［English summary with full translation of consolidated financial information］

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

## For the six months ended September 30, 2013

**Panasonic Corporation**
**Osaka, Japan**

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**Disclaimer Regarding Forward-Looking Statements**

This quarterly 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 quarterly report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this quarterly report. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings 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.

## Ⅰ Corporate Information

### (1) Consolidated Financial Summary

| | Yen (millions), except per share amounts | | |
|---|---|---|---|
| | Six months ended September 30, 2013 | Six months ended September 30, 2012 | Year ended March 31, 2013 |
| Net sales | 3,706,320 | 3,638,160 | 7,303,045 |
| Income (loss) before income taxes | 207,405 | (278,671) | (398,386) |
| Net income (loss) attributable to Panasonic Corporation | 169,334 | (685,170) | (754,250) |
| Comprehensive income (loss) attributable to Panasonic Corporation | 203,791 | (768,534) | (647,324) |
| Total Panasonic Corporation shareholders' equity | 1,466,950 | 1,149,631 | 1,264,032 |
| Total equity | 1,507,130 | 1,184,256 | 1,304,273 |
| Total assets | 5,343,227 | 5,599,751 | 5,397,812 |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders, basic (yen) | 73.25 | (296.39) | (326.28) |
| Net income per share attributable to Panasonic Corporation common shareholders, diluted (yen) | — | — | — |
| Panasonic Corporation shareholders' equity / total assets (%) | 27.5 | 20.5 | 23.4 |
| Net cash provided by operating activities | 161,467 | 20,317 | 338,750 |
| Net cash provided by (used in) investing activities | (46,252) | (79,878) | 16,406 |
| Net cash used in financing activities | (170,170) | (46,446) | (491,058) |
| Cash and cash equivalents at end of period | 458,570 | 443,899 | 496,283 |

| | Three months ended September 30, 2013 | Three months ended September 30, 2012 |
|---|---|---|
| Net sales | 1,881,805 | 1,823,662 |
| Net income (loss) attributable to Panasonic Corporation | 61,503 | (697,979) |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders, basic (yen) | 26.61 | (301.93) |

Notes: 1. The Company's consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

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

## (2) Principal Businesses

The Panasonic Group is comprised primarily of the parent Panasonic Corporation and 525 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.

Panasonic supplies a spectrum of electric/electronic equipment and related products, which are categorized into 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.

During the six months ended September 30, 2013, there were no major changes in principal businesses.

During the six months ended September 30, 2013, there were changes in major affiliated companies as follows.
AVC Networks:
Panasonic Mobile Communications Co., Ltd. (PMC) transferred the mobile phone terminal business through a corporate split to a newly established company. At the same time, the mobile phone base station business was split and transferred to Panasonic System Networks Co., Ltd. Then Panasonic absorbed the remaining PMC through a merger on April 1, 2013. Upon this transfer, the newly established company was incorporated as Panasonic Mobile Communications Co., Ltd.

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

## Ⅱ The Business Overview

### (1) Operating Results

During the six months ended September 30, 2013 under review, despite economic slowdown in some emerging countries including India, the economy continued to expand in the U.S. and Japan, and to moderately recover in China and Europe.
Under such business circumstances, Panasonic has been promoting four initiatives in a new group formation through its business division system to revitalize each business: ‘eliminating unprofitable businesses,’ ‘expanding business and improving efficiency by shifting from in-house approach,’ ‘improving its financial position,’ and ‘enhancing its growth strategy from customer’s viewpoint.’

Reviewing its mobile phone business, Panasonic announced its suspension of new product development for smartphone carriers in Japan and strategically reallocate its operating resources such as mobile communication technology to new business and growing business areas. In healthcare business, Panasonic decided to transfer its shares of Panasonic Healthcare Co., Ltd., a consolidated subsidiary of Panasonic, to PHC Holdings Co., Ltd., a company affiliated with the investment funds advised by Kohlberg Kravis Roberts & Co. L.P., since Panasonic concluded that expanding this business with the partner’s knowledge and skills would be better than doing by its own.

Consolidated group sales for six months ended September 30, 2013 increased by 2% to 3,706.3 billion yen, compared with 3,638.2 billion yen in the same period of fiscal 2013. Sales of digital consumer products including flat-panel TVs decreased with its severe global competition and weak demand. Focusing on profitability rather than sales volume was another factor for lower sales. Meantime, sales of automotive related business increased with global market recovery, and sales of housing business in Japan was stable. Yen depreciation also contributed to overall sales increase.

The Company’s operating profit* for the first six months increased by 68% to 146.6 billion yen, from 87.4 billion yen a year ago, due to group-wide fixed cost reduction, streamlining and positive impact of yen depreciation. In other income (deductions), one-off gain of 79.8 billion yen from pension scheme change was recognized in the first quarter ended June 30, 2013. Accordingly, pre-tax income and net income attributable to Panasonic Corporation improved significantly to 207.4 billion yen from a loss of 278.7 billion yen, and to 169.3 billion yen from a loss of 685.2 billion yen, respectively.

* 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.

### (2) Operating Results by Segment

The Company changed its group organization on April 1, 2013, resulting in the five reportable segments from eight. Accordingly, segment information for fiscal 2013 has been reclassified to conform to the presentation for fiscal 2014.
The Company's six-month consolidated sales and profits by segment with previous year comparisons are summarized as follows:

*Appliances*

Sales increased by 5% to 610.4 billion yen, compared with 578.9 billion yen a year ago. This was due mainly to positive effect of yen depreciation although sales in most products were disappointing especially in household air conditioners in China. Segment profit decreased by 40% to 17.2 billion yen, compared with 28.7 billion yen a year ago. This was due mainly to the negative impact of yen depreciation which could not be offset by implementation of streamlining and cost reduction.

*Eco Solutions*

Sales increased by 7% to 855.7 billion yen from 802.3 billion yen a year ago, due mainly to favorable sales in Energy Systems Business Unit (BD) and Housing Systems BD from a surge in consumer spending before the consumption tax hike in Japan. Segment profit increased significantly by 110% to 41.4 billion yen from 19.7 billion yen a year ago due mainly to sales increase and cost reduction despite negative impact of yen depreciation.

*AVC Networks*

Sales decreased by 9% to 755.4 billion yen from 829.9 billion yen a year ago. This result was due mainly to sales decline in digital consumer related business including TVs, DSCs and mobile phones, and eliminating unprofitable product models.
Segment loss had worsened from 13.2 billion yen a year ago to 16.5 billion yen due mainly to sales decrease despite panel business improvement.

