Consolidated Financial Results

1. Nine months ended December 31, 2017

A. Operating Results

Yen (billions)

	Fiscal 2018 Nine Months ended Dec. 31, 2017	Fiscal 2017 Nine Months ended Dec. 31, 2016	Percentage 2018/2017
Net sales	5,912.2	5,422.4	109%
Operating profit	316.7	275.7	115%
Profit before income taxes	313.5	278.5	113%
Net profit attributable to Panasonic Corporation stockholders	200.1	197.5	101%

During the nine months ended December 31, 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 on the back of stable employment and personal income. However, uncertainties persist in the economic outlook due to factors such as geopolitical risks, downward economic swings in emerging countries, changes in financial market conditions, as well as 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 is further expanding its production capacity: in April, the Company opened a new factory for automotive prismatic batteries in Dalian, China, and in September, Panasonic decided to start production of automotive prismatic batteries at the Himeji factory of Panasonic Liquid Crystal Display Co., Ltd. In December, Panasonic announced an agreement with Toyota Motor Corporation (Toyota) to begin studying the feasibility of a joint automotive prismatic battery business. Both companies will consider details of the collaboration with the aim of achieving the best automotive prismatic battery in the industry and contributing to the popularization of Toyota’s and other automakers’ electrified vehicles.

For the housing-related business, Panasonic has made PanaHome a wholly-owned subsidiary through share consolidation in October. As of April 1, 2018, PanaHome will be renamed as “Panasonic Homes Co., Ltd.,” and its brand will become “Panasonic.” Panasonic will promote its growth strategies by exerting synergy of group-wide management resources. In the solar business, Panasonic starts selling individual cells during fiscal 2018, in addition to its conventional way of selling modules only. The Company is reviewing 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 nine months ended December 31, 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 5,912.2 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 15% to 316.7 billion yen from a year ago. Sales increases mainly in Automotive and Industrial offset the negative impacts from raw material cost hikes and increased fixed-costs due to upfront investments. Profit before income taxes increased by 13% to 313.5 billion yen. Net profit attributable to

Panasonic Corporation stockholders increased by 1% to 200.1 billion yen from a year ago.

B. Breakdown by Segment

Appliances

Yen (billions)

	Fiscal 2018 Nine Months ended Dec. 31, 2017	Fiscal 2017 Nine Months ended Dec. 31, 2016	Percentage 2018/2017
Sales	2,016.4	1,946.4	104%
Operating profit	103.3	99.4	104%

Sales increased by 4% to 2,016.4 billion yen from a year ago due mainly to favorable sales of air-conditioners in Europe and China, steady sales of TVs in Japan and Latin America, in addition to expanded sales of beauty appliances mainly in China and Asia. Operating profit increased to 103.3 billion yen from a year ago due mainly to sales increase in spite of the negative impact of raw material cost hikes.

Eco Solutions

Yen (billions)

	Fiscal 2018 Nine Months ended Dec. 31, 2017	Fiscal 2017 Nine Months ended Dec. 31, 2016	Percentage 2018/2017
Sales	1,174.0	1,123.8	104%
Operating profit	49.4	47.2	105%

Sales increased by 4% to 1,174.0 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 and outside Japan, also contributed to increased sales. Operating profit increased to 49.4 billion yen from a year ago with sales expansion offsetting impacts such as raw material cost hikes.

Connected Solutions

Yen (billions)

	Fiscal 2018 Nine Months ended Dec. 31, 2017	Fiscal 2017 Nine Months ended Dec. 31, 2016	Percentage 2018/2017
Sales	812.4	755.1	108%
Operating profit	79.1	56.3	140%

Sales increased by 8% to 812.4 billion yen from a year ago. Sales increased at Process Automation with electronic component mounting equipment for the smartphone-, automotive- and ICT-industries showing favorable results. Mobile Solutions increased sales with its favorable PC and payment terminal business in Japan in addition to the new consolidation of Zetes. Operating profit increased to 79.1 billion yen from a year ago due mainly to expanded sales in Mobile Solutions, Process Automation and other businesses, in addition to improved model mix in Media Entertainment. These offset declined sales in Avionics, which is one of the highly profitable businesses.

