

Fiscal 2020 First Quarter Financial Results

July 31, 2019
Panasonic Corporation



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

- This presentation gives Panasonic's consolidated financial results for the first quarter of fiscal 2020 (FY20) ended June 30, 2019.

FY20 1Q Financial Results

- Sales decreased due mainly to impact of lower sales in China
- Overall operating profit decreased due to lower sales in China mainly at Industrial Solutions, increased development expenses at Automotive Solutions, sluggish TV sales, in addition to impact of gains from sale of land in previous year, despite steady housing-related business in Japan

(yen: billions)

	FY20 1Q	FY19 1Q	vs. FY19 / Difference	
Sales	1,891.1	2,008.7	-6% (-5%)*	-117.6
Operating profit	56.4	100.0	-44%	-43.6
Other income/loss**	-6.0	18.4	-	-24.4
Non-operating income/loss	-0.2	2.2	-	-2.4
Profit before income taxes	56.2	102.2	-45%	-46.0
Net profit attributable to Panasonic Corporation stockholders	49.8	57.4	-13%	-7.6
Exchange rates				
1 US dollar	110 yen	109 yen		
1 Euro	123 yen	130 yen		
1 Renminbi	16.1 yen	17.1 yen		

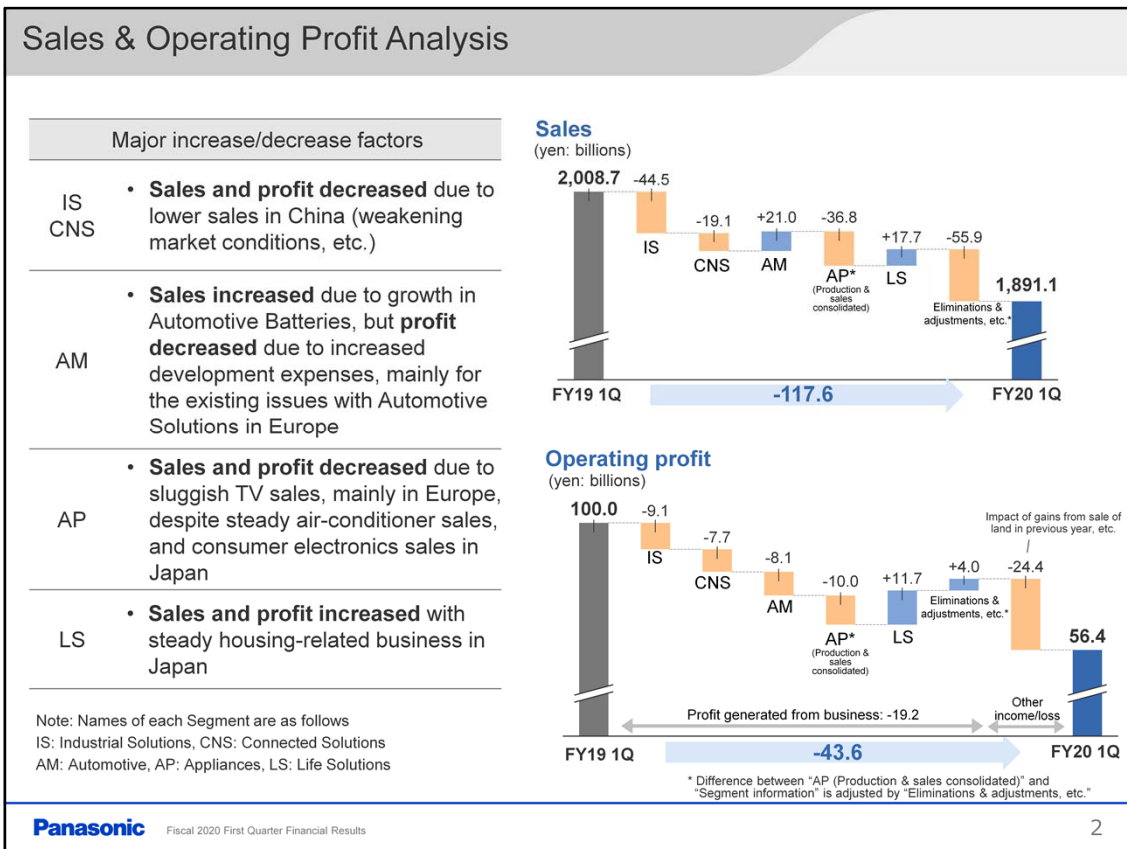
* In real terms excluding the effect of exchange rates
 ** Other income/loss = Other income (expenses) + Share of profit investments accounted for using the equity method

