



Message from the Group CEO



Expanding businesses that contribute to solving global environmental issues Setting automotive batteries as the priority investment area

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In the two years (fiscal year ended March 31, 2022 (fiscal 2022) and fiscal 2023) after I took office as Group CEO, I focused on enhancing competitiveness and worked to build a foundation for medium- to long-term growth rather than increasing profit temporarily. Although our efforts to enhance competitiveness yet have not been clearly reflected in our financial figures for the Group as a whole, some remarkable results were achieved at leading worksites of operation companies, such as a 50% reduction in production lead time and also a 50% reduction in safety stock. I am now confident that we can definitely improve profitability by accelerating the horizontal expansion of these good examples. I consider such confidence to be one of our major achievements of the past two years, and I feel that the foundation for enhancing competitiveness is definitely in place.

In fiscal 2024, in addition to further accelerating our efforts to enhance competitiveness, we are accelerating our transformation by further clarifying our Group vision and shifting to a growth phase. Specifically, the Group will make strategic investments in the priority investment area of automotive batteries, where we make significant contributions to solving global environmental issues and where we have made significant progress in enhancing competitive advantage. We will also move forward with business portfolio management, which has been put on hold for two years in order to concentrate on enhancing competitiveness.

With regard to management indicators (KGI) for our medium-term strategy from fiscal 2023 to fiscal 2025, we aim to achieve cumulative operating cash flow of 2.0 trillion yen, ROE of 10% or more (in fiscal



See also: [“Panasonic Group Strategy Briefing Materials”](#)

2025), and cumulative operating profit of 1.5 trillion yen. We continue to aim for achieving our operating cash flow target, which we place particular emphasis on, with constant *kaizen* (improvement) activities to reach for the ambitious target, leading to the next medium-term strategy for fiscal 2026 and beyond.

It goes without saying that my most important role as Group CEO is to increase corporate value. Our price book-value ratio (PBR) is staying around the minimum level of 1x. To improve corporate value, we will implement our Group strategy as promised, widely disclose its progress and results, and feed back the opinions we receive through dialogue with shareholders and investors into our management.

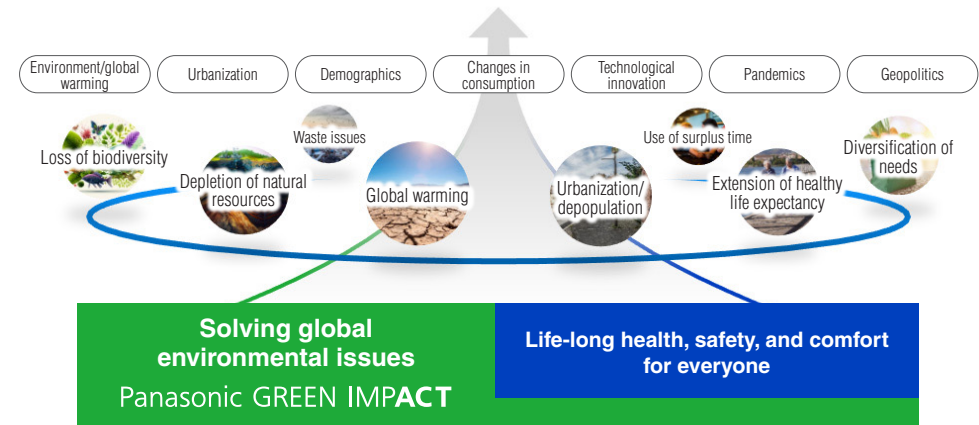
Panasonic Group Vision

Our mission is to realize what our 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.” Since our founding, to fulfill this mission, we have been making contributions to solving the societal issues and for the benefit of people through our business in keeping with the times. Even now, there are still many issues that need to be solved toward realizing this ideal society. To squarely address these issues and to make the achievement of our mission highly probable, we have focused on two aspects of contributions aimed by the Group.

The first is to contribute to “solving global environmental issues,” which I consider to be our pressing and most important issue. The second is to leverage the Group’s comprehensive strengths to contribute to the “life-long health, safety and comfort for everyone.” We have set these two areas as our Group-wide common strategies as we run the business going forward.

