

# Group Strategy Briefing

Yuki Kusumi, Group CEO  
Panasonic Holdings Corporation

**Panasonic Group**

May 18, 2023

Notes: 1. This is an English translation from the original presentation in Japanese.  
2. In this presentation, "Fiscal 2023" or "FY3/23" refers to the year ended March 31, 2023. In addition, "Fiscal 2024" or "FY3/24" refers to the year ending March 31, 2024.

- Good afternoon,  
I'm Yuki Kusumi, Group CEO of Panasonic Holdings Corporation.
- Thank you very much for participating in this online briefing, despite your very busy schedule.
- Last week, we presented our financial forecast for fiscal year 2024 (ending in March 2024). Today, I would like to explain and share with you Panasonic Group's vision and strategy for the medium to long term.

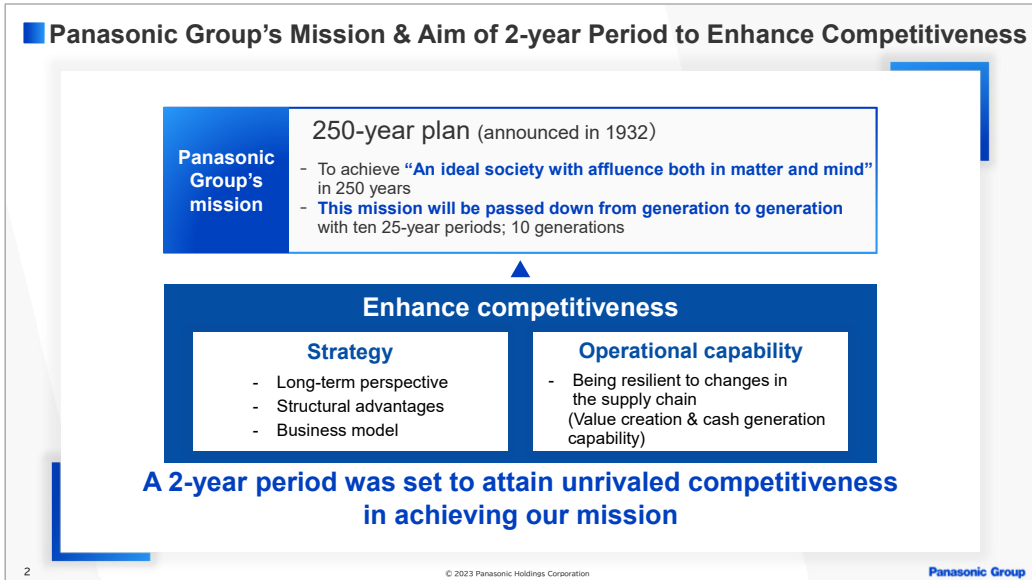
# Looking Back over Two Years of Enhancing Competitiveness

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- At the briefing held two years ago (May 2021), I said we will focus on enhancing competitiveness thoroughly at all businesses. First, I would like to look back over the two-year period of enhancing competitiveness.



- I would like to explain why I said we need to focus on enhancing competitiveness for two years.
- The Panasonic Group’s mission is to achieve what the founder, Konosuke Matsushita, pursued throughout his life: “prosperity with matter and mind as one.” In other words, we aim to achieve “an ideal society with affluence both in matter and mind.”  
Back in 1932, about 90 years ago, Konosuke Matsushita announced the goal to achieve “an ideal society” which would take 250 years consisting of ten 25-year periods. Since the foundation of the company, to fulfill this mission, we have been making contributions through our business to solving the societal issues that people faced at the time, always working for the sake of people.
- Looking at each business, whether they are making good progress in achieving our mission, we have to say some business areas are behind our peers in terms of competitiveness. Without having competitiveness, we cannot fully achieve our mission.  
Therefore, we decided to focus on enhancing competitiveness for two years. Rather than increasing profit temporarily, we set this two-year period to focus on building the foundation for medium- and long-term growth.
- Gaining competitiveness requires “strategy” with a long-term perspective and “operational capability” with resilience along with the agility to handle changes in the supply chain. Both are indispensable to each other.
- During the last two years, the Panasonic Group changed its company structure and transitioned to an operating company system, while striving to attain unrivaled competitiveness in achieving our mission.

## ■ GX: Panasonic GREEN IMPACT

Group's long-term environmental vision toward achieving our mission

### Target

- Toward 2050

**Create an impact that reduces CO<sub>2</sub> emissions by more than 300 Mt, equivalent to "approximately 1% of the current global emissions" (①+②+③)**

### Milestone

- By Fiscal 2031 (ending March 2031)  
Achieve "net zero CO<sub>2</sub> emissions at all operating companies" and  
"93 Mt of CO<sub>2</sub> Avoided Emissions"

- For 3-year action plan until fiscal 2025 (ending March 2025)  
GREEN IMPACT PLAN 2024 (GIP2024) formulated

### Progress of GIP2024 (as of FY3/23)

- Achieved 28 net zero factories\* out of 37 (target by the end of FY3/25)  
\*All factories at Panasonic Automotive Systems (PAS) achieved net zero

### Panasonic GREEN IMPACT

Target for CY2050

- ① **OWN IMPACT 110 Mt**  
Emission reduction in the Group's value chain together with a decarbonization effect on the whole society
- ② **CONTRIBUTION IMPACT 100 Mt**  
Avoided Emissions by existing businesses in the society
- ③ **FUTURE IMPACT 100 Mt**  
Avoided Emissions through new technologies and businesses in the society