*Automotive& Industrial Systems*

Sales increased by 6% to 1,355.9 billion yen from 1,277.9 billion yen a year ago. Sales increased due mainly to positive impact of yen depreciation and sales growth in automotive related business including automotive infotainment systems with car makers' stable automotive production overseas.
Segment profit significantly increased by 108% to 58.2 billion yen from 28.0 billion yen a year ago due mainly to sales increase.

*Other*

Sales decreased by 10% to 393.4 billion yen from 437.6 billion yen a year ago due mainly to the SANYO-related business transfers implemented in the fiscal 2013.
Segment profit was 5.4 billion yen compared with a loss of 6.4 billion yen a year ago.

### (3) Assets, Liabilities and Equity

The Company's consolidated total assets as of September 30, 2013 decreased by 54.6 billion yen to 5,343.2 billion yen from March 31, 2013. This was due mainly to decrease in cash and cash equivalents, and property, plant and equipment, despite yen depreciation and seasonal increase in inventories.

The Company's consolidated total liabilities as of September 30, 2013 decreased by 257.4 billion yen to 3,836.1 billion yen from March 31, 2013. This was due mainly to reducing interest-bearing debt including short-term bond maturity, and decrease in retirement and severance benefits.

Panasonic Corporation shareholders' equity increased by 202.9 billion yen, compared with March 31, 2013, to 1,467.0 billion yen. This was due mainly to net income and improvement in accumulated other comprehensive income (loss) along with yen depreciation. Adding noncontrolling interests to Panasonic Corporation shareholders' equity, total equity was 1,507.1 billion yen.

### (4) Cash Flows

*Cash flows from operating activities*

Net cash provided by operating activities for the six months ended September 30, 2013 amounted to 161.5 billion yen, an increase of 141.2 billion yen from a year ago due mainly to an increase in operating profit and curbing increasing inventories.

*Cash flows from investing activities*

Net cash used in investing activities amounted to 46.3 billion yen, a decrease of 33.6 billion yen from a year ago. This was due mainly to a decrease in capital expenditures, despite a decrease in proceeds from disposals of property, plant and equipment.

*Cash flows from financing activities*

Net cash used in financing activities amounted to 170.2 billion yen, an increase of 123.8 billion yen from a year ago due mainly to a decrease in short-term bonds balance.

Taking into consideration exchange rate fluctuations, cash and cash equivalents totaled 458.6 billion yen as of September 30, 2013, down 37.7 billion yen, compared with the end of the fiscal 2013.

### (5) Research and Development

Panasonic's R&D expenditures for the six months ended September 30, 2013 totaled 228.9 billion yen, down 8% from a year ago. There were no significant changes in R&D activities for the period.

### (6) Major Property, Plant and Equipment

Panasonic's capital investment (tangible assets) for the six months ended September 30, 2013 totaled 88.0 billion yen, down 44% from a year ago.

### (7) Depreciation

Panasonic's depreciation (tangible assets) for the six months ended September 30, 2013 totaled 138.9 billion yen, up 1% from a year ago.

### (8) Number of Employees

Number of employees at the end of the second quarter of fiscal 2014 was 289,756, a decrease of 3,986, compared with the end of the fiscal 2013.

### (9) Risk Factors

There were no risks newly identified during the six months ended September 30, 2013.
During the six months ended September 30, 2013, there were no significant changes with regard to the "Risk Factors" stated in the annual securities report of the prior fiscal year.

### (10) Others

On August 30, 2013, the Company terminated agreements which were signed with several banks. These agreements relate to a credit line with these banks from October 1, 2012. Total amount of unsecured line of credit on the agreements was 600.0 billion yen. The Company did not have any credit taking on the agreements.

## Ⅲ Shares and Shareholders

### (1) Shares of Common Stock Issued as of September 30, 2013: 2,453,053,497 shares

The common stock of the Company is listed on the Tokyo and Nagoya stock exchanges in Japan.

### (2) Amount of Common Stock (Stated Capital) as of September 30, 2013: 258,740 million yen

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## Ⅳ Financial Statements

Index of Consolidated Financial Statements of Panasonic Corporation and Subsidiaries:

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30 and March 31, 2013

| Assets | Yen (millions) September 30, 2013 | Yen (millions) March 31, 2013 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | 458,570 | 496,283 |
| Time deposits | 32 | 1,674 |
| Trade receivables: | | |
| Notes | 78,521 | 56,752 |
| Accounts | 891,593 | 905,973 |
| Allowance for doubtful receivables | (23,466) | (23,398) |
| Net trade receivables | 946,648 | 939,327 |
| Inventories (Note 2) | 846,652 | 786,845 |
| Other current assets | 275,996 | 269,954 |
| Total current assets | 2,527,898 | 2,494,083 |
| Investments and advances (Note 3) | 277,151 | 276,978 |
| Property, plant and equipment (Note 5): | | |
| Land | 310,588 | 313,991 |
| Buildings | 1,651,937 | 1,638,974 |
| Machinery and equipment | 2,789,224 | 2,723,993 |
| Construction in progress | 38,444 | 60,173 |
| | 4,790,193 | 4,737,131 |
| Less accumulated depreciation | 3,170,746 | 3,061,703 |
| Net property, plant and equipment | 1,619,447 | 1,675,428 |
| Other assets: | | |
| Goodwill | 509,800 | 512,146 |
| Intangible assets (Note 5) | 206,183 | 223,013 |
| Other assets | 202,748 | 216,164 |
| Total other assets | 918,731 | 951,323 |
| | 5,343,227 | 5,397,812 |

