

**Panasonic**

**Appliances Company  
Business Policy  
Home Appliances Business  
Growth Strategy**

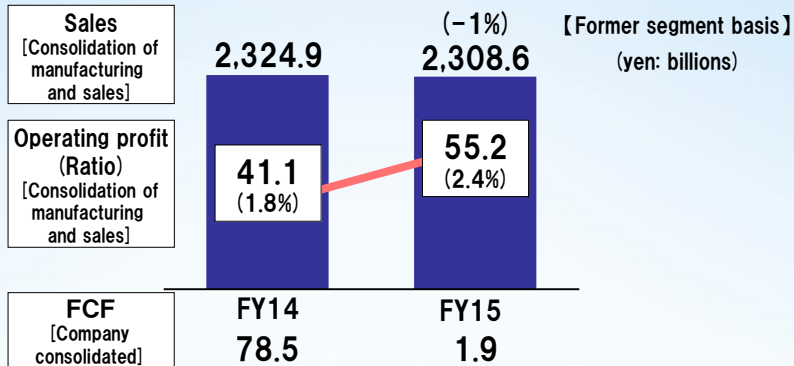
May 20, 2015

**Panasonic Corporation  
Appliances Company  
President Tetsuro Homma**

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.

**FY15 Actual Results**

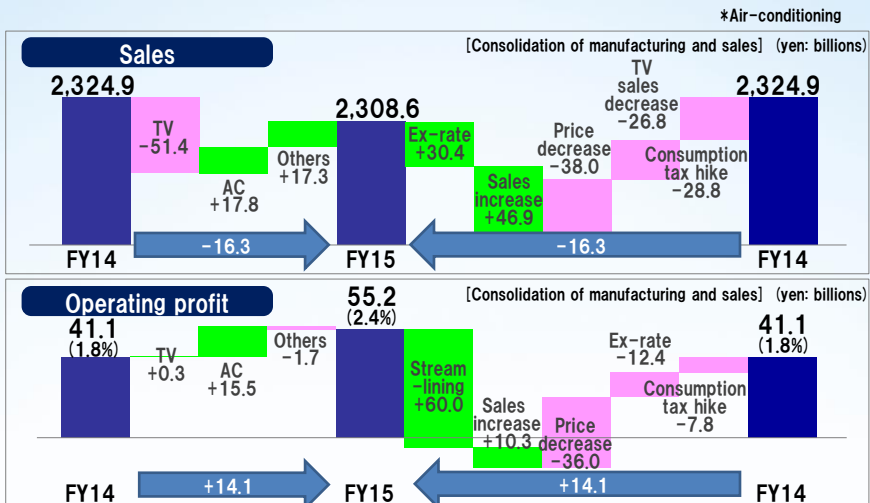
# FY15 Actual Results



<b>Sales</b>	<b>Decrease</b>	<b>OP</b>	<b>Increase</b>
	Decreased due mainly to weaker sales of TVs and the consumption tax hike impact in Japan etc.		Offset negative impact of yen depreciation by profitability recovery of air-conditioning etc.

# FY15 Actual Results

Although sales increased in AC\*, total sales decreased due to TV restructuring etc. Operating profit increased as a result of last year's restructuring effect of AC etc.



# FY15 Achievements and Challenges

## Achievements

Sales plan achieved and share increased in Japanese market

Profitability improved both in RAC\*1 and CAC\*2

Development, manufacturing and sales structure of Cold Chain reformed

## Challenges

Profitability deteriorated due to yen depreciation

Profitability still unstable in TV business

Increased customer-support cost of heat-pump water heater

4

Appliances Company Business Policy / Home Appliances Business Growth Strategy

\*1:Room Air-conditioner \*2: Commercial Air-conditioner

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# Preparation for FY16 onward

Completed structural reform for sales and profit expansion

## Preparation for sale growth

Establishment of AP China/AP Asia

Integration of Japan-region Consumer Marketing Sector

Establishment of Panasonic Commercial Equipment Systems Co., Ltd

## Reform for securing profitability

Integration and closure of manufacturing bases of TV business in North America and China

Business assignment of Sanyo TV business (North America)

