Annual Report
Panasonic Corporation
Financial and Non Financial Results for the year ended March 31, 2016

Gearing up for future growth
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Note: Risk Factors

Please refer to the Company’s Annual Securities Report (Yukashoken Hokokusho) for details regarding business and other risks.

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About the cover and overall design of the report, Panasonic has employed photographs that depict some of its sporting activities to express its strong will and energy to push toward future growth.
Growth Strategy

Interview with the President
Serving Customers and Aiming for Sustainable Growth
Kazuhiro Tsuga
President

Interview with the CTO
Accelerating the Development of Technology Useful for Creating the Society of the Future over the Next 10 Years
Yoshiyuki Miyabe
Senior Managing Director

Foundation for Growth

We spoke to Kazuhiko Toyama about his thoughts on corporate governance following his appointment as a director of the Company in June 2016.

Message from an Outside Director
Kazuhiko Toyama
Director

Our Products and Businesses Helping Solve Social Issues

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About Panasonic  Growth Strategy  Foundation for Growth

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Disclaimer Regarding Forward-Looking Statements

This Annual Report includes forward-looking statements (that include those within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934), as amended about Panasonic and its Group companies (the Panasonic Group). Panasonic discloses its consolidated financial forecasts for fiscal 2017 based on International Financial Reporting Standards (IFRS). To the extent that statements in this Annual Report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group’s actual results, performance, achievements or financial position to materially differ from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this Annual Report. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings under the Financial Instrument and Exchange Act of Japan (the FIEA) and other publicly disclosed documents.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the Americas, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; the possibility of extraordinary rate fluctuations of the U.S. dollar, the euro, the Chinese yuan and other currencies against the yen may adversely affect costs and prices of Panasonic’s products and services and certain other transactions that are denominated in these foreign currencies; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the possibility of the Panasonic Group not being able to adapt to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results or incurring unexpected losses in connection with the alliances or mergers and acquisitions; the possibility of not being able to achieve its business objectives through joint ventures and other collaborative agreements with other companies, including due to the pressure of price reduction exceeding that which can be achieved by its effort and decrease in demand for products from business partners which Panasonic highly depends in BtoB business areas; the possibility of the Panasonic Group not being able to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Panasonic Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, deferred tax assets and uncertain tax positions; future changes or revisions to accounting policies or accounting rules; the possibility of incurring expenses resulting from a leakage of customers’ confidential information from Panasonic’s systems due to unauthorized access or a detection of vulnerability of network-connected products of the Panasonic Group; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world, disruption of supply chain and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in the most recent English translated version of Panasonic’s securities reports under the FIEA and any other documents which are disclosed on its website.
About Panasonic

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Financial Highlights

Panasonic Corporation and Subsidiaries
Years ended March 31

Net Sales 7.6 trillion yen

Operating Profit 415.7 billion yen
Operating Profit/Sales Ratio 5.5%

Net Income Attributable to Panasonic Corporation 193.3 billion yen
Net Income Attributable to Panasonic Corporation/Sales Ratio 2.6%

Panasonic Corporation Shareholders' Equity 1.7 trillion yen
ROE* 11.0%

Capital Investment (Tangible Assets)* 248.8 billion yen
Depreciation (Tangible Assets)* 235.0 billion yen

Free Cash Flow 124.4 billion yen

Looking at trends over the past five years, sales decreased as the Company narrowed its range of unprofitable TV models while transferring and downsizing businesses. Sales in automotive- and housing-related businesses, on the other hand, grew.

Shareholders’ equity decreased due to the net losses incurred while ROE was negative up to fiscal 2013. Thereafter, the Company’s ROE recovered exceeding 10% due mainly to the increase in operating profit and the decrease in the provision for income taxes, resulting in a significant improvement in net income.

Panasonic narrowed its capital investment in order to improve its financial structure. The Company enhanced its capital investment in such key businesses as rechargeable batteries for automotive use with the aim of stimulating future growth in recent years.

Operating profit increased for the fourth consecutive fiscal year by diligently strengthening its profit structure.

Looking at trends over the past five years, the impact of the downturn in sales was offset mainly by reductions in fixed costs, which included the benefit of restructuring, efforts to streamline material costs and business structure improvements. Operating profit increased for the fourth consecutive fiscal year by diligently strengthening its profit structure.

In fiscal 2012 and 2013, Panasonic incurred net losses due mainly to the impact of structural reforms, and the posting of impairment losses on goodwill and intangible assets. Thereafter, Panasonic recorded a significant increase in net income for the second consecutive fiscal year due mainly to the increase in operating profit and the decrease in the provision for income taxes.

Free cash flow increased up to fiscal 2014 owing mainly to an increase in operating profit and initiatives to generate cash such as the improvement of working capital. Although the Company increased strategic investment and capital investment, free cash flow for fiscal 2016 amounted to a positive 124.4 billion yen.
Non-Financial Highlights

Panasonic Corporation and Subsidiaries

Size of Contribution in Reducing CO₂ Emissions 43.12 million tons

Panasonic has established and ceaselessly promotes indices that reflect reducing CO₂ emissions by enhancing production efficiency as well as by improving performance for and the spread of energy-saving/generating products. In addition to our usual disclosure of the size of contribution in reducing CO₂ emissions in the consumer electronics field, we have begun providing data for the housing, automotive, and B2B fields.

Recycled Resource Utilization Ratio 16.9%

Factory Waste Recycling Rate 99.2%

We promote recycling-oriented manufacturing from three perspectives: minimizing input resources while maximizing recycled resources, eliminating final waste disposal volumes, and recycling used products. We maintain at high levels recycling indices that reflect these perspectives.

Number of Women in Managerial Positions 423 persons

Percentage of Women in Positions of Responsibility 6.7%

Positioning the promotion of diversity as an important management initiative, we recognize that the promotion of women to upper management and positions with decision-making authority are issues that need to be addressed, particularly in Japan. We encourage the participation of women in management by conducting career advancement seminars and promoting other initiatives.

Number of Patent Filings*1 14,075

Number of Patents Held*2 103,260

In light of rapid changes in operating conditions and circumstances surrounding intellectual property, Panasonic is stepping up patent applications centered on key business fields as well as efforts to narrow patents held to those necessary for future businesses.

Recognition from Outside the Company

(Year Ended March 31, 2016)

Panasonic has been selected as a component of the Dow Jones Sustainability World Indices (DJSI World) and FTSE4Good Index—both of which are global socially responsible investment indices. Selection in DJSI World is for the 11th consecutive year and the FTSE4Good Index is for the 16th consecutive year. Panasonic has also been selected for inclusion in CDP Japan 500’s Climate Disclosure Leadership Index, which certifies companies that excel in disclosing climate change information.

*1 Source: Panasonic. Total number of worldwide patent filings for Panasonic Corporation and its key consolidated subsidiaries. Cumulative figures (January–December) for each year are shown. Data for 2016 is not provided since the relevant information had not been determined as of the date this report was edited.

*2 Source: Panasonic. Total number of patents held worldwide for Panasonic Corporation and its key consolidated subsidiaries. Figures are as of the end of December each year. Data for 2016 is not provided since the relevant information had not been determined as of the date this report was edited.
Panasonic achieved the management goals outlined in its “Cross-Value Innovation 2015 (CV2015)” mid-term management plan one year in advance in fiscal 2015. Undertaking a variety of measures in fiscal 2016, the Company shifted its focus toward generating profit by expanding sales in fiscal 2016 in order to achieve sustainable growth. As a result, we have successfully bolstered our profit structure and secured an increase in earnings. Despite these positive developments, we were unable to adequately address the changes in our business environment. Impacted by a variety of factors, including the strong yen, Panasonic recorded a downturn in sales in the fiscal year under review.

While our unwavering commitment to growth when we set the fiscal 2019 sales target of 10 trillion yen remains intact, we decided to review our approach toward growth after taking into consideration the aforementioned circumstances. Reflecting once again on the original principle that profit shows how much we contribute to customers, we have renewed our commitment to realizing profit growth over the medium term in order to continue contributing to customers.

With this in mind, we have positioned fiscal 2017 as a year during which we will lay the foundation for future growth and invest in growing business areas in an effort to achieve our profit goals for fiscal 2019. In addition to strengthening upfront investments in businesses that can be expected to experience high rates of growth, we will continue to undertake strategic investments totaling 1 trillion yen. Moving forward, we will continue to promote “Cross-Value Innovation” in order to create new value by combining the strengths of both the Company and its business partners.

As the focus shifts increasingly toward publicly listed company following the introduction of Japan’s Corporate Governance Code, the requests and expectations of stakeholders can be expected to become more sophisticated and diverse in nature. Against this backdrop, we will strengthen our structure and systems in order to better address environmental, social and governance (ESG) concerns while enhancing our corporate value. So please stay tuned to Panasonic.

August 2016

Shusaku Nagae
Chairman (Left)

Kazuhiro Tsuga
President (Right)
Management Philosophy/History

Nearly a century of contributions to “society and quality of life throughout the world”

“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.” The Basic Management Objective is Panasonic’s management philosophy that embodies its mission and devotion. The Company’s founder, Konosuke Matsushita, first formulated this Basic Management Objective along with the Company Creed in 1929. From that time up to the present day, via revisions that were made in 1946, its tenets have consistently formed the basis of the Company’s fundamental approach to business. For guidance, we also continue to uphold our Seven Principles.

Based on the Management Philosophy, the Panasonic Code of Conduct defines the criteria for specific endeavors that should be observed in day-to-day activities. The Panasonic Code of Conduct is shared by the entire Group, all directors, executive officers and employees as well as at Panasonic sites outside Japan. Today, at a time of major shifts in a number of aspects, including economic conditions, social structure and the global environment, Panasonic will in the years to come open up a new future to continue being a company that assists social development and to realize sustainable growth.

Panasonic's Management Philosophy Structure
Amid steadfast business expansion, founder Konosuke Matsushita recognized the Company’s mission as “bringing happiness to people and contributing to the prosperity of society.”

Panasonic was founded in 1918 as Matsushita Denkikagu Seisakusho in the business of manufacturing wiring equipment. Supplying such appliances as lamps and irons that balanced superior performance against affordable prices later resulted in steady business expansion. In the 1930s, the Company moved into new fields, including radios, motors, storage batteries and light bulbs, and laid the foundations of a variety of businesses.

Amid this business expansion, founder Konosuke Matsushita recognized the “true mission” of the industrialist as “contributing to the progress of society” in 1932. That mission has been handed down to the present day. Following reorganization, Matsushita Electric Industrial Co., Ltd. was formed in 1935.

Financial/Non-Financial Highlights Toward Sustainable Growth

Management Philosophy/History

Business Environment

Business Areas

Value Creation Flow

1946–1990

Toward Becoming a General Electronics Manufacturer

To realize “the progress and development of society,” the Company took the lead in bringing electronics into homes across the world.

Quick to predict the advent of the home appliance era in Japan, the Company launched a succession of products, including TVs, washing machines and refrigerators, and contributed to the rapid spread of consumer electronics in the 1950s.

In 1959, the Company made proactive advances into overseas operations that started with the establishment of a U.S. sales company. From the 1960s onwards, the Company supplied a succession of products—including color TVs, air conditioners, consumer-use microwave ovens, tape recorders and consumer-use VCRs—to meet the needs of customers who were becoming more diverse and sophisticated. Having strengthened business in the fields of industry and components, the Company accelerated growth toward becoming a general electronics manufacturer.
1991–2010

Leading the Digitization and Network Enabling of Consumer Electronics

Panasonic accelerated the supply of information and communication-related products and digital consumer electronics. The Company promoted the establishment of systems to fulfill CSR.

With the advent of the information-oriented society, the Company completed its Information and Communications Systems Center in 1992 and accelerated the development of ICT technologies and products. The Company then released onto the market a succession of products, such as the first mobile phones in the industry to weigh less than 100g, which contributed to the increased sophistication of ICT society. The Company contributed to the spread of digitized consumer electronics, for example by getting a jump on its industry rivals and launching digital TVs in the United States in 1998.

In the meantime, amid the environmental issues that have grown into a global problem, the Company formulated Matsushita Environmental Charter (Environmental Statement and Code of Conduct) in 1991. Since then, having set up an office in charge of corporate social responsibility (CSR) in 2003, the Company has innovatively promoted upgrades to its CSR system. The Company changed its name from Matsushita Electric Industrial Co., Ltd. to Panasonic Corporation in 2008.

The Company delivered the first mobile phones in the industry to weigh less than 100g to NTT Mobile Communications Network, Inc. (today NTT DOCOMO, Inc.) in 1996.

Launched in 1998 to seize the opportunity presented by the start of digital terrestrial broadcasting in the United States, this digital TV was compatible with all U.S. digital terrestrial broadcast formats.

The high-capacity, highly reliable automotive lithium-ion batteries underpin the spread of eco-cars such as electric vehicles.

Home energy management systems enable the “visualization” of residential energy usage and thus support power-conserving lifestyles.

2011–Present Day

Expanding Business Fields to Serve Customers and Society

Combining the Group’s strengths, we are also focusing on the automobile and housing as well as B2B businesses. Based on our Management Philosophy, we are aiming to realize “A Better Life, A Better World.”

In 2011, to further raise the Group’s capabilities we made SANYO Electric Co., Ltd. and Panasonic Electric Works Co., Ltd. into wholly owned subsidiaries. The former possesses strengths in rechargeable batteries and solar power generation panels, the latter in housing equipment.

The following year, Kazuhiro Tsuga became president of the Panasonic Corporation. In 2014, we formulated strategies not only for consumer electronics but also for the automotive, housing and B2B businesses on which we will be focusing. We also formulated our “A Better Life, A Better World” brand slogan, which is based on our Management Philosophy, and a sustainability policy that clearly states our social contributions and the social responsibilities that we should fulfill in today’s society. We are targeting sustainable growth on the basis of these strategies and policies.
Business Environment

Increase in the Middle and Upper Class Demographics Mainly in Emerging Countries Coupled with Steady Growth in Global Housing and Automotive Markets

The purchasing power of both the middle and upper classes largely in emerging countries is expected to increase. At the same time, global housing and automotive markets are forecast to steadily expand. In addition, each country and region is putting in place greenhouse gas reduction targets against the backdrop of growing concern toward the environment. Accounting for each of these factors, the scale of the smart house and environmentally-conscious vehicle markets is projected to balloon in a rapid and dramatic fashion.

Harnessing its many technologies, Panasonic will work to create and deliver value to its global customers and society while addressing the substantial growth in demand.

Note: The views expressed in this document are those of Panasonic Corporation and are not those of IHS.


* Households with annual disposable income of more than 5,000 U.S. dollars

Source: Website of the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat, and various media releases (as of July 2016)

Source: Reality and Future Prospect of Smart–House Related Technology and Market 2014 issued by Fuji Keizai Co., Ltd.

* Solar power generation systems, fuel cells, housing distribution panel boards, smart meters, home energy management systems (HEMS), etc.

Source: Company estimate

* Hybrid electric vehicle (HEV); plug-in hybrid vehicle (PHV); electric vehicle (EV)
Aspire to more
- To the lifestyle we all desire

Homes & Living
- Offering inspiring homes and living spaces

Become an integral supplier of “Comfort”, “Safety” and “Environment”

Leverage core products to offer better living with our partners

Consumer Electronics

Housing

Automotive

B2B

Major businesses
- Air-conditioning
- Cooking
- Housekeeping
- Beauty and health
- AV

Major businesses
- Housing equipment
- Remodeling
- Primary contracting
- Energy management
- Elderly-care

Major businesses
- Infotainment systems
- Automotive electronics
- Automotive batteries
- Devices and systems for green cars

Major businesses
- Aviation
- Factory solutions
- Food distribution solutions
- Logistics solutions
- Energy systems solutions (Create/store energy)
- Social infrastructure
Value Creation Flow

**Needs**
- Ascertaining the concerns and requirements of consumers as well as social issues and conditions

- Consumers’ concerns and requirements
  - Reducing housework
  - Pursuing a rich lifestyle
  - Balancing concerns for the environment and comfort
  - Ensuring peace of safety and security
  - etc.

- Social issues and conditions
  - Growing concern for the environment
  - Growing anxiety about accidents and crime
  - Growing population in emerging countries
  - Aging of developed countries
  - etc.

**Panasonic**

- Cross-Value Innovation
  - Panasonic draws on the advanced and specialized technologies as well as the manufacturing capabilities of its Business Divisions in combination with the strengths of external business partners to create new value.

- Business Areas
  - Consumer Electronics
  - Housing
  - Automotive
  - B2B

- Divisional Companies
  - Appliances Company
  - Eco Solutions Company
  - AVC Networks Company
  - Automotive & Industrial Systems Company

**Providing Value**

- A Better Life, A Better World
  - Based on the DNA that it has fostered as a consumer electronics manufacturer with a close affinity with people’s lives, Panasonic is providing a better life and a better world to each and every individual.

- Creating products that people yearn for and also match the needs of each region
- Providing total space value
- Realizing fulfilling lifestyles for the elderly
- Helping to bring about a comfortable and safe motorized society
- Responding to the shift in demand toward environmentally-conscious vehicles
- Helping to strengthen the competitiveness of customers’ businesses
- Helping to build a safe and secure society

- etc.

Please refer to “Overview of Business Divisions” on pages 40-41.
Growth Strategy

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Financial Results and Future Strategies

Financial Results for Fiscal 2016, ended March 31, 2016

Maintained Increases in Earnings by Enhancing Profitability Even though Revenue Decreased, Steadily Promoted Strategic Investments

Panasonic had set fiscal 2016 as a year to steer toward “generating profit by expanding sales growth” and transition to a stage of “sustainable growth,” but its six large-scale Business Divisions* failed to lead corporate-wide revenue growth, and the Company was unable to increase profit through sales as had originally been planned. As a result, consolidated net sales decreased by 2% year on year, to 7,553.7 billion yen, and the decision was made to review the fiscal 2019 sales target of 10 trillion yen. In addition to intentionally narrowing sales of such products as TVs, revenue decreased as a result of a variety of factors including deterioration in solar and ICT-related businesses.

In contrast, and amid the slump in net sales, operating income increased by 9% year on year, to 415.7 billion yen, and net income attributable to Panasonic Corporation rose by 8% year on year, to 193.3 billion yen, thereby securing a profit increase. This largely reflected successful efforts to strengthen businesses. In addition, the Company was able to shift to execute specific strategic investments and steadfastly proceed with preparations for future growth, as typified by the acquisition of Hussmann Corporation, a U.S.-based manufacturer of business-use refrigerated and freezer display cases.

* Air-Conditioner, Lighting, Housing Systems, Automotive Infotainment Systems, Rechargeable Battery and PanaHome

Mid-Term Strategies

Focus on “Profit Growth”

While always giving consideration to management over the mid-term, Panasonic regards its management philosophy as its foundation. The vision that the Company is aiming for and the very meaning of its existence, the management philosophy is nothing other than for Panasonic to continue to serve its customers. Profit is an indicator by which the Company measures the amount of service that is being provided to customers. That is to say, continuing to serve customers carries the meaning of “growth associated with profit” and “constant profit-making.” Going forward, the management indicator toward which the Company is aiming over the mid-term is “profit growth,” and sales are positioned as one means by which to achieve that target.

Reorganizing into Four Business Areas

Up until now, Panasonic has applied its growth strategy by means of a “5×3 Matrix” that combines the five business areas of Consumer Electronics, Housing, Automotive, B2B Solutions, and Devices in three regions: Japan; Europe and the United States, including Central and South America; and the strategic regions of Asia, China, the Middle East and Africa. In the meantime, the Company has judged it appropriate to include the Devices business area across all the other areas and reorganized its growth strategy into the four business areas of Consumer Electronics, Housing, Automotive, and B2B. Over the years to come, Panasonic will promote a business strategy by means of the “4×3 Matrix” that combines the four business areas and three regions.

First, in the Consumer Electronics, Housing, and Automotive business areas, the Company will aim to generate new sales growth by delivering value widely to end customers (consumers). In whichever market it is competing, the Company has taken measures in each business area and is confident of its path toward growth.

In the meantime, for the B2B business area, Panasonic is aiming to achieve higher...
profitability overall by contributing to customers’ competitiveness. The Company is currently working on a business model to secure high profitability, analyzing industries, core products and regions where its advantage is evident.

In the Devices business area, the Company is aiming to strengthen its competitiveness and survive in an industry in which there are many specialized manufacturers. Over the mid-to-long term, the Company is looking for opportunities by shifting from ICT, where commoditization flourishes, to automotive and industrial applications.

