

Panasonic Industry Co., Ltd.

Medium- to Long-term Strategy and Future Initiatives

June 6, 2024

**Shinji Sakamoto
Representative Director, President
and CEO**

- **Review of FY3/24**

 - FY3/24 Results, FY3/25 Forecast

- **Medium-to Long-term Future Initiatives**

 - Business environment, Initiatives for growth, addressing issues

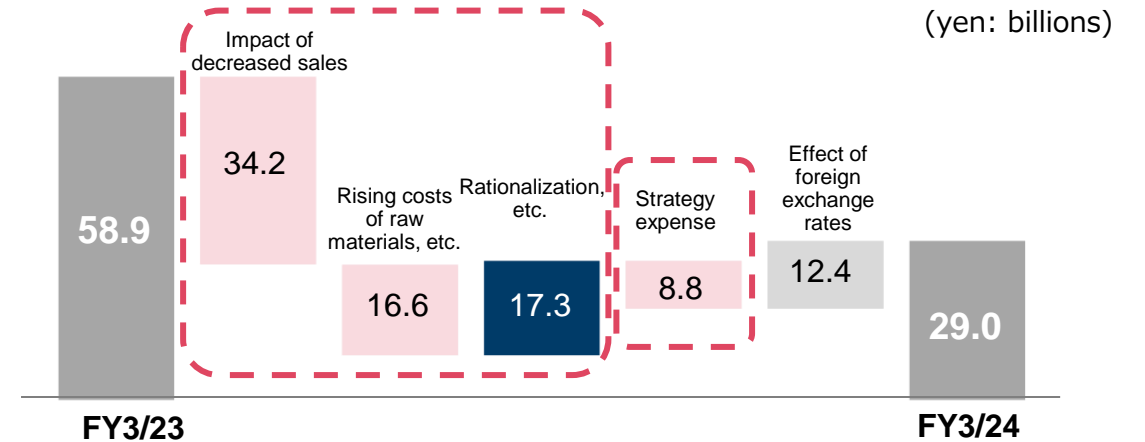
Sales and profit decreased, but took measures with a growth.

* Excluding the effect of foreign exchange rates

(yen: billions)	FY3/24 Results		Difference vs.FY3/23	Excl. FX*
Panasonic Industry products only (Excluding products of other operating companies)				
Sales	919.0		-41.5	-84.0
Adjusted operating profit (% to sales)	29.0	(3.2%)	-29.9	-42.3
EBITDA (% to sales)	86.1	(9.4%)	-32.8	—
Operating CF	83.2		-36.7	—
ROIC	3.2%		-6.3 pt.	—
Panasonic Industry total				
Sales	1,042.6		-107.3	-153.0
Adjusted operating profit (% to sales)	31.2	(3.0%)	-32.2	-44.5
EBITDA (% to sales)	90.7	(8.7%)	-34.7	—
Operating CF	90.2		-37.4	—
ROIC	3.3%		-6.3 pt.	—

■ Impact of market downturn and raw material price hikes could not be countered by rationalization, etc.

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

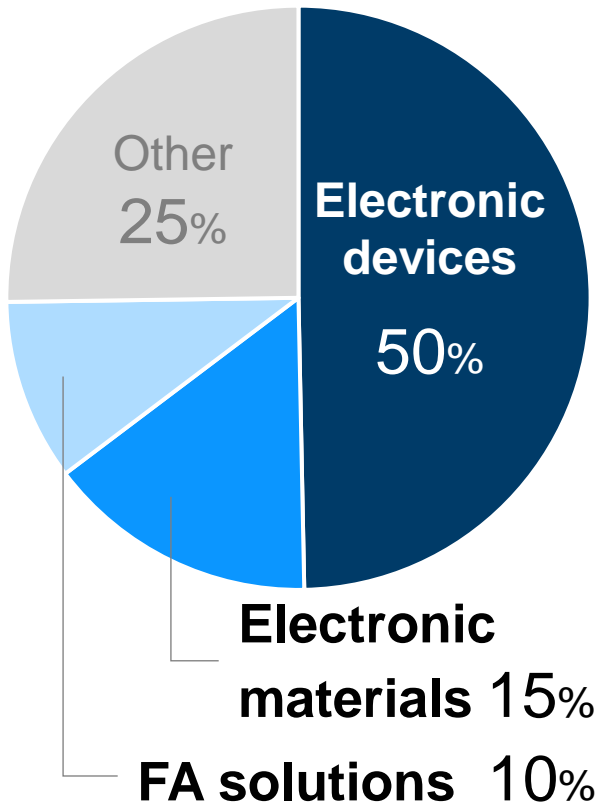


■ Strategy expense for growth

- HR/IT-related: **8.5** billion yen
(YoY: **+6.0** billion yen)
- R&D: **63.0** billion yen
(YoY: **+2.5** billion yen)

Despite sluggish market conditions, demand for products for eco-cars and generative AI servers was strong.

