Strategies of Functions

Panasonic Holdings

Financial results (FY2020–FY2022) generate the cash needed for investments, structural reforms, and allocate capital as a basic approach to cash generation. In keeping with that policy, we, in principle, adopt a flexible approach when cash becomes necessary for investment opportunities such as an M&A deal, for example, before sufficient cash flow is generated from business.

Our basic approach to financial management emphasizes return on invested capital and financial stability. In terms of return on invested capital, we are aiming to stably achieve ROE of at least 10% in an effort to generate returns that exceed the cost of stockholders’ equity by promoting a business management that is conscious of capital costs. As for financial stability, we are working to expand stockholders’ equity through the accumulation of net profit and endeavoring to build a robust management structure. We are working to expand stockholders’ equity through the accumulation of net profit and endeavoring to build a robust management structure.

In our previous Mid-term strategy we mainly undertook initiatives to (1) enhance our management structure, (2) reform our business portfolio, and (3) improve profitability in automotive business (automotive solutions and automotive batteries) with the overall objective of breaking away from a low-profitability structure. We achieved the following results in each of the initiatives.

In enhancing our management structure, we aimed at profit contributions of 100 billion yen over the three-year period of the Mid-term strategy: 60 billion yen from fixed cost reductions and 40 billion yen from divestitures and asset sales. These efforts contributed to profit by some 101 billion yen, well above our initial target. In addition, our measures for businesses having loss-making structures generated profit contributions of 34 billion yen. The measures included transferring the semiconductor business, terminating in-house production in the LCD panel and solar businesses, and turning the TV business profitable mainly by focusing on specific regions. Together with the aforementioned fixed cost reductions, we achieved profit contributions of 135 billion yen in total. With the spread of the COVID-19, we reviewed fixed costs and reduced expenses related to activities which used to be considered normal, such as business trips, meetings, and exhibitions; which had led to cost reductions. We will continue to control costs thoroughly going forward so that the benefits of these measures take root.

In reforming our business portfolio, alongside measures for businesses having loss-making structures, we worked on enhancing our competitiveness through partnerships; for example, we established joint ventures with Toyota Motor Corporation in the automotive prismatic battery business and the town development business. Also, we made Blue Yonder a wholly-owned subsidiary, expanded automotive battery production capacity at our North America factory in Nevada, and made investments to capture growth opportunities with a view to medium- to long-term growth.

As for improving profitability in the automotive business (automotive solutions and automotive batteries), in automotive solutions we concentrated on our areas of strength, while for automotive batteries we worked on the rationalization of materials and productivity improvements. As a result, in the fiscal year ended March 2021 (fiscal 2021), we managed to turn profitable on a full-year basis after heavy losses in fiscal 2020. The automotive batteries business in particular has now grown into a business which generates steady profits from brisk EV demand.

The results of these measures contributed to steady improvement in adjusted operating profit even in the midst of the pandemic and other changes in the external environment. From a financial point of view, we continued to shift our management resources towards sustainable growth and enhance the competitiveness of the entire Group by reforming our business portfolio in line with our basic approach to financial management. In the Gemba (operational frontlines) Process business, which we consider as an area of focus, with the aim of achieving a business model transformation with a view to the future, we deepened our strategic partnership mainly by establishing a joint venture with Blue Yonder in 2019 and acquiring a 20% equity stake in the company in 2020. In order to further accelerate this business transformation, we made Blue Yonder a wholly-owned subsidiary in September 2021. The total acquisition price was approximately 860 billion yen. Considering the temporary financial impact of this acquisition, including the recording of sizeable intangible assets and goodwill, we issued hybrid bonds worth 400 billion yen in which a certain level of equity value is recognized for credit rating purposes in order to stably maintain our credit rating after the acquisition and ensure that we still have the capacity to make investments in the future. In looking back on our allocation of cash over the three-year period of the previous Mid-term strategy, the amount of cash generated from not only operating cash flow, but also from divestitures and asset sales, was greater than the amount we allocated to dividend payments, structural reforms, and investments for growth, including the Blue Yonder acquisition. As a result, net cash at the end of fiscal 2022 was –649 billion yen, an improvement of approximately 160 billion yen from –813.1 billion yen at the beginning of fiscal 2020.

In April 2022 the Company unveiled a new medium- to long-term strategy. Before going into details, please give us a quick review on the previous Mid-term strategy (FY2020–FY2022).

