

**Panasonic**

# HVAC System Business strategy

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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.

# Company Overview

Leading the industry with air and water technologies that secure a comfortable and sustainable new world

## Products and services

**HVAC system**

### Equipment and systems



Residential air conditioners (RAC)



Ventilating fans



Whole-building air conditioning and ventilation systems



Integrated air quality and air conditioning systems for commercial use



Packaged air conditioners (PAC)



Variable refrigerant flow systems (VRF)



Water purification equipment



Heat-pump hot-water supply equipment (Eco Cute)



Air-to-water heat pumps (A2W)



Chillers



Gas heat pump air conditioners (GHP)



Absorption chiller systems (ABS)

### Solutions and engineering



Tunnel air ventilation and purification systems



Chemical supply/recycling systems



IoT services for air conditioning systems for commercial use

### Devices

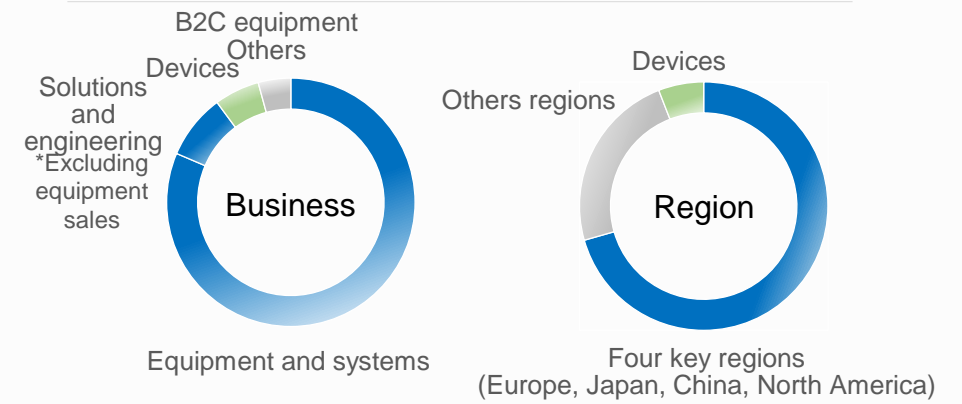


Compressors

## Business scale

	Number of sites	Number of employees
	<b>34</b> locations	Approx. <b>22,000</b>
Sales	12 locations	Domestic 6,000 persons
Development & manufacturing	22 locations	Overseas 16,000 persons

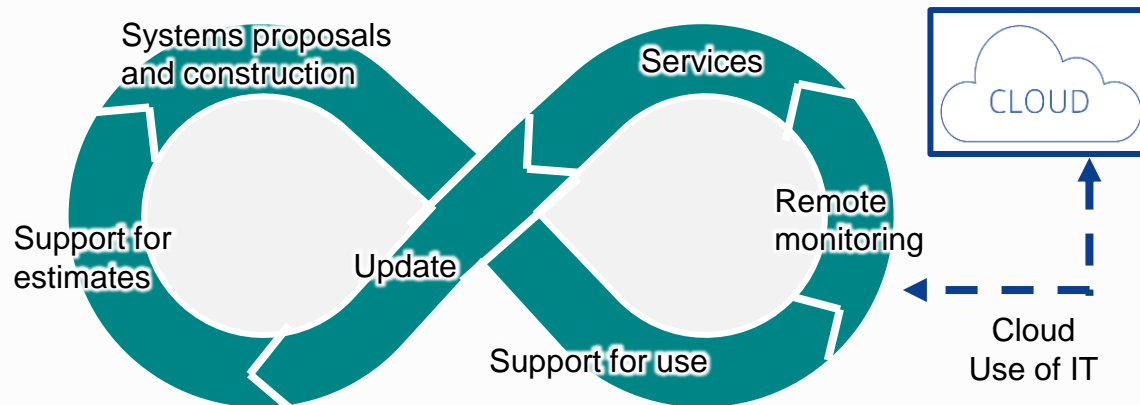
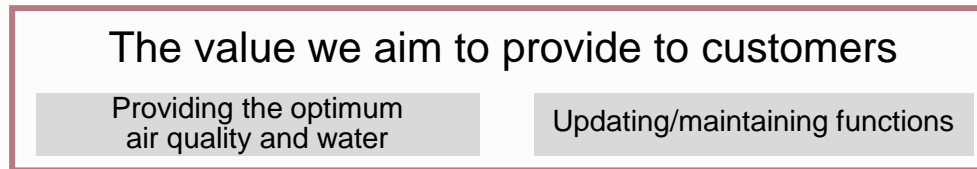
### Sales structure by business/region



