

**Quarterly Report filed with the Japanese government
pursuant to the Financial Instruments and Exchange
Law of Japan**

**For the nine months ended
December 31, 2016**

**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). Panasonic discloses its consolidated financial forecasts for fiscal 2017 based on International Financial Reporting Standards (IFRS). 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 assets in which the Panasonic Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, deferred tax assets and uncertain tax positions; 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's 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		
	Nine months ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2016
Net sales	5,350,028	5,671,314	7,553,717
Income before income taxes	231,839	254,496	217,048
Net income attributable to Panasonic Corporation	175,385	160,220	193,256
Comprehensive income (loss) attributable to Panasonic Corporation	187,311	140,824	(81,821)
Total Panasonic Corporation shareholders' equity	1,835,236	1,928,619	1,705,056
Total equity	1,981,804	2,083,416	1,854,314
Total assets	6,145,007	5,864,872	5,596,982
Net income per share attributable to Panasonic Corporation common shareholders, basic (yen)	75.56	69.18	83.40
Net income per share attributable to Panasonic Corporation common shareholders, diluted (yen)	75.54	69.17	83.39
Panasonic Corporation shareholders' equity / total assets (%)	29.9	32.9	30.5
Net cash provided by operating activities	111,707	222,638	398,680
Net cash used in investing activities	(310,241)	(207,313)	(274,274)
Net cash provided by (used in) financing activities	300,660	(105,282)	(308,031)
Cash and cash equivalents at end of period	1,146,300	1,157,934	1,014,264
	Three months ended December 31, 2016	Three months ended December 31, 2015	
Net sales	1,854,537	1,910,886	
Net income attributable to Panasonic Corporation	55,483	48,887	
Net income per share attributable to Panasonic Corporation common shareholders, Basic (yen)	23.91	21.06	

Note: The Company's consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

(2) Principal Businesses

The Panasonic Group is comprised primarily of the parent Panasonic Corporation and 497 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 spectrum of electric/electronic equipment and related products, which is categorized into the following five segments: Appliances, Eco Solutions, AVC Networks, Automotive & Industrial Systems, and Other. As of April 1, 2016, there were some changes in the structure of its internal organization of the reportable segments.

During the nine months ended December 31, 2016, there was a change in one of the principal businesses and major affiliated companies as follows.

Appliances:

Panasonic acquired all the shares of Hussmann Parent Inc., which had all the shares of Hussmann Corporation in the U.S., as of April 1, 2016. Both Hussmann Parent Inc. and Hussmann Corporation and their subsidiaries became subsidiaries of Panasonic.

Automotive & Industrial Systems:

As of September 30, 2016, Panasonic transferred 85.1% of all the shares in Panasonic Storage Battery Co., Ltd., a wholly-owned subsidiary of Panasonic, to GS Yuasa International Ltd.

The Company's consolidated financial statements have been prepared in conformity with U.S. GAAP, and the scope of affiliates are disclosed based on the definition of those accounting principles. The same applies to “II The Business Overview.”

II The Business Overview

(1) Operating Results

During the nine months ended December 31, 2016 under review, a global economy gradually recovered, as excessive concern for the Chinese economic slowdown eased and the U.S. economy started to recover on the back of its steady personal spending and improvement of capital investment. In Japan, although its personal spending remained at a standstill, signs of recovery in export were seen. While the global economy is expected to moderately recover, risk factors such as deterioration in emerging countries' economy, financial market fluctuation, and political and policy changes in some countries still remain.

Under such business circumstances, Panasonic positions its fiscal 2017 as “a year to lay a solid foundation for growth” toward its management targets in fiscal 2019 and focuses on its growth business. The Company has been executing various initiatives.

As one of the initiatives during the nine months ended December 31, 2016, for housing business, the Company unified the brands for the reform businesses of Panasonic and PanaHome Corporation (PanaHome) into Panasonic Reform in April 2016. In December 2016, the Company announced that Panasonic would acquire PanaHome as a wholly owned subsidiary, effective August 2017 through a share exchange, in order to further collaborate with PanaHome and promote business strategies by making the maximum use of their management resources. In December 2016, Panasonic also announced that the Company reached the agreement with Tesla Motors Inc. to collaborate in manufacturing solar cells and modules in the U.S.

For B2B business, in Commercial Refrigeration & Food Equipment business, one of the core businesses of Panasonic, the Company acquired Hussmann Corporation in the U.S. to have Hussmann Corporation and its subsidiaries as subsidiaries of Panasonic as of April 1, 2016. The Company announced in September 2016 the implementation of organizational restructuring in AVC Networks Company to establish a new internal company named ‘Connected Solutions Company’ effective April 2017. In December 2016, the Company also announced that Panasonic would acquire Panasonic Industrial Devices SUNX Co., Ltd. as a wholly-owned subsidiary effective March 2017 through a share exchange. By this action, Panasonic will further enhance group-wide strength of its factory automation equipment business.

Consolidated group sales for nine months ended December 31, 2016 decreased by 6% to 5,350.0 billion yen from the same period of fiscal 2016 (a year ago) due to the significant yen appreciation. Domestic sales decreased year on year due mainly to sales decrease of solar photovoltaic systems for household-use, while sales in home appliances and automotive-related products were stable. Overseas sales also decreased year on year due mainly to a considerable impact from exchange rates, even though the sales of newly-consolidated Hussmann were added and rechargeable battery and electromechanical control device businesses were favorable.

Operating profit* decreased by 25% to 240.6 billion yen from a year ago due mainly to sales decline of solar photovoltaic systems for household-use, a fixed-cost increase such as an upfront investment toward future growth and a negative effect of exchange rates, while rationalization and other initiatives continued to be implemented. Income before income taxes decreased by 9% to 231.8 billion yen comparing with the same period of last year, due mainly to decrease of business restructuring expenses. Net income attributable to Panasonic Corporation increased by 9% to 175.4 billion yen from a year ago due mainly to the additional deferred-tax assets (a decrease in provision for income taxes) as a result of the board resolution to liquidate a consolidated subsidiary.

* In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies.

(2) Operating Results by Segment

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

As of April 1, 2016, there were some changes in the structure of its internal organization of the reportable segments. Accordingly, the figures for segment information in fiscal 2016 have been reclassified to conform to the presentation for fiscal 2017.

The measure of segment profit of reportable segment was changed, from sales minus cost of sales and selling, general and administrative expenses which was the previous measure, to above-mentioned profit plus other income (deductions) excluding financial income (expenses) and exchange gains (losses) in fiscal 2017. The segment profit of reportable segment in fiscal 2016 has been restated to conform to the new measurement used in fiscal 2017.

Appliances

Sales increased by 1% to 1,805.2 billion yen from a year ago due mainly to newly-consolidated Husmann and home appliance business in Japan and Asia which was continuously favorable, in spite of the negative effect of exchange rates.

