New Mid-term Strategy

May 9, 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.

Review of Previous 3-year Period
New Mid-term Strategy
Aimed at sustainable growth by focusing on automotive-related business, however profit stagnated

**High-growth**
- Profitability deteriorated in automotive-related businesses, which were expected to serve as growth drivers
  - **Automotive**
    - Despite sales expansion, R&D expenses significantly increased
  - **Automotive cylindrical batteries**
    - Lacked ability to address risks associated with rapid growth scenario

**Stable-growth**
- Profitability declined in businesses which were expected to support stable profits
  - **Consumer Electronics**
    - Sluggish profitability except in Japan and China
  - **Housing**
    - Profit struggled to grow due to weakened sales mix

**Low-profitable**
- Lacked sense of speed in structural reforms

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**Sales**
(yen: billions)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of Exchange rates</td>
<td>7,982.3</td>
<td>8,002.7</td>
<td>7,996.6</td>
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<tr>
<td>High-growth</td>
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<tr>
<td>Stable-profitable</td>
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<tr>
<td>Low-profitable</td>
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<tr>
<td>Others</td>
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**Operating Profit***
(yen: billions)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of Exchange rates</td>
<td>60% difference</td>
<td>60% difference</td>
<td>60% difference</td>
</tr>
<tr>
<td>High-growth</td>
<td>401.2*</td>
<td>327.0*</td>
<td>300.0*</td>
</tr>
<tr>
<td>Stable-profitable</td>
<td>20%</td>
<td>20%</td>
<td>0</td>
</tr>
<tr>
<td>Low-profitable</td>
<td>20%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>327.0*</td>
<td>300.0*</td>
<td>0</td>
</tr>
</tbody>
</table>

*Operating profit – other income/loss (= profit generated from business)
FY18: 380.5 – (-20.7) = 401.2
FY19: 411.5 – 84.5 = 327.0
FY20 (e): 300.0 |

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Review of Previous 3-year Period

New Mid-term Strategy
Outline of New Mid-term Strategy

**Executing portfolio management**
Achieve both profit growth and improved profitability by transcending the boundaries of the Company and organizations with new business classifications.

**Thoroughly strengthening management structure**
Reduce fixed costs toward 100.0 billion yen profit contribution; carry out selection and concentration of businesses.

**Aiming toward “Lifestyle Updates”**
Become a Company that achieves “Lifestyle Updates” reflecting ongoing social transformation.

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New Mid-term Portfolio Business Classification

**Drastically revise business directions and policies for resource investment**

<table>
<thead>
<tr>
<th>Previous</th>
<th>New classifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-growth business</td>
<td>Core growth business</td>
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<tr>
<td>Stable-growth business</td>
<td>Revitalization business</td>
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<tr>
<td>Low-profitable business</td>
<td>Co-creation business</td>
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</tbody>
</table>

- For High-growth business, sales expanded but profit did not increase as expected.
- For Stable-growth business, could not allocate enough resources, hurting competitiveness. Consequently, it became difficult to generate stable profits.
- Drastically revise business direction.
- Toward business development, consider ways of using resources beyond the Company’s own resources.
New Mid-term Portfolio Business Classification

Achieve both profit growth and improved profitability by transcending the boundaries of the Company and organizations with new business classifications

<table>
<thead>
<tr>
<th>Core growth business</th>
<th>Spatial Solutions</th>
<th>Expand solution-type businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase profit</td>
<td></td>
<td>FY2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operating Profit*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EBITDA**</td>
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<tr>
<td></td>
<td></td>
<td>4.2 trillion yen</td>
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<tr>
<td></td>
<td></td>
<td>280.0 billion yen</td>
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<tr>
<td></td>
<td></td>
<td>390.0 billion yen</td>
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</tbody>
</table>

* Excluding other income/loss

<table>
<thead>
<tr>
<th>Revitalization business</th>
<th>Automotive Solutions</th>
<th>Focus on areas where we have advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve profitability</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Co-creation business</th>
<th>Consumer Electronics</th>
<th>Enhance competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance competitiveness</td>
<td></td>
<td>with regional- and business-collaboration</td>
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<table>
<thead>
<tr>
<th>Housing</th>
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</table>

Core Growth Business for New Mid-term

Decision-making criteria: Raison d’être, competitiveness and business environment

Megatrends & changes in society

- Social issues
  - Urban population upsurge
  - Workplace productivity challenges
- Technological evolution

Spatial Solutions: Offer comfort for living spaces

Gemba Process: Innovate ways to "produce, transport and sell"

