

FY2014-16 New Midterm Management Plan FY2014 Business Policy

March 28, 2013

Panasonic Corporation
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- This presentation outlines Panasonic Corporation's FY2014-16 new midterm management plan and FY2014 business policy.

FY2014-16 New Midterm Management Plan

- I will only outline the overall picture and major measures today. More detail will be announced by each Company on IR Day scheduled to be held at the end of May.

Action Items

My determination

Immediately Eliminate unprofitable businesses

Simultaneously Look forward to the future

- The main objective is to immediately eliminate unprofitable businesses. Simultaneously, we will focus on working step by step towards our future aims. I am determined to achieve these two items.

Introduce Business Division System (Effective April 1)

Each business division has
Global responsibility for R&D, production and sales
'Manage thoroughly from R&D to sales'
Responsibility for sustainable increase in cash and profit

88BU
↓
49
Business divisions
Basic management unit

4 Companies supporting business divisions



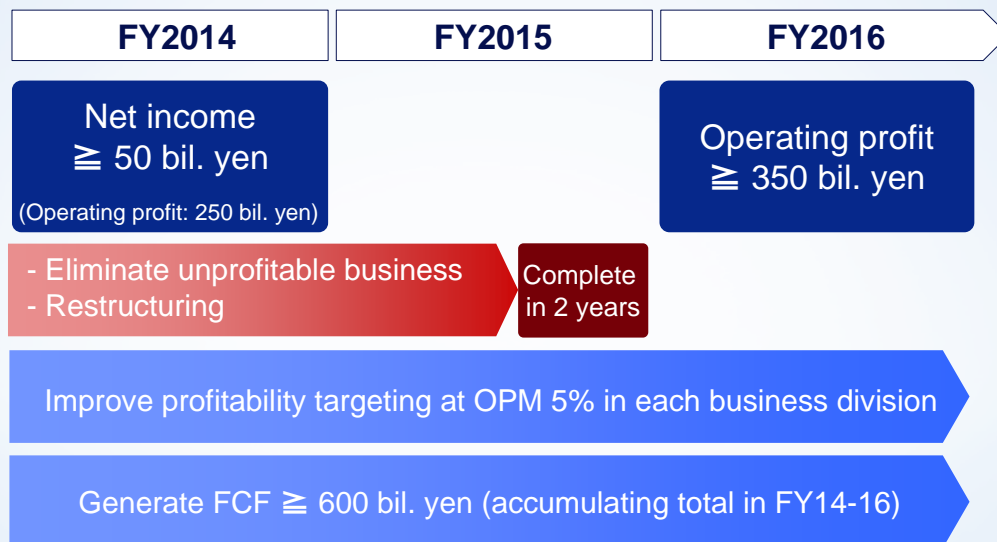
- Strengthening each business division is the key to revitalize Panasonic. We have implemented the management which focuses on Business Unit (BU) since last year, and we will introduce Business division system in April to clarify the point.
- Each business division will be responsible for R&D, production and sales as well as its balance sheet to increase sustainable cash and profit.
- 88 BUs will be consolidated into 49 business divisions in April and these 49 business divisions will be grouped under four Companies (Appliances, Eco Solutions, AVC Networks and Automotive & Industrial Systems).
- Each Company will manage its business development, create new business and strengthen key devices, all of which would be difficult for business divisions to handle on a stand alone basis.

Financial Target

| | | |
|--------|--|---|
| FY2014 | Net income attributable to Panasonic Corporation | ≧ 50 bil. yen |
| | FCF | ≧ 200 bil. yen |
| FY2016 | Operating profit | ≧ 350 bil. yen |
| | | ≧ OPM 5% |
| | FCF | ≧ 600 bil. yen (Accumulating total in FY14-16) |

