In Partial Fulfillment of the Requirement in Fundamentals of Accountancy,

Business & Management 2

**Financial Statement Analysis Report of**

**Sony Corporation and Panasonic Corporation**

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# **Introduction**

Sony Corporation and Panasonic Corporation are both large-scale industrial companies based in Japan. Both companies are under the industry sector of Electronics Home Appliances. These companies engage in development, design, production, manufacture and sale of various electronic equipment, instruments and devices for consumer, professional and industrial markets, like our televisions, computers, rice cooker, and the likes. These are the two candidate companies which will be studied and analyzed for the given task.

This paper provides financial statement analysis report of Sony Corporation and Panasonic Corporation along with its analysis, benchmark, conclusion, and recommendation. The collection, assessment and interpretation of financial data to assist in investment and financial decision-making is financial analysis. It can be used to assess internal issues such as employee efficiency, organizational effectiveness, and to evaluate future investments and borrowers' creditworthiness externally. Financial decisions are necessary and important components of an organization as it has direct effects on liquidity and solvency of its programs.

Financial statements used are Horizontal Analysis and Vertical Analysis for determining each company’s performance and areas of improvement in their individual accounts. The financial statements are important in studying the components of a company's financial accounts and to compare them with the performance of the company in the past few years.

For the financial ratios, the consultants used Liquidity ratios, Solvency ratios, and Profitability ratios. These ratios will tell us which company is more liquid, more solvent and more profitable. Financial ratios measure the relationship between two or more components of financial statements. They are used most effectively when results over several periods are compared.

Using different financial instruments, based on the data given by Sony Corporations and Panasonic Corporations. The purpose of this study is to identify the financial health but also to compare and to know the differences of the performance between both companies. This study will also help the investors in which one is the better company to invest in.

# **Company Profiles**

## Company A

Logo

Description automatically generated

Founders: **Masaru Ibuka & Akio Morita**

Sony was founded after World War II in 1946 in Tokyo under the name Tokyo Telecommunications Engineering Corp. by Masaru Ibuka and Akio Morita. The company started with less than 200,000 yen--slightly more than $1,500--and began researching. In less than a year, the company released its first product, a power megaphone. In 1950, it released Japan's first tape recorder.

The company name of **Sony** was created by combining two words of “sonus” and “sonny”. The word “sonus” in Latin represents words like sound and sonic. The other word “sonny” means little son. Used in combination, Sony is supposed to represent a very small group of young people who have the energy and passion towards unlimited creations and innovative ideas. With the far-sight of expanding worldwide, it was in 1958 that the company formally adopted “Sony Corporation” as its corporate name. Easy to pronounce and read in any language, the name Sony, which has a lively ring to it, fits comfortably with the spirit of freedom and open-mindedness.

Sony is one of the world's most widely known electronics companies. Founded in Japan, the company has grown from humble roots to a multinational giant. From the tape player to the Walkman to OLED TV, Sony's tradition of innovation has made it a profitable company for more than 60 years. Kazuo Hirai, who joined the company in 1984 and worked his way up through its media and consumer electronics divisions, became its president and CEO in 2012.

Sony Global - History. (n.d.). Retrieved from <https://www.sony.net/SonyInfo/CorporateInfo/History/>

Kennan, M. (2019, February 11). Sony Corporation History & Background. Retrieved from <https://bizfluent.com/about-5176244-sony-corporation-history-background.html>

B. Company B



Founder: **Kōnosuke Matsushita**

Panasonic Corporation, formerly known as the Matsushita Electric Industrial Co., Ltd., established by Kōnosuke Matsushita in 1918 as a light attachment producer, is a significant Japanese worldwide hardware organization, settled in Kadoma, Osaka. In expansion to buyer gadgets of which it was the world's biggest creator in the late twentieth century, Panasonic offers a wide scope of items and administrations, including battery-powered batteries, car and aeronautical frameworks, just as home remodel and development.

The **Panasonic** brand name was created in 1955 and was first used as a brand for audio speakers. It is a combination of the words, "Pan" (Universal) and "Sonic" (Sound) and has a meaning of bringing sound our company creates to the world. On January 10, 2008, Matsushita announced that it intended to change the company name to Panasonic Corporation.

Panasonic Electronic is Japan's top appliance and consumer hardware creator. By certain estimates it is the world's biggest consumer electronic creator and is one of Japan's biggest and most popular organizations. Situated in Kadoma City, Osaka, it has many auxiliaries and has made items that have been sold under the names Matsushita, Panasonic, Technics, Quasar, JVC and National. Panasonic makes Lumix cameras and Viera TVs and is the world's greatest creator of plasma TVs.Panasonic also sold the first bread machine.

Corporate History - History - About Us - Panasonic Global. (n.d.). Retrieved from <https://www.panasonic.com/global/corporate/history/chronicle.html>

Wikipedia contributors. (2021, February 9). Panasonic. Retrieved from <https://en.wikipedia.org/wiki/Panasonic>

