

Panasonic

**Automotive & Industrial Systems Company
Business Policy
Growth Strategies for Automotive Business**

May 20, 2015

**Panasonic Corporation
Automotive & Industrial Systems Company
President Yoshio Ito**

*Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "FY16" refers to the year ending March 31, 2016.*

- Automotive & Industrial Systems Company business policy, growth strategies for automotive business.

1. FY15 Results

2. FY16 Business Policy

**3. Growth Strategies for
Automotive Business**

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1. FY15 Results

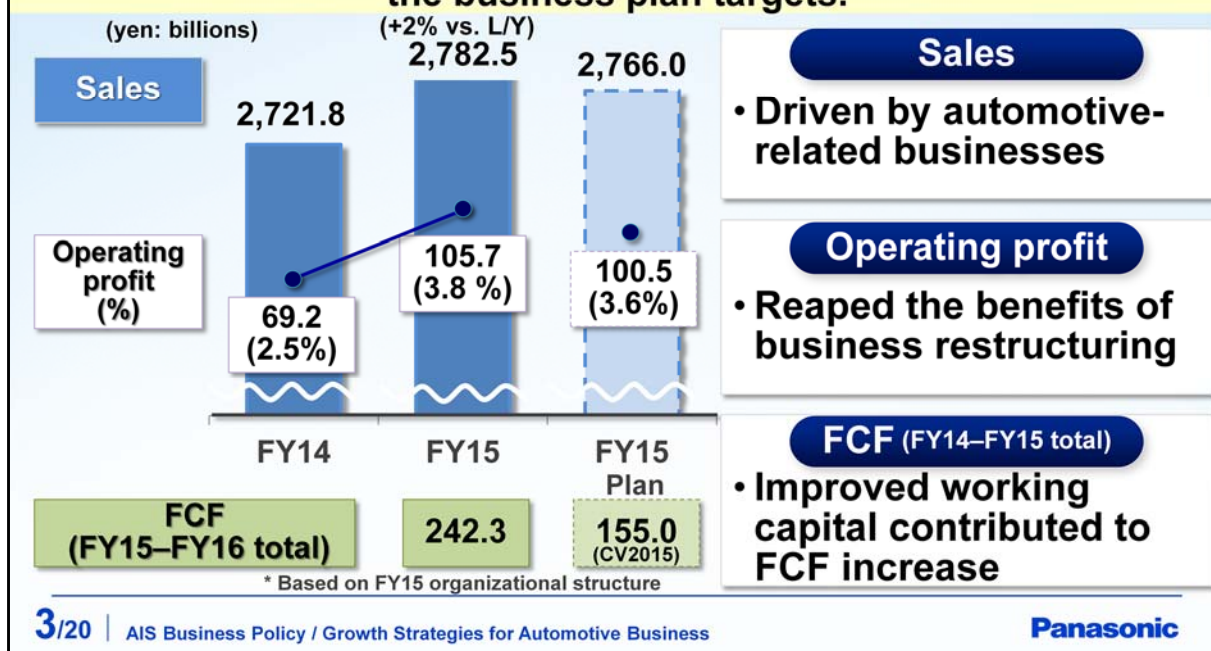
2. FY16 Business Policy

3. Growth Strategies for Automotive Business

- FY15 results.

FY15 Results

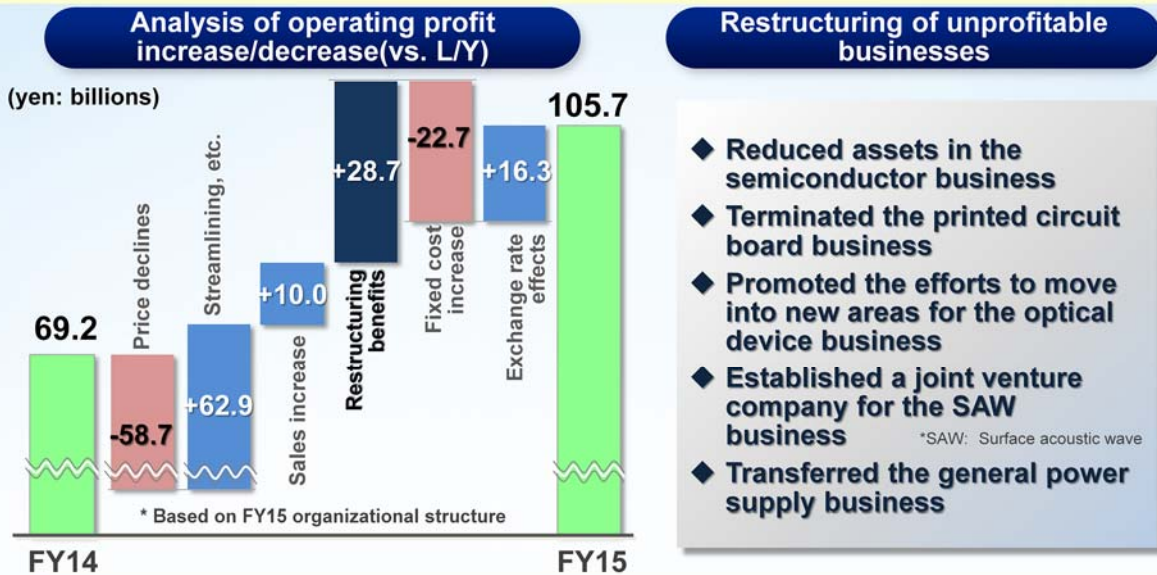
Both sales and operating profit exceeded FY14 results and the business plan targets.



