Appliances Company
Business policy

May 18, 2016
Panasonic Corporation
Appliances Company
President Tetsuro Homma

Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, “FY17” refers to the year ending March 31, 2017.

FY16 Results
### FY16 Financial Results

**Despite strong sales in Japan and Asia, overall sales have negative growth due to slump in Europe, US, and China.**

Operating profit increased due to sales increase in Japan and Asia, and strengthening premium zone.

**Sales**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>+5.0</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>+45.9</td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td>-98.6</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>+2.4</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>-1.7</td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td>+16.2</td>
<td></td>
</tr>
</tbody>
</table>

**Operating Profit**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>+3.0</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>-1.7</td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td>+16.2</td>
<td></td>
</tr>
</tbody>
</table>

**Exchange rate (1 USD)**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>110 yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>120 yen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Increase**

- Increased due to profitability improvement of white goods focusing on premium strategy and return to profitability in TV business (+33%)

**Decrease**

- Despite increase in white goods, decreased due mainly to downsizing business of TVs

**Sales**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>+63.2</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>+26.7</td>
<td></td>
</tr>
<tr>
<td>Ex-rate</td>
<td>+4.4</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>-30.3</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>-83.2</td>
<td></td>
</tr>
</tbody>
</table>

**Operating Profit**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>+63.2</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>+16.9</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>+11.1</td>
<td></td>
</tr>
<tr>
<td>Str. Invest</td>
<td>+16.9</td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>+45.9</td>
<td></td>
</tr>
</tbody>
</table>

**Consolidation of manufacturing and sales**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,552.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,504.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**<US GAAP>**
## FY16 Achievements and Challenges

### Consistent achievement of Key Initiatives in FY16

**Expanded composition ratio of premium goods**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Asia</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>31%</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>FY16</td>
<td>44%</td>
<td>34%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Marginal profit ratio improved by 1.5%

**White goods business hugely contributed overall profitability**

- All 11 business divisions achieved positive profitability
- All 5 white goods-related business divisions achieved operating profit over 5%
- Improved profitability due to consolidated management based on manufacturing-sales collaboration

(Consolidated 3 Asian sales companies and manufacturing companies to AP)

**FY16 Challenges**

Failed to achieve target due to declining Chinese market

<table>
<thead>
<tr>
<th>FY16 target</th>
<th>FY16 result</th>
</tr>
</thead>
<tbody>
<tr>
<td>73.6</td>
<td>67.8</td>
</tr>
</tbody>
</table>

Fail to achieve target due to declining Chinese market

**Operating Profit (yen: billions)**

- Ex-rate -1.4
- Restructure

### Preparation for growth from FY17 onward

### Portfolio management by strategic investment

**Expand highly growing business**

- Strengthen Commercial Refrigeration & Food Equipment Business
  - Acquired 100% shares of Hussmann Corp.

**Create new products/businesses**

- Automatic laundry folding machine
  - Established joint venture for commercialization
- Launch housing space value creation project

**Marketing investment in strategic regions**

- Strategic investment to AP Asia/ AP China (approx. 7.5 billion yen)
  - Renew storefront display in Indonesia
  - Exhibit in AWE in Shanghai

**Restructure for profit growth**

- Withdrew from the vacuum cleaner business (US)
- Transferred SANYO TV business (China)
**Midterm business policy of Appliances Company**

<table>
<thead>
<tr>
<th>Overall</th>
<th>Shift resources to highly growing business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home appliances business</td>
<td>Further strengthen marketing for customers in ‘premium zone’</td>
</tr>
<tr>
<td></td>
<td>Deploy Japanese winning business model to overseas</td>
</tr>
<tr>
<td></td>
<td>Accelerate business growth in Asia &amp; China + Europe</td>
</tr>
<tr>
<td>BtoB business</td>
<td>High profitability by promoting nonlinear activities and utilizing IoT</td>
</tr>
</tbody>
</table>
Business areas and positioning of Appliances Company

Commercial Refrigeration & Food Equipment, Small/Built-in appliances in favorable competitive positions

Profit ratio and Growth ratio in global market

- Industry average profit ratio
- Relatively favorable area
- Small/Built-in
- AC
- Devices
- Major
- Growth rate: CAGR of FY16 to FY19
- Profit ratio: FY16 (both our estimation)

Need to search for more profitable area

The size of circle: market size

... 25 billion USD

Business portfolio toward FY19

Newly position “Small/Built-in” as highly growing business

- Highly growing business
  - Air conditioner
  - Comm. fridge & Food equip.
  - Small/Built-in
- Steadily growing business
  - Major
  - Devices/etc.
- Profitability improvement business
  - AV

