

Automotive & Industrial Systems Company

Business Strategy

December 9, 2014

Panasonic Corporation
Automotive & Industrial Systems Company

President Yoshio Ito

- I would like to talk about our business strategy in Automotive & Industrial Systems (AIS) Company.

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1. FY2015 Progress
2. Midterm Business Plan and Automotive Business Strategy

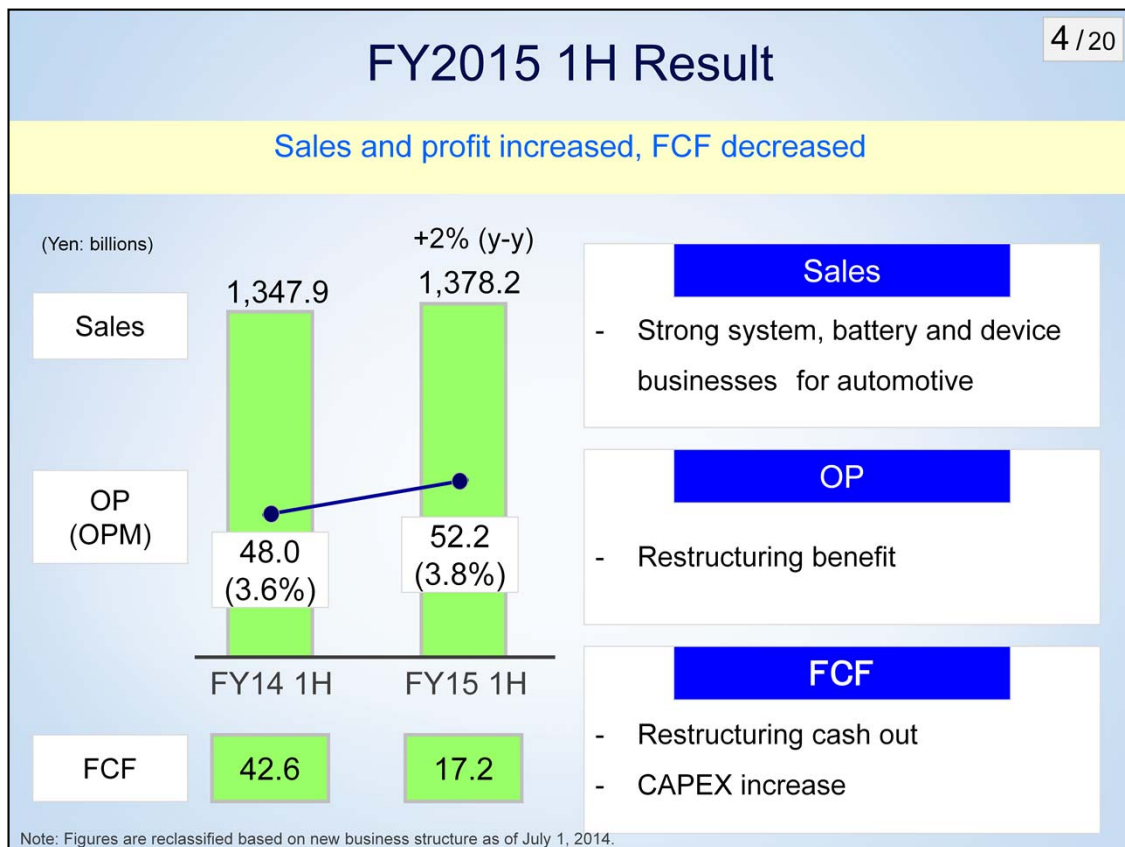
Here are what I would like to talk today.

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1. FY2015 Progress
2. Midterm Business Plan and Automotive Business Strategy

First, FY2015 progress.



