

Fiscal 2020 Third Quarter Financial Results

February 3, 2020
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.

Summary of FY20 3Q Financial Results

- 3Q results
 - **Overall sales decreased**, however, **adjusted operating profit was the same level as the previous year** due mainly to improved marginal profit ratio and reduced fixed costs
 - **Operating profit and net profit* increased:**
Gain from business transfer and other factors offset restructuring expenses, through execution of business portfolio reform
- Full-year forecast
 - **Company-wide sales and profit forecasts are unchanged**
 - **Partial revision in segment forecasts**, reflecting current management conditions and effect of business portfolio reform

* Net profit attributable to Panasonic Corporation stockholders

Fiscal 2020 3Q Financial Results

Fiscal 2020 Full-Year Financial Forecast



FY20 3Q Results

- Overall sales: Decreased due to weak demand for capital investment and slowdown of the automobile market mainly in China, in addition to consumption tax hike in Japan
- Adjusted operating profit: Same level as previous year, due mainly to improved marginal profit ratio and reduced fixed costs, despite lower sales and effect of exchange rates
- Operating profit and net profit: Increased due mainly to gain from business transfer, despite recording restructuring expenses

(yen: billions)

	FY20 3Q	FY19 3Q	vs. FY19 / Difference	
Sales	1,911.2	2,074.8	-8% (-6%)*	-163.6
Adjusted operating profit ** (Adjusted OPM)	95.3 (5.0%)	96.7 (4.7%)	-1%	-1.4
Other income/loss ***	5.1	0.9	-	+4.2
Operating profit (OPM)	100.4 (5.3%)	97.6 (4.7%)	+3%	+2.8
Non-operating income/loss	-0.2	-0.6	-	+0.4
Profit before income taxes	100.2	97.0	+3%	+3.2
Net profit attributable to Panasonic Corporation stockholders	77.2	60.1	+29%	+17.1
Exchange rates				
	1 US dollar	109 yen	113 yen	
	1 Euro	120 yen	129 yen	
	1 Renminbi	15.5 yen	16.3 yen	

* In real terms excluding the effect of exchange rates
 ** Adjusted OP = Sales - Cost of sales - SG&A
 *** Other income/loss = Other income (expenses) +
 Share of profit of investments accounted for using
 the equity method

Sales and Profit Analysis by Segment

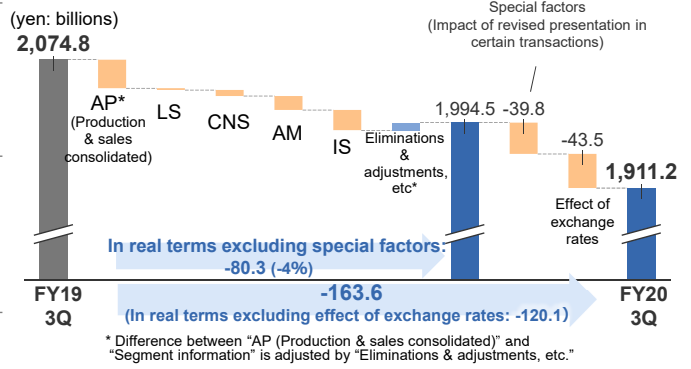
Major increase/decrease factors

Sales / Adjusted OP	AP	<p>Sales decreased: Lower sales of TVs / digital cameras in Europe, as well as consumption tax hike in Japan</p> <p>Profit increased: Following 2Q, due mainly to sales increase of Home Appliances and cost reduction efforts for TV</p>
	LS	<p>Same level of sales as previous year: Sales increases of indoor air quality (IAQ) and housing-related businesses offset sales decreases in Lighting, etc.</p> <p>Profit increased: Following 1Q and 2Q, due to sales increase of housing-related business and rationalization effect</p>
	CNS	<p>Sales & profit decreased: Lower sales of mounting machines impacted by weak investment demand mainly in China and slowdown of automobile market conditions</p>
	AM	<p>Sales & profit decreased: Lower sales at Automotive Solutions due mainly to market slowdown, and factors such as increased fixed costs related to automotive prismatic batteries, despite sales and profit increases in automotive cylindrical batteries</p>
	IS	<p>Sales & profit decreased: Impacts of market conditions in China, deteriorated supply-demand conditions of rechargeable batteries in China, and typhoon-affected Koriyama factory in Japan</p>

