Takeoff for the Next 100 Years
Panasonic has contributed to the development of society through its businesses for the 100 years since its founding. Going forward, we will continue to help realize “A Better Life, A Better World” through each of our businesses and thereby pursue sustained growth and higher corporate value.
Business Composition Ratio (Fiscal year ended March 2018)

Net Sales Composition Ratio by Segment
- AIS 32%
- AP 32%
- ES 23%
- CNS 13%

Consolidated Net Sales: ¥7,982.2 billion

Operating Profit Composition Ratio by Segment
- AIS 24%
- AP 28%
- ES 21%
- CNS 13%

Consolidated Operating Profit: ¥380.5 billion

Net Sales Composition Ratio by Region
- China 12%
- Asia 14%
- Europe 10%
- Americas 17%
- Japan 47%

Consolidated Net Sales: ¥7,982.2 billion

Notes:
1. Official segment names are as follows:
   - AP: Appliances
   - ES: Eco Solutions
   - CNS: Connected Solutions
   - AIS: Automotive & Industrial Systems
2. Net sales and operating profit of each segment are calculated in line with the organizational structure as of April 1, 2018.
   Net sales and operating profit of each segment are calculated by dividing the net sales and operating profit of each segment by consolidated sales and operating profit before adding “Other” and elimination and adjustments. “Other” includes business activities not belonging to the reportable segments, such as sales of raw materials.

A Better World
Helping Bring About A Better Life, A Better World Based on Our Management Philosophy

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

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

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

Our History

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

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

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

1932 Trade department established and export business commenced.

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

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

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

Panasonic Code of Conduct
(Revised and updated; current as of 2016)
https://www.panasonic.com/global/corporate/
management/code-of-conduct/list.html

Management Philosophy

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

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

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

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

Foundation of activities of management:
Immutable

Founder Konosuke Matsushita

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

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

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

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

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

2014
Fujisawa Sustainable Smart Town established for eco-conscious and comfortable lifestyles while ensuring safety and security.
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Note: For details regarding business and other risks, please refer to the Company's Annual Securities Report (Yukashoken Hokokusho)
Editorial Policy

Thank you for reading Panasonic’s Annual Report 2018. Panasonic positions its Annual Report as an integrated report incorporating management strategies for medium-to-long term growth, environmental, social and governance (ESG) systems and initiatives that provide a foundation for growth, and operating results, financial position and other information for the fiscal year ended March 2018. It is published primarily for investors.

Panasonic in 2018 is celebrating its 100th anniversary. This year’s report conveys the Company’s strategy for continuing to innovate and grow further over the medium-to-long term by leveraging the strengths it has cultivated to date. Specifically, the Message from the CEO introduces issues, strategies going forward, and the direction of new business areas that Panasonic intends to develop as it takes off for its next 100 years. The Message from the CTO introduces technological and manufacturing capabilities cultivated over the past 100 years and initiatives for accelerating innovation. The Message from the CSO and CFO presents the Company’s thinking on business portfolio management and investment and financial discipline for increasing medium-to-long term growth and profitability. Information has also been enhanced on strengthening governance, which is a foundation for growth. We hope that readers will deepen their understanding of Panasonic’s governance through the Message from the Chairman of the Board and Outside Directors’ Roundtable Discussion.

Panasonic will continue actively conducting dialogue with investors and work to faithfully utilize feedback received in its management with the goal of sustained growth and enhanced corporate value. Thank you for your further understanding and support for the Company.

August 2018
Corporate Finance & Investor Relations Department
Corporate Strategy Division

Recognition from Outside the Company (Fiscal Year Ended March 2018)

Panasonic has been selected as a component of the FTSE4Good Index, the global socially responsible investment index, for the 18th consecutive year. Furthermore, it has been selected as part of the MSCI ESG Leaders Indexes (formerly the MSCI Global Sustainability Indexes), the global ESG investment index, for the 8th consecutive year. Panasonic has also received an A- in the CDP 2017 rankings. The second-highest level of an eight-tier ranking system, this CDP ranking is a measure of the initiatives and comprehensiveness of information disclosed related to climate change. In addition, since 2014, Panasonic has been selected as a component of the new stock index “JPX-Nikkei Index 400”, which is composed of companies with high appeal for investors. And Panasonic has been included in the FTSE Blossom Japan Index and MSCI Japan ESG Select Leaders Index, both of which were newly created in July 2017.

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). 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 be materially different 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.

Such risks, uncertainties and other factors 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.
Panasonic Corporation and Subsidiaries, Years ended March 31

Panasonic began applying International Financial Reporting Standards (IFRS) on a voluntary basis in the fiscal year ended March 2017. Financial figures for the fiscal year ended March 2016 are also presented in accordance with IFRS in addition to conventional U.S. GAAP standards. Please refer to notes of “10-Year Financial Summary” on pages 81 and 82.

Financial Highlights

Net Sales

Sales increased year-on-year due to steady sales in Japan and continued growth in the automotive-related business including the Automotive Business and the Energy Business.

Operating Profit and Ratio to Sales

Though impacted by sharp increases in raw material prices and higher fixed costs for future growth, profit increased due mainly to gains from increased sales in the Automotive Business and Industrial Business, and streamlining initiatives.

Capital Investment and Depreciation

Capital investment increased year-on-year due mainly to continued active investment in production facilities for automotive batteries, a growth field.

Free Cash Flows

Free cash flow was negative due to continued strategic investment in growth fields. Excluding strategic investment, cash flow was 132.7 billion yen, a decrease from the previous year. This was due mainly to an increase in working capital requirements in connection with higher sales.

ESG Highlights

Panasonic works to maximize contributions to CO2 emission reductions through improving the energy-saving performance of products and services. In fiscal 2018, contributions to CO2 reductions increased to 60.97 million tons due to increased sales of air-conditioners in China and other factors. Please refer to “CO2 Reduction” on page 77.

CO2 Emissions in Production Activities and CO2 Emissions per Basic Unit

At its factories and other facilities, Panasonic promotes energy-saving activities, the utilization of renewable energies, and other initiatives. In fiscal 2018, CO2 emissions per basic unit of production activities were reduced by 14% compared to the fiscal year ended March 2014. Please refer to “CO2 Reduction” on page 77.
The composition of the Board of Directors was changed substantially in fiscal 2017 to further strengthen corporate governance. As of June 30, 2018, the number of directors sets at 12 and the outside director ratio at one-third.

Promoting diversity is an important management initiative, and in Japan in particular, the hiring of more women to positions with decision-making authority is recognized as necessary. Panasonic continues every year to increase the number of women in managerial positions and percentage of women in positions of responsibility through the promotion of various initiatives.

Panasonic focused on development of new technologies and new products based on growth strategies for key areas. The Company also actively engaged in new business creation. R&D expenditures as a result were 448.9 billion yen.

Net profit attributable to Panasonic Corporation stockholders increased due to higher operating profit and improvement in the effective tax rate. As a result, ROE improved by 4.5 percentage points from the previous year, to 14.4%.

Panasonic works to provide a stable, sustained dividend based on a target consolidated payout ratio of approximately 30%. In line with this policy, the Company paid an annual dividend per share in fiscal 2018 of 30 yen, an increase of 5 yen from the previous year.

Interest-bearing debt increased due to the issue of short-term corporate bonds and other factors. Cash and cash equivalents decreased from the previous year due mainly to strategic investment, an increase in working capital requirements in connection with higher sales.

Panasonic works to provide a stable, sustained dividend based on a target consolidated payout ratio of approximately 30%. In line with this policy, the Company paid an annual dividend per share in fiscal 2018 of 30 yen, an increase of 5 yen from the previous year.

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Message from the CEO

Kazuhiro Tsuga
Representative Director
President
CEO
Pushing Forward for Sustainable Growth through Ceaseless New Contributions

In fiscal 2018, Panasonic achieved increases in both sales and profit. What needs to be changed for future growth and your view on future strategy?

A solid foundation for sustainable growth near completion; promoting a growth strategy for further improvement in profitability

After becoming president, I initiated a series of steps to prepare for future growth. These steps included investing in growth areas and shifting our resources while carrying out structural reform and profitability improvement initiatives. As a result, Panasonic was able to achieve growth in both sales and profit in fiscal 2018. Sales and profit increases, in real terms excluding the effect of exchange rates, were accomplished for the first time in seven years. I regard this as a major turning point. In addition to our financial performance, I place emphasis on whether a certain business can continue to generate value and avoid becoming obsolete. We have definitely made improvements from each perspective, and I am quite confident of our outlook.

However, the current status shows us that we have just turned things around. Accordingly, we must work harder to improve profitability even further. We will steadily gain the full-fledged investment returns coming from our growing businesses, while continuing to pursue profitability improvements for our businesses still showing low profits. Furthermore, to achieve growth accompanied with profitability, we will conduct thorough business portfolio management including the shift of resources and replacement of businesses. In fiscal 2019, we are expecting another year of sales and profit growth, but will continue to take necessary measures toward achieving sustainable growth.

