

**Panasonic**

# Panasonic Corporation

## Progress of the Medium- to Long-term Strategy

November 22, 2022

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Panasonic Corporation

Notes:  
1. This is an English translation from the original presentation in Japanese.  
2. In this presentation, "Fiscal 2023" or "FY23" refers to the year ending March 31, 2023.

# Today's Agenda

Update the progress of strategy since IR Day (June)  
and announcement of medium- to long-term strategy for two divisional companies

## This Presentation

1	Progress since the June IR Day	Progress of the medium- to long-term strategy of Panasonic Corporation overall	Panasonic Corporation CEO Shinada
		HVAC Company European Growth Strategy	HVAC Company President Michiura
2	Announcement of the medium- to long-term strategy	Cold Chain Solutions Company (CCS) medium-to long-term strategy	CCS Company President Katayama
		China and Northeast Asia Company (CNA) medium-to long-term strategy	CNA Company President Dohno

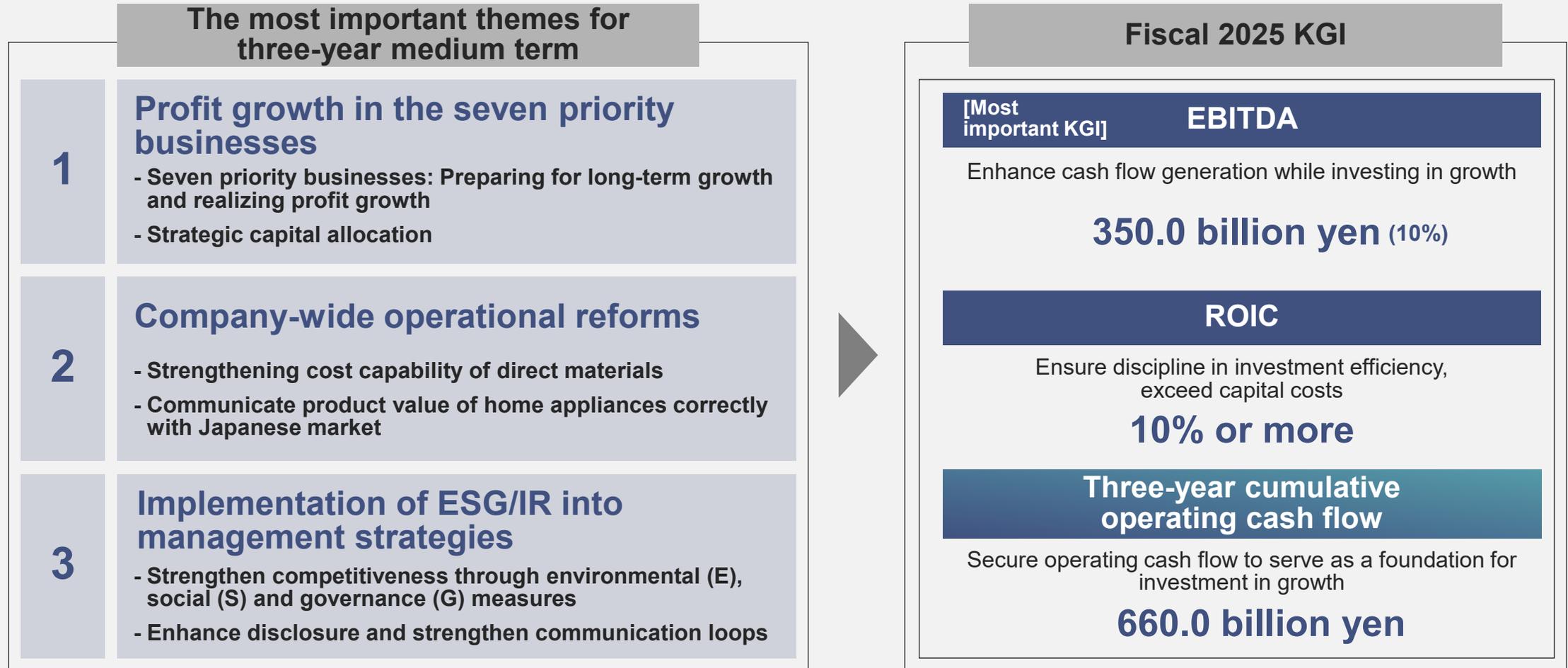
\* From FY23 Q2, business in China is excluded from the scope of consolidation of Cold Chain Solutions Company. Today's figures are based on the reclassification.

# Today's Discussion Points

<b>Review of first half of fiscal 2023</b>	The Most Important Themes for Three-year Medium Term and KGI (announced in June)	Trend of Sales and EBITDA by Quarter	Q2 fiscal 2023 EBITDA
	Profit Contributions Driven Mainly by Growth Businesses	Recovery from the deteriorating external environment	
	First half summary and initiatives for the second half	Fiscal 2023 EBITDA Forecast	
<b>Progress of the Medium- to Long-term Strategies</b>	Medium- to long-term portfolio and positioning of the seven priority businesses	Strategy roadmap for growth businesses	
<b>1. Seven priority businesses</b>	First half progress for seven priority businesses	Progress of growth leader businesses (HVAC system)	Progress of growth leader businesses (Overseas electrical construction materials)
<b>2. Operational reforms</b>	Company-wide Operational Reforms (announced in June)	Company-wide Reinforcement of Direct Material Cost Competitiveness	To Construct Actual Demand-oriented Operations
<b>Toward fiscal 2031 (announced in June)</b>	Management that continues to transform over the long term		
<b>Schedule</b>	Future IR schedule		

