

Heartmotive

A better life, for each and everyone.
Creating a sustainable mobility society.



Progress in Medium- to Long-term Strategy & Future Initiatives

June 1, 2023

Masashi Nagayasu

President and Representative Director, CEO
Panasonic Automotive Systems Co., Ltd.

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.

Progress in Medium- to Long-term Strategy

Future Initiatives

Key Medium-term Initiatives and KGI* (Announced in June 2022)

Focus on strengthening our ability to respond against changes in business environment
thought enhancement of operational capabilities during the three years from FY3/2023
➔ Improve profitability, cash flow and competitiveness

Financial KGI	KPI	
<ul style="list-style-type: none">- Cumulative operating CF (FY3/23-25) <p>200 billion yen (negative in FY3/22)</p> <ul style="list-style-type: none">- ROIC (FY3/25) <p>8.5% (1.6% in FY3/22)</p>	<ul style="list-style-type: none">- Operational capabilities (Goal for FY3/25) <p>Software development at Automotive Cockpit Systems (vs. FY3/22)</p> <p>Development productivity 3x</p> <p># of Architect 1.5x</p>	<ul style="list-style-type: none">- Environmental contribution <p>Energy saving</p> <p>-3% per year non-procurement on renewable energy (Goal for FY3/31)</p> <p>50%</p> 

*KGI: Key Goal Indicator

FY3/23 Financial Result

Net sales decreased excluding currency transition

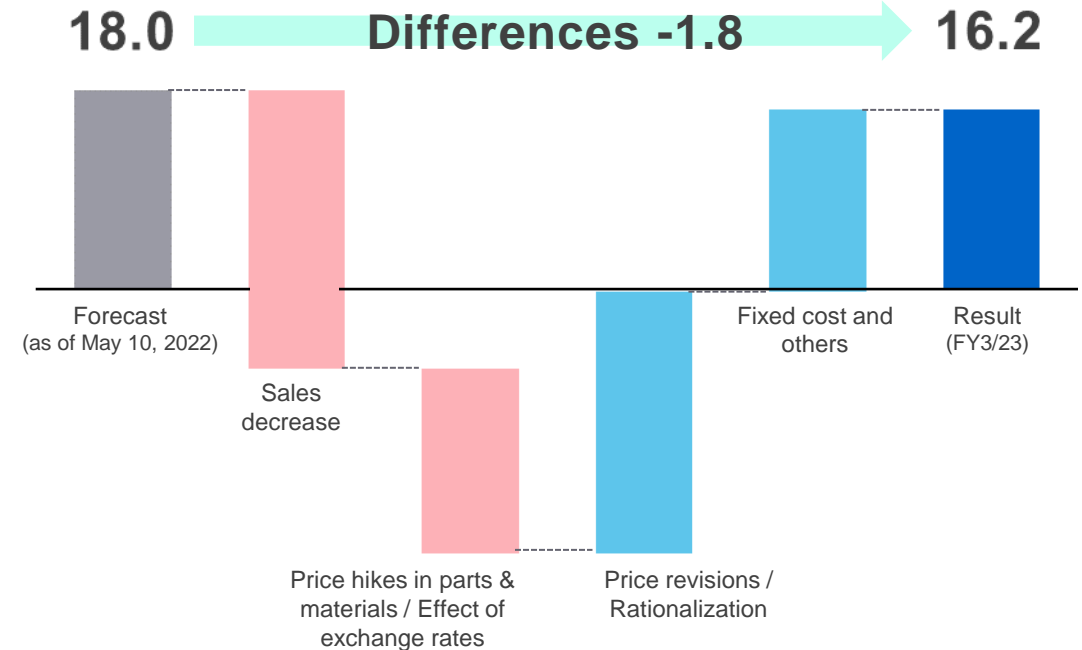
Mitigate impact of decreased sales and price hikes in parts & materials by price revisions and fixed-cost reduction

- Result

(yen: billions)	Forecast (as of May 10, 2022)	Result	Differences
Sales	1,270.0	1,297.5	102% (+27.5) Unachieved excluding foreign exchange
Adjusted OP (% of Sales)	18.0 (1.4%)	14.2 (1.1%)	-3.8
OP (% of Sales)	18.0 (1.4%)	16.2 (1.3%)	-1.8
EBITDA (% of Sales)	77.0 (6.1%)	77.7 (6.0%)	+0.7

- Operating Profit

(yen: billions)



KGI Progress (Changes from IR Day held in June 2022)

Sales increased and revised due to currency transition and cross-selling growth

Impact of soaring material price and foreign exchange increased

Although OP has decreased, the operating profit margin has steadily improved

KGI

- Operating CF (From FY3/23 to FY3/25) : 200.0 billion yen
- ROIC (FY3/25) : 8.5%

(yen: billions)	FY3/23		FY3/24		FY3/25		FY3/23 to FY3/25		
	Result	YoY	Forecast	YoY	Forecast	YoY	Forecast (Revised)	Forecast (as of Jun 2022)	Differences
Sales	1,297.5	+234.7	1,370.0	+72.5	1,435.8	+65.8	4,103.3	3,814.2	+289.1
OP (% of Sales)	16.2 (1.3%)	+14.8	18.0 (1.3%)	+1.8	28.0 (2.0%)	+10.0	62.2	81.6	-19.4
EBITDA (% of Sales)	77.7 (6.0%)	+6.7	78.0 (5.7%)	+0.3	78.7 (5.5%)	+0.7	234.4	255.2	-20.8
Operating CF	47.8	+60.5	88.3	+40.5	63.9	-24.4	200.0	200.0	±0.0
ROIC	5.2%	+3.5%	2.6%	-2.6%	6.4%	+3.8%	6.4% (FY3/25)	8.5% (FY3/25)	-2.1%

