Consolidated Financial Results

1. Six months ended September 30, 2017

A. Operating Results

Yen (billions)

	Fiscal 2018 Six Months ended Sep. 30, 2017	Fiscal 2017 Six Months ended Sep. 30, 2016	Percentage 2018/2017
Net sales	3,857.9	3,539.8	109%
Operating profit	196.6	178.1	110%
Profit before income taxes	194.8	181.1	108%
Net profit attributable to Panasonic Corporation stockholders	118.9	133.5	89%

During the six months ended September 30, 2017 (fiscal 2018) under review, the global economy showed signs of recovery as the U.S. economy continued to perform favorably with stable personal spending and recovering capital investments. The Chinese economy also showed a steady recovery, supported by various policies. The Japanese economy has made a moderate recovery due to stable employment and personal income. However, concerns about geopolitical risks are increasing and uncertainties persist in the economic outlook with factors such as downward economic swings in emerging countries as well as changes in financial market conditions, politics and policies in various countries.

Under such business circumstances, in fiscal 2018, Panasonic is promoting its growth strategies aimed at sustainable sales and profit increase, identifying the growth areas where the Company will concentrate its management resources.

For the B2B business, the Company implemented organizational restructuring under the former AVC Networks Company and established a new internal company, named the Connected Solutions Company on April 1. The aim was to develop a customer-oriented structure for the business that will play a central role in the growth of group-wide B2B business.

For the automotive-related business, Panasonic opened a new factory for automotive lithium-ion batteries in Dalian, China in April. To further expand production capacity, Panasonic has decided to start production of automotive lithium-ion batteries at the Himeji factory of Panasonic Liquid Crystal Display Co., Ltd. Panasonic continues to strengthen its global competitiveness with production sites in Japan, the U.S. and China.

For the housing-related business, Panasonic acquired common stock of PanaHome through a tender offer that was completed in June. The Company has acquired all voting rights of PanaHome in accordance with the share consolidation taking effect as of October 2. The Company will promote its business strategies by exerting synergy of management resources in both Panasonic and PanaHome. In the solar business, Panasonic has decided to start sales of individual cells during fiscal 2018, in addition to its conventional way of selling modules only. The Company will review its global production structure for modules including the plan to terminate module production at the Shiga plant by the end of March 2018.

For the six months ended September 30, 2017, the Company achieved increases in both sales and operating profit due mainly to the growth of automotive- and industry-related business.

Consolidated group sales increased by 9% to 3,857.9 billion yen from fiscal 2017 (a year ago). Domestic sales increased year on year. Overseas sales significantly increased due mainly to the large growth in the automotive-related business such as automotive infotainment systems and Energy, which includes rechargeable batteries. Effects from the new consolidations of Ficosa and Zetes as well as from foreign exchange rates also contributed to increasing sales.

Operating profit increased by 10% to 196.6 billion yen from a year ago. Despite the negative impact from increased fixed-costs due to upfront investments and material cost hikes in addition to one-off gains recorded in the previous year, profitability improvements mainly in Industrial had a positive impact on increasing profits. Profit before income taxes increased by 8% to 194.8 billion yen. However, net profit attributable to Panasonic Corporation stockholders decreased by 11% to 118.9 billion yen from a year ago influenced by re-recording deferred tax assets in the same period last year.

B. Breakdown by Segment

Appliances

Yen (billions)

	Fiscal 2018 Six months ended Sep. 30, 2017	Fiscal 2017 Six months ended Sep. 30, 2016	Percentage 2018/2017
Sales	1,327.4	1,277.2	104%
Operating profit	72.7	69.5	105%

Sales increased by 4% to 1,327.4 billion yen from a year ago due mainly to favorable sales of air-conditioners in China and Europe, steady sales of refrigerators in Japan and Asia, in addition to favorable sales of digital cameras in Europe, the U.S. and Asia. Operating profit increased to 72.7 billion yen from a year ago due mainly to sales increase in spite of the negative effect of raw material cost hikes.

Eco Solutions

Yen (billions)

	Fiscal 2018 Six months ended Sep. 30, 2017	Fiscal 2017 Six months ended Sep. 30, 2016	Percentage 2018/2017
Sales	757.3	726.6	104%
Operating profit	21.3	21.5	99%

Sales increased by 4% to 757.3 billion yen from a year ago. Despite a sales decrease in solar photovoltaic systems, Housing Systems showed favorable domestic sales. Electrical construction materials business, which turned to a sales increase in Asia, also contributed to increased sales. Operating profit decreased to 21.3 billion yen from a year ago influenced by recording business restructuring expenses in the solar business, despite offsetting negative impacts such as material cost hikes through sales expansion.

