

Panasonic

Medium to Long-term Business Strategy

China and Northeast Asia Company, Panasonic Corporation

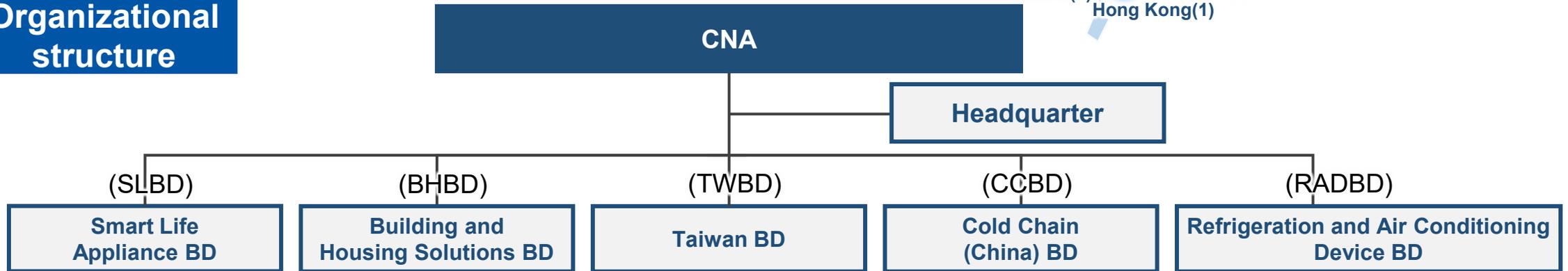
November 22, 2022

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

1.1 CNA company overview

As the divisional company(since 2019),
We lead R&D, manufacturing and marketing at the regional and customer level

| | |
|---------------------------------|---|
| Name | China and Northeast Asia Company (CNA) |
| CEO | Shigeru Dohno |
| HQ/offices | Beijing and 39 operating sites (including 38 overseas) |
| Employees | Approx. 30,000 (including approximately 4000 engineers) |
| Organizational structure | |



1.1 Background to the establishment of divisional company

Although it has a significant presence as a Japanese manufacturing company,
it lags behind the pace of growth in China (until 2018)
The CNA company can make its own decisions in
both home appliances and housing equipment business (since 2019)

Since entering China in 1987
“Matsushita Electric” develops localized businesses



A meeting between Mr. Deng Xiaoping and Konosuke Matsushita, the founder of the company

2
trillion Yen



China Regional Shipments
*Largest in Japanese manufacturing

30%



Contribution to sales and profits
In the group

60,000
employees



Employee size

Japanese
company



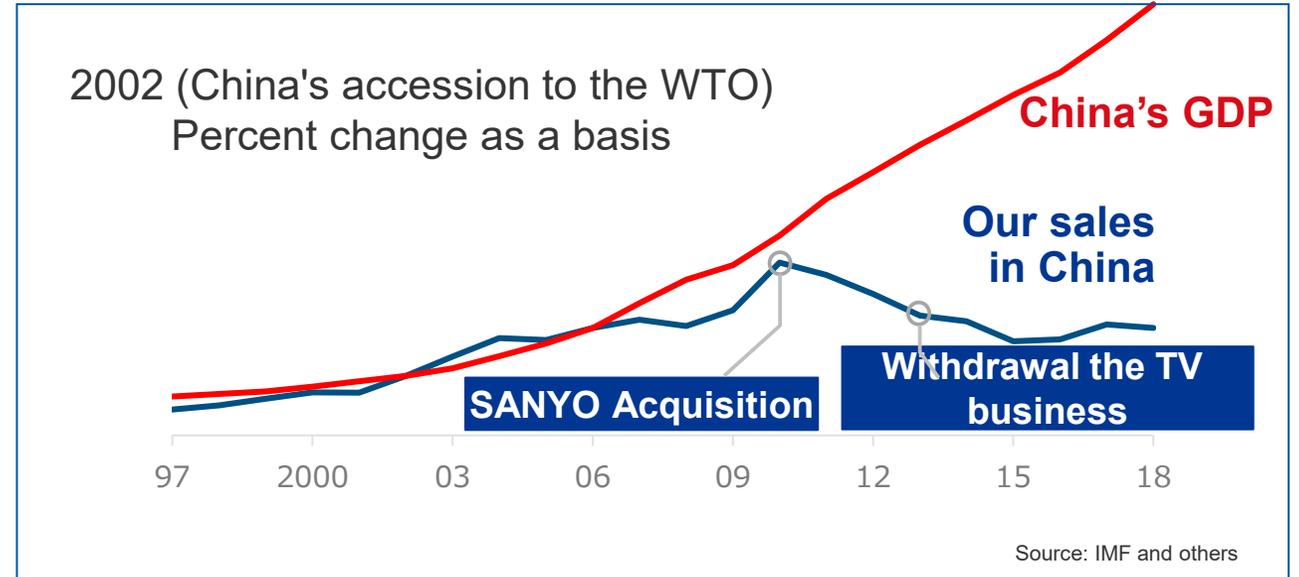
No.1 CSR ranking in China
*Seven consecutive years