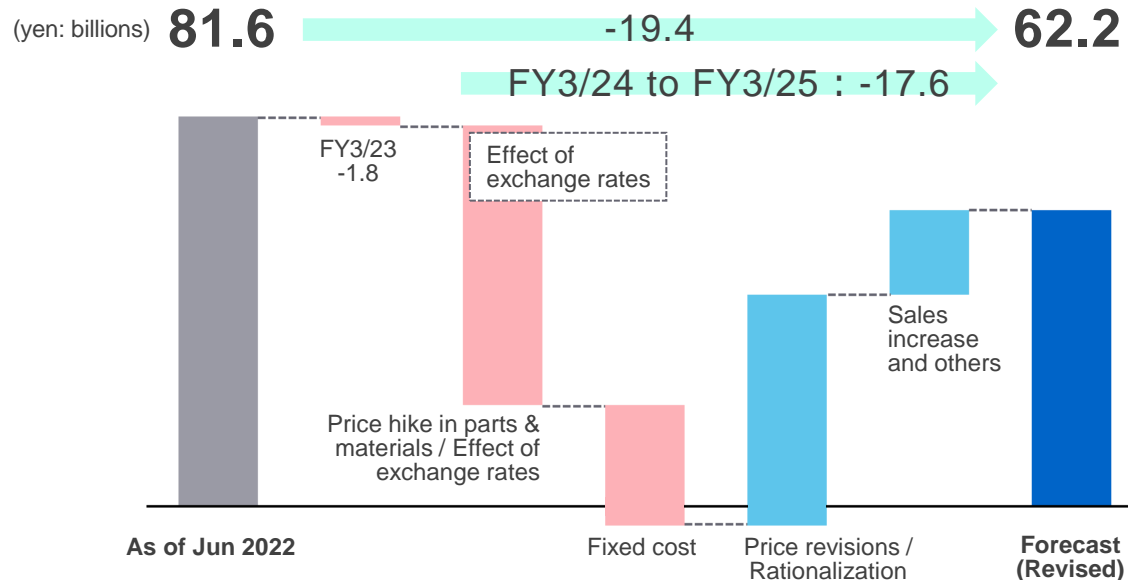
KGI Progress

Cumulative operating cash flow: Maintain KGI by reducing inventory to counter the deterioration caused by declining profits

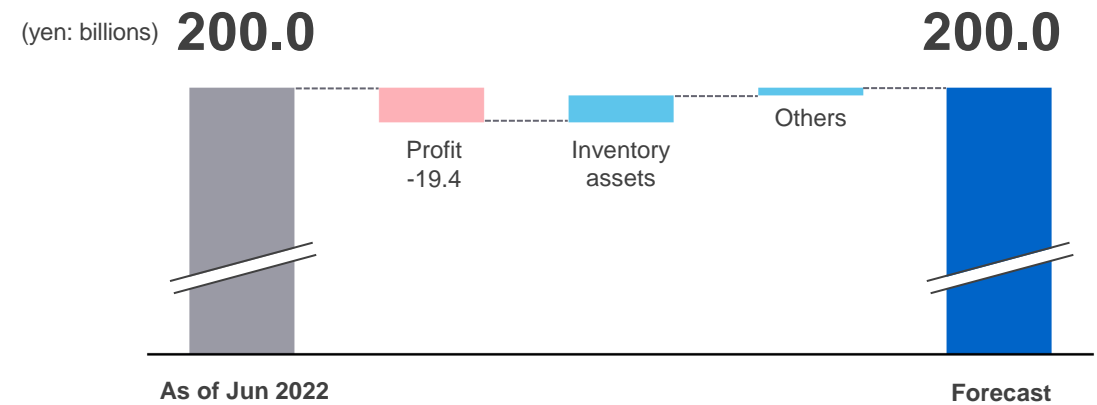
FY3/25 ROIC: KGI has been revised due to the impact of yen depreciation, etc. Strive to achieve KGI excluding the effect of exchange rates

- Cumulative operating profit (FY3/25)

In FY3/24-FY3/25, although external conditions have become more severe since June 2022, we aim to achieve the initial target for operating profit (as of June 2022), excluding effect of exchange rates.



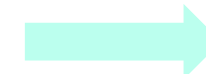
- Cumulative Operating CF



- ROIC (FY3/25)