Consolidation of vending machine manufacturing site in Gunma, Japan

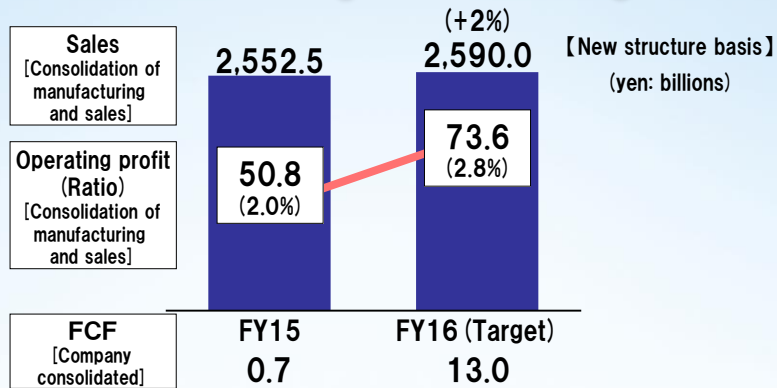
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Appliances Company Business Policy / Home Appliances Business Growth Strategy

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# FY16 Business Policy

## FY16 Management Target



Sales

**Increase**

Offset decrease of TV by increase of white goods mainly in strategic regions

OP

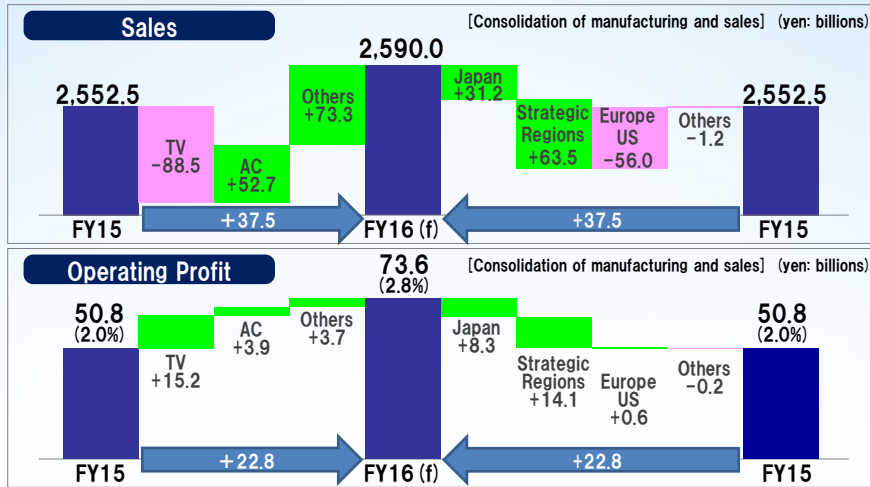
**Increase**

Offset negative impact of yen depreciation by sales increase, cost reduction etc.

# FY16 Management Target

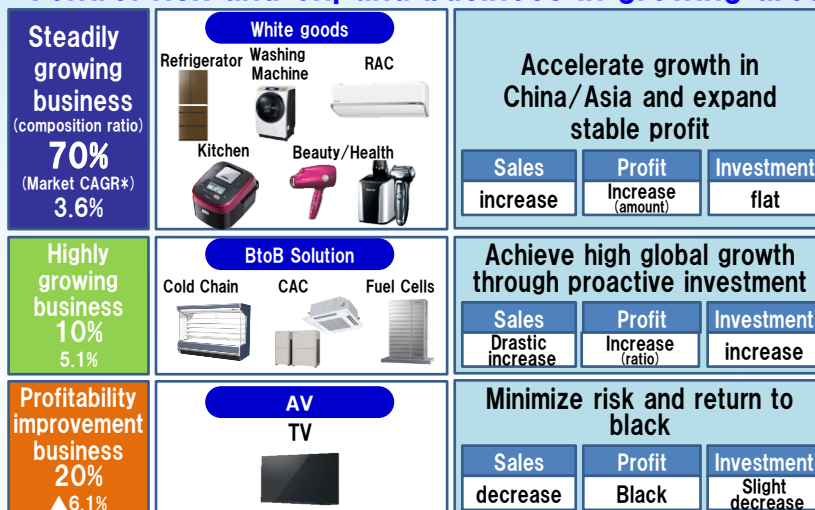
Sales: decrease in TV, increase in white goods such as AC etc.

