［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 nine months ended December 31, 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		
	Nine months ended December 31, 2013	Nine months ended December 31, 2012	Year ended March 31, 2013
Net sales	5,679,811	5,439,663	7,303,045
Income (loss) before income taxes	307,037	(269,398)	(398,386)
Net income (loss) attributable to Panasonic Corporation	243,014	(623,830)	(754,250)
Comprehensive income (loss) attributable to Panasonic Corporation	385,083	(570,792)	(647,324)
Total Panasonic Corporation shareholders' equity	1,636,642	1,340,663	1,264,032
Total equity	1,684,934	1,382,881	1,304,273
Total assets	5,476,647	5,744,186	5,397,812
Net income (loss) per share attributable to Panasonic Corporation common shareholders, basic (yen)	105.13	(269.86)	(326.28)
Net income per share attributable to Panasonic Corporation common shareholders, diluted (yen)	—	—	—
Panasonic Corporation shareholders' equity / total assets (%)	29.9	23.3	23.4
Net cash provided by operating activities	355,155	82,165	338,750
Net cash provided by (used in) investing activities	(76,964)	(49,755)	16,406
Net cash used in financing activities	(302,624)	(104,060)	(491,058)
Cash and cash equivalents at end of period	520,151	525,303	496,283

	Three months ended December 31, 2013	Three months ended December 31, 2012
Net sales	1,973,491	1,801,503
Net income attributable to Panasonic Corporation	73,680	61,340
Net income per share attributable to Panasonic Corporation common shareholders, basic (yen)	31.87	26.53

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 522 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 nine months ended December 31, 2013, there were changes in principal businesses and 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.

Panasonic resolved at its meeting of Board of Directors held on October 31, 2013 to discontinue its plasma display panels (PDP) business. Accordingly, the Company ended the production of PDP in December 2013, and will stop business operations at factories of Panasonic Plasma Display Co., Ltd., the Amagasaki P3 Factory (production currently stopped), the Amagasaki P5 Factory (production currently suspended), and the Amagasaki P4 Factory, which is currently operating, at the end of March 2014.

Automotive & Industrial Systems:
Panasonic resolved at its meeting of Board of Directors held on November 28, 2013 to discontinue its resin-based multi-layer printed circuit board business, and thin and high density interposer business among the printed circuit board business. None of the plants will be closed.

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 nine months ended December, 31, 2013 under review, despite economic slowdown in some emerging countries, the economy continued to expand in the U.S. and Japan, and moderately recovered in Europe.
Under such business circumstances, Panasonic has been promoting initiatives in restructuring unprofitable businesses and developing strategy for future growth in a group formation through its Business Division system to revitalize each business.
The Company has decided to discontinue its PDP production, and exit from its resin-based multi-layer printed circuit board business and thin and high density interposer business among the printed circuit board business. Meantime, Panasonic and Tesla Motors (Tesla) reached an agreement in which Panasonic will expand its supply of automotive-grade lithium-ion cells to Tesla. The Company also announced its share purchase agreement for VIKO, a Turkish wiring device maker.

Consolidated group sales for the nine months ended December 31, 2013 increased by 4% to 5,679.8 billion yen, compared with 5,439.7 billion yen in the same period of fiscal 2013. Yen depreciation contributed to sales increase. Sales of automotive related business increased with global market recovery, and sales of housing related business also increased with stable demand of new housing construction in Japan. Meantime, sales of digital consumer products decreased while focusing on profitability rather than sales volume.

The Company's operating profit* for the nine months increased by 116% to 263.2 billion yen, from 122.0 billion yen a year ago due to significant profit improvement of unprofitable businesses. Implementing corporate-wide fixed cost reduction and streamlining of material cost also contributed to profit increase. In other income (deductions), a one-off gain of 79.8 billion yen from the pension scheme change was recorded in the first quarter ended June 30, 2013, and the business restructuring expenses related to printed circuit board business of 21.7 billion yen were incurred in the third quarter ended December 31, 2013. Accordingly, pre-tax income and net income attributable to Panasonic Corporation improved significantly to 307.0 billion yen from a loss of 269.4 billion yen, and to 243.0 billion yen from a loss of 623.8 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 nine-month consolidated sales and profits by segment with previous year comparisons are summarized as follows:

Appliances

Sales increased by 8% to 903.2 billion yen, compared with 833.9 billion yen a year ago. This was due mainly to positive effect of yen depreciation although sales in most products were disappointing, especially sales in household air conditioners in China due to its channel inventory adjustment.
Segment profit decreased by 23% to 27.0 billion yen, compared with 34.9 billion yen a year ago. Streamlining and cost reductions were unable to offset negative impact of yen depreciation on products manufactured in overseas factories and imported to Japan.

