

**Panasonic**

# **FY2016 Business Policy**

**March 26, 2015**

**Panasonic Corporation**

Notes: 1. This is an English translation from the original presentation in Japanese.  
2. In this presentation, "fiscal 2016" or "FY2016" refers to the year ending March 31, 2016.

- This presentation contains FY2016 business policy.

# FY2015

- First, I will talk about what we have done in FY2015.

# FY2015 Forecast

Expect to accomplish target in CV2015 one year ahead of schedule.  
Plan to achieve OPM target in FY2016.

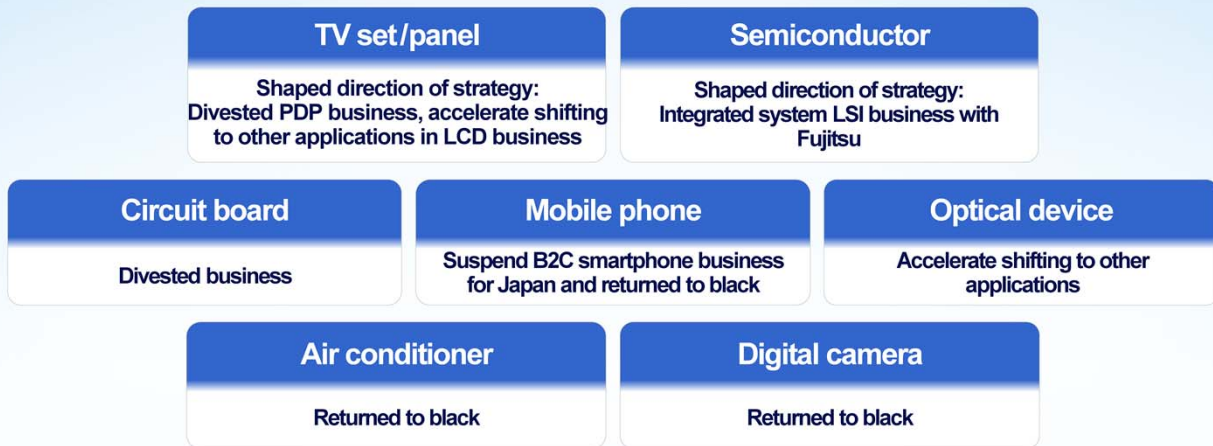
(Yen: billions)	FY15 (e) (as of Oct. 31, 2014)		CV2015	
		vs FY14		
Sales	7,750	+/-0%	-	-
Operating profit	350	+15%	≥ 350	○
(%)	4.5%	+0.6%	≥ 5.0%	△
Net income*	175	+45%	-	-
Cumulative FCF	2 year cumulative ≥ 800	-	3 year cumulative ≥ 600	○

\*Net income attributable to Panasonic Corporation

- This slide shows FY2015 forecast. Out of three numeric targets in CV2015, our mid-term management plan, we expect to accomplish 350 billion yen operating profit and cumulative 600 billion yen FCF one year ahead of our schedule and plan to achieve 5% operating profit margin in next fiscal year.

# Completed Business Restructuring

Completed major part of restructuring in unprofitable businesses



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- We have done a major part of our business restructuring in seven challenging businesses. Some businesses are still in red but we have shaped directions of their strategy and believe the business restructuring is mostly completed.

# FY2016 Business Strategy

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- Next, I will talk about FY2016 business strategy.

# Towards FY2019

Advance to phase of sustainable growth



- In FY2016, we will:

- 1) further improve profitability to achieve 5% operating profit margin in our CV2015 target,
- 2) generate profit by sales expansion.

We will further invest for growth.

# FY2016 Financial Target

(Yen: billions)	FY15 (e)	FY16 (e)	vs FY15
Sales	7,750	8,000	+250
Operating profit (%)	350 (4.5%)	430 (5.4%)	+80

- The slide shows FY2016 financial target.

Sales: 8 trillion yen, +250 billion yen vs FY2015. The sales will increase even excluding effect of FX fluctuation.