As of Jun 2022

8.5%

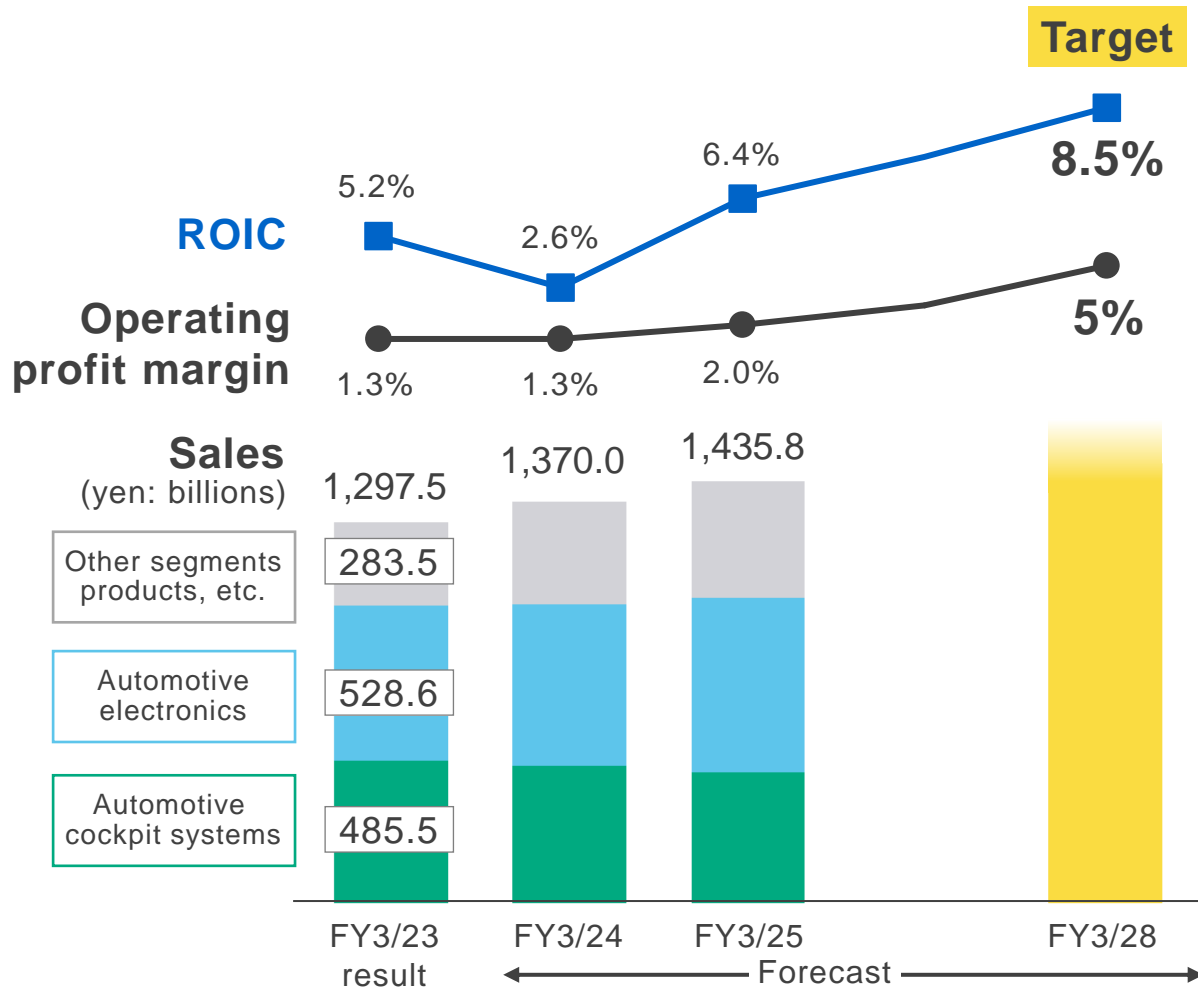


KGI (Revised)

6.4%

Target Profitability in FY3/28

Improve profitability in On-board Charging Systems and Automotive Cockpit Systems, etc.



Major efforts to improve profitability

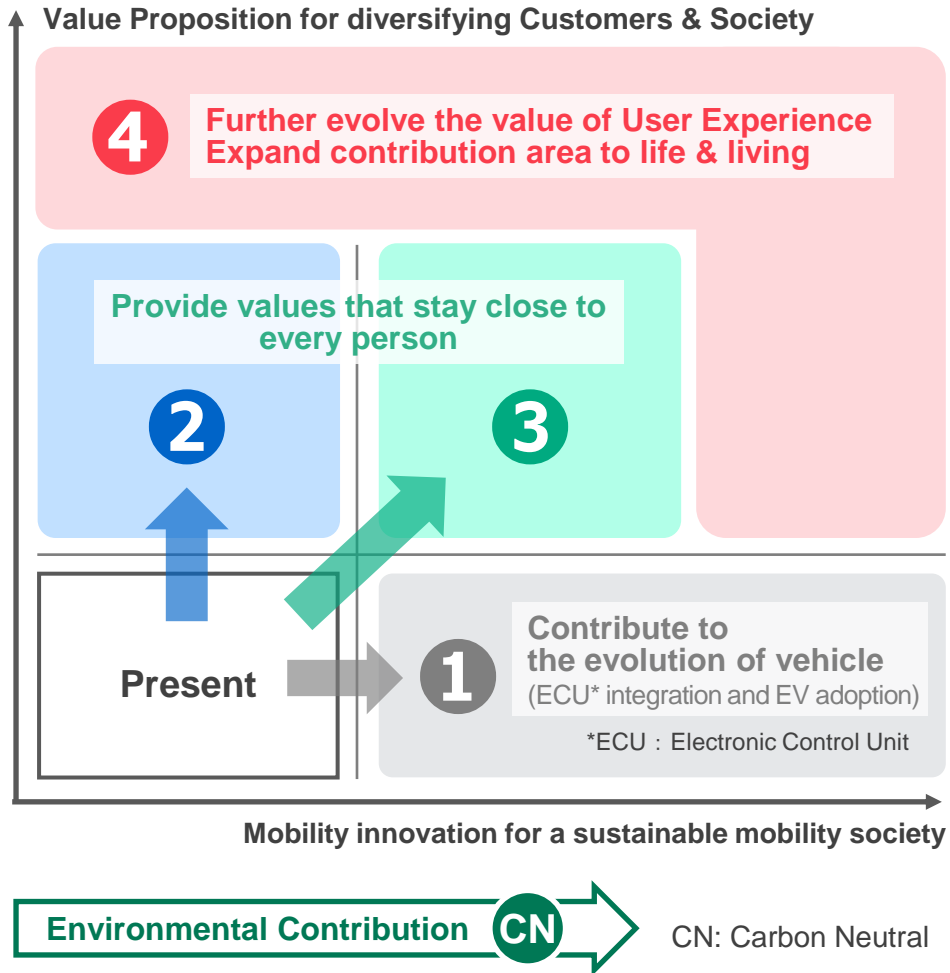
- **Reducing loss in on-board charging systems business**
 - Loss reduced from FY3/23 and continue to make effort in improvement of productivity and loss cost
- **Automotive Cockpit Systems**
 - Expand new business such as software development support services
- **Automotive Electronics systems**
 - Replacement of product mix
- **Strengthened operation capability**
 - Optimize fixed costs by improving operational efficiency through efficient development, DX investments, etc.

Progress in Medium- to Long-term Strategy

Future Initiatives

Direction toward CY2030 ~ To Achieve Our Mission

Value Matrix



Business Direction toward CY2030

4	- Creating new service businesses that transform mobility society
2 3	- Realizing products with Panasonic's unique UX* value for future in-vehicle cockpit
1	- Automotive cockpit integrated solutions Creating high value UX* for advanced cockpits enabled by system and device solutions focusing on CDCs**.
	- EV Solutions Contribute to expansion of EV market by providing power electronic technologies and devices that offer both reduced weight and electric power consumption.
CN	- Scope1,2 Achieved Net zero*** CO ₂ emissions at all main sites in FY3/23 (**including renewable energy procurement)
	- Scope3 Contribute to society's carbon neutrality by first starting from transparent status visualization

*UX: User Experience
**CDC: Cockpit Domain Controller (The various functions of the cockpit are consolidated into this single electronic control)