Eco Solutions

Sales increased by 8% to 1,331.3 billion yen from 1,234.1 billion yen a year ago with favorable sales in all Business Divisions due mainly to a surge in consumer spending before the consumption tax hike in Japan.
Segment profit significantly increased by 67% to 73.5 billion yen from 44.0 billion yen a year ago due mainly to sales increase and cost reduction offsetting negative impact of yen depreciation.

AVC Networks

Sales decreased by 4% to 1,169.1 billion yen from 1,217.5 billion yen a year ago. Despite steady sales in B to B, sales in B to C decreased due to the Company's business restructuring and weaker demand.
Segment loss was 6.4 billion yen which is an improvement from a loss of 24.1 billion yen a year ago due mainly to sales increase in B to B and business restructuring especially in TVs and panel businesses.

Automotive& Industrial Systems

Sales increased by 9% to 2,050.8 billion yen from 1,888.4 billion yen a year ago. Sales increased due mainly to yen depreciation and sales growth in automotive related business including Automotive Infotainment Systems Business Division with car makers' stable automotive production.
Segment profit significantly increased by 217% to 86.4 billion yen from 27.2 billion yen a year ago due mainly to favorable sales in automotive related business and positive impact of yen depreciation.

Other

Sales decreased by 8% to 594.8 billion yen from 645.8 billion yen a year ago due mainly to the SANYO-related business transfers implemented in the fiscal 2013.
Segment profit was 9.1 billion yen compared with a loss of 9.9 billion yen a year ago.

(3) Assets, Liabilities and Equity

The Company's consolidated total assets as of December 31, 2013 increased by 78.8 billion yen to 5,476.6 billion yen from the end of fiscal 2013. This was due mainly to yen depreciation, despite a decrease in property, plant and equipment.

The Company's consolidated total liabilities as of December 31, 2013 decrease by 301.8 billion yen to 3,791.7 billion yen from the end of fiscal 2013. This was due mainly to reduced interest-bearing debt including short-term bond maturity, and decrease in retirement and severance benefits.

Panasonic Corporation shareholders' equity increased by 372.6 billion yen to 1,636.6 billion yen from March 31, 2013. 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 1,684.9 billion yen.

(4) Cash Flows

Cash flows from operating activities

Net cash provided by operating activities for the nine months ended December 31, 2013 amounted to 355.2 billion yen, an increase of 273.0 billion yen from a year ago due mainly to significant improvement in operating profit.

Cash flows from investing activities

Net cash used in investing activities amounted to 77.0 billion yen, an increase of 27.2 billion yen from a year ago. This was due mainly to a decrease in proceeds from disposals of investments and property, plant and equipment, despite decrease in capital expenditures.

Accordingly, free cash flow (net cash provided by operating activities minus net cash used in investing activities) amounted to 278.2 billion yen, an increase of 245.8 billion yen from a year ago.

Cash flows from financing activities

Net cash used in financing activities amounted to 302.6 billion yen, an increase of 198.5 billion yen from a year ago, due mainly to accelerating reduction of interest-bearing debt including short-term bond and long-term debt.

Taking into consideration exchange rate fluctuations, cash and cash equivalents totaled 520.2 billion yen as of December 31, 2013, an increase of 23.9 billion yen, compared with the end of the last fiscal year.

(5) Research and Development

Panasonic's R&D expenditures for the nine months ended December 31, 2013 totaled 346.4 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 nine months ended December 31, 2013 totaled 142.8 billion yen, down 38% from a year ago.

(7) Depreciation

Panasonic's depreciation (tangible assets) for the nine months ended December 31, 2013 totaled 209.3 billion yen, up 1% from a year ago.

(8) Number of Employees

Number of employees at the end of the third quarter of fiscal 2014 was 285,817, a decrease of 7,925, compared with the end of the fiscal 2013.

(9) Risk Factors

There were no risks newly identified during the nine months ended December 31, 2013.
During the nine months ended December 31, 2013, there were no significant changes with regard to the "Risk Factors" stated in the annual securities report of the prior fiscal year.