Sales composition



Sales, OP margin

Electronic devices	518.0 billion yen (-8% YoY) 7%
Electronic materials	156.7 billion yen (+6% YoY) 6%
FA solutions	104.9 billion yen (-25% YoY) -7%

Main factors

Favorable	Sluggish
Eco-cars	Base stations
Generative AI servers	General purpose servers
	FA in China

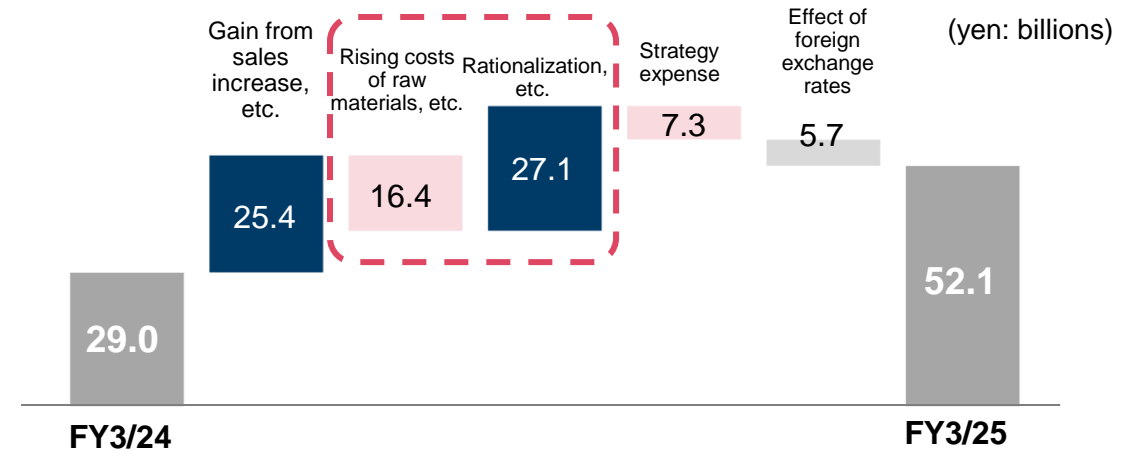
Increase sales and profit by continuously strengthening the management structure and capturing growth markets

* Excluding the effect of foreign exchange rates

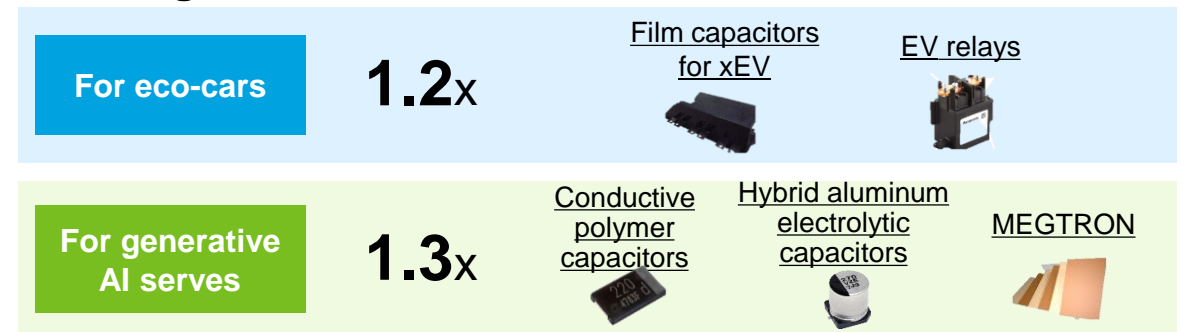
(yen: billions)	FY3/25 Forecast		Difference vs.FY3/23	Excl. FX*
Panasonic Industry products only (Excluding products of other operating companies)				
Sales	955.3		+36.3	+58.5
Adjusted operating profit (% to sales)	52.1	(5.5%)	+23.1	+28.8
EBITDA (% to sales)	112.1	(11.7%)	+26.0	—
Operating CF	101.6		+18.4	—
ROIC	6.5%		+3.3 pt.	—
Panasonic Industry total				
Sales	1,060.0		+17.4	+41.2
Adjusted operating profit (% to sales)	53.0	(5.0%)	+21.8	+27.5
EBITDA (% to sales)	115.0	(10.8%)	+24.3	—
Operating CF	102.5		+12.3	—
ROIC	6.2%		+3.0 pt.	—