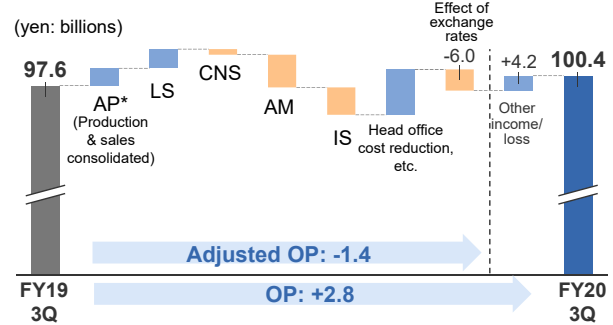
Other income/loss Gain from business transfer and other factors offset restructuring expenses

Note: Names of each Segment are as follows;
 AP: Appliances LS: Life Solutions
 CNS: Connected Solutions AM: Automotive
 IS: Industrial Solutions

Sales: Decreased at all segments, particularly AP and IS



OP: Increases at AP and LS, as well as such factors as cost reduction at head office, offset decreases at AM and IS



FY20 3Q Results by Segment

(yen: billions)

	Sales	vs. FY19	In real terms excl. effect of exchange rates	Adjusted OP	vs. FY19	Other income/loss	vs. FY19	OP	vs. FY19
Appliances	683.2	-6%	-4%	29.7	+3.7	0.1	-0.9	29.8	+2.8
Life Solutions	512.0	-1%	±0%	33.4	+5.5	-3.6	-3.0	29.8	+2.5
Connected Solutions	251.7	-6%	-3%	17.7	-2.8	22.6	+21.4	40.3	+18.6
Automotive	366.2	-7%	-4%	-6.7	-8.9	0.2	+3.0	-6.5	-5.9
Industrial Solutions	326.2	-10%	-7%	10.0	-11.4	-16.6	-22.2	-6.6	-33.6
Other	54.7	-2%	-	1.5	+0.5	-0.6	+0.1	0.9	+0.6
Eliminations and adjustments	-282.8	-	-	9.7	+12.0	3.0	+5.8	12.7	+17.8
Total	1,911.2	-8%	-6%	95.3	-1.4	5.1	+4.2	100.4	+2.8
Appliances (Production and sales consolidated)	704.5	-7%	-5%	29.4	+3.7	0.1	-0.8	29.5	+2.9

Segment Information

Overview

(yen: billions)

	FY20 3Q	vs. FY19/ Difference
Sales	704.5	-7% (-5%)*
Adjusted operating profit	29.4 (4.2%)	+3.7
Other income/loss	0.1	-0.8
Operating profit	29.5 (4.2%)	+2.9

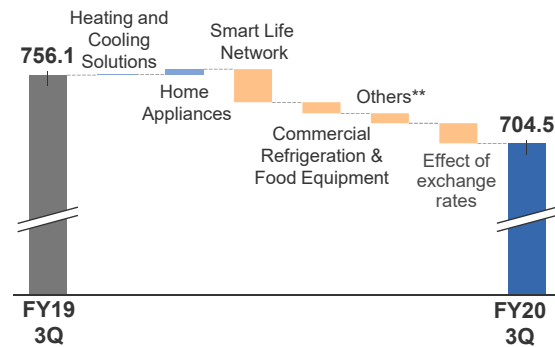
* In real terms excluding the effect of exchange rates

Major increase/decrease factors

Sales / Adjusted OP	Major increase/decrease factors
Heating and Cooling Solutions	<ul style="list-style-type: none"> Sales increased due to stable growth in overseas room air-conditioners mainly in Asia and Europe, despite sluggish sales in Japan due to mild winter Overall profit decreased due to lower sales in Japan, where higher profitability is expected
Home Appliances	<ul style="list-style-type: none"> Sales and profit increased due to favorable sales in refrigerators and personal-care products, etc. in Japan, in addition to stable growth overseas, mainly in Asia
Smart Life Network	<ul style="list-style-type: none"> Sales decreased due to consumption tax hike in Japan and continuing sluggish sales of TVs / digital cameras mainly in Europe Profit increased due to stable sales growth of OLED TVs in Japan, and global cost-reduction efforts
Commercial Refrigeration & Food Equipment	<ul style="list-style-type: none"> Sales and profit decreased due to sluggish sales for large-scale stores and showcases in Japan, in addition to sales decrease of showcases in North America
Other income/loss	<ul style="list-style-type: none"> Impact of one-off profit in previous year, etc.

