

The Basic Business Philosophy of the Panasonic Group

Introduction

In all of its corporate activities, the Panasonic Group has always strived to adhere to the management philosophy established by our founder, Konosuke Matsushita. By sharing the foundations of our management philosophy—the Basic Management Objective, Company Creed, and Seven Principles—with our customers, business partners, and shareholders, we have committed ourselves to acting in accordance with that philosophy, and we have also asked our stakeholders to ascertain whether our commitment has truly been fulfilled.

In our ongoing pursuit of thoroughly autonomous responsible management, we are about to transition to a new operating company system. The Basic Business Philosophy is the foundation for our practice of contribution to the development of society, or our resolve to "devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world" as proclaimed in the Basic Management Objective. Now, for the first time in approximately 60 years, we have significantly updated the Basic Business Philosophy, taking into account the changes in social conditions and the business environment.

Each of us at the Panasonic Group must maximize and demonstrate our abilities and skills, clearly identify our ideal end state, share opinions that should be shared, make high-quality decisions speedily by integrating different opinions from diverse employees, and make untiring improvements. By doing so, we aim to be unrivalled in contributing to our customers and society. We must always take an honest look at the current situation, and if it conflicts with the direction of society, or if there is a better way, we will not hesitate to choose a new and better path promptly. The revision of the Basic Business Philosophy aims to reinforce the fundamental policies of mindset and action we at Panasonic have always followed.

We will share this Basic Business Philosophy with you and pledge our commitment to practicing it. Each and every employee shall continue to act in a manner that meets your expectations, and in this way the Panasonic Group will accelerate its progress toward realizing an ideal society offering material and spiritual affluence.

Yuki Kusumi, Group CEO
October 1, 2021

1. The Mission of the Enterprise

For what purpose do enterprises exist? Our founder Konosuke Matsushita believed that the role and mission of an enterprise is to satisfy people's desire to live lives of greater abundance.

In other words, he presumed that the original mission of an enterprise is to contribute to the development of society by supplying products and services of superior quality that are useful in people's lives, at reasonable prices, in appropriate amounts. He believed that the owner of an enterprise with such a mission is not the enterprise itself, but society, and this is expressed in the phrase "a company is a public entity of society."

If one considers an enterprise to be a public entity of society, one concludes that the managerial resources that are necessary to that enterprise, including personnel, capital, land, and materials, have been entrusted to it by society. The enterprise must contribute to society by engaging in activities that make the best use of resources entrusted to it by society, and thereby create surplus value.

In general, there is a view that the purpose of an enterprise is to pursue profit. However, the Panasonic Group considers profit to be something that is given to an enterprise by society as a reward for its contributions, and the greater the contributions, the greater the profit. On the other hand, if an enterprise is not generating profits, it is not fulfilling its social responsibility, or lacks the ability to do so, and should therefore be reformed promptly.

In addition, an enterprise conducts its business while maintaining relationships with customers, business partners, shareholders, society, and numerous other stakeholders. Since an enterprise is a public entity of society, it is not acceptable for it to develop at the expense of its stakeholders. The only way for an enterprise to develop over the long term is to do so along with all of its stakeholders.

For an enterprise to fulfill its social responsibilities, employees play a significant role. In a constantly changing society, it is impossible for an enterprise to fulfill its social responsibilities by continuing to create surplus value for society if its employees do nothing more than perform their assigned tasks. All individuals working in an enterprise must improve their own work on a daily basis, even if only slightly. This will lead to the enhancement and development of people's lifestyles and of society.

2. The Mission of the Panasonic Group, and What We Must Do Now

The founder continued to ponder the true mission of the business, and on May 5, 1932, he assembled all of his employees to make a powerful proclamation. The Panasonic Group refers to this as *Meichi*, the revelation of our corporate mission.

The founder said, "Our mission as industrialists is to overcome poverty and bring wealth to society. Only for this purpose will companies be allowed to prosper." Like tap water in Japan at that time, which would flow freely from the faucet, the price of goods should be as low as possible. In other words, eliminating poverty will be accomplished by producing an inexhaustible supply of goods.