**III. Financial Analysis Tools**

**A. Sony Corporation**

1. **Horizontal**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SONY CORPORATION** | | | | | |
| **Comparative Balance Sheet** | | | | | |
| **For the years 2016 and 2017** | | | | | |
|  | | | | | |
| **Assets** |  | |  |  | |  |
|  |  | |  |  | |  |
| **Fiscal year is April-March.** | **2017** | | **2016** | **Amount** | | **%** |
| **All values JPY Millions.** |
| Net Income before Extraordinaries | - | | - | - | | - |
| Cash & Short Term Investments | 2,011,583 | | 1,930,009 | 81,574 | | 4.23% |
| Cash Only | 960,142 | | 983,612 | -23,470 | | -2.39% |
| Short-Term Investments | 1,051,441 | | 946,397 | 105,044 | | 11.10% |
| Total Accounts Receivable | 1,177,443 | | 1,059,650 | 117,793 | | 11.12% |
| Accounts Receivables, Net | 953,811 | | 853,592 | 100,219 | | 11.74% |
| Accounts Receivables, Gross | 1,006,961 | | 926,375 | 80,586 | | 8.70% |
| Bad Debt/Doubtful Accounts | -53,150 | | -72,783 | 19,633 | | -26.97% |
| Other Receivables | 223,632 | | 206,058 | 17,574 | | 8.53% |
| Inventories | 640,835 | | 683,146 | -42,311 | | -6.19% |
| Finished Goods | 399,850 | | 448,273 | -48,423 | | -10.80% |
| Work in Progress | 140,718 | | 130,383 | 10,335 | | 7.93% |
| Raw Materials | 100,267 | | 104,490 | -4,223 | | -4.04% |
| Progress Payments & Other | - | | - | - | | - |
| Other Current Assets | 525,861 | | 523,922 | 1,939 | | 0.37% |
| Prepaid Expenses | - | | - | - | | - |
| Miscellaneous Current Assets | 525,861 | | 523,922 | 1,939 | | 0.37% |
| Total Current Assets | 4,355,722 | | 4,196,727 | 158,995 | | 3.79% |
| Net Property, Plant & Equipment | 758,199 | | 820,818 | -62,619 | | -7.63% |
| Property, Plant & Equipment - Gross | 2,655,305 | | 2,642,363 | 12,942 | | 0.49% |
| Buildings | 666,381 | | 655,379 | 11,002 | | 1.68% |
| Land & Improvements | 117,293 | | 121,707 | -4,414 | | -3.63% |
| Machinery & Equipment | 1,842,852 | | 1,795,991 | 46,861 | | 2.61% |
| Construction in Progress | 28,779 | | 69,286 | -40,507 | | -58.46% |
| Leases | - | | - | - | | - |
| Computer Software and Equipment | - | | - | - | | - |
| Leased Property | - | | - | - | | - |
| Transportation Equipment | - | | - | - | | - |
| Other Property, Plant & Equipment | - | | - | - | | - |
| Accumulated Depreciation | 1,897,106 | | 1,821,545 | 75,561 | | 4.15% |
| Buildings | - | | - | - | | - |
| Land & Improvements | - | | - | - | | - |
| Machinery & Equipment | - | | - | - | | - |
| Construction in Progress | - | | - | - | | - |
| Leases | - | | - | - | | - |
| Computer Software and Equipment | - | | - | - | | - |
| Leased Property | - | | - | - | | - |
| Transportation Equipment | - | | - | - | | - |
| Other Property, Plant & Equipment | - | | - | - | | - |
| Total Investments and Advances | 10,111,793 | | 9,234,083 | 877,710 | | 9.51% |
| LT Investment - Affiliate Companies | 149,371 | | 164,874 | -15,503 | | -9.40% |
| Other Long-Term Investments | 9,962,422 | | 9,069,209 | 893,213 | | 9.85% |
| Long-Term Note Receivable | - | | - | - | | - |
| Intangible Assets | 1,106,723 | | 1,222,044 | -115,321 | | -9.44% |
| Net Goodwill | 522,538 | | 606,290 | -83,752 | | -13.81% |
| Net Other Intangibles | 584,185 | | 615,754 | -31,569 | | -5.13% |
| Other Assets | 1,229,161 | | 1,102,079 | 127,082 | | 11.53% |
| Deferred Charges | 905,765 | | 813,062 | 92,703 | | 11.40% |
| Tangible Other Assets | 323,396 | | 289,017 | 34,379 | | 11.90% |
| Total Assets | 17,660,556 | | 16,673,390 | 987,166 | | 5.92% |
|  |  | |  |  | |  |
|  |  | |  |  | |  |
|  |  | |  |  | |  |
| **Liabilities & Shareholders' Equity** |  | |  |  | |  |
|  |  | |  |  | |  |
| **All values JPY Millions.** | **2017** | | **2016** | **Amount** | | **%** |
| ST Debt & Current Portion LT Debt | 518,079 | | 336,940 | 181,139 | | 53.76% |
| Short Term Debt | 464,655 | | 149,272 | 315,383 | | 211.28% |
| Current Portion of Long Term Debt | 53,424 | | 187,668 | -134,244 | | -71.53% |
| Accounts Payable | 539,900 | | 550,964 | -11,064 | | -2.01% |
| Income Tax Payable | 106,037 | | 94,195 | 11,842 | | 12.57% |
| Other Current Liabilities | 4,057,723 | | 3,848,651 | 209,072 | | 5.43% |
| Dividends Payable | - | | - | - | | - |
| Accrued Payroll | - | | - | - | | - |
| Miscellaneous Current Liabilities | 4,057,723 | | 3,848,651 | 209,072 | | 5.43% |
| Total Current Liabilities | 5,221,739 | | 4,830,750 | 390,989 | | 8.09% |
| Total Current Assets FOR CALCULATION PURPOSES ONLY | 4,355,722 | | 4,196,727 | 158,995 | | 3.79% |
| Total Assets FOR CALCULATION PURPOSES ONLY | 17,660,556 | | 16,673,390 | 987,166 | | 5.92% |
| Inventories FOR CALCULATION PURPOSES ONLY | 640,835 | | 683,146 | - | | - |
| Cash & Short Term Investments FOR CALCULATION PURPOSES ONLY | 2,011,583 | | 1,930,009 | 81,574 | | 4.23% |
| Long-Term Debt | 681,462 | | 556,605 | 124,857 | | 22.43% |
| Long-Term Debt excl. Capitalized Leases | 654,582 | | 526,595 | 127,987 | | 24.30% |
| Non-Convertible Debt | 654,582 | | 406,595 | 247,987 | | 60.99% |
| Convertible Debt | - | | 120,000 | - | | - |
| Capitalized Lease Obligations | 26,880 | | 30,010 | -3,130 | | -10.43% |
| Provision for Risks & Charges | 396,715 | | 462,384 | -65,669 | | -14.20% |
| Deferred Taxes | 333,866 | | 353,287 | -19,421 | | -5.50% |
| Deferred Taxes - Credit | 432,824 | | 450,926 | -18,102 | | -4.01% |
| Deferred Taxes - Debit | 98,958 | | 97,639 | 1,319 | | 1.35% |
| Other Liabilities | 7,780,336 | | 7,240,837 | 539,499 | | 7.45% |
| Deferred Tax Liability-Untaxed Reserves | - | | - | - | | - |
| Other Liabilities (excl. Deferred Income) | 7,780,336 | | 7,240,837 | 539,499 | | 7.45% |
| Deferred Income | - | | - | - | | - |
| Total Liabilities | 14,513,076 | | 13,541,502 | 971,574 | | 7.17% |
| Non-Equity Reserves | - | | - | - | | - |
| Preferred Stock (Carrying Value) | - | | - | - | | - |
| Redeemable Preferred Stock | - | | - | - | | - |
| Non-Redeemable Preferred Stock | - | | - | - | | - |
| Preferred Stock issues for ESOP | - | | - | - | | - |
| ESOP Guarantees - Preferred Stock | - | | - | - | | - |
| Common Equity (Total) | 2,497,246 | | 2,463,340 | 33,906 | | 1.38% |
| Common Stock Par/Carry Value | 860,645 | | 858,867 | 1,778 | | 0.21% |
| Additional Paid-In Capital/Capital Surplus | 1,275,337 | | 1,325,719 | -50,382 | | -3.80% |
| Retained Earnings | 984,368 | | 936,331 | 48,037 | | 5.13% |
| ESOP Debt Guarantee | - | | - | - | | - |
| Cumulative Translation Adjustment/Unrealized For. Exch. Gain | -436,610 | | -421,117 | -15,493 | | 3.68% |
| Unrealized Gain/Loss Marketable Securities | 126,635 | | 140,736 | -14,101 | | -10.02% |
| Revaluation Reserves | - | | - | - | | - |
| Other Appropriated Reserves | -308,794 | | -372,937 | 64,143 | | -17.20% |
| Unappropriated Reserves | - | | - | - | | - |
| Treasury Stock | -4,335 | | -4,259 | -76 | | 1.78% |
| Total Shareholders' Equity | 2,497,246 | | 2,463,340 | 33,906 | | 1.38% |
| Accumulated Minority Interest | 650,234 | | 668,548 | -18,314 | | -2.74% |
| Total Equity | 3,147,480 | | 3,131,888 | 15,592 | | 0.50% |
| Liabilities & Shareholders' Equity | 17,660,556 | | 16,673,390 | 987,166 | | 5.92% |
|  |  | |  |  | |  |
| **SONY CORPORATION** | | | | | |
| **Comparative Income Statement** | | | | | |
| **For the years 2016 and 2017** | | | | | |
|  | | | | | |
|  |  | |  |  | |  |
|  | **2017** | | **2016** | **Amount** | | **%** |
| Sales/Revenue | 7,630,677 | | 8,134,385 | -503,708 | | -6.19% |
| Cost of Goods Sold (COGS) incl. D&A | 5,194,750 | | 5,603,365 | -408,615 | | -7.29% |
| COGS excluding D&A | 4,570,197 | | 4,906,687 | -336,490 | | -6.86% |
| Depreciation & Amortization Expense | 624,553 | | 696,678 | -72,125 | | -10.35% |
| Depreciation | 169,284 | | 179,272 | -9,988 | | -5.57% |
| Amortization of Intangibles | 121,634 | | 125,616 | -3,982 | | -3.17% |
| Amortization of Deferred Charges | 333,635 | | 391,790 | -58,155 | | -14.84% |
| Gross Income | 2,435,927 | | 2,531,020 | -95,093 | | -3.76% |
| SG&A Expense | 1,893,197 | | 2,121,854 | -228,657 | | -10.78% |
| Research & Development | 447,456 | | 468,183 | -20,727 | | -4.43% |
| Other SG&A | 1,445,741 | | 1,653,671 | -207,930 | | -12.57% |
| Other Operating Expense | - | | - | - | | - |
| EBIT | 542,730 | | 409,166 | 133,564 | | 32.64% |
| Unusual Expense | 255,117 | | 180,387 | 74,730 | | 41.43% |
| Non Operating Income/Expense | -36,472 | | 86,318 | -122,790 | | -142.25% |
| Non-Operating Interest Income | 11,459 | | 12,455 | -996 | | -8.00% |
| Equity in Affiliates (Pretax) | 3,563 | | 2,238 | 1,325 | | 59.20% |
| Interest Expense | 14,544 | | 25,286 | -10,742 | | -42.48% |
| Gross Interest Expense | 14,544 | | 25,286 | -10,742 | | -42.48% |
| Interest Capitalized | - | | - | - | | - |
| Pretax Income | 251,619 | | 304,504 | -52,885 | | -17.37% |
| Income Tax | 124,058 | | 94,789 | 29,269 | | 30.88% |
| Income Tax - Current Domestic | 49,739 | | 41,080 | 8,659 | | 21.08% |
| Income Tax - Current Foreign | 50,521 | | 53,498 | -2,977 | | -5.56% |
| Income Tax - Deferred Domestic | 11,478 | | -1,745 | 13,223 | | -757.77% |
| Income Tax - Deferred Foreign | 12,320 | | 1,956 | 10,364 | | 529.86% |
| Income Tax Credits | - | | - | - | | - |
| Equity in Affiliates | - | | - | - | | - |
| Other After Tax Income (Expense) | - | | - | - | | - |
| Consolidated Net Income | 127,561 | | 209,715 | -82,154 | | -39.17% |
| Minority Interest Expense | 54,272 | | 61,924 | -7,652 | | -12.36% |
| Net Income | 73,289 | | 147,791 | -74,502 | | -50.41% |
| Extraordinaries & Discontinued Operations | - | | - | - | | - |
| Extra Items & Gain/Loss Sale Of Assets | - | | - | - | | - |
| Cumulative Effect - Accounting Chg | - | | - | - | | - |
| Discontinued Operations | - | | - | - | | - |
| Net Income After Extraordinaries | 73,289 | | 147,791 | -74,502 | | -50.41% |
| Preferred Dividends | - | | - | - | | - |
| Net Income Available to Common | 73,289 | | 147,791 | -74,502 | | -50.41% |
| EPS (Basic) | 58.07 | | 119.4 | -61 | | -51.37% |
| Basic Shares Outstanding | 1,262 | | 1,238 | 24 | | 1.94% |
| EPS (Diluted) | 56.89 | | 117.49 | -61 | | -51.58% |
| Diluted Shares Outstanding | 1,288 | | 1,258 | 30 | | 2.38% |
| EBITDA | 1,167,283 | | 1,105,844 | 61,439 | | 5.56% |
| EBIT | 542,730 | | 409,166 | 133,564 | | 32.64% |
| **SONY CORPORATION** | | | | | |
| **Comparative Balance Sheet** | | | | | |
| **For the years 2017 and 2018** | | | | | |
|  | | | | | |
| **Assets** | |  |  |  |  |
|  | |  |  |  |  |
| **Fiscal year is April-March.** | | **2018** | **2017** | **Amount** | **%** |
| **All values JPY Millions.** | |
| Net Income before Extraordinaries | | - | - | - | - |
| Cash & Short Term Investments | | 2,762,930 | 2,011,583 | 751,347 | 37.35% |
| Cash Only | | 1,586,329 | 960,142 | 626,187 | 65.22% |
| Short-Term Investments | | 1,176,601 | 1,051,441 | 125,160 | 11.90% |
| Total Accounts Receivable | | 1,203,485 | 1,177,443 | 26,042 | 2.21% |
| Accounts Receivables, Net | | 1,012,779 | 953,811 | 58,968 | 6.18% |
| Accounts Receivables, Gross | | 1,061,442 | 1,006,961 | 54,481 | 5.41% |
| Bad Debt/Doubtful Accounts | | -48,663 | -53,150 | 4,487 | -8.44% |
| Other Receivables | | 190,706 | 223,632 | -32,926 | -14.72% |
| Inventories | | 692,937 | 640,835 | 52,102 | 8.13% |
| Finished Goods | | 422,461 | 399,850 | 22,611 | 5.65% |
| Work in Progress | | 153,257 | 140,718 | 12,539 | 8.91% |
| Raw Materials | | 117,219 | 100,267 | 16,952 | 16.91% |
| Progress Payments & Other | | - | - | - | - |
| Other Current Assets | | 516,744 | 525,861 | -9,117 | -1.73% |
| Prepaid Expenses | | - | - | - | - |
| Miscellaneous Current Assets | | 516,744 | 525,861 | -9,117 | -1.73% |
| Total Current Assets | | 5,176,096 | 4,355,722 | 820,374 | 18.83% |
| Net Property, Plant & Equipment | | 739,470 | 758,199 | -18,729 | -2.47% |
| Property, Plant & Equipment - Gross | | 2,576,809 | 2,655,305 | -78,496 | -2.96% |
| Buildings | | 655,434 | 666,381 | -10,947 | -1.64% |
| Land & Improvements | | 84,358 | 117,293 | -32,935 | -28.08% |
| Machinery & Equipment | | 1,798,722 | 1,842,852 | -44,130 | -2.39% |
| Construction in Progress | | 38,295 | 28,779 | 9,516 | 33.07% |
| Leases | | - | - | - | - |
| Computer Software and Equipment | | - | - | - | - |
| Leased Property | | - | - | - | - |
| Transportation Equipment | | - | - | - | - |
| Other Property, Plant & Equipment | | - | - | - | - |
| Accumulated Depreciation | | 1,837,339 | 1,897,106 | -59,767 | -3.15% |
| Buildings | | - | - | - | - |
| Land & Improvements | | - | - | - | - |
| Machinery & Equipment | | - | - | - | - |
| Construction in Progress | | - | - | - | - |
| Leases | | - | - | - | - |
| Computer Software and Equipment | | - | - | - | - |
| Leased Property | | - | - | - | - |
| Transportation Equipment | | - | - | - | - |
| Other Property, Plant & Equipment | | - | - | - | - |
| Total Investments and Advances | | 10,756,058 | 10,111,793 | 644,265 | 6.37% |
| LT Investment - Affiliate Companies | | 157,389 | 149,371 | 8,018 | 5.37% |
| Other Long-Term Investments | | 10,598,669 | 9,962,422 | 636,247 | 6.39% |
| Long-Term Note Receivable | | - | - | - | - |
| Intangible Assets | | 1,057,660 | 1,106,723 | -49,063 | -4.43% |
| Net Goodwill | | 530,492 | 522,538 | 7,954 | 1.52% |
| Net Other Intangibles | | 527,168 | 584,185 | -57,017 | -9.76% |
| Other Assets | | 1,239,482 | 1,229,161 | 10,321 | 0.84% |
| Deferred Charges | | 914,315 | 905,765 | 8,550 | 0.94% |
| Tangible Other Assets | | 325,167 | 323,396 | 1,771 | 0.55% |
| Total Assets | | 19,065,538 | 17,660,556 | 1,404,982 | 7.96% |
|  | |  |  |  |  |
| **Liabilities & Shareholders' Equity** | |  |  |  |  |
|  | |  |  |  |  |
| **All values JPY Millions.** | | **2018** | **2017** | **Amount** | **%** |
| ST Debt & Current Portion LT Debt | | 721,615 | 518,079 | 203,536 | 39.29% |
| Short Term Debt | | 496,093 | 464,655 | 31,438 | 6.77% |
| Current Portion of Long Term Debt | | 225,522 | 53,424 | 172,098 | 322.14% |
| Accounts Payable | | 468,550 | 539,900 | -71,350 | -13.22% |
| Income Tax Payable | | 145,905 | 106,037 | 39,868 | 37.60% |
| Other Current Liabilities | | 4,284,471 | 4,057,723 | 226,748 | 5.59% |
| Dividends Payable | | - | - | - | - |
| Accrued Payroll | | - | - | - | - |
| Miscellaneous Current Liabilities | | 4,284,471 | 4,057,723 | 226,748 | 5.59% |
| Total Current Liabilities | | 5,620,541 | 5,221,739 | 398,802 | 7.64% |
| Total Current Assets FOR CALCULATION PURPOSES ONLY | | 5,176,096 | 4,355,722 | 820,374 | 18.83% |
| Total Assets FOR CALCULATION PURPOSES ONLY | | 19,065,538 | 17,660,556 | 1,404,982 | 7.96% |
| Inventories FOR CALCULATION PURPOSES ONLY | | 692,937 | 640,835 | 52,102 | 8.13% |
| Cash & Short Term Investments FOR CALCULATION PURPOSES ONLY | | 2,762,930 | 2,011,583 | 751,347 | 37.35% |
| Long-Term Debt | | 623,451 | 681,462 | -58,011 | -8.51% |
| Long-Term Debt excl. Capitalized Leases | | 585,049 | 654,582 | -69,533 | -10.62% |
| Non-Convertible Debt | | 465,073 | 654,582 | -189,509 | -28.95% |
| Convertible Debt | | 119,976 | 0 | 119,976 | - |
| Capitalized Lease Obligations | | 38,402 | 26,880 | 11,522 | 42.86% |
| Provision for Risks & Charges | | 394,504 | 396,715 | -2,211 | -0.56% |
| Deferred Taxes | | 353,091 | 333,866 | 19,225 | 5.76% |
| Deferred Taxes - Credit | | 449,863 | 432,824 | 17,039 | 3.94% |
| Deferred Taxes - Debit | | 96,772 | 98,958 | -2,186 | -2.21% |
| Other Liabilities | | 8,320,812 | 7,780,336 | 540,476 | 6.95% |
| Deferred Tax Liability-Untaxed Reserves | | - | - | - | - |
| Other Liabilities (excl. Deferred Income) | | 8,320,812 | 7,780,336 | 540,476 | 6.95% |
| Deferred Income | | - | - | - | - |
| Total Liabilities | | 15,409,171 | 14,513,076 | 896,095 | 6.17% |
| Non-Equity Reserves | | - | - | - | - |
| Preferred Stock (Carrying Value) | | - | - | - | - |
| Redeemable Preferred Stock | | - | - | - | - |
| Non-Redeemable Preferred Stock | | - | - | - | - |
| Preferred Stock issues for ESOP | | - | - | - | - |
| ESOP Guarantees - Preferred Stock | | - | - | - | - |
| Common Equity (Total) | | 2,967,366 | 2,497,246 | 470,120 | 18.83% |
| Common Stock Par/Carry Value | | 865,678 | 860,645 | 5,033 | 0.58% |
| Additional Paid-In Capital/Capital Surplus | | 1,282,577 | 1,275,337 | 7,240 | 0.57% |
| Retained Earnings | | 1,440,387 | 984,368 | 456,019 | 46.33% |
| ESOP Debt Guarantee | | - | - | - | - |
| Cumulative Translation Adjustment/Unrealized For. Exch. Gain | | -445,251 | -436,610 | -8,641 | 1.98% |
| Unrealized Gain/Loss Marketable Securities | | 126,191 | 126,635 | -444 | -0.35% |
| Revaluation Reserves | | - | - | - | - |
| Other Appropriated Reserves | | -297,686 | -308,794 | 11,108 | -3.60% |
| Unappropriated Reserves | | - | - | - | - |
| Treasury Stock | | -4,530 | -4,335 | -195 | 4.50% |
| Total Shareholders' Equity | | 2,967,366 | 2,497,246 | 470,120 | 18.83% |
| Accumulated Minority Interest | | 689,001 | 650,234 | 38,767 | 5.96% |
| Total Equity | | 3,656,367 | 3,147,480 | 508,887 | 16.17% |
| Liabilities & Shareholders' Equity | | 19,065,538 | 17,660,556 | 1,404,982 | 7.96% |
|  | |  |  |  |  |
|  | |  |  |  |  |
|  | |  |  |  |  |
| **SONY CORPORATION** | | | | | |
| **Comparative Income Statement** | | | | | |
| **For the years 2017 and 2018** | | | | | |
|  | | | | | |
|  | | | | | |
|  | |  |  |  |  |
|  | | **2018** | **2017** | **Amount** | **%** |
| Sales/Revenue | | 8,549,369 | 7,630,677 | 918,692 | 12.04% |
| Cost of Goods Sold (COGS) incl. D&A | | 5,773,015 | 5,194,750 | 578,265 | 11.13% |
| COGS excluding D&A | | 5,052,297 | 4,570,197 | 482,100 | 10.55% |
| Depreciation & Amortization Expense | | 720,718 | 624,553 | 96,165 | 15.40% |
| Depreciation | | 237,994 | 169,284 | 68,710 | 40.59% |
| Amortization of Intangibles | | 123,450 | 121,634 | 1,816 | 1.49% |
| Amortization of Deferred Charges | | 359,274 | 333,635 | 25,639 | 7.68% |
| Gross Income | | 2,776,354 | 2,435,927 | 340,427 | 13.98% |
| SG&A Expense | | 2,019,310 | 1,893,197 | 126,113 | 6.66% |
| Research & Development | | 458,518 | 447,456 | 11,062 | 2.47% |
| Other SG&A | | 1,560,792 | 1,445,741 | 115,051 | 7.96% |
| Other Operating Expense | | - | - | - | - |
| EBIT | | 757,044 | 542,730 | 214,314 | 39.49% |
| Unusual Expense | | 64,472 | 255,117 | -190,645 | -74.73% |
| Non Operating Income/Expense | | -8,310 | -36,472 | 28,162 | -77.22% |
| Non-Operating Interest Income | | 19,784 | 11,459 | 8,325 | 72.65% |
| Equity in Affiliates (Pretax) | | 8,569 | 3,563 | 5,006 | 140.50% |
| Interest Expense | | 13,566 | 14,544 | -978 | -6.72% |
| Gross Interest Expense | | 13,566 | 14,544 | -978 | -6.72% |
| Interest Capitalized | | - | - | - | - |
| Pretax Income | | 699,049 | 251,619 | 447,430 | 177.82% |
| Income Tax | | 151,770 | 124,058 | 27,712 | 22.34% |
| Income Tax - Current Domestic | | 69,697 | 49,739 | 19,958 | 40.13% |
| Income Tax - Current Foreign | | 57,988 | 50,521 | 7,467 | 14.78% |
| Income Tax - Deferred Domestic | | 29,640 | 11,478 | 18,162 | 158.23% |
| Income Tax - Deferred Foreign | | -5,555 | 12,320 | -17,875 | -145.09% |
| Income Tax Credits | | - | - | - | - |
| Equity in Affiliates | | - | - | - | - |
| Other After Tax Income (Expense) | | - | - | - | - |
| Consolidated Net Income | | 547,279 | 127,561 | 419,718 | 329.03% |
| Minority Interest Expense | | 56,485 | 54,272 | 2,213 | 4.08% |
| Net Income | | 490,794 | 73,289 | 417,505 | 569.67% |
| Extraordinaries & Discontinued Operations | | - | - | - | - |
| Extra Items & Gain/Loss Sale Of Assets | | - | - | - | - |
| Cumulative Effect - Accounting Chg | | - | - | - | - |
| Discontinued Operations | | - | - | - | - |
| Net Income After Extraordinaries | | 490,794 | 73,289 | 417,505 | 569.67% |
| Preferred Dividends | | - | - | - | - |
| Net Income Available to Common | | 490,794 | 73,289 | 417,505 | 569.67% |
| EPS (Basic) | | 388.32 | 58.07 | 330 | 568.71% |
| Basic Shares Outstanding | | 1,264 | 1,262 | 2 | 0.16% |
| EPS (Diluted) | | 379.75 | 56.89 | 323 | 567.52% |
| Diluted Shares Outstanding | | 1,292 | 1,288 | 4 | 0.31% |
| EBITDA | | 1,477,762 | 1,167,283 | 310,479 | 26.60% |
| EBIT | | 757,044 | 542,730 | 214,314 | 39.49% |

