Integrated Report 2026

Panasonic ENERGY

Contents

Introduction

2 Mission / Vision / Will

Section 1
Value Provided and Its Sources

3 What's Inside

10 At a Glance

11 Message from the CEO

15 Panasonic Energy's DNA
—Practicing the Management Philosophy—

16 Three Strengths

Section 2
Growth Strategy

17 Business Situation / Medium- to Long-Term Strategy

18 Industrial and Consumer Business

21 In-vehicle Business

23 Message from the CFO

25 Message from the CTO

28 Intellectual Property Strategy & Technological Development

Section 3
Value Creation

29 Value Creation Process

30 Source of Value Creation: the six capitals (inputs)

31 Panasonic Energy's Contributions (outputs)

32 Panasonic Energy's Value Proposition (outcome)

33 Material Issues for Value Creation (Materiality)

34 Materiality & KPIs at a Glance

35 Process for Enhancing Corporate Value

Section 4
Sustainability

36 Promoting Sustainability (ESG) Management

37 Sustainability Case Study
—Sustainability Initiatives and Responsible Business Practices in Mexico—

38 Contribution to the Environment
- 39 Achieving Decarbonization
- 41 Disclosure Based on TCFD Recommendations
- 43 Realizing a Circular Society

44 Working to Solve Social Issues
- 44 Providing Energy for the Pursuit of Happiness
- 45 Promoting Human Capital Management and Respecting Human Rights
  - 45 Promoting Human Capital Management
  - 48 Respecting Human Rights
- 49 Responsible Supply Chain

50 Strengthening Governance
- 50 Corporate Governance
- 51 Thorough Compliance
  - 51 Pursuit of Quality and Product Safety
  - 52 Compliance with Laws and Regulations
  - 53 Ensuring Information Security

Section 5
Data Section

54 Financial Highlights

55 Non-Financial Highlights

56 Corporate Information

57 Limited Assurance Report by KPMG AZSA Sustainability Co., Ltd.

Editorial policy

This report is compiled and published annually as a communication tool for customers, business partners, and employees of Panasonic Energy, Panasonic Holdings shareholders, and other stakeholders to help them understand the full scope of our corporate activities and our approach to improving corporate value over the medium to long term.

Period covered by the report

Fiscal year 2026
(April 1, 2025 to March 31, 2026)
The report includes some activities before and after this period as well as future goals.

Organizations covered by the report

Panasonic Energy Co., Ltd. and its consolidated subsidiaries in Japan and overseas (company names are current as of April 2026)

Guidelines used as reference

- GRI Standards
- IFRS Foundation, "The International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry, "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation"

Disclaimer regarding forward-looking statements

Forward-looking statements in this report, such as forecasts of performance (of Panasonic Energy or the Panasonic Energy Group), growth strategies, and perceptions and evaluations of facts, include future prospects based on the judgments of Panasonic Energy in light of the information currently available to it. Please note that actual results may differ materially from these statements due to a variety of factors. Furthermore, we undertake no obligation to update or announce future prospects to reflect new events, situations, or circumstances.

Message Upon Publication

Thank you for taking the time to read the Integrated Report 2026. In this year's edition, we enhanced both the structure and content to help readers envision opportunities for co-creation with Panasonic Energy. The report is organized so that readers who are new to Panasonic Energy can quickly gain an overview in the opening pages, while those seeking a deeper understanding can find comprehensive information in the latter half. Many departments and employees are involved in the production of this report, and we are constantly devising ways to ensure the highest quality content. We hope this report will help deepen your understanding of Panasonic Energy.

Our Mission

Powering a society where shared well-being and environmental sustainability thrive together.

Our Vision

Be the energy that shapes the future.

Our Will

As humanity, we push beyond.

What's Inside

Introduction to Panasonic Energy's Businesses

Supporting the evolution of society and daily life

Energy Solutions Business Division P.19

We help supply power to a wide range of applications, from data centers (DCs) to electrically-assisted bikes, through the development, manufacturing, and sales of Li-ion batteries, storage battery modules, and storage battery systems.
The market continues to expand, driven by the accelerating shift toward electrification and electric mobility in society. In addition, the advancement and widespread adoption of generative AI are driving the medium- to long-term expansion of demand for DCs, which require enormous amounts of electricity.
We will strengthen our efforts in this growth area and provide stable and highly efficient power solutions, thereby contributing to advancing energy utilization and supporting the realization of a sustainable society.

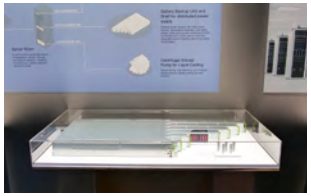
Storage battery modules/systems

Li-ion batteries

Dominant market share*
in the data center backup power supply market

* Distributed power systems for DCs, according to research by Panasonic Energy

Topics for fiscal 2026



Exhibited storage battery backup units and shelves for distributed power systems at CES 2026 in Las Vegas

Started manufacturing packs in Europe, the largest market for electrically-assisted bikes

What's Inside

Introduction to Panasonic Energy's Businesses

Supporting convenient and comfortable living

Energy Device Business Division P20

We support daily life in a wide range of fields and applications—from home appliances to water and gas meters—with our extensive product lineup including manganese and alkaline batteries, lithium primary/secondary batteries, and nickel-metal hydride batteries that can be repeatedly charged. Our dry batteries also play an important role in supporting lifelines in the event of natural disasters. We aim to expand sales globally while maintaining our position as the market leader in Japan.

Lithium primary/secondary batteries

Nickel-metal hydride batteries

Dry batteries

World's No. 1* longest-lasting

AA-size alkaline battery

* Certified by Guinness World RecordsTM on October 2, 2017, as the longest lasting AA-size alkaline battery (LR6). Recertified on February 6, 2026. Based on the average value under full-discharge mode in accordance with IEC standards. 250 mA; one-hour discharge cut-off voltage per day of 0.9 V, etc. (temperature: 20±2°C, relative humidity: (55+20, 55-40)%).

Topics for fiscal 2026

First in Japan to release coin-type lithium batteries coated with a bitter substance to prevent accidental ingestion

Hosted a tour to explore facilities related to hydrogen in the Kansai region and experience the future hydrogen society in conjunction with Expo 2025 Osaka, Kansai, Japan Theme Week

Supporting mobility electrification

Mobility Energy Business Division

P.22

We support the advancement and widespread adoption of electric vehicles (EVs) through the development, manufacture, and sale of automotive Li-ion batteries. As a pioneer in automotive batteries, we have consistently led the industry in boosting the energy density of cylindrical batteries. We will continue to support mobility electrification and work toward the realization of a sustainable society.

World-class energy density
that extends the range of EVs

Cylindrical automotive Li-ion batteries

4680 2170 1865

Topics for fiscal 2026

Started mass production at our automotive battery factory in Kansas, USA
Accelerated local production in the United States, aiming for an annual production capacity of approximately 32 GWh

Supplied Li-ion batteries to autonomous driving, ride-sharing service company Zoox (USA)

What's Inside

A diverse lineup of batteries to support daily life and society

Panasonic Energy provides batteries to a diverse range of sectors, from B2B to B2C, based on over 100 years of battery technology development.
This page introduces the features of our main products.

Li-ion batteries

Development capability in pursuit of safety-focused design and higher energy density

We are pursuing high energy density, safety, and high output based on the experience we have cultivated so far. For automotive applications, our batteries achieve world-leading energy density.

Lithium primary batteries

Highly reliable design supporting extreme temperatures and long-term use

Our materials and structural technologies are characterized by maintaining performance even in extreme environments from -40°C to +125°C. Their ability to suppress self-discharge makes them popular for applications where long-term stable operation is essential, such as gas and water smart meters, TPMS (tire pressure monitoring systems), medical devices, and disaster preparation equipment.

Nickel-metal hydride batteries

Reliability and long service life in harsh environments

Stable operation even under harsh temperature conditions, including high and low temperatures, achieves a long service life of 8–10 years. This feature makes them popular in in-vehicle equipment such as e-call (emergency call) systems, as well as in social infrastructure such as railways and wind power generation.

Dry batteries

Long-lasting performance achieved through superior materials and manufacturing

Our strength lies in our technological capabilities, which allow us to continuously refine materials, construction methods, and structures. EVOLTA NEO achieves long-lasting performance through continuous improvements such as thinner separators and denser materials. Furthermore, by introducing automated conveyor systems and other smart factory operations, we achieve high-precision, efficient production and stable supply.

A manufacturing system that prioritizes safety and security

The most important part of battery manufacturing for us is the extent of product safety and quality, which is why we have made tireless efforts involving quality innovation with a top priority on product safety.
What makes this high-quality battery cell production possible is our advanced manufacturing processes.
We pursue safety and security through a combination of technical expertise in each process, in-house development of technology and equipment, a traceability system, and production line management.

Processes for producing high-quality batteries

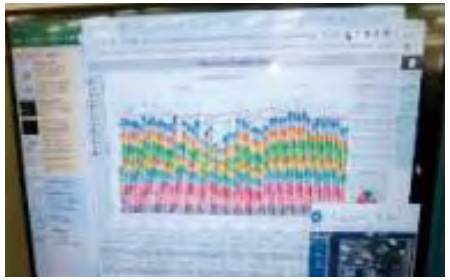
1. Materials preparation and electrode manufacturing process	2. Assembly process	3. Inspection process	4. Module assembly process
Material process technologies that enable higher energy density	High-precision winding technology for cylindrical shapes	Strong analytical capabilities based on years of accumulated expertise	Module technology that achieves specifications optimized for usage conditions

In-house development of key processes

- Proprietary development of production process technologies
- In-house manufacturing of key process equipment

Traceability & production monitoring

- Sensing and monitoring systems
- Traceability from plant to market



Production line management

- Process visualization, condition detection and feedback
- Condition-based maintenance

Shipment

Contribution to the environment through our products

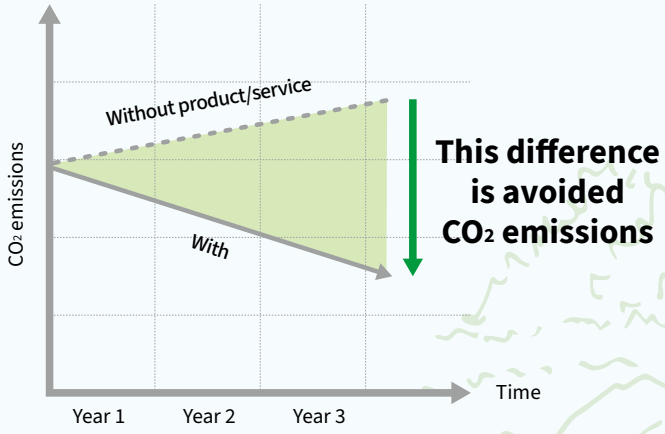
Through technological innovation, we provide batteries that achieve higher energy density and longer lifespan, contributing to the electrification of mobility and the widespread adoption of storage battery systems.
Compared to conventional products, these products contribute to reducing overall greenhouse gas (GHG) emissions in society throughout their entire life cycle.
At Panasonic Energy, we set this reduction as a KPI called "avoided CO_2 emissions" and are working to increase it.

For details on our initiatives, please visit the "Achieving Decarbonization" page. P.39

What are avoided CO_2 emissions?

An indicator that shows how much a company's products and services contribute to reducing overall greenhouse gas (GHG) emissions in society compared to conventional products

For more details, please see Contribution to the Environment.
P.38

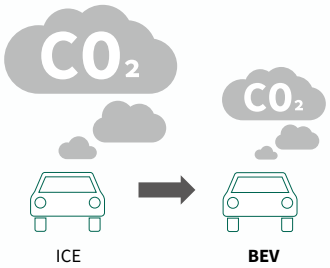


Our avoided CO_2 emissions (in fiscal 2026*1) are equivalent to the annual carbon dioxide absorption that would occur if an area equal to four prefectures in the Kinki region of Japan*2 were covered with Japanese cedar trees.*3

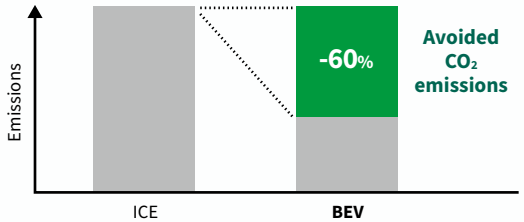
*1 Calculate avoided CO_2 emissions by estimating the reductions expected over the assumed service life of eligible products sold during the reporting year, and recognize the full amount in the year of sale.
Products covered: Lithium-ion batteries for in-vehicle, electrically-assisted bikes, storage battery systems for data centers, ethical packaging, and alkali dry batteries.
*2 Osaka, Hyogo, Nara, and Wakayama Prefectures
*3 Source: Forestry Agency, "How Much CO_2 Do Forests Absorb?"

Example: BEV (battery-powered electric vehicle)

A BEV (battery-powered electric vehicle) equipped with rechargeable batteries from Panasonic Energy can reduce CO_2 emissions over its entire life cycle compared to an ICE (internal combustion engine) vehicle when traveling the same distance thanks to its high efficiency in converting energy into propulsion.



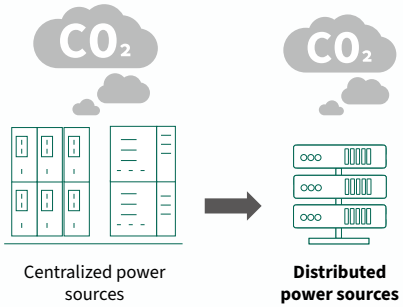
Life-cycle CO_2 emissions per ICE and per BEV in the U.S.



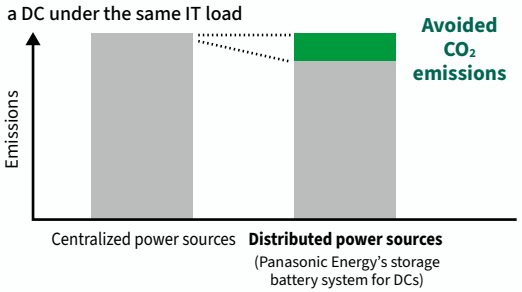
Reference: ICCT (The international council on clean transportation) Global-Vehicle-LCA-White-Paper-A4-revised-v2.pdf (theicct.org)

Example: Data center (DC)

Distributed power sources, which distribute power source to each rack individually, require fewer power conversions to supply power to servers compared to centralized power sources, where power is managed centrally in a separate room. Therefore, using Panasonic Energy's storage battery systems for distributed power improves power utilization efficiency.



CO_2 emissions from electricity supplied to a DC under the same IT load



What's Inside

Building a corporate culture aimed at achieving our Mission and Vision

Powering a society where shared well-being and environmental sustainability thrive together.
We will continue to take on challenges motivated by our resolve to eliminate the environmental burden that humans have placed on the Earth.
This resolve is embodied in our Mission, Vision, and Will, and is driving continuous improvement with the involvement of all employees.

Our Destination

Our Mission

Powering a society where shared well-being and environmental sustainability thrive together

Our Vision

Be the energy that shapes the future

Accumulation of Will and Action builds a corporate culture that can achieve the Mission and Vision

Our Will

As humanity, we push beyond

Key Action

Mission Ownership Taskforce P.46

A special task force responsible for creating and expanding a workforce with a strong sense of mission through mission instillation, empathy building, human resource development, and similar initiatives

Mission Ownership

The motivation born from the connection between My Energy and Our Mission

The Seven Pillars of Transformation

Action guidelines to shape daily actions in order to achieve the Mission

Key Action

Evolution Day

An event to share our current status and plans for achieving the Mission

My Energy

My Energy is where it all begins.

Key Action

The Forest Conference P.46

A training program that allows participants to experience Mission, Vision, and Will and connect them to their daily awareness and actions

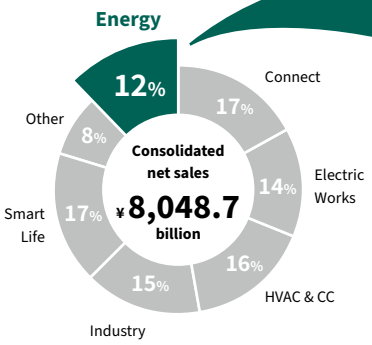
Resolutions of participants in the Forest Conference

- My Energy is collaboration, so I am taking on the challenge of expanding my network of like-minded colleagues at work.
- My Energy is family and work, so I am taking on the challenge of contributing to the realization of the business strategy.
- My Energy is my desire to preserve the current natural environment for my children, so I am taking on the challenge of enhancing corporate value by raising company-wide environmental awareness and contributing to the environment.

At a Glance (as of March 2026)

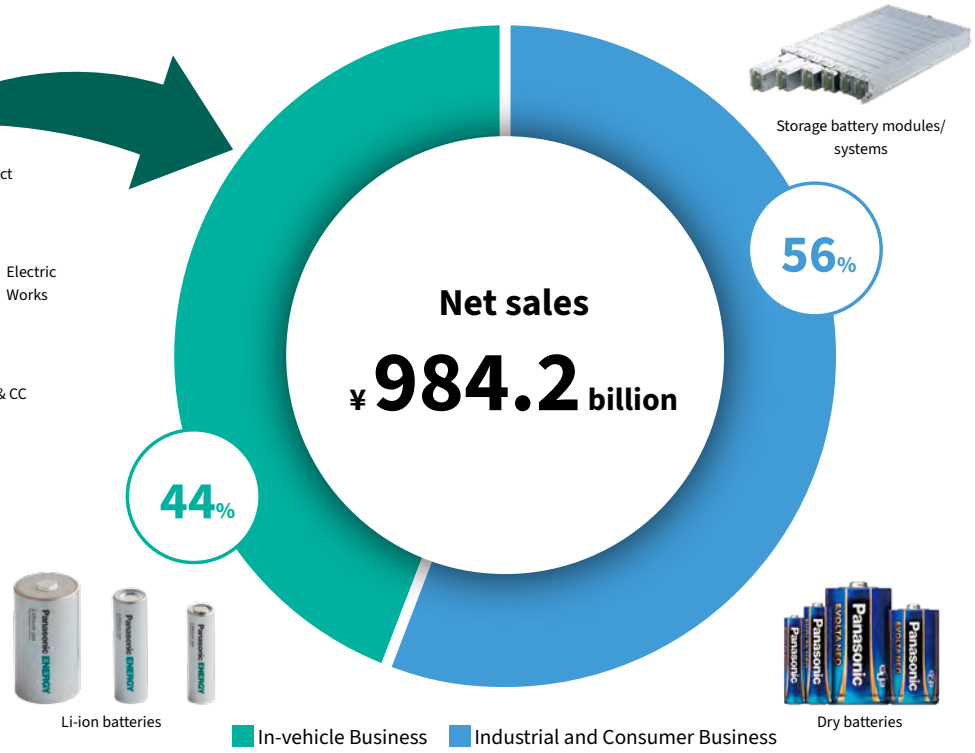
Business structure

Panasonic Holdings net sales composition*



* Percentages are rounded, so may not sum to 100.

Panasonic Energy net sales composition



Snapshot

In the battery business
103 years

Number of patents
Approx. **15,000**

Employees
Approx. **22,000**

Employee engagement
68 pt

Global reach
Number of sites **24**
(12 in Japan, 12 overseas)

Net Zero Factories*1
18 sites*2

*1 Manufacturing, research, and development sites that have achieved virtually zero CO_2 emissions by conserving energy, introducing renewable energy, and using credits as of the end of the fiscal year.
*2 Number of sites assessed under the rules applicable before the change to the application of green electricity certificates in China—a change introduced by the Implementation Rules for the Management of Renewable Energy Green Electricity Certificates (Trial) enforced in November 2025. Reflecting this rule change, the number of sites would be 16.

Key developments in fiscal 2026

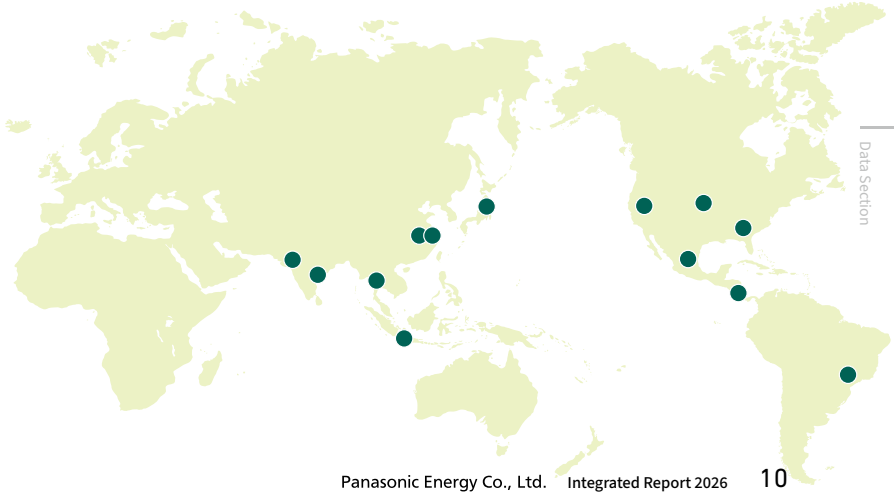
2025 — 2026

July
Started mass production at our automotive battery factory in Kansas, USA.

October
NISHIKINOHAMA Factory started full-scale operation of a three-power source integrated energy management system consisting of solar cells, pure hydrogen fuel cells, and storage batteries.

October
Initiated a joint industry–academia development project with Brown University (USA) on diagnostic analysis of Li-ion battery materials.

February
WAKAYAMA and NISHIKINOHAMA factories met JSA standard S1024.



Message from the CEO

Moving Forward with Confidence in a Rapidly Changing World

Kazuo Tadanobu
President, CEO

Continuing to support a new society through the power of energy

The world is currently experiencing greater changes than ever before: shifts in national policies, the intensification of geopolitical risks, the rapid evolution of artificial intelligence (AI) and semiconductors, and an explosive increase in power demand. These changes unprecedentedly increase the value and responsibility of the energy that we are tasked with delivering. Batteries now bear the important responsibility of being a crosspoint for energy management and information security, which are even related to national security. As electrification progresses in social infrastructure and various aspects of daily life, they have become a key presence supporting the foundation of everyday life.

On the other hand, batteries are part of a global industry involving complex interactions among resource-producing countries, processing countries, manufacturing countries, and user countries. While the world seeks to connect through technology, an increasingly divided world caused by geopolitical risks raises the likelihood that batteries will be strongly affected by these impacts. Still, no matter how much the business environment may fluctuate, our goal remains unchanged. That is, realizing our Mission of "Powering a society where shared well-being and environmental sustainability thrive together," our Vision of "Be the energy that shapes the future," and our Will of "As humanity, we push beyond." These principles, held in the hearts of all employees, will never waver; rather, we feel that now, as the world grows increasingly uncertain, society needs our purpose more than ever.

Properly adapting to changes and tackling challenges with two-pillar management

Changes always occur, and within them, there will always be areas where our energy can solve issues faced by society and contribute to the evolution of living. While the growth of the electric vehicle (EV) market has slowed due to policy shifts, the data center sector has expanded at a rapid pace. We have flexibly responded to these environmental changes and have steadily executed our business strategy. This actually embodies the so-called "two-pillar" management approach we want to operate under, whereby the in-vehicle business and the industrial and consumer business are our two axes.

Our track record of supporting the evolution of EVs at a high level is well known, and we have been able to significantly contribute to the rapid advancement of data centers as well. Our know-how in materials, manufacturing, and production technology for cylindrical batteries, along with our most important management asset—our diverse human resources—generates a high level of adaptability to change.

Toward a future where all EVs and data centers are connected

While EVs and data centers are often perceived to be separate areas, I view both as interconnected processes that are building the social infrastructure of the future as part of one larger trend. AI will become the brains of society, connecting various devices, including mobility, to the cloud, and fusing people's lives with digital technology. All social infrastructure will run on electricity; self-driving cars will operate based on cloud connectivity along with in-vehicle AI and sensors, while humanoid and industrial robots will perform tasks based on AI computations. And behind all of that there will always be demand for safe batteries that never stop working. Both EVs and data centers will be part of the energy system that supports the "connections" of society, and with the evolution of AI, various industries will undergo transformation.

We do more than just make battery cells; we also monitor and manage battery conditions, optimize safety and performance with our battery management systems (BMS), and develop safety standards. All of this has earned us an unmatched level of global dependability in both the EV and data center spaces. We can apply this know-how to powering and providing backup for the wide range of devices that are expected to emerge in the future. Every employee takes pride in this and flexibly responds to all environmental changes and challenges, working with a shared commitment to carrying out the Company's Mission without fail. It is this very exercise that leads to the building of enormous confidence and trust.

Owing to advances in generative AI, we anticipate that power demand from data centers will

continue to increase. As computational power increases with advancements in semiconductors, power efficiency and backup power supplies will grow increasingly important, which means the safety and reliability of batteries will be essential to supporting the foundations of social infrastructure. And because power control needs will also become increasingly diversified, there will be greater demand for optimal system proposals.

