The Company considers corporate governance to be a key foundation for increasing its corporate value and will continue strengthening governance, including enhancing the discussion of business strategies by the Board of Directors.

Basic policy

The Company, since its establishment, has operated its business under its management philosophy, “contributing to the progress and development of society and the well-being of people worldwide through its business activities.” Also, the Company believes it is important to enhance corporate value by fulfilling accountability through dialogue with various stakeholders such as shareholders and customers, making an effort to execute transparent business activities, and swiftly conducting business activities with fairness and honesty based on its basic philosophy of “a company is a public entity of society.”

The Company recognizes that corporate governance is an important structure for this purpose, and is working to build and enhance an effective corporate governance structure.

Outline of structure (As of June 27, 2019)

The Board of Directors
- The Board of Directors is composed of 11 directors including four outside directors, of whom one is a woman (outside director).
- The chairperson of the Board is the chairman (inside director).
- The Company elects outside directors from among managers of external entities, who have extensive managerial experience in various careers and deep insight, and are expected to provide valuable opinions as supervisors of decision-making related to business execution and the execution of directors’ duties.
- All directors are reelected at the annual general meeting of shareholders.

Main items discussed by the Board of Directors in fiscal 2019
In addition to discussions on business policy, the Board of Directors deliberated on and decided matters related to medium- to long-term strategy, including the establishment of a joint venture with an external partner and large-scale capital investment projects, as well as important aspects of business execution, such as dividend policy and executive HR issues. In addition, it received business reports from Divisional Company CEOs and region representatives, conducted oversight of the execution of duties, and verified the operational status of the internal control system. The Board of Directors also discussed business portfolios, human resources strategies, and financial strategies. In addition, the significance of possessing strategic shareholdings was examined by the Board of Directors.
Audit & Supervisory Board members (A&SB members) and Audit & Supervisory Board (A&SB)
- The A&SB is composed of five A&SB members including three outside A&SB members, of whom one is a woman (outside A&SB member).
- The Company sets A&SB members who are able to exert their monitoring functions according to their individual discretionary decision, but not to majority vote decision. The A&SB members are also able to independently act upon their own decision in pursuing liabilities of directors.
- The Company sets full-time senior A&SB members who are well versed about corporate operations and are able to comprehend actual condition of businesses by exercising their right to visit and investigate operating sites. The senior A&SB members are elected from among those who have experience in positions equivalent to or higher than managing director.
- The Company elects outside A&SB members from among managers, lawyers, and certified public accountants, who have extensive expertise with various careers and deep insight and can be expected to conduct valuable audits of the execution of business by directors.

Optional Nomination and Compensation Advisory Committee
- Chaired by an independent outside director
- Majority of members are independent outside directors.
- Deliberates on the results of internal reviews of the nomination of candidates for director, executive officer, and audit & supervisory board member and on the appropriateness of the Company’s director and executive officer compensation system, and reports on these matters to the Board of Directors.
- Monitors the candidates for the CEO successor and can propose the replacement timing of CEO.
- In fiscal 2019, the committee deliberated on the result of internal discussion regarding candidates such as Directors and reported to the Board of Directors.

Group strategy meeting
- Meetings are held about twice monthly in principle to discuss and set the direction of the Group’s medium- to long-term strategy and priority issues.
- Around 10 members of upper management participate, including the CEO, Divisional Company CEOs, and non-Japanese executive officers.
- Managers of related business and functional divisions in positions of responsibility also participate in discussions depending on the matter considered.

Utilization of outside directors

Policy for nominating independent outside director candidates and their qualifications
The Company nominates independent outside director candidates from the standpoint that there be no conflict of interest between the Company and the outside directors, and the Company can increase and enhance the effectiveness of the monitoring of the Board based on an objective and neutral point of view.

Candidates for independent outside director who satisfy the following independence standards are elected from among those who have extensive knowledge and expertise, such as managers or experts of external entities.

The Board of Directors resolved that the minimum ratio of outside directors should be one third on and after June 29, 2017. Based on this, we nominate candidates for outside director and appoint them at the ordinary general meeting of shareholders, thereby enhancing the objectivity and neutrality of the Board of Directors and strengthening the supervisory function.

The Company’s Outside Directors

Yoshinobu Tsutsui
Chairman of the Board, Nippon Life Insurance Company
He brings extensive experience at the highest level of management along with expertise in domestic and international financial developments.

Hiroko Ota
Professor, National Graduate Institute for Policy Studies
A specialist in public economics and economic policy, she is involved in national economic policy as the former Minister of State for Economic and Fiscal Policy.