Achievement in FY3/23 and Market Overview

Receive orders that will contribute to future sales

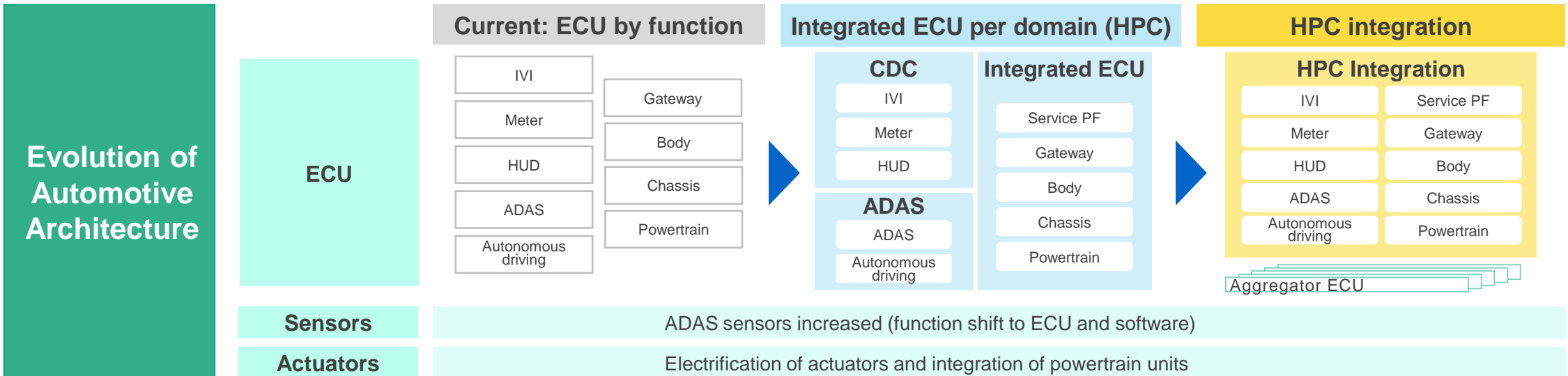
Improve profitability and generate results from environmental initiatives

Identify market changes and clarify the direction of focus

	Area	● Result	◆ Market overview
1	Cockpit integration solutions	● Received 2 CDC project orders	◆ Accelerating technological evolution of automotive architecture ⇒ Software development capabilities become even more important
	EV solutions	● Onboard charging system business turn to a decrease of loss amount from FY3/23	◆ Progress in High voltage (800V) EV and integration of DC/DC converters with automotive chargers
2 3	Create UX value	◆ Value that users seek shift from driving performance to user experience (UX) due to conversion to EV ◆ Advanced functionality and acceleration of social implementation of system in China, etc.	
4	Service	● Contribute to Delivery industry with fleet management system "DRIVEBOSS"	
CN	Net zero CO ₂ emissions	● FY3/23 Scope 1,2 Achieved Net zero CO ₂ emissions	

Shift to software-centric architecture (Software Defined Vehicle)
 → ECU integration and HPC progress will accelerate

<h2 style="margin: 0;">SDV</h2> <p style="margin: 0;">(Software Defined Vehicle)</p>	<p>A new concept of vehicle where software drives the evolution</p> <ul style="list-style-type: none"> • Vehicle whose functions and values are determined by software • From a hardware-centric system to a software-centric system <p>⇒ Progress in separate development of software and hardware</p>
<h2 style="margin: 0;">HPC</h2> <p style="margin: 0;">(High Performance Computer)</p>	<p>The heart of the architecture that realize create new concept of cars</p> <ul style="list-style-type: none"> • Evolution to a centralized computing model in Next-Gen EVs <p>⇒ Requires integrated ECU for high-performance processing</p>



The CDC strategy has been steadily progressing for both customer and technology strategies
 → Leveraging our strengths in CDC development, we will strengthen strategic-technology assets and aim to receive integrated HPC orders.

Vision (Value proposition)

Provide optimize HPC solution with the cockpit at a core and contribute to SDV/integrated HPC for car manufactures

Our strength

- Leading market share in IVI·CDA*
- High coverage of cockpit-related products and technologies
- SDV infrastructure technologies such as virtualization, OS, security, etc.

Automotive Cockpit Systems result

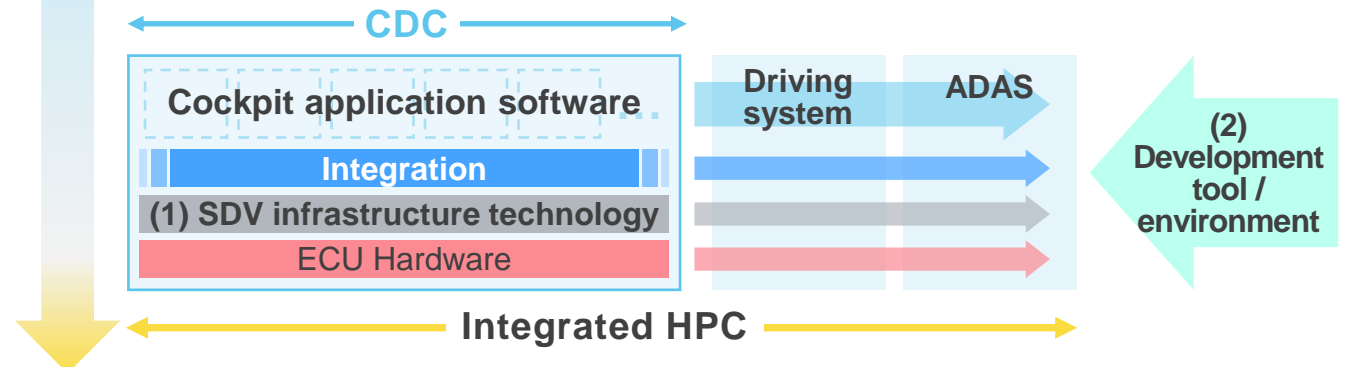
(yen: billions)	FY3/23
Sales	485.5
Adjusted OP	21.5 (4.4%)

*CDA: Connected Display Audio

Initiatives for business reform

CDC Strategy

- Promoting co-creation with customers
 - Received 2 orders in FY3/23
- Strengthen strategic-technology assets
 - SDV infrastructure technology: virtualization / OS / security, etc. (1)
 - Tool and environment to support software development innovation (2)



