［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, 2017

**Panasonic Corporation**
**Osaka, Japan**

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**Disclaimer Regarding Forward-Looking Statements**

This quarterly report includes forward-looking statements (that include those within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended) 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 under the Financial Instrument and Exchange Act of Japan (the FIEA) and other publicly disclosed documents.
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 Americas, 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; the possibility that excessive currency rate fluctuations of the U.S. dollar, the euro, the Chinese yuan and other currencies against the yen may adversely affect costs and prices of Panasonic's products and services and certain other transactions that are denominated in these foreign currencies; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the possibility of the Panasonic Group not being able 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 or incurring unexpected losses in connection with the alliances or mergers and acquisitions; the possibility of not being able to achieve its business objectives through joint ventures and other collaborative agreements with other companies, including due to the pressure of price reduction exceeding that which can be achieved by its effort and decrease in demand for products from business partners which Panasonic highly depends on in BtoB business areas; the possibility of the Panasonic Group not being able 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 financial assets in which the Panasonic Group has holdings or changes in valuation of non-financial assets, including property, plant and equipment, goodwill and deferred tax assets; future changes or revisions to accounting policies or accounting rules; the possibility of incurring expenses resulting from a leakage of customers' or confidential information from Panasonic Group systems due to unauthorized access or a detection of vulnerability of network-connected products of the Panasonic Group; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world, disruption of supply chain and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in the most recent English translated version of Panasonic's securities reports under the FIEA and any other documents which are disclosed on its website.

## Ⅰ Corporate Information

### (1) Consolidated Financial Summary

| | Yen (millions), except per share amounts | | |
|---|---|---|---|
| | Six months ended September 30, 2017 | Six months ended September 30, 2016 | Year ended March 31, 2017 |
| Net sales | 3,857,864 | 3,539,804 | 7,343,707 |
| Profit before income taxes | 194,785 | 181,111 | 275,066 |
| Net profit attributable to Panasonic Corporation stockholders | 118,911 | 133,455 | 149,360 |
| Comprehensive income (loss) attributable to Panasonic Corporation stockholders | 226,674 | (70,671) | 174,892 |
| Panasonic Corporation stockholders' equity | 1,686,610 | 1,339,676 | 1,571,889 |
| Total equity | 1,875,631 | 1,526,789 | 1,759,935 |
| Total assets | 6,283,021 | 5,647,837 | 5,982,961 |
| Earnings per share attributable to Panasonic Corporation stockholders, basic (yen) | 50.98 | 57.50 | 64.33 |
| Earnings per share attributable to Panasonic Corporation stockholders, diluted (yen) | 50.96 | 57.49 | 64.31 |
| Panasonic Corporation stockholders' equity / total assets (%) | 26.8 | 23.7 | 26.3 |
| Net cash provided by operating activities | 142,040 | 41,922 | 385,410 |
| Net cash used in investing activities | (251,146) | (279,579) | (420,156) |
| Net cash (used in) provided by financing activities | (143,870) | 336,925 | 294,598 |
| Cash and cash equivalents at end of period | 1,035,216 | 1,014,453 | 1,270,787 |

| | Three months ended September 30, 2017 | Three months ended September 30, 2016 |
|---|---|---|
| Net sales | 1,992,589 | 1,764,986 |
| Net profit attributable to Panasonic Corporation stockholders | 70,152 | 104,282 |
| Earnings per share attributable to Panasonic Corporation stockholders, basic (yen) | 30.08 | 44.93 |

Note: The Company's condensed quarterly consolidated financial statements and consolidated financial statements are prepared in conformity with International Financial Reporting Standards (IFRS).

## (2) Principal Businesses

The Panasonic Group is comprised primarily of the parent Panasonic Corporation and 580 consolidated subsidiaries in and outside of Japan, operating in close cooperation with each other. As a comprehensive electronics manufacturer, Panasonic is engaged in development, production, sales and service activities in a broad array of business areas.

Panasonic supplies a full spectrum of electric/electronic equipment and related products, which is categorized into the following five segments: Appliances, Eco Solutions, Connected Solutions, Automotive & Industrial Systems, and Other. As of April 1, 2017, there were some changes in the structure of its internal organization of the reportable segments.

The Company's consolidated financial statements are prepared in conformity with IFRS and the scope of affiliates is disclosed based on the definition of those accounting principles. The same applies to "Ⅱ The Business Overview."

During the six months ended September 30, 2017, there were changes in major affiliated companies as follows.

Connected Solutions:

AVC Networks segment has been renamed as Connected Solutions segment as of April 1, 2017.

In April 2017, the Company acquired shares of Zetes Industries S.A. (Zetes), an European company of logistics and people identification solutions business, and made it a consolidated subsidiary.

Automotive & Industrial Systems:

In April 2017, the Company made a Spanish supplier of automotive mirrors Ficosa International S.A. (Ficosa), one of the companies under the equity method of Panasonic, a consolidated subsidiary of Panasonic, as the terms and condition for consolidation were satisfied.

## Ⅱ The Business Overview

### (1) Operating Results

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 as the Connected Solutions Company on April 1, 2017. 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 2017. 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 Corporation (PanaHome) through a tender offer that was completed in June 2017. The Company has acquired all voting rights of PanaHome via the share consolidation that took effect on October 2, 2017. The Company will promote its growth 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.

## (2) Operating Results by Segment

The Company's six-month consolidated sales and profits by segment with previous year comparisons are summarized as follows:

As of April 1, 2017, there were some changes in the structure of its internal organization of the reportable segments. Accordingly, the figures for segment information in fiscal 2017 have been reclassified to conform to the presentation for fiscal 2018.

*Appliances*

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 by 5% 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*

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 increased sales.

Operating profit decreased by 1% 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*

Sales increased by 7% to 531.3 billion yen from a year ago. Sales increased at Process Automation with electronic component mounting equipment for 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 by 11% 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*

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 by 31% 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*

Sales increased by 5% to 287.5 billion yen from a year ago.

Operating profit increased to by 238% to 2.2 billion yen from a year ago due to intellectual-property-related revenue.

## (3) Assets, Liabilities and Equity

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 to 4,407.4 billion yen from March 31, 2017.

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.

## (4) Cash Flows

*Cash flows from operating activities*

Net cash provided by operating activities for the six months ended September 30, 2017 amounted to 142.0 billion yen, an increase of 100.1 billion yen from 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.

*Cash flows from investing activities*

Net cash used in investing activities amounted to 251.1 billion yen, a decrease of 28.4 billion yen from a year ago. This was due mainly to a significant cash outflow for acquiring Hussmann Corporation 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.

