

New Mid-term Strategy

May 9, 2019
Panasonic Corporation

Panasonic

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.

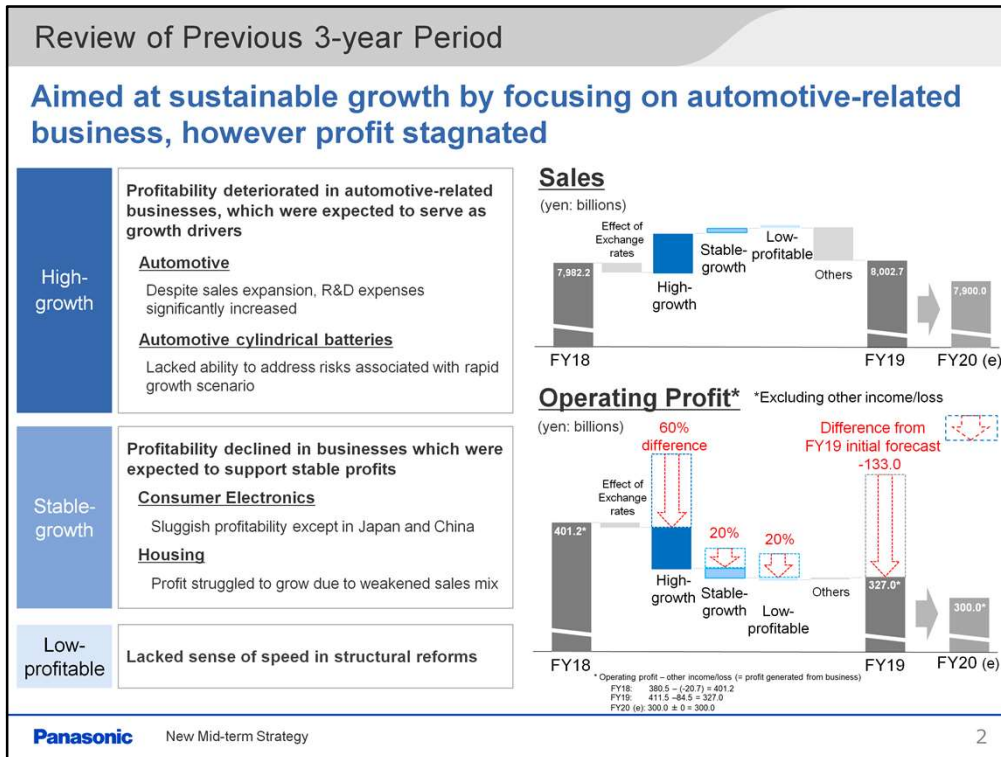
- This presentation gives Panasonic's new Mid-term strategy.

Review of Previous 3-year Period

New Mid-term Strategy

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- First, a review of the previous three-year period.



- For the previous three years, we have aimed at achieving continuous sales and profit growth, mainly through our automotive-related business.
However, as indicated in the graph on the right side, although we increased sales in FY19, profit generated from business ended far below our initial forecast.
- With High-growth business, sales grew but profit struggled to grow. R&D expenses significantly increased for Automotive, and we lacked the ability to address various risks associated with the rapid production expansion in automotive cylindrical batteries.
- With Stable-growth business, profitability was weak for consumer electronics outside of the Japan and China markets. For housing, the sales mix weakened due to less-than-expected growth of new construction orders for detached houses.
- With Low-profitable business, we lacked the sense of speed needed to carry out structural reforms.
- For FY20, we continue to expect decreased profit.
Hence, during the three years of the new Mid-term strategy, it is important for us to take initiatives to overcome low profitability and return to a growth track.

