Panasonic Corporation
Annual Report
2018
Financial and Non Financial Results for the year ended March 31, 2018
Digest Version

Takeoff for the Next 100 Years
Panasonic has contributed to the development of society through its businesses for the 100 years since its founding. Going forward, we will continue to help realize “A Better Life, A Better World” through each of our businesses and thereby pursue sustained growth and higher corporate value.
A Better World
Helping Bring About A Better Life, A Better World Based on Our Management Philosophy

“We will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.” This Basic Management Objective embodies our mission and devotion, and as the heart of our management philosophy, it has served as the foundation for all our management activities. In overseas business development as well, the first principle has been to assist in each country’s development in a manner that is truly appreciated.

The Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015, and expectations in the international community have mounted with respect to the role of corporations in solving social issues.

Based on its management philosophy, Panasonic will continue to help solve social issues and contribute to further development in order to bring about a bright new future. We also intend to achieve sustained growth and continue to enhance corporate value.

Our History

1918 Matsushita Electric Housewares Manufacturing Works (today’s Panasonic) established. Two new products, an attachment plug and a two-way socket, launched on the market.

1927 Square bicycle lamp launched under the name “National Lamp,” reflecting the hope that it would become indispensable to the nation’s citizens. The product became popular throughout Japan as a safe light source.

1931 Sales of radios commenced. This radio that “wouldn’t break down” delighted consumers and it brought news and culture into people’s homes.

1932 Trade department established and export business commenced.

1950s Washing machines, black and white TVs, refrigerators and other products launched that reduced the burden of housework and made life easier.

1961 Panasonic’s first overseas manufacturing facility, National Thai Manufacturing Company, established. Manufacturing facilities were subsequently established in countries with difficulty importing household appliances due to foreign exchange shortages.

1965 Five-day work week introduced ahead of other companies. With a slogan of “One day of study, and one day of rest,” the change played a major role in raising employee productivity and motivation.
Panasonic's Management Philosophy Structure

Panasonic Code of Conduct
(Revised and updated; current as of 2016)

Management Philosophy

Basic Management Objective
Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.

Company Creed
Progress and development can be realized only through the combined efforts and cooperation of each employee of our company. United in spirit, we pledge to perform our corporate duties with dedication, diligence and integrity.

Seven Principles
Contribution to Society, Fairness and Honesty, Cooperation and Team Spirit, Untiring Effort for Improvement, Courtesy and Humility, Adaptability, Gratitude

Guidance in putting the management philosophy into practice:
Evolution in response to changes in social conditions, etc.

Foundation of activities of management:
 Immutable

1987
Joint venture to produce picture tubes (CRTs) for color TVs established in Beijing with a view to China’s modernization. It was the first joint venture in China for Panasonic.

1988
Promoting world peace through sport. In accord with this philosophy of the Olympic Games, Panasonic has, since the Olympic Winter Games Calgary 1988, supported the Movement over 30 years as the highest ranking sponsor in “The Olympic Partner (TOP)” program.

2008
To make the Company a truly global corporation, the company name was changed to “Panasonic Corporation”, and its corporate brands were unified as “Panasonic” worldwide.

2010
Mass production of lithium-ion batteries for hybrid EV automobiles commenced, helping to popularize eco-cars.

2011
To promote rapid decision-making and maximize group synergies, Panasonic Electric Works Co., Ltd. and SANYO Electric Co., Ltd. were made wholly owned subsidiaries. Fields for contribution were expanded.

2014
Fujisawa Sustainable Smart Town established for eco-conscious and comfortable lifestyles while ensuring safety and security.
Message from the CEO

Kazuhiro Tsuga
Representative Director
President
CEO
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>
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* Fiscal years after FY2017: OP based on IFRS deducting other income/loss.
Message from the CEO

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.

Free from the past to achieve innovation
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.

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 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.

Explore a new mobility business by leveraging strengths in automotive batteries

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

electronics and connection with services. 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.

What is your message to investors?
Looking Back on the Period from Fiscal 2013

From a Decrease in Net Sales and Increase in Profits to Increases in Both by Improving Performance and Rebuilding Business Fields

- Kazuhiro Tsuga appointed as the Company’s president
- Group Strategy Meeting established. Put in place a structure and systems for using collective wisdom and making timely decision making
- Net loss for two consecutive periods due to such factors as the slump in flat-screen TV sales; undertook steps to promote structural reforms while bringing about a return to positive cash flows
- Improving the Company’s financial position became the most important management issue; suspended annual dividend payments
- Introduced a Business Division system in order to engage in autonomous operations while visualizing management. Established four Divisional Companies to support Business Division growth and development
- Promoted four key initiatives
  1. Eliminate unprofitable businesses
  2. Improve the Company’s financial structure
  3. Promote growth and increased efficiency by exiting from an in-house approach
  4. Promote a growth strategy that begins with customer needs
- Put in place the Brand Slogan “A Better Life, A Better World”
- Resumed the payment of dividends
- Achieved the numerical targets set out under CV2015 ahead of schedule with the Automotive and Housing businesses serving as growth engines
  - Operating profit target: 350 billion yen or more
  - Operating profit to sales ratio target: 5% or more
  - Cumulative free cash flow target: 600 billion yen or more
- Overarching target of net sales totaling 10 trillion yen in the fiscal year ending March 2019 (FY2019)
- Completed business restructuring measures and all necessary steps to address unprofitable businesses
- Commenced strategic investments totaling 1 trillion yen focusing mainly on M&As and capital expenditures aiming for inorganic growth
- Commenced a capital and business alliance with Ficosa International, S.A., a Spanish automotive parts and systems supplier (made a consolidated subsidiary in FY2018)
Notes:
1. Performance data prior to the fiscal year ended March 2017 (FY2017) is presented on a U.S. GAAP basis. Performance data is presented on an IFRS basis effective from FY2017.
2. Net profit is recorded as net income attributable to Panasonic Corporation in and before FY2016 and net profit attributable Panasonic Corporation stockholders from FY2017.

- Reflecting on the original principle that profit shows how much we contribute to customers, shifted our focus to profit away from net sales as the Company’s FY2019 key management goal.
- Categorized all Business Divisions into the three high-growth, stable-growth, and low-profitable businesses; undertook well-focused investments.
- Realized sales growth in real terms after excluding the effects of exchange rates.
- Established Connected Solutions Company; strengthened the solutions business targeting the corporate sector.
- Announced an agreement between the Company and Toyota Motor Corporation to begin studying the feasibility of a joint automotive prismatic battery business.
- Realized increase in both net sales and operating profit (for the first time in seven years in real terms after excluding the effects of exchange rates).
- Outlook of continued increases in both net sales and profits driven by high-growth businesses and especially the automotive battery business.

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<tr>
<th>FY</th>
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<th>Operating profit (billion yen)</th>
<th>Net profit (billion yen)</th>
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<td>3/2018</td>
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<tr>
<td>3/2019</td>
<td>8,300.0</td>
<td>425.0</td>
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- Made Hussmann Corporation, a U.S. industrial refrigerator and freezer display case manufacturer, a consolidated subsidiary.
- Operations launched at the Panasonic battery cell production facility inside the Gigafactory of Tesla of the U.S.
- Made PanaHome Corporation (currently Panasonic Homes Co., Ltd.) a wholly owned subsidiary.
- Made Zetes Industries S.A. of Belgium, which is involved in logistics solutions, a wholly owned subsidiary.
- Commenced mass production and shipment of automotive batteries from a factory established in Dalian, China.
Medium-to-Long Term Business Overview

Fiscal 2018 Results / Fiscal 2019 Outlook

Growth in Sales and Profits in Fiscal 2019, Driven by High-Growth Businesses

Fiscal 2018 Results

Sales and profit growth in real terms for first time in seven years

In fiscal 2018, sales increased by 9% year-on-year to 7,982.2 billion yen due mainly to significant growth in the automotive-related business. Contributions were made in particular by the Automotive Business, which includes automotive infotainment systems and car-related equipment, and the Energy Business, which includes rechargeable batteries. Newly consolidated Ficosa, a Spanish automotive parts and systems supplier, and Zetes, a Belgian logistics solutions company, along with favorable exchange rates, also contributed to the growth in sales.

Although fixed costs increased 62.2 billion yen compared with the previous fiscal year, profit increased on sales growth of 113.0 billion yen, while streamlining benefits and improvement in other income/loss also helped offset the higher costs. As a result, operating profit increased 103.7 billion yen to 380.5 billion yen, and net profit attributable to Panasonic Corporation stockholders rose 86.6 billion yen to 236.0 billion yen compared with the previous fiscal year. For the first time in seven years (since fiscal 2011), both sales and profits increased in real terms excluding the effects of foreign currency exchange rates. ROE improved by 4.5 percentage points year-on-year to 14.4%. Panasonic will continue to target ROE of 10% or higher going forward.

