Message from the CSO and CFO

Further Growth on the Back of Business and Financial Strategies

Looking back at Panasonic’s transformation and innovation since fiscal 2013, this message outlines Panasonic’s direction toward future growth in terms of its investment, financial discipline, and business portfolio.

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Looking Back at the Path Taken toward Sales and Profit Growth

The fruits of strategic investments totaling 1 trillion yen, mainly in high-growth businesses, have begun to emerge.

When Mr. Tsuga became president in fiscal 2013, the Company focused on restructuring its operations to eliminate unprofitable businesses. After achieving a certain level of success, we then strived toward resolving the next major issue, “being unable to identify growth areas.”

Since October 2013, I have worked with Mr. Tsuga to squarely address this issue, taking the role of planning. Despite some progress with certain preparations for future growth, including efforts to shift human resources to the automotive businesses, it became clear that substantial growth could not be expected while the Company maintained its conventional stance of limiting its investment within the range of depreciation.

It is at this point that we decided to adopt a strategic investment approach, and to engage in bold capital expenditures and M&A investments totaling 1 trillion yen over a four-year period from fiscal 2016. To prioritize our investment areas, Business Divisions were classified into the three high-growth, stable-growth, and low-profitable categories.

For high-growth businesses, we concentrate management resources. Stable-growth businesses generate steady profits for investment resources. And for low-profitable businesses, we implement thoroughgoing measures to improve profitability. By the end of fiscal 2018, we have invested approximately 70% of the 1 trillion yen focusing on high-growth businesses, and the investment decision has been made for another 15%.

As a result of these initiatives, Panasonic achieved a positive turnaround reporting increases in both sales and profit in fiscal 2018.

For fiscal 2019, we are expecting another year of sales and profit growth, driven by the automotive and other high-growth businesses. Drawing on the platform strengths that we have nurtured over many years and the preparations we made for growth, I am convinced that our efforts to clarify growth areas through the classification of businesses, coupled with our bold investment approach, are beginning to bear fruit.

I would like to expand a little further on the significance of strategic investments. Since October 2012, I have tried to manage and oversee the Group’s performance as General Manager, Corporate Management Support Department, Corporate Strategy Division. In specific terms, visualizing management of Divisional Companies and Business Divisions, raising issues while providing information to the president and management in a timely manner, and setting the direction for unprofitable businesses. These were merely “eliminating the negatives.” While improving profit and turning around the Company’s losses, sales continued to decline. I had a strong sense of crisis that we were heading toward business contraction with the path being taken.

Under these circumstances, I am convinced that the decision to adopt a policy of strategic investment totaling 1 trillion yen, and the identification of growth areas after thorough deliberation, are of considerable significance. For example, through the process of evaluating various investment opportunities, we became convinced that automotive batteries, with its strength being enhanced through the acquisition of Sanyo, can be positioned as a high growth area.

In addition, the 1 trillion yen investment policy has proven symbolic for Group-wide employees, once again having a higher perspective while raising the level of awareness toward growth. In this regard, the decision to adopt a strategic investment approach is also of considerable significance and has helped to realign the mindsets of employees.
Balance between investment and financial discipline, taking control of the accelerator and brake.

We have high growth areas such as automotive batteries. To realize such growth requires substantial investment. Against this backdrop, I am of course focusing on maintaining a balance between investment and financial discipline as CFO. The CEO and CSO basically play the role of stepping on the accelerator when making an investment decision. As CFO, my role is to apply the brakes. Having said this, I also recognize the critical need not to miss an important growth opportunity. It is also my role to secure the necessary funds for investment. I make it a point to shift between acceleration and braking modes at just the right time while constantly maintaining a balance between investment and financial discipline.

Panasonic has not always been successful in its past investments. This includes our investment in plasma panels. With this in mind, it is extremely important that the CSO and CFO maintain a deep mutual understanding of their respective roles and control the shift between acceleration and braking modes while sharing their thoughts toward relevant issues as well as values.

In that sense, Mr. Umeda and I frequently meet to deliberate on a wide range of issues. I am confident that our understanding of matters remains in sync. No decision is made until a consensus has been reached and both of us are completely satisfied. Hence, we have a sound decision-making process.

Steadily recouping strategic investments totaling 1 trillion yen as the source for further growth

To fund its strategic investments totaling 1 trillion yen since fiscal 2016, the Company has drawn on its cash reserves as well as the cash flows from its business activities while issuing bonds. Looking ahead, we will consider the best method for funding future investments. Since we have undertaken a massive amount of investment, we must now secure a return and generate additional cash. As a part of these efforts, we are comprehensively monitoring the status of investment projects at Board of Directors and Group Strategy meetings.

In addition, we are working to improve the return on invested capital through efforts to recoup strategic investments. Our goal is to continuously secure an ROE of 10% or more on a Group-wide basis. Meanwhile, we will also emphasize financial stability. This will allow us to engage vigorously in future investments while adapting to changes in our business structure.
Toward Further Growth

Panasonic made a turnaround to increased sales and profit. What needs to be changed for medium-to-long term growth?

