

PANASONIC Corp
Form 6-K
November 17, 2011
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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

The Securities Exchange Act of 1934

For the Month of November 2011

Commission File Number: 1-6784

Panasonic Corporation

Kadoma, Osaka, Japan

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7):

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This Form 6-K consists of:

1. Quarterly report for the six months ended September 30, 2011, filed on November 14, 2011 with the Japanese government pursuant to the Financial Instruments and Exchange Law of Japan. (English translation)

2. News release issued on November 15, 2011, by Panasonic Corporation (the registrant), announcing a basic agreement between Innovation Network Corporation of Japan and Panasonic Corporation regarding the transfer of the Mobara plant of Panasonic Liquid Crystal Display Co., Ltd.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Panasonic Corporation

By: /s/ MASAHITO YAMAMURA
Masahito Yamamura, Attorney-in-Fact
General Manager of Investor Relations
Panasonic Corporation

Dated: November 17, 2011

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[English summary with full translation of consolidated financial information]

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

**For the six months ended
September 30, 2011**

Panasonic Corporation

Osaka, Japan

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Disclaimer Regarding Forward-Looking Statements

This quarterly 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 quarterly report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this quarterly report. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the U.S. 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; natural disasters including earthquakes, prevalence of infectious diseases throughout the world and other events that may negatively impact business activities of the Panasonic Group; as well as direct or indirect adverse effects of the Great East Japan Earthquake on the Panasonic Group in terms of, among others, component procurement, manufacturing, distribution, economic conditions in Japan including consumer spending and sales activities overseas, and direct or indirect adverse effects of the flooding in Thailand on the Panasonic Group in terms of, among others, component

procurement and manufacturing. The factors listed above are not all-inclusive and further information is contained in Panasonic's latest annual reports, Form 20-F, and any other reports and documents which are on file with the U.S. Securities and Exchange Commission.

Note: Certain information previously filed with the SEC in other reports is not included in this English translation.

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I Corporate Information**(1) Consolidated Financial Summary**

	Yen (millions), except per share amounts		
	Six months ended September 30, 2011	Six months ended September 30, 2010	Year ended March 31, 2011
Net sales	4,005,198	4,367,948	8,692,672
Income (loss) before income taxes	(159,343)	144,553	178,807
Net income (loss)	(153,157)	84,035	85,597
Net income (loss) attributable to Panasonic Corporation	(136,151)	74,718	74,017
Comprehensive income (loss) attributable to Panasonic Corporation	(261,645)	(46,563)	(97,166)
Total Panasonic Corporation shareholders' equity	2,559,586	2,651,960	2,558,992
Total equity	2,637,903	3,537,845	2,946,335
Total assets	7,315,865	8,963,966	7,822,870
Net income (loss) per share attributable to Panasonic Corporation common shareholders, basic (yen)	(58.88)	36.09	35.75
Net income (loss) per share attributable to Panasonic Corporation common shareholders, diluted (yen)			
Panasonic Corporation shareholders' equity / total assets (%)	35.0	29.6	32.7
Net cash provided by operating activities	1,040	247,322	469,195
Net cash used in investing activities	(111,941)	(92,216)	(202,945)
Net cash provided by (used in) financing activities	(83,085)	653,727	(354,627)
Cash and cash equivalents at end of period	740,595	1,868,406	974,826
	Three months ended September 30, 2011	Three months ended September 30, 2010	
Net income (loss) per share attributable to Panasonic Corporation common shareholders, basic (yen)	(45.75)	14.99	

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

2.

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

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(2) Principal Businesses

The Panasonic Group is comprised primarily of the parent Panasonic Corporation and 610 consolidated subsidiaries in and outside of Japan, operating in close cooperation with each other. As a comprehensive electronics manufacturer, Panasonic is engaged in production, sales and service activities in a broad array of business areas.

The Company strengthens the unity of all employees throughout the group and ultimately enhances the value of the Panasonic brand globally. The Company will continue its tireless efforts to generate ideas that brighten the lives of people everywhere in order to contribute to a better future both for the Earth and for the further development of society.

The Company's business segment classifications consist of six segments, namely, Digital AVC Networks, Home Appliances, PEW and PanaHome, Components and Devices, SANYO, and Other. Digital AVC Networks includes video and audio equipment, and information and communications equipment. Home Appliances includes household equipment. PEW and PanaHome includes electrical supplies, home appliances, building materials and equipment, and housing business. Components and Devices includes semiconductors, general electronic components, electric motors and batteries. SANYO includes solar photovoltaic systems, lithium-ion batteries and optical pickups. Other includes FA equipment and other industrial equipment.

For production, Panasonic adopts a management system that takes charge of each product in the Company or its affiliates. In recent years, the Company has been enhancing production capacity at its overseas affiliates to further develop global business. Meanwhile, in Japan, Panasonic's products are sold through sales channels at its domestic locations, each established according to products or customers. The Company also sells directly to large-scale consumers, such as the government and corporations. For exports, sales are handled mainly through sales subsidiaries and agents located in their respective countries. Certain products produced at domestic affiliates are purchased by the Company and sold through the same sales channels as products produced by the Company itself. Additionally, products produced at overseas affiliates are sold mainly through sales subsidiaries in respective countries. Meanwhile, most import operations are carried out internally, and the Company aims to expand them to promote international economic cooperation.

Certain PEW, PanaHome and SANYO products are sold on a proprietary basis in Japan and overseas.

During the six months ended September 30, 2011, there were no major changes in principal businesses.

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II The Business

(1) Operating Results

The Japanese economy was severely affected by the global economic recession, appreciation of the yen and declining stock prices. However, there were signs of recovery with the improvements in production and exports due to the normalization of the supply chain which had been disrupted by the Great East Japan Earthquake. In the meantime, the global economy showed signs of slowdown caused by the destabilization of the European finance market due to the government debt crisis in some countries, the high rate of unemployment and faltering house prices in the U.S., and slowing of demand expansion in emerging markets.

In such a business environment, consolidated group sales for the six months ended September 30, 2011 decreased by 8% to 4,005,198 million yen, partly affected by the Great East Japan Earthquake, compared with the same period of fiscal 2011.

