Panasonic recognizes that corporate governance is an important basic structure for enhancing corporate value and continues to work to enhance its effectiveness.

In fiscal 2018, ended March 31, 2018, discussions were held based on the results of a questionnaire on “Evaluation of the Board of Directors Effectiveness.” Measures to strengthen governance were conducted, including expanding the discussion of business strategies by the Board of Directors. Panasonic will continue strengthening corporate governance going forward.

Corporate Governance Structure and Initiatives

**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 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 the important basic structure for the aforementioned purpose and is working to enhance its effectiveness.

**Outline of Structure (As of June 28, 2018)**

**The Board of Directors**
- The Board of Directors is composed of 12 directors including four outside directors, of whom one is a woman (outside director).
- In fiscal 2019, we appointed one director who is a non-Japanese national.
- 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.

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*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.
Main items discussed by the Board of Directors in fiscal 2018
In addition to discussions on business policy, the Board of Directors deliberated on and decided matters related to medium-to-long term strategy, including M&A and large-scale capital investment projects, and important aspects of business execution, such as dividend policy and executive HR issues. In addition, it received business reports from Divisional Company presidents and region representatives, conducted oversight of the execution of duties, and verified the internal control system and risk management system. The Board of Directors also discussed compliance 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 experiences as higher or equal position of directors or equivalent position.
- 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, etc. of the Company’s director and executive officer compensation system, and reports on these matters to the Board of Directors.
- In fiscal 2018, discussions were conducted on the procedure for the appointment of the CEO’s successor and on a review of the corporate advisor system, and these matters reported to the Board of Directors.

Group strategy meeting
- Meetings are held 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 president, four Divisional Company presidents, 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.

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)
- Consultant, accountant or attorney (who currently is or was in the past, in the case of a legal entity) who receives 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.
General conclusions

• With regard to the effectiveness of the Board of Directors, both the supervisory and decision-making functions of the Board of Directors are basically evaluated as appropriate.

Proposals

• To strengthen the functions of the Board of Directors, discussion on medium-to-long term strategies and compliance should be expanded.

Correspondence based on questionnaire results

• Continue discussion of medium-to-long term strategies in fiscal 2019, expand themes.
• Carry out the Board of Directors’ operational improvements.

The Company will also continue to consider and make efforts to further strengthen the effectiveness of its Board of Directors.

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.

Based on an analysis of the fiscal 2017 questionnaire results, it was concluded with respect to the effectiveness of the Board of Directors that basically the current state of the Board is appropriate, but a number of opinions and proposals were presented. Discussions were held on the opinions and proposals, and improvement measures were implemented.

The Company conducted the effectiveness evaluation again in fiscal 2018, implementing the questionnaire after considering ideals for the Board of Directors and opinions and appraisals related to the recent revisions to the system of directors, as well as other perspectives expected in the Corporate Governance Code. The Company is sequentially implementing improvements in response to the opinions and proposals that arose.

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

Response to fiscal 2017 questionnaire results

<table>
<thead>
<tr>
<th>Fiscal 2017 Questionnaire Results</th>
<th>Response to Questionnaire Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. General conclusions</strong></td>
<td>• Make up time frames to discuss medium-to-long term strategies at Board of Directors’ meetings separately</td>
</tr>
<tr>
<td>• Composition and operation of the Board assessed as appropriate</td>
<td>(Fiscal 2018 Themes)</td>
</tr>
<tr>
<td>• Many opinions on enhancing deliberations, especially deliberations on medium-to-long term strategy</td>
<td>Discuss financial strategies, global compliance, etc.</td>
</tr>
<tr>
<td><strong>2. Items implemented based on questionnaire results</strong></td>
<td>• Increase hours of Board of Directors’ meetings</td>
</tr>
<tr>
<td>• Make up time frames to discuss medium-to-long term strategies at Board of Directors’ meetings separately</td>
<td>(Fiscal 2018 Themes)</td>
</tr>
<tr>
<td>• Increase hours of Board of Directors’ meetings</td>
<td>(1) Procedure for the appointment of CEO’s successor</td>
</tr>
<tr>
<td>• Expand the scope of agendas at Nomination and Compensation Advisory Committee meetings</td>
<td>(2) Review the corporate advisor system</td>
</tr>
<tr>
<td><strong>3. Items for future consideration</strong></td>
<td>• Expand the scope of agendas at Nomination and Compensation Advisory Committee meetings</td>
</tr>
<tr>
<td>• Revisions to agenda items considered by the Board</td>
<td>(Fiscal 2018 Themes)</td>
</tr>
<tr>
<td>• Revisions to ratio of outside directors on the Board, further promotion of diversity</td>
<td>(1) Procedure for the appointment of CEO’s successor</td>
</tr>
</tbody>
</table>