Meanwhile, even though policy incentives have waned, the EV market continues to grow steadily. In the US, self-driving robotaxis are beginning to operate 24 hours a day, with the entire process, from dispatch to payment, completed through a smartphone.

We are addressing this major trend not just for the purpose of market growth, but as part of our responsibility to support the sustainability of society. We will continue to contribute to the creation of the future by further strengthening our collaboration with governments and various industries.

Solving the most difficult social issues that no one else is addressing

The speed of changes in social infrastructure resulting from the connectivity of AI and the cloud will accelerate, and the areas where batteries are needed will also expand. The battery performance and control systems required are becoming more complex, and the volume is also increasing. Our technology sector is also advancing the development of products and systems with an eye to the future beyond 2030. In order to create new pillars of growth following EVs and data centers, we need to further evolve our adaptability and responsiveness to diversifying demands.

Our business model, under which we can quickly develop products and systems through vertical integration using the know-how and production facilities we have built over 100 years of manufacturing, is a major strength in the face of a rapidly changing operating environment. By leveraging this strength and demonstrating adaptability, we should be able to seize new business opportunities across a broad range of areas. That said, it is unprecedented for social infrastructure to change at such a rapid pace, and taking a leading role will not be easy. However, our spirit since the Company was founded has been to take up the challenge of solving the most difficult issues in society that no one else is addressing.

The door to a new society is already wide open. A society where AI, robotics, mobility, and energy all converge will soon be upon us, transforming the very way we live. As self-driving becomes commonplace, robots will take on roles in factories, agriculture, and logistics, dramatically changing the lives of the elderly and those with mobility challenges, and a new way of living will begin where digital and analog worlds interact with each other. At the center of this is the energy that supports a safe society. We have long played a role in creating a society that is always connected by utilizing primary batteries, particularly our original dry batteries, as touchpoints in social infrastructure like smart meters. We aim to be a company that supports the future of living and infrastructure, acting as an unseen yet essential presence in society.

With consortiums, we will pass on batteries as the “heart” of a national strategy

Batteries support the core aspects of energy policy, data security, and national security. The government has designated semiconductors and storage batteries as “specified critical materials,” and both the public and private sectors are working together to strengthen domestic manufacturing infrastructure and make supply chains more resilient. I see semiconductors as the brain and storage batteries as the heart. That is why our business goes beyond corporate activities and is deeply involved in the building of the nation’s industrial foundations. We are advancing the development of an industrial framework that evolves in partnership with relevant regions, including the rebuilding of supply chains, the establishment of strong partnerships with material and equipment manufacturers, initiatives to support the excellent technologies of various companies, and programs for nurturing talent in the storage batteries field through industry-academia collaboration with universities. These efforts go beyond business and are geared towards connecting the future of Japan’s manufacturing industry to the next generation.

Our clear Mission of “Powering a society where shared well-being and environmental sustainability thrive together,” has resonated with many companies, government agencies, and academia that share the same vision, which in turn has led to the establishment of various partnerships and consortiums aimed at building a circular society. I believe we must energize our efforts to evolve the battery industry that supports sustainable infrastructure for the future, thereby making the world a more comfortable place.

Fueled by a sense of mission, all our employees are lead characters

The more AI evolves and digital technology increasingly saturates society, the more important human-centric analog skills will become. I predict that complex tasks and dangerous jobs will be replaced by AI and robots, and people will spend more time pursuing happiness while deepening communication with others. We need scientific knowledge to make batteries, but their deployment in society requires the sensibility of art that lights up the human heart. With the aim of achieving our Mission, we have implemented a number of unique initiatives, including the Mission Ownership Taskforce, an organizational unit that endeavors to raise the sense of mission in each and every employee, The Forest Conference during which we learn from nature about the ideal harmony between life and the environment, and the Seven Pillar Heroes program, which recognizes employees who have practiced change. In this way, we have fostered a culture that brings out a sense of mission in each employee, sharing and blending our technology and philosophy while supporting one another. We engage in discussions with employees of different generations to realize our Mission, share our challenges and worries with one another, talk about our roles in our own words, and gain the strength to move forward without fearing change.

Our business field is in the digital domain, but at its core, we pursue “analog” happiness for the coexistence of humanity and the natural environment. The analog abilities that only humans can exhibit are valuable assets, and it is my important responsibility to elevate them. When looking at our human resources, I realize that there are many gems still buried within the organization, each holding the potential to contribute to society. It is the sparkle of each individual that serves as the source of our competitiveness, and value can only be created by people. This belief will not change, no matter how much technology evolves.

The changes in the world are growing increasingly intense, and at times we may be surrounded by a lot of anxiety. However, when I see the efforts of our employees to cope with these drastically changing times, I am more certain than ever about realizing our Mission. While acquiring the ability to adapt to all signs of change, each employee will play a leading role in shaping the future.

Every April, at an internal event, I present an illustration to employees that depicts where we are at present and where we aim to be in the future as we go about realizing our Mission. This year’s illustration is called Companions on the Journey. On the top of the cliff on the left side of the picture, there are companions who are creating new value, as well as those who are on the verge of reaching the top of the cliff. Everyone is steadily supporting each other. Also, unfolding before them is a scene where others are pushing forward toward the next value creation. Right now, each individual is courageously marching forward toward the realization of our Mission while playing their own roles. This march will never stop as we aim to reach the ideal world depicted in the upper right corner of the illustration.

Panasonic Energy's DNA

—Practicing the Management Philosophy—

In accordance with the management philosophy of Panasonic's founder, Konosuke Matsushita, we have developed batteries for more than 100 years with the goal of freeing humanity from inconvenience. Going forward, we will continue to undertake the challenge of creating unprecedented value for a society that harmonizes enriched lifestyles with the environment.

Konosuke Matsushita
Founder

Company history

*Note: Company names are written using the names at that time only on this page.

1918 — **Battery business founded**
Konosuke Matsushita founded Matsushita Electric Housewares Manufacturing Works

1923

1931 — Started in-house production of dry batteries

1947 — Sanyo Electric Works was established

SANYO

2011 — SANYO Electric Co., Ltd. became a wholly owned subsidiary

2022 — Established Panasonic Energy Co., Ltd. following transformation into an operating company system

2026

Decarbonization and innovation

Energy saving and long service life

Enriched lifestyles

1923
- Invented and released bullet-shaped battery-powered lamp

1964
- Started production of Cadnica nickel-cadmium Batteries

1994
- Developed Li-ion rechargeable batteries

2005
- Released eneloop nickel-metal hydride batteries

2014
- Started offering Li-ion storage battery systems as backup power supplies for data centers

2017
- Started mass production of automotive Li-ion batteries (2170 size)

2024
- Completed preparations for mass production of cylindrical automotive Li-ion batteries (4680 size)

1923
- Released Excel dry batteries for bullet-shaped battery-powered lamps

1963
- Released National Hi-Top manganese dry batteries

1969
- Released National NEO Hi-Top manganese dry batteries

2008
- Released Rechargeable EVOLTA nickel-metal hydride batteries

2008
- Started mass production of automotive Li-ion batteries (1865 size)

2017
- Released EVOLTA NEO alkaline dry batteries

2025
- Full-scale launch of storage battery systems for data centers

Three Strengths

Panasonic has contributed to enriching people's lifestyles and making society more convenient by creating various industry-first technologies as a leading battery manufacturer.
The three sources of our competitiveness are our technological capabilities in materials development, manufacturing, and intellectual property; our market creation capabilities attributed to open up new markets; and our reliability and track record.

1

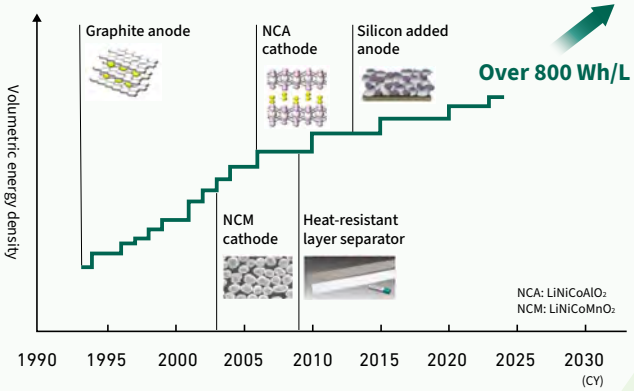
Technological capabilities

Leading the world in boosting energy density through continuous technological development

Based on the technological capabilities we have cultivated over more than 100 years since the founding of our battery business, we are working to improve the capacity and energy density of Li-ion batteries for automotive use.

We have filed over 15,000 patents to date, and we are working on further advancements to our batteries, which currently have an energy density of 800 Wh/L, with a focus on carbon footprint (CFP) reduction.

Volumetric energy density of cylindrical Li-ion batteries



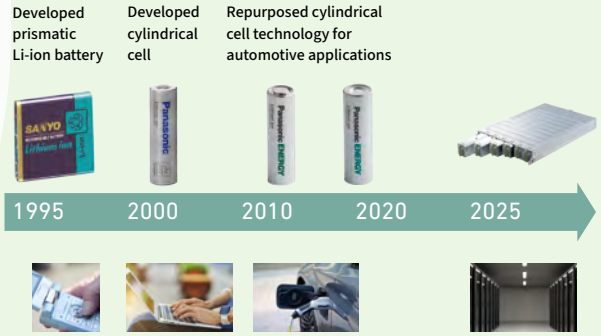
2

Market creation

Pioneering new battery applications through technological innovation

We established compact, high-density battery technology for mobile phones, supporting the widespread adoption of mobile devices. Because they combine high energy density with high reliability, our batteries gained popularity in the laptop market and, by expanding that technology into EVs, we have also helped create new markets. We are now advancing our accumulated battery technologies, increasing their energy density and efficiency, and expanding their applications into infrastructure areas such as backup power supplies for data centers.

Battery technology development and expansion into new markets



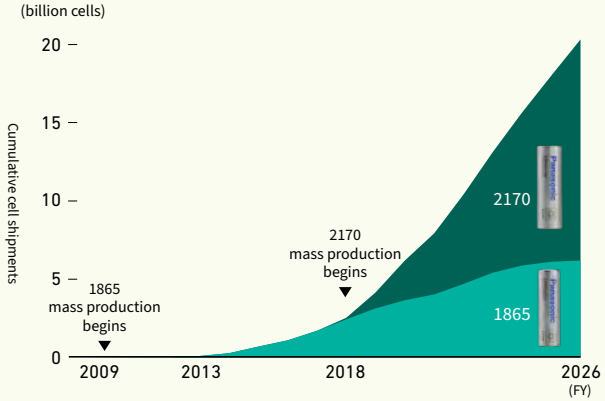
3

Reliability and track record

Reliable market performance and brands

We have supplied a cumulative total of about 20 billion cylindrical automotive Li-ion battery cells to date (as of March 2026), enough for 4.2 million EVs. In the manufacture of batteries, product safety and high quality are important factors that indicate the strength of the Panasonic Energy brand, and we have worked tirelessly to reform our quality assurance system with product safety as our top priority. In the field of automotive Li-ion batteries, these efforts have manifested in the fact that no recalls have stemmed from our batteries.

Cumulative shipments of automotive Li-ion batteries



Business Situation / Medium- to Long-Term Strategy

Latest business status (Performance in fiscal 2026 and forecast for fiscal 2027)

Business performance in fiscal 2026

Net sales increased 13% year-on-year to 984.2 billion yen. The overall increase in sales was driven by strong sales growth in the industrial and consumer business, despite weaker sales in the in-vehicle business. In the industrial and consumer business, sales came to 544.2 billion yen, a year-on-year increase of 39%, owing to sharp sales growth in energy storage systems for data centers buoyed by the growth of the generative AI market. In the in-vehicle business, even though EV market conditions deteriorated as a result of developments in US policy and other factors, the sales volume of cells produced at our North American factories increased because operations came online at the Kansas Factory. However, due to the impact of price revisions associated with a decline in raw material prices, along with weaker demand for cells produced at our factories in Japan, net sales in this business totaled 434.1 billion yen, a year-on-year decrease of 10%.

Adjusted operating profit—an indicator of profit generated by our core businesses— amounted to 72.1 billion yen. In the industrial and consumer business, profit was up by virtue of higher sales of energy storage systems for data centers. However, in the in-vehicle business, profit declined due to the impact of US tariffs, higher fixed costs at the Kansas Factory, losses on lower sales at factories in Japan, and costs associated with addressing past manufacturing defects. As a result, overall adjusted operating profit decreased by 50.6 billion yen compared to the previous fiscal year.

Business forecast for fiscal 2027

Our net sales forecast is 1,372 billion yen, a 39% increase compared to the previous fiscal year. We expect to see strong sales growth in the industrial and consumer business in response to fervent demand for energy storage systems for data centers, along with increased sales from our North American factories supported by a gradual recovery in customer vehicle production in the in-vehicle business.

Our adjusted operating profit forecast is 173 billion yen, an increase of 100.9 billion yen compared to the previous fiscal year.

In the industrial and consumer business, we anticipate substantial profit growth driven by increased sales of energy storage systems for data centers. In the in-vehicle business, even though we expect to record higher fixed costs associated with the launch of operations at the Kansas Factory, we also forecast profit growth from increased sales in North America, higher IRA subsidies, and the dropout of one-time expenses recorded in the previous fiscal year.

It should also be noted that we have not factored in the impacts of the situation in the Middle East.

Medium- to long-term strategy

In aiming to realize sustained growth, we have implemented a so-called “two-pillar” management approach comprising the in-vehicle business and the industrial and consumer business. We are also further increasing our contribution to society through ESG management that emphasizes environmental contributions and human capital as the cornerstone of our strategy.

In the industrial and consumer business, we will further strengthen our dominant position in energy storage systems for data centers. To keep up with rapid market growth driven by generative AI, we aim to achieve business growth and maintain profitability by shifting resources through the repurposing of some automotive lines at the Kansas Factory and the reassignment of technical personnel.

In the in-vehicle business, mass production at the Kansas Factory, which we have invested heavily in, commenced in July 2025. Since then, we have been gradually expanding production and we intend to make the Kansas Factory the next large-scale earnings generator following the Nevada Factory. Furthermore, in aiming to build new business pillars to follow in the footsteps of the data center business, we will continue to optimize our business portfolio by taking on the challenge of creating new growth areas in parallel with the reduction of unprofitable businesses.

Also, as part of our business foundation, we will continue to make our supply chain more resilient in order to minimize business risks.

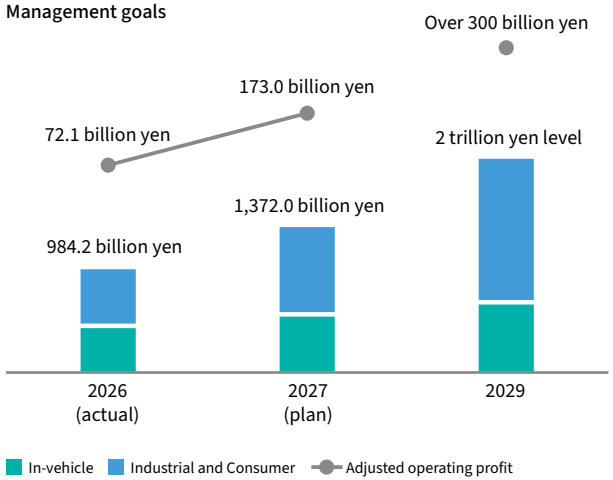
Business performance in fiscal 2026

	Fiscal 2026 results (billions of yen)	YoY / difference
Net sales	984.2	113%
Industrial and Consumer Business	544.2	139%
In-vehicle Business	434.1	90%
Adjusted operating profit	72.1	−50.6
Industrial and Consumer Business	83.7	+26.9
In-vehicle Business	−11.9	−77.0

Forecast for fiscal 2027

	Fiscal 2027 forecast (billions of yen)	YoY / difference
Net sales	1,372.0	139%
Industrial and Consumer Business	823.0	151%
In-vehicle Business	544.0	125%
Adjusted operating profit	173.0	+100.9
Industrial and Consumer Business	132.0	+48.3
In-vehicle Business	41.0	+52.9

Management goals



Overview of Industrial and Consumer Business

Targeting sustained growth by balancing a business portfolio characterized by high growth, stability, and new ventures

Market environment

As demonstrated by AI and data centers, the evolution of social infrastructure is remarkable, and batteries and storage batteries that function as the "heart" to drives these advancements are expected to grow into a sizeable market worth 33 trillion yen* by 2030

Industrial and consumer batteries market

2024	2030	CAGR
12.5 trillion yen	33.2 trillion yen*	18%

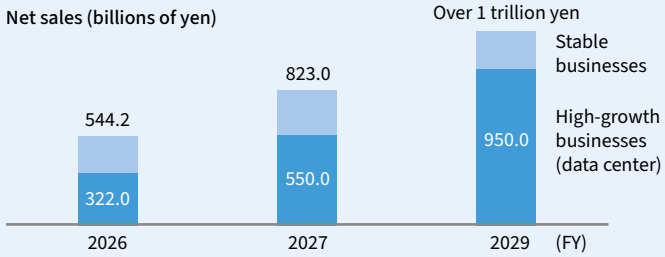
* Panasonic Energy estimates based on Fuji Keizai research data

Management goals

Continue to generate strong growth primarily from data centers and aim to expand the business to more than 1 trillion yen in net sales by fiscal 2029

FY2027 forecast

Net sales	**823.0 billion yen (151% year on year)**
Adjusted operating profit / Margin	**132.0 billion yen / 16.0%**



Key initiatives

- Develop a supply system that can cope with rapid growth in data center demand and strengthen proposal and development capabilities for the next generation
- Expand market share in stable businesses and plant the seeds for the creation of new business pillars

High-growth businesses

- Strengthen our ability to respond to rapid growth in data center demand and in preparation for the next generation

Supply structure:
Quickly expand production capacity in Japan and North America

Proposal capabilities:
Acquire new technologies for systems and devices in a timely manner by utilizing internal and external resources and technologies

Stable businesses

- Develop customers for electrically-assisted bikes utilizing our new base in Europe
- Expand micro battery offerings for smart meters in North America
- Strengthen the dry batteries brand and expand business in strategic regions

New businesses

- Plant seeds for growth over a 10-year span to create new business pillars (all-solid-state batteries, next-generation mobility, robotics, etc.)

Energy Solutions Business Division

The market for Li-ion batteries for industrial and consumer use—the sphere of the Energy Solutions Business Division—is expected to grow significantly in the future due to the accelerating electrification of society and the expansion of information infrastructure through the uptake of generative AI. Among their applications, we will particularly focus on the area of data centers, which is expected to grow over the medium-to-long term, thereby aiming to achieve both business growth and profitability.

In our business for data centers, our vision is to be a power supply solutions provider that offers power systems centered around highly safe batteries. We provide advanced solution proposals to address increasingly sophisticated and complex customer issues, while leveraging our strong supply capability to flexibly respond to rapid increases and fluctuations in demand. By further enhancing these value propositions, we will firmly seize the initiative in the industry.

Regarding our supply system, in addition to bolstering production capacity in Japan, we will accelerate the establishment of a supply chain anchored in North America to meet brisk demand in terms of both quantity (supply volume) and quality (flexibility). In Japan, we will beef up cell production capacity to approximately three times the level of fiscal 2026 by fiscal 2029. At the Osaka Factory, we have pressed ahead with the conversion of the automotive line and started shipments in April 2026. In North America, we are putting the preparations in place to manufacture cells for data centers at the Kansas Factory, with mass production slated to begin in fiscal 2029. In addition, for modules (BBU), we have decided to establish a third factory in Mexico in addition to the second factory, with volume production there scheduled to begin in fiscal 2027 and fiscal 2028, respectively.

For the next generation, we will provide new solutions in a timely manner through the evolution of both systems and devices. More specifically, based on the strong partnerships we enjoy with our customers, we collaborate closely, starting from the definition of requirements on the systems side before proposing functions and specifications. Those particulars are then reflected in device development in an effort to ensure that we stay ahead of our competitors in terms of development. As a result, we have achieved the integrated development of high-output BBUs that support advances in AI along with the battery cells optimized for this very application. Moreover, in collaboration with Panasonic Industry Co., Ltd., we will begin mass production of a new CBU module utilizing supercapacitors from fiscal 2027.

Our vision

Becoming a data center power solutions provider

Cells

Power systems

Maximizing value with energy storage systems built on safe batteries

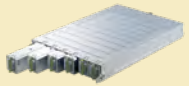
Value proposition

- Propose cutting-edge solutions to increasingly sophisticated customer challenges
- Flexible supply capability to respond to sudden surges and fluctuations in demand

Maintain initiative in the industry

Proactive development model for solutions

Systems
Co-creating functions and specifications through deep customer collaboration



Integrated capability

Devices
Translating customer requirements into specifications and driving proactive development

With these initiatives, we aim to chalk up net sales of 950 billion yen in data center business by fiscal 2029, roughly three times the level of fiscal 2026.

At the same time, we are positioning the data center business as a core focus while also working to strengthen other business areas. We are enhancing our offerings not only in battery cells but also with battery packs and modularization in a bid to improve customer value and expand our areas of contribution. In the electrically-assisted bikes field, we are expanding our business into the European market. We commenced mass production in Europe in January 2026 from the perspective of strengthening QCD.* With a view to future growth, we will build on the technologies and solutions development insights hitherto gained from the data center business to expand into other areas of application and create new business opportunities, thereby strengthening our business portfolio. Through these initiatives, we aim to further enhance our ability to create customer value and achieve sustained growth.

* Quality, cost, and delivery

Message from the Business Division Director

Helping bring about a sustainable society with power solutions in the AI era

Takamasa Kawabe
Managing Executive Officer
Director, Energy Solutions Business Division

In the Energy Solutions Business Division, we are actively seizing growth opportunities, including the rapidly expanding data center market, and implementing initiatives for sustained growth. In particular, in response to the sophisticated and complex customer needs brought about by the rise of AI, we will enhance our value creation capabilities by evolving our systems and devices and combining them in the best way possible. We will contribute to solving various issues in society with power solutions that are both safe and reliable.

And, starting with our unwavering pursuit of value, we will hone our conceptualization, realization, and operational capabilities, and shore up our speed and adaptability to change as our competitive advantages. At the same time, we will deepen our efforts to pursue a smaller environmental footprint and drive the recycling of resources to help bring about a sustainable society.

Energy Device Business Division

The Energy Device Business Division operates in two business areas: B2C (for consumers) and B2B (for businesses). Its main products include dry batteries, lithium primary batteries, and nickel-metal hydride batteries.

Dry batteries are essential for everyday life, and they also play an important role in supporting lifelines in the event of a disaster. While maintaining our position as the market leader in Japan, we aim to expand sales globally, focusing on regions with underdeveloped energy infrastructure as key markets.

We are also continuing to develop products that are long-lasting and suitable for long-term storage. The EVOLTA NEO, recognized by the Guinness World Records™ as the world's longest-lasting* AA-size alkaline battery, will be relaunched in 2025 with environmentally friendly recycled materials. In light of the increasing interest in the SDGs and ethical consumption in recent years, we have adopted recycled zinc as a primary material that accounts for 15% of the battery's total weight. We therefore provide high-quality batteries that effectively utilize limited resources and are environmentally friendly, but still deliver long-lasting performance.

We will continue to support prosperous living for customers with our products, while further advancing product development and initiatives that contribute to solving societal challenges.

Our lithium primary batteries are highly reliable even under a wide range of temperature environments and for long-term use. Taking advantage of this feature, we supply them for use in smart meters, medical devices, and tire pressure monitoring systems, contributing to the IoT for infrastructure for daily life.

Moreover, growth in demand for smart devices and the miniaturization of equipment have meant coin-shaped lithium batteries are used more often by households. As a result, the risk of accidents where batteries are swallowed is also increasing. In light of these risks, we have been working to improve safety by adopting packaging that is difficult for infants and toddlers to open. In fiscal 2026, we launched a product coated with a bittering agent on the battery itself with the aim of preventing cases of accidental swallowing. Also, considering the increased frequency of battery replacements, we have made design improvements to ensure customers can stock them with peace of mind, extending the recommended use-by date from five years to 10 years.

Nickel-metal hydride batteries are characterized by a wide operating temperature range. We leverage this characteristic to supply nickel-metal hydride batteries for use in automotive and railway applications as an emergency power source for communication lines.

As we expand our product lineup, we will continue to focus on markets that demand safety and reliability.

In terms of environmental contributions, we have already achieved net-zero CO_2 emissions at 8 manufacturing sites, and we aim to achieve this goal at all 10 sites by fiscal 2027. At the NISHIKINOHAMA Factory, which we consider to be the flagship plant of the dry battery business, we have begun operating an energy management system that integrates and controls solar cells, pure hydrogen fuel cells, and energy storage systems. By utilizing renewable energy, we are able to generate 15% of the electricity used by the factory on-site. We are committed to working towards this factory's goal of using 100% renewable energy on its own equipment by 2050.

