

# Message from the Group CEO

## Toward “an ideal society with affluence both in matter and mind” – Enhancing competitiveness and improving corporate value –



**Yuki Kusumi**  
Representative Director  
President  
Group CEO

Under the new Group structure launched in April 2022, we have started our new medium- to long-term strategy. With this new strategy, we aim to contribute to solving global environmental issues and to support the health and well-being of people around the world, both in mind and body, toward achieving “an ideal society with affluence both in matter and mind.” This will be done by enhancing competitiveness in all of our businesses, from the viewpoints of both “strategy” and “operational capability,” which are indispensable to each other.

The cash generated, as a return on these contributions, will be allocated to investments in ways that enhance competitiveness. This will allow us to make further contributions and improve our ability to generate cash. In this way, I am determined to enhance corporate value in the medium- to long-term perspective. Since dialogues with our shareholders and investors are extremely important, I will make use of your valuable opinions and suggestions on how our management can pursue enhanced corporate value.

As we unite our best efforts as a Group, I ask for your continued understanding and support.

### Start of the new structure

On April 1, 2022, the Panasonic Group formally launched the “operating company system,” in which each operating company is an independent legal entity. We call this system an “operating company system” because operating companies play the main role.

Each operating company will enhance competitiveness through

- implementing thorough “autonomous responsible management,”

- adopting new systems that enable us to compete with specialized companies in each industry, instead of simply implementing Group-wide systems and processes, and
  - continuously taking up challenges proactively.
- Furthermore, each operating company aims to make contributions to society and customers in the industry it addresses, with unrivaled speed and scale.

Panasonic Holdings Corporation aims to strengthen its Group-wide management foundation from a long-term perspec-

tive, in addition to its role of a holding company. To be specific, there are five roles.

The first role is to thoroughly implement our “Basic Business Philosophy.” This Basic Business Philosophy defines our basic way of thinking in implementing the management philosophy and its core elements — “Basic Management Objective,” “Company Creed,” and “Seven Principles”— established by our founder Konosuke Matsushita. To help all employees return to the basics and fully understand their essence, in 2021, we conducted a major revision for the first time in approximately 60 years. I personally took part in this endeavor as a member of the editing team. For each operating company to thoroughly implement “autonomous responsible management,” it is fundamental that each employee implement the Basic Business Philosophy, so this role, among all five roles, is tackled as the highest priority.

The second role is to ensure and support enhanced competitiveness through

- Green Transformation (GX), aiming toward our long-term environmental vision, “Panasonic GREEN IMPACT,”
- Digital Transformation (DX), aiming for greater efficiency in operational processes, and
- “*Gemba* (operational frontlines) innovation” initiatives that eliminate wastefulness in the manufacturing *gemba* and supply chain by the full use of AI and IT, leading to strengthened operational capabilities.

The third role is to attain management that maximizes the potential of each employee, an essential part of enhancing competitiveness, and to build the needed platforms. The Panasonic Group has approximately 240,000 employees globally, with diverse personalities and talents. The work environment and corporate culture will be transformed so that each

employee can take up challenges. To further generate opportunities in major roles and in taking up challenges, we will leverage the Group’s wide-ranging capabilities and continue the active exchange of human resources beyond operating companies.

The fourth role is to make “selection & concentration” decisions in cases where the operating companies are unable to make such decisions, or to promote investment for growth in opportunities where such investment exceeds the operating companies’ own funds. In principle, each operating company will play the major role in developing its own business. However, as a holding company, we will take measures toward our Group’s comprehensive development when necessary.

The fifth role is to respond effectively to critical risks from a Group-wide perspective. This includes thorough implementation of financial discipline, safety and compliance, and a Business Continuity Plan (BCP).