Segment profit increased by 51% to 102.5 billion yen from a year ago due mainly to Husmann acquisition and profit improvement by shifting to high value-added products such as home appliances and 4K TVs.

Eco Solutions

Sales decreased by 4% to 1,118.7 billion yen compared with the previous year. Sales in solar photovoltaic systems for household-use decreased, suffering from weak demand in Japan and price decline.

Segment profit decreased by 22% to 46.1 billion yen from a year ago due mainly to sales decrease in solar photovoltaic systems for household-use.

AVC Networks

Sales decreased by 13% to 751.5 billion yen from a year ago due mainly to overseas sales decrease in Communication Business such as fixed-line phones and the negative effect of exchange rates. In addition, the Kumamoto Earthquake in April 2016 in Japan affected on device procurement in Visual and Imaging Business.

Segment profit decreased by 23% to 41.5 billion yen from a year ago due mainly to the effect of exchange rates, as well as special demand in solutions business a year ago.

Automotive& Industrial Systems

Sales decreased by 8% to 1,902.9 billion yen from a year ago due to the significant effect of exchange rates, an impact from downsizing LCD panel business, in addition to sales decrease in ICT-related device business during six months ended September 30, 2016, while sales of automotive-related business increased.

Segment profit decreased by 4% to 85.5 billion yen from a year ago due mainly to the effect of exchange rates and a fixed-cost increase by an upfront investment for automotive business such as rechargeable batteries.

Other

Sales were 400.3 billion yen in line with the same period a year ago.

Segment profit turned to a loss of 2.4 billion yen compared with a profit of 3.1 billion yen a year ago due mainly to a negative impact from fixed-cost increase in PanaHome.

(3) Assets, Liabilities and Equity

The Company's consolidated total assets as of December 31, 2016 increased by 548.0 billion yen to 6,145.0 billion yen from March 31, 2016. This was due mainly to an increase in other assets including recording goodwill by acquisition of Hussmann, a seasonal increase in trade receivables and inventories, and an increase in cash and cash equivalents.

The Company's consolidated total liabilities as of December 31, 2016 increased by 420.5 billion yen to 4,163.2 billion yen from March 31, 2016 due mainly to an issuance of unsecured straight bonds of total 400.0 billion yen.

Panasonic Corporation shareholders' equity increased by 130.2 billion yen, compared with March 31, 2016, to 1,835.2 billion yen due mainly to record of net income attributable to Panasonic Corporation. Adding noncontrolling interests to Panasonic Corporation shareholders' equity, total equity was 1,981.8 billion yen.

(4) Cash Flows

Cash flows from operating activities

Net cash provided by operating activities for the nine months ended December 31, 2016 decreased by 110.9 billion yen to 111.7 billion yen from a year ago, due mainly to an increase of trade receivables.

Cash flows from investing activities

Net cash used in investing activities increased by 102.9 billion yen to 310.2 billion yen from a year ago, due mainly to the acquisition of Hussmann. Accordingly, free cash flow (net cash provided by operating activities and investing activities) decreased by 213.9 billion yen from a year ago to an outflow of 198.5 billion yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 300.7 billion yen, compared with an outflow of 105.3 billion yen a year ago, due mainly to an issuance of unsecured straight bonds of total 400.0 billion yen.

Taking into consideration the effect of exchange rates, cash and cash equivalents totaled 1,146.3 billion yen as of December 31, 2016, increased by 132.0 billion yen compared with the end of the fiscal 2016.

(5) Research and Development

Panasonic's R&D expenditures for the nine months ended December 31, 2016 totaled 339.3 billion yen, a decrease of 1% 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 nine months ended December 31, 2016 totaled 196.8 billion yen, an increase of 22% from a year ago.

(7) Depreciation

Panasonic's depreciation (tangible assets) for the nine months ended December 31, 2016 totaled 162.9 billion yen, a decrease of 7% from a year ago.

(8) Number of Employees

Number of employees at the end of the third quarter of fiscal 2017 was 255,975, an increase of 6,455, compared with the end of the fiscal 2016.

(9) Risk Factors

There were no risks newly identified during the nine months ended December 31, 2016.

During the nine months ended December 31, 2016, 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 December 31, 2016: 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 December 31, 2016: 258,740 million yen

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PANASONIC CORPORATION
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Consolidated Balance Sheets

December 31 and March 31, 2016

Assets	Yen (millions)	
	December 31, 2016	March 31, 2016
Current assets:		
Cash and cash equivalents	1,146,300	1,014,264
Time deposits	-	146
Trade receivables:		
Notes	75,438	58,715
Accounts	891,792	787,033
Allowance for doubtful receivables	(22,076)	(22,196)
Net trade receivables	945,154	823,552
Inventories (Note 2)	833,275	756,448
Other current assets	482,935	459,949
Total current assets	3,407,664	3,054,359
Investments and advances (Note 3)	344,190	344,499
Property, plant and equipment (Note 5):		
Land	235,113	252,661
Buildings	1,398,895	1,396,046
Machinery and equipment	2,672,636	2,659,483
Construction in progress	129,651	74,360
	4,436,295	4,382,550
Less accumulated depreciation	3,126,013	3,081,375
Net property, plant and equipment	1,310,282	1,301,175
Other assets:		
Goodwill (Note 14)	559,862	461,992
Intangible assets (Notes 5 and 14)	242,228	155,700
Other assets	280,781	279,257
Total other assets	1,082,871	896,949
	6,145,007	5,596,982

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31 and March 31, 2016

Liabilities and Equity	Yen (millions)	
	December 31, 2016	March 31, 2016
Current liabilities:		
Short-term debt, including current portion of long-term debt	24,782	21,728
Trade payables:		
Notes	238,044	230,065
Accounts	742,841	712,179
Total trade payables	980,885	942,244
Accrued income taxes	39,899	41,869
Accrued payroll	159,656	197,179
Other accrued expenses	804,738	835,479
Deposits and advances from customers	108,552	84,651
Employees' deposits	175	81
Other current liabilities	299,957	257,669
Total current liabilities	2,418,644	2,380,900
Noncurrent liabilities:		
Long-term debt	1,100,036	704,191
Retirement and severance benefits	429,594	470,175
Other liabilities	214,929	187,402
Total noncurrent liabilities	1,744,559	1,361,768
Equity (Note 7):		
Panasonic Corporation shareholders' equity:		
Common stock :		
Authorized - 4,950,000,000 shares		
Issued - 2,453,053,497 shares	258,740	258,740
Capital surplus	980,822	979,895
Retained earnings (Note 13)	1,282,640	1,165,282
Accumulated other comprehensive income (loss) (Note 8):		
Cumulative translation adjustments	(146,540)	(138,921)
Unrealized holding gains of available-for-sale securities (Note 3)	21,573	20,205
Unrealized holding gains of derivative instruments	371	1,646
Pension liability adjustments	(331,806)	(351,258)
	(456,402)	(468,328)
Treasury stock, at cost:		
132,087,930 shares (132,057,190 shares as of March 31, 2016)	(230,564)	(230,533)
Total Panasonic Corporation shareholders' equity	1,835,236	1,705,056
Noncontrolling interests	146,568	149,258
Total equity	1,981,804	1,854,314
Commitments and contingent liabilities (Notes 4 and 11)		
	6,145,007	5,596,982

