

Panasonic IR Day 2014

Appliances Company Business Policy

May 21, 2014

Panasonic Corporation
Appliances Company

President Kazunori Takami

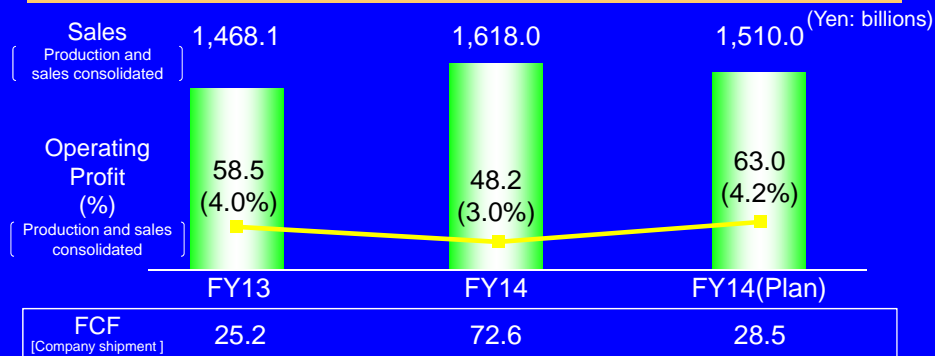
Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "fiscal year 2015" or "FY15" refers to the year ended March 31, 2015.

Contents

1. FY14 Results
2. Company Profile
3. Vision and FY15 Plan
4. Summary

FY14 Results (based on former AP)

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<FY14 Results (vs. FY13)>

	Sales Increase	Operating Profit Decrease
Sales	<ul style="list-style-type: none"> ◇ Sales were increased by capturing a demand surge prior to consumption tax increase etc. ◇ Overseas sales were increased due to weak yen 	<ul style="list-style-type: none"> ◇ Profit worsened for products manufactured overseas for sales in Japan due to weak yen ◇ Profit declined by decrease of air-conditioner sales in China
OP		

FY14 Achievements and Issues

4

■ FCF improved but expansion of overseas sales and improvement of profit are issues

Achievements	<ul style="list-style-type: none"> • FCF improved significantly (vs. BP +44.1 bil. yen [Company shipment]) • Plan achieved for Japan market due to solid performance of sales and profit (Successful sales in value-added products. Sales increased due to demand surge prior to consumption tax increase) • Laid foundation for expansion of Europe business (Started collaboration with Gorenje)
Issues and Countermeasures	<ul style="list-style-type: none"> • Expansion of white goods sales in Asia ⇒ Consideration for concept of locally self-sustainable business structure • Strengthen capability of worsening currency (weak yen) ⇒ Considering expansion of production in Japan and export from Japan • Rebuild business in China for air-conditioner ⇒ Completed adjustment of air-conditioner inventory in China • Strengthen cold chain and large scale air-conditioner business ⇒ Accelerate to establish structure according to characteristics of BtoB business

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FY15 New Business Structure

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- Strengthen “consumer electronics” business by integrated operation of white goods and AV businesses
- Integrated operation of manufacturing and sales by integration of sales divisions for air-conditioners and cold chains

Former Appliances Company

AVC Consumer Electronics businesses

TV Business Division
AV Network Business Division
(Audio, Visual, and Accessary)
Overseas Consumer Marketing Center

SANYO Electric Co., Ltd. TV Business Unit

Air Conditioner & Cold Chain sales divisions

Panasonic Eco Solutions Commercial
Equipment Systems Co., Ltd.
Panasonic Eco Solutions Facility
Engineering Co., Ltd.
Panasonic Food Appliances Co., Ltd.
Air Conditioner Sales Division in Europe and US

New Appliances Company

Overview of Appliances Company

(As of April 2014)

