

# **Appliances Company Business policy**

May 30, 2017

**Panasonic Corporation  
Appliances Company  
President Tetsuro Homma**

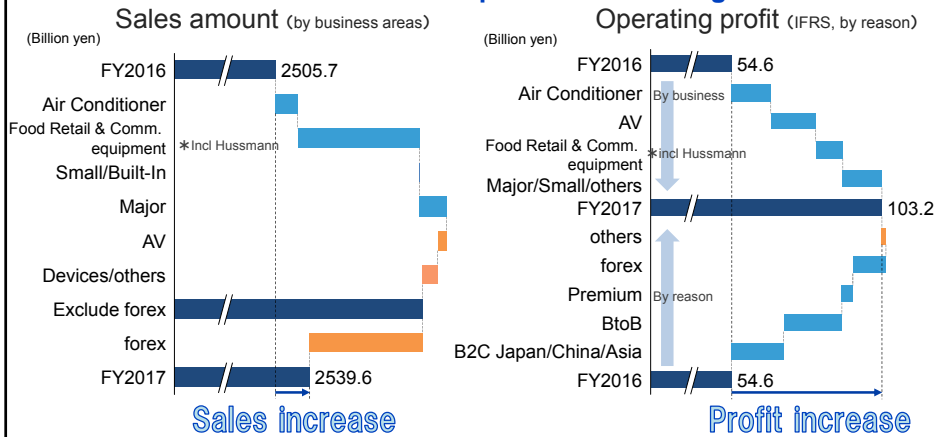
Notes: 1. This is an English translation from the original presentation in Japanese.  
2. In this presentation, "FY18" refers to the year ending March 31, 2018.

## **FY17 Results**

# FY2017 Business Result

**Achieving 60% actual growth with CE sales increase in Japan, China, Asia, and Consolidating Husmann business.**

**The operating profit exceeded the 100 billion yen mark, with profit from sales increase and premium marketing.**



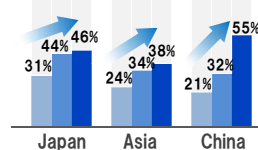
## Achievements and issues in FY2017

### Achievements

- The composition ratio of premium product increased. The marginal profit ratio increased from last year by 1.6% (\*FY2016 MP increased 1.5% from FY2015)
- Increased market share of 4 major CE Products in Japan and ASIA (V.I.P.)

※'16 Apr-Dec Total, Panasonic estimates

Constituent ratio of premium products in CE sales (FY15→FY17)



- Increase in operating profit was achieved in all 11 BDs.
- A new record high profit was achieved in AC. TV is also steadily improving the marginal profit

### Issues

- Profitability and growth ratio in overseas CE business
- Improve BtoB Business with higher portability

# Strategic preparation for FY2018 forward

## Structure organization and invest for achieving “growth with profit”

### Taking measure for growth of IoT appliances



- Launching smart kitchen appliances “qing chufang” in China (2016 Sept.~)



- Start IoT coffee roaster service (announced in 2017 Jan.)

### Strengthening B2B businesses

- Full-scale launch of OPEX business model for Commercial Refrigeration and Food Equipment business (Japan)
- Alliance with Schneider Electric for Commercial Air-conditioner BEMS (Europe)



### Creating new product / business

- Strengthening open innovation activities



Intrapreneurship Exhibited in SXSW



Traditional craft in Kyoto X Appliances Collaboration with “GO ON”