1. **Vertical**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **SONY CORPORATION** | | | | | | |
| **Balance Sheet** | | | | | | |
| **For the years 2016, 2017, and 2018** | | | | | | |
|  | | | |  |  | |
| **Assets** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Fiscal year is April-March.** | **2016** | **%** | **2017** | **%** | **2018** | **%** |
| **All values JPY Millions.** |
| Net Income before Extraordinaries | - | - | - | - | - | - |
| Cash & Short Term Investments | 1,930,009 | 11.58% | 2,011,583 | 11.39% | 2,762,930 | 14.49% |
| Cash Only | 983,612 | 5.90% | 960,142 | 5.44% | 1,586,329 | 8.32% |
| Short-Term Investments | 946,397 | 5.68% | 1,051,441 | 5.95% | 1,176,601 | 6.17% |
| Total Accounts Receivable | 1,059,650 | 6.36% | 1,177,443 | 6.67% | 1,203,485 | 6.31% |
| Accounts Receivables, Net | 853,592 | 5.12% | 953,811 | 5.40% | 1,012,779 | 5.31% |
| Accounts Receivables, Gross | 926,375 | 5.56% | 1,006,961 | 5.70% | 1,061,442 | 5.57% |
| Bad Debt/Doubtful Accounts | -72,783 | -0.44% | -53,150 | -0.30% | -48,663 | -0.26% |
| Other Receivables | 206,058 | 1.24% | 223,632 | 1.27% | 190,706 | 1.00% |
| Inventories | 683,146 | 4.10% | 640,835 | 3.63% | 692,937 | 3.63% |
| Finished Goods | 448,273 | 2.69% | 399,850 | 2.26% | 422,461 | 2.22% |
| Work in Progress | 130,383 | 0.78% | 140,718 | 0.80% | 153,257 | 0.80% |
| Raw Materials | 104,490 | 0.63% | 100,267 | 0.57% | 117,219 | 0.61% |
| Progress Payments & Other | - | - | - | - | - | - |
| Other Current Assets | 523,922 | 3.14% | 525,861 | 2.98% | 516,744 | 2.71% |
| Prepaid Expenses | - | - | - | - | - | - |
| Miscellaneous Current Assets | 523,922 | 3.14% | 525,861 | 2.98% | 516,744 | 2.71% |
| Total Current Assets | 4,196,727 | 25.17% | 4,355,722 | 24.66% | 5,176,096 | 27.15% |
| Net Property, Plant & Equipment | 820,818 | 4.92% | 758,199 | 4.29% | 739,470 | 3.88% |
| Property, Plant & Equipment - Gross | 2,642,363 | 15.85% | 2,655,305 | 15.04% | 2,576,809 | 13.52% |
| Buildings | 655,379 | 3.93% | 666,381 | 3.77% | 655,434 | 3.44% |
| Land & Improvements | 121,707 | 0.73% | 117,293 | 0.66% | 84,358 | 0.44% |
| Machinery & Equipment | 1,795,991 | 10.77% | 1,842,852 | 10.43% | 1,798,722 | 9.43% |
| Construction in Progress | 69,286 | 0.42% | 28,779 | 0.16% | 38,295 | 0.20% |
| Leases | - | - | - | - | - | - |
| Computer Software and Equipment | - | - | - | - | - | - |
| Leased Property | - | - | - | - | - | - |
| Transportation Equipment | - | - | - | - | - | - |
| Other Property, Plant & Equipment | - | - | - | - | - | - |
| Accumulated Depreciation | 1,821,545 | 10.92% | 1,897,106 | 10.74% | 1,837,339 | 9.64% |
| Buildings | - | - | - | - | - | - |
| Land & Improvements | - | - | - | - | - | - |
| Machinery & Equipment | - | - | - | - | - | - |
| Construction in Progress | - | - | - | - | - | - |
| Leases | - | - | - | - | - | - |
| Computer Software and Equipment | - | - | - | - | - | - |
| Leased Property | - | - | - | - | - | - |
| Transportation Equipment | - | - | - | - | - | - |
| Other Property, Plant & Equipment | - | - | - | - | - | - |
| Total Investments and Advances | 9,234,083 | 55.38% | 10,111,793 | 57.26% | 10,756,058 | 56.42% |
| LT Investment - Affiliate Companies | 164,874 | 0.99% | 149,371 | 0.85% | 157,389 | 0.83% |
| Other Long-Term Investments | 9,069,209 | 54.39% | 9,962,422 | 56.41% | 10,598,669 | 55.59% |
| Long-Term Note Receivable | - | 110.76% | - | - | - | - |
| Intangible Assets | 1,222,044 | 7.33% | 1,106,723 | 6.27% | 1,057,660 | 5.55% |
| Net Goodwill | 606,290 | 3.64% | 522,538 | 2.96% | 530,492 | 2.78% |
| Net Other Intangibles | 615,754 | 3.69% | 584,185 | 3.31% | 527,168 | 2.77% |
| Other Assets | 1,102,079 | 6.61% | 1,229,161 | 6.96% | 1,239,482 | 6.50% |
| Deferred Charges | 813,062 | 4.88% | 905,765 | 5.13% | 914,315 | 4.80% |
| Tangible Other Assets | 289,017 | 1.73% | 323,396 | 1.83% | 325,167 | 1.71% |
| Total Assets | 16,673,390 | 100.00% | 17,660,556 | 100.00% | 19,065,538 | 100.00% |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Liabilities & Shareholders' Equity** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **All values JPY Millions.** | **2016** | **%** | **2017** | **%** | **2018** | **%** |
| ST Debt & Current Portion LT Debt | 336,940 | 2.02% | 518,079 | 2.93% | 721,615 | 3.78% |
| Short Term Debt | 149,272 | 0.90% | 464,655 | 2.63% | 496,093 | 2.60% |
| Current Portion of Long Term Debt | 187,668 | 1.13% | 53,424 | 0.30% | 225,522 | 1.18% |
| Accounts Payable | 550,964 | 3.30% | 539,900 | 3.06% | 468,550 | 2.46% |
| Income Tax Payable | 94,195 | 0.56% | 106,037 | 0.60% | 145,905 | 0.77% |
| Other Current Liabilities | 3,848,651 | 23.08% | 4,057,723 | 22.98% | 4,284,471 | 22.47% |
| Dividends Payable | - | - | - | - | - | - |
| Accrued Payroll | - | - | - | - | - | - |
| Miscellaneous Current Liabilities | 3,848,651 | 23.08% | 4,057,723 | 22.98% | 4,284,471 | 22.47% |
| Total Current Liabilities | 4,830,750 | 28.97% | 5,221,739 | 29.57% | 5,620,541 | 29.48% |
| Total Current Assets FOR CALCULATION PURPOSES ONLY | 4,196,727 | 25.17% | 4,355,722 | 24.66% | 5,176,096 | 27.15% |
| Total Assets FOR CALCULATION PURPOSES ONLY | 16,673,390 | 100.00% | 17,660,556 | 100.00% | 19,065,538 | 100.00% |
| Inventories FOR CALCULATION PURPOSES ONLY | 683,146 | 4.10% | 640,835 | 3.63% | 692,937 | 3.63% |
| Cash & Short Term Investments FOR CALCULATION PURPOSES ONLY | 1,930,009 | 11.58% | 2,011,583 | 11.39% | 2,762,930 | 14.49% |
| Long-Term Debt | 556,605 | 3.34% | 681,462 | 3.86% | 623,451 | 3.27% |
| Long-Term Debt excl. Capitalized Leases | 526,595 | 3.16% | 654,582 | 3.71% | 585,049 | 3.07% |
| Non-Convertible Debt | 406,595 | 2.44% | 654,582 | 3.71% | 465,073 | 2.44% |
| Convertible Debt | 120,000 | 0.72% | - | - | 119,976 | 0.63% |
| Capitalized Lease Obligations | 30,010 | 0.18% | 26,880 | 0.15% | 38,402 | 0.20% |
| Provision for Risks & Charges | 462,384 | 2.77% | 396,715 | 2.25% | 394,504 | 2.07% |
| Deferred Taxes | 353,287 | 2.12% | 333,866 | 1.89% | 353,091 | 1.85% |
| Deferred Taxes - Credit | 450,926 | 2.70% | 432,824 | 2.45% | 449,863 | 2.36% |
| Deferred Taxes - Debit | 97,639 | 0.59% | 98,958 | 0.56% | 96,772 | 0.51% |
| Other Liabilities | 7,240,837 | 43.43% | 7,780,336 | 44.05% | 8,320,812 | 43.64% |
| Deferred Tax Liability-Untaxed Reserves | - | - | - | - | - | - |
| Other Liabilities (excl. Deferred Income) | 7,240,837 | 43.43% | 7,780,336 | 44.05% | 8,320,812 | 43.64% |
| Deferred Income | - | - | - | - | - | - |
| Total Liabilities | 13,541,502 | 81.22% | 14,513,076 | 82.18% | 15,409,171 | 80.82% |
| Non-Equity Reserves | - | - | - | - | - | - |
| Preferred Stock (Carrying Value) | - | - | - | - | - | - |
| Redeemable Preferred Stock | - | - | - | - | - | - |
| Non-Redeemable Preferred Stock | - | - | - | - | - | - |
| Preferred Stock issues for ESOP | - | - | - | - | - | - |
| ESOP Guarantees - Preferred Stock | - | - | - | - | - | - |
| Common Equity (Total) | 2,463,340 | 14.77% | 2,497,246 | 14.14% | 2,967,366 | 15.56% |
| Common Stock Par/Carry Value | 858,867 | 5.15% | 860,645 | 4.87% | 865,678 | 4.54% |
| Additional Paid-In Capital/Capital Surplus | 1,325,719 | 7.95% | 1,275,337 | 7.22% | 1,282,577 | 6.73% |
| Retained Earnings | 936,331 | 5.62% | 984,368 | 5.57% | 1,440,387 | 7.55% |
| ESOP Debt Guarantee | - | - | - | - | - | - |
| Cumulative Translation Adjustment/Unrealized For. Exch. Gain | -421,117 | -2.53% | -436,610 | -2.47% | -445,251 | -2.34% |
| Unrealized Gain/Loss Marketable Securities | 140,736 | 0.84% | 126,635 | 0.72% | 126,191 | 0.66% |
| Revaluation Reserves | - | - | - | - | - | - |
| Other Appropriated Reserves | -372,937 | -2.24% | -308,794 | -1.75% | -297,686 | -1.56% |
| Unappropriated Reserves | - | - | - | - | - | - |
| Treasury Stock | -4,259 | -0.03% | -4,335 | -0.02% | -4,530 | -0.02% |
| Total Shareholders' Equity | 2,463,340 | 14.77% | 2,497,246 | 14.14% | 2,967,366 | 15.56% |
| Accumulated Minority Interest | 668,548 | 4.01% | 650,234 | 3.68% | 689,001 | 3.61% |
| Total Equity | 3,131,888 | 18.78% | 3,147,480 | 17.82% | 3,656,367 | 19.18% |
| Liabilities & Shareholders' Equity | 16,673,390 | 100.00% | 17,660,556 | 100.00% | 19,065,538 | 100.00% |
|  |  |  |  |  |  |  |
| **SONY CORPORATION** | | | | | | |
| **Income Statement** | | | | | | |
| **For the years 2016, 2017, and 2018** | | | | | | |
|  | | | |  |  | |
|  |  |  |  |  |  | |
|  | **2016** | **%** | **2017** | **%** | **2018** | **%** |
| Sales/Revenue | 8,134,385 | 100.00% | 7,630,677 | 100.00% | 8,549,369 | 100.00% |
| Cost of Goods Sold (COGS) incl. D&A | 5,603,365 | 68.88% | 5,194,750 | 68.08% | 5,773,015 | 67.53% |
| COGS excluding D&A | 4,906,687 | 60.32% | 4,570,197 | 59.89% | 5,052,297 | 59.10% |
| Depreciation & Amortization Expense | 696,678 | 8.56% | 624,553 | 8.18% | 720,718 | 8.43% |
| Depreciation | 179,272 | 2.20% | 169,284 | 2.22% | 237,994 | 2.78% |
| Amortization of Intangibles | 125,616 | 1.54% | 121,634 | 1.59% | 123,450 | 1.44% |
| Amortization of Deferred Charges | 391,790 | 4.82% | 333,635 | 4.37% | 359,274 | 4.20% |
| Gross Income | 2,531,020 | 31.12% | 2,435,927 | 31.92% | 2,776,354 | 32.47% |
| SG&A Expense | 2,121,854 | 26.08% | 1,893,197 | 24.81% | 2,019,310 | 23.62% |
| Research & Development | 468,183 | 5.76% | 447,456 | 5.86% | 458,518 | 5.36% |
| Other SG&A | 1,653,671 | 20.33% | 1,445,741 | 18.95% | 1,560,792 | 18.26% |
| Other Operating Expense | - | - | - | - | - | - |
| EBIT | 409,166 | 5.03% | 542,730 | 7.11% | 757,044 | 8.85% |
| Unusual Expense | 180,387 | 2.22% | 255,117 | 3.34% | 64,472 | 0.75% |
| Non Operating Income/Expense | 86,318 | 1.06% | -36,472 | -0.48% | -8,310 | -0.10% |
| Non-Operating Interest Income | 12,455 | 0.15% | 11,459 | 0.15% | 19,784 | 0.23% |
| Equity in Affiliates (Pretax) | 2,238 | 0.03% | 3,563 | 0.05% | 8,569 | 0.10% |
| Interest Expense | 25,286 | 0.31% | 14,544 | 0.19% | 13,566 | 0.16% |
| Gross Interest Expense | 25,286 | 0.31% | 14,544 | 0.19% | 13,566 | 0.16% |
| Interest Capitalized | - | - | - | - | - | - |
| Pretax Income | 304,504 | 3.74% | 251,619 | 3.30% | 699,049 | 8.18% |
| Income Tax | 94,789 | 1.17% | 124,058 | 1.63% | 151,770 | 1.78% |
| Income Tax - Current Domestic | 41,080 | 0.51% | 49,739 | 0.65% | 69,697 | 0.82% |
| Income Tax - Current Foreign | 53,498 | 0.66% | 50,521 | 0.66% | 57,988 | 0.68% |
| Income Tax - Deferred Domestic | -1,745 | -0.02% | 11,478 | 0.15% | 29,640 | 0.35% |
| Income Tax - Deferred Foreign | 1,956 | 0.02% | 12,320 | 0.16% | -5,555 | -0.06% |
| Income Tax Credits | - | - | - | - | - | - |
| Equity in Affiliates | - | - | - | - | - | - |
| Other After Tax Income (Expense) | - | - | - | - | - | - |
| Consolidated Net Income | 209,715 | 2.58% | 127,561 | 1.67% | 547,279 | 6.40% |
| Minority Interest Expense | 61,924 | 0.76% | 54,272 | 0.71% | 56,485 | 0.66% |
| Net Income | 147,791 | 1.82% | 73,289 | 0.96% | 490,794 | 5.74% |
| Extraordinaries & Discontinued Operations | - | - | - | - | - | - |
| Extra Items & Gain/Loss Sale Of Assets | - | - | - | - | - | - |
| Cumulative Effect - Accounting Chg | - | - | - | - | - | - |
| Discontinued Operations | - | - | - | - | - | - |
| Net Income After Extraordinaries | 147,791 | 1.82% | 73,289 | 0.96% | 490,794 | 5.74% |
| Preferred Dividends | - | - | - | - | - | - |
| Net Income Available to Common | 147,791 | 1.82% | 73,289 | 0.96% | 490,794 | 5.74% |
| EPS (Basic) | 119.4 | 0.00% | 58.07 | 0.00% | 388.32 | 0.00% |
| Basic Shares Outstanding | 1,238 | 0.02% | 1,262 | 0.02% | 1,264 | 0.01% |
| EPS (Diluted) | 117.49 | 0.00% | 56.89 | 0.00% | 379.75 | 0.00% |
| Diluted Shares Outstanding | 1,258 | 0.02% | 1,288 | 0.02% | 1,292 | 0.02% |
| EBITDA | 1,105,844 | 13.59% | 1,167,283 | 15.30% | 1,477,762 | 17.29% |
| EBIT | 409,166 | 5.03% | 542,730 | 7.11% | 757,044 | 8.85% |

1. **Financial Ratios**

**1. Liquidity**

**Current Ratio**

|  |  |
| --- | --- |
| 2016 | 4,196,727/4,830,750 = **0.8687 or 0.87** |
| 2017 | 4,355,722/5,221,739 = **0.8342 or 0.83** |
| 2018 | 5,176,096/5,620,541 = **0.9209 or 0.92** |

**Quick Ratio**

|  |  |
| --- | --- |
| 2016 | 1,930,009+853,592/4,830,750 = **0.5762 or 0.58** |
| 2017 | 2,011,583+953,811/5,221,739 = **0.5679 or 0.57** |
| 2018 | 2,762,930+1,012,779/5,620,541 = **0.6718 or 0.68** |

**Receivable Turnover**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 7,630,677/903,701.5 = **8.4438 or 8.44 times** |
| 2018 | 8,549,369/983,295 = **8.6946 or 8.69 times** |

**Average Collection Period**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 360/8.44 = **42.654 or 42.65 days** |
| 2018 | 360/8.69 = **41.4269 or 41.43 days** |