In our previous Mid-term strategy we mainly undertook initiatives to (1) enhance our management structure, (2) reform our business portfolio, and (3) improve profitability in automotive business (automotive solutions and automotive batteries) with the overall objective of breaking away from a low-profitability strategy. What basic approach to financial management does the Company employ in order to advance business operations?

Our basic approach to financial management emphasizes return on invested capital and financial stability. In terms of return on invested capital, we are aiming to stably achieve ROE of at least 10% in an effort to generate returns that exceed the cost of stockholders’ equity by promoting a business management that is conscious of capital costs. As for financial stability, we are working to expand stockholders’ equity through the accumulation of net profit and endeavoring to build a robust management structure. And based on this approach to cash generation, in the future, we will seek to achieve Group-wide sustainable growth enhancing competitiveness and Panasonic Holdings.

Under a new medium-term strategy, each business will aim to improve its cash-generation capability by enhancing competitiveness and Panasonic Holdings will seek to achieve Group-wide sustainable growth by improving profitability in growth areas on the back of strategic investments.

Hirokazu Umeda
Representative Director, Executive Vice President, Group CFO

Message from the Group CFO

Reflecting on the previous Mid-term strategy

- In April 2022 the Company unveiled a new medium- to long-term strategy. Before going into details, please give us a quick review on the previous Mid-term strategy (FY2020–FY2022).

In our previous Mid-term strategy we mainly undertook initiatives to (1) enhance our management structure, (2) reform our business portfolio, and (3) improve profitability in automotive business (automotive solutions and automotive batteries) with the overall objective of breaking away from a low-profitability structure. We achieved the following results in each of the initiatives.

- Profitability has steadily improved by enhancing our management structure.
- Under a new medium-term strategy, each business will aim to improve its cash-generation capability by enhancing competitiveness and Panasonic Holdings will seek to achieve Group-wide sustainable growth by improving profitability in growth areas on the back of strategic investments.

Hirokazu Umeda

Basic approach to financial management

- What basic approach to financial management does the Company employ in order to advance business operations?

Our basic approach to financial management emphasizes return on invested capital and financial stability. In terms of return on invested capital, we are aiming to stably achieve ROE of at least 10% in an effort to generate returns that exceed the cost of stockholders’ equity by promoting a business management that is conscious of capital costs. As for financial stability, we are working to expand stockholders’ equity through the accumulation of net profit and endeavoring to build a robust financial base that can propel business structural reforms and investments for growth. To that end, we have established a capital allocation policy as a basic approach to cash generation and allocation. In keeping with that policy, we, in principle, generate the cash needed for investments, structural reforms, and dividend payments from cash flow generated by businesses and cash-generated by divestitures and the sale of assets. We also adopt a flexible approach when cash becomes necessary for investment opportunities such as an M&A deal, for example, before sufficient cash flow is generated from business.

In looking back on our allocation of cash over the three-year period of the previous Mid-term strategy, the amount of cash generated from not only operating cash flow, but also from divestitures and asset sales, was greater than the amount we allocated to dividend payments, structural reforms, and investments for growth, including the Blue Yonder acquisition. As a result, net cash at the end of fiscal 2022 was –649 billion yen, an improvement of approximately 160 billion yen from –813.1 billion yen at the beginning of fiscal 2020.

*Includes repayment of Blue Yonder’s bank borrowings

New medium- to long-term strategy

- The Company’s new medium- to long-term strategy was launched under the operating company system. What are its objectives?

Under our new medium- to long-term strategy, each operating company will seek to enhance their competitiveness by leveraging “strategies” formulated from a long-term point of view together with their sharpened “operational capabilities” and improve their cash-generation capabilities. And based on autonomous responsibility management, each company will aim to achieve further growth by investing in long-term goals with cash generated from their own business activities. To that end,

Panasonic Holdings
we have set the following medium-term management indicators (KGIs). As a measure of our ability to generate cash, cumulative operating cash flow of 2.0 trillion yen and cumulative operating profit of 1.5 trillion yen have been set for the three-year period from fiscal 2023 through fiscal 2025. We have also set ROE as a KGI to measure capital efficiency. ROE has been around the 8% level recently, but we are targeting 10% or more by fiscal 2025. By setting cumulative management indicators as KGIs, our objective is to boost our cash-generation capability and profitability over the medium to long term. In the previous Mid-term strategy we laid down a solid foundation by steadily taking steps to reduce fixed costs and take measures for businesses with loss-making structures. The new medium-term strategy represents a new phase of boldly embracing challenges to achieve our future vision. Our KGI targets are challenging, but in light of the areas we need to strengthen, we are seeing a lot of ingenuity and efficiency emerging from an operational standpoint and the speed at which we are implementing various initiatives is gathering pace. I believe if we set ourselves high-level targets and make efforts to do what should be done, the results will naturally speak for themselves.