Integrated HPC strategy

To be an "enabler" for customers who are moving toward SDV and integrated HPC

Aiming to post integrated HPC sales in early 2030s

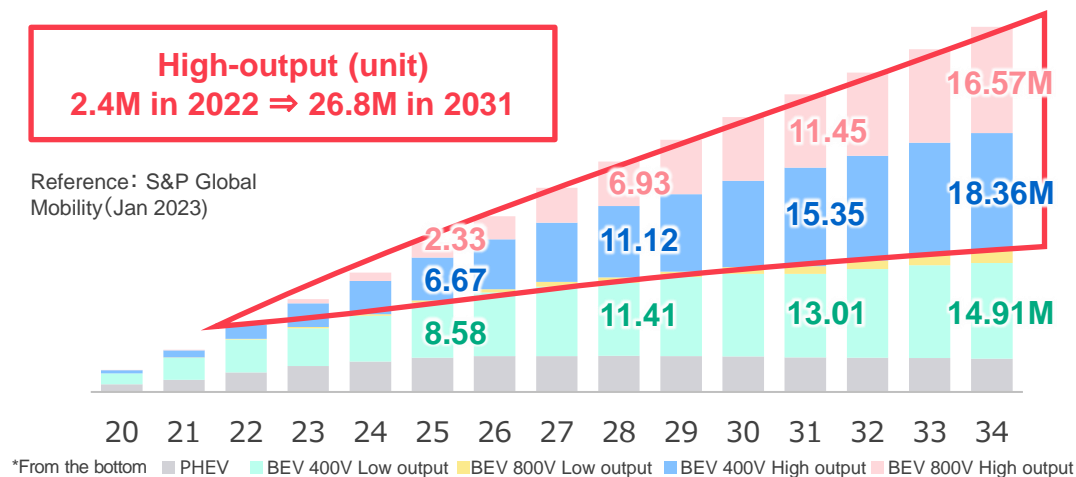
Improve profitability of existing orders and aim to achieve positive profit for onboard charging systems business within FY3/29

Establish the technologies with onboard charging systems as a core and make effort to accelerate the business growth

Onboard Charging System Market Outlook

High-output (unit)
2.4M in 2022 ⇒ 26.8M in 2031

Reference: S&P Global
Mobility(Jan 2023)



Progress on existing project

- Projects in mass production contributed to profit growth with a turnaround to reduce losses from FY3/23
- Received new order which is minor change model of previous orders (will post sales from mid 2020s)

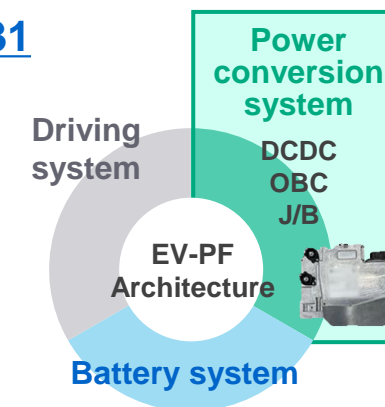
Vision (Value Proposition)

Contribute to EV expansion through the evolution of power conversion systems with charger system at the core

Efforts to gain new orders

Investment phase toward FY3/31

- Establish the technologies which required for BEV market expansion such as 800V, integration, V2X* in addition to high power output.
- Utilize our competitive advantage, promoting activities to win orders by narrowing down our focus to those projects where we can ensure appropriate profitability.



*V2X: Vehicle to everything

Creation of UX Value in Cockpit Area

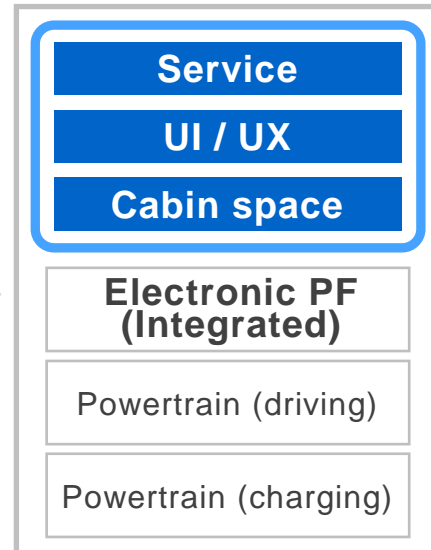
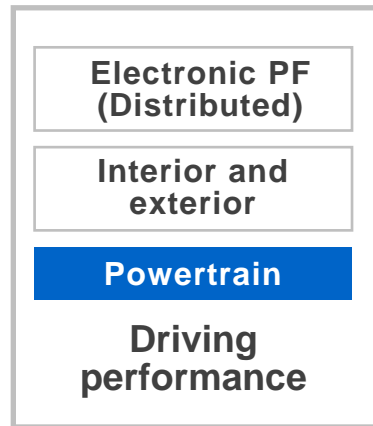
Generate new business flexibly and rapidly to create new UX solutions

