

# **Initiatives to Improve Profitability**

**February 3, 2012**

**Panasonic Corporation  
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- This presentation outlines Panasonic Group's initiatives to improve profitability.



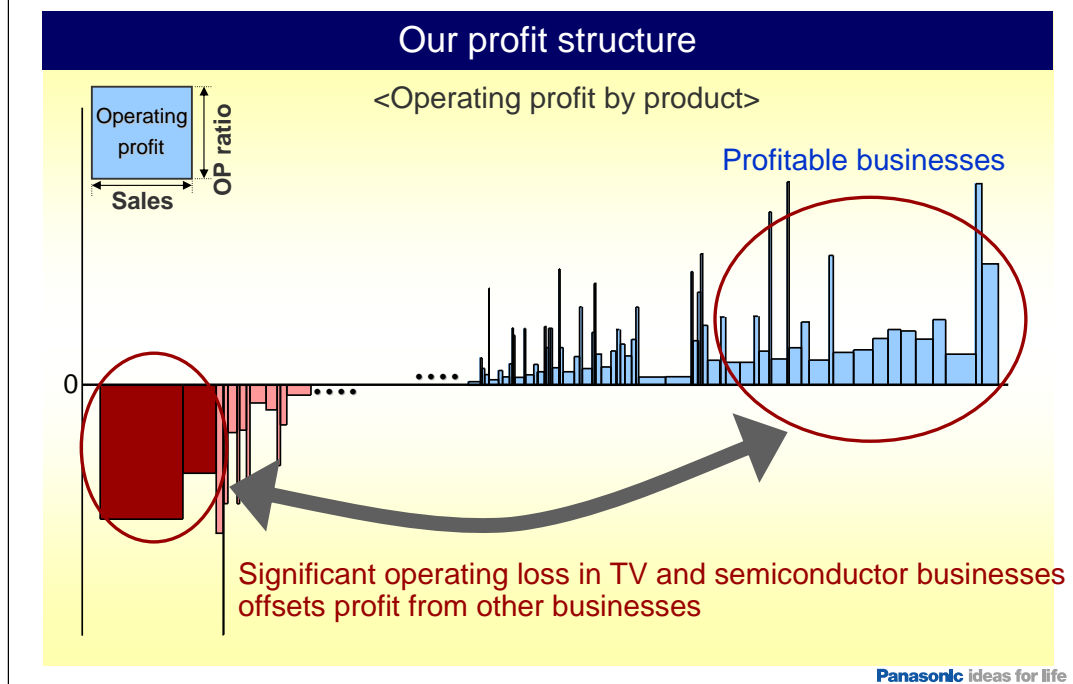
- We started our new organization as of January 1, 2012. This is the largest-ever transformation for us toward the No.1 Green Innovation Company in the Electronics Industry in 2018. We will lay foundation for sustainable growth with new business models in this new organization.
- Meantime, I have pushed through restructuring programs to transform the Company. Additionally, the Great East Japan Earthquake, the flooding in Thailand and sharp yen appreciation push us into the tough situation.
- Posting significant loss in FY12, I truly feel my responsibility for all of you. All I can do is to further enhance profit structure and accomplish V-shaped recovery in FY13.

