

Message from the CEO

Return to the basics of our management philosophy: Aim to reach an “ideal society”

—Enhance competitiveness at all businesses through constant improvement—



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CEO

On April 1, 2021, I assumed the position of CEO from Kazuhiro Tsuga, and then on June 24 I was appointed Representative Director and President, following the General Meeting of Shareholders. So far, in communicating with various stakeholders, including our shareholders, customers, and business partners, I have received a lot of criticism, as well as expectations. From the feedback, I feel a renewed sense of crisis, convincing me that we must accelerate our transformation, bearing in mind Panasonic’s large responsibility to society.

Panasonic is committed to “devoting ourselves to the progress and development of society” and “enhancing the quality of life throughout the world.” As societal issues, including global environmental issues, become ever more serious, we must return to the basics of our management philosophy, squarely address these societal issues, and devote ourselves to generating greater contributions toward reaching an “ideal society.” However, to contribute to society, it is essential that we become unrivaled in carrying out valued work, which means acquiring the ability to deliver products that are truly needed by customers and society at outstandingly competitive levels of quality, cost, and service. And we continue to refine this ability with a sense of speed every day. Only when we achieve this unrivaled level will we be able to offer true benefits, ensuring that society appreciates the sustained development of our business. Therefore, we will focus on thoroughly enhancing our competitiveness at all businesses for the next two years, becoming a team in which each employee pursues improvements day by day toward high ideals, always taking the perspectives of both the customer and the front-line operations. In the fiscal year ending March 2022 (fiscal 2022), the first year, we will make Group-wide efforts to significantly enhance our operational capabilities and accelerate the improvement cycle.

I am determined to restore Panasonic’s management tradition, strength, and our true nature so that we can return to the path of development and become a valued company needed by all. We will unite our best efforts as a Group, and I ask for your continued understanding and support.

Progress in Mid-term strategy

We are making steady progress in our current Mid-term strategy, aiming to overcome a low-profitability structure. As a result of efforts to enhance our management structure, reform our business portfolio, and improve the profitability of the automotive business, the adjusted operating profit margin reached the 5% level for fiscal 2021, despite the impact of COVID-19. In fiscal 2022, the final year of the Mid-term strategy, we will continue to promote these initiatives toward achieving further improvements.

Against this backdrop, the challenge I must take up going forward is to thoroughly enhance the competitiveness of each business in the respective industry they should address, thus allowing us to make further contributions to our customers and society.

As part of our efforts to enhance competitiveness, we will transition to a new group structure in April 2022. The aim is to accelerate management overall and enhance competitiveness in each business through more wide-ranging autonomous management. Consequently, each operating company will be further empowered, enabling those responsible for each business to make speedier business decisions based on their own operational frontlines and actual products. We will identify the areas in which each operating

company can offer contributions reflecting medium- to long-term changes in society, create an optimal business structure for its industry and customers to address, and aim to offer customers and society contributions that are competitive with specialized manufacturers.

The holding company will play the role of implementing the management philosophy and its basic approach throughout the group so that we can offer unrivaled solutions that contribute to lifestyles and society. In addition, the holding company will guide and support operating companies in enhancing competitiveness as well as assist management in leveraging human resources, which form the basis of efforts to enhance competitiveness. Moreover, the holding company will implement selection and concentration of businesses or execute inorganic measures toward strengthening and turning around businesses as needed. Another role is to thoroughly enforce financial discipline, compliance, and safety to deal with significant risks as a Group.

While the transition to the new structure will formally take place in April 2022, from October 2021, the current Company System will be terminated, and we will substantially shift our operations organizationally based on the new structure.

