Issues and Countermeasures

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Panasonic Corporation
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Downturn in Business

Digital consumer electronics business accounting for 80% of downturn factors

- Digital consumer electronics*
- Other digital consumer electronics
- Other areas
- FA
- Digital cameras
- Blu-rays etc.
- Consumer lithium-ion batteries
- Consumer electronics
- Mobile phones
- Semiconductors
- Flat-panel TVs & panels

*Consumer-use digital products and related industrial devices and manufacturing equipment

*Total sales forecast: simple sum of all BU (Business Unit) sales
Downturn in Digital Consumer Electronics

Lost competitive power in addition to shrinking Japanese market

Capex and Impairment Loss in Digital Consumer Electronics

Impairment loss of fixed asset and goodwill
Business Structure Issue

- Slow growth and low profitability
  - Deteriorating business environment
  - Failed to create innovation
- Poor investment return
  - Wrong investment decisions
  - Failed to respond to business environment

Unhealthy business cycle

Countermeasures

- Streamline and restructure digital consumer electronic business

- Generate cash flow

- Toward new growth
  - New midterm plan -
### Flat-Panel TV & Panel

**Steady business structural change**

<table>
<thead>
<tr>
<th>Panel business</th>
<th>LCD</th>
<th>Plasma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamline and expand business for non-TV products</td>
<td>- Liquidate module production sites (Czech Republic: Dec. ’12, Malaysia: Jan. ’13)</td>
<td>- Expand digital whiteboard business (FY2013 over 50%)</td>
</tr>
<tr>
<td>Non-TV panel sales ratio: 30%</td>
<td>Non-TV panel sales ratio: 10%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TV set business</th>
<th>LCD</th>
<th>Plasma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift to large-size product business and outsource</td>
<td>- &quot;Sales ratio of over 40&quot;: 30%</td>
<td>- &quot;Sales ratio of over 50&quot;: 70%</td>
</tr>
<tr>
<td>In-house panel usage ratio: 30%</td>
<td></td>
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</tr>
</tbody>
</table>

**FY2013 operating profit improvement (vs LY): 110 billion yen**

- Returned to black in 1H

*FY2013 forecast

### Mobile Phone

**Revisit overseas business**
- Exit smartphone business in Europe
  - Scheduled in FY2013

**Streamline operations**
- Slimmed down R&D workforce to optimal level (end of Sep. ‘12)
- Ceased production in Japan (June ‘12)
- Had other company integrating our sales subsidiary (Oct. ‘12)

**Reduce 30% of fixed cost in Japan** (vs FY2013 2H business plan)

**Establish new company specializing in handset business (scheduled in Apr. ‘13)**

Create new business collaborating with AVC Company
**System LSI**

* Effective on Oct. 1, 2012

Integrate related divisions
Streamline R&D functions

Focus resources

Strengthen external sales
by collaborating
with AVC Company

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**Consumer Lithium-Ion Battery**

Active investment & business integration
Expand business scale

Less sales increase,
more responsible for fixed cost

◆ Restructure business focusing on profitability

- Consolide cell production sites
  6 → 3

- Promote battery business for storage system and business-use equipment, etc.

◆ Shift resources to automotive batteries

- Strong yen
- Korean competitors
- Failed to respond quickly to smartphone and tablet markets

Reduce 20% of fixed cost in Japan (FY13 → FY14)

Downsize operating sites in Japan
Expand non-digital consumer electronic business
Solar

Previous Strategy

Expanded cell production scale

Business environment change

◆ Select and reduce investment
  - No additional investment in factory in Malaysia

◆ Expand system and solution business to improve profitability
  - Focus on Japanese housing industry
  - Integrate R&D, production and sales operations in Eco Solutions Company

Countermeasures

Streamline and restructure digital consumer electronic business

Generate cash flow

Toward new growth
  - New midterm plan -
Improve Free Cash Flow

- **Depreciation**
- **Capital investment**
- **Tax etc**
- **Others**

**Operating Profit**

- **Reduce investment**
- **Reduce asset, Head Office fee etc.**
- **Reduce effective tax rate etc**

**Change business area and business model in BU**

*BU: Business Unit

**FCF**

- **FY13:** Carefully examine from scratch
  - for depreciation expense
- **FY14:** 60% or less
- **FY15-16:** 90% or less

Corporate Emergency Countermeasure

- **Cash flow performance management project**
  - Generate cash flow
  - Reduce investment, sell and liquidate properties etc.

- **Emergency management countermeasure**
  - **Revisit compensation and benefit** (effective in Nov. ‘12)
    - Voluntarily return compensation (executive level)
      - Monthly compensation vs L/Y
        - Chairman / president: - 40%
        - Executives: - 20%
    - Abolish executives’ company cars
      (excluding representative directors)
    - Reduce winter bonus (manager level)
      - -35% vs L/Y
  - **Revisit corporate sport activity** (effective in next season)
    - Will suspend basketball and badminton activities

FY2013 target: 200 billion yen

Panasonic Ideas for Life
Revision of FY2013 Dividend Forecast

Dividend forecast announced on May 11, '12

Full-year: 10 yen (Interim: 5 yen, year-end: 5 yen)

Revised dividend forecast

No dividend payment

Improve profitability for stable dividend payment

Countermeasure

Streamline and restructure digital consumer electronic business

Generate cash flow

Toward new growth - New midterm plan -
New Midterm Management Plan

FY2013

New midterm management plan

BU-based management

Generate cash to depart from crisis

Revitalize value creation

Unhealthy business cycle

Low profitability / funding risk

Healthy company

Group of business creating customer value

Highly profitable company / Green Innovation Company

Target in New Midterm Plan

Toward healthy company

Corporate target -

Generate free cash flow of 200 billion yen or more / year

Toward group of business creating customer value

BUs’ target -

Operating profit ratio of 5% or more in FY2016

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Strengthen 4 Business Areas

New growth with non-digital consumer electronic business

<Working groups> (domain companies) <Focuses>

- **Appliances** (Appliances, Healthcare)
  - Strengthen global expansion
  - Expand B2B business

- **Eco Solutions** (Eco Solutions)
  - Strengthen energy creation & storage management system business
  - Expand business in non-residential engineering and services

- **AVC Networks & Systems** (AVC, Systems & Communications)
  - Shift resources and revisit market needs
  - Expand business in services and solutions

- **Automotive & Industrial** (PAS, Industrial Devices, Energy, MS)
  - Integrate and expand operations of electronic component systems business
  - Expand industrial business

*PAS: Automotive Systems, MS: Manufacturing Solutions

4 Company System (Effective in April 2013)

Support BUs in larger management units

- **Appliances**
- **Eco Solutions**
- **AVC Networks**
- **Automotive & Industrial**

88 → 56 BUs

Corporate Strategy Head Office

Professional Business Support Sector

Note: Company names are tentative

Change Panasonic with transformation of BUs
Revitalize Value Creation
Growth potential with product, customer and regional perspectives

Panasonic ideas for life
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