

Panasonic

Progress in Medium- to Long-term Strategy

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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.

Business Overview

A mixture of businesses areas with high competition (major players) and with less competition

High competition areas: Approx. 70%

Residential air conditioners (RAC)



Residential air conditioners (RAC)

Commercial air conditioners (CAC)



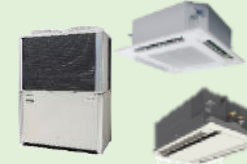
Packaged air conditioners for offices and stores (PAC)



Variable refrigerant flow systems (VRF)



Absorption chiller systems (ABS)



Gas heat pump air conditioners (GHP)



Eco Cute (heat pump water heaters)



Heat-pump hot-water supply and space heating equipment (A2W)

Less competition areas: Approx. 30%

Indoor air quality systems (IAQ)



Ventilation fans



Range hoods



Energy recovery ventilators



ziaino



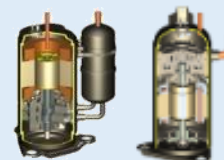
Air purifiers



Divided core motors



Small rotary devices



Natural coolants (R290, CO2) Compressors

Devices

Environmental Systems & Engineering



Tunnel ventilation and purification systems

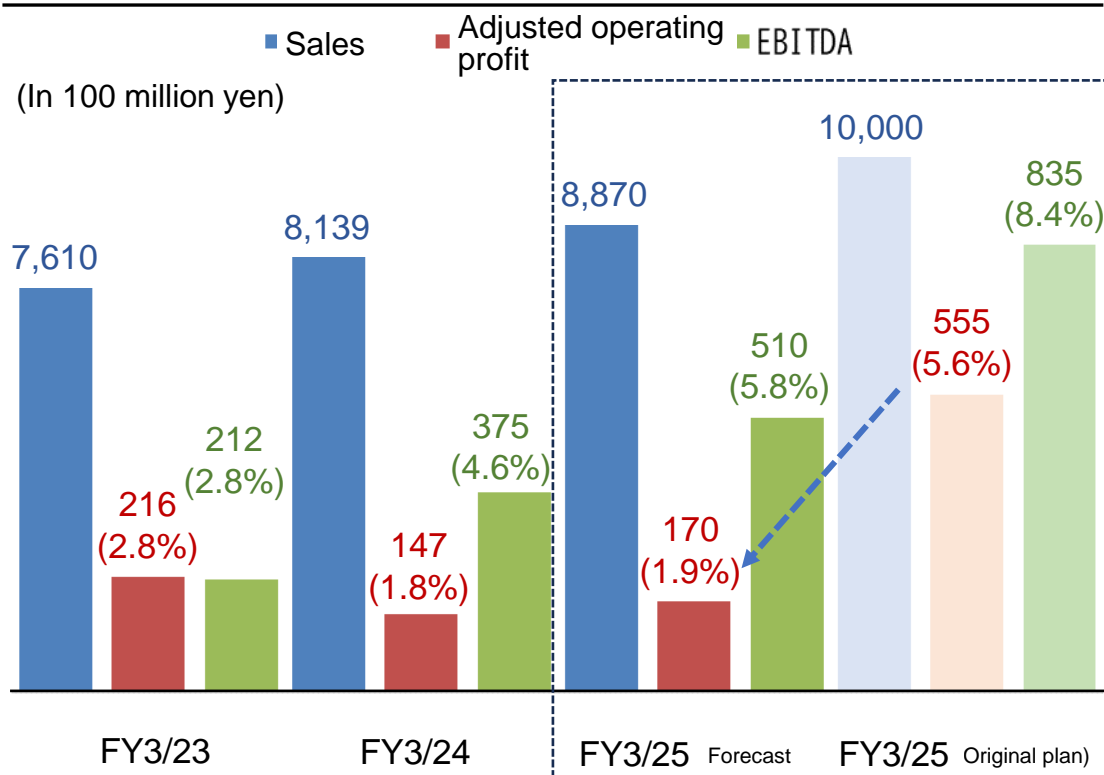


Water treatment systems

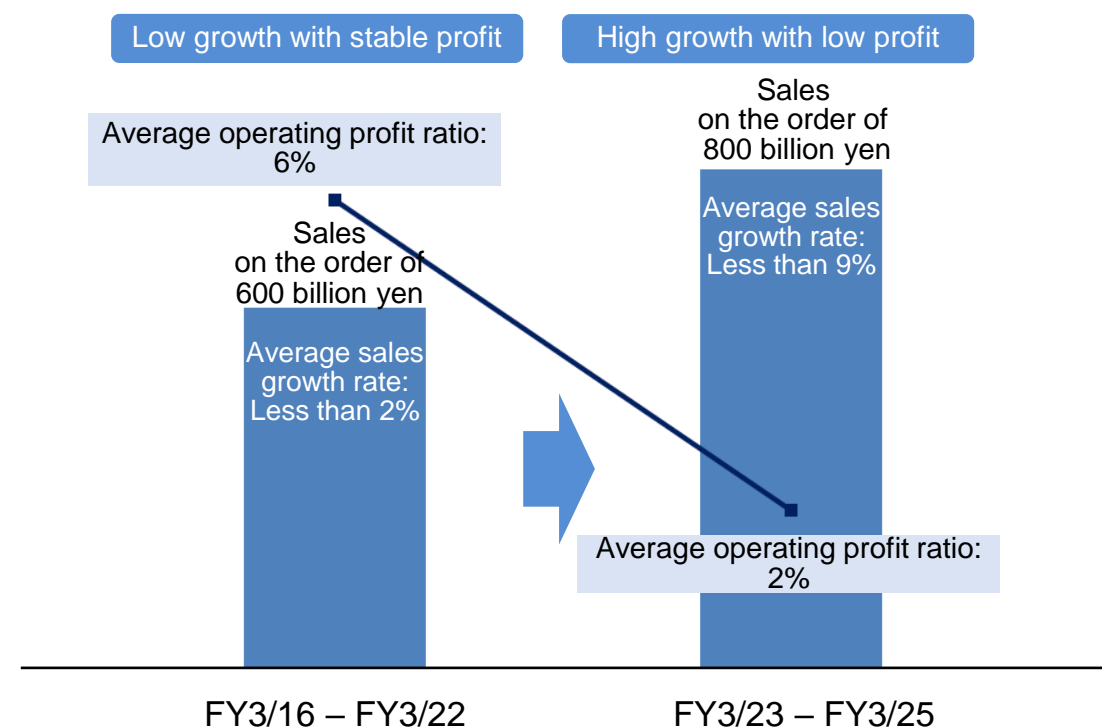
KGI Review

We have achieved top-line growth, but profitability has decreased
 (profit margin is 4% points short vs. original plan and vs. pre-establishment of HVAC)

Comparison of the originally planned levels and the current levels under the current medium-term plan



Comparison of KGIs before and after establishment of HVAC



Our Current Position (as of FY3/25)

Outlook: sluggish short-term performance due to A2W business slowdown

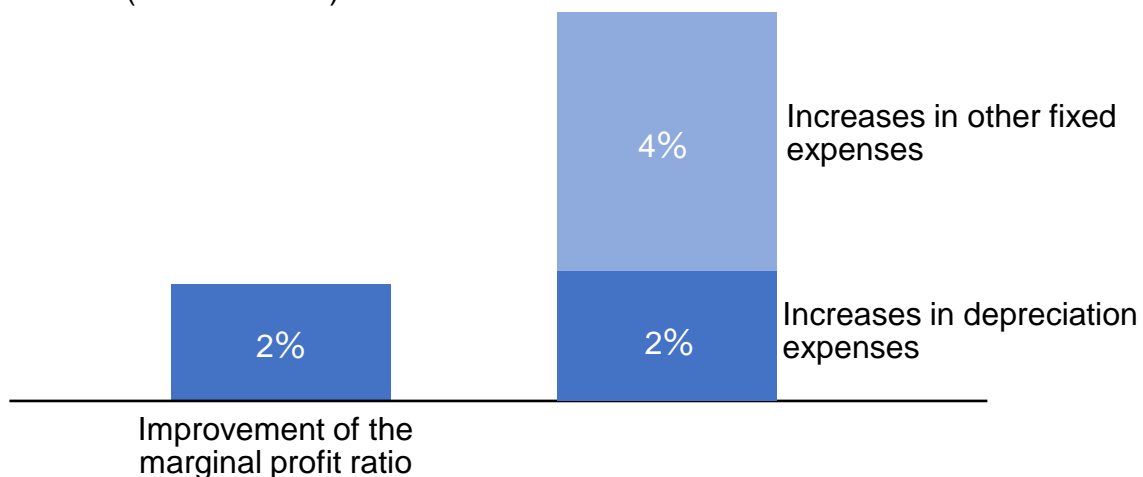
A decrease of four percentage points in adjusted operating profit
(from the previous level)

- Increased A2W investment in Europe
- Increased integrated air quality and conditioning product costs in the IAQ business, etc.
- Failure to realize top-line increases commensurate with the strategic investments
- Advanced investment due to “return to Japan” for production

