

Financial Review

Panasonic has applied International Financial Reporting Standards (IFRS) on a voluntary basis since the fiscal year ended March 2017. Financial figures for previous consolidated fiscal years are also presented in accordance with IFRS standards.

Operating Results

Business Overview

During the year ended March 31, 2018 (fiscal 2018), the global economy showed signs of recovery. The U.S. economy performed strongly on stable consumer spending and recovering capital investment, while the Chinese economy also saw an increase in exports driven by growth in foreign demand. The Japanese economy made a moderate recovery owing to stable employment and other factors.

Panasonic had set company targets of operating profit and net profit attributable to Panasonic Corporation stockholders for fiscal 2019. Toward achieving such targets and pursuing sustainable growth, in fiscal 2018, Panasonic promoted growth strategies aimed at sustainably increasing sales and profits while identifying growth areas where the Company will focus its management resources. For the B2B business, on April 1, 2017, Panasonic established a new Divisional Company, the Connected Solutions Company, as a result of reorganizing the former AVC Networks Company and developed a more customer-oriented structure for the business that is expected to play a key role in the growth of the Group-wide B2B business. For the automotive-related business, Panasonic further increased production capacity for automotive batteries, including a new factory in Dalian, China, which started mass production and shipment. Panasonic also announced an agreement with

Toyota Motor Corporation on studying the feasibility of a joint business to further advance automotive prismatic batteries. For the housing-related business, Panasonic made PanaHome Corporation a wholly owned subsidiary with the aim of generating synergies among the Group's management resources. In the solar business, Panasonic started selling individual cell devices to complement existing module sales. The Company also made changes to its module production system that included termination of production at the Shiga plant. The Company's initiatives including the above resulted in increases in sales and profit in fiscal 2018.

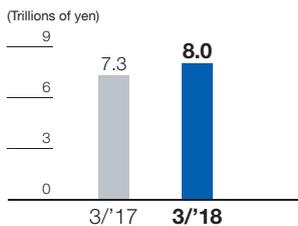
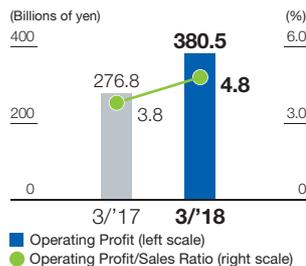
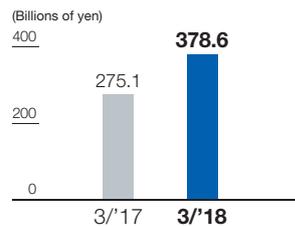
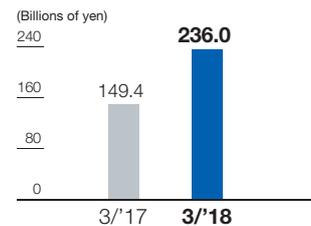
Net Sales

Sales increased in fiscal 2018 due mainly to growth in the automotive- and industrial-related businesses. Consolidated group sales increased by 9% from 7,343.7 billion yen to 7,982.2 billion yen, as domestic sales were firm and overseas sales saw significant growth from the automotive-related business. Contributions were made in particular by the Automotive Business, which includes automotive infotainment systems and car-related equipment, and the Energy Business, which includes rechargeable batteries. Newly consolidated Ficosa and Zetes and favorable exchange rates also contributed to the growth in sales.

Financial Results

(Billions of yen)

	3/2017	3/2018	vs. 3/2017 %/amount	
Net sales	7,343.7	7,982.2	109%	+638.5
Operating profit	276.8	380.5	137%	+103.7
Other income (deductions)	-1.7	-1.9	-	-0.2
Profit before income taxes	275.1	378.6	138%	+103.5
Net profit attributable to Panasonic Corporation stockholders	149.4	236.0	158%	+86.6
ROE	9.9%	14.4%	-	+4.5%
Exchange rates	1 USD	108 yen		111 yen
	1 EUR	119 yen		130 yen
	1 RMB	16.1 yen		16.8 yen

Sales (Years ended March 31)**Operating Profit**
Operating Profit/Sales Ratio
(Years ended March 31)**Profit before Income Taxes**
(Years ended March 31)**Net Profit Attributable to Panasonic Corporation Stockholders**
(Years ended March 31)**Overview by Geographic Region**