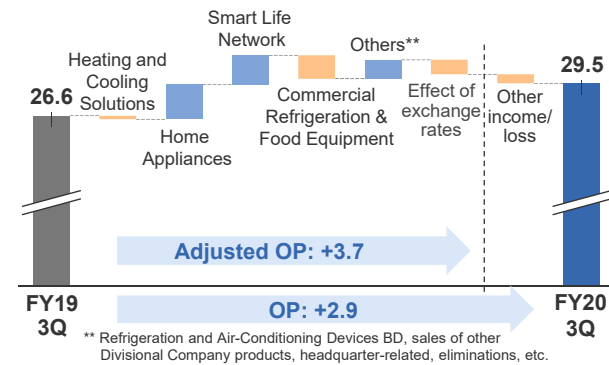
Sales analysis

(yen: billions)



Operating profit analysis

(yen: billions)



** Refrigeration and Air-Conditioning Devices BD, sales of other Divisional Company products, headquarter-related, eliminations, etc.

Segment Information

Overview

(yen: billions)

	FY20 3Q	vs. FY19/ Difference
Sales	512.0	-1% (±0%)*
Adjusted operating profit	33.4 (6.5%)	+5.5
Other income/loss	-3.6	-3.0
Operating profit	29.8 (5.8%)	+2.5

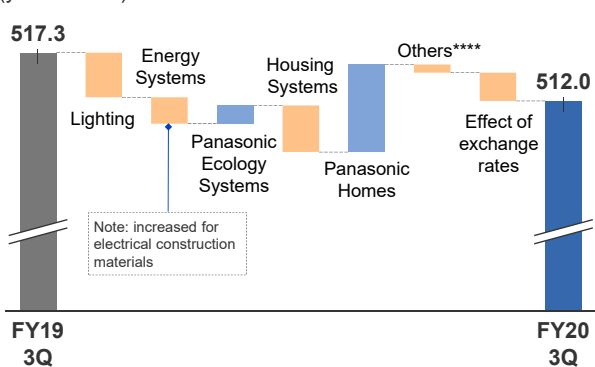
* In real terms excluding the effect of exchange rates

Major increase/decrease factors

Sales / Adjusted OP	Major increase/decrease factors
Lighting	<ul style="list-style-type: none"> Sales and profit decreased due to lower sales in Japan, Europe and U.S. despite stable sales in India and Indonesia
Energy Systems	<ul style="list-style-type: none"> Sales and profit decreased overall due to sluggish results in solar business, despite increased profit for electrical construction materials** with increased sales of overseas wiring devices, etc
Panasonic Ecology Systems	<ul style="list-style-type: none"> Sales and profit increased due to favorable sales in indoor air quality (IAQ) business such as ventilation systems
Housing Systems	<ul style="list-style-type: none"> Achieved profit increase due mainly to rationalization efforts despite lower sales by impact of reconstruction demand in previous year
Panasonic Homes	<ul style="list-style-type: none"> Increased sales and profit driven by growth in new construction orders Change in accounting treatment*** for business transfer also led to increased profit
Others	<ul style="list-style-type: none"> Achieved profit increase despite decreased sales due to impact of large orders of prime contractor business for buildings in previous year
Other income/loss	<ul style="list-style-type: none"> Costs related to structural reform, etc.

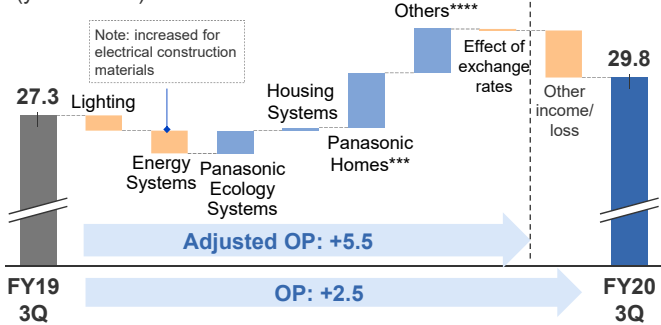
Sales analysis

(yen: billions)



Operating profit analysis

(yen: billions)



** Electrical construction materials (e.g. wiring devices) does not include solar **** Prime contractor business, bicycle, nursing-care, sales & marketing, eliminations, etc.