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Fiscal 2020 First Quarter Financial Results

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- This shows the consolidated financial results for the first quarter of FY20.
- Overall sales were 1,891.1 billion yen, decreased by 6% from the same period last year due mainly to impacts of lower sales in China and revised presentation in certain transactions.
- Overall operating profit was 56.4 billion yen, decreased by 43.6 billion yen, due to lower sales in China mainly at Industrial Solutions, increased development expenses at Automotive Solutions, sluggish TV sales, in addition to impact of gains from sale of land in the previous year, despite steady housing-related business in Japan.
- Overall net profit was 49.8 billion yen, decreased by 7.6 billion yen, despite improvements in income taxes due to one-off effect resulting from the reorganization of subsidiaries.



- I will explain the major increase and decrease factors for sales and operating profit by Segment.
- For Industrial Solutions and Connected Solutions, sales and profit decreased due to lower sales impacted mainly by weakening market conditions in China.
- For Automotive, sales increased due to growth in Automotive Batteries, but profit decreased overall due to increased development expenses, mainly for the existing issues with Automotive Solutions in Europe.
- For Appliances, sales and profit decreased due to sluggish TV sales, mainly in Europe, despite steady air-conditioner sales, and consumer electronics sales in Japan.
- On the other hand, for Life Solutions, both sales and profit increased with the steady housing-related business in Japan.
- As a result, profit generated from business decreased by 19.2 billion yen.
- Overall operating profit decreased by 43.6 billion yen due to factors including impact of one-time gains in the previous year for other income/loss.

FY20 1Q Results by Segment

(yen: billions)

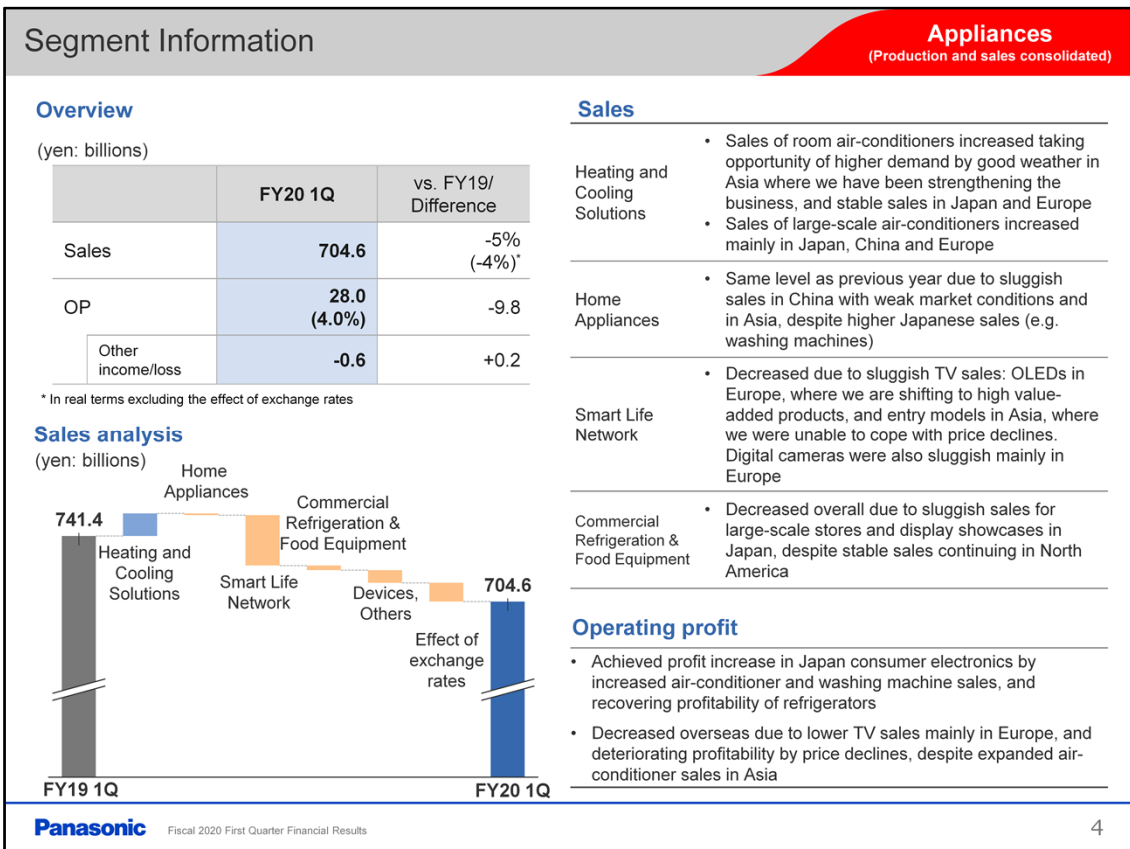
	Sales	vs. FY19	In real terms excl. effect of exchange rates	Operating profit	vs. FY19	Other income/loss	vs. FY19
Appliances	689.0	-4%	-3%	30.0	-9.1	-0.5	+0.3
Life Solutions	462.1	+4%	+5%	12.7	+12.8	0.3	+1.1
Connected Solutions	255.2	-7%	-6%	13.7	-8.7	-0.5	-1.0
Automotive	377.4	+6%	+7%	-10.0	-8.5	-0.2	-0.4
Industrial Solutions	327.1	-12%	-10%	5.2	-11.6	-1.6	-2.5
Other	58.5	-18%	-	1.5	+1.4	0.4	+0.8
Eliminations and adjustments	-278.2	-	-	3.3	-19.9	-3.9	-22.7
Total	1,891.1	-6%	-5%	56.4	-43.6	-6.0	-24.4
Appliances (production and sales consolidated)	704.6	-5%	-4%	28.0	-9.8	-0.6	+0.2