*Cash flows from financing activities*

Net cash used in financing activities amounted to 143.9 billion yen, an increase of 336.9 billion yen from a year ago. This was due mainly to the issuance of straight bonds up to 400.0 billion 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 the fiscal 2017.

### (5) Research and Development

Panasonic's R&D expenditures for the six months ended September 30, 2017 totaled 222.4 billion yen, up 4% from a year ago. There were no significant changes in R&D activities for the period.

### (6) Capital Investment

Panasonic's capital investment (tangible assets) for the six months ended September 30, 2017 totaled 185.4 billion yen, up 63% from a year ago.

### (7) Depreciation

Panasonic's depreciation for the six months ended September 30, 2017 totaled 113.0 billion yen, up 2% from a year ago.

### (8) Number of Employees

Number of employees at the end of the second quarter of fiscal 2018 was 273,298, an increase of 15,765, compared with the end of the fiscal 2017.

### (9) Risk Factors

There were no risks newly identified during the six months ended September 30, 2017.
There were no significant changes with regard to the "Risk Factors" stated in the annual securities report of the prior fiscal year.

## Ⅲ Shares and Shareholders

### (1) Shares of Common Stock Issued as of September 30, 2017: 2,453,053,497 shares

The common stock of the Company is listed on the Tokyo and Nagoya stock exchanges in Japan.

### (2) Amount of Common Stock (Stated Capital) as of September 30, 2017: 258,740 million yen

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## Ⅳ Financial Statements

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**PANASONIC CORPORATION**
**AND SUBSIDIARIES**

**Condensed Quarterly Consolidated Statements of Financial Position**

**September 30 and March 31, 2017**

| | Yen (millions) | |
|---|---|---|
| | September 30, 2017 | March 31, 2017 |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | 1,035,216 | 1,270,787 |
| Trade receivables | 1,028,247 | 847,003 |
| Other financial assets | 144,392 | 143,519 |
| Inventories | 971,760 | 806,309 |
| Other current assets | 157,163 | 137,201 |
| Total current assets | 3,336,778 | 3,204,819 |
| Non-current assets: | | |
| Investments accounted for using the equity method | 142,827 | 155,987 |
| Other financial assets | 187,673 | 161,986 |
| Property, plant and equipment | 1,420,012 | 1,323,282 |
| Goodwill and intangible assets | 750,587 | 665,132 |
| Deferred tax assets | 385,956 | 407,720 |
| Other non-current assets | 59,188 | 64,035 |
| Total non-current assets | 2,946,243 | 2,778,142 |
| Total assets | 6,283,021 | 5,982,961 |

**PANASONIC CORPORATION**
**AND SUBSIDIARIES**

**Condensed Quarterly Consolidated Statements of Financial Position**

**September 30 and March 31, 2017**

| | Yen (millions) | |
|---|---|---|
| | September 30, 2017 | March 31, 2017 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Short-term debt, including current portion of long-term debt.. | 183,652 | 177,038 |
| Trade payables.......................................................................... | 1,097,736 | 955,965 |
| Other financial liabilities.......................................................... | 293,562 | 329,625 |
| Income taxes payable............................................................... | 97,640 | 66,785 |
| Provisions................................................................................. | 319,037 | 317,261 |
| Other current liabilities............................................................ | 928,950 | 865,389 |
| Total current liabilities.......................................................... | 2,920,577 | 2,712,063 |
| Non-current liabilities: | | |
| Long-term debt.......................................................................... | 971,603 | 946,966 |
| Other financial liabilities.......................................................... | 17,137 | - |
| Retirement benefit liabilities.................................................... | 400,189 | 467,749 |
| Provisions................................................................................. | 17,897 | 17,679 |
| Deferred tax liabilities.............................................................. | 70,038 | 62,531 |
| Other non-current liabilities..................................................... | 9,949 | 16,038 |
| Total non-current liabilities................................................... | 1,486,813 | 1,510,963 |
| Total liabilities................................................................... | 4,407,390 | 4,223,026 |
| Equity: | | |
| Panasonic Corporation stockholders' equity : | | |
| Common stock....................................................................... | 258,740 | 258,740 |
| Capital surplus...................................................................... | 553,401 | 636,905 |
| Retained earnings.................................................................. | 1,179,351 | 1,051,445 |
| Other components of equity(Note 4).................................... | (94,259) | (164,632) |
| Treasury stock........................................................................ | (210,623) | (210,569) |
| Total Panasonic Corporation stockholders' equity(Note 5) | 1,686,610 | 1,571,889 |
| Non-controlling interests......................................................... | 189,021 | 188,046 |
| Total equity.................................................................... | 1,875,631 | 1,759,935 |
| Total liabilities and equity.......................................... | 6,283,021 | 5,982,961 |

**PANASONIC CORPORATION**
**AND SUBSIDIARIES**

**Condensed Quarterly Consolidated Statements of Profit or Loss**
**Six months ended September 30, 2017 and 2016**

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2017 | 2016 |
| Net sales | 3,857,864 | 3,539,804 |
| Cost of sales | (2,720,955) | (2,496,890) |
| Gross profit | 1,136,909 | 1,042,914 |
| Selling, general and administrative expenses | (934,208) | (878,963) |
| Share of profit of investments accounted for using the equity method | 3,993 | 3,384 |
| Other income (expenses), net (Note 7) | (10,143) | 10,753 |
| Operating profit | 196,551 | 178,088 |
| Finance income | 12,366 | 13,520 |
| Finance expenses | (14,132) | (10,497) |
| Profit before income taxes | 194,785 | 181,111 |
| Income taxes (Note 7) | (68,750) | (36,178) |
| Net profit | 126,035 | 144,933 |
| | | |
| Net profit attributable to: | | |
| Panasonic Corporation stockholders | 118,911 | 133,455 |
| Non-controlling interests | 7,124 | 11,478 |
| | Yen | |
| Earnings per share attributable to Panasonic Corporation stockholders (Note 5) | | |
| Basic | 50.98 | 57.50 |
| Diluted | 50.96 | 57.49 |

**PANASONIC CORPORATION**
**AND SUBSIDIARIES**

**Condensed Quarterly Consolidated Comprehensive Income (Loss)**
**Six months ended September 30, 2017 and 2016**

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2017 | 2016 |
| Net Profit | 126,035 | 144,933 |
| Other comprehensive income (loss), net of tax | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit plans | 40,035 | 4,658 |
| Financial assets measured at fair value through other comprehensive income | 14,504 | (7,006) |
| Subtotal | 54,539 | (2,348) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 60,825 | (220,367) |
| Net changes in fair value of cash flow hedges | (802) | 1,419 |
| Subtotal | 60,023 | (218,948) |
| Total other comprehensive income | 114,562 | (221,296) |
| Comprehensive income (loss) | 240,597 | (76,363) |
| | | |
| Comprehensive income (loss) attributable to: | | |
| Panasonic Corporation stockholders | 226,674 | (70,671) |
| Non-controlling interests | 13,923 | (5,692) |

