

Appliances Company Business Policy

May 30, 2018

Tetsuro Homma, President
Appliances Company
Panasonic Corporation



*Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "FY19" refers to the year ending March 31, 2019.*

FY2018 Summary

FY2019 Business Policy

Business Strategies

Regional Consumer Electronics Strategies

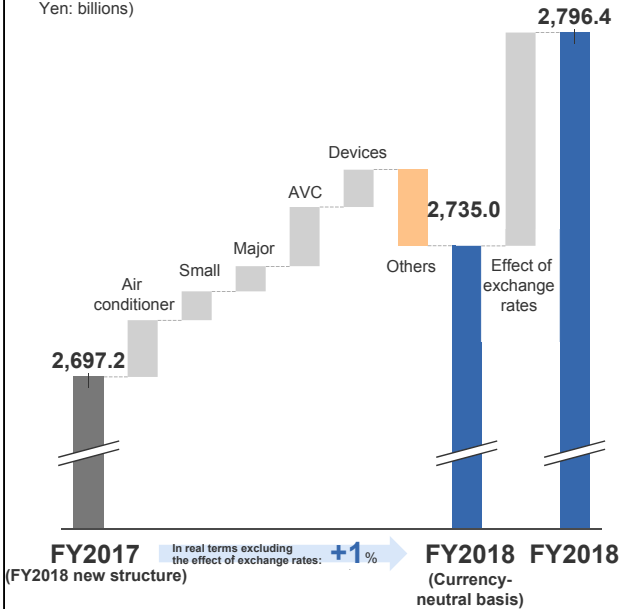


FY2018 Results

- Sales increased due to overseas CE excluding Asia. Sales were particularly strong for air conditioners in China and AVC products in Europe.
- Profits also increased for the three straight years by offsetting sluggish sales in the Asian market and the impact of raw material price hikes through operation streamlining, increased sales of premium products, and brisk sales in the Chinese and European markets.

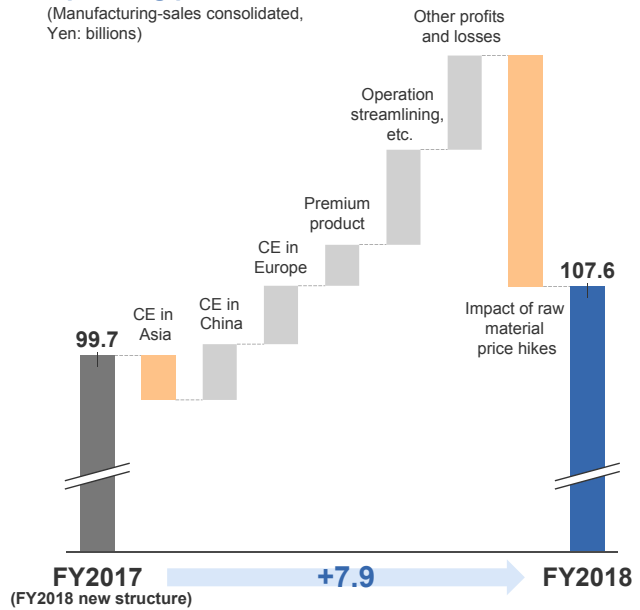
Sales

(Manufacturing-sales consolidated, Yen: billions)



Operating profit

(Manufacturing-sales consolidated, Yen: billions)



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Appliances Company's Business Policy

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FY2018 Achievement and Issues

Achievements

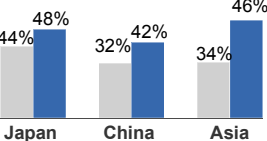
- 1** The premium CE sales ratio has been increasing since FY2015.

Marginal profit of CE
(Excluding the impact of raw material price hikes)

+0.7%



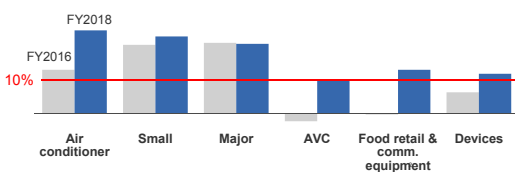
Premium CE sales ratio
(Changes from FY2016 → FY2018)



- 2** The return on invested capital (ROIC) increased in most part of businesses.

ROIC changes

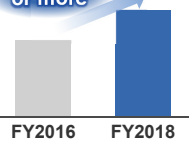
(From FY2016 → FY2018, BD-consolidated)



- 3** CE sales and profits significantly increased in China through online sales which have high growth and profitability.

Chinese online sales

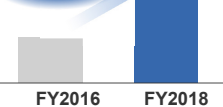
+40% or more



Chinese CE's operating profit

(Manufacturing-sales consolidated)

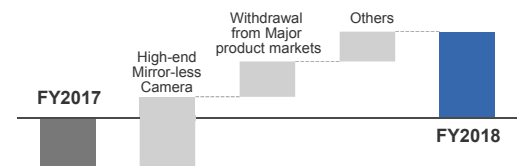
+100% or more



- 4** European CE sales restored profitability.