Operating profit* decreased by 72% to 47,599 million yen from a year ago. Although the company pursued a thorough streamlining program to reduce material and fixed costs, this result was due mainly to price decline, sales decrease affected by the disaster, and the appreciation of the yen. In the meantime, pre-tax loss was 159,343 million yen compared with an income of 144,553 million yen a year ago, due mainly to the business restructuring expenses such as the implementation of early retirement programs and the impairment losses of fixed assets. Accordingly, net loss was 153,157 million yen, compared with an income of 84,035 million yen a year ago, and net loss attributable to Panasonic Corporation amounted to 136,151 million yen, compared with an income of 74,718 million yen a year ago.

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

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(2) Operating Results by Business Segment

Digital AVC Networks

Sales decreased by 14% to 1,432,482 million yen from a year ago. Despite favorable sales of Blu-ray Disc recorders, this result was due mainly to sales decline in flat-panel TVs and mobile phones. Segment loss amounted to 18,105 million yen, compared with segment profit of 61,269 million yen a year ago, due mainly to sales decrease and price decline.

Home Appliances

Sales increased by 3% to 658,870 million yen from a year ago, due mainly to favorable sales in air conditioners as well as stable sales in washing machines and refrigerators. Segment profit increased by 7% to 52,586 million yen from a year ago, due mainly to sales increase and streamlining of material cost.

PEW and PanaHome

Sales increased by 5% to 879,253 million yen from a year ago. Regarding Panasonic Electric Works Co., Ltd. (PEW) and its subsidiaries, sales growth in electrical construction and building materials of housing/building-related business and home appliances business contributed to the overall sales increase, although sales declined in devices such as electronic materials and automation controls mainly for automobile-related products. For PanaHome Corporation and its subsidiaries, favorable sales of housing construction mainly for detached housing led to its overall sales increase, thanks to the Japanese stable housing market conditions. Segment profit was 31,639 million yen, increased by 3% from a year ago, due mainly to favorable sales and fixed cost reduction.

Components and Devices

Sales decreased by 14% to 411,556 million yen from a year ago. This result was due mainly to sluggish sales in semiconductors as well as declines in sales of general components and batteries. Segment loss was 7,425 million yen,

compared with segment profit of 25,471 million yen a year ago, due mainly to sales decrease and price decline.

SANYO

Sales decreased by 19% to 669,265 million yen from a year ago. Although sales of solar photovoltaic systems, cold-chain equipments and commercial air conditioners were stable, sales of electronic components, digital cameras, TVs and in-car-related equipments were sluggish. Sales decline owing to the semiconductor business transfer in fiscal 2011 also led to the overall sales decrease. 26,921 million yen of segment loss was recorded, compared with segment profit of 6,079 million yen a year ago, influenced by sales decrease, after incurring the expenses such as amortization of intangible assets recorded at the acquisition.

Other

Sales totaled 553,914 million yen, down by 1% from a year ago, due mainly to sales decline in components for group companies in Panasonic. Segment profit amounted to 23,936 million yen, up 4% from a year ago, due mainly to fixed cost reduction.

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(3) Assets, Liabilities and Equity

The Company's consolidated total assets as of September 30, 2011 decreased by 507,005 million yen to 7,315,865 million yen compared with 7,822,870 million yen at the end of fiscal 2011. This was due mainly to the appreciation of the yen, a decrease in cash and cash equivalents and a decrease in property, plant and equipment by incurring impairment losses.

Regarding liabilities, total liabilities amounted to 4,677,962 million yen, a decrease of 198,573 million yen compared with the end of fiscal 2011. This was attributable primarily to the appreciation of the yen and a decrease in account payables.

Panasonic Corporation shareholders' equity increased 594 million yen, compared with the end of fiscal 2011, to 2,559,586 million yen as of September 30, 2011. Despite an increase of 271,205 million yen in Panasonic shareholder's equity by share exchanges for acquisition of all shares of PEW and SANYO, this was primarily as a decrease in retained earnings by incurring net loss attributable to Panasonic Corporation and deterioration in accumulated other comprehensive income (loss). Noncontrolling interests decreased 309,026 million yen to 78,317 million yen, due mainly to the share exchanges as stated above.

(4) Cash Flows

Cash flows from operating activities

Net cash provided by operating activities for the six months ended September 30, 2011 totaled 1,040 million yen, a decrease of 246,282 million yen a year ago. This was attributable primarily to incurring net loss, compared with net income from a year ago.

Cash flows from investing activities

Net cash used in investing activities for the six months ended September 30, 2011 amounted to 111,941 million yen, an increase of 19,725 million yen from a year ago. This difference from a year ago was due primarily to decreases in

proceeds from disposition of investments and advances, and proceeds from disposals of property, plant and equipment, while a decrease in expenditures on capital investments.

Cash flows from financing activities

Net cash used in financing activities for the six months ended September 30, 2011 amounted to 83,085 million yen, compared with an inflow of 653,727 million yen a year ago. This was due mainly to an issuance of short-term bonds by the company and some subsidiaries in the same period of last fiscal year.

Taking into consideration the effect of exchange rate fluctuations, cash and cash equivalents totaled 740,595 million yen as of September 30, 2011, down 234,231 million yen compared with the end of fiscal 2011.

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(5) Research and Development

Panasonic's R&D expenditures for the six months ended September 30, 2011 totaled 266,851 million yen, up 0.4% from a year ago. There were no significant changes in R&D activities for the period.

(6) Capital Investment and Depreciation

Panasonic's capital investment (tangible assets) for the six months ended September 30, 2011 totaled 131,412 million yen, down 35% from a year ago. There were no significant changes in major property, plant and equipment for the period.

Panasonic's depreciation (tangible assets) for the six months ended September 30, 2011 totaled 131,421 million yen, down 5% from a year ago.

(7) Number of Employees

Numbers of employees at the end of the second quarter of fiscal 2012 were 360,700, a decrease of 6,237 compared with the end of the fiscal 2011.