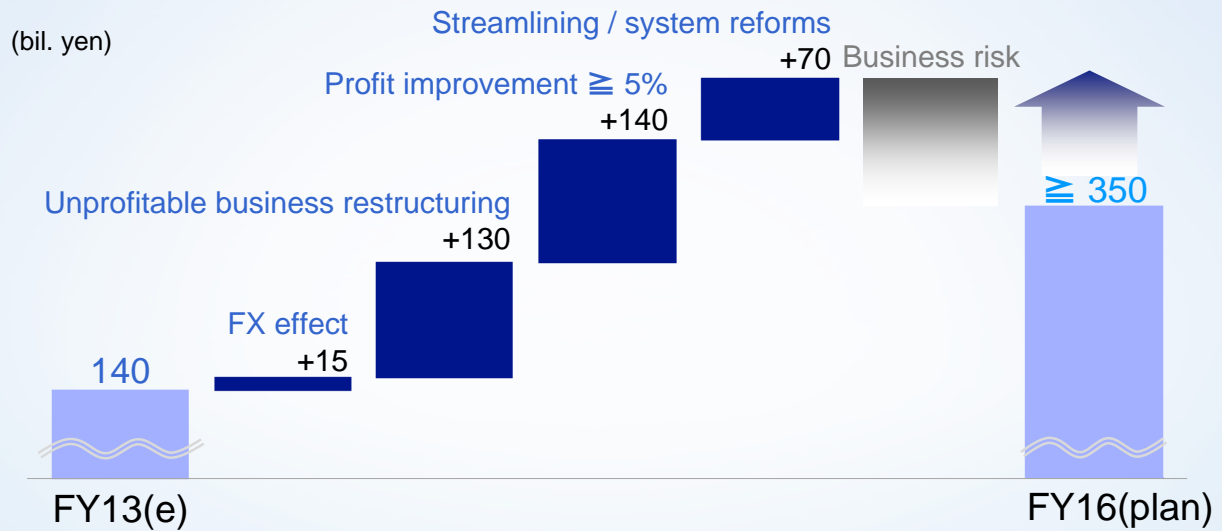
- In the financial target, we aim at 50 billion yen or more of net income attributable to Panasonic Corporation and 200 billion yen or more of FCF in FY2014. We set net income of 50 billion yen as a minimum requirement for the resumption of dividend.
- In FY2016, we target at 350 billion yen or more of operating profit, 5% or more of OPM and 600 billion yen or more of three year accumulative FCF. We strive to achieve these targets earlier than our expectation.

Towards FY2016



- In FY2014, we aim to generate 50 billion yen or more of net income and to complete large scale business restructuring by FY2015, including eliminating unprofitable businesses.
- We also aim to achieve the target of FY2016, improving profitability targeting at 5% or more of OPM in each business division.

Operating Profit: 350 Billion Yen (FY2016)



- This shows how we will achieve 350 billion yen of operating profit in FY2016. Based on estimated 140 billion yen of operating profit in FY2013, we expect to have some positive factors towards FY2016: 15 billion yen from yen depreciation, 130 billion yen from restructuring on unprofitable businesses, 140 billion yen from profit improvement in each business division aiming to achieve OPM of 5% or more, and 70 billion yen from streamlining and system reforms.
- Taking business risks into account, we aim to achieve 350 billion yen or more of operating profit in FY2016.

Major Midterm Actions

1. Eliminate unprofitable businesses

○ Eliminate unprofitable businesses.

Restructure Unprofitable Businesses

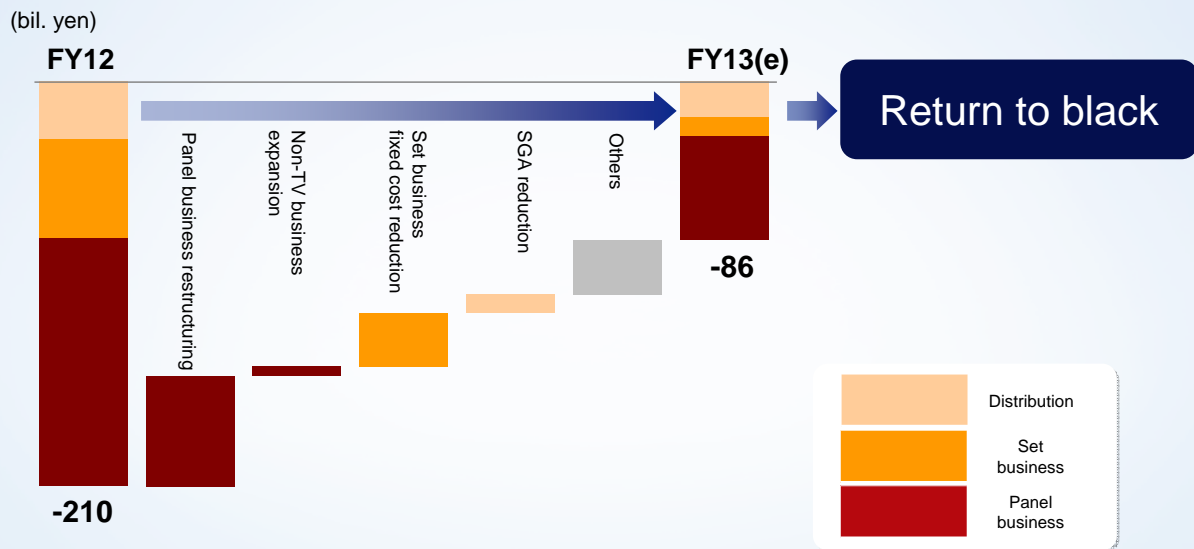
Improve operating profit 130 bil. yen, eliminating unprofitable business divisions