Free cash flow was negative 35.6 billion yen. Excluding strategic investments, free cash flow would have been 132.7 billion yen, a decline of 57.6 billion yen from the previous fiscal year. Although net profit attributable to Panasonic Corporation stockholders expanded, inventories increased temporarily at the North American automotive battery business, and higher sales led to an increase in working capital requirements. Panasonic aims to improve free cash flow by recouping investments in strategic projects.

Fiscal 2019 Business Categories

| High-growth businesses | Driving force for sales and profit growth. Concentrating management resources including large-scale investments. | Automotive batteries, next-generation cockpit systems, ADAS, air-conditioners, electromechanical control devices, etc. |
| Stable-growth businesses | Steadily generating profit by taking advantage of our competitiveness and generate investment funds for high-growth businesses. | White goods, commercial refrigeration & food equipment, wiring devices, lighting equipment, avionics, process automation, security cameras, electronic materials, dry batteries, etc. |
| Low-profitable businesses | Significantly improving profitability by business transformation, fixed cost reductions, and rationalization | TVs, fixed-line phones/fax, building materials, solar systems, ruggedized PCs, semiconductors, LCD panels, etc. |

Breakdown of business categories (FY2019 forecast)

- Sales: 8.3 trillion yen
- Operating Profit: 425.0 billion yen
Growth strategies in three business categories

In fiscal 2019, Panasonic will execute growth strategies in the three business categories comprising high-growth businesses, stable-growth businesses and low-profitable businesses.

In high-growth businesses, as a result of focused investments, both sales and profits are expected to grow significantly, mainly in the automotive battery business, in fiscal 2019. In stable-growth businesses, although overall sales and profit increases are expected, sales and profit in Avionics are expected to decrease due to weakening demand for large aircraft. Therefore, growth in this fiscal year is expected to slow down. In low-profitable businesses, the Company projects sharp improvement in profits, especially in semiconductors and LCD panels, as a result of ongoing initiatives for business transformation, cutting fixed costs and streamlining operations.

Forecasting continued growth in sales and profits

Panasonic forecasts growth in both sales and profits again in fiscal 2019, driven mainly by high-growth businesses.

The Company forecasts sales growth of 4% year-on-year to 8,300 billion yen. A major factor behind this growth is sharply higher sales of automotive batteries in real terms excluding the effects of foreign currency exchange rates. We also expect contributions to sales growth from the Industrial Business, Automotive Business, and Air-Conditioner Business.

Panasonic projects profit growth with an estimated 180 billion yen boost from higher sales, while ongoing efforts to strengthen management should help mitigate an increase in fixed costs from expenses related to sales growth and investments in growth areas.

Policy and Outlook for Fiscal 2019

High-Growth Businesses to Drive Growth in Fiscal 2019

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<th>Year Ended March 2018</th>
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<td>(Billions of yen)</td>
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<td>Effect of exchange rates</td>
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<td>Other income/loss</td>
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**Medium-to-Long Term Business Overview**

**Strategic Investments for Medium-to-Long Term Growth**

**Advancing Large-Scale Capital Investments and M&A**

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**Investments decisions made for 85% of 1 trillion yen budget**

Panasonic plans to undertake strategic investments totaling 1 trillion yen and has spent part of this total since fiscal 2016 with the aim of achieving sustainable growth in sales and profits.

As a result of making prudent investment decisions, taking into account possible risks while clarifying positions within business strategies, the Company has gone ahead with large-scale capital investments in business areas likely to experience high growth, such as in an automotive lithium-ion battery plant. As for M&A, Panasonic has also executed some large acquisitions that include Ficosa International, S.A. (Ficosa), a Spanish automotive parts and systems supplier, as well as Hussmann Corporation, a U.S. manufacturer of commercial-use refrigerated and freezer display cases.

As a result, the Company has already spent about 70% of its 1 trillion yen budget for strategic investments as of the end of fiscal 2018. Adding future plans, decisions have been made for about 85% of this budget. In fiscal 2019, the Company will move forward with strategic investments while keeping an eye on risks and returns, and take appropriate measures while stringently monitoring the profits and cash flow generated from invested projects.

**Expansion of production capacity for automotive batteries to satisfy robust demand**

In fiscal 2018, our lithium-ion battery plant commenced operations inside Tesla’s Gigafactory in the U.S. Our plant is in charge of mass producing the high performance cylindrical “2170 cell” used in Tesla’s new Model 3 electric vehicle and energy storage systems. We will continue investing capital in fiscal 2019 towards achieving annual production capacity of 35GWh.

In March 2018, mass production and shipments commenced at our automotive battery plant in Dalian, China. This plant is our first production base for prismatic automotive lithium-ion batteries in China. On

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**Large-Scale Capital Investment**

- Manufacture of solar cell modules under joint operations with Tesla in the U.S.
- Manufacture of lithium-ion cells within Tesla’s “Gigafactory” in the U.S.  
- Manufacture of automotive batteries in China
- Manufacture of automotive batteries in Japan (Himeji and other plants)

**M&A**

- Hussmann, a U.S. industrial refrigerator, freezer display case manufacturer
- PanaHome (now Panasonic Homes)
- TeraDiode, a U.S. industrial laser manufacturer
- Zetes, a Belgian logistics solutions company
- ITC Global, a U.S. provider of satellite communication services
- Ficosa, a Spanish automotive parts and systems supplier
- OpenSynergy, a German automotive software developer
- Panasonic Industrial Devices SUNX

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As of March 31, 2018
the commencement of mass production and shipments, we have now put in place a three-pillar global production system in Japan, the U.S. and China for automotive batteries. This plant will supply high-output, high-capacity, highly safe prismatic lithium-ion batteries to not only the Chinese market, but the global market as well, including North America.

In Japan, Panasonic has decided to produce new prismatic automotive lithium-ion batteries at its Himeji Plant, a production base for LCD panels. We plan to set up an integrated production line at this plant from component process to assembly. Plans call for launching production during fiscal 2020.

**Deepening collaboration and synergies via M&A**

In September 2017, the Company began mass production of electronic rear-view mirrors, the first product that was developed in collaboration with Ficosa, a Spanish automotive parts and systems supplier that was turned into a consolidated subsidiary in April the same year, as a fusion of Ficosa’s mirror technologies and Panasonic’s camera and LCD technologies. In December 2017, mass production and shipments commenced for the telematics control unit (TCU) that enables emergency notifications in the event of a car accident and the remote tracking of stolen vehicles. Panasonic is working more closely with Ficosa to expand their collaboratively developed products and win orders.

In April 2018, PanaHome Corporation, which was made a wholly owned subsidiary in October 2017, changed its name to Panasonic Homes Co., Ltd. At the same time, all of its brands were changed to Panasonic. With the change in company and brand names, we aim to generate synergies from our collective strengths as a group. In addition to low-rise mid-range and luxury homes, our area of expertise, we will focus more on affordably priced housing, multi-story housing, and creating communities, including non-residential areas.
Message from the CTO

Supporting the Group’s Sustainable Growth through Innovation and Speedy Commercialization

Yoshiyuki Miyabe
Senior Managing Executive Officer
CTO
R&D and Innovation Strategies

Promoting innovation creation from Group-wide viewpoint

The major direction indicated by Panasonic’s brand slogan, “A Better Life, A Better World,” also extends unchanged to technological development. To continue to create technologies that contribute to “A Better Life” and “A Better World,” the technology sector formulated its R&D 10-Year Vision as a guiding principle for future research and development (R&D). We are now promoting a variety of initiatives in two fields, the IoT/Robotics field and the Energy field.

With regard to our development system, which covers technologies and materials as well as products, we are promoting the move of R&D to the front lines, by which we conduct R&D more closely with our customers, and strengthening our systems and structure to realize more flexible, cross-sectional management. We are also working on

Headquarters-driven organizational reforms to promote innovation creation, which is indispensable for the sustainable growth of the Panasonic Group, from a Group-wide perspective.

Newly established in April 2017, the Business Innovation Division aims not only to develop technologies but also to launch new businesses itself and thus contribute to rapid commercialization. The Technology Innovation Division, which was renamed from the Advanced Research Division in January 2018, also promotes innovation by means of innovative technologies, primarily in the fields of energy and sensing, and aims to contribute to business growth. With the world changing dramatically from an industrial society and information society to a super-smart society, the Panasonic Group will take the lead and accelerate its innovation creation.