Medium-Term Management Indices of Each Business Area
In the Consumer Electronics, Housing and Automotive businesses, Panasonic will target an operating profit to sales ratio of 5% or more and operating profit of 300 billion yen or more while working to generate new sales growth.

Meanwhile, in B2B businesses outside the housing and automotive fields, we will target an operating profit to sales ratio of 10% and operating profit of 300 billion yen by delivering value that only the Company can provide. As these growth strategies steadily get on track in the Consumer Electronics, Housing and Automotive businesses, we will put in place a structure that is capable of steadfastly promoting profit growth on a Group-wide basis by definitively building up profits and adding B2B businesses that can be expected to deliver high profitability.

Invest in High Growth Businesses
Also, working on the basis of individual Business Divisions, Panasonic has classified them into three categories depending on characteristics that include business environment and competitive strength, and implements business strategies with clear-cut features. For businesses where sales growth is hard to expect, the Company will rigorously pursue higher profitability rather than pursue sales as businesses with further profit improvement required. At the same time, the Company will work in earnest to reduce the amount of deficit in businesses that continue to incur losses. In steady growth businesses in growth markets, Panasonic will aim to generate the steady growth in sales and stable profits by continuing to strengthen its competitiveness, thereby realizing growth in excess of the industry average.

In high growth businesses, where a higher level of growth can be expected, the Company will allocate its management resources, including upfront investments aimed at future growth as well as strategic investments totaling 1 trillion yen in a concentrated manner as an engine for increased revenue and earnings.

Specifically in the context of high growth businesses, for example, in addition to accelerating the pace of efforts aimed at bringing a wide range of premium products to targeted countries in Asia, the Consumer Electronics business area is expanding its product lineup in India and working to strengthen its sales base in Africa toward capturing further growth markets.

The Housing business area is significantly increasing and upgrading its bases to expand its home remodeling and Age-free (elderly-care) businesses in Japan. In Asia, PanaHome is accelerating its urban development business in cooperation with local developers.

The Automotive business area will grow its next-generation cockpit system business, such as by accelerating its collaboration with leading automotive mirror company, Ficosa International. In addition, the Automotive business area will concentrate its resources on R&D and manufacturing sites to strengthen its Advanced Driver Assistance System (ADAS) and battery business for fiscal 2019 onward in a bid to secure further growth.

Invest on High Growth Business
Further accelerate upfront investments, continue to focus on high growth business with 1 trillion yen in strategic investments

<table>
<thead>
<tr>
<th>Management Indicator by Business Area</th>
<th>Target from FY 2021 onward</th>
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<tbody>
<tr>
<td>Consumer Electronics</td>
<td>OP Margin: ≥ 5% OP: 300.0 billion yen or more</td>
</tr>
<tr>
<td>Housing</td>
<td>OP Margin: 10% OP: 300.0 billion yen</td>
</tr>
<tr>
<td>Automotive</td>
<td>OP Margin: ≥ 5% OP: 300.0 billion yen</td>
</tr>
<tr>
<td>B2B</td>
<td>OP Margin: 10% OP: 300.0 billion yen</td>
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(FRS Basis)

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<tr>
<th>Invest on High Growth Business</th>
<th>Action</th>
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</thead>
<tbody>
<tr>
<td>Consumer Electronics</td>
<td>- Expand ‘premium’ product lineup in targeted countries in Asia - Strengthen product lineup and sales force in India and Africa</td>
</tr>
<tr>
<td>Housing</td>
<td>- Expand operating sites for remodeling and Age-free (elderly-care) business in Japan - Accelerate urban development business in Asia</td>
</tr>
<tr>
<td>Automotive</td>
<td>- Grow with next-generation cockpit system - Strengthen ADAS and battery business for further growth</td>
</tr>
<tr>
<td>B2B</td>
<td>- Create new business pillars following Avionics and food-distribution business</td>
</tr>
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In B2B business, following the acquisition of Hussmann Corporation, the food distribution business will become one of the Company’s major pillars. In the years to come, this business area plans to continue its aviationics and food distribution businesses while working to create a new business pillar.

In addition to actively conducting upfront investments geared to the growth of these businesses, Panasonic will continue to execute strategic investments of the order of 1 trillion yen, mainly in M&A.

Targeting Operating Profit of 450 Billion Yen, Net Income of More than 250 Billion Yen in Fiscal 2019
Due to these initiatives, Panasonic is aiming for operating profit of 450 billion yen and net income attributable to owners of the parent company of more than 250 billion yen (IFRS basis) as its companywide management targets for fiscal 2019. This renewed focus on net income as a financial target reflects the Company’s success in carrying out structural reforms over the past few years and securing a sound management structure. It also indicates that we are finally in a position to pursue operations with an eye on net income. Panasonic will also work to ensure that other line items, including other income and expenses (accounting line items that equate to conventional income (deductions)), are at an appropriate level and promote management that focuses on improving net income, a source of corporate value.

Policy for Fiscal 2017

Steadfastly Make Investments “Year for Laying Foundations” of Growth Businesses
Looking ahead to our fiscal 2017 targets and forecasts (IFRS basis), we anticipate our results will be negatively impacted by the continued drop in demand in the ICT-related business. On a positive note, the consolidation of Hussmann Corporation is expected to have a favorable effect on our performance. On this basis, we have set our target for net sales in fiscal 2017 at 7.6 trillion yen. This is roughly the same level as the fiscal year under review.

Operating profit after adjustments (line item close to conventional operating profit) is expected to decrease to 385.0 billion yen due to an increase in fixed costs for future growth. Other income (line item close to conventional non-operating income) is expected to improve significantly year on year. As a result, operating profit is expected to amount to 310.0 billion yen (a year-on-year increase of 35%) and net income attributable to owners of the parent company 145.0 billion yen (a year-on-year decrease of 9%).

Up to now, there were certain businesses that did not adequately invest in future growth or undertake forward-looking expenses on “investments.” Assuming a temporary increase in fixed costs, for fiscal 2017 the Company has thus decided to firmly implement investments for upfront investment leading to future sales and profits, centering on high-growth businesses, especially the Automotive and Housing business areas.

Fiscal 2017 is positioned as a “year for laying the foundations” in which Panasonic will make firm investments in growth businesses toward the realization of its vision. By means of proactive upfront investment and the strategic investment of one trillion yen, the Company is aiming to realize increases in both sales and profits in fiscal 2018 and to constantly expand both sales and profit in fiscal 2019.

Note: Effective from the end of fiscal 2017, the Company has decided to voluntarily adopt International Financial Reporting Standards instead of generally accepted accounting practices in the United States in the preparation of its consolidated financial accounts.
Interview with the President

Serving Customers and Aiming for Sustainable Growth

Challenges Identified on Assuming the Position of President and Actions Taken

From the time you became president in fiscal 2013 and up until now, the Company has experienced a difficult environment from a performance perspective. Looking back, including the period to fiscal 2016, the Company's profit structure has improved substantially. Tell us about the challenges Panasonic faced when you became president and the surrounding background.

As basically a consumer electronics manufacturer, Panasonic has produced products that can be sold in large volume. We have aimed for a global sales business model as far as possible. Furthermore, we have developed a so-called “vertically integrated business” that produces not only finished products, but also devices. These products are TV sets, Blu-ray Disc recorders, and mobile phones, and Panasonic has invested in these including the devices that are incorporated in them.

Unfortunately, the products in which we invested at that time have subsequently fallen into the scope of impairment loss. Contributing factors were the rapid commoditization of digital consumer products and the fact that the previously successful vertically integrated model may no longer provide Panasonic with an unparalleled competitive edge. Also, our global marketing capabilities were put to the test, and we were unable to properly overcome the challenge presented by South Korean manufacturers.

The acquisitions of PEW and SANYO were investments in fields different from that of consumer digital products. The acquisition of these two companies was an investment in products, but it was also a matter of gaining organizational capability to respond to the industry. The acquisition of PEW strengthened the housing business and the acquisition of SANYO reinforced the energy and B2B businesses. After becoming president, I took time to study what kind of growth strategy to draw up and execute, leveraging the resources of Panasonic, PEW, and SANYO.
Management Goals Changed from Sales to Operating Profit and Net Income

In fiscal 2016, you set 10 trillion yen as a sales target for fiscal 2019 and also announced that you will make strategic investments of 1 trillion yen through fiscal 2019. Can you explain the reason for this?

After becoming president, as a result of spending two years carrying out structural reforms, we returned profits and free cash flow to their normal state in fiscal 2015. We achieved our mid-term management plan one year ahead of schedule, and as a result of considering what to do next, we decided to take significant strides toward growth. In aiming for growth, how much the Company can invest and how much it can increase sales are important management indicators. Therefore, in fiscal 2016, we expanded business with those as the axes of our index.

Then, one year later, in your business policy for fiscal 2017, you changed the fiscal 2019 Group management goal from sales to profit. What led you to change your goal after a short period of time?

The direction of our strategy of seeking to increase sales and profit for fiscal 2019 remains unchanged. However, we believed that our management goals for fiscal 2019 needed to be changed. Looking back over fiscal 2016, carrying out M&A and capital investments first required that we find investment targets, which took more time than we initially had thought. While I had hoped that sales would also steadily improve, they did not increase as much as we initially expected.

Meanwhile, I felt that it was important to engage in activities where we could make the most of our strengths and to narrow our operations to industries where we could clearly convey our worth to customers in B2B businesses other than the housing and automotive fields. Fiscal 2016 was an important year for understanding the circumstances that the Company is now in. At the beginning of the year, I said that each year is a battle. But, with the difficult conditions encountered from the first year, we were also able to get a clearer picture. In terms of aiming for future sales and profit growth, we have decided to pursue profitability by forming longer and deeper ties in particular industries and with particular customers even if it takes time. This message is part of our goal change.

Steadily Prepare for Future Growth with Upfront Investments

While you set Group management goals that more firmly emphasize profitability through fiscal 2019, the Company outlook for fiscal 2017 is for operating profit to decrease (US GAAP basis) compared with fiscal 2016. What is the reason for that?

Consolidated operating profit (US GAAP basis) for fiscal 2017 is expected to decrease compared to fiscal 2016, mainly due to upfront investments. These upfront investments include investments to develop ADAS and battery systems in the automotive business and expenses to recruit and train personnel for the expansion of operating sites for remodeling in the domestic housing business and for the Age-free (elderly-care) business.

Panasonic is not only involved in the traditional manufacturing industry business model, but is trying to confront the service industry. In particular, in the B2B business, we want to support the service industry together with service operators. To do this, human investment tailored to scale is essential as is the case for all in the service industry.

The Company will not always continue to increase human investments on a permanent basis. In the distribution and logistics industry where Panasonic has been involved with service operators in the B2B business, or in the nursing care industry where we conduct business, the structure has historically been more labor intensive. In the future, we will be able to help customers reduce labor and streamline operations by bringing our technologies, such as robotics and IoT*, to these industries. We will be looking to realize higher profits in fiscal 2018 and achieve our profit goals for fiscal 2019 by steadfastly preparing for these growth businesses in fiscal 2017.

* IoT: Internet of Things. Under the IoT concept, physical objects are connected to the Internet, which enables the collection and exchange of data. Objects can then be automatically controlled and remotely operated.
Insistence on and Positioning of M&A

Panasonic’s stance of seeking to increase sales and profits for fiscal 2019 remains unchanged and it will continue to aggressively make upfront and strategic investments, but I want to ask you about the importance of M&A as an option for doing so. What is most important when considering M&A?

M&As are a means by which to build the shape of a business and to work toward the ideal future format. What Panasonic has in mind when it conducts M&A is “cross-value innovation,” also an in-house slogan of ours, and the acceleration of this innovation is the basis of Panasonic’s M&A. The Company has many technologies, products, and people in its 37 business divisions. These divisions have come about through vertical splitting, and each has developed in its existing business area, but several elements must be multiplied or expanded in order to address new business areas. This we believe will become the source of our required growth potential for the future. Therefore, we recognize that M&A is necessary when internal capability alone is insufficient.

Tell us specifically about M&A based on cross-value innovation.

In fiscal 2016, we announced the acquisition of Hussmann Corporation. This acquisition is not only a step toward the sale of showcases, but also provides a steppingstone into the food distribution business, which is expected to experience strong global growth. In addition, the acquisition of Hussmann Corporation brings to the table an excellent management team. Therefore, Hussmann has joined forces with Panasonic and we are both motivated by this. This is an easy-to-understand example of cross-value innovation through M&A.

On the other hand, it is difficult to say that one can get by working from scratch in a new business for the service industry in the B2B business field. In that case, buying a large core of a company and bringing it to Panasonic, marks the birth of cross-value innovation. Panasonic is not a company that is accustomed to M&A at this point in time and has not yet performed M&A that involves importing a large core of a company, but we are establishing internal systems and structures for that purpose.

When you consider the “4 x 3 matrix” that integrates the four business areas of Consumer Electronics, Housing, Automotive, and B2B in three regions, how do you set priorities for M&A? Also, what kind of businesses do you target for M&A?

We narrow down M&A targets with the “4 x 3” matrix, but even with that, there is still a high probability that resources will become too dispersed. In the years ahead, the question of how we raise M&A efficiency will be important.

However, depending on your view, you could also say that as a Company that is engaged in a wide variety of businesses, Panasonic enjoys many possibilities and options. This also means that we should explore various possibilities for the 1 trillion yen framework established for strategic investments, such as M&A. Exploring the intention of using 1 trillion yen and considering more projects is beneficial. For example, in a B2B business such as Avionics, which is not all that large, high-quality markets and businesses exist. M&A focuses on creating such promising businesses.

The Future That Panasonic is Aiming for

What is Panasonic aiming for?

Companies doing the same things as other companies is not good. Although competitors may exist in each individual business, it could become even more difficult for the Company as a whole to compare itself with other companies and to benchmark in the future. That is because the Company is faced with many possibilities. However, after trying to narrow down business fields a little further, we came up with “Consumer Electronics,” “Housing,” “Automotive,” and “B2B.”

In the consumer electronics business, the Japanese market for home appliances is shrinking, but Panasonic’s share has increased and steadily grown. However, not everything is done the same way in all countries. Because home appliances are pretty much a “glocal” business, the Company is close to the lives of people in those regions and
focuses on regions where it can take definitive steps to develop, manufacture, and sell. By seriously thinking about what investments to make in which countries, we thought we could achieve steady growth in home appliances and we believe that the growth of such appliances will definitely continue in the future.

In addition, when thinking about the future growth of these businesses, it is extremely important to have a core device that represents your strength. Take cooking appliances for example. Panasonic is strong in devices such as actuators and sensor that are used in IH and microwave ovens. However, when we make major changes to today's microwave ovens to create something new, we need to take the core device and make it new. If we have a strong device, we can supply it to other companies on an OEM basis. These are possibilities that we will continue to pursue.

In the housing business, we don’t just think about the house from the point of view of selling a product, we believe that development with “city value” in mind is important. What increases city value the most, what do we need to do to impart value, and what must we do to raise the asset value of the city itself? These questions all lead to creating the kinds of cities we desire to live in. In Japan, asset deterioration in cities has become a major problem, but we may be able to discover a solution by thinking about it in terms of smart city and smart town initiatives.

In the automotive business, we want to make new automobiles together with automakers by leveraging electronics technology, where Panasonic has an unparalleled competitive edge. This does not necessarily mean that we will compete with existing auto parts manufacturers.

What are your thoughts on the B2B business?

In the B2B business, we think that we can more quickly achieve a 10% operating profit ratio by not randomly creating new businesses, but by creating long-term businesses such as Avionics. As a result of our four Divisional Companies and various locally led initiatives, sales in the B2B business grew in fiscal 2016. However, after reviewing new businesses from the perspective of their long-term viability and whether they truly leverage our strengths, we will accelerate efforts to realize a new vision of a “Panasonic that supports the service industry together with service operators.” As for business scale, we want to collect “points.” We see little or no problem even in the case of a collection of small business domains. Even if the business scale is not that big, such as Avionics, we will go to great lengths to serve the customer with an approach that aims to continue initiatives that expand these points of contact. It is important to know how far we can increase such a “point” without allowing other companies to enter and lose to the competition. In that process, we do not always excessively focus on exposing the Panasonic brand, but rather we desire to increase those fields where the average customer understands what we are doing.

Investor interest in the automotive business is extremely high so I would like to question you in greater depth. In what fields do automakers most want to collaborate with Panasonic?

We will enter fields that complement automakers and form a part of their operations.

Automakers are strong in mechanical areas. We believe that our strengths lie in the electric and electronic areas as well as battery systems. It is in each of these domains that we will work together with automakers. The automotive industry calls car parts manufacturers “Tier 1” or “Tier 2” depending on their relationship with automakers, but since we do business together with automakers, we could be called “Tier 0.5.”

In the automotive industry, there are parts manufacturers that are strong in electrical systems. Where do Panasonic’s strengths lie?

In a word, Panasonic is an electronics manufacturer that has a good understanding of cars and can propose new solutions in the area of user interface. For example, in putting forward cockpit space proposals, we have unique technologies and a keen understanding of automobiles. There are not many manufacturers who can make such proposals. One of our strengths is that we work in close partnership with car manufacturers and spare no effort to serve them.

In the automotive-related business, M&A, which emphasizes scale, is increasing. Will Panasonic’s automotive business pursue a level of scale that requires huge investment? Also, in expanding the automotive business globally, will companies from emerging countries become future threats?

As I mentioned before, Panasonic will develop together with automakers to make new cars. In fact, right here, employees who have been engaged in digital consumer electronics have fulfilled a major function by leveraging their expertise and technology. Naturally, the Company’s management resources are limited. As a result, we do not intend to go wildly chasing after scale.

However, in the automotive battery business we are
second to none in technology and monozukuri (manufacturing) and it is a field in which we must compete to become the world’s best. This is an industry where capacity finally doubled after 10 years, so victory or defeat does not happen in the short term and the battle will continue for the next 10 years. Therefore, we will invest to be number one in the world while constantly competing in quality and price. We are prepared to keep risk lower than before by shortening the time it takes to get a return on investment.

Whether companies from emerging countries become future competitors or not, when you take into account the quality of hardware and devices and the system for delivering these, this is not a field where Asian companies, for example, can easily catch up.

——A moment ago, you commented that employees who have been engaged in digital consumer electronics have fulfilled a major function by leveraging their expertise and technology in automobile business. I thought there was actually a very strong relationship between each of the consumer electronics, housing, and automotive businesses. In the future, auto space could also be housing space and housing space could become close to cars. What do you think about the possibility of Panasonic creating new products, services and industries never seen before based on its knowledge of consumer electronics?

What is needed now is a new industry and products based on a new industry. For example, in the case of cars, peripheral industries have not yet caught up, but in the future, if the electric car and automated driving become common place, 10 to 20 years from now the car will look completely different than it does today. I think that the “cross-value innovation” advocated by Panasonic is really necessary when seen from the perspective of making cars and housing for the future.

Panasonic has so many technologies and products and the people to support them. For new industries, we can take on challenges while converging and generating synergies using various multipliers, instead of these separate items. This will then become our future competitive strength and source of growth. There are many links and contact points between our home appliances and consumers. With this solid track record and performance, our strength lies in the ability to offer new solutions in the area of user interface as I mentioned a while ago. The significance of this is that B2B customers including automakers have expectations of us and we continue to grow, primarily in the consumer electronics, housing and automotive fields.

Policies and Main Initiatives for Growth-Supporting Environmental/Social/ Governance (ESG) Activities

——Tell us about some of Panasonic’s corporate governance activities.

Since its foundation, Panasonic has operated its businesses based on the management philosophy of “contributing to the progress and development of society and the well-being of people through its business activities.” In addition, under its basic philosophy of “A company is a public entity of society,” it is vital that the Company fulfills its reporting responsibility through dialogue with various stakeholders including shareholders and customers, and swiftly take fair and honest action with a commitment to transparency in its business activities.

Corporate governance is viewed as an important foundation for raising corporate value through such activities. (Please see “Corporate Governance Structure” on pages 43–46).

——In fiscal 2016, the application of Japan’s version of the Corporate Governance Code began. Has this created any changes to Panasonic’s governance?

In November 2015, we established the optional Nomination and Compensation Advisory Committee that advises on the suitability of the remuneration system for Directors and Executive Officers, and the nomination of candidates for Directors, Executive Officers and Audit & Supervisory Board members. Outside Director Hiroko Ota, an independent director, serves as the Committee Chairperson. Moreover, in connection with our evaluation of the effectiveness of the Board of Directors, we started a questionnaire about the
composition and operation of all members attending Board of Directors’ meetings, the results of which are reported at Board meetings. Although the effectiveness of the Board of Directors was evaluated as basically adequate, a wide range of constructive opinions and proposals were put forward that have been implemented in sequential order. The questionnaire will be carried out on an ongoing basis.