Industrial Solutions: Develop systems with competitive devices as the core

Raison d’être: Offering solutions to social issues

Competitiveness × Business environment

** EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization
Achieve growth with strong business foundation and evolution of business model

**Spatial Solutions**
- Expand customized solutions business with original BIM* + key products
- Strengthen foundation by expanding overseas sales

**Gemba Process**
- Provide consulting and solution services for issues at the Gemba
- Strengthen recurring business by setting role models of solutions business to apply horizontally

**Industrial Solutions**
- Increase top-market-share products in the industry through further enhancement of product competitiveness
- Expand systems/module products and provide suitable solutions meeting customer needs

*Also consider inorganic investment to strengthen organizational capabilities in areas such as software*

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**Core Growth Business for New Mid-term**

**Proactively shift resources and drive Company-wide profit growth**

**EBITDA structure**

- Co-creation
- Revitalization
- Spatial Solutions
- Gemba Process
- Industrial Solutions

*EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization.*

**Ratio is proportion of all 3 business classifications.**

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**Transition in EBITDA** (Core growth business total)

(yen: billions)

- FY2022: 500
- FY2021: 490
- FY2020: 480
- FY2019: 470
- FY2018: 460
- FY2017: 450

<table>
<thead>
<tr>
<th>Years</th>
<th>Spatial Solutions</th>
<th>Gemba Process</th>
<th>Industrial Solutions</th>
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<tbody>
<tr>
<td>2017</td>
<td>9.3%</td>
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<td></td>
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<tr>
<td>2018</td>
<td>10.7%</td>
<td></td>
<td></td>
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<tr>
<td>2019</td>
<td>10.0%</td>
<td></td>
<td></td>
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<tr>
<td>2020</td>
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<tr>
<td>2021</td>
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<td>2022</td>
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**KPI**

- **Spatial Solutions**
  - Ratio of B2B / Engineering business
  - Ratio of overseas business in operating profit

- **Gemba Process**
  - Ratio of recurring business in sales

- **Industrial Solutions**
  - Ratio of top-market-share products
  - Ratio of system products

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* BIM or Building Information Modeling is a system for utilizing database for a building across every process including design, construction, and maintenance.
Revitalization Business for New Mid-term

Automotive Solutions & Automotive cylindrical batteries

Rebuild business and prioritize profit improvement

CEO

Kusumi Managing Executive Officer CEO, Automotive Company

Gebhardt Executive Officer CEO, US Company

Sato Executive Vice President

Automotive Solutions
Optimize R&D resources

Automotive cylindrical batteries
Strengthen management structure by improving productivity

Integrate both strengths by establishing JV*

*Announced on January 22, 2019

No.1 technological capability

No.1 manufacturing capability

Accelerate R&D

Establish stable supply structure

Co-creation Business for New Mid-term

Enhance competitiveness through co-creation in regions and partners

Consumer Electronics
Strengthen competitiveness through joint efforts of Japan and China
Expand refined strengths to other Asian markets

Housing
Establish a joint venture with Toyota Motor Corporation
Create new value of living in an entire town

Mission
New innovation by “Housing x Construction x town development”

Vision
Better and more comfortable “living” through home building and town development

China × Japan

Other Asian markets

Accelerate narrowing down of regions and businesses
Enhance Management Structure/Optimize Senior Management

Thoroughly strengthen management structure

- Reduce fixed costs aiming at 100.0 billion yen of profit contribution
  - Radical measures to loss-making businesses
  - Improve efficiency in indirect operations, etc.

- Selection and concentration of businesses

Optimize senior management

(October, 2019)

Clarify responsibilities for Company-wide management and move toward a flexible business-execution structure

Management KPIs

<table>
<thead>
<tr>
<th>FY2022 onward</th>
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<tbody>
<tr>
<td>EBITDA* growth rate</td>
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<td>EBITDA* margin</td>
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<tr>
<td>ROE</td>
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*EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

Capital allocation policy

Allocate capital for Mid-term strategy with cash flow generated from business (operating CF, divestiture)

Note: Respond flexibly when investment opportunities arise before sufficient cash flow is generated from business
Offer products & services most suitable for each customer
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### Reference: Relevance of Business classification and Divisional Companies

<table>
<thead>
<tr>
<th>Classification</th>
<th>Business areas</th>
<th>Appliances</th>
<th>Life Solutions</th>
<th>Connected Solutions</th>
<th>Automotive</th>
<th>Industrial Solutions</th>
<th>China &amp; Northeast Asia</th>
<th>US</th>
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<td>Gemba Process</td>
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<td>Industrial Solutions</td>
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<td>Automotive Batteries</td>
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