- In FY15, sales and OP exceeded the previous year's and our plan's. Sales were 2,782.5 billion yen, +2% y-y driven by favorable automotive business continued from previous year and yen depreciation, in spite of divesting unprofitable business in ICT application.
- OP increased 36.5 billion yen, with 3.8% OPM, reaping the benefits of business restructuring.
- FCF was 242.3 billion yen in FY14-15 total, exceeding 'CV2015' mid-term target, by improving working capital.

Completed Business Restructuring

Drove profit increase with the completion of large-scale measures



- Last year, I mentioned that FY15 was the year to reap the benefit from restructuring and shift our focus to growth, therefore I would like to explain what we did.
- First, we restructured unprofitable businesses, for the past two years since we established AIS Company. We drove profit increase with the completion of large-scale measures.

Steps for Growth

Turned things around to go on the offensive in the global market of the automotive and industrial business

Investment decisions for the automotive business

◆ Established a new lithium-ion battery company in North America

• Close collaboration with Tesla Motors



(October 2014)

◆ Agreed to enter into a capital and business alliance with Ficosa

• Joint development and commercialization of electronic mirrors



(September 2014)

Addressed the global market

Europe/
Automotive

Integrated four European sales companies

(October 2014)

Providing customer solutions through cooperation of sales and SE

China/
Industrial

Established a China headquarter

(April 2014)

Driving and expanding the B2B business

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AIS Business Policy / Growth Strategies for Automotive Business

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- Next, we stepped for growth. AIS Company targets its global growth with automotive and industrial businesses and made decisions on large amount investment last year. First, we collaborate with Tesla Motors, having our subsidiary company for li-ion battery production in their Gigafactory in October, 2014. We continue to work with them to invest phase by phase.
- Second, we agreed to enter into a capital and business alliance with Ficosa, a Spanish automotive component company. We obtained approvals from authorities and the deal will be closed soon. We have been preparing for joint development and commercialization of electronic mirrors to accelerate the business.
- Third, we reorganized our business structure. We integrated four European sales companies to strengthen automotive business and provide customer solutions through cooperation of sales and SE. We established a China headquarters company to drive and expand the company-wide B2B business.

1. FY15 Results

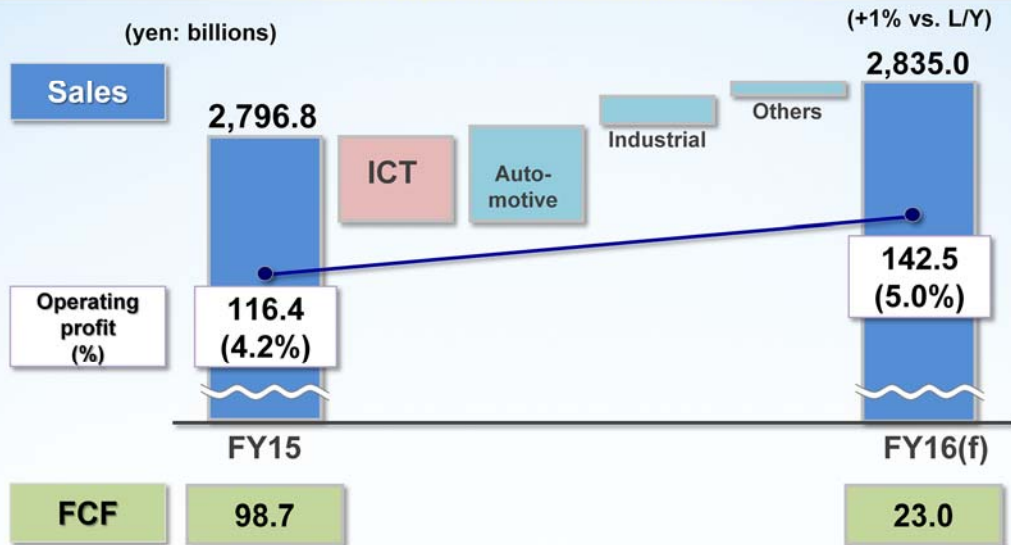
2. FY16 Business Policy

**3. Growth Strategies for
Automotive Business**

- FY16 Business policy.

FY16 Management Targets

Increase both sales and profit by offsetting a decline in ICT sales with the automotive and industrial businesses

