[English translation of the original Japanese]

Q&A Summary from Briefings on FY3/26 2Q results

This is an English translation of the Japanese Q&A summary.
Please note that there may be some differences between this summary and the simultaneous English interpretation provided during the briefings.
Unless otherwise stated, all responses were provided by Mr. Kusumi, Group CEO.

[Date & Time] Thursday, October 30, 2025 / 18:00-19:15 (JST)
[Speakers] Panasonic Holdings Corporation

- Yuki Kusumi, Group CEO
- Kazuyo Sumida, Group CSO
- Akira Waniko, Group CFO

<QA session for journalists>

Questioner 1:

Q: In the "Memorandum of Understanding on Strategic Investment (MOU)" signed between the governments of the United States and Japan in September 2025, a framework was announced under which Japan would invest up to USD 550 billion in the U.S. Subsequently, on October 28, 2025, a joint fact sheet for Japan-U.S. investment was released, stating that Panasonic Group plans to invest approximately USD 15 billion. Could you elaborate on how this investment will be materialized going forward?

A: Under the signed MOU, we have expressed our intention to consider investments of up to USD 15 billion. This potential investment may cover the supply of energy storage systems for data centers, as well as advanced electronic components and materials. However, specific investment plans for the U.S. are still under review, and the figures mentioned have not been finalized. We are proactively exploring these projects in anticipation of potential investment opportunities.

Q: You mentioned that the company is on track to solve businesses with issues. Could you provide more details on the key transformation initiatives undertaken? Additionally, while Kitchen Appliances Business Division of Living Appliances and Solutions Company is expected to complete its restructuring by the end of FY3/27, what is the outlook for the TV business?

A: We are making steady progress in resolving the challenges of our TV business in FY3/27. While specific measures are currently in progress, we are unable to share further details at this time. Nevertheless, we continue to pursue strategic partnerships and implement lean transformation initiatives to optimize our operations.

Questioner 2:

Q: Could you provide an update on the progress of personnel optimization?

A: The initiative is progressing broadly in line with our initial plan. However, within the Industry segment, restructuring-related expenses have slightly exceeded our original estimates.

Questioner 3:

Q: In the FY3/26 2Q results, sales of the consumer electronics business declined, while profit increased. Could you provide an update on the progress of your cost optimization initiatives in China and the resource shift to the region, which are considered critical to the business turnaround? What tangible results have been achieved so far?

A: Deploying globally the cost competitiveness we have developed through our China-based operations is essential for the survival of our consumer electronics business. Accordingly, we are accelerating our resource shift to China and aim to establish a China-centric production and supply platform capable of serving both the Japanese and international markets by the end of FY3/27. While we recognize that completing this shift two to three years earlier would have been ideal, we are now making meaningful progress and gaining momentum toward this strategic transformation.

Q: Following up on the previous question, you mentioned that sales in the consumer electronics business in Japan remained steady, supported by market share gains. Which product categories have contributed most to this performance?

A: (Akira Waniko, CFO): In the Japanese market, the market share recovery has been broad-based, spanning both major and small appliance categories rather than being driven by a specific product. Looking ahead to the second half of FY3/26, we aim to achieve the full-year forecast for Living Appliances and Solutions Company by capitalizing on the benefits of our cost-competitiveness developed in China and the ongoing resource shift to the region.

Questioner 4:

Q: An additional 20 billion yen in restructuring expenses has been recorded under the Industry segment. Does this imply that total workforce reductions could exceed the previously indicated 10,000 employees globally? Furthermore, will this additional cost help to resolve the situation of issues for the industrial devices and electromechanical control businesses?

A: As the restructuring initiatives are still in progress, we are not in a position to provide specific figures regarding personnel optimization at this time. However, we are implementing bold and comprehensive transformation measures. As a result, we are beginning to see a clear path toward resolving the situation of businesses with issues.

Q: The company has set a target to improve adjusted operating profit by 300 billion yen in FY3/29 compared to FY3/25. However, one of the key drivers—specifically, profitability improvements in strategic investment areas such as automotive batteries and Blue Yonder—has been revised downward. Does this revision impact your medium- to long-term growth story?

A: Blue Yonder's growth trajectory was temporarily impacted by the cyberattack that occurred at the end of CY2024, resulting in a delay relative to our initial expectations. Nevertheless, with the launch of Cognitive Solutions in May 2025, we expect growth momentum to recover going forward. The downward revision announced today primarily reflects the updated forecast for the In-vehicle (under Energy). On a more positive note, our energy storage systems for data centers have exceeded initial expectations.

Questioner 5:

Q: In the February 2025 announcement, the company stated it would implement fundamental measures for businesses with issues, including potential withdrawal or business transfers. Given that the TV business is now said to be on track for turnaround, can we interpret this to mean that the possibility of withdrawal or divestiture has been ruled out? Does the same apply to the kitchen appliances business?

