

Panasonic

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

Living Appliances and Solutions Company (LAS)

Michikazu Matsushita, President

June 2, 2023

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



Business Results of LAS in FY3/23

Financial indicators (FY3/23 (e))



Sales

880.0B JPY

EBITDA

90.0B JPY
(10.2%)

ROIC

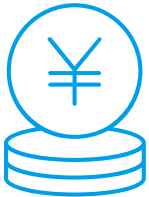
22.8%

Operating CF

50.5B JPY



Financial Performance (FY3/23)



Sales

896.7B JPY

vs. YoY: +56.8B
vs. FY23 (e): +16.7B

EBITDA

80.1B JPY
(8.9%)

vs. YoY: -4.7B
vs. FY23 (e): -9.9B

ROIC

20.2%

vs. YoY: +1.0%pt
vs. FY23 (e): -2.6%pt

Operating CF

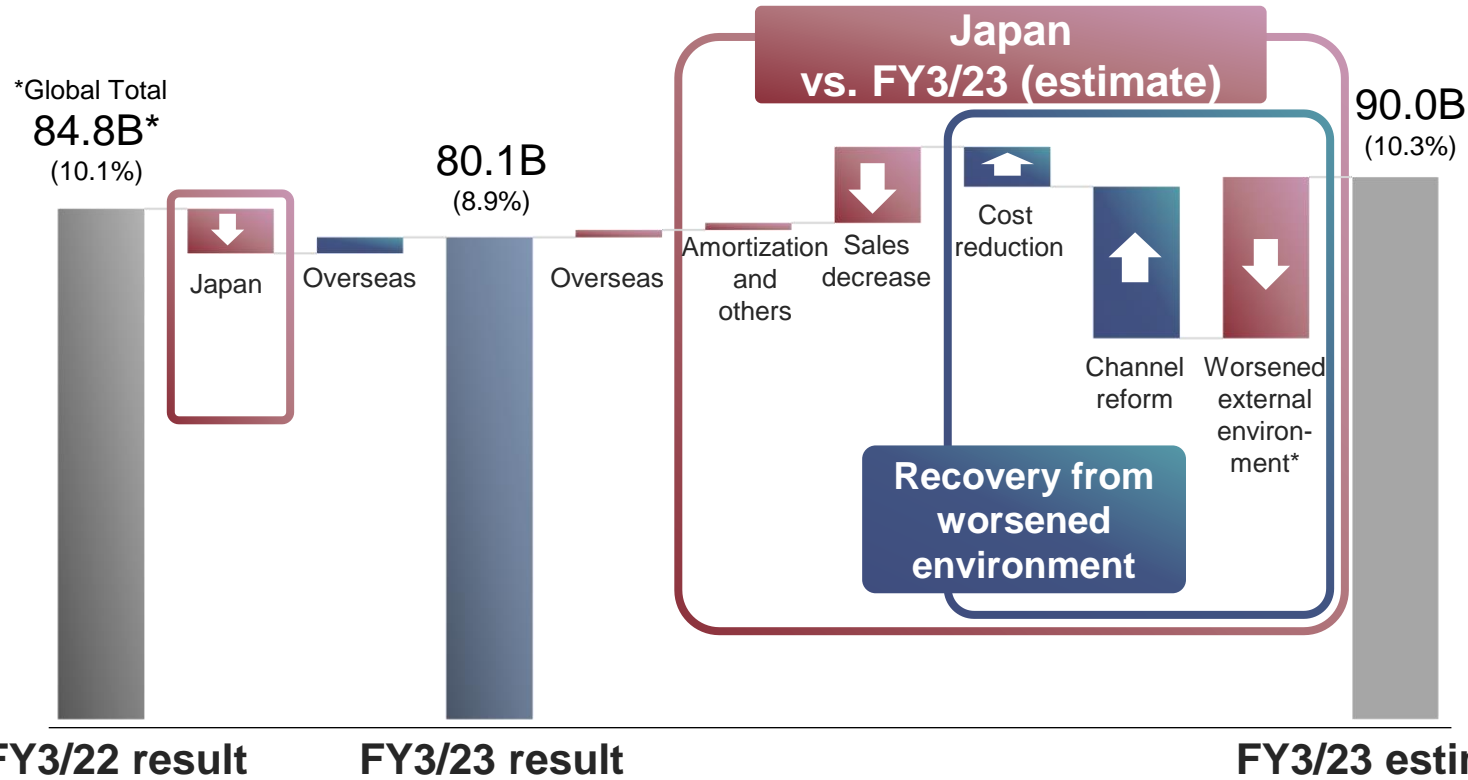
58.9B JPY

vs. YoY: -2.3B
vs. FY23 (e): +8.4B

EBITDA Results in FY3/23

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

Product Category	FY3/22	FY3/23
Front loading washing machines	No.1	No.1
Hair dryers	No.1	No.1
Refrigerators	No.1	No.2
Microwaves	No.1	No.2

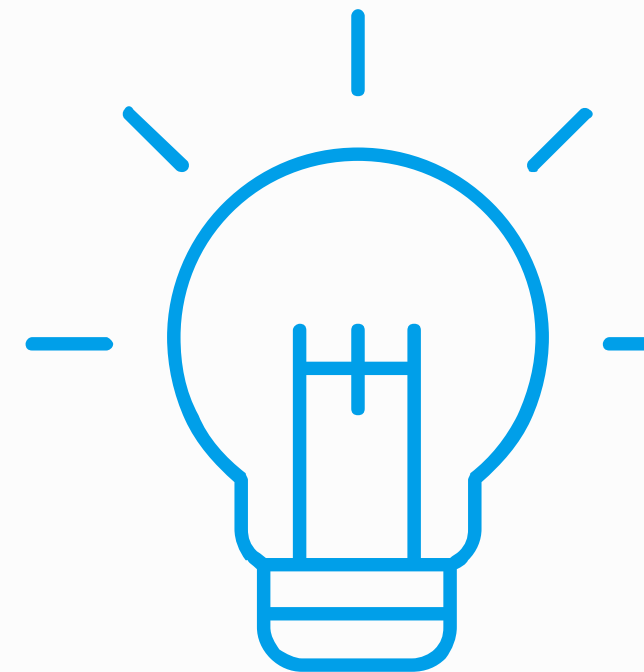
Review of FY3/23 and Key Initiatives

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

Mid-term goal	Progress	Review of FY3/23	Initiatives for FY3/24-3/25
Conduct product planning based on consumer insights	△	<p>Result: 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)</p> <p>Issue: Lost market share in other categories due to delayed product competitiveness enhancement based on consumer insights</p>	<p>1. Product competitiveness enhancement</p> <ul style="list-style-type: none"> • Focus on features that match customer needs in product development <ul style="list-style-type: none"> – Understand consumer insights deeply – Realize VFF¹ by genuine consumer insight
Reform business practices with retailers (WIN-WIN)	✓	<p>Result: Regained consumer trust in the price by leveraging the new sales scheme</p> <p>Issue: Failed to adapt to competitors' price change, resulting in reduced share for some products</p>	<p>2. Channel reform</p> <ul style="list-style-type: none"> • Strengthen agility toward competitors' price change • Expand the scope of the new sales scheme • Strengthen customer engagement
Attain global excellence in cost & operation	△	<p>Cost</p> <p>Result: Improved the cost competitiveness by centralized procurement and diversification of procurement sources</p> <p>Issue: Still, material procurement costs are higher than global competitors</p> <p>Operation</p> <p>Result: Established demand-based SCM process for front loading washing machines, and launched new ECM process for refrigerators and washing machines</p> <p>Issue: Need to accelerate SCM and ECM reforms to achieve the cost reduction target</p>	<p>3. Cost transformation and operational excellence</p> <ul style="list-style-type: none"> • Adopt global-standard quality parts used globally to enhance cost competitiveness further • Strengthen cash-generating ability by rolling out demand-based SCM • Reduce R&D cost as a result of ECM reforms