However, the founder indicated the true intent of his Tap Water Philosophy with these words: "Human happiness can be maintained and enhanced through both material and spiritual affluence. Only when spiritual peace of mind is combined with a limitless supply of material goods can true happiness be achieved."

To achieve this mission, the founder set forth a 250-year plan, consisting of ten successive phases of 25 years, with the goal of achieving a "land of peace and prosperity," that is, an ideal society. Moreover, the plan should not end after the first 250 years, but should be extended for the next 250 years, striving for higher ideals in a manner appropriate to the era.

Although the Tap Water Philosophy was formulated some 90 years ago, the goal of achieving material and spiritual affluence is just as valid in today's world.

In fact, many societies, especially those in developed nations, are replete with material goods, but particularly in view of rapidly worsening environmental destruction and depletion of energy resources, there is great concern that our children, grandchildren, and the generations to come may not be able to enjoy the affluent lives we now lead.

So far, we have been engaged in business mainly from the perspective of increasing material abundance through supplying goods. However, this is far from the ideal society our founder envisioned. Still, we cannot go back to the past now. We must once again envision an ideal society, one with both material and spiritual abundance, and move forward to realize it.

To realize our ideal society, we must squarely address social issues as they

arise and contribute to their resolution. Of these, global environmental issues should be given the highest priority in the 21st century.

The Panasonic Group set forth its own Environmental Charter in 1991 ahead of other companies, and we have been grappling with this issue for many years. Going forward, to be a company that leads the way in addressing environmental issues, we must continue taking proactive steps from a variety of perspectives, including minimizing the damage to the environment by our products and services and reducing the amount of energy we use in our production activities.

3. The Basic Management Objective

The purpose of the Panasonic Group's business and its mission remain unchanged since the proclamation of *Meichi*, and the Basic Management Objective captures this philosophy concisely. It is the guiding principle for all of our management activities, and is also the primary basis for determining the path the company should take.

Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.

In other words, as industrialists, we will pursue this mission tirelessly in order to contribute to the development of society.

Every day, we must continue to strive for progress by providing society with unparalleled products and services to improve the well-being and quality of life of people around the world.

4. The Company Creed and the Seven Principles

The Company Creed and the Seven Principles express our attitude toward the way we conduct our work on a daily basis as employees of the Panasonic Group.

• **Company Creed**: *Progress and development can be realized only through the combined efforts and cooperation of each employee of our company. United in spirit, we pledge to perform our corporate duties with dedication, diligence and integrity.*

To contribute to the development of society through business, it is essential for everyone to collaborate and work together with sincerity every day. Only when

each organization sets its own high goals, its members understand them fully and make them their own, and there is teamwork based on mutual trust, can the goals of the organization and ultimately the development of society be realized.

- **Contribution to Society**: *We will conduct ourselves at all times in accordance with the Basic Management Objective, faithfully fulfilling our responsibilities as industrialists to the communities in which we operate.*

Our mission is to contribute to global development and prosperity as well as harmony with the global environment through our business activities, in order to realize an ideal society. With this awareness always in mind, we must commit ourselves to achieving unsurpassed quality, cost, and service through our daily operations.

- **Fairness and Honesty**: *We will be fair and honest in all our business dealings and personal conduct. No matter how talented and knowledgeable we may be, without personal integrity, we can neither earn the respect of others, nor enhance our own self-respect.*

We must observe the norms and rules of society as a matter of course, and we must also conduct our activities in a fair and unbiased manner, free from selfishness. It is important to always behave with integrity and with a sense of fair play. Without this mindset, even those with a wealth of knowledge and talent are not qualified to be members of the Panasonic Group.

- **Cooperation and Team Spirit**: *We will pool our abilities to accomplish our shared goals. No matter how talented we are as individuals, without cooperation and team spirit we will be a company in name only.*

We will achieve even greater results by uniting our efforts and reinforcing our team spirit. It is important to utilize diverse opinions and diverse personalities and to cooperate in a spirit of unity. Without this, no matter how talented the personnel we bring together, we will fail to demonstrate our strength as an organization.