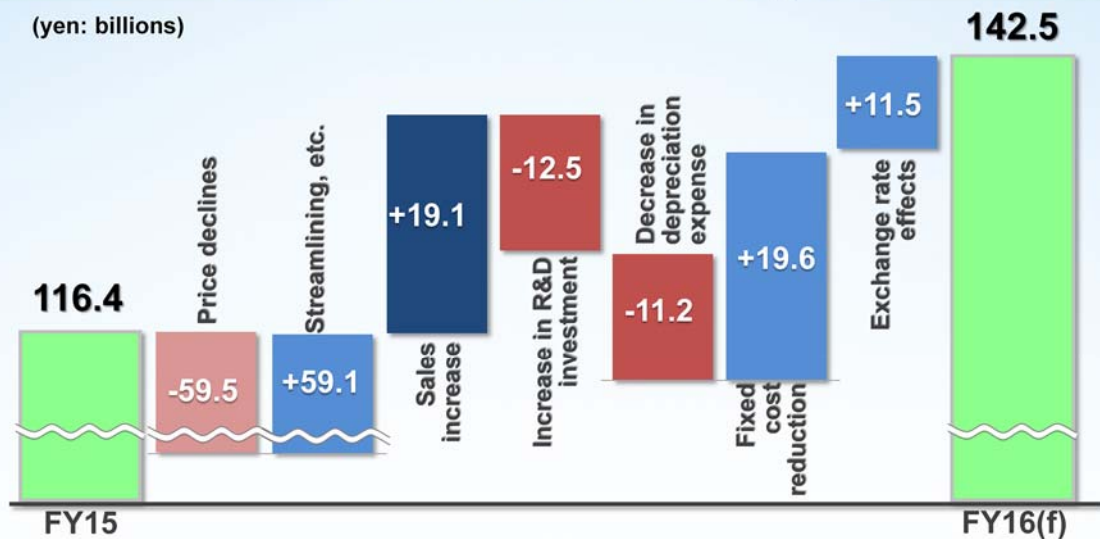


- In FY16, we will target 2,835 billion yen sales, +1% y-y, and 142.5 billion yen OP, +26.1 billion yen y-y with OPM 5%.
- Since sales in ICT application will continue to decline, we will expand automotive and industrial application such as automotive battery, automotive electronics, FA and power storage.
- FCF will decrease due to further investment, but we will plan to achieve 265 billion yen in 3 years cumulative total of CV2015, our midterm target.

Scenario for Achieving Operating Profit Target

Effects of sales increase by moving into new areas will offset an increase in investments for growth

(yen: billions)



* Impact of organizational changes effective April 1, 2015 reflected

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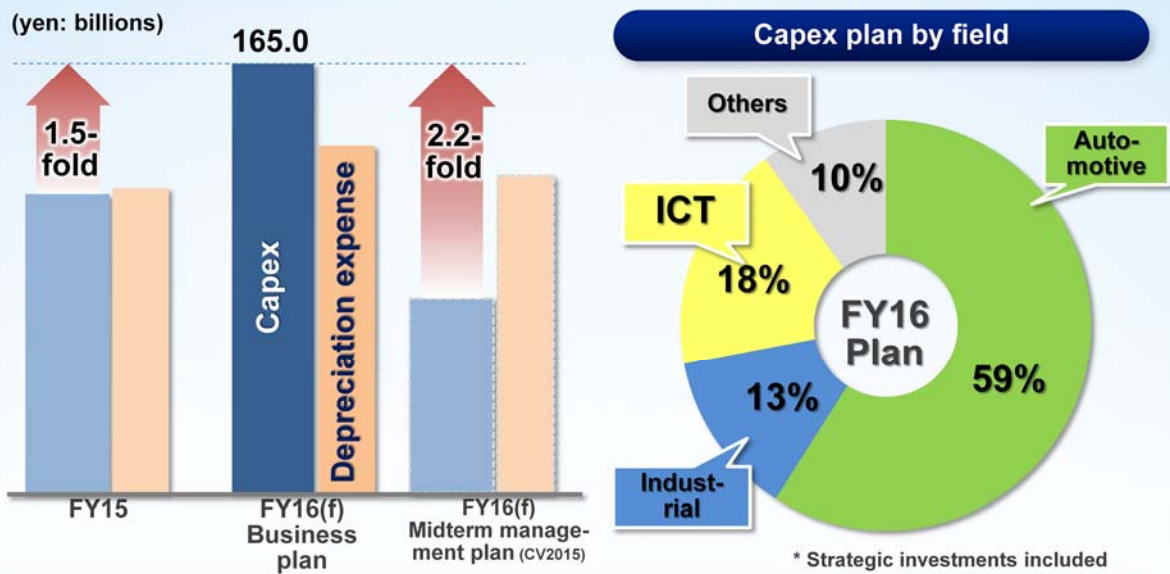
AIS Business Policy / Growth Strategies for Automotive Business

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- While we plan to increase 38.2 billion yen in sales in FY16, we expect 26.1 billion yen increase in OP.
- This comes from sales increase in automotive and industrial applications and restructuring from unprofitable business such as product mix change and streamlining, although investment and depreciation expenses will increase for automotive and industrial businesses.
- We will improve profitability in FY16 while we are investing money on growing businesses.

