

Panasonic Industry Co., Ltd.

Medium- to Long-term Strategy and Future Initiatives

June 1, 2023

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Representative Director, President and CEO

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.

- **FY3/2023 Results and FY3/2024 Forecast**
FY3/2023 Results, Business Environment Recognition,
FY3/2024 Forecast
- **Medium- to Long-term Future Initiatives**
Medium- to long-term management objectives,
growth strategy (core business strategy)
- **Initiatives to Support Sustainable Business Growth**
Human resources strategy, environmental strategy

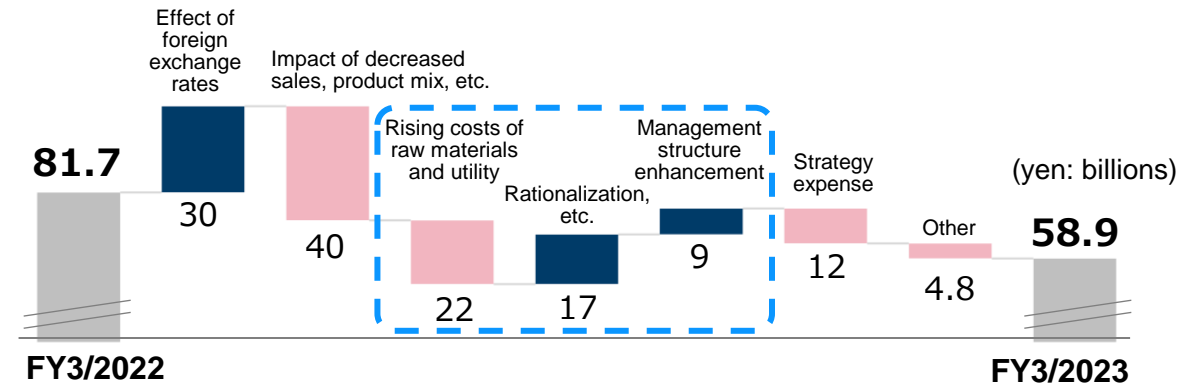
Profits decreased due to the rapid deterioration of market conditions in the second half. Operating C/F improved due to strengthened operational capabilities

* Excluding the effect of foreign exchange rates

(yen: billions)	FY3/2023 Results	Diff. vs. LY	Actual diff. vs. LY*
Panasonic Industry products only (Excluding products of other operating companies)			
Sales	960.5	+52.1	-39.6
Adjusted operating profit (ratio)	58.9 (6.1%)	-22.8	-52.5
EBITDA (ratio)	118.9 (12.4%)	-10.7	—
Operating C/F	119.9	+48.4	—
ROIC	9.5%	-3.5%	—
Panasonic Industry total			
Sales	1,149.9	+21.8	-82.7
Adjusted operating profit (ratio)	63.3 (5.5%)	-23.3	-53.4
EBITDA (ratio)	125.4 (10.9%)	-10.2	—
Operating C/F	127.6	+55.4	—
ROIC	9.6%	-3.0%	—

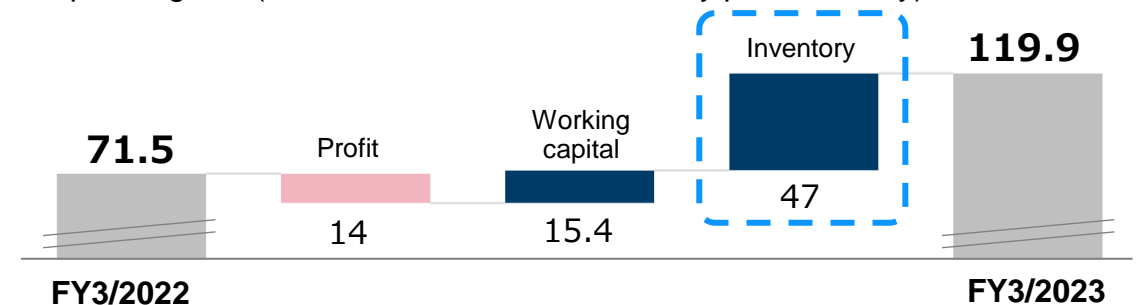
■ Impact of raw material price hikes countered by rationalization, etc.

Adjusted operating profit (Diff. vs. LY: Panasonic Industry products only)



■ Generate funds for future growth by optimizing inventories, etc.

Operating C/F (Diff. vs. LY : Panasonic Industry products only) (yen: billions)



Market conditions are expected to bottom out in Q2. However, the speed of recovery will be slow

■ Assumptions for FY3/2024 outlook

Automotive CASE

- Demand for eco-cars **will continue to grow.**
- Semiconductor supply problems are easing.
Sales of overall automotive-use are **on par with the previous year.**

Information/communication infrastructure

- Cloud market growth will slow down. Server and data center production is on par with the previous year. A full-fledged recovery in demand is expected **in the next fiscal year or later.**

China FA

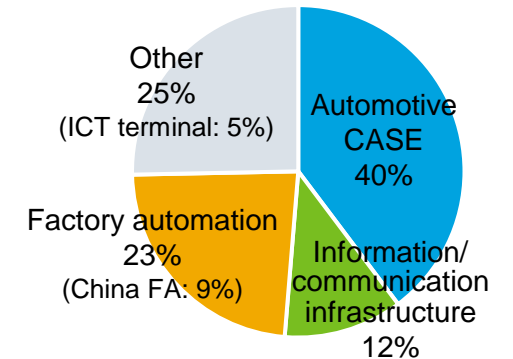
- Uncertain business climate will continue, so a **cautious stance** on capital investment is expected **to continue.**

