

Fiscal 2020 Third Quarter Financial Results

February 3, 2020
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.

- This presentation gives Panasonic's consolidated financial results for the third quarter of fiscal 2020 (FY20) ended December 31, 2019.

- 3Q results

- **Overall sales decreased**, however, **adjusted operating profit was the same level as the previous year** due mainly to improved marginal profit ratio and reduced fixed costs
- **Operating profit and net profit* increased:**
Gain from business transfer and other factors offset restructuring expenses, through execution of business portfolio reform

- Full-year forecast

- **Company-wide sales and profit forecasts are unchanged**
- **Partial revision in segment forecasts**, reflecting current management conditions and effect of business portfolio reform

* Net profit attributable to Panasonic Corporation stockholders

- This shows the summary of the financial results for the third quarter and the full-year forecast for FY20.
- Overall sales for the third quarter decreased, however, adjusted operating profit was at the same level as the previous year due mainly to improved marginal profit ratio and reduced fixed costs.
- Operating profit and net profit increased:
Gain from business transfer and other factors offset restructuring expenses, through execution of business portfolio reform.
- For the full-year forecast, Company-wide sales and profits are unchanged.
Segment forecasts are partially revised, reflecting current management conditions and the effect of business portfolio reform.

Fiscal 2020 3Q Financial Results

Fiscal 2020 Full-Year Financial Forecast

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- First, I will give a summary of the financial results for the third quarter of FY20.

FY20 3Q Results

- **Overall sales:** Decreased due to weak demand for capital investment and slowdown of the automobile market mainly in China, in addition to consumption tax hike in Japan
- **Adjusted operating profit:** Same level as previous year, due mainly to improved marginal profit ratio and reduced fixed costs, despite lower sales and effect of exchange rates
- **Operating profit and net profit:** Increased due mainly to gain from business transfer, despite recording restructuring expenses

(yen: billions)

	FY20 3Q	FY19 3Q	vs. FY19 / Difference	
Sales	1,911.2	2,074.8	-8% (-6%)*	-163.6
Adjusted operating profit ** (Adjusted OPM)	95.3 (5.0%)	96.7 (4.7%)	-1%	-1.4
Other income/loss ***	5.1	0.9	-	+4.2
Operating profit (OPM)	100.4 (5.3%)	97.6 (4.7%)	+3%	+2.8
Non-operating income/loss	-0.2	-0.6	-	+0.4
Profit before income taxes	100.2	97.0	+3%	+3.2
Net profit attributable to Panasonic Corporation stockholders	77.2	60.1	+29%	+17.1
Exchange rates				
1 US dollar	109 yen	113 yen		
1 Euro	120 yen	129 yen		
1 Renminbi	15.5 yen	16.3 yen		

* In real terms excluding the effect of exchange rates

** Adjusted OP = Sales - Cost of sales - SG&A

*** Other income/loss = Other income (expenses) + Share of profit of investments accounted for using the equity method

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- This shows the consolidated financial results for the third quarter of FY20.
- Overall sales decreased by 163.6 billion yen to 1,911.2 billion yen, due to such factors as the weak demand for capital investment and slowdown of the automobile market mainly in China, impact of the consumption tax hike in Japan, along with effect of exchange rates and special factors.
- Adjusted operating profit was 95.3 billion yen, the same level as the previous year, due to improved marginal profit ratio and reduced fixed costs, despite lower sales and effect of exchange rates.
- Operating profit increased to 100.4 billion yen.
Net profit increased to 77.2 billion yen with improvements in income taxes.

Sales and Profit Analysis by Segment

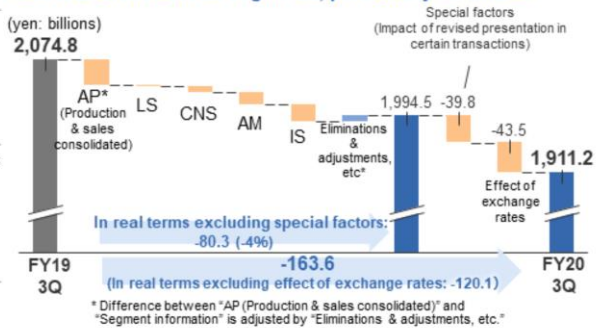
Major increase/decrease factors

AP	Sales decreased: Lower sales of TVs / digital cameras in Europe, as well as consumption tax hike in Japan Profit increased: Following 2Q, due mainly to sales increase of Home Appliances and cost reduction efforts for TV
LS	Same level of sales as previous year: Sales increases of indoor air quality (IAQ) and housing-related businesses offset sales decreases in Lighting, etc. Profit increased: Following 1Q and 2Q, due to sales increase of housing-related business and rationalization effect
CNS	Sales & profit decreased: Lower sales of mounting machines impacted by weak investment demand mainly in China and slowdown of automobile market conditions
AM	Sales & profit decreased: Lower sales at Automotive Solutions due mainly to market slowdown, and factors such as increased fixed costs related to automotive prismatic batteries, despite sales and profit increases in automotive cylindrical batteries
IS	Sales & profit decreased: Impacts of market conditions in China, deteriorated supply-demand conditions of rechargeable batteries in China, and typhoon-affected Koriyama factory in Japan

