

Q&A Summary for Panasonic IR Day 2014 (Eco Solutions Company)

Date / Time: May 21, 2014 / 11:20-12:20

Location: Shiodome Tokyo Panasonic Building, Tokyo

Presenter: Tamio Yoshioka, Eco Solutions (ES) Company President

Questioner 1:

Q: How are you going to differentiate your house remodeling business?

A: The industry scale is currently around 6 trillion yen to 12 trillion yen by 2020. Customers are various thoughts and ideas when they plan to remodel houses. One of our advantages is they have much more access points to us such as specialized stores for remodeling, builders, electric stores, 'PanaHome reform' or 'nursing care reform.' We can start to discuss in detail when they first visit to our showrooms with our concept of 'Panasonic reform' business.

Q: On page 20 of your presentation, when does energy management business grow the most?

A: We expect drastic growth in FY17 and FY18 since we have started to work towards electricity deregulation.

Questioner 2:

Q: What is your mid-term target of overseas sales ratio?

A: We are targeting at 17% in FY15, 20% in FY16 and 35-40% in FY19.

Q: Are you building recurring revenue business, focusing on service?

A: We would like to strengthen this type of business, doing maintenance after we install products, including energy management business towards electricity deregulation and smarttown business.

Questioner 3:

Q: How do you collaborate with Appliances Company?

A: We develop products under the single concept working together in kitchen appliance business. We also work together in energy management business for appliances with the technology of HEMS .

Q: How are you going to work on recurring revenue business in future?

A: We have been doing this type of business in lighting business or disaster prevention system business in Japan to have recurring revenues for maintenance for 20-30 years after we install the equipment, or in housing interior solution business in China. The current business scale is 200 billion yen, and we would like to expand it more towards FY19.

Questioner 4:

Q: When are you going to install HEMS on your strong distribution board?

A: We introduced HEMS installed 'Smart cosmo' as of today, May 21, 2014. As an experiment, we install the new function on distribution board to watch current on each circuit and analyze how they control the usage of electricity. We can add more function once the electricity deregulation is effective.

Q: I believe it will be your advantage in future that you can offer the products to analyze usage of electricity in residence.

A: Exactly. Let's say we can propose: how to replace appliances, how to save energy bills, how to automatically control lighting system, how to watch children and seniors, etc.

Q: Are you competitive while most of housing manufacturers are promoting HEMS?

A: Since housing manufacturers are our customers, we would like to do our business with them. Of course we are proud of our residential distribution board business.

Questioner 5:

Q: How is your housing business while new housing order situation is worse than expected in housing manufacturers?

A: Since our expectation is low, the current situation is not below our plan. It may be getting slower in the latter half of FY15 as we have 6 month delay after housing manufacturers receive orders. In total, we expect in line with our plan or better than our plan in 1Q, since our housing remodeling business has been favorable which offset the negative new housing business situation.

Q: How are you going to improve profitability in LED lighting business?

A: Our LED business is more focused on BtoB such as lighting equipment for commercial buildings, hotels and stores. The price decline has been moderate recently, which we can make up with our cost reduction effort, to improve profitability.

Questioner 6:

Q: What is your competitiveness in sales channel in ASEAN countries? What kind of sale channel in India?

A: We have started wiring instrument business through sales channel for electric builders to expand lighting instrument and fan businesses. Our market shares of wiring instrument business are: 86% in Japan, 60% in Taiwan, 40% in Korea, 50% in Thailand, and we also keep the top market share in Indonesia and Vietnam, so that we can utilize this sales channel in these countries. We acquired Anchor 8 years ago to expand business in India and a Turkish company, Viko last year in the Middle East, CIS and Northern Africa.

Q: Are you planning any M&A to strengthen sales channel?

A: Yes, if we see the business opportunity.

Questioner 7:

Q: What is your vision in ES Company?

A: We would like to pursue both 'eco' and 'comfort' as our concept.

Q: How will your smarttown business contribute to company-wide profitability?

A: In Fujisawa SST, we have 4 billion yen sales with 100 housing for the first year: that is 40 billion yen sales with 1,000 housing. We plan to have 30 projects like Fujisawa SST both in Japan and overseas, which

boost our total sales. We believe we can keep favorable profitability once we generate large scale revenue.

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