

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.

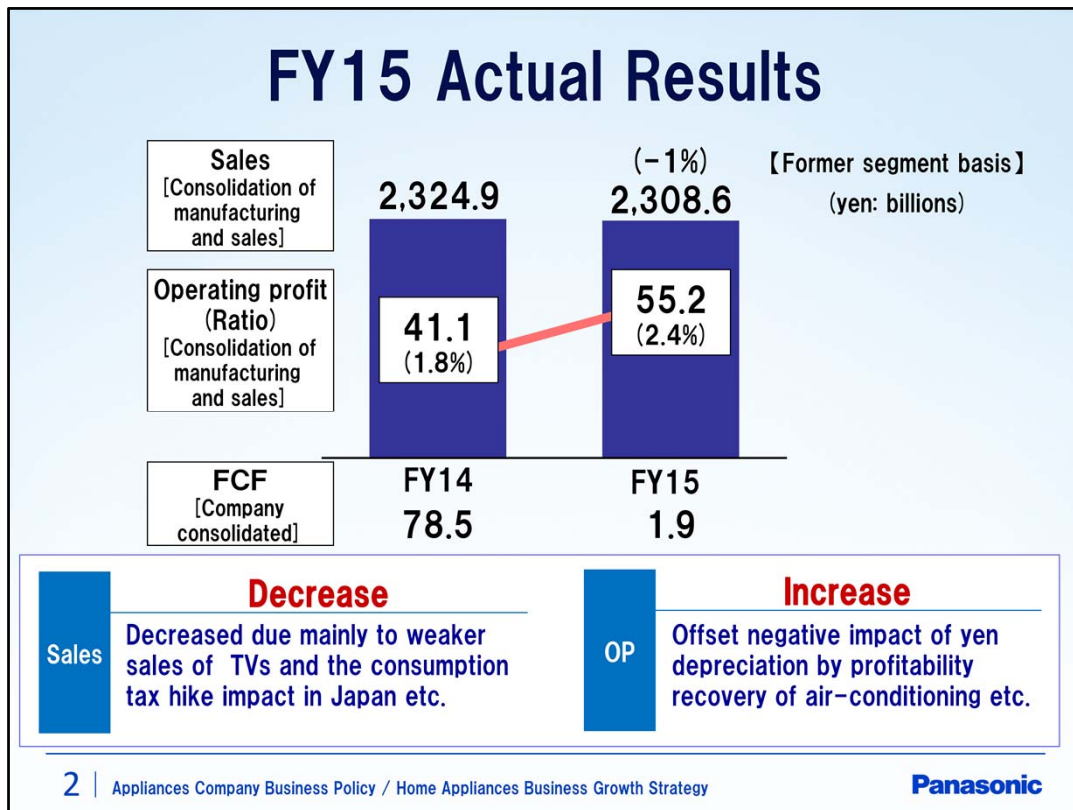
- I will explain business policy and growth strategy for consumer electronics business.

FY15 Actual Results

1 | Appliances Company Business Policy / Home Appliances Business Growth Strategy

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- First, results of FY15.

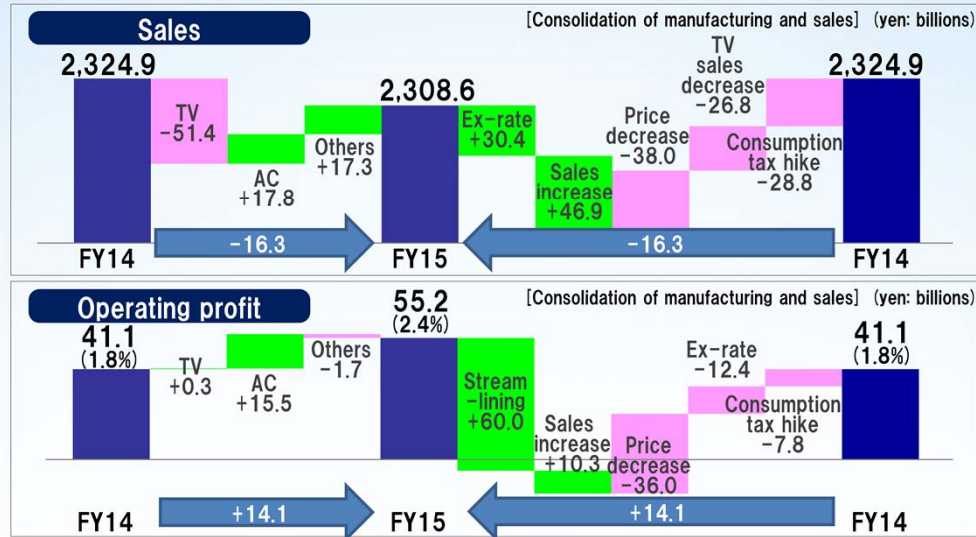


- In FY15, results are as follows (manufacturing and sales consolidated basis in the former segment).
 - Sales : 2,308.6 billion yen
 - Operating profit : 55.2 billion yen (OP Margin 2.4%)
 - Free cash flow : 1.9 billion yen (company consolidated basis)
- Sales were slightly down by 1% from last year due mainly to sales decline in TVs and the impact of consumption tax rate increase in Japan.
- On the other hand, operating profit increased compared with the previous year. Negative impact of yen depreciation was offset by profit recovery in air conditioners.
- Free cash flow was significantly lower from last year due mainly to the impact of cost for customer-support activities for the heat-pump water heater.

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.

*Air-conditioning



3 | Appliances Company Business Policy / Home Appliances Business Growth Strategy

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- This slide shows changes in sales and operating profits from the previous year (from left hand side: by business, from right hand side: by factor).
- Although sales increased mainly in air conditioners, overall sales were lower from last year due mainly to the impact of consumption tax rate increase and a sales decline in TVs as a result of restructuring.
- Profitability declined due to the impact of consumption tax rate increase in Japan and yen depreciation. However, overall operating profit improved by approximately 14.0 billion yen because of the business improvement in China and rationalization efforts.