# Target Vision for the Heating & Ventilation A/C Company

Constantly continue to provide the highest value

Maximize lifetime value for our customer



Points to reinforce

Expand HVAC system business by key strategy

## 1. Strengthen environmental technology

- Expand contributions to the environment
- Strengthen the light commercial business area
  - Fill in the missing pieces

## 2. Strengthen customer touchpoints

- Maximize lifetime value for our customer
  - Boost specialists
  - IT/cloud utilization

## 3. Operational reform

- Locally optimized (local production, local consumption) management

# Renovate Our Business Operation System from the Viewpoint of Society and Customers

## Main points of reorganization

### 1 Increase speed of decision making and accelerate business growth by **regional management system**

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 by business characteristic and establish the Water System Solutions Business Unit

### 4 Increase operational efficiency by **strengthening development and manufacturing capabilities**

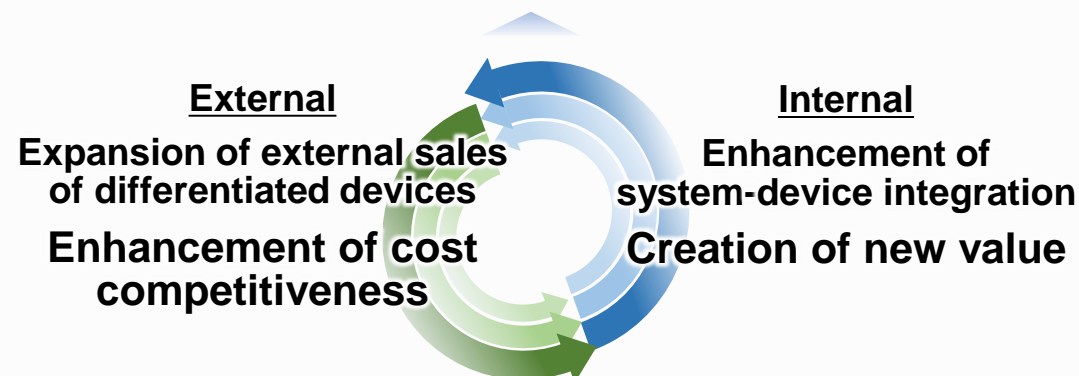
Establish divisions for global platform development and manufacturing innovation

### 5 Increase competitive strengths by **vertical device business integration**

## Objective of device business integration

Strengthen competitiveness of HVAC system business and expand external device sales  
Create solution businesses based mostly on devices & IoT

