

Appliances Company Business Strategy

December 1, 2014

Panasonic Corporation
Appliances Company
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- At IR Day in May, I talked about the new business structure created by integrating AV products such as TVs videos and Audios and the aim to achieve targets by fiscal 2019.
- Today I will explain our progress and business strategy.

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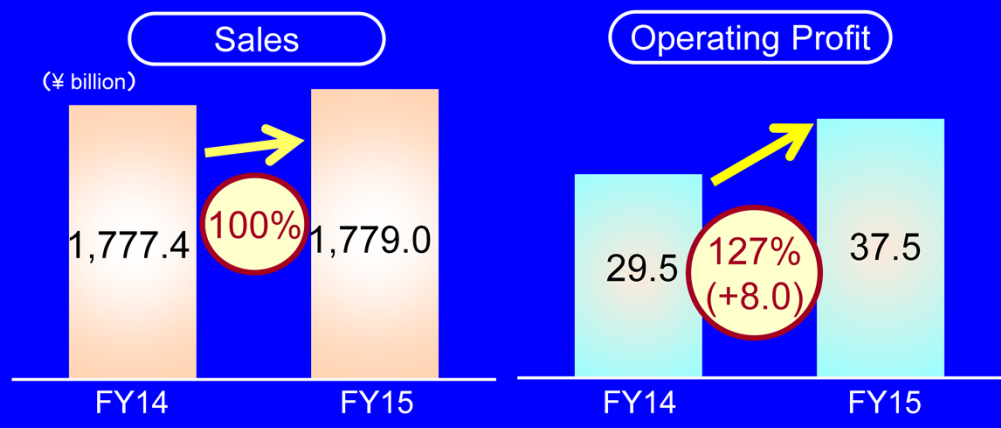
1. Progress in 2014
2. Aim to achieve 2 trillion yen
in consumer electronics
3. Strengthen BtoB Solution
4. Conclusion

○ Today's presentation includes 4 points.

FY2015 Financial Forecast

【 Sales 】 Despite decrease in sales due to backlash from increase in consumption tax and PDP exit, secure increase in sales by growth of air-conditioners etc.

【 Operating Profit 】 Increase in profit by improvement of air-conditioners and devices (motor) etc.



*on a Company shipment basis (FY14 is recalculated based on FY15 organization)

- Overall sales for fiscal 2015 are expected to be almost unchanged compared with the previous year despite the negative impact of approximately 60.0 billion yen due to the exit from Plasma TV business.
- Expected operating profit of 52.0 billion yen is likely to be achieved on a consolidated basis, unchanged from the May forecast.