European CE's operating profit

(Manufacturing-sales consolidated)



Issues

- 1 Reduce costs to offset the impact of raw material price hikes (FY2018 marginal profit: -0.5% from FY2017).
- 2 Reform operations to improve the profitability of overseas CE business.
- 3 Make efforts to ensure sustainable growth in overseas air conditioners and white goods*1, in which the market expansion is expected.

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*1: White goods: Small/Built-in products + Major products

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Aiming to increase profitability sustainably, establish structures required to create products that meet regional local needs and enhance strategies to create both hardware (products) and experience and service business.

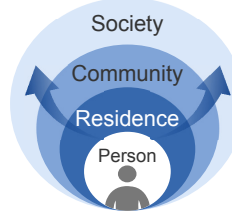
Consolidation of manufacturing and sales operations in most regions

Sell high-profit products by integrating manufacturing and sales operations.



New CE vision (Mar. 2018)

Promote the enhancement of experience and service business based on our strengths in CE.



"HOME" for the future

Recommend new business ideas that defy the boundaries of conventional CE.

Further increase the ratio of premium products by creating new services.

Enhancement of capabilities to recommend products tailored to regional needs

Develop products that meet regional customer needs.

China: washing machines "Porsche design"
Release: Sept. 2018



India
India-made models
Release: Apr. 2018

Panasonic Design KYOTO
(Opened in Apr. 2018)

Speaker "Kyoto"
GO ON collaboration
Collaboration with
Kyoto University

Enhancement of mechanisms to create experience and service business

Accelerate business development through open innovations.



- Establishment of a joint venture with a North American venture capital firm (Mar. 2018)
Explore the business opportunities of internal experience and service ideas.
- Establishment of an industry-academia collaboration center with Chiba Institute of Technology (Dec. 2017).
Develop CE utilizing AI and robotics.

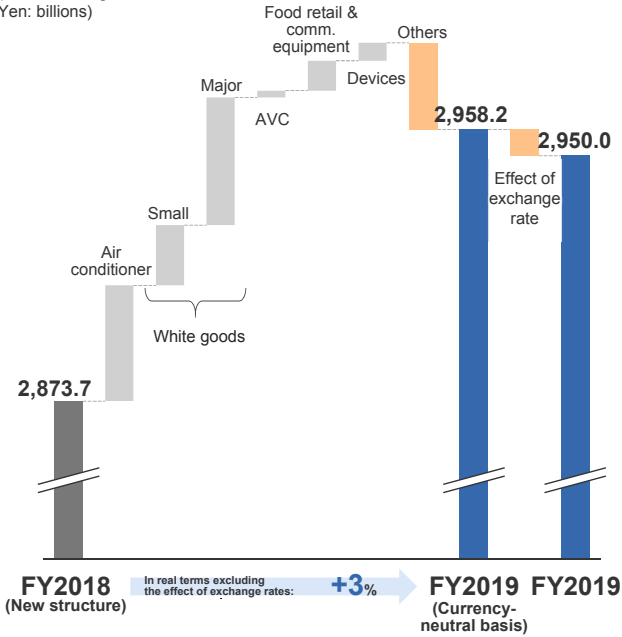
FY2018 Summary
FY2019 Business Policy
Business Strategies
 Regional Consumer Electronics Strategies

FY2019 Financial Targets

- Increase sales for three straight years by maintaining growth in Air conditioner and White goods.
- Increase profits for four straight years by improving profitability in Asia, China, and India in addition to increasing sales of premium products and maintaining brisk CE sales in Japan.

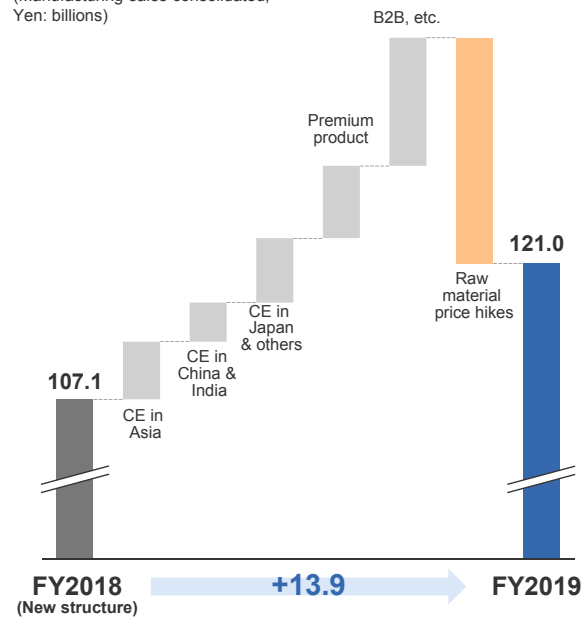
Sales

(Manufacturing-sales consolidated, Yen: billions)



Operating profit

(Manufacturing-sales consolidated, Yen: billions)