Profit: Increase due to TV restructure effect



# Portfolio of Appliances Company

Control risk and expand business in growing area

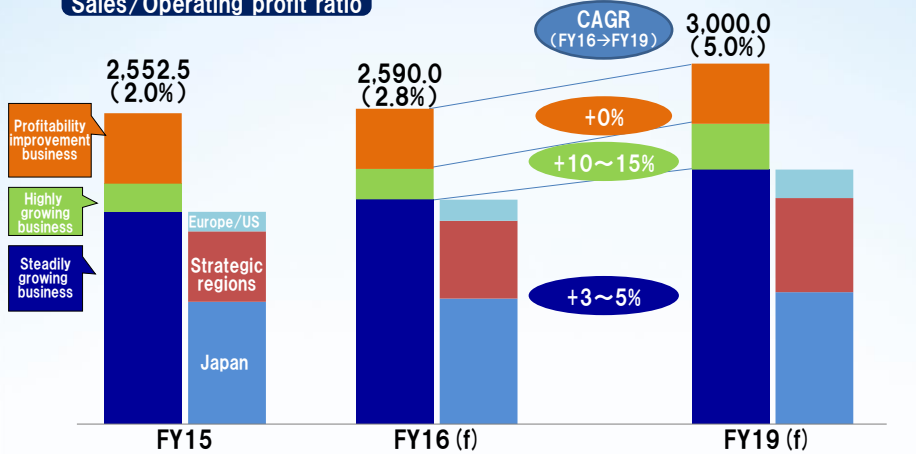


# What Appliances Company aims for

Secure growth of steadily growing business in strategic regions, accelerate highly growing business and achieve ¥3 trillion in FY19

## Sales/Operating profit ratio

[Consolidation of manufacturing and sales] (yen: billions)



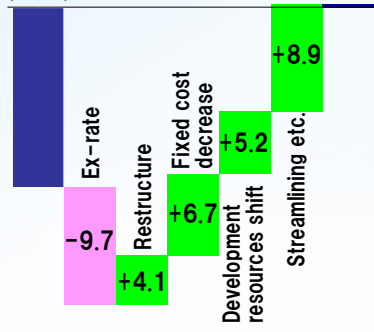
# Initiative in TV business

Return to break-even through fixed cost structure appropriate to sales scale

## Operating profit (ratio)

[Consolidation of manufacturing and sales] (yen: billions)

FY15: -14.9 (-3.3%)  
FY16 (f): 0.3 (0.1%)



Target region: Japan/Europe/Asia/Latin America

Maximize profit through consolidated management based on manufacturing-sales collaboration

### Restructure effect [+4.1]

Reap a benefit from restructuring such as integration and closure of manufacturing bases in FY15 etc.

### Development resources shift [+5.2]

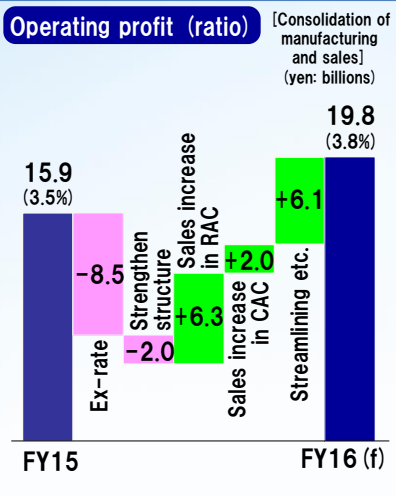
Expand and utilize technology/know-how of TV to Appliances/group-wide business

### Promotion of streamlining etc. [+8.9]

Improve marginal profit by streamlining of panel procurement

# Initiative in AC business

Recovered profitability in FY15, move to growth track in FY16



## Establish Air-conditioning Company

Establish business structure against AC specialized competitors  
Invest cash earned by RAC to CAC

### Sales increase in RAC [+6.3]

Achieve OP 5% through integration of global + local strategy

Strengthen product competitiveness through "Comfort" "Health" "Design"



### Sales increase in CAC [+2.0]

Strengthen sales network and product range for sales increase in overseas



# Home Appliances Business Growth Strategy

## Home Appliances strategy toward FY19

Sales expansion in white goods  
(steadily growing business)

