

# Panasonic Connect Medium- to Long-term Strategy

June 1, 2022

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Panasonic Connect Co., Ltd.

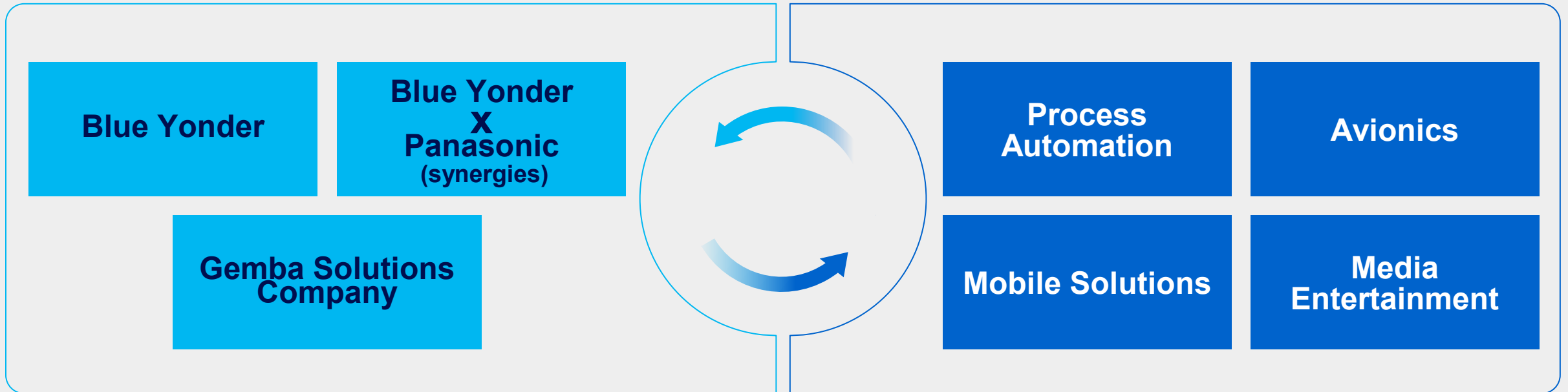


Notes:1. This is an English translation from the original presentation in Japanese.  
2. In this presentation, "Fiscal 2023" or "FY23" refer to the year ending March 31, 2023.

# Enhance Corporate Value through Two Axes of Growth and Core Businesses

## Growth Business (software based)

## Core Business (hardware based)



Invest management resources in the growth businesses to achieve their sustainable growth

Thoroughly make hardware more “specialized and sharpened” in the focused businesses that will enable us to generate profit continuously

# Investment and Transformation over the Next Three Years

Enhance investment focusing on the growth areas in both core and growth businesses

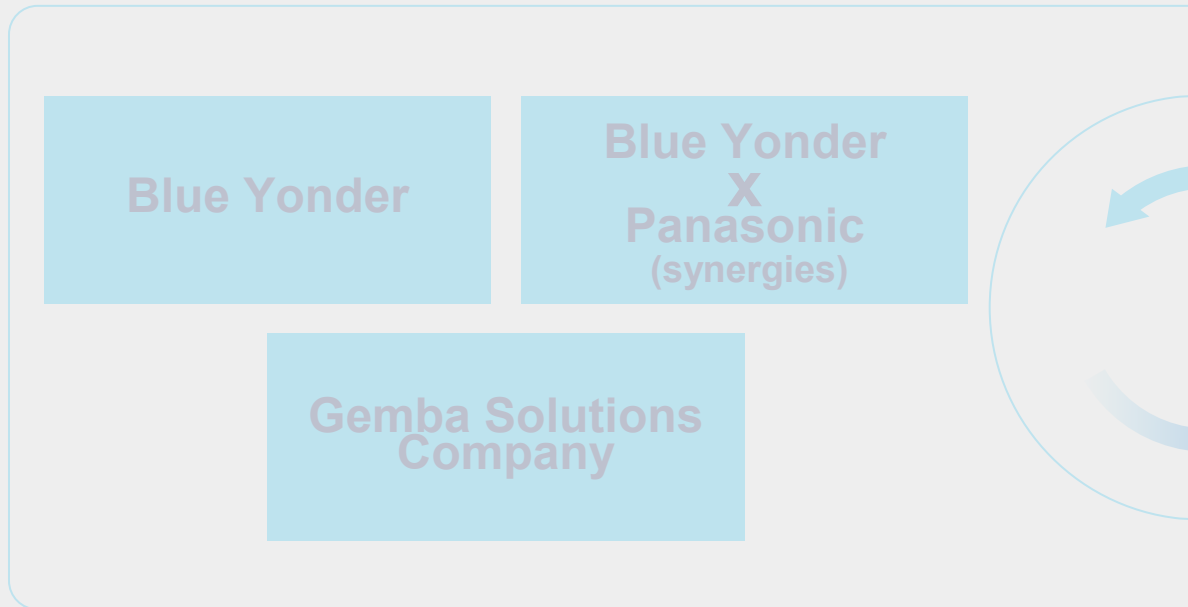
**Core Business**  
50 billion yen

**Growth Business**  
100 billion yen

Core Business	Avionics	Shift to the growth strategy in line with the demand for narrow-body aircrafts and digital solutions & services More than double the development investment for the IFEC hardware and software fields
	Media Entertainment	Generate a profit of approx. 10% in the projector business in FY24 by expanding the projector's new solution business
	Mobile Solutions	Achieve thoroughly lean management by making products more "specialized and sharpened" and leveraging Blue Yonder, etc. (Business benefit: Approx. 10 billion yen)
	Process Automation	Invest approx. 20 billion yen to increase global production capacity in order to capture the increasing demand for mounting machines and welding machines
Growth Business	Blue Yonder	Enhance the development of native SaaS and micro services, and conduct bolt-on investments in SCM network and last mile delivery areas
	Blue Yonder × Gemba Solutions Company	Combine on-site data captured by sensing technology, etc. and Blue Yonder platform to offer end-to-end solutions that will be unique in the industry

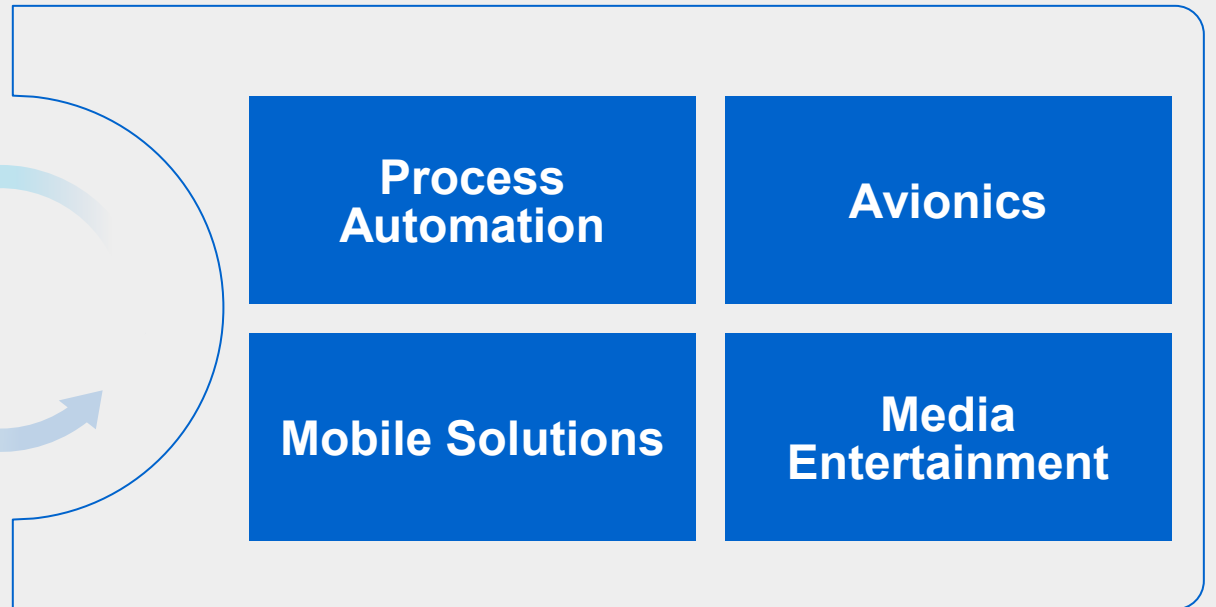
# Enhance Corporate Value through Two Axes of Growth and Core Businesses