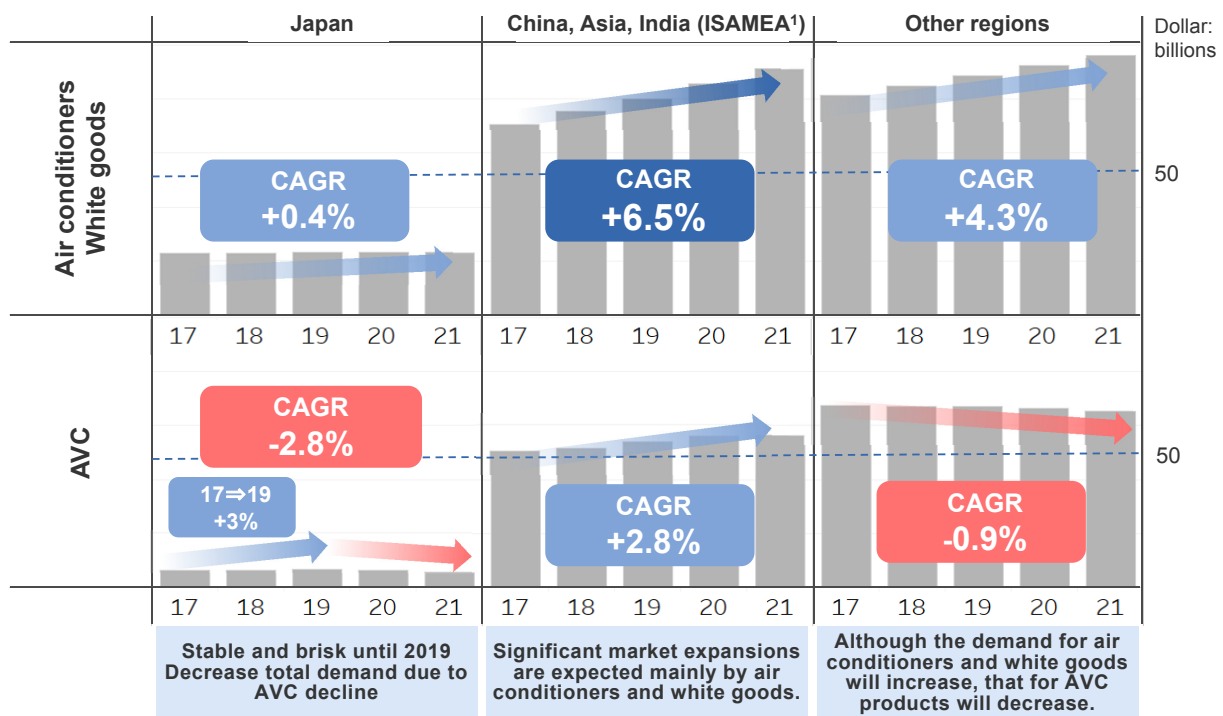
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Demand Trends in CE Business

Demand will be brisk until 2019 in Japan. In overseas markets, the sales of air conditioners and white goods will significantly grow in China, Asia, and India.



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FY2019 Business Strategies

CE business

AP company serves as the consolidated CE business headquarters. Aiming to sustainably increase sales and profits, accelerate efforts to change business portfolio and strategies, which we set forth in the mid-term strategies.

Business portfolio

- Accelerate the resource shift from AVC to Air conditioner and Small/Built-in.
- Based on the stable Japanese market, focus on China, Asia, and India and achieve profitable growth.

Strategies (FY2019 key strategies)

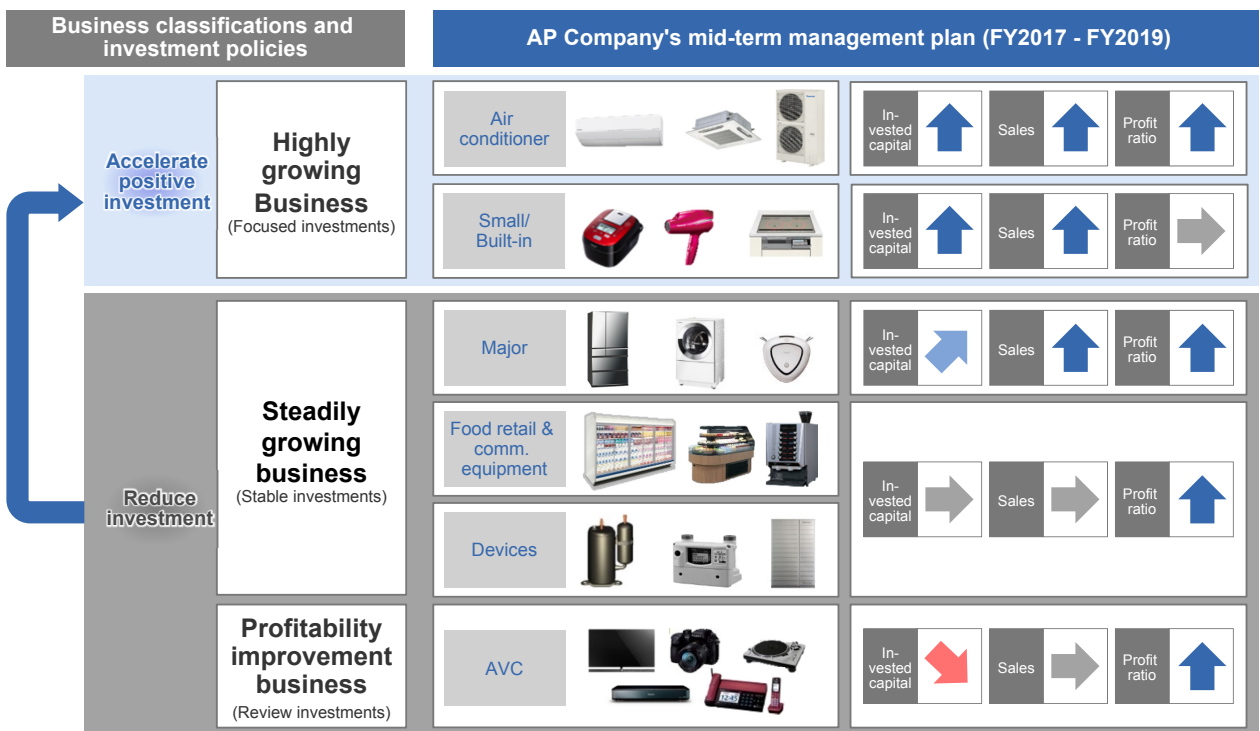
- Promote sales of premium products by promoting company-wide “global platform product development”.
(Efficiently develop premium products tailored to each region.)
- Enhance managerial and organizational capabilities in Asia.
(Complete overseas manufacturing-sales consolidated management structures and optimize the management configuration in each region.)