By geographic region, overall sales in Japan increased by 2% to 3,724.1 billion yen, from 3,659.1 billion yen a year ago. Sales overseas increased by 16% to 4,258.1 billion yen, from 3,684.6 billion yen a year ago. In real terms, excluding the impact of exchange rates, sales increased by 11% year-on-year. In North and South America, sales totaled 1,368.3 billion yen, a year-on-year increase of 8%, and a 5% increase in real terms. In Europe, sales increased by 35% from the previous fiscal year to 821.0 billion yen, which represents a 27% increase in real terms. In Asia and China, sales were 2,068.8 billion yen, a 15% increase from a year ago and a 10% increase in real terms.

Sales by Region

	3/2017	3/2018	(Billions of yen) Local currency basis vs. 3/2017
Japan	3,659.1	3,724.1	102%
Americas	1,272.2	1,368.3	105%
Europe	607.7	821.0	127%
Asia	977.2	1,087.1	106%
China	827.5	981.7	114%
Total	7,343.7	7,982.2	106%

Operating Profit

Cost of sales increased from 5,157.2 billion yen a year ago to 5,643.0 billion yen. Selling, general and administrative expenses totaled 1,938.0 billion yen, an increase from 1,842.9 billion yen a year ago. Share of profit of investments accounted for using the equity

method increased year-on-year to 10.1 billion yen. Other income (expenses), net, amounted to a loss of 30.8 billion yen, compared to a loss of 75.2 billion yen the previous fiscal year, due to declines in business restructuring expenses and legal costs.

As a result, operating profit totaled 380.5 billion yen, an increase from 276.8 billion yen the previous fiscal year. Sales increases mainly in the Automotive Business and the Industrial Business and rationalization efforts offset the negative impacts from raw material cost hikes and increased fixed costs due to upfront investments. The operating profit ratio also improved to 4.8%, from 3.8% a year ago.

Profit before Income Taxes

Finance income increased from 21.8 billion yen the previous fiscal year to 22.8 billion yen. Finance expenses increased from 23.5 billion yen to 24.7 billion yen. As a result, profit before income taxes was 378.6 billion yen, compared to 275.1 billion yen the previous fiscal year.

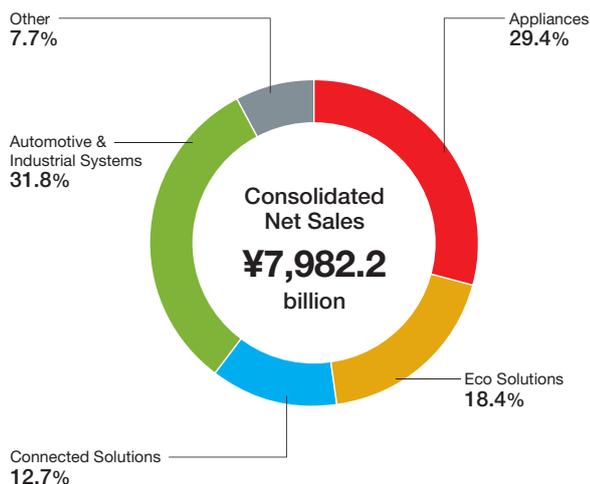
Net Profit Attributable to Panasonic Corporation Stockholders

Income taxes were 126.6 billion yen, compared to 102.7 billion yen a year ago. As a result, net profit attributable to Panasonic Corporation stockholders totaled 236.0 billion yen, compared to 149.4 billion yen a year ago. Also, net profit attributable to Panasonic Corporation stockholders per share was 101.20 yen, against 64.33 yen the previous fiscal year.

Segment Information

Some businesses were reclassified into different segments on April 1, 2017, so the prior-year figures in the following analysis have been adjusted to conform with fiscal 2018 presentation.