Future direction for Panasonic Group

Return to the basics of our management philosophy

Back in 1932, reflecting on the social circumstances of Japan at the time, the founder of Panasonic, Konosuke Matsushita, presented what came to be known as the “tap water philosophy*” as a way to “overcome poverty and bring wealth to society by producing an abundant supply of goods.” This is based on the idea of “matter and mind as one: only after there is spiritual peace of mind and a limitless supply of material goods will humanity achieve true happiness.” Konosuke Matsushita then presented his very long-range plan of reaching an “ideal society,” which would take 250 years. It has been almost 90 years since then. However, even with the advances made in society, the essence of this “tap water philosophy” is also vital today based on the idea of “matter and mind as one.”

It is true that, today, society is affluent in terms of goods, mainly in advanced nations. It seems that we need not feel any inconvenience in many aspects of life. However, when we ask ourselves if people feel enriched

in mind, with emotional serenity, I do not think this is necessarily the case. Many people have constant concerns, worries, and a sense of loneliness. Furthermore, environmental destruction and the depletion of natural resources are accelerating year by year. When we think about this, there is serious anxiety over whether the generations of our children, grandchildren, and beyond will be able to live an enriched life. In this sense, we have so far been engaged in business activities mainly aimed at offering products in pursuit of affluence. As a result, we now believe this path was slightly off track toward reaching an “ideal society.” However, it is impossible to go back. Now the question is, how can we correct our direction from where we stand today? Panasonic’s mission today is to squarely address societal issues and attempt to reach an “ideal society” with affluence both in matter and mind, paving a new way. I believe continuing such efforts and making contributions unrivaled by others represents the true nature of Panasonic.

*Describes founder Konosuke Matsushita’s hope of electric home appliances becoming widely affordable, by analogy to inexpensive drinkable water being available in Japan from turning a tap

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Contributing to solving global environmental issues

Among the various societal issues, Panasonic should prioritize how to address global environmental issues. If we want to sustain an enriched society for our children, grandchildren, and beyond, we cannot avoid responding to this global issue. We already face the impact of climate change with increased greenhouse gases, including CO₂, in many areas of the globe. The issue of depleting natural resources, such as mineral reserves, is becoming more serious every year. We can now say the situation is critical.

In 1991, 30 years ago, Panasonic was one of the first companies in the world to establish an Environmental Charter. We have been addressing the issue ever since. With this background, we are determined to make even greater contributions, leading the search for solutions to such problems as greenhouse gas emissions and resource shortages. These efforts will be made in all of our business activities at our factories and offices, as well as through our businesses: Energy business helping to reduce CO₂ emissions from automobiles; *Gemba* (operational front-lines) Process business reducing losses of inventory and improving logistics through greater efficiency in the supply chain; and lessening of environmental burdens through such products and services as hydrogen fuel cells and Air 2 Water, which offer comfortable and environment-friendly living. Other initiatives include the promotion of recycling and reuse, as well as minimizing waste loss within the supply chain. Moreover, updating a product after sales to customers will contribute to prolonging the lifecycle of the product while also using resources more effectively.

However, this is based on the ability to offer better value, surpassing our customers' expectations of the product itself, not just the environmental features. In other words, we aim to be the top runner from the perspectives of both our inherent value and the environment. This approach will enable us to make greater contributions to the environment in the true sense. This will not be easy to do, but by taking up the challenge today, we believe we can achieve even greater competitiveness.

Toward this aim, in 2017, Panasonic laid out the "Environment Vision 2050." Our initiatives and responsibilities include not only "Scopes 1 and 2" but also "Scope 3" designated by the "GHG Protocol," which is a greenhouse gas (GHG) emission standard. "Scope 1" and "Scope 2" are classifications of energy used for our own production. "Scope 3" is energy used throughout the lifecycle of our products and services, from intake of raw materials and energy con-



sumption by customers to waste recycling. At Panasonic, energy used in "Scope 3" is equivalent to 40 times that used in "Scopes 1 and 2." Our aim is to reduce the energy used by our products and services in society, including energy used at our factories and offices, and to work toward creation and more efficient utilization of clean energy, which exceeds the amount of energy used. Through these initiatives, Panasonic aims to achieve energy self-sufficiency as well as to help make our society sustainable.