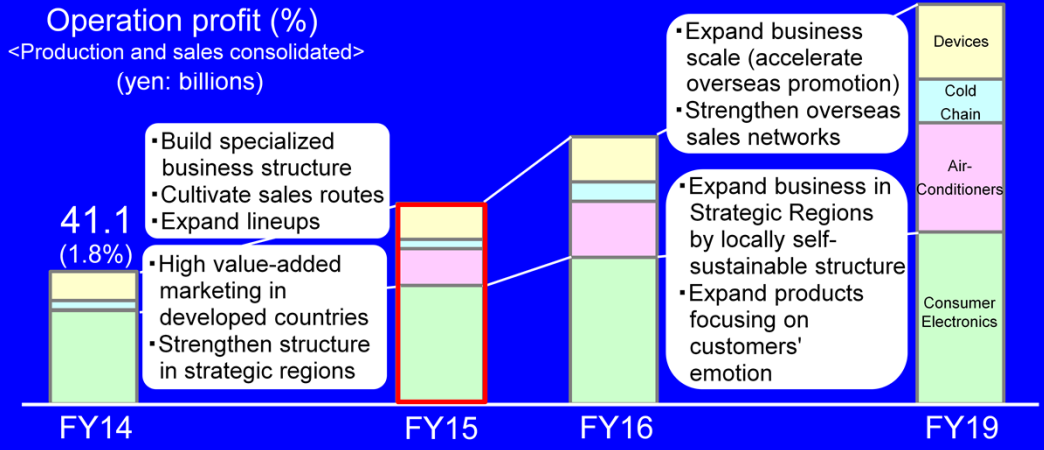
Progress in each business

	FY15 key initiatives	Progress in the first half of FY15
Consumer Electronics	Expand white goods sales in overseas by centering on Asia and improve profitability of AV business	<ul style="list-style-type: none"> • Increased sales in Asia in refrigerators and beauty care products • Profitability improved vs last year in AV business • AP Asia in progress, established task force
Air-Conditioners	Rebuild China business for room air-conditioner and strengthen large scale air-conditioner business	<ul style="list-style-type: none"> • Significant improvement of profit due to rebuilding China business for room air-conditioner and streamlining promotion • Highly efficient VRF launched in the US
Cold Chain	Expand CO2 Refrigerant products and propose products by integration of manufacturing and sales	<ul style="list-style-type: none"> • Expanded CO2 Refrigerant products for convenience stores and supermarkets in Asia
Devices	Shift towards high profit field and accelerate development of new devices	<ul style="list-style-type: none"> • Motor business shifted to high profit field and played a leading role for profit improvement

- In Consumer Electronics, we have been focusing on business expansion in Asia as well as Japan. In particular, refrigerators and beauty products in Asia are showing favourable sales.
- In addition, profitability in the AV business is improving on last year. AP Asia is expected to be established next April and the preparation for this has been going smoothly.
- As there was excess distribution inventory in air conditioners for household use in China last year, we have reduced inventory drastically. 1H sales in China increased significantly from last year due to strengthened production competitiveness and sales channels as well as rationalization. However, with regard to large scale air-conditioners, we are still working on it in order to improve profitability.
- In Cold Chain, CO2 Refrigerant products are being installed in more convenience stores and supermarkets in Asia due to the expansion of our unique range of CO2 Refrigerant products.
- In Devices, profitability particularly in motor business improved significantly as we have shifted our focus from household use to electronic industrial use.
- These were the main 1st half developments.

Roadmap toward sales expansion accompanied with profit

Smooth start to achieve 5% operation profit more quickly



- However, operating profit ratio in Appliances Company has not yet reached 5%. In order to achieve this target more quickly, we will first establish a more robust corporate structure in the consumer electronics business and strengthen premium products in order to improve profitability.
- In overseas markets, towards fiscal 2019, we will strengthen sales channels and networks by focusing on air-conditioners.

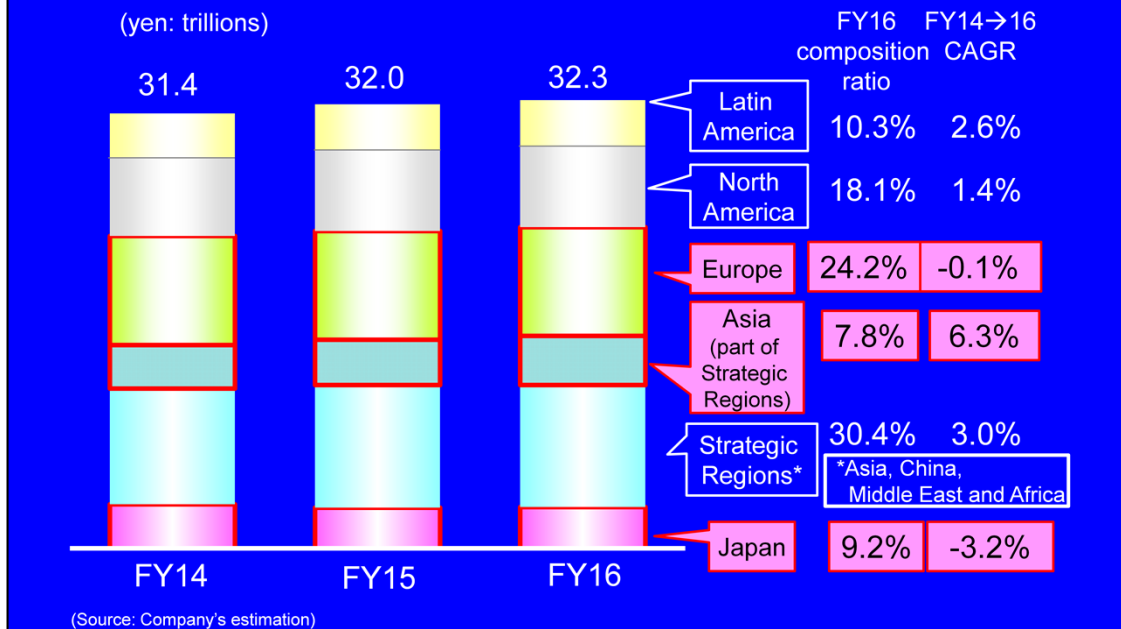
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○ Next, aiming to achieve 2 trillion yen in consumer electronics.