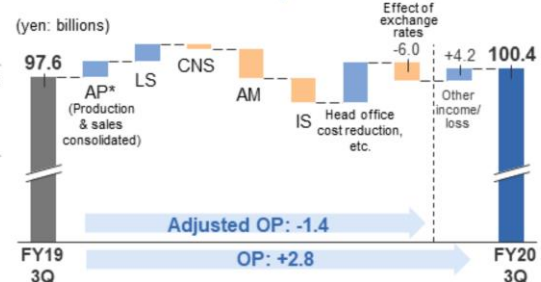
Other income/loss Gain from business transfer and other factors offset restructuring expenses

Note: Names of each Segment are as follows;
 AP: Appliances LS: Life Solutions
 CNS: Connected Solutions AM: Automotive
 IS: Industrial Solutions

Sales: Decreased at all segments, particularly AP and IS



OP: Increases at AP and LS, as well as such factors as cost reduction at head office, offset decreases at AM and IS



- I will explain the major increases and decreases of sales and operating profit by Segment.
- For Appliances, sales decreased due mainly to lower sales of TVs and other products in Europe, as well as impact of consumption tax hike in Japan. However, profit increased, due mainly to sales increase in Home Appliances and cost reduction efforts for TV.
- Life Solutions recorded the same level of sales as the previous year, with sales increases for indoor air quality (IAQ) and housing-related businesses, offsetting sales decreases in businesses such as Lighting. However, profit increased, due to sales increase of housing-related businesses and rationalization efforts.
- For Connected Solutions, sales and profit decreased due to lower sales of mounting machines, impacted by the weak investment demand mainly in China and slowdown of automobile market conditions and other factors.
- For Automotive, sales and profit increased for cylindrical batteries. However, overall sales and profit decreased due to lower sales at Automotive Solutions mainly from market slowdown, and factors such as increased fixed costs related to prismatic batteries with the production start of high-capacity cells.
- For Industrial Solutions, sales and profit decreased due to impacts such as market conditions in China, deteriorated supply-demand conditions of rechargeable batteries in China, and typhoon-affected Koriyama factory in Japan.
- Overall sales decreased by approximately 4%, in real terms excluding special factors: Decreased at all segments, in particular, at Appliances and Industrial Solutions.
- Adjusted operating profit was at the same level as the previous year: Increases at Appliances and Life Solutions, as well as factors such as cost reduction at head office, offset decreases at Automotive and Industrial Solutions.
- Operating profit increased by 2.8 billion yen, with contributions from improvements in other income/loss.

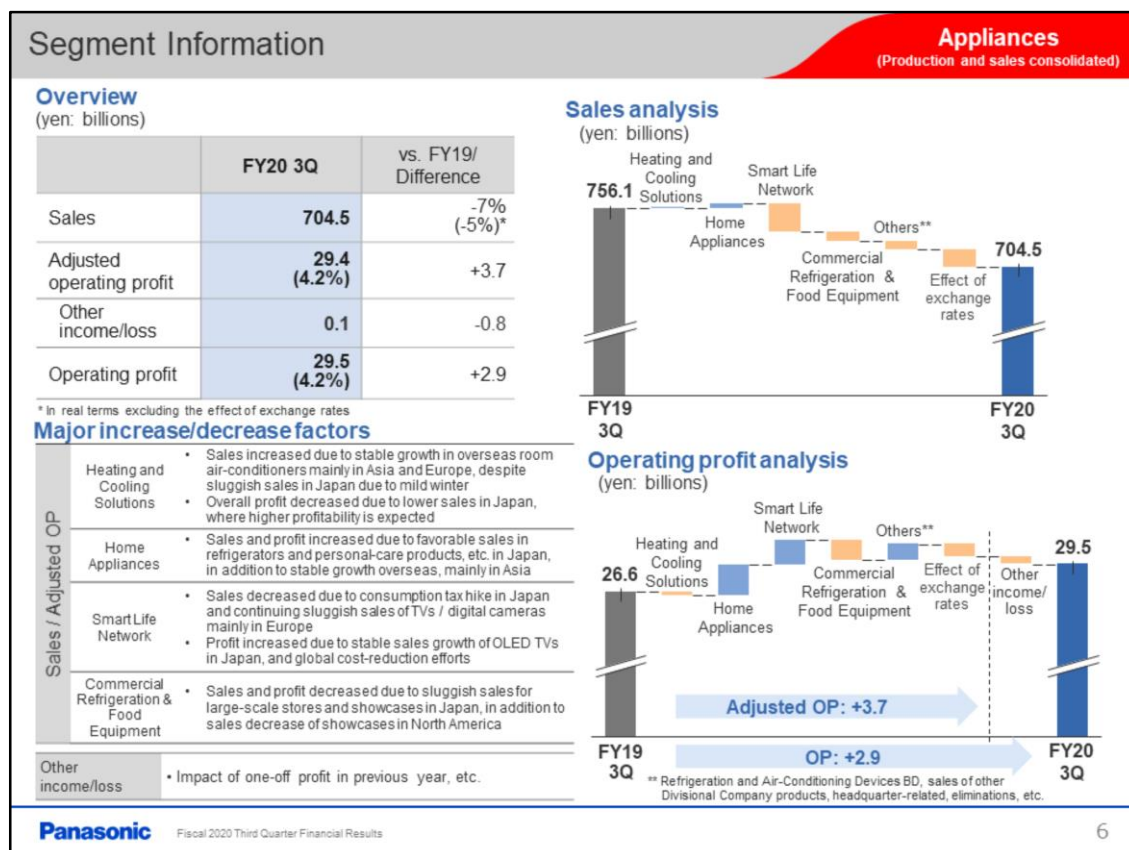
FY20 3Q Results by Segment

(yen: billions)

