Progress in Medium- to Long-term Strategy for Home Appliances in Japanese Market

Living Appliances and Solutions Company (LAS)

Michikazu Matsushita, President

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Notes:
1. This is an English translation from the original presentation in Japanese.
2. In this presentation, “Fiscal 2024” or “FY3/24” refers to the year ending March 31, 2024.
Today’s Agenda

1. FY3/23 results review

2. Key initiatives in FY3/24, 3/25

3. Closing
Mid- to Long-Term Roadmap

**Social trends**
- Diversification of values
- Aging society
- Emphasis on sustainability

**Contribution from our company**
- Release new products that capture new societal needs
- Utilize advanced technologies to support consumer wellbeing
- Realize energy-saving and resource circulation

<table>
<thead>
<tr>
<th>FY3/23</th>
<th>FY3/25</th>
<th>FY3/31~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Term Priorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Japan market to &quot;Consolidate business foundation&quot;</td>
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<td></td>
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</tbody>
</table>

Make overseas priority regions the "Next pillar of profit"
## Business Results of LAS in FY3/23

<table>
<thead>
<tr>
<th>Financial indicators (FY3/23 (e))</th>
<th>Sales</th>
<th>EBITDA</th>
<th>ROIC</th>
<th>Operating CF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>880.0B JPY</td>
<td>90.0B JPY</td>
<td>22.8%</td>
<td>50.5B JPY</td>
</tr>
<tr>
<td></td>
<td>(10.2%)</td>
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</tbody>
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### Financial Performance (FY3/23)

<table>
<thead>
<tr>
<th>Sales</th>
<th>EBITDA</th>
<th>ROIC</th>
<th>Operating CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>896.7B JPY</td>
<td>80.1B JPY</td>
<td>20.2%</td>
<td>58.9B JPY</td>
</tr>
<tr>
<td>vs. YoY: +56.8B</td>
<td>(8.9%)</td>
<td>vs. YoY: +1.0%pt</td>
<td>vs. YoY: -2.3B</td>
</tr>
<tr>
<td>vs. FY23 (e): +16.7B</td>
<td>vs. YoY: -4.7B</td>
<td>vs. FY23 (e): -2.6%pt</td>
<td>vs. FY23 (e): +8.4B</td>
</tr>
</tbody>
</table>
In our primary market Japan, EBITDA decreased from last year and didn’t meet the target
(-7.4B JPY vs. YoY, -8.8B JPY vs. FY3/23 estimate)

- The worsened external environment severely hit on EBITDA, while channel reform and cost reduction alleviated the shortfall
- However, EBITDA decreased due to a market share decline

Panasonic’s market position in Japan

<table>
<thead>
<tr>
<th>Product</th>
<th>FY3/22</th>
<th>FY3/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerators</td>
<td>No.1 → No.2</td>
<td></td>
</tr>
<tr>
<td>Hair dryers</td>
<td>No.1 → No.1</td>
<td></td>
</tr>
<tr>
<td>Microwaves</td>
<td>No.1 → No.2</td>
<td></td>
</tr>
<tr>
<td>Washing machines</td>
<td>No.1 → No.1</td>
<td></td>
</tr>
</tbody>
</table>

*External environment*: exchange rate, raw material, logistics cost, decline in demand, and COVID lockdown
Review of FY3/23 and Key Initiatives

Reinforce the business base in Japan with three key initiatives: 1. product competitiveness enhancement, 2. channel reform, 3. cost transformation and operational excellence

<table>
<thead>
<tr>
<th>Mid-term goal</th>
<th>Progress</th>
<th>Review of FY3/23</th>
<th>Initiatives for FY3/24-3/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct product planning based on consumer insights</td>
<td></td>
<td><strong>Result:</strong> Launched successful products that created customer value, contributing to sales and profit in some categories (e.g., detergent injection system, nano-e hair dryer NA0J, slim dishwashers)</td>
<td><strong>1. Product competitiveness enhancement</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Issue:</strong> Lost market share in other categories due to delayed product competitiveness enhancement based on consumer insights</td>
<td>• Focus on features that match customer needs in product development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Understand consumer insights deeply</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Realize VFF by genuine consumer insight</td>
</tr>
<tr>
<td>Reform business practices with retailers (WIN-WIN)</td>
<td>✔️</td>
<td><strong>Result:</strong> Regained consumer trust in the price by leveraging the new sales scheme</td>
<td><strong>2. Channel reform</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Issue:</strong> Failed to adapt to competitors' price change, resulting in reduced share for some products</td>
<td>• Strengthen agility toward competitors' price change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Expand the scope of the new sales scheme</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Strengthen customer engagement</td>
</tr>
<tr>
<td>Attain global excellence in cost &amp; operation</td>
<td></td>
<td><strong>Cost</strong></td>
<td><strong>3. Cost transformation and operational excellence</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Result:</strong> Improved the cost competitiveness by centralized procurement and diversification of procurement sources</td>
<td>• Adopt global-standard quality parts used globally to enhance cost competitiveness further</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Issue:</strong> Still, material procurement costs are higher than global competitors</td>
<td>• Strengthen cash-generating ability by rolling out demand-based SCM</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Operation</strong></td>
<td>• Reduce R&amp;D cost as a result of ECM reforms</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Result:</strong> Established demand-based SCM process for front loading washing machines, and launched new ECM process for refrigerators and washing machines</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Issue:</strong> Need to accelerate SCM and ECM reforms to achieve the cost reduction target</td>
<td></td>
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</tbody>
</table>