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

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

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- Achievements and challenges in FY15 are shown here.
- With regard to achievements, we attained sales targets for both consumer electronics and BtoB solutions in Japan. We achieved the highest market share of total consumer electronics goods in the last 30 years.
- In air conditioning business which we struggled in FY14, profitably improved significantly in both room air conditioners and commercial air conditioners.
- In cold-chain, we have outlined business growth by reorganizing each operation in developing, manufacturing and sales.
- On the other hand, although we tried to return to profitability in TV business, this could not be achieved.
- Furthermore, as I mentioned in previous slide, free cash flow was significantly lower due to the impact of cost for customer-support activities for the heat-pump water heater.

Preparation for FY16 onward

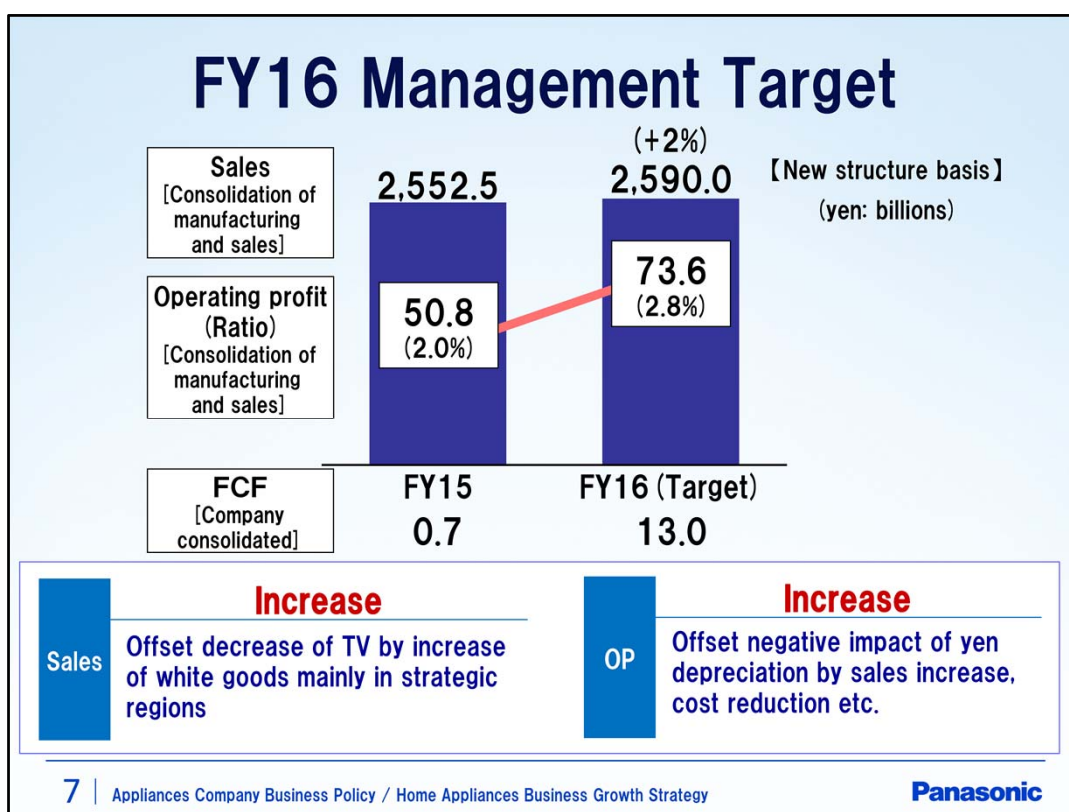
Completed structural reform for sales and profit expansion

Preparation for sale growth	Reform for securing profitability
Establishment of AP China/AP Asia	Integration and closure of manufacturing bases of TV business in North America and China
Integration of Japan-region Consumer Marketing Sector	Business assignment of Sanyo TV business (North America)
Establishment of Panasonic Commercial Equipment Systems Co., Ltd	Consolidation of vending machine manufacturing site in Gunma, Japan

- In FY15, we implemented various measures in order to increase sales and profitability in FY16 onward.
- We established the base of efficient management by enhancing the collaboration of manufacturing and sales through establishment of AP China/AP Asia, and integration of Japanese region consumer marketing sectors.
- We also established a sales company for cold-chain and commercial air conditioners for the Japanese market in order to expand the BtoB solution business.
- In addition, for securing profitability, we implemented restructuring such as integration and closure of manufacturing bases of TV business in North America and China in FY15 and integration of vending machine business in Gunma, Japan.
- Taking over reform from the predecessor, we will continue to grow business toward FY19.

