

Group Management Reform

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Panasonic Group

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Notes: 1. This is an English translation from the original presentation in Japanese.
2. In this presentation, "Fiscal 2025" or "FY3/25" refers to the year ending March 31, 2025.

Note: The script for this presentation is a translation of the original presentation delivered in Japanese.

- Thank you for taking time out of your busy schedule to join us today.
- Group CFO Umeda has reported on the results for FY3/25 Q3.
Now, I would like to look back on the developments in the current medium term and talk about the group management reform that we will be embarking on.

Summary of This Medium Term

Each business faces problems in both “competitiveness & profitability” and “indirect costs”

Priority investment areas

- **Automotive batteries:** Due to slowdown in EV market growth, **securing profit is becoming difficult**
- **Air quality & air-conditioning:** **Profitability deteriorated** due to fierce competition & drastic changes in European A2W^{*1} market's conditions
- **SCM^{*2} software:** **Sales & profit expansion must be accelerated** by completing reforms at the earliest stage

Enhancement of competitiveness

- No operating company's investments in growth **have so far generated growth in profit**

Fixed-cost structure

- Groupwide **fixed costs have increased** because each operating company invested in optimizing its own indirect operations

*1: Air-to-Water hot water heat pump system / *2: SCM software: Supply Chain Management software

- First, the summary of the current medium term. Regarding KGIs, we are unlikely to achieve them, except for cumulative operating cash flows.
- This is because of each business' inability to overcome issues in both “competitiveness & profitability” and “indirect costs,” resulting from three factors: priority investment areas, enhancement of competitiveness and the fixed-cost structure, as shown in this slide. I am taking this situation very seriously.

Contribute to society by helping people to live better lives over many years by always responding to changes

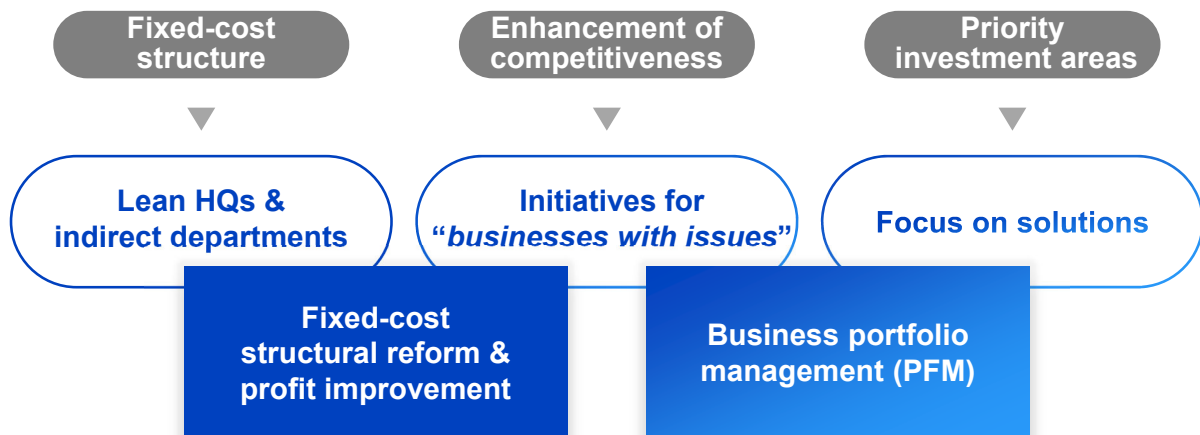
- Organizational & cost structures that hamper enhancement of competitiveness must be fundamentally changed
- Unify operations & resources in an optimally Groupwide way
- Intensively use Group's management resources to create customer value



Transformation to a sustainable corporate structure

- The purpose of this group management reform is to ensure that we can continue to contribute to society by helping people to live better lives over the next 10 years, 20 years and beyond.
- Therefore, I came to a conclusion that management reform is necessary for us to fundamentally change.
- To overcome the challenges which emerged during the current medium term under the operating company structure, we will fundamentally change the organizational and cost structures that hamper us to enhance competitiveness.
- And we will unify operations and resources from the perspective of groupwide optimization, rather than individual optimization.
- We will focus the group's management resources on creating value for our customers and transform our corporate structure to enable us make continuous contributions toward the future.

