

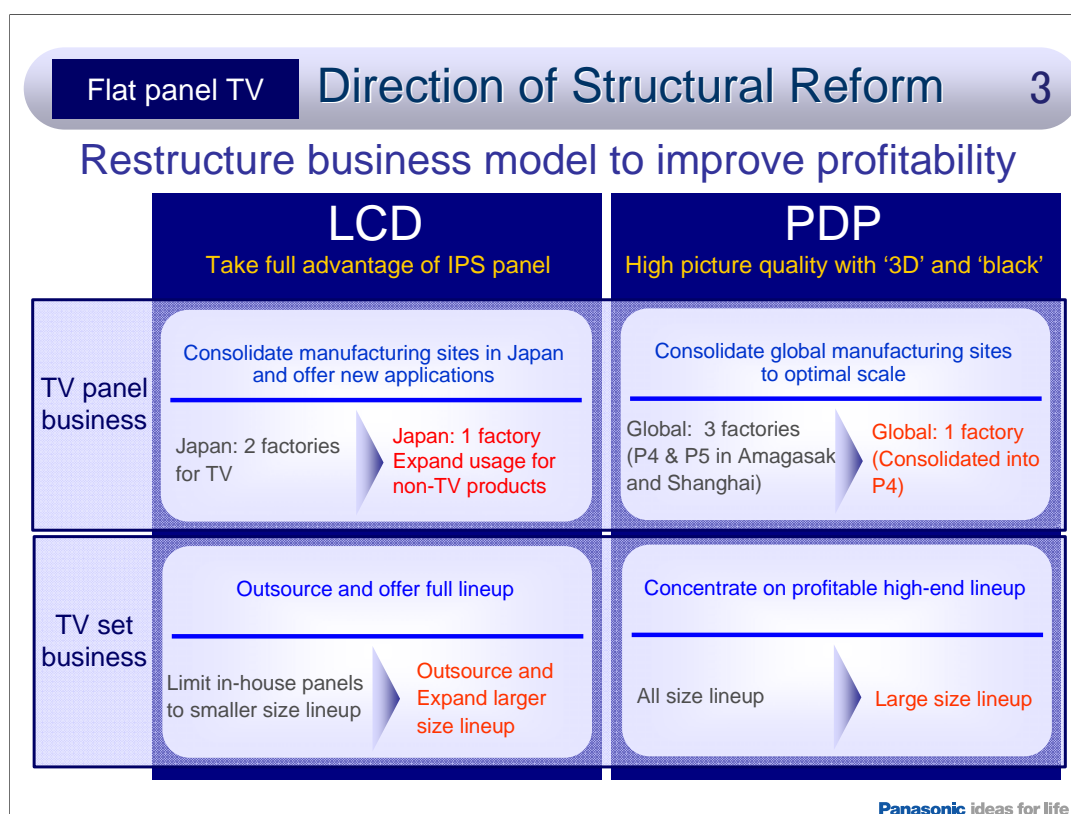
# **New Organization and Growth Strategy**

October 31, 2011  
Panasonic Corporation  
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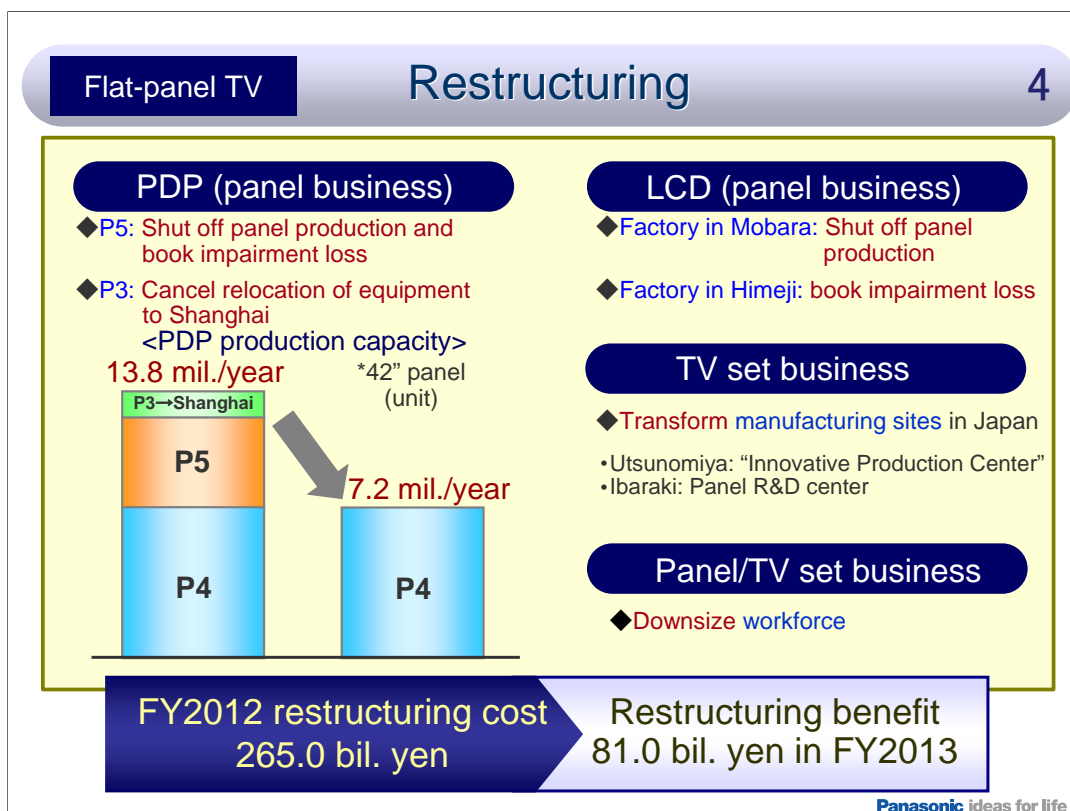
- This presentation outlines Panasonic Group's new organization and growth strategy.

- 1. Initiatives to improve profitability**
2. New business organization
3. Growth strategy
4. Towards FY2013