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30 and March 31, 2013

| Liabilities and Equity | Yen (millions) September 30, 2013 | Yen (millions) March 31, 2013 |
|---|---|---|
| Current liabilities: | | |
| Short-term debt, including current portion of long-term debt (Note 9) | 412,022 | 480,304 |
| Trade payables: | | |
| Notes | 101,492 | 52,205 |
| Accounts | 678,320 | 739,581 |
| Total trade payables | 779,812 | 791,786 |
| Accrued income taxes | 33,875 | 32,162 |
| Accrued payroll (Note 9) | 175,203 | 201,460 |
| Other accrued expenses | 745,169 | 713,314 |
| Deposits and advances from customers | 84,889 | 75,669 |
| Employees' deposits | 6,234 | 6,610 |
| Other current liabilities | 263,566 | 297,854 |
| Total current liabilities | 2,500,770 | 2,599,159 |
| Noncurrent liabilities: | | |
| Long-term debt | 569,729 | 663,091 |
| Retirement and severance benefits | 552,193 | 621,802 |
| Other liabilities | 213,405 | 209,487 |
| Total noncurrent liabilities | 1,335,327 | 1,494,380 |
| Equity: | | |
| Panasonic Corporation shareholders' equity: | | |
| Common stock : Authorized - 4,950,000,000 shares Issued - 2,453,053,497 shares | 258,740 | 258,740 |
| Capital surplus (Note 7) | 1,109,836 | 1,110,686 |
| Legal reserve and retained earnings (Note 1) | 939,194 | 769,863 |
| Accumulated other comprehensive income (loss) (Note 8): | | |
| Cumulative translation adjustments | (244,849) | (297,015) |
| Unrealized holding gains (losses) of available-for-sale securities (Note 3) | 12,318 | (218) |
| Unrealized gains (losses) of derivative instruments | (2,541) | (4,573) |
| Pension liability adjustments (Note 9) | (358,700) | (326,423) |
| | (593,772) | (628,229) |
| Treasury stock, at cost: 141,424,152 shares (141,394,374 shares as of March 31, 2013) | (247,048) | (247,028) |
| Total Panasonic Corporation shareholders' equity | 1,466,950 | 1,264,032 |
| Noncontrolling interests | 40,180 | 40,241 |
| Total equity (Note 7) | 1,507,130 | 1,304,273 |
| Commitments and contingent liabilities (Notes 4 and 11) | | |
| | 5,343,227 | 5,397,812 |

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Loss)

Six months ended September 30, 2013 and 2012

Consolidated Statements of Operations

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Revenues, costs and expenses: | | |
| Net sales | 3,706,320 | 3,638,160 |
| Cost of sales (Note 8) | (2,719,436) | (2,710,013) |
| Selling, general and administrative expenses | (840,295) | (840,781) |
| Interest income | 4,831 | 5,146 |
| Dividends received | 1,510 | 2,538 |
| Other income (Notes 8 and 9) | 108,075 | 33,068 |
| Interest expense | (11,884) | (12,082) |
| Impairment losses of long-lived assets (Note 5) | (6,165) | (96,984) |
| Goodwill impairment (Note 9) | − | (237,778) |
| Other deductions (Notes 8 and 9) | (35,551) | (59,945) |
| Income (loss) before income taxes (Note 9) | 207,405 | (278,671) |
| Provision for income taxes | 37,326 | 411,421 |
| Equity in earnings of associated companies | 3,096 | 2,618 |
| Net income (loss) | 173,175 | (687,474) |
| Less net income (loss) attributable to noncontrolling interests | 3,841 | (2,304) |
| Net income (loss) attributable to Panasonic Corporation (Note 7) | 169,334 | (685,170) |

| | Yen | |
|---|---|---|
| Net income (loss) per share attributable to Panasonic Corporation common shareholders : | | |
| Basic | 73.25 | (296.39) |
| Diluted | − | − |

Consolidated Statements of Comprehensive Income (Loss)

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Net income (loss) | 173,175 | (687,474) |
| Other comprehensive income (loss), net of tax (Note 8) | | |
| Translation adjustments | 55,005 | (67,152) |
| Unrealized holding gains (losses) of available-for-sale securities | 12,521 | (30,834) |
| Unrealized holding gains of derivative instruments | 2,032 | 4,764 |
| Pension liability adjustments | (31,074) | 5,351 |
| | 38,484 | (87,871) |
| Comprehensive income (loss) (Note 7) | 211,659 | (775,345) |
| Comprehensive income (loss) attributable to noncontrolling interests | 7,868 | (6,811) |
| Comprehensive income (loss) attributable to Panasonic Corporation | 203,791 | (768,534) |

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Loss)

Three months ended September 30, 2013 and 2012

Consolidated Statements of Operations

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Revenues, costs and expenses: | | |
| Net sales | 1,881,805 | 1,823,662 |
| Cost of sales (Note 8) | (1,383,032) | (1,359,018) |
| Selling, general and administrative expenses | (416,385) | (415,881) |
| Interest income | 2,608 | 2,343 |
| Dividends received | 207 | 310 |
| Other income (Notes 8 and 9) | 26,517 | 8,860 |
| Interest expense | (5,784) | (6,456) |
| Impairment losses of long-lived assets (Note 5) | (3,167) | (96,822) |
| Goodwill impairment (Note 9) | − | (237,778) |
| Other deductions (Notes 8 and 9) | (17,976) | (35,716) |
| Income (loss) before income taxes (Note 9) | 84,793 | (316,496) |
| Provision for income taxes | 23,284 | 383,968 |
| Equity in earnings of associated companies | 1,822 | 1,915 |
| Net income (loss) | 63,331 | (698,549) |
| Less net income (loss) attributable to noncontrolling interests | 1,828 | (570) |
| Net income (loss) attributable to Panasonic Corporation (Note 7) | 61,503 | (697,979) |

| | Yen | |
|---|---|---|
| Net income (loss) per share attributable to Panasonic Corporation common shareholders : | | |
| Basic | 26.61 | (301.93) |
| Diluted | − | − |

Consolidated Statements of Comprehensive Income (Loss)

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Net income (loss) | 63,331 | (698,549) |
| Other comprehensive income (loss), net of tax (Note 8) | | |
| Translation adjustments | (6,417) | (16,405) |
| Unrealized holding gains (losses) of available-for-sale securities | (2,272) | (4,591) |
| Unrealized holding gains of derivative instruments | 138 | (421) |
| Pension liability adjustments | 3,698 | 894 |
| | (4,853) | (20,523) |
| Comprehensive income (loss) (Note 7) | 58,478 | (719,072) |
| Comprehensive income (loss) attributable to noncontrolling interests | 1,230 | (1,500) |
| Comprehensive income (loss) attributable to Panasonic Corporation | 57,248 | (717,572) |

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six months ended September 30, 2013 and 2012