Medium-term management indicators (KGIs)

<table>
<thead>
<tr>
<th>Cumulative operating CF (FY2023–FY2025)</th>
<th>2.0 trillion yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (FY2023)</td>
<td>10% or more</td>
</tr>
<tr>
<td>Cumulative operating profit (FY2023–FY2025)</td>
<td>1.5 trillion yen</td>
</tr>
</tbody>
</table>

ROE and Panasonic Holdings Corporation stockholders’ equity

<table>
<thead>
<tr>
<th>(%)</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>1,200.3</td>
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<tr>
<td>10%</td>
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<tr>
<td>15%</td>
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</tr>
<tr>
<td>35%</td>
<td>3,085.6</td>
</tr>
<tr>
<td>40%</td>
<td>3,399.7</td>
</tr>
</tbody>
</table>

Medium-term strategy

Strategies of Functions

It would be necessary to enhance the competitiveness of the SCM business with the help of the capital markets in order to achieve inorganic growth beyond its own investment capacity. With a view to growth in the Saas business, we intend to aggressively invest in R&D, M&As, and human resources, and aim at making major contributions towards solving global environmental issues in line with the “Panasonic GREEN IMPACT.” Some of the past strategic investments were unable to achieve growth that brings profits because we were focused on pursuing scale expansion. Under the new medium-term strategy, however, we intend to execute investments after assessing competitiveness of each business and drive Group-wide growth by improving profitability in the three growth areas. To that end, it is important that we steadily secure enough cash for not only shareholder dividends, but also strategic investments. We will therefore secure cash as a holdings company and allocate cash to the operating companies. In return for the capital allocated, we will establish an appropriate cost of capital that suitably reflects its business characteristics in order to collect a share of cash equivalent to the cost of capital from each operating company. We will then use the cash received to make strategic investments with the aim of enhancing Group-wide enterprise value. In addition to receiving dividends from operating companies, PHD takes a flexible approach to optimal Group-wide financing schemes, such as the sale of assets, etc. or funding the operating companies when they are making an investment which exceeds their own funds.

In May 2022, we announced that we would start making preparations for a stock exchange listing of our supply chain management business (SCM business) centering on Blue Wonder. Because the SCM business is a high-growth market, the competitive environment is changing rapidly. In light of such circumstances and partly because its own growth would not be enough to keep up with the market, we have judged that

Medium-term strategy

In April when we launched the operating company system as our new Group structure, we also communicated the Group’s new medium- to long-term strategy at a Group strategy briefing. Then in June as part of the Panasonic Group IR Day 2022 activities, we had the heads of each operating company communica­te with shareholders and investors about their business goals and medium- to long-term strategies, including KGIs. We have thus far communicated with the capital markets what direction the Group is heading in under our new structure. In terms of medium- to long-term strategies and initiatives for enhancing our competitiveness, we believe it is important that we provide the capital markets with easy-to-understand information about our progress and results and continuously engage in dialogue. PHD is at the helm of the Group’s management, so it will strive to communicate not only progress on the Group’s medium-term management indicators (KGIs) and strategic investments, but also information from a long-term point view, including ESG-oriented sustainability information through briefings. In addition, the heads of each operating company themselves will communicate with the capital markets and explain goals and strategies discussed at IR Day 2022 events. Through this kind of dialogue with the capital markets, we will make good use of the valuable opinions and suggestions received from shareholders and investors to improve our management. The Group will unite efforts toward enhanced enterprise value through a better understanding and higher expectations by our investors in the Group’s future growth potential and long-term initiatives towards sustainable growth. On top of that, we will endeavor to extend shareholder returns with ongoing, stable dividend payments. So that the Panasonic Group can become a valued company needed by society, the ongoing support of all stakeholders will be truly appreciated.

Medium-term strategy

Fiscal 2023 initiatives

– Uncertainties in the external environment such as raw material price hikes, supply chain disruptions, and other changes continue in fiscal 2023, the first year of the new medium-term strategy. How does the Company view these changes and what measures will it focus on going forward?