## Growth Business (software based)



Invest management resources in the growth businesses to achieve their sustainable growth

## Core Business (hardware based)



Thoroughly make hardware more “specialized and sharpened” in the focused businesses that will enable us to generate profit continuously

Concentrate on the business of EBITDA margin 10%+ (FY24)

# Goal of Core Businesses

Achieve overwhelming No. 1 in the industry by enhancing competitiveness through our efforts to make products more "specialized and sharpened"



## Process Automation



**No. 1**  
in the world

Mounting machine



**Top class**  
in the world



Welding robot

Arc welding machine

## Media Entertainment

High brightness projector



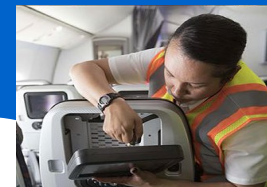
**No. 1**  
in the world



Remote camera

## Avionics

Technical Service (IFEC field)



**No. 1**  
in the world



In-flight Entertainment

## Mobile Solutions

**No. 1**  
in the world



TOUGHBOOK



Let's note

**No. 1\***  
in Japan



Payment terminal

\*Let's note: IDC Japan, Japan Personal Computing Quarterly Model Analysis 2022Q1 Share By Company, 2021 ultra portable PC business area (excluding the education market)

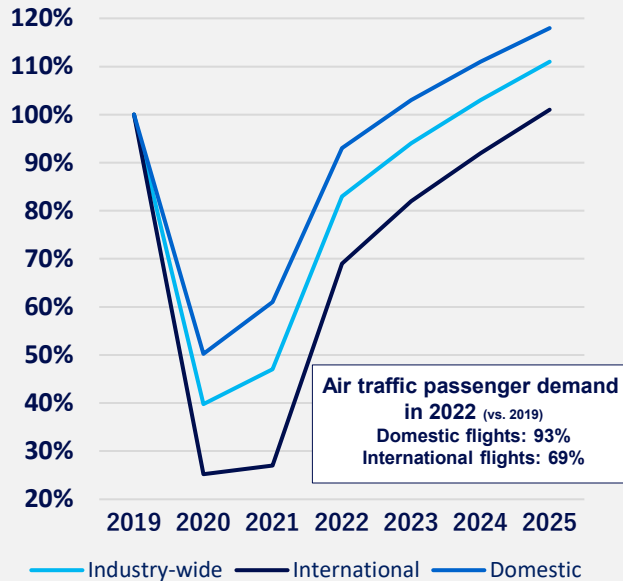
# Avionics Business Division

Maintain No. 1 market share, while performance recovers as the aviation industry rebounds from the COVID-19 impact

## Business environment

Although the number of airline passengers is rebounding, its recovery to the pre-COVID-19 level is expected to be around 2024

Outlook for airline passenger numbers

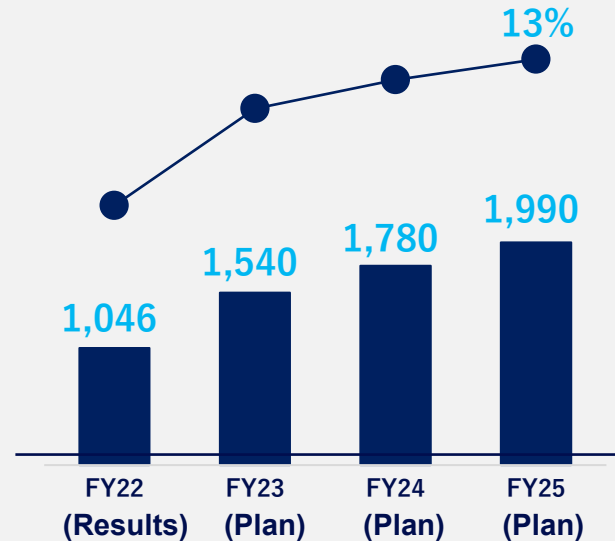


(Source: IATA, as of March 2022, the impact and risk of the Russian situation not included)

## Sales/EBITDA margin

Sales and profit expected to increase as the market recovers  
 In 2024, profit ratio expected to rebound to the level close to pre-COVID-19

Sales / EBITDA margin plan



## Growth strategy

Growth strategy in line with the demand for narrow-body aircrafts and digital solutions & services

### 01 Transformation of business strategy

- Spec customization
- Strength of hardware
- Focus on wide-body aircrafts
- CAPEX business model
- Scalable products & services
- Strengths of both hardware and software
- Focus on full segment, including narrow-body aircrafts
- Also manage OPEX and subscription models

### 02 Enhancement of product portfolio and value chain

**Inflight Systems**

Reduce weight to meet the rapidly recovering narrow-body aircraft market and environmental needs

**Technical Services**

Achieve scale economics through global maintenance network / Expand maintenance areas

**Connectivity**

Expand the third-generation high-speed satellite communications (Asia, China, Europe, Middle East, etc.)

**Digital Solutions**

Expand digital apps (live TV, maps, e-commerce, etc.)

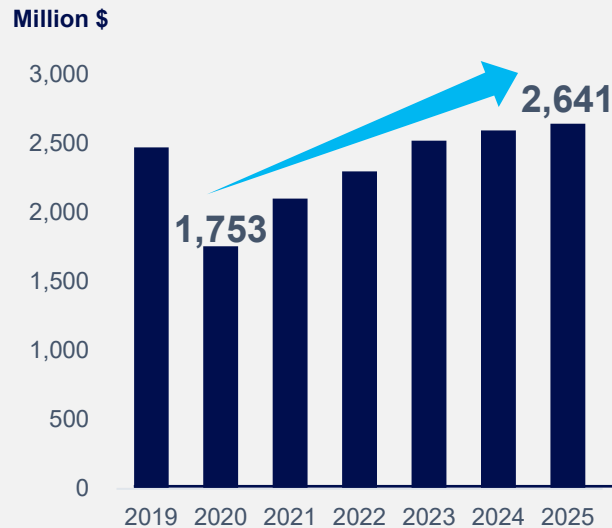
# Media Entertainment Business Division

Achieve steady sales growth centered around the market share No. 1 high-brightness projectors and full-scale launch of new solutions businesses

## Business environment

Sales recovery expected after bottoming out in FY21, achieving growth at 9% CAGR\*

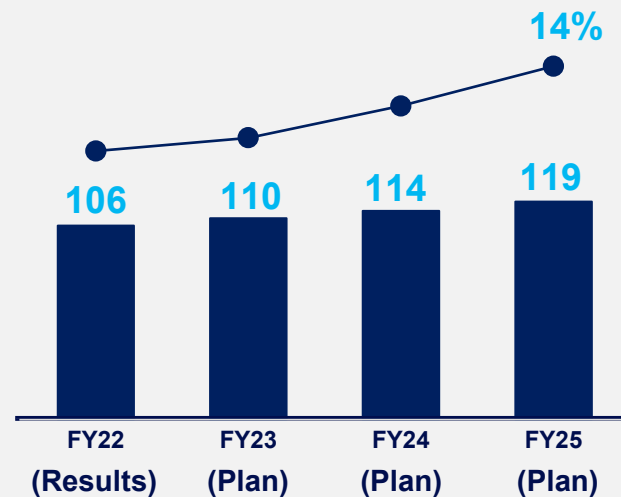
High-brightness projector market forecast



## Sales/EBITDA margin

Achieve growth of existing businesses in proportion to market recovery  
Also achieve further growth in service businesses

Sales / EBITDA margin plan



## Growth strategy

### 01 Business strategy transformation

A series of products that can eliminate various constraints at video presentation sites by pursuing video presentation capabilities and ease of installation

Introduce Blue Yonder solutions to ensure to capture demand

Establish new SaaS businesses by Panasonic Connect capability and collaboration with partners

### 02 New SaaS business

Offer full support from projector installation to maintenance



Value chain of projector business (e.g. theme parks)