FY16 Business Policy

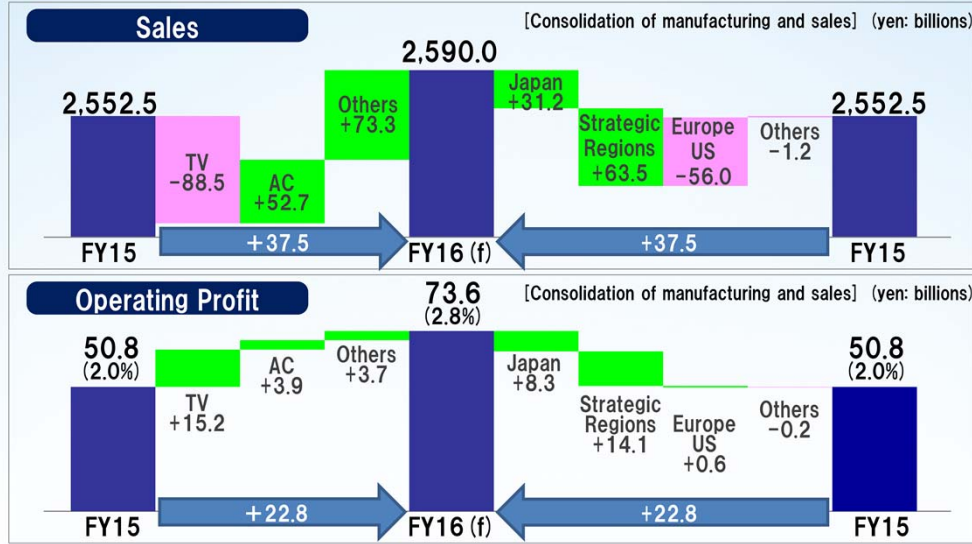
- Next, business policy for FY16.



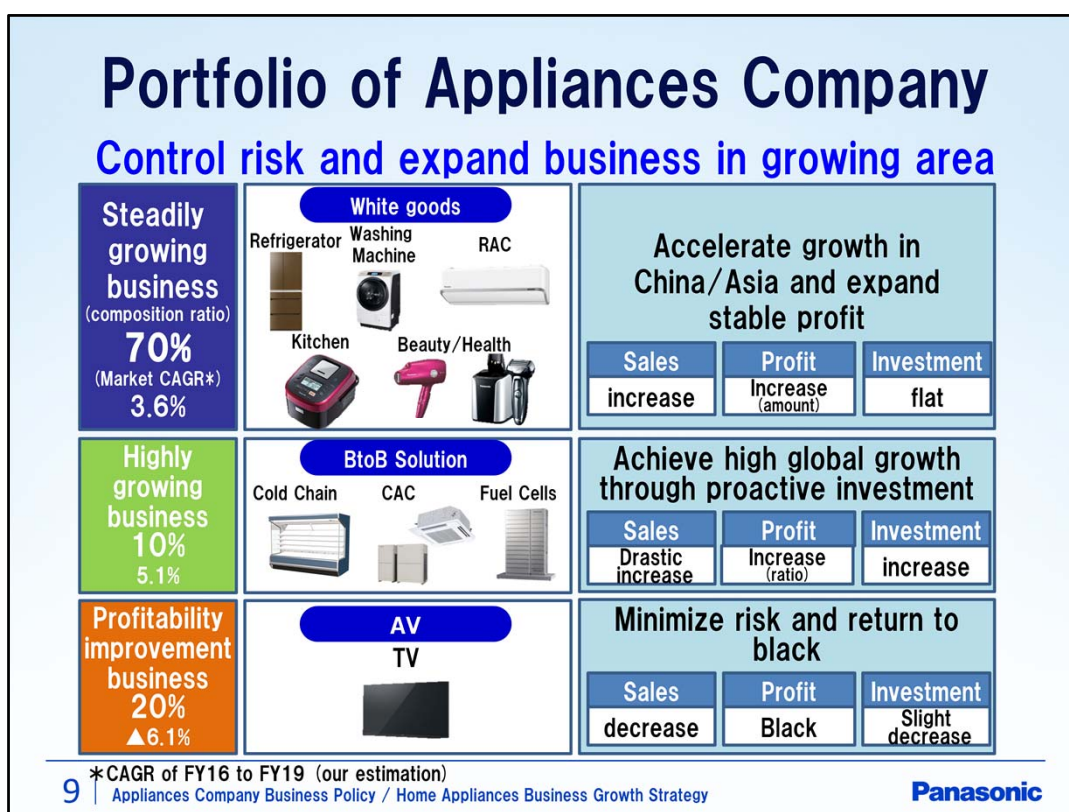
- Management targets for FY16 are shown here (manufacturing and sales consolidated basis in the new structure).
 - Sales : 2,590.0 billion yen
 - Operating profit : 73.6 billion yen (OP Margin 2.8%)
 - Free cash flow : 13.0 billion yen (company consolidated basis)
- We aim for sales increase of 2% from last year. Sales decline in TVs will be offset by sales increases in white goods mainly in overseas strategic regions.
- We aim for operating profit increase. The negative impact of yen depreciation will be offset by profit increase as a result of sales expansion mainly in overseas strategic regions.
- Free cash flow is expected to increase significantly from last year due to considerable cost decrease for customer-support activities for the heat-pump water heater in Japan as well as profit increase .

FY16 Management Target

Sales: decrease in TV, increase in white goods such as AC etc.
 Profit: Increase due to TV restructure effect