R&D Organization

As of April 2018
Message from the CTO

Panasonic Technological Capabilities and Manufacturing Capabilities

Technological capabilities and manufacturing capabilities accumulated in consumer electronics
Having diversified from the manufacture of wiring equipment in 1918, Panasonic has been expanding its business scope mainly in consumer electronics. The variety of technological capabilities and range of expertise accumulated and refined in the course of manufacturing that shows a close affinity for the customer are our great strengths.

From visual/imaging, audio/voice to mechatronics (mechanisms) and materials/devices, Panasonic has created a number of products that make society better and more convenient by skillfully combining and amalgamating advanced technologies in a wide variety of fields.

We cannot, however, produce superior products through technological capabilities alone. Advanced manufacturing capabilities are indispensable in the utilization of technology in the pursuit of performance, quality and usability. The advanced manufacturing capabilities include coating, molding, measurement, mounting, machine processing, control, CAE (simulation) and quality control, as well as the adjustment and integration of technologies that interlink these processes. These manufacturing capabilities are another major strength that Panasonic has cultivated, and their importance will not change even in the era of artificial intelligence (AI), IoT and robots.

We will promote innovation based on the two strengths of our technological capabilities, which span a wide range of fields, and manufacturing capabilities, which enable us to make products reliably, while continuing to create new businesses.

Diverse technological capabilities are Panasonic’s great strength

Manufacturing from user viewpoint also utilized in B2B
One of the greatest strengths we have cultivated in the field of consumer electronics is knowledge

Examples of products that have improved Panasonic’s technological capabilities and manufacturing capabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>Launches National Lamp</td>
</tr>
<tr>
<td>1950</td>
<td>Launches Company’s first car radio</td>
</tr>
<tr>
<td>1952</td>
<td>Company’s first black &amp; white TV</td>
</tr>
<tr>
<td>1958</td>
<td>Launches Company’s first household tape recorder</td>
</tr>
<tr>
<td>1961</td>
<td>Launches first Matsushita home</td>
</tr>
<tr>
<td>1963</td>
<td>Launches “National Hi-Top,” world’s longest-lasting dry cell battery</td>
</tr>
<tr>
<td>1968</td>
<td>Develops first “Panasert” automated resistor mounting machine</td>
</tr>
<tr>
<td>1978</td>
<td>Launches Panasonic’s first compact office computer (PO)</td>
</tr>
<tr>
<td>1988</td>
<td>Launches Panasonic’s first electronic still camera</td>
</tr>
<tr>
<td>1996</td>
<td>Launches industry’s first digital mobile phone weighing less than 100 grams</td>
</tr>
<tr>
<td>2010</td>
<td>Begins mass production of HEV lithium-ion batteries</td>
</tr>
<tr>
<td>2017</td>
<td>Develops facial recognition gate, put into operation at Tokyo International Airport</td>
</tr>
</tbody>
</table>
and know-how on usability. This is a unique strength of consumer electronics manufacturers who have always considered manufacturing based on the viewpoints of users.

In the world of consumer electronics, before putting products on the market we will thoroughly verify their usability from the viewpoints of users, not only a product’s functions but also its ease of use, including design, and ease of understanding its operation. For example, we conduct drop tests on notebook PCs. This idea is not on the assumption that a notebook PC is a precision machine and will break if dropped and thus is to be handled carefully, but because we regard notebook PCs as consumer electronics and develop them from the viewpoints of users. I think notebook PCs have been accepted by many users for that very reason.

Panasonic currently has many businesses in the B2B field but, as in the case of consumer electronics, we believe that “enabling ordinary people to use machines effortlessly” will be the key to success. In fact, we have received particularly high praise in the services industry area, where consumers come into contact with equipment and systems. One such example is the face recognition gates selected by the Immigration Bureau of the Ministry of Justice. Developed in response to the rapid increase in the number of visitors to Japan, this product is helping to solve the problems associated with a desire to streamline the departure and return procedures for Japanese citizens. One feature of our system is that even if mistakenly placed facing the opposite direction, the passport will still be readable. Although this is a function that would be unnecessary if the system were for professionals, such considerations are important for machines used by ordinary customers. Here, the knowledge and know-how of usability accumulated over many years in consumer electronics is put to use.

As in this case, in accordance with the more widespread use of IT, it is expected that equipment and systems that were traditionally targeted only at experts would be brought to the forefront and that scenarios in which ordinary customers would directly operate them would increase more and more in the future. In such B2B used by C* scenarios, we should be able to demonstrate our strengths further.

* B2B, but where a consumer is the end user
Message from the CTO

Initiatives to Accelerate Innovation

Picking up the pace of innovation to adapt to changes in the operating environment

Today we are in an era that is undergoing a rapid transition to a super-smart society, and amidst this, a transformation to digital and IoT is taking place across a range of fields. To come out on top when faced with dramatic change, it will be critical to transform overall business processes in a way that the times demand.

In the past, with mass production and large sales volumes, products became independent of their makers as soon as they were shipped from the factory. Now, however, we are in the era of IoT, where all kinds of things are connected to the Internet. Even after a product is shipped, it serves as a way to link a maker with its customers, enabling usefulness to be provided in an ongoing manner. We can say that this is technology that rebuilds what was once the bond between people. By moving quickly to expand this kind of “fusion-type business of hardware and networks” we are bringing to bear our wide-ranging accumulation of technological and manufacturing capabilities that, we are confident, will lead to the creation of value for our customers.

Going forward, the very way we bring about technological development will itself need to change. Technology in the age of mass production for “unspecified and large numbers” of customers was expected to be perfect. However, in the age of IoT, where it is possible to target a “specified and large number” of customers, the most important aspect of technology development is, rather, in “the process whereby customer value is realized.” Looking for perfection right from the start, as in the past, is something that will actually impede innovation. It will be essential to nurture a culture in which “imperfection” will be permissible. For that reason last year we established Panasonic β in Silicon Valley as a test site for innovation creation. We believe that this initiative will be a starting point that works across Business Divisions, and we intend to spread this culture throughout the Group.

Panasonic β, Test Site for Innovation Creation

Established in Silicon Valley in the United States in July 2017, Panasonic β is a new initiative for undertaking collaboration that transcends organizational and functional boundaries. Having commenced activities driven primarily by young engineers and designers brought together from each Divisional Company and the head office, the organization was formally established in April 2018.

Creating new business models and solutions from a global perspective requires the promotion of cross-sectional collaboration across various functions and Business Division frameworks as well as the processes to “mass produce” cross-value innovation.

As a model factory geared toward those needs, Panasonic β realizes ways of working and a working environment akin to those of a start-up company. With a sense of urgency, its young, talented employees are promoting diverse projects that will give shape to ideas, and output from, firstly, the HomeX project to create the future of living spaces is ongoing.

Based on the breadth of our business areas and the strengths of our diverse human resources and technological capabilities, we will quickly make an unprecedented “business model for the digital networking era” and roll out that model across the entire Group by digitally transforming the processes involved in our supplier and workforce relationships.
Panasonic possesses a range of widely diverse manufacturing sites. We have factories that are primarily engaged in processes related to materials/devices, and factories that assemble rice cookers, refrigerators, and others. There are also locations responsible for installing software. This diversity is a characteristic of Panasonic’s manufacturing, and I believe it to be a major strength in meeting the wide-ranging customer demands in these times when the operating environment is changing at a bewildering pace.

The mission of the Manufacturing Technology and Engineering Division for which I am responsible is to leverage the manufacturing strengths that we have cultivated in the course of the Company’s long history in resolving the problems faced by customers and society. Innovation—by bundling, combining or bringing about the evolution of a wide variety of core technologies, and amalgamating them with newly developed technologies and external technologies—will lead to new solutions, products and businesses. To that end, we are currently promoting innovation in manufacturing from two aspects.

First are our efforts to further refine the Business Division-based manufacturing that is the Company’s forte. In developing smart manufacturing through efforts that fully utilize IT, we are aiming to speedily supply products in a way similar to mass-produced products to fulfill diverse customer orders. At the production preparation stage, we will utilize digital technologies, such as IoT and AI, derive the optimal production method and conduct process design. After the start of production, by means of dynamic production management compatible with order status we will resolve the bottlenecks in low-volume, high-mix production by the optimization of lot size and production sequences, shortening lead times. Through IoT, we will also gather and store all of the enormous amounts of factory information, while utilizing AI to find the mechanisms that cause defective products. By these means, we will conduct predictive management and aim for zero defective products.

