

Panasonic

AVC Networks Company Business Policy BtoB Solutions Growth Strategy

May 20, 2015

Panasonic Corporation
AVC Networks Company
President Yasuji Enokido

*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 of AVC Networks Company.

Contents

1. FY15 Results

2. FY16 Business Policy

3. BtoB Solutions Growth Strategy

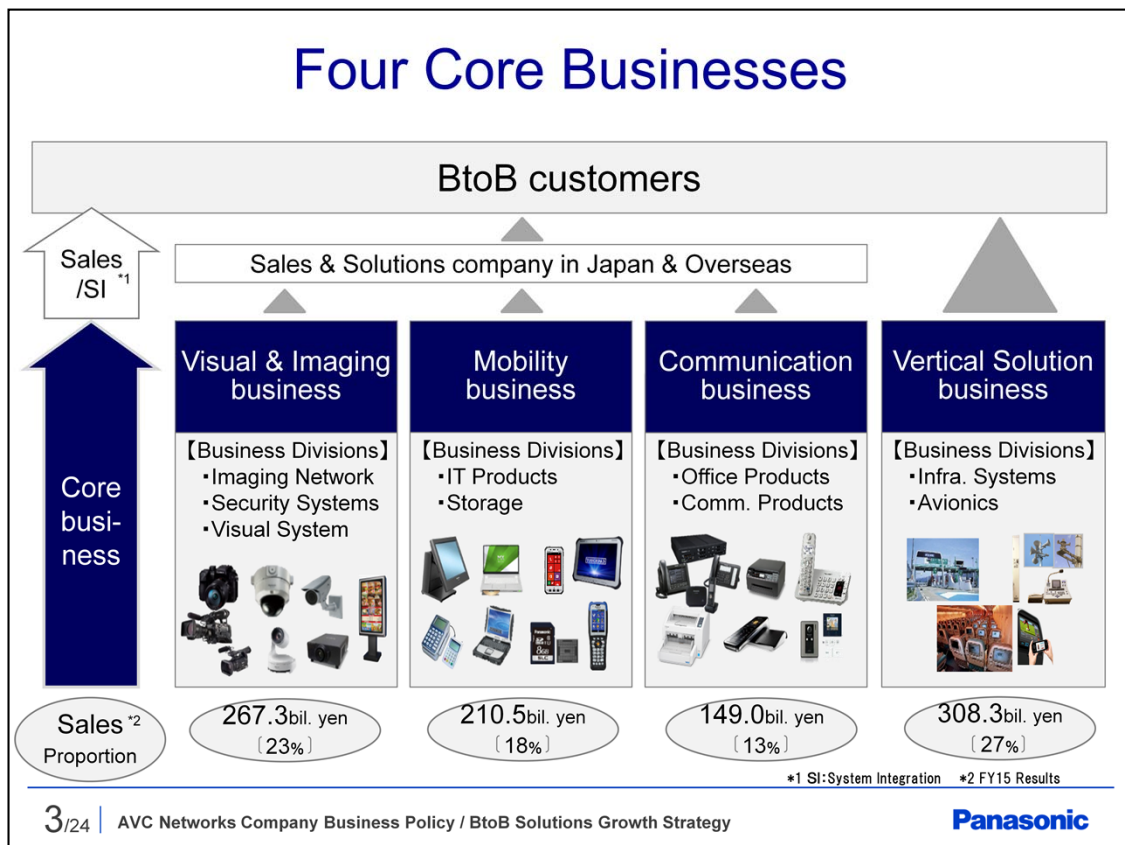
- I will talk about the three points which are stated on the slide.

Contents

1. FY15 Results

2. FY16 Business Policy

3. BtoB Solutions Growth Strategy



- There are four core businesses in AVC Networks Company.

1: Visual & Imaging business (three BDs);

- Imaging Network (DSCs, video cameras, broadcasting equipment)
- Security Systems (security cameras etc.)
- Visual System (projectors, flat-panels)

2: Mobility business (two BDs);

- IT Products (POS, notebook PCs, tablet PCs etc.)
- Storage

3: Communication business (two BDs);

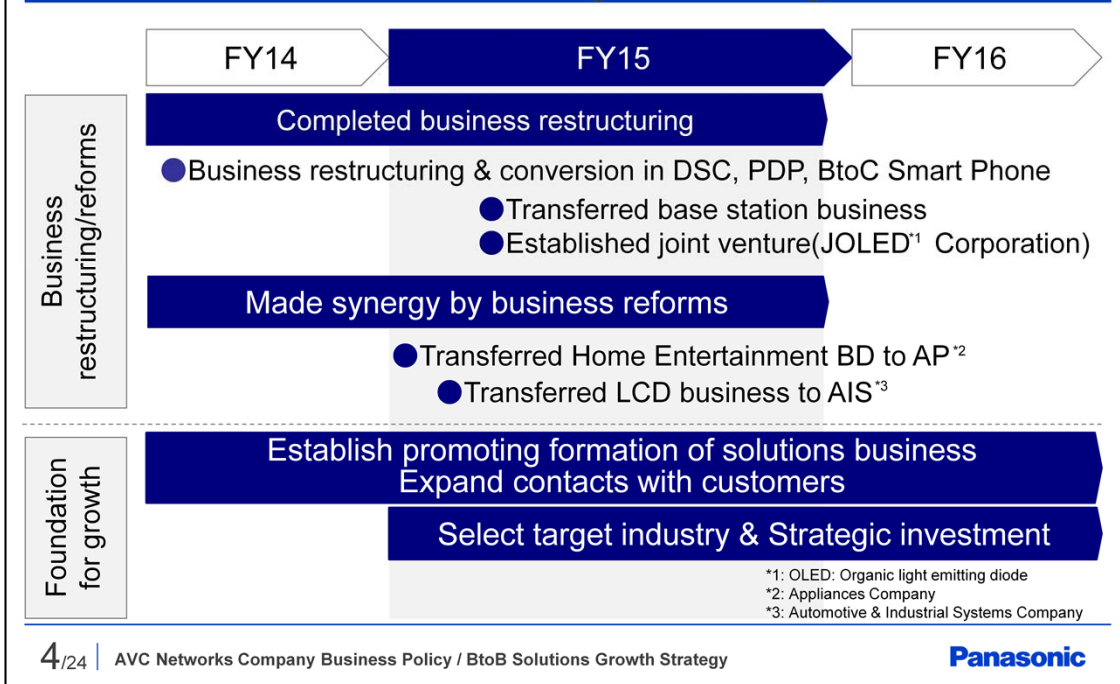
- Office Products (FAX machines, scanners, PBX, IP terminals)
- Communication products (fixed-phones, TV door intercom)