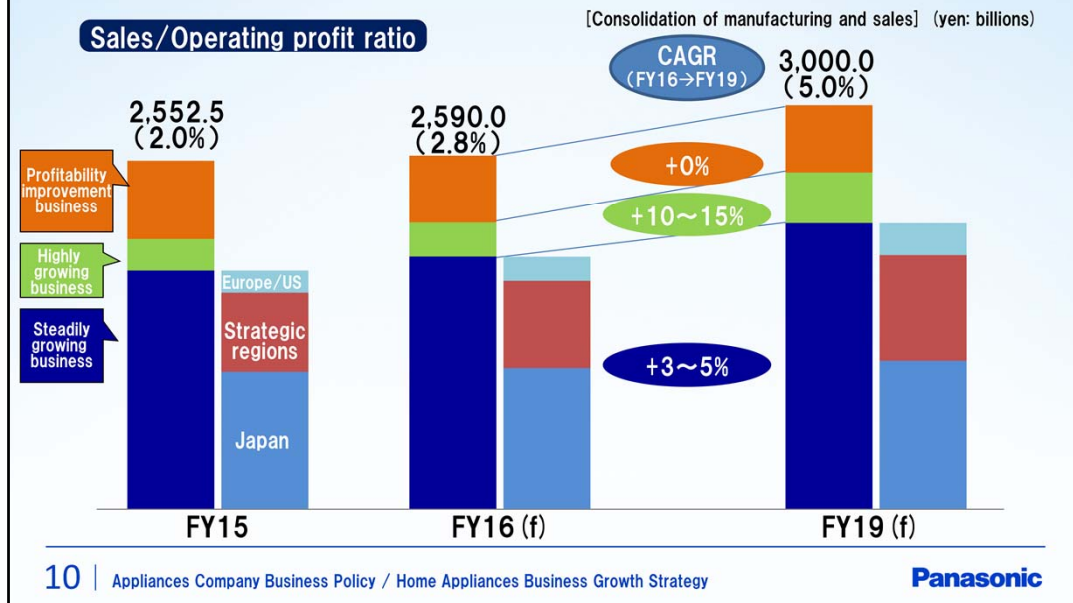
- This slide shows changes from FY15 to FY16 (from left hand side: by business, from right hand side: by factor).
- Sales in TV will decline significantly due mainly to reforms which were carried out in North America and China in FY15. However, we aim to offset this negative impact by sales increase in white goods in Japan and overseas strategic areas.
- We will aim for more than 20.0 billion yen increase of operating profit through profit improvement in TVs due to restructuring benefit, and profitability improvement in white goods such as air conditioners.



- This slide shows three business areas in our business portfolio.
- As you can see from the market growth rates towards FY19, approximately 80% of our businesses is in the markets which will grow steadily towards FY19.
- In the steadily growing business, mainly consist of white goods which account for 70% of total sales, we aim for stable profit increase by accelerating growth in premium products mainly in China and Asia.
- With regard to cold-chain and BtoB business such as commercial air conditioners and fuel cells, we can expect steady and long-term profitability without seasonality influence. We will study proactive investments, including alliances and M&A, and increase both sales and profitability in these business significantly in the global market.
- With regard to AV business, such as TVs which cannot expect a big market growth, we will minimize investment and risks in order to aim to move into the black in FY16.

What Appliances Company aims for

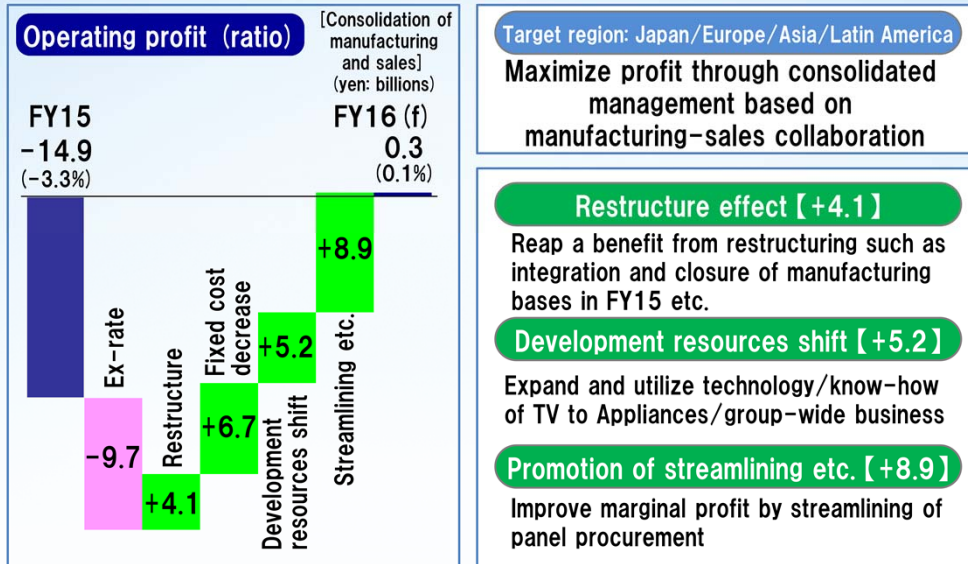
Secure growth of steadily growing business in strategic regions, accelerate highly growing business and achieve ¥3 trillion in FY19



- In Appliances Company overall, we strive to ensure growth in steadily growing business mainly in strategic areas as well as accelerate highly growing business. Our targets for FY19 are 3.0 trillion yen in sales and OP margin of 5%.

Initiative in TV business

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



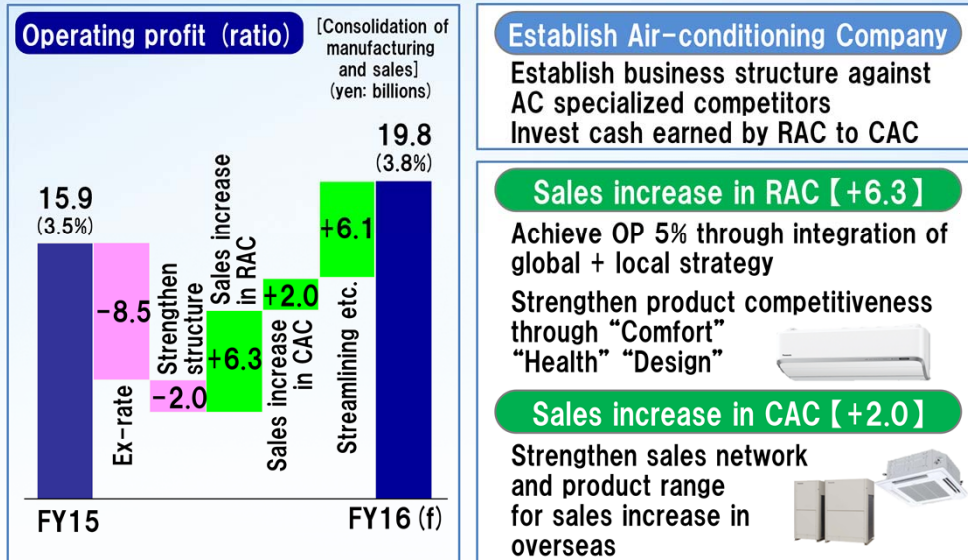
11 | Appliances Company Business Policy / Home Appliances Business Growth Strategy