Value Shift coming from conversion to EV

Provide comfort experience in the mobility space through personalization

ICE*

EV

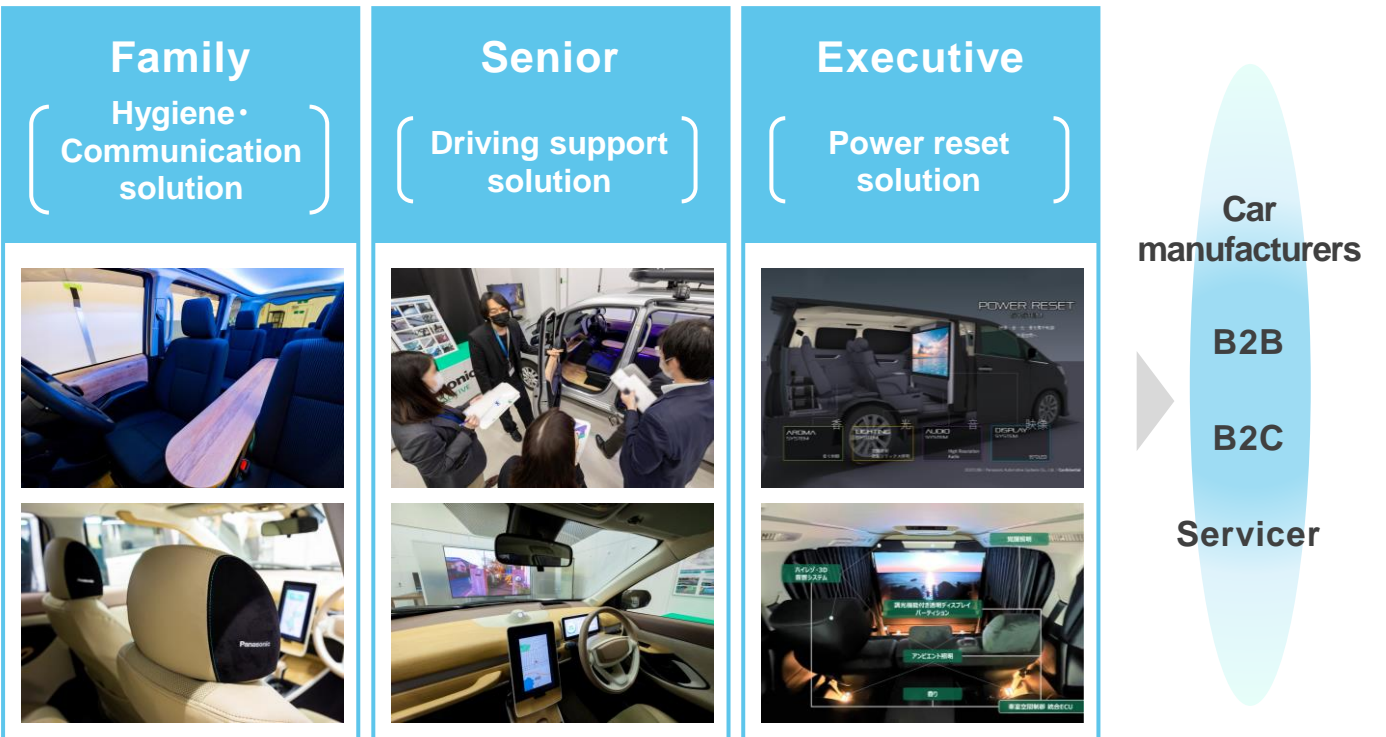


Infrastructure

*ICE: Internal-combustion engine

Vision (value provided)

Through a combination of software and device modules, create new UX solutions in cockpit and in-cabin to provide end users a valuable mobility experience.

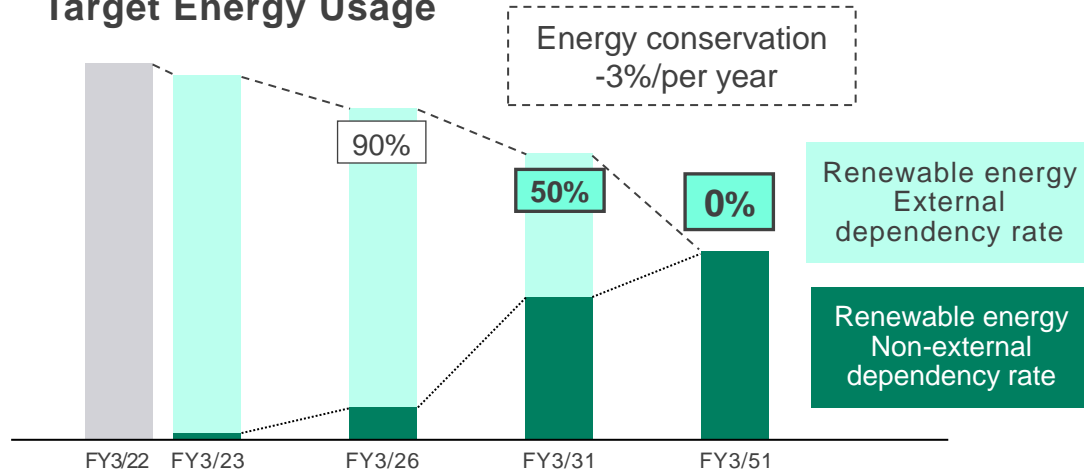


Initiatives for Environment

Achievement of zero CO₂ emissions drives and lead Panasonic Group CO₂ reductions activities
Promoting visualization of CO₂ emissions in supply chain as a "source of competitiveness"

Scope 1,2

Target Energy Usage



Target KPI

- Energy conservation: - 3%* /per year *3% decrease vs. YoY
- Renewable energy: Non-external dependence ration 50% at FY3/31

FY3/23 result

- Energy Conservation : - 4%
- Achieved virtually zero CO₂ emissions at all global bases (First in Panasonic Group)

Renewable energy: Challenge to achieve 100% non-external dependence ration FY3/51

Example of Energy Conservation Efforts



Reduced energy consumption through air pressure optimization

Scope 3

Monitor trend of LCA ** formulation in the automotive industry and promote initiatives

- Establish the calculation method for CO₂ emission by product and create an efficient CO₂ reduction process
- Establish the system to visualize the CO₂ emissions in the supply chain including suppliers

**Life Cycle Assessment

Our "3 layers of Transformation" to Aims to Achieve

Become a bold challenger organization without being fear of failure by recognizing that opportunity exist in a drastically shifting mobility industry

Our Mission & Vision



*PX: Panasonic Transformation

Initiatives in Strengthening Operational Capabilities

(manufacturing)

Steady progress in FY3/23 and contributed to improved profitability

Make it a source of competitiveness through spreading successful initiatives taken by each site horizontally and improve business process across the organization

Achieving results at individual locations (Example at Tsuruga site)

- Production lead time halved* at all sites

*Production lead time: Lead time from in-house production to delivery to customers

Utilize digital to determine production and material procurement numbers

Future development

Expansion to global sites

FY3/24 : Domestic sites FY3/25: Overseas sites

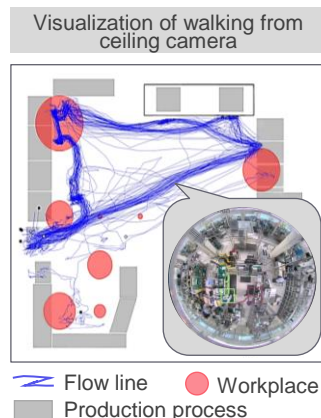
- AI-implemented line doubles productivity

AI replaces employee know-how in analyzing waste in work processes

- Reduce analysis time
- Employee focus on value-added activities

Future development

Expansion to global sites



Reduced inventory
⇒ Cashflow improvement

Company-wide efforts to create results

- Reform processes from both ECM* and SCM

SCM

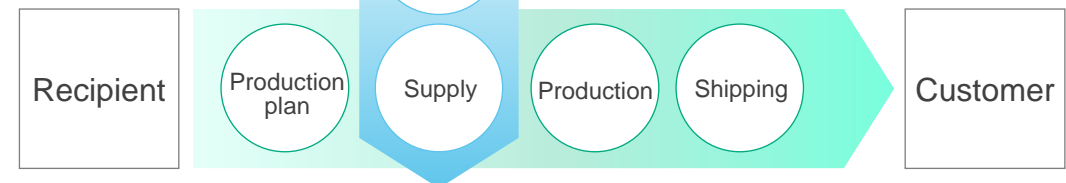
Streamlining

- inventory
- production plan
- BOM** information

ECM

Promote

- Common sharing of parts and materials
- Standardization of manufacturing methods



