

Appliances Company Fiscal 2020 Second-half and Medium-term Initiatives

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Appliances Company

Panasonic Corporation



*Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "FY20" refers to the year ending March 31, 2020.*

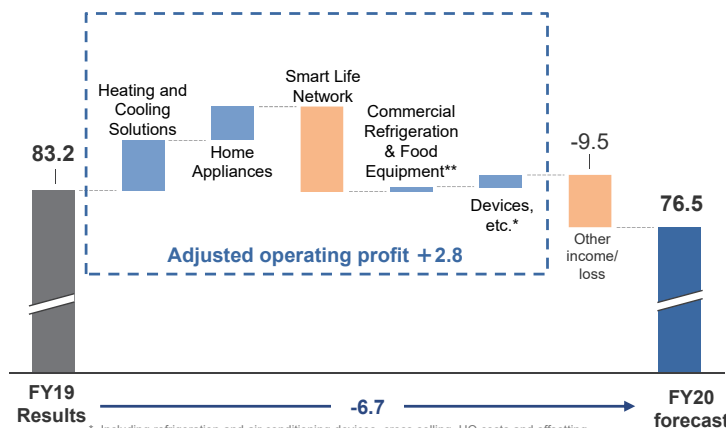
Fiscal 2020 First-half Progress and Second-half Initiatives



FY20 1H Results and FY20 2H Forecast

Manufacturing-sales consolidated [yen: billions]	1H results	vs. FY19	2H forecast	vs. FY19	Full-year forecast (as of Oct 31)	vs. FY19	vs. initial forecast
Sales	1,401.3	-35.4	1,358.7	-22.4	2,760.0	-57.8	-90.0
Adjusted operating profit	49.6 (3.5%)	-8.7	34.4 (2.5%)	+11.5	84.0 (3.0%)	+2.8	-
Other income/loss	-0.8	-0.6	-6.7	-8.9	-7.5	-9.5	-
Operating profit	48.8 (3.5%)	-9.3	27.7 (2.0%)	+2.6	76.5 (2.8%)	-6.7	-
Capital investment	18.9	+0.7	28.1	+0.9	47.0	+1.6	-3.0

Operating profit (yen: billions)



* Including refrigeration and air conditioning devices, cross selling, HQ costs and offsetting
 ** Referred to as "Food Retail Equipment" for this presentation .

	2H forecast & initiatives
Appliances Segment	<ul style="list-style-type: none"> While the sales of overseas TVs remain slow, increased profit is expected owing to steady consumer electronics in Japan and overseas air conditioning
Heating and Cooling Solutions	<ul style="list-style-type: none"> Increased profit is expected owing to steady overseas air conditioning Promoted initiatives for strengthening sales structures overseas
Home Appliances	<ul style="list-style-type: none"> Increased profit is expected owing to steady consumer electronics in Japan, such as washing machines, refrigerators and beauty care products Raised demand with new products and promoted rationalization, though there is the risk of reactionary decrease in demand following the rush purchase before the consumption tax raise in Japan
Smart Life Network	<ul style="list-style-type: none"> While TVs, etc. were steady in Japan, profit decrease is expected due to the slow sales of TVs and DSCs in Europe and other regions Fundamental measures are to be taken to improve profitability in the entire Smart Life Network
Commercial Refrigeration & Food Equipment**	<ul style="list-style-type: none"> While sales were slow in Japan, increased profit is expected owing to steady business in North America

Panasonic

Appliances Company Fiscal 2020 Second-half and Medium-term Initiatives

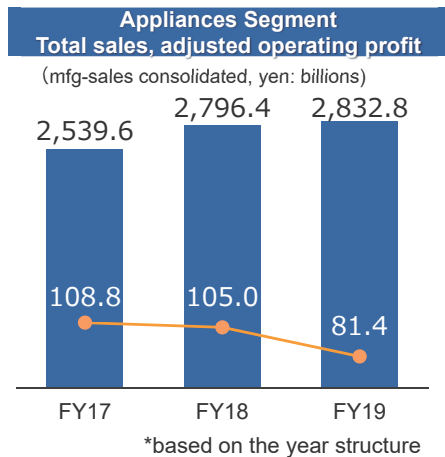
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Medium-term Initiatives

