

Future Direction for Panasonic Group

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Panasonic Corporation

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May 27, 2021

Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "Fiscal 2022" or "FY22" refers to the year ending March 31, 2022.

- I'm Yuki Kusumi, the new CEO of Panasonic. I assumed office in April 2021.
- I would like to take this opportunity to share our future direction based on the current Mid-term Strategy, which includes management structure enhancement. Also, I will discuss our contributions to solving global environmental issues and our constant improvement efforts to enhance competitiveness.
- Looking back at the years since Mr. Tsuga became President, we started with overcoming the losses recorded consecutively in fiscal years ended March 2012 and 2013.

Since then, we made efforts to execute the following strategies:

- ✓ thoroughly worked to make a turnaround, eliminating losses
- ✓ selection and concentration of businesses
- ✓ proactive investment in growth areas such as rechargeable batteries
- ✓ building a business structure with initiatives taken outside Japan, in such countries as China

Achieved

Steady progress in Mid-term initiatives to overcome low-profitability structure

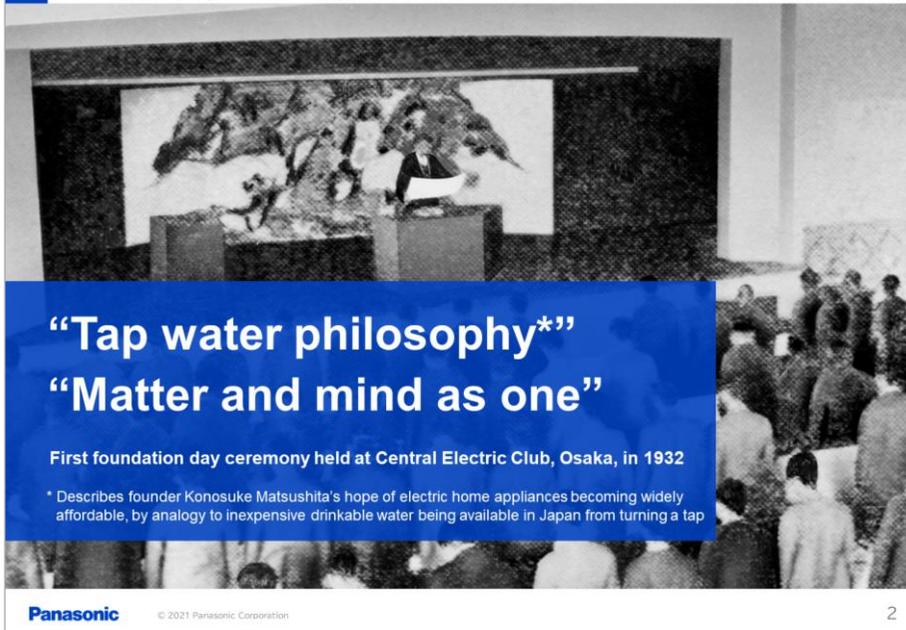
- Enhancement of management structure
- Business portfolio reform
(Investment for growth, Co-creation, Improve profitability)
- Improve profitability of automotive business

Challenges to take

Specializing and sharpening in each business area

Continue to promote Mid-term initiatives in FY22, while enhancing our competitiveness by thoroughly refining specialization at each business area

- As for the current Mid-term Strategy, as explained at the financial results announcement, we have made steady progress in the initiatives toward overcoming a low-profitability structure shown in this slide.
- As a result, in terms of financial figures, adjusted operating profit margin reached the 5% level for FY21, despite the impact of COVID-19.
- I would like to express my deep appreciation to Mr. Tsuga for his great efforts over the years.
- In addition to the efforts made so far, the challenge I must take up going forward is to “specialize and sharpen” each of our businesses. In other words, each business must enhance its competitiveness in the respective industry they should address, and make further contributions to our customers and society.
- Our management philosophy expresses our mission of “devoting ourselves to the progress and development of society” and “enhancing the quality of life throughout the world.”
To fulfill this original mission of the Panasonic Group, we have endeavored to become a company that is outstanding in competition, to gain the capabilities needed to be selected by our customers, and to continue refining our competitiveness with speed.
- The specific initiatives going forward are currently under deliberation at each business, and the details are scheduled to be announced around May 2022, along with our medium- to long-term strategy under the new structure.
Therefore, in this briefing, I would like to focus on the big picture and on the management direction in which Panasonic will strive.