- **Untiring Effort for Improvement**: *We will strive constantly to improve our ability to contribute to society through our business activities. Only through this untiring effort can we fulfill our Basic Management Objective and help to realize lasting peace and prosperity.*

To fulfill our mission, we must work as hard as possible, overcome difficulties, and keep moving forward. No matter the kind of work we do, we must always

learn, think seriously, and make the utmost practical efforts based on a strong sense of passion, so that new creativity and ingenuity can emerge and bring about further progress and improvement.

- **Courtesy and Humility**: *We will always be cordial and modest, respecting the rights and needs of others in order to strengthen healthy social relationships and improve the quality of life in our communities.*

We must honor courtesy and be humble in our approach to work. In our daily lives, it is important that we make an effort to treat everyone with respect, refrain from becoming arrogant, and be willing to reflect critically on ourselves.

- **Adaptability**: *We will continually adapt our thinking and behavior to meet the ever-changing conditions around us, taking care to act in harmony with nature to ensure progress and success in our endeavors.*

We must continue to correctly grasp and adapt to the changes and evolution of society. To do so, it is important to avoid looking at things from a narrow perspective, but to grasp larger trends that underlie what is happening, as well as their essence.

We must face things head on, taking them as they are and objectively, without getting caught up in self-centeredness and preconceptions. To adapt to a society that is progressing and developing continuously, we must maintain our strong desire and efforts to progress continuously as well.

- **Gratitude**: *We will act out of a sense of gratitude for all the benefits we have received, confident that this attitude will be a source of unbounded joy and vitality, enabling us to overcome any obstacles we encounter.*

Our daily work and lives rely on the support of all the parties concerned, as well as many others, including our colleagues, families, and people in society at large. It is important that we always repay the support we receive with a sense of gratitude.

Contributing to social progress with gratitude to each other and the desire to repay the many people who have helped us will give us boundless joy, and the strength and courage to overcome any difficulties.

5. The Basic Business Philosophy of the Panasonic Group

The Panasonic Group's Basic Business Philosophy is defined as the practice

of, and mindset associated with, the Basic Management Objective, Company Creed, and Seven Principles. Arataro Takahashi, former Chairman of Matsushita Electric, who supported the founder during the pre- and post-war reconstruction and expansion periods, had the following to say about the practice of the Basic Business Philosophy.

Amid stiff competition, we must be unrivalled in our work. If our work delivers products which consumers are delighted to use, then we are sure to see rewards. If, however, we fail to reap these rewards, it will be proof that our work is not up to that standard. Therefore, we must analyze and solve any issues that arise.

Our goal is not to chase profits or expand our company, but to be unrivalled in our work, so that consumers choose us even after careful consideration. If we continue to create products that enrich people's lives and improve lifestyles, we are certain to be rewarded.

If we are not valued by our customers, something is fundamentally wrong. If we understand that, we can carry out any reforms that are required. If we make excuses and blame others, such as insisting that business conditions are bad or the market is in confusion because competitors are dumping, our management will lose its bearings.

As these words indicate, to aim for the ideal society and contribute to society's development, we must be unrivalled in quality, cost, and service so that customers choose us. Therefore, we must tirelessly innovate and improve to achieve that outcome.

If the products do not sell well, we are not contributing to the development of society through our products, and we cannot say we are fulfilling our duty as an enterprise. In such a case, it is not acceptable to simply lower the selling price to sell the product. It is important first to work so as to rationalize costs, improve quality and performance, and provide unparalleled service.

In other words, as long as we proceed in accordance with the Basic Business Philosophy, we cannot fail to address problems like high costs and poor quality and performance, and we must endeavor to rationalize and improve the situation.

Of course, it is not easy to reduce costs or improve quality and performance, but where there is determination to follow and practice the Basic Business Philosophy thoroughly, surely innovation will follow, and we will be able to

continue tirelessly making proper efforts to achieve progress.

We must also recognize that, regardless of how our business expands and our organization grows, our business has the same origin and essence as a privately owned store: no business can exist without customers.