Net Sales / Operating Profit

[Graph showing Net Sales and Operating Profit from 3/16 to 3/19 (Forecast)]

* Fiscal years after FY2017: OP based on IFRS deducting other income/loss
Ongoing change through a “champion and challenger” model
Panasonic celebrates its 100th anniversary in 2018. Going forward, we will maintain our efforts to pursue growth along with our brand slogan, “A Better Life, A Better World.” This encapsulates our vision of expanding a better life and realizing a better world globally for each individual customer, based on our philosophy of “contributing to the development of society through our business activities.”

While this fundamental vision and philosophy will never change, 2018 allows us to make a fresh start, taking off for the next 100 years. Panasonic’s development rests on its continuous contributions to society, offering a variety of electrical products based on a “mass-production, volume-sales” approach. Over the years, we have refined our strengths in technology and manufacturing, built relationships of trust with our customers, and cultivated our brand power. Having said this, we now understand that the changes in society are so significant that we are facing limits to implementing this business model of “mass-production and volume-sales,” in which we have been able to exert our strengths.

Looking at the consumer business, various products are already widespread. The change in people’s mindsets, finding less value in simply possessing tangible products, has led to the dawn of new markets such as car-sharing. These changes in society will accelerate through the advancements of digital technology.

Free from the past to achieve innovation
including IoT and AI. Amid these significant changes, the question arises whether Panasonic, a large 100-year-old company, will be able to respond flexibly and grow sustainably. To do this, the basic idea is to implement a “Champion and Challenger” model. At Panasonic, there are many champion businesses such as the consumer electronics and electrical construction materials businesses in Japan. But champions cannot be champions forever. Even if a certain business is performing favorably today, forecast of a scale-down in the future will necessitate changes be made. At the same time, it is imperative that we possess various challenger businesses in areas like automotive batteries so we can develop based on a sound balance of champions and challengers. Our champion businesses should pursue further profitability to support challenger businesses in terms of technological development, funding and resources. And our challenger businesses should free themselves from conventional businesses' assets and systems to achieve innovation, while placing a priority on speed.

What new business are you planning to pursue as a challenger?

Refine our “No. 1 automotive batteries” for future profit. New endeavors in the mobility business

First is the automotive business. We will secure further progress in refining performance of our “global No. 1 batteries.” Panasonic has a history of over 50 years in the storage battery business. We have an accumulated track record of technological and manufacturing competitiveness, in addition to expertise in the chemistry of materials, which in turn serve to decisively determine the quality of a battery. On this basis, we can continue to differentiate ourselves, and leverage this differentiation as a source of competitiveness. Based on this competitive advantage, our business strategy is to achieve mutual development through strong partnerships with our customers such as Tesla and Toyota, while pursuing further sophistication of battery features. These initiatives enable us to seek growth and assure profitability.

Looking beyond our status as a battery maker, we will also refine our way of efficiently using batteries, going forward. This means we can leverage our strengths in automotive batteries through battery management and the collection of data. For this endeavor, we will mainly focus on the Chinese market which is facing a wide range of social issues related to the environment and energy through rapid economic development and urbanization. The Chinese market offers considerable growth potential, given developments in electrification not only for passenger and commercial vehicles, but also for special-use, super-compact EVs used for delivery and other purposes. I am keen to take up the challenge of exploring a new mobility business and creating contributions together with our partner companies.

Consumer electronics evolving with IoT; expanding contributions from “electrical goods” to “living”

Second is the consumer electronics and housing-related business. We will first take up the challenge in the Chinese market and offer a lifestyle that people yearn for. In specific terms, we are targeting the newly emerging affluent demographic. Typical customers are married couples in the young age bracket with a high family income, a fondness for new trends, and the capability to disseminate information. We will engage in product development and marketing activities based on our study of what elements will drive their desires. We will also respond to Chinese market demand by offering added value through the networking of consumer

Explore a new mobility business by leveraging strengths in automotive batteries
Message from the CEO

electronics and connection with services. Recognizing that the Chinese market is conscious of the changes taking place, we plan to focus on this region. By embracing such challenges, we will be able to accelerate our evolution.

For the Japanese market, we aim to create a unique brand image of Panasonic as a lifestyle provider, evolving from the current perception of the Company as a manufacturer of consumer electronics. After cultivating Panasonic’s brand strengths in the consumer electronics area, PanaHome (renamed Panasonic Homes in April 2018) became a wholly owned subsidiary in October 2017. We are now ready to fully leverage our capabilities in consumer electronics, electrical construction materials, building materials, together with homebuilding, to make proposals that help create new value in the “living” field. In addition, we will expand our areas of contribution from homes to urban development and services in a concrete manner that our customers can easily recognize.

Bringing “Gemba Process Innovation” to our enterprise customers

Finally, we are taking up the challenge in solutions-based businesses for enterprises. For the Connected Solutions Company, established in April 2017, the major business pillars are for enterprises, such as inflight entertainment systems, mounting equipment, projectors and payment terminals. We are now trying to add a layer to our business to provide solutions to solve our customers' issues, aiming to improve our profitability. Our initiatives go into what we call “Gemba (operational frontlines) Process Innovation.” Our main targets are customers facing issues at their Gemba, such as the services industry including logistics and distribution. On the back of the networking era, the services industry faces urgent management issues. This includes bringing innovation to their supply-chain for a speedy response to diverse consumer needs as well as innovating their products and services. The expertise and technological capabilities Panasonic has developed as a manufacturer can contribute to solving our customers’ supply chain issues at the Gemba where they manufacture, transport, and sell their products and services.

New mid-term strategy: accelerate innovation addressing changes in society as endeavors take shape

Changes in the business environment will become increasingly drastic. For Panasonic to grow in the medium-to-long term, it is vital for us to have keen insights into changes in society such as urbanization, the aging population and diversified values, in addition to making the first move.

During this fiscal year, we will formulate our new mid-term strategy for the three years starting fiscal 2020. We will elaborate our actions for the next three years, backcasting from our medium-to-long term vision, based on assumptions regarding changes in society and what changes Panasonic would like to bring about in 2030. Each of the endeavors I mentioned earlier will also take shape under the new mid-term strategy.

To address the significant changes in society, it is also necessary to place oneself in the middle of intense environmental change. If we remain entrenched in a Japan-centric approach, we will not be able to respond to the rapid changes happening globally. Our capabilities to meet such changes will be refined by placing emphasis on the rapidly changing Chinese and U.S. markets, and being inspired by our customers and business partners.

“Refine our capabilities to respond to changes by placing emphasis on the rapidly-changing Chinese and U.S. markets”
Further implementation of management through collective wisdom

When making progress in taking up challenges, it is important to have the attitude of “making use of collective wisdom,” an approach advocated by our founder, Konosuke Matsushita, which is widely understood by our employees. Being aware that there is a limit to what one person can accomplish alone, we will enrich deliberations from diverse perspectives within the Company, in addition to Board of Directors meetings where we can draw from the insights of outside directors. We also welcome the objective opinions of investors, which we will consider in our way of management.

Toward medium-to-long term growth and enhancing corporate value

Panasonic is positioning its 100th anniversary as a fresh start. Thinking about our aim going forward, when society evolves and encounters changes, new social issues emerge. Panasonic’s raison d’être is to address these social changes and constantly offer new contributions that help solve such issues.

As we take off for the next 100 years, we will continue pushing forward to achieve medium-to-long term sustainable growth and to enhance corporate value. Thank you for taking an interest in our new journey. I would like to ask for your continued support to the endeavors taken by Panasonic.
Looking Back on the Period from Fiscal 2013

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

Kazuhiro Tsuga appointed as the Company’s president

Group Strategy Meeting established. Put in place a structure and systems for using collective wisdom and making timely decision making

Net loss for two consecutive periods due to such factors as the slump in flat-screen TV sales; undertook steps to promote structural reforms while bringing about a return to positive cash flows

Improving the Company’s financial position became the most important management issue; suspended annual dividend payments

Large-scale business restructuring

Cross-Value Innovation 2015 (CV2015) mid-term management plan

- Introduced a Business Division system in order to engage in autonomous operations while visualizing management. Established four Divisional Companies to support Business Division growth and development
- Promoted four key initiatives
  1. Eliminate unprofitable businesses
  2. Improve the Company’s financial structure
  3. Promote growth and increased efficiency by exiting from an in-house approach
  4. Promote a growth strategy that begins with customer needs
- Put in place the Brand Slogan “A Better Life, A Better World”
- Resumed the payment of dividends
- Achieved the numerical targets set out under CV2015 ahead of schedule with the Automotive and Housing businesses serving as growth engines
  - Operating profit target: 350 billion yen or more
  - Operating profit to sales ratio target: 5% or more
  - Cumulative free cash flow target: 600 billion yen or more
- Overarching target of net sales totaling 10 trillion yen in the fiscal year ending March 2019 (FY2019)
- Completed business restructuring measures and all necessary steps to address unprofitable businesses

Strategic investment totaling 1 trillion yen (Please refer to pages 19-20.)