**Restructure unprofitable business  
and promote growth strategy**

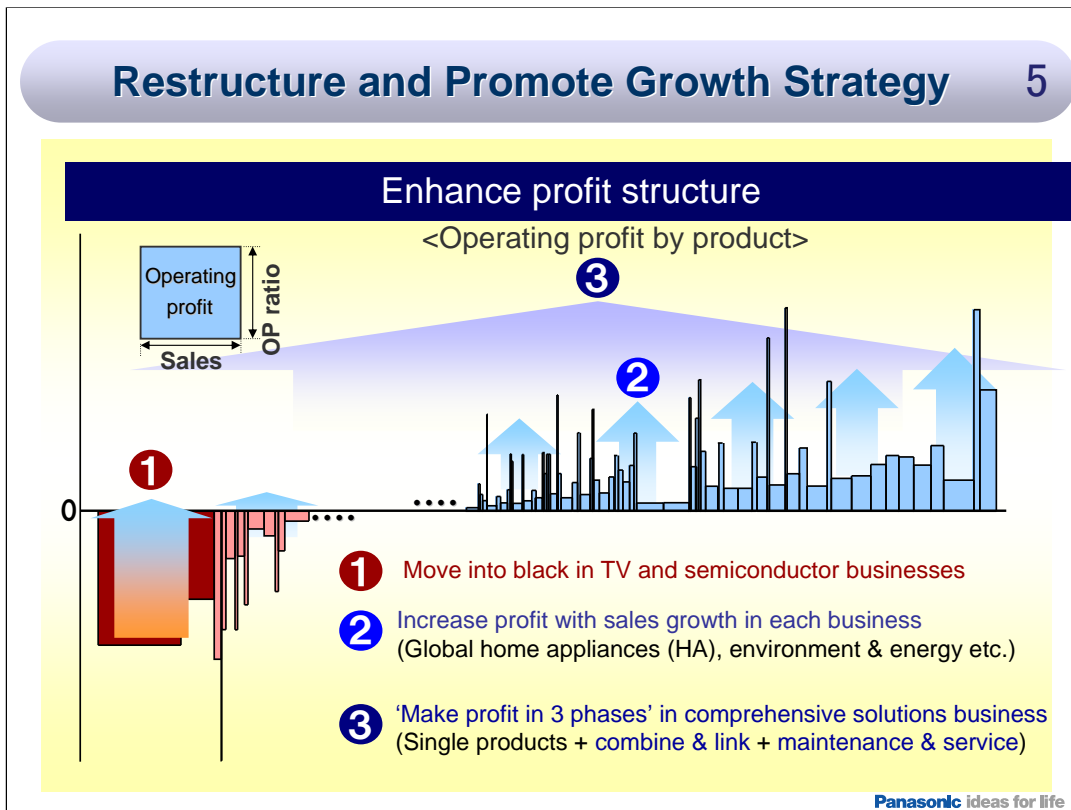
**Enhance group-wide operational efficiencies**

- Toward FY13, here are two things we work on.

## Restructure and Promote Growth Strategy 4

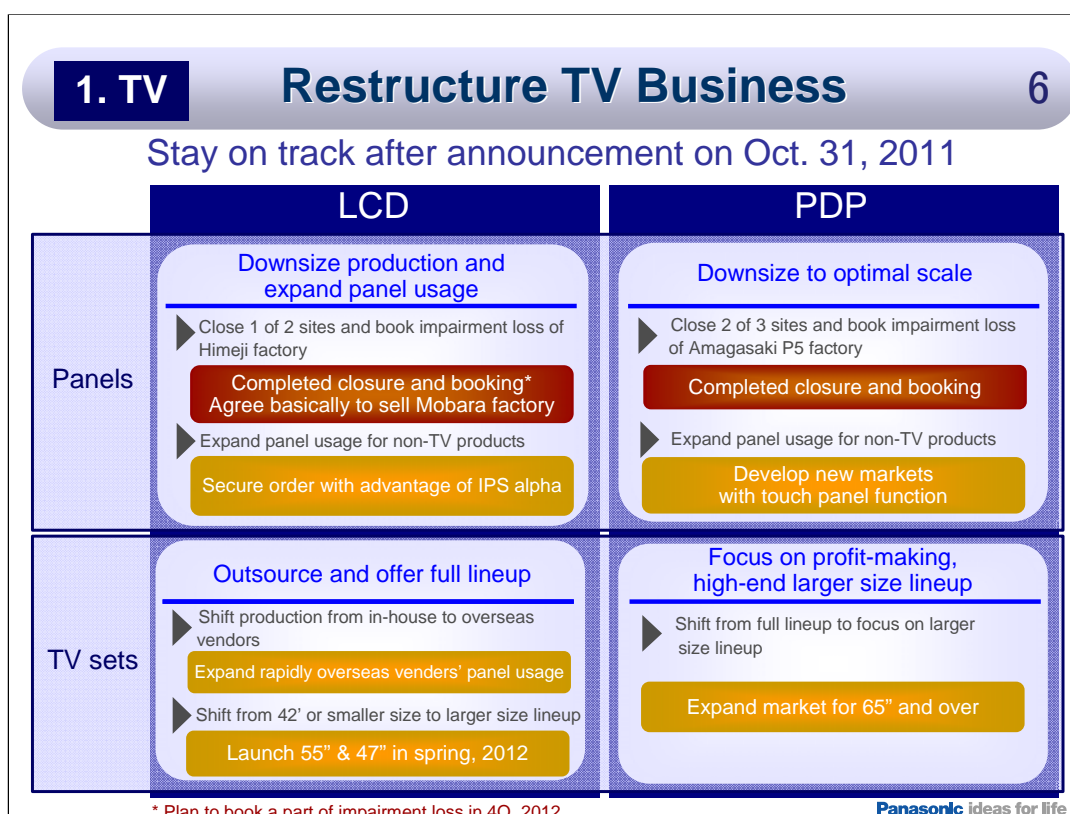


- I would like to mention how we restructure unprofitable business and how we promote growth strategy.
- This chart shows our current profit structure by product. As you can see, significant operating loss in TV and semiconductor businesses offsets profit from other numerous profit making businesses.