### Device solution



#### Air conditioning

Compressors



#### Air quality

Active air purification

ziaino

Centrifugal crushing humidification



#### Water

Water softening

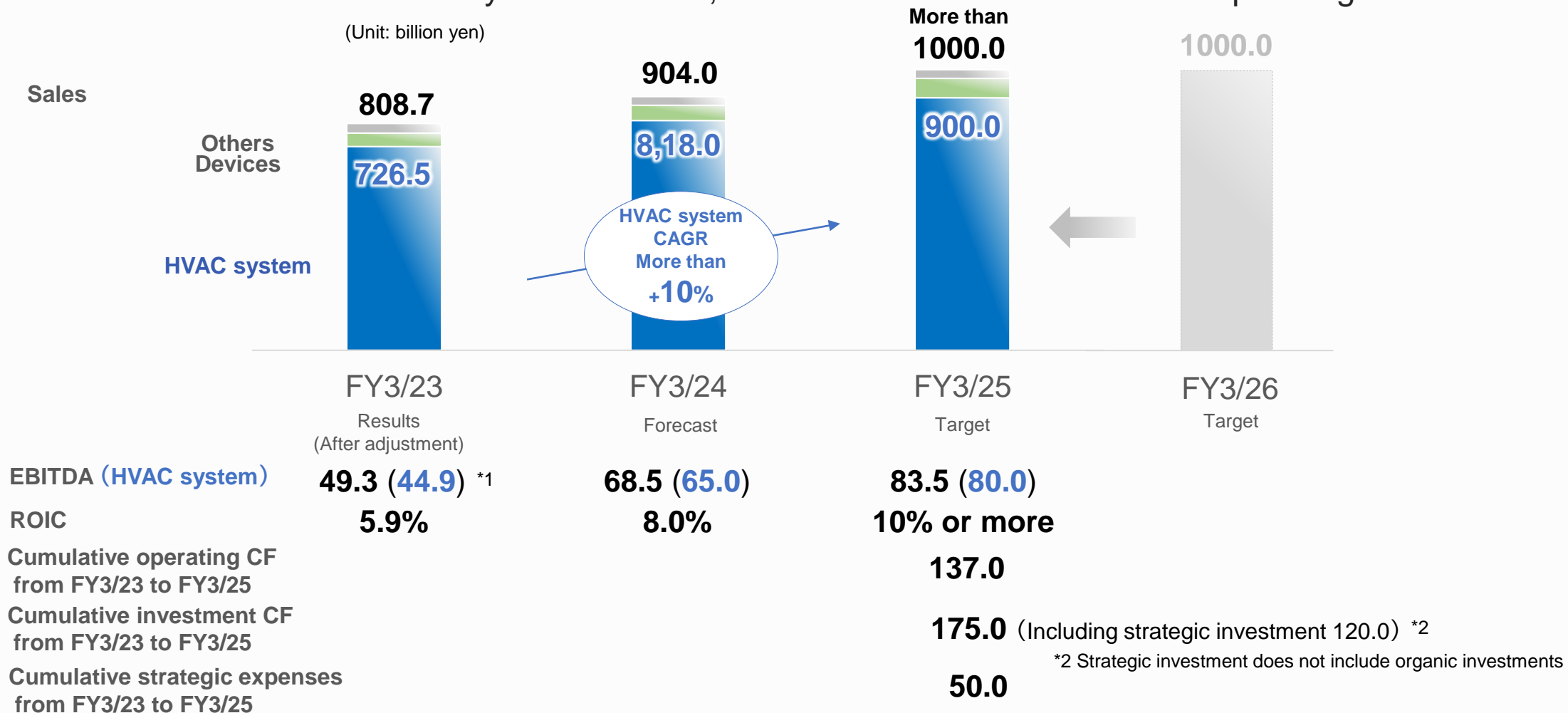
Water purification



# Medium-term KGIs

\* Figure for FY3/23-FY3/25 are adjusted based on the new HVAC structure due to the integration of the device business

Aim to achieve 1 trillion yen in sales with ahead of schedule, and aim to achieve 83.5 billion yen in EBITDA, 137.0 Billion Yen in Cumulative Operating CF









\* 1 Adjustment details for FY3/23  
Integration of the device business +3.6  
One-time expenses +24.5

\*2 Strategic investment does not include organic investments

# Medium-term Strategies

Concentrate investment of resources to strengthen business in Europe and Japan

		Medium-term strategies	Cumulative profit and key driver from FY3/23 to FY3/25
Key regions	Europe	<p><b>Establish an HVAC industry-leading position by accelerating Hydronic system business growth</b></p> <ul style="list-style-type: none"> <li>Accelerate growth of A2W/chiller and solution</li> <li>Creation of new earnings pillars utilizing unique technology</li> </ul>	 <p>Air To Water Air conditioner</p> <p><b>Priority investment</b></p>
	Japan	<p><b>Convert the business model and transform into a profitable entity</b></p> <ul style="list-style-type: none"> <li>Strengthen collaboration with house manufacturers and builders to create new value</li> <li>Leverage our strengths in continuous customer contacts to contribute toward maximizing life time values for our customers with air quality and decarbonization</li> </ul>	 <p>Ventilating equipment *2 Eco Cute Solutions and engineering (Including air conditioners)</p>
	China *1	<p><b>Expand cash generation and identification of the next pillars of growth</b></p> <ul style="list-style-type: none"> <li>Strengthening manufacturing operations and SCM</li> <li>Establish new major sources of profit by taking advantage of our strengths related to air and water after next medium term</li> </ul>	 <p>Ventilating equipment *2 air conditioner</p>
	North America		 <p>Ventilating equipment *2</p>
	Asia		 <p>Residential air conditioners Ventilating equipment and ceiling fans</p>
	Devices		 <p>Compressors for air conditioning systems</p>