Ⅲ Shares and Shareholders

(1) Shares of Common Stock Issued as of December 31, 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 December 31, 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

December 31 and March 31, 2013

Assets	Yen (millions) December 31, 2013	Yen (millions) March 31, 2013
Current assets:		
Cash and cash equivalents	520,151	496,283
Time deposits	–	1,674
Trade receivables:		
Notes	75,732	56,752
Accounts	961,793	905,973
Allowance for doubtful receivables	(24,938)	(23,398)
Net trade receivables	1,012,587	939,327
Inventories (Note 2)	850,719	786,845
Other current assets	320,298	269,954
Total current assets	2,703,755	2,494,083
Investments and advances (Note 3)	255,720	276,978
Property, plant and equipment (Note 5):		
Land	306,559	313,991
Buildings	1,656,169	1,638,974
Machinery and equipment	2,854,273	2,723,993
Construction in progress	38,714	60,173
	4,855,715	4,737,131
Less accumulated depreciation	3,255,487	3,061,703
Net property, plant and equipment	1,600,228	1,675,428
Other assets:		
Goodwill	511,732	512,146
Intangible assets (Note 5)	199,544	223,013
Other assets	205,668	216,164
Total other assets	916,944	951,323
	5,476,647	5,397,812

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31 and March 31, 2013

Liabilities and Equity	Yen (millions) December 31, 2013	Yen (millions) March 31, 2013
Current liabilities:		
Short-term debt, including current portion of long-term debt (Note 9)	301,023	480,304
Trade payables:		
Notes	125,201	52,205
Accounts	708,304	739,581
Total trade payables	833,505	791,786
Accrued income taxes	42,620	32,162
Accrued payroll (Note 9)	155,638	201,460
Other accrued expenses	757,348	713,314
Deposits and advances from customers	92,772	75,669
Employees' deposits	6,278	6,610
Other current liabilities	310,455	297,854
Total current liabilities	2,499,639	2,599,159
Noncurrent liabilities:		
Long-term debt	567,778	663,091
Retirement and severance benefits	519,619	621,802
Other liabilities	204,677	209,487
Total noncurrent liabilities	1,292,074	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)	1,109,839	1,110,686
Legal reserve and retained earnings (Note 1)	1,001,315	769,863
Accumulated other comprehensive income (loss) (Note 8):		
Cumulative translation adjustments	(133,144)	(297,015)
Unrealized holding gains (losses) of available-for-sale securities (Note 3)	3,267	(218)
Unrealized gains (losses) of derivative instruments	(1,516)	(4,573)
Pension liability adjustments (Note 9)	(354,767)	(326,423)
	(486,160)	(628,229)
Treasury stock, at cost: 141,463,856 shares (141,394,374 shares as of March 31, 2013)	(247,092)	(247,028)
Total Panasonic Corporation shareholders' equity	1,636,642	1,264,032
Noncontrolling interests	48,292	40,241
Total equity (Note 7)	1,684,934	1,304,273
Commitments and contingent liabilities (Notes 4 and 11)		
	5,476,647	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)

Nine months ended December 31, 2013 and 2012

Consolidated Statements of Operations

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Revenues, costs and expenses:		
Net sales	5,679,811	5,439,663
Cost of sales (Note 8)	(4,135,250)	(4,052,633)
Selling, general and administrative expenses	(1,281,385)	(1,265,077)
Interest income	7,492	7,219
Dividends received	1,948	3,639
Other income (Notes 8 and 9)	133,518	70,416
Interest expense	(16,374)	(18,349)
Impairment losses of long-lived assets (Note 5)	(32,176)	(99,333)
Goodwill impairment (Note 9)	−	(237,778)
Other deductions (Notes 8 and 9)	(50,547)	(117,165)
Income (loss) before income taxes (Note 9)	307,037	(269,398)
Provision for income taxes (Note 9)	61,704	368,569
Equity in earnings of associated companies	5,300	4,596
Net income (loss)	250,663	(633,371)
Less net income (loss) attributable to noncontrolling interests	7,619	(9,541)
Net income (loss) attributable to Panasonic Corporation (Note 7)	243,014	(623,830)
	Yen	
Net income (loss) per share attributable to Panasonic Corporation common shareholders :		
Basic	105.13	(269.86)
Diluted	−	−

Consolidated Statements of Comprehensive Income (Loss)

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Net income (loss)	250,633	(633,371)
Other comprehensive income (loss), net of tax (Note 8)		
Translation adjustments	172,967	74,588
Unrealized holding gains (losses) of available-for-sale securities	3,500	(19,453)
Unrealized holding gains (losses) of derivative instruments	3,057	(4,794)
Pension liability adjustments	(27,131)	7,730
	152,393	58,071
Comprehensive income (loss) (Note 7)	403,026	(575,300)
Comprehensive income (loss) attributable to noncontrolling interests	17,943	(4,508)
Comprehensive income (loss) attributable to Panasonic Corporation	385,083	(570,792)

