

Panasonic Business Strategy

September 18, 2013

Panasonic Corporation
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*Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "fiscal 2014" or "FY2014" refers to the year ending March 31, 2014.*

I will talk about the following three points of Panasonic business strategy.

1. Measures taken so far.
2. 3-year Midterm Plan.
3. Long-term vision of the growth strategy.

Measures Taken So Far

FY2013

- In the red for 2 consecutive years
- Funding risk
- No dividend

Reorganized 'Corporate structure'

- ▶ Head Office reform, introduction of Business Divisions & Divisional Companies

Unprofitable businesses

- ▶ Guidelines for major unprofitable businesses & reform

Reviewed transferring businesses / growth strategy

- ▶ Formulated and started new mid-term plan 'CV2015'

Escaping from financial crisis

- ▶ Group-wide activity to generate cash

First, measures taken so far.

In fiscal 2013, Panasonic recorded significant losses for two consecutive years and increased financial risk. We therefore decided not to pay a dividend. We deeply regretted that we could not meet the expectations of our stakeholders.

I became the President at the end of June last year. Under these circumstances, we have taken the four measures shown here.

First, reorganizing 'corporate structure.' We reduced the function of the head office significantly and introduced the business division system.

Introduce Business Division System

Each business division has responsibility for

- global R&D, production and sales
- sustainable increase in cash and profit

9 business domains

88 BUs

49 BDs

Basic management unit

4 Divisional Companies support Business Divisions

AP

Appliances

ES

Eco Solutions

AVC

AVC Networks

AIS

Automotive & Industrial Systems

My basic idea to revitalize Panasonic is to rebuild the strength of each Business Division (BD).

Each BD takes responsibility for global R&D, production and sales as well as continuously increasing cash and profit. Crucially, this is an “autonomous responsible” system that strengthens each business.

Panasonic is said to be the first company to introduce the business division system in Japan. After this, we transformed the organizational structure in response to the changing times. However, we restored the BD system in order to go back to basic autonomous responsible management.

Specifically, in April this year, 9 business domains/ 88 business units were regrouped into 49 BDs and we established these as the “basic management units.” All 49 BDs are equal and through “visualizing” each business situation, they can compete as well as co-operate with each other.

At the same time, we introduced the 4 Divisional Company system.

Each Divisional Company consists of multiple BDs. It handles large scale business development that would be difficult for BDs to handle on a stand-alone basis , creation of new businesses and strengthening key devices etc.

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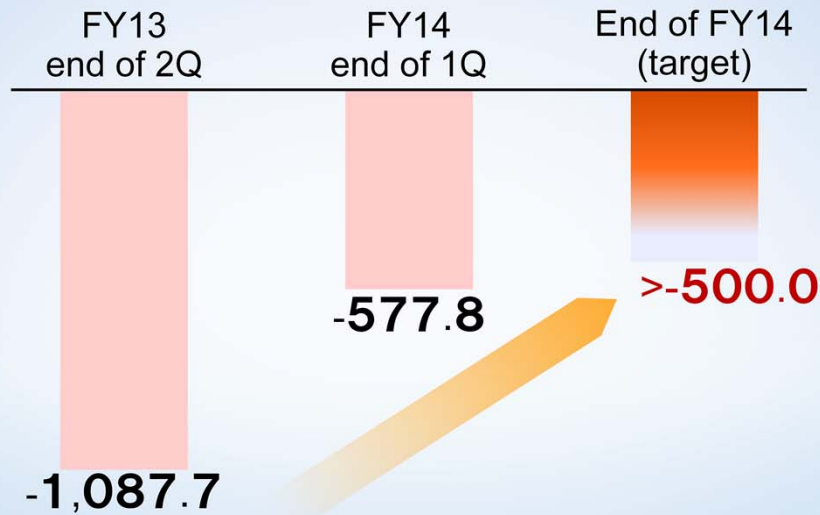
The second measure is guidelines for unprofitable businesses. In particular, we reviewed the direction of the major unprofitable businesses and have been proceeding with radical reforms.

At the same time, with regard to each business, we formulated strategies for “transferring” (changing business directions or customers) and growth. Based on this, we started the mid-term management plan “CV2015” in April this year.

Furthermore, group-wide generating cash activities were implemented in order to escape from financial crises, which was a urgent issue.