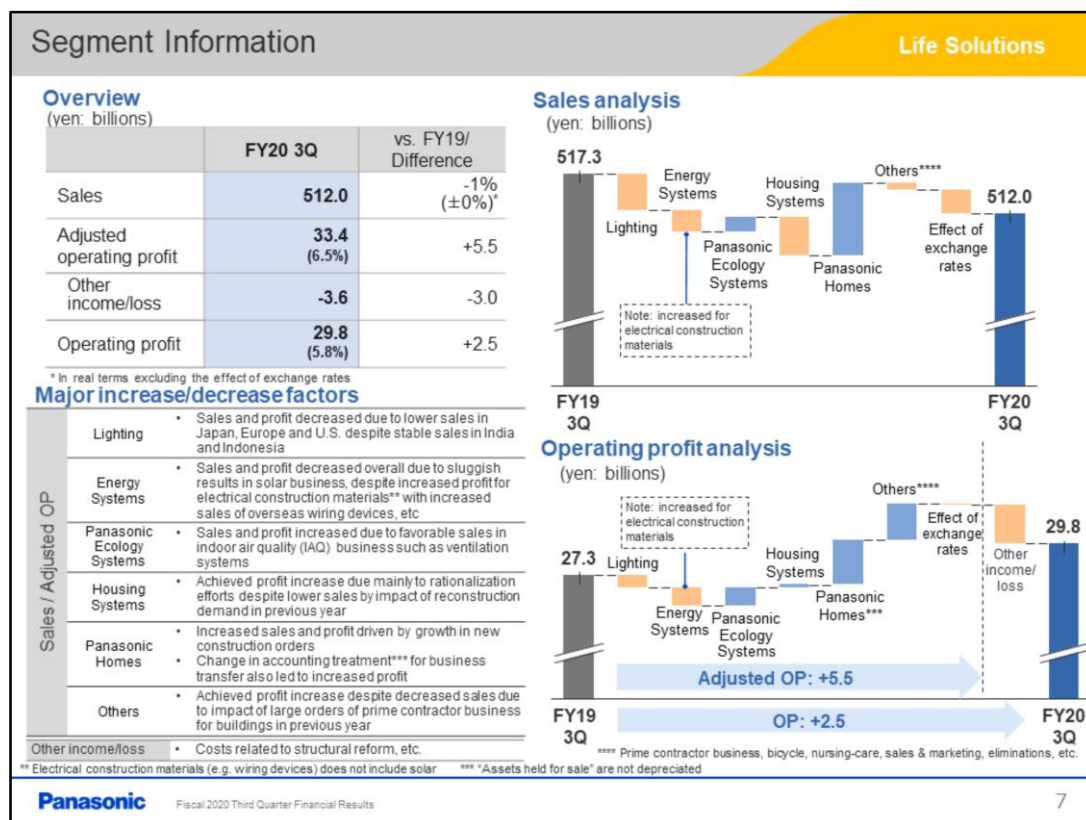
	Sales	vs. FY19	In real terms excl. effect of exchange rates	Adjusted OP	vs. FY19	Other income/loss	vs. FY19	OP	vs. FY19
Appliances	683.2	-6%	-4%	29.7	+3.7	0.1	-0.9	29.8	+2.8
Life Solutions	512.0	-1%	±0%	33.4	+5.5	-3.6	-3.0	29.8	+2.5
Connected Solutions	251.7	-6%	-3%	17.7	-2.8	22.6	+21.4	40.3	+18.6
Automotive	366.2	-7%	-4%	-6.7	-8.9	0.2	+3.0	-6.5	-5.9
Industrial Solutions	326.2	-10%	-7%	10.0	-11.4	-16.6	-22.2	-6.6	-33.6
Other	54.7	-2%	-	1.5	+0.5	-0.6	+0.1	0.9	+0.6
Eliminations and adjustments	-282.8	-	-	9.7	+12.0	3.0	+5.8	12.7	+17.8
Total	1,911.2	-8%	-6%	95.3	-1.4	5.1	+4.2	100.4	+2.8
Appliances (Production and sales consolidated)	704.5	-7%	-5%	29.4	+3.7	0.1	-0.8	29.5	+2.9

- Next, let's look at the results by Segment.

