

Panasonic IR Day 2013

# Eco Solutions Company Midterm Plan

May 30, 2013

Panasonic Corporation  
Eco Solutions Company

President Shusaku Nagae

*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.*

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## Our Mission

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Providing a residential/non-residential environment where people around the world can live comfortably while reducing the environmental impact.

## Eco Solutions Company

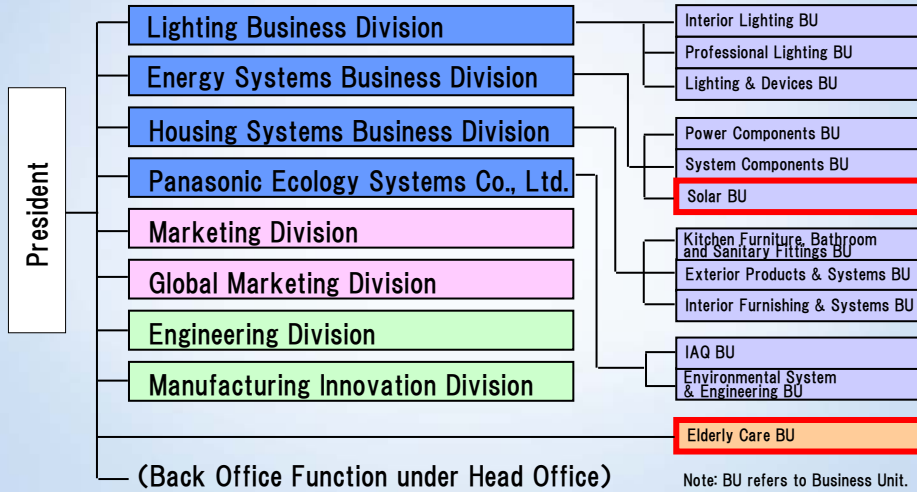
We will make untiring efforts to offer solutions for creating a comfortable environment while reducing environmental burden, including “home,” “office building,” “factory,” and “community” by using our accumulated technology and cutting-edge energy management technology.

We will devote ourselves to the progress and development of society and the well-being of people through our one and only unique business activities including service solution business in terms of business model innovation and value chains, thereby enhancing the quality of life throughout the world.

## Organization

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The Company is composed of four business (manufacturing) divisions, their twelve business units, and two marketing divisions for Japan and Overseas, etc.



## Our Business (1)

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(Sales & number of full-time employees are based on FY2013 consolidated basis.)

### Lighting

Sales: 300.3 billion yen  
 Number of employees: Approx. 10,700  
 Principal Business

- Residential lighting
- Institutional and commercial lighting
- Lighting sources and devices



### Energy Systems

Sales: 356.0 billion yen  
 Number of employees: Approx. 16,300  
 Principal Business

- Power components
- System components
- PV power generation systems



### Housing Systems

Sales: 364.4 billion yen  
 Number of employees: Approx. 5,000  
 Principal Business

- Kitchen furniture, bathroom and sanitary fittings
- Interior furnishing and systems
- Exterior products and systems



### Panasonic Ecology Systems Co., Ltd.

Sales: 130.0 billion yen  
 Number of employees: Approx. 5,800  
 Principal Business

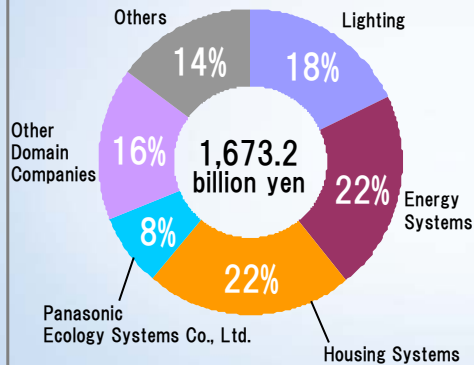
- Indoor air quality appliances
- Ventilation equipment
- Air, water and soil purification systems



