

## Q&A Summary for Panasonic IR Day 2015 (Eco Solutions Company)

Date / Time: May 20, 2015 /11:20-12:20

Location: Panasonic Tokyo Shiodome Building

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

### **Questioner 1:**

Q: Can you explain more on your strategy and profitability in strategic region in FY16?

A: We have developed electric materials business mainly with wiring equipment in Asia and ASEAN countries, holding top market shares (according to a Panasonic survey) and have expanded toward west including India and Turkey. 17% of entire ES sales in FY15 is from overseas and approximately 20% in FY16, and approximately 25% in electric materials and approximately 50% in Indoor Air Quality products such as air purifiers and ceiling fans. Overseas profitability is slightly higher than domestic one.

Q: Any write-offs on poly-Si agreement? How is profitability in solar panel business?

A: We wrote it off only in FY14. We have double digit profitability in solar panel business. To improve profitability, not only we have to increase sales but also we have to reduce fixed cost to offset impact from price decline of feed-in tariff and yen depreciation which will be serious in FY16.

### **Questioner 2:**

Q: Do you plan any M&A on wiring equipment business to gain additional sales channels?

A: We will be ready when we see any opportunities.

Q: How did you improve profitability in LED business?

A: We have reduced fixed-cost such as restructuring business operation and reduced devices procurement cost throughout the business successfully to offset aggressive price decline.

Q: Are you competing with the major French manufacturer in Asia in terms of sales channels?

A: Our market share is higher than theirs in Asia and ASEAN countries and theirs is slightly higher than ours globally. They are competitive in Europe and we are in Asia (according to a Panasonic survey).

### **Questioner 3:**

Q: How much are you going to spend as strategic investment? Do you have any impact transferring to IFRS on write-off on goodwill coming from buying ANKER?

A: FCF in FY16 will reduce due to increase normal investment and marketing expenses, which we do not include strategic investment or investment for solar panels. Goodwill coming from buying ANKER has not been written-off and we do not expect any impact transferring to IFRS.

Q: Conventional lighting business has been shrinking. Do you expect any additional expenses to divest this business?

A: We have shifted to LED business more aggressively than industry average: that is, our conventional lighting business is shrinking much faster, reducing fixed cost as well, but we do not plan any huge restructuring cost.

**Questioner 4:**

Q: How do you see rationalization effort and price decline from FY17 onward?

A: We see price decline mainly in LED and solar panel business, but we have reduced fixed-cost successfully to offset impact from price decline in FY14 and FY15. We expect the same situation in FY16 but price decline in LED business will be alleviated in FY17. Price decline in solar panel business may aggressively continue until FY19 and we will try to improve our cost structure to maintain its high profitability.

Q: How do you expand system selling, packaging products from different Business Divisions?

A: For example, we collaborate with AP to add their microwave ovens and refrigerators to our kitchen systems. We accelerate our collaboration to offer our unique living space to customers since we announced our 2trillion yen sales target of housing business in FY19.

**Questioner 5:**

Q: How do you improve profitability in remodeling and elderly-care business along with sales expansion?

A: Profitability in remodeling business is higher than new home business. When people renovate their homes, they usually prefer high-end goods to install. Elderly-care business is labor intensive and we offer our unique homes with elderly-care services. When occupancy rate comes to 90%, profitability will be secured. Since we increase the number of homes towards FY19, the profitability may decline.

Q: Are you going to sell products adding to services in elderly-care business?

A: More people build homes with elderly-care services through PanaHome and more Panasonic products are installed. Our advantage is that we have full lineups suitable for elderly people so that we are able to offer our unique living space to customers.

Q: Do you expect any risk factors on your existing business?

A: We do not expect drastic decline in our new-home business until FY19, but the market will gradually shrink to 0.6mil or 0.7mil units and we will expand our business by increasing unit price offering higher-end products.

**Questioner 6:**

Q: Profit from lighting and housing business in FY16 increases 6.1bil yen and 7.4bil yen respectively, and 18bil yen in total when adding PanaHome business. What is the gap between 9.2bil yen profit increase in ES total?

A: ES does not count PanaHome and we expect profit increase of 13.5bil yen in lighting and housing business. The gap between 13.5bil yen and 9.2bil yen increase in ES total is 4bil yen which comes mainly from depreciation impact in solar panel business. We try to offset this decrease but half of the negative impact still remains.

Q: Have you changed your definition of remodeling business sales? How do you see contribution to profitability? How much do you expect for investment on remodeling business?

A: We have added sales through consumer retailers to our remodeling business. We will try our best to explain any changes in future. We spend money on our showrooms, personnel resources, and collaboration between sales channels where we see our advantage. For example, consumer retailers provide information to us when their customers renovate their homes, roofs and walls so that we are able to offer any products to them. This is where we take advantage without any huge investment.