Panasonic

Summary of Previous 3-year Medium-term Period (FY17 to FY19)

Completed to become the headquarters for consumer electronics,
and to clarify the issues to be solved for the future



Summary for profitability

- Established a structure for manufacturing sales consolidated management. Management structure issues became apparent, failing to adjust to changes in the external environment and competitive environment although the sales scale was expanded (profitability of FY19 significantly deteriorated)

➔ **Conversion to continuously profitable businesses that are independent of environment**

Summary for growth

- Clarified the investment areas for high growth businesses (air-conditioning/small appliances and built-in). Implementation of the inorganic strategy and initiatives for enhancement result in our unchanged position and limited profitability growth

➔ **Framework and resource concentration that accelerate growth at a rate higher than the industry's average**

Issues for this medium term (FY20 to FY22)

- ✓ Clarify our vision and strategy (= way to win) and **concentrate on the key areas of air-conditioning, food retail equipment, and home appliances to achieve highly profitable business entities**
- ✓ Concentrate resources on key areas, **set direction for unprofitable (non-investing) businesses to form a robust profit-oriented makeup, and resolutely carry out a (financial/human) resource shift**

Long-term Vision and Strategic Business Areas

Vision: Standing alongside customers, provide customers with "mental and physical wellness" permanently, and realize their "well-being"

Strategic business areas: "Lifestyle Infrastructure" and "Lifestyle Appliances" are defined as areas to generate value