**Inventory Turnover**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 5,194,750/661,990.5 =**7.8472 or 7.8 times** |
| 2018 | 5,773,015/666,886 =**8.6567 or 8.7 times** |

**Average Sales Period**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 360/7.85= **45.8598 or 45.9 days** |
| 2018 | 360/8.66 = **41.5704 or 41.6 days** |

**Working Capital**

|  |  |
| --- | --- |
| 2016 | 4,196,727-4,830,750 = **-P 634,023** |
| 2017 | 4,355,722-5,221,739 = **-P 866,017** |
| 2018 | 5,176,096-5,620,541 = **-P 444,445** |

**2. Solvency**

**Debt Ratio**

|  |  |
| --- | --- |
| 2016 | 13,541,502/16,673,390 = **0.8122 or 81.22%** |
| 2017 | 14,513,076/17,660,556 = **0.8218 or 82.18%** |
| 2018 | 15,409,171/19,065,538 = **0.8082 or 80.82%** |

**Equity Ratio**

|  |  |
| --- | --- |
| 2016 | 3,131,888/16,673,390 **= 0.1878 or 18.78%** |
| 2017 | 3,147,480/17,660,556 **= 0.1782 or 17.82%** |
| 2018 | 3,656,367/19,065,538 **= 0.1918 or 19.18%** |

**Debt to Equity Ratio**

|  |  |
| --- | --- |
| 2016 | 13,541,502/3,131,888 **= 4.3237 or 4.32** |
| 2017 | 14,513,076/3,147,480 **= 4.6110 or 4.61** |
| 2018 | 15,409,171/3,656,367 **= 4.2143 or 4.21** |

**Times Interest Earned**

|  |  |
| --- | --- |
| 2016 | 2,531,020/25,286 **= 100.0957 or 100.10** |
| 2017 | 2,435,927/14,544 **= 167.4867 or 167.49** |
| 2018 | 2,776,354/13,566 **= 204.6553 or 204.66** |

**3. Profitability**

**Gross Profit Ratio**

|  |  |
| --- | --- |
| 2016 | 2,531,020/8,134,385 **= 0.3111 or 31.12%** |
| 2017 | 2,435,927/7,630,677 **= 0.3192 or 31.92%** |
| 2018 | 2,775,354/8,549,369 **= 0.3247 or 32.47%** |

**Operating Profit Margin**

|  |  |
| --- | --- |
| 2016 | 409,166/8,134,385 **= 0.0503 or 5.03%** |
| 2017 | 542,730/7,630,677 **= 0.0711 or 7.11%** |
| 2018 | 757,044/8,549,369 **= 0.0885 or 8.85%** |

**Net Profit Margin**

|  |  |
| --- | --- |
| 2016 | 147,791/8,134,385 **= 0.0181 or 1.82%** |
| 2017 | 73,289/7,630,677 **= 0.0096 or 0.96%** |
| 2018 | 490,794/8,549,369 **= 0.0574 or 5.74%** |

**Return on Assets**

|  |  |
| --- | --- |
| 2017 | 73,289/25,503,668 **= 0.0028 or 0.29%** |
| 2018 | 490,794/13,566 **= 0.0180 or 0.02 / 1.80%** |

**B. Panasonic Corporation**

1. **Horizontal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PANASONIC CORPORATION** | | | | |
| **Comparative Balance Sheet** | | | | |
| **For the years 2016 and 2017** | | | | |
|  | | | | |
| **Assets** |  |  |  |  |
|  |  |  |  |  |
| **Fiscal year is April-March.** | **2017** | **2016** | **Amount** | **%** |
| **All values JPY Millions.** |
| Net Income before Extraordinaries | - | - | - | - |
| Cash & Short Term Investments | 1,270,787 | 1,012,666 | 258,121 | 25.49% |
| Cash Only | 1,270,787 | 1,012,666 | 258,121 | 25.49% |
| Short-Term Investments | - | - | - | - |
| Total Accounts Receivable | 847,003 | 835,456 | 11,547 | 1.38% |
| Accounts Receivables, Net | 847,003 | 835,456 | 11,547 | 1.38% |
| Accounts Receivables, Gross | 867,639 | 857,657 | 9,982 | 1.16% |
| Bad Debt/Doubtful Accounts | -20,636 | -22,201 | 1,565 | -7.05% |
| Other Receivables | - | - | - | - |
| Inventories | 806,309 | 769,650 | 36,659 | 4.76% |
| Finished Goods | 492,521 | 475,427 | 17,094 | 3.60% |
| Work in Progress | 115,665 | 119,921 | -4,256 | -3.55% |
| Raw Materials | 198,123 | 174,302 | 23,821 | 13.67% |
| Progress Payments & Other | - | - | - | - |
| Other Current Assets | 280,720 | 275,990 | 4,730 | 1.71% |
| Prepaid Expenses | - | - | - | - |
| Miscellaneous Current Assets | 280,720 | 275,990 | 4,730 | 1.71% |
| Total Current Assets | 3,204,819 | 2,893,762 | 311,057 | 10.75% |
| Net Property, Plant & Equipment | 1,323,282 | 1,288,234 | 35,048 | 2.72% |
| Property, Plant & Equipment - Gross | 5,172,437 | 5,162,183 | 10,254 | 0.20% |
| Buildings | 1,525,408 | 1,544,718 | -19,310 | -1.25% |
| Land & Improvements | 236,041 | 257,833 | -21,792 | -8.45% |
| Machinery & Equipment | 2,354,091 | 2,354,686 | -595 | -0.03% |
| Construction in Progress | 147,574 | 77,202 | 70,372 | 91.15% |
| Leases | - | - | - | - |
| Computer Software and Equipment | - | - | - | - |
| Leased Property | - | - | - | - |
| Transportation Equipment | - | - | - | - |
| Other Property, Plant & Equipment | 909,323 | 927,744 | -18,421 | -1.99% |
| Accumulated Depreciation | 3,849,155 | 3,873,949 | -24,794 | -0.64% |
| Buildings | 1,054,050 | 1,052,450 | 1,600 | 0.15% |
| Land & Improvements | 35,324 | 34,364 | 960 | 2.79% |
| Machinery & Equipment | 1,957,613 | 1,964,475 | -6,862 | -0.35% |
| Construction in Progress | 1,228 | 1,200 | 28 | 2.33% |
| Leases | - | - | - | - |
| Computer Software and Equipment | - | - | - | - |
| Leased Property | - | - | - | - |
| Transportation Equipment | - | - | - | - |
| Other Property, Plant & Equipment | 800,940 | 821,460 | -20,520 | -2.50% |
| Total Investments and Advances | 155,987 | 160,667 | -4,680 | -2.91% |
| LT Investment - Affiliate Companies | 136,845 | 139,628 | -2,783 | -1.99% |
| Other Long-Term Investments | 19,142 | 21,039 | -1,897 | -9.02% |
| Long-Term Note Receivable | - | - | - | - |
| Intangible Assets | 665,132 | 474,149 | 190,983 | 40.28% |
| Net Goodwill | 386,887 | 295,574 | 91,313 | 30.89% |
| Net Other Intangibles | 278,245 | 178,575 | 99,670 | 55.81% |
| Other Assets | 226,021 | 217,008 | 9,013 | 4.15% |
| Deferred Charges | - | - | - | - |
| Tangible Other Assets | 226,021 | 217,008 | 9,013 | 4.15% |
| Total Assets | 5,982,961 | 5,488,024 | 494,937 | 9.02% |
|  |  |  |  |  |
| **Liabilities & Shareholders' Equity** |  |  |  |  |
|  |  |  |  |  |
| **All values JPY Millions.** | **2017** | **2016** | **Amount** | **%** |
| ST Debt & Current Portion LT Debt | 177,038 | 21,728 | 155,310 | 714.79% |
| Short Term Debt | 16,454 | 12,277 | 4,177 | 34.02% |
| Current Portion of Long Term Debt | 160,584 | 9,451 | 151,133 | 1599.12% |
| Accounts Payable | 955,965 | 894,927 | 61,038 | 6.82% |
| Income Tax Payable | 66,785 | 70,779 | -3,994 | -5.64% |
| Other Current Liabilities | 1,512,275 | 1,495,906 | 16,369 | 1.09% |
| Dividends Payable | - | - | - | - |
| Accrued Payroll | - | - | - | - |
| Miscellaneous Current Liabilities | 1,512,275 | 1,495,906 | 16,369 | 1.09% |
| Total Current Liabilities | 2,712,063 | 2,483,340 | 228,723 | 9.21% |
| Total Current Assets FOR CALCULATION PURPOSES ONLY | 3,204,819 | 2,893,762 | 311,057 | 10.75% |
| Total Assets FOR CALCULATION PURPOSES ONLY | 5,982,961 | 5,488,024 | 494,937 | 9.02% |
| Inventories FOR CALCULATION PURPOSES ONLY | 806,309 | 769,650 | 36,659 | 4.76% |
| Cash & Short Term Investments FOR CALCULATION PURPOSES ONLY | 1,270,787 | 1,012,666 | 258,121 | 25.49% |
| Long-Term Debt | 946,966 | 703,113 | 243,853 | 34.68% |
| Long-Term Debt excl. Capitalized Leases | 928,615 | 679,213 | 249,402 | 36.72% |
| Non-Convertible Debt | 928,615 | 679,213 | 249,402 | 36.72% |
| Convertible Debt | - | - | - | - |
| Capitalized Lease Obligations | 18,351 | 23,900 | -5,549 | -23.22% |
| Provision for Risks & Charges | 485,428 | 593,670 | -108,242 | -18.23% |
| Deferred Taxes | -345,189 | -409,702 | 64,513 | -15.75% |
| Deferred Taxes - Credit | 62,531 | 44,502 | 18,029 | 40.51% |
| Deferred Taxes - Debit | 407,720 | 454,204 | -46,484 | -10.23% |
| Other Liabilities | 16,038 | 16,166 | -128 | -0.79% |
| Deferred Tax Liability-Untaxed Reserves | - | - | - | - |
| Other Liabilities (excl. Deferred Income) | 16,038 | 16,166 | -128 | -0.79% |
| Deferred Income | - | - | - | - |
| Total Liabilities | 4,223,026 | 3,840,791 | 382,235 | 9.95% |
| Non-Equity Reserves | - | - | - | - |
| Preferred Stock (Carrying Value) | - | - | - | - |
| Redeemable Preferred Stock | - | - | - | - |
| Non-Redeemable Preferred Stock | - | - | - | - |
| Preferred Stock issues for ESOP | - | - | - | - |
| ESOP Guarantees - Preferred Stock | - | - | - | - |
| Common Equity (Total) | 1,571,889 | 1,444,442 | 127,447 | 8.82% |
| Common Stock Par/Carry Value | 258,740 | 258,740 | 0 | 0.00% |
| Additional Paid-In Capital/Capital Surplus | 636,905 | 645,949 | -9,044 | -1.40% |
| Retained Earnings | 1,051,445 | 878,208 | 173,237 | 19.73% |
| ESOP Debt Guarantee | - | - | - | - |
| Cumulative Translation Adjustment/Unrealized For. Exch. Gain | -203,106 | -149,473 | -53,633 | 35.88% |
| Unrealized Gain/Loss Marketable Securities | 38,716 | 42,726 | -4,010 | -9.39% |
| Revaluation Reserves | - | - | - | - |
| Other Appropriated Reserves | -242 | -1,175 | 933 | -79.40% |
| Unappropriated Reserves | - | - | - | - |
| Treasury Stock | -210,569 | -230,533 | 19,964 | -8.66% |
| Total Shareholders' Equity | 1,571,889 | 1,444,442 | 127,447 | 8.82% |
| Accumulated Minority Interest | 188,046 | 202,791 | -14,745 | -7.27% |
| Total Equity | 1,759,935 | 1,647,233 | 112,702 | 6.84% |
| Liabilities & Shareholders' Equity | 5,982,961 | 5,488,024 | 494,937 | 9.02% |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | | | | |
|  |  |  |  |  |
| **Fiscal year is April-March.** | **2017** | **2016** | **Amount** | **%** |
| **All values JPY Millions.** |
| Sales/Revenue | 7,343,707 | 7,626,306 | -282,599 | -3.71% |
| Cost of Goods Sold (COGS) incl. D&A | 5,239,612 | 5,452,385 | -212,773 | -3.90% |
| COGS excluding D&A | 4,969,614 | 5,174,669 | -205,055 | -3.96% |
| Depreciation & Amortization Expense | 269,998 | 277,716 | -7,718 | -2.78% |
| Depreciation | 224,405 | 238,214 | -13,809 | -5.80% |
| Amortization of Intangibles | 45,593 | 39,502 | 6,091 | 15.42% |
| Amortization of Deferred Charges | - | - | - | - |
| Gross Income | 2,104,095 | 2,173,921 | -69,826 | -3.21% |
| SG&A Expense | 1,760,479 | 1,760,675 | -196 | -0.01% |
| Research & Development | 436,130 | 438,851 | -2,721 | -0.62% |
| Other SG&A | 1,324,349 | 1,321,824 | 2,525 | 0.19% |
| Other Operating Expense | - | - | - | - |
| EBIT | 343,616 | - | - | - |
| Unusual Expense | 67,071 | 139,557 | -72,486 | -51.94% |
| Non Operating Income/Expense | -3,263 | -48,626 | 45,363 | -93.29% |
| Non-Operating Interest Income | 16,956 | 20,409 | -3,453 | -16.92% |
| Equity in Affiliates (Pretax) | - | - | - | - |
| Interest Expense | 23,550 | 26,388 | -2,838 | -10.75% |
| Gross Interest Expense | 23,550 | 26,388 | -2,838 | -10.75% |
| Interest Capitalized | - | - | - | - |
| Pretax Income | 266,688 | 219,084 | 47,604 | 21.73% |
| Income Tax | 102,624 | 36,296 | 66,328 | 182.74% |
| Income Tax - Current Domestic | 101,238 | 116,657 | -15,419 | -13.22% |
| Income Tax - Current Foreign | - | - | - | - |
| Income Tax - Deferred Domestic | 1,386 | -80,361 | 81,747 | -101.72% |
| Income Tax - Deferred Foreign | - | - | - | - |
| Income Tax Credits | - | - | - | - |
| Equity in Affiliates | 8,378 | 8,445 | -67 | -0.79% |
| Other After Tax Income (Expense) | - | - | - | - |
| Consolidated Net Income | 172,442 | 191,233 | -18,791 | -9.83% |
| Minority Interest Expense | 23,082 | 26,021 | -2,939 | -11.29% |
| Net Income | 149,360 | 165,212 | -15,852 | -9.59% |
| Extraordinaries & Discontinued Operations | - | - | - | - |
| Extra Items & Gain/Loss Sale Of Assets | - | - | - | - |
| Cumulative Effect - Accounting Chg | - | - | - | - |
| Discontinued Operations | - | - | - | - |
| Net Income After Extraordinaries | 149,360 | 165,212 | -15,852 | -9.59% |
| Preferred Dividends | - | - | - | - |
| Net Income Available to Common | 149,360 | 165,212 | -15,852 | -9.59% |
| EPS (Basic) | 64.33 | 71.3 | -7 | -9.78% |
| Basic Shares Outstanding | 2,322 | 2,317 | 5 | 0.22% |
| EPS (Diluted) | 64.31 | 71.29 | -7 | -9.79% |
| Diluted Shares Outstanding | 2,323 | 2,318 | 5 | 0.22% |
| EBITDA | 613,614 | 690,962 | -77,348 | -11.19% |
| EBIT | 343,616 | - | - | 0..00% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PANASONIC CORPORATION** | | | | |
| **Comparative Balance Sheet** | | | | |
| **For the years 2017 and 2018** | | | | |
|  | | | | |
| **Assets** |  |  |  |  |
|  |  |  |  |  |
| **Fiscal year is April-March.** | **2018** | **2017** | **Amount** | **%** |
| **All values JPY Millions.** |
| Net Income before Extraordinaries | - | - | - | - |
| Cash & Short Term Investments | 1,089,585 | 1,270,787 | -181,202 | -14.26% |
| Cash Only | 1,089,585 | 1,270,787 | -181,202 | -14.26% |
| Short-Term Investments | - | - | - | - |
| Total Accounts Receivable | 1,038,984 | 847,003 | 191,981 | 22.67% |
| Accounts Receivables, Net | 1,038,984 | 847,003 | 191,981 | 22.67% |
| Accounts Receivables, Gross | 1,057,590 | 867,639 | 189,951 | 21.89% |
| Bad Debt/Doubtful Accounts | -18,606 | -20,636 | 2,030 | -9.84% |
| Other Receivables | - | - | - | - |
| Inventories | 988,609 | 806,309 | 182,300 | 22.61% |
| Finished Goods | 606,417 | 492,521 | 113,896 | 23.13% |
| Work in Progress | 141,381 | 115,665 | 25,716 | 22.23% |
| Raw Materials | 240,811 | 198,123 | 42,688 | 21.55% |
| Progress Payments & Other | - | - | - | - |
| Other Current Assets | 368,780 | 280,720 | 88,060 | 31.37% |
| Prepaid Expenses | - | - | - | - |
| Miscellaneous Current Assets | 368,780 | 280,720 | 88,060 | 31.37% |
| Total Current Assets | 3,485,958 | 3,204,819 | 281,139 | 8.77% |
| Net Property, Plant & Equipment | 1,374,066 | 1,323,282 | 50,784 | 3.84% |
| Property, Plant & Equipment - Gross | 5,320,752 | 5,172,437 | 148,315 | 2.87% |
| Buildings | 1,547,677 | 1,525,408 | 22,269 | 1.46% |
| Land & Improvements | 251,063 | 236,041 | 15,022 | 6.36% |
| Machinery & Equipment | 2,415,561 | 2,354,091 | 61,470 | 2.61% |
| Construction in Progress | 174,129 | 147,574 | 26,555 | 17.99% |
| Leases | - | - | - | - |
| Computer Software and Equipment | - | - | - | - |
| Leased Property | - | - | - | - |
| Transportation Equipment | - | - | - | - |
| Other Property, Plant & Equipment | 932,322 | 909,323 | 22,999 | 2.53% |
| Accumulated Depreciation | 3,946,686 | 3,849,155 | 97,531 | 2.53% |
| Buildings | 1,087,628 | 1,054,050 | 33,578 | 3.19% |
| Land & Improvements | 33,065 | 35,324 | -2,259 | -6.40% |
| Machinery & Equipment | 2,012,871 | 1,957,613 | 55,258 | 2.82% |
| Construction in Progress | 1,647 | 1,228 | 419 | 34.12% |
| Leases | - | - | - | - |
| Computer Software and Equipment | - | - | - | - |
| Leased Property | - | - | - | - |
| Transportation Equipment | - | - | - | - |
| Other Property, Plant & Equipment | 811,475 | 800,940 | 10,535 | 1.32% |
| Total Investments and Advances | 147,959 | 155,987 | -8,028 | -5.15% |
| LT Investment - Affiliate Companies | 147,959 | 136,845 | 11,114 | 8.12% |
| Other Long-Term Investments | - | 19,142 | - | - |
| Long-Term Note Receivable | - | - | - | - |
| Intangible Assets | 738,251 | 665,132 | 73,119 | 10.99% |
| Net Goodwill | 408,303 | 386,887 | 21,416 | 5.54% |
| Net Other Intangibles | 329,948 | 278,245 | 51,703 | 18.58% |
| Other Assets | 219,659 | 226,021 | -6,362 | -2.81% |
| Deferred Charges | - | - | - | - |
| Tangible Other Assets | 219,659 | 226,021 | -6,362 | -2.81% |
| Total Assets | 6,291,148 | 5,982,961 | 308,187 | 5.15% |
|  |  |  |  |  |
| **Liabilities & Shareholders' Equity** |  |  |  |  |
|  |  |  |  |  |
| **All values JPY Millions.** | **2018** | **2017** | **Amount** | **%** |
| ST Debt & Current Portion LT Debt | 375,392 | 177,038 | 198,354 | 112.04% |
| Short Term Debt | 259,315 | 16,454 | 242,861 | 1476.00% |
| Current Portion of Long Term Debt | 116,077 | 160,584 | -44,507 | -27.72% |
| Accounts Payable | 1,146,476 | 955,965 | 190,511 | 19.93% |
| Income Tax Payable | 77,380 | 66,785 | 10,595 | 15.86% |
| Other Current Liabilities | 1,498,687 | 1,512,275 | -13,588 | -0.90% |
| Dividends Payable | - | - | - | - |
| Accrued Payroll | - | - | - | - |
| Miscellaneous Current Liabilities | 1,498,687 | 1,512,275 | -13,588 | -0.90% |
| Total Current Liabilities | 3,097,935 | 2,712,063 | 385,872 | 14.23% |
| Total Current Assets FOR CALCULATION PURPOSES ONLY | 3,485,958 | 3,204,819 | 281,139 | 8.77% |
| Total Assets FOR CALCULATION PURPOSES ONLY | 6,291,148 | 5,982,961 | 308,187 | 5.15% |
| Inventories FOR CALCULATION PURPOSES ONLY | 988,609 | 806,309 | 182,300 | 22.61% |
| Cash & Short Term Investments FOR CALCULATION PURPOSES ONLY | 1,089,585 | 1,270,787 | -181,202 | -14.26% |
| Long-Term Debt | 864,052 | 946,966 | -82,914 | -8.76% |
| Long-Term Debt excl. Capitalized Leases | 852,578 | 928,615 | -76,037 | -8.19% |
| Non-Convertible Debt | 852,578 | 928,615 | -76,037 | -8.19% |
| Convertible Debt | - | - | - | - |
| Capitalized Lease Obligations | 11,474 | 18,351 | -6,877 | -37.47% |
| Provision for Risks & Charges | 360,090 | 485,428 | -125,338 | -25.82% |
| Deferred Taxes | -268,808 | -345,189 | 76,381 | -22.13% |
| Deferred Taxes - Credit | 56,447 | 62,531 | -6,084 | -9.73% |
| Deferred Taxes - Debit | 325,255 | 407,720 | -82,465 | -20.23% |
| Other Liabilities | 30,339 | 16,038 | 14,301 | 89.17% |
| Deferred Tax Liability-Untaxed Reserves | - | - | - | - |
| Other Liabilities (excl. Deferred Income) | 30,339 | 16,038 | 14,301 | 89.17% |
| Deferred Income | - | - | - | - |
| Total Liabilities | 4,408,863 | 4,223,026 | 185,837 | 4.40% |
| Non-Equity Reserves | - | - | - | - |
| Preferred Stock (Carrying Value) | - | - | - | - |
| Redeemable Preferred Stock | - | - | - | - |
| Non-Redeemable Preferred Stock | - | - | - | - |
| Preferred Stock issues for ESOP | - | - | - | - |
| ESOP Guarantees - Preferred Stock | - | - | - | - |
| Common Equity (Total) | 1,707,551 | 1,571,889 | 135,662 | 8.63% |
| Common Stock Par/Carry Value | 258,740 | 258,740 | 0 | 0.00% |
| Additional Paid-In Capital/Capital Surplus | 527,408 | 636,905 | -109,497 | -17.19% |
| Retained Earnings | 1,300,336 | 1,051,445 | 248,891 | 23.67% |
| ESOP Debt Guarantee | - | - | - | - |
| Cumulative Translation Adjustment/Unrealized For. Exch. Gain | -216,355 | -203,106 | -13,249 | 6.52% |
| Unrealized Gain/Loss Marketable Securities | 47,279 | 38,716 | 8,563 | 22.12% |
| Revaluation Reserves | - | - | - | - |
| Other Appropriated Reserves | 817 | -242 | 1,059 | -437.60% |
| Unappropriated Reserves | - | - | - | - |
| Treasury Stock | -210,674 | -210,569 | -105 | 0.05% |
| Total Shareholders' Equity | 1,707,551 | 1,571,889 | 135,662 | 8.63% |
| Accumulated Minority Interest | 174,734 | 188,046 | -13,312 | -7.08% |
| Total Equity | 1,882,285 | 1,759,935 | 122,350 | 6.95% |
| Liabilities & Shareholders' Equity | 6,291,148 | 5,982,961 | 308,187 | 5.15% |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **PANASONIC CORPORATION** | | | | |
| **Comparative Income Statement** | | | | |
| **For the years 2017 and 2018** | | | | |
|  | | | | |
|  |  |  |  |  |
| **Fiscal year is April-March.** | **2018** | **2017** | **Amount** | **%** |
| **All values JPY Millions.** |
| Sales/Revenue | 7,982,164 | 7,343,707 | 638,457 | 8.69% |
| Cost of Goods Sold (COGS) incl. D&A | 5,727,089 | 5,239,612 | 487,477 | 9.30% |
| COGS excluding D&A | 5,439,335 | 4,969,614 | 469,721 | 9.45% |
| Depreciation & Amortization Expense | 287,754 | 269,998 | 17,756 | 6.58% |
| Depreciation | 227,006 | 224,405 | 2,601 | 1.16% |
| Amortization of Intangibles | 60,748 | 45,593 | 15,155 | 33.24% |
| Amortization of Deferred Charges | - | - | - | - |
| Gross Income | 2,255,075 | 2,104,095 | 150,980 | 7.18% |
| SG&A Expense | 1,853,063 | 1,760,479 | 92,584 | 5.26% |
| Research & Development | 448,879 | 436,130 | 12,749 | 2.92% |
| Other SG&A | 1,404,184 | 1,324,349 | 79,835 | 6.03% |
| Other Operating Expense | - | - | - | - |
| EBIT | 402,012 | 343,616 | 58,396 | 16.99% |
| Unusual Expense | 21,089 | 67,071 | -45,982 | -68.56% |
| Non Operating Income/Expense | -14,403 | -3,263 | -11,140 | 341.40% |
| Non-Operating Interest Income | 20,522 | 16,956 | 3,566 | 21.03% |
| Equity in Affiliates (Pretax) | 10,074 | - | - | - |
| Interest Expense | 18,526 | 23,550 | -5,024 | -21.33% |
| Gross Interest Expense | 18,526 | 23,550 | -5,024 | -21.33% |
| Interest Capitalized | - | - | - | - |
| Pretax Income | 378,590 | 266,688 | 111,902 | 41.96% |
| Income Tax | 126,563 | 102,624 | 23,939 | 23.33% |
| Income Tax - Current Domestic | 83,833 | 101,238 | -17,405 | -17.19% |
| Income Tax - Current Foreign | - | - | - | - |
| Income Tax - Deferred Domestic | 42,730 | 1,386 | 41,344 | 2982.97% |
| Income Tax - Deferred Foreign | - | - | - | - |
| Income Tax Credits | - | - | - | - |
| Equity in Affiliates | 0 | 8,378 | -8,378 | -100.00% |
| Other After Tax Income (Expense) | - | - | - | - |
| Consolidated Net Income | 252,027 | 172,442 | 79,585 | 46.15% |
| Minority Interest Expense | 15,987 | 23,082 | -7,095 | -30.74% |
| Net Income | 236,040 | 149,360 | 86,680 | 58.03% |
| Extraordinaries & Discontinued Operations | - | - | - | - |
| Extra Items & Gain/Loss Sale Of Assets | - | - | - | - |
| Cumulative Effect - Accounting Chg | - | - | - | - |
| Discontinued Operations | - | - | - | - |
| Net Income After Extraordinaries | 236,040 | 149,360 | 86,680 | 58.03% |
| Preferred Dividends | - | - | - | - |
| Net Income Available to Common | 236,040 | 149,360 | 86,680 | 58.03% |
| EPS (Basic) | 101.2 | 64.33 | 37 | 57.31% |
| Basic Shares Outstanding | 2,332 | 2,322 | 10 | 0.43% |
| EPS (Diluted) | 101.15 | 64.31 | 37 | 57.29% |
| Diluted Shares Outstanding | 2,334 | 2,323 | 11 | 0.47% |
| EBITDA | 689,766 | 613,614 | 76,152 | 12.41% |
| EBIT | 402,012 | 343,616 | 58,396 | 16.99% |