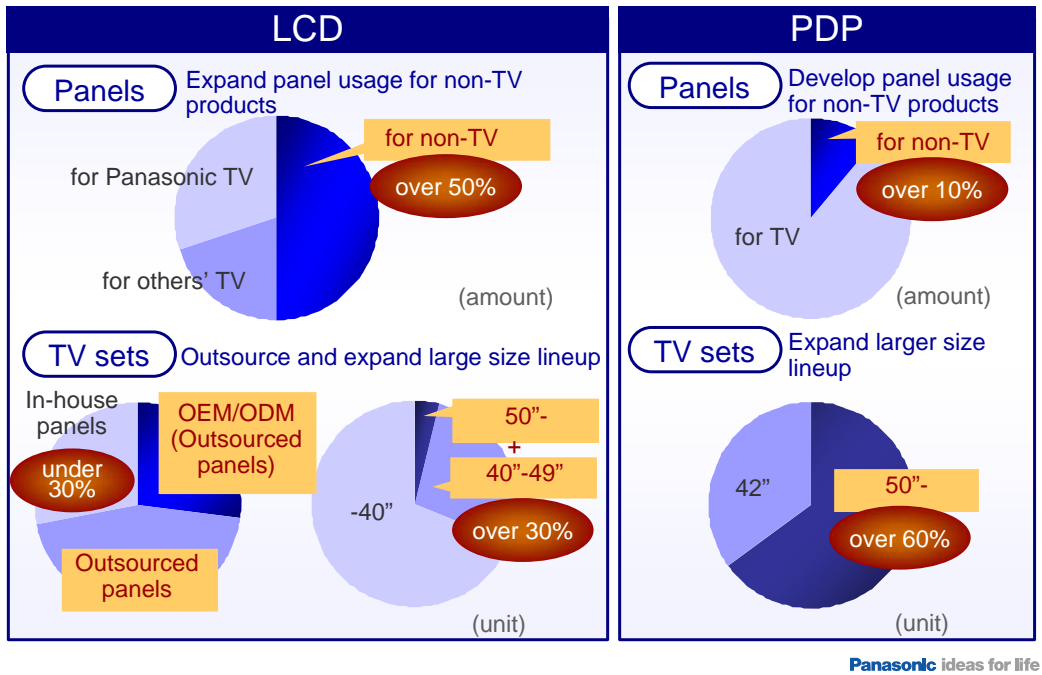
● We enhance this profit structure as follows:

- 1) Complete restructuring TV and semiconductor businesses as we announced on October 31, 2011 to make them into the black so that we can ensure profit from other businesses.
- 2) Increase sales and profit in each business such as global home appliance and environment & energy related businesses.
- 3) 'Make profit in 3 phases' in comprehensive solutions business, which we have single products, combine and link them, and offer maintenance and service to clients.