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Nine months ended December 31, 2016 and 2015

Consolidated Statements of Income

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Revenues, costs and expenses:		
Net sales	5,350,028	5,671,314
Cost of sales (Note 8)	(3,809,201)	(4,031,383)
Selling, general and administrative expenses	(1,300,270)	(1,319,677)
Interest income	11,074	16,198
Dividends received	1,715	1,602
Other income (Notes 8 and 9)	45,905	12,496
Interest expense	(10,773)	(13,587)
Impairment losses of long-lived assets (Note 5)	(2,525)	(4,917)
Other deductions (Notes 8 and 9)	(54,114)	(77,550)
Income before income taxes	231,839	254,496
Provision for income taxes (Note 9)	(52,731)	(87,703)
Equity in earnings of associated companies	8,884	11,520
Net income (Note 7)	187,992	178,313
Less net income attributable to noncontrolling interests	12,607	18,093
Net income attributable to Panasonic Corporation	175,385	160,220
	Yen	
Net income per share attributable to Panasonic Corporation common shareholders :		
Basic	75.56	69.18
Diluted	75.54	69.17

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Net income	187,922	178,313
Other comprehensive income (loss), net of tax (Note 8)		
Translation adjustments	(12,723)	(71,453)
Unrealized holding gains of available-for-sale securities	1,386	12,504
Unrealized holding losses of derivative instruments	(1,220)	(1,284)
Pension liability adjustments	19,552	31,496
	6,995	(28,737)
Comprehensive income (Note 7)	194,987	149,576
Less Comprehensive income attributable to noncontrolling interests	7,676	8,752
Comprehensive income attributable to Panasonic Corporation	187,311	140,824

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Three months ended December 31, 2016 and 2015

Consolidated Statements of Income

	Yen (millions)	
	Three months ended December 31	
	2016	2015
Revenues, costs and expenses:		
Net sales	1,854,537	1,910,886
Cost of sales (Note 8)	(1,317,344)	(1,349,360)
Selling, general and administrative expenses	(441,263)	(441,722)
Interest income	4,095	5,247
Dividends received	251	212
Other income (Notes 8 and 9)	1,907	2,883
Interest expense	(3,931)	(4,524)
Impairment losses of long-lived assets (Note 5)	(2,353)	(1,559)
Other deductions (Notes 8 and 9)	(17,245)	(31,707)
Income before income taxes	78,654	90,356
Provision for income taxes	(22,614)	(39,279)
Equity in earnings of associated companies	3,480	3,386
Net income	59,520	54,463
Less net income attributable to noncontrolling interests	4,037	5,576
Net income attributable to Panasonic Corporation	55,483	48,887
	Yen	
Net income per share attributable to Panasonic Corporation common shareholders :		
Basic	23.91	21.06
Diluted	23.90	21.06

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	Three months ended December 31	
	2016	2015
Net income	59,520	54,463
Other comprehensive income (loss), net of tax (Note 8)		
Translation adjustments	206,940	(7,473)
Unrealized holding gains of available-for-sale securities	8,413	3,966
Unrealized holding losses of derivative instruments	(3,077)	(500)
Pension liability adjustments	7,169	(2,685)
	219,445	(6,692)
Comprehensive income	278,965	47,771
Less Comprehensive income attributable to noncontrolling interests	13,666	4,424
Comprehensive income attributable to Panasonic Corporation	265,299	43,347

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine months ended December 31, 2016 and 2015

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Cash flows from operating activities:		
Net income	187,992	178,313
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	194,385	205,166
Net gain on sale of investments	(174)	(1,600)
Provision for doubtful receivables	2,930	4,032
Deferred income taxes (Note 9)	(16,242)	(18,082)
Write-down of investment securities (Note 9)	727	970
Impairment losses on long-lived assets (Note 5)	2,525	4,917
Cash effects of change in:		
Trade receivables	(106,536)	29,704
Inventories	(64,250)	(86,198)
Other current assets	(31,999)	(15,140)
Trade payables	42,316	(9,434)
Accrued income taxes	(207)	26,372
Accrued expenses and other current liabilities	(51,403)	(60,394)
Retirement and severance benefits	(27,603)	(37,527)
Deposits and advances from customers	21,101	23,404
Other, net	(41,855)	(21,865)
Net cash provided by operating activities	111,707	222,638
Cash flows from investing activities:		
Proceeds from disposition of investments and advances	11,219	6,015
Increase in investments and advances	(7,037)	(29,180)
Capital expenditures	(201,494)	(173,863)
Proceeds from disposals of property, plant and equipment	29,372	18,115
Increase (decrease) in time deposits, net	146	18,470
Proceeds from sales of consolidated subsidiaries	11,343	1,997
Purchase of shares of newly consolidated subsidiaries (Note 14)	(131,727)	(31,666)
Other, net	(22,063)	(17,201)
Net cash used in investing activities	(310,241)	(207,313)

PANASONIC CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine months ended December 31, 2016 and 2015

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Cash flows from financing activities:		
Decrease in short-term debt with maturities of three months or less, net	3,287	8,251
Proceeds from short-term debt with maturities longer than three months	3,442	5,266
Repayments of short-term debt with maturities longer than three months	(1,862)	(4,947)
Proceeds from long-term debt (Note 9)	400,511	-
Repayments of long-term debt	(48,018)	(48,380)
Dividends paid to Panasonic Corporation shareholders (Notes 7 and 13)	(58,025)	(46,322)
Dividends paid to noncontrolling interests (Note 7)	(10,835)	(14,774)
Repurchase of common stock (Note 7)	(35)	(104)
Sale of treasury stock (Note 7)	3	5
Purchase of noncontrolling interests (Note 7)	(1,153)	(249)
Other, net (Note 7)	13,345	(4,028)
Net cash used in financing activities	300,660	(105,282)
Effect of exchange rate changes on cash and cash equivalents	29,910	(32,517)
Net increase (decrease) in cash and cash equivalents	132,036	(122,474)
Cash and cash equivalents at beginning of period	1,014,264	1,280,408
Cash and cash equivalents at end of period	1,146,300	1,157,934

See accompanying Notes to Consolidated Financial Statements.