■ Improve profitability by continuously strengthening the structure

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



■ Sales growth forecast for products for eco-cars and generative AI servers (YoY)



- Review of FY3/24

FY3/24 Results, FY3/25 Forecast

- Medium-to Long-term Future Initiatives

Business environment, Initiatives for growth, addressing issues

FA solutions business environment has changed significantly, while conditions vary by business

Market trends

Competitive environment / PID's position

Electronic devices

Increase the level of demand for devices.

Electronic materials

Increase demand for **generative AI servers, eco-cars and ADAS.**

CAGR (2023-2028):
generative AI servers 23% · xEV 20%*

Devices with strength in material processes have high market shares.

FA solutions

Slowing down of growth in China.

Geopolitical impacts, continued real estate recession

Accelerated domestic production of key devices in China.

Rise of Chinese local companies

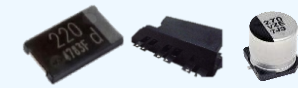
High production weight in China has a significant impact on sales

Market share has declined due to competition with local companies in China.

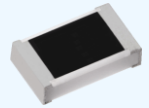
*Estimation by the Company based on various survey data

Focused investment in materials and processes businesses* that have a clear point of differentiation

Electronic devices

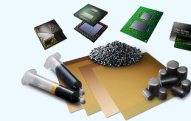


Capacitors

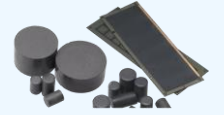


Thin Film Resistors

Electronic materials



Circuit board materials



Semiconductor materials

*materials and processes businesses : see P22

- **Re-strengthening competitiveness in China**
- **Expansion of Europe and ASEAN**

FA solutions



Initiatives for Growth (Products): Example of capacitors

Strengthen
supply
capability/
R&D

• Establishment of a preceding
supply capability

Hybrid aluminum
electrolytic
capacitors

x2.5 (FY3/29)

• Local production and local consumption :
Strengthening of European bases (~FY3/29)

Film capacitors
for xEV

- Expansion source process in addition to assembly process
- Expansion of R&D system
- Production capacity **x2**

Accelerate the
speed of
development

• Innovation in development speed

Expansion of automated experience systems and use of AI

Conductive
polymer
capacitors

Speed of searching for new materials x25

Strengthen
product
capabilities

• Evolution of proprietary materials and method

Conductive
polymer
capacitors

**Process technology innovation
Capacitance x2** (FY3/27)

Demand for devices 23-28 CAGR23%

Strength of the company

Business outlook

Capacitors

Electronic materials

Increase in demand

(23-28 CAGR23%)

- In terms of number of capacitors: **22 time**
(compared to general servers)

Continued technological evolution

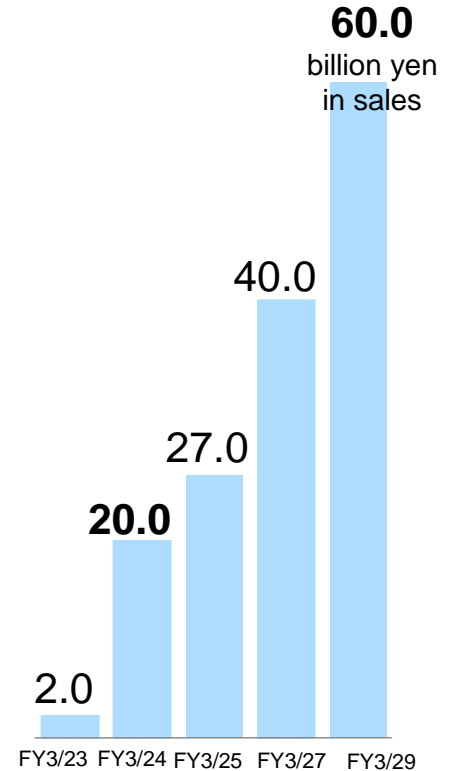
- High capacity and high reliability
- Reduction of transmission-loss

industry-leading performance

Market top share

Strong relationships with system adoption decision makers (local adherence system)

Adopted as Reference products



Double digit OP profit

Realize China speed/cost (Aim to turn profitability in FY3/25)

