# China & Northeast Asia Company Medium-term Initiatives

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China & Northeast Asia Company

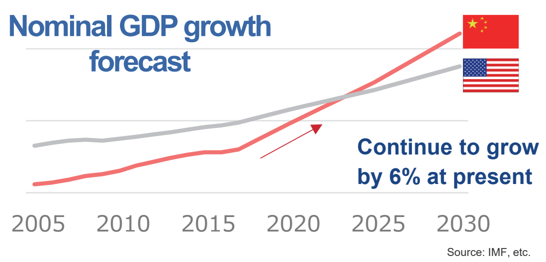
Panasonic Corporation

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.

## Long-term and Big Potential Growth Opportunities

### Playing a major role for innovation as an engineering global superpower




**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 |
| : | |

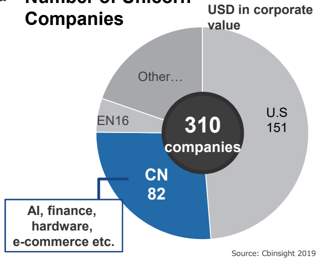
Source: Quacquarelli Symonds (QS2019)

**Nation of Innovation**

HR/Money/Experiment sites are all available

Number of Unicorn* Companies

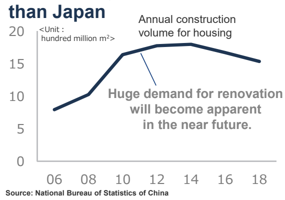
*More than 1 billion USD in corporate value




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

**Huge housing interior demand**

23 times larger construction area than Japan



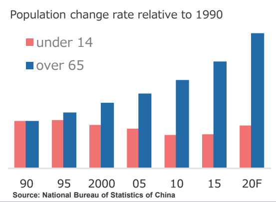

**Huge premium market**

Occupies 1/3 of the world market


### Huge "business opportunities" Scale of social Issues

**Becoming a society that faces Aging/Declining birthrate**

Rapid demographic Change

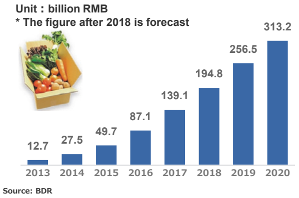



**Responding to Food safety and Food loss**

Rapid expansion of the fresh food EC market

Unit : billion RMB

* The figure after 2018 is forecast



# Establishment and Overview of China & Northeast Asia Company

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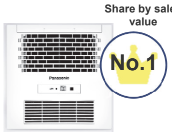
## Background of Establishing Regional Company

### 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

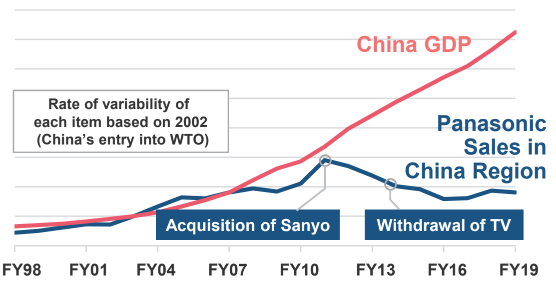
Hygiene toilet seat


Bathroom Heater




Refrigerated/Freezer showcase


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




Source: IMF and Panasonic, etc.

