrigeration Company).
December, 1952	Established Matsushita Electronics Corporation through a technology alliance with Philips in Netherlands, and transferred four lamp manufacturing factories to this establishment.
May, 1953	Established the Central Research Laboratory.
February, 1954	Formed a capital alliance with Victor Company of Japan Ltd. (JVC).
December, 1955	Established Kyushu Matsushita Electric Co., Ltd. (subsequently renamed Panasonic Communications Co., Ltd.).
May, 1956	Established Osaka Denki Seiki Kabushiki Kaisha (subsequently renamed Matsushita Seiko Co., Ltd.).
January, 1958	Established Matsushita Communication Industrial Co., Ltd. (subsequently renamed Panasonic Mobile Communications Co., Ltd.), and transferred communication equipment manufacturing section to this establishment.
September, 1959	Established Matsushita Electric Corporation of America (currently Panasonic Corporation of North America). (Since then, established manufacturing and sales sites at various locations in the world.)
January, 1961	Masaharu Matsushita became President of the Company.
August, 1962	Formed a capital alliance with Toho Denki Kabushiki Kaisha (subsequently renamed Matsushita Graphic Communication Systems, Inc.).
November, 1969	Established Matsushita Kotobuki Electronics Industries, Ltd. (currently Panasonic Healthcare Co., Ltd.).
December, 1971	Listed on New York Stock Exchange.
December, 1975	Issued U.S. dollar-denominated convertible bonds (100 million U.S. dollars at face value).
January, 1976	Established Matsushita Electronic Components Co., Ltd. (subsequently renamed Panasonic Electronic Devices Co., Ltd.), and transferred electronic device manufacturing section to this establishment.
January, 1977	Established Matsushita Household Equipment Co., Ltd., and transferred household equipment manufacturing section to this establishment. Established Matsushita Industrial Equipment Co., Ltd. (subsequently renamed Matsushita Industrial Information Equipment Co., Ltd.), and transferred industrial equipment manufacturing section to this establishment.
February, 1977	Toshihiko Yamashita became President of the Company.
January, 1979	Established Matsushita Battery Industrial Co., Ltd., and transferred battery manufacturing section to this establishment.
July, 1985	Established a finance subsidiary in U.S. (In May, 1986, established two finance subsidiaries in Europe.)
October, 1985	Established Semiconductor Fundamental Research Laboratory.

Month/Year	Events
February, 1986	Akio Tanii became President of the Company.
March, 1987	Changed the fiscal year end from November 20 to March 31.
April, 1988	Absorbed Matsushita Electric Trading Co., Ltd.
April, 1989	The Company's founder Konosuke Matsushita passed away.
December, 1990	Acquired MCA INC. (MCA), a leading entertainment company (subsequently renamed Universal Studios).
February, 1993	Yoichi Morishita became President of the Company.
May, 1993	Dissolved partnership with Philips regarding Matsushita Electronics Corporation and purchased all shares of Matsushita Electronics Corporation which Philips held.
April, 1995	Absorbed Matsushita Household Equipment Co., Ltd.
June, 1995	Sold 80% equity interest in MCA shares, which a subsidiary of the Company in U.S. held, to Seagram Company Ltd. (subsequently renamed Vivendi Universal S.A.).
February, 1999	Cancelled 50 million shares of treasury stock by 98.8 billion yen of retained earnings decided by resolution of 91st Ordinary General Meeting of Shareholders.
April, 2000	Made Matsushita Refrigeration Company into a wholly-owned subsidiary through share-exchange.
June, 2000	Kunio Nakamura became President of the Company.
April, 2001	Absorbed Matsushita Electronics Corporation.
April, 2002	Established a joint venture liquid crystal display panel manufacturing company, Toshiba Matsushita Display Technology Co., Ltd. with Toshiba Corporation.
October, 2002	Made Matsushita Communication Industrial Co., Ltd., Kyushu Matsushita Electric Co., Ltd., Matsushita Seiko Co., Ltd. (currently Panasonic Ecology Systems Co., Ltd.), Matsushita Kotobuki Electronics Industries, Ltd. and Matsushita Graphic Communication Systems, Inc. into wholly-owned subsidiaries through share-exchanges.
January, 2003	Instituted business domain system through business restructuring. Kyushu Matsushita Electric Co., Ltd. was merged with Matsushita Graphic Communication Systems, Inc.
April, 2003	Established a joint venture cathode ray tubes manufacturing company, Matsushita Toshiba Picture Display Co., Ltd. (currently MT Picture Display Co., Ltd.) with Toshiba Corporation. Made Matsushita Electronic Components Co., Ltd. and Matsushita Battery Industrial Co., Ltd. into wholly-owned subsidiaries through share-exchanges. Created a unified global brand, "Panasonic."
April, 2004	Made Matsushita Electric Works, Ltd. (subsequently renamed Panasonic Electric Works Co., Ltd. (PEW)), PanaHome Corporation and their subsidiaries into consolidated subsidiaries of the Company through additional purchase of shares of Matsushita Electric Works, Ltd.
April, 2005	Absorbed Matsushita Industrial Information Equipment Co., Ltd.
February, 2006	Sold the remaining shares of affiliated company of Universal Studios (formerly MCA), which a subsidiary of the Company in U.S. held, to Vivendi Universal.
June, 2006	Fumio Ohtsubo became President of the Company.
March, 2007	Made Matsushita Toshiba Picture Display Co., Ltd. into a wholly-owned subsidiary.
August, 2007	Excluded JVC and its subsidiaries from consolidated subsidiaries of the Company due to JVC's issuance of new shares and third party allotments. As a result, JVC became an associated company accounted for under the equity method. (Subsequently, in January, 2011, JVC was excluded from an associated company accounted for under the equity method)
April, 2008	Absorbed Matsushita Refrigeration Company.

Month/Year	Events
October, 2008	The Company changed its name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation. Absorbed Matsushita Battery Industrial Co., Ltd.
April, 2009	Sold all the shares of Toshiba Matsushita Display Technology Co., Ltd., which the Company held, to Toshiba Corporation.
December, 2009	Acquired majority of the voting rights in SANYO Electric Co., Ltd. (SANYO) and made SANYO and its subsidiaries into consolidated subsidiaries of the Company.
January, 2010	Transferred the business of System Solutions Company, the Company's internal division company, to Panasonic Communications Co., Ltd., which was at the same time renamed Panasonic System Networks Co., Ltd.
April, 2011	Made PEW and SANYO into wholly-owned subsidiaries through share-exchanges.
January, 2012	Absorbed PEW. Reorganized domain system to 9 domains and 1 marketing section through business restructuring.
April, 2012	Absorbed companies including Panasonic Electronic Devices Co., Ltd.
June, 2012	Kazuhiro Tsuga became President of the Company.
October, 2012	Established the Corporate Strategy Head Office.
March, 2013	Panasonic System Solutions Japan Co., Ltd. absorbed companies including Panasonic System Networks Co., Ltd., and was at the same time renamed Panasonic System Networks Co., Ltd.
April, 2013	Transformed to new basic group formation through business division system from business domain system. Absorbed Panasonic Mobile Communications Co., Ltd. subsequent to carrying out the incorporation-type company split of mobile phone terminal business and transferring mobile phone base station business to Panasonic System Networks Co., Ltd. in the company split. Delisted from New York Stock Exchange.
March, 2014	Transferred all the shares and other related assets of Panasonic Healthcare Co., Ltd. to PHC Holdings Co., Ltd. and subscribed 20% of shares of PHC Holdings Co., Ltd.

3. Description of Business

The Panasonic Group is comprised primarily of the parent Panasonic Corporation and 504 consolidated subsidiaries in and outside of Japan, operating in close cooperation with each other. As a comprehensive electronics manufacturer, Panasonic is engaged in production, sales and service activities in a broad array of business areas.

The Company supplies a full spectrum of electric/electronic equipment and related products, which is categorized in the following five segments: Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, and Other.
The Company restructured its Group organization on April 1, 2013, under which the Company changed the number of segments from eight to five. For further details about each segment, please refer to "Ⅴ. Consolidated Financial Statements, Note 20."

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and the scope of affiliates are also disclosed based on the definition of those accounting principles. The same applies to "Ⅱ. Business Overview" and "Ⅲ. Property, Plants and Equipment."

(Panasonic Group)

As of March 31, 2014

(Segments, main products and services)	(Major manufacturing companies)
Appliances Air conditioners, refrigerators, washing machines, personal-care products, electric motors, microwave ovens, compressors, showcases, large-sized air conditioners, vacuum cleaners, rice cookers, fuel cells, etc.	**(Japan)** Panasonic Corporation SANYO Electric Co., Ltd. **(Overseas)** Panasonic Appliances Air-Conditioning (Guangzhou) Co., Ltd. Panasonic Appliances Washing Machine (Hangzhou) Co., Ltd.
Eco Solutions Lighting fixtures and electric lamps (including LED lighting), solar photovoltaic systems, wiring devices, interior furnishing materials, water-related products, ventilation and air-conditioning equipment, air purifiers, etc.	**(Japan)** Panasonic Corporation Panasonic Ecology Systems Co., Ltd. SANYO Electric Co., Ltd. **(Overseas)** Panasonic Ecology Systems Guangdong Co., Ltd.
AVC Networks LCD TVs, aircraft in-flight entertainment systems, PCs, digital cameras, projectors, home audio equipment, video equipment, mobile phones, surveillance cameras, IP-related equipment, social infrastructure systems equipment, etc.	**(Japan)** Panasonic Corporation Panasonic System Networks Co., Ltd. Panasonic Liquid Crystal Display Co., Ltd. **(Overseas)** Panasonic Corporation of North America Panasonic Avionics Corporation
Automotive & Industrial Systems Car-use-multimedia-related equipment, electrical components, lithium-ion batteries, storage batteries, dry batteries, electronic components, electronic materials, automation controls, semiconductors, optical devices, electronic-components-mounting machines, welding equipment, bicycles, etc.	**(Japan)** Panasonic Corporation SANYO Electric Co., Ltd. Panasonic Factory Solutions Co., Ltd. Panasonic Welding Systems Co., Ltd. **(Overseas)** Panasonic Asia Pacific Pte. Ltd. Panasonic Automotive Systems Dalian Co., Ltd.
Other Detached housing, rental apartment housing, land and buildings for sale, home remodeling, imported materials and components, etc.	**(Japan)** PanaHome Corporation

(Major sales companies)

(Japan)
Panasonic Consumer Marketing Co., Ltd.

(Overseas)
Panasonic Corporation of North America
Panasonic Marketing Europe GmbH
Panasonic Asia Pacific Pte. Ltd.
Panasonic Corporation of China

Customers

4. Information on Affiliates

(1) Principal Consolidated Subsidiaries

(As of March 31, 2014)

Name	Location in Japan	Capital stock (millions of yen)	Principal businesses	% of voting rights interests	Relationship			Remark
					Interlocking directorate	Advances to	Business transaction	
PanaHome Corporation	Toyonaka-shi, Osaka	28,375	Other	54.5			Sale of Panasonic products and purchase of materials	*1 *2
Panasonic Factory Solutions Co., Ltd.	Kadoma-shi, Osaka	15,000	Automotive & Industrial Systems	100.0			Manufacture of Panasonic products	
Panasonic Ecology Systems Co., Ltd.	Kasugai-shi, Aichi	12,092	Eco Solutions	100.0			Manufacture of Panasonic products	
Panasonic Consumer Marketing Co., Ltd.	Chuo-ku, Osaka-shi	1,000	Appliances, AVC Networks	100.0			Sale of Panasonic products	
Panasonic Liquid Crystal Display Co., Ltd.	Himeji-shi, Hyogo	500	AVC Networks	92.0		Yes	Manufacture of Panasonic products	*3 *4
SANYO Electric Co., Ltd.	Moriguchi-shi, Osaka	400	Appliances, Eco Solutions, Automotive & Industrial Systems, Other, Corporate	100.0	Yes	Yes	Manufacture and sale of Panasonic products and supply of materials and merchandise	*3
Panasonic System Networks Co., Ltd.	Hakata-ku, Fukuoka-shi	350	AVC Networks	100.0			Manufacture and sale of Panasonic products and provision of IT services	

Name	Location	Capital stock (millions)	Principal businesses	% of voting rights interests	Relationship			Remark
					Interlocking directorate	Advances to	Business transaction	
Panasonic Corporation of North America	New Jersey, U.S.A.	US$ 537	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, Other, Corporate	100.0			Manufacture and sale of Panasonic products and management service to Panasonic affiliates	*1
Panasonic Avionics Corporation	California, U.S.A.	US$ 22	AVC Networks	100.0 (100.0)			Manufacture and sale of Panasonic products in the U.S.A	
Panasonic do Brasil Limitada	Amazonas, Brazil	R$ 502	Appliances, AVC Networks, Automotive & Industrial Systems	100.0			Manufacture and sale of Panasonic products in Brazil	*1
Panasonic Europe Ltd.	Berkshire, U.K.	Stg£ 200	Corporate	100.0			Management service to Panasonic affiliates	*1
Panasonic AVC Networks Czech s.r.o.	Plzen, Czech Republic	CZK 2,414	AVC Networks	100.0 (100.0)			Manufacture of Panasonic products in Europe	
Panasonic India Pvt. Ltd.	Chennai, India	INR 7,738	Appliances, AVC Networks, Automotive & Industrial Systems	100.0 (100.0)			Manufacture and sale of Panasonic products in India	
Panasonic Asia Pacific Pte. Ltd.	Singapore	US$ 1,478	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, Corporate	100.0 (100.0)			Manufacture and sale of Panasonic products and management service to Panasonic affiliates	*1
Panasonic Taiwan Co., Ltd.	New Taipei, Taiwan	NT$ 3,422	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems	69.8			Manufacture and sale of Panasonic products in Taiwan	
Panasonic Corporation of China	Beijing, China	RMB 8,127	Eco Solutions, AVC Networks, Automotive & Industrial Systems, Other, Corporate	100.0			Sale of Panasonic products and management service to Panasonic affiliates	*1
Panasonic Appliances Air-Conditioning (Guangzhou) Co., Ltd.	Guangzhou, China	RMB 282	Appliances	67.8 (28.2)			Manufacture of Panasonic products in China	
Panasonic Automotive Systems Dalian Co., Ltd.	Dalian, China	RMB 94	Automotive & Industrial Systems	60.0 (25.0)			Manufacture of Panasonic products in China	

(2) Principal Associated Company under the Equity Method

(As of March 31, 2014)

Name	Location	Capital stock (millions of yen)	Principal businesses	% of voting rights interests	Relationship			Remark
					Interlocking directorate	Advances to	Business transaction	
Panasonic Healthcare Holdings Co., Ltd.	Minato-ku, Tokyo	37,341	Manufacture and Sales of Healthcare products	20.0	Yes		Manufacture and Sales of Panasonic products through subsidiaries	*5
Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.	Minato-ku, Tokyo	25,584	Total financial services	15.1			Lease and credit sale of Panasonic products	*6

(Notes)

1. Parenthesis notation in the "% of voting rights interests" column shows the % of indirect voting interests, included in the % shown above the parenthesis.
2. The name of segment in which the companies classified is shown in the "Principal businesses" column of consolidated subsidiaries. In the case of companies which do not attribute to any segments, sales companies are classified to segments which handle the products, and the other companies are classified to corporate.
3. Regarding interlocking directorate, the Company's employees concurrently hold position of directors or officers in multiple consolidated subsidiaries or associated companies accounted for under the equity method.
4. *1: Companies correspond to specified subsidiaries or "Tokutei Kogaisha," total amount of sales or purchase of which exceeds the 10% of each amount of the parent company in the period that correspond to the recent fiscal year of the parent company, as defined in the Financial Instruments and Exchange Act of Japan.
5. *2: Companies submit Annual Securities Report.
6. *3: Significant companies with insolvency. The amount of liabilities in excess of assets as of March 31, 2014 are shown below.

Panasonic Liquid Crystal Display Co., Ltd.	487,066 million yen
SANYO Electric Co., Ltd.	284,454 million yen

7. *4: On March 31, 2014, a reduction of the amount of capital stock of Panasonic Liquid Crystal Display Co., Ltd. was carried out with the purpose of covering its deficit. As a result, its capital stock decreased to 500 million yen.
8. *5: On March 31, 2014, Panasonic acquired 20% of the shares of Panasonic Healthcare Holdings Co., Ltd., a company affiliated with investment funds advised by Kohlberg Kravis Roberts & Co. L.P., making Panasonic Healthcare Holdings Co., Ltd. an associated company accounted for under the equity method. In addition, on the same date, Panasonic transferred all of the shares of Panasonic Healthcare Co., Ltd. to Panasonic Healthcare Holdings Co., Ltd.
9. *6: Although % of voting rights interests are 15.1, this company is treated as an associated company accounted for under the equity method in accordance with the provisions of Accounting Standards Codification (ASC) 323, "Investments-equity method and joint ventures" because the Company holds significant influence over operating and financial policies.
10. There is no subsidiary which sales amount, excluding the internal transaction, exceeds the 10 % of the Company's consolidated sales.

5. Employees

(1) Consolidated basis

As of March 31, 2014

Segment	Number of employees
Appliances	41,037
Eco Solutions	48,534
AVC Networks	43,034
Automotive & Industrial Systems	99,450
Other	37,453
Corporate	2,281
Total	271,789

(Notes)

1. The number of employees refers solely to full-time employees of the Company on a consolidated basis.
2. The number of employees decreased by 21,953, compared with the end of last fiscal year.

(2) Parent-alone basis

As of March 31, 2014

Number of employees	Average age	Average tenure (years)	Average annual salary (yen)
57,761	44.9	22.9	6,910,824

Segment	Number of employees
Appliances	8,714
Eco Solutions	11,460
AVC Networks	11,727
Automotive & Industrial Systems	22,571
Other	1,008
Corporate	2,281
Total	57,761

(Notes)

1. The number of employees refers solely to full-time employees of the parent company.
2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor union

The total number of union members belonging to the federation of Panasonic group labor union is 98,653 as of March 31, 2014. They belong to the Japanese Electrical Electronic & Information Union except some labor unions.

The followings are main labor unions which belong to federation of Panasonic group labor union.

Panasonic Appliances labor union (Belongs to the Japanese Electrical Electronic & Information Union)
Panasonic Eco Solutions labor union (Belongs to the Japanese Electrical Electronic & Information Union)
Panasonic AVC Networks labor union (Belongs to the Japanese Electrical Electronic & Information Union)
Panasonic Industrial Devices labor union (Belongs to the Japanese Electrical Electronic & Information Union)
SANYO Electric labor union (Belongs to the Japanese Electrical Electronic & Information Union)

The relationship between management and labor unions is quite stable and smooth.

Ⅱ Business Overview

1. Summary of Business Results

(1) Consolidated Results

For the business and segment results for the year ended March 31, 2014, please refer to "7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows."

(2) Cash Flows

Cash flows from operating activities
Net cash provided by operating activities for the year ended March 31, 2014 amounted to 582.0 billion yen, an increase of 243.2 billion yen from a year ago due primarily to an increase in operating profit.

Cash flows from investing activities
Net cash provided by investing activities amounted to 12.1 billion yen, a decrease of 4.3 billion yen from a year ago, due primarily to a decrease in proceeds from disposition of investments and advances, despite a decrease in capital expenditures and a gain from business transfer of healthcare business.

Cash flows from financing activities
Net cash used in financing activities amounted to 532.3 billion yen, an increase of 41.2 billion yen from a year ago due mainly to an acceleration of reduction in interest-bearing debt including short-term bonds and long-term debts.

Taking into consideration the exchange rate fluctuations, cash and cash equivalents totaled 592.5 billion yen as of March 31, 2014, an increase of 96.2 billion yen compared with a year ago.

2. Production, Orders Received and Sales

The Company's production and sale of items is extensive and diverse. Even products are categorized in the same type, their capacity, structure and format are not necessarily uniform. Due to the nature of the products, the Company in principle adopts a production system that is mainly based on projected production. Since the Company is engaged in production activities in a way that the product inventories are kept at a certain level, production trend is generally similar to the sales trend.

3. Challenges of Panasonic Group

(1) Challenges of Panasonic Group

In fiscal 2015, the global economy is expected to moderately grow overall, with steady economic recovery in Europe and the U.S., growth in emerging countries, and aggressive capital investment and public investment in Japan, despite concerns such as geopolitical risks, the impact of the U.S. tapering monetary easing, and the consumption tax rate hike in Japan.

Panasonic's fiscal 2015, the second year of the mid-term management plan "Cross-Value Innovation 2015 (CV2015)," is defined as a year to consolidate a foundation to achieve CV2015, set growth strategy for a 'New Panasonic' in fiscal 2019, and make further progress in the plan.

To consolidate a foundation to achieve CV2015, Panasonic will complete its business restructuring, defining its business divisions as a core of business and accelerate reforms to achieve the target of operating profit ratios of more than 5% in each business division.

Panasonic has accelerated business restructuring to complete restructuring for its major challenges in fiscal 2014. In fiscal 2015, Panasonic will work toward its future, reforming to create a strong business structure. As part of the change to Business Division-based management started in fiscal 2014 with 49 business divisions, Panasonic assessed the future of every business and took measures on challenging businesses, resulting in the Company starting fiscal 2015 with 43 business divisions. Panasonic will improve profitability, changing and evolving through initiatives such as business focus shifting into new business areas.

To set growth strategy for a 'New Panasonic', Panasonic has set the sales targets in fiscal 2019: 2 trillion yen each in the consumer electronics business, the housing business and the automotive business, 2.5 trillion yen in the BtoB solutions business and 1.5 trillion yen in the devices business, to grow with profitability, including unconventional measures in five business areas. Panasonic's group-wide sales target is at the scale of 10 trillion yen, summing up the contributions from all these businesses.

1) Consumer electronics business

The Consumer electronics business of the Appliances Company and the AVC Networks Company are integrated to bring together their strengths: the capability of the Appliances Company to adapt products appropriate for global customer lifestyle, and the global development and digital technology of the AVC Networks Company. As a result, a new and more competitive consumer electronics business will be created.

2) Housing-related business

In Japan, Panasonic will aggressively capture the home remodeling market, where the expansion is expected. Panasonic will work to acquire new customers by revamping nationwide showrooms handling remodeling, and strengthen its ability to propose directly to home owners through PanaHome Reform Corporation established in fiscal 2014. Panasonic will expand the housing business overseas especially in Turkey, CIS and the Middle East through the sales channels obtained by acquisition of Viko Elektrik ve Elektronik Endüstrisi Sanayi ve Ticaret Anonim Şirketi, a Turkish manufacturer of electrical equipment and materials.

3) Automotive business

In the automotive battery business, Panasonic will vigorously expand business by making appropriate investment in both cylindrical li-ion batteries for U.S. electric vehicle manufacturers and prismatic li-ion batteries, and other types. In the infotainment business, Panasonic will differentiate its products from competitors' by introducing head-up displays and cockpit systems equipped with the Company's cutting-edge digital AV and IT technology.

4) BtoB solutions business

Panasonic will focus on sectors where significant growth is expected and establish customer-centered businesses such as its Avionics business where the development, manufacturing and sales are integrated. Panasonic will also set up engineering companies in various geographical areas and develop new businesses, putting together all products in each geographical area and each customer to provide optimal solutions.

5) Devices business (excluding automotive-use devices)

Panasonic will make use of strength of its core technology in energy devices and other fields based on its capability to propose solutions in a wide range of business area. This will enable Panasonic to expand this business with more focused efforts to capture business opportunities in industrial fields where miniaturization, integration, and module system introduction are required.

In order to achieve the sales target at the scale of 10 trillion yen in fiscal 2019, Panasonic will further evolve its operations, adding region-focused standpoint to the current business-focused approach, thus bringing it closer to customers.
Specifically, Panasonic will combine five businesses categories with three regional categories: Japan, Europe and the Americas (including Central and South America), and Strategic Regions including Asia, China, the Middle East and Africa, and set growth strategy after assessing which business area its business resources should be allocated to. For business opportunities in overseas strategic regions where the growth potential exists in particular, Panasonic established the Strategic Regions Business Promotion Division as of April 2014, to garner the growth in the market with the concept of "stop being dependent on Japan."
In fiscal 2015, not only focusing on the mid-term management plan of CV2015 and targeting towards fiscal 2019, Panasonic will also consolidate its foundations for a new Panasonic with growth potential and strengthen its group-wide strategic efforts.

(2) Policy on Control of Panasonic Corporation

1) Basic Policy

Since its foundation, the Company has operated its businesses under its basic management philosophy, which sets forth that the mission of a business enterprise is to contribute to the progress and development of society and the wellbeing of people through its business activities, thereby enhancing the quality of life throughout the world. Aiming to grow further to become a global excellent company that contributes to solving global environment issues, the Company will work to deliver sustained growth in corporate value to satisfy its shareholders, investors, customers, business partners, employees and all other stakeholders.

The Company has a basic policy that shareholders should make final decisions in the event of a Large-scale Purchase of the Company’s shares, regarding whether or not the Large-scale Purchase should be accepted. However, there is a possibility that such Large-scale Purchaser may not provide shareholders with sufficient information for making appropriate decisions. There is also concern that any Large-scale Purchase may damage corporate value and shareholder interest. In this event, the Company believes that it needs to take adequate and appropriate countermeasures in order to protect the interests of all shareholders.

2) Measures to Realize Basic Policy

a) Specific measures to realize basic policy

While Panasonic aims to continue to carry forth its “consumer electronics DNA” of being close to its customers’ lives, it also aims to pursue a “better life” for each customer in a broader sense with a variety of partners. To this end, the Company launched its new mid-term management plan, “Cross-Value Innovation 2015 (CV2015),” in fiscal 2014. Under CV2015, the Company is working to achieve the following two targets: immediately eliminate unprofitable businesses, and focus on working step by step towards Panasonic’s future aims. With the goal of creating a closer relationship with its customers and providing greater value, the Company has concretely identified the plan’s key initiatives as the following: “eliminate unprofitable businesses,” “improve financial position,” “expand business and improve efficiency by shifting from an in-house approach,” and “implement growth strategy from the customers’ viewpoint.”

In April 2013, the Company introduced a new business division system and divisional company system whereby management would be based on a “business-focused approach.” Also, in working toward growth, management strategies would incorporate a “region-focused standpoint” in order to get closer to customers. Specifically, the Company has resolved to categorize its operations into the five business areas of “Consumer Electronics,” “Housing Related,” “Automotive,” “BtoB Solutions,” and “Devices,” and combine these categories with three regional categories for its global operations: “Japan,” “Europe and the Americas” including Central and South America, and “Strategic Regions” comprised of Asia, China, the Middle East and Africa. Based on this model, Panasonic strives to shape its growth strategy after clarifying regions in which to concentrate its business resources.

In order to capture business opportunities of markets in strategic regions overseas particularly where the growth potential exists, Panasonic established the “Strategic Regions Business Promotion Division” in April 2014. While further enhancing the Group structure in this way, Panasonic will continue to push forward with the initiatives in CV2015 with greater speed.

b) Measures based on the basic policy to prevent control by inappropriate parties

On April 28, 2005, the Board of Directors resolved to adopt a policy related to a Large-scale Purchase of the Company’s shares (the “Large-scale Purchase Rule”) called the Enhancement of Shareholder Value Plan (the “ESV Plan”). The ESV Plan has been approved at Board of Directors’ meetings annually. On May 10, 2013, the Board of Directors resolved to continue the ESV plan. At the April 2014 meeting of the Board of Directors, the ESV Plan was approved again.

With respect to a Large-scale Purchaser (a “Large-scale Purchaser”) who intends to acquire 20% or more of all voting rights of the Company (the “Large-scale Purchase”), this policy requires that (i) the Large-scale Purchaser provide 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 the 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 (60)-day period or a ninety (90)-day period) for consideration. The Board of Directors intends to assess and examine any proposed Large-scale Purchase from the perspective of the interests of shareholders as a whole 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 Large-scale Purchase Rule, the Company’s Board of Directors may take countermeasures against the Large-scale Purchase 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 of Japan, other laws and the Company’s Articles of Incorporation. If a Large-scale Purchaser complies with the Large-scale Purchase Rule, 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 Corporate Auditors.

