

# Appliances Company Business Strategy

December 7, 2012  
Panasonic Corporation  
Appliances Company  
President Kazunori Takami

## Contents

1. FY2013 Forecast
2. FY2013 Key Initiatives
3. Business Vision  
- towards 2018 -

## Contents

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2. FY2013 Key Initiatives
3. Business Vision  
- towards 2018 -

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## FY2013 Financial Forecasts

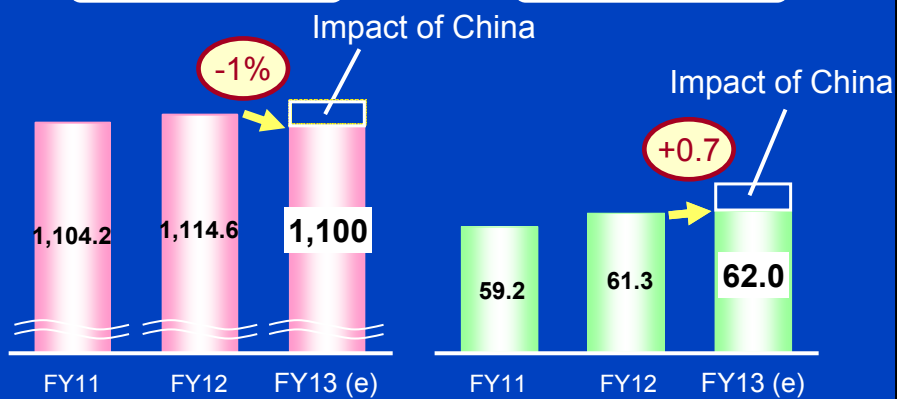
3

- [ Sales ] Projected to decline as the Company will not be able to offset the impact of Chinese boycott of Japanese products
- [ Operating Profit ] Expected to increase as cost reductions offset the decline of sales, increase in raw materials and others

(yen: billions)

Sales

Operating profit

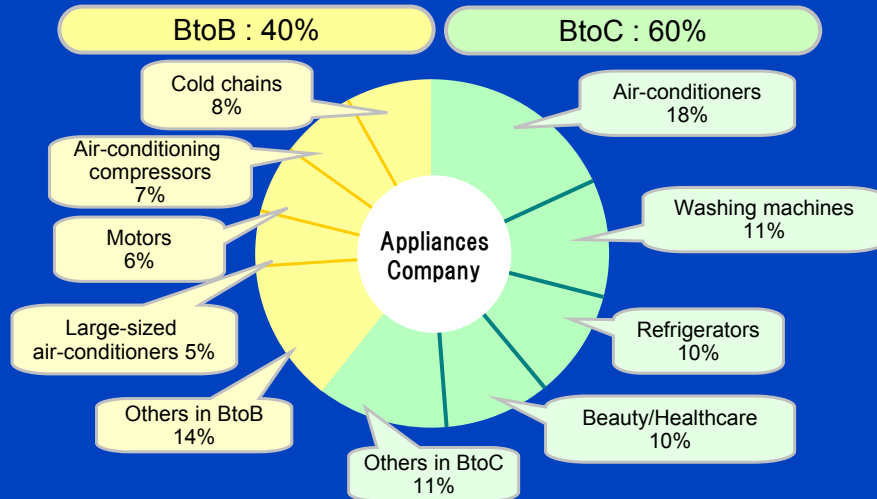


Note: The figures of FY2011 and FY2012 has been adjusted to conform to the new AP company founded in FY2013.

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## Sales Breakdown by Product (FY2013 forecast) 4

- BtoC: air-conditioners, washing machines, refrigerators etc. = 60%
- BtoB: cold chains, large-sized air-conditioners, compressors etc. = 40%



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## Contents

1. FY2013 Forecast
2. FY2013 Key Initiatives
3. Business Vision  
- towards 2018 -

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## FY2013 Key Initiatives

**Accelerating global expansion in BtoC business (sets)**

**Expanding BtoB business (facilities/devices)**

**Initiatives for strengthening management structure**

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**Accelerating global expansion in BtoC business (sets)**

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**Initiatives for strengthening management structure**

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## Product Strategy for Global Expansion

8

■ Currently, approximately 1,200 models are available in over 120 countries

➡ Wide range of products from air-conditioners, refrigerators, washing machines to beauty/healthcare and cookware products

	Japan	China	Asia Oceania	Europe CIS	Middle East Africa	Central /South America	North America
Air-conditioners							
Refrigerators							—
Washing machines							—
Vacuum Cleaners						—	
Microwaves							
Beauty/Healthcare							
Small Cookware							

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## New Manufacturing Sites

9

■ All construction work has completed.

