

Panasonic IR Day 2013

Automotive & Industrial Systems Company Midterm Plan

May 30, 2013

Panasonic Corporation
Automotive & Industrial Systems Company
President Yoshihiko Yamada

Notes: 1. This is an English translation from the original presentation in Japanese.

2. In this presentation, "fiscal 2014" or "FY2014" refers to the year ending March 31, 2014.

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- 1. Company Profile**
- 2. Midterm Plan**
- 3. Measures for Unprofitable
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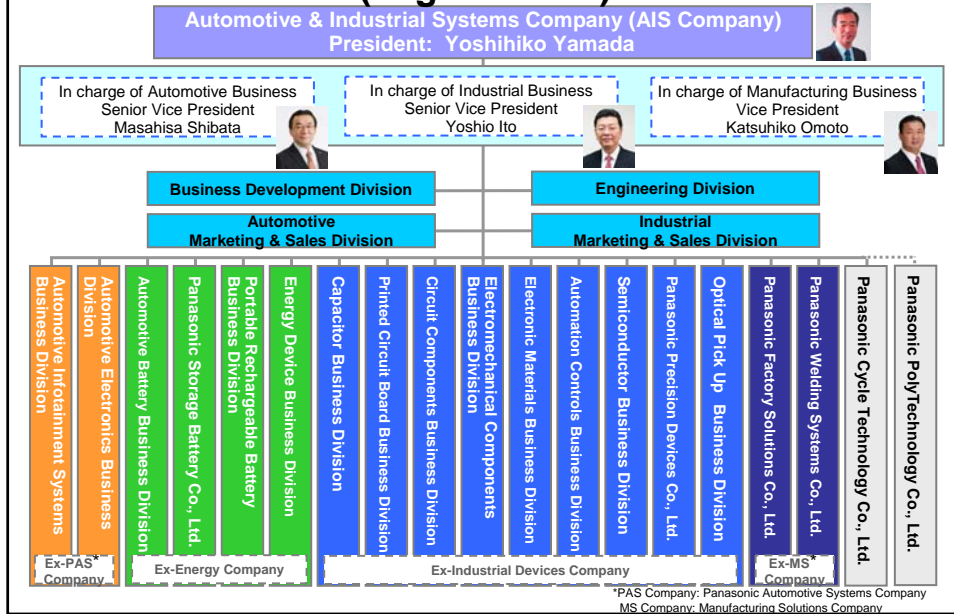
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Profile of Automotive & Industrial Systems Company

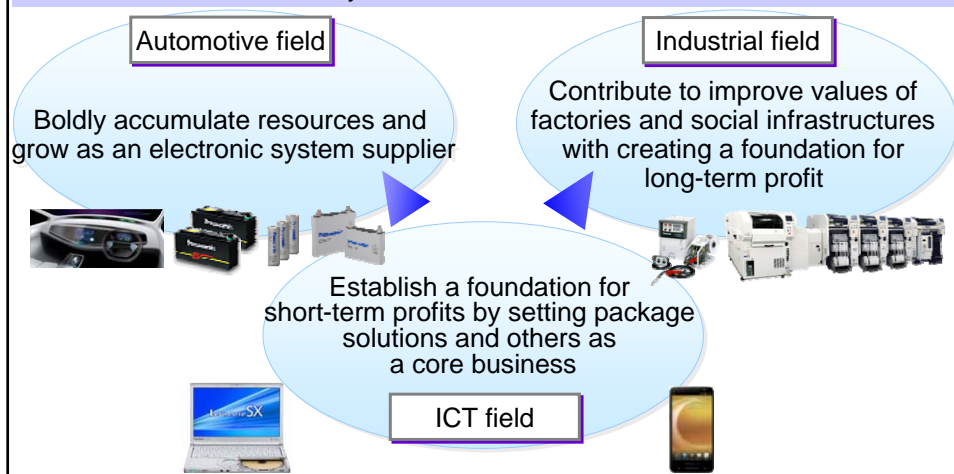
Company name	Automotive & Industrial Systems Company	
President	Yoshihiko Yamada	
Business scope	<ul style="list-style-type: none"> • Automotive business • Industrial business • Manufacturing business 	
Number of affiliated companies	Global: 152 (Japan) 35, (Overseas) 117	
FY2013 Business results	Sales: ¥2,518 bil. OP: ¥ 29.5 bil. FCF: ¥ 8.1 bil.	Positioning in Panasonic Corporation <p>Panasonic Corporation ¥ 7.3 trillion</p> <p>AIS Company ¥ 2.5 trillion</p>

