

Group Strategy Briefing

Yuki Kusumi, Group CEO
Panasonic Holdings Corporation

Panasonic Group

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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 ended March 31, 2024. In addition, “Fiscal 2025” or “FY3/25” refers to the year ending March 31, 2025.

Final year of Medium-term Strategy

Management Indicators: KGI	Cumulative operating CF: 2.0 trillion yen (FY3/23-25)	ROE: 10% or more	Cumulative OP: 1.5 trillion yen (FY3/23-25)
FY3/25 (e)	✓ To be achieved	× To be unachieved	× To be unachieved

Achieved

Management emphasizing cash flows is taking root

e.g. Avionics, Automotive Cockpit Systems

Challenges

Unable to generate profit in Group's investment areas

Automotive batteries & A2W: Significantly short of goal due to unexpected changes in market

Largely behind targets in businesses expected to help Groupwide profitability

Competitiveness enhancement not reached to expected level in certain businesses, faced tough market conditions

**Targeted profitability not reached in many businesses, in particular, investment areas;
Unable to meet expectations by stakeholders, including shareholders & investors**

■ Groupwide Focal Initiatives for Final Year of Medium-term Strategy

Strengthen business foundations of investment areas

- Automotive batteries: Aim for management structure to ensure sustainable double-digit ROIC (including IRA) from FY3/28 onward
- Air quality & air-conditioning: Continue to enhance competitiveness in preparation for demand growth
- SCM software: Continuous transformation of Blue Yonder (BY) toward a proactive stance

Business Portfolio Management (PFM) & Financial Strategy

- Rigorously manage each business based on its growth potential and capital efficiency; Resolve issues from all businesses for improved profitability

Continue enhancement of Groupwide management structure

- Human capital management
- Operational Frontlines Innovation / PX (accelerate enhancement of competitiveness)

Determined to improve profitability Groupwide

Strengthen Business Foundations of Investment Areas

Automotive Batteries: Changes in Market Conditions

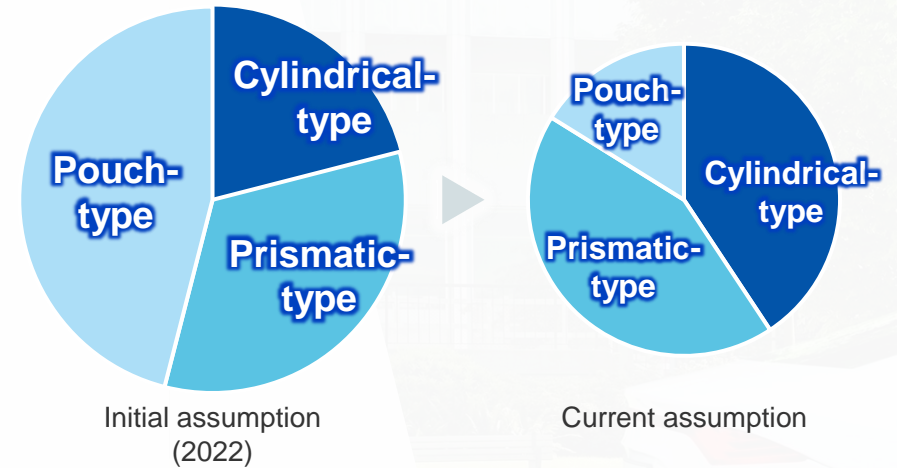
- Shift to EV expected to continue globally from long-term perspective, while temporary slowdown of growth in North America
- Transition of battery platform continues with technological evolution

Slowdown factors of EV market growth in North America

- Still unable to reach battery costs suitable for EVs in affordable price range
- Insufficient infrastructure for EV charging stations
- Easing of proposed rule for US Multi-Pollutant Emissions Standards (starting with model year 2027)

Growing expectation for safety features of cylindrical / prismatic lithium-ion batteries

- Cylindrical-type (nickel-based): adopted for EVs with longer range
- Prismatic-type (iron phosphate-based): adopted for EVs with higher priority on cost



Outlook for North America EV market in 2030
(Estimated by Panasonic)