Segment Information

Connected Solutions

Overview

(yen: billions)

	FY20 3Q	vs. FY19/ Difference
Sales	251.7	-6% (-3%)*
Adjusted operating profit	17.7 (7.0%)	-2.8
Other income/loss	22.6	+21.4
Operating profit	40.3 (16.0%)	+18.6

* In real terms excluding the effect of exchange rates

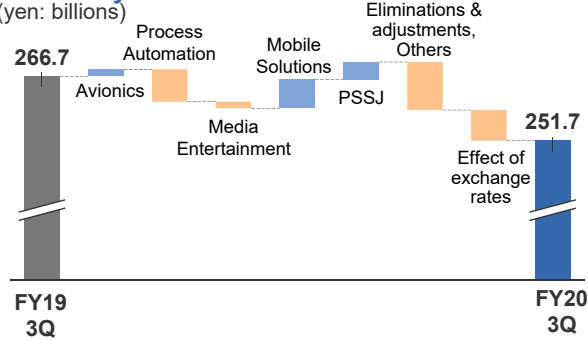
Major increase/decrease factors

Sales / Adjusted OP	Category	Factors
Sales / Adjusted OP	Avionics	• Sales and profit increased driven by sales increase in digital solutions business**
	Process Automation	• Sales and profit decreased: - capital investment stagnation resulting from trade friction between U.S. and China - decreased sales in mounting machines, etc. due to held-back investment by electrical component manufactures associated with lower automobile sales
	Media Entertainment	• Sales decrease of projectors and production cameras. However, profit increased due to reduced fixed costs.
	Mobile Solutions	• Sales and profit increased due mainly to special demand with end of Windows 7 support leading to sales expansion of PCs in Japan and North America
	PSSJ***	• Sales increased due to replacement PC demand with end of Windows 7 support. However, profit decreased due mainly to changes in sales mix
Other income/loss		• Gain from security systems business transfer, etc.

** Digital solutions & services including communication services and contents
*** Panasonic System Solutions Japan Co., Ltd.

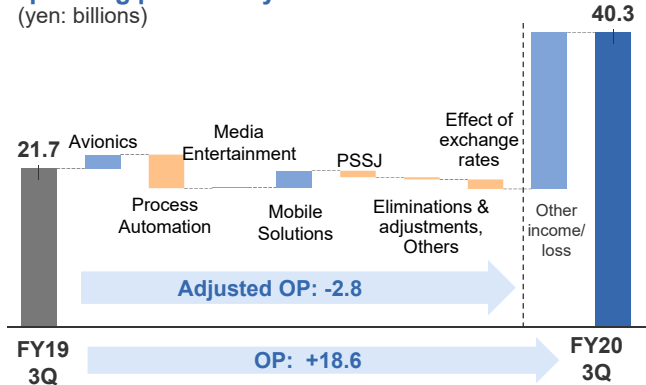
Sales analysis

(yen: billions)



Operating profit analysis

(yen: billions)



Segment Information

Automotive

Overview

(yen: billions)

	FY20 3Q	vs. FY19/ Difference
Sales	366.2	-7% (-4%)*
Adjusted operating profit	-6.7 (-1.8%)	-8.9
Other income/loss	0.2	+3.0
Operating profit	-6.5 (-1.8%)	-5.9

* In real terms excluding the effect of exchange rates

Major increase/decrease factors

Sales / Adjusted OP	Category	Factors
Sales / Adjusted OP	Automotive Solutions	Sales: • Decreased: Expansion of growth-expected products (e.g. IVI**) could not offset the impact of lower sales from deteriorating Chinese automobile market conditions and product cycle trend Profit: • Decreased with lower automobile production from market slowdown • Increased development expenses to onboard charging systems for orders received in Europe
	Automotive Batteries	Sales: • Prismatic: Decreased due mainly to downturn in HEV/PHEV in North America • Cylindrical: Increased with investment effect for production expansion at North America factory despite sales decrease from Japan factory Profit: • Prismatic: Decreased due mainly to increased fixed costs with production start of high-capacity cells at Himeji Factory • Cylindrical: Increased due to production expansion effect at North America factory, offsetting sales decrease impact from Japan factory
Other income/loss		• Improved by impact of recording provision for quality-related costs in previous year at Automotive Solutions