A: Please understand that the TV business is now on a clear path to recovery, following a fundamental overhaul of its operational structure. While the specific measures differ by business, other businesses facing challenges are currently in a similar position within the broader transformation framework.

Q: Is there still a possibility that the company will pursue fundamental measures such as business withdrawal or transfers for the industrial devices and electromechanical control businesses?

A: At this point in time, we are not in a position to comment on specific measures. The Industry segment has a competitive edge in materials and processing technologies, and we intend to focus our resources on strengthening this core area.

Questioner 6:

Q: In FY3/26 Q2, adjusted operating profit for the In-vehicle business of Energy was a loss of 16.9 billion yen. Has the business ever recorded a loss in the past, even when factoring in IRA tax credits?

A: The In-vehicle business maintained positive profit throughout all four quarters of FY3/25 and in Q1 of FY3/26. This marks the first quarterly loss in the past two years.

Q: While sales in the automotive battery business have been impacted by deteriorating market conditions, energy storage systems for data centers are now expected to exceed initial forecasts by 1.5 to 1.7 times. Could you elaborate on any specific plans or strategies to utilize resources of automotive batteries to meet this growing demand?

A: Specific details—such as workforce reallocation and factory repurposing—are still under consideration. However, we recognize the strong demand in this area and intend to proactively shift resources to support the expansion of energy storage systems for data centers.

Q: Should the enhancement of the business in data center energy storage systems be viewed separately from the U.S. investment agreement?

A: That is correct. The U.S. investment agreement represents a significantly larger-scale initiative that goes beyond our existing energy storage systems business. At this stage, the potential impact of that agreement has not yet been reflected in our current forecasts.

<u>Questioner 7:</u>

Q: How does the company plan to enhance its resilience to fluctuations in the external business environment and establish a high-profitability structure that prevents a rebound in the future?

A: To strengthen business resilience, the Connect segment has already implemented rigorous headcount control under the leadership of Yasuyuki Higuchi, President of Panasonic Connect. While such measures have not been fully adopted with other segments in the past, we are now expanding these efforts across the entire group and aim to build a lean and agile organizational structure, with initiatives such as strict headcount management. Furthermore, our structural reforms are also addressing imbalances in workforce demographics. Beyond headcount optimization, we are actively enhancing operational efficiency by using such initiatives as AI agents to handle routine tasks, thereby reducing both labor and fixed costs while minimizing the risk of cost rebounds.

<Q&A session for institutional investors and analysts>

<u>Questioner 1:</u>

Q: What was the year-on-year growth rate for the BBU (Battery Backup Unit) business in 2Q of FY3/26 within the Energy segment? Additionally, how has market share evolved, and can the high share be maintained going into FY3/27? Please also share your view on next fiscal year's growth rate.

A: Approximately half of our data center energy storage system shipments are for hyperscalers, where we continue to maintain a strong market share. In rack design, peak shaving is critically important as controlling GPU peak power helps reduce overall power consumption. Through co-development of products tailored to these customer needs, we have secured a significant share in this business area. We will continue to develop products aligned with GPU advancements to maintain and expand our market position.

A: (Akira Waniko, CFO) We have revised upward our initial year-on-year growth forecast for data center energy storage systems (BBU) from 1.5 to 1.7times. Looking ahead to FY3/27 onward, we expect this growth rate to accelerate further. This outlook is illustrated in the graph on page 20 of the FY3/26 Q2 results presentation materials.

Q: Regarding In-vehicle of the Energy segment, what is the outlook for the Kansas factory ramp-up, especially considering the expected rollout of new models by your strategic customer following the termination of the IRA 30D tax credit?

A: (Akira Waniko, CFO) Due to a slowdown in EV demand, the full-scale operation of the Kansas factory—originally scheduled for the end of FY3/27—will be delayed. However, the factory produces next-generation cells with higher performance compared to those manufactured in Nevada, contributing to enhanced product competitiveness for our customer. We will continue to build out our production capabilities while closely monitoring customer demand, and plan to steadily ramp up production capacity at the Kansas factory.

Q: Could you provide additional details on the growth rate of the BBU business in Industrial / Consumer of the Energy segment for the first half of FY3/26? Also, is there any risk of reduced operations at the existing Nevada factory?

A: (Akira Waniko, CFO) The year-on-year growth rate for the BBU business in the first half of FY3/26 was 1.9times. Although we have revised down our automotive battery sales volume forecast to 40 GWh, this adjustment reflects a cautious assessment of local demand. At this point, we do not anticipate any significant downside risk beyond the revised forecast for the current fiscal year.

<u>Questioner 2:</u>

Q: Based on the graph in the FY3/26 Q2 results presentation, it appears that the Industrial / Consumer of Energy is targeting over 500 billion yen in sales for data center energy storage systems in FY3/27 and over 800 billion yen in FY3/29. What profit margin is the company aiming for?