1. **Vertical**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **PANASONIC CORPORATION** | | | | | | |
| **Balance Sheet** | | | | | | |
| **For the years 2016, 2017, and 2018** | | | | | | |
|  | | | |  |  | |
| **Assets** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Fiscal year is April-March.** | **2016** | **%** | **2017** | **%** | **2018** | **%** |
| **All values JPY Millions.** |
| Net Income before Extraordinaries | - | - | - | - | - | - |
| Cash & Short Term Investments | 1,012,666 | 18.45% | 1,270,787 | 21.24% | 1,089,585 | 17.32% |
| Cash Only | 1,012,666 | 18.45% | 1,270,787 | 21.24% | 1,089,585 | 17.32% |
| Short-Term Investments | - | - | - | - | - | - |
| Total Accounts Receivable | 835,456 | 15.22% | 847,003 | 14.16% | 1,038,984 | 16.52% |
| Accounts Receivables, Net | 835,456 | 15.22% | 847,003 | 14.16% | 1,038,984 | 16.52% |
| Accounts Receivables, Gross | 857,657 | 15.63% | 867,639 | 14.50% | 1,057,590 | 16.81% |
| Bad Debt/Doubtful Accounts | -22,201 | -0.40% | -20,636 | -0.34% | -18,606 | -0.30% |
| Other Receivables | - | - | - | - | - | - |
| Inventories | 769,650 | 14.02% | 806,309 | 13.48% | 988,609 | 15.71% |
| Finished Goods | 475,427 | 8.66% | 492,521 | 8.23% | 606,417 | 9.64% |
| Work in Progress | 119,921 | 2.19% | 115,665 | 1.93% | 141,381 | 2.25% |
| Raw Materials | 174,302 | 3.18% | 198,123 | 3.31% | 240,811 | 3.83% |
| Progress Payments & Other | - | - | - | - | - | - |
| Other Current Assets | 275,990 | 5.03% | 280,720 | 4.69% | 368,780 | 5.86% |
| Prepaid Expenses | - | - | - | - | - | - |
| Miscellaneous Current Assets | 275,990 | 5.03% | 280,720 | 4.69% | 368,780 | 5.86% |
| Total Current Assets | 2,893,762 | 52.73% | 3,204,819 | 53.57% | 3,485,958 | 55.41% |
| Net Property, Plant & Equipment | 1,288,234 | 23.47% | 1,323,282 | 22.12% | 1,374,066 | 21.84% |
| Property, Plant & Equipment - Gross | 5,162,183 | 94.06% | 5,172,437 | 86.45% | 5,320,752 | 84.58% |
| Buildings | 1,544,718 | 28.15% | 1,525,408 | 25.50% | 1,547,677 | 24.60% |
| Land & Improvements | 257,833 | 4.70% | 236,041 | 3.95% | 251,063 | 3.99% |
| Machinery & Equipment | 2,354,686 | 42.91% | 2,354,091 | 39.35% | 2,415,561 | 38.40% |
| Construction in Progress | 77,202 | 1.41% | 147,574 | 2.47% | 174,129 | 2.77% |
| Leases | - | - | - | - | - | - |
| Computer Software and Equipment | - | - | - | - | - | - |
| Leased Property | - | - | - | - | - | - |
| Transportation Equipment | - | - | - | - | - | - |
| Other Property, Plant & Equipment | 927,744 | 16.90% | 909,323 | 15.20% | 932,322 | 14.82% |
| Accumulated Depreciation | 3,873,949 | 70.59% | 3,849,155 | 64.34% | 3,946,686 | 62.73% |
| Buildings | 1,052,450 | 19.18% | 1,054,050 | 17.62% | 1,087,628 | 17.29% |
| Land & Improvements | 34,364 | 0.63% | 35,324 | 0.59% | 33,065 | 0.53% |
| Machinery & Equipment | 1,964,475 | 35.80% | 1,957,613 | 32.72% | 2,012,871 | 32.00% |
| Construction in Progress | 1,200 | 0.02% | 1,228 | 0.02% | 1,647 | 0.03% |
| Leases | - | - | - | - | - | - |
| Computer Software and Equipment | - | - | - | - | - | - |
| Leased Property | - | - | - | - | - | - |
| Transportation Equipment | - | - | - | - | - | - |
| Other Property, Plant & Equipment | 821,460 | 14.97% | 800,940 | 13.39% | 811,475 | 12.90% |
| Total Investments and Advances | 160,667 | 2.93% | 155,987 | 2.61% | 147,959 | 2.35% |
| LT Investment - Affiliate Companies | 139,628 | 2.54% | 136,845 | 2.29% | 147,959 | 2.35% |
| Other Long-Term Investments | 21,039 | 0.38% | 19,142 | 0.32% | - | - |
| Long-Term Note Receivable | - | - | - | - | - | - |
| Intangible Assets | 474,149 | 8.64% | 665,132 | 11.12% | 738,251 | 11.73% |
| Net Goodwill | 295,574 | 5.39% | 386,887 | 6.47% | 408,303 | 6.49% |
| Net Other Intangibles | 178,575 | 3.25% | 278,245 | 4.65% | 329,948 | 5.24% |
| Other Assets | 217,008 | 3.95% | 226,021 | 3.78% | 219,659 | 3.49% |
| Deferred Charges | - | - | - | - | - | - |
| Tangible Other Assets | 217,008 | 3.95% | 226,021 | 3.78% | 219,659 | 3.49% |
| Total Assets | 5,488,024 | 100.00% | 5,982,961 | 100.00% | 6,291,148 | 100.00% |
|  |  |  |  |  |  |  |
| **Liabilities & Shareholders' Equity** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **All values JPY Millions.** | **2016** | **%** | **2017** | **%** | **2018** | **%** |
| ST Debt & Current Portion LT Debt | 21,728 | 0.40% | 177,038 | 2.96% | 375,392 | 5.97% |
| Short Term Debt | 12,277 | 0.22% | 16,454 | 0.28% | 259,315 | 4.12% |
| Current Portion of Long Term Debt | 9,451 | 0.17% | 160,584 | 2.68% | 116,077 | 1.85% |
| Accounts Payable | 894,927 | 16.31% | 955,965 | 15.98% | 1,146,476 | 18.22% |
| Income Tax Payable | 70,779 | 1.29% | 66,785 | 1.12% | 77,380 | 1.23% |
| Other Current Liabilities | 1,495,906 | 27.26% | 1,512,275 | 25.28% | 1,498,687 | 23.82% |
| Dividends Payable | - | - | - | - | - | - |
| Accrued Payroll | - | - | - | - | - | - |
| Miscellaneous Current Liabilities | 1,495,906 | 27.26% | 1,512,275 | 25.28% | 1,498,687 | 23.82% |
| Total Current Liabilities | 2,483,340 | 45.25% | 2,712,063 | 45.33% | 3,097,935 | 49.24% |
| Total Current Assets FOR CALCULATION PURPOSES ONLY | 2,893,762 | 52.73% | 3,204,819 | 53.57% | 3,485,958 | 55.41% |
| Total Assets FOR CALCULATION PURPOSES ONLY | 5,488,024 | 100.00% | 5,982,961 | 100.00% | 6,291,148 | 100.00% |
| Inventories FOR CALCULATION PURPOSES ONLY | 769,650 | 14.02% | 806,309 | 13.48% | 988,609 | 15.71% |
| Cash & Short Term Investments FOR CALCULATION PURPOSES ONLY | 1,012,666 | 18.45% | 1,270,787 | 21.24% | 1,089,585 | 17.32% |
| Long-Term Debt | 703,113 | 12.81% | 946,966 | 15.83% | 864,052 | 13.73% |
| Long-Term Debt excl. Capitalized Leases | 679,213 | 12.38% | 928,615 | 15.52% | 852,578 | 13.55% |
| Non-Convertible Debt | 679,213 | 12.38% | 928,615 | 15.52% | 852,578 | 13.55% |
| Convertible Debt | - | - | - | - | - | - |
| Capitalized Lease Obligations | 23,900 | 0.44% | 18,351 | 0.31% | 11,474 | 0.18% |
| Provision for Risks & Charges | 593,670 | 10.82% | 485,428 | 8.11% | 360,090 | 5.72% |
| Deferred Taxes | -409,702 | -7.47% | -345,189 | -5.77% | -268,808 | -4.27% |
| Deferred Taxes - Credit | 44,502 | 0.81% | 62,531 | 1.05% | 56,447 | 0.90% |
| Deferred Taxes - Debit | 454,204 | 8.28% | 407,720 | 6.81% | 325,255 | 5.17% |
| Other Liabilities | 16,166 | 0.29% | 16,038 | 0.27% | 30,339 | 0.48% |
| Deferred Tax Liability-Untaxed Reserves | - | - | - | - | - | - |
| Other Liabilities (excl. Deferred Income) | 16,166 | 0.29% | 16,038 | 0.27% | 30,339 | 0.48% |
| Deferred Income | - | - | - | - | - | - |
| Total Liabilities | 3,840,791 | 69.98% | 4,223,026 | 70.58% | 4,408,863 | 70.08% |
| Non-Equity Reserves | - | - | - | - | - | - |
| Preferred Stock (Carrying Value) | - | - | - | - | - | - |
| Redeemable Preferred Stock | - | - | - | - | - | - |
| Non-Redeemable Preferred Stock | - | - | - | - | - | - |
| Preferred Stock issues for ESOP | - | - | - | - | - | - |
| ESOP Guarantees - Preferred Stock | - | - | - | - | - | - |
| Common Equity (Total) | 1,444,442 | 26.32% | 1,571,889 | 26.27% | 1,707,551 | 27.14% |
| Common Stock Par/Carry Value | 258,740 | 4.71% | 258,740 | 4.32% | 258,740 | 4.11% |
| Additional Paid-In Capital/Capital Surplus | 645,949 | 11.77% | 636,905 | 10.65% | 527,408 | 8.38% |
| Retained Earnings | 878,208 | 16.00% | 1,051,445 | 17.57% | 1,300,336 | 20.67% |
| ESOP Debt Guarantee | - | - | - | - | - | - |
| Cumulative Translation Adjustment/Unrealized For. Exch. Gain | -149,473 | -2.72% | -203,106 | -3.39% | -216,355 | -3.44% |
| Unrealized Gain/Loss Marketable Securities | 42,726 | 0.78% | 38,716 | 0.65% | 47,279 | 0.75% |
| Revaluation Reserves | - | - | - | - | - | - |
| Other Appropriated Reserves | -1,175 | -0.02% | -242 | 0.00% | 817 | 0.01% |
| Unappropriated Reserves | - | - | - | - | - | - |
| Treasury Stock | -230,533 | -4.20% | -210,569 | -3.52% | -210,674 | -3.35% |
| Total Shareholders' Equity | 1,444,442 | 26.32% | 1,571,889 | 26.27% | 1,707,551 | 27.14% |
| Accumulated Minority Interest | 202,791 | 3.70% | 188,046 | 3.14% | 174,734 | 2.78% |
| Total Equity | 1,647,233 | 30.02% | 1,759,935 | 29.42% | 1,882,285 | 29.92% |
| Liabilities & Shareholders' Equity | 5,488,024 | 100.00% | 5,982,961 | 100.00% | 6,291,148 | 100.00% |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **PANASONIC CORPORATION** | | | | | | |
| **Income Statement** | | | | | | |
| **For the years 2016, 2017, and 2018** | | | | | | |
|  | | | |  |  | |
|  |  |  |  |  |  |  |
| **Fiscal year is April-March.** | **2016** | **%** | **2017** | **%** | **2018** | **%** |
| **All values JPY Millions.** |
| Sales/Revenue | 7,626,306 | 100.00% | 7,343,707 | 100.00% | 7,982,164 | 100.00% |
| Cost of Goods Sold (COGS) incl. D&A | 5,452,385 | 71.49% | 5,239,612 | 71.35% | 5,727,089 | 71.75% |
| COGS excluding D&A | 5,174,669 | 67.85% | 4,969,614 | 67.67% | 5,439,335 | 68.14% |
| Depreciation & Amortization Expense | 277,716 | 3.64% | 269,998 | 3.68% | 287,754 | 3.60% |
| Depreciation | 238,214 | 3.12% | 224,405 | 3.06% | 227,006 | 2.84% |
| Amortization of Intangibles | 39,502 | 0.52% | 45,593 | 0.62% | 60,748 | 0.76% |
| Amortization of Deferred Charges | - | - | - | - | - | - |
| Gross Income | 2,173,921 | 28.51% | 2,104,095 | 28.65% | 2,255,075 | 28.25% |
| SG&A Expense | 1,760,675 | 23.09% | 1,760,479 | 23.97% | 1,853,063 | 23.22% |
| Research & Development | 438,851 | 5.75% | 436,130 | 5.94% | 448,879 | 5.62% |
| Other SG&A | 1,321,824 | 17.33% | 1,324,349 | 18.03% | 1,404,184 | 17.59% |
| Other Operating Expense | - | - | - | - | - | - |
| EBIT | - | - | 343,616 | 4.68% | 402,012 | 5.04% |
| Unusual Expense | 139,557 | 1.83% | 67,071 | 0.91% | 21,089 | 0.26% |
| Non Operating Income/Expense | -48,626 | -0.64% | -3,263 | -0.04% | -14,403 | -0.18% |
| Non-Operating Interest Income | 20,409 | 0.27% | 16,956 | 0.23% | 20,522 | 0.26% |
| Equity in Affiliates (Pretax) | - | - | - | - | 10,074 | - |
| Interest Expense | 26,388 | 0.35% | 23,550 | 0.32% | 18,526 | 0.23% |
| Gross Interest Expense | 26,388 | 0.35% | 23,550 | 0.32% | 18,526 | 0.23% |
| Interest Capitalized | - | - | - | - | - | - |
| Pretax Income | 219,084 | 2.87% | 266,688 | 3.63% | 378,590 | 4.74% |
| Income Tax | 36,296 | 0.48% | 102,624 | 1.40% | 126,563 | 1.59% |
| Income Tax - Current Domestic | 116,657 | 1.53% | 101,238 | 1.38% | 83,833 | 1.05% |
| Income Tax - Current Foreign | - | - | - | - | - | - |
| Income Tax - Deferred Domestic | -80,361 | -1.05% | 1,386 | 0.02% | 42,730 | 0.54% |
| Income Tax - Deferred Foreign | - | - | - | - | - | - |
| Income Tax Credits | - | - | - | - | - | - |
| Equity in Affiliates | 8,445 | 0.11% | 8,378 | 0.11% | 0 | 0.00% |
| Other After Tax Income (Expense) | - | - | - | - | - | - |
| Consolidated Net Income | 191,233 | 2.51% | 172,442 | 2.35% | 252,027 | 3.16% |
| Minority Interest Expense | 26,021 | 0.34% | 23,082 | 0.31% | 15,987 | 0.20% |
| Net Income | 165,212 | 2.17% | 149,360 | 2.03% | 236,040 | 2.96% |
| Extraordinaries & Discontinued Operations | - | - | - | - | - | - |
| Extra Items & Gain/Loss Sale Of Assets | - | - | - | - | - | - |
| Cumulative Effect - Accounting Chg | - | - | - | - | - | - |
| Discontinued Operations | - | - | - | - | - | - |
| Net Income After Extraordinaries | 165,212 | 2.17% | 149,360 | 2.03% | 236,040 | 2.96% |
| Preferred Dividends | - | - | - | - | - | - |
| Net Income Available to Common | 165,212 | 2.17% | 149,360 | 2.03% | 236,040 | 2.96% |
| EPS (Basic) | 71.3 | 0.00% | 64.33 | 0.00% | 101.2 | 0.00% |
| Basic Shares Outstanding | 2,317 | 0.03% | 2,322 | 0.03% | 2,332 | 0.03% |
| EPS (Diluted) | 71.29 | 0.00% | 64.31 | 0.00% | 101.15 | 0.00% |
| Diluted Shares Outstanding | 2,318 | 0.03% | 2,323 | 0.03% | 2,334 | 0.03% |
| EBITDA | 690,962 | 9.06% | 613,614 | 8.36% | 689,766 | 8.64% |
| EBIT | - | - | 343,616 | 4.68% | 402,012 | 5.04% |