Speed

Complete localization of management

- Appoint Chinese top management + Station Japanese technical heads

Cost

Establish China quality standards/Utilize local parts, materials, and equipment

- New servomotor products: In July 2024, implement cost reductions (Local procurement rate 50% → 90% to halve the cost of materials)
- Motion controllers :In Dec. 2024, achieve the same low cost as competitors and provide a full lineup of supported axes

Strengthen product capabilities

Development of ultra-compact motors through industry-academia collaboration

Business expansion in Europe

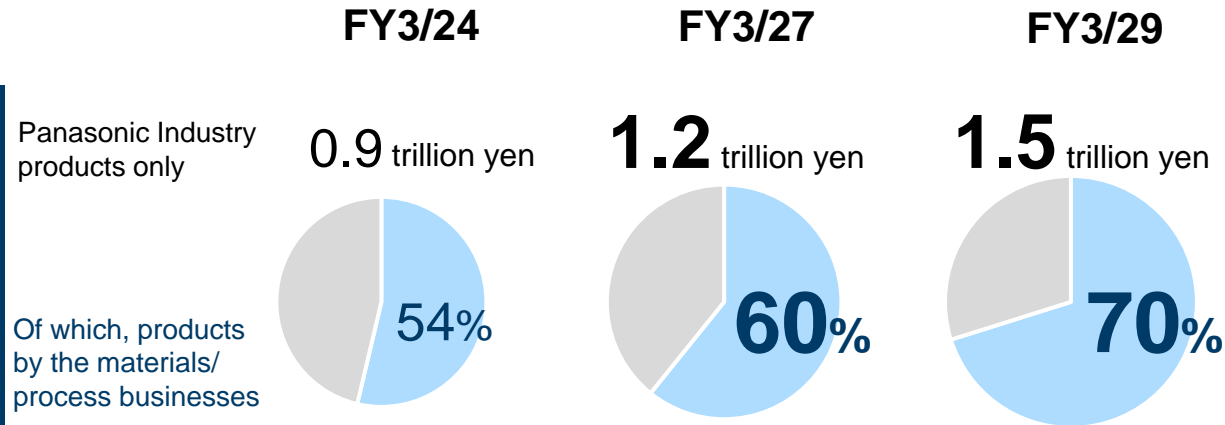
Consideration of collaboration with partners with customer bases

Vision

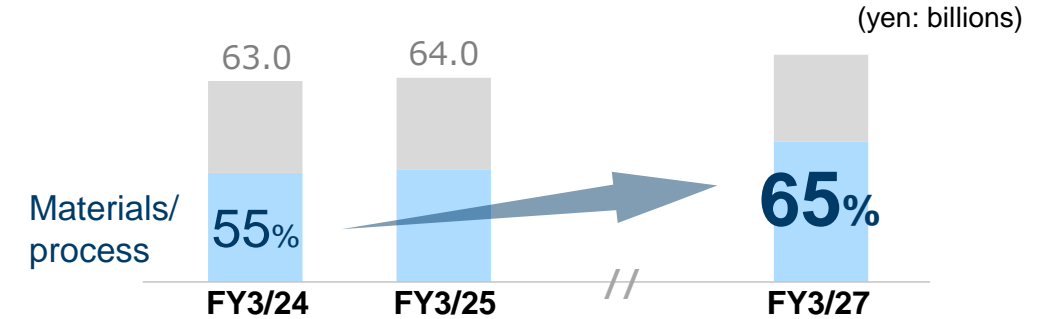
Make focused investment in the materials/process businesses* to realize a structure that can ensure stable double-digit OP margin