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 (1) stock acquisition right for every share held by shareholders on a specified record date. One (1) 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, such as the conditions that shareholders who belong to a specific group of shareholders including a Large-scale Purchaser may not exercise stock acquisition rights in consideration of the effectiveness thereof as a countermeasure, as well as the conditions that allow the Company to acquire share options by swapping the 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 Rule. 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 term of office for all Directors is one (1) year, and Directors are elected at the Ordinary General Meeting of Shareholders held in June every year. The Company’s Board of Directors intends to review the ESV Plan, as necessary, for reasons including amendments to applicable legislation. Any such review would be conducted in the interests of all shareholders.

For further details about the ESV Plan, please see the press release “Panasonic Announces Continuation of Policy toward Large-scale Purchases of Company’s Shares [ESV plan]” issued on April 28, 2014 at the Company’s Web site:
http://panasonic.co.jp/corp/news/official.data/data.dir/2014/04/en140428-8/en140428-8.pdf

3) Evaluation of Measures by the Board of Directors and Rationale for Evaluation
The Company's mid-term management plan was formulated as a specific measure to increase the Company's corporate value in a sustained manner. The ESV Plan was formulated from the perspective of protecting the interest of shareholders as a whole, and is aimed at ensuring shareholders receive sufficient information to make decisions on share purchase proposals by allowing those responsible for the management of the Company, the Board of Directors, to provide their evaluation of any proposed Large-scale Purchase, and providing the opportunity for alternative proposals to be submitted.

Consequently, these measures are intended to protect the interests of all the Company's shareholders in accordance with (1) Basic policy and their purpose is not to maintain the positions of the Company's Directors and Audit & Supervisory Board Members.

(Reference) Outline of issuance of stock acquisition rights (In case the Board of Directors elects to issue stock acquisition rights in a rights offering)

1. Shareholders who are entitled to receive stock acquisition rights and conditions of issuance thereof:
One (1) stock acquisition right shall be granted to a shareholder, per one (1) share held by such shareholder (excluding the shares held by Panasonic as treasury stock), whose name is recorded in the register of shareholders as of the record date to be specified and published by the Board of Directors. In this regard, Panasonic may either (i) grant to each of the shareholders holding a share of common stock a right to subscribe for a stock acquisition right and to make an offering for subscription of the offered stock acquisition rights, or (ii) distribute stock acquisition rights to the shareholders without consideration.

2. Type and number of shares to be acquired upon exercise of stock acquisition rights:
The type of shares to be acquired upon exercise of stock acquisition rights shall be the Company's common stock, and the number of shares to be acquired upon exercise of one (1) stock acquisition right shall be one (1) share.

3. Total number of stock acquisition rights to be issued:
The total number of stock acquisition rights to be issued shall be determined by the Board of Directors up to five (5) billion stock acquisition rights. The Board of Directors may issue stock acquisition rights more than once within the maximum number of five (5) billion stock acquisition rights to be issued in total.

4. Payment amount of each stock acquisition right in the case of item 1, (i) above:
No payment is required.

5. Price of assets to be invested upon exercise of each stock acquisition right:
The price of assets to be invested upon exercise of a stock acquisition right shall be one (1) Japanese yen or more to be determined by the Board of Directors.

6. Restriction on transfer of stock acquisition rights:
Acquisition of stock acquisition rights by way of assignment thereof requires the approval of the Board of Directors.

7. Conditions of exercise of stock acquisition rights:
The Board of Directors may prohibit a person or company belonging to a group of shareholders (tokutei-kabunushi group) including a Large-scale Purchaser (excluding the case where the Board of Directors approves that an acquisition or shareholding of shares and other securities of the Company by the person or the company does not conflict with the benefit of all shareholders of the Company) from exercising stock acquisition rights. The details shall be otherwise determined by the Board of Directors.

8. Exercise period and other conditions of stock acquisition rights:
Exercise period, conditions of acquisitions and other conditions of stock acquisition rights shall be determined by the Board of Directors. The Board of Directors may determine that the Company may

repurchase stock acquisition rights ("Qualified Stock Acquisition Rights") that are not held by a holder of a stock acquisition right who is prohibited from exercising stock acquisition rights due to the exercise conditions mentioned in item 7 above, and deliver one (1) share of common stock to be determined by the Board of Directors per one Qualified Stock Acquisition Right to each of the holders thereof.

4. Risk Factors

Annually, Panasonic conducts a risk assessment by which it surveys to identify potential risks which affect its business activities, evaluates such risks based on its common global standards mainly focusing on the impact to the management of Panasonic and the probability of the materialization of the risks, and prioritizes the risks against which measures should be taken. For the risks identified as material in these processes, each level of Panasonic Group, such as the Corporate, Divisional Companies and Business Divisions, forms and takes countermeasures that correspond to the characteristics of the risks, monitors the progress of such countermeasures, and seeks continuous improvements. 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 June 27, 2014, the filing date of this annual securities report.

(1)Risks Related to Economic Conditions

Continued or further weakness in Japanese and global economies

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 2015, ending March 31, 2015, the Company anticipates that the overall global economy is expected to grow moderately due to economic recoveries and progress in Europe and U.S., and the economic growth in emerging countries as well as a high level capital investment and public investment in Japan. On the other hand, destabilizing factors such as a geopolitical risk, an effect of contraction of monetary easing in U.S. and a consumption tax increase in Japan may adversely affect its business environment. Panasonic may incur increased costs for additional business restructuring in order to cope with such business environment. If global economy worsens contrary to its 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

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 also affect the yen value of Panasonic's overseas assets and liabilities because they are translated in Japanese yen when Panasonic's consolidated financial statements are presented. Generally, an appreciation of the yen against other major currencies in countries in which Panasonic operates 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. However, in certain business divisions which have shifted the manufacturing sites to overseas, the depreciation of the yen may adversely affect their operating results on a Japanese yen basis due to price increase of the imported products. After the extreme appreciation of the yen against the USD had been put brakes and the Euro in the previous fiscal year, for fiscal 2014 in general, although the depreciation of the yen continued, the impact from the foreign currency movements to the consolidated Panasonic's operating results has been decreasing partially due to the aforementioned measures, such as shifting manufacturing sites to overseas. However, excessive foreign exchange rate fluctuations may adversely affect the Company's business, operating results and financial condition.

Interest rate fluctuations

Panasonic is exposed to interest rate fluctuation risks which may affect the Company's operating 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.

Continuation or deterioration of financial market instability

Panasonic raises funds for its business through methods such as borrowing from financial institutions and issuance of bonds and commercial papers. Where, among other events, financial market continues to be unstable 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 stocks

Panasonic holds both Japanese and overseas stocks as part of its investment securities. Decreases in the value of the stocks may cause losses due to a decrease the valuation of investment securities, thereby adversely affecting Panasonic's operating results and financial condition. In the case of listed stocks, decreases in the value of the 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).

(2)Risks Related to Panasonic's Business

Competition in the industry

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 price and relationship with business partners which the Company highly depends on

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 times of possible decreases in product demand. In BtoC (business-to-consumer) business areas, amid accelerating changes in the structure of markets, such as a demand shift to emerging markets and lower-priced products, Panasonic's product prices in digital electronics and other business areas may continue to decline. On the other hand, in BtoB (business-to-business) business areas, the Company's business, operating results and financial condition may be adversely affected by the downward price pressure exceeding which can be achieved by the Company's effort, decrease in demand for products, or pressure for capital investment from business partners which the Company highly depends on.

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, riot 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 businesses 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.

Competition in technological changes and product formats as de facto standards

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. In cases where the technology developed or provided by Panasonic does not lead the market and, instead, the technology developed by its competitors are recognized as de facto standards, the Company may lose its competitiveness in the new markets.

Competition in recruiting and retaining skilled employees

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

Panasonic develops its businesses by forming alliances or joint ventures with, making strategic investments in, other companies, including investments in start-up companies, and implementing injection of external capital. Furthermore, the importance of strategic alliance with third parties is increasing. Although, in some cases, such alliances are crucial to Panasonic's goal of introducing new products and services, Panasonic may not be able to successfully collaborate or achieve expected synergies with its alliance partners. Furthermore, the alliance partners 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, both through share exchanges, and have restructured its groupwide business organization. However, Panasonic may fail to fully achieve the expected results.

Shortage of supply of parts, components and services, as well as electricity

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, accidents, 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, non-ferrous metals, and parts and components may increase due to changes in demand and supply conditions 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. 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 Japan, the production at certain Panasonic's manufacturing plants in Japan may decline or be suspended. The rise in electricity costs may be leading to an increase in procurement cost for electricity. The production and sales activities of Panasonic may be adversely and significantly affected by the aforementioned matters.

Customers' 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.

(3)Risks Related to Panasonic's Management Plans

Panasonic announced a midterm management plan called "Cross-Value Innovation 2015" (CV2015), on March 28, 2013, which runs from fiscal 2014 to fiscal 2016 and implements specific measures to achieve the targets. However, Panasonic 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.

(4)Risks Related to Legal Restrictions and Litigations

Significant direct or indirect costs resulting from product liability or warranty claims

The occurrence of quality problems due to product defects, including safety incidents, relating to 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 arising due to these problems, Panasonic's business, operating results and financial condition may be adversely affected.

Damages related to intellectual properties

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. 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.

Changes in accounting standards and tax systems

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

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 with the aim of eliminating the use of environmentally hazardous materials is imposed, or if Panasonic Group 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

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 or other third parties' actions including fraudulent access to the systems, 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.

Inconveniences or legal liability due to governmental laws and regulations

Panasonic is subject to governmental regulations in Japan and other countries in which it conducts its business, including obtaining 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, labor relations, 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.

(5)Risks Related to Disasters and Accidents or Unpredictable Events

Panasonic expands its manufacturing sales, and research and development activities globally and has 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 and accidents 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.

(6)Other Risks

Panasonic's pension plan benefit obligations

Panasonic Group has contributory, funded benefit pension plans covering substantially all employees in Japan who meet eligibility requirements. The Company and certain domestic subsidiaries made a transition from the defined benefit pension plan to the defined contribution pension plan for the contributions made on or after July 1, 2013. Regarding the past contribution, 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.

Impairment of some long-lived assets

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 asset book 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

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 recognized tax benefits on temporary differences and loss carryforwards 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 under the equity method

Panasonic holds equities of several associated companies under the equity method. 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.

5. Material Agreements, etc.

(1) As Licensee

Licensor	Country	Contract description	Contract period
MPEG LA LLC.	U.S.A	License of patents relating to MPEG-2	From January 2011 to the expiration of the patents under contracts
QUALCOMM INC.	U.S.A	License of patents relating to 3G mobile phone and base station	From March 2001 to the expiration of the patents under contracts

(2) As Licensor

Licensee	Country	Contract description	Contract period
MPEG LA LLC.	U.S.A	License of patents relating to MPEG-2	From July 1997 to the expiration of the patents under contracts
		License of patents relating to MPEG-4 Visual	From January 2000 to the expiration of the patents under contracts

(3) Cross License Agreement

Party	Country	Contract description	Contract period
Texas Instruments Inc.	U.S.A	Cross license of patents relating to semiconductor and other products	From April 2006 to March 2016
Eastman Kodak Company	U.S.A	Cross license of patents relating to digital still camera	From December 2007 to December 2017
Koninklijke Philips Electronics N.V.	Netherlands	Cross license of patents relating to mobile phone and AV products	From March 2007 to the expiration of the patents under contracts
SAMSUNG Electronics Co., Ltd.	South Korea	Cross license of patents relating to semiconductor	From January 2008 to the expiration of the patents under contracts
Pioneer Corporation	Japan	Cross license of patents relating to major AV products	From April 2006 to March 2018

(4) Conclusion of Share Transfer Agreement and Shareholders Agreement for Partial Transfer of Shares in Panasonic Logistics Co., Ltd.

The Company and Nippon Express Co., Ltd. (“Nippon Express”) have concluded a share transfer agreement and a shareholders agreement in which Panasonic agreed to transfer a part of its shares in Panasonic Logistics Co., Ltd. (“Panasonic Logistics”), a wholly owned subsidiary of the Company, to Nippon Express on May 24, 2013.

In accordance with above agreement, the Company transferred 66.6% of shares in Panasonic Logistics to Nippon Express on January 20, 2014.

(5) Conclusion of Share Transfer Agreement and Shareholders Agreement for Transfer of Shares in Panasonic Healthcare Co., Ltd.

The Company’s Board of Directors resolved on September 27, 2013, to transfer all of the shares in Panasonic Healthcare Co., Ltd. (“PHC”), a wholly-owned consolidated subsidiary of the Company and other related assets to PHC Holdings Co., Ltd. (“PHCHD”), a company which is effectively held by investment fund which is an affiliate of Kohlberg Kravis Roberts & Co. L.P., including other peripheral transactions. On the same day, the Company concluded the share transfer agreement with PHCHD and KKR PHC Investment L.P. (“KKR PHC Investment”), the shareholder of PHCHD, and the Shareholders Agreement with KKR PHC Investment.

In accordance with above agreement, the Company acquired 20% of the total voting rights in PHCHD and transferred all of the shares of PHC to PHCHD.

(6) Conclusion of Purchase Agreement for Turkish Wiring Device Maker

The Company’s Board of Directors resolved on October 31, 2013 to conclude the share purchase agreement and shareholders' agreement with the present shareholders of the Turkish wiring devices leader Viko Elektrik ve Elektronik Endüstrisi Sanayi ve Ticaret Anonim Şirketi (VIKO). The Company concluded the share purchase agreement on the same day and concluded the shareholders' agreement on February 28, 2014. Outline of VIKO is as follows:

Location: Istanbul, Turkey
Company Activities: Manufacturing and sales of electrical equipment and materials, such as wiring devices, low voltage switchgears, smart meters and building automation system
Capital: 16 million Turkish Lira (as of the end of December, 2013)
Total Assets: 255 million Turkish Lira (as of the end of December, 2013)
Sales: 303 million Turkish Lira (for the year ended December, 2013)

In accordance with above agreement, the Company acquired 90% of the issued shares of VIKO on February 28, 2014.

(7) Conclusion of Joint Venture Formation Agreement of the Semiconductor Business

The Company's Board of Directors resolved on December 20, 2013 to conclude the joint venture formation agreement with Tower Semiconductor Ltd., a semiconductor foundry company (Head Office; Israel, Brand Name: TowerJazz; "TJ"), the business transfer agreement with a company which the Company newly established (Name: TowerJazz Panasonic Semiconductor Co., Ltd.; "TPSC"), and the Shareholders Agreement with TJ and TPSC, to transfer the business relating to semiconductor wafer manufacturing process of Hokuriku Diffusion Factories (Uozu, Tonami and Arai) to TPSC on April 1, 2014, and, thereafter, on the same day transfer the 51% of shares in TPSC to TJ and make TPSC a joint venture company. Outline of TPSC is as follows:
Location: Uozu-shi, Toyama, Japan
Company Activities: Semiconductor wafer subcontract fabrication, subcontract fabrication for the Company
Establishment date: February, 2014
Capital: 750 million yen

In accordance with above agreements, the Company transferred the business relating to semiconductor wafer manufacturing process to TPSC, and, thereafter, transfer of the 51% of shares in TPSC to TJ on April 1, 2014.

(8) Establishment of New Company in Semiconductor Business and Conclusion of Absorption-Type Company Split

The Company's Board of Directors resolved on February 4, 2014 to transfer its business relating to the development, manufacture and sales of semiconductor and other related products belonging to the Semiconductor Business Division of the Company, to a company to be newly incorporated by the Company (Name: Panasonic Semiconductor Solutions Co., Ltd., "PSCS") through the absorption-type company split effective June 1, 2014. Subsequently, the Company's Board of Directors approved on March 27, 2014 the absorption-type company split agreement and on the same day, the Company concluded the absorption-type company split agreement with PSCS. Outline of the agreement is as follows;

(a) Purpose of Company Split:
To enhance solution capability through unification of businesses centering on product development and marketing
(b) Method of Company Split:
An absorption-type company split in which the Company is the splitting company and PSCS is the succeeding company (simplified absorption-type company split). PSCS does not provide any consideration upon the Company Split.
(c) Assets and Liabilities to be Split (As of March 31, 2014):
Total Assets: 86.9 billion yen
Total Liabilities: 42.8 billion yen
(d) Outline of PSCS:
Location: Nagaokakyo-shi, Kyoto, Japan
Company Activities: Development, manufacture and sales of semiconductor and other related products
Establishment date: March, 2014
Capital: 400 million yen

The Company's Board of Directors resolved on February 4, 2014 to conduct the absorption-type merger in which PSCS absorbed Panasonic Industrial Devices Discrete Semiconductor Co., Ltd. and Panasonic Industrial Devices Optical Semiconductor Co., Ltd., both of which are wholly-owned subsidiaries of the Company effective on June 1, 2014.

In accordance with above agreement, PSCS inherited the Company's business relating to the development, manufacture and sales of semiconductor and absorbed the above-mentioned two companies which were subsidiaries of the Company effective June 1, 2014.

(9) Conclusion of Share Transfer Agreement Related to Subsidiaries Operating Semiconductor Business in Overseas

The Company's Board of Directors resolved on February 4, 2014 to transfer all shares held by the Company in three subsidiaries whose factories operate semiconductor assembly lines in Singapore, Indonesia and Malaysia to UTAC Manufacturing Services Ltd., a wholly-owned subsidiary of UTAC Holdings Ltd., a manufacturer specialized in semiconductor assembly. On the same day, the Company concluded the share transfer agreement.

In accordance with above agreement, the Company transferred all shares in the three subsidiaries to UTAC Manufacturing Services Ltd., on June 2, 2014.

6. Research and Development

Panasonic focused on developing technologies to realize comfortable lifestyles and a safe society in the future, from the consumer electronics, housing-related and automotive fields to social infrastructure-related fields.

Key development themes during fiscal 2014 were as follows:

(1) Realization of an interactive house with voice-controlled consumer electronics and home equipment

With the use of cloud computing, Panasonic has developed an interactive processing technology that can be operated by spoken words and directional microphone technology that can select human voices. The technologies make it possible for TVs, cooking equipment, lighting and other equipment to be operated by voice control. Panasonic also introduced a function which recommends operating the drying function for newly washed clothes in the case that rain is forecasted.
This development makes consumer electronics and home equipment simple for anyone to use by interaction, and continues their evolution into assistants that can make suggestions about matters that would otherwise go unnoticed by users.

(2) Development of high-resolution 4K signage (digital signage) that can be operated by touch in mid-air as though by a touch panel

Panasonic has developed a sensing technology that enables users to get real-time location information without touching anything. With this technology, users can use their fingers to simply and accurately control an operating screen generated in mid-air, like a touch panel, at the optimal viewing distance for a 4K display (1.5 times the height of the display).
This development allows users to search for products as they like through a mid-air operating screen while viewing signage images that seem as real as looking through a show window.

(3) Advance in safety support systems at intersections with higher resolution millimeter-wave radar detection

Panasonic has developed a radar technology that allows for accurately distinguishing and locating pedestrians, who have weak radar reflections in comparison with cars, and a filtering technology that reduces interference between several radars positioned around a wide field of view. With these technologies, pedestrians can be detected when they are 20 centimeters away from vehicles in less than 0.1 seconds at a range of 40 meters.
This development will accelerate the advancement and dissemination of safety support systems that can function at night and in bad weather conditions as detection sensors for the advance prevention of accidents at intersections.

(4) Development of highly effective water purification system using a new unique photocatalyst

Panasonic has successfully developed a photocatalyst that combines a TiO_2 photocatalyst with zeolite particles through electrostatic attraction. In this system, nanoparticulate photocatalysts purify water and then are bound to zeolite particles and separated from water, allowing for the collection with compact and simple equipment after use.
By realizing a small-scale, stand-alone water purification unit that uses sunlight, this development represents a major step forward in the quest to secure safe and low-cost drinking water. The technology will be of use in developing countries, for example by creating a source of drinking water from groundwater containing hazardous metals.

R&D expenditures totaled 478.8 billion yen in fiscal 2014.

7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows

(1) Critical Accounting Policies

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. 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 by business combinations. Actual results could differ from those estimates.

1) Impairment of Long-Lived Assets

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 the 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.

The Company recognized impairment losses of long-lived assets, mainly related to flat panel TV business, printed circuit board business and semiconductor business in the aggregate of 103.8 billion yen during fiscal 2014.

2) Impairment of Goodwill

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 Company designates January 1 as the annual impairment measurement date for all reporting units.

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's 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 Company recognized impairment losses in the aggregate of 8.1 billion yen of goodwill during fiscal 2014. At March 31, 2014, the Company has recorded 461.2 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.

3) Valuation of Deferred Tax Assets

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 be applied to taxable income in the years in which those temporary differences are expected to be reserved. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when such changes are enacted.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that any portion or all of the deferred tax assets will not be realized. The realization is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. 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, 2014, deferred tax assets (net) were recorded in the amount of 114.7 billion yen.

4) Employee Retirement and Severance Benefit Plans

The Company accounts for the benefit pension plans and the lump-sum payment plans in accordance with the provisions of ASC 715, "Compensation-Retirement Benefits." In accordance with the provisions, funded status of benefit pension plans (that is the balance of plan assets and benefit obligations) are recognized on the consolidated balance sheets and pension liability adjustments, net of tax, are recorded in the "Accumulated Other Comprehensive Income (Loss)." Actuarial net gains and losses in excess of the corridor (10% of benefit obligations or fair value of plan assets, whichever is greater) are amortized over the average remaining service period of employees, except the plan described as follows.

The Company and certain domestic subsidiaries made a transition from the defined benefit pension plan to the defined contribution pension plan, effective after July 1, 2013. Upon this decision, the Company recognized a gain of 79.8 billion yen in "Other income" in the consolidated statement of income for the fiscal year ended March 31, 2014. Actuarial net gains and losses to the defined benefit pension plan in excess of the corridor are amortized over the average remaining life expectancy of plan participants.

The Company determines discount rates considering the 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.

At March 31, 2014, the Company has recorded 422.8 billion yen of retirement and severance benefits obligations, which is recognized as projected benefit obligations in excess of the fair value of plan assets.

(2) Analyses of Operating Results for Fiscal 2014, ended March 31, 2014

During the fiscal 2014 under review, despite some economic slowdown in emerging countries including India, the global economy moderately continued to recover with a pickup in Europe, a continuing stock market recovery and the robust consumer spending in the U.S., and a further stock market recovery, yen depreciation and a surge in consumer spending before Japanese consumption tax hike in Japan.

Under such business circumstances, Panasonic launched its new mid-term management plan, “Cross-Value Innovation 2015 (CV2015)” in fiscal 2014. Under its new basic group formation through business division system, the Company has been promoted four initiatives as follows. Under “Cross-Value Innovation,” beyond the existing frameworks and combining various and unique strengths in the Group, Panasonic has come to enable more value creation for customers.

Eliminate Unprofitable Businesses

The Company outlined major decisions and directions on five major challenging businesses: TV set/panels, semiconductors, printed circuit boards, optical devices and mobile phones, assessing their future, shifting into new business areas, reducing assets, and reorganizing facilities. The Company also worked on the air conditioner and DSC businesses, which had been positioned as a challenging business, to return them to the black. However, a total operating loss of approximately 100.0 billion yen remained in fiscal 2014. Looking ahead, the Company will take every measure to eliminate these unprofitable businesses and complete restructuring.

Improve Financial Position

Having made recovery in its business and having worked to generate cash as a whole, Panasonic’s net cash position was minus 47.6 billion yen, a dramatic improvement on the mid-term management plan target of minus 220.0 billion yen.

Also, shareholders’ equity ratio greatly increased, from 23.4% in the previous fiscal year to 29.7%.

(Note) Net cash is calculated by deducting interest bearing debt (total of short-term debt, including current position of long-term debt, and long-term debt) from financial assets on hand, such as cash and cash equivalents and deposits.

Expand Business and Improve Efficiency by Shifting from an In-house Approach

Among the five challenging businesses, Panasonic drastically restructured its semiconductor business. As a part of the restructuring, three plants in Hokuriku region, Japan, were transferred to form a joint venture with TowerJazz, an Israeli company, and three plants in Asia were transferred to UTAC Manufacturing Services Ltd., a Singaporean company, to promote fabless production.
Semiconductors are extremely important devices in the expansion of the Company’s business in the automotive and industrial fields. Based on the shift from an in-house approach, Panasonic will collaborate with the partners and strengthen its competitiveness.

Growth Strategy from Customers’ Viewpoint

Panasonic is gradually beginning to see tangible results from, for example, the experimental next-generation convenience store, a collaborative project, and the smart town business, Fujisawa sustainable smart town (SST). In addition to the introduction of environment-conscious equipment and systems as well as digital signage devices, the Company is working on the creation of advanced solutions by analyzing purchase behavior at the experimental next-generation convenience store.
In the years to come, Panasonic will constantly create new value, working with the partners in various industries.

1) Sales

Consolidated group sales for fiscal 2014 increased by 6% to 7,736.5 billion yen from 7,303.0 billion yen in fiscal 2013. Yen depreciation contributed to the sales increase. Automotive related business grew in sales with global market recovering, and sales of housing related business increased by capturing demand before the consumption tax hike in Japan. Meantime, sales in digital consumer-related business decreased, because the Company is focusing on profitability rather than sales volume. Consolidated group sales in real terms (excluding the effects of exchange rates) decreased by 3% from a year ago.

Sales in the domestic market amounted to 3,897.9 billion yen, up 3% from 3,790.4 billion yen in fiscal 2013. Overseas sales amounted to 3,838.6 billion yen, up 9% from 3,512.6 billion yen. Overseas sales in real terms decreased by 9% from a year ago. By region, sales in the Americas amounted to 1,134.6 billion yen, increasing from a year ago, but decreased by 7% in real terms. Sales in Europe amounted to 740.3 billion yen, increasing from a year ago, but decreased by 10% in real terms. In Asia and China, sales amounted to 1,963.7 billion yen increasing from a year ago, but decreased by 9% in real terms.

2) Operating Profit*

In fiscal 2014, cost of sales amounted to 5,638.8 billion yen, up from 5,419.9 billion yen in the fiscal 2013. Selling, general and administrative expenses amounted to 1,792.6 billion yen, up from 1,722.2 billion yen in the fiscal 2013. Accordingly operating profit increased to 305.1 billion yen from 160.9 billion yen a year ago due mainly to improving profitability in unprofitable businesses. Implementing corporate-wide fixed cost reduction and streamlining of material cost also contributed to profit. Operating profit to sales ratio improved to 3.9% from 2.2% a year ago.

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

3) Income before Income Taxes

In other income, interest income amounted to 10.6 billion yen, up from 9.3 billion yen a year ago. Dividends received amounted to 2.0 billion yen, down from 3.7 billion yen a year ago. A one-off gain of 79.8 billion yen from the pension scheme change and gain of 78.7 billion yen from transferring of healthcare business were also recorded.

In other deductions, interest expense amounted to 21.9 billion yen, down from 25.6 billion yen in fiscal 2013. The business restructuring expenses of 207.4 billion yen were incurred. The business restructuring expenses included impairment losses for long-lived assets of 103.8 billion yen and expenses associated with the implementation of early retirement programs of 32.0 billion yen. A 21.7 billion yen for circuit board-related assets and a 20.1 billion yen for semiconductor-related assets were included in impairment losses for long-lived assets.

As a result of the above-mentioned factors, other income (deductions), net amounted to a loss of 98.9 billion yen, improved from a loss of 559.3 billion yen a year ago, due mainly to incurring business restructuring expenses of 508.8 billion yen including goodwill impairment and expenses associated with impairment losses of long-lived assets in fiscal 2013. Accordingly, income before income taxes for fiscal 2014 amounted to 206.2 billion yen, compared with a loss of 398.4 billion yen in fiscal 2013.

4) Net Income attributable to Panasonic Corporation

Provision for income taxes for fiscal 2014 decreased to 89.7 billion yen, compared with 384.7 billion yen in fiscal 2013. In accordance with U.S. GAAP, the Company increased the valuation allowances to deferred tax assets in companies including Panasonic Corporation, and incurred provision for income taxes in fiscal 2013.

Equity in earnings of associated companies decreased to 5.1 billion yen in fiscal 2014, compared with 7.9 billion yen in fiscal 2013.