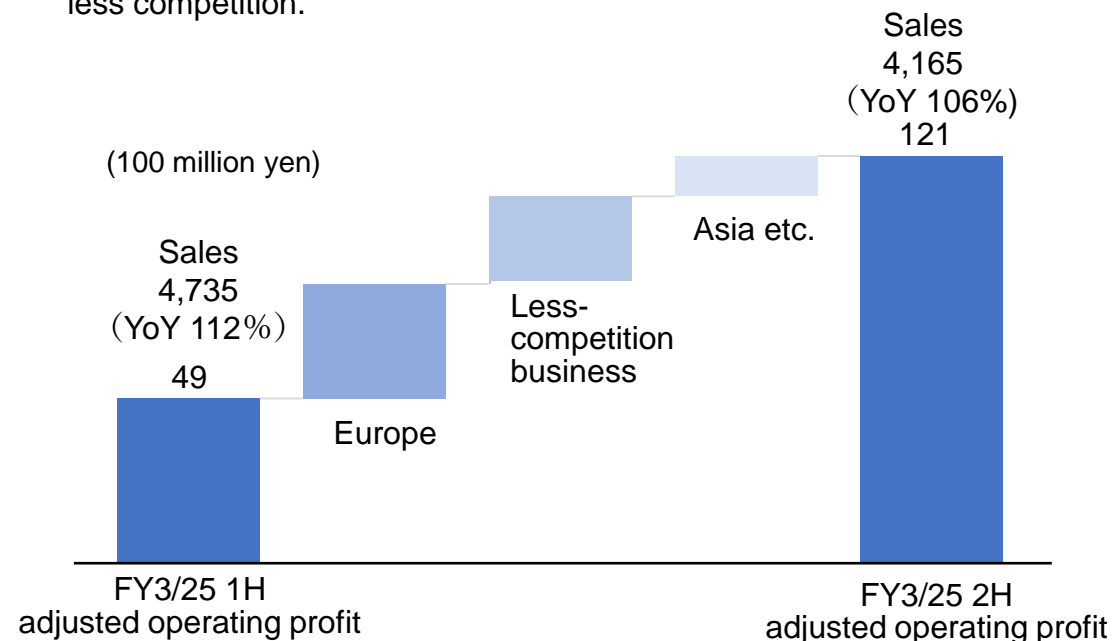
Forecast of adjusted operating profit in FY3/25

- The low profit in the 1st half is attributable to a low production rate due to A2W inventory adjustment and the currency exchange rates.
- Increased sales of low-profit products and advanced investment due the to “return to Japan” for production
- In the 2nd half, the end of inventory adjustment in Europe is in sight, and we may be able to expect production boosts driven by sales increases.
- In addition, profit increases are expected, especially from products with less competition.

(Ratio to sales)



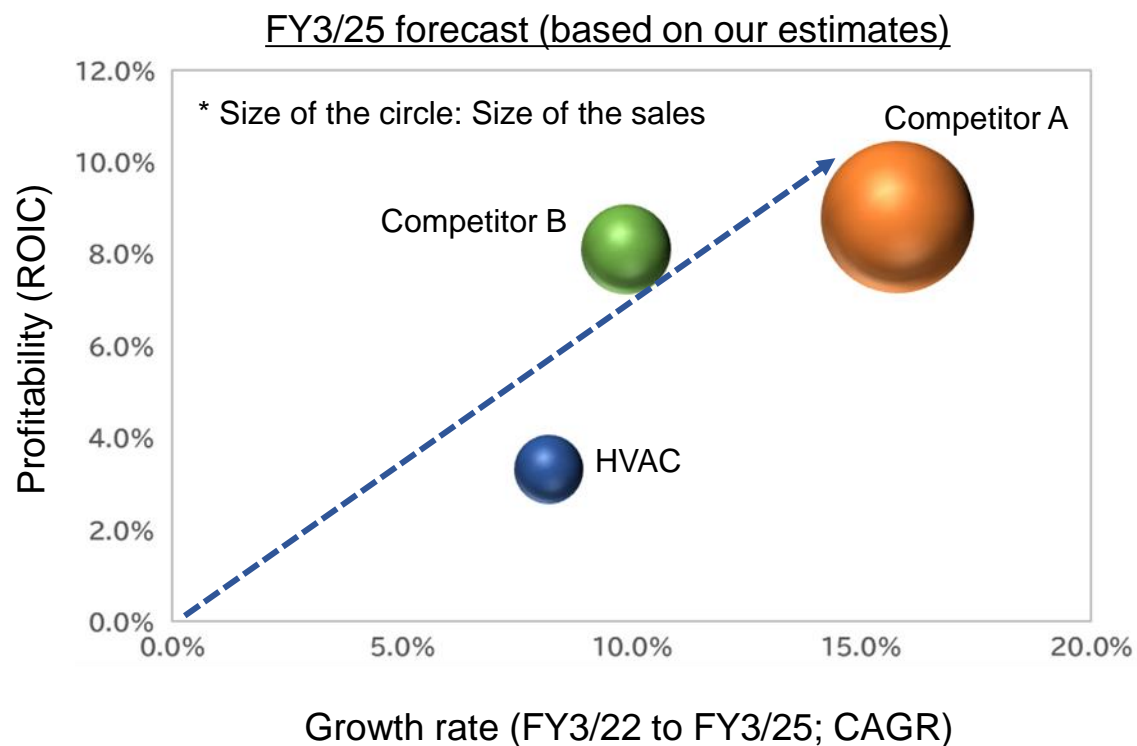
(100 million yen)