80
company



R&D, manufacturing and selling

Panasonic



| | |
|-----------------------|---|
| Business Speed | <ul style="list-style-type: none"> ✓ Japan oriented management, slow decision making ✓ Lack of understanding of Chinese values and market change |
| Mgmt. Style | <ul style="list-style-type: none"> ✓ Aggregation of 80 individual bases with siloed strategies ✓ System and mechanism that cannot fully utilize excellent Chinese talents |
| Cost control | <ul style="list-style-type: none"> ✓ Excessive dependence on premier quality ✓ Insufficient capability to deal with rapidly emerging Chinese suppliers |

1.3 Mid-Term Review since the establishment of CNA

Building a culture of speed, style and everyone wants to challenge to win in the Chinese market
 Achieving business growth through products with
 “Creation of competitive products” and “Launch of living space business model”

“Specializing and sharpening” of products (creation of competitive products)

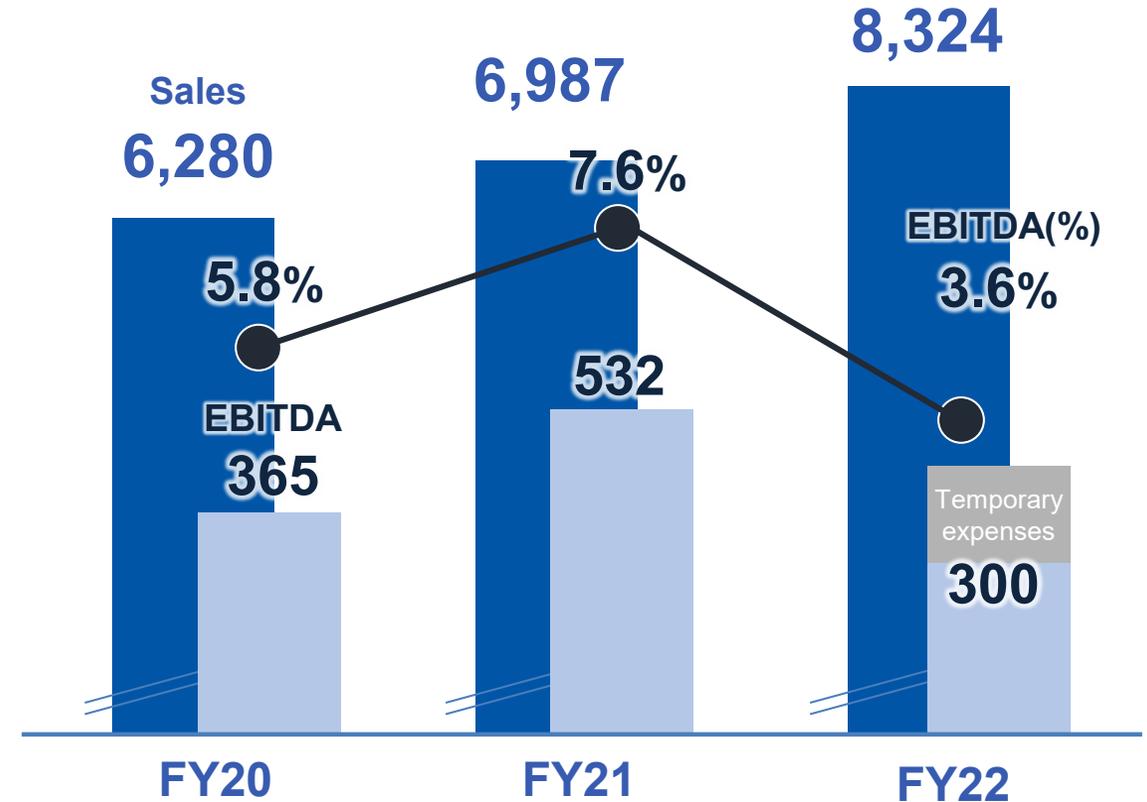
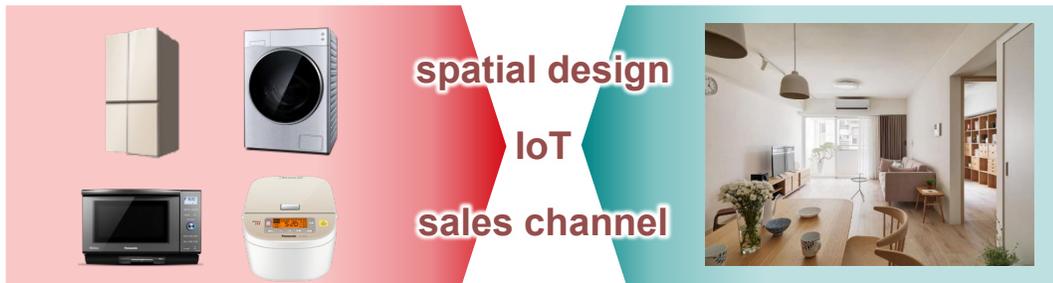
Through "Global Standards" and "Specializing in Customer Satisfaction Functions" achieving a balance between value and price



Although we are on a growth track, in FY21, sales increased but profit decreased due to the raw material price hikes and other factors. We need to strengthen our structure to overcome market changes.