In 1935, when Matsushita Electric was transitioning to a joint-stock company organization, the founder established the Basic Internal Rules, which said in part:

No matter how large Matsushita Electric might become in the future, maintain the attitude of being a humble merchant. Think of yourself to be employed in a small shop. Be simple, frugal and humble as you carry out your work.

The founder further stated the following three fundamental requirements for being a merchant.

- Understanding the meaning of commerce
- Reading others' hearts
- Being fully humble before others

Each of us must understand fully why our business exists, be second to none in our sensitivity to what customers are thinking, and always remember to be humble and grateful.

6. Practicing the Basic Business Philosophy

The Basic Business Philosophy can only be internalized by applying it. Former Chairman Arataro Takahashi said, "An intellectual understanding of the Basic Business Philosophy is of little use. To establish it as your unshakeable foundation, it is important to put it into practice and learn it with your body." He applied the philosophy to the reform and growth of many group companies.

This section explains the essentials that must be understood as requirements for practicing the Basic Business Philosophy.

(1) Envision the kind of future we should achieve and pursue essential customer value

Our goal is to realize an ideal society with material and spiritual affluence. This is also true for our individual businesses, each of which must envision its ideal future and strive to achieve it.

The ideal future we refer to here is not an extension of the current situation,

nor is it something we are considering solely from our own perspective. What should people's lives, society, and the global environment look like in the future, and how can we ensure that our children and grandchildren will be able to live a richer life in both material and spiritual terms? It is necessary to envision the kind of future we should realize, one that places people at the center.

Calculating backward from there, then, how should our business make contributions? How should it change and refine its competitiveness to be unrivalled by any competitor's? And what measures should be taken to achieve that? We must think through these things, and put them thoroughly into practice.

To realize the ideal future through the specific products and services of our business, we must pursue essential values for customers. Essential customer value is not the pursuit of excessive performance or quality, nor does it mean simply doing what the customer asks us to do. It is about staying truly close to customers, looking at the essence of their problems and issues and their future, and realizing what is truly useful for them.

We must listen carefully to our current customers and improve our products from their standpoint. At the same time, staying truly close to customers means considering how we can evolve future lifestyles and society for their benefit, and boldly addressing the challenge of achieving this.

Many Panasonic Group businesses have developed in accordance with this approach. Take the motor business. In the 1930s, the founder envisioned a future in which an average of ten motors would be used in each household, and based on this vision he launched a motor business. At the same time, he established a goal of delivering radios widely at half the price of conventional models, to give people easier access to information, and he succeeded in cutting the cost in half.

The road to the future we must achieve will be long and arduous. Our motor business, which was started from scratch, was initially such a failure that even within the company there were those who argued that the factory should be closed.

However, former Chairman Arataro Takahashi told all the employees involved in the motor business to put the Basic Business Philosophy into practice—to achieve unparalleled quality, cost, and service. Everyone in the manufacturing, engineering, and sales departments responded by making improvements tirelessly. The result was a lineup of motors that were so popular, the business division couldn't produce them fast enough. It took about 20 years to reach that

point, but the development of the motor business contributed greatly to the subsequent development of the home appliance business.

In this way, in each of our businesses, we must envision the future we should achieve and pursue essential customer value.

(2) Achieve social justice, and co-existence and mutual prosperity

In the conduct of our business, using the managerial resources entrusted to us by society, we must utilize these resources correctly for the benefit of society, and fully fulfill our responsibilities to the parties concerned.

In addition to not violating laws and regulations as well as social morality, we must always consider what is right for society, acquire proven wisdom, and put it into practice. The founder captured the importance of doing so with the term "social justice." With the protection of the physical and mental health of our employees as a prerequisite, the tireless implementation of social justice will contribute to the true development of society, the industry, and our business partners.

In addition, in the close relationships we develop in the course of doing business with companies that supply us with materials, subcontractors and contracting companies that support our business, and affiliated retail stores and sales agents that sell our products, we must endeavor to realize mutual prosperity and development.