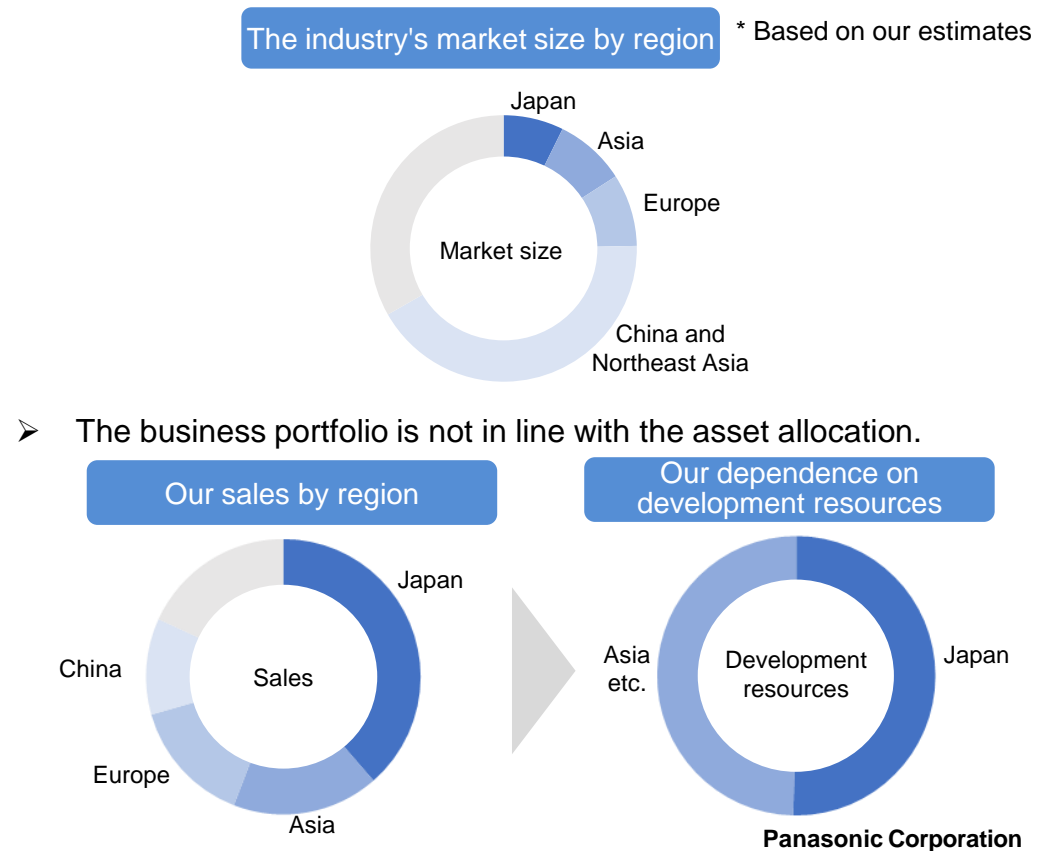
Issues to Overcome for Profitability Improvement

Strong topline growth and effective allocation are the key

Issues identified through comparison with competitors (top-line)



Issues with our asset allocation (fixed costs)



Organization Structure for Implementing the Competition Strategies

Focusing on each region was a correct direction, but we were unable to implement due to lack of capabilities

Main points of the business operation system reform
(excerpts from IR materials of June 2023)

1 Increase the speed of decision-making and accelerate business growth through region-based management.

Establish the HVAC Business Division Europe with development, manufacturing, and sales capabilities.

2 Promote and expand account solutions on a global basis.

Establish the Solutions and Engineering Business Division to centrally manage customer contacts.

3 Create new air/water value by integrating air quality and air conditioning products.

Reorganize the business axes and establish the Water System Solutions Business Unit.

4 Increase operational efficiency by strengthening our development and manufacturing capabilities.

Establish divisions for global platform development and manufacturing innovation.

5 Increase our competitive strengths through device business integration.

Issues with the current business operation system

Existence of businesses that do not align with region-based management

Deviation of the concept of account solutions from actual practices

Integrated products have yielded some results, but the real strength of the existing businesses have declined.

Conflict between region-based and global management

Optimize the business axis globally, considering our core strength.

Key Strategies in the Next Medium-term Plan

Clearly define the position of our business strategies and implement them with our position in the industry in mind.



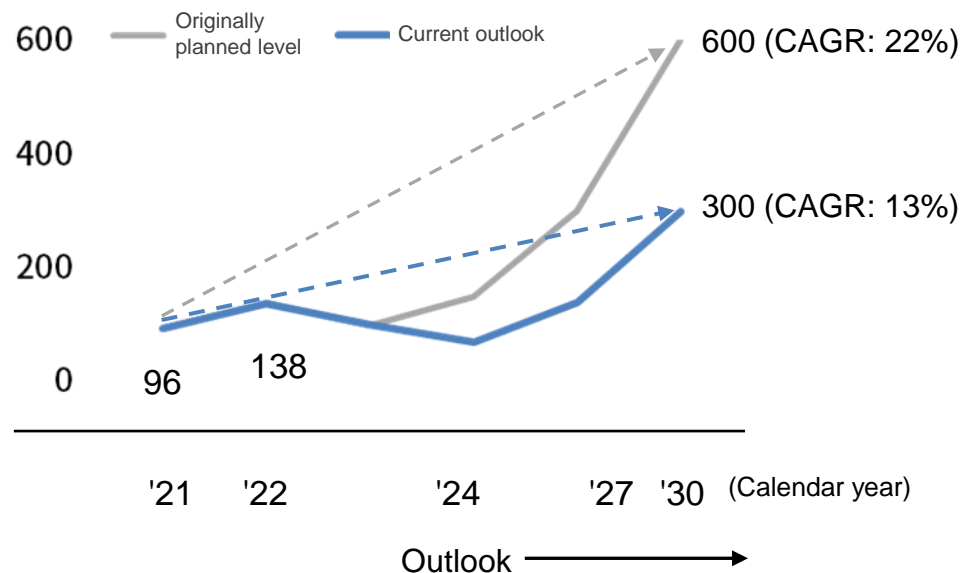
A2W Business

Create demand as soon as possible to expedite profitability recovery with greater probability.