### Roles of Panasonic Holdings Corporation

1. Thoroughly implement Group’s Basic Business Philosophy
2. Help enhance competitiveness to make greater contributions to society & customers:  
(GX, DX, *Gemba* Innovation, Design Management, Brand Management, various accelerated innovations)
3. Help maximize the potential of each employee and build needed platforms
4. Decide “selection & concentration” beyond operating company’s capability, invest in growth beyond operating company’s own funds
5. Respond effectively to critical risks from Group’s perspective

### Looking back on fiscal 2022 and challenges to take up

Since I assumed the position of CEO in April 2021, I have been engaged in management while setting two years, fiscal year ended March 2022 (fiscal 2022) and fiscal 2023, as the period to focus on enhancing competitiveness to make larger contributions toward society and customers, and to further improve profitability. Looking back on the first year, fiscal 2022, we took a step forward with progress in *gemba* innovation such as improving productivity, and with gradually internalizing the practice of making constant improvements. However, in terms of the speed of enhancing competitiveness, there is still room for improvement. During fiscal 2023, the second year, we will further accelerate our efforts.

As for the challenges we should take up, first, we need to take a long-term and customer perspective in formulating our strate-

gies. In a rapidly changing world, we should envisage major social changes instead of simply looking at a period of two to three years. What is best for our customers? And how can we translate our great mission into actually achieving our goal by back-casting from those changes?

Second, we should improve our adaptability to changes and make our management speedier, to an outstanding level. In order to do this, we must eliminate wastefulness, stagnation, and rework at our business frontlines, so that all of our employees can focus on truly value-added activities. Furthermore, it will be necessary to create a system and corporate culture that maximizes the potential of each employee. The new medium- to long-term strategy started in fiscal 2023 has been formulated based on such challenges we need to take up.

### New medium- to long-term strategy

#### Future direction for the Panasonic Group

Our founder proclaimed the mission of achieving “an ideal society with affluence both in matter and mind.” Toward this

Group’s mission, today we must contribute to solving global environmental issues and support the health and well-being of people around the world, both in mind and body, in their “life-

## Message from the Group CEO

style” and “workstyle.” By becoming unrivaled in accomplishing valued work, we can make great contributions. Accordingly, we will be able to return the generated profit to society, starting with shareholders, and adequately reward our employees. Moreover, we can make investments toward further contributions. We aim to implement such a cycle that leads to thoroughly enhancing our competitiveness.

This is precisely about conducting sustainable management, while we also make our utmost efforts toward achieving a sustainable society: “an ideal society with affluence both in matter and mind.” The path will not be smooth, but I am confident that we can achieve this through the unrivaled competitiveness of our contributions to our customers and society.

### Panasonic GREEN IMPACT

Toward achieving “an ideal society with affluence both in matter and mind,” contributing to solving global environment issues, climate change in particular, is one of the tasks we must take on with the highest priority.

In January 2022, we announced the Group’s long-term environmental vision: “Panasonic GREEN IMPACT.” We have committed ourselves to “ACT” to

- reduce CO<sub>2</sub> emissions throughout our overall value chain, including emissions from the use of sold products at the customer side, and
- make a positive impact to increase size of contribution in CO<sub>2</sub> reductions for society through our wide range of business activities.

As a numerical target, we announced our aim to create an impact that reduces CO<sub>2</sub> emissions by more than 300 million tons by 2050 through the entire Group’s business activities (300 million tons is equivalent to approximately 1% of the current global emissions). Setting this target at the center of our medium- to long-term strategy, we will make the strategic investments and take actions for our contributions going forward.

There are three parts to this major effort. The first part, “OWN IMPACT,” is emissions reduction in our own value chain, which is 110 million tons. We will achieve net-zero emissions through our energy-saving initiatives, in addition to the effect of decarbonization occurring in society, which will progress toward 2050. This includes “virtually net-zero CO<sub>2</sub> emissions at all operating companies by 2030,” to which we committed ourselves in May 2021. The second part, “CONTRIBUTION IMPACT,” is “avoided emissions” (contribution to reducing CO<sub>2</sub> emissions for society) of 100 million tons through reduced consumption at the customer side with our current businesses. We will make contributions through such areas as the expansion of EVs with our automotive batteries, supply chain software, and air quality & air-conditioning businesses. The third part, “FUTURE IMPACT,” is “avoided emissions” of 100 million tons to impact energy transformation in society through the creation of new technologies and businesses such as hydrogen energy. Taking all three parts together, we aim to achieve an overall reduction impact of more than 300 million tons by 2050.