As partners pursuing the development of society, it is essential to have open discussion and mutual understanding among these related parties, as well as mutual awareness-raising in the areas of products, technology, and process improvement. In this way, each party can play a greater role in society, through cooperation while maintaining autonomy, and mutual support that gives rise to collective strengths. This is the Panasonic Group's fundamental view of co-existence and mutual prosperity.

(3) Eradicate waste, inaction, and rework

From the standpoint of our profits, as stated in 1. The Mission of the Enterprise, we must regard being in the red as a sin. Further, even if a business is generating a substantial profit, if that business is plagued with excessive waste and inaction, then it is simply losing opportunities to generate higher profits. Consequently, we miss the chance to earn money that should be shared with our employees, shareholders, and society, and that enables us to contribute to a

wider range of customers and the society of the future. In this respect, such conditions are also considered as a sin.

Thus it is obvious that being in the red is a sin, but moreover the presence of waste, inaction, and the need for rework in the business is itself a sin. No matter how small each individual's work may be, it exists for the benefit of people in society and is always linked to the development of society.

In this sense, there should not be a single bit of waste in our business activities. Every day, each one of us must be aware of every second or every single piece of waste and make improvements to eliminate it. Therefore, we should always strive to do our best work, understanding that even if we are dealing with a single screw or a sheet of paper, our work should lead to the development of society.

Of course, the way work is done changes with the times, but in any era, we must increase the speed of work and business, strengthen the competitiveness of our operational frontlines, and thus contribute to society by thoroughly eliminating waste, inaction, and rework.

(4) Respond to change in society

Society is changing every day, and the speed of change is accelerating every year. In the midst of such changes, some things decline and disappear, while others are newly born, but overall, society is constantly evolving and developing.

In recent years, many social issues have arisen from the negative effects of development, such as global environmental issues. However, if we see such issues as needing a solution, and aim for a better response or a new path, we can say that our society continues to develop while changing day by day. The founder believed that the principle of "growth and development" is at work in all things in the world.

In each of our businesses, we aim to envision the future that needs to be realized, anticipate the future of our customers, and deliver products and services that truly contribute to them, in order to realize an ideal society with material as well as spiritual affluence. As we strive to do so, we will face changes that represent not only opportunities but also threats.

In the face of such changes and signs of changes, it is important not to take a superficial view, but to face the situation head-on and objectively, as it is, and then grasp the major trends behind it. In order to cope with change, we must

consider even the possibility of discarding methods that so far have proven to be effective.

We must have the courage to discard what should be discarded, and start each day with a new attitude and new ways of doing things. This attitude will require us to monitor social change and continue to push ourselves with enthusiasm.

7. The Customer Comes First

All our businesses depend on customers choosing and purchasing our products and services. This is true whether one is selling individual products or contracting with a customer to provide services on a regular basis.

Therefore, it is a natural part of doing business to always think from your valued customer's point of view, provide sincere services, and respond promptly and appropriately to any problems that may arise.

We can gain the trust of our customers and continue to have them choose us for the first time only when we are able to do a better job than our competitors to instill such a mindset. In addition, if many customers say, "I'm glad I chose Panasonic," and such views become widespread, then our business will be allowed to grow and develop.

The founder had much to say about the mindset needed to do business. "The customer comes first" is one of those ideas, and he spoke about it as follows.

- *Providing happiness to customers is the value of commerce*

Selling our products means not only convincing customers of the products' value, but also making them feel happy and secure. There is enormous value in this joy. We therefore should think carefully about how to communicate and provide service. By working in this way, we can also gain pleasure beyond profit.

- *Become the customer's purchasing agent*

In doing business, you should of course examine the products you handle thoroughly, and sell them with confidence. However, one of the most important things to keep in mind when doing so is to put yourself in the customer's shoes, and examine the products as if you were the customer's purchasing agent. If you think of yourself as such, you will be able to examine the product while being aware of what the customer's needs are at the moment, what kind of product they require, and how much they desire it. Thus, you can consider how to benefit them.

- *When you care about your customer, growth follows*

The joy of receiving praise from customers for a product you worked hard to produce is even greater than the joy of having them purchase it. No matter how large a company becomes, it is important for every employee to humbly attend to customers' requests. By doing so, you will gain further support from your customers. This support will spread from customer to customer, and the company will grow.