Automotive Batteries: Establishing Foundations for Stronger Competitiveness

Strengthen customer base

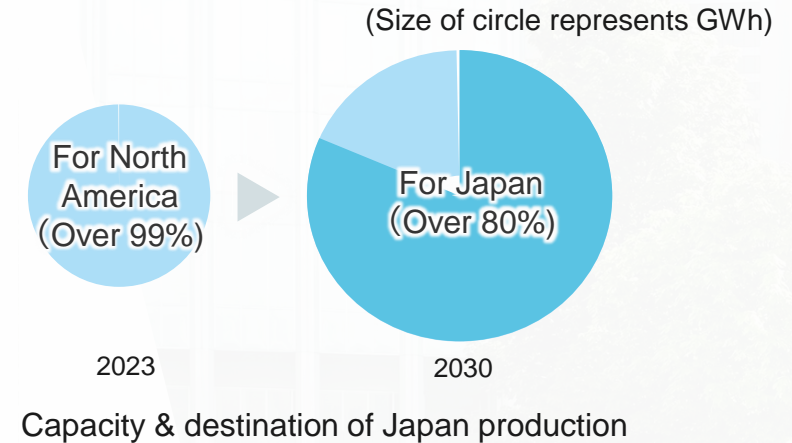
- Establishing strategic partnership with SUBARU and Mazda
- Signed supply contracts with Lucid and Hexagon Purus

Improve productivity

- Nevada factory: Improve by over 15% (FY3/31 vs. FY3/24) through continuous initiatives
- Kansas factory: Improve labor productivity by over 30% compared with Nevada factory, expected to start mass-production during FY3/25
- Osaka factory : Improve labor productivity by over 35% (FY3/29 (Suminoe & Kaizuka) vs. FY3/23) through labor-saving initiatives

Evolve technological foundations

- Operation of R&D site & manufacturing technology site
- On track for 4680 cell development, plan to start mass-production in FY3/25 2Q

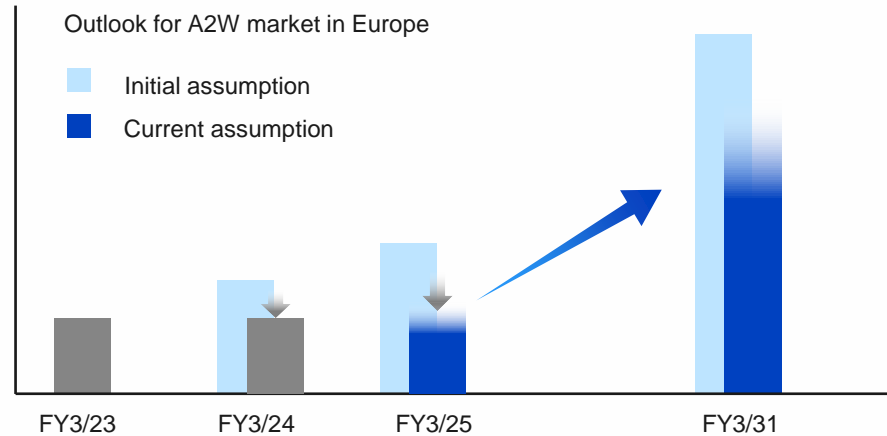


Kansas factory (As of April 2024)

Build management structure to ensure sustainable double-digit ROIC (including IRA) from FY3/28 onward; Future investment strategy to be decided flexibly and judiciously, according to customer demand

Air quality & air-conditioning: Air To Water (A2W*) in Europe

Ride the wave of growth by acting before large-scale market growth



Slowdown in growth due to normalization of gas prices, revision of subsidy policy in various countries

In Europe, a leading market in environmental regulations, gas boiler phase-out will occur with certainty

Medium- to long-term demand expected to grow toward 2030

- Macro environment: Recovery in consumer spending due to expected lower inflation and interest rates
- Environment regulations: Full phase-out of gas-boiler installation in various countries
 - Implemented: Germany, the Netherlands, Austria
 - Anticipated: Ireland

Continue to enhance competitiveness in preparation for demand growth

* Air To Water: Air to Water heat pumps, shower, etc.