Strengthen premium zone

Accelerate business growth in  
China/Asia

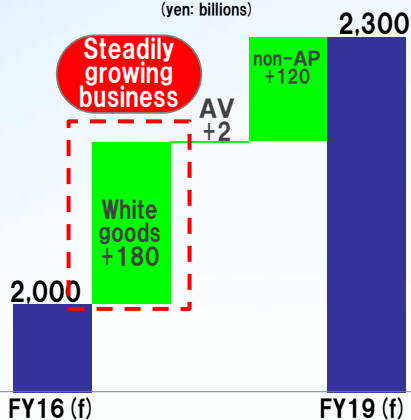
Resources shift to growing area

## Toward HA ¥2.3 trillion in FY19

Expand steadily growing business (white goods)  
and business in Strategic regions

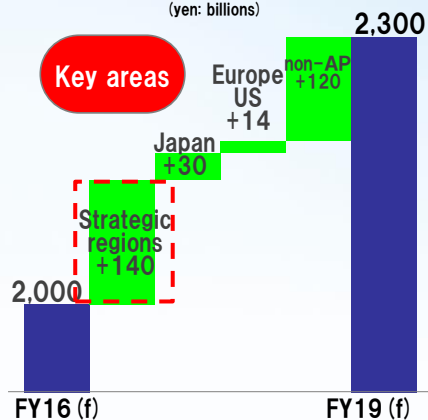
### Sales by product categories

[Consolidation of manufacturing and sales]  
(yen: billions)



### Sales by regions

[Consolidation of manufacturing and sales]  
(yen: billions)





## Business enhancement for the premium value

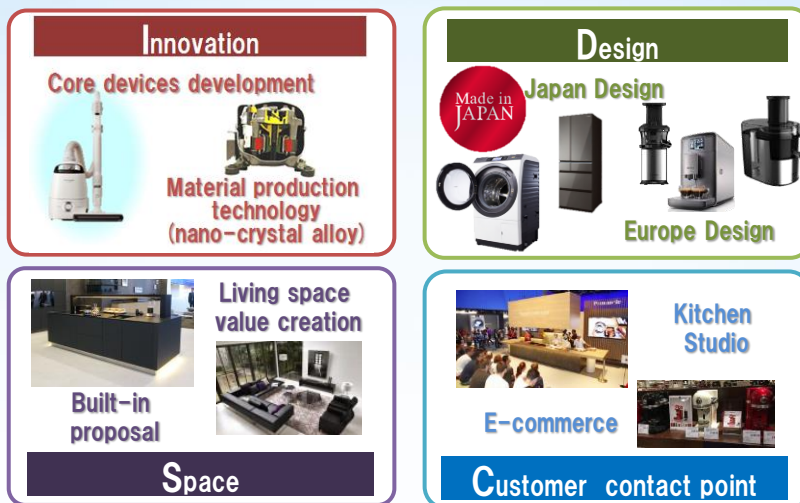
Aim for differentiation by increasing the sensitivity value appropriate for a product/region



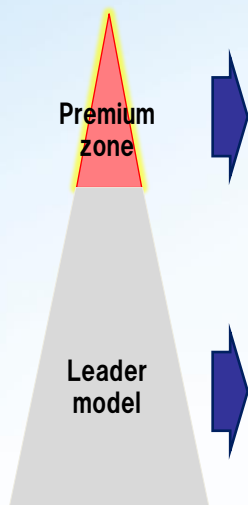
Customer Value (CV) = Functional Value (FV) + Emotional Value (EV)

## Approach for Strengthening Business

Propose the lifestyle we all desire by best approach by 4 concept



# Growth strategy in China/Asia



- (1) Differentiate by integration of core devices and manufacturing technology
- (2) Establish local-/customer-oriented management and leverage the utilization of local resources
- (3) Develop "Aspiration" Marketing (creating aspiration for premium life style)
- (4) Leverage the utilization of ODM

⇒ Accelerate through AP China/AP Asia

# Stable growth in premium market

## <China>

- +30 mil. households in the decade ahead
- Growth slowed but maintain relatively high growth rate

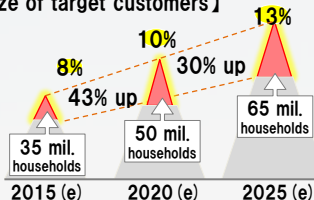
### 【Image of target customers】

Household disposable income  
**Over US\$53,000**



DEWKS  
Parents + Employed  
Sons/Daughters

### 【Size of target customers】



(ref. Euromonitor)