Kazuhiko Toyama
Representative Director (CEO), Industrial Growth Platform, Inc.
A leading figure in corporate governance in Japan, he is involved in numerous corporate revitalization projects as the former COO of Industrial Revitalization Corporation of Japan.

Kunio Noji
Senior Advisor, Komatsu Ltd.
One of Japan’s most noted executives, he built Komatsu into a global corporation. He advocates reform of business management through innovation.
Independence standards for independent directors / Audit & Supervisory Board members (A&SB members)
The Company established independence standards for independent directors/A&SB members based on independence standards required by financial instruments exchanges such as the Tokyo Stock Exchange. For example, the following persons are not considered independent.

- Major business partner of the Company or said executing person (including those who had fallen under this category in the past)
- Consultants, accountants or attorneys (or, in the case of companies, people who belong or belonged to such companies) who receive a significant amount of money from the Company
- The aforementioned close relative (a second-degree or closer relative) or a close relative of an executing person of the Company or subsidiary

Also, “past” shall mean “within the last three years” and “major business partner” shall mean the annual amount of transaction exceeds 2% of either of their annual consolidated sales. “Significant,” in the case of individuals, shall be judged as 12 million yen. For a detailed definition of the Company’s independence standards please refer to the “Corporate Governance Report.”

Provision of information and assistance to outside directors
The division in charge provides support to outside directors, such as prior explanation of agendas of the Board meeting and provision of information to enable effective discussions by the Board of Directors. In addition, the Company provides them with the opportunity to visit major operating sites and plants.

Implementation and utilization of evaluation of the Board of Directors’ effectiveness

Once a year, the Board of Directors administers a questionnaire to all its members in order to further enhance the Board’s effectiveness.

Analysis of the responses to the fiscal 2018 questionnaire showed that the effectiveness of the Board was generally considered appropriate as it currently is. It also showed that some opinions and proposals suggested expanding discussions regarding medium- to long-term strategies and compliance. Based on this, in fiscal 2019, in addition to continued discussions on the medium- to long-term strategy, other discussions such as business reports from each Divisional Company, compliance, and risk management were further enhanced.

An effectiveness evaluation in fiscal 2019 showed the effectiveness of the Board in its current state was generally considered appropriate, as were the Board’s supervisory and decision-making functions.

The Company continues to conduct evaluations of the effectiveness of its Board of Directors and improve the evaluation methods.

Activities Aimed at Strengthening Governance

Evaluating the effectiveness of the Board of Directors started in fiscal 2016. Governance has been strengthened while incorporating opinions and proposals from questionnaires.
Compensation

**Performance-based compensation**
The Company implemented performance-based compensation as a short-term incentive to provide incentive to boost business performance, and it shall be determined in conjunction with performance evaluation for Panasonic as a whole and the specific businesses a director is in charge of, based on performance indicators, such as net sales and operating profit, free cash flow.

**Restricted stock compensation**
The Company implemented stock-type compensation stock options as a long-term incentive. Starting in fiscal 2020, it will replace the stock-type compensation stock options with restricted stock compensation. This is to both provide an incentive to ensure that the Company’s corporate value continues to rise, and to promote further value sharing with the Company’s shareholders.

Reflecting on the reasons for introducing the stock-type compensation stock options and the restricted stock compensation, the ratio of the incentive option to the overall compensation package is designed to be higher the higher up the position of the director or executive officer receiving it. In addition, the total amount is set based on overall considerations of matters such as the duties of each director or executive officer, and the balance with monetary compensation.

**Procedure for determining compensation**
Compensations of directors and executive officers are decided by the representative director and president, who was given the authority by the Board of Directors, based on the Company’s director and executive officer compensation system. In November 2015, the Company has established an optional Nomination and Compensation Advisory Committee, majority-staffed and chaired by independent outside directors. In response to inquiries from the Board, this committee deliberates and reports on the appropriateness of the Company’s director and executive officer compensation system.

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**Illustration of Compensation Structure**

**Long-term incentive**
- Stock-type compensation stock options (up to fiscal 2019)
- Restricted stock compensation (from fiscal 2020)

**Short-term incentive**
Performance-based compensation

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**Amount of Compensation for Directors and A&SB Members for Fiscal 2019 (ended March 2019)**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of persons</th>
<th>Amount (million yen)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Basic compensation</td>
<td>Performance-based compensation</td>
<td>Stock-type compensation stock options</td>
</tr>
<tr>
<td>Directors (other than outside directors)</td>
<td>9</td>
<td>1,085</td>
<td>583</td>
<td>337</td>
</tr>
<tr>
<td>A&amp;SBMs (other than outside A&amp;SBMs)</td>
<td>2</td>
<td></td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Outside directors</td>
<td>4</td>
<td></td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Outside A&amp;S&amp;BMs</td>
<td>3</td>
<td></td>
<td>39</td>
<td>39</td>
</tr>
</tbody>
</table>

Note: One director who retired at the conclusion of the 111th Ordinary General Meeting of Shareholders held on June 28, 2018 is included in the above.