Furthermore, we established a committee made up of Outside Directors and Audit & Supervisory Board members. To encourage lively deliberation by the Board of Directors from a neutral and objective point of view, we expect a sufficient exchange of information and sharing of issues. Through these initiatives, we expect to achieve more transparent, fair, speedy and decisive decision-making. In the future, we will continue to research corporate governance structures that contribute to the practice of our management philosophy and strengthen the effectiveness of governance.

--- Please tell us about Panasonic’s environmental and social policies.

We see our management philosophy, which I mentioned before, as a basic CSR policy, and following these ideas, officers and employees are constantly striving to contribute to the community through our main business and to take fair and honest action.

The Company has formulated the Panasonic Code of Conduct and Sustainability Policy as specific guidelines. In addition to defining the responsibilities that the Company must fulfill in today’s society, we have promoted a variety of initiatives, including those related to the environment, human rights and labor, safety and health, ethics, and supply chain management based on global standards. In recent years in particular, we recognize that consideration of environmental problems, such as climate change and resource depletion, human rights and labor issues in the supply chain is important, so we are focusing on initiatives in these areas.

Moreover, we are performing strict progress management for these types of initiatives. We have set Key Performance Indicators (KPIs) in every type of plan, including Green Plan 2018, our environmental action plan, to address environmental issues, and we are steadily managing progress.

--- Tell us about Panasonic’s approach toward “Human Resource Diversity.”

Panasonic was among the first to widen the playing field for women and foreign employees. We have established a wide range of measures and infrastructure so that diverse human resources can compete on an equal footing and without handicap. (Please see page 55 for details about “Human Resource Development and Utilization of Diverse Human Resources”).

Our approach is not to just set numerical targets for the number of women and foreign employees, rather, our first thought is, “Can we serve customers and the community?” In order to serve the community, we need to address various industries, markets, and customers and further develop our business model. To that end, we need diverse views and approaches.

Panasonic has performed M&A in Japan and abroad, but in terms of management and working style, it has not always incorporated the business cultures of the companies it has acquired. However, amid a rapidly changing business environment, there comes a limit to internal human resources. With the intermingling of the acquisition target and outside people, we must absorb the good points of these companies, even though we may have clashing viewpoints. The same applies to senior management. Panasonic is prepared to utilize human resources from different backgrounds, if they have a high level of expertise. This means that we choose to be a company consisting of people who can serve customers and the community regardless of nationality and company history. This kind of approach, and the conditions and corporate culture resulting from it, is the “Diversity of People” for Panasonic. In the future, we believe that we will need to have personnel exchanges with the acquired companies and to aggressively recruit external human resources.
Message from the CFO

Robust Financial Position Driving Sustainable Increases in Corporate Value

Balancing Financial Stability and Capital Efficiency

Please describe the Company’s principal financial policies and current financial position.

To achieve sustainable increases in corporate value, I believe the Company needs to balance financial stability and capital efficiency, while reinforcing each of them. In terms of financial stability, we work to maintain a positive net cash position and increase the shareholders’ equity ratio in order to ensure a robust financial position that is capable of sustaining proactive business management through investment.

With respect to capital efficiency, we endeavor to consistently deliver returns that outperform the expected rate of return from capital markets and emphasize return on invested capital. By working throughout the Company based on these financial policies, our key financial indicators for fiscal 2016 (ended March 31, 2016) were as shown at right.

• Net cash: 293.8 billion yen
• Shareholders’ equity ratio: 30.5%
• ROE: 11.0%
• EBITDA margin: 9.1%

Also, in November 2015 Standard & Poor’s raised our credit rating from BBB+ to A-.

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Credit Ratings as of June 30, 2016

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Hideaki Kawai
Senior Managing Director
Activities to Increase Cash Flow Generation through Our Businesses and Generate Cash from the Balance Sheet

Please explain your initiatives for generating cash.

Recognizing that cash flow is the source of corporate value, we have been managing the Company in a manner that emphasizes cash flow.

In addition to measures to enhance profitability for each of the Divisional Companies and business divisions, we are working to bolster cost competitiveness through procurement reforms, undertaking initiatives to lower the effective tax rate. Through such efforts, we are making a thorough effort to augment our ability to generate cash through our business activities.

In addition, through such measures as curtailing accounts receivable, reducing inventories, and liquidating assets, in fiscal 2016 we improved the cash conversion cycle (CCC)* by six days compared with the preceding fiscal year, to 30 days.

In fiscal 2017, to support proactive business operations targeted to achieve growth strategies from a financial perspective, we will continue to promote companywide initiatives to generate cash and streamline assets. Specifically, we will step up initiatives to improve cash flow in each of our business divisions by shifting to a new phase of the cash flow implementation project, and transfer the locus of activity from our head office direction to efforts led by each of the Divisional Companies. On this basis, each business division will enhance its measures for reaching its CCC improvement targets and scrutinize capital expenditure in the aim of generating further cash flow.

* Cash conversion cycle (CCC) is an indicator of a company’s cash efficiency. CCC expresses the number of days of sales represented by the total of accounts receivable and inventories less accounts payable. The fewer the number of days, the greater is the amount of free cash flow available for strategic use.

Proactive Investment in Growth and Returning Profit to Shareholders through Dividends

Would you describe cash used in financing activities from the perspective of investment and shareholder returns?

The Company will proactively make upfront and strategic investments to achieve its targets for fiscal 2020 and beyond: an operating profit ratio of 5% or higher and operating profit of 300 billion yen or more in the Consumer Electronics, Housing, and Automotive businesses; an operating profit ratio of 10% and operating profit of 300 billion yen in the B2B business.

We will use the newly established “CCM* by business division rate” to make decisions on these investments, thoroughly ensuring that each business division achieves profits exceeding their cost of capital. At our head office, as well, at the preliminary investment consideration stage we will examine risk scenarios, evaluate potential returns on investment, and ensure thorough post-investment monitoring, thereby following up responsibly on investment projects.

Meanwhile, the Company considers the return of profits to shareholders to be measures of prime importance, and conducts its management accordingly. Based on this understanding, Panasonic, in principle, distributes profits after taking into consideration its consolidated business performance and the need to provide stable and continuous growth in dividends while targeting a dividend payout ratio of between 30% and 40%.

In line with the above-stated policy, for fiscal 2016 the Company awarded an annual dividend of 25.0 yen per share, 7.0 yen more than in the preceding fiscal year, resulting in a consolidated dividend payout ratio of 30%. We have continued to increase dividends since resuming their payment in fiscal 2014.

* CCM is the abbreviation for capital cost management. Please refer to page 26 for details.
Augmenting Return on Invested Capital and Cash Efficiency

What specific measures are you undertaking with regard to your emphasis on return on invested capital?

The Company works tirelessly to improve its management control framework in order to ensure a thorough management focus on return on invested capital. Specifically, in fiscal 2016 we established a “CCM by business division rate,” and in April 2016 reviewed our “Intra-company capital system.”

“CCM” is a management control index established by Panasonic, which incorporates capital efficiency. “CCM” is derived by deducting capital costs from the earnings generated by businesses. Positive “CCM” indicates that a business has fulfilled its minimum earnings requirement expected by the capital market.

In the past, throughout the Company we have used a consistent “CCM rate,” which stands for the expected rate of return from capital markets. We have put in place the new “CCM by business division rate,” which reflects the business and regional characteristic of each business division.

Our objective in setting the “CCM by business division rate” is to incorporate individual business risk (business characteristics, regional characteristics) for each business division, thereby focusing awareness on the expected rate of return from capital markets and encouraging management thoroughly attentive to return on invested capital.

“CCM by business division rate” is Panasonic’s KPI for evaluating operating performance. By using this KPI in making investment decisions, we are working to increase return on invested capital throughout the Company.

How is the Company revising its “Intra-company capital system”?

Panasonic’s “Intra-company capital system” views each business division as an independent business enterprise, setting “Intra-company capital” as the amounts of cash needed to manage the business. Until now, the amount of intra-company capital had been fixed for a long period of time, and revisions were made as directed by our head office.

With the current revisions, each of the Divisional Companies and business divisions is able to use its own judgment in setting a necessary amount of intra-company capital, taking into account its future investment plans and capital efficiency. This approach allows our head office to amass excess cash and capital, channeling it into Divisional Companies and business divisions where growth is anticipated.

The objectives in this revision to the “Intra-company capital system” are to instill within each of the Divisional Companies and business divisions an awareness of the balance sheet as well as of earnings, and to encourage management that pays thorough attention to return on invested capital.

Furthermore, the revision aims to create a system to prioritize the allocation of required cash on growth businesses, which in turn can maximize Group-wide return on invested capital.

The Company plans to continue accelerating its initiatives to enhance capital efficiency.

New Intra-Company Capital* System

Overview of Balance Sheet for a Divisional Company or Business Division

- Net cash
- Intra-company capital
- Required capital
- Retained earnings
- Increase in capital requirements (Implement strategic investment [excluding M&A])
- Capital increase
- Intra-company capital
- Required capital
- Retained earnings
- Increase in capital invested
- Intra-company capital
- Required capital
- Retained earnings
- Pursue profit in excess of capital cost

* The Company sets the amount of cash needed for management as “Intra-company capital,” based on the following calculation for individual business divisions. Intra-company capital = fixed capital + standard working capital – reserves, retained earnings, etc.
Panasonic’s chief technology officer (CTO), Yoshiyuki Miyabe, is in charge of the Company’s R&D Division, which oversees the development of new technologies and products by each Divisional Company to enhance its businesses, and the Advanced Research Division, which conducts innovative research to promote the growth of next-generation technologies. Nikkei Business Publications, Inc. managing director Naoki Asami interviewed Mr. Miyabe about Panasonic’s technology strategies.

Pursuing a Strong Balance between “Social Change” and “Technological Evolution”

To begin, please tell me about your basic stance as the head of Panasonic’s technology divisions. In your opinion, what should Panasonic’s R&D involve?

What I often say to my engineering staff is that we should pursue a strong balance between two types of change that move at two different speeds, “social change” and “technological evolution.” In general, the speed of social change has always been much faster than in the world of technology. It seems that almost no one speculates about what society will be like 10 years from now. In the world of technology, however, there are many fields in which technical progress over a decade can be predicted based on a forward extension of today’s technology. While there are certainly fields in which that is impossible, we can for example forecast the evolution of semiconductor technology, including potential technological breakthroughs related to steadily increasing data processing speeds and the ability to handle greater data volume. In the energy field as well, it is possible to predict the future of technological progress to a certain extent for batteries and other items.

People involved in R&D ask what they can do for our rapidly changing society while keeping an eye on technological evolution from a medium- to long-term perspective. I think we must always maintain this awareness.

I would also like to add that when it comes to technological development going forward, we need to place more emphasis on “what” rather than “how.”

What do you mean by “how” and “what”?

Around 2000, when the digitalization of audio/visual consumer electronics was taking place, Panasonic operated five key businesses: semiconductors, displays, optical disks, mobile communications, and digital TVs. At that time, each business had a clearly defined technological approach. The approach to technological development focused on “how” for realizing the propositions at hand of making displays larger and thinner as well as enabling large optical disk capacity.

Today, however, the business domains in which Panasonic operates have expanded dramatically as the Company has moved increasingly into the B2B services and solutions, including the housing and automotive fields. Within this wide range of businesses, engineers and researchers are more concerned with who is the target of
this technology and what new products and businesses will be created than how to realize the specific propositions placed before them. In other words, determining “what” is more important.

Taking this argument to its extreme, in the interim no products based on completely new ideas emerged. All that happened was cathode-ray picture tubes gave way to thin panels and DVD players replaced VHS. During this time, there was “almost no need” for engineers to consider the question of “what.” However, during the analog consumer electronics age earlier on, engineers at Panasonic were searching for various forms of “what” regarding game consoles, word processors and other items. I think the next 10 years will be an age when we will once again look for these kinds of “what” questions. I am interested in redefining a new Panasonic’s concept of “what” by asking what kinds of new services and products should be provided to society.

Formulating Our Forward-Looking R&D 10-Year Vision

There are thought to be two approaches for establishing R&D themes, “bottom-up” starting with researchers and engineers working in the field and “top-down” based on broad policies set by management. Which approach is currently prevailing at Panasonic?

I would say both. The Company established its R&D 10-Year Vision in fiscal 2016. This vision, which is our medium-term R&D plan, involved various year-long discussions between me and the CTOs of each of the Divisional Companies with the aim of deciding which fields need to be focused on companywide over the next 10 years.

Our top-down approach involved formulating two key fields in the R&D 10-Year Vision: IoT/Robotics and Energy. The bottom-up approach we took in these two wide-ranging fields involved engineers from each division asking themselves what role they can play while looking for individual themes. For instance, around half of the engineers in the Advanced Research Division are free to search for whatever approach they feel is useful within the two IoT/Robotics and Energy fields of the R&D 10-Year Vision.

Shifting from “Black Box Strategies” to “Open Innovation”

In your search for new types of “what” questions, would you agree that the recent idea referred to as “open innovation” is more important than relying only on in-house technologies following the principle of “self-sufficiency?”

Absolutely. If we find fields that look promising in the near future by looking for clues among major outside trends, an effective entry approach may be to generate strengths through technology-related tie-ups and collaborations.

For such an approach to work, however, information-gathering capabilities are essential. It is rare for new business and product ideas to suddenly appear in a closed environment. Ideas are generated from various types of outside stimulus. Back when it faced challenges as overseas manufacturers began to make a serious rally, Panasonic kept its engineers closed within R&D facilities and out of the spotlight.

This was the so-called “Black Box” strategy.

Changing times required us to shift away from this closed mindset around two or three years ago, but it has been a difficult process and the remnants of the previous mindset still linger today. The shift to a
more open approach can be seen at Wonder LAB Osaka and Panasonic Laboratory Tokyo. Previously closed to outsiders, certain portions of our R&D domains are now sending the message, “come on in.” This has in turn opened up Panasonic’s businesses.

Laboratories in Touch with Actual Trends in the Outside World

—— Under what circumstances did the Panasonic Wonder LAB Osaka come into being?

What kicked things off was hearing from people at the R&D frontline. Around summer last year, mid-tier engineers at the Advanced Research Division stated that they wanted to create this kind of a facility. I also previously said that in order to generate successful output from engineers, we need to engage in numerous activities in order to acquire positive input. While information can be found to a certain extent on the Internet these days, we decided to give this project a try given the need to make contact with a more real aspect of the outside world.

Applying Panasonic’s Strengths Cultivated in Consumer Electronics to the B2B Business

—— Many people primarily view Panasonic mainly as a company that provides convenience and comfort inside the home. As shown in the R&D 10-Year Vision, however, Panasonic has in fact significantly expanded into business fields outside the home, including social infrastructure, and thereby has incorporated a set of values based on safety and the environment that differs from Panasonic’s previous focus on consumer electronics.

To be certain, the B2B field outside of consumer electronics has widened considerably. While perhaps an afterthought, B2B is a field that can be rated on its own terms as part of the service industry that makes direct contact with ordinary consumers. While referred to as “consumer electronics” in the home, we evaluate B2B for the most part based on the fact that ordinary consumers use the machines despite being sold directly to client companies, such as bank ATMs, convenience store refrigerator showcases, and video equipment used on airplanes.

For equipment used by specialists such as medical devices and data center equipment, people must adapt to machines, which includes reading manuals and undergoing specialized training. Although Panasonic handles some of these devices, I think machines must adapt to people in order to make B2B a major success. When boarding an airplane, no one asks passengers to take a seminar on how to use the onboard audio/video equipment. At most, people make do with explanations written on a single card.

To fulfill this idea of machines adapting to people, we are leveraging our varied experience and knowhow in consumer electronics. This is Panasonic’s key strength.

—— It can be said that avionics in the United States is example of a successful service industry field.

This is a field in which we have established a solid foothold. The business concept for avionics involves providing value to airplane passengers on long-haul flights by making available entertaining ways to pass the time onboard. As an extension of providing newspapers and meals to eliminate boredom during flights, there arose a need for finding ways to provide music and movie service on flights. We were one of the first to enter this market and recently launched an in-flight communications business that enables passengers to connect to onboard networks. As tools to kill time, these systems serve the same role as smartphones used reflexively by people riding trains. Based on this consistent long-standing concept, we continue to provide ways to spend time best suited for today’s needs by identifying changing social trends and taking on the challenge of developing new technologies to meet these changes.

Recent Development Successes: Robot Vacuum Cleaners, Light ID, Voice Translation

—— Among the technological development successes over the past year, which three do you give the highest marks for as CTO?

The first is our robot vacuum cleaner. As a product that we have wanted to create for many years but had been unable to, robot vacuum cleaners represent the successful efforts of an R&D system that extends beyond divisions. This product was developed through collaboration between the consumer electronics vacuum cleaner and robotic control groups. In Japan, this has been our biggest seller in its category. This is also an example of us displaying our underlying R&D strengths by setting and working toward our objectives.

The second success is Light ID, which is technology that enables high-speed reception of light ID signals through image sensors installed in smartphones through the development of photonic technology. The invention of this technology was based on many long years of effort. In reality, however, when light ID was initially developed, it was incompatible with
smartphone operating systems, so an engineer involved took it upon himself to negotiate with major operating system companies, allowing us to complete system environments that would enable the use of this technology.

—— So the axiom is not just to commercialize technology but also to induce other companies to help provide value for users.

Yes. This is essentially something that engineers working at manufacturing companies must do. There is no point in developing items that work in a technological sense but cannot be used practically. Engineers have steadfastly fulfilled their mission of bringing inventions into commercial application.

—— Undoubtedly, this is the embodiment of Panasonic’s R&D spirit. It is truly legendary.

The third success is voice translation. As a project that got underway upon Tokyo winning the right to hold the Olympic Games, we are pursuing the development of this technology in collaboration with public R&D institutions and other companies. We were specifically in charge of finding ways to convert voice signals into letters. With a prototype currently undergoing field testing, we are working to become the undisputed leader in this technology.

—— With more and more people from various non-English-speaking countries likely to visit Japan in the future, this technology will be indispensable for communicating with foreign tourists.

Promising Fields: Robotics, Optical Storage, Energy

—— Finally, which three fields do you expect to see major successes in?

The first is robotics. Panasonic boasts a large staff of mechatronics engineers, enabling it to expand beyond a narrow interpretation of IT technology to encompass robotics. In this field as well, there are promising products and services that can be used by the service industry. Given that these products will be used by ordinary consumers, robots must to a certain extent be attractive. Before robots can be fun, however, they need to have strength and dexterity to be useful in assisting with human activities.

The second is the big data optical storage field. While we have been developing optical disc technology for a long time, the market for optical storage within the home is expected to shrink with connection to the Internet and cloud services. On the other hand, with data volume gradually increasing throughout society, there will be a need for data centers with large-volume recording media. Consequently, we have released the first next-generation large-volume archival disc after deciding on specifications with other companies. Unlike semiconductor memory and hard disks, archival discs feature various characteristics, such as the ability to store data for at least 10 years and to safely turn power off when not being used, so I want to steadily expand the use of these items. Beyond simply being sold via devices, we are promoting research into how these devices can be used as systems.

The third is the energy field. Amid progress being seen in rechargeable battery performance, safety, and charging speed, Panasonic is working to maintain its leading position in this field. Moreover, as fuel cells able to directly use hydrogen as a fuel should be commercialized in two or three years, this field looks very promising.

While I’ve spoken about various topics, the basis of all of our technological development is found in Panasonic’s management philosophy, which places the utmost importance on improving the well-being and quality of life of people around the world through our business activities. Going forward, we will use our technologies to provide useful products that far surpass the expectations of customers and society.
### Overview of Divisional Companies

#### Main Products and Services

**Appliances Company**
- Air-conditioners, TVs, refrigerators, washing machines, personal-care products, microwave ovens, home audio equipment, video equipment, vacuum cleaners, rice cookers, bicycles, showcases, large-sized air-conditioners, compressors, fuel cells

**Eco Solutions Company**
- Lighting fixtures, lamps, wiring devices, solar photovoltaic systems, water-related products, interior furnishing materials, ventilation and air-conditioning equipment, air purifiers, nursing-care-related products

**AVC Networks Company**
- Aircraft in-flight entertainment systems, PCs and tablets, projectors, digital cameras, surveillance cameras, social infrastructure systems equipment, fixed-phones, mobile phones

**Automotive & Industrial Systems Company**
- Car-use-multimedia-related equipment, electrical components, lithium-ion batteries, automotive batteries, dry batteries, electronic components, automation controls, semiconductors, electronic materials, LCD panels, electronic-components-mounting machines, electric motors, welding equipment

### Principal Business Areas

#### Consumer Electronics
- Please refer to pages 32–33.

#### Housing
- Please refer to pages 34–35.

#### Automotive
- Please refer to pages 36–37.

#### B2B
- Please refer to page 39.
Strategically allocating resources to high growth businesses

The AP Company is engaged in the development, manufacture, and sale of a wide range of products that extend from such consumer electronics as TVs and refrigerators to the B2B field, including retail store showcases and commercial air-conditioners.

