

Panasonic

Eco Solutions Company Growth Strategy for Housing Business

May 20, 2015

Panasonic Corporation
Eco Solutions Company
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Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "fiscal year 2016" or "FY16" refers to the year ending March 31, 2016.

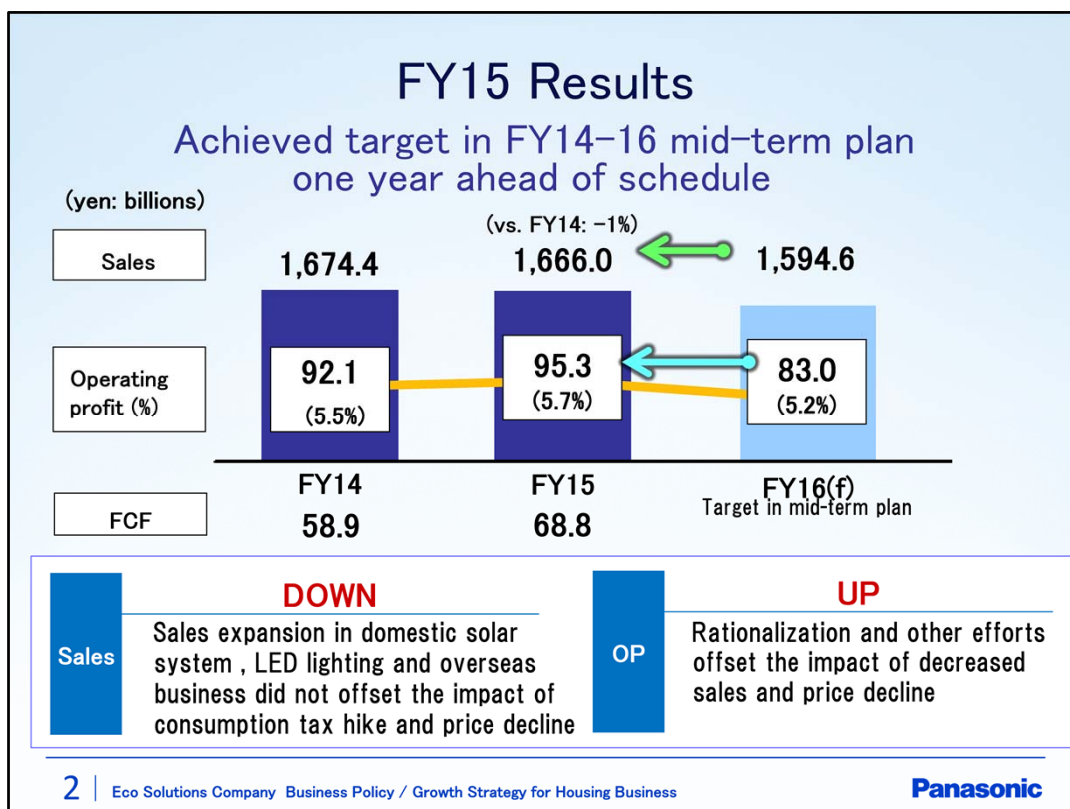
- Eco Solutions Company growth strategy for housing business.

FY15 Results

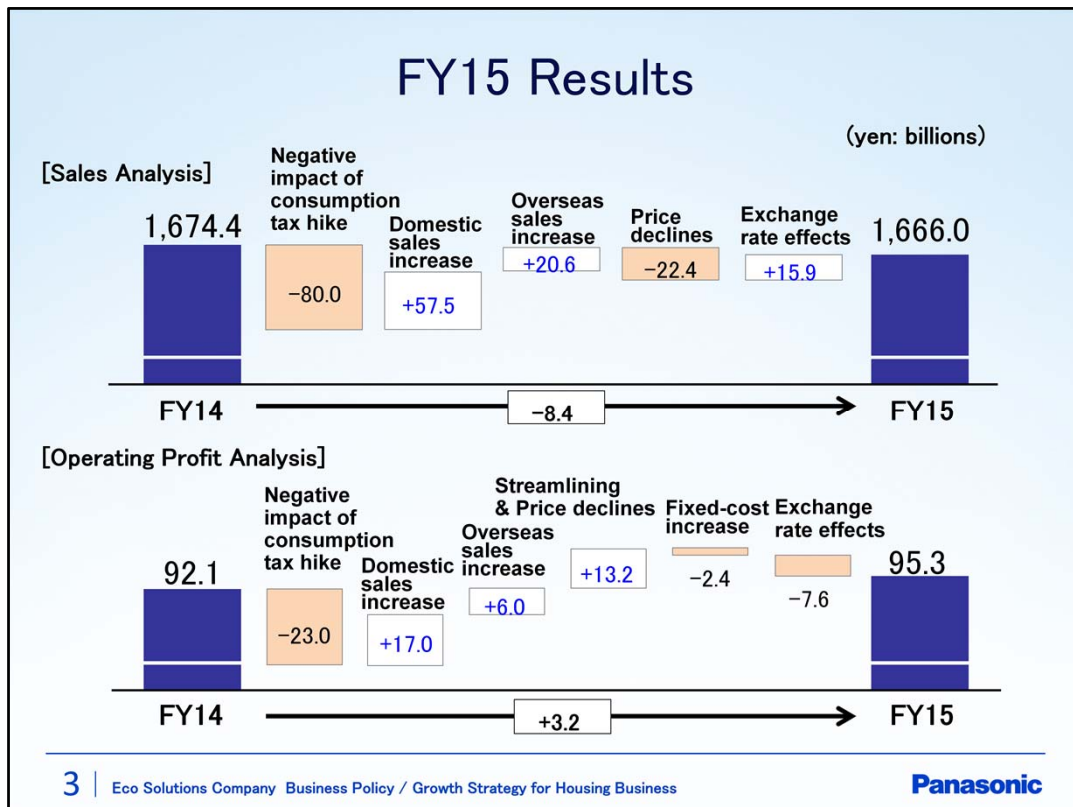
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- FY15 results.