### Innovation for profit growth

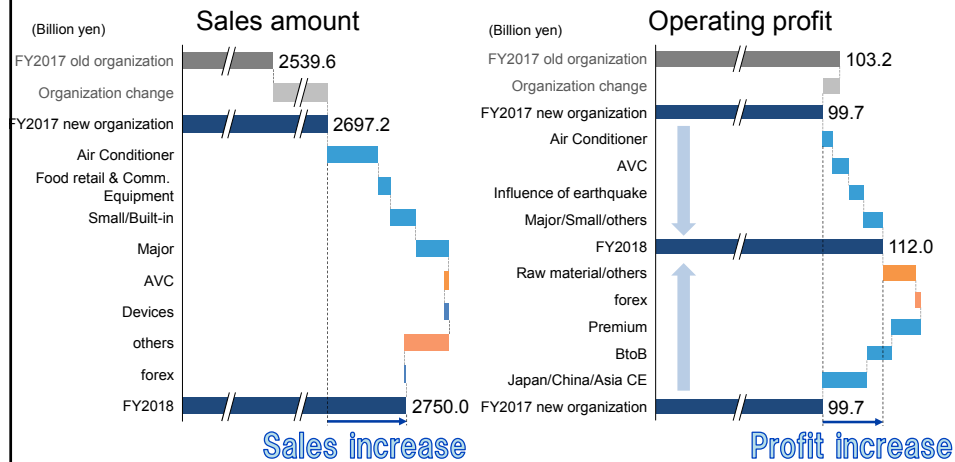
- HQ of refrigeration compressor business moved to the frontline of oversea (Singapore)
- Transform core business subsidiaries into 100% share ownership (3 companies)
- Liquidation of loss-generating subsidiaries (6 companies)



## Toward FY18

# FY2018 Management Target

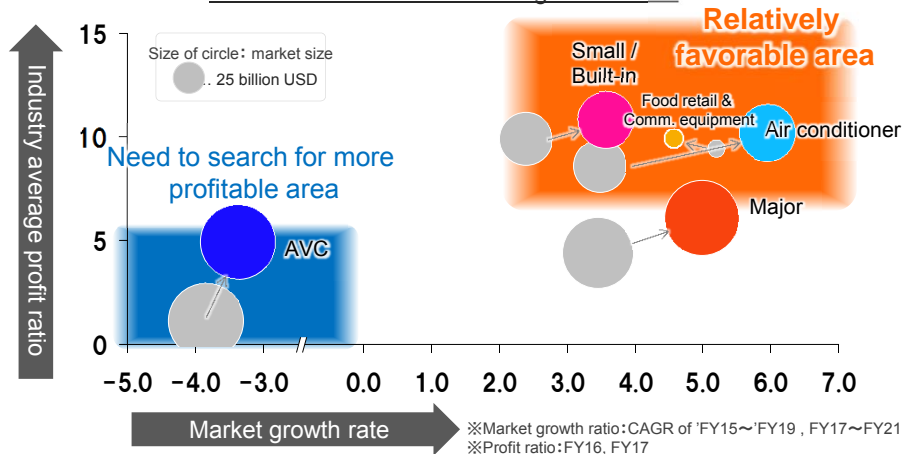
As increasing HA sales mainly in overseas, and improving BtoB, aiming 102% sales vs FY2017  
Accelerating Premium marketing, increase Operating Profit amount by 12%.