- Commenced strategic investments totaling 1 trillion yen focusing mainly on M&As and capital expenditures aiming for inorganic growth
- Commenced a capital and business alliance with Ficosa International, S.A., a Spanish automotive parts and systems supplier (made a consolidated subsidiary in FY2018)
• Reflecting on the original principle that profit shows how much we contribute to customers, shifted our focus to profit away from net sales as the Company’s FY2019 key management goal
• Categorized all Business Divisions into the three high-growth, stable-growth, and low-profitable businesses; undertook well-focused investments
• Realized sales growth in real terms after excluding the effects of exchange rates

3/2017
7,343.7 276.8
734.3 27.7
149.4
3/2018
7,982.2 380.5
750.2 36.3
236.0
3/2019 Forecast
8,300.0 425.0
885.0 46.5
225.0

• Established Connected Solutions Company; strengthened the solutions business targeting the corporate sector
• Announced an agreement between the Company and Toyota Motor Corporation to begin studying the feasibility of a joint automotive prismatic battery business
• Realized increase in both net sales and operating profit (for the first time in seven years in real terms after excluding the effects of exchange rates)

Notes:
1. Performance data prior to the fiscal year ended March 2017 (FY2017) is presented on a U.S. GAAP basis. Performance data is presented on an IFRS basis effective from FY2017.
2. Net profit is recorded as net income attributable to Panasonic Corporation in and before FY2016 and net profit attributable Panasonic Corporation stockholders from FY2017.
Growth in Sales and Profits in Fiscal 2019, Driven by High-Growth Businesses

**Fiscal 2018 Results**

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

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

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

**Fiscal 2019 Business Categories**

- **High-growth businesses**: Driving force for sales and profit growth. Concentrating management resources including large-scale investments. Automotive batteries, next-generation cockpit systems, ADAS, air-conditioners, electromechanical control devices, etc.

- **Stable-growth businesses**: Steadily generating profit by taking advantage of our competitiveness and generate investment funds for high-growth businesses. White goods, commercial refrigeration & food equipment, wiring devices, lighting equipment, avionics, process automation, security cameras, electronic materials, dry batteries, etc.

- **Low-profitable businesses**: Significantly improving profitability by business transformation, fixed cost reductions, and rationalization. TVs, fixed-line phones/fax, building materials, solar systems, ruggedized PCs, semiconductors, LCD panels, etc.

**Breakdown of business categories (FY2019 forecast)**

- **Sales**: 8.3 trillion yen
- **Operating Profit**: 425.0 billion yen
In fiscal 2019, Panasonic will execute growth strategies in the three business categories comprising high-growth businesses, stable-growth businesses and low-profitable businesses.

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

Panasonic forecasts growth in both sales and profits again in fiscal 2019, driven mainly by high-growth businesses. The Company forecasts sales growth of 4% year-on-year to 8,300 billion yen. A major factor behind this growth is sharply higher sales of automotive batteries in real terms excluding the effects of foreign currency exchange rates. We also expect contributions to sales growth from the Industrial Business, Automotive Business, and Air-Conditioner Business.

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

**High-Growth Businesses to Drive Growth in Fiscal 2019**

<table>
<thead>
<tr>
<th>Net Sales (Billions of yen)</th>
<th>Operating Profit (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year Ended March 2018</strong></td>
<td><strong>Year Ending March 2019 (Forecast)</strong></td>
</tr>
<tr>
<td>7,982.2</td>
<td>8,300.0</td>
</tr>
<tr>
<td>High-growth</td>
<td>Other income/loss</td>
</tr>
<tr>
<td>Stable-growth</td>
<td>Low-profitable</td>
</tr>
<tr>
<td>Effect of exchange rates</td>
<td></td>
</tr>
</tbody>
</table>

**Forecasting continued growth in sales and profits**

Panasonic forecasts growth in both sales and profits again in fiscal 2019, driven mainly by high-growth businesses. The Company forecasts sales growth of 4% year-on-year to 8,300 billion yen. A major factor behind this growth is sharply higher sales of automotive batteries in real terms excluding the effects of foreign currency exchange rates. We also expect contributions to sales growth from the Industrial Business, Automotive Business, and Air-Conditioner Business.

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

Advancing Large-Scale Capital Investments and M&A

Investments decisions made for 85% of 1 trillion yen budget
Panasonic plans to undertake strategic investments totaling 1 trillion yen and has spent part of this total since fiscal 2016 with the aim of achieving sustainable growth in sales and profits.

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

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

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

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

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

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

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

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

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

Promoting innovation creation from Group-wide viewpoint

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

With regard to our development system, which covers technologies and materials as well as products, we are promoting the move of R&D to the front lines, by which we conduct R&D more closely with our customers, and strengthening our systems and structure to realize more flexible, cross-sectional management. We are also working on Headquarters-driven organizational reforms to promote innovation creation, which is indispensable for the sustainable growth of the Panasonic Group, from a Group-wide perspective.

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

R&D Organization
Panasonic Technological Capabilities and Manufacturing Capabilities

Technological capabilities and manufacturing capabilities accumulated in consumer electronics

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

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

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

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

Manufacturing from user viewpoint also utilized in B2B

One of the greatest strengths we have cultivated in the field of consumer electronics is knowledge

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

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

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

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

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

* B2B, but where a consumer is the end user

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**Diverse Technological Capabilities**

- Visual/Imaging
- Audio/Voice
- Light
- Connectivity/Communications
- Heat (Thermal Control)
- Energy
- Mechatronics (Mechanisms)
- Materials/Devices
- IoT, Usability

**Manufacturing Capabilities That Give Shape to Technologies**

- Coating
- Molding
- Measurement
- Mounting
- Machine Processing
- Control
- CAE (Simulation)
- Quality
Message from the CTO

Initiatives to Accelerate Innovation

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

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

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

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

Panasonic β, Test Site for Innovation Creation

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

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

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

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

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

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

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

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

Since its foundation, it has been the Company’s policy to honestly respond as customers and their issues have become clear. As the Company’s business shifts to B2B, we are proud of our ability to be in tune with our new customers and will continue to solve the issues they face in a consistent and honest manner. For example, we are able to manufacture automotive batteries with high quality and safety features that meet our customers’ needs. You can do a good job if you have points of contact with customers, and the same applies to manufacturing. Backed by the wide-ranging manufacturing and technological strengths that the Company has accumulated, we will face and collaborate with customers to accelerate the creation of innovation.
Message from the CTO

I think that the most important thing for researchers is to find problems to solve. In anticipation of the practical applications of products that bring about innovation, we set the issues that must be solved and objectives, and it is important to clearly indicate the specific methods used to resolve issues by the very best, original or leading technologies. Technological developments must be commercialized and lead to social contributions.

I personally joined Panasonic after working for an overseas national laboratory and switched to thinking that, since it is a corporate research institute, it is important to know how to connect advanced research to business and how to convert that research into cash. Only when we have achieved that does it become possible for us to contribute something to the Company that leads to a contribution to society. Creating something of merit in technological development involves asking two questions: what is lacking to bring this into the world and of what value will this be to customers? For innovation to occur, the answers to these questions have to be provided first. The Technology Innovation Division aims to create new businesses that will become Panasonic’s growth engine over the medium-to-long term. For that reason, we are looking at where we should make changes and what areas should be extended and are making progress with reforms.

We engage in technological development in four layers. The layer that takes up the most in terms of resources is the “core technology for energy & sensing” layer, in which we aim to make a contribution to business in three years or so. Taking around half of the remaining resources is the “emerging technology for new markets” layer that addresses roughly five-year aims. The other two are the layer that changes an R&D process itself and the layer that aims to create the seeds of completely new kinds of game-changing technologies in an international competitive environment. Panasonic has at its disposal a vast array of technologies and enormous amounts of data that the Company has accumulated in the course of its long history. Its talent pool is equally vast. These are the Company’s major strengths. For example, in fields such as batteries and image sensors, the level of in-house engineers is already high, and we are setting precise KPIs and making progress in making a contribution to business. On the other hand, we are actively incorporating wisdom from outside the Company into the development of new fields and new core technologies.

Moreover, rather than aiming for a completely new market with a completely new technology, I believe that a “go beyond halfway” approach would be effective. One example is exploring the possibilities in future mobility for the practical use of the strong technologies we possess in rechargeable batteries for automobiles. This approach would be based on our core technologies, such as approaching other markets by drawing on the hydrogen and energy-related technologies that are regarded as our strongpoints.