4: Vertical Solution business (two BDs);

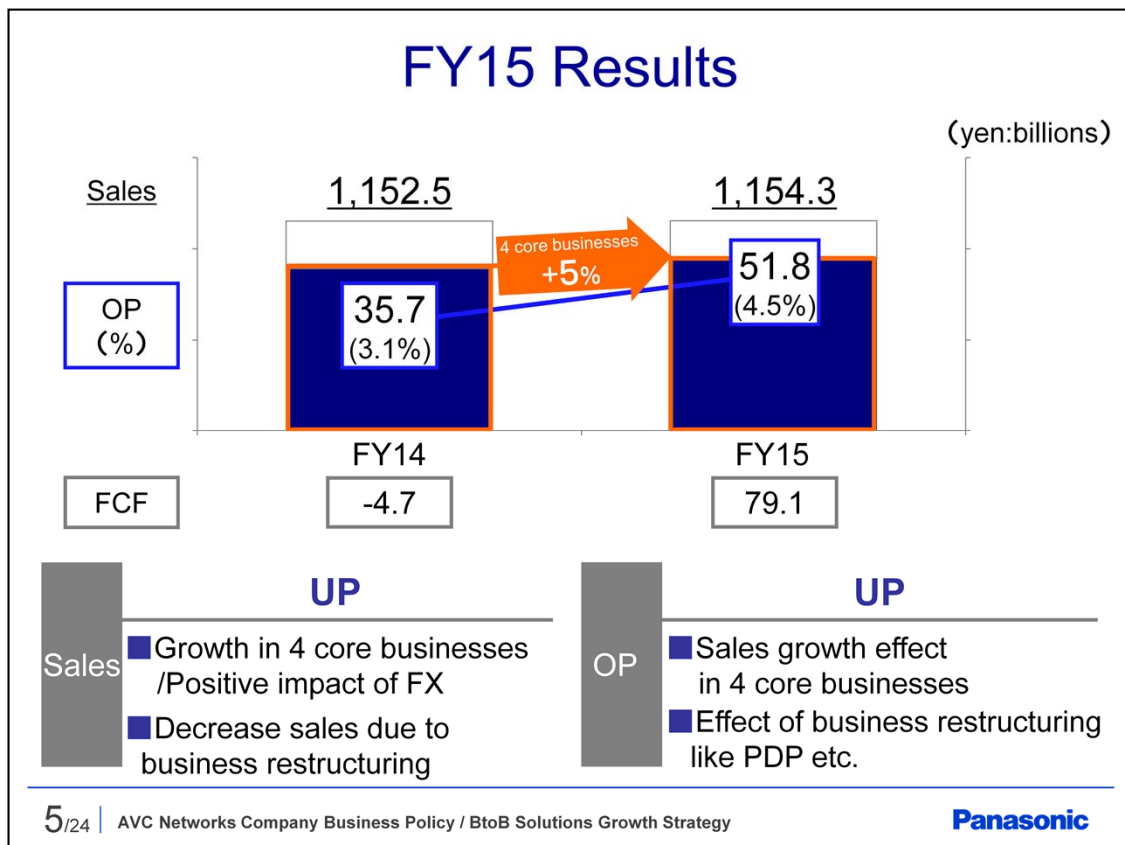
- Infrastructure Systems (mainly in Japan)
- Avionics (global business)

Status of FY15

Completed business restructuring and reforms
Commencement of building foundation for growth