■ Issues That Must Be Solved



**FY3/26 is the year to focus on management reform:
Take initiatives on structural & fundamental issues to lay a foundation**

3

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- First, the revision of the groupwide fixed cost structure.
- We will dramatically reduce the corporate and indirect department costs of Panasonic Holdings, Operational Excellence Company, each operating and divisional companies. We will fundamentally review our business processes, focusing on the indirect/sales departments and utilize generative AI and DX to improve productivity.
- We will integrate and close manufacturing, logistics and sales sites to improve efficiency.
- Furthermore, to pursue synergy creation on a groupwide basis, we will dissolve Panasonic Corporation, which I will explain later.
- We will embark on the employment structure reform, mainly in corporate and indirect departments. We will achieve a leaner management structure, and change the groupwide fixed-cost structure.
- Second is the enhancement of the competitiveness.
- For businesses with low growth expectation and low ROIC, those that are uncompetitive compared to rivals, and those with poor market positions, we will assess the feasibility of restructuring. For businesses where restructuring is not feasible, we will accelerate the direction-setting including options of withdrawal or business succession to the best owners for businesses.
- Third is the priority investment areas. We will revise the areas that have been identified as investment areas in the current Medium-term strategy. Going forward, we will concentrate on the “Solutions area.” I will elaborate on this later.
- Through the three initiatives, we will reform the fixed cost structure as well as improve profitability. Also, we will accelerate business portfolio management.
- The fiscal year ending March 2026 should be the initial year of the next Medium-term strategy, but now we position this year to focus on management reform and take initiatives on structural and fundamental issues to lay a foundation.

■ Scrutinize low-profit businesses

Businesses with issues No expectation for growth & "ROIC < WACC by business"	<ul style="list-style-type: none">- Industrial devices- Electromechanical control- Kitchen appliances- TVs	Sales: Approx. 900 billion yen
Businesses to be reconstructed / Business conditions to be scrutinized	<ul style="list-style-type: none">- Air-quality & air-conditioning- Consumer electronics (CE)- Housing solutions	Sales: Approx. 2.4 trillion yen (Including kitchen appliances & TVs)

By end of FY3/26, streamline *businesses with issues* & set the direction to take for businesses that require careful examination

4

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- First of all, we will accelerate the scrutinization of the low-profit business.
- As mentioned in the group strategy briefing held in May 2024, we defined "businesses with issues" as those with no growth expectation and ROIC less than WACC.
- Currently, there are four businesses with issues: Industrial devices, Electromechanical control, Kitchen appliances and TVs.
- For these businesses, we will take drastic measures including withdrawal from businesses, products, or regions, or succession to the best owner. We will reach zero number of "businesses with issues" by the end of FY3/27.
- Additionally, three businesses require assessment due to issues with business competitiveness and marketing position: Air-quality & air-conditioning, Consumer electronics and Housing solutions.
- For Air-quality & air-conditioning, profitability has been low for conventional businesses, not only for A2W in Europe where the business environment changed drastically. However, our competitors are achieving high profitability and growth, which means that our methods were not as good as our competitors.
- We will rebuild this business according to the strategy announced by HVAC President Katayama in November 2024.
- For Consumer electronics, we are facing intensified competition both in Japan and overseas, and our competitiveness is showing a downward trend. To turn this business into profit foundation, reconstruction is necessary.
- For Housing solutions, we must end the situation of being dependent on new housing markets in Japan, which is being sluggish. For our business in Japan, we will focus more on renovation and non-residential businesses, as well as shifting to the overseas market.
- For these four businesses with issues related to ROIC, and the three businesses to be reconstructed or business conditions to be scrutinized, we will set the direction during FY3/26. Details of the direction will be announced at an appropriate time.