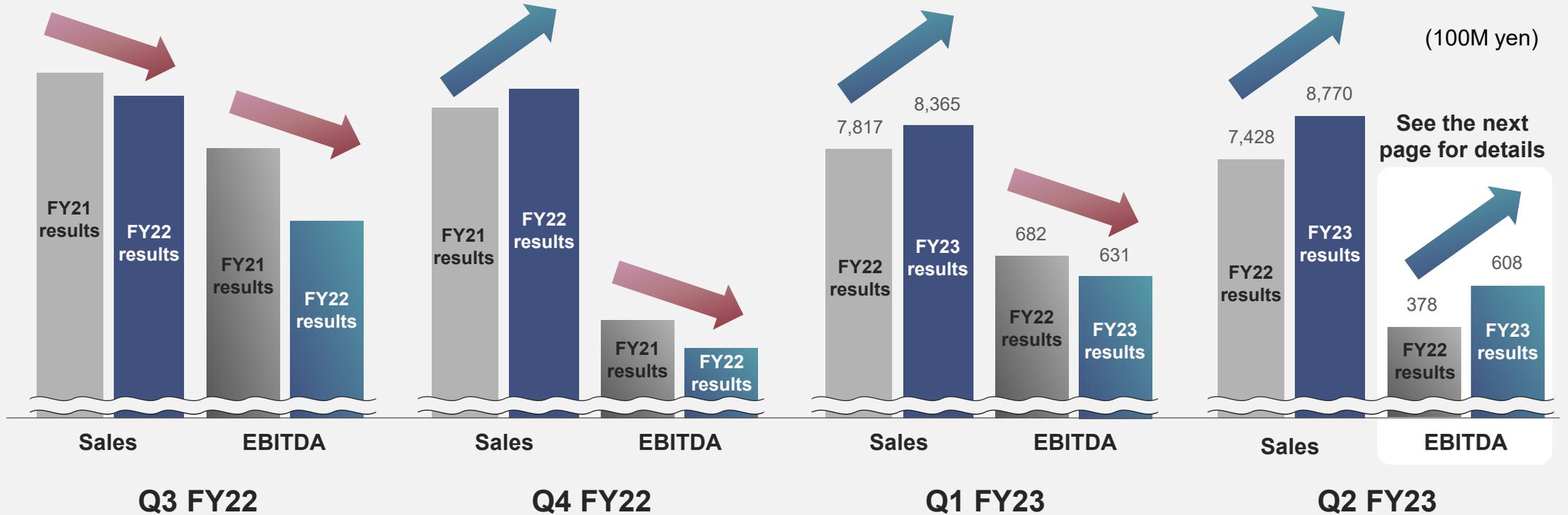
# Review of First Half of Fiscal 2023

# The Most Important Themes for Three-year Medium Term and KGI (announced in June)



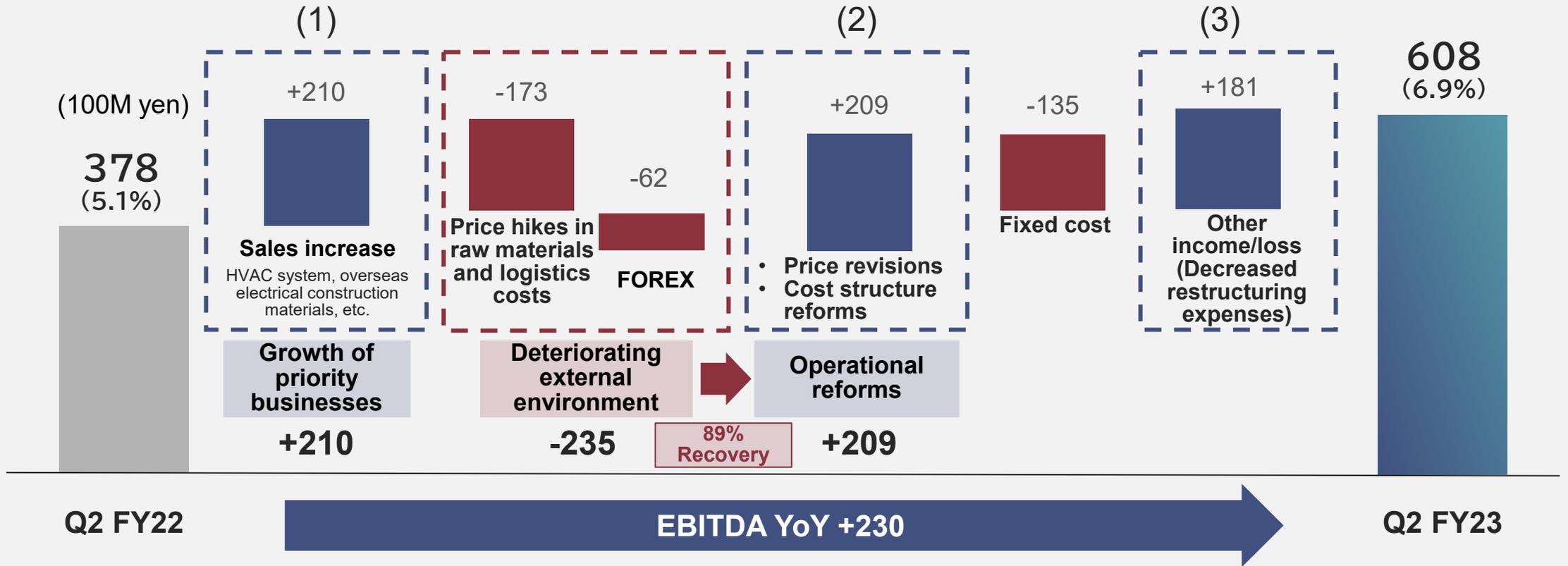
# Trend of Sales and EBITDA by Quarter

Profit decrease trend stopped and turned to profit/sales increase in Q2 FY23



# Q2 Fiscal 2023 EBITDA

While the external environment remains severe, profit increased for EBITDA via (1) increased sales and profit with growth in priority businesses, (2) recovery through operational reforms, and (3) decreased restructuring expenses



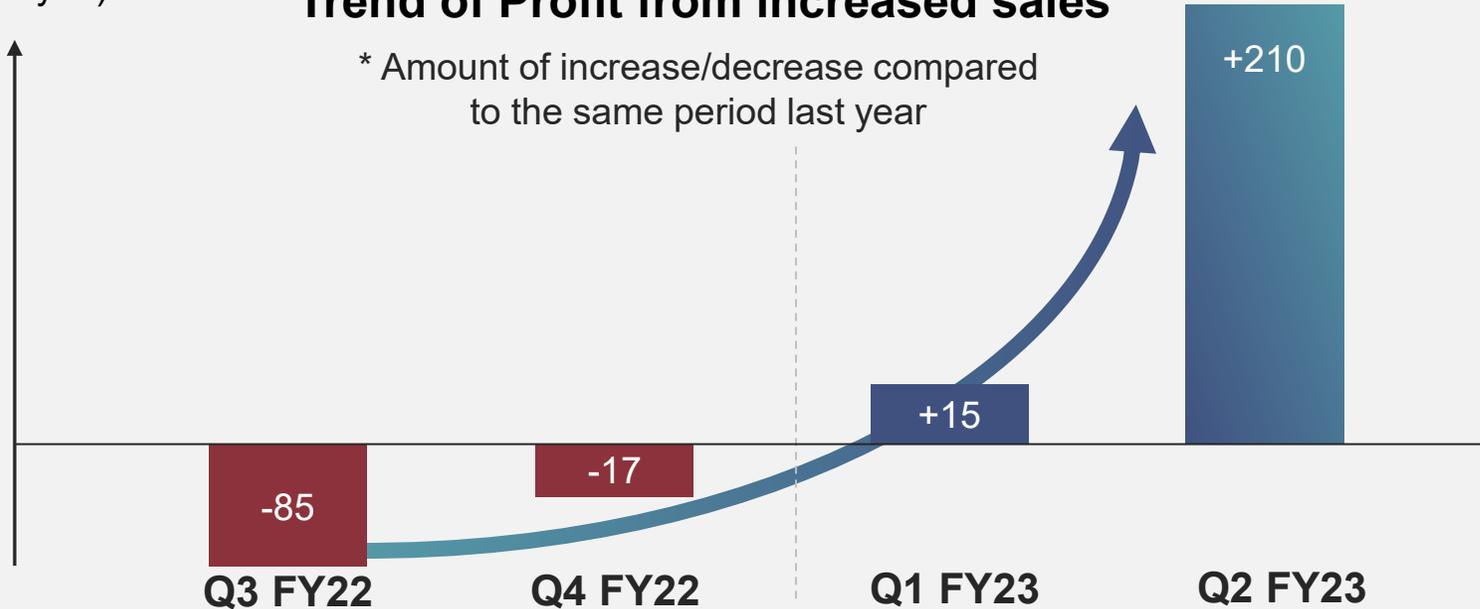
# Profit Contributions Driven Mainly by Growth Businesses