As indicated in the table at the bottom right of the page, activities undertaken by the AP Company cover six broad fields. In specific terms, the company has identified the air-conditioner business including home as well as commercial air-conditioners, the commercial refrigeration & food equipment business, and the small & built-in business, which includes such diverse items as beauty and health enhancing products as well as induction heating (IH) cooking equipment, as three highly growing businesses. In addition to allocating human resources and capital to each of these businesses on a priority basis, the AP Company is actively pursuing M&A opportunities while engaging in other inorganic investments. Classified as steadily growing businesses, the company is working to expand its activities in such major appliances business fields as refrigerators and washing machines, as well as the devices business, etc. The company has also identified the profitability improvement business category, which is comprised of the AV business including TVs. In endeavoring to secure stable results, the AP Company is working to boost growth in line with an upswing in earnings while ensuring the proper management of risks. Moving forward, every effort will be made to achieve sales of 2.8 trillion yen and operating profit of 125 billion yen, on an IFRS basis, in fiscal 2019, the fiscal year ending March 31, 2019.

ASPIRE TO MORE

In charge of the Group’s consumer electronics business activities, the AP Company is working to expand business on a global basis. Guided by the overarching vision, “ASPIRE TO MORE: To the lifestyle we all desire,” every effort is being made to deliver products that match the yearnings of customers in each region and demographic around the world. In addition to Japan, the AP Company has identified Asia, China, and Europe as priority countries and regions. Looking ahead, the AP Company will harness its strengths in each region and engage in multiple activities in a

Business Categories within the AP Company

<table>
<thead>
<tr>
<th>Highly growing business</th>
<th>Steadily growing business</th>
<th>Profitability improvement business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-conditioner business</td>
<td>Major appliances business</td>
<td>AV business</td>
</tr>
<tr>
<td>Commercial refrigeration &amp; food equipment business</td>
<td>Devices business /etc.</td>
<td>Consumer Electronics</td>
</tr>
<tr>
<td>Small &amp; built-in business</td>
<td>Refrigerators, Washing machines, Vacuum cleaners, Toilet seat with shower, etc.</td>
<td>Consumer Electronics</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>Compressors, Condensing units, Vacuum insulation panels, Fuel cells, Meter devices, Electric power assist bicycles, etc.</td>
<td>Consumer Electronics</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>Room Air-conditioners, Commercial Air-conditioners, Water heaters, etc.</td>
<td>Consumer Electronics</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>Showcases, Kitchen facilities, Vending machines, Dispensers, etc.</td>
<td>Consumer Electronics</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>Beauty products, Health products, Cooking appliances, IH cooking equipment, Dishwashers, Rice cookers, Microwave ovens, Irons, Nano-e devices, etc.</td>
<td>Consumer Electronics</td>
</tr>
</tbody>
</table>

* IoT: Internet of Things. Under the IoT concept, physical objects are connected to the Internet, which enables the collection and exchange of data. Objects can then be automatically controlled and remotely operated.
bid to build as a major business pillar.

The ability to establish relationships with customers by linking with diverse customers through diverse points of contact, the ability to convey value to customers through the J concept\(^1\) as well as Daily Premium\(^2\), and the integration of operations through consolidated manufacturing and sales management provide the underlying strengths of the AP Company’s Consumer Electronics Business. These strengths have allowed the AP Company to secure a leading market share\(^3\) in Japan across a wide range of products including room air-conditioners, microwave ovens, dishwashers, shavers, dryers, and front load washers.

As a part of its overseas business development activities, the AP Company is applying those marketing methods that have proven successful in Japan in tune with the specific attributes of each region and country. At the same time, considerable weight is being placed on strengthening the consolidated management of local manufacturing and sales in an effort to accelerate the pace of business growth. From a product portfolio perspective, the AP Company is focusing on bolstering its premium zone lineup.

In Asia, every effort will be made to introduce products that not only deliver new value, but also closely address the specific needs of each region. The thrust of the AP Company’s endeavors will revolve mainly around air-conditioners, refrigerators, washing machines, and TVs. The AP Company will adopt a premium brand strategy that promotes “Made in Japan” products, etc., while strengthening field marketing activities that leverage the Group’s domestic know-how. Through these means, the AP Company will work to accelerate the pace of business growth.

The AP Company established the Marketing Division in China in April 2016. With this initiative, positive steps have been taken to consolidate marketing activities, which were previously conducted on an individual product basis. From a product perspective, every effort is being made to establish premium brands under a “healthy, affordable, and classy - smart” concept.

In Europe, the AP Company is collaborating with local manufacturers to expand sales in the small appliances business of such premium products as shavers and beauty appliances that incorporate European designs as well as features that address the needs of professionals. In this manner, the AP Company is endeavoring to foster a new earnings pillar.

In Strategy 2, the AP Company is focusing on B2B business high growth through inorganic activities including M&As. In its retail store showcase activities, which have been identified as a highly growing business, Panasonic newly acquired Hussman Corporation, based in the U.S., a company that manufactures industrial refrigerated, freezer display cases and systems. The WX Series home-use room air-conditioner featuring ECO NAVI technology


The AP Company is actively engaged in the global development of environmentally-conscious products. In fiscal 2016, Panasonic’s WX Series home-use room air-conditioner, which features ECO NAVI\(^1\) technology as well as comfortable and energy-efficient operations, received the Chairman’s Prize in the Product and Business Model Category of the 2015 Energy Conservation Grand Prize\(^2\). Furthermore, the Company’s Hydrofluorocarbon (HFC) -free freezer system, which in using CO\(_2\) has a considerably smaller impact on global warming compared with HFC, received the award for excellence in the Ozone Layer Protection and Global Warming Prevention Awards\(^3\). The award was in recognition of the system’s many features, including its substantially reduced size and weight compared with conventional products as well as its ability to reduce material costs and to lower conveyor pressures and therefore be easily installed. In addition to such activities as the introduction of a CO\(_2\) refrigerant HFC-free freezer in Indonesia and Taiwan, the AP Company is endeavoring to promote the widespread global use of environmentally-conscious products.

**Help Conserve Energy and Prevent Global Warming**

*1 ECO NAVI is a proprietary technology created by Panasonic to automatically detect and cut wasteful electricity use in home appliances.
*2 Organized by the Energy Conservation Center, Japan.
*3 Organized by Nikkan Kogyo Shimbun, Ltd.
Collaborating with PanaHome, the ES Company drives growth in Panasonic’s Housing Business.

Panasonic as a whole targets sales of 1.6 trillion yen (up 20% from fiscal 2016) in the Housing Business by fiscal 2019. In collaboration with PanaHome Corporation (PanaHome), a housing maker and listed subsidiary, the ES Company will play a major role in achieving this target.

Tamio Yoshioka
President

**Strategies**

**Housing Business**

Realizing growth by creating new value in tune with the needs of each era

Over the past 15 years, the number of new housing starts has decreased by 25% in Japan overall. In contrast, sales at the ES Company increased by about 20%*1 over the same period. This growth is attributable to the creation of new businesses such as the Age-free business, as well as our ability to raise selling prices by offering our customers additional benefits through the provision of new value, such as the fully automated self-cleaning toilet A·La·Uno, and the release of new products featuring upgraded functionality and designs for existing products. Panasonic aims to grow by creating value in tune with current needs, centered on the remodeling, energy management and Age-free businesses.

In Japan, the new housing market is projected to contract while the remodeling market is set to steadily expand, helped along by government policies that make the environment more conducive for growth, amid the broadening view of housing as a fixed asset that should be built to last for use over one’s lifespan and passed down to the next generation. The ES Company seeks to expand the remodeling business by proposing to customers “total space value,” from building construction materials and housing equipment to air conditioners and lighting, leveraging the strength of its abundant contact points with customers through Living Showrooms and local electrical appliance stores, such as Panasonic-Shop.

Amid worsening environmental problems and growing consumer needs for energy savings, the government has created a policy and systems to encourage the spread of net zero energy homes*2. As such, the energy management market looks likely to grow. The ES Company aims to expand the energy management business by offering better Eco Solutions

Company

(ES Company)

We are moving toward our goals in the Housing Business by focusing on addressing new-era needs in the remodeling business, energy management business, “Age-free” (elderly care) business as well as our overseas business.

**Strengths**

- A lot of contact points with customers and marketing capabilities via a robust domestic sales network
- Comprehensive solutions capabilities with broad product lines
- Ability to develop products that deliver value for new needs etc.

**Opportunities**

- Growth in remodeling market and increase in elderly population in Japan
- Major changes in the electric power and energy markets due to a changeover in energy policy in Japan
- Growth in housing construction investment in emerging countries and regions including Southeast Asia etc.

**Sales Targets**

(Trillions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-housing</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.9</td>
<td>1.3</td>
</tr>
<tr>
<td>2017</td>
<td>0.6</td>
<td>1.4</td>
</tr>
<tr>
<td>2019</td>
<td>0.7</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Note: Group total, including PanaHome. IFRS basis.
services and solutions to customers by proposing solutions that combine solar panels and storage batteries as well as by providing apps that display the analysis of big data obtained from home energy management systems. Japan’s population has greyed, with 26%*3 of the total population being 65 or older. Providing services and living environments for the elderly has become an important issue. The ES Company has accordingly been advancing the Age-free business with the aim of providing nursing care services as well as building and operating serviced apartments for the elderly. Using the know-how that the company has nurtured since operations commenced in 1998, combined with various products and technologies of the Panasonic Group, we are able to provide living environments and services that cannot easily be imitated by rivals. We are accelerating business development through the provision of peace of mind in nursing care support by “Panasonic.” Looking ahead, we would like to help people manage their health with sensing technologies and lighten the burden on caregivers with robotics technology.

In its overseas business, the ES Company is working to expand operations in CIS, the Middle East and Africa by leveraging its sales channels with Anchor Electrical Pvt. Ltd. in India and VIKO Electrik in Turkey (acquired companies) for its wiring equipment, a category where Panasonic boasts high market shares in mainly Asia. Collaborating with PanaHome’s housing business, Panasonic is working with local partners in ASEAN countries with rising middle and wealthy classes to provide its own unique value in living environments, by proposing an integrated approach to “skeleton” as the frame of the home and “infill” as its interior fixtures including housing equipment, lighting, wiring and ventilation equipment.

*1 Underlying sales in Japan, excluding the impact of business restructuring, Panasonic estimate.
*2 Homes that consume the energy they generate, for a net zero difference.
*3 As of October 1, 2014; Source: 2015 White Paper on the Elderly

Creating new demand in LED lighting and engineering fields in non-housing markets
In B2B operations, the ES Company is concentrating on the LED lighting, energy management and engineering fields. Regarding LED lighting, Panasonic has a high share of the non-housing market, which includes office buildings, factories, outdoor areas and retail stores in Japan. Nevertheless, we aim to increase our market share by developing new products that match the unique needs of each field.

We are also engaging in new fields such as automotive devices and projection lighting.
In the engineering field, the ES Company has been expanding business in remodeling and maintenance, centered on energy management in Japan, as well as business for comprehensive orders encompassing parts and materials supply to design, installation and maintenance as a subcontractor (construction project contract work) for solar projects in North America.
The AVC Company plays a central role in all of Panasonic’s B2B businesses

The AVC Company plays a central role in all of Panasonic’s B2B businesses, providing solutions to service industry customers found only at Panasonic. In the B2B business, we have positioned “retail/logistics,” “entertainment,” “public,” and “avionics” in particular as four key fields over the medium-term. Becoming experts in these fields with regard to the service industry, the AVC Company will provide value-oriented solutions that integrate core products with IoT to customers and ultimately their customers (end users) in order to contribute the success of client businesses.

Raising operating profit ratio of 10% and operating profit of 300 billion yen as B2B objectives that must be met throughout Panasonic, the AVC Company is playing a role in reaching these goals. Targeting fiscal 2019 sales of around 200 billion yen for retail/logistics and 300 billion yen each for entertainment, public, and avionics, we aim for total AVC Company sales of 1,250 billion yen and an operating profit ratio of 7.0%, on an IFRS basis.

Promoting solution provision for management issues in each of the four core fields

In the retail/logistics field, Panasonic provides solutions centered on such products as Point-of-Sale (POS) systems, payment systems, security cameras, digital signage, and handy terminals. Typical examples of our initiatives in this field are the solutions we provide to the restaurant industry. In addition to offering our existing POS and other touch point systems, we are gradually providing solutions that enable the rapid provision of products to customers, including in-store KIOSK systems that enable users to confirm menus and place orders by employing touch panels as well as drive-thru systems and mobile-order systems. In September 2015, Panasonic acquired Quick Service Software Inc., a company that provides store operations software for the fast food industry. In addition, the AVC Company is helping to improve store operations by promoting automation and visualization through the use of the AIS Company’s production management systems.

Typical examples in the entertainment field involve providing solutions related to image display equipment, which are core systems used at stadiums. We aim to create unprecedented, new experiences for spectators by producing realistic sensations and shared experiences by combining imaging equipment (i.e. large-screen LED vision systems, projectors, broadcasting cameras, digital signage) with technologies such as total production management systems and SNS video streaming systems. Plans are in place for over 100 high-brightness projectors produced by the AVC Company to be used at the 2016 Rio de Janeiro Olympic Games to project images of the opening and closing ceremonies. We will continue focusing on stadium-oriented solutions with an eye to the 2020 Tokyo Olympic/Paralympic Games.

In the public field, Panasonic aims to contribute to the creation of a safe and secure society by providing such items as security cameras, ruggedized PCs/tablets as well as innovative solutions that combine these products to the public sector, local governments, and utilities. For instance, starting with ruggedized PCs targeting policing industry in the United States (which boasts the No. 1 market share), we provide ruggedized tablets and in-car cameras and recorders. In fiscal 2016, Panasonic began providing wearable cameras for use by

police officers. Looking ahead, we will provide management systems that integrate a wide array of information including investigation-related imaging taken from imaging equipment.

In the avionics field, Panasonic provides optimal solutions to its airline customers along with repair/maintenance services for core in-flight entertainment systems and onboard communication services. Going forward, we plan to accelerate the expansion of our businesses to new fields through synergies generated with satellite communications services company ITC Global, which we acquired in August 2015.

Enhancing systems to expand solution businesses in Japan, North America, and Europe
The AVC Company is enhancing solutions tailored to specific industries mainly in Japan, North America, and Europe while working to create new core businesses after avionics.

In Japan, we are focusing on creating new value and businesses through joint development activities with customers by leveraging Panasonic’s Innovation Center, which was established in April 2015. In fiscal 2016, we created new system products (i.e. Light ID and automated translation), made possible through technological exchanges with 135 companies in Japan and a series of field tests performed with customers.

In North America, we established the North American head office and Innovation Center in fiscal 2016. We will establish the Solution Division in fiscal 2017, which is geared toward the food retail industry. Through these means, we will strengthen the solution business.

In Europe, we will establish an Innovation Center similar to the one in North America as well as a solutions company focusing on such key fields as the logistics and transport industries.

Going beyond relying on internal resources, we also plan to grow into a highly profitable business entity with an operating profit ratio of over 10% from fiscal 2021 and beyond by continuously engaging in M&A throughout Japan, North America, and Europe.

With the rapid rise in overseas tourists visiting Japan in recent years, overcrowding at airports, sightseeing spots, and event venues is increasing. As this trend is expected to continue through to the opening of the Tokyo Olympics in 2020, there is a need to establish efficient and effective security systems at such locations. Under these circumstances, the AVC Company in the cooperation of the Narita International Airport Corporation conducted field tests at Narita International Airport in February and March 2016 of interactive security systems that use wearable cameras and location positioning technologies. Putting this system into practical use will make it possible to confirm the location of security personnel and transmit onsite video images in real time. Based on these functions, the aim of this system is to facilitate rapid and accurate responses to terror and other heinous crimes as well as accidents caused by overcrowding.
Automotive & Industrial Systems Company
(AIS Company)

We are concentrating our resources in areas of growth, including the automotive and industrial fields, while expanding our Automotive and B2B businesses by making the most of our wide range of proprietary technologies as well as through collaboration.

Rolling out the advanced technologies and know-how gained through our digital consumer electronics operations in the automotive and industrial business, Panasonic’s strength lies in the advanced technologies and know-how that the Group has accumulated through the development and manufacture of digital consumer electronics. Drawing on this inherent strength, the AIS Company is looking to apply these technologies and know-how to the automotive and industrial businesses, which continue to exhibit growth potential, in a bid to expand its business.

**Strengths**
- A wealth of technical assets developed through the Group’s digital consumer electronics activities (image processing, sensing, downsizing, etc.)
- Automotive infotainment system technologies
- Battery technologies that boast high capacity and outstanding reliability, etc.

**Opportunities**
- Progress of network-connecting and electronization in vehicles
- Shift in demand from gasoline-powered vehicles to environmentally-conscious vehicles
- Growth in energy savings and storage needs in the industrial business; continued development of the fourth industrial revolution; growing IoT use, etc.

**Strategy 1 | Automotive Business**
Contributing to the growth of a motorized society through the development of advanced systems

By seamlessly integrating the image processing, downsizing, optics, heat radiation, sensing, and other technologies used in the Group’s digital consumer electronic products with the infotainment-related technologies that are typically used in in-car AV equipment that have been developed over many years as well as its widely acclaimed, high capacity, and highly reliable battery technologies, all in the automotive field, the AIS Company is targeting business growth.

Overall, Panasonic is targeting sales of 2.0 trillion yen in the Automotive Business in fiscal 2019, up from sales of 1.3 trillion yen in fiscal 2016, on an IFRS basis. In order to achieve this level of sales, the AIS Company will push forward various measures in each of the Comfort, Safety, and Environment areas. In specific terms, energies will be directed toward promoting next-generation cockpits to ensure a pleasant and safe driving experience in the Comfort area. Considerable weight will also be placed on safety, focusing mainly on Advanced Driver Assistance Systems (ADASs) that help to detect and determine dangers thereby averting accidents and ensuring the safety of pedestrians and vehicles. Efforts will be channeled toward the sale of battery and power supply systems for use in electric, hybrid, and other environmentally-conscious vehicles in the environment area.

In the Comfort area, the AIS Company is endeavoring to expand its cockpit system business by working hand-in-hand with car manufacturers in the development of products. In addition to the in-car Display-Audio system that is connectable with such mobile devices as smartphones, successful products include head-up displays that allow drivers to view essential information without requiring a large amount of eye movement, and large-scale center information displays installed on the center console.

In the Safety area, energies are being channeled toward ADAS development and sale. The AIS Company is drawing on its competitive advantage in such areas as in-car camera modules, where it maintains a high market share, while leveraging the strengths of a wide range of sensing devices in combination with the Group’s high-speed image processing, image recognition, vehicle communication, deep learning artificial intelligence.

**Automotive Business Fiscal 2019 Sales Targets (IFRS basis)**

<table>
<thead>
<tr>
<th>Area</th>
<th>Fiscal 2016 Results</th>
<th>Fiscal 2019 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comfort Area</td>
<td>570 billion yen</td>
<td>750 billion yen</td>
</tr>
<tr>
<td>Safety Area</td>
<td>360 billion yen</td>
<td>600 billion yen</td>
</tr>
<tr>
<td>Environment Area</td>
<td>350 billion yen</td>
<td>650 billion yen</td>
</tr>
<tr>
<td>Overall Automotive Business</td>
<td>1.3 trillion yen</td>
<td>2 trillion yen</td>
</tr>
</tbody>
</table>

intelligence, security, and other technologies. In fiscal 2016, Panasonic entered into a capital and business alliance with Ficosa International, S.A. (Ficosa) based in Spain. Working with Ficosa, the AIS Company is developing a host of new products, including electronic mirror systems, as well as focusing especially on the European market.