As a milestone toward 2050, by 2030, we will aim for approxi-

mately 100 million tons of avoided emissions. However, currently there is no standard to calculate “avoided emissions.” As the formulation of a standard proceeds, we may need to make revisions accordingly. Nevertheless, we will make efforts to reach each of these targets one by one, so that we can contribute to an early achievement of a carbon neutral society.

### Medium-term management indicators (KGIs) and strategic investments

In the past, we had set single year-based sales and operating profit margins as management indicators. However, setting short-term profit targets led to the business frontlines holding back necessary investments for the future. As a result, I believe that in some cases, our competitiveness fell behind our peers.

Therefore, we have set cumulative operating cash flow for the three-year period as one of our medium-term management indicators. Cumulative operating cash flow is an indicator of our cash-generation capability as a Group, which is essential for tax payments, dividends, employees’ salaries, and sufficient investments in our future contributions to society. More specifically, we aim for 2.0 trillion yen of cumulative operating cash flow over the three years of fiscal 2023 to fiscal 2025, with a precondition of achieving 1.5 trillion yen of cumulative operating profit over the same period. In addition, we have set ROE, a measure of capital efficiency, as another medium-term management indicator. Our target is to achieve a level of 10 percent or more by fiscal 2025.

To achieve these targets, we must thoroughly enhance competitiveness at each business. In this regard, for instance, during the past two years, China and Northeast Asia Company managed to decrease manufacturing costs by over 20 percent in home appliance products as a part of their competitiveness-enhancement initiatives. This gave us the confidence to compete against our peers in pricing, while also securing profit, even in a very competitive market like China. This is just one example showing us there is still a lot of room for improvement in cost competitiveness and profitability as a Group.

Regarding investments going forward, in principle, each operating company will make investments with the cash generated through its own business. Furthermore, while maintaining financial discipline, we will also make strategic investments as a Group. Under the condition of cumulative operating cash flow of 2 trillion yen, a total of 600 billion yen in three years will be invested: 400 billion yen in “growth areas,” which are automotive battery, supply chain software, and air quality & air-conditioning, as well as 200 billion yen in “technology pillars.”

### Investments for growth

#### Automotive battery area

From the global environment perspective, it is essential that the affordability and safety level of EVs far surpass those of cars with internal combustion engines. To reach this target, we will make Group-wide investments to thoroughly and rapidly strengthen battery capacity, safety, and cost competitiveness of our automotive batteries.

More specifically, we will commercialize new high-capacity cells with a 46-mm diameter, at the fastest speed within the industry, by refining our high-quality and safer automotive battery technologies, as well as achieving industry-leading cost competitiveness. First, we will verify the productivity of the highly efficient production line at our Wakayama factory in Japan, with mass production set to start in fiscal 2024. In addition, we applied to the incentive program that the State of Kansas established to attract investments, and received the state’s approval in July 2022. The construction of a manufacturing facility in Kansas, USA., is to be decided upon assessing the progress and outlook of enhanced competitiveness in operational capabilities, including manufacturing.

And from a sustainability perspective, it is essential to consider the use of precious and limited materials. With our lithium-ion batteries, we have already achieved a significant reduction of cobalt, a rare and indispensable metal. Our battery contained less than 5 percent cobalt as of 2021. Moreover, we have already completed development of technologies to produce cobalt-free cells, and we are nearly at the stage of being able to start their mass production according to customers’ needs.

#### Supply chain software area

Due to the declining working population, we are facing labor shortage issues at the *gemba* of manufacturing and logistics industries. Consequently, there are strong demands for higher efficiency and standardization. Therefore, solutions that autonomously improve the overall supply chain are necessary. Even if solutions run autonomously, there is a limit to how swiftly we can optimize the *gemba*, since they require a higher level of skills. Therefore, such solutions are needed to enable people at the *gemba* to eliminate wastefulness and stagnation in the overall supply chain without requiring special knowledge.

To achieve these aims, we will offer a wide range of software solution packages and optimize operational processes through the collection, accumulation, analysis and utilization of various data at the *gemba*. With these solutions, we will contribute to optimizing the overall supply chain and improving the efficiency of management for our customers. In addition, the accuracy of autonomous supply chain management by Blue Yonder’s AI will be enhanced, and their software solutions will also continue to evolve. At the same time, we will contribute to the reduction of negative environmental impact through energy savings, which can be achieved by eliminating wastefulness and stagnation in the overall supply chain.