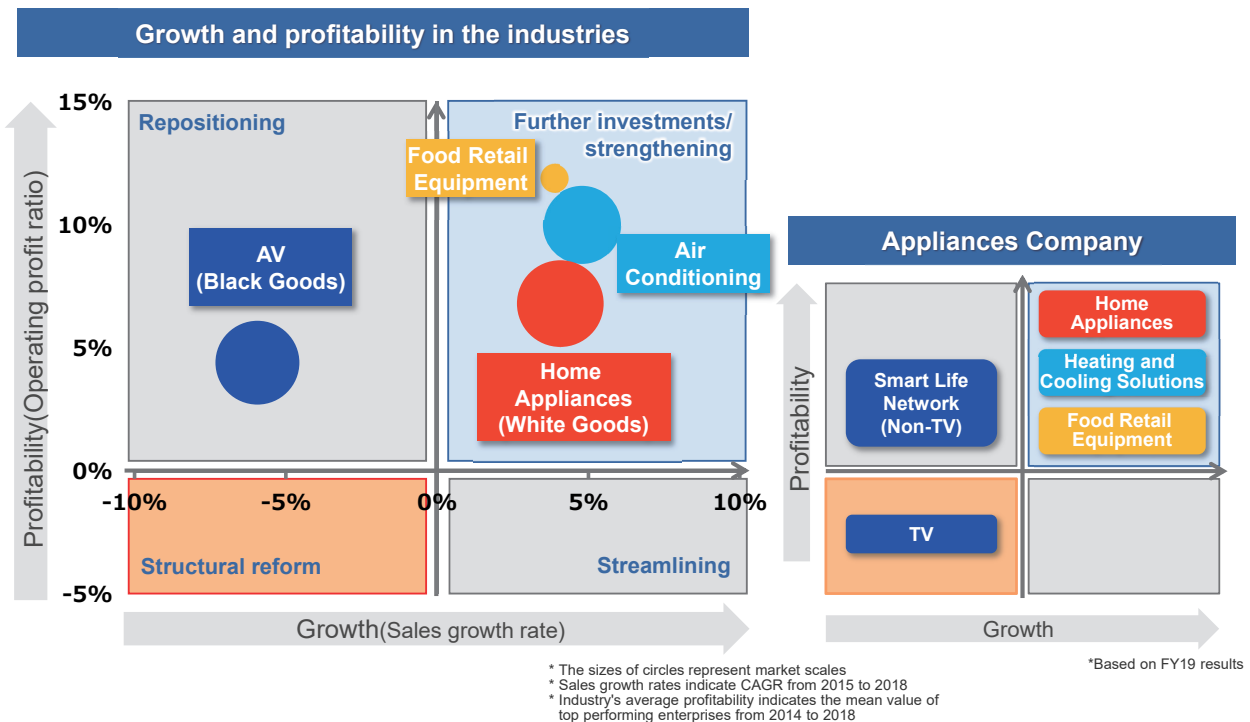
The era of centenarians

Mental and physical wellness



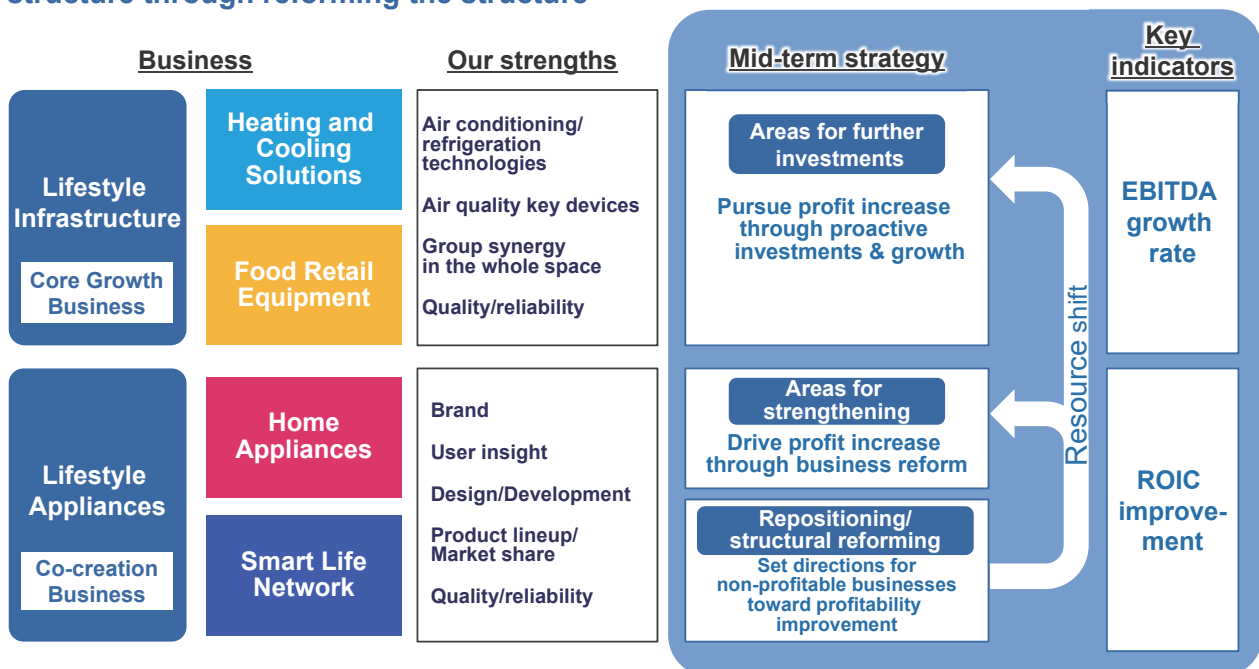
Business Environment (Business areas and positioning of Appliances)

Air-conditioning, food retail equipment, and home appliances are high growth/profit markets. On the other hand, AV is a shrinking market
Panasonic's position is showing essentially the same tendency



Medium-term Business Portfolio Strategy

Regarding the "Lifestyle Infrastructure" business as an area for further investments, pursue profit increase through growth
Pursue the conversion of the "Lifestyle Appliances" business to a more profitable structure through reforming the structure