Automotive & Industrial Systems Company (Organization)



AIS Company's Midterm Management Vision

- ◆ Become a growth engine for Panasonic Group as a vanguard in B2B business.
- ◆ Establish a foundation for mid to long term growth and profit with setting "automotive" and "industry" as core businesses.

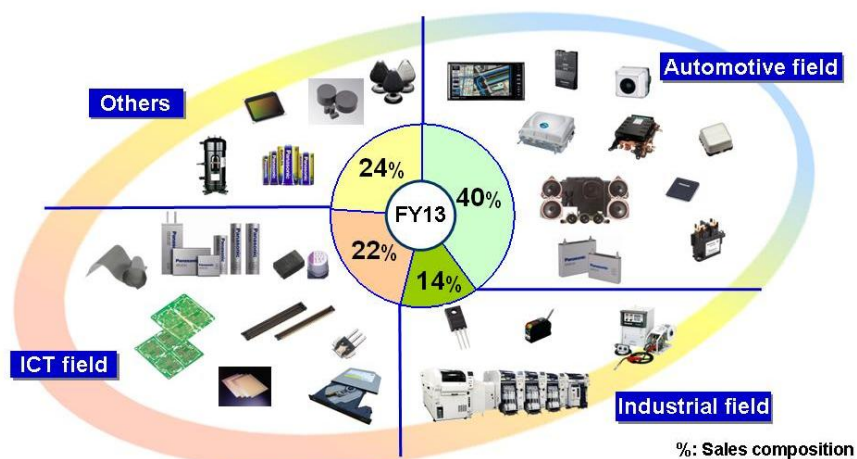


Characteristics of AIS Company

◆ Own “core technologies*” ranging from materials, devices to systems.

* Core technologies: “electronic materials,” “thin film MEMS,” “electrochemical,” “optical and precision processing,” “mounting,” and “welding and processing” technologies

◆ Ability to provide B2B solutions covering a “wide variety of business fields.”



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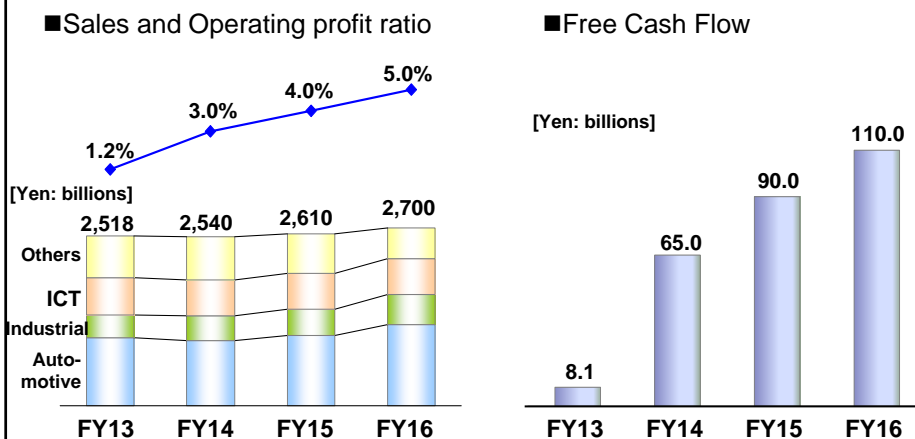
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Midterm Management Target

◆ Aim to grow and expand profits with mainly focusing on the 3 fields of Automotive, Industry and ICT.