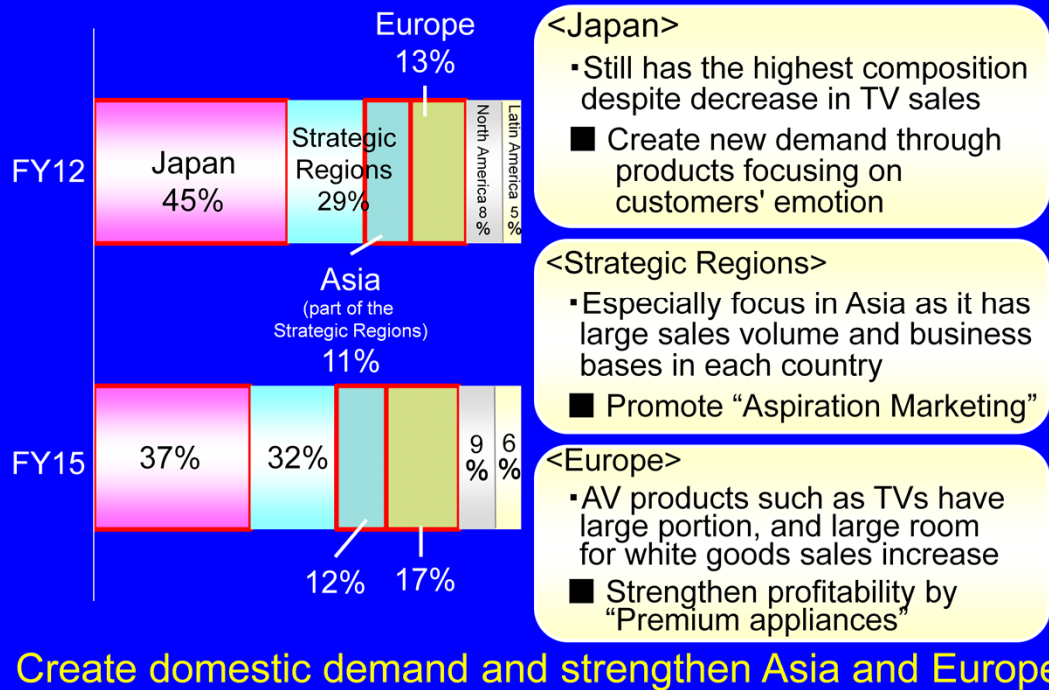
Global Appliances Demand

- Europe is a large market which accounts for a quarter of global demand
- Asia still has the highest growth rate and is expected to grow further



- This chart shows demand in appliances including AV products.
- The global demand is expected to be approximately 32.0 billion yen in fiscal 2015. In particular, the biggest growth is in Asia while the composition ratio of Europe is very large.
- Our European business size is currently small. However, we recognize that the key to growth would depend on the volume increase in Europe.

Composition ratio of sales by region (Company's consumer electronics)



- Next, composition ratio of sales by region from fiscal 2012 to 2015.
- In fiscal 2012, although the volume of Japanese sales was extremely high, it came down to 37% in fiscal 2015. Meanwhile, the volume of European sales increased to 17%.
- In Japan the volume has come down due to sales decrease in TVs.
- In Strategic regions, we are focusing particularly on Asia and aiming our marketing from this autumn at wealthy customers.
- In Asia, we have been accelerating sales expansion of 'made in Japan' products and shifting to the high value-added zone.
- In Europe, although the sales composition of AV products such as TVs is still high, in order to increase the composition of white goods, we have been strengthening premium consumer electronics with the collaboration of Gorenje.



Japan

Next, Japan.

Create new demand by products focusing on customers' emotion

■ Increase the brand value by offering customers delightful surprises

[Current savings and debt by head of household]



(Source: Report of domestic finance research (savings/debts)
2013 average flash report (household more than 2 members)

Household over 60's increases by
4% over 2012 to 2018

(Source: Euromonitor)

- Focus on both function and design
- Top priority is user-friendliness
- Prefer simple function than multi-function

(Source: Company's net research, GF Ltd)

Focus on seniors who have strong interests in consumer electronics

Aim to increase the brand value by expanding premium products

Launch high quality "J concept series" from Japan

- According to Japanese income group by age, savings in 50's and 60's are high. This proportion is expected to be even higher towards 2018.
- We started to work on products for these consumers two years ago, in view of future products, their preferences and marketing.
- That is how 'J concept' products were created and they have become extremely popular since their launch in October. In particular, demand for vacuum cleaners is so strong that we cannot supply enough products to meet this demand and full production is expected to continue for some time.
- We also started to supply refrigerators and air-conditioners at the end of November. Although refrigerators are only supplied through specialized channels, the orders are increasing steadily. When we start to supply to retailers in February, the orders are expected to increase considerably. Taking into account the current trend, the orders for J concept products will continue to rise.