For the first quarter of fiscal 2023, profit decreased year-on-year due mainly to price hikes in raw materials, shortages in semiconductor parts & materials, the Shanghai lockdown enforced from the end of March, despite increased sales and efforts such as price revisions. It appears that the impact of the lockdown bottomed out in May because our operating profit improved sharply in June when lockdown restrictions were lifted. From a year-on-year perspective, the negative impacts from raw material price hikes and shortages of semiconductors and parts & materials remained in this first quarter, because the effects were relatively mild last fiscal year. We will continue our efforts to mitigate the impacts through price revisions and procuring alternatives and work on driving sales in the energy and air quality & air-conditioning businesses where we see strong prospects for growth.

Also, our inventory continued to increase affected by supply chain disruptions including procurement and logistics since last fiscal year. The fact that we strategically secure enough inventory is also a factor behind the increase. Going forward, we will reassess what the optimal level is, including the strategically secured inventory, and employ other measures, such as reducing the number of different parts by standardizing parts & materials and shortening production lead times. Even though we are facing some headwinds in the operating environment at present, we will capture business opportunities from such changes and unite efforts to focus thoroughly on strengthening our operational capabilities toward the enhanced competitiveness aimed under the new medium-term strategy.

There are also numerous uncertain factors affecting the outlook for the business environment such as the risk of prolonged instability in the global political landscape and the risk of a global economic slowdown stemming from the tight monetary policies of governments worldwide. That said, we will continue to invest where necessary and execute our plans for the future.

Medium-term strategy

Medium-term strategy

Medium-term strategy

Medium-term strategy
To achieve a society characterized by sustainability and well-being, we will accelerate the creation of innovation focused 10 years into the future.

Tatsuo Ogawa
Executive Officer
Group Chief Technology Officer (Group CTO)

Vision of the technology sector

As Group CTO, I am responsible for the development of the next generation of technology for the Group’s growth, as well as for building and reinforcing foundational technologies across the Group. At the same time, the CTOs of each operating company are responsible for the technology development strategies that will contribute to medium- to long-term growth in their respective business areas. I regularly share and discuss technological issues of the entire Group with the CTOs of the operating companies and work together to resolve them. Under the leadership of Group CEO Kusumi, the Panasonic Group is squarely addressing social issues and working to make a greater contribution to society in order to achieve “an ideal society with affluence both in matter and mind.” This policy also applies to how we approach our R&D (research and development). We will work from the technological side to support the creation of business pillars that can contribute to the realization of a society characterized by sustainability and well-being. In this context, our competitiveness lies in our technology, and to make sure we constantly create the source of our competitiveness, as Group CTO I have four roles to fulfill: (1) displaying the Group’s future potential; (2) developing the strengths of the Group’s future technology; (3) working with the CTOs of the operating companies to promote technology management across the Group, human resources development, and technology portfolio building; and (4) enhancing the Group’s on-site capabilities in R&D and manufacturing. At the same time, we are working on the creation of innovation, including our environmental initiatives.

Efforts to realize the vision

In working from the technological side to support the creation of business pillars for the realization of a society characterized by sustainability and well-being, we must first build a “technology dam” (a mechanism for improvement, deepening, accumulation, and utilization) that includes the Group’s future technologies, and then create new strategies and other mechanisms to make use of those technologies. With regard to the first step, building a technology dam, under our autonomous responsible management system, the operating companies have only been able to envision their future three to five years ahead, which is not enough. Looking at the game-changing trends that are occurring these days, we need to envision new environments and business models 10 years ahead and draw roadmaps to get there. Therefore, under the banner of its mission to “create a world you would never see without us,” the Technology Sector of Panasonic Holdings Corporation, after “backcasting” from the future 10 years from now, is offering Group-wide support to enhance the competitiveness of operating companies (e.g., heat pumps, sensing solutions, automotive batteries, AI and data utilization platforms, etc.) and areas beyond the reach of operating companies (e.g., next-generation solar cells and rechargeable batteries, hydrogen, and other environmental energy technologies). In this way, all technology sectors of the Panasonic Group, including those of operating companies, will continue to interact with our customers, evolve and deepen our technology, and accumulate and utilize it. The Group CTO and the CTOs of the operating companies will also work together to review and strengthen technology management across the Group, human resources development, and the technology portfolio. Armed with the platform as our “technology dam,” we will set up a Group CTO project to accelerate the creation of innovation and enhance the power to connect it to businesses.