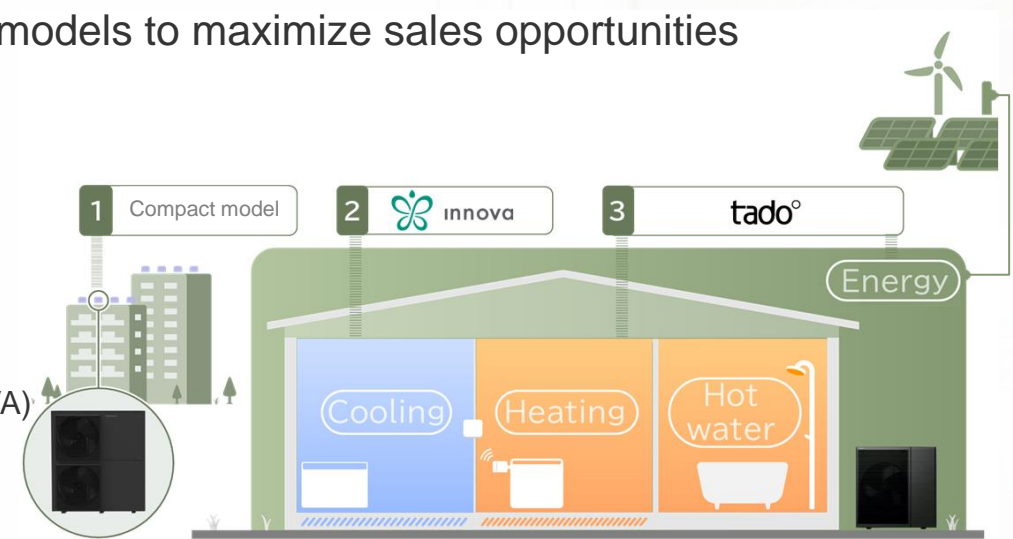
Air quality & air-conditioning: Air To Water (A2W) in Europe

Strengthen business partnership with installers

- Expand sales channels through collaboration with energy providers and utility companies in key markets aiming to increase market-share (e.g., Germany, France)
- Provide predictable maintenance/breakdown services for installers and maintenance service partners to improve their work efficiency
- Provide loan schemes and subscription-type business models to maximize sales opportunities

Strengthen product competitiveness

- 1 • Offer industry-leading* compact model (70% of existing models)
• Advantages with space-saving and improved installation workability
- 2 • Integrated control of A2W, other indoor-units and heat exchanger unit
• Provide comfortable indoor-air environment (collaboration with INNOVA)
- 3 • Control A2W and indoor-unit with smart thermostat
• Reduce 30% energy costs at home (collaboration with tado°)



Increase market share with product value that's also beneficial to installers

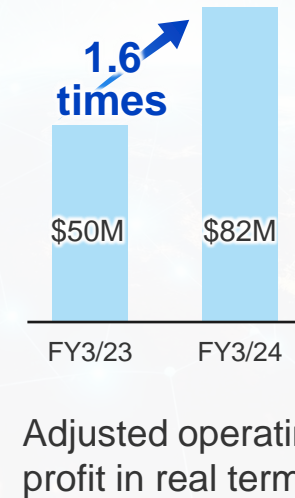
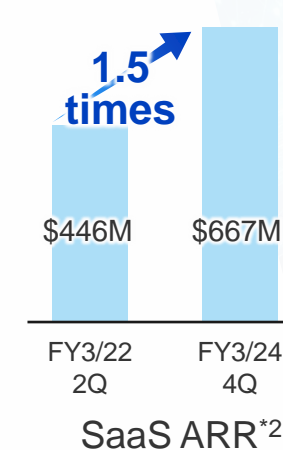
* For multi-unit housing and light commercial area (As of April 2024)

SCM Software: Continuous Transformation of Blue Yonder

Aim to revolutionize SCM solutions while continuously strengthening business foundations

Continue to strengthen business foundations (3-year cumulative strategic investment of USD 200M)

- Improve product competitiveness with R&D enhancement
1st version of Native SaaS*¹ product released (December 2023)
- Enhance customer contacts
Start of collaborations with Snowflake and Accenture
50% increase in frontline-marketing & sales personnel



Adding capabilities through M&A

- Acquisition of Doodle (return management) and Flexis (planning)

Create synergy with Panasonic Group

- Implemented “yard management solutions” for Penske Logistics
- Collaboration with Rapyuta Robotics’ “warehouse efficiency” and Blue Yonder’s solutions

*1 Software as a Service *2 Annual Recurring Revenue (ARR) *3 Adjusted operating profit (BY stand alone) excluding additional strategic investment