Fiscal 2018 Net Sales Composition Ratio



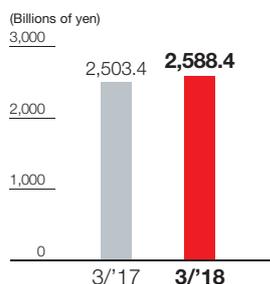
Breakdown by Segment

	(Billions of yen)	
	Net Sales	Operating Profit
Appliances	2,588.4	104.4
Eco Solutions	1,623.5	72.5
Connected Solutions	1,119.3	105.7
Automotive & Industrial Systems	2,803.5	91.4
Other	675.9	10.8
Subtotal	8,810.6	384.8
Eliminations and Adjustments	-828.4	-4.3
Total	7,982.2	380.5

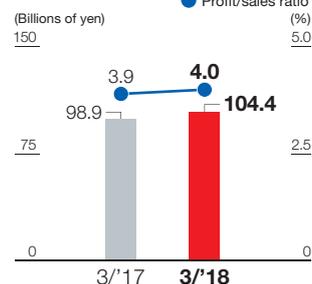
Note: Net sales composition ratio is calculated by dividing the sales of each segment by consolidated sales before elimination and adjustments (sales in the "Subtotal" column).

Appliances (AP)

Sales (Years ended March 31)



Operating Profit (Years ended March 31)



Sales increased by 3% to 2,588.4 billion yen from a year ago, mainly due to growth in sales of appliances and devices in China and other areas in fiscal 2018.

Looking at the main Business Divisions (BD) of this segment, the Air-Conditioner Company saw sales growth driven by brisk sales of both room air-conditioners and large air-conditioners in China and other countries.

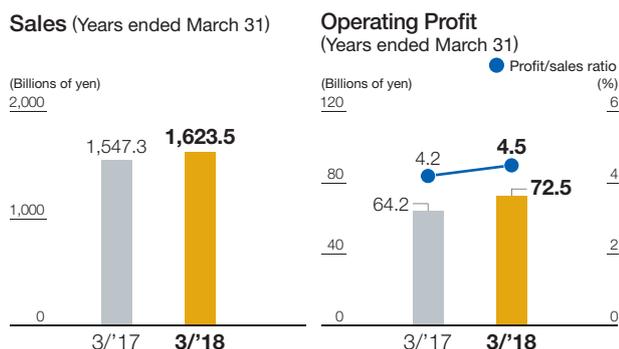
In the Laundry Systems and Vacuum Cleaner BD, sales increased due to strong sales of washing machines in China and Asia.

In the TV BD, sales increased with growth in sales of organic electroluminescent (EL) TVs, mainly in Japan and Europe.

In the Refrigerator BD, sales increased with brisk sales in China and Asia.

Operating profit increased by 5.5 billion yen to 104.4 billion yen from a year ago, despite a surge in raw material prices mainly for home appliances such as air-conditioners. The increase was mainly due to progress made in controlling procurement prices for raw materials and components and utilizing alternative materials and components, coupled with gains from increased sales.

Eco Solutions (ES)



Sales increased by 5% to 1,623.5 billion yen from a year ago, mainly due to growth in sales in Japan for the electrical construction materials business and water-related equipment, along with brisk sales overseas for heat-exchanging ventilation units in China and the electrical construction materials business in India and Vietnam.

Looking at the main BDs of this segment, the Energy Systems BD saw an increase in sales mainly due to strong sales of wiring devices in Japan as well as in India, Turkey and Vietnam, despite the impact of contraction in Japan's solar business market.

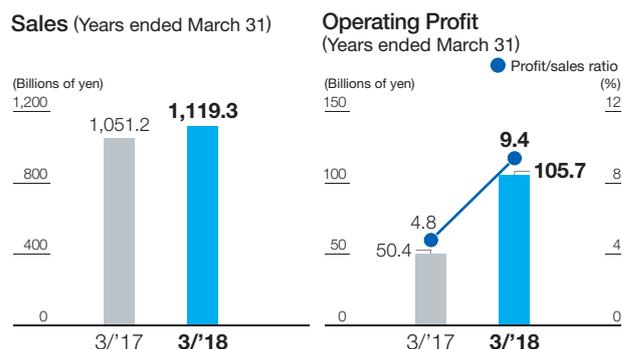
The Lighting BD saw growth in sales thanks to brisk sales of non-housing lighting in Japan and expansion of the China business in the overseas market.