Great response to J concept series

- High reputation for user-friendliness and design
- Expand to other products and aim to 50 billion yen sales in FY17



※As of September 17, 2014, of body weight (2.0kg) of domestic canister vacuum cleaners

- These are 'J concept' products.
- The specific feature of these air-conditioners is directing warm air (up to 35 degrees) to the feet. This feature was in response to feedback from 30,000 seniors.
- With regard to refrigerators, seniors' priority is keeping vegetables fresh in the middle compartments of the refrigerator (at the average waist height of 88 centimetres).
- Vacuum cleaners are the world's lightest at 2 kg; there are no other products as light as this.
- This is why customers like our products so much.



Asia

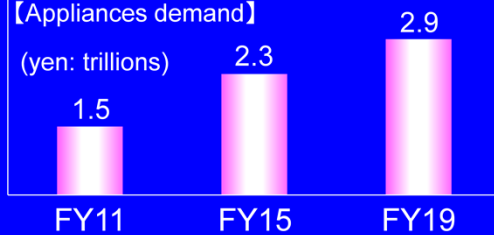
Next, Asia.

Expand in significantly growing Asia

■ Capture middle and high-end zone by “Aspiration Marketing”

【Appliances demand】

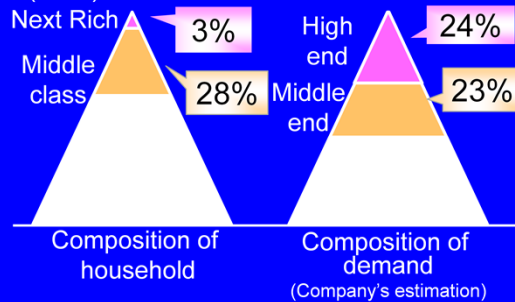
(yen: trillions)



Source: Company estimate

Most important area for achieving 2 trillion yen in consumer electronics

【Demand composition of households by income (2014)】



Expand “Aspiration Marketing” targeting to affluent class

Establish locally self-sustainable structure, from lifestyle research to sales

(Source: composition of household is from Euromonitor, sum of Indonesia, Vietnam, Philippines, Singapore, Malaysia and Thailand. Middle class: household income over US\$10,000, Next Rich: over US\$45,000. Composition of demand is estimated from GfK)

- The market size of Asia both developed and advanced countries is expected to grow undoubtedly.
- There are two classes, Next Rich and Middle Class. Although the portion of ‘Next Rich’ is only 3%, this accounts for 4.6 million households and demand in consumer electronics from this class is 560 billion yen.
- Middle Class accounts for 28%. This is equivalent to 40 million households and demand in consumer electronics from them is 540 billion yen.
- As total demand of these two groups is approximately 1 trillion yen, we have started to focus on these groups for product ranges and marketing since this year.
- We started the ‘Aspiration marketing’ from October with ‘Japanese hospitality’ which non-Japanese manufacturers cannot copy.

Marketing to inspire consumers' yearning

- Inspire customers' yearning and enhance brand image
- Create and lock in loyal customers in affluent class

Japanese hospitality

- Establish presence in high-end zone by "Made in Japan" products



Start loyal customer creation campaign

Collaboration with developers

- Exhibit premium products in urban high-class condominiums



Hold events at exhibit galleries

Caravan car/ Roadshow

- Thorough product appeal and experience



Panasonic Cooking Caravans (66 sites)

Tie up with TV program

- Strengthen PR in cooking program etc.