ICT terminal

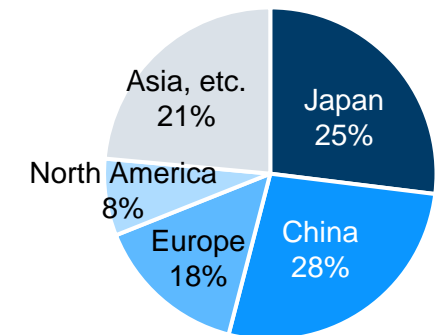
- Inventory adjustment is underway for laptops and smartphones. Sales are expected to bottom out in the second half, but will still be **below the previous year's level.**

■ Sales ratio (FY3/2023)

[By field]



[By region]



Looking to the medium term, continue investment for growth

* Excluding the effect of foreign exchange rates

(yen: billions)	FY3/2024 Forecast	Diff. vs. LY	Actual diff. vs. LY*
Panasonic Industry products only (Excluding products of other operating companies)			
Sales	966.0	+5.5	+36.2
Adjusted operating profit (ratio)	59.0 (6.1%)	+0.1	+5.8
EBITDA (ratio)	120.3 (12.5%)	+1.5	—
Operating C/F	90.5	-29.4	—
ROIC	8.8%	-0.7%	—
Panasonic Industry total			
Sales	1,090.0	-59.9	-26.6
Adjusted operating profit (ratio)	60.0 (5.5%)	-3.3	+2.4
EBITDA (ratio)	122.5 (11.2%)	-2.9	—
Operating C/F	94.0	-33.7	—
ROIC	8.2%	-1.4%	—

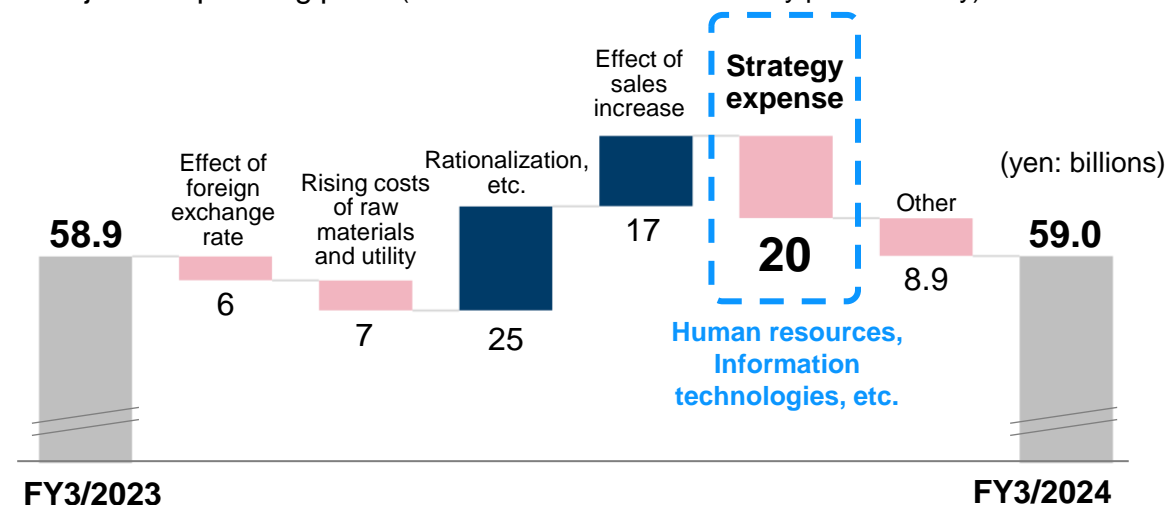
Strategic investment for growth

- Capital investment: **78** billion yen
(Diff. vs. LY: **+13** billion yen, % of sales*: **8%**)
- R&D expenses: **68** billion yen
(Diff. vs. LY: **+7** billion yen, % of sales*: **7%**)