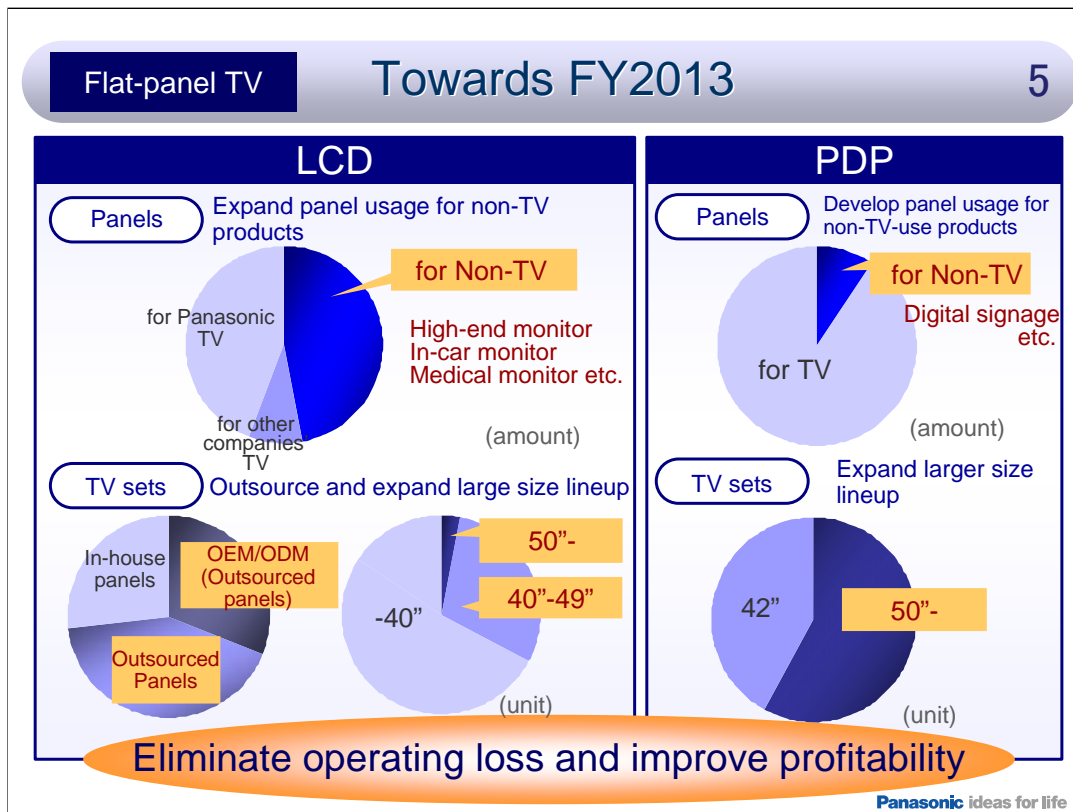
- First, I would like to mention our initiatives to improve profitability.



- We will radically reform flat panel TV business currently under severe earning situation.
- We will drastically reform our panel business to optimize its scale and consolidate the LCD and PDP panel factories so that there is only one factory for each. We will also utilize LCD panel factory mainly for non-TV products with our IPS panel specifications.
- We will focus on high-end and large size PDP lineup, while we offer full size LCD lineup including larger size, purchasing panels from overseas vendors.
- In this way, we will restructure business to improve profitability.



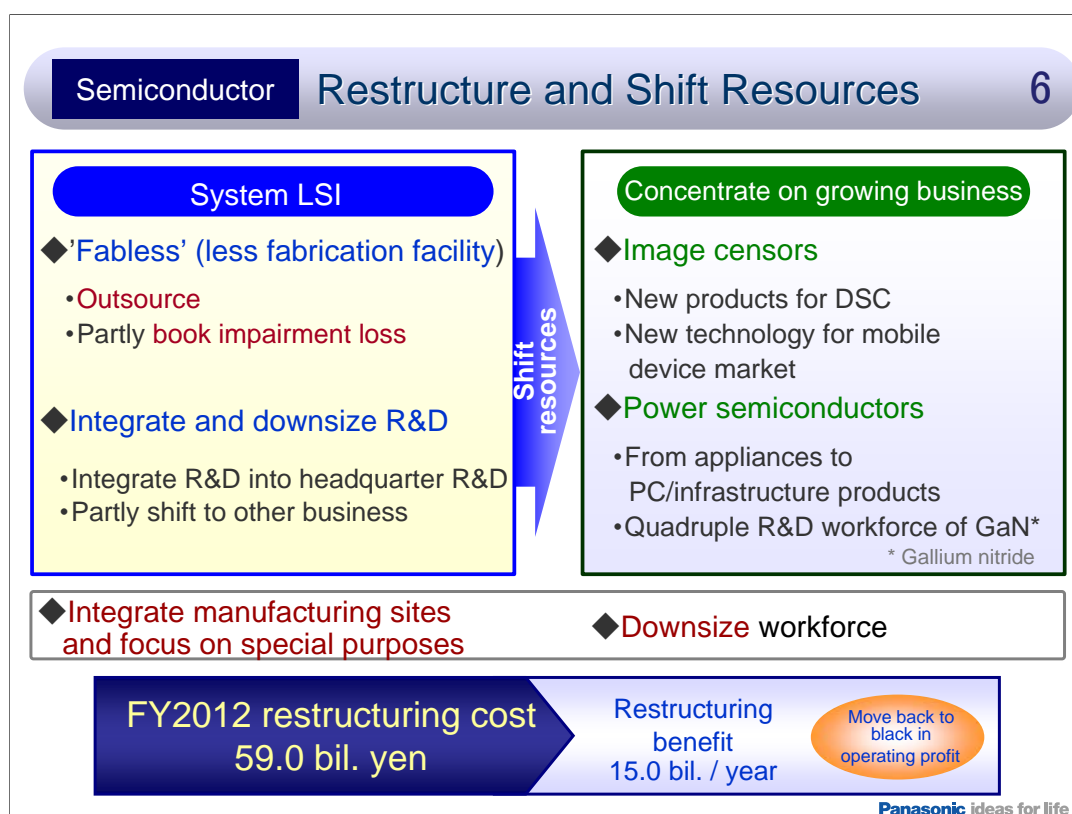
- This chart shows our restructuring efforts in this fiscal year. In PDP panel business, we will shut off production in Amagasaki P5 factory and book its impairment loss. We will also cancel relocation plan of Amagasaki P3 factory to Shanghai and dispose its facility. As a result, production capability will decrease from 13.8 to 7.2 million units/year in 42" panel.
- In LCD panel business, we will also shut off production in Mobarara factory and book impairment loss for Himeji factory.
- In TV set business, we will consolidate all TV manufacturing sites in Japan into Utsunomiya factory and transform it to 'Innovative Production Center.'
- We will downsize workforce fit for our new business scale.
- We expect restructuring cost of 265.0 billion yen in FY2012 and restructuring benefit of 81.0 billion yen in FY2013.



- We aim to improve profitability in TV business through reform of business model and restructuring.
- In LCD business, we will expand LCD panel usage for non-TV products up to nearly half of total LCD sales at once.
- Our IPS Alpha LCD panel features in addition to high quality motion picture are:
  - 1) No reversal of color by wide viewing angle
  - 2) High open aperture ratio contributing to energy saving
  - 3) No ripple during touch-panel operation

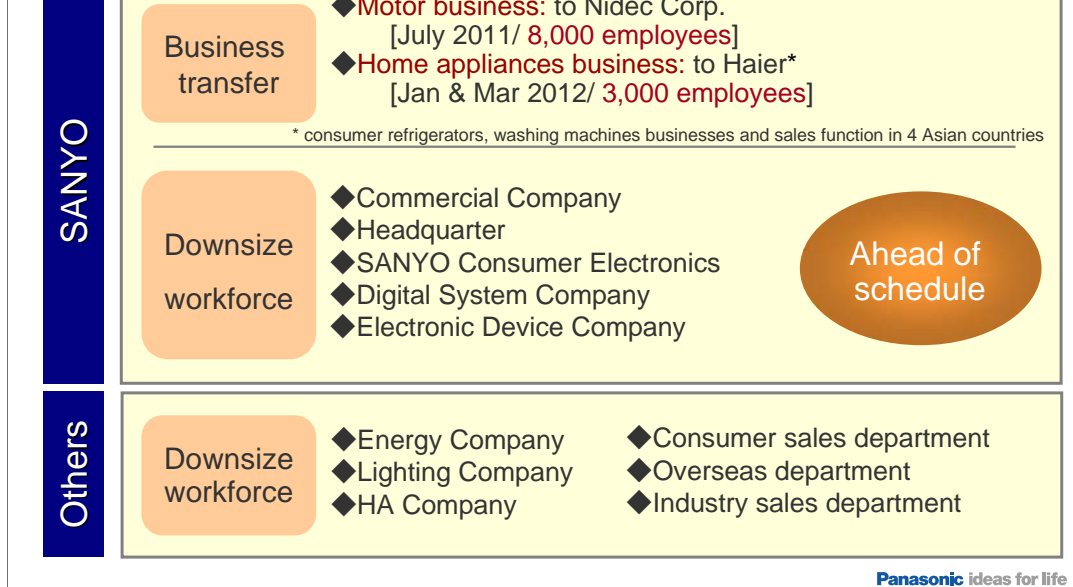
Taking advantage of them, we have been proposing our panels to customers.