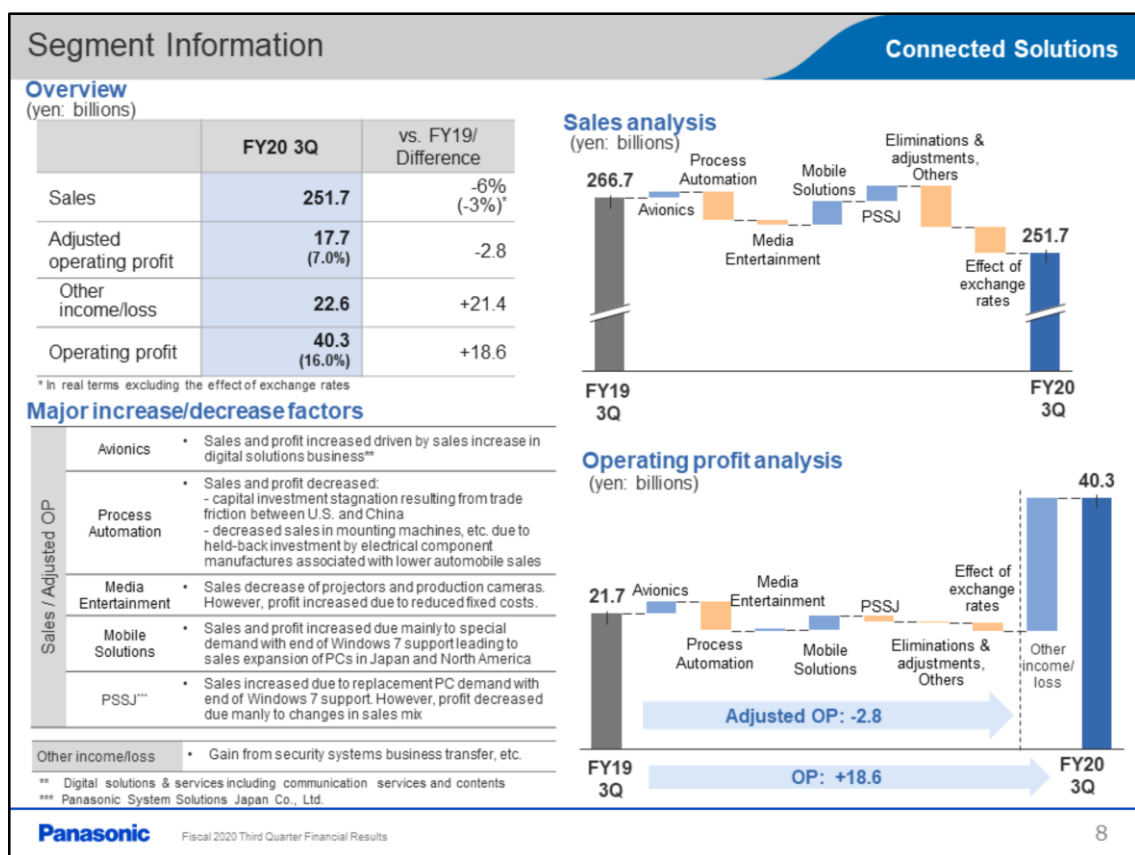
I will explain details from the next slide.



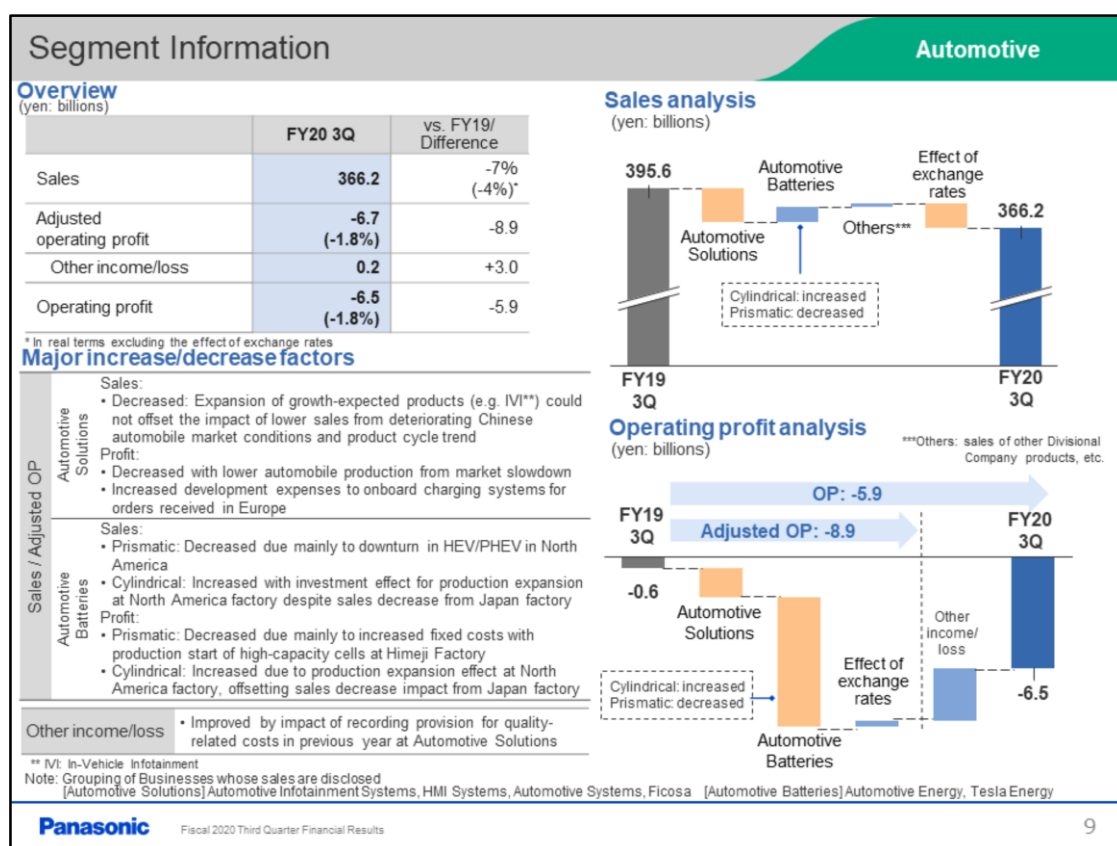
- First, let's look at Appliances based on consolidated production and sales.
- Overall sales decreased, in real terms excluding the effect of exchange rates. However, both adjusted operating profit and operating profit increased.
- In Heating and Cooling Solutions, sales increased but profit decreased. Room air-conditioners showed stable growth overseas, mainly in Asia and Europe. However, the mild winter led to sluggish sales in Japan, where higher profitability is expected.
- In Home Appliances, sales and profit increased due to stable sales mainly in refrigerators and personal-care products, both in Japan and overseas.
- In Smart Life Network, sales decreased due to the impact of the consumption tax hike in Japan, as well as sluggish sales of TVs and digital cameras mainly in Europe. However profit increased due mainly to stable growth in OLED TVs in Japan, and global cost-reduction efforts.
- In Commercial Refrigeration & Food Equipment, sales and profit decreased due to sluggish sales for showcases in Japan as well as in North America.