B2B business

Create profitable business models such as OPEX, which will ensure long-term business with customers, underpinned by energy-efficient and eco-friendly products that will contribute to “a low-carbon society” as well as IoT technologies.

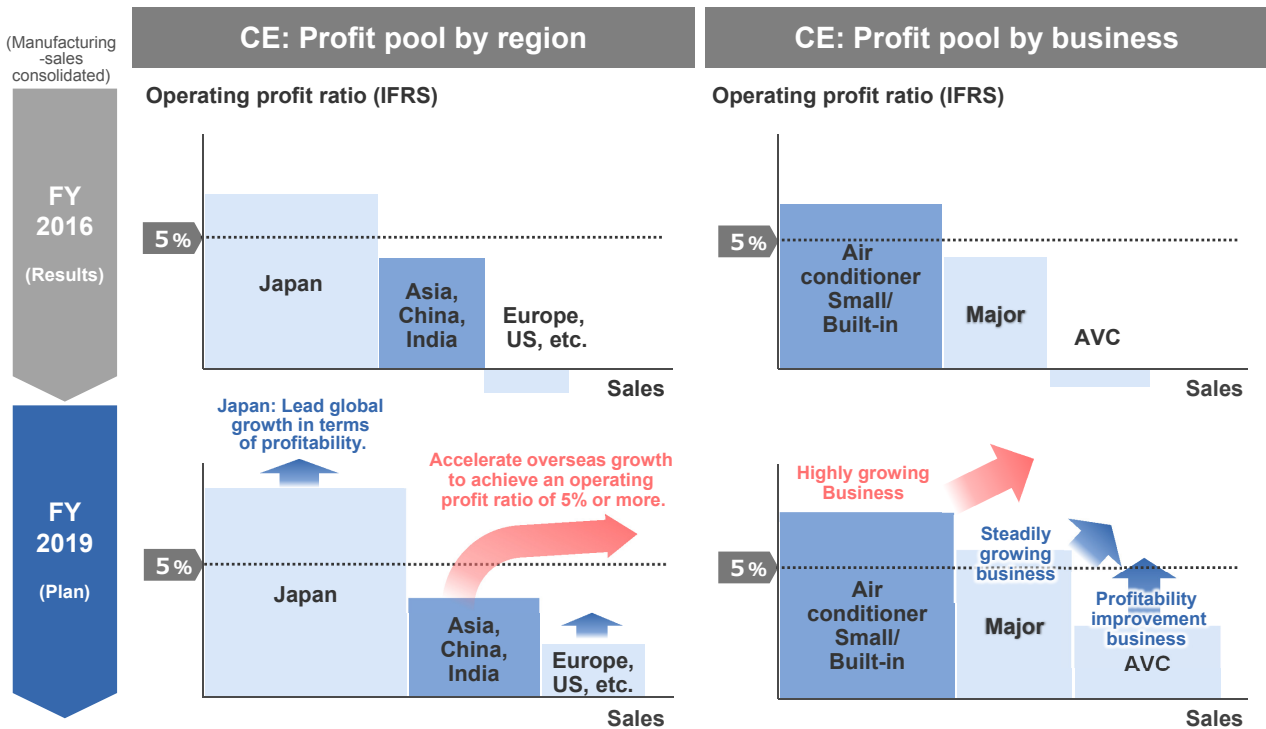
Business Portfolio

- Reduce the amount of investment in Steadily growing business and Profitability improvement business and accelerate the aggressive investment in Highly growing Business.
- Improve investment efficiency and achieve a balance between business growth and contribution to cash generation.



