

China & Northeast Asia Company Medium-term Initiatives

November 22, 2019

Tetsuro Homma, CEO

China & Northeast Asia Company

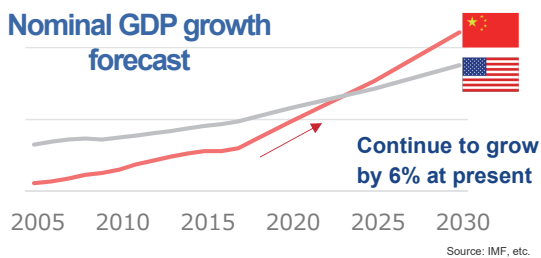
Panasonic Corporation



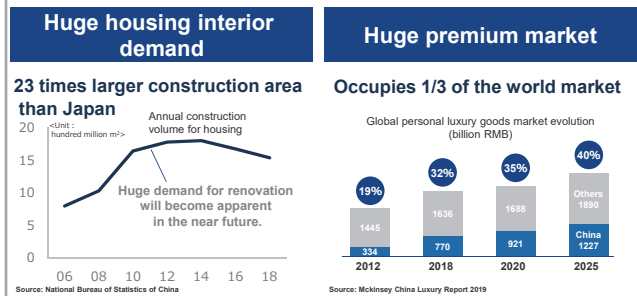
Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "Fiscal 2020" or "FY20" refers to the year ending March 31, 2020.

Long-term and Big Potential Growth Opportunities

Playing a major role for innovation as an engineering global superpower



The world's largest "market" boosted by state policy



15 times more new graduates than Japan

8.2 million university graduates

2019 University Ranking in Asia

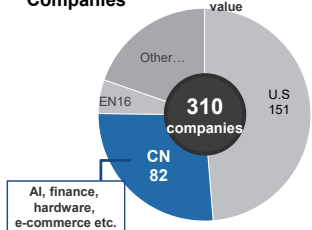
Ranking	University
3	Tsinghua University
5	Beijing University
6	Fudan University
11	Tokyo University
13	Zhejiang University

Source: Quacquarelli Symonds (QS2019)

Nation of Innovation

HR/Money/Experiment sites are all available

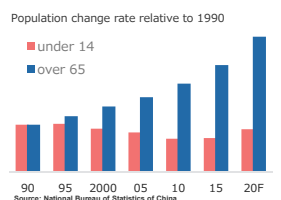
Number of Unicorn* Companies



Huge "business opportunities" Scale of social issues

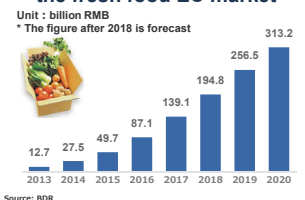
Becoming a society that faces Aging/Declining birthrate

Rapid demographic Change



Responding to Food safety and Food loss

Rapid expansion of the fresh food EC market



Establishment and Overview of China & Northeast Asia Company

Panasonic

Background of Establishing Regional Company

Since entering the Chinese market in 1987, “Matsushita Electric” has been developed and rooted in local businesses



Shipment amount of approx. 2 trillion yen to China Region (Largest among Japanese Companies)

A total of 85 independent R & D, manufacturing and sales bases

Brand awareness in China -CSR ranking No. 1 Japanese Company for 7 consecutive years-

Employees : 60,000
Engineers : 8,800

Hygiene toilet seat



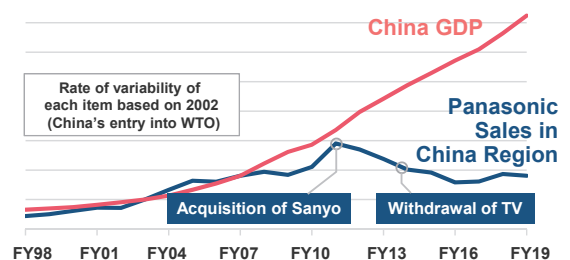
Bathroom Heater



Refrigerated/Freezer showcase



On the other hand, growth slowed down in the Chinese market for the last 10 years