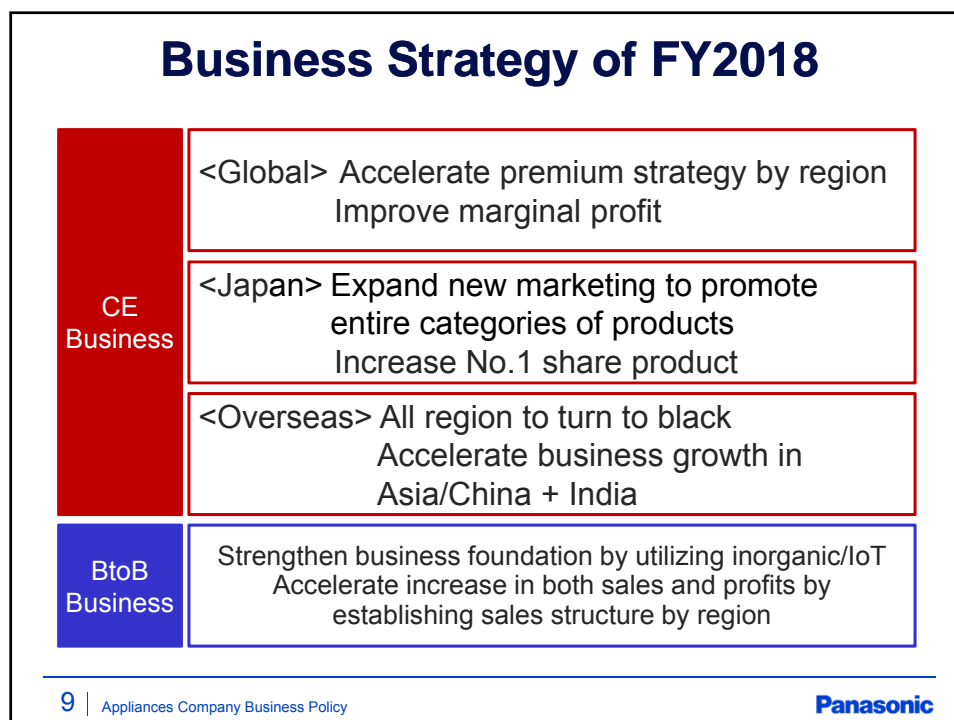
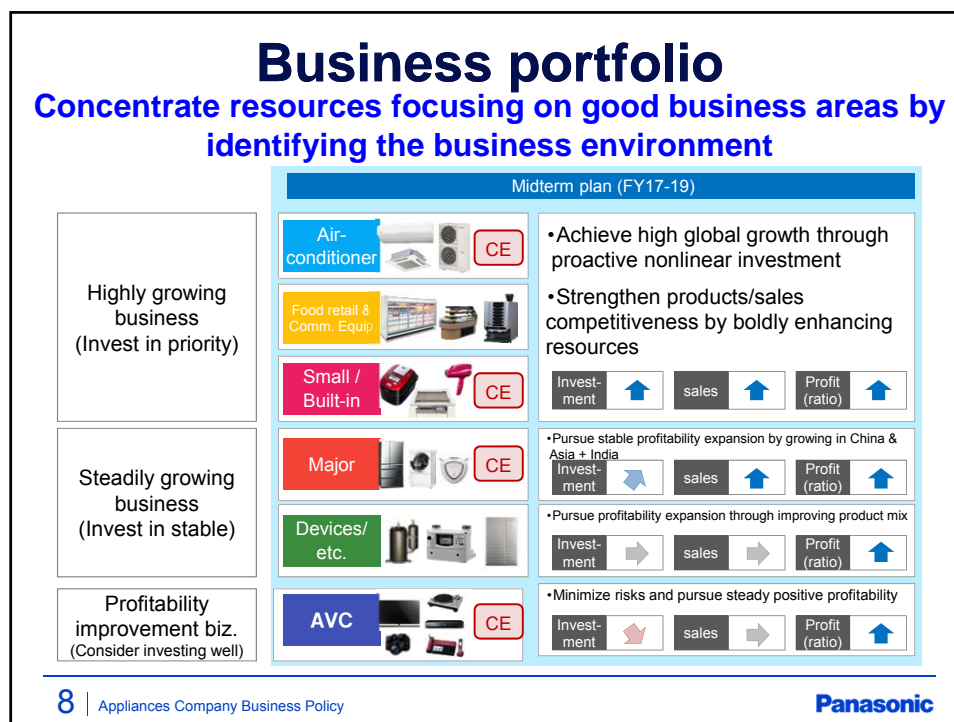


## Business areas and positioning of Appliances Company

Air conditioner, Food retail & Comm. Equipment and Small/Built-in appliances in favorable competitive positions