Net income attributable to noncontrolling interests amounted to 1.2 billion yen in fiscal 2014, compared with a loss of 20.9 billion yen in fiscal 2013.

As a result of the above-mentioned factors, the Company recorded a net income attributable to Panasonic Corporation of 120.4 billion yen in fiscal 2014, compared with a loss of 754.3 billion yen for fiscal 2013. Net income attributable to Panasonic Corporation per share, basic amounted to 52.10 yen in fiscal 2014, compared with a loss of 326.28 yen in fiscal 2013.

5) Segment information

Panasonic changed its group organization on April 1, 2013, resulting in five reportable segments from eight. The Company's annual sales and profits by segment for fiscal 2014 are summarized as follows. In accordance with the organizational change, segment information for fiscal 2013 has been reclassified to conform to the presentation for fiscal 2014.

a. Appliances

Sales increased by 10% year on year to 1,196.6 billion yen.

In fiscal 2014, despite struggling sales of air conditioners overseas and weak growth in sales of vending machines, small kitchen appliances and others in Japan, overall sales increased due mainly to a sales increase in Japan thanks to a surge in consumer spending before the Japanese consumption tax hike and the positive impact of yen depreciation.

Looking at the main Business Divisions (BDs) of this segment, although the Air-Conditioner BD suffered falls in sales in China, where there was a surplus of inventories, and Europe, where the economy was in recession, sales of this BD were healthy due mainly to sales growth in Japan and other areas of Asia. Sales of the Laundry Systems and Vacuum Cleaner BD increased due to the positive impact of yen depreciation, despite weak growth mainly reflecting intensified competition in the washing machines business in Asia. At the Kitchen Appliances BD, sales of induction heating (IH) cooking equipment, dish washer/dryers and rice cookers were strong, particularly in Japan. At the Refrigerator BD, in Japan, glass door models were well-received while sales expanded due to extremely hot summer conditions and a surge in consumer spending before the Japanese consumption tax hike, and sales were strong as a result.

Segment profit was 28.5 billion yen, down by 7.9 billion yen from a year ago. Streamlining and cost reduction were unable to offset the negative impact of yen depreciation on importing products manufactured overseas.

b. Eco Solutions

Sales increased by 10% year on year to 1,846.6 billion yen.

In fiscal 2014, sales were strong in Japan due mainly to a surge in consumer spending before the Japanese consumption tax hike, while overseas sales grew primarily in the electrical materials business, mainly in China, India and other areas of Asia. As a result, overall sales increased.

Looking at the main BDs of this segment, at the Housing Systems BD, there were strong sales of water-related products such as modular kitchen systems as well as interior furnishing materials and exterior construction materials. The strong sales reflected increased activity in the domestic market. At the Energy Systems BD, sales increased primarily for solar photovoltaic systems, wiring devices and distribution panel boards, while sales of home energy management system products were also strong. Outside Japan, there was growth in sales of wiring devices and circuit breakers in China and India. At the Lighting BD, sales grew in Japan on the back of an expansion of the LED lighting product lineup. Outside Japan, sales of residential lighting were strong in China. At Panasonic Ecology Systems Co., Ltd., in Japan, sales of air purifiers declined but sales of ventilation fans and others were firm. Outside Japan, sales of air purifiers grew in China and sales of ventilation fans grew in the Middle East, North America, and Central and South America.

Segment profit was 95.0 billion yen, up by 32.2 billion yen from a year ago due mainly to an increase in sales and a reduction of fixed costs offsetting the negative impact of yen depreciation.

c. AVC Networks

Sales decreased by 3% year on year to 1,573.4 billion yen.

In fiscal 2014, although there was a sales boost from the positive impact of yen depreciation, Panasonic pushed ahead with radical reform such as withdrawal from smartphones for consumers, plasma panels and plasma TV sets businesses, and overall sales declined as a result.

Looking at the main BDs of this segment, sales of the TV BD decreased as a result of focusing on profitability rather than sales volume including narrowing down the product range in the U.S. and China.
At the Avionics BD, sales of BtoB businesses such as aircraft in-flight entertainment systems grew due mainly to the positive impact of yen depreciation. Sales of the IT Products BD were strong due mainly to increased sales of notebook PCs for corporate use in Europe and Japan, and the positive impact of yen depreciation. Sales of the Security Systems BD were boosted by strong sales of products and services tailored to the needs of corporate customers, such as surveillance cameras.

Segment profit was 21.5 billion yen, up by 13.2 billion yen from a year ago due mainly to increased sales in BtoB businesses as well as the effect of business restructuring.

d. Automotive & Industrial Systems

Sales increased by 9% year on year to 2,737.6 billion yen.

In fiscal 2014, sales were down in the ICT (Information and Communication Technology) field due mainly to a decline in sales of devices for PCs. In the automotive field, on the other hand, sales were strong overall reflecting robust conditions in the automotive industry, while sales were firm in the industrial field reflecting a recovery in capital investment. As a result, overall sales in this segment increased.

Looking at the main BDs of this segment, sales of the Automotive Infotainment Systems BD grew substantially on the back of strong sales of display-audio systems in the European and U.S. markets and the Chinese market, and growth in sales of car navigation systems through car dealers in Japan. Sales of the Portable Rechargeable Battery BD increased in line with steady deliveries of lithium-ion batteries for power supply to U.S. electric vehicle manufacturers. Sales of the Automation Controls BD were firm on the back of growth in sales of products including car relays for hybrid vehicles and electric vehicles, and industrial devices to assist with energy saving and automation at factories. At the Semiconductor BD, sales decreased as a result of a shrinkage in demand for semiconductors for AV equipment and others.

Segment profit was 85.7 billion yen, up by 56.2 billion yen from a year ago due mainly to favorable sales in automotive-related businesses, the return to profitability of the portable rechargeable battery business and the positive impact of yen depreciation.

e. Other

Sales decreased by 5% year on year to 958.0 billion yen.

In fiscal 2014, although PanaHome Corporation posted strong sales due to a surge in consumer spending before the Japanese consumption tax hike, overall sales of this segment decreased due mainly to the SANYO-related business transfers implemented in fiscal 2013.

At PanaHome Corporation, the Custom-built Detached Housing Business promoted sales of housing with roofing composed of photovoltaic panels, while the Property Development Business developed a town that is self-sufficient in energy and completed a large-scale smart condominium development, and these operations contributed to PanaHome Corporation’s strong sales.

Sales of Panasonic Healthcare Co., Ltd. were firm due mainly to market expansion and a surge in consumer spending before the Japanese consumption tax hike.

Segment profit was 20.0 billion yen, up by 16.6 billion yen from a year ago due mainly to a thorough reduction of fixed costs.

(3) Risks Materially Affecting Panasonic’s Business, Operating Results and Financial Conditions
Refer to 4. Risk Factors.

(4) Current State of and Prospects for Management Strategy
Refer to 3. Challenge of Panasonic Group.

(5)Financial Conditions and Liquidity

1) Liquidity and Capital Resources

The Panasonic Group operates its business under its basic policy to generate necessary funds for its business activities through its own efforts. The generated funds are utilized efficiently through internal Group finance operations. In cases where Panasonic needs to secure funds for purposes such as working capital or business investments, the Company raises external funds by appropriate measures considering its financial structure and financial market conditions.

(Cash)
Cash and cash equivalents totaled 592.5 billion yen as of March 31, 2014, increased from 496.3 billion yen a year ago.

(Interest bearing debt)
Short-term bond balance decreased to zero as of March 31, 2014, compared with 140.6 billion yen a year ago. Panasonic redeemed the eighteenth series of unsecured straight bonds totaling 10.0 billion yen issued in June 2003 by SANYO Electric Co., Ltd. and succeeded by the Company in January 2012; the second series of unsecured straight bonds totaling 20.0 billion yen issued in February 2004 by the former Matsushita Electric Works, Ltd. and succeeded by the Company in January 2012; and the seventh series of unsecured straight bonds totaling 200.0 billion yen issued in March 2009.
As a result, Interest bearing debt as of March 31, 2014 amounted to 642.1 billion yen, decreased from 1,143.4 billion yen a year ago.

Panasonic terminated the commitment line agreements in August 30, 2013 under which the upper limit of the unsecured borrowing was a total of 600.0 billion yen which Panasonic had entered with several banks in October 1, 2012. No borrowing was carried out under the agreements.

(Ratings)
Panasonic obtains credit ratings from Rating and Investment Information, Inc. (R&I), Standard & Poor’s Rating Japan (S&P) and Moody’s Japan K.K. (Moody’s). Panasonic’s ratings as of March 31, 2014 are as follows;

R&I: A- (Long-term, outlook: stable), a-1 (Short-term)
S&P: BBB (Long-term, outlook: positive), A-2 (Short-term)
Moody’s: Baa3 (Long-term, outlook: stable)

2) Cash Flows

The Panasonic Group aims to improve free cash flows by enhancing business profitability and to expand its businesses steadily in the mid-to-long-term. The Company is also making every effort to implement measures to generate cash flows, including continuous reduction of inventories, screening capital investments and reviewing assets.

Free cash flow (net cash provided by operating activities plus net cash provided by investing activities) amounted to 594.1 billion yen, an increase of 238.9 billion yen from a year ago due primarily to an increase in operating profit, a decrease in capital expenditures and a gain from business transfer of healthcare business.

Regarding details of Cash flows, refer to 1.Summary of Business Results.

3) Capital Investment and Depreciations

Capital investment (tangible assets only) during fiscal 2014 decreased by 30% to 217.0 billion yen, compared with 310.9 billion yen in fiscal 2013. Major capital investments were directed to solar modules manufacturing facilities (Malaysia) and manufacturing facilities for portable rechargeable batteries mainly used for vehicles (Osaka).

Depreciation (tangible assets only) during fiscal 2014 amounted to 278.8 billion yen, almost unchanged from 277.6 billion yen a year ago.

4) Assets, Liabilities and Equity

The Company's consolidated total assets as of March 31, 2014 decreased by 184.8 billion yen to 5,213.0 billion yen from the end of fiscal 2013 due mainly to the impairment losses of property, plant and equipment and business transfers including healthcare business, despite the impact of the yen depreciation. Total liabilities decreased by 466.9 billion yen to 3,626.6 billion yen due to a decrease in retirement and severance benefits and a reduction in interest-bearing debt including redemption of short-term bond and the 7th unsecured straight bond. Panasonic Corporation shareholders' equity increased by 284.2 billion yen compared with the end of fiscal 2013 to 1,548.2 billion yen as of March 31, 2014. This was due mainly to net income for the year and an improvement in accumulated other comprehensive income (loss) along with yen depreciation. Adding noncontrolling interests to Panasonic Corporation shareholders' equity, total equity was 1,586.4 billion yen.

Ⅲ Property, Plants and Equipment

1. Summary of Capital Investment

Capital Investment by segment for the year ended March 31, 2014 is shown in the tables below.

Segment	Amount (Billions of yen)	Change from last fiscal year (%)	Main purpose of investment
Appliances	28.3	(39.8)	Production of new products and an increase in production capacity of electric appliances for home use
Eco Solutions	42.6	(19.9)	Increase in production capacity and streamlining of electronic material, building material and solar photovoltaic system, etc.
AVC Networks	34.7	(47.0)	Production of new products and streamlining of video and AV equipment, and communication and security related equipment, etc.
Automotive & Industrial Systems	85.4	(29.5)	Increase in production capacity of rechargeable batteries and production of new products and an increase in production capacity of car-use-multimedia equipment, electronic components, etc.
Other & Corporate	26.0	+8.2	Capital investment by healthcare equipment and PanaHome Corporation, and functional enhancement of regional headquarter companies and sales division
Total	217.0	(30.2)	———

(Notes)1. Panasonic restructured its Group organization on April 1, 2013, under which the Company changed the number of segments from eight to five. In calculating the percentage of change from last fiscal year, prior year's figure has been revised to conform with the presentation for fiscal 2014.

2. "Other & Corporate" includes capital investments, recorded in the "Other" segment, and investments which are not included in any other segments, as shown above.

3. The Company classified certain buildings and more of plasma display panel, located at third and fourth factories of Panasonic Plasma Display Co., Ltd. (Amagasaki-shi, Hyogo) as “Other current assets” in the consolidated balance sheet as of March 31, 2014, in accordance with the provision of ASC 360, “Property, Plant, and Equipment.” There are no other material disposals or sales of principal facilities for the year ended March 31, 2014.

2. Major Property, Plants and Equipment

(1) Panasonic Corporation

(As of March 31, 2014)

Facility (Location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land (Area in thousands of ㎡)	Lease assets	Others	Total	
Kusatsu Plant (Kusatsu-shi, Shiga)	Appliances	Manufacturing facilities for air conditions and refrigerators	14,559	10,044	5,923 (539)	2,207	114	32,847	4,732
Hikone Plant (Hikone-shi, Shiga)	Appliances	Manufacturing facilities for personal-care equipment and healthcare equipment	5,227	3,702	1,323 (88) [4]	14	53	10,319	906
Kobe Plant (Nishi-ku, Kobe-shi, Hyogo)	Appliances AVC Networks	Manufacturing facilities for cooking appliances and information equipment	3,163	1,265	4,924 (185)	51	274	9,677	630
Takatsuki Plant (Takatsuki-shi, Osaka)	Eco Solutions	Manufacturing facilities for lighting	4,331	3,170	304 (175)	10	9	7,824	1,008
Niigata Plant (Tsubame-shi, Niigata)	Eco Solutions	Manufacturing facilities for lighting fixture	2,597	2,739	2,035 (143)	―	58	7,429	509
Tsu Plant (Tsu-shi, Mie)	Eco Solutions Automotive & Industrial Systems	Manufacturing facilities for wiring devices and security equipment	4,605	3,726	2,120 (92) [9]	―	653	11,104	1,539
Kadoma Plant (Kadoma-shi, Osaka)	AVC Networks	Manufacturing facilities for video and audio equipment	5,130	3,179	563 (207)	29	18	8,919	6,955
Saedo Plant (Tsuzuki-ku, Yokohama-shi, Kanagawa)	AVC Networks Automotive & Industrial Systems	Manufacturing facilities for car AVC equipment, other facilities	8,078	2,288	2,952 (56)	534	169	14,021	1,942
Arai Plant (Myoko-shi, Niigata)	Automotive & Industrial Systems	Manufacturing facilities for semiconductors	5,246	200	2,553 (161)	1	44	8,044	705
Uozu Plant (Uozu-shi, Toyama)	Automotive & Industrial Systems	Manufacturing facilities for semiconductors	8,206	553	1,938 (250)	49	104	10,850	1,042
Tonami Plant (Tonami-shi, Toyama)	Automotive & Industrial Systems	Manufacturing facilities for semiconductors	7,195	249	2,068 (228)	0	5	9,517	620
Ise Plant (Watarai-gun, Mie)	Automotive & Industrial Systems	Manufacturing facilities for automation controls	4,195	7,328	555 (152)	―	923	13,001	1,480
Kanazu Plant (Awara-shi, Fukui)	Automotive & Industrial Systems	Manufacturing facilities for sensors	2,079	3,525	576 (51) [6]	―	477	6,657	495

Facility (Location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land (Area in thousands of ㎡)	Lease assets	Others	Total	
Osaka Plant (Moriguchi-shi, Osaka)	Automotive & Industrial Systems	Manufacturing facilities for batteries	4,918	1,227	325 (91) [4]	4	773	7,247	1,021
Suminoe Plant (Suminoe-ku, Osaka-shi, Osaka)	Automotive & Industrial Systems	Manufacturing facilities for batteries	22,471	8,965	― (116) [116]	1,544	1,217	34,197	289
Energy Solutions Center, etc. (Moriguchi-shi, Osaka)	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems	R&D facilities	2,880	2,474	197 (38)	581	―	6,132	985
Production Engineering Laboratory, etc. (Kadoma-shi, Osaka)	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, Other	R&D facilities	5,494	1,424	2,056 (139)	49	1	9,024	1,082
Advanced Technology Research Laboratories (Soraku-gun, Kyoto)	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, Other	R&D facilities	2,470	316	3,706 (53)	1	―	6,493	110
Branch Office and Sales Office (Nakamura-ku, Nagoya-shi, Aichi, etc.)	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems	Equipment for sales and marketing	18,719	626	10,575 (132) [20]	141	4	30,065	4,062
Management department of Eco Solutions Company (Moriguchi-shi, Osaka, etc.)	Eco Solutions	Other facilities	28,313	3,471	27,156 (504) [65]	―	200	59,140	1,986
Management department of Automotive & Industrial Systems Company, etc. (Kadoma-shi, Osaka, etc.)	Automotive & Industrial Systems	Other facilities	3,157	5,536	907 (78)	1,339	325	11,264	3,659
Head Office, etc. (Kadoma-shi, Osaka etc.)	Automotive & Industrial Systems, Other, Corporate, etc.	Corporate administration, employee housing and welfare facilities, etc.	12,738	2,858	20,279 (497)	837	5	36,717	3,788

(2) Domestic subsidiaries

(As of March 31, 2014)

Company	Facility (Location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)					Number of employees
				Buildings	Machinery and equipment	Land (Area in thousands of ㎡)	Others	Total	
SANYO Electric Co., Ltd.	Tokyo plant (Ora-gun, Gunma, etc.)	Appliances, Automotive & Industrial Systems	Manufacturing facilities for industrial equipment, etc.	10,012	1,788	2,583 (984)	173	14,556	214
	Kasai plant (Kasai-shi, Hyogo)	Automotive & Industrial Systems	Manufacturing facilities for batteries	13,408	17,593	3,427 (202)	6,801	41,229	608
	Sumoto plant (Sumoto-shi, Hyogo, etc.)	Automotive & Industrial Systems	Manufacturing facilities for batteries	5,232	4,928	4,066 (116)	35	14,261	806
	Tokushima plant (Itano-gun, Tokushima)	Automotive & Industrial Systems	Manufacturing facilities for batteries	8,454	11,701	3,739 (177)	4,008	27,902	721
Panasonic Ecology Systems Co., Ltd	(Kasugai-shi, Aichi)	Eco Solutions	Manufacturing facilities for equipment relates to ecology system business	5,058	1,817	9,010 (237)	135	16,020	1,075
Panasonic Liquid Crystal Display Co., Ltd.	Himeji Plant (Himeji-shi, Hyogo)	AVC Networks	Manufacturing facilities for LCD panels, etc.	54,103	10,675	- (361) [361]	41	64,819	804
Panasonic System Networks Co., Ltd.	(Hakata-ku, Fukuoka-shi, etc.)	AVC Networks	Manufacturing facilities for information communication equipment, etc.	9,760	3,593	2,525 (305) [50]	574	16,452	8,012 <580>
Panasonic Factory Solutions Co., Ltd.	(Kadoma-shi, Osaka, etc.)	Automotive & Industrial Systems	Manufacturing facilities for mounter, etc.	1,727	578	433 (68)	11	2,749	1,235
PanaHome Corporation	Head plant (Higashiomi-shi, Shiga)	Other	Manufacturing and logistics facilities for materials and components of housing system	2,470	1,445	5,822 (320)	38	9,775	308
	Tsukuba plant (Tsukubamirai-shi, Ibaraki)	Other	Manufacturing and logistics facilities for materials and components of housing system	1,282	743	2,990 (131)	26	5,041	222

(3) Overseas subsidiaries

(As of March 31, 2014)

Company (Location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and equipment	Land (Area in thousands of ㎡)	Others	Total	
Panasonic Corporation of North America (New Jersey, U.S.A.)	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, Other, Corporate	Manufacturing and sales facilities for various electric and electronic products	6,385	3,600	1,403 (369)	622	12,010	5,544
Panasonic Avionics Corporation (California, U.S.A.)	AVC Networks	Manufacturing facilities for aircraft -in-flight entertainment systems	1,625	8,118	─ (14) [14]	482	10,225	3,587
Panasonic do Brasil Limitada (Amazonas, Brazil)	Appliances, AVC Networks, Automotive & Industrial Systems	Manufacturing and sales facilities for various electric and electronic products	3,707	4,779	492 (540)	30	9,008	1,897
Panasonic AVC Networks Czech s.r.o. (Plzen, Czech Republic)	AVC Networks	Manufacturing facilities for flat-panel TVs	5,685	650	258 (166)	19	6,612	971
Panasonic Asia Pacific Pte. Ltd. (Singapore)	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, Corporate	Manufacturing and sales facilities for various electric and electronic products	2,798	11,937	418 (333) [196]	455	15,608	3,896
Panasonic Taiwan Co., Ltd. (New Taipei, Taiwan)	Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems	Manufacturing and sales facilities for various electric and electronic products	132	2,190	920 (112)	─	3,242	1,450
Panasonic Appliances Air-Conditioning (Guangzhou) Co., Ltd. (Guangzhou, China)	Appliances	Manufacturing facilities for air conditioner-related products	1,881	8,599	─ (126) [126]	16	10,496	1,977

(Notes) 1. The above amounts do not include the consumption tax, etc.

2. Some plants or offices are rented to affiliated companies. Regarding rented plants and offices to affiliated companies, number of employees of the company, which rents the related plants or offices, are shown with parenthesis notation of < > in the "Number of employees" column.

3. Parenthesis notation of [ ] in the "Land" column shows the size of land rented from a party other than consolidated companies.

3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The planned capital investment for the fiscal year ending March 31, 2015 will be 255.0 billion yen, an increase of 18% compared with the actual capital investment for the previous fiscal year, and a breakdown by segment is as follows.

Segment	Amount (Billions of yen)	Main purpose of investment	Capital resource
Appliances	53.0	Production of new products and streamlining of electric appliances for home use	Own capital, etc.
Eco Solutions	44.0	Production increase and streamlining of electronic material, building material and solar photovoltaic system, etc.	Own capital, etc.
AVC Networks	30.0	Production of new products of video and AV equipment for professional use, and communication and security related equipment, etc.	Own capital, etc.
Automotive & Industrial Systems	109.0	Production increase of rechargeable batteries, and production of new products and production increase of car-use-multimedia equipment, electronic components, etc.	Own capital, etc.
Other & Corporate	19.0	Capital investment by PanaHome Corporation, and functional enhancement of regional headquarter companies and sales division	Own capital, etc.
Total	255.0	―――	―――

(Notes) 1. The above amounts do not include the consumption tax, etc.

2. The Company resolved that the plasma display panel fifth factory of Panasonic Plasma Display Co., Ltd. (Amagasaki-shi, Hyogo) was going to be sold to Center Point Development Inc. in this fiscal year. The actual transfer is going to be completed at the end of September 2014. The factory has already stopped its production in March 2012.

3. There is no plan of other material disposals or sales of principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

Ⅳ Information on the Company

1. Information on the Company's Stock, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	4,950,000,000
Total	4,950,000,000

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2014)	Number of shares issued as of the filling date (shares) (June 27, 2014)	Stock exchange on which the Company is listed	Description
Common stock	2,453,053,497	2,453,053,497	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	2,453,053,497	2,453,053,497	—	—

(2) Information on the stock acquisition rights, etc.

Not applicable.

(3) Information on moving strike convertible bonds, etc.

Not applicable.

(4) Details of rights plans

Not applicable.

(5) Changes in the total number of issued shares and the amount of common stock, etc.

Date	Change in the total number of issued shares (Thousands)	Balance of the total number of issued shares (Thousands)	Change in common stock (millions of yen)	Balance of common stock (millions of yen)	Change in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
August 31, 2013*	—	2,453,053	—	258,740	(568,212)	—

* The full amount of the capital reserve was reduced and the reduced amount was allocated to others capital surplus, pursuant to Article 448, Paragraph 1 of the Companies Act.

(6) Composition of Issued Shares by Type of Shareholders

As of March 31, 2014

Class	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other institutions	Foreign shareholders		Individual and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	2	155	90	3,893	689	306	437,411	442,546	—
Share ownership (units)	3	6,336,450	344,311	1,828,138	8,130,611	4,941	7,789,213	24,433,667	9,686,797
Percentage of shares (%)	0.00	25.93	1.41	7.48	33.28	0.02	31.88	100.00	—

(Notes) 1. Of 141,496,296 shares of treasury stock, 1,414,962 units are included in "Individual and others," and 96 shares are included in "Number of shares less than one unit."

2. Of the shares registered in the name of Japan Securities Depository Center, Inc., 121 units are included in "Other institutions," and 9 shares are included in "Number of shares less than one unit."

(7) Major shareholders

As of March 31, 2014

Name	Address	Share ownership (in thousands of shares)	Percentage of total issued shares (%)
Japan Trustee Services Bank, Ltd. (trust account) Note 2	8-11, Harumi 1-chome, Chuo-ku, Tokyo	114,846	4.68
The Master Trust Bank of Japan, Ltd. (trust account) Note 3	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	109,938	4.48
State Street Bank and Trust Co. （Standing proxy: The Hongkong and Shanghai Banking Corporation, Ltd., Tokyo）	P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. （11-1, Nihombashi 3-chome, Chuo-ku, Tokyo）	99,245	4.04
The Bank of New York Mellon SA/NV 10 （Standing proxy: The Bank of Tokyo -Mitsubishi UFJ, Ltd.）	RUE MONTOYERSTRAAT 46, 1000 BRUSSELS, BELGIUM （7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo）	78,860	3.21
Nippon Life Insurance Company	5-12, Imabashi 3-chome, Chuo-ku, Osaka-shi, Osaka	72,892	2.97
Moxley & Co. LLC （Standing proxy: Sumitomo Mitsui Banking Corporation)	270 PARK AVENUE，NEW YORK，N.Y. 10017-2070 U.S.A. (1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo)	52,660	2.14
Panasonic Corporation Employee Shareholding Association	1006, Oaza Kadoma, Kadoma-shi, Osaka	51,606	2.10
Sumitomo Life Insurance Co.	4-35, Shiromi 1-chome, Chuo-ku, Osaka -shi, Osaka	37,408	1.52
Deutsche Bank AG London 609 （Standing proxy: Deutsche Securities Inc.）	TAUNUSANLAGE 12, D-60325 FRANKFURT AM MAIN, FEDERAL REPUBLIC OF GERMANY （11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo）	29,491	1.20
Matsushita Real Estate Co., Ltd.	6-8, Koraibashi 1-chome, Chuo-ku, Osaka-shi, Osaka	29,121	1.18
Total	—	676,071	27.56

(Notes) 1. Holdings of less than 1,000 shares have been omitted.

2. The number of shares held by Japan Trustee Services Bank, Ltd. (trust account) reflects the shares entrusted by Sumitomo Mitsui Trust Holdings, Inc. and other corporations, which have been originally entrusted in their trust services.
3. The number of shares held by The Master Trust Bank of Japan, Ltd. (trust account) reflects the shares entrusted by Mitsubishi UFJ Trust and Banking Corporation and other corporations, which have been originally entrusted in their trust services.
4. The Company has 141,496 thousands shares of treasury stock, 5.76% of the total number of issued shares.

5. Report of Possession of Large Volume was submitted by Dodge & Cox dated August 5, 2013. However, as Panasonic Corporation can not confirm the actual status of shareholdings as of the end of fiscal 2014, the above "Major shareholders" is described based on the list of shareholders. The shareholding status of the report as of July 31, 2013 is as follows.

Name of Shareholder	Number of share certificates, etc. held (in thousands of shares)	Percentage of share certificates held (%)
Dodge & Cox	123,726	5.04
Total	123,726	5.04

(8) Information on voting rights

1) Total number of shares issued

As of March 31, 2014

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	(Treasury stock) Common stock 141,496,200	—	Standard common stock of the Company without any restriction
	(Crossholding stock) Common stock 14,895,900	—	Same as above
Shares with full voting right (others)	Common stock 2,286,974,600	22,869,746	Same as above
Shares less than one unit	Common stock 9,686,797	—	Shares less than one unit (100 shares)
Number of issued shares	2,453,053,497	—	—
Total number of voting rights	—	22,869,746	—

(Notes) 1. 12,100 shares (121 units) and 9 shares registered in the name of Japan Securities Depository Center, Inc. are included in "Shares with full voting right (others) " and "Shares less than one unit," respectively.

