

Q&A Summary for IR Meeting for Eco Solutions Company

Date/ Time: November 26, 2014 14:30–15:15
Location: TOKYO INTERNATIONAL FORUM Hall D7
Presenter: Tamio Yoshioka , Eco Solutions Company President

■ Q1

Q: How do you increase sales in Japan in non-housing related market? Does the market itself grow, do you gain the market share, or do you create completely new market demand?

A: We expect the Japanese market will continue to grow until 2020 mostly because of demand related to the Olympic Games and the Paralympic Games in Tokyo. We count 50% out of the whole growth coming from the Japanese market growth, where 30% from gaining market share and 20% from creating new market demand. We assume the contribution from creating new demand will come after 2018.

Q: When you come to overseas business and M&A, do you focus on sales or profitability?

A: We prioritize profitability. Our non-housing related business maintains OPM5% and we even do not take into account M&A to overseas sales growth of 70 billion yen.

■ Q2

Q: How do you increase the number of sales force towards 600 billion yen domestic sales in FY19 on page 10? How do you set up your KPI for sales force?

A: We have increased 200 sales force to current 1,000. Our business model has changed since we now have many Panasonic products adding to products originally from Panasonic Electronics Work, and we have to offer business as a packaged deal to clients. We prioritize sales per person and profitability as a KPI, and sales and profitability by category such as for wiring devices and lights for facilities, stores or distribution boards.

We control profitability in each of four business divisions and two sales divisions. In addition, from this year we control profitability by not only in results but also in plan level, on production and sales basis by each business, sharing between business and sales sections.

Q: How do you differentiate yourself in small and medium sized BEMS business on page 11?

A: Most of small and medium sized BEMS are provided by electric contractors number of which is approximately 60,000 in Japan. Our presentation is high enough to expand this business working with electric contractors. We believe this is our competitive advantage.

■ Q3

Q: Regarding the PV solution project on page 17, do you make panels and modules by yourself? I want to figure out how you make money in this project – whether it comes from hardware (products) or software (operation).

A: Both hardware and software contribute to profit. For example, we do not always use our HIT panels. We sometimes use panels procured from outside when clients want to minimize their initial investment. We make money from product sales in this case. We however do not have profitability from production. Our main profit source is operation and maintenance rather than temporal product sales.