* % of sales: For Panasonic Industry products only

Invest in human resources and IT as the foundation of management

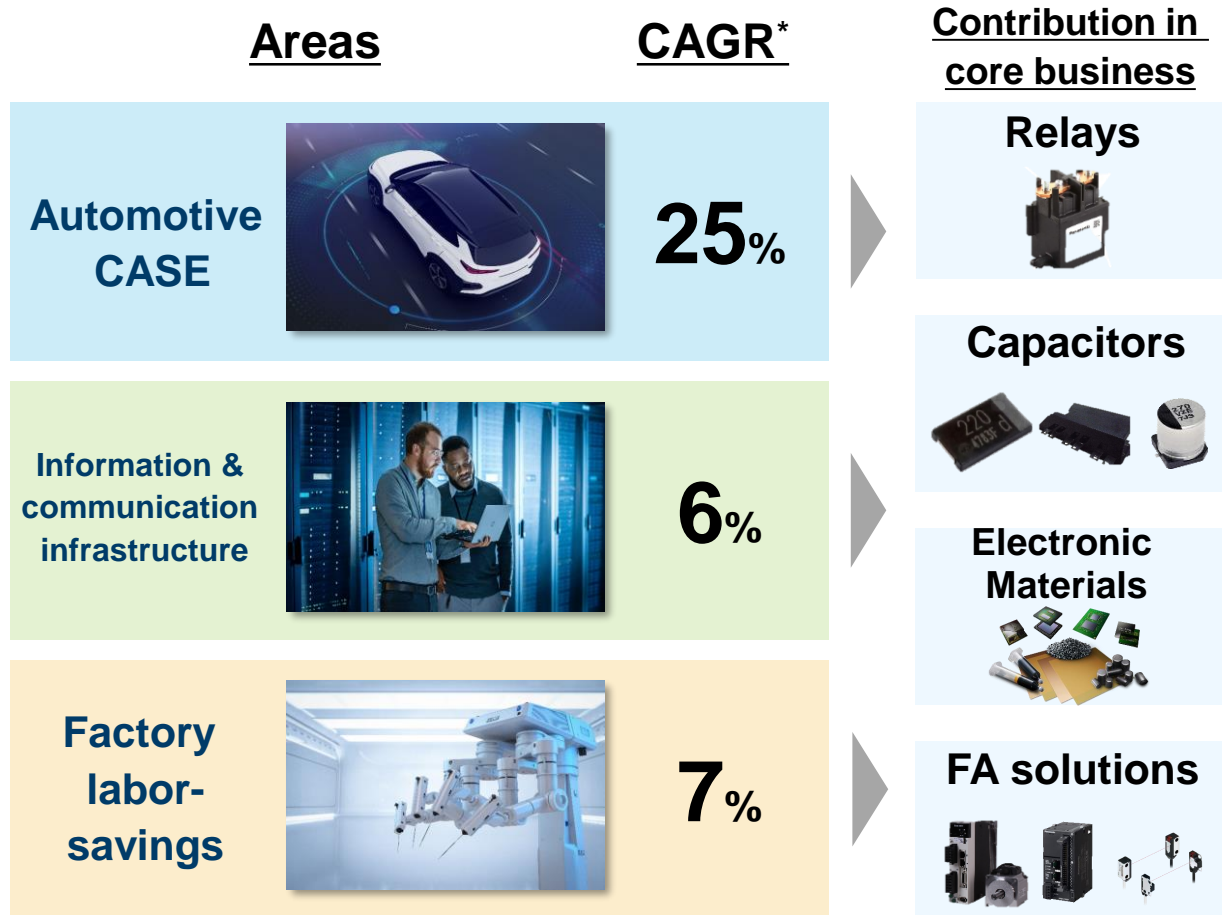
Adjusted operating profit (Diff. vs. LY: Panasonic Industry products only)



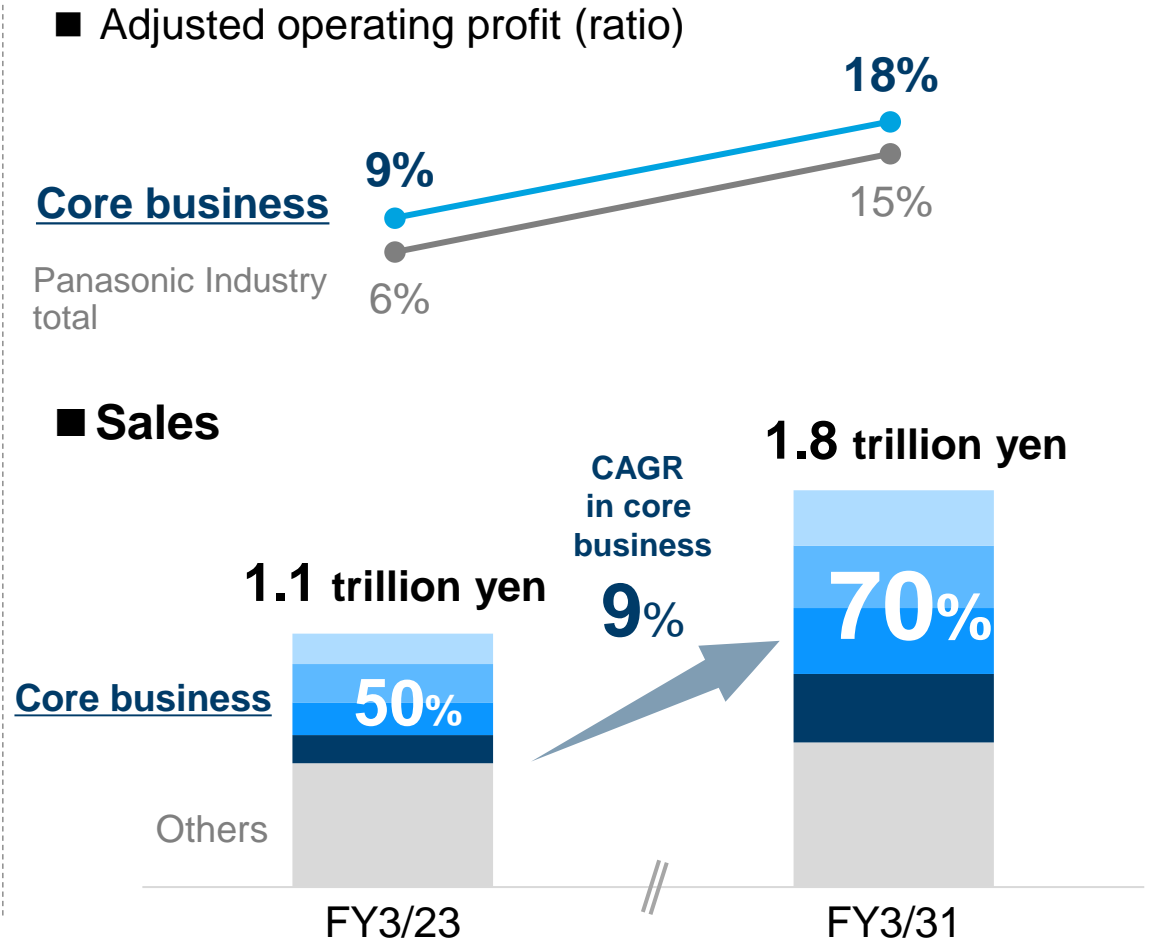
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Aim for sales of 1.8 trillion yen in FY3/31 by concentrating on core businesses with strong social demands