Business portfolio

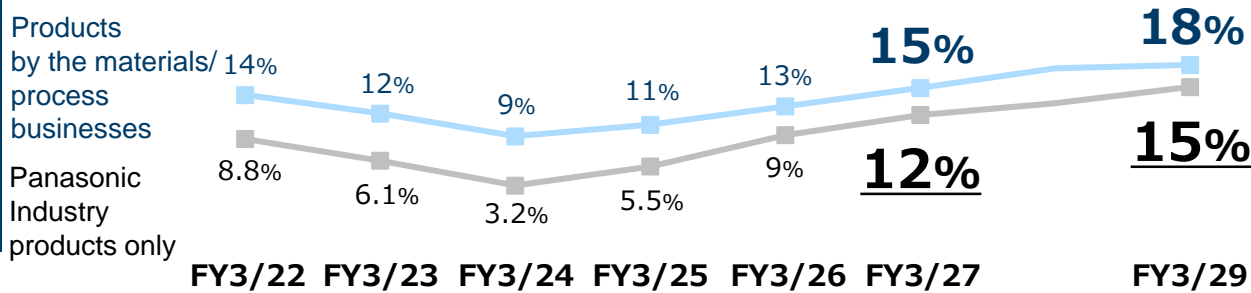
Sales



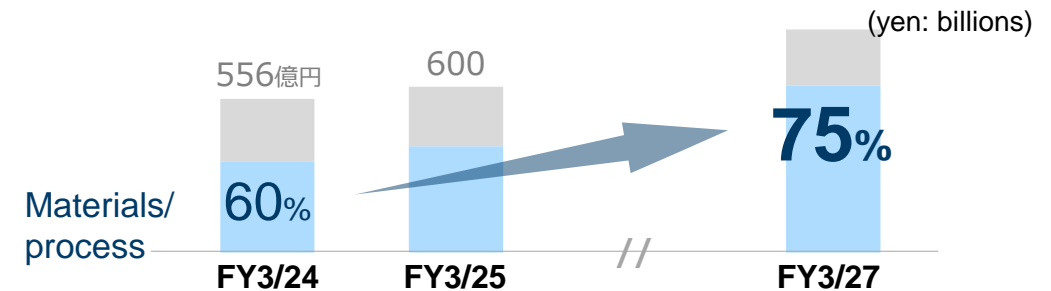
R&D expenditures



Operating profit ratio



Capital investment



ROIC



*materials and processes businesses : see P22

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; occurrence and continuation of supply disruption or soaring prices of raw materials or transportation; 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 including interest rate fluctuations; 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 HD 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 or losses resulting from any defects or quality frauds in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement by third parties or intellectual property infringement claims by third parties; the possibility that change or tightening of current and potential, direct and indirect restrictions imposed in Japan or other countries over trade, manufacturing, labor and operations may adversely affect business operations of Panasonic Group and its supply chain; failures in proper tackling of regulations and policies introduced or strengthened with respect to environmental issues including climate change or responsible procurement activities (human rights, labor, health and safety, global environmental conservation, information security, corporate ethics, etc.) in the supply chain; restrictions, costs or legal liability relating to introduction or tightening of laws and regulations; 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 systems of Panasonic Group or its supply chain, service suspension or vulnerability of network-connected products due to unauthorized system access and cyberattacks etc.; the possibility not being able to acquire the necessary human resources to promote management strategies and prevent the outflow of existing employees; the possibility that the spread of infections including the novel coronavirus infections may adversely affect business activities of the Panasonic Group; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; occurrence of events that may negatively impact business activities of the Panasonic Group, including large-scale natural disasters, prevalence of infectious diseases throughout the world and terrorism or wars. 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.

KGIs for FY3/23–FY3/25 revised based on FY3/24 results

Before Revise

After Revise

Operating CF

(FY3/23 – FY3/25 cumulative)

390.0 billion yen or more

300.0 billion yen or more

ROIC

(FY3/25)

17% or more

6.2% or more

(Reference) KGI Progress

Corporate KGI

- Operating CF (FY3/23–FY3/25 cumulative): 300.0 billion yen or more
- ROIC (FY3/25): 6.2% or more

(yen: billions)	FY3/23		FY3/24		FY3/25		FY3/23-FY3/25 cumulative
	Results	Year-on-Year	Results	Year-on-Year	Forecast	Year-on-Year	Forecast
Panasonic Industry products only (Excluding products of other operating companies)							
Sales	960.5	+52.1	919.0	-41.5	955.3	+36.3	
Adjusted operating profit (% to sales)	58.9 (6.1%)	-22.8	29.0 (3.2%)	-29.9	52.1 (5.5%)	+23.1	
Operating profit (% to sales)	61.9 (6.4%)	-16.6	28.5 (3.1%)	-33.4	48.3 (5.1%)	+19.8	
EBITDA	118.9	-10.6	86.1	-32.8	112.1	+26.0	
Operating CF	119.9	+48.4	83.2	-36.7	101.6	+18.4	
ROIC	9.5%	-3.4 pt.	3.2%	-6.3 pt.	6.5%	+3.3 pt.	
Panasonic Industry total							
Sales	1,149.9	+21.8	1,042.6	-107.3	1,060.0	+17.4	
Adjusted operating profit (% to sales)	63.3 (5.5%)	-23.3	31.2 (3.0%)	-32.1	53.0 (5.0%)	+27.5	
Operating profit (% to sales)	66.8 (5.8%)	-16.4	31.1 (3.0%)	-35.7	49.0 (4.6%)	+17.9	
EBITDA	125.4	-10.2	90.7	-34.7	115.0	+24.3	
Operating CF	127.6	+55.4	90.2	-37.4	102.5	+12.3	300.0 or more
ROIC	9.6%	-3.0 pt.	3.3%	-6.3 pt.	6.2%	+3.0 pt.	