**Formulate medium-term action plans and strive to achieve our target as the Group**

Note: Figures for CO<sub>2</sub> emissions reduction were announced at Panasonic Group's Sustainability Second Briefing (held in July 2022)

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- Right now, the biggest challenge standing in our way to achieving our mission is the need to confront global environmental issues. The final year of the 250-year plan is coming in about 160 years. We must avoid a situation where our children and grand children cannot live happily or even live at all, on Earth. With this sense of crisis, we formulated a long-term environmental vision "Panasonic GREEN IMPACT" and are implementing it as a common group strategy.
- In April 2022, we announced the following numerical targets by 2050, which amount more than 300 Mt of CO<sub>2</sub> reduction equivalent to "approximately 1% of the current global emissions";
  - **OWN IMPACT:** Reducing emissions in the Group's value chain together with a decarbonization effect,
  - **CONTRIBUTION IMPACT:** Contributing to CO<sub>2</sub> reduction in the society with Avoided Emissions by existing businesses,
  - **FUTURE IMPACT:** Contributing to CO<sub>2</sub> reduction in the society with Avoided Emissions through new technologies and businesses
- In July 2022, we explained our aim to achieve "net zero CO<sub>2</sub> emissions at all operating companies" as well as "approximately 100 Mt of Avoided Emissions" as a milestone. Furthermore, we formulated "GREEN IMPACT PLAN 2024 (GIP2024)" as a three-year environmental action plan covering fiscal 2023 to fiscal 2025 (ending March 2025).  
By the end of fiscal 2023, 28 out of 37 targeted facilities became net zero. In Panasonic Automotive Systems (PAS), we have already achieved net zero status at all sites.
- The reduction of CO<sub>2</sub> emissions in business activities is one of the company's responsibilities. As for B2B business, it is becoming a normal trading condition requested by customers, and thus the efficient reduction of CO<sub>2</sub> emissions can be considered a factor of competitiveness.

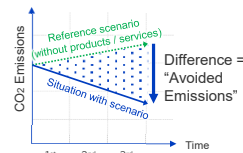
## GX: Promotion for “CO2 Avoided Emissions”

Continue to engage in promotion activities so that value of CO2 Avoided Emissions is adopted internationally

### Understanding of CO2 Avoided Emissions

(Ref: WBCSD guidance, published in March 2023)

- An avoided emission is the difference between GHG emissions that occur or will occur (the “solution with scenario”) and GHG emissions that would have occurred without the solution (that of the “reference scenario without products/services) in society or for customers
- The definition: Emissions could be avoided if the solutions are not introduced.



### Panasonic Group drives discussion of necessity of Avoided Emissions at WBCSD, IEC, GX League, etc.\*

- COP27 Japan Pavilion Seminar (November 2022); Consensus built on “importance of achieving decarbonization along with economic development by implementing concept of Avoided Emissions”
- WBCSD and GX League announced “Guidance” for Avoided Emissions
- The G7 Ministers' Meeting on Climate, Energy and Environment in Sapporo (April 2023); G-7 ministers agreed in a joint statement that “there is value in acknowledging avoided emissions”



\* Notes:

WBCSD: World Business Council for Sustainable Development, IEC: International Electrotechnical Commission,

GX League: A forum established by the Ministry of Economy, Trade and Industry in Japan, and aims to meet greenhouse gas reduction targets and increase industrial competitiveness

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- As just explained, net zero CO2 emissions is a responsibility of the companies. On the other hand, CO2 Avoided Emissions is expected to become a new benchmark for evaluating whether companies actually contribute to resolving environmental issues.
- WBCSD (World Business Council for Sustainable Development) defines that an avoided emission is the difference between GHG emissions that occur or will occur (the “solution with scenario”) and GHG emissions that would have occurred without the solution (that of the “reference scenario without products/services) in society or for customers.
- However, this definition has not yet been standardized internationally, so it cannot be called a benchmark for evaluating company activities.
- Therefore, the Panasonic Group has been leading and engaged in the discussion on the necessity of Avoided Emissions at WBCSD, IEC (International Electrotechnical Commission), GX League and other initiatives.
- Owing to these efforts, at the COP27 Japan Pavilion Seminar (held in November 2022), we reached a consensus built on “the importance of achieving decarbonization along with economic development by implementing the concept of Avoided Emissions and its internationalization.” In March 2023, WBCSD and GX League announced “Guidance” for Avoided Emissions. Moreover, at the G7 Ministers' Meeting on Climate, Energy and Environment in Sapporo (held in April 2023), the G7 ministers agreed in a joint statement that “ there is value in acknowledging avoided emissions.”
- We believe that if this benchmark were recognized by investors and the financial sector, it would support investment in businesses and corporations that contribute to the environment. In addition, it would be an opportunity for us to enter a growth phase, since we already have advantages in this field.
- We will continue to proactively promote activities involving other corporations, governments and industries that share the same vision.