Improve Net Cash

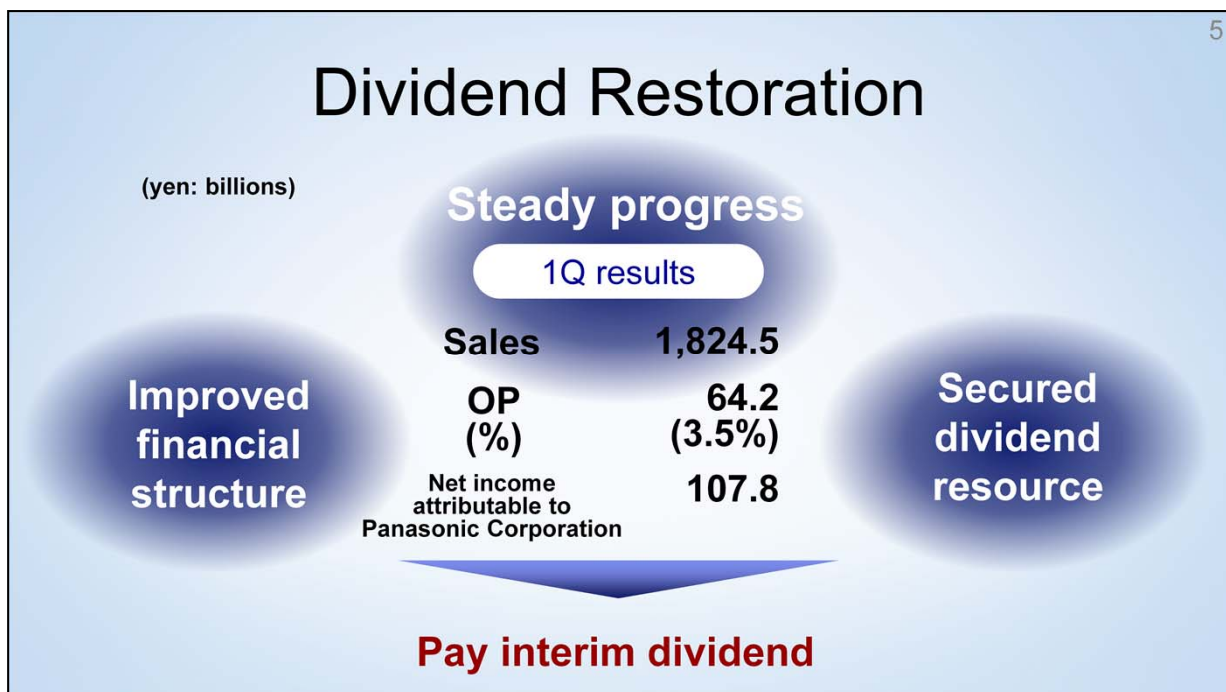
(yen: billions)



As a result of these measures, the financial position has been improving steadily.

If you look at net cash, although it exceeded over minus one trillion yen a year ago, it improved to minus 577.8 billion yen at the end of first quarter. We will strive to improve it to less than minus 500.0 billion yen by the end of this fiscal year.

Dividend Restoration



In addition to improvement of the financial structure, the financial results are also steadily improving as shown here. We also have efficient dividend resources.

As a result, we announced the plan of a 5 yen interim dividend to achieve dividend restoration which is one of our big targets for this fiscal year.

Mid-term Plan 'CV2015'

Next, mid-term plan “CV2015” until fiscal 2016 which started this April.

Action Items in 'CV2015'