Review of Previous 3-year Period
New Mid-term Strategy

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- Now I will explain the 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

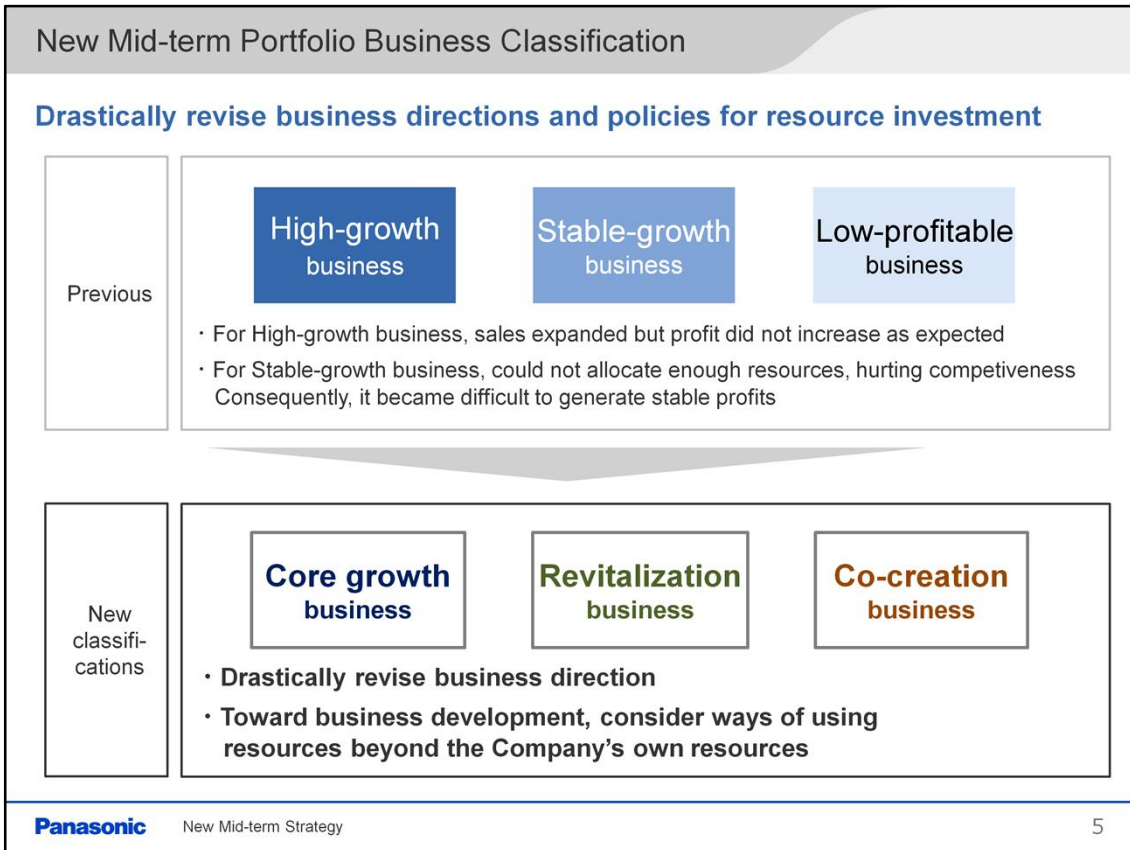
Thoroughly strengthening management structure

Reduce fixed costs toward 100.0 billion yen profit contribution; Carry out selection and concentration of businesses

Aiming toward “Lifestyle Updates”