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- In TV business, we will narrow down focusing markets to Japan and Europe where we can differentiate our products in design and basic quality and avoid price war.
- We will also maximize profitability with best mix of products and materials by closely monitoring balance sheet and income statement closely based on a manufacturing/sales consolidate management.
- In FY16, we are expecting to reap a benefit from restructuring implemented in FY15.
- Furthermore, we will utilize TV-related technologies and know-how not only to Appliance Company but also in all group companies in the growing businesses. R&D cost for TV business will be reduced by approximately 5.0 billion yen.
- We will improve marginal profit ratio by streamlining of panel procurement and strengthening premium products such as 4K.
- Through these initiatives, we will reduce fixed costs in line with the decline in sales volume and aim for break-even in this business.

Initiative in AC business

Recovered profitability in FY15, move to growth track in FY16



- Next, air conditioner business.
- Sales and profitability declined significantly in FY14 due mainly to the business in China, but sales have now recovered and OP Margin in FY15 became 3.5%. In FY16, we will move to growth track with profitability.
- To realize the strategy, we established a business structure against air-conditioner specialized competitors. Profit and resources which are generated by room air conditioners will be allocated to commercial air conditioner operation. In order to speed up this shift, we established the Air Conditioner Company and Mr. Yoshida, executive vice president, will be in charge of the Company.
- We will increase profitability of room air conditioners to over 5% and enhance sales channels and product line-ups in commercial air conditioners for overseas growth. This business will be a main pillar in the Appliances.

Home Appliances Business Growth Strategy

- Growth strategy of home appliances business.

Home Appliances strategy toward FY19

**Sales expansion in white goods
(steadily growing business)**

Strengthen premium zone

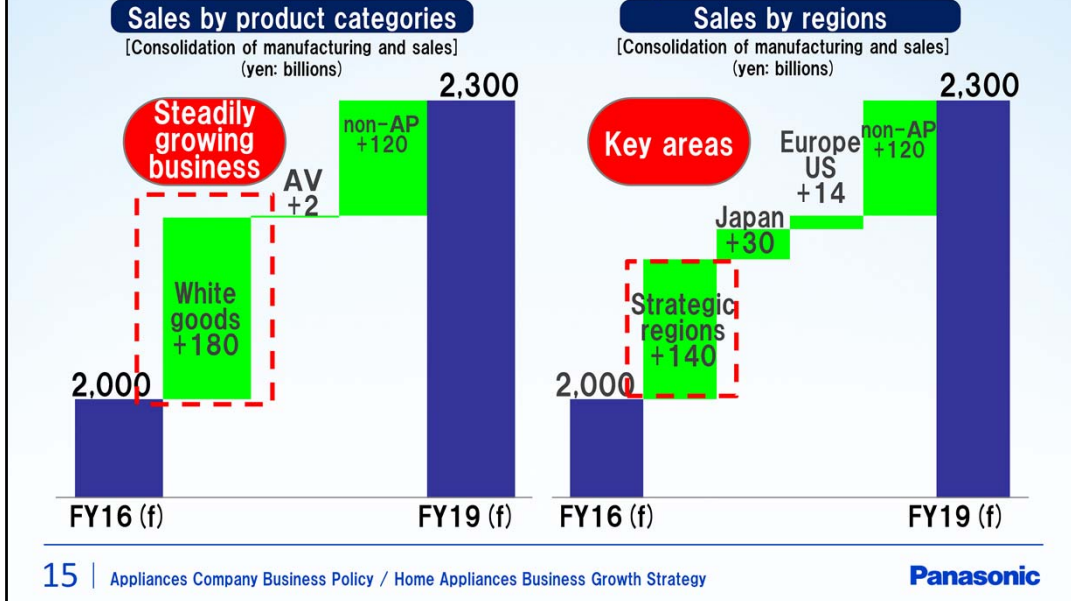
**Accelerate business growth in
China/Asia**

Resources shift to growing area

- Strategies for Home Appliances toward FY19
 - Sales expansion in white goods
 - Strengthen premium zone
 - Accelerate business growth in China and Asia
 - Resources shift to growing area

Toward HA ¥2.3 trillion in FY19

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



- In order to achieve sales of 2.3 trillion yen in the consumer electronics business in FY19, we will increase sales in steadily growing business which consist of white goods.
- Furthermore, we aim for significant growth in overseas strategic areas mainly in China and Asia.

Business enhancement for the premium value

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



- The business vision for consumer electronics is 'Aspire to more – to the lifestyle we all desire'. We will develop 'premier products' which create aspiration and innovate the 'space' which enhance the comfort value of the housing environment.
- There are four aspects.
- First, design. We will increase our brand value by integrating dignified design and/or Panasonic's uniqueness as a Japanese company into local consumers' perspective.
- Second, innovation as an electronics manufacturer.
- Third, the creation of 'space' by combining single products to package products. We need to shift from single product sales to package proposal and we believe that this consumer electronics 'space' connected by the internet will be realistic in the future.
- Last, innovation in customer contact points. It is urgently necessary to develop various sales channels in order to deliver these values to customers.