Operating profit: 430 billion yen, +80 billion yen vs FY2015

Operating profit margin: 5.4%

## Expand Sales and Improve Profitability in Large Scale Businesses

FY15: 6 large scale BDs\* with below 5% OPM

Air-Conditioner      Lighting      Housing Systems  
Automotive      Rechargeable Battery      PanaHome  
Infotainment Systems

Sales: **+150 bil. yen** (vs FY15)

Operating Profit: **+39 bil. yen** (vs FY15)

\*BD stands for business division.

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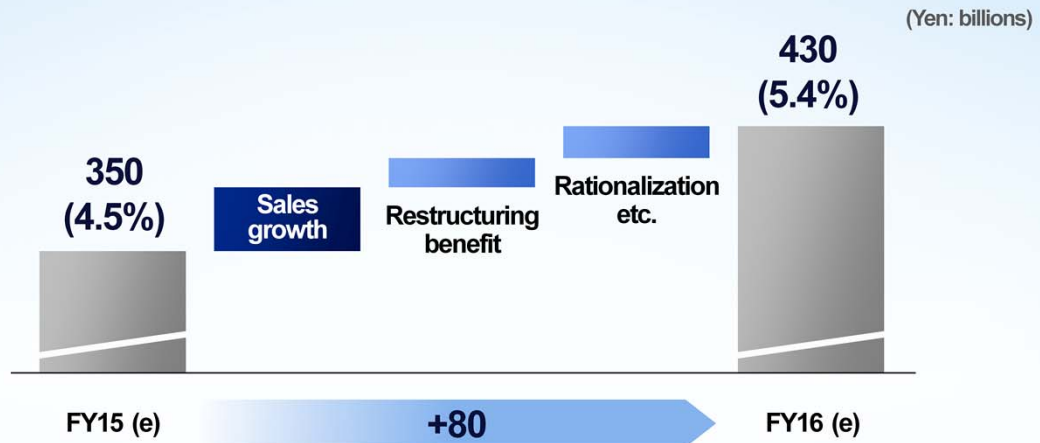
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- We will focus on improvement in these six BDs to achieve 8 trillion yen sales and 430 billion yen operating profit.
- Since each of them has quite large sales with more than 300 billion yen, improving their profitability will lead to a corporate-wide profit enlargement.
- Their average profitability is expected to improve from 3% to 5% level in FY2016. We also expect increase of 150 billion yen in sales and 39 billion yen in operating profit.



# Improve Operating Profit

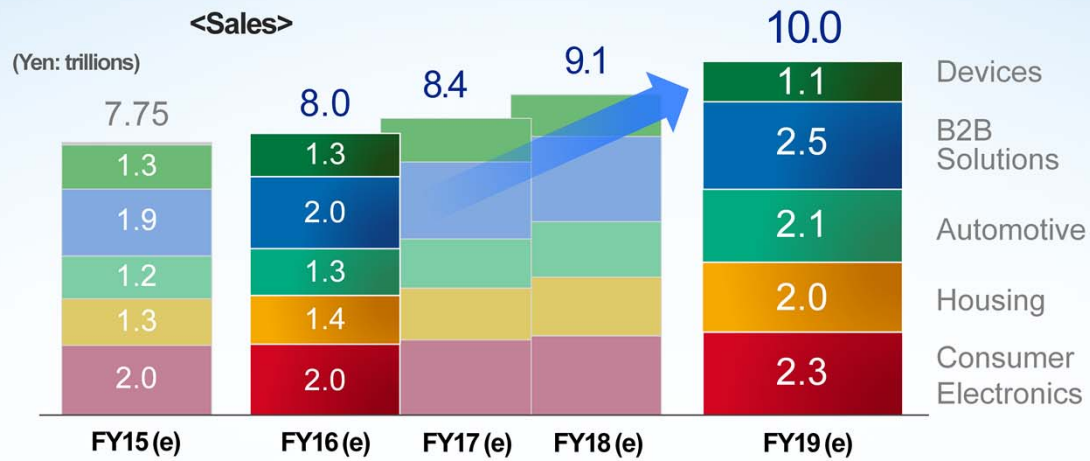
Sales growth, a driver of profit improvement



- This slide shows how we will improve operating profit. We expanded operating profit by restructuring and fixed cost reduction for the past two years, and the sales will drive earnings growth mainly in the six business divisions from FY2016 onward.