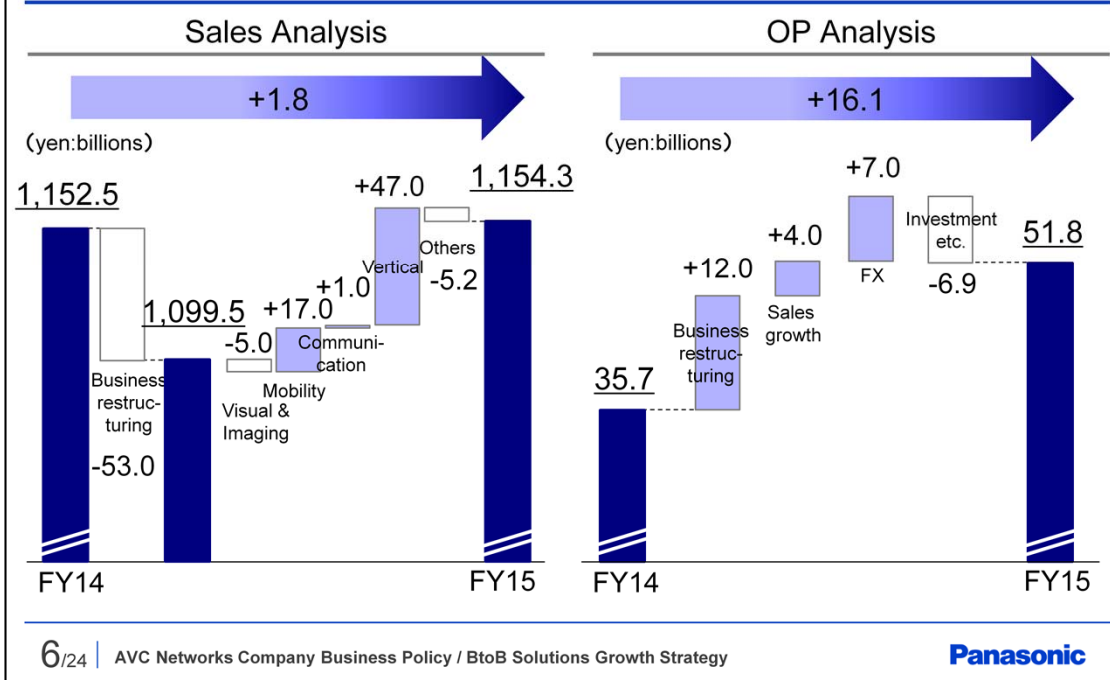
- Business restructuring in FY14 and 15 has been completed.
- Restructuring and transferring to new business areas were implemented in the DSC, plasma display and BtoC smartphone businesses.
- Transfer of the base station business and setting up the joint company for OLED development were also implemented in the last fiscal year.
- Furthermore, Home entertainment business (mainly videos and TVs) was transferred to Appliances. LCD panel business which is shifting to more industrial-use panels was transferred to Automotive and Industrial Systems. In this way, we carried out large scale business reform in order to create synergies within the group.
- At the same time, we are also focusing on foundation for growth. In FY14, we established a solution business promotion office in order to expand the customer base. We also started strategic investment in FY14.



- Sales were almost unchanged from the previous year, 1,154.3 billion yen in FY2015.
- Despite many businesses being transferred and restructuring being implemented, overall sales were almost unchanged with a sales increase of 5% in four core business.
- Operating profit improved to 51.8 billion yen as the company structure has strengthened. OP margin was 4.5%.
- FCF improved significantly as there were special factors such as business transfers and sales of land as well as an increase in profitability.

FY15 Sales and OP Analysis

Completed business restructuring for sustainable growth



- This slide shows sales and operation profit analysis.
- Business restructuring negatively impacted sales by 53.0 billion yen. However, sales increases in mobility (sales increase in Toughpads) and vertical solution (Avionics) offset the negative impact. As a result, overall sales were almost same level as the previous year.
- Operating profit was increased by business restructuring benefit (+12.0 billion yen), sales increases (+4.0 billion yen) and positive currency exchange impact (+7.0 billion yen). However, total investment was 6.9 billion yen, resulting in a 51.8 billion operating profit increase.

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1. FY15 Financial Results

2. FY16 Business Policy

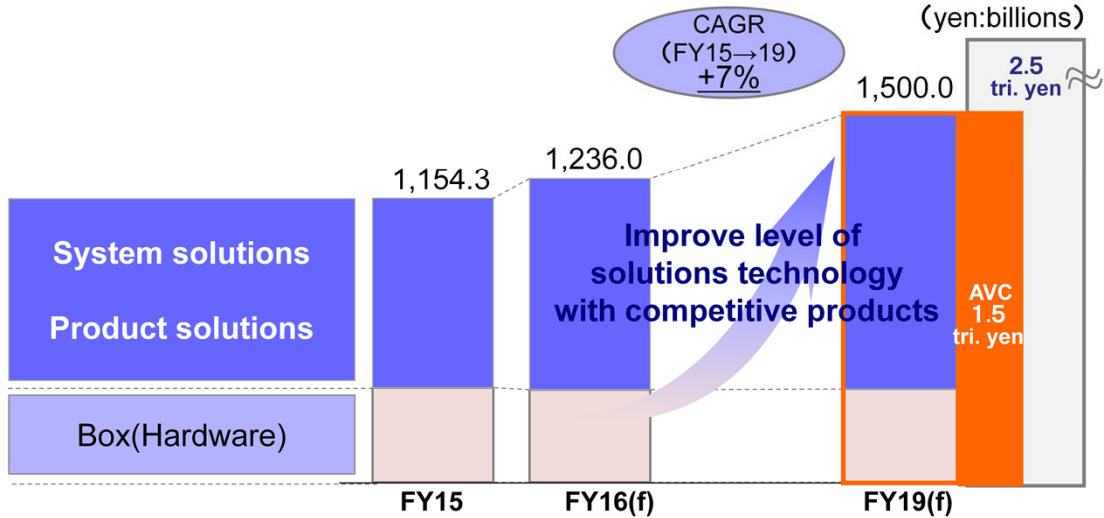
3. BtoB Solutions Growth Strategy

- Next, business policy for FY16.