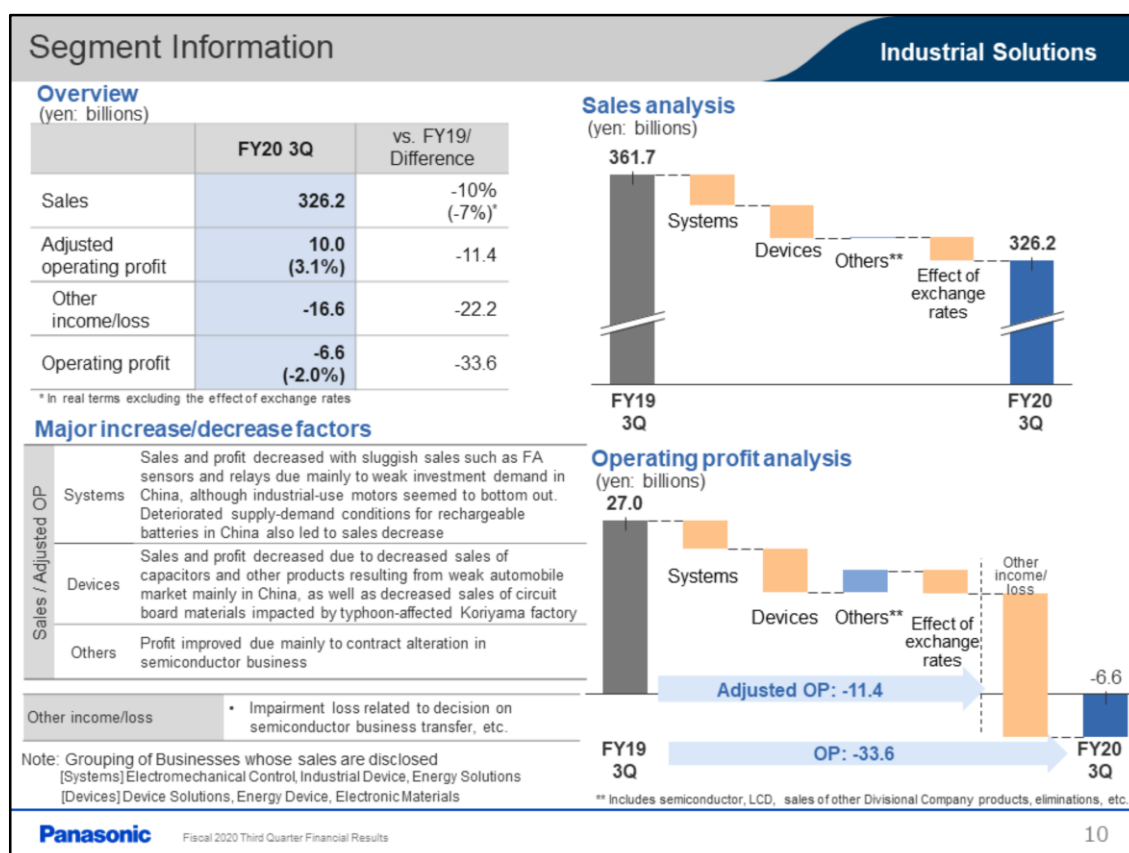
- Next, let's look at Life Solutions.
Sales were the same level as the previous year, while profit increased.
- In Lighting, sales and profit decreased due to lower sales in Japan, Europe and the U.S., despite stable sales in India and Indonesia.
- In Energy Systems, overall sales and profit decreased due to sluggish results in the solar business, despite increased profit for electrical construction materials with stable sales of overseas wiring devices.
- In Panasonic Ecology Systems, sales and profit increased due to favorable sales in indoor air quality (IAQ) business such as ventilation systems.
- In Panasonic Homes, sales and profit increased due mainly to growth in new construction orders.