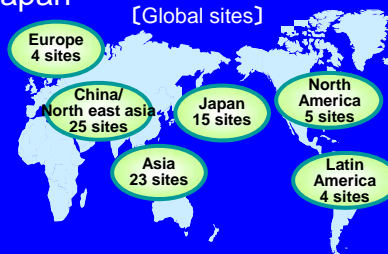
Location : Kusatsu-city, Shiga, Japan

Sites : 76 sites

Employees : Approx. 51,000

[Japan] Approx. 12,000

[Overseas] Approx. 39,000



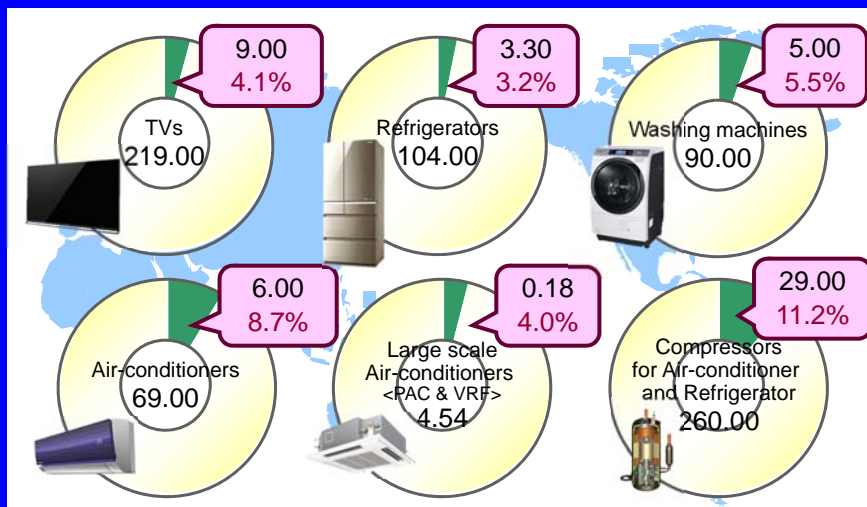
[10 business divisions (BD)]



BD: business division

Market Share of Major Products

[units: millions (FY14)]



※Notes: Air-conditioners refer to room air-conditioners. Drying machines are excluded from washing machines.
 ※Source: Statistics and reports from GfK, Euromonitor, JEMA, CMM, Bsria, Japan Refrigeration and The Air Conditioning Industry Association. Panasonic estimates.

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Vision of Appliances Company

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“Global top-class Appliances Company”

FY19 Sales Target 2.8 trillion yen (production and sales consolidated)