## Enhance Operational Capability

### Operational Frontlines Innovations: More frontlines with progress in constant *kaizen* activities

- Improved productivity by constantly reaching record-high KPIs, setting high targets at each operating company's leading worksites (e.g. Tsuruga Factory, Panasonic Automotive Systems: **Production lead time shortened 50% & safety stock halved** (vs. October 2021))
- Accelerate horizontal expansions of activities aiming for constant *kaizen* to become the norm at all Group sites by fiscal year ending March 2025



### PX\*: Steady progress in establishing foundation for data driven management

- Progress in effective utilization of data beyond business divisions and a shift to cloud-based systems in certain operations
- Heads of business will take the lead in accelerating transformation considering all aspects of: reviewing operations, standardizing processes, and using IT



**Still halfway to targeted enhancement of operational capability  
Heads of businesses will take the lead in accelerating development & transformation**

\* Panasonic Transformation

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- Next, our progress in enhancing our operational capabilities.
- In terms of operational frontline innovations, we have been working to increase our capabilities of cash generation and value creation at the manufacturing frontlines. This has been achieved by shortening lead times and reducing surplus inventory throughout the supply chain. From each operating company, one or more “leading frontline innovation worksites” have been selected, where they set high targets and work on constant *kaizen* activities.
- For example, the Tsuruga Factory of Panasonic Automotive Systems showed remarkable results: Production lead time and safety stock were halved. We will accelerate the horizontal expansion of these activities, aiming for constant *kaizen* to become the norm at all Group sites by fiscal 2025.
- Next, in terms of Panasonic Transformation (PX), which has the aim of using digital technology to change our workstyle and business customs and to thoroughly improve the speed and quality of management. We have seen progress in the use of data across business divisions and, in some cases, the shift to the cloud. However, there are still negative legacies such as conventional business processes, entrenched organizational culture, and outdated information system infrastructure. These negative legacies can only be eliminated if the heads of businesses themselves take the initiative. That is why the heads of businesses are committed to accelerating the transformation of operational processes using IT.

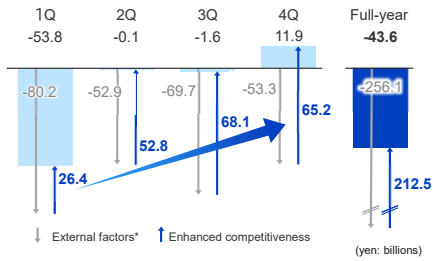
## 2 Years of Competitiveness Enhancement: FY3/23 Financial Results

During 2 years of efforts to enhance competitiveness, we have not yet reached the level to withstand several external factors\*

### FY3/23 financial results

(yen: billions)	FY3/23	year-on-year
Sales	8,378.9	113%
Adjusted OP	314.1	-43.6
OP	288.6	-68.9
Operating CF	520.7	+268.1

### Quarterly adjusted OP (YoY) trend & factors



- **Maintain KGIs: Cumulative operating CF 2.0 tr. yen, ROE 10% or more, Cumulative OP 1.5 tr. yen**
- **Aim to gain competitiveness that can withstand sudden changes in business environment**

\*e.g. Shanghai lockdown, semiconductor shortages, supply chain disruption, raw material price hikes

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- However, our efforts to enhance our competitiveness over the past two years have not been reflected in our financial figures. As reported in our FY3/23 results announcements (May 10, 2023), adjusted operating profit decreased year-on-year by 43.6 billion yen for the full year.
- Looking at this by quarter, in the first quarter, adjusted operating profit decreased year-on-year by 53.8 billion yen, largely affected by the Shanghai lockdown. In the following quarters, we faced several external factors, such as semiconductor shortages and material price hikes. We were able to counter this situation through our enhanced operational capability. This effect gradually improved throughout the year, and in the fourth quarter, it was able to fully counter-balance the negative impact. However, not all of our businesses have been able to make enhancements at a speed comparable to our competitors. This means that our competitiveness enhancement is still only at the half-way mark.
- Going forward, the external environment is expected to change more rapidly than ever before, with labor shortages, price hikes, and supply chain disruptions caused by geopolitical risks. However, we will maintain our medium-term KGIs: 2 trillion yen in cumulative operating cash flows, 10% or more ROE, and 1.5 trillion yen in cumulative operating profit. To ensure that we reach these goals, we are determined to further enhance our competitiveness.

**Shift to Growth Phase**

Elevate competitiveness to the next level:  
from “competitiveness-enhancement stage”  
to “growth stage”

**Accelerate transformation toward  
achieving our mission by further  
clarifying our vision**

- Clarify priority investment area
- Orchestrate Group's comprehensive strengths based on customers' perspective

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- After the two-year period of focusing on competitiveness enhancement, this fiscal year we will accelerate the transformation toward achieving our mission by further clarifying our vision, shifting to a growth phase.
- To make this happen, we will clarify our priority investment area. Then, I will elaborate on the Group's strategy to orchestrate our comprehensive strengths based on the customers' perspective, as well as our financial strategy.



# Group Strategy

- First, let me talk about the Group strategy.



- First, our Group vision.
- Looking at the long-term perspective of helping to achieve an ideal society, we face a variety of challenges. For example, social issues such as global warming, resource depletion, and the necessity to extend healthy life expectancy, are already apparent. To squarely address such societal issues, and to make the 250-year plan highly probable, we will focus on two aspects of contributions by the Group.
- The first is solving global environmental issues. As I mentioned earlier, we regard this as our most important management issue. To achieve Panasonic GREEN IMPACT, we will steadily make the necessary investments.
- The second is to “leverage the Group’s synergies to contribute to the life-long health, safety and comfort of each customer.” This is the area we have previously referred to as “contributing to the well-being of people throughout the world.”
- From the next slides, I will explain these two Groupwide common strategies.