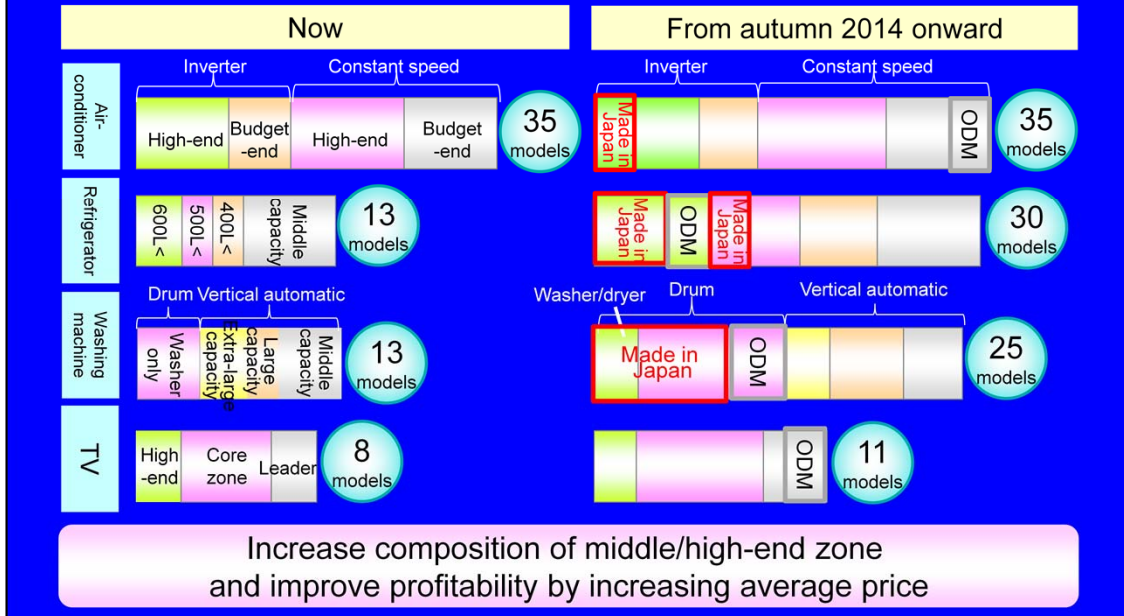


PR in "Asian Food Channel"

- In Asia, there is a strong yearning towards 'Made in Japan' products.
- First, refrigerators and washing machines were introduced to retailers and specialized shops as the premier products of 'Made in Japan'. Loyal customers who are in the affluent class buy these products.
- In order to lock in these loyal customers, we offer thorough after-service and our reputation spreads by word of mouth. We also collaborate with large developers in the creation of new large-scale residential estates in markets like Singapore.
- Collaboration with local government has allowed our products to be displayed in the showrooms of high-class condominiums.
- With regard to caravan cars and roadshows, we are directly promoting our products to end-customers in the centres of main cities as well as to retailers.
- There are also tie-ups with TV programs. For example, we rent out our products to the cookery programs in Asian countries.

Growth and improve profitability by strengthening middle/high-end zone

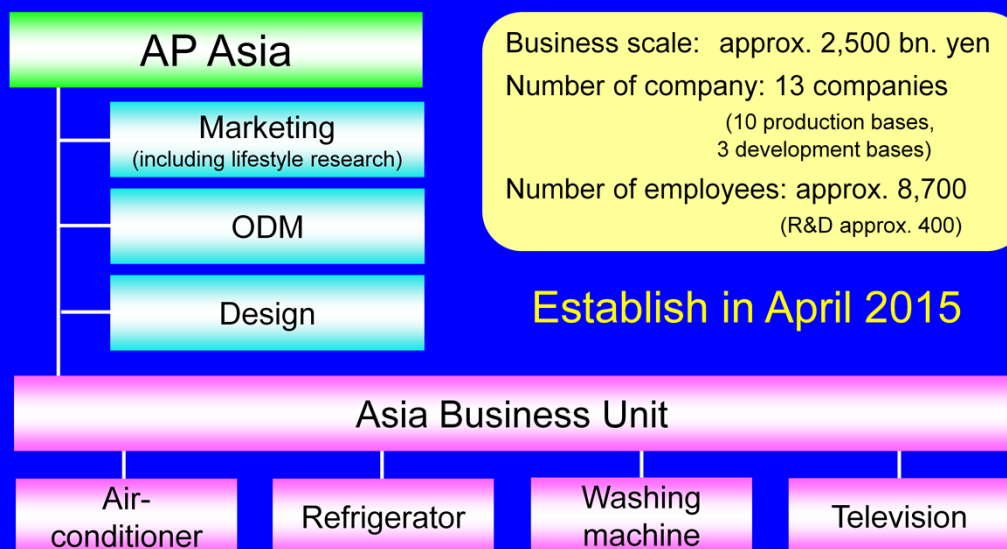
- Utilize ODM and shift own development resource to middle/high-end zone
- Launch premium products made in Japan and expand lineup



- In order to increase product line-ups and improve sales, we have to increase the portion of high value-added products.
- We also receive requests for lower middle-range products mainly in emerging markets. As it is difficult to secure profitability from these product ranges, we are taking a major step.
- Middle and high-end products are developed in-house while lower middle and low priced products are developed by ODMs.
- In this way, we will improve average prices and improve profitability.