Launch of living space business model (fusion of home appliances and housing equipment)

Integration of space design, IoT, and sales channels to start providing "one-stop" service to customers



1.4 Our vision

关护无界 身心如悦

Guan Hu Wu Jie Shen Xin Ru Yue

Being the best partner in life and being a close friend to people and society
aiming to become the “No. 1 brand in health, aging, cleanliness + environment contribution”



綠“智造”創未來「環境貢獻事業」

SMART

Living space business

Home appliance
with
Housing equipment



Strengthen business competitiveness
to overcome market changes

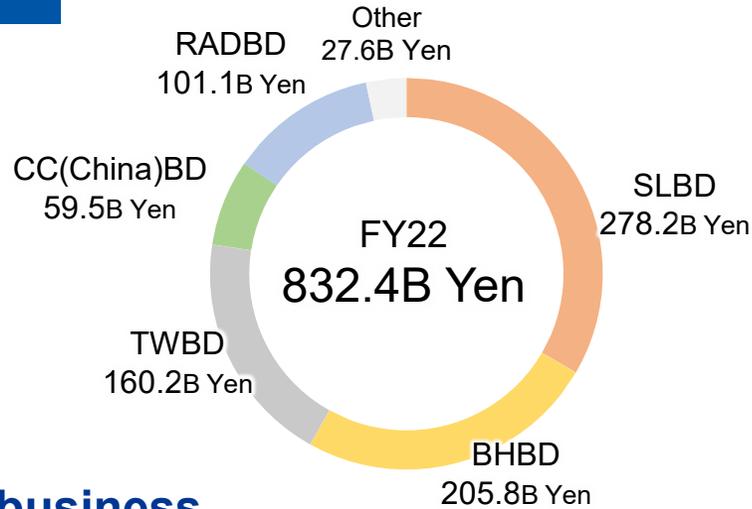


Full expansion of
living space business model

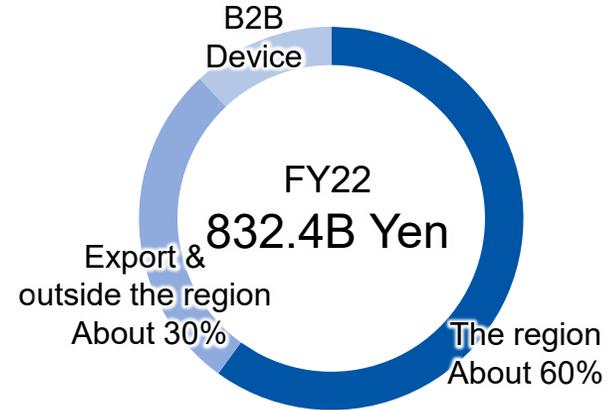
2.1 The positioning of each business division

Sales

Based on business division



Based on area



*B2B Device (Refrigeration and air conditioning device) are not separated by area as it is global product

Living space business

| Smart Life Appliance BD | Building and Housing Solutions BD | Taiwan BD |
|-------------------------|-----------------------------------|---|
| | | <p>Home appliance</p> <p>Building equipment</p> <p>Business equipment</p> |

Push forward as a key mid-term initiative

Cold chain (China) BD

Refrigeration and Air Conditioning Device BD

Rebuild the business

2.2 Relationship between CNA's business division and each operating company

| | Living Appliances and Solutions Company | Heating & Ventilation A/C Company | Cold chain Solutions Company | Electric Works Company | Others※ |
|--|---|-----------------------------------|------------------------------|------------------------|---------|
| Smart Life Appliance BD | ✓ | | | | ✓ |
| Building and Housing Solutions BD | ✓ | ✓ | | ✓ | ✓ |
| Taiwan BD | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cold chain (China) BD | | | | | ✓ |
| Refrigeration and Air Conditioning Device BD | | | | | ✓ |

(※ Segment head office, cross-selling of other segment products)

3. Look ahead to changes in 2030 and derive Medium-term strategies

Three pillars of Mid-term strategies: to capture the appliance consumption of the new middle class, enter the living space business, and establish businesses that contribute to the environment.

