Automotive & Industrial Systems Company Business Policy

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Automotive & Industrial Systems Company
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Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, “FY18” refers to the year ending March 31, 2018.

FY17 Summary
**FY17 Results**

Although sales increased in real terms, profits decreased (actual value) as a result of advanced investments in the automotive business.

(billion yen)

<table>
<thead>
<tr>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,707.3</td>
</tr>
<tr>
<td>Automotive</td>
<td>Sales increased in real terms</td>
</tr>
<tr>
<td>Energy</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
</tr>
<tr>
<td>Factory solutions</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
</tr>
<tr>
<td>Excluding effect of exchange rates</td>
<td></td>
</tr>
<tr>
<td>Effect of exchange rates</td>
<td></td>
</tr>
<tr>
<td>Operating profits</td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>50.2</td>
</tr>
<tr>
<td>Increase in fixed costs</td>
<td></td>
</tr>
<tr>
<td>Sales increase</td>
<td></td>
</tr>
<tr>
<td>Streamlining, sales price declines, etc.</td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>109.3</td>
</tr>
<tr>
<td>Profits increased</td>
<td></td>
</tr>
</tbody>
</table>

**Preparations for Growth**

Determined the direction, and steadily strengthened structures.

- Response to the xEV market expansion
  - US (Nevada): Launched operations of the automotive battery factory.
  - China (Dalian): Built an automotive battery factory.
  - China (Beijing): Established a joint venture electric compressor company.
- Achievement of growth in unconventional ways
  - Decided to acquire Ficosa as a consolidated subsidiary.
- Acceleration of development processes
  - Acquired OpenSynergy.
  - Established a vehicle test site (Yokohama).
FY17 Review

Growth and profitability

Targets were met in terms of sales in real terms and operating profits (IFRS).

<Sales growth in real terms>
(Excluding the effects of foreign exchange rate fluctuations)

vs. LY 102%

FY17 Targets FY17 Results

<Operating profits>

FY17 Targets FY17 Results

Automotive business*: R&D expenses

Actively promoted advanced development to achieve sales growth.

<Sales in real terms > R&D expenses
(Excluding the effects of foreign exchange rate fluctuations)

Sales vs. LY 104%

FY16 Results FY17 Results

R&D expenses vs. LY 105%

FY17 Results

* Automotive Infotainment Systems Business Division + Automotive Electronics Systems Business Division

FY18 Business Policy
Positioning of FY18

Complete structural reforms, and make a turnaround.

<Changes in sales and operating profits>
(billion yen)

* Restated the results of previous fiscal years based on the new structure.

Large-scale up-front investments

Shifted to automotive and industrial businesses.

Growth accompanied with profits

Turnaround

Sales

Operating profits

Ratio of automotive and industrial businesses

**FY13** **FY14** **FY15** **FY16** **FY17** **FY18**(f) **FY19**(f)

Existing Automotive and Industrial

57%
62%
66%
70%
76%
75%

USD rate → 110 yen 115 yen

Complete structural reforms, and make a turnaround.

Company Business Strategy Summary

Implement “the selection and concentration strategy” in all business fields.

**Automotive**

Increase the ratio of four key categories (IVI, e-cockpits, ADAS, and electric mechanisms) in total orders.

**Energy**

Further concentrate resources on the automotive business.

**Industrial**

Expand automotive and industrial devices.

* IVI: In-Vehicle Infotainment Unit
* ADAS: Advanced Driver Assistance System

* Pie charts: Automotive - Order-based ratios, Energy & Industrial - Sales-based ratios
**FY18 Management Targets**

Continue to make investments for growth, and make up for the increase in fixed costs by increasing sales.

(billion yen)

<table>
<thead>
<tr>
<th>Sales</th>
<th>Operating profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>FY18(f)</td>
</tr>
<tr>
<td>Automotive</td>
<td>Sales increase</td>
</tr>
<tr>
<td>Energy</td>
<td>Effect of exchange rates</td>
</tr>
<tr>
<td>Industrial</td>
<td>Excluding effect of exchange rates</td>
</tr>
<tr>
<td>Others</td>
<td>Sales increase in all businesses</td>
</tr>
<tr>
<td>FY18(f)</td>
<td>Increase in fixed costs</td>
</tr>
<tr>
<td></td>
<td>Streamlining, sales price declines, etc.</td>
</tr>
<tr>
<td></td>
<td>Other income / loss</td>
</tr>
<tr>
<td></td>
<td>Effect of exchange rates</td>
</tr>
</tbody>
</table>

- **Sales increase**
  - FY17: 2,416.6
  - FY18(f): 2,660.0

- **Operating profits**
  - FY17: 93.0
  - FY18(f): 93.0

* Restated the FY17 results based on the new structure.

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**FY18 Capital Investment Strategies**

Invest aggressively, including up-front investments to capture on the automotive demand without fail.

- **Targets** (billion yen)
  - FY17: 185.0
  - FY18(f): 299.0

- **Results** (billion yen)
  - FY17: 195.0
  - FY18(f): 299.0

* Former structure basis, excluding investments in intangible assets

* New structure basis, excluding investments in intangible assets

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* Panasonic Corporation*
Automotive Business*: R&D Expense Management
Make the most of internal and external resources.