1

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

FY3/24~

Release products from FY3/24 based on ME system*1

Emotional and practical value

Refrigerators



Front loading washing machines



Bistro

Promote value and expand lineup



Expand lineup for high sensitivity consumer

(3) Respond to diverse needs

FY3/24~

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

J concept series

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

FY3/24~

Value added products



Expand lineup

Basic products

Owned competitive advantage in this segment

Conquer with world-class cost competitiveness

(4) Create new value by proposing living environment

FY3/25~



Strengthen BIK*2 products for business

Built-in dishwashers



IH Hob



*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)

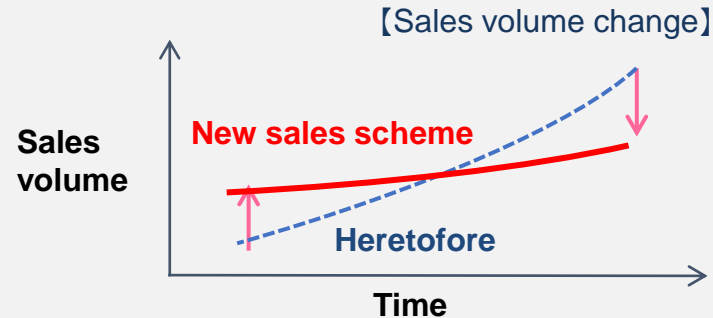
1. Regain consumer trust in the price



- 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



- 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”

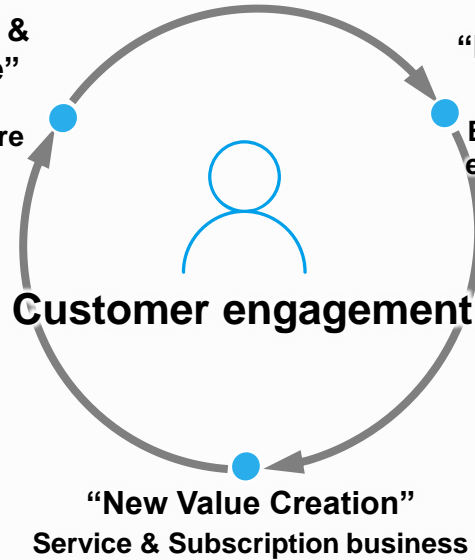
Create new experience



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



“Awareness & Experience”
*1 CX infrastructure solidification



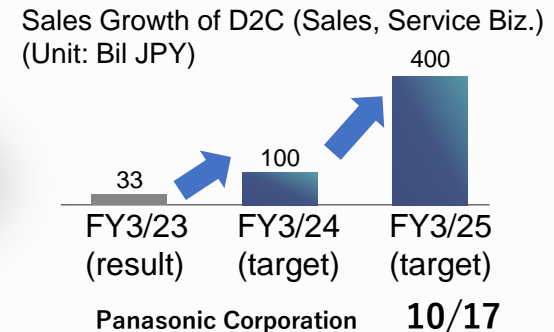
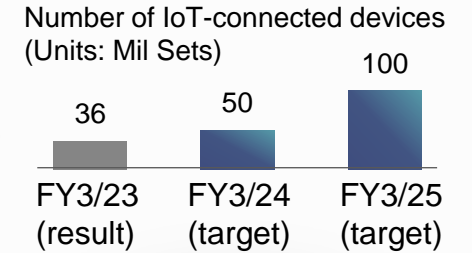
“Purchase & Support”
EC/D2C & CS enhancement