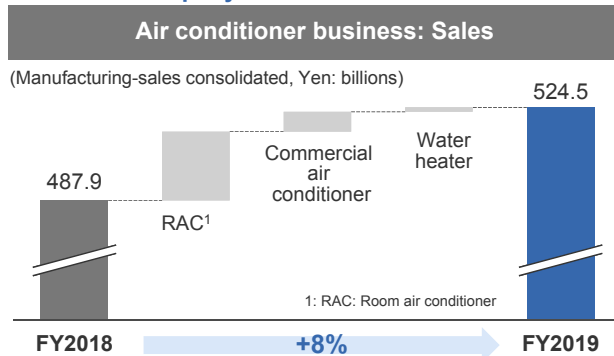
Achieve Profitable CE Growth

Achieve an overseas operating profit rate of 5% by FY2022 by accelerating the concentration on high-growth regions and high-profitability businesses.



Air Conditioner Business

- Strengthen overseas professional B2B air conditioner sales channels and improve products in regard to air-quality and energy-saving performance.
- Achieve further growth in the air conditioner and air-quality product business through collaboration with the ES Company.



[Commercial air conditioner] Establish the business structure required to improve profitability

Strengthen B2B sales channels and engineering capabilities through M&A (Sept. 2017).

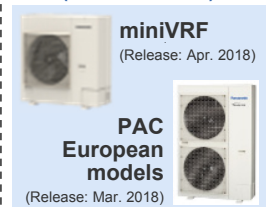


Brazil Engineering company (55 engineers)



Largest independent sales agent in the UK

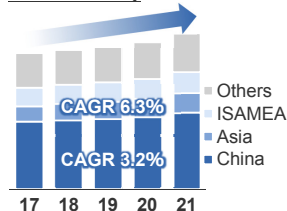
Replace lineups with new models and increase the marginal profit. (FY2019: +3.3%)



[RAC] Maintain high profitability and achieve growth in overseas markets

Achieve growth that exceeds the industry average in key markets such as in Asia and China.

Air conditioner demand in the industry



[FY2019 Asian sales: 119%]

Shift its focus to B2B air conditioner sales channels with the dedicated sales team. (FY2018: Appointed 74 more individuals.)

[FY2019 Chinese sales: 114%]

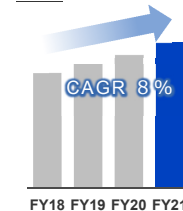
Continue to shift the focus to middle- and high-end models while promoting the health-oriented air conditioning concept.

(*nano-e* models: 12% → 30%, inverter-controlled models: 58% → 83%)

Promote collaboration strategies between air conditioner and air-quality businesses

Create greater space value together with the ES Company.

air conditioning and air quality product sales



Create synergies through collaboration

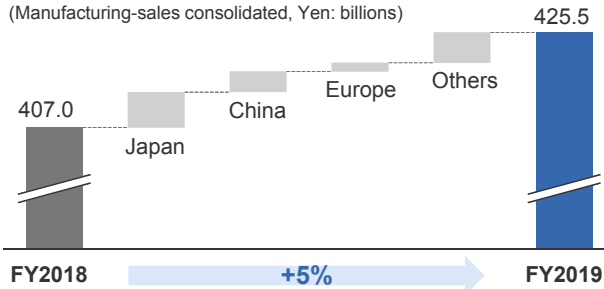


Small/Built-in Appliance Business

- Firmly maintain high profitability based on the Japanese market in which we possess a large market share.
- Lead overseas growth in the Chinese market (beauty and built-in products) and European market (cooking appliances).

Small/Built-in appliance business: Sales

(Manufacturing-sales consolidated, Yen: billions)



Business enhancement in China

Expand overseas sales by seizing the growth of the Chinese market.

Operate flag-ship showrooms showcasing small appliances across China.

Establishing Built-In appliance business in China



Japan: Sales share by product

<FY2018 Market share by product>

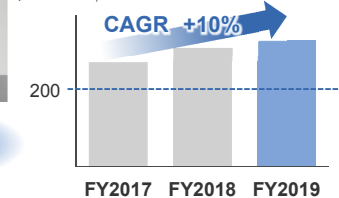


Enhancement of overseas cooking appliances*

Enhance product lineups with uniform designs and promote products in group.



Manufacturing-sales consolidated (Europe): Sales of Small /Built-in appliances (Yen: billions)



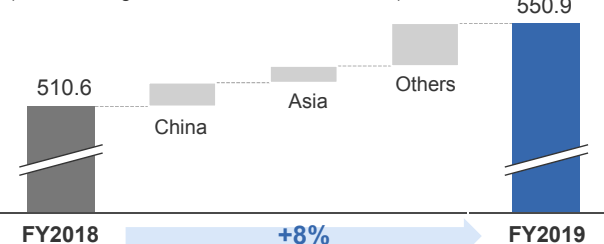
* Bread maker, blenders, etc.

Major Appliance Business

- Maintain operating profit ratio of over 5% by achieving steady business growth.
- Promote the adoption of "global platform product development" and further increase the number of premium products.

Major appliance business sales

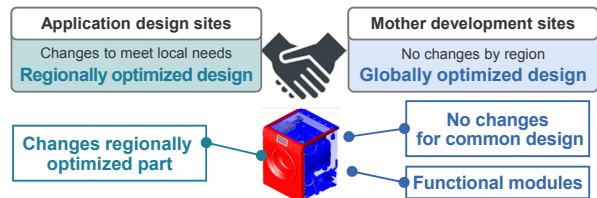
(Manufacturing-sales consolidated, Yen: billions)



Promotion of "global platform product development"

Significantly reduce product costs (15% or more), development LT (12 weeks or more), and development investment (30% or more).