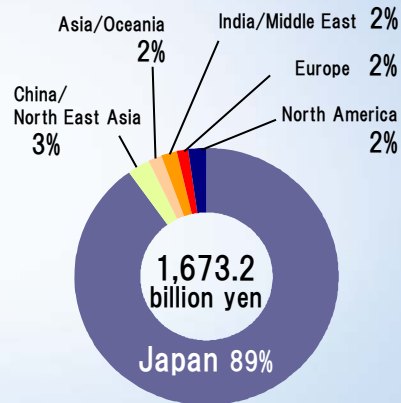
## Our Business (2)

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FY2013  
Sales by segment



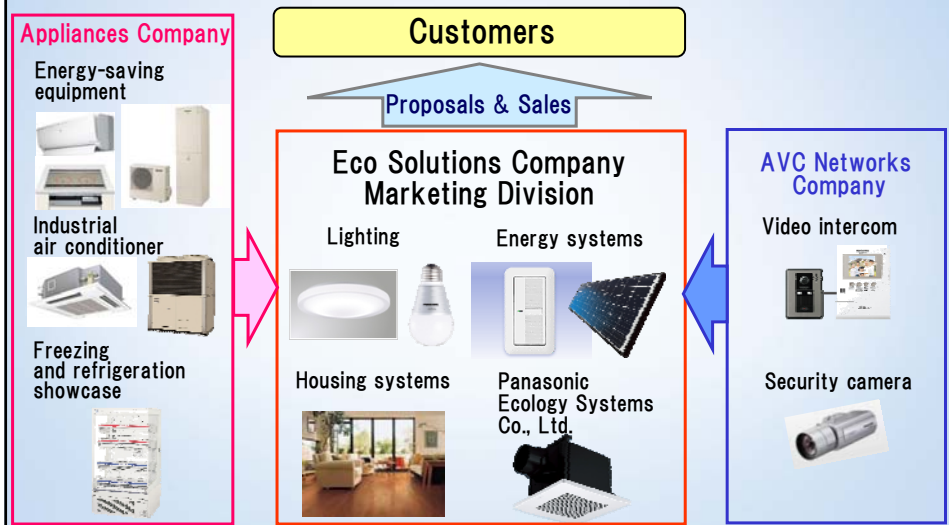
FY2013  
Sales by region



## Features of Business

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Sell other domain companies' products through strong channel with our marketing division to drive group-wide growth



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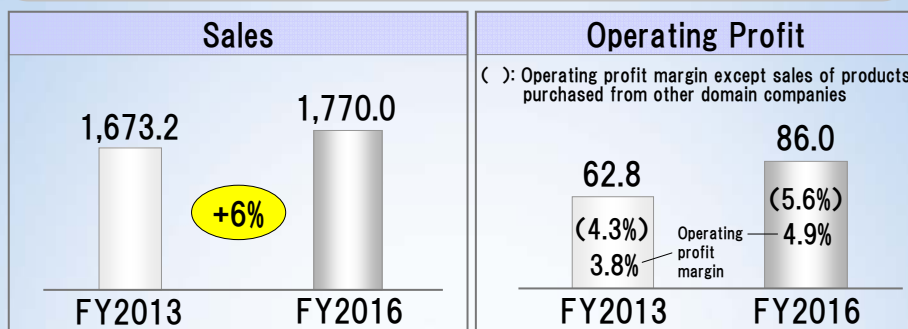
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## FY2016 Financial Targets

(billion yen)