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(8) Risk Factors

There were no risks newly identified during the six months ended September 30, 2011. During the six months ended September 30, 2011, there were also no significant changes with regard to the Risk Factors stated in the annual report of the prior fiscal year.

After the six months ended September 30, 2011 up to the filing date of this quarterly report, there were significant changes with regard to the Risk Factors stated in the annual report of the prior fiscal year as follows:

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. The flooding in Thailand, which deteriorated in October 2011, has adversely affected certain component procurement, manufacturing, sales and other activities of Panasonic. If the flooding continues for an extended period of time, Panasonic's manufacturing and other activities may be further adversely affected. 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.

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III Shares and Shareholders

(1) Shares of Common Stock Issued as of September 30, 2011: 2,453,053,497 shares

The common stock of the Company is listed on the Tokyo, Osaka and Nagoya stock exchanges in Japan. In the United States, the Company's American Depositary Shares (ADSs) are listed on the New York Stock Exchange.

(2) Amount of Common Stock (Stated Capital) as of September 30, 2011: 258,740 million yen

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PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30 and March 31, 2011

	Assets	Yen (millions)	
		September 30, 2011	March 31, 2011
Current assets:			
Cash and cash equivalents		740,595	974,826
Time deposits		50,818	69,897
Trade receivables:			
Notes		83,927	78,979
Accounts (Note 12)		988,346	1,001,982
Allowance for doubtful receivables		(19,589)	(21,860)
Net trade receivables		1,052,684	1,059,101
Inventories (Note 2)		916,147	896,424
Other current assets (Notes 12 and 13)		536,478	489,601
Total current assets		3,296,722	3,489,849
Investments and advances (Notes 3 and 13)		482,492	569,651
Property, plant and equipment (Notes 5 and 13):			
Land		379,612	381,840
Buildings		1,707,026	1,771,178
Machinery and equipment		2,161,499	2,290,760
Construction in progress		67,298	96,489
		4,315,435	4,540,267

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Less accumulated depreciation	2,595,398	2,656,958
Net property, plant and equipment	1,720,037	1,883,309
Other assets:		
Goodwill (Note 13)	911,782	924,752
Intangible assets (Notes 5 and 13)	485,768	542,787
Other assets	419,064	412,522
Total other assets	1,816,614	1,880,061
	7,315,865	7,822,870

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30 and March 31, 2011

	Yen (millions)	
	September 30, 2011	March 31, 2011
Liabilities and Equity		
Current liabilities:		
Short-term debt, including current portion of long-term debt (Note 13)	396,340	432,982
Trade payables:		
Notes	64,774	60,128
Accounts (Note 12)	876,239	941,124
Total trade payables	941,013	1,001,252
Accrued income taxes	34,813	42,415
Accrued payroll	197,811	192,279
Other accrued expenses	733,908	747,205
Deposits and advances from customers	78,267	66,473
Employees deposits	9,367	9,101
Other current liabilities (Notes 12 and 13)	334,331	355,343
Total current liabilities	2,725,850	2,847,050
Noncurrent liabilities:		
Long-term debt (Note 13)	1,132,051	1,162,287
Retirement and severance benefits	468,468	492,960
Other liabilities	351,593	374,238
Total noncurrent liabilities	1,952,112	2,029,485

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Equity:

Panasonic Corporation shareholders' equity:		
Common stock (Note 6)	258,740	258,740
Capital surplus (Note 10)	1,115,871	1,100,181
Legal reserve	94,563	94,198
Retained earnings	2,088,726	2,401,909
Accumulated other comprehensive income (loss):		
Cumulative translation adjustments	(560,466)	(453,158)
Unrealized holding gains (losses) of available-for-sale securities (Note 3)	(18,004)	16,835
Unrealized gains of derivative instruments (Note 12)	3,947	2,277
Pension liability adjustments	(177,109)	(191,254)
Total accumulated other comprehensive income (loss)	(751,632)	(625,300)
Treasury stock, at cost (Note 6)	(246,682)	(670,736)
Total Panasonic Corporation shareholders' equity (Note 10)	2,559,586	2,558,992
Noncontrolling interests (Note 10)	78,317	387,343
Total equity (Note 10)	2,637,903	2,946,335
Commitments and contingent liabilities (Notes 4 and 14)		
	7,315,865	7,822,870

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Operations

Six months ended September 30, 2011 and 2010

	Yen (millions)	
	Six months ended September 30	
	2011	2010
Revenues, costs and expenses:		
Net sales	4,005,198	4,367,948
Cost of sales (Note 12)	(2,994,321)	(3,199,550)
Selling, general and administrative expenses	(963,278)	(999,430)
Interest income	6,736	5,717
Dividends received	3,814	3,483
Other income (Notes 11 and 12)	11,997	30,260
Interest expense	(14,172)	(14,285)
Other deductions (Notes 5, 11, 12 and 13)	(215,317)	(49,590)
Income (loss) before income taxes	(159,343)	144,553
Provision for income taxes	(1,355)	64,147
Equity in earnings of associated companies	4,831	3,629
Net income (loss) (Note 10)	(153,157)	84,035
Less net income (loss) attributable to noncontrolling interests (Note 10)	(17,006)	9,317
Net income (loss) attributable to Panasonic Corporation (Note 10)	(136,151)	74,718

Yen

Net income (loss) per share attributable to Panasonic Corporation common shareholders (Note 8):

Basic	(58.88)	36.09
Diluted		

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Operations

Three months ended September 30, 2011 and 2010

	Yen (millions)	
	Three months ended September 30	
	2011	2010
Revenues, costs and expenses:		
Net sales	2,075,650	2,206,822
Cost of sales (Note 12)	(1,538,814)	(1,628,763)
Selling, general and administrative expenses	(494,813)	(492,929)
Interest income	3,310	2,948
Dividends received	999	425
Other income (Notes 11 and 12)	13,759	15,278
Interest expense	(6,827)	(6,904)
Other deductions (Notes 5, 11, 12 and 13)	(195,174)	(36,654)
Income (loss) before income taxes	(141,910)	60,223
Provision for income taxes	(18,808)	25,810
Equity in earnings of associated companies	2,569	1,884
Net income (loss) (Note 10)	(120,533)	36,297
Less net income (loss) attributable to noncontrolling interests	(14,733)	5,257
Net income (loss) attributable to Panasonic Corporation	(105,800)	31,040