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

All figures are based on Panasonic Industry total

< Not subject to audit >

P/L	(yen: billions)	FY3/23 Results	FY3/24 Results	FY3/25 Forecast
Sales		1,149.9	1,042.6	1,060.0
Adjusted operating profit		63.3	31.2	53.0
(Adjusted OP % to sales)		5.5%	3.0%	5.0%
Other income/loss		-3.5	-0.1	-4.0
Operating profit		66.8	31.1	49.0
(OP % to sales)		5.8%	3.0%	4.6%
Depreciation of PP&E		51.9	51.9	57.0
Total of amortization of intangible assets and depreciation of right-of-use assets		6.7	7.7	8.8
EBITDA		125.4	90.7	115.0
(EBITDA % to sales)		10.9%	8.7%	10.8%

C/F	(yen: billions)	FY3/23 Results	FY3/24 Results	FY3/25 Forecast
FCF		62.5	28.0	—
Operating CF		127.6	90.2	Cumulative operating CF (FY23-25) More than 300.0
Investing CF		-65.1	-62.2	—
Capital investment*		60.8	55.6	60.0
Investment in intangible assets		4.4	7.8	—
R&D expenditures		60.5	63.0	—

*On an accrual basis

B/S	(yen: billions)	FY3/23 Results	FY3/24 Results	FY3/25 Forecast
Cash and cash equivalents		156.9	196.1	—
Trade receivables		151.1	139.3	—
Inventories		140.1	145.5	—
Other current assets		30.5	29.3	—
Current assets		478.6	510.2	—
Property, plant and equipment		247.0	225.4	—
Right-of-use assets		23.6	30.7	—
Goodwill and intangible assets		10.0	14.5	—
Other non-current assets		29.5	25.4	—
Non-current assets		310.1	296.0	—
Total assets		788.7	806.2	—
Trade payables		110.1	102.7	—
Debt (1)		100.6	140.4	—
Lease liabilities (2)		26.0	31.8	—
Other liabilities		133.1	137.3	—
Liabilities		369.8	412.2	—
Equity (3)		418.9	394.0	—
Invested capital (1)+(2)+(3)		545.5	566.2	—
ROIC		9.6%	3.3%	6.2%

Note: End of each fiscal year

(Reference) Human Resources Strategy (Human Capital Management)

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



Fair Opportunities

Creating an open, fair, and secure workplace

- Development of career paths in line with the diversification of career development and the nature of contribution (Management specialist)
- Creation of an environment that allows people to take on challenges regardless of age (Preparation for introduction of mandatory retirement age of 65*)
- Promotion of childcare leave taken by male employees toward 100% participation

* Scheduled to be introduced in FY3/26

Learning Opportunities

Improving/expanding diverse training programs

- Expansion of training menu for learning anytime, anywhere (Total number of participants for FY3/24: Over 28,000)
- Enhancement of the development of next-generation management talents through PID Academy (in-house leadership program)

Places to Take up Challenges

Supporting career development based on self-initiative

- Promotion of transfers through a job posting system (Cumulative number of applicants since its introduction in November 2022: Approx. 1,500)
- Inauguration of a women's management development program centered on 1on1 with external mentors (Number of participants in FY3/24: Approx. 60)

Commending and Rewarding Those Who Take up Challenges

Developing a compensation system that encourages people to take on challenges

- Development of a new wage and evaluation system that rewards challenge and achievement
- Promotion of the PID Award, an in-house award

