PANASONIC Corp
Form 20-F
June 28, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2012

Commission file number 1 - 6784

PANASONIC KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

PANASONIC CORPORATION

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock*	New York Stock Exchange

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

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

None

(Title of Class)

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

None

(Title of Class)

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

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

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

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

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨.

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

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

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

Item 17 ¨ Item 18 ¨

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

This form contains 173 pages.

Table of Contents

CONTENTS

Table of Contents

Table of Contents

Table of Contents

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

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

About the Company

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

Cautionary Statement Regarding Forward-Looking Statements

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

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

Table of Contents

- 2 -

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable

Item 2. Offer Statistics and Expected Timetable

Not applicable

Item 3. Key Information

A. Selected Financial Data

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

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

	Dec. 2011	Jan. 2012	Feb. 2012	Mar. 2012	Apr. 2012	May 2012
Yen exchange rates for each month during the previous six months:						
High	76.98	76.28	76.11	80.86	79.81	78.29
Low	78.13	78.13	81.10	83.78	82.62	80.36

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

Table of Contents

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

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

Risks Related to Economic Conditions

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

Demand for Panasonic s products and services may be affected by general economic trends in the countries or regions in which Panasonic s products and services are sold. Economic downturns and resulting declines in demand in Panasonic s major markets worldwide may thus adversely affect the Company s business, operating results and financial condition. For fiscal 2013, ending March 31, 2013, the Company continues to anticipate that the business environment will remain sluggish due to various factors including the negative impact of the yen s appreciation and ever-intensified global competition as well as possible slowdown in the global economy due to the European debt crisis. Panasonic may incur increased costs for business restructuring that exceeds Panasonic s expectations in order to cope with the business environment. If global market conditions worsen beyond expectations, the business environment of Panasonic may deteriorate more than currently anticipated, which may adversely affect the Company s business, operating results and financial condition.

Currency exchange rate fluctuations may adversely affect Panasonic s operating results

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

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

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

Table of Contents

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

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

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

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

Risks Related to Panasonic s Business

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

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

Declines in product prices may adversely affect Panasonic s financial condition

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

Risks Related to Panasonic s Management Plans

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

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

Risks Related to Legal Restrictions and Litigations

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

Risks Related to Disasters or Unpredictable Events

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

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

Other Risks

External economic conditions may adversely affect Panasonic s pension plans

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

Some long-lived assets may not produce adequate returns

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

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

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

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

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

Table of Contents

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

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

GENERAL

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

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

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

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

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

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

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

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

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

Also on April 1, 2003, the Company launched another joint venture company with Toshiba, upon separating their respective cathode ray tube (CRT) businesses with the exception of domestic CRT manufacturing operations. The Company formerly accounted for the investment in the new company, Matsushita Toshiba Picture Display Co., Ltd. (MTPD) and its subsidiaries under the equity method, and began to consolidate MTPD on March 1, 2006 in accordance with Financial Accounting Standards Board (FASB) Interpretation No.46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46R), as a result of certain restructuring activities of MTPD. As of March 31, 2006, the Company had a 64.5% equity interest in MTPD. On March 30, 2007, the Company acquired the remaining 35.5% equity interest in MTPD from Toshiba and MTPD was renamed MT Picture Display Co., Ltd.

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

On January 1, 2012, Panasonic absorbed PEW.

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

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

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

CAPITAL INVESTMENT

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

B. Business Overview

SALES BY SEGMENT

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

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

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

* Percentage above reflects the changes from the previous year.

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

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

Table of Contents

AVC Networks

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

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

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

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

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

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

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

Table of Contents

Appliances

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

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

*2 The acronym for Lower heating Value

Systems & Communications

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

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

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

Eco Solutions

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

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

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

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

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

Automotive Systems

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

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

Industrial Devices

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

Table of Contents

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

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

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

Energy

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

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

* Efficiency per kW in solar power generation systems.

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

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

Other

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

Healthcare Company

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

Table of Contents

Manufacturing Solutions Company

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

PanaHome Corporation

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

MARKETING CHANNELS

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

	Yen (billions) (%)
	Fiscal year ended March 31,

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

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

Sales and Distribution in Japan and overseas

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

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

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

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

Customers

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

SEASONALITY OF BUSINESS

The Company s business has no significant seasonality in terms of sales or profits. However, for the consumer electronics business, the fiscal third quarter (October to December) is normally a peak period because it falls in the year-end shopping season in Japan and many overseas markets. Additionally, seasonal appliances, such as air conditioners and refrigerators, have different business cycles, sales of which peak in summer. These do not have a material effect upon the Company s overall operations.

