

## Corporate Governance Structure and Initiatives

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.”

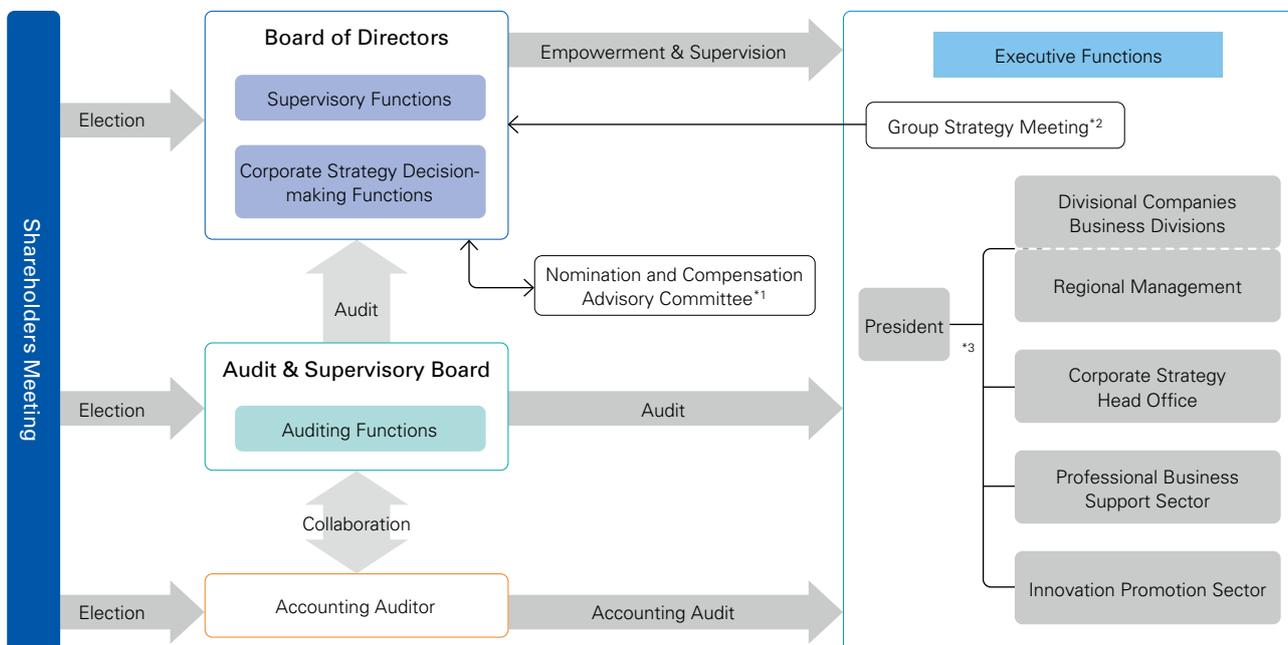
The Company recognizes that corporate governance is an important structure for this purpose, and is working to build and enhance an effective corporate governance structure.

### Outline of structure (As of June 25, 2020)

#### The Board of Directors

- The Board of Directors is composed of thirteen directors including six outside directors, of whom two are women (outside director).
- The chairperson of the Board is the chairman who does not execute duties (inside director).
- The Board of Directors focuses on “corporate strategy decision-making” and “company oversight” as a corporate decision-making body.
- 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.

### Corporate Governance Structure



\*1 Deliberates on advisory matters and reports to the Board of Directors

\*2 Complements Board of Directors' decision-making

\*3 Including affiliated companies (Japan and overseas), etc.

\*Please refer to the “[Corporate Governance Report](#)” for our systems for ensuring appropriate business operations (the basic policy of the internal control system, and its operational status).

### Themes discussed by Board of Directors in fiscal 2020

In fiscal 2020, the Board of Directors discussed and reached decisions on various matters as part of its portfolio management efforts. These included transfer and termination of businesses with loss-making structures and injections of external capital to maintain business competitiveness, medium- to long-term business strategies including establishment of joint ventures and large-scale capital investments, as well as important aspects of business execution, such as dividend policy and executive HR issues.