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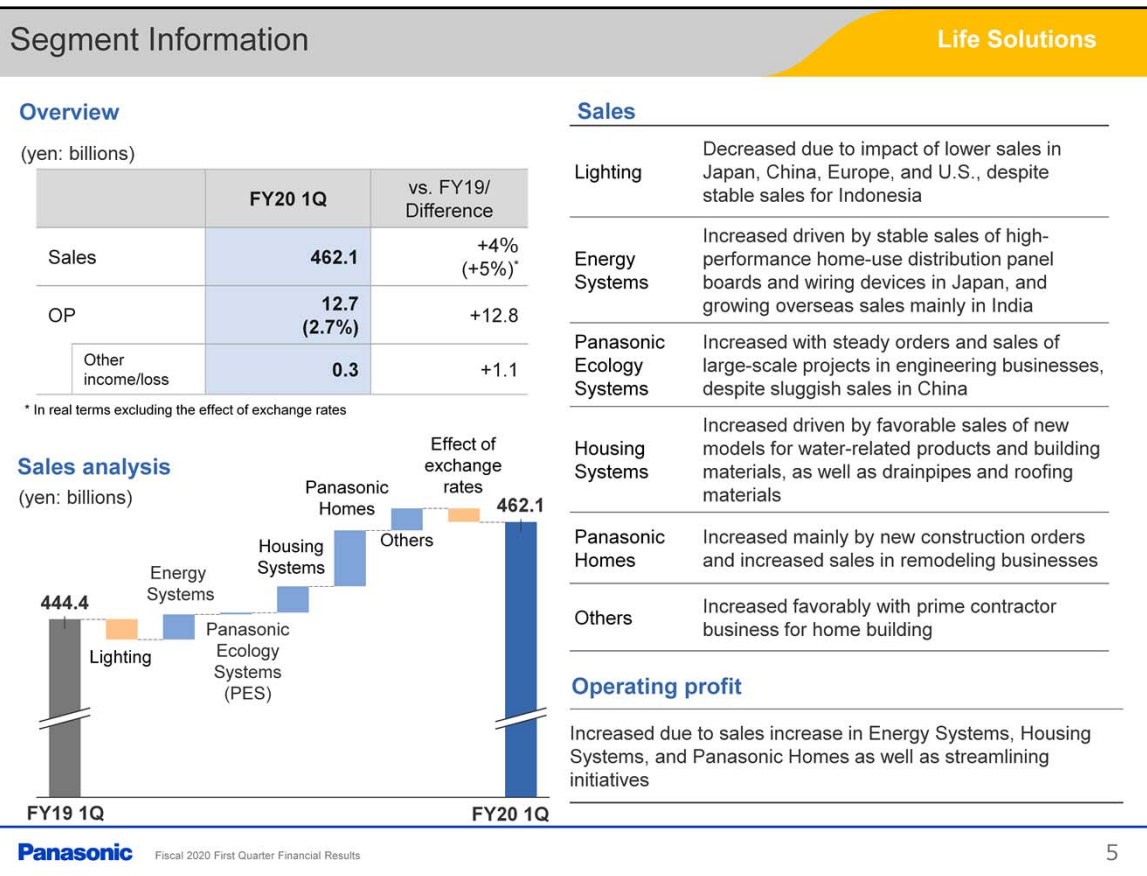
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