Newly generate **10% or more profit** in the projector business in FY2025

Launch "KAIROS cloud service", subscription-type live video production solution



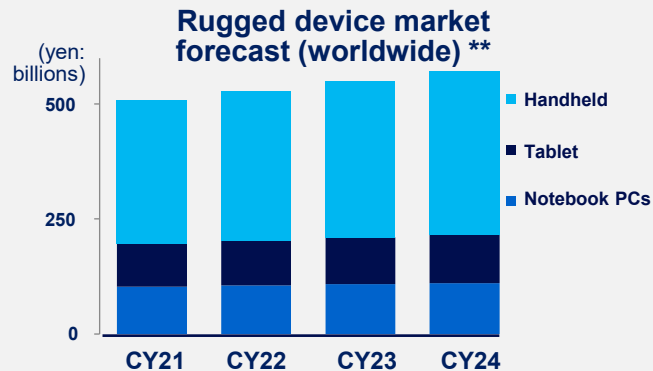
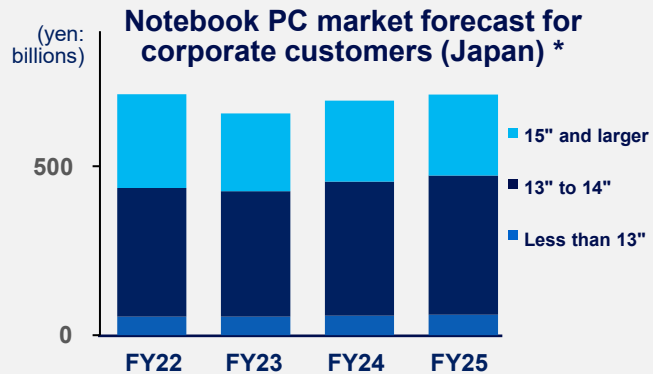
\*Source: Prepared by Panasonic Connect by referring to PMA Research

# Mobile Solutions Business Division

Enhance management structure by achieving lean management through differentiation strategy by making products more specialized and sharpened and leveraging Blue Yonder

## Business environment

Demand for notebook PCs expected to recover with the EOS of Windows 10  
Demand for rugged PCs expected to continue with the increasing DX trend



## Sales/EBITDA margin

Achieve a 10% EBITDA margin through "selection and concentration" and "outstanding customer-oriented approach"

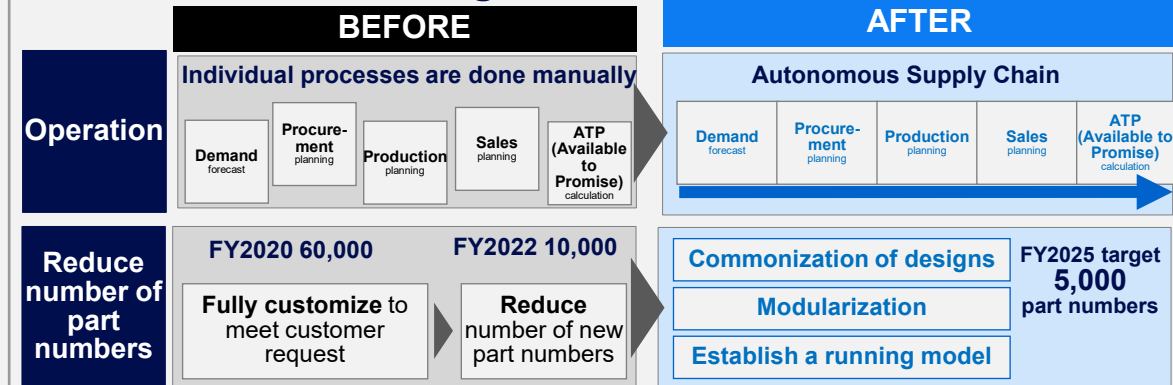


## Growth strategy

### 01 Enhance product competitiveness

Focus on hardware	Let's note	As the large-screen market is expanding because of the more common hybrid work style, increase the target market and market share centered around the very popular FV models (14 inches)
	Tough-book	For the potential needs of loyal customers in the niche markets, offer unique value by thoroughly making hardware more specialized and sharpened through co-creation with the customers
Enhance software	Payment terminal	In the market where cashless payments are increasing, add recurring businesses (e.g. app distribution service) leveraging the hardware with overwhelming market share

### 02 Achieve lean management



**Business benefit: Approx. 10 billion yen**  
(\*3-year accumulation)

\* IDC Quarterly Personal Computing Device Tracker 2022Q1 (Education and government sectors not included)  
\*\* VDC



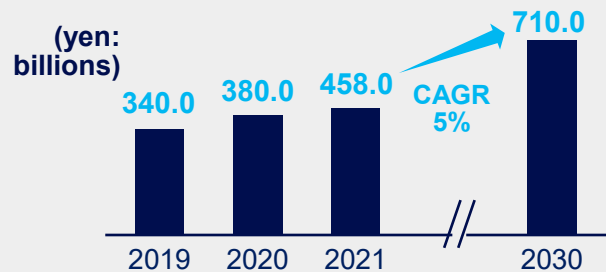
# Process Automation Business Division

Strengthen both hardware, which is the source of competitiveness, and solutions that are based on the hardware, to expand the areas that contribute to the value for customers

## Business environment

The mounting machine market expected to expand with increasing servers, EVs etc., and the welding machine market also expected to expand with increasing automobiles, etc.

Mounting machine's global market



Arc welding robot's global market

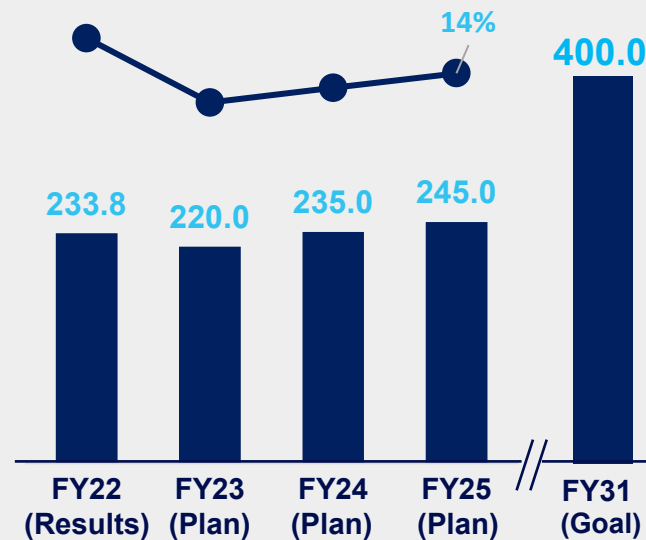


Source: Prepared by Panasonic Connect by referring market survey data

## Sales/EBITDA margin

Sales achieved a record high in FY22  
Current remaining order and sales are higher than previous year

Sales / EBITDA margin plan



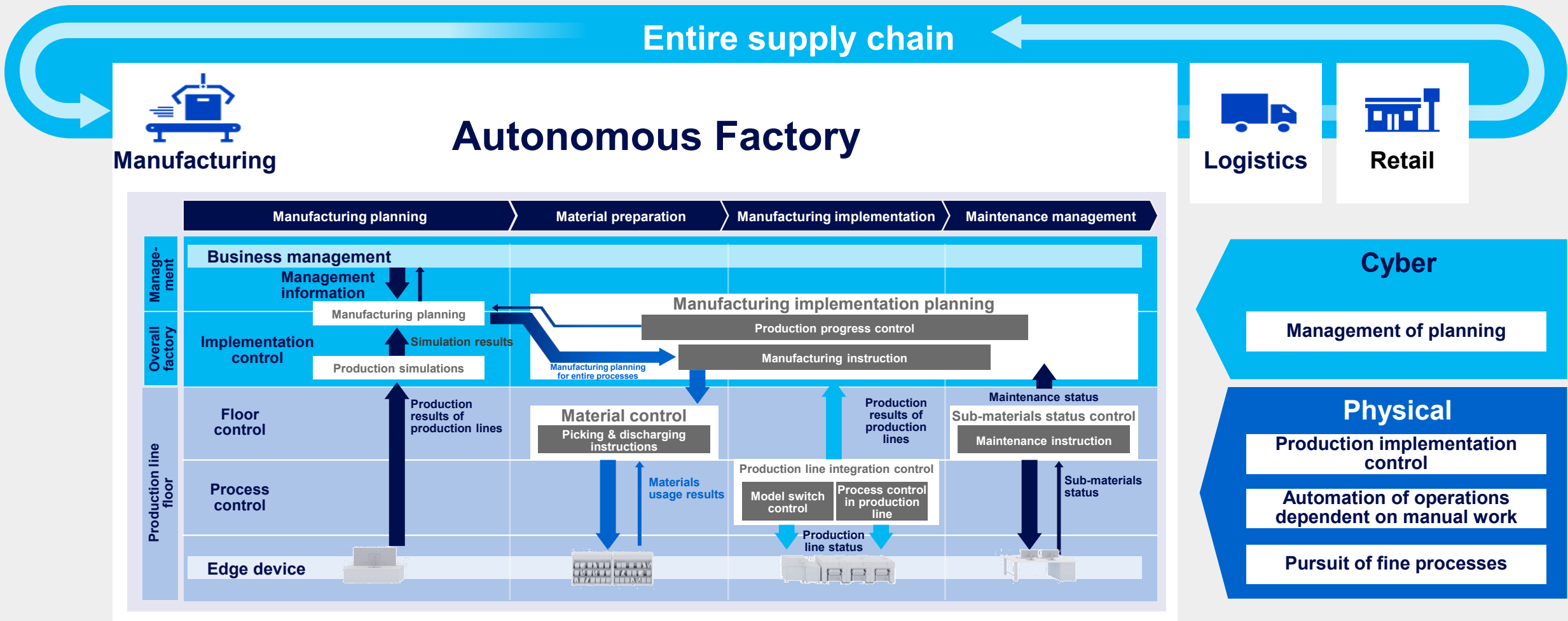
## Growth strategy



Further refine competitive hardware in each category to expand solutions based on the hardware