Sustainability & Well-being

Creation of new business opportunities × Enhancing competitiveness

Collaboration with operating companies

Semitic and environmental changes toward 2030

Environmental issues: Make the solution of social issues our core business

Human and social issues: Return to a human-centric society

Technology that contributes to medium- to long-term business planning

1) Enhancement of existing businesses
2) Creation of new business opportunities

Realization of sustainable global environment
Carbon neutrality
Circular economy

Realization of well-being in “lifestyle” & “workstyle”
Relationships among people
Relationships between people and society
**Message from the Group CTO**

**OWN IMPACT**
Emissions reduction in our own value chain

**CONTRIBUTION IMPACT**
- Avoided emissions (contribution to reducing CO₂ emissions for society) through existing businesses
- **FUTURE IMPACT**
  - Avoided emissions through new technologies and businesses
  - Impact of repercussions in energy transformation for society

With regard to the second step, utilization, we are focusing on creating new mechanisms whereby technologies can be utilized and evaluated from a sustainability perspective. Since 2010, we have been striving to become the No. 1 Green Innovation Company in the electronics industry. In addition to energy savings in our own products, we have been engaged in businesses such as fuel cells and storage batteries that contribute significantly to the automobile electrification. In May 2021, we committed to the target of virtually net-zero CO₂ emissions (carbon neutral) at all operating companies by 2030. Furthermore, in January 2022, we announced our new environmental vision, “Panasonic GREEN IMPACT.” Many of the avoided CO₂ emissions and reduction impacts we have announced will need to be supported by technological development. In particular, to achieve the impact of 100 million tons of reductions through new technologies and businesses (FUTURE IMPACT), which is part of our goal to create an impact that reduces CO₂ emissions by more than 300 million tons (equivalent to approximately 1% of the current total global emissions), we are working to contribute through R&D and new business creation activities while strengthening our technology pillars in areas such as hydrogen energy.

We are actively promoting efforts to visualize avoided emissions as a yardstick for objectively evaluating their impact and to obtain understanding from the government and industry. Currently at the International Electrotechnical Commission (IEC), an international standardization body, we are working on a draft text on “avoided emissions” for discussion and publication as an international standard. Meanwhile, we are participating in the GX League in Japan, in which we work with participating companies to widely promote understanding and dissemination of the concept of avoided emissions in other industries. In addition, as a member of the World Business Council for Sustainable Development (WBCSD), we are contributing to the resolution of social issues and the realization of a sustainable society while working to ensure that our efforts are appreciated as useful contributions to our customers.

**Steps to publication of the international standard at the IEC**

As mentioned above, the Group CTO’s role requires commitment to technological strategies and the early launch of new businesses. The key point is to participate responsibly in decision-making from a technological point of view in relation to the business strategy itself. We need to clearly define the value we provide to customers and draw up scenarios that include development strategies for new technologies and businesses to be implemented before moving forward. The Technology Sector of Panasonic Holdings Corporation will strengthen its investments in technology development areas that achieve sustainability and well-being to a ratio of over 80% in fiscal year ending March 2025 (fiscal 2025). In the sustainability area in particular, we will allocate a portion of the strategic investments of 200 billion yen in our medium-term strategy (see "Medium-term management indicators (KGlIs) and strategic investments" on page 11 of the "Message from the Group CEO") to accelerate the creation of technologies and businesses to achieve avoided emissions.

**Initiatives on intellectual property**

The Panasonic Group promotes intellectual property activities not only to ensure business advantages and safety now and in the future, but also to contribute to solving social issues. First, as a way of contributing to society through our own business, we are indexing the Group’s patent rights related to environment-related technologies and information-related technologies, including abstracts and inventor information, from our approximately 100,000 pieces of intellectual property (as of March 2022). We regard this intellectual property as part of our intangible assets, alongside our data and human resource information. Even though we now operate under an operating company system, we have begun to utilize the technology index as a Group-wide tool to connect intangible assets and people in order to maximize the use of resources throughout the Group to drive commercialization and new business creation.

Because we also believe that solving social issues requires the connection and cooperation of a diverse range of people, goods, and services, we are committed to open innovation based on intangible assets. For example, by transferring our unused patents on quick-charging technology to an overseas startup through an external partner, we are co-creating and supporting the company’s business of bringing light to areas without electricity. We are also the first Japanese company to participate in the Low Carbon Patent Pledge (LCPP), and have announced that royalty-free licenses to our granted patents related to artificial photosynthesis listed on the LCPP website are available under the terms and conditions set by the LCPP.