CV2015 : Cross-Value Innovation 2015

As soon as possible **Eliminate unprofitable businesses**

Simultaneously **Concrete plan for the future**

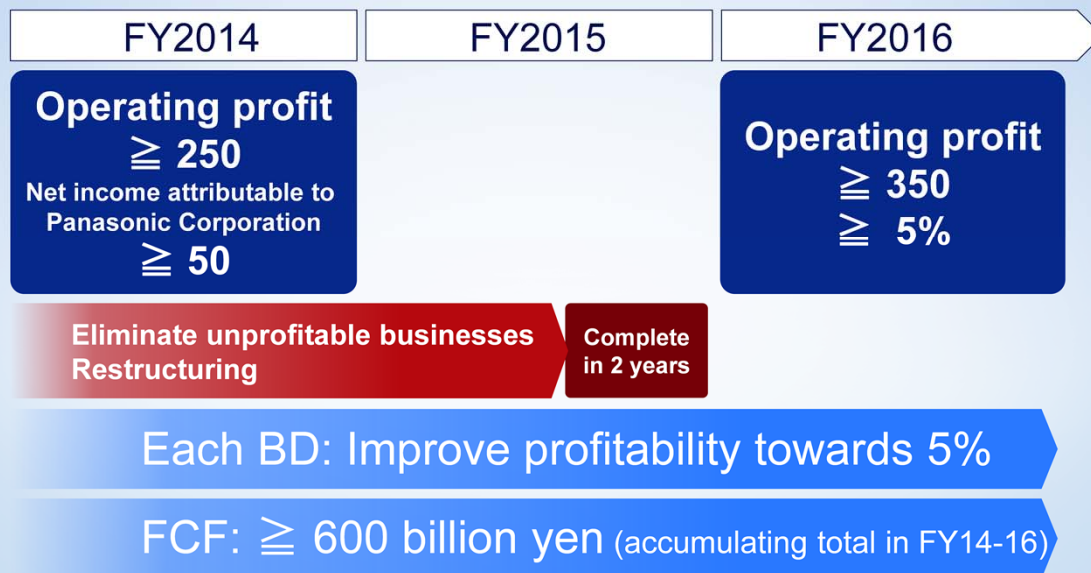
My determination

In "CV2015", I am determined to implement the following two points:

- Eliminate unprofitable businesses as soon as possible.
- Simultaneously, plan for the future and make concrete proposals.

3-Year Mid-term Plan

(yen: billions)



This slide shows a road map for the 3-year plan.

In fiscal 2014, we aim for “over 250 billion yen of operating profit and over 50 billion yen of net income attributable to Panasonic Corporation.” Net income of 50 billion yen is the minimum level for restoring a dividend.

In the next two years leading up to fiscal 2015, we will eliminate unprofitable businesses and complete the large scale restructuring without any delay.

At the same time, each BD aims to achieve “over 5% OP margin” and improve profitability continuously.

Through these measures, we aim to achieve “over 350 billion yen of operating profit and over 5% OP margin” as well as “over 600 billion yen of 3-year accumulated free cash flow” in fiscal 2016.

Eliminate Unprofitable Businesses

TV / Panel	<ul style="list-style-type: none">• Focus on major market, expand non-TV business
Semiconductor	<ul style="list-style-type: none">• Transfer businesses, promote business alliances and asset reduction
Mobile phone	<ul style="list-style-type: none">• Transfer to BtoB, improve R&D efficiency in BtoC

Eliminate all unprofitable businesses in FY16

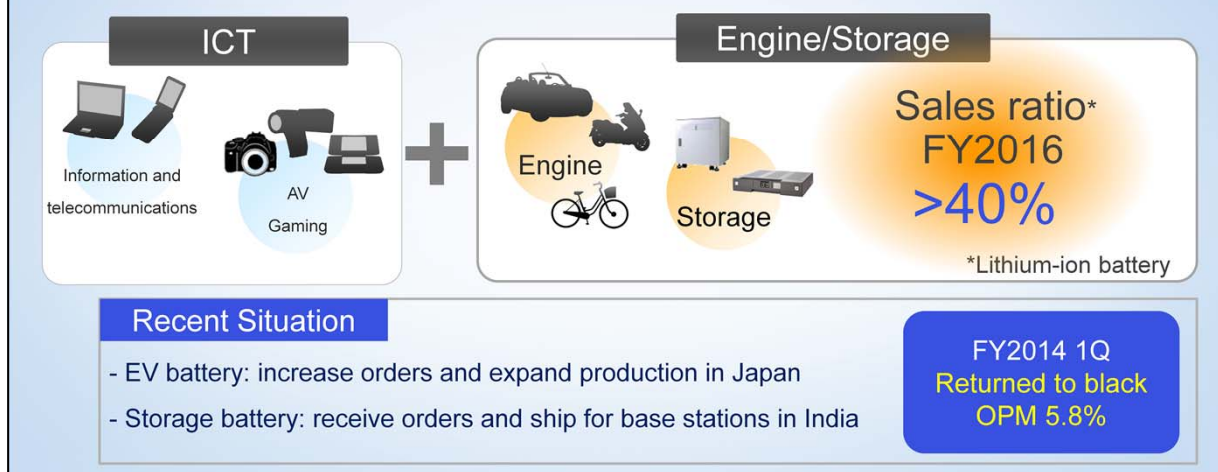
With regard to “eliminating unprofitable businesses”, we have been implementing measures to improve them.

In particular, as the impact of the 3 businesses shown here to the entire Company is huge, the head office and relevant business divisions have been working together to implement reforms.

We are determined to complete the business restructuring by fiscal 2015 and eliminate all unprofitable businesses in fiscal 2016.