With greater business opportunities in the area of supply chain software, the business conditions face drastic changes in the competitive environment, with tougher competition in investments and increased global mobility of highly skilled software engineers. Therefore, to accelerate its growth globally by utilizing the capital markets, we have begun preparations for a potential stock exchange listing of our supply chain management business, as announced on May 11, 2022.



#### Air quality & air-conditioning area

Due to COVID-19, there has been growing demand for ways to alleviate people’s anxiety about bacteria and viruses. Moreover, since air-conditioning equipment consumes a large portion of the global electric power, we can make huge contributions to the global environment, even as people enjoy clean and safe air as well as a comfortable lifestyle.

To achieve this goal, Panasonic will continue to develop such unique technologies as “nanoe X,” “Ziaino,” and humidity control technologies. In addition, Panasonic will develop an advanced coordinated system that integrates air quality and air-conditioning to manage both comfort and energy savings. Furthermore, we will make investments, mainly in Europe, China and Japan, with the following purposes:

- establish foundations for sales, engineering and services to continuously offer customers clean, safe and environment-friendly air, and
- expand our lineup of advanced coordinated products.

By integrating our customer contacts with our knowledge and technologies, accumulated in over 100 years of R&D, we will “Vitalize the future with air.”

# Message from the Group CEO

## Investments in technology pillars

Toward achieving “an ideal society with affluence both in matter and mind,” we will strengthen the Group-wide technology pillars that contribute to the environment and well-being in “lifestyle” and “workstyle.”

The first pillar is hydrogen energy, with the development of high-efficiency fuel cells already underway. We will apply this to the next-generation residential fuel cell system “ENE-FARM” and the pure hydrogen fuel cell generator “H2 KIBOU.” Through these efforts, we will contribute to the acceleration of decarbonization in the power-generation field. Moreover, we aim to establish energy-management technologies that link

- distributed energy located in various facilities such as houses and factories,
- power storage systems, and
- EVs.

Accordingly, we will improve the effective use of electric power and contribute to clean energy transformation for society.

Another pillar, the Cyber Physical System (CPS), includes

technologies that rapidly enable users to find and offer optimum solutions for issues in “lifestyle” and “workstyle” by linking the real “physical” world and “cyber space.” An example is sensing the activities at various “physical” workstyle *gemba* sites, such as manufacturing, logistics and distribution, and then inputting the acquired data in “cyber space” for analysis and simulation. In this way, we can come up with the optimum solution to eliminate wastefulness and stagnation at the *gemba* and make improvements. In addition, we are trying to better understand what our customers really need in their actual lifestyles through the usage of our products in various situations. Using AI and software technologies will help us to understand this, and we aim to bring better value in lifestyle experience with our products and services.

To strengthen Group-wide technology pillars, we will also be proactive in our search for new technologies such as investing in ventures.

Group-wide technology pillars

		PC	PAS	PEAC	PHS	PCO	PID	PEC
Technologies contributing to “environment”	Functional materials/Materials informatics	○	○		○		●	●
	Power electronics	○	●				○	
	Hydrogen energy devices/DERMS*	●					○	○
Technologies contributing to well-being in “lifestyle” & “workstyle”	CPS/AI	●	●	●	○	●	○	○
	Image sensing/Robotics	○	●	●		●	●	
	Simulation/Model-based development	○	●	○	●	○	○	○
Common software platform	Biosensing/Emotion recognition/Biotechnology	○	○		○		○	
	Software/communication/security	●	●	●	○	●	○	

\*Distributed Energy Resource Management Systems  
 Note: Labels on horizontal axis indicates abbreviations of seven operating companies. Please refer to pages 15 and 16 for details.

● Highly relevant  
 ○ Relevant

## Brand slogan

Our founder, Konosuke Matsushita, aimed toward prosperity in both matter and mind throughout his life. Back in 1932, he recognized the mission of a company as “the true mission of industrialists: only after there is spiritual peace of mind and a limitless supply of material goods will humanity achieve true happiness.” He set his aim to achieve this with the so-called “250-year plan.”