Amid the shift from gasoline-powered vehicles to environmentally-conscious vehicles, the AIS Company recognizes that substantial opportunities exist for growth in the environment business area. The AIS Company continues to receive a steady stream of new orders for its lithium-ion batteries, a mainstay product that is already being installed in the vehicles of many leading automobile manufacturers. In order to address burgeoning demand, the AIS Company constructed a plant in Nevada in fiscal 2015. A manufacturing company was also established in China in fiscal 2016.

Inorganic growth through collaboration and M&A

In addition to the strengths of proprietary devices and systems, it is vital that the Company pursues partnerships with companies that possess unique products and technologies to achieve sales of 2.0 trillion yen in the Automotive Business. Accordingly, Panasonic is promoting collaboration and M&As with companies such as Ficosa in the development of electronic mirror systems.

Panasonic will look to stimulate inorganic growth by incorporating advanced expertise and know-how from external sources.

### Strategy 2 | B2B Business

**Growth in such industrial business as factory solutions (FS) and power storage**

In its B2B operations, the AIS Company anticipates substantial growth in its FS business activities. Keys to this growth are mounting machines and robots, both core products that are used to increase labor efficiency while automating the production process. Compared with many of its competitors, the AIS Company is uniquely positioned to develop and produce a broad lineup of sensors that are used in the manufacture of these core products. Utilizing IoT at the production frontline and incorporating fourth industrial revolution trends, the AIS Company is not only contributing to the efficient operation of individual facilities and equipment, but also proposing solutions that help improve the entire production process.

Turning to the outlook of certain industries of the labor shortfall associated with the decline in the workforce, the AIS Company’s automation and robot technologies can be expected to play an important role in supporting the service and other sectors.

Power storage systems are another source of potential growth. This is especially so given the growing interest in natural energy and preparations in the event of a natural disaster. The AIS Company is active in power storage systems business that employ lithium-ion batteries. Traditionally, the Company’s storage systems business activities have mainly served as backup sources of power at base stations and data centers. However, given their high energy density and the ability to install them in limited spaces, steps are being taken to put forward proposals for use in buildings and commercial facilities. Moving forward, the AIS Company will put forward systems solutions in combination with modules for energy management. Proposals will ensure that the battery characteristics can be maximized while extending to all facets of operation, including maintenance.

#### Our Products and Businesses Helping Solve Social Issues

*Automotive Battery Manufacturing Company Established in China Contributing to the Widespread Use of Environmentally-conscious Vehicles*

China, which continues to face mounting environmental issues as a result of its economic growth, is experiencing an upswing in demand for environmentally-conscious vehicles. Against this backdrop, and in conjunction with a local partner, the AIS Company established Panasonic Automotive Energy Dalian Co., Ltd. to manufacture automotive batteries in Dalian, China in fiscal 2016. Drawing on the AIS Company’s technologies and know-how in the production and quality control of automotive batteries, the joint-venture company will manufacture products for use in environmentally-conscious vehicles while addressing forecast burgeoning demand.

*Developing Driver Assistance Systems that Enhance Comfort and Safety Contributing to the Prevention of Traffic Accidents*

Reducing the incidence of traffic accidents is an important issue in today’s motorized society. Focusing mainly on such key devices as in-car cameras and sonar, the AIS Company is actively engaged in the research and development of advanced driver assistance systems (ADASs) that employ the Group’s sophisticated image processing and image recognition technologies. Combined with its strengths in next-generation cockpit systems, which incorporate a variety of features, including head-up displays, the AIS Company is developing systems that ensure information critical to driving safety is properly relayed to the driver. In this manner, every effort is being made to enhance safety in the motorized society.

Panasonic Automotive Energy Dalian Co., Ltd. (rendering)
Overview of Business Divisions (As of April 1, 2016)

**Appliances Company**

- **Air-Conditioner Company**
  Development, manufacture and sale of air-conditioners for home, office and store use, multi-unit air-conditioners for buildings, gas heat pump air-conditioners, absorption chillers, CO2 hot water supply systems, etc.

- **TV Business Division**
  Development, manufacture and sale of TVs, portable TVs, etc.

- **Home Entertainment Business Division**
  Development, manufacture and sale of Blu-ray and DVD recorders, audio equipment, etc.

- **Refrigerator Business Division**
  Development, manufacture and sale of refrigerators, freezers, etc.

- **Laundry Systems and Vacuum Cleaner Business Division**
  Development, manufacture and sale of washer/dryers, clothes dryers, vacuum cleaners, etc.

**Eco Solutions Company**

- **Lighting Business Division**
  Development, manufacture and sale of electric power-assisted bicycles, bicycles, electric power-assisted units, bicycle products, etc.

- **Refrigeration and Air-Conditioning Devices Business Division**
  Development, manufacture and sale of air-conditioner compressors, refrigeration compressors, vacuum insulation materials, etc.

- **Smart Energy System Business Division**
  Development, manufacture and sale of smart gas meter-use devices, fuel cells, etc.

**AVC Networks Company**

- **Imaging Network Business Division**
  Development, manufacture and sale of digital cameras (compact/interchangeable lens), video cameras and business-use broadcasting equipment

- **Storage Business Division**
  Development, manufacture and sale of recording media, SD memory cards and data archive system

- **Visual Systems Business Division**
  Development, manufacture and sale of projectors and business-use displays

- **Panasonic Avionics Corporation**
  Development, manufacture and sale of in-flight entertainment systems, in-flight communications services, etc.

- **IT Products Business Division**
  Development, manufacture and sale of PCs, tablets, settlement systems, etc.

**Kitchen Appliances Business Division**

- Kitchen Appliances Business Division
  Development, manufacture and sale of induction heating (IH) cooking equipment, microwave ovens, rice cookers, built-in cooking appliances, dishwasher dryers, etc.

- **Beauty and Living Business Division**
  Development, manufacture and sale of beauty appliances (shavers, hair dryers, oral care products, etc.), health enhancing products (blood pressure monitors, body composition meters, massage chairs, etc.), cooking appliances (home bakeries, coffee makers, juicers, etc.) and electric irons

- **Panasonic Cycle Technology Co., Ltd.**
  Development, manufacture and sale of electric power-assisted bicycles, bicycles, electric power-assisted units, bicycle products, etc.

- **Energy Systems Business Division**
  Development, manufacture and sale of wiring devices, distribution panel boards, solar photovoltaic systems, energy management-related equipment, condominium intercom systems, building systems, etc.

- **Housing Systems Business Division**
  Development, manufacture and sale of water-related products including modular kitchen systems and modular baths, interior furnishing materials including floor, door, storage unit materials, and exterior finishing materials including drainpipe and roofing materials, residential building frames, and home elevators, etc.

**Panasonic Ecology Systems Co., Ltd.**

- Development, manufacture and sale of air purifiers, electric fans, ventilating fans, blowers for factory and facility use, etc.

(Continued on the next page)
Security Systems Business Division
Development, manufacture and sale of surveillance and security cameras, surveillance image recorders, etc.

Communication Products Business Division
Development, manufacture and sale of cordless telephones, TV door intercom systems, home network systems, etc.

Office Products Business Division
Development, manufacture and sale of PBX*1, SIP*2 terminals, document scanners, compact multi-function printers, etc.

System Solutions Company (Japan)
Development of system solutions (public systems, social systems, logistics/distribution, etc.); systems integration, implementation, operation and maintenance

Notes:
1. The acronym for Private Branch eXchange. An in-house telephone switching system that interconnects multiple telephone extensions to each other as well as to outside telephone networks.
2. The acronym for Session Initiation Protocol. A network communications protocol for establishing sessions between two or more telecommunications devices over the Internet.

Automotive & Industrial Systems Company

- Automotive Infotainment Systems Business Division
  Development, manufacture and sale of AV systems, car navigation systems, car audio systems, car speakers, etc.

- Automotive Electronics Systems Business Division
  Development, manufacture and sale of vehicle control units, automotive sensor modules, switches, ITS terminals, smart keyless systems, thermal and energy management equipment, etc.

- Rechargeable Battery Business Division
  Development, manufacture and sale of lithium-ion batteries, automotive batteries, battery modules for power storage, power storage systems, Ni-Cd batteries, chargers, etc.

- Energy Device Business Division
  Development, manufacture and sale of dry batteries, micro batteries, nickel-metal hydride rechargeable batteries, etc.

Panasonic Storage Battery Co., Ltd.
Development, manufacture and sale of lead-acid storage batteries for automotive use, valve-regulated lead-acid batteries, etc.

Electromechanical Control Business Division
Development, manufacture and sale of relays, connectors, touch panels, automotive power supply, automotive switches, light touch switches, motors, FA sensors, etc.

Panasonic Semiconductor Solutions Co., Ltd.
Development, manufacture and sale of power semiconductors, LSIs, image sensors, optical semiconductors, etc.

Device Solutions Business Division
Development, manufacture and sale of conductive polymer capacitors, various capacitors (aluminum electrolytic/film), anti-heat sheets, resistors, inductors, in-car and industrial-use sensors, industrial inkjet print heads, etc.

Electronic Materials Business Division
Development, manufacture and sale of circuit board materials, semiconductor encapsulation materials, plastic molding compounds, advanced films, etc.

Panasonic Liquid Crystal Display Co., Ltd.
Development, manufacture and sale of IPS liquid crystal display (LCD) panels

Smart Factory Solutions Business Division
Development, manufacture and sale of placement machines, screen printers, FPD bonders, electronic component insertion machines, welding systems, laser oscillators, etc.

PanaHome Corporation
Construction of detached housing, apartment housing for leasing, etc.; remodeling contract work and construction; sale of land, properties and condominiums; real estate brokerage, leasing and management; manufacture and sale of system materials for industrial housing
Foundation for Growth

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Corporate Governance Structure

(As of June 24, 2016)

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

The Company recognizes that corporate governance is the important basic structure for the aforementioned purpose and is working to enhance its effectiveness.

Outline of Structure/Reason for Adoption
The Company has adopted the Audit & Supervisory Board System composed of the Board of Directors and Audit & Supervisory Board Member/Audit & Supervisory Board, holding the following elements.

The Board of Directors
- The Board of Directors is composed of 17 Directors including 4 Outside Directors, of which 1 is a woman (Outside Director).
- The Chairperson of the Board is the Chairman (Inside Director).
- The Company has introduced an Executive Officer System to separate the monitoring function from the executing function with regards to management, and Directors have duties of monitoring execution of business.
- The Company elects Outside Directors from among managers of external entities, who have extensive managerial experience in various careers and deep insight, and are expected to provide valuable opinions on decision-making related to business execution and monitoring of the execution of Directors’ duties.
- At the annual general meeting of shareholders, all directors were reelected.

Organization Form: Company with Audit & Supervisory Board

Directors 17
(of which 4 are Outside Directors)

Audit & Supervisory Board Members 5
(of which 3 are Outside A&SB Members)
Audit & Supervisory Board Members (A&SB Members) and Audit & Supervisory Board (A&SB)
- The A&SB is composed of 5 A&SB members including 3 Outside A&SB Members, of which 1 is a woman (Outside A&SB Member)
- The Company sets A&SB Members who are able to exert their monitoring functions according to their individual discretionary decision, but not to majority vote decision. The A&SB Members are also able to independently act upon their own decision in pursuing liabilities of Directors.
- The Company sets Full-time Senior A&SB Members who are well versed about corporate operations and are able to comprehend actual condition of businesses by exercising their right to visit and investigate operating sites. The Senior A&SB Members are elected from among those who have experiences as higher or equal position of Managing Directors or equivalent position.
- The Company elects Outside A&SB Members from among managers, lawyers, and certified public accountants, who have extensive expertise with various careers and deep insight and can be expected to conduct valuable audits of the decision made regarding business execution and the execution of business by directors.

Strengthened Governance for Fiscal 2016
On June 1, 2015, the Company began applying the Corporate Governance Code that targets companies listed on the domestic financial instruments exchanges such as the Tokyo Stock Exchange. A number of matters requested by said Code have already been implemented. Since it has implemented the following three measures in fiscal 2016, the Company has implemented all of the principles of the Code.

1. Optional Nomination and Compensation Advisory Committee
In November 2015, the Company has established an optional Nomination and Compensation Advisory Committee that includes at least 1 Independent Outside Director.

In response to inquiries from the Board, this committee deliberates and reports to the Board on the appropriateness of the Company’s Director and Executive Officer Compensation System and on the results of internal reviews on the nomination of candidates for Director, Executive Officer, and Audit & Supervisory Board Member.

2. Analysis and Evaluation of the Board of Directors Effectiveness
To enhance the effectiveness of the Board of Directors, the Company’s Board of Directors conducted a survey in December 2015 to all Board members regarding the following items, and the results and evaluations of the survey were reported at a meeting of the Board held in March 2016.

- Composition of the Board of Directors
- Operation of the Board of Directors (location held, time required, proceeding details, agenda materials, preliminary studies)
- Decision-making function of the Board of Directors
- Monitoring functions by the Board of Directors
- Other requests and comments

An analysis of the survey responses revealed that the present state of Board of Director effectiveness is basically considered adequate. On the other hand, a wide range of constructive opinions and proposals were presented such as the role of the Board of Directors and its membership, the expected agenda set at the Board of Directors, and improvement of agenda materials. We have sequentially implemented those opinions and proposals that are practicable and will continue to make improvements based on the results of self-evaluations and thereby enhance deliberations at the Board meeting. We will continue to implement Board of Directors effectiveness evaluations and also improve the evaluation method.

3. Outside Directors and Outside A&SB Members Committee
We established a committee of Outside Directors and Outside A&SB Members as a forum for exchanging information and sharing knowledge, which held its first meeting in March 2016.

By convening the committee, the exchange of information and sharing of knowledge based on the independent and objective viewpoints among Outside Directors and Outside A&SB Members are encouraged and contribute to the lively debate of the Board of Directors.
Utilization of Outside Directors
Purpose of Electing and Qualification of Independent Outside Directors
The Company elects independent Outside Directors from the standpoint that there be no conflict of interest between the Company and the Outside Directors, and the Company can increase and enhance the effectiveness of the monitoring of the Board based on an objective and neutral point of view.

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

Independence Standards for independent Directors / Audit & Supervisory Board Members (A&SB Members)
The Company established independence standards for independent Directors/Audit & Supervisory Board Members (A&SB Members) based on independence standards required by financial instruments exchanges such as the Tokyo Stock Exchange. The following persons are not considered independent.

- Major business partner of the Company or said executing person (including those who had fallen under this category in the past)
- Consultant, accountant or attorney (who currently is or was in the past, in the case of a legal entity) who receives a significant amount of money from the Company
- The aforementioned close relative (a second-degree or closer relative) or a close relative of an executing person of the Company or subsidiary.

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

Provision of Information and Assistance to Outside Directors
The division in charge provides support to Outside Directors, such as prior explanation of agendas of the Board meeting and provision of information to enable effective discussions at the Board meeting.

Compensation
Performance-based Compensation
The Company implemented performance-based compensation as a short-term incentive to provide incentive to boost business performance, and it shall be determined in conjunction with performance evaluation for Panasonic as a whole and the specific businesses a Director is in charge of, based on performance indicators, such as net sales, operating income, free cash flow, and CCM*. The aforementioned close relative (a second-degree or closer relative) or a close relative of an executing person of the Company or subsidiary.

Note: Three directors and one A&SB Member who retired at the conclusion of the 108th Ordinary General Meeting of Shareholders held on June 25, 2015 are included in the above.

Amount of Compensation for Directors and A&SB Members for the fiscal year ended March 31, 2016

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of persons</th>
<th>Amounts (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic compensation</td>
<td>Performance-based compensation</td>
</tr>
<tr>
<td>Directors (other than Outside Directors)</td>
<td>16</td>
<td>1,144</td>
</tr>
<tr>
<td>A&amp;SBMs (other than Outside A&amp;SBMs)</td>
<td>3</td>
<td>66</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>4</td>
<td>46</td>
</tr>
<tr>
<td>Outside A&amp;SBMs</td>
<td>3</td>
<td>39</td>
</tr>
</tbody>
</table>

Note: For details about the conditions for the issuance and exercise of said stock options, please refer to the “Corporate Governance Report.”
Information Disclosure/Dialogue

Information Disclosure Approach and System

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

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

Moreover, the Company has established disclosure control procedures and in the preparation and submission of annual securities reports, quarterly and other reports, the Disclosure Committee, which is comprised of managers from principal departments that handle relevant information, confirms the validity of the descriptive content and the appropriateness of the disclosure procedures under the supervision of the President and Director in charge of Accounting and Finance.

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

Internal Control for Financial Reporting

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

Specifically, the Company has reinforced its internal controls by implementing self-checks and self-assessment programs at each of the Divisional Companies and business divisions, etc. Then, Internal Auditing Managers of the Divisional Companies appointed by the Company at each of the Divisional Companies, etc. conduct audits. Based on the audits, the Internal Control Promotion Office supervises the Groupwide internal control audits in order to confirm the effectiveness of each company’s financial reporting. With the aim of further enhancing the Group’s internal control system, in fiscal 2016 Panasonic had approximately 400 personnel assigned to conduct internal audits in the Internal Auditing Group.

Constructive Dialogue between Shareholders and Investors

The Director in charge of Planning is responsible for Investor Relations (IR) activities. The President of the Company, Director in charge of Accounting and Finance, Director in charge of Planning, and each President of Divisional Companies mainly engage in dialogue with shareholders and investors. This includes announcements of financial results and individual meetings. Also, the Investor Relations is in charge of day-to-day communication with shareholders and investors.

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

IR Activities for Institutional Investors and Security Analysts

The Company conducts presentation meetings of quarterly financial results announcements, annual presentation regarding business policy of the Company and Divisional Companies, as well as tours to individual business sites including a visit to exhibition of products for customers.

Also, for overseas investors, the Company holds presentation meetings utilizing conferences hosted by financial institutions.

IR Activities for Individual Investors

The Company, for timely disclosure to individual investors, actively discloses its management information through the Company’s official website and external media. The Company also conducts presentation meetings for individual investors.
Changes in Panasonic’s Business Environment and the Turning Point for Japanese-style Management

—— Why did you agree to become an outside director of Panasonic?

I have been involved in numerous corporate revitalization projects, and if anything, most of my recommendations concerning the ideal form of corporate governance have come across as “tough.” For Panasonic to call someone like myself made me think they were serious about corporate governance reform. When thinking about what role I can play, rather than a company that has carried out recent governance reforms, I tend to think there is considerable potential for me to help out in a traditional Japanese company, a company that has succeeded with so-called “Japanese-style management.” I think Panasonic falls into this latter category.

I do not necessarily reject Japanese-style management. Japanese-style management is rooted in Japanese society and culture and the positive DNA of the Japanese people. The management philosophy of Konosuke Matsushita, the founder of Panasonic, is very much the same thing and something for which I hold a deep respect. The essence of management is figuring out how to maximize the genetic strengths of one’s own organization and how to control its weaknesses amid changing times and a changing management environment. Therefore, we need to recombine some of the organization’s genes into stronger genes. In the electronics industry, after the bubble economy collapsed, we clearly recognized that the paradigm had shifted considerably. It has often been said that globalization and the digital revolution are the cause of this shift. Within this new paradigm, we must improve upon the basic idea of what the ideal form of the company and management is.

Many Japanese companies in this quarter century have suffered because they are unable to respond to this new paradigm. Of course, given our long history, we cannot change overnight. Still, we have to change and I wish to take on this challenge.

—— In the years ahead, in what way should Japanese-style management change?

The source of Japanese companies’ strength is, basically, their style of competing through teamwork. For that reason, they should not discard this strength. In particular, the ability to bounce ideas around on the work site and to compromise on “this and that” is critical. To further strengthen this ability in management decision-making and leverage the good qualities of Japanese companies, brilliant “this or that” decision-making at the management level must be performed in a timely and precise manner. If it is not, then this strength in the work site will be destroyed.

Whether we can build a hybrid model that combines both a work site that pursues “this and that” and a management that clearly decides “this or that” is the key to the future.

Concentration of Power to Management and Monitoring by the Board of Directors

—— What is required to carry out brilliant decision-making at the management level?

When you come right down to it, essentially, it is important to concentrate power to management. As for having to decide in a top-down manner, it is best to have Board of Directors support so that management can make bold decisions.

For example, let’s consider the case of some business deciding whether to take a route “going from the right” or “going from the left.” Even though management wanted to choose the route “going from the right,” because the Board of Directors had a say in it, the route “going from the left” was taken, and failure resulted. In that case, not knowing if the responsibility lies with management or the Board of Directors, we cannot hold either accountable.