* All figures are based on Panasonic Industry total



*CAGR: Forecasts of growth for representative applications in each area (Our estimate based on various survey data)



Sharpen competitiveness through the evolution of our materials and process technologies



EV relays

Growth potential

- With the spread of EVs and with their output becoming higher, **the need for high-speed power shutdown in the event of an abnormality will expand.**

Competitive-ness

- Integrated modularization with a strong EV relay at the core **achieves shutdown performance that cannot be achieved with a single product.**



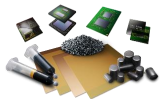
Capacitors

Growth potential

- With information/communication infrastructure and the electrification of vehicles, **there will be an increasing need for high-performance/high-reliability capacitors.**

Competitive-ness

- **Materials and process technologies** that are the source of our differentiation are being **further advanced.**



Electronic materials

Growth potential

- With the dramatic evolution of processing performance, **there will be an increasing demand for increasingly complex semiconductor structures and higher speeds.**

Competitive-ness

- **De facto development is accelerated** through product development closely linked to major leading semiconductor customers.



FA solutions

Growth potential

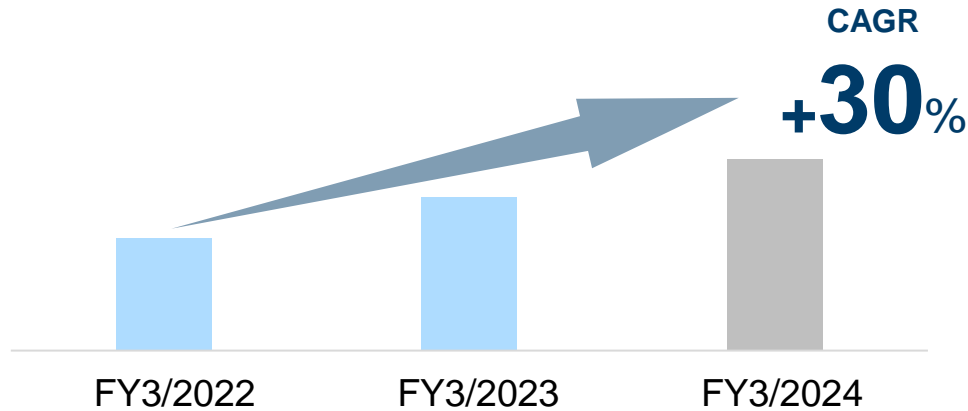
- In the fast-growing Chinese equipment market, **there are many small and medium-sized equipment manufacturers without sufficient know-how.**

Competitive-ness

- **Capable of providing packaged products with unrivaled ease of installation,** with strong, small servo motors at the core.

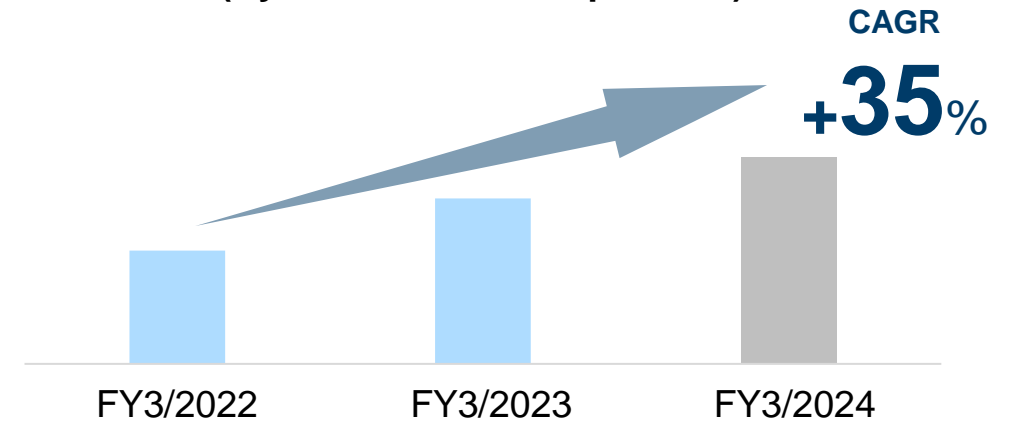
Representative product initiatives in core businesses