This means we are not only depending on clean energy from the supplier side but also creating and using clean energy that exceeds "energy used" in "our business activities." This is a very challenging target, but we will proactively make efforts in all businesses of the Panasonic Group toward reaching an "ideal society." Through these efforts, Panasonic will make huge contributions to solving issues of climate change, one of the biggest global issues, and aim to become a global leader in this field.

As a milestone, we have made a commitment to aim for "Zero CO₂ emissions (carbon neutral)" from the energy used in our own production activities by 2030, in all operating companies under the new structure. We believe this is a target that we, as a manufacturer, should achieve immediately.

More specifically, to achieve this target, we will accelerate three initiatives: promoting further energy-saving initiatives at our own sites; equipping our facilities with in-house renewable energy generation systems; and procuring renewable energy. In particular, for the use of renewable energy at our sites, we proactively promote the equipping and using of systems for solar power and hydrogen energy. In addition, we will proactively take up the challenge of making our sites source 100% renewable energy. So far, we have achieved this at four sites globally, including Panasonic Eco Technology Center in Japan and Panasonic Energy (Wuxi) Co., Ltd. in China.

In addition, at our fuel cell factory of the Appliances Company (Kusatsu City, Shiga Prefecture, Japan), we

will promote “RE100 initiatives” by combining hydrogen fuel cell generators, solar power, and power storage systems. In this way, we can offset energy consumption in the production process with the generated renewable energy. Full operation will start April 2022. We will continue to experiment with these initiatives at this fuel cell

Contributing to solving global environmental issues



All business activities the Panasonic Group is involved, our customers' living and society to become sustainable

Panasonic will work towards creation and more efficient utilization of energy which exceeds the amount of energy used

Energy used < Energy created

Take up the challenge of constant improvement toward reaching an “ideal society”:

Focus on enhancing competitiveness at all businesses for the next two years

Another aim for Panasonic is to become one of the leading companies taking steps toward reaching an “ideal society” by taking up the challenge of constant improvement. To do this, it is essential to gain overwhelming competitiveness, even in a severely competitive environment. The key is to make constant improvements. Here, there are two perspectives.

The first perspective is to set a high target toward reaching an ideal future, based on our customers' essential value. Toward such targets, we should refine our capabilities every day. We want to create products leading to a new era and pursue overwhelming cost competitiveness to accelerate the penetration of such products. We will make every effort to reach this goal. In the 1930s, the founder set a goal: to deliver radios to as many households as possible by cutting the price in half. Consequently, we succeeded in reducing our radio's production costs by half. This represents an essential tradition of Panasonic.

The second perspective is to thoroughly eliminate waste and stagnation, and thus effectively use the valuable management resources entrusted to us from society to the full extent. We are determined to make constant improvements by eliminating any waste and making every second count.

Now is the time to again implement this concept at all business operations. To be specific, we will identify factors that are the source of competitiveness for each

factory, serving as a showcase, and to refine our capabilities in the “RE100 solutions” business. Going forward, we will proactively expand similar projects to other sites and make these Panasonic solutions available to customers. By doing so, we will make further contributions to solving issues of climate change.



Achieve zero CO₂ emissions at all operating companies

- Accelerate energy-saving initiatives
- Equip with in-house renewable energy generation system at own sites
- Procure renewable energy

Smart Energy System Business Division
Kusatsu Factory

To use 100% renewable energy

business, such as product performance, environmental performance, development efficiency, and productivity. We will clarify targets for improving them as key performance indicators (KPIs) to enhance our competitiveness. For example, in the automotive battery business, battery performance such as energy density and cost competitiveness are the sources of competitiveness. By specifically identifying the actions required to improve these and set them as KPIs, we can clarify what should be done at each operational frontline, enabling each individual to autonomously devise plans and make improvements. By doing this, we aim to increase our business competitiveness and make each business the number one in its industry.