Approach for Strengthening Business

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

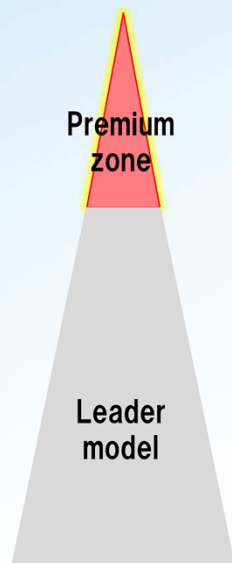


17 | Appliances Company Business Policy / Home Appliances Business Growth Strategy

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- Four examples are shown here.
- Panasonic's home electronics products with Japanese taste are highly appreciated in China and Asia as 'Made in Japan' products of high quality.
- From the aspect of innovation, these are some examples; the lightest vacuum cleaners in the industry which was launched last year, and high efficient compressors with nanocrystalline alloy which can reduce energy significantly.
- With regard to producing 'space', in order to enhance our business, we offer products such as built-in kitchen and displays which harmonizes the consumer electronic functions and the 'space'.
- It is important to enhance customer contact points so that customers can touch and test our products and move to purchasing. We will enhance opportunities that they can try out our products at kitchen studios or showrooms.

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

- With regard to the growth strategy, we will focus on China and Asia as key regions. In particular, we will strengthen products and sales in the premier markets.
- There are three points to strengthen in the premier zone.
- First, we will differentiate our products by integration of core device and manufacturing technologies. Second, we will establish local-/customer-oriented management and leverage the utilization of local resources. Third, we will develop “Aspiration” marketing.
- We will focus our own resources on R&D of premium zone products and marketing while utilizing ODM for high volume segments to strengthen product line-ups.
- On April 1, we established AP Asia and AP China so that we can accelerate these initiatives.