To always remind all of us of this mission, we have decided to adopt a new brand slogan, “Live Your Best.” This slogan also embodies my hope that each employee will turn their thoughts to each customer’s happiness.

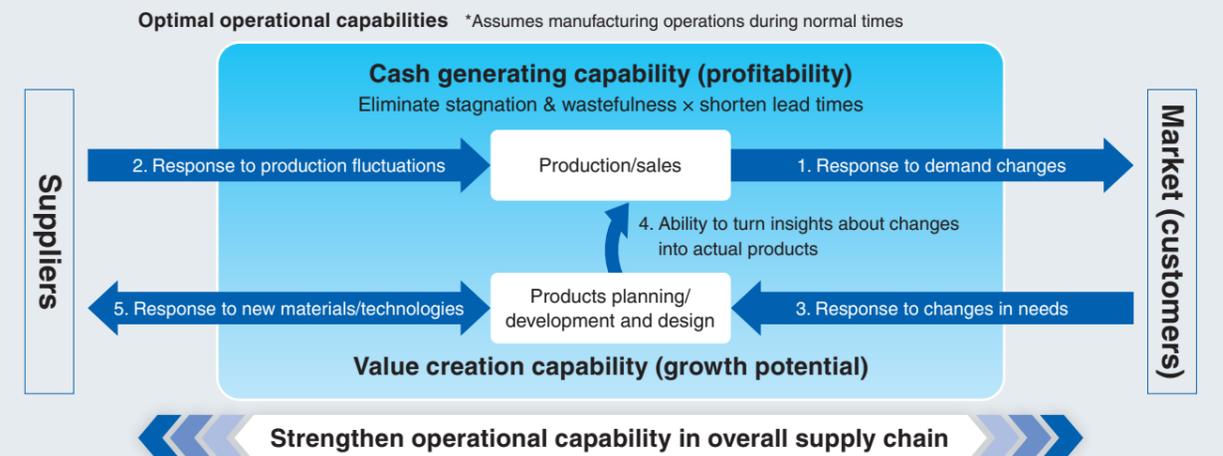
Toward what we aim to be in 2030, everyone at all operating companies of the Panasonic Group is determined to continue efforts to help our customers live their best, offer contributions to become a valued company needed by society, and thus enhance corporate value from the perspective of stakeholders as well as enterprise value in terms of financial measures.

Finally, I would like to ask for your continued support of Panasonic.



## Column 1 Operational capabilities

Group CEO Kusumi has announced a policy of focusing on strengthening “operational capabilities,” which he identifies as a key component of enhancing competitiveness, alongside “strategy.” Kusumi defines operational capabilities as the elimination of bottlenecks that impede the five “Capabilities toward change” and “Speediness” as shown in the figure below, and takes the lead in encouraging business managers to thoroughly work on the strengthening of operational capabilities. In April 2022, Panasonic established the Operational Strategy Department as an organization reporting directly to the Group CEO (see “Efforts to thoroughly strengthen operational capabilities,” p. 19).



Top of figure	In addition to improving productivity and shortening lead times by thoroughly eliminating wastefulness at production sites, the most important factor in generating cash is to continue to deliver products to customers in the right quantities at the right time, with no shortages or excess inventory. To this end, we will work with suppliers to reduce procurement lead times and improve our response to production fluctuations.
Bottom of figure	In order to make unrivaled contributions through our products, we must produce highly competitive products in terms of function, quality, and cost. This requires identifying the changing needs of society and the market earlier than our competitors, improving our development efficiency, shortening our development lead times, and syncing the commercialization process with the use of the latest materials and technologies.

## Column 2 Active communication with employees

At the headquarters of Panasonic Holdings Corporation, there are no more offices separately set up for the Group CEO and senior management. Group CEO Kusumi and other senior managers sit at nearby desks to facilitate daily interactions with employees. They are encouraged to approach Kusumi at any time and say what needs to be said.

Kusumi also uses internal social media tools to blog about his own daily thoughts and feelings. Employees from all over the world write messages to his blog posts, and Kusumi responds to the messages in his own words, ensuring two-way and flat communication with employees.