EV relays



Automotive capacitors

(Hybrid aluminum capacitors)



Sales

Initiatives

Achieve both improved shutdown performance and cost rationalization

- Accelerate in-house production of key materials and parts

[In-house production ratio]

FY3/2023 → FY3/2024 → FY3/2025

20% 40% 70%

- Realize high-output/high-current instantaneous shutdown by integrated modularization

Expand production capacity

(FY3/2023 → FY3/2025: Increase about **Twofold**)

- **Continue to invest** as the market expands due to electrification and higher output
- In addition to expansion in Japan, strengthen cost competitiveness through ASEAN production expansion

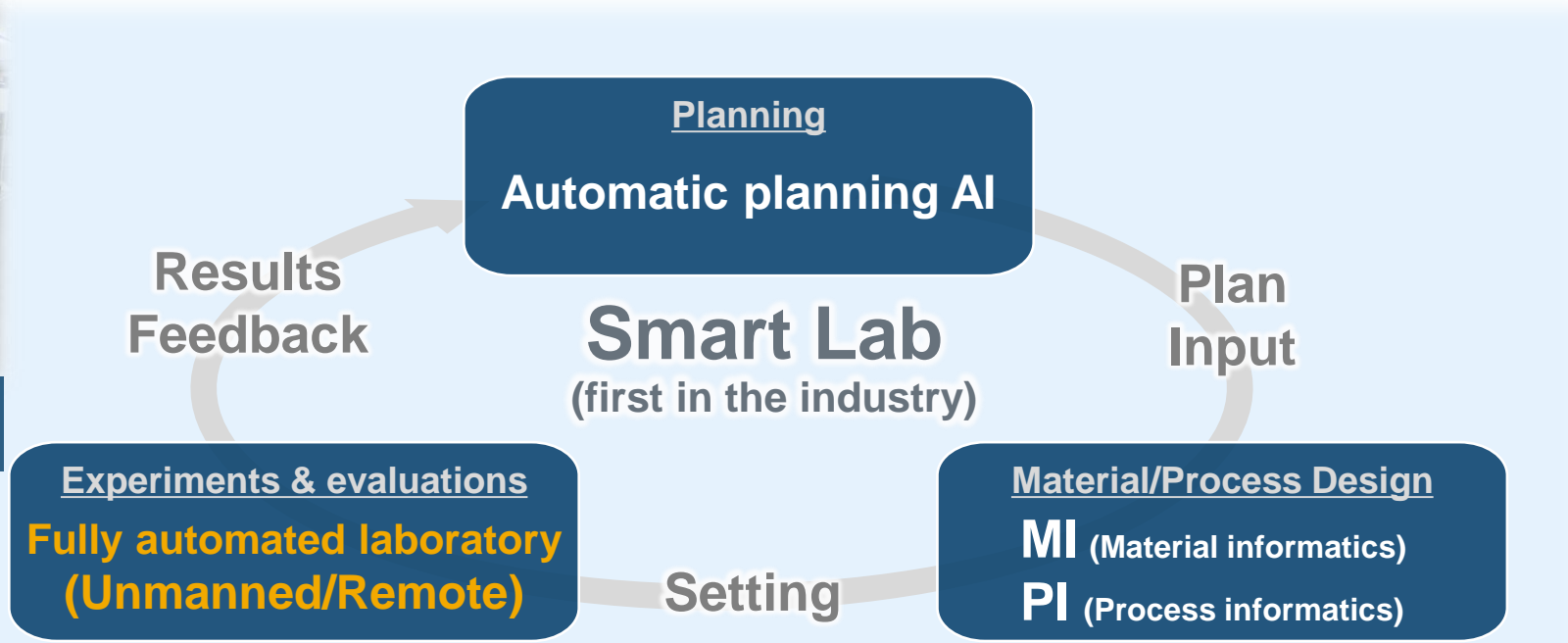
[Example of Strategic Investment]

Accelerating core business growth by significantly shortening the materials development process

Combining AI, MI, and PI in a fully automated laboratory to create a smart lab
(Reduces trial and error relying on researchers' experience and intuition)



Operating 24 hours a day,
365 days a year



Already introduced for capacitors, expanding to electronic materials, FA motors, etc.
from this fiscal year

Build a strong supply chain structure

In China

Establish a local-completion system

China Speed^{*1}

- Localize management
(accelerate decision-making)
- Localize product development

*1 Achieve the speed necessary for China

China Cost^{*2}

- Make full use of local parts, materials, and equipment
- Optimize quality standards locally

*2 Cost competitiveness nurtured in China

Outside China

Optimizing global supply system

- Film capacitors: Expand European bases
- Automotive relays: Make a shift from China to Vietnam
- Servo motors: Introduce next-generation products at Tatsuno site (Hyogo prefecture, Japan)

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Aiming to be a company where people and the organization continue to grow together driven by one's own will

Provide Fair Opportunities

Actively promote DEI

Aim for **100%** male childcare leave acquisition rate

Create barrier-free environment at **26** major domestic production sites

Provide Places to Take up Challenges

Define roles and human resources requirements and **Introduce transfers/promotions through a job posting system**

About **750** employees were transferred within 6 months of the introduction of the system