Capex Strategies for Growth

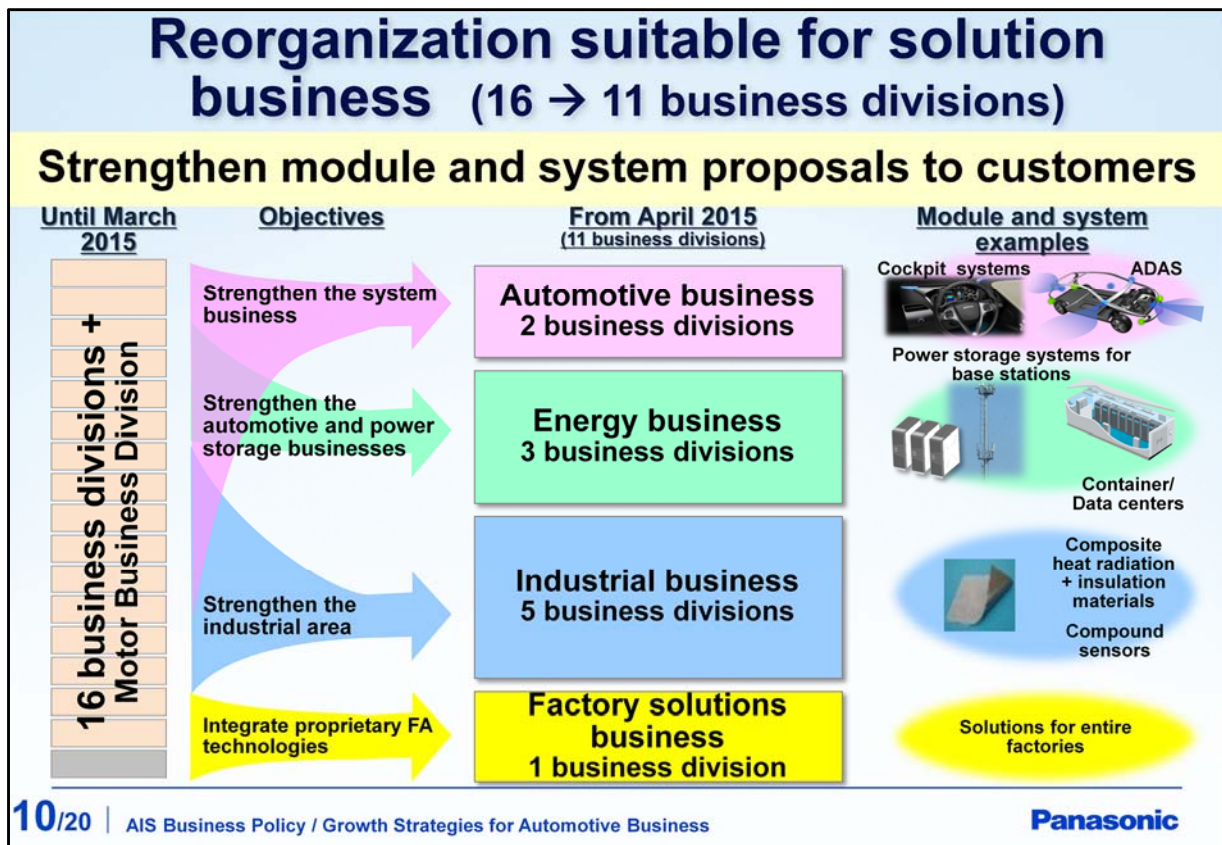
Accelerate the efforts to turn things around and go on the offensive through proactive investments in the automotive business



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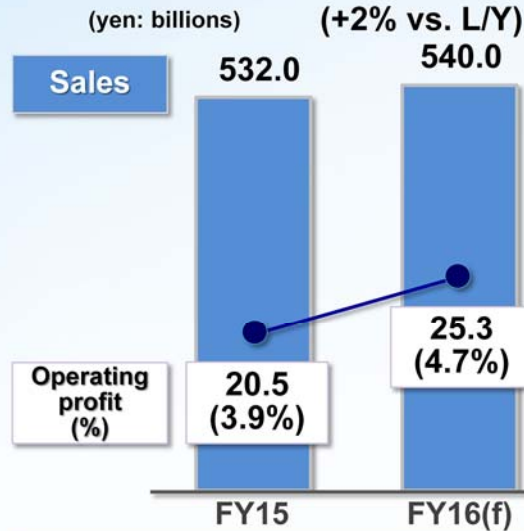
- This slide shows our capex strategies for growth in FY16.
- We will invest our money, not missing opportunity for growth, although we planned that investment would not exceed depreciation expense in our original CV2015 to improve profitability.
- We plan 165 billion yen capex, 1.5 times y-y, 2.2 times vs CV2015, which we include strategic investment with investment for the factory in Tesla's Gigafactory, in the U.S.
- We will accelerate growth, investing 60% on automotive applications.



- We reorganized our structure in April, 2015, integrating our resources and technology into 11 business divisions to respond in a timely manner to accelerating and advanced electrification and systemization in automotive and industrial applications and strengthen module and system proposals to customers.
- In automotive business, we integrated businesses of speakers, ultrasonic sensors, automotive camera modules to strengthen system business. In energy business, we unified the business with technology platform to strengthen automotive and storage applications. In Industrial business, we reorganized the structure to improve customer solutions. In factory solutions, we will enter solution business for entire factories. This will lead us to strengthen ourselves from single product business to module and system solution business so that we will be able to offer more value to customers.
- We will go more in detail on automotive infotainment systems business and rechargeable battery business in the following slides.

Automotive Infotainment Systems Business Division's Strategies

Increase profit by improving the efficiency of R&D investments for large-scale orders



Gain more orders in amount



Increase the efficiency of R&D expenses

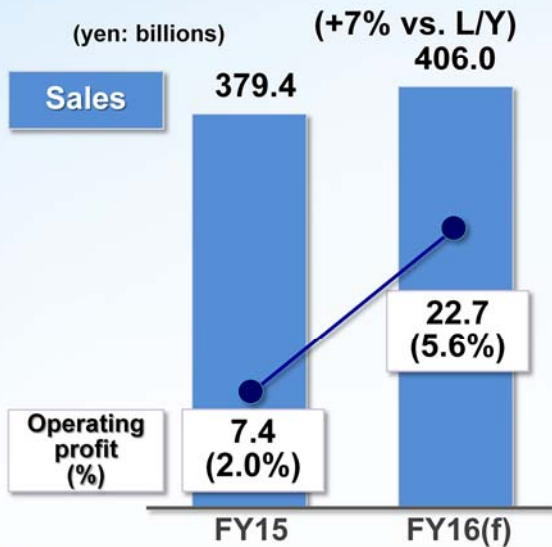
- Leverage internal R&D assets
- Promote standard platform strategies
- Use off-shore development companies