We are also putting efforts into measures designed to increase the pace of R&D. For example, we are promoting “Materials Informatics” to quickly search for innovative materials to improve the performance of energy devices such as rechargeable batteries by utilizing AI.

I believe that the era of relying on a single technology is about to end. I also believe that future technological development should bring about the amalgamation of technologies, not only from electronics but also from different fields, and focus on a world interlinked by AI and IoT. The Company is taking on the challenges in a variety of technological developments in wide business fields, and I myself joined the Company 10 years ago having developed a fascination in this area. Taking full advantage of this strength, we aim to create world-changing innovations.
“R&D 10-Year Vision,” a Policy for Research and Development

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

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

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

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

Further Growth on the Back of Business and Financial Strategies

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

Mototsugu Sato
Representative Director
Senior Managing Executive Officer / CSO

Hirokazu Umeda
Director
Managing Executive Officer / CFO
The fruits of strategic investments totaling 1 trillion yen, mainly in high-growth businesses, have begun to emerge.

When Mr. Tsuga became president in fiscal 2013, the Company focused on restructuring its operations to eliminate unprofitable businesses. After achieving a certain level of success, we then strived toward resolving the next major issue, “being unable to identify growth areas.” Since October 2013, I have worked with Mr. Tsuga to squarely address this issue, taking the role of planning. Despite some progress with certain preparations for future growth, including efforts to shift human resources to the automotive businesses, it became clear that substantial growth could not be expected while the Company maintained its conventional stance of limiting its investment within the range of depreciation.

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

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

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

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

I would like to expand a little further on the significance of strategic investments.

Since October 2012, I have tried to manage and oversee the Group’s performance as General Manager, Corporate Management Support Department, Corporate Strategy Division. In specific terms, visualizing management of Divisional Companies and Business Divisions, raising issues while providing information to the president and management in a timely manner, and setting the direction for unprofitable businesses. These were merely “eliminating the negatives.” While improving profit and turning around the Company’s losses, sales continued to decline.

I had a strong sense of crisis that we were heading toward business contraction with the path being taken.

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

In addition, the 1 trillion yen investment policy has proven symbolic for Group-wide employees, once again having a higher perspective while raising the level of awareness toward growth. In this regard, the decision to adopt a strategic investment approach is also of considerable significance and has helped to realign the mindsets of employees.
Message from the CSO and CFO

Investment and Financial Discipline

What approach will you adopt toward investments aimed at growth going forward? Can you give us your thoughts including your view from a financial perspective?

Balance between investment and financial discipline, taking control of the accelerator and brake.

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

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

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

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

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

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

Credit Ratings as of July 31, 2018

<table>
<thead>
<tr>
<th>Ratings agency</th>
<th>Long term (outlook)</th>
<th>Short term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating and Investment Information</td>
<td>A (stable)</td>
<td>a-1</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A- (stable)</td>
<td>A-2</td>
</tr>
<tr>
<td>Moody’s</td>
<td>A3 (stable)</td>
<td>—</td>
</tr>
</tbody>
</table>

(Years ended March 31)
Toward Further Growth

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

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

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

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

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

Clarify our vision of the Company and allocate resources for Group-wide optimization
Message from the CSO and CFO

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

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

Aiming for Group-wide optimization of Business Divisions

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

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

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

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

Actively providing growth opportunities for management personnel candidates

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

Panasonic Annual Report 2018
Initiatives aimed at optimizing the business portfolio have only just begun. Taking into consideration the structure of society and the labor environment in Japan in which Panasonic is based, we must maintain a careful approach toward the option of dramatically terminating a certain business. This is an issue that is common to Japan’s corporate sector overall. Moreover, it is not an easy task to guide the Business Divisions that are pursuing individual optimization to work in unity and to maximize the potential of the Group as a whole. However, as CSO, it is my role to push forward business portfolio management that ensures swift optimization.

Enriching dialogue with investors

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

On a final note, I will work diligently to vigorously provide investors with useful Company information going forward and call for the frank opinions of our investors. Learning from the feedback, I will make every effort to ensure sustainable growth and to enhance corporate value.
Overview of Divisional Companies and Strategies by Business
(As of April 1, 2018)

FY2019 Forecast: Net Sales Composition Ratio by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net Sales (millions ¥)</th>
<th>Composition Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td>8,300.0</td>
<td></td>
</tr>
<tr>
<td>Automotive &amp; Industrial Systems</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Connected Solutions</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Eco Solutions</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>

FY2019 Forecast: Operating Profit Composition Ratio by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Operating Profit (millions ¥)</th>
<th>Composition Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td>425.0</td>
<td></td>
</tr>
<tr>
<td>Automotive &amp; Industrial Systems</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Connected Solutions</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Eco Solutions</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>

Breakdown by Segment (Billions of yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net Sales</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appliances</td>
<td>2,830.0</td>
<td>121.0</td>
</tr>
<tr>
<td>Eco Solutions</td>
<td>2,061.0</td>
<td>101.0</td>
</tr>
<tr>
<td>Connected Solutions</td>
<td>1,093.0</td>
<td>83.0</td>
</tr>
<tr>
<td>Automotive &amp; Industrial Systems</td>
<td>3,000.0</td>
<td>136.0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>8,984.0</td>
<td>441.0</td>
</tr>
<tr>
<td>Other</td>
<td>310.0</td>
<td>0</td>
</tr>
<tr>
<td>Eliminations and Adjustments</td>
<td>(994.0)</td>
<td>(16.0)</td>
</tr>
<tr>
<td>Total</td>
<td>8,300.0</td>
<td>425.0</td>
</tr>
</tbody>
</table>

Note 1: PanaHome became a fully owned subsidiary in FY18 and was renamed Panasonic Homes in April 2018. In FY19, it was transferred from Other to Eco Solutions.

Note 2: The net sales and operating profit composition ratios are calculated by dividing the sales and operating profit of each segment by consolidated sales and operating profit before adding Other and elimination and adjustments. “Other” includes business activities not belonging to the reportable segments, such as sales of raw materials.

Appliances Company

In the consumer electronics business, Appliances Company will pursue profitable growth by expanding its overseas business, primarily in China and other parts of Asia, on a foundation of capabilities cultivated in Japan. In the B2B business, it will work to establish an earnings model on its strength in energy-saving and environmentally conscious products as well as IoT technologies.

Eco Solutions Company

Space Innovation business, which provides electrical construction materials, housing materials and other products, is pursuing high growth in priority regions overseas. Lifestyle Innovation business, which is involved in detached residences, urban development and other areas, is working to achieve growth through Group synergies with Panasonic Homes at the core.

Connected Solutions Company

CNS Company will work to address social issues and establish “Gemba Process Innovation” in order to provide solutions to corporate customers for issues in frontline business operations and processes through its core devices and advanced technologies.

Automotive & Industrial Systems Company

Focusing on two mainstay businesses, automotive and industrial systems, AIS Company contributes to the creation of safe, comfortable societies. In Automotive Business in particular, with cars continuing to evolve in response to demands from society and against a background of tightening in environmental regulations worldwide, we are promoting active investment and intend to drive growth for Panasonic as a whole.
Please refer to “Segment Information” on page 85 for results for fiscal 2018.
Appliances Company (AP Company)

In the consumer electronics business, Appliances Company will pursue profitable growth by expanding its overseas business, primarily in China and other parts of Asia, on a foundation of capabilities cultivated in Japan. In the B2B business, it will work to establish an earnings model on its strength in energy-saving and environmentally conscious products as well as IoT technologies.

**Opportunities**
- Growth in consumer electronics markets from expanding middle and affluent income classes in China, India and other parts of Asia (Vietnam, Indonesia, the Philippines, Thailand, etc.)
- Growing demand for energy-saving, low-environmental-impact products due to rising global environmental awareness
- Increasing popularity of high-value products in Japan
- New earnings opportunities emerging with the advance of IoT

**Strengths**
- Advanced technological capabilities in the areas of the environment and materials/devices for creating energy-saving and low-environmental-impact products, and in biological sciences and IoT/AI/robotics, etc. for innovations in consumer electronics usage experience and results
- Development/design/manufacturing/sales systems and structures in China and other Asian countries capable of responding rapidly and accurately to local needs

**Issues**
- Initiatives for sustained growth through focusing resources on overseas air conditioners and white goods, where market expansion is expected
- Operational reforms aimed at optimization across businesses, regions, and manufacturing and sales
- Streamlining of production costs to offset the impact of higher raw material prices

Performance figures (results, forecasts, targets): production and sales consolidated

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**Fiscal 2018 Performance**

*Based on Previous Organization*

**Higher Sales and Profit on Strong Sales Overseas**

In fiscal 2018, ended March 31, 2018, AP Company sales totaled 2,796.4 billion yen, an increase of 4% year-on-year, due to increased sales from the AVC business in Europe and other factors. Operating profit was 107.6 billion yen, an increase of 8% year-on-year, as streamlining measures and gains on increased sales of consumer electronics in China and Europe more than offset the impact of lackluster sales in some regions of Asia and sharp increases in raw material prices. The operating profit ratio was 3.8%. Higher profits were achieved for the third consecutive year. Further, sales of premium products in the consumer electronics business continued to grow and this contributed to increased sales and profits.