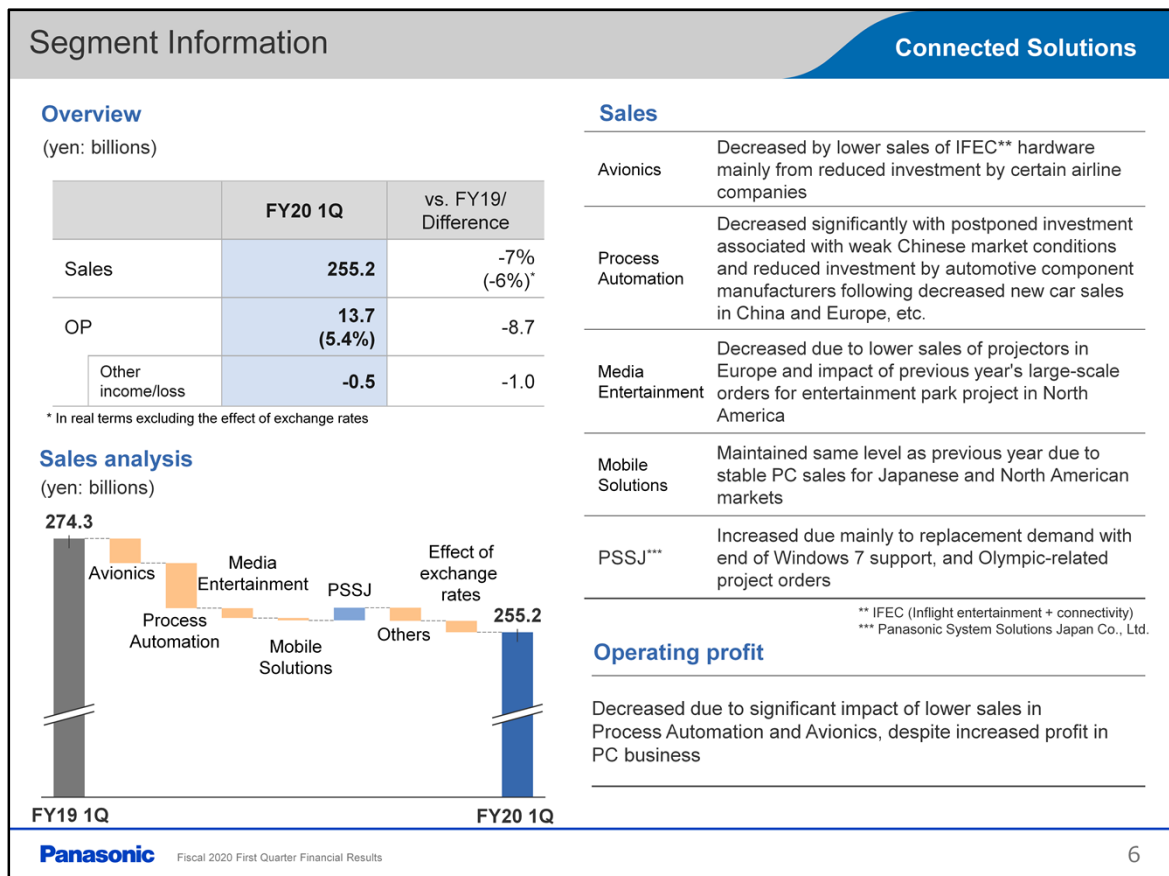
- Next, let's look at the results by Segment. I will explain the details from the next slide.