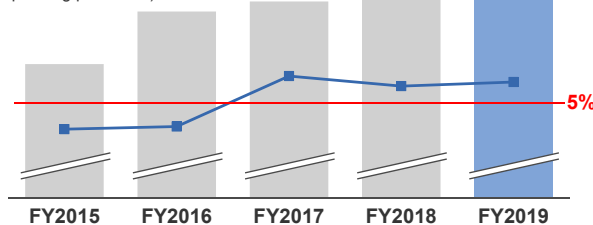
Parenthesized figures: FY2022 targets for washing machines



Increasing profitability of Major appliance business

Steadily increase sales and maintain operating profit ratio of over 5%.

(Manufacturing-sales consolidated / sales of Major appliance business, sales / operating profit ratio)



Asia and China: Acceleration of sales including front-loading washing machines

Achieve a balance between the increase of sales and profitability through "premium strategy".

<Asia>
Sales: +11% (FY2018 → FY2019)

<China>
Expand the ratio of front-loading washing machines. 49% → 70% (FY2017 → FY2019)

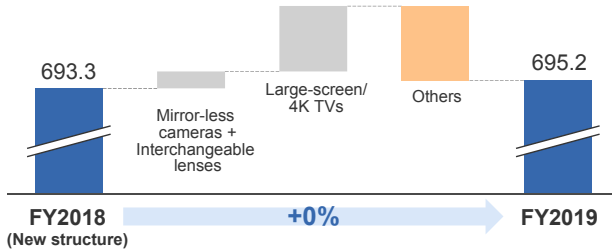


AVC Business

- Focus on high-end mirror-less cameras.
- Increase profitability of TVs by improving product competitiveness and management flexibility.

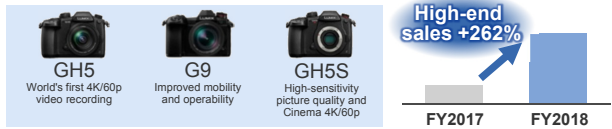
AVC business sales

(Manufacturing-sales consolidated, Yen: billions)

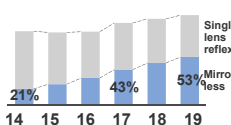


High-end mirror-less strengthen under favorable circumstances

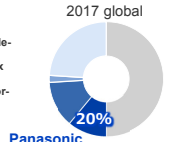
GH5, G9, and GH5S made a big breakthrough.



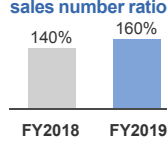
High-end single-lens demand forecasts



Mirror-less share 2017 global



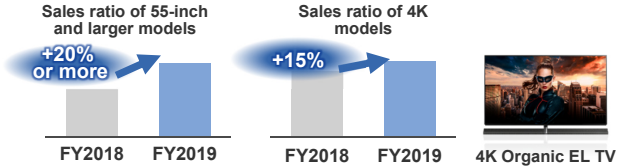
Lens/Body sales number ratio



TVs: Key initiatives

Establish a strong business profitable.
~Shift to premium products and reform of operations~

(1) Accelerate the shift to 55-inch and larger models.



(2) Improve profitability by reforming development, manufacturing, and sales operations

Globally shared platform (PF)	Halve the number of LCD module PFs with regard to FY2020 models
Expansion of in-house module production	Lead time and panel cost reductions
Enhancement of operational structures of inventory control linked to actual demand	Lead time reduction by 20% y/y (Arrival of cell→Shipment of final product) Reduce the number of inventory days by 10% y/y

Reduce fixed costs by diversifying manufacturing products at AVC plants.

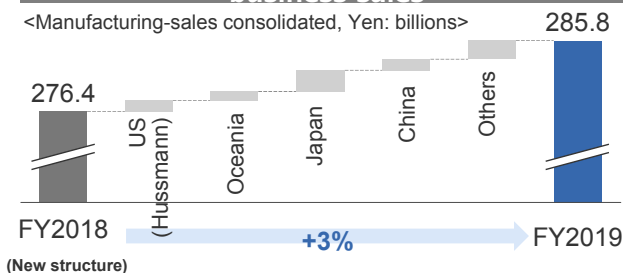


Food Retail & Commercial Equipment Business

In each region, create highly profitable business models by leveraging natural refrigerant and IoT technologies.

Food retail & comm. Equipment business sales

<Manufacturing-sales consolidated, Yen: billions>



US (Husmann)

Sales and profits have been increasing since H2 of FY2018. Achieve profitable growth.



Oceania

FY2018: Profits improved by consolidating Australian factory into Chinese. (Fixed cost reduction)
FY2019: Achieve growth by importing Panasonic products.

Japan

Shift the focus to profitable business areas.

- Expand the OPEX business to supermarkets.

Bolster efforts to make direct proposals to management executives

FY2019: The number of stores that adopted our OPEX system increased to 9 times

FY2019: Growth by 42%

Comprehensive support from introduction, operations, to maintenance.