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**Directors Who Received Compensation over 100 Million Yen**

<table>
<thead>
<tr>
<th>Name</th>
<th>Classification</th>
<th>Amount (million yen)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Basic compensation</td>
<td>Performance-based compensation</td>
<td>Stock-type compensation stock options</td>
</tr>
<tr>
<td>Shusaku Nagae</td>
<td>Director</td>
<td>118</td>
<td>100</td>
<td>—</td>
</tr>
<tr>
<td>Kazuhiro Tsuga</td>
<td>Director</td>
<td>255</td>
<td>104</td>
<td>84</td>
</tr>
<tr>
<td>Yoshio Ito</td>
<td>Director</td>
<td>161</td>
<td>79</td>
<td>58</td>
</tr>
<tr>
<td>Mototsugu Sato</td>
<td>Director</td>
<td>141</td>
<td>69</td>
<td>55</td>
</tr>
<tr>
<td>Yasuyuki Higuchi</td>
<td>Director</td>
<td>151</td>
<td>75</td>
<td>57</td>
</tr>
</tbody>
</table>

Note: Yoshio Ito retired at the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 27, 2019.
Information disclosure / Dialogue

Information disclosure approach and system
The Company’s basic policy concerning information disclosure is as follows.

The Company has documented the actual status of its internal control system from the control infrastructure to actual internal control activities, with integrated control provided by the Internal Control Promotion Office, in order to ensure reliability in the financial reporting of the Panasonic Group including its subsidiaries.

Specifically, the Company has reinforced its internal controls by implementing self-checks and self-assessment programs at each of the Divisional Companies and Business Divisions, etc. Then, internal auditing managers of the Divisional Companies appointed by the Company at each of the Divisional Companies, etc. conduct audits. Based on the audits, the Internal Control Promotion Office supervises the Group-wide internal control audits in order to confirm its effectiveness. In fiscal 2019, Panasonic had a total of 400 personnel assigned to conduct internal audits in the entire Group.

Constructive dialogue with shareholders and investors
The CFO is responsible for investor relations (IR) activities. The CEO, CFO, and each CEO of Divisional Companies mainly engage in dialogue with shareholders and investors. This includes announcements of financial results and individual meetings. Also, the IR staff members in the Corporate Finance & IR Department are in charge of day-to-day communication with shareholders and investors.

For IR geared toward institutional investors and securities analysts, the Company conducts presentation meetings of quarterly financial results announcements, annual presentations regarding business policy of the Company and Divisional Companies, and other activities. Also, for overseas investors, the Company holds presentation meetings utilizing conferences hosted by financial institutions.

Views and management issues obtained from shareholders and investors through IR activities are appropriately relayed to senior management and the relevant departments including Divisional Companies in internal meetings such as the Group Strategy Meeting and are utilized to improve the quality of management of the entire Group.

The Company clearly defines its policy on information disclosure in the Panasonic Code of Conduct, the guideline for putting the Group’s Basic Business Philosophy into practice. The Company also publishes relevant practical standards, methodologies, internal processes, etc. as its Disclosure Policy. In accordance with this Policy, the Company pursues constructive dialogue with all its shareholders and investors. (For more details, please visit the Disclosure Policy page on the Company’s website.)

Under this basic policy, we disclose information where disclosure of this information is required by securities-related laws and regulations of all relevant countries and regions as well as other information that is deemed as necessary to disclose in a fair and timely manner while at the same time endeavoring to disclose accurately, fairly, and sufficiently.

Moreover, the Company has established disclosure control procedures and in the preparation and submission of annual securities reports, quarterly reports, etc., the Disclosure Committee, which is comprised of general managers from principal departments that handle relevant information, confirms the validity of the descriptive content and the appropriateness of the disclosure procedures under the supervision of the CEO and chief financial officer (CFO).

Based on listing regulations, Company information that requires timely disclosure shall be immediately reported to the Corporate Finance & IR Department or the Financial & Accounting Department and disclosed timely and appropriately.

Internal control for financial reporting
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