[English translation of the original Japanese]

Summary of the online meeting with institutional investors held on March 12 & 13, 2025

This is an English translation of the summary of the Q&A which was conducted in Japanese. Please note that there may be some differences between this summary and the simultaneous English interpretation provided for the online meeting.

[Date & time] 1st session: March 12, 2025, at 17:00-18:00 (JST)
2nd session: March 13, 2025, at 08:00-09:00 (JST)
[Venue] Zoom meeting
[Moderator] Mr. Yu Okazaki, Analyst, Nomura Securities Co., Ltd.
[Panasonic Holdings Corporation] Yuki Kusumi, Group CEO
Kazuyo Sumida, Group CSO
Akira Waniko, Head of Corporate Finance, Accounting & IR Department

(Moderator) Mr. Yu Okazaki, Analyst, Nomura Securities Co., Ltd.

1	Q	At the time of the FY3/25 3Q results briefing, Kusumi-san unexpectedly took the stage to announce the group management reform, which surprised the capital markets. Typically, such announcements are made during the full-year results announcement period in April or May. Could you share the context behind the timing of this announcement?
	A	We are positioning the fiscal year ending March 26 (FY3/26) as a year focused on management reform. This reform includes a review of the employment structure, which will take considerable time due to the need for coordination such as with the labor union. If we make the policy announcement in May as we did in the past, it will not allow us enough time to proceed with internal adjustments. Therefore, it was necessary to make the announcement in February. We notified that I would be present just before the event to avoid any speculation that might arise. Nevertheless, I am grateful that so many people participated on that day.
2	Q	Usually, Panasonic Group sets a three-year term strategy, but this time you are positioning FY3/26 as a year of reform to move forward. Is this intended to achieve a faster pace without being bound by past methods?
	A	Speed is very important. A medium-term management strategy should be considered with a ten-year outlook. However, to disclose figures, we had to formulate strategies based on three-year periods. Yet, in three years, the state of the world can change significantly. Instead of proceeding with management based on a strategy formulated at

		the beginning of the three years, we are discussing the possibility of changing to an approach that involves reviewing and rolling over the strategy annually.
3	Q	Was the adjustment of the current medium-term strategy influenced by your own experiences? What are the issues and points of reflection?
	A	The content presented on February 4th includes changes to the structure of the operating company system. The most significant point of the current medium-term strategy is the introduction of this operating company system. During my time as business division head, or CEO of Automotive Company, I felt that the directives from headquarters were not always on point. I believed it was better for those responsible for the actual businesses to think and act more independently. Therefore, I decided to entrust the operation of each business to its respective operating company. I believe there has been some effectiveness in terms of management beginning to progress with some innovations, considering the structure of the industry we face, as well as our customers and competitors. However, there have been significant challenges in controlling SG&A expenses, which are equally important elements of management. During the days of Matsushita Electric Industrial, management focused on improving the marginal profit ratio every year while keeping fixed costs down in absolute terms. When expanding production, the idea was to maximize profits by improving productivity and minimizing the increase in fixed costs associated with production, thereby returning value to employees, society, or investors. However, during the transition to the operating company system, each operating company tended to lean towards expanding functions individually. I reflect that it was necessary to reaffirm and thoroughly implement the management approach I mentioned.
4	Q	Regarding the group management reform at this time, you mentioned plans to improve efficiency in indirect departments and integrate or close sites in FY3/26, with details to be worked out moving forward. What is your approach in this regard? Please share what it will be like as much as possible as of today.
	A	I believe we need to consider three perspectives. First, from a metrics perspective, the optimization of SG&A expenses ratio is crucial. While our competitors have reduced their SG&A expenses ratio and improved profit margins over the past three years, our group has been in the opposite situation during the same period. We need to correct this and ensure it does not revert. Second, from a human resources perspective, our company has a tradition of valuing job security. However, it is most important to fully maximize the potential of each individual entrusted to us by society. If an organization is burdened with excess personnel, there will be no creativity for improving productivity, nor will there be motivation to concentrate on necessary tasks, leading to a state of underutilization of human resources. We need to proceed with personnel optimization to fully utilize our workforce. Third, from a competitiveness perspective, which I believe this is the most important. If we are losing to competitors due to the lack of our efforts, we can work hard to recover. However, if we are facing structural competitive disadvantages or are in an unfavorable business position, we must decide on countermeasures during FY3/26 and implement them accordingly.
5	Q	I think it is appropriate that you pay attention to issues regarding WACC and SG&A expenses, but I am concerned about the risks that expenses reduction may lead to shrinking business activities, or that personnel optimization could undermine employee motivation. What risks are you mindful of regarding management reform?
	A	Implementing personnel optimization may temporarily carry the risk of lowering motivation. But it is a fact that SG&A expenses are higher than those of our competitors, indicating inefficiency. We need to start with personnel optimization if we are at the same sales scale. In that process, we must change the methods and processes of sales and