- In FY2015 1H, both sales and OP increased.
- Sales increase in infotainment systems, electric systems, sensors, switches and li-ion battery for Tesla Motors contributed to the company-wide sales growth. In addition, yen depreciation gave us a favorable effect, resulting in the sales +2% y-y.
- Sales increase and restructuring benefit done in the previous year raised OP of 4.2 billion yen from last year to 52.2 billion yen.
- FCF decreased to 17.2 billion yen, since we increased CAPEX on automotive li-ion battery business and continued to have restructuring cash out from the previous year.

Restructuring Progress

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Have made solid progress on completing restructuring in FY2015

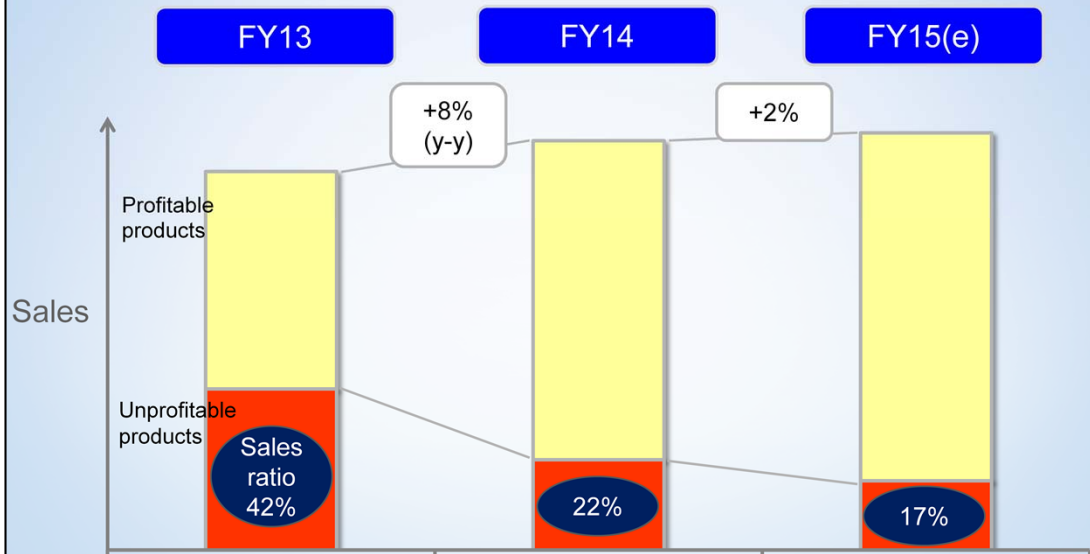
Semiconductor	April: 3 diffusion plants in Hokuriku, Japan transferred to JV
	June: Assembly lines in Southeast Asia transferred
	June: R&D, production and sales forces integrated into new company
Circuit component	August: SAW filter business transferred through absorption-type company split
Printed Circuit board	September: Equipment in plants in Vietnam and Taiwan transferred
Electromechanical component	October: General power supply business transferred

- We have drastically progressed on our restructuring.
- In semiconductor business, we transferred three diffusion plants to the JV, transferred the assembly lines in Southeast Asia and integrated R&D, production and sales forces into the new company.
- In circuit component business, we transferred SAW filter business through absorption-type company split.
- You can see what we have done on printed circuit board and electromechanical component businesses in this chart.
- We plan to complete most of our restructuring on unprofitable business in this fiscal year.

Eliminate Unprofitable Products

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Drastically decreased number of unprofitable product categories