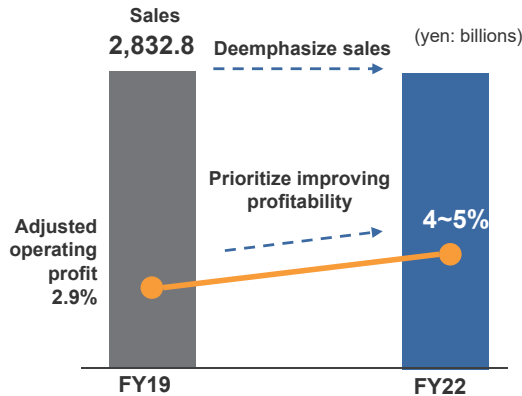


Goal of Medium-term Growth Strategy

The time up to FY22 is positioned as a "midterm for transformation" to greatly overhaul our profit structure

Profitability target for mid-term (mfg-sales consolidated)

Prioritize improvement in profitability up to FY22, achieve an adjusted operating profit ratio of 4-5%

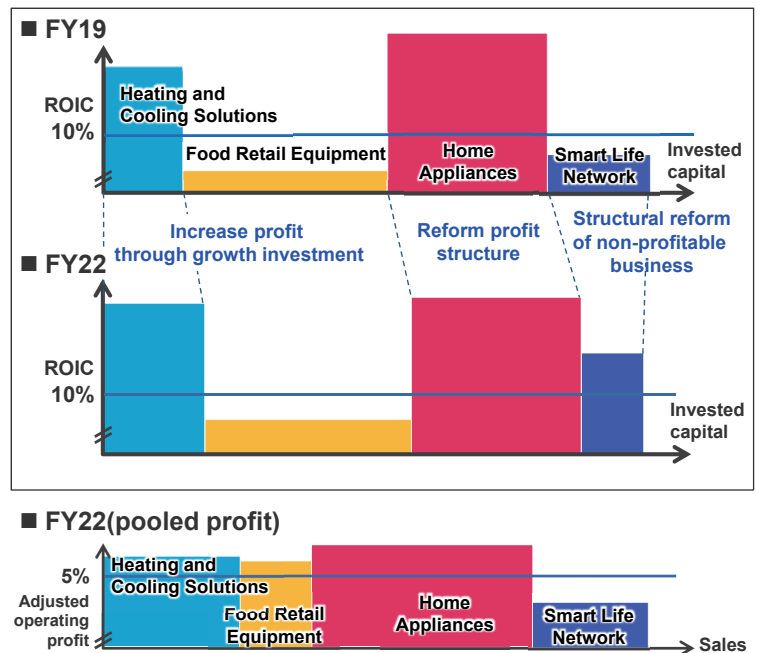


【Major initiatives】

- Strengthen management structure across the entire Company
→ Cost reduction by more than 20.0 billion yen over the three years
- Structural reform of non-profitable businesses
- Advanced investments for future

Profit portfolio for mid-term (mfg-sales consolidated)

Improve profitability with a sharp portfolio strategy



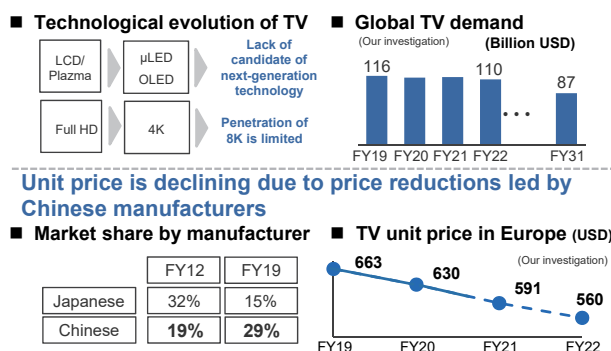
Set Directions for Non-profitable Businesses (TV Business)

Co-creation Business

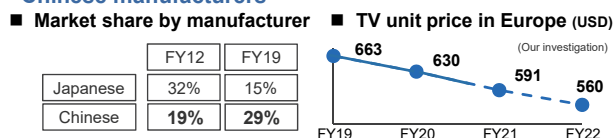
Shifting from internalization toward structural reform including collaboration with other companies