| | |
|------------------------------------|--|
| TV | Focus on major market, expand non-TV business |
| Semiconductor | Transfer business, promote business alliance, promote asset light strategy |
| Mobile phone | Transfer to B2B, improve R&D efficiency in B2C |
| Circuit board | Transfer to business packaging with base material and semiconductor |
| Optical product (drive, pickup) | Expand outsource, restructure domestic sites |

Restructuring expense: 250 bil. yen (FY14 and 15)

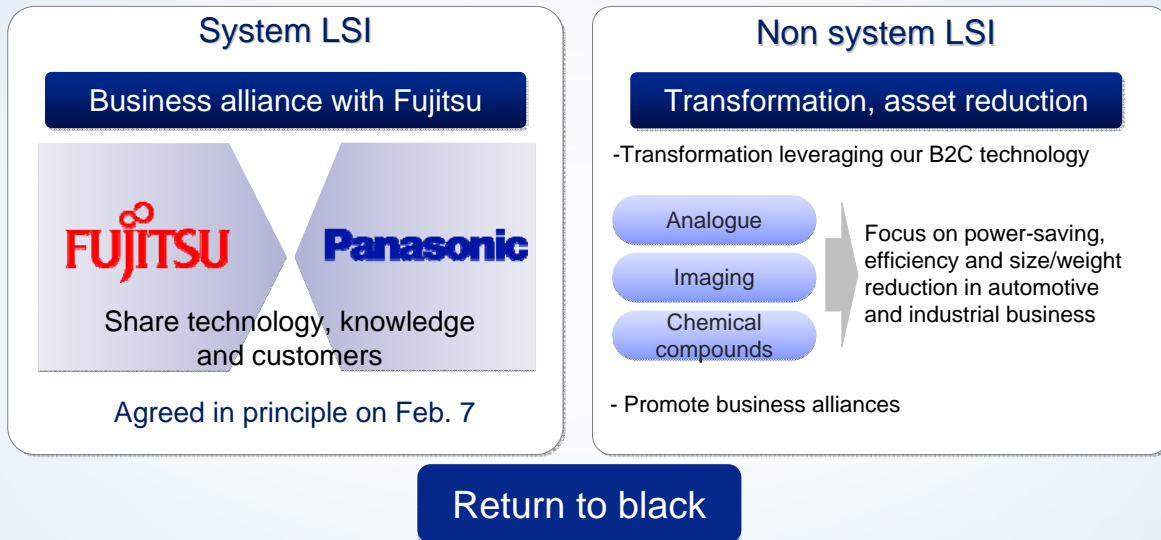
- To eliminate all unprofitable business divisions by FY2016, we will change the structure of business. Details of TV and semiconductor businesses will follow later.
- In the mobile phone business, we will introduce rugged smartphones for the B2B market. We will also outsource R&D and manufacturing to reduce its fixed costs.
- In the circuit board business, we will transfer to the base material and semiconductor packaging business due to intensifying competition in the smartphone circuit board market.
- In the optical business, since the existing market is shrinking, we will expand outsourcing to overseas manufacturers and consolidate domestic sites.
- We estimate approximately 250 billion yen for restructuring cost for the next two years.

TV Business



- In the TV business, although we were expecting to make some profit in our set business, the situation is unfortunately worse when we include panel business and its distribution to the whole TV business.
- Although the consolidated loss of 210 billion yen of FY2012 was significantly improved in FY2013, the loss of 86 billion yen still remains in FY2013.
- I am determined to turn this business to black during this midterm management plan.