Panasonic Group Vision

An ideal society with affluence both in matter and mind





Message from the Group CEO

Group-wide common strategy 1: Environment (global warming prevention, resource recycling)

I recognize that global environmental issues are the biggest and most pressing issues preventing us from achieving our mission. Based on this recognition, we are working toward a solution with our long-term environmental vision “Panasonic GREEN IMPACT.” The numerical target of Panasonic GREEN IMPACT is to reduce CO₂ emissions by more than 300 Mt, which is equivalent to approximately 1% of the current total global emissions, by 2050. We will do this through emission reduction in our own value chain from approximately 100 Mt (Scope 1, 2, and 3) to net zero, and contribution to reducing CO₂ emissions in society (avoided CO₂ emissions) by approximately 200 Mt. As a milestone, we aim to achieve net zero CO₂ emissions (Scope 1 and 2) at all operating companies and avoided CO₂ emissions of approximately 100 Mt by fiscal 2031.

While it is our responsibility to achieve net zero CO₂ emissions in our own business activities (Scope 1, 2, and 3), the amount of avoided CO₂ emissions can be a new benchmark for evaluating a company's environmental contribution. The Panasonic Group is therefore promoting activities to have the value of avoided CO₂ emissions recognized internationally. We will also work to increase the Group's overall avoided CO₂ emissions by improving and utilizing the Group's knowledge and technological capabilities in electrification, energy saving, energy conversion, and resource recycling.

In our medium- to long-term strategy announced in April 2022, we identified three investment areas that can make significant environmental contributions: automotive batteries, air quality & air-conditioning, and supply chain management (SCM) software. In particular, by taking the next 10 years into consideration, Panasonic Holdings Corporation (hereinafter referred to as “Panasonic Holdings”), as the holding company, has decided to prioritize investments in the automotive battery business, which accounts for approximately 60% of the Group's avoided CO₂ emissions.

Priority investment area: automotive batteries

<Market growth potential>

We aim to expand our automotive battery business by focusing on cylindrical-type cells, mainly in the North American market. The EV market is expected to continue to expand globally as we move toward a carbon-neutral society. In North America, the market is expected to grow rapidly at a compound annual growth rate of 35%. The U.S. government has made it a national policy to establish a domestic EV supply chain, and there is a strong demand for the production of automotive batteries in the U.S. The cylindrical-type cells, which enable high energy density, safety, and low cost, are effective for cooling upon fast charging, which is increasingly important for the convenience of EVs, and as a result the demand from customers is increasing.

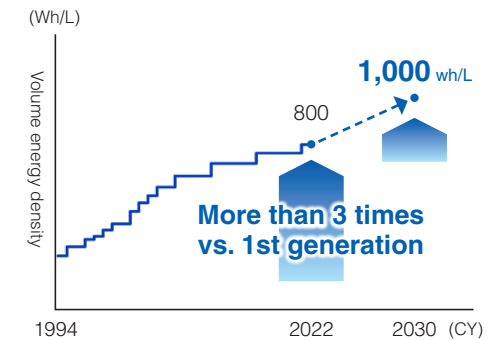
<Competitive advantage>

In the automotive battery market, where competition is intensifying, can we compete with peers with cylindrical-type automotive batteries, and can we maintain and improve our competitive advantage? In addition to discussing this point at Panasonic Holding's Board of Directors meetings, I have also visited

battery factories to see the actual products on site, and have had ongoing close discussions with members of Panasonic Energy Co., Ltd. (hereinafter referred to as “Panasonic Energy”). In the course of these discussions, I have gained a clear view of the potential for us to compete thanks to the significant progress made in both the technological and production advantages that are key to our competitiveness. I now believe we are ready to expand our supply of automotive batteries in North America.

On the technology side, the Company has led the battery industry for 30 years with higher energy density, use of less rare metals, and quality that is directly linked to safety. In terms of boosting energy density, which is currently the highest in the industry*, we will aim to achieve 1,000 Wh/L by 2030. This will greatly increase the driving distance and improve the performance of EVs equipped with our batteries. In addition, in order to meet the increasing demand for automotive batteries, it is essential to be able to manufacture them with less or without rare metals. We are the first company in the world to achieve a cobalt content of 5% or less, and technically speaking, cobalt-free batteries are within sight now. We are also developing technology for nickel-free batteries. In terms of quality, we have maintained a zero-recall record in batteries while having supplied them for 2.3 million EVs since 2008.