If the Board of Directors, which monitors management, is considered “guilty” of making an improper decision, it cannot
Continuation of Reforms, while Remembering the Hardships, is Important

What is most important in order for Panasonic to strengthen corporate governance in the years ahead?

In many cases, the catalyst for carrying out corporate governance is a management crisis. At Panasonic, I think the recording of a huge deficit in fiscal 2012 was probably its catalyst for reform. Any human being will try to change if he or she has a bitter experience. However, “Danger past and God forgotten” is the norm for people. It is important that we continue reforms while remembering the hardships.

Therefore, continued tough decision-making, reform after reform, or even larger reforms, must be carried out. Because humans are creatures that adapt to their environment, each and every person who makes up the organization should come to see this as normal.

Furthermore, reforms initially have to come in some form. However, everyone who makes up the organization must then align themselves with that form. At the same time, each and every person, because they overcame a deficit, needs to maintain a sense of crisis without getting careless.

Shareholders and Company Keep Raising the Level

What is the key point in dialoguing with shareholders?

What is important is to continuously raise total corporate value, including some kind of social value. That will probably also have a positive effect on stock value. In particular, there is a dimension in which the continuation of stock price is decided overwhelmingly by the continuation of social value. It is important that both the investment and corporate sides engage in dialogue with each other from this standpoint.

In addition, if we consider the investment chain* as a whole, the beneficiary is the household and future descendants. If a company cannot continuously provide a return commensurate with the risk and growth potential of the business it operates, the beneficiary will not prosper in the future.

Because of this consistency, return on invested capital (ROIC) and return on equity (ROE) are questioned.

ROE should not always be high, the numerical figure to aim for will vary depending on the nature of the business. What level is appropriate should be discussed individually and determined based on the sound insight of the company and shareholders.

Furthermore, reforms initially have to come in some form. However, everyone who makes up the organization must then align themselves with that form. At the same time, each and every person, because they overcame a deficit, needs to maintain a sense of crisis without getting careless.

* A series of flows that returns corporate profits to households through a chain of investments

What is the role of outside directors in dialoguing with shareholders?

If the company does not continue to provide some profit for shareholders, there is no reason for shareholders to invest money over the long term. The continuous generation of profit is a very important social obligation for the company.

Furthermore, to achieve constructive dialogue with shareholders, the company needs to consistently disseminate information with a clear sense of values and logic. Doing this continuously, I think, will increase the number of long-term shareholders.

To have the shareholders and company engage in constructive discussion and mutually raise their level of understanding is the most important thing. As outside directors, we have the responsibility of engaging in that kind of dialogue.
Directors, Audit & Supervisory Board Members and Executive Officers
(As of June 24, 2016) (Based on information contained in the Company’s Annual Securities Report)

Chairman of the Board of Directors
Shusaku Nagae

President and Director
Kazuhiro Tsuga

President, AVC Networks Company
Yasui Enokido

Senior Managing Directors
Hideaki Kawai
In charge of Accounting and Finance

Yoshiyuki Miyabe
In charge of Technology and Intellectual Property

Mototsugu Sato
In charge of Planning and Human Resources

Yoshio Ito
President, Automotive & Industrial Systems Company

Tetsuro Homma
President, Appliances Company

Tamio Yoshioka
President, Eco Solutions Company

Vice Chairman of the Board of Directors
Masayuki Matsushita

Executive Vice President and Director
Kazunori Takami
In charge of Japan Region, Customer Satisfaction, and Design
Audit & Supervisory Board Members

Managing Directors

Takashi Toyama
Director, Government and External Relations Division / Representative in Tokyo

Jun Ishii
In charge of Legal Affairs, Fair Business & Compliance, Corporate Governance, Risk Management, General Affairs and Social Relations, and Facility Management

Hirofumi Yasuhara

Mamoru Yoshida

Outside Audit & Supervisory Board Members

Yoshio Sato
(Independent audit & supervisory board member)

Mitsuko Miyagawa
(Independent audit & supervisory board member)

Toshio Kinoshita
(Independent audit & supervisory board member)

Takahiro Toyama
(Independent director)

Masayuki Oku
(Independent director)

Yoshinobu Tsutsui
(Independent director)

Hiroko Ota
(Independent director)

Kazuhiko Toyama
(Independent director)
Managing Executive Officers

Laurent Abadie
Regional Head for Europe & CIS
Chairman & CEO, Panasonic Europe Ltd.
Managing Director, Panasonic Marketing Europe GmbH

Joseph Taylor
Regional Head for North America
Chairman & CEO, Panasonic Corporation of North America

Hidetoshi Osawa
Regional Head for China & Northeast Asia
Chairman, Panasonic Corporation of China

Yukio Nakashima
Senior Vice President, Appliances Company
In charge of Consumer Marketing
Director, Consumer Marketing Sector for Japan Region

Masahisa Shibata
Senior Vice President, Automotive & Industrial Systems Company
In charge of Automotive Business

Makoto Kitano
Senior Vice President, AVC Networks Company
In charge of Business Strategy and Planning

Daizo Ito
Regional Head for India, South Asia, Middle East and Africa

Executive Officers

Toshiyuki Takagi
Vice President, Appliances Company
President, Air-Conditioner Company

Masahiro Ido
In charge of Solution Sales
Director, Tokyo Olympic & Paralympic Enterprise Division

Satoshi Takeyasu
In charge of Corporate Communications, Advertising, and Citizenship

Paul Margis
Vice President, AVC Networks Company
In charge of Avionics Business
CEO, Panasonic Avionics Corporation

Junichiro Kitagawa
In charge of Consumer Business for Europe & CIS Region

Shinji Sakamoto
Vice President, Automotive & Industrial Systems Company
In charge of Industrial Business

Yuki Kusumi
Vice President, Appliances Company
In charge of Home Appliances Business

Yoshiyuki Iwai
Vice President, Eco Solutions Company
President, Air Conditioning Company

Makoto Ishii
In charge of Information Systems and Logistics

Toru Nishida
Regional Head for Southeast Asia and Oceania
Managing Director, Panasonic Asia Pacific Pte. Ltd.
Managing Director, Panasonic Consumer Marketing Asia Pacific

Kazuhiko Murata
Vice President, Eco Solutions Company
Director, Marketing Division

Hiroyuki Aota
Vice President, Automotive & Industrial Systems Company
In charge of Factory Solutions Business
Director, Smart Factory Solutions Business Division
President, Panasonic Factory Solutions Co., Ltd.

Masashi Yamada
Vice President, Eco Solutions Company
Director, Housing Systems Business Division
In charge of AGE-FREE Business

Michiko Ogawa
In charge of Technics Brand
Managing Officer, Appliances Company
In charge of Marketing Division

Hirotoshi Uehara
Vice President, Automotive & Industrial Systems Company
Director, Automotive Infotainment Systems Business Division

Eiichi Katayama
In charge of Business Development
General Manager, Business Development Department, Corporate Strategy Division

Mitsuki Wada
In charge of Procurement
President, Global Procurement Company

Manish Sharma
President, Panasonic India Pvt. Ltd.

Kenji Tamura
Vice President, Automotive & Industrial Systems Company
In charge of Energy Business

Thomas Gebhardt
Vice President, Automotive & Industrial Systems Company
President, Panasonic Automotive Systems Company of America, Panasonic Corporation of North America

Akira Kono
Senior Vice President, Appliances Company
Director, Consumer Marketing Division (Japan)
Consumer Marketing Sector for Japan Region

Masashi Nagayasu
Vice President, Automotive & Industrial Systems Company
Director, Automotive Marketing & Sales Division
Risk Management

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

At Panasonic, risk management functions in parallel with the development and execution of management strategies. The Company believes that by combining these two functions, it is better positioned to accomplish its business objectives and to increase its corporate value. Furthermore, by disclosing appropriate information concerning risks to the public, improving the transparency of its management, and reducing risks through preemptive measures, the Company gives its customers and other stakeholders—as well as local communities and the public as a whole—greater confidence in its organization.

Organizational Structure
In April 2005, Panasonic established the Global & Group Risk Management Committee (G&G Risk Management Committee), which promotes risk management throughout the whole Panasonic Group. The Corporate Risk Management Executive Officer, who is nominated from among Group management, chairs the committee whose membership consists of divisional companies’ Chief Risk Officers (CROs) and managers from regional headquarters, the Corporate Strategy Head Office, and functional divisions. The Risk Management Promotion Office serves as the committee’s secretariat.

Each year, an assessment of the impact of risks that could affect the business management of divisional companies and affiliated business divisions is undertaken using a single, global set of standards incorporating the potential impact on business operations, probability of risk occurring, and other factors. Steps are then taken to identify major divisional company’s risks and to ensure that appropriate countermeasures are implemented. Taking into consideration these major divisional company’s risks, the G&G Risk Management Committee considers and identifies those major risks that require attention from a Group-wide perspective.

The G&G Risk Management Committee also monitors progress made concerning countermeasures as a means to improve and strengthen Group-wide risk management.

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

It is predicted that a major earthquake will probably occur in the relatively near future directly under the Tokyo metropolitan area or in the Nankai Trough. Responding to these predictions, Panasonic has established a cross-divisional company task force, which promotes disaster response capabilities based on the latest government damage predictions.
Compliance

Basic Policy
Under the “Panasonic Code of Conduct,” we at the Company have set down a clear set of rules for compliance with the law and corporate ethics. We strive to achieve thorough adherence to these rules, with the aim of promoting fair operating practices in all countries and regions of the world, and to realize a sustainable society.

Organizational Structure
To ensure the dissemination of compliance and fair business practices at the ground level throughout the world, we have legal departments, directors and executive officers in charge of ensuring adherence to the Code of Conduct, as well as managers in charge of export control and other persons responsible for supervising various other functions in our divisional companies, business divisions, and regional headquarters outside Japan. Each year, we designate September to be “Compliance Awareness Month,” marked by efforts to strengthen our awareness of the need to observe ethical and legal requirements. We conduct a “Compliance Awareness Survey” to check the degree of compliance awareness dissemination among our employees around the world. Once each year, we check the status of observance and practice of the “Panasonic Code of Conduct” in our business locations around the world.

In addition, to prevent improprieties and achieve quick resolutions, we have established hotlines for whistleblowers in our domestic and foreign business locations, and for our business partners.

In addition to initiatives aimed at correcting the issues that we have discovered through such efforts at the business division level, we also bring those issues together centrally and comprehensively at our Head Office and reflect them in groupwide policies with consideration to societal conditions and the like, and repeat this process in the pursuit of continuous improvement. We are currently promoting activities under the themes of abiding by antitrust laws and preventing bribery of government officials.

Major Theme-Based Initiatives

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

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

Preventing Bribery of Government Officials
In 2010, we established the Rules on Dealing with Government Officials for the purpose of preventing bribery of government officials or actions that may raise suspicions of such unlawful behavior. These rules stipulate that no employee may offer, give, pay for, promise to pay for or authorize the payment or the grant of any benefit to any government officials in connection with obtaining or retaining business. An approval process and specific standards were established such as for meals with government officials. These are intended to prevent the direct offering of benefit to government officials and also the indirect offering of benefit through consultants, distributors, lobbyists, or other business partners. Careful screening and designation of business partners must be conducted, and contracts must include provisions prohibiting bribery.

In cases of violations of these rules, swift steps must be taken to redress the situation, and strict measures must be taken against the violation. In addition, regarding expenses for social interactions or gifts, prior approval is required, and detailed reports must be filed. There is also a process for ensuring that no government officials are involved, in an effort to preclude corrupt acts.
**CSR Management**

**Basic Policy**

Our management philosophy forms the basic policy of our CSR management activities. In order to put our management philosophy into practice, we have established the Panasonic Code of Conduct which includes elements from the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises and other norms. In addition, Panasonic formulated its Sustainability Policy as a written record of its efforts to contribute to today’s society and to fulfill its social responsibility.

**Organizational Structure**

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

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

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

**Dialogs with Stakeholders**

Panasonic conducts dialogues with its wide range of stakeholders around the world—including customers, investors, suppliers, governments, industry bodies, NPOs, NGOs, local communities, and employees—on various aspects of its business. The Company incorporates the opinions it receives into its business activities and product creation.

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Social Responsibility

Human Resources Development and Promoting Diversity

Basic Policy
To deliver products and services that contribute to the lives of customers around the world, and to develop Panasonic’s business, it is essential for the Company to step up its efforts to develop human talent that can participate actively, and grow, in the global business environment. It is also essential that the Company create an organizational culture in which all individual employees can fully deploy their talents regardless of age, gender, or nationality. Thus, Panasonic regards the promotion of diversity as a crucial part of its business strategy, and hence provides a broad range of opportunities for anyone with ability and ambition, and actively strives to create a work-friendly environment.

In fiscal 2011, Panasonic compiled this thinking into a Global Diversity Policy. Since then, this policy has been implemented globally.

Organizational Structure
The departments responsible for these matters consist of the Human Resources & Industrial Relations Department at corporate head office plus the human resources departments in each of the four Divisional Companies and in all Business Divisions and affiliated companies under the Panasonic umbrella.

Currently, Engagement & Diversity Promotion Office is established in the Human Resources & Industrial Relations Department, endeavoring to create an organizational culture in which diversity thrives and supporting active participation by female employees. Panasonic has established the Human Resources Development Company (HRDC) as an organization that specializes in human-resources-related education and training for employees of all levels.

Major Theme-Based Initiatives
Equal Opportunities
The Company has implemented a “Role / Grade System” that determines compensation based on the work or role in which employees are currently engaged; there are no gender-based inequalities in this compensation system. However, particularly in Japan, Panasonic is aware that there is a need to employ greater numbers of women in upper management and decision-making positions; it is striving to ensure gender diversity.

In terms of senior management, a female director (current Board member Hiroko Ota) was appointed in fiscal 2014, and, in fiscal 2016, a female executive officer (current executive officer Michiko Ogawa) has been named. To accelerate female participation in management, Panasonic holds study groups for female employees and provides career-advancement seminars for women leaders, creating opportunities for women to encounter role models’ values and views on working, as well as further strengthening the management capabilities of superiors.

Global Human Resources Development
To better nurture leaders who can play a leading role in promoting business that goes beyond national and regional borders and who can serve as loci for cooperation, Panasonic has established regulations for inter-regional personnel transfers and strives to place its employees wherever in the world they can best display their abilities.

For example, Panasonic began full implementation of a program called “Working In Japan” in 2007, with the aim of accelerating the development of talent from overseas through the experience of working in Japan. As of this writing, a total of more than 800 employees have worked in Japan as a result of this program.
Aviation has always been my passion, especially inflight entertainment and communications. For the past 36 years, Panasonic Avionics has built a global talent pool, filled with diverse cultures and skill sets. It’s what has helped us be so successful in this highly competitive market.

For example, a significant amount of our design activities happen in the United States, particularly in California, while the majority of our manufacturing happens in Japan. We’ve also just opened a new manufacturing facility in Dubai, and we have maintenance stations at 59 locations around the world, with each facility using its own local talent.

Even our customers are unique. Each airline is in a different region with a different culture. Our approach in Avionics is to focus on their unique business model and their culture as we create customized solutions for their business.

As a global operation, diversity is absolutely key to our on-going success. Our challenge is to embrace these cultural differences and create an organization that’s flexible enough to accommodate its customers without sacrificing efficiency and good governance.

Prior to joining Panasonic India, I had built a career in the local consumer electronics subsidiaries of companies from South Korea and China, where I came into contact with diverse cultures. I became aware that more diverse companies are better able to secure talented human resources and enhance all the elements that lead to revenue growth, such as customer orientation, employee satisfaction and decision-making.

At Panasonic India, we make systematic efforts to uphold all aspects of diversity, such as culture, gender, age and race. We conduct campaigns to promote a diverse and vibrant corporate culture, which helps us to create a motivated and highly productive team.

I believe that Panasonic as a whole should not only secure human resources with various nationalities, but also focus more on building capabilities. Identifying the core competencies of each and every one of these talented people will enable the creation of a global workforce. This will enable us to leverage the benefits of being in a multicultural environment to the fullest extent.
Respect for Human Rights

Basic Policy
As a company doing business globally, Panasonic treats, as a fundamental principle behind its business activities, interactions with not just its employees but all stakeholders with the maximum degree of concern and respect for their human rights. Panasonic’s policies concerning human rights are expressly outlined in Panasonic Code of Conduct and Global Human Rights and Labor Policies.

These policies include items concerning such issues as working hours; wages; humane treatment; prohibition of discrimination; protection of privacy; concern for the human rights of foreign workers, trainees, and younger laborers; and the freedom of association plus labor-management dialogues, among others.

Panasonic supports the fundamental principles of the United Nations Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. The major parts of these principles are embodied in the Panasonic Code of Conduct. Panasonic is also taking an active approach to reflecting ideas concerning global human rights in its management, including by making reference to the UN Guiding Principles on Business and Human Rights, which were adopted by the UN Human Rights Council in June 2011.

In fiscal 2015, Panasonic complemented the Code of Conduct by setting a “Global Human Rights and Labor Policies” and by implementing a management system for abiding by that policy. The management system consists of self-assessment checklists for properly evaluating risks involving, and the impact on, human rights and for identifying risks, a manual outlining the procedures for correcting the risks that have been identified and for carrying out continuous improvement, and other components.

Organizational Structure
The departments responsible consist of the Human Resources & Industrial Relations Department established at the corporate head office, the human resources departments established at each of the four Divisional Companies, and all Business Divisions and affiliated companies under the Panasonic umbrella.

Panasonic has established an Equal Employment Opportunity Office at its head office and appointed full-time consultants to staff it. In addition, a consultation desk was established at each Divisional Company and Business Division in an effort to provide a place for employees to go to discuss their concerns about sexual harassment, harassment based on power differentials, topics related to the rights of members of sexual minorities (LGBT*), and a wide range of other topics relating to human rights.

Major Theme-Based Initiatives
Initiatives for the Prevention of Slavery and Human Trafficking
Modern slavery can occur in various forms including servitude, forced or compulsory labour and human trafficking, all of which include the deprivation of a person’s (an adult or a child’s) liberty by another. Panasonic is committed to a work environment that is free from Modern Slavery in accordance with the laws and regulations of the respective countries in which we operate.

We operate a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure Modern Slavery is not taking place anywhere in our own business or in any of our supply chains. We will not knowingly use Modern Slavery in any of our utilities, and/or other commodities, products and/or services supplied, nor will we accept commodities, products and/or services from suppliers that we believe to utilise Modern Slavery.

We have begun to circulate a CSR check questionnaire to our suppliers to ensure compliance with our CSR core values and policies on Anti-Slavery and Human Trafficking. We will continue to circulate this questionnaire and ensure compliance. Once our suppliers have responded we will evaluate their compliance with Anti-Modern Slavery laws and our CSR policies and assess how we can achieve continuous improvement in the coming years.
Raising Quality Levels and Ensuring Product Safety

Basic Policy
Panasonic’s Groupwide Quality Policy states that the Company will “truly serve customers by way of providing products and services that continuously meet and satisfy the needs of customers and society.”

The Company has also established a basic policy regarding an autonomous code of conduct for product safety. The Panasonic Code of Conduct also states that the Company will strive to ensure the safety of its products. Using these working groups, the Company has firmly entrenched the safety technologies that it developed in response to the 2005 FF-type kerosene heater accidents and the product safety standards that it devised, making the use of these technologies and standards even more consistent.

Suppliers Management

Basic Policy
Panasonic’s fundamental stance toward procurement is summarized in its Procurement Policy. Covering three broad endeavors, the Policy focuses on “Global Procurement Activities,” “CSR Procurement” and “Procurement Activities in Concert with Suppliers.”

The fundamental basis of this policy is the concept that, based on relationships of mutual trust, and through diligent study and cooperation, our suppliers are invaluable partners in creating the value our customers demand.

Organizational Structure
The department responsible is the Global Procurement Company. Each of our Divisional Companies and their Business Divisions and other affiliated companies has its own procurement department.
Environmental Governance

Basic Policy
Striving for the creation of a sustainable society, we are following our initiative under the executive officer in charge of environmental affairs and working to fulfill our corporate social responsibility through eco-conscious business activities as well as to resolve environmental issues such as climate change, resources, water, etc.

Organizational Structure
Panasonic formulates its annual environmental management policy in accordance with the Group business policy, Environmental Action Guideline, and the environmental action plan, “Green Plan 2018.” The annual environmental policy is shared across the entire organization through the Operation Policy Meeting led by the executive officer in charge of environmental affairs, who has the authority delegated from the president. Divisional Companies, Business Divisions, and Regional Headquarters outside Japan establish their own environmental policies and targets based on this Group policy, and plan and promote their activities accordingly.