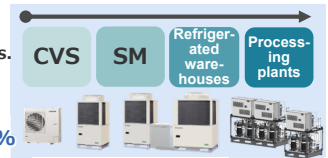


- Expand the lineup to diffuse natural refrigerant equipment.

CO2 Increase the number of refrigeration system users.

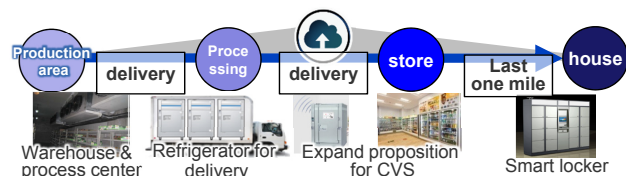
Utilize the subsidy system

FY2019: Growth by 29%



China

Seize the high growth of cold chain logistics and CVS demands and create new business with partners including emerging new retailers (FY2019: Sales growth by 4.5%)



FY2018 Summary

FY2019 Business Policy

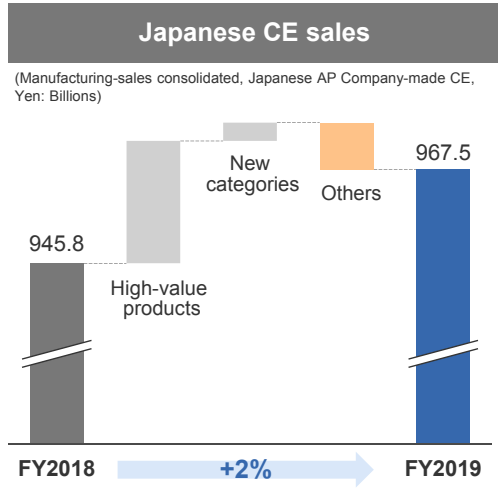
Business Strategies

Regional Consumer Electronics Strategies



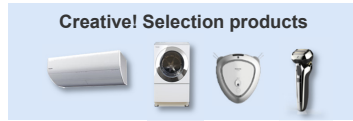
Japanese Market

We will maintain high market shares and stable profit bases in the CE business.



Maintain high profitability by offering premium products along with new products and services.

Sales are brisk for products released to commemorate the 100th anniversary. (2018: second round: 6, third round: being prepared)



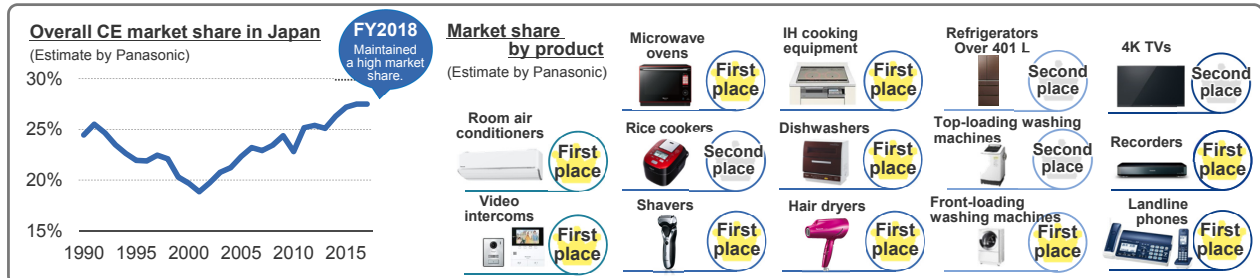
Club Panasonic: to the next stage
Forge closer links with customers by starting "Owners Service".



Create demand by recommending new customer value.



Provide opportunities to experience living services and new products.



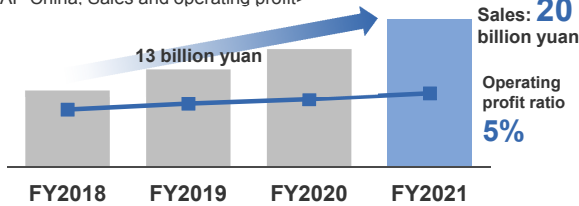
Chinese Market

Work with local key players in the expanding Chinese EC market. Expand premium product lineups and achieve massive growth.

Aggressive targets for FY2021 goal

Retain our first position among non-Chinese white goods brands.

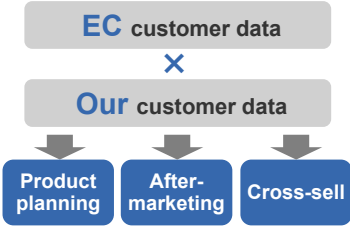
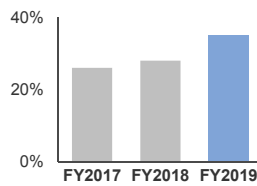
<AP China, Sales and operating profit>



Promote the O2O strategy with Alibaba and JD.com

Enhance digital marketing by utilizing an EC platform.