AP Company’s initiatives for future growth included continuing to build a manufacturing-sales consolidated management structure in order to conduct integrated manufacturing and sales in key overseas regions and promoting the market launch of localized products that incorporate differentiated elements in line with the region in China, India and other parts of Asia. Further, the company actively promoted open innovation, which included collaborations with venture capital and universities.
Future Strategy

Fiscal 2019 Policy and Strategy

AP Company will work in fiscal 2019 to generate sales of 2,950.0 billion yen, a year-on-year increase of 3%, led largely by increased sales of air conditioners and white goods. In terms of profits, it will strive for operating profit of 121.0 billion yen, a year-on-year increase of 13%, and an operating profit ratio of 4.1%, through an expanded line of premium products in the consumer electronics business, gains on increased sales in China, India and other Asian regions, and further streamlining measures. This would result in a fourth consecutive year of higher profits.

Consumer Electronics Business Strategy

AP Company, as the headquarters of the consumer electronics business, will accelerate efforts to change its business portfolio and strategies to achieve sustained increases in sales and profit.

In terms of its business portfolio, the company will accelerate a resource shift from AVC to air conditioner and small/built-in appliance businesses. It will also focus on China, India and other regions of Asia with high growth, while maintaining its foundation in Japan, and thereby achieve profitable business growth.

In terms of strategies, AP Company will promote the further creation of premium products by introducing and expanding “global platform product development.” A global platform is a design concept in which design proceeds by combining modules under a unified set of global standards. Modules changed in line with market needs are designed for regional optimization, and shared values and functions are designed on a standard basis in order to reduce costs and further raise development efficiency.

Regarding regional consumer electronics strategy, in China, the company will strive for sales of 20.0 billion yuan in fiscal 2021, and targeting China’s so-called “Xingui,” households with annual income of 320,000 yuan or more, will work to expand sales of premium products on the themes of “healthy”, “relaxedly” and “dignity.” It will also strengthen partnerships with major online commerce platforms and further increase its ratio of online sales. Moreover, the company intends to raise profitability by building a system that enables original premium products, like living space proposals, to be provided quickly.

In Asia, where sales slumped in certain areas due to cooler summer weather, AP Company will promote more premium products and further strengthen operations with manufacturing and sales consolidated to flexibly accommodate changes in supply-and-demand.

In India, where a new refrigerator plant went into operation alongside air conditioner, television and washing machine facilities, the company will pursue profitable growth through local production and increased sales of localized products that meet regional customer needs.

B2B Business Strategy

With strengths in energy-saving and environmentally conscious products and IoT technologies, which are helping society become carbon-free, AP Company will establish a profit model that allows long-term, ongoing transactions with its customers.

In the food retail & commercial equipment business, the company will market differentiated products that utilize IoT, such as smart lockers, expand the OPEX business for total support through to operations and maintenance, and further expand its lineup of natural refrigerant equipment.

In the commercial air conditioner business, AP Company acquired sales companies and engineering firms in the U.K. and Brazil the previous fiscal year. It will continue to reinforce overseas sale channels and engineering capabilities while also working to raise its marginal profit ratio by expanding its lineup of new products.

In the household fuel cell business, for which the company has a majority share in Japan, it will introduce new models in Europe and develop new sales routes in order to increase sales.

Medium-to-Long Term Policy and Strategy

With a view to fiscal 2021, AP Company will put even more emphasis on profitability and aim for an operating profit ratio of 5%. On the pillars of the air conditioner and small/built-in appliance businesses, where high profits are expected in particular, and of the food retail & commercial equipment business, where the company will work to increase profits in a stable manner, AP Company will work to generate cash by accumulating profits at significant levels.

Business Portfolio

<table>
<thead>
<tr>
<th>Business Category and Investment Policy</th>
<th>AP Company Mid-term Plan (FY2017–19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate positive investment</td>
<td>Still-Growth business</td>
</tr>
<tr>
<td>Reduce investment</td>
<td>Stable growth business</td>
</tr>
<tr>
<td>Invested capital</td>
<td>Sales</td>
</tr>
<tr>
<td>Air conditioner</td>
<td>Major appliance</td>
</tr>
<tr>
<td>Small/built-in appliance</td>
<td>Food retail &amp; commercial equipment</td>
</tr>
<tr>
<td>Major appliance</td>
<td>Devices</td>
</tr>
<tr>
<td>Invested capital</td>
<td>Sales</td>
</tr>
<tr>
<td>High-growth business</td>
<td></td>
</tr>
<tr>
<td>Stable-growth business</td>
<td></td>
</tr>
<tr>
<td>Invested capital</td>
<td></td>
</tr>
<tr>
<td>Low-profitable business</td>
<td></td>
</tr>
<tr>
<td>AVC</td>
<td></td>
</tr>
</tbody>
</table>
Divisional Company Strategies

Eco Solutions Company (ES Company)

Space Innovation business, which provides electrical construction materials, housing materials and other products, is pursuing high growth in priority regions overseas. Lifestyle Innovation business, which is involved in detached residences, urban development and other areas, is working to achieve growth through Group synergies with Panasonic Homes at the core.

Opportunities
- Market expansion from high GDP growth in China, Southeast Asia and ISAMEA (India, South Asia, and the Middle East and Africa)
- Increase in large-scale development projects due to Tokyo Olympic and Paralympic Games and other factors

Strengths
- Robust domestic distribution channels and sales networks for electrical construction materials
- Numerous contact points with customers and marketing capabilities such as stores offering remodeling services and showrooms
- Ability to develop products that deliver value in response to the diverse needs of each country

Issues
- Accelerating growth in overseas electrical construction materials business
- Response to contraction of domestic construction market from 2021
- Profitable growth in the construction business

Net Sales
(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/18</td>
<td>1,957.4</td>
</tr>
<tr>
<td>3/19 (Forecast)</td>
<td>2,061.0</td>
</tr>
</tbody>
</table>

Operating Profit
(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/18</td>
<td>81.2</td>
</tr>
<tr>
<td>3/19 (Forecast)</td>
<td>101.0</td>
</tr>
</tbody>
</table>

Market Environment (FY2019-21 CAGR*1)
Predicting market expansion on sustained GDP growth in main regions
Maintain high growth in ES Company’s three priority regions

- Americas: +4%
- Europe & CIS: +4%
- China & Northeast Asia: +7%
- ISAMEA*: +11%
- Southeast Asia and Oceania: +8%

*1 Weighted averages of the countries’ nominal GDP growth rates based on the Panasonic sales composition ratio
*2 India, South Asia, and the Middle East and Africa

Fiscal 2019 Policy and Strategy
In fiscal 2019, ES Company is projecting net sales of 2,061.0 billion yen, a year-on-year increase of 5%, due largely to active expansion of the electrical construction materials business, including lighting equipment and wiring devices, in China, India and Southeast Asia, and operating profit of 101.0 billion yen, a year-on-year increase of 24%.

Achieved Increased Sales and Profits

Net sales in fiscal 2018, ended March 31, 2018, totaled 1,623.5 billion yen, a year-on-year increase of 5%, due to major growth in the electrical construction materials business, primarily overseas, and operating profit increased 13% year-on-year to 72.5 billion yen, for increases in both sales and profits.

Future Strategy

For details, refer to page 86
Medium-to-Long Term Policy and Strategy

Overseas, the three focus regions are China, ISAMEA (primarily India), and Southeast Asia, and these regions are projected to maintain high market growth. In Japan, both new residential starts and non-residential starts are expected to decline slightly through 2020, and then market contraction is expected from 2021.

Given this outlook, ES Company, guided by a mission of “Expand ‘A Better Life’ to home, town and society,” and a vision of “Make a better, comfortable ‘life’ with human oriented solutions,” and with Panasonic beginning its next 100 years, has redefined its B2B2B/C (electrical construction materials / housing materials) business as the “Space Innovation business” and its B2C business as the “Lifestyle Innovation business” to further increase the value it provides while maintaining its business groupings. The company’s management goals are net sales of 2,270.0 billion yen and an operating profit ratio of 5.5% in fiscal 2021. With the overseas business as its growth driver, ES Company will work to significantly increase overseas sales from 325.0 billion yen in fiscal 2018 to 500.0 billion yen in fiscal 2021.