The Board also received business reports from Divisional Company CEOs and regional representatives, as well as directors in charge of R&D, compliance, quality

management, and the like. In the process, it verified the operational status of the Group's internal control system in addition to supervising business execution.

The Board also discussed the past summary and the future direction of M&As, as well as investment and financial soundness, innovations, and technology portfolio strategy. Here, the Board sought to take maximum advantage of the knowledge of outside officers and reflect that knowledge in its medium- to long-term vision.

In addition, the Board carefully examined the significance of possessing strategic shareholdings and also received evaluation reports on the effectiveness of its own activities.

### Themes discussed in fiscal 2020

Deliberation/decision	<ul style="list-style-type: none"> <li>• Business portfolio reforms</li> <li>• Establishment of joint ventures, large-scale capital investments, etc.</li> <li>• Dividend policy, executive HR issues, etc.</li> </ul>
Monitoring status of business execution	<ul style="list-style-type: none"> <li>• Performance and initiatives by company and region</li> <li>• Status of R&amp;D, compliance, and quality initiatives</li> <li>• Operational status of internal control system</li> </ul>
Debate	<ul style="list-style-type: none"> <li>• M&amp;As (past summary and future direction)</li> <li>• Investment and financial soundness</li> <li>• Innovation and technology portfolio strategy</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Significance of possessing strategic shareholdings</li> <li>• Effectiveness evaluations of Board of Directors</li> </ul>

### 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

- Composed of five members, the majority of whom are independent outside directors.

- Chaired by an independent outside director.
- 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.
- Met four times in fiscal 2020; discussions included results of internal investigations of candidates for directors and others and compensation for directors in the current fiscal year; reports were submitted 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.
- Chaired by the president, around 10 members of upper management participate, including 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.

## Corporate Governance Structure and Initiatives

### 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 exper-

tise, 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.



**Michitaka Sawada**

President and Chief Executive Officer, Kao Corporation

Leading a global company, he achieved continuous profit growth and prioritizes ESG-focused management to realize a sustainable society.



**Yuko Kawamoto**

Professor, Waseda University Graduate School

A specialist in financial theory and corporate governance, she has served on a number of Japanese government committees of finance, economics and others, and an outside director at domestic and overseas companies.

### 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.

- Business executives of the parent company and/or sister companies
- 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 (Outside directors’ visit to business sites).

### Activities Aimed at Strengthening Corporate Governance

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

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	As of June 30, 2020
Board of Directors	Appointed a female director		Began evaluating the effectiveness of the Board of Directors	Increased the number of outside directors from three to four	Reduced the number of directors from 17 to 12 Raised the minimum ratio of outside directors to one third	Appointed a non-Japanese director		Increased the number of outside directors from four to six Outside director ratio 46.2%
Nomination and Compensation Advisory Committee		(Number of outside members/ Total number of members)	Established 1/3	2/4	3/5			
Initiatives and other mechanisms		Introduced stock-type compensation SOs* * Stock options	Established the Outside Directors and Outside A&SB Members Committee	Outside directors as well as outside A&SB members began visiting business sites Discontinued the ESV Plan*	Reviewed the conferring of representation rights Clarified the roles of directors and executive officers	Reviewed the corporate advisor system	Introduced restricted stock compensation Reviewed the business execution system	

\* The Policy toward Large-Scale Purchases of Panasonic Shares

### 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. The results and evaluations of the questionnaire are reported to the Board of Directors.

As part of effectiveness evaluations in fiscal 2020, we deployed third-party perspectives to conduct face-to-face interviews (in addition to the questionnaire-based survey as done to date). In the questionnaire, we focused on items that previously had low or inconsistent evaluations, and we clarified improvement measures for issues thus identified.