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 December 31, 2013 and 2012

Consolidated Statements of Operations

	Yen (millions)	
	Three months ended December 31	
	2013	2012
Revenues, costs and expenses:		
Net sales	1,973,491	1,801,503
Cost of sales (Note 8)	(1,415,814)	(1,342,620)
Selling, general and administrative expenses	(441,090)	(424,296)
Interest income	2,661	2,073
Dividends received	438	1,101
Other income (Notes 8 and 9)	25,443	37,348
Interest expense	(4,490)	(6,267)
Impairment losses of long-lived assets (Note 5)	(26,011)	(2,349)
Other deductions (Notes 8 and 9)	(14,996)	(57,220)
Income before income taxes	99,632	9,273
Provision for income taxes	24,378	(42,852)
Equity in earnings of associated companies	2,204	1,978
Net income	77,458	54,103
Less net income (loss) attributable to noncontrolling interests	3,778	(7,237)
Net income attributable to Panasonic Corporation	73,680	61,340
	Yen	
Net income per share attributable to Panasonic Corporation common shareholders :		
Basic	31.87	26.53
Diluted	−	−

Consolidated Statements of Comprehensive Income (Loss)

	Yen (millions)	
	Three months ended December 31	
	2013	2012
Net income	77,458	54,103
Other comprehensive income (loss), net of tax (Note 8)		
Translation adjustments	117,962	141,740
Unrealized holding gains (losses) of available-for-sale securities	(9,021)	11,381
Unrealized holding gains (losses) of derivative instruments	1,025	(9,558)
Pension liability adjustments	3,943	2,379
	113,909	145,942
Comprehensive income	191,367	200,045
Comprehensive income attributable to noncontrolling interests	10,075	2,303
Comprehensive income attributable to Panasonic Corporation	181,292	197,742

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine months ended December 31, 2013 and 2012

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	250,633	(633,371)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	249,724	254,499
Net gain on sale of investments	(25,559)	(29,731)
Provision for doubtful receivables	4,131	3,814
Deferred income taxes (Note 9)	(2,553)	319,274
Write-down of investment securities (Note 9)	45	4,104
Impairment losses on long-lived assets and goodwill (Notes 5 and 9)	32,176	337,111
Cash effects of change in:		
Trade receivables	(17,346)	78,954
Inventories	(20,146)	(21,208)
Other current assets	14,204	(48,133)
Trade payables	15,908	(87,473)
Accrued income taxes	10,995	12,558
Accrued expenses and other current liabilities	(46,724)	(88,674)
Retirement and severance benefits	(124,628)	(6,399)
Deposits and advances from customers	15,934	6,074
Other, net	(1,639)	(19,234)
Net cash provided by operating activities	355,155	82,165
Cash flows from investing activities:		
Proceeds from disposition of investments and advances	57,207	129,582
Increase in investments and advances	(6,431)	(3,114)
Capital expenditures	(141,911)	(249,225)
Proceeds from disposals of property, plant and equipment	27,660	68,037
Decrease in time deposits, net	1,674	21,337
Other, net	(15,163)	(16,372)
Net cash used in investing activities	(76,964)	(49,755)

(Continued)

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine months ended December 31, 2013 and 2012

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Cash flows from financing activities:		
Decrease in short-term debt with maturities of three months or less, net (Note 1)	(139,089)	(11,936)
Proceeds from short-term debt with maturities longer than three months (Note 1)	11,350	423,820
Repayments of short-term debt with maturities longer than three months (Note 1)	(26,767)	(433,115)
Proceeds from long-term debt	-	648
Repayments of long-term debt	(125,487)	(62,498)
Dividends paid to Panasonic Corporation shareholders (Note 7)	(11,558)	(11,559)
Dividends paid to noncontrolling interests (Note 7)	(10,093)	(8,788)
Repurchase of common stock (Note 7)	(73)	(21)
Sale of treasury stock (Note 7)	5	6
Purchase of noncontrolling interests (Note 7)	(579)	(827)
Other, net	(333)	210
Net cash used in financing activities	(302,624)	(104,060)
Effect of exchange rate changes on cash and cash equivalents	48,301	22,542
Net increase (decrease) in cash and cash equivalents	23,868	(49,108)
Cash and cash equivalents at beginning of period	496,283	574,411
Cash and cash equivalents at end of period	520,151	525,303

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 522 consolidated subsidiaries and 91 associated companies under equity method as of December 31, 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 nine months ended December 31, 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—10%, and Asia and Others—26%.