- Sales amounted to 1,666 billion yen, down by 1% from last year in FY15. However, operating profit was up for the third consecutive year by 3.2 billion yen from last year.
- Free cash flow was 68.8 billion yen, up 10 billion yen from last year.
- As a result, we achieved sale and operating profit targets of our mid-term plan 'CV2015', one year ahead of schedule.



- Sales were negatively impacted by 80 billion yen due to the negative impact of the consumption tax hike in Japan mainly in the detached housing market.
- Price declines in lighting and solar businesses were also negatively impacted overall sales by 22.4 billion yen.
- However, sales increased in solar for residential use in Japan and LED lightings. Acquisition of VIKO in Turkey also contributed to sales growth in Energy System business. However, overall sales were down by 8.4 billion yen.
- Profitability was negatively impacted by 23 billion yen due to sales decrease, following by the consumption tax rate hike as well as 7.6 billion yen of yen depreciation. However, sales increases both in Japan and overseas positively impacted profitability. Streamlining which exceeded price decline also contributed to the overall profit increase, resulting in a 3.2 billion yen profit in total.

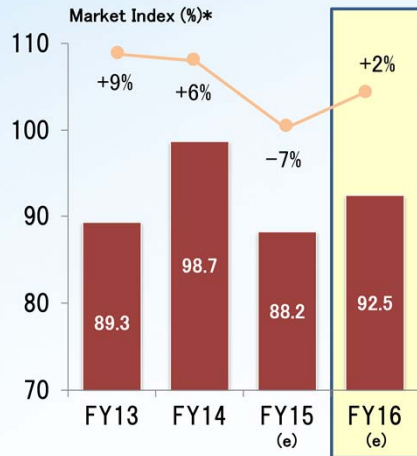
FY16 Business Policy

- Business policy for FY16.

Market Environment in Japan

New Housing Starts

(Unit: Ten thousand dwelling unit)

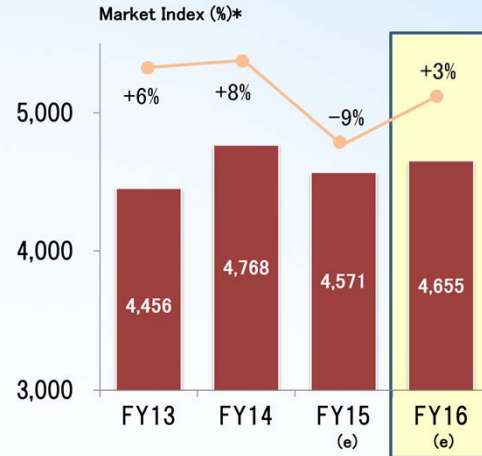


Source: Japan Center for Economic Research

*Market Index (%): The index indicates revised comparison with the previous year taking into account the time lag from the start of construction work to the delivery of products.
This index is based on Panasonic's estimation.

Floor Area of Non-housing Starts

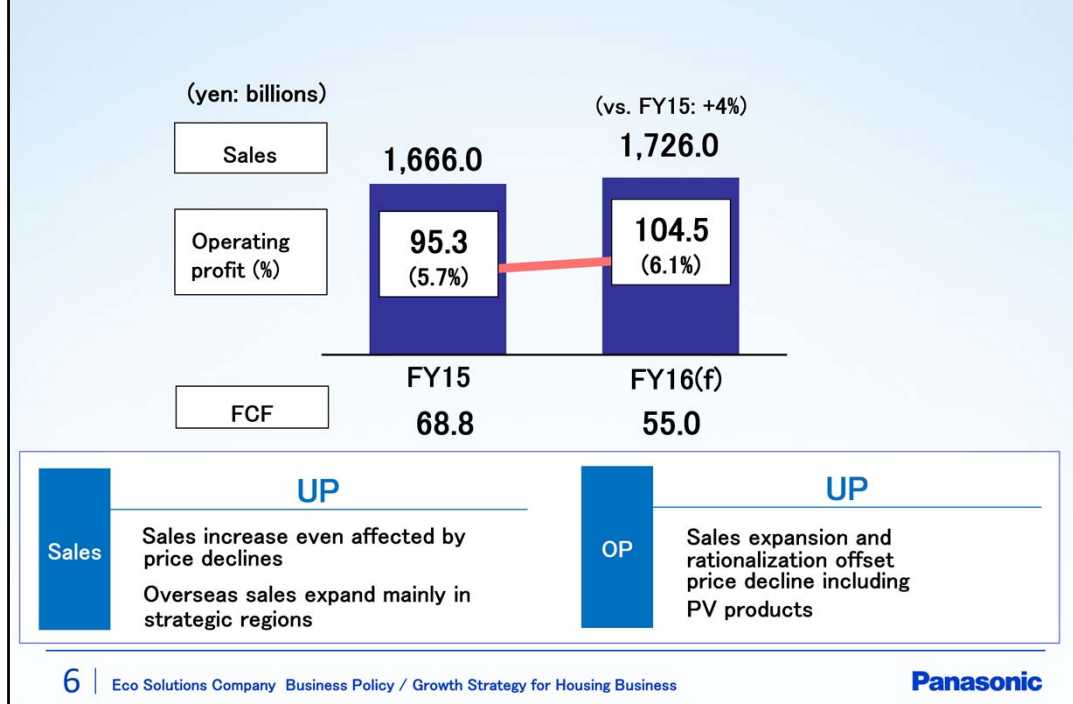
(Unit: Ten thousand square meters)