**Condensed Quarterly Consolidated Statements of Profit or Loss**
**Three months ended September 30, 2017 and 2016**

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2017 | 2016 |
| Net sales | 1,992,589 | 1,764,986 |
| Cost of sales | (1,403,664) | (1,243,652) |
| Gross profit | 588,925 | 521,334 |
| Selling, general and administrative expenses | (466,015) | (434,185) |
| Share of profit of investments accounted for using the equity method | 2,187 | 1,366 |
| Other income (expenses), net (Note 7) | (12,471) | 17,765 |
| Operating profit | 112,626 | 106,280 |
| Finance income | 5,737 | 5,743 |
| Finance expenses | (5,550) | (5,502) |
| Profit before income taxes | 112,813 | 106,521 |
| Income taxes (Note 7) | (38,969) | 4,190 |
| Net profit | 73,844 | 110,711 |
| | | |
| Net profit attributable to: | | |
| Panasonic Corporation stockholders | 70,152 | 104,282 |
| Non-controlling interests | 3,692 | 6,429 |
| | | |
| | Yen | |
| Earnings per share attributable to Panasonic Corporation stockholders (Note 5) | | |
| Basic | 30.08 | 44.93 |
| Diluted | 30.06 | 44.92 |

**Condensed Quarterly Consolidated Comprehensive Income (Loss)**
**Three months ended September 30, 2017 and 2016**

| | Yen (millions) | |
|---|---|---|
| | Three months ended September 30 | |
| | 2017 | 2016 |
| Net Profit | 73,844 | 110,711 |
| Other comprehensive income (loss), net of tax | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit plans | 32 | (423) |
| Financial assets measured at fair value through other comprehensive income | 955 | 220 |
| Subtotal | 987 | (203) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 33,483 | (37,158) |
| Net changes in fair value of cash flow hedges | 451 | (1,857) |
| Subtotal | 33,934 | (39,015) |
| Total other comprehensive income | 34,921 | (39,218) |
| Comprehensive income | 108,765 | 71,493 |
| | | |
| Comprehensive income attributable to: | | |
| Panasonic Corporation stockholders | 101,767 | 68,502 |
| Non-controlling interests | 6,998 | 2,991 |

## PANASONIC CORPORATION
## AND SUBSIDIARIES

### Condensed Quarterly Consolidated Statements of Changes in Equity
### Six months ended September 30, 2017 and 2016

Six months ended September 30, 2017 Yen (millions)

| | Common stock | Capital surplus | Retained earnings | Other components of equity | Treasury stock | Panasonic Corporation stockholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balances as of April 1, 2017........ | 258,740 | 636,905 | 1,051,445 | (164,632) | (210,569) | 1,571,889 | 188,046 | 1,759,935 |
| Comprehensive income (loss): | | | | | | | | |
| Net profit................................ | - | - | 118,911 | - | - | 118,911 | 7,124 | 126,035 |
| Remeasurements of defined benefit plans........................ | - | - | - | 40,117 | - | 40,117 | (82) | 40,035 |
| Financial assets measured at fair value through other comprehensive income........ | - | - | - | 14,482 | - | 14,482 | 22 | 14,504 |
| Exchange differences on translation of foreign operations........................... | - | - | - | 53,952 | - | 53,952 | 6,873 | 60,825 |
| Net change in fair value of cash flow hedges.......................... | - | - | - | (788) | - | (788) | (14) | (802) |
| Total comprehensive income............................ | - | - | 118,911 | 107,763 | - | 226,674 | 13,923 | 240,597 |
| Transfer to hedged non- financial assets........................................ | - | - | - | (94) | - | (94) | - | (94) |
| Transfer from other components of equity to retained earnings.. | - | - | 43,981 | (43,981) | - | - | - | - |
| Cash dividends (Note 4)............... | - | - | (34,986) | - | - | (34,986) | (16,417) | (51,403) |
| Purchase of treasury stock........... | - | - | - | - | (60) | (60) | - | (60) |
| Disposal of treasury stock......... | - | (1) | - | - | 6 | 5 | - | 5 |
| Purchase of subsidiaries (Note 8).. | - | - | - | - | - | - | 22,414 | 22,414 |
| Transactions with non-controlling interests and other (Note 7)....... | - | (83,503) | - | 6,685 | - | (76,818) | (18,945) | (95,763) |
| Balances as of September 30, 2017............................................ | 258,740 | 553,401 | 1,179,351 | (94,259) | (210,623) | 1,686,610 | 189,021 | 1,875,631 |

Six months ended September 30, 2016 Yen (millions)

| | Common stock | Capital surplus | Retained earnings | Other components of equity | Treasury stock | Panasonic Corporation stockholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balances as of April 1, 2016....... | 258,740 | 645,949 | 878,208 | (107,922) | (230,533) | 1,444,442 | 202,791 | 1,647,233 |
| Comprehensive income (loss): | | | | | | | | |
| Net profit................................ | - | - | 133,455 | - | - | 133,455 | 11,478 | 144,933 |
| Remeasurements of defined benefit plans......................... | - | - | - | 4,682 | - | 4,682 | (24) | 4,658 |
| Financial assets measured at fair value through other comprehensive income........ | - | - | - | (6,982) | - | (6,982) | (24) | (7,006) |
| Exchange differences on translation of foreign operations........................... | - | - | - | (203,222) | - | (203,222) | (17,145) | (220,367) |
| Net change in fair value of cash flow hedges........................ | - | - | - | 1,396 | - | 1,396 | 23 | 1,419 |
| Total comprehensive income (loss)............................... | - | - | 133,455 | (204,126) | - | (70,671) | (5,692) | (76,363) |
| Transfer to hedged non- financial assets...................................... | - | - | - | 438 | - | 438 | - | 438 |
| Transfer from other components of equity to retained earnings.. | - | - | 4,833 | (4,833) | - | - | - | - |
| Cash dividends (Note 4)................ | - | - | (34,815) | - | - | (34,815) | (11,738) | (46,553) |
| Purchase of treasury stock........... | - | - | - | - | (18) | (18) | - | (18) |
| Disposal of treasury stock........... | - | (2) | - | - | 4 | 2 | - | 2 |
| Transactions with non-controlling interests and other.................... | - | 638 | - | - | - | 638 | 1,752 | 2,390 |
| Cumulative effect of new accounting standards applied... | - | - | 9,032 | (9,372) | - | (340) | - | (340) |
| Balances as of September 30, 2016............................................ | 258,740 | 646,585 | 990,713 | (325,815) | (230,547) | 1,339,676 | 187,113 | 1,526,789 |