Going forward, the Group will continue to contribute to society by promoting the practical implementation of technologies and intangible assets that contribute to the realization of a society characterized by sustainability and well-being in various forms, including in-house commercialization and commercialization through co-creation with external partners.

**Announcement of Panasonic Group’s AI Ethics Principles**

While AI technologies solve various issues and enrich human life, they also pose human rights challenges as a result of inappropriate use, such as invasion of privacy, unjustified surveillance, and discrimination due to biased learning data. The Panasonic Group considers its approach to AI ethics as a promise to the rest of the world on the responsible use of AI, and promotes appropriate development, operation, and utilization of AI products and services in a human-centric manner and with respect for human rights.

With this in mind, in August 2022, we announced our AI Ethics Principles, which are applicable to the entire Group and are intended to provide customers with peace of mind when using AI products and services. To ensure that the life cycle of AI utilization is carried out appropriately in light of the laws, regulations, and ethical guidelines in each country, we will implement AI ethics initiatives to assess and manage risks associated with AI ethics and mitigate and avoid these risks through technological progress and process improvements.

*For more information on AI ethics, please refer to "AI Ethics" (p. 57) in the Sustainability Data Book 2022.*
Panasonic Transformation (PX)
Bring happiness to life. Bring happiness to work. It’s digital, it’s our value.
Hajime Tamaoki
Executive Officer
Group Chief Information Officer (Group CIO)

With "digital transformation" positioned as a key management agenda of the Panasonic Group, we have been advancing our so-called "Panasonic Transformation (PX)" project, which is a symbol for Group-wide transformation, since May 2021. Our "transformation" means not just extending past reforms, but fundamentally re-examining the negative legacy of the past (obsolete IT, inward-looking operations, outdated practices, etc.) in order to make changes, create new value for the Panasonic Group, and help our employees and customers live their best. With this in mind, all employees in the related departments, not just the Information Systems Department, must work together under the ownership of our Group CEO Kusumi to drive the project forward on all three layers.

Transformation framework

**IT transformation**
- Removal of infrastructure and transformation systems, digitalization of processes and services, etc.

**Operating model transformation**
- Strengthening of human resources management, organizational structure, delivery mechanisms, relationship with partner companies, cost optimization, etc.

**Culture transformation**
- Promotion of "PX" - open and flat work environment, breaking out of silos, eliminating inward-looking operation

**Key points for transformation of procurement**

1. Implement a standard process for quoting, ordering, receiving inspection, and payment that is optimal for the entire Group
2. Improve usability with a simple system interface that is easy to understand and operate
3. Expand capeting purchasing through seamless linkage with external systems
4. Implement quoting processes and functions that can handle a variety of quoting methods, including engineering, commission development, and calculation methods
5. Introduce local operation and real-time linkage with accounting system
6. Rationalize the process and increase added value through visualization and analysis of purchasing performance
7. Strengthen base-party checks and balances at the time of quotation/ordering acceptance
8. Compliance with subcontracting law (exceptional document issuance, etc.)

**Procurement DX: integration and streamlining of Group-wide indirect materials procurement operations**

Previously, the Panasonic Group had three purchasing systems for indirect materials (office supplies, factory supplies, etc.), which were operated by individual operating companies. Now, the procurement, accounting, and IT departments are working together to drastically revise the procedures for quoting, ordering, receiving inspection, and payment. As a result, we have consolidated, streamlined, and upgraded our purchasing operations, and our revamped "Group-wide common purchasing platform" is accessible to approximately 90,000 employees in Japan.

This system is neatly integrated into a cloud-based system and makes maximum use of digital technology, including external APIs (a method of seamlessly linking from internal to external sites) and real-time linkage of accounts payable information to the accounting system. This paperless system handles 1.5 million indirect materials purchases per year, saving about 8,900 man-hours per month. In addition to these efficiency improvements, we have also achieved results in procurement rationalization through the centralization of contracts.

"Diversity, Equity & Inclusion"

**IT transformation**
- Due to the business reorganizations over the years, the Group has a number of individually optimized systems and old legacy systems that are hindering the speed of business and management. These are not only problems of IT and technology, but also of the business operation itself, which has followed suit and stucked with individual way of doing things. In parallel with joint efforts by the IT departments, managers, and employees at the operational frontlines of the operating companies to revise their business processes to achieve thorough standardization and efficiency improvements, we are transforming the IT itself through four programs: (1) modernization of legacy systems; (2) maintenance of master data; (3) use of cloud computing; and (4) SCM streamlining and improvement. Specifically, we are working on a total of 146 themes (as of December 2022) across the Group, and we are beginning to reap the benefits of these efforts mainly at the operational frontlines and employees’ workplace, while making the progress available within the Group.