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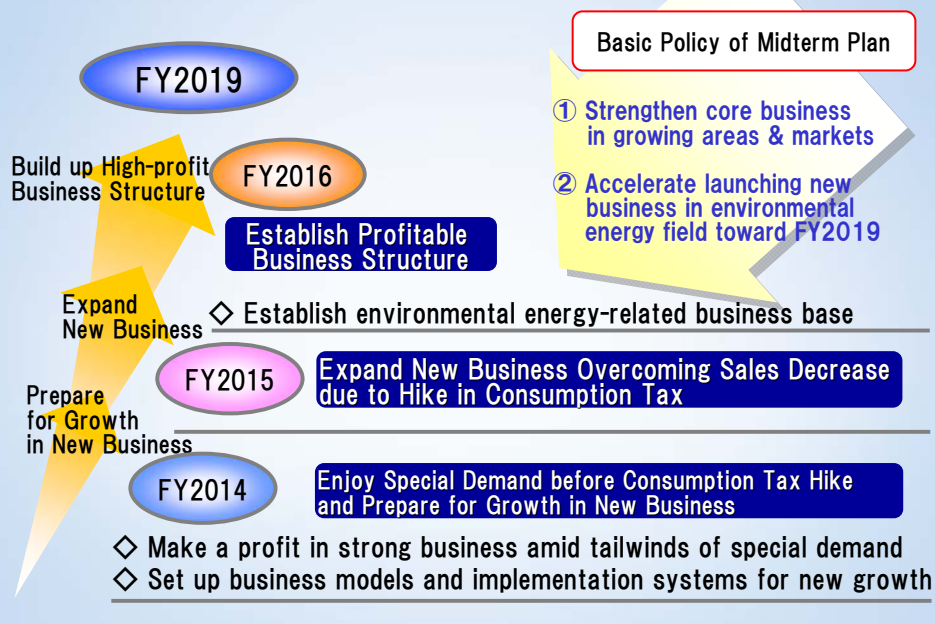


Sales by Major Segment	FY2013	FY2016	Rate of Increase (FY13 vs. FY16)
Lighting	300.3	345.0	+15%
Energy Systems	356.0	367.0	+ 3%
Housing Systems	364.4	385.0	+ 6%
Panasonic Ecology Systems Co., Ltd.	130.0	169.0	+30%

**FCF ≥ 120.0 billion yen (Accumulating total in FY2014-2016)**

## Midterm Management Vision

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## Outline of Midterm Business Strategy

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### Make a Solid Profit from Core Business and a Shift to Growing Business Fields

- ① Strengthen core business in growing areas & markets  
(Make more profit in Japan and expand overseas business)
- ② Accelerate launching new business in environmental energy field  
(Shift to high value-added business)

#### Basic Strategy I Strengthen Core Business

**Core Business**

- I-1 [Japan] Further Strengthen Core Business
- I-2 [Overseas] Expand Business in "AC&I"  
(China & India and Other Asian Countries)

#### Basic Strategy II New Growth in Engineering Business

**Growing Business**

- II-1 Enhance the Added Value in Energy Management System Business
- II-2 Strengthen the Shift to Engineering & Service Businesses
- II-3 Strengthen Remodeling Business  
(Consulting Services on Living Space & After-sales Services)

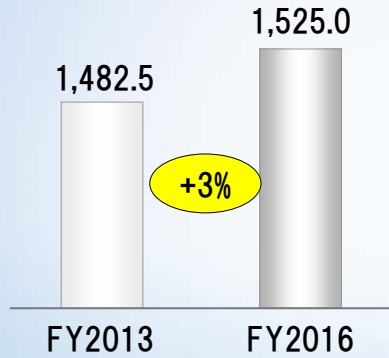
# Top-line Growth in Core Business (billion yen)

Core Business

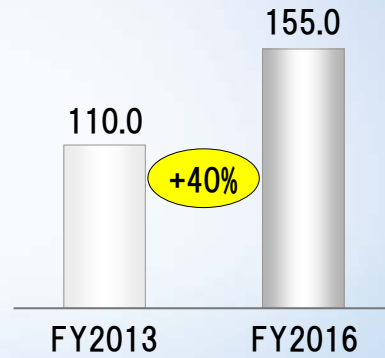
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## Basic Strategy I Strengthen Core Business

### I-1 [Japan] Further Strengthen Core Business



### I-2 [Overseas] Expand Business in "AC&I" (China & India and Other Asian Countries)



### I-1 [Japan] Further Strengthen Core Business

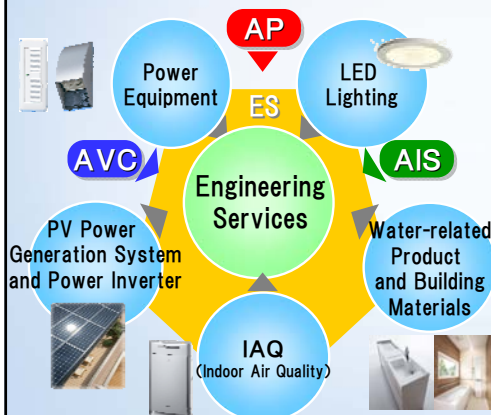
Core Business

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## Increase Profits: "Flagship Products to Be the Best by Far & Integrated" × "Sales Activities that Satisfy Distributors & Customers"

