I’m Yuki Kusumi of Panasonic.

As of today, October 1, 2021, the Panasonic Group has substantially transitioned to its new system, prior to the formal establishment of the holding company and operating companies in April 2022.

The new system is generally called a “holding company system.” However, to emphasize that each operating company plays the main role, I will call this system an “operating company system.”

Today, as we begin the operating company system, I would like to explain the future management direction, what we aim to achieve with the new system, including my thoughts after the first 100 days being President.
After becoming CEO in April 2021, with the COVID-19 situation, I was unable to travel overseas. However, whenever the state of emergency was lifted in Japan, I enthusiastically visited various operational frontlines.

I have visited more than 10 factories since April, mainly factories where I had never visited before. In addition to observing the production process, I have had dialogues with the employees.

Also, I have discussed how to enhance competitiveness with the heads of the operating companies.

During such opportunities, I have come to realize that Panasonic Group has great potential in all areas involving business, from manufacturing and technology to products and services.

Above all, I strongly feel that we are fortunate to have our splendid team of human resources.

At the same time, I realized that there is still plenty of room for improvement at each business. In particular, I have encountered cases that made me concerned about the basic way of thinking in management. This way of thinking used to be fully understood by all employees during the expansion phase of “Matsushita,” but it seems to be fading away.

This current state has taught us that we are unable to achieve a management style having everybody fully understanding this basic way of thinking.

However, this shows that if we can return to the basics of management and fully exert our potential, the competitiveness of each business will improve, consequently becoming able to make great contributions to society, and business will turn to growth naturally. I am quite confident in this belief.
In the past, during the times of our founder Konosuke Matsushita, in addition to the management philosophy of the “Basic Management Objective,” “Company Creed,” and “Seven Principles,” we had the “Basic Business Philosophy” defining our basic way of thinking in implementing the management philosophy. And we have been practicing accordingly.

However, at a management policy meeting in 1982, the founder sent out a warning: “the Basic Business Philosophy is being neglected.” And it has faded even further after his passing away in 1989.

There are voices that say, “I know the meaning of Basic Management Objective, Company Creed, and Seven Principles” or “We will make contributions to the development of society as a public entity.” However, simply being familiar with the phrases is not enough. Upon transitioning to the new system, each employee must return to the basics and fully understand the essence of the Basic Business Philosophy in order to implement it. This is how I strongly feel.

It is true that the contents of the Basic Business Philosophy, which was compiled approximately 60 years ago, may not fit the times today, or the language may be difficult to comprehend. To help all employees fully understand its contents, we need an updated interpretation that complies with today’s societal conditions and social conventions. Therefore, we conducted a major revision for the first time in approximately 60 years, and we will call it “The Panasonic Group’s Basic Business Philosophy.”

I participated as a major member of the editing team myself, and for approximately four months, we discussed matters with many employees who possess knowledge and expertise, extracting what we must not forget even today, based on the original idea. And we re-edited the Basic Business Philosophy into a guideline that is vital today.

In particular, the information on “how to implement” is more strongly emphasized and described in detail as guidelines of conduct, compared to the original. This is to prevent our "implementation ability" from fading away.
This “Panasonic Group’s Basic Business Philosophy” serves as a guideline for implementing management of the Panasonic Group, and it is very detailed. Today, I would like to introduce you to a few excerpts.

First, we will strive to become unrivaled in accomplishing valued work so that customers select Panasonic’s products and services. This will lead to founder Konosuke Matsushita’s aim toward “matter and mind as one,” in other words, reaching an “ideal society” with affluence in both matter and mind.

To accomplish this, each employee, as a merchant, should faithfully practice the customer-comes-first attitude, more than anyone else, to gain the customer’s trust.

Profit is something that we gain as a result of customers selecting us. It should be returned to society and employees, as well as being invested in what we need to achieve in the future. In other words, this means investment toward solving societal and environmental issues in the areas that each operating company addresses. If this cannot be achieved, we should immediately make bold decisions to change the situation.

To achieve such a management style, we will thoroughly implement the idea of “autonomous responsible management and employee entrepreneurship.” This will encourage all of our employees to make their best efforts to come up with better procedures as they engage in their own work. Furthermore, it will encourage employees to boldly take up the challenge and gain a sense of responsibility to make greater achievements.