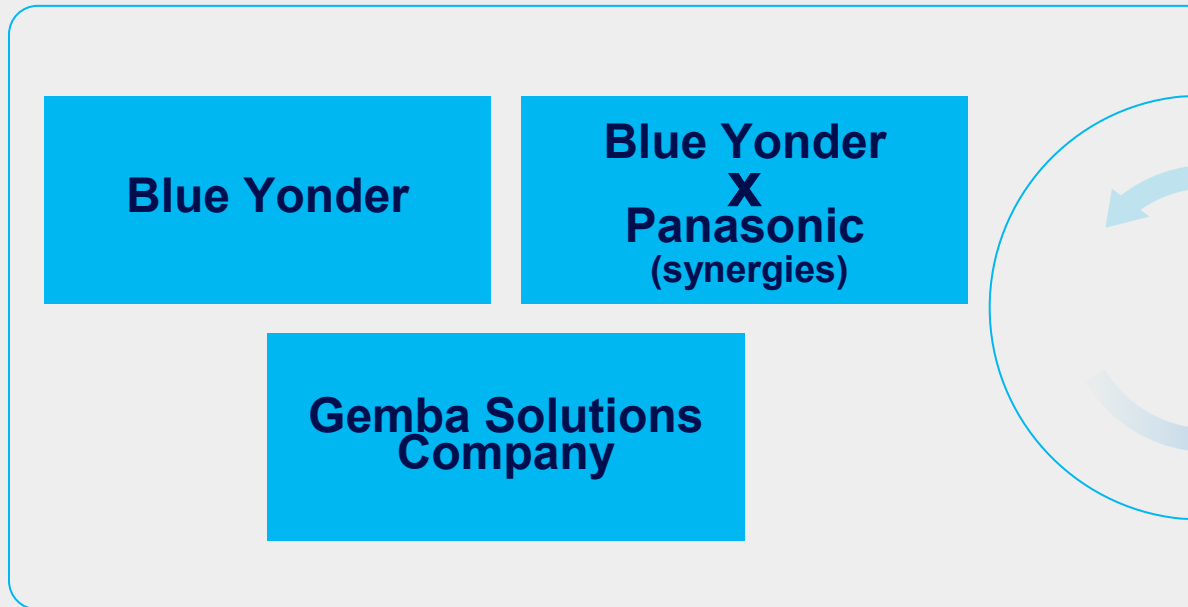
	Business opportunities	Key measures
Mounting machines	Markets expansion, including servers for data centers and automotive solutions for EVs	Further enhance hardware competitiveness (significant update of platforms) Construct new factories in China and Japan (production capacity in China: double in FY26 vs. FY22)
Welding machines / welding robots	Investment in EVs globally and in infrastructure in emerging countries, and labor-saving in welding operations	Enhance systems by commercialization of products with "next-generation connected platform" Increase production capacity in China factories (120% in FY26 vs. FY22)
Semiconductor process	Growing customer needs in the 3D lamination and advanced packaging fields	Accelerate development at R&D sites in Taiwan, and establish an ecosystem in post-process
DDL (blue Direct Diode Laser)	Growing needs for processing copper parts, etc. (automotive batteries for EV, motors, etc.)	Commercialize blue DDL oscillator (industry's first*) <small>*Blue DDL oscillator with high output and high beam quality</small>

Achieve "Autonomous Factories" that can promptly respond to changes in customer request and supplies and continue to evolve autonomously



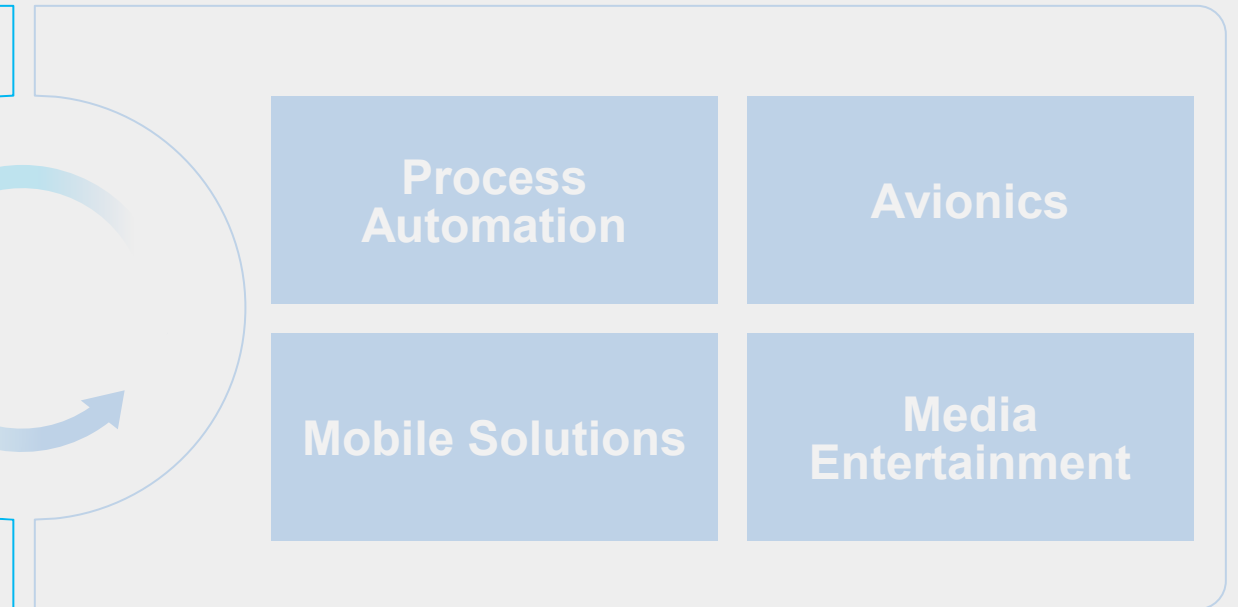
# Enhance Corporate Value through Two Axes of Growth and Core Businesses