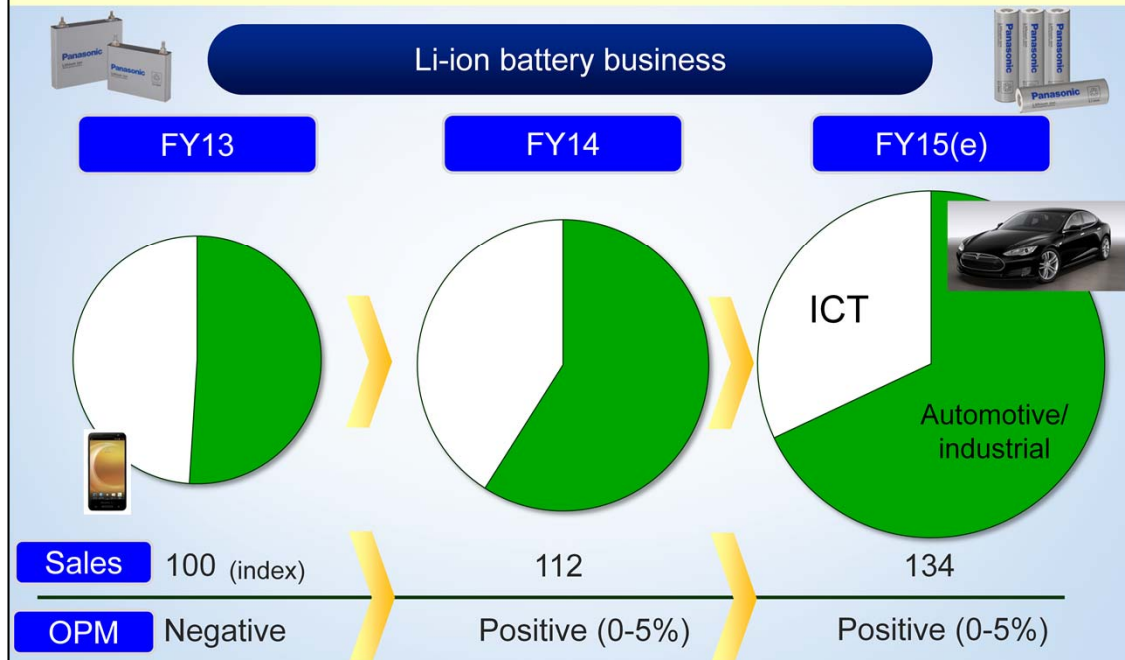
Note: Figures are reclassified based on new structure as of July 1, 2014, excluding products from other Companies.

- This chart shows the sales ratio between profitable and unprofitable products in AIS's 53 product categories.
- In FY2013, the unprofitable products accounted for 42% of the whole sales, and we expect it will come down to 17% due to the restructuring.
- We will continue to improve profitability.

Develop New Applications

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Shift focus to automotive and industrial applications to improve profitability



- We have developed new applications on li-ion battery to improve its profitability.
- In FY2013, the profitability was negative because half of our sales were for ICT application such as note PCs and smartphones where the market has been commoditized and further competitive.
- We returned to black in FY2014 since we started to focus on automotive and industrial applications with our advantage of high capacity, safety and long-term trustworthiness to regain sales growth and profitability. In FY2015, we expect sales increase of 34% (vs FY2013) with 70% of sales coming from automotive and industrial applications.
- In other business, we accelerate application shift with our advantageous technology.

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1. FY2015 Progress
2. Midterm Business Plan and Automotive Business Strategy

- Next, midterm business plan and automotive business strategy.