Changes in business environment

Technological evolution creating demand is stagnant, and the market is shrinking

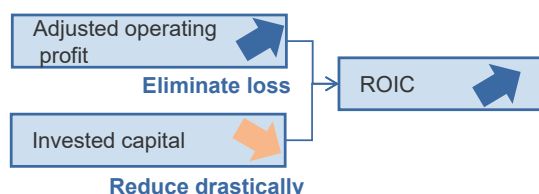


Unit price is declining due to price reductions led by Chinese manufacturers



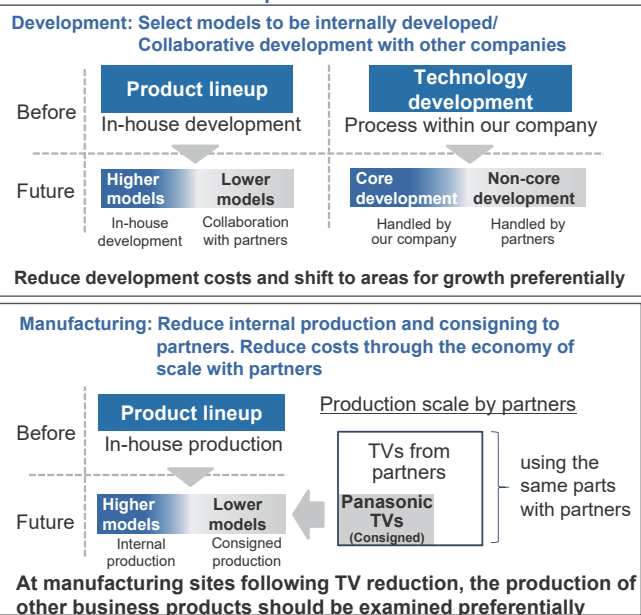
Managerial effects pursued through reform

Aim to eliminate loss of TV business in FY22



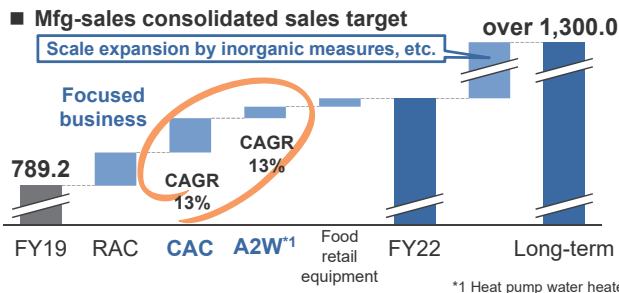
Policy of structural reform

Optimize development-manufacturing-sales structures in accordance with the present business scale
Complete structural reform including decision of partners within the current midterm period



Build new revenue models by offering our unique values on the occasion of changes in the business environment of spatial value

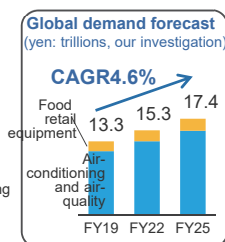
Goal of Lifestyle Infrastructure



■ Growth target of EBITDA (vs. FY19)
1.6 times Over 3.0 times

Changes in Lifestyle Infrastructure business environment

- Strengthening laws and regulations regarding environment/energy saving
• COP21: Paris Agreement, enforcement of energy conservation law for building (Japan)
- Trends for regulation of comfort
• SRI², EU directive in 20
- Growing interest of consumers for air quality
• Increase interest for air quality in China, Asia and India, etc.



Provided value/revenue model

Our strength

Strength (global)

User insight, brand value

Digital technology(AI/IOT), Technical basis of environment and energy saving

Ductless air-conditioning products

Strength (Japan) (Group synergy)

Wide range of spatial solution products

Technologies and resources for design and construction

Brand and technology refined for consumer electronics and housing

Provide harmonized air value utilizing our strength for needs of special value

Comfort

Health

Environmental/economic performance

Revenue model based on new provided values

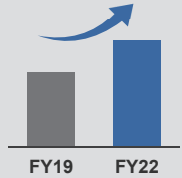


Focus on commercial air conditioning (CAC) and air to water (A2W) businesses, aiming to achieve high growth and profitability