2. Treasury stock and crossholding stock described below are included in "Shares less than one unit"

Treasury stock : Panasonic Corporation (96 shares)

Crossholding stock : Panasonic Employee Cooperation Society, Inc. (7 shares), Tomita Electric Co., Ltd. (77 shares), Asahi Plating Co., Ltd. (71 shares), Osaka National Electric Works Co., Ltd. (50 shares), AC Techno SANYO Co., Ltd. (75 shares)

2) Treasury stock, etc.

As of March 31, 2014

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total shares held (Shares)	Percentage of total issued shares (%)
(Treasury stock) Panasonic Corporation	1006, Oaza Kadoma, Kadoma -shi, Osaka	141,496,200	—	141,496,200	5.76
(Crossholding stock) Panasonic Employee Cooperation Society, Inc.	1006, Oaza Kadoma, Kadoma -shi, Osaka	14,798,800	—	14,798,800	0.60
Tomita Electric Co., Ltd.	2479, Hongo Yoshidaaza Oaza Oizumimachi, Oura-gun, Gunma	46,900	—	46,900	0.00
Asahi Plating Co., Ltd.	5-16, Shinmori 4-chome, Asahi-ku, Osaka-shi, Osaka	23,400	—	23,400	0.00
STC Co., Ltd.	1038, Hinodecho, Isesaki-shi, Gunma	11,500	—	11,500	0.00
Osaka National Electric Works Co., Ltd.	7-21, Imagawa 8-chome, Higashisumiyoshi -ku, Osaka-shi, Osaka	9,200	—	9,200	0.00
AC Techno SANYO Co., Ltd.	597-1, Nisshincho 3-chome, Kita-ku, Saitama-shi, Saitama	5,100	—	5,100	0.00
Sanin Panasonic Corporation	416, Watarihashicho, Izumo-shi, Shimane	1,000	—	1,000	0.00
Crossholding stock Total	—	14,895,900	—	14,895,900	0.60
Total	—	156,392,100	—	156,392,100	6.37

(9) Details of stock option plans

(By resolution of the Ordinary General Meeting of Shareholders held on June 26, 2014)
Pursuant to the provisions of Articles 361 of the Companies Act, the Company approved remuneration of its Directors (excluding Outside Directors) relevant to Stock Acquisition Rights as Stock-Type Compensation Stock Options by a resolution of the Ordinary General Meeting of Shareholders held on June 26, 2014.

Resolution date	June 26, 2014
Category and number of persons granted	Directors of the Company (excluding Outside Directors) Note 1
Class of share to be acquired upon the exercise of stock acquisition rights	Common stock of Panasonic
Number of shares	The maximum number of stock acquisition rights to be allotted to all Directors (excluding Outside Directors) within one (1) year from the date of the Ordinary General Meeting of Shareholders for each fiscal year is 10,000. The number of shares to be acquired upon exercise of each stock acquisition right (the “Number of Shares Acquired”) shall be 100 shares. Note 2
Subscription amount to be paid upon exercise of stock acquisition (Yen)	The amount shall be one (1) yen, which is the amount for one (1) unit of share to be acquired upon exercise of each stock acquisition right, multiplied by the Number of Shares Acquired.
Exercise period of stock acquisition rights	The exercise period of stock acquisition rights shall be determined by the Board of Directors, but shall not exceed thirty (30) years from the day immediately following the allotment date of stock acquisition rights.
Conditions for exercise of stock acquisition rights	Any conditions for the exercise of stock acquisition rights shall be determined by a resolution of the Board of Directors. Such conditions include the condition that those to whom stock acquisition rights are allotted shall not, unless otherwise resolved by the Board of Directors, be entitled to exercise the stock acquisition rights until the day immediately following the day when they cease to hold any position as a Director, Executive Officer or Audit & Supervisory Board Member of Panasonic.
Matters regarding transfer of stock acquisition rights	The stock acquisition rights cannot be acquired through transfer, unless such acquisition is expressly approved by a resolution of the Board of Directors.
Matters regarding substitute payments	—
Matters regarding grant of stock acquisition rights accompanying reorganization	—

Notes: 1. Panasonic intends to allot to the Executive Officers and certain other officers of the Company stock acquisition rights which details are the same as in above (excluding the point that the maximum number of stock acquisition rights to be allotted is 10,000, mentioned in "Number of shares").

2. In the case that Panasonic conducts a share split (including an allotment without consideration (musho-wariate) of shares of common stock of Panasonic; the same shall apply to all references to the share split herein) or share consolidation on and after the date of shareholders’ resolution adopting the proposal (the “Resolution Date”), the Number of Shares Acquired shall be adjusted in accordance with the following formula, rounding down any fraction of less than one (1) share resulting from such adjustment.

Number of Shares Acquired after adjustment	=	Number of Shares Acquired before adjustment	x	Ratio of share split or share consolidation

In addition, in any event that makes it necessary to adjust the Number of Shares Acquired, including a merger and company split, on and after the Resolution Date, Panasonic may make appropriate adjustment to the Number of Shares Acquired within a reasonable range. In the case where Panasonic makes a change in the number of shares constituting one (1) unit of shares (excluding such changes as made in connection with a share split or share consolidation; the same shall apply to all references to a change in the number of shares constituting one (1) unit of shares herein) on and after the Resolution Date, Panasonic may reasonably adjust the Number of Shares Acquired in accordance with the ratio of such change in the number of shares constituting one (1) unit of shares with respect to the stock acquisition rights, the allotment of which has been resolved by the Board of Directors on and after the effective date of the change in the number of shares constituting one (1) unit of shares, and Panasonic may reasonably adjust the maximum number of stock acquisition rights in accordance with the rate of such adjustment.

2. Information on Acquisition of Treasury Stock, etc.

Class of shares

Acquisition of common stock under Article 155, Item 7 of the Company Law and acquisition of common stock under Article 155, Item 13 of the Company Law.

(1) Acquisition of treasury stock resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings

Not applicable.

(3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2014	108,780	116,346,095
Treasury stock acquired during the current period	8,287	9,368,690

(Note) With regard to "Treasury stock acquired during the current period," the number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2014 to the filing date is not included.

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31, 2014		Current period	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	—	—	—	—
Acquired treasury stock which was canceled	—	—	—	—
Acquired treasury stock which was transferred due to merger, share exchange or company split	—	—	—	—
Others (Acquired treasury stock which was sold due to requests from shareholders holding shares less than one unit shares to sell additional shares)	6,858	11,992,728	562	982,583
Total numbers of treasury stock held	141,496,296	—	141,504,021	—

(Note) With regard to "Number of shares (shares)" and "Total disposition amount (yen)" of the current period, the number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from June 1, 2014 to the filing date and that of treasury stock acquired due to purchase requests from shareholders holding shares less than one unit shares from June 1, 2014 to the filing date are not included.

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. 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.

Panasonic pays dividends twice a year, an interim and a year-end. Dividends are resolved at the Board of Directors meeting under articles of incorporation.

In the fiscal 2014, the Company's financial position and business result were steadily improved by implementing company-wide measures such as improving profitability and generating free cash flow, resulting in the resumption of dividend payment. The Company paid an interim dividend of 5 yen per share and a year-end dividend of 8 yen per share, resulting in an annual cash dividend of 13 yen per share, in line with the Company's policy of distributing profits based on its business performance.

The Company will utilize its internal reserve funds for further enhancing the management structure and future business development.

Dividends for the 107th term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
The Board of Directors meeting held on October 31, 2013	11,558	5.0
The Board of Directors meeting held on April 28, 2014	18,492	8.0

4. Stock Prices

(1) Highest and lowest stock prices in the recent five fiscal years

Fiscal year	103rd business term	104th business term	105th business term	106th business term	107th business term
Year end	March 2010	March 2011	March 2012	March 2013	March 2014
Highest (yen)	1,585	1,480	1,070	781	1,408
Lowest (yen)	1,062	826	582	376	594

(Note) The stock prices are market prices on the first section of the Tokyo Stock Exchange.

(2) Highest and lowest stock prices in the recent six months

Month	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014
Highest (yen)	997	1,213	1,260	1,408	1,307	1,330
Lowest (yen)	904	981	1,130	1,167	1,059	1,103

(Note) The stock prices are market prices on the first section of the Tokyo Stock Exchange.

5. Member of the Board of Directors and Audit & Supervisory Board Members

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
Chairman of the Board of Directors		Shusaku Nagae	January 30, 1950	Apr. 1972 Dec. 2004 June 2007 June 2010 Apr. 2011 Jan. 2012 June 2012 June 2013	Joined Matsushita Electric Works, Ltd. (MEW); Managing Executive Officer, MEW; Managing Director, MEW; President, Panasonic Electric Works Co., Ltd. (former MEW); Senior Managing Executive Officer of the Company / In charge of Lighting Company and Panasonic Ecology Systems Co., Ltd.; In charge of Solution Business / President, Eco Solutions Company; Executive Vice President of the Company / In charge of Corporate Division for Promoting Energy Solution Business; Chairman of the Board of Directors (incumbent).	Note 5	201
Vice Chairman of the Board of Directors		Masayuki Matsushita	October 16, 1945	Apr. 1968 Oct. 1981 Feb. 1986 June 1990 June 1992 Aug. 1993 July 1995 June 1996 June 2000	Joined the Company; General Manager, Washing Machine Business Unit; Director of the Company; Managing Director of the Company; Senior Managing Director of the Company; Division Director, Corporate Industrial Marketing & Sales Division; In charge of Overseas Operations; Executive Vice President of the Company; Vice Chairman of the Board of Directors (incumbent).	Note 5	127,231

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
President and Director		Kazuhiro Tsuga	November 14, 1956	Apr. 1979 June 2001 June 2004 Apr. 2008 Apr. 2011 June 2011 June 2012	Joined the Company; Director, Multimedia Development Center; Executive Officer of the Company / In charge of Digital Network & Software Technology; Managing Executive Officer of the Company / President, Panasonic Automotive Systems Company; Senior Managing Executive Officer of the Company / President, AVC Networks Company; Senior Managing Director of the Company; President of the Company (incumbent).	Note 5	494
Executive Vice President	In charge of Strategic Regions	Yoshihiko Yamada	May 11, 1951	Apr. 1974 Apr. 2003 June 2004 Apr. 2007 Apr. 2010 June 2010 Apr. 2011 Jan. 2012 Apr. 2013 Apr. 2014	Joined the Company; Vice President, Panasonic AVC Networks Company / Director, System Solutions Business Group; Executive Officer of the Company / Director, Corporate Management Division for North America / Chairman, Matsushita Electric Corporation of America; Managing Executive Officer of the Company; In charge of Industrial Sales; Managing Director of the Company; Senior Managing Director of the Company; In charge of Industrial Devices Business; President, Automotive & Industrial Systems Company; Executive Vice President of the Company (incumbent) / In charge of Strategic Regions (incumbent).	Note 5	497

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
Senior Managing Director	President, Appliances Company	Kazunori Takami	June 12, 1954	Apr. 1978 June 2002 Apr. 2005 Apr. 2006 Apr. 2008 Apr. 2009 June 2009 Apr. 2012	Joined the Company; Director, Matsushita Refrigeration Company; In charge of Corporate Marketing Division for National Brand Home Appliances and Corporate Marketing Division for National Brand Wellness Products / Director, Corporate Marketing Division for National Brand Home Appliances; Executive Officer of the Company; Managing Executive Officer of the Company; President, Home Appliances Company (currently Appliances Company) (incumbent) / In charge of Lighting Company; Managing Director of the Company; Senior Managing Director of the Company (incumbent).	Note 5	267
Senior Managing Director	In charge of Accounting and Finance	Hideaki Kawai	September 1, 1954	Apr. 1977 July 2004 Apr. 2008 Apr. 2011 June 2012 Apr. 2014	Joined the Company; General Manager, Corporate Finance & IR Group; Executive Officer of the Company; Managing Executive Officer of the Company / General Manager, Corporate Planning Group; Managing Director of the Company / In charge of Accounting and Finance (incumbent); Senior Managing Director of the Company (incumbent).	Note 5	703

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
Senior Managing Director	President, AVC Networks Company	Yoshiyuki Miyabe	December 5, 1957	Apr. 1983 Jan. 2003 Apr. 2008 Apr. 2011 June 2011 Oct. 2012 Apr. 2013 Apr. 2014	Joined the Company; Manager, R&D Planning Office; Executive Officer of the Company / In charge of Digital Network & Software Technology; Managing Executive Officer of the Company / In charge of Technology; Managing Director of the Company; In charge of Intellectual Property; President, AVC Networks Company (incumbent); Senior Managing Director of the Company (incumbent).	Note 5	494
Senior Managing Director	President, Automotive & Industrial Systems Company	Yoshio Ito	March 18, 1953	Apr. 1973 Apr. 2006 Apr. 2009 Jan. 2013 Apr. 2013 Apr. 2014 June 2014	Joined the Company; Vice President, Panasonic AVC Networks Company / Director, System Business Group; Executive Officer of the Company / President, Lighting Company; President, Industrial Devices Company / President, Energy Company; Managing Executive Officer of the Company; Senior Managing Executive Officer of the Company / President, Automotive & Industrial Systems Company (incumbent); Senior Managing Director of the Company (incumbent).	Note 5	286
Senior Managing Director	President, Eco Solutions Company	Tamio Yoshioka	March 25, 1955	Apr. 1977 Apr. 2006 June 2011 Apr. 2013 June 2013 Apr. 2014	Joined Matsushita Electric Works, Ltd. (MEW); Executive Officer, MEW; Director, Panasonic Electric Works Co., Ltd. (former MEW); Senior Managing Officer, Eco Solutions Company; Director of the Company / President, Eco Solutions Company (incumbent); Senior Managing Director of the Company (incumbent).	Note 5	134

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
Managing Director	Representa-tive in Tokyo Director, Government and External Relations Division	Takashi Toyama	September 28, 1955	Apr. 1978 Apr. 2006 Apr. 2007 Jan. 2010 June 2010 Apr. 2011 June 2012 Oct. 2013 Apr. 2014	Joined the Company; President, Panasonic System Solutions Company / Director, Corporate Construction Business Promotion Division; Executive Officer of the Company; President, System Networks Company / President, Panasonic System Networks Co., Ltd.; Director of the Company; Managing Director of the Company (incumbent) / President, Systems & Communications Company; In charge of Planning and Information Systems; Director, Government and External Relations Division (incumbent); Representative in Tokyo (incumbent).	Note 5	414
Managing Director	In charge of Human Resources, Legal Affairs, Risk Management, Information Security, Business Ethics and Information Systems	Jun Ishii	March 24, 1956	Apr. 1979 June 2003 Apr. 2007 Apr. 2012 Apr. 2013 Oct. 2013 Apr. 2014 June 2014	Joined the Company; General Manager, Corporate Planning Group; Executive Officer of the Company; Managing Executive Officer of the Company; Director, Government and External Relations Division; In charge of Human Resources (incumbent); In charge of Legal Affairs, (incumbent) / In charge of Risk Management, Information Security and Business Ethics (incumbent) / In charge of Information Systems (incumbent); Managing Director of the Company (incumbent).	Note 5	314

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
Managing Director	In charge of Technology and Intellectual Property	Mamoru Yoshida	May 21, 1956	Apr. 1979 Apr. 2008 Apr. 2009 Apr. 2012 June 2012 Apr. 2013	Joined the Company; Vice President, Panasonic AVC Networks Company / Director, Network Business Group; Executive Officer of the Company / Senior Vice President, AVC Networks Company; Managing Executive Officer of the Company / President, AVC Networks Company; Managing Director of the Company (incumbent); In charge of Technology (incumbent), Intellectual Property (incumbent) and Information Systems.	Note 5	271
Managing Director	In charge of Manufactu-ring Innovation, Quality Administ-ration and Environmen-tal Affairs	Tsuyoshi Nomura	December 7, 1952	Jan. 1990 Apr. 2007 Apr. 2009 Apr. 2012 June 2013	Joined the Company; President, Advanced Production Systems Development Company; Executive Officer of the Company; Managing Executive Officer of the Company / In charge of Manufacturing Innovation (incumbent), Quality Administration (incumbent) and Environmental Affairs (incumbent) ; Managing Director of the Company (incumbent).	Note 5	167
Director		Ikuo Uno	January 4, 1935	Apr. 1997 Apr. 2005 June 2005 Apr. 2011 July 2011	President, Nippon Life Insurance Company; Chairman, Nippon Life Insurance Company; Director of the Company (incumbent); Director and Executive Advisor to the Board, Nippon Life Insurance Company; Executive Advisor to the Board, Nippon Life Insurance Company (incumbent).	Note 5	—
Director		Masayuki Oku	December 2, 1944	June 2005 June 2008	President, Sumitomo Mitsui Banking Corporation / Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc. (incumbent); Director of the Company (incumbent).	Note 5	10

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
Director		Hiroko Ota	February 2, 1954	Sep. 2006 Aug. 2008 June 2013	The minister of Japan's Economic and Fiscal Policy; Professor of National Graduate Institute for Policy Studies (incumbent); Director of the Company (incumbent).	Note 5	50
Director	In charge of Planning	Mototsugu Sato	October 17, 1956	Apr. 1979 Apr. 2008 Apr. 2011 Oct. 2013 June 2014	Joined Matsushita Electric Works, Ltd. (MEW); Executive Officer, MEW; Senior Executive Officer, Panasonic Electric Works Co., Ltd. (former MEW); Executive Officer of the Company / In charge of Planning (incumbent); Director of the Company (incumbent).	Note 5	17
Senior Audit & Supervisory Board Member		Seiichiro Sano	November 20, 1952	Apr. 1977 Apr. 2005 Apr. 2007 June 2007 Apr. 2011 Jan. 2012 June 2012	Joined SANYO Electric Co., Ltd. (SANYO); Officer, SANYO; President, SANYO; Executive Director & President, SANYO; Senior Managing Executive Officer of the Company; In charge of Special Task; Senior Audit & Supervisory Board Member of the Company (incumbent).	Note 6	63
Senior Audit & Supervisory Board Member		Yoshihiro Furuta	September 22, 1954	Apr. 1978 June 2008 Apr. 2009 June 2011	Joined Matsushita Electric Works, Ltd. (MEW); Managing Director, MEW; Associate Director, Corporate Division for Promoting Systems and Equipment Business; Senior Audit & Supervisory Board Member of the Company (incumbent).	Note 7	142
Audit & Supervisory Board Member		Yoshio Sato	August 25, 1949	July 2007 July 2011 Apr. 2014 June 2014	President and Director, Representative Executive Officer (Representative Director) of Sumitomo Life Insurance Company; President and Representative Director, Chief Executive Officer of Sumitomo Life Insurance Company; Chairman and Representative Director of Sumitomo Life Insurance Company (incumbent); Audit & Supervisory Board Member of the Company (incumbent).	Note 8	—

Position	Responsibility	Name	Date of birth	Brief personal records		Term of office	Share ownership (100 shares)
Audit & Supervisory Board Member		Ikuo Hata	August 6, 1931	Apr. 1957 Apr. 1992 Sep. 1995 June 1998 July 2001 June 2004	Appointed to the Bench; President of the Osaka District Court; Registered as Attorney at law (member of Osaka Bar Association) (incumbent); Vice President of the Japan Federation of Conciliation Associations; Member of the Supreme Court's Building-Related Litigation Commission; Audit & Supervisory Board Member of the Company (incumbent).	Note 6	—
Audit & Supervisory Board Member		Toshio Kinoshita	April 12, 1949	July 1983 June 1994 July 1998 July 2007 July 2013 June 2014	Registered as Certified Public Accountant (Japan) (incumbent); Senior Partner of Chuo Audit Corporation (now MISUZU Audit Corporation); Managing Partner for Japanese Business Network of PricewaterhouseCoopers LLP National Office; Chief Executive of The Japanese Institute of Certified Public Accountants; Council Member of The Japanese Institute of Certified Public Accountants (incumbent); Audit & Supervisory Board Member of the Company (incumbent).	Note 8	—
Total							131,759

(Notes)

1. These with the title of Senior Managing Director or above are Representative Directors.
2. "Share ownership" of less than 100 shares has been omitted.
3. Ikuo Uno, Masayuki Oku and Hiroko Ota are outside directors.
4. Yoshio Sato, Ikuo Hata and Toshio Kinoshita are outside Audit & Supervisory Board Members.
5. The term of office of Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the year ending March 31, 2015 from the election at the Ordinary General Meeting of Shareholders for the year ended March 31, 2014.
6. The term of office of Seiichiro Sano and Ikuo Hata, Audit & Supervisory Board Members, shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the year ending March 31, 2016 from the election at the Ordinary General Meeting of Shareholders for the year ended March 31, 2012.
7. The term of office of Yoshihiro Furuta, Audit & Supervisory Board Member, shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the year ending March 31, 2015 from the election at the Ordinary General Meeting of Shareholders for the year ended March 31, 2011.
8. The term of office of Yoshio Sato and Toshio Kinoshita, Audit & Supervisory Board Members, shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the year ending March 31, 2018 from the election at the Ordinary General Meeting of Shareholders for the year ended March 31, 2014.

9. Effective June 27, 2003, 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. Directors who concurrently serve as Executive officers are not included in the following list.

Position	Name	Responsibility
Managing Executive Officer	Laurent Abadie	Regional Head for Europe & CIS Chairman & CEO, Panasonic Europe Ltd. Managing Director, Panasonic Marketing Europe GmbH
Managing Executive Officer	Yorihisa Shiokawa	Regional Head for Latin America President, Panasonic Latin America President, Panasonic Marketing Latin America
Managing Executive Officer	Joseph Taylor	Regional Head for North America Chairman & CEO, Panasonic Corporation of North America
Managing Executive Officer	Hidetoshi Osawa	Regional Head for China & Northeast Asia Chairman, Panasonic Corporation of China
Managing Executive Officer	Yukio Nakashima	Director, Consumer Marketing Sector for Japan Region Director, Consumer Marketing Division (Japan) In charge of Design
Managing Executive Officer	Masahisa Shibata	Senior Vice President, Automotive & Industrial Systems Company In charge of Automotive Business
Executive Officer	Shiro Nishiguchi	Senior Vice President, Appliances Company In charge of Planning
Executive Officer	Yasutomo Fukui	In charge of General Affairs, Social Relations and Facility Management
Executive Officer	Toshiyuki Takagi	Senior Vice President, AVC Networks Company In charge of System Products Business President, Panasonic System Networks Co., Ltd.
Executive Officer	Masahiro Ido	In charge of Solution Sales Director, Tokyo Olympic Enterprise Division
Executive Officer	Satoshi Takeyasu	In charge of Corporate Communications
Executive Officer	Norihisa Mimura	Senior Vice President, Appliances Company In charge of Air-Conditioner and Refrigeration, Air Conditioning & Heating Devices Business
Executive Officer	Yasuji Enokido	Senior Vice President, AVC Networks Company In charge of System Solutions Business
Executive Officer	Paul Margis	Senior Vice President, AVC Networks Company In charge of Avionics Business Director, Avionics Business Division
Executive Officer	Tetsuro Homma	Senior Vice President, Appliances Company In charge of Cold Chain and Home Appliances Business
Executive Officer	Makoto Kitano	Vice President, Eco Solutions Company Director, Lighting Business Division
Executive Officer	Junichiro Kitagawa	Regional Head for Southeast Asia and Oceania Managing Director, Panasonic Asia Pacific Pte. Ltd. Managing Director, Panasonic Consumer Marketing Asia Pacific
Executive Officer	Daizo Ito	Regional Head for India, South Asia, Middle East and Africa President, Panasonic India Pvt. Ltd.

Position	Name	Responsibility
Executive Officer	Shinji Sakamoto	Senior Vice President, Automotive & Industrial Systems Company In charge of Energy Business
Executive Officer	Yuki Kusumi	Senior Vice President, Appliances Company In charge of Home Entertainment, Beauty and Living Business

6. Corporate Governance, etc.

This section includes the matters of consolidated companies. This section refers to the matters as of June 27, 2014, the date of the filing of this annual securities report, unless otherwise indicated.

(1) Corporate Governance

1) Basic Policy of Corporate Governance

Under its basic philosophy “A company is a public entity of society,” the Company has long been committed to corporate governance. The Company’s corporate governance system is based on the Board of Directors, which is responsible for deciding important operational matters for the whole Group and monitoring the execution of business by Directors, and Audit & Supervisory Board Members (A&SBMs) and the Audit & Supervisory Board (A&SB), which are independent from the Board of Directors and responsible for auditing the performance of duties by Directors.

In October, 2012, the Company established the Corporate Strategy Head Office, which is responsible for formulating and promoting group-wide strategies and other matters from the perspective of an investor. At the same time, the Company divided parts of functions such as the Corporate R&D Group and the Corporate Legal Affairs Division, which had previously been functions of the head office, and incorporated those functions into the Professional Business Support Sector in order to support the performance of business operations by the Divisional Companies and the business divisions.

In April, 2013, the Company introduced the business division system and positioned business divisions as basic management units. In FY2014, the Company has forty-three (43) business divisions and each of the business divisions is autonomously managed to formulate its respective midterm management plans and business plans, and is responsible for R&D, production and sales as well as its cash and profit management on a global basis. In addition, four (4) Divisional Companies (Appliances, Eco Solutions, AVC Networks and Automotive & Industrial Systems), the aggregation of the business divisions, support the business division system. The Company has established the following corporate governance system suitable for the Company’s business structure based on the four (4) Divisional Companies and forty-three (43) business divisions.

2) Corporate Governance Structure

＜The Board of Directors and Executive Officer System＞

The Company’s Board of Directors is composed of seventeen (17) Directors including three (3) Outside Directors. In accordance with the Company Law of Japan and related laws and ordinances (collectively, the “Company Law”), the Board of Directors has ultimate responsibility for administration of the Company’s affairs and monitoring of the execution of business by Directors.

The Company has an optimum management and governance structure tailored to four (4) Divisional Company-based management structures. Under this structure, the Company has empowered each of four (4) Divisional Companies and business divisions through delegation of authority. At the same time, the Company employs an Executive Officer system to provide for the execution of business at its various domestic and overseas Group companies. This system facilitates the development of optimum corporate strategies that integrate the Group’s comprehensive strengths. The Company has twenty (20) Executive Officers (excluding those who concurrently serve as Directors), which include senior managements of each of four (4) Divisional Companies, senior officers responsible for certain foreign regions and officers responsible for corporate functions.

In addition, in order to ensure swift and strategic decision-making, along with sound and appropriate monitoring at the same time, the Board of Directors, as a decision-making body for Group-wide matters, concentrates on decisions about the corporate strategies and the supervision of the four (4) Divisional Companies, while Executive Officers have been delegated with the authority to handle responsibilities relating to day-to-day operations at each of the four (4) Divisional Companies. Taking into consideration the diversified scope of its business operations, the Company has opted to maintain a system where Executive Officers, who are most familiar with the specifics of the operations, take an active part in the Board of Directors. Moreover, to clarify the responsibilities of Directors and create a more dynamic organization of the Board of Directors, the Company has limited the term of each Director to one year.

＜Audit & Supervisory Board Members (A&SBMs) and Audit & Supervisory Board (A&SB)＞
Pursuant to the Company Law, the Company has elected A&SBMs and established A&SB, made up of A&SBMs. The A&SBMs and A&SB monitor the status of corporate governance and audit the day-to-day activities of management, including the performance of duties by Directors. The Company has five (5) A&SBMs, including three (3) Outside A&SBMs. Additionally, the Company elected A&SBMs who have substantial finance and accounting knowledge. A&SBMs participate in the general meetings of shareholders and the Board of Directors, receive reports from Directors, Executive Officers, employees and Accounting Auditors, and exercise other auditing authority granted to A&SBMs under the law. Full-time Senior A&SBMs also attend important meetings and conduct visiting audits to business offices in order to ensure effective audits. In order to augment the internal auditing functions in the Group, the Company assigns nine (9) full-time Audit & Supervisory Officers (A&SOs), who directly report to the Senior A&SBMs of the Company, to the four (4) Divisional Companies. The Company also inaugurated regular Panasonic Divisional Companies Audit & Supervisory Officers' Meeting (comprising a total of eleven (11) members, of which two (2) are Senior A&SBMs of the Company and nine (9) are A&SOs of the Divisional Companies) chaired by the Senior A&SBM of the Company and the Panasonic Group Audit & Supervisory Board Members' Meeting (comprising a total of thirty-two (32) members, of which two (2) are Senior A&SBMs of the Company, nine (9) are A&SOs of each Divisional Company and twenty-one (21) are A&SBMs of the Group Companies) to enhance coordination among the Company's A&SBMs, A&SOs of the Divisional Companies and audit & supervisory board members of the Group companies, for effective functioning of the entire group corporate governance structure. In addition, in the course of the performance of their duties, A&SBMs maintain close contacts with the Internal Audit Department and other departments, which perform business audits and internal control audits, to ensure the efficiency of audits. A&SBMs regularly receive from the Internal Audit Department and other sections regular reports regarding the status involving the internal control system and results of audits. A&SBMs may request the Internal Audit Group or Accounting Auditors to conduct an investigation, if necessary. Also, in order to enhance the effectiveness of the audits conducted by A&SBMs and to ensure the smooth implementation of audits, the Company has established a A&SBM's Office with six (6) full-time staff under the direct control of the A&SB.