<Direction of transformation>

Management according to
business characteristics

Integration of development,
manufacturing, sales, and service

Locally self-sustainable
management

Confront customer and competitor

Improve business speed

Management by 4 businesses based on business-division based management

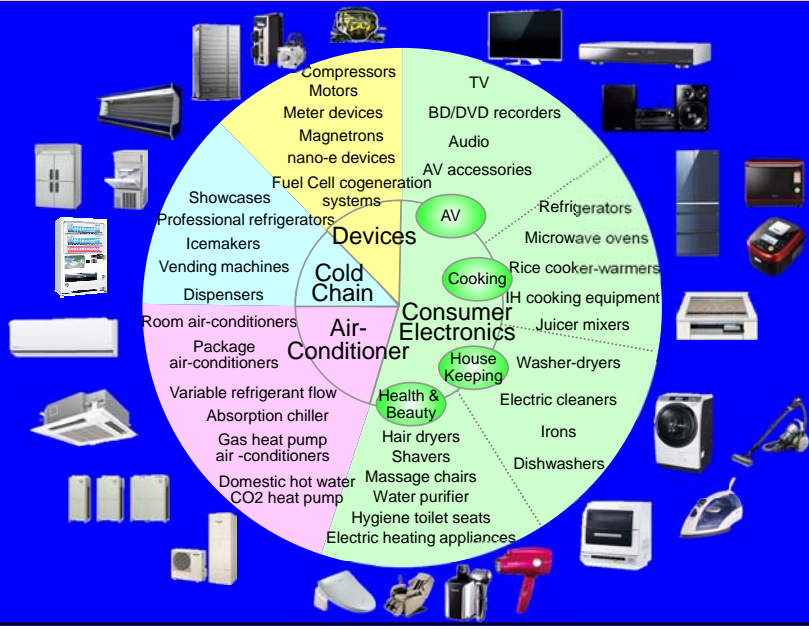
Consumer Electronics

Air-conditioners

Cold Chains

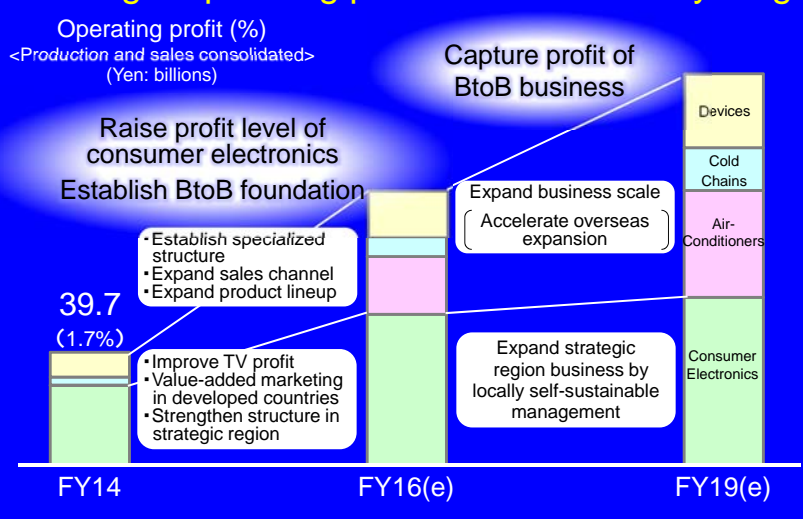
Devices

Business Area



Roadmap for Expanding Profit

By raising the profit level of consumer electronics and increasing BtoB business profit, **target operating profit ratio 5% in early stage**



Visions and Key Initiatives for Each Business

	FY19 Visions	FY15 Key initiatives
Consumer Electronics	Global top 3 consumer electronics business Sales of 2 trillion yen in all Panasonic. Improve brand value by creating new concept of consumer electronics	Expand white goods sales in overseas by centering on Asia and improve profitability of AV business
Air-Conditioners	Change to "global customer based air-conditioner specialized company" Expand overseas equipment channel business and improve profitability	Rebuild China business for room air conditioner and strengthen large scale air-conditioner business
Cold Chains	From product business to solution business	Expand CO2 refrigerant products and propose products by integration of manufacturing and sales
Devices	High profit device composition ratio 20%	Shift towards high profit field and accelerate development of new devices

FY15 Management Target (based on new AP company)

- Increase profit by over 10.0 billion yen in production and sales consolidated

(Production and sales consolidated)

(Yen: billions)

	FY14	FY15(e)	vs. FY14
Sales	2,298.2	2,280.0	-1%
Operating profit (%)	39.7 (1.7%)	52.0 (2.3%)	+ 12.3

(Company shipment)

	FY14	FY15(e)	vs. FY14
Sales	1,750.7	1,789.0	+2%
Operating profit (%)	28.2 (1.6%)	35.0 (2.0%)	+ 6.8

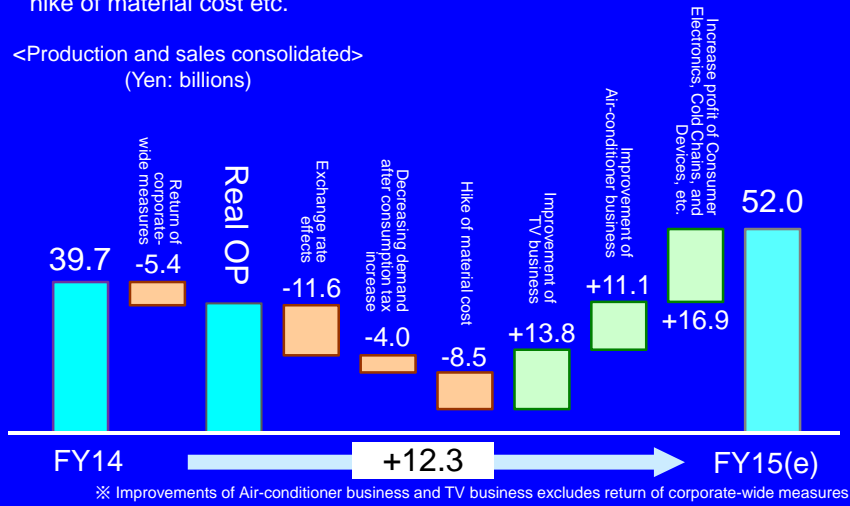
	FY14	FY15(e)	FY14-15 in total
FCF	77.4	18.5	95.9