1. **Financial Ratios**

**1. Liquidity**

**Current Ratio**

|  |  |
| --- | --- |
| 2016 | 2,893,762/2,483,340 = **1.1653 or 1.17** |
| 2017 | 3,204,819/2,712,063 = **1.817 or 1.81** |
| 2018 | 3,485,958/3,097,935 = **1.1253 or 1.13** |

**Quick Ratio**

|  |  |
| --- | --- |
| 2016 | 1,012,666+835,456/2,483,340 = **0.7442 or 0.74** |
| 2017 | 1,270,787+847,003/2,712,063 = **0.7809 or 0.78** |
| 2018 | 1,089,585+1,038,984/3,097,935 = **0.6871 or 0.69** |

**Receivable Turnover**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 7,343,707/841,229.5 = **8.7297 or 8.73 times** |
| 2018 | 7,982,164/942,993.5 = **9.4688 or 9.47 times** |

**Average Collection Period**

|  |  |
| --- | --- |
| 2016 | 360/ |
| 2017 | 360/8.73 = **41.2371 or 41.24 days** |
| 2018 | 360/9.47 = **38.0148 or 38.01 days** |

**Inventory Turnover**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 5,239,612/787,979.5 = **6.6494 or 6.7 times** |
| 2018 | 5,727,089/897,459 = **6.3814 or 6.4 times** |

**Average Sales Period**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 360/6.65 = **54.1353 or 54.14 days** |
| 2018 | 360/6.38 = **56.4263 or 54.43 days** |

**Working Capital**

|  |  |
| --- | --- |
| 2016 | 2,893,762-2,483,340 = P **410,422** |
| 2017 | 3,204,819-2,712,063 = P **492,756** |
| 2018 | 3,485,958-3,097,935 = P **388,023** |

**2. Solvency**

**Debt Ratio**

|  |  |
| --- | --- |
| 2016 | 3,840,791/5,488,024 **= 0.6998 or 69.98%** |
| 2017 | 4,223,026/5,982,961 **= 0.7058 or 70.58%** |
| 2018 | 4,408,863/6,291,148 **= 0.7008 or 70.08%** |

**Equity Ratio**

|  |  |
| --- | --- |
| 2016 | 1,647,233/5,488,024 **= 0.3002 or 30.02%** |
| 2017 | 1,759,935/5,982,961 **= 0.2942 or 29.42%** |
| 2018 | 1,882,285/6,291,148 **= 0.2992 or 29.92%** |

**Debt to Equity Ratio**

|  |  |
| --- | --- |
| 2016 | 3,840,791/1,647,233 **= 2.3317 or 2.33** |
| 2017 | 4,223,026/1,759,935 **= 2.3995 or 2.40** |
| 2018 | 4,408,863/1,882,285 **= 2.3423 or 2.34** |

**Times Interest Earned**

|  |  |
| --- | --- |
| 2016 | 2,173,921/26,388 **= 82.3829 or 82.38** |
| 2017 | 2,104,095/23,550 **= 89.3459 or 89.35** |
| 2018 | 2,255,075/18,526 **= 121.7249 or 121.72** |

**3. Profitability**

**Gross Profit Ratio**

|  |  |
| --- | --- |
| 2016 | 2,173,921/7,626,306 **= 0.2851 or 28.51%** |
| 2017 | 2,104,095/7,343,707 **= 0.2865 or 28.65%** |
| 2018 | 2,255,075/7,982,164 **= 0.2825 or 28.25%** |

**Operating Profit Margin**

|  |  |
| --- | --- |
| 2016 | n/a |
| 2017 | 343,616/7,343,707 **= 0.0468 or 4.68%** |
| 2018 | 402,012/7,982,164 **= 0.0504 or 5.04%** |

**Net Profit Margin**

|  |  |
| --- | --- |
| 2016 | 165,212/7,626,306 **= 0.0217 or 2.17%** |
| 2017 | 149,360/7,343,707 **= 0.0203 or 2.03%** |
| 2018 | 236,040/7,982,164 **= 0.0296 or 2.96%** |

**Return on Assets**

|  |  |
| --- | --- |
| 2017 | 149,360/ 5,735,492.5**= 0.0260 or 2.60%** |
| 2018 | 236,040/ 6,137,054.5**= 0.0385 or 3.85%** |

**IV. Interpretation for Sony Corporation**

**A. Horizontal Analysis**

**Balance Sheet**

**2016 vs. 2017**

1. Total current assets increased by 3.79%. This increase is a result in the 11.12% increase in accounts receivables and 6.19% decrease in inventories. The increase in receivables indicates that the company has not been prompt in their collection of accounts, although there is a significant decrease in the doubtful accounts which implies that the company has not allocated allowance for bad debts. Likewise, the decrease in inventories means that the company has not generated more goods than last year due to slow-moving items and lesser raw materials.