		marketing to improve efficiency and grow the top line. Finding the right balance is very difficult. While the introduction of the operating company system was intended for each company to invest and grow, it has resulted in costs increasing more than sales. Businesses that have operated efficiently and increased personnel should have grown accordingly, while those that have continued past practices have not seen growth. For example, if market share is declining, it indicates issues with our operations, so we need to take this opportunity to implement reforms. Panasonic Corporation (Lifestyle segment) is a typical example. Here, we will make significant changes to the organization aiming for better efficiency and growth. In the sales divisions of the consumer electronics business, the sales amount per salesperson in Taiwan are twice those of Japan. Although there are differences in market size and geographical factors, I see this as one example of the concerns I have mentioned.
6	Q	To evaluate the progress of this management reform, what KPIs should be focused on to determine if the reform is proceeding smoothly?
	A	Ultimately, profitability is important. In the short term, we will focus on SG&A expenses ratio and see how much we can reduce it by each business division.
7	Q	How should the capital market interpret the progress of management reform based on adjusted operating profit? Many investors are concerned about this, given the poor track record of past restructuring efforts that did not succeed or were not sustained.
	A	I am afraid to say that after adjusted operating profit margin reaches 5%, SG&A expenses ratio tends to rise again. Therefore, measures to prevent regression are necessary. This includes managing headcount and strengthening the mechanisms in place, which should be controlled by each operating company. However, considering the past track record, I believe the holding company should be more responsible to monitor its progress.
8	Q	Regarding the approach to businesses with issues, the media and newspaper headlines emphasize the withdrawal from TV business. My understanding is that there have been discussions in the past about withdrawing from certain products or regions, but what point did Kusumi-san want to convey this time?
	A	The definition of a business with issues is one where the ROIC is below WACC at the business division level. We are committed to make the number of such businesses zero by the end of FY3/27. The measures to be taken will differ by business. Our businesses are supported by our investors, customers, and suppliers, so we have that responsibility. We will thoroughly scrutinize and take necessary measures for businesses that are structurally at a competitive disadvantage or in an unfavorable business position. For those that are inadequately addressed, the holding company will intervene and ensure that proper action is taken. For businesses that require inorganic measures, negotiations with stakeholders will be necessary, and we will report on each project as they become clear.
9	Q	Please provide more details about the 150 billion yen in profit improvement mentioned in the group management reform. Does this mainly come from fixed-cost reductions or increased sales? Given the uncertain external business environment, is there a risk of not achieving this if the sales of your “area of focus” businesses do not grow as expected?
	A	Rather than relying on increased sales, we have set this figure based on building up menus internally, while taking on some level of risk. The main part will be fixed-cost reductions and improvements in the marginal profit ratio, which we can control internally. However, we are currently verifying the details, so please wait until May for more detailed information.