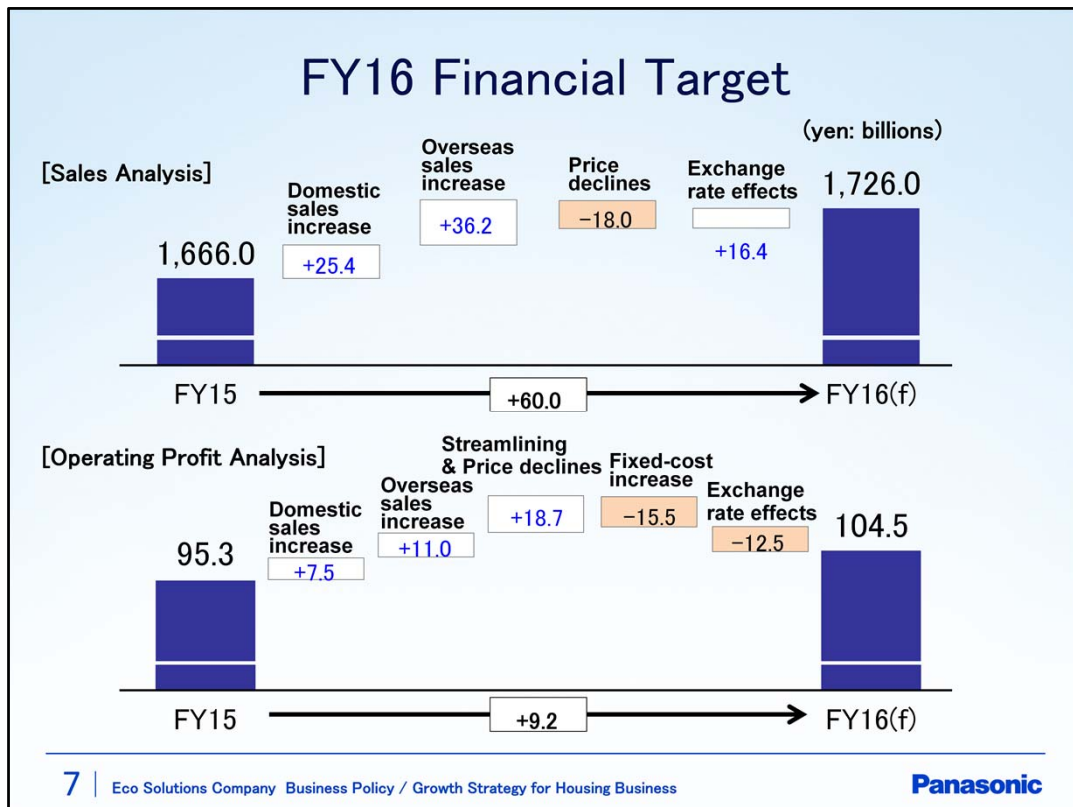
Source: Research Institute of Construction and Economy

- This slide shows market environment in Japan for FY16.
- New housing starts were 882,000 units in FY15. This is expected to increase to 925,000 units in FY16.
- Market index is expected to increase by 2% from the previous year, taking into account the time lag from the start of construction work to the delivery of products.
- Market index in floor area of non-housing starts is also expected to increase by 3% from the previous year.

FY16 Financial Target

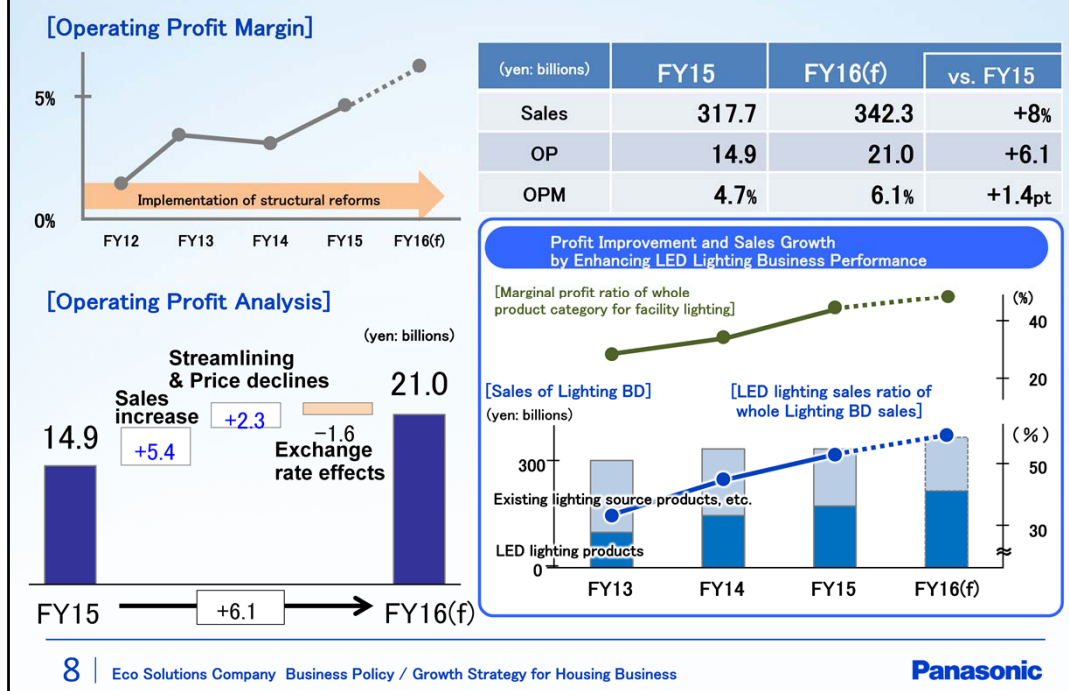


- Under these market circumstances, sales is expected to increase by 4% from last year to 1,726 billion yen.
- Operating profit is expected to be 104.5 billion yen, up 9.2 billion yen, with OP margin of 6.1 %.
- Free cash flow is expected to be 55.0 billion yen, a decrease of 13.8 billion from last year. This is due to increase in capital investment in each business.