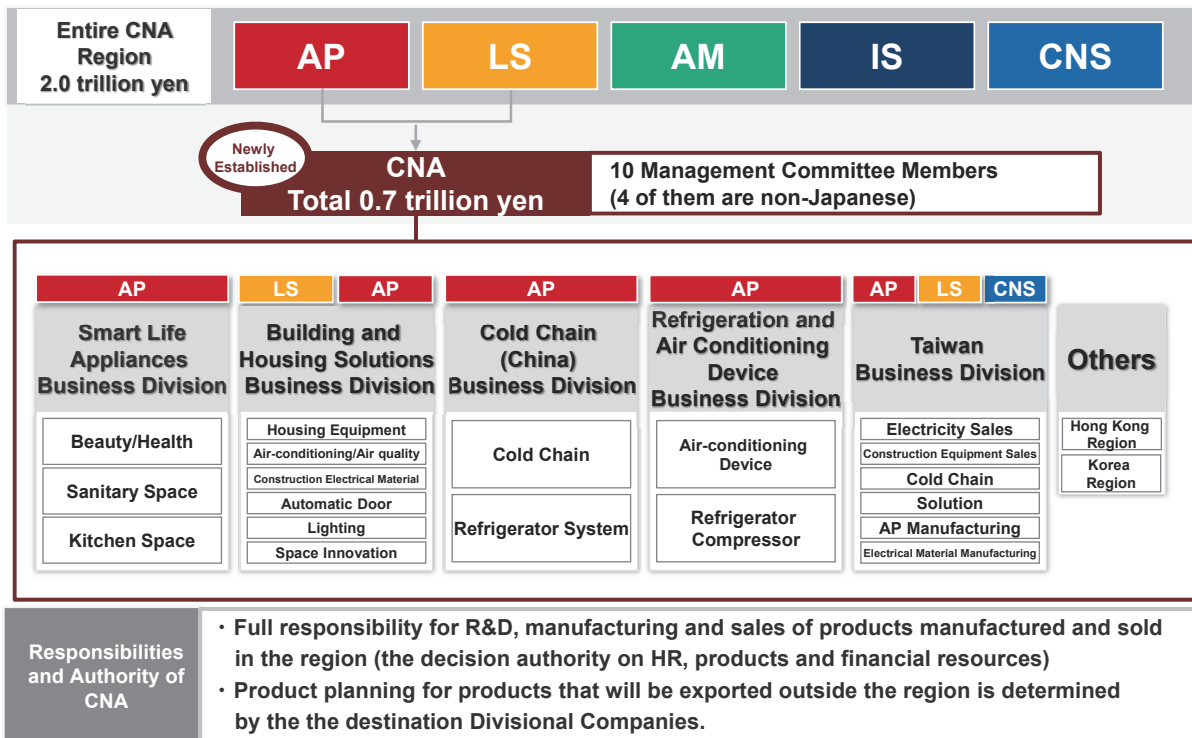
Factor Analysis

Business Speed	<ul style="list-style-type: none"> ✓ Japan oriented management, slow decision making ✓ Lack of understanding for Chinese values and rapid market changes
Management Style	<ul style="list-style-type: none"> ✓ Aggregation of 85 individual bases with siloed strategies ✓ System and mechanism that cannot fully utilize excellent Chinese talents
Cost Power	<ul style="list-style-type: none"> ✓ Excessive dependence on premier quality ✓ Insufficient capability to deal with rapidly emerging Chinese suppliers

Entered into the Chinese market with a new regional company.
Realizing the speed, style and cost to win in China

Scope and Business Area of China & Northeast Asia Company (CNA)

Established CNA mainly based on AP China Business and LS China business



Business Policies/Strategies

CNA Priority Business Strategies

“Living Spaces” and “Fresh Food Supply Chain” as priority businesses to realize “Lifestyle Updates”



