

Panasonic to expand its business in lithium-ion batteries

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Panasonic Corp will expand its lithium-ion battery business, which last year added to a near-record net loss but is now contributing to a turnaround strategy targeting the auto sector, people familiar with the plans said on Wednesday.

The Japanese electronics conglomerate, smarting from \$15 billion in combined losses over the last two years, will invest at least 20 billion yen (\$200 million) in the year to March to boost production of both small and large lithium-ion batteries for automakers, the people said.

While that's a relatively small part of the 83 billion yen Panasonic will spend in its automotive and industrial systems division - marked as a key source of growth as the company restructures loss-making operations such as TVs - it is noteworthy given that the battery business lost money in the last financial year.

The sources said Panasonic plans to build an additional production line for small batteries at a facility in the Osaka area in western Japan, and re-start another line at a separate Osaka plant. It is also constructing a new production line at its Kasai factory, also in western Japan, to build larger lithium-ion batteries. Operations are scheduled to begin there next spring, they said.

Business in small batteries was particularly tough as demand slumped for notebook PCs and Asian rivals stepped up the competition.

Sony Corp, another struggling Japanese electronics maker, has said it may sell its lithium-ion battery business, which makes small batteries for PCs, tablets and mobile phones.

CAPITAL SPENDING CUTS

But Tesla MotorsInc, a Panasonic customer that uses unconventional packs of small batteries in its Model S electric car, has helped fuel a rebound in demand, along with hybrid and electric vehicles made by Toyota Motors Corp, Volkswagen AG and others that use larger batteries.

Panasonic's small lithium-ion battery division had a standout April-June quarter with a 4.1 billion yen operating profit and a 5.8 percent margin, marking a turnaround from a 2 billion yen loss in the same period last year.

Panasonic is staking its turnaround on products catering to industrial clients such as automakers, for which it also makes navigation systems, sensors and audio equipment.

CEO KazuhiroTsuga aims to double the company's auto-related sales to 2 trillion yen by 2018.

As it moves to conserve cash, Panasonic has cut capital spending this year by around a third to 205 billion yen, but has vowed to keep spending on key businesses.

"We are becoming more selective with our capital spending, but we will carry out necessary investments where needed," Chief Financial Officer Hideaki Kawai told Reuters on Tuesday at the group's headquarters in Kadoma, near Osaka.

Source : Reuters