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income (loss) | 173,175 | (687,474) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 165,976 | 170,063 |
| Net gain on sale of investments | (24,010) | (7,707) |
| Provision for doubtful receivables | 2,111 | 2,155 |
| Deferred income taxes (Note 9) | (3,235) | 375,385 |
| Write-down of investment securities (Note 9) | 45 | 4,017 |
| Impairment losses on long-lived assets and goodwill (Notes 5 and 9) | 6,165 | 334,762 |
| Cash effects of change in: | | |
| Trade receivables | 11,539 | 14,452 |
| Inventories | (46,691) | (74,760) |
| Other current assets | 18,741 | (20,280) |
| Trade payables | (11,150) | 862 |
| Accrued income taxes | 3,185 | 6,697 |
| Accrued expenses and other current liabilities | (43,165) | (82,629) |
| Retirement and severance benefits | (101,416) | (3,821) |
| Deposits and advances from customers | 8,177 | (1,644) |
| Other, net | 2,020 | (9,761) |
| Net cash provided by operating activities | 161,467 | 20,317 |
| Cash flows from investing activities: | | |
| Proceeds from disposition of investments and advances | 53,477 | 57,586 |
| Increase in investments and advances | (5,122) | (1,899) |
| Capital expenditures | (99,830) | (175,553) |
| Proceeds from disposals of property, plant and equipment | 12,518 | 46,625 |
| Decrease in time deposits, net | 1,642 | 7,599 |
| Other, net | (8,937) | (14,236) |
| Net cash used in investing activities | (46,252) | (79,878) |

(Continued)

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six months ended September 30, 2013 and 2012

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term debt with maturities of three months or less, net (Note 1) | (117,202) | (39,448) |
| Proceeds from short-term debt with maturities longer than three months (Note 1) | 7,191 | 378,639 |
| Repayments of short-term debt with maturities longer than three months (Note 1) | (16,089) | (321,537) |
| Proceeds from long-term debt | - | 648 |
| Repayments of long-term debt | (34,958) | (44,760) |
| Dividends paid to Panasonic Corporation shareholders (Note 7) | - | (11,559) |
| Dividends paid to noncontrolling interests (Note 7) | (8,165) | (7,918) |
| Repurchase of common stock (Note 7) | (26) | (16) |
| Sale of treasury stock (Note 7) | 3 | 4 |
| Purchase of noncontrolling interests (Note 7) | (547) | (727) |
| Other, net | (377) | 228 |
| Net cash used in financing activities | (170,170) | (46,446) |
| Effect of exchange rate changes on cash and cash equivalents | 17,242 | (24,505) |
| Net decrease in cash and cash equivalents | (37,713) | (130,512) |
| Cash and cash equivalents at beginning of period | 496,283 | 574,411 |
| Cash and cash equivalents at end of period | 458,570 | 443,899 |

See accompanying 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 (U.S. GAAP).

### (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.

The equity method is used to account for investments in associated companies, in which the Company exerts significant influence, generally having a 20% to 50% voting interest, and corporate joint ventures. These investments are included in “Investments and advances” in the consolidated balance sheets.

The Company has 525 consolidated subsidiaries and 91 associated companies under equity method as of September 30, 2013.

From the year ended March 31, 2013, the Company changed its presentation of consolidated statements of cash flows to gross-up proceeds from and repayments of short-term debt with maturity term longer than three months. Certain revisions have been made to the prior period’s presentation to conform with the current presentation. The revisions do not have any impact on the cash flows from financing activities of consolidated statement of cash flows.

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 the first quarter of 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 for the six months ended September 30, 2013 were as follows: Appliances—15%, Eco Solutions—22%, AVC Networks—19%, Automotive & Industrial Systems—34% and Other—10%. A sales breakdown by geographical market was as follows: Japan—48%, North and South America—15%, Europe—10%, and Asia and Others—27%.

Sales by segment for the three months ended September 30, 2013 were as follows: Appliances—15%, Eco Solutions—22%, AVC Networks—19%, Automotive & Industrial Systems—34% and Other—10%. A sales breakdown by geographical market was as follows: Japan—49%, North and South America—15%, Europe—9%, and Asia and Others—27%.

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

(d) **Use of Estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions are reflected in valuation and disclosure of revenue recognition, allowance for doubtful receivables, valuation of inventories, impairment of long-lived assets, impairment of goodwill, environmental liabilities, valuation of deferred tax assets, uncertain tax positions, employee retirement and severance benefit plans.
Management evaluated the subsequent events through November 14, 2013, the issue date of the Company's consolidated financial statements.

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

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 income (See Note 8). This adoption did not have any effect on the Company’s consolidated financial statements.

(f) **Reclassifications**

Certain reclassifications have been made to the prior years’ consolidated financial statements in order to conform with the presentation used for fiscal 2014.

(2) Inventories

Inventories at September 30 and March 31, 2013 are summarized as follows:

| | Yen (millions) | |
|---|---|---|
| | September 30, 2013 | March 31, 2013 |
| Finished goods | 499,597 | 453,440 |
| Work in process | 143,715 | 135,308 |
| Raw materials | 203,340 | 198,097 |
| | 846,652 | 786,845 |

(3) Investments in Securities

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

The cost, fair value and net unrealized holding gains (losses) of available-for-sale securities included in investments and advances at September 30 and March 31, 2013 are as follows:

| | Yen (millions) | | |
|---|---|---|---|
| | September 30, 2013 | | |
| | Cost | Fair value | Net unrealized holding gains (losses) |
| Investments and advances: | | | |
| Equity securities | 31,580 | 85,034 | 53,454 |
| Corporate and government bonds | 1,435 | 1,456 | 21 |
| Other debt securities | 15 | 15 | - |
| | 33,030 | 86,505 | 53,475 |

| | Yen (millions) | | |
|---|---|---|---|
| | March 31, 2013 | | |
| | Cost | Fair value | Net unrealized holding gains (losses) |
| Investments and advances: | | | |
| Equity securities | 49,176 | 84,035 | 34,859 |
| Corporate and government bonds | 1,691 | 1,718 | 27 |
| Other debt securities | 12 | 12 | - |
| | 50,879 | 85,765 | 34,886 |

The carrying amounts of the Company's cost method investments totaled 21,308 million yen and 21,566 million yen at September 30 and March 31, 2013, respectively.

(4) Leases

The Company has operating leases for certain land, buildings, machinery and equipment, and finite-lived intangible assets. Future minimum lease payments under operating leases at September 30, 2013 are as follows:

| | Yen (millions) |
|---|---|
| Due within 1 year | 43,641 |
| Due after 1 year within 2 years | 23,436 |
| Due after 2 years within 3 years | 10,667 |
| Due after 3 years within 4 years | 9,126 |
| Due after 4 years within 5 years | 7,238 |
| Thereafter | 28,857 |
| Total minimum lease payments | 122,965 |

(5) Long-Lived Assets

The Company periodically reviews the recorded value of its long-lived assets to determine if the future cash flows to be derived from these assets will be sufficient to recover the remaining recorded asset values. Impairment losses are not charged to segment profit. The disclosure below has been modified to reflect the revised segments.