Foundation Reform

Realizing the speed, style and cost to win in China

China Speed	Trust, Cooperation, Balance	Long-term Reliability	Elemental Technology
China Cost		Panasonic	
China Style		Continuing Japan's Superiority	Brand Power
		Wide range of products	

Presentation at China International Import Expo * (November, '19)

Great response from Chinese government officials and local media to our living spaces solution proposal

No. of Visitors	210,000 visitors (Our booth)
No. of Government VIP Visitors	78 visitors <small>- 4 deputy class government officials at national level including the Secretary of Shanghai - 40 above deputy class government officials at province level Government officials - 31 above deputy class government officials at the Agency Bureau level and 3 others</small>
Media Coverage	11,100 (including 21 TV reports)



Announcement of Branding Strategy in China



Solution Display : Over 200 purchase intentions

Nursing Space (Housing·Facility) 	Air-conditioning/Air quality Solution
Health Space Unit (Bathroom/Bedroom) 	LDK Space

*One of the nation's largest exhibitions, which is positioned as one of the country's most important diplomatic events, aiming to disseminate the policy of the opening of the Chinese Market.

Priority Businesses : Living Spaces “Health/Nursing” Business

Health and Nursing care “Panasonic Block” Development

Yada Yixing CCRC

Developing housing, nursing care, entertainment and educational facilities on 4 million m² of Land

Panasonic × **Yada International** (Investment·Developer)

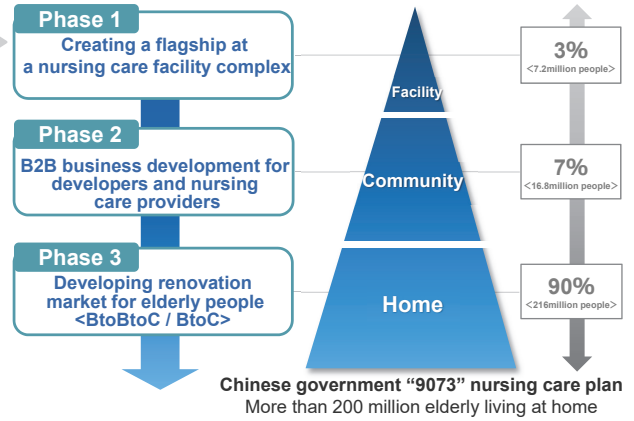
90,000m² area 800 units Panasonic Town
Introducing full specifications of our health and nursing concept

China Speed

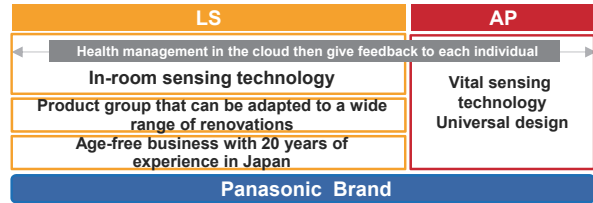
Promote projects as fast as Chinese companies

2015 - Equipment sales	May 2019 Collaboration Proposal	Jun 2019 Promotion Agreement	Dec 2019 Town/Interior Design Completion	Mar 2020 Start of Construction	Spring 2021 Start of Property Sale
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- Establish a brand image ahead of other companies
- Scale with new business model development