Second are our efforts to combine core technologies from inside and outside the Company to thereby create new value. These are our efforts in Cross-Value Innovation. We are lending our support from the manufacturing angle to new trials that cross Business Divisions, like Panasonic β. As a part of these efforts, we are currently giving form to new ideas/concepts as quickly as possible and working on “rapid manufacturing” to collaborate with customers.

In addition to the aspects mentioned above, we are also promoting efforts in so-called circular economies, such as the recycling of resources and energy and waste-free production, from the environmental point of view. After having made things and delivered them to customers, they are turned back into materials again by recycling and lead to the design of the next product. Taking all of this into consideration, we will promote efforts towards a recycling-oriented society, such as easy-to-recycle designs. Efforts toward factories that emit zero CO2 are also of importance. In conjunction with the Panasonic Environment Vision 2050, in addition to minimizing energy at the time of manufacturing, we will also work on the energy-saving qualities of our products and on energy creation.

Since its foundation, it has been the Company’s policy to honestly respond as customers and their issues have become clear. As the Company’s business shifts to B2B, we are proud of our ability to be in tune with our new customers and will continue to solve the issues they face in a consistent and honest manner. For example, we are able to manufacture automotive batteries with high quality and safety features that meet our customers’ needs. You can do a good job if you have points of contact with customers, and the same applies to manufacturing. Backed by the wide-ranging manufacturing and technological strengths that the Company has accumulated, we will face and collaborate with customers to accelerate the creation of innovation.
I think that the most important thing for researchers is to find problems to solve. In anticipation of the practical applications of products that bring about innovation, we set the issues that must be solved and objectives, and it is important to clearly indicate the specific methods used to resolve issues by the very best, original or leading technologies. Technological developments must be commercialized and lead to social contributions. I personally joined Panasonic after working for an overseas national laboratory and switched to thinking that, since it is a corporate research institute, it is important to know how to connect advanced research to business and how to convert that research into cash. Only when we have achieved that does it become possible for us to contribute something to the Company that leads to a contribution to society. Creating something of merit in technological development involves asking two questions: what is lacking to bring this into the world and of what value will this be to customers? For innovation to occur, the answers to these questions have to be provided first. The Technology Innovation Division aims to create new businesses that will become Panasonic’s growth engine over the medium-to-long term. For that reason, we are looking at where we should make changes and what areas should be extended and are making progress with reforms.

We engage in technological development in four layers. The layer that takes up the most in terms of resources is the “core technology for energy & sensing” layer, in which we aim to make a contribution to business in three years or so. Taking around half of the remaining resources is the “emerging technology for new markets” layer that addresses roughly five-year aims. The other two are the layer that changes an R&D process itself and the layer that aims to create the seeds of completely new kinds of game-changing technologies in an international competitive environment. Panasonic has at its disposal a vast array of technologies and enormous amounts of data that the Company has accumulated in the course of its long history. Its talent pool is equally vast. These are the Company’s major strengths. For example, in fields such as batteries and image sensors, the level of in-house engineers is already high, and we are setting precise KPIs and making progress in making a contribution to business. On the other hand, we are actively incorporating wisdom from outside the Company into the development of new fields and new core technologies. Moreover, rather than aiming for a completely new market with a completely new technology, I believe that a “go beyond halfway” approach would be effective. One example is exploring the possibilities in future mobility for the practical use of the strong technologies we possess in rechargeable batteries for automobiles. This approach would be based on our core technologies, such as approaching other markets by drawing on the hydrogen and energy-related technologies that are regarded as our strongpoints.

We are also putting efforts into measures designed to increase the pace of R&D. For example, we are promoting “Materials Informatics” to quickly search for innovative materials to improve the performance of energy devices such as rechargeable batteries by utilizing AI. I believe that the era of relying on a single technology is about to end. I also believe that future technological development should bring about the amalgamation of technologies, not only from electronics but also from different fields, and focus on a world interlinked by AI and IoT. The Company is taking on the challenges in a variety of technological developments in wide business fields, and I myself joined the Company 10 years ago having developed a fascination in this area. Taking full advantage of this strength, we aim to create world-changing innovations.
“R&D 10-Year Vision,” a Policy for Research and Development

The development of technology requires decisions to be made on what path to take while constantly imagining what the destination will be in 10 years’ time. Taking this into account, Panasonic’s “R&D 10-Year Vision” was revamped and announced in fiscal 2016 as a policy for R&D with an eye toward the future. Panasonic has determined two key areas, “IoT/Robotics” and “Energy,” as business fields in which we should apply Group-wide efforts, and this vision lays out our mid-term direction for R&D.

Within IoT/Robotics, we are working to advance the development of technologies associated with AI and sensing, user interface (UI) and user experience (UX). We aim to bring about solutions that contribute to AI robotics home appliances and autonomous driving, as well as the rationalization of store management and logistics.

In the field of Energy, we seek to utilize technologies associated with storage and hydrogen energy with the goal of providing energy solutions for homes and buildings, and for vehicles. Through these efforts our aim is to contribute to solving the issues that face society on the environmental front, such as achieving a low-carbon society.

Panasonic will continue to accelerate innovation creation while looking toward the future, as we aim to realize “A Better Life” and “A Better World.”
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.

Mototsugu Sato
Representative Director
Senior Managing Executive Officer / CSO

Hirokazu Umeda
Director
Managing Executive Officer / CFO
Looking Back at the Path Taken toward Sales and Profit Growth

While supporting the CEO, Kazuhiro Tsuga, a series of reform measures have been implemented. Looking back, can you comment on any especially important initiatives?

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

Sato 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.

Umeda 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.

Credit Ratings as of July 31, 2018

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<th>Ratings agency</th>
<th>Long term (outlook)</th>
<th>Short term</th>
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<tr>
<td>Standard &amp; Poor’s</td>
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<tr>
<td>Moody’s</td>
<td>A3 (stable)</td>
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Message from the CSO and CFO
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

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

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.

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.

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In closing, do you have a message for investors?

**Optimizing the business portfolio**

Sato

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.

**Enriching dialogue with investors**

Umeda

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.

“Increase emphasis on the return on invested capital”
A Message from the Chairman of the Board

We will upgrade the governance function to address changes in our business environment

Shusaku Nagae
Director, Chairman of the Board
Corporate governance at Panasonic is comprised of two broad functions. In principle, executive officers including the president are responsible for the executive function, which entails carrying out day-to-day operations. Led by the Chairman, the Board of Directors is responsible for the supervisory and corporate strategy decision-making function. In order to enhance the effectiveness of corporate governance, steps have been taken to reform the Company’s governance structure and systems.

Turning to the Board of Directors, we reduced the number of directors from 17 to 12 and raised the minimum ratio of outside directors to one third in fiscal 2018. Working to increase the Board’s agility and transparency, while injecting a higher degree of objectivity, we also implemented other measures including the appointment of one non-Japanese director in fiscal 2019.

Coinciding with the start of Japan’s version of the Corporate Governance Code, the Company established the optional Nomination and Compensation Advisory Committee in fiscal 2016. In response to inquiries from the Board, this committee deliberates and reports on the appropriateness of director and other officer candidate nominations as well as their compensation system. In the next fiscal year, we worked to reinforce the role of the committee. This includes ensuring that a majority of the Nomination and Compensation Advisory Committee is comprised of independent outside directors.

Against the backdrop of substantial changes in the Company’s business environment and growing focus on achieving sustainable development goals (SDGs), expectations toward the corporate sector’s focus on achieving sustainable development goals (SDGs), expectations toward the corporate sector’s efforts to address social issues are increasing. Looking ahead, we will make every effort to respond appropriately to a wide range of developments while working to reform our governance structure and systems on an ongoing basis.

### Activities Aimed at Strengthening Governance

**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
- Appointed a non-Japanese director

**Nomination and Compensation Advisory Committee**
- Established (Number of outside members/Total number of members)
  - FY2014: 1/3
  - FY2015: 2/4
  - FY2016: 3/5

**Initiatives and other mechanisms**
- Introduced stock-type share option compensation SOs
- 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 corporate advisory system
- Clarified the roles of directors and executive officers

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* The Policy toward Large-Scale Purchases of Panasonic Shares

In addition to the structure and systems necessary to allow management to make timely and decisive decisions, corporate governance provides the checks and balances that help prevent any reckless action by management while preventing any departure from accepted corporate practice by the organization as a whole. It is within this context, that I hold high expectations of our outside directors as well as outside Audit & Supervisory Board members (A&SB members).