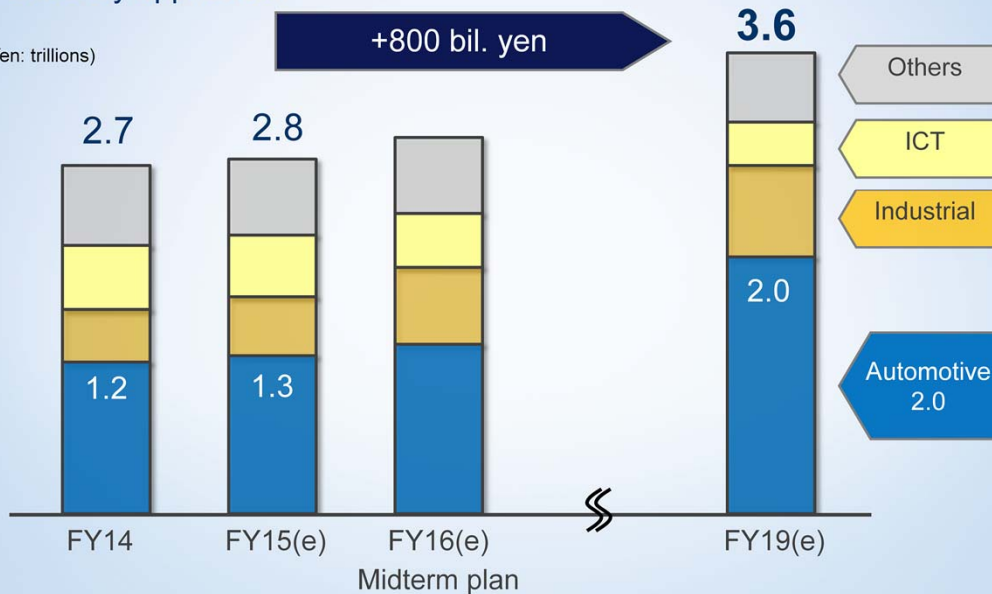
Towards FY2019

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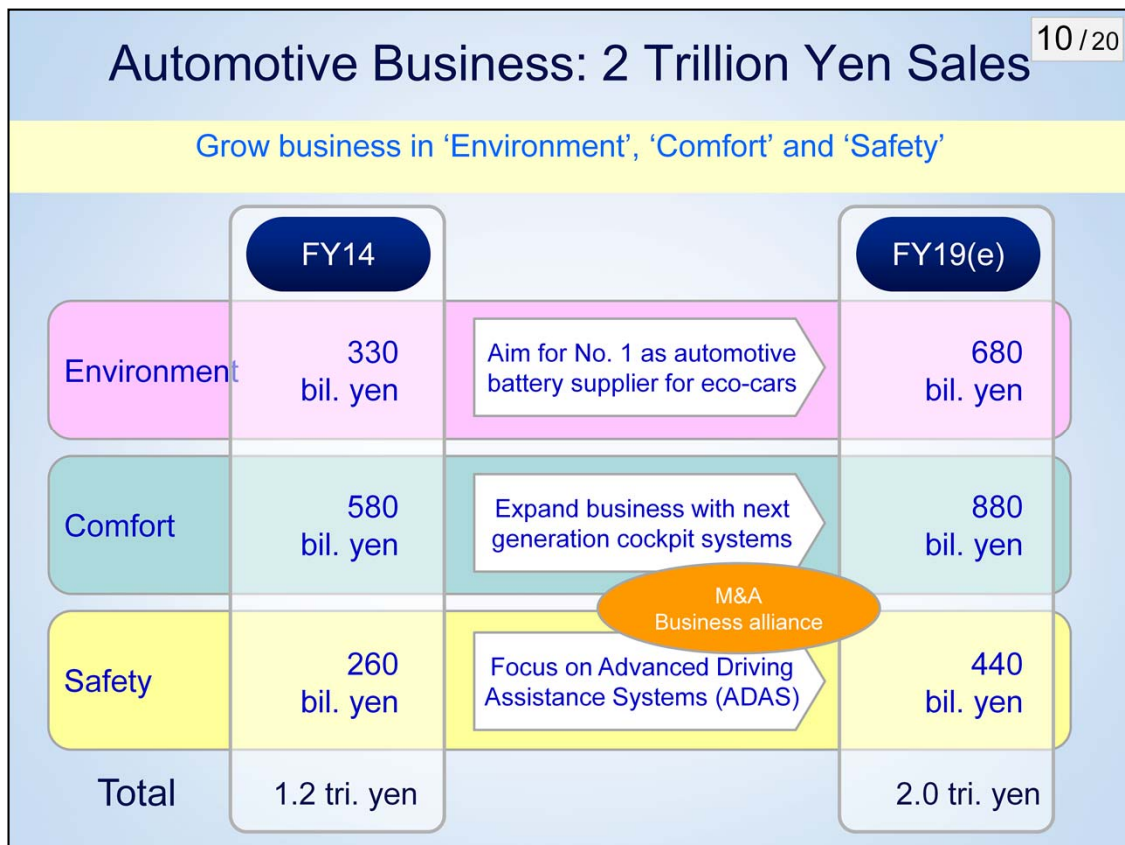
Target 3.6 trillion yen sales including 2 trillion yen sales in automotive business