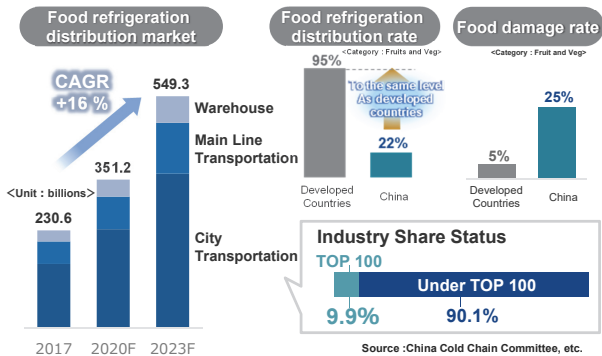


Integration of strengths cultivated in LS·AP businesses



Priority Businesses : Fresh Food Supply Chain Business

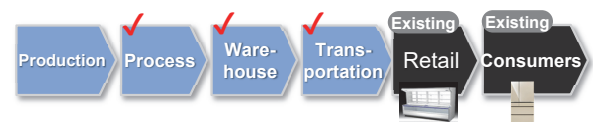
- Growing refrigerated distribution market due to food loss and safety-concerns.
- Numerous small and medium-sized enterprises operate independently without Gulliver’s oligopoly (dominant corporation in industry)



Our strength with strong hardware and a reliable brand

Technology	<ul style="list-style-type: none"> Energy saving performance and natural refrigerant technology Advanced cryogenic engineering capability
Business Experiences	<ul style="list-style-type: none"> No.1 market results cultivated in the retail field Local management team
After Service	<ul style="list-style-type: none"> Sales/CS network covering the whole of China

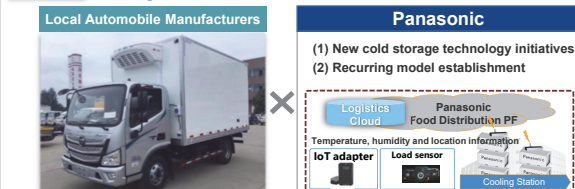
Establish an optimal partner for each supply chain and establish a traceable refrigeration solution



- From equipment sales to reinforcing engineering business
- Evolve into a recurring business such as remote monitoring etc.



Collaboration with local automobile manufacturers Launched demonstration tests with a focus on EV refrigeration truck business



Enhance equipment business for B2B such as large-scale air-conditioning by combining air-conditioning/air quality + LS/AP integration

Accelerating the integration of housing equipment and CE

Integrating excellent Chinese HRs and some businesses cultivated in the CE business into the building and housing solutions division, accelerating the integration of housing equipment and CE.

Creation of Integrated Value for Air-conditioning and Air Quality

Providing new value around air balance technology and differentiated devices

Optimization of 4 elements of air balance + Differentiated Devices

(1) Development of air-conditioning and air quality integrated products

- Integrated products utilizing humidity control (air quality technology) (will be released in FY 2021)
- Maximizing value with a focus on health by creating units around bathrooms and bedrooms

(2) Enhance touch points for spatial value experiences

P Center Hangzhou (From Oct 1) | Air quality/Air-conditioning Flagship store | WELL Lab (Beijing)

B2B Marketing Enhancement

Enhance B2B channel development by unifying marketing organization of large-scale residential air-conditioning Unit (CAC)

(1) New Panasonic Appliances Air-Conditioning Equipment (China) to full-scale operation

- Enhance initiatives to win increasing demand
- Strengthen sales for residential developers

CAC sales YoY +38% | Sales <1Half> CAC > Room Air-conditioning Unit

(2) B2B marketing by Building and Housing Solutions Business Division

- Respond to diversifying housing developer needs with a wealth of housing equipment products (strong products such as No.1 air quality products and toilette) for housing interior

Accelerate the use of equipment products with IoT with leading technology in CE

Business Strategies : Growth of Chinese CE Business

Increase online sales by sequentially deploying network-connected CE for each living space, strengthening OMO marketing, etc.

Responding to expanding EC and online market

Sequentially deploy network-connected CE for each living space

China CE market online sales ratio: 18% (2015), 40% (2019E)

Online composition ratio by major category

In the 1H, all categories excluding washing machines exceeded the industry average

Category	Industry	Panasonic	Category	Industry	Panasonic
Refrigerator	33%	36%	Rice Cooker	32%	53%
Hair Dryer	56%	79%	Microwave Oven	49%	75%

Enhance measures for direct OMO marketing

Develop direct OMO marketing and strengthen seamless connections with customers

OMO: Online Merges Offline
Marketing concept that aims to provide a better customer experience by fusing on/off channels with a customer perspective and customer experience.