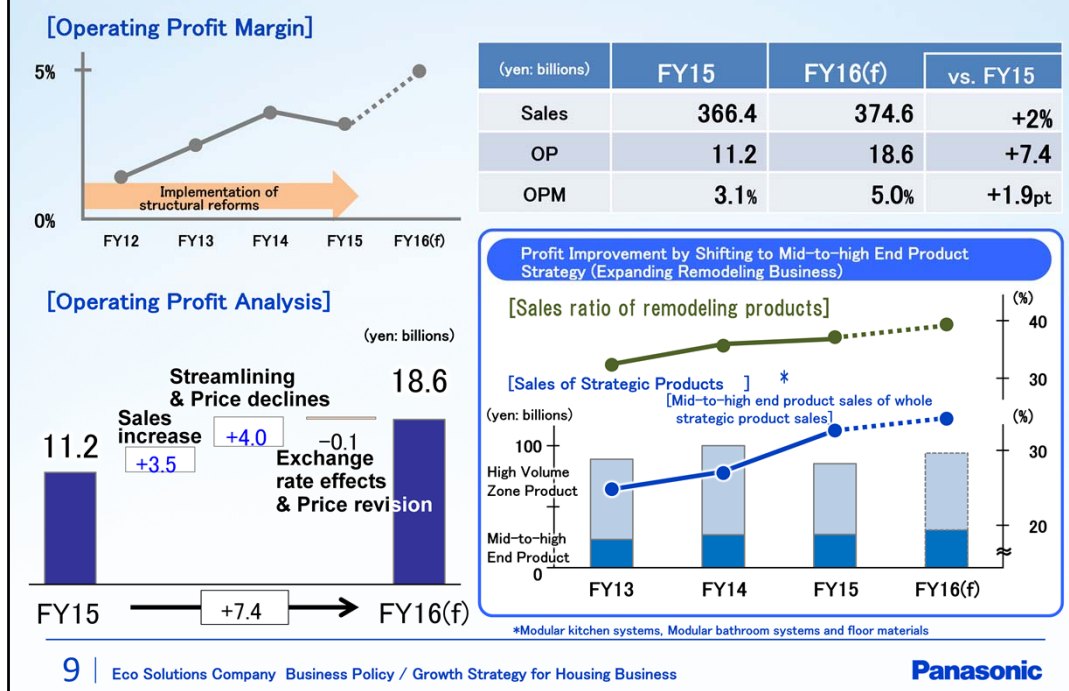
- Sales increases mainly in LED lighting by expanding market share in Japan are expected to offset sales decrease owing to price declines in solar and lightings.
- In overseas, sales increases in wiring equipment mainly in Asia and ASEAN regions, and LED lighting are predicted.
- Fixed-cost increases such as higher labour costs and impact of yen depreciation will negatively impact profitability. However, we will aim for operating profit of 9.2 billion yen thanks to sales increases both in Japan and overseas as well as streamlining which exceeds price decline.

Initiatives of Lighting BD



- Next, Lighting BD and Housing System BD which belong to Eco Solutions Company in the six large scale businesses with still under 5% OP margin.
- First, Lighting BD. We have been implementing various business restructuring since FY12 but we will complete it in FY16.
- Profitability has been improving every year thanks to the restructuring benefit and strengthened competitiveness in LED lighting. OP margin was 4.7% in FY15 and we aim for 6.1% in FY16. Sales is expected to be 342.3 billion yen, up by 8% from last year.
- In Lighting BD, we focused on profit improvement in LED products by responding to growing demand for LED lighting.
- As a result, marginal profit has been improving every year due to efforts in streamlining which exceeds price decline.
- Furthermore, the sales ratio of LED products has been increasing.
- Expansion of LED products offset sales decline in conventional type of lighting products. As a result, overall profitability can be improved.
- We strive to improve profitability furthermore by increasing product line-ups in LED lighting as the No.1 market share company in Japan. The growth in strategic markets also contribute to increase overall profitability.

Initiatives of Housing Systems BD



- Next, Housing System BD. We were implementing various business restructuring until FY15 and our efforts now bear fruit.
- Both sales and operating profit decreased in FY15 due to the large impact of consumption tax rate hike in Japan. However, profitability has been improving for sure, we aim for 5% of OP margin in FY16.
- Sales are expected to be 374.6 billion yen, up 2% from last year while operating profit is expected to be 18.6 billion yen, up 7.4 billion yen.
- We endeavor to curb the burgeoning fix-costs such as labour cost thanks to the restructuring effect and to improve marginal profit by streaming efforts including replacing with new products.
- Furthermore, we focus on sales expansion in remodeling market where demand is strong so that we can increase sales ratio in middle and high-end of products. Through these initiatives, we aim to increase profitability.
- In overseas, we will offer more products relating to housing business which PanaHome is also proactively engaged in. We are also marketing device products to overseas makers.

Growth Strategy for Housing Business – Towards FY19 –

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- Growth strategy for housing business towards FY19.

Business Vision and Business Brand

Business vision

Homes & Living

A better life begins at home.