**PANASONIC CORPORATION**
**AND SUBSIDIARIES**

**Condensed Quarterly Consolidated Statements of Cash Flows**
**Six months ended September 30, 2017 and 2016**

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2017 | 2016 |
| Cash flows from operating activities : | | |
| Net profit | 126,035 | 144,933 |
| Depreciation and amortization | 142,085 | 131,544 |
| Impairment losses on property, plant and equipment, goodwill and intangible assets | 6,460 | 172 |
| Income tax expenses | 68,750 | 36,178 |
| (Increase) decrease in trade receivables | (132,904) | (66,499) |
| (Increase) decrease in inventories | (133,520) | (67,150) |
| Increase (decrease) in trade payables | 94,867 | 13,510 |
| Other - net | 15,035 | (103,258) |
| Subtotal | 186,808 | 89,430 |
| Interests received | 10,566 | 7,468 |
| Dividends income received | 1,800 | 1,470 |
| Interests expenses paid | (11,869) | (10,753) |
| Income taxes paid | (45,265) | (45,693) |
| Net cash provided by operating activities | 142,040 | 41,922 |
| Cash flows from investing activities : | | |
| Purchase of property, plant and equipment | (206,681) | (138,567) |
| Proceeds from sale of property, plant and equipment | 10,840 | 7,898 |
| Purchase of intangible assets | (37,178) | (29,296) |
| Purchase of investments accounted for using the equity method and other financial assets | (14,892) | (12,123) |
| Proceeds from investments accounted for using the equity method and other financial assets | 4,832 | 12,981 |
| Proceeds from sales of shares of subsidiaries | 183 | 11,973 |
| Purchase of shares of subsidiaries, net of cash acquired (Note 8) | (4,588) | (131,627) |
| Other - net | (3,662) | (818) |
| Net cash used in investing activities | (251,146) | (279,579) |

**PANASONIC CORPORATION**
**AND SUBSIDIARIES**

**Condensed Quarterly Consolidated Statements of Cash Flows**
**Six months ended September 30, 2017 and 2016**

| | Yen (millions) | |
|---|---|---|
| | Six months ended September 30 | |
| | 2017 | 2016 |
| Cash flows from financing activities : | | |
| Increase (decrease) in short-term debt | (2,522) | 6,218 |
| Proceeds from long-term debt (Note 7) | 2,995 | 399,956 |
| Repayments of long-term debt | (5,430) | (45,788) |
| Dividends paid to Panasonic Corporation stockholders (Note 4) | (34,986) | (34,815) |
| Dividends paid to non-controlling interests | (16,417) | (11,738) |
| Purchase of treasury stocks | (60) | (18) |
| Proceeds from sales of treasury stocks | 5 | 2 |
| Transactions with non-controlling interests (Note 7) | (84,616) | (63) |
| Other - net | (2,839) | 23,171 |
| Net cash (used in) provided by financing activities | (143,870) | 336,925 |
| Effect of exchange rate changes on cash and cash equivalents | 17,405 | (97,481) |
| Net decrease in cash and cash equivalents | (235,571) | 1,787 |
| Cash and cash equivalents at beginning of period | 1,270,787 | 1,012,666 |
| Cash and cash equivalents at end of period | 1,035,216 | 1,014,453 |

**PANASONIC CORPORATION**
**AND SUBSIDIARIES**

## Notes to Condensed Quarterly Consolidated Financial Statements

### 1. Reporting Entity

Panasonic Corporation is a company incorporated in Japan. As a comprehensive electronics manufacturer, Panasonic Corporation and its subsidiaries (together referred to as the "Company") are engaged in production, sales and service activities in relevant business areas in close cooperation with domestic and overseas group companies.

The details of principal businesses and activities of the Company are stated in "3. Segment information."

### 2. Basis of Preparation

(1) Compliance of condensed quarterly consolidated financial statements with International Accounting Standard 34 "Interim Financial Reporting" (hereinafter,"IAS 34")

Pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the condensed quarterly consolidated financial statements of the Company have been prepared in compliance with IAS 34 since the Company qualifies as a "Specified Company under Designated International Accounting Standards" prescribed in Article 1-2 of the Ordinance.

The Company's condensed quarterly consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS, and should be used in conjunction with the financial statements and the notes included in the Company's annual consolidated financial statements for the year ended March 31, 2017.

The condensed quarterly consolidated financial statements were approved on November 10, 2017 by Representative Director, President, Kazuhiro Tsuga and Director (CFO) Hirokazu Umeda.

(2) Functional currency and presentation currency

The Company's condensed quarterly consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and figures are rounded to the nearest million (Japanese yen).

(3) Significant accounting policies

Significant accounting policies applied in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2017.

(4) Significant accounting estimates and judgments involving estimations

The Company makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses for the preparation of condensed quarterly consolidated financial statements. Actual results may differ from the accounting estimates and their underlying assumptions.

Estimates and their underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the reporting period in which the estimates are revised and in future reporting periods.

The estimates and judgments that have a material effect on the Company's condensed quarterly consolidated financial statements, are consistent with those used in the preparation of the Company’s annual consolidated financial statements for the year ended March 31, 2017.

## 3. Segment Information

(1) The reportable segments outline

The reportable segments are the components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

"Appliances" is comprised of developing, manufacturing, selling and providing services of products such as room air-conditioners, TVs, refrigerators, washing machines, personal-care products, digital cameras, fixed-phones, microwave ovens, video equipment, home audio equipment, vacuum cleaners, rice cookers, showcases, large-sized air-conditioners, compressors and fuel cells. "Eco Solutions" is comprised of developing, manufacturing, selling and providing services of products such as lighting fixtures, lamps, wiring devices, solar photovoltaic systems, water-related products, interior furnishing materials, exterior finishing materials, ventilation and air-conditioning equipment, air purifiers, bicycles and nursing-care-related products. "Connected Solutions" is comprised of developing, manufacturing, selling and providing services of products such as in-flight entertainment systems and connectivity, electronic-components-mounting machines, welding equipment, PCs and tablets, projectors, broadcast and professional AV systems and surveillance cameras. "Automotive & Industrial Systems" is comprised of developing, manufacturing, selling and providing services of products such as automotive-use infotainment systems, electrical components, automotive mirrors, lithium-ion batteries, automotive-use batteries, dry batteries, automation controls, electric motors, electronic components, electronic materials, semiconductors and LCD panels. "Other" consists of PanaHome Corporation and others.