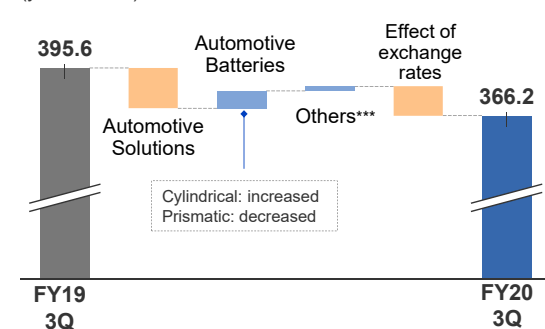
** IVI: In-Vehicle Infotainment

Note: Grouping of Businesses whose sales are disclosed

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

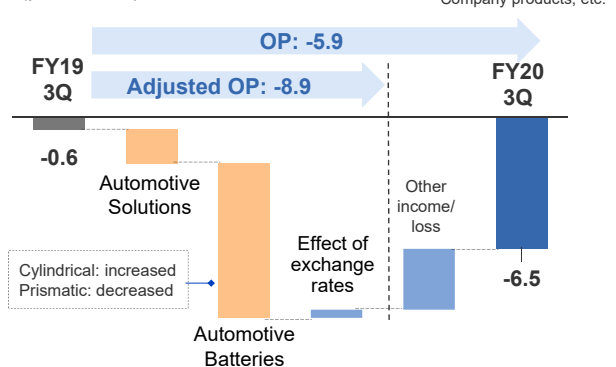
Sales analysis

(yen: billions)



Operating profit analysis

(yen: billions)



***Others: sales of other Divisional Company products, etc.

Overview

(yen: billions)

	FY20 3Q	vs. FY19/ Difference
Sales	326.2	-10% (-7%)*
Adjusted operating profit	10.0 (3.1%)	-11.4
Other income/loss	-16.6	-22.2
Operating profit	-6.6 (-2.0%)	-33.6

* In real terms excluding the effect of exchange rates

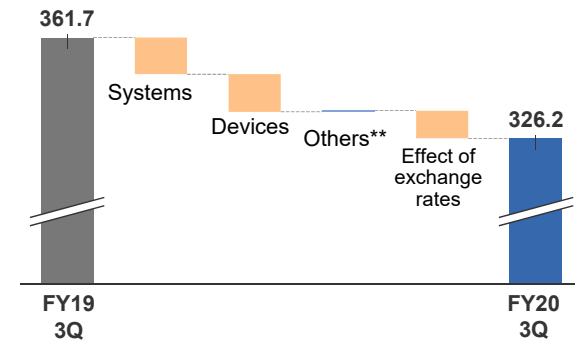
Major increase/decrease factors

Sales / Adjusted OP	
Systems	Sales and profit decreased with sluggish sales such as FA sensors and relays due mainly to weak investment demand in China, although industrial-use motors seemed to bottom out. Deteriorated supply-demand conditions for rechargeable batteries in China also led to sales decrease
Devices	Sales and profit decreased due to decreased sales of capacitors and other products resulting from weak automobile market mainly in China, as well as decreased sales of circuit board materials impacted by typhoon-affected Koriyama factory
Others	Profit improved due mainly to contract alteration in semiconductor business
Other income/loss	• Impairment loss related to decision on semiconductor business transfer, etc.

Note: Grouping of Businesses whose sales are disclosed
 [Systems] Electromechanical Control, Industrial Device, Energy Solutions
 [Devices] Device Solutions, Energy Device, Electronic Materials

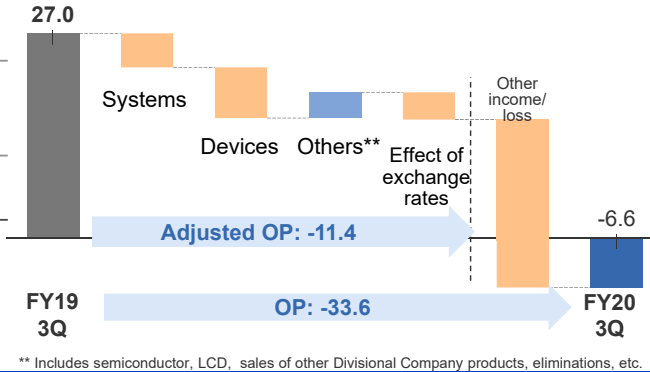
Sales analysis

(yen: billions)



Operating profit analysis

(yen: billions)