Profit increased due to expanding sales in growth businesses and sales recovery from COVID-19

(100M yen)

## Trend of Profit from increased sales

\* Amount of increase/decrease compared to the same period last year



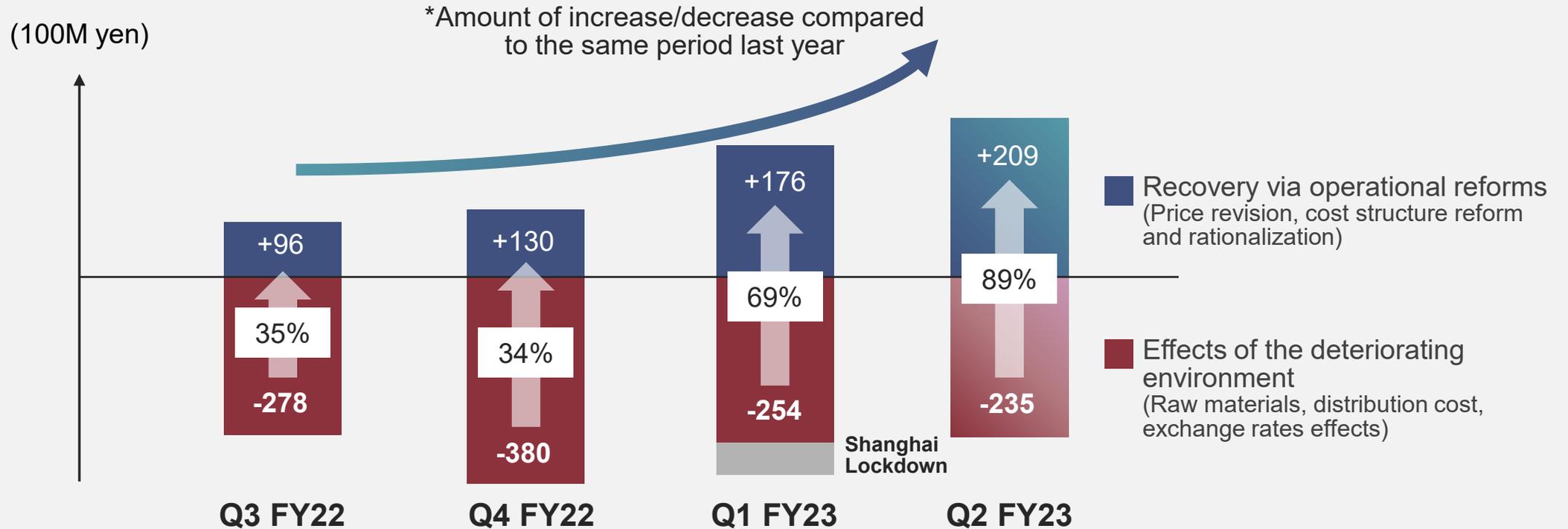
### Main increase/decrease factors

Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
<ul style="list-style-type: none"> <li>+ European air conditioning (e.g., A2W)</li> <li>+ Overseas electrical construction materials</li> <li>+ North American display cases</li> </ul>	<ul style="list-style-type: none"> <li>+ European air conditioning (e.g., A2W)</li> <li>+ Overseas electrical construction materials</li> <li>+ North American display cases</li> </ul>	<ul style="list-style-type: none"> <li>+ European air conditioning (e.g., A2W)</li> <li>+ Overseas electrical construction materials</li> <li>+ North American display cases</li> </ul>	<ul style="list-style-type: none"> <li>+ European air conditioning (e.g., A2W)</li> <li>+ Overseas electrical construction materials</li> <li>+ North American display cases</li> <li>+ Recovery of consumer electronics sales (Japan and overseas)</li> </ul>
<ul style="list-style-type: none"> <li>- Downturn in stay-at-home demand in Japan (consumer electronics, etc.)</li> <li>- Impact of sale of North American lighting business</li> <li>- Impact of parts and materials supply (EW)</li> </ul>	<ul style="list-style-type: none"> <li>- Downturn in stay-at-home demand in Japan (consumer electronics, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Supply issues due to Shanghai lockdown (consumer electronics, etc.)</li> </ul>	

\* Items in blue are growth businesses

# Recovery from the Deteriorating External Environment

- Steady progress with recovery via operational reforms against the deteriorating environment
- Countered 89% of profit impact in Q2



# First Half Summary and Initiatives for the Second Half

## Summary of the first half

Despite the fast-changing external environment, our ongoing measures are gaining results, turned to profit/sales increase in Q2 FY23

- (1) Increased sales driven mainly by growth businesses, and contributed to profit
- (2) Countered deteriorating external environment with operational reforms (pricing measures, cost structure reforms, etc.)

Environmental changes

### Risks

- Global inflation, economic slowdown
- Asset devaluation due to global rise in interest rates
- Downswing in consumer demand in Europe, China, Asia, etc.
- (Ongoing) Soaring energy and raw material costs, restrictions on parts and materials supply, exchange rates (weak yen, weak euro)

### Opportunities

- **Progress of society prioritizing the environment, spread of decarbonization regulations**
  - Expanding A2W, CO2 refrigeration system, hydrogen-related demand
  - Increasing population who purchase environmentally friendly consumer electronics that save energy/long product life
- **Business opportunities with the new normal**
  - Air quality equipment, building management, high functionality consumer electronics, etc.