- First, I would like to talk about the direction Panasonic will take going forward, while bearing in mind our original mission laid out in the company's early history.
- Back in 1932, reflecting on the social circumstances of Japan at the time, the founder of Panasonic, Konosuke Matsushita, presented what came to be known as the “tap water philosophy” as a way to “overcome poverty and bring wealth to society by producing an inexhaustible supply of goods.”
- This is based on the idea “Matter and mind as one; Only after there is spiritual peace of mind and a limitless supply of material goods will humanity achieve true happiness.”
Konosuke Matsushita then presented his very long-range plan of reaching an “ideal society,” which would take 250 years.
- It has been almost 90 years since then.
However, even with the advances made in society, the essence of this “tap water philosophy” can also be vital today based on the idea of “matter and mind as one.”



- It is true that, today, society is affluent in terms of goods, mainly in advanced nations. It seems that we need not feel any inconvenience in many aspects of life. However, when we ask ourselves if people feel enriched in mind, with emotional serenity, I do not think this is necessarily the case.
- Many people have constant concerns, worries and a sense of loneliness. Furthermore, environmental destruction and the depletion of natural resources are accelerating year by year. When we think about this, there is serious anxiety over whether the generations of our children, grandchildren, and beyond will be able to live an enriched life.
- In this sense, we have so far been engaged in business activities mainly aimed at offering products in pursuit of affluence. As a result, we now believe this path was slightly off track toward reaching an “ideal society.”
- However, it is impossible to go back. The question is, how can we correct our direction from where we stand today?
- Panasonic’s mission today is to squarely address societal issues and make contributions to eliminating the concerns of today and the future. Here, we aim to reach an “ideal society” with affluence both in mind and matter.
- To achieve this, we must clarify what needs to be done, adding to our wisdom and paving a new way.
- I believe continuing such efforts represents the true nature of Panasonic.



Contributing to Solving Global Environmental Issues

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- Among the societal issues, Panasonic should prioritize how to address global environmental issues. If we want to sustain an enriched society for our children, grand-children and beyond, we cannot avoid this global issue.
- We already face the impact of climate change with increased greenhouse gases, including CO₂, in many areas of the globe. The issue of depleting natural resources such as mineral reserves, is becoming more serious every year. We can now say the situation is critical.
- In 1991, 30 years ago, Panasonic was one of the first companies in the world to establish an Environmental Charter. We have been addressing these issues ever since. With this background, we are determined to make even greater contributions, leading the search for solutions to such problems as greenhouse gas emissions and resource shortages.
- These efforts will be made in all of our business activities at our factories and offices, as well as through our businesses:
 - ✓ Energy business: Supporting the reduction of CO₂ emissions from automobiles.
 - ✓ Gemba Process business: Reducing losses of inventory and logistics through greater efficiency in the supply chain.
 - ✓ Reducing environmental burdens through such products and services as hydrogen fuel cells and our Air 2 Water business, which offer comfortable and environment-friendly living.
- Other initiatives include the promotion of recycling and reuse, as well as minimizing waste loss within the supply chain. Moreover, updating the product after sales to customers will contribute to prolonging the lifecycle of the product while also using resources more effectively.
- However, this is based on the ability to offer better value, surpassing our customers' expectations of the product itself, not just the environmental features. And we will offer those products at affordable and suitable prices so they will be selected and used by many customers.
- In other words, we aim to be the top runner from the perspectives of both our inherent value and the environment. This approach will enable us to make greater contributions to the environment in the true sense.
- This will not be easy to do, but by taking up the challenge today, we believe we can achieve even greater competitiveness.

Toward Contributing to Solving Global Environmental Issues

2050

All business activities the Panasonic Group is involved, our customers' living and society to become sustainable

(Include all: Scope 1, Scope 2, and Scope 3*)

Panasonic will work towards creation and more efficient utilization of energy which exceeds the amount of energy used

Energy used < Energy created

(Panasonic Environment Vision 2050)

Beyond carbon neutrality through our business

* Classification based on GHG (Green House Gas) Protocol for calculating emissions and reporting standards