- Meantime, in addition to OEM & ODM panels, we will procure panels from overseas vendors. As a result, we will decrease in-house LCD panel usage which is currently 70% of total procurement. Moreover, we will increase LCD panel production for 40" and over, from around 10% to 30% or more.
- In PDP business, we will develop B to B application such as digital signage, while we narrow down PDP production. We will increase 50" and over panel production, from 40% to 60% of total production.
- In this way, we will improve TV business to be highly value added with light asset for better profitability eliminating operating loss.



- In semiconductor business, we will address reform of system LSI business:
  - 1) Switch in-house production to outsource and 'fabless' (less fabrication facility)
  - 2) Partly book impairment loss of certain sophisticated factory
  - 3) Integrate and downsize R&D
- We will concentrate on growing business such as image sensors and power semiconductors. For example, regarding the gallium nitride (GaN) for dramatic power saving, we will quadruple its R&D workforce and accelerate industrialization.
- We will also establish lean management structure by integrating manufacturing sites, focusing on special purposes and downsizing workforce.
- We expect restructuring cost of 59.0 billion yen and its benefit of 15.0 billion in FY2013. We target this business turning into the black in FY2013.

## Eliminate duplicative business

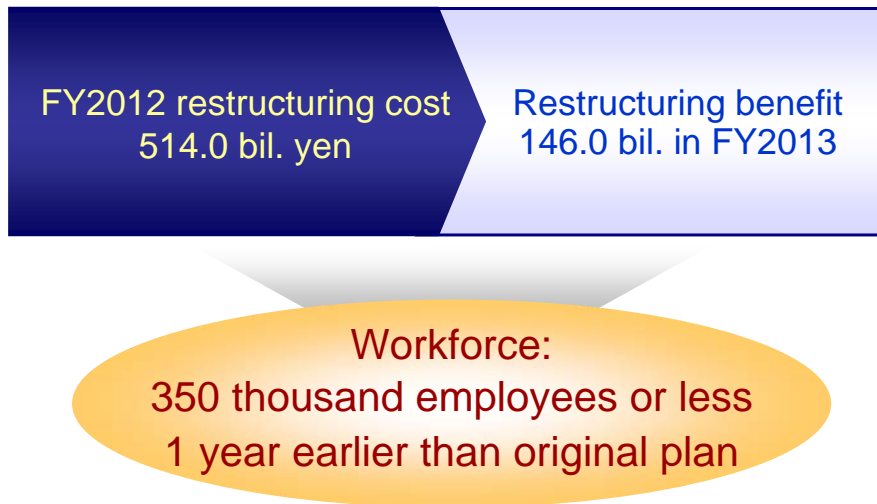


- Besides our TV and semiconductor businesses, we will restructure other business especially business related to SANYO.
- In addition to semiconductor business of SANYO, we have been transferring motor and home appliances businesses of SANYO and will transfer more than 10,000 employees to other companies.
- In each department of SANYO, we also downsize workforce and operating sites ahead of schedule to achieve optimal benefit.
- In addition, we downsize relevant departments in Panasonic as well for new Panasonic.

## FY2012 Restructuring (Overview)

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Complete restructuring programs towards new Panasonic

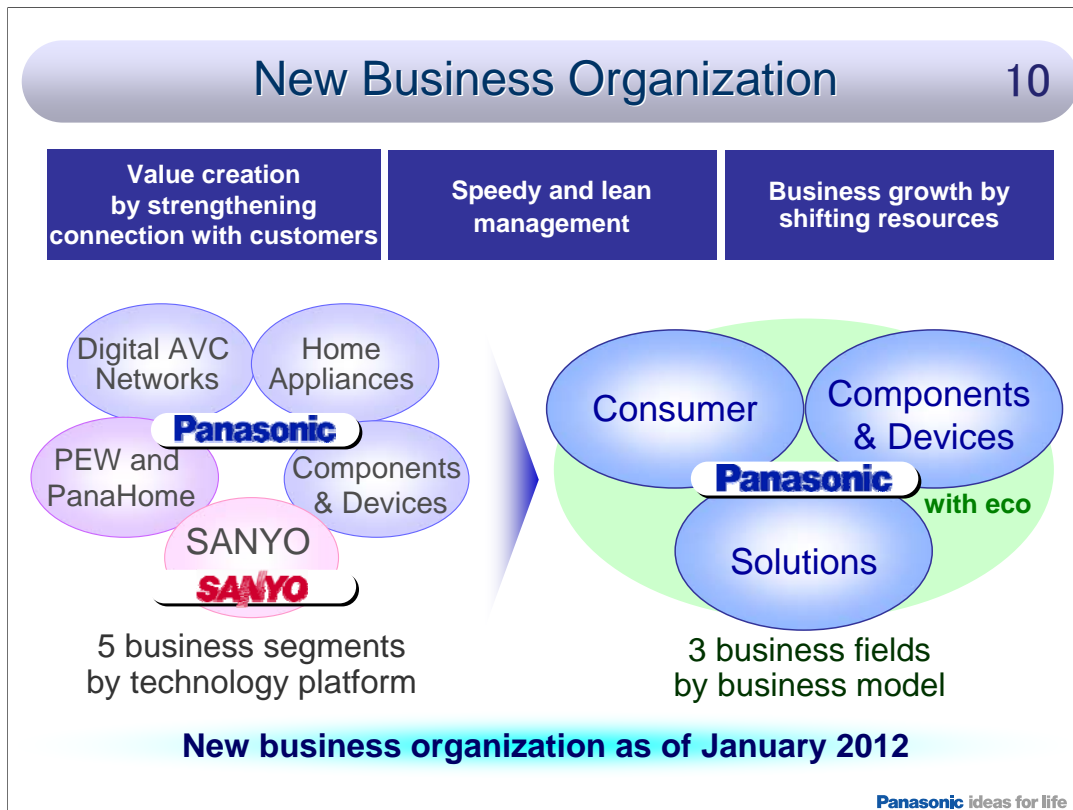


Panasonic ideas for life

- Working on restructuring, we expect 514.0 billion yen of restructuring cost in FY2012 and 146.0 billion yen of restructuring benefit in FY2013.
- We also expect workforce become 350 thousand employees or less by the end of FY2012, one year earlier than we originally planned.