- First, let's look at Appliances based on consolidated production and sales.
- Sales decreased by 4% from the previous year in real terms, excluding the effect of exchange rates.
- In Heating and Cooling Solutions, sales increased due to steady sales of room air-conditioners, taking opportunity of higher demand from good weather in Asia, as well as expanded sales of large-scale air-conditioners in Japan, China, and Europe.
- On the other hand, in Smart Life Network, sales decreased due to sluggish sales of TVs, such as OLEDs in Europe, where we are shifting to high value-added products, and in Asia, where we could not manage to cope with price declines of entry models.
- Overall operating profit decreased. We achieved increased profit for consumer electronics in Japan thanks to sales increase of air-conditioners and washing machines, and the recovering profitability of refrigerators. However, overseas profit decreased due to lower TV sales, mainly in Europe.
- For the TV business, we are carrying out structural reform, including a review of production sites, in addition to improving production cost structure. We will implement drastic measures toward improving profitability.
- We aim to improve overall profitability through stable sales of consumer electronics in Japan, mainly white goods, and favorable sales of air-conditioners, mainly in Asia.



- Next, let's look at Life Solutions.
- Sales increased by 5% from the previous year in real terms, excluding the effect of exchange rates.
- In Energy Systems, sales increased due mainly to favorable sales of home-use distribution panel boards and wiring devices.
- In Housing Systems, sales increased due to sales growth of new models for water-related products and building materials.
- In Panasonic Homes, sales increased due mainly to sales increase of new construction orders and remodeling business.
- Operating profit increased due to higher sales as well as streamlining initiatives.
- We will continue to generate profit mainly through these stable businesses.



- Next, let's look at Connected Solutions.
- Sales decreased by 6% from the previous year in real terms, excluding the effect of exchange rates.
- In Process Automation, sales decreased significantly due to postponed investments associated with weak Chinese market conditions, and reduced investments by automotive component manufacturers in response to lower sales of new cars in China and Europe.
- In Avionics, sales decreased due mainly to reduced investments by certain airline companies.
- On the other hand, in PSSJ, sales increased due to stable sales of PCs resulting from demands related to replacement associated with the end of support for Windows 7, and movements toward work-style reform, in addition to Olympic-related project orders.
- Operating profit decreased due to the significant impact of lower sales of Process Automation and Avionics, despite the increased profit in PC business.
- Going forward, the decreased sales in Process Automation will be offset by other businesses of Connected Solutions, as well as implementing effective cost management including assessment of upfront investments corresponding to market conditions.

Overview

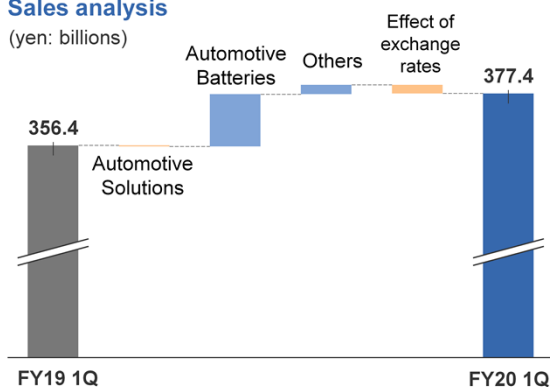
(yen: billions)

	FY20 1Q	vs. FY19/ Difference
Sales	377.4	+6% (+7%)*
OP	-10.0 (-2.7%)	-8.5
Other income/loss	-0.2	-0.4

* In real terms excluding the effect of exchange rates

Sales analysis

(yen: billions)



Sales

Automotive Solutions Decreased overall; expansion of growth-expected products (e.g. IVI**) could not offset the impact of lower sales from deteriorating Chinese market situation and product cycle trend

Automotive Batteries [Prismatic] Increased with investment effect for production expansion at Dalian factory

[Cylindrical] Significantly increased with investment effect for production expansion at North America factory

Operating profit

** IVI (In-Vehicle Infotainment)

◇ Automotive Solutions

Decreased due to overall development expenses peaking in FY20, along with increased development expenses related to issues in Europe, although in line with forecast as of the beginning of FY20

◇ Automotive Batteries

Same as last year's level overall due to decreased sales of cylindrical types from Japan factory, despite increased sales of prismatic types, and cylindrical types from North America factory

