Message from the CEO

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Pushing Forward for Sustainable Growth through Ceaseless New Contributions

In fiscal 2018, Panasonic achieved increases in both sales and profit. What needs to be changed for future growth and your view on future strategy?

A solid foundation for sustainable growth near completion; promoting a growth strategy for further improvement in profitability

After becoming president, I initiated a series of steps to prepare for future growth. These steps included investing in growth areas and shifting our resources while carrying out structural reform and profitability improvement initiatives. As a result, Panasonic was able to achieve growth in both sales and profit in fiscal 2018. Sales and profit increases, in real terms excluding the effect of exchange rates, were accomplished for the first time in seven years. I regard this as a major turning point. In addition to our financial performance, I place emphasis on whether a certain business can continue to generate value and avoid becoming obsolete. We have definitely made improvements from each perspective, and I am quite confident of our outlook.

However, the current status shows us that we have just turned things around. Accordingly, we must work harder to improve profitability even further. We will steadily gain the full-fledged investment returns coming from our growing businesses, while continuing to pursue profitability improvements for our businesses still showing low profits. Furthermore, to achieve growth accompanied with profitability, we will conduct thorough business portfolio management including the shift of resources and replacement of businesses. In fiscal 2019, we are expecting another year of sales and profit growth, but will continue to take necessary measures toward achieving sustainable growth.

Net Sales / Operating Profit

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<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Operating Profit</th>
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<tbody>
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<td>3/13</td>
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<td>3/19 (Forecast)</td>
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Sales in real terms (from fiscal year ended March 2013, excluding effect of exchange rates)

* Fiscal years after FY2017: OP based on IFRS deducting other income/loss
Ongoing change through a “champion and challenger” model
Panasonic celebrates its 100th anniversary in 2018. Going forward, we will maintain our efforts to pursue growth along with our brand slogan, “A Better Life, A Better World.” This encapsulates our vision of expanding a better life and realizing a better world globally for each individual customer, based on our philosophy of “contributing to the development of society through our business activities.”

While this fundamental vision and philosophy will never change, 2018 allows us to make a fresh start, taking off for the next 100 years. Panasonic’s development rests on its continuous contributions to society, offering a variety of electrical products based on a “mass-production, volume-sales” approach. Over the years, we have refined our strengths in technology and manufacturing, built relationships of trust with our customers, and cultivated our brand power. Having said this, we now understand that the changes in society are so significant that we are facing limits to implementing this business model of “mass-production and volume-sales,” in which we have been able to exert our strengths.

Looking at the consumer business, various products are already widespread. The change in people’s mindsets, finding less value in simply possessing tangible products, has led to the dawn of new markets such as car-sharing. These changes in society will accelerate through the advancements of digital technology.
including IoT and AI.

Amid these significant changes, the question arises whether Panasonic, a large 100-year-old company, will be able to respond flexibly and grow sustainably. To do this, the basic idea is to implement a “Champion and Challenger” model. At Panasonic, there are many champion businesses such as the consumer electronics and electrical construction materials businesses in Japan. But champions cannot be champions forever. Even if a certain business is performing favorably today, forecast of a scale-down in the future will necessitate changes be made. At the same time, it is imperative that we possess various challenger businesses in areas like automotive batteries so we can develop based on a sound balance of champions and challengers. Our champion businesses should pursue further profitability to support challenger businesses in terms of technological development, funding and resources. And our challenger businesses should free themselves from conventional businesses’ assets and systems to achieve innovation, while placing a priority on speed.

Explore a new mobility business by leveraging strengths in automotive batteries as Tesla and Toyota, while pursuing further sophistication of battery features. These initiatives enable us to seek growth and assure profitability.

Looking beyond our status as a battery maker, we will also refine our way of efficiently using batteries, going forward. This means we can leverage our strengths in automotive batteries through battery management and the collection of data. For this endeavor, we will mainly focus on the Chinese market which is facing a wide range of social issues related to the environment and energy through rapid economic development and urbanization. The Chinese market offers considerable growth potential, given developments in electrification not only for passenger and commercial vehicles, but also for special-use, super-compact EVs used for delivery and other purposes. I am keen to take up the challenge of exploring a new mobility business and creating contributions together with our partner companies.