1. Initiatives to improve profitability
2. **New business organization**
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- Second, I will talk about our new business organization.



- We have announced that we are restructuring Panasonic, PEW and SANYO to become one new business organization in customers' perspective starting as of January 2012.
- We aim to achieve more than 3 trillion yen in each field sale.



- We have decided all the names of 9 domain companies and 1 marketing sector in our new group organization.
- In this new organization, each domain company will have more responsibility for its management and we will strengthen comprehensive solution business across all domain companies.
- Next, I would like to explain each business.



## Components & Devices Business Field 13

### Automotive Systems Company

- In-car multimedia related equipment
- Eco-car related equipment
- Electrical component



\*Sales amount  
Workforce

700 bil. yen  
11 thou. employees

### Industrial Devices Company

- Electronic component
- Electronic material
- Semiconductor
- Storage device



1.5 tri. yen  
102 thou. employees

### Energy Company

- Primary battery/secondary battery
- Charger/battery application products
- Solar related products



700 bil. yen  
26 thou. employees

\* sales amounts are actual results in FY2011, workforce are forecast as of January 2012

Panasonic ideas for life

- In Components & Devices Business Field, we will have:
  - Automotive Systems Company
  - Industrial Devices Company
  - Energy Company
- We will work together both in R&D and marketing to provide products meeting customers' perspective.

## Solutions Business Field

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### Systems & Communications Company

- Equipment related to system, network and mobile communications
- Service engineering



Sales amount \*

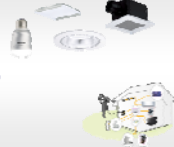
940 bil. yen

Workforce

28 thou. employees

### Eco Solutions Company

- Lighting, wiring, power distribution, housing equipment, building products, and ventilation fan system
- Service engineering, comprehensive solutions



1.5 tri. yen

46 thou employees

### Healthcare Company

- Medical equipment, nursing-care equipment, service engineering
- Nursing service



120 bil. yen

7 thou. employees

### Manufacturing Solutions Company

- Manufacturing equipment related to electronic component, device related system, welding equipment, laser oscillator



170 bil. yen

4 thou. employees

\* sales amounts are actual results in FY2011, workforce are forecast as of January 2012

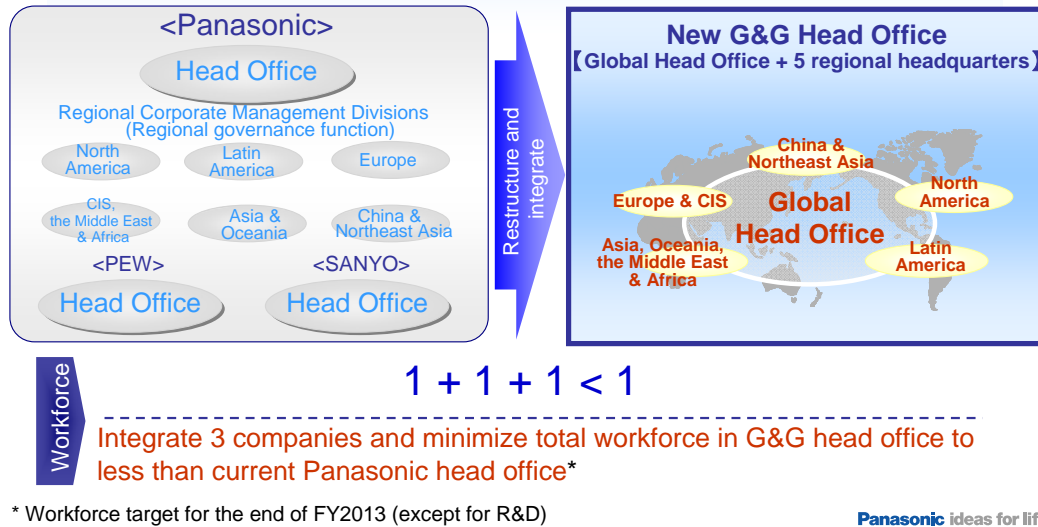
Panasonic ideas for life

- In Solutions Business Field, we will have:
  - Systems & Communications Company
  - Eco Solutions Company
  - Healthcare Company
  - Manufacturing Solutions Company
- We will pursue new business models to meet our customers' perspective and improve profitability through a whole supply chain.

## New Global & Group Head Office

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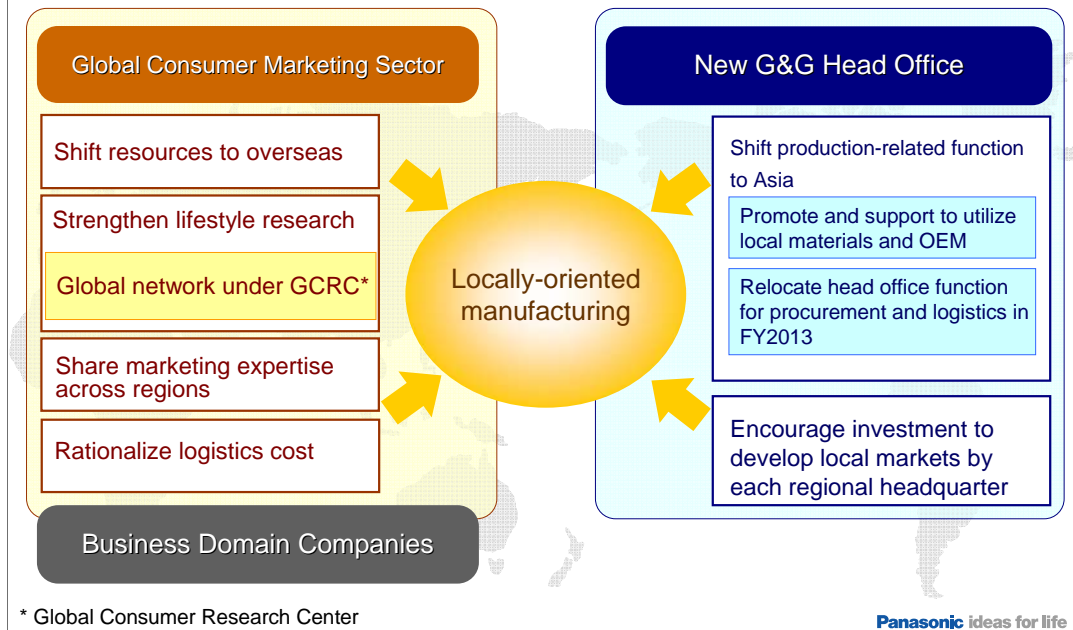
- ▶ Business Domain companies: Have more responsibility for its management
- ▶ Head Office: Strengthen corporate strategic function in lean operation



