Panasonic IR Day 2012

AVC Networks Company
Business Strategy

May 23, 2012
Panasonic Corporation
AVC Networks Company
President Mamoru Yoshida

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

Contents

1. Domain Overview
2. Market Trends
3. Business Policy and Growth Strategies
4. Toward New Business Growth
AVC Networks Company Profile

Name: AVC Networks Company
Size of Business (FY2012):
- Sales Amount: 1.33 trillion yen
- Operating Loss: 72.5 billion yen
Number of Offices: 33 offices in 14 countries (Domestic: 12, Overseas: 21)
Number of Employees: 33,000 (Japan: 11,000, Overseas: 22,000)

AVC Networks Company

- Unification of Technology C
- Business Development C
- Development of Next-generation PFC

Unification of Technology C (Component Technology)

Business Development C (HUB/Business Creation)

Development of Next-generation PFC (development of Common PF)

Major Products

<table>
<thead>
<tr>
<th>Business</th>
<th>Products</th>
<th>Sales Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network</td>
<td>Flat panel TVs</td>
<td>45%</td>
</tr>
<tr>
<td>Products</td>
<td>PDP/LCD Panels</td>
<td>25%</td>
</tr>
<tr>
<td>Business</td>
<td>Notebook PCs, Projectors, Avionics, Professional AV equipment</td>
<td>30%</td>
</tr>
</tbody>
</table>

Market Share of Major Products

Product Categories: BtoC

<table>
<thead>
<tr>
<th>Product Categories</th>
<th>Market Share of Shipped Products in FY 2012 (vs FY2011)</th>
<th>Global Market Share</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>BtoC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flat panel TVs</td>
<td>6%                                               -2%</td>
<td>No. 5</td>
<td></td>
</tr>
<tr>
<td>DSC</td>
<td>10%                                              -1%</td>
<td>No. 5</td>
<td></td>
</tr>
<tr>
<td>SLR</td>
<td>5%                                               +2%</td>
<td>No. 4</td>
<td></td>
</tr>
<tr>
<td>BD Recorders</td>
<td>37%                                              +2%</td>
<td>No. 1</td>
<td></td>
</tr>
<tr>
<td>HD Movies</td>
<td>22%                                              +2%</td>
<td>No. 2</td>
<td></td>
</tr>
</tbody>
</table>

Product Categories: BtoB

<table>
<thead>
<tr>
<th>Product Categories</th>
<th>Market Share of Amounts of Money in FY 2012 (vs FY2011)</th>
<th>Global Market Share</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>BtoB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Laptop PCs</td>
<td>63%                                              +3%</td>
<td>No. 1</td>
<td></td>
</tr>
<tr>
<td>Projectors</td>
<td>14%*                                             +7%</td>
<td>No. 2</td>
<td></td>
</tr>
</tbody>
</table>

Note: Calculated before SANYO was merged.

Panasonic. A life for us.
1. Domain Overview

2. Market Trends

3. Business Policy and Growth Strategies

4. Toward New Business Growth

Market Trends

- Sluggish demand for digital AV equipment, expected to slightly decrease
- BtoB business continuously growing with +6% of annual growth rate

Bills of dollars

*Estimated by Panasonic*
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FY 2013 Business Policy

Return into black in FY 2013 and prepare for midterm growth

Selection and focus, and prioritize on profitability

- Try to eliminate marginal profit deficit and return to black in TV set business
- Expand panel use in non-TV products and strengthen BtoB business
- Accelerate selection and focus, streamline existing businesses and shift to new business
- Enhance business strengths and customer relationships, and achieve sustainable growth

Establish next-generation foundations with fusion of core technologies and IT

- Create new business with photographing/viewing/storage technology + IT
- Utilize existing technology and accelerate shift to BtoB on customers' perspective
**FY 2013 Business Plan**

Increase profitability and manage risk factors to return into the black

- Sales: 1,376.2 billion yen (+3% vs FY2012)
- Operating Profit: 55.2 billion yen (+127.7 billion yen vs FY2012)

**Increase Sales**

(+3% vs FY2012)

Sales: 1,376.2 billion yen

**Improve Operating Profit**

(+127.7 billion yen vs FY2012)

Operating Profit: 55.2 billion yen

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**TV Business Restructuring**