## Initiatives for the second half

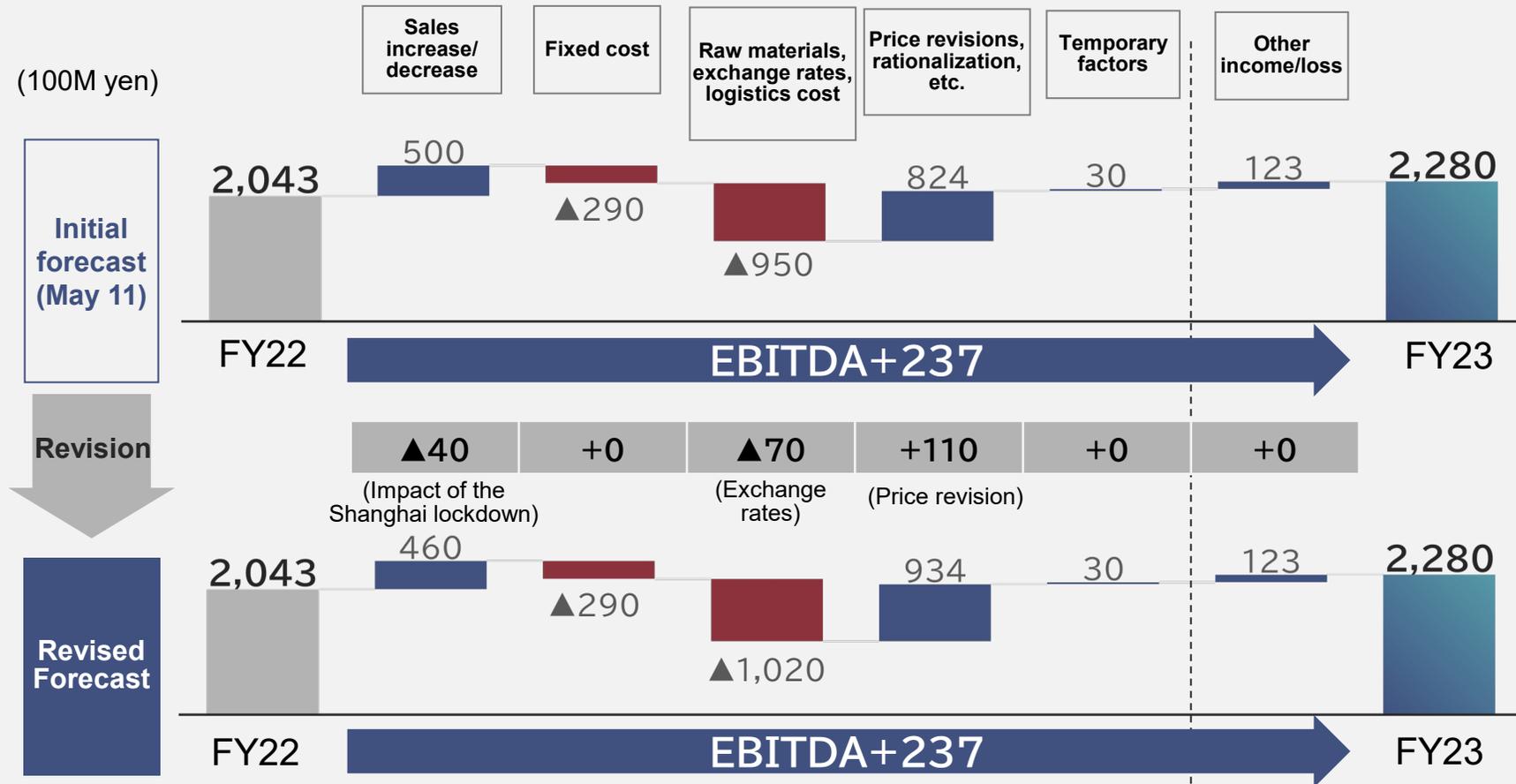
- In the short term, monitor and act on further external environment risks and regional trends, strive to achieve the forecast
- In the long term, engage in transformation to enhance competitiveness for sustainable growth

- Executing investment in growth businesses
- Fully engage with operational reforms across the entire company (react to the external environment)
- Optimize inventory toward increased operating cash flow

# Fiscal 2023 EBITDA Forecast

Initial forecast remains unchanged:

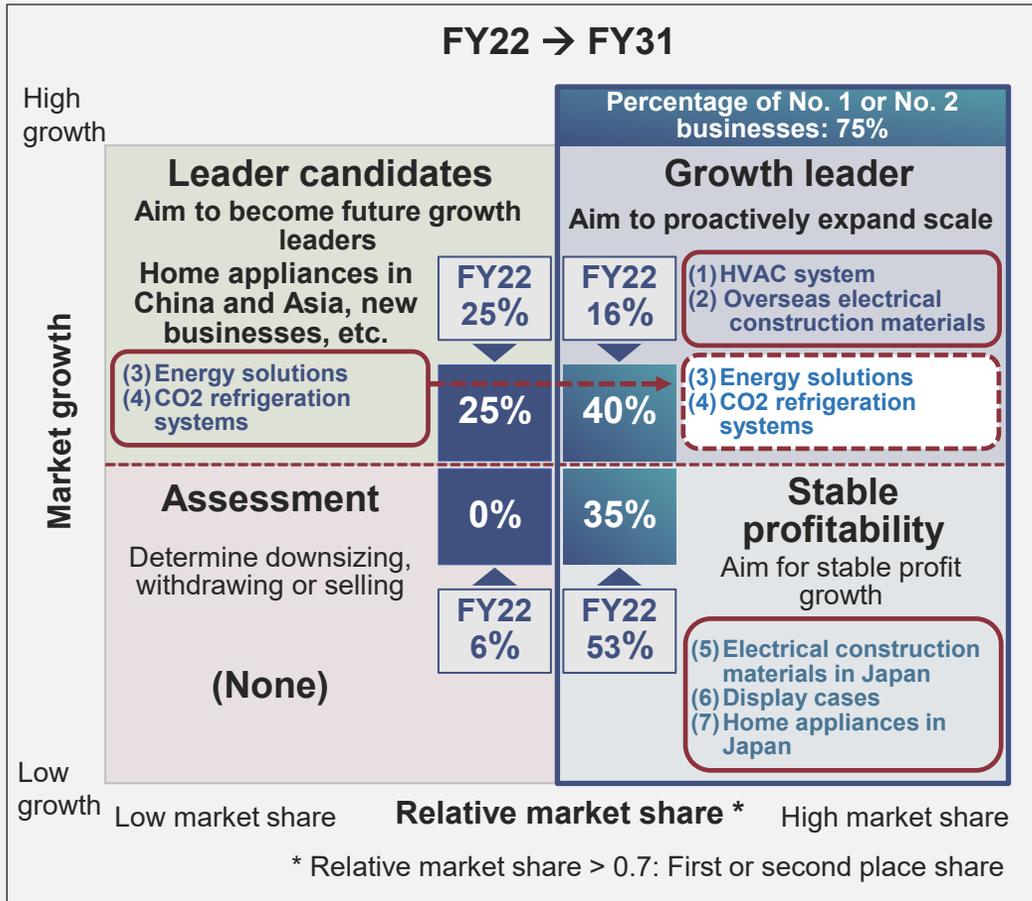
Price revisions, etc. countering deteriorated profit due to Shanghai lockdown and exchange rates