At Panasonic Ecology Systems Co., Ltd., sales rose as the increase in sales of ventilation systems in Japan, which absorbed a decline in sales overseas in the environmental engineering business, which had received an order for major projects in the previous year.

In the Housing Systems BD, sales increased on growth in sales of water-related equipment such as modular system kitchens.

Operating profit increased by 8.3 billion yen to 72.5 billion yen from a year ago, mainly due to gains from increased sales and the effect of improving cost competitiveness, despite the impact of high procurement prices for raw materials and components and a drop in sales prices in the market.

Connected Solutions (CNS)



Sales increased by 6% to 1,119.3 billion yen from a year ago, mainly due to brisk sales of mounting equipment to smartphone manufacturers and mobile notebook PCs.

Looking at the main BDs of this segment, at Panasonic Avionics Corporation, sales declined despite a solid performance from communications and maintenance services, mainly reflecting lackluster growth in aircraft in-flight entertainment systems due to lower market demand.

In the Mobile Solutions BD, sales increased, mainly due to growth in sales of notebook PCs and the new consolidation of Belgian logistics solutions company Zetes Industries S.A., which outweighed a decline in sales of feature phones.

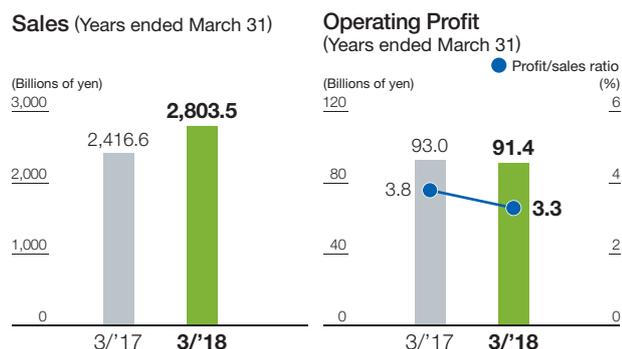
In the Process Automation BD, sales increased due to growth in sales of mounting equipment and expansion of the product line up in welding equipment for the automotive industry.

In the Media Entertainment BD, sales increased due to buoyant sales of high-brightness projectors and new professional AV system products for the video production market.

Operating profit increased by 55.3 billion yen to 105.7 billion yen from a year ago, mainly due to gains from increased sales in the Mobile Solutions BD and the Process Automation BD, an increase in the profit ratio for the Media Entertainment BD caused by a shift towards high-value added products, and improvement of other income and expenses following a review of the reserve for legal costs.

Financial Review

Automotive & Industrial Systems (AIS)



Sales increased by 16% to 2,803.5 billion yen from a year ago, mainly reflecting growth in electrification and automation-related sales in the automotive field due to market growth for eco-cars and expansion in demand for advanced driver assistance system (ADAS). In the industrial field, device sales in China were brisk.

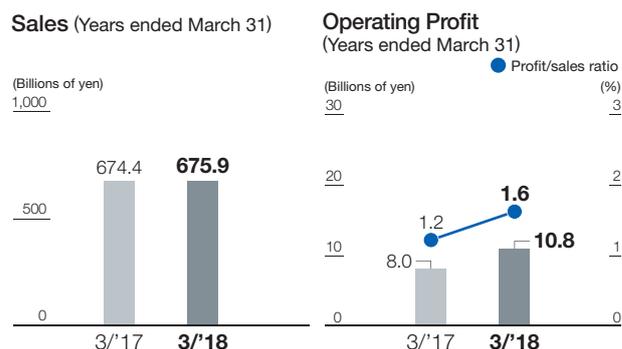
Looking at the main businesses of this segment, in the Automotive Business, sales increased due to higher sales of automotive infotainment-related equipment such as display audio systems and cockpit systems, as well as ADAS-related products such as automotive cameras and sonars. Consolidation of Ficosa International S.A. also contributed to the increase.

In the Energy Business, sales increased due to growth in sales of prismatic and cylindrical automotive batteries in line with market growth for eco-cars, as well as to the launch of new dry battery products in Japan and strong sales of micro batteries overseas.

In the Industrial Business, sales increased due to brisk sales of motors and sensors for Chinese industrial equipment, film capacitors for eco-cars, and conductive capacitors for data servers and semiconductor storage.