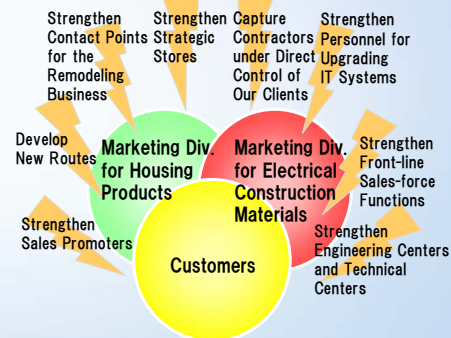
#### Flagship Products to Be the Best by Far & Integrated

Creation of housing space network / Realization of eco-conscious & smart business solutions



#### Sales Activities that Satisfy Distributors & Customers

Making full use of distribution channels and resources of contact point with customers



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**I - 2 [Overseas] Expand Business in "AC&I"** Core Business

**Accelerate the Growth of Strong Business in growing "AC&I"**  
(China & India and Other Asian Countries)

**"Concentration of Resources"**

- ① Significantly increase sales in electrical construction materials business
- ② Development of non-residential business

**"Localization"**

- ① Put electrical construction materials business on track
- ② Further increase sales and earnings in the interior business

**"Expand into the Middle Eastern Markets" with Eyes on African and CIS Markets**

**"Oligopolization"**

- ① Increase the share of electrical construction materials in core countries.
- ② Expand business of Panasonic Ecology Systems Co., Ltd.

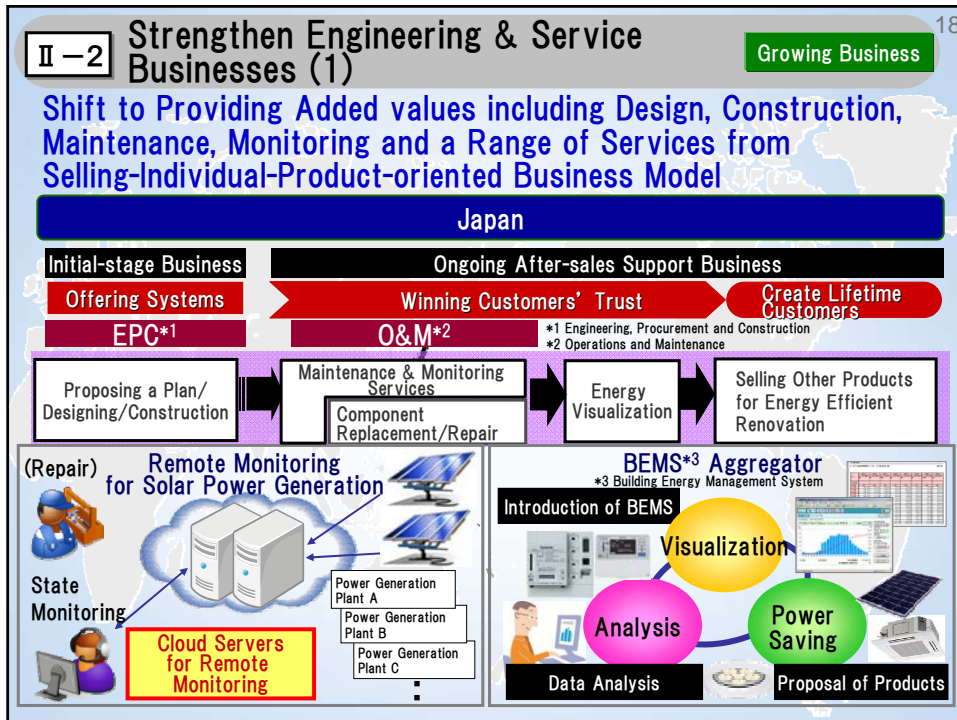
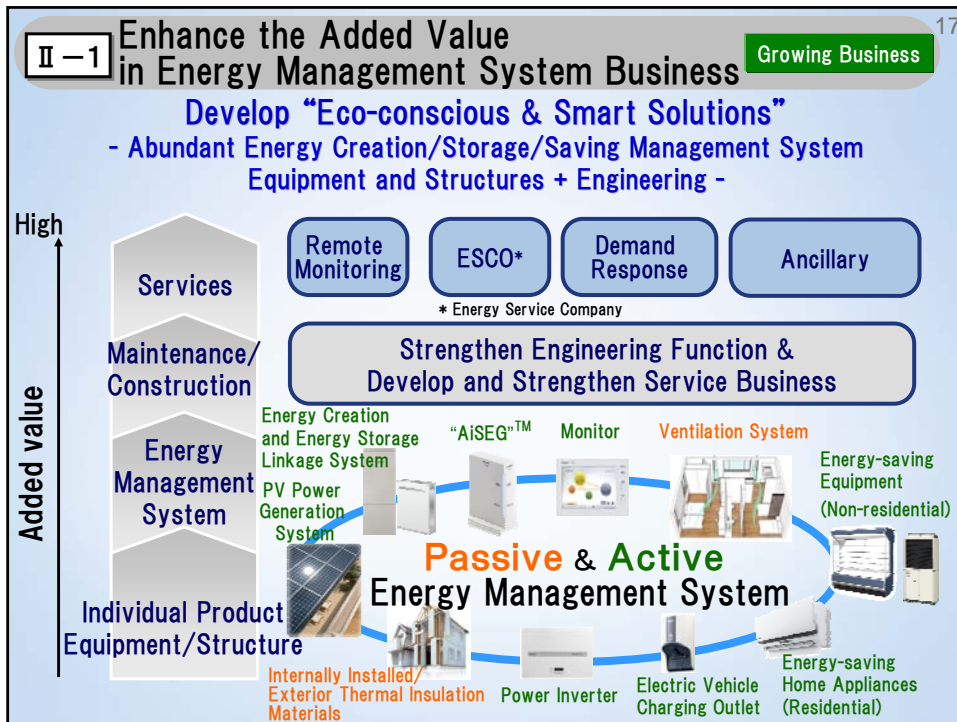
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**Prepare for Next Generation in Growing Businesses** (billion yen) Growing Business