• Achieve high global growth through proactive nonlinear investment
• Strengthen products/sales competitiveness by boldly enhancing resources
• Pursue stable profitability expansion by growing in China & Asia + Europe
• Pursue profitability expansion through improving model portfolio
• Minimize risks and pursue steady positive profitability
Accelerate investment for highly growing business

Intensively invest human resource and cash

R&D engineers (number of personnel)

Company’s strategic Investments (yen billions)

<table>
<thead>
<tr>
<th>Area</th>
<th>FY16</th>
<th>FY19 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensive</td>
<td>69%</td>
<td>76%</td>
</tr>
<tr>
<td>31%</td>
<td>24%</td>
<td></td>
</tr>
</tbody>
</table>

Increase

<table>
<thead>
<tr>
<th>Business Area</th>
<th>FY16</th>
<th>FY19 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. Fridge &amp; Food equip.</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Small/ Built-in</td>
<td>600</td>
<td>250</td>
</tr>
</tbody>
</table>

Goals for FY19

Aim at achieving 2.8 trillion sales in FY19 due through mainly highly growing business and steadily growing business

<table>
<thead>
<tr>
<th>Business Area</th>
<th>FY16</th>
<th>FY19 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. fridge &amp; Food equip.</td>
<td>2.5 trillion yen (54.6 billion yen)</td>
<td>2.8 trillion yen (125 billion yen)</td>
</tr>
<tr>
<td>Small/ Built-in</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Major Devices</td>
<td>600</td>
<td>250</td>
</tr>
</tbody>
</table>

<IFRS>
[Consolidation of manufacturing and sales]
Sales (OP)
Our strengths and Market share in home appliance in Japan

Achieved record high market share in past 30 years in whole home appliance goods

![Market share chart]

- Residential air-conditioner: 1st
- MWO: 1st
- Induction Hob: 1st
- Dishwasher: 1st
- Rice Cooker: 2nd
- Shaver: 1st
- Dryer: 1st
- Refrigerator: 2nd
- Top Load Washer: 2nd
- Front Load Washer: 1st
- TV: 2nd
- Recorder: 1st

- Concept: Daily Premium
- 4K world

Expand Japanese Winning Business Model to overseas

Expand marketing approach developed in Japan, considering regional characteristics

Asia
- [Sales target in FY19: 350 bil. yen]
- Propose new values based on localization
- Premium brand strategy × Field marketing
- Top wind flow
- Multi door
- Partial freezing
- Washing power
- Large opening
- 4K & Dolby

Synchronize media & storefront campaigns
Enhance visibility and quality of promoters
Continuous storefront demonstrations

China
- [Sales target in FY19: 13.3 bil. yuan]
- Healthy, affordable and classy + smart
- Create "aspiration" with premium goods

Establish Marketing division and Sales RU to strengthen "integrated marketing"
"Development—manufacturing—sales—consolidated management"

- [April 2015]
- Transfer overseas sales company to Appliances Company in steps, to ensure manufacturing—sales consolidated management
Business growth with profitability in home appliances

Growth with “Japan + Asia/China/Europe” and “RAC/Small”

By region

- FY16
  - Japan
  - Asia
  - China
  - Europe
  - others

By business domain

- FY16
  - Major
  - Small
  - others

Operating profit ratio

- FY19 (f)
  - Japan
  - Asia
  - China
  - Europe
  - others

IFRS *Consolidation of manufacturing and sales
Areas indicate operating profit amounts

FY17 Business Policy
FY17 Management Target

Increase both sales and profit mainly by highly growth businesses

Sales

- Newly consolidated Hussmann Corp.
- Increase in Air-conditioner and Major Appliances

Operating profit (Ratio)

- Sales increase and improvement of profitability of AC
- Develop and promote premium products
- Newly consolidated Hussmann Corp.

Exchange rate (1 USD)

- FY16: 120
- FY17 (f): 115

Sales

- FY16: 2,505.7
- FY17 (f): 2,600.0

Operating profit

- FY16: 54.6 (2.2%)
- FY17 (f): 100.0 (3.8%)

Increase in Air-conditioner and Major Appliances

- FY16: +13.8
- FY17 (f): +21.7

Operating Profit

- FY16: +2.0
- FY17 (f): +8.1

Sales increase and improvement of profitability of AC

- FY16: +45.4
- FY17 (f): +94.3

Develop and promote premium products

- FY16: +11.5
- FY17 (f): +11.3

Highly growing Business

- FY16: 67.8
- FY17 (f): 100.0

Increase both sales and profit mainly by highly growth businesses

- FY16: +11.8
- FY17 (f): +11.3

SANYO TV

- FY16: -8.9
- FY17 (f): -0.5

AV

- FY16: -11.8
- FY17 (f): +11.3

Include improvement from non-operating expenses (Based on US GAAP)