Expansion of the new middle class

The 'new middle class' will take center stage in consumption

New middle class*
(Age 20 ~ 40)

2020 **300**million → 2030 **590**million

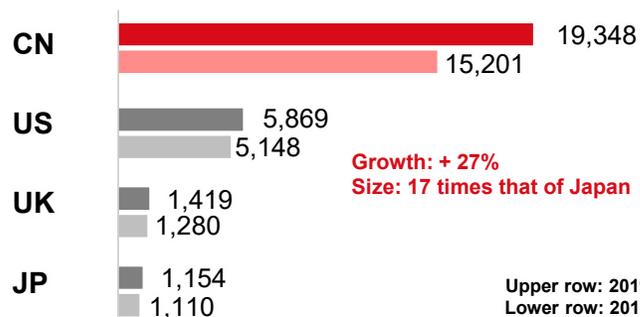
(Gen Z = born after 95)

*"New middle class" means 3 million ~ 4.5 million Yen in disposable income

To the digital superpower

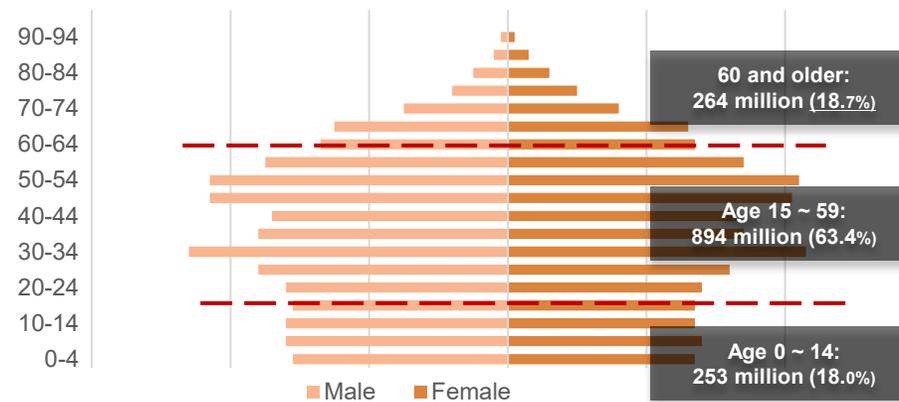
No.1 in the world in both EC market size and growth rate

EC Market Size Ranking (100 Millions USD)



Under the background of aging, the demand for elderly care has increased

Rapid aging: a senior population of more than 260 million



Source: Seventh National Population Census Bulletin (National Bureau of Statistics, 2021)

Healthy China 2030

Aim to improve the level of national health by 2030 and achieve national health equivalent to that of developed countries in each health indicator

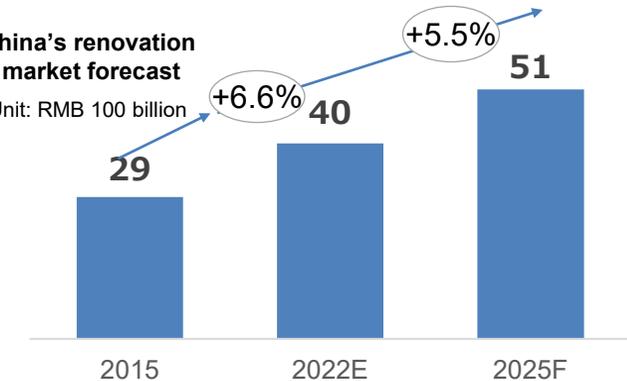
- The spread of healthy living
- Optimizing health care services
- Building a medical insurance system
- Develop a healthy environment
- Promote the health industry

From new homes to stock demand

Demand for renovations and urban rentals is growing

China's renovation market forecast

Unit: RMB 100 billion



Source: PwC

Carbon neutral society

Strengthening State-Led Policies for "Alternative Energy"

2021 Investing in New Energy (100M USD)

| Rank | Country | Investment (100M USD) | Percentage (%) |
|------|---------|-----------------------|----------------|
| 1 | CN | 2,660 | 35.2% |
| 2 | US | 1,140 | 15.1% |
| 3 | DE | 470 | 6.2% |
| ⋮ | | | |
| 6 | JP | 260 | 3.4% |

Source: Bloomberg new energy finance

4. Key Initiatives of the living space business in the Mid-Term

4.1 Strengthen business competitiveness to overcome market changes

Maintaining growth momentum in the home appliance market at a cost-effective speed that can compete with local competitors



- Global standardization
- Focus on customer satisfaction functions
- Expand the D2C business

4.2 Full expansion of Living Space business

In addition to selling products, we fully develop the "one stop" living space solution business



- Wellness Smart Town (WST)
- Wellness Smart House (WSH)

4.3 Launching an environmental contribution business

Launch and expand environmental contribution business from a medium- to long-term perspective



- Hydrogen fuel cell business
- Store solutions

4.4 Steady investment execution to achieve growth/stronger operations over the medium term

4.1 Strengthen business competitiveness to overcome market changes

Renovation of product planning, design and development process led by CNA (local)