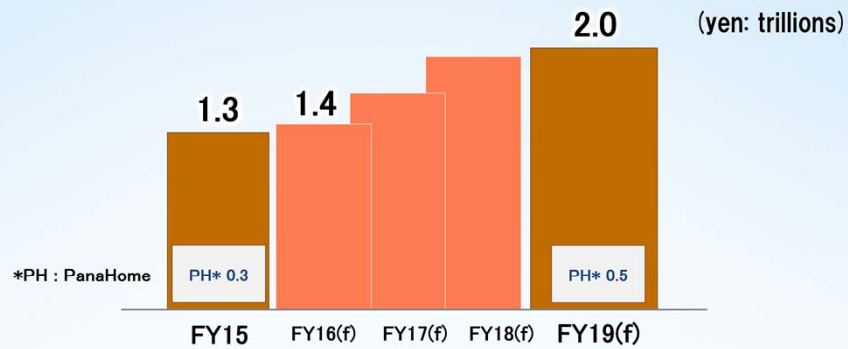
Business brand

Panasonic

Homes & Living

- This year, we set up our business vision and business brand.
- Business vision is 'Homes & Living, a better life begins at home.' We offer unique living spaces to customers, where we put together our knowledge and technology of consumer electronics, equipment and housing through 'Cross-Value Innovation.'
- We also strengthen our housing business with 'Panasonic Homes & Living.'

Growth Strategy for Housing Business

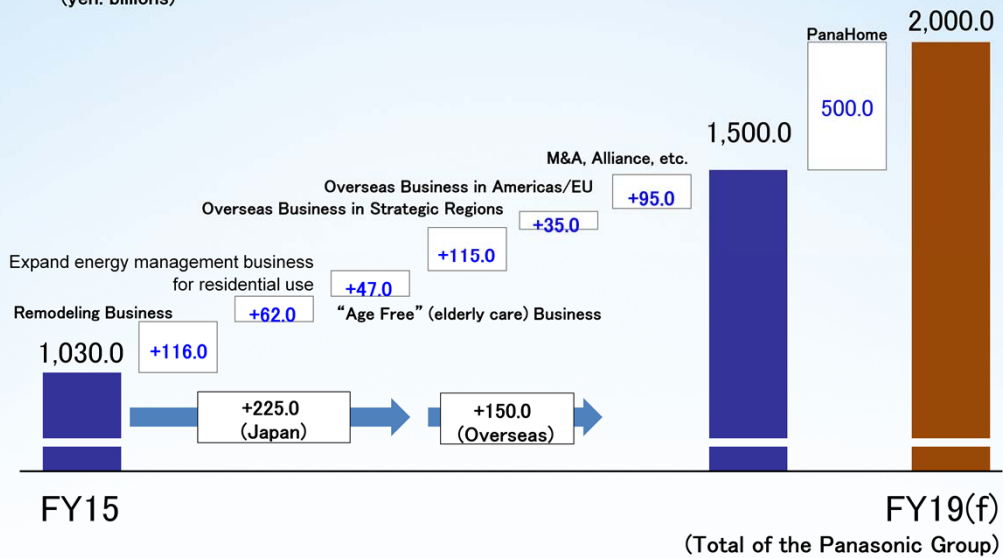


	Japan	Strategic Regions	Americas/EU
[1] Strengthen Remodeling Business	◎		
[2] Expand energy management business for residential use	◎	○	○
[3] Expand "Age Free" (elderly care) Business	◎	○	
[4] Expand Overseas Business for Housing Equipment		◎	◎

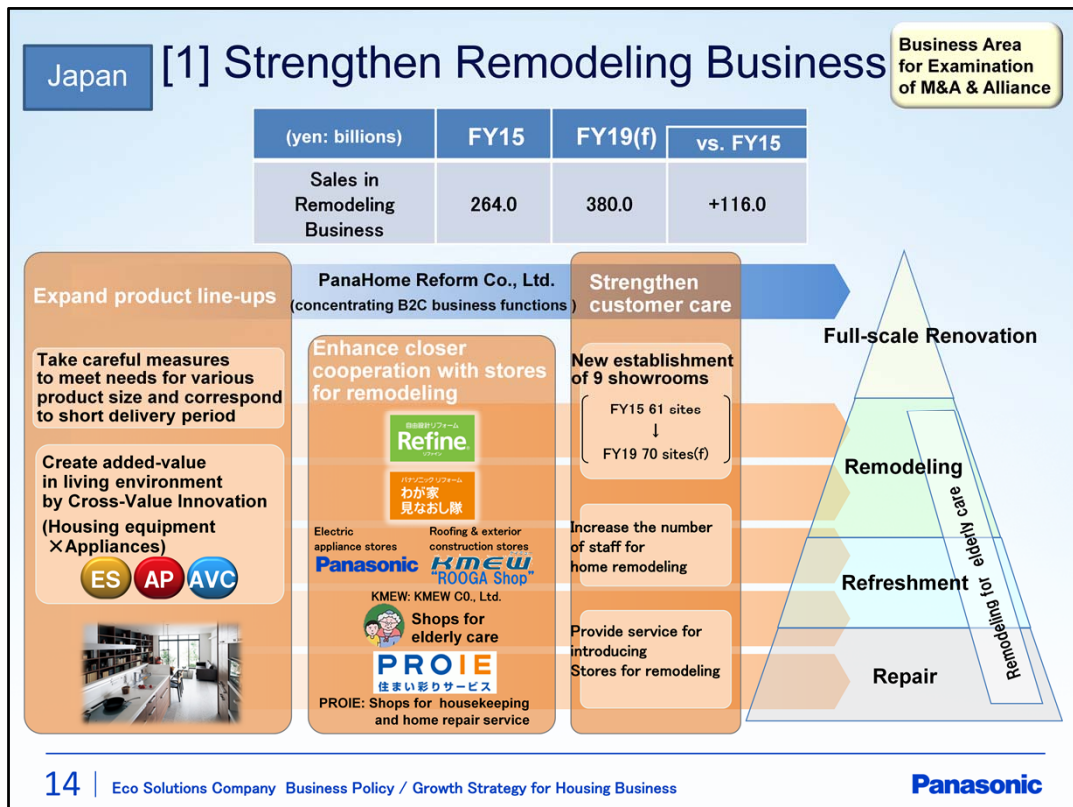
- In our housing business, sales in FY15 were 1.3 trillion yen, and we target 1.4 trillion yen in FY16 and 2 trillion yen in FY19.
- We will focus on remodeling business and three other businesses shown here to expand sales.