Future evolution in energy density of LiBs at Panasonic Energy



*As of the 116th Ordinary General Meeting of Shareholders held on June 26, 2023. Based on industry-published values of energy density calculated in Wh/L (research by Panasonic Group).

On the production side, we have developed high operational capabilities at our Nevada factory in North America. Especially in North America, where there is high turnover of factory operators, manufacturing that can be done by less experienced operators is a key to competitiveness. By improving processes and accumulating know-how, in addition to achieving production results exceeding our initial target by 10%, we were able to firmly establish the *kaizen* mindset locally, and further increases in production capacity are now within reach.

In terms of cost competitiveness, we will improve investment efficiency in anticipation of medium- to long-term expansion. Automotive batteries are a business in which depreciation of production equipment and labor costs for maintenance account for a relatively large portion of the cost. Based on my own experience in the automotive prismatic battery business, I believe it is essential to thoroughly increase the efficiency of production facility and the assembly personnel in order to strengthen the cost competitiveness of batteries. The new Kansas factory currently under construction incorporates the know-how of the Nevada factory starting from the factory design stage, and I expect that its capital investment and manpower per GWh will be significantly better than those of the Nevada factory. In addition, we have received tremendous support in areas such as tax incentives and securing human resources from the Government of the State of Kansas in the construction of the factory.



Message from the Group CEO

As for the supply chain, we will promote local procurement in North America to ensure stable procurement and shorten lead times. This will also reduce our carbon footprint, which is becoming a factor in competitiveness, by shortening the distance materials are transported. As a specific initiative, we have concluded a long-term procurement agreement with Redwood Materials Inc. in the U.S. for recycled materials (cathode materials and copper foil). We also signed a memorandum of understanding with Nouveau Monde Graphite Inc. (NMG), a Canadian company, regarding an offtake agreement (long-term supply agreement) for eco-friendly graphite to be refined using renewable energy sources.

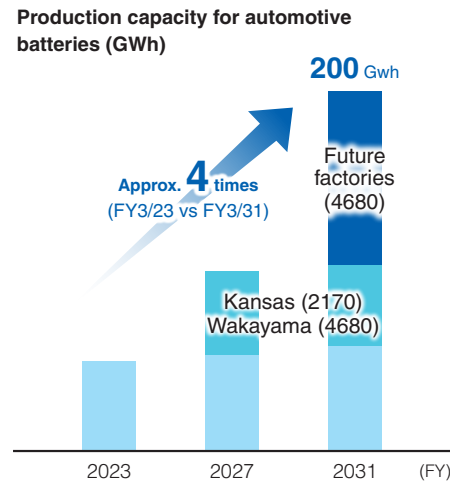
To further strengthen our competitiveness in technology and production, we will consolidate and enhance our R&D structure at the Panasonic Group. In 2024 we will establish a new production technology development base in Suminoe, Osaka to accelerate productivity improvement and respond to further production expansion, and in 2025 we will establish a new R&D base in Kadoma, Osaka to accelerate the upstream development of next-generation batteries and their materials. We will invest resources into the research and development of batteries at these locations at the Group level.

<Business expansions >

Our cylindrical-type automotive batteries have been recognized for their competitive advantages, and the number of customers who adopt them is increasing. Specifically, we have already signed agreements to supply automotive batteries for luxury EVs of Lucid Group, Inc. and commercial vehicles of Hexagon Purus ASA. As announced in June and July 2023 respectively, we have also entered into discussions with Mazda Motor Corporation and SUBARU CORPORATION to establish medium- to long-term partnerships for the supply of automotive batteries. We have received other new inquiries in addition to the above and will continue to develop new customers.

We will also increase our production capacity in order to shift to a full-fledged growth phase. Last year, we decided to mass-produce the 2170-size cylindrical-type automotive battery at our Kansas factory in order to supply the growing demand in North America. As for the 4680-size cells, after achieving stable production at the Wakayama factory, we will roll it out to new factories in North America on a larger scale. Through these efforts, we will achieve a production capacity of 200 GWh by fiscal 2031, approximately four times the current capacity.

