

Our goals remain  
unchanged

# Message from the CEO

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## Even stronger commitment to our Mission, Vision, and Will

Since the establishment of Panasonic Energy in 2022, we have worked towards realizing our Mission of “achieving a society in which the pursuit of happiness and a sustainable environment are harmonized free of conflict.” During this period, natural disasters such as floods and heatwaves have occurred in different parts of the world, increasingly affecting our daily lives. It can be said that a trade-off has become apparent in which the enormous strain placed on the global environment for the happiness of people living today is paring back the happiness of future generations. Every time I recognize this kind of trade-off in my daily life, my commitment to our Mission grows even stronger. It is because of this Mission that we have been able to move forward without wavering in any way.

When we look at society, we can see that everything supporting human activity and industry is now powered by electricity. As such, batteries are underpinning the shift from gasoline vehicles to EVs and directly contributing to reductions in CO<sub>2</sub>. Also, by adding the energy “storage” function of batteries to the conventional process of generating, transmitting, and using electricity, we are contributing to the use of precious electrical power without waste. In addition, the development of AI and other information infrastructure is supporting people’s convenient and comfortable lives, even though it requires a tremendous amount of electricity. Behind all of this are batteries, which ensure that data centers continue to operate around the clock. In this way, the role of batteries in contributing to people’s happiness and global environmental conservation is undoubtedly expanding.

Given that we operate a business that can help eliminate the trade-off I just mentioned, I believe that if we tackle challenges with all our might and make it our top priority to contribute to the society, expansion of our business will follow as a result. I am once again convinced of the mission that Panasonic Energy has set forth, and I am even more determined to be “the energy that changes the future.”

## Even in the maelstrom of change, our goals remain the same

In fiscal 2024, series of unexpected events occurred including global inflation and conflicts in various regions. Particularly in the EV market, some believe that growth has reached a plateau, mainly because of reports that the automakers have lowered their EV targets. In my view, the situation has shifted from overheating—during which the international community and governments worldwide made a strong push towards the adoption of EVs—to an adjustment phase to deal with the current situation where the actual development of social infrastructure and technology has failed to keep up. To move past this phase, it will be essential for battery manufacturers and automakers to work together to create vehicles with both price level and performance that more people are looking for. Nevertheless, many companies are finding this task difficult.



In response to this situation, our focus is entirely on achieving our Mission. As the world of energy continues to gather momentum, we will need to modify and optimize our course in response to policies of governments economic fluctuations, and unexpected moves by industry players. However, I believe the most important thing will be to continue taking steps towards the realization of our Mission without becoming shortsighted. Now is the right time for us to pave the way for market growth by leveraging the technological capabilities we have hitherto developed over the years. During the establishment of the Nevada Factory in North America, we had a hard time achieving a production level in excess of 30 GWh. Building on this experience, we will press ahead with the establishment of the Kansas Factory and look to develop technologies aimed at achieving price and performance acceptable to as many consumers as possible. We will tenaciously and assuredly continue down the same path we have been on, together with our customers.

From a medium-to-long-term perspective, the broader societal movement toward decarbonization will undoubtedly progress, and even if the pace of expected market growth slows down, the EV market will continue to expand as long as there is innovation. Accordingly, in line with EV market trends, we will revise the timing of when we expect to achieve net sales of more than ¥3 trillion and an EBITDA margin of 20% (actual basis not including IRA\* tax credit), the management targets of our medium- to long-term strategy that we announced in fiscal 2024, but the numerical targets will remain unchanged. We also have no intention of changing our investment plans through fiscal 2028, including operations at the Kansas Factory.

\*Inflation Reduction Act in the US



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## Ushering market growth in medium- to long-term through innovation

On top of that, when looking back on our activities in fiscal 2024, it is true that we found it hard to respond to increasingly intense competition, rising inflation, and other changes. Particularly in North America, the enforcement of the IRA changed the pace of market changes, which meant that we had to make some major adjustments to the speed and approach of our efforts. On the other hand, we can confirm that we were able to enhance our global presence more than ever by getting our production sites up and running and pursuing technological innovation as quickly as possible by bolstering our resources with a view to our medium-term targets and plans, and also by closely collaborating with governments and various partners. In that sense, I believe it was a year in which we were able to steadily lay the groundwork for a profit expansion phase from a medium- to long-term perspective.

Our strategy going forward will be to reduce our environmental footprint and contribute to the development of society on multiple levels with our “two-pillar management” approach driven by both the in-vehicle business and the industrial and consumer business.

In the in-vehicle business, while continuing to improve production capacity and profitability for the North American market, we will also step up our efforts in the Japanese market, where the EV market has started to expand. Our aim is to shift from a focus on North America to a dual-region focus on Japan and North America. As part of this, we are advancing discussions on the building of medium-to-long-term partnerships for battery supply with major Japanese automakers Subaru Corporation and Mazda Motor Corporation. Together, we will aim to create new value and promote the development of Japanese industry.