10	Q	I feel that realizing this management reform will require a top-down approach from the holding company, unlike in the past. The CEO and CFO, who have been serving on the boards of each operating company, will no longer serve as directors. Can you provide other examples that would give investors confidence in the holding company's execution capabilities?
		One of the major reforms is to eliminate the layer of Panasonic Corporation. Consumer electronics-related businesses will be consolidated under Smart Life Company, and we will shift resources to China. Additionally, we will launch projects to make Electric Works an operating company, and to create another new operating company for Cold Chain and HVAC businesses, led by Katayama-san. The reform of Smart Life Company will be led by three individuals: Toyoshima-san, the current president of Entertainment & Communication; Kinoshita-san, the head of China and Northeast Asia Company; and Nakayama-san, Director of Building and Housing Solutions BD. I will take ownership of these projects and ensure they are well monitored. Furthermore, some businesses in Industry segment require significant structural reform. The newly appointed president of Panasonic Industry, Ozawa-san, will lead this reform. The plans for what we will do have already been determined.
11	Q	During the previous CEO Tsuga's tenure, large-scale structural reforms were also implemented. I have an impression that even after these reforms, things went back to how they were. What is different this time?
	A	This time, we need to implement a system that will not allow us to go back. We must re-establish the consciousness to control fixed costs within our group. The team led by Higuchi-san in Connect segment has relatively successfully implemented this. On the other hand, the businesses that are not performing well face challenges in terms of their structure and implementation methods. In many of these cases, the structures for managing organizations and human resources, as well as for controlling fixed costs and personnel, have become more neglected compared to the past. This is the first time in the company’s history that structural reform is being carried out while achieving profitability. We must be able to do what is standard for other companies. While the FY3/25 Q3 results showed signs of recovery, I made the decision to address this matter decisively at this time.
12	Q	While reviewing the business portfolio is very important, for the coming year, will you prioritize cost reduction over implementing major projects similar to the sale of the automotive business?
	A	Rather than prioritizing one over the other, I will communicate when we reach a stage where I can speak more specifically. There are currently projects under consideration.
13	Q	Regarding business portfolio management, I expect you will carry out a fundamental review that goes beyond simply selling unprofitable businesses. Could you share your view on the direction that the Panasonic Group aims for as its core focus?
	A	We will focus on the Solutions area while possessing profit foundation businesses. There are various types of solutions. We have two pillars: supply chain management and energy management, and within that framework, there are actions we can take in the short term and the medium term. First and foremost, we cannot take action if we are in a low-profitability state, so at this stage, we will concentrate on improving profitability. We are also considering some relatively large-scale portfolio management projects.
14	Q	Waniko-san is set to become the new Group CFO. Please share your view on the capital allocation strategy going forward. As investments in automotive batteries and Blue Yonder (BY) reach their peak, how will you allocate management resources toward shareholder returns and growth investments?

	A	(Answered by Akira Waniko) Looking back over the three years of the medium-term strategy, there has been a high demand, particularly with major investments in the automotive battery business, such as the Kansas factory. In the next three to four years, major investments will slow down. For example, the Kansas factory will transition from the investment phase to the phase when we can benefit from its operations. Given the current state of the EV market, it is unlikely for us to consider the next major investment in this area, so there may be room to strengthen the shareholder return aspect in consideration of the balance with investments. Additionally, we will work to improve profitability across the group and generate cash. Therefore, we anticipate that cash generation will exceed that of the previous three years of the medium-term strategy. We are discussing the possibility of share buybacks, but it is quite difficult to promise that at this point. There are questions about whether free cash flow will be allocated to share buybacks, but I believe it may be irresponsible for us to make such a promise at this stage. In terms of how to fulfill our responsibilities to our stakeholders, we need to balance whether to consider share buybacks or retain cash while considering internal rate of return (IRR). I think we should assess what investment opportunities in terms of IRR will be available over the next three to four years and then allocate cash for shareholder returns from a cost of capital perspective. We will continue to have thorough discussions on this balance internally and plan to explain it at the appropriate time.
15	Q	The relationship between capital efficiency, ROIC, and WACC, along with the emphasis on shareholder returns, is well communicated. Please explain what factors led you to this perspective. Is it a demand from stakeholders, such as the capital market, or is it personal motivation?
	A	Since I became the Group CEO, I have strongly felt that we must respond to the opinions of investors as well as observe what highly-regarded competitors are focusing on and how they are managing their businesses. Waniko-san, who will become the next Group CFO sitting next to me, has also the strongest sense of this among past CFOs. (Additional comments by Akira Waniko) This is an important issue that we are discussing internally. Over the past three years, I have engaged in dialogues with many investors, as I am also in charge of IR activities. I have felt for some time that we should sincerely consider the feedback indicating that we are not adequately addressing enterprise value and capital efficiency. In the past, we implemented reforms when we were incurring losses, but given the prolonged decline in enterprise value, management is feeling a sense of crisis, and we will continue these discussions.
16	Q	What potential does Panasonic Holdings Corporation have for achieving ROIC in the long term? Do you think that setting operating profit margin as a KPI, rather than ROIC, may hinder the optimization of capital efficiency?
	A	As a group, we have been emphasizing ROE. In the current medium-term strategy, we aim for 10%, and while there were improvements in FY3/24, it deteriorated again in FY3/25. We need to first achieve over 10% ROE and then aim even higher. We have set adjusted operating profit as a KPI, but we will continue to emphasize capital efficiency.
17	Q	I believe that improving ROIC requires motivation from each employee, and it is also important to understand its progress. To what degree are these concepts penetrating and being incorporated into personnel performance reviews?
	A	Including myself, along with the presidents and management of the operating companies, 60% of their LTI (Long-Term Incentive) is based on ROIC. However, we have not made sufficient progress in achieving this. Therefore, at the beginning of FY3/25, we established hurdle rates for ROIC for each business division. We will reassess the impact based on these standards. As for the employees, we are taking initiatives to improve understanding of 'What is ROIC?' For example, we are implementing training programs.