In addition, for quicker and better decision-making as an organization, we will create a culture in which “employees can say what they have to say” and promote management through collective wisdom of all.

And, as our premise in implementing these measures, we will promote management that “maximizes potential of our human resources.”

This Panasonic Group’s “Basic Business Philosophy” will be available to employees from today. I expect everybody, from executives to employees at the operational frontlines, to read it carefully and fully understand its contents so that all of us can implement it. It is available on a website, so one can refer to past comments and writings for further study.

The contents will also be shared with the public. In this way, we will demonstrate to society a commitment to implement our Basic Business Philosophy. Each employee’s conduct will be expected to live up to the standards clearly stated in the Basic Business Philosophy, which can be read by anyone. Accordingly, all employees, including myself, will have a stronger foundation in dedicating ourselves to our work.
Next, based on the premise that we draw out the potential of employees and organizations at each business with the implementation of the "Basic Business Philosophy," I will explain what we aim to achieve under the operating company system.

First, we should clarify the areas in which each operating company or each business division will strive to make contributions to solving societal and environmental issues. Also, we should make a hypothesis of what they should achieve reflecting changes in society, envisaging a 10-year horizon. We should conduct our management based on this hypothesis.

It is essential for each operating company or business to make contributions to the environment and we should clarify the contributions to solving the issues and helping the development of society. Therefore, when we discuss strategy formulation, we should properly consider the goals of the hypothesis we make for the 10-year horizon rather than numerical targets. Then, to achieve these goals, we should examine detailed strategies and their plans for execution over and over. If there is anything wrong in a hypothesis, we should swiftly adjust our ongoing strategies. This is how we should move the cycle of formulating our strategies, going forward.

To be specific, we will drastically reform our approach to promoting the business strategy, that is, how operating companies formulate strategies and follow up the new medium-to-long-term strategies, starting from FY23.

Second, we must continuously enhance our competitiveness, moving ahead with strategy and operational capability, which are indispensable to each other. To achieve this, we will clarify KPIs to enhance the competitiveness of each business. We will evaluate such KPIs instead of the result figures so that we can effectively deal with the ever-changing management issues.

Furthermore, to support these transformations in management, we will stay close to the operational frontlines and hold more frequent and deeper discussions with them. Then, we will improve the speed of business and the quality of decision-making. This will enable us to adjust our strategies swiftly when necessary.

This is what we are aiming to achieve under the operating company system. I, along with other directors of the holding company, will participate in the board meetings of each operating company and proactively get involved in deeper discussions.
Since I became CEO in April 2021, I have been saying, “We will enhance competitiveness in all businesses for the next two years.” However my message may have been misinterpreted as “We will not prioritize certain businesses as core businesses or pillars of business. Therefore, we will not make investments prioritizing certain businesses” or “We are going to make our decision which business should be spun out for the course of the next two years.” These sentiments are not my intentions.

Let me reiterate what I intended to say in my message.
As I explained earlier, the aim of operating companies is to clarify areas where they should make contributions to society and to enhance competitiveness thoroughly, envisaging a 10-year horizon.

To achieve this, it is not enough to simply refine our strategies and operational capabilities. In fact, there are many things we should do in accordance with the Basic Business Philosophy, such as thorough execution of autonomous management and cultural reform to maximize collective wisdom.

In particular, it is essential that each operating company make its own investments to achieve each aim of making contributions to society and the environment. We are not working to enhance competitiveness just for the sake of temporarily increasing profit over two years.

Rather, I set two years as a reasonable period to have each operating company become fully used to this way of thinking. For each business to develop and thrive for years to come, we, together, need to establish a firm foundation. That was also my intention.

Competitiveness means being unrivaled as we accomplish valued work that is selected by customers. We must continue to refine our competitiveness to make continuous contributions to customers and society. I believe this is the business value that will eventually lead to growth. As long as a certain business possesses such competitiveness, that business represents Panasonic, regardless of its size.

Therefore, again, as a holding company, we do not intend to classify businesses as “focus areas” or “core businesses.” Obviously, each business has its own necessary investment scale different from others, even if we do not classify businesses. However, such investment scale does not represent the fundamental value of that business.