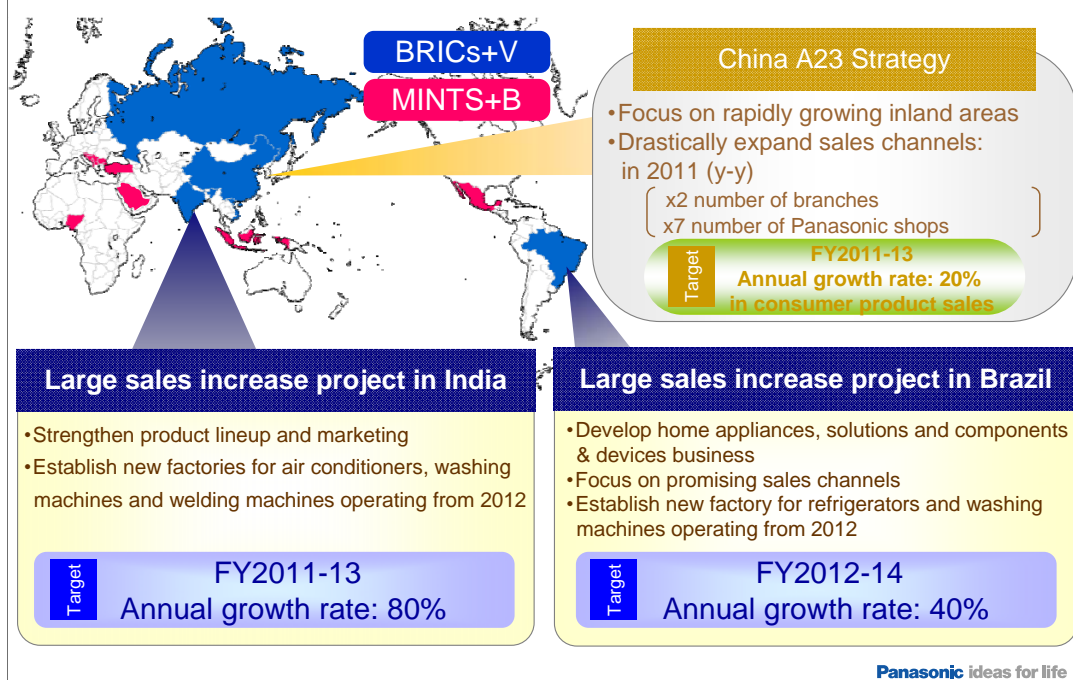
- We will restructure three head offices to strengthen its corporate strategic function across those domain companies. We will have Global & Group head office consisted of 1 global head office and 5 regional headquarters as of January 2012.
- Each regional headquarter has a function of governance under its local representative acting over a president. We will strengthen local group strategic function such as sales, external affairs, lobbying, developing new market and new business to expand B to B and B to G business.
- We will minimize workforce in new G&G head office less than workforce in current Panasonic head office.

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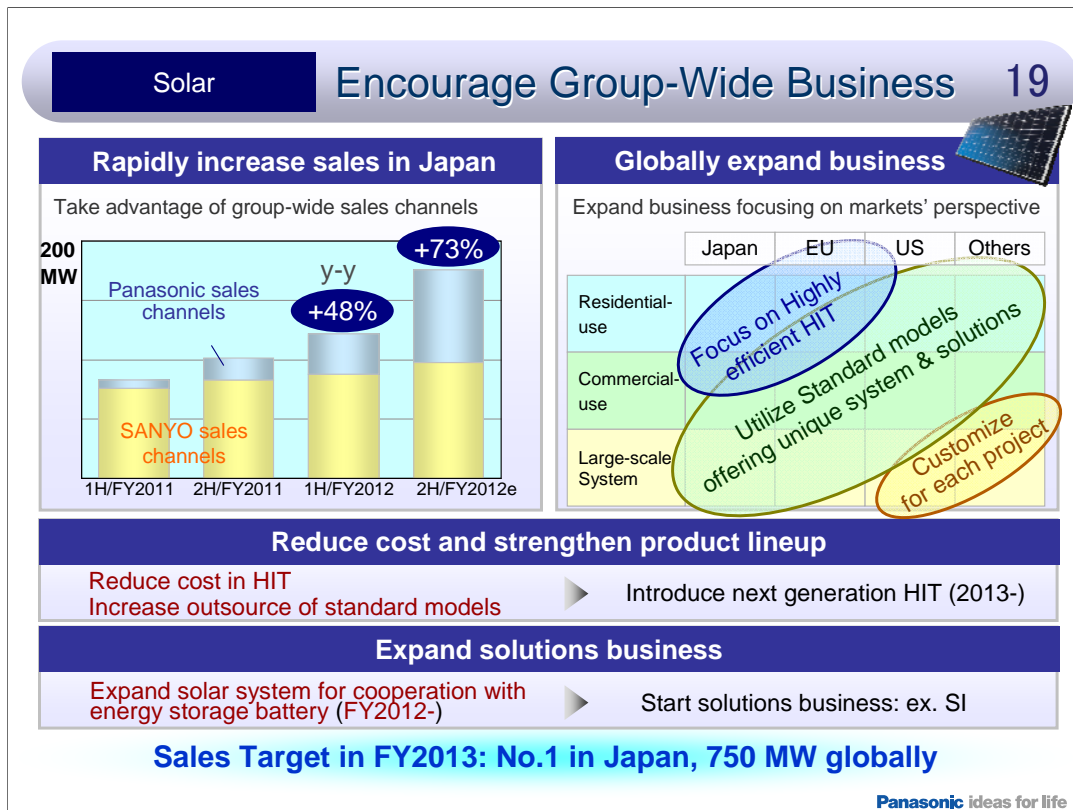
- Third, I would like to talk about our growth strategy regarding the following:
  - 1) Emerging markets
  - 2) Environmental/energy-related business
  - 3) Comprehensive solutions business.



- For emerging markets, we will establish Global Consumer Marketing Sector working across domain companies to strengthen front line of global marketing. We will especially strengthen lifestyle research and also rationalize logistics cost, sharing marketing expertise across the regions to reduce cost of products for high-volume segments in emerging markets.
- New G&G head office will also strengthen local support by production-related function and encourage investment to develop local markets by each regional headquarter. We plan to relocate our head office function for procurement and logistics to Singapore in FY2013.
- In this way, we will strengthen locally-oriented manufacturing strategy.



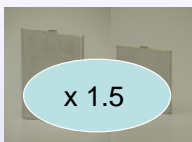
- We will accelerate business growth in emerging markets especially investing our resources to rapidly growing markets such as India with targeting annual growth rate of 80% and Brazil with 40%. We currently have group-wide projects in India and Brazil.
- In 2012, we plan to newly establish and operate some factories mainly for home appliances, increasing product lineup and strengthening sales channels.
- In China, we will expand our business in growing inland areas with annual growth rate of 20% in consumer product sales.
- In this way, we will accelerate business growth in those emerging markets even in such a struggling global economy.



- Next, we would like to talk about Environmental / energy-related business
- In solar business, we will strengthen group-wide business under Energy Company and Eco Solutions Company.
- Currently we dramatically increase sales of high efficient HIT through all Panasonic sales channels in Japan. In future, we will accelerate expansion of its business focusing on each region and application's perspective.
- We furthermore strengthen product competitiveness and production capacity of HIT working across the companies, and increase product lineup outsourcing standard models. We will also strengthen unique solution business, proposing based on 'solar system for cooperation with energy storage battery'.
- We target No.1 market position in Japan, 750 MW globally in FY2013.