In terms of streamlining the collection and processing of batteries, we are promoting the establishment of a sustainable recycling scheme, which we regard as a challenging area. As part of this effort, we have collaborated with other companies to implement an initiative to recycle used dry cell batteries into fertilizer. Going forward, we will strive to achieve clean and sustainable manufacturing through the development of battery-to-battery resource recycling and other recycling technologies.

* Recognized by Guinness World Records™ on October 2, 2017, as the longest-lasting AA-size alkaline battery (LR6); re-certified on February 6, 2026; based on the average value in the total discharge mode according to IEC standards; discharge at 250 mA for 1 hour per day until the cutoff voltage of 0.9V (temperature: 20±2°C, relative humidity: 55%+20%, 55%-40%)

Message from the Business Division Director

Steadily tapping growth in key regions and sectors for sustained growth over the next 100 years

Hidefumi Fujii
Managing Executive Officer
Director, Energy Device Business Division

The Energy Device Business Division operates globally, delivering batteries that support a wide range of everyday scenarios and social infrastructure, thus contributing to people's safety and peace of mind. In both the B2C and B2B areas, we have expanded our contributions to society. In fiscal 2026, despite fluctuating demand and tougher competition, we achieved steady results in the shape of higher sales and profits by focusing on growth in key regions and sectors.

On the other hand, alongside the diversification of societal and market needs, the acceleration of technological advancements and the strengthening of customer requirements and regulations are leading to enormous changes in the business environment. Given that we see these changes as medium- to long-term growth opportunities, we will aim to become "*Be the energy that shapes the future*," as stated in our Mission/Vision/Will. We are committed to expanding our value propositions as a company that contributes to solving issues faced by society. Going forward, as we steadily capture growth in key areas, we will enhance our competitiveness by reinforcing our business foundation and building brand value, working towards sustained growth and increased corporate value for the next 100 years.

Overview of In-vehicle Business

Contributing to the electrification of mobility by expanding production capacity and strengthening our customer base in North America and Japan

Market environment

In step with the shift toward decarbonization, the EV market is expected to grow over the medium-to-long term to be worth 21 trillion yen* by 2030

Automotive battery market

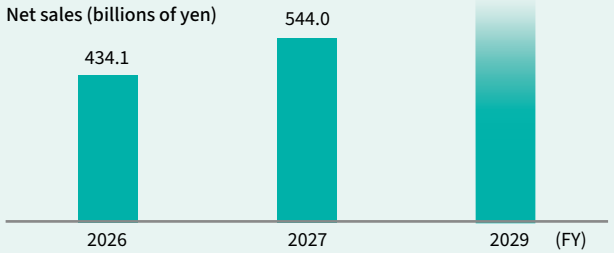
2024	2030	CAGR
11.5 trillion yen	21.0 trillion yen*	11%

* Panasonic Energy estimates based on Fuji Keizai research data

Management goals

FY2027 forecast

Net sales	**544.0** billion yen (125% year on year)
Adjusted operating profit / Margin	**41.0** billion yen / **7.5**%



Key initiatives

- Enhance our competitive edge in the automotive battery market by balancing both production system expansion and cutting-edge technology R&D
- Expand our customer base and strengthen collaboration while also making supply chains more resilient and reducing environmental impact

Production systems

- Stabilize operations at the Kansas Factory at the earliest possible time
- Improve operations at the Nevada Factory and introduce higher-capacity technologies

Technological development

- Coordinate shipping schedules with customers for 4680 cells* (mass production preparations have now been completed)
- Accelerate technological innovation through joint research with Brown University in the US

Customer growth

- Sign a supply agreement with Zoox, Inc. in the US
- Strengthen partnerships with Japanese OEMs to establish production systems

Supply chain

- Promote material procurement in North America and diversify sources

* This represents the size of the cylindrical battery in millimeters, with the first two digits representing the diameter and the last two representing the height

Mobility Energy Business Division

Electrification of mobility is one of the most effective measures towards achieving a decarbonized society. The global EV market will most likely expand over the medium-to-long term, driven by the worldwide trend toward a decarbonized society. We will keep abreast of this momentous change and flexibly propel the expansion of our business. By utilizing high-performance automotive batteries, we are working to build a more robust earnings base by strengthening our presence in the Japanese market in addition to the focus we have maintained on the North American market.

At our production sites, we are moving forward with the restructuring of our business foundation through strategic partnerships with Mazda Motor Corporation and Subaru Corporation. Based on a plan developed by Japan's Ministry of Economy, Trade and Industry to secure a stable supply of batteries, we plan to supply products from the Suminoe and Kaizuka factories in Osaka and a new factory scheduled to be established in Oizumi, Gunma Prefecture. Discussions with both companies regarding this, however, are still ongoing. In addition, we are currently considering when to bring operations online at the new Oizumi Factory. We will look to streamline our supply plans while adapting to changes in the market environment and contribute to the establishment of manufacturing infrastructure as called for by the Japanese government.

We are also promoting the development of next-generation battery technologies and strengthening our production systems. In terms of the 4680 cells being developed at the Wakayama Factory, preparations for volume production have been made and we are currently coordinating the timing of shipments for strategic customers. The 4680 size-cell is positioned as a next-generation battery with high energy density and excellent cost efficiency, and is an important technology that will contribute to enhancing our competitiveness.

In North America, we expect to ramp up production capacity at the Nevada Factory to 44 GWh annually by fiscal 2031 by way of operational improvements and the introduction of higher-capacity technologies. We will work faster to strengthen our earnings capabilities by pursuing improvements in productivity and costs through further automation and process enhancements. Also, the mass production of automotive batteries started at the Kansas Factory in July 2025.

Leveraging our experience at the Nevada Factory, we will achieve high cost competitiveness by employing optimal layout designs and automation and labor-saving measures. Through these initiatives, we will strengthen our production systems in North America and contribute to the sustained growth of the EV market.

Kansas Factory

In addition, we have started supplying the rapidly growing robotaxi sector by signing a multi-year contract to supply lithium-ion batteries to Zoox, a US autonomous rideshare services company. This initiative demonstrates that our high-performance battery technology can meet the wide-ranging needs of next-generation mobility and represents an important step in supporting the widespread adoption of autonomous driving technology from the perspective of battery supply.

On the technological development front, we have started to engage in joint research with Brown University in the US on material diagnostic analysis for lithium-ion batteries. Through this research, we are accelerating technological innovations aimed at improving the durability and enhancing the output of next-generation batteries.

In this way, we are working to enhance our competitiveness in the global market with a two-pronged approach—expanding our production systems and advancing research and development of cutting-edge technology.

From a revenue standpoint, we expect to record income from the subsidy scheme under the US Inflation Reduction Act* (IRA) and, in light of the intent of the IRA, we also expect to effectively utilize it through discussions with customers with a view to strengthening and expanding our North American business.

Moreover, in aiming to reinforce our supply chain and reduce environmental impact, we will actively promote the procurement of materials in North America. We will also look to diversify our sources and procure materials locally while continuing with efforts to strategically secure upstream raw materials.

We will build a sustainable value chain and contribute to the realization of a sustainable society whilst balancing environmental and economic considerations.

* Inflation Reduction Act

Message from the Business Division Director

Constantly challenging ourselves to create medium- to long-term value without compromising the purpose of our business

Yasuaki Takamoto
Executive Vice President
Director, Mobility Energy Business Division

We have been in the automotive lithium-ion battery business for around 20 years now. The business we launched for EV startup companies subsequently sparked a trend in society whereby the entire world pivoted en masse toward the EV transition as the most effective measure with which to fight global warming. However, following the inauguration of the new US administration last year, growth in demand drastically slowed. Yet, upon entering this year, we found ourselves back in a growth phase, largely due to sky-high fuel costs precipitated by the situation in the Middle East, which has highlighted just how susceptible our business structure is to societal change.

What is important here is that while we remain steadfast in our commitment to solving issues in society through our business, we must also calmly assess our business locations and flexibly adjust our business strategy. As we go about building a sound business foundation, we will always challenge ourselves to create value over the medium-to-long term and contribute to solving the societal issue of realizing a decarbonized society.

Message from the CFO

Moving from Investment to Value Creation: Building a Self-Sustaining Growth Engine

Masaaki Mizoguchi
Director and Managing Executive Officer,
Chief Financial Officer (CFO)

Realizing growth in corporate value by becoming a company that continues to be trusted by society

Guided by the financial discipline of the Panasonic Group, our funding comes through Panasonic Holdings Corporation (PHD), but the funds we work with are essentially entrusted to us by society. My role is to effectively utilize the funds in our business and enhance corporate value with “offensive” business growth strategies and “defensive” disciplined management with the aim of achieving our Mission, Vision, and Will (MVW).

In my view, enhancing corporate value means not just focusing on financial indicators, but also building a company that continues to be trusted by society.

The changes in the environment surrounding the Energy Business are evolving at an unprecedented pace, so in this context, our MVW can only be realized by gaining the trust of as many stakeholders as possible.

As CFO, I aim to improve earnings and our ability to generate cash guided by solid governance and internal controls, and seek to establish a robust business foundation that supports sustained growth.

Recognition of the business environment and growth opportunities

In fiscal 2026, the changes in the business environment were more sudden and complex than expected, primarily due to US tariff policies, heightened tensions in the Middle East, and persistent inflation. The electric vehicle (EV) market continued to experience adjustments due to the phaseout of consumer tax credits (IRA 30D) in the US and revisions to energy policies. At the same time, new growth opportunities emerged, such as growth in data center-related demand driven by the rise of generative AI.

In all of this, our growth direction is clear. Decarbonization and digitalization—also called the “twin” green and digital transitions—are irreversible and strongly connected to our business operations. In addition to contributing to the transformation of energy by way of EVs and energy storage systems, our role as an infrastructure provider underpinning data center demand will grow more important in the future.

We have built strong technological capabilities, manufacturing capacity, and a supply footprint spanning Japan and the US, enabling us to establish a competitive advantage in both the EV and data center markets. By leveraging this foundation, we recognize that our value propositions and growth opportunities will continue to expand in the medium-to-long term.

Fiscal 2026 earnings review and challenges

Fiscal 2026 was a year marked by a mix of achievements and challenges. While sales came to 984.2 billion yen (+13% YoY), adjusted operating profit declined to 72.1 billion yen (adjusted operating profit margin of 7.3%).

In the industrial and consumer area, both sales and operating profit grew sharply; sales of primary batteries were brisk, while in secondary batteries, sales of energy storage systems for data centers in particular increased. On the other hand, earnings in the in-vehicle area came under significant pressure from the combined effects of stagnation in the US EV market, tariff repercussions, delays in the launch of our Kansas Factory, higher costs, and expenses associated with handling past manufacturing defects. As a result, adjusted operating profit fell into the red and both sales and profits declined year on year.

While some of the factors affecting results are one-offs, it has also become clear that there is room for improvement in our operations and management systems with regard to how we respond to the market and environmental changes. The fact that we failed to achieve the profit targets we announced at the beginning of the fiscal year is something I take seriously. It is a challenge we must overcome for future growth and something we will reflect in measures going forward.

Despite such a challenging situation, we still saw steady progress in business operations. In the in-vehicle area, volume production on the Kansas Factory’s first manufacturing line commenced in July 2025 and additional lines are being brought online in phases. At the Wakayama Factory, while we continue to coordinate with customers regarding the shipment timing of finished products, we have started electrode plate processes, which can be utilized in other products.

In addition, due to the evolution of power supply solutions that can accommodate the needs of increasingly sophisticated generative AI, we continue to secure data center customer orders for next-generation products. On the supply side, we are repurposing Japanese automotive cell lines for data center applications and optimizing the allocation of human resources to efficiently meet growth in demand. We are also continuously working on strengthening our supply chains in response to changes in government policies and industry trends.

Basic policy on financial strategy

Our fundamental approach is to utilize the funds we generate to further strengthen our business while being conscious of capital costs. By steadily executing this cycle, we remain committed to building a structure that can support sustainable business growth and value creation. Our medium- to long-term targets are an EBITDA margin of 20% and operating cash flow of 300 billion yen. We have established these targets as milestones toward achieving self-funded growth, enabled by our own cash-generating capacity.

The adoption of ROIC*1 and cash flow management in each business division after the establishment of Panasonic Energy as an operating company is now well entrenched, and we are making solid progress on linking them to our KPIs. Up ahead, we will double down on cost controls appropriate for each business phase mainly in the areas of in-vehicle, data centers, and primary batteries.

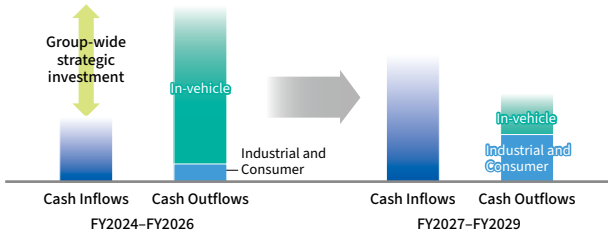
*1 Return on invested capital

Capital allocation and ROIC improvement measures

We used the Group-wide strategic investment framework of Panasonic Holdings to implement large-scale investments, which peaked in around fiscal 2025 to fiscal 2026. The main focus of the investments was the in-vehicle business, including the establishment of the Wakayama and Kansas factories. Starting in fiscal 2027, we will allocate management resources primarily to the energy storage systems business for data centers, in which we expect to generate strong returns, while taking into account both growth potential and investment efficiency to steadily tap growth opportunities. At the same time, we will also carry out efficient investments, including the repurposing and utilization of automotive lines in Japan and North America.

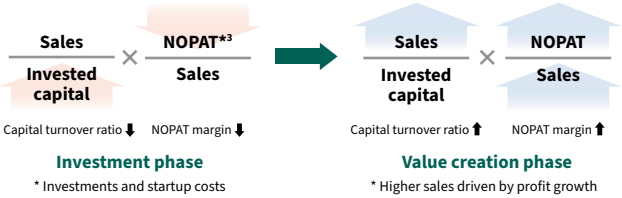
As for operating cash flow, we will control both cash inflows and outflows through increasing EBITDA and improving the cash conversion cycle, which includes reducing inventory and reviewing business flows, as well as capturing IRA-related income.

Cash allocation



We are currently at a turning point, transitioning from the investment phase to a value creation phase, during which we will ramp up the generation of earnings. Stable operations at the Kansas Factory and efficient growth in the energy storage systems business for data centers are key. As such, we will waste no time in generating growth accompanied by profits and steadily drive improvements in profitability, investment recovery, and capital efficiency (so that ROIC is greater than WACC*2).

Change in the structure of ROIC



*2 Weighted average cost of capital
*3 Net operating profit after tax; a benchmark indicator for measuring how much profit is being generated (such as ROIC) relative to invested capital

Fiscal 2027 earnings outlook

As of the time we announced our initial forecasts for fiscal 2027, demand was expected to remain brisk from strategic customers in the in-vehicle business and from data centers in the industrial and consumer business. We forecast year-on-year sales and profit growth in fiscal 2027 with sales of 1,372 billion yen and adjusted operating profit of 173 billion yen (12.6%) (Table 1).

Profits may be dented by such factors as forex impacts, the establishment of new locations, upfront costs, and expenses related to the development of new models for data center energy storage systems and increased production, but we still expect to record profit growth on the back of higher sales, contributions from IRA subsidies, and the absence of year-earlier one-off costs.

Our policy for the medium term is to achieve stable operations at the Kansas Factory in the in-vehicle business, while repurposing and utilizing some of the automotive resources in Japan and the US for data center applications to reduce fixed costs, with the goal of achieving profitability after excluding the impacts of IRA subsidies and tariffs. At the same time, we have positioned the energy storage systems business for data centers as a growth driver—we are targeting sales of 2 trillion yen and adjusted operating profit of more than 300 billion yen in fiscal 2029.

Doubling sales and increasing adjusted operating profit by more than fourfold within a three-year period will be challenging, but I believe we can do it by fully maximizing the production platforms, customer base, and technological advantages we have built so far.

As CFO, I will take clear responsibility for results and steadily make improvements in earnings, cash, and capital efficiency. Based on those outcomes, we can generate growth in corporate value.

(Table 1)

Unit: billion yen		FY2025	FY2026				FY2027	
		Results	Initial forecast (May 2025)	Results	vs. FY2025	vs. initial forecast	Initial forecast (May 2026)	vs. FY2026
Panasonic Energy total (incl. IRA)	Sales	873.2	1,039.0	984.2	+111.0	−54.8	1,372.0	+387.8
	AOP	122.7	168.0	72.1	−50.6	−95.9	173.0	+100.9
	%	14.0%	16.2%	7.3%	−6.7%	−8.8%	12.6%	+5.3%
In-vehicle (incl. IRA)	Sales	481.2	554.0	434.1	−47.1	−119.9	544.0	+109.9
	AOP	65.1	98.0	−11.9	−77.0	−109.9	41.0	+52.9
	%	13.5%	17.7%	−2.7%	−16.3%	−20.4%	7.5%	+10.3%
Industrial and Consumer	Sales	392.2	484.0	544.2	+151.9	+60.2	823.0	+278.8
	AOP	56.8	70.0	83.7	+26.9	+13.7	132.0	+48.3
	%	14.5%	14.5%	15.4%	+0.9%	+0.9%	16.0%	+0.7%

Holistic value creation with financial and non-financial elements

We position investments in the environment and human capital as key elements that not only enhance non-financial value but also directly contribute to the creation of future financial value. We opened an R&D facility in the Nishi-Kadoma district in fiscal 2026, which takes into account not only improved development efficiency but also a comfortable office environment and energy-saving measures. We are also working on continuous improvements in educational investments and wage levels. While these may come at a cost in the short term, they will serve as sources of competitive strength in the medium-to-long term.

Corporate value consists of both financial and non-financial aspects and the basis of that is non-financial initiatives such as compliance, quality, human capital, and environmental compliance. By enhancing these elements holistically, we will achieve the goal of becoming a company that continues to be trusted by society.

Message from the CTO

Resolving the Prosperity-Environment Trade-off Through Technology

Shoichiro Watanabe
Executive Vice President
Chief Technology Officer (CTO)

A 100-year heritage rooted in our founding spirit and the social responsibility of technology

The history of Panasonic Energy's technological development dates back about 100 years when the Group's founder, Konosuke Matsushita, started the bicycle lamp business. At that time, we procured batteries—the most critical component determining a lamp's performance—from external suppliers. In recognizing that batteries themselves would be the source of product competitiveness, we began in-house production of dry batteries in 1931. Since then, we have expanded from consumer applications to automotive and social infrastructure fields, creating numerous world-first and world-class technologies, and leading the global battery industry.

We want to achieve more than just delivering high-performance products to the world. The ultimate guiding principle of our research and development—the basis of our philosophy—is embodied in our mission: "Powering a society where shared well-being and environmental sustainability thrive together." In today's society, the role of batteries to store and efficiently utilize energy continues to expand. In particular, in the in-vehicle business, where the total volume of batteries used for a single application exceeds that of consumer use by more than one hundred times, the amount of materials consumed is enormous. Therefore, the impact our technologies have on the global environment and society—and the weight of responsibility we bear—have grown immeasurably compared with the past.

As CTO, I am responsible for both technology and for steering the Company's business strategy. My mission, therefore, is not to be swayed by near-term market trends, but to make full use of the technological "toolkit" we have cultivated over our 100-year history and continually cultivate sustainable innovations that create lasting value for society.

"Deep reservoir of technological capabilities" and competitive advantages built over 100 years

Our greatest competitive advantage lies in the depth of our steady accumulation of technology—something that competitors cannot easily copy. Since our founding, for roughly 100 years we have honed our battery technologies and created numerous world-first innovations, building a legacy of technological leadership in both Industrial and Consumer Business and In-vehicle Business. It is this history that is the foundation of the Company today.

In the development of batteries, there is no rapid evolution that dramatically enhances performance in a short period of time, as was the case with semiconductors. Battery storage capacity is fundamentally constrained by physical laws and is inherently proportional to weight. For that reason, we have long pursued the simultaneous development of all elemental technologies that make up batteries. For example, not only materials such as cathode and anode materials, but also electrolytes, cell design (structural design), and manufacturing processes. It is this accumulation of a broad range of elemental technologies, together with our track record of supplying products globally for a wide variety of applications, that makes our foundation rock solid. Genuine value materializes only when this kind of continuous technological advancement converges with dramatic turning points in society (applications) and the strong customer relationships we have cultivated over many years. Our vast "toolkit" of technologies that have achieved more than threefold performance improvements over the past 30 years is now giving rise to next-generation agility—the ability to respond quickly and flexibly to new applications amid today's rapid environmental changes. In recent years, we have actively utilized simulation technology, AI, and materials informatics to dramatically enhance the accuracy and speed of development by narrowing down material candidates and optimizing the number of prototypes.

And the area that must be fully compatible with these performance improvements is safety. We took past recall measures for consumer batteries very seriously and used that experience as an opportunity to fundamentally review materials, processes, quality control, and design. Our current safety performance is the result of continuous and rigorous improvements across materials, processes, design, and quality management. The series-parallel systems that use our lithium-ion batteries feature iron cylindrical can cells with excellent structural properties in terms of internal pressure resistance and heat tolerance, and we maintain strict control over manufacturing and quality management. By combining a large number of small cells, a system configuration that ensures redundancy in the event of a malfunction can be built, with the added feature that even if thermal runaway occurs in one cell, it is unlikely to ignite adjacent cells. As a result, over some 18

years of supplying automotive batteries—equivalent to about 4.2 million EVs—we have maintained zero vehicle recalls caused by battery-related safety issues.

Furthermore, beyond our core battery cell technology, our strength lies in quickly identifying the challenges customers face and, through collaboration with partner companies, delivering control systems and system designs tailored to customer applications in an integrated manner. I firmly believe that this strong capability to customize and provide solutions is a key advantage, regardless of the application.

Changes in the business environment and the shift to a new stage of environmental value

From 2025 through to 2026, the business environment surrounding the Company reached a major structural turning point. First, in the automotive battery market, competition is heating up because of advancements in LFP*1 batteries, which are being developed mainly by Chinese manufacturers. Nevertheless, we maintain a clear stance of not simply following or reacting to any specific technological approach. It is important that we adopt a flexible approach whereby we carefully assess the balance between energy density, cost, and safety, and provide the most suitable technology for each application, region, and customer requirement.

For example, the direction of the automotive market is shifting from the straightforward goal of achieving decarbonization through the widespread adoption of EVs to EVs as a key platform for physical AI driven by autonomous and AI in the form of robotaxis and the like. Along with this shift, the requirements of batteries have become more sophisticated and multilayered, including the need for long-drive performance while also supporting frequent charging and extended use. However, the fundamental truth remains unchanged: the electrification of mobility, including EVs, is the most economically rational means of achieving reductions in CO_2 in order to fight global warming. We must continue with our efforts from a longer-term perspective without being swayed by short-term fluctuations in EV demand.

In parallel with this, the generative AI data center market is expanding rapidly. About 10 years ago, we leveraged our strengths in high-temperature storage performance and power output to pioneer the distributed power systems market. We boast an advantage in having honed our technology for more than 10 years through close coordination with customers from the design stage, not only for standalone batteries, but for entire energy storage systems. In recent years, in addition to backup functions for emergencies, we have added capabilities that help shave power peaks caused by surging electricity demand driven by AI, enabling both greater infrastructure stability and lower power costs. This has been a powerful driver of current business growth, and by allowing it to converge with the recent surge in AI and cloud demand, it is now experiencing multi-stage, rapid growth as social infrastructure.

In the midst of these developments, we are deepening our environmental policy so that it is more multifaceted. Alongside our ongoing efforts to contribute to a decarbonized and circular society, we believe that based on the concept of planetary boundaries*2, we must do more than just reduce CO_2 emissions. We need to comprehensively analyze resource investment risks covering land use and water use and embed harmony with planetary systems as a core consideration in our research and development activities. In our view, reducing our environmental footprint is not a constraint that limits our activities, but an innovation theme that helps us achieve both cost reductions and a stronger competitive edge. As such, we will press ahead with all-encompassing environmental dialogue across the entire supply chain.

*1 Lithium iron phosphate
*2 A concept proposed in 2009 that scientifically defines and quantifies, through nine key processes, the boundaries within which humanity can safely operate on a stable planet
Source: Planetary Boundaries: Exploring the Safe Operating Space for Humanity

Utilizing existing assets and laying the groundwork for future competitiveness

In responding to the rapidly changing market structure, we are deploying a strategy that simultaneously drives the preparation of next-generation technologies while leveraging the strong assets we have built up to date as a source of competitiveness.