Yen

Net income (loss) per share attributable to Panasonic Corporation common shareholders (Note 8):

Basic	(45.75)	14.99
Diluted		

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six months ended September 30, 2011 and 2010

	Yen (millions)	
	Six months ended September 30	
	2011	2010
Cash flows from operating activities:		
Net income (loss) (Note 10)	(153,157)	84,035
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	172,574	179,685
Net (gain) loss on sale of investments	1,159	(6,876)
Provision for doubtful receivables	2,116	3,097
Deferred income taxes	(24,194)	(1,484)
Write-down of investment securities (Notes 11 and 13)	894	25,691
Impairment losses on long-lived assets (Notes 5 and 13)	153,742	2,195
Cash effects of change in:		
Trade receivables	(31,750)	(3,131)
Inventories	(65,848)	(132,022)
Other current assets	(59,573)	(4,132)
Trade payables	(936)	51,612
Accrued income taxes	(5,637)	20,462
Accrued expenses and other current liabilities	11,495	41,421
Retirement and severance benefits	(7,880)	(18,911)
Deposits and advances from customers	8,743	3,004
Other, net	(708)	2,676
Net cash provided by operating activities	1,040	247,322

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Cash flows from investing activities:		
Proceeds from disposition of investments and advances	21,809	59,624
Increase in investments and advances	(3,242)	(2,633)
Capital expenditures	(173,367)	(200,728)
Proceeds from disposals of property, plant and equipment	33,639	72,771
(Increase) decrease in time deposits, net	14,251	(14,412)
Other, net	(5,031)	(6,838)
Net cash used in investing activities	(111,941)	(92,216)

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PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six months ended September 30, 2011 and 2010

	Yen (millions)	
	Six months ended September 30	
	2011	2010
Cash flows from financing activities:		
Increase in short-term debt, net	15,006	798,043
Proceeds from long-term debt	749	2,425
Repayments of long-term debt	(75,878)	(65,884)
Dividends paid to Panasonic Corporation shareholders (Notes 9 and 10)	(10,351)	(10,353)
Dividends paid to noncontrolling interests (Note 10)	(7,589)	(8,072)
Repurchase of common stock (Note 10)	(70)	(386)
Sale of treasury stock (Note 10)	61	14
Purchase of noncontrolling interests (Note 10)	(5,291)	(61,759)
Other, net	278	(301)
Net cash provided by (used in) financing activities	(83,085)	653,727
Effect of exchange rate changes on cash and cash equivalents	(40,245)	(50,339)
Net increase (decrease) in cash and cash equivalents	(234,231)	758,494
Cash and cash equivalents at beginning of period	974,826	1,109,912
Cash and cash equivalents at end of period	740,595	1,868,406

See accompanying Notes to Consolidated Financial Statements.

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PANASONIC CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

(a) **Description of Business**

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

Sales by product category for the six months ended September 30, 2011 were as follows: Digital AVC Networks 33%, Home Appliances 16%, PEW and PanaHome* 19%, Components and Devices 9%, SANYO* 16%, and Other 7%. A sales breakdown by geographical market was as follows: Japan 51%, North and South America 12%, Europe 9%, and Asia and Others 28%.

Sales by product category for the three months ended September 30, 2011 were as follows: Digital AVC Networks 34%, Home Appliances 14%, PEW and PanaHome* 20%, Components and Devices 9%, SANYO* 16%, and Other 7%. A sales breakdown by geographical market was as follows: Japan 51%, North and South America 12%, Europe 9%, and Asia and Others 28%.

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

* PEW stands for Panasonic Electric Works Co., Ltd. and PanaHome stands for PanaHome Corporation. SANYO stands for SANYO Electric Co., Ltd.

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

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

The consolidated financial statements presented herein have been prepared in a manner and reflect adjustments which are necessary to conform with U.S. generally accepted accounting principles (U.S. GAAP).

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(c) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned, controlled subsidiaries. The Company also consolidates entities in which controlling interest exists through variable interests in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation. All significant intercompany balances and transactions have been eliminated in consolidation.

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

The Company has 610 consolidated subsidiaries and 113 associated companies under equity method as of September 30, 2011.

(d) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions are reflected in valuation and disclosure of revenue recognition, allowance for doubtful receivables, valuation of inventories, impairment of long-lived assets, environmental liabilities, valuation of deferred tax assets, uncertain tax positions, employee retirement and severance benefit plans, and assets acquired and liabilities assumed by business combinations.

(e) Adoption of New Accounting Pronouncements

On April 1, 2011, the Company adopted Accounting Standards Update (ASU) 2009-13, Multiple-Deliverable Revenue Arrangements. ASU 2009-13 amends ASC 605, Revenue Recognition to eliminate the requirement that all undelivered elements have vendor specific objective evidence of selling price (VSOE) or third party evidence of selling price (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE and TPE for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements in a

multiple-element arrangement. The overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity's estimated selling price. Application of the residual method of allocating an overall arrangement fee between delivered and undelivered elements is no longer permitted upon adoption of ASU 2009-13. The adoption of ASU 2009-13 did not have a material effect on the Company's consolidated financial statements.

On April 1, 2011, the Company adopted ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. ASU 2010-28, which amends ASC 350,

Intangibles - Goodwill and Other, modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. The adoption of ASU 2010-28 did not have a material effect on the Company's consolidated financial statements.