## Focus on promising products

Expand production capacity

Wide Prismatic type  
【for smartphone】

x 1.5

Pouch type  
【for PC/Tablet】

x 2.5

\* Growth from FY2012 to end of FY2013

## Establish strong production structure

Integrate global operating sites

- Move up production  
in Suzhou factory

- Reform domestic operating sites

- Wakayama: Reduce production to be consolidated in Suminoe
- Re-evaluate 2<sup>nd</sup> phase construction in Suminoe

For in-car use

Cylinder type  
(18650)

-Supply to Tesla Motors 'Model S'

For more than 80,000 cars in next 4 years



Get back to global No.1 market position ASAP

Panasonic ideas for life

- In lithium-ion battery business for consumer use, we will strengthen our competitiveness under new Energy Company.
- We will increase production capacity of wide prismatic type and pouch type to x1.5 and x2.5 respectively focusing on promising products, and to improve our supply and profitability. We will increase production of pouch type battery and start mass production in the first half of FY2013 in Suzhou factory in China earlier than our original plan.
- Meantime, in Japan we will establish optimal production structure to consolidate Wakayama factory to Suminoe factory and re-evaluate 2nd phase construction in Suminoe.
- We aim to get back to global No.1 market position as soon as possible based on integrated production in China to surpass Korean competitors
- We now see new demand of consumer-use cylinder type battery for in-car use picking up. We have contracted with Tesla Motors to supply our cylinder type batteries for more than 80,000 cars in next 4 years. We are confident that they highly evaluate our products with high capacity, light weight and high durability.

## Basic strategy: All-around

Our  
strength

Built-in customer base

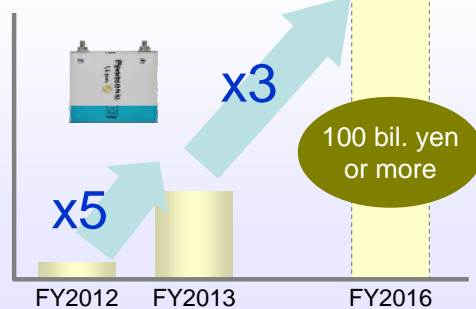
Propose to leading car-manufacturers and contract business

Technology &amp; expertise

Standardize cell size / lead in R&amp;D and mass production

## Quickly respond to market growth

&lt;Sales forecast (amount)&gt;



## Strengthen production systems

- Increase production capacity in existing factories

- Steadily increase production gaining new customers

- Evaluate new production lines and factories

- Continue to invest in growing markets

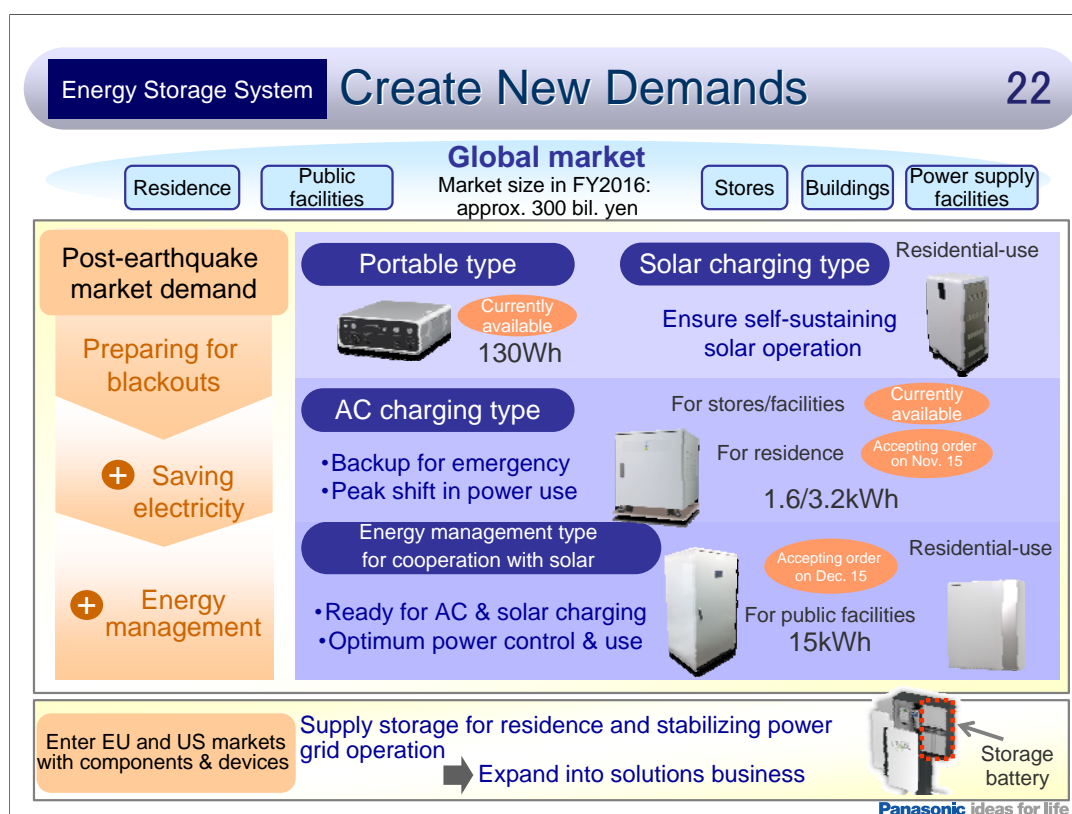
Customer's  
perspective

- Produce locally, sell locally
- Optimize technology, quality and cost

Establish globally optimum production

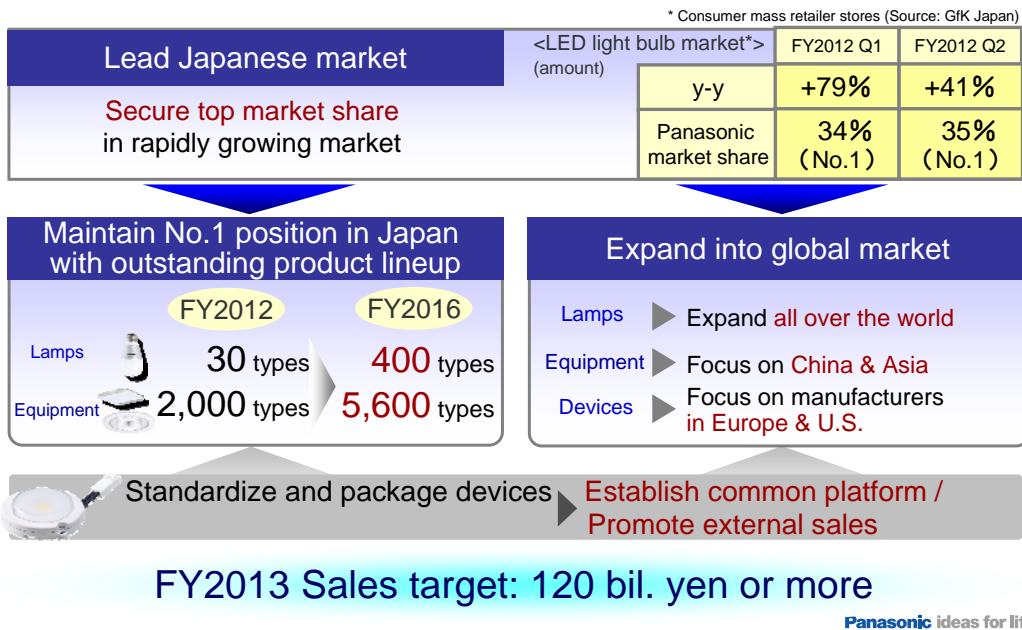
Panasonic ideas for life

- In lithium-ion battery for eco-cars business, we will expand business in all-around strategy.
- We have been proposing to leading car-manufacturers and already contracted with some of them, based on our built-in customer base. We have been also standardizing cell size with our technology and expertise so that we could apply any types of car in our all-around strategy, connecting our competitive advantage with cost-competitiveness.
- We expect demand will pick up in FY2013, therefore, we increase sales 5 times in FY2013 comparing with FY2012, 3 times in FY2016 comparing with FY2013. We will improve production structure to increase production capacity in existing factories to catch up customers' orders and evaluate new production lines and factories as needed.
- We will establish new production systems to meet our customers' need – 'produce locally, sell locally' for eco-cars with improved technology, quality and cost structure.