Semiconductor Business



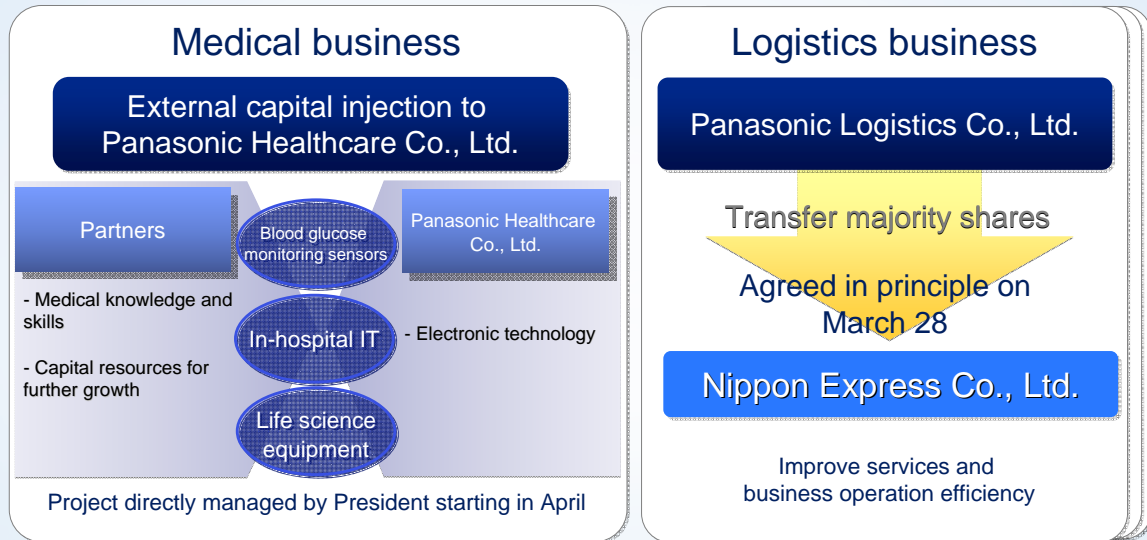
- In system LSI business, we agreed with Fujitsu about our business alliance on February 7, 2013. We will strengthen our business value, combining each of our technology and customer networks.
- In non system LSI business, we will drastically transform our focus from AV industry, domestic and internal customers. By developing analogue, imaging and chemical compounds leveraging our strong digital technology, we will concentrate on contributing to power saving, high efficiency and downsizing for customers, such as automotive and industrial infrastructure.
- We will try to return to black at the earliest point, by promoting an asset light strategy including alliances.

Major Midterm Actions

2. Expand business and improve efficiency shifting from in-house approach

- Expand business and improve efficiency shifting from in-house approach.