Shipment started in Brazil. Mass production started in India.

Brazil	India
<p>■ Refrigerators: mass production started in Aug., the first shipment in Sep. - Sales have been exceeding the Company plan</p> <div> </div> <p>■ Washing machines: start installing facilities for mass production starting in May '13</p>	<p>■ Mass productions of air-conditioner &amp; washing machine starts in Dec., one month ahead of plan</p> <div> </div> <div> </div>
Vietnam	
<p>■ Refrigerators: increase production ability at existing factory ■ Washing machines: start installing facilities for mass production in Apr. '13 at new site ■ Completion of R&amp;D Center ➡ Accelerating development of local-based products</p> <div> </div>	

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## FY2013 Key Initiatives

Accelerating global expansion in BtoC business (sets)

**Expanding BtoB business (facilities/devices)**

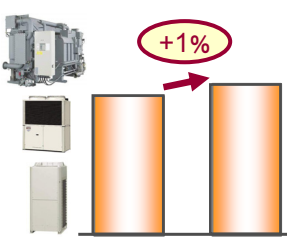
Initiatives for strengthening management structure

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## Large-sized Air-conditioners

11

- Wider product range (117→187 models), strengthening product & cost competitiveness by integration with SANYO
- Establish effective sales/service/supply structure to be competitive in the global market

FY2013 Forecast	Initiatives for major markets								
<b>[Sales]</b> ■ Expected to increase due mainly to strong sales in Asia, offsetting weak demand in Europe and China on the back of sluggish economy  FY12 FY13(e)	<table border="1"> <tr> <td>Japan</td> <td>                     ■ Launched industrial first self power supply GHP*1 (Jun. '12)                      ■ Increase sales by utilizing SANYO's sales channel                 </td> </tr> <tr> <td>Europe</td> <td>                     ■ Launched new VRF*2 which offer more product &amp; cost competitiveness (Apr. '12) → differentiate from competitors with industry No.1 energy saving functions                      ■ Increased equipment sales staff (+40%)                 </td> </tr> <tr> <td>China</td> <td>                     ■ Launched new VRF which offer more product &amp; cost competitiveness (Sep. '12)                      ■ Increased sales by utilizing SANYO's sales channel                      → Minimize the impact of China &amp; lead overseas business                 </td> </tr> <tr> <td>Asia</td> <td>                     ■ Meet increasing demands for convenience stores etc. by offering 'comprehensive' proposal with linking cold chain                 </td> </tr> </table>	Japan	■ Launched industrial first self power supply GHP*1 (Jun. '12) ■ Increase sales by utilizing SANYO's sales channel	Europe	■ Launched new VRF*2 which offer more product & cost competitiveness (Apr. '12) → differentiate from competitors with industry No.1 energy saving functions ■ Increased equipment sales staff (+40%)	China	■ Launched new VRF which offer more product & cost competitiveness (Sep. '12) ■ Increased sales by utilizing SANYO's sales channel → Minimize the impact of China & lead overseas business	Asia	■ Meet increasing demands for convenience stores etc. by offering 'comprehensive' proposal with linking cold chain
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\*1: GHP = Gas Heat Pump

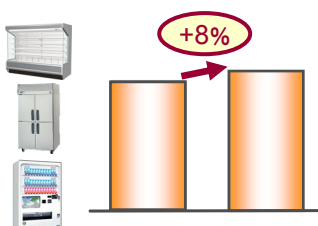
\*2: VRF = Variable Refrigerant Flow (Multi-unit air conditioners for buildings)