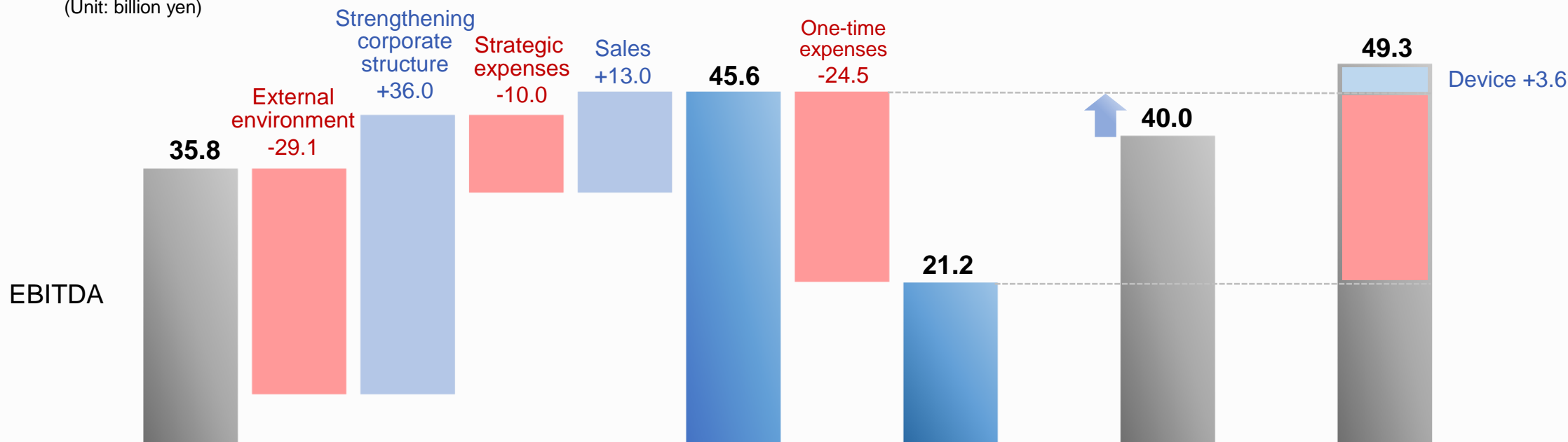
\*1 China includes Northeast Asia region

\*2 Including Energy recovery ventilator systems

# KGIs at Company in FY3/23

Counterbalance deteriorated external factors (e.g. raw material price hikes) by strengthening corporate structure and achieve KGIs on a one-time-expense-excluded basis

(Unit: billion yen)

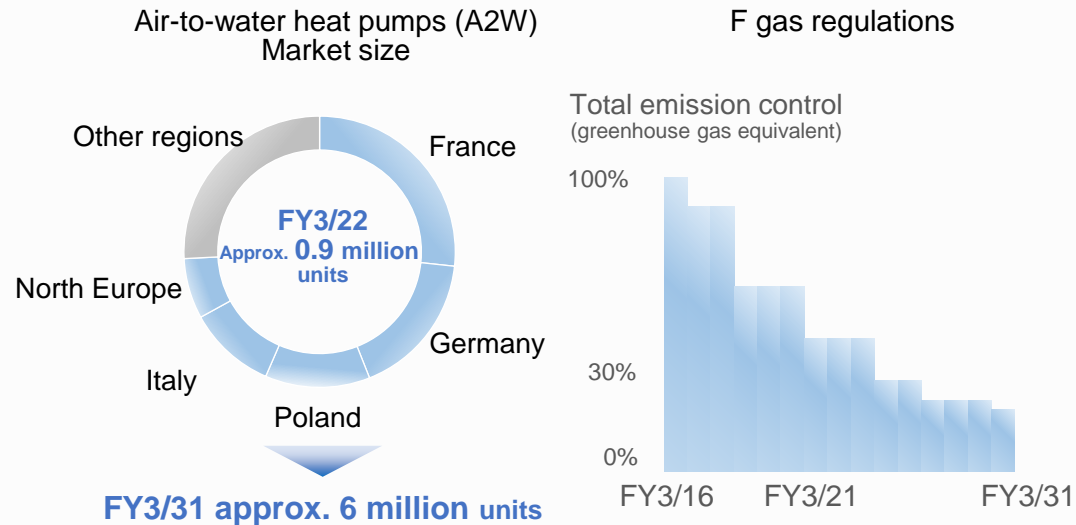


	FY3/22 results	FY3/23 results (excluding one-time expenses)	FY3/23 results	FY3/23 target	FY3/23 New structure (excluding one-time expenses)
Sales	680.8	761.0	761.0	770.0	808.7
Adjusted operating profit	21.5	21.6	21.6	22.0	22.1
ROIC	5.2%	7.4%	1.7%	5.9%	5.9%

# Business Environment in Europe

Contribute toward attaining a decarbonized society and best air quality by leveraging our unique strengths

## Market environment



\* Source: EHPA base

\* On a unit basis

**Demand is increasing for replacing combustion-based boilers with A2W for CO<sub>2</sub> emissions reduction**

**Demand is increasing for refrigerants with lower GWP due to increasingly tighter environmental regulations (F gas regulations)**

**In these markets air quality is highly valued**

## Our position in the industry and strengths

\* According to our research in FY3/23

**Retain top-class shares in A2W in France, Poland, North Europe, and other main regions**

**Approx. 2-fold A2W sales increase from FY3/23**  
(Approx 1.5-fold market growth)

**A2W with greater space heating capabilities and environmental performance**

Environmental technology



Support for low ambient temperatures  
Natural refrigerant (R290)  
Low noise  
Stylish design