FY2016

- Sales: 2.7 trillion yen, Operating profit ratio: 5.0%
- FCF: 265 billion yen (Cumulative amount between FY14 - FY16)

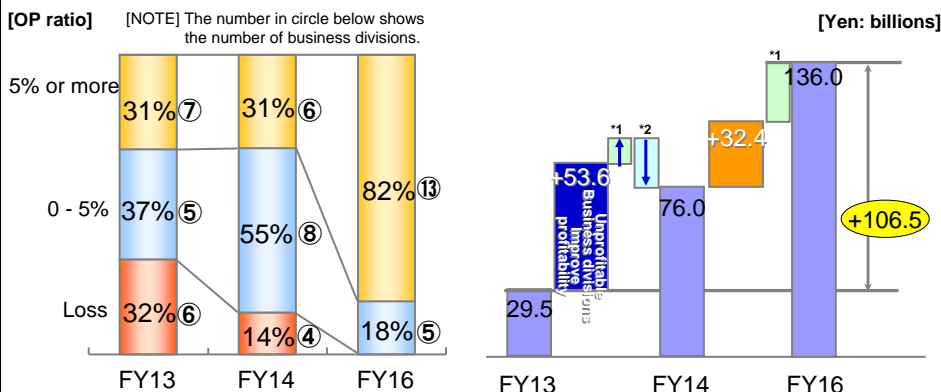


Profit Improvement Plan

◆ In FY15, return all business divisions to be profitable. In FY16, 13 business divisions will generate operating profit ratio of more than 5%.

◆ Improve profitability by 106.5 billion yen with returning loss-making businesses to be profitable.

■ Sales composition by business profitability ■ Operating profit (FY13 → FY16)



*Unprofitable business divisions in FY13: Semiconductor, Portable Rechargeable Battery, Automotive Battery, Panasonic Precision Devices, Optical Pick Up, Printed Circuit Board

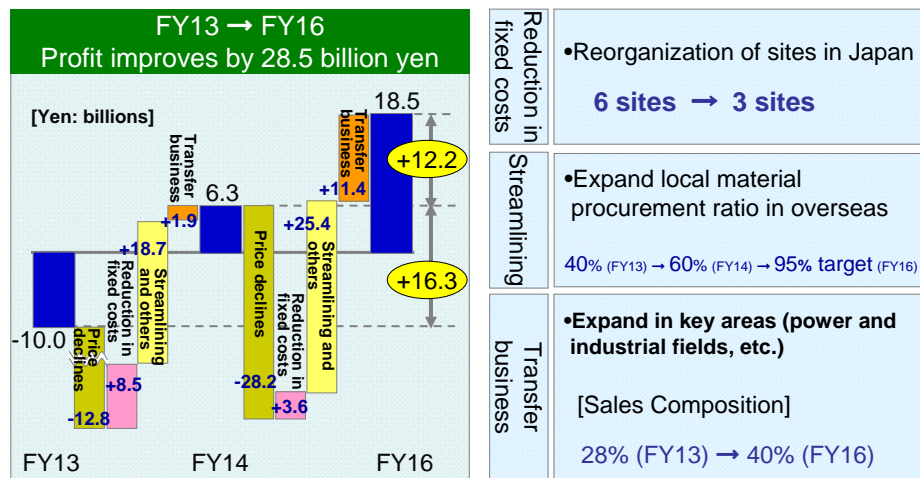
*1. Other business divisions improve their profitability
*2. Investment on new business, etc.