# Towards FY2019

Make constant and steady progress



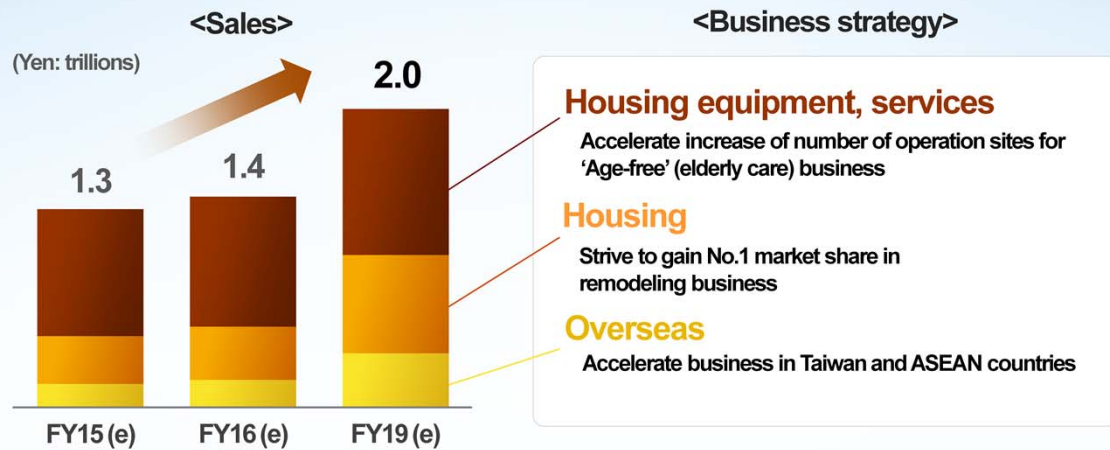
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- We set our sales target of 10 trillion yen in FY2019. This slide shows how we are going to progress towards this target: 8.4 trillion yen in FY2017 and 9.1 trillion yen in FY2018.
- We believe making constant progress is imperative to accomplish 10 trillion yen sales target. We will steadily move forward each year to maximize our business performance towards FY2019.
- Next, I will talk about our growth strategy with housing and automotive businesses.

Business expansion in 'Age-free' (elderly care), remodeling, overseas



- In housing business, we are very unique in the industry who has all the business of appliance, equipment and housing. Therefore, we integrate our skill and knowledge to offer 'value of new lifestyle' to customers and expand whole housing business.
- Housing equipment, services in Japan: we will accelerate 'Age-free' (elderly care) business in addition to product sales increase.
- Housing in Japan: we will strive to gain No.1 market share in remodeling business in Japan, with PanaHome as a center of this business, where we are going to become an 'all-around remodeling company' doing from large scale renovation of houses to small scale installation of components.
- Overseas: we will further expand housing business in Taiwan and ASEAN countries. In Taiwan, we promote business collaborating with local developers. In ASEAN countries, we target a high-volume market and expand 'Smart City' business, with locally developed housing units built in a new building method.

**'Age-free' (elderly care)**

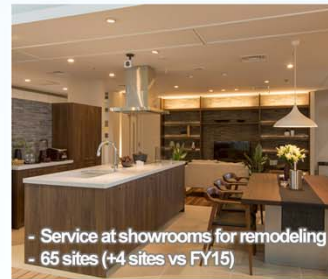
Expand elderly care service with temporary stay at facility  
(+30 operating sites in Japan, vs FY15)



**Sales in FY19: 100 bil. yen (3 times vs FY15)**

**Remodeling**

Strengthen marketing by increasing number of showrooms,  
integrate prime contractor capability



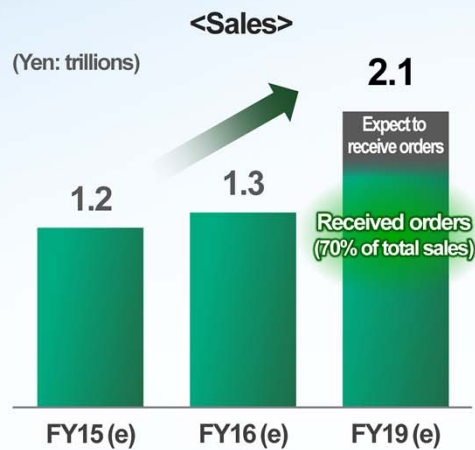
**Sales in FY19: 580 bil. yen (1.7 times vs FY15)**