Restructure Unprofitable Business

Portable Rechargeable Battery Business



We have also restructured other businesses.

In portable rechargeable battery business, adding to ICT, we will dramatically expand our business for engine and storage, taking our advantage of high capacity, reliability and control technology. We target the sales ratio of lithium-ion battery for engine and storage from 20% level to more than 40% in fiscal 2016.

We are establishing our sales forces to meet increasing demand of EV, expanding our production in Japan.

We have also started to ship the first storage systems for base stations of mobile phones in India.

This business returned to the black in 1Q with the OP margin of 5.8%. We target operating profit more than 5% in each business in fiscal 2016.

Growth strategy from customers' viewpoint

Growth strategy from customers' viewpoint.

Panasonic in Future

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

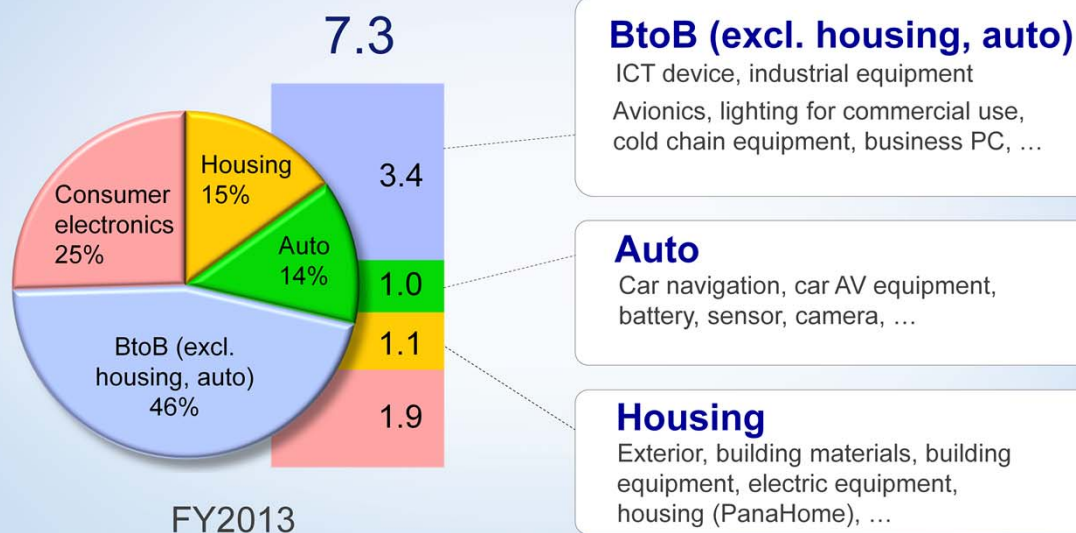


This chart shows our future. With our 'DNA of consumer electronics', we will pursue 'better life' for each individual customer in various spaces and fields, such as home, community, business, journey and car.

We will establish a strong relationship with our industrial partners closely related to each area to further contribute customers with our four Divisional Companies. We believe our 'better life' established with our industrial partners will be a driver to create new electronics.

Sales Breakdown

(yen: trillions)



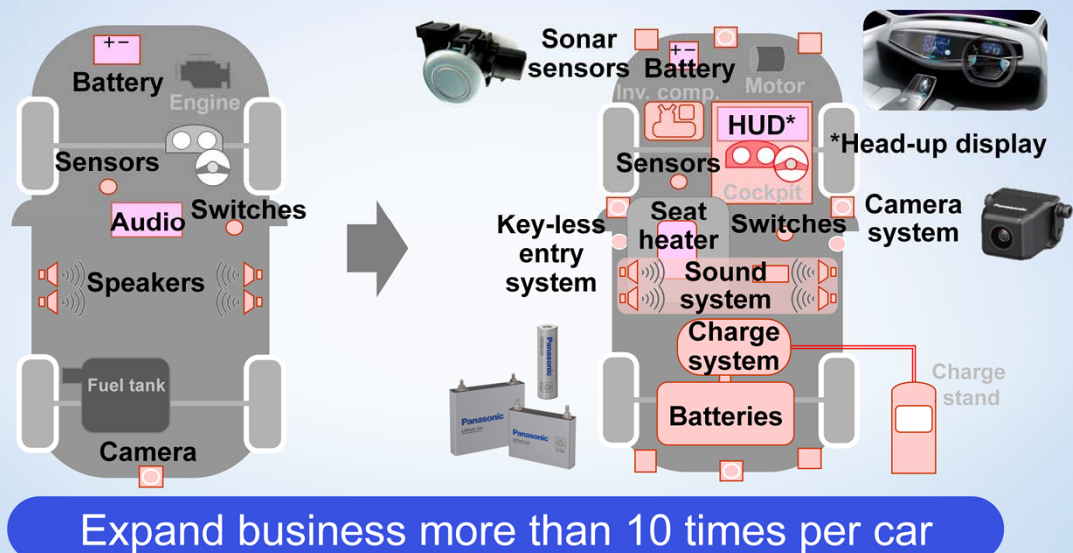
This chart shows current sales breakdown. Although I assume most of you think Panasonic as a consumer electronic manufacturer, the sales ratio of consumer electronics is just 25% and BtoB is 75%.