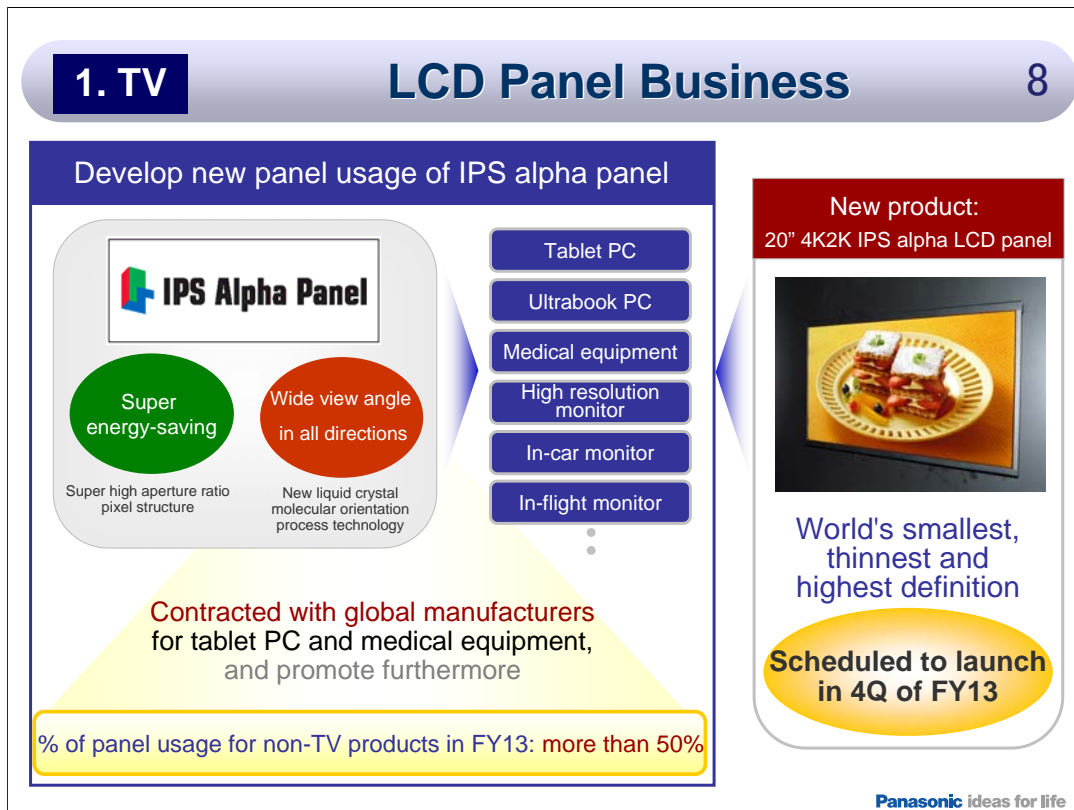


## 1) Restructure TV business

- As we announced in October, 2011, we stay on track of restructuring TV business. We have already completed factory closure, impairment loss booking and workforce reduction. Additionally, we have reached basic agreement to sell Mobara LCD factory to Japan Display Inc. Meantime, we strive to seek new usage for panels and to change product structure of TV sets.

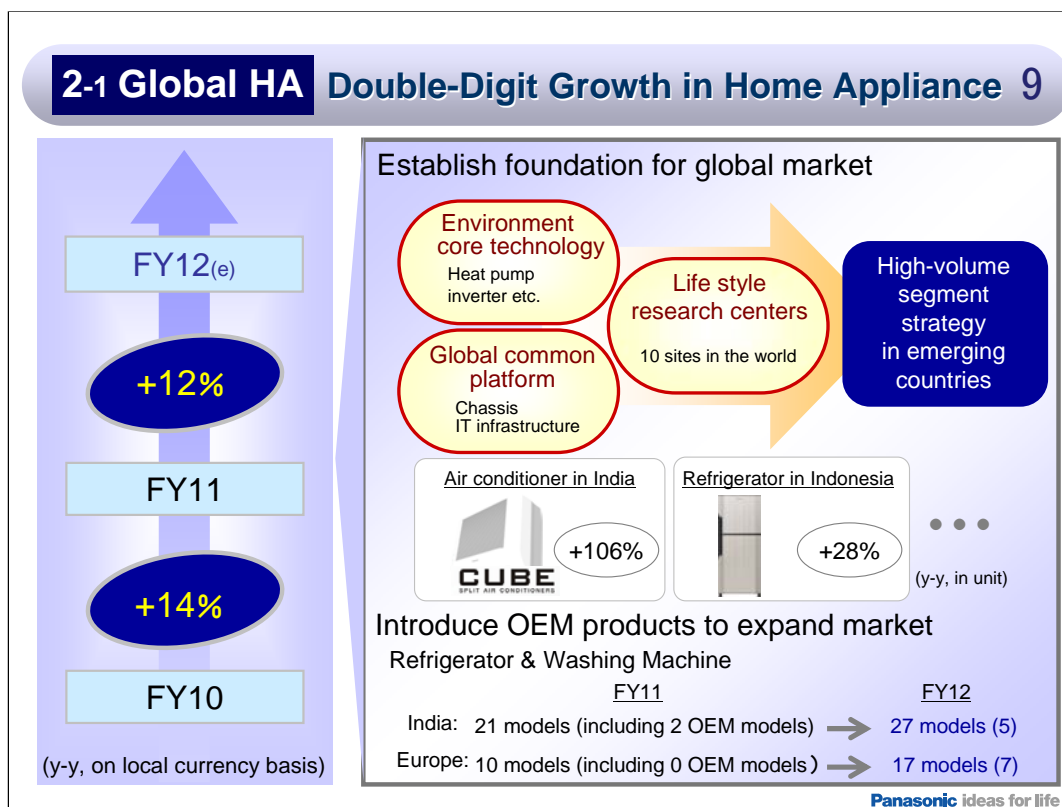


- This chart shows our picture in FY13, based on which we currently form our business plan.