In the automotive batteries domain, our approach is to respond quickly to the changing market by efficiently utilizing our existing large-scale production sites in the US without making major changes

to the materials chemistry, thereby minimizing cost impacts. The very fact that we can continue stable mass production at this scale is a huge technological competitive advantage. We are currently mass-producing cells with a world-leading volumetric energy density exceeding 800 Wh/L, and we have also completed technological development of 900 Wh/L cells based on the current material systems. Furthermore, with support from the NEDO*3, we have established a structure to fully carry out the development of a commercially viable 1,000 Wh/L battery model based on next-generation technology through material innovation and the use of anode-free*4 type lithium metal anode. We are also advancing technological development to dramatically reduce our carbon footprint and costs through total process innovation that includes reducing nickel usage and further specializing the material development process for battery applications. As for our contributions to recycling, we are promoting recycling initiatives in both Japan and the US with the aim of realizing a circular economy, and we are also driving technological development with a view to the future utilization of black mass*5 in the nickel production process and other processes.

In the field of energy storage systems for data centers, we are anticipating future demand based on semiconductor roadmaps that will determine the evolution of AI, and we continue to evolve as a power supply solutions provider for data centers. To that end, we must press ahead with both the establishment of supply capabilities to meet robust near-term demand and the

technological development targeting post-next-generation energy storage systems. First, regarding the supply system, while focusing on domestic production, we are preparing to utilize some of the facilities at our Kansas Factory in North America, with plans to begin mass production of cells in fiscal 2029. We have also decided to establish a second and third factory in Mexico for module assembly, thereby augmenting production capacity. In terms of the supply chain, we are accelerating local procurement in North America through collaboration with providers of power supplies in an effort to enhance supply flexibility. We aim to achieve a local procurement rate of over 50% for power supply components by fiscal 2029. On the technological development front, we are advancing the development and mass production preparation of BBUs*6 compatible with high-voltage direct current, contributing to improvements in overall power efficiency in data centers. Furthermore, as part of Group collaboration, we are working with Panasonic Industry Co., Ltd. to spearhead the technological development of supercapacitors, and we have plans to begin mass production this fiscal year of the first generation of CBUs*7, which can absorb rapidly increasing power load fluctuations.

In the area of solid-state batteries, we continue to make steady advancements based on intrinsic value. Building on the Panasonic Group's extensive patents and expertise, we are employing an approach that utilizes our proprietary solid electrolyte. Even if the electrolyte in a battery is replaced with a solid electrolyte, it does not improve the battery's capacity—its real advantage is the high heat resistance that cannot be replicated by a liquid electrolyte. Leveraging the strength of high heat resistance (105°C–120°C) with low thermal expansion risk, we will begin practical implementation of solid-state batteries in niche fields, such as the various sensors used in industrial robots exposed to harsh high-temperature environments. We intend to gradually expand their applications while confirming reliability in the market.

*3 The New Energy and Industrial Technology Development Organization
*4 A battery structure that does not contain anode active material inside the cell during manufacturing
*5 A mixed powder containing rare metals such as nickel and lithium separated from used lithium-ion batteries
*6 Battery backup unit
*7 Capacitor backup unit

Breaking away from segmented specialization and nurturing the next generation

It is our people who execute outstanding technology strategies and connect them to implementation in society. As the scale of our business quickly expands, the segmentation and specialization of operations accompanying organizational expansion has become an issue.

We are therefore focusing on developing technical talent capable of designing and integrating end-to-end systems. Beyond localized expertise, we are revitalizing the rotation of engineers between basic development and applied product development in order to nurture personnel who can take a broad view of entire processes, identify issues structurally, and build the total systems (the whole picture) our customers require. In addition, we are putting in place the infrastructure for our Academy of Battery Technology & Manufacturing, which aggregates fundamental information on technology, manufacturing, quality, and the environment into video content and other media, thereby accelerating the readiness of both new graduates and experienced hires. In our global operations, it is essential that our overseas sites also mature; at our North American sites, we are strengthening our organizational foundation by improving retention rates for local employees and developing autonomous manufacturing systems.

Moreover, our approach to the next generation is also an important pillar. To expand the horizons of future engineers, we are steadily continuing to engage with the next generation by fostering greater interest among students in the battery industry, a strategically important market estimated at approximately ¥100 trillion and by helping them see it as a potential career path. To that end, we are engaging in industry–academia collaboration with institutions like Osaka Metropolitan University and the University of Kansas on educational content.

Unlocking contradictions with technology to bring true prosperity to society

We are now in the midst of a period of historic upheaval driven by the wave of automobile electrification, the explosive evolution of generative AI, and geopolitical uncertainty. However, as CTO, I am filled with unwavering confidence and enthusiasm for the future.

There is no need to be swayed each time by global trends or sudden changes in the market. This is because we possess a long-standing commitment to safety cultivated over many years, supported by our advanced technology and manufacturing capabilities. The fact that we have honed a consistently high level of technological competence across all stages—from fundamental battery design to volume production processes—is unparalleled foundational capabilities that enable us to confidently say that adapting to automotive, data centers, solid-state batteries, or any other field is not technically difficult for us. Believing in this firm advantage, we must not become complacent about our current position in the market, but instead continue to lay the groundwork for the next transformation with passion and steady effort. This is the path we must take. Cost, performance, and environmental friendliness. In business logic, these factors inherently have trade-offs that make it difficult for all of them to be satisfied at the same time. However, technology is the only means by which we can transcend these complex and interrelated trade-offs and create value on multiple dimensions simultaneously.

As CTO, my mission is to harness the power of technology to reduce environmental impact while creating lasting value for society. We look forward to continuing our technological journey as we create the next wave of innovation that delivers both societal prosperity and environmental sustainability.

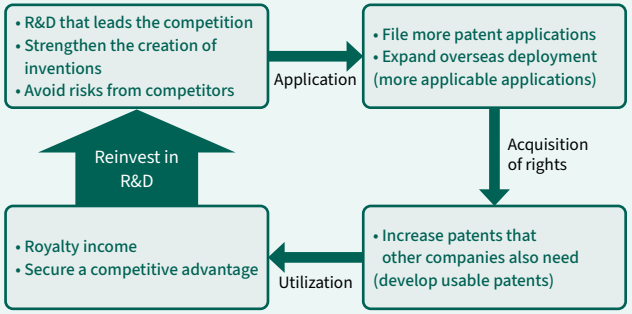
Intellectual Property Strategy & Technological Development

Intellectual Property Strategy

Strategy and policy

The purpose of Panasonic Energy's intellectual property (IP) strategy is not only to protect R&D results in the form of IP, but also to establish and maintain a virtuous cycle in which revenue gained from the utilization of our IP are reinvested into R&D. Currently, our IP balance sheet, defined as the revenue generated by our IP minus the expenses necessary to acquire the IP, is in the black, which means that IP income covers a portion of our R&D expenditures. To further expand this virtuous cycle, we are working on both strengthening and utilizing IP rights. In terms of strengthening IP rights, we are actively utilizing the PCT international application system to promote our ownership of IP rights in regions where latecomers to manufacturing are aggressively entering the market. We are also focusing on rights ownership in regions where our business partners are located to ensure smooth business operations with them.

■ Establishing and maintaining a virtuous cycle for IP

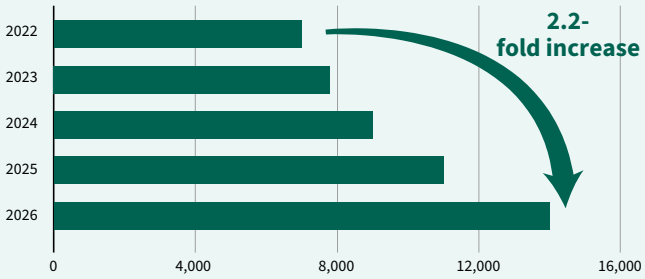


Strengthening IP rights

Panasonic Energy files patent applications that cover a wide range of areas, from existing batteries to all-solid-state batteries and next-generation secondary batteries. For these batteries, our patent applications are mainly in the areas of materials and chemistry related to cathodes and anodes that yield high energy density, as well as safety-enhancing mechanisms and shapes for battery cells and packs. We are also expanding our business globally, mainly in the U.S., and the percentage of our patent applications first filed in Japan that we subsequently file overseas has reached 90%.

In addition to our usual applications in the U.S. and China, we are stepping up our overseas applications in Europe, where we expect to gain new royalties, and in India, a future growth market. As a result, our total number of applications worldwide (including PCT national phase applications) in fiscal 2026 increased by 2.5 times compared to fiscal 2022, and as of the end of fiscal 2026, our total number of patents held worldwide (including applications) increased by 2.2 times compared to the end of fiscal 2022. Up ahead, we will ramp up applications related to backup power supply systems for the rapidly expanding data center market, and strive to continuously enhance our patent portfolio.

■ Number of patents held



Utilization of IP rights

Over the years, we have made significant R&D investments that have contributed to the advancement of battery technology. To protect this technology from unauthorized use and to create a fairer competitive environment, we have launched a joint licensing program for utilizing IP rights with LG Energy Solution, a company that shares this view, and Tulip Innovation as the operating entity. Through this initiative, we will efficiently obtain royalties from latecomers to the manufacturing sector, enabling us to reinvest royalty proceeds into the development of differentiated technologies, thereby reinforcing the positive cycle created by our IP activities.

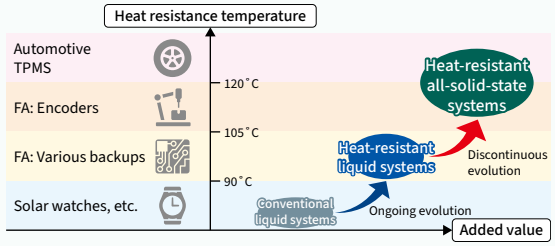
Technological Development

COLUMN

Deployment of next-generation batteries in society

All-solid-state batteries are a type of battery that, like the current mainstream liquid lithium-ion batteries, work by shuttling lithium ions back and forth for charging and discharging, but the difference is that the electrolyte is solid, not liquid. This feature means it can be used in a wide range of temperature environments and its behavior during heat generation is easily controllable. These batteries have the potential to simplify the structure of battery systems and improve energy density. We consider batteries with a fully solidified electrolyte to be all-solid-state batteries and have been conducting R&D focused on materials technology and the interface design of electrodes and electrolytes for over 30 years. We will gradually deploy these batteries in society starting with applications in high-temperature environments as the next option in areas where the evolution of liquid batteries is struggling to make inroads.

Initially, we are targeting applications such as industrial robots that demand stable use in high-temperature environments of 105°C or higher, as well as automotive tire pressure monitoring systems (TPMS).



Depiction of the relationship between the value demonstrated by all-solid-state batteries in industrial applications and heat resistance temperature

In the initial stage, we will consider compatibility with existing equipment and suitability for mass production before gradually expanding the areas of application.

Value Creation Process

Panasonic Energy will utilize its diverse capital, including its human resources and technology, to promote solutions to social issues with our strengths at the core and achieve sustainable enhancement of corporate value.

Our Mission Powering a society where shared well-being and environmental sustainability thrive together.

Our Vision Be the energy that shapes the future.

Inputs P.30

[Human capital]
Strengthening of human resources

[Natural capital]
Strengthening responses to resource and environmental issues

[Social and relationship capital]
Sustainable and resilient supply chain

[Intellectual capital]
Strengthening R&D to improve battery performance and reduce environmental impact

[Manufactured capital]
Improvement of productivity, pursuit of quality and product safety

[Financial capital]
Generation of operating cash flow and expansion of investment for growth

Business activities P.17

Building a strong management foundation and promoting solutions to social issues with our strengths at the core

Human resource as a core competence

Robust corporate governance

[Related materiality]
- Promoting human capital management and respecting human rights
- Responsible supply chain
- Thorough compliance
- Corporate governance

Outputs P.31

Energy Solutions
Contributing to a safe and secure social infrastructure that does not stop even in emergencies

Energy Device
Providing convenient and comfortable living with eco-friendly batteries

Mobility Energy
Reduce CO_2 emissions by supporting electrification of mobility

Value proposition P.32

Society

Realization of a lower environmental impact society

Customers

Supply of safe and reliable battery products

Collaboration partners

Growing together by solving social issues

Co-workers

Improving employee well-being

[Related materiality]
- Providing energy for the pursuit of happiness
- Achieving decarbonization
- Realizing a circular society

Further capital reinforcement for sustainable corporate value enhancement

Source of Value Creation: the six capitals (inputs)

We regard human capital, natural capital, social and relationship capital, intellectual capital, manufactured capital, and financial capital as the six critical components of corporate value, which we are always working to improve.

All figures in the table are results for fiscal 2026.

[Human capital]

Optimization of human resources

We are currently shifting human resources across organizations to support rapid business growth by ensuring that resources are aligned with our business portfolio from a medium- to long-term perspective. In addition, we will enhance our business competitiveness by fostering an organizational culture in which each and every employee can thrive and building a system and environment that encourages them to take on challenges. We also focus on improving the wellbeing of our employees by promoting health and safety activities and "Health and Productivity Management."

Consolidated Group employees	Approx. 22,000 (↑)
Overseas personnel	70.9% (↘)
EOS Score: Employee enablement (global)	65pt (→)

[Natural capital]

Strengthening responses to resource and environmental issues

We will reduce our CO_2 emissions and contribute to the reduction of CO_2 emissions in society as we move towards decarbonization. We are also stepping up our efforts to maximize the positive impact and minimize the negative impact on both achieving decarbonization and the realization of a circular society to use limited resources efficiently and reduce our environmental footprint.

Net Zero Factories*1	18 sites worldwide*2 (↑)
Avoided CO_2 emissions*3	19.69 million tons (↑)

[Social and relationship capital]

Sustainable and resilient supply chain

We will work with various stakeholders to fulfill our social responsibilities with regard to human rights, labour, health, and safety while also establishing a robust supply chain by promoting recycling of battery materials and diversifying and local procurement of raw materials.

Rate of implementation of self-assessments related to human rights and labour	100% (→)
Rate of implementation of risk assessments related to the environment and human rights for existing suppliers	100% (→)

*1 Manufacturing, research, and development sites that have achieved virtually zero CO_2 emissions by conserving energy, introducing renewable energy, and using credits as of the end of the fiscal year.
*2 Number of sites evaluated under the standards prior to the change in the application rules for green electricity certificates based on the "Detailed Implementation Guidelines for the Management of Renewable Energy Green Electricity Certificates (Trial Version)" which went into effect in China in November 2025. If the applicable rule change is considered, the number of sites is 16.
*3 The amount of CO_2 emissions reductions achieved for our customers and society as a result of the introduction of our products, compared to the baseline level where no products were introduced. Calculate avoided CO_2 emissions by estimating the reductions expected over the assumed service life of eligible products sold during the reporting year, and recognize the full amount in the year of sale. Products Covered: Lithium-ion batteries for in-vehicle, electrically-assisted bikes, storage battery systems for data centers, ethical packaging, and alkali dry batteries.

[Intellectual capital]

Strengthening R&D to improve battery performance and reduce environmental impact

In addition to improving battery performance such as higher capacity, we will focus on minimizing the use of rare metals by transitioning to cobalt-free and less-nickel batteries, thereby contributing to a reduction in environmental impact. Meanwhile, to meet customer needs, we will steadily strengthen our product capabilities along the two axes of progress: higher capacity and higher power output.

R&D expenditures	¥48.6 billion (↑)

[Manufactured capital]

Improvement of productivity, pursuit of quality and product safety

While working to improve productivity at each site through human resource development and the promotion of automation, we are promoting quality innovation with product safety as the top priority. In addition, we will make efficient capital investments to strengthen production at our Kansas Factory in the U.S. and to expand production capacity at our base in Mexico, allowing us to respond flexibly to fluctuations in demand.

Manufacturing sites worldwide	21 sites (↑)
Number of serious product accidents	0 (→)
Capital investment	¥431.6 billion (↘)

[Financial capital]

Generation of operating cash flow and expansion of investment for growth

The industrial and consumer business will solidify its dominant position in storage battery systems for data centers, while the in-vehicle business will optimize its business portfolio and turn the Kansas Factory in North America into a revenue base by ramping up production. In this way, we will increase our ability to generate future operating cash flows and transform Panasonic Energy into a highly profitable business entity.

Total assets	¥2,685.4 billion (↑)
Operating cash flow	¥48.9 billion (↘)
ROIC	6.2% (↘)

Panasonic Energy's Contributions (outputs)

Panasonic Energy contributes to society every day through our cutting-edge technologies and diverse products, which are used in various scenes of life.

Industrial and Consumer Business

Contributing to a safe and secure social infrastructure that does not stop even in emergencies
Energy Solutions Business Division

Providing convenient and comfortable living with eco-friendly batteries
Energy Device Business Division

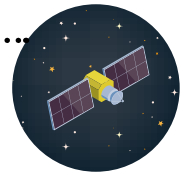
In-vehicle Business

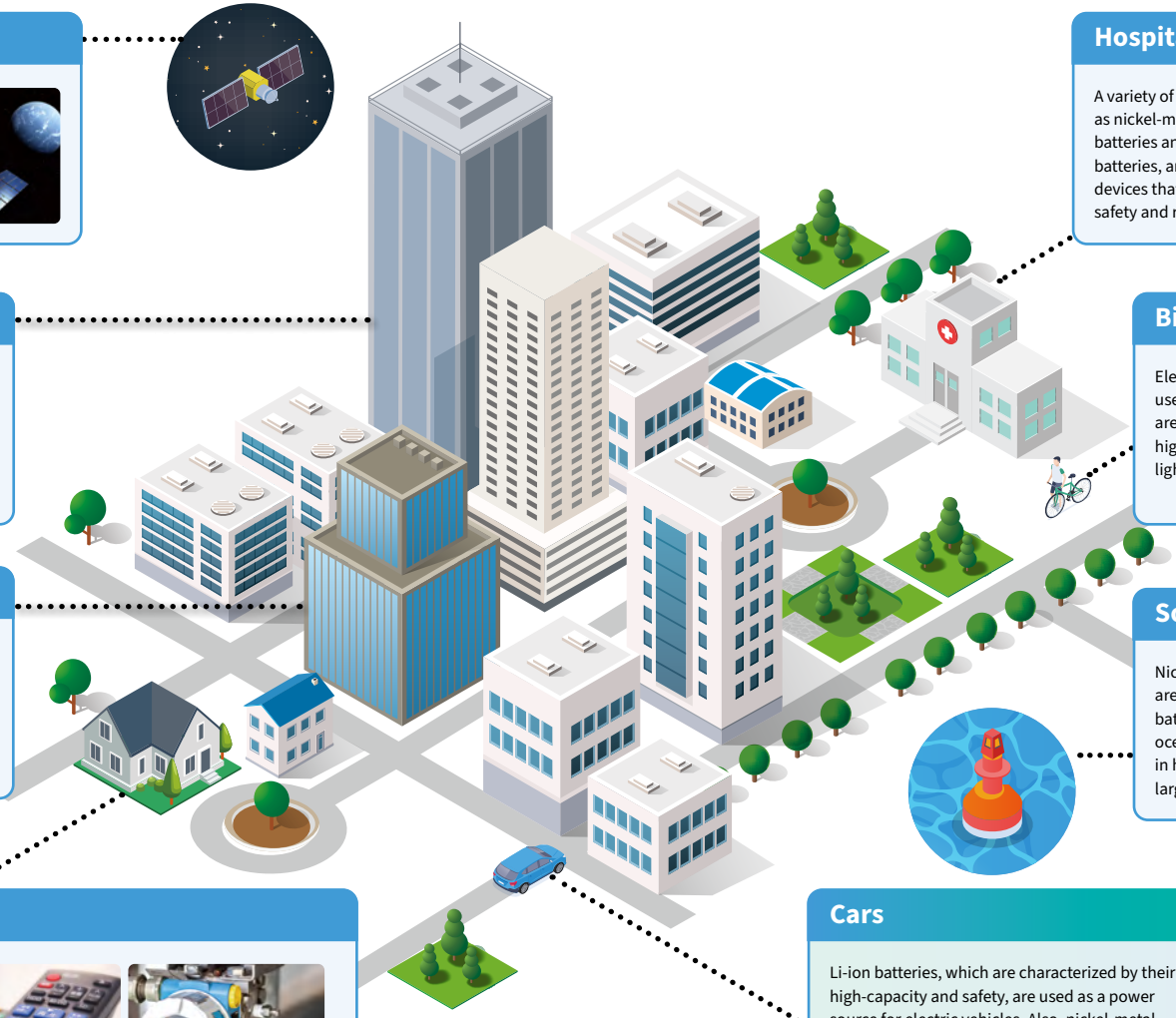
Contributing to reduce CO_2 emissions by supporting electrification of mobility
Mobility Energy Business Division

Space

The recovery capsule of the asteroid probe Hayabusa 2 used a lithium primary battery that was resistant to environmental changes.

Illustrations: Akihiro Ikeshita





Hospitals

A variety of batteries, such as nickel-metal hydride batteries and lithium primary batteries, are used in medical devices that require high safety and reliability.

Data centers

Safe, long-lasting, and highly reliable storage battery systems based on Li-ion batteries are used as a backup power source.

Bicycles

Electrically-assisted bikes use Li-ion batteries, which are characterized by their high-capacity, small size, and light weight.

Commercial buildings

Nickel-metal hydride batteries, which are characterized by their long life, are used in guide lights and emergency lights.

Solar cell systems

Nickel-metal hydride batteries are used as rechargeable batteries for solar-powered ocean buoys, which can be used in harsh environments with large temperature differences.

Houses

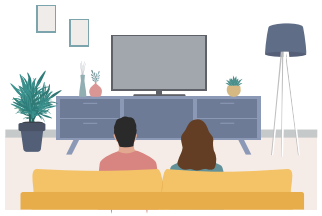
Dry batteries are used in familiar products such as remote controls and clocks. In addition, long-term, reliable lithium primary batteries are used in state-of-the-art gas and water smart meters. Furthermore, Li-ion batteries are used for household storage batteries.

Cars

Li-ion batteries, which are characterized by their high-capacity and safety, are used as a power source for electric vehicles. Also, nickel-metal hydride batteries are used for the TCU, which is the system that communicates between the car and the external network, and e-call, which is an emergency reporting system for vehicles.

Panasonic Energy's Value Proposition (outcome)

Panasonic Energy achieves sustainable value creation by providing a variety of value to stakeholders and collaborating with them.

		Value proposition	Major Initiatives
Society	**Realization of a lower environmental impact society** By promoting the electrification of mobility, including EVs, we will make a significant contribution to the decarbonization of society. We also aim to realize a circular society that reduces consumption of natural resources by expanding recycling and reducing waste.	**Achieving decarbonization** ■ Increasing avoided CO_2 emissions ■ Reduction of CO_2 emissions during battery production **Realizing a circular society** ■ Reduced consumption of natural resources ■ Waste reduction **Providing energy for the pursuit of happiness** ■ Contributing to safe and secure lifestyles ■ Contributing to learning among children	■ Reduction of CO_2 emissions at our own factories ■ Use of in-house and external renewable energy ■ Reduction of CO_2 emissions through technological innovation ■ Promotion to utilize recycled materials ■ Research and development to promote recycling/reuse ■ Promotion of social contribution activities
Customers	 **Supply of safe and reliable battery products** By supplying safe and reliable battery products to our customers, we contribute to the popularization of EVs and support social infrastructure (such as IoT, data centers, medical care, and gas and water meters), thereby helping to make our daily lives more convenient and comfortable.	**In-vehicle area** ■ Safety with zero recalls attributable to our batteries ■ Increased cruising range due to higher capacity ■ Widespread use of EVs due to lower costs **Industrial and consumer areas** ■ High safety and reliability ■ High-capacity and long life ■ Improved living convenience through miniaturization and wireless operation ■ Provision of power supply in the event of a disaster	■ Material development ■ Improvement of volumetric energy density ■ Product safety management ■ Improvement of production capacity ■ New market development ■ Stable supply of products
Collaboration partners	**Growing together by solving social issues** With our collaboration partners, we work together to maintain and improve the quality of purchased products, realize competitive prices, and respond to market changes based on mutual trust and cooperation. We also grow together while studying to solve social issues.	■ Resolution of social issues through collaboration ■ Partnership that continues to grow together ■ Maintenance and improvement of product quality ■ Realization of competitive prices ■ Response to market changes	■ Local procurement of materials ■ Promotion of procurement of materials with low environmental impact ■ Compliance with CSR Guidelines ■ CSR risk reduction through voluntary assessment ■ CSR education and training ■ Support for suppliers ■ Human rights due diligence ■ Responsible minerals procurement ■ Promotion of joint research through industry-academia collaboration ■ Promotion of projects in cooperation with national governments
Co-workers	**Improving employee well-being** We strive to enhance the well-being of our employees by creating a work environment in which each and every employee, with their diverse values, can work with high engagement and vitality in a safe, secure, and healthy environment.	■ Resonance with Mission, Vision, and Will (MVW) ■ Personnel system to accelerate challenge and growth ■ Various personalized training programs ■ Securement of diverse and talented human resources ■ Respect for each individual's personality, experience, and values ■ Creation of safe and secure workplaces ■ Employee health promotion	■ Human resource management ■ Formulation and encouragement of The Seven Pillars of Transformation ■ Implementation of The Forest Conference, an approach to promoting Mission, Vision, and Will (MVW) ■ Raise the wage level ■ Conduction of internal forums ■ Measurements to increase job satisfaction and workplace flexibility ■ Enhancement of leave systems ■ Thoroughly strengthen measures to prevent industrial accidents ■ Acquisition of certification in the White 500 (goal)

Material Issues for Value Creation (Materiality)

We have identified material issues (materiality) that we must address from an environmental, social, and governance (ESG) perspective in order to contribute to a sustainable society.