## <Asia\*>

- Double in the decade ahead
- Growth potential as high as China

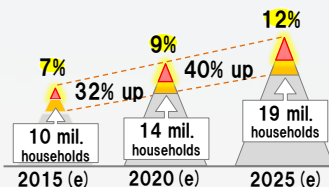
### 【Image of target customers】

Household disposable income  
**Over US\$ 45,000**  
US\$20,000-45,000



DEWKS  
Parents + Employed  
Sons/Daughters

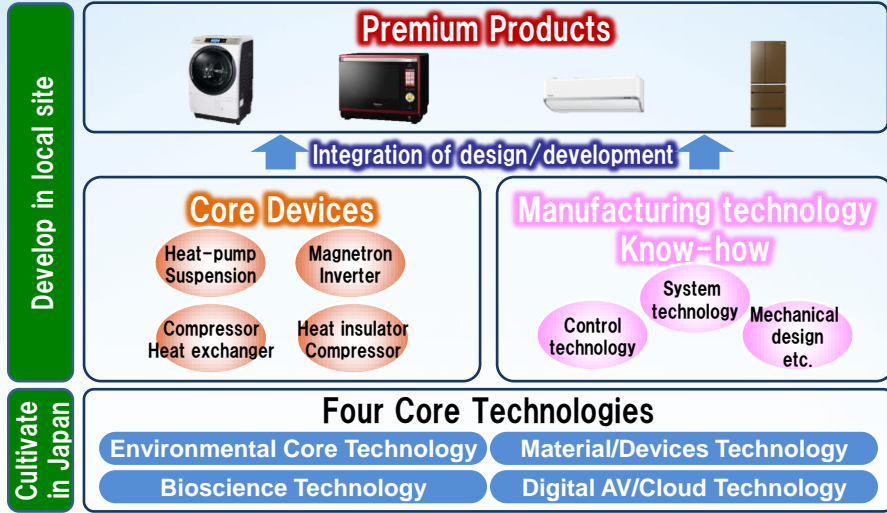
### 【Size of target customers】



\*Malaysia, Singapore, Indonesia, Vietnam, Thailand, Philippines

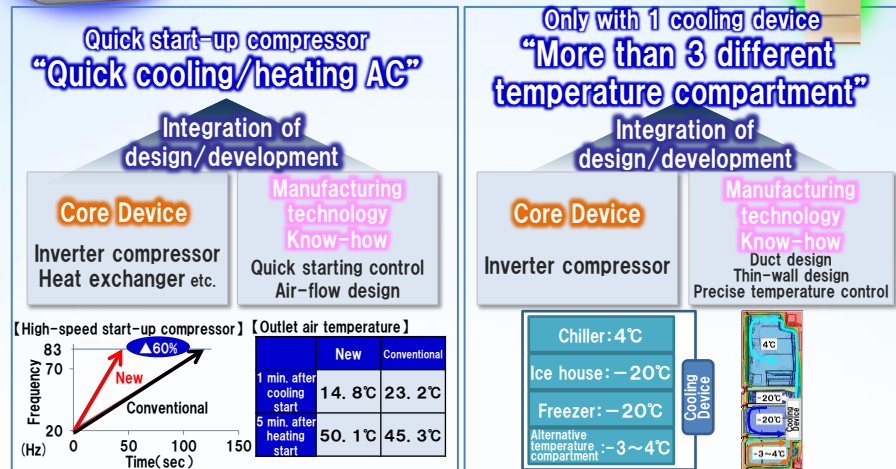
# Differentiate by integration of core devices and manufacturing technology

Accelerate development of differentiating products by local development and design division



# Example of differentiated products (China)

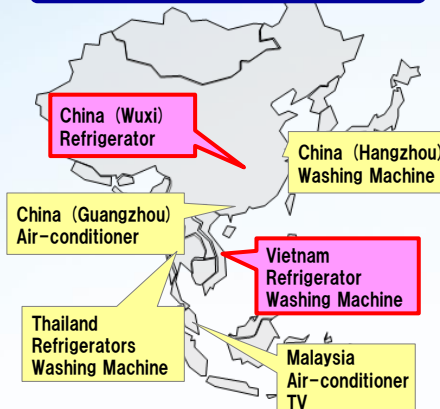
High functional products developed locally with core devices and manufacturing technology/know-how



## Establish locally- /customer-oriented management

Create best products for potential customers by countries  
Promote local manufacture/consumption by utilizing existing resources