- *Companies that fail to take care of their customers will collapse*

If there are two shops offering noodle dishes at the same price, which will attract more customers, the shop that is kind and treats its customers well, or the one that treats its customers poorly? No matter how big Matsushita Electric becomes, its true form must not change from that of a noodle shop that takes care of its customers. If the company cares only for things like the size of its workforce or its sales amount, and if its people become lax in their management and treat customers poorly, the company will inevitably collapse.

No matter how large and complex our company becomes, each of us must approach our daily work with the mindset of caring for our customers. If our business fails to grow, we must investigate the cause and correct it promptly. We may well find upon reflection that we are not truly conducting a business where the customer comes first, or that something about our business is preventing us from gaining the full trust of our customers.

8. Autonomous Responsible Management

In the Panasonic Group, management is not solely a responsibility of senior executives. All employees must see themselves as their own manager and be independently responsible for their work, while following the company's policies. This is the fundamental concept of autonomous responsible management.

In all our organizations, based on the corporate management philosophy and policies, each of us should take responsibility for our own work and make untiring improvements. Autonomous responsible management is one of the fundamentals of the Panasonic Group's management, and it is also the culture that has nurtured our human resources.

As the key to ensuring autonomous responsible management in business, the founder taught, "First of all, the managers themselves should have a strong sense of their mission and management philosophy, and always appeal to and instill these in their employees," and "The managers should not fear to delegate

extensively to their employees. Allow them to work based on their own responsibility and authority."

As human beings, when we can see for ourselves our own work and its importance, this energizes us powerfully. Thus motivated, we can proactively exert our strengths by gathering wisdom and making improvements. As such, superiors should make efforts to generate such motivation when delegating work to their subordinates. This will enable each individual to feel a sense of fulfillment in their work that will lead to joy and happiness. This is the underlying concept of autonomous responsible management.

The founder used the term "employee entrepreneurship" to describe how employees should approach their work. He called on them to adopt the mindset of being the president or proprietor of their own independent enterprise, and to approach their work, their way of seeing things, and their decision making with this in mind.

When applying the employee entrepreneurship principle, it is essential that each of us, in executing our duties, have this sense of responsibility to devote all our abilities to creating better ways and means, boldly implementing them, and making it our mission to achieve greater results.

Morimasa Ogawa, former President of Matsushita Housing Products, joined the microwave oven business at its initial stage, and he made it grow as a global business. He said individual employees must have a sense of autonomous responsibility. By consistently applying this mindset, let us all dedicate ourselves to our own jobs.

The founder, when explaining the concept of employee entrepreneurship to young staff members, likened an independent business entity to a noodle shop. He urged employees to have the mindset of a noodle shop owner who works hard to sell noodles, asks customers each day for feedback about the taste, and makes improvements based on their feedback. He mentioned that such efforts and enthusiasm would also be indispensable to our individual work.

Even if you are a member of a large organization, it is not enough to just do the work you are assigned and follow the established systems and procedures. It is essential that each and every one of us continues to think and make improvements in order to make them better.

In a society that is constantly changing and developing, our customers will not continue to choose us if we work solely according to our own ways of thinking

and perspectives. We should consider that today's best will no longer be tomorrow's best, and tomorrow must create tomorrow's best. Based on this mindset, we must always aim higher.

The business division system introduced in 1933 represented the concept of autonomous responsible management in a concrete manner. The system is an independent profit-making organizational structure in which the entire company is divided into business divisions by product, with each division responsible for everything from development, manufacturing, and sales to managing profits and losses. The business divisions were required to assume responsibility for their own management, which led to the development of business division directors and employees. Thus did the Panasonic Group of today come into being.

9. Participative Management through Collective Wisdom

To ensure that autonomous responsible management is implemented thoroughly, the Panasonic Group stresses the importance of practicing employee entrepreneurship, through which employees develop a mindset of responsibility for managing their own work, as well as the importance of carrying out management by gathering the wisdom of every individual. The founder once stated that "the best management is management based on collective wisdom."