Strategy of Space Innovation Business

For the overseas electrical construction materials business, resources will be concentrated into three focus businesses (Lighting, Energy Systems and Ecology Systems) in three focus regions (China, ISAMEA and Southeast Asia) with the goal of generating profitable sales growth. For Energy Systems, high-function wiring devices and other strategic products will be launched in India, and home distribution board solutions will be rolled out as a new business. In Southeast Asia, the wiring device lineup will be expanded and the breaker business strengthened. In addition, wiring devices, which have a large market share in India and Turkey, will also be rolled out on African markets with the goal of being No. 1 globally. For Lighting, ES Company in China will promote expansion of the e-commerce business and sales growth for high-function products. In Southeast Asia and India, sales activities directed at commercial facilities, factories and offices will be reinforced in line with expanded sales channels. For Ecology Systems business, ES Company plans to develop new markets and sales channels in China, including regional cities and non-residential markets.

Further, ES Company will search for regional partners (such as developers) that can combine Panasonic products and businesses with local needs in each country in order to thereby accelerate the B2B solutions business. In the domestic electrical construction materials business, ES Company will further strengthen its market advantage, and in the non-residential sector will capture rampant construction demand centering on the Tokyo metropolitan area, which includes demand associated with the upcoming Tokyo Olympics. In addition, for the renovation market, ES Company aims to generate sustained profit by expanding the engineering business through reinforcing system integration functions. Further, with a view to 2021 and beyond, preparations will be accelerated for space innovation that provides new solutions and new experiential value through the linking of “light,” “sound,” “image” and “air.”

Strategy of Lifestyle Innovation Business

In the construction business, with Panasonic Homes, which was made a wholly owned subsidiary in fiscal 2018, at the core, ES Company will seek to achieve profitable sales growth by creating Group synergies and focusing on not only conventional medium-class to high-end residences but also popular price-range residences, multi-storied residences and urban development including non-residences. Specifically, with regard to popular price-range residences, ES Company intends to strengthen its wooden residence business through collaboration with the Housing Systems Business Division, which has know-how in building frame related materials. It will also reinforce construction capabilities through coordination with Panasonic’s integrated general contracting function, which includes Matsumura-Gumi Corp., made a consolidated subsidiary in fiscal 2018, and further expand the urban development business, including non-residences.

For the growth of Lifestyle Innovation business, ES Company will provide residences and towns where new value can be experienced through the utilization of our advanced technologies, one of Panasonic’s strengths. Through this, ES Company will enhance the presence of Panasonic Homes and at the same time quickly realize space value as a showcase. This will be wide-ranging promotions aimed at consumers, builders, general contractors and others, thus, Space Innovation business will create a positive cycle that further expands overall sales of Panasonic products.

Business Composition and Portfolio

Note: The size of the circle is proportional to the amount of operating profit. Overseas and domestic electrical construction materials do not include solar.

Growth Strategy

F

Foundation for Growth

Results for Fiscal Year

Ended March 2018

Panasonic Annual Report 2018 40
Connected Solutions Company (CNS Company)

CNS Company will work to address social issues and establish “Gemba Process Innovation”* in order to provide solutions to corporate customers for issues in frontline business operations and processes through its core devices and advanced technologies.

* Improving productivity and continuously generating value on operational frontlines

**Opportunities**
- Expanding needs for automation and labor saving in industrial fields against a backdrop of social issues
- Labor shortage due to an aging society and lower birth rate and soaring labor costs, primarily in advanced countries
- Surging freight traffic and increasingly complex operational frontlines due to the progress of e-commerce
- Advances in Industry 4.0, AI/IoT utilization
- Increase in number of large-scale development projects brought about by the Tokyo 2020 Olympic and Paralympic Games

**Strengths**
- Comprehensive capabilities to address B2B customer management issues in an all-Panasonic manner
- Expertise cultivated in manufacturing sector
- Strong, differentiated technical capabilities (image recognition, automation technologies, etc.)
- Product development, strong core devices
- Engineering system integration, customer base and sales capabilities that underpin solutions businesses in Japan

**Issues**
- Business model reform for sustainable high-profit business structure
- Convert from individual products and hardware to solutions business
- Construct overseas solutions base

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**Fiscal 2018 Performance**

Higher Sales and Profits for First Time in Two Years

Net sales in fiscal 2018, ended March 31, 2018, totaled 1,119.3 billion yen, an increase of 6% over the previous fiscal year, due to Zetes Industries S.A. (Zetes), a Belgian logistics solutions company, being added to the scope of consolidation, as well as to increased sales of notebook PCs and mounting equipment for the ICT and automotive industries. Operating profit totaled 105.7 billion yen, a year-on-year increase of 110%, and the operating profit ratio was 9.4%. Higher sales and profits were achieved for the first time in two years.

In addition, in fiscal 2018, CNS Company promoted the provision of high added-value solutions, such as automation solutions for immigration procedures at airports using facial recognition technology and projection mapping using high-brightness projectors. It also created the “μSockets” IoT service using advanced core technologies and B2B system provision know-how cultivated for many years on the business frontlines.
Further, CNS Company headquarters was relocated from Osaka to Tokyo. It is being unified to maximize customer touchpoints and accelerate joint creation. Reforms are also being promoted to change to a flat corporate culture that is capable of quick business engagement.

Future Strategy

Fiscal 2019 Policy and Strategy

Net sales in fiscal 2019 are projected to be 1,093.0 billion yen, a decrease of 2% year-on-year, and operating profit is expected to total 83.0 billion yen, a decrease of 20% year-on-year, due in part to lower avionics sales and profits. Overall declines in sales and profits are being predicted because in-flight entertainment and connectivity systems are expected to struggle due to falling demand for large aircraft, and this will have a major impact on the avionics business. However, CNS Company will strive to achieve growth by further strengthening other businesses and expanding into the solutions business.

New initiatives will include, in avionics first of all, building a new integrated platform by leveraging three strengths already possessed by the business, hardware, satellite communications and the cloud, and working to expand the in-flight entertainment and connectivity business by broadly meeting the needs of airline companies. CNS Company will also promote its digital solutions and service business and repair and maintenance business. While lower sales and profits are forecast for fiscal 2019, over the medium term, stable growth is expected.

In the area of process automation, ICT industry investment is expected to decline more than in fiscal 2018, so a slight drop in sales is projected for fiscal 2019, but CNS Company will work to increase profits by focusing on expanding sales of overall factory process improvement and proposal services through its partnership with Siemens and of arc-welding systems and laser-welding systems, which help raise automotive industry productivity.

For the media entertainment business, CNS Company plans to accelerate the provision of solutions for the entertainment and education industries with mainstay products at the core, including high-brightness projectors, production cameras and remote cameras.

In mobile solutions, the company will globally expand supply chain solutions with Zetes at the core.

Panasonic System Solutions Japan Co., Ltd. (PSSJ) will focus on acquiring orders for projects related to the Tokyo Olympic and Paralympic Games ahead of 2020 and increasing sales to its three priority industries, public services, logistics/distribution, and social infrastructure systems.

Medium-to-Long Term Policy and Strategy

Until now, “push” businesses, in which quality products were manufactured and distributed in large quantities, were the mainstream. Going forward, however, the demand is for “pull” businesses, in which products that meet individual customer needs are individually delivered; in other words, what will be needed is supply chains with the customer as the starting point. At the same time, operational frontlines are becoming more complex with the explosive increase in logistics volume caused by the further development of e-commerce, but securing an adequate labor force has also become difficult. Given these circumstances, Panasonic’s corporate customers have begun to want not only simple manpower- and labor-saving benefits but also changes to overall processes across various worksites for higher operational productivity and added value. Panasonic will therefore promote “Gemba Process Innovation” to accommodate these needs. Specifically, the initiative will mobilize expertise in production management methods and frontline process improvements cultivated in manufacturing, differentiated technologies such as sensing, image recognition, and robotics, and experience and knowledge of operational frontlines cultivated at customer sites. It will also support the frontline operations of customers through automation and streamlining of individual processes and comprehensive process management, allowing CNS Company to assist in a way that goes beyond delivering products.

By accelerating this “Gemba Process Innovation” and acquiring needed capabilities (software services, etc.), including through M&A, to build a global solutions base, CNS Company will strive to establish a sustainable high-profit business structure.

Gemba Process Innovation in Supply Chain Field

Leverage know-how cultivated in manufacturing, robotics and other resources to innovate customer processes for production, transporting and selling
Divisional Company Strategies

Automotive & Industrial Systems Company (AIS Company)

Focusing on two mainstay businesses, automotive and industrial systems, AIS Company contributes to the creation of safe, comfortable societies. In Automotive Business in particular, with cars continuing to evolve in response to demands from society and against a background of tightening in environmental regulations worldwide, we are promoting active investment and intend to drive growth for Panasonic as a whole.