Provide Learning Opportunities

"Anyone can learn anytime, anywhere"
A new training program launched

More than **10,000** people have participated in the program

Provide Treatment That Rewards those who take up challenges

Systematize multiple career paths and develop professional human resources

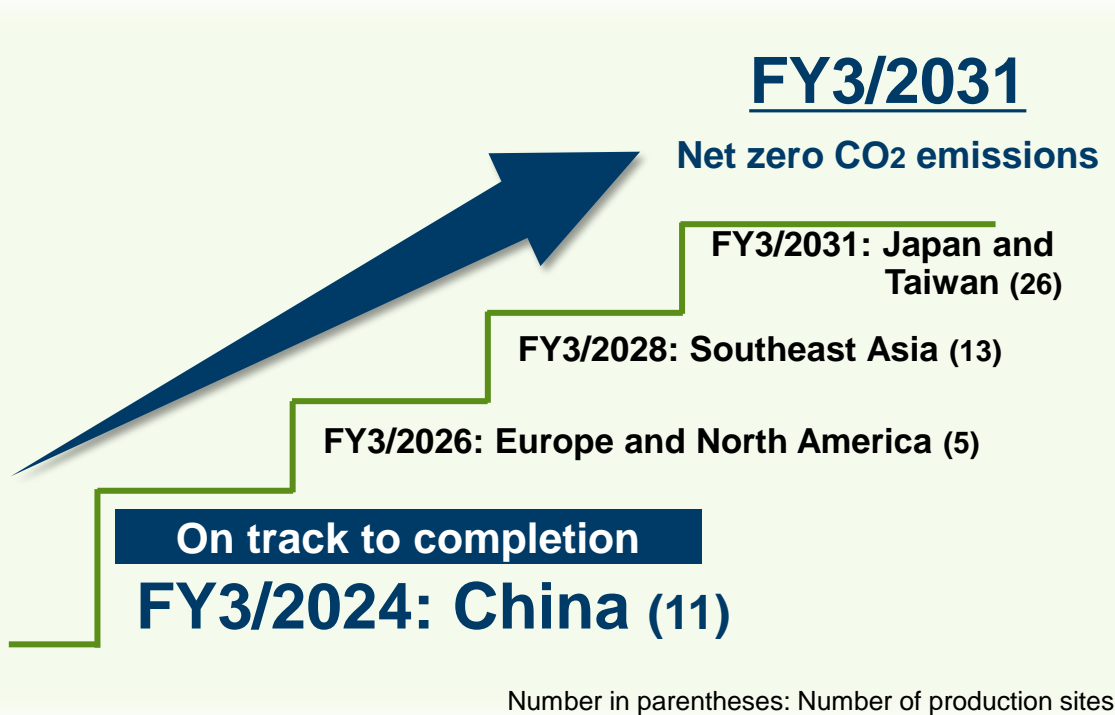
Promotion and salary increase by **Specialist Course**

Achieve both net zero CO2 emissions* and minimized energy costs by **FY3/2031**.

* CO2 emissions through manufacturing operations (scopes 1, 2)

■ Net zero CO2 emissions

- On track to achieve net zero emissions in FY3/2024 in China



■ Minimized energy costs

- Minimize management burden by promoting energy conservation and introduction of renewable energy

Example of Renewable Energy Introduction

Aiming to achieve optimal power mix based on footprint, cost, and regional characteristics

On-site PPA*/Self-power generation
(Expanding sequentially)

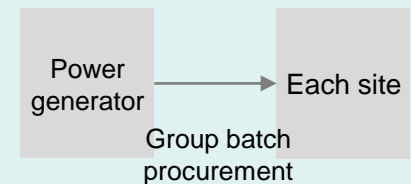
Adopted according to the area available for installation



Off-site PPA*

(Scheduled for FY3/2026 or later)

Electricity can be mutually transmitted between sites.



* PPA (Power Purchase Agreement): A system in which companies contract with power generators to purchase renewable energy-derived electricity from newly installed power generation facilities

Panasonic
INDUSTRY

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The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the Americas, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; the possibility that the spread of the novel coronavirus infections may adversely affect business activities of the Panasonic Group; the possibility that excessive currency rate fluctuations of the U.S. dollar, the euro, the Chinese yuan and other currencies against the yen may adversely affect costs and prices of Panasonic Group's products and services and certain other transactions that are denominated in these foreign currencies; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the possibility of the Panasonic Group not being able to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results or incurring unexpected losses in connection with the alliances or mergers and acquisitions; the possibility of not being able to achieve its business objectives through joint ventures and other collaborative agreements with other companies, including due to the pressure of price reduction exceeding that which can be achieved by its effort and decrease in demand for products from business partners which Panasonic Group highly depends on in BtoB business areas; the possibility of not achieving expected benefits in connection with the transition to a new organizational system in which Panasonic is a holding company; the possibility of the Panasonic Group not being able to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; restrictions, costs or legal liability relating to laws and regulations or failures in internal controls; fluctuations in market prices of securities and other financial assets in which the Panasonic Group has holdings or changes in valuation of non-financial assets, including property, plant and equipment, goodwill and deferred tax assets; future changes or revisions to accounting policies or accounting rules; the possibility of incurring expenses resulting from a leakage of customers' or confidential information from Panasonic Group systems due to unauthorized access or a detection of vulnerability of network-connected products of the Panasonic Group; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world, disruption of supply chain and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in the most recent English translated version of Panasonic HD's securities reports under the FIEA and any other documents which are disclosed on its website.