- In energy storage system business, we expect not only global market expansion but also market demand increase preparing for blackouts and saving electricity in Japan.
- We launched portable type in July and AC charging type for stores and facilities in August. We will expand our product lineup by introducing solar charging type which supports self-sustained operation and energy management type charging with AC & solar.
- We will develop new markets with our battery components, battery controlling technology and our vast sales channels of electric components, building materials, system products and appliances.
- In Europe and the U.S., we will expand solutions business centering storage battery sales to meet the demand of in-house power generation and stabilize power grid operation.

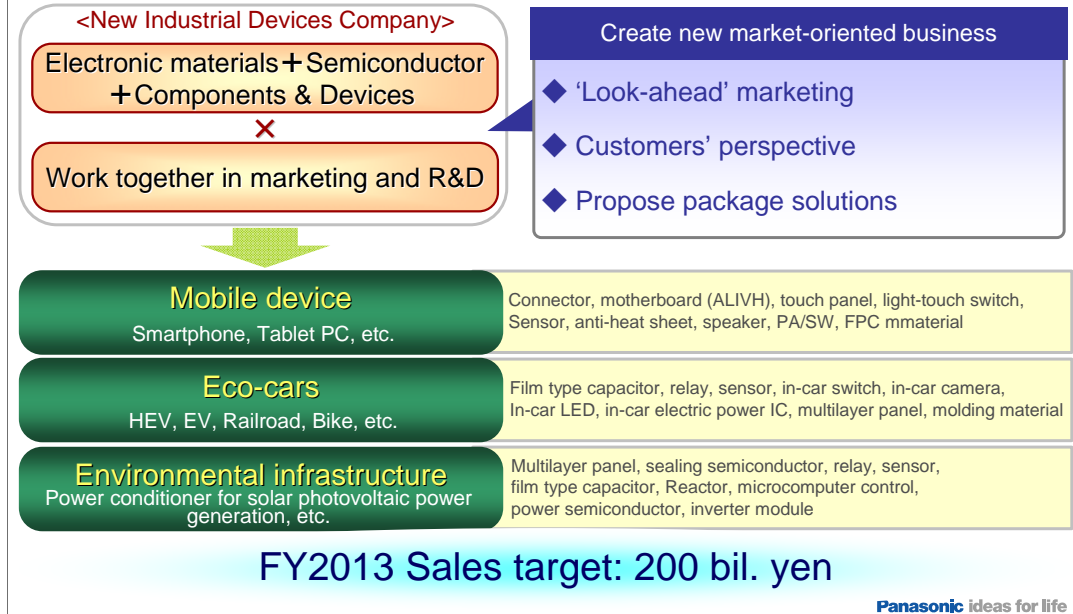
Leverage energy-saving technology and interior decorating technology



- In LED lighting business, we will expand business with our energy saving and interior decorating technologies under new Eco Solution Company.
- We will maintain our top market position with our vast product lineup in the fast growing Japanese market. We will also expand lamp business in the world, especially lighting equipment in China and Asia, and lighting devices in Europe and the U.S.
- We will standardize and package devices to establish platform and increase product lineup.
- In this way, we target sales of 120 billion yen (+42% y-y) in FY2013 and 200 billion yen in FY2016.

## Mobile/Eco Devices Expand Core Device Business 24

Focus on growing market with strengths of new structure



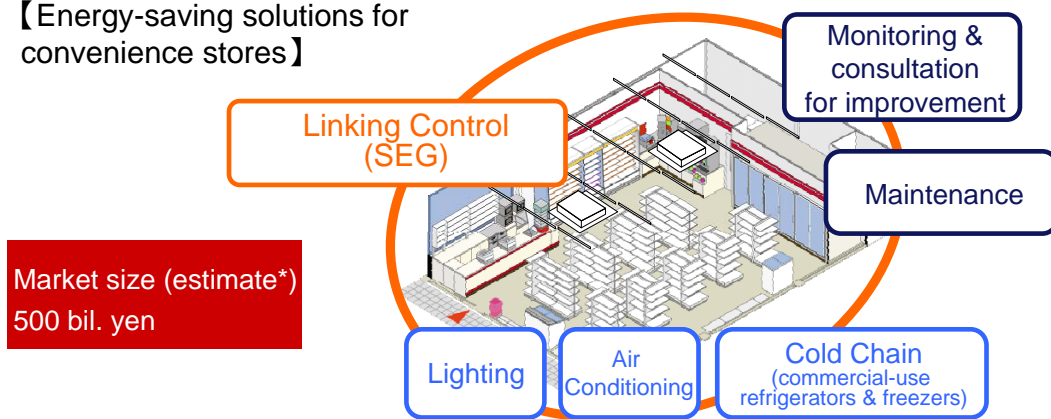
- We will focus on mobile and eco devices business in our new Industrial Devices Company to work together in marketing and R&D of electronic materials, semiconductors and electronic components.
- We will develop 'look-ahead' marketing foreseeing customers' perspective and propose packaged solution.
- In this way, we aim to target sales of 200 billion yen (+40% y-y) in FY2013 creating new market-oriented business related to mobile, eco-cars and environmental infrastructure.

1. Competitive single products
2. Combine & Link
3. Maintenance & service



Establish business model of making profits in 3 phases by providing value to customers

【Energy-saving solutions for convenience stores】



\* Estimate based on number of stores 5 Japanese companies globally own in FY2011

Panasonic ideas for life

- In comprehensive solution business, we aim to establish business model of making profit in three phases.
  - 1) Offer competitive single products such as solar, storage battery and LED lightings
  - 2) Combine and link them
  - 3) Offer maintenance and services for those products.
- Take a look at this case for energy saving solutions for convenience stores. We first offer attractive product line with single product such as lightings, air conditioners, and cold chain, and then we make proposals of linking control connecting those products.
- Moreover, we will expand our solution from maintenance to monitoring services of electricity consumption and consultation for improvement.
- We are confident that customers will highly evaluate our expertise, which will lead not only to increase our sales but also establish our strong relationships with customers and make more profit in future.
- We estimate sales of 500 billion yen related to this business and it will be more than that when we sum up business for supermarkets. We have been offering this business in Japan, China and Thailand and already started consulting services by alliances.