The Company recognized impairment losses in the aggregate of 6,165million yen and 3,167million yen of long-lived assets for the six months and three months ended September 30, 2013. 3,616 million yen and 1,199 million yen of impairment losses for the six months ended September 30, 2013 were related to “Eco Solutions” segment and “AVC Networks” segment, respectively. 887 million yen and 1,199 million yen of impairment losses for the three months ended September 30, 2013 were related to “Eco Solutions” segment and “AVC Networks” segment, respectively.

The Company recognized impairment losses in the aggregate of 96,984 million yen and 96,822 million yen of long-lived assets for the six months and three months ended September 30, 2012, respectively. 75,634 million yen and 21,164 million yen of impairment losses for the six months ended September 30, 2012 were related to “Eco Solutions” segment and “Automotive & Industrial Systems” segment, respectively. 75,553 million yen and 21,143 million yen of impairment losses for the three months ended September 30, 2012 were related to “Eco Solutions” segment and “Automotive & Industrial Systems” segment, respectively.

The Company recorded impairment losses for certain finite-lived intangible assets mainly related to patents and know-how and trademark, and machinery related to solar battery business in “Eco Solutions” segment. 73,894 million yen of impairment losses were related to finite-lived intangible assets. As a result of the continuously 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 excess earnings method and 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 finite-lived intangible assets mainly related to patents and know-how, land, buildings and machinery related to consumer lithium-ion battery business in “Automotive & Industrial Systems” segment. 13,658 million yen of impairment losses were related to finite-lived intangible assets. As a result of the continuously 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 excess earnings method and relief-from-royalty method. The fair value of land, buildings and machinery was determined through an appraisal based on the repurchase cost.

## (6) Per Share Information

### Panasonic Corporation Shareholders' Equity per Share

Panasonic Corporation shareholders' equity per share as of September 30 and March 31, 2013 are as follows:

| | Yen | |
|---|---|---|
| | September 30, 2013 | March 31, 2013 |
| Panasonic Corporation shareholders' equity per share | 634.60 | 546.81 |

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

A reconciliation of the numerators and denominators of the basic net income (loss) per share attributable to Panasonic Corporation common shareholders computation for the six months ended September 30, 2013 and 2012 are as follows:

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Net income (loss) attributable to Panasonic Corporation common shareholders | 169,334 | (685,170) |

| | Number of shares | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Average common shares outstanding | 2,311,643,803 | 2,311,692,841 |

| | Yen | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders: | | |
| Basic | 73.25 | (296.39) |

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

A reconciliation of the numerators and denominators of the basic net income (loss) per share attributable to Panasonic Corporation common shareholders computation for the three months ended September 30, 2013 and 2012 are as follows:

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Net income (loss) attributable to Panasonic Corporation common shareholders | 61,503 | (697,979) |

| | Number of shares | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Average common shares outstanding | 2,311,636,414 | 2,311,688,605 |

| | Yen | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Net income (loss) per share attributable to Panasonic Corporation common shareholders: | | |
| Basic | 26.61 | (301.93) |

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

(7) Equity

The change in the carrying amount of Panasonic Corporation shareholders' equity, noncontrolling interests and total equity in the consolidated balance sheets for the six months ended September 30, 2013 and 2012 are as follows:

| | Yen (millions) | | |
|---|---|---|---|
| | Six months ended September 30, 2013 | | |
| | Panasonic Corporation shareholders' equity | Noncontrolling interests | Total equity |
| Balance at April 1, 2013 | 1,264,032 | 40,241 | 1,304,273 |
| Dividends paid to Panasonic Corporation shareholders | − | − | − |
| Dividends paid to noncontrolling interests | − | (8,165) | (8,165) |
| Repurchase of common stock | (26) | - | (26) |
| Sale of treasury stock | 3 | - | 3 |
| Equity transactions with noncontrolling interests | (850) | 303 | (547) |
| Other | - | (67) | (67) |
| Comprehensive income (loss): | | | |
| Net income | 169,334 | 3,841 | 173,175 |
| Other comprehensive income (loss), net of tax: | | | |
| Translation adjustments | 52,166 | 2,839 | 55,005 |
| Unrealized holding gains (losses) of available-for-sale securities | 12,536 | (15) | 12,521 |
| Unrealized holding gains of derivative instruments | 2,032 | - | 2,032 |
| Pension liability adjustments | (32,277) | 1,203 | (31,074) |
| Total comprehensive income | 203,791 | 7,868 | 211,659 |
| Balance at September 30, 2013 | 1,466,950 | 40,180 | 1,507,130 |

| | Yen (millions) | | |
|---|---|---|---|
| | Six months ended September 30, 2012 | | |
| | Panasonic Corporation shareholders' equity | Noncontrolling interests | Total equity |
| Balance at April 1, 2012 | 1,929,786 | 47,780 | 1,977,566 |
| Dividends paid to Panasonic Corporation shareholders | (11,559) | - | (11,559) |
| Dividends paid to noncontrolling interests | - | (7,918) | (7,918) |
| Repurchase of common stock | (16) | - | (16) |
| Sale of treasury stock | 4 | - | 4 |
| Equity transactions with noncontrolling interests | (50) | (677) | (727) |
| Other | - | 2,251 | 2,251 |
| Comprehensive income (loss): | | | |
| Net income (loss) | (685,170) | (2,304) | (687,474) |
| Other comprehensive income (loss), net of tax: | | | |
| Translation adjustments | (62,631) | (4,521) | (67,152) |
| Unrealized holding losses of available-for-sale securities | (30,796) | (38) | (30,834) |
| Unrealized holding gains of derivative instruments | 4,764 | - | 4,764 |
| Pension liability adjustments | 5,299 | 52 | 5,351 |
| Total comprehensive loss | (768,534) | (6,811) | (775,345) |
| Balance at September 30, 2012 | 1,149,631 | 34,625 | 1,184,256 |

Net income (loss) attributable to Panasonic Corporation and transfers to the noncontrolling interests for the six months ended September 30, 2013 and 2012 are as follows:

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Net income (loss) attributable to Panasonic Corporation | 169,334 | (685,170) |
| Transfers to the noncontrolling interests: | | |
| Decrease in capital surplus for purchase of additional shares in consolidated subsidiaries | (850) | (50) |
| Total | (850) | (50) |
| Change from net income (loss) attributable to Panasonic Corporation and Transfers to the noncontrolling interests | 168,484 | (685,220) |

Transfers (to) from the noncontrolling interests for the three months ended September 30, 2013 and 2012 are not material.