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- Toward this aim, in 2017, Panasonic has already laid out the “Environment Vision 2050.”
- Our initiatives and responsibilities include not only “Scopes 1 and 2” but also “Scope 3.” According to the “GHG Protocol,” which is a Green House Gas (GHG) emission standard, “Scope 1” and “Scope 2” are classifications of energy used for our own production. “Scope 3” is energy used throughout the lifecycle of our products and services, from intake of raw materials and energy consumption by customers to waste recycling.
At Panasonic, energy used in “Scope 3” is equivalent to 40 times that used in “Scopes 1 and 2.”
- Our aim is to reduce the energy used by our products and services in society, including energy used at our factories and offices, and to work toward creation and more efficient utilization of clean energy which exceeds the amount of energy used. Through these initiatives, Panasonic aims to create a structure of energy self-sufficiency as well as to help make our society sustainable.
- This means we are not only depending on clean energy from the supplier side but also creating and using clean energy that exceeds “energy used” in “our business activities.”
- This is a very challenging target, but we will proactively make efforts in all businesses of the Panasonic Group toward reaching “an ideal society.”
- Through these efforts, Panasonic will make huge contributions to solving issues of climate change, one of the biggest global issues, and aim to become a global leader in this field.

2030

Achieve zero CO₂ emission at all operating companies

- Accelerate energy-saving initiatives
- Equip with in-house renewable energy generation system at own sites
- Procure renewable energy

Smart Energy System Business Division
Kusatsu Factory

To use 100% renewable energy



- As a milestone, we make a commitment to aim for “Zero CO₂ emission (carbon neutral)” from the energy used in our own production activities by 2030, in all operating companies under the new structure.
- We believe this is the target that we, as a manufacturer, should fulfil immediately.
- More specifically, to achieve this target, we will accelerate three initiatives:
 - ✓ to promote further energy-saving initiatives at our own sites,
 - ✓ to equip with in-house renewable energy generation systems, and
 - ✓ to procure renewable energy.
- In particular, for the use of renewable energy at our sites, we proactively promote equipping and using systems for solar power as well as hydrogen energy. In addition, we will proactively take up the challenge of making our sites source 100% renewable energy.
- So far, we have established five Zero-CO₂ sites globally, including Panasonic Eco Technology Center in Japan and Panasonic Energy (Wuxi) Co., Ltd. in China. In addition, as shown in this slide, we will implement these initiatives at our Kusatsu Factory in Japan, where fuel cells are produced under the Smart Energy System Business Division of the Appliances Company. Full operation will start April 2022.
- At the Kusatsu Factory, we will promote “RE100 initiatives” by combining hydrogen fuel cell generators, solar power, and power storage systems. In this way, we can offset energy consumption in the production process with the generated renewable energy.

As a reference, peak power consumption at the Kusatsu Factory reaches 680 kW and annual power consumption is approximately 2.7 GWh, which is equivalent to the energy consumption of approximately 900 typical houses in Japan.
- We will continue to experiment with these initiatives at the Kusatsu Factory and refine our capabilities in the “RE100 solutions” business.
- Going forward, we will proactively expand similar projects to other sites and make these Panasonic’s solutions available to customers. By doing so, we will make further contributions to solving issues in climate change.



Take up the challenge of constant improvement toward reaching an “ideal society”

Focus on enhancing competitiveness at all businesses for the next 2 years

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- Another aim for Panasonic is to become one of the leading companies taking steps toward reaching an “ideal society,” by taking up the challenge of constant improvement.
- To offer greater contributions to people’s living and society, as I mentioned before, it is essential to gain overwhelming competitiveness, even in a severely competitive environment. The key is to make constant improvements.
- Here, there are two perspectives. One is to thoroughly eliminate waste and stagnation, and thus effectively use the valuable management resources entrusted to us from society to the full extent. We are determined to make constant improvements by eliminating any waste and making every second count.
- Another perspective is to set a high target toward reaching an ideal future, based on our customers’ essential value. Toward such targets, we should refine our capabilities every day. We want to create products leading to a new era and pursue overwhelming cost competitiveness to accelerate the penetration of our products. We will make every effort to reach this goal.
- In the 1930s, the founder set a goal: to deliver radios to as many households as possible by cutting the price in half. And we succeeded in reducing our radio’s production cost by half. This represents an essential tradition of Panasonic.
- Now is the time to again spread this idea at all business operations. For example, we will set clear targets such as operational capability and product performance, as well as environmental performance, by each business to pursue improvements. By doing this, we aim to increase our business competitiveness and make each business the number one in its industry.
- Pursuing these initiatives will naturally yield results with cash flow generation. This is my way of thinking.
- Based on this idea, for the next two years, we will determine areas to address and enhance competitiveness at all businesses.
- Furthermore, we want to focus on enhancing total competitiveness, except for businesses clearly forecasted to be damaged in the future, such as expected radical market shrinkage.