Operating profit declined by 1.6 billion yen to 91.4 billion yen from a year ago, due mainly to recording a reversal of provision and gains from business transfer in the previous fiscal year, despite major gains from increased sales of automotive and industrial products centered on the Industrial Business and automotive batteries.

Other



Sales were 675.9 billion yen, the same level as a year ago.

In fiscal 2018, sales at PanaHome Corporation fell slightly affected by lower orders for new house building and apartments despite brisk sales in Japan for interior remodeling and condominiums.

Operating profit increased by 2.8 billion yen to 10.8 billion yen from a year ago.

Business Division Information for Fiscal 2018 (Sales)

(Billions of yen)

		1st quarter (Apr.–June)	2nd quarter (July–Sep.)	3rd quarter (Oct.–Dec.)	4th quarter (Jan.–Mar.)	Full year (Apr.–Mar.)	
							Percentage 2018/2017
AP*1	Air-Conditioner Business	160.3	115.9	99.9	111.8	487.9	106%
	Small & Built-in Appliance Business	100.6	98.4	118.5	89.5	407.0	104%
	Major Appliance Business	124.8	136.8	135.0	114.0	510.6	103%
	AV Business	170.4	170.6	212.8	144.5	698.3	107%
	Commercial Refrigeration & Food Equipment Business	66.8	68.7	69.5	60.3	265.3	101%
ES	Lighting BD	68.2	76.9	90.5	82.1	317.7	103%
	Energy Systems BD	79.1	86.7	93.1	89.8	348.8	107%
	Housing Systems BD	88.9	92.8	98.1	92.4	372.2	101%
	Panasonic Ecology Systems Co., Ltd.	36.8	36.2	41.9	45.1	160.1	105%
CNS*2	Avionics Business	61.9	71.0	70.1	69.0	272.0	96%
	Process Automation BD	45.3	52.9	43.2	42.1	183.5	122%
	Media Entertainment BD	31.2	34.5	34.4	32.8	133.0	106%
	Mobile Solutions BD	53.0	56.9	62.0	59.7	231.6	125%
	PSSJ	54.8	65.9	70.2	108.5	299.4	104%
AIS*3	Automotive Business	206.8	220.3	241.1	260.6	928.8	138%
	Energy Business	127.3	133.8	152.0	149.4	562.5	114%
	Industrial Business	227.1	240.2	242.5	226.5	936.3	108%

*1 Each business in Appliances consists of the following BDs. The figures of BDs are production and sales consolidated basis.

- Air-Conditioner Business : Air-Conditioner Company
- Small & Built-in Appliance Business : Kitchen Appliances BD, Beauty and Living BD
- Major Appliance Business : Refrigerator BD, Laundry Systems and Vacuum Cleaner BD
- AV Business : TV BD, Imaging Network BD, Home Entertainment BD, Communication Products BD
- Commercial Refrigeration & Food Equipment Business : Cold Chain BD, Hussmann Corporation

*2 Each business in Connected Solutions consists of the following BDs.

- Panasonic Business : Panasonic Avionics Corporation, Avionics Business Unit
- Process Automation BD
- Media Entertainment BD
- Mobile Solutions BD
- PSSJ : Panasonic System Solutions Japan Co., Ltd.

*3 Each business in Automotive & Industrial Systems consists of the following BDs.

- Automotive Business : Automotive Infotainment Systems BD, Automotive Electronics Systems BD, Ficosa International, S.A.
- Energy Business : Rechargeable Battery BD, Energy Device BD
- Industrial Business : Electromechanical Control BD, Panasonic Semiconductor Solutions Co., Ltd., Device Solutions BD, Electronic Materials BD, Panasonic Liquid Crystal Display Co., Ltd.

Financial Conditions and Liquidity

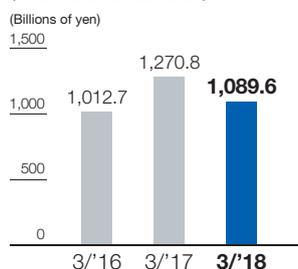
Liquidity and Capital Resources

The Panasonic Group has a basic policy of generating funds needed for business activities from internal sources. Funds generated are efficiently utilized through intra-Group financing. Based on this, when funds are needed for working capital or business investment, external financing is obtained through appropriate means based on financial strength and financial market conditions.