- The main point to improve profitability is developing new usage of IPS alpha LCD panels for non-TV. We have advantage over these panels with functions of super energy saving and wide view angles in all directions, and we would like to apply them to various mobile equipment or B2B areas.
- We have already contracted with global manufacturers for their tablet PC and medical equipment. We will further promote to increase the ratio of panel usage for non-TV products in FY13 to more than 50% level.
- We have also developed 20" 4K2K IPS alpha LCD panel, which is world's smallest, thinnest and highest definition panel. We plan to launch in 4Q of FY13 and expand its market in medical and B2B areas to meet the demand of high quality panels. Proceeding this restructuring of LCD panel business, we will accelerate our strategy shifting to high value added products.
- Meantime, for semiconductor business, another unprofitable business, we are also in the middle of restructuring as we announced in October as well, which includes alliance formation with others.

## 2-1 Global HA Double-Digit Growth in Home Appliance 9

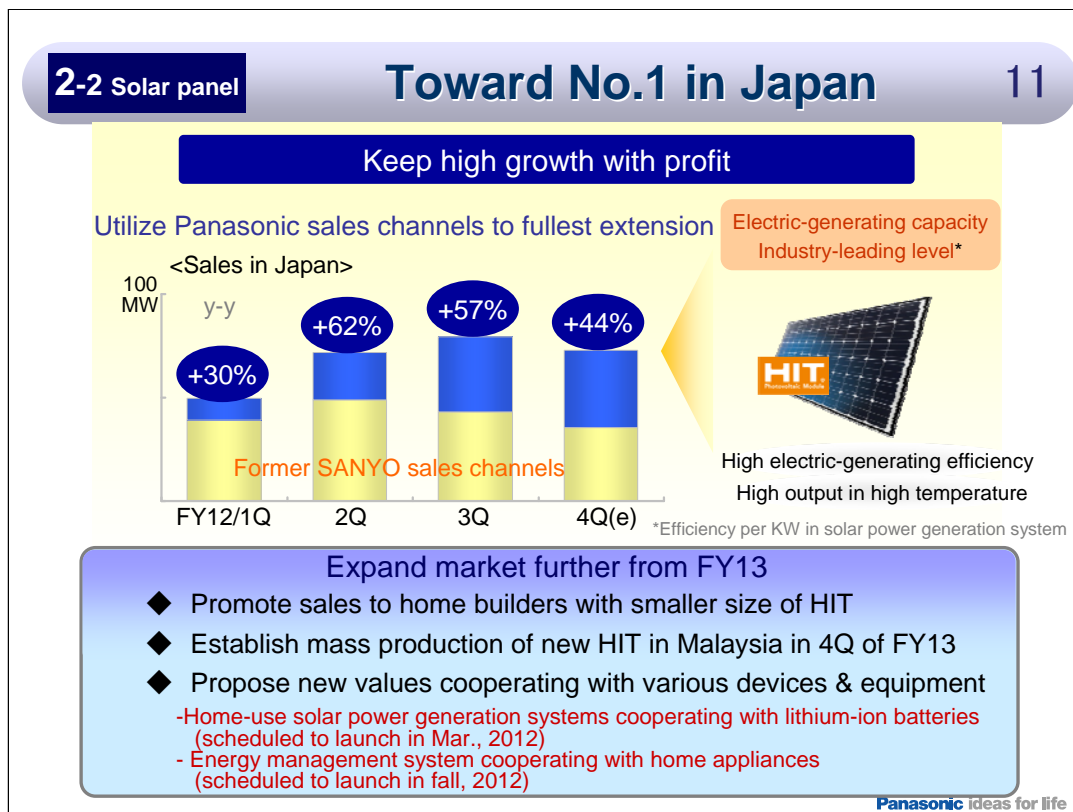


### 2) Increase sales and profit in each business 2-1) Home appliance

- We continuously have double digit growth in home appliance overseas business even in the tough business situation, and one of the reasons is we have strived to establish manufacturing foundation for the global market.
- We have brushed up our core environmental technologies and developed global common platforms centering around Japan. We also established 10 life style research centers all around the world to enhance R&D for the products suitable for each region. As a result, we have succeeded to create new products suitable for high-volume segment in emerging countries such as air conditioners in India and refrigerators in Indonesia.
- Meantime, we have drastically expanded product lineups with OEM products and outside resources. We advise as to manufacturing in our OEM manufacturers so that we quickly introduce high quality products into the markets. We are rapidly catching up Korean competitors in some countries, as we have founded sustainable growth in the market.