**Groupwide common strategy: Environment**  
(Global warming prevention, circularity of natural resources)

Achieve both “Solving global environment issues” and “Making the Group grow” through achieving **Panasonic GREEN IMPACT**

- Increase CO<sub>2</sub> Avoided Emissions as the Group
- Use of knowledge and technologies in **electrification, energy saving, energy transition and resource conservation**

**Prioritizing investments in automotive batteries, which comprise 60%\* of Avoided Emissions for the Group**

\* Figure for 93 Mt of Avoided Emissions for the Group is the target for Fiscal 2031 (ending March 2031) (announced at “Panasonic Group’s Sustainability: Second Briefing” held in July 2022)  
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- The first part is Panasonic GREEN IMPACT which promotes the prevention of global warming as well as circularity in natural resources.
- In this strategy, we will increase CO<sub>2</sub> Avoided Emissions as a Group. Moreover, we will accumulate and deploy our knowledge and technologies in electrification, energy savings, energy transition and resource conservation.
- For example, in the area of manufacturing where we have accumulated much experience, we will continue to run verification experiments on RE100 solutions with solar and hydrogen technologies, along with energy-saving technologies and solutions in our own factories. Then, we will expand these solutions to our customers’ factories and offices.
- In the area of supply chain management, we will propose the solutions to optimize the entire supply chain for our customers and make contributions to reducing environmental impact.
- Furthermore, we will continue to thoroughly improve efficiency of energy consumption in using products and services. We will also accelerate various businesses, including the effective use of hydrogen energy, to support the shift to electricity generated by renewable energy sources.
- Above all, the biggest contributions to Avoided Emissions will be the shift to electrification in the mobility, town and household areas where fossil fuel is still predominately used.
- Taking into consideration the next 10 years, Panasonic Holdings Corporation will prioritize investments in automotive batteries which comprise 60% of Avoided Emissions for the Group.

## Priority investment area: Automotive batteries

Market growth potential

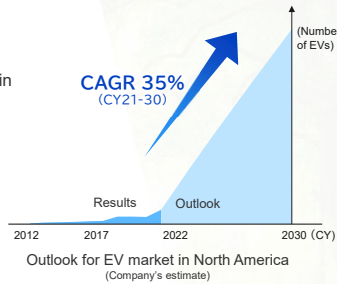
Expanding EV market globally backed by strong demand in electrification of mobility

### Rapid growth of EV market in North America

- 35% CAGR (CY21-30) Rapid expansion outlook
- US Government supports establishment of US-based supply chain (e.g. IRA: Inflation Reduction Act)

### Growing demand in “cylindrical-type cells” due to re-evaluation of its advantages

- Higher density with safety and cost advantages
- Suitable shape for cooling upon fast charging



**Expand business in North America market responding to growing demand in cylindrical-type automotive batteries**

- Next, I will explain our initiatives in the priority investment area, automotive batteries.
- The electrification of mobility is the biggest area that can make an impact on achieving a carbon neutral society. In fact, the EV market is expected to expand globally. In North America, where we focus on our battery business, the EV market growth is forecasted to rapidly grow at a compound annual growth rate (CAGR) of 35%.  
In addition, the US government is pursuing the establishment of an EV supply chain within the US, and there is strong demand for automotive battery production in the US.
- Cylindrical-type cells have the characteristics of higher density with safety as well as cost advantages. Moreover, the cylindrical-type is effective for cooling upon fast charging. Therefore, we are expecting increased demand for cylindrical-type cells.
- The Panasonic Group is aiming to expand our battery business by focusing on cylindrical-type cells and the North America market.

## Priority investment area: Automotive batteries

### Competitive Advantage (Technology)

As a pioneer in development of battery technology, continue to lead lithium-ion battery industry with higher-capacity and less-use of rare metals

#### Evolution in energy density

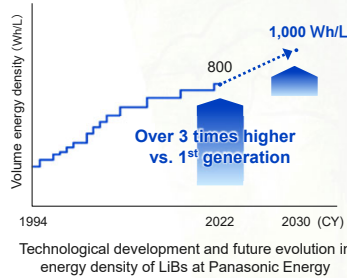
- Over 3 times higher energy density compared to 1<sup>st</sup> generation
- Aim to reach 1,000 Wh/L by 2030

#### Less rare metals

- Achieved world's first "less than 5% cobalt content" with "cobalt-free" within reach  
(Company research: cathode materials for lithium-ion battery)
- Our technologies continue to evolve toward "nickel-less"

#### Safety

- Delivered batteries to the market equivalent in volume to 2 million EVs (No.1 share in North America) with zero recall related to batteries



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- Next, I would like to explain the competitive advantages of our cylindrical-type cells and whether we can compete with peers in the automotive battery market, where competition is expected to enter a red-ocean situation.
- In terms of technology, over the last 30 years, we have been leading the battery industry in developing higher density, use of less rare metals, and safety.
- As for achieving higher energy density, we aim to improve this to over three times the level of our first generation product. In addition, we aim to achieve 1000 Wh/L by 2030. This would also help to improve driving distance and EV performance.
- Furthermore, it is imperative that we can produce batteries without the use of rare metals, to respond to growing demand for automotive batteries in the future. We are the first company to produce batteries with less than 5% cobalt content as well as even cobalt-free batteries are within sight. Moreover, we continue to develop batteries with nickel-less technologies.
- In terms of quality, we have maintained a zero-recall record in batteries since 2012, even while delivering batteries equivalent in volume to two million EVs during that time.