- In automotive infotainment systems business, we expect 540 billion yen sales, +2% y-y due to the impact from reconstructing supply chain caused by East Japan Earthquake and flood in Thailand in 2011.
- Meantime, we received orders more than our expectation in FY15, including large-scale and new orders with our effort to expand business. These orders will contribute to sales from FY18 onward, while we plan R&D expense increase in FY16-17.
- We will efficiently spend R&D expenses by leveraging internal R&D assets, promoting standard platforms for automotive multimedia equipment, and utilizing off-shore development in India and China.
- These efforts allow us to target 25.3 billion yen OP with 4.7% margin.

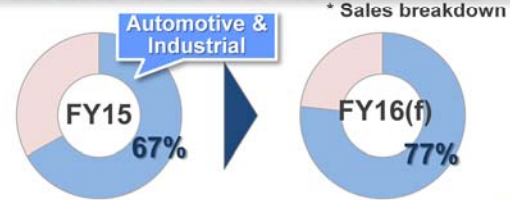
Rechargeable Battery Business* Strategies

* Rechargeable Battery Business Division + Tesla BU

Secure growth and profitability by shifting to the automotive and industrial businesses



Expand lithium-ion battery sales for the automotive and industrial fields



Promote power storage solution business

- Increase added-values by selling systems
- Collaborate with overseas partners



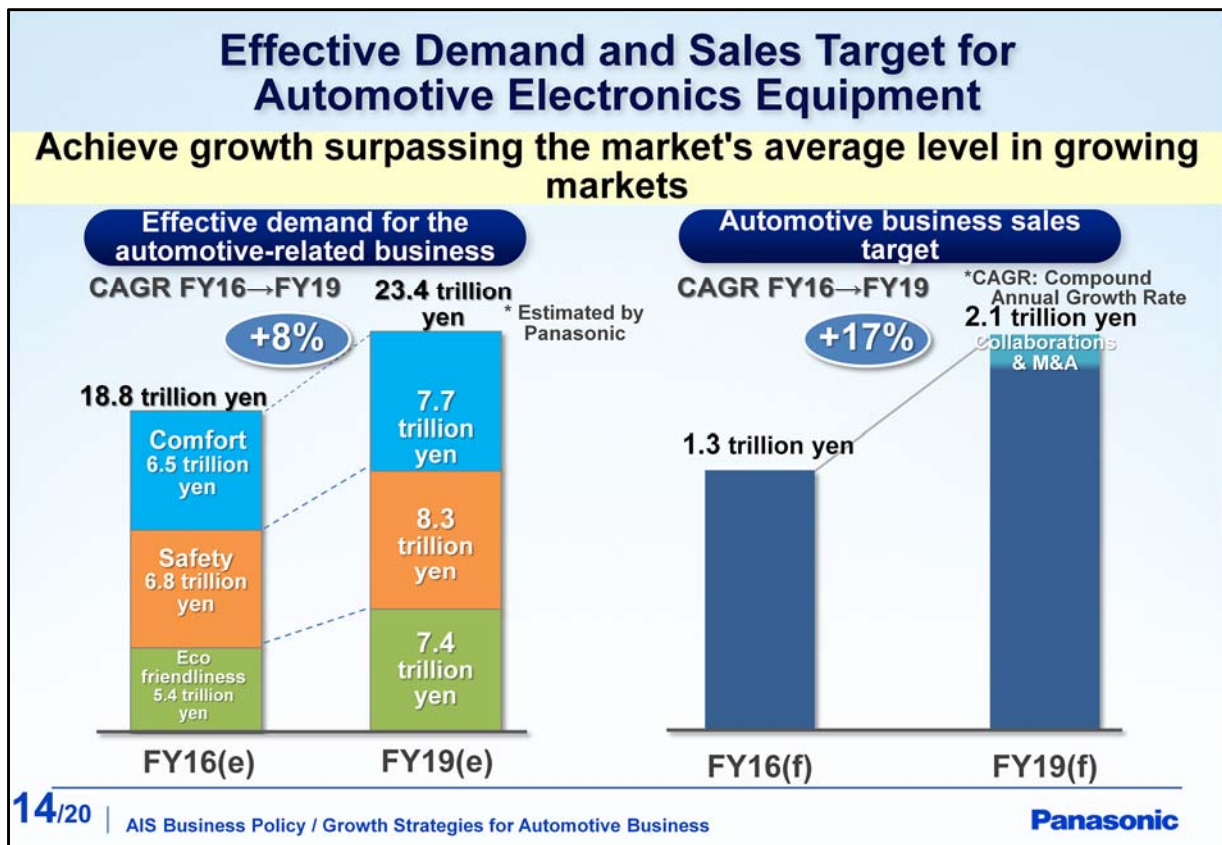
- In rechargeable battery business, we expand businesses in automotive and industrial applications for stable growth and profitability.
- We integrated Portable Rechargeable Battery Business Division and Automotive Battery Business Division to unified technology platforms to strengthen businesses with module and system businesses in addition to strong cell business for automotive and industrial applications.
- In power storage solution business, we work with foreign partners to enter large scale storage battery business.
- We expect 406 billion yen sales, +7% y-y and 22.7 billion yen OP with 5.6% margin in FY16.