The progress and results of activities for the key environmental targets we pledged achieving to society under the Green Plan 2018 are examined in the Group Strategy Meeting. This meeting is attended by the presidents of Panasonic Corporation and the four Divisional Companies as well as other members of senior management, for reviews of policy directions, issues, and, particularly important measures to be adopted. From fiscal 2017, the Environmental Compliance Administrators Meeting (to be held twice a year) attended by the executive officer in charge of environmental affairs and environmental compliance administrators at the four Divisional Companies was newly established to accelerate decision-making for corporate-wide action in the area of the environment. In addition, as has been the way until now, successful practices, challenges in implementation, and approaches to mid-term to long-term targets at Divisional Companies and various regions are shared and discussed at the Global Environmental Working Committee Meeting, held twice a year, which consists of environmental compliance administrators at Companies and Regional Headquarters, seeking to enhance the level of corporate-wide environmental sustainability management through the PDCA management cycle.

Environmental Responsibility

Promotion System of Environmental Sustainability Management in Fiscal 2017

- Board of Directors Meeting
- President
- Corporate Strategy Head Office
- Professional Business Support Sector
- Risk & Governance Management Division
- Technology & Design Sector
- Production Engineering Division
- Environmental Compliance Administrators Meeting
- Global Environmental Working Committee Meeting
- Product Environmental Law Working Group
- Manufacturing Environmental Information Sharing Group
- Housing Appliance Recycling Committee
- Panasonic ECO RELAY Corporate Promotion Committee

<table>
<thead>
<tr>
<th>Initiatives to address environmental challenges</th>
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<tr>
<td>Reducing CO2 emissions</td>
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<tr>
<td>Chemical substances</td>
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<table>
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<tr>
<th>Initiatives based on collaboration with stakeholders</th>
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<tr>
<td>Customers</td>
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</table>
Panasonic has introduced a unique indicator “size of contribution in reducing CO2 emissions” to accelerate emissions reduction, targeting both our products (for energy saving and energy creation) and production activities. The size of contribution in reducing CO2 emissions is defined as the amount achieved by deducting the actual emissions from the amount that would have been emitted without the improvements by the energy-saving performance of our products and productivity from fiscal 2006, and this amount is combined with the emission reduction resulting from production activities. In other words, it reflects the continuous efforts being made to reduce CO2 emissions.

Panasonic will continue to maximize the size of contribution in reducing CO2 emissions.

As a responsibility of a manufacturer that uses a large volume of resources, Panasonic has been propelling Recycling-oriented Manufacturing under the theme of recycling resources since 2010, placing it as an important issue along with CO2 emissions reduction. Recycling-oriented Manufacturing has three aspects under this concept, which are to minimize the amount of total resources used and maximize the amount of recycled resources, aim towards zero waste emissions by reducing our final disposal of waste from production activities, and recycle used products.

We have been working on the weight reduction and downsizing of products to minimize the total resources used, and are continuing to increase resource collection through introduction of new recycling technologies and systems to expand the usage of recycled resources.

Furthermore, by reducing the amount of factory waste and thoroughly recycling resources from waste, we are working to eliminate the amount of waste treated in landfills to as close to zero.

By collecting and reusing wastewater from our manufacturing processes and air conditioning systems, we reduce the amount of water use and wastewater effluent. This reduces the impact of the intake and effluent of water in production activities on water resources.

With many regions around the world threatened by water shortages, we focus on certain regions to address our use of water in our activities.

### CO2 Reduction

**Size of Contribution in Reducing CO2 Emissions**

Panasonic has introduced a unique indicator “size of contribution in reducing CO2 emissions” to accelerate emissions reduction, targeting both our products (for energy saving and energy creation) and production activities. The size of contribution in reducing CO2 emissions is defined as the amount achieved by deducting the actual emissions from the amount that would have been emitted without the improvements by the energy-saving performance of our products and productivity from fiscal 2006, and this amount is combined with the emission reduction resulting from production activities. In other words, it reflects the continuous efforts being made to reduce CO2 emissions.

Panasonic will continue to maximize the size of contribution in reducing CO2 emissions.

### Resources Recycling

**Recycling-oriented Manufacturing**

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With many regions around the world threatened by water shortages, we focus on certain regions to address our use of water in our activities.

### Water Resource Conservation

**Initiatives for Water Resource Conservation through Production Activities**

By collecting and reusing wastewater from our manufacturing processes and air conditioning systems, we reduce the amount of water use and wastewater effluent. This reduces the impact of the intake and effluent of water in production activities on water resources.

With many regions around the world threatened by water shortages, we focus on certain regions to address our use of water in our activities.
Green Products (GPs)

Basic Policy
We define our products and services that accelerate the transition to a sustainable society, such as energy-saving performances, as Strategic GPs. Of these, we call the products that deliver the industry’s top-class environmental performance “Super GPs,” and are actively working for business expansion. By promoting wider use, we aim to contribute to further reduction of CO₂ emissions.

Expanding the Scope of Strategic GPs
Panasonic has been devoting much of its energies into the creation of No. 1 eco-conscious products (Superior GPs) until fiscal 2013. In the course of business reorganizations such as expansion of B2B businesses, Panasonic has decided not only to pursue environmental performance of consumer products but also to work on further expansion of products and services that lead to the mitigation of environmental impact. Starting in fiscal 2014, the concept of Strategic GPs has been introduced for the creation of such products and services. In addition to alleviating impact on the global environment with top-level environmental performance, we aim to accelerate the drive to shift to a sustainable society through a variety of business operations, including those that are expected to reduce impacts through wider dissemination and those directly cutting impact in specified regions.

The ratio of Strategic GPs rose from approx. 19% in fiscal 2015 to 21% in fiscal 2016. We will work to further push up this ratio in the future.

Definition of Strategic GPs
Products and services that accelerate the transition to a sustainable society:
1. Products and services that reduce environmental impact with top-level environmental performance in the industry
2. Products and services whose promotion and dissemination lead to reducing environmental impact
3. Products and services that reduce environmental impact on a specific region, or support measures to address environmental impact

Our Products and Businesses Helping Solve Social Issues
Super GPs for fiscal 2016

High-Reliability, Pb 0% ADDED Zinc Carbon Battery
Zinc carbon batteries that are in wide use in developing and emerging countries commonly require the addition of lead to assure quality. However, because lead is a material with a high environmental impact, recycling is very difficult. For this reason, Panasonic developed a technology that assures the quality and reliability of zinc carbon battery that does not contain lead, and has made a head start in introducing the technology on a global scale. It is an eco-conscious product that responds to increasingly stricter environmental regulations as well as demands of eco-conscious consumers in countries around the world.

LED High-Ceiling Lighting/LED Flood Light Projector
The LED high-ceiling lighting and LED flood light projector are an expansion of Panasonic’s product lineup in this area, which had centered on products integrating the light source and its fixture, notwithstanding the dramatic improvement in energy conservation compared to products using an HID light source. The products chosen as Super GPs for fiscal 2016 are modular in design to create a wider variation in fixture style, light distribution and brightness. They can also easily replace existing lighting systems and contribute to wider LED use for high ceiling lighting and flood light projector systems.
Fiscal 2016 Results

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## Major Financial Indicators

Panasonic Corporation and Subsidiaries  
Years ended March 31

### For the year (Millions of yen)

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<tbody>
<tr>
<td>Net sales</td>
<td>7,846,216</td>
<td>7,303,045</td>
<td>7,736,541</td>
<td>7,715,037</td>
<td>7,553,717</td>
</tr>
<tr>
<td>Operating profit</td>
<td>43,725</td>
<td>160,936</td>
<td>305,114</td>
<td>381,913</td>
<td>415,709</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>(812,844)</td>
<td>(398,386)</td>
<td>206,225</td>
<td>182,456</td>
<td>217,048</td>
</tr>
<tr>
<td>Net income (loss) attributable to Panasonic Corporation</td>
<td>(772,172)</td>
<td>(754,250)</td>
<td>120,442</td>
<td>179,485</td>
<td>193,256</td>
</tr>
<tr>
<td>Operating profit</td>
<td>333,695</td>
<td>310,866</td>
<td>217,033</td>
<td>226,680</td>
<td>248,794</td>
</tr>
<tr>
<td>Depreciation*</td>
<td>295,808</td>
<td>277,582</td>
<td>278,792</td>
<td>242,149</td>
<td>235,033</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>520,217</td>
<td>502,223</td>
<td>478,817</td>
<td>457,250</td>
<td>449,828</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(339,893)</td>
<td>355,156</td>
<td>594,078</td>
<td>353,455</td>
<td>124,406</td>
</tr>
</tbody>
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*Excluding intangibles

### At year-end (Millions of yen)

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<tbody>
<tr>
<td>Interest-bearing debt</td>
<td>1,575,615</td>
<td>1,143,395</td>
<td>642,112</td>
<td>972,916</td>
<td>725,919</td>
</tr>
<tr>
<td>Net cash</td>
<td>(961,988)</td>
<td>(643,329)</td>
<td>(47,601)</td>
<td>331,511</td>
<td>293,771</td>
</tr>
<tr>
<td>Total assets</td>
<td>6,601,055</td>
<td>5,397,812</td>
<td>5,212,994</td>
<td>5,956,947</td>
<td>5,596,982</td>
</tr>
<tr>
<td>Panasonic Corporation shareholders’ equity</td>
<td>1,929,786</td>
<td>1,264,032</td>
<td>1,548,152</td>
<td>1,823,293</td>
<td>1,705,056</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,977,566</td>
<td>1,304,273</td>
<td>1,586,438</td>
<td>1,992,552</td>
<td>1,854,314</td>
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### Per share data (Yen)

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<tbody>
<tr>
<td>Net income (loss) attributable to Panasonic Corporation per common share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>(333.96)</td>
<td>(326.28)</td>
<td>52.10</td>
<td>77.65</td>
<td>83.40</td>
</tr>
<tr>
<td>Diluted</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>77.64</td>
<td>83.39</td>
</tr>
<tr>
<td>Dividends declared per share</td>
<td>10.00</td>
<td>0</td>
<td>13.00</td>
<td>18.00</td>
<td>25.00</td>
</tr>
<tr>
<td>Panasonic Corporation shareholders’ equity per share</td>
<td>834.79</td>
<td>546.81</td>
<td>669.74</td>
<td>788.87</td>
<td>734.62</td>
</tr>
</tbody>
</table>

**Notes:**
1. The Company's financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP).
2. 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.
3. 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. See the Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Loss) on page 70.
4. "Depreciation (tangible assets)" and "Capital investment" for fiscal 2012 are changed. Accordingly, the amounts of "Depreciation (tangible assets)" and "Capital investment" for fiscal 2012 are changed.
5. 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.
6. Payout ratios have not been presented for those fiscal years in which the Company incurred a net loss attributable to Panasonic Corporation.
7. Operating profit/sales (%) = Operating profit / Net sales
8. Income (loss) before income taxes/sales (%) = Income (loss) before income taxes / Net sales
9. ROE (%) = Net income (loss) attributable to Panasonic Corporation / Average Panasonic Corporation shareholders’ equity
10. ROE (%) = Net income (loss) attributable to Panasonic Corporation / Average Panasonic Corporation shareholders’ equity
11. Payout ratio (%) = Dividends declared per share / Basic net income attributable to Panasonic Corporation common shareholders per share
Key points of operating results for fiscal 2016:

(1) Sales decreased due to downsizing businesses such as TV and slow demand in solar panel and ICT-related businesses. Profit increased due to improving profit structure.

(2) In particular, appliance and Vertical Solution business contributed to company-wide profit expansion.

Business Overview

During the year ended March 31, 2016 (fiscal 2016) under review, the global economy continued to recover mildly overall, while the economic environment changes have been seen, such as changes in the monetary policies in several countries, the fall in resource prices, and geopolitical instability. While the economy has been slowed down in China and some resource-rich countries, the economy in the U.S. and Europe continued to show a slow recovery supported by their internal demands. In Japan, while the recovery in consumption was weak, the employment situation continued to improve.

The Company achieved its Cross-Value Innovation 2015 (the mid-term management plan from fiscal 2014 to 2016) financial targets one year ahead of schedule in fiscal 2015 with operating profit of 350.0 billion yen or more, operating profit to sales ratio of 5% or more and cumulative free cash flow of 600.0 billion yen or more. Panasonic set its fiscal 2016 as a year of transition to sustainable growth by shifting to generating profit from sales expansion. In particular, the Company has focused on large-scale six Business Divisions (BDs) with Air-Conditioner, Lighting, Housing Systems, Automotive Infotainment Systems, Rechargeable Battery and PanaHome, to prepare and take steps to improve net sales and operating profit and to structure and execute strategic investments.

The Company, however, was unable to respond properly to business environment changes such as slow down of Chinese economy, and as a result, large-scale six BDs failed to lead corporate-wide growth. The Company was unable to increase profit through sales expansion as originally planned.

Net Sales

Consolidated group sales for fiscal 2016 decreased by 2% to 7,553.7 billion yen from fiscal 2015 (a year ago). While sales in appliances were stable in Japan, overall sales decreased year on year due mainly to the downsizing of the TV business to focus on profitability and slow demand in solar panel and ICT related businesses.
Operating Profit
Operating profit increased by 9% to 415.7 billion yen from a year ago. Panasonic secured a profit increase year on year mainly by improving profit structure, particularly in the appliance and Vertical Solution businesses, offsetting the negative impact from exchange rate movement mainly in the second half of fiscal 2016 as well as sales decrease.

Operating Profit Analysis
(Billions of yen)

<table>
<thead>
<tr>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales increase/decrease</td>
<td>381.9</td>
</tr>
<tr>
<td>Exchange rate effect</td>
<td>-47.0</td>
</tr>
<tr>
<td>Fixed cost reduction</td>
<td>+23.3</td>
</tr>
<tr>
<td>Streamlining/price decline/business structure change</td>
<td>+58.0</td>
</tr>
<tr>
<td>Business withdrawal/scale-down</td>
<td>+14.5</td>
</tr>
<tr>
<td>FY2016</td>
<td>415.7</td>
</tr>
</tbody>
</table>

Other Income (Deductions) and Net Income attributable to Panasonic Corporation
In Other income (deductions), the Company recorded business restructuring expenses of 65.8 billion yen including impairment losses, and some legal cost. Accordingly, Income before income taxes was 217.0 billion yen, increased by 19% from a year ago.

Net income attributable to Panasonic Corporation increased by 8% to 193.3 billion yen from a year ago due mainly to decreased provision for income taxes. Deferred tax asset of 132.8 billion yen was recorded to Panasonic Corporation (parent-alone) on a consolidated basis, since profitability improved this year and stability of profit improved by introducing the consolidated tax system in Japan.

Overview by Geographic Region
By geographic region excluding the effects of exchange rates, overall sales in Japan declined due to sluggish business in solar panels and devices for ICT applications, while sales in the appliance business were favorable.

In the Americas, sales decreased due to the downsizing of the TV business and sluggish sales in notebook PCs, although automotive and Vertical Solutions businesses were favorable.

In Europe, sales increased due to steady results in the air-conditioner business, while the TV business was slow.

In Asia, sales decreased due to the sluggish device business offsetting favorable results in the appliance business.

In China, sales hugely declined due to the slow air-conditioner business and weak device business.

Sales by Region
(Billions of yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Yen basis vs. FY2015</th>
<th>Local currency basis vs. FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>3,692.0</td>
<td>3,601.8</td>
<td>-2%</td>
<td>-2%</td>
</tr>
<tr>
<td>Overseas</td>
<td>4,023.0</td>
<td>3,951.9</td>
<td>-2%</td>
<td>-5%</td>
</tr>
<tr>
<td>Americas</td>
<td>1,218.0</td>
<td>1,241.4</td>
<td>+2%</td>
<td>-4%</td>
</tr>
<tr>
<td>Europe</td>
<td>729.4</td>
<td>701.9</td>
<td>-4%</td>
<td>+1%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,040.8</td>
<td>1,046.0</td>
<td>+1%</td>
<td>-1%</td>
</tr>
<tr>
<td>China</td>
<td>1,034.8</td>
<td>962.6</td>
<td>-7%</td>
<td>-13%</td>
</tr>
<tr>
<td>Total</td>
<td>7,715.0</td>
<td>7,553.7</td>
<td>-2%</td>
<td>-4%</td>
</tr>
</tbody>
</table>
Sales in the Appliances segment decreased by 3% to 2,269.4 billion yen from a year ago due mainly to sales decrease in TV business as a result of downsizing marketing activities and major strategy changes, while sales in appliances were favorable in Japan in fiscal 2016.

Looking at the main Business Divisions (BDs) of this segment, in the Air-Conditioner Company, sales were at the same level as a year ago, as a deterioration in market conditions in China was offset by brisk sales in Japan for home air-conditioners and commercial air-conditioners, as well as sales growth mainly in the Asia-Oceanian market.

In the Laundry Systems and Vacuum Cleaner BD, sales increased owing to robust sales of washing machines and vacuum cleaners in the domestic and Asian markets.

In the TV BD, sales declined, mainly reflecting a major change in business strategy, such as the withdrawal from in-house production in China and the transfer of the TV business unit of SANYO Electric Co., Ltd. to a Chinese manufacturer, and the deterioration of business conditions in Latin America.

In the Kitchen Appliances BD, sales were at the same level as a year ago, sales of high value-added products such as rice cookers and microwave ovens were strong in the Japanese market, as were sales of commercial-use equipment and Japanese products in overseas markets respectively.

Segment profit increased by 22.4 billion yen to 72.2 billion yen from a year ago due mainly to profit improvement in TVs and sales increase in appliances, offsetting the negative impact of exchange rate movement such as yen depreciation.

Sales in the Eco Solutions segment decreased by 3% to 1,610.8 billion yen from a year ago due mainly to sales decrease in residential solar photovoltaic systems in Japan.

Looking at the main BDs of this segment, in the Lighting BD, sales increased, reflecting sales growth in LED lighting fixtures in Japan, mainly for the non-residential market, and sales growth in LED lighting fixtures and lamps for the Asian market.

In the Energy Systems BD, despite growth in the domestic mainstay business of wiring devices, and so forth, and growth in sales overseas, sales declined as the growth was unable to absorb a decline in sales of residential solar photovoltaic systems in Japan.

In the Housing Systems BD, despite strong sales of medium- to high-priced products such as sanitary products, including tankless toilets, amid the gradual recovery of Japanese housing market, sales declined due to lower sales of popularly priced products and interior furnishing materials.

At Panasonic Ecology Systems Co., Ltd., sales were at the same level as a year ago, reflecting growth in sales of ventilation equipment in North America, which was offset by a decline in sales of air purifiers in Japan and China, and delays in new project starts and deliveries in the engineering business.

Segment profit decreased by 16.9 billion yen to 78.4 billion yen from a year ago due to sales decrease in residential solar photovoltaic systems, although the Company strengthened its business structure with streamlining of material-related process and business restructuring.
Sales in the AVC Networks segment increased by 1% to 1,169.8 billion yen from a year ago. In fiscal 2016, sales decrease from last year’s business restructuring was offset by sales increase in Vertical Solution Business and Visual and Imaging Business and positive impact from yen depreciation.

Looking at the main businesses of this segment, the Vertical Solution Business, including the Avionics BD, saw sales increase, mainly reflecting growth in sales of aircraft in-flight entertainment systems supported by strong demand for aircraft, along with the positive impact from the yen depreciation.

In the Visual and Imaging Business, despite a decrease in digital camera sales due to a contraction in the market for popularly-priced products such as compact cameras, sales increased as the decline was offset by growth in sales of high value-added products among digital cameras, such as mirrorless cameras, while high brightness projector models performed strongly, and sales growth in the Integrated Security Business outpaced market growth in Japan and in North America.

In the Mobility Business, sales declined due to the significant impact of a decline in the sales volume of rugged PCs in the mainstay markets of North America.

In the Communication Business, sales declined mainly reflecting a decline in sales associated with the worldwide contraction in the market for fixed-phones and a decline in sales of private branch exchanges (PBXs) due to a contraction in the market for conventional analogue PBXs and the impact of a deterioration in the foreign exchange rates in emerging countries.

Segment profit increased by 22.9 billion yen to 74.7 billion yen from a year ago, due to sales increase in the Vertical Solution Business and restructuring benefit from the previous years.

Sales in the Automotive & Industrial Systems segment decreased by 3% to 2,708.6 billion yen from a year ago.