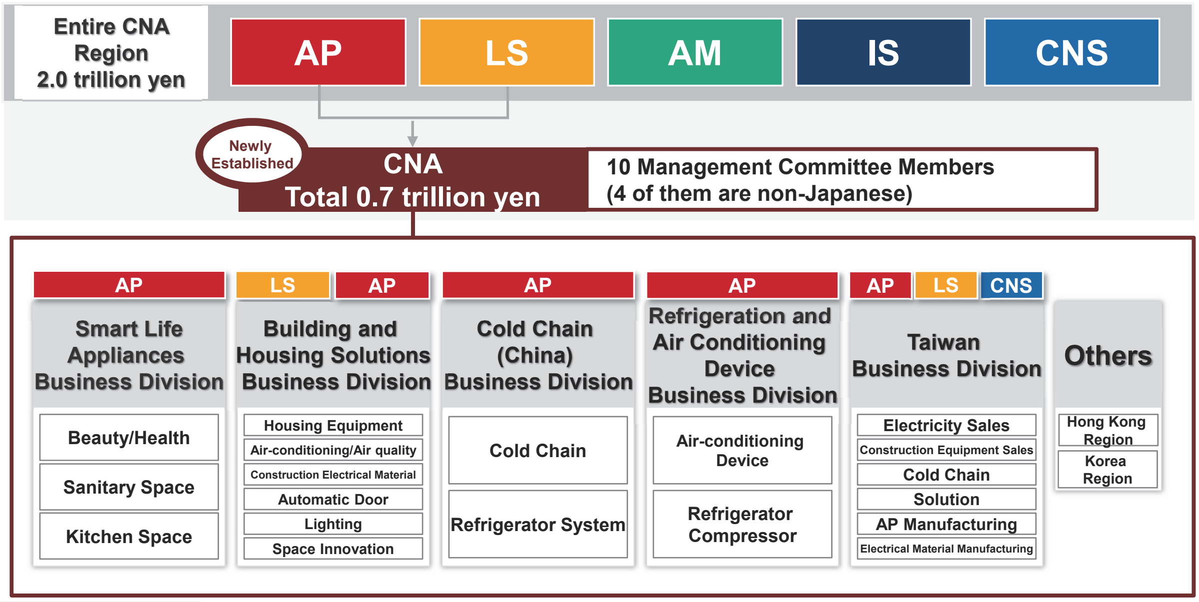
#### Factor Analysis

| | |
|---|---|
| Business Speed | ✓ Japan oriented management, slow decision making<br>✓ Lack of understanding for Chinese values and rapid market changes |
| Management Style | ✓ Aggregation of 85 individual bases with siloed strategies<br>✓ System and mechanism that cannot fully utilize excellent Chinese talents |
| Cost Power | ✓ Excessive dependence on premier quality<br>✓ 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




| | |
|---|---|
| Responsibilities and Authority of CNA | ・Full responsibility for R&D, manufacturing and sales of products manufactured and sold in the region (the decision authority on HR, products and financial resources)<br>・Product planning for products that will be exported outside the region is determined by the the destination Divisional Companies. |



# Business Policies/Strategies

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# CNA Priority Business Strategies

**"Living Spaces" and "Fresh Food Supply Chain" as priority businesses to realize "Lifestyle Updates"**




# 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<br>- 4 deputy class government officials at national level including the Secretary of Shanghai<br>- 40 above deputy class government officials at province level Government officials<br>- 31 above deputy class government officials at the Agency Bureau level and 3 others |
| 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


**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 - | May 2019 | Jun 2019 | Dec 2019 | Mar 2020 | Spring 2021 |
|---|---|---|---|---|---|
| Equipment sales | Collaboration Proposal | Promotion Agreement | Town/Interior Design Completion | Start of Construction | Start of Property Sale |

- Establish a brand image ahead of other companies
- Scale with new business model development

**Phase 1** Creating a flagship at a nursing care facility complex

**Phase 2** B2B business development for developers and nursing care providers

**Phase 3** Developing renovation market for elderly people <BtoBtoC / BtoC>

| | |
|---|---|
| Facility | 3% <7.2million people> |
| Community | 7% <16.8million people> |
| Home | 90% <216million people> |

Chinese government "9073" nursing care plan
More than 200 million elderly living at home