Out of our BtoB business, 1.1 trillion yen is related to housing business with 15% of sales ratio. We have all-around business in housing-related equipment, electric construction materials and building equipment / materials, having top market share in Japan and Asia for electric construction materials business. We also have a housing maker, PanaHome as one of our subsidiaries which enables us to offer total solutions for housing business in Japan.

1 trillion yen is related to auto business with 14% of sales ratio. We provide our highly competitive navigation system, battery, various types of devices to global auto-manufacturers, system suppliers (Tier1) and device suppliers (Tier2).

The rest 3.4 trillion yen is related BtoB other than housing and auto businesses with 46% of sales ratio, which includes devices to ICT and industrial areas, AVC products for business use and businesses for non-residential spaces such as commercial facilities and buildings.

Automotive Business with Computerized and Electric Cars

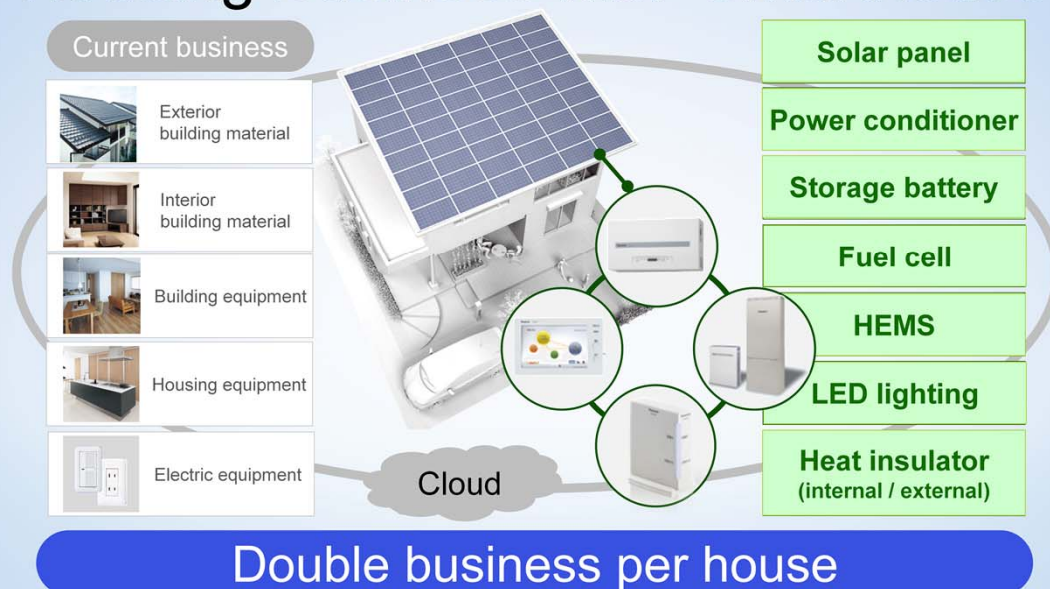


Technology innovation which would drastically change industrial structure has been seen in both large-scaled automotive and housing businesses and we believe this brings us a dramatic business expansion.

In automotive business, computerization and electric-operation of cars enable us to provide all-round products with battery systems, sound systems, cockpit systems, sensors and cameras.

We expect to expand our business more than 10 times, which currently scales several tens of thousands yen per gas-powered car.

Housing Business with 'Smarthouse'



Energy innovation has been seen in housing business. We expect to double our business which currently scales 2 to 3 million yen per house, working with housing industrial partners and promoting the trend of 'smarthouse.'

We will further develop our strong products for creating, storing and saving energy and energy management systems shown this chart, and offer new life style, connecting them with current business by Cloud.