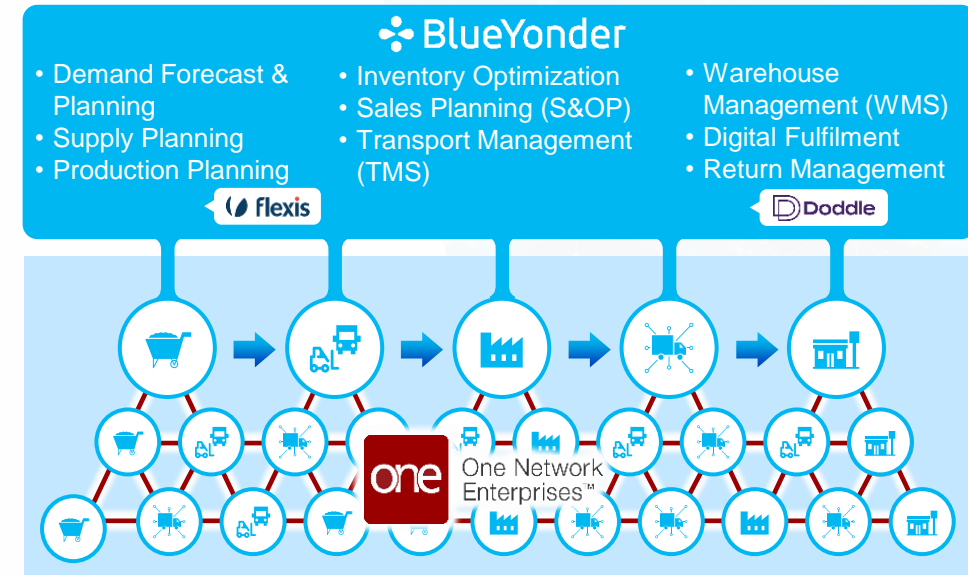
SCM Software: Achieve Overwhelming Competitive Advantage

Unify Blue Yonder's "Supply Chain (SC) Optimization Technologies" with high degree of accuracy and One Network's "Digital Supply Chain Platform (PF)"

Create synergy effect

- Optimize multi-tier SC through PF by utilizing BY's optimization technologies with high degree of accuracy
- Expand PF to over 3,000 customers of Blue Yonder (including industry-leading companies)
 - ➔ Increase Blue Yonder's Internal TAM by 1.3 times

Note: TAM (Total Addressable Market) : Maximum market size (own estimate)



Orchestration of supply chain data on one platform with real-time, multi-tier and multi-enterprise network

Aim for growth as a provider that can offer SCM platform with real-time and multi-tier orchestration capability

Business Portfolio Management & Financial Strategy

Business Portfolio Management

(1) Relevance to Groupwide common strategy

“Contributions to global environment”

“Contributions to each customer’s life-long health, safety, and comfort”

(2) Market position & competitiveness

Assess each business’ position & profitability with expectation of market growth

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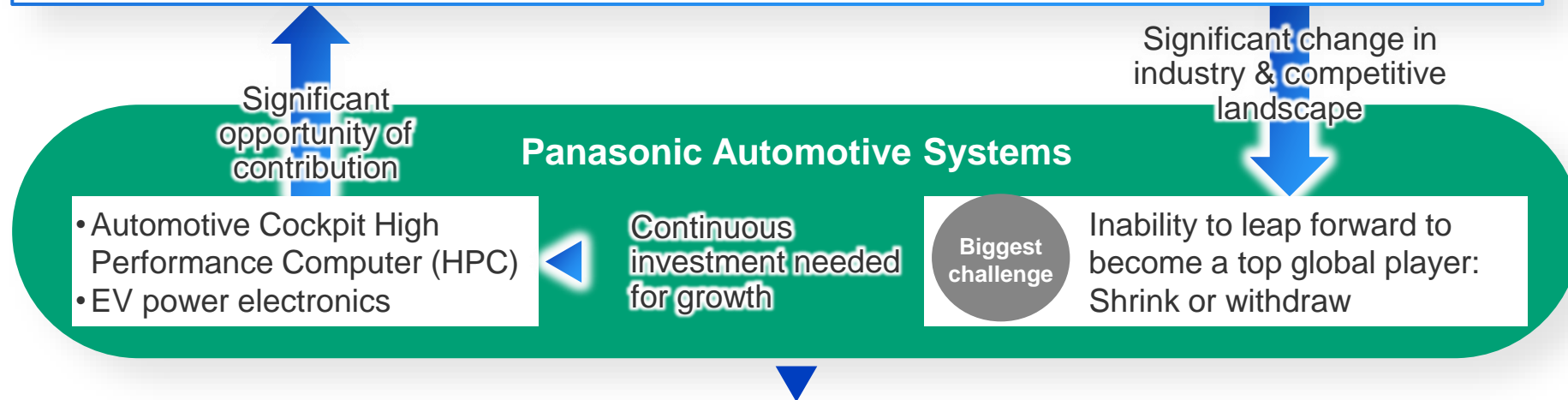
(3) Best-ownership perspective

- Whether Panasonic Holdings Corporation (PHD) can take necessary actions on the business’ most important issues
- Whether PHD can make necessary growth investments, if the business needs more cash than it can generate
- Whether PHD can evaluate the business’ quality and competence