Growth Strategy for Housing Business

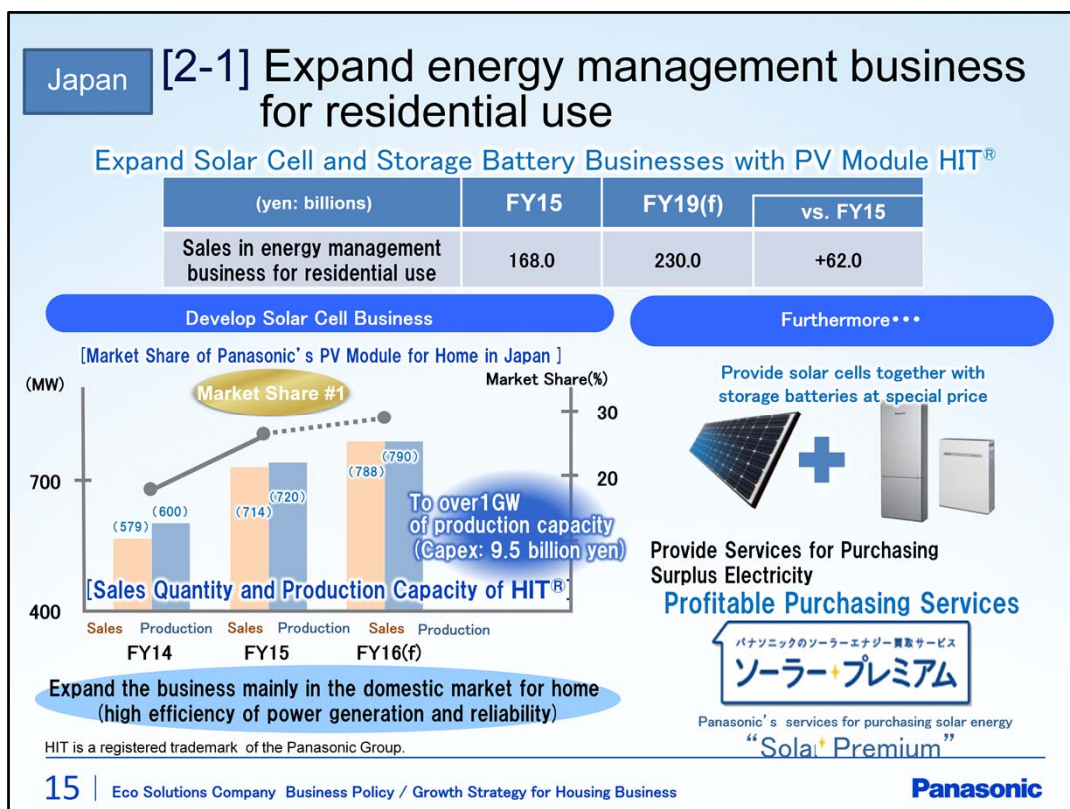
(yen: billions)



- This chart shows the breakdown of 2 trillion yen sales target, where we add sales in PanaHome.
- I will talk about strategies in ES from next slide.



- In remodeling business, we target 380 billion yen in FY19, from 264 billion yen in FY15.
- First, we strengthen customizing product line-ups, taking careful measures to meet needs for various product size and correspond to short delivery period by utilizing IoT, and creating added-value in living environment by ‘Cross-Value Innovation.’
- Second, we enhance cooperation with stores for remodeling business. Since we have full line-up for sales channels, such as Refine shops, electric appliance stores, roofing & exterior construction stores, PROIE shops, shops for elderly care, etc. they allows us to meet customers’ demand from small-lot maintenance to complete remodeling including remodeling suitable to elderly care. We also strengthen the relationship between shops and stores.
- Third, we strengthen customer care, increasing the number of our showrooms up to 70 in Japan, adding 9, and increasing the number of consulting staff for home remodeling business to meet more customers at showrooms. We also provide intermediate service for introducing stores for remodeling to customers visiting our showrooms.



- In home energy management system business, we target 230 billion yen sales in FY19 from 168 billion yen in FY15.
- We have expanded business through our strong domestic residential construction sales channel with focusing solar cells 'HIT' where we see our advantage of high conversion efficiency and reliability. We have also spent money to expand capacity and cost reduction by improving production process. We expanded business continuously along with the demand increasing in and out side of Japan as well as we expand our market share. We therefore invest 9.5 billion yen to expand capacity to 1GW in the factories in Shimane and Shiga, Japan.
- We will offer solar cells with storage battery and HEMS to provide the idea of 'create energy, save energy and use energy effectively' at home aggressively. We plan to introduce a new promotion from June 22 where customers who buy HIT will be able to buy storage battery system at the discounted rate.
- We also introduce services where the customer who buy HIT will be able to sell electricity to us at premium price.
- Although we expect the situation may worsen due to yen depreciation and price decline, we will further accelerate our solar cell business.

Japan [2-2] Expand energy management business for residential use

Lead the Industry in Standardization of HEMS

Develop HEMS-related Business
(HEMS plays an extremely important role in electric utility infrastructure)

Change approx. half of Panasonic's distribution panelboards to "Smart Cosmo" for HEMS

Expand product line-ups of HEMS-related equipment
Ceiling-embedded air purifier
Electric window shutter

Market Share #1

Distribution Panelboards "Smart Cosmo"
Smart Cosmo is a registered trademark of the Panasonic Group.