Profit ratio and Growth ratio in global market

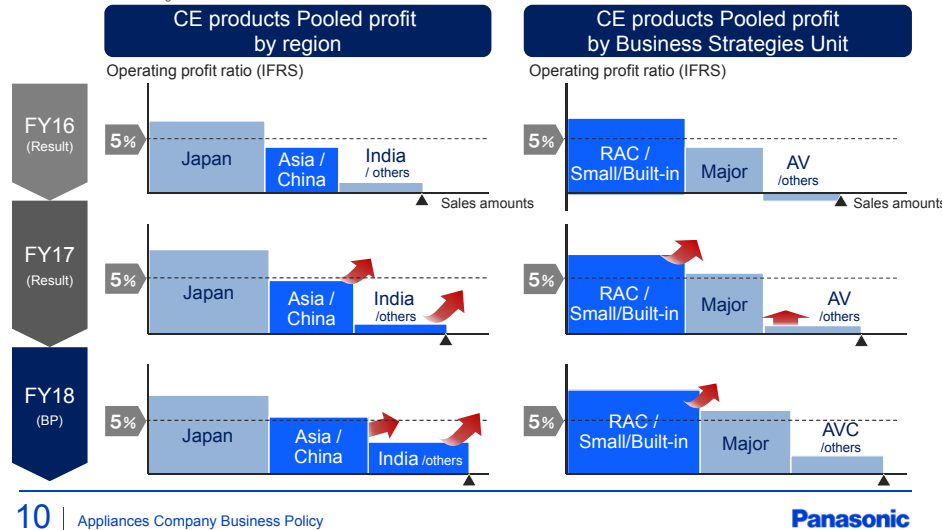




## Realize growth with profit of consumer electronics

### Expanding the similar premium strategy to Indian and European market, as achieved in Japan, Asia and China

<Consolidation of manufacturing and sales>



CE

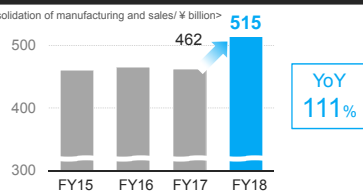
BtoB

## Air-conditioner Business

### RAC/CAC unified together, expand sales by strengthening product competitiveness and sales route

#### Air-conditioner business sales

<consolidation of manufacturing and sales/ ¥ billion>



#### Air-conditioner business in China

- FY17: Solved past issues such as trade inventories etc.  
→ RAC(mid-high model) sales increased 44% vs. last year
- FY18: Focus on "healthy air-conditioner" and steadily shift to mid-high models
  - Increase awareness of W nano-e/enecharge
  - Increase sales by launching new models



#### Promote Premium RAC

Enhance premium zone with "healthy air-conditioning" concept



Nano-e X+ double temperature flow

Large space air purification (antibacterial, PM2.5) High Power (China)



Eolia Energy Conservation Award Economy, Trade and Industry Minister Award

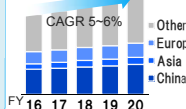


#### Strengthen overseas CAC business

Large increase in overseas sales by product renewal and strengthening sales route

Demand of overseas AC

Capture AC specialized route, including inorganic investment



Utilize RAC's PF for product renewal (Chassis, parts, etc.)

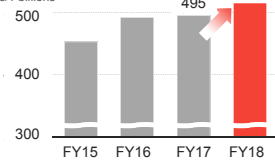


# Major Appliance Business

Strengthen premium in regions that we should grow strongly

## Major Appliance business Sales

<Consolidation of manufacturing and sales/¥ billions>



YoY  
104%

## Market share of sales amounts

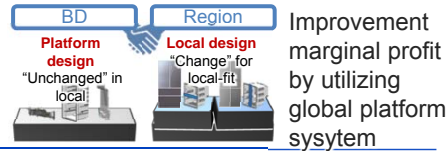
Growing market share with completed local planning, development, manufacturing, and sales promotion accepted for each countries.



Expanding to develop premium products for each culture



Strengthening compatibility between locally fit products and cost



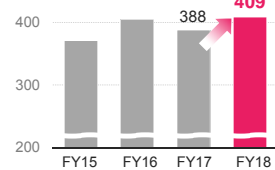
Improvement marginal profit by utilizing global platform system

# Small / Built-in Appliances Business

Utilizing strength as "No.1 in Japan", full-scale entry to overseas market

## Small/Built-in business sales

<consolidation of manufacturing and sales/¥ billion>



YoY  
105%

## Value share by product in Japan



## Key Initiatives

Aggressively expand to overseas by product X sales route development

### Small X EC

Strengthen sale strategy for China's 2 major ECs

Share of EC sales (FY18 forecast)