\*ES stands for Eco Solutions

- I will go into more detail on 'Age-free' (elderly care) and remodeling businesses. 'Age-free' (elderly care) business is the area where we can make the best use of our skill and knowledge by selling nursing care products and offering elderly care services to support their day-to-day life. We opened 'Age-free' service facility in Noborito, Kanagawa prefecture in Japan in March 2015, where we offer temporary stay at the facility for a few days and weeks to those who need 24/7 nursing services. We expand this business across the country to treble 'Age-free' (elderly care) business sales to 100 billion yen in FY2019.
- In remodeling business, we strengthen our relationship with customers by increasing a number of our showrooms. Besides, we will rise whole remodeling business sales 1.7-fold to 580 billion yen in FY2019 by integrating prime contractor capability and expanding markets.

Make steady progress towards 2.1 tri. yen sales in FY19



&lt;Business strategy&gt;

**Comfort**

Develop new products, expand sales channels

**Safety**

Invest on ADAS business

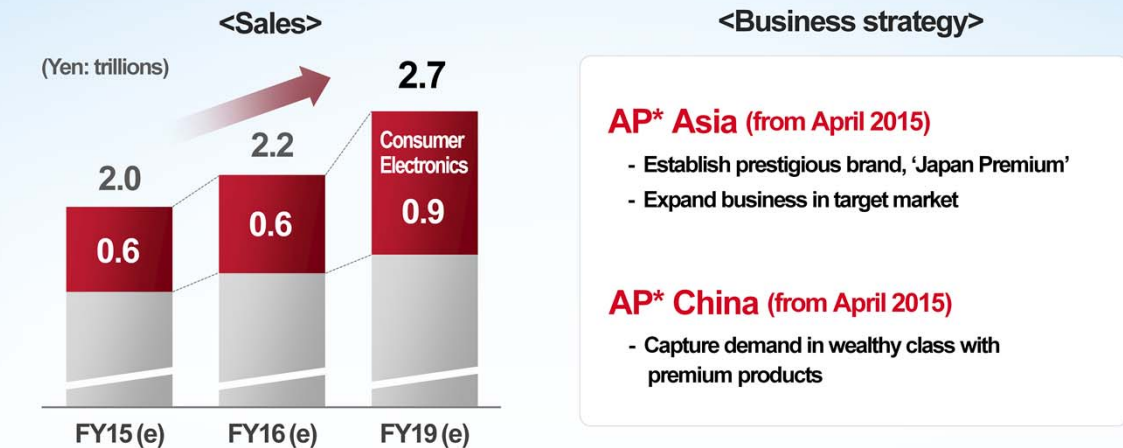
**Environment**

Expand competitive battery business

- In automotive business, we have already confirmed receiving 70% of orders towards 2.1 trillion yen sales target in FY2019. Adding promising orders and discontinuous measures, we intend to achieve 2.1 trillion yen sales.
- We will accelerate receiving orders in all areas: comfort, safety and environment.
- We are going to spend some money on R&D for a next few years to receive more orders, and we believe this will be rewarding and our automotive business will become a driver for a corporate-wide growth.

# Expand Business in Strategic Regions

Locally integrate R&D, production and sales to accelerate business growth



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- In strategic regions, we will expand business in consumer electronics towards FY2019. We will establish AP Asia and AP China, as regional companies in April 2015 to accelerate localized marketing including products and services in each country. These two companies will be more responsible for R&D, production and sales.
- In AP Asia, we will establish prestigious brand, 'Japan Premium' especially in Vietnam, Indonesia and the Philippines.
- In AP China, we will concentrate our resources on marketing for a wealthy class with premium products and differentiate ourselves from local manufacturers by offering high-value added products.