Materiality identification process

Panasonic Energy identified seven material issues using the following four steps.

01 List social issues

We listed 71 social issues that are candidates for materiality.

02 Evaluate their importance from the perspective of Panasonic Energy

For each item on the list of social issues, we evaluated its impact on our business and relevance to our policies from Panasonic Energy's perspective.

03 Evaluate their importance from a stakeholder perspective

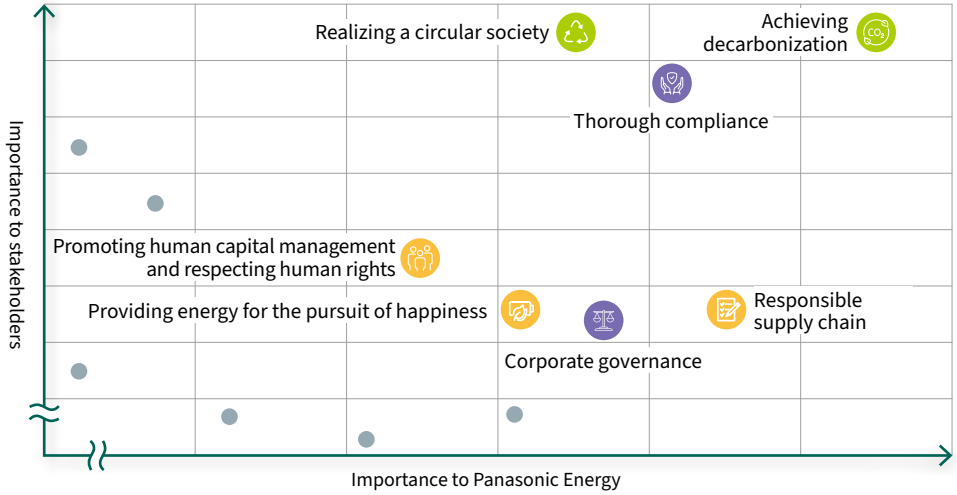
For each item on the list of social issues, we evaluated its importance from the perspective of all stakeholders, based on the opinions we have obtained through dialogue with stakeholders to date and the interest of investors and certifying organizations.

04 Deliberate and identify

After sorting out our thoughts on ESG management and what we aim to achieve, we identified seven material issues through multiple rounds of deliberations between the officers, including the Representative Director, and staffs of the relevant departments.

Materiality matrix

We evaluated social issues from two perspectives: their importance to Panasonic Energy and their importance to our stakeholders, and plotted the most important of these issues in the materiality matrix below.



Seven identified material issues and specific examples of initiatives

- Materiality relating to the environment (E)
- Materiality relating to society (S)
- Materiality relating to governance (G)

Realizing a circular society

P.43

- Building a recycling-oriented supply chain
- Development of recycling-oriented products
- Waste reduction
- Promotion of recycling

Promoting human capital management and respecting human rights

P.45

- Ensuring occupational safety and health
- Promotion of human resource development
- Promotion of Diversity, Equality & Inclusion (DEI)*1
- Prevention of discrimination and child/forced labour

Corporate governance

P.50

- Strengthening the functions of the Board of Directors and management team
- Ensuring transparency

Achieving decarbonization

P.39

- Reduction of greenhouse gas (GHG) emissions
- Contribution to reducing CO_2 emissions in society
- Effective use of renewable energy
- Local procurement

Providing energy for the pursuit of happiness

P.44

- Contributing to a safe and secure society
- Eradication of poverty and hunger
- Contributing to local communities

Responsible supply chain

P.49

- Responsible procurement of minerals
- Respect for human rights in the supply chain
- Supply chain management

Thorough compliance

P.51

- Pursuit of quality and product safety
- Compliance with laws and regulations
- Ensuring information security

*1 Japan

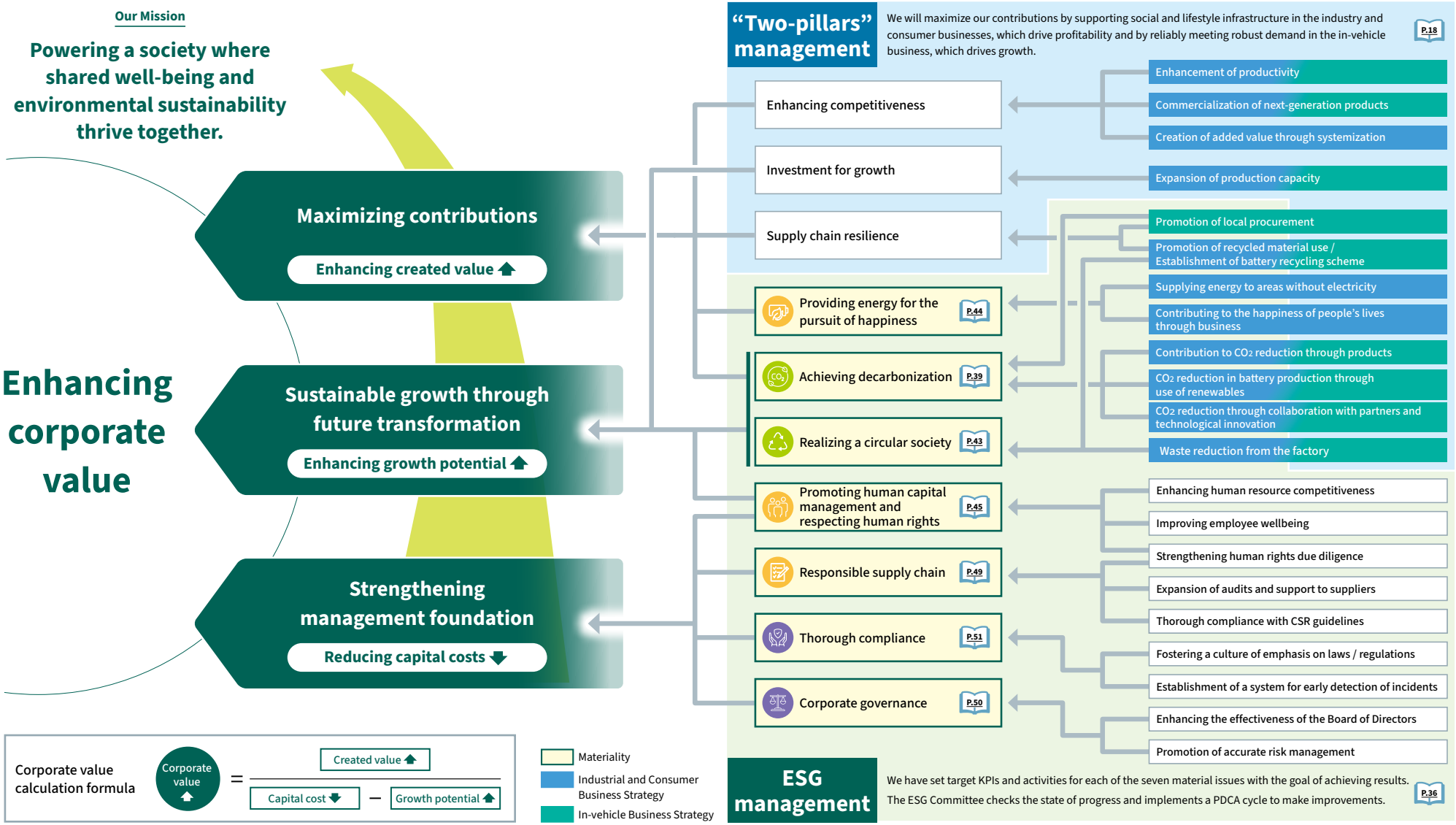
Materiality & KPIs at a Glance

Materiality	KPI	FY2024	FY2025	FY2026	FY2031
Achieving decarbonization	Environmental Contribution Index	4.0	4.9	5.7	10
	Avoided CO_2 emissions*1 (10,000 t-CO_2)	1,271	1,632	1,969	4,500
	Number of Net-zero CO_2 emission factories*2	14 sites	17 sites	18 sites*13	All sites (FY2029)
	Renewable energy rate of electric power*3	33%	46%	43%	100% (FY2029)
	Carbon footprint*4	100%	−22% (vs. FY2022)	−30% (vs. FY2022)	−50% (vs. FY2022)
Realizing a circular society	Recycled material utilization rate	—	—	—	Compliance with local regulations in each country
Providing energy for the pursuit of happiness	Sales of storage battery systems that support social infrastructure*5 *6	—	—	7.0	17.0
	Sales of dry batteries that provide support in emergencies*5 *7	1.2	1.2	1.4	2.2
	Sales of batteries that support the safety and security of society*5 *6 *8	—	—	1.1	1.5
Promoting human capital management and respecting human rights	EOS Score: Employee engagement (global)	70pt	70pt	68pt	85pt
	EOS Score: Employee enablement (global)	62pt	65pt	65pt	80pt
	Percentage of women in managerial positions (non-consolidated)	6.5%	7.3%	7.1%	15%
	Rate of childcare leave taken among men and women (consolidated, Japan)	Women 100% Men 58%	Women 100% Men 86%	Women 100% Men 84%	Men/Women 100%
	Health management index (non-consolidated)	55.7pt	56.9pt	58.7pt	White 500
	Number of fatalities due to industrial accidents (global)	0 incidents	1 incident	0 incidents	0 incidents
	Number of industrial accidents (lost time incidents, global*9)	5 incidents	3 incidents	16 incidents	0 incidents
	Percentage of implementation of self-assessments related to human rights and labour (overseas manufacturing subsidiaries) and percentage of executed corrective plans	100%	100%	100%	100%
Responsible supply chain*12	Ratio of tier 1 suppliers with an A-rank CSR self-assessment	81%	87%	92.9%	100%
	Ratio of assurance provided by conducting CSR audits of tier 1 suppliers	10%	34%	65.5%	100%
	CMRT/EMRT collection rate	99%	100%	100%	100%
	Utilization ratio of conformant/active smelters	82%	90.8%	88.6%	100%
Thorough compliance	Number of serious product incidents*10	0 incidents	0 incidents	0 incidents	0 incidents
	Number of serious legal and compliance violations*11	0 incidents	0 incidents	0 incidents	0 incidents
	Number of serious information security incidents*11	2 incidents	6 incidents	0 incidents	0 incidents

*1 The amount of CO_2 emissions reductions achieved for our customers and society as a result of the introduction of our products, compared to the baseline level where no products were introduced. Calculate avoided CO_2 emissions by estimating the reductions expected over the assumed service life of eligible products sold during the reporting year, and recognize the full amount in the year of sale. Products covered: Lithium-ion batteries for in-vehicle, electrically-assisted bikes, storage battery systems for data centers, ethical packaging, and alkali dry batteries.
*2 Manufacturing, research, and development sites that have achieved virtually zero CO_2 emissions by conserving energy, introducing renewable energy, and using credits as of the end of the fiscal year.
*3 Percentage of electricity used by Panasonic Energy that is derived from renewable energy sources (includes certificates, credits, and other externally procured items).
*4 CO_2 emissions per unit capacity of lithium-ion batteries for automotive use produced at the North American factory.
*5 Sales volume with fiscal 2022 set as 1
*6 KPI items changed based on business strategy
*7 Sales in the three key regions
*8 Sales in the four priority areas
*9 Starting in fiscal 2026, the scope was changed from domestic consolidated to global; the figures for fiscal 2024 and 2025 are domestic consolidated results
*10 Number of product incidents leading to safety-related recalls
*11 The criteria are based on internal rules and regulations, etc.
*12 The written CSR consent acquisition rate from tier 1 suppliers reached 100%, so it was removed as a KPI
*13 Number of sites assessed under the rules applicable before the change to the application of green electricity certificates in China—a change introduced by the Implementation Rules for the Management of Renewable Energy Green Electricity Certificates (Trial) enforced in November 2025. Reflecting this rule change, the number of sites would be 16

Process for Enhancing Corporate Value

We have broken down the factors that contribute to increasing corporate value into three categories: created value, growth potential, and cost of capital. Note that we also promote both financial and non-financial initiatives from each of these perspectives. We are promoting initiatives to ensure that all measures based on "two-pillars" management will enhance financial performance and ESG management to support non-financial performance, which will lead to enhance corporate value. Taking two material issues of ESG management, such as "achieving decarbonization" and "realizing a circular society," certain measures such as reducing CO_2 emissions in battery production, contributing to CO_2 reduction through products, and establishing a recycling model for batteries will contribute to "enhancing created value" as a solution to the climate change and resource depletion faced by society as a whole. At the same time, the technological capabilities and partner relationships fostered in this process can be seen as drivers of "enhancing growth potential" in the future. We believe that the combined effect of each materiality or measure leads to an increase in corporate value.



Promoting Sustainability (ESG) Management

Please check the sustainability website for details.

The Panasonic Group has established its Basic Business Philosophy, which outlines its approach to management practices and the way employees carry out their work, and conducts its business based on this policy.

The Basic Business Philosophy (BBP) stipulates from the perspective of the environment and society that we make unparalleled contributions to solving global environmental problems, including climate change, and to the physical and spiritual health and well-being of people. Additionally, we will return the profits we obtain to society and invest in further contributions. From the perspective of governance, the BBP also stipulates autonomous responsible management, the practice of each employee's entrepreneurship, maximizing human resources and management based on collective wisdom, and the principle of "Fairness and Honesty" including compliance.

As one of the operating companies in the Panasonic Group, Panasonic Energy will help resolve environmental and social issues through its corporate activities in accordance with the above ideas. At the same time, we are committed to promoting ESG-focused management in order to establish a transparent and fair management foundation, realize a sustainable society, and enhance medium- to long-term corporate value.

This is in line with our Mission, which is to "Powering a society where shared well-being and environmental sustainability thrive together," and represents an essential initiative for us.

The Basic Business Philosophy of the Panasonic Group
https://holdings.panasonic/global/corporate/about/philosophy.html

Panasonic Group Sustainability Management
https://holdings.panasonic/global/corporate/sustainability/management.html

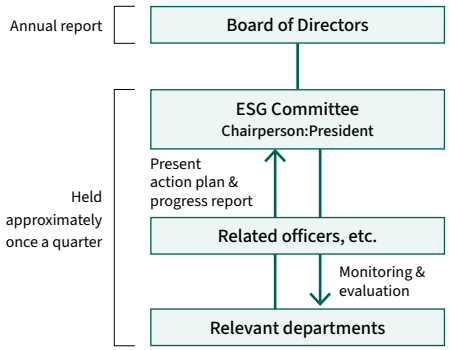
ESG promotion structure

Panasonic Energy established its ESG Committee, chaired by the President, to formulate an overall ESG plan, monitor its progress, and evaluate its achievement status. In addition, based on the outcomes of its deliberations, the Committee makes annual reports and recommendations to the Board of Directors to ensure that ESG considerations are integrated into the management decision-making process.

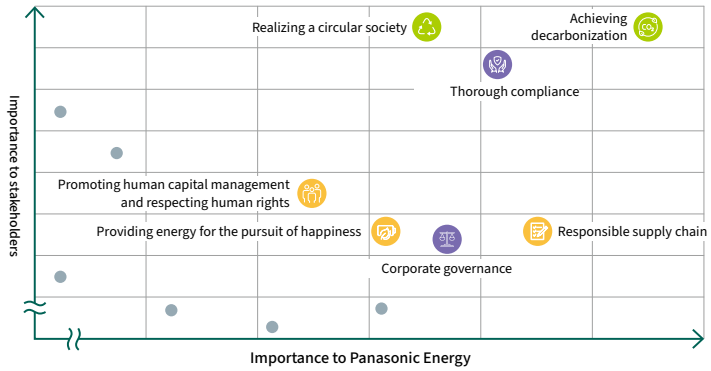
In promoting specific measures, we designate Executive Officer, or other person to take charge of addressing each of the seven material issues, set medium- to long-term visions and key performance indicators (KPIs) for each material issue, and formulate action plans to achieve them. Based on progress reports from the aforementioned persons in charge, the ESG Committee monitors and evaluates activities, estimates the effectiveness of measures, and encourages their improvements. In these ways, we have established the PDCA cycle throughout the year.

In fiscal 2026, we conducted a review of the previous fiscal year's achievements and progress. We also reviewed the KPIs and targets that had been set for three years, making some changes to align them with the current situation. We also organized customer requests and regulatory requirements, established a cross-departmental project team to formulate response policies, developed action plans, and promoted their implementation. Among these efforts, we identified issues and carried out improvement activities aimed at ensuring compliance with the RBA Code of Conduct for the purpose of engaging in responsible business behavior. In fiscal 2027, we will deepen these initiatives further and promote activities aimed at achieving both materiality and KPI targets, as well as compliance with customer and regulatory requirements.

■ **ESG management promotion structure**



■ **Identified materiality** P.33



Dialogue with stakeholders

We place great importance on dialogue with a wide range of stakeholders around the world, including customers, investors, suppliers, governments, industry associations, NPOs and NGOs, local communities, and employees, and engage in dialogue at various stages of our operations. We also provide information on our activities to our stakeholders, and at the same time receive feedback from them regarding their expectations and concerns about us. We will incorporate such feedback into our business, product development, and ESG management activities to further enhance our corporate value.

■ **Major stakeholders**

Sustainability Initiatives and Responsible Business Practices in Mexico

Introduction to Panasonic Energy Mexico

Panasonic Energy Mexico S.A. de C.V. (“PEMX”) is a key production base in Central and South America and is primarily responsible for the production of lithium-ion batteries. As a strategic base supporting the North, Central and South American markets, it places great emphasis on sustainable business operations, which include not only meeting high-quality demands but also prioritizing occupational safety, environmental considerations, and respect for human rights. Based on globally standardized policies and regulations, PEMX has been conducting operations in compliance with local laws and regulations and regional characteristics, and advancing the establishment of a safe and comfortable working environment. PEMX positions corporate citizenship activities as important initiatives to build trust as a member of the local community and to create a sustainable society together. Based on this approach, it continues to conduct activities. For example, a project to donate trees to participants of an environmental protection campaign was carried out with the aim of raising the environmental awareness of its employees. The donated trees were planted on the factory premises and at the homes of employees, thereby contributing to the natural environment while providing each employee with an opportunity to take personal ownership of environmental conservation. These activities contribute not only to building trust with the local community but also to improving a sense of unity and engagement in the workplace.

The poster for the environmental protection campaign and employees at a tree planting event

PEMX’s commitment to the RBA Code of Conduct

In addition to corporate citizenship activities, PEMX has been taking steps to ensure its activities are in compliance with the Responsible Business Alliance (RBA) Code of Conduct. The RBA is an industry coalition that has established a code of conduct for responsible business practices.

The RBA is an international alliance established in 2004 for the purpose of realizing responsible business practices and supply chains. The RBA Code of Conduct has been developed based on international standards such as the Universal Declaration of Human Rights and the ILO Fundamental Conventions. It comprehensively covers such areas as human rights, labor, health and safety, the environment, ethics, and management systems, and functions as an internationally recognized common standard referenced and utilized across a wide range of industries.

PEMX underwent a Validated Assessment Program (VAP) audit based on the RBA Code of Conduct, and was recognized for its high levels of compliance in all areas of assessment. In 2025, it achieved the highest “platinum” level.

Group commitment to the RBA Code of Conduct

The Panasonic Energy Group positions compliance with the RBA Code of Conduct as an important initiative to enhance the reliability and sustainability of its businesses. With the aim of complying with the RBA Code of Conduct, issues were identified and improvement activities were carried out at production bases in fiscal 2026.

To visualize whether our regulations, standards, and operations meet or fall short of RBA criteria, a checklist was developed and self-assessments were performed. Subsequently, the issues that needed improvement and the actions that ought to be taken were made clear and reflected in effective corrective activities.

A self-assessment being conducted at a production base

RBA compliance guidelines are being developed and a process for regular reporting to management is also being established as part of efforts to create a system that ensures continuous compliance with the RBA Code of Conduct.

Please check the sustainability website for details.

Approach to environmental initiatives —Two material issues for realizing our Mission—

Our Mission is to "Powering a society where shared well-being and environmental sustainability thrive together." With this in mind, we believe that our fundamental value is to play a leading role in transforming society into a sustainable one. At the same time, we have a responsibility to reduce our own environmental impact as we fulfill this role.

Based on our approaches and the expectations of our stakeholders, we have identified two material issues related to the environment: "Achieving decarbonization" and "Realizing a circular society." To maximize our contribution to the environment and minimize the environmental impact on each of these, we have set a total of six KPIs and their targets for fiscal 2031.

One of the KPIs associated with the material issue "achieving decarbonization" is avoided CO_2 emissions*1 from our products and solutions that are used by end users. We have set a target of 45 million tons of avoided emissions in fiscal 2031. In addition, for another KPI, the procurement of raw materials, we aim to reduce CO_2 emissions during battery production, including production and product distribution. To this end, we are pursuing initiatives such as expanding the number of our own net zero factories*2 and increasing our electricity renewable energy ratio*3 with the goal of cutting our carbon footprint in half*4 by fiscal 2031 compared to fiscal 2022.

With respect to the KPIs associated with the material issue "realizing a circular society," to achieve our recycled material utilization rate KPI, we are strengthening our efforts to collect and recycle waste materials (from the production process) and used products, aiming to create a recycling scheme through the reduction of natural resource consumption and waste. We believe that these initiatives will also contribute to reducing the carbon footprint of batteries.

For these two material issues, we have established our own unique composite indicator, the "Environmental Contribution Index."

This is a numerical representation of how many times greater the environmental contribution is compared to the environmental impact, as shown in the Environmental Contribution Index calculation formula. Our target value for fiscal 2031 is 10, which we aim to achieve by maximizing our contribution to the environment and minimizing the environmental impact of battery production.

In addition, with the aim of achieving a state of coexistence with the global environment, we started analyzing nature-related risks and opportunities based on the TNFD's LEAP approach as a method for understanding the impacts and dependencies on natural capital, including biodiversity.

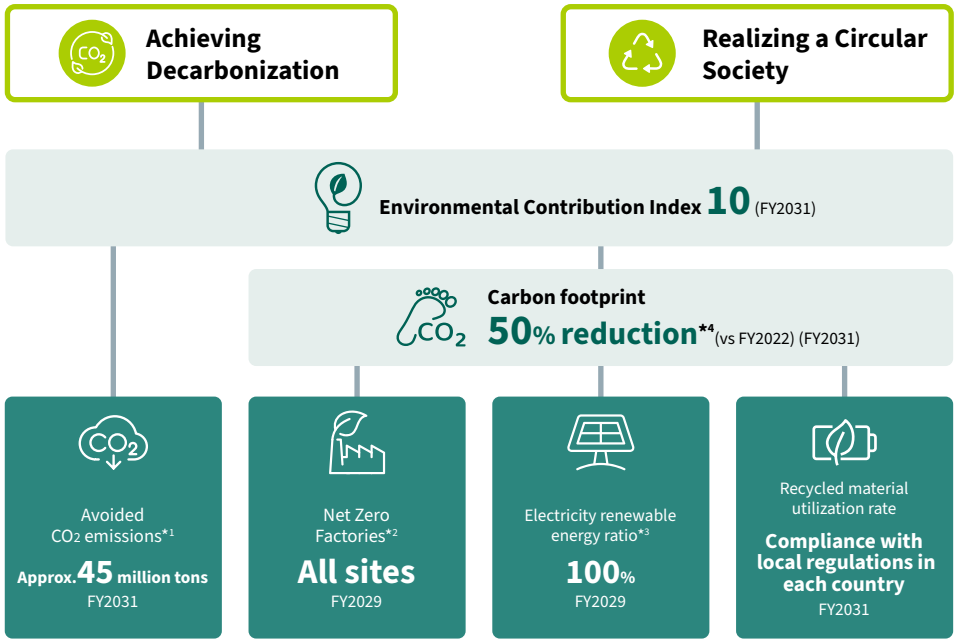
Going forward, we will use this analysis as a starting point to gradually make our analysis more sophisticated and enhance our information disclosure, while also considering initiatives aimed at mitigating future impacts and protecting and restoring natural capital.

■ Environmental Contribution Index calculation formula

$$\frac{\text{Environmental contribution amount: Avoided } CO_2 \text{ emissions in society through use of our batteries}}{\text{Environmental impact: Net } CO_2 \text{ emissions from our battery production}} = \text{FY2031 } 10$$

"Powering a society where shared well-being and environmental sustainability thrive together."