Opportunities
- Computerization/digitalization of cars (connected cars, advanced driver assistance system (ADAS))
- Shift in demand from gasoline-powered cars to eco-cars (more stringent environmental controls)
- IoT utilization, labor-saving measures in industrial fields

Strengths
- Group’s technological assets cultivated in digital consumer electronics and mobile phones (image processing, image recognition, wireless communications, cyber security, etc.)
- Technology development and stable supply capabilities for batteries that boast high capacity and high reliability
- Devices with high market shares underpinned by proprietary technologies

Issues
- Response to accelerating car evolution, including CASE*
- Maintaining/raising competitiveness of automotive batteries and response to sharply rising raw material prices
- Development from sales of individual devices to system proposals and other new businesses and services

* An acronym for Connectivity, Autonomous, Shared, Electric.

Net Sales (Based on new organization) (Billions of yen)
- 3/18: 2,803.9
- 3/19: 3,000.0

Operating Profit (Based on new organization) (Billions of yen)
- 3/18: 93.4
- 3/19: 136.0

Toward Achievement of 2.5 Trillion Yen in Automotive Business Sales

Automotive business sales (Trillions of yen)
- 3/18: 1.0
- 3/19: 1.3
- 3/20: 1.7
- 3/22: 2.0

Fiscal 2018 Performance (Based on Previous Organization)

Increase in Business Profitability

In fiscal 2018, Automotive Business, Energy Business and Industrial Business all recorded increased sales, and net sales totaled 2,803.5 billion yen, an increase of 16% over the previous fiscal year. Operating profit declined from the previous fiscal year to 91.4 billion yen, a year-on-year decrease of 2%, in reaction to posting gains on reversal related to legal affairs and gains on business transfer in the previous fiscal year. However, profit created from businesses excluding these impacts increased by over 30.0 billion yen from the previous fiscal year.

In fiscal 2018, AIS Company also steadily conducted initiatives aimed at future growth. In Automotive Business, the company commenced a public road demonstration experiment of autonomous driving cars. In Energy Business, it began examining the possibility of collaborating with Toyota Motor Corporation (Toyota) for the further evolution of automotive prismatic type lithium-ion batteries. The Dalian factory in China also started mass production of automotive prismatic type lithium-ion batteries, the new Morocco factory of Ficosa International, S.A. (Ficosa)
opened to increase production of automotive cameras for European markets, and a motor factory in Zhuhai, China was expanded, as the company worked to bolster production capacity to meet rampant demand.

**Future Strategy**

**Fiscal 2019 Policy and Strategy**

In fiscal 2019, AIS Company will steadily translate large-scale investment made thus far into growth and drive the sales and profit growth of Panasonic overall. It is aiming for increased sales, in real terms excluding the effects of exchange rates, in all of its businesses, starting with Energy Business, where automotive batteries will grow significantly, and including Automotive Business and Industrial Business, and will aim to achieve net sales of 3 trillion yen, an increase of 7% compared to the previous fiscal year. The company will work for operating profit of 136.0 billion yen, an increase year-on-year of 46%, from gains on increased sales of automotive batteries in Energy Business, increased profits from automotive and industrial devices in Industrial Business, and profit improvement in semiconductors and LCD panels, and will strive for an operating profit ratio of 4.5%.

Regarding the main initiatives of each business, first of all, in Automotive Business, AIS Company will work for further business growth centering on its key categories of in-vehicle infotainment (IVI) systems, cockpit products, advanced driver assistance systems (ADAS), and electric mechanisms. In fiscal 2019, Automotive Business will aim to achieve higher sales and higher profits, in real terms excluding the effects of exchange rates, by expanding the vehicle models for which high-added-value products, including IVI and cockpit products, are delivered and by further increasing development efficiency. New products like electronic mirrors and communication units will also contribute to increased sales, as an effect of collaborating with Ficosa, which was made a consolidated subsidiary in fiscal 2018.

In Energy Business, the organization was restructured by customer and industry as of April 2018 to further reinforce the operating base. For automotive batteries, AIS Company is projecting a major increase in sales of both cylindrical and prismatic batteries as a result of working to increase production timed to demand from priority customers and to further increase capacity utilization. While results will be impacted by increased fixed costs, including personnel expenses and equipment depreciation expenses from large-scale investment, and by sharply increasing prices for materials such as cobalt and lithium, it aims to increase profit on gains from higher sales of automotive batteries, streamlining measures, and other factors.

In Industrial Business, the company will work for even higher profitability in electromechanical control, device solutions and electronic materials, its core businesses. Specifically, it will...
Divisional Company Strategies

strive to expand profits by increasing sales of industrial products like servo motors and high-function multi-layer circuit board materials and of EV relays and passive components for automotive applications. For semiconductors and LCD panels, businesses to be turned around, the company will endeavor to improve marginal profit by streamlining, raising yields and revamping the product mix toward profitability in fiscal 2020.

With respect to capital investment, in fiscal 2018, investment of over 200.0 billion yen was made, centering on investment in Panasonic’s Nevada factory, which is inside the Gigafactory of U.S.-based Tesla Inc. (Tesla) However, sales increases by the Nevada factory lag behind by a fiscal year, so the company has worked to control depreciation expenses and minimize the impact on income and expenditure through measures such as delaying the facility’s operating period. In fiscal 2019 as well, AIS Company is planning investment of 241.0 billion yen, primarily in automotive battery factories in Nevada, Dalian and Himeji. It will strive to meet skyrocketing demand and minimize risk by carefully monitoring customer production plans and demand trends and by making staged investments.

Medium-to-Long Term Policy and Strategy

Toward Automotive Business Sales of 2.5 Trillion Yen
AIS Company’s Automotive Business is expected to be able to achieve net sales of 2 trillion yen in fiscal 2020, primarily due to increased sales of automotive batteries. It is also aiming for net sales of 2.5 trillion yen in fiscal 2022 and will endeavor to become one of the world’s top 10 manufacturers of automotive components. During the five-year period from fiscal 2017 to fiscal 2022, the business will grow substantially, at an annual rate of 14%, exceeding the company’s effective demand (annual growth of +8%).

Mid-Term Growth Scenario for Automotive Business
In Automotive Business, AIS Company will continue to focus on the four key categories of IVI, cockpit products, ADAS and electric mechanisms.

For cockpit systems, which started being shipped in fiscal 2018, it will work to propose systems that are combined with IVI to thereby steadily increase orders. For ADAS, it will utilize image processing and synthesis technologies cultivated in the digital AV business to capture orders for advanced driver assistance system with sensing cameras and sonar in the low-to-medium speed range and will actively work to acquire orders for more advanced systems, such as autonomous parking systems. For electric mechanisms, the company will work to expand the business through overseas development of automotive battery chargers, which have a track record in Japan, and by acquiring new orders for products such as electric power train systems for compact electric vehicles.

Further, utilizing these automotive systems, AIS Company will continue planning commercialization of new services required of the mobility society, taking into account all people and objects that move.

Mid-Term Growth Scenario for Energy Business
Demand for automotive batteries has been increasing rapidly with the spread of electric vehicles. In response to this sharp growth in demand, AIS Company will not pursue market share but rather will put even more emphasis on profitability and reliable investment returns as it makes staged investment in its factories in Japan, the U.S. and Europe.

- Battery sharing
- Base station power supplies
- Data center backup power supplies
- EV electric mechanisms
- Remote monitoring service
- Battery sharing

Create new battery demand

- Integrated cockpits
- ADAS/Autonomous driving
- EV electric mechanisms

Expand areas where contributions are made to manufacturing people/objects

- Integrated cockpits
- ADAS/Autonomous driving
- EV electric mechanisms

Achieve profit growth by focusing on four key categories

■ Contribute to the evolution of cars through the four key categories of “IVI, cockpits, ADAS, and electric mechanisms.”
■ Take up challenges for new service businesses in a mobility society.

Sales growth / operating profit ratio (%)
Size of circle: sales scale

3/22
3/19
V822.7 billion
2.4%
3/18
V828.8 billion
3.4%

- Increase market share through integrated “IVI + cockpit” systems.
- Expand businesses by building orders and mass production of low-speed ADAS and electric mechanisms.

3/22
V758.0 billion
3.8%
3/19
V562.5 billion
2.0%

- Take up challenges for new service businesses
- Contribute to mobility services linked to ADAS and electric mechanisms.
- Increase market share through integrated “IVI + cockpit” systems.
- Expand businesses by building orders and mass production of low-speed ADAS and electric mechanisms.
China. With the shift to electric vehicles and entry of new manufacturers accelerating, in part due to stronger environmental and fuel economy restrictions in countries and regions around the world, Panasonic intends to deepen relationships with leading customers that understand the superior qualities of Panasonic batteries, share its values and are willing to share a portion of the risk involved. Based on this thinking, as of the present, the company delivers automotive batteries to 12 top-running customers, starting with Tesla and Toyota. On the strength of this track record, AIS Company intends to further grow its automotive battery business. To this end, it plans to remain committed to the development of both cylindrical and prismatic type products and continue to evolve its automotive batteries to meet customer requirements and further raise their world-leading performance level.