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## Cold Chains

12

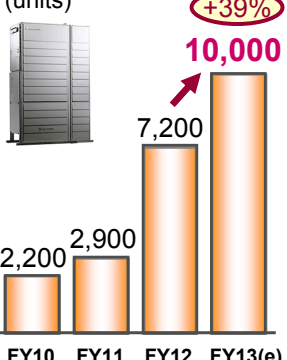


- Improve profitability by exiting non-profitable products (number of models: -10%)
  - Increase product line-ups by integration with SANYO & offer comprehensive proposals to stores
- ➡ Aim for business expansion mainly in growing Asian and Chinese markets

FY2013 Forecast	Initiatives for major markets
<b>[Sales]</b> ■ Strong demand is expected in Japan for supermarket & convenience store showcases 	<b>Japan</b> ■ Play a leading role in the industry by expanding environmentally-friendly products - adopt natural refrigerant, inverter etc. <b>China</b> ■ Increase sales by utilizing complete structure of development/manufacture/sales/service in Dalian ■ Expand low temperature distribution business by collaboration with different industry <b>Asia</b> ■ Increase production capacity in Thailand for business expansion after FY14 (FY13 → FY16 +100%) - increase productions of drink showcases - start local productions of showcases for convenience stores and supermarkets ■ Meet increasing demands for convenience stores etc. by offering 'comprehensive' proposal with linking large-sized air-conditioners

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## Environmental/Energy Business with Fuel Cell Battery 13

- Achieved accumulated production of 20,000 units in October, sales are expected to exceed 10,000 units in FY2013
- Announce partnership with Viessmann (Germany), strengthening foundations to enter European market

FY2013 Forecast	Initiatives for major markets
<b>(units)</b> 	<b>Japan</b> ■ Expected to maintain top share (over 50%)* ■ Accelerate growth by strengthening product competitiveness of saving energy functions and supports by government stimulus policy * Cabinet passed 25.1 bil. yen emergency bill on Oct. 26 <b>Overseas</b> ■ In addition to Germany, R&D center established in U.K. ■ Develop products which meet local environment and aim for early global expansion  [Germany Langen] (established in Jul. '11)  [U.K. Cardiff] (established in Sep. '12)




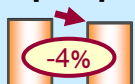

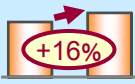
\*Source: Panasonic estimate based on data from Fuel Cell Association

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## Devices Business

14

### ■ Strengthen BtoB business profitability with devices business

<p>Gas meter device</p>  <p>[Sales]</p>  <p>FY12 FY13(e)</p>	<p>[Japan] Maintain No.1 market share (80%)*<sup>1</sup></p> <p>[Overseas] Signed contract to supply to Itron* in Oct. '12 to strengthen foundations to enter European market</p> <p><small>*Itron: one of the largest meter manufacturers (Headquarter in US).</small></p>
<p>Vacuum insulator</p>  <p>[Sales]</p>  <p>FY12 FY13(e)</p>	<p>[Japan] Maintain No.1 market share (45%)*<sup>2</sup></p> <p>[Overseas] Launch production in Thailand in Mar. '13 to increase external sales from FY14 and strengthen cost competitiveness</p>
<p>'Nanoe' device</p>  <p>[Sales]</p>  <p>FY12 FY13(e)</p>	<p>[Japan] Expanded business with 13 clients including 5 automakers (installed in 33 vehicle models) and 3 elevator manufacturers</p> <p>[Overseas] Accelerate installation in set business (China) 10 (FY12) → 17 models (FY13) (Asia) 7 (FY12) → 19 models (FY13)</p>

\*1Source: Panasonic estimate based on data from Japan LP Gas Instrument Inspection Association etc

\*2Source: Panasonic estimate based on customer information

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## FY2013 Key Initiatives

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Expanding BtoB business (facilities/devices)

**Initiatives for strengthening management structure**

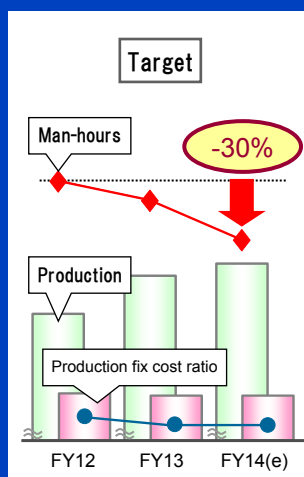
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## Initiatives for improvement of profitability 16