Two material issues on environment



*1 The amount of CO_2 emissions reductions achieved for our customers and society as a result of the introduction of our products, compared to the baseline level where no products were introduced. Calculate avoided CO_2 emissions by estimating the reductions expected over the assumed service life of eligible products sold during the reporting year, and recognize the full amount in the year of sale. Products Covered: Lithium-ion batteries for in-vehicle, electrically-assisted bikes, storage battery systems for data centers, ethical packaging, and alkali dry batteries.

*2 Manufacturing, research, and development sites that have achieved virtually zero CO_2 emissions by conserving energy, introducing renewable energy, and using credits as of the end of the fiscal year.

*3 Percentage of electricity used by Panasonic Energy that is derived from renewable energy sources (includes certificates, credits, and other externally procured items)

*4 CO_2 emissions per unit capacity of lithium-ion batteries for automotive use produced at the North American factory.

Please check the sustainability website for details.

Achieving Decarbonization

Panasonic Energy has made addressing climate change a top priority. In addition to increasing avoided CO_2 emissions through our products and solutions, we are promoting the reduction of CO_2 emissions across all steps from raw material procurement to production and logistics in an integrated manner, and working together with all our stakeholders to achieve decarbonization across the Panasonic Energy Group.

Increasing avoided CO_2 emissions

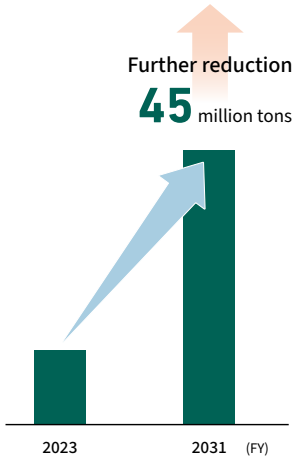
Contributing to the decarbonization of society through our products

Panasonic Energy is working to increase avoided CO_2 emissions through mobility electrification and other initiatives to contribute to the environment through the spread of our products and solutions.

To increase avoided CO_2 emissions, we have been working to quantify the avoided CO_2 emissions of our automotive batteries, electrically-assisted bikes and other products that can reduce CO_2 emissions compared to conventional products through product electrification, as well as products that can be expected to reduce CO_2 emissions through the energy saving benefits of replacing conventional products, including our storage battery systems for data centers*1. These initiatives have brought our avoided CO_2 emissions to approximately 19.69 million tons in fiscal 2026.

By fiscal 2031, we aim to achieve avoided CO_2 emissions of 45 million tons by continuing to enhance our production capacity of Li-ion batteries for automotive and storage battery systems for data centers in particular and expanding our products and solutions into various areas, thereby contributing to the decarbonization of society.

Expanding contribution through the wider adoption of products and solutions that help achieve decarbonization



EV

Storage battery systems for data centers

Electrically-assisted bikes

Ethical packaging

Relationship between the Inflation Reduction Act (IRA) and avoided CO_2 emissions

The IRA, when it was passed in August 2022, was the largest policy commitment the U.S. has ever made to tackle climate change. The law is designed to reduce CO_2 emissions by 21 billion tons between 2023 and 2050 and to prevent $5.6 trillion in global economic losses from climate change.*2

The IRA provides tax credits and subsidies for industries that contribute to energy security and climate actions. Panasonic Energy benefits from a tax credit of $35/kWh on our automotive batteries produced and delivered in North America.*3 We believe that this tax credit was made possible by our efforts to promote the spread of EVs in society and contribute to avoided CO_2 emissions through the manufacture of automotive batteries.

As evidence of this, the amount of our tax credit under the IRA is proportional to the amount of avoided CO_2 emissions from our automotive batteries. We believe this is an example where our contribution to decarbonization through automotive batteries has been recognized by society in terms of monetary value.

*1 Indicates the difference in CO_2 emissions from the amount of electricity consumed to supply power to the same IT equipment compared to a conventional centralized power supply equipped with lead-acid batteries throughout its entire lifecycle
*2 https://home.treasury.gov/news/featured-stories/the-inflation-reduction-acts-benefits-and-costs
*3 Section 45X

Reducing CO_2 emissions during battery production

What we do

While contributing to avoided CO_2 emissions in society through the widespread use of our products and solutions, we are also working to reduce CO_2 emissions during battery production, from procurement of raw materials to production and product distribution. In our battery production process, by conserving energy, introducing renewable energy, and using environmental certificates, we aim to achieve Net Zero Factories*1 at all sites by fiscal 2029. Furthermore, to reduce CO_2 emissions across the entire supply chain, we are strengthening our reduction efforts in cooperation with our suppliers with the goal of cutting our carbon footprint (CFP) per unit battery capacity in half*2 by fiscal 2031 compared to fiscal 2022.

*1 Manufacturing, research, and development sites that have achieved virtually zero CO_2 emissions by conserving energy, introducing renewable energy, and using credits as of the end of the fiscal year.

*2 CO_2 emissions per unit capacity of lithium-ion batteries for automotive use produced at the North American factory.

Initiatives to promote energy conservation and introduce renewable energy

With regard to initiatives for conserving energy, we are striving to reduce CO_2 emissions by minimizing energy loss during battery production, innovating production methods, and sharing improvement examples across our sites.

With regard to initiatives for introducing renewable energy, we are advancing the implementation of on-site photovoltaic power generation at our facilities, installing solar panels on roofs as well as on walls and in parking lots. We also introduced off-site corporate power purchase agreements*3 (PPAs) for solar, onshore wind, and geothermal energy in Japan. This has raised our in-house renewable energy self-sufficiency rate*4 for electricity usage to approximately 30%, resulting in a reduction of approximately 50,000 tons of CO_2 emissions annually. Going forward, we will consider global expansion of these initiatives while taking into account the regional characteristics of each country where we operate.

Nandan Factory

*3 A contractual arrangement in which the owner of a renewable energy source (including developers, investors, and others) and a purchaser of electricity (such as an end user) enter into an agreement to buy and sell renewable electricity at a pre-agreed-upon price and for a pre-agreed-upon term. Under this arrangement, renewable electricity generated at an off-site renewable energy facility located away from the point of consumption is supplied to the purchaser via the general power grid. (Source: Ministry of the Environment/Mizuho Research & Technologies, "About Off-site Corporate PPAs" *Japanese-language document only)

*4 An indicator showing the proportion of renewable energy supplied from in-house power generation facilities. Does not include electricity procured solely through electricity tariffs or certificates

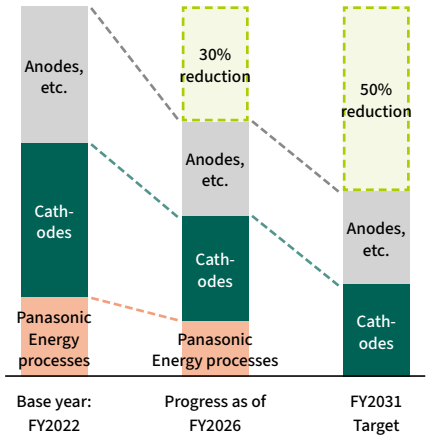
Optimizing our energy mix

We aim to achieve genuine decarbonization over the medium to long term without relying on CO_2 credits, and are moving ahead with Scope 1 reductions to lower our dependence on fossil fuels. Specifically, we are reducing fossil fuel use at our existing factories by switching to electricity, mainly for air conditioning, various heating systems, and cafeteria equipment. In fiscal 2026, the Mexico Factory and the Panasonic Energy Nandan Co., Ltd.'s Tsuna Factory achieved 100% electrification of their facilities through these initiatives. Furthermore, our Nevada Factory in North America operates as a 100% electrified factory that uses no fuel, as does the Kansas Factory, which came online in July 2025. We will continue to reduce Scope 1 emissions and raise our renewable energy ratio in stages, taking into account the energy supply situation in each region and usage at each factory.

Initiatives in raw material procurement

A large portion of the CO_2 emissions associated with battery production occurs upstream of our manufacturing processes—in resource extraction, raw material processing, and logistics. We share our CFP reduction policy with our suppliers through partner meetings and other means, and work collaboratively to reduce CO_2 emissions by improving production efficiency, introducing renewable energy, switching to low-CFP raw materials, and engaging upstream suppliers. Furthermore, to increase the share of parts and materials sourced locally in North America, and to help reduce our logistics-related CFP, we are strengthening the North American supply network through supply agreements for natural graphite from Nouveau Monde Graphite of Canada, synthetic graphite from NOVONIX Limited, and exterior cans from H&T Recharge. Through these initiatives, we achieved a 30% reduction in our CFP in fiscal 2026 (compared to fiscal 2022)*2.

■ Progress and targets for CFP reduction*2



Please check the sustainability website for details.

Disclosure Based on TCFD Recommendations

Response to TCFD

In May 2019, the Panasonic Group endorsed the TCFD*1 recommendations. Recognizing that risks and opportunities related to climate change are critical management issues, the Panasonic Group is identifying risks and opportunities based on the recommendations and examining the resilience of its strategies through scenario analysis.

Based on the above recognition and verification results, Panasonic Energy will deepen its consideration of risks and opportunities specific to our business and proactively disclose the required information. As recommended by the TCFD, we will disclose information on 'governance,' 'strategy,' 'risk management,' and 'indices and targets' to strengthen our dialogue with our stakeholders.

*1 TCFD: an abbreviation of Task Force on Climate-related Financial Disclosures. The task force was set up by the Financial Stability Board (FSB) in response to a request by the G20 Finance Ministers and Central Bank Governors. TCFD published its recommendations in 2017.

Panasonic Group "Environment : Response to TCFD"
https://holdings.panasonic/global/corporate/sustainability/environment/tcfd.html

Governance

At Panasonic Energy, the Board of Directors oversees risks and opportunities related to climate change based on reports and recommendations from the ESG Committee at least once a year. Chaired by the president, the Committee includes all executive officers responsible for divisions related to climate change, such as business divisions, human resources, and legal affairs, as well as divisions in charge of the environment. The Committee formulates overall plans, monitors progress, and evaluates the status of achievement in a cross-organizational framework.

In parallel, we analyze risks and opportunities related to climate change and, based on the results, confirm the relevance of our business strategy from a resilience perspective.

In addition, to strengthen the commitment of our executive officers, performance-based remuneration (which is an incentive linked to short term and mid-long term business results) is structured to reflect climate change-related results as well as financial indicators.

Strategy

Toward the transition to a decarbonized society, we have set the following targets.

- FY2029: Net Zero Factories *2 All sites
- FY2031: Create approx. 45 million tons of avoided CO_2 emissions

To establish the above goals and verify the resilience of our strategy, we have conducted a scenario analysis in line with the framework of the TCFD recommendations.

*2 Manufacturing, research, and development sites that have achieved virtually zero CO_2 emissions by conserving energy, introducing renewable energy, and using credits as of the end of the fiscal year.

The scenario analysis was conducted as follows, targeting the Mobility Energy Business and part of the Energy Solution Business, which account for a large proportion of our financial performance and contribute significantly to avoided CO_2 emissions.

- Assumed timeframe: FY2031 and FY2051
- Adopted scenarios: Risks and opportunities were identified based on a set of scenarios (including the 1.5°C scenario and the 4°C scenario), which were adopted in the Panasonic Group scenario analysis. For more details, please refer to the four scenarios in the Panasonic Group entitled "Environment: Strategy Resilience through Scenario Analysis."

Panasonic Group "Strategic Resilience through Scenario Analysis"
https://holdings.panasonic/global/corporate/sustainability/environment/tcfd/resilience.html

Risk management

Panasonic Energy has established an Enterprise Risk Management Committee ("ERM Committee") to manage various risks, including those related to climate change, in an integrated manner.

Based on the PDCA cycle of risk management, the ERM Committee reports regularly to the Management Meeting and the Board of Directors on essential risks and the progress of countermeasures. Each year, the Committee identifies risk items in terms of "impact" and "possibility of occurrence" while also defining "operational risk" as events that have the potential to affect business activities and pose an operational threat. In fiscal 2026, we again identified natural disasters such as earthquakes and tsunamis as important operational risks and managed progress on measures to deal with flooding and other disasters.

Regarding the transitional risks, such as an increase in the cost of compliance with environmental regulations, the relevant departments closely monitor trends and take appropriate measures while the Management Meeting continues to manage the progress. In compliance with the EU Battery Regulation in particular, we thoroughly manage risks to our business activities by managing the progress of measures and raising issues at meetings held twice a year that include the relevant departments and management.

Metrics and targets

In addition to disclosing actual GHG emissions (Scope 1, 2, 3), we have set a goal of achieving all of Net Zero Factories*2 by fiscal 2029 and are working hard to reduce emissions.

We have also set targets for GHG emissions outside of our own company, including the avoided CO_2 emissions that we contribute to society and the reduction of the carbon footprint of our products, including those upstream in our supply chain.

Furthermore, we have established our own "Environmental Contribution Index" (an index that indicates the ratio of avoided CO_2 emissions to the actual CO_2 emissions from our battery production), which is a composite of the above indicators. We are working to improve this to 10 in fiscal 2031. For more details of our efforts to set and achieve our goals, please refer to the Environmental page of this report.

Significant risks and opportunities and how to respond

The items identified as significant climate-related risks and opportunities are shown in the table below. For each item, the table shows the main applicable scenarios, the timing of occurrence, the impact, and our countermeasures. We prioritize our responses to these items based on the timing of their occurrence and their degree of impact.

	Item	Impact on Panasonic Energy	1.5°C	4°C	Timing of occurrence	Impact	Countermeasures
Transitional risks	Cost of implementing carbon pricing	Increase in procurement costs due to the levy on the company and the price shift of the levy to suppliers/logistics providers due to the tightening of the carbon pricing system			Medium term	Large	● Promote energy conservation, utilize renewable energy
	Higher costs of complying with environmental regulations related to products and services	Increase in costs to comply with stricter battery-related regulations (including carbon footprint disclosure and traceability management) and mandatory GHG emissions reporting			Short term	Small	● Introduce system capable of responding to increasingly sophisticated regulations
	Increase in R&D and capex costs for higher battery performance	Increase in R&D and capital investment costs to develop next-generation batteries for EVs and storage battery systems and to lead other companies in improving environmental performance			Short term	Medium	● Improve development efficiency through collaborative research with research institutes and partner companies ● Earn royalties by strengthening and utilizing intellectual property rights
	Increase in costs for energy conservation measures and renewable energy installations	Increase in procurement costs due to higher investment costs related to energy conservation/renewable energy and price shifting of GHG emission reduction costs from suppliers			Short term	Large	● Increase amount of renewable energy procurement
	Lower sales due to delay in responding to social and customer needs	Lower sales due to failure to respond appropriately to changing needs of corporate customers who have to address market changes, new regulations, and demands from stakeholders			Short term	Large	● Ensure compliance with the EU Battery Regulation, GBA, RBA, etc. ● Lead policy frameworks through active participation in industry associations
	Increase in procurement costs due to soaring raw material prices and material switching	Increase in procurement costs and decline in production volumes caused by sharp increases in the prices of raw materials, driven by growing battery demand and expected supply shortages			Medium - to long - term	Large	● Increase use of recycled materials, establish recycling scheme ● Review manufacturing processes to help reduce process waste and loss
Physical risks	Lower sales/increased costs due to damage to the company's sites and supply chain caused by severe wind and flood damage	Increase in opportunity loss and recovery costs due to damage to the company's sites and upstream/downstream supply chain caused by severe wind and flood damage			Short term	Medium	● Shorten the supply chain through local procurement ● Promote BCP measures for key parts and materials ● Construct seawalls and waterproof walls at our manufacturing sites
	Lower sales/increased costs due to damage to own facilities and supply chain caused by sea level rise	Opportunity losses and increased costs of recovery and countermeasures due to damage to the company's facilities and supply chain sites near the coast caused by sea level rise			Long term	Small	● Assess supplier risk
	Lower sales/increased costs due to employee health risks from heat and cold	Opportunity losses due to disruption of employee health caused by extreme weather and increased capital investment costs for air conditioning and other equipment			Short and long term	Small	● Promote measures against infectious diseases and heat-stroke in the workplace ● Conduct seminars and programs aimed at improving the mental and physical health of employees
Opportunities	Cost reductions through increased resource efficiency and increased sales through improved production efficiency	Decrease in procurement costs due to recycling resources through resource recycling and increase in sales by developing the battery reuse market			Medium - to long - term	Medium	● Expand battery reuse, establish recycling scheme, control waste ● Boost energy density, increase lifespan, increase diameter
	Decrease in energy procurement costs due to lower energy prices	Decrease in energy costs at the Company due to lower prices for renewable energy and in raw material procurement costs due to lower energy costs at suppliers			Medium - to long - term	Medium	● Review renewable energy options based on market prices and increase procurement volume
	Increase in sales due to higher demand for environmentally conscious products and services	Increase in sales due to growing demand for products that contribute to GHG reduction, such as automotive batteries and stationary storage batteries for use alongside renewable energy sources			Short term	Large	● Expand lineup of environmentally friendly products and solutions ● Reduce carbon footprint of products, expand use of recycled materials
	Increase in sales due to higher demand for disaster preparedness products and services	Increase in sales due to higher demand for disaster preparedness products, such as storage batteries to prepare for disruptions in energy infrastructure and battery products that contribute to the weather observation/space business			Medium - to long - term	Large	● Expand backup power supply business for data centers ● Promote dry cell batteries as disaster preparedness measure

Please check the sustainability website for details.

Realizing a Circular Society

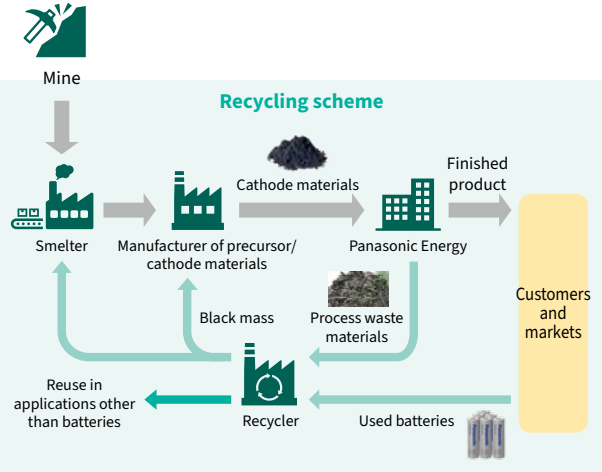
As a company that uses large amounts of natural resources in its business, we believe that using the earth's limited resources in a sustainable manner and passing them on to the next generation is crucial. By increasing recycling, we aim to contribute to the realization of a circular society.

Increasing recycling

Promotion of using recycled materials

In the production of batteries, Panasonic Energy is working to build a recycling scheme throughout the entire supply chain by reducing natural resource consumption and waste, for example by strengthening our efforts to collect and recycle waste materials from the production process as well as used products and utilize them as recycled materials for batteries and various other applications. Going forward, we will continue to promote the use of recycled materials, aiming to realize a circular society. We are also working to reduce CO_2 emissions related to the production of materials and disposal of products. We will advance these efforts in tandem with our commitment to achieving decarbonization.

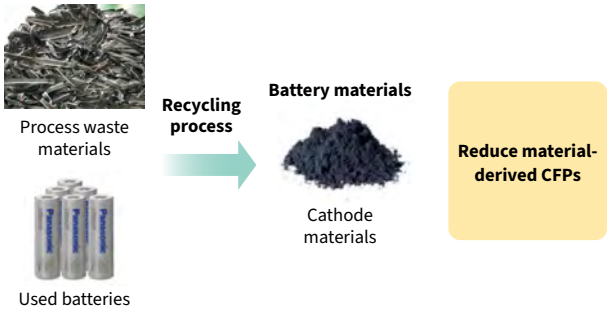
■ Recycling scheme throughout the entire supply chain



Initiatives related to secondary batteries

For secondary batteries, countries around the world are developing legal systems and mechanisms for recycling aimed at using resources more effectively and preventing environmental pollution. In the production of batteries, we are working to build a recycling scheme that leads to the reduction of natural resource consumption and waste in the production of batteries. At our base in China, we have been using recycled materials for cathode materials since 2024, and are gradually expanding the range of applicable products. Also, at our locations in Japan, in 2025 we started partnering with Sumitomo Metal Mining Co., Ltd. to launch a scheme that recycles nickel, a rare metal, from battery waste and utilizes it again as a cathode material in our products.

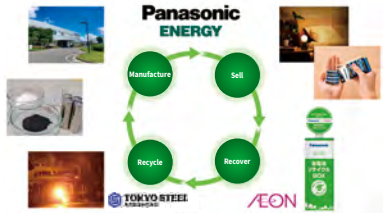
■ Recycling process for process waste and used batteries



Initiatives related to dry batteries

We are pressing ahead with the collection and resource recovery of used dry batteries to enhance the value of primary batteries. In Thailand, since 2022, we have been collecting used dry batteries in collaboration with CP ALL Public Company Limited (a convenience store operator), and in Japan, we have been working with Aeon Retail Co., Ltd. since 2023 for the same purpose. We are collaborating with Tokyo Steel Manufacturing Co., Ltd. and TOMATEC Co., Ltd. to recycle used dry batteries for use as steel materials and trace-element fertilizer. And in Thailand, we are collaborating with UMC Metals Ltd., a steel company, to carry out resource recovery. Furthermore, we started selling EVOLTA NEO batteries made with recycled zinc in 2025.

■ Dry battery recycling process



■ Recycling process for cathode materials in collaboration with partner companies

Working to Solve Social Issues

Please check the sustainability website for details.

Providing Energy for the Pursuit of Happiness

With the aim of building a better world through energy, we address environmental issues and contribute to a sustainable society through our battery business. We support essential social infrastructure that remains active even during disasters and other emergencies, and contribute to safety, security, and the resolution of poverty and hunger by supplying energy to regions without electricity.

Social contribution through business activities

We contribute to the happiness of people's lives in a wide range of fields.

Our high-quality, high-capacity batteries and energy storage systems are used in data center power systems and medical and healthcare equipment where stable operation is essential, contributing to the maintenance of social infrastructure and to supporting health. We also provide highly reliable batteries for automobile tire air pressure sensors and emergency power supplies, supporting safe travel.

Our dry batteries also play an important role in supporting lifelines as reserve stocks in the event of a disaster.

Quest Education

Since fiscal 2023, Panasonic Energy has participated in the "Corporate Access" program, a corporate exploration course offered by Educa & Quest as part of their exploration learning program, "Quest Education." Junior and senior high school students enrolled in the course take on missions assigned by Panasonic Energy and explore social issues through dialogue and collaboration with employees. The program creates opportunities for junior and senior high school students and our employees to learn together across generations by engaging with each other's perspectives and values.

Initiatives for environmental conservation in North America

The employees of our Nevada Factory, in collaboration with local civic groups, carried out a cleanup of the Truckee River watershed, contributing to the conservation of waterways and the improvement of wildlife habitats.

Meanwhile, in Kansas, 20 employees participated in seed preservation activities organized by the Johnson County Park & Recreation District, promoting the conservation of genetic resources by collecting and sharing seeds of native plants adapted to the local environment.

These initiatives contribute to the preservation of the natural environment and to raising employees' environmental awareness through collaboration with local communities.

Initiatives to raise awareness of the circular economy

Panasonic Energy manned an exhibition booth at the National Youth Science Club Competition 2025 in Bangkok, Thailand. The event, which aims to increase students' interest in science and technology, features exhibits and hands-on programs to promote science education, environmental activities, and technological understanding. Our booth offered information related to the collection and recycling of used batteries and featured a quiz-style experience for approximately 600 visitors, thereby contributing to promoting understanding and raising awareness of the circular economy.

Factory tours and battery schools

Panasonic Energy has contributed to local communities through educational activities on the history, types, and proper ways of using batteries.

Since 1966, we have organized battery workshops and factory tours as educational programs to extend classroom learning covering science, social studies, environmental studies, and other subjects.

Cumulative number of participants at factory tours and battery schools (as of March 31, 2026)

Factory tours		1,021,288 persons
Battery schools	Japan	208,273 persons
	Overseas	5,466 persons

Please check the sustainability website for details.

Promoting Human Capital Management and Respecting Human Rights

Promoting Human Capital Management

To realize Panasonic Energy's Mission and Vision, the Company positions human resources as the most important management asset and aims to both strengthen business competitiveness and improve individual well-being.

Optimizing management resources to adapt to changes in the business environment

Talent portfolio management in practice

Taking into account the business environment surrounding Panasonic Energy as well as our business strategy, we are transforming our talent portfolio from the perspective of company-wide optimization. We are strengthening the alignment between our business strategy and human resources strategy, clarifying the ideal talent profile needed for future business growth, and then documenting the gap between that profile and our current workforce. Furthermore, in order to achieve the optimal allocation and composition of both the quality and quantity of human resources globally, we are strategically and flexibly implementing measures for recruitment, training, placement, and utilization. Rather than merely adjusting staffing allocation, we aim to build an organizational foundation resilient to environmental change by continuously transforming our talent structure in line with changes in our business structure.