CE Business Reconstruction

- Offer globally competitive products with “Japan Quality” based on cost capability that meets global standards
- Fully scrutinize business structure & organization to thoroughly optimize R&D, manufacturing, & sales resources

Change in business environments

- Changes in customers' purchasing habits
- Emergence of Chinese companies & successive withdrawal of Japanese companies

Group's issues

- Profit stays low due to high-cost management structure
- Delay in transformation to meet environmental changes

Unify CE business across the Group by establishing an operating company
(CNA, LAS, PEAC, & CE sales departments)

Gain cost capability that meets global standard

- Streamline and increase efficiency of indirect operations in Japan
- Japan-China collaboration & resource shifts / Fixed cost reduction
- Enhance marketing structure in Japan / Integrate & streamline functions

*Panasonic corporation's divisional companies: CNA=China & Northeast Asia Company, LAS=Living Appliances and Solutions Company / PEAC=Panasonic Entertainment & Communication Co., Ltd.

- As for the Consumer electronics business reconstruction, we will improve profitability by achieving global cost competitiveness with “Japan Quality,” through leveraging our engineering and design capabilities that we have refined in China.
- To make this happen, we will fundamentally review the business structure and the organization.
- To focus and address the consumer electronics market, we will unify the white goods and black goods businesses which are currently dispersed across the group into one operating company, aiming for further specialization and sharpening.
- In addition, we will streamline operations and improve efficiency for the indirect departments in Japan.
- Furthermore, through “Japan-China collaboration” initiatives, we will shift the mass production/development resources to China and optimize our resources in Japan.
- As for marketing departments in Japan, we will transform the organization which is more suitable for the D2C expansion and higher competitiveness.
- For the overseas marketing departments, we will review the product portfolios in each region and proceed with necessary reforms to improve profitability from the perspective of production and sales for each consumer electronics business.
- To achieve these, we need to optimize the resources of development, manufacturing and sales. We will proceed with structural reforms to consolidate sites and streamline our operations.

Solutions Area: Offer Customer-Centric Value through Integrated Contact Point

Solutions area (Current scale: 3.5 trillion yen)



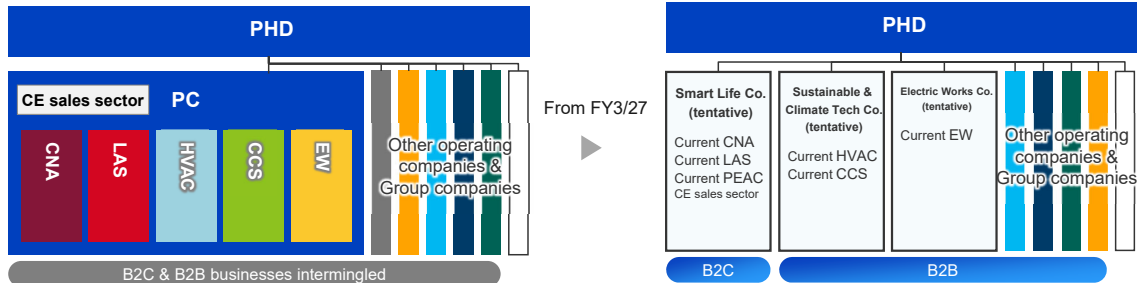
- In the Solutions areas mentioned earlier, we have many competitive businesses with leading global market share.
- Especially for the Energy solutions and SCM solutions, we can realize growth by providing one stop solutions for our common customers to create and offer the values needed by the customers.

■ Create Synergy in Solutions Area

Create Groupwide synergy beyond the borders of Lifestyle business

Dissolve Panasonic Corporation (PC)

- Turn its divisional companies into operating companies to enhance autonomous responsible management
- Integrate B2C businesses into Smart Life Company



*PHD=Panasonic Holdings Corporation / PC=Panasonic Corporation / PC's divisional companies: HVAC=Heating & Ventilation A/C Company, CCS=Cold Chain Solutions Company, EW=Electric Works Company
*Above scheme shows conceptual charts made on a consolidated basis. New organizational names from FY3/27 are not yet determined.