Of course, if we foresee a certain industry shrinking in the future, or a business has difficulty competing against its peers due to structural weakness, then we will swiftly take the necessary actions. However, such decisions should not be made based only on reasons involving our own economic rationalization; rather, individual cases should be judged carefully by considering a variety of factors and giving priority to avoiding inconvenience to our customers and ensuring the happiness of our employees.
With regard to the detailed aim and initiatives of each operating company, we will host an opportunity for each head of the operating company to make a presentation.

Therefore, at this time, I would like to elaborate on how Panasonic Holdings Corporation will make contributions to the Group’s development.

As I explained, operating companies will take up challenges in contributions to society and enhancement of competitiveness by envisaging a 10-year horizon. The aim of the holding company is to envisage our future even beyond that period and to devote itself to enhancing the Group-wide management foundation.

This slide shows the five roles of the holding company.

The first point is implementation of the Group’s Basic Business Philosophy, which I explained earlier.

For the second point, the holding company will ensure and support enhanced competitiveness for each operating company.

Specifically, we will focus on six key initiatives:
(1) Green Transformation (GX), which we announced in May 2021, to help accelerate environment management, (2) Digital Transformation (DX), (3) Gemba Innovation, (4) Design Management, (5) Brand Management, and (6) various accelerated innovations.

The third point is to attain management that maximizes potential of human resources.

The fourth point is also related to my previous explanation of how to improve competitiveness at all businesses. As I said, each operating company plays the major role in developing its business. As a holding company, we will be taking actions toward our Group’s development where necessary.

The fifth point includes financial discipline and thorough implementation of safety and compliance.

In the next few slides, I would like to elaborate on the progress of GX as well as initiatives in DX, which are being promoted as one of the CEO projects. In addition, I would like to explain the third point, how to strengthen and implement management that maximizes the potential of human resources, which is also one of the most important factors for progress in transformation.
First, I would like to explain the progress of Green Transformation, particularly the need to prevent global warming, recognized as the most serious social challenge.

At the CEO briefing in May 2021, we announced our commitment to “Achieve zero CO\textsubscript{2} emissions (carbon neutrality) at all operating companies by 2030.” We have already established detailed roadmaps to achieve this goal at all operating companies. Also, several businesses have drawn up their plans to achieve the target well ahead of schedule, the year 2030. For individual plans, we will make an opportunity for each operating company to explain its vision.

This area can be viewed as the minimum requirement for approval by society to continue our business. Our Basic Business Philosophy stipulates that, as long as we conduct business activities with resources entrusted to us by society, we must effectively utilize them as much as possible and make contributions to society. With the idea that “A company is a public entity of society” as the basis of our management, we will further accelerate our initiatives to reduce CO\textsubscript{2} emissions not only emitted directly from Panasonic’s business operations but also by our customers and society.

At present, Panasonic’s products are used by more than one billion customers a day globally. The total CO\textsubscript{2} emissions calculated from the use of these products is approximately 86 million tons a year.

This scale of emissions, which is classified as “Scope 3,” proves how we have been deeply involved in our customers’ daily lives through electrification since the foundation of our company. But at the same time, we recognize this as our responsibility. Thus, we are determined to continue our efforts to reduce CO\textsubscript{2} emissions going forward.

However, it is not possible to achieve Zero CO\textsubscript{2} emissions, in areas closely linked to our customers’ daily lives, by our own efforts alone.

Therefore, Panasonic will develop proposals to reduce the CO\textsubscript{2} emissions of others through the products and services we supply, which means reducing CO\textsubscript{2} emissions at B2B and B2G customers. This is regulated as the “Size of contribution in reducing CO\textsubscript{2} emissions” according to the International Electrotechnical Commission (IEC).

By 2050, we aim to achieve a greater scale of contribution in reduction, beyond emissions from Panasonic’s value chain.

Specifically, we are considering offering solutions in CO\textsubscript{2} reduction that have been accumulated through our own manufacturing operations for other manufacturing customers.

The more we refine our competitiveness in these businesses and make contributions to customers and the Earth, the closer the World can get to achieving carbon neutrality. We devote ourselves to accelerating our efforts to meet these challenges for this future.
Next, I would like to explain Digital Transformation, or DX. To attain excellent operational capabilities as a Group, promotion of DX is essential. Therefore, we will immediately carry out transformation to support each business in promoting DX and to raise the level of our Group-wide IT management infrastructure.