## Growth Business (software based)



**Invest management resources in the growth businesses to achieve their sustainable growth**

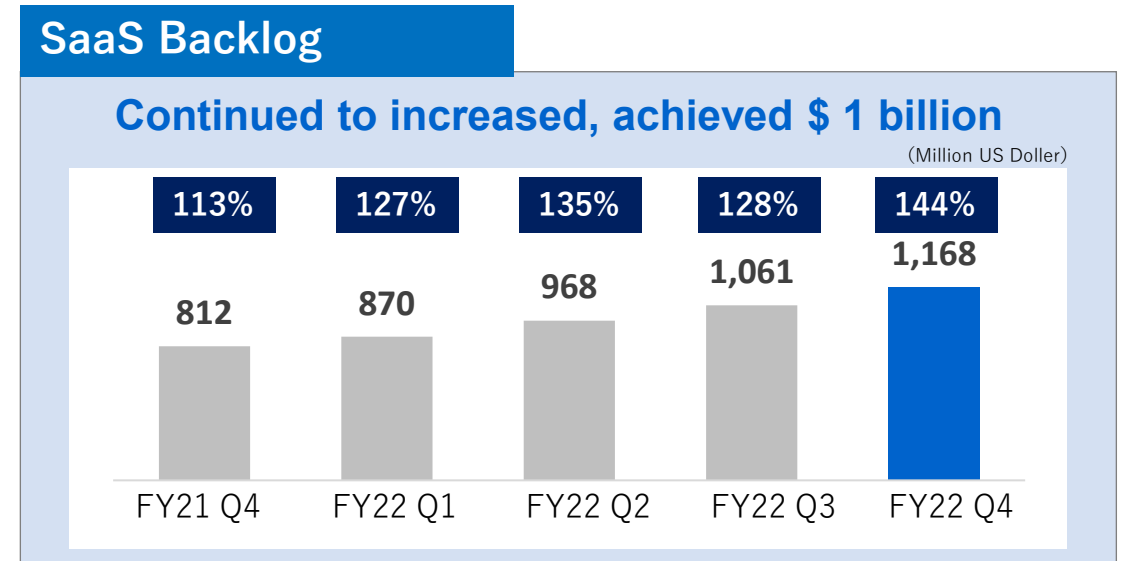
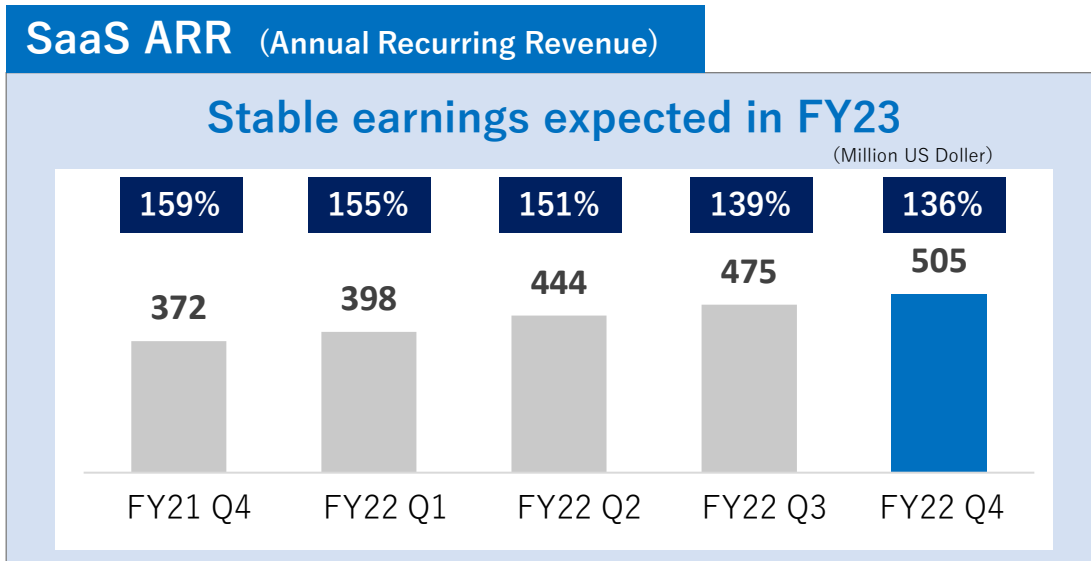
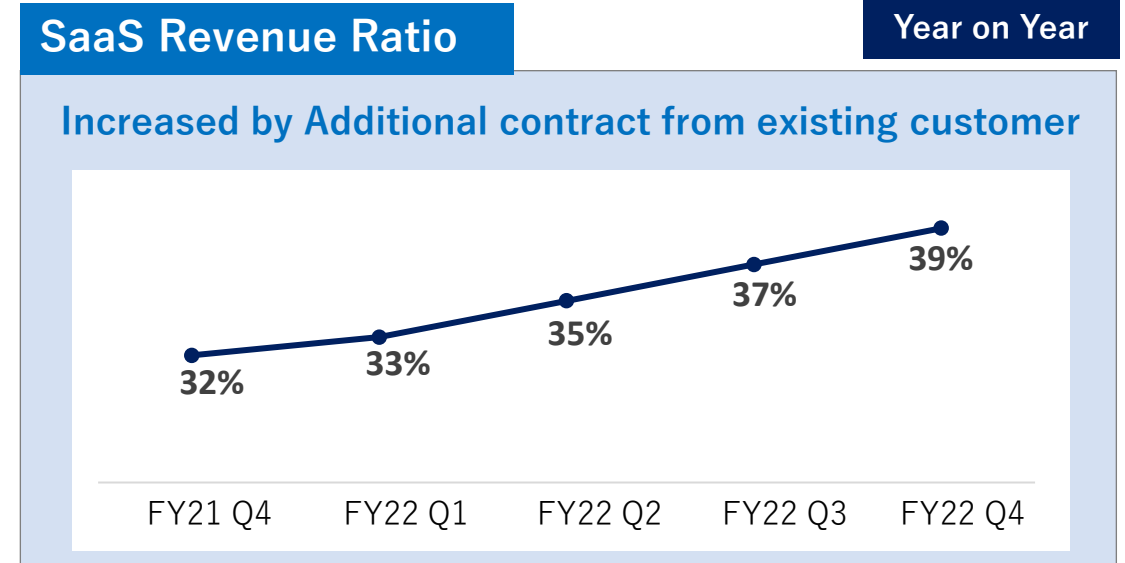
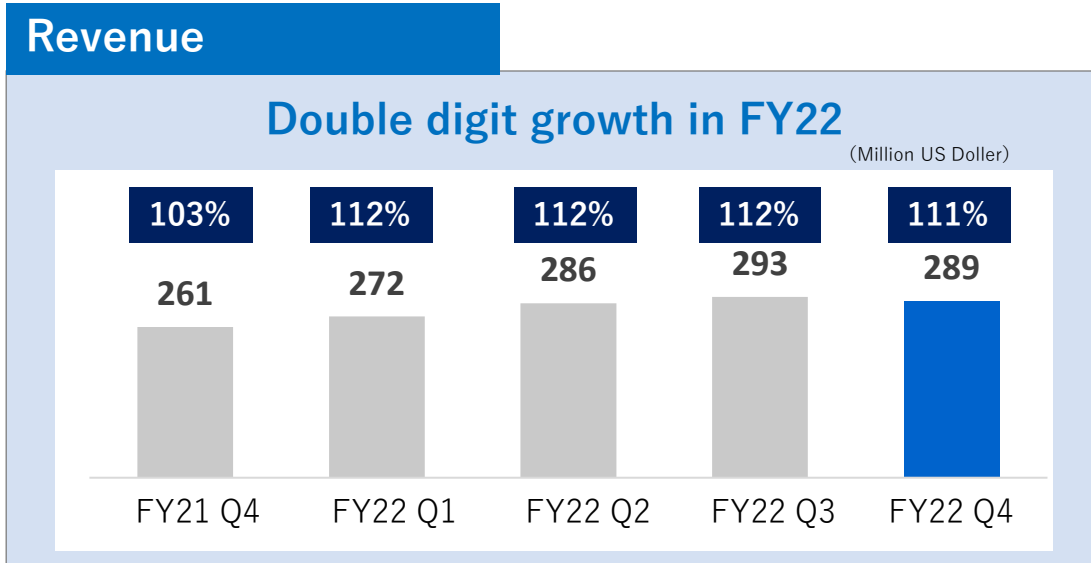
## Core Business (hardware based)



**Thoroughly make hardware more "specialized and sharpened" in the focused businesses that will enable us to generate profit**

# Blue Yonder Standalone Business Overview

After acquisition, SaaS Revenue is steadily growing /Stable earnings growth is expected in the future



# SCM Business Growth Strategy: Global Growth Plan

Achieve high growth and high profits globally by leveraging the strengths of the Panasonic Group to differentiate ourselves

## SaaS Business Growth

 BlueYonder



Further refine Blue Yonder's strengths by strengthening R&D and investing in M&A, and steadily grow the SaaS business in Europe and United States

## Add value to SaaS by linking on-site data

Panasonic Group ×  BlueYonder



Combine Panasonic's technology and Gemba optimization solutions to build a real-time feedback loop and realize efficient SCM

Through expansion within the Panasonic Group and to Japanese customers, thoroughly refine Blue Yonder's solutions, aim for horizontal expansion and scale globally

## Capture white space in Japanese market

Panasonic Group ×  BlueYonder



SaaS sales growth in Japan by leveraging Panasonic's customer base and brand power

# SCM Business Growth Strategy: Global Growth Plan

Achieve high growth and high profits globally by leveraging the strengths of the Panasonic Group to differentiate ourselves