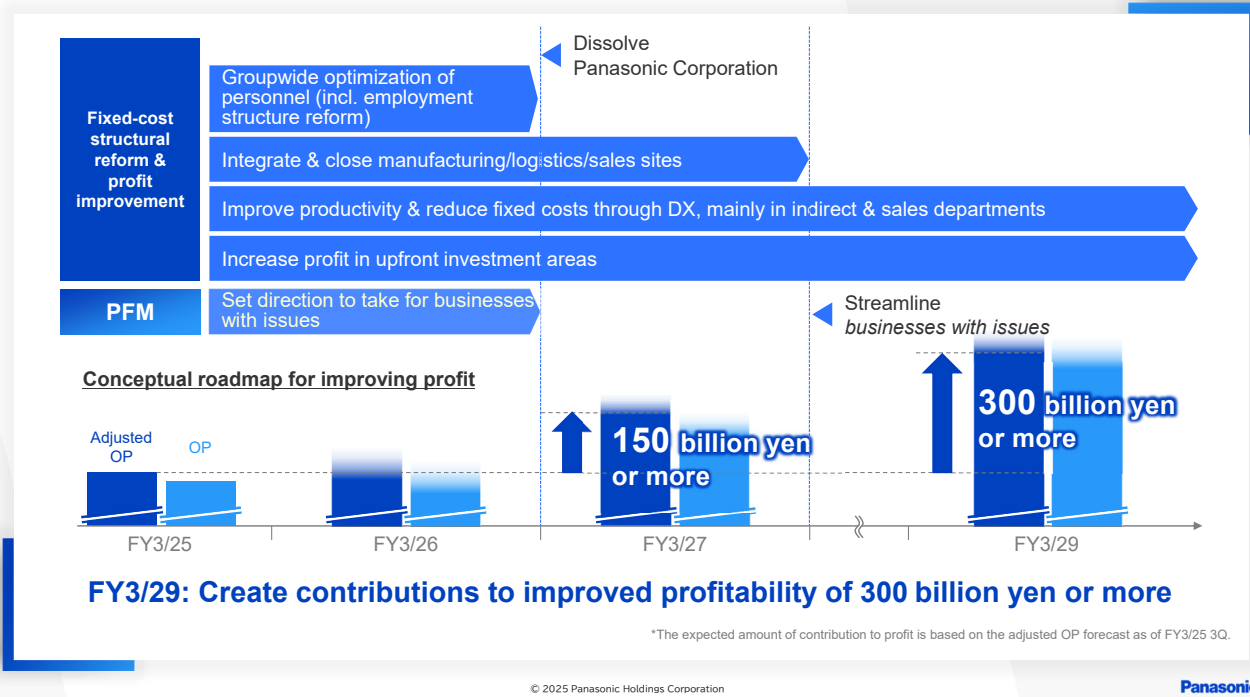
7

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- Next, is the reform to create synergy in the Solutions area.
- Initially, Panasonic Corporation was established with five divisional companies with the aim to create synergy among Lifestyle business.
- But now it is becoming difficult to address customer issues only within the Lifestyle business.
- What is happening in Japan for Electric Works' and Connect's Gemba Solutions businesses, they are collaborating on a customer perspective, and they are receiving various inquiries.
- In addition, Connect's Blue Yonder and Cold Chain Solutions' Hussmann have common customers in the food retailing industry, and we can expect new value creation from the viewpoints of the food supply chain in the future.
- Therefore, to focus on the Solutions area and exert groupwide synergy in this area, we need to change the organization which will enable us to address the issues of customers and society on a groupwide basis.
- To overcome the current issues, during FY3/26, we will dissolve Panasonic Corporation, and its divisional companies will be transformed into operational companies.
- HVAC and Cold Chain Solutions will become a single operating company as they have a common technology base.
- The newly established operating companies will operate with greater focus on groupwide optimization such as synergy creation in the Solutions areas, implement thorough autonomous responsible management, and contribute to the accelerated growth of the entire group.