Stable growth in premium market

<China>

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

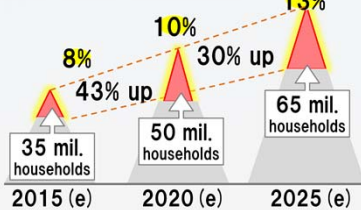
【Image of target customers】

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

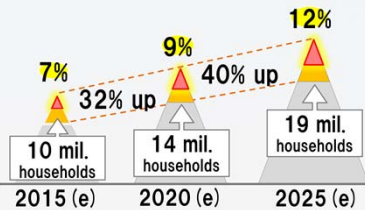
【Image of target customers】

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



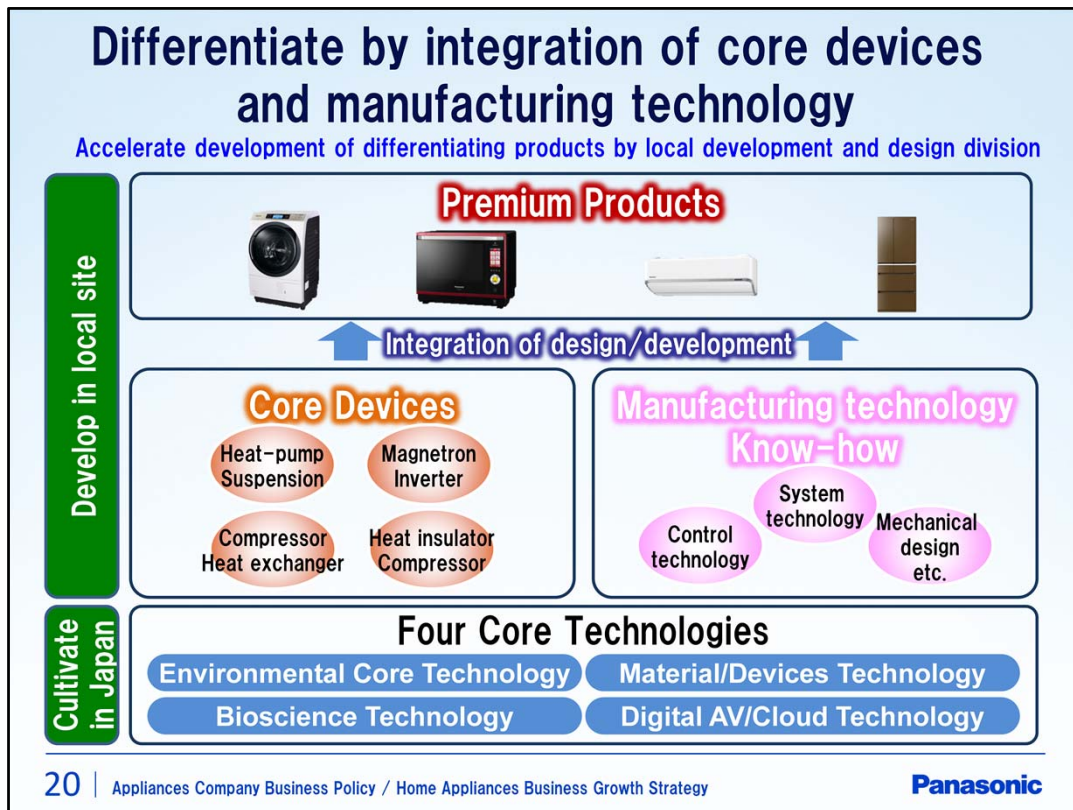
DEWKS
Parents + Employed
Sons/Daughters

【Size of target customers】



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

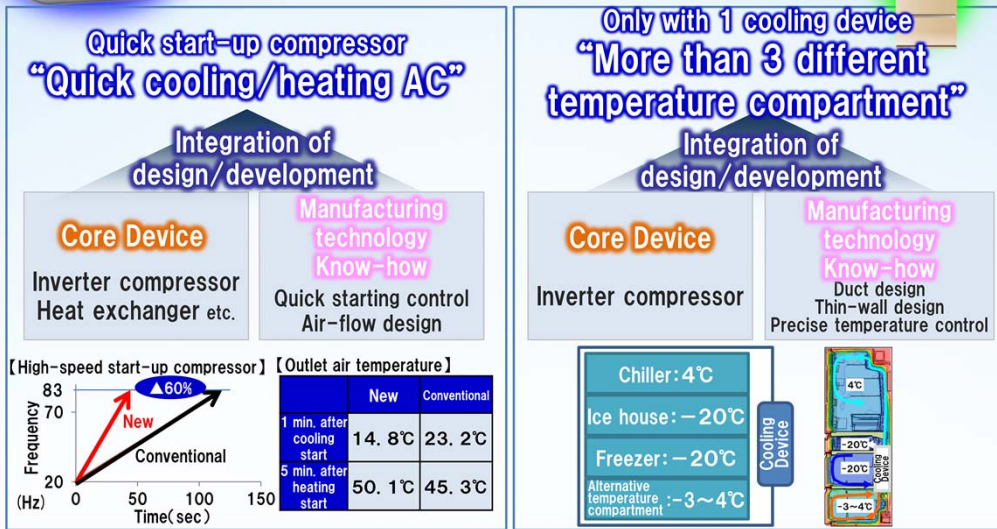
- In China and Asia, purchasing power has been increasing significantly due to rises in personal income.
- The households that we are focusing on is expected to increase in the next 10 years by 30 million in China and to double in Asia.
- Key to capture the target customers is to develop premium products that will be appreciated by those customers.



- Our four core technologies which we have been cultivating in Japan support the development of premium products.
- By combining core devices which are based on these technologies and manufacturing technology/know-how, we develop premium products which we can differentiate from our global competitors.
- Furthermore, the development design departments which are based in China and Asia accelerate the development of unique and local-oriented products that meet each local demand.

Example of differentiated products (China)

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



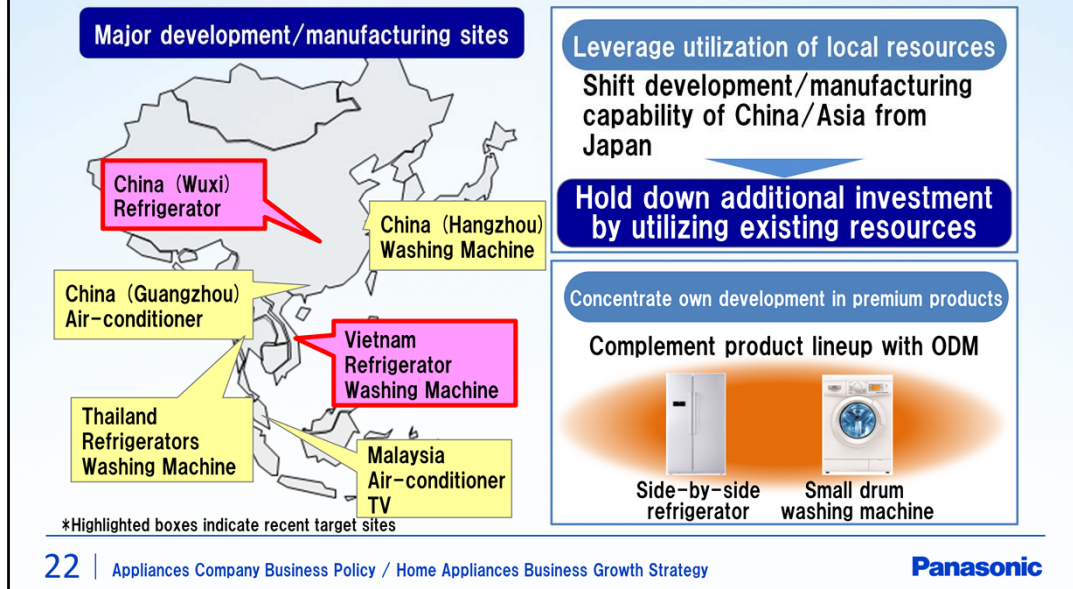
21 | Appliances Company Business Policy / Home Appliances Business Growth Strategy

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- Here are examples of our premium products differentiated from our competitors in China.
- This air-conditioner has quick cooling/heating function which controls start-up blowing temperature. This function came out of a combination of in-house core devices such as inverter compressors and manufacturing technology/know-how such as quick starting control.
- The other example is a multi-door fridge with several compartments. Only one cooling device controls the temperature of more than three compartments.
- This is also a combination of in-house core devices and manufacturing technology/know-how such as duct design. We developed and are manufacturing this product in China for the Chinese markets.
- Thus, we have a competitive advantage in being able to develop differentiated local-oriented products which are inimitable by competitors in local site.

Establish locally- / customer-oriented management

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



- We already have many R&D and manufacturing sites in China and Asia as our established infrastructure.
- These sites have capability to develop/design locally-oriented products independently. We have recently strengthened the R&D in Wuxi, China and Vietnam.
- As these overseas sites are functioning effectively, we now have capability of launching the optimal products for potential customers in each country.
- In these sites, we strengthen the Chinese and Asian markets by transferring existing resources for products for Japan to the local products. We will implement 'local production for local consumption' while holding down new investment.
- Furthermore, we will utilize ODM proactively in order to improve our product line-ups while focusing on in-house development for premium products. We set up/strengthen manufacturing function such as quality control in AP Asia/AP China for enhancing ODM utilization.