- In addition, we strive for further sales increase. We globally launch ECO NAVI, which is energy-saving navigation function and hugely successful in Japan. We started to roll out product lineups in 2H of FY12 and expect to spread out 230 models of 3 main products in more than 80 countries as of the end of FY12. We will continue to work on this.
- We globally enhance our beauty, grooming and healthcare products which we rarely see in Korean competitors. In Asia especially China and India, we have promoted 'Panasonic Beauty' branding campaign to create a new demand. In FY13, we expect more than 15% overseas sales increase with the global sales of 120 billion yen level.
- Looking by region, we will expand manufacturing sites in our target countries such as India, Brazil and Vietnam to increase local business initiated by local sales companies. Furthermore, we will make a full-scale entry into North America with washing machines and refrigerators following home air conditioners in FY13.
- Our home appliance business is a core of our stable profitability and we strive to make further profitability.



## 2-2) Solar panel business

- We continuously keep high growth with profit in solar panel business to achieve No. 1 market share in Japan. Having new overseas competitors into the market, we expect to increase sales 1.5 times in FY12 (vs FY11) with our HIT with its unique features and our broad sales channels.
- We will accelerate our growth: 1) adding smaller size HIT to our lineups which is suitable for tiny space and starting to supply to home builders as standard products, 2) establishing mass production of new cost-competitive HIT in Malaysia factory scheduled to set up in December 2012 to meet the demand, and 3) proposing new Panasonic values cooperating with various devices & equipment. For example, we expect to launch home-use solar power generation system cooperating with lithium-ion batteries in March 2012 and energy management system cooperating with home appliances and equipment in fall 2012.

Supply to global automakers with experience and reliability



**Tesla Motor 'Model S'**  
80k cars in next 4 years

Will supply to  
more than 10 models  
in 5 global majors  
(partially already started supply)



**Toyota 'Prius PHV'\***

\*Launched on Jan. 30, 35-40k cars/year

Sales in amount FY12 **more than 5 times** → FY13

- Increase production with 6 factory lines in Japan
- Will consider expanding further production

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### 2-3) EV battery business

- The more auto manufacturers introduce EV, the higher our EV batteries are evaluated by them especially for our experience and reliability. As we announced in October 2011, we started to supply to Tesla Motor 'Model S' whose waiting list is now longer than expected. We also started to supply to Toyota 'Prius PHV' launched on January 30. Including those two clients, we have already contracted with more than 10 models in 5 global major automakers. We are still on the process of negotiation with most of all global majors.
- In FY13, we expect its sales increase by 5 times (vs FY12) which will contribute to profitability. We will increase production with 6 factory lines and consider expanding further production lines and factories to meet the demand.

Develop a new business model targeting at 50 projects in FY13

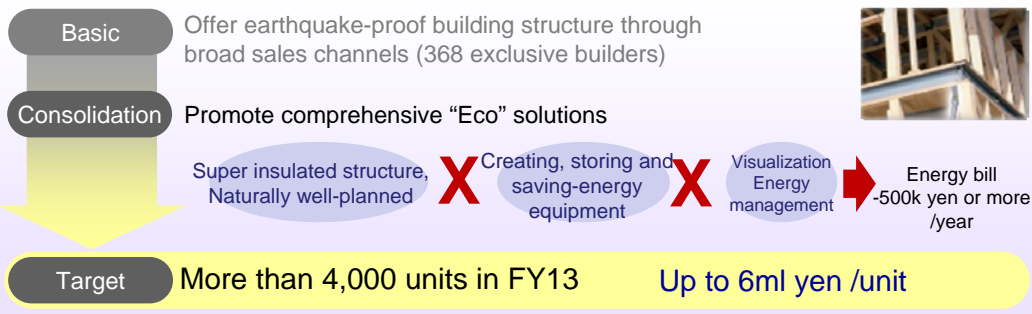
Convenience stores	Offering to majors (in Japan, China, Asia)
Hotel guest rooms (green rooms)	Introduced in The Westin Beijing Chaoyang
Techno-Structure (entire home)	Expect 3,850 units in FY12
Factories (energy-saving system)	Promote approx 40 items in FY12
Hospitals	Government project, test demonstrations
House interior decoration in China	Expect approx. 3,000 units in FY12
⋮	