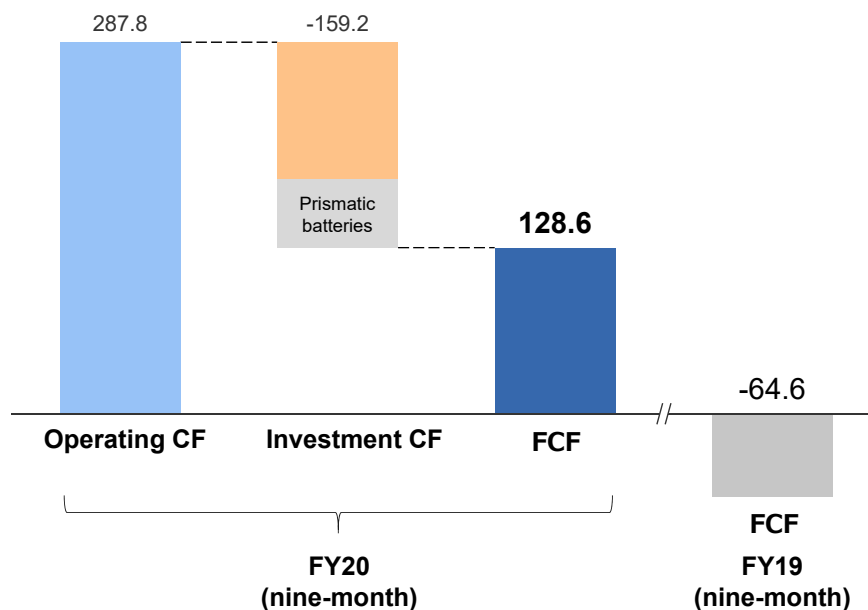
** Includes semiconductor, LCD, sales of other Divisional Company products, eliminations, etc.

FCF

- Improved significantly from previous year due mainly to inventory control and review of investments

FCF (FY20 nine-month during Apr. – Dec.)

(yen: billions)



Fiscal 2020 3Q Financial Results

Fiscal 2020 Full-Year Financial Forecast

Panasonic

FY20 Segment Forecast Revision (Revision from October 31, 2019)

- Company-wide sales and profit forecasts unchanged: Promote structural reform factored in the full-year forecast
- Segment forecasts revised to reflect current management conditions and business portfolio reform, etc.
 - CNS*: Adjusted operating profit revised downward reflecting business transfer of security systems.
Operating profit revised upward
 - IS**: Sales, adjusted operating profit and operating profit revised downward factoring in impairment loss of semiconductor business in other income/loss, along with automobile market slowdown and deteriorated supply-demand conditions of rechargeable batteries mainly in China, impact of typhoon in Japan and decreased intellectual property income
 - Eliminations and adjustments: Revised based on nine-month results such as improved head office income/expenses by fixed cost reduction

(yen: billions)

*CNS: Connected Solutions, **IS: Industrial Solutions

	Sales	vs. previous forecast	vs. FY19	Adjusted OP	vs. previous forecast	vs. FY19	Other income/loss	vs. previous forecast	vs. FY19	OP	vs. previous forecast	vs. FY19
Appliances	2,690.0	-	-60.6	84.0	-	+0.4	-7.5	-	-9.5	76.5	-	-9.1
Life Solutions	1,960.0	-	-76.1	100.0	-	+10.1	74.5	-	+99.8	174.5	-	+109.9
Connected Solutions	1,110.0	-	-17.7	81.0	-3.0	-18.9	18.0	+20.0	+23.5	99.0	+17.0	+4.6
Automotive	1,510.0	-	-13.2	-39.5	-	-27.7	-4.5	-	-4.2	-44.0	-	-31.9
Industrial Solutions	1,300.0	-30.0	-122.3	40.0	-20.0	-23.5	-27.0	-18.0	-32.1	13.0	-38.0	-55.6
Other	300.0	-	-6.6	2.0	-	-2.0	-2.0	-	+0.3	0.0	-	-1.7
Eliminations and adjustments	-1,170.0	+30.0	-6.2	32.5	+23.0	+34.6	-51.5	-2.0	-162.3	-19.0	+21.0	-127.7
Total	7,700.0	-	-302.7	300.0	-	-27.0	0.0	-	-84.5	300.0	-	-111.5
Appliances (Production & sales consolidated)	2,760.0	-	-57.8	84.0	-	+2.8	-7.5	-	-9.5	76.5	-	-6.7