The company will also expand battery sales for non-automotive applications. For example, Panasonic’s power storage systems, which are highly regarded for reliability and lifespan, are being adopted globally in applications such as backup power sources for data centers and base stations, and the company will work for further growth over the medium term. It will also strive to create new businesses, including remote battery monitoring and battery sharing.

**Mid-Term Growth Scenario for Industrial Business**

In Industrial Business, AIS Company will focus resources on devices that support the three fields of labor saving, information and communications infrastructure, and automotive electric systems, where societal demand is strong. For labor saving, system proposals will be promoted for core components like servo motors and sensors that support automation. For information and communications infrastructure, the company will maintain its dominant share for conductive capacitors and multi-layer circuit board materials, which leverage proprietary materials technologies, and pursue high profits. In automotive electric systems, the power control unit business, which pivots on device strengths such as EV relays, will be promoted along with efforts to increase sales of devices highly regarded by customers, such as inductors.

**Toward Fiscal 2031**

AIS Company in fiscal 2018 was able to return to an upward sales trend from its recent downtrend, as increased sales from automotive and industrial related businesses outstripped the declines in existing businesses such as information and communications technology (ICT). Moreover, it achieved higher profit by not simply selling products but by listening closely to customers and proposing the products as systems to address their concerns.

Going forward, AIS Company will continue to grow by partnering with top-running, industry-leading customers, developing industry-leading products with distinctive proprietary technologies, and proactively making investments. With a multitude of business opportunities, the company will focus on areas where its characteristics and strengths can be leveraged and concentrate its resources in order to steadily achieve profitable growth.

While keeping at its core the automotive and industrial fields to which it’s committed, AIS Company will seek to create new business fields and generate further growth.

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**Energy Business (Automotive Batteries)**

- Deepen partnerships with “top runner” customers.
- Further evolve “the world’s No. 1 batteries” (cylindrical and prismatic types)

**Industrial Business**

- Achieve stable growth by concentrating on “labor saving,” “information communication infrastructure,” and “automotive electric systems,” whose demands are strong in the society.
- Pursue high profitability through “modularization” and “runaway high market share” based on competitive devices.

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**Further evolution**

- New material development (prismatic types / cylindrical types) Industry-leading energy density (increase nickel ratio, optimize cobalt ratio)
- New structure development (prismatic types) Improving safety and capacity per volume

---

**Lead the industry through product competitiveness**

- Superiority of Panasonic batteries
  - High safety levels and product development suited to the application
  - Prismatic types
    - For HV: High output / For PHV and EV: High capacity
  - Cylindrical types
    - For EV: High energy density
- Further evolution
  - New material development (prismatic types / cylindrical types) Industry-leading energy density
  - New structure development (prismatic types) Improving safety and capacity per volume
**Divisional Company Strategies**

**Main Products and Services by Business Division** (As of April 1, 2018)

- **Appliances Company**
  - **Air-Condioner Company**
    - Air-conditioners for home, office and store use, multi-unit air-conditioners for buildings, gas heat pump air-conditioners, absorption chillers, and CO2 heat pump hot water supply systems
  - **TV Business Division**
    - TVs
  - **Imaging Network Business Division**
    - Digital cameras and digital video cameras
  - **Home Entertainment Business Division**
    - Blu-ray and DVD recorders, audio equipment, and portable TVs
  - **Communication Products Business Division**
    - Cordless telephones/faxes, home network systems, and intercoms

- **Eco Solutions Company**
  - **Lighting Business Division**
    - Lighting equipment (for residential, facility, outdoor, store etc.), lighting devices, and lamps
  - **Energy Systems Business Division**
    - Wiring devices, home distribution boards, electric tool, condominium HA, HEMS/BEMS, and solar photovoltaic systems

- **Connected Solutions Company**
  - **Panasonic Avionics Corporation**
    - In-flight entertainment and connectivity systems, digital solutions & services, and repairs and maintenance services
  - **Process Automation Business Division**
    - Chip mounters, screen printers, FPD bonders, electronic component insertion machines, welding-related systems, lasers, and integrated line control systems

- **Automotive & Industrial Systems Company**
  - **Automotive Infotainment Systems Business Division**
    - IVI, cockpit systems, car navigation systems, car AV systems, and car speakers
  - **Automotive Electronics Systems Business Division**
    - On-board charging systems, camera modules, and back & corner sensors
  - **Ficosa International, S.A.**
    - Automotive mirrors, shifter systems, and communication modules
Refrigerator Business Division
Refrigerators and freezers

Laundry Systems and Vacuum Cleaner Business Division
Washer/dryers, clothes dryers, vacuum cleaners, and hygiene toilet seats

Kitchen Appliances Business Division
Induction heating (IH) cooking equipment, microwave ovens, rice cookers, built-in cooking appliances, and dishwashers

Beauty and Living Business Division
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.), electric irons, hearing aids, and nanoe devices

Refrigeration and Air-Conditioning Devices Business Division
Air-conditioner compressors, refrigeration compressors, and vacuum insulation materials

Smart Energy System Business Division
Smart gas meter-use devices and fuel cells

Cold Chain Business Division
Showcases, commercial-use refrigerators and freezers, ice-making machines, drink vending machines, and kitchen equipment

Hussmann Corporation
Commercial-use refrigerated and freezer display cases

Panasonic Ecology Systems Co., Ltd.
IAQ-related equipment (ventilation systems, ceiling fans, and air purifiers) and Environmental Systems and Engineering (purifying systems of water, air and soil)

Housing Systems Business Division
System kitchens, system bathrooms, tankless toilets, interior doors, floor materials, delivery boxes, drainpipes, and roof materials

Panasonic Homes Co., Ltd.
Low-rise detached residences, multistoried residences, renovation, and urban development

Panasonic Cycle Technology Co., Ltd.
Power-assisted bicycle and electric motor unit

Media Entertainment Business Division
Projectors, professional displays, audio systems, and professional broadcasting equipment

Mobile Solutions Business Division
PCs, tablets, payment systems, and supply chain solutions

Panasonic System Solutions Japan Co., Ltd.
Development of system solutions (public systems, social systems, logistics/distribution, etc.); system integration, installation, operation and maintenance

Security Systems Business Division
Surveillance cameras and recorders, video analysis solutions, industrial & medical cameras, and mobile camera systems for police

Energy Device Business Division
Dry batteries, nickel metal-hydride rechargeable batteries, and micro batteries

Energy Solutions Business Division
Small lithium-ion batteries, battery modules for storage, and power storage systems

Tesla Energy Business Division
Automotive/power storage cylindrical type lithium-ion batteries

Automotive Energy Business Division
Automotive prismatic-type lithium-ion batteries and automotive nickel metal-hydride rechargeable batteries

Electromechanical Control Business Division
Relays, connectors, switches, automotive power supplies, motors, and FA sensors

Panasonic Semiconductor Solutions Co., Ltd.
IC/LSI, image sensors, compound semiconductors, and lead frames

Device Solutions Business Division
Conductive polymer capacitors, resistors, inductors, and inertial sensors

Electronic Materials Business Division
Electronic circuit board materials, plastic molding compounds, encapsulation materials, and advanced films

Panasonic Liquid Crystal Display Co., Ltd.
IPS liquid crystal display panel
A Message from the Chairman of the Board

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

Shusaku Nagae
Director, Chairman of the Board
Promoting continuous governance reform

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

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

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

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

Incorporating diverse external perspectives in the Company’s management

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

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

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

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

Activities Aimed at Strengthening Governance

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<td><strong>Board of Directors</strong></td>
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<td>Appointed a female director</td>
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<td>Begun evaluating the effectiveness of the Board of Directors</td>
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<td>Increased the number of outside directors from three to four</td>
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<td>Reduced the minimum ratio of outside directors to one third</td>
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<td>Appointed a non-Japanese director</td>
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<td><strong>Nomination and Compensation Advisory Committee</strong></td>
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<td>Number of outside members/Total number of members</td>
<td>Established</td>
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<td><strong>Initiatives and other mechanisms</strong></td>
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<td>Introduced stock options</td>
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<td>Established the Outside Directors and Outside A&amp;SB Members Committee</td>
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<td>Outside directors in addition to outside directors of A&amp;SB members began visiting business sites</td>
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<td>Reviewed the conferring of representation rights</td>
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<td>Reviewed the corporate advisor system</td>
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<td>Discontinued the ESV Plan*</td>
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<td>Clarified the roles of directors and executive officers</td>
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</table>

* The Policy toward Large-Scale Purchases of Panasonic Shares
Outside Directors’