Double 11 (Single's Day) sales battle online growth

Our CE sales increased significantly by 28% compared to the previous year

23 billion yen

YoY +28%

Category	YoY Growth
Washing Machine	+41%
Hygiene Toilet Seat	+30% (No.1)
Beauty Accessories	+39%

Toward Further Reform in the CNA Region

Panasonic

Business Management Rooted in China

Toward a management style that further expand opportunities for the local employees.
Working style transformation from working as an individual to working together as a group.

Pursue Economies of Scale and Working Together to Improve Efficiency

(1) Directing multiple sites to accelerate the metabolism of each site
(2) Introduce a cluster system for bases and promote efficiency by group

(1) Direction example

Base	Direction
A	Corporate liquidation
B	From JV to full ownership of capital
C	Integration of 3 sales companies into 1 company
D	Factory expansion and land acquisition

(2) Purpose of introducing the cluster system

- High leveling by promoting exchanges between companies
- Presenting a career roadmap to excellent Chinese talented staff
- Promotion of regional shared services

Promotion of Chinese Style Mechanism

Transition from a Japanese-style management style to a management style that Chinese people can sympathize with

China Style

Aligning authority and responsibility
Transfer of authority

CNA executives with a mix of Chinese and Japanese

心新相融 共创未来
Unite to Innovate, Create our Future

Vision of China and Japan's "Co-creation"

- Pursue business structure with manufacturing and expansion of global businesses model from China to other regions
- Contribute to Group-wide stable profitability

Change gear toward China-led mass production

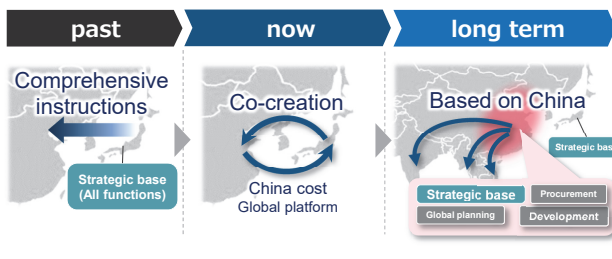
Robustly use reasonable "standard parts" of rapidly developing Chinese suppliers with our technology

China Cost

- 1 Reconstructing Chinese parts sourcing system
- 2 Group-wide consolidation- expansion of procurement scale -
- 3 Design to master standard parts from Chinese suppliers

Deploying these successes in Japan

Starting with Japan-China co-creation at China cost, consider transferring to China for businesses that have a foundation in place in China for medium- and long-term.



New Business Models to Asia and Japan

A part in innovation will be played in China where a foundation for utilizing big data is in place and specializes in agile development and expand to other countries



Expanding business models and know-how that are established in China to Asia and Japan



FY20 1H Management Status

- Despite the impact of market conditions, sales and profit in 2Q turned positive from previous year
- Growth driven by main businesses for China market

CNA	vs. FY19	
	1 Q	2 Q
Sales	-5%	+2%
Adjusted OP	-14%	+21%

<Comparison on a local currency basis>

Positive Factors

- CNA's main businesses (CE and housing equipment) grew more than previous year in China. During 1H, increased by 4%.

Negative Factors

- Air-conditioning device business (compressor) did not achieve the target.
- Geopolitical risks in Korea and Hong Kong.

Vision for 2021

Responsibility for gaining profits	Production	Sales
Within Region (consolidated production and sales)	CNA	CNA
Export (production and sales unconsolidated)	CNA	AP/LS



- Deploy successful CNA’s initiatives in Asia and Japan
- Aiming to reach 940.0 billion yen sales in FY22 and contribute to sales expansion of AP and LS segments

Panasonic

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