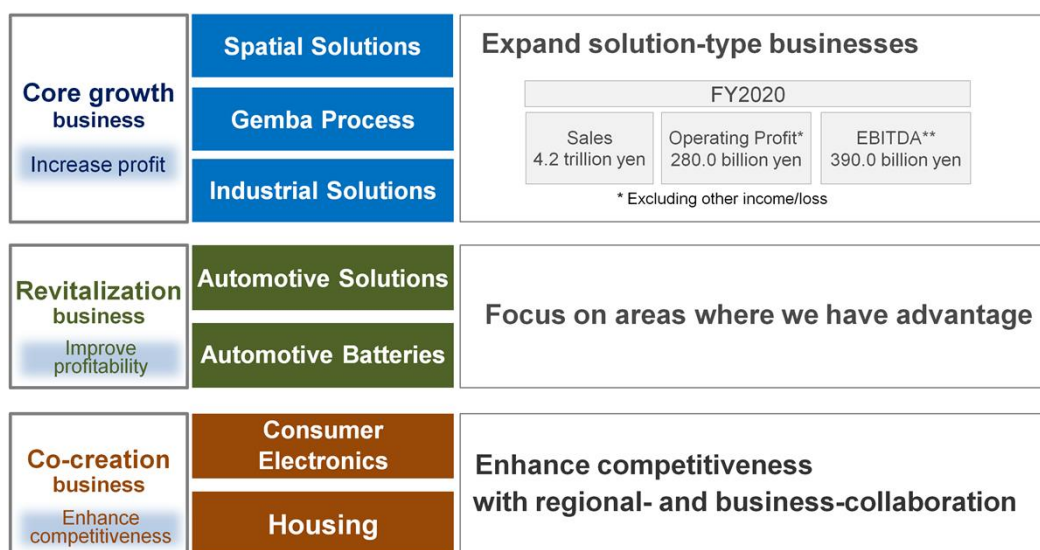
Become a Company that achieves “Lifestyle Updates” reflecting ongoing social transformation

- These are the three major points of the new Mid-term strategy.
- First, executing portfolio management.
- Based on what we have learned from the previous three-year period, and considering the megatrends and social issues, we will set new business classifications. Our aim is to achieve both profit growth and improved profitability by transcending the boundaries of the Company and organizations.
- Second, thoroughly strengthening our management structure.
- To achieve an efficient and competitive management structure, we will take measures, such as reducing fixed costs, toward 100.0 yen billion of profit contribution.
- In addition, we will thoroughly carry out selection and concentration of businesses.
- Third, aiming toward “Lifestyle Updates.”
- We will transform Panasonic into a company that achieves “Lifestyle Updates,” reflecting ongoing social transformation.



- First, I will explain the revision of our portfolio management.
- We have been carrying out our growth strategy based on the principle of using our own resources, under the categories of “High-growth,” “Stable-growth,” and “Low-profitable” businesses.
- However, for High-growth businesses, sales expanded, but we faced issues of profit not increasing in step with the sales growth.
- In addition, for certain Stable-growth businesses, competitiveness weakened, and we are facing difficulties in sustainably generating profits.
- Based on this situation, for the new Mid-term, we will redefine the businesses that drive growth, in addition to enhancing competitiveness through collaboration with others, without limiting our options to the approach of utilizing only the Company’s own resources.
- Specifically, we will execute portfolio management with the classifications of “Core growth business,” “Revitalization business,” and “Co-creation business.”

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



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

- For “Core-growth business,” the Company will prioritize resources to expand solution-type businesses to help these businesses drive profit growth.
- Automotive-related businesses, which are seeing low profitability, will be defined as “Revitalization business.” We will focus on areas where we have advantages in terms of customers and products and intensively work on improving profitability.
- Consumer electronics and housing businesses, where we can exert our strengths such as brand power, will be classified as “Co-creation business.” We aim to raise profitability by enhancing competitiveness through regional- and business-level collaboration.



- This slide shows how we position the “Core growth business.”
- In recent years, various social issues have arisen along with megatrends and changes in society, such as urbanization and the declining working-age population.
- Our “Core growth business” is an area where we can make direct or indirect contributions to solving social issues and also where we can leverage our competitive advantage.
- With “Spatial Solutions,” we will offer comfort for spaces related to people’s everyday lives, such as the office, various facilities, and the town.
- With “Gemba Process,” we will offer solutions that innovate the Gemba (operational frontlines) of our B2B customers, such as improving productivity at the workplace.
- With “Industrial Solutions,” we will support the technological evolution expected to resolve social issues with our competitive devices at the core.

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

* BIM or Building Information Modeling is a system for utilizing database for a building across every process including design, construction, and maintenance.