(8) Other Comprehensive Income (Loss)

Other comprehensive income (loss) for the six months ended September 30, 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 at April 1, 2013 | (297,015) | (218) | (4,573) | (326,423) | (628,229) |
| Arising during the period: | | | | | |
| Pre-tax amount | 57,413 | 39,970 | (8,442) | 37,991 | 126,932 |
| Tax expense | - | (14,453) | 606 | (2,021) | (15,868) |
| Net-of-tax amount | 57,413 | 25,517 | (7,836) | 35,970 | 111,064 |
| Reclassification adjustment for (gains) losses included in net income: | | | | | |
| Pre-tax amount | (2,408) | (20,894) | 10,502 | (69,851) | (82,651) |
| Tax expense | - | 7,898 | (634) | 2,807 | 10,071 |
| Net-of-tax amount | (2,408) | (12,996) | 9,868 | (67,044) | (72,580) |
| Other comprehensive income (loss), net of tax: | 55,005 | 12,521 | 2,032 | (31,074) | 38,484 |
| Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount | 2,839 | (15) | - | 1,203 | 4,027 |
| Accumulated other comprehensive income (loss) — Balance at September 30, 2013 | (244,849) | 12,318 | (2,541) | (358,700) | (593,772) |

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 statements of income.

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 (9,264)million yen — Other income (deductions)
Commodity derivatives (1,238)million yen — Cost of sales
Pension liability adjustments — Net periodic pension cost

Other comprehensive income (loss) for the three months ended September 30, 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 |
| Arising during the period: | | | | | |
| Pre-tax amount | (6,668) | 17,148 | (7,822) | (62) | 2,596 |
| Tax expense | - | (6,644) | 577 | 27 | (6,040) |
| Net-of-tax amount | (6,668) | 10,504 | (7,245) | (35) | (3,444) |
| Reclassification adjustment for (gains) losses included in net income: | | | | | |
| Pre-tax amount | 251 | (20,540) | 7,885 | 3,652 | (8,752) |
| Tax expense | - | 7,764 | (502) | 81 | 7,343 |
| Net-of-tax amount | 251 | (12,776) | 7,383 | 3,733 | (1,409) |
| Other comprehensive income (loss), net of tax: | (6,417) | (2,272) | 138 | 3,698 | (4,853) |
| Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount | (626) | 18 | - | 10 | (598) |
| Net change in accumulated other comprehensive income (loss) | (5,791) | (2,290) | 138 | 3,688 | (4,255) |

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 statements of income.

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 (6,909)million yen ー Other income (deductions)
Commodity derivatives (976)million yen ー Cost of sales
Pension liability adjustments ー Net periodic pension cost

(9) Supplementary Information

Included in other deductions for the six months and three months ended September 30, 2013 and 2012 are as follows:

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries | 1,813 | 14,483 |
| Write-down of investment securities | 45 | 4,017 |
| Foreign exchange losses | 5,120 | 6,399 |

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries | 1,615 | 14,091 |
| Write-down of investment securities | 42 | 3,421 |
| Foreign exchange losses (gains) | 2,372 | (738) |

Net periodic benefit costs of the defined benefit pension plan for the six months ended September 30, 2013 and 2012 are a gain of 55,167 million yen and a loss of 30,085 million yen, respectively. Net periodic benefit costs of the defined benefit pension plan for the three months ended September 30, 2013 and 2012 are a loss of 5,748million yen and a loss of 15,147million yen, respectively. In the first quarter of 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 income for the six months ended September 30, 2013.

In the first quarter of fiscal 2014, the Company's management and labor unions agreed to reduce the employee's bonuses in accordance with the Group extraordinary management measures. 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 was regarded as a change in accounting estimate under the U.S. GAAP. This revision caused an increase in income before income taxes by 20,133million yen on the consolidated statement of income for the six months ended September 30, 2013.

Net gain from insurance recovery related to the flooding in Thailand included in other income for the six and three months ended September 30, 2012 amounted to 1,243 million yen and 913 million yen, respectively, which was net of loss of 389 million yen and 45 million yen, respectively, incurred due to the flooding.

Included in goodwill impairment for the six and three months ended September 30, 2012 are 72,197 million yen of impairment loss related to solar battery business in "Eco Solutions" segment, 91,007 million yen of impairment loss related to mobile phone business in "AVC Networks" segment and 74,574 million yen of impairment loss related to consumer lithium-ion battery business in "Automotive & Industrial Systems" segment. Goodwill impairment related to solar battery business is due to the continuously substantial decline of product prices and reversal of strategies for sales and investments resulted in a decrease in the estimated fair value of the reporting unit. Goodwill impairment related to mobile phone business is due to the decline in market share in Japan and the revision of the overseas development strategy resulted in a decrease in the estimated fair value of the reporting unit. Goodwill impairment related to consumer lithium-ion battery business is due to the continuously substantial decline of product prices and reversal of strategies for sales and investment resulted in a decrease in the estimated fair value of the reporting unit. The fair value of each reporting unit is based on the combination of discounted cash flow method, guideline public company method and guideline transaction method.

Included in provision for income taxes for the six and three months ended September 30, 2012 are 371,557 million yen of increase in valuation allowance to deferred tax assets in Panasonic Corporation and 40,968 million yen of that in Panasonic Mobile Communications Co., Ltd. (which was merged into Panasonic Corporation on April 1, 2013), respectively. Based on a decline in profitability due mainly to significant sales decreases in digital consumer products including flat-panel TVs in Japan and continuous severe business environment in the third quarter onwards, the Company increased valuation allowances to deferred tax assets of the aforementioned two companies, since, after a consideration of the realizability of the deferred tax assets in accordance with the provisions of ASC740, “Income Taxes,” it is determined that it is more likely than not the deferred tax assets will not be realized.

20,000 million yen and 140,573 million yen of short-term bonds are included in short-term debt, including current portion of long-term debt on the consolidated balance sheets as of September 30 and March 31, 2013, respectively.

(10) 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.

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

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30 and March 31, 2013:

| | Yen (millions) | | | |
|---|---|---|---|---|
| | September 30, 2013 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | 85,034 | - | - | 85,034 |
| Corporate and government bonds | - | 1,456 | - | 1,456 |
| Other debt securities | - | 15 | - | 15 |
| Total available-for-sale securities | 85,034 | 1,471 | - | 86,505 |
| Derivatives: | | | | |
| Foreign exchange contracts | - | 1,264 | - | 1,264 |
| Cross currency swaps | - | 478 | - | 478 |
| Commodity futures | 698 | 3,508 | - | 4,206 |
| Total derivatives | 698 | 5,250 | - | 5,948 |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Foreign exchange contracts | - | 4,558 | - | 4,558 |
| Cross currency swaps | - | - | - | - |
| Commodity futures | 4,864 | 686 | - | 5,550 |
| Total derivatives | 4,864 | 5,244 | - | 10,108 |

| | Yen (millions) | | | |
|---|---|---|---|---|
| | March 31, 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 | 3,641 | 5,491 | - | 9,132 |
| Total derivatives | 3,641 | 6,694 | - | 10,335 |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Foreign exchange contracts | - | 13,824 | - | 13,824 |
| Cross currency swaps | - | 184 | - | 184 |
| Commodity futures | 6,254 | 3,622 | - | 9,876 |
| Total derivatives | 6,254 | 17,630 | - | 23,884 |

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

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

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 3.