### Major development/manufacturing sites



\*Highlighted boxes indicate recent target sites

### Leverage utilization of local resources

Shift development/manufacturing capability of China/Asia from Japan

### Hold down additional investment by utilizing existing resources

### Concentrate own development in premium products

Complement product lineup with ODM



Side-by-side refrigerator

Small drum washing machine

## Expand "Aspiration" Marketing

Create aspiration through continuous/accelerative initiatives

### Best mix of Made in Japan/Asia products

Strengthen Made in Japan products by promotion with renewed product displays



<Vietnam>



<Singapore>

### O2O Experience Salon

Provide "aspiring" experience to customers (Offline) and lead to actual purchasing (Online)



<China>

### Create premium value by CS enhancement

Secure loyal customers by enhancing CS



<Philippines>



<Singapore>

### Enhance customer contact point

Cooking/Beauty product roadshow  
FY15: 1,000 →  
FY16 (f) : 1,350



<Malaysia>

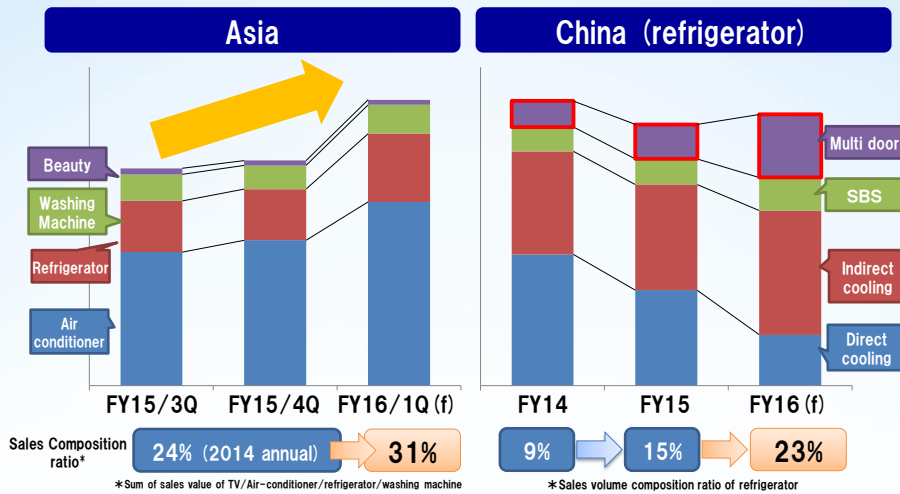
Tie-up with local cooking TV program  
FY15: 138 →  
FY16 (f) : 400



<Thailand>

# Sales results in Asia/China

Increase premium product sales ratio



# Resources shift to growing business area

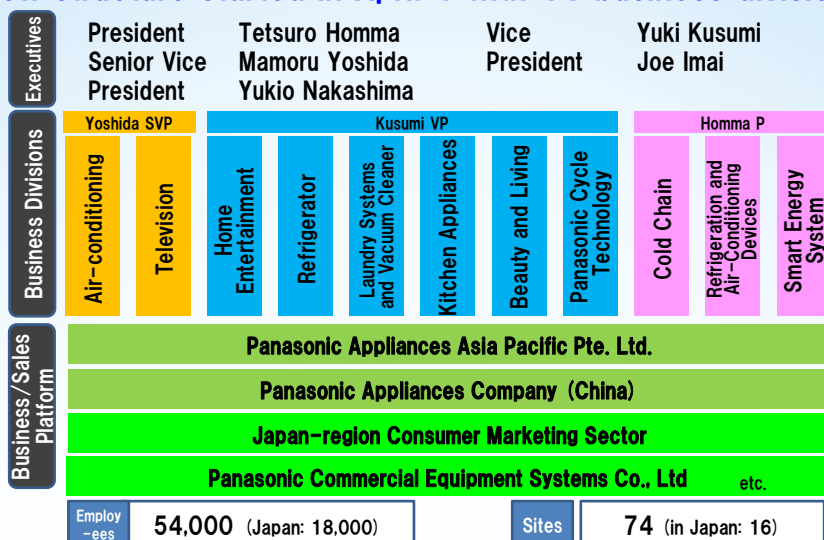
Strengthen company strategic function, promote resources/business portfolio management



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## (Ref.) New Appliances Company

New structure started in April 1 with 11 business divisions



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