To promote these initiatives as a unified management effort, we have established a Resource Management Committee (RMC). Senior management participates in the RMC meetings, where important cross-cutting issues related to human resources are discussed. The RMC has two major responsibilities: (1) As a management team, establish a common understanding of current resource issues and define an ideal resource structure with an eye on the future business environment; and (2) Discuss and set the direction of strategies and measures to achieve that, and continuously evaluate their effectiveness globally from both quantitative and qualitative perspectives, using the results to drive improvements. Through these mechanisms, Panasonic Energy will implement proactive management decisions and resource allocations that anticipate changes in the business environment, thereby achieving sustainable growth and enhancing corporate value over the long term.

Individuals who take on challenges autonomously

Identifying and developing management executives who will drive our future

In the Company's rapidly changing business environment, it is essential to have management executives who can drive business growth by responding to these environmental changes flexibly and quickly from a medium- to long-term perspective. To this end, we are promoting the development of a robust pipeline of next-generation management personnel. To realize our mission, we need management executives who have an unwavering resolve to shoulder the future, who are committed to continuous self-improvement, and who can lead management in a manner that is true to the Company. We have established the fundamental requirements expected of Panasonic Energy's management executives and aim to continuously cultivate next-generation management personnel who can acquire and demonstrate these requirements.

Manufacturing leaders who can engage in discussions with management executives

Strengthening training for new employees

Panasonic Energy has revamped its onboarding program for new graduates starting in fiscal 2026. This program is one of our core initiatives aimed at fostering "individuals who take on challenges autonomously," based on our policy of positioning human capital as our most important management asset. After the overhaul, the first five years after joining the company are now designated as a period of focused training, which supports growth from a more medium- to long-term perspective. The goal of the program is to equip employees with the skills to perform their duties effectively from an early stage, while simultaneously building a foundation as professionals who will drive the business forward in the future.

Onboarding programs

Individuals who take on challenges autonomously

Creating an environment that encourages employees to take on challenges proactively

We are working to create systems and environments that foster a "cycle of continuous challenge and growth" in which employees challenge themselves to achieve high goals and are adequately rewarded for their achievements, further increasing their motivation to take on the next challenge and accelerating growth. Starting in April 2025, we made revisions to the performance evaluation system for general employees and re-employed retirees, with the goal of assessing both the processes and outcomes of the challenges they undertake in greater detail and linking these evaluations more effectively to further growth. At the same time, we enhanced evaluation skills training for department and section managers. By ensuring proper operation and use of these systems in each workplace, we aim to increase confidence in evaluations, strengthen the link between evaluation and development, and create an environment where individuals can maximize their potential.

Supporting career realization and promoting human resource development

At Panasonic Energy, we formulate individual human resource development plans for the autonomous career and skill development of all employees through regular one-on-one meetings between superiors and subordinates. We also support development and growth by providing—irrespective of role, age or gender—a variety of training opportunities that meet the motivation of each individual to learn.

Beginning in fiscal 2025, we fully implemented the Learning Management System called "Manabico" to visualize the development system and centrally manage various training courses, and started supporting employees' autonomous learning. We will continue to support learning by enhancing content to support each individual's autonomous career development.

Creating an organization and culture that enables employees to reach their full potential

Towards the fulfillment of the Mission/Vision

Since the establishment of Panasonic Energy in 2022, we have implemented dialogue-based initiatives centered on our "The Forest Conference" with the aim of instilling our Mission/Vision/Will (MVW).

To instill MVW at a faster pace, in October 2024, we established a "Mission Ownership Taskforce" as a new organization directly under the President. At the Mission Ownership Taskforce, 17 leaders and more than 100 members selected from each department take the lead in planning and implementing cross-Company initiatives intended to inspire each employee to deeply identify with MVW, draw on a strong sense of mission ownership, and utilize their own individuality, ability, and skills to the fullest, and to evolve the Company into one that takes on challenges autonomously to achieve its Mission.

Fostering a culture of dialogue

To translate understanding and empathy for MVW into action, we emphasize two-way dialogue. In fiscal 2026, we positioned fostering a culture of dialogue as a key theme and actively created opportunities for two-way communication between management and employees. Specifically, we held ongoing forums for dialogue intended to create a ripple effect throughout the organization—such as company-wide town hall meetings with management and small-group roundtables—to share management's thinking and the background to its decisions, and to have management directly respond to employees' opinions and questions. Through these dialogues, mutual understanding across departments and roles is progressing, fostering a culture of autonomous thinking and embracing challenges, and cultivating an environment that embraces diverse opinions and integrates them as an organizational strength.

Member's Voice

Voice from a member of the Mission Ownership Taskforce

The Mission Ownership Taskforce's job is to focus on the sense of mission that every member possesses and to keep that flame burning. In my department, through elements such as the Hama no Kaigi (a place for dialogue), external lecture events (a platform for communication), and the Yarushika no Ki (for translating thoughts into actions), we have instilled a cycle within the organization of considering one's own mission, igniting enthusiasm in those around them, and then sustaining that enthusiasm. The contribution of these measures to improved engagement has been confirmed in the Employee Opinion Survey, and we're seeing a growing number of people who proactively take on challenges.

Tadasuke Hosoya
Consumer Energy Business Unit
Energy Device Business Division

Executive roundtable

Creating an organization and culture that enables employees to reach their full potential

Supporting the success of diverse human resources

We promote the DEI*1 initiative in Japan with the goal of creating a company where a diverse group of employees can coexist in harmony, individuals will be happy and fulfilled in their work, and the environment will be conducive to sustainable challenges.

In Japan, along with increasing the percentage of women in the Company, we are expanding opportunities for all employees to take on challenges, with the expectation that these efforts will, in turn, lead to a higher proportion of women in managerial positions. Furthermore, to expand opportunities for employees with disabilities to play an active role, in addition to employment at Panasonic Farm, we launched an Office Concierge service in October 2024, where employees with disabilities handle PC tasks such as data entry, administrative support tasks such as equipment management, and support for office operations.

*1 Diversity, Equality, and Inclusion

Supporting department and section managers in personnel and organizational and personnel management

To adapt to changes over the medium to long term, strengthen corporate competitiveness, and continue delivering value to customers, it is essential to evolve organizational management and create an environment where each employee can fully utilize their abilities.

For managers at the department and section head levels, we provide basic training on organizational development to strengthen their organizational management skills and help build self-directed, autonomous organizations. In addition, opportunities for personal coaching are on offer for up to 100 managers who request it. By supporting managers in balancing increasingly complex business operations with organizational management, we enable them to gain sharper insight into the needs of their organizations and resolve issues more quickly.

Office Concierge team member setting up a computer

Building a foundation of safety, security, and health

Creating safe and secure workplaces

To create safe and secure workplaces, the Company has set its global KPIs as zero fatalities due to occupational accidents and zero lost time incidents. In fiscal 2026, there were no fatalities due to occupational accidents, but there were 16 lost-time incidents. Therefore, we are continuing to promote the Emergency Safety Measures Project. We launched this project in fiscal 2025 after classifying the occurrence of accidents related to equipment or chemical substances as an “Emergency” to thoroughly implement measures to prevent occupational accidents, and we are continuing to carry out company-wide activities aimed at eradicating occupational accidents.

We are also continuously working to further enhance the risk sensitivity and safety awareness of each and every employee.

Raising employee risk awareness and safety consciousness

We continue to promote cross-site initiatives such as Shin Kakarichokai and Shin Hanchokai, where key frontline leaders learn from each other across sites. These activities aim to eliminate occupational accidents by identifying potential risks and unsafe conditions, improving the ability of employees to recognize hazards, and enhancing on-site improvement skills. We are also promoting the establishment of or upgrades to the Anzen Dojo (experience-based safety practice simulation spaces) at each site, including the use of VR*2 equipment. As a result, each and every employee will be made directly aware of the risks posed by occupational accidents and work to eradicate unsafe behavior.

With regard to new sites associated with future business expansion as well, we are aiming for zero lost time incidents while working to strengthen the foundation for continuous business activities.

*2 Virtual Reality

Comprehensive equipment inspection in the Emergency Safety Measures Project

Please check the sustainability website for details.

Promoting Human Capital Management and Respecting Human Rights

Respecting Human Rights

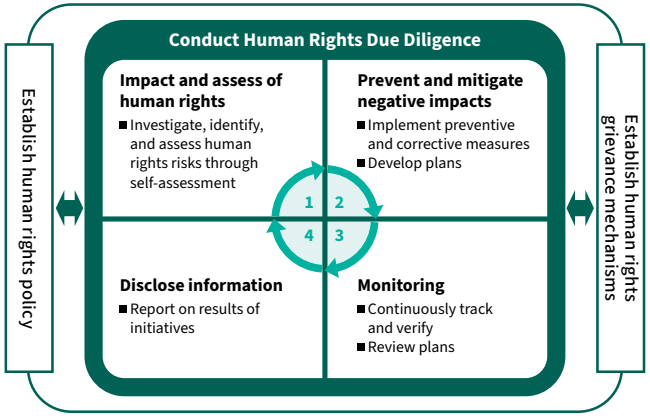
The Panasonic Group has established the Panasonic Group Human Rights and Labour Policy, which refers to the content of the international standards and incorporates the opinions of outside experts.
Based on this policy, we have established internal rules and a promotion framework, and we are also implementing specific initiatives to realize a working environment where human rights are respected and employees can find fulfilment in their work.

Human rights due diligence

Overview of human rights due diligence initiatives

Panasonic Energy has established a Human Rights Due Diligence system based on the United Nations Guiding Principles on Business and Human Rights to respect and ensure the human rights of people associated with our business activities, products, services, and transactions. The system is intended to identify, prevent, and reduce negative impacts related to human rights with regard to our businesses, correct issues, and explain the response results to stakeholders. Furthermore, we continually conduct human rights due diligence with advice from external experts to tackle social demands and issues identified through the operation of the above system.

■ Overview of initiatives for respecting human rights



Risk assessment (self-assessment)

One of our key management issues is the practice of internationally responsible corporate conduct and the continuous enhancement of compliance with ESG-related laws, regulations, and international norms. In fiscal 2026, we conducted a self-assessment at our domestic sites based on the audit standards of the Validated Assessment Program (VAP) of the Responsible Business Alliance (RBA) to identify discrepancies between the current situation and the RBA requirements in each category, including human rights and labor issues. By analyzing these results, we have completed the necessary improvements in each area to enhance alignment with the RBA Code of Conduct.

Moreover, since fiscal 2022, we have been using a self-assessment tool based on the RBA Code of Conduct and tailor-made to us to conduct self-assessments related to human rights and labor issues at the Group's manufacturing companies. In fiscal 2023, we conducted a self-assessment focused on the International Labour Organization (ILO) core labour standards by using the questionnaires that we reviewed to identify issues more clearly, ensuring that both the implementation and correction rates were 100%. Continuing from fiscal 2024 and fiscal 2025, in fiscal 2026 we conducted self-assessments at the Group's 17 sites (6 in Japan and 11 overseas), and also expanded the scope to include temporary staffers, subcontractors, and service providers in Japan. We continue to maintain a 100% rate of implementation of self-assessments. In the years to come, while gradually expanding the scope, we will promote initiatives geared toward the prohibition of forced labour, the protection of children and young workers, the appropriate management of working hours and wages as well as the prohibition of discrimination.

Grievance mechanism and implementation of human rights education

The Panasonic Group has in place a global hotline to address and remedy complaints regarding human rights violations. Stakeholders, including employees and business partners, can use this hotline (available in 32 languages) to report compliance violations, such as human rights and labor issues, if they are a victim or witness. The mechanism uses an independent external system to avoid identifying reporters and to ensure the strict confidentiality of reports. Our internal regulations also stipulate that reporters, whether inside or outside the company, will not be subject to retaliation or disadvantageous treatment for filing a report.

Furthermore, we provide training in 22 languages of our Code of Ethics & Compliance, including "Respecting Human Rights," and provide regular opportunities (including when first starting work and upon promotion) to ensure that employees fully comprehend the topic of respect for human rights included in the Code. In fiscal 2023, we revised the Code of Ethics & Compliance and began conducting training on the Panasonic Group Code of Ethics & Compliance for all employees. We also provide training to all individuals, including executives, who will be dispatched from Japan to overseas posts to deepen their understanding of international standards and local laws and regulations concerning the corporate responsibility to respect human rights, as well as to deepen their understanding of the Panasonic Group Human Rights and Labour Policy and related initiatives. In addition, as part of our efforts to improve understanding of ESG issues, we have conducted video-based training on social issues related to human rights and our initiatives. We also administer a comprehension test, which we use to measure the level of understanding and plan future training programs.

Please check the sustainability website for details.

Responsible Supply Chain

We procure battery materials, raw materials, electronic components, and processed parts from approximately 1,000 suppliers at all our production sites, both in Japan and overseas. While pursuing quality and price competitiveness, we will fulfill our social responsibilities by complying with laws and corporate ethics, respecting human rights, and addressing environmental concerns, and together with our suppliers, we will promote the construction of a sustainable supply chain.

Initiatives aimed at reducing risk in procurement activities

Promoting CSR compliance and risk mitigation in the supply chain

To demonstrate its approach to CSR procurement and clearly communicate its requirements to suppliers, the Panasonic Group has established CSR Guidelines in accordance with international norms and principles regarding human rights, including the UN Guiding Principles on Business and Human Rights, and requires compliance with these Guidelines. In line with the Panasonic Group's activities, the Group has started to conclude basic transaction agreements that require new suppliers to comply with the Guidelines. We have also requested that existing suppliers submit a written agreement to comply with the Guidelines. We also ask them to submit an agreement to any change of the principal company of the group. Every year, we request our tier-1 suppliers to conduct a self-assessment using a CSR assessment sheet based on the Guidelines. The assessment results are classified into three ranks, A, B, and C, in ascending order according to risk. In fiscal 2026, 326 out of 351 companies (92.9%) were ranked A, while 25 companies (7.1%) were ranked B. For suppliers ranked B, our Procurement Department works together with them to promote risk reduction by implementing improvement activities aimed at strengthening their CSR management system. In the event that a supplier receives a C ranking, we will review our transactions with them. Furthermore, since fiscal 2024 we have instigated on-site CSR audits of our suppliers to identify and address risks within the supply chain.

Responsible minerals procurement

The supply chains of minerals—the main materials in batteries—pose a variety of CSR risks, such as human rights violations and environmental harm, which is why appropriate due diligence is essential. We have formulated a responsible mineral procurement policy in accordance with OECD guidelines, and every year with the cooperation of our suppliers, we identify smelters and verify whether they comply with RMAP*1 or have acquired other certifications. In fiscal 2026, we encouraged non-compliant smelters to participate in RMAP, collected survey forms from all suppliers, and promoted initiatives targeting 3TG*2 as well as cobalt and mica under the CMRT/EMRT*3 frameworks to ensure procurement from conformant/active smelters*4.

*1 RMAP is the Responsible Minerals Assurance Process, which is the responsible minerals assurance program of the RMI*5
*2 3TG is the collective term for the four minerals - tin, tantalum, tungsten, and gold
*3 RMI-issued conflict minerals survey forms
*4 Conformant smelters: Smelters that have been audited to be RMAP-compliant
Active smelters: Smelters that are at the preparation stage to be audited by RMI
*5 Responsible Minerals Initiative, an organization that provides industry-standard survey tools, etc. for companies to conduct responsible mineral procurement

EU batteries regulation due diligence requirements

In recent years, there has been growing expectation in society regarding the responsible sourcing of raw materials used in batteries, and in August 2023, a batteries regulation (Regulation (EU) 2023/1542) came into force in the European Union (EU). In response, the Group is working on due diligence regarding environmental and social risks in the supply chain of batteries that are subject to the due diligence requirements of the EU's batteries regulation. In fiscal 2026, we received advice from an external expert to deepen our understanding of the due diligence requirements of the EU's batteries regulation. Furthermore, to undertake our research while taking into account the business secrets and competitive concerns of the companies we investigate, we received support from external organizations to gauge an understanding of the chain of custody for the four targeted substances, obtain an overview of the risk levels across the entire supply chain of the batteries in question, and gather information on suppliers (including buyers, manufacturers, trading companies, and logistics companies within the battery supply chain) to understand the environmental and social risks faced by our suppliers and their risk management systems. We will continue to implement battery due diligence initiatives based on the content of the battery due diligence guidelines that we expect will be issued in the near future.

Strengthening Governance

Please check the sustainability website for details.

Corporate Governance

Under the Panasonic Group's management philosophy, the Panasonic Energy Group positions corporate governance as an important foundation of management for the sustainable enhancement of corporate value, and is working to strengthen its highly effective supervisory and audit systems through coordination among the Board of Directors, Audit & Supervisory Board, and various committees.

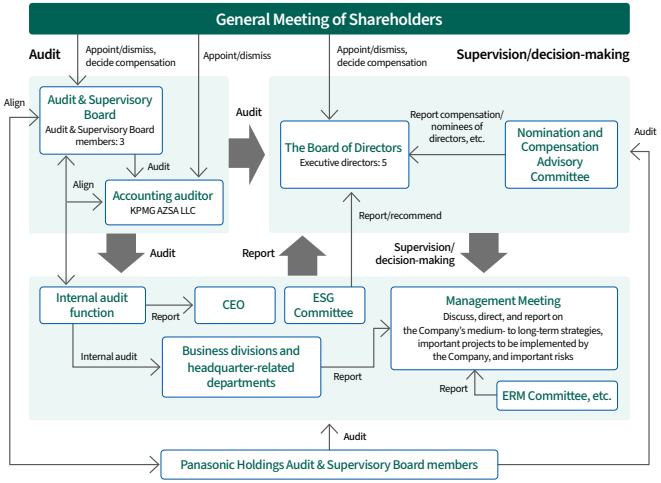
Corporate governance structure and initiatives

Corporate governance structure

We are striving to build an effective corporate governance structure and strengthen it based on the Board of Directors, which makes decisions on important business operations related to the entire Company and supervises the execution of directors' duties, and the Audit & Supervisory Board System, which is independent from the Board of Directors.

As of March 2026, the Board of Directors, which consists of five directors and is attended by three Audit & Supervisory Board members, makes prompt and accurate management decisions on key management issues. We have also established a Management Meeting, consisting of executive officers and attended by Audit & Supervisory Board members, which facilitates agile deliberations on important management matters and promotes appropriate business operations.

Corporate governance structure (as of March 2026)



Strengthening supervisory functions and internal controls

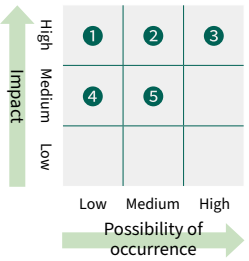
The Audit & Supervisory Board monitors the status of governance operations, among other duties, on an autonomous and independent basis, and through activities such as regular on-site inspections and attendance at major meetings, conducts audits of day-to-day management activities, including the status of the execution of duties by directors, from the perspectives of propriety, legality, and reasonableness. In addition to audits by Audit & Supervisory Board members, we are committed to ensuring the transparency and soundness of governance through a Nomination and Compensation Advisory Committee to strengthen objectivity and transparency in the appointment, dismissal, and compensation of directors and executive officers; an Enterprise Risk Management (ERM) Committee to address cross-organizational risks at the Panasonic Energy Group; an ESG Committee, which is responsible for planning and evaluating ESG-related matters; and various internal control measures.

The remuneration system for executive officers consists of basic salary and performance-based remuneration. Performance-based remuneration is determined based on the degree of achievement against financial targets, such as AOP and FCF, and non-financial targets, such as KPIs and environmental contribution from an ESG perspective. We are working to enhance corporate value from a non-financial perspective by incorporating environmental contributions, serious accidents, and compliance as ESG perspectives in our non-financial targets. In addition, the Board of Directors has formulated the "Basic Policy for the Establishment of Internal Control Systems" to ensure the adequacy of business operations and reporting systems, to ensure the legality and efficiency of the execution of duties by directors, to manage risks, and to ensure the independence and effectiveness of corporate auditors. Based on each of these basic policies, the Company establishes and operates various regulations, committees, etc., provides education, conducts audits including those of subsidiaries, and operates a fraud prevention hotline, as well as processes for transaction and contract risk management. Then, we are striving to ensure sound, efficient business operations, and reinforce our management foundations, by strengthening governance.

ERM Committee

Recognizing that accurately managing risks and taking appropriate countermeasures is an important management issue, the Company has established an ERM Committee, chaired by the Officer in Charge of Risk Management and composed of the heads of the legal, human resources, accounting, and similar departments, and attended by Audit & Supervisory Board members. The ERM Committee reports regularly on significant risks and the progress of countermeasures based on the PDCA cycle of risk management to the Management Meeting, which supervises and verifies these efforts. Specifically, the Committee assesses a wide range of risks from the perspectives of both the degree of impact at the time of occurrence and the likelihood of occurrence. Based on the results of these assessments, the Management Meeting identifies key risks, and the owners of the identified key risks take the lead in formulating and implementing countermeasures and monitoring their progress in order to ensure continuous improvement.

FY2027 material risk map



1	Cyberattack on factories and manufacturing systems
2	Natural disaster Trade control and economic sanctions laws
3	Major quality issue Business impact of policy changes in the US, China, Europe, and Japan
4	Large-scale system failure
5	Cyberattack on IT systems

Please check the sustainability website for details.

Thorough Compliance

Pursuit of Quality and Product Safety

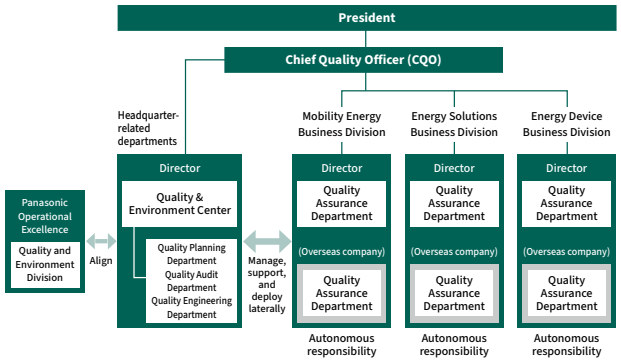
We define quality as "our competitive edge to win customer trust and satisfaction." To ensure product safety and high quality, we are working to maximize our competitiveness across the entire Company, including not only the quality control departments but also design, manufacturing, and sales.

Activities to ensure product quality and safety

Quality assurance system

As the level of quality demanded by society increases, product safety and superior quality are important elements that demonstrate our brand power. We have positioned quality as the driving force behind the advancement of our business, defining quality as "our competitive edge to win customer trust and satisfaction," and setting our quality policy as "maximizing our competitive edge to achieve 100% customer satisfaction."

The Chief Quality Officer (CQO) is the officer in charge of quality, directly reporting to the President and CEO. For each business division, a quality manager reports to the Director of the respective business division and autonomously promotes quality assurance.



Quality manager meetings and liaison meetings are held monthly among each business division and Headquarters -related departments to share information on quality losses and important quality issues, and to discuss and decide on policies and specific measures to address common issues of the Panasonic Energy Group.

Making quality assurance processes more robust

To establish a quality assurance process, we have built and operate a quality management system that complies with ISO 9001, IATF 16949, and other global standards in each business division, and regularly check its effectiveness through internal and external audits. We also conduct our own quality audits of business division through our Quality & Environment Center to identify weaknesses and issues in terms of quality assurance and compliance, and work to make improvements in the reliability of the quality assurance process Company-wide through operations and monitoring, including the horizontal rollout of best practices.

Following the quality compliance issues that occurred within the Panasonic Group in 2024, Panasonic Energy conducted an emergency investigation into quality compliance, with an outside law firm joining the investigation. The investigation found no incidents related to product safety or performance, nor any serious problems that would lead to administrative penalties or revocation of certification. However, in certain instances, issues were identified where practices did not conform to agreements with certification bodies or customer requirements. In response to these problematic cases, we promptly took corrective action and, with the aim of preventing recurrence, implemented measures such as sending messages from senior management emphasizing the importance of quality compliance, holding rank-specific training sessions, and providing quality compliance education to all employees. After a series of measures to prevent recurrence, we conducted a survey asking how employees' awareness had changed, and the survey results confirmed that participants had deepened their understanding of the importance of communication and the concept of ensuring quality through the right processes. Going forward, we will continue to work on improving rules and systems, as well as on educational and awareness-raising activities.

Strengthening product safety design and manufacturing

The environment, fields, and devices in which batteries are used are changing with the evolution of society. To address these changes in the design process, we identify and verify risks together with our customers and suppliers of parts and materials. The identified risks are then fed back to product design, component design, and process design to confirm their validity as key verification items in the development process. To prevent problems in the manufacturing process as well, we identify risks and take countermeasures by visualizing key data (DX) and FMEA* in all processes from source to shipping, thereby bolstering management. We are also providing training in quality tools and statistical management methods, as well as support for hands-on activities.