In our Group, various IT systems have been introduced by each business, according to its own priorities and requirements. As a result, IT has not fully contributed to improving our management with speed at each business, as we had hoped. Unfortunately, this is our current situation.

To break away from the status quo and to transform our systems to IT that directly spurs the Group’s growth, we will leverage IT to improve business procedures and work styles. In other words, we will increase speed and quality of management by thoroughly adopting IT.

To achieve this aim, we named this IT transformation project Panasonic Transformation, or PX, and we will continue to promote it as one of the most important management strategies beyond simple IT transformation. Chief Information Officer (CIO) Tamaoki, who has vast experience as an IT specialist outside Panasonic, will lead this project. I am also committed to its success as a project owner.

In PX, we will steadily promote IT system transformation. Our intention is to help our business processes evolve according to changes in society and the business environment with IT, not for regulating business processes. Let me elaborate on this point.

Traditionally, one of the main purposes of IT is to regulate business processes. However, it is essential that we allow our business processes to evolve, swiftly and constantly. In other words, we must act with agility, according to the quickly changing society and business environment.

Therefore, we will transform our business processes to become agile, including construction of systems and accelerating the move to cloud-based operations.

In addition, we will establish a data-driven infrastructure for effectively using data in management by analyzing various data closely.

Under the operating company system, we will thoroughly implement autonomous responsible management at all businesses. But, particularly for IT, the holding company will support the operating companies and keep a firm grip with the necessary governance.

The holding company will support each operating company’s competitiveness as well as seek the advantage of Group-wide economic scale for common items. These two initiatives are indispensable to each other.

Through PX promotion, we aim to achieve speedier management capabilities as a Group and to become the leading company in the industries we serve.
Finally, I would like to explain management that maximizes the potential of human resources. When Panasonic makes contributions to society, human resources plays the role at the heart of our efforts. In other words, it is individual employees who make the contributions. Panasonic has approximately 240,000 employees globally, with diverse personalities and talents. The holding company will proactively support the challenges taken up by these individuals.

For example, to expand opportunities for employees to take up challenges and act, we will continue to exchange human resources proactively among businesses, even after we transition to the operating company system, and thus make the most of the Group’s organization.

The values offered by individuals is becoming more diverse. Also, the challenges taken up by individuals are diverse. Moreover, the anxieties and concerns of individuals are different. We will remove the various obstacles individuals face and accelerate initiatives to maximize diverse values of employees so that employees feel happiness and are proud of working at Panasonic.

Recently, Diversity and Inclusion (D&I) includes the notion of “Equity.” Equity means providing equal opportunity for employees to take up challenges and initiate their own actions. The Panasonic Group proactively promotes DEI in our workplace.

However, Panasonic Group’s HR system and operations are not yet sufficient to support DEI promotion. The evaluation of employees having to deal with child-care is one example. Therefore, we will swiftly resolve such shortcomings.

Matsushita Electric Industrial (former name of Panasonic) was the first company in Japan to introduce a five-day work week. At that time, we were considered an advanced company in terms of management that maximizes the potential of human resources. However, we are learning such initiatives from other advanced companies nowadays.

Going forward, we aim to become an advanced company again in maximizing the potential of human resources. Thus, all of our employees will be able to exert their personalities and capabilities to take up challenges in the business areas the Panasonic Group addresses and to make contributions to society.
To accomplish Panasonic’s aim of achieving an ideal society with affluence in both matter and mind, there are many things that needs to be done.

Therefore, we will spend this two-year period focusing on enhancing our competitiveness by returning to the basics of implementing our management, which used to be the source of our strengths.

At the same time, each business will work to fully identify the changes they will bring in such areas as improving peoples’ lifestyles, helping to develop society, and contributing to solving global environmental issues. Toward this aim, we want to establish a firm foundation that allows each business to develop and thrive for the years to come.

To accomplish this, adhering to our “Company Creed,” we will dedicate ourselves to engaging in our daily work with integrity, through the cooperation of each employee and united in spirit.

Thank you for your kind attention.
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