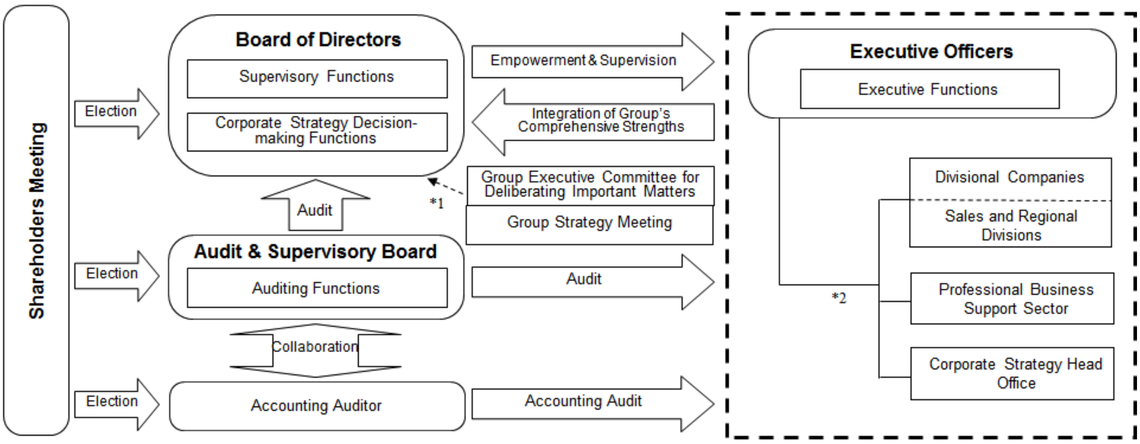
Mr. Yoshihiro Furuta, a Senior A&SBM of the Company, has substantial finance and accounting knowledge, having held the position of General Manager, Accounting, at Matsushita Electric Works, Ltd. Mr. Toshio Kinoshita, Outside A&SBM of the Company, has substantial finance and accounting knowledge, having held the career experiences with a corporate accounting in global companies in Japan and overseas for long periods as a certified public accountant.

All of the Outside Directors and Outside A&SBMs are notified to the Japanese stock exchanges as "independent directors/audit & supervisory board members" defined in article 436, paragraph 2 of Securities Listing Regulations of the Tokyo Stock Exchange and are unlikely to have any conflict of interests with Panasonic's shareholders.

<Group Executive Committee for Deliberating Important Matters>
In October 2012, the Company established and has operated the Group Executive Committee for Deliberating Important Matters, where discussions are conducted prior to the Board of Directors, with the aim of ensuring productive deliberations at the Board of Directors. At the Group Executive Committee for Deliberating Important Matters, matters deemed to be important, such as investments over a certain amount and Group-wide management systems and measures are deliberated. The members of the Committee are the President and Executive Officers whose job functions are related to the matters to be discussed. The officers responsible for businesses or job functions related to the matters also join the meeting, if necessary.

<Group Strategy Meeting>
In July 2012, the Company established the Group Strategy Meeting to discuss the Company's mid-term and long-term strategies and certain important issues. The meeting is generally held twice a month. The attendees consist of approximately ten (10) people in managerial positions called as the Group Management Team and include the President and the presidents of four (4) Divisional Companies. The officers of related businesses and functions also join the meeting, depending on the matter to be discussed. By integrating meetings for discussing and sharing information regarding group-wide issues into the Group Strategy Meeting, the Company is capable of prioritizing and promptly discussing important group-wide issues.

Corporate Governance Structure
(Functions of the Board of Directors, Executive Officers and Audit & Supervisory Board, etc.)



*1 Complementing a decision-making in the Board of Directors

*2 Including the affiliate business divisions and companies (Japan and overseas), etc.

3) Basic Policy on Internal Control Systems and Status of the Development of the System

The Board of Directors has determined the Company's basic policy regarding the development of internal control systems, as outlined below. It was decided at the Board of Directors held on July 31, 2013 that this basic policy should be retained. The details are as follows:

＜Basic Policy Regarding the Development of Internal Control Systems＞

(a) System for ensuring legitimacy of the execution of duties by Directors

The Company shall ensure legitimacy of the execution of duties by Directors by developing effective corporate governance and monitoring systems, as well as increasing awareness about compliance.

(b) System for retention and management of information on the execution of duties by Directors

The Company shall retain and manage information on the execution of duties by Directors in accordance with laws and ordinances and the internal regulations of the Company.

(c) Regulations and other systems for risk management

The Company shall establish regulations for risk management, collect and assess information on risks in an integrated and comprehensive fashion in order to identify material risks, take countermeasures that match the materiality of each risk and seek continuous improvements through monitoring the progress of such countermeasures.

(d) System for ensuring efficiency of the execution of duties by Directors

The Company shall ensure efficiency of the execution of duties by Directors by clarifying business goals through business plans and other measures, and examining the status of achievement of such goals, while seeking to expedite decision-making.

(e) System for ensuring legitimacy of the execution of duties by employees

The Company shall seek to increase awareness of compliance by employees by clarifying the Company's policy regarding compliance. The Company shall also ensure legitimacy of the execution of duties by employees by developing effective monitoring systems.

(f) Matters concerning employees who assist A&SBMs in auditing, and matters concerning the independence of such employees from Directors

The Company shall establish an organization independent from Directors and have employees to assist for A&SBMs in order to enhance the effectiveness of audits by A&SBMs and facilitate the effective performance of audits.

(g) System for reporting to A&SBMs

The Company shall ensure that there is a system by which Directors and employees, etc. can report to A&SBMs.

(h) System for ensuring effectiveness of audits by A&SBMs

The Company shall develop a system in which effective audits can be executed in accordance with the audit plan established by A&SBMs each year.

(i) System for ensuring the properness of operations of the Group

The Company shall ensure that the Group companies follow the management policy and management philosophy of the Company and the basic policy in (a) through (h) above, in order to ensure the proper execution of businesses for the Group as a whole, while at the same time respecting the Group companies' autonomous management.

＜Status of Development＞

(a) System for ensuring legitimacy of the execution of duties by Directors

The Company established internal regulations such as the Panasonic Code of Conduct, which provides specific guidelines for the implementation of management philosophy, the Code of Ethics for Directors and Executive Officers, and other internal rules. The Company also delegates responsibilities relating to execution of business to Executive Officers, with decisions subjected to resolutions of the Board of Directors. The Company also realigned the role and structure of the Board of Directors to concentrate on corporate strategies and the supervision of the Divisional Companies and under such system the responsibility of Directors are clarified. Moreover, audits are conducted by A&SBMs and the A&SB. Each of Divisional Companies also has a management committee and an A&SO, corresponding to the Board of Directors meeting and the A&SBMs at the Company, respectively.

(b) System for retention and management of information on the execution of duties by Directors

The minutes of meetings of the Board of Directors are recorded for each the Board of Directors and retained permanently by the Secretariat of the Board of Directors. The records of final decisions by the President are also retained permanently by the department in charge.

(c) Regulations and other systems for risk management

Based on Basic Risk Management Regulations, the Company identifies material risks by collecting and assessing information on risks in an integrated and comprehensive fashion through the Global and Group (G&G) Risk Management Committee and takes countermeasures that match the materiality of each risk.

(d) System for ensuring efficiency of the execution of duties by Directors

The Company expedites decision-making through the Group Executive Committee for Deliberating Important Matters, the internal rule of the approval procedures for material matters, clear separation of roles for Directors and Executive Officers, the bold transfer of authority to each of Divisional Companies and business division, the holding of Group Strategy Meetings, and the implementation of an IT system that ensures the rapid and accurate collection and transmission of vital management information. Also, the Company established the midterm management plan, the business plan and other measures, and planned and implemented the measures by confirming and examining the status at the time of financial settlement of monthly accounts.

(e) System for ensuring legitimacy of the execution of duties by employees

The Company makes efforts to detect fraudulent acts at an early stage through performing operational and internal control audits, operating the corporate whistleblower hotline and other measures, as well as establishing internal rules such as the Panasonic Code of Conduct and conducting various activities including the generating of the corporate compliance committee. Also, with regard to antisocial forces, the Company thoroughly prevents any relationships with antisocial forces by assigning persons-in-charge of preventing undue claims at the department which handle such claims.

(f) Matters concerning employees who assist A&SBMs in auditing and matters concerning independence of such employees from Directors

The Company established the Audit & Supervisory Board Members' Office to which the full-time employees assisting the A&SBMs is, under the direct control, which is separate from other executive departments.

(g) System for reporting to A&SBMs

Directors and employees, etc report on business operations and issues to A&SBMs at regular meetings held by A&SBMs or at other important meetings by requesting A&SBMs to attend, as necessary. The Company also established a system by which employees, etc. can report directly to the A&SB about concerns with regard to accounting or auditing irregularities.

(h) System for ensuring effectiveness of audits by A&SBMs

The Company has A&SOs at each of Divisional Companies. who assists A&SBMs in auditing compliance status. The Company also established and operates the Meeting of Panasonic Group Audit & Supervisory Board Members chaired by the Senior A&SBM in order to enhance collaboration among the Company's A&SBMs and the A&SOs of Divisional Companies. Moreover, each department has been cooperating to enhance the effectiveness of audits by A&SBMs through each department's collaboration during the visiting audits of business offices inside and outside Japan by A&SBMs and through the Internal Audit Department's reports to A&SBMs at appropriate times.

(i) System for ensuring properness of operations of the Group

The Company established the Panasonic Code of Conduct, and it also exercises its rights as the shareholder of the Group companies and dispatches Directors and A&SBMs to the Group companies. In addition, the Company established the approval procedures for final decisions on material matters, and established function-related regulations across the Group. Moreover, the Internal Audit Department conducts periodic audits on the Company's business and internal control audits. Steps are also taken to share business goals through the announcement of the business policies and the distribution of appropriate information by internal notices. In addition, the Company oversees the activities of publicly listed subsidiaries to ensure that they engage in the appropriate implementation and management of these systems.

Furthermore, the framework described above ensures that operations are proper, enabling the Group to establish the internal controls necessary for financial reporting based on Financial Instruments and Exchange Act.

Notes: 1. "Group companies" means subsidiaries as stipulated in the Company Law of Japan.

2. From April 2, 2014, the Meeting of Panasonic Group Audit & Supervisory Board Members was reorganized to Panasonic Divisional Companies Audit & Supervisory Officers' Meeting which comprises of Senior A&SBMs of the Company and A&SOs of each Divisional Company. To enhance its Group auditing systems, the Company established Panasonic Group Audit & Supervisory Board Members' Meeting which comprises of the members of Panasonic Divisional Companies Audit & Supervisory Officers' Meeting and A&SBMs of the Group Companies.

4) The status of the Company's internal system concerning timely disclosure of corporate information

Under its management philosophy, "A company is a public entity of society," the Company has been committed to highly transparent business activities and endeavored to be accountable its accountability to its stakeholders. The Company's basic policy concerning information disclosure is set forth in the "Panasonic Code of Conduct," which prescribes specific items to be complied with in order to put the Group's business policy into practice, and is published on the Company's website and elsewhere. The Company's basic policy concerning information disclosure is to provide the Company's fair and accurate financial information and corporate information, including management policies, business activities and corporate social responsibility (CSR) activities, in a timely, appropriate and easily understandable manner.

In accordance with this basic policy, important matters concerning the management of the Group are resolved or reported at the Board of Directors pursuant to the Regulations of the Board of Directors. These important matters and other matters, which are required to be disclosed under relevant laws and ordinances and the rules of financial instruments exchanges or any other regulations, are timely and accurately reported from each relevant department, that has the important internal information, to the department that handles relevant information under the monitoring of the Director in charge of Accounting and Finance, so that important information is gathered.

Also, if any of the matters which are required to be disclosed under relevant laws and ordinances and the rules of financial instruments exchanges or any other regulations occur with respect to the Company's business divisions including subsidiaries, such matter is required to be immediately reported to the "Corporate Accounting Group" or the "Corporate Finance & IR Group", depending upon the nature thereof; Thus, the Company has established a structure whereby these matters can be identified within the Company. With respect to the information gathered or identified, the Company determines the necessity of disclosure thereof in accordance with relevant laws and ordinances and the rules of financial instruments exchanges or any other regulations, and makes efforts to conduct the disclosure at the time that the organization, which substantially decides on executions of business of the Company, makes a resolution or determination, or becomes aware of the occurrence of the relevant matter.

In addition, the Company endeavors to confirm the details and expressions of the disclosure with the relevant departments within the Company and outside legal counsel to ensure the accuracy, fairness and adequacy of the disclosure.

Moreover, the Company has established disclosure control procedures in order to comply with relevant laws and ordinances, the rules of financial instruments exchanges and any other regulations, and to implement the fair, accurate and timely disclosure of information about the Company Group, etc. In the process of preparation and confirmation of annual securities reports, quarterly reports and annual reports, the Disclosure Committee, which is comprised of managers from principal departments that handle relevant information, confirms the validity of the content of the descriptions and the appropriateness of the procedures concerning the disclosure under the supervision of the President and the Director in charge of Accounting and Finance, who are responsible for establishing, maintaining and ensuring the effectiveness of the internal control and disclosure control of the Company. The chairman of the Disclosure Committee is appointed by the President and the Director in charge of Accounting and Finance, and the members of the Disclosure Committee are appointed by the chairman of the Disclosure Committee. The Disclosure Committee also develops, maintains, improves and evaluates the internal control procedures concerning disclosure.

5) Internal Control Over Financial Reporting

The Company has documented the actual status of its internal control system, with integrated control provided by the Internal Control Promotion Office, in order to ensure reliability in the financial reporting of the Panasonic Group including its subsidiaries, ranging from the control infrastructure to actual internal control activities. Specifically, the Company has reinforced its internal controls by implementing self-checks and self-assessment programs at each of the Divisional Companies and business divisions, etc. Then, Internal Auditing Managers of the Divisional Companies appointed by the Company at each of the Divisional Companies, etc. conduct audits. Basing on the audits, the Internal Control Promotion Office supervises the whole-group internal control audits in order to confirm the effectiveness of each company's financial reporting. With the aim of further enhancing the Group's internal control system, in fiscal 2014

Panasonic had approximately 400 personnel assigned to conduct internal audits in the Internal Auditing Group.

Note: As of October 1, 2014, the function of internal control over financial reporting was transferred from Internal Auditing Group to Internal Control Promotion Office which is under Accounting and Finance Director.

6) Amount of compensation for Directors and Audit & Supervisory Board Members (A&SBMs)

With respect to the remuneration for Directors and A&SBMs, the maximum total amounts of remuneration for all Directors and A&SBMs of the Company are respectively determined by a resolution at a general meeting of shareholders. The remuneration amount for each Director is determined by the Company's Representative Directors who have been delegated by the Board of Directors to make such determination based on a certain standard of the Company, and the remuneration amount for each A&SBM is determined upon discussions among the A&SBMs.

In order to align compensation for Directors according to their respective contribution to the management of the Company, the amounts of remuneration and bonuses for Directors are linked to individual performance and based on the management control indices such as free cash flow and CCM. By implementing this performance evaluation criteria based on shareholder interests, the Company intends to promote continuous growth and enhance profitability on a long-term basis for the Group as a whole.

(Note) CCM (Capital Cost Management) is a management control index developed by the Company to evaluate return on capital.

Classification	Number of persons	Amounts (million yen)	
			Basic salary
Directors (other than Outside Directors)	16	613	613
A&SBMs (other than Outside A&SBMs)	2	67	67
Outside Directors	3	30	30
Outside A&SBMs	3	34	34

The Company introduced a stock-type compensation stock option plan for Directors of the Company (excluding Outside Directors) by the resolution at the 107th Ordinary General Meeting of Shareholders of Panasonic which was held on June 26, 2014, for the purpose of providing an incentive for Directors to further contribute to the improvement of long-term operating results and higher corporate value through sharing the benefits and risks of share price fluctuations with Panasonic's shareholders.

7) Status of accounting audit

Panasonic Corporation has an auditing agreement with KPMG AZSA LLC for this company to conduct the accounting audit of Panasonic Corporation. The following is accountants who conducted the accounting audit Panasonic Corporation. The number of years each accountant had continued to audit the Company is seven years or less.

CPA having executed accounting audit works	Audit corporation to which CPA belongs
Tetsuzo Hamajima	KPMG AZSA LLC
Takashi Kondo	KPMG AZSA LLC
Sungjung Hong	KPMG AZSA LLC

Working with to assist the above accountants in conducting audit of Panasonic Corporation were 161 certified public accountants and 98 other people.

8) Outside Directors and Outside Audit & Supervisory Board Members (A&SBMs)

The Company elects three (3) Outside Directors and three (3) Outside A&SBMs.

Mr. Ikuo Uno, an Outside Director of the Company, is an executive advisor to the Board of Nippon Life Insurance Company. Although Nippon Life Insurance Company is one of the Major Shareholders of Panasonic, Mr. Uno does not have any other noteworthy relationships with the Company. Mr. Yoshio Sato, an Outside A&SBM of the Company, is Chairman and Representative Director of Sumitomo Life Insurance Company. Although Sumitomo Life Insurance Company is one of the Major Shareholders of Panasonic, Mr. Sato does not have any other noteworthy relationships with the Company.

For the three (3) Outside Directors, the Company makes its decisions concerning the independence of Outside Directors based on the policy to the effect that the Outside Directors do not have any conflict of interest in light of relationships between the Company and the Outside Directors or other entities or organizations to which the Outside Directors belong to so as to maintain independence that will enhance and strengthen the effectiveness of the monitoring performed by the Board of Directors regarding the execution of business by Directors from an objective and neutral standpoint. For the three (3) Outside A&SBMs, the Company makes its decisions concerning the independence of the Outside A&SBMs based on the policy to the effect that the Outside A&SBMs do not have any conflict of interest in light of relationships between the Company and the Outside A&SBMs or other entities or organizations to which the Outside A&SBMs belong to so as to maintain independence and enhance and strengthen the effectiveness of the audits performed by A&SBMs regarding the execution that will business by Directors, from an objective and neutral standpoint.

Outside Directors directly or indirectly cooperate with the internal audit, audit by A&SBMs and accounting audit, receive reports from the Internal Control Department and conduct an effective monitoring through reports on financial results at the Board of Directors and through reviews of the basic policy regarding the development of the internal control systems and other methods.

Outside A&SBMs directly or indirectly cooperate with the internal audit, audit by A&SBMs and accounting audit, receive reports from the Internal Control Department and conduct an effective monitoring through reports on financial results at the Board of Directors, through reviews of the basic policy regarding the development of internal control systems, exchanges of opinions and information at A&SB and other methods.

Note: Major Shareholders: Shareholders listed in (7) Major Shareholders of 1. Information on the Company's Stock, etc.

9) Contract between the Company and Outside Directors / Outside Audit & Supervisory Board Members (A&SBMs) under Paragraph 1 of Article 427 of the Company Law

The Company has entered into liability limitation agreements with all Outside Directors and Outside A&SBMs, respectively, which limit the amount of their liability under Article 423, Paragraph 1 of the Company Law to the aggregate of the amounts specified in Article 425, Paragraph 1 of the Company Law, if they perform their duties in good faith and without significant negligence.

10) Matters to be resolved at general meetings of shareholders that can also be resolved by the Board of Directors

The Company stipulates in its Articles of Incorporation that unless otherwise provided by law, the Company may determine, by a resolution of the Board of Directors, a distribution of surplus or any other matters set forth in each item of Article 459, Paragraph 1 of the Company Law. This is to enable the Company to more flexibly distribute profits to shareholders based on its consolidated business performance and to repurchase and cancel its own stock under its basic policy of providing returns to shareholders.

The Company, pursuant to Article 426, Paragraph 1 of the Company Law, stipulates in its Articles of Incorporation that it may, by a resolution of the Board of Directors, exempt a Director (including a former Director) and a A&SBM (including a former A&SBM) from being held liable for his/her actions as set forth in Article 423, Paragraph 1 of the Company Law to the extent permitted by applicable laws and ordinances, to enable the Directors and A&SBMs to perform their duties in a satisfactory manner.

11) Requirements for the adoption of resolutions for the election of Directors

The Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and a majority of the votes held by those shareholders are required for the adoption of resolutions necessary to approve the election of Directors.

12) Requirements for the adoption of special resolutions of general meetings of shareholders

The Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds of the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders which are stipulated in Article 309, Paragraph 2 of the Company Law. By relaxing the requirements for a quorum for special resolutions of general meetings of shareholders, deliberations for those resolutions can be made with certainty.

13) Information on shareholdings

(a) Investment securities held for purposes other than pure investment

Number of stock names: 163

Total amount recorded in the balance sheet of the Company: 66,618 million yen

(b) Stock name, number of shares, amount recorded in the balance sheet, and purpose of holding regarding investment securities held for purposes other than pure investment

(As of March 31, 2013)

Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Toyota Motor Corporation	9,000,000	43,740	Maintaining and enhancing of relationship with issuer and business transactions
Tesla Motors, Inc.	1,418,573	5,055	Maintaining and enhancing of relationship with issuer and business transactions
Tokyo Broadcasting System Holdings, Inc.	3,083,180	4,344	Maintaining and enhancing of relationship with issuer and business transactions
Honda Motor Co., Ltd.	1,000,000	3,555	Maintaining and enhancing of relationship with issuer and business transactions
Daiwa House Industry Co., Ltd.	1,530,000	2,785	Maintaining and enhancing of relationship with issuer and business transactions
WOWOW INC.	11,004	2,722	Maintaining and enhancing of relationship with issuer and business transactions
Toray Industries, Inc.	4,214,000	2,680	Maintaining and enhancing of relationship with issuer and business transactions
Sekisui House, Ltd.	1,112,071	1,422	Maintaining and enhancing of relationship with issuer and business transactions
Mazda Motor Corporation	3,495,030	982	Maintaining and enhancing of relationship with issuer and business transactions
Joshin Denki Co., Ltd.	1,085,004	974	Maintaining and enhancing of relationship with issuer and business transactions

(As of March 31, 2014)

Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Tesla Motors, Inc.	1,418,573	30,434	Maintaining and enhancing of relationship with issuer and business transactions
Tokyo Broadcasting System Holdings, Inc.	3,083,180	3,678	Maintaining and enhancing of relationship with issuer and business transactions
Renesas Electronics Corporation	4,166,600	3,279	Maintaining and enhancing of relationship with issuer and business transactions
Toray Industries, Inc.	4,214,000	2,874	Maintaining and enhancing of relationship with issuer and business transactions
Daiwa House Industry Co., Ltd.	1,530,000	2,679	Maintaining and enhancing of relationship with issuer and business transactions
Mazda Motor Corporation	3,495,030	1,601	Maintaining and enhancing of relationship with issuer and business transactions
Sekisui House, Ltd.	1,112,071	1,425	Maintaining and enhancing of relationship with issuer and business transactions
Gorenje gospodinjski aparati, d.d.	2,320,186	1,420	Maintaining and enhancing of relationship with issuer and business transactions
EPCO Co.,Ltd.	694,000	1,386	Maintaining and enhancing of relationship with issuer and business transactions
Joshin Denki Co., Ltd.	1,085,004	895	Maintaining and enhancing of relationship with issuer and business transactions

Regarded as holding securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Toyota Motor Corporation	3,000,000	17,478	Have a right to exercise of voting rights
Honda Motor Co., Ltd.	1,000,000	3,634	Have a right to exercise of voting rights

(c) Equity securities for pure investment

Not applicable.

(2) Audit Fees

1) Fees to Certified Public Accountants

Category	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
Panasonic Corporation	729	―	715	73
Consolidated subsidiaries	679	3	579	―
Total	1,408	3	1,294	73

2) Other fees

In addition to the above, audit fees paid by Panasonic Corporation and its consolidated subsidiaries to the Company's accounting auditor, KPMG AZSA LLC Group (including KPMG and its group firms which belong to the same network as KPMG AZSA LLC), were 2,101 million yen for the fiscal year ended March 31, 2013, and 2,510 million yen for the fiscal year ended March 31, 2014, respectively. These fees are mainly paid for audit services. Some consolidated subsidiaries paid audit fees to other accounting auditors which do not belong to the same network as KPMG AZSA LLC Group. These fees are mainly paid for audit services.

3) Descriptions of non-audit services to the Company

Non-audit services to the Company in the fiscal year ended March 31, 2013 and 2014 include agreed-upon procedures to which the fee is charged.

4) Policy on determination of audit fees

For determining the amount of audit fees, the Company considers matters that include the number of days of audit, taking into consideration of the size of the Company, the scope and characteristics of the audit, etc.

V Consolidated Financial Statements

[Consolidated Balance Sheets as of March 31, 2014 and 2013]

Assets	Yen (millions) 2014	2013
Current assets:		
Cash and cash equivalents (Note 8)	592,467	496,283
Time deposits (Note 8)	-	1,674
Trade receivables :		
Notes (Notes 3 and 16)	73,458	56,752
Accounts (Notes 3 and 16)	958,451	905,973
Allowance for doubtful receivables	(24,476)	(23,398)
Net trade receivables	1,007,433	939,327
Inventories (Note 2)	750,681	786,845
Other current assets (Notes 6, 10 and 17)	303,411	269,954
Total current assets	2,653,992	2,494,083
Investments and advances (Notes 3, 4 and 8)	271,804	276,978
Property, plant and equipment (Notes 5 and 6):		
Land	283,305	313,991
Buildings	1,453,550	1,638,974
Machinery and equipment	2,728,925	2,723,993
Construction in progress	44,220	60,173
	4,510,000	4,737,131
Less accumulated depreciation	3,084,551	3,061,703
Net property, plant and equipment	1,425,449	1,675,428
Other assets:		
Goodwill (Notes 7 and 21)	461,191	512,146
Intangible assets (Notes 5, 6, 7 and 21)	213,878	223,013
Other assets (Notes 9 and 10)	186,680	216,164
Total other assets	861,749	951,323
	5,212,994	5,397,812

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Equity	Yen (millions) 2014	2013
Current liabilities:		
Short-term debt, including current portion of long-term debt (Notes 5 and 8)	84,738	480,304
Trade payables:		
Notes (Note 3)	200,363	52,205
Accounts (Note 3)	736,652	739,581
Total trade payables	937,015	791,786
Accrued income taxes (Note 10)	40,454	32,162
Accrued payroll (Note 16)	217,246	201,460
Other accrued expenses (Notes 15 and 19)	799,959	713,314
Deposits and advances from customers	75,520	75,669
Employees' deposits	5,146	6,610
Other current liabilities (Notes 9, 10 and 17)	277,781	297,854
Total current liabilities	2,437,859	2,599,159
Noncurrent liabilities:		
Long-term debt (Notes 5 and 8)	557,374	663,091
Retirement and severance benefits (Note 9)	430,701	621,802
Other liabilities (Note 10)	200,622	209,487
Total noncurrent liabilities	1,188,697	1,494,380
Equity:		
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 (Notes 12 and 13)	1,109,501	1,110,686
Retained earnings (Notes 1 and 12)	878,742	769,863
Accumulated other comprehensive income (loss) (Note 14):		
Cumulative translation adjustments	(167,219)	(297,015)
Unrealized holding gains (losses) of available-for-sale securities (Note 4)	6,027	(218)
Unrealized gains (losses) of derivative instruments (Note 17)	(237)	(4,573)
Pension liability adjustments (Note 9)	(290,270)	(326,423)
Total accumulated other comprehensive income (loss)	(451,699)	(628,229)
Treasury stock, at cost (Note 12):		
141,496,296 shares (141,394,374 shares in 2013)	(247,132)	(247,028)
Total Panasonic Corporation shareholders' equity	1,548,152	1,264,032
Noncontrolling interests	38,286	40,241
Total equity	1,586,438	1,304,273
Commitments and contingent liabilities (Notes 5 and 19)		
	5,212,994	5,397,812

See accompanying Notes to Consolidated Financial Statements.

[Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Loss) for the years ended March 31, 2014 and 2013]

Consolidated Statements of Operations

	Yen (millions)	
	2014	2013
Revenues, costs and expenses:		
Net sales (Note 3)	7,736,541	7,303,045
Cost of sales (Notes 3, 14, 16, 17 and 19)	(5,638,869)	(5,419,888)
Selling, general and administrative expenses (Note 16)	(1,792,558)	(1,722,221)
Interest income	10,632	9,326
Dividends received	1,992	3,686
Other income (Notes 4, 9, 14, 16 and 17)	243,488	91,807
Interest expense (Notes 8 and 16)	(21,911)	(25,601)
Impairment losses of long-lived assets (Note 6)	(103,763)	(138,138)
Goodwill impairment (Note 7)	(8,069)	(250,583)
Other deductions (Notes 4, 6, 14, 15, 16 and 17)	(221,258)	(249,819)
Income (Loss) before income taxes	206,225	(398,386)
Provision for income taxes (Note 10):		
Current (Note 16)	92,817	66,532
Deferred	(3,152)	318,141
	89,665	384,673
Equity in earnings of associated companies (Note 3)	5,085	7,891
Net income (loss)	121,645	(775,168)
Less net income (loss) attributable to noncontrolling interests	1,203	(20,918)
Net income (loss) attributable to Panasonic Corporation	120,442	(754,250)

Consolidated Statements of Comprehensive Income (Loss)

	Yen (millions)	
	2014	2013
Net income (loss)	121,645	(775,168)
Other comprehensive income (loss), net of tax (Note 14):		
Translation adjustments	136,633	198,287
Unrealized holding gains (losses) of available-for-sale securities	6,201	(13,416)
Unrealized gains (losses) of derivative instruments	4,300	(845)
Pension liability adjustments	38,551	(62,481)
	185,685	121,545
Comprehensive income (loss)	307,330	(653,623)
Less comprehensive income (loss) attributable to noncontrolling interests	10,358	(6,299)
Comprehensive income (loss) attributable to Panasonic Corporation	296,972	(647,324)

See accompanying Notes to Consolidated Financial Statements.

[Consolidated Statements of Equity for the year ended March 31, 2014 and 2013]

(Year ended March 31, 2014)

Yen (millions)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Panasonic Corporation shareholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	258,740	1,110,686	769,863	(628,229)	(247,028)	1,264,032	40,241	1,304,273
Sale of treasury stock (Note 12)			(5)			(5)		(5)
Cash dividends to Panasonic Corporation shareholders			(11,558)			(11,558)	(13,628)	(25,186)
Equity transactions with noncontrolling interests and others (Notes 13 and 21)		(1,185)				(1,185)	1,315	130
Disclosure of comprehensive income:								
Net income attributable to Panasonic Corporation			120,442			120,442	1,203	121,645
Other comprehensive income , net of tax (Note 14)				176,530		176,530	9,155	185,685
Comprehensive income			120,442	176,530		296,972	10,358	307,330
Repurchase of common stock (Note 12)					(116)	(116)		(116)
Sale of treasury stock (Note 12)					12	12		12
Balance at end of period	258,740	1,109,501	878,742	(451,699)	(247,132)	1,548,152	38,286	1,586,438

(Continued)

(Year ended March 31, 2013)

Yen (millions)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Panasonic Corporation shareholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	258,740	1,117,530	1,535,689	(735,155)	(247,018)	1,929,786	47,780	1,977,566
Sale of treasury stock (Note 12)			(17)			(17)		(17)
Cash dividends to Panasonic Corporation shareholders			(11,559)			(11,559)	(10,549)	(22,108)
Equity transactions with noncontrolling interests and others (Note 13)		(6,844)				(6,844)	9,309	2,465
Disclosure of comprehensive income (loss)								
Net income (loss) attributable to Panasonic Corporation			(754,250)			(754,250)	(20,918)	(775,168)
Other comprehensive income, net of tax (Note 14)				106,926		106,926	14,619	121,545
Comprehensive income (loss)			(754,250)	106,926		(647,324)	(6,299)	(653,623)
Repurchase of common stock (Note 12)					(35)	(35)		(35)
Sale of treasury stock (Note 12)					25	25		25
Balance at end of period	258,740	1,110,686	769,863	(628,229)	(247,028)	1,264,032	40,241	1,304,273

[Consolidated Statements of Cash Flows for the year ended March 31, 2014 and 2013]

	Yen (millions)	
	2014	2013
Cash flows from operating activities (Note 16):		
Net income (loss)	121,645	(775,168)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	331,083	339,367
Net gain on sale of investments (Note 4)	(25,769)	(29,125)
Provision for doubtful receivables	8,218	6,641
Deferred income taxes (Note 10)	(3,152)	318,141
Write-down of investment securities (Note 4)	142	4,017
Impairment losses on long-lived assets and goodwill (Notes 6 and 7)	111,832	388,721
Cash effects of changes in, excluding acquisition:		
Trade receivables	(34,882)	128,088
Inventories	64,601	64,625
Other current assets	35,714	51,168
Trade payables	124,467	(68,282)
Accrued income taxes	11,572	4,817
Accrued expenses and other current liabilities	32,875	(117,098)
Retirement and severance benefits	(140,422)	(8,811)
Deposits and advances from customers	1,363	3,247
Other, net	(57,337)	28,402
Net cash provided by operating activities	581,950	338,750
Cash flows from investing activities (Note 16):		
Proceeds from disposition of investments and advances (Note 4)	63,185	195,401
Increase in investments and advances	(18,226)	(4,144)
Capital expenditures	(201,735)	(320,168)
Proceeds from disposals of property, plant and equipment	53,321	146,562
Decrease in time deposits, net	1,674	36,795
Proceeds from sales of consolidated subsidiaries	176,489	6,685
Purchase of shares of newly consolidated subsidiaries (Note 21)	(45,455)	(3,383)
Other, net	(17,125)	(41,342)
Net cash provided by investing activities	12,128	16,406

(Continued)

	Yen (millions)	
	2014	2013
Cash flows from financing activities (Note 16):		
Increase (decrease) in short-term debt with maturities of three months or less, net	(135,699)	(25,168)
Proceeds from short-term debt with maturities longer than three months	11,469	433,820
Repayments of short-term debt with maturities longer than three months	(35,163)	(650,938)
Proceeds from long-term debt	-	648
Repayments of long-term debt	(342,761)	(226,320)
Dividends paid to Panasonic Corporation shareholders (Note 12)	(11,558)	(11,559)
Dividends paid to noncontrolling interests	(13,628)	(10,549)
Repurchase of common stock (Note 12)	(116)	(35)
Sale of treasury stock (Note 12)	7	8
Purchase of noncontrolling interests	(4,025)	(940)
Other, net	(841)	(25)
Net cash used in financing activities	(532,315)	(491,058)
Effect of exchange rate changes on cash and cash equivalents	34,421	57,774
Net decrease in cash and cash equivalents	96,184	(78,128)
Cash and cash equivalents at beginning of year	496,283	574,411
Cash and cash equivalents at end of year	592,467	496,283

See accompanying Notes to Consolidated Financial Statements.

[Notes to Consolidated Financial Statements]

(1) Summary of Significant Accounting Policies

(a) **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.

(b) **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." All significant intercompany balances and transactions have been eliminated in 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" in the consolidated balance sheets.

The Company has 504 consolidated subsidiaries and 92 associated companies accounted under the equity method as of March 31, 2014.

From fiscal 2014, the Company changed its presentation of consolidated balance sheets to combine the amount of "Legal reserve" and "Retained earnings." Certain revision has been made to the prior period's presentation to conform with the current presentation. The revision does not have any impact on equity or Panasonic Corporation shareholders' equity of consolidated balance sheet.

The Company accounts for the benefit pension plans and the lump-sum payment plans in accordance with the provisions of ASC 715, "Compensation-Retirement Benefits." In accordance with the provisions, funded status of benefit pension plans (that is the balance of plan assets and benefit obligations) are recognized on the consolidated balance sheets and pension liability adjustments, net of tax, are recorded in the "Accumulated Other Comprehensive Income (Loss)." Actuarial net gains and losses in excess of the corridor (10% of benefit obligations or fair value of plan assets, whichever is greater) are amortized over the average remaining service period of employees, except the plan described as follows.

The Company and certain domestic subsidiaries made a transition from the defined benefit pension plan to the defined contribution pension plan, effective after July 1, 2013. Actuarial net gains and losses to the defined benefit pension plan in excess of the corridor are amortized over the average remaining life expectancy of plan participants. The effect of this decision in fiscal 2014 is described in Note 9.

(c) **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 2014 were as follows: Appliances—14%, Eco Solutions—22%, AVC Networks—19%, Automotive & Industrial Systems—33%, and Other—12%. A sales breakdown in fiscal 2014 by geographical market was as follows: Japan—50%, North and South America—14%, Europe—10%, and Asia and Others—26%.

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

(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.

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**

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**

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) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment. 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

(h) **Goodwill and Other Intangible Assets**

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 an 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 the 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 to be generated 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.

(i) **Investments and Advances**

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.

(j) **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.

(k) **Income Taxes**

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 be applied to taxable income in the years in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change in tax rate is enacted.

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.

(l) **Advertising**

Advertising costs are expensed as incurred.

(m) **Consumption Tax**

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales and expenses in the consolidated statements of operations.

(n) **Net Income (loss) per Share**

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**

Derivative financial instruments utilized by the Company are comprised principally of foreign exchange contracts, 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.

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**

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 the 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.

(r) **Restructuring Charges**

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) **Foreign Currency Translation**

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.

(t) **Segment Information**

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 April 1, 2013 resulting in the number of reportable segments from eight to five. Accordingly, segment information for fiscal 2013 has been reclassified to conform to the presentation for fiscal 2014.

(u) **Fair Value Measurements**

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.

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.

(v) **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 reused in the 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.

Management evaluated the subsequent events through June 27, 2014, the issue date of the Company's consolidated financial statements.

(w) **Adoption of New Accounting Standards**

On April 1, 2013, the Company adopted Accounting Standards Update (ASU) 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02, which amends ASC 220, "Comprehensive Income," which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component, and to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items on the consolidated statements of operations (See Note 14). This adoption did not have any effect on the Company's consolidated financial statements.

On April 1, 2013, the Company adopted ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities." and ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." , which amend ASC 210, "Balance Sheet," requiring an entity to provide information about the offsetting of derivatives, repurchase agreements and reverse agreements, and securities borrowing and securities lending transactions that are offset in accordance with either Section 210-20-45 or Section 815-10-45 or that are subject to an enforceable master netting arrangement or similar agreement (See Note 17). This adoption did not have any effect on the Company's consolidated financial statements.

(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, 2014.

(2) Inventories

Inventories as of March 31, 2014 and 2013 are summarized as follows:

	Yen (millions)	
	2014	2013
Finished goods	449,820	453,440
Work in process	128,323	135,308
Raw materials	172,538	198,097
	750,681	786,845

(3) Investments in and Advances to, and Transactions with Associated Companies

The most significant associated companies among Panasonic Group are Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. (SMTPFC) and Panasonic Healthcare Holdings Co., Ltd. (PHCHD). As of March 31, 2014, the Company has a 15.1% equity ownership in SMTPFC and a 20.0% equity ownership in PHCHD. The Company applies the equity method to account for its investments in SMTPFC as the Company holds significant influence over operating and financial policies of SMTPFC.

On March 31, 2014, Panasonic acquired 20.0% of the shares of PHCHD, a company affiliated with investment funds advised by Kohlberg Kravis Roberts & Co. L.P., making PHCHD an associated company accounted under the equity method. In addition, on the same date, Panasonic transferred all of the shares of Panasonic Healthcare Co., Ltd.(PHC), a consolidated subsidiary of Panasonic which manufactures and sales healthcare devices, to PHCHD. By owning 20.0% of the shares in PHCHD, Panasonic will fulfill its responsibilities to its customers to a certain extent in respect of a business which is conducted under the brand name of Panasonic and in addition, it will be able to maintain a cooperative relationship with PHC.

Certain financial information in respect of associated companies in aggregate as of March 31, 2014 and 2013, and for the years then ended is as follows:

	Yen (millions)	
	2014	2013
Current assets	1,291,814	1,220,563
Other assets	372,151	242,685
	1,663,965	1,463,248
Current liabilities	668,126	658,278
Other liabilities	494,400	392,150
Net assets	501,439	412,820
Company’s equity in net assets	145,115	123,337
Investment and advances to associated companies	156,506	138,652

	Yen (millions)	
	2014	2013
Net sales	828,452	856,307
Gross profit	186,299	172,443
Net income	26,031	25,521

Balances and transactions with associated companies as of March 31, 2014 and 2013, and for the years then ended are as follows:

	Yen (millions)	
	2014	2013
Trade receivables	18,672	14,768
Trade payables	43,525	38,752
Purchases from	124,581	105,923
Net sales	129,045	135,006
Dividends received	3,229	3,418

Retained earnings include undistributed earnings of associated companies in the amount of 49,166 million yen and 43,927 million yen, as of March 31, 2014 and 2013, respectively.

Investments in associated companies include marketable equity securities which have quoted market values as of March 31, 2014 and 2013 and its comparison with the related carrying amounts are as follows:

	Yen (millions)	
	2014	2013
Carrying amount	24,293	27,707
Market value	37,992	29,789

(4) <u>Investments in Securities</u>

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 other investments and advances as of March 31, 2014 and 2013 are as follows:

	Yen (millions)			
	2014			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Noncurrent:				
Equity securities	18,825	63,101	44,283	7
Corporate and government bonds	1,674	1,694	20	-
Other debt securities	16	16	-	-
	20,515	64,811	44,303	7

	Yen (millions)			
	2013			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Noncurrent:				
Equity securities	49,176	84,035	34,878	19
Corporate and government bonds	1,691	1,718	27	-
Other debt securities	12	12	-	-
	50,879	85,765	34,905	19

Maturities of investments in available-for-sale securities as of March 31, 2014 and 2013 are as follows:

	Yen (millions)			
	2014		2013	
	Cost	Fair value	Cost	Fair value
Due after one year through five years	1,377	1,381	1,403	1,412
Due after five years through ten years	313	329	300	318
Equity securities	18,825	63,101	49,176	84,035
	20,515	64,811	50,879	85,765

Proceeds from the sale of available-for-sale securities for the year ended March 31, 2014 was 45,376 million yen, and the related gross realized gain was 23,734 million yen. Related gross realized loss was not incurred. Proceeds from the sale of available-for-sale securities for the year ended March 31, 2013 was 144,139 million yen and the related gross realized gain and loss were 32,440 million yen and 2,734 million yen, respectively. The cost of securities sold in computing gross realized gains and losses is determined by the average cost method.

During the year ended March 31, 2014, the Company did not incur a write-down for other-than-temporary impairment of available-for-sale securities, but incurred a write-down of 4,000 million yen, mainly reflecting the aggravated market condition of certain industries in Japan, during the year ended March 31, 2013. 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, as of March 31, 2014 and 2013 are as follows:

	Yen (millions)					
	2014					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equity securities	89	7	-	-	89	7
	89	7	-	-	89	7

	Yen (millions)					
	2013					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equity securities	241	19	-	-	241	19
	24	19	-	-	241	19

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 as of March 31, 2014 and 2013.

The carrying amounts of the Company' s cost method investments totaled 20,677 million yen and 21,566 million yen as of March 31, 2014 and 2013, respectively. For substantially all such investments, the Company did not evaluate impairment losses, as it was not practicable to estimate the fair value of investments and no significant events or changes that might have affected the fair value of investments were observed. A part of such investments was considered other-than-temporarily impaired and the Company recorded a write-down of 142 million yen and 17 million yen during the years ended March 31, 2014 and 2013, respectively.

As of March 31, 2014 there were no equity securities which were pledged as collateral. As of March 31, 2013, equity securities with a book value of 43,740 million yen were pledged as collateral for the deferred payments of certain taxes based on the Japanese Custom Act and Consumption Tax Law.

(5) Leases

The Company has capital and operating leases for certain land, buildings, machinery and equipment, and finite-lived intangible assets with SMTPFC and other third parties.

During the year ended March 31, 2013, the Company sold and leased back some land, buildings, and machinery and equipment for 68,071 million yen. The base lease term ranges up to 10 years. During the years ended March 31, 2014, proceeds from sale of leased back assets was not material to the Company. The resulting leases are being accounted for as operating leases or capital leases. 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.

As of March 31, 2014 and 2013, 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 32,257 million yen and 63,799 million yen, and the related accumulated amortization recorded was 12,878 million yen and 28,403 million yen, respectively.

Rental expenses for operating leases, including the above-mentioned sale-leaseback transactions were 41,536 million yen and 41,297 million yen for the years ended March 31, 2014 and 2013, respectively.

Future minimum lease payments under non-cancelable capital leases and operating leases as of March 31, 2014 are as follows:

	Yen (millions)	
Year ending March 31	Capital leases	Operating leases
2015	10,103	31,631
2016	8,714	16,541
2017	7,788	6,618
2018	7,083	5,530
2019	6,627	4,600
Thereafter	7,437	16,250
Total minimum lease payments	47,752	81,170
Less amount representing interest	3,211	
Present value of net minimum lease payments	44,541	
Less current portion	9,201	
Long-term capital lease obligations	35,340	

(6) 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 not charged to segment profit. The disclosure below for fiscal 2013 has been modified to reflect the revised segments.

The Company recognized impairment losses in the aggregate of 103,763 million yen of long-lived assets during fiscal 2014.

The Company recorded impairment losses for certain machinery related to domestic flat TV manufacturing facilities in the “AVC Networks” segment. Based on of the Company’s mid-term forecast of the business, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value was mainly determined through an appraisal based on the repurchase cost.

The Company recorded impairment losses for certain machinery of domestic and foreign manufacturing facilities related to the resin-based multi-layer printed circuit board business, and thin and high density interposer business among the printed circuit board business in the “Automotive & Industrial Systems” segment. As a result of the decision to discontinue these businesses, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value of machinery was mainly determined through an appraisal based on the repurchase cost.

The Company recorded impairment losses for certain land, buildings, and machinery related to domestic and foreign semiconductor business in the “Automotive & Industrial Systems” segment. Through the business restructuring activities, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value was mainly determined through an appraisal based on the repurchase cost.

Impairment losses of 6,423 million yen, 7,117 million yen, 36,470 million yen, 45,748 million yen, 6,659 million yen and 1,346 million yen were related to “Appliances,” “Eco Solutions,” “AVC Networks,” “Automotive & Industrial Systems,” “Other” and assets which are not allocated to any operating segments, respectively.

The Company classified certain buildings and other assets related to a domestic flat TV manufacturing plant as assets held for sale in accordance with the provision of ASC 360. These assets are included in “Other current assets” in the consolidated balance sheet as of March 31, 2014. Furthermore, the Company recognized a loss of 31,412 million yen regarding these assets as the carrying amount was higher than fair value less cost to sell. This loss is included in “Other deductions” in the consolidated statement of operations for the year ended March 31, 2014.

The Company recognized impairment losses in the aggregate of 138,138 million yen of long-lived assets during fiscal 2013.

The Company recorded impairment losses for certain machinery and finite-lived intangible assets, such as patents and know-how and trademark, related to solar battery business in the "Eco Solutions" segment. 73,894 million yen of impairment losses were related to finite-lived intangible assets. As a result of the continuous substantial decline of product prices, the Company revised its strategies for sales and investment and estimated that the carrying amounts would not be recoverable through future cash flows. The fair value of finite-lived intangible assets was mainly determined based on the excess earnings method and the relief-from-royalty method. The fair value of machinery was determined through an appraisal based on the repurchase cost.

The Company recorded impairment losses for certain land, buildings, machinery and finite-lived intangible assets, such as patents and know-how, related to consumer lithium-ion battery business in the "Automotive & Industrial Systems" segment. 13,658 million yen of impairment losses were related to finite-lived intangible assets. As a result of the continuous substantial decline of product prices, the Company revised its strategies for sales and investment and estimated that the carrying amounts would not be recoverable through future cash flows. The fair value of finite-lived intangible assets was mainly determined based on the excess earnings method and the relief-from-royalty method. The fair value of land, buildings and machinery was determined through an appraisal based on the repurchase cost.

Impairment losses of 76,995 million yen, 8,500 million yen, 48,206 million yen and 4,437 million yen were related to "Eco Solutions," "AVC Networks," "Automotive & Industrial Systems," and the remaining segments, respectively.

The Company classified certain buildings related to a domestic flat TV manufacturing plant as assets held for sale in accordance with the provision of ASC 360. These assets are included in "Other current assets" in the consolidated balance sheet as of March 31, 2014. Furthermore, the Company recognized a loss of 39,874 million yen regarding these assets as the carrying amount was higher than fair value less cost to sell. This loss is included in "Other deductions" in the consolidated statement of operations for the year ended March 31, 2013.

(7) Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2014 and 2013, which have been modified to reflect the revised segments, are as follows:

	Yen (millions)					
	Appliances	Eco Solutions	AVC Networks	Automotive & Industrial Systems	Other	Total
Balance as of March 31, 2012:						
Goodwill	32,287	179,431	270,434	451,275	68,986	1,002,413
Accumulated impairment losses	(3,745)	-	(85,743)	(145,004)	(10,504)	(244,996)
	28,542	179,431	184,691	306,271	58,482	757,417
Goodwill acquired during the year	-	3,518	-	-	-	3,518
Goodwill impaired during the year	-	(72,197)	(91,007)	(87,379)	-	(250,583)
Translation adjustments	-	1,794	-	-	-	1,794
Balance as of March 31, 2013:						
Goodwill	32,287	184,743	270,434	451,275	58,482	997,221
Accumulated impairment losses	(3,745)	(72,197)	(176,750)	(232,383)	-	(485,075)
	28,542	112,546	93,684	218,892	58,482	512,146
Goodwill acquired during the year	-	11,282	-	-	-	11,282
Goodwill impaired during the year	-	-	-	(8,069)	-	(8,069)
Goodwill transferred during the year	-	-	-	-	(54,200)	(54,200)
Translation adjustments	-	32	-	-	-	32
Balance as of March 31, 2014:						
Goodwill	32,287	196,057	270,434	451,275	4,282	954,335
Accumulated impairment losses	(3,745)	(72,197)	(176,750)	(240,452)	-	(493,144)
	28,542	123,860	93,684	210,823	4,282	461,191

The carrying amount of goodwill by segment shown above is the total amount of goodwill allocated to reporting unit for impairment test by segment and the allocation does not agree with that used for internal management purposes.

The Company recorded an impairment loss of 72,197 million yen for the year ended March 31, 2013 related to goodwill of solar battery business in the "Eco Solutions" segment. This impairment was due to the continuous substantial decline of product prices and reversal of strategies for sales and investments which resulted in a decrease in the estimated fair value of the reporting unit. 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 91,007 million yen for the year ended March 31, 2013 related to goodwill of mobile phone business in the "AVC Networks" segment. This impairment was due to the decline in market share in Japan and the revision of the overseas development strategy which resulted in a decrease in the estimated fair value of the reporting unit. 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 74,574 million yen for the year ended March 31, 2013 related to goodwill of consumer lithium-ion battery business in the "Automotive & Industrial Systems" segment. This impairment was due to the continuous substantial decline of product prices and reversal of strategies for sales and investment which resulted in a decrease in the estimated fair value of the reporting unit. 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 impairment losses of 12,805 million yen for the year ended March 31, 2013 related to certain businesses in the "Automotive & Industrial Systems" segment. These impairments were due to a downturn in profitability and the fair values were mainly determined based on the combination of discounted cash flow method and guideline public company method.

Goodwill related to "Other" segment decreased mainly as a result of transfer of the healthcare business in the year ended March 31, 2014.

Intangible assets, excluding goodwill, as of March 31, 2014 and 2013 are as follows:

	Yen (millions)			
	2014		2013	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Finite-lived intangible assets:				
Patents and know-how	171,320	99,091	205,576	105,964
Software	320,435	266,967	338,778	276,146
Other	103,747	37,021	92,035	36,480
	595,502	403,079	636,389	418,590

	Yen (millions)	
	2014	2013
Indefinite-lived intangible assets	21,455	5,214

Aggregate amortization expense for finite-lived intangible assets for each of the years ended March 31, 2014 and 2013 was 51,994 million yen and 61,373 million yen, respectively.

Estimated amortization expenses for the next five years are as follows:

Year ending March 31	Yen (millions)
2015	41,026
2016	32,690
2017	25,479
2018	19,278
2019	12,507

There were no impairment losses of indefinite-lived intangible assets for each of the years ended March 31, 2014 and 2013. Impairment losses of finite-lived intangible assets are included in impairment losses of long-lived assets discussed in Note 6.

(8) Long-term Debt and Short-term Debt

Long-term debt as of March 31, 2014 and 2013 is set forth below:

	Yen (millions)	
	2014	2013
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
Unsecured Straight bond, due 2014, interest 2.02% *1	31,769	31,769
Unsecured Straight bond, due 2015, interest 1.66% *2	39,999	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	30,000
Unsecured bank loans, due 2013 - 2015, effective interest 1.1% in fiscal 2014 and 1.0% in fiscal 2013	1,821	100,294
Secured bank loans by subsidiaries, due 2014 - 2021, effective interest 1.76% in fiscal 2014 and 1.84% in fiscal 2013	825	1,074
Capital lease obligations	44,541	64,653
	598,955	947,786
Less current portion	41,581	284,695
	557,374	663,091

*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.

The aggregate annual maturities of long-term debt after March 31, 2014 are as follows:

Year ending March 31	Yen (millions)
2015	41,581
2016	249,601
2017	7,438
2018	156,770
2019	106,346
2020 and thereafter	37,219

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, when the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank. As of March 31, 2014 and 2013, loans subject to such general agreements amounted to 825 million yen and 1,074 million yen, respectively.

Each of the loan agreements grants the lender the right to request additional security or mortgages on certain assets. As of March 31, 2014 and 2013, investments and advances with a book value of 1,754 million yen and 2,008 million yen respectively, were pledged as collateral by subsidiaries for secured loans from banks.

The balances of short-term debt as of March 31, 2013 include 140,573 million yen of short-term bonds. The weighted-average interest rate on short-term debt outstanding as of March 31, 2014 and 2013 was 7.6% and 2.4%, respectively.

The commitment line agreements into which the company entered with several banks in October 2012 ended in August 2013. The upper limit for unsecured borrowing based on the agreements was a total of 600,000 million yen, but there was no borrowing under this agreement.

(9) 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.

In fiscal 2014, the Company and certain domestic subsidiaries decided to make a transition from the defined benefit pension plan to the defined contribution pension plan, effective after July 1, 2013. Under the U.S. GAAP, upon this decision, any decrease in projected benefit obligations (PBO) due to a plan amendment in the past is required to be immediately recognized in the profit and loss. Accordingly, the Company recognized a gain of 79,762 million yen in "Other income" in the consolidated statement of operations for the fiscal year ended March 31, 2014.