‘Smarthouse’



‘CASART ECO CORDIS’

Launched in April 2013

Fully equipped with
10Kw ‘HIT’

Smart HEMS
Control energy for
energy saving

‘Smartcity’

‘Smartcity’ Shioashiya, Japan



‘Net zero energy’ town



Fujisawa SST

Develop and manage approx. 1,000 households

We have vigorously engaged to launch our ‘Smarthouse.’ ‘CASART ECO CORDIS’ by PanaHome in April 2013, a new detached house equipped with solar panels integrated into roofs. Smart HEMS for energy control is also equipped as standard.

We will offer built-in TV combined with smart HEMS, which enables us to develop our strong business model away from price competition.

We have also developed our urban city business, with ‘Smartcity’ in Shioashiya, Japan, which is Japan’s first ‘Net zero energy’ town, and ‘Fujisawa Sustainable Smart town’ managing approximately 1,000 ‘Smarthouse’.

Products Designed for Regional Customers

Global Home Appliance Business

Europe

China

Asia

Brazil

Average annual growth 14% in 2013-15

Offer 'what regional customers want'

- Lifestyle research and R&D by region
ex. Air purifier in China

- Alliance with local corporations
ex. Alliance with Gorenje in Europe



Gain top market shares



We will develop products designed for regional customers in our BtoC business. We believe we have opportunity to expand our business overseas, targeting at average annual growth rate of 14% in total in Europe, China, Asia and Brazil as a target market.

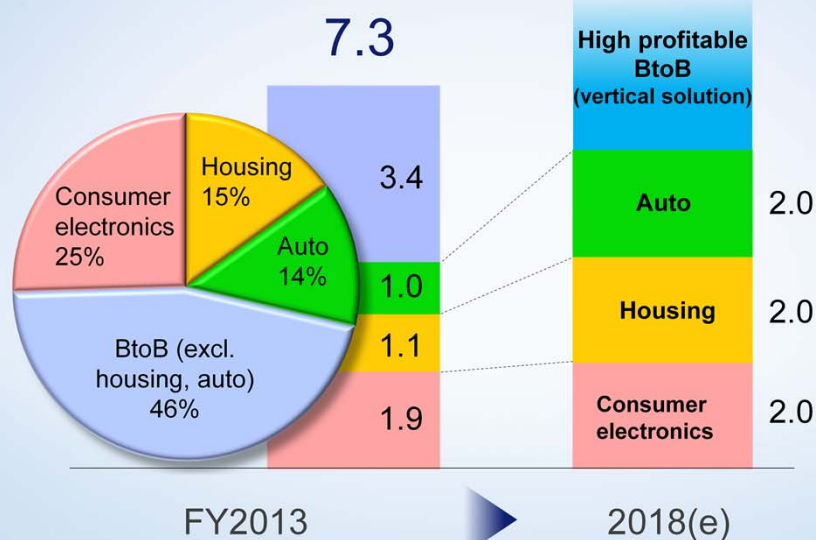
We pursue what regional customers want. We developed our unique air purifier for the Chinese market, locally researching life style and developing products, to compete with Philips for the top market share leaving Chinese local manufacturers far behind.

Meantime, we collaborate with local manufacturers not insisting on our own development. We had an alliance with Gorenje in Europe in July 2013 to offer what regional customers want through appropriate sales channels, promoting OEM products, collaborating R&D and utilizing their sales channels.

Although sales in consumer electronic business particularly in AVC has been recently reducing from the previous year, we believe we are able to recover with our products designed for regional customers.

Towards 2018

(yen: trillions)



This chart shows our sales target in 2018, our 100th anniversary. Maintaining 2 trillion yen scale in consumer electronics business, we target 2 trillion yen sales in each housing and automotive business doubling from this fiscal year.

And we will add other BtoB business, a high profitable 'vertical solution' business.

Our vertical solution business is to build a relationship with leading customers in each business to expand our business, increasing other customers and business, such as Avionics for air carriers and Toughbook for police and gas companies. We will increase our company-wide profitability, establishing BtoB business which improves customers' value.

Targeting 2 trillion yen sales in each consumer electronics, housing and automotive business, adding high profitable vertical solution business, we will promote our growth strategy.

A Better Life, A Better World

Panasonic has developed with customers. As most of our BtoB business models has been developed as BtoBtoC, our purpose is to contribute individual customers.

We set up our new brand catch cry in September, 'A Better Life, A Better World', encapsulating Panasonic's vision of expanding and pursuing a better life for each individual customer with our industrial partners towards a better world.

We will work together a team Panasonic for our customers and enhance our profitability under 'A Better Life, A Better World.'

Thank you for your cooperation.

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