**Dedicated sales systems for HVAC&R**

Continuous customer contacts



PHVACEU



Since FY3/16  
Double-digit growth has continued

**Air and water technologies**

Environmental technology

Active air purification



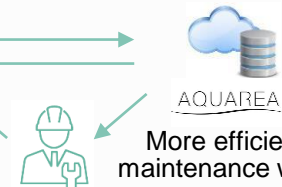
Centrifugal crushing humidification



**Maintenance solution**

Continuous customer contacts

Safe, secure, and comfortable environment



More efficient maintenance work



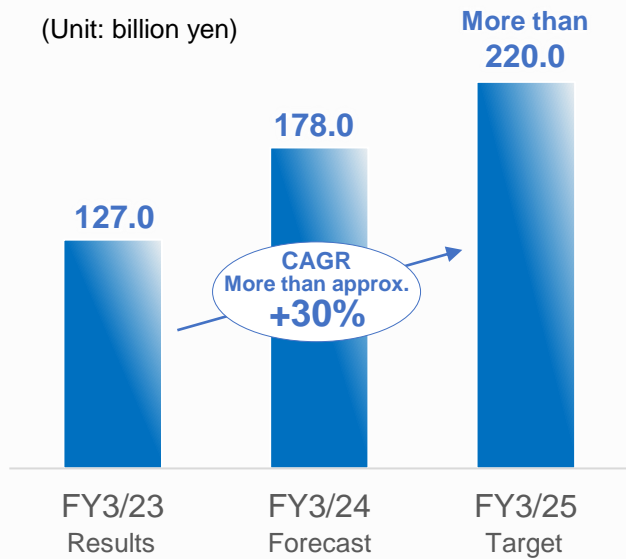
# Key Initiatives in Europe

Establish an industry-leading position by accelerating Hydronic system business growth and creating integrated Hydronic system and air quality

## Sales

**Aim to exceed 500 billion yen in FY3/31**

(Unit: billion yen)



**Double-digit EBITDA margin**

\* Based on system as of FY3/24

\* HVAC system

\* Financial results disclosure information includes devices and others in addition to the above

## Key measures

### Strengthen Hydronic business

(Raise percentage of A2W and chillers in total sales to 80% by FY3/26)

Strengthen local development base and expand natural refrigerant Hydronic equipment

Combine hydronic technologies in Systemair's air conditioning business and our business bases to strengthen marketing in light commercial fields and engineering systems

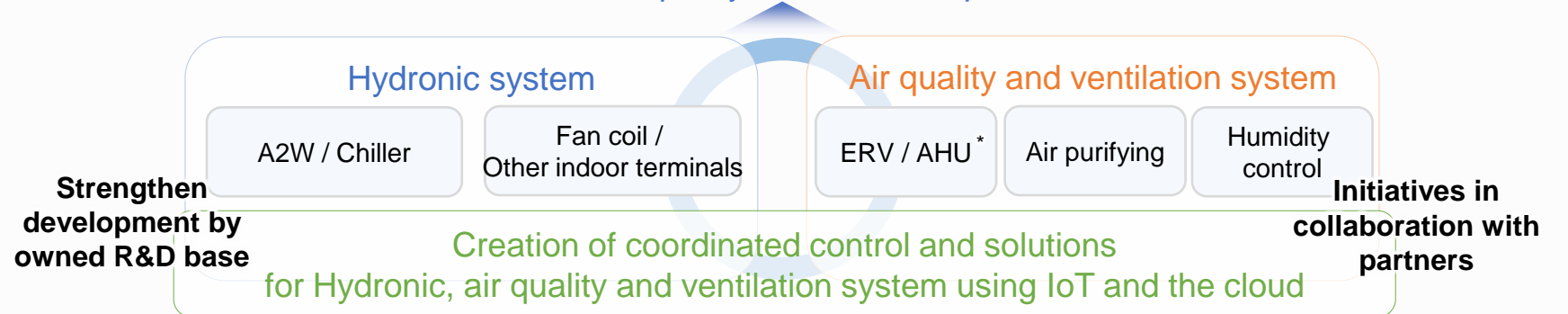
Strengthen A2W manufacturing base

(Raise local production capacity to more than 550,000 units by FY3/26 and 1 million units globally in the future)

### Initiatives to boost value going forward

Optimal coordinated control of Hydronic, air quality and ventilation system provides the optimum and best air quality in the indoor space.