Pursing these initiatives will naturally yield results with cash flow generation. Based on this idea, for the next two years, we will determine areas to address and enhance competitiveness in all businesses. We will focus our efforts first on enhancing our total competitiveness, except for businesses that are likely to be damaged in the future, such as those whose markets are expected to shrink drastically.

Based on my experience, I believe that “strategy” and “operational capability” are indispensable to each other for enhancing competitiveness. “Strategy” consists of the following factors: customer targets; areas to establish an advantage among the various factors composing business; business models for cash generation; and selection of partners for business growth. That is, how to plan out the “winning path” of each business. “Operational capability” means attaining a high level of efficiency and productivity as a result of eliminating waste and stagnation as well as increas-

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ing speed at all operational frontlines of the business; this applies not only to manufacturing but also to indirect operations like R&D and planning as well as the supply chain.

No matter how excellent the “strategy” may be, it cannot be effective if we do not have the capability to execute it in actual businesses. To develop business that makes contributions to customers and society, it is extremely important to gain excellent operational capabilities to facilitate the smooth flow of goods and information while also responding agilely to changes as well as to find strategic advantages. In the past, Panasonic emphasized strengthening strategic capabilities to gain new advantages, such as moving the business into new areas and transforming business models. However, in terms of “operational capability,” there is still a lot of room for improvement in all businesses, functions, and operations. Taking up the challenge of constant improvement means to continue increasing our “operational capabilities” to the full extent.

Major initiatives of business

Based on these ways of management thinking, I would like to use examples of three businesses under the new Group structure to explain how we can enhance competitiveness while expanding the range of our contributions to solving environmental issues.

Gemba Process

The first example is the *Gemba* Process business of Panasonic Connect Co., Ltd. under the new structure, currently Connected Solutions Company (CNS). As announced in April 2021, Panasonic has decided to make Blue Yonder a wholly-owned subsidiary with the intention of becoming the leading global provider of logistics solutions, which will bring about a *Gemba* revolution in the global supply chain.

Panasonic will leverage CNS’s capability in digital and data to eliminate waste and stagnation at each *Gemba* comprising the supply chain. Then, we will provide solutions that bring continuous and autonomous enhancement of the entire supply chain by combining our strengths: initiatives for autonomous enhancement at the *Gemba* and Blue Yonder’s software that establishes a continuous improvement cycle through end-to-end visibility and optimization of the entire supply chain. Through these solutions, Panasonic will reduce waste and stagnation at each *Gemba* comprising the supply chain and contribute to our customers’ management transformation. In addition, we aim to contribute to solving societal issues such as more effective use of resources and work-style reform at the *Gemba*.

From the perspective of “strategy,” we aim to increase our advantage in this field by leveraging the partnership with Blue Yonder and refining our software and solutions capabilities. From the perspective of “operational capability,” we will increase adoption of this “revolutionized supply chain solution” at Panasonic’s *Gemba* prior to offering it to customers. By doing this, we will enhance our own solutions capability as well as the operational capability of the entire Group.

Energy

The second example is our Energy Business, which will be operated by the newly established Panasonic Energy Co., Ltd. In our automotive cylindrical battery business, which is the core of our Energy Business, we have strategically collaborated with Tesla, the leading EV company, and expanded our business where we can take advantage of our strengths. However, since our operational capability for manufacturing was not flexible enough to meet the extreme demand fluctuation from Tesla, up to now we have had to focus mainly on improving profitability. During fiscal 2022, a new production line was installed in North America in response to surging demand. At the same time, we will thoroughly refine our operational capabilities and aim to further increase production capacity while achieving industry-leading cost competitiveness.

In terms of technological development, our current main product, the 2170 cell, has been leading the industry in performance as well as environmental impact. We will also lead the industry in the development of the 4680 cell, which is expected to become the standard size for next-generation use. With regard to further investment in the future, we intend to clarify the direction to take after we are certain that we can further improve our operational capabilities and demonstrate our competitiveness.