Starting from April 1, 2017, "AVC Networks" has been renamed as "Connected Solutions." Additionally, as of April 1 2017, certain businesses such as digital cameras and fixed-phones have been transferred from formerly "AVC Networks" to "Appliances." Bicycles business has been transferred from "Appliances" to "Eco Solutions." Electronic-components-mounting machines and welding equipment businesses have been transferred from "Automotive & Industrial Systems" to "Connected Solutions." Moreover, from April 1, 2017, certain sales departments of consumer products in Southeast Asia which were previously not allocated to any reportable segments have been transferred to "Appliances."
Accordingly, segment information for six months and three months ended September 30, 2016 has been reclassified to conform to the presentation for six months and three months ended September 30, 2017.

(2) By Segment

Information by segment for six months ended September 30, 2017 and 2016 is shown in the tables below.

(i) For six months ended September 30, 2017

| | Yen (millions) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Appliances | Eco Solutions | Connected Solutions | Automotive & Industrial Systems | Other | Eliminations and adjustments | Consolidated Total |
| Sales: | | | | | | | |
| Customers.................. | 1,209,274 | 659,068 | 502,427 | 1,271,509 | 284,232 | (68,646) | 3,857,864 |
| Intersegment............. | 118,144 | 98,204 | 28,829 | 71,448 | 3,302 | (319,927) | - |
| Total........................ | 1,327,418 | 757,272 | 531,256 | 1,342,957 | 287,534 | (388,573) | 3,857,864 |
| Segment profit........... | 72,722 | 21,312 | 40,384 | 38,459 | 2,164 | 21,510 | 196,551 |

(ii) For six months ended September 30, 2016

| | Yen (millions) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Appliances | Eco Solutions | Connected Solutions | Automotive & Industrial Systems | Other | Eliminations and adjustments | Consolidated Total |
| Sales: | | | | | | | |
| Customers.................. | 1,165,751 | 621,124 | 468,243 | 1,107,318 | 270,894 | (93,526) | 3,539,804 |
| Intersegment............. | 111,448 | 105,480 | 28,920 | 70,491 | 3,768 | (320,107) | - |
| Total........................ | 1,277,199 | 726,604 | 497,163 | 1,177,809 | 274,662 | (413,633) | 3,539,804 |
| Segment profit ........... | 69,510 | 21,490 | 36,507 | 55,835 | 641 | (5,895) | 178,088 |

The accounting policies for reportable segments are the same as the Company's accounting policies that are provided in Note 2. "(3) Significant accounting policies." Transactions between segments have been conducted at arm's length prices. Profit of the reportable segments is calculated on an operating profit basis.

The figures in "Eliminations and adjustments" include revenues and expenses which are not attributable to any reportable segments for the purpose of evaluating operating results of each segment, consolidation adjustments, and eliminations of intersegment transactions.

Adjustments to segment sales to customers for six months ended September 30, 2017 and 2016 include price differences between sales prices to external customers and the internal sales prices adopted for performance measurement purposes for the sales of consumer products through certain sales departments, consolidation adjustments for sales price and sales of corporate headquarters, etc.

Adjustments to segment profit for six months ended September 30, 2017 and 2016 include profit (loss) of corporate headquarters, etc. and profit (loss) which is attributable to certain sales departments of consumer products. Consolidation adjustments also include amortization of certain intangible assets acquired in business combination, and share of profit of investments accounted for using the equity method which are not attributable to any specific segments. The amount of share of profit of investments accounted for using the equity method which are attributable to each segment is immaterial.

Information by segment for three months ended September 30, 2017 and 2016 is shown in the tables below.

(i) For three months ended September 30, 2017

| | Yen (millions) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Appliances | Eco Solutions | Connected Solutions | Automotive & Industrial Systems | Other | Eliminations and adjustments | Consolidated Total |
| Sales: | | | | | | | |
| Customers.................. | 587,896 | 345,213 | 266,758 | 651,387 | 158,173 | (16,838) | 1,992,589 |
| Intersegment............. | 56,240 | 50,868 | 15,728 | 35,131 | 2,003 | (159,970) | - |
| Total........................ | 644,136 | 396,081 | 282,486 | 686,518 | 160,176 | (176,808) | 1,992,589 |
| Segment profit ............ | 27,718 | 15,917 | 24,253 | 20,733 | 3,574 | 20,431 | 112,626 |

(ii) For three months ended September 30, 2016

| | Yen (millions) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Appliances | Eco Solutions | Connected Solutions | Automotive & Industrial Systems | Other | Eliminations and adjustments | Consolidated Total |
| Sales: | | | | | | | |
| Customers.................. | 561,551 | 324,692 | 233,375 | 556,640 | 147,199 | (58,471) | 1,764,986 |
| Intersegment............. | 48,510 | 52,714 | 13,899 | 38,821 | 2,197 | (156,141) | - |
| Total........................ | 610,061 | 377,406 | 247,274 | 595,461 | 149,396 | (214,612) | 1,764,986 |
| Segment profit ............ | 26,162 | 16,222 | 19,112 | 41,300 | 4,156 | (672) | 106,280 |

The accounting policies for reportable segments are the same as the Company's accounting policies that are provided in Note 2. "(3) Significant accounting policies." Transactions between segments have been conducted at arm's length prices. Profit of the reportable segments is calculated on an operating profit basis.

The figures in "Eliminations and adjustments" include revenues and expenses which are not attributable to any reportable segments for the purpose of evaluating operating results of each segment, consolidation adjustments, and eliminations of intersegment transactions.

Adjustments to segment sales to customers for three months ended September 30, 2017 and 2016 include price differences between sales prices to external customers and the internal sales prices adopted for performance measurement purposes for the sales of consumer products through certain sales departments, consolidation adjustments for sales price and sales of corporate headquarters, etc.

Adjustments to segment profit for three months ended September 30, 2017 and 2016 include profit (loss) of corporate headquarters, etc. and profit (loss) which is attributable to certain sales departments of consumer products. Consolidation adjustments also include amortization of certain intangible assets acquired in business combination, and share of profit of investments accounted for using the equity method which are not attributable to any specific segments. The amount of share of profit of investments accounted for using the equity method which are attributable to each segment is immaterial.