Sales by segment for the three months ended December 31, 2013 were as follows: Appliances—14%, Eco Solutions—23%, AVC Networks—20%, Automotive & Industrial Systems—33% and Other—10%. A sales breakdown by geographical market was as follows: Japan—49%, North and South America—15%, Europe—11%, and Asia and Others—25%.

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

(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 February 13, 2014, 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 December 31 and March 31, 2013 are summarized as follows:

	Yen (millions)	
	December 31, 2013	March 31, 2013
Finished goods	500,395	453,440
Work in process	159,550	135,308
Raw materials	190,774	198,097
	850,719	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 December 31 and March 31, 2013 are as follows:

	Yen (millions)		
	December 31, 2013		
	Cost	Fair value	Net unrealized holding gains (losses)
Investments and advances:			
Equity securities	20,247	59,784	39,537
Corporate and government bonds	1,672	1,691	19
Other debt securities	16	16	-
	21,935	61,491	39,556

	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 21,240 million yen and 21,566 million yen at December 31 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 December 31, 2013 are as follows:

	Yen (millions)
Due within 1 year	33,377
Due after 1 year within 2 years	19,850
Due after 2 years within 3 years	10,477
Due after 3 years within 4 years	9,079
Due after 4 years within 5 years	7,178
Thereafter	27,237
Total minimum lease payments	107,198

(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 32,176 million yen and 26,011 million yen of long-lived assets for the nine months and three months ended December 31, 2013, respectively. 5,849 million yen, 1,346 million yen and 22,845 million yen of impairment losses for the nine months ended December 31, 2013 were related to "Eco Solutions," "AVC Networks," and "Automotive & Industrial Systems" segment, respectively. 2,233 million yen and 22,172 million yen of impairment losses for the three months ended December 31, 2013 were related to "Eco Solutions" and "Automotive & Industrial Systems" segment, respectively.

The Company recorded impairment losses for certain machinery of domestic and foreign manufacturing facilities related to resin-based multi-layer printed circuit board business, and thin and high density interposer business among the printed circuit board business in "Automotive & Industrial Systems" segment for the three months ended December 31, 2013. 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 recognized impairment losses in the aggregate of 99,333 million yen and 2,349 million yen of long-lived assets for the nine months and three months ended December 31, 2012, respectively. 76,427 million yen and 21,235 million yen of impairment losses for the nine months ended December 31, 2012 were related to "Eco Solutions" and "Automotive & Industrial Systems" segment, respectively. 793 million yen and 980 million yen of impairment losses for the three months ended December 31, 2012 were related to "Eco Solutions" and "AVC Networks" 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 for the three months ended September 30, 2012. 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 for the three months ended September 30, 2012. 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 December 31 and March 31, 2013 are as follows:

	Yen	
	December 31, 2013	March 31, 2013
Panasonic Corporation shareholders' equity per share	708.02	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 nine months ended December 31, 2013 and 2012 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Net income (loss) attributable to Panasonic Corporation common shareholders	243,014	(623,830)

	Number of shares	
	Nine months ended December 31	
	2013	2012
Average common shares outstanding	2,311,634,016	2,311,688,850

	Yen	
	Nine months ended December 31	
	2013	2012
Net income (loss) per share attributable to Panasonic Corporation common shareholders:		
Basic	105.13	(269.86)

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 per share attributable to Panasonic Corporation common shareholders computation for the three months ended December 31, 2013 and 2012 are as follows:

	Yen (millions)	
	Three months ended December 31	
	2013	2012
Net income attributable to Panasonic Corporation common shareholders	73,680	61,340

	Number of shares	
	Three months ended December 31	
	2013	2012
Average common shares outstanding	2,311,615,720	2,311,680,780

	Yen	
	Three months ended December 31	
	2013	2012
Net income per share attributable to Panasonic Corporation common shareholders:		
Basic	31.87	26.53

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 nine months ended December 31, 2013 and 2012 are as follows:

	Yen (millions)		
	Nine months ended December 31, 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	(11,558)	−	(11,558)
Dividends paid to noncontrolling interests	−	(10,093)	(10,093)
Repurchase of common stock	(73)	-	(73)
Sale of treasury stock	5	-	5
Equity transactions with noncontrolling interests	(847)	268	(579)
Other	-	(67)	(67)
Comprehensive income (loss):			
Net income	243,014	7,619	250,633
Other comprehensive income (loss), net of tax:			
Translation adjustments	163,871	9,096	172,967
Unrealized holding gains of available-for-sale securities	3,485	15	3,500
Unrealized holding gains of derivative instruments	3,057	-	3,057
Pension liability adjustments	(28,344)	1,213	(27,131)
Total comprehensive income	385,083	17,943	403,026
Balance at December 31, 2013	1,636,642	48,292	1,684,934