Establish AP Asia and shift to locally self-sustainable structure

- As “The second AP HQ”, move to the frontline of Asia region
- From product planning/development to marketing, speed up operation



- For this purpose, we have decided to establish AP Asia.
- AP Asia, which is not controlled by headquarter in Japan, has unified functions from research, designing and marketing in order to make quick decisions and respond to market changes speedily.
- Management class has already been deployed and AP Asia will start operations next April.



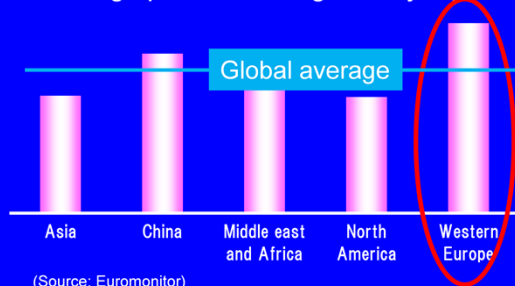
Europe

Next Europe.

Expand premium appliances in Europe

- Strengthen business in Europe where premium products receive market acceptance

【Average price of white goods by regions】



(Source: Euromonitor)

Accelerate white goods business expansion based on foundation of AV business

Early expansion of product lineup and channel by strengthening collaboration with local company

【Demand composition of Built-in】



Europe accounts approx. 40% of global demand

(Source: Euromonitor)

Full-scale entry to built-in market (utilize OEM)

- In Europe, the average price of white goods is extremely high and this is a high-end market.
- The demand for built-in kitchens is considerably high and accounts for 40% of total demand. Based on this, since last year we have been strengthening the built-in business.
- In Europe, houses are used for between 100 and 200 years with remodelling over the years without constructing new houses. Therefore, the extremely high-end of built-in kitchens are required which fit to the 100 and 200 years' house. There is demand for 2 million yen of built-in kitchens but they are used for a long time.
- In order to meet such demand, we will strengthen the production range of built-in equipment which includes IH cooking and washing machines at our microwave oven factory in U.K. In addition, we will collaborate with other companies to strengthen our product range, as it is difficult to do everything by ourselves.

Promotion in Europe (IFA 2014 presentation)

- Send new value through newest products and services
- Aim to establish position as a premium brand



- There is demand for premier zone and built-in equipment in Europe.
- In IFA this year, we displayed the products which will be introduced in 2015 and 2016. We promoted built-in equipment as well as the revival of Technics products.

Strengthen profitability and growth of white goods business

Expand business by strengthening collaboration and full-scale entry to built-in kitchen

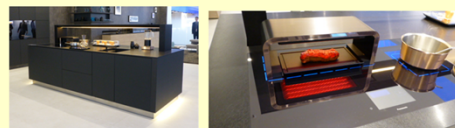
Improve profitability by collaboration with Gorenje

- Expand products lineup by co-developing products which fit to lifestyle in Europe
- Decrease fixed cost by gaining production platform in eastern Europe
- Improve profitability by reducing transportation cost by local production



Built-in kitchen business development

- Enter to built-in kitchen business and aim to expand further profitable business



- Increase sales of value-added products by expanding lineup of kitchen appliances



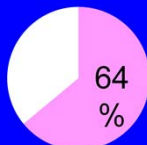
- The first development in Europe was very high premium products with very stylish design.
- Although those products received good reviews, it was not a profitable business as the production was in China and imported from there.
- However, profitability improved significantly as Gorenje supplies these products.
- We will collaborate with local companies in other products such as refrigerators, washing machines and built-in kitchens.
- In particular, we have already started specific collaboration with regard to business development for built-in kitchens.