Best-ownership Perspective: Case of Panasonic Automotive Systems (PAS)

Automotive industry facing biggest transition in 100-year history

Shift to electrification & software-defined vehicle*: Rapid technological innovation



Reached final partnership agreement with Apollo from a best-ownership perspective

- Maintain/strengthen relationship with customers, suppliers, and employees
- PHD and PAS to start a new relationship toward maximizing corporate value of each other (e.g., use “Panasonic” in company name & brand, personnel exchange, effective use of assets & services, cross selling & business alliances with Group companies)

* Vehicles that can be continuously upgraded after sales (e.g., adding new features and functionality) with software controlling vehicle through connectivity

Thorough Discipline with Cash & ROIC

Rigorously manage each business based on cash and return on invested capital (ROIC) to establish a strong financial & profitability structure

Implemented

Cash-oriented discipline (operating company basis)

- Monitor **operating company's cash-flow management** based on **"Net Debt/EBITDA ratio"**
- Detect financial deterioration at early stage:
Improve cash or revise business policy

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To be strictly managed from FY3/25

ROIC-based discipline (business division basis)

- Monitor **business position & competitiveness** based on **"growth x ROIC"**
- Businesses **without growth potential and its "ROIC < WACC by business"** will be categorized as **"business with issues"**; drastic measures shall be executed

Number of "businesses with issues" to reach zero by end FY3/27
Aim for all businesses' ROIC levels exceeding "WACC by business +3% points"

Capital Allocation Policy (FY3/23 – FY3/25)

Unchanged policy of “investment, dividends, etc. to be managed within cash generated through businesses”

Dividends

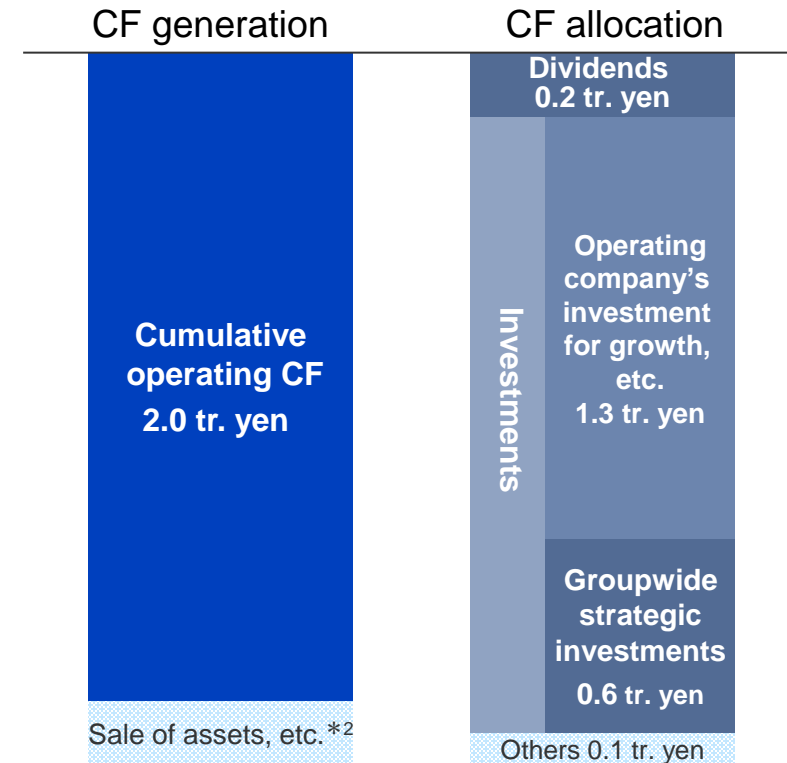
- In principle, distribute profits to shareholders based on business performance and strive for stable and continuous dividend payments. Target dividend payout ratio of approx. 30% with respect to consolidated net profit*1

Financial discipline

- Net Debt/EBITDA ratio: approx. 1.0 times (FY3/24 results: 0.6 times)

Investment

- Strategic investment: Focus on automotive battery business, priority investment area



*1: Allocate cash from IRA tax credit to investment in US automotive battery business, considering the aim of IRA. Dividends determined based on amount of net profit excluding impact of IRA tax credit