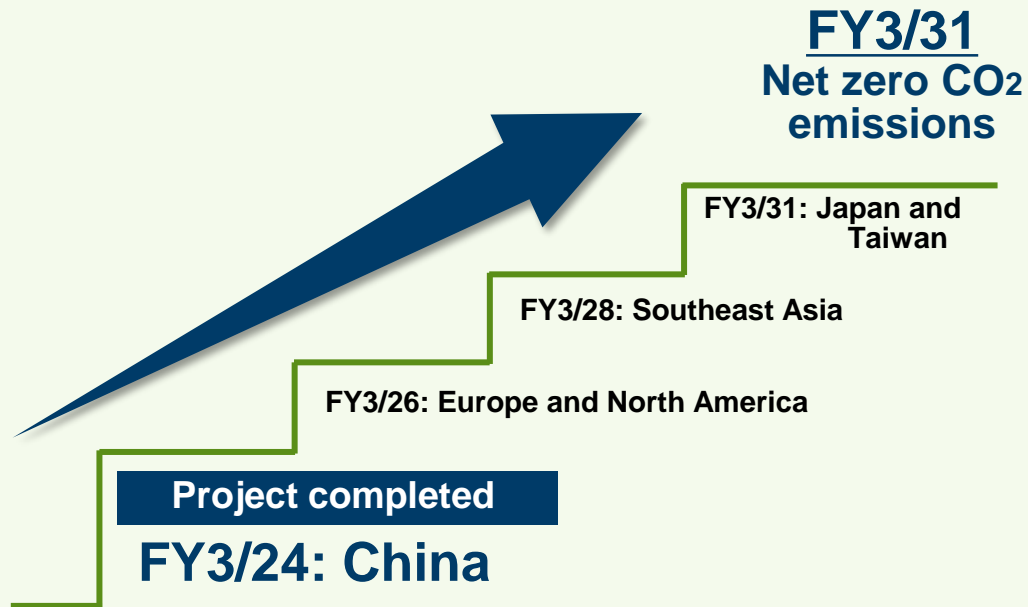
(Reference) Environmental Strategy

Achieve both net zero CO₂ emissions* and minimized energy costs by FY3/31

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

■ Net zero CO₂ emissions

- Completed the project to achieve net zero emissions in China in FY3/24
- Accelerate activities to complete the project in Europe and North America in FY3/26



■ Minimized energy costs

- Minimize management burden by promoting energy conservation and introduction of renewable energy
- **Develop new sources (onshore wind power)**

Example of Renewable Energy Introduction

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

On-site PPA*/Self-power generation

Solar power



Jiangmen Plant
in China



Saga Plant
in Japan



Off-site PPA*

Solar power Onshore wind power, etc.

(Introduced in June 2024)

* 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

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

Number of employees

41 thousand

(13 thousand in Japan and 28 thousand overseas)