Operating model transformation

No matter how good the aforementioned IT transformation is, simply creating and implementing the latest IT will become obsolete and temporary over time, making it difficult to continue contributing to customers and society. To ensure efficient and sustainable delivery of IT that creates competitive advantage, we are promoting an "operating model transformation" program based on the idea that we need to revamp our Information Systems Department and its management resources, including people, asset, and capital. Specifically, we are working on seven activities, including the following: mechanism of incorporating IT into the management agenda; personnel management reforms; vendor governance and commercial flow innovation; and transformation of IT subsidiaries as a core of service delivery.

**Case Example**

**Case Example**

**Dissemination of PX video series on social media**

Starting in November 2022, we released the "Change and Be Changed with PX" series of videos listed below, showing a concrete picture of Panasonic Transformation.

- "Achieving Data-driven Management"  
  - "How I Work, How I Live"

"Currently only available in Japanese"

The next step: evolving to "genuine DX"

From a medium-term perspective, we will focus on the current scenario as PX 1.0, which is an activity to solidify our footing. As soon as possible, we will evolve to PX 2.0: a business model transformation and new value creation, driven by the latest digital technology.

Further strengthening security measures

With regard to security measures, which address risks to not only DX but all corporate activities, we have implemented a variety of measures, including thorough enforcement of Group-wide rules, employee training, and adoption of tools under the banner of "cyber hygiene" (maintaining a healthy IT and Internet connection environment for the Group and for individuals, like personal hygiene). In fiscal year ending March 2023 (fiscal 2023) and beyond, we will continue our efforts to create a safe and secure IT environment for our customers and employees, in particular through stronger global policies that delegate authority to Regional CIOs and establishment of rules for contingency measures, among other measures.

**Case Example**

**Case Example**

**Workplace revitalization through group training and cross-organizational activities in a "short cycle, high frequency" style**

At the Agile Center of Panasonic Operational Excellence Co., Ltd., which opened in 2021, workplace practitioners and managers gather at the ‘Agile Practice School/Dock’ to learn agile methods to apply in their own workplaces, visualize business issues, and generate collaboration within their respective teams. The Center has also identified 54 business issues (long list) solicited from individuals and 11 cross-departmental issues drafted by the heads of each department. Through a virtual promotion system centered on young people who have obtained the "Scrum Master" qualification, the Center is practicing an approach that “flexibly responds to changes in short cycles, not with a plan,” and linking small-scale themes, such as considering the use of official seals on paper documents, to results, such as shorter delivery times and greater operational efficiency.
Strategies of Functions

Message from the Group CHRO

We will enhance the competitiveness of our businesses by achieving stable "employees’ well-being" and implementing management that enables each employee to reach their full potential.

Shigeki Mishima
Executive Officer
Group Chief Human Resources Officer (Group CHRO)
In charge of DEI (Diversity, Equity & Inclusion) Promotion

Since its founding, the Group has emphasized the concept of "human capital management," which views human resources as an important form of capital in line with its management philosophy. Our autonomous responsible management system relies on the entrepreneurship of each and every employee and participative management through collective wisdom, which makes it essential that each individual takes on challenges based on a sense of autonomous responsibility, says what needs to be said in the culture of open discussion, and shares wisdom with one another. In implementing this kind of "management that enables each employee to reach their full potential," we have prioritized the achievement of stable "employees’ well-being" in other words, the maintenance of a state in which individuals are both mentally and physically healthy and able to feel happiness and satisfaction by taking up their own challenges in work.

The environment surrounding human resources has changed dramatically in recent years. It is expected that the worldwide decline in the working-age population as a percentage of overall population will persist, and with life expectancy in mainly developed countries continuing to increase, prolonged careers and diversified personal values toward working are constantly progressing. In this changing environment, efforts to achieve employees’ well-being must also be continually updated. We have identified the following three basic pillars that support employees’ well-being. The first pillar, "Work in a safe, secure, and healthy state," is about promoting the creation of a safe, secure, and healthy workplace. The second pillar, "Work with a sense of fulfillment," is about encouraging employees’ self-motivated endeavors and supporting their self-determined career formation. The third pillar, "Work together by giving full play to all individuality," is about promoting Diversity, Equity & Inclusion (DEI).