Grouping of Businesses whose sales are disclosed

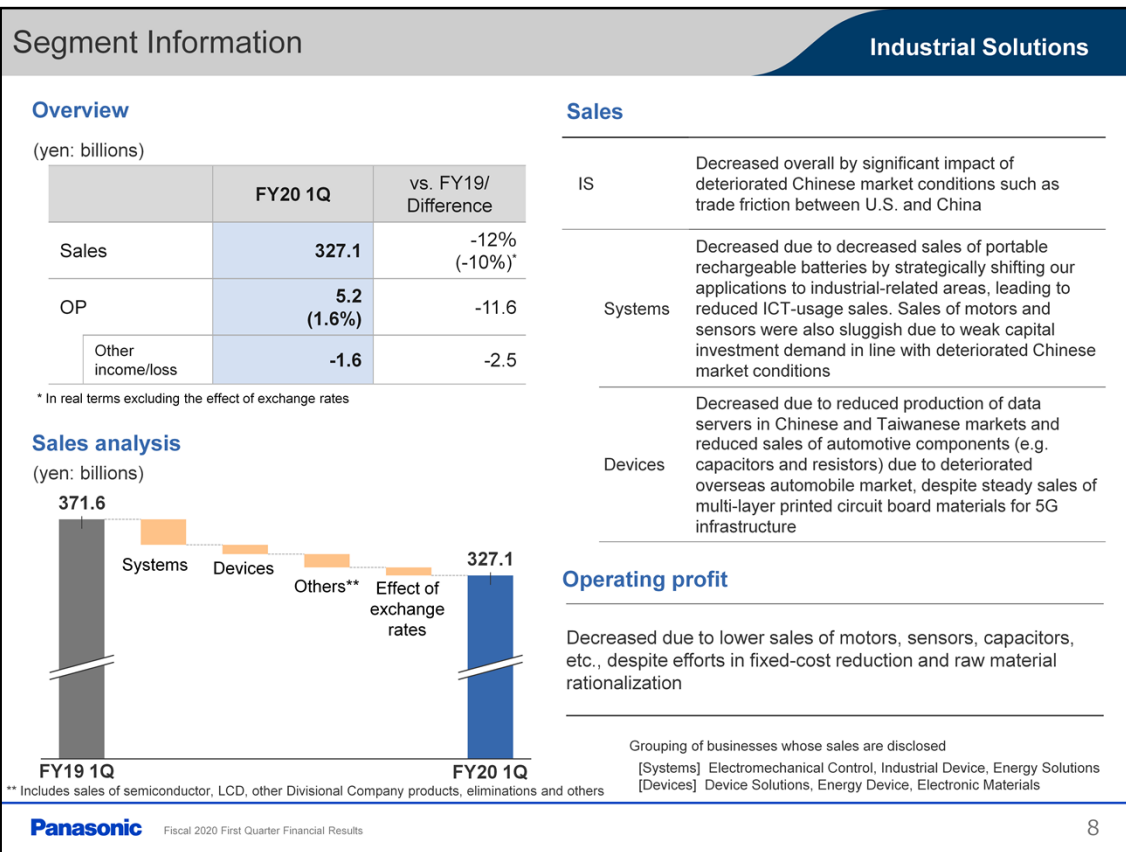
[Automotive Solutions] Automotive Infotainment Systems, HMI Systems,
Automotive Systems, Ficosa
[Automotive Batteries] Automotive Energy, Tesla Energy