Fiscal 2018 questionnaire and results

<table>
<thead>
<tr>
<th>Fiscal 2018 Questionnaire items (February 2018)</th>
<th>Questionnaire Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. General conclusions</strong></td>
<td>• Size and composition of the Board of Directors</td>
</tr>
<tr>
<td>• With regard to the effectiveness of the Board of Directors, both the supervisory and decision-making functions of the Board of Directors are basically evaluated as appropriate</td>
<td></td>
</tr>
<tr>
<td><strong>2. Proposals</strong></td>
<td>• Operation of the Board of Directors</td>
</tr>
<tr>
<td>• To strengthen the functions of the Board of Directors, discussion on medium-to-long term strategies and compliance should be expanded</td>
<td></td>
</tr>
<tr>
<td><strong>3. Correspondence based on questionnaire results</strong></td>
<td>• Discussion of medium-to-long term business strategies during the current fiscal year</td>
</tr>
<tr>
<td>• Continue discussion of medium-to-long term strategies in fiscal 2019, expand themes</td>
<td></td>
</tr>
<tr>
<td>• Supervisory and decision-making functions of the Board of Directors</td>
<td></td>
</tr>
<tr>
<td>• Information provided to directors and A&amp;SB members</td>
<td></td>
</tr>
<tr>
<td>• Carry out the Board of Directors’ operational improvements</td>
<td></td>
</tr>
<tr>
<td>The Company will also continue to consider and make efforts to further strengthen the effectiveness of its Board of Directors.</td>
<td></td>
</tr>
</tbody>
</table>
## 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, operating profit, free cash flow, and CCM*.

### Stock-type compensation stock options
The Company implemented stock-type compensation stock options as a long-term incentive. Said stock options are to allot stock acquisition rights to directors (excluding outside directors) of Panasonic and executive officers and certain other officers who are responsible for business operations over the Panasonic Group for the purpose of providing an incentive for allottees to further contribute to the improvement of long-term operating results and higher corporate value through sharing the benefits and risks of share holdings with Panasonic’s shareholders.

For details about the conditions for the issuance and exercise of said stock options, please refer to the "Corporate Governance Report."

### Procedure for determining remuneration
Compensations of directors and executive officers are decided by directors, who were 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, chaired by an independent outside director. 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.

### Amount of Compensation for Directors and A&SB Members for the Fiscal Year Ended March 2018

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of persons</th>
<th>Basic compensation</th>
<th>Performance-based compensation</th>
<th>Stock-type compensation stock options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (other than outside directors)</td>
<td>15</td>
<td>1,089</td>
<td>672</td>
<td>239</td>
</tr>
<tr>
<td>A&amp;SBMs (other than outside A&amp;SBMs)</td>
<td>2</td>
<td>75</td>
<td>75</td>
<td>—</td>
</tr>
<tr>
<td>Outside directors</td>
<td>4</td>
<td>64</td>
<td>64</td>
<td>—</td>
</tr>
<tr>
<td>Outside A&amp;SBMs</td>
<td>3</td>
<td>39</td>
<td>39</td>
<td>—</td>
</tr>
</tbody>
</table>

Note: Seven directors who retired at the conclusion of the 110th Ordinary General Meeting of Shareholders held on June 29, 2017 are included in the above.

### Directors Who Received Compensation over 100 Million Yen

<table>
<thead>
<tr>
<th>Name</th>
<th>Classification</th>
<th>Amount (million yen)</th>
<th>Basic compensation</th>
<th>Performance-based compensation</th>
<th>Stock-type compensation stock options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shusaku Nagae</td>
<td>Director</td>
<td>119</td>
<td>100</td>
<td>—</td>
<td>19</td>
</tr>
<tr>
<td>Kazuhiro Tsuga</td>
<td>Director</td>
<td>238</td>
<td>104</td>
<td>63</td>
<td>71</td>
</tr>
<tr>
<td>Yoshio Ito</td>
<td>Director</td>
<td>147</td>
<td>78</td>
<td>44</td>
<td>25</td>
</tr>
<tr>
<td>Mototsugu Sato</td>
<td>Director</td>
<td>128</td>
<td>69</td>
<td>40</td>
<td>19</td>
</tr>
</tbody>
</table>
Governance

Information Disclosure / Dialogue

Information disclosure approach and system

The Company’s basic policy concerning information disclosure is as follows.