Best air quality in the indoor space



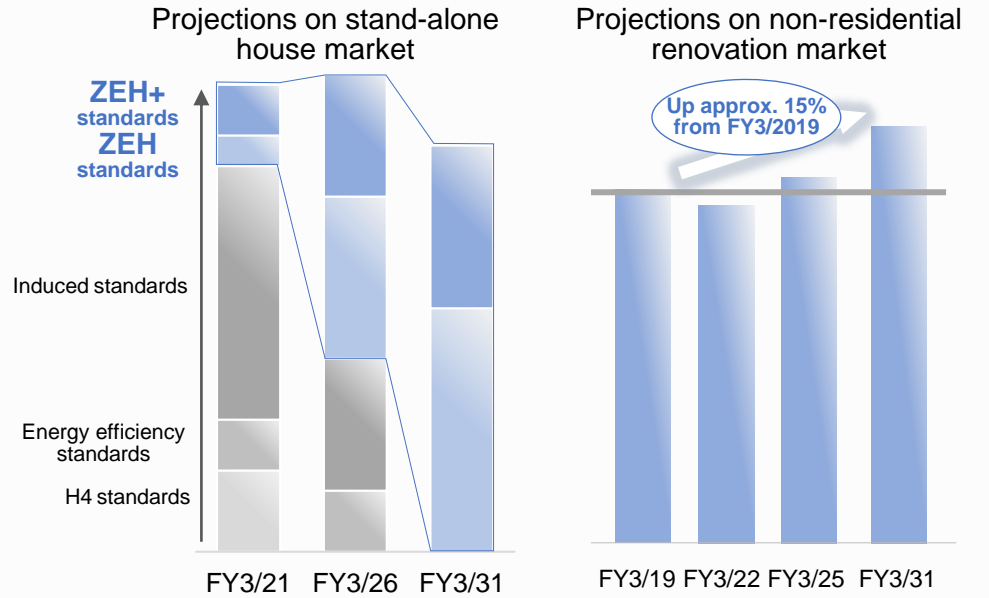
\*ERV: Energy recovery ventilator

\*AHU: Air hindering unit

# Business Environment in Japan

Leverage our strengths in continuous customer contacts to contribute toward maximizing lifetime value for our customers with air quality and decarbonization

## Market environment



\* Source: Statistics on construction starts by the Ministry of Land, Infrastructure, Transport and Tourism, and projections by Fuji Keizai

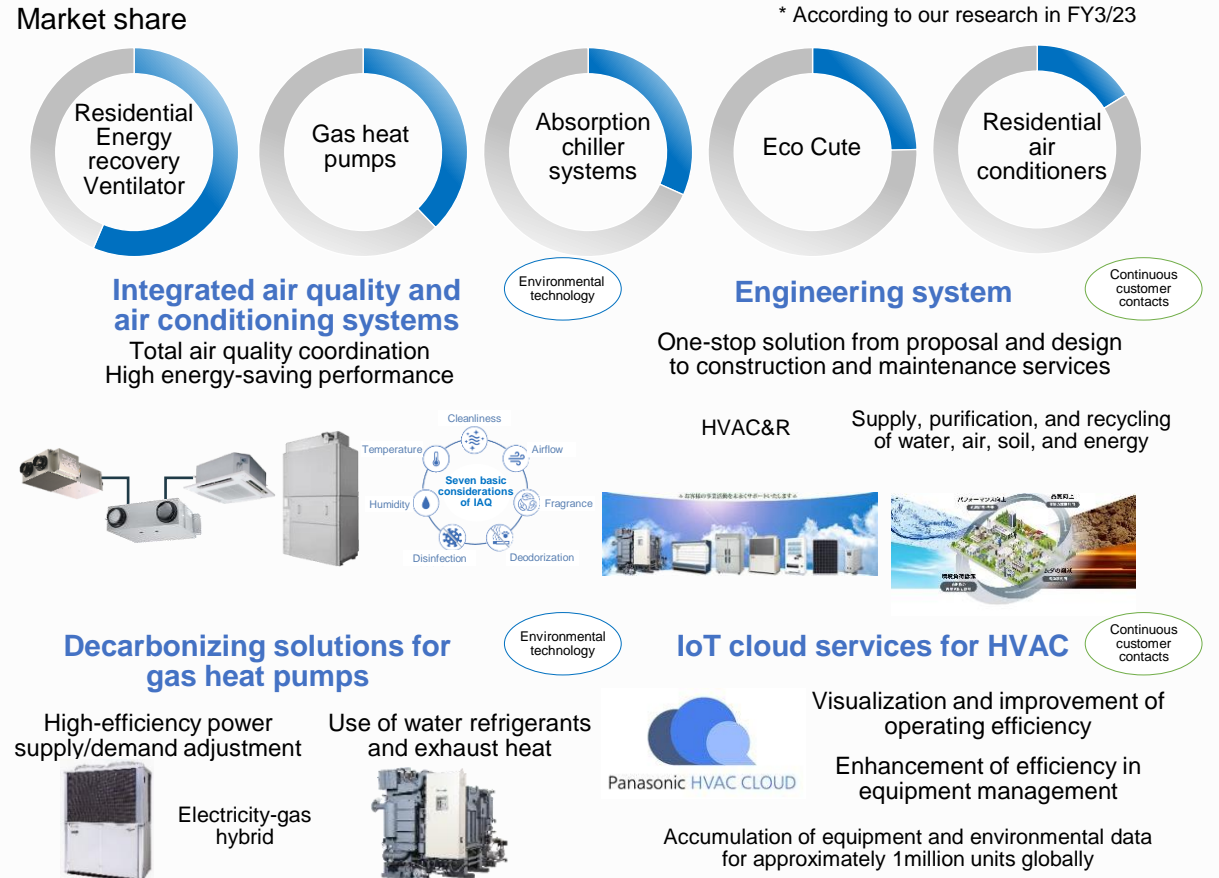
\* Source: Projections on non-residential renovation market by Yano Research Institute