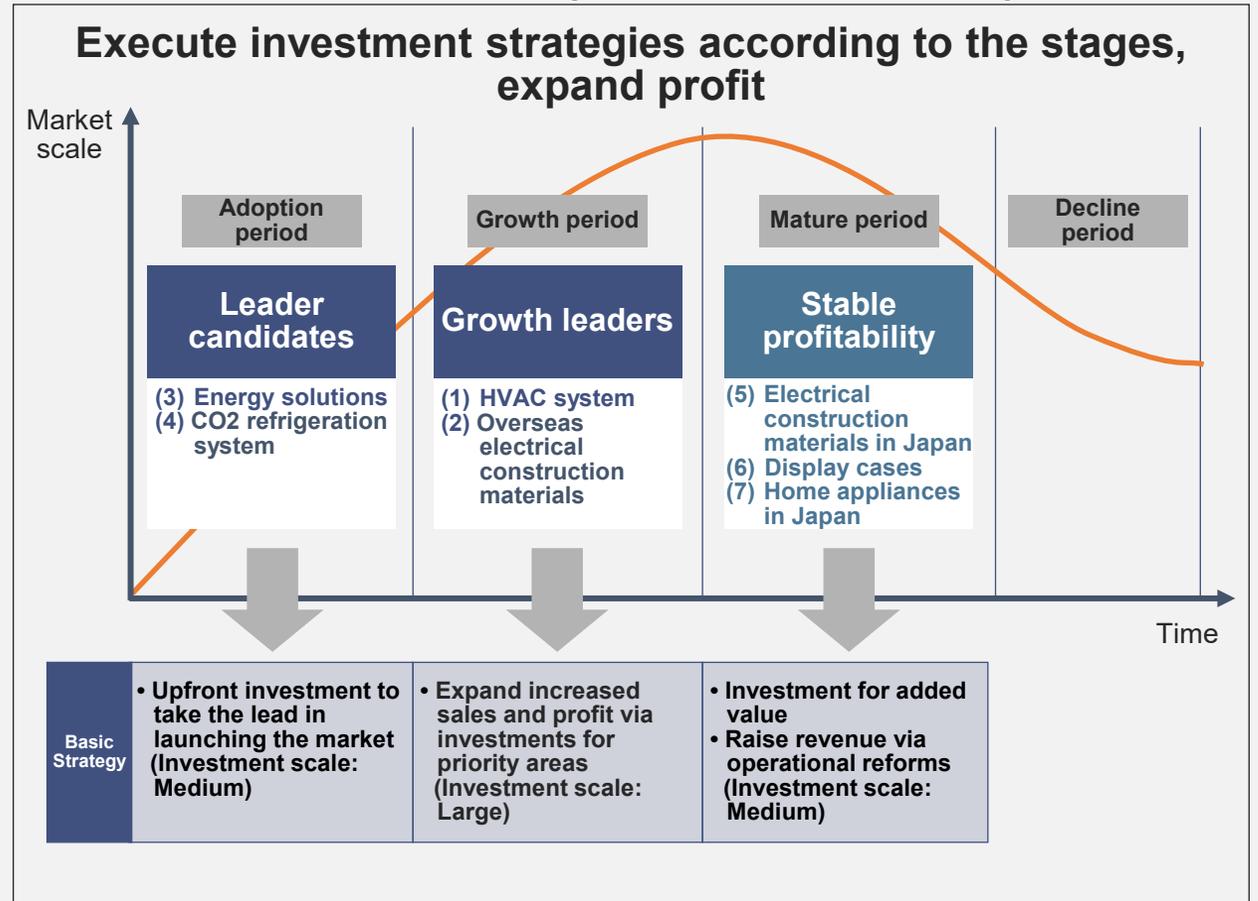
# Progress of the Medium- to Long-term Strategies

