

## Q&A Summary for Panasonic IR Day 2014 (Appliances Company)

Date / Time: May 21, 2014 / 10:05-11:05

Location: Shiodome Tokyo Panasonic Building, Tokyo

Presenter: Kazunori Takami, Appliances(AP) Company President

### **Questioner 1:**

Q: Panasonic has been doing business in Asia for some time, but been less successful unfortunately. Why?

A: 1) Our overseas R&D was not sophisticated since it was located in Japan to access overseas markets, which we could not be enough responsive in a timely manner. 2) Our cost structure was not competitive, we will therefore focus on high-end products with our strong energy-saving technology.

Q: What is your business strategy in Europe?

A: We will introduce product strategy by country, since same model for all of the Europe region cannot meet the needs of individual country or region.

### **Questioner 2:**

Q: How much can you work on cost reduction by integrated operation of manufacturing and sales?

A: As you can see on page 19 of our presentation, taking TV business as an example, around 50% of 11.8 billion yen of distribution reform benefit comes from restructuring in sales operation such as introducing factory direct model in the US. The rest comes from changing product lineups and models suitable for each market. We will improve profitability, together with manufacturing and sales operations to introduce priority products by regions

### **Questioner 3:**

Q: Why overseas sales in FY14 were down on local currency bases?

A: Air conditioning business in China was the biggest factor. The inventory built up too much at the end of FY13, we intentionally held shipment to adjust it. The situation will improve in FY15.

Q: Panasonic has been doing business close to overseas local markets for some time. Why do you think you have the benefit from this strategy in FY15.

A: Our strategy will be shifted to locally develop and strengthen product lineup, such as introducing OEM products to the low-end market. We have been doing R&D and marketing mostly in Japan, but we will change this system since each country has its own culture in diet or laundry. For example, we train workforce at R&D sites in Vietnam so that they will be able to complete product development suitable to the local market. Having this system, we already have succeeded in washing machine and refrigerator business in China to improve profitability.

Q: On page 16 of your presentation, do you plan to increase each of four category (Consumer Electronics, Air-conditioners, Cold Chains, Devices) towards FY19?

A: Exactly.

**Questioner 4:**

Q: On page 16 of your presentation, what is profitability by region?

A: Japan represents one of the largest portions both in amount and ratio.

Q: How have you been handling yen depreciation for the past year? What are you going to do in future?

A: We have worked more on cost reduction, especially reducing the number of manufacturing process so that we can tolerate even if yen goes down slightly more than 105 yen/USD. This year we are planning to bring back our manufacturing sites back to Japan in some products.

**Questioner 5:**

Q: What is your assumption on the number of employees in FY19?

A: While strengthening our overseas sales and service force, we do not expect to increase the number at this moment.

Q: How is your market share in appliance in Asia for the past couple of years?

A: The market situation has been changing a lot in these couple of years and our market share is slightly decreased. We still maintain our high market share and would like to gain more under our new overseas strategy, using both products internally developed and OEM products.

**Questioner 6:**

Q: You have mentioned you would like to achieve one of the top 3 global companies. Who are the No.1 and No.2?

A: When we include AV products, the Koreans gain high market shares.

Q: How much can you improve profitability, shifting R&D to each market?

A: Our profitability excluding TV is almost 5%. That is, if we improve TV business profitability, we target more than 5%.

**Questioner 7:**

Q: How is your business in Japan? We have more foreign competitors in the Japanese market, and do you think it is still stable?

A: We believe we can keep our high profitability in the Japanese market, since we focus on high-end products. However we do not think the business in Japan will be easy in future. Having more seniors, we should develop products suitable for them, for example, together with AV products under the concept of creating space to customers or with kitchen appliance in Eco Solutions offering concept integrated living room and dining room..

**Questioner 8:**

Q: How are you going to balance between R&D and Capex? Are you going to invest on R&D not having OPM5% for some situation?

A: We will invest on R&D and sales channel in large scale air conditioning business. Some business needs investment in advance to achieve OPM5% in FY19.

Q: How is your device business?

A: We will increase the sales ratio of high profitable inverter products in compressor business. Since we have changed application in motor business from consumer products to industrial and automotive, the profitability hugely improved in FY14.

Q: Which business can achieve OPM5% in FY16?

A: Home Entertainment Business Division is in a tough situation, but we would like to have it black in FY16. The rest can mostly achieve OPM5%.

**Questioner 9:**

Q: Will you be more active in the US market? I believe there is a huge opportunity in the US.

A: We will focus more on high profitable business in US, starting with health and beauty products expecting increase in sales over the internet. We will introduce cold chain and air conditioning business in specific regions in North America. We have started builtin cooking appliance business in Canada, expanding to the southern region and the US in future.

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