CAC for Japan, China, Asia

Create group synergy by stronger coordination with the LS Company

■ Growth target
Over CAGR10%



[Japan]
Expand sales with electrical construction materials and package proposals



[China]
Accelerate coordination under one-head structure

- Collaborating stores exclusive for air-conditioning (over 200 in 2019)
- Start providing integrated app (Q1FY20)

[Asia]
Strengthen ventilation commodities, integrate sales structure

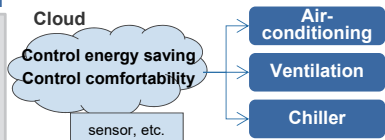
- Integrated air-conditioning/air-quality contact point for 4 main countries
- Direct sales of AHU¹, in cooperation with Saiver (Italy)

*1 Air-handling unit

CAC for Europe

Expand through total solution of air-conditioning, chiller, ventilation and cloud

■ Growth target
Over CAGR10%



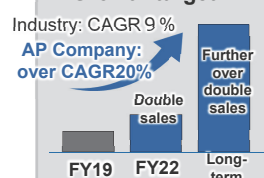
Strategic alliance with Systemair (Swedish) systemair for products and sales channels

- OEM supply and co-development of Chiller
- Enhance solutions with ventilation products

A2W (heat pump water heater) for Europe

Aim to grow beyond markets implementing proactive investments, keeping the trend of replacing boilers for decarbonization

■ Growth target



■ Strengthen human resources exclusive to A2W

- Sales, engineers, services

■ Enhance the product lineup

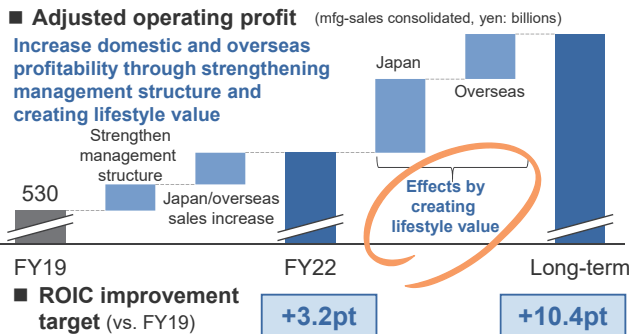
- Incorporate cooling demands in addition to heating and water heating.
- Products blending with ventilation and RAC multi.

■ Generate new business models by building an IoT platform

- Start Remote monitoring system in operation (from FY19)

Leverage our strengths refined in the consumer electronics (CE) business to create new value and transform how we deliver it

Management targets (Home Appliances business only)



Strategic direction

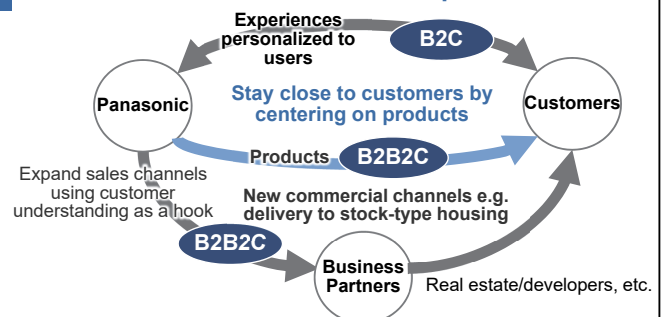


Value provision of Lifestyle Appliances

Create lifestyle value



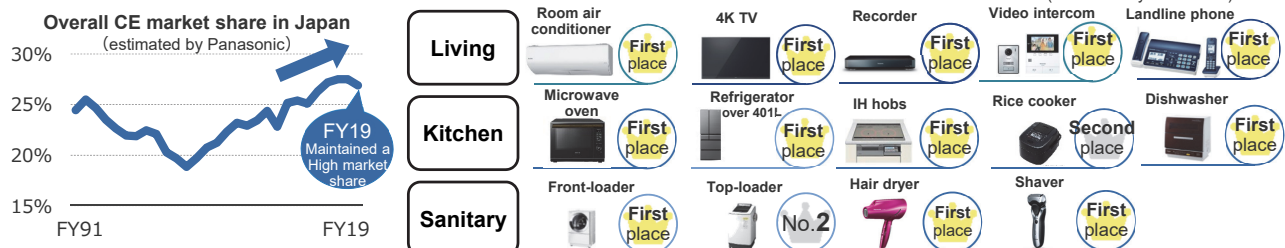
Build a new profit structure in B2C/B2B2C from Japan