※Mid-term management plan (CV2015) FY14-15 in total FCF: 68.9 bil. yen

FY15 Management Target (OP increase-decrease analysis)

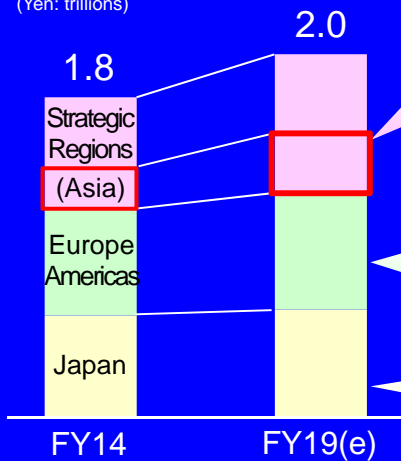
- Aim to increase profit by improving profit of challenging businesses and strengthening businesses etc. against risks of exchange rate, decreasing demand after consumption tax increase, and hike of material cost etc.

<Production and sales consolidated>
(Yen: billions)



Aim to Achieve 2 trillion Yen in Consumer Electronics

(Yen: trillions)



Concentrate investment in Asia for next 3 years

- Growth by locally self-sustainable business structure with establishment of AP Asia
- Expand product lineup for Asia

- High value-added marketing tailored to each country and channel (Europe)
- Recover competitiveness by light operation (TVs for North America)

- Create new demand and high value-added marketing (Propose product with new concept)

Contribute to BtoB by increasing the brand value

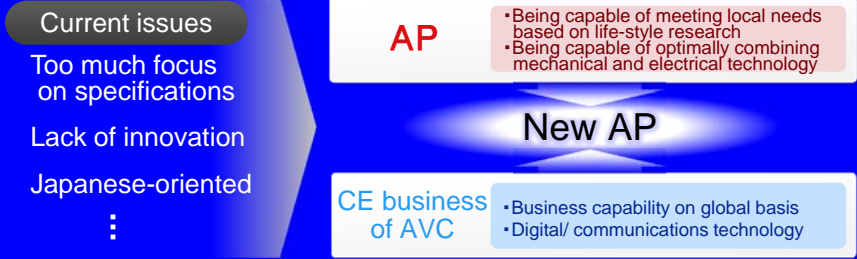
Asia: Growth by Locally Self-Sustainable Structure

- Speed up business operation and strengthen locally-tailored products and marketing by establishing Asia HQ

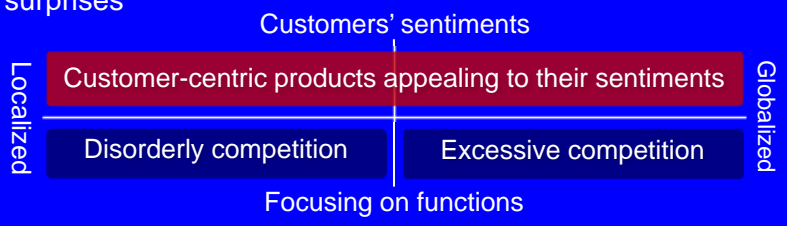


Gather All Strengths of Consumer Electronics Business

- Generate new concept product for consumer electronics by combining strength

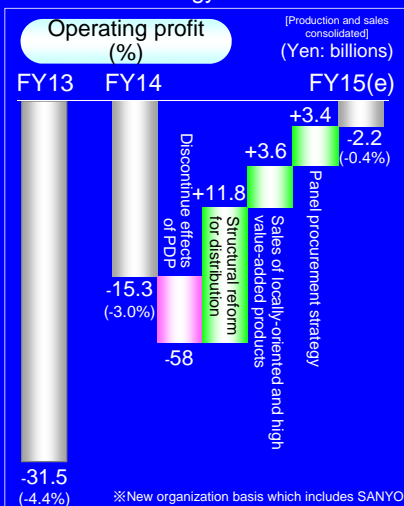


- Increase the brand value by offering customers delightful surprises



Initiatives for Profitability Improvement in TV Business

- Turnaround and become profitable towards FY16 growth strategy by locally-oriented strategy