At the Board of Directors meeting, we receive insightful questions and comments on each agenda item from our outside directors as well as outside A&SB members based on their experience and expertise in specialist fields. In this sense, the Board of Directors meeting is conducted through lively deliberation and debate. Moreover, every effort is being made to further energize the Board of Directors. This includes newly allotting the time necessary to discuss medium-to-long term strategies based on the opinions of outside directors as well as outside A&SB members on the effectiveness of the Board of Directors.

Outside directors as well as outside A&SB members began visiting business sites from fiscal 2017. The aim is to provide outside directors as well as outside A&SB members with first-hand experience and a better understanding of the manufacturing frontlines. Through this initiative, outside directors as well as outside A&SB members are engaging in active dialogue with onsite employees.

In addition to adopting a logical approach that draws on Group-wide internal input, we believe we can realize management through collective wisdom that is powered by the ideas and skills of each and every employee based on the multi-faceted perspectives of outside directors as well as outside A&SB members.
Outside Directors’ Roundtable Discussion

Vitalizing Board of Directors by Strengthening Governance

The Company’s four outside directors discuss their impressions of Panasonic’s management, changes and issues related to the Board of Directors, and the training and development of personnel for upper management positions.

Outside Directors’ View of Panasonic

Panasonic is celebrating its 100th anniversary and has transformed itself constantly up through the present. Please give us your honest impressions of Panasonic, which is starting out now on its next 100 years.

Oku

I’d first like to offer my congratulations on Panasonic’s 100th anniversary. Looking back on the past 10 to 15 years, the environment surrounding Panasonic’s business has changed substantially. The progress of digitalization greatly shook the industry as a whole, and Japanese consumer electronics companies sustained pressure from Asia, especially Korea. Because it was difficult to predict such changes, the Company was forced to take measures in response to them. In the midst of this, Panasonic began to strengthen its B2B business and carry out broad overseas development in Asia and Central and South America.

Since Mr. Tsuga became president in 2012, the thinking has been to firmly rebuild B2C, the foundation of Panasonic’s business, and use the cash generated to expand the B2B domain. Based on this thinking, Panasonic has clearly started to shift from B2C, where it

Masayuki Oku
Honorary Advisor,
Sumitomo Mitsui Financial Group, Inc.
Involved in numerous international M&A projects; expertise in international finance and law.

Yoshinobu Tsutsui
Chairman of the Board,
nippon Life Insurance Company
Extensive experience at the highest level of management along with expertise in domestic and international financial developments.
is easy to become embroiled in price competition, to B2B, where stable earnings can be expected over the long term, while also conducting reforms to its organizational structures. I think this business model reform and this basic strategy are correct. Even in the B2B domain, Chinese companies are emerging and competition is also expected to intensify, so going forward Panasonic should continue to conduct management with flexibility and a sense of speed.

A company that has existed for 100 years certainly has a great deal of strength and determination, and Panasonic is starting to firmly show this side as well. While shifting to B2B, including the automotive business, it is leveraging strengths in consumer electronics and also creating a new axis in the business, and at the same time it is firmly developing the solutions business as a new field. I strongly sense that under Mr. Tsuga, the four Divisional Company presidents are in the process of forming their respective strengths while heading in the same direction.

"Change," even in government policy, is truly difficult; it’s not an ordinary occurrence. But Panasonic today has the power to change. In an industry where conditions change extremely quickly, the right way to respond is also constantly changing. This is why I think a company must constantly keep the power to change within itself. So-called “big company disease” is when most of the strong energy is inwardly directed, and Panasonic still has this nature in certain areas, but the power to change is there; that is to say, energy is currently moving in an outward direction. It is important that going forward Panasonic continues to further grow its power to change and take on new challenges with even greater flexibility.

Just as Mr. Oku says, amidst the discontinuous changes wrought by digitalization and globalization, Japan’s manufacturing industry has lost the “winning pattern” it had cultivated for so many years and has struggled mightily to recover from this. The organizational strength of Japanese companies came from continuity, or joint work from a harmony rooted in homogeneity, but in response to discontinuous change, this strength can often function in the wrong direction. At such times, a type of regeneration is needed in which things like discontinuity and diversity are built in to the organization.

My impression of Panasonic when I came in as an outside director two years ago, is that regeneration is progressing more than I had anticipated. Having said this though, if you asked me if the current rejuvenation-like level is adequate, I would have to say it is not adequate. Digitalization and globalization are still not likely to end, so it will be necessary to continue regenerating at the organizational level. In response to these revitalization efforts, I plan to continue to encourage the Company as a coaching partner.
Outside Directors’ Roundtable Discussion

Tatsuji Matsushita: Panasonic develops a broad range of businesses on a global scale and naturally faces various risks. This is why strengthening business management and governance systems for the sustained growth required of Panasonic by investors is an extremely challenging endeavor with a high level of difficulty. Panasonic I feel is currently boldly engaged in this. Panasonic, now celebrating its 100th anniversary, should respect its traditions, in which management has been rooted in the spirit of founder Konosuke Matsushita. A vision for the future absolutely cannot be devised unless it is based on what has been done up until now. At the same time, tradition is like a double-edged sword; it provides a foundation for a vision but can also impede the progress of change—having both is difficult. In taking up future challenges, I think it is important to effect transformation with all employees on the same vector while remaining rooted in tradition.

Effectiveness of the Board of Directors

The effectiveness of the Board of Directors is an important element in continuing to transform. Please give us your thoughts on changes and issues related to the Board of Directors of Panasonic, which has worked to strengthen governance.

Oku: Panasonic’s Board of Directors 10 years ago proceeded according to schedule; that is, it was a typical board at a traditional company. This has evolved autonomously over the past five or six years. There is more open discussion; things have improved a great deal. Now, looking from the perspective of an outside director entrusted by shareholders for management, I confirm strategies devised by the executive side and ask various questions about risks, and we now engage in lively discussion.

Toyama: I have been here for two years, and just in that time I think the discussions and comments have become lively. Discussions by the Board of Directors are important in terms of assessing future management personnel as well, and going forward, I think that internal directors and Divisional Company presidents should also be more forthcoming to further enliven board discussions.

Ota: Panasonic is an interesting company. While it maintains its old nature, when it decides to change, it seriously, directly and sincerely works to change. I think this is a very good quality. The Nomination and Compensation Advisory Committee, since its establishment in November 2015, has conducted truly candid, unreserved discussions. In fiscal 2018, it discussed revising the corporate advisor system and reported to the Board of Directors. Based on the spirit of founder Konosuke Matsushita, Panasonic’s approach to governance has always been strong, but what is required now is transparency that is apparent even when looking from an external viewpoint. This has progressed rapidly over the past two or three years.

Oku: My impression is that changes in response to opinions given at the Board of Directors meeting are made more quickly. For example, in last year’s questionnaire on evaluation of the Board of Directors’ effectiveness, I proposed hearing the CEO’s thoughts on such topics as medium-to-long term issues and management strategy, and my proposal was incorporated right away at the next Board of Directors meeting. It continues to be implemented today, providing a valuable opportunity to learn the thoughts of top management.

“Discussions by the Board of Directors have clearly been enlivened”
Compared to the time around 2013 when I was appointed an outside director, my impression is that systems for upper management development, selection and succession have been established fairly well. Actually, the Nomination and Compensation Advisory Committee is currently discussing various matters, with an awareness of transparency, related to the qualities required of the CEO’s successor and the preferred timing of succession. Regarding the required qualities, the speed of change in the industry is very fast, so there is no fixed answer, and I think this will be determined when the time comes. However, the ability to think from a Group-wide perspective, sensitivity to business models, and the ability to choose strategies flexibly are always important.

I also think that how to develop personnel with a broad viewpoint capable of managing business as a whole is truly a very big challenge. The business area is this large and it is global, so the Divisional Company system and Business Division system make sense, but with this organizational format there is the need for an ideal Board of Directors meeting.

Substantive deliberations will be increasingly important going forward

**Personnel Development for the Next Generation of Upper Management**

Please tell us your opinions on the qualities that will be required of upper management at Panasonic going forward and how to develop qualified personnel.

**Ota**  Compared to the time around 2013 when I was appointed an outside director, my impression is that systems for upper management development, selection and succession have been established fairly well.

Actually, the Nomination and Compensation Advisory Committee is currently discussing various matters, with an awareness of transparency, related to directors is important. It is often said that supervision should be separate from execution. This is important as a mechanism of governance, but at the same time, it’s important also for supervision and execution to substantially deliberate and make decisions as a single team with a sense of unity and trust. I think the effectiveness of the Board of Directors is improved when issues and solutions are presented to the board at an early stage to allow us to confirm them and then make decisions upon active deliberation. I think it is necessary to continue sustained efforts going forward toward an ideal Board of Directors meeting.