Significant investment will be required to achieve this business expansion. We will consider various financing options, including not only the own funds of Panasonic Energy but also business portfolio management across the Group as a whole, and make investments in a flexible manner. In the future,



however, Panasonic Energy should reinvest with the cash flow it generates itself. Improving the profitability of the automotive battery business is therefore a major management issue for the Group. The Panasonic Energy's business as a whole, including industrial and consumer batteries, will increase its EBITDA margin from 10% in fiscal 2023 to 20% in fiscal 2031, excluding the impact of IRA (Inflation Reduction Act) in the U.S.

Group-wide common strategy 2: Lifestyle (health, safety, comfort)

In addition to the environment, the other Group-wide common strategy is to make contributions to each customer's life-long health, safety, and comfort. By combining the Panasonic Group's 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 Group-wide initiative from a long-term perspective, we established "PanasonicWELL," a new division at Panasonic Holdings, headed by Yoky Matsuoka, an executive officer who has also worked at Google and Apple.



Message from the Group CEO

Business portfolio

As we shift to a growth phase, we will proceed with management initiatives with a view to revising and replacing our business portfolio starting in fiscal 2024. Revising and replacing our business portfolio is just a means, which is to provide all stakeholders, including shareholders, customers, business partners, and employees, with benefits and to enhance the value of the Group. In order to make the benefits of all stakeholders sustainable for years to come, we have set two criteria for determining the Group's business portfolio.

The first is its relevance to the Group-wide common strategies. In the area of the environment, we look at the businesses from the perspective of whether they can make contributions to the reduction of CO₂ emissions in society or resources. In the area of lifestyle, we look at the businesses from the perspective of whether they can deliver value tailored to each customer's lifestyle through diverse customer touchpoints and the use of digital technology and AI. Furthermore, we look at the businesses from the viewpoint whether financial discipline can be maintained with the business and if it is possible to carry out the necessary investments within the limits of the funds generated by the business itself, without relying on Group funds.

The other criterion is the market position and competitiveness of the business. In addition to the market growth & sustainability over the next 10 years, we will thoroughly assess the position and profitability of the business in the market, both quantitatively and qualitatively.

Even before considering these two criteria for determining the Group's business portfolio, it is even more important to consider, for each business, whether we are the best owner in the first place. This is something I have personally experienced in the carve-out projects I have worked on in the past. If gaining a competitive edge outside of the Panasonic Group can increase the speed of growth more than staying within the Group, choosing that way can be ultimately more beneficial for all stakeholders. We will determine who is truly the best owner of the business from the perspectives of whether necessary

actions can be taken on the most important issues, whether necessary growth investments can be made, and whether the quality and competence can be judged.

We will set the direction in revising business portfolio based on these criteria and perspectives by the end of fiscal 2024 and execute the decisions made accordingly. As Group CEO, I have initiated discussions on this topic with the CEOs, CSOs, and CFOs of the operating companies, together with Group CSO Sumida and Group CFO Umeda. Although business portfolio management is ideally something that should be pursued by the operating companies as part of their autonomous responsible management system, it is more difficult to manage from the position closer to the operational front lines. Based on the concept of "delegating responsibility with a watchful eye," Panasonic Holdings will take responsibility for promoting and seeing through the task of business portfolio management as an important issue for the entire Group, while thoroughly discussing it with and cooperating with the operating companies.

The pie charts show the business composition before and after the business portfolio review. The scale of sales in fiscal 2031 will depend on the direction we take in fiscal 2024, but the goal is to transform the way we interact with society and customers in each business so that all of them can contribute to either "solving global environmental issues" or "life-long health, safety and comfort of each customer." This does not mean that we intend to sell or terminate any business that does not fit into either area at the present time.

I am convinced that "solving global environmental issues" is the most critical management challenge sought for by the world over the next 10 years. Therefore, we plan to greatly expand businesses that contribute to solving global environmental issues. Given our sales, profits and other financial figures are the outcomes of our contributions, we intend to grow sales of the automotive battery business, which is the priority investment area, from 650 billion yen in fiscal 2023 to 2.5 trillion yen in fiscal 2031. With regard to the profitability of the Group as a whole, I will aim for a double-digit operating margin, which is the same level as certain peers that have made a comeback in the electronics sector.