## SaaS Business Growth

 BlueYonder



Further refine Blue Yonder's strengths by strengthening R&D and investing in M &A, and steadily grow the SaaS business in Europe and United States

### R&D

Development of new solutions for native SaaS and micro services

Strengthen the development of new micro applications to offer the best appropriate solutions to diverse demands

### M&A

E-commerce, last mile, strengthening supply chain network, bolt-on investment

Incorporate SCM networks and last-mile technologies to achieve efficient SCM for end-to-end operations

# Midterm Vison of CONNECT

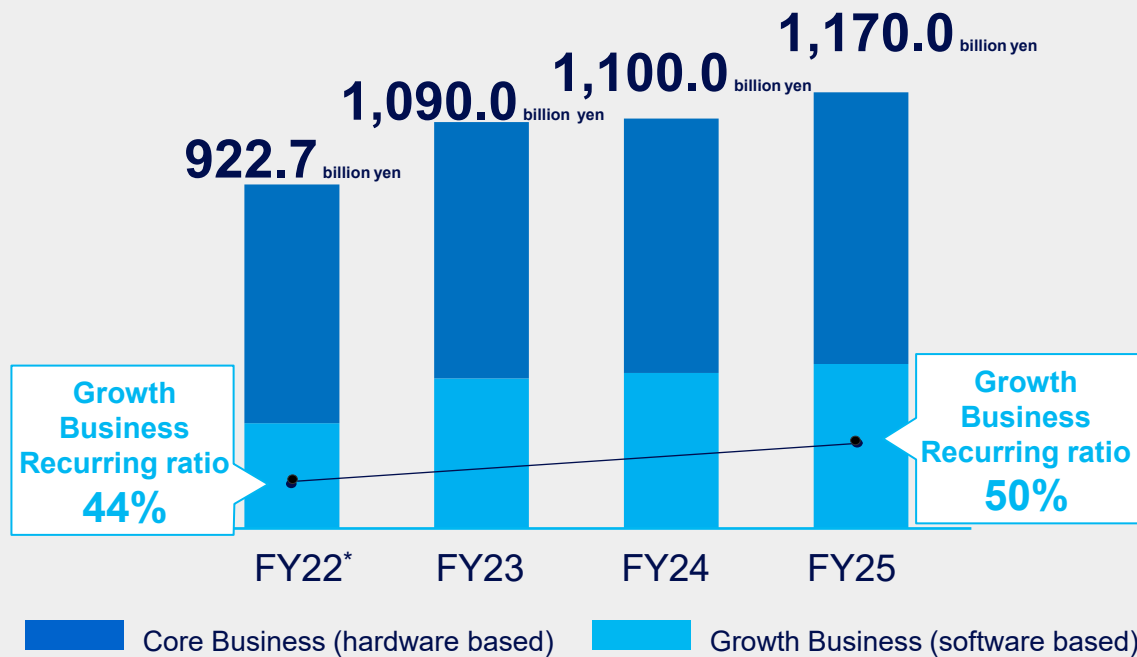
# Profit Target in FY2025

Cumulative Operating CF (FY23-25) **260** billion yen

## Sales

Sales CAGR from FY22\*<sup>1</sup> to FY25

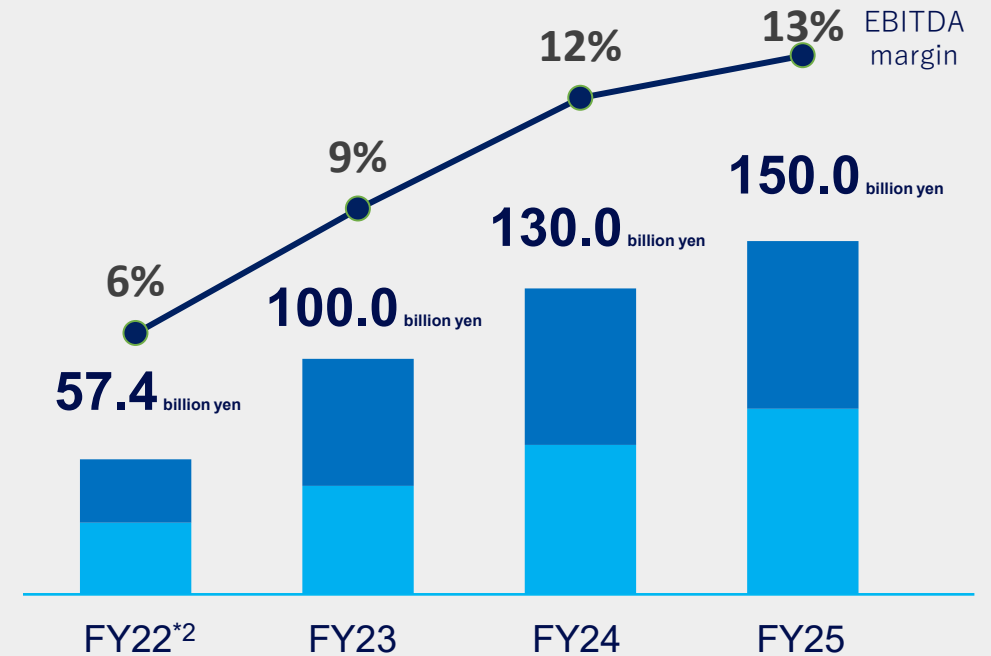
Core Business: **5%** Growth Business: **16%**



## EBITDA

EBITDA CAGR from FY22\*<sup>1</sup> to FY25

Core Business: **38%** Growth Business: **38%**



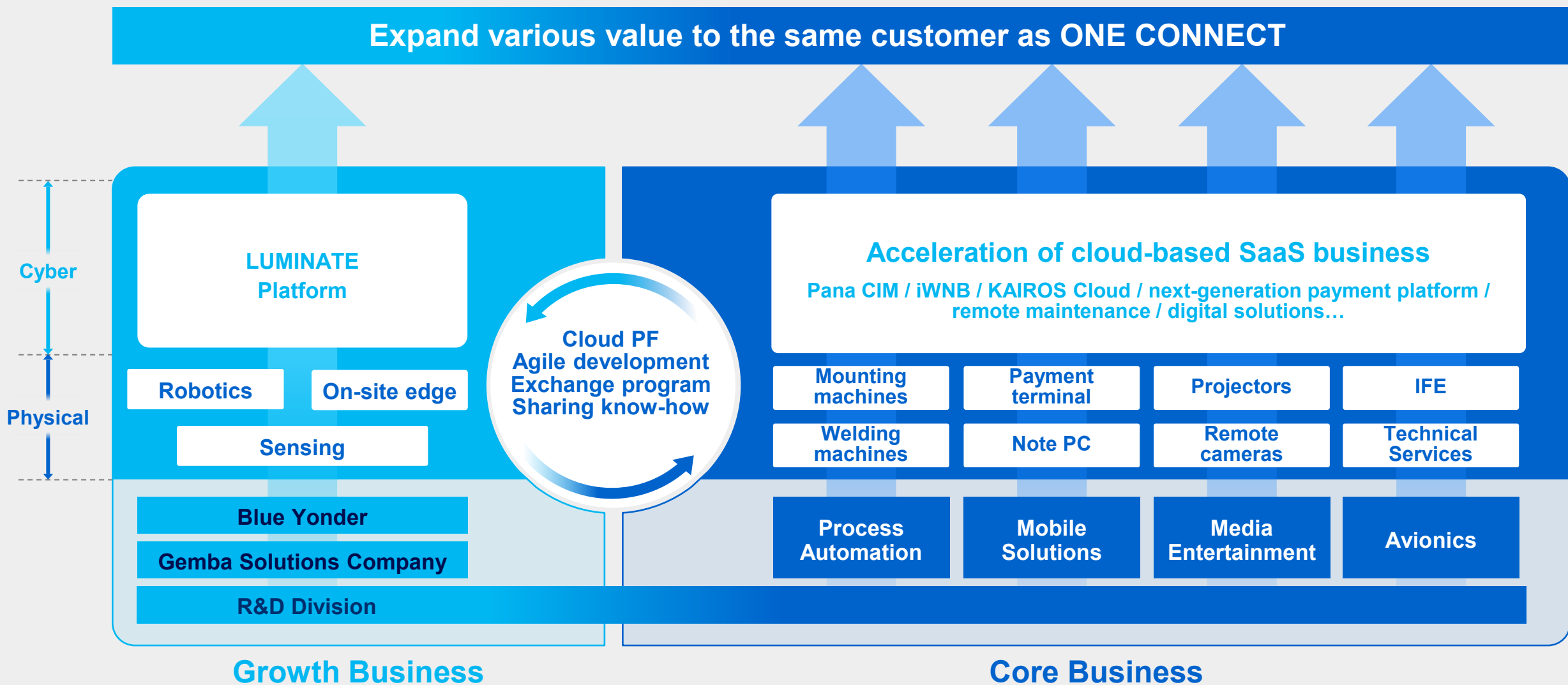
\*1 Blue Yonder's consolidation is only for six months (FY22)