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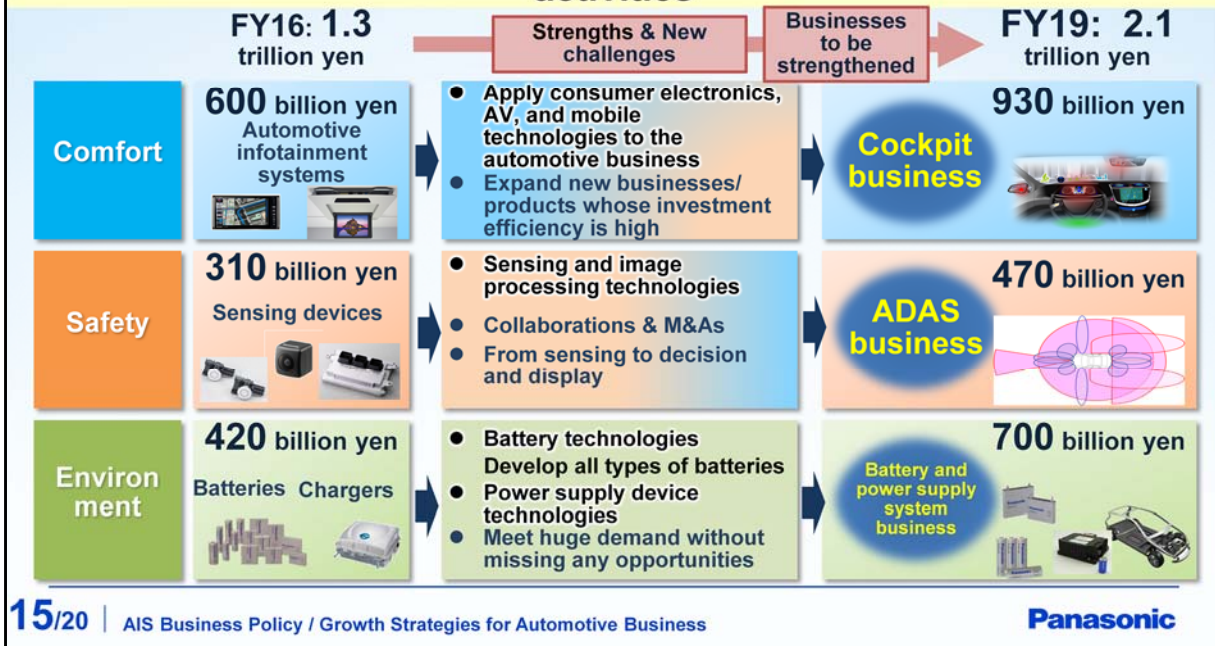
- Growth strategies for automotive business.



- We expect the automotive electronics market continuously grow with CAGR 4%. Having said that, we expect the demand for automotive electronics equipment expand with CAGR 8% exceeding the growth in automotive market, with accelerating computerization and electrification in vehicles with increasing demand of eco-friendly vehicles such as EVs and HEVs.
- We expect 2.1 trillion yen sales in FY19, CAGR 17%. We believe that this is a feasible goal, since we have already received 70% of targeted orders. Our technologies such as HMI (Human Machine Interface) technology, mobile communication technology and automotive battery technology, have been highly evaluated, and has led to large orders at home and abroad.

Overall Picture toward Automotive Sales of 2.1 Trillion Yen

Expand business areas by promoting internal/external Cross-Value activities

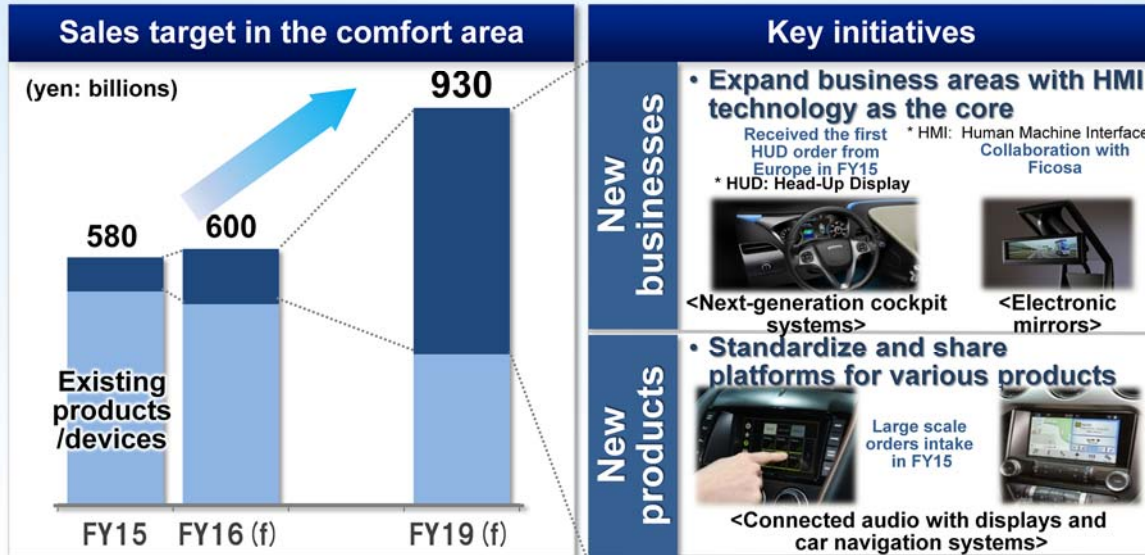


- This slide shows the breakdown of 2.1 trillion yen in FY19.
- In Comfort, we strengthen cockpit business applying our experienced consumer AV and mobile technologies into automotive technologies. In Safety, we expand ADAS business with sensing and image processing technologies. In Environment, we accelerate automotive battery business and power supply system business with our all-around battery technologies and power supply device technologies.
- We will go more in detail in the following slides.