PANASONIC CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

(a) **Basis of Presentation of Consolidated Financial Statements**

The Company and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared in a manner that reflects adjustments which are necessary to conform with U.S. generally accepted accounting principles (U.S. GAAP).

(b) **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its majority-owned, controlled subsidiaries. The Company also consolidates entities in which controlling interest exists through variable interests in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, "Consolidation." All significant intercompany balances and transactions have been eliminated on consolidation.

The equity method is used to account for investments in associated companies in which the Company exerts significant influence, generally having a 20% to 50% voting interest, and corporate joint ventures. These investments are included in "Investments and advances" in the consolidated balance sheets.

The Company has 497 consolidated subsidiaries and 96 associated companies under equity method as of December 31, 2016.

The Company accounts for the defined benefit pension plans and the lump-sum payment plans in accordance with the provisions of ASC 715, "Compensation-Retirement Benefits." In accordance with the provisions, funded status of defined benefit pension plans (that is the balance of plan assets less benefit obligations) is recognized on the consolidated balance sheets and pension liability adjustments, net of tax, are recorded in the "Accumulated other comprehensive income (loss)."

Actuarial net gains and losses in excess of the corridor (10% of benefit obligations or fair value of plan assets, whichever is greater) are amortized over the average remaining service period of employees, except for the plan described as follows.

The Company and certain domestic subsidiaries made a transition from the defined benefit pension plan to a defined contribution pension plan, effective after the date of transition with respect to employees' future service. Actuarial net gains and losses related to the defined benefit pension plan that are maintained for employees' past service in excess of the corridor are amortized over the average remaining life expectancy of plan participants.

(c) Description of Business

Panasonic Corporation (hereinafter, the “Company,” including consolidated subsidiaries, unless the context otherwise requires) is one of the world’s leading producers of electronic and electric products. The Company currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology, expanding to building materials and equipments, and housing business.

Sales by segment for the nine months ended December 31, 2016 were as follows: Appliances—30%, Eco Solutions—19%, AVC Networks—13%, Automotive & Industrial Systems—32% and Other—6%. A sales breakdown by geographical market was as follows: Japan—48%, North and South America—17%, Europe—9%, and Asia and Others—26%.

Sales by segment for the three months ended December 31, 2016 were as follows: Appliances—30%, Eco Solutions—19%, AVC Networks—13%, Automotive & Industrial Systems—32% and Other—6%. A sales breakdown by geographical market was as follows: Japan—49%, North and South America—17%, Europe—9%, and Asia and Others—25%.

The Company is not dependent on a single supplier and has no significant difficulty in obtaining raw materials from suppliers.

(d) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions are reflected in valuation and disclosure of revenue recognition, allowance for doubtful receivables, valuation of inventories, impairment of long-lived assets, impairment of goodwill, environmental liabilities, valuation of deferred tax assets, uncertain tax positions and employee retirement and severance benefit plans and assets acquired and liabilities assumed in business combinations.

Management evaluated the subsequent events through February 10, 2017, the issue date of the Company's consolidated financial statements.

(e) Reclassifications

Certain reclassifications have been made to the prior period’s consolidated financial statements in order to conform with the presentation used for fiscal 2017.

(2) Inventories

Inventories at December 31 and March 31, 2016 are summarized as follows:

	Yen (millions)	
	December 31, 2016	March 31, 2016
Finished goods	502,544	469,306
Work in process	131,238	114,723
Raw materials	199,493	172,419
	<u>833,275</u>	<u>756,448</u>

(3) Investments in Securities

In accordance with ASC 320, "Investments—Debt and Equity Securities," the Company classifies its existing marketable equity securities other than investments in associated companies and all debt securities as available-for-sale.

The cost, fair value and net unrealized holding gains of available-for-sale securities included in investments and advances at December 31 and March 31, 2016 are as follows:

	Yen (millions)		
	December 31, 2016		
	Cost	Fair value	Net unrealized holding gains
Investments and advances:			
Equity securities	21,765	85,393	63,628
Corporate and government bonds	2,502	2,531	29
Other debt securities	2	2	-
	<u>24,269</u>	<u>87,926</u>	<u>63,657</u>
	Yen (millions)		
	March 31, 2016		
	Cost	Fair value	Net unrealized holding gains
Investments and advances:			
Equity securities	22,109	83,740	61,631
Corporate and government bonds	2,524	2,566	42
Other debt securities	2	2	-
	<u>24,635</u>	<u>86,308</u>	<u>61,673</u>

The carrying amounts of the Company's cost method investments totaled 28,692 million yen and 27,691 million yen at December 31 and March 31, 2016, respectively.

(4) Leases

The Company has operating leases for certain land, buildings, machinery and equipment, and finite-lived intangible assets. Future minimum lease payments under operating leases at December 31, 2016 are as follows:

	Yen (millions)
Due within 1 year	34,294
Due after 1 year within 2 years	19,252
Due after 2 years within 3 years	8,038
Due after 3 years within 4 years	6,120
Due after 4 years within 5 years	4,949
Thereafter	8,084
Total minimum lease payments	80,737

(5) Long-Lived Assets

The Company periodically reviews the recorded value of its long-lived assets to determine if the future cash flows to be derived from these assets or related asset group will be sufficient to recover the remaining recorded asset values. The disclosure below has been modified to reflect the revised segments.

The Company recognized impairment losses in the aggregate of 2,525 million yen and 2,353 million yen of long-lived assets for the nine months and three months ended December 31, 2016.

The Company recognized impairment losses in the aggregate of 4,917 million yen and 1,559 million yen of long-lived assets for the nine months and three months ended December 31, 2015. 840 million yen and 2,919 million yen of impairment losses for the nine months ended December 31, 2015 were related to “Eco Solutions” and “Automotive & Industrial Systems” segment, respectively. 709 million yen of impairment losses for the three months ended December 31, 2015 was related to “Automotive & Industrial Systems” segment.