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Portable Rechargeable Battery : Profit Improvement Plan

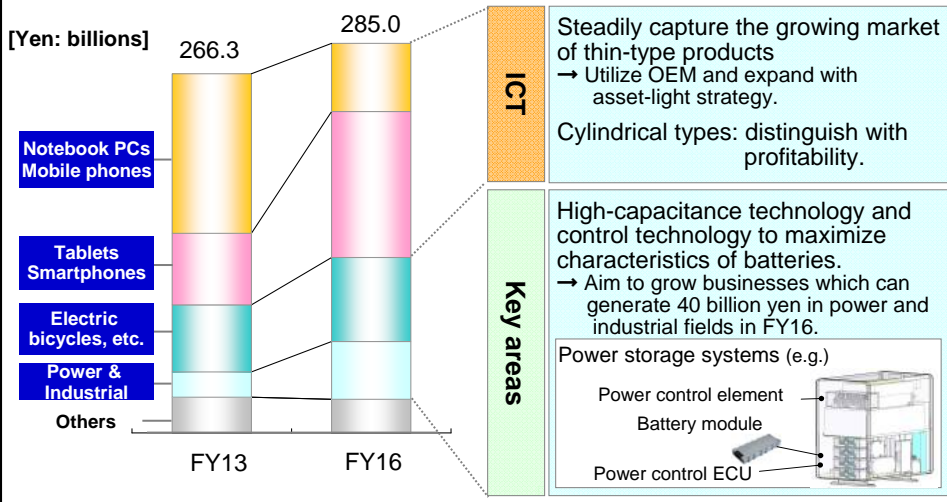
- ◆ Drastically reduce fixed costs and shift resources to other fields which can leverage our strengths.



Portable Rechargeable Battery : Concrete Measures

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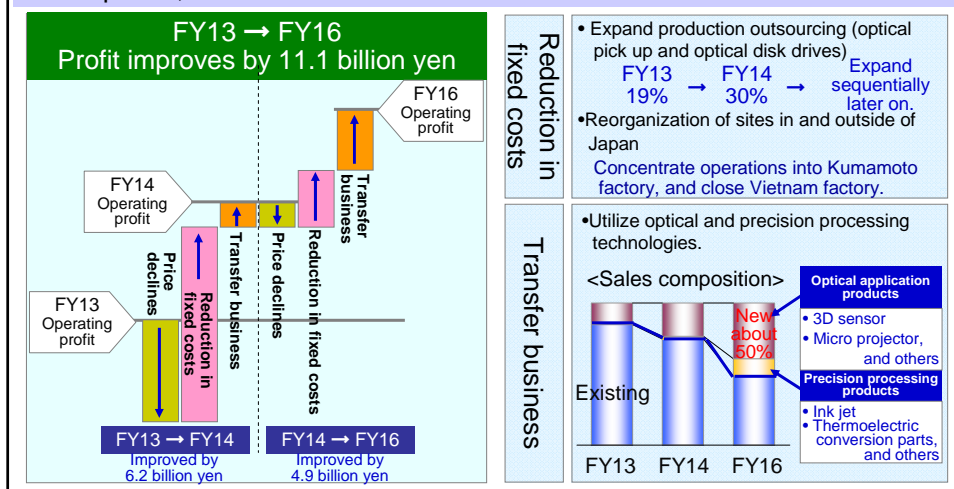
- ◆ Expand in power and industrial fields by exerting our strengths in high-capacitance, high-reliability and control technologies.



Optical Business: Profit Improvement Plan

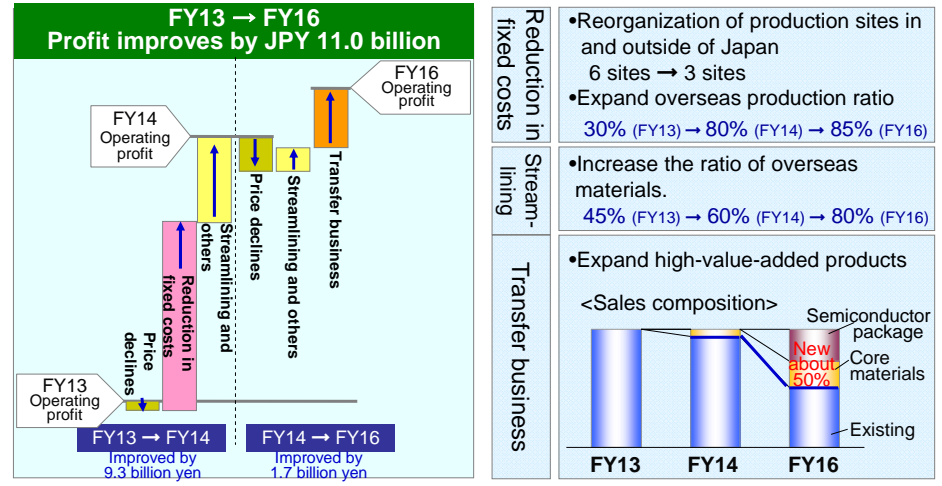
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- ◆ Reduce fixed costs with expanding production outsourcing and reorganizing sites in and outside of Japan.
- ◆ Downsize optical pick up and optical disc drive businesses for personal computers, and transfer into new business area.