## Priority investment area: Automotive batteries

### Competitive Advantage (Productivity)

- First company to establish large battery factory (No.1\*) in North America with stable operation and stable supply
- Leverage refined operational capability within the US

\* Company research: EV battery factory as of May 18, 2023

### Greater operational capability at Nevada factory

- No.1 production capacity in North America (exceeded initial target by 10%)
- *Kaizen* mindset firmly established and continue to increase production capacity

### Improving investment efficiency

- Greater improvements of investment efficiency expected at new Kansas factory by leveraging knowledge acquired at Nevada factory
- Gain state government support

### Establish battery supply chain in the U.S.

## The foundation is ready for expansion of automotive battery supply in North America



Kansas factory (image)

- We have developed and accumulated high operational capability at the Nevada factory in North America. Since the turnover of operators is high in North America, establishing manufacturing that can be done by less-experienced operators is a key to competitiveness.
- Through improvements in processes and accumulating know-how, we exceeded our initial production target by 10%, and the *kaizen* mindset has also been firmly established. Even further increases in capacity are within sight.
- In terms of cost structure, we will continue to improve our investment efficiency from the viewpoint of medium- to long-term expansion. At the new Kansas factory, we will leverage our knowledge accumulated at the Nevada factory from the factory design stage. Through these initiatives, we aim to reduce expenses related to facilities and the number of items that need to be prepared for production. At the same time, we aim to increase the efficiency of both production facility and the assembly personnel.
- In the construction of this factory, we are receiving tremendous support from the State of Kansas, including tax incentives and personnel-related support.
- As for the materials supply chain, we are working to increase the local procurement ratio in North America to secure stable procurement and to reduce lead time.
- With such progress in enhancing our competitive advantages, we are now ready to expand our automotive battery supply in North America.

## Priority investment area: Automotive batteries

Competitive Advantage  
(Technology/Production)

- Enhance R&D structure with consolidation of research & technology development sites
- Accelerate growth of automotive battery business as the Group



Suminoe site (plan for 2024)  
For production technology development



Kadoma site (plan for 2025)  
For development of new and next generation models /  
material development

- In order to further strengthen our competitiveness in technology and production, we will continue to consolidate and enhance our research and development structure at the Panasonic Group.
- In 2024, we are planning to establish a new production technology development base in Suminoe, Osaka. We will accelerate the productivity improvement and respond to future production expansion. In 2025, we are planning to establish a new research and development base in Kadoma, Osaka. We will accelerate the development of the next-generation batteries and material development.
- As the Group, we will put our resources into the research and development of batteries at these locations.

## Priority investment area: Automotive batteries

Contribution to Environment

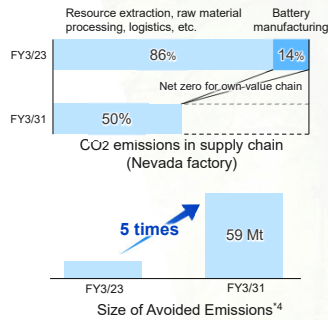
- Contribute to expansion of EV market in North America
- Play major role in Panasonic GREEN IMPACT

### Establishment of low CFP (Carbon Footprint) in the supply chain

- Signed a long-term procurement of recycled battery materials<sup>\*1</sup> (with Redwood)
- Signed an MOU regarding materials produced with renewable energy<sup>\*2</sup> (with NMG<sup>\*3</sup>)
- Aims to reduce environment burden upon transportation by establishing supply chain within North America
- Aims to reduce half of CO<sub>2</sub> in supply chain by FY3/31 (At Nevada factory vs. FY3/23)

### Aim to increase Avoided Emissions along with business expansion

- Avoided Emissions: 5 times in FY3/31 (vs. FY3/23)



\*1: Cathode & copper foil, etc. \*2: Graphite, etc. \*3: NMG (Nouveau Monde Graphite) \*4: Avoided Emissions contributed by EVs equipped with Panasonic's batteries

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- Now, let me explain the role of our automotive battery business in Panasonic GREEN IMPACT.
- In addition to achieving net zero CO<sub>2</sub> emissions in our own value chain by fiscal 2031 (ending March 2031), we are working on the use of low-carbon footprint materials from Redwood and NMG in terms of the upstream of Scope 3. Building the supply chain in North America will also help to reduce the transportation distance for materials.
- Furthermore, by expanding the supply capacity in EV batteries, we will promote the electrification of mobility. It will make contributions to 59 Mt of Avoided Emissions in fiscal 2031, which is five times more than that of fiscal 2023 (ended March 2023).