Vision of AVC Networks Company

Directly offer business solutions to BtoB customers
by AV and ICT technology integration
- contribute to smart society in the cloud era -

■ 1.5 tri. yen contribution within “Corporate BtoB solutions total sales 2.5 tri. yen” in FY19

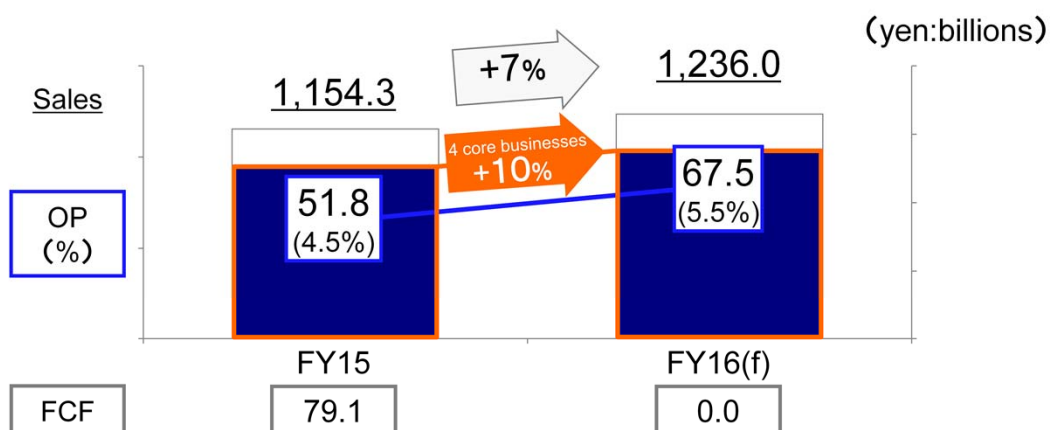


8/24 | AVC Networks Company Business Policy / BtoB Solutions Growth Strategy

Panasonic

- This slide shows vision of AVC Networks Company. The Company aims to offer solutions to BtoB customers by integrating AV and ICT technologies and products.
- Panasonic aims for 2.5 trillion yen sales in the BtoB solution business in FY19, of which AVC Networks Company accounts for 1.5 trillion yen.
- We stick to increase at a CAGR of 7% in order to achieve 1.5 trillion sales.

FY16 Business Policy and Targets



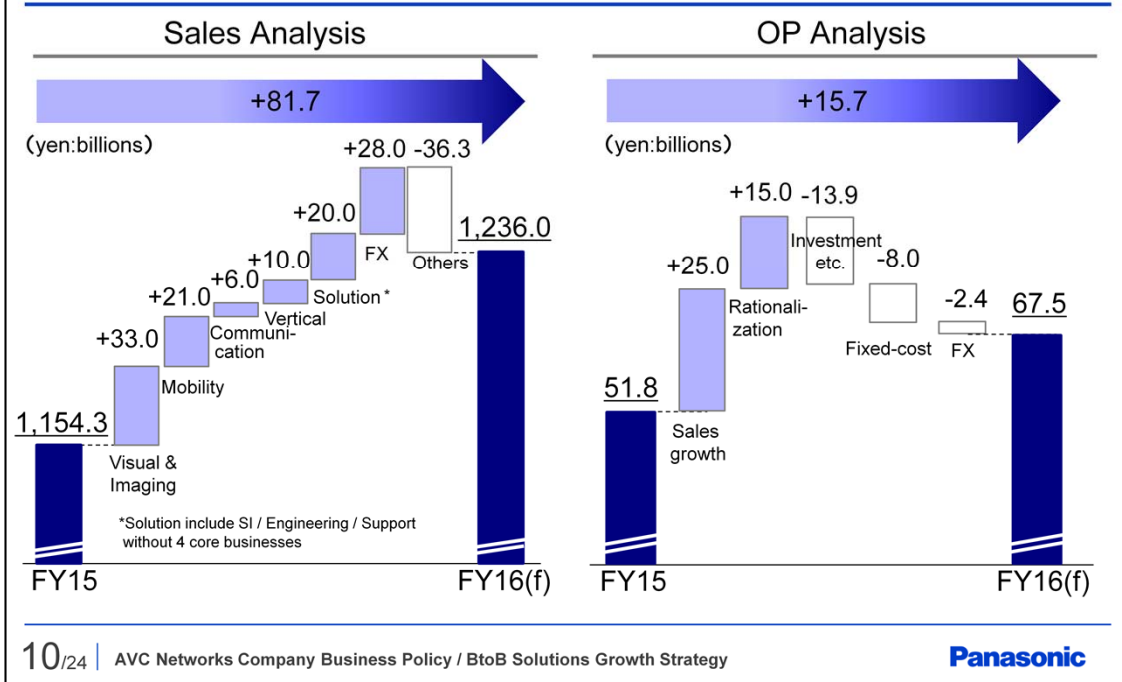
【Business Policy】

1. Sales and OP expansion by strengthening core businesses
2. Strengthen contacts with customers for business growth

- Management targets for FY16 is 1,236.0 billion yen sales, an increase of 7% from the previous year.
- 10% sales growth is expected in the four core businesses.
- We also aim for 67.5 billion yen of operating profit, 1% increase of OP margin through strengthen management structure.
- FCF, which includes profit increase, is expected to be unchanged due to special factors in the previous year.

FY16 Sales and OP Analysis

Advance to generate profit by sales expansion



10/24 | AVC Networks Company Business Policy / BtoB Solutions Growth Strategy

Panasonic

- This slide shows sales and operating profit analysis for FY16.
- After completed business restructuring in each core business, sales in all BDs are expected to increase as new products which were introduced in FY15 will start to contribute to overall sales growth.
- Sales in Solution, a new category will also contribute to overall growth significantly in FY16. Solution is the sales through SI, construction and service. These sales are not included in four core businesses and will be shown separately.
- We aim for 1,236.0 billion yen sales, including 28.0 billion yen increase from currency impact and other business restructuring benefit.
- We also aim for 67.5 billion yen operating profit. (sales increase: +25.0 billion yen, rationalization-price decline: +15.0 billion yen, investment: - 13.9 billion yen, fixed-cost: -8.0 billion yen, currency: - 2.4 billion yen)