In the industrial and consumer business, we will deploy advanced systems that bring together our high-safety and high-reliability cells with control technology in an effort to maximize the value we provide. We will especially focus on areas expected to grow in the medium-to-long term, such as information infrastructure centered around data centers, which are becoming more prevalent with the rise of generative AI, and the electrification of power equipment like electrically assisted bicycles, construction machinery, and agricultural machinery.

Going forward, I believe we can create a new movement to make further strides in electrification by taking our innovation to the next level. Given the need for all-encompassing innovation that includes not just our technology, but also our operational capabilities, we will aim to bring together all of our strengths, demonstrate our solutions to the world, and lead the way forward in the industry.



## Leading the way to achieving a decarbonized society

In addition to two-pillar management, “ESG management” is also a key strategic framework of our medium- to long-term strategy. We are focused on achieving decarbonization and a circular society, as well as on human capital management that enhances the value of employees, the source of our competitive advantage.

For decarbonization, we have our sights set on halving our fiscal 2022 carbon footprint by fiscal 2031, and we also seek to reduce CO<sub>2</sub> emissions across the entire supply chain, from the upstream resource mining to the processing of raw materials, logistics, and battery manufacturing at our own factories. In particular, we are accelerating our efforts towards our goal of virtually zero CO<sub>2</sub> emissions at all our factories by fiscal 2029. Globally, we have achieved virtually zero at 17 of our 20 factories, while in Japan, we have already met this target at all sites ahead of schedule (as of September 2024).

In addition, to reduce emissions in the upstream supply chain, which accounts for over 80% of CO<sub>2</sub> emissions, we engage in local procurement practices, use recycled materials, and endeavor to reduce our use of rare metals, among other initiatives. In using recycled materials, there are challenges that are difficult for a single company to solve, so we are working on developing a mechanism to promote innovation by acting as a core player in bringing companies together for the purpose of collaboration.

Furthermore, Panasonic Energy is driving efforts to achieve the Group’s Panasonic GREEN IMPACT target of avoided CO<sub>2</sub> emissions of 93 million tons by 2030. In addition to automotive Li-ion batteries, we intend to support the electrification of mobility by providing batteries for new initiatives such as electric bikes. As these efforts we aim to achieve avoided CO<sub>2</sub> emissions of approximately 60 million tons by fiscal 2031 (roughly four times the amount in fiscal 2023).

## Building a culture of excitement where employees are not afraid to take on challenges

I believe that value can only come from people, so my focus is on creating a culture in which employees can freely and enthusiastically take on as many challenges as possible. As it stands now, with the EV and battery markets moving towards the next stage, no solutions will come to us if we continue in the same way as before. In my view, our collective strength as a company is the most important aspect. We need to face challenges without fear, share our stumbling blocks, or failures, with each other as the starting point for learning, and never stop trying to find solutions. The achievements gained at the end of a challenge can become a source of competitiveness that others cannot easily replicate. Even when we summon the courage to take a bold leap, there will be times when we fall. But I want to reassure everyone that there is a trampoline below to catch them. For this reason, we are kicking off a wide variety of initiatives.

Supporting these challenges accompanied by changes in our own behavior are our action guidelines, called the Seven Paths to Transformation. They define the mindset for going about one’s work from both an offensive and defensive point of view, which is not fully expressed in our Mission and Vision. These

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guidelines also aim to encourage each employee to conquer their own struggles in their work and to provide a sense of reassurance that they can break through whatever has been holding them back. We aim to be a “20,000-person venture” that has speed and flexibility, and a creative company that always maintains a feeling of excitement. Accordingly, we hope to produce innovations in line with the times as soon as possible.

## Doing what humankind requires, together with like-minded partners

There is no way we can achieve our Mission by ourselves. As such, we will require the cooperation of many of our partners. In the two years since the establishment of Panasonic Energy, we have actively communicated our aspirations, and in response, many like-minded partners willing to work with us have come forward. Not only in Japan and North America but also in many other countries, through meetings with government officials, customers, and suppliers, I feel that the regions and industries we are involved with are expanding at an accelerated pace. Moreover, collaboration between partners centered around us has also begun. We are grateful that such high expectations have been placed on us and for the opportunities we receive from various quarters.

By innovating together with these partners, we will undoubtedly achieve further growth in the battery market. We are currently in the middle of an investment phase, but I am confident that within a few years, when operations at the Kansas Factory come online and we have started to supply new customers in the in-vehicle business, we will be able to develop a stable business. In the industrial and consumer business, we are making progress on initiatives aimed at the stable and efficient utilization of electricity by providing the “storage” function of batteries I mentioned earlier to the power grid supply network. We are working on contributing to society through these businesses, and I hope that our stakeholders have strong expectations for growth in the battery industry and at Panasonic Energy.

This painting depicts our current situation. Many different companions are working together to get to the

other side of a chasm. A bright future can be seen in the distance, so the party has certainly not lost its bearings. Just like in this illustration, if each and every employee and partner can unleash their full potential, we can definitely cross the divide. My wish is for the children of the future to inherit a better environment than the one we have now. Doing what humankind requires—this is my will.