## Priority investment area: Automotive batteries

### Business Expansions

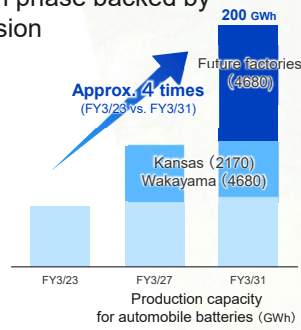
- Expected to widen customer base through recognition of our competitive advantage
- Move to the full-fledged growth phase backed by preparation of capacity expansion

### Further expansion of production capability in North America

- 2170 : Expand production at Kansas new factory
- 4680 : Aim to establish stable production at Wakayama factory at the earliest point and to roll out new large-scale production capacity in North America by 2030

### Expand customer base for cylindrical-type cell

- Signed supply contracts with Lucid and Hexagon Purus
- Continue to search for new customers



**Various financing options are under consideration and investments will be made flexibly**

- Finally, let me explain our business expansion plan.
- While strengthening our relationships with existing partners, we have entered into supply agreements with new customers who appreciate our competitive advantages, as discussed earlier.
- Specifically, we have already signed battery supply contracts for luxury EVs with Lucid and for commercial vehicles with Hexagon Purus. We are also receiving new enquires and continue to search for new customers.
- Now, we are finishing preparations for capacity expansion and will move into the full-fledged growth phase.  
In 2022, Panasonic Group decided to make strategic investments in the automotive battery business. At the new Kansas factory, we are planning to produce 2170 cells and expand our battery supply throughout North America. At the Wakayama factory in Japan, we are planning to establish stable production of 4680 cells at an early stage, and we aim to expand this to even larger scales of 4680 cell production capacity at new factories in North America.  
Through these expansions, we are aiming to achieve a production capacity of 200 GWh by fiscal 2031, about four times the current capacity.
- Achieving this business expansion will require significant investment. We will consider various financing options and make investments with flexibility, in addition to the investments by Panasonic Energy.

**Investment area: Air quality & air-conditioning**

Expand Air-to-Water<sup>\*1</sup> & chiller businesses in Europe (a leading market in addressing climate change)

**Competitive Advantage**

- **Refrigerant control technology:** excellent performance in cold temperature areas
- **IoT remote monitoring:** Detect & predict malfunctions

**Enhance Air-to-Water business foundation**

- Formulate optimum management structure for Europe (local production for local consumption): seamless operation of development, production, and sales within Europe
- Czech factory production capacity: 550 thousand units (FY3/26)  
Aim for 1-million-unit capacity globally in the future


**Early response to Europe's F-gas regulations**

- First Japanese manufacturer<sup>\*2</sup> to launch models using natural refrigerants (R290)

**Acquired Systemair AB's commercial air-conditioning business, expand synergy**

- Introducing products with hydronic systems (Air-to-Water & chiller) for light commercial (non-residential) areas
- Efficiency & cost reduction expected by sharing technology, parts & materials, sales channels

\*1 Air-to-Water (A2W) hot water heat pump system \*2 For home-use models with heating and cooling functions in European market



Air-to-Water



Chiller

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- Next, our strategies for the two investment areas. The first is the air quality & air-conditioning area.
- Europe is a leading market in addressing environmental issues, and it is moving away from gas in response to natural gas supply issues. In this market, we will expand our Air-to-Water (hot water heat pump system) business, enabling a shift of energy sources from gas to electricity, and contribute to reducing CO2 emissions.
- In Europe, where heating is a necessity in many cold-winter regions, we will strengthen our business base to make further contributions with our competitive advantages: maintaining heating capability even at low temperatures and IoT remote monitoring. To this end, we formulated an optimum management structure that is based on: local production for local consumption through a seamless operation of development, production, and sales within Europe. In addition, to meet the growing demand, we have converted the Czech factory, which used to be a manufacturing site for AV equipment, to an Air-to-Water production facility. Furthermore, a new building will also be constructed for this facility. Here, we aim to expand our global production capacity to one million units.
- We are also the first Japanese manufacturer to introduce natural refrigerants in response to Europe's F-gas regulations. We will accumulate know-how in product design and maintenance to safely handle natural refrigerants ahead of the further tightening of regulations in order to maintain our competitive advantage into the future.
- We also acquired the commercial air-conditioning business of Systemair AB. By combining our sales platform with Systemair's technologies and products, mainly chillers, we will expand our target market into the light-commercial area and enhance our contributions in Europe.

**Investment area:**  
**Supply Chain Management Software**

Contributing to reducing environment impact & solving labor shortages by eliminating any wastefulness and stagnation in supply chain

**Competitive Advantage**


- Leading end-to-end solution for manufacturing, logistics and retail
- Supply total optimal solutions with high accuracy generated by data collection, accumulation and AI analysis
- Strong customer base: trusted by over 3,000 global category-defining companies

**Enhancing business foundation**

- Increase value of products through strengthening R&D (Native SaaS\* and security enhancement)
- Enhancing touch points with customers (marketing & sales, customer support, etc.)