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1. FY15 Results

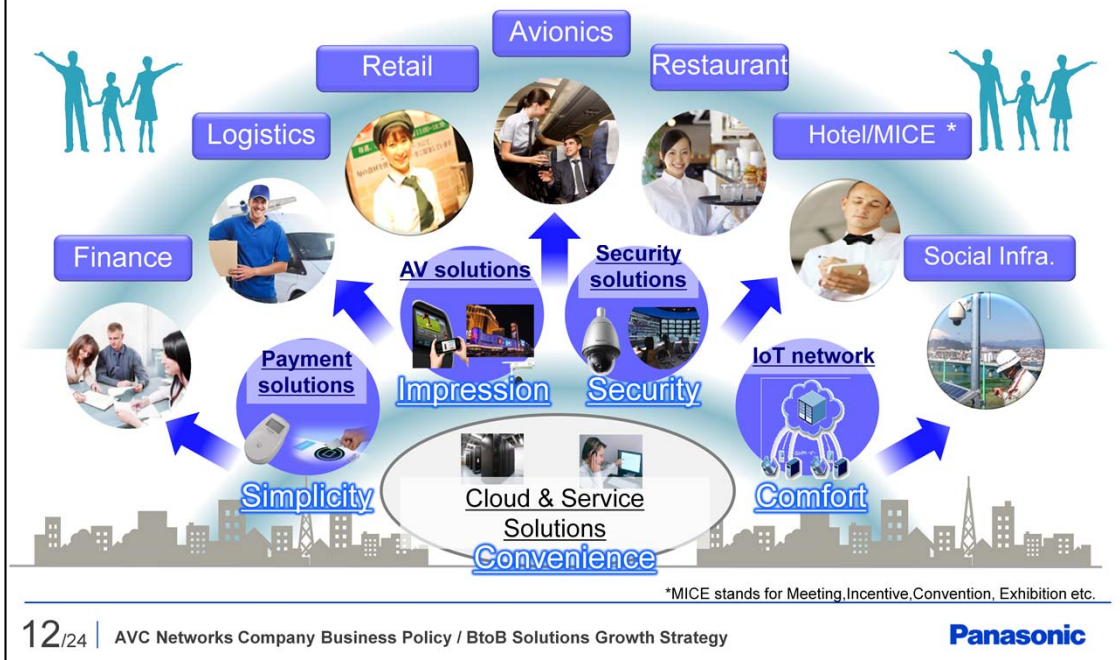
2. FY16 Business Policy

3. BtoB Solutions Growth Strategy

- Next is growth strategy towards FY19.

Overview of BtoB Solutions

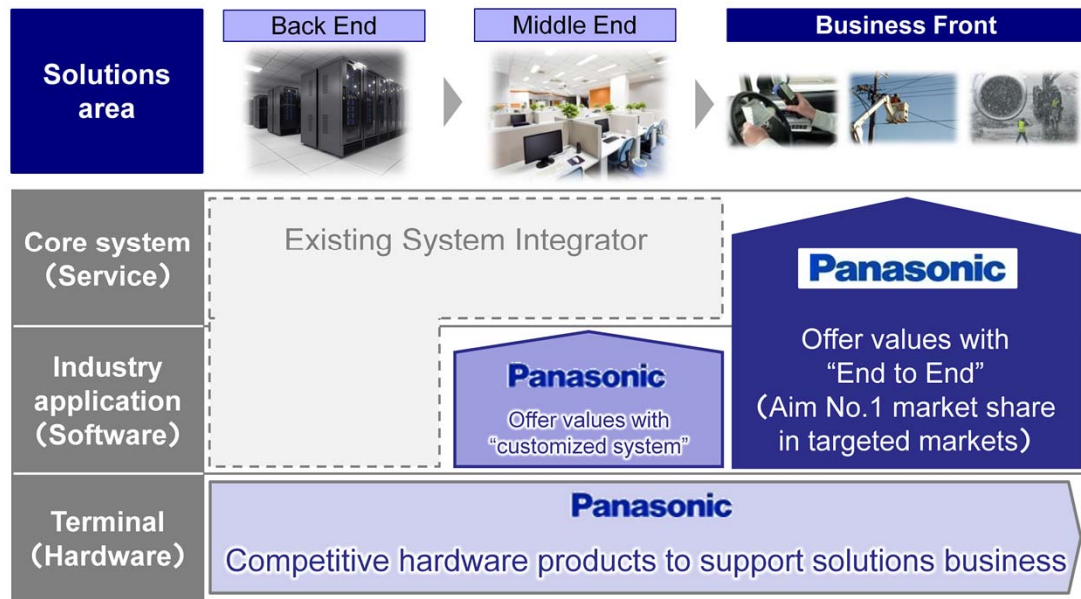
Offering values to service industries by utilizing our “DNA” experienced in consumer electronics business



- As previously mentioned, AVC Networks Company has been shifting to BtoB solutions business.
- By fully utilizing technologies and knowledge which are cultivated through consumer electronics, we will offer value-added solutions to the service industry.
- We are going to offer mainly four solutions to the service industry - payment solution, AV solution, security solution and IoT network solution.
- We believe the service industry has room to grow and this business will become one of our targets.

Direction of Business Development

Resolving customers' issue in "Business Front"



- Next is direction of business development. The reason we focus on the service industry is that we are able to solve customers' issues at the 'business front' where we have strength.
- Business front means 'on-site' - for example at convenience stores, supermarkets and distribution hubs. These industries have to interface with end-customers. Our strong technologies and expertise through consumer electronics will be able to solve customers' problems 'on-site' in industries like these.
- We will offer value-added 'End to End' comprehensive services including hardware, software and maintenance. This is our fundamental policy for BtoB business.