<Sales by application>

(Yen: trillions)



- These are our target figures towards FY2019.
- We plan to achieve sales of 3.6 trillion yen in FY2019, focusing on automotive and industrial areas.
- The sales target in automotive area is 2 trillion yen in FY2019, which we currently expect 1.3 trillion yen in FY2015 comparing with 1.2 trillion yen in FY2014 and will continue to concentrate on automotive area to achieve our target in FY2019.



- We focus on 'environment,' 'comfort' and 'safety' when we make a decision of CAPEX and R&D to be essential in each business area.
- We concentrate on automotive battery in 'environment' business area, next-gen cockpit systems in 'comfort' and advanced driving assistance systems (ADAS) in 'safety.'
- We expect 1.8 trillion yen sales in FY2019 with organic growth and plan to have M&A and business alliance in 'comfort' and 'safety' area to achieve 2 trillion yen sales.
- Now I would like to talk what we work in each business area.

Li-ion Battery Business: Manufacturing Company at Tesla Gigafactory

Collaborate with Tesla to develop and produce best EV battery



Rendering of Gigafactory
(provided by Tesla)

Panasonic Energy Corporation of North America
(100% owned by Panasonic)

Increase production capacity in stages
along with car production hike

Reduce 30% of module cost


- We expand 'environment' business area with automotive battery.
- We established Panasonic Energy Corporation of North America, 100% owned by Panasonic, a li-ion battery manufacturing company at Tesla Gigafactory in Nevada, USA, in October 2014.
- The primary purpose of this company is to work with Tesla to increase our production capacity, sharing auto production plan with them and wisely investing phase by phase.
- We also work on cost reduction with them, targeting at 30% of module cost reduction with the efficiency from mass and integrated production and distribution cost reduction.

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Environment

Lead-acid Battery Business: Enter into India

Establish JV with local partner to accelerate business establishment



MINDA Industries Limited
(Pantnagar plant, Uttarakhand, India)

Develop, produce and sell lead-acid battery for two-wheeled, four-wheeled and UPS*

Enter market with local production

Minimize startup period with existing plants

Note: UPS stands for Uninterruptible Power Supply.

- As our another strategy in 'environment', we accelerate lead-acid battery business.
- We will establish a JV with our local partner, MINDA Industries Limited, in December 2014, owned 60% by Panasonic and 40% by MINDA.
- We minimize startup period utilizing their existing plants.
- We collaborate with them to have their skills, knowledge and established clientele in automotive component business. We develop, produce and sell lead-acid battery for two-wheeled, four-wheeled and UPS to capture growing demand with local production.

Comfort

Next-Generation Cockpit System (HUD*):
Received First Order Note: HUD stands for Head-Up Display


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Take advantage group-wide collaboration to achieve smallest HUD

Display information to assist safe driving in environment with narrow viewpoint

- In 'comfort' business area, we focus on next-gen cockpit systems.
- We launched head-up displays (HUD) which customers can install by themselves last year and received first order from an European automaker on genuine HUDs on windshield.
- HUD is a product which displays information to assist safe driving such as navigation and speed on windshield so that a driver can minimize range of viewpoint while driving.
- Our product which the automaker ordered is the smallest HUD in the industry with our miniaturization and optical technology originally from digital still cameras and projectors.