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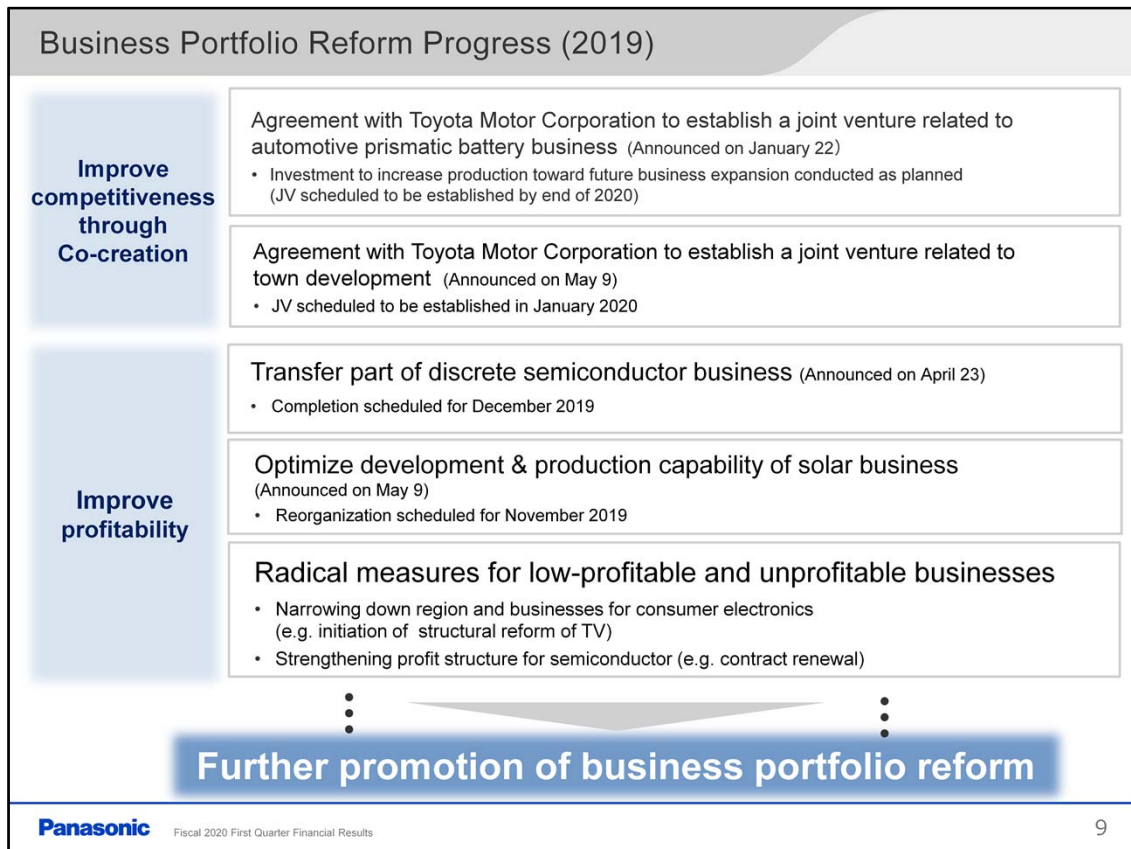
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- Next, let's look at Automotive.
- Sales increased by 7% from the previous year in real terms excluding the effect of exchange rates.
- For Automotive Solutions, sales decreased despite the expansion of growth-expected products such as IVI, which could not offset impacts of deteriorating automobile market conditions in China and decreased sales resulting from the product cycle trend.
- For Automotive Batteries, sales increased due to the effect of investments to expand production, for both prismatic and cylindrical types.
- Operating profit for Automotive Solutions decreased due to overall development expenses peaking in FY20, along with increased development expenses for the existing issues in Europe, although these are in line with the forecast as of the beginning of FY20.
- For fixed costs, including development expenses, a list of reduction measures has been drawn up and are factored into the forecast. Looking toward improved profitability, areas of focus will be clarified for region, customers and products.
- Profit for Automotive Batteries was the same as last year's level. This was due to lower sales of cylindrical types from our factory in Japan, despite higher sales of prismatic types, as well as cylindrical types from the North America factory.
- Going forward, with a view to enhancing the competitiveness of prismatic types, investments will be made, according to plan, to expand production at factories in Dalian, China and Himeji, Japan.
- In addition, we aim to improve profitability of cylindrical types, by improving productivity at the North America factory.



- Finally, Industrial Solutions.
- Sales decreased by 10% from the previous year in real terms excluding the effect of exchange rates, significantly impacted by the deteriorated market conditions in China, such as trade friction between the U.S. and China.
- Sales decreased for Systems due to decreased sales of portable rechargeable batteries by strategically shifting our applications to industrial-related areas, leading to reduced ICT-usage sales. Sales of motors and other products were also sluggish due to weakening demand for capital investment in China.
- Sales decreased for Devices due to decreased sales of capacitors, resistors, and automotive components.
- Operating profit decreased with the significant impact of lower sales, which were partially offset by efforts in fixed-cost reduction and raw material rationalization.
- As the Chinese market continues to be uncertain, efforts will be made to expand sales in Europe and emerging markets, as well as to improve profitability mainly through fixed-cost reduction.



- Next, I will explain the progress made in business portfolio reform, which was announced at the beginning of this fiscal year.
- First, improving competitiveness through Co-creation with partners.
- In our automotive prismatic battery business, as explained before, we are investing in production capacity expansion in preparation for future business expansion.
- In our town development business, we are steadily working to establish a joint venture during the fourth quarter of this fiscal year, with a preparatory committee discussing the new company.
- In further measures to improve profitability, we are making steady progress particularly in our semiconductor and solar businesses.
- Going forward, we will accelerate our business portfolio management, such as structural reform of the TV business, which is already in progress.



- For FY20, we have forecasted decreased profit for the full-year by factoring in business risks, in addition to costs related to business structural reform.
- For the first quarter, profit decreased due mainly to lower sales in China, increased development expenses for Automotive Solutions, and sluggish TV sales.
- Toward achieving the full-year forecast, we will carefully monitor changes in the business environment, including China's market conditions, and carry out the necessary measures.
- Specifically, we will review investments and control costs, corresponding to particular business situations and the competitive environment, as well as continue generating profits from our stable businesses.
- Furthermore, we will work to improve profitability, our top-priority issue, through steady progress in our business portfolio reform, our pillar for FY20.