Key Initiatives for Growth

- Strengthen Products & Solutions
- Strengthen Contacts with Customers
- Strategic Investment

- Based on this, I will talk about key initiatives for growth from three aspects; products, customers and strategic investment.

Products/Solutions | Customer Contacts | Strategic Investment

Initiatives for Visual & Imaging business

Sales growth with solutions by strengthening competitive hardware

e.g. Strengthen products(4K line-up)

- Products differentiation by high resolution & visual processing/analysis & optical technology
- Suggestion of 4K solutions and wide usage like video production, store management, open exhibition, education etc..

4K Line-up

CAGR(FY15-19)
+7%

(Yen:billions)

Fiscal Year	Sales (Yen:billions)
FY15	267.3
FY16(f)	308.0
FY19(f)	350.0

15/24 | AVC Networks Company Business Policy / BtoB Solutions Growth Strategy

Panasonic



- First, products. With regard to Visual & Imaging business, we have core technologies such as high picture quality, image processing and analysis and optics.
- We are developing new products with these core technologies. We are shifting our sales focus to 4K products which we started to launch since last fiscal year.
- Although there were unprofitable products in the past, we have successfully shifted to growth strategy. A 7% sales increase is expected in FY16.

Products/Solutions | Customer Contacts | Strategic Investment

Initiatives for Mobility business

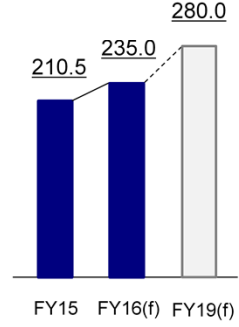
Improving hardware and line-up to meet customer needs

e.g. Strengthen products

<div style="text-align: center; border: 1px solid gray; padding: 5px; margin-bottom: 10px;">Tough Tablet</div> <p>■ Enhancement of line-up from handheld to 20 inch & 4K model</p> 	<div style="text-align: center; border: 1px solid gray; padding: 5px; margin-bottom: 10px;">Payment System</div> <p>■ Improvement of mobile POS terminal by tough & lightweight & payment technology</p> 
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CAGR(FY15-19)
+7%

(yen:billions)



210.5	235.0	280.0
FY15	FY16(f)	FY19(f)

16/24 | AVC Networks Company Business Policy / BtoB Solutions Growth Strategy **Panasonic**

- Secondly, Mobility business. We increased product line-ups from hand-held to 20-inch 4K tablets last year and this is now contributing to sales increase significantly.
- We will enter the mobile POS terminal business by taking advantage of our robust, light-weight, settlement and communication technologies.
- We will aim at a CAGR 7%.

Products/Solutions Customer Contacts Strategic Investment

Initiatives for Communication business

Improving hardware and line-up to meet customer needs

e.g. Strengthen products(business/home)

- Enhance line-up from small-large IP-PBX to voice-visual terminals
- Expand new channel by increasing peripheral terminals of home network system

PBX relevant

Large
Small
Visual
Voice

Home Network System

Water leak sensor
Inside siren
Outside camera
Inside camera
Main terminal
Cordless extension/controller
Smart plug
Human detecting sensor
Window/door sensor

CAGR(FY15-19)
+2%

(yen:billions)

Fiscal Year	Sales (yen:billions)
FY15	149.0
FY16(f)	158.0
FY19(f)	160.0

17/24 | AVC Networks Company Business Policy / BtoB Solutions Growth Strategy **Panasonic**

- Thirdly, communication business. FAX machines and fixed-phones were main pillar in the past but those markets have been shrinking every year. In order to offset the sales decrease, we started to launch new products since last fiscal year. In particular, PBXs and IP telephones for phone carriers are very competitive products.
- We also launched products in Home Network System, a new business in the U.S. We have received very positive reviews.
- Overall sales are expected to increase by 2% as sales in existing products are decreasing.

Products/Solutions | Customer Contacts | Strategic Investment


Initiatives for Vertical Solution business

Offering solution to customers with wide range of customer services

e.g. Initiatives for Avionics Business


IFE/GCS(Global Communication System)

- Integration of personal terminal
- Stabilized network quality



Repair & Maintenance


- Enhance remote maintenance



e.g. Initiatives for Infra. System Business

ITS

- Improve efficiency of installation by downsizing

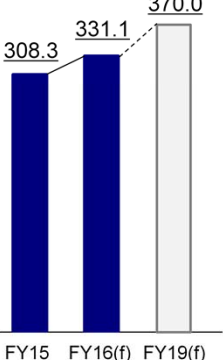


Next development: ETC2.0

- Discount rate toll applied for vehicles taking detour
- Support traffic control for commercial vehicle

CAGR(FY15-19)
+5%

(yen;billions)



Fiscal Year	Revenue (yen;billions)
FY15	308.3
FY16(f)	331.1
FY19(f)	370.0

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- Lastly vertical solution business.
- Avionics business has been favourable last year and this year with in-flight entertainment system, in-flight communication and repair/maintenance businesses. We will continue working on these three core businesses.
- With regard to Infrastructure System business, we have received orders for road/vehicle traffic system and wireless fire prevention system both in Japan and overseas. We will aim for growth in this area.