Amid efforts to shift the focus to the automotive and industrial fields during the fiscal year under review, robust automobile sales in North America helped drive sales to car and auto parts manufacturers. However, impacted by the decrease in demand from ICT-related businesses, overall revenue declined.

Looking at the main businesses of this segment, in the Automotive Business, despite the impact of a slump in vehicle sales in Japan, sales increased supported by a favorable market in North America supporting sales growth in networked display-audio systems, automotive camera modules and switches, etc.

In the Energy Business, despite strong growth in sales of dry batteries, micro batteries, and others, and a continuing shift in lithium-ion batteries to industrial-sector applications such as automotive batteries and energy storage, sales declined due to the strong impact of a decline in demand for ICT, such as notebook PCs.

In the Industrial Business, despite strong growth in sales of automotive devices such as car relays, sales declined due to the withdrawal from the circuit board business, etc. in the previous year, the contraction of the optical disk drives business, and the decline in demand for ICT.

In the Factory Solutions Business, despite growth in sales of mounting equipment for auto parts manufacturers and industrial motors, sales were at the same level as a year ago due to the impact of the economic slowdown in China.

Segment profit decreased by 13.7 billion yen to 102.7 billion yen from a year ago due mainly to sales decrease in the Energy and Industrial Businesses and upfront investment towards future growth mainly for automotive and storage battery businesses.
Other Sales in the Other segment decreased by 13% to 661.4 billion yen from a year ago. In fiscal 2016, while sales in PanaHome Corporation increased due to favorable sales in high value-added products such as Zero-Eco products that outperform conventional products, urban residential properties such as multistory houses, and rental apartment housing, and promotion of remodeling business for previously-built PanaHome residences, conventional wooden houses, and condominiums, overall sales decreased due mainly to business transfers.

Segment profit increased by 1.5 billion yen to 16.1 billion yen from a year ago due mainly to profit improvement in PanaHome Corporation following streamlining of material and construction costs.

Sales (Years ended March 31) (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>764.5</td>
</tr>
<tr>
<td>2016</td>
<td>661.4</td>
</tr>
</tbody>
</table>

Segment profit (Years ended March 31) (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>14.6</td>
</tr>
<tr>
<td>2016</td>
<td>16.1</td>
</tr>
</tbody>
</table>

Net cash used in financing activities amounted to 308.0 billion yen, compared with an inflow of 257.6 billion yen a year ago due mainly to redemption of 240.0 billion yen straight bonds as total this year, while issuing 400.0 billion yen straight bonds as total a year ago.

Taking exchange rate movement into consideration, cash and cash equivalents totaled 1,014.3 billion yen as of March 31, 2016, decreased by 266.1 billion yen compared with the end of the fiscal 2015.

Assets, Liabilities and Equity

The Company’s consolidated total assets as of March 31, 2016 decreased by 360.0 billion yen to 5,597.0 billion yen from March 31, 2015 due mainly to decrease in cash and cash equivalents by redemption of straight bonds and decrease in account receivables in addition to yen appreciation, while deferred tax assets were recorded.

The Company’s consolidated total liabilities as of March 31, 2016 decreased by 221.7 billion yen to 3,742.7 billion yen from March 31, 2015 due mainly to redemption of straight bonds, while retirement and severance benefit increased due to its discount rate decrease.

Panasonic Corporation shareholders’ equity decreased by 118.2 billion yen, compared with March 31, 2015, to 1,705.1 billion yen due mainly to a significant decrease in accumulated other comprehensive income by worsening the cumulative translation adjustments due to yen appreciation and worsening pension liability adjustments due to its discount rate decrease, while net income attributable to Panasonic Corporation was recorded.

Adding noncontrolling interests to Panasonic Corporation shareholders’ equity, total equity was 1,854.3 billion yen.

Cash and cash equivalents (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash and cash equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,280.4</td>
</tr>
<tr>
<td>2016</td>
<td>1,014.3</td>
</tr>
</tbody>
</table>

Total assets (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5,956.9</td>
</tr>
<tr>
<td>2016</td>
<td>5,597.0</td>
</tr>
</tbody>
</table>

Liabilities (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3,964.4</td>
</tr>
<tr>
<td>2016</td>
<td>3,742.7</td>
</tr>
</tbody>
</table>

Panasonic Corporation shareholders’ equity (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Panasonic Corporation shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,823.3</td>
</tr>
<tr>
<td>2016</td>
<td>1,705.1</td>
</tr>
</tbody>
</table>

* As of March 31
## Consolidated Financial Statements

### Consolidated Balance Sheets  
March 31, 2015 and 2016

<table>
<thead>
<tr>
<th>Assets</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,280,408</td>
<td>1,014,264</td>
</tr>
<tr>
<td>Time deposits</td>
<td>18,470</td>
<td>146</td>
</tr>
<tr>
<td><strong>Trade receivables:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related companies</td>
<td>14,673</td>
<td>16,345</td>
</tr>
<tr>
<td>Notes</td>
<td>78,916</td>
<td>54,348</td>
</tr>
<tr>
<td>Accounts</td>
<td>923,452</td>
<td>775,055</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(24,947)</td>
<td>(22,196)</td>
</tr>
<tr>
<td>Net trade receivables</td>
<td>992,094</td>
<td>823,552</td>
</tr>
<tr>
<td>Inventories</td>
<td>762,670</td>
<td>756,448</td>
</tr>
<tr>
<td>Other current assets</td>
<td>359,098</td>
<td>499,949</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>3,412,740</td>
<td>3,054,359</td>
</tr>
<tr>
<td><strong>Investments and advances:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associated companies</td>
<td>175,824</td>
<td>198,525</td>
</tr>
<tr>
<td>Other investments and advances</td>
<td>137,845</td>
<td>145,974</td>
</tr>
<tr>
<td><strong>Total investments and advances</strong></td>
<td>313,669</td>
<td>344,499</td>
</tr>
<tr>
<td><strong>Property, plant and equipment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>268,658</td>
<td>252,661</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,422,561</td>
<td>1,396,046</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2,776,617</td>
<td>2,659,483</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>54,358</td>
<td>74,360</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>4,522,194</td>
<td>4,382,550</td>
</tr>
<tr>
<td><strong>Net property, plant and equipment</strong></td>
<td>3,147,363</td>
<td>3,081,375</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>5,955,947</td>
<td>5,596,982</td>
</tr>
</tbody>
</table>

### Liabilities and Equity

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Equity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Short-term debt, including current portion of long-term debt</td>
<td>2,453,053</td>
</tr>
<tr>
<td>Trade payables:</td>
<td></td>
</tr>
<tr>
<td>Related companies</td>
<td>55,500</td>
</tr>
<tr>
<td>Notes</td>
<td>236,958</td>
</tr>
<tr>
<td>Accounts</td>
<td>690,847</td>
</tr>
<tr>
<td><strong>Total trade payables</strong></td>
<td>983,305</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>30,733</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>206,696</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>887,585</td>
</tr>
<tr>
<td>Deposits and advances from customers</td>
<td>79,277</td>
</tr>
<tr>
<td>Employees' deposits</td>
<td>584</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>2,732,800</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>712,385</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>332,661</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>186,549</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>1,231,595</td>
</tr>
<tr>
<td><strong>Equity:</strong></td>
<td></td>
</tr>
<tr>
<td>Panasonic Corporation shareholders' equity:</td>
<td></td>
</tr>
<tr>
<td>Common stock:</td>
<td></td>
</tr>
<tr>
<td>Authorized—4,950,000,000 shares</td>
<td></td>
</tr>
<tr>
<td>Issued</td>
<td>2,453,053,497 shares</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>984,111</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,201,241</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss):</td>
<td></td>
</tr>
<tr>
<td>Cumulative translation adjustments</td>
<td>11,858</td>
</tr>
<tr>
<td>Unrealized holding gains of available-for-sale securities</td>
<td>14,285</td>
</tr>
<tr>
<td>Unrealized gains of derivative instruments</td>
<td>3,135</td>
</tr>
<tr>
<td>Pension liability adjustments</td>
<td>(222,529)</td>
</tr>
<tr>
<td><strong>Total accumulated other comprehensive loss</strong></td>
<td>(193,251)</td>
</tr>
<tr>
<td>Treasury stock, at cost:</td>
<td></td>
</tr>
<tr>
<td>122,057,190 shares as of March 31, 2016 and 141,789,018 shares as of March 31, 2015</td>
<td></td>
</tr>
<tr>
<td><strong>Total Panasonic Corporation shareholders’ equity</strong></td>
<td>1,823,296</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>169,259</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,992,552</td>
</tr>
<tr>
<td>Commitments and contingent liabilities</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>5,956,947</td>
</tr>
</tbody>
</table>
### Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Loss)

#### Years ended March 31, 2015 and 2016

#### Consolidated Statements of Income

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related companies</td>
<td>150,832</td>
<td>134,122</td>
</tr>
<tr>
<td>Other</td>
<td>7,564,025</td>
<td>7,419,595</td>
</tr>
<tr>
<td><strong>Total net sales</strong></td>
<td>7,715,057</td>
<td>7,553,717</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(5,527,213)</td>
<td>(5,339,999)</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(1,805,911)</td>
<td>(1,798,009)</td>
</tr>
<tr>
<td>Interest income</td>
<td>14,975</td>
<td>18,937</td>
</tr>
<tr>
<td>Dividends received</td>
<td>1,466</td>
<td>1,574</td>
</tr>
<tr>
<td>Other income</td>
<td>95,784</td>
<td>19,704</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(17,566)</td>
<td>(17,007)</td>
</tr>
<tr>
<td>Impairment losses of long-lived assets</td>
<td>(40,032)</td>
<td>(36,690)</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(16,001)</td>
<td>(11,999)</td>
</tr>
<tr>
<td>Other deductions</td>
<td>(238,083)</td>
<td>(173,180)</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>182,456</td>
<td>217,048</td>
</tr>
</tbody>
</table>

#### Provision for income taxes:

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>106,107</td>
<td>115,465</td>
</tr>
<tr>
<td>Deferred</td>
<td>(106,088)</td>
<td>(100,928)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>196,366</td>
<td>215,066</td>
</tr>
</tbody>
</table>

#### Less net income attributable to noncontrolling interests

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income attributable to Panasonic Corporation</strong></td>
<td>196,366</td>
<td>215,066</td>
</tr>
</tbody>
</table>

#### Consolidated Statements of Comprehensive Income (Loss)

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>196,366</td>
<td>215,066</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation adjustments</td>
<td>193,690</td>
<td>(163,824)</td>
</tr>
<tr>
<td>Unrealized holding gains</td>
<td>8,351</td>
<td>5,781</td>
</tr>
<tr>
<td>Unrealized gains (losses) of derivative instruments</td>
<td>3,445</td>
<td>(1,545)</td>
</tr>
<tr>
<td>Pension liability adjustments</td>
<td>68,027</td>
<td>(132,036)</td>
</tr>
<tr>
<td><strong>Comprehensive income (loss)</strong></td>
<td>273,513</td>
<td>(298,624)</td>
</tr>
</tbody>
</table>
| Less comprehensive income attributable to noncontrolling interests
| **Comprehensive income (loss) attributable to Panasonic Corporation** | 437,933     | (81,821)    |
## Consolidated Statements of Equity

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common stock:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>258,740</td>
<td>258,740</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>258,740</td>
<td>258,740</td>
</tr>
<tr>
<td><strong>Capital surplus:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>1,109,501</td>
<td>984,111</td>
</tr>
<tr>
<td>Equity transactions with noncontrolling interests and others</td>
<td>(125,390)</td>
<td>(4,216)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>984,111</td>
<td>979,895</td>
</tr>
<tr>
<td><strong>Retained earnings:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>878,742</td>
<td>1,021,241</td>
</tr>
<tr>
<td>Sale of treasury stock</td>
<td>(1)</td>
<td>(2,893)</td>
</tr>
<tr>
<td>Cash dividends to Panasonic Corporation stockholders</td>
<td>(36,985)</td>
<td>(46,322)</td>
</tr>
<tr>
<td>Net income attributable to Panasonic Corporation</td>
<td>179,485</td>
<td>193,256</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>1,021,241</td>
<td>1,165,282</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive income (loss):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>(451,699)</td>
<td>(193,251)</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax</td>
<td>258,448</td>
<td>(275,077)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>(193,251)</td>
<td>(468,328)</td>
</tr>
</tbody>
</table>

### Treasury stock:
- Sale of treasury stock: 10 2015, 17,130 2016
- Repurchase of common stock: (426) 2015, (115) 2016

### Noncontrolling interests:
- Cash dividends paid to noncontrolling interests: (22,244) 2015, (18,077) 2016
- Net income (loss) attributable to noncontrolling interests: 16,881 2015, 21,810 2016
- Other comprehensive income (loss), net of tax: 15,065 2015, (16,547) 2016
- Equity transactions with noncontrolling interests and others: 121,271 2015, (7,187) 2016
- Balance at end of period: 169,259 2015, 149,258 2016
### Consolidated Statements of Cash Flows

#### Years ended March 31, 2015 and 2016

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>196,366</td>
<td>215,066</td>
</tr>
<tr>
<td>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>286,528</td>
<td>274,761</td>
</tr>
<tr>
<td>Net gains on sale of investments</td>
<td>(8,261)</td>
<td>(1,215)</td>
</tr>
<tr>
<td>Provision for doubtful receivables</td>
<td>5,918</td>
<td>6,549</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(108,088)</td>
<td>(100,928)</td>
</tr>
<tr>
<td>Write-down of investment securities</td>
<td>1,023</td>
<td>979</td>
</tr>
<tr>
<td>Impairment losses on long-lived assets and goodwill</td>
<td>56,033</td>
<td>48,689</td>
</tr>
<tr>
<td>Cash effects of changes in, excluding acquisition:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>68,901</td>
<td>123,149</td>
</tr>
<tr>
<td>Inventories</td>
<td>5,993</td>
<td>(30,015)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>15,885</td>
<td>(29,376)</td>
</tr>
<tr>
<td>Trade payables</td>
<td>6,509</td>
<td>(18,660)</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>(4,757)</td>
<td>2,759</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>52,106</td>
<td>(36,117)</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>(40,634)</td>
<td>(41,397)</td>
</tr>
<tr>
<td>Deposits and advances from customers</td>
<td>2,232</td>
<td>5,769</td>
</tr>
<tr>
<td>Other, net</td>
<td>(44,291)</td>
<td>(21,333)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>491,463</td>
<td>398,680</td>
</tr>
</tbody>
</table>

| Cash flows from investing activities: |          |          |
| Proceeds from disposals of investments and advances | 43,625  | 9,623    |
| Increase in investments and advances | (19,647) | (30,720) |
| Capital expenditures | (224,162) | (241,836) |
| Proceeds from disposals of property, plant and equipment | 80,168  | 27,566   |
| (Increase) decrease in time deposits, net | (18,470) | 18,324   |
| Proceeds from sale of consolidated subsidiaries | 31,700  | 1,997    |
| Purchase of shares of newly consolidated subsidiaries, net of acquired companies’ cash and cash equivalents | (6,340) | (31,356) |
| Other, net             | (24,882) | (27,872) |
| **Net cash used in investing activities** | (138,008)| (274,274)|

| Cash flows from financing activities: |          |          |
| Effect of exchange rate changes on cash and cash equivalents | 76,871  | 82,519   |
| Net increase (decrease) in cash and cash equivalents | 687,941 | (266,144)|
| Cash and cash equivalents at beginning of year | 592,467 | 1,280,408|
| **Cash and cash equivalents at end of year** | 1,280,408| 1,014,264|

#### 2015 (Millions of yen)

| Cash flows from financing activities: |          |          |
| Decrease in short-term debt with maturities of three months or less, net | (28,379) | 5,136    |
| Proceeds from short-term debt with maturities longer than three months | 15,106 | 5,733   |
| Repayments of short-term debt with maturities longer than three months | (16,958) | (7,478)|
| Proceeds from long-term debt | 402,248 | 157     |
| Repayments of long-term debt | (46,031) | (251,729)|
| Dividends paid to Panasonic Corporation shareholders | (36,985) | (46,322)|
| Dividends paid to noncontrolling interests | (22,244) | (18,077)|
| Repurchase of common stock | (428) | (115) |
| Sale of treasury stock | 9 | 8 |
| Purchase of noncontrolling interests | (4,157) | (405) |
| Other, net | (4,568) | 5,061 |
| **Net cash provided by (used in) financing activities** | 257,815 | (308,031)|

---

**About Panasonic Foundation for Growth**

Growth Strategy
Stock Information  (As of March 31, 2016)

Number of Shares Issued
2,453,053,497 shares
(Including 132,057,190 shares held by Panasonic)

Number of Shareholders
514,129 persons

Stock Exchange Listings
Tokyo, Nagoya

Transfer Agent for Common Stock
Sumitomo Mitsui Trust Bank, Limited
5-33, Kitahama, 4-chome, Chuo-ku, Osaka-shi, Osaka 540-8639, Japan
Phone: +81-3-3323-7111

Depositary for American Depositary Receipts (ADRs)
Stock Exchange: U.S. Over-the-Counter (OTC) Market
ADR Ratio: 1 ADR = 1 Share
Symbol: PCRFY
Stock Transfer Handling Office
JPMorgan Service Center
P.O. Box 64504
St. Paul, MN 55164-0504, U.S.A.
Tel: +1-800-990-1135 (U.S.; toll free)
+1-651-453-2128 (International)

Major Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Share ownership (in thousands of shares)</th>
<th>Percentage of total issued shares (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>145,055</td>
<td>5.91</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>121,847</td>
<td>4.96</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY</td>
<td>81,294</td>
<td>3.31</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>69,056</td>
<td>2.81</td>
</tr>
<tr>
<td>Panasonic Corporation Employee Shareholding Association</td>
<td>43,197</td>
<td>1.76</td>
</tr>
<tr>
<td>Sumitomo Life Insurance Company</td>
<td>37,408</td>
<td>1.52</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREATY 505234</td>
<td>33,095</td>
<td>1.34</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK MELLON SA/NV 10</td>
<td>31,725</td>
<td>1.29</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 7)</td>
<td>30,291</td>
<td>1.23</td>
</tr>
<tr>
<td>Matsushita Real Estate Co., Ltd.</td>
<td>29,121</td>
<td>1.18</td>
</tr>
</tbody>
</table>

Notes: 1. Amounts less than one thousand have been discarded.
2. The number of treasury stock is 132,057 thousand shares.
Corporate Bonds / Corporate Data  (As of March 31, 2016)

Corporate Bonds

Unsecured Straight Bonds in Japan

<table>
<thead>
<tr>
<th>Series</th>
<th>Years</th>
<th>Coupon rate (per annum)</th>
<th>Aggregate principal amount of issue</th>
<th>Maturity date</th>
</tr>
</thead>
<tbody>
<tr>
<td>8th</td>
<td>10</td>
<td>2.050%</td>
<td>100 billion yen</td>
<td>March 20, 2019</td>
</tr>
<tr>
<td>11th</td>
<td>7</td>
<td>1.081%</td>
<td>150 billion yen</td>
<td>March 20, 2018</td>
</tr>
<tr>
<td>12th</td>
<td>5</td>
<td>0.387%</td>
<td>220 billion yen</td>
<td>March 19, 2020</td>
</tr>
<tr>
<td>13th</td>
<td>7</td>
<td>0.566%</td>
<td>80 billion yen</td>
<td>March 18, 2022</td>
</tr>
<tr>
<td>14th</td>
<td>10</td>
<td>0.934%</td>
<td>100 billion yen</td>
<td>March 19, 2025</td>
</tr>
<tr>
<td>4th*</td>
<td>10</td>
<td>1.593%</td>
<td>30 billion yen</td>
<td>June 20, 2019</td>
</tr>
</tbody>
</table>


Corporate Data

Company Name
Panasonic Corporation
(TSE Securities Code: 6752)

Founded
March 1918 (Incorporated in December 1935)

Head Office Location
1006, Oaza Kadoma, Kadoma-shi, Osaka 571-8501, Japan

Stated Capital
258,740 million yen

Consolidated Companies
(including parent company) 475 companies

Associated Companies
under the Equity Method
94 companies

Number of Employees
249,520 persons

IR and Sustainability Websites

IR
Please refer to Panasonic’s IR site for information on the Company including financial results and presentation materials.

http://www.panasonic.com/global/corporate/ir.html

Sustainability
Please refer to the “Sustainability” section of the Company’s website for more information regarding environmental and social initiatives.