Chinese online sales ratio



Develop premium markets targeting newly emerging affluent people

320,000 yuan (US\$ 53,000 or more) **10%**

210,000 yuan (US\$35,000) **15%**

Chinese premium product market targeting newly emerging affluent people

- Annual household income: 320,000 yuan or more
- DEWKS generation



Increase efforts to develop products that meet regional customer needs

Self-sustainable collaboration among development, manufacturing, and sales departments gets on track. Swiftly provide unique premium products.

Products meeting Chinese market needs

European X Chinese designs

Living scenes X IoT

Single premium products

Expand the lineup of each product group (Qing Chufang)

Enhancement of the living space business

Showroom to propose a new lifestyle

Open a showroom to strengthen capabilities to propose a new lifestyle (autumn 2018).

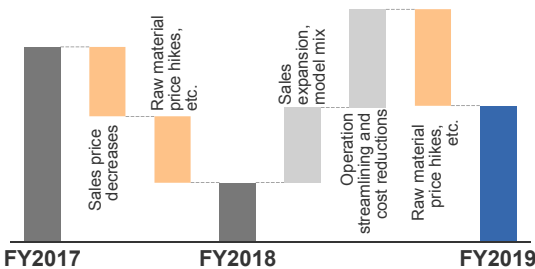
Asian, Indian, and European Markets

Enhance a manufacturing-sales consolidated management structure in each region and achieve a balance between growth and profitability.

Asia

Establish structures swiftly responsive to changes in the business environment and reestablish high-growth and high-profit businesses.

AP Asia's operating profit



FY2018 summary

- Our market share increased in most categories of four countries X four products¹ (11/16 categories).
- Profits decreased resulting from supply-demand imbalances due to a cold summer and delays in offsetting raw material price hikes.

1: Four countries: Vietnam, Indonesia, Philippines, and Thailand
Four products: Air conditioners, refrigerators, washing machines, and TVs

FY2019 measures

- Increase sales and profitability by enhancing premium products.
- Strengthen manufacturing-sales consolidated management. Manage income & expenditure by model/channel, and inventory
- Implement comprehensive measures to reduce costs and improve development efficiency.
 - Specification integration and central purchasing of Top 20 raw materials in 4 countries
 - Localization of designing approval

India

Achieve profitable growth with "Made in India" products.

Refrigerator plant starts operations.

Refrigerator sales +107%

Shift the focus to inverter-controlled models tailored to market needs.

Improve profitability by shifting the focus to 4K and large-screen (49 inches and larger) models.

Europe

Put greater focus on specialized sales channels to expand four key businesses.

Mirror-less camera

Beauty

Air conditioners (A2W)

Kitchen appliances

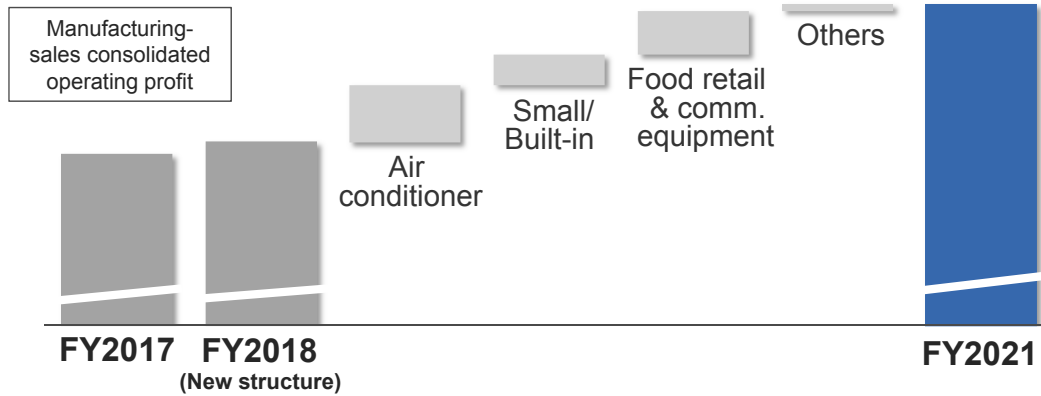
FY2018: 30%

FY2021: 49%

Four key businesses: TVs

FY2021 Goals

Operating profit ratio: **3.7%**
(Sales: 2.9 trillion yen)  **5.0%**
(3 trillion yen)



Challenges to operating profit ratio of 5% by FY2021 through focusing on Highly growing businesses and Steadily growing businesses.

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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; 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: Businesses Whose Sales Are Disclosed

Businesses whose sales are disclosed	Major products
Air conditioner	 <ul style="list-style-type: none"> Room air conditioners, commercial air-conditioners, and hot water supply systems
Small/built-in	 <ul style="list-style-type: none"> Microwave ovens, rice cookers, IH cooking equipment, dishwashers, beauty, healthcare, and cooking equipment, electric irons, and nanoe devices
Major	 <ul style="list-style-type: none"> Refrigerators, washing machines, vacuum cleaners, and hygiene toilet seats
AVC	 <ul style="list-style-type: none"> TVs, recorders, audio equipment, digital cameras, and intercoms
Food retail & comm. equipment	 <ul style="list-style-type: none"> Display cases, kitchen equipment, vending machines, and dispensers
Devices, etc.	 <ul style="list-style-type: none"> Compressors, vacuum insulation materials, fuel cells, and metering devices