1. Total current liabilities increased by 8.09% with a 1.38% increase in common equity. The increase in current liabilities is due to the increase in long-term debts, and other liabilities. This means that the company has made heavy borrowings for the year, although there is a decrease in deferred taxes which indicates that the company has been elicit in paying their debts.

**2017 vs. 2018**

1. Total current assets increased by 18.83% which is due to the 2.21% increase in accounts receivables and 8.13% increase in inventories. The increase in accounts receivables entails the company to strictly check for prompt collections as it has not shown improvement from the previous years' account receivables. Likewise, the increase in inventories indicates that the company has been inspecting their raw materials and on the work in progress as it shows that both have directly increased.

1. Total current liabilities increased by 7.64% with the common equity increasing by 18.83%. The increase in current liabilities signifies that the company has not yet paid, if not, has more debt to pay than the previous years. This is due to the continuous increase in investments with an on-going increase in the long-term debt as well. Deferred taxes also increased which means the company has been overdue with their payments.

**Income Statement**

**2016 vs 2017**

1. It is shown here that the revenue decreased by 6.19% during the year. EBIT increased by 32.64%. It is also shown here that the cost of goods sold also decreased by 7.29%. The gross income decreased by 3.76%. This can be explained by the 7.29% decrease of the cost of goods sold during the year. The decrease of cogs is from the corporation's direct cost of materials and goods. However, even the costs of goods sold decreased, the net income also decreased by 50.41%.
2. During the year, the interest expense decreased by 42.48%. The decrease of interest expense is from the corporation’s other borrowings which has dropped. This has resulted for the income tax to increase by 30.88% despite the decrease of net income which it has decreased by 50.41% during the year. Which means that the net income that the profit of the corporation earned after the deduction of taxes and expenses has decreased during the year.

**2018 vs 2017**

We can see in the income statement that most of them have made an increase which shows that the corporation has made a great business in the year 2018 compared to the previous year. It is shown in the income statement of the Sony Corporation that their Net Income has made the most significant change having a 569.67% increase, the increase can still be seen in the Net Income after Extraordinaries and Net Income Available to Common EPS (Basic). The rest have also made an increase this year but they’re not as big as the latter, but it still has contributed to the changes of the income of the corporation. Despite this, there is still a decrease in their income that is shown in the Income Tax – Deferred Foreign with a 145.09% decrease, Unusual Expense with a 74.73% decrease, and Non-Operating Interest Income with a 77.22% decrease. These are by far the ones that have significantly decreased however seeing the overall income statement shows that the corporation have gained well in the present year.

**B. Vertical Analysis**

**Balance Sheet**

1. In 2016, the largest component of assets is the Total Investments and Advances at 55.38%, followed by Other Long-Term Investments at 54.39% and Total Current Assets that has 25.17%. For the smallest component of the year 2016 is the Bad Debt/Doubtful Accounts with a decrease of 0.44%. Meanwhile in 2017, the largest components of assets are still the Total Investments and Advances which has 57.26%, followed by Other Long-Term Investments which has 56.41% and Total Current Assets at 24.66%. And for the smallest component of the year 2017 is Bad Debt/Doubtful Accounts with a decrease of 0.30%. And lastly in 2018, the largest component of assets are still the Total Investments and Advances at 56.42%, followed by Other Long-Term Investments at 55.59% and Total Current Assets that has 27.15%. And for the smallest component in year 2018 is the Bad Debt/Doubtful accounts having a decrease of 0.26%.
2. On the Liabilities and Shareholder’s Equity, Other Liabilities makes up the highest percentage at 43.64% in 2018, still this accounting title has occupied the highest percentage showing 43.43% in 2016, and 44.05% in 2017. This indicates that there is a decrease in the company's debts. Followed by the Total Current Liabilities at 29.48% and Other Current Liabilities at 22.47%. For the smallest component of the year 2018 is Cumulative Translation having a decrease of 2.34%. The company shows that their liabilities have greatly occupied it which is concerning and they may have to improve in this aspect.

**Income Statement**

1. The Cost of Goods Sold has greatly occupied the Net Sales by 67.53% decrease. Gross income of the company decreased in peso terms. However, the gross income percentage has increased from 31.12%-32.47% over the years. COGS has dropped in 2018 to 67.53%. Which means that the cost of materials and goods has decreased. Depreciation and Amortization Expense decreased from 8.56% in year 2016 to 8.43% in year 2018. This shows that the corresponding net income has increased to 5.74% in 2018.
2. Unusual expense showed a decrease of 0.75% in year 2018. Interest expense has also dropped from 0.31% in 2016 to 0.16% in 2018. This can be explained by the amount of the debt that the company must pay had decreased over the years. Here in the income statement, EBITDA showed an increase from 13.59% in 2016 to 17.29% in year 2018. This indicates that the company has gained more income since the expenses has dropped significantly.

**C. Liquidity Ratios**

**Current Ratio**

1. Sony Corporation’s current ratio for 2016 is **0.87 to 1**, **0.83 to 1** for 2017, and **0.92 to 1** in 2018. This means that the company has P0.87 of current assets that can be converted to cash to pay every peso of current liability in 2016 while for 2018, the company has P0.92 of current assets to cover every peso of current liability that will fall due.
2. Since it is less than 1, this means that the ratio is not favorable as the lower the ratio, the less liquid it is. Although the corporation's current ratio increased in 2018, it is still below average and signifies that the company has not been satisfactorily liquid in 2018.

**Quick Ratio**

The quick ratio of Sony Corporation is **0.58 to 1** in 2016, **0.57 to 1** in 2017, and **0.68 to 1** in 2018. This means that the corporation has 0.58 of quick assets for every P1 of current liability and 0.57 and 0.68 in 2017 and 2018 respectively. The ratio decreased from 2016 to 2017 but then increased in 2018 which signifies a favorable performance in terms of immediate liquidity.

**Receivable Turnover**

The Sony Corporation’s receivable turnover is **8.44 times** in 2017 and **8.69** in 2018. This means that the company was able to collect its average receivables 8.44 times in 2017 and 8.69 in 2018. Since it has increased in 2017, this means that the receivable turnover is favorable and shows that the company is conservative about extending credit to customers and is efficient with its collection practices.

**Average Collection Period**

The average collection period for 2017 is **42.65 days** and for 2018 is **41.43 days**. To determine if this is favorable or not it will depend on the credit terms extended by Sony Corporation. If the company’s credit term extended is 30 days, then it will not be favorable since it exceeded meanwhile if its credit term extended is 45 days then it will be favorable since it has not exceeded. It is favorable within the credit limit because it has not exceeded to the days because they are less than 45 days. The average collection period exceeding its credit term would directly affect the organization's cash flows which would entail the company to adopt a more aggressive collection policy to shorten that time frame.

**Inventory Turnover**

The Inventory Turnover for 2017 is **7.8 times** and for 2018 is **8.7 times**. In the general rule, the higher the inventory turnover, the more profitable it is for the company. For Sony Corporation, the have an upward trend which means their Inventory Turnover went high from 7.8 times to 8.7 times which indicates that their profitability/selling and replacement of the products became higher which is favorable for the company.

**Average Sales Period**

The average sales period decreased from **45.9 days** in 2017 to **41.6 days** in 2020 which shows that there is an improvement in the process of moving its items in the inventory and not overstocking it. This can be proved by the amount of Inventory Turnover increasing from **7.8 times** in 2017 to **8.7** times in 2018. It may also depend if the company sells a slow-moving or fast-moving product, but this is a good sign for the company since they have lessened the days that it would take to sell their products.

**Working Capital**

The working capital of Sony Corporation is **–P 634,023** in 2016, **-P 866,017** in 2017, and -**P 444,445** in 2018. This negative working capital indicates that the company's current liabilities exceeded its [current assets](https://www.thebalance.com/current-assets-on-the-balance-sheet-357272) as stated on the firm's balance sheet. In other words, there is more short-term debt than there are short-term assets which spells disaster for the company, or simply saying, unfavorable. But the company could have done this by design, as a negative working capital can be a way to expand a business by leveraging other peoples' money which could be explained in the significant decrease in 2018 from 2017.

**D. Solvency Ratios**

**Debt Ratio**

In 2016, the debt ratio is **81.22%** and for the following year, which is 2017, it increases to **82.18%** and in 2018, it decreased to **80.82%**. This is not favorable for the company. If the ratio continues to decrease, then this would be good for them. But if it will continue to increase, then almost all their assets are owned by creditors which would be risky for Sony Corporation.

**Equity Ratio**

In 2016, the equity ratio is **18.78%** and for following year, which is 2017, it decreases to **17.82%** and in 2018, it increases back to **19.18%**. These rates are low for the company as these indicates dependance on creditors for source of funds. For 2016, the owner only owns **18.78%** of company assets while creditors own **81.22%.** For 2017, the owner only owns **17.82%** of the company assets while creditors own **82.18%.** And for the year 2018, which the owner owns **19.18%** of the company assets while creditors own **80.82%.** This is way below the optimal fair ratio.

**Debt to Equity Ratio**

In 2016, it was **4.32:1** which means that every **₱1** financed by the owner in the assets of the company, **₱4.32** was financed by the creditors. In 2017, it increases to 4.61 and now it has **4.61:1** which means for every **₱1** financed by the owner in the assets of the company, **₱4.61** was financed by the creditors. And lastly for the year 2018, the ratio decreased, it is now **4.21:1**. For every **₱1** financed by the owner in the assets of the company, **₱4.21** was financed by the creditors**.** The ratio is not favorable for the company as this is above the optimal fair ratio which would entail the company to manage their expenses and not to rely so much on creditors in paying their debts.

**Times Interest Earned**

Sony Corporation’s interest is **100.10 times** of its income before interest and taxes in 2016, **167.49 times** in 2017, and **204.66 times** in 2018. The increasing in number of times may be due to decreasing interest amounts from large amount of loans. Moreover, seeing that the ratio is higher than average, this would mean that the company can afford to pay additional interest expenses. In this respect, Sony Corporation’s business is less risky and the bank should not have a problem accepting their loans.

**E. Profitability Ratios**

**Gross Profit Ratio**

Sony Corporation’s gross profit ratio was **31.12%** in 2016. It slightly went higher in 2017 at **31.92%**. And it also increased a little bit in 2018 at **32.47%**. This shows an increasing trend which is favorable to the company. However, the mark-up was less than 50% so there might be a possibility that the company might face issues in absorbing the operating expenses.

**Operating Profit Margin**

Operating profit margin has an increasing trend. From **5.03%** in 2016, it went up to **7.11%** in 2017 then to **8.85%** in 2018. This indicates that the company is efficiently managing its expenses. If the trend continues to increase the company will not suffer from incurring losses.

**Net Profit Margin**

The net profit decreased for two consecutive years and increased on the third year. From **1.82%** in the year 2016, it decreased to **0.96%** in 2017. However, the trend increased in the year 2018 at **5.74%**. This shows that the management was able to improve in increasing their sales and cut their expenses, this will be more favorable if the trend will continue to increase in the following years.

**Return on Assets**

1. The ROA increased from **0.29%** in 2017 to **1.80%** in 2018. Although the increase from below 1% to 1.80% shows a great improvement, the ROA for 2017 is still below average and indicates that the company is not able to make maximum use of its assets for getting more profits which is bad for the company because the investors would think that the company’s management is inefficient at using its assets to generate earnings.
2. In 2017, it appears that were **0.29 cents** return for every **₱1.00** invested on the assets of the company. However, in 2018, the return was **1.80 cents** for every **₱1.00** investments on assets.

**V. Interpretation for Panasonic Corporation**

**A. Horizontal Analysis**

**Balance Sheet**

**2016 vs. 2017**

1. Total current assets increased by 10.75%. This is due to the 1.38% increase in accounts receivable 4.76% increase in inventories. This increase means that the company has not been checking for prompt collection of accounts especially since the sales decreased by 3.71%. Likewise, the increase of inventories indicates that the company has been inspecting their raw materials, although there is a decrease in the work in progress which indicates that the production is slow-moving.
2. Total current liabilities increased by 9.21% with an 8.82% increase in common equity. The increase in current liabilities is due to the 1,599.12% increase in current portion of long-term debt. This means that the company has made heavy borrowings for long-term investments. There is also a 6.82% increase in accounts payable which indicates that the company has more debt to settle within the year on credit.

**2017 vs. 2018**

1. Current assets increased by 8.77%. This is due to the 22.67% increase in accounts receivables and 22.61% increase in inventories. The further increase in accounts receivables from last year’s comparison signifies that the company has not been strict in collecting their accounts especially since cash decreased by 14.26%. Likewise, the further increase in inventories indicates that the company has not sold more than they should as it is shown that finished goods and raw materials have directly increased.
2. Total current liabilities increased by 14.23% with an 8.63% increase in common equity. The increase in liabilities is due to the significant increase in short-term debt, although the current portion of long-term debt decreased despite its significant increase during the previous year’s comparison. This 1,476% increase is due to the increase in accounts payable and income tax payable as well. This means that the company has made heavy borrowings to be paid within the year than in the long run.

**Income Statement**

**2016 vs 2017**

1. Sales or revenue was decreased by 3.71% during the year. COGS including D&A decreased by 3.90% and the COGS excluding D&A also decreased by 3.96%. The gross income also decreased by 3.21% which can be explained by the decrease of COGS. Which means that the total income that the corporation earned has dropped by during the year.
2. The interest expense has decreased 10.75% during the year. However, the decrease of interest expense has resulted for the income tax to increase by 182.74% during the year. The increase of income tax has resulted from the pretax income which also showed an increase of 21.74% in the income statement. It is also shown here in the income statement that during the year the net income decreased by 9.59%.

**2018 vs 2017**

In the income statement we can see that there are a lot of increase in the year 2018 it signifies that the corporation did a great job improving the business. We can clearly see an increase in their net income with a percentage of 58.03%. There is also a great increase in the Income Tax specifically in Deferred Domestic with a percentage of 2982.97% and other taxes. But there is also a significant decrease of expenses such as Unusual Expense with -68.56% decrease, Interest Expense and Gross Interest Expense with 21.33% decrease and other expenses. This shows that the corporation has also been spending less and gaining more earnings.

**B. Vertical Analysis**

**Balance Sheet**

1. In 2018, 55.41% of the total assets are current assets wherein the largest contributor is cash with 17.32%, followed by accounts receivables with 16.52%, and the lowest which is bad debts/doubtful accounts with -0.30%. Likewise, 44.59% of the total assets are non-current assets. This shows that the performance of the Panasonic Corporation in terms of assets is satisfactory as the current assets is denser than the non-current assets. This indicates that the company’s working capital position and its ability to meet near-term obligations is strong for the year 2018. On the other hand, 70.02% of assets are financed by debt and 29.92% are financed by equity. This suggests that the company should make operational changes in order to lessen the largest contributor which is the current liabilities with 49.92%.
2. Compared to prior years, investment in assets is rising with 52.73% in 2016 and 55.41% in 2018, wherein owner’s equity is shrinking with 30.02% in 2016 and 29.92% in 2018. This comes to show that the Panasonic Corporation is either making heavy withdrawals or the profitability is dropping. The latter indicates that the company is not using their assets wisely and need to make operational changes.

**Income Statement**

1. Cost of goods sold has increased to 71.75% in year 2018. This explains that the cost of goods and materials has also increased. The increase of cost of goods sold has also made the Gross Income increase in peso terms. However, Gross Income in percentage terms has dropped from 28.51% in 2016 to 28.25% in 2018. Depreciation and Amortization expense has decreased to 3.60% in year 2018. The increase of net income from 2.17% in 2016 to 2.96% in 2018 can be explained from the decrease of depreciation and amortization expense.
2. Unusual expense has dropped from 1.83% in 2016 to 0.26% in 2018. Non-operating interest income has also decreased to 0.26% in 2018. It is shown here in the income statement that the interest expense has decreased from 0.35% in 2016 to 0.23% in 2018. The decrease of interest expense is also because of the decrease of the amount of debt that the company must pay. EBITDA also decreased to 8.64% in 2018.