Service Business for Purchasing Surplus Electricity

Expand business aiming for more than half a million of retail contracts (FY19)

House with solar power generation system
Purchasing electricity at a premium price
Panasonic
Providing electric power-related services
Customers purchasing electricity

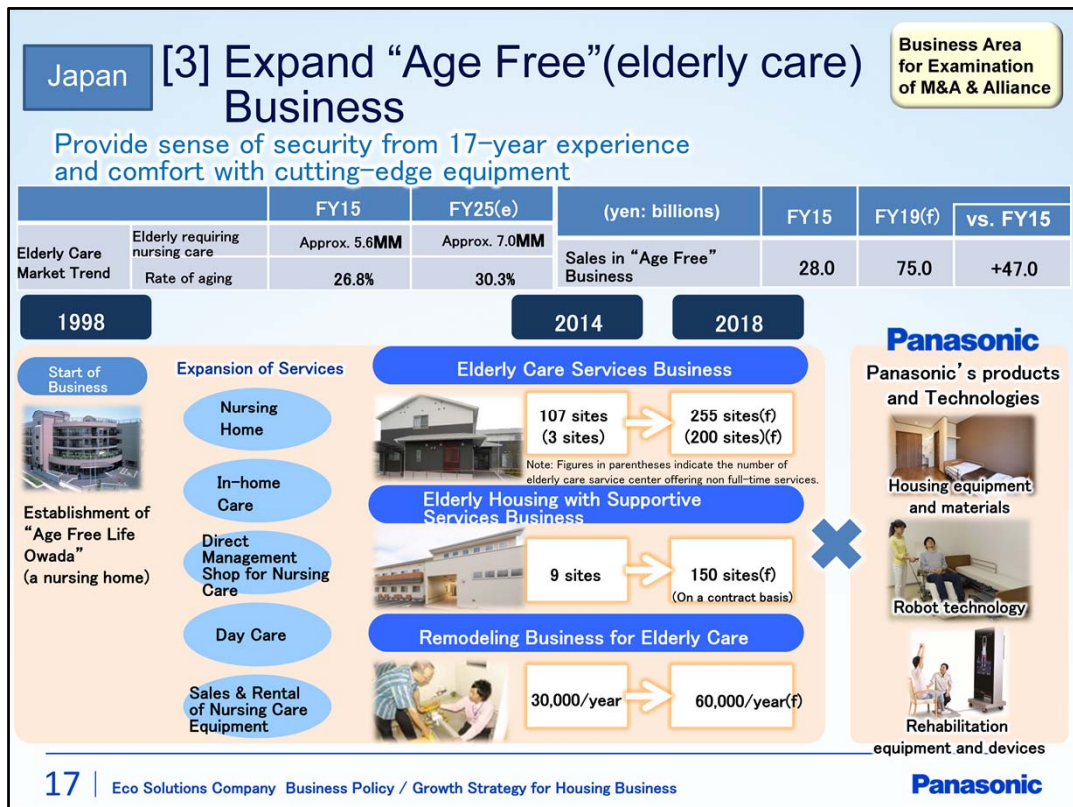
Overseas

Expand B2B2C business in energy creation and storage business areas

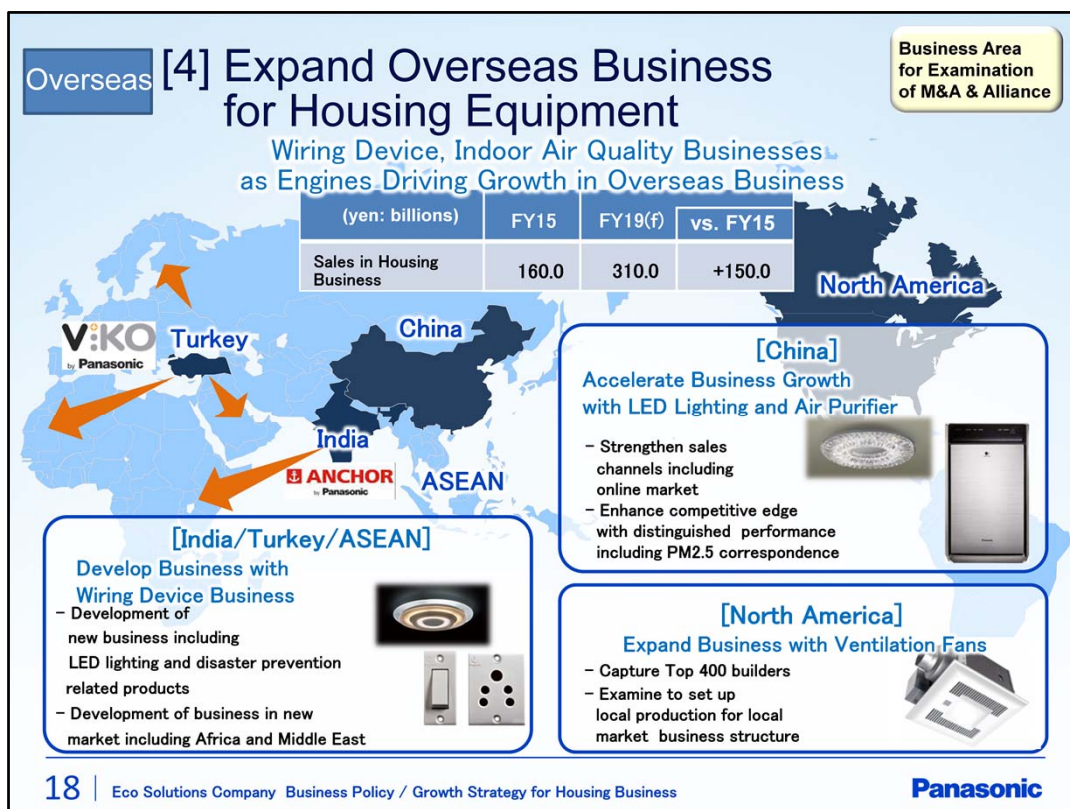
Press release in June
Plan to announce collaborate with electric utility companies

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- We lead the industry in terms of standardization of HEMS. We maintain No.1 market share in power distribution panel board which will be a center of energy management.
- We increase the ratio of Smart Cosmo for HEMS half of total installation of power distribution panel board in new houses by FY19, penetrating home energy management through the country, adding peripheral equipment.
- We also buy electricity from houses installed solar cells and sell large amount of electricity as an power aggregation business. We plan to introduce new storage battery models overseas and will announce alliance with new business partners such as utility companies.