Assumptions for the outlook of the A2W market size

- Increased demand in FY3/23 due to high gas prices and government subsidies
- Inventory adjustment nearly concludes in the 1st half of FY3/25. Afterward, slow recovery is expected.
- The HP ratio continues to rise until FY3/31, when boilers will be banned.

(In 10,000 units) ■ Outlook of the European A2W market



Profit outlook for the A2W business

- The “power game” situation in FY3/23 has now dissipated; we have entered the era where the supply quality matters.
- Accelerate sales expansion in areas where we are perceived to be strong.
- Businesses that can sustain the same profit structure and achieve double-digit profit rates in the medium-to-long term

■ Three differentiating pillars of our A2W strategy

Our competitive technologies
<ul style="list-style-type: none"> • T-CAP, indoor A/C control • Commercial-use A2W
Natural refrigerants
<ul style="list-style-type: none"> • First Japanese-affiliated company to release a model using natural refrigerant R290 (May 2023)
Collaboration with other companies (Design & Digital)
<ul style="list-style-type: none"> • Control technology and indoor terminals in collaboration with INNOVA • Optimum control of indoor units in collaboration with tado°

IAQ (+ Water) Business

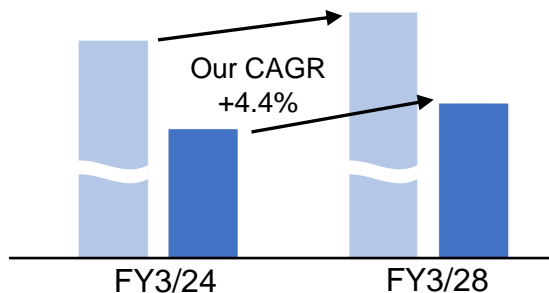
Re-establish global presence as the core business in the differentiation strategy.

IAQ market and our position

■ Global market growth rate (ventilation fans)

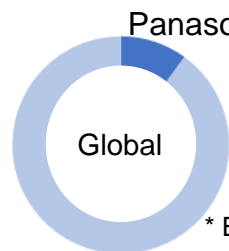
Industry's CAGR +3.1%

Our CAGR +4.4%



■ Largest share in the global ventilation fan market

Largest share in the Japan/China/U.S. combined market



* Based on our estimates

Differentiation strategy drivers

Humidity	Cleanliness and inhibition of bacteria and viruses		Temperature
Centrifugal crushing humidification 	Salt-free water softening 	Active air purification  	Airflow
Maintenance labor saving	Entire space purification		Deodorization
			Fragrance

Regional strategies to prioritize in the next medium term

Leverage our strong sales channels and technological differentiators to restore the business to its high-profit status from the past.

Japan

- Increase housing-related accounts by differentiation with energy efficiency and comprehensive humidity control capabilities

China

- Joint promotion with energy-efficient and “healthy” house development projects (Integrated air quality and air conditioning systems)

North America

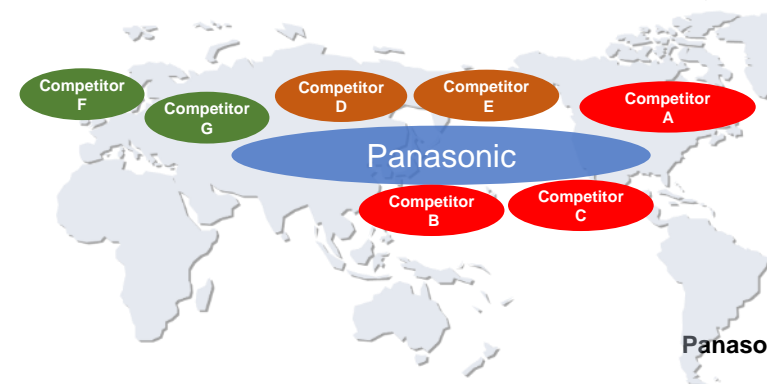
- Increase channels, release a series of new products, and create a new market for integrated air quality and air conditioning products.

Asia

- Expand the water business by offering packages of pumps, water purification equipment, showers, and more.

Long-term vision of the IAQ business

Identify the needs in all major areas to achieve both high profit and high growth.