# 10 Trillion yen Sales Target in FY2019

<Sales>

(Yen: trillions,  
% vs FY15)



- This chart shows 10 trillion yen sales target in FY2019 broken into 5 businesses and 3 regions. We need investment to achieve the red portion in each bar which indicates an increase vs FY2015. We will concentrate our personnel, material and financial resources on six highlighted business areas.

# B2B Solutions Business

Yasuji Enokido, newly appointed President of AVC Networks Company, will work based in the U.S. from April 2015

Be more globalized

Face customers in largest market in the world to create more business

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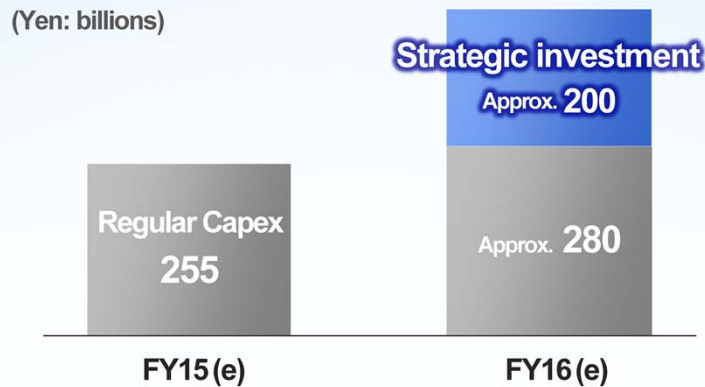
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- We believe the U.S. market is promising in B2B Solutions, where many companies globally do their business. We have not taken advantage of the market yet to boost sales. Therefore, we decided that a newly appointed president of AVC Networks Company which is a core Divisional Company for our B2B solutions business, Yasuji Enokido will work based in the U.S. from April 2015.
- Being away from Japan and being more globalized is crucial. He will work in the U.S., the largest market in the world to create more business in a timely manner, as our executive vice president, Yoshihiko Yamada started work based in India to expand business in the strategic regions.
- We will work with our major clients in a mid- and long-term perspective and make a better investment decision and management including M&A based in the U.S.



# Investment Strategy

Strategically spend 1 trillion yen towards FY2019



- We plan to spend 1 trillion yen in total besides our regular capex to achieve 10 trillion yen sales target. This includes M&As to achieve discontinuous growth, and advertising and R&D expenses to accelerate growth, focusing on six highlighted area on the previous page.
- In FY2016, we expect to spend 200 billion yen out of 1 trillion yen.
- While we are more active on investment, we have learned from our past mistakes that most of our large scale investments ended in write-down. We will surely manage our asset from investment to do business without write-down.

The Panasonic logo is centered in a light blue rectangular box. The word "Panasonic" is written in a bold, blue, sans-serif font.

- Thank you for your continuous cooperation.

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(Reference)

## Segments and Business Divisions

### Appliances

Air-Conditioner Company  
Refrigeration and Air-Conditioning Devices BD  
Refrigerator BD  
Cold Chain BD  
Laundry Systems and Vacuum Cleaner BD  
Kitchen Appliances BD  
Beauty and Living BD  
Home Entertainment BD  
TV BD  
Panasonic Cycle Technology Co., Ltd.  
Smart Energy System BD

### AVC Networks

Imaging Network BD  
Storage BD  
Visual Systems BD  
Avionics BD  
IT Products BD  
Security Systems BD  
Communication Products BD  
Office Products BD  
Infrastructure Systems BD  
System Solutions Company (Japan)

### Automotive & Industrial Systems

Automotive Infotainment Systems BD  
Automotive Electronics Systems BD  
Rechargeable Battery BD  
Panasonic Storage Battery Co., Ltd.  
Energy Device BD  
Electromechanical Control BD  
Panasonic Semiconductor Solutions Co., Ltd.  
Device Solutions BD  
Electronic Materials BD  
Panasonic Liquid Crystal Display Co., Ltd.  
Smart Factory Solutions BD

### Eco Solutions

Lighting BD  
Energy Systems BD  
Housing Systems BD  
Panasonic Ecology Systems Co., Ltd.

### Other

PanaHome Corporation

As of April 1, 2015