**Basic Strategy II New Growth in Engineering Business**

II - 1	II - 2		II - 3																												
<p>Enhance the Added Value in Energy Management System Business (Except PV modules/Service businesses)</p> <p>Sales</p> <table style="width: 100%; text-align: center;"> <tr> <td style="width: 50%;">40</td> <td style="width: 50%;">50</td> </tr> <tr> <td></td> <td style="background-color: yellow; border-radius: 50%; padding: 5px;">+25%</td> </tr> <tr> <td>FY2013</td> <td>FY2016</td> </tr> </table>	40	50		+25%	FY2013	FY2016	<p>Strengthen the Shift to Engineering &amp; Service Businesses</p> <table style="width: 100%; text-align: center;"> <tr> <th colspan="2">[Japan]</th> <th colspan="2">[Overseas]</th> </tr> <tr> <td style="width: 50%;">250</td> <td style="width: 50%;">270</td> <td style="width: 50%;">17</td> <td style="width: 50%;">37</td> </tr> <tr> <td></td> <td style="background-color: yellow; border-radius: 50%; padding: 5px;">+8%</td> <td style="background-color: yellow; border-radius: 50%; padding: 5px;">+120%</td> <td></td> </tr> <tr> <td>FY2013</td> <td>FY2016</td> <td>FY2013</td> <td>FY2016</td> </tr> </table>		[Japan]		[Overseas]		250	270	17	37		+8%	+120%		FY2013	FY2016	FY2013	FY2016	<p>Strengthen Remodeling Business</p> <p>Sales</p> <table style="width: 100%; text-align: center;"> <tr> <td style="width: 50%;">125</td> <td style="width: 50%;">190</td> </tr> <tr> <td></td> <td style="background-color: yellow; border-radius: 50%; padding: 5px;">+50%</td> </tr> <tr> <td>FY2013</td> <td>FY2016</td> </tr> </table>	125	190		+50%	FY2013	FY2016
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FY2013	FY2016																														