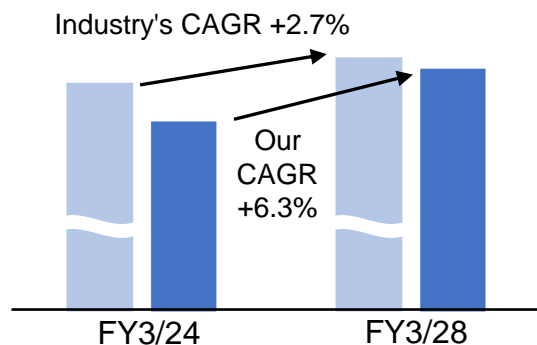


RAC Business and CAC Business

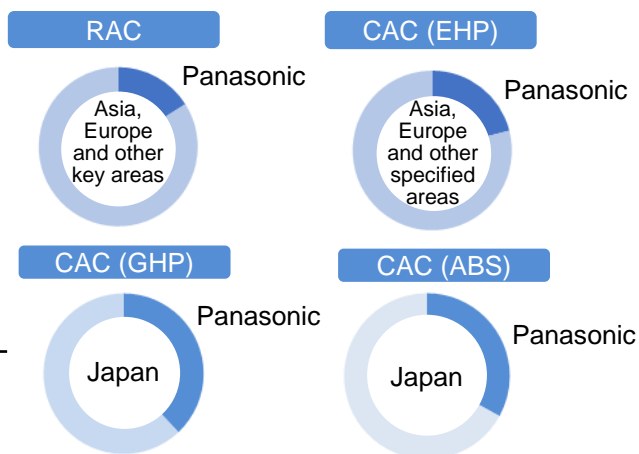
Connect the world through development, manufacturing, and sales operations to achieve appropriate profit contributions as fundamental businesses.

RAC and CAC markets, and our position

■ Growth rates of RAC and CAC focus markets



■ Share in focus areas by product



Competition strategy drivers

■ Measures to improve the profitability of the RAC business

- Resource shifting from Japan to Asia and Europe to enhance product competitiveness
- Maximize the capacity utilization rate of global parent factories

■ Measures to improve the profitability of the CAC business

- Collaboration strategy in the GHP business
- Customer strategy in the EHP business



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Regional strategies to prioritize in the next medium term

Persistently pursue technological advantages and secure a high profit rate through a local fit approach.

Asia

- Localize the ease of installation, quality, channel capabilities, etc., based on energy efficiency.

Europe

- Release products that conform to market characteristics and expand service networks.

Japan

- Strengthen equipment channels, enhance IoT capabilities, and concentrate sales resources in strategic areas.

Long-term vision of the RAC and CAC businesses

Expand the CAC business, raise our competitive position and increase brand presence by taking advantage of global RAC operation.



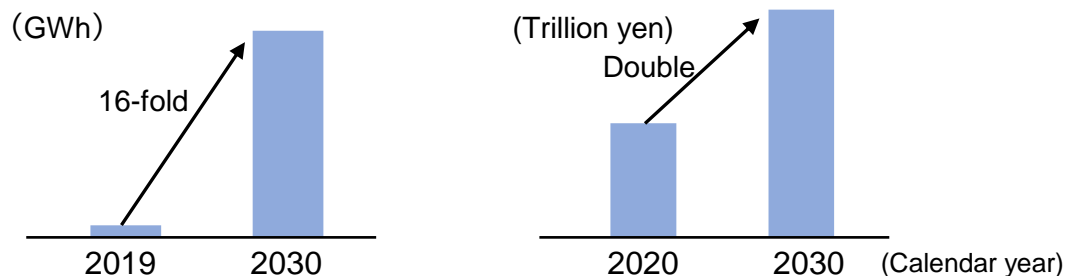
Engineering and Device Businesses

Capture potential of growth areas by leveraging our expertise with air and with water

Key areas for the environmental systems & engineering business

Promote the business in domestic and overseas growth areas.

■ Global market for automotive batteries ■ Global market for semiconductors



* Source: Ministry of Economy, Trade and Industry

Automotive batteries

- Follow the vigorous capital investment, improve accumulated technologies, and expand the customer support structure

Semiconductors and electronic devices

- Expand waste water and chemical recycling and other environmental technologies to the market.

Overseas

- Promote expertise developed in Japan for growth industries of each country

Key areas for the device business

Expand business domains with technological differentiators.

■ Market environment

Business opportunities for eco-friendly products are increasing as energy efficiency regulations and refrigerant regulations are accelerating.

Top runners and ZEH

- Low-speed operation x high efficiency



Divided core motors



Energy-efficient rotary devices

Natural refrigerants

- Create a comprehensive line-up from small to large sizes.



R290 compressors



CO2 compressors

Automotive devices (EV)

- Enter the electric compressor business.