- Next, let's look at Connected Solutions.
- Overall sales and adjusted operating profit decreased.
However, operating profit increased due to recording the gain from security systems business transfer, in other income/loss.
- In Avionics, sales and profit increased due to sales growth in digital solutions business including communication services and contents.
- In Process Automation, sales and profit decreased due to sales decrease of mounting machines caused by held-back investment associated with lower automobile sales, and trade friction between U.S. and China.
- In Mobile Solutions, sales and profit increased with favorable PC sales in Japan and North America due to growing replacement demand with end of Windows 7 support.
- In PSSJ, sales increased due to PC sales in Japan. However, profit slightly decreased due mainly to changes in sales mix.



- For Automotive, sales and profit decreased.
- In Automotive Solutions, sales decreased despite the expansion of growth-expected products such as IVI, which could not offset the impact of lower sales from deteriorating Chinese automobile market conditions and product cycle trend.
- Adjusted operating profit decreased due mainly to sales decrease. Development expenses, to onboard charging systems for orders received in Europe, increased from the previous year. However, they were in line with the revised forecast as of the second quarter results announcement. Our outlook of the overall development expenses for Automotive Solutions peaking in FY20 is unchanged.
- In Automotive Batteries, overall sales increased. Sales increase of cylindrical batteries from the investment effect of production expansion at the North America factory for Tesla exceeded sales decrease from Japan factory and prismatic batteries downturn in North America.
- Adjusted operating profit decreased overall. It increased for cylindrical batteries with profit from sales increase at the North America factory exceeding impact of sales decrease from Japan factory. But it decreased for prismatic batteries due mainly to increased fixed costs with the production start of high-capacity cells at the Himeji factory.
- The North America factory managed to turn profitable for the third quarter overall, exceeding our aim to become profitable on a monthly basis during the second half, as mentioned at the second quarter results announcement.

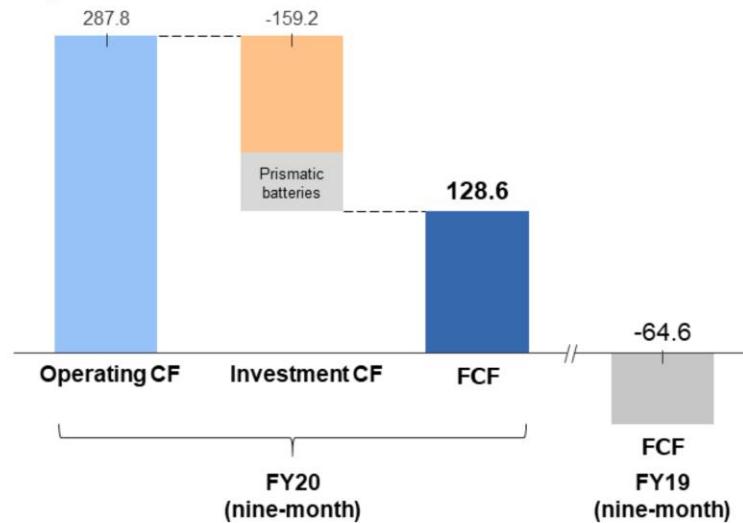


- Finally, Industrial Solutions. Sales and profit decreased.
- At the second quarter results announcement, we set our outlook of the China market as “same level as the second half of FY19,” amid uncertainties.
- For the third quarter, the Company faced a severe business environment as a whole. While certain products seemed to bottom out, the automobile market slowdown mainly in China was more than expected.
- Sales and profit decreased for Systems with sluggish sales such as in FA sensors and relays due to the weak investment demand continuing in China, although industrial-use motors seemed to bottom out. Deteriorated supply-demand conditions for rechargeable batteries in China also led to sales decrease.
- Sales and profit decreased for Devices due to sales decrease of capacitors and other products with the automobile market slowdown, as well as sales decrease of circuit board materials impacted by the typhoon-affected Koriyama factory in Japan.
- An impairment loss related to the decision on the semiconductor business transfer is incurred, in other income/loss.

- Improved significantly from previous year due mainly to inventory control and review of investments

FCF (FY20 nine-month during Apr. – Dec.)

(yen: billions)



- This slide shows the situation for FCF.
- Due to strategic investments, FCF situation had been severe. However, during the nine months ended December 31, 2019, FCF was 128.6 billion yen.
- While we continue making investments in the automotive prismatic battery business until the fourth quarter of FY20, FCF improved significantly from the same period of last year, due mainly to inventory control and review of our investments.

Fiscal 2020 3Q Financial Results

Fiscal 2020 Full-Year Financial Forecast

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- Now, I will explain the FY20 full-year forecast.