Establish premium brand with Technics

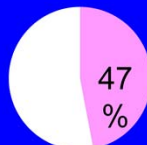
- Technics brand to lead brand value improvement in Europe
- Aspire for ripple effect in BtoB business such as automotive and home and living environment

[Awareness of Technics brand]

(Company research as of November 2013)



【UK】



【Germany】



Maintained high awareness after discontinuation in 2010

Start market introduction from December

- Another approach is to establish Technics premier brand.
- Technics is a very well-known brand with highly positive reviews, especially in the U.K. and Germany, and there was strong demand for the revival of the Technics brand.
- The revival of Technics was announced at IFA last September and it will be introduced in December in Europe and next February in Japan.
- We will start 'Technics trucks', with distribution service (few hundred thousand high resolution music) when we launch Technics equipment in the U.K. and Germany.

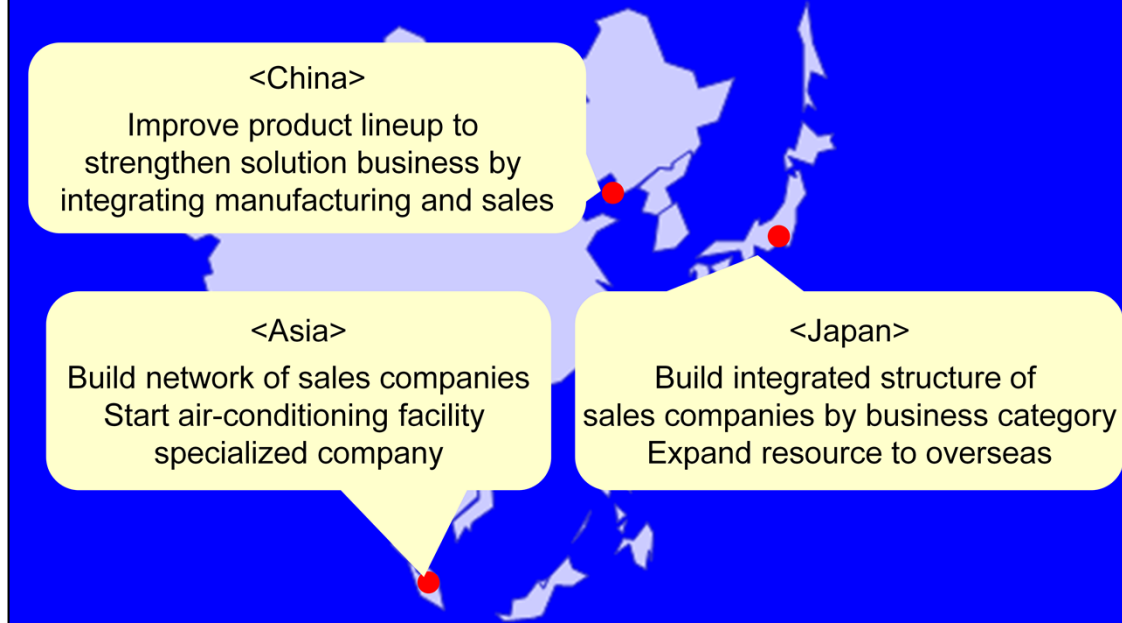
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○ Finally, B to B Solution.

Strengthen BtoB solution business structure

- Accelerate global expansion by integrated operation of manufacturing and sales



- There are differences between Japan, China and Asia in BtoB business.
- In Japan, product planning, development, sales and service has been unified and developing since April this year.
- In China, our business includes product planning, development, sales, service and maintenance in Dalian's former Sanyo site.
- In Asia, manufacturing and sales are main activities. We are working to establish a similar structure to that in Japan and China, which will be completed during fiscal 2016.

Large-scale air-conditioners

- Have distinctive strengths in wide range of products lineup of absorption chiller, GHP etc.
- Strengthen sales/service structure for acceleration of global expansion

Installed in various facilities



Absorption Chiller
(Natural Chiller)



Osaka Station City



Educational facilities
(Schools etc.)



GHP
(Gas Heat-pump air-conditioner)

Accelerate global expansion

- Strengthen sales/service structure specialized in air-conditioning business, mainly in China/Asia
- Introduce industry top-class efficient VRF, highly-functional controller etc.



VRF=Variable Refrigerant Flow

- In addition to air-conditioners for halls, we develop large-scale air-conditioners which have been installed in public facilities such as Osaka station in Japan.
- In addition, absorption chiller are manufactured in Gunma, Japan. We are one of the few companies which produces these products in Japan.
- We also produce heat pump air-conditioners for gas and supply to schools.

Cold Chains

- Expand global business with our advanced CO2 refrigerant system, remote surveillance system etc.