Expand Business and Improve Efficiency Shifting from In-House Approach

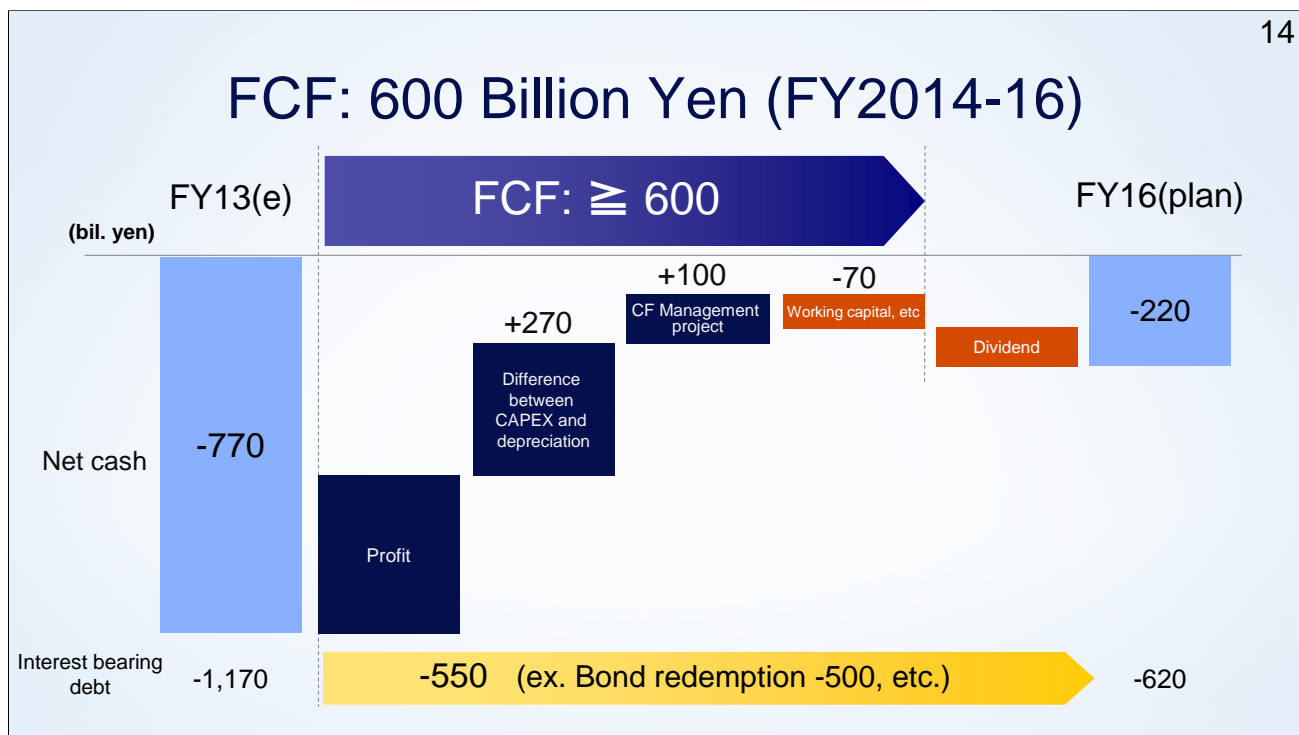


- We plan to inject external capital to Panasonic Healthcare Co., Ltd (PHC). Although this business is constantly making profit, we will work together with our partners who have medical knowledge, skills and capital resources to expand this business more than doing it just by ourselves.
- We will maintain a certain number of shares and our brand to utilize PHC's sales channels. The project will kick off in April under my direct management to select new partner to draw new business plan.
- We also agreed with Nippon Express Co., Ltd. today to transfer majority of Panasonic Logistics Co., Ltd shares to them. We will improve services and business operation efficiency, with their business networks and excellent IT systems.

Major Midterm Actions

3. Improve financial position

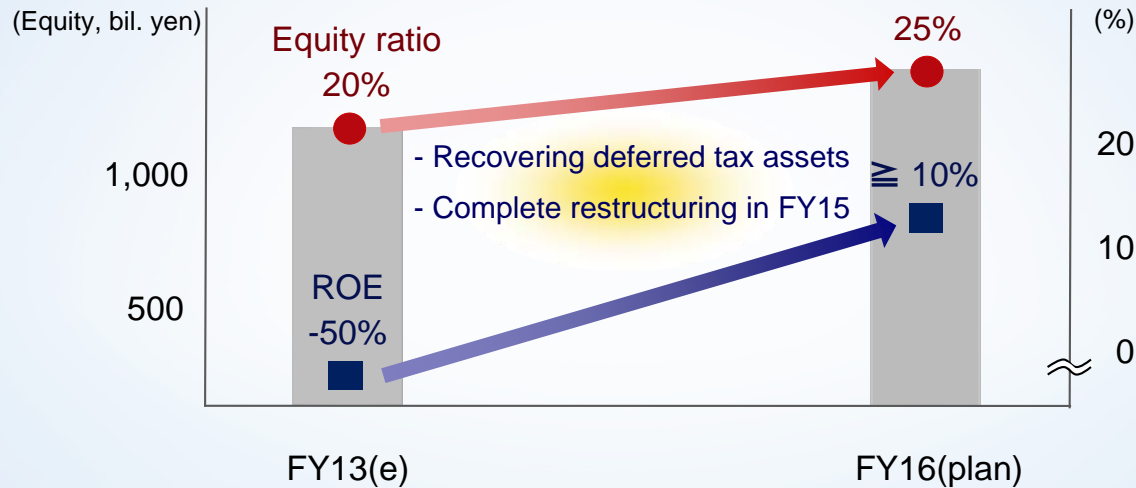
○ Improve financial position.