\*2 Gain from evaluation of 20% equity in Blue Yonder not included



# Contribute to Solving Customer's Management Issues from Diverse and Multilayer Perspectives

## Aim to Become a Unique Partner



**Change Work,  
Advance Society,  
Connect to Tomorrow**





**Panasonic**  
**CONNECT**

## Our Purpose

**Change Work,  
Advance Society,  
Connect to Tomorrow**



## Our Story

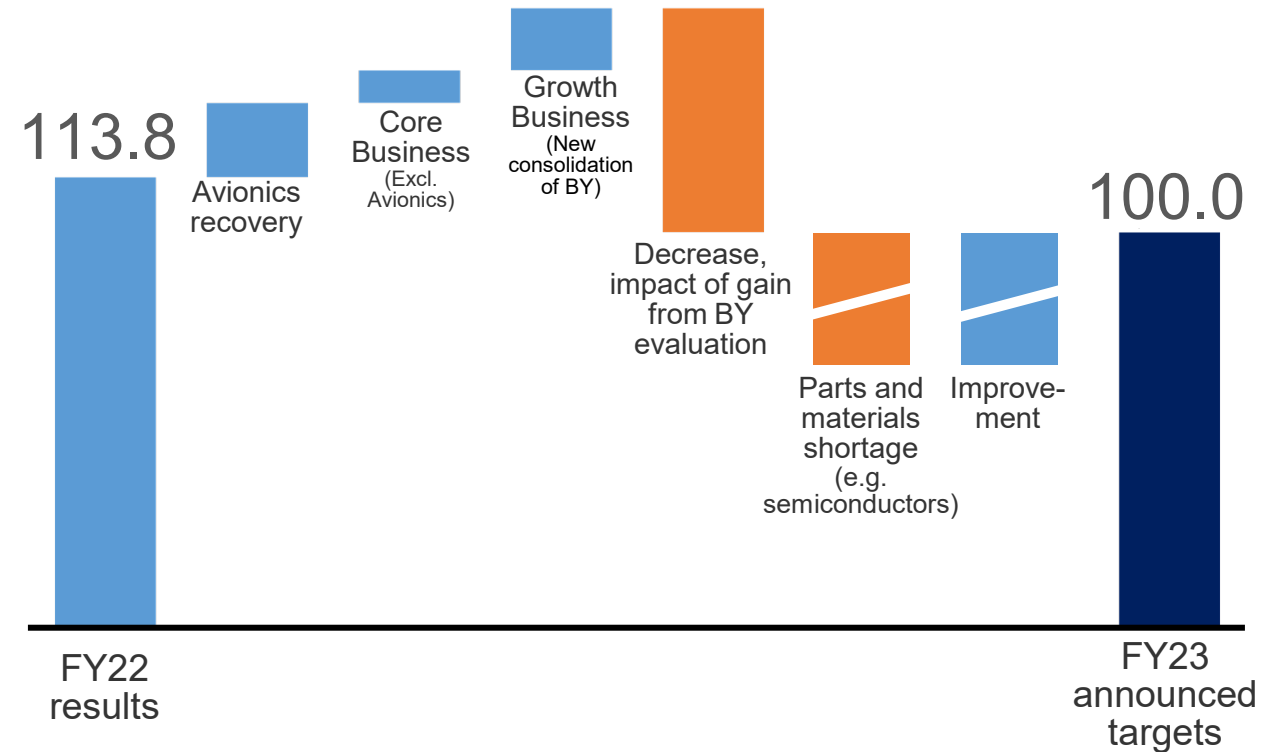
**At Panasonic Connect, we help our customers connect today for a better tomorrow.  
We work with them and our partners on the ground, facing their challenges alongside them.**

# Fiscal 2023 Full-Year Forecast

## Overview (yen: billions)

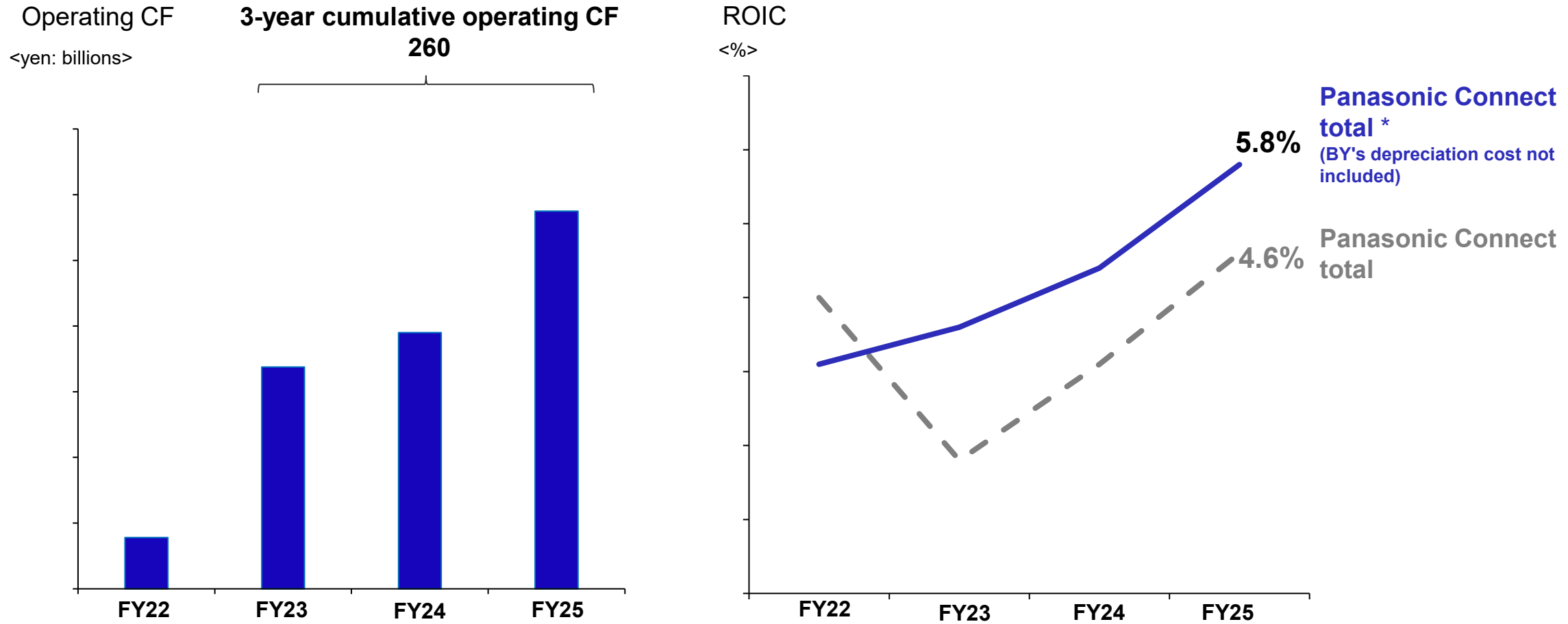
	FY23 (announced targets)	vs. FY22/ Difference
Sales	<b>1,090.0</b>	118%
Adjusted operating profit (% to sales)	<b>38.0</b> (3.5%)	+22.3
Other income/loss	<b>▲1.0</b>	▲38.1
Operating profit (% to sales)	<b>37.0</b> (3.4%)	▲15.8
EBITDA (% to sales)	<b>100.0</b> (9.2%)	▲13.8

## EBITDA (yen: billions)



# Mid-term (FY23 to FY25) Business Figures Forecast

Achieve operating CF of 260 billion yen in a 3-year cumulative total, and ROIC of 5.8% in FY25 excluding Blue Yonder's depreciation cost



\* ROIC in FY22 does not include gain from evaluation of 20% equity in BY and other special factors