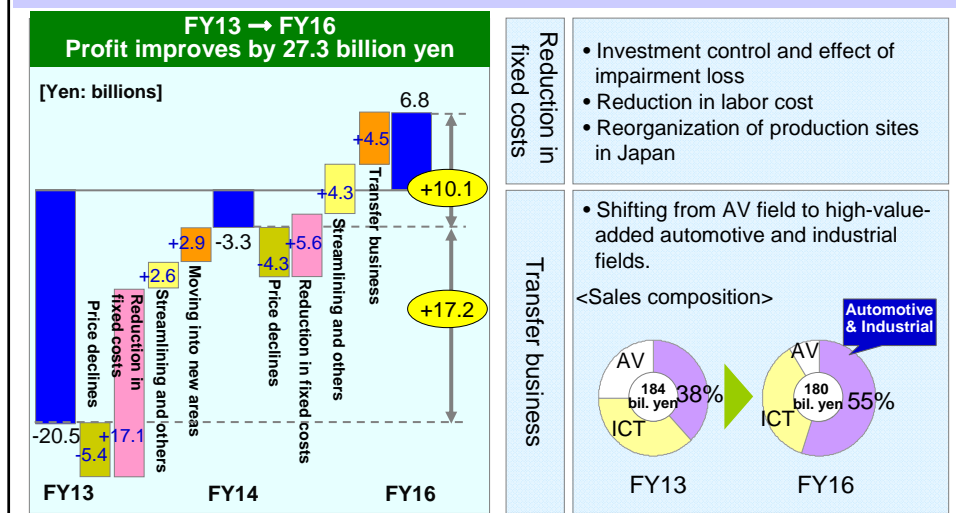
Printed Circuit Board : Profit Improvement Plan

- ◆ Reduce fixed costs by downsizing production in Japan and expanding overseas production.
- ◆ Transfer into new areas of core materials and semiconductor package print board.



Semiconductor : Profit Improvement Plan

- ◆ Strengthen corporate capability by thoroughly reducing fixed costs.
- ◆ Improve marginal profit by transfer into new areas such as automotive and industrial fields.



Semiconductor : Concrete Measures

- ◆ Apply property of micro-fabrication and large-diameter processes to analogs and compounds.
 - Maximize our strengths in low power consumption, imaging and compound technologies.

Low power consumption

- DCDC power supply IC / Battery control LSI
- Motor driver IC
- FeRAM / ReRAM microcomputer (IC card)

Imaging

- Display control LSI
- Automotive camera module
- Medical / Monitor image sensor

Compound Semiconductor

- GaN RF (base station wireless module)
- GaN Power (power supplies for automotive and server)
- White LED (automotive / generic lighting)

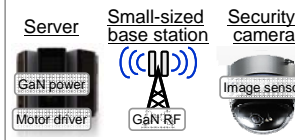
Automotive

Needs: light, durable for long time use, safe



Industrial

Needs: low-heat (highly efficient), small-size and light



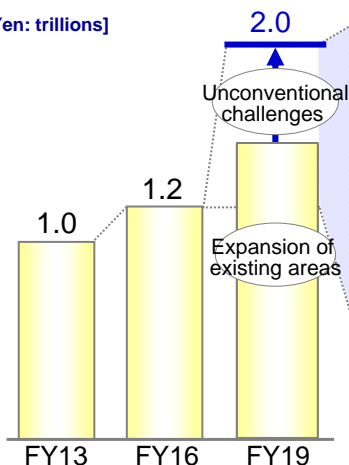
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Automotive Field : Challenge to Generate 2 trillion yen Sales

◆ Through collaborating with Panasonic Group as well as utilizing external resources, challenge to a new business field which is totally different from existing business fields.