It is essential that we each have a mindset of autonomous responsibility in our work, and we each must continue to improve ourselves to achieve unrivalled work. However, no matter how capable a person may be, there is a limit to the wisdom of one person. Self-satisfied management may work for a while, but will eventually lead to the negative effects of self-righteousness and will not last.

Instead, gathering extensive wisdom and making high-quality decisions quickly will help us continue making contributions to society faster than other companies.

To gather collective wisdom, it is important that superiors collaborate with subordinates to make the best use of their individual strengths. To maximize the benefit of everyone's talents, superiors must trust their subordinates, delegate responsibility and authority as much as possible, provide appropriate guidance on an ongoing basis, and encourage subordinates to be proactive and inventive.

Superiors should approach their subordinates' recommendations and proposals with an open mind and sincerity, and make efforts to adopt them as much as possible. If a suggestion cannot be adopted, superiors must explain fully, so the subordinates will not lose their motivation and initiative, and will be able to work more actively.

To disseminate corporate and organizational policies, superiors must communicate them to their subordinates in a top-down manner. However, if superiors only give instructions and subordinates only follow them, the organization will fail to progress. In addition, it is essential to have a corporate culture of open discussion, where subordinates can communicate everything they need to say to their superiors from the bottom up.

Even those newly employed should regard themselves as their own manager of an independent business entity, and they are required to adopt the employee entrepreneurship mindset and participate in management proactively, for example by suggesting needed improvements.

It is also important to gather diverse opinions and insights. The Panasonic Group has addressed customers in every corner of the world. Then, for us to continue to be chosen by customers in a global market that is evolving and developing at an accelerating pace, we must incorporate diverse views and perspectives in our work. Our individual diversity generates diverse opinions and insights, and it is essential that we accept and respect the individuality of each and every one of us.

By taking advantage of personal diversity, wisdom can be gathered and the organization can continue to evolve. In other words, diversity leads to enhanced competitiveness. To make the most of diversity, superiors should break down barriers that stand in the way of individual personalities, and support those individuals so they can have opportunities to set challenges for themselves.

For bottom-up communication and diversity to flourish in an organization, individuals should feel that they can always say what needs to be said. Rather than simply implementing management directives even by holding back what needs to be said, this bottom-up approach will encourage employees to share problems in the workplace autonomously regardless of rank, discuss openly what the organization should become, and exchange ideas concerning the direction to take going forward. This is the essence of gathering collective wisdom.

The prerequisite for utilizing collective wisdom is for both superiors and subordinates to approach situations objectively, as they are, without becoming trapped by personal feelings or assumptions. That is, it is important to approach work with a *sunao* (untrapped) mind.

To always be chosen by customers, let's join hands to achieve unparalleled

quality, cost, and service, by implementing participative management based on genuine collective wisdom in all divisions of the Panasonic Group.

10. Developing People and Making the Most of Their Potential

(1) How the Panasonic Group values people

A company's comprehensive power is the sum of employee strength. Therefore, to increase the company's overall strengths, we must each identify what is needed in our work and independently exercise our full capacity to make improvements.

Only when employee goals and the company's direction are aligned, and the company's goals are an extension of those of each employee, can the efforts of each employee be combined so that the organization can do unrivalled work that is chosen by customers.

To achieve this, superiors should have a good understanding of the unique capabilities of each subordinate, and strive to make their individual strengths shine so that they can exercise their abilities with a sense of fulfillment. At the same time, subordinates are expected to believe in their own potential and continue to improve themselves.

Each of us is responsible for the growth of the Panasonic Group. The Group's ability to continue contributing to society's development depends on the mindset and behavior of each of us.

Against this background, the foundation of our management is to nurture and utilize the precious human resources entrusted to us by society. As the founder stated, "A business is people."

"A business is people": In any enterprise, finding the right people is the first step toward development. No matter how distinguished a company's history or tradition, the inability to find people capable of carrying on that tradition will eventually lead to the company's decline. Management organizations and methods are very important, of course, but it is people who give life to them.... Thus, business management is more than anything about cultivating strong human resources and encouraging them to fulfill their potential.