### Strengthen Built-in

Entering to dishwasher business (China)



### Cooking appliances

Create new demand



### Beauty X professional route

Utilize strength of professional route

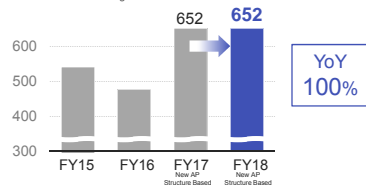


# AVC Business

Continuously generate profit through “Deepening premium value” by region/country

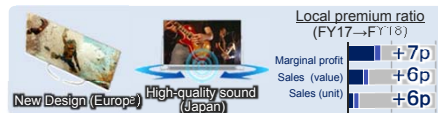
## AVC business sales

<consolidation of manufacturing and sales/ ¥ billion>



## TV key initiatives

■ Strengthen profitability by expanding locally-tailored premium



■ Improve marginal profit by global optimization of manufacturing  
• Increase in-house production of liquid crystal module, etc.

Strengthen management structure of newly joined segment

### Imaging Network

3 pillars supporting profitability



### Communication Products

Cross-utilization of manufacturing sites



## 4K HDR World

Following OLED TV, GH5 is compatible with 4K HDR

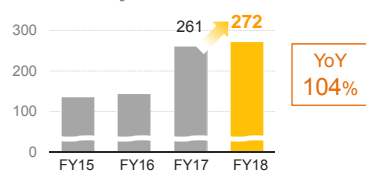


# Food retail & Commercial equipment business

Differentiate by “Natural refrigerant”, “IoT” and “OPEX model”

## Food retail & Comm. Equip. business sales

<consolidation of manufacturing and sales/ ¥ billion>



## Hussmann

In addition to large-scale retail stores, enhance strength of small retail stores



Expand synergies/new activities in each region

## Our strength

Globally increasing needs of eco-friendly products due to environment regulation

Natural refrigerant(CO2) high COP freeze cycle + IoT  
Strong line-ups & installation result in small retail stores



## Start OPEX model

Lead to continuous profit by operation/maintenance support



## Establish Oceania BU

Business transferred from Hussmann  
Expand with product line-ups in Japan



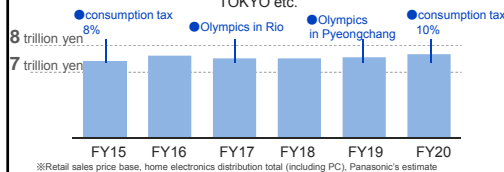


# Strategies by Region

## Our strengths and Market share in consumer appliance in Japan Achieved record high market share in past 30 years in whole consumer electronics products with fans in Japan

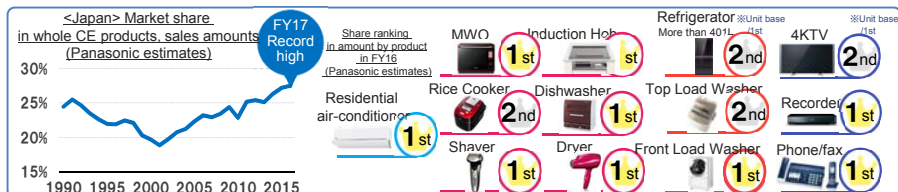
### Market situation

Domestic demand is steady due to special demand of replacement for eco point and digital broadcasting. And it's coming Olympics in TOKYO etc.



### Our strengths

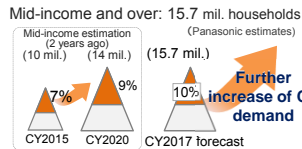
Expand variation of marketing to promote entire categories of products according to each customer's life style



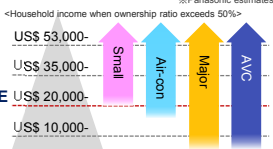
# CE Business <Asia,China>

Take initiative to establish winning pattern  
for CE business in overseas strategic region

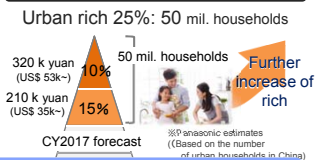
## Premium market in Asia



## Ownership of CE by household income (global)



## Premium market in China



## AP Asia

Focusing on VIP+T, double digit growth for the third consecutive years [FY19 Sales target ¥350 bil.]