- To generate FCF 600 billion yen of accumulating total in FY2014-16, we will focus on improving profitability by our business itself in addition to: 270 billion yen from difference between CAPEX and depreciation and 100 billion yen from our CF management project in FY2014.
- We expect to generate 200 billion yen of cash in FY2013, mainly disposing assets through our CF management project started in 2H of FY2013. We will continue to dispose assets and reduce inventory to decrease working capital.
- Cash will be used mainly to reduce debt including 500 billion yens worth of bonds maturing in next three years, and put us back close to a positive net cash position.

Equity Ratio and ROE

Improve Equity ratio and ROE, completing restructuring



- We will increase our equity ratio to 25% in FY2016, recovering deferred tax assets with improving profitability of Panasonic Corporation (parent alone), and completing restructuring, in addition to focusing on increasing cash.
- We will also try to maximize share price and enterprise value, constantly maintaining ROE of 10%.

Major Midterm Actions

4. Growth strategy from customers viewpoint

○ Growth strategy from customers viewpoint.

Panasonic in Future

Offer 'better life' to customers, partnering with 'industry'



- This is a summary of my opening keynote at CES on January 8, 2013. I gave a presentation that we are not just a TV company anymore and we are here to 'Engineer a better world for you' working with partners, which is to offer the better world to each customer.
- This is exactly what we are targeting. We will pursue 'better life' for our customers, maximizing our 'DNA of consumer electronics' and working with industrial partners.
- To establish a strong relationship with our industrial partners, we will establish the four company system.

Automotive Business



Expand to 2-trillion yen business in 2018

- We consolidate all automotive related business divisions under Automotive & Industrial Systems Company. We will offer from device to systems to maximize core value of the automotive industry, utilizing our 'Tier 1' knowledge.
- In 'comfort' business area, we will promote service business in addition to our multimedia hardware business. For example, we have started to negotiate with AUPEO!, a German internet radio company, to establish a partnership.
- We will expand our business on 'safety and reassurance' and 'electrification,' riding a wave of computerization and electrification.
- We have started to enhance partnership, offering demonstration to automotive manufacturers with our experimental EV model built by our internal and external staff, and technology.
- We will expand our automotive business to a two-trillion yen business in 2018, concentrating our company-wide resources.

Housing Business

'Eco + comfort'

In-wall electronics

Phase 1 Fujisawa SST model

'Wall vision'

All-in-one lighting
with building materials

PanaHome 'CASART ECO CORDIS'



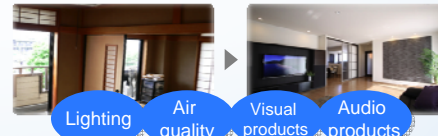
10kW 'HIT'

Smart HEMS

'Net zero energy'