(6) Per Share Information

Panasonic Corporation Shareholders' Equity per Share

Panasonic Corporation shareholders' equity per share as of December 31 and March 31, 2016 are as follows:

	Yen	
	December 31, 2016	March 31, 2016
Panasonic Corporation shareholders' equity per share	790.72	734.62

Net Income Attributable to Panasonic Corporation Common Shareholders per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Panasonic Corporation common shareholders per share computation for the nine months ended December 31, 2016 and 2015 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Net income attributable to Panasonic Corporation common shareholders	175,385	160,220
	Number of shares	
	Nine months ended December 31	
	2016	2015
Average common shares outstanding	2,320,983,890	2,316,065,598
Dilutive effect:		
Stock options	700,853	304,650
Diluted common shares outstanding	2,321,684,743	2,316,370,248
	Yen	
	Nine months ended December 31	
	2016	2015
Net income attributable to Panasonic Corporation common shareholders per share:		
Basic	75.56	69.18
Diluted	75.54	69.17

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Panasonic Corporation common shareholders per share computation for the three months ended December 31, 2016 and 2015 are as follows:

	Yen (millions)	
	Three months ended December 31	
	2016	2015
Net income attributable to Panasonic Corporation common shareholders	55,483	48,887
	Number of shares	
	Three months ended December 31	
	2016	2015
Average common shares outstanding	2,320,974,347	2,320,883,042
Dilutive effect:		
Stock options	958,466	381,419
Diluted common shares outstanding	2,321,932,813	2,321,264,461
	Yen	
	Three months ended December 31	
	2016	2015
Net income attributable to Panasonic Corporation common shareholders per share:		
Basic	23.91	21.06
Diluted	23.90	21.06

(7) Equity

The change in the carrying amount of Panasonic Corporation shareholders' equity, noncontrolling interests and total equity in the consolidated balance sheets for the nine months ended December 31, 2016 and 2015 are as follows:

	Yen (millions)		
	Nine months ended December 31, 2016		
	Panasonic Corporation shareholders' equity	Noncontrolling interests	Total equity
Balance at April 1, 2016	1,705,056	149,258	1,854,314
Cash dividends	(58,025)	(10,835)	(68,860)
Repurchase of common stock	(35)	-	(35)
Sale of treasury stock	3	-	3
Increase mainly in capital transactions	926	469	1,395
Comprehensive income :			
Net income	175,385	12,607	187,992
Other comprehensive income (loss), net of tax	11,926	(4,931)	6,995
Total comprehensive income	187,311	7,676	194,987
Balance at December 31, 2016	1,835,236	146,568	1,981,804

	Yen (millions)		
	Nine months ended December 31, 2015		
	Panasonic Corporation shareholders' equity	Noncontrolling interests	Total equity
Balance at April 1, 2015	1,823,293	169,259	1,992,552
Cash dividends	(46,322)	(14,774)	(61,096)
Repurchase of common stock	(104)	-	(104)
Sale of treasury stock	14,096	-	14,096
Decrease mainly in capital transactions	(3,168)	(8,440)	(11,608)
Comprehensive income :			
Net income	160,220	18,093	178,313
Other comprehensive income (loss), net of tax	(19,396)	(9,341)	(28,737)
Total comprehensive income	140,824	8,752	149,576
Balance at December 31, 2015	1,928,619	154,797	2,083,416

Net income attributable to Panasonic Corporation and the change in the amount of capital surplus by transactions with the noncontrolling interests for the nine months ended December 31, 2016 and 2015 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Net income attributable to Panasonic Corporation	175,385	160,220
Change in the amount of capital surplus by transactions with the noncontrolling interests:		
Increase (decrease) in capital surplus for purchase of additional shares in consolidated subsidiaries, etc.	514	(3,362)
Total	514	(3,362)
Net income attributable to Panasonic Corporation and change in the amount of capital surplus by transactions with the noncontrolling interests	175,899	156,858

On August 1, 2015, Panasonic Information Systems Co., Ltd. became a wholly-owned subsidiary through share exchanges. The difference between the fair value of the treasury stock (9,671,047 shares) of the Company delivered to the noncontrolling interests and the decrease in the carrying amount of the noncontrolling interests was recognized as an adjustment to capital surplus.

The change in the amount of capital surplus by transactions with the noncontrolling interests for the three months ended December 31, 2016 and 2015 are an increase of 533 million yen and 435 million yen respectively.

(8) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the nine months ended December 31, 2016 are as follows:

	Yen (millions)				
	Translation adjustments	Unrealized holding gains (losses) of available-for- sale securities	Unrealized holding gains (losses) of derivative instruments	Pension liability adjustments	Total
Accumulated other comprehensive income (loss) — Balance at April 1, 2016	(138,921)	20,205	1,646	(351,258)	(468,328)
Arising during the period:					
Pre-tax amount	(12,899)	2,155	(2,419)	5,430	(7,733)
Tax expense	-	(653)	655	(1,734)	(1,732)
Net-of-tax amount	(12,899)	1,502	(1,764)	3,696	(9,465)
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	176	(171)	789	23,317	24,111
Tax expense	-	55	(245)	(7,461)	(7,651)
Net-of-tax amount	176	(116)	544	15,856	16,460
Other comprehensive income (loss), net of tax:	(12,723)	1,386	(1,220)	19,552	6,995
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	(5,104)	18	55	100	(4,931)
Accumulated other comprehensive income (loss) — Balance at December 31, 2016	(146,540)	21,573	371	(331,806)	(456,402)

Pre-tax amount of reclassification adjustment for (gains) losses included in net income (loss) on the table above is included in the following in the consolidated statements of income.

Translation adjustments — Other income (deductions)

Unrealized holding gains (losses) of available-for-sale securities — Other income (deductions)

Unrealized holding gains (losses) of derivative instruments

Foreign exchange contract (571)million yen — Other income (deductions)

Commodity derivatives (218)million yen — Cost of sales

Pension liability adjustments — Net periodic pension cost

Components of other comprehensive income (loss) for the three months ended December 31, 2016 are as follows:

	Yen (millions)				
	Translation adjustments	Unrealized holding gains (losses) of available-for- sale securities	Unrealized holding gains (losses) of derivative instruments	Pension liability adjustments	Total
Arising during the period:					
Pre-tax amount	211,498	12,047	(5,735)	37	217,847
Tax expense	-	(3,634)	1,783	(10)	(1,861)
Net-of-tax amount	211,498	8,413	(3,952)	27	215,986
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	(4,558)	-	1,355	10,713	7,510
Tax expense	-	-	(480)	(3,571)	(4,051)
Net-of-tax amount	(4,558)	-	875	7,142	3,459
Other comprehensive income (loss), net of tax:	206,940	8,413	(3,077)	7,169	219,445
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	9,539	25	32	33	9,629
Net change in accumulated other comprehensive income (loss)	197,401	8,388	(3,109)	7,136	209,816

Pre-tax amount of reclassification adjustment for (gains) losses included in net income (loss) on the table above is included in the following in the consolidated statements of income.