(2) Enhance your own capabilities

As members of the Panasonic Group, we must always make correct value

judgments with a *sunao* (untrapped) mind in accordance with the Basic Business Philosophy, and enhance our capabilities through rigorous daily practice and humble reflection on our experiences.

In particular, the Seven Principles is a guideline for self-development as a member of the Panasonic Group. At the same time, it is a guideline for living a better life as industrialists aspiring to contribute to social development. Former Chairman Arataro Takahashi explained the significance of practicing the Seven Principles as follows.

The Seven Principles is the foundation of the Basic Business Philosophy. For example, the contents of "Contribution to Society" are the embodiment of the Basic Management Objective itself, and to put this into practice in a concrete manner means to do work that is unrivalled in terms of quality, cost, and service, and that is chosen by customers. With this understanding, we must constantly reflect on whether the products we manufacture truly contribute to society, and whether our current approach to manufacturing them is appropriate. These reflections and examinations are repeated on a daily basis. Through their accumulation, originality and ingenuity are generated, and the Basic Business Philosophy is reflected in our actual work. Therefore, without a clear basic policy, it is impossible to develop people.

A company has an obligation to develop its human resources in a timely and appropriate manner. At the same time, each of us must be ambitious and keep striving to achieve our personal goals.

(3) Human resources development policy

The founder indicated the significance of human resources development in the Panasonic Group with the phrase, "Develop people before making products." He believed that manufacturing good products must be preceded by developing the kind of people needed.

So how do we develop human resources and make the most of their potential? The basic idea is to develop personnel entrusted to us by society, who fully understand the Basic Business Philosophy, work earnestly based on these policies, reflect humbly, and continue to strive for improvement every day.

What is most important in human resources development is to entrust work to your subordinates without hesitation. This is also the essence of autonomous responsible management. People are nurtured at operational frontlines, and for them to develop their capabilities, they must learn by working, thinking, and taking action independently.

Entrusting work to subordinates does not mean assigning tasks indiscriminately. While keeping in mind the need to bear final responsibility, superiors must encourage their subordinates to think and improve autonomously. It is important not to teach subordinates everything, but to communicate with them so that they can think, become aware, and internalize the lessons they learn.

Although it is sometimes necessary for you to be forthright with your subordinates for the sake of their own needs, the most important thing is to treat them with sincerity and affection so they can trust you and work toward their own growth with a sense of security.

As you fulfill your responsibilities as superiors by delegating with a watchful eye, you must also lead your subordinates by thinking deeply about future risks that may arise. There are also things that your subordinates can teach you, and this can lead to your own growth as a superior.

One example of this practice is the establishment of the Saga Factory. In the early 1960s, to set up a dry battery factory in Saga Prefecture for Kyushu Matsushita Electric, former Chairman Arataro Takahashi selected two young employees about 30 years of age with no prior experience in setting up factories, and entrusted them with everything from construction of the new building and facilities to the launch of manufacturing.

Takahashi conveyed only the basic guidelines without any detailed conditions, but also imposed strict requirements, such as instructing the two employees to cut their proposed construction budget in half. As a result of their hard work and ingenuity, they succeeded in building the factory for less than the original budget. As managers, they continued to contribute to the establishment of overseas factories and the management of group companies.

People development is the superior's most important job. The Panasonic Group aims to continue contributing to social progress by working toward an ideal society. Though you may establish far-reaching ideals and goals, the period of your involvement in your business can be considered fleeting. Therefore, from the perspective of maintaining the business as a going concern, superiors must train their subordinates since business must ultimately be passed down to the next generation.

You as superiors must be aware that you have the responsibility of guiding your subordinates, who are entrusted to us by society, to surpass yourselves. As

societal evolution accelerates, it is difficult to believe that conventional approaches will work in the next generation. Therefore, you must help your subordinates so they can gain the capability to flexibly deal with various difficulties when they are in a position of responsibility.

Our predecessors at Panasonic have left us much invaluable advice about developing people and making the most of their abilities. We hope you will apply this knowledge to human resources development and your own personnel growth.