	Yen (millions)		
	Nine months ended December 31, 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	-	(8,788)	(8,788)
Repurchase of common stock	(21)	-	(21)
Sale of treasury stock	6	-	6
Equity transactions with noncontrolling interests	(6,757)	5,930	(827)
Other	-	1,804	1,804
Comprehensive income (loss):			
Net loss	(623,830)	(9,541)	(633,371)
Other comprehensive income (loss), net of tax:			
Translation adjustments	69,667	4,921	74,588
Unrealized holding gains (losses) of available-for-sale securities	(19,487)	34	(19,453)
Unrealized holding losses of derivative instruments	(4,794)	-	(4,794)
Pension liability adjustments	7,652	78	7,730
Total comprehensive loss	(570,792)	(4,508)	(575,300)
Balance at December 31, 2012	1,340,663	42,218	1,382,881

Net income (loss) attributable to Panasonic Corporation and transfers to the noncontrolling interests for the nine months ended December 31, 2013 and 2012 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Net income (loss) attributable to Panasonic Corporation	243,014	(623,830)
Transfers to the noncontrolling interests:		
Decrease in capital surplus for purchase of additional shares in consolidated subsidiaries	(847)	(6,757)
Total	(847)	(6,757)
Change from net income (loss) attributable to Panasonic Corporation and Transfers to the noncontrolling interests	242,167	(630,587)

Transfers (to) from the noncontrolling interests for the three months ended December 31, 2013 and 2012 are not material.

(8) Other Comprehensive Income (Loss)

Other comprehensive income (loss) for the nine months ended December 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 at April 1, 2013	(297,015)	(218)	(4,573)	(326,423)	(628,229)
Arising during the period:					
Pre-tax amount	178,136	39,218	(8,922)	37,884	246,316
Tax expense	-	(14,506)	508	(1,992)	(15,990)
Net-of-tax amount	178,136	24,712	(8,414)	35,892	230,326
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	(5,169)	(34,102)	12,029	(65,777)	(93,019)
Tax expense	-	12,890	(558)	2,754	15,086
Net-of-tax amount	(5,169)	(21,212)	11,471	(63,023)	(77,933)
Other comprehensive income (loss), net of tax:	172,967	3,500	3,057	(27,131)	152,393
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	9,096	15	-	1,213	10,324
Accumulated other comprehensive income (loss) — Balance at December 31, 2013	(133,144)	3,267	(1,516)	(354,767)	(486,160)

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 (9,603)million yen — Other income (deductions)
Commodity derivatives (2,426)million yen — Cost of sales
Pension liability adjustments — Net periodic pension cost

Other comprehensive income (loss) for the three months ended December 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
Arising during the period:					
Pre-tax amount	120,723	(752)	(480)	(107)	119,384
Tax expense	-	(53)	(98)	29	(122)
Net-of-tax amount	120,723	(805)	(578)	(78)	119,262
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	(2,761)	(13,208)	1,527	4,074	(10,368)
Tax expense	-	4,992	76	(53)	5,015
Net-of-tax amount	(2,761)	(8,216)	1,603	4,021	(5,353)
Other comprehensive income (loss), net of tax:	117,962	(9,021)	1,025	3,943	113,909
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	6,257	30	-	10	6,297
Net change in accumulated other comprehensive income (loss)	111,705	(9,051)	1,025	3,933	107,612

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 (339)million yen ― Other income (deductions)
Commodity derivatives (1,188)million yen ― Cost of sales
Pension liability adjustments ― Net periodic pension cost

(9) Supplementary Information

Included in other deductions for the nine months and three months ended December 31, 2013 and 2012 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries	8,450	23,096
Write-down of investment securities	45	4,104
Foreign exchange losses	4,352	5,157

	Yen (millions)	
	Three months ended December 31	
	2013	2012
Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries	6,637	8,613
Write-down of investment securities	ー	87
Foreign exchange losses (gains)	(768)	(1,242)

Gains included in other income due to stocks contribution to an employee retirement benefit trust for the nine and three months ended December 31, 2013 amounted to 12,199 million yen.