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 corporate social responsibility 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 activities. We will seek to be an enterprise with high transparency.

(From the Panasonic Code of Conduct)

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 and other reports, the Disclosure Committee, which is comprised of 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 president 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, 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, ranging from the control infrastructure to actual internal control activities.

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 the effectiveness of each company’s financial reporting. With the aim of further enhancing the Group’s internal control system, in fiscal 2018 Panasonic had approximately 400 personnel assigned to conduct internal audits in the Internal Auditing Group.

Constructive dialogue with shareholders and investors

The CFO is responsible for investor relations (IR) activities. The president, chief strategy officer (CSO), CFO, and each president 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 presentation 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.
Risk Management

At Panasonic, risk management functions in parallel with the development and execution of management strategies. The Company believes that by combining these two functions, it is better positioned to accomplish its business objectives and to enhance its corporate value.

Basic Policy

Panasonic’s founder coined numerous sayings that are still used at the Company: “Hardship now, pleasure later,” “The source of our failures is within us,” “There are signs before all things,” and “Small things can create big problems; one must be alert to signs of change and act accordingly,” among many others. Using these ideas as a cornerstone in its thinking, the Company conducts Group-wide risk management activities covering its operations around the world, with the aim of taking preemptive actions to eliminate “sources of failure”—that is any factors that could impede the accomplishment of business goals.

Furthermore, by appropriately disclosing risks that impact business management to the public, improving the transparency of its management, and reducing risks through preemptive measures, the Company gives its stakeholders greater confidence.

Organizational Structure

Panasonic has established the Global & Group Risk Management Committee, which is chaired by the chief risk management officer (CRO), and promotes risk management throughout the entire Panasonic Group. The committee conducts risk management that consists of annually identifying risks that impact business activities, conducting assessments of them based on common global standards, and determining the priority of risks to be addressed. For risks determined to be significant, the Company treats them as major Group-wide risks and works to strengthen Group-wide risk measures by monitoring the progress of measures and making improvements.

Business Continuity Management (BCM)

The Company engages in BCM, whose goal is to prevent a halt to the supply of products or the provision of services when contingencies such as major natural disasters have occurred, or, in the rare event that service has halted, to restart operations as quickly as possible.

Basic Framework for Risk Management

<table>
<thead>
<tr>
<th>Global &amp; Group Risk Management Committee</th>
<th>Risk assessment</th>
<th>Selecting major corporate risks and monitoring measures</th>
<th>Promoting measures</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divisional Companies / Regional Headquarters</td>
<td>Risk assessment</td>
<td>Selecting major Divisional Company risks and formulating measures</td>
<td>Monitoring</td>
<td></td>
</tr>
<tr>
<td>Risk assessment</td>
<td>Selecting major Business Division risks and formulating measures</td>
<td>Monitoring</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Major Corporate Risks for FY2019

- Natural disaster (earthquakes, tsunamis, weather-related disasters, etc.)
- Quality issues
- Serious fraud
- Cyberattacks
Governance

Compliance

Concerted efforts to ensure corporate compliance are vital to Panasonic, based on the fact that any compliance violation may lead to the loss of trust from our customers and other stakeholders, or become a serious situation that puts at risk our ability to continue operations.

Basic Policy

We at Panasonic have set down a clear set of rules for compliance with the law and corporate ethics. We strive to achieve thorough adherence to these rules, with the aim of promoting fair operating practices in all countries and regions of the world, and to realize a sustainable society. This is the “Panasonic Code of Conduct” (refer to page 4), which incorporates the requirements of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and other norms.

Organizational Structure

To ensure the dissemination of compliance and fair business practices at the ground level throughout our worldwide operations, we have legal departments and executives in charge of ensuring adherence to the Code of Conduct, as well as managers in charge of export control and other persons responsible for supervising various other functions in our Divisional Companies, Business Divisions, and regional headquarters outside Japan. In fiscal 2016, Panasonic established a centralized organization with functions for handling compliance, risk, and governance issues that span multiple functional divisions. This move has accelerated the pace of support for fair operating practices in Panasonic’s business operations. In our observance of our own Code of Conduct, we have a global network of legal departments and executives in charge of ensuring adherence to the Code of Conduct, as well as managers in charge of export control and other persons responsible for supervising various other functions in our Divisional Companies, Business Divisions, and regional headquarters outside Japan.