Connected Solutions

Yen (billions)

	Fiscal 2018 Six months ended Sep. 30, 2017	Fiscal 2017 Six months ended Sep. 30, 2016	Percentage 2018/2017
Sales	531.3	497.2	107%
Operating profit	40.4	36.5	111%

Sales increased by 7% to 531.3 billion yen from a year ago. Sales increased at Process Automation with electronic component mounting equipment for the smartphone industry showing favorable results. Mobile Solutions increased sales with its favorable PC business mainly in Japan in addition to the new consolidation of Zetes. Operating profit increased to 40.4 billion yen from a year ago due mainly to improved model mix in Media Entertainment and expanded sales in Mobile Solutions and other businesses, despite declined sales in Avionics, which is one of the highly profitable businesses.

Automotive & Industrial Systems

Yen (billions)

	Fiscal 2018 Six months ended Sep. 30, 2017	Fiscal 2017 Six months ended Sep. 30, 2016	Percentage 2018/2017
Sales	1,343.0	1,177.8	114%
Operating profit	38.5	55.8	69%

Sales increased by 14% to 1,343.0 billion yen from a year ago. All three Businesses expanded in sales: Automotive with its favorable sales in automotive infotainment systems, in addition to the new consolidation of Ficosa; Energy which achieved a large growth with its automotive batteries; and Industrial with its expansion in automotive and industrial devices. Operating profit decreased to 38.5 billion yen from a year ago influenced by increased fixed-costs such as upfront investments for automotive business, in addition to recording one-off gains such as reversal of provision and gains from business transfer in the previous year.

Other

Yen (billions)

	Fiscal 2018 Six months ended Sep. 30, 2017	Fiscal 2017 Six months ended Sep. 30, 2016	Percentage 2018/2017
Sales	287.5	274.7	105%
Operating profit	2.2	0.6	338%

Sales increased by 5% to 287.5 billion yen from a year ago. Operating profit increased to 2.2 billion yen from a year ago due to intellectual-property-related revenue.

C. Consolidated Financial Condition

Net cash provided by operating activities for the six months ended September 30, 2017 amounted to 142.0 billion yen, compared with an inflow of 41.9 billion yen a year ago. This was due mainly to a significant decrease in other current liabilities including provisions in the previous year, despite an increase in working capital in line with sales increase in real terms. Net cash used in investing activities amounted to 251.1 billion yen, compared with an outflow of 279.6 billion yen a year ago. This was due mainly to a significant increase in spending for acquiring Hussmann in the previous year, despite increase in capital investments in fiscal 2018. Accordingly, free cash flow (net cash provided by operating activities and investing activities) improved by 128.6 billion yen from a year ago to an outflow of 109.1 billion yen. Net cash used in financing activities amounted to 143.9 billion yen, compared with an inflow of 336.9 billion yen a year ago. This was due mainly to the issuance of straight bonds up to 400.0 billion yen in the previous year, as well as acquisition of additional PanaHome shares in fiscal 2018. Taking exchange rate movement into consideration, cash and cash equivalents totaled 1,035.2 billion yen as of September 30, 2017, decreased by 235.6 billion yen compared with the end of fiscal 2017.

The Company's consolidated total assets as of September 30, 2017 increased by 300.1 billion yen to 6,283.0 billion yen from March 31, 2017. This was due mainly to a seasonal increase in its trade receivables and inventory as well as an increase in property, plant and equipment, despite a decrease in cash and cash equivalents. The Company's consolidated total liabilities as of September 30, 2017 increased by 184.4 billion yen, compared with March 31, 2017, to 4,407.4 billion yen. Panasonic Corporation stockholders' equity increased by 114.7 billion yen, compared with March 31, 2017, to 1,686.6 billion yen. This is due mainly to recording of net profit attributable to Panasonic Corporation stockholders. Adding non-controlling interests to Panasonic Corporation stockholders' equity, total equity was 1,875.6 billion yen.

2. Forecast for fiscal 2018

The consolidated financial forecast for fiscal 2018 remains unchanged from the previous forecast announced on May 11, 2017.