**In house market, high thermal insulation houses and ZEH will increase at higher rates**

**In non-residential market, construction starts will decline but renovation sector will grow**  
**More building owners will choose ZEB at the time of remodeling and improvement to support decarbonization**

\* ZEB: Net zero-energy building

## Our position in the industry and strengths



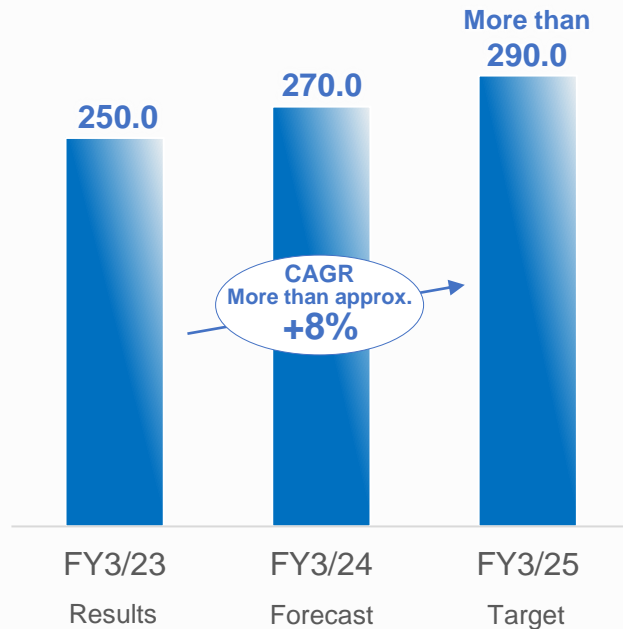
# Key Initiatives in Japan

Expand solutions and HVAC equipment from the customer's viewpoint to transform into a profitable entity

## Sales

## Key measures

(Unit: billion yen)



### ■ Intensify collaboration with house manufacturers and builders, leveraging our strengths in air quality and decarbonization

Strengthen domestic research and development base and accelerate the creation of new value through ZEH and integrated air quality and air conditioning system

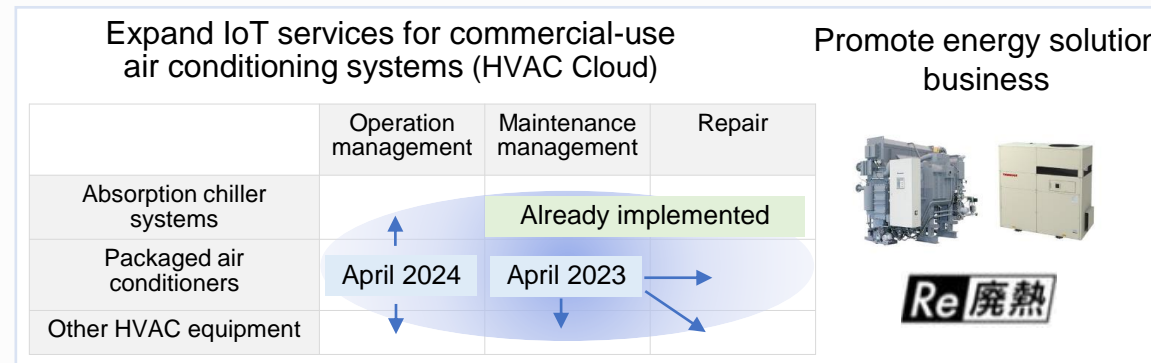
(More than +15% YoY growth in energy recovery ventilator and Eco cute sales)