Based on Adjusted OP

- FY16: 54.6
- FY17 (f): 109.4

Highly growing Business

- FY16: +15.8
- FY17 (f): +115.0
Air-Conditioning

Comm. AC concentrate on target business area, RAC aim to further profitability improvement

Achievement in FY16

AC sales

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>460.6</td>
<td>465.6</td>
<td>504.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reestablish RAC in China

- Accelerate shift to mid–high range product featuring "Health"
- Transform to actual demand sales unified with distributors (Renew storefront, strengthen helpers, etc.)

Commercial AC

- Double digit growth in Asia
- Expand sales of gas AC in Japan

Key Initiatives

- Collaborate with gas firms and deal with energy liberalization (Launch hybrid AC "Smart Multi")
- Expand cloud technology with unified platform and utilize for spec-in.

Major Appliance

Propose “Life with aspiration” with premium goods suitable for each region

Sales

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>452.8</td>
<td>491.8</td>
<td>506.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key initiatives

- Optimization of product planning within regions
- Expand product lineup by complementary supply within regions

Regional autonomous management (Asia)

Japan Support development

【ASEAN6 Top Load Washer】

Sales of washer (8kg and over): more than +40% vs. LY
**HA Small/Built-in Appliance**

Expand high profitability business proven in Japan to oversea

<table>
<thead>
<tr>
<th>Sales</th>
<th>Strengths</th>
<th>Built-in</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15: 371.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY16: 404.9</td>
<td>Small</td>
<td>Quality competitiveness</td>
</tr>
<tr>
<td>FY17: 414.9</td>
<td>Product planning ability</td>
<td></td>
</tr>
<tr>
<td>FY18:</td>
<td>Create Value</td>
<td></td>
</tr>
<tr>
<td>FY19:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share in Japan in FY16 (Panasonic estimates)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key Initiatives**
- Expand Japanese high-end beauty products
- Sales increase with lineup improvement of IH rice cooker
- Launch premium products to shaver/trimmer
  "European design x professional technology"

**AV Business (TV)**

Enhanced brand presence by launching "Premium 4K TVs"

<table>
<thead>
<tr>
<th>Sales</th>
<th>Key Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15: 347.3</td>
<td>Promote multi-cell which enables attachment of several makers open-cell (total 8 site) (IPS/VA, 4K/FHD, several makers)</td>
</tr>
<tr>
<td>FY16: 476.4</td>
<td>Establish global platform and achieve lineups by country with least investment</td>
</tr>
<tr>
<td>FY17: 453.6</td>
<td>Expand by country product/distribution strategy by collaboration with manufacturing and sales in 5 regions (Japan/Europe/Latin America/Asia/India)</td>
</tr>
<tr>
<td>FY18:</td>
<td></td>
</tr>
<tr>
<td>FY19:</td>
<td></td>
</tr>
</tbody>
</table>

**Key Initiatives**
- Own color reproduction technology reality oriented OLED TV
- Multi-division back light area control Certificated world’s first ULTRA HD PREMIUM
- High-resolution model with powerful sound
  Deploy know-how of Technics
  Limited version in Japan
  Available on May 20

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**HA**

**Appliances Company Business Policy**

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**BtoB**  Comm. fridge & Food equip. Business

Aim at achieving 400 billion yen in FY19 on Panasonic corp. through creating synergy with Hussmann

<table>
<thead>
<tr>
<th>Sales (AP company)</th>
<th>Hussmann Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;Consolidation of mtg. and sales/ yen billions&gt;</td>
<td></td>
</tr>
<tr>
<td>FY15 FY16 FY17 FY18 FY19</td>
<td></td>
</tr>
<tr>
<td>136.1 144.0 285.6</td>
<td></td>
</tr>
</tbody>
</table>

Key initiatives of Hussmann
- Focus on customers who recognize our value e.g. supermarket, convenience store & drug store etc.
- Strengthen original/customized products with high profitability
- Opened display cases
- Customized display cases

Learn from Hussmann
- Dispatch assigned employees to learn each other management method appropriate for BtoB solution business

Beverage Business
- Vending machine market shrinks due to rise of convenience store
- Site consolidation in FY15 (Kusatsu→Gunma)
- OP is expected to increase by strengthening dispenser business

22 | Appliances Company Business Policy
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