4. Equity

(1) Other components of equity

A breakdown of other components of equity is as follows:

| | Yen (millions) | |
|---|---|---|
| | September 30, 2017 | March 31, 2017 |
| Remeasurements of defined benefit plans (*)................................ | - | - |
| Financial assets measured at fair value through other comprehensive income............................................................. | 56,019 | 38,716 |
| Exchange differences on translation of foreign operations............ | (149,154) | (203,106) |
| Net changes in fair value of cash flow hedges............................... | (1,124) | (242) |
| Total.......................................................................................... | (94,259) | (164,632) |

(*) As the result of remeasurements of defined benefit plans, other components of equity increased by 40,117 million yen (net of tax), which is directly transferred from other components of equity to retained earnings.

(2) Dividends

1) Dividends for the six months ended September 30, 2017 is summarized as follows:

(i) Amount of cash dividends paid

| Resolution date | Class | Cash dividends (millions of yen) | Dividends resource | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| The Board of Directors meeting held on May 11, 2017 | Common stock | 34,986 | Retained Earnings | 15.0 | March 31, 2017 | June 8, 2017 |

(ii) Cash dividends resolved in the three months ended September 30, 2017 but effective after the period

| Resolution date | Class | Cash dividends (millions of yen) | Dividends resource | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| The Board of Directors meeting held on October 31, 2017 | Common stock | 23,324 | Retained Earnings | 10.0 | September 30, 2017 | November 30, 2017 |

2) Dividends for the six months ended September 30, 2016 is summarized as follows:

(i) Amount of cash dividends paid

| Resolution date | Class | Cash dividends (millions of yen) | Dividends resource | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| The Board of Directors meeting held on April 28, 2016 | Common stock | 34,815 | Retained Earnings | 15.0 | March 31, 2016 | June 3, 2016 |

(ii) Cash dividends resolved in the three months ended September 30, 2016 but effective after the period

| Resolution date | Class | Cash dividends (millions of yen) | Dividends resource | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| The Board of Directors meeting held on October 31, 2016 | Common stock | 23,210 | Retained Earnings | 10.0 | September 30, 2016 | November 30, 2016 |

5. Per share information

Panasonic Corporation stockholders' equity per share as of September 30 and March 31, 2017 are as follows:

| | Yen | |
|---|---|---|
| | September 30, 2017 | March 31, 2017 |
| Panasonic Corporation stockholders' equity per share | 723.13 | 673.93 |

The reconciliation for the basic and diluted earnings per share attributable to Panasonic Corporation stockholders for the six months ended September 30, 2017 and 2016 are as follows:

| | Yen (millions) | |
|---|---|---|
| | 2017 | 2016 |
| Net profit attributable to Panasonic Corporation stockholders | 118,911 | 133,455 |

| | Number of shares | |
|---|---|---|
| | 2017 | 2016 |
| Average common shares outstanding | 2,332,384,484 | 2,320,988,799 |
| Dilutive effect: | | |
| Stock acquisition rights | 1,077,273 | 572,059 |
| Diluted common shares outstanding | 2,333,461,757 | 2,321,560,858 |

| | Yen | |
|---|---|---|
| | 2017 | 2016 |
| Earnings per share attributable to Panasonic Corporation stockholders: | | |
| Basic | 50.98 | 57.50 |
| Diluted | 50.96 | 57.49 |

The reconciliation for the basic and diluted earnings per share attributable to Panasonic Corporation stockholders for the three months ended September 30, 2017 and 2016 are as follows:

| | Yen (millions) | |
|---|---|---|
| | 2017 | 2016 |
| Net profit attributable to Panasonic Corporation stockholders | 70,152 | 104,282 |

| | Number of shares | |
|---|---|---|
| | 2017 | 2016 |
| Average common shares outstanding | 2,332,374,362 | 2,320,984,453 |
| Dilutive effect: | | |
| Stock acquisition rights | 1,195,922 | 765,219 |
| Diluted common shares outstanding | 2,333,570,284 | 2,321,749,672 |

| | Yen | |
|---|---|---|
| | 2017 | 2016 |
| Earnings per share attributable to Panasonic Corporation stockholders: | | |
| Basic | 30.08 | 44.93 |
| Diluted | 30.06 | 44.92 |

6. Fair values of financial instruments

(1) Comparison between fair values and carrying amounts are as follows:

| | Yen (millions) | | | |
|---|---|---|---|---|
| | September 30, 2017 | | March 31, 2017 | |
| | Book value | Fair value | Book value | Fair value |
| Long-term debt......................... | 1,136,710 | 1,148,286 | 1,107,550 | 1,120,226 |

Fair values shown above are estimated, based on the market price or its present value of the market price or the future cash flow, which is calculated using the observable discount rate at September 30 and March 31, 2017. They are all categorized as level 2 (refer to "(2) Fair value measurement hierarchy").

With regard to financial assets and financial liabilities measured at amortized cost other than the above, their fair values approximate their carrying amounts.

(2) Fair value measurement hierarchy

IFRS 13 "Fair Value Measurement" provides that fair values shall be categorized into the following three levels according to the extent to which the input information used in the measurement is observable from the outside:

- Level 1: Fair value measured by quoted prices in active markets
- Level 2: Fair value measured directly or indirectly using inputs other than quoted prices included within Level 1 that are observable
- Level 3: Fair value measured through valuation techniques which include inputs that are not based on observable market data

The fair value measurement hierarchy level used in the measurement is determined by the lowest-level of significant input in the measurement of fair value.

The breakdown of financial instruments measured at fair value as of September 30 and March 31, 2017 is as follows:

| | Yen (millions) | | | |
|---|---|---|---|---|
| | September 30, 2017 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets measured at FVTPL | | | | |
| Derivative assets | | | | |
| Foreign exchange contracts.................... | - | 3,584 | - | 3,584 |
| Cross currency swaps............................. | - | 74 | - | 74 |
| Commodity futures................................. | 11,122 | 507 | - | 11,629 |
| Subtotal................................................ | 11,122 | 4,165 | - | 15,287 |
| Financial assets measured at FVTOCI | | | | |
| Equity securities.......................................... | 116,984 | - | 27,764 | 144,748 |
| Others.......................................................... | - | 2.504 | - | 2,504 |
| Subtotal................................................ | 116,984 | 2,504 | 27,764 | 147,252 |
| Total financial assets....................... | 128,106 | 6,669 | 27,764 | 162,539 |
| Financial liabilities: | | | | |
| Financial liabilities measured at FVTPL......... | | | | |
| Derivative liabilities | | | | |
| Foreign exchange contracts.................... | - | 5,643 | - | 5,643 |
| Commodity futures................................. | 7,489 | 9,473 | - | 16,962 |
| Total financial liabilities.................. | 7,489 | 15,116 | - | 22,605 |