**Strategy and Operational Capability:
Indispensable to each other for
enhancing competitiveness**

Strategy

**Operational
capability**

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- From my experience in taking charge of various businesses, from B2C to B2B, I have learned that “strategy” and “operational capability” are indispensable to each other for enhancing competitiveness.
- “Strategy” consists of the following factors: customer targets, areas to establish an advantage among the various factors composing business, business models for cash generation, and selection of partners for business growth. That is, how to plan out the “winning path” of each business.
- “Operational capability” means attaining a high level of efficiency and productivity by eliminating waste and stagnation as well as increasing speed at all operational frontlines of the business; this applies not only to manufacturing, but also to indirect operations like R&D and planning as well as the supply chain.
- No matter how excellent the “strategy” may be, it cannot be effective if we do not have the capability to execute it at actual businesses. To develop business for contributions to customers and society, it is most important to build excellent operational capabilities that facilitate the smooth flow of goods and information, as well as having an agile response to changes and finding strategic advantages.
- From this perspective, I define these two factors as indispensable to each other. In the past, we emphasized strengthening strategical capabilities to gain new advantages, such as moving the business into new areas and transforming business models. However, in terms of “operational capability,” there is still a lot of room for improvement at all businesses, functions and operations. This is my view.
- I just mentioned that we will “take up the challenge of constant improvement to enhance competitiveness.” This means we will continue to increase our operational capabilities to the full extent.



- Based on these ways of management thinking, today I will use examples of three businesses under the new structure and will explain how we can enhance competitiveness while expanding the range of our contributions to solving environmental issues.
- First, I will explain our Gemba (operational frontlines) Process business in Panasonic Connect Co., Ltd. under the new structure, currently Connected Solutions Company (CNS).
- As we explained at the recent announcement of making Blue Yonder Holding, Inc. a wholly-owned subsidiary, we decided to make this acquisition with the intention of becoming the leading global provider of logistics solutions which will bring about a Gemba revolution to the global supply chain.
- Panasonic will leverage CNS's capability in digital and data to eliminate waste and stagnation at each Gemba comprising the supply chain. Then, we will provide solutions that bring continuous and autonomous enhancement of the entire supply chain by combining these strengths:
 Initiatives for autonomous enhancement at the Gemba, and Blue Yonder's solutions that establish a continuous improvement cycle through end-to-end visibility and optimization of the entire supply chain.
- Through these solutions, Panasonic will reduce waste and stagnation at each Gemba comprising the supply chain and contribute to our customers' management transformation. In addition, we aim to contribute to solving societal issues such as effective use of resources and work-style reform at the Gemba.
- From the perspective of "strategy" in the previous slide, we aim to increase our advantage in this field by leveraging the partnership with Blue Yonder and refining our software and solution capabilities.
- From the perspective of "operational capability," we will be increasing adoption of this "revolutionized supply chain solution" at Panasonic's Gemba prior to offering it to customers. By doing so, we will enhance our own solutions capability, as well to enhance the operational capability of the entire Group.

Major Business Initiatives: Energy

Solve global environmental issues with batteries; contribute to developing social infrastructure

- Thoroughly enhance operational capabilities in automotive batteries
- Be the industry leader in R&D for next-generation automotive batteries
- Expand power storage system business



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- As a second example, I would like to explain our Energy Business, which will be operated by the newly established Panasonic Energy Co., Ltd.
- In our automotive cylindrical battery business, which is the core of our Energy Business, we have strategically collaborated with Tesla, Inc., the leading EV company, and expanded our business where we can take advantage of our strengths. However, since our operational capability for manufacturing was not flexible enough to meet the extreme demand fluctuation from Tesla, up to now we have had to focus mainly on improving profitability.
- In this fiscal year, we will install a new production line in North America, responding to surging demand. At the same time, we will thoroughly refine our operational capabilities and aim to further increase production capacity while achieving industry-leading cost competitiveness.
- Furthermore, for technological development, our current main product, the 2170 cell, has been leading the industry in terms of performance as well as environmental impact. We will also lead the industry in the development of the 4680 cell, which is expected to become the standard size for next-generation use.
- For non-automotive applications, we will expand our power storage system business. Our system is already highly appreciated for supporting the stable operation of data centers with a high degree of reliability. It has actually become a mission-critical system with the increasing importance of data protection along with the development of digital society.
- Going forward, as we see advances in the utilization of renewable energy globally, we continue to take up the challenge in the area of living-related infrastructure such as our home-use power storage system that provides a stable supply of electricity.
- In Panasonic Energy, we will thoroughly improve battery performance, reliability, and cost competitiveness while providing solutions to environmental issues and contributing to the development of social infrastructure.