Comfort

Aim for the No. 1 position in the automotive infotainment systems business

Expand sales through new businesses and products whose investment efficiency is high



- In Comfort, we target No.1 market share in automotive infotainment systems business including cockpit systems.
- We accelerate new businesses such as head-up display, electronic mirror where we see more return on investment, utilizing optical technology in AVC Networks Company with our superior HMI technology, while we do not expect sales increase in commoditized car navigation and car audio.
- We also expect sales increase in connected audio with displays by standardized and shared platforms for various products.
- We have already gained some large-scale orders in FY15.
- We target 930 billion yen in FY19, +330 billion yen vs FY16.

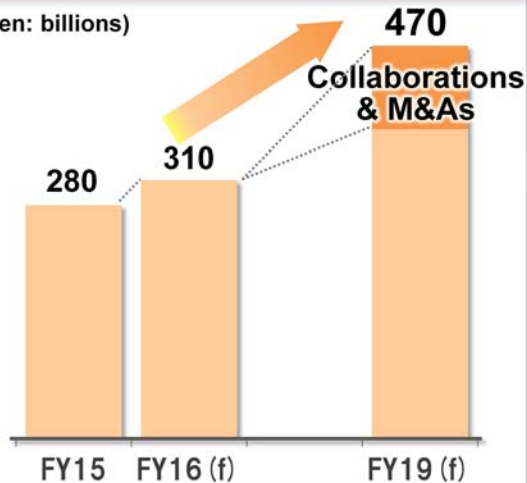
Strengthen ADAS Business

ADAS: Advanced Driver Assistance Systems

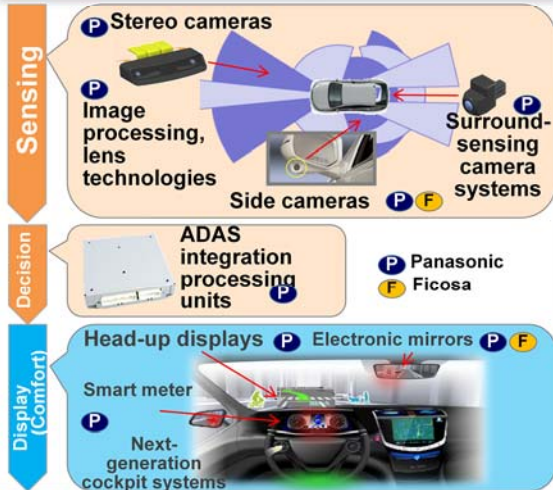
Develop systems through collaboration with other companies by leveraging AIS's strengths (sensing and image processing)

Sales target in the safety area

(yen: billions)



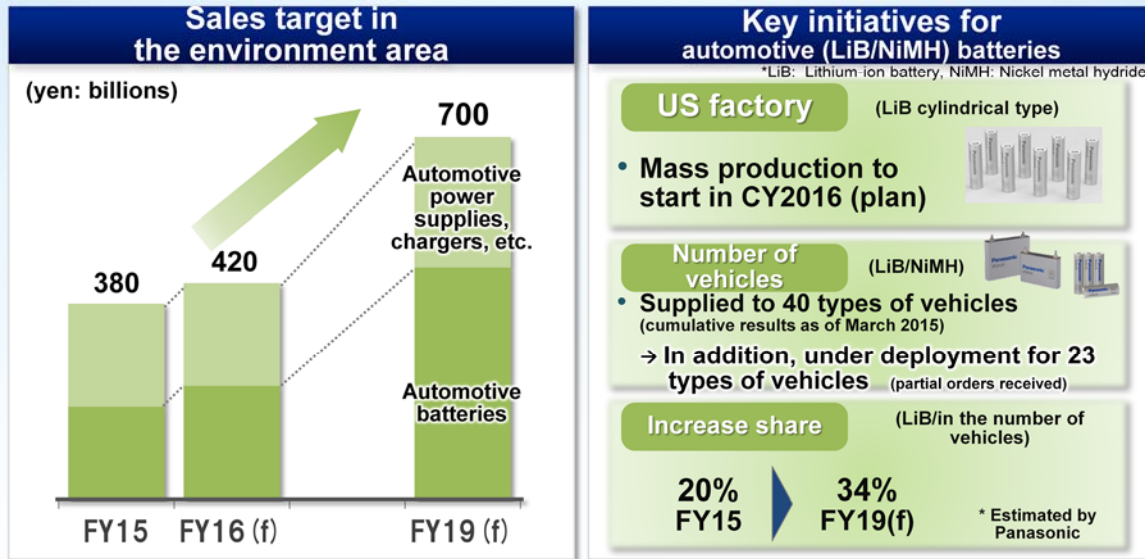
Strengthen the ADAS business through integration with cockpits



- In Safety, we strengthen ADAS (Advanced Driver Assistance Systems) business, utilizing image processing technology in AVC Networks Company added to sensing devices such as automotive camera modules where we maintain No.1 market shares and ultrasonic sensors.
- We also work with others including automakers at the business area where we are lack of technology.
- ADAS includes sensors detecting information around vehicles, ECUs processing information, and cockpit displaying information appropriate to drivers. We maintain high market share in infotainment display business where we see our advantage.
- We target 470 billion yen in FY19, +160 billion yen from FY16.