Translation adjustments — Other income (deductions)

Unrealized holding gains (losses) of available-for-sale securities — Other income (deductions)

Unrealized holding gains (losses) of derivative instruments

Foreign exchange contract (1,769)million yen — Other income (deductions)

Commodity derivatives 414million yen — Cost of sales

Pension liability adjustments — Net periodic pension cost

Components of other comprehensive income (loss) for the nine months ended December 31, 2015 are as follows:

	Yen (millions)				
	Translation adjustments	Unrealized holding gains (losses) of available-for- sale securities	Unrealized holding gains (losses) of derivative instruments	Pension liability adjustments	Total
Accumulated other comprehensive income (loss) — Balance at April 1, 2015	11,858	14,285	3,135	(222,529)	(193,251)
Arising during the period:					
Pre-tax amount	(73,314)	18,658	(6,212)	40,567	(20,301)
Tax expense	-	(6,030)	2,027	(13,709)	(17,712)
Net-of-tax amount	(73,314)	12,628	(4,185)	26,858	(38,013)
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	1,861	(183)	4,629	6,975	13,282
Tax expense	-	59	(1,728)	(2,337)	(4,006)
Net-of-tax amount	1,861	(124)	2,901	4,638	9,276
Other comprehensive income (loss), net of tax:	(71,453)	12,504	(1,284)	31,496	(28,737)
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	(8,015)	(94)	(17)	(1,215)	(9,341)
Accumulated other comprehensive income (loss) — Balance at December 31, 2015	(51,580)	26,883	1,868	(189,818)	(212,647)

Pre-tax amount of reclassification adjustment for (gains) losses included in net income (loss) on the table above is included in the following in the consolidated statements of income.

Translation adjustments — Other income (deductions)

Unrealized holding gains (losses) of available-for-sale securities — Other income (deductions)

Unrealized holding gains (losses) of derivative instruments

Foreign exchange contract (3,153)million yen — Other income (deductions)

Commodity derivatives (1,476)million yen — Cost of sales

Pension liability adjustments — Net periodic pension cost

Components of other comprehensive income (loss) for the three months ended December 31, 2015 are as follows:

	Yen (millions)				
	Translation adjustments	Unrealized holding gains (losses) of available-for- sale securities	Unrealized holding gains (losses) of derivative instruments	Pension liability adjustments	Total
Arising during the period:					
Pre-tax amount	(11,220)	5,979	(3,584)	(4,133)	(12,958)
Tax expense	-	(1,926)	1,102	156	(668)
Net-of-tax amount	(11,220)	4,053	(2,482)	(3,977)	(13,626)
Reclassification adjustment for (gains) losses included in net income:					
Pre-tax amount	3,747	(128)	2,967	1,976	8,562
Tax expense	-	41	(985)	(684)	(1,628)
Net-of-tax amount	3,747	(87)	1,982	1,292	6,934
Other comprehensive income (loss), net of tax:	(7,473)	3,966	(500)	(2,685)	(6,692)
Other comprehensive income (loss) attributable to noncontrolling interests, net-of-tax amount	(1,200)	33	(1)	16	(1,152)
Net change in accumulated other comprehensive income (loss)	(6,273)	3,933	(499)	(2,701)	(5,540)

Pre-tax amount of reclassification adjustment for (gains) losses included in net income (loss) on the table above is included in the following in the consolidated statements of income.

Translation adjustments — Other income (deductions)

Unrealized holding gains (losses) of available-for-sale securities — Other income (deductions)

Unrealized holding gains (losses) of derivative instruments

Foreign exchange contract (2,286)million yen — Other income (deductions)

Commodity derivatives (681)million yen — Cost of sales

Pension liability adjustments — Net periodic pension cost

(9) Supplementary Information

Net periodic benefit costs of the defined benefit pension plan for the nine months ended December 31, 2016 and 2015 are a loss of 5,472 million yen and a gain of 4,911 million yen, respectively. Net periodic benefit costs of the defined benefit pension plan for the three months ended December 31, 2016 and 2015 are a loss of 4,657 million yen and a gain of 2,550 million yen, respectively.

Foreign exchange gains included in other income for the nine and three months ended December 31, 2016 are 4,765 million yen and 903 million yen, respectively.

Included in other deductions for the nine months and three months ended December 31, 2016 and 2015 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries	3,108	5,321
Write-down of investment securities	727	970
Foreign exchange losses	-	118

	Yen (millions)	
	Three months ended December 31	
	2016	2015
Expenses associated with the implementation of the early retirement programs in the domestic and overseas subsidiaries	1,632	1,093
Write-down of investment securities	-	965
Foreign exchange losses (gains)	-	(2,222)

Included in provision for income taxes for the nine months ended December 31, 2015 was an income tax benefit (gain) associated with decreases in valuations allowance on deferred tax assets of 17,039 million yen in Panasonic Corporation on consolidation. This change in the judgement is a result of applying consolidated tax resolved on July 29, 2015 by Panasonic's Board of Directors.

Included in provision for income taxes for the nine months ended December 31, 2016 was an income tax benefit (gain) associated with assessment 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 writing off of the loan in Panasonic Corporation towards PPD, which were resolved on October 31, 2016 by Panasonic's Board of Directors.

Panasonic issued Fifteenth, Sixteenth and Seventeenth Series of Unsecured Straight Bond (aggregate principal amount of 400 billion yen) for the nine months ended December 31, 2016.

(10) Fair Value

ASC 820, "Fair Value Measurements and Disclosures" defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets.

Level 2 — Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31 and March 31, 2016:

	Yen (millions)			
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	85,393	-	-	85,393
Corporate and government bonds	-	2,531	-	2,531
Other debt securities	-	2	-	2
Total available-for-sale securities	85,393	2,533	-	87,926
Derivatives:				
Foreign exchange contracts	-	13,327	-	13,327
Cross currency swaps	-	37	-	37
Commodity futures	14,172	1,052	-	15,224
Total derivatives	14,172	14,416	-	28,588
Liabilities:				
Derivatives:				
Foreign exchange contracts	-	10,968	-	10,968
Commodity futures	11,142	9,462	-	20,604
Total derivatives	11,142	20,430	-	31,572

	Yen (millions)			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	83,740	-	-	83,740
Corporate and government bonds	-	2,566	-	2,566
Other debt securities	-	2	-	2
Total available-for-sale securities	83,740	2,568	-	86,308
Derivatives:				
Foreign exchange contracts	-	6,014	-	6,014
Commodity futures	6,571	5,619	-	12,190
Total derivatives	6,571	11,633	-	18,204
Liabilities:				
Derivatives:				
Foreign exchange contracts	-	4,822	-	4,822
Cross currency swaps	-	35	-	35
Commodity futures	14,448	3,952	-	18,400
Total derivatives	14,448	8,809	-	23,257

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 available-for-sale securities include all debt securities, which are valued using inputs other than quoted prices that are observable. Level 2 derivatives including foreign exchange contracts 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.

Assets and liabilities measured at fair value on a nonrecurring basis

For the nine months and three months ended December 31, 2016, there were no circumstances that required any significant assets and liabilities that are not measured at fair value on an ongoing basis to be measured and recognized at fair value.

For the nine months and three months ended December 31, 2015, there were no circumstances that required any significant assets and liabilities that are not measured at fair value on an ongoing basis to be measured and recognized at fair value.

The fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Available-for-sale securities

The carrying amount is equal to the fair value which is estimated based on quoted market prices or other observable inputs. The fair value is also described in Note 3.

Long-term debt, including current portion

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using appropriate current discount rates. The Company classified long-term debt in Level 2. The carrying amount and fair value at December 31, 2016 are 1,109,319 million yen and 1,121,910 million yen, respectively. The carrying amount and fair value at March 31, 2016 are 713,642 million yen and 731,002 million yen, respectively.

Derivative financial instruments

The fair value of derivative financial instruments is estimated based on unadjusted market prices or quotes obtained from brokers, which are periodically validated by pricing models using observable inactive market inputs.

Advances

The fair value of advances is estimated based on the present value of future cash flows using appropriate current discount rates. The Company classified advances in Level 2. The carrying amount approximates fair value.

Financial instruments other than those listed above (such as Cash and cash equivalents, Time deposits, Trade receivables, Short-term debt, Trade payables, Accrued expenses)

The carrying amount approximates fair value because of the short maturity of these instruments.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(11) Commitments and Contingent Liabilities

The Company provides guarantees to third parties mainly on bank loans provided to associated companies and customers. The guarantees are made to enhance their credit. For each guarantee provided, the Company is required to perform under the guarantee if the guaranteed party defaults on a payment. Also, the Company sold certain trade receivables to independent third parties, some of which are with recourse. If the collectibility of those receivables with recourse becomes doubtful, the Company is obligated to assume the liabilities. At December 31, 2016, the maximum amount of undiscounted payments the Company would have to make in the event of default was 32,673 million yen. The carrying amount of the liabilities recognized for the Company's obligations as a guarantor under those guarantees at December 31, 2016 was immaterial.

In connection with the sale and lease back of certain machinery and equipment, the Company guarantees a specific value of the leased assets. For each guarantee provided, the Company is required to perform under the guarantee if certain conditions are met during or at the end of the lease term. At December 31, 2016, the maximum amount of undiscounted payments the Company would have to make in the event that these conditions were met was 533 million yen. The carrying amount of the liabilities recognized for the Company's obligations as guarantors under those guarantees at December 31, 2016 was immaterial.

The Company and certain subsidiaries are under the term of leasehold interest contracts for land of domestic factories and have obligations for restitution upon their leaving. The asset retirement obligations cannot be reasonably estimated because the durations of use of the leased assets are not specified and there are no plans to undertake relocation in the future. Therefore, the Company did not recognize asset retirement obligations.

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 government authorities, including the Japan Fair Trade Commission (JFTC) and the European Commission, 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. For the year ended March 31, 2013, the Company and MTPD received notification of a European Commission Decision in violation of EU competition law and appealed to the European General Court against the decision because the Company believes this decision is factually and legally erroneous as it applies to the Company and MTPD. In September 2015, the European General Court rendered the judgment to accept some of the arguments but reject the other arguments made by the Company and MTPD. The Company appealed to the European Court of Justice. In July 2016, the European Court of Justice issued the order dismissing the Company's appeal, and the sanction against the Company became final. In August 2016, the Company paid the fine to the European Commission.

Since June 2012, the Company and Sanyo Electric Co., Ltd., a subsidiary of the Company, had been subjected to investigations by the European Commission, in respect of alleged antitrust violations relating to the rechargeable battery. In December 2016, the Company and Sanyo Electric Co., Ltd. settled with the European Commission agreeing to pay fines. The Company and Sanyo Electric Co., Ltd. are also subject to relevant litigations in the U.S. and Europe.

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 has recently engaged in 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, involve 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 amounts already recognized may have been incurred.

(12) Segment Information

In accordance with the provisions of ASC 280, “Segment Reporting,” the segments reported below 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 air-conditioners, TVs, refrigerators, washing machines, personal-care products, microwave ovens, home audio equipment, video equipment, vacuum cleaners, rice cookers, bicycles, 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, ventilation and air-conditioning equipment, air purifiers, and nursing-care-related products.

“AVC Networks” is comprised of developing, manufacturing, selling and providing services of products such as aircraft in-flight entertainment systems, PCs and tablets, projectors, digital cameras, surveillance cameras, social infrastructure systems equipment, fixed phones, and mobile phones.

“Automotive & Industrial Systems” is comprised of developing, manufacturing, selling and providing services of products such as car-use-multimedia-related equipment, electrical components, lithium-ion batteries, automotive batteries, dry batteries, electronic components, automation controls, electric motors, semiconductors, electronic materials, LCD panels, electronic-component-mounting machines and welding equipment.

“Other” consists of PanaHome Corporation and others.

By Segment:

Information by segment for the nine months ended December 31, 2016 and 2015 is shown in the tables below.

As of April 1 2016, there were some changes in the structure of its internal organization of the reportable segments. Accordingly, segment information for the nine months ended December 31, 2015 has been reclassified to conform to the presentation at April 1, 2016.

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Sales:		
Appliances:		
Customers	1,645,019	1,603,214
Intersegment	160,146	185,305
Total	1,805,165	1,788,519
Eco Solutions:		
Customers	949,799	990,648
Intersegment	168,917	179,031
Total	1,118,716	1,169,679
AVC Networks:		
Customers	666,422	764,737
Intersegment	85,082	96,080
Total	751,504	860,817
Automotive & Industrial Systems:		
Customers	1,796,668	1,932,830
Intersegment	106,201	130,326
Total	1,902,869	2,063,156
Other:		
Customers	394,957	395,537
Intersegment	5,359	6,748
Total	400,316	402,285
Eliminations and Adjustments:		
Customers	(102,837)	(15,652)
Intersegment	(525,705)	(597,490)
Total	(628,542)	(613,142)
Consolidated total	5,350,028	5,671,314

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Segment profit (loss):		
Appliances	102,479	68,081
Eco Solutions	46,074	58,743
AVC Networks	41,478	53,929
Automotive & Industrial Systems	85,486	88,882
Other	(2,350)	3,105
Eliminations and Adjustments	(32,610)	47,514
Total segment profit	240,557	320,254
Interest income	11,074	16,198
Dividends received	1,715	1,602
Other income	45,905	12,496
Interest expense	(10,773)	(13,587)
Impairment losses of long-lived assets	(2,525)	(4,917)
Other deductions	(54,114)	(77,550)
Consolidated income before income taxes	231,839	254,496

The measure of segment profit of each reportable segment was changed, from sales minus cost of sales and selling, general and administrative expenses which was the previous measure, to above-mentioned profit plus other income (deductions) excluding financial income (expenses) and exchange gains (losses) in fiscal 2017. The segment profit of each reportable segment in fiscal 2016 has been restated to conform to the new measurement used in fiscal 2017.