- In ‘Age-free’ business, we will expand business to 75 billion yen in FY19 from 28 billion yen in FY15, where the number of people in need of nursing care will be 7 million in 2025 and the ratio of elderly will be more than 30%.
- We established ‘Age-Free Life Owada’ (nursing home) in 1998 as a start of the business. Since then, we have cumulated know-how through the business development such as nursing homes, in-home care, nursing care equipment business etc. in the past 17 years.
- We increase the number of elderly care service sites from 107 to 255, elderly housing with supportive service sites from 9 to 150, and remodeling case for elderly care from 30,000 to 60,000 till FY19.
- We will offer comfortable space to customers with our knowledge and technology of housing equipment, materials, robot technology etc.

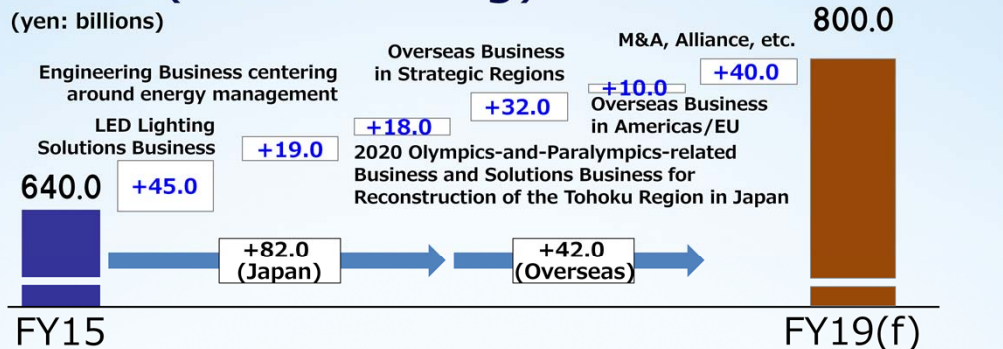


- In overseas business of housing business, we expand sales of housing equipment from 160 billion yen in FY15 to 310 billion yen in FY19.
- Wiring device, LED lighting and Indoor-Air-Quality businesses contribute the sales overseas. In wiring devices, we maintain No. 1 market share in Asia with strong local production capability and distribution channels.
- In India, Turkey and ASEAN countries, we accelerate LED lighting, anticrime / security and power tool business with strong wiring device business as the driving force.
- We utilize sales channels by Anchor in India and ViKO in Turkey to expand the business into Africa, the Middle East and CIS as well.
- In China, we accelerate LED lighting and air-purifier business, enhancing the sales for expanding online market.
- In North America, we introduce ventilation fans, developing the relationship with top 400 builders, establishing local production sites for local market to expand business towards FY19.

Growth Strategy for B2B Solutions (Non-housing) Business – Towards FY19 –

- Growth strategy for B2B solutions business towards FY19.

Growth Strategy for B2B Solutions (Non-housing) Business



	Japan	Strategic Regions	Americas/EU
[1] Expand LED Lighting Solutions Business	◎	○	○
[2] Expand Engineering Business centering around energy management	◎	○	○
[3] 2020 Olympics-and-Paralympics-related Business and Solutions Business for Reconstruction of the Tohoku Region in Japan	◎		
[4] Develop Overseas Business in Non-housing Market Targeting 200 billion yen		◎	◎

- We expand sales from 640 billion yen in FY15 to 800 billion yen in FY19.
- We will expand: LED lighting solution business, engineering business centering around energy management system, 2020 Olympics and Paralympics related business and solutions business for reconstruction of the Tohoku Region in Japan and overseas business in non-housing market targeting 200 billion yen `Overseas 2000`.

Key Initiatives

Business Area
for Examination
of M&A

Expand LED Lighting Solutions Business

Increase Market Share of Lighting Fixtures in Japan

Develop competitive product for each market

Facility and
Emergency Lighting



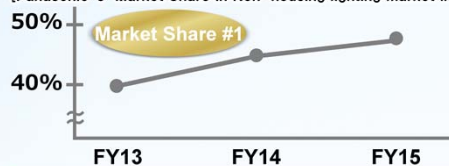
Outdoor Lighting



Store Lighting



[Panasonic's Market Share in Non-housing lighting market in Japan]



Expand Automotive-related Business

Develop new business areas



LED Headlight



LED Driver

Efforts to Create Demand

Develop new products in new areas
through Cross-Value Innovation



Projection
Lighting

Space Player®

Space Player is a registered trademark of the Panasonic Group.

Expand PV Solution Business in North America

Increase orders as prime contractors by using financing scheme

- Receive packaged orders from material and part supply, designing, procurement, construction to maintenance



- In LED lighting solutions business, we increase market share of lighting fixtures in Japan. In non-housing lighting market, we maintain No. 1 market share, developing facility and emergency lighting, outdoor lighting and shop lighting.
- In automotive related business, we develop new business areas such as in-car LED lighting etc., adding to LED devices (drivers) for headlight.
- As part of creating new demand, we launched projection lighting, 'Space Player' last year which we combine projector and lighting, and we have received orders from shops and museums. We continue to collaborate with others in terms of technology.
- In North America, we expand PV solution business, increasing orders as a prime contractor by using financing scheme, and have already received packaged orders from material and part supply, engineering (E), procurement (P), construction (C) to maintenance (O&M), in the U.S. and Canada including Hawaii.

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