Automotive & Industrial Systems

Yen (billions)

	Fiscal 2018 Nine Months ended Dec. 31, 2017	Fiscal 2017 Nine Months ended Dec. 31, 2016	Percentage 2018/2017
Sales	2,074.6	1,794.5	116%
Operating profit	62.2	73.1	85%

Sales increased by 16% to 2,074.6 billion yen from a year ago. All three Businesses expanded in sales: Automotive with its favorable sales in automotive infotainment systems mainly in Europe and North America, 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 62.2 billion yen from a year ago. Despite sales expansion, operating profit was affected 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 Nine Months ended Dec. 31, 2017	Fiscal 2017 Nine Months ended Dec. 31, 2016	Percentage 2018/2017
Sales	419.1	415.7	101%
Operating profit (loss)	0.0	(2.4)	―

Sales increased by 1% to 419.1 billion yen from a year ago. Operating profit increased from a year ago due to intellectual-property-related revenue.

C. Consolidated Financial Condition

Net cash provided by operating activities for the nine months ended December 31, 2017 amounted to 264.2 billion yen, compared with an inflow of 130.2 billion yen a year ago. This was due mainly to an increase in income taxes payable in fiscal 2018 and a significant decrease in provisions in fiscal 2017, despite an increase in working capital in line with sales increase in real terms. Net cash used in investing activities amounted to 353.8 billion yen, compared with an outflow of 341.5 billion yen a year ago. This was due mainly to an increase in capital investments in fiscal 2018, while a significant amount was spent for acquiring Hussmann in fiscal 2017. Accordingly, free cash flow (net cash provided by operating activities and investing activities) improved by 121.7 billion yen from a year ago to an outflow of 89.6 billion yen. Net cash used in financing activities amounted to 201.6 billion yen, compared with an inflow of 311.9 billion yen a year ago. This was due mainly to the issuance of straight bonds of up to 400.0 billion yen in fiscal 2017, as well as acquisition of additional equity interest in PanaHome and others in fiscal 2018. Taking exchange rate movement into consideration, cash and cash equivalents totaled 1,007.8 billion yen as of December 31, 2017, decreased by 263.0 billion yen compared with the end of fiscal 2017.

The Company's consolidated total assets as of December 31, 2017 increased by 392.0 billion yen to 6,374.9 billion yen from March 31, 2017. This was due mainly to a seasonal increase in its trade receivables and inventories 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 December 31, 2017 increased by 225.4 billion yen, compared with March 31, 2017, to 4,448.5 billion yen. Panasonic Corporation stockholders' equity increased by 175.3 billion yen, compared with March 31, 2017, to 1,747.2 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 1,926.5 billion yen.

2. Forecast for fiscal 2018

Panasonic revised upward its forecast of consolidated financial sales, taking into account the effect of exchange rates, as the yen has weakened against major currencies such as the euro. The Company also revised upward its forecast of operating profit. Despite being affected by material cost hikes, profitability has improved through fixed-costs reduction and revision of legal-related expenses, in addition to the effect of exchange rates due to the weaker yen. The Company also revised upward its forecast of net profit attributable to Panasonic Corporation stockholders, taking into account the expected improvements in income taxes and others, in addition to increased profit before income taxes.

Consolidated financial forecasts for fiscal 2018 as of February 5, 2018:

Sales:	7,950.0 billion yen	(108% vs fiscal 2017)
Operating profit:	350.0 billion yen	(126% vs fiscal 2017)
Profit before income taxes:	345.0 billion yen	(125% vs fiscal 2017)
Net profit attributable to Panasonic Corporation stockholders:	210.0 billion yen	(141% vs fiscal 2017)