**C. Liquidity Ratios**

**Current Ratio**

The current ratio of Panasonic corporation for 2016 is 1.17 to 1 while for 2017 is 1.81 to 1 and **1.13 to 1** for 2018. This means that the corporation has **P1.13** of current assets to pay every peso of current liability for 2018. The current ratio for 2020 has increased but it is satisfactory liquid.

**Quick Ratio**

The quick ratio of Panasonic corporation is **0.74 to 1** in 2016, **0.78 to 1** in 2017, and **0.69 to 1** in 2018. This means that the corporation has 0.74 quick assets in 2016, 0.78 in 2017 and 0.69 in 2018 for every P1 of current liability.

**Receivable Turnover**

The Panasonic corporation’s receivable turnover recorded **8.73 times** and **9.47 times** respectively for 2017 and 2018. It got higher in year 2018. Which means that the higher receivable turnover the more favorable it is. This means that the corporation was able to collect average receivables for **8.73** in 2017 and **9.47** in 2018.

**Average Collection Period**

The average collection period for 2017 and 2018 is **41 days** and **38 days**, respectively. To determine if this is favorable or not it will depend on the credit terms extended by Panasonic Corporation. If the company’s terms of credit are 30 days, then both years will not be favorable since they have exceeded with the days required. If it’s for 45 days, then it will be favorable for both years since they did not exceed.

**Inventory Turnover**

The Inventory turnover is **6.7 times** and **6.4 times** respectively for 2017 and 2018. The general rule says that the higher the inventory, the more profitable it is for the company and upon examining the inventory turnover of Panasonic Corporations, although this shows a good performance as it is higher than average, the turnover still decreased from 2017, to 2018 which will not be favorable if it will continue to decrease in time. This means that their products could have had low demands in 2018 and that the company sold their products less efficiently and quickly than before.

**Average Sales Period**

The average sales period of the Panasonic Corporation increased from **54.14 days** to **54.43 days** respectively in 2017 to 2018. This is evident because the Inventory Turnover showed a decreased from 6.7 times in 2019 and 6.4 times in 2020. This indicates that there may be a slow-moving process of the items in its inventory. Because of this, it tells that the company have added days/hours on how much it would take them to sell a product. This means that this is not favorable since it will take them more days in order to sell their products.

**Working Capital**

The working capital of Panasonic Corporation is **P410,422** in 2016, **P492,756** in 2017, and **P388,023** in 2018. This means that the company was more liquid during the year 2017 since its cash and receivables has occupied a big percentage of the current assets. Unfortunately, in 2016 and 2018 it went low which indicates that the company may need to manage more of their short-term obligations.

**D. Solvency Ratios**

**Debt Ratio**

In 2016, the debt ratio is **69.98%** and for the following year, which is 2017, it increased to **70.58%** and in 2018, it decreased to **70.08%.** This is not too bad for the company yet. If the ratio continues to decrease, then this would be good for them. But if it will continue to increase, this will signify that almost all of the company’s assets are owned by creditors which would be risky for company.

**Equity Ratio**

In 2016, the equity ratio is **30.02%** and for following year, which is 2017, it decreases to **29.42%** and in 2018, it increases back to **29.92%.** These rates are low for the company as these indicates dependance on creditors for source of funds. For 2016, the owner only owns **30.02%** of the company assets while creditors own **69.98%.** For 2017, the owner only owns **29.42%** of the company assets while creditors own **70.58%.** And for the year 2018, which the owner owns **29.92%** of the company assets while creditors own **70.08%.** This is below the optimal fair ratio which is not favorable for the company as the creditors own more than the owners. This would mean that the company pay more interest on loans as the company depends on creditors for source of funds.

**Debt to Equity Ratio**

In 2016, it was **2.33:1** which means that every **₱1** financed by the owner in the assets of the company, **₱2.33** was financed by the creditors. In 2017, it increases to 2.40 and now has **2.40:1** which means for every **₱1** financed by the owner in the assets of the company, **₱2.40** was financed by the creditors. And lastly for the year 2018, the ratio decreased, it is now **2.34:1**. For every **₱1** financed by the owner in the assets of the company, **₱2.34** was financed by the creditors**.** This indicates that the debt-to-equity ratio is not favorable for the company, for this is above the optimal fair ratio which would entail the company to manage their expenses and not to rely so much on creditors in paying their debts. If they don’t, the company will definitely pay huge interest for the use of creditor funds in the busines.

**Times Interest Earned**

Panasonic Corporation’s interest is **82.38 times** of its income before interest and taxes in 2016, **89.35 times** in 2017, and **121.72 times** in 2018. The increasing in number of times may be due to decreasing interest amounts from large amount of loans. Moreover, seeing that the ratio is higher than average, this would mean that the company can afford to pay additional interest expenses. In this respect, Panasonic Corporation’s business is less risky, and the bank should not have a problem accepting their loans.

**E. Profitability Ratios**

**Gross Profit Margin**

Panasonic Corporation’s gross profit ratio in 2016 was **28.51%.** This increased in 2017 at **28.65%** but decreased in 2018 at **28.25%**. The gross profit margin for three years shows a low margin as the mark-up was less than 50% and has an inconsistent trend. This implies that the company has a low profit margin which indicates that the company could have been underpricing. The consultants entail that the company should make time to plan for their pricing strategies.

**Operating Profit Margin**

The Operating Profit Margin increased from 2017 with **4.68%** to 2020 with **5.04%.** This increase indicates that the company is efficiently managing its expenses. However, the margin is still below average and therefore shows a not sustainable performance of the company. This low profit margin implies that the company uses an ineffective cost structure and/or poor pricing strategies. This means that for every peso of income in 2018, only **5.04** **cents** remain after the operating expenses have been paid. This also means that only **5.04 cents** are left over to cover the non-operating expenses which is not sustainable for the company.

**Net Profit Margin**

The net profit margin for three years showed an inconsistent trend and a low margin. From 2016 at **2.17%,** this decreased in 2017 at **2.03%,** but increased again in 2018 at **2.96%.** This indicates that the Panasonic Corporation uses an ineffective cost structure and/or poor pricing strategies which would result to inefficient management, high costs of expenses, and weak pricing strategies.

**Return on Assets**

1. The return on assets increased from **2.60%** in 2017 to **3.85%** in 2018. This decrease indicates that there is a favorable movement on the return on assets.
2. In 2018, it appears that there were **3.85 cents** return for every **₱1.00** invested on the assets of the company. However, in 2017, the return was **2.60 cents** for every **₱1.00** invested on the assets of the company.

# **VI. Analysis of Financial Statements**

|  |  |  |
| --- | --- | --- |
|  | **Sony Corporation** | **Panasonic Corporation** |
| * Compare in terms of Horizontal Analysis | Better |  |
| * Compare in terms of Vertical Analysis |  | Better |
|  |  |  |
| * Compare in terms of Financial Ratios: |  |  |
| * Liquidity |  |  |
| * Current ratio |  | More liquid |
| * Quick ratio |  | More liquid |
| * Receivable turnover |  | More liquid |
| * Average collection period |  | More liquid |
| * Inventory turnover | More liquid |  |
| * Average sales period | More liquid |  |
| * Working capital |  | More liquid |
| * Solvency |  |  |
| * Debt ratio |  | More solvent |
| * Equity ratio |  | More solvent |
| * Debt to equity ratio |  | More solvent |
| * Times interest earned | More solvent |  |
| * Profitability |  |  |
| * Gross profit margin | More profitable |  |
| * Operating margin | More profitable |  |
| * Net profit margin | More profitable |  |
| * Return on investment |  | More profitable |

***Horizontal Analysis***

The horizontal analysis is an analytical tool in which a company’s financial statements will be compared in two periods, the past and current year. This will indicate if a company’ balance sheet and income statement increased or decreased. Between Sony Corporation and Panasonic Corporation, Sony Corporation has the better performance in this analysis. In terms of total assets, Sony had the larger number of pesos and percentage. In 2016-2017 Sony gained ₱987,166 while Panasonic only gained ₱494,937. The following years, 2017-2018 Sony’s total assets increased with ₱1,404,982 while Panasonic’s total assets was ₱308,187. This clearly shows that Sony had the higher amount of assets.

Another factor that made Sony the better company was the short-term debt. These debts are only required to be paid in a short period of time, if a company engages in borrowing money, long term is better than the short term for it gives the company a bigger time allotment to pay. Sony’s short-term debt in 2016-2017 was 211.28% while Panasonic only had 34.02%, indeed the latter company had smaller percentage. But in the years 2017-2018 Sony’s short-term debt was only 6.77% while Panasonic soared to 1476% which indicates that Company B borrowed a lot of money with only a short period to pay. There could be a possibility that the company might be facing a problem in paying all the debts and might be short-handed in cash.

When it comes to revenue, in year 2016-2017 both companies had a decrease in percentage, Sony decreased to -6.19%, this resulted to a net income of -50.41% while Panasonic’s revenue decreased down to -3.71% which resulted to a net income of -9.83%. Although Company B suffered less in the year 2017-2018, both companies still had a significant increase in their revenues and net income, but the Sony Corporation had the more significant increase. Panasonic increased its revenue to 8.69% with a net income of 58.03%. However, Sony increased its revenue to 12.04% that resulted to a net income of 569.67%. With these figures, it clearly shows that Sony Corporation is the better company in terms of improvement in balance sheet and income statement in the years 2016-217 and 2017-2018.

***Vertical Analysis***

The vertical analysis is an analytical tool which will show the company’s operating performance. This will indicate if a company is operating their business well or not. In this analysis, the Panasonic Corporation had the better operating performance compared to Sony Corporation. Starting with the current assets, in 2016, Sony had 25.14%, in 2017 it decreased to 24.66% and in 2018 it increased again to 27.15%. While for Panasonic in 2016, current assets were 52.73%, in 2017 it increased to 53.57% and it 2018 it increased again to 55.41%. This clearly shows that Panasonic handled their current assets well.

In terms of liabilities, Sony had the higher percentages. From 2016, it had 81.22%, it slightly increased in 2017 with 82.18% and in 2018 it decreased to 80.82%. In Panasonic, the total liabilities as of year 2016 is 69.98%, it increased in 2017 to 70.58% and slightly decreased in 2018 to 70.08%. This shows that Sony had more obligations to pay than Panasonic. In net income, Panasonic in year 2016 had 2.17% as their net income, it slightly decreased to 2.03% in the year 2017 and increased again in 2018 with 2.96%. While in Sony it had a net income of 1.82% in the year 2016, it decreased to 0.96% in 2017 and significantly increased in 2018 by 5.74%. Although Company B had a better performance in the year 2018, Company A had a more stable performance during those three years. Therefore, in this analysis, Panasonic was able to perform better even though Sony almost surpassed Company B, the figures still were able to prove that Panasonic was able to operate well.

***Liquidity Ratios***

The liquidity ratios inform us about the willingness of the company to use its existing obligations to pay its current liabilities. As seen in the financial benchmark between companies A (Sony Corporation) and B (Panasonic Corporation) in 2018, it is observable that Panasonic Corporation is more liquid than by a fine margin with rates of 1:13:1 over 0:92:1 than the latter firm. The data shows that the assets of Sony Corporation are not liquid enough to pay for their obligations and that their rapid ratio is not much. On the other hand, with the rate of 0:69:1, Panasonic Corporation is liquid enough that the fast assets are adequate to pay for their liabilities.

Moreover, Panasonic Co. has the upper hand when it comes to collections and sales, with the rate of 9.47 times an average and an average collection period of 38 days compared to Sony Co., whose rate of collecting accounts is 8.69 times an average and 41.43 days an average collection period. This points out that in collecting, Sony Corporation is more reliable, more strict and faster than Panasonic Corporation. However, Panasonic Corp. Is still more effective in selling its inventories, but this could be due to the reduced price of selling its services, which may contribute to the company’s loss of revenue towards the end of the year. Panasonic Corp turns out to have a higher working capital of 388,023.00, which can be used in the service of the company for the following year.

Despite having unfavorable collection methods and inferior selling techniques, in terms of having an adequate current ratio, quick ratio and working capital, Sony Corp. is more capable and less likely to have trouble paying its obligations than Panasonic Corp. In conclusion, there is more liquid in the Panasonic Corporation than in Sony Corporation.

***Solvency Ratios***

The solvency ratios tell us the willingness of the company to pay off its maturing long-term debts while indefinitely continuing operations. The data collected shows us that both the Sony Corporation and Panasonic Corporation have an unfavorable debt ratio, as their rates are 80.82% and 70.08%. This means that the two companies are more financed by creditors than the owners, especially Sony Corporation, which has 80.82% more heavily funded by creditors. Both companies have low equity ratios compared to the debt ratio, with rates of 19.18% for Sony Corporation and 29.92% for Panasonic Corporation. The results tell us that, relative to creditors, both enterprises are less funded by the founders. This note shows that both firms are heavily indebted. However, as their business depends heavily on machinery and other equipment as part of the energy-distribution industry, they are likely to have several long-term liabilities.

Their debt-to-equity ratios are 4:21:1 for Sony Corporation and 2:34:1 for Panasonic Corporation. Similarly, businesses have unfavorable ratios because the ratio funded by creditors is higher for every 1 peso that is financed by the shareholders. Nevertheless, selecting one of the firms will be best, since both are solvent businesses because of their lower debts.

***Profitability Ratio***

The profitability ratio measures the profitability of the company or the overall performance and productivity of the company based on its ability to produce operating profit compared to its available assets and sources. The two companies’ gross profit margins are 32.47% and 28.25%, respectively. The more competitive rate is at Sony Corporation because it means they have more funds to use to support the company’s operating expenses. The operating profit margin also favors Sony Corporation over Panasonic Corporation with a rate of 8.85% over 5.04% in terms of significance. This data points out that gross revenue is half of gross revenue, and that revenue would be used to pay interest and other expenses.

After deducting all the costs and including all other profits, the net profit margins of the firms show us the final income of the company. Compared to both firms, Sony Corporation’s net operating income is by a wide margin higher than Panasonic Corporation. Sony Corporation is able to produce more sales and is successful in controlling its costs. The net profit margins of 5.74% for Sony Corporation and 2.96% for Panasonic Corporation support this assertion. Panasonic is more strategic in using its assets with a ratio of 3.85% compared to Sony Corporation with a ratio of 1.80% in comparison to the capacity of the companies to use their assets to produce revenue. Both businesses are not very effective in using their assets to produce profits based on the average industry ratio. Overall, profitability favors Sony Corporation, which has been able to generate more revenue than Panasonic Corporation.

# **VII.** **Recommendation**

As financial consultants, we are tasked in the decision making of investing between two companies namely Sony Corporation and Panasonic Corporation. We, therefore, recommend investing in Panasonic Corporation since they are more liquid, solvent, and profitable than Sony Corporation. This company is the wise choice for investment as this company has lesser areas for improvement and is able to generate considerable amount of profit. The team highly recommends choosing Panasonic Corporation over Sony Corporation for the following reasons:

With the given data, it is shown that in terms of liquidity and solvency, the Panasonic Corporation is in greater favor but in generating sales, the Sony Corporation is more profitable. Sony dealt with a bad and unfavorable performance in terms of its liquidity which can be seen in its working capital as all of it ended up with a significant negative rate. But, the consultants believe that Sony Corporations will improve their liquidity and solvency in other ratios since it can be seen that most of it have an increasing trend which indicates that there is a big potential for the company to be more liquid and solvent in the future. However, Panasonic Corporations holds more power as they have enough assets to pay off their debts, which will ultimately lead to a better profitability performance in the future.

In regard to solvency, Panasonic Corporations is more solvent although both companies are dependent to the creditors more than the owners but in terms of the improvement and the comparison of better ratios, it is shown that Panasonic Corporations is better. Through the potential investors, the financial assistance that they will provide will help the company in paying its long-term liabilities while sustaining the operations of the business.

Finally, the Sony Corporation is more profitable than Panasonic Corporation. This can be seen in the data gathered especially that in its rate in Net Profit Margin. The company shows that they can be able to generate a good income after deducting all the expenses and adding other incomes. However, Panasonic Corporation, albeit a lower margin, still shows an increasing trend in almost all profitability ratios. The area of improvement in this company would be to continue their development and innovate their strategies to further strengthen their selling capabilities.