### Optimize regional production

- Thai site  
Start production of AC  
FY18: Approx. 500k units  
(Jan. 2017)
- New site expand  
Malaysia (mother factory)

### Establish local design

- Strengthen capability of design site in Asia (Kuala Lumpur)

## AP China

Achieve No.1 brand of foreign HA company  
[FY19 Sales target 13.3 billion yuan]

### Further strengthen management structure

- Establish "EC Center"  
Capture EC channel & enhance sales negotiation for key selling season

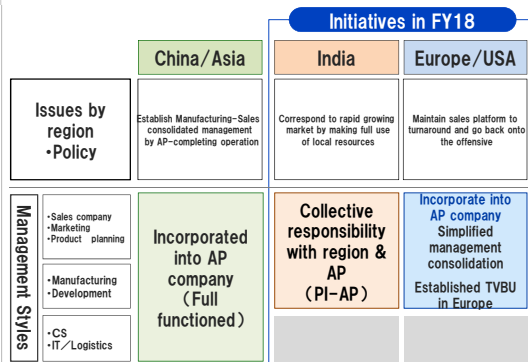


# Further strengthen regional strategy

Established management structures suited for each regional characteristic  
and strengthen profitability

## Strengthen management structure of sales-company overseas

Established management structures suited for each regional



## India

Joint management of region and AP Company  
Establish Panasonic India Appliances (PIAP)

### R&D

- Establish R&D center (Jajar)
- Offshore Development of AI and robotics (Bangalore)

### Manufacturing

- For Refrigerator (50k units/year)
- Starting production (Q-4/2018)
- Launching (Q-1/2019)

Produce local fit products locally

### Sales

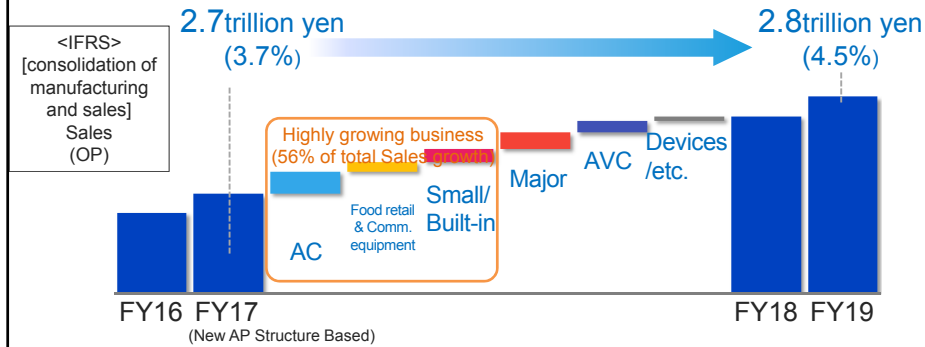
### Expand premium marketing

Equipped with washing course corresponding to curry stains



## Goals for FY19

**Aim at achieving 2.8 trillion sales in FY19 through mainly highly growing business and steadily growing business**



**Our goal is “To be corporate value global No. 1 company” in appliances field our covered.**

# Panasonic

**A Better Life, A Better World**

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## (Appendix) Products in each business area

Business Area		Main products
Air conditioner		Room Air-conditioners (RAC), Commercial Air-conditioners (CAC), Water heaters
Food retail & Comm. Equip		Showcases, Kitchen facilities, Vending machines, Dispensers
Small/ Built-in		Microwave ovens, Rice cookers, IH cooking hobs, Dishwashers, Beauty products, Health products, Cooking appliances, Irons, Nano-e devices
Major		Refrigerators, Washing machines, Vacuum cleaners, Toilet seat with shower
AVC		TV, Recorders, Audio, DSC, Phone/fax
Devices/ etc.		Compressors, Condensing units, Vacuum insulation panels, Fuel cells, Meter devices