*1) VFF: Abbreviation of Value For Features, which means unique differentiators fulfill the unmet customer needs in the mid-to long term
Product Competitiveness Enhancement
Product Lineup Expansion

Ensure the four foundations for product planning: (1) consumer insights; (2) world-class cost competitiveness; (3) diverse needs; and (4) living environment

(1) Conduct product planning based on consumer insights
Release products from FY3/24 based on ME system

- Emotional and practical value
  - Refrigerators
  - Front loading washing machines
- Promote value and expand lineup
  - Bistro
  - Expand lineup for high sensitivity consumer

(2) Strengthen cost competitiveness to compete in the basic products segment

- Value added products
  - Expand lineup
- Basic products
  - Conquer with world-class cost competitiveness

(3) Respond to diverse needs
Create new segments and generate new demand

"Non-fan" target
"Featuring unmet needs "
Dishwashers for one-person households
SOLOTA
→ Expand lineup

For Gen Z
"Create new value"
New product to be released in FY3/24

For elderlies
Easy to take out top-loading washing machines
JFA series

(4) Create new value by proposing living environment

Strengthen BIK² products for business

*1) ME system: Abbreviation of Micro Enterprise system, a product development system in which one small joint team from multiple functions drives all the R&D process from developing product concept, product design, to the launch of a product.

*2) BIK: Abbreviation of Built-in Kitchen
2
Channel Reform
New Sales Scheme

The new sales scheme reflects the correct value of the price.
By expanding the scope of the scheme, regain consumer trust in the price
(Cultivate the WIN-WIN-WIN relationship among consumers, retailers, and producers)

1. Regain consumer trust in the price

- Alleviate price erosion through the product life cycle
- Enable retailers to handle the products with trust
- Enable consumers to buy products with trust

2. Optimize sales hike

(WIN-WIN relationship with retailers)

- Improve profitability and optimize inventory by bringing peak of sales to the first half of the product life cycle
  (WIN-WIN relationship with retailers)

3. Extend product life-cycle

A series of minor specification update

- Extend product life cycle to generate resources for developing value-added products

Review of FY3/23

Result: Regained consumer trust in the price by alleviating price fluctuation (Doubled the sales under the scheme from last year)
Issue: Failed to adapt to competitors’ price changes, hence lost market share in some categories that lacked product competitiveness

Initiatives for FY3/24-3/25

1. Strengthen agility toward competitors’ price change
2. Enhance promotion to convey the value of the product to consumers
   (Increase sales proportion under the new scheme from 30% to 50% in FY3/25)
3. Expand unique product lineup
Customer Engagement Enhancement

Increase customer satisfaction through “continuous connection” and become an indispensable “Best Partner for Life”

Create new experience
- D2C enhancement (Club Panasonic)
- Trial monitoring
- Future Star Program
- Demonstration/trial in store
- IoT functions
- Voice Push notification

Provide seamless connections from online to offline, which enables consumers to experience Panasonic products

“Awareness & Experience”
- CX infrastructure solidification

“Purchase & Support”
- EC/D2C & CS enhancement

“New Value Creation”
- Service & Subscription business

Deliver value through services and software
- Home appliances & Food subscription
- Rental furnished property
- Cleaning service for small office
- Second hand retailing

Stay connected
- Number of IoT-connected devices (Units: Mil Sets)
  - FY3/23 (result): 36
  - FY3/24 (target): 50
  - FY3/25 (target): 100

- IoT extended warranty service
- Remote diagnosis
- Customer support center

Sales Growth of D2C (Sales, Service Biz.) (Unit: Bil JPY)
- FY3/23 (result): 33
- FY3/24 (target): 100
- FY3/25 (target): 400

*1) CX: Abbreviation of Customer Experience
3
Cost Transformation and Operational Excellence
Further Reduction of Material Procurement Cost

Achieve world-class cost competitiveness through implementing company-wide projects

Initiatives for material procurement cost reduction

- Use of global-standard quality parts
- IT system for design & procurement
- Guidelines for the use of parts & materials
- Collaboration among the four HQ functions (procurement, product planning, R&D, quality assurance)
- Centralized purchasing for key devices
- Teardown activities
- Strategic procurement partnership

Optimize product design/customer value/procurement standards from the beginning of the R&D processes

Material procurement cost reduction target (B JPY)