Create value toward “a society with affluence in mind and matter”

Indoor air quality & air-conditioning

Offer new value through AP & LS integration

Consumer electronics

Enhance competitiveness by globally applying China’s cost-competitiveness and speed

Overseas B2B

Expand non-residential business leveraging the distribution channels and trustworthy reputation built in such markets as India and Asia



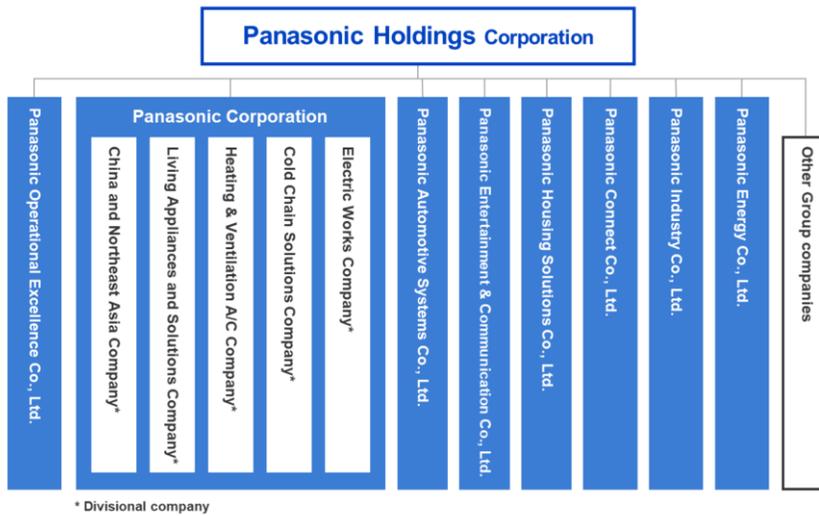
- As the third example, I would like to explain the “Lifestyle” area in the newly formed Panasonic Corporation.
- Here, our aim is to create new value toward reaching “a society with affluence in mind and matter,” in advance of global trends.
- The indoor air quality and air-conditioning business is one of the growth pillars of the new Panasonic Corporation. Our strength in this area is that we possess wide-ranging technologies that improve air quality with minimum environmental impact: not only our unique technologies related to sterilization such as “Ziaino” and “nanoe” but also moisture control, which is the key to preventing viruses, and highly-efficient heat exchange technologies.
- Against the background of the spread of COVID-19, interest in air quality is increasing globally, and we expect to see even higher demand for products that integrate intelligent air quality technology and air-conditioning technology. In the new Panasonic Corporation, our aim is to create new and unique Panasonic value. One example is providing “healthy and comfortable air.” This will be achieved by integrating advanced technologies, which had been independently established in Appliances Company and Life Solutions Company, and forming them into a unified product or system.
- As the first case, in March 2021, we launched an integrated air-conditioning/indoor air quality system in China. This product enables comfortable control of humidity according to the temperature of an environment. Going forward, we will accelerate the introduction of large-scale types of such products for non-residential use, aiming to expand our solutions-type business.
- In our consumer electronics business, with the establishment of China and Northeast Asia Company in 2019, we are gaining new types of strengths in China, such as speedy product development and cost competitiveness.
- In overseas B2B business, we have succeeded in developing our wiring device business overseas by leveraging our strong manufacturing capabilities. We have been expanding in such markets as Asia, India and Turkey, mainly for residential use.
- Going forward, we aim to expand this business to non-residential use such as buildings and retail shops, in cooperation with the indoor air quality and air-conditioning business. We will leverage the strengths we have built up so far: the distribution channels we have cultivated and the trustworthy reputation we have nurtured through our brand among customers in these countries.



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- Today, I have shared with you our future direction and my thoughts on management. I would like to end this presentation by emphasizing what we must do. To return to the basics of our management philosophy, we must devote ourselves to generating contributions toward achieving an ideal society and sustained development.
- To accomplish this, we cannot be satisfied by merely achieving target figures. We should always take the perspective of the customer or the Gemba and thus pursue improvements day by day toward our high ideals. To become a team of employees who can attain such goals, we will focus on enhancing competitiveness at all businesses for the next two years.
- Since this is the first year, we will make Group-wide efforts to enhance our operational capability, in particular, and to accelerate the cycle of improvements.
- I would like to ask for your continuous understanding and support.
- Thank you very much for your kind attention.

Reference: New Structure of the Panasonic Group (from April 2022)



* Divisional company

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