| | Yen (millions) | | | |
|---|---|---|---|---|
| | March 31,2017 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets measured at FVTPL | | | | |
| Derivative assets | | | | |
| Foreign exchange contracts.................... | - | 2,930 | - | 2,930 |
| Commodity futures................................ | 11,793 | 993 | - | 12,786 |
| Subtotal............................................... | 11,793 | 3,923 | - | 15,716 |
| Financial assets measured at FVTOCI | | | | |
| Equity securities......................................... | 96,683 | - | 25,412 | 122,095 |
| Others......................................................... | - | 2,534 | - | 2,534 |
| Subtotal............................................... | 96,683 | 2,534 | 25,412 | 124,629 |
| Total financial assets....................... | 108,476 | 6,457 | 25,412 | 140,345 |
| Financial liabilities: | | | | |
| Financial liabilities measured at FVTPL | | | | |
| Derivative liabilities | | | | |
| Foreign exchange contracts.................... | - | 3,704 | - | 3,704 |
| Cross currency swaps............................. | - | 23 | - | 23 |
| Commodity futures................................ | 7,132 | 11,037 | - | 18,169 |
| Total financial liabilities................. | 7,132 | 14,764 | - | 21,896 |

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. Level 2 derivatives including foreign exchange contracts, cross currency swaps and commodity futures are valued using quotes obtained from brokers, which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and market prices for commodity futures.

Equity securities classified as Level 3 are unlisted stocks, and their fair values are measured by an appropriate valuation method that comprehensively takes into account the outlook for future profitability of the investee and quantitative information such as net asset value and major assets held by the investee, in accordance with the policy and procedures set by the Company for using the most appropriate and highly relevant, available data. The reasonableness of this assessment is verified by the department in charge of accounting using various methods and approved by the manager of the department. Specific methods of verification include use of external assessment organizations.

For financial instruments classified as Level 3, significant changes in fair value occurring when unobservable inputs are changed to reasonably possible alternative assumptions are not expected.

Transfers between levels are recognized on the day when the event or change in circumstances that caused the transfer occurred. In the six months ended September 30, 2017, there were no financial instruments of which a significant transfer was made between levels.

For six months ended September 30, 2017, significant movements of the financial instruments, categorized as level 3, have not occurred.

## 7. Supplementary Information

(1) Other income (expenses)

The Company did not disclose supplementary information of other income (expenses) as each item is immaterial both for the six months ended September 30, 2017 and 2016.

The Company did not disclose supplementary information of other income (expenses) as each item is immaterial both for the three months ended September 30, 2017 and 2016.

(2) Income taxes

Included in provision for income taxes for the six and three months ended September 30, 2016 was an income tax benefit (gain) associated with assessment of the recoverability of deferred tax assets of 18,183 million yen in Panasonic Corporation on consolidation. This change in the judgement is a result of liquidation of Panasonic Plasma Display Co., Ltd. ("PPD") and write-off of the loan in Panasonic Corporation towards PPD, which were resolved on October 31, 2016 by Panasonic's Board of Directors.

(3) Acquisitions of property, plant and equipment

The acquisition costs of "Property, plant and equipment" for the six months ended September 30, 2017 and 2016 are 185,437 million yen and 113,880 million yen, respectively.

(4) Acquisition of non-controlling interest

The Company additionally acquired the shares of PanaHome Corporation, the Company's consolidated subsidiary, through tender offer during the six months ended September 30, 2017. The consideration for additional acquisition of shares is 52,675 million yen, and as a result of the acquisition, "Capital surplus" has decreased by 31,124 million yen, and "Other components of equity" has increased by 6,685 million yen.

The Company additionally acquired the shares of Panasonic Liquid Crystal Display Co., Ltd. ("PLD"), the Company's consolidated subsidiary, and made PLD its wholly-owned subsidiary during the six months ended September 30, 2017. As a result of the acquisition, "Capital surplus" has decreased by 20,718 million yen.

(5) Issuance of bonds

Panasonic issued Fifteenth, Sixteenth and Seventeenth Series of Unsecured Straight Bond (aggregate principal amount of 400 billion yen) for the six months ended September 30, 2016.

## 8. Business Combinations

(1) For the period ended September 30, 2016

On April 1, 2016, the Company acquired all outstanding shares of Hussmann Parent Inc., which in turn owned all shares of Hussmann Corporation of the United States, and accordingly, obtained control in the two companies and their subsidiaries (hereinafter, collectively including their subsidiaries, referred to as "Hussmann") from the acquisition date.

Hussmann is in the business of manufacturing, selling, developing and providing services related to commercial-use refrigerated and freezer display cases. This acquisition will enable the combination of Hussmann's strengths in customer relationship, maintenance and services with the Company's wide-ranging technology and product lineup. The Company will use this synergy to drive growth and further innovation on a global basis. Hussmann will be able to leverage core refrigeration product technology and case platforms including the Company's $CO_2$ systems and foodservice products. Other synergy opportunities include LED's, remote monitoring and other technology platforms that will enhance retail customer's merchandising and consumer connectivity.

The fair value of consideration paid for the controlling interests of Hussmann as of the acquisition date was 141,771 million yen and was paid in cash. Acquisition-related cost was not material.

Assets acquired and liabilities assumed as of the acquisition date were as follows:

| | Yen (millions) |
|---|---|
| Cash and cash equivalents | 16,917 |
| Goodwill | 91,156 |
| Intangible assets | 96,733 |
| Other acquired assets | 51,893 |
| Total assets acquired | 256,699 |
| Debt | 41,371 |
| Deferred tax liabilities | 31,523 |
| Other assumed liabilities | 42,034 |
| Total liabilities assumed | 114,928 |
| Total net assets acquired | 141,771 |

The total amount of goodwill was included in "Appliances" segment, and was not deductible for tax purpose.

Intangible assets of 67,185 million yen were subject to amortization, which include customer of 62,130 million yen with a 21-year useful life. Intangible assets of 29,548 million yen were not subject to amortization, all of which relates to trademark.

Net sales and profit before income taxes of Hussmann that were included in the condensed consolidated statements of profit or loss for six months and three months ended September 30, 2016 were not material.

Pro forma information has been omitted as the acquisition occurred at the beginning of the period ended September 30, 2016.

(2) For the period ended September 30, 2017

(i) Consolidation of Ficosa International S. A.

With regard to Ficosa International S.A. (hereinafter, collectively including their subsidiaries, referred to as "Ficosa"), 49% of whose shares were owned by the Company and accounted for using the equity method, the terms and conditions to exercise call options to acquire additional 20% shares were satisfied on April 19, 2017, and Ficosa became a consolidated subsidiary due to the potential voting rights set in the call options.