Products/Solutions | Customer Contacts | Strategic Investment

Initiatives for Strengthening Solution

Expansion of values for customer after installation of products
Offer customized solutions

SI **SE · Construction** **Support · Service**

e.g. Stadium solution

- Expansion of experience and know-how about installation of big screen system at the outdoors.
- Offer customized solutions with other products such as wide camera



Example of delivered case : Lincoln Financial Field(Pennsylvania, United States)





Strengthen Solution by reinforcement of SI & Engineering

19/24 | AVC Networks Company Business Policy / BtoB Solutions Growth Strategy **Panasonic**

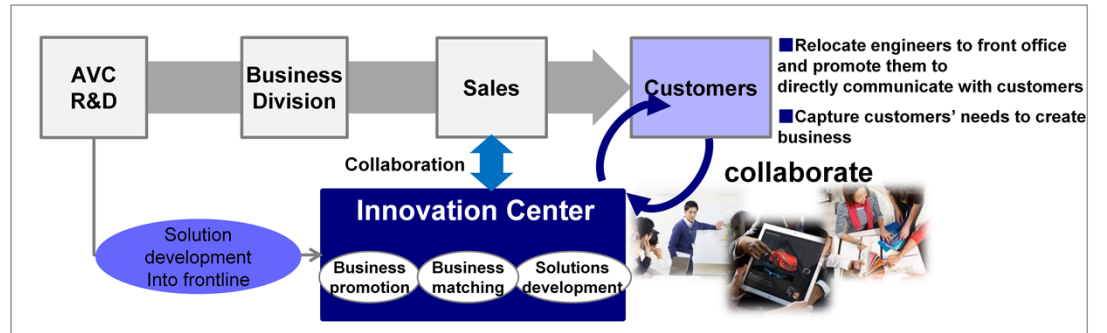
- I will explain one example of strengthening Solution which is the stadium solution.
- This Solution is growing in the U.S. Our competitiveness in large-size LED system, for outdoor-use such as stadiums or racetracks, has been increasing.
- Based on this large-size LED as a core product, we will offer solutions by combining these variety products such as wide cameras, security system and flat-panel displays.
- In this field, we can offer total solutions which include SI, system engineering, construction, maintenance, operation and services. We will expand this business of course in Japan towards the Olympic games as well as Latin America and Asia.

Enhancement of Customer Touch points

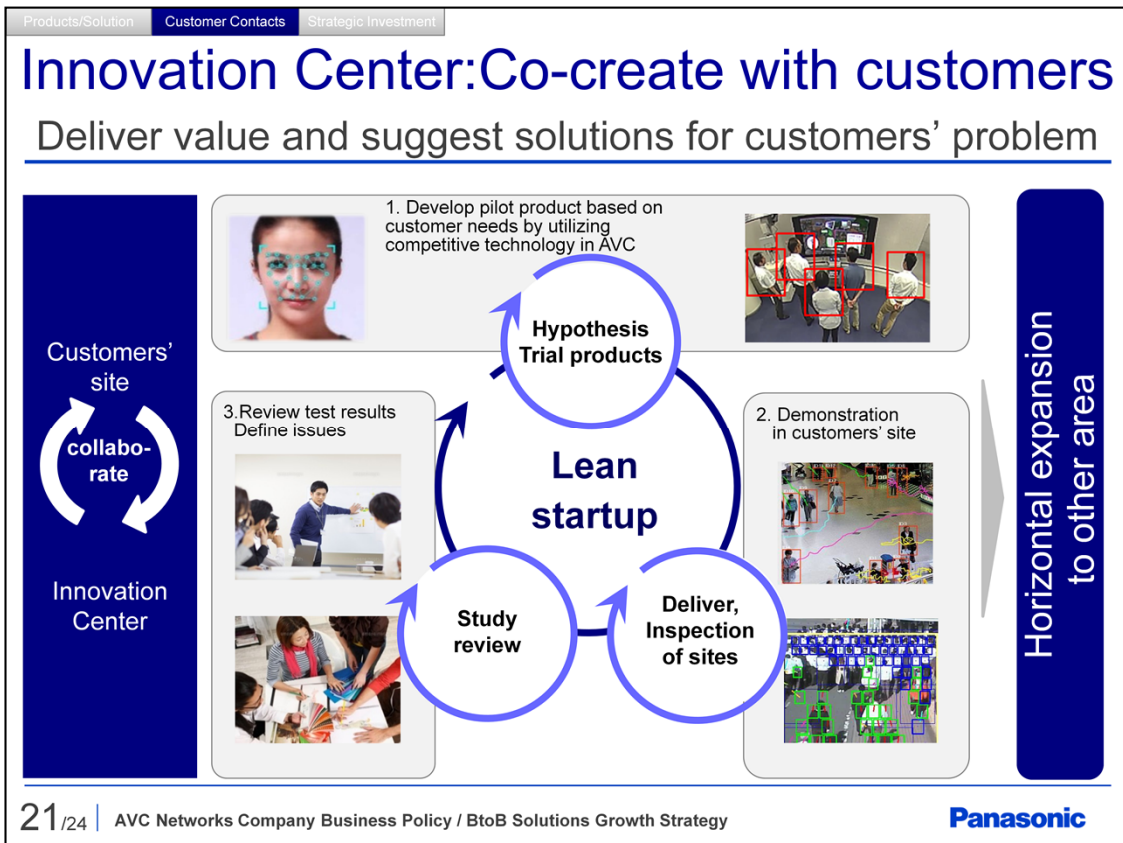
New Establishment of "Innovation Center" (April 1, 2015)

Accelerate innovation of "Business Front" with customers with closer relationship between marketing and R&D

- Employees : approximately 500 people(including around 400 engineers)
- Main location : Yokohama city in Japan



- Next, initiative for customers. Innovation center was established on April 1 in Yokohama, Japan in order to achieve closer relationship with customers and to strengthen our internal operations of manufacturing, production and sales.
- Currently there are approximately 500 workers. We reallocated 400 engineers who belong to R&D division at AVC headquarter to this innovation center.