Go on the Offensive as Leading Automotive Battery Manufacturer

Meet huge demand with competitive automotive batteries without missing any opportunities



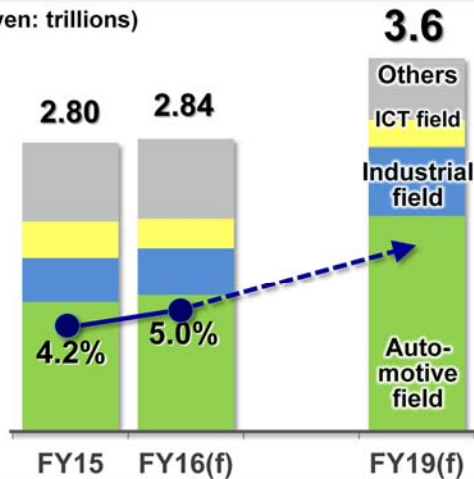
- In Environment, the number of our customers is increasing thanks to our high-capacity and high-reliability li-ion battery. In cylindrical battery, we will start mass production in our new factory in Tesla's Gigafactory in 2016.
- Together with prismatic li-ion battery and NiMH battery, we have installed our battery in 40 car models in total and are now working for 23 car models, where we have already received orders 9 models.
- We target 700 billion yen in FY19, +280 billion yen from FY16.

Management Targets in FY19

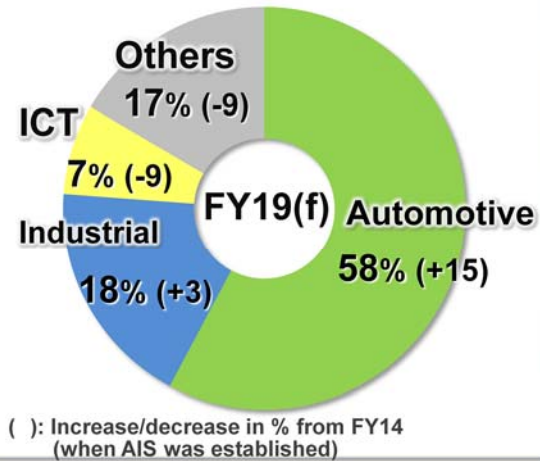
Achieve a continuous increase in sales and profit with the automotive business as a growth engine

Sales & Operating profit ratio

(yen: trillions)



Sales breakdown by field



- Last year, we mentioned that AIS Company targeted 3.6 trillion yen sales in FY19.
- We expect that automotive business contribute 58% of AIS company-wide sales in FY19, as a key driver for growth and profitability. We will invest on this business to accelerate application shift and expand sales and profitability.
- Thank you for your cooperation.

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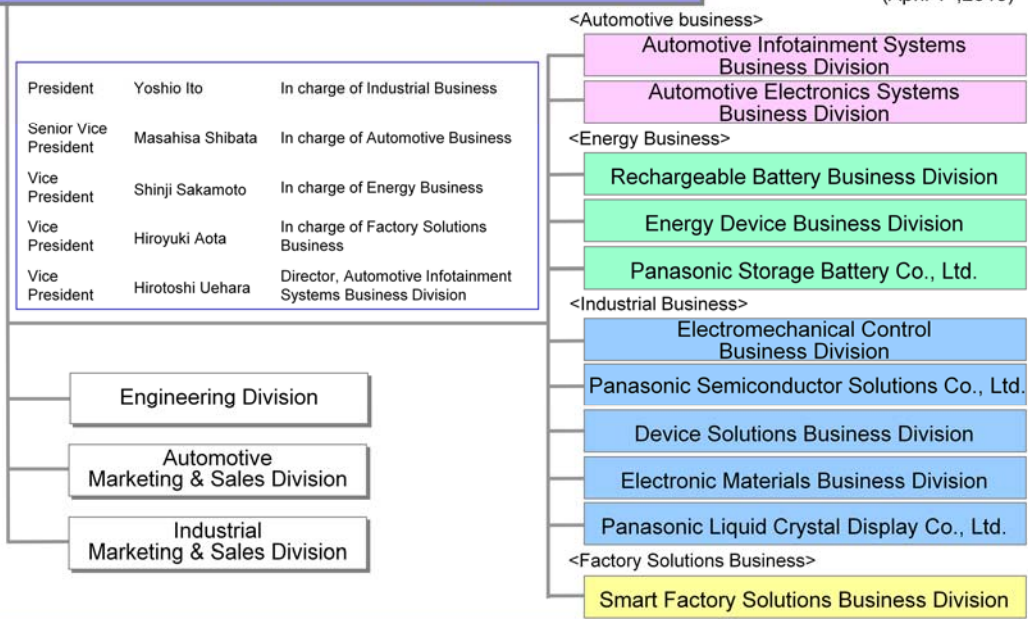
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Reference: AIS Company New Organization

Automotive & Industrial Systems Company (AIS Company)

(April 1st, 2015)



AIS Business Policy / Growth Strategies for Automotive Business