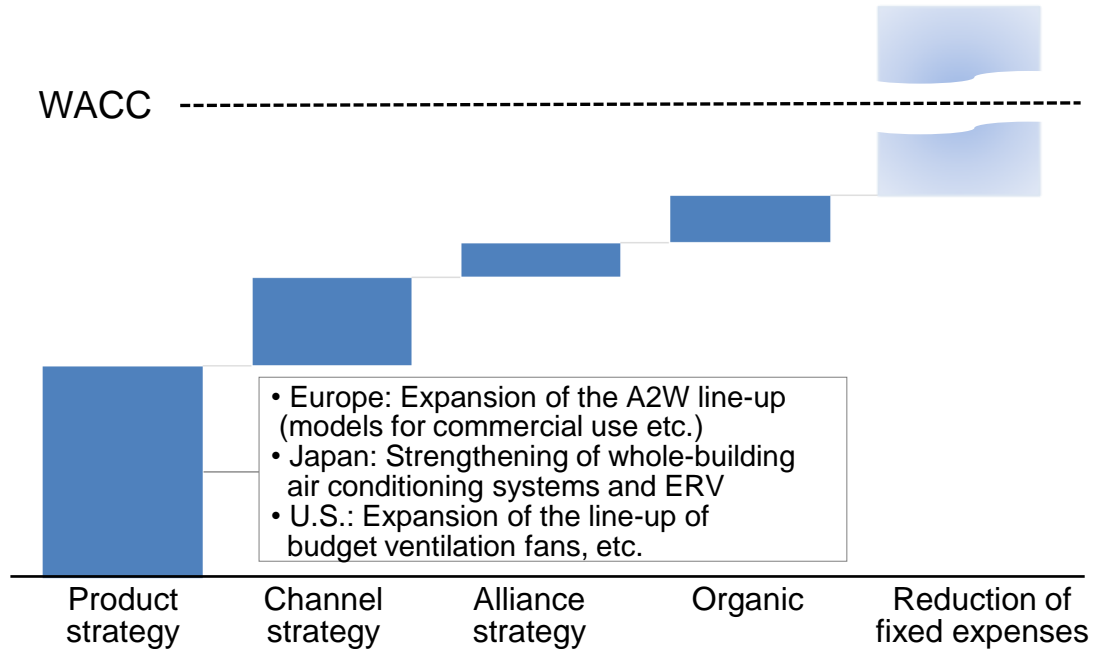
Integrated mechanical-electric compressors for automotive use

Framework for Profitability Improvement

ROIC below WACC is unacceptable. Overcome the situation as soon as possible.

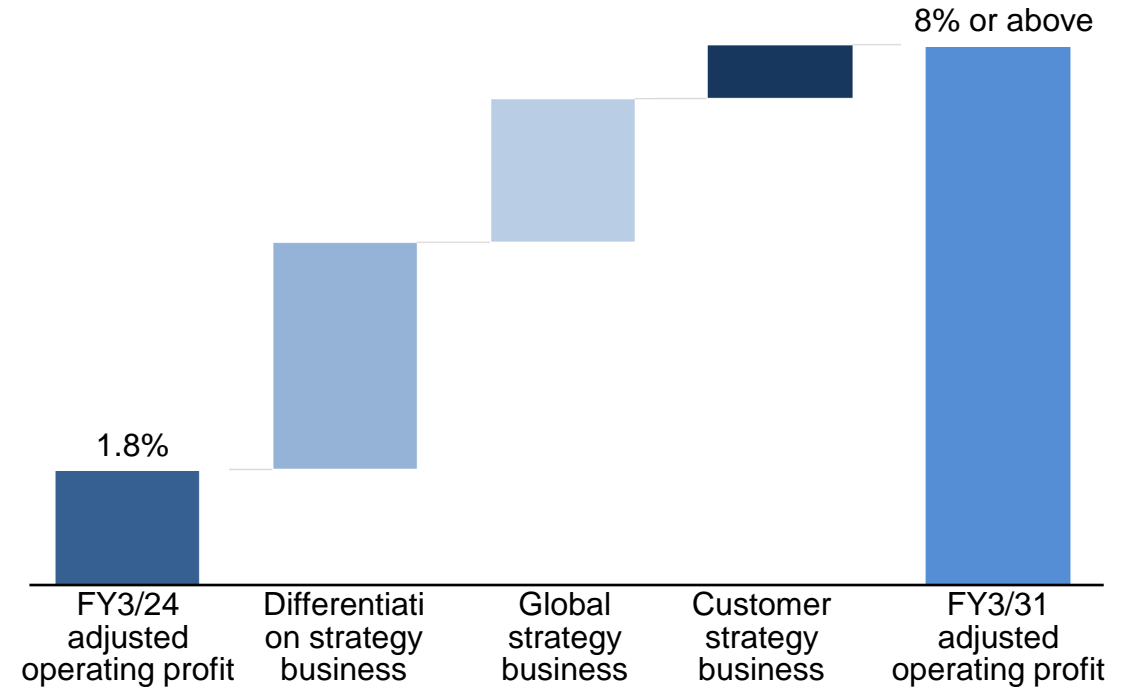
Drivers for improving the operating profit ratio to achieve the ROIC target of 7%

Cover any shortfalls by reducing fixed costs to achieve AOPM of 6% at an early stage



Each business domain's target contribution to profitability improvement up to FY3/31