Expected Contribution to Profit by Management Reform



8

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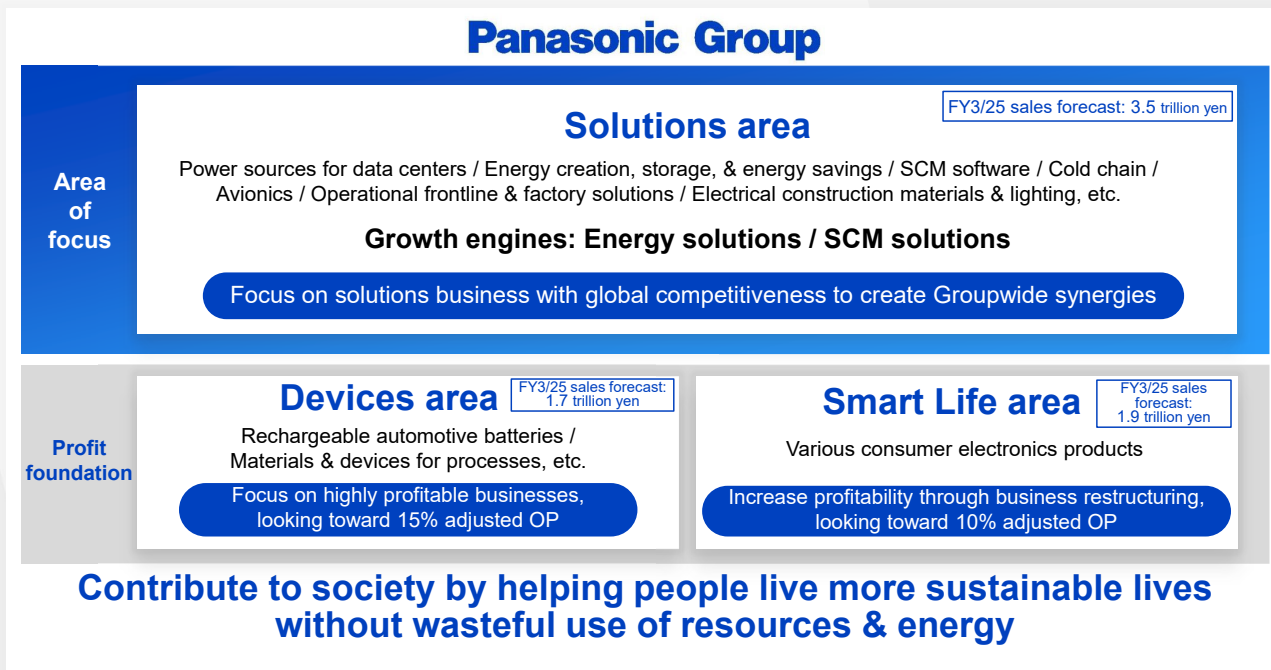
- Next, I will talk about the timeframe of this management reform and the effects of profitability improvement.
- First, regarding the fixed cost structure reform and profitability improvement.
- We are going to address the current rigid fixed-cost structure, so that the fixed costs level could be recovered to a level where the group can continue to make contributions to society toward the future.
- First, we will dissolve Panasonic Corporation during FY3/26, as mentioned earlier.
- We will optimize the human resources in group companies such as Panasonic Holdings and Operational Excellence Company in FY3/26, to achieve high competitiveness from the perspective of labor productivity in the headquarters and indirect departments. This will include employment structure reform.
- Indirect operations will be scrutinized and any type of operations that do not lead to added value will be terminated. We will consider the necessary organizations and workforce and streamline from a zero-based perspective.
- As for the integration and closing of manufacturing, logistics, and sales sites, we will set the direction during FY3/26 and execute in FY3/27.
- With portfolio management, we will scrutinize the businesses with issues during FY3/26 and complete it by FY3/27.
- Through these initiatives, we expect the profit improvement of 150 billion yen in FY3/27 compared to FY3/25.
- Over a longer term, we will improve the productivity of indirect/sales departments through DX and AI for a further reduction in fixed costs.
- Together with the improved profitability in the upfront investment areas of Automotive batteries and Blue Yonder, we expect another 150 billion yen in improvement.
- For FY3/29, we target a cumulative improvement of 300 billion yen of adjusted operating profit groupwide.