*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. These carrying amount and fair value at September 30, 2013 are 912,444 million yen and 927,539 million yen, respectively. These carrying amount and fair value at March 31, 2013 are 947,786 million yen and 957,896 million yen, respectively.

*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.

*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 listed above (such as Cash and cash equivalents, Time deposits, Trade receivables, Short-term debt, Trade payables, Accrued expenses)*
The carrying amount approximates fair value because of the short maturity of these instruments. The following table excludes these financial instruments.

*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.

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

For the six months and three months ended September 30, 2013, there were no circumstances that required any significant assets and liabilities that are not measured at fair value on an ongoing basis to be measured and recognized at fair value.

The following table presents significant assets and liabilities that are measured at fair value on a nonrecurring basis for the six months and three months ended September 30, 2012:

| | Yen (millions) | | | | |
|---|---|---|---|---|---|
| | Six months ended September 30, 2012 | | | | |
| | Total gains (losses) | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | |
| Long-lived assets | (96,984) | - | - | 209,687 | 209,687 |
| Goodwill | (237,778) | - | - | 0 | 0 |

| | Yen (millions) | | | | |
|---|---|---|---|---|---|
| | Three months ended September 30, 2012 | | | | |
| | Total gains (losses) | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | |
| Long-lived assets | (96,822) | - | - | 208,786 | 208,786 |
| Goodwill | (237,778) | - | - | 0 | 0 |

The Company classified most of assets and liabilities described above in Level 3 as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through 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 that are measured at fair value on a nonrecurring basis in Level 3 for the six months and three months ended September 30, 2012:

| | Yen (millions) | | | |
|---|---|---|---|---|
| | For the six months ended September 30, 2012 | | | |
| | Fair value at September 30, 2012 | Valuation technique | Unobservable inputs | Range |
| Assets: | | | | |
| Long-lived assets | 209,687 | Excess earnings method | Discount rate | 10.0% |
| | | Relief-from-royalty method | Discount rate | 6.5%-10.0% |
| Goodwill | 0 | Discounted cash flow method | Weighted average cost of capital | 6.2%-7.3% |
| | | Guideline public company method | EBITDA multiple | 2.6-6.2 |
| | | Guideline merged and acquired company method | EBITDA multiple | 7.0-11.0 |

| | Yen (millions) | | | |
|---|---|---|---|---|
| | For the three months ended September 30, 2012 | | | |
| | Fair value at September 30, 2012 | Valuation technique | Unobservable inputs | Range |
| Assets: | | | | |
| Long-lived assets | 208,786 | Excess earnings method | Discount rate | 10.0% |
| | | Relief-from-royalty method | Discount rate | 6.5%-10.0% |
| Goodwill | 0 | Discounted cash flow method | Weighted average cost of capital | 6.2%-7.3% |
| | | Guideline public company method | EBITDA multiple | 2.6-6.2 |
| | | Guideline merged and acquired company method | EBITDA multiple | 7.0-11.0 |

(11) Commitments and Contingent Liabilities

The Company provides guarantees to third parties mainly on bank loans provided to associated companies and customers. The guarantees are made to enhance their credit. For each guarantee provided, the Company is required to perform under the guarantee if the guaranteed party defaults on a payment. Also, the Company sold certain trade receivables to independent third parties, some of which are with recourse. If the collectibility of those receivables with recourse becomes doubtful, the Company is obligated to assume the liabilities. At September 30, 2013, the maximum amount of undiscounted payments the Company would have to make in the event of default was 31,119 million yen. The carrying amount of the liabilities recognized for the Company's obligations as a guarantor under those guarantees at September 30, 2013 was immaterial.

In connection with the sale and lease back of certain machinery and equipment, the Company guarantees a specific value of the leased assets. For each guarantee provided, the Company is required to perform under the guarantee if certain conditions are met during or at the end of the lease term. At September 30, 2013, 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 guarantors under those guarantees at September 30, 2013 was immaterial.

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

The Company and certain of its subsidiaries are subject to a number of legal proceedings including civil litigations related to trade, tax, products or intellectual properties, or governmental investigations. The Company has been deal 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. and Canada against the Company and certain of its subsidiaries. The Company has paid a fine to the U.S. Department of Justice and the Competition Bureau Canada in fiscal 2011 to resolve alleged antitrust violations relating to compressors for refrigerator use. In fiscal 2012, the Company received notification of a European Commission Decision and accepted a fine on 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.

## (12) 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 follows:

“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 equipments & 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.

By Segment:

Segment information for the six months ended September 30, 2012 has been reclassified to conform to the presentation for the six months ended September 30, 2013. Information by segment for the six months ended September 30, 2013 and 2012 is shown in the tables below:

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Sales: | | |
| Appliances: | | |
| Customers | 436,027 | 410,087 |
| Intersegment | 174,376 | 168,836 |
| Total | 610,403 | 578,923 |
| Eco Solutions: | | |
| Customers | 735,849 | 683,693 |
| Intersegment | 119,900 | 118,610 |
| Total | 855,749 | 802,303 |
| AVC Networks: | | |
| Customers | 689,160 | 762,845 |
| Intersegment | 66,286 | 67,029 |
| Total | 755,446 | 829,874 |
| Automotive & Industrial Systems: | | |
| Customers | 1,281,289 | 1,194,777 |
| Intersegment | 74,623 | 83,140 |
| Total | 1,355,912 | 1,277,917 |
| Other: | | |
| Customers | 333,635 | 364,949 |
| Intersegment | 59,798 | 72,668 |
| Total | 393,433 | 437,617 |
| Eliminations and Adjustments: | | |
| Customers | 230,360 | 221,809 |
| Intersegment | (494,983) | (510,283) |
| Total | (264,623) | (288,474) |
| Consolidated total | 3,706,320 | 3,638,160 |