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(2) **Inventories**

Inventories at September 30 and March 31, 2011 are summarized as follows:

	Yen (millions)	
	September 30, 2011	March 31, 2011
Finished goods	500,419	466,261
Work in process	162,058	164,329
Raw materials	253,670	265,834
	916,147	896,424

(3) **Investments in Securities**

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

The cost, fair value, net unrealized holding gains (losses) of available-for-sale securities included in investments and advances at September 30 and March 31, 2011 are as follows:

	Yen (millions)		
	September 30, 2011		Net unrealized holding gains (losses)
	Cost	Fair value	
Noncurrent:			
Equity securities	239,247	244,854	5,607
Corporate and government bonds	1,685	1,705	20
Other debt securities	601	580	(21)
	241,533	247,139	5,606

	Yen (millions)	
	Cost	March 31, 2011 Fair value

			Net unrealized holding gains (losses)
Noncurrent:			
Equity securities	250,400	313,813	63,413
Corporate and government bonds	2,142	2,201	59
Other debt securities	544	546	2
	253,086	316,560	63,474

The carrying amounts of the Company's cost method investments totaled 26,710 million yen and 27,914 million yen at September 30 and March 31, 2011, respectively.

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(4) Leases

The Company has operating leases for certain land, buildings, and machinery and equipment. Future minimum lease payments under operating leases at September 30, 2011 are as follows:

	Yen (millions)
Due within 1 year	80,973
Due after 1 year within 2 years	61,075
Due after 2 years within 3 years	41,727
Due after 3 years within 4 years	16,628
Due after 4 years within 5 years	3,510
Thereafter	13,273
 Total minimum lease payments	 217,186

(5) Long-Lived Assets

The Company periodically reviews the recorded value of its long-lived assets to determine if the future cash flows to be derived from these assets will be sufficient to recover the remaining recorded asset values. Impairment losses are included in other deductions in the consolidated statements of operations, and are not charged to segment profit.

The Company recognized impairment losses in the aggregate of 145,348 million yen and 144,466 million yen of long-lived assets for the six months and three months ended September 30, 2011, respectively. 140,244 million yen of impairment losses for the six months and three months ended September 30, 2011 were related to Digital AVC Networks segment.

The Company recorded impairment losses for certain buildings, machinery and equipment and finite-lived intangible assets related to certain domestic flat TV manufacturing facilities. As a result of the continuously substantial decline of product prices and the yen appreciation, the Company estimated that the carrying amounts would not be recoverable through future cash flows. The fair value of buildings was determined through an appraisal based on the repurchase cost. The fair value of machinery and equipment was determined through an appraisal based on the repurchase cost or net realizable value. The fair value of finite-lived intangible assets was determined based on the discounted estimated cash flows expected to result from the use and eventual disposition of the assets.

The Company recognized impairment losses in the aggregate of 2,195 million yen and 1,990 million yen of long-lived assets for the six months and three months ended September 30, 2010, respectively. Impairment losses were mainly related to PEW and PanaHome segment.

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(6) **Number of Common Shares**

Number of common shares authorized and issued and number of treasury common shares as of September 30 and March 31, 2011 are as follows:

	Number of shares	
	September 30, 2011	March 31, 2011
Common stock:		
Authorized	4,950,000,000	4,950,000,000
Issued	2,453,053,497	2,453,053,497
Treasury stock	140,804,033	382,760,101

(7) **Panasonic Corporation Shareholders' Equity per Share**

Panasonic Corporation shareholders' equity per share as of September 30 and March 31, 2011 are as follows:

	Yen	
	September 30, 2011	March 31, 2011
Panasonic Corporation shareholders' equity per share	1,106.97	1,236.05

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

A reconciliation of the numerators and denominators of the basic net income (loss) per share attributable to Panasonic Corporation common shareholders computation for the six months ended September 30, 2011 and 2010 are as follows:

	Yen (millions)	
	Six months ended September 30	
	2011	2010
Net income (loss) attributable to Panasonic Corporation common shareholders	(136,151)	74,718
	Number of shares	
	Six months ended September 30	
	2011	2010
Average common shares outstanding	2,312,254,267	2,070,372,312
	Yen	
	Six months ended September 30	
	2011	2010
Net income (loss) per share attributable to Panasonic Corporation common shareholders:		
Basic	(58.88)	36.09

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

A reconciliation of the numerators and denominators of the basic net income (loss) per share attributable to Panasonic Corporation common shareholders computation for the three months ended September 30, 2011 and 2010 are as follows:

	Yen (millions)	
	Three months ended September 30	
	2011	2010
Net income (loss) attributable to Panasonic Corporation common shareholders	(105,800)	31,040
	Number of shares	

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	Three months ended September 30	
	2011	2010
Average common shares outstanding	2,312,247,172	2,070,332,522
	Yen	
	Three months ended September 30	
	2011	2010
Net income (loss) per share attributable to Panasonic Corporation common shareholders:		
Basic	(45.75)	14.99

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

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(9) Cash Dividends

On April 28, 2011, the board of directors approved a year-end dividend of 5.0 yen per share, totaling 10,351 million yen on outstanding common stock as of March 31, 2011. The dividends, which became effective on May 31, 2011, were sourced out of retained earnings.

On October 31, 2011, the board of directors approved an interim dividend of 5.0 yen per share, totaling 11,561 million yen on outstanding common stock as of September 30, 2011. The dividends, which will become effective on November 30, 2011, were sourced out of retained earnings.

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(10) Equity

The change in the carrying amount of Panasonic Corporation shareholders' equity, noncontrolling interests and total equity in the consolidated balance sheets for the six months ended September 30, 2011 and 2010 are as follows:

	Yen (millions)		
	Six months ended September 30, 2011		
	Panasonic Corporation shareholders equity	Noncontrolling interests	Total equity
Balance at April 1, 2011	2,558,992	387,343	2,946,335
Dividends paid to Panasonic Corporation shareholders	(10,351)		(10,351)
Dividends paid to noncontrolling interests		(7,589)	(7,589)
Repurchase of common stock	(70)		(70)
Sale of treasury stock	256,056		256,056
Equity transactions with noncontrolling interests	16,458	(277,744)	(261,286)
Other	146	(421)	(275)
Comprehensive income (loss):			
Net loss	(136,151)	(17,006)	(153,157)
Other comprehensive income (loss), net of tax:			
Translation adjustments	(99,244)	(6,193)	(105,437)
Unrealized holding losses of available-for-sale securities	(34,612)	(124)	(34,736)
Unrealized holding gains of derivative instruments	1,657		1,657
Pension liability adjustments	6,705	51	6,756
Total comprehensive loss	(261,645)	(23,272)	(284,917)
Balance at September 30, 2011	2,559,586	78,317	2,637,903

