

Consolidated Financial Results

1. Fiscal 2020 3Q ended December 31, 2019

A. Operating Results

	Yen (billions)		
	Fiscal 2020 Nine Months ended Dec. 31, 2019	Fiscal 2019 Nine Months ended Dec. 31, 2018	Percentage 2020/2019
Net sales	5,755.6	6,083.0	95%
Operating profit	240.7	292.8	82%
Profit before income taxes	238.1	294.3	81%
Net profit attributable to Panasonic Corporation stockholders	178.1	173.7	103%

During the nine months ended December 31, 2019 (fiscal 2020), the global economy continued to grow moderately as a whole, due mainly to favorable personal spending in the U.S. and to the Japanese economy supported by favorable employment conditions. On the other hand, the Chinese economy saw a slowdown in spending and investment. Regarding the outlook for the global economy, various risk factors can be seen, such as the politics and financial circumstances in each country, widespread protectionism, and downward economic swings in emerging countries.

Under such a management environment, in fiscal 2020, as the first year of the new Mid-term strategy, the Group executes business portfolio reform, and aims at both profit growth and profitability improvement.

In May, 2019, the Company came to an agreement with Toyota Motor Corporation to establish a joint venture related to town development business, and accordingly, Prime Life Technologies Corporation was established in January, 2020. The integration of respective housing businesses is aimed to reinforce the foundation for such housing business in the face of severe market competition, and to grow business in the field of town development, which is expected to grow in the future. In photovoltaic business, the Company reached an agreement to collaborate with GS-Solar (China) Company Ltd. in May, 2019. Through this collaboration, the Company will optimize the development and production capability. In November, 2019, the Company announced it will end LCD panel production by 2021 and transfer the semiconductor business to Nuvoton Technology Corporation, under the umbrella of Winbond Electronics Corporation in Taiwan.

Furthermore, from October 1, 2019, business execution under the new business management structure was started. In order to clarify the management roles and responsibilities, the management structure was reorganized into a group of executive

officers, who will lead the reform of the Panasonic Group's business structure for the group-wide optimization, and a business execution layer, which will lead the transformation of individual businesses for strengthening respective businesses. This reorganization is aimed to improve profitability and secure advantages of future competitiveness for the Group and its respective businesses.

For the nine months ended December 31, 2019, the Company's consolidated group sales decreased by 5% to 5,755.6 billion yen from a year ago. Domestic sales decreased due mainly to sluggish sales in Electromechanical Control resulting from the deteriorating market conditions in China, despite stable sales of housing-related businesses. Overseas sales decreased due mainly to factors such as sluggish TV sales, sales declines in automotive-related products and electronic-component-mounting-equipment, which were impacted by the deteriorating market conditions in China and the effect of exchange rates, despite sales growth in Automotive Batteries.

Operating profit decreased by 18% to 240.7 billion yen from a year ago. This is due mainly to lower sales in China, sluggish overseas TV sales, increased costs related to development expenses in Automotive Solutions in Europe, impact of gains from the sale of land in the previous year and recording of restructuring expenses, despite stable sales of domestic housing-related businesses. Profit before income taxes decreased by 19% to 238.1 billion yen, and net profit attributable to Panasonic Corporation stockholders increased by 3% to 178.1 billion yen from a year ago, contributed by improvements in income taxes.

B. Breakdown by Reportable Segment

Appliances

	Yen (billions)		
	Fiscal 2020 Third quarter	Fiscal 2019 Third quarter	Percentage 2020/2019
Sales	2,059.0	2,139.0	96%
Operating profit	82.7	88.6	93%

Sales decreased by 4% to 2,059.0 billion yen from a year ago. Despite increased sales such as room air-conditioners in Asia and Europe as well as refrigerators, overall sales decreased due to sluggish overseas sales of TVs, in addition to the effect of exchange rates. Operating profit decreased to 82.7 billion yen from a year ago, since initiatives such as rationalization efforts were unable to offset the lower sales.

Life Solutions

Yen (billions)

	Fiscal 2020 Third quarter	Fiscal 2019 Third quarter	Percentage 2020/2019
Sales	1,505.2	1,468.4	103%
Operating profit	70.9	50.1	142%

Sales increased by 3% to 1,505.2 billion yen from a year ago. This increase was driven by favorable sales including air purifiers at Panasonic Ecology Systems Co., Ltd., and Panasonic Homes Co., Ltd. Operating profit increased to 70.9 billion yen from a year ago due mainly to increased sales and rationalization efforts.