**Toyama**  Yes, I agree. It would be good if all members could have constructive and serious debate while exchanging opinions for an adequate amount of time on strategic themes like the business portfolio and the balance between investment and financial discipline.

**Tsutsui**  I think the same. In particular, outside directors don’t know the situation with the executive side very well, so it is possible that the right decisions just can’t be made through formal deliberations. For this reason, satisfactory deliberations are important, which means whether or not decisions are being made that can be truly understood and supported by outside directors.
risk of it being difficult to develop personnel with a broad viewpoint. Of course having a vision in each specialist domain is also important, but on this basis, I think it is necessary to develop personnel with a certain amount of knowledge of other Divisional Companies and Business Divisions and with a Group-wide vision. To this end, it is also necessary to conduct cross-divisional personnel exchange and deliberate rotations from an early stage. Another potential method is giving younger employees in their late 20’s or in their 30’s short-term experiences outside their own divisions.

The CEO must always think on three axes: the geographical axis of business development into diverse regions, the axis of diverse businesses, and the function axis of planning, development, production, sales and financial affairs. However, it is not possible to be a specialist in all of the three axes, so realistically, assigning suitable personnel to each position and forming an optimal combination is inevitable. For this reason, the ability to select optimal personnel and to entrust work to people are also important. Truly, the founder’s approach of “Entrusting work to your subordinates but not completely” is important today. To accomplish this, it is important to simultaneously think also of developing successors to the positions at the CEO’s right hand, the CFO, CSO, CTO, etc.

For upper management, how to develop people with high latent ability capable of thinking while joining information and technology is important. Having a global mindset is also to be emphasized. The issue is how we develop, from a long-term standpoint, personnel with management experience capable of combining various elements from a global perspective. It is not enough to simply have them think intellectually about it; people must be developed by actually giving them various experiences. Another issue is how to develop non-Japanese nationals for positions in upper management.

Of course diversity is important, and it will be necessary to expand the pool and have not only Japanese but people globally handling management in the future.

From the standpoint of diversity, I would like there to be a few more women in upper management. Another big change is that Panasonic now is fairly active about promoting from outside the company. Mr. Higuchi is a former Panasonic employee, so he’s perhaps not completely from the outside, but I think inviting in executive-class people from the outside was unthinkable at Panasonic previously. This is a very good change.

The Companies Act in Japan stipulates the enhancement of corporate governance practices. I define the basic principle of corporate governance as “capital democracy”. This means that shareholders are the final beneficiaries and also play an important role in governance. Panasonic’s long-term corporate value includes not only economic value but various social values, and the process of effecting the sustained growth of this total corporate value is the joint work of...
We will enhance corporate value together with shareholders.

shareholders committed to the Company and we in management. The Board of Directors, which centers on outside directors, is clearly oriented to this, and we plan to continue moving forward together with shareholders.

The position of outside director is the same as investors who watch over the company from a medium-to-long term perspective. Speaking from this perspective, I think it is most important to not be at all reassured by recent growth in sales and profits and to continue to grow by constantly taking on various challenges.

Panasonic today is starting to have internally the power to change itself in order to take on this challenge. It also thoroughly and straightforwardly reports its situation to shareholders and investors, including issues and problems. In this sense, it is a very open company. To continue to change going forward, this openness, being open to the outside, is extremely important, and I personally rate Panasonic highly in this respect.

As for my message to shareholders and investors, I think the daily stock price and quarterly results are important, but I would say please look at Panasonic from a longer time axis.

I would like shareholders and investors to look at Panasonic from the standpoint of how the Company is currently doing on its mid-term plan targets, or based on its stated vision, how the Company is developing a governance system to support future growth, how the Company has overcome difficulties while being exposed to various risks in the past, and whether it will continue to overcome them.

Please recognize the appeal of Panasonic as a company that’s been here 100 years and has continued to transform for 100 years.

I agree that achieving growth in sales and profit is just a transition point. But I must say that I was deeply moved when the Company achieved both sales and profit growth in real terms, excluding the effects of foreign currency exchange rates, for the first time in seven years.

How will Panasonic look in 10 years? There are businesses that will generate results and move forward while respecting its traditions and businesses that have thrown out the past and are growing greatly in a very different world, so actually, I’m not able to predict it myself. One thing for certain though is that over these past 100 years, though times have not always been good, Panasonic has a track record of overcoming even the hard times and continuing to transform. And, this company will no doubt continue to transform into the future. I think this is something we can certainly expect.
Directors, Audit & Supervisory Board Members and Executive Officers
(As of June 28, 2018) (Based on information contained in the Company’s Annual Securities Report)

Laurence W. Bates
Director

Hirokazu Umeda
Director

Yasuyuki Higuchi
Representative Director

Mototsugu Sato
Representative Director

Kazuhiro Tsuga
Representative Director, President

Shusaku Nagae
Director, Chairman of the Board
Directors, Audit & Supervisory Board Members and Executive Officers

(As of June 28, 2018) (Based on information contained in the Company’s Annual Securities Report)

**Directors, Chairman of the Board**

**Shusaku Nagae**
- Apr. 1972: Joined Matsushita Electric Works, Ltd. (MEW)
- Dec. 2007: Managing Executive Officer, MEW
- June 2007: Managing Director, MEW
- June 2010: President, Panasonic Electric Works Co., Ltd. (former MEW)
- Jan. 2012: In charge of Solution Business / President, Eco Solutions Company
- June 2012: Executive Vice President of the Company / In charge of Corporate Divisions for Promoting Energy Solution Business
- June 2013: Chairman of the Board of Directors (current position)

**Director, Vice Chairman of the Board**

**Masayuki Matsushita**
- Apr. 1988: Joined the Company
- Oct. 1981: Director, Washing Machine Division
- Feb. 1986: Director of the Company
- June 1990: Managing Director of the Company
- June 1992: Senior Managing Director of the Company
- July 1995: In charge of Overseas Operations
- June 1996: Executive Vice President of the Company
- June 2000: Vice Chairman of the Board of Directors (current position)

**Representative Director, President**

**Kazuhiko Tsuga**
- President / CEO
- Apr. 1979: Joined the Company
- June 2001: Director, Multimedia Development Center
- June 2004: Executive Officer of the Company / In charge of Digital Network & Software Technology
- Apr. 2008: Managing Executive Officer of the Company / President, Panasonic Automotive Systems Company
- Apr. 2011: Senior Managing Executive Officer of the Company / President, AVC Network Company
- June 2011: Senior Managing Director of the Company
- June 2012: President of the Company
- June 2017: Representative Director, President of the Company (current position) / President of the Company (current position) / Chief Executive Officer (CEO) (current position)

**Representative Director**

**Yoshio Ito**
- Executive Vice President / CEO, Automotive & Industrial Systems Company
- Apr. 1973: Joined the Company
- Apr. 2006: Vice President, Panasonic AVC Networks Company / Director, System Business Group Company
- Apr. 2009: Executive Officer of the Company / President, Lighting Company
- Jan. 2013: President, Industrial Devices Company / President, Energy Company
- Apr. 2013: Managing Executive Officer of the Company
- Apr. 2014: Senior Managing Executive Officer of the Company / President (now CEO), Automotive & Industrial Systems Company (current position)
- June 2014: Senior Managing Director of the Company
- Apr. 2017: Executive Vice President of the Company
- June 2017: Representative Executive Director of the Company (current position) / Executive Vice President of the Company (current position)

**Representative Directors**

**Mototsugu Sato**
- Senior Managing Executive Officer / CSO / CHRO
- Apr. 1979: Joined Matsushita Electric Works, Ltd. (MEW)
- Apr. 2008: Executive Officer, MEW
- Apr. 2011: Senior Executive Officer, Panasonic Electric Works Co., Ltd. (former MEW)
- Oct. 2013: Executive Officer of the Company / In charge of Planning
- June 2014: Director of the Company
- Apr. 2015: Managing Director of the Company
- Apr. 2016: Senior Managing Director of the Company / In charge of Human Resources
- Mar. 2017: CEO, Panasonic Holding (Netherlands) B.V. (current position)
- June 2017: Representative Director of the Company (current position) / Senior Managing Executive Officer of the Company (current position) / Chief Strategy Officer (CSO) (current position) / Chief Human Resources Officer (CHRO) (current position)