Facing local competitors to further strengthen competitiveness in the Chinese home appliance market

① Global standardization (Cost & Speed)

Cost building:
Adoption of industry standard materials and parts

Shorten R&D lead time:
8 months (new)
3.5 months (partial change)

■ Expanding Locally Driven Cost Activities to "All Products"

Competitive analysis

Benchmark analysis

mastery of industry standards

Develop of industry standards
Optimizing design quality

Expand

Module sharing

Realize **19.1B JPY** raw material recover by 2024

■ Achieving R&D speed comparable to top Chinese companies

Rebuild R&D step

Concurrent R&D

Reduction of evaluation period

Reduce the evaluation criteria

Design Speed Up

Using digital tools

2024 Development lead time reduced by **50%**
(Full model 8 months, minor change 3.5 months)

② Focus on customer satisfaction functions

Eliminating unnecessary functions from the customer's point of view
Creating value through customer insights

■ Customer-driven product planning (Eliminating unnecessary functions)



- Focus on E-commerce with best Price & value

With simple design and functions, it captures the hearts of Gen-Z through livestream and other means

■ Creating value from customer insights

Keywords derived from Gen Z insights

国潮 [Chineseness, individuality](#)

颜值 [Love at first sight design](#)

躺赢 [Zero labor and efficiency](#)

坪效 [Spatial efficiency and reduced size](#)

轻奢 [Balancing Price and Sense](#)

治愈 [Enjoy for own](#)

③ D2C

EC Self-owned/Own OMO platform

OMO : Online-Merge-Offline

■ Self-owned of EC stores

T-mall, JD, etc.
Self-owned major stores

First company-owned flagship store with full range of products



2024 Self-owned ratio **50%**

■ Strengthen own EC (membership UP) Strengthening OMO (Customer XP UP)



2024 membership **7.0million**

4.2 Full expansion of Living Space business (Business model & value)

Providing our expertise in living and a variety of equipment and building materials as living spaces

① WST: B2B Strategic Collaboration Model

Increase property value by providing space+products+services

Targeting three areas where strengths can be leveraged
(Elderly care, Cultural tourism, Rental)
Working with Housing Developers

① Elderly care

- Spatial design with health/aging in mind
- Elderly care products and services

② Cultural tour

- Spatial design considering property characteristics
- Total solution package and service/maintenance

③ Rental

- To match the target customer
- Products to meet diverse needs



Flagship project
(Jan. 2023 Open)



Increase land and property values



Panasonic

Value from Panasonic

in a well-located land/specialty
Brand power and know-how

Living space knowhow

Products value and performance

Engineering Management

Value from developer

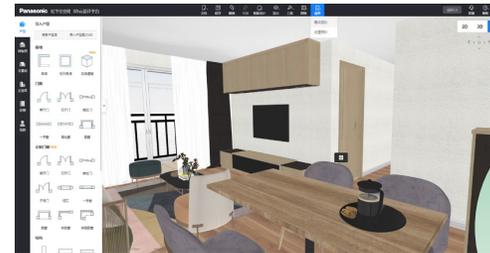
② WSH: B2C business model

The one-of-a-kind "Japanese space + interior experience"

Offers a one-stop total proposal and service experience for the renovation market instead of the traditional single-item sale

Panasonic Mall(online)

- Leverage WeChat for targeting and digital market development
- Spatial proposals using digital tools



Panasonic Housing(offline)

- From design proposal to construction to after-sales service, we offer a one-stop, high-quality real experience.



OMO*

15 store opened

Lifestyle proposal

Smart-Health

Premium

Customized

Platform for design, equipment and construction

*Online Merges Offline

4.2 Wellness Smart Town flagship project “Yada·Panasonic community”



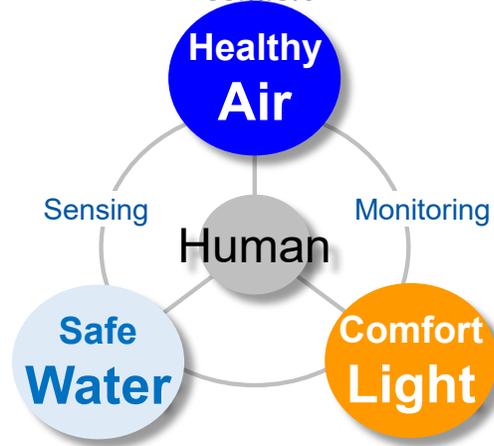
4.2 Full expansion of Living Space business (Our advantages)

Making full use of products, layout design and control technology,
life research know-how, design standardization tools, etc.,

we have realized space proposals with high customer satisfaction that other companies do not have.