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 as of March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Change in benefit obligations:		
Benefit obligations at beginning of year	2,461,033	2,293,644
Service cost	26,570	55,123
Interest cost	40,103	51,621
Prior service benefit	644	860
Actuarial loss(gain)	(32,151)	183,924
Benefits paid	(120,589)	(120,117)
Effect of changes in consolidated subsidiaries	(41,389)	(6,229)
Foreign currency exchange impact	16,859	9,295
Curtailments, settlements and other	(20,573)	(7,088)
Benefit obligations at end of year	2,330,507	2,461,033
Change in plan assets:		
Fair value of plan assets at beginning of year	1,842,631	1,721,398
Actual return on plan assets	107,350	170,410
Employer contributions	97,170	67,914
Benefits paid	(112,922)	(113,495)
Effect of changes in consolidated subsidiaries	(35,198)	(5,475)
Foreign currency exchange impact	13,356	8,448
Curtailments, settlements and other	(4,661)	(6,569)
Fair value of plan assets at end of year	1,907,726	1,842,631
Funded status	(422,781)	(618,402)

The accumulated benefit obligation for the pension plans was 2,267,561 million yen and 2,416,117 million yen as of March 31, 2014 and 2013, respectively.

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 as of March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	2,173,332	2,262,043
Fair value of plan assets	1,739,314	1,637,551
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,125,670	2,217,724
Fair value of plan assets	1,739,314	1,637,551

Accounts recognized in the consolidated balance sheet as of March 31, 2014 and 2013 consist of:

	Yen (millions)	
	2014	2013
Other assets	11,237	6,090
Other current liabilities	(3,317)	(2,690)
Retirement and severance benefits	(430,701)	(621,802)
	(422,781)	(618,402)

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2014 and 2013 consist of:

	Yen (millions)	
	2014	2013
Prior service benefit	(14,551)	(99,477)
Actuarial loss	489,951	627,139
	475,400	527,662

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 two years ended March 31, 2014 and 2013 consist of the following components:

	Yen (millions)	
	2014	2013
Service cost – benefits earned during the year	26,570	55,123
Interest cost on projected benefit obligation	40,103	51,621
Expected return on plan assets	(50,593)	(53,764)
Amortization of prior service benefit	(4,520)	(22,458)
Recognized actuarial loss	21,341	30,335
Losses (gains) on curtailments and settlements	(77,938)	2,209
Net periodic benefit cost	(45,037)	63,066

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 2015 are gains of 4,316 million yen and losses of 25,430 million yen, respectively.

Weighted-average assumptions used to determine benefit obligations as of March 31, 2014 and 2013 are as follows:

	2014	2013
Discount rate	1.6%	1.6%
Rate of compensation increase	1.7%	1.7%

Weighted-average assumptions used to determine net periodic benefit cost for each of the two years ended March 31, 2014 are as follows:

	2014	2013
Discount rate	1.6%	2.2%
Expected return on plan assets	2.7%	3.1%
Rate of compensation increase	1.7%	1.8%

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 25% for equity securities, approximately 50% for debt securities, and approximately 25% for other investments, primarily in life insurance company general accounts.

For the Company's major defined benefit pension plans, equity investments are mainly investments in listed equity securities, broadly in Japanese equity, developed international equity and emerging markets. The investments in debt securities 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 trading frequency and a stable return, while private equity investment are diversified products with low correlation.

The fair values of the Company's pension plan assets as of March 31, 2014 and 2013, by asset category are as follows:

	Yen (millions)			
	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	92,408	-	-	92,408
Equity securities:				
Japanese companies	40,800	-	-	40,800
Foreign companies	56,650	-	-	56,650
Commingled funds (a)	-	360,772	-	360,772
Debt securities:				
Government and Municipal bonds	67,857	-	-	67,857
Corporate bonds	-	10,611	-	10,611
Commingled funds (b)	-	866,270	-	866,270
Life insurance company general accounts	-	274,639	-	274,639
Other (c)	-	121,521	16,198	137,719
Total	257,715	1,633,813	16,198	1,907,726

	Yen (millions)			
	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	129,274	−	−	129,274
Equity securities:				
Japanese companies	46,055	−	−	46,055
Foreign companies	58,007	−	−	58,007
Commingled funds (a)	−	376,142	−	376,142
Debt securities:				
Government and Municipal bonds	82,353	−	−	82,353
Corporate bonds	−	17,735	−	17,735
Commingled funds (b)	−	774,995	−	774,995
Life insurance company general accounts	−	244,004	−	244,004
Other (c)	−	95,300	18,766	114,066
Total	315,689	1,508,176	18,766	1,842,631

(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.

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 financial information available.

The reconciliation of the beginning and ending balances of level 3 assets as of March 31, 2014 and 2013, are as follows:

	Yen (millions)		
	Collateralized loan obligation	Private equity	Total
Balance as of April 1, 2012	10,350	10,222	20,572
Realized gains (losses)	1,007	766	1,773
Unrealized gains (losses) relating to assets held	2,501	332	2,833
Purchases, sales, issuances and settlements, net	(5,558)	95	(5,463)
Transfers out of Level 3	(926)	(23)	(949)
Balance at March 31, 2013	7,374	11,392	18,766
Realized gains (losses)	2,350	111	2,461
Unrealized gains (losses) relating to assets held	(491)	(96)	(587)
Purchases, sales, issuances and settlements, net	(1,438)	(2,033)	(3,471)
Transfers out of Level 3	(863)	(108)	(971)
Balance as of March 31, 2014	6,932	9,266	16,198

The Company expects to contribute 56,930 million yen to its defined benefit plans in fiscal 2015.

The benefits expected to be paid from the defined pension plans in each fiscal year 2015-2019 are 112,828 million yen, 113,707 million yen, 111,267 million yen, 114,104 million yen and 116,159 million yen, respectively. The aggregate benefits expected to be paid in the five years from fiscal 2020-2024 are 595,166 million yen. The expected benefits to be paid are based on the same assumptions used to measure the Company's benefit obligation as of March 31 and include estimated future employee service.

The amount of cost recognized for the Company's and certain subsidiaries' contributions to the defined contribution plans in fiscal 2014 was 23,450 million yen.

(10) Income Taxes

Income (loss) before income taxes and income taxes for each of the two years ended March 31, 2014 and 2013 are summarized as follows:

	Yen (millions)		
	Domestic	Foreign	Total
For the year ended March 31, 2014			
Income before income taxes	56,792	149,433	206,225
Income taxes:			
Current	35,305	57,512	92,817
Deferred	2,998	(6,150)	(3,152)
Total income taxes	38,303	51,362	89,665
For the year ended March 31, 2013			
Income (loss) before income taxes	(450,544)	52,158	(398,386)
Income taxes:			
Current	29,970	36,562	66,532
Deferred	311,882	6,259	318,141
Total income taxes	341,852	42,821	384,673

The Company and its subsidiaries in Japan are subject to a National tax of 28.05%, an Inhabitant tax of approximately 20.2% (applied to a Corporate income tax) varying by local jurisdiction, 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 37.8% for each of the two years ended March 31, 2014 and 2013.
The effective tax rates for each of the years differ from the combined statutory tax rates for the following reasons:

	2014	2013
Combined statutory tax rate	37.8%	(37.8)%
Lower tax rates of overseas subsidiaries	(9.1)	(0.8)
Expenses not deductible for tax purposes	1.3	0.6
Change in valuation allowance allocated to income tax expenses	7.1	106.3
Tax effects attributable to investments in subsidiaries	3.9	2.9
Goodwill impairment	1.5	23.8
Other	1.0	1.6
Effective tax rate	43.5%	96.6%

During the year ended March 31, 2012, changes in Japanese corporate tax law and statutory tax rates to to be applied to taxable income from the following year were enacted in Japan. These resulted in reductions in rates in two steps in future years. During the year ended March 31, 2014, Japanese corporate tax law which changed the applicable fiscal year of the reductions in rates was enacted. Income taxes for the year ended March 31,2014 included the effect to deferred tax assets and liabilities which resulted from the change of the aforementioned tax rates. This effect resulted in a loss which was not material to the Company.

Included in provision for income taxes for the year ended March 31, 2013 were increases in valuation allowances for deferred tax assets of 371,557 million yen in Panasonic Corporation and 40,968 million yen in Panasonic Mobile Communications Co., Ltd., recorded during the second quarter of 2013. For these entities, the adjustment to the beginning-of-the-year balance of valuation allowances as a result of a change in judgement was 420,947 million yen. Based on a decline in profitability due mainly to significant sales decreases in digital consumer products including flat-panel TVs in Japan, the Company increased valuation allowances for deferred tax assets of the aforementioned two companies, since, based on its considerations of the realizability of the deferred tax assets in accordance with the provision of ASC740, "Income Taxes," it was determined that it is more likely than not that the deferred tax assets would not be realized.

The tax benefit of net operating loss carryforwards recognized for the years ended March 31, 2014 and 2013 were 69,937 million yen and 29,779 million yen, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 31, 2014 and 2013 are presented below:

	Yen (millions)	
	2014	2013
Deferred tax assets:		
Inventory valuation	84,452	83,006
Expenses accrued for financial statement purposes but not currently included in taxable income	216,429	173,823
Property, plant and equipment	201,226	219,413
Retirement and severance benefits	156,401	226,957
Tax loss carryforwards	778,933	807,823
Other	143,947	142,651
Total gross deferred tax assets	1,581,388	1,653,673
Less valuation allowance	1,367,498	1,433,080
Net deferred tax assets	213,890	220,593
Deferred tax liabilities:		
Net unrealized holding gains of available-for-sale securities	(14,385)	(11,921)
Intangible assets	(40,817)	(46,542)
Other	(44,010)	(39,887)
Total gross deferred tax liabilities	(99,212)	(98,350)
Net deferred tax assets	114,678	122,243

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 as of March 31, 2014 and 2013.

The net change in total valuation allowance for the years ended March 31, 2014 and 2013 was an increase of 65,582 million yen and an increase of 403,255 million yen, respectively.

As of March 31, 2014, the Company had, for income tax purposes, net operating loss carryforwards of approximately 2,267,508 million yen, of which 2,109,053 million yen expire from fiscal 2015 through 2023 and the remaining balance will expire thereafter or do not expire. As of March 31, 2014, the Company had, for income tax purposes, tax credit carryforwards of approximately 38,827 million yen, which expire from fiscal 2015 through 2017.

Net deferred tax assets and liabilities as of March 31, 2014 and 2013 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (millions)	
	2014	2013
Other current assets	88,052	77,727
Other assets	125,086	139,306
Other current liabilities	(9,067)	(4,607)
Other liabilities	(89,393)	(90,183)
Net deferred tax assets	114,678	122,243

The Company has not recognized a deferred tax liability for the undistributed earnings of its foreign subsidiaries and foreign corporate joint ventures of 886,525 million yen as of March 31, 2014, because the Company currently does not expect temporary differences arising from these 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.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for each of the two years ended March 31, 2014 and 2013 is as follows:

	Yen (millions)	
	2014	2013
Balance at beginning of year	(15,126)	(15,311)
Increase related to prior year tax positions	(3,036)	(678)
Decrease related to prior year tax positions	2,081	3,529
Increase related to current year tax positions	(2,720)	(2,138)
Change in consolidated subsidiaries	3,390	-
Settlements	1,599	50
Translation adjustments	(806)	(578)
Balance at end of year	(14,618)	(15,126)

As of March 31, 2014 and 2013, the total amount of unrecognized tax benefits are 13,527 million yen, 14,675 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 thirty-five percent reduction 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, 2014 and 2013.

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 Panasonic Corporation is fiscal 2014. The open tax years of the United States of America, which is the other major tax jurisdiction besides Japan, are fiscal 2010 and thereafter.

(11) Per Share Information

Panasonic Corporation Shareholders' Equity per Share

Panasonic Corporation shareholder's equity per share as of March 31, 2014 and 2013 are as follows:

	Yen	
	2014	2013
Panasonic Corporation shareholders' equity per share:	669.74	546.81

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

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) attributable to Panasonic Corporation common shareholders per share computation for the years ended March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Net income (loss) attributable to Panasonic Corporation common shareholders:	120,442	(754,250)

	Number of shares	
	2014	2013
Average common shares outstanding:	2,311,618,296	2,311,683,353

	Yen	
	2014	2013
Net income (loss) attributable to Panasonic Corporation common shareholders per share:		
Basic	52.10	(326.28)
Diluted	-	-

Diluted net income (loss) attributable to Panasonic Corporation common shareholders per share for the years ended March 31, 2014 and 2013 has been omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

(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, 2014 and 2013, respectively, 108,780 shares and 57,369 shares were repurchased.

The Company sold 6,858 shares and 14,291 shares of its treasury stock for the years ended March 31, 2014 and 2013, respectively.

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 at the shareholders’ meeting.

Cash dividends charged to retained earnings during each of the two years ended March 31, 2014 and 2013 represent dividends paid out during the periods. Cash dividends per share paid during each of the two years ended March 31, 2014 and 2013 amounted to 5.00 yen and 5.00 yen, respectively. The accompanying consolidated financial statements do not include any provisions for the year-end dividend of 8.00 yen per share, totaling approximately 18,492 million yen in respect of the year ended March 31, 2014 approved by the board of directors in April 2014.

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, payment of cash dividends from retained earnings of 247,391 million yen as of March 31, 2014 were restricted.

(13) Equity Transactions with Noncontrolling Interests

Net income (loss) attributable to Panasonic Corporation and transfers (to) from noncontrolling interests for each of the two years ended March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Net income (loss) attributable to Panasonic Corporation	120,442	(754,250)
Transfers (to) from noncontrolling interests:		
Increase (decrease) in capital surplus for purchase of additional shares in consolidated subsidiaries	(1,185)	(6,844)
Total	(1,185)	(6,844)
Net income (loss) attributable to Panasonic Corporation and transfers (to) from noncontrolling interests	119,257	(761,094)

(14) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the year ended March 31, 2014 are as follows:

	Yen (millions)				
	Translation adjustments	Unrealized holding gains (losses) of available-for-sale securities	Unrealized holding gains (losses) of derivative instruments	Pension liability adjustments	Total
Accumulated other comprehensive income (loss) ― Balance as of April 1, 2013	(297,015)	(218)	(4,573)	(326,423)	(628,229)
Arising during the period:					
Pre-tax amount	139,689	45,347	(7,781)	113,379	290,634
Tax expense	-	(16,793)	501	(16,758)	(33,050)
Net-of-tax amount	139,689	28,554	(7,280)	96,621	257,584
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	(3,056)	(35,937)	12,120	(61,117)	(87,990)
Tax expense	-	13,584	(540)	3,047	16,091
Net-of-tax amount	(3,056)	(22,353)	11,580	(58,070)	(71,899)
Other comprehensive income (loss), net of tax:	136,633	6,201	4,300	38,551	185,685
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	6,837	(44)	(36)	2,398	9,155
Accumulated other comprehensive income (loss) ― Balance as of March 31, 2014	(167,219)	6,027	(237)	(290,270)	(451,699)

Pre-tax amount of reclassification adjustment for (gains) losses included in net income (loss) in the table above is included in the following in the consolidated statement of operations.

Translation adjustments ― Other income (deductions)
Unrealized holding gains (losses) of available-for-sale securities ― Other income (deductions)
Unrealized holding gains (losses) of derivative instruments
Foreign exchange contract (9,732)million yen ― Other income (deductions)
Commodity derivatives (2,388)million yen ― Cost of sales
Pension liability adjustments ― Net periodic pension cost (See Note 9)

Arising during the period and reclassification adjustment for (gains) losses included in net income of pension liability adjustments are as follows:

	Yen (millions)		
	Prior service benefit	Actuarial gain (loss)	Total
Arising during the period:			
Pre-tax amount	(644)	114,023	113,379
Tax expense	228	(16,986)	(16,758)
Net-of-tax amount	(416)	97,037	96,621
Reclassification adjustment for (gains) losses included in net income:			
Pre-tax amount	(84,282)	23,165	(61,117)
Tax expense	4,842	(1,795)	3,047
Net-of-tax amount	(79,440)	21,370	(58,070)

Components of other comprehensive income (loss) for the year ended March 31, 2013 are as follows:

	Yen (millions)				
	Translation adjustments	Unrealized holding gains (losses) of available-for-sale securities	Unrealized holding gains (losses) of derivative instruments	Pension liability adjustments	Total
Accumulated other comprehensive income (loss) — Balance as of April 1, 2012	(482,168)	13,283	(3,728)	(262,542)	(735,155)
Arising during the period:					
Pre-tax amount	195,825	4,131	13,922	(72,417)	141,461
Tax expense	-	(1,508)	(2,900)	909	(3,499)
Net-of-tax amount	195,825	2,623	11,022	(71,508)	137,962
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	2,462	(25,706)	(12,953)	10,605	(25,592)
Tax expense	-	9,667	1,086	(1,578)	9,175
Net-of-tax amount	2,462	(16,039)	(11,867)	9,027	(16,417)
Other comprehensive income (loss), net of tax:	198,287	(13,416)	(845)	(62,481)	121,545
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	13,134	85	-	1,400	14,619
Accumulated other comprehensive income (loss) — Balance as of March 31, 2013	(297,015)	(218)	(4,573)	(326,423)	(628,229)

Pre-tax amount of reclassification adjustment for (gains) losses included in net income (loss) on the table above is included in the following in the consolidated statement of operations.

Translation adjustments ー Other income (deductions)
Unrealized holding gains (losses) of available-for-sale securities ー Other income (deductions)
Unrealized holding gains (losses) of derivative instruments
Foreign exchange contract 10,765million yen ー Other income (deductions)
Commodity derivatives 2,188million yen ー Cost of sales
Pension liability adjustments ー Net periodic pension cost (See Note 9)

Arising during the period and reclassification adjustment for (gains) losses included in net income of pension liability adjustments are as follows:

	Yen (millions)		
	Prior service benefit	Actuarial gain (loss)	Total
Arising during the period:			
Pre-tax amount	(860)	(71,557)	(72,417)
Tax expense	304	605	909
Net-of-tax amount	(556)	(70,952)	(71,508)
Reclassification adjustment for (gains) losses included in net income:			
Pre-tax amount	(22,458)	33,063	10,605
Tax expense	5,359	(6,937)	(1,578)
Net-of-tax amount	(17,099)	26,126	9,027

(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, for the years ended March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Expenses associated with the implementation of early retirement programs:		
Domestic	25,451	32,441
Overseas	6,583	5,996
Total	32,034	38,437
Expenses associated with the closure and integration of locations	32,100	40,788
Total restructuring charges	64,134	79,225

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 the years ended March 31, 2014 and 2013 is as follows:

	Yen (millions)	
	2014	2013
Balance at the beginning of the year	45,889	70,942
New charges	64,134	79,225
Cash payments or otherwise settled	(81,163)	(104,278)
Balance at the end of the year	28,860	45,889

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, for 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.

The following description represents restructuring activities for the year ended March 31, 2014 by segment:

Appliances
Appliances segment restructured its operations to improve efficiency in Japan and overseas. Total restructuring charges amounting to 755 million yen which included charges from the implementation of early retirement programs of 72 million yen and charges from the closure and integration of locations in

the amount of 683 million yen. There was no ending liability balance for the year ended March 31, 2014 and 2013.

Eco Solutions

Eco Solutions segment restructured its operations to improve efficiency in Japan and overseas. Total restructuring charges amounting to 3,553 million yen which included charges from the implementation of early retirement programs of 1,918 million yen and charges from the closure and integration of locations in the amount of 1,635 million yen. The ending liability balance amounted to 987 million yen and 700 million yen for the years ended March 31, 2014 and 2013, respectively.

AVC Networks

AVC Networks segment restructured its operations for selection and concentration of its businesses mainly in Japan. Total restructuring charges amounting to 9,762 million yen which included charges from the implementation of early retirement programs of 1,202 million yen and charges from the closure and integration of manufacturing locations in the amount of 8,560 million yen. The ending liability balance amounted to 1,067 million yen and 38,112 million yen for the years ended March 31, 2014 and 2013, respectively.

The beginning liability balance amounted to 36,165 million yen which was in connection with the restructuring activity of domestic plasma display panel fifth factory of Panasonic Plasma Display Co., Ltd., a subsidiary of the Company. This was all paid or otherwise settled during the fiscal year. There was no additional restructuring charge incurred for the year ended March 31, 2014.

Automotive & Industrial Systems

Automotive & Industrial Systems segment restructured its operations to improve cost competitiveness through selection and concentration of business mainly in Japan. Total restructuring charges amounting to 29,343 million yen which included charges from the implementation of early retirement programs of 14,152 million yen and charges from the closure and integration of locations in the amount of 15,191 million yen. The ending liability balance amounted to 20,846 million yen and 3,070 million yen for the years ended March 31, 2014 and 2013, respectively.

Other

Other segment restructured its operations to improve efficiency and cost effectiveness mainly in Japan. Total restructuring charges amounting to 15,094 million yen which included charges from the early retirement programs of 11,653 million yen and charges from the closure and integration of locations in the amount of 3,441 million yen. The ending liability balance amounted to 1,368 million yen and 3,913 million yen for the years ended March 31, 2014 and 2013, respectively.

The beginning liability balance amounted to 113 million yen which was in connection with the restructuring activity of SANYO's semiconductor business. This was all paid or otherwise settled during the fiscal year. There was no additional restructuring charge incurred for the year ended March 31, 2014.

Restructuring charges which are not attributable to any reportable segments, were mainly charged from restructuring activities to accelerate integration of the organization at corporate headquarters, and were amounted to 5,627 million yen included charges from the implementation of early retirement programs of 3,037 million yen and charges from the closure and integration of locations in the amount of 2,590 million yen. The ending liability balance amounted to 4,592 million yen and 94 million yen for the years ended March 31, 2014 and 2013, respectively.

The following description represents restructuring activities for the year ended March 31, 2013 by segment:

Appliances

Appliances segment restructured its operations to improve efficiency mainly in Japan. Total restructuring charges amounting to 2,814 million yen which included charges from the implementation of early retirement programs of 586 million yen and charges from the closure and integration of locations in the amount of 2,228 million yen. There was no ending liability balance for the year ended March 31, 2013. The ending liability balance amounted to 59 million yen for the year ended March 31, 2012.

Eco Solutions

Eco Solutions segment restructured its operations to improve efficiency in Japan and overseas. Total restructuring charges amounting to 1,603 million yen which included charges from the implementation of early retirement programs of 938 million yen and charges from the closure and integration of locations in the amount of 665 million yen. The ending liability balance amounted to 700 million yen and 342 million yen for the years ended March 31, 2013 and 2012, respectively.

AVC Networks

AVC Networks segment restructured its operations to improve cost competitiveness through selection and concentration of business in Japan and overseas. Total restructuring charges amounting to 25,487 million yen which included charges from the implementation of early retirement programs of 17,275 million yen and charges from the closure and integration of manufacturing locations in the amount of 8,212 million yen. The ending liability balance amounted to 38,112 million yen and 45,819 million yen for the years ended March 31, 2013 and 2012, respectively.

The total amount expected to be incurred in connection with the restructuring activity of domestic plasma display panel fifth factory of Panasonic Plasma Display Co., Ltd., a subsidiary of the Company amounted to 54,370 million yen as of March 31, 2013. The beginning liability balance amounted to 45,819 million yen and additional restructuring charges incurred of 3,287 million yen and costs paid or otherwise settled of 12,941 million yen during the fiscal year. The ending liability balance amounted to 36,165 million yen.

Automotive & Industrial Systems

Automotive & Industrial Systems segment restructured its operations to improve efficiency and cost effectiveness mainly in Japan. Total restructuring charges amounting to 9,453 million yen which included charges from the implementation of early retirement programs of 3,440 million yen and charges from the closure and integration of locations in the amount of 6,013 million yen. The ending liability balance amounted to 3,070 million yen and 836 million yen for the years ended March 31, 2013 and 2012, respectively.

Other

Other segment restructured its operations for selection and concentration of its businesses in Japan and overseas. Total restructuring charges amounting to 32,738 million yen which included charges from the early retirement programs of 9,374 million yen and charges from the closure and integration of locations in the amount of 23,364 million yen. The ending liability balance amounted to 3,913 million yen and 23,886 million yen for the years ended March 31, 2013 and 2012, respectively.

The total amount expected to be incurred in connection with the restructuring activity of SANYO's semiconductor business amounted to 45,749 million yen as of March 31, 2013. The beginning liability balance amounted to 3,644 million yen and additional restructuring charges incurred of 1,579 million yen and costs paid or otherwise settled of 5,110 million yen during the fiscal year. The ending liability balance amounted to 113 million yen.

Restructuring charges which are not attributable to any reportable segments were charged from restructuring activities to accelerate integration of the organization at corporate headquarters, and were amounted to 7,130 million yen included charges from the implementation of early retirement programs of 6,824 million yen and charges from the closure and integration of locations in the amount of 306 million yen. The ending liability balance amounted to 94 million yen for the year ended March 31, 2013. There was no ending liability balance for the year ended March 31, 2012.

(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 the years ended March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Research and development costs	478,817	502,223
Advertising costs	105,091	114,826
Shipping and handling costs	147,597	139,392
Depreciation	278,792	277,582

Net foreign exchange loss included in other deductions for the year ended March 31, 2014 and 2013 are 6,324 million yen and 14,050 million yen, respectively.

Shipping and handling costs are included in selling, general and administrative expenses in the consolidated statements of operations.

In fiscal 2014 and 2013, the Company sold, without recourse, trade receivables and others of 617,456 million yen and 642,220 million yen to independent third parties for proceeds of 613,956 million yen and 637,183 million yen, and recorded losses on the sale of trade receivables of 3,500 million yen and 5,037 million yen, respectively. In fiscal 2014 and 2013, the Company sold, with recourse, trade receivables of 501,193 million yen and 421,681 million yen to independent third parties for proceeds of 500,656 million yen and 421,145 million yen, and recorded losses on the sale of trade receivables of 537 million yen and 536 million yen, respectively. These losses are included in selling, general and administrative expenses and other deductions. 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 as of March 31, 2014 and 2013 are 130,143 million yen and 167,394 million yen, respectively. These receivables had been derecognized as of March 31, 2014 and 2013. Included in trade notes receivable and trade accounts receivable as of March 31, 2014 are amounts of 32,505 million yen without recourse and 44,503 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.

In fiscal 2014, the Company's management and labor unions agreed to reduce the employee's bonuses. As a result of the agreements, the Company and certain domestic subsidiaries reversed accrued employee's bonus expenses, included in "Accrued payroll" in the consolidated balance sheet as of March 31, 2013. This revision is regarded as a change in accounting estimate under U.S. GAAP. Accordingly, the amounts of Income before income taxes increased by 20,133 million yen, and net income attributable to Panasonic Corporation increased by 18,448 million yen. In addition, basic net income attributable to Panasonic Corporation common shareholders per share increased by 7.98 yen. Diluted net income attributable to Panasonic Corporation common shareholders per share is not provided because the Company did not have potential dilutive common shares.

A gain of 12,199 million yen from stocks contribution to an employee retirement benefit trust, and a gain of 78,699 million yen from sale of the healthcare business were included in other income for the year ended March 31, 2014. Net gain from insurance recovery related to the flooding in Thailand included in other income for the year ended March 31, 2013 amounted to 7,966 million yen which was net of loss of 503 million yen incurred due to the flooding.

Interest and income taxes paid, and noncash investing and financing activities for the years ended March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Cash paid:		
Interest	20,362	25,244
Income taxes	81,245	61,715
Noncash investing and financing activities:		
Capital leases	6,179	4,684

(17) Derivatives and Hedging Activities

The Company operates internationally, giving rise to significant exposure to market risks arising from changes in foreign exchange 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, 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) as of March 31, 2014 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, and commodity futures as of March 31, 2014 and 2013 are as follows:

	Yen (millions)	
	2014	2013
Foreign exchange contracts	856,774	782,101
Cross currency swaps	29,810	35,725
Commodity futures	858,139	557,505

The fair values of derivative instruments as of March 31, 2014 and 2013 are as follows:

	Yen (millions)			
	2014			
	Asset derivatives		Liability derivatives	
	Consolidated balance sheet location	Fair value	Consolidated balance sheet location	Fair value
Derivatives designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	520	Other current liabilities	758
Commodity futures	Other current assets	34	Other current liabilities	291
Total derivatives designated as hedging instruments under ASC 815		554		1,049
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	4,125	Other current liabilities	1,813
Cross currency swaps	Other current assets	335	-	-
Commodity futures	Other current assets	4,238	Other current liabilities	9,767
Total derivatives not designated as hedging instruments under ASC 815		8,698		11,580
Total derivatives		9,252		12,629

Regarding derivative assets and liabilities as of March 31, 2014, gross amounts offset in the consolidated balance sheets were 3,371 million yen and gross amounts not offset in the consolidated balance sheets were 3,521 million yen.