A: (Akira Waniko, CFO) The targeted sales scale shown in the presentation is a conceptual illustration. In anticipation of reaching this scale, we recognize the need to establish an appropriate production structure. In terms of profit margin, we currently maintain a high margin in the consistent double-digit range. While future business developments may lead to some fluctuations in margins, this business does not require large-scale investments. By flexibly reallocating resources, we aim to maintain high profitability while driving top-line growth.

Q: In the second quarter of FY3/26, the automotive battery business recorded a significant loss in adjusted operating profit, excluding the impact of the IRA tax credit under Section 45X. While the outlook for the second half of FY3/26 appears to show improvement, considering the EV market slowdown resulting from the termination of the IRA tax credit under Section 30D, what are the factors behind the expected reduction in losses?

A: (Akira Waniko, CFO) For the second half of FY3/26, the Energy segment is planning a profit improvement of approximately 50 billion yen, with around 30 billion yen from In-vehicle and 20 billion yen from Industrial / Consumer. The improvement in In-vehicle is expected to come from optimizing the ramp-up pace at the Kansas and Wakayama factories to reduce fixed costs, reallocating resources toward energy storage systems, and achieving a better balance between material costs and selling prices. These factors are expected to contribute positively in the second half of FY3/26.

Questioner 3:

Q: Blue Yonder reported quarter-on-quarter improvement in both operating profit and adjusted operating profit in 2Q of FY3/26, yet a loss is expected in the second half of FY3/26. What risks are being anticipated?

A: The forecasted loss in the second half of FY3/26 is primarily due to increased allocations for R&D and strategic investments following the impact of the cyberattack. There are no specific external risks unique to the second half of FY3/26.

Q: Is it correct to understand that strategic investments are being managed and that the second half of FY3/26 is progressing in line with the initial plan?

A: Yes, that understanding is correct.

Questioner 4:

Q: I believe the outlook for the automotive battery business in FY3/27 is particularly critical. While it has been explained that demand in FY3/27 is expected to remain flat or slightly increase, some view the current 40 GWh forecast for FY3/26 as conservative and are concerned about potential downside risks in FY3/27. Furthermore, it appears that expanding the Kansas factory's capacity to 32 GWh is unavoidable. Are there any alternative ways to adjust this capacity, aside from reallocating resources to energy storage systems or relying on demand creation from strategic customers?

A: (Akira Waniko, CFO) Automotive battery demand remains volatile, and uncertainty persists. Our current forecasts for both FY3/26 and FY3/27 reflect our best estimates at this time. Flexibility in responding to demand fluctuations is essential. We continue to pursue our business to other customers. Regarding capacity, while it is possible to review the pace of capacity expansion, it would be difficult to completely abandon the plan to reach 32GWh. We are currently exploring ways to repurpose and effectively utilize any excess capacity for alternative applications.

Q: For the data center energy storage system business, is there potential to expand beyond existing hyperscaler customers? Also, given that you currently operate directly without going through power supply manufacturers, is there a possibility of becoming a power supply manufacturer yourself in the future, or will you continue with the current business model? What is your strategic position as BBU standardization progresses?

A: In rack design, distributed BBUs are essential for peak shaving in AI servers. Since hyperscalers design their own rack solutions, we provide products based on common specifications tailored to their needs. In contrast, centralized BBU configurations used by other data centers face intense competition. As high-voltage adoption progresses, we believe there is room to explore various options, including co-designing with partners. Regarding expansion beyond existing customers, we see distributed BBUs becoming increasingly effective in line with GPU evolution, and we intend to actively propose solutions to other hyperscalers as well.

Q: Will you continue focusing on GPUs rather than ASICs (Application-Specific Integrated Circuits), and expand to other customers?

A: While closely monitoring the developments of players other than NVIDIA, we aim to propose the most optimal distributed BBU solution.

Questioner 5:

Q: The changes to the business portfolio appear to remain relatively small in scale. Is it correct to interpret that maintaining the current portfolio is the management's intention?

A: We are actively exploring various options regarding the Group's portfolio management strategy and aim to communicate our direction early in FY3/27.

Q: There are doubts about the significance of the adjusted operating profit target of 600 billion yen for FY3/27. Wouldn't it be more appropriate to demonstrate financial commitment through actions such as portfolio management or capital allocation for Blue Yonder?

A: While some may expect a major transformation of the company's structure, I believe that strengthening our profitability structure remains a top priority. Accordingly, the 600-billion-yen target serves as a launchpad for future growth. I do not believe it should be withdrawn at this stage, including our FY3/29 targets.

Q: If a second phase of structural reform is implemented, is it correct to understand that the company remains committed to achieving the adjusted operating profit target of 600 billion yen?

A: Before considering any structural changes, enhancing profitability is of utmost importance. From my perspective, the 600-billion-yen target remains a meaningful and achievable goal.

(End of Q&A session)

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