18	Q	Regarding changes in governance, the board of directors will change significantly. What are you trying to achieve, including the contributions from outside directors?
	A	We are focusing on how to enhance the effectiveness of the board of directors. In the past, the board primarily concentrated on making decisions regarding major projects (i.e., investments). This time, we had quite intense and rigorous discussions while formulating this group management reform. By engaging in various discussions with outside directors, we are receiving valuable advice that benefits management. We want to further enhance the effectiveness of the board of directors, which is the highest decision-making body, to improve management. Tsuga-san has also decided to step down as chairperson of the board at this time. Therefore, we are nominating Sawada-san, senior advisor to Kao Corporation, to take on the role of chairperson.
19	Q	Why are you not introducing stock price-linked incentives for management?
	A	We are considering implementing a compensation system that will make management more conscious of stock performance after FY3/27. If we implement such a system at this stage and management receives compensation when stock prices rise, supported by the capital market's approval of our initiatives, it wouldn't be fair considering what the employees may need to go through.
20	Q	Tamaoki-san, who joined from outside the Panasonic Group, will become executive vice president. What kind of contributions are you expecting from him?
	A	Since joining the Panasonic Group, Tamaoki-san has pointed out and proposed that Panasonic Group needs a transformation that goes beyond a simple digital transformation (DX). He insists that this requires changes in our corporate culture and processes; therefore, he has been in charge of Panasonic Transformation (PX). Upon becoming executive vice president, I have expectations that he will further accelerate the transformation of processes in each operating company. Further progress of PX continues to be a significant theme for the whole group, along with cost reduction. If processes do not change, we will need the same number of personnel as we have now. We will advance this in tandem with optimizing personnel.
21	Q	The synergies within the Panasonic Group are not very clear. Wouldn't it be better to make each business independent to increase corporate value?
	A	The groupwide synergy may be difficult to see from the outside due to the diverse range of businesses. However, there are opportunities to share various operations and create synergies between different businesses. These opportunities exist in terms of technology. Also, in the Solutions area there are synergies from the customer perspective. For example, a specific business is heavily involved with an individual customer. By gaining a deeper understanding of the customer's management, we can expand the range of products we can offer. This has the potential to create synergies across the group.
22	Q	What do you envision for Panasonic Group five years from now? How much do you think it will change from the current group?
	A	I expect that personnel deployment will be appropriately adjusted, each individual will thrive and work in an 'unlocked' state, and, as a result, the profitability of each business will significantly improve compared to now.
23	Q	In the past, management has been mentioning about expanding solution-type businesses. But what is different this time?
	A	(Answered by Kazuyo Sumida) It is true that we have been communicating a shift to B2B for about ten years. What has changed significantly is technology. In the past, when