*ECM: Engineering Chain Management **BOM: Bill of Materials

Overall Thoroughly eliminate waste in business processes

Reduced waste ⇒ Strengthen cost competitiveness
Reduced inventory ⇒ Cashflow improvement

Strengthening Operational Capabilities (software development)

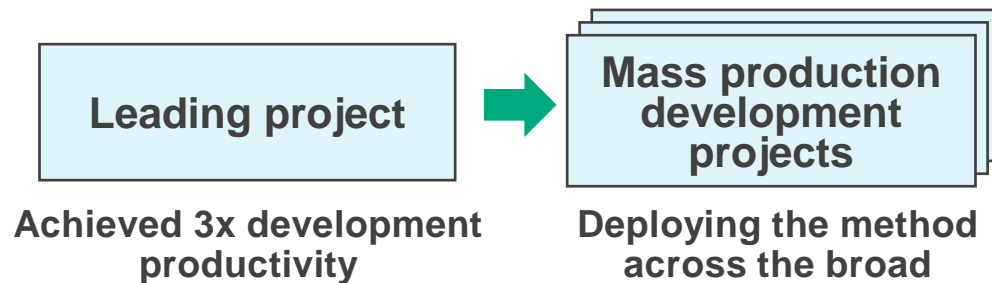
Steady progress in development productivity KPIs and achieving control of development cost
Contributing to the realization of "ever-evolving vehicles" by shortening development lead time

Improving development productivity

- Established the method to achieve 3x development productivity in leading project which applied various measures

Future development

- Achieve a 3x development productivity in leading program (vs. FY3/22)
- Deploy the methodology throughout the mass production development project

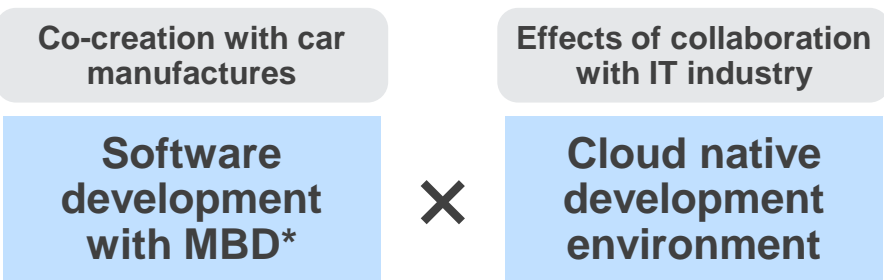


Reducing development lead time



Speed of software evolution determines the value of vehicles as SDV and integrated HPC advance

- Reduction of software development lead time to shorten the cycle of introducing new functions to vehicles
⇒ Continuously realize the cutting-edge functionality



Agile development practices

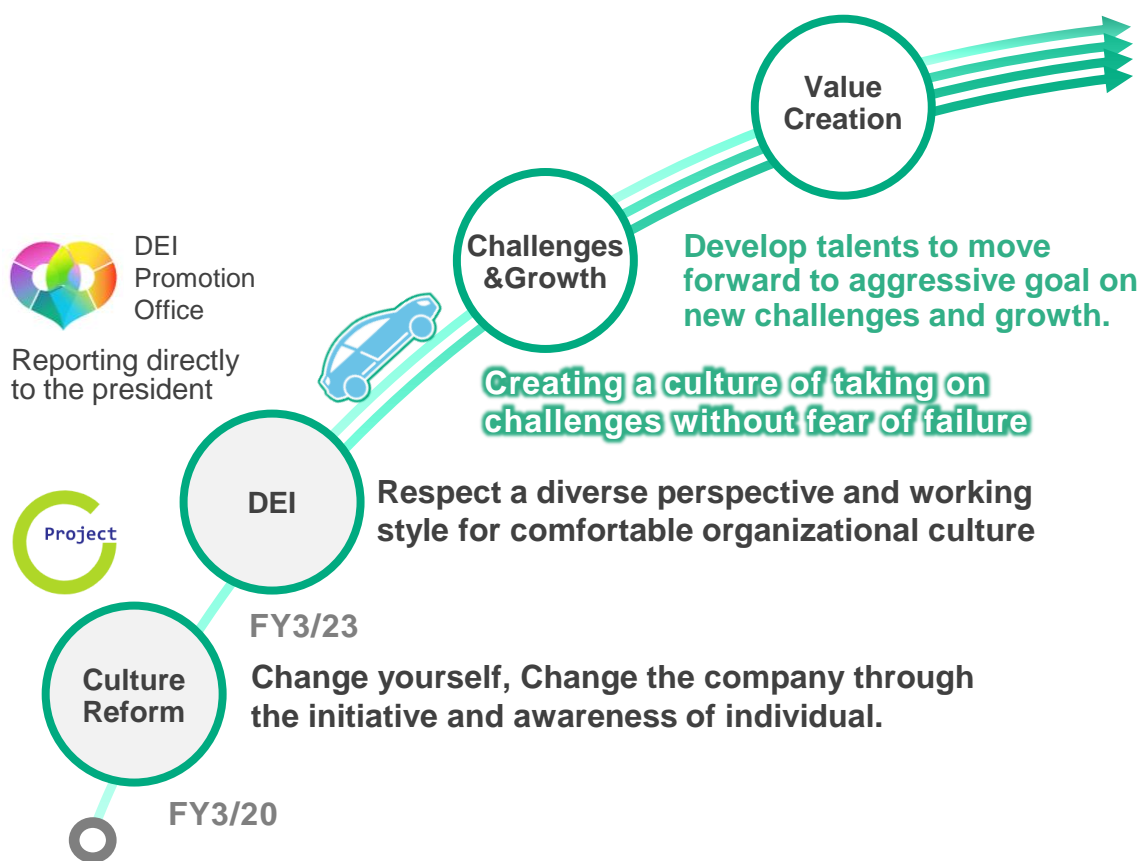
*MBD: Model-Based Development

Control development cost ⇒ Cashflow improvement

Efficiently develop more themes ⇒ Strengthen proposal capabilities and expand opportunities for orders