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 in addition to the eliminations of other income (deductions) which are part of each segment profit.

Adjustments to segment sales to customers for the nine months ended December 31, 2016 and 2015 mainly include price differences between sales prices to external customers and the internal sales prices adopted for performance measurement purposes for the sales of certain consumer products through sales departments, and consolidation adjustments for sales price of a deduction of 34,844 million yen and an addition of 45,884 million yen, respectively. Adjustments also include the sales of certain associated companies under the equity method, amounting to a deduction of 76,961 million yen and a deduction of 73,590 million yen, respectively, included in segment sales solely for the purpose of assessing segment performance.

Adjustments to segment profit for the nine months ended December 31, 2016 and 2015 include profit (loss) of corporate headquarters and sales departments of certain consumer products amounting a profit of 16,119 million yen and a profit of 27,821 million yen, respectively. Consolidation adjustments also include amortization of certain finite-lived intangible assets and differences in accounting standards in addition to the eliminations of other income (deductions) which are part of each segment profit, amounting to a loss of 48,729 million yen and a profit of 19,693 million yen, respectively.

Transfers between business segments are made at arms-length prices. There is no material concentration of sales to a single external major customer for the nine months ended December 31, 2016 and 2015.

Information by segment for the three months ended December 31, 2016 and 2015 is shown in the tables below.
As of April 1 2016, there were some changes in the structure of its internal organization of the reportable segments.
Accordingly, segment information for the three months ended December 31, 2015 has been reclassified to conform to the presentation at April 1, 2016.

	Yen (millions)	
	Three months ended December 31	
	2016	2015
Sales:		
Appliances:		
Customers	571,023	551,276
Intersegment	49,036	59,451
Total	620,059	610,727
Eco Solutions:		
Customers	330,098	341,097
Intersegment	62,743	65,640
Total	392,841	406,737
AVC Networks:		
Customers	229,206	250,636
Intersegment	29,897	34,128
Total	259,103	284,764
Automotive & Industrial Systems:		
Customers	615,063	631,571
Intersegment	37,409	44,983
Total	652,472	676,554
Other:		
Customers	137,247	127,183
Intersegment	1,591	2,402
Total	138,838	129,585
Eliminations and Adjustments:		
Customers	(28,100)	9,123
Intersegment	(180,676)	(206,604)
Total	(208,776)	(197,481)
Consolidated total	1,854,537	1,910,886

	Yen (millions)	
	Three months ended December 31	
	2016	2015
Segment profit (loss):		
Appliances	31,002	25,206
Eco Solutions	25,158	25,277
AVC Networks	15,760	19,933
Automotive & Industrial Systems	20,397	17,312
Other	(2,991)	(2,300)
Eliminations and Adjustments	6,604	34,376
Total segment profit	95,930	119,804
Interest income	4,095	5,247
Dividends received	251	212
Other income	1,907	2,883
Interest expense	(3,931)	(4,524)
Impairment losses of long-lived assets	(2,353)	(1,559)
Other deductions	(17,245)	(31,707)
Consolidated income before income taxes	78,654	90,356

The measure of segment profit of each reportable segment was changed, from sales minus cost of sales and selling, general and administrative expenses which was the previous measure, to above-mentioned profit plus other income (deductions) excluding financial income (expenses) and exchange gains (losses) in fiscal 2017. The segment profit of each reportable segment in fiscal 2016 has been restated to conform to the new measurement used in fiscal 2017.

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 in addition to the eliminations of other income (deductions) which are part of each segment profit.

Adjustments to segment sales to customers for the three months ended December 31, 2016 and 2015 mainly include price differences between sales prices to external customers and the internal sales prices adopted for performance measurement purposes for the sales of certain consumer products through sales departments, and consolidation adjustments for sales price of a deduction of 2,898 million yen and an addition of 35,100 million yen, respectively. Adjustments also include the sales of certain associated companies under the equity method, amounting to a deduction of 28,292 million yen and a deduction of 25,901 million yen, respectively, included in segment sales solely for the purpose of assessing segment performance.

Adjustments to segment profit for the three months ended December 31, 2016 and 2015 include profit (loss) of corporate headquarters and sales departments of certain consumer products amounting a profit of 11,296 million yen and a profit of 14,241 million yen, respectively. Consolidation adjustments also include amortization of certain finite-lived intangible assets and differences in accounting standards in addition to the eliminations of other income (deductions) which are part of each segment profit, amounting to a loss of 4,692 million yen and a profit of 20,135 million yen, respectively.

Transfers between business segments are made at arms-length prices. There is no material concentration of sales to a single external major customer for the three months ended December 31, 2016 and 2015.

By Geographical Area:

Sales attributed to countries based upon the customer's location for the nine months ended December 31, 2016 and 2015 are as follows:

	Yen (millions)	
	Nine months ended December 31	
	2016	2015
Sales:		
Japan	2,592,592	2,619,627
North and South America	932,172	935,032
Europe	455,147	543,162
Asia and Others	1,370,117	1,573,493
Consolidated total	5,350,028	5,671,314
United States included in North and South America	838,714	833,735
China included in Asia and Others	638,876	763,633

Sales attributed to countries based upon the customer's location for the three months ended December 31, 2016 and 2015 are as follows:

	Yen (millions)	
	Three months ended December 31	
	2016	2015
Sales:		
Japan	912,724	910,731
North and South America	321,995	313,650
Europe	158,546	195,679
Asia and Others	461,272	490,826
Consolidated total	1,854,537	1,910,886
United States included in North and South America	286,323	278,988
China included in Asia and Others	220,600	228,280

Major countries or regions in each location are as follows:

North and South America; North America and Latin America
Europe; Europe and Africa
Asia and Others; Asia, China and Oceania

There are no individually material countries of which should be separately disclosed in North and South America, Europe, and Asia and Others, except for the United States of America and China on sales.

(13) Cash Dividends

On April 28, 2016, the board of directors approved a year-end dividend of 15.0 yen per share, totaling 34,815 million yen on outstanding common stock as of March 31, 2016. The dividends, which became effective on June 3, 2016, were sourced out of retained earnings.

On October 31, 2016, the board of directors approved an interim dividend of 10.0 yen per share, totaling 23,210 million yen on outstanding common stock as of September 30, 2016. The dividends, which will become effective on November 30, 2016, were sourced out of retained earnings.

(14) Acquisition

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 Group”) from the acquisition date.

Hussmann Group 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 Group'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 Group will be able to leverage core refrigeration product technology and case platforms including the Company's CO2 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 Group 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 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 is included in “Appliances” segment, and is not deductible for tax purpose.

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

Net sales and income before income taxes of Hussmann Group that are included in the consolidated statements of income for the nine and three months ended December 31, 2016 were not material.

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