Transform the business structure centered on products from Japan, utilizing the wide-range of products and market presence in Japan

Our market position in Japanese consumer electronics business

Acquired the high market shares*1 in the wide-range of product categories at any living space



Pursue essential value with hardware

Pursue the essential value products have with hardware, in combination with refined lifestyle insights and underlying technology

<Past examples>



Plan to release products with essential value in FY22

Realize UX*1 via software

Realize satisfying UX*2 customized/personalized to user preferences/behavior

*2 user experience

<Examples for food>



Provide satisfying UX in every area of lifestyles, starting from food

Strengthen businesses with co-creation

Realize a shared global platform and stronger cost competitiveness via co-creation with CNA Company, expand highly competitive products overseas

Co-creation with CNA Company

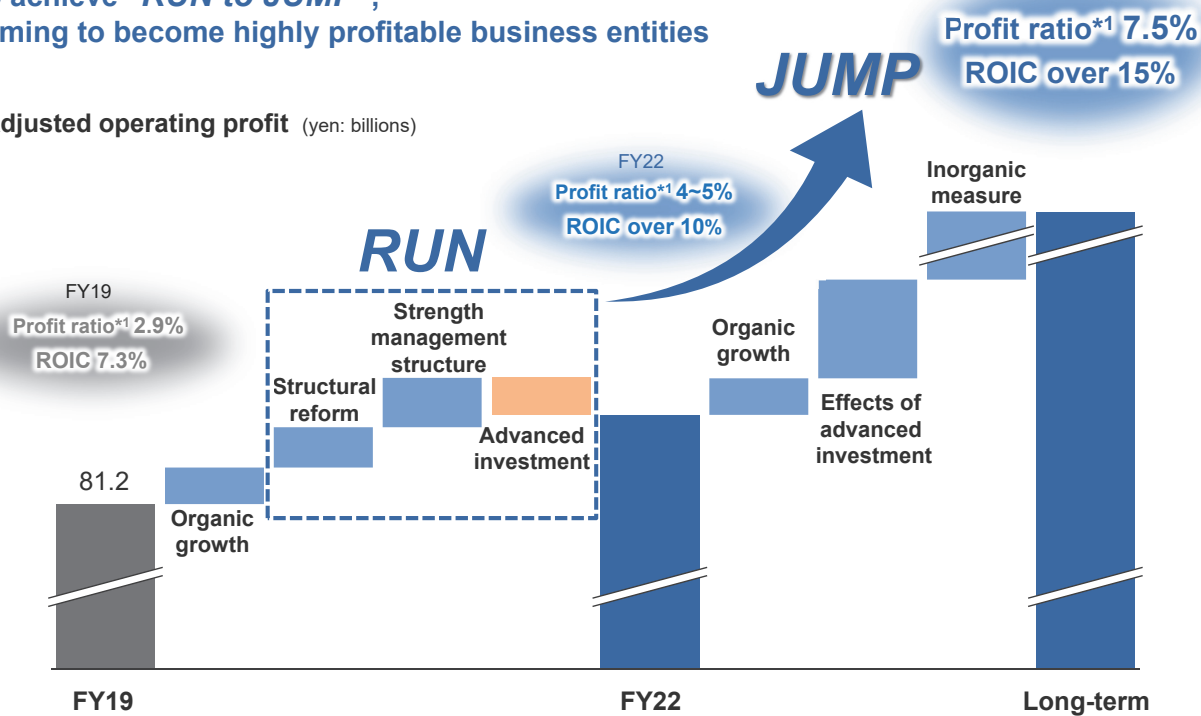


Expand to Asia/India for major appliances mainly

Long-term Goal

Execute the structural reform and advanced investments to achieve “*RUN to JUMP*”, aiming to become highly profitable business entities