Ficosa is involved in research and development, manufacturing, and marketing of system and components in automotive business. As a result of this alliance, Panasonic and Ficosa accelerate the expansion of businesses, which show great potential growth, such as next generation cockpit systems and ADAS.

The fair value of provisional consideration paid for the acquisition of control, which were measured based on discounted cash flow method classified in Level 3 and provisional non-controlling interests, which were measured at their proportionate share of net identifiable assets provisionally, were as follows:

| | Yen (million) |
|---|---|
| Fair value of total consideration: | |
| Equity interests held by Panasonic immediately before the date of acquisition | 22,818 |
| Non-controlling interests | 14,167 |
| Total | 36,985 |

As a result of remeasuring the equity interest held by Panasonic immediately before the date of acquisition, the valuation gain or loss recognized was not material. Acquisition cost was also not material.

Assets acquired and liabilities assumed as of the acquisition date (the fair value as of the acquisition date is under calculation, and the below amounts are subject to changes) were as follows:

| | Yen (millions) |
|---|---|
| Cash and cash equivalents | 15,442 |
| Trade receivables | 27,521 |
| Property, plant and equipment | 23,250 |
| Goodwill | 9,206 |
| Intangible assets | 25,477 |
| Other acquired assets | 20,098 |
| Total assets acquired | 120,994 |
| Current liabilities and non-current liabilities | 32,462 |
| Trade Payables | 27,129 |
| Other assumed liabilities | 24,418 |
| Total liabilities assumed | 84,009 |
| Total net assets acquired | 36,985 |

The total amount of goodwill was included in "Automotive and Industrial Systems" segment, and was not deductible for tax purpose.

All intangible assets were subject to amortization, including technology and customer, and their useful lives were 5 to 10 years.

Net sales and profit before income taxes of Ficosa that were included in the condensed consolidated statements of profit or loss for six months ended September 30, 2017 were 72,493 million yen and 1,234 million yen, respectively. Net sales and profit before income taxes of Ficosa that were included in the condensed consolidated statements of profit or loss for three months ended September 30, 2017 were 36,109 million yen and 786 million yen, respectively.

Pro forma information has been omitted as the amounts excluded in the condensed consolidated statements of profit or loss for six months ended September 30, 2017 were not material.

(ii) Acquisition of control of Zetes Industries S. A.

On April 27, 2017, the Company acquired 56.66% of shares excluding treasury stock to obtain control of Zetes Industries S.A., which is incorporated in Belgium (hereinafter, collectively including their subsidiaries, referred to as "Zetes").

Zetes is involved in the businesses of goods and people identification and mobility solutions in Europe. As a result of this acquisition, both Panasonic and Zetes will be able to satisfy the global customers' needs by combining Zetes' identification and mobility solutions and Panasonic's advanced research and development capabilities, technological expertise, and global customer network, to expand the solution and service in the area of supply chain solutions and security solutions.

The fair value of consideration paid for the controlling interests of Zetes as of the acquisition date and non-controlling interests, which were measured at their proportionate share of net identifiable assets, were as follows:

| | Yen (millions) |
|---|---|
| Fair value of total consideration: | |
| Cash | 20,044 |
| Non-controlling interests | 8,247 |
| Total | 28,291 |

Costs incurred for acquisition of control were not material.

Assets acquired and liabilities assumed as of the acquisition date were as follows:

| | Yen (millions) |
|---|---|
| Cash and cash equivalents | 2,427 |
| Goodwill | 9,263 |
| Intangible assets | 20,062 |
| Other acquired assets | 16,412 |
| Total assets acquired | 48,164 |
| Current liabilities and non-current liabilities | 1,567 |
| Deferred tax liabilities | 6,935 |
| Other assumed liabilities | 11,371 |
| Total liabilities assumed | 19,873 |
| Total net assets acquired | 28,291 |

The total amount of goodwill was included in "Connected Solutions" segment, and was not deductible for tax purpose.

Intangible assets with the amount of 18,605 million yen were subject to amortization, including customer of 15,299 million yen, whose useful life was 25 to 29 years.

Net sales and profit before income taxes of Zetes that were included in the condensed consolidated statements of profit or loss for six months and three months ended September 30, 2017 were not material.

Pro forma information has been omitted as the amounts were not material.

## 9. Commitment and Contingent Liabilities

Litigation, etc.

The Company and certain of its subsidiaries are subject to a number of legal proceedings including civil litigations related to trade, tax, products or intellectual properties, or governmental investigations. The Company has been dealing with the various litigations and investigations. Depending upon the outcome of these different proceedings, the Company and certain of its subsidiaries may be subject to an uncertain amount of fines, and accordingly the Company has accrued for certain probable and reasonable estimated amounts for the fines.

Since November 2007, the Company and MT Picture Display Co., Ltd. (MTPD), a subsidiary of the Company, had been subjected to investigations by the Japan Fair Trade Commission (JFTC), in respect of alleged antitrust violations relating to cathode ray tubes (CRTs). MTPD and its three subsidiaries appealed the Tokyo High Court to revoke the decisions of the Japan Fair Trade Commission, including the fine assessed in 2010, but the court rendered the judgment to reject the appeal in April, 2016. MTPD and the subsidiaries appealed to the Supreme Court of Japan.

The Company and SANYO Electric Co., Ltd. are also subject to relevant litigations mainly in the U.S.

The business operations of the Company's U.S. subsidiary Panasonic Avionics Corporation are the subject of an investigation by the United States Department of Justice and the United States Securities and Exchange Commission (the U.S. government authorities) under the Foreign Corrupt Practices Act and other securities related laws. The Company continues discussions with the U.S. government authorities with a view towards resolving the matter.

Other than those above, there are a number of legal actions against the Company and certain subsidiaries. Management is of the opinion that damages, if any, resulting from these actions, will not have a material effect on the Company's consolidated financial statements.

The ability to predict the outcome of these actions and proceedings is difficult to assess given that certain of the investigations and legal proceedings are still at an early stage, present novel legal theories, involving a large number of parties or taking place in jurisdictions outside of Japan where the laws are complex or unclear. Accordingly, the Company is unable to estimate the losses or range of losses for the actions and proceedings where there is only a reasonable possibility that a loss exceeding the amounts already recognized may have been incurred.

## 10. Subsequent Events

PanaHome Corporation, subsidiary of the Company, resolved at the extraordinary shareholders meeting held on August 31, 2017, to consolidate shares, abolish provisions relating to the share unit number and amend part of the Articles of Incorporation. According to this resolution, PanaHome has executed the consolidation of its shares, of which effective date is October 2, 2017.

The Company has gained all voting rights of PanaHome Corporation through this consolidation of shares.