Net periodic benefit costs of the defined benefit pension plan for the nine months ended December 31, 2013 and 2012 are a gain of 49,035 million yen and a loss of 45,326 million yen, respectively. Net periodic benefit costs of the defined benefit pension plan for the three months ended December 31, 2013 and 2012 are a loss of 6,132million yen and a loss of 15,241million 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 nine months ended December 31, 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 nine months ended December 31, 2013.

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 March 31, 2013. There was no short-term bonds balance as of December 31, 2013.

Net gain from insurance recovery related to the flooding in Thailand included in other income for the nine and three months ended December 31, 2012 amounted to 3,573 million yen and 2,330 million yen, respectively, which was net of loss of 464 million yen and 75 million yen, respectively, incurred due to the flooding.

Included in goodwill impairment for the nine months ended December 31, 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, which were recorded during the second quarter of fiscal 2013. 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 nine months ended December 31, 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, which were recorded during the second quarter of 2013. 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.

(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 December 31 and March 31, 2013:

	Yen (millions)			
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	59,784	-	-	59,784
Corporate and government bonds	-	1,691	-	1,691
Other debt securities	-	16	-	16
Total available-for-sale securities	59,784	1,707	-	61,491
Derivatives:				
Foreign exchange contracts	-	10,225	-	10,225
Cross currency swaps	-	1,733	-	1,733
Commodity futures	5,063	7,019	-	12,082
Total derivatives	5,063	18,977	-	24,040
Liabilities:				
Derivatives:				
Foreign exchange contracts	-	6,974	-	6,974
Cross currency swaps	-	109	-	109
Commodity futures	7,166	4,893	-	12,059
Total derivatives	7,166	11,976	-	19,142

	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 December 31, 2013 are 825,619 million yen and 841,795 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

The following table presents significant assets and liabilities that are measured at fair value on a nonrecurring basis for the nine months and three months ended December 31, 2013:

	Yen (millions)				
	Nine months ended December 31, 2013				
	Total gains (losses)	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Long-lived assets	(32,176)	-	-	2,339	2,339

	Yen (millions)				
	Three months ended December 31, 2013				
	Total gains (losses)	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Long-lived assets	(26,011)	-	-	1,471	1,471

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.

The following table presents assets that are measured at fair value on a nonrecurring basis in Level 3 for the nine months and three months ended December 31, 2013:

	Yen (millions)			
	For the nine months ended December 31, 2013			
	Fair value at December 31, 2013	Valuation technique	Unobservable inputs	Range
Assets:				
Long-lived assets	2,339	Repurchase cost method	Residual value ratio	0.0%-9.3%

	Yen (millions)			
	For the three months ended December 31, 2013			
	Fair value at December 31, 2013	Valuation technique	Unobservable inputs	Range
Assets:				
Long-lived assets	1,471	Repurchase cost method	Residual value ratio	0.0%-9.3%

The following table presents significant assets and liabilities that are measured at fair value on a nonrecurring basis for the nine months ended December 31, 2012:

	Yen (millions)				
	Nine months ended December 31, 2012				
	Total gains (losses)	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Long-lived assets	(99,333)	-	-	211,288	211,288
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 nine months ended December 31, 2012:

	Yen (millions)			
	For the nine months ended December 31, 2012			
	Fair value at December 31, 2012	Valuation technique	Unobservable inputs	Range
Assets:				
Long-lived assets	211,288	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

For the three months ended December 31, 2012, 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.

(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 December 31, 2013, the maximum amount of undiscounted payments the Company would have to make in the event of default was 33,591 million yen. The carrying amount of the liabilities recognized for the Company's obligations as a guarantor under those guarantees at December 31, 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 December 31, 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 December 31, 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 being subjected to a number of legal proceedings including civil litigations related to trade, tax, products or intellectual properties, or governmental investigations. The Company has been responding to 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 are currently subjected 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 nine months ended December 31, 2012 has been reclassified to conform to the presentation for the nine months ended December 31, 2013. Information by segment for the nine months ended December 31, 2013 and 2012 is shown in the tables below:

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Sales:		
Appliances:		
Customers	644,985	588,222
Intersegment	258,180	245,694
Total	903,165	833,916
Eco Solutions:		
Customers	1,138,616	1,045,718
Intersegment	192,698	188,429
Total	1,331,314	1,234,147
AVC Networks:		
Customers	1,060,553	1,104,904
Intersegment	108,565	112,634
Total	1,169,118	1,217,538
Automotive & Industrial Systems:		
Customers	1,932,265	1,763,574
Intersegment	118,535	124,841
Total	2,050,800	1,888,415
Other:		
Customers	502,516	538,180
Intersegment	92,287	107,598
Total	594,803	645,778
Eliminations and Adjustments:		
Customers	400,876	399,065
Intersegment	(770,265)	(779,196)
Total	(369,389)	(380,131)
Consolidated total	5,679,811	5,439,663