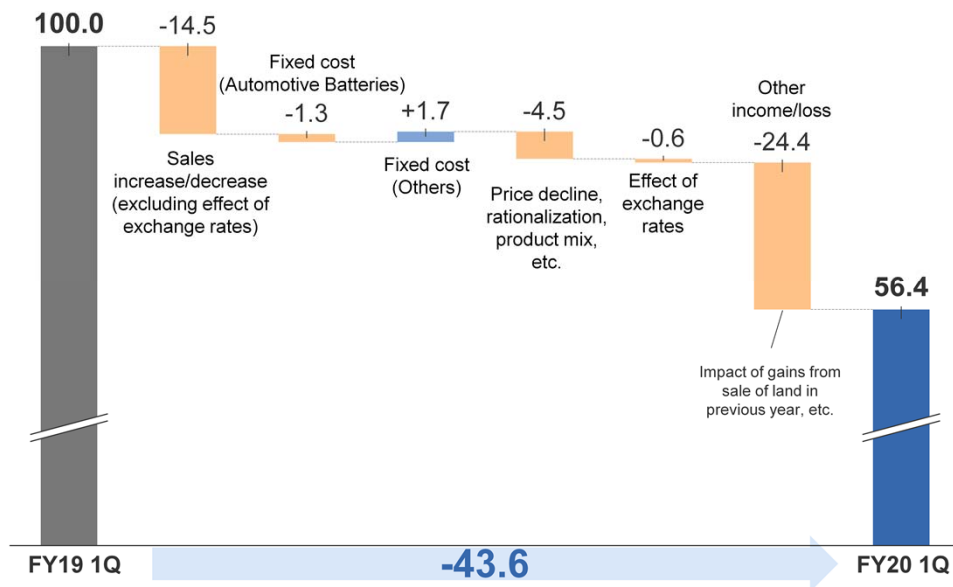
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(Reference) Operating Profit Analysis

(yen: billions)



(Reference) FY20 1Q Operating Profit & Net Profit

(yen: billions)

	FY20 1Q	FY19 1Q	vs FY19 1Q
Operating profit	56.4	100.0	-43.6
Non-operating income/loss	-0.2	2.2	-2.4
Profit before income taxes	56.2	102.2	-46.0
Income taxes	-2.4	-40.7	+38.3
Net profit	53.8	61.5	-7.7
Net profit attributable to Panasonic Corporation stockholders	49.8	57.4	-7.6
Net profit attributable to non-controlling interests	4.0	4.1	-0.1

(Reference) List of Businesses whose sales are disclosed in FY20

	<u>Businesses</u>	<u>Major Business Divisions</u>
Appliances (AP)	<ul style="list-style-type: none"> • Heating and Cooling Solutions • Home Appliances • Smart Life Network • Commercial Refrigeration & Food Equipment 	<ul style="list-style-type: none"> : Heating and Cooling Solutions BD : Kitchen Appliances BD, Laundry Systems and Vacuum Cleaner BD, Beauty and Personal Care BD : Smart Life Network BD : Cold Chain BD, Hussmann Corporation
Life Solutions (LS)	<ul style="list-style-type: none"> • Lighting • Energy Systems • Panasonic Ecology Systems • Housing Systems • Panasonic Homes 	<ul style="list-style-type: none"> : Lighting BD : Energy Systems BD : Panasonic Ecology Systems Co., Ltd. : Housing Systems BD : Panasonic Homes Co., Ltd.
Connected Solutions (CNS)	<ul style="list-style-type: none"> • Avionics • Process Automation • Media Entertainment • Mobile Solutions • PSSJ 	<ul style="list-style-type: none"> : Panasonic Avionics Corporation, Avionics BU : Process Automation BD : Media Entertainment BD : Mobile Solutions BD : Panasonic System Solutions Japan Co., Ltd.
Automotive (AM)	<ul style="list-style-type: none"> • Automotive Solutions • Automotive Batteries 	<ul style="list-style-type: none"> : Automotive Infotainment Systems BD, HMI Systems BD, Automotive Systems BD, Ficosa International, S.A. : Automotive Energy BD, Tesla Energy BD
Industrial Solutions (IS)	<ul style="list-style-type: none"> • Systems • Devices 	<ul style="list-style-type: none"> : Electromechanical Control BD, Industrial Device BD, Energy Solutions BD : Device Solutions BD, Energy Device BD, Electronic Materials BD

Note: Sales and profit of China & Northeast Asia Company are mainly included in AP and LS segments. Sales and profit of US Company are mainly included in AP and AM segments.