## ◆ Project '100 arrows'



Started to work on 30 arrows out of 100

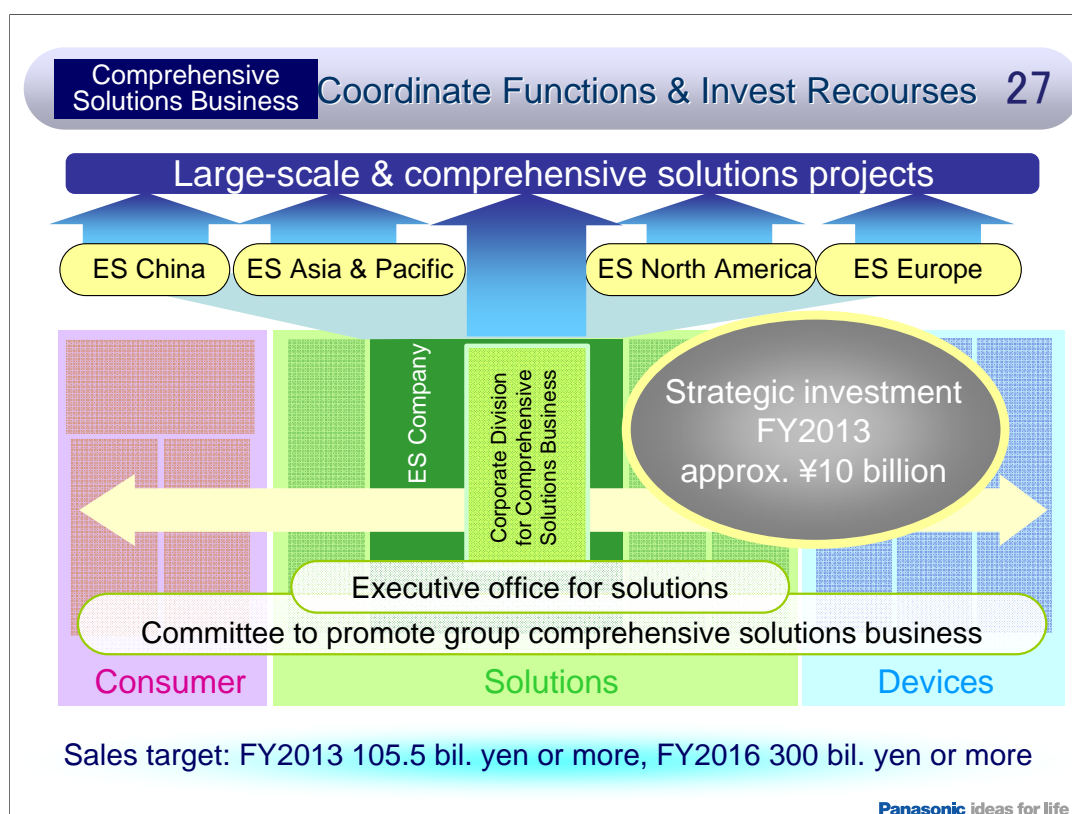
Clarify value that Panasonic can offer as comprehensive solutions proposals in matrix of industries and regions

## ◆ Promote Smart City projects

- Fujisawa Sustainable Smart Town
- Dailian Best City
- Verification testing at Punggol Eco Town in Singapore
- Yokohama Smart City
- Tianjin Eco City
- Guangzhou Knowledge City ...

Panasonic ideas for life

- We target to promote 100 projects (arrows) in our comprehensive solutions business. The scale of each project is from single to double digit billion yen. We have charted matrix for each market and region to develop concrete plans with not only energy-related products but also security and healthcare related products. So far, we have projected around 30 arrows out of 100.
- We have also promoted 'smart city' projects, selecting a couple dozen out of many project around the world. We have started to discuss into details for Fujisawa project and other 10 projects. We will expand our smart city projects furthermore to achieve '100 arrows.'

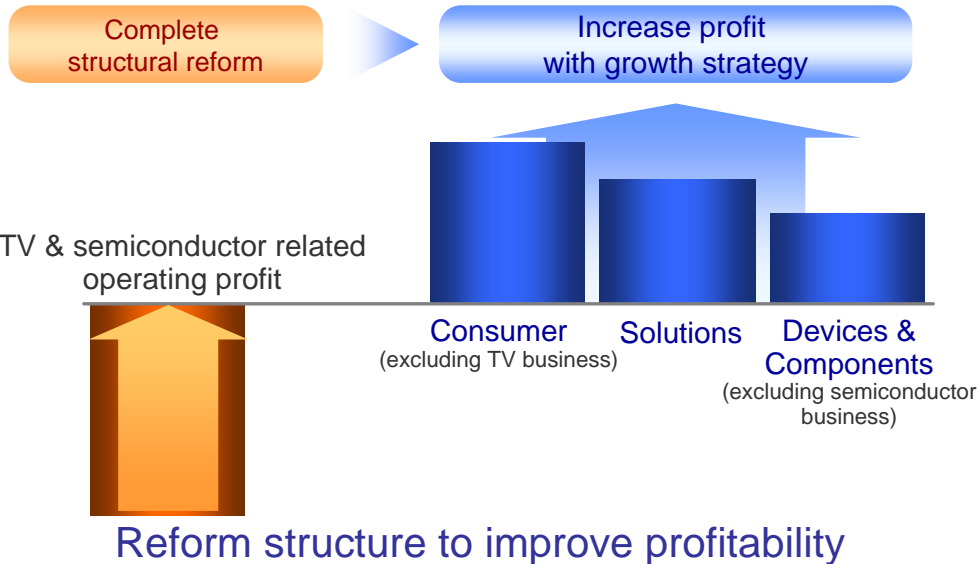


- We will strengthen group-wide coordinating function and invest resources to expand comprehensive solutions business under Group Comprehensive Solutions Business Promotion in Eco Solution Company.
- We will also set up committee to promote group comprehensive solution business under an executive in charge of solution business.
- We plan to establish solution business sales companies in the U.S., Europe, China and Asia as of April as a part of global expansion.
- We plan to invest 10 billion yen in FY2013 on this business and have M&As in our eyes for maintenance and services overseas.
- We target sales of 300 billion yen or more in FY2016.

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- Finally, I would like to talk about our profitability in FY2013.

<Composition of operating profit by new business fields>



Panasonic ideas for life

- The left chart shows operating loss in TV and semiconductor businesses, and the right chart profit in new 3 business fields except for those two unprofitable businesses in FY2012.
- We will strive to complete structural reform to eliminate operating loss in TV and semiconductor businesses in FY2013.
- Meantime, we will increase sales of new business under our growth strategy centering emerging countries, eco & energy and comprehensive solutions to increase profitability in FY2013. We are also confident that strengthening profitability in appliances business will boost profitability.
- In this way, we will be able to establish new structure well-balanced among 3 new business fields to improve profitability.



**Panasonic**  
ideas for life

- We appreciate your cooperation.

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*In order to be consistent with generally accepted financial reporting practices in Japan, operating profit (loss) is presented in accordance with generally accepted accounting principles in Japan. The company believes that this is useful to investors in comparing the company's financial results with those of other Japanese companies. Under United States generally accepted accounting principles, expenses associated with the implementation of early retirement programs at certain domestic and overseas companies, and impairment losses on long-lived assets are usually included as part of operating profit (loss) in the statement of income.*