**130 employees working under  
Corporate Division for Comprehensive Solutions Business  
in Eco Solutions Company**

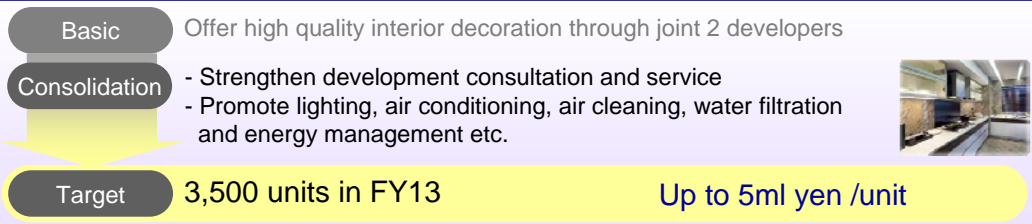
### 3) Comprehensive solution business

- We work on '100 arrows' project which we target to obtain 100 projects in our comprehensive solution business model of 'making profit in 3 phases.' We have progressed 30 projects and are targeting at 50 projects in FY13.
- 130 employees work on this project under Corporate Division for Comprehensive Solutions Business in Eco Solutions Company started as of January 1, 2012.

## Case 1: Techno-Structure (building structure for wooden houses)



## Case 2: Home interior decoration in China



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- Here I would like to present a couple of model cases in entire home projects which we have worked on. We expect its demand growing in FY13. Please go to the reference attached in the end of this presentation.
- Case1: Techno-Structure in Japan  
Panasonic Electronic Works Co., Ltd. originally established its business with its sales channels through exclusive builders and combined its unique frames and Panasonic products. Based on this, we promote comprehensive 'Eco' solutions. We target more than 4,000 units in FY13 with up to 6 million yen level per unit.
- Case2: Home interior decoration in China  
We have offered high quality interior decoration through joint developers. We will strengthen development consultation and service, and expand product lineups to achieve higher quality business. As Chinese people are interested in air cleaning and water filtration, we see possibility in the business of air purifiers and water filters. We target at 3,500 units in FY13 with up to 5 million yen level per unit.
- Following these cases, we work on each item of comprehensive solutions business to enhance our profitability.

## Enhance Operational Efficiencies

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Complete restructuring and maximize synergy  
(downsize workforce, integrate sites)

Eliminate cost in all expense items  
(fixed cost, material cost, etc.)

Downsize inventory and CAPEX

Inventory: -2 days (y-y)  
CAPEX : Zero-base review to minimize

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- As I mentioned in the presentation, we restructure unprofitable business and promote growth strategy to enhance profit structure. In addition, we will concentrate on enhancing group-wide operational efficiencies in FY13.
- We will:
  - 1) Complete restructuring we have worked as a group-wide project and maximize synergy
  - 2) Eliminate fixed cost including payroll, material cost and all other expense items in combination with streamlining effect from integrating 3 companies.
  - 3) Downsize inventory and CAPEX to increase cash flow.

## Toward V-Shaped Recovery in FY13

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(yen: billions)

1. Restructuring effect FY13 total 146.0 - FY12 posted 21.0	125.0
2. Streamlining effect from integrating 3 companies	20.0
3. Fixed cost reduction	30.0
4. Procurement shift to overseas	15.0
5. Retrieval from the flooding in Thailand	60.0
<b>Total</b>	<b>250.0</b>
+	
Profit increase with growth strategy	

Note: This chart does not include downturn factors

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- This chart shows the breakdown of operating profit increase toward V-shaped recovery in FY13. We expect to add 250 billion yen on operating profit by enhancing profit structure including TV and semiconductor businesses and recovering from the flooding in Thailand which is specific in FY12.
- Although we expect negative factors such as further yen appreciation, we will duly work on restructuring and promoting growth strategy to achieve V-shaped recovery.



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- We appreciate your cooperation.