Initiatives for Reinforcement of Human Resource Development

Rebuild investment plan in Human Resource Development and HR systems, to accelerate the challenges taken up of by each employee, in response to changes in the business environment and the diversification of employee attitudes toward work



Realization of our Mission & Vision

FY3/24 to
FY3/25 HR
Systems
Reform

- Reform of management by objectives / evaluation / compensation system
- Support for self-directive career development
- Rebuild human resource development system
- Retraining of middle managers



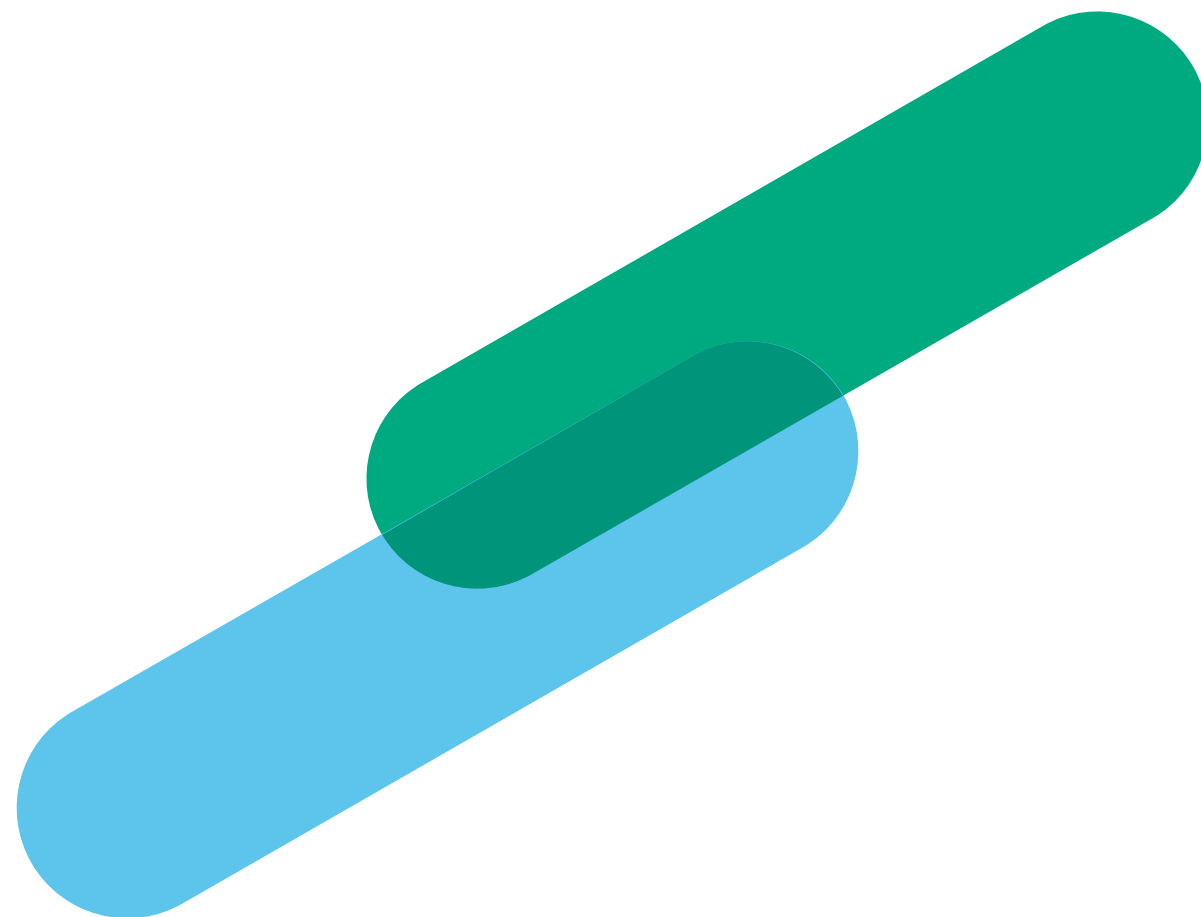
DEI & Culture
Reform
(continue)

- Developing a thoroughly comfortable working environment that maximizes diversity and individuality
- Work style / Workplace Reform
 - Promotion of Health Management

- **Investment Human Resources 5% up** (non-consolidated basis)
- **Engagement 76% up** EOS * favorable response for FY3/26 (non-consolidated basis)

* EOS: Employee Opinion Survey

Thank you.
Panasonic Automotive



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(Reference) Financial Figures (P/L, B/S, C/F)

* End of each fiscal year <unaudited>

P/L	(yen: billions)	FY3/23	FY3/24 (E)	FY3/25 (E)
Sales		1,297.5	1,370.0	1,435.8
Adjusted operating profit		14.2	18.0	29.6
Other income/loss		2.0	0.0	-1.6
Operating profit		16.2	18.0	28.0
(OP % to sales)		1.3%	1.3%	2.0%
Depreciation of PP&E		27.3	29.0	29.2
Total of Amortization of Intangible Assets and Depreciation of Right-of-use Assets		34.2	31.0	21.5
EBITDA		77.7	78.0	78.7
(EBITDA % to sales)		6.0%	5.7%	5.5%

B/S	(yen: billions)	FY3/23	FY3/24 (E)	FY3/25 (E)
Cash and cash equivalents		100.2	-	-
Trade receivables		142.7	-	-
Inventories		185.4	-	-
Other current assets		51.1	-	-
Current assets		479.4	-	-
Property, plant and equipment		86.5	-	-
Right-of-use assets		16.2	-	-
Goodwill and intangible assets		77.5	-	-
Other non-current assets		30.6	-	-
Non-current assets		210.8	-	-
Total assets		690.2	-	-
Trade payables		145.5	-	-
Debt (1)		104.9	-	-
Lease liabilities (2)		16.1	-	-
Other liabilities		244.5	-	-
Liabilities		511.0	-	-
Equity (3)		179.2	-	-
Invested capital (1)+(2)+(3)		300.2	-	-
ROIC		5.2%	2.6%	6.4%

C/F	(yen: billions)	FY3/23	FY3/24 (E)	FY3/25 Cumulative (E)
FCF		2.9	-	-
Operating CF		47.8	88.3	200.0
Investing CF		-44.9	-	-
Capital investment		24.9	29.0	-
Investment in intangible assets		19.3	-	-
R&D expenditures		99.9	-	-

*These figures are calculated on an accrual basis.