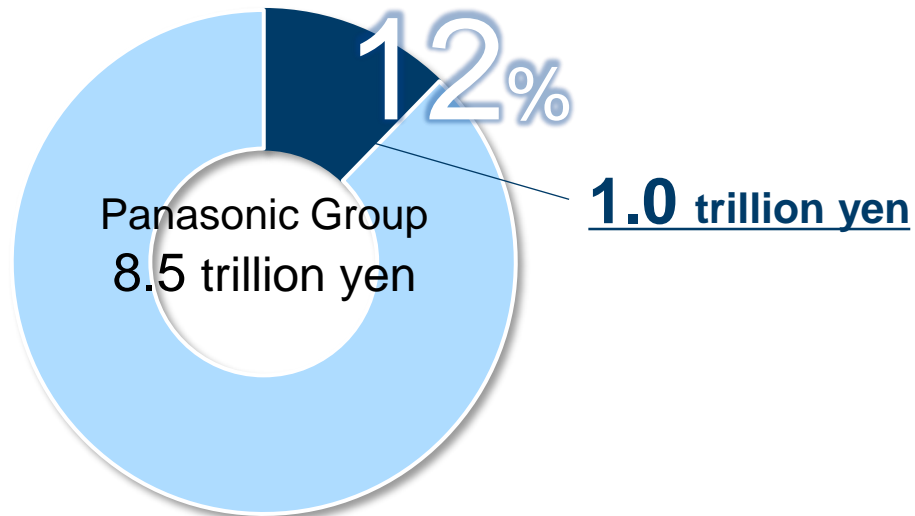
Number of bases

79 bases

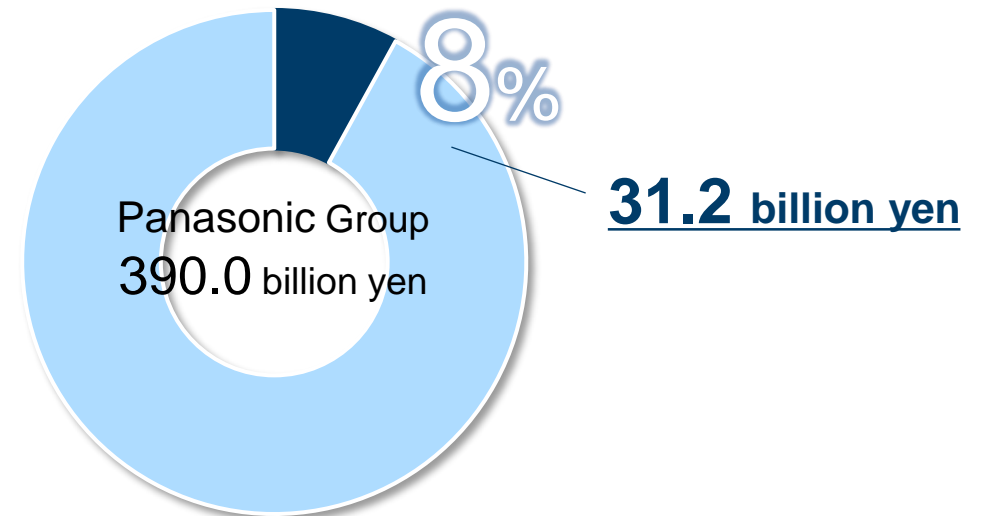
(30 in Japan and 49 overseas)

Positioning in Panasonic Group (FY3/23 Results)

Sales

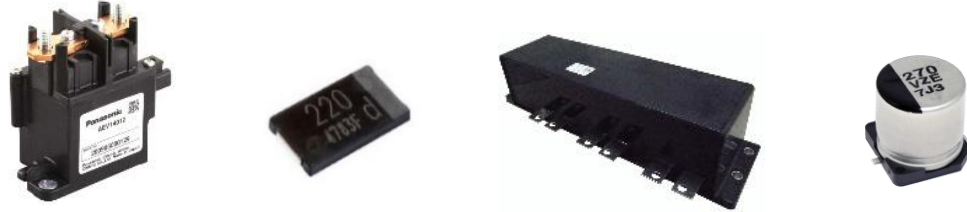


Adjusted operating profit



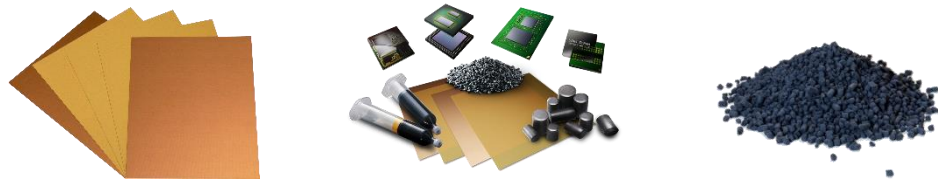
(Reference) Units of Businesses with Sales Disclosed

Electronic Devices



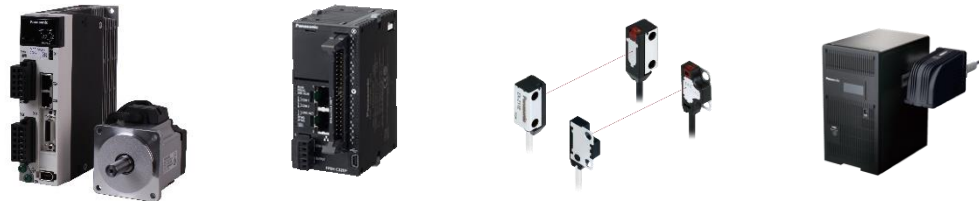
- EV relays
- Conductive polymer capacitors
- Film capacitors for xEV
- Hybrid aluminum electrolytic capacitors
- Motors for automotive and HVAC, etc.

Electronic Materials



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

FA Solutions



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

(Reference) Main Products in Each Business

Business segment	Product name	Main functions and role	Main applications (examples)
Electronic devices	Materials/process EV relays	Space-saving high-capacity discontinuation to ensure EV safety	Powertrain/charging system for EVs and HEVs
	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.
	Mechanical relays, semiconductor relays, transparent conductive films, resistors, inductors, etc.		
Connectors, touch panels, motors for automotive and HVAC, etc.			
Electronic materials	Materials/process 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.)
General multilayer materials, molding compounds, 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	

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

(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

- Capacitors for HVAC and home appliances (by Panasonic Corporation)
- Electrical construction materials (by Panasonic Corporation)

etc.

Panasonic Industry products:

Products developed, manufactured, and sold by Panasonic Industry