Remodeling business



Lighting

Air
quality

Visual
products

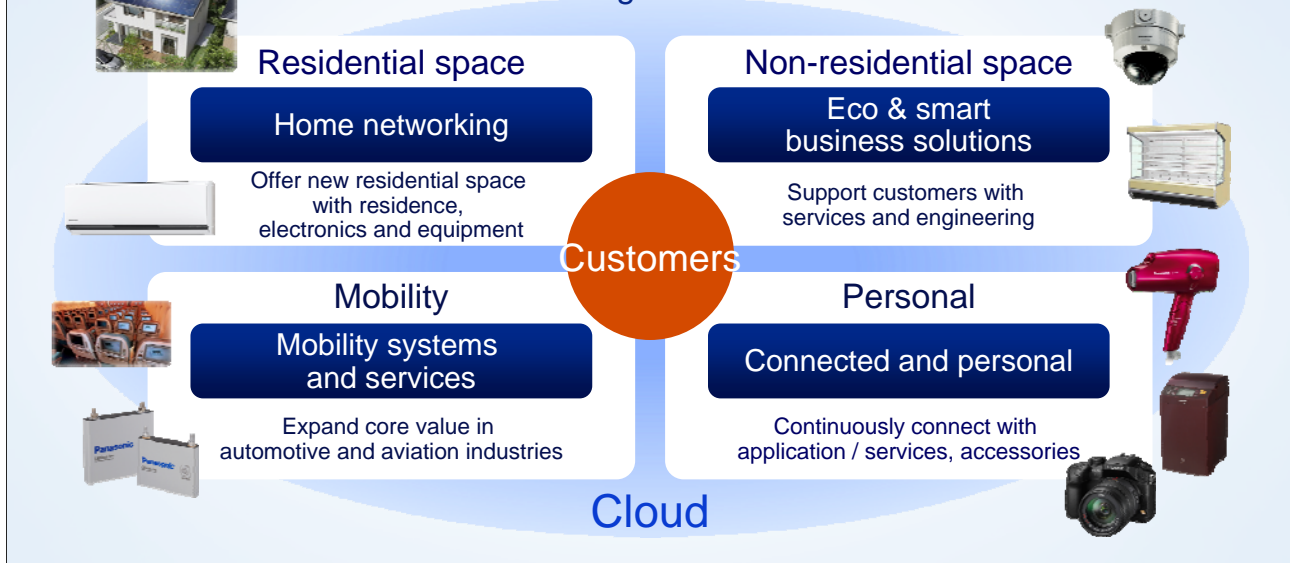
Audio
products

Expand to 2-trillion yen business in 2018

- In housing business, we will offer our new value, leveraging our broad knowledge of consumer electronics, equipment, electrical materials, building materials, and PanaHome.
- We aim to offer 'the most excellent house' utilizing our company-wide capability. In the phase 1, we will bring out 'CASART ECO CORDIS' in April installed 10kW HIT and Smart HEMS for 'net zero energy' consumption. This will be one of the major models in Fujisawa SST.
- We also promote in-wall electronics combining other electronics and building materials so that we will be able to offer the new residential space to customers, slotting electrical appliances, such as TV and LED light anywhere in the house.
- We will strengthen an expanding remodeling business, utilizing our capabilities.
- We expect this housing business, excluding consumer electronics business, to expand to a two-trillion yen business in 2018 as well as our automotive business.

Four Major Business Areas

Transform from digital consumer business



- Working with our industrial partners, we will strengthen four business areas: residential space, non-residential space, mobility and personal.
- We are shifting our focus from digital consumer business to 'space solution' business and business which connects customers.
- As I mentioned before, we plan to expand both our 'home networking' and 'mobility systems and services', which are part of the automotive and housing businesses, aiming to expand into 2 trillion yen businesses. This will constitute almost half of our company-wide sales of 7 to 8 trillion yen.
- We have also started to work on establishing partnership with service companies on 'eco & smart business solutions.'
- 'Connected and personal' is one of our notable business in B2C, since we can see such potential in this business, focusing on 'personal contents'. We will therefore promote this business in the future.

Device Business (1)

LED, air conditioners, displays - Everywhere!



- We will promote our device business with our strong technology. We will shift our strategy from 'vertical integration based on B2C' such as PDP business, to 'broad solutions expanding throughout all the space from the customers' perspective with our strong technology.'
- We put this concept to the word 'Everywhere!' For example, we have LED light applied to room lighting, headlights, visible light communication and so on. We also have displays applied to TVs, in-wall and in-desk displays, automotive heads-up displays, and public signage.
- We can expand this business furthermore by adding the air-conditioning device business and expand this business to 'manage the whole space.'

Device Business (2)

Solar panels, storage batteries, energy saving devices - Everywhere!



- We will also promote energy related field in our device business. We have expanded the solar panel business not only in residences or buildings but also in automobiles; and also the storage battery business in energy saving systems and automobiles. We also see strong demand for this business in unelectrified areas.
- We have such a strong product lineup in energy-saving devices. For example, the GaN power semiconductor contributes to energy saving in electronic devices. Therefore, we are able to provide energy solutions in each area, combining solar panels, storage batteries and energy saving devices.
- Our device technology plays an important part of our business, and we will bring together each company's devices and secure a solid position in each area.



- Under this new midterm management plan, together with our employees, our business divisions and our companies, Panasonic will create value, thinking outside the box and combining each of its strengths.
- Our concept is summarized as 'Cross-Value Innovation.' We will work on our new midterm management plan under the slogan of 'Cross-Value Innovation 2015' (CV2015).
- I believe that Panasonic will be revitalized again as a unique company with its business division system and 4 company system under the slogan of 'Cross-Value Innovation.'
- Thank you for your continuous support.

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