Refine our “No. 1 automotive batteries” for future profit. New endeavors in the mobility business

First is the automotive business. We will secure further progress in refining performance of our “global No. 1 batteries.” Panasonic has a history of over 50 years in the storage battery business. We have an accumulated track record of technological and manufacturing competitiveness, in addition to expertise in the chemistry of materials, which in turn serve to decisively determine the quality of a battery. On this basis, we can continue to differentiate ourselves, and leverage this differentiation as a source of competitiveness. Based on this competitive advantage, our business strategy is to achieve mutual development through strong partnerships with our customers such

Consumer electronics evolving with IoT; expanding contributions from “electrical goods” to “living”

Second is the consumer electronics and housing-related business. We will first take up the challenge in the Chinese market and offer a lifestyle that people yearn for. In specific terms, we are targeting the newly emerging affluent demographic. Typical customers are married couples in the young age bracket with a high family income, a fondness for new trends, and the capability to disseminate information. We will engage in product development and marketing activities based on our study of what elements will drive their desires. We will also respond to Chinese market demand by offering added value through the networking of consumer
Message from the CEO

Recognizing that the Chinese market is conscious of the changes taking place, we plan to focus on this region. By embracing such challenges, we will be able to accelerate our evolution.

For the Japanese market, we aim to create a unique brand image of Panasonic as a lifestyle provider, evolving from the current perception of the Company as a manufacturer of consumer electronics. After cultivating Panasonic’s brand strengths in the consumer electronics area, PanaHome (renamed Panasonic Homes in April 2018) became a wholly owned subsidiary in October 2017. We are now ready to fully leverage our capabilities in consumer electronics, electrical construction materials, building materials, together with homebuilding, to make proposals that help create new value in the “living” field. In addition, we will expand our areas of contribution from homes to urban development and services in a concrete manner that our customers can easily recognize.

Bringing “Gemba Process Innovation” to our enterprise customers

Finally, we are taking up the challenge in solutions-based businesses for enterprises. For the Connected Solutions Company, established in April 2017, the major business pillars are for enterprises, such as inflight entertainment systems, mounting equipment, projectors and payment terminals. We are now trying to add a layer to our business to provide solutions to solve our customers’ issues, aiming to improve our profitability. Our initiatives go into what we call “Gemba (operational frontlines) Process Innovation.” Our main targets are customers facing issues at their Gemba, such as the services industry including logistics and distribution. On the back of the networking era, the services industry faces urgent management issues. This includes bringing innovation to their supply-chain for a speedy response to diverse consumer needs as well as innovating their products and services. The expertise and technological capabilities Panasonic has developed as a manufacturer can contribute to solving our customers’ supply chain issues at the Gemba where they manufacture, transport, and sell their products and services.

New mid-term strategy: accelerate innovation addressing changes in society as endeavors take shape

Changes in the business environment will become increasingly drastic. For Panasonic to grow in the medium-to-long term, it is vital for us to have keen insights into changes in society such as urbanization, the aging population and diversified values, in addition to making the first move.

During this fiscal year, we will formulate our new mid-term strategy for the three years starting fiscal 2020. We will elaborate our actions for the next three years, backcasting from our medium-to-long term vision, based on assumptions regarding changes in society and what changes Panasonic would like to bring about in 2030. Each of the endeavors I mentioned earlier will also take shape under the new mid-term strategy.

To address the significant changes in society, it is also necessary to place oneself in the middle of intense environmental change. If we remain entrenched in a Japan-centric approach, we will not be able to respond to the rapid changes happening globally. Our capabilities to meet such changes will be refined by placing emphasis on the rapidly changing Chinese and U.S. markets, and being inspired by our customers and business partners.

Refine our capabilities to respond to changes by placing emphasis on the rapidly-changing Chinese and U.S. markets
Further implementation of management through collective wisdom

When making progress in taking up challenges, it is important to have the attitude of “making use of collective wisdom,” an approach advocated by our founder, Konosuke Matsushita, which is widely understood by our employees. Being aware that there is a limit to what one person can accomplish alone, we will enrich deliberations from diverse perspectives within the Company, in addition to Board of Directors meetings where we can draw from the insights of outside directors. We also welcome the objective opinions of investors, which we will consider in our way of management.

Toward medium-to-long term growth and enhancing corporate value

Panasonic is positioning its 100th anniversary as a fresh start. Thinking about our aim going forward, when society evolves and encounters changes, new social issues emerge. Panasonic’s raison d’être is to address these social changes and constantly offer new contributions that help solve such issues.

As we take off for the next 100 years, we will continue pushing forward to achieve medium-to-long term sustainable growth and to enhance corporate value. Thank you for taking an interest in our new journey. I would like to ask for your continued support to the endeavors taken by Panasonic.