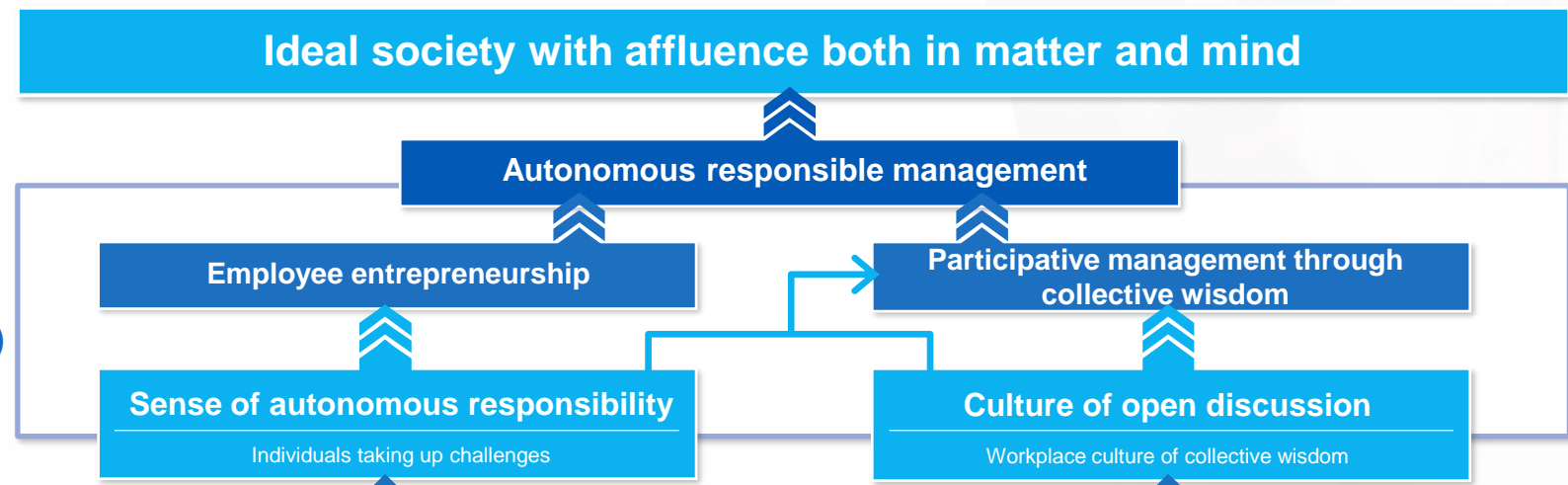
*2: Including sale of assets (e.g., sale of businesses) anticipating cash-in during FY3/23 - FY3/25

Enhance Management Structure of the Group

Panasonic Group Human Capital Management

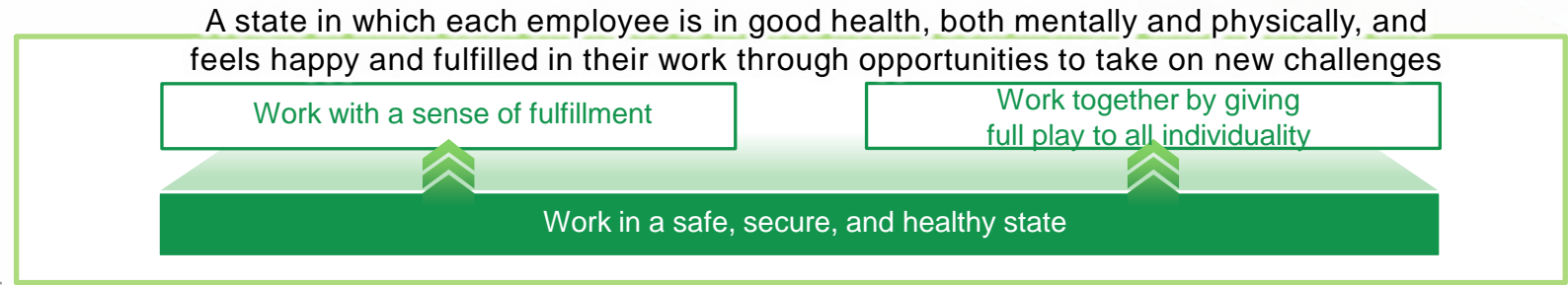
As a company that *develops people before making products*, we aim to create the best workplaces with a sense of fulfillment enabling diverse employees to make the most of their skills

Groupwide common vision:
Implementation of Basic Business Philosophy (BBP)



Work based on Panasonic Leadership Principles (PLP: guideline of conduct to implement BBP)