#### Items of the survey in fiscal 2020

- Verification of the Board of Directors operation policy for fiscal 2020
- How discussions/deliberations should be carried out at Board of Directors meetings (discussions/deliberations the Board of Directors should ideally have)
- Unity of the Board of Directors
- The Board of Directors-shareholders (investors) relations, how they should be
- The Board of Directors’ operations and others

Upon analyzing the results of the survey and interview, the Company’s findings with respect to the effectiveness of the Board of Directors are such that the current state of the Board is essentially appropriate in terms of its monitoring and decision-making function. On the other hand, findings with respect to strengthening functions of the Board of Directors included opinions that in order to strengthen functions of the Board of Directors, discussions at the Board of Directors should be activated and information sharing with Outside Directors/Audit & Supervisory Board Members should be further promoted, and we are taking steps to respond and improve.

## Corporate Governance Structure and Initiatives

### Compensation

Compensation for directors depends on each person's role and is divided into three parts: Basic compensation (fixed), performance-based compensation (short-term incentive), and restricted stock compensation (long-term incentive). Outside directors and Audit & Supervisory Board members receive only basic compensation, which is fixed.

#### Performance-based compensation

Performance-based compensation is designed as a short-term incentive to boost business performance. It is determined each year in conjunction with performance evaluations of Panasonic as a whole and the specific business of which the director is in charge. From the fiscal 2020 result, evaluation items focus on achievement of operating cash flow targets, as well as a combination of indicators, including adjusted operating profit, net income, and inventories.

Performance-based compensation fluctuates widely depending on business results. It is designed to range from a minimum of 0% of basic compensation to a maximum of over 150% (75% when the standard value is achieved).

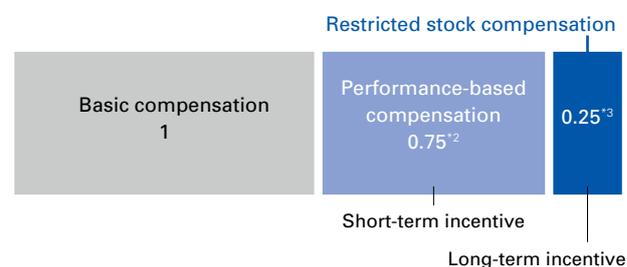
#### Restricted stock compensation

Restricted stock compensation, which is a long-term incentive, is allocated with the aim of providing an incentive to continuously improve corporate value and promote further value sharing with the Company's shareholders. Reflecting on the reasons for introducing restricted stock compensation, the ratio of the incentive option to the overall compensation package is designed to increase as the position of the recipient director or executive officer gets higher. In addition, the total amount is set based on overall considerations of various items, such as 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.

#### Illustration of Compensation Structure\*1



\*1 Excluding Outside Directors

\*2 When the standard value is achieved

\*3 Average compensation of applicable directors. The percentages vary according to the role and position.

#### Amount of Compensation for Directors and A&SB Members for Fiscal 2020 (ended March 2020)

Classification	Number of persons		Amount (million yen)		
			Basic compensation	Performance-based compensation	Restricted stock compensation
Directors (other than outside directors)	9	833	574	186	73
A&SBMs (other than outside A&SBMs)	3	80	80	—	—
Outside directors	5	65	65	—	—
Outside A&SBMs	3	39	39	—	—

Note: Three directors and one A&SB member who retired at the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 27, 2019 are included in the above.

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

Name	Classification		Amount (million yen)		
			Basic compensation	Performance-based compensation	Restricted stock compensation
Shusaku Nagae	Director	109	100	—	9
Kazuhiro Tsuga	Director	186	104	48	34
Mototsugu Sato	Director	121	78	31	12
Yasuyuki Higuchi	Director	125	74	41	10

## Information disclosure / Dialogue

### Information disclosure approach and system

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.](#))

We will provide our various stakeholders, including customers and shareholders, with fair and accurate information on corporate financial affairs, our Basic Business Philosophy, business policies and activities, as well as environmental, social, and governance activities in a timely, understandable and appropriate manner. At the same time, we will listen to our customers' requests and comments and reflect them in our business policies and activities. We will seek to be an enterprise with high transparency.

(Quotes from the Panasonic Code of Conduct)

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

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 these audits, the Internal Control Promotion Office supervises the Group-wide internal control audits in order to confirm its effectiveness. In fiscal 2020, 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 conveyed 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.