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	Yen (millions)		
	Six months ended September 30, 2010		
	Panasonic Corporation shareholders equity	Noncontrolling interests	Total equity
Balance at April 1, 2010	2,792,488	887,285	3,679,773
Dividends paid to Panasonic Corporation shareholders	(10,353)		(10,353)
Dividends paid to noncontrolling interests		(8,072)	(8,072)
Repurchase of common stock	(386)		(386)
Sale of treasury stock	14		14
Equity transactions with noncontrolling interests	(83,240)	23,785	(59,455)
Other		(2,819)	(2,819)
Comprehensive income (loss):			
Net income	74,718	9,317	84,035
Other comprehensive income (loss), net of tax:			
Translation adjustments	(92,438)	(21,890)	(114,328)
Unrealized holding losses of available-for-sale securities	(30,347)	(2,070)	(32,417)
Unrealized holding gains (losses) of derivative instruments	456	(30)	426
Pension liability adjustments	1,048	379	1,427
Total comprehensive loss	(46,563)	(14,294)	(60,857)
Balance at September 30, 2010	2,651,960	885,885	3,537,845

Comprehensive loss for the three months ended September 30, 2011 and 2010 amounted to 226,324 million yen and 1,036 million yen, respectively. Comprehensive loss for the three months ended September 30, 2011 and 2010 includes Net income (loss) in the amount of a loss of 120,533 million yen and an income of 36,297 million yen, and other comprehensive loss, net of tax, in the amount of 105,791 million yen and 37,333 million yen, respectively.

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Net income (loss) attributable to Panasonic Corporation and transfers (to) from the noncontrolling interests for the six months ended September 30, 2011 and 2010 are as follows:

	Yen (millions)	
	Six months ended	September 30
	2011	2010
Net income (loss) attributable to Panasonic Corporation	(136,151)	74,718
Transfers (to) from the noncontrolling interests:		
Decrease in capital surplus for purchase of additional shares in consolidated subsidiaries primarily for the purpose of conversion into wholly-owned subsidiaries	17,442	(83,240)
Total	17,442	(83,240)
Change from net income (loss) attributable to Panasonic Corporation and Transfers (to) from the noncontrolling interests	(118,709)	(8,522)

On April 1, 2011, PEW and SANYO became wholly-owned subsidiaries through share exchanges. The difference between the fair value of the shares of the Company delivered to the noncontrolling interests and the decrease in the carrying amount of the noncontrolling interests was recognized as an adjustment to capital surplus.

In June 2010, the Company purchased the noncontrolling interests of IPS Alpha Technology, Ltd., whose name was subsequently changed to Panasonic Liquid Display Co. Ltd.

Transfers (to) from the noncontrolling interests for the three months ended September 30, 2011 and 2010 are not material.

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(11) **Supplementary Information**

Included in other deductions for the six months and three months ended September 30, 2011 and 2010 are as follows:

	Yen (millions)	
	Six months ended September 30 2011	2010
Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries	23,309	1,605
Write-down of investment securities	894	25,691
Foreign exchange losses (gains)	1,255	

	Yen (millions)	
	Three months ended September 30 2011	2010
Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries	19,738	678
Write-down of investment securities	761	25,154
Foreign exchange losses (gains)	(2,974)	

Foreign exchange gains included in other income for the six and three months ended September 30, 2010 are 6,754 million yen and 5,945 million yen.

Net periodic benefit cost for the six months ended September 30, 2011 and 2010 are 39,336 million yen and 29,003 million yen, respectively. Net periodic benefit cost for the three months ended September 30, 2011 and 2010 are 22,055 million yen and 14,519 million yen, respectively.

Net periodic income related to the Great East Japan Earthquake included in other income for the six months and three months ended September 30, 2011 amounted to 2,882 million yen and 8,396 million yen, respectively, which was net of loss related to the earthquake from insurance recovery of 11,160 million yen and 9,765 million yen, respectively.

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(12) Derivatives and Hedging Activities

The Company operates internationally, giving rise to significant exposure to market risks arising from changes in foreign exchange rates, interests rates and commodity prices. The Company assesses these risks by continually monitoring changes in these exposures and by evaluating hedging opportunities. Derivative financial instruments utilized by the Company to hedge these risks are comprised principally of foreign exchange contracts, interests rate swaps, cross currency swaps and commodity derivatives. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company accounts for derivative instruments in accordance with ASC 815, Derivatives and Hedging. Amounts included in accumulated other comprehensive income (loss) at September 30, 2011 are expected to be recognized in earnings principally over the next twelve months. The maximum term over which the Company is hedging exposures to the variability of cash flows for foreign currency exchange risk is approximately five months.

The Company is exposed to credit risk in the event of non-performance by counterparties to the derivative contracts, but such risk is considered mitigated by the high credit rating of the counterparties.

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The fair values of derivative instruments at September 30, 2011 are as follows:

	Yen (millions)			
	Asset derivatives Consolidated balance sheet location	Fair value	Liability derivatives Consolidated balance sheet location	Fair value
Derivatives designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	9,771	Other current liabilities	(267)
Commodity futures	Other current assets	1,710	Other current liabilities	(2,829)
Total derivatives designated as hedging instruments under ASC 815		11,481		(3,096)
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	10,461	Other current liabilities	(4,937)
Cross currency swaps	Other current assets	1,934		
Interest rate swaps	Other current assets	0		
Commodity futures	Other current assets	36,773	Other current liabilities	(36,773)
Total derivatives not designated as hedging instruments under ASC 815		49,168		(41,710)
Total derivatives		60,649		(44,806)

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The fair values of derivative instruments at March 31, 2011 are as follows:

	Yen (millions)			
	Asset derivatives Consolidated balance sheet location	Fair value	Liability derivatives Consolidated balance sheet location	Fair value
Derivatives designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	252	Other current liabilities	(4,584)
Commodity futures	Other current assets	15,658	Other current liabilities	(601)
Total derivatives designated as hedging instruments under ASC 815		15,910		(5,185)
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange contracts	Other current assets	1,619	Other current liabilities	(3,238)
Cross currency swaps			Other current liabilities	(462)
Interest rate swaps	Other current assets	0		
Commodity futures	Other current assets	4,732	Other current liabilities	(4,732)
Total derivatives not designated as hedging instruments under ASC 815		6,351		(8,432)
Total derivatives		22,261		(13,617)

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The effect of derivative instruments on the consolidated statement of operations for the six months ended September 30, 2011 is as follows:

		Yen (millions)	
Hedging instruments in			
ASC 815 fair value			Amount of gain or (loss) recognized in operations
hedging relationships		Location of gain or (loss) recognized in operations	
Commodity futures		Other income (deductions)	(5,607)
Total			(5,607)

		Yen (millions)	
Related hedged items in			
ASC 815 fair value			Amount of gain or (loss) recognized in operations
hedging relationships		Location of gain or (loss) recognized in operations	
Trade accounts receivable (payable)		Other income (deductions)	6,312
Total			6,312

Fair value hedges resulted in gains of 705 million yen of ineffectiveness.

		Yen (millions)		
Derivatives in			Location of gain (loss) reclassified from	Amount of gain (loss) reclassified from
ASC 815 cash flow		Amount of gain (loss) recognized in OCI	accumulated OCI	from accumulated OCI
hedging relationships		on derivative (effective portion)	into operations (effective portion)	into operations (effective portion)
Foreign exchange contracts		14,590	Other income (deductions)	3,983
Commodity futures		(6,174)	Cost of sales	1,935

Total	8,416	5,918
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	Yen (millions)	
Derivatives in	Location of gain (loss) recognized in	Amount of gain (loss)
ASC 815 cash flow	operations on derivative	recognized in
hedging relationships	(ineffective portion and amount excluded	operations on derivative
	from effectiveness testing)	(ineffective portion and amount excluded
		from effectiveness testing)
Foreign exchange contracts	Other income (deductions)	499
Commodity futures		

Total		499
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	Yen (millions)	
Derivatives not designated		
as hedging instruments		Amount of gain (loss)
under ASC 815	Location of gain (loss) recognized in	recognized in
	operations on derivative	operations on derivative
Foreign exchange contracts	Other income (deductions)	11,887
Cross currency swaps	Other income (deductions)	2,396
Interest rate swaps	Other income (deductions)	0
Commodity futures	Other income (deductions)	0

Total		14,283
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The effect of derivative instruments on the consolidated statement of operations for the six months ended September 30, 2010 is as follows:

Hedging instruments in ASC 815 fair value hedging relationships	Yen (millions)	Amount of gain or (loss) recognized in operations
	Location of gain or (loss) recognized in operations	
Commodity futures	Other income (deductions)	(7,774)
Total		(7,774)

Related hedged items in ASC 815 fair value hedging relationships	Yen (millions)	Amount of gain or (loss) recognized in operations
	Location of gain or (loss) recognized in operations	
Trade accounts receivable (payable)	Other income (deductions)	8,744
Total		8,744

Fair value hedges resulted in gains of 970 million yen of ineffectiveness.

Derivatives in ASC 815 cash flow hedging relationships	Yen (millions)	Location of gain (loss) reclassified from	Amount of gain (loss) reclassified from accumulated OCI into operations (effective portion)
		accumulated OCI into operations (effective portion)	
Foreign exchange contracts	10,750	Other income (deductions)	7,641
Commodity futures	1,543	Cost of sales	268
Total	12,293		7,909

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Derivatives in	Yen (millions)	Amount of gain (loss)
ASC 815 cash flow	Location of gain (loss) recognized in	recognized in
hedging relationships	operations on derivative	operations on derivative
	(ineffective portion and amount excluded	(ineffective portion and amount excluded
	from effectiveness testing)	from effectiveness testing)
Foreign exchange contracts	Other income (deductions)	628
Commodity futures		
Total		628

Derivatives not designated	Yen (millions)	Amount of gain (loss)
as hedging instruments	Location of gain (loss) recognized in	recognized in
under ASC 815	operations on derivative	operations on derivative
Foreign exchange contracts	Other income (deductions)	11,976
Cross currency swaps	Other income (deductions)	(2,924)
Interest rate swaps	Other income (deductions)	(23)
Commodity futures	Other income (deductions)	0
Total		9,029

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The effect of derivative instruments on the consolidated statement of operations for the three months ended September 30, 2011 is as follows:

	Yen (millions)		Amount of gain or (loss) recognized in operations
Hedging instruments in ASC 815 fair value hedging relationships		Location of gain or (loss) recognized in operations	
Commodity futures		Other income (deductions)	(4,259)
Total			(4,259)

	Yen (millions)		Amount of gain or (loss) recognized in operations
Related hedged items in ASC 815 fair value hedging relationships		Location of gain or (loss) recognized in operations	
Trade accounts receivable (payable)		Other income (deductions)	4,610
Total			4,610

Fair value hedges resulted in gains of 351 million yen of ineffectiveness.

	Yen (millions)	Location of gain (loss) reclassified from accumulated OCI into operations (effective portion)	Amount of gain (loss) reclassified from accumulated OCI into operations (effective portion)
Derivatives in ASC 815 cash flow hedging relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)		
Foreign exchange contracts	11,503	Other income (deductions)	6,359
Commodity futures	(3,476)	Cost of sales	739
Total	8,027		7,098

	Yen (millions)	
	Location of gain (loss) recognized in	
	operations on derivative	Amount of gain (loss)
Derivatives in	(ineffective portion and amount excluded	recognized in
ASC 815 cash flow	from effectiveness testing)	operations on derivative
hedging relationships	Other income (deductions)	(ineffective portion and amount excluded
		from effectiveness testing)
Foreign exchange contracts		291
Commodity futures		
Total		291