Groupwide human resources strategy:
Employees' Well-being



Toward Management that Maximizes Potential of Each Employee

Employees Well-being	Work with a sense of fulfillment	<ul style="list-style-type: none"> - Expand transfer/assignment system by open recruitment to further support autonomous career design - Nurture personnel with data & technology expertise to overcome challenges at frontlines Training for all employees / PX Ambassadors / PX contests at each site
	Work together by giving full play to all individuality	<ul style="list-style-type: none"> - Expand options for work time and place to support each employee's continuous career development (e.g. employees engaged in nursing care/childcare, having disabilities) - Top management commitment of diversity target to realize an organization with diversity
	Work in a safe, secure, and healthy state	<ul style="list-style-type: none"> - All operating companies certified as <i>KENKO Investment for Health Outstanding Organizations Recognition</i> by Japan's Ministry of Economy, Trade and Industry - Paid leave for illnesses to support employees dealing with diseases (e.g., cancer, stroke)
Implementation of Basic Business Philosophy	<ul style="list-style-type: none"> - PLP incorporated in each measure of HR management (e.g., recruitment, development, promotion, transfer/assignment) - PLP-based 360-degree assessment applied to management & business heads 	
	 <p>Panasonic Leadership Principles</p>	<p><u>Customer Focus</u> <u>Drives Vision</u> <u>Builds Trust</u></p> <p><u>Strategic Thinking and Behavior</u> <u>Best Work Processes</u></p> <p><u>Ownership</u> <u>Evolution</u> <u>Harmonizes Wisdom</u></p> <p><u>Welcomes Uniqueness and Differences</u> <u>People First</u> <u>Drives Results</u></p>

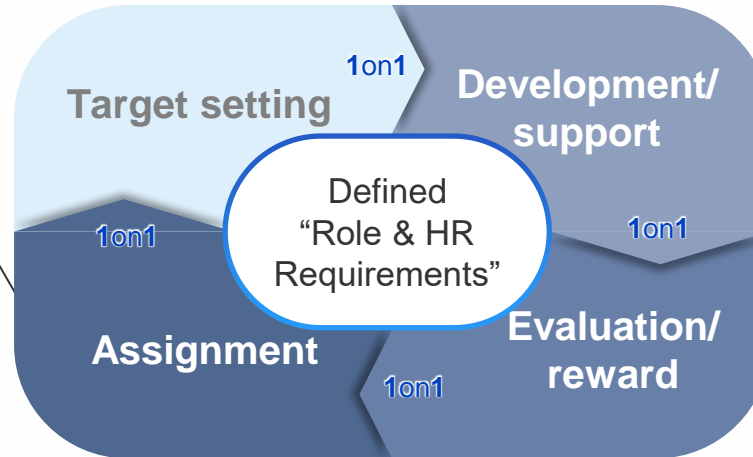
“HR strategy” included in evaluation items (KPIs) for management & business heads, so they will strongly implement it

Toward Management that Maximizes Potential of Each Employee: Case of HR Management System at Panasonic Industry

Implement effective initiatives to unlock employees' capabilities/potential;
Change the mindsets and behaviors of middle managers/employees

(1) Elevate level of internal recruitment system

- Open recruitment that encourages taking up challenges: visualization of work, voluntary application (More than 1,000 transfers since Nov. '22)
- "Career Action Program" (Since Jun. '24)
Understand relationship between management/personnel strategy and individual career, to link individual requests and company vision



(3) Support middle management/employees

- Practical management training for GMs and Managers
FY3/24: Approx.1,300 (all GMs and Managers)
- "PID GMs & Managers Network" (FY3/25 2H)
Establish a mutual complementary network among management level

(2) Revised compensation/reward system

- Organize grading/reward system from both management/specialist-perspectives (FY3/25-)
Expand career options: make use of one's expertise, not bound by one's current role

**Leverage Panasonic Industry's HR as a precedent to advance
Groupwide human capital management**

Operational Frontlines Innovations

Corporate culture encouraging challenges to theoretical limits taking root;
Cash flow generation capability supported by enhanced operational capability at each business

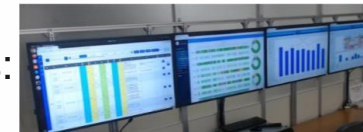
Firmly embed *kaizen* mindset

- Constant *kaizen* activities have been embedded at 124 sites globally (target: 220 sites); Foster/Nurture designated specialists and lead *kaizen* activities
- Reduced lead time: Cash generation of 23.0 billion yen*¹ through streamlining of overall supply chain
- Cost reduction: Profit contribution of 28.7 billion yen*¹ through streamlining of engineering chain*²



