

Q&A Summary for Panasonic IR Day 2015 (Automotive & Industrial Systems Company)

Date / Time: May 20, 2015 / 14:20~15:20

Location: Panasonic Tokyo Shiodome Building

Presenter: Yoshio Ito, Automotive & Industrial Systems (AIS) Company President

Masahisa Shibata, Senior Vice President

Shinji Sakamoto, Vice President

Questioner 1:

Q: How do you improve profitability in semiconductor and LCD business both of which were in red in FY15?

A: We shifted our focus in LCD panel business to non-TV application and it turned to the black in the latter half of FY15 and expects to maintain profit in 1Q and the rest of FY16. The sales ratio of Non-TV application is forecasted to be 60% with increasing industrial and medical applications. In semiconductor business, we focus on power control and sensing, shifting from ICT to auto and industrial applications. We suppose it will be difficult to return to the black in FY16 and 17. However, we will revitalize the business because the semiconductor is one of the important devices to our company.

Q: How long do you take semiconductor business back to black?

A: We consider and review our business strategy to bring the business out of the red as soon as possible..

Questioner 2:

Q: How are you going to utilize your Japanese production sites where you are producing battery to Tesla after Gigafactory starts its operation?

A: We have agreed with Tesla that we maintain our Japanese operation and we have also agreed that we would provide battery from Gigafactory.

Q: How much do you increase R&D expenses on automotive infotainment systems business in FY16 and FY17?

A: R&D/sales ratio will peak out in FY17 and will reduce by around 2% within a few years, we will utilize our internal resources such as imaging and communication technique with reducing external resources.

Questioner 3:

Q: How do you see Tesla's storage battery business? Do you plan production increase for them? How does this impact on your business?

A: Tesla maintains stable market share in California with their storage battery and we have provided our cells for their storage battery. They expect that 30% of cells at the maximum produced in Gigafactory will be applied to storage.

Q: Then have you already worked on your cells modified for storage battery?

A: Yes.

Q: Is the number your auto customers increasing while you have more number of types of vehicle installed your cells? Do you capture new customers?

A: We continue to have inquiries from customers and receive orders. Customers appreciate our business as we have both prismatic and cylindrical batteries, offering to PHEV, EV and HEV. We have such a stable relationship with our customers, deploying orders for 23 types of vehicle, having 2-3 new customers out of 14.

Q: Do you plan to increase prismatic battery output?

A: We do not provide details because it is under review..

Questioner 4:

Q: Forecasting profit improvement along with expanding investment in FY16, do you expect further profit increase with sales expansion in FY19?

A: We do not have a clear view of the profitability in FY19. Sales from business divisions with over 5% OP margin accounts for more than 50% of total sales in FY16. The only unprofitable business is the semiconductor in FY 16 and we expect it will become a profitable business in FY19.

Q: I believe your automotive infotainment systems business will expand from FY18 onward. Do you have a confidence of the high profitability in the future automotive business?

A: We will try our best to improve profitability.

Questioner 5:

Q: Are you able to cover continuous price decline in automotive application with rationalization of material procurement?

A: We have our Global Procurement Company which is integrating procurement across Panasonic so that we are able to offset impact from price decline.

Q: You have already received 70% of orders toward 2.1tril yen automotive sales target in FY19, and how is progress in three categories of comfort, safety and environment? How do you plan to collaborate with someone in ADAS?

A: Out of 1.4tril yen which is 70% of 2.1tril yen, 500bil yen is coming from new orders excluding Tesla and existing business. We have already begun to collaborate with business partners to expand ADAS business, however, it will contribute to our business significantly after FY21. We regard the term until FY19 as the seeds for future fruit.

Questioner 6:

Q: How is your profitability in rechargeable battery?

A: We increase sales for auto and industrial application where we see higher profitability than ICT's. Both sales increase and product mix will contribute to improve the profitability.

Q: How much is your strategic investment in FY16? Do you expect any changes in future?

A: About 1/3 of company-wide strategic investment of 200bil yen is coming from AIS, including Gigafactory, FICOSA, etc.

Questioner 7:

Q: Why have you decided to invest 49% of FICOSA's share? Do you plan to increase shares in future? How do you see synergy with them on wireless technology?

A: We will maintain 49% holdings for a while to work with them as equals. Since only few % of mutual business is overlapped, we strongly believe the synergy will be maximized. Their antenna technology is sophisticated, holding E-CALL system business. We are preparing to promote Telematics, cloud connected audio business, collaborating with them.

Q: How do you see auto industry from FY21 onward? How is synergy in ADAS working with AVC Networks?

A: We are working on development in road-to-vehicle (R2V), pedestrian-to-vehicle (P2V), vehicle-to-vehicle (V2V) communication. We strengthen P2V business to reduce the number of traffic accidents, and R2V collaborating with AVC to contribute safe streets towards Tokyo Olympic Games in 2020. Additionally, we have prepared to develop rearview mirror technology to assist drivers for narrow angled rearview. It will be legitimated to have widening drivers' field of view with camera technology. We also assume that most countries will adopt the regulation of CO2 emission so that we will have a lot of opportunity in battery business field.

Questioner 8:

Q: What is your storage battery business strategy? How do you see it will become essential business in future?

A: We will do behind the meter storage in Japan and both behind the meter and utility in the U.S. We will collaborate with our partners or strengthen SIer in each region in utility application focusing on huge U.S. market.

Q: How will Panasonic be as an auto supplier?

A: In my personal opinion, I would like to expand auto business from 2.1tri yen in FY19 to 2.5tri yen in FY21, increasing sales in 'safety' and 'environment.' We will grow ADAS device and Tesla business in the U.S. and Europe and ADAS system business in Japan. We will also increase sales to customers in southern Europe through FICOSA's sales channel.

Q: What is the key factor to hugely expand ADAS business?

A: We are working toward FY21. We will strengthen sensing technology including camera, doing business with mid-sized companies. We will supply devices to Tier 1s in the U.S. and Europe.

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