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

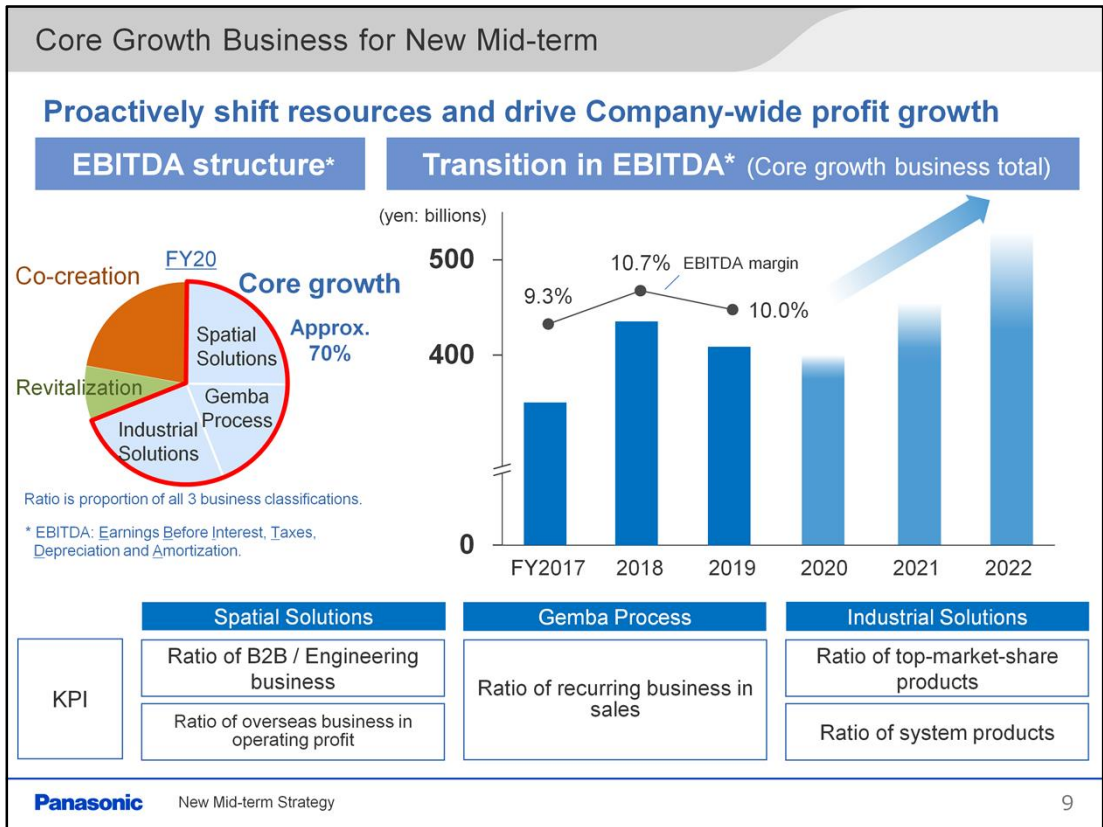
Industrial Solutions



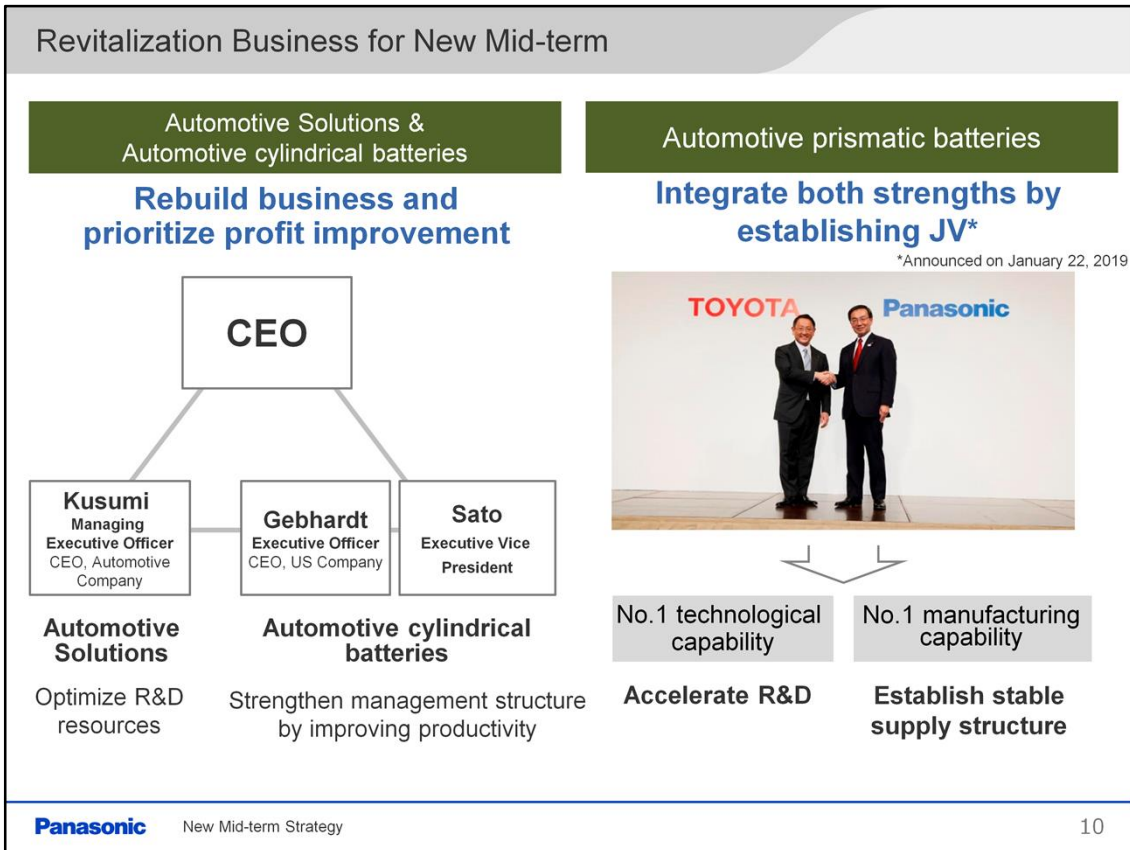
- Increase top-market-share products in the industry through further enhancement of product competitiveness
- Expand systems/module products and provide suitable solutions meeting customer needs

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

- Next, the growth strategy of Core growth business.
- With “Spatial Solutions,” we will strengthen our capabilities for BIM, which is expected to become the mainstream in the construction industry. We will combine BIM with products in which we have advantages, such as electrical construction materials and lighting. In this way, we will expand our solutions business to cover a wide range, from design to maintenance and operations.
- With “Gemba Process,” we aim to innovate ways our customers “produce, transport and sell.” We will offer integrated solutions through collaboration in areas such as software, in addition to utilizing our expertise in manufacturing knowhow and robotics. And we intend to launch these recurring-type businesses in a horizontal manner, thus reusing successful business models for other customers.
- With “Industrial Solutions,” we will exploit megatrends such as the expanding information and communications infrastructure to increase top-market-share products with competitive devices, as well as to offer the most suitable solutions to our customers by expanding systems/module products.
- For each of the Core growth businesses, we will also consider other means to strengthen our organizational capabilities, like M&A, in areas such as software.



- This slide shows EBITDA of Core growth business.
- Going forward, we will put emphasis on EBITDA for these businesses, as a cash flow indicator that represents return on investment and a way to evaluate increases in corporate value.
- In FY20, we expect approximately 390.0 billion-yen EBITDA for Core growth business, which accounts for about 70% of the Company total. For FY22, we aim to add about 100.0 billion yen in profit growth.
- We have seen EBITDA margins transition at around the 10% level for the past three years, and we aim for the same level going forward.
- Since the Core growth businesses are expected to drive the Company-wide profit growth, we will monitor the growth strategy progress according to the KPIs shown on this slide.



- Next, automotive-related businesses, classified as “Revitalization.”
- For Automotive Solutions and automotive cylindrical battery businesses, where profit is sluggish, I will take the lead in radically rebuilding the business and improving profit.
- For Automotive Solutions, first, to thoroughly control R&D expenses, we will optimize R&D resources by region and by product.
- For automotive cylindrical batteries, we will thoroughly improve productivity to gain return on investment.
- On the other hand, for automotive prismatic batteries, as a way to take up the challenge of gaining a new business model, we established a joint venture with Toyota Motor Corporation. In this new organization, we will integrate the two companies’ strengths and achieve a stable supply of competitive batteries to various automakers.