# Blue Yonder Overview

## The world's largest supply chain software specialist

The largest SCM software company providing supply chain solutions, which are powered by AI and machine learning through SaaS, to global leading companies in the manufacturing, logistics and retail industries

### Financial information



Sales in CY21

**\$1.1B+**



SaaS Annual Recurring Revenue (ARR)

**\$475M+** (Q4 2021)

### Net Revenue Retention (NRR)



**108%**  
(Q4 2021)

### Recurring ratio



**69%**

### SaaS backlog



**\$1B+**  
(End of 2021)

### Number of customers



**3,000+**  
companies

### Number of new customers acquired in 2021



**163** companies

### Customers in the top 100 companies



Retail industry

**68** companies



Manufacturing industry

**61** companies

### Patents



**400+**

### Customer satisfaction

SaaS customer retention rate (2021)



**96%**

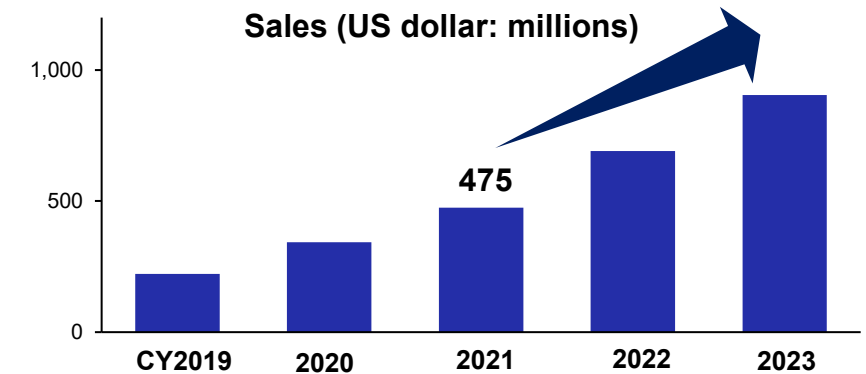
# Blue Yonder Standalone Growth Strategy

Promote shifting to SaaS-type business models and enhancing cloud solutions and capabilities to achieve stable top line growth and high profit in the mid- to long-term

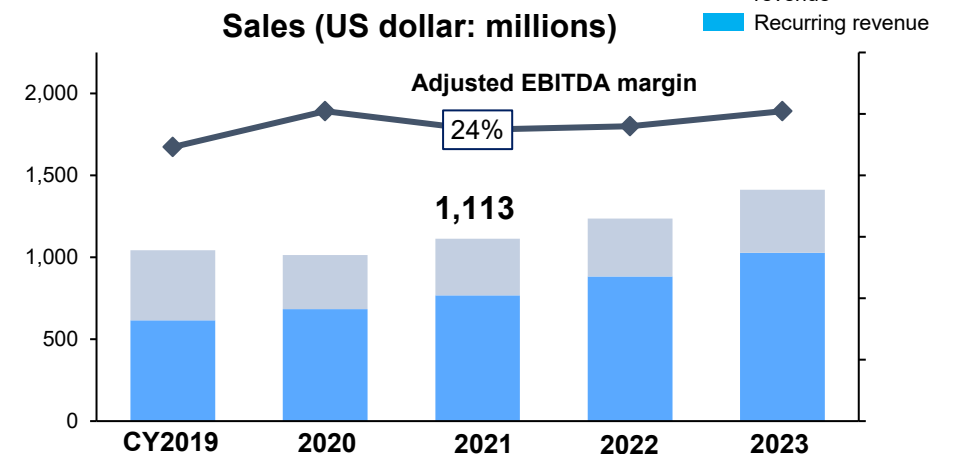
## Blue Yonder standalone growth strategy

- **Focus on shifting existing customer's contract to SaaS type and promoting cross-selling and upselling**
  - Promote shifting from perpetual software licensing or maintenance contract to SaaS contract
- **Enhance cloud-based E2E solutions**
  - Thoroughly promote the use of cloud by leveraging the strategic partnership with Microsoft
  - Enhance and expand the revolutionary cloud-based Luminate Platform and solutions
- **Inorganic initiatives to achieve further growth, including M&A**
  - Consider and promote continuous bolt-on M&A to enhance functions
  - Expand information network to improve AI accuracy (e.g. weather, demand trend)
  - Joint operation of Blue Yonder and Panasonic Connect M&A team (second our M&A staff to Blue Yonder)

## SaaS ARR Growth Plan



## Blue Yonder Company-wide Sales Growth Plan

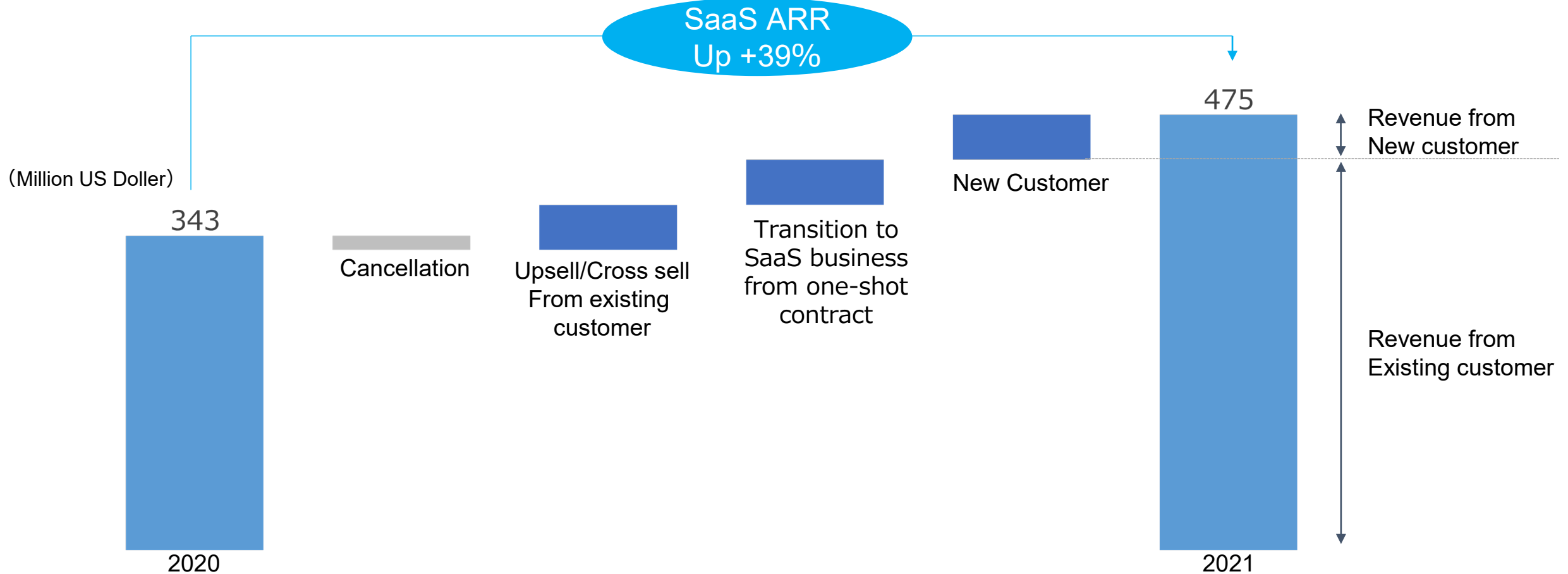




# Sales growth solidity - Methodology of SaaS business -

Major growth is driven by sales to existing customers.

SaaS is a type of multi-year contract so that revenue of several years is secured once a new contract is concluded ("Snowball effect").



# (Reference) Businesses with Sales Disclosed

## Businesses with sales disclosed

### Avionics



## Main products and services

In-flight entertainment & connectivity system, digital solution & services, repairs and maintenance

### Process Automation



Chip mounters, screen printers, FPD bonders, electronic component insertion machines, welding-related systems, lasers, integrated line control systems

### Media Entertainment



Projectors, professional displays, professional video production systems, sound systems

### Mobile Solutions



Notebook PCs, tablets, payment systems

### Gemba Solutions Company



Development of solutions and services for various industries, and system integration, installation, operation and maintenance

### Blue Yonder



Supply chain management  
Software and solutions

The image features a dark blue background with a grid of lighter blue squares. A large, semi-transparent blue circle is on the left side. The text 'Panasonic' is in white, and 'CONNECT' is in a bright blue color. The 'C' in 'CONNECT' is stylized with a white infinity symbol inside it.

**Panasonic**  
**CONNECT**

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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.*