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Fiscal 2020 Third Quarter Financial Results

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(Reference) Business Portfolio Reform Progress

Enhance competitiveness through Co-creation

Agreement with Toyota Motor Corporation to establish a joint venture related to automotive prismatic battery business (Announced on January 22, 2019)

- Resolved to establish joint venture on April 1, 2020 ([Announced on February 3, 2020](#))

Agreement with Toyota Motor Corporation to establish a joint venture related to town development (Announced on May 9, 2019)

- Prime Life Technologies established in January 2020 ([Announced on January 7, 2020](#))

Strategic co-investment of security systems business (Announced on May 31, 2019)

- Reorganization completed in November 2019

Transfer part of discrete semiconductor business (Announced on April 23, 2019)

- Completed at end-November 2019

Optimize development & production capability of solar business (Announced on May 9, 2019)

- Reorganization scheduled in March 2020 (subject to approval from relevant authorities)

End of production of liquid crystal display panels ([Announced on November 21, 2019](#))

- Scheduled to end production by 2021

Transfer of semiconductor business ([Announced on November 28, 2019](#))

- Completion scheduled in June 2020 (subject to approval from relevant authorities)

Radical measures for low-profitable and unprofitable businesses

- Narrowing down regions and businesses for consumer electronics:
TV business: aim to eliminate losses during FY22 through structural reform
- optimize development, manufacturing and sales structure in accordance with current business scale, complete structural reform during current Mid-term including seeking potential collaboration
(terminated TV production in Mexico at the end of July 2019)

• Note: Changes after 2Q announcement are underlined

Further promotion of business portfolio reform

Panasonic

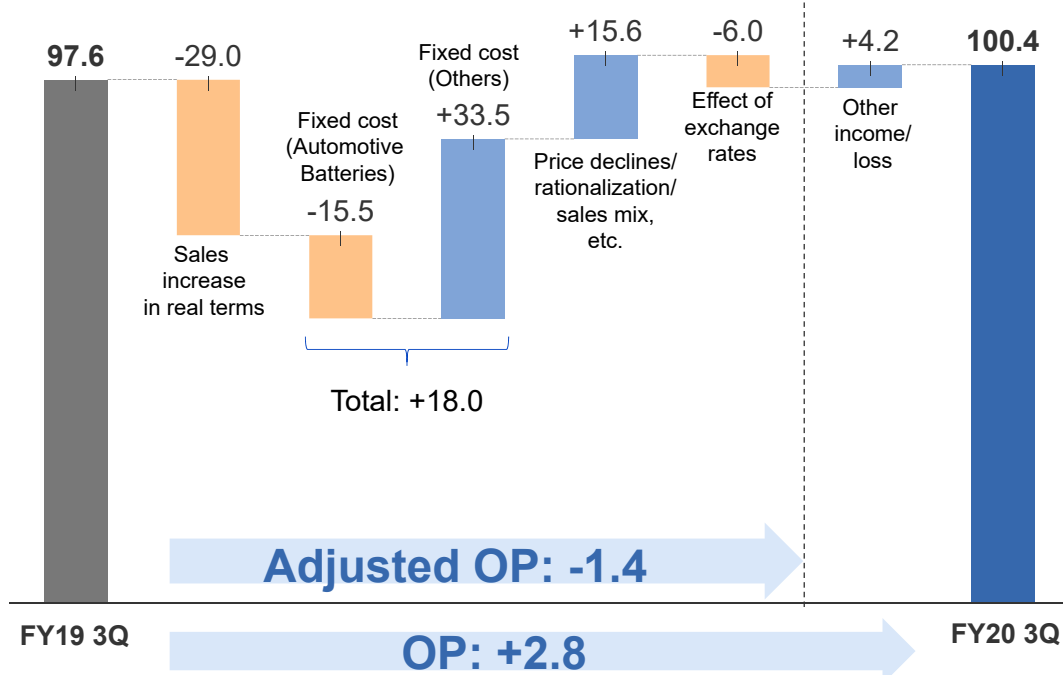
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The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the Americas, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; the possibility that excessive currency rate fluctuations of the U.S. dollar, the euro, the Chinese yuan and other currencies against the yen may adversely affect costs and prices of Panasonic's products and services and certain other transactions that are denominated in these foreign currencies; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the possibility of the Panasonic Group not being able to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results or incurring unexpected losses in connection with the alliances or mergers and acquisitions; the possibility of not being able to achieve its business objectives through joint ventures and other collaborative agreements with other companies, including due to the pressure of price reduction exceeding that which can be achieved by its effort and decrease in demand for products from business partners which Panasonic highly depends on in BtoB business areas; the possibility of the Panasonic Group not being able to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; restrictions, costs or legal liability relating to laws and regulations or failures in internal controls; fluctuations in market prices of securities and other financial assets in which the Panasonic Group has holdings or changes in valuation of non-financial assets, including property, plant and equipment, goodwill and deferred tax assets; future changes or revisions to accounting policies or accounting rules; the possibility of incurring expenses resulting from a leakage of customers' or confidential information from Panasonic Group systems due to unauthorized access or a detection of vulnerability of network-connected products of the Panasonic Group; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world, disruption of supply chain and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in the most recent English translated version of Panasonic's securities reports under the FIEA and any other documents which are disclosed on its website.