Co-creation Business for New Mid-term

Enhance competitiveness through co-creation in regions and partners

Consumer Electronics	Housing
<p>Strengthen competitiveness through joint efforts of Japan and China</p> <p>Expand refined strengths to other Asian markets</p>	<p>Establish a joint venture with Toyota Motor Corporation</p> <p>Create new value of living in an entire town</p>

Accelerate narrowing down of regions and businesses

TOYOTA × **Panasonic**

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

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

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- Now, I will explain our “Co-creation business.”
- In this business classification, we aim to improve profitability by enhancing competitiveness through co-creation in regions and with external partners.
- For consumer electronics, we will enhance competitiveness, including cost competitiveness. Through the establishment of China & Northeast Asia Company, we can combine the strengths of Japan and China to a further extent.
- Looking to the future, the expertise refined from the Japan and China businesses can be leveraged in other Asian businesses as well.
- Regarding our housing business, we have announced today the establishment of another joint venture with Toyota Motor Corporation related to the town development business. This is one example of our Co-creation initiative with partners from outside Panasonic.
- Through this collaboration based on the establishment of a new company, we aim to create new value of living in an entire town by integrating Toyota’s initiatives toward mobility service and Panasonic’s initiatives toward “Lifestyle updates.”

Enhance Management Structure/Optimize Senior Management	
<p>Thoroughly strengthen management structure</p> <ul style="list-style-type: none"> • Reduce fixed costs aiming at 100.0 billion yen of profit contribution <ul style="list-style-type: none"> • Radical measures to loss-making businesses • Improve efficiency in indirect operations, etc. • Selection and concentration of businesses 	<p>Optimize senior management (October, 2019)</p> <p>Clarify responsibilities for Company-wide management and move toward a flexible business-execution structure</p>
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- In addition to the portfolio management I have already explained, we will also work to thoroughly enhance our management structure.
- Specifically, we will work on reducing fixed costs by taking radical measures with loss-making businesses and improving efficiency in indirect operations. In three years, we aim for 100.0-billion-yen profit contribution Company-wide.
- For all businesses, we will accelerate selection and concentration. The profitability forecast and other indicators will be continuously monitored, and swift action will be taken if a certain business should withdraw, or if a certain business is likely to achieve better growth outside the scope of Panasonic.
- For the senior management structure, we will clarify responsibilities for Company-wide management and move toward a flexible business-execution structure.
- The timeframe to make this happen is around October 2019.