FY20 Segment Forecast Revision (Revision from October 31, 2019)

- Company-wide sales and profit forecasts unchanged: Promote structural reform factored in the full-year forecast
- Segment forecasts revised to reflect current management conditions and business portfolio reform, etc.
 - CNS*: Adjusted operating profit revised downward reflecting business transfer of security systems. Operating profit revised upward
 - IS**: Sales, adjusted operating profit and operating profit revised downward factoring in impairment loss of semiconductor business in other income/loss, along with automobile market slowdown and deteriorated supply-demand conditions of rechargeable batteries mainly in China, impact of typhoon in Japan and decreased intellectual property income
 - Eliminations and adjustments: Revised based on nine-month results such as improved head office income/expenses by fixed cost reduction

(yen: billions)

*CNS: Connected Solutions, **IS: Industrial Solutions

	Sales	vs. previous forecast	vs. FY19	Adjusted OP	vs. previous forecast	vs. FY19	Other income/loss	vs. previous forecast	vs. FY19	OP	vs. previous forecast	vs. FY19
Appliances	2,690.0	-	-60.6	84.0	-	+0.4	-7.5	-	-9.5	76.5	-	-9.1
Life Solutions	1,960.0	-	-76.1	100.0	-	+10.1	74.5	-	+99.8	174.5	-	+109.9
Connected Solutions	1,110.0	-	-17.7	81.0	-3.0	-18.9	18.0	+20.0	+23.5	99.0	+17.0	+4.6
Automotive	1,510.0	-	-13.2	-39.5	-	-27.7	-4.5	-	-4.2	-44.0	-	-31.9
Industrial Solutions	1,300.0	-30.0	-122.3	40.0	-20.0	-23.5	-27.0	-18.0	-32.1	13.0	-38.0	-55.6
Other	300.0	-	-6.6	2.0	-	-2.0	-2.0	-	+0.3	0.0	-	-1.7
Eliminations and adjustments	-1,170.0	+30.0	-6.2	32.5	+23.0	+34.6	-51.5	-2.0	-162.3	-19.0	+21.0	-127.7
Total	7,700.0	-	-302.7	300.0	-	-27.0	0.0	-	-84.5	300.0	-	-111.5
Appliances (Production & sales consolidated)	2,760.0	-	-57.8	84.0	-	+2.8	-7.5	-	-9.5	76.5	-	-6.7

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- The Company-wide forecast remains unchanged.
- We are promoting structural reform factored in the full-year forecast.
- Segment forecasts are revised, as shown on this slide, reflecting current management conditions and the effect of business portfolio reform.
- For Connected Solutions, adjusted operating profit is revised downward, reflecting the impact of the security systems business transfer. Operating profit is revised upward, with gain from business transfer recorded in other income/loss.
- For Industrial Solutions, sales and profit are revised downward. This revision reflects the automobile market slowdown and the deteriorated supply-demand conditions of rechargeable batteries mainly in China, the impact of typhoon in Japan, and decreased intellectual property income. In addition, impairment loss of the semiconductor business is incurred, in other income/loss.
- “Elimination and adjustments” is revised based on the nine-month results such as the improved head office income/expenses achieved through fixed cost reduction, and improvement of elimination for intercompany profits due to reduced inventory.
- The macro environment such as China market conditions remains unpredictable. By carefully monitoring the situation, we will continue our efforts to enhance management structure.

(Reference) Business Portfolio Reform Progress	
Enhance competitiveness through Co-creation	Agreement with Toyota Motor Corporation to establish a joint venture related to automotive prismatic battery business (Announced on January 22, 2019) Resolved to establish joint venture on April 1, 2020 (<u>Announced on February 3, 2020</u>)
	Agreement with Toyota Motor Corporation to establish a joint venture related to town development (Announced on May 9, 2019) Prime Life Technologies established in January 2020 (<u>Announced on January 7, 2020</u>)
	Strategic co-investment of security systems business (Announced on May 31, 2019) Reorganization completed in November 2019
Improve profitability	Transfer part of discrete semiconductor business (Announced on April 23, 2019) Completed at end-November 2019
	Optimize development & production capability of solar business (Announced on May 9, 2019) Reorganization scheduled in March 2020 (subject to approval from relevant authorities)
	End of production of liquid crystal display panels (<u>Announced on November 21, 2019</u>) Scheduled to end production by 2021
	Transfer of semiconductor business (<u>Announced on November 28, 2019</u>) Completion scheduled in June 2020 (subject to approval from relevant authorities)
	Radical measures for low-profitable and unprofitable businesses Narrowing down regions and businesses for consumer electronics: TV business: aim to eliminate losses during FY22 through structural reform - optimize development, manufacturing and sales structure in accordance with current business scale, complete structural reform during current Mid-term including seeking potential collaboration (terminated TV production in Mexico at the end of July 2019)
Further promotion of business portfolio reform Note: Changes after 2Q announcement are <u>underlined</u>	
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- Finally, this slide shows our business portfolio reform progress.
- Changes after the second quarter results announcement include:
Resolved to establish a joint venture related to automotive prismatic battery business in April, 2020.
Established Prime Life Technologies, the joint venture related to town development, in January, 2020.
In addition, we announced in November, 2019, structural reforms in loss-making businesses such as semiconductors and liquid crystal display panels.
- During the current fiscal year, we continue to carry out the structural reforms in a top-down manner. And from the next fiscal year onward, we will accelerate such initiatives, to overcome the low-profitability structure.

The Panasonic logo is centered within a large, empty rectangular frame. The logo itself is the word "Panasonic" in a bold, blue, sans-serif typeface.

- Thank you for your kind attention.