**Sales / R&D expenses**
* R&D expenses include the amount transformed into assets.

- **Streamlining**
  - Increase the software reuse rate.
  - Promote platform development.

- **Internal resources**
  - Transferred former AVC Company’s technical resources.

- **M&A**
  - Acquired Ficosa as a consolidated subsidiary.
  - Acquired OpenSynergy.

* Automotive Infotainment Systems Business Division + Automotive Electronics Systems Business Division

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**Automotive Business Strategies**

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Automotive Business Market Environment

Effective demand for our products will increase in line with social changes and the tightening of environmental regulations.

<Forecasts of the effective demand for our products>

Average annual growth rate: 7%

Source: Panasonic estimate

(FY17) 19.3 (Trillion yen)

FY17

Social needs

Reduce drivers' burdens.

Reduce traffic accidents.

Reduce environmental impact.

Connectivity

(Computerization of cars)

Self-driving

(Digitization of cars)

xEV expansion

(HEV, PHEV, and BEV)

Environment

Comfort

Safety

Evolution of cars

21.9

FY19

Average annual growth rate: 7%

Source: Panasonic estimate

(FY19) 21.9 (Trillion yen)

Automotive Business: Growth Strategies

Achieve growth that exceeds the industry's average by expanding businesses into systems.

Sales

Comfort 540 billion yen

Safety 370 billion yen

Environment 400 billion yen

Average annual growth rate: +24%

Advantages: Automotive and consumer digital AV technologies

Actions: Develop systems and achieve links to ADAS.

* ADAS: Advanced Driver Assistance System

Advantages: Sensing and image processing technologies

Actions: Accelerate development through collaboration with internal and external parties.

Advantages: Advanced battery and power supply technologies

Actions: Increase capacities and receive orders for a larger number of vehicle models.

FY17 (1.3 trillion yen)

FY19 (2.0 trillion yen)
**Aiming to become the No. 1 Cockpit Supplier**

We started to deliver new systems, and have been receiving constant orders.

- **E-cockpit systems**
  - Started delivering e-cockpit systems to JLR “Range Rover Velar” during 2017.
  - Touch Pro Duo
  - HUD

<table>
<thead>
<tr>
<th>FY17</th>
<th>FY18(t)</th>
<th>FY19(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>540</td>
<td>560</td>
<td>630</td>
</tr>
</tbody>
</table>

System orders have been steadily increasing.

- *IVI: In-Vehicle Infotainment

**Promoting the ADAS Business with Competitive Devices at the Core**

Expand the systems business by utilizing our group’s image processing technologies.

- **Demonstrate our strength by developing ADAS.**

<table>
<thead>
<tr>
<th>Systems</th>
<th>2016</th>
<th>2019</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomous driving</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autonomous parking systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camera systems for electronic mirrors All surrounding camera systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cameras and sonars Promote step-by-step development by “device” x “image processing”, and expand orders.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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<th>FY17</th>
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<td>370</td>
<td>500</td>
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* HUD: Head-Up Display

Photo credit: JAGUAR LAND ROVER LIMITED
**Automotive Batteries: Implement Aggressive Strategies Based on Product and Production Competitiveness**

Make investments (development and equipment) through close collaboration with clients, and contribute to the proliferation of xEV.

**Environment area:** sales targets

- 750 billion yen
- 540 billion yen
- 400 billion yen

**Product competitiveness (prismatic types):**
- Output density (Acceleration performance): 1.5 times
- Energy density (Driving distance): 2.0 times

**Vehicle models that adopted our batteries:**
- 88 Models
- 20
- 16
- 50

**Increasing production capacity**
- Sumoto: Build one more production line to operate two lines during FY18.
- Dalian: Start mass production during FY18.
- Nevada: Increase production capacity in response to an increase in vehicle production.

**Acceleration of Growth through the Acquisition of Ficosa As a Consolidated Subsidiary**

Integrate Ficosa’s as well as our strengths, and pursue synergy effects.

**Increase sales based on synergy effects.**

**Orders received and promoting products**

- **Orders received** (Starting delivery during FY18)
  - Electronic interior rearview mirrors
  - Communication modules

- **Promoting**
  - Electronic exterior rearview mirrors
  - Camera cleaning systems
  - Electronic shifters
Automotive Business: Aiming Higher

Achieve sales target 2.0 trillion yen during FY19, and aim to be ranked among the world’s top 10 by FY22.

<Automotive business sales targets>

<table>
<thead>
<tr>
<th>Year</th>
<th>FY17</th>
<th>FY18(f)</th>
<th>FY19(f)</th>
<th>FY22(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order ratio</td>
<td>1.3</td>
<td>1.6</td>
<td>2.0</td>
<td>2.5 trillion yen</td>
</tr>
<tr>
<td>(excluding unconventional business)</td>
<td></td>
<td></td>
<td></td>
<td>Be ranked among the world’s top 10 auto parts manufacturers.</td>
</tr>
<tr>
<td>Average annual growth rate: 8%</td>
<td>FY19 → FY22</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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(Reference) Details of each business whose sales are disclosed