**Business portfolio management, not being engaged in “everything”**

Sato  The largest issue is in managing our business portfolio. Currently, Panasonic is comprised of 37 Business Divisions. It is impossible to allocate the Company’s limited resources sufficiently to all 37 Divisions. In the past, Panasonic has worked diligently to do everything. While we have tried to maintain a broad perspective, this has prevented us from prioritizing our businesses. I am also aware of the comments by our investors. These comments include the need to adopt a policy of selection and concentration in order to overcome global competition, to focus management resources on businesses with growth potential and where the Company remains globally competitive, and to withdraw from unprofitable businesses where the prospect of future growth is low.

Umeda  Business portfolio management plays an important role in increasing profitability. Since fiscal 2013, Panasonic has taken steps to reform its business structure under the leadership of Mr. Tsuga aiming to raise the operating profit ratio to 5%. This is, however, the minimum target required for the

With this in mind, it is absolutely vital that we identify our vision of the Company and what we aspire to become. This is the most important criteria when prioritizing our business areas. In determining the priority, it is also important to ascertain whether a high return can be anticipated. This includes the use of such quantitative indicators as return on invested capital and cash flows.

“Clarify our vision of the Company and allocate resources for Group-wide optimization”

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Growth Strategy

Foundation for Growth

Results for Fiscal Year

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Company to survive. Well within sight of achieving this target, I believe we must focus on prioritizing our business and concentrate on areas where we can stand out in order to improve profitability even further.

Generating cash is also a significant aspect of business portfolio management. As I mentioned, our basic policy is to recoup returns from strategic investments to fund future investments. We plan to allocate more cash to growth businesses by generating cash through the replacement of businesses while conducting well-focused investment.

Aiming for Group-wide optimization of Business Divisions

| Sato | There are issues and difficulties to overcome when conducting business portfolio management. While Panasonic’s current Divisional Company and Business Division structure is a source of considerable strength, there is a concern that individual Business Divisions are focusing too heavily on cutting a path for the future by optimizing their individual endeavors. Quite naturally, it is extremely difficult for a Division to decide to terminate its business activities. By the same token, placing too much emphasis on a market or industry that lacks growth potential, or a business that is clearly deteriorating, runs the risk of negatively impacting the growth and profitability of the Company as a whole. Panasonic employees are willing to exert every effort whenever management calls for extra initiatives. However, if the focus of these endeavors is directed toward the wrong area it is unlikely to succeed. From the Company’s headquarters, it is important that we play the role of making decisions in a calm and objective manner, looking beyond individual Business Divisions to optimize the Company as a whole. |

| Umeda | I agree. Even when the scale of an overseas organization is small, I believe it is important to gain first-hand experience in the overall management of that organization. Meanwhile, it is equally important to grasp the total picture of Panasonic. For me, both experiences of managing a small organization within the Group and participating in headquarters management have been extremely important. Panasonic is a huge organization that remains active across a wide range of fields. It is extremely difficult to become well versed in every aspect of the Company’s business. Our founder Konosuke Matsushita used to say “grasping the knack of management is worth a million dollars.” Gaining experience in both is the ideal way of grasping the knacks necessary for management. |

| Sato | At a company like Panasonic, it is unrealistic in trying to develop top management who are well versed in every aspect of the Company’s business. Hence, it is especially important to be able to entrust the work to the most appropriate personnel. In this context, it is equally important to develop an eye for talent. Based on this understanding, it is vital that we provide candidates with the necessary experience. Our roles are to therefore give employees every opportunity to gain the skills required to lead the Company in the future. |

What are your thoughts on developing management personnel as the platform for sustainable growth?

Actively providing growth opportunities for management personnel candidates

| Sato | I am aware of the importance of developing the management personnel who will drive the Company forward in the future. To this end, it is vital that the candidates identified experience situations where they are required to make significant decisions at an early stage of their career by being assigned to take charge of a Group company. Whether the scale is big or small, the experience gained is invaluable in helping nurture the skills necessary to successfully engage in management. An employee grows the most when he or she is placed in a situation where every decision made and responsibility taken must be done as an individual. Looking back on my own experience, it is these types of extreme situations that helped prepare me for management. |

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Initiatives aimed at optimizing the business portfolio have only just begun. Taking into consideration the structure of society and the labor environment in Japan in which Panasonic is based, we must maintain a careful approach toward the option of dramatically terminating a certain business. This is an issue that is common to Japan’s corporate sector overall. Moreover, it is not an easy task to guide the Business Divisions that are pursuing individual optimization to work in unity and to maximize the potential of the Group as a whole. However, as CSO, it is my role to push forward business portfolio management that ensures swift optimization.

Looking ahead, each Business Division should remain conscious of the return on invested capital and implement necessary reforms by itself not only from a short-term perspective, but also looking 10 and 20 years into the future. Basically, each Business Division implements autonomous management; at the same time, Divisions should cooperate with each other as “One Panasonic” toward enhancing corporate value. My role is to provide the necessary support so that Business Divisions can achieve this scenario.

On a final note, I will work diligently to vigorously provide investors with useful Company information going forward and call for the frank opinions of our investors. Learning from the feedback, I will make every effort to ensure sustainable growth and to enhance corporate value.

In closing, do you have a message for investors?

Increase emphasis on the return on invested capital