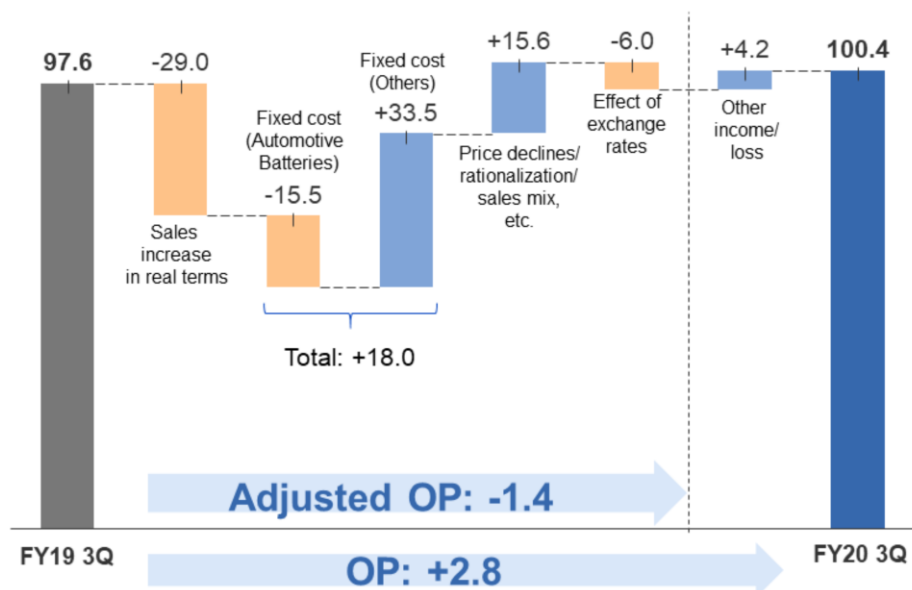
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The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the Americas, Europe, Japan, China and other Asian countries; volatility 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; restrictions, costs or legal liability relating to laws and regulations or failures in internal controls; 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) FY20 3Q Operating Profit Analysis

(yen: billions)



(Reference) FY20 3Q Operating Profit & Net Profit

(yen: billions)

	FY20 3Q	FY19 3Q	vs FY19 3Q Difference
Operating profit	100.4	97.6	+2.8
Non-operating income/loss	-0.2	-0.6	+0.4
Profit before income taxes	100.2	97.0	+3.2
Income taxes	-18.8	-31.3	+12.5
Net profit	81.4	65.7	+15.7
Net profit attributable to Panasonic Corporation stockholders	77.2	60.1	+17.1
Net profit attributable to non-controlling interests	4.2	5.6	-1.4

(Reference) FY20 Nine-Month (Apr. – Dec.) Results

(yen: billions)

	FY20 9M	FY19 9M	vs. FY19 / Difference	
Sales	5,755.6	6,083.0	-5% (-3%)*	-327.4
Adjusted operating profit** (Adjusted OPM)	251.8 (4.4%)	270.5 (4.4%)	-7%	-18.7
Other income/loss***	-11.1	22.3	—	-33.4
Operating profit (OPM)	240.7 (4.2%)	292.8 (4.8%)	-18%	-52.1
Non-operating income/loss	-2.6	1.5	—	-4.1
Profit before income taxes	238.1	294.3	-19%	-56.2
Net profit attributable to Panasonic Corporation stockholders	178.1	173.7	+3%	+4.4
Exchange Rates	1 US dollar	109 yen	111 yen	
	1 Euro	121 yen	129 yen	
	1 Renminbi	15.6 yen	16.6 yen	

* In real terms excluding the effect of exchange rates

** Adjusted operating profit (Adjusted OP) = sales - cost of sales - SG&A

*** Other income/loss = other income (expenses) + Share of profit of investments accounted for using the equity method.

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(Reference) List of Businesses whose sales are disclosed in FY20

	<u>Businesses</u>	<u>Major Business Divisions</u>
Appliances (AP)	• Heating and Cooling Solutions • Home Appliances • Smart Life Network • Commercial Refrigeration & Food Equipment	: Heating and Cooling Solutions BD : Kitchen Appliances BD, Laundry Systems and Vacuum Cleaner BD, Beauty and Personal Care BD : Smart Life Network BD : Cold Chain BD, Hussmann Corporation
Life Solutions (LS)	• Lighting • Energy Systems • Panasonic Ecology Systems • Housing Systems • Panasonic Homes	: Lighting BD : Energy Systems BD : Panasonic Ecology Systems Co., Ltd. : Housing Systems BD : Panasonic Homes Co., Ltd.
Connected Solutions (CNS)	• Avionics • Process Automation • Media Entertainment • Mobile Solutions • PSSJ	: Panasonic Avionics Corporation, Avionics BU : Process Automation BD : Media Entertainment BD : Mobile Solutions BD : Panasonic System Solutions Japan Co., Ltd.
Automotive (AM)	• Automotive Solutions • Automotive Batteries	: Automotive Infotainment Systems BD, HMI Systems BD, Automotive Systems BD, Ficos International, S.A. : Automotive Energy BD, Tesla Energy BD
Industrial Solutions (IS)	• Systems • Devices	: Electromechanical Control BD, Industrial Device BD, Energy Solutions BD : Device Solutions BD, Energy Device BD, Electronic Materials BD

Note: Sales and profit of China & Northeast Asia Company are mainly included in AP and LS segments. Sales and profit of US Company are mainly included in AP and AM segments.