Each year, we designate September as Compliance Awareness Month, which is marked by efforts to strengthen our awareness of the need to observe ethical and legal requirements. We conduct a Compliance Awareness Survey to check the degree of compliance awareness dissemination among our employees around the world. Once each year, we check the status of observance and practice of the Panasonic Code of Conduct in our business locations around the world, and an internal control audit is conducted by the audit corporation. In addition, to prevent improprieties and achieve quick resolutions, we have established hotlines for whistleblowers in our worldwide business locations, and for our business partners. In addition to initiatives aimed at correcting the issues that we have discovered through such efforts at the Business Division level, we also bring those issues together centrally and comprehensively at our Head Office and incorporate them into Group-wide policies with considerations on societal conditions, and repeat this process in the pursuit of continuous improvement. We are currently promoting activities under the themes of preventing cartels and preventing bribery of government officials.

Preventing Cartels

We have put the following basic policies in place in an effort to prevent cartels, collusive bidding, and other such violations.

- Contact with competitors is allowed only in absolutely necessary cases and subject to prior approval.
- Agreements and exchanges of information with competitors regarding prices, quantity, and other competition-related matters are strictly prohibited.
- One who encounters behaviors that may give rise to suspicions of a cartel must make an objection, leave the room, and file an internal report.
- The Company establishes whistle-blowing systems and internal leniency systems to improve its ability to self-regulate and conduct appropriate monitoring based on risk assessment, thereby maintaining an effective anti-cartel system.

Preventing Bribery of Government Officials

Even as the authorities in different countries continue to bear down harder on corruption, with the expansion of business in developing countries and solutions businesses comes a higher risk of bribery of public officials.

Panasonic continues to engage in efforts to prevent bribery of government officials through means such as issuing bribery prevention policies from senior executives, establishing standards and approval processes for spending on occasions such as meals and the like with public officials, managing business partners, and ensuring that training and awareness-raising activities for executives and employees are thoroughly carried out, especially for business sites located in countries and regions that are considered to have a high level of corruption.

Needless to say the prohibition on bribery of government officials, as provided in the Code of Conduct, entails a prohibition on offering benefits of any kind, including gifts, meals and entertainment, and on receiving personal benefits from any of our stakeholders, which would be contrary to laws and regulations and social ethics.
CSR Management

Based on its management philosophy, Panasonic has defined its mission as improving the quality of life in society and contributing to the advancement of culture around the world. Addressing various social issues, such as easing and mitigating climate change, are positioned as important priorities for management. By helping solve these issues, we aim to enhance our corporate value.

Basic Policy

Our management philosophy (refer to page 4) forms the basic policy of our CSR management activities. In order to put our management philosophy into practice, we have established the Panasonic Code of Conduct. In addition, Panasonic formulated its Sustainability Policy as a written record of its efforts to contribute to today’s society and to fulfill its social responsibility.

Organizational Structure

For each area of activity relating to CSR—including human rights, fair operating practices, and the environment—Panasonic designates executive officers and functional divisions. Each Divisional Company, Business Division, regional office, and functional division has created various group meetings and opportunities for stakeholder engagement, the results of which are incorporated into everyday activities. Using PDCA cycles, these Panasonic Group constituents monitor their progress and act autonomously.

For issues affecting the entire group for which there are strong demands from society for us to respond, including contributing to climate change mitigation and adaptation, as well as to water-related issues, decisions are made at Board of Directors’ meetings and at Group Strategy Meetings.

Concerning issues that are deemed the most material, the Company makes an analysis of and identifies such issues for each area of activity, and incorporates these important issues into its operational policies. Panasonic conducts its CSR activities with respect for worldwide guidelines and stakeholders’ voices as a fundamental concept.

Dialogues with Stakeholders

Panasonic conducts dialogues with its wide range of stakeholders around the world—including customers, investors, suppliers, governments, industry bodies, NPOs, NGOs, local communities, and employees—on various aspects of its business.

The Company incorporates the opinions it receives into its business activities and product development.