Capital and business alliance with FICOSA:
Accelerate launch of electronic technologically advanced automotive mirror



Panasonic

- Liquid crystal module
- Camera
- Image processing technology
- Computerized system technology

FICOSA

- Mirror technology
- Frame design technology
- Respond to regulations
- Evaluation technology

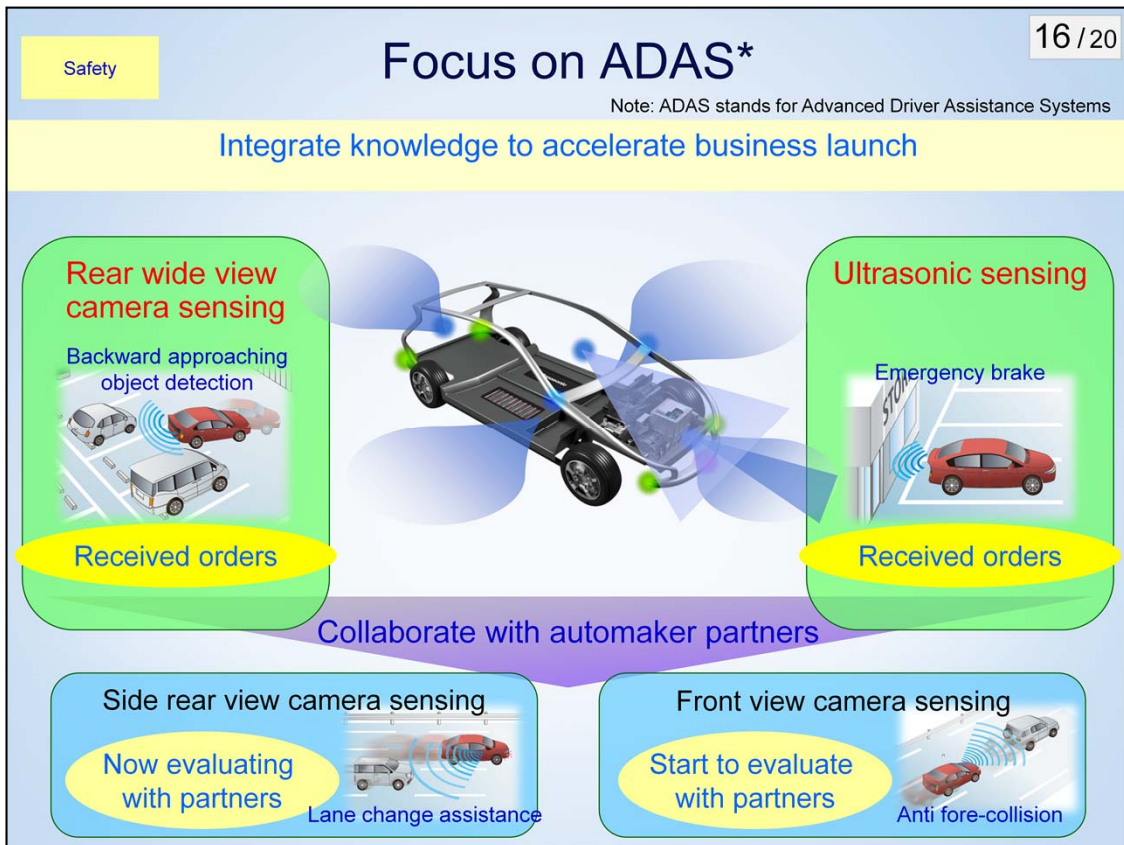
- Another strategy in 'comfort' focuses on electronic mirrors.
- We agreed with capital and business alliance with FICOSA, a Spanish tier 1 manufacturer, who maintains the third place in a global exterior rear-view mirror industry.
- We accelerate launch of electronic technologically advanced automotive mirror, combining our image and their mirror technology.
- We believe electronic mirror is essential as part of next-gen cockpit systems like HUDs, which improve range of rear viewpoint while driving. We expect international regulatory is revised to expand its global market.