**Yasuyuki Higuchi**
- Senior Managing Executive Officer / CEO, Connected Solutions Company
- May 2003: President and Representative Director, Hewlett-Packard Japan, Ltd.
- May 2005: President and Representative Director, The Daiei, Inc.
- Mar. 2007: Representative Executive Officer and CCO, Microsoft Kabushiki Kaisha (now Microsoft Japan Co., Ltd.)
- Apr. 2008: Representative Executive Officer and President, Microsoft Kabushiki Kaisha (now Microsoft Japan Co., Ltd.)
- July 2015: Representative Executive Officer and Chairman, Microsoft Japan Co., Ltd.
- Apr. 2017: Senior Managing Executive Officer of the Company / President (now CEO), Connected Solutions Company (current position)
- June 2017: Representative Director of the Company (current position) / Senior Managing Executive Officer of the Company (current position)

** Directors**

**Hirokazu Umeda**
- Managing Executive Officer / CFO
- Apr. 1984: Joined the Company
- Oct. 2012: General Manager, Corporate Management Support Group, Corporate Strategy Division
- Apr. 2017: Executive Officer of the Company / In charge of Accounting and Finance
- June 2017: Director of the Company (current position) / Executive Officer of the Company / Chief Financial Officer (CFO) (current position)
- Apr. 2018: Managing Executive Officer of the Company (current position)
- President, Panasonic Equity Management Japan Co., Ltd. (current position)

**Laurence W. Bates**
- Executive Officer / GC / CRO / CCO
- Mar. 1987: Admitted to New York State Bar (current position)
- Sep. 1998: General Counsel-Japan, General Electric Company, Tokyo
- Apr. 2014: Senior Managing Director and Chief Legal Officer, LXIL Group Corporation, Tokyo
- Apr. 2018: Executive Officer of the Company (current position) / General Counsel (GC) (current position) / Chief Risk Management Officer (CRO) (current position) / Chief Compliance Officer (CCO) (current position)
- June 2018: Director of the Company (current position)

**Outside Directors**

**Masayuki Oku**
- (Independent director)
- June 2005: President, Sumitomo Mitsui Banking Corporation / Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc.
- June 2008: Director of the Company (current position)
- June 2017: Honorary Advisor, Sumitomo Mitsui Financial Group, Inc. (current position)

**Yoshinobu Tsutsui**
- (Independent director)
- Apr. 2011: President, Nippon Life Insurance Company
- June 2015: Director of the Company (current position)
- Apr. 2016: Chairman, Nippon Life Insurance Company (current position)

**Hiroko Ota**
- (Independent director)
- Sep. 2006: Minister of State for Economic and Fiscal Policy
- Aug. 2008: Professor, National Graduate Institute for Policy Studies (current position)
- June 2013: Director of the Company (current position)

**Kazuhiko Toyama**
- (Independent director)
- Apr. 2003: Senior Representative Director (COO), Industrial Revitalization Corporation of Japan
- Apr. 2007: Representative Director (CEO), Industrial Growth Platform, Inc. (current position)
- June 2016: Director of the Company (current position)
Audit & Supervisory Board Members

Senior Audit & Supervisory Board Members

Hirofumi Yasuhara

Apr. 1979  Joined the Company
June 2008  Director, PanaHome Corporation
June 2012  Representative Director, PanaHome Corporation
June 2014  Senior Audit & Supervisory Officer (non-statutory, full-time), Automotive & Industrial Systems Company of Panasonic Corporation
June 2015  Senior Audit & Supervisory Board Member of the Company (current position)

Mamoru Yoshida

Apr. 1979  Joined the Company
Apr. 2008  Vice President, Panasonic AVC Networks Company / Director, Network Business Group
Apr. 2009  Executive Officer of the Company / Senior Vice President, AVC Networks Company
Apr. 2012  Managing Executive Officer of the Company / President, AVC Networks Company
June 2012  Managing Director of the Company
Apr. 2013  In charge of Technology, Intellectual Property and Information Systems
Apr. 2015  Senior Vice President, Appliances Company
June 2015  Managing Executive Officer of the Company
June 2016  Senior Audit & Supervisory Board Member of the Company (current position)

Outside Audit & Supervisory Board Members

Yoshio Sato

(Y Independent Audit & Supervisory Board member)

July 2007  President and Director, Chief Executive Officer (Representative Director) of Sumitomo Life Insurance Company
July 2011  President and Representative Director, Chief Executive Officer of Sumitomo Life Insurance Company
Apr. 2014  Chairman and Representative Director of Sumitomo Life Insurance Company
June 2014  Audit & Supervisory Board Member of the Company (current position)
July 2015  Chairman of the Board of Sumitomo Life Insurance Company (current position)

Mitsuko Miyagawa

(Y Independent Audit & Supervisory Board member)

Apr. 1986  Registered as Attorney at Law (Japan) (current position)
Apr. 1995  Partner, TMI Associates (current position)
June 2016  Audit & Supervisory Board Member of the Company (current position)

Toshio Kinoshita

(Y Independent Audit & Supervisory Board member)

July 1983  Registered as Certified Public Accountant (Japan) (current position)
June 1994  Senior Partner of Chuo Audit Corporation
July 2007  Chief Executive of The Japanese Institute of Certified Public Accountants
July 2013  Council Member of The Japanese Institute of Certified Public Accountants
June 2014  Audit & Supervisory Board Member of the Company (current position)

Mitsuko Miyagawa

(Y Independent Audit & Supervisory Board member)

Apr. 1986  Registered as Attorney at Law (Japan) (current position)
Apr. 1995  Partner, TMI Associates (current position)
June 2016  Audit & Supervisory Board Member of the Company (current position)
## 10-Year Financial Summary

Panasonic Corporation and Subsidiaries, Years ended March 31

Panasonic began applying International Financial Reporting Standards (IFRS) on a voluntary basis in the fiscal year ended March 2017. Financial figures for the fiscal year ended March 2016 are also presented in accordance with IFRS standards in addition to conventional U.S. GAAP standards.

### U.S. GAAP

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<tbody>
<tr>
<td><strong>For the Year (Millions of yen)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Net sales</td>
<td>7,765,507</td>
<td>7,417,980</td>
<td>8,692,672</td>
<td>7,846,216</td>
<td>7,303,045</td>
<td>7,736,541</td>
</tr>
<tr>
<td>Operating profit</td>
<td>72,873</td>
<td>190,453</td>
<td>305,254</td>
<td>43,725</td>
<td>160,936</td>
<td>305,114</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>(382,634)</td>
<td>(29,315)</td>
<td>178,807</td>
<td>(312,844)</td>
<td>(398,386)</td>
<td>206,225</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(378,961)</td>
<td>(103,465)</td>
<td>74,017</td>
<td>(772,172)</td>
<td>(754,250)</td>
<td>120,442</td>
</tr>
<tr>
<td>Operating profit</td>
<td>494,366</td>
<td>385,489</td>
<td>403,778</td>
<td>333,695</td>
<td>310,866</td>
<td>217,033</td>
</tr>
<tr>
<td>Depreciation</td>
<td>325,835</td>
<td>251,839</td>
<td>284,244</td>
<td>296,808</td>
<td>277,582</td>
<td>278,792</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>517,913</td>
<td>476,903</td>
<td>527,798</td>
<td>520,217</td>
<td>502,223</td>
<td>478,817</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(352,830)</td>
<td>198,674</td>
<td>266,250</td>
<td>(339,893)</td>
<td>355,156</td>
<td>594,078</td>
</tr>
<tr>
<td><strong>At Year-End (Millions of yen)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>745,665</td>
<td>1,327,992</td>
<td>1,595,269</td>
<td>1,575,615</td>
<td>1,143,395</td>
<td>642,112</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>973,867</td>
<td>1,109,912</td>
<td>974,826</td>
<td>574,411</td>
<td>496,283</td>
<td>592,467</td>
</tr>
<tr>
<td>Total assets</td>
<td>6,403,316</td>
<td>8,358,057</td>
<td>7,822,870</td>
<td>6,601,055</td>
<td>5,397,812</td>
<td>5,212,994</td>
</tr>
<tr>
<td>Panasonic Corporation shareholders’ equity</td>
<td>2,783,980</td>
<td>2,792,488</td>
<td>2,558,992</td>
<td>1,929,786</td>
<td>1,264,032</td>
<td>1,548,152</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,212,581</td>
<td>3,679,773</td>
<td>2,946,335</td>
<td>1,977,566</td>
<td>1,304,273</td>
<td>1,586,438</td>
</tr>
</tbody>
</table>