Wide range of products



Expand global business

- Expand CO2 refrigerant system installation at once
- Globally expand remote surveillance system utilizing cloud
- Propose contribution to convenience stores and supermarkets with all Panasonic

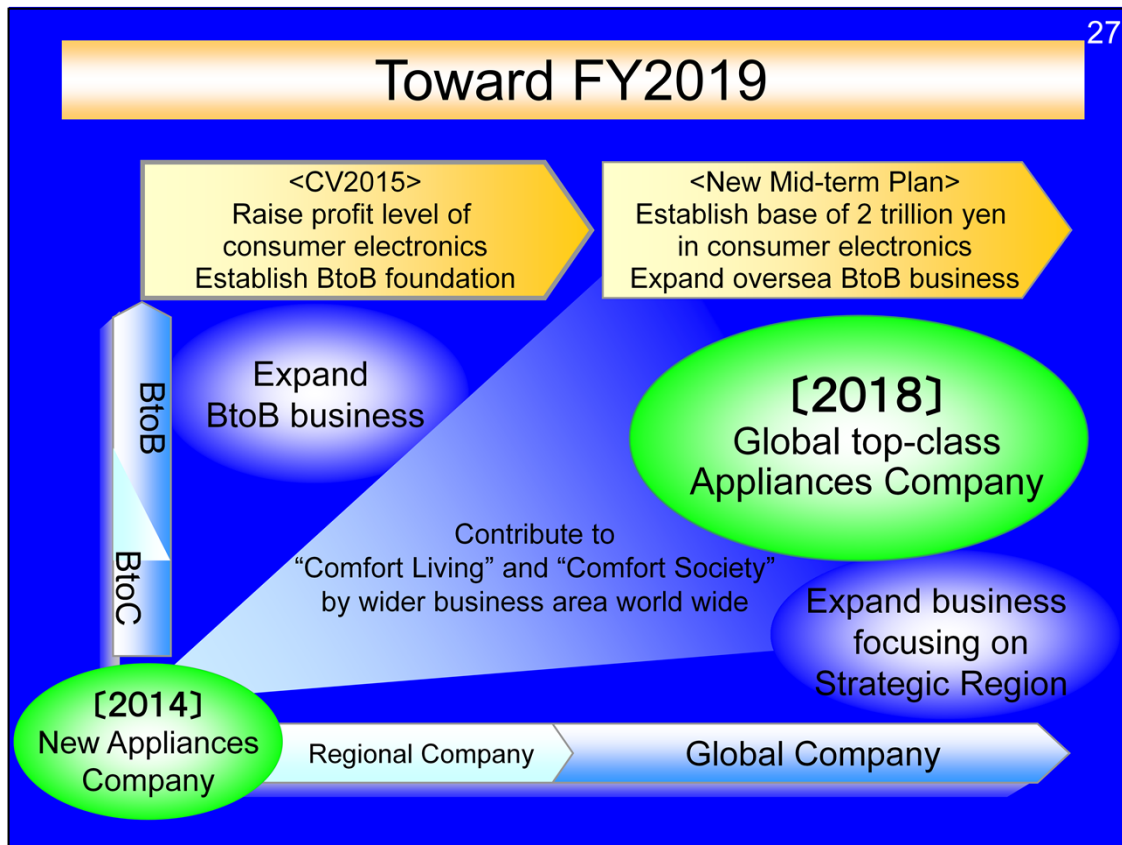


- In cold chains, we have showcases for stores, refrigerators for logistics and restaurants, etc.
- We are the only company which has CO2 refrigerant and remote monitoring systems.
- By leveraging this strength, we are strengthening the product ranges in Japan and China, expanding sales channels as well as strengthening the business model by making use of remote monitoring systems.
- On November, 21st we received the first Encouragement Prize of Japanese Minister of Education, Culture, Sports, Science and Technology, for CO2 refrigerate system in Japan.
- We will offer proactively in the future in order to capture Olympics-related business in large air-conditioners and cold chains.

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- Finally, conclusion.



- We have to think about future global sales channels by taking into consideration the current trend of yen weakening and optimal manufacturing sites .
- We will complete the creation a stronger structure during fiscal 2016 and aim to be a global top class appliance company in 2018.

The Panasonic logo is centered within a black rectangular border. It consists of the word "Panasonic" in a bold, blue, sans-serif font. The letter 'P' is significantly larger than the other letters, and the 'i' has a small dot above it.

Thank you for your continuous support.

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