**II-2 Strengthen Engineering & Service Businesses (2)** 19 Growing Business

**Establish Business Models that Best Suit Market Environment of Each Region**

**China**

- Housing Interior Solution Business
- Energy-saving Solution Business for Non-residential Building



**North America**

Establish New Business Models  
<PV-related Solution Business>



**India**

Develop engineering business at "Firepro"



**Other Asian Countries**

- Energy-saving Solution Business for Factory
- Drug Solution Recycling Business



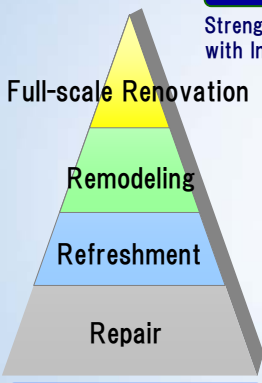
**II-3 Strengthen Remodeling Business** 20 Growing Business  
(Consulting Services on Living Space & After-sales Services)

**Capture Remodeling Business by Strengthening Contact with Customers and Expanding Provided Values**

- Establish Lifetime Relationship with Customers in All Markets -

**Strengthen Contact with Customers**

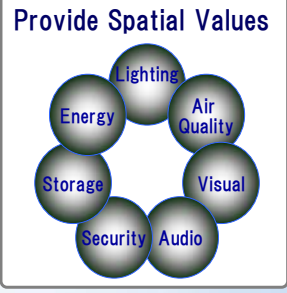
Strengthen Contact to All Markets with Internal and External Collaboration



**6 Trillion Yen Market**

**Expand Provided Values**

Provide Spatial Values

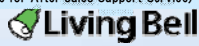


Expand Product Line-up Exclusively for Remodeling

Strengthen Delivery Capability

After-sales Services using Historical Management

(Example for After-sales Support Service)



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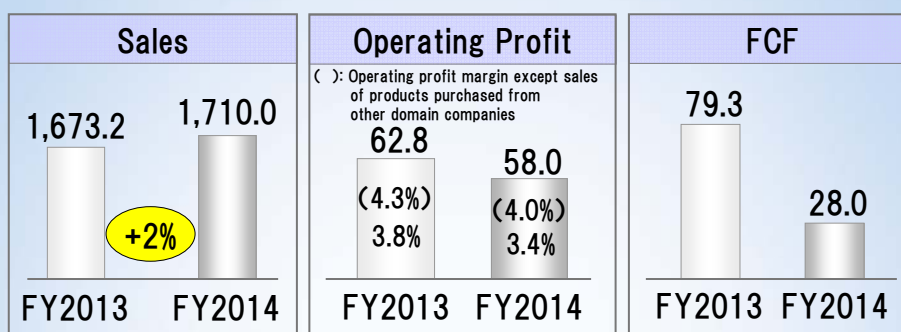
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## FY2014 Financial Targets

(billion yen)

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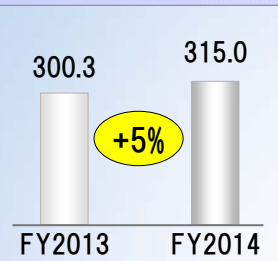


- Sales will increase thanks to special demand before consumption tax hike in Japan.
- Operating profit will decrease due to the impact of yen depreciation and drop in solar panel price, etc.
- FCF in FY2013 includes the sales of "Shiodome Building."

## FY2014 Major Initiatives Lighting Business Division

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### Sales (billion yen)



### Core Business

- Enhance LED Lighting Business for Remodeling and Renovation of Non-residential Buildings in Japan
- Strengthen Residential LED Lighting Business including LED Lamps in "AC&I"
- Improve Cost Competitiveness by Procurement and Production Rationalization

### Growing Business

- Develop New Applications and Systems in the fields of Non-building and Non-lighting Applications