# Medium- to Long-term Portfolio and Positioning of the Seven Priority Businesses

## Medium- to long-term portfolio transformation

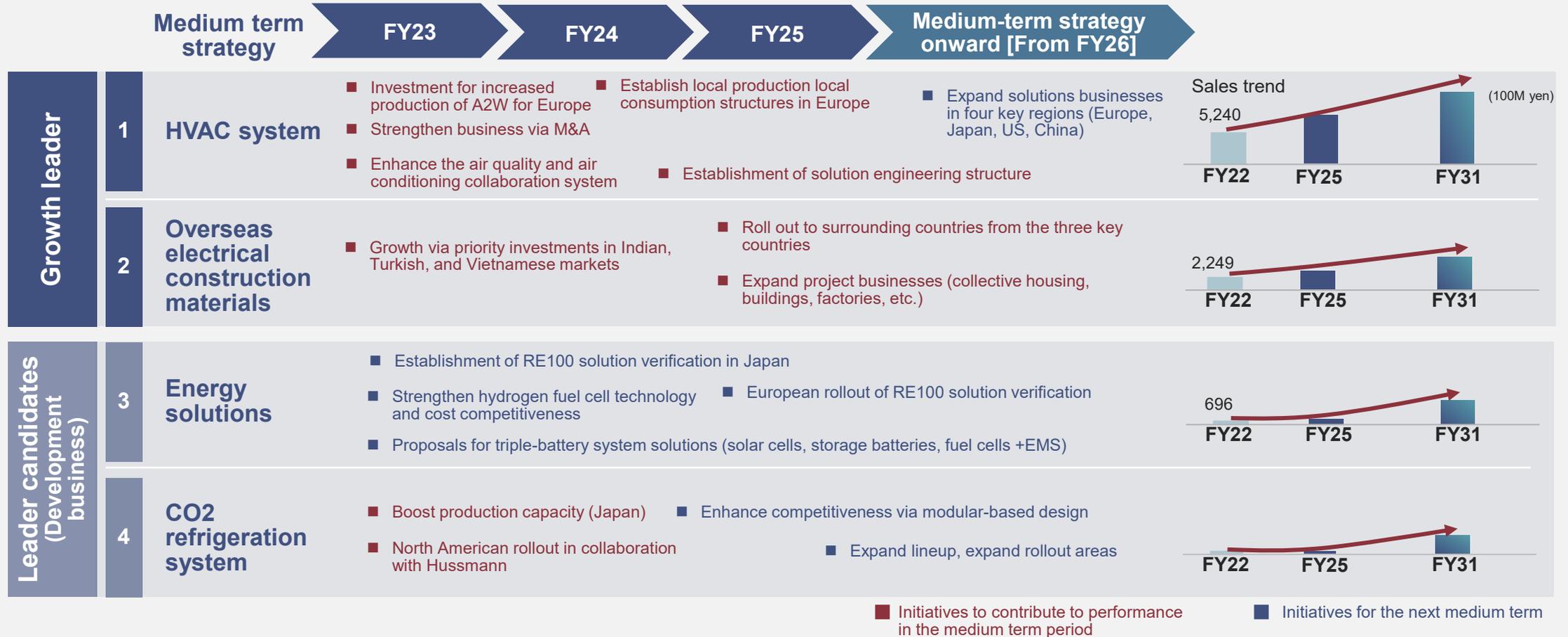


## Stages of the seven priority businesses (At the current time)



# Strategy Roadmap for Growth Businesses

Accelerate investment and gain return in growth leader businesses



# First Half Progress for Seven Priority Businesses

		KPI progress		EBITDA progress		Progress of initiatives in the first half of FY23	
		FY31 KPI	FY23 first half	Medium term Profit contribution	FY23 first half (vs. FY22 first half)		
Growth leader	1	<b>Sales CAGR 8% or higher overall</b>  Each business realizing growth greater than the competition in industries and regions	<b>Sales CAGR 15.0%</b> (including the effects of exchange rates)	<b>+60.0 billion yen</b>	<b>+11.4 billion yen</b>	1	<ul style="list-style-type: none"> <li>Sales up 2.3 times YoY</li> <li>Invest to boost European A2W production, expand sales</li> </ul>
	2					<ul style="list-style-type: none"> <li>New factory in India started operation</li> <li>Sales expansion in three prioritized countries (Sales up 1.3 times YOY)</li> </ul>	
3	<ul style="list-style-type: none"> <li>Establishment of RE100 solution verification facility</li> </ul>						
4	<ul style="list-style-type: none"> <li>Boost productivity and capacity</li> </ul>						
Stable revenue	5	<b>EBITDA rate +5pt or higher overall</b>	<b>EBITDA% ±0.0pt</b> * (+0.6pt)	<b>+50.0 billion yen</b>	<b>+3.4 billion yen</b> * (+7.4 billion yen)	5	<ul style="list-style-type: none"> <li>Successful measures to raw material price hikes (price revisions and promoting rationalization)</li> </ul>
	6					<ul style="list-style-type: none"> <li>Price revisions in North America and Japan, promoting rationalization</li> </ul>	
	7					<ul style="list-style-type: none"> <li>Introduce high added value products, revise prices</li> </ul>	
		<b>Total</b>		<b>+110.0 billion yen</b>	<b>+14.8 billion yen</b>		

\* Figures in brackets exclude the effects of the lockdown in Shanghai

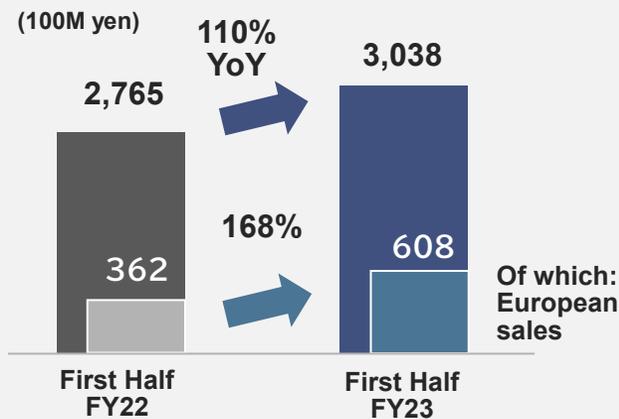
# Growth Leader Business Performance, Measures, and Progress (1)

## HVAC system

Work to expand A2W demand for high growth in Europe, achieve double-digit growth for HVAC system

Main KPI	First half results
Sales 700.0 billion yen (FY25)	Sales 303.8 billion yen (110% YoY)

\* Goals as of the June IR Day



Progress in first half

### ■ Expand sales for European A2W

- Expand sales via sales networks built in each country to meet active demand (Expand the European A2W market scale from 610,000 units in FY22 to 6 million in FY31)
  - Achieve growth above the market growth (\*average market growth: 1.5 times; Panasonic: 2.3 times)
- \*Estimated by Panasonic

### ■ Decision to invest approx. 50.0 billion yen in A2W

Promote investments to expand business e.g., to introduce new natural refrigerant (propane) products (first half of FY24)

- Invest to boost production in Czech and elsewhere
- Build European R&D structure, enhance development, boost marketing capabilities

Initiatives for second half onward

### ■ Implement M&A for commercial air conditioning business to strengthen our business base

Acquire air conditioning business from Systemair AB to strengthen our light commercial sector looking toward European CFC regulations and shift from combustion-type devices

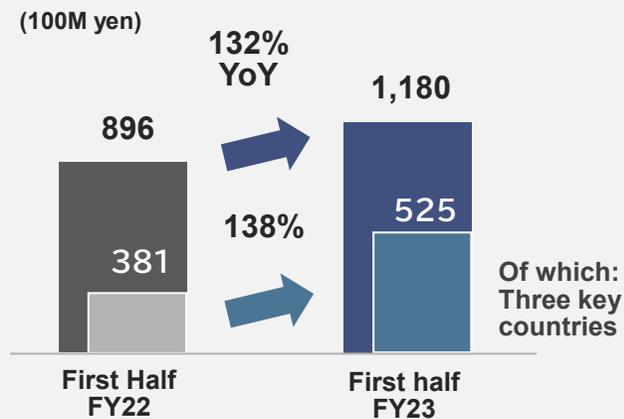
### ■ Locally optimized (local production, local consumption) management