The Group business philosophy is "An Ideal Society with Affluence Both in Matter and Mind" to Reach Their Full Potential

Building the systems and frameworks best suited for the needs of respective industry

Under the new Group structure introduced in April 2022, each operating company is responsible for its own autonomous responsible management and tries to build a business structure that is optimized for the respective industry, customers, and competitors it faces. Accordingly, each operating company is responsible for optimizing the planning and implementation of HR strategies, including the recruitment of talent, compensation and evaluation systems to improve performance, organizational development to support business strategies, and promotion of human resource development. Meanwhile, Panasonic Holdings Corporation plays a role in supporting the operating companies in terms of a common Group HR strategy and governance, and support employees’ well-being. The first pillar, "Work in a safe, secure, and healthy state," is about promoting the creation of a safe, secure, and healthy workplace. The second pillar, "Work with a sense of fulfillment," is about encouraging employees’ self-motivated endeavors and supporting their self-determined career formation. The third pillar, "Work together by giving full play to all individuality," is about promoting Diversity, Equity & Inclusion (DEI).

Development of Panasonic Group management executives

Development of management executives

For the sustained development of each operating company, a diverse pool of managers that can drive business forward is absolutely essential. To that end, we are working to create a pipeline of successors over the medium to long term. Each operating company is responsible for promoting the development of senior management and successor candidates, but for the nurturing of the next generation of operating company CEOs—some of the most important management postings in the Group—we are currently promoting the development of a diverse pool of management executives irrespective of nationality, work history, gender, age, or other attributes based on a policy of fast-tracking and "the right person for the right job," all the while paying particular attention to the following values as a Group-wide approach:

(1) Provide career opportunities at a stage earlier than when such opportunities were afforded to oneself in order to develop leaders better than oneself
(2) Provide extremely challenging roles
(3) Secure a diverse candidate pool

In addition, a Group Talent Management Committee has been established to discuss and promote, in a multifaceted way, the selection, development, and placement of management personnel from a Group perspective. The Committee has identified 100 successors for 23 key posts for the Group’s overall optimization, and is working to develop their careers, with the goal of narrowing down multiple candidates for each post in the short, medium, and long term. In addition, talent management committees will be established at each operating company based on the same mechanism, in order to coordinate with the development of management personnel for the overall optimization of the Group.

As for training sessions for executive candidates, we are currently preparing optimum programs to be hosted within and outside of the Company. We also continue to run the programs we launched in fiscal year ended March 2021 (fiscal 2021):
- Launching Executive Leaders4 and Creating Executive Leaders5
- A total of 403 people have participated in the former and 506 in the latter. In addition, since fiscal 2022 we have been conducting and enhancing the contents of the Learning Program for Newly Appointed Panasonic Group Executive Officers and the Panasonic Group Business Philosophy and Management Workshop.

These systems for developing management executives are now delivering the perspective of "the right person for the right job." There have been more cases where personnel we have hired from outside the Company play active roles as a leader of business management or of a certain function. We have also standardized how we assess human resources in the Group. To facilitate the process, we have developed assessment tools, and the selection and career development plans of hundreds of executive candidates have been discussed at the Group Management Committee.

Basic process for the development of management executives

Contribute to society through continuous business growth by an autonomous responsible management

Build a medium- to long-term pipeline of successors

Revision of performance indicators for executive compensation

In order to demonstrate management based on the concept of human capital management for the entire Group and to promote employees’ well-being, we are implementing revisions to the performance indicators for our executives starting in fiscal 2023. We now evaluate the contributions and results of each executive from the perspective of non-financial indicators, not just financial indicators such as operating cash flow and ROIC as before, and reflect them in remuneration. The non-financial indicators covered include multiple perspectives that have a significant impact on employees’ well-being, such as eradicating workplace accidents, compliance, human resource development, the degree to which DEI is promoted, and the level of employee engagement.

1 Nominating a person that is most qualified for the position from within or outside the Company (the right person for the right job).
2 Training that aims to have participants comprehensively leverage their competency to think and act in a way that is conducive to change and put management in place.
3 Training that aims to have participants equip themselves with self-awareness of the management skills to adopt a customer-oriented approach, think strategically, and execute reforms by leveraging management theories.
4 Executive officers of Panasonic Holdings Corporation and operating company CEOs.