RAW MATERIALS AND SOURCE OF SUPPLY

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

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

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

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

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

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

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

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

PATENT LICENSE AGREEMENTS

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

For example, Panasonic s patents related to MPEG2 technology, which is widely used in digital TVs, are licensed to other companies through MPEG LA LLC. Patents which are essential to DVD technology are licensed as a part of the joint licensing program operated by seven Japanese, U.S. and Korean companies. Patents which are essential to CD technology, DVD technology and BD technology and are used in BD products are licensed as a part of the joint licensing program operated by fifteen Japanese, U.S., European and Taiwanese companies. Furthermore, the Company s patents relating to CD technology are licensed to many manufacturers. Further, Panasonic has non-exclusive cross-license agreements with Samsung Electronics Co., Ltd. for semiconductor technology, with Sharp Corporation for mobile phone technology and Hitachi Consumer Electronics Co., Ltd. for digital television technology.

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

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

Table of Contents

- 21 -

COMPETITION

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

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

GOVERNMENT REGULATIONS

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

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

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

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

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

Table of Contents

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

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

REPORT ON KEROSENE FAN HEATER RECALL

AND COMPANY S COUNTERMEASURES

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

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

C. Organizational Structure

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

Table of Contents

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

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

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

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

(1) Business domain companies of Panasonic Corporation:

Name of business domain company
AVC Networks Company
Appliances Company
Systems & Communications Company
Eco Solutions Company
Automotive Systems Company
Industrial Devices Company
Energy Company
Healthcare Company
Manufacturing Solutions Company

(2) Principal domestic subsidiaries:

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

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

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

(3) Principal overseas subsidiaries:

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

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

Table of Contents

D. Property, Plants and Equipment

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

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

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

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

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

Table of Contents

- 26 -

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

Table of Contents

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

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

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

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

Table of Contents

Item 4A. Unresolved Staff Comments

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

Table of Contents

Item 5. Operating and Financial Review and Prospects

A. Operating Results

Overview

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

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

Panasonic changed the Group organizational structure in January 2012. The Company reorganized its business into three business fields: Consumer, Components & Devices and Solutions, comprising a total of nine internal companies called business domain companies, and one marketing sector (Global Consumer Marketing Sector.) The business domain companies are: AVC Networks Company, Appliances Company, Systems & Communications Company, Eco Solutions Company, Automotive Systems Company, Industrial Devices Company, Energy Company, Healthcare Company, and Manufacturing Solutions Company. The Global Consumer Marketing Sector supports the marketing functions of AVC Networks Company and Appliances Company. As the result of the reorganization, the number of reportable segments are changed from six to eight: AVC Networks, Appliances, Systems & Communications, Eco Solutions, Automotive Systems, Industrial Devices, Energy, and Other. The Healthcare Company and Manuf Solutions Company are included in the Other segment. AVC Networks provides imaging equipment such as flat-panel TVs, AVC network equipment including Blu-ray Disc recorders, digital cameras and notebook PCs as well as projectors, in-flight entertainment systems and other business-use AV equipment; Appliances delivers products and services that meet customer needs in the homemaking, cooking, beauty and grooming and health, cooling and heating, hot water supply, and cold chain equipment fields; Systems & Communications is comprised of the system network and mobile communications businesses; Eco Solutions is comprised of four business groups, which are the lighting business, the energy systems business, the housing systems business, and the environmental systems business; Automotive Systems operates in wide-ranging fields, from car navigation systems to camera systems that support safe driving to such key devices as engine control units and batteries for eco-cars; Industrial Devices covers a wide range of products such as electronic components, electronic materials, semiconductors, and optical devices; Energy develops a broad energy-based business including solar photovoltaic systems and lithium-ion batteries where use is also expanding from consumer to storage, in-car, and other fields; and Other provides a variety of healthcare-related products and services, manufacturing systems for electronic component mounting, detached housing, asset and property management, and home remodeling businesses.