“New Value Creation”
Service & Subscription business

Deliver value through services and software

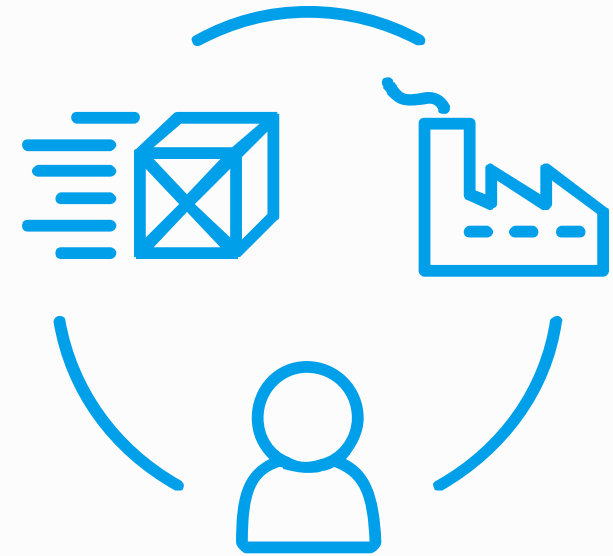


Stay connected



3

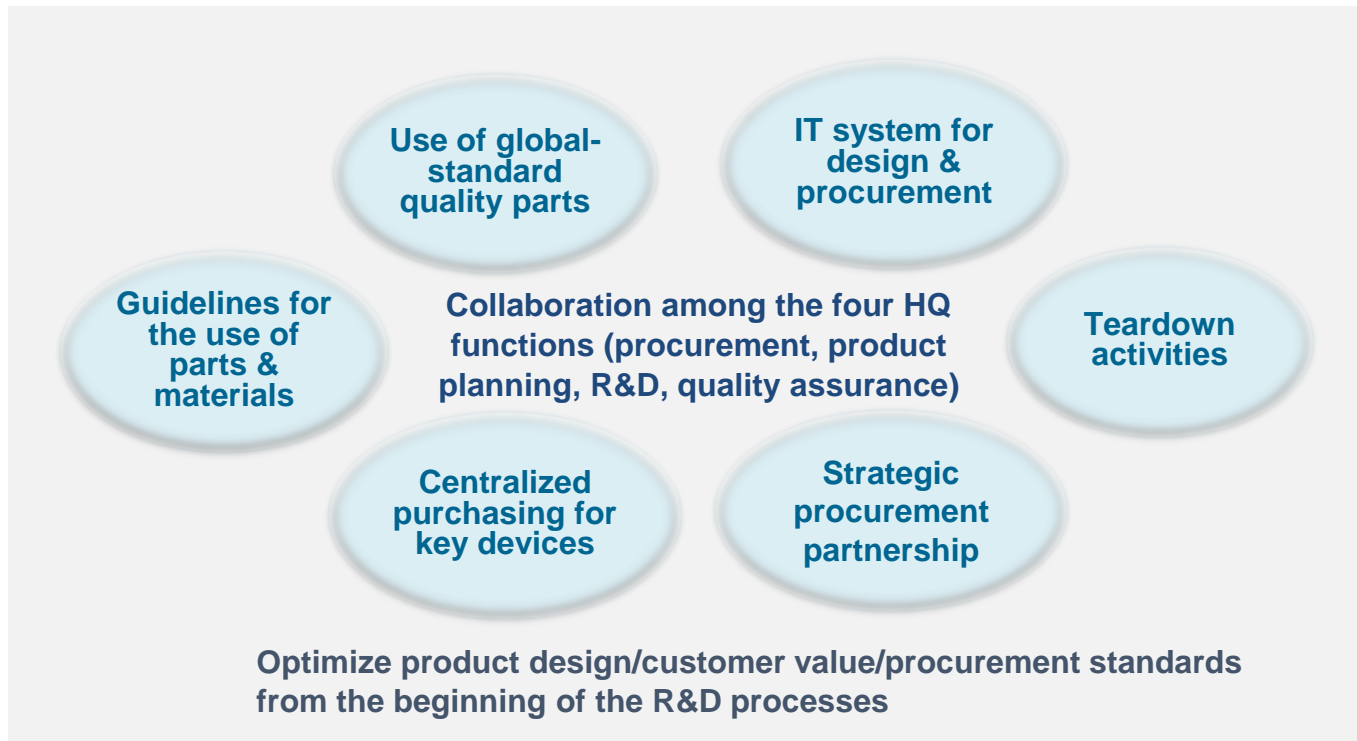
Cost Transformation and Operational Excellence