Build a sales and service structure that is optimal for equipment channels

(Strengthen account sales and centralize repair contract points)

### ■ Expand optimal solutions for customers using IoT and cloud

(More than +8% YoY in sales by FY3/24)



Maximize customer lifetime value



\* Based on system as of FY3/24

\* HVAC system

\* Financial results disclosure information includes devices and others in addition to the above

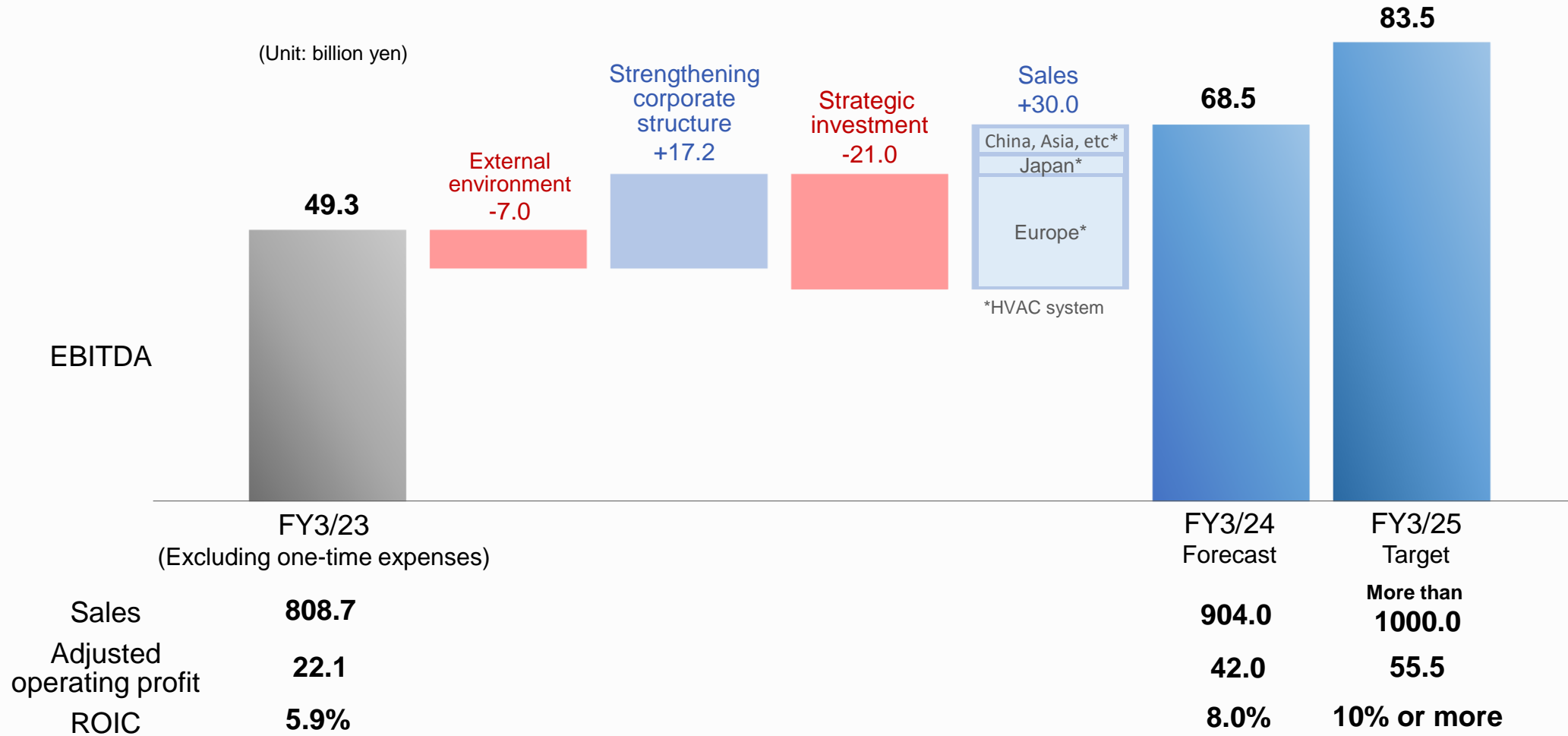
### ■ Strengthen ability to generate cash by restructure domestic manufacturing bases

Return to Japan for air conditioner production and enhance productivity

(More than +4.0 billion yen in cash flow improvement effect by FY3/26)

# KGIs at Company in FY3/24

Counterbalance strategic expenses and deteriorated external factors by profit grown driven mainly by Europe and strengthening corporate structure



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# Business structure in FY3/24