■ Five Principles of Management Reform

1. Our management foundation must be rebuilt as sustainable and robust for Panasonic to make contributions to our customers over many generations as a public entity.
2. Our current reforms must provide benefits to all stakeholders working to make our enterprise value higher and more sustainable over a long period.
3. We must accomplish structural reform without exception, as well as business portfolio management, to maximize our earning capability.
4. We must stay close to and support, to the extent possible and through a series of reforms, those employees who decide to meet new challenges either inside or outside the Group.
5. We must invest in businesses with sustainable profit & growth as well as gain and enhance organizational capabilities by leveraging profitability earned through reform.

- As this reform would dramatically change the structure of our company, we have set five principles to consistently make the correct decision.
 1. Our management foundation must be rebuilt as sustainable and robust for Panasonic to make contributions to our customers over many generations as a public entity.
 2. Our current reforms must provide benefits to all stakeholders working to make our enterprise value higher and more sustainable over a long period.
 3. We must accomplish structural reform without exception, as well as business portfolio management, to maximize our earning capability.
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 5. We must invest in businesses with sustainable profit & growth as well as gain and enhance organizational capabilities by leveraging profitability earned through reform.
- These five principles will be the guide to implement management reform on a groupwide basis.

■ What the Group Aims to Become



10

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- Finally, I will explain what the group aims to become through this management reform.
- Until now, we defined "living" and "environment" as areas of contributions, but we did not clarify the specific business areas or roles expected by each area.
- This time, we define three areas: "Solutions," "Devices," and "Smart Life." Upon reforming the group's profit structure, we designate the roles of "area of focus" and "profit foundation" for each area.
- Please note that the areas shown in this slide do not directly refer to the future organizations.
- The area of focus includes the businesses in the Solutions area, where we possess the global competitiveness.
- With the businesses we have built through the operating company system as a base, we will grow this area by connecting the various customer touchpoints and exerting groupwide synergy.
- Specifically, Energy solutions and SCM solutions are the growth engines.
- In this area, there are businesses which we will develop over the medium- to long-term, but our final target is to achieve double-digit adjusted operating profit ratio for each business.
- The role of profit foundation supporting the group will be played by the Devices area, and the Smart Life area (mainly consumer electronics business.)
- Through the initiatives to be taken for the "businesses with issues," as well as the restructuring of the consumer electronics business, we aim to improve the adjusted operating profit ratio to the levels of 15% or more for the Devices area, and 10% or more for the Smart Life area.
- With these three areas, we aim to contribute to a society that does not waste the limited resources and energy of the Earth, support enriched living through our technology, and realize sustainable development with our customers.

Profit Targets We Pursue through Management Reform

Fixed-cost structural
reform & profit
improvement

+

Business portfolio
management

FY3/29

ROE **10%** or more

Adjusted OP ratio **10%** or more

Rebuild foundation
to accelerate enhancement of enterprise value

- And I will take responsibility in leading this management reform to improve the groupwide profitability.
- The image we have for FY3/29 is to achieve ROE of 10% or more and adjusted operating profit ratio of 10% or more.
- I am committed to complete the management reform, rebuild our management foundation to accelerate the enhancement of enterprise value.
- The Panasonic Group will become a group of businesses which are globally competitive, being able to respond to the capital market's expectations through profitability, as well as develop in a sustainable manner together with society and customers.

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- Thank you very much for your kind attention.

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