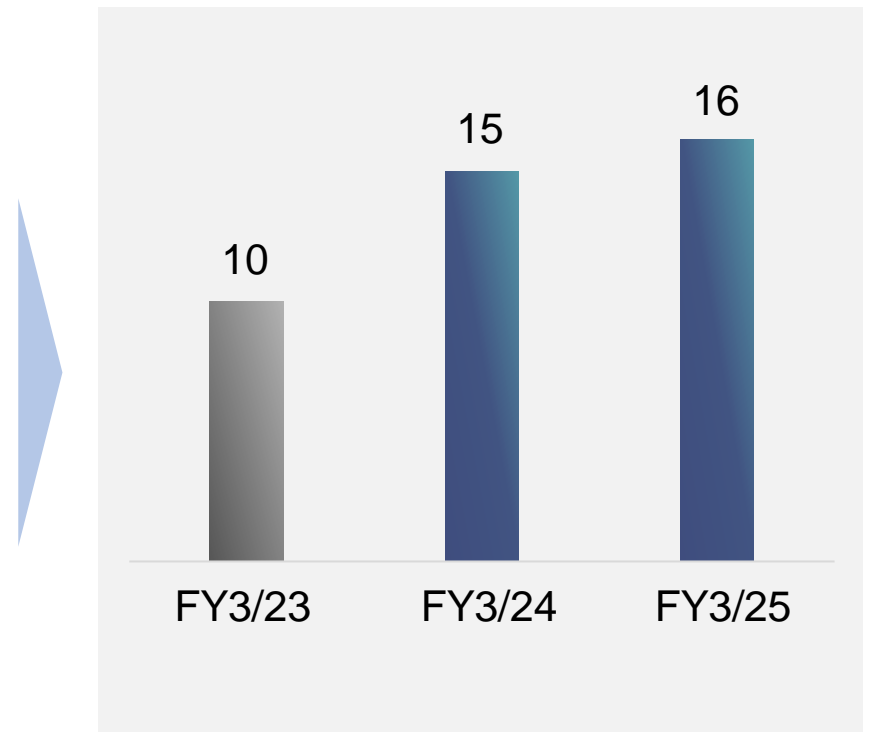
Further Reduction of Material Procurement Cost

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

Initiatives for material procurement cost reduction



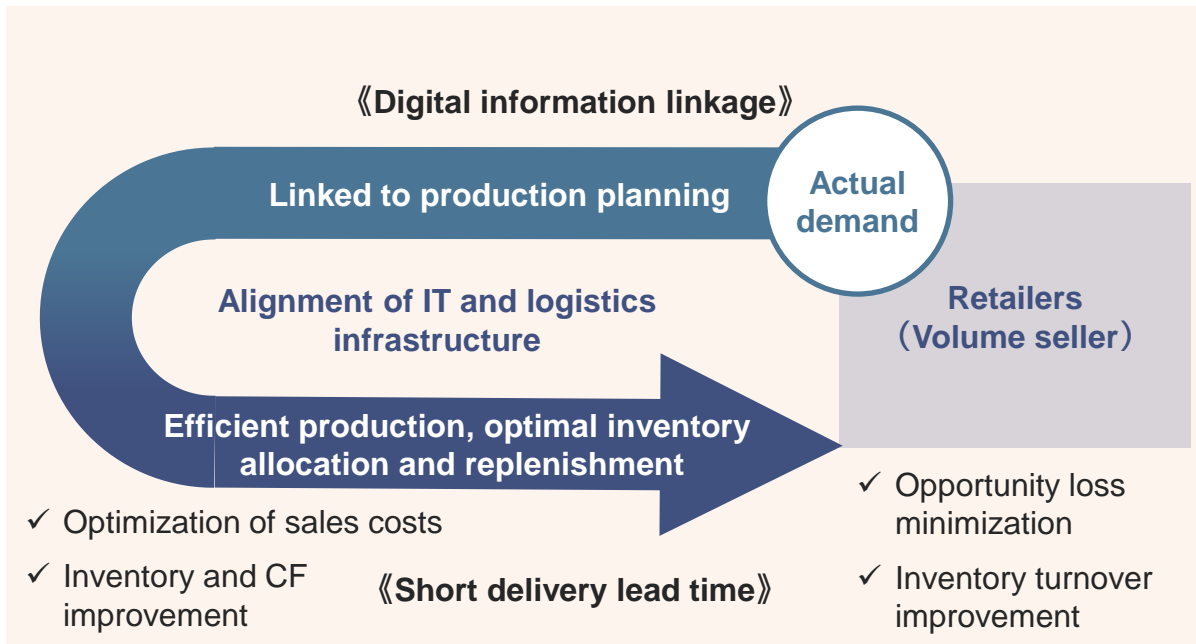
Material procurement cost reduction target (B JPY)