# Link Energy Equipment

## Solar power generation systems cooperating with lithium-ion batteries

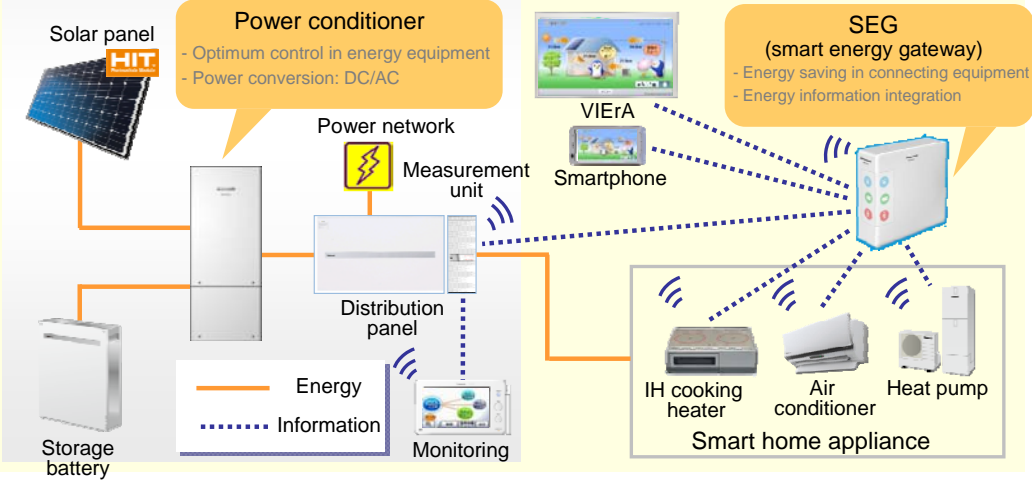
Scheduled to launch in Mar. 2012

- Enable to charge by solar panel
- Enable to backup without reconnection

## Energy management system cooperating with home appliances

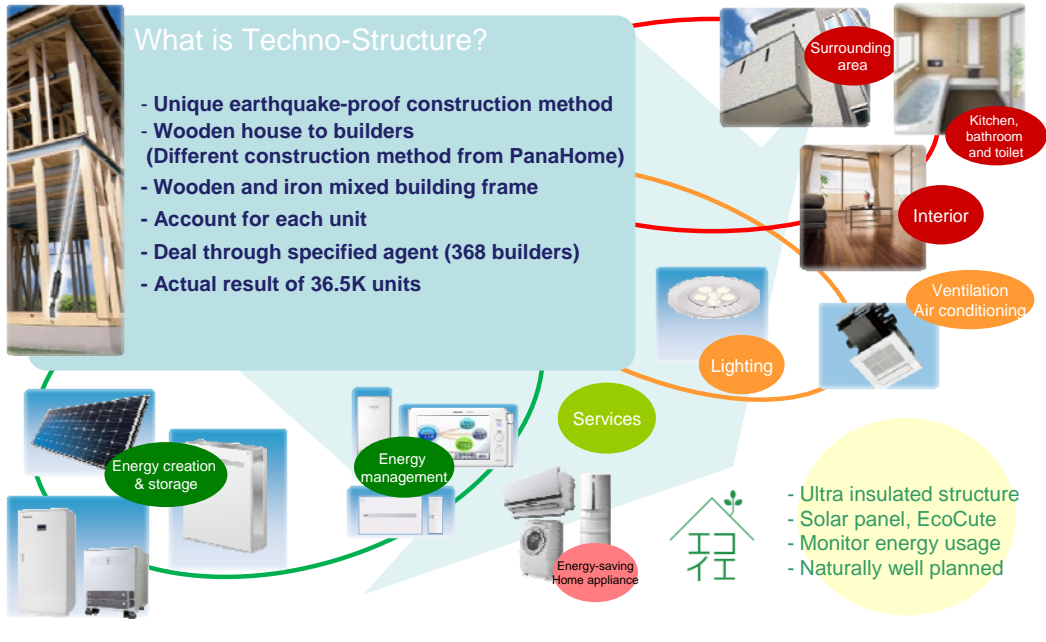
Scheduled to launch in fall 2012

- Enable to monitor all energy usage
- Enable to switch/control energy saving function
- Link with VIErA and smartphone



# Techno-Structure in Japan

From building frame business to comprehensive solutions ('Eco-house')



# Home Interior Decoration in China

## Home interior decoration market in China:

In China, people traditionally buy pre-decorated apartments (skeleton) and later decorate interior through developers. Recently the number who buy/sell post primary interior decoration has increased as same as in Japan.



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