

Q&A Summary for IR Meeting for AVC Networks Company

Date / Time: September 17, 2014 11:15-12:00
Location: BELLESALLE SHIODOME
Presenter: Yoshiyuki Miyabe, AVC Networks (AVC) Company President

■Q1

Q:P8-P9 means that your company, which has customized hardware, does better than system integrators which do not have hardware?

A: We believe companies like us who are manufacturers would be more successful significantly.

As business front will comprise very large markets, some new general-purpose equipment may become available later. Therefore, there will be a change in the medium to long term. However, at the moment, this is important in this area that the customer, the design team and the manufacturer unite and become as one.

Q: Does Panasonic make its profit from services or hardware? Which is more value-added?

A: In Japan, SSJC (System Solutions Japan Company) makes profits centred on integration, installation and support maintenance. Hardware business divisions have to make profit basically from hardware. Each business division has its autonomous responsible management style and delivers added value.

Q: How much demand has already been taken into account in the business plan until 2018 for the Tokyo Olympic Games? Will related-business sales continue to increase after 2020 as local infrastructure improves?

A: We estimate accumulative minimum sales by 2020 will be 40.0 billion yen in AVC Networks, with AV equipment in sports stadiums, crime-prevention products for the streets and transportation as well as disaster prevention in the areas around Tokyo etc. In Japan, we focus on the sectors that we can continue to grow. We believe there are many business opportunities.

■Q2

Q: ICT (Information and Communication Technology) in the business front is believed to be the new challenge for customers. How are they taking it?

Q: Strong marketing would be vital when you propose new things. Compared with your competitor, where do you position yourself?

A: Even without our proposal, many of our customers have tried to improve the efficiency of their own businesses through ICT over the last 10 or 20 years. For example, a new target

for us is the person who goes out for marketing or collecting money didn't have ICT equipment to help him 10 years ago. We identify major partners in the businesses where we are focusing, and there is a phase that we build up together with them at the beginning. We apply the same business model throughout the Company.

■Q3

Q: Are there any sales in BtoC in AVC Company? How do you evaluate growth in BtoB?

A: There is no business division which focuses on only BtoC. Main stream business is almost all BtoB. DSCs have the biggest sales volumes. However, we integrate not only conventional type consumer electronics sales channels but also camera specialist shops and agencies who deal with broadcasting equipment. There is almost no point to see where BtoC ends and BtoB begins.

Q: Does it mean that even in the former AVC Company, many business divisions (excluding TVs) focus on BtoB? Even newly classified AVC Company has a bigger sales proportion in BtoB than BtoC?

A: Exactly. In the past, sales in TVs were more than 400 billion yen and the proportion of the sales was large. However, the BtoC proportion was less than half even in the former AVC Company. This becomes clearer after the business integration with Appliances.

Q: In Japan, there are many well-established BtoB companies. Can Panasonic grow differently from its competitors in this competitive business environment?

A: In Japan, there are many large companies who started businesses earlier than us. But we reckon their focuses are on back-end and middle-end. Our focus on the other hand is on business-front area. We don't see any existing solutions here. In some cases, it can be connected with home-use equipment. This is the area we can establish our position to a certain extent and this is happening now.

■Q4

Q: How many system engineers do you have and going forward? Excluding distribution and retails, are there any businesses which Panasonic would be able to strengthen and expand?

A: In Japan, there are more than 1,000 system engineers (including affiliate companies). Furthermore, there are 1,700 field-supporters and this is our strength. Overseas, we supplied our products individually in the past, but we are increasing the number of system engineers from last year. Excluding Avionics, it is less than a few hundred people. Toward 2018, we want to increase the number of system engineers to the level of 2,000 including

M&A. The business areas that we can strengthen and expect large sales volumes would be distribution and retail from a global perspective. Furthermore, we can show our strength in infrastructure in the tough environments such as communication, electronic power, street, transportation and railways.

■Q5

Q: How are you going to increase profitability? How are you going to optimize the profitability within the group?

A: For Panasonic as a whole, we aim for a 5% operating profit in the mid-term by FY2016. We reckon it should be within reach, judging from this fiscal year's business situation. In the solution areas, we should aim for about 10% operating profit. Although even now some business divisions have already achieved this level, our aim for fiscal 2019 is to increase the number of such business divisions.