Note: ECU stands for Electronic Control Unit

Support 'cognition and judgment while driving' with device gaining high market share and ECU



- In 'safety' business area, we expand business as a Tier 2 in sensors such as camera modules and angular rate sensors where we maintain high market share. In addition, we offer systems supporting 'cognition and judgment while driving' combining with ECU where we have advantages in image processing and communication technology.
- In automotive camera module, we maintain the top market share and are highly evaluated by automakers. We will continue to expand business capturing demand for advanced driver assistance systems.

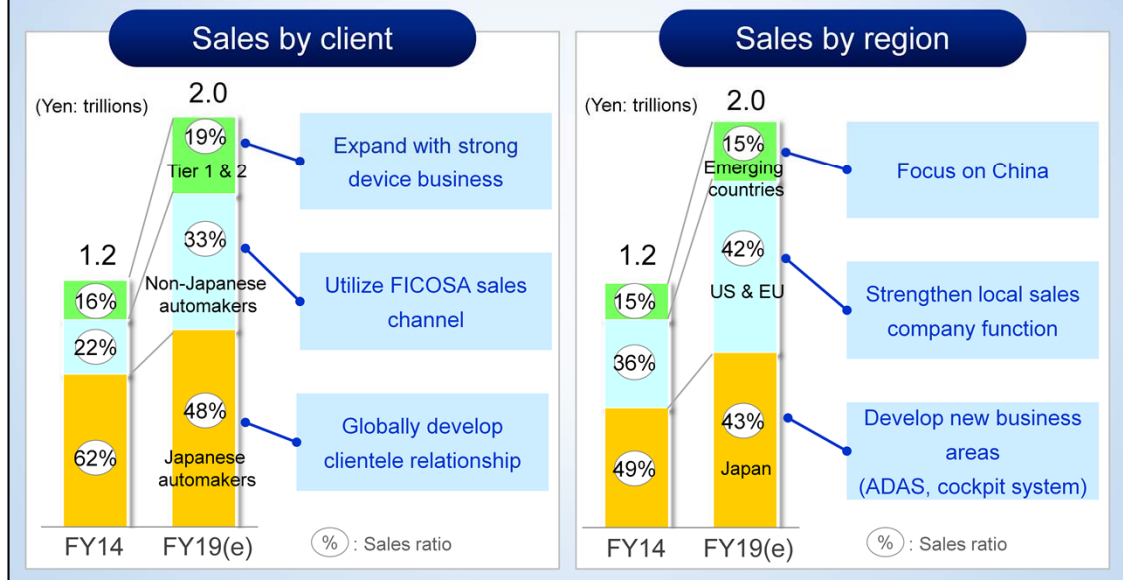


- We established ADAS R&D center in April 2014 to expand advanced driver assistance systems (ADAS) business, integrating our device and image processing technology. We accelerate R&D under group-wide collaboration in AVC Company and R&D Division.
- We have accelerated development in the past six months. We developed ECUs suitable for sensing devices and received orders of systems such as backward approaching object detection and emergency brake.
- We continue to work together with automakers and increase the number of orders of lane change assistance and anti fore-collision systems.

Expand Sales

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Expand business with non-Japanese automakers adding to Japanese automakers



- We have expanded sales by region, since the business environment globally becomes more competitive.
- For Japanese automakers, we strengthen business focusing on ADAS and other new products to support their global expansion. In the US and Europe, we continue to accelerate business with Southern European automakers collaborating with FICOSA adding to American and German automakers. We integrated AIS sales companies in Europe to strengthen business.
- We also develop business in China and devices selling to Tier 1 and 2.

The Panasonic logo is displayed in a large, bold, blue font, centered within a white rectangular box with a thin black border. The word "Panasonic" is written in a sans-serif typeface, with the 'P' being significantly larger than the other letters.

- We will continue to prioritize profitability and achieve 2 trillion yen sales in FY2019, our 100th anniversary.
- Thank you for your cooperation.

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Note: as of July 1, 2014