Structural reform for distribution (+11.8 bil. yen)

- Recover price competitiveness by factory direct in US
- Improve profit by reducing sales operation cost in each region

Strengthen locally-oriented and high value-added products (+3.6 bil. yen)

- Improve brand value by strengthening locally-oriented differentiation products
- Enhance product competitiveness for high value-added products (4K & large LCD)



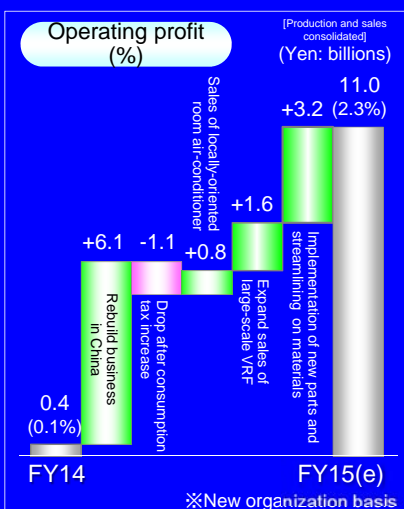
Locally-oriented differentiation (Enhanced sound model)

Panel procurement strategy (+3.4 bil. yen)

- Strengthen product and cost competitiveness by optimal panel procurement in each product category

Rebuild and Growth Initiatives for Air-Conditioner Business

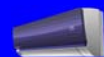
- Recover profitability for room air-conditioner and accelerate activities for growth



Profitability improvement for room air-conditioner

<Rebuild business in China (+6.1 bil. yen)>

- Release customer-centric new product
 - Strengthen basic functions and renovate texture
 - Renovate stores and strengthen frontline



Representative model HE series

<Implementation of new parts and streamlining on materials (+3.2 bil. yen)>

- Strengthen cost competitiveness by streamlining on materials of core parts

Strengthen business foundation for large scale air-conditioners

- Start integrated operation of manufacturing and sales in Japan, Europe, and US
- Strengthen equipment sales structure in Malaysia site
- Accelerate development and launch of energy saving products

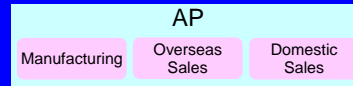
Strengthen Cold Chain Business

- Become customer confronting business by integrated operation of manufacturing and sales

<Separation between manufacturing and sales (FY14)>



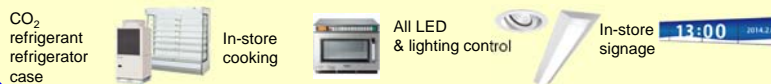
<Integrated operation of manufacturing and sales (FY15)>



Strengthen capability to respond and establish reliability from global accounts

- Create market by various products and technologies which leads the market

- ◇ Propose contribution to convenience stores



- ◇ Increase sales of energy saving non-freon showcase rapidly

Take offensive by CO2 refrigerant product which our company developed in advance



- ◇ Expand remote monitoring system in Asia by utilizing "cloud"

Increase value offering by systems which are introduced in advance in China and Japan

Measures for Accelerating Business Growth

- Load resources toward developing new products and businesses

Develop products for the elderly

Premium design products developed and prepared for 2 years

Develop next 3-10 year product

Strengthen product development by managing each of 14 themes as a project

Global life-style research

Research food, clothing, and shelter by regions at 11 life-style research sites

Create new businesses

Create new businesses based on technology axis and markets axis

Accelerate expansion by integrated strengths of AP and AVC

- Expand business scale by obtaining outer resource

Considering non-continuous growth by obtaining BtoB sales channel etc.

- Concentrate resources to growing fields

Optimal allocation of human, financial and technological resources according to shift of business structure

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Summary

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Take all of necessary actions in FY15 for achieving mid-term management plan

(Production and sales consolidated)

(Yen: billions)

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Panasonic

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