- Shifted focus from unit scale to profitability
- Decreased fixed costs and slimmed down business structure into optimal scale

<table>
<thead>
<tr>
<th>LCD</th>
<th>PDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Be &quot;Eco&quot; front runner with IPS technology</td>
<td>Best picture quality with &quot;3D&quot; and &quot;black&quot;</td>
</tr>
</tbody>
</table>

**LCD, sets**

- Affordable panels, better cost structure
- In-house panels
- Limit to small size
- Overseas panels
- Expand larger screen lineup

**PDP, sets**

- Reduce number of models focusing on profitability
- All size lineup
- Focus on large screens

**Panel business**

- LCD: for TVs
  - 2 domestic sites (Mobara, Himeji)
- PDP: for non-TV products
  - 1 domestic site (Himeji)

- LCD: for non-TV products
- PDP: for non-TV products

- LCD: for non-TV products
- PDP: for non-TV products

Restructured workforce and domestic sites (consolidated set production)

Panasonic: Ideas for life
### TV Business Reforms and Initiatives

#### Product
- Create ‘winning products’ maximizing our strengths
  - Ultra-high image quality PDPs, ultra-low power IPS-LCDs
  - Promote Smart Viera

#### Cost structure
- Improve cost structure
  - Increase marginal profit ratio in all models, controlling die and mold cost (+9.7% y-y)
  - Cut man-hours (-30%), by halving man-hours, eliminating waste and promoting in-house manufacturing

#### Business structure
- Complete restructuring domestic operating sites and accelerate overseas operating site reforms
  - Complete restructuring domestic operating sites (terminated set production in Ibaraki), accelerate overseas operating site reforms
  - Improve profitability of overseas popular models utilizing ODM

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### Our Products: “Stylish” LCDs and “Luxury” PDPs

- **LCD WT series**
  - Four-sided uniformity, ultra-narrow frame, metal design

- **PDP VT series**
  - Narrow-frame, single glass, sheet high-class metal frame

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**TV Set Business: Return into Black**

**Improve Marginal Profit** (vs FY2012)

- **Break Even Point**
- **Cost structure** (Index FY2012: 100)
  - **Decrease Material Cost**
  - **Decrease Metal Mold Cost**
  - **Streamlining**
  - **OE (Overhead and Expense) Improvement**

**Results in FY2012**

- LCD: 57
- PDP: 36

**Forecast in FY2013**

- LCD: 70
- PDP: 80

**Increase profit by 44 billion yen**

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**Panel Business: Improve Profitability**

**Operating profit improvement**

- **Fixed cost reduction**
  - Consolidate business structure into optimal scale
  - Sold Mobara plant
  - Consolidated Amagasaki P4 plant
  - Revisited overseas operating sites (cancelled P3 migration)
  - Restructured workforce

- **Marginal profit increase**
  - Introduce panels from TV to non-TV products
  - Expand small/medium panel business
  - Expand PDP electronic whiteboard business

**Profitability improvement**

- **Panel business operating profit**
  - FY2012 results: +60.0 billion yen
  - FY2013 forecast: +20.0 billion yen

**Return into black in early stage**

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Expand Panel Business for Non-TV Products

**Commercial-use displays**

- **PDP electronic whiteboards**
  - Touch pen features
  - ‘Stress-free’ Best touch pen for writing
  - Vertical display compatible
  - New presentations using vertical displays

- **Tough LCD digital signage**
  - Toughness
  - Dust-proof, water-proof, heat-resistant

**LCDs: Develop applications with our strengths**

- **IPS Alpha Panel**
  - Super energy-saving
  - Wide view angle in all directions
  - Super high aperture ratio pixel structure
  - New liquid crystal molecular orientation process technology
  - Technology to achieve 20” 4K2K panels

**Received orders from customers**

- Tablet PCs
- Medical equipment
- In-flight monitors
- High-resolution monitors
- In-car monitors
- Ultrabook PCs

FY 2013: Toward 50%+ sales ratio for non-TV products

Business for Non-TV Product

- **Specialize in industries and sectors with our IPA Alpha panel**
  - Our strength in IPA Alpha panels: High-resolution, color reproduction, touch panel-equipped, low-energy consumption