		selling competitive products to customers, we sometimes referred to combining our products as 'comprehensive' solutions. This time, we aim to offer a vital solution that includes not only hardware sales but also services. Solving customer issues cannot be achieved with standalone products; it requires a combination of services. To achieve this, we need software capabilities. Today, tools like AI are accessible not only to us but also to our customers. We do have competitive products, including hardware, which makes it easier to combine them with services. The evolution of technology and the advancement of customer processes are creating significant business opportunities. Of course, if our products are not competitive, they cannot form the core of our solutions. By working closely with front-line operations, the opportunities for value creation, including services, are increasing. We need to ensure that we realize this effectively. This time, we are focusing on two core areas: supply chain management and energy management. While there are short-term and medium-term goals, I believe these two will become pillars of the Solutions area.
24	Q	Regarding the shift to the solutions area, as you strengthen solutions from the current hardware-centric approach, is there a possibility of increased cost burdens or revenue declines due to the downsizing of existing businesses? Additionally, when do you expect the solutions business to start contributing to profitability?
	A	(Answered by Kazuyo Sumida) Focusing on the Solutions area will generally require investment. In the energy solutions for data centers, growth in the short term is expected. Although a certain level of investment in this area is necessary, we can anticipate a degree of growth from past investments, so we do not need large-scale investments like those for automotive batteries. In the medium to long term, considering the increasing societal demand for energy solutions, including decentralized power management, we will make investments to a certain degree in areas where we particularly lack capabilities. This will involve a combination of multiple product groups, and rather than relying on a single product to drive significant growth, we will steadily grow through multiple products. We believe that areas where investments have already been made will begin to improve their profitability from FY3/28 or FY3/29, particularly contributing to group profits in the medium term.
25	Q	The generative AI-related businesses are performing very well, and I believe it is an area of high interest for investors. Are energy storage systems for data centers and devices for GPUs becoming important in terms of group management?
	A	Energy storage systems for data centers serve as a battery solution that levels out the power consumption of servers. Moreover, there is a replacement demand from the perspective of reliability. The replacement cycle can be as short as two years or as long as five years. Replacement essentially means switching to the same type of product. From a growth perspective, we have high expectations for the Solutions area as well. Devices for GPUs operate at very high frequencies, so advanced capacitors and circuit board materials are required. We expect these to become a significant part of a new profit foundation.
26	Q	Is it possible to maintain competitiveness in energy storage systems for data centers in the future?
	A	Energy storage systems for data centers are not just about installing batteries; they are solutions that level out power consumption of GPUs. We need to evolve our battery solutions alongside the evolution of GPUs. We will continue to enhance our competitiveness by evolving the architecture itself in line with the GPU evolution roadmap.
27	Q	Why do you not spin off Blue Yonder (BY) entirely?

	A	We regard supply chain management as one of the keys in the Solutions area. Spinning off our core business is contrary to our basic way of thinking.
28	Q	Since the acquisition of Blue Yonder (BY), there have been various changes, including leadership transitions. While additional M&A is almost complete, do you consider that it will now grow organically?
	A	With Duncan's appointment as CEO of BY, it has become clearer what we should focus on. From the perspective of investors, there may be an impression that the top line has not been growing significantly, and recently there have been security-related issues. However, I believe we can achieve significant growth going forward. Regarding M&A, One Network was a significant acquisition following the acquisition of BY itself. What One Network brings is assistance in expanding BY's customer portfolio. The original strength of BY's solutions lies in planning solutions for supply chain management. Traditionally, these are on-premises solutions, but BY has modernized the architecture and transitioned to AI-driven cloud-based SaaS solutions. In December 2024, BY launched the first product of the Cognitive Series, called "Cognitive Demand Planning." BY is focusing on expanding this area. Since BY has a solid customer base, it is also promoting execution-type solutions such as warehouse management. BY is planning to conduct a large-scale demonstration of its planning solutions at its "I-CON" customer event in May, marking a serious push toward growth.
29	Q	Regarding future capital investments in automotive batteries, please provide us with an update on the plan for the third factory in the U.S. and the production of 4680 cells at the Wakayama factory.
	A	Regarding the third factory following Kansas, we have been considering its investment based on commitments from our customers (car OEMs), which includes sharing risks. Therefore, there were concerns that the decision is too slow. However, looking at the current situation of the penetration of EVs, the third factory will likely remain on hold for a while. Our priority is to ensure that the Kansas factory operates effectively. As for the 4680-cell production, preparations at the Wakayama factory are progressing. However, if we were to expand 4680-cell production in the U.S., we would make decisions in consultation with the car manufacturers.
30	Q	What are your thoughts on the U.S. tariff policy, particularly regarding its impact on battery-related businesses?
	A	As for automotive batteries, since the batteries delivered and assembled in the U.S. are produced domestically, there are no issues. However, regarding the supply chain for material procurement, we need to take measures to avoid the impact of tariffs as much as possible. As for energy storage systems for data centers, the final assembly process is conducted in Mexico. Furthermore, Hussmann Corporation (showcases and commercial refrigerators for supermarkets in the U.S.) has a significant market share in the U.S, but they have large production facilities in Mexico. Both require attention, but the overall impact on group sales is not so significant.
(Mr. Yu Okazaki) This concludes today's session. Thank you very much.		

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