Build a completely integrated structure in Europe

# Growth Leader Business Performance, Measures, and Progress (2)

## Overseas electrical construction materials

Main KPI	First half results
<b>Sales</b> <b>270.0 billion yen</b> <b>(FY25)</b>	<b>Sales</b> <b>118.0 billion yen</b> <b>(132% YOY)</b>



Realize double-digit sales growth rate in three key countries via boosting production capacity and expanding distributors

### Progress in first half

#### ■ Expansion via increased sales

- Expand clients in three key countries (India, Turkey, and Vietnam), strengthen our lineup
- Expand the wiring devices business via boosting production capacity
- Achieve growth above economic growth in India and Vietnam

#### ■ New factory started operation

Construction of a new factory in Sri City in Southern India (Operation started in April 2022)

### Initiatives for second half onward

#### ■ Measures to expand sales

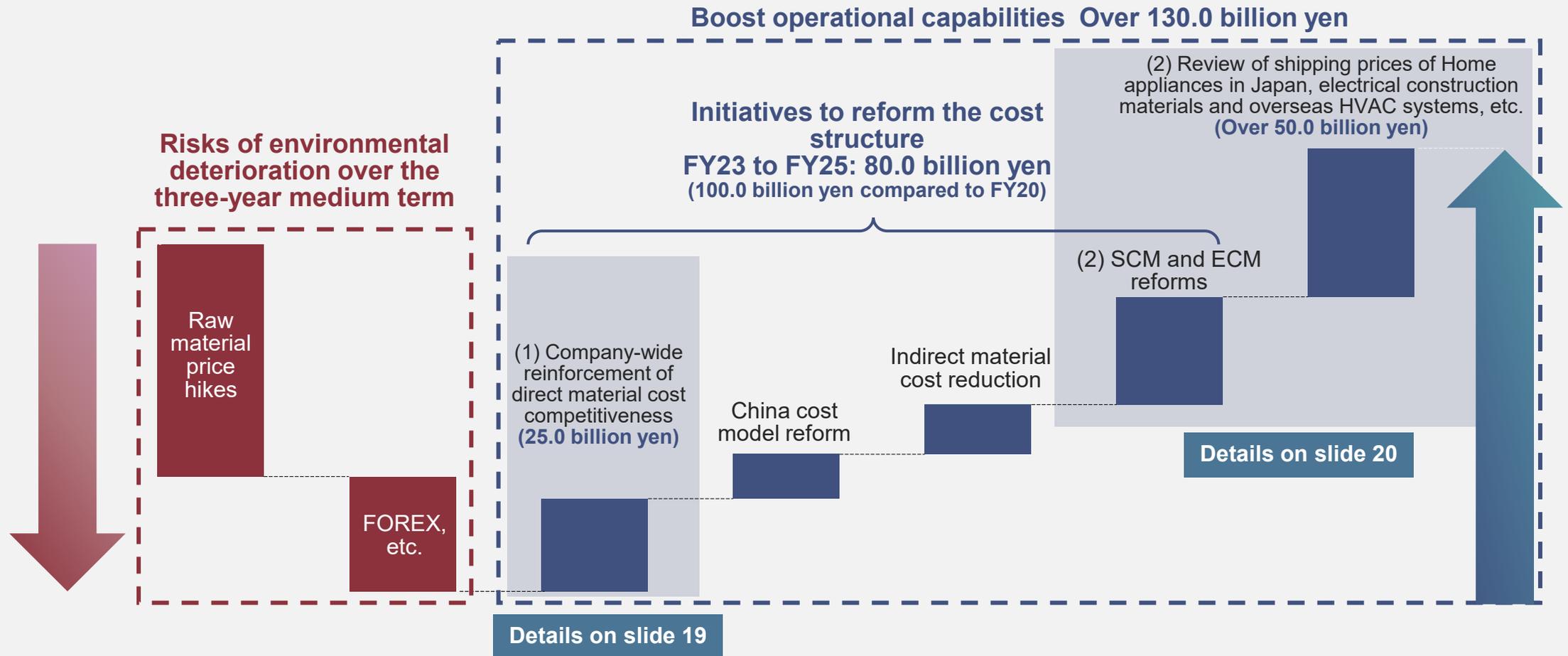
Take timely measures to expand sales channels, raise prices, introduce new products, and promote sales

#### ■ Expand production capacity

Raise the utilization rate of the Sri City Factory in Southern India  
 Start construction of new building for the Vietnamese factory (To be completed in 2023)

# Company-wide Operational Reforms (announced in June)

Overcome the effects of environmental deterioration by implementing operations, such as continuous cost structure reforms and appropriate price revisions



# Company-wide Reinforcement of Direct Material Cost Competitiveness

Roll out four measures to reduce direct material costs directly under the control of the CEO/CPO toward reducing 25.0 billion yen in three years

Category	Purchase strategy		FY23	FY24	FY25
Raw materials 	Purchasing from one company ↓ Purchasing from several companies	Steel	◆ Purchase general-purpose materials from several companies	◆ Purchase custom materials from several companies	Reap the benefits
Semiconductors, electronic components 	Primarily Japanese companies ↓ Concentrate on major industry players	Semiconductors	◆ Employ microcomputers and recommended items	◆ Employ recommended items of other semiconductors	Reap the benefits
Electrical components 	By division ↓ To centralized contracts	Motors, etc.	◆ Manufacturer centralization	◆ Common use, general purpose	Reap the benefits
Mechanical parts, assembly parts 	By division ↓ Narrow down suppliers	Supplier concentration	◆ Select strategic partners, concentrate suppliers to 20% by FY25	◆ Concentrate purchase orders (Resin molding, sheet metal)	Reap the benefits

Expect reductions of 5.0 billion yen

# Company-wide Reinforcement of Direct Material Cost Competitiveness

Example with electrical components

## Create synergistic effects of "Air Quality x Air Conditioning"

### "Filters" of heat exchangers

Develop mapping of common parts, gather information, strengthen collaboration  
Further deepen centralized contracts between businesses **-60%**



## Expand centralized contracts

### "Motor" strategy

Strengthen cost and procurement resilience via common use and centralized contracts **-2.0 billion** \*FY23

Initiatives	Implemented	To be implemented
◆ Common use (use items for general use)	Refrigerators Washing machines Air conditioners	Ventilation fans Bicycles Commercial air conditioning
◆ Centralized contracts (concentrate global suppliers)		
◆ Build a shared global design platform		Refrigerators Washing machines Air conditioners
	Reduction of 2.0 billion yen	

# To Construct Actual Demand-oriented Operations

## ① Promote new sales scheme for consumer electronics in Japan

By offering high-value products to our customers and building an environment that conveys proper product value, we will promote a new sales scheme in which manufacturers take inventory risks and determine prices.