**Screen size (inches)**

- TVs
- Various monitors
- Notebook PCs
- Tablets
- Smartphones

**Resolution (ppi)**

- IPS Alpha
- IPS+LTPS

**Target domains**

- VA/TN
- Products with >7” screen size and >250ppi: Not easy for competitors to develop due to high performance and high costs

<table>
<thead>
<tr>
<th>Screen size (inches)</th>
<th>Resolution (ppi)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>250</td>
</tr>
<tr>
<td>20</td>
<td>250</td>
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<tr>
<td>30</td>
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<td>300</td>
<td>250</td>
</tr>
</tbody>
</table>
**FY 2013 Business Plan (TV Set & Panel Business)**

- **Sales:** 570 bil. yen (100% y-y), operating profit improvement: 130 bil. yen
- **Target growth in FY2014 and enter growing emerging markets**
  - Strengthen product planning utilizing local materials and locally oriented marketing mainly in overseas operating sites

### Sales y-y

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>17.52 mil. units</td>
<td>approx. 15.5 mil. units</td>
</tr>
<tr>
<td>Price decline</td>
<td>±0%</td>
<td></td>
</tr>
</tbody>
</table>

* Domain shipment sales

### Operating profit y-y

- FY2012 operating profit (results): 70.0 billion yen
- Price decline: -50.0%
- FY2013 operating profit (forecast): 60.0 billion yen
- Increase approx. 130 bil. yen

**FY 2013 Business Plan (DSC/BD)**

### DSC

- **LUMIX:** Back to beginning
  - Create new photograph culture with its uniqueness
  - Compact DSC: Promote new usage with its unique lenses, high zoom, Wi-Fi, and cloud features
  - SLR: Strengthen lineup and establish special marketing forces

### BD recorders/players

- **Maintain top market share in BD recorder (target: 40%)**
  - Create value linking ‘easy-to-use’ and cloud services
  - Strengthen features of recording, watching and ‘ease-of-use’ and improve features of Room Jump Link and strengthen device linkage
  - Propose new usages linking with cloud services

**Sales y-y**

- **DSC**
  - Compact: +13%
  - SLR: +40%
- **Recorders**
  - Approx. 25%
  - Approx. 30%

**Sales y-y**

- **Recorders**
  - Approx. 85%
  - Approx. 87%

- **Sales ratio**
  - Approx. 8%

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FY 2013 Business Plan (Projectors / Notebook PCs)

Projectors

- Target No.1 market share in sales
  - Industry’s largest lineup with SANYO integration (52 models)
  - Introduce ultra-high lumiance models to projector rental market (launched in May)
- Achieve industry’s smallest, lightest 20,000-lumen projector

Notebook PCs

- Sustainable growth in business and mobile markets
  - Maintain No. 1* market share, growing in Asia and other emerging countries
  - Promote our robust tablet as third pillar in business (approx. +150% y-y)

Sales y-y

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultra-high lumiance/high lumiance (5000+ lumens)</td>
<td></td>
<td></td>
<td>+40%</td>
</tr>
<tr>
<td>Rugged tablets</td>
<td></td>
<td></td>
<td>approx. 4%</td>
</tr>
</tbody>
</table>

Composition ratio

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>approx. 35%</td>
<td></td>
<td></td>
<td>approx. 40%</td>
</tr>
<tr>
<td>approx. 10%</td>
<td></td>
<td></td>
<td>approx. 4%</td>
</tr>
</tbody>
</table>

* In "robust notebook PC" market

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Toward New Business Growth

- Accelerate business structure shift, by streamlining existing business, strengthening BtoB, and creating new business
- Shift product planning from product to customer oriented

Streamline existing business

Strengthen BtoB business

Create new business

Three axises: Product Technology, Region, and Customer

Maximize our strengths: Expand business in emerging countries (with ODM products)

Maximize technological strengths: Improve customer oriented marketing

Provide service solutions: Hardware/service package

Targeted Business Areas

- Create new value combining AVC Networks Company's strengths with next-generation technology
- Expand into three business areas with Eco&Smart concept

Core technology

- Imaging technology
- Storage technology
- Display technology

Next-generation technology

- Wifi (place)
- Energy-saving (eco)
- Design (form)
- Next-generation UI (operation)

Business area

- Imaging
- Eco&Smart
- AV networks
- Business solutions

Cooperating with domain companies and business groups

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