### Per Share Data (Yen)

- **Net income (loss) attributable to Panasonic Corporation per common share:**
  - Basic: (182.25) (49.97) 35.75 (333.96) (326.28) 52.10
  - Diluted: (182.25) – – – – –
- Dividends declared per share: 30.00 10.00 10.00 10.00 0 13.00
- **Panasonic Corporation shareholders’ equity per share:** 1,344.50 1,348.63 1,236.05 834.79 546.81 669.74

### Financial Indicators

- Operating profit/sales (%): 0.9 2.6 3.5 0.6 2.2 3.9
- Income (loss) before income taxes/sales (%): (4.9) (0.4) 2.1 (10.4) (5.5) 2.7
- ROE (%): (11.8) (3.7) 2.8 (34.4) (47.2) 8.6
- Net income (loss) attributable to Panasonic Corporation/sales (%): (4.9) (1.4) 0.9 (9.8) (10.3) 1.6
- Total asset turnover ratio (Times): 1.1 1.0 1.1 1.1 1.2 1.5
- Financial leverage (Times): 2.1 2.6 3.0 3.2 3.8 3.8
- Interest-bearing debt/total assets (%): 11.6 15.9 20.4 23.9 21.2 12.3
- Panasonic Corporation shareholders’ equity/total assets (%): 43.5 33.4 32.7 29.2 23.4 29.7
- Payout ratio (%): – – 28.0 – – 25.0

### Exchange Rate (Yen)

- 1 USD: 101 93 86 79 83 100
- 1 EUR: 143 131 113 109 107 134
- 1 RMB: – – – – 13.3 16.4

### Notes to U.S. GAAP

1. The Company’s financial statements were prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) until the fiscal year ended March 2016.
2. In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the company’s financial results with those of other Japanese companies. See the Company’s annual securities report and financial announcements for the details.
3. The Company defines capital investment as purchases of property, plant and equipment based on an annual basis which reflects the effects of timing differences between acquisition date and payment date.
4. Capital investment and depreciation do not include intangibles.
5. Dividends per share reflect those declared by Panasonic in each fiscal year and consist of interim dividends paid during the fiscal year and year-end dividends paid after the fiscal year-end.
6. Exchange rate is the average rate for the fiscal year.
7. Due to the adoption of the provisions of FASB Accounting Standards Codification (ASC) 810, “Consolidation,” fiscal 2009 has been restated.
8. SANYO Electric Co., Ltd. (SANYO) and its subsidiaries became consolidated subsidiaries of Panasonic in December 2009. The operating results of SANYO and its subsidiaries prior to December 2009 are thus not included in Panasonic’s consolidated financial statements.
9. “Diluted net income (loss) attributable to Panasonic Corporation common shareholders per share” from fiscal 2010 to fiscal 2014 has been omitted because the Company did not have potential common shares that were outstanding for the period.
10. Effective from the beginning of fiscal 2013, investments and depreciation expenses in molding dies are included in “Capital investment” and “Depreciation (tangible assets),” respectively. Accordingly, the amounts of “Depreciation (tangible assets)” and “Capital investment” for fiscal 2012 are changed.
11. Dilutive interest-bearing debt is equal to the sum of short-term debt, including current portion of long-term debt, and long-term debt.
12. Dividends declared per share: 30.00 10.00 10.00 10.00 0 13.00
13. Formulas for financial ratios are as follows:
   - Operating profit ratio = Operating profit / Net sales
   - ROE = Net income (loss) attributable to Panasonic Corporation / Average Panasonic Corporation shareholders’ equity at the beginning and the end of each fiscal year
   - Total assets turnover ratio = Net sales / Average total assets at the beginning and the end of each fiscal year
   - Financial leverage = Average total assets at the beginning and the end of each fiscal year / Average Panasonic Corporation shareholders’ equity at the beginning and the end of each fiscal year
   - Interest-bearing debt ratio = Interest-bearing debt / Total assets

Panasonic Annual Report 2018
**IFRS**

<table>
<thead>
<tr>
<th>For the Year (Millions of yen)</th>
<th>3/2016</th>
<th>3/2017</th>
<th>3/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>7,626,306</td>
<td>7,343,707</td>
<td>7,982,164</td>
</tr>
<tr>
<td>Operating profit</td>
<td>230,299</td>
<td>276,784</td>
<td>380,539</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>227,529</td>
<td>275,066</td>
<td>378,590</td>
</tr>
<tr>
<td>Net profit attributable to Panasonic Corporation stockholders</td>
<td>165,212</td>
<td>149,360</td>
<td>236,040</td>
</tr>
<tr>
<td>Capital investment</td>
<td>252,905</td>
<td>311,641</td>
<td>392,234</td>
</tr>
<tr>
<td>Depreciation</td>
<td>238,214</td>
<td>224,405</td>
<td>226,576</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>438,851</td>
<td>436,130</td>
<td>448,879</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>125,551</td>
<td>(34,746)</td>
<td>(35,646)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At Year-End (Millions of yen)</th>
<th>3/2016</th>
<th>3/2017</th>
<th>3/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing debt</td>
<td>724,841</td>
<td>1,124,004</td>
<td>1,239,444</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,012,666</td>
<td>1,270,787</td>
<td>1,089,585</td>
</tr>
<tr>
<td>Total assets</td>
<td>5,488,024</td>
<td>5,982,961</td>
<td>6,291,148</td>
</tr>
<tr>
<td>Panasonic Corporation stockholders’ equity</td>
<td>1,444,442</td>
<td>1,571,889</td>
<td>1,707,551</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,647,233</td>
<td>1,759,935</td>
<td>1,882,285</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Per Share Data (Yen)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share attributable to Panasonic Corporation stockholders:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>71.30</td>
<td>64.33</td>
<td>101.20</td>
</tr>
<tr>
<td>Diluted</td>
<td>71.29</td>
<td>64.31</td>
<td>101.15</td>
</tr>
<tr>
<td>Dividends declared per share</td>
<td>25.00</td>
<td>25.00</td>
<td>30.00</td>
</tr>
<tr>
<td>Panasonic Corporation stockholders’ equity per share</td>
<td>622.34</td>
<td>673.93</td>
<td>732.12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit/sales (%)</td>
<td>3.0</td>
<td>3.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Profit before income taxes/sales (%)</td>
<td>3.0</td>
<td>3.7</td>
<td>4.7</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>11.1</td>
<td>9.9</td>
<td>14.4</td>
</tr>
<tr>
<td>Net profit attributable to Panasonic Corporation stockholders/sales (%)</td>
<td>2.2</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Total asset turnover ratio (Times)</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Financial leverage (Times)</td>
<td>3.8</td>
<td>3.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Interest-bearing debt/total assets (%)</td>
<td>13.2</td>
<td>18.8</td>
<td>19.7</td>
</tr>
<tr>
<td>Panasonic Corporation stockholders’ equity/total assets (%)</td>
<td>26.3</td>
<td>26.3</td>
<td>27.1</td>
</tr>
<tr>
<td>Payout ratio (%)</td>
<td>35.1</td>
<td>38.9</td>
<td>29.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exchange Rate (Yen)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USD</td>
<td>120</td>
<td>108</td>
<td>111</td>
</tr>
<tr>
<td>1 EUR</td>
<td>133</td>
<td>119</td>
<td>130</td>
</tr>
<tr>
<td>1 RMB</td>
<td>18.9</td>
<td>16.1</td>
<td>16.8</td>
</tr>
</tbody>
</table>

**Notes to IFRS**

1. The Company’s consolidated financial statements are prepared in conformity with International Financial Reporting Standards (IFRS).
2. The Company defines capital investment as purchases of property, plant and equipment based on an accrual basis which reflects the effects of timing differences between acquisition date and payment date.
3. Capital investment and depreciation do not include intangibles.
4. Dividends per share reflect those declared by Panasonic in each fiscal year and consist of interim dividends paid during the fiscal year and year-end dividends paid after the fiscal year-end.
5. Exchange rate is the average rate for the fiscal year.
6. Interest-bearing debt is equal to the sum of short-term debt, including current portion of long-term debt, and long-term debt.
7. Formulas for financial ratios are as follows:
   - Operating profit rate = Operating profit / Net sales
   - ROE (Return on equity) = Net profit attributable to Panasonic Corporation stockholders / Average Panasonic Corporation stockholders’ equity at the beginning and the end of each fiscal year
   - Total assets turnover = Net sales / Average total assets at the beginning and the end of each fiscal year
   - Payout ratio = Dividends declared per share / Basic earnings per share attributable to Panasonic Corporation stockholders