Table of Contents

- 30 -

Economic environment

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

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

Condition of foreign currency exchange rates and Panasonic s policy

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

Summary of operations

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

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

Table of Contents

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

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

Key performance indicators

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

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

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

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

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

Table of Contents

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

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

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

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

Panasonic s management also believes that this indicator is useful in understanding Panasonic s current liquidity and financing needs in light of its operating and investing activities, i.e., its ability to pay down and draw on available cash. It should be noted, however, that free cash flow Panasonic reports may not be comparable to free cash flow reported by other companies. It should also be noted that free cash flow should not be viewed in a manner that inappropriately implies that it represents the residual cash flow available for discretionary uses, since at any given time Panasonic may be subject to mandatory debt service requirements and may have other non-discretionary expenditures that are not deducted from this indicator. Panasonic compensates for these limitations by referring to this indicator together with relevant U.S. GAAP financial measures shown in its consolidated statements of cash flows and consolidated balance sheets, to present an accurate and complete picture for purposes of cash availability analysis.

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

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

Table of Contents

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

Year ended March 31, 2012 compared with 2011

(1) Sales

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

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

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

1) from existing businesses to new businesses such as energy

2) from Japan-oriented to globally-oriented

3) from individual product-oriented to solutions and systems business-oriented

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

On the other hand, operating results in the flat-panel TV and semiconductor businesses worsened significantly due to factors, such as the aforementioned severe business conditions, intense price competition and a decline in demand following the shift to digital broadcasting in Japan. Following the management decision to address the negative factors impacting on the future profitability, the Company implemented radical restructuring initiatives, including the consolidation of manufacturing sites of those unprofitable businesses.

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

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

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

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

(3) Interest Income, Dividends Received and Other Income

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

(4) Interest Expense, Goodwill Impairment and Other Deductions

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

- 34 -

(5) Income (Loss) before Income Taxes

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

(6) Provision for Income Taxes

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

(7) Equity in Earnings of Associated Companies

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

(8) Net Income (Loss)

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

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

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

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

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

(11) Results of Operations by Segment

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

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

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

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

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

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

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

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

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

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

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

Sales of Automotive Systems increased by 7% to 653 billion yen, compared with 612 billion yen in the previous year, due mainly to strong sales in components and devices for eco-cars including batteries for hybrid cars.

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

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

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

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

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

Table of Contents

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

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

(12) Sales Results by Region

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

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

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

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

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

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

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

Restructuring Activities

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

Table of Contents

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

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

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

Year ended March 31, 2011 compared with 2010

(1) Sales

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

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

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

1) from existing businesses to new businesses such as energy

2) from Japan-oriented to globally-oriented

3) from individual product-oriented to solutions and systems business-oriented

Furthermore, the Company promoted expansion of key businesses such as Heating/Refrigeration/Air Conditioning and LED, and sales increase in emerging markets through high-volume segment products. Regarding Laying Foundations to be a Green Innovation Company, Panasonic worked for a larger contribution towards protection of the environment, through increased sales of energy saving and creating products, while reducing CO_2 emissions in production. In addition, the Company proceeded to discuss business reorganization and new growth strategies, as Panasonic and its subsidiaries, PEW and SANYO agreed to make these two companies wholly-owned subsidiaries of Panasonic with the aim of speeding up synergy generation and maximizing it. Accordingly, PEW and SANYO became wholly-owned subsidiaries of Panasonic on April 1, 2011.

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

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

(3) Interest Income, Dividends Received and Other Income

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

(4) Interest Expense and Other Deductions

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

(5) Income (loss) before Income Taxes

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

(6) Provision for Income Taxes

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

(7) Equity in Earnings of Associated Companies

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

(8) Net Income (Loss)

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

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

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

Table of Contents

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

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

(11) Results of Operations by Segment

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

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

Total	305	190	60%

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

(12) Sales Results by Region

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

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

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

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

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

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

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

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

B. Liquidity and Capital Resources

Panasonic s Policy on Financial Position and Liquidity

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

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

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

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

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

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

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

Fiscal 2012 Financial Position and Liquidity

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

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

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

Table of Contents

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

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

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

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

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

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

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

Commitments for Capital Expenditures

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

Foreign Undistributed Earnings

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

Table of Contents

C. Research and Development

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

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

Key development themes during the fiscal year were as follows:

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

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

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

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

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

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

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

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

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

(4) World s First*[7] Thermoelectric Tubes that use a Tilted Multilayer Structure

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

Table of Contents

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

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

D. Trend Information

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

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

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

1. Focus on Profitability

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

- Restructure Unprofitable Business

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

- Increase Profitability in Growing Businesses

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

- Creating Strong Solution Business

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

- Establish Comprehensive Business Models

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

- Strengthen the Business Structure

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

2. Strengthen Products

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

3. Take Initiatives to Change Itself and Make Changes

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

E. Off-Balance Sheet Arrangements

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

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

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

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

Table of Contents

F. Tabular Disclosure of Contractual Obligations

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

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