SCM Reform

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

Demand-based SCM process



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

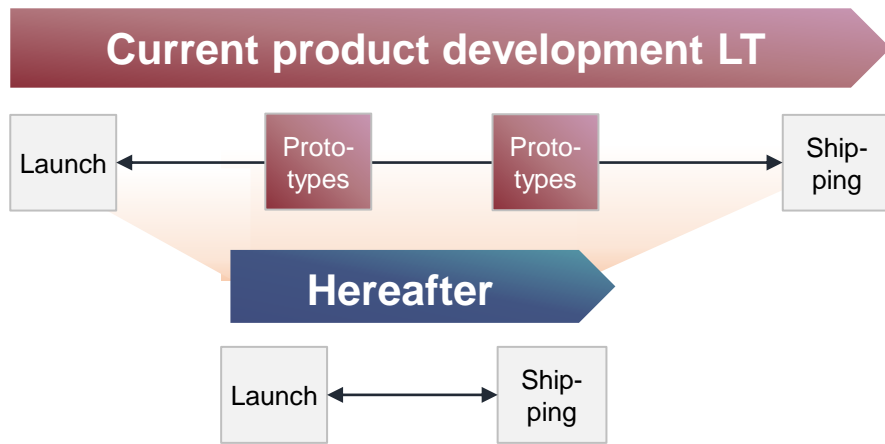
Target
(3-years
cumulative)

Improve operating CF by 10B JPY

ECM^{*1} 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

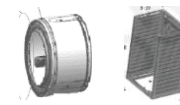


Eliminate the need for prototypes

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

Modular development



Eliminate the need for prototypes and durability testing by using CAE

CAE^{*2} implementation

[Refrigerators]



Eliminate the need for prototypes through theoretical design

CPS^{*3} theoretical design

Target

Product development LT and costs: 1/2

*1) ECM: Abbreviation of Engineering Chain Management

*2) CAE: Abbreviation of Computer Aided Engineering

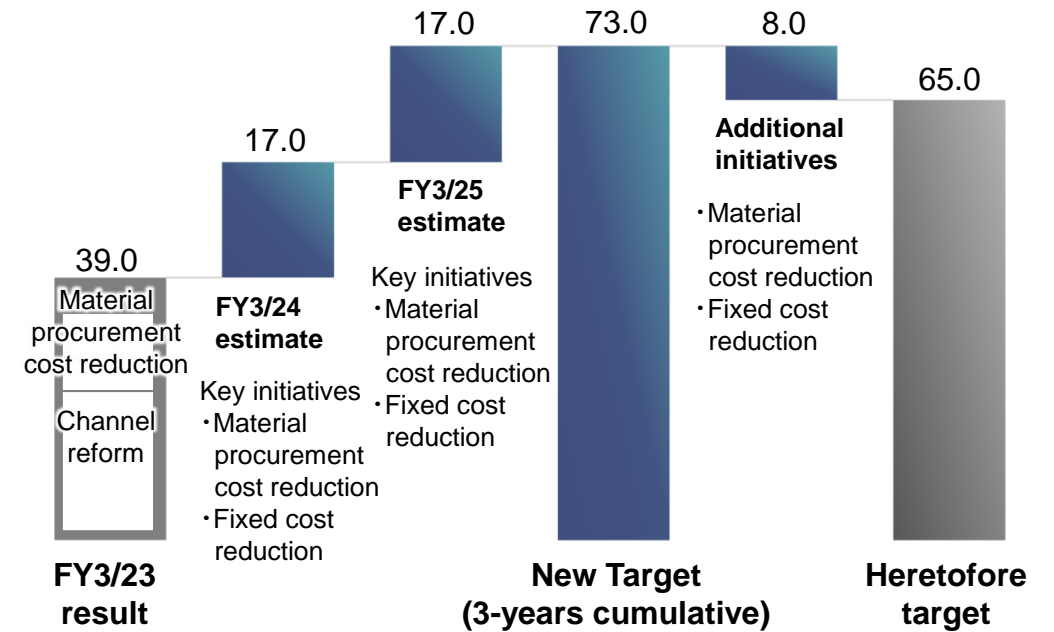
*3) CPS: Abbreviation of Cyber-Physical System