**Frontline data combined with SCM software**

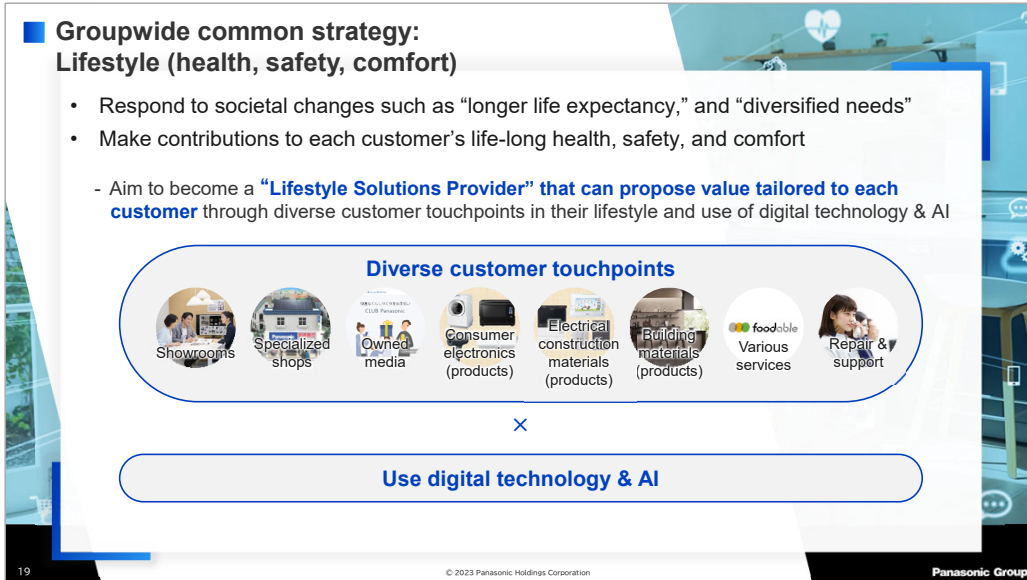
- Obtain real-time frontline data through edge devices, and combine with SCM software to deliver autonomous solutions



\* SaaS (Software as a Service)

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- The next investment area is supply chain management software. Here, we will leverage Blue Yonder's advantages: software solution packages covering the entire supply chain, technologies to supply optimal solutions with high accuracy, and a strong customer base of over 3,000. With these advantages, we will contribute to reducing environmental impact by optimizing inventory and transportation in the supply chain.
- On May 10, 2023, Blue Yonder CEO Duncan Angove explained, at the strategy briefing of Blue Yonder, that we would start by strengthening our supply chain management software platform. Specifically, we will make R&D investments toward Cloud Native SaaS and security enhancement, as well as enhancing customer touch points such as marketing & sales and customer support.
- Furthermore, we can offer autonomous solutions by combining such software with various frontline data obtained from edge devices, which is an advantage of Panasonic Connect. This will lead to further contributions.



- Next, I will explain the other Groupwide common strategy, in addition to Environment, that aims to make contributions to each customer’s life-long health, safety, and comfort.
- We have diverse customer touchpoints through which we can deliver our contributions: showrooms for building materials, sales channels including specialized shops, products including home appliances, electrical construction and building materials, and related services, as well as repair & support.
- By combining these diverse customer touchpoints with the use of digital technology, we aim to become a "Lifestyle Solutions Provider" that can propose value tailored to each individual customer. Toward this aim, we will create synergies across the Group.
- To accelerate this Groupwide initiative, we have established a Future Business Division at Panasonic Holdings, which is led by Executive Officer Yoky Matsuoka, who has extensive experience from working at Google and Apple.

To continue creating contributions to society & customers into the future, we set 2 types of criteria for our business portfolio

**(1) Relevance with Groupwide common strategy**

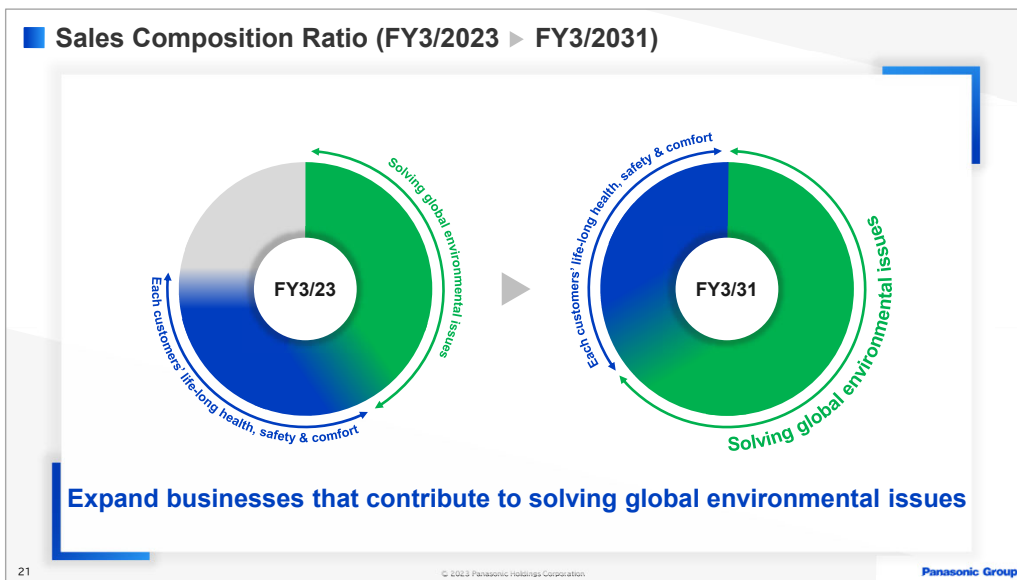
- Environment: Contributions to reduction of CO<sub>2</sub> emissions in the society / Contributions to saving resources
- Lifestyle: Propose value tailored for each customer through diverse customer touchpoints in their lifestyle and using digital technology & AI / In line with financial discipline