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

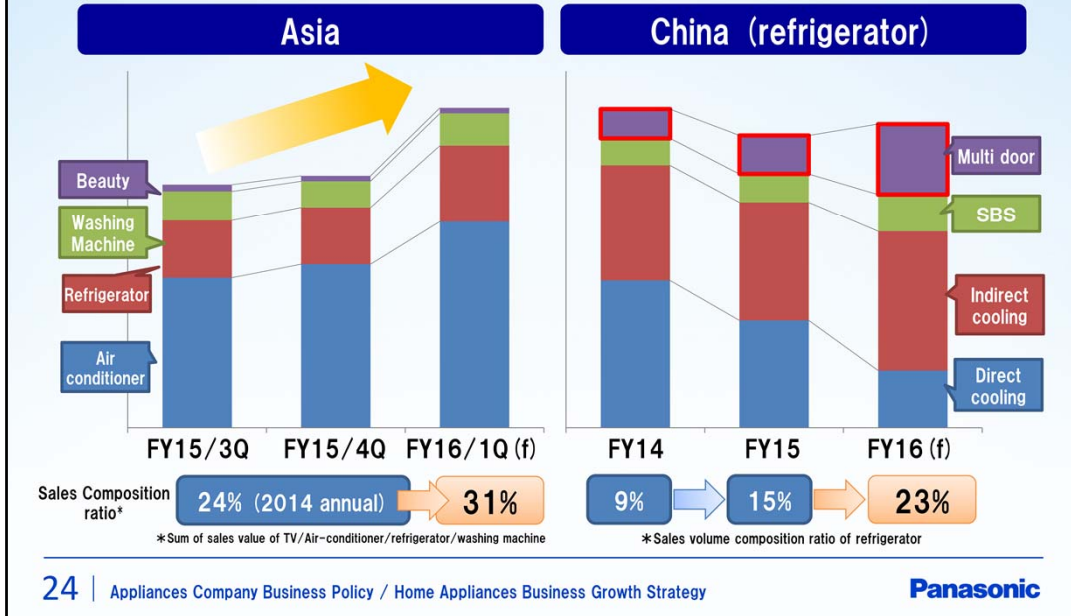


<Thailand>

- In order to strengthen premium zone, since last year we have been developing ‘aspiration’ marketing and increasing our brand exposure in Asia.
- Renewed storefront display which mainly shows ‘Made in Japan’ products, creating premium value by enhancing CS, roadshows or tie-ups with TV programs - we will continue to accelerate these initiatives and activities to promote ‘aspirational’ products.
- Furthermore, we will expand ‘aspiration’ marketing in China. We will open the ‘O2O Experience Salon’ on June 11 in Shanghai. Customers can actually try out our products at the salon and order them on line.

Sales results in Asia/China

Increase premium product sales ratio



- These initiatives in China and Asia are now bearing fruit and we can see the results of our efforts.
- In Asia, sales are increasing from the 2nd half of last fiscal year when we started 'aspirational' marketing. The sales proportion of the premium products is expected to increase from 24% in FY15 to 31% in the first quarter of FY16.
- With regard to refrigerators in China, sales were down as we intentionally reduced products in the high volume segment. However, the sales proportion of premium products such as multi-door refrigerators is steadily increasing. The ratio increased from 9% in FY14 to 15% in FY15. We plan to increase it to 23% in FY16.

Resources shift to growing business area

Strengthen company strategic function,
promote resources/business portfolio management



- Lastly, I will talk about strengthening resource shifts for growth strategy.
- In order to establish locally-self-sufficient business structure with integration of development, manufacturing and sales, we will increase our R&D team by a few hundred people. Meanwhile, R&D resources in Japan will shift to growth areas such as BtoB.
- At the same time, we will expand technology and know-how cultivated in the digital AV business to Appliance Company and strengthen white goods and promote globalization.
- Furthermore, we will strengthen marketing in China and Asia by applying the cutting-edge marketing and sales methods developed in the Japanese market.
- To accelerate these resource shift, we will strengthen company strategy functions such as resource and business portfolio management and achieve growth in the consumer electronics business.

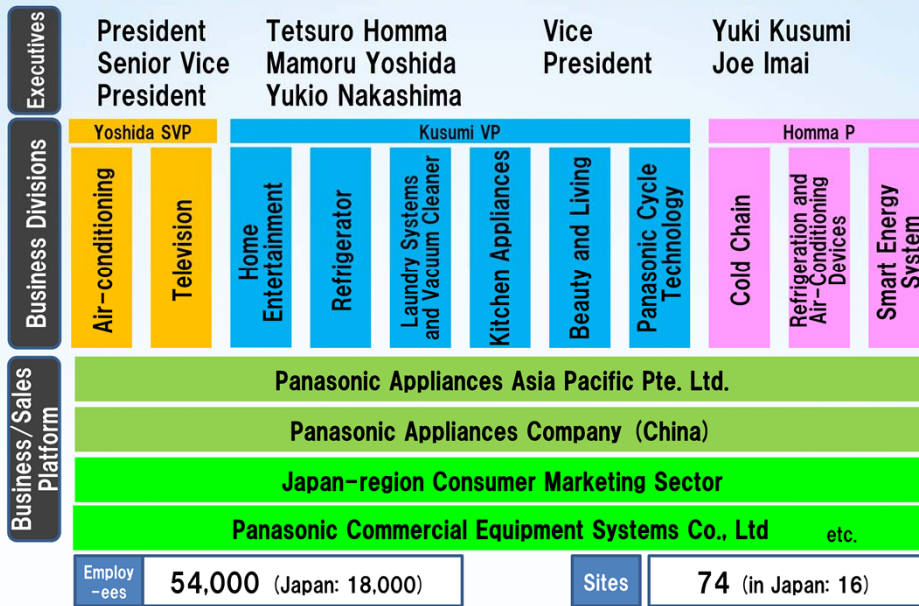
The Panasonic logo is centered within a light blue rectangular box. The word "Panasonic" is written in a bold, blue, sans-serif font.

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- Thank you for continuous support.

(Ref.) New Appliances Company

New structure started in April 1 with 11 business divisions



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