	Yen (millions)			
	2013			
	Asset derivatives		Liability derivatives	
	Consolidated balance sheet location	Fair value	Consolidated balance sheet location	Fair value
Derivatives designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	687	Other current liabilities	8,379
Commodity futures	Other current assets	19	Other current liabilities	763
Total derivatives designated as hedging instruments under ASC 815		706		9,142
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	516	Other current liabilities	5,445
Cross currency swaps	-	-	Other current liabilities	184
Commodity futures	Other current assets	3,887	Other current liabilities	8,989
Total derivatives not designated as hedging instruments under ASC 815		4,403		14,618
Total derivatives		5,109		23,760

Regarding to derivative assets and liabilities as of March 31, 2013, gross amounts offset in the consolidated balance sheets were 4,625 million yen and gross amounts not offset in the consolidated balance sheets were 4,060 million yen.

The effect of derivative instruments on the consolidated statement of operations for the year ended March 31, 2014 is as follows:

Derivatives designated as hedging instruments under ASC 815:

Cash flow hedging relationships:

	Yen (millions)		
Derivatives	Amount of gain or (loss) recognized in OCI on derivative (effective portion)	Amount of gain reclassified from accumulated OCI into operations (effective portion)	
		Location of gain or (loss) recognized in operations	Amount of gain (loss)
Foreign exchange contracts	(5,880)	Other income (deductions)	(9,732)
Commodity futures	(1,901)	Cost of sales	(2,388)
Total	(7,781)		(12,120)

605 million yen of fair value changes relating to ineffective portion of cash flow hedge and fair value changes relating to amounts excluded from hedge effective testing were included in other deductions. 907 million yen of fair value changes were reclassified from accumulated OCI into the consolidated statement of operations as a result of a discontinuance of cash flow hedge, were included in cost of sales.

Fair value hedging relationships:
Derivatives from fair value hedging relationships were not expected to have a material effect on Consolidated statements of operations.

Derivatives not designated as hedging instruments under ASC 815:

	Yen (millions)	
Derivatives	Amount of gain (loss) recognized in operations	
	Location of gain or (loss) recognized in operations	Amount of gain or (loss)
Foreign exchange contracts	Other income (deductions)	11,679
Cross currency swaps	Other income (deductions)	519
Commodity futures	Other income (deductions)	(427)
Total		11,771

The effect of derivative instruments on the consolidated statement of operations for the year ended March 31, 2013 is as follows:

Derivatives designated as hedging instruments under ASC 815:

Cash flow hedging relationships:

	Yen (millions)		
Derivatives	Amount of gain or (loss) recognized in OCI on derivative (effective portion)	Amount of gain reclassified from accumulated OCI into operations (effective portion)	
		Location of gain or (loss) recognized in operations	Amount of gain (loss)
Foreign exchange contracts	13,960	Other income (deductions)	10,765
Commodity futures	(38)	Cost of sales	2,188
Total	13,922		12,953

566 million yen of fair value changes relating to ineffective portion of cash flow hedge and fair value changes relating to amounts excluded from hedge effective testing were included in other deductions.

Fair value hedging relationships:

Derivatives from fair value hedging relationships were not expected to have a material effect on consolidated statements of operations.

Derivatives not designated as hedging instruments under ASC 815:

	Yen (millions)	
Derivatives	Amount of gain (loss) recognized in operations	
	Location of gain or (loss) recognized in operations	Amount of gain or (loss)
Foreign exchange contracts	Other income (deductions)	2,949
Cross currency swaps	Other income (deductions)	(488)
Commodity futures	Other income (deductions)	(784)
Total		1,677

(18) Fair Value

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

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

The following table represents assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2014 and 2013:

	Yen (millions)			
	2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	63,101	-	-	63,101
Corporate and government bonds	-	1,694	-	1,694
Other debt securities	-	16	-	16
Total available-for-sale securities	63,101	1,710	-	64,811
Derivatives:				
Foreign exchange contracts	-	4,645	-	4,645
Cross currency swaps	-	335	-	335
Commodity futures	2,935	1,337	-	4,272
Total derivatives	2,935	6,317	-	9,252
Liabilities:				
Derivatives:				
Foreign exchange contracts	-	2,571	-	2,571
Commodity futures	8,000	2,058	-	10,058
Total derivatives	8,000	4,629	-	12,629

	Yen (millions)			
	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	84,035	-	-	84,035
Corporate and government bonds	-	1,718	-	1,718
Other debt securities	-	12	-	12
Total available-for-sale securities	84,035	1,730	-	85,765
Derivatives:				
Foreign exchange contracts	-	1,203	-	1,203
Commodity futures	3,693	213	-	3,906
Total derivatives	3,693	1,416	-	5,109
Liabilities:				
Derivatives:				
Foreign exchange contracts	-	13,824	-	13,824
Cross currency swaps	-	184	-	184
Commodity futures	6,306	3,446	-	9,752
Total derivatives	6,306	17,454	-	23,760

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

Level 2 available-for-sale securities include all debt securities, which are valued using inputs other than quoted prices that are observable. Level 2 derivatives including foreign exchange contracts, cross currency swaps 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.

The following table presents assets and liabilities that are measured at fair value on a nonrecurring basis for the years ended March 31, 2014 and 2013:

	Yen (millions)				
	2014				
	Total gains (losses)	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Long-lived assets	(135,175)	-	-	121,463	121,463
Goodwill	(8,069)	-	-	0	0

	Yen (millions)				
	2013				
	Total gains (losses)	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Long-lived assets	(178,012)	-	-	417,842	417,842
Goodwill	(250,583)	-	-	0	0

During the year ended March 31, 2014, the Company classified most of the assets described above in Level 3 as the Company used unobservable inputs to value these assets when recognizing losses related to the assets. The fair value for the major assets was measured through repurchase cost method, etc.

During the year ended March 31, 2013, the Company classified most of the assets described above in Level 3 as the Company used unobservable inputs to value these assets when recognizing losses related to the assets. The fair value for the major assets 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 following table presents assets and liabilities that are measured at fair value on a nonrecurring basis in Level 3 for the year ended March 31, 2014 and 2013:

	Yen (millions)			
	2014			
	Fair value	Valuation technique	Unobservable inputs	Range
Assets:				
Long-lived assets	121,463	Repurchase cost method	Residual value ratio	0.0%-99.4%

	Yen (millions)			
	2013			
	Fair value	Valuation technique	Unobservable inputs	Range
Assets:				
Long-lived assets	417,842	Repurchase cost method	Residual value ratio	52.0%-64.0%
		Excess earnings method	Discount rate	10.0%-12.3%
		Relief-from-royalty method	Discount rate	6.5%-12.3%
Goodwill	0	Discounted cash flow method	Weighted average cost of capital	6.2%-12.3%
		Guideline public company method	EBITDA multiple	2.6-6.2
		Guideline merged and acquired company method	EBITDA multiple	7.0-11.0

The fair value of financial instruments

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:

Available-for-sale securities
The carrying amount is equal to the fair value which is estimated based on quoted market prices. The fair value is also described in Note 4.

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.

Derivative financial instruments
The fair value of derivative financial instruments is estimated based on unadjusted market prices or quotes obtained from brokers, which are periodically validated by pricing models using observable inactive market inputs. The fair value is equal to the carrying amount and also described in Note 17.

Advances
The fair value of advances is estimated based on the present value of future cash flows using appropriate current discount rates. The Company classified advances in Level 2. The following table excludes advances for which carrying amount approximates fair value.

Financial instruments other than those listed above (such as 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. The following table excludes these financial instruments.

	Yen (millions)			
	March 31, 2014		March 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivatives:				
Assets:				
Available-for-sale securities	64,811	64,811	85,765	85,765
Liabilities:				
Long-term debt, including current portion	598,955	615,816	947,786	957,896
Derivatives:				
Assets:				
Foreign exchange contracts	4,645	4,645	1,203	1,203
Cross currency swaps	335	335	-	-
Commodity futures	4,272	4,272	3,906	3,906
Liabilities:				
Foreign exchange contracts	2,571	2,571	13,824	13,824
Cross currency swaps	-	-	184	184
Commodity futures	10,058	10,058	9,752	9,752

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.

(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. As of March 31, 2014, the maximum amount of undiscounted payments the Company would have to make in the event of default was 26,095 million yen. The carrying amount of the liabilities recognized for the Company' s obligations as a guarantor under those guarantees as of March 31, 2014 was immaterial.

As discussed in Note 5, 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. As of March 31, 2014, the maximum amount of undiscounted payments the Company would have to make in the event that these conditions were met was 5,311 million yen. The carrying amount of the liabilities recognized for the Company's obligations as a guarantor under those guarantees as of March 31, 2014 was immaterial.

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, 2014 and 2013 are summarized as follows:

	Yen (millions)	
	2014	2013
Balance at the beginning of the year	50,855	58,139
Liabilities accrued for warranties issued during the period	31,818	32,946
Warranty claims paid during the period	(26,624)	(35,438)
Changes in liabilities for pre-existing warranties during the period, including expirations	527	(4,792)
Balance at the end of the year	56,576	50,855

As of March 31, 2014, commitments outstanding for the purchase of property, plant and equipment was approximated to be 4,199 million yen. Certain subsidiaries are under contracts to purchase specific raw materials until 2020. As of March 31, 2014, commitments outstanding for this contract was approximated to be 74,959 million yen. A loss of 16,732 million yen under this contract was recorded for the year ended March 31, 2014. The corresponding loss is included in cost of sales.

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 March 31, 2027. As of March 31, 2014, the Company has accrued estimated total cost of 18,265 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 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 the land which domestic factories reside on and have obligations for restitution on departure. 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.

The Company and certain of its subsidiaries are subject to a number of legal proceedings including civil litigations related to trade, tax, products or intellectual properties, or governmental investigations. The Company has been dealing with the various litigations and 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.

Since November 2007, the Company and MT Picture Display Co., Ltd. (MTPD), a subsidiary of the Company, have been subjected 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 fiscal 2010, 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 has been subjected to investigations by government authorities, including the U.S. Department of Justice and the European Commission, in respect to 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., etc. 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 in fiscal 2011 to resolve alleged antitrust violations relating to compressors for refrigerator use. In fiscal 2012, the Company received notification of the European Commission’s decision and accepted a fine on the refrigerator compressors. In fiscal 2014, the Company paid the settlement to the plaintiff of the class action lawsuits in the U.S. on the refrigerator compressors. Other than those above, there are a number of legal actions against the Company and certain subsidiaries. Management is of the opinion that damages, if any, resulting from these actions, will not have a material effect on the Company’s consolidated financial statements.

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.

(20) Segment Information

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

The Company restructured its Group organization on April 1, 2013, under which the Company changed the number of segments from eight to five as follow:

“Appliances” is comprised of development and manufacture of home appliances, personal-care products, health enhancing products, etc., as well as the development, manufacture and sales of commercial-use heating, refrigeration, air conditioning equipment, etc..

“Eco Solutions” is comprised of development, manufacture and sales of lighting, wiring, power distribution, housing equipment, ventilation fan systems, storage battery as well as the promotion of comprehensive solutions and nursing care equipment & services.

“AVC Networks” is comprised of development, manufacture of consumer AVC equipment and mobile phone, as well as the development, manufacture, servicing and solutions sales of engineering of electric, communication and electronic machinery & equipment related to system.

“Automotive & Industrial Systems” is comprised of development, manufacture and sales of automotive related products (car-use-multimedia-related equipment, eco-car-related equipment, electrical components), industrial related devices (electronic components, electronic materials, semiconductors, optical devices, primary batteries, secondary batteries, chargers, battery appliances and components), manufacturing related systems (electronic component mounting systems, welding & robot systems) and bicycle related products.

“Other” consists of Panasonic Healthcare Co. Ltd., PanaHome Corporation and others. On March, 31, 2014, Panasonic Healthcare Co. Ltd. ceased to be a consolidated subsidiary of the Company as a result of share transfer.

By Segment:

Segment information for the two years ended March 31 are shown in the tables below. Segment information of 2013 has been reclassified to conform to the segment of 2014.

	Yen (millions)	
	2014	2013
Sales:		
Appliances:		
Customers	851,212	762,519
Intersegment	345,391	326,890
Total	1,196,603	1,089,409
Eco Solutions:		
Customers	1,585,118	1,419,266
Intersegment	261,488	253,982
Total	1,846,606	1,673,248
AVC Networks:		
Customers	1,427,060	1,475,455
Intersegment	146,359	145,928
Total	1,573,419	1,621,383
Automotive & Industrial Systems:		
Customers	2,585,690	2,359,275
Intersegment	151,914	158,694
Total	2,737,604	2,517,969
Other:		
Customers	770,155	791,285
Intersegment	187,832	217,554
Total	957,987	1,008,839
Eliminations and Adjustments:		
Customers	517,306	495,245
Intersegment	(1,092,984)	(1,103,048)
Total	(575,678)	(607,803)
Consolidated total	7,736,541	7,303,045

	Yen (millions)	
	2014	2013
Profit (loss):		
Appliances	28,482	36,423
Eco Solutions	95,048	62,783
AVC Networks	21,471	8,284
Automotive & Industrial Systems	85,747	29,458
Other	20,011	3,403
Eliminations and Adjustments	54,355	20,585
Total segment profit	305,114	160,936
Interest income	10,632	9,326
Dividends received	1,992	3,686
Other income	243,488	91,807
Interest expense	(21,911)	(25,601)
Impairment losses of long-lived assets	(103,763)	(138,138)
Goodwill impairment	(8,069)	(250,583)
Other deductions	(221,258)	(249,819)
Consolidated income (loss) before income taxes	206,225	(398,386)

	Yen (millions)	
	2014	2013
Identifiable assets:		
Appliances	657,475	598,601
Eco Solutions	1,232,288	1,136,966
AVC Networks	956,360	1,086,688
Automotive & Industrial Systems	1,709,683	1,668,517
Other	668,483	764,380
Eliminations and Adjustments	(11,295)	142,660
Consolidated total	5,212,994	5,397,812
Depreciation and amortization:		
Appliances	43,298	36,886
Eco Solutions	49,203	46,790
AVC Networks	61,886	61,487
Automotive & Industrial Systems	112,088	119,800
Other	18,388	21,521
Eliminations and Adjustments	45,923	52,471
Consolidated total	330,786	338,955
Capital investment:		
Appliances	29,300	48,291
Eco Solutions	47,202	59,191
AVC Networks	36,899	67,407
Automotive & Industrial Systems	87,901	123,914
Other	15,631	19,263
Eliminations and Adjustments	22,194	24,647
Consolidated total	239,127	342,713

The figures in "Eliminations and Adjustments" include revenues, expenses and assets which are not attributable to any reportable segments for the purpose of evaluating operating results of each segment, consolidation adjustments, and eliminations of intersegment transactions.

Adjustments to segment sales to Customers for the years ended March 31, 2014 and 2013 mainly include price differences of 651,934 million yen and 599,089 million yen, respectively, between sales prices to external customers and the internal sales prices adopted for performance measurement purposes for the sales through sales department of consumer products. Adjustments also include the sales of certain associated companies under the equity method, amounted to a deduction of 105,815 million yen and a deduction of 96,225 million yen, respectively, solely for the purpose of assessing segment performance.

Adjustments of profit for the years ended March 31, 2014 and 2013 mainly include 15,156 million yen and (12,548) million yen of profit and loss of corporate headquarters and sales departments of consumer products which are not allocated to any reportable segments, respectively. The adjustments also include 39,199 million yen and 33,133 million yen of consolidation adjustments, mainly related to amortization of finite-lived intangible assets generated by business combinations and other differences in accounting standards, respectively.

Assets which are not attributable to any reportable segments include those which are attributable to sales departments of consumer products, goodwill controlled by corporate headquarters, and intangible assets generated by business combinations.

Capital investment consists of purchases of property, plant and equipment, and intangibles on an accrual basis.

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 two years ended March 31, 2014 and 2013.

By Geographical Area:

Sales attributed to geographical area based upon customer' s location and property, plant and equipment, attributed to geographical area for the years ended 2014 and 2013 are shown in the tables below:

	Yen (millions)	
	2014	2013
Sales:		
Japan	3,897,934	3,790,392
North and South America	1,134,658	1,022,278
Europe	740,269	665,863
Asia and Others	1,963,680	1,824,512
Consolidated total	7,736,541	7,303,045
United States included in North and South America	967,551	866,048
China included in Asia and Others	994,852	940,804
Property, plant and equipment:		
Japan	936,487	1,153,080
North and South America	47,382	44,067
Europe	40,191	37,622
Asia and Others	401,389	440,659
Consolidated total	1,425,449	1,675,428

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

(21) Acquisition

On February 28, 2014, the Company acquired 90% of outstanding shares of Viko Electric Co., Ltd. (VIKO) and accordingly, had a controlling interest of VIKO from the acquisition date.

VIKO is in the business of manufacturing and sales of electrical and materials, such as wiring devices, low voltage switchgears, smart meters and building automation system. As a result of this acquisition, by utilizing VIKO's management resources, such as its strong brand awareness, sales channels, and "C-Type" wiring devices and technologies, using Turkey as the base, the Company expects expansion in the sales of wiring devices and other product ranges as well as electrical equipment and materials produced by the Company, such as lighting devices and fans, not only in Turkey, but in the Middle East, CIS and African markets. In addition, by introducing new products by making use of the Company's product competitiveness and development capabilities, and by making improvements in productivity through sharing manufacturing know-how with VIKO, the Company will create synergies with VIKO and is aiming for further expansion of the business.

The fair value of noncontrolling interests was measured based on the acquired cost deducting control premium. The fair value of the provisional consideration paid for the controlling interests of VIKO and the noncontrolling interests as of the acquisition date is as follows:

	Yen (millions)
Fair value of consideration:	
Cash	45,596
Fair value of noncontrolling interests	3,593
Total	49,189

Acquisition-related cost was not material and included in other deductions in the consolidated statements of operations for the year ended March 31, 2014.

Assets acquired and liabilities assumed provisionally reflected in the Company's consolidated balance sheet as of the acquisition date (the Company is currently evaluating the fair values of assets acquired and liabilities assumed at the acquisition date, and therefore the below amounts are subject to change) were as follows:

	Yen (millions)
Cash and cash equivalents	141
Goodwill	11,282
Intangible assets	40,097
Other assets	12,762
Total assets acquired	64,282
Total liabilities assumed	15,093
Total net assets acquired	49,189

Intangible assets of 22,652 million yen are subject to amortization, which include dealer network of 20,767 million yen with a 15-year weighted-average useful life. Intangible assets of 17,445 million yen are not subject to amortization, all of which relates to trademark.

The total amount of goodwill is included in "Eco Solutions" segment, and is not deductible for tax purpose.

Net sales and income before income taxes of VIKO that are included in the consolidated statements of operations for the year ended March 31, 2014 are not material.

Pro forma information has been omitted as the amounts are not material.

[Supplementary Schedules]

(1) Detailed Statements of Bonds

Refer to Note 8 in the notes of consolidated financial statements.

(2) Detailed Statements of Borrowings etc.

Refer to Note 8 in the notes of consolidated financial statements.

(3) Detailed Statements of Asset Retirement Obligation

This statement has been omitted because the amount of asset retirement obligation in the consolidated balance sheets is immaterial.

Independent Auditors' Report

The Board of Directors
Panasonic Corporation:

We have audited the accompanying consolidated financial statements of Panasonic Corporation and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Panasonic Corporation and its subsidiaries as of March 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG AZSA LLC

Osaka, Japan
June 27, 2014

[Quarterly financial Information (Unaudited)]

(Millions of yen, unless otherwise stated)

(Cumulative)	First quarter	Second quarter	Third quarter	Year total
Net sales	1,824,515	3,706,320	5,679,811	7,736,541
Income before income taxes	122,612	207,405	307,037	206,225
Net income attributable to Panasonic Corporation	107,831	169,334	243,014	120,442
Net income attributable to Panasonic Corporation per share, basic (yen)	46.65	73.25	105.13	52.10

(Three months)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) attributable to Panasonic Corporation per share, basic (yen)	46.65	26.61	31.87	(53.03)

Ⅵ Stock-Related Administration for the Company

Fiscal Year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for distribution of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sales of shares less than one unit	
Handling office	Sumitomo Mitsui Trust Bank, Limited 5-33, Kitahama, 4-chome, Chuo-ku, Osaka-shi
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi, 1-chome, Chiyoda-ku, Tokyo
Forward office	-
Purchasing and selling fee	Amount separately specified as an amount equivalent to the fees pertaining to the entrustment of sale and purchase of shares
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, Nihon Keizai Shimbun will be adopted as its medium. URL for public notice is following http://panasonic.co.jp/index3.html
Special benefit for Shareholders	Not applicable

Ⅶ Reference Information on the Company

1. Information on a Parent Company, etc. of the Company

Not applicable.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2014 to the filing date of Annual Securities Report.

(1) Annual Securities Report and documents attached, and Confirmation Letter	Business Term (106th)	From April 1, 2012 To March 31, 2013	Filed with the Director of the Kanto Local Finance Bureau on June 27, 2013
(2) Amendment to Annual Securities Report, and Confirmation Letter	Business Term (103rd)	From April 1, 2009 To March 31, 2010	Filed with the Director of the Kanto Local Finance Bureau on August 6, 2013
	Business Term (104th)	From April 1, 2010 To March 31, 2011	Filed with the Director of the Kanto Local Finance Bureau on August 6, 2013
	Business Term (105th)	From April 1, 2011 To March 31, 2012	Filed with the Director of the Kanto Local Finance Bureau on August 6, 2013
	Business Term (106th)	From April 1, 2012 To March 31, 2013	Filed with the Director of the Kanto Local Finance Bureau on August 6, 2013
(3) Internal Control Report and documents attached			Filed with the Director of the Kanto Local Finance Bureau on June 27, 2013
(4) Shelf Registration Statement (Stock acquisition right) and Confirmation Letter			Filed with the Director of the Kanto Local Finance Bureau on May 15, 2013
(5) Amended Shelf Registration Statement	Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012		Filed with the Director of the Kanto Local Finance Bureau on May 13, 2013
	Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012		Filed with the Director of the Kanto Local Finance Bureau on May 29, 2013

Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on May 29, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on June 27, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on June 27, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on June 28, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on June 28, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on August 6, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on August 6, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on November 14, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on November 14, 2013
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on February 4, 2014
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on February 4, 2014

Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on February 13, 2014
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on February 13, 2014
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on April 1, 2014
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on April 1, 2014
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on September 28, 2012	Filed with the Director of the Kanto Local Finance Bureau on April 28, 2014
Amended Shelf Registration Statement concerning the Shelf Registration Statement which was submitted on May 15, 2013	Filed with the Director of the Kanto Local Finance Bureau on April 28, 2014

(6) Quarterly Report and Confirmation Letter	(107th First Quarter)	From April 1, 2013 To June 30, 2013	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2013
	(107th Second Quarter)	From July 1, 2013 To September 30, 2013	Filed with the Director of the Kanto Local Finance Bureau on November 14, 2013
	(107th Third Quarter)	From October 1, 2013 To December 31, 2013	Filed with the Director of the Kanto Local Finance Bureau on February 13, 2014
(7) Extraordinary Report	Pursuant to Article 24, paragraph 5, Item 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with the Director of the Kanto Local Finance Bureau on June 28, 2013
	Pursuant to Article 24, paragraph 5, Item 4 of the Financial Instruments and Exchange Act, and Article 19, Paragraph 2, Item 7 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with the Director of the Kanto Local Finance Bureau on February 4, 2014
	Pursuant to Article 24, paragraph 5, Item 4 of the Financial Instruments and Exchange Act, and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with the Director of the Kanto Local Finance Bureau on April 1, 2014
	Pursuant to Article 24, paragraph 5, Item 4 of the Financial Instruments and Exchange Act, and Article 19, Paragraph 2, Item 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with the Director of the Kanto Local Finance Bureau on April 28, 2014

Part Ⅱ Information on Guarantors, etc. for the Company

Not applicable.

[Cover]

Filed Document:	Confirmation Letter
Applicable Law:	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
Filed to:	Director, Kanto Local Finance Bureau
Filing Date:	June 27, 2014
Company Name:	Panasonic Kabushiki Kaisha
Company Name in English:	Panasonic Corporation
Position and Name of Representative:	Kazuhiro Tsuga, President and Director
Name and Title of CFO:	Hideaki Kawai, Senior Managing Director
Address of Head Office:	1006, Oaza Kadoma, Kadoma-shi, Osaka
Place Where the Filed Document is Available for Public Inspection:	Government and External Relations of Panasonic Corporation (Panasonic Tokyo Shiodome building, 5-1, Higashi-shimbashi 1-chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Mr. Kazuhiro Tsuga, President and Director, and Mr. Hideaki Kawai, Senior Managing Director, confirmed that statements contained in the Annual Securities Report for the 107th fiscal year (from April 1, 2013 to March 31, 2014) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

Not applicable.

[Cover]

Filed Document:	Internal Control Report
Applicable Law:	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
Filed to:	Director, Kanto Local Finance Bureau
Filing Date:	June 27, 2014
Company Name:	Panasonic Kabushiki Kaisha
Company Name in English:	Panasonic Corporation
Position and Name of Representative:	Kazuhiro Tsuga, President and Director
Name and Title of CFO:	Hideaki Kawai, Senior Managing Director
Address of Head Office:	1006, Oaza Kadoma, Kadoma-shi, Osaka
Place Where the Filed Document is Available for Public Inspection:	Government and External Relations of Panasonic Corporation (Panasonic Tokyo Shiodome building, 5-1, Higashi-shimbashi 1-chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Mr. Kazuhiro Tsuga, President and Director, and Mr. Hideaki Kawai, Senior Managing Director, are responsible for establishing and maintaining internal control over financial reporting of Panasonic Corporation (the "Company") and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2014. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls. We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliates, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method affiliates. We did not include those consolidated subsidiaries and equity-method affiliates which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately two-thirds of total revenues on a consolidated basis were selected as significant business units.

For the selected significant business units, we included, in the scope of assessment. those business processes leading to revenues, accounts receivables and inventories. Further, not only for selected significant business units", but also for other business units, we added to the scope of assessment, those business processes having greater materiality considering their impact on the financial reporting, those business processes relating to greater likelihood of material misstatements in significant accounts involving estimates or forecasts as these significant accounts that may have a material impact on our business objectives; or those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2014.

4. Supplementary Matters

None.

5. Special Notes

We had prepared the Internal Control Report in accordance with the terms, form and procedures required in the managements report on internal control over financial reporting in the U.S. until the previous fiscal year since we had registered our American Depositary Receipts (“ADRs”) to the U.S. Securities and Exchange Commission (“SEC”). On July 10, 2013, the registration of our ADRs was terminated. Consequently, we have made the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan and prepared this Internal Control Report.

TRANSLATION

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting under the Financial Instruments and Exchange Act and an audit of internal control over financial reporting conducted under the attestation standards established by the American Institute of Certified Public Accountants.
In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting

June 27, 2014

The Board of Directors of Panasonic Corporation:

KPMG AZSA LLC

Tetsuzo Hamajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kondo
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Sungjung Hong
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Financial Statement Audit

We have audited the accompanying consolidated financial statements of Panasonic Corporation and its consolidated subsidiaries provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated balance sheet as of March 31, 2014, and the consolidated statements of operations, comprehensive income (loss), equity and cash flows for the year then ended, and the related notes to the consolidated financial statements and consolidated supplementary schedules, in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Law of Japan.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to Paragraph (3) of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (the Cabinet Office Ordinance No.11 of 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Panasonic Corporation and its consolidated subsidiaries as of March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Audit

We also have audited the accompanying internal control report of Panasonic Corporation as of March 31, 2014, in accordance with Article 193-2, paragraph (2) of the Financial Instruments and Exchange Law of Japan.

Management's Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditors' Responsibility

Our responsibility is to independently express an opinion on the internal control report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on our judgement, including significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment of internal control over financial reporting determined and presented by management, and the overall internal control report presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the internal control report, in which Panasonic Corporation states that internal control over financial reporting was effective as of March 31, 2014, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Law of Japan.