(Reference) FY20 3Q Operating Profit Analysis

(yen: billions)



(Reference) FY20 3Q Operating Profit & Net Profit

(yen: billions)

	FY20 3Q	FY19 3Q	vs FY19 3Q Difference
Operating profit	100.4	97.6	+2.8
Non-operating income/loss	-0.2	-0.6	+0.4
Profit before income taxes	100.2	97.0	+3.2
Income taxes	-18.8	-31.3	+12.5
Net profit	81.4	65.7	+15.7
Net profit attributable to Panasonic Corporation stockholders	77.2	60.1	+17.1
Net profit attributable to non-controlling interests	4.2	5.6	-1.4

(Reference) FY20 Nine-Month (Apr. – Dec.) Results

(yen: billions)

	FY20 9M	FY19 9M	vs. FY19 / Difference	
Sales	5,755.6	6,083.0	-5% (-3%)*	-327.4
Adjusted operating profit** (Adjusted OPM)	251.8 (4.4%)	270.5 (4.4%)	-7%	-18.7
Other income/loss***	-11.1	22.3	—	-33.4
Operating profit (OPM)	240.7 (4.2%)	292.8 (4.8%)	-18%	-52.1
Non-operating income/loss	-2.6	1.5	—	-4.1
Profit before income taxes	238.1	294.3	-19%	-56.2
Net profit attributable to Panasonic Corporation stockholders	178.1	173.7	+3%	+4.4
Exchange Rates				
1 US dollar	109 yen	111 yen		
1 Euro	121 yen	129 yen		
1 Renminbi	15.6 yen	16.6 yen		

* In real terms excluding the effect of exchange rates

** Adjusted operating profit (Adjusted OP) = sales - cost of sales - SG&A

*** Other income/loss = other income (expenses) + Share of profit of investments accounted for using the equity method.

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

	<u>Businesses</u>	<u>Major Business Divisions</u>
Appliances (AP)	• Heating and Cooling Solutions	: Heating and Cooling Solutions BD
	• Home Appliances	: Kitchen Appliances BD, Laundry Systems and Vacuum Cleaner BD, Beauty and Personal Care BD
	• Smart Life Network	: Smart Life Network BD
	• Commercial Refrigeration & Food Equipment	: Cold Chain BD, Hussmann Corporation
Life Solutions (LS)	• Lighting	: Lighting BD
	• Energy Systems	: Energy Systems BD
	• Panasonic Ecology Systems	: Panasonic Ecology Systems Co., Ltd.
	• Housing Systems	: Housing Systems BD
	• Panasonic Homes	: Panasonic Homes Co., Ltd.
Connected Solutions (CNS)	• Avionics	: Panasonic Avionics Corporation, Avionics BU
	• Process Automation	: Process Automation BD
	• Media Entertainment	: Media Entertainment BD
	• Mobile Solutions	: Mobile Solutions BD
	• PSSJ	: Panasonic System Solutions Japan Co., Ltd.
Automotive (AM)	• Automotive Solutions	: Automotive Infotainment Systems BD, HMI Systems BD, Automotive Systems BD, Ficosa International, S.A.
	• Automotive Batteries	: Automotive Energy BD, Tesla Energy BD
Industrial Solutions (IS)	• Systems	: Electromechanical Control BD, Industrial Device BD, Energy Solutions BD
	• Devices	: 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.