① Providing "invisible" value through equipment and control technology

Optimizing air, water, and light for living spaces
Control the environment & scene to realize health and comfort



(Example) HVAC synergy product

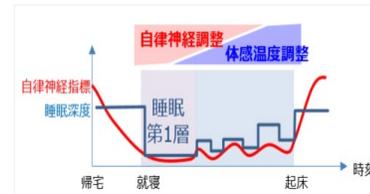


② Space design and proposal know-how cultivated in Japan

Traffic flow and storage design in limited spaces,
comfort and health algorithms based on evidence



Flow & safety considerations



Health & Comfort Algorithm

Wellness Smart Design
Standardization of design and proposals

Digital design tool
Online + Visualization of air and light environment by applying spatial customization BIM technology in a short time

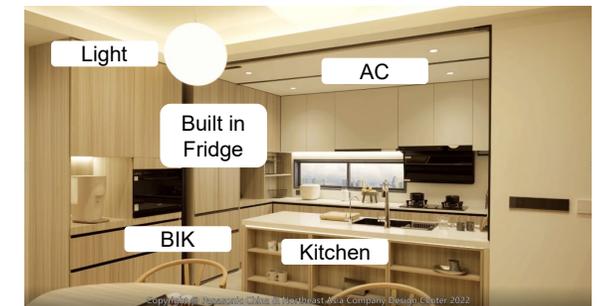
③ Differentiating space design with home appliances + equipment

Space-packaged and modular with abundant equipment and building materials and built-in home appliances

(Example①) Balcony space



(Example②) Kitchen Dining space

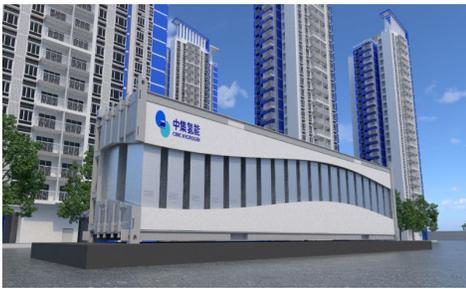


4.3 Launching an environmental contribution business

The CNA introduced advanced technology from Panasonic Corporation in Japan and actively invested in the Chinese market

① Hydrogen fuel cell business

Collaboration between Japanese technology and Chinese giant infrastructure



Develop the containerized fuel cells
With CIMC ENRIC



Hydrogen energy
PoC experiment
in Wuxi site



Foshan's hydrogen energy
project for home use

In the 'Hydrogen for every home' project
installed the latest Ene-Farm

② Store solutions

Package contract for store management,
significant reduction in energy conservation and material losses