### Integration of strengths cultivated in LS･AP businesses

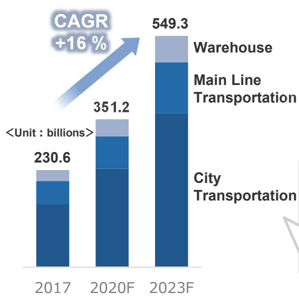
| LS | AP |
|---|---|
| Health management in the cloud then give feedback to each individual | |
| In-room sensing technology | Vital sensing technology<br>Universal design |
| Product group that can be adapted to a wide range of renovations | |
| Age-free business with 20 years of experience in Japan | |

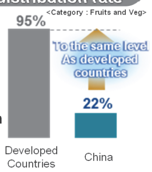
Panasonic Brand

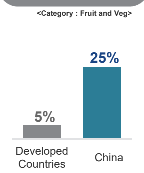


# Priority Businesses：Fresh Food Supply Chain Business

- 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)




**Industry Share Status**

| TOP 100 | Under TOP 100 |
|---|---|
| 9.9% | 90.1% |

Source :China Cold Chain Committee, etc.

### Our strength with strong hardware and a reliable brand

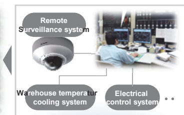
| | |
|---|---|
| Technology | ✓ Energy saving performance and natural refrigerant technology<br>✓ Advanced cryogenic engineering capability |
| Business Experiences | ✓ No.1 market results cultivated in the retail field<br>✓ Local management team |
| After Service | ✓ Sales/CS network covering the whole of China |

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

Production → Process ✓ → Ware-house ✓ → Trans-portation ✓ → Retail (Existing) → Consumers (Existing)

**Ware-house**

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




Under similar developments over 40 sites in China

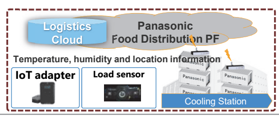
China Railway Tielong Dalian Logistic Park（179,000 ㎡）

**Trans-portation**

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

**Local Automobile Manufacturers** × **Panasonic**

(1) New cold storage technology initiatives
(2) Recurring model establishment



# Business Strategies：Proposing New Value Through Dual Integrations (Air-conditioning, Air quality, Housing Equipment × CE)

Air-conditioning × Air Quality | Housing Equipment × CE

## 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.

AP Smart Life Appliance Business Division → Transfer → LS AP Building and Housing Solutions Business Division (AC, AQ)

Hygiene toilet seat + BIK

Promising talents
- Management personnel
- IoT development personnel

### 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

VRF | Mini VRF | Ventilation | Toilette | Electrical Materials /Building Materials

### 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

AC × AQ: Air Flow, Air quality area, Purity, Humidity, Temp, Air Conditioning area

nanoe TECHNOLOGY: Purification, Deodorization, Sterilization

Air Application

(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)



# 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

Kitchen Space | Air-conditioning /Air Quality | Living Space

Linkage × AI Speaker etc. <Tmall･JD etc. >

China CE market online sales ratio: 2015 18%, 2017, 2019E 40%

Source: GFK

### Enhance measures for direct OMO marketing

Develop direct OMO marketing and strengthen seamless connections with customers

Panasonic Appliances ⇄ Consumers

Develop retail and service businesses directly to customers

Panasonic Center Hangzhou | Smart Phone App Qin Song Wang

Cycle from member acquisition to customer management, customer experience and repeating purchase

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.

### Online composition ratio by major category

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

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

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

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

23 billion yen (2018 → 2019, YoY +28%)

- Washing Machine: YoY +41%
- Hygiene Toilet Seat: YoY +30% (JD Category sales No.1)
- Beauty Accessories: YoY +39%

# Toward Further Reform in the CNA Region

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## 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


Aligning authority and responsibility
Transfer of authority

CNA executives with a mix of Chinese and Japanese

## 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

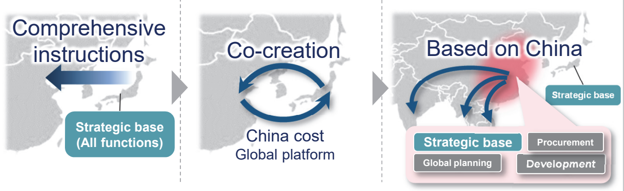
**China Cost**

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.