<table>
<thead>
<tr>
<th></th>
<th>FY3/23</th>
<th>FY3/24</th>
<th>FY3/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY3/23</td>
<td>1</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>FY3/24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY3/25</td>
<td></td>
<td></td>
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SCM Reform

Cultivate a WIN-WIN relationship with retailers through demand-based SCM process

Demand-based SCM process

- **Digital information linkage**
- **Linked to production planning**
- **Alignment of IT and logistics infrastructure**
- **Efficient production, optimal inventory allocation and replenishment**
  - ✓ Optimization of sales costs
  - ✓ Inventory and CF improvement
  - ✓ Short delivery lead time
  - ✓ Opportunity loss minimization
  - ✓ Inventory turnover improvement

Retailers (Volume seller)

Actual demand

Results in FY3/23

- Increased front loading washing machines (Fukuroi) production capacity, launched a fill-up system of production by introducing DBM*1
- Reduced finished goods inventory, and achieved a prompt delivery rate of 90% or more

Initiatives for FY3/24 or later

- Under negotiations with several retailers to start a demand-based SCM process
- Apply the demand-based SCM process to front loading washing machines, refrigerators, microwaves, and shavers

Target

(3-years cumulative)

Improve operating CF by 10B JPY

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*1) DBM: Abbreviation of Dynamic Buffer Management

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ECM Reform

Shorten product development lead time (LT) and reduce costs by eliminating the need for prototypes through theoretical design development

Shorten the product development LT

Current product development LT

Launch → Prototypes → Prototypes → Shipping

Hereafter

Launch → Shipping

Eliminate the need for prototypes

Eliminate the need for prototypes with optimal methods for each product

(Prior trial: Washing machines and Refrigerators)

[Washing machines]

Eliminate the need for prototypes by modularizing core technologies

&

CAE implementation

[Refrigerators]

Eliminate the need for prototypes through theoretical design

CPS theoretical design

Target

Product development LT and costs: 1/2

*1) ECM: Abbreviation of Engineering Chain Management
*2) CAE: Abbreviation of Computer Aided Engineering
*3) CPS: Abbreviation of Cyber-Physical System
Cost Reduction Results and Additional Initiatives

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Results in FY3/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material procurement cost reduction</td>
<td>• Centralized purchasing and established a multiline procurement</td>
</tr>
<tr>
<td></td>
<td>• Could not achieve the target due to rising costs and insufficient supply of parts &amp; materials</td>
</tr>
<tr>
<td>Channel reform</td>
<td>• Advanced the channel reform, including pricing policy change</td>
</tr>
<tr>
<td></td>
<td>• Reduced inventory compensations</td>
</tr>
<tr>
<td>SKU optimization</td>
<td>• Focused on high-profit SKUs (identified and reduced low-profit SKUs)</td>
</tr>
<tr>
<td>Fixed cost reduction</td>
<td>• Reduced duplicated work in production and sales departments</td>
</tr>
<tr>
<td></td>
<td>• Revised technology &amp; product development roadmaps</td>
</tr>
</tbody>
</table>

Increased the cost reduction target from 65B JPY to **73B JPY** (3-years cumulative) considering the worsened external environment

Cost reduction target (B JPY)

- FY3/23 result: 39.0
- FY3/24 estimate: 17.0
- FY3/25 estimate: 17.0
- New Target (3-years cumulative): 73.0
- Heretofore target: 65.0

Additional initiatives:
- Material procurement cost reduction
- Fixed cost reduction

Key initiatives:
- Material procurement cost reduction
- Fixed cost reduction

- SKU optimization
- Fixed cost reduction
- Channel reform

△ Indicates areas where additional efforts are needed.
Mid-term EBITDA Forecast

Achieve 90B JPY EBITDA in FY3/24 through channel reform and cost reduction, and market share recovery in Japan

Achieve 118B JPY EBITDA in FY3/25 through 3 key initiatives ("1. product competitiveness enhancement", "2. channel reform" and "3. cost transformation and operational excellence")

EBITDA (B JPY)

- FY3/23 result: 80.1
  - Worsened external environment
  - 2. channel reform
  - 3. cost transformation and operational excellence

- FY3/24 estimate: 90.0
  - Sales increase (market share recovery)
  - Amortization, restructuring cost, and others
  - Worsened external environment

- FY3/25 target: 118.0
  - Sales increase
  - Accelerated restructuring
  - 2. channel reform (1. product competitiveness enhancement)
  - 3. cost transformation and operational excellence
Summary

1. Product Competitiveness Enhancement
2. Channel Reform
3. Cost Transformation and Operational Excellence

Key financial indicators (FY3/25)

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<tbody>
<tr>
<td></td>
<td>118B JPY</td>
<td>84.0B JPY</td>
<td>&gt;20%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(12%)</td>
<td>Operating CF</td>
<td>ROIC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3-years cumulative: 200B JPY)</td>
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Panasonic
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