[Yen: trillions]



- “Stop being Japan-oriented”**
 - Build up a business by focusing mainly in US and Europe and exploit new customers.
- Maximize collaboration with Panasonic Group companies**
 - Offer comfortable space with a cockpit system.
 - Utilize the expertise of Tier-1 and expand sales with system, devices and materials.
- Proactively utilize external resources**
 - Challenge in new business areas through collaboration and M&A, etc.

Automotive Field : New Business Creation

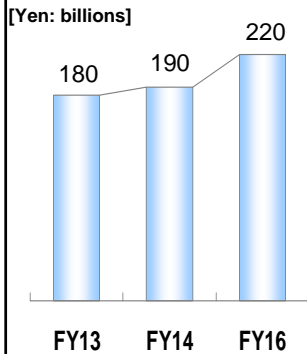
◆ Leverage strengths, grow up by new businesses centering around “comfort,” “sense of security and safety,” and “electrically powered” areas.

Comfort	<ul style="list-style-type: none"> ■ Expand cockpit business fields. <ul style="list-style-type: none"> • From module to system ■ Develop a cloud service business. 	<div style="display: flex; align-items: center; justify-content: center;"> <div style="font-size: 8px; margin-right: 5px;">AUPEOI</div> <div style="font-size: 8px; margin-right: 5px;">FY16→FY19</div> <div style="font-size: 12px; color: red; font-weight: bold; margin-right: 5px;">+300</div> <div style="font-size: 10px; color: red; font-weight: bold;">bil. yen</div> </div>	Capture Europe and US customers and new foreign customers
Security and safety	<ul style="list-style-type: none"> ■ Challenge to system development involving operation control. <ul style="list-style-type: none"> • Utilize the sensing devices (automotive camera, ultra-sound sensor). 	<div style="display: flex; align-items: center; justify-content: center;"> <div style="font-size: 8px; margin-right: 5px;">16→19</div> <div style="font-size: 12px; color: red; font-weight: bold; margin-right: 5px;">+200</div> <div style="font-size: 10px; color: red; font-weight: bold;">bil. yen</div> </div>	
Electrically powered	<ul style="list-style-type: none"> ■ Propose a system combined with strong batteries <ul style="list-style-type: none"> • For no idling and HEV. ■ Develop a small-sized and highly-efficient integrated power supply system. <ul style="list-style-type: none"> • Integrate battery charger and inverter. 	<div style="display: flex; align-items: center; justify-content: center;"> <div style="font-size: 8px; margin-right: 5px;">16→19</div> <div style="font-size: 12px; color: red; font-weight: bold; margin-right: 5px;">+300</div> <div style="font-size: 10px; color: red; font-weight: bold;">bil. yen</div> </div>	

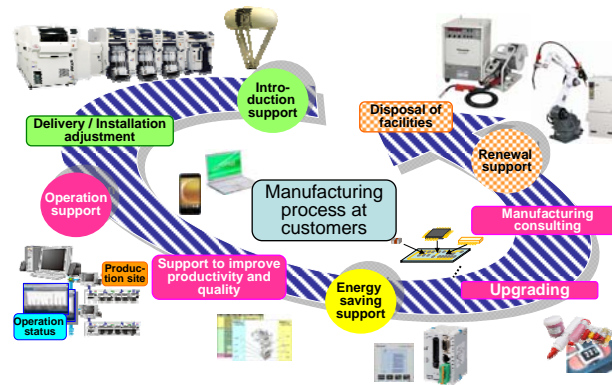
Industrial Field: ex.) Expand “Manufacturing Solutions”

- ◆ Grasping the needs of automation and manpower saving, contribute to customers worldwide.
- ◆ Expand energy-saving devices in the FEMS (Factory Energy Management System) field.