Total energy
saving plan

Equipment lease
& Refurbish

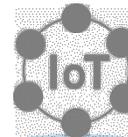
Inventory of fixed
assets

Smart
maintenance

Sales forecast
system

『Panasonic environment cloud™』

“Equipment and Operating Package” Services



IoT data
from store



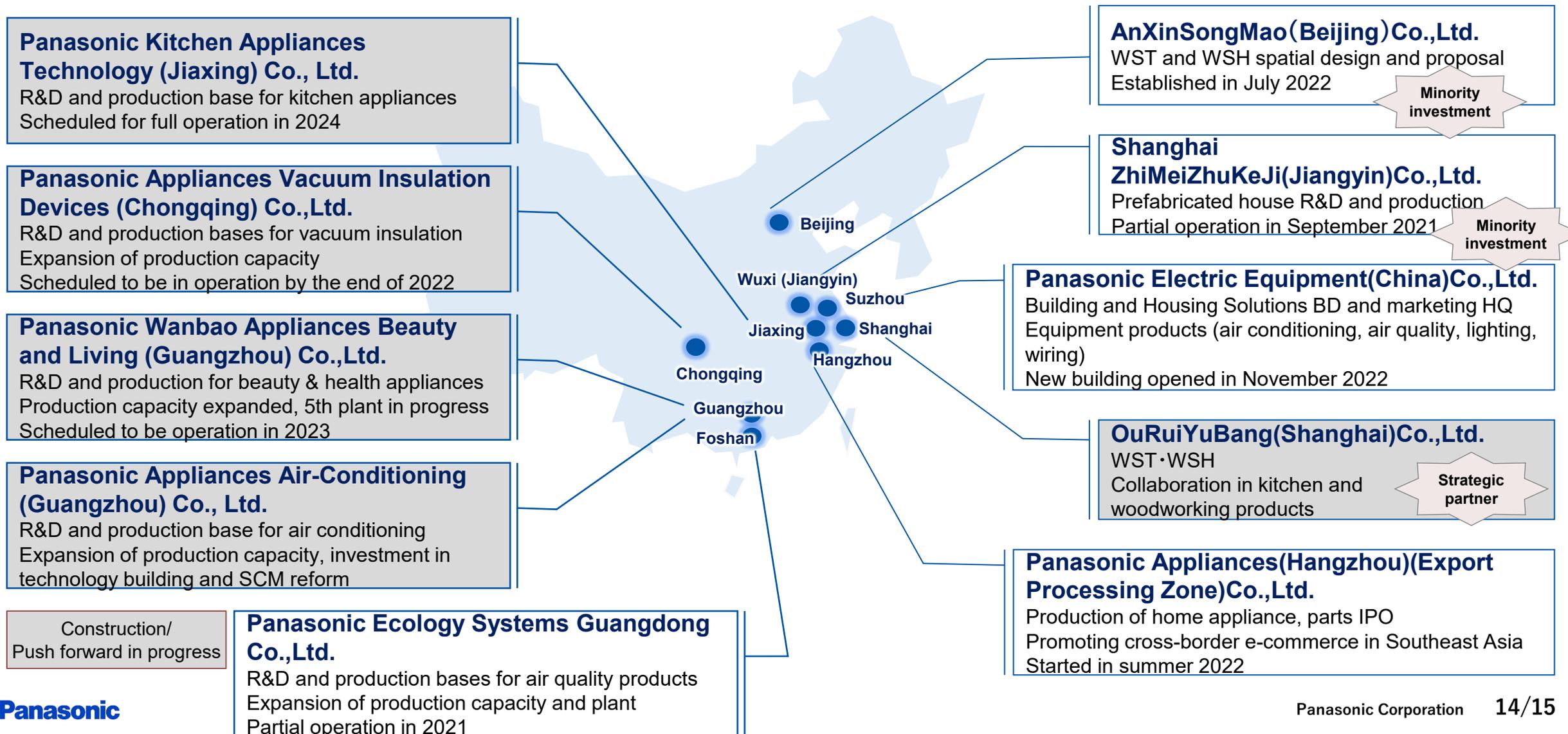
Equipment data
analysis



Field work &
improvement

4.4 CNA's most recent investment

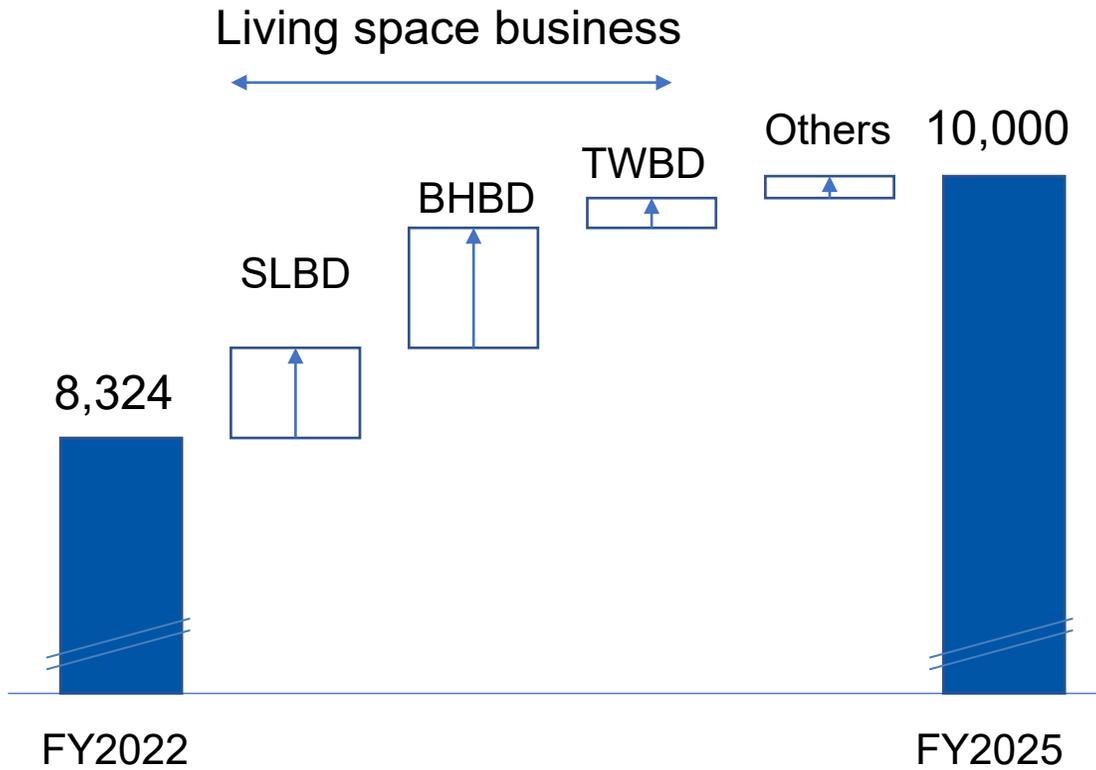
Large-scale investments are planned in the current medium-term strategy to further accelerate the living space business