**(2) Market position & competitiveness**

- Market growth & continuity  
Quantitative: Market CAGR / Qualitative: Market continuity
- Business' position in the market & profitability  
Quantitative: Relative market share, ROIC, cash generation capability /  
Qualitative: Past achievements, medium- to long-term advantages, future opportunities

**For the sake of all stakeholders and improvement of the Group's value, set the direction in revising business portfolio during the fiscal year ending March 2024, and execute the decisions made accordingly**

- From this current fiscal year, toward shifting to a growth phase, we will proceed with management initiatives by taking into consideration the revision and replacement of our business portfolio.
- Needless to say, the revision or replacement of the business portfolio is just a means, and our aim is to provide all stakeholders, including shareholders, customers, business partners, and employees, with benefits as well as to increase the value of the Group.  
Thus, to make the stakeholders' benefit sustainable for years to come, we have set two types of criteria to determine the Group's business portfolio.
- The first criterion is relevance to the Groupwide common strategies.  
From the environment's perspective, we will look at our businesses and ask whether they can make contributions to the reduction of CO<sub>2</sub> in society or saving resources.  
From the perspective of lifestyle, we will look at businesses and ask whether we can propose value tailored to each customer through diverse touchpoints according to their lifestyle and the use of digital technology & AI.  
In addition, we will look at businesses in line with financial discipline, or in other words, whether they can contribute to profits.
- Then, we will determine our business portfolio by looking at their market position and competitiveness, as the second criterion. The market growth and sustainability for the next 10 years, the position of business in the market, and the prospects for profitability will be assessed thoroughly, quantitatively and qualitatively.
- If businesses can continue to make contributions to society and customers going forward, we will continue to enhance their competitiveness for growth by keeping them in the Panasonic Group.  
On the other hand, if it is better to accelerate business growth outside the Panasonic Group, that would thus be beneficial for all stakeholders.  
Therefore, we set detailed criteria to assess our businesses, and based on these criteria, we will set the direction of the revision of the business portfolio in the current fiscal year and execute the decisions made accordingly.



- This slide shows the change in sales composition, before and after the business portfolio is revised. The “Green” part indicates businesses that contribute “to solving global environmental issues.” The “Blue” part indicates businesses that contribute to “each customer’s life-long health, safety, and comfort.”
- We will continue to transform the way we address society and customers at each business, so that in fiscal 2031 (ending March 2031), all of our businesses make contributions in either the “Green” or “Blue” area.
- I strongly believe that “solving global environmental issues” is one of the most critical challenges for management throughout the world over the next 10 years.  
Therefore, we, the Panasonic Group, will continue to greatly expand our businesses that can make contributions to solving global environment issues toward 2030.

# Financial Strategy

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- Finally, I would like to explain the financial strategy needed to carry out the Group strategy I just explained.

In principle, investments, dividends, etc. to be managed within the cash generated through businesses

**Financial discipline**

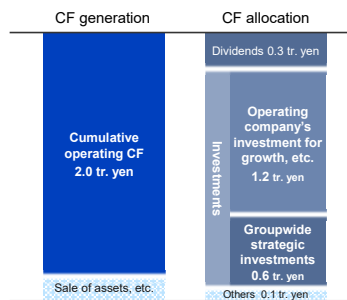
- Net Debt/EBITDA ratio: approx. 1.0 times (FY3/23 results: 0.8 times)
- Strengthen monitoring of operating companies

**Dividends**

- In principle, distribute profits to shareholders based on business performance and strive for stable and continuous dividend payments. Target dividend payout ratio of approx. 30% with respect to consolidated net profit\*

**Investment**

- Prioritize investments in automotive battery (priority investment area)



\* Dividends determined based on amount of net profit excluding IRA tax credit effect  
 Basic idea: Allocate cash from IRA tax credit to automotive battery business investment in US by taking into consideration the aim of IRA (reduce excessive inflation and promote energy policies in US)

- Our capital allocation policy will remain unchanged during the current three-year period from FY3/23 to FY3/25.
- In principle, the necessary cash will be managed within the cash generated through businesses. The generated cash will be allocated in an appropriate manner.
- According to the medium-term KGIs, we aim to generate 2 trillion yen in cumulative operating cash flows. In addition, during the three-year period, part of the necessary cash will be generated mainly through sale of assets.
- As for cash flow allocation, we are planning to make investments of 1.8 trillion yen, of which 600 billion yen will be invested mainly in the automotive battery business, our priority investment area. This is in line with our strategic investments for achieving our Group strategy.
- As for shareholder return, we plan to allocate 300 billion yen for dividends. We strive for stable and continuous dividend payments, targeting a payout ratio of approximately 30% with respect to consolidated net profit.
- In terms of financial discipline, we have set a target financial indicator of approximately 1.0 times as Net Debt/EBITDA ratio, and we will thoroughly maintain financial discipline. To ensure this, we will strengthen financial discipline in our operating companies. Upon borrowings by the operating companies, we will apply monitoring indicators and conduct stricter operations than before, as well as implement the necessary improvement measures.
- We will conduct the Group strategy in line with this capital allocation policy.





# Panasonic Group

- Thank you very much for your kind attention.

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