■ Promote 30% reduction in FY14 (vs FY12) in man-hours in all 48 production sites

➡ Expect 10% reduction by end of FY13 in 25 sites



Case: Drum-type washer dryers in Shizuoka, Japan



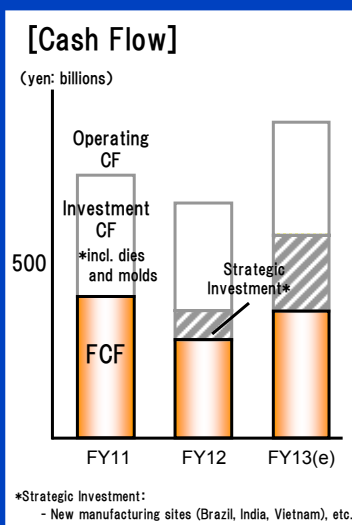
<Reduce man-hours in product design process>

Method	Approach	Reduction in FY14 (vs FY12)
Standard design	Unify functional part to reduce number of components	-15%
Automation	Automate process in best way	-8%
All work flow in same space	Facilitate efficient work flow by eliminating excess logistics	-7%
Total		-30%

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## Generate Cash Flow 17

■ Strengthen cash flow improvement



\*Strategic Investment:  
- New manufacturing sites (Brazil, India, Vietnam), etc.

Improve profitability to generate cash flow

		FY13 Improvement effect
Working capital	<ul style="list-style-type: none"> <li>Reduce inventory (- 2 day turnover) - Manage inventory and standardize management</li> <li>Protect A/R and promote collection</li> <li>Expand period of grace</li> </ul>	4 bil. yen
	<ul style="list-style-type: none"> <li>Carefully select investment within depreciation</li> <li>Focusing on strategic investment and cut general investment</li> </ul>	5 bil. yen
	<ul style="list-style-type: none"> <li>Dispose assets (land, real estate, etc.)</li> <li>Efficiently consolidate operation sites</li> </ul>	3 bil. yen

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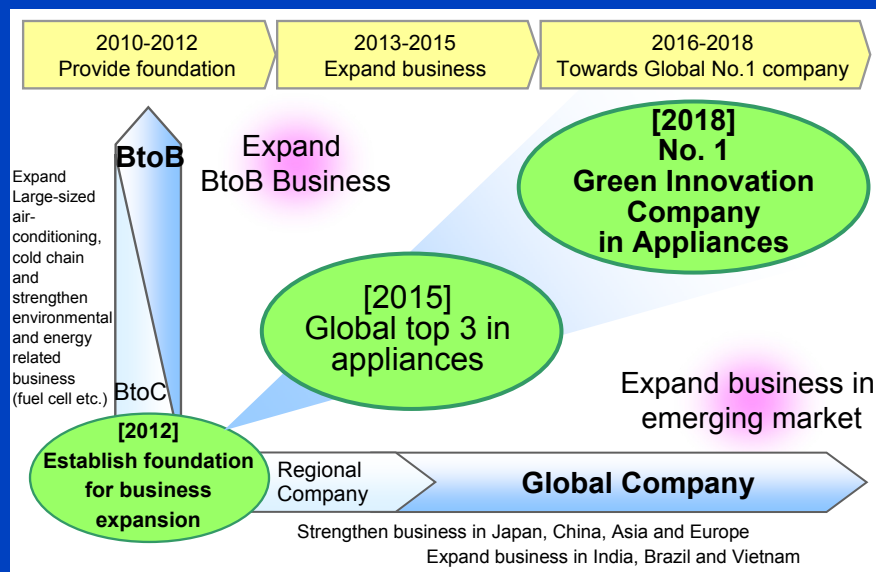
## Contents

1. FY2013 Forecast
2. FY2013 Key Initiatives
3. Business Vision  
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## Towards 2018

19



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