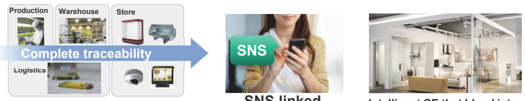
| past | now | long term |
|---|---|---|



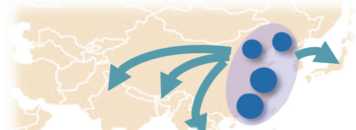

### New Business Models to Asia and Japan

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

Planning, development and deployment of new business models




Smart ICT using big data | SNS linked contents | Intelligent CE that blend into daily life



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

| Housing Equipment | Expand benefit of Housing Equipment/ CE integration and integration of Air-conditioning/Air Quality as well as know-how in town development to overseas markets |
|---|---|
| CE | × |



## 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

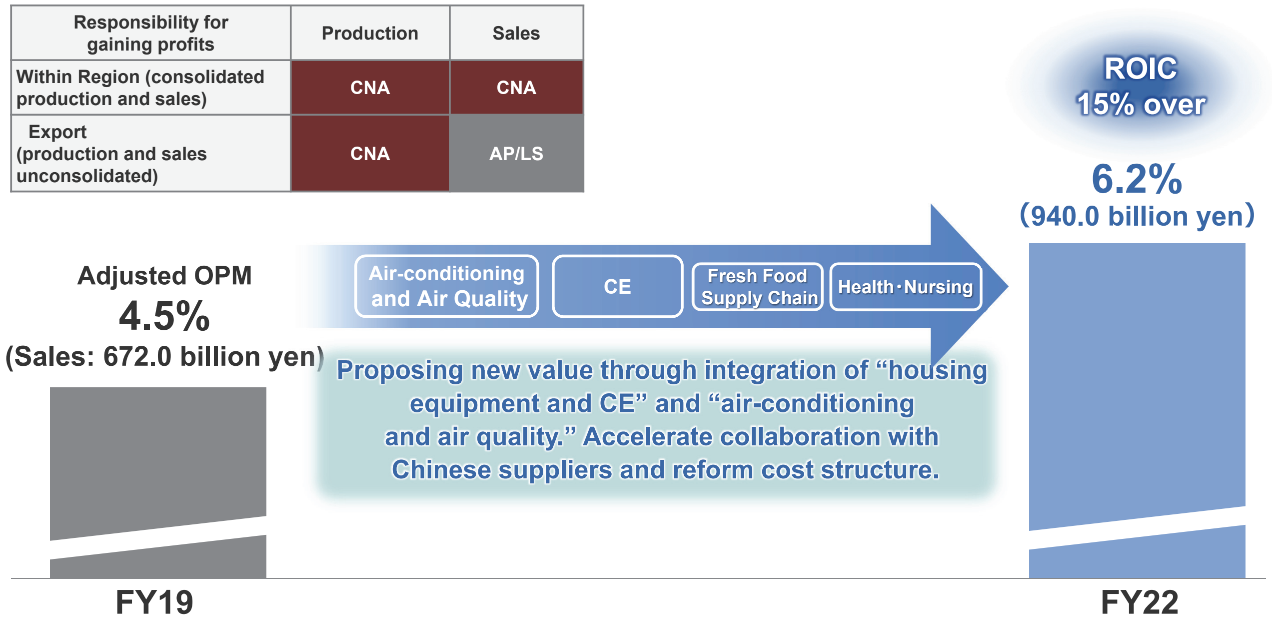
| CNA | vs. FY19 | |
|---|---|---|
| | 1Q | 2Q |
| Sales | -5% | +2% |
| Adjusted OP | -14% | +21% |

<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.<br>• 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



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