Utilization & evolution of digital technologies

- Developed 4 *kaizen* tools with image recognition & AI technologies: visualization of wastefulness & stagnation
- Streamlined data of the frontlines: Visualization at factories, regions, operational layers; Enabled swift decision-making: Frontlines *kaizen* elevated to management *kaizen*



Aim to embed constant *kaizen* activities at all sites by end FY3/25

*1: Cumulative amount including initiatives before starting in FY3/23

*2: Operational processes mainly design (e.g., product planning/design, production preparation/production)

PX (Panasonic Transformation)

Groupwide “Process standardization”, “Data utilization”, “HR enhancement”

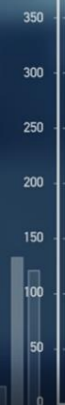
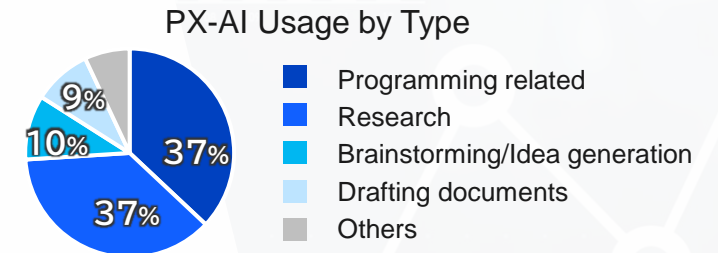
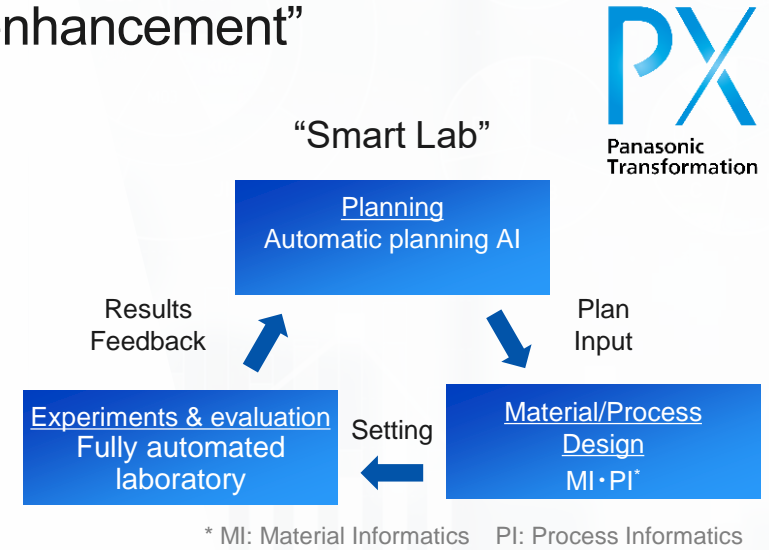
Digital transformation of “development”, “manufacturing” and “sales”

- Development: Reduce burden for simple/repetitive experiments with “Smart Lab” (Panasonic Industry)
Remote & automated experiments to find optimal materials & process conditions
- Manufacturing and sales: Integrated ERP in China (15 sites / 3 years),
Enhancement of management in China through standardization of various local processes
- Achieved improvement in operational efficiency & productivity at each site, reduction of manufacturing losses

Use of generative AI (data utilization, HR enhancement)

- Introduced generative AI ahead of others by taking mitigating risks, even as many companies hesitate to introduce it. Further understanding and instilling AI within Panasonic Group will lead to high-level of usage and contribute to increased value we can offer to customers.

Aim for continuous transformation and strongly promote “PX”= DX, which is unique to Panasonic



■ Today's Summary

■ Groupwide investment areas:

Strengthen business foundations in preparation for expected market expansion

- Automotive batteries: Aim for management structure to ensure sustainable double-digit ROIC (incl. IRA) from FY3/28 onward
- Air quality & air-conditioning: Continue to enhance competitiveness in preparation for demand growth
- SCM software: Continuous transformation of Blue Yonder (BY) toward a proactive stance

■ Businesses expected to help Groupwide profitability:

Thorough ROIC discipline;

Number of “*businesses with issues*” to reach zero by end FY3/27

**Determined to transform profitability structure
toward medium- to long-term growth**

The image features a dark blue background with a subtle grid pattern of thin, light blue lines. The lines are spaced evenly and create a sense of depth and perspective. In the center of the image, the text "Panasonic Group" is displayed in a bold, white, sans-serif font. The text is centered both horizontally and vertically, making it the focal point of the image.

Panasonic Group

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