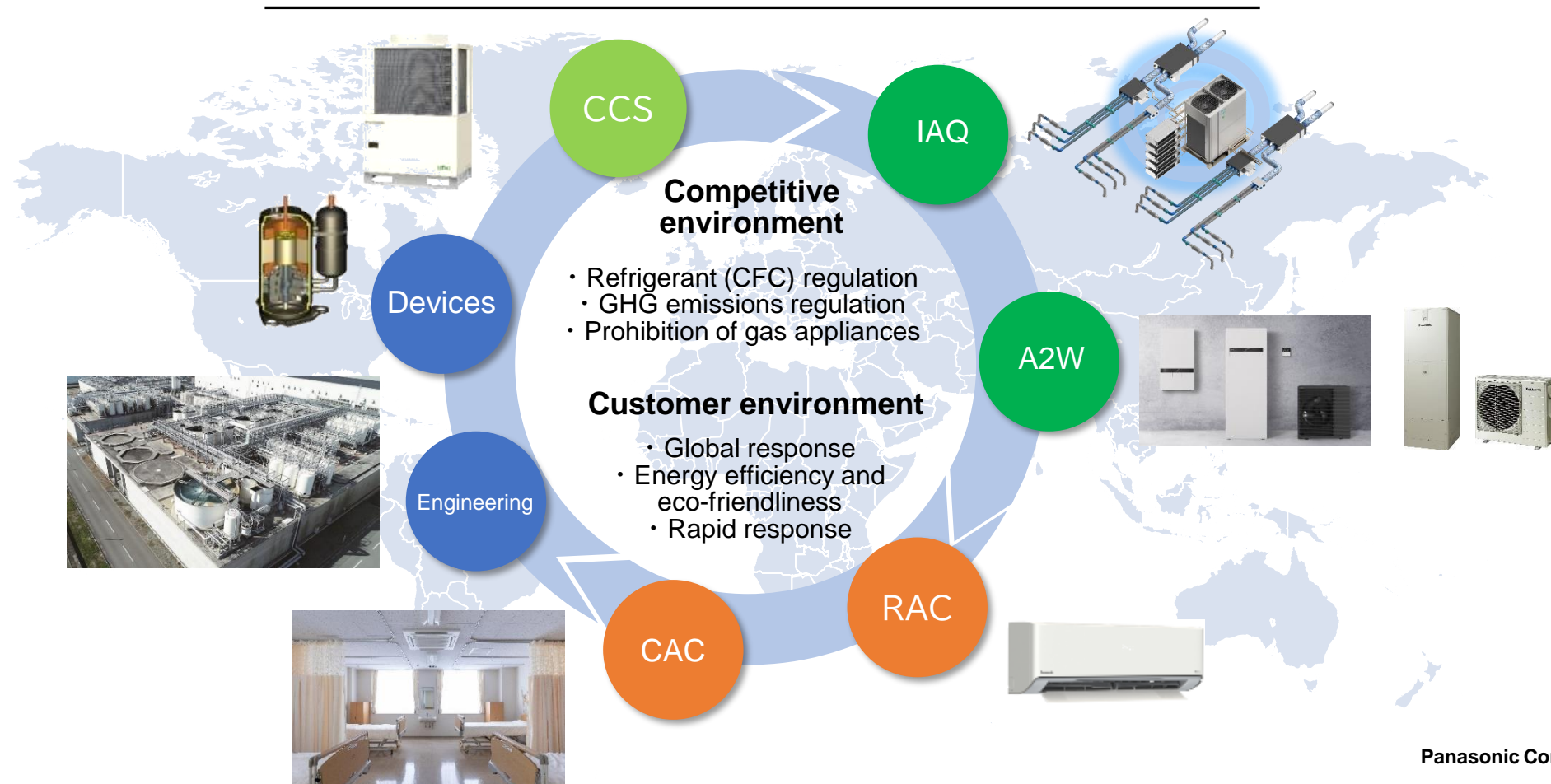
Promote IAQ and A2W (differentiation strategy business), and RAC (core business) to significantly improve the profitability



Future Course of Action

Enhance profitability through the coordination of customers, production, technology, and the six businesses.

Focus, Digital, Design, and Software Alliances will be the lines of competition.



Key Initiatives for A2W in North America

Enter the heat-pump hot-water supply and space heating equipment business in the increasingly decarbonizing North American market.

Market environment in North America

Expansion of decarbonization policies, including energy efficiency regulations and phasing-out of gas.

- The energy efficiency standards of household water heaters will be strengthened across the U.S. in 2029.
- New York, California, and other state and municipal governments are moving toward phasing-out of gas.

Business scheme

Collaborate with leading U.S. water heater supplier A.O. Smith.
Release products in stages from 2025.

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AO Smith

Heat-pump products using energy-saving technology and natural refrigerants

Highly trusted brand with the number-one sales force in the U.S.

Executive Summary

For achieving the profitability required in the air conditioning-related industries
~ In the next medium-term plan, Focus, Digital, Design, and Software Alliances will be the lines of competition ~

- ✓ Under the current medium-term plan, profitability is far below the originally planned level and the level prior to our establishment. ROIC below WACC is a top-priority issue to be resolved.
- ✓ We have already cleared the hurdles in businesses with less competition. In businesses with high competition, we will increase ROIC to 7% to achieve an ROIC above WACC by FY3/27 by taking corrective measures.
- ✓ We will increase our profitability by strengthening three pillars: the differentiation strategy, the customer strategy, and the global strategy, and cover any shortfalls by reducing fixed costs.
- ✓ The key is Focus. ⇒ We will achieve an operating profit ratio of more than 8% by FY3/31, by strengthening customer, production, and technology coordination in the six businesses, including water and air.

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