■ Sales plan of manufacturing business



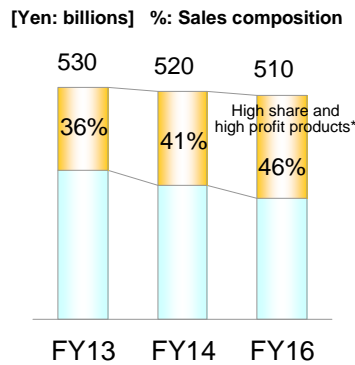
■ “Manufacturing solutions”



ICT Field: Selection and Concentration

- ◆ Expand sales of high-share and high-profit products.
 - Strengthen the communications infrastructure field and expand our share in mobile terminal market.

■ Sales plan



*Total sales of conductive polymer capacitors, mobile connectors, multi-layer circuit board materials, light touch switch, graphite sheet, noise-related components

■ Measures of main products

Conductive polymer capacitors

Strength: Conductive polymer technology
 → No. 1 market share (over 50%) for IT equipment power supply smoothing application

◇ New business development for servers and base stations

Mobile connectors

Strength: Precision cutting processing technology
 → No. 1 market share (35%) for mobile terminal

◇ Expand sales for new customers including China emerging makers

Multi-layer circuit board materials

Strength: Resin design technology
 → No. 2 market share (10%) for high-end application




◇ Expand sales for China and Asia markets

Formation for New Business Creation

- ◆ Create a “new business” which can generate 10% sales of AIS Company’s total sales in FY16.
- ◆ Newly set up “Business Development Division” in April 2013. (involving members from Business planning, Marketing and Engineering)

- Create a business across business division boundaries. → Complement a divisional system.
- Concentrate and specialize to create a business in 3 years. → Accelerate a shift to growth areas.
- AIS Company’s President concurrently serves as the Division Director. → Bold and swift management judgment

■ Key activities

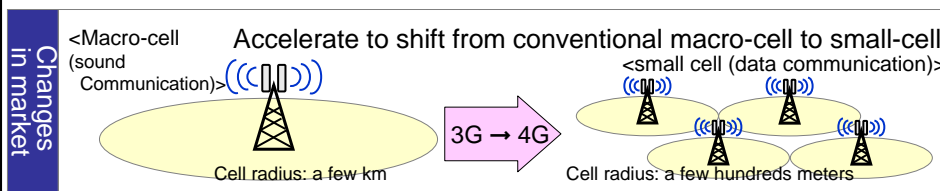
Combine	Offer a business proposal across business divisions, AIS Company and PC Group. 
Expand	Break away from a product unit selling and overly self-sufficient business approach. Embrace a business opportunity in the form of system and services. 
Accelerate	Make a proposal of R&D SEEDs to market. 

■ Operations

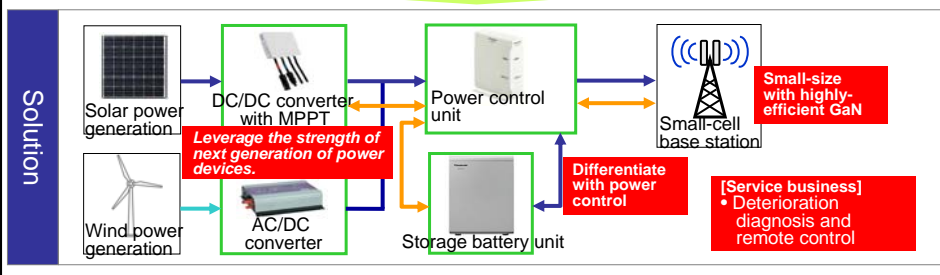


Concrete Example

Power supply system for small-sized base station



Grasp the changes in market and propose a solution covering system to services



Panasonic

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