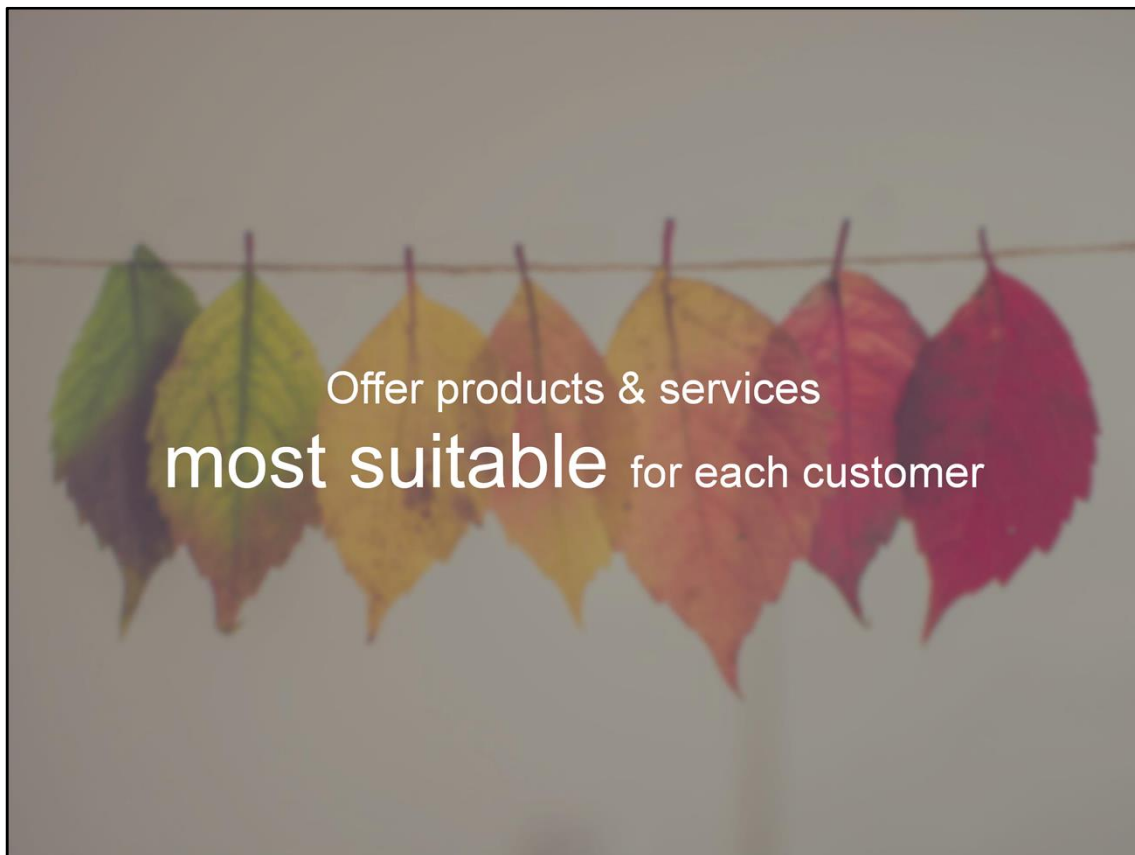
Management KPIs		
	FY2022 onward	
Core growth business	EBITDA* growth rate	5 – 10%
	EBITDA* margin	10% or more
Company-wide	ROE	10% or more

*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

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- Here are the management KPIs going forward.
- For FY2022, which is the final year of the new Mid-term, and onwards, Panasonic will aim towards Company-wide management that can stably achieve the following targets; for Core growth business, the goals are an EBITDA growth rate of 5–10% and an EBITDA margin of 10% or more, as well as a Company-wide ROE target of 10% or more.
- In particular, we aim to raise overall corporate value by increasing the amount of profit mainly from Core growth business.
- In terms of capital allocation, the necessary capital to achieve the Mid-term strategy will come from cash flow generated from business.
- However, we will respond flexibly when investment opportunities arise before sufficient cash flow can be generated from business.



- Finally, I will explain our aim toward “Lifestyle Updates.”
- Panasonic’s “Lifestyle Updates” is to offer contributions through B2B businesses supporting people’s everyday lives, in addition to B2C businesses.
- Here, we want to continue to offer products and services that are “most suitable” for each customer, both individual and corporate.
- For the coming three-year period, we will focus on evolving with solutions-type business models in the Core growth business, which mainly comprises B2B business areas.
- By building on the initiatives I’ve described, we aim to transform Panasonic into a company that will achieve “Lifestyle Updates” in the future.



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- Thank you for your kind attention.

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Reference: Relevance of Business classification and Divisional Companies

Classification	Business areas	Appliances	Life Solutions	Connected Solutions	Automotive	Industrial Solutions	China & Northeast Asia	US
Core growth business	Spatial Solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
	Gemba Process	<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>
	Industrial Solutions					<input type="checkbox"/>		
Revitalization business	Automotive Solutions				<input type="checkbox"/>			<input type="checkbox"/>
	Automotive Batteries				<input type="checkbox"/>			<input type="checkbox"/>
Co-creation business	Consumer Electronics	<input type="checkbox"/>	<input type="checkbox"/>				<input type="checkbox"/>	
	Housing		<input type="checkbox"/>				<input type="checkbox"/>	