(Reference) Profile of Panasonic Industry Co., Ltd.

Number of employees

42 thousand

(13 thousand in Japan and 29 thousand overseas)

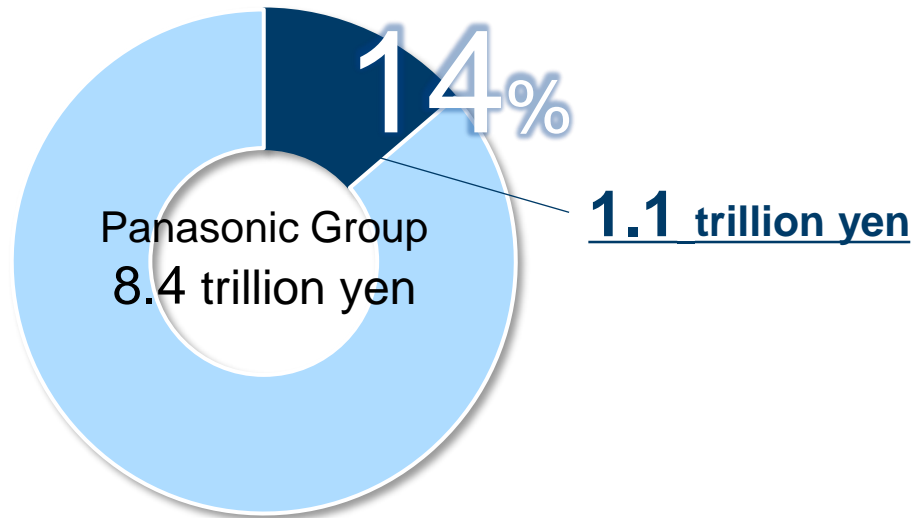
Number of bases

82 bases

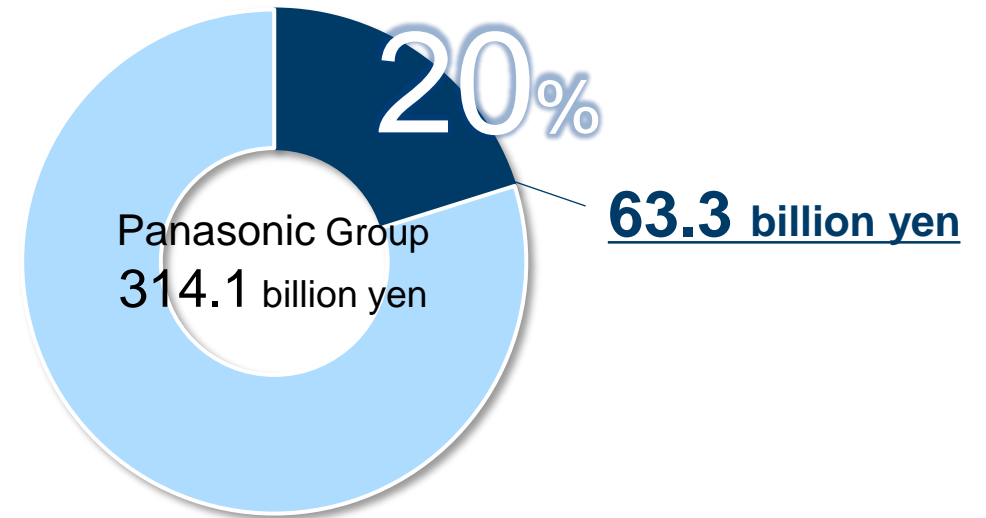
(33 in Japan and 49 overseas)

Positioning in Panasonic Group (FY3/23 Results)

Sales



Adjusted operating profit



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

All figures are based on Panasonic Industry total

* End of each fiscal year <unaudited>

P/L	(yen: billions)	FY3/23	FY3/24 (E)	FY3/25 (Target)
Sales		1,149.9	1,090.0	—
Adjusted operating profit		63.3	60.0	—
Other income/loss		3.4	- 1.5	—
Operating profit		66.8	58.5	—
(OP % to sales)		5.8%	5.4%	—
Depreciation of PP&E		51.9	56.0	—
Total of Amortization of Intangible Assets and Depreciation of Right-of-use Assets		6.7	8.0	—
EBITDA		125.4	122.5	—
(EBITDA % to sales)		10.9%	11.2%	—

C/F	(yen: billions)	FY3/23	FY3/24 (E)	FY3/25 Cumulative (Target)
FCF		62.5	—	—
Operating CF		127.6	94.0	More than 390
Investing CF		65.1	—	—
Capital investment* (tangible)		60.8	67.0	—
Investment in intangible assets*		4.4	11.0	—
Total capital investment		65.2	78.0	
R&D expenditures		60.5	—	—

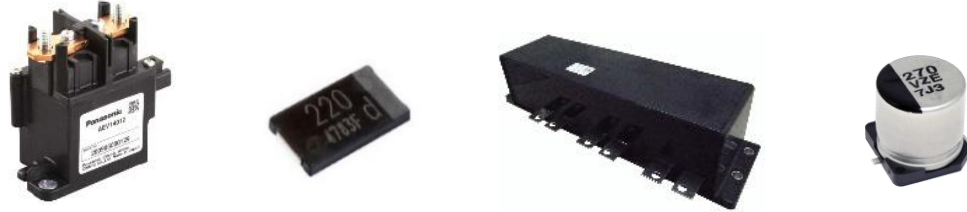
*These figures are calculated on an accrual basis.