- This is an image of initiatives at innovation center. As we have started virtual operations since last fiscal year, we have already marketing many activities.
- In innovation center, with regard to customers' management issues, we formulate a hypothesis, demonstrate tests at customer's site, review test results/feedback and improve the situation. We speed up this sequence of cycle. We will share and create this process with customers and develop new type of solution business.

Products/Solution	Customer Contacts	Strategic Investment
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Non-organic Growth by Strategic Investment

Promoting M&A and partnership centering on main industries

Strategy	<ul style="list-style-type: none"> ▪ Complement of products and technology ▪ Acquisition of sales channel ▪ Establish SI and engineering organization
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FY15 Results	FY16~
<ul style="list-style-type: none"> ▪ Promoted M&A in global (10 cases in JP/US/EU etc.) ▪ Contributed 20.0 bil. yen in sales growth in FY16 <div style="border: 1px solid #ccc; padding: 5px; margin-top: 10px;"> <p style="background-color: #003366; color: white; text-align: center; font-size: small;">Satellite communication services Co.</p> <p style="text-align: center;">ITC Global</p> <p style="font-size: x-small;">Have entered into a definitive agreement for Panasonic to acquire ITC Global</p> </div>	<ul style="list-style-type: none"> ▪ Accelerate activities in FY16 and FY17 to reach 1.5 tri. yen in FY19 ▪ Study and executive investment strategy centering on service industries and North America

22/24 | AVC Networks Company Business Policy / BtoB Solutions Growth Strategy **Panasonic**

- Lastly, strategic investment. We will promote non-organic growth.
- We are reviewing M&A activities from many different aspects such as supporting our existing products and technologies, acquiring new sales channels and establishing SI/engineering structures.
- We undertook ten M&As in FY15 and their sales contribution for FY16 is approximately 20.0 billion yen.
- One of examples is 'ITC Global', a satellite communication service company to be acquired by Panasonic Avionics business.
- We will strengthen strategic investment in FY16 and after.

Initiatives for North America

Will newly establish AVC Networks North America Division

Objective

- Enhance relationship with customers whose headquarters located in North America
- Accelerate growth strategy for business in North America

Initiatives

- Establish relationship with partners' executives and promote collaboration
- Promote non-organic growth strategy (M&A and alliance etc.)

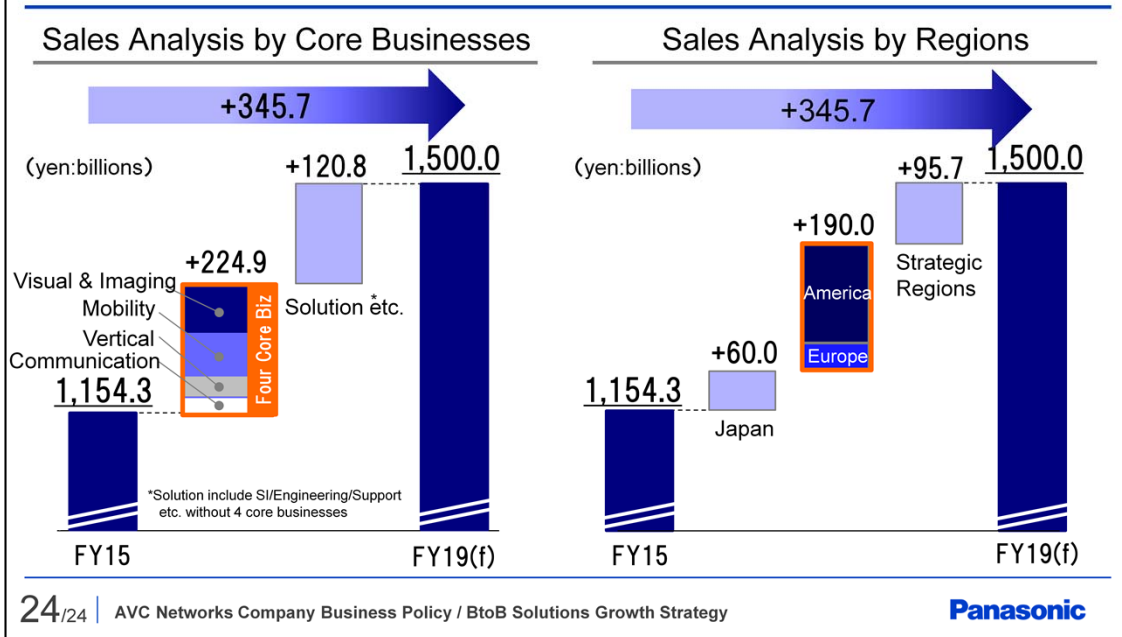
President of AVC Networks Company based in U.S.
to promote growth strategy promptly

- I will introduce a very unique initiative. We will establish “AVC Networks North America” division in North America as the largest market
- The purpose of this is to strengthen the close relationship with global customers whose headquarters are located in North America. We will establish a growth strategy in North America where the service industry market is the biggest in the world.
- I, the president of AVC Networks Company, will be based in the U.S. in order to establish growth strategy from the viewpoint of North America, including investment for non-organic growth.

Toward 1.5 Trillion yen in FY19

Core business: 4 core businesses and solutions

Regional business: Europe and Americas



- I will explain 1.5 trillion yen sales strategy towards FY19.
- Sales in the four core businesses are expected to be 224.9 billion yen. Sales in Solution, a new category started to explain from this year, is expected to increase significantly.
- With regard to strategic investment, we will focus on Solution.
- By region, we will expand sales mainly in U.S. and Europe.

The Panasonic logo is centered within a light blue square that has a subtle radial gradient. The logo itself is the word "Panasonic" in a bold, blue, sans-serif font.

Panasonic

- Thank you for your continuous support.

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