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Segment profit (loss): | | |
| Appliances | 17,174 | 28,723 |
| Eco Solutions | 41,389 | 19,731 |
| AVC Networks | (16,458) | (13,218) |
| Automotive & Industrial Systems | 58,246 | 28,013 |
| Other | 5,425 | (6,405) |
| Eliminations and Adjustments | 40,813 | 30,522 |
| Total segment profit | 146,589 | 87,366 |
| Interest income | 4,831 | 5,146 |
| Dividends received | 1,510 | 2,538 |
| Other income | 108,075 | 33,068 |
| Interest expense | (11,884) | (12,082) |
| Impairment losses of long-lived assets | (6,165) | (96,984) |
| Goodwill impairment | - | (237,778) |
| Other deductions | (35,551) | (59,945) |
| Consolidated income (loss) before income taxes | 207,405 | (278,671) |

The figures in "Eliminations and Adjustments" include revenues and expenses 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 six months ended September 30, 2013 and 2012 mainly include price differences for 288,616 million yen and 272,387 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 50,518 million yen and a deduction of 47,588 million yen, respectively, solely for the purpose of assessing segment performance.

Adjustments of profit for the six months ended September 30, 2013 and 2012 mainly include 32,356 million yen and 16,363 million yen of profit and loss of corporate head quarters and sales departments of consumer products which are not allocated to any reportable segments, respectively. The adjustments also include 8,457 million yen and 14,159 million yen of consolidation adjustments, respectively, mainly related to amortization of finite-lived intangible assets generated by business combinations and other differences in accounting standards.

Transfers between business segments are made at arms-length prices. There is no material concentration of sales to a single external major customer for the six months ended September 30, 2013 and 2012.

Segment information for the three months ended September 30, 2012 has been reclassified to conform to the presentation for the three months ended September 30, 2013. Information by segment for the three months ended September 30, 2013 and 2012 is shown in the tables below:

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Sales: | | |
| Appliances: | | |
| Customers | 209,952 | 191,596 |
| Intersegment | 87,140 | 82,167 |
| Total | 297,092 | 273,763 |
| Eco Solutions: | | |
| Customers | 386,323 | 354,681 |
| Intersegment | 57,786 | 59,740 |
| Total | 444,109 | 414,421 |
| AVC Networks: | | |
| Customers | 348,810 | 391,271 |
| Intersegment | 46,092 | 39,994 |
| Total | 394,902 | 431,265 |
| Automotive & Industrial Systems: | | |
| Customers | 650,231 | 604,423 |
| Intersegment | 41,343 | 38,884 |
| Total | 691,574 | 643,307 |
| Other: | | |
| Customers | 179,146 | 190,627 |
| Intersegment | 28,979 | 35,554 |
| Total | 208,125 | 226,181 |
| Eliminations and Adjustments: | | |
| Customers | 107,343 | 91,064 |
| Intersegment | (261,340) | (256,339) |
| Total | (153,997) | (165,275) |
| Consolidated total | 1,881,805 | 1,823,662 |

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Segment profit (loss): | | |
| Appliances | 4,461 | 8,020 |
| Eco Solutions | 25,289 | 16,106 |
| AVC Networks | 281 | 3,190 |
| Automotive & Industrial Systems | 29,585 | 15,378 |
| Other | 8,223 | (951) |
| Eliminations and Adjustments | 14,549 | 7,020 |
| Total segment profit | 82,388 | 48,763 |
| Interest income | 2,608 | 2,343 |
| Dividends received | 207 | 310 |
| Other income | 26,517 | 8,860 |
| Interest expense | (5,784) | (6,456) |
| Impairment losses of long-lived assets | (3,167) | (96,822) |
| Goodwill impairment | - | (237,778) |
| Other deductions | (17,976) | (35,716) |
| Consolidated income (loss) before income taxes | 84,793 | (316,496) |

The figures in "Eliminations and Adjustments" include revenues and expenses 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 three months ended September 30, 2013 and 2012 mainly include price differences for 138,277 million yen and 120,234 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 25,948 million yen and a deduction of 24,472 million yen, respectively, solely for the purpose of assessing segment performance.

Adjustments of profit for the three months ended September 30, 2013 and 2012 mainly include 8,312 million yen and 758 million yen of profit and loss of corporate head quarters and sales departments of consumer products which are not allocated to any reportable segments, respectively. The adjustments also include 6,237 million yen and 6,262 million yen of consolidation adjustments, respectively, mainly related to amortization of finite-lived intangible assets generated by business combinations and other differences in accounting standards.

Transfers between business segments are made at arms-length prices. There is no material concentration of sales to a single external major customer for the three months ended September 30, 2013 and 2012.

By Geographical Area:

Sales attributed to countries based upon the customer's location for the six months ended September 30, 2013 and 2012 are as follows:

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2013 | 2012 |
| Sales: | | |
| Japan | 1,787,332 | 1,878,179 |
| North and South America | 553,909 | 486,606 |
| Europe | 354,255 | 320,380 |
| Asia and Others | 1,010,824 | 952,995 |
| Consolidated total | 3,706,320 | 3,638,160 |
| United States included in North and South America | 471,831 | 410,131 |
| China included in Asia and Others | 510,646 | 514,620 |

Sales attributed to countries based upon the customer's location for the three months ended September 30, 2013 and 2012 are as follows:

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2013 | 2012 |
| Sales: | | |
| Japan | 922,463 | 956,035 |
| North and South America | 281,584 | 242,586 |
| Europe | 177,048 | 152,259 |
| Asia and Others | 500,710 | 472,782 |
| Consolidated total | 1,881,805 | 1,823,662 |
| United States included in North and South America | 239,134 | 203,835 |
| China included in Asia and Others | 258,455 | 261,912 |

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

(13) Cash Dividends

On October 31, 2013, the board of directors approved an interim dividend of 5.0 yen per share, totaling 11,558 million yen on outstanding common stock as of September 30, 2013. The dividends, which will become effective on December 5, 2013, were sourced out of retained earnings.

(14) Subsequent Events

Conclusion of share purchase agreement and shareholders agreement for the Turkish electrical construction materials maker

On October 31, 2013, the board of directors decided to conclude a share purchase agreement and a shareholders agreement with the shareholders of the Turkish electrical equipment and materials maker, Viko Elektrik ve Elektronik Endüstrisi Sanayi ve Ticaret Anonim Şirketi (VIKO), and the Company signed the share purchase agreement on the same day. The Company will acquire 90% of the issued shares of VIKO in fiscal 2014 (ending March 31, 2014) for about 460 million US dollars after the conclusion of the shareholders agreement. The final purchase price will be determined after the transfer of the shares.