Connected Solutions

Yen (billions)

	Fiscal 2020 Third quarter	Fiscal 2019 Third quarter	Percentage 2020/2019
Sales	770.3	815.8	94%
Operating profit	76.6	73.5	104%

Sales decreased by 6% to 770.3 billion yen from a year ago. This is due to sales declines at Process Automation which was impacted by postponed investment resulting from weak market conditions in China, despite increased sales of PCs in Japan. Operating profit increased to 76.6 billion yen from a year ago. This is due mainly to gains from the transfer of security systems business despite impact of lower sales mainly at Process Automation.

Automotive

Yen (billions)

	Fiscal 2020 Third quarter	Fiscal 2019 Third quarter	Percentage 2020/2019
Sales	1,113.4	1,121.4	99%
Operating profit	(29.2)	(9.2)	—

Sales decreased by 1% to 1,113.4 billion yen from a year ago. Despite sales increase at Automotive Batteries, resulting from the effect of investments in capacity expansion, overall sales slightly decreased due to lower sales at Automotive Solutions which were impacted by deteriorating market conditions in China as well as the effect of exchange rates. Operating profit was a loss of 29.2 billion yen due mainly to an increase in costs related to development expenses at Automotive Solutions despite profit increases at Automotive Batteries.

Industrial Solutions

	Yen (billions)		
	Fiscal 2020 Third quarter	Fiscal 2019 Third quarter	Percentage 2020/2019
Sales	984.1	1,093.5	90%
Operating profit	9.8	64.5	15%

Sales decreased by 10% to 984.1 billion yen from a year ago. This was due mainly to sluggish sales of Electromechanical Control, decreased sales of portable rechargeable batteries resulting from strategically reducing ICT-usage and sales declines mainly in capacitors, which were impacted by deteriorating overseas market conditions. Operating profit decreased to 9.8 billion yen from a year ago due to impact of lower sales as well as recording of an impairment loss related to semiconductor business, despite fixed cost reductions and materials rationalization efforts.

C. Consolidated Financial Condition

Net cash provided by operating activities for the third quarter ended December 31, 2019, amounted to 287.8 billion yen, compared with an inflow of 78.0 billion yen a year ago. This was due mainly to improved working capital and payment of one-off legal costs a year ago, in addition to impact of applying IFRS 16, "Leases" from April 1, 2019 (for further details, please refer to Note 1. of "Notes" section). Net cash used in investing activities amounted to 159.2 billion yen, compared with an outflow of 142.6 billion yen a year ago. This was due mainly to decreased collection of lease receivables, despite an increase of account payable-facility and gains from business transfers. Accordingly, free cash flow (net cash provided by operating activities and investing activities) improved by 193.2 billion yen from a year ago to an inflow of 128.6 billion yen. Net cash used in financing activities amounted to 7.0 billion yen, compared with an outflow of 166.5 billion yen a year ago. This was due mainly to the issuance of U.S. dollar-denominated senior notes totaling approximately 270.0 billion yen despite a reimbursement of bonds, a decreased balance of short-term bonds and the impact of applying IFRS 16. Taking factors such as exchange fluctuations into consideration, cash and cash equivalents totaled 864.3 billion yen as of December 31, 2019, increased by 92.0 billion yen, compared with March 31, 2019.

The Company's consolidated total assets as of December 31, 2019 were 6,710.7 billion yen, an increase of 696.8 billion yen from March 31, 2019. The Company's consolidated total liabilities were 4,566.3 billion yen, an increase of 637.0 billion yen from March 31, 2019. These were due mainly to an increase of right-of-use-assets, investment properties (disclosed in "Other current assets" as of the third quarter ended December 31, 2019. For further details, please refer to Note 1. of "Notes" section) and lease liabilities, by applying IFRS 16. Panasonic Corporation stockholders' equity increased by 63.5 billion yen to 1,977.1 billion yen, compared to March 31, 2019. This was due mainly to recording of

"Net profit attributable to Panasonic Corporation stockholders." With non-controlling interests added to Panasonic Corporation stockholders' equity, total equity was 2,144.3 billion yen.

2. Forecasts for fiscal 2020

The consolidated financial forecast for fiscal 2020 remains unchanged from previous forecast announced on October 31, 2019.