Adjusted operating profit (yen: billions)



*1 Adjusted operating profit ratio



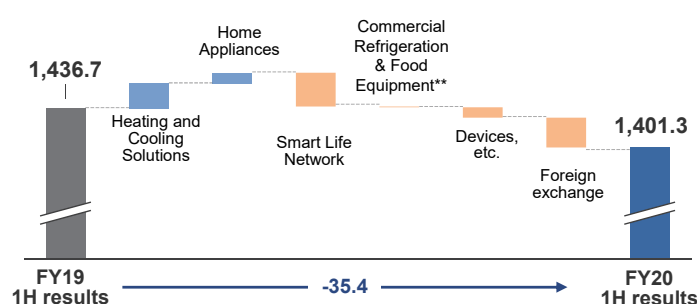
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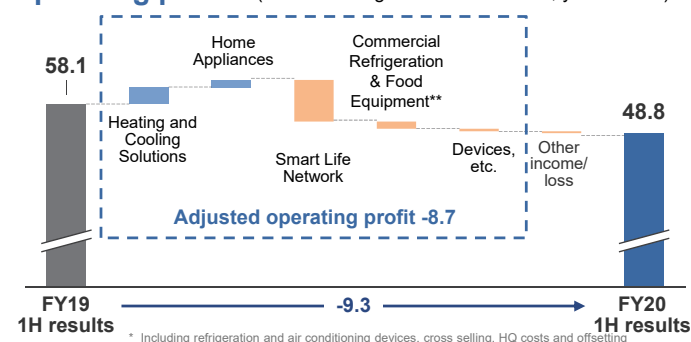
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Reference: FY20 1H Results

Sales (Manufacturing-sales consolidated, yen: billions)



Operating profit (Manufacturing-sales consolidated, yen: billions)



* Including refrigeration and air conditioning devices, cross selling, HQ costs and offsetting
 ** Referred to as "Food Retail Equipment" for this presentation.

	1H results/initiatives
Appliances Segment	<ul style="list-style-type: none"> While domestic consumer electronics & overseas air conditioning stayed steady, AVC had difficulty in the sales of overseas TVs, etc., resulting in decreased sales and profit
Heating and Cooling Solutions	<ul style="list-style-type: none"> Room air-conditioners were steady in Asia/Europe, and commercial air conditioning also increased sales in Japan, etc., achieving increased sales and profit
Home Appliances	<ul style="list-style-type: none"> In addition to the favorable sales of washing machines, refrigerators, beauty care products, etc. in Japan, refrigerators were steady in Asia and other regions, achieving increased sales and profit
Smart Life Network	<ul style="list-style-type: none"> While TVs, etc. were steady in Japan, sales were slow in TVs and DSCs in Europe and other regions, resulting in decreased sales and profit
Commercial Refrigeration & Food Equipment	<ul style="list-style-type: none"> While sales were steady in North America, the business had difficulty for large-sized stores and display cases in Japan and other areas, resulting in decreased sales and profit

Reference: Businesses Whose Sales Are Disclosed

Businesses whose sales are disclosed	Major products
Heating and Cooling Solutions	 <ul style="list-style-type: none"> Room air conditioners, commercial air-conditioners, and hot water supply systems
Home Appliances	 <ul style="list-style-type: none"> Refrigerators, washing machines, vacuum cleaners, and hygiene toilet seats, microwave ovens, rice cookers, IH cooking equipment, dishwashers, beauty, healthcare, and cooking equipment, electric irons, and nanoe devices
Smart Life Network	 <ul style="list-style-type: none"> TVs, recorders, audio equipment, digital cameras, and intercoms
Commercial Refrigeration & Food Equipment*	 <ul style="list-style-type: none"> Display cases, kitchen equipment, vending machines, and dispensers
Devices, etc.	 <ul style="list-style-type: none"> Compressors, vacuum insulation materials, fuel cells, and metering devices

* Referred to as "Food Retail Equipment" for this presentation .