5. KGI

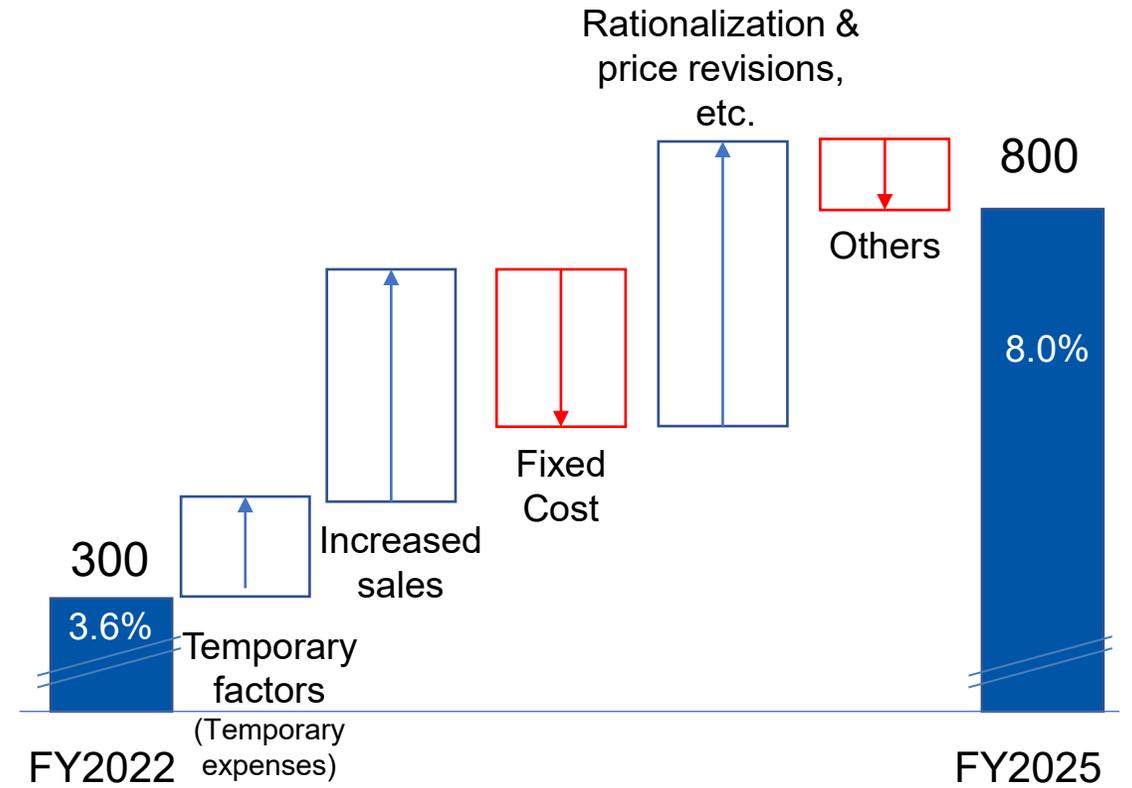
Sales

Unit:100Million JPY



EBITDA

Unit:100Million JPY



Panasonic

Disclaimer Regarding Forward-Looking Statements

This presentation includes forward-looking statements about Panasonic and its Group companies (the Panasonic Group). To the extent that statements in this presentation do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this presentation. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings under the Financial Instrument and Exchange Act of Japan (the FIEA) and other publicly disclosed documents.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the Americas, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; the possibility that the spread of the novel coronavirus infections may adversely affect business activities of the Panasonic Group; the possibility that excessive currency rate fluctuations of the U.S. dollar, the euro, the Chinese yuan and other currencies against the Yen may adversely affect costs and prices of Panasonic's products and services and certain other transactions that are denominated in these foreign currencies; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the possibility of the Panasonic Group not being able to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results or incurring unexpected losses in connection with the alliances or mergers and acquisitions; the possibility of not being able to achieve its business objectives through joint ventures and other collaborative agreements with other companies, including due to the pressure of price reduction exceeding that which can be achieved by its effort and decrease in demand for products from business partners which Panasonic highly depends on in BtoB business areas; the possibility of not achieving expected benefits in connection with the transition to a new organizational system in which Panasonic is a holding company; the possibility of the Panasonic Group not being able to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; restrictions, costs or legal liability relating to laws and regulations or failures in internal controls; fluctuations in market prices of securities and other financial assets in which the Panasonic Group has holdings or changes in valuation of non-financial assets, including property, plant and equipment, goodwill and deferred tax assets; future changes or revisions to accounting policies or accounting rules; the possibility of incurring expenses resulting from a leakage of customers' or confidential information from Panasonic Group systems due to unauthorized access or a detection of vulnerability of network-connected products of the Panasonic Group; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world, disruption of supply chain and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in the most recent English translated version of Panasonic's securities reports under the FIEA and any other documents which are disclosed on its website.