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Segment profit (loss):		
Appliances	26,958	34,854
Eco Solutions	73,527	44,011
AVC Networks	(6,362)	(24,054)
Automotive & Industrial Systems	86,431	27,234
Other	9,126	(9,924)
Eliminations and Adjustments	73,496	49,832
Total segment profit	263,176	121,953
Interest income	7,492	7,219
Dividends received	1,948	3,639
Other income	133,518	70,416
Interest expense	(16,374)	(18,349)
Impairment losses of long-lived assets	(32,176)	(99,333)
Goodwill impairment	-	(237,778)
Other deductions	(50,547)	(117,165)
Consolidated income (loss) before income taxes	307,037	(269,398)

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 nine months ended December 31, 2013 and 2012 mainly include price differences of 494,179 million yen and 474,860 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 78,604 million yen and a deduction of 73,308 million yen, respectively, solely for the purpose of assessing segment performance.

Adjustments of profit for the nine months ended December 31, 2013 and 2012 mainly include 61,024 million yen and 20,749 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 12,472 million yen and 29,083 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 nine months ended December 31, 2013 and 2012.

Segment information for the three months ended December 31, 2012 has been reclassified to conform to the presentation for the three months ended December 31, 2013. Information by segment for the three months ended December 31, 2013 and 2012 is shown in the tables below:

	Yen (millions)	
	Three months ended December 31	
	2013	2012
Sales:		
Appliances:		
Customers	208,958	178,135
Intersegment	83,804	76,858
Total	292,762	254,993
Eco Solutions:		
Customers	402,767	362,025
Intersegment	72,798	69,819
Total	475,565	431,844
AVC Networks:		
Customers	371,393	342,059
Intersegment	42,279	45,605
Total	413,672	387,664
Automotive & Industrial Systems:		
Customers	650,976	568,797
Intersegment	43,912	41,701
Total	694,888	610,498
Other:		
Customers	168,881	173,231
Intersegment	32,489	34,930
Total	201,370	208,161
Eliminations and Adjustments:		
Customers	170,516	177,256
Intersegment	(275,282)	(268,913)
Total	(104,766)	(91,657)
Consolidated total	1,973,491	1,801,503

	Yen (millions)	
	Three months ended December 31	
	2013	2012
Segment profit (loss):		
Appliances	9,784	6,131
Eco Solutions	32,138	24,280
AVC Networks	10,096	(10,836)
Automotive & Industrial Systems	28,185	(779)
Other	3,701	(3,519)
Eliminations and Adjustments	32,683	19,310
Total segment profit	116,587	34,587
Interest income	2,661	2,073
Dividends received	438	1,101
Other income	25,443	37,348
Interest expense	(4,490)	(6,267)
Impairment losses of long-lived assets	(26,011)	(2,349)
Other deductions	(14,996)	(57,220)
Consolidated income (loss) before income taxes	99,632	9,273

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 December 31, 2013 and 2012 mainly include price differences of 205,563 million yen and 202,473 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 28,086 million yen and a deduction of 25,720 million yen, respectively, solely for the purpose of assessing segment performance.

Adjustments of profit for the three months ended December 31, 2013 and 2012 mainly include 28,668 million yen and 4,386 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 4,015 million yen and 14,924 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 December 31, 2013 and 2012.

By Geographical Area:

Sales attributed to countries based upon the customer's location for the nine months ended December 31, 2013 and 2012 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2013	2012
Sales:		
Japan	2,757,603	2,795,343
North and South America	853,731	757,325
Europe	568,734	499,601
Asia and Others	1,499,743	1,387,394
Consolidated total	5,679,811	5,439,663
United States included in North and South America	724,755	635,985
China included in Asia and Others	767,703	733,296

Sales attributed to countries based upon the customer's location for the three months ended December 31, 2013 and 2012 are as follows:

	Yen (millions)	
	Three months ended December 31	
	2013	2012
Sales:		
Japan	970,271	917,164
North and South America	299,822	270,719
Europe	214,479	179,221
Asia and Others	488,919	434,399
Consolidated total	1,973,491	1,801,503
United States included in North and South America	252,924	225,854
China included in Asia and Others	257,057	218,676

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 became effective on December 5, 2013, were sourced out of retained earnings.