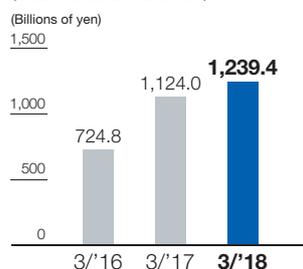
Cash and cash equivalents as of March 31, 2018 were 1,089.6 billion yen, decreased from 1,270.8 billion yen at the end of the previous fiscal year.

Interest-bearing debt increased to 1,239.4 billion yen as of March 31, 2018 from 1,124.0 billion yen at the end of the previous fiscal year due to the issue of short-term bonds and other factors, despite repayments of straight bonds.

Cash and Cash Equivalents (Years ended March 31)



Interest-Bearing Debt (Years ended March 31)



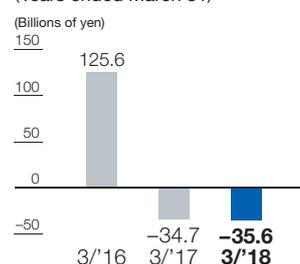
Cash Flows

The Company recognizes the importance of increasing free cash flow by strengthening business profitability and developing businesses over the medium-to-long term. The Company also works simultaneously to create cash flows through continuous reductions of working capital, revisions of asset holdings and other measures.

Net cash provided by operating activities for fiscal 2018 was 423.2 billion yen and net cash used in investing activities was 458.8 billion yen. Free cash flow, the total of the two, was an outflow of 35.6 billion yen, compared with an outflow of 34.7 billion yen a year ago.

Despite an increase in net profit, the free cash flow for fiscal 2018 stayed the same level with the previous year, due to an increase in capital investment and other factors.

Free Cash Flows (Years ended March 31)



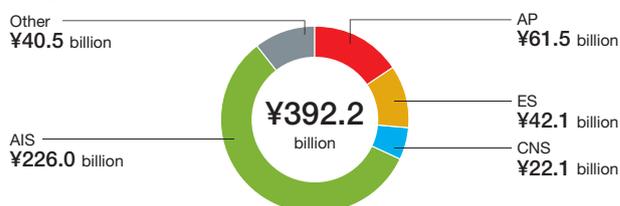
Capital Investment and Depreciation

The Panasonic Group makes capital investment based on a policy of steady investments primarily in key businesses for future growth.

Capital investment in fiscal 2018 (tangible assets only) increased by 26% to 392.2 billion yen from 311.6 billion yen a year ago. Major capital investments were made at production facilities (U.S. and China) for lithium-ion batteries for automobiles.

Depreciation (tangible assets only) increased by 1% to 226.6 billion yen from 224.4 billion yen a year ago.

Fiscal 2018 Capital Investment by Segment (Tangible assets only)



Assets, Liabilities and Equity

The Company's consolidated total assets as of March 31, 2018 were 6,291.1 billion yen, an increase of 308.2 billion yen from March 31, 2017. This increase is mainly attributable to increases in trade receivables and inventories from higher sales and an increase in property, plant and equipment from capital investments.

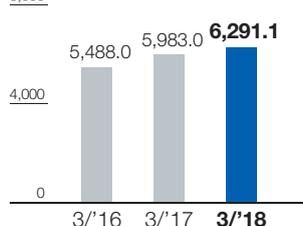
The Company's consolidated total liabilities were 4,408.8 billion yen, an increase of 185.8 billion yen from March 31, 2017. This increase was due mainly to the issuance of short-term bonds and an increase in trade payables.

Panasonic Corporation stockholders' equity increased by 135.7 billion yen compared to March 31, 2017 to 1,707.6 billion yen due to recording net profit and other factors. As a result, the ratio of Panasonic Corporation stockholders' equity was 27.1%, increasing from 26.3% on March 31, 2017. With non-controlling interests added to Panasonic Corporation stockholders' equity, total equity was 1,882.3 billion yen.

Total Assets

(Years ended March 31)

(Billions of yen)



Panasonic Corporation Stockholders' Equity

(Years ended March 31)

(Billions of yen)