B/S	(yen: billions)	FY3/23	FY3/24 (E)	FY3/25 (Target)
Cash and cash equivalents		156.9	—	—
Trade receivables		151.1	—	—
Inventories		140.1	—	—
Other current assets		30.5	—	—
Current assets		478.6	—	—
Property, plant and equipment		247.0	—	—
Right-of-use assets		23.6	—	—
Goodwill and intangible assets		10.0	—	—
Other non-current assets		29.5	—	—
Non-current assets		310.1	—	—
Total assets		788.7	—	—
Trade payables		110.1	—	—
Debt (1)		100.6	—	—
Lease liabilities (2)		26.0	—	—
Other liabilities		133.1	—	—
Liabilities		369.8	—	—
Equity (3)		418.9	—	—
Invested capital (1)+(2)+(3)		545.5	—	—
ROIC		9.6%	8.2%	More than 17%

(Reference) Units of Businesses with Sales Disclosed

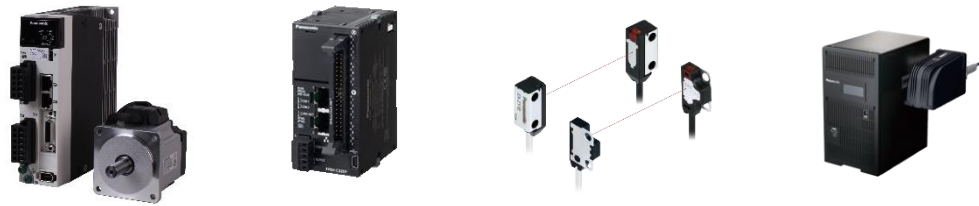
*Core business products indicated in bold

Electronic Devices



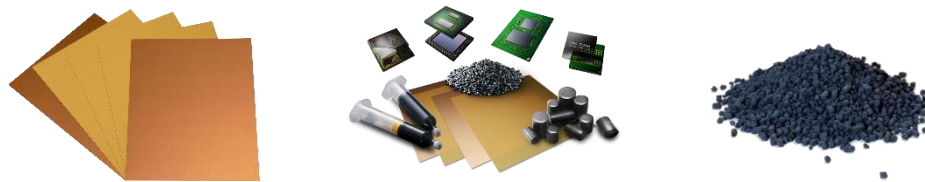
- EV relays
- **Conductive polymer capacitors**
- **Film capacitors for xEV**
- **Hybrid aluminum electrolytic capacitors**
- Motors for automotive and HVAC, etc.

FA Solutions



- **Motors for industrial application (Servomotors)**
- **PLC (Programmable controllers)**
- **Photoelectric sensors**
- **Laser markers, etc.**

Electronic Materials



- **Multilayer circuit board materials**
- **Semiconductor device materials**
- Molding compounds, etc.

(Reference) Main Products in Core Businesses

Core businesses	Product name	Main functions and role	Main applications (examples)
EV relays	EV relays	Space-saving high-capacity discontinuation to ensure EV safety	Powertrain/charging system for EVs and HEVs
Capacitors	Conductive polymer capacitors	Stabilize electrical circuit operation while suppressing heat generation and voltage drop	Servers, embedded boards, SSDs, various communications equipment, etc.
	Film capacitors for xEV	Smoothing and noise suppression of high voltage large current circuit	Inverter circuit of xEV and industrial infrastructure
	Hybrid aluminum electrolytic capacitors	Highly reliable hybrid electrolyte of conducting polymer and electrolytic solution	Headlamps, battery management systems, ECUs, etc
FA Solutions	Motors for industrial application (servomotors)	Compact, high-speed, high-precision device operation	Semiconductor manufacturing equipment, robots, automatic assembly and mounting machines, various FA equipment, etc.
	PLC (Programmable controller)	Integrated control of on-site equipment and collection/visualization of information	
	Photoelectric sensors	Ultra-compact sensor detects and positions solids and liquids	
	Laser markers	Delicate engraving without damaging products and parts	
Electronic materials	High functional multilayer materials (MEGTRON)	Circuit board materials that support high-frequency signals and other high-capacity and high-speed transmission	Large, high-speed servers, base stations, various communications equipment, etc.
	Semiconductor device materials	Realization of thinner, smaller, and more reliable leading-edge semiconductor packages	Advanced semiconductor packages (wafer level packages, etc.)

Details and other products can be found at the following URL: <https://industrial.panasonic.com/ww>

(Reference) About the Products of Other Operating Companies

The results of Panasonic Industry as a whole consist of two categories: "Panasonic Industry products" and "Products of other operating companies."

■ Panasonic Industry sales composition image



Products of other operating companies:

Products developed and manufactured by other operating companies and sold through Panasonic Industry's global sales platform

Main products

- Semiconductors (by Nuvoton Technology Corporation Japan)
- Various batteries (by Panasonic Energy Co., Ltd.)
- Air conditioner compressors (by Panasonic Corporation)

etc.

Panasonic Industry products: Products developed, manufactured, and sold by Panasonic Industry

* See pages 19 and 20 for main products.