Two criteria for determining the business portfolio

1. Relevance to the Group-wide common strategies

Environment Contributions to society through avoided CO₂ emissions or less use of resources

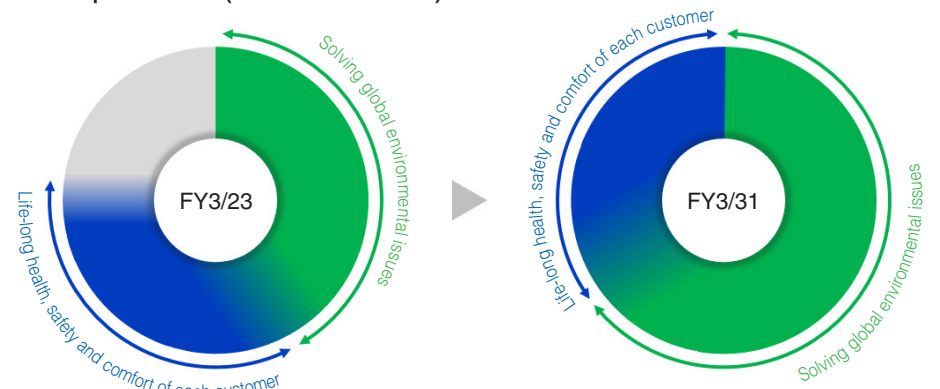
Lifestyle Delivering value tailored to each customer through diverse customer touchpoints and using digital and AI/Maintaining financial discipline

2. Market position and competitiveness

Market growth and continuity **Market position and profitability of the business**

(Quantitative) market CAGR (Qualitative) market sustainability (Quantitative) relative market share, ROIC, cash generation capability (Qualitative) past achievements, medium- to long-term advantages, future opportunities

Sales composition ratio (FY3/2023 ⇒ FY3/2031)



Expand businesses that contribute to solving global environmental issues



Message from the Group CEO

Financial strategy

Our capital allocation policy for the three years from fiscal 2023 to fiscal 2025 remains unchanged, and in principle, investments, dividends, etc. will be managed within the limits of cash generated from businesses (specifically, our cumulative operating cash flow of 2.0 trillion yen as indicated in the KGIs) and sale of assets. Of the 1.8 trillion yen to be invested, 600 billion yen will be allocated to strategic investments, mainly in the automotive battery business, our priority investment area. Investment in other areas, such as the air quality & air-conditioning and SCM software businesses, will be carried out within the limits of funds generated by the operating company in charge of each area.

Our policy of shareholder returns also remains unchanged, and we will strive to pay stable and continuous dividends with a target consolidated payout ratio of approximately 30%. By improving investment returns through focused investment in the automotive battery business, we will increase our corporate value and reward our shareholders.

Sustainability strategy

Toward achieving “an ideal society with affluence both in matter and mind,” we will enhance our competitiveness and return the cash earned in return for our useful contributions to society, including our shareholders, all the while investing to strengthen our competitiveness and further expanding our contributions. This is the concept of our Basic Business Philosophy. In other words, the concept is to make management itself sustainable by contributing to the realization of a sustainable society. For the Panasonic Group, “sustainability management” is exactly about putting our Basic Business Philosophy into practice.

To put this concept into practice, we have identified certain key opportunities and risks as “materiality” in terms of their medium- to long-term impact on our finances and on society. Among them, we have singled out two top priority issues where we can play a useful role through our Group-wide common strategies: “global warming and resource depletion” and “each customer’s life-long health, safety and comfort.” We also identified the following highest priority issues in terms of laying a foundation for sustainable growth: business integrity, supply chain management, employees’ well-being, corporate governance, respect for human rights, and cyber security.

These issues were decided upon after discussions at Panasonic Holdings’ Board of Directors meetings, and also at Sustainability Management Committee meetings, which I chair. Through our efforts to address these issues, we will strive to improve our sustainability management.

Two years have passed since I took office as Group CEO, and it is still my unwavering determination to restore the Panasonic Group’s original management tradition, strength, and uniqueness and lead us back on the path of progress and development so that we become a valued company needed by society, and thus enhance corporate value. I look forward to your continued support of the Panasonic Group.