For non-automotive applications, we will expand our power storage system business. Our system is already highly appreciated for supporting the stable operation of data centers with a high degree of reliability. It has actually become a mission-critical system with the increasing importance of data protection in step with the development of the digital society. Going forward, as we see advances in the use of renewable energy globally, we will continue to take up challenges in the area of living-related infrastructure such as our home-use power storage system that provides a stable supply of electricity. In Panasonic Energy, we will thoroughly improve battery performance, reliability, and cost competitiveness while providing solutions to environmental issues and contributing to the development of social infrastructure.

“Lifestyle” area

The third example is the “Lifestyle” area in the newly formed Panasonic Corporation. Here, our aim is to create new value toward reaching an “ideal society” with affluence both in matter and mind, in advance of global trends.

The indoor air quality and air-conditioning business is one of the growth pillars of the new Panasonic Corporation. Our strength in this area is that we possess wide-ranging technologies that improve air quality with minimum environmental impact. These include not only our unique technologies related to sterilization, such as “Ziaino” and “nanoe,” but also moisture control, which is the key to preventing viruses, and highly efficient heat-exchange technologies. Against the background of the spread of COVID-19, interest in air quality is increasing globally, and we expect to see even higher demand for products that integrate intelligent air quality technology and air-conditioning technology. In the new Panasonic Corporation, our aim is to create new and unique Panasonic value. One example is providing “healthy and comfortable air.” This will be achieved by integrating advanced technologies, which had been independently established in Appliances Company and Life Solutions Company, and forming them into a unified product or system. As the first case of this

approach, in March 2021, we launched an integrated air-conditioning/indoor air quality system in China. This product enables comfortable control of humidity according to the temperature of the ambient environment. Going forward, we will accelerate the introduction of large-scale types of such products for non-residential use, aiming to expand our solutions-type business.

In our consumer electronics business, with the establishment of China and Northeast Asia Company in 2019, we are gaining new types of strengths in China, such as speedy product development and cost competitiveness. Going forward, we will expand these strengths globally, starting in Japan, to enhance competitiveness.

In overseas B2B business, we have succeeded in developing our wiring device business overseas by leveraging our strong manufacturing capabilities. We have been expanding in such markets as Asia, India, and Turkey, mainly for residential use. Going forward, we aim to expand this business to non-residential use such as buildings and retail shops, in cooperation with the indoor air quality and air-conditioning business. Here, we will leverage the strengths we have built up so far, including the distribution channels we have cultivated and the trustworthy reputation we have nurtured through our brand among customers in these countries.

Putting our Management Philosophy into action and aiming to become a valued company needed by society

With the idea that “A company is a public entity of society” as the basis of our management, Panasonic has grown as a company, together with our stakeholders. Through our business activities, we have made contributions to the development of society and solutions to societal issues, utilizing the various management resources entrusted to us by society. This way of thinking has not changed even today, as time has passed and society has developed. Rather, as various societal issues become more serious on a global scale and the international community aims to build a sustainable society, by such means as achieving the SDGs (Sustainable Development Goals), management based on our original mission will become even more important.

I believe that squarely addressing various societal issues, including global environmental issues, and taking up the challenge of making a greater contribution to the development of society and the resolution of pressing issues will also lead to further improvement of business competitiveness. Management to increase corporate sustainability through contributions to achieving a sustainable society can also be described as ESG management. From

Panasonic’s perspective, this is precisely about implementing our management philosophy.

Based on this way of thinking, Panasonic will strive to help reach an “ideal society” so that our children, grandchildren, and beyond can live with affluence both in matter and mind. And we will aim to become a valued company needed by society, thus enhancing corporate value from the perspective of stakeholders as well as enterprise value from financial aspects. I would like to ask for your continued support of Panasonic.