* Failure Mode and Effects Analysis

Fostering a quality-oriented culture and developing human resources

We regularly hold various training sessions and events to foster a culture of placing the highest priority on product quality and compliance. At the Product safety forum, we strive to raise awareness and pass on lessons learned through activities such as reviews of past quality issues and technical lectures related to product safety. Furthermore, in order to develop human resources that can achieve the quality we aim for, we are building an education system according to rank and skill and putting these education measures into practice. For employees in technical roles, we provide training in a variety of quality management methods aimed at active application to practical work as well as the fundamentals of quality. For young quality personnel, we have established training courses that enable intensive learning and are working to enhance their development.

Please check the sustainability website for details.

Thorough Compliance

Compliance with Laws and Regulations

Amidst a rapidly changing business environment, Panasonic Energy promotes compliance with laws and ethics and fair business operations, placing values of integrity and unwavering fair play at the core of our business management. We aim for sustainable growth based on trust, centered on making decisions that are right for society.

Compliance with laws and regulations and the compliance system —Initiatives to respond to changes in the business environment and to ensure effectiveness—

Ensuring the effective enforcement of compliance

Panasonic Energy is committed to ensuring that our policies do not remain empty declarations, but instead are effectively implemented by deeply ingraining compliance into our systems, processes, and corporate culture.

Item	Examples of measures
Establishing and operating a framework	Establishing committees
Designing and verifying processes	Handling new laws and regulatory amendments in each country and conducting monitoring
Fostering a corporate culture	Implementing education and training and fostering a speak-up culture

Establishing and operating a framework

The top management team sees compliance as a management foundation that supports sustainable business growth and the enhancement of corporate value, and proactively communicates this message both inside and outside the Company. In order to implement this throughout the entire Company as a specific initiative, we have established specialized committees such as the Compliance Committee, the Trade Compliance Committee, and the Compliance Committee for Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators (Proper Transactions Act). In addition to ensuring strict compliance with laws and regulations, we continuously share information on compliance-related issues and concerns, consider and implement measures to prevent recurrence, and incorporate them into our training programs.

Designing and verifying processes

At every stage of our business operations, Panasonic Energy designs and implements systems and processes to ensure compliance with applicable laws and regulations, and places an emphasis on enhancing the effectiveness of our compliance program through ongoing monitoring and continuous improvement.

In fiscal 2026, we improved and implemented in a more effective format our monitoring of the operational status of rules and the implementation status of education in the Panasonic Group Code of Ethics & Compliance, as well as key risk areas such as competition law, bribery prevention, export control, and economic sanctions, with a focus on our overseas subsidiaries. We are also monitoring increasingly complex international policy and regulatory trends on a global basis. In particular, policies and regulations that could affect the entire supply chain are addressed in accordance with the relevant laws and regulations, mainly by the legal and procurement departments. More significant regulatory developments and risks are promptly reported to senior management, who decide on a course of action.

To comply with Japan's Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators (Proper Transaction Act), we are working to improve the fairness of transactions and the soundness and sustainability of our supply chain by implementing measures such as shifting payment terms to cash payments, strengthening the management of loaned assets, and ensuring appropriate pass-through of price increases.

Fostering a corporate culture

Panasonic Energy is committed to fostering a corporate culture where employees can make socially responsible decisions. We continuously educate and raise awareness among our executives and employees through rank-specific training and specialized training in areas such as cartel prevention, anti-bribery, export control, and compliance with the Proper Transaction Act. Every September is designated as "Compliance Month," and efforts are made to raise awareness through communication from senior management and workplace discussions.

We are also promoting the establishment of an open, "speak-up" culture that emphasizes dialogue. We have established a global hotline (EARS) that can accept reports and consultations from both inside and outside the Company and that allows anonymous reporting. We are strengthening our efforts to protect whistleblowers and raise awareness of the EARS system, which provides support even in cases where it is difficult to directly consult with immediate supervisors or colleagues.

■ Trend in number of reports

	1H	2H
FY2024	46	47
FY2025	63	68
FY2026	71	93

* Cases reported to EARS and the Equal Partnership Consultation Office were counted.

Results of initiatives and future prospects

Panasonic Energy has been able to accelerate the early detection and correction of legal-and compliance-related risks. As a result of these initiatives, in fiscal 2026 there were no significant legal or compliance violations.

Panasonic Energy's compliance initiatives do more than reduce the risk of legal violations; by responding nimbly to changing business environments and regulatory trends, they serve as a source of competitive advantage that supports our global business expansion. Going forward, we will continue to meet the expectations of our stakeholders by establishing a stable foundation for future growth.

Please check the sustainability website for details.

Thorough Compliance

Ensuring Information Security

Recognizing the risk of information leakage associated with digitalization as a management issue, the entire Company is working together to promote information asset management, human resource education, and cyber countermeasures, with the aim of ensuring trust and achieving zero incidents. We will enhance our initiatives at the Group level to meet the expectations of customers and society around the world.

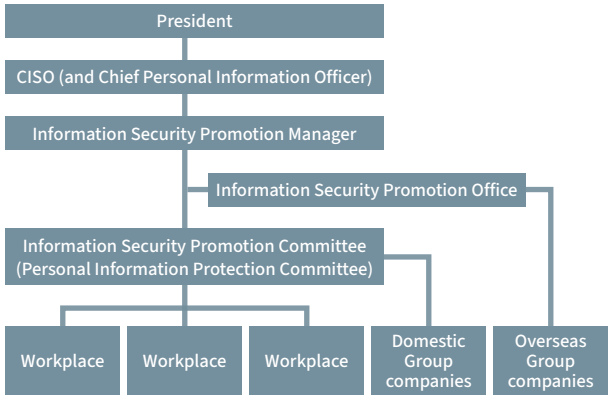
Aiming to become zero information security incidents

Information security governance

The Company has appointed a CISO*1 as the officer in charge of information security and personal information protection, directly reporting to the President and CEO. Under this system, the Information Security Promotion Manager and the Information Security Promotion Office coordinate with the workplace through committee activities. With regard to information assets, the leader of the organization that owns the information establishes the confidentiality and scope of disclosure, and manages it in accordance with the provisions of ISM*-related regulations. Periodic inventory checks are conducted to confirm and verify the management status of confidential information to ensure Company-wide compliance and risk reduction, thereby improving business reliability.

*1 Chief Information Security Officer
*2 Information Security Management

Structure of information security promotion system



Compliance with laws and guidelines

With the advancement of digitalization and the expansion of global business operations, appropriate management of personal information and responses to cyberattacks have become one of the important management themes supporting corporate activities. At Panasonic Energy, we are working to establish and strengthen Company-wide management systems based on each country's personal data protection laws and cyber security guidelines. Taking into account not only Japan's Personal Information Protection Act but also Europe's GDPR*3 and relevant laws and regulations in North America and various Asian countries, we have established globally consistent ISM guidelines and personal information management rules, and implement controls across the entire life cycle of personal information, from collection and use to storage, transfer, and disposal. We also continuously monitor legal and regulatory trends in each region and strive to maintain and improve compliance by conducting risk assessments and reviewing regulations and operational procedures. Regarding cyber security, we are working to improve our ability to respond in emergencies by having specialized organizations collect and analyze threat information, and by regularly conducting incident response training targeting security risks, including supply chains, in cooperation with relevant departments. Through these initiatives, we strive to ensure the safety of information assets and our products and services, thereby maintaining stakeholders' trust and contributing to the steady enhancement of corporate value.

*3 General Data Protection Regulation

Education and training

The Information Security Promotion Office conducted ongoing education measures in 2025 with the aim of preventing information leakage and ensuring compliance with rules. In addition to e-learning programs for all employees, we promoted learning tailored to each role through seminars led by external instructors for senior management and organizational leaders. We also produced an educational manga in multiple languages to spread education and raise awareness globally.

Production: Trend-pro Inc.

Financial Highlights*1

Profit and Loss Statement

(Billions of yen)

		FY2025	FY2026
Sales		873.2	**984.2**
	Industrial/Consumer	392.2	**544.2**
	In–vehicle	481.2	**434.1**
Adjusted operating profit		122.7	**72.1**
	Industrial/Consumer	56.8	**83.7**
	In–vehicle	65.1	**–11.9**
Other income/loss		–2.5	**–2.3**
Operating profit		120.2	**69.8**
(OP % to sales)		13.8%	**7.1%**
Depreciation (tangible)*2		69.7	**63.4**
EBITDA*2		189.9	**133.1**
(EBITDA % to sales)		21.7%	**13.5%**

*1 Unaudited
Including US IRA tax credit
*2 Additionally adjusted with the amount equivalent to depreciation corresponding to underlying assets that are applied with Lease accounting treatment as a lessor

Balance Sheet

(Billions of yen)

	FY2025	FY2026
Cash and cash equivalents	338.5	**279.8**
Trade receivables	181.7	**194.1**
Inventories	154.1	**183.6**
Other current assets	59.6	**330.2**
Current assets	733.9	**987.7**
Property, plant and equipment	852.6	**1,255.1**
Right-of-use assets	8.0	**7.2**
Goodwill and intangible assets	11.8	**12.9**
Other non-current assets	298.0	**422.4**
Non-current assets	1,170.3	**1,697.6**
Total assets	1,904.2	**2,685.4**
Trade payables	168.9	**190.4**
Debt (1)	308.4	**361.8**
Lease liabilities (2)	8.5	**7.4**
Other liabilities	289.0	**514.0**
Liabilities	774.9	**1,073.6**
Equity (3)	1,129.3	**1,611.8**
Invested capital (1)+(2)+(3)	1,446.3	**1,980.9**
ROIC	11.9%	**6.2%**

Statements of Cash Flows

(Billions of yen)

	FY2025	FY2026
FCF	–267.6	**–360.5**
Operating CF	213.0	**48.9**
Investing CF	–480.6	**–409.5**
Capital investment (tangible)*3	501.1	**431.6**
Investment in intangible assets*4	7.8	**3.4**
R&D expenditures	39.5	**48.6**

*3 Calculated on an accrual basis
*4 Does not include M&A investments (increase in goodwill and intangible assets associated with acquisitions)

Non-Financial Highlights (As of March 31, 2026)

Please refer to our website for all ESG data we disclose.
https://www.panasonic.com/global/energy/sustainability/esgdata.html

Greenhouse gas emissions

		Scope	Unit	FY2024	FY2025	FY2026
Scope1 emissions		Consolidated*1*2	kt-CO_2	40.01	36.14	**★ 34.16**
Scope2 emissions (Location-based)		Consolidated*1	kt-CO_2	257.87	216.63	**★ 454.74**
Scope2 emissions (Market-based)						**★ 244.12**
Scope3 emissions	Category 1	Consolidated	kt-CO_2	2,366.58	2,245.29	**2,323.55**
	Category 2	Consolidated	kt-CO_2		203.70	**175.45**
	Category 3	Consolidated*1	kt-CO_2		46.96	**54.40**
	Category 4	Consolidated	kt-CO_2		60.73	**56.15**
	Category 5	Consolidated*3	kt-CO_2	10.50*11	12.38*11	**12.39**
	Category 6	Consolidated	kt-CO_2	2.49	2.62	**2.89**
	Category 7	Consolidated	kt-CO_2		4.71	**5.20**
	Category 9	Consolidated	kt-CO_2		33.32	**51.60**
	Category 12	Consolidated	kt-CO_2		412.44	**390.84**
Carbon offset by credits		Consolidated*1	kt-CO_2	−35.86	−48.23	**★ −55.43**
Total (Scope1 emissions + Scope2 emissions (Market-based) + Scope3 emissions + Carbon offset by credits)		Consolidated	kt-CO_2	2,641.58*11	3,226.69*11	**3,017.05**

Environment-related figures

	Scope	Unit	FY2024	FY2025	FY2026
Number of Net-zero CO_2 emission factories*4	Consolidated*1	Sites	14	17	**18*5**
Avoided CO_2 emissions	Consolidated*6	kt-CO_2	12,710	16,315	**★ 19,687**
Environmental contribution index	Consolidated*1	—	4.0	4.9	**5.7**
Renewable energy rate of electric power*7	Consolidated*1	%	33	46	**43**

*1 Applies to Panasonic Energy Group's manufacturing sites as well as the head office MORIGUCHI Site and NISHI-KADOMA Site (non-manufacturing).
*2 GHG emissions other than CO_2 from energy sources apply to manufacturing sites only (non-manufacturing sites are excluded).
*3 Applies to manufacturing sites within the Panasonic Energy Group.
*4 Manufacturing, research, and development sites that have achieved virtually zero CO_2 emissions by conserving energy, introducing renewable energy, and using credits as of the end of the fiscal year.
*5 Number of sites assessed under the rules applicable before the change to the application of green electricity certificates in China—a change introduced by the Implementation Rules for the Management of Renewable Energy Green Electricity Certificates (Trial) enforced in November 2025. Reflecting this rule change, the number of sites would be 16 ★.
*6 Products covered: Lithium-ion batteries for in-vehicle, electrically-assisted bikes, storage battery systems for data centers, ethical packaging, and alkali dry batteries.
*7 Percentage of electricity used by Panasonic Energy that is derived from renewable energy sources (includes certificates, credits, and other externally procured items).
*8 Consolidated (domestic)
*9 All Panasonic Energy Group corporations excluding overseas sales companies
*10 All Panasonic Energy Group corporations excluding overseas sales companies, and PANASONIC DO BRASIL.
*11 Figures have been revised due to changes in the aggregation method.

Key environmental indicators have received independent third-party assurance from KPMG AZSA Sustainability Co., Ltd. These indicators are marked with the symbol ★.
For environmental data calculation standards, please refer to the following website:
https://www.panasonic.com/global/energy/sustainability/environment/review_sfc2026e.pdf

Human resources

		Scope	Unit	FY2024	FY2025	FY2026
Total number of employees		Consolidated	Persons	19,036	20,679	**21,562**
Overseas		—	Persons	13,309	14,703	**15,297**
Percentage who are women		—	%	32.2	39.0	**39.1**
Japan		—	Persons	5,727	5,976	**6,265**
Percentage who are women		—	%	14.5	14.9	**15.3**

Diversity, Equality & Inclusion

		Scope	Unit	FY2024	FY2025	FY2026
Percentage of women in managerial positions		Consolidated	%	17.7	6.7*8	**14.5**
Rate of childcare leave taken	Female	Consolidated (domestic)	%	100	100	**100**
	Male	Consolidated (domestic)	%	58.0	86.0	**84.0**

Occupational safety and health

	Scope	Unit	FY2024	FY2025	FY2026
Number of work-related fatalities	Consolidated	Persons	0	1	**0**

Human rights

	Scope	Unit	FY2024	FY2025	FY2026
Percentage of implementation of self-assessments related to human rights and labour	Consolidated	%	100	100	**100**

Governance

	Scope	Unit	FY2024	FY2025	FY2026
Number of occurrences of cases involving serious compliance violations	Consolidated*9	Cases	0	0	**0**
Total number of identified leaks, thefts, or losses of customer data	Consolidated*10	Cases	0	0	**0**

Notation in scope column

Consolidated subsidiaries (domestic)
Panasonic Energy Kaizuka, Panasonic Energy Higashiura, Panasonic Energy Nandan

Consolidated subsidiaries (overseas)
Panasonic Centroamericana, Panasonic Energy (Wuxi), Panasonic Industry Europe, Panasonic Energy (Suzhou), Panasonic Energy Mexico, Panasonic Energy Corporation of America, Panasonic Industry (China), Panasonic do Brasil, Panasonic Energy India, Panasonic Energy (Thailand), Panasonic Gobel Energy Indonesia, Panasonic Carbon India, Panasonic Energy Sales Company of America, Panasonic Energy Corporation of North America, Panasonic Industry Sales Asia Pacific, Panasonic Industrial Devices Sales Taiwan, Panasonic Hong Kong

Sales companies
Panasonic Industry Europe, Panasonic Industry (China), Panasonic Energy Sales Company of America, Panasonic Industry Sales Asia Pacific, Panasonic Industrial Devices Sales Taiwan, Panasonic Hong Kong

Corporate Information

Group Network

Major Sites (Japan)

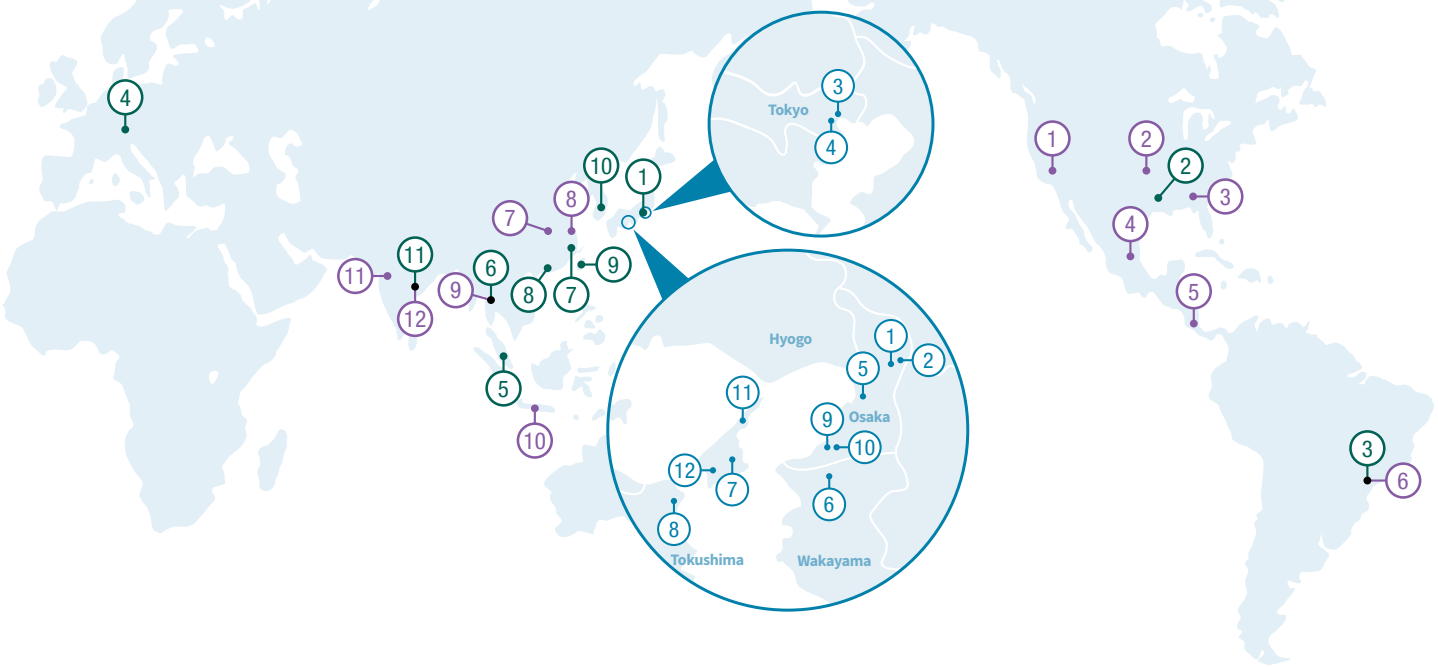
1. Head Office Function, R&D, MORIGUCHI Factory
2. NISHI-KADOMA Site
3. HAMARIKYU Site
4. MEGURO Site
5. SUMINOE Factory
6. WAKAYAMA Factory
7. SUMOTO Factory
8. TOKUSHIMA Factory
9. NISHIKINOHAMA Factory
10. Panasonic Energy Kaizuka Co., Ltd.
11. Panasonic Energy Higashiura Co., Ltd.
12. Panasonic Energy Nandan Co., Ltd.

Major Sites (Overseas)

North America	1 Nevada Factory, Panasonic Energy Corporation of North America
	2 Kansas Factory, Panasonic Energy Corporation of North America
	3 Panasonic Energy Corporation of America
	4 Panasonic Energy Mexico S.A. de C.V.
South and Central America	5 Panasonic Centroamericana S.A.
	6 Panasonic do Brasil Limitada
China	7 Panasonic Energy (Wuxi) Co., Ltd.
	8 Panasonic Energy (Suzhou) Co., Ltd.
Southeast Asia	9 Panasonic Energy (Thailand) Co., Ltd.
	10 PT.Panasonic Gobel Energy Indonesia
India	11 Panasonic Energy India Co., Ltd.
	12 Panasonic Carbon India Co., Ltd.

Major Sales Sites

Japan	1 Panasonic Energy Co., Ltd. Global Marketing & Sales Division
North America	2 Panasonic Energy Sales Company of America
South and Central America	3 Panasonic Do Brasil Limitada
Europe	4 Panasonic Industry Europe GmbH
Southeast Asia	5 Panasonic Industry Sales Asia Pacific
	6 Panasonic Industrial Devices Sales Thailand Co., Ltd.
China & Northeast Asia	7 Panasonic Industry (China) Co., Ltd.
	8 Panasonic Hong Kong Co., Ltd.
	9 Panasonic Industrial Devices Sales Taiwan Co., Ltd.
	10 Panasonic Industrial Devices Sales Korea Co., Ltd.
Southwest Asia	11 Panasonic Life Solutions India Pvt. Ltd.



Corporate Data

Company Name	Panasonic Energy Co., Ltd.
Address	1-1, Matsushita-cho, Moriguchi-shi, Osaka 570-8511, Japan
Founded	April, 2022
President, CEO	Kazuo Tadanobu
Business Details	The development, manufacture and sale of primary batteries (dry batteries, lithium primary batteries), cylindrical-type lithium-ion batteries for in-vehicle use, lithium secondary batteries, storage battery modules, nickel-metal hydride batteries, etc.
FY2026* Business results	Sales: ¥984.2 billion Operating profits: ¥69.8 billion
Number of Employees (as of March31, 2026)	Approx. 22,000 (Consolidated)

* "FY2026" refers to the year ended March 31, 2026.

Limited Assurance Report by KPMG AZSA Sustainability Co., Ltd.

KPMG

Independent Practitioner's Limited Assurance Report

To the Representative Director, President of Panasonic Energy Co., Ltd.

Conclusion

We have performed a limited assurance engagement on whether selected environmental performance indicators (the "subject matter information" or the "SMI") presented in Panasonic Energy Co., Ltd.'s (the "Company") Integrated Report 2026 (the "Report") as of and for the year ended March 31, 2026 have been prepared in accordance with the criteria (the "Criteria"), which are established by the Company and are explained in the Company's website. The SMI subject to the assurance engagement is indicated in the Report with the symbol "★".

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Company's SMI as of and for the year ended March 31, 2026 is not prepared, in all material respects, in accordance with the Criteria.

Basis for Conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other information

Our conclusion on the SMI does not extend to any other information that accompanies or contains the SMI (hereafter referred to as "other information"). We have read the other information but have not performed any procedures with respect to the other information. We do not express any form of conclusions thereon.

Responsibilities for the SMI

Management of the Company are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the SMI that is free from material misstatement, whether due to fraud or error;
- selecting or developing suitable criteria for preparing the SMI and appropriately referring to or describing the criteria used; and

KPMG

- preparing the SMI in accordance with the Criteria.

The Criteria are available in the Company's website (https://www.panasonic.com/global/energy/sustainability/environment/review_sfc2026e.pdf). Management of the Company are responsible for the maintenance and integrity of the Company's website. Our report should be read solely in the context of the Criteria that were published as of the date of our report.

Inherent limitations in preparing the SMI

As described in the Report, GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials. Hence, the selection by management of a different but acceptable measurement method, activity data, emission factors, and relevant assumptions or parameters could have resulted in materially different amounts being reported.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of the Company.

"Carbon offset by credits" and "Number of Net-zero CO_2 emission factories" (the "Offset information") include a deduction from the Company's emissions for the year of 55.43 kt-CO_2 relating to offsets. We have performed assurance procedures as to whether these offsets were owned by the Company and retired during the year, and whether the description of them in the Offset information is a reasonable summary of the relevant contracts and related documentation. However, we have not performed any assurance procedures regarding the external providers of these offsets and expressed no opinion/conclusion about whether the offsets have resulted, or will result, in a reduction of 55.43 kt-CO_2.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the SMI and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- assessing the suitability of the criteria applied to prepare the SMI;
- conducting interviews with the relevant personnel of the Company to obtain an understanding of the key processes, relevant systems and controls in place over the preparation of the SMI;
- performing analytical procedures including trend analysis;
- identifying and assessing the risks of material misstatements;
- evaluating whether the Company's process for developing estimates as well as its use of data, selection of the methods and assumptions were appropriate

Limited Assurance Report by KPMG AZSA Sustainability Co., Ltd.

KPMG

- performing a site visit at one of the Company's sites which was determined through our risk assessment procedures;
- performing, on a sample basis, recalculation of amounts presented as part of the SMI;
- performing other evidence gathering procedures for selected samples; and
- evaluating whether the SMI was presented in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Sakurako Otsuki

Sakurako Otsuki, Engagement Partner
KPMG AZSA Sustainability Co., Ltd.
Osaka Office, Japan
September 18, 2026

Panasonic ENERGY

Be the energy that shapes the future.

Corporate website

https://www.panasonic.com/global/energy/