**Offer high-value and quality products worth the price, appreciated by customers**

Sales structure: Approx. 20% (FY23 forecast)  
\* Approx. 30% for home appliances alone

### Customer-oriented product development

#### Extend product life cycles

Example: Worktop dishwashers, microwave ovens  
Prolong product cycle: current 1 year to more than 2 years

#### Shift development resources to creation of high value products

Create new categories  
Example: Tank-type slim dishwashers  
IH rice cooker with automated measuring function



IH rice cooker with automated measuring function

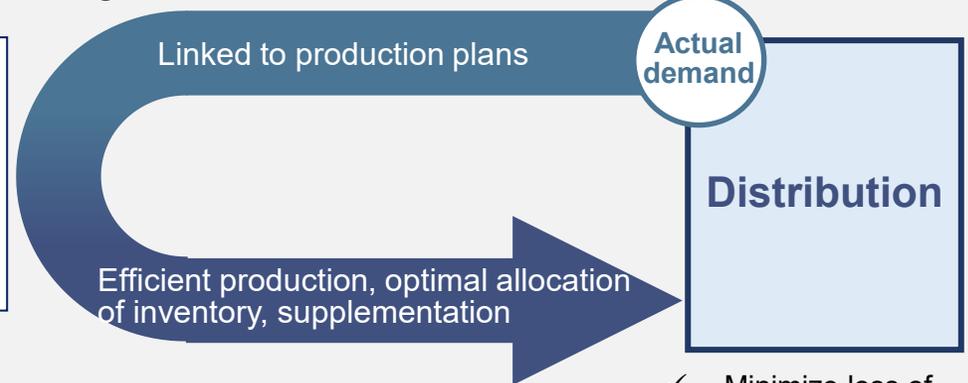


## ② Construct an actual demand-oriented SCM process

**Eliminate wastefulness in distribution and production/optimize inventory**

Working toward introduction from FY24

<<Digital information coordination>>

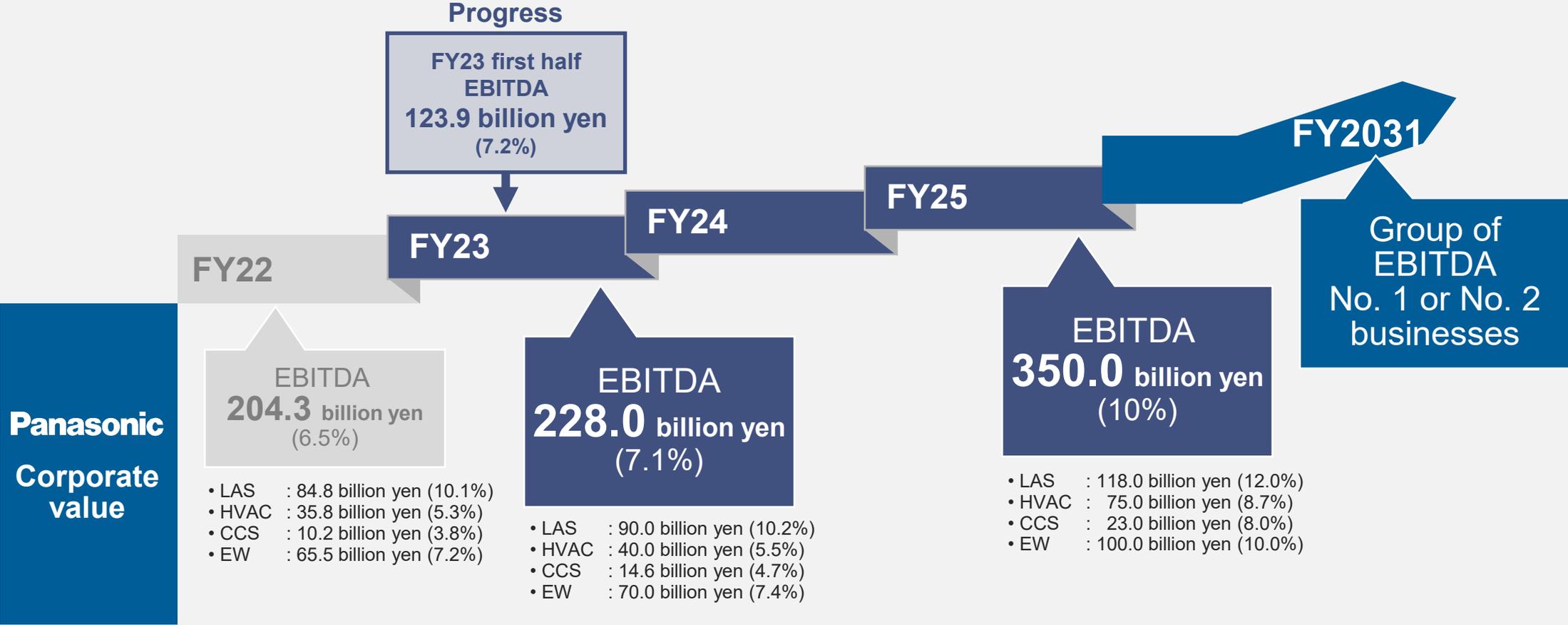


<<Resupply in a short lead time>>

- ✓ Minimize loss of opportunities
- ✓ Improve inventory turnover

# Management that Continues to Transform over the Long Term

Aim for the industry's highest level of profitability in lifestyle business area toward fiscal 2031



# Future IR Schedule

Enhance transparency in management and communication with capital market

## FY23 IR Schedule

Q1	June 2	<b>IR Day</b>	Shiodome Building	Medium- to long-term strategy of Panasonic Corporation, HVAC, EW, and LAS
Q2	October 6	<b>Site visits</b>	Kusatsu Factory	(Energy solutions: RE100 solutions, fuel cell factory)
Q3	November 18	<b>“SUPER BOX” Invitational exhibition</b>	Tokyo International Forum	(Electrical construction materials in Japan: building equipment solutions preview)
	<b>November 22</b>	<b>Briefing on individual businesses</b>	Shiodome Building	(Overall strategy, HVAC’s growth strategy for Europe, CCS & CNA medium- to long-term strategies)

## FY24 IR Schedule (planned)

Q1	<b>Business strategy briefing</b>
Q2 onward	<b>Site visits relating to the seven priority businesses, round-table meetings with analysts and investors, etc.</b>

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