Q&A Summary from Briefings on FY3/26 Full-year Results and Group Growth Strategy

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

[Date & time] Tuesday, May 12, 2026 / 18:00-19:30 (JST)
[Speakers] Panasonic Holdings Corporation

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

<QA session for journalists>

Questioner 1:

Q: Panasonic Holdings announced an approximately 500-billion-yen investment in AI infrastructure-related businesses, including energy storage systems for data centers. Does this include the establishment of new manufacturing facilities?

A: The majority of the 500-billion-yen investment is expected to be allocated to battery-related areas. No new manufacturing facilities are planned other than those already disclosed.

Questioner 2:

Q: In the structural reform initiatives, it was initially assumed that there would be a number of large-scale transactions, such as business transfers to external partners. However, in practice, there appear to have been many cases in which underperforming businesses have been turned around through internal efforts. Is this attributable to initiatives at the business front line? Additionally, what is necessary to sustain these efforts going forward?

A: Let me explain using the consumer electronics business as an example. We position this business as a key driver of our brand. Leveraging the competitiveness cultivated in the China market, we are accelerating initiatives under a new organizational structure to fully capitalize on these strengths. As a result, in the cooking appliances business, we have gained a certain level of visibility toward improved profitability.

Q: What is the reason for presenting this announcement as a growth strategy rather than a medium-term management plan?

A: Traditionally, we have managed our strategy on a three-year rolling basis. However, changes in the business environment and technological advancements have become increasingly significant, and conditions change significantly even within a three-year period. Under such circumstances, limiting our perspective to a three-year plan has posed challenges, particularly in the latter half, where assumptions may become misaligned with actual conditions. Therefore, we concluded that it is important to clarify our long-term vision and the direction of transformation. Based on this approach, we have set KGIs (Key Goal Indicators) and KPIs (Key Performance Indicators) with a view toward three and six years ahead. Rather than a conventional medium-term strategy plan, we have positioned this framework as a growth strategy, which will be continuously refined and updated on an annual rolling basis.

Q: With regard to the operating profit margin of the energy storage system business, which level is more indicative of the ongoing run rate—the third quarter or the fourth quarter of FY3/26? In addition, Panasonic Energy has previously indicated a market share of around 80%; what level of market share do you anticipate over the next one to two years?

A (Akira Waniko, Group CFO): As for the operating profit margin, the third quarter of FY3/26 was temporarily elevated, and we expect the fourth-quarter level to be more representative of the ongoing run rate going forward.

A: Regarding market share, in general, the procurement practices of hyperscalers tend to allocate approximately 70% to a first vendor, 20% to a second vendor, and around 10% to others. Based on this market structure, we aim to maintain our position as the first vendor and secure a high level of market share going forward.

Questioner 3:

Q: While AI infrastructure -related businesses are positioned as a key growth pillar, if demand were to peak or growth were to slow down in the future, would it be necessary to establish additional growth pillars beyond AI? Please elaborate on your investment policy for other businesses and how you plan to balance these investments going forward.

A: Infrastructure-related businesses are currently experiencing demand that exceeds our initial assumptions, making capacity expansion essential. Therefore, we have decided to invest approximately 500 billion yen as part of our overall Group capital allocation. For other businesses, investments will be made within cash flow generated by each respective business.

A (Akira Waniko, Group CFO): To supplement, the majority of the 500-billion-yen investment will be allocated toward the expansion of our battery cell production for the energy storage systems. Rather than constructing new factories, the focus will be on enhancing existing production lines and capital expenditures to repurpose existing assets—such as those for In-vehicle applications—for data center use. We will continue to flexibly review our investment and capital allocation based on demand trends.

Q: Could you provide the expected timeline for investment recovery in Blue Yonder and your current outlook for its profitability?

A: Blue Yonder is currently making steady progress, with its “Cognitive Solutions” receiving strong market recognition. Based on this progress, we will consider various options for investment recovery. As previously mentioned, a potential listing also remains under consideration.

A (Akira Waniko, Group CFO): Over the past few years, we have made strategic investments aimed at transitioning “Cognitive Solutions” to a SaaS model. While the scale of investment in FY3/27 may appear large, this primarily reflects additional investments in customer incentives related area and packaged offerings to accelerate adoption.

Through these initiatives, we aim to expand recurring revenue and expect to enter the investment recovery phase from FY3/28 onward, supported by top-line growth.

Questioner 4:

Q: The Solutions business is positioned as a key driver of future profit growth, with MIF (Machines In the Field—products installed and operating at customer sites) used as a key indicator. How do you assess the risk of margin deterioration due to price competition, and how is this reflected in your strategy?

A: MIF is an indicator that reflects a business model in which consumables and maintenance services are continuously linked to installed equipment. In the Solutions area such as showcases and commercial air conditioning, against the backdrop of increasing demand for stable operation, energy efficiency, and labor savings, we expect the proportion of services—including operations and maintenance in addition to consumables—to continue to expand.

Rather than focusing solely on equipment replacement sales, we will expand our focus beyond installation into service engineering, thereby enhancing added value. MIF is positioned as a foundational concept underpinning this strategy. Furthermore, as connectivity advances, we will deepen our understanding of customer usage, enabling us to further enhance the value we provide in line with customer needs and expand our service domain.