Cost Reduction Results and Additional Initiatives

Initiatives	Results in FY3/23
Material procurement cost reduction	<ul style="list-style-type: none"> Centralized purchasing and established a multiline procurement Could not achieve the target due to rising costs and insufficient supply of parts & materials
Channel reform	<ul style="list-style-type: none"> Advanced the channel reform, including pricing policy change Reduced inventory compensations
SKU optimization	<ul style="list-style-type: none"> Focused on high-profit SKUs (identified and reduced low-profit SKUs)
Fixed cost reduction	<ul style="list-style-type: none"> Reduced duplicated work in production and sales departments Revised technology & product development roadmaps

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

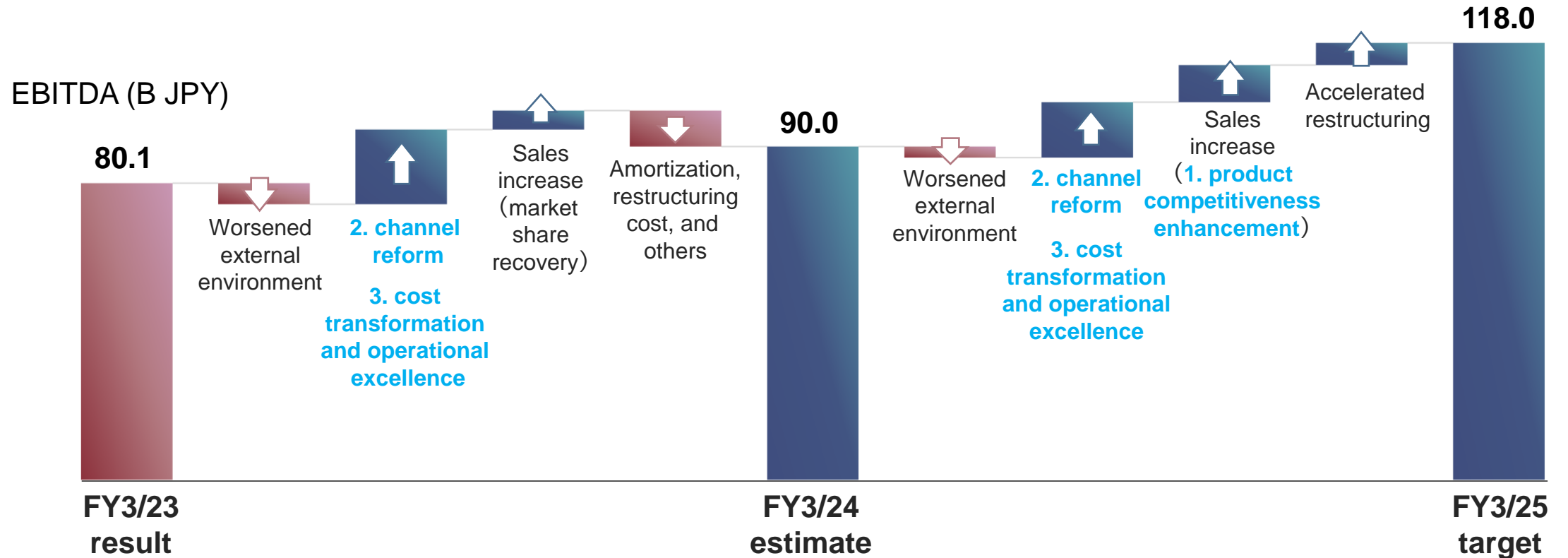
Cost reduction target (B JPY)



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”)



Summary



1 Product Competitiveness Enhancement

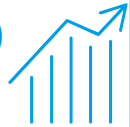


2 Channel Reform



3 Cost Transformation and Operational Excellence

Key financial
indicators
(FY3/25)



118B JPY

EBITDA
(12%)

84.0B JPY

Operating CF
(3-years cumulative:
200B JPY)

>20%

ROIC

Panasonic

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