	Yen (millions)	
	Location of gain (loss) recognized in	
	operations on derivative	Amount of gain (loss)
Derivatives not designated	operations on derivative	recognized in
as hedging instruments	Other income (deductions)	operations on derivative
under ASC 815	Other income (deductions)	Other income (deductions)
Foreign exchange contracts		8,891
Cross currency swaps		1,588
Interest rate swaps		0
Commodity futures		0
Total		10,479

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The effect of derivative instruments on the consolidated statement of operations for the three months ended September 30, 2010 is as follows:

Hedging instruments in	Yen (millions)	Amount of gain or (loss) recognized in operations
ASC 815 fair value		
hedging relationships	Location of gain or (loss) recognized in operations	
Commodity futures	Other income (deductions)	6,069
Total		6,069

Related hedged items in	Yen (millions)	Amount of gain or (loss) recognized in operations
ASC 815 fair value		
hedging relationships	Location of gain or (loss) recognized in operations	
Trade accounts receivable (payable)	Other income (deductions)	(5,706)
Total		(5,706)

Fair value hedges resulted in gains of 363 million yen of ineffectiveness.

Derivatives in	Yen (millions)	Location of gain (loss) reclassified from accumulated OCI into operations (effective portion)	Amount of gain (loss) reclassified from accumulated OCI into operations (effective portion)
ASC 815 cash flow			
hedging relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	(effective portion)	
Foreign exchange contracts	(1,924)	Other income (deductions)	9,481
Commodity futures	2,728	Cost of sales	(150)

Total	804	9,331
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Yen (millions)		
Location of gain (loss) recognized in		
Derivatives in	operations on derivative	Amount of gain (loss)
ASC 815 cash flow	(ineffective portion and amount excluded	recognized in
hedging relationships	from effectiveness testing)	operations on derivative
Foreign exchange contracts	Other income (deductions)	(ineffective portion and amount excluded
Commodity futures		from effectiveness testing)
		222
Total		222

Yen (millions)		
Location of gain (loss) recognized in		
Derivatives not designated	operations on derivative	Amount of gain (loss) recognized in
as hedging instruments	(ineffective portion and amount excluded	operations on derivative
under ASC 815	from effectiveness testing)	operations on derivative
Foreign exchange contracts	Other income (deductions)	(ineffective portion and amount excluded
Cross currency swaps	Other income (deductions)	from effectiveness testing)
Interest rate swaps	Other income (deductions)	from effectiveness testing)
Commodity futures	Other income (deductions)	from effectiveness testing)
		(9,524)
		(2,312)
		(20)
		0
Total		(11,856)

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(13) Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, Time deposits, Trade receivables, Short-term debt, Trade payables, Accrued expenses

The carrying amount approximates fair value because of the short maturity of these instruments.

Investments and advances

The fair value of investments and advances is estimated based on quoted market prices or the present value of future cash flows using appropriate current discount rates.

Long-term debt, including current portion

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using appropriate current discount rates.

Derivative financial instruments

The fair value of derivative financial instruments, all of which are used for hedging purposes, is estimated based on unadjusted market prices or quotes obtained from brokers, which are periodically validated by pricing models using observable inactive market inputs.

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The estimated fair values of financial instruments, all of which are held or issued for purposes other than trading, at September 30 and March 31, 2011 are as follows:

	Yen (millions)			
	September 30, 2011		March 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivatives:				
Assets:				
Other investments and advances	332,729	332,759	409,938	410,023
Liabilities:				
Long-term debt, including current portion	(1,460,877)	(1,481,981)	(1,535,858)	(1,548,251)
Derivatives:				
Other current assets:				
Forward:				
To sell foreign currencies	14,975	14,975	1,420	1,420
To buy foreign currencies	5,257	5,257	451	451
Cross currency swaps	1,934	1,934		
Interest rate swaps	0	0	0	0
Commodity futures:				
To sell commodity	37,374	37,374		
To buy commodity	1,109	1,109	20,390	20,390
Other current liabilities:				
Forward:				
To sell foreign currencies	(3,964)	(3,964)	(4,536)	(4,536)
To buy foreign currencies	(1,240)	(1,240)	(3,286)	(3,286)
Cross currency swaps			(462)	(462)
Commodity futures:				
To sell commodity			(5,333)	(5,333)
To buy commodity	(39,602)	(39,602)		

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

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

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Assets and liabilities measured at fair value on a recurring basis

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30 and March 31, 2011:

	Yen (millions)			Total
	Level 1	September 30, 2011		
		Level 2	Level 3	
Assets:				
Available-for-sale securities:				
Equity securities	244,854			244,854
Corporate and government bonds		1,705		1,705
Other debt securities		580		580
Total available-for-sale securities	244,854	2,285		247,139
Derivatives:				
Foreign exchange contracts		20,232		20,232
Cross currency swaps		1,934		1,934
Interest rate swaps		0		0
Commodity futures	11,051	27,432		38,483
Total derivatives	11,051	49,598		60,649
Total	255,905	51,883		307,788
Liabilities:				
Derivatives:				
Foreign exchange contracts		(5,204)		(5,204)
Commodity futures	(30,261)	(9,341)		(39,602)
Total derivatives	(30,261)	(14,545)		(44,806)
Total	(30,261)	(14,545)		(44,806)

	Yen (millions)			Total
	Level 1	March 31, 2011		
		Level 2	Level 3	

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Assets:

Available-for-sale securities:

Equity securities	313,813		313,813
Corporate and government bonds		2,201	2,201
Other debt securities		546	546
Total available-for-sale securities	313,813	2,747	316,560

Derivatives:

Foreign exchange contracts		1,871	1,871
Interest rate swaps		0	0
Commodity futures	18,564	1,826	20,390
Total derivatives	18,564	3,697	22,261

Total	332,377	6,444	338,821
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Liabilities:

Derivatives:

Foreign exchange contracts		(7,822)	(7,822)
Cross currency swaps		(462)	(462)
Commodity futures	(2,427)	(2,906)	(5,333)
Total derivatives	(2,427)	(11,190)	(13,617)

Total	(2,427)	(11,190)	(13,617)
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The Company's existing marketable equity securities and commodity futures are included in Level 1, which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.