### Distinctive Technologies Breaking Free from Commoditization of LED Lighting Products



### Sensation-of-Room-Brightness Index "Feu"

Feu:11.0

### Ambient Lighting Index "V"

LED Security Light  
明光色

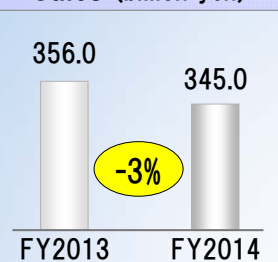
Favorable Color  
美光色

Vivid Color  
彩光色

## FY2014 Major Initiatives Energy Systems Business Division

24

### Sales (billion yen)



### Core Business

- China: Expand Sales of Wiring Products in the High-volume zone
- India: Strengthen Sales Forces to Expand the Business in Provincial Cities
- Other Asia Countries: Local Production for Local Consumption of Products Tailored to Local Needs toward Further Oligopolization of Electrical Construction Market in Each Country

### Growing Business

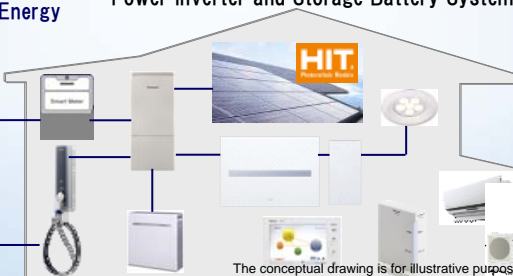
- Standardize "SMARTHEMS"™ as Home Energy Management System
- Providing Integrated System between PV Power Generation System, Power Inverter and Storage Battery System

### Development of Home Energy Management Business

#### Grid Compatibility



V2H



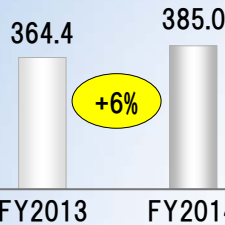
#### Energy Creation/Storage Controls

#### Energy-Saving Controls

The conceptual drawing is for illustrative purposes only.

## FY2014 Major Initiatives Housing Systems Business Division

### Sales (billion yen)



### Core Business

- Strengthen Product Development for High-quality Space and Home Remodeling as well as Sales Force including Customer Contact/Proposal/Support Capabilities
- Expand Housing Product Line-up, and Develop Advanced "Passive" Housing Materials by Using Simulation Technology

### Growing Business

- Expand Interior Construction Business and Enhance Development of Franchise Stores in China

High-quality Space ("Archi - Spec" Series)

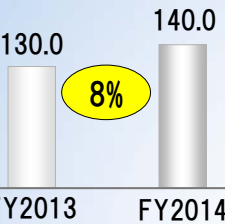
Home-remodeling Products ("Refoms")

"Passive" Interior Materials (Internally Installed Thermal Insulation Materials)



## FY2014 Major Initiatives Panasonic Ecology Systems Co., Ltd.

### Sales (billion yen)



### Core Business

- Ventilation Fan:** Firmly Maintain the Global No.1 Market Position Centered on Japan, China, Other Asian Countries and North America
- Air Purifier:** Expand B2B Business in Japan and Launch the High-volume Zone Products for China in India and Other Asian Countries
- Ceiling Fan:** Launch High Added Value Products and Strengthen Cost Competitiveness to Expand the Business in Asia

### Growing Business

- Expand Ongoing Businesses including Drug Solution Recycling Business and Maintenance Business
- Reinforce Efforts to Develop New Business of Cleaning Filter Diesel Exhaust Gas (Catalyzed Diesel Particulate Filter)

#### Ventilation Fan

North America  
Launch New Type of Ventilation Fan



#### Air Purifier

Japan  
Expand B2B Business



India & Other Asian Countries  
Launch the High-volume Zone Products in China to India and Other Asian Countries



#### Environmental Engineering Business

Japan  
Expand Maintenance Business



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## Summary

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### Toward Achievement of Our Midterm Plan

- Reinforce Management Base by Further Strengthening Core Business in Japan and Expanding Business in “AC&I”
- Enhance Energy Management System Business by Expanding “Passive” Energy Management Product Line-up and Upgrading “Active” Energy Management Products as well as Strengthening Service Business
- New Growth in Engineering/ Service Businesses
- Strengthen Remodeling Business

Mid to long-term Goal

**Provide Products and Services Centered on Energy Solutions Globally to Realize Sustainable Profit Growth that is Appropriate for the Excellent Company**



# Panasonic

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