Through these initiatives, we aim to establish a business model that drives growth not through price-centric competition, but by continuing to be chosen based on the comprehensive value we deliver to our customers.

Questioner 5:

Q: Within the growth strategy, which businesses are positioned as future sources of profit, and what kind of company do you aim to become? Additionally, could you elaborate on specific initiatives in the Smart Life segment?

A: We position AI infrastructure-related businesses at the core of our growth drivers. In addition, we recognize the effective use of energy and the alleviation of labor shortages as key social challenges. From FY3/30 onward, we aim to drive profit growth in areas that support social operations, with a focus on service engineering.

In the Smart Life segment, we will implement strategies tailored to the characteristics of each product category. In categories where differentiation is difficult, we will enhance competitiveness by rigorously pursuing globally standardized cost structures and leveraging supply chains in China.

On the other hand, for products where clear differentiation in technology and performance can be achieved—such as nanoe™ hair dryers and drum-type washing machines—we will focus on enhancing product value through actual customer experiences, aiming to achieve strong customer evaluations, including high Net Promoter Scores (NPS). Through these initiatives, we aim to enhance brand value from both product competitiveness and service quality perspectives.

Questioner 6:

Q: Will the effects of the structural reform be sustainable going forward, rather than temporary? In addition, could you elaborate on the mechanisms in place to prevent the need for further restructuring in the future?

A: While we have implemented personnel optimization measures on multiple occasions in the past, going forward we will enforce stricter headcount control and limit headcount increase. At the same time, we will enhance operational efficiency through the use of AI and promote a comprehensive review of business processes across the entire Group, including both operating companies and headquarters functions. Through these initiatives, we aim to embed structures and a corporate culture that enable us to deliver the same outcomes with fewer labor hours, thereby building a management foundation that avoids a return to previous conditions.

<Q&A session for institutional investors and analysts>

Questioner 1:

Q: For energy storage systems for data centers, the sales target for FY3/29 has been revised upward to 950 billion yen. Would expanding cell production capacity in Japan threefold be sufficient to meet this demand? Additionally, what is the rationale for investing in the Kansas factory, and to what extent will production capacity be shifted toward data center applications?

A (Akira Waniko, Group CFO): In Japan, converting existing production lines is considered the most efficient way to respond to increasing demand; therefore, in the near term, we are flexibly utilizing our facilities in Japan and progressively shifting capacity toward energy storage systems. On the other hand, our Japan factory is expected to support a recovery in the automotive battery business in the future, and we do not assume a permanent shift to data center applications. Accordingly, while the initial phase will be managed with capacity in Japan, in the latter phase—when further demand expansion is anticipated—we plan to utilize capacity at the Kansas factory and advance the shift in production. In addition, given the current strong demand and the potential for further upside, we intend to steadily proceed with capacity expansion at the Kansas factory. The overall scale of capacity expansion and the specific allocation to data center applications are currently under consideration, and we refrain from providing further details at this time.

Q: The structural reform has demonstrated a strong commitment to overcoming prolonged low growth, delivering certain results such as a 145-billion-yen reduction in fixed costs. On the other hand, the Solutions area represents a key growth opportunity going forward, while challenges remain in the Smart Life segment, including cost reforms and achieving profitability targets. Under these circumstances, how do you assess the current level of progress against the initially anticipated reforms? Additionally, to what extent does the current management team intend to see through both the reforms and future growth initiatives?

A: Structural reforms are progressing steadily. Across the three areas of Solutions, Devices, and Smart Life, we are advancing both improvements in profitability and the establishment of a foundation for growth. Further to our target of JPY 750 billion in adjusted operating profit, we are committed to delivering steady progress across these three areas, with the Devices area serving as the main driver of profit growth.

In the Smart Life segment, although the competitive environment remains challenging, we are beginning to see a path toward improved profitability, supported by the competitiveness cultivated in the China market and strengthened development capabilities. For example, in the refrigerator business for the Japan market, we are planning to introduce a full product lineup based on globally standardized cost structures.

In addition, for other businesses, strategies are being formulated through close collaboration among operating company CEOs and across segments. The current Solutions strategy, for instance, has been jointly developed by three operating companies. Based on these factors, we believe that overall progress is broadly in line with our initial expectations.

<u>Questioner 2:</u>

Q: In the energy storage systems business, sales in 4Q FY3/26 appears flat quarter-on-quarter, while its adjusted operating profit has declined. What are the reasons for this? Additionally, could you explain the meaning of the 80% award win rate mentioned in the presentation materials?

A (Akira Waniko, Group CFO): As you noted, both sales and profit have remained broadly flat. However, this reflects temporary fluctuations arising from the timing of customer orders, as well as the recognition of development expenses and cost burdens, and does not affect our medium- to long-term growth trajectory.

In addition, the 80% award win rate does not represent market share; rather, it indicates the proportion of orders secured relative to our sales plan. In our outlook, we regard this as a key assumption reflecting the level of demand visibility.

Q: Please elaborate on the assumptions and approach behind the impact factored in for Middle East risks.

A (Akira Waniko, Group CFO): Regarding Middle East risks, we have factored in primary impacts such as price increase in raw materials and a slowdown in business with the region. Our current sales to the Middle East amounts to slightly over 100 billion yen, and while a certain degree of slowdown is anticipated, we intend to offset this through growth in other regions. Furthermore, at present, no events have occurred that would lead to production stoppages. The 30-billion-yen impact we have factored in represents a rough estimate based on certain assumptions for the first half of FY3/27, and we will continue to take measures to minimize its impact.

A: In the event that naphtha shortages were to intensify, the impact could extend to plastics and electronic materials, potentially exceeding the 30-billion-yen estimate. In response, we are accelerating efforts to secure alternative procurement sources for solvents and resins with lower dependence on the Middle East.

Questioner 3:

Q: In the Growth Strategy, of the 150-billion-yen increase in adjusted operating profit from FY3/27 to FY3/29, approximately 130 billion yen is assumed to be driven by AI infrastructure. As a result, growth in other businesses appears limited. How should we view the growth of other businesses? Additionally, do you intend to maintain the targets of an adjusted operating margin of 10% or higher and ROE of 10% or higher for FY3/29?

A (Akira Waniko, Group CFO): Of the 150-billion-yen increase in profit, approximately 130 billion yen is expected to be generated by generative AI-related businesses, which makes growth in other businesses appear relatively limited. However, all business segments are positioned to achieve steady growth. In the Solutions area, we expect steady growth driven by improved profitability across each of the three business segments (Connect, Electric Works, HVACC & CC). In the Smart Life segment, while growth is not expected to match that of the Solutions area, we nevertheless anticipate solid and steady improvements in profitability. As a result, we are beginning to see a path toward exceeding 750 billion yen in adjusted operating profit in FY3/29. While uncertainties persist including the situation in the Middle East remain, we have set 750 billion yen as the minimum level to be achieved.

A: We also intend to maintain our targets of an adjusted operating margin of 10% or higher and ROE of 10% or higher. At the same time, given the 500-billion-yen investment we are undertaking, we prioritize achieving the 750-billion-yen profit level over short-term ROE metrics.

Questioner 4:

Q: Regarding the 500-billion-yen investment, could you explain the background to the scale of the investment and its breakdown? Given that the utilization of existing factories is assumed, what types of investment opportunities are you anticipating? Additionally, does this include the possibility of M&A?

A: We are not considering M&A as part of this initiative. The majority of the investment will be allocated to battery cell-related areas, including equipment upgrades and refurbishment. A portion will also be directed toward investments in BBU module assembly processes. In addition, some investments will be made in areas such as circuit board materials and capacitors.

Questioner 5:

Q: While sales in the In-vehicle business remain steady in FY3/27, the level of adjusted operating profit appears relatively low. Could you explain the key factors behind the changes (such as profit from volume growth, IRA tax credit, and increased fixed costs at the Kansas factory)? In addition, please provide your outlook for achieving profitability excluding IRA tax credit.

A (Akira Waniko, Group CFO): For FY3/27, we expect sales volume to reach approximately 46 GWh, representing a relatively strong level. On the profitability side, we anticipate an increase in profit of around 52.9 billion yen in the In-vehicle business.

The main contributing factors include the absence of approximately 40 billion yen from one-time expenses recorded in FY3/26, as well as an increase in IRA tax credit amount relative to higher production volumes. On the other hand, fixed cost burdens related to the Kansas factory, which commenced operations in FY3/26, will become fully reflected in FY3/27. Our outlook reflects these factors.

Regarding turning to profitability excluding IRA tax credit, FY3/26 remained challenging due mainly to the impact of one-time expenses. However, from FY3/27 onward, we expect to make steady progress toward improving profitability.

Questioner 6:

Q: A one-time expense of 40 billion yen was incurred in the In-vehicle business. This came as a surprise, and there have been instances in the past where full-year guidance was not met due to one-time expense. Could you explain the background? In addition, for the FY3/27 forecast, while the EV market environment does not appear to have changed significantly over the past three months, the assumed sales volume (in GWh) seems relatively high. Please explain the assumptions behind this. Furthermore, while there appears to be upside potential for sales due to raw material prices and foreign exchange, the improvement in profit appears relatively limited. Please outline your approach to the In-vehicle business and the timeline for shifting to industrial applications.

A: The 40-billion-yen one-time expense was not related to safety issues such as thermal incidents.

This matter has now been resolved.

A (Akira Waniko, Group CFO): The FY3/27 sales volume assumption of 46 GWh reflects a moderate recovery in the EV market, demand trends among our strategic customers, and a rebound following our customers' production, sales, and inventory adjustments in FY3/26.

On the profit side, while there are positive factors such as increased production volumes and increased amount of IRA tax credit reflected from these volumes, factors including the fixed cost burden associated with new factory will weigh on profitability. As a result, we expect improvements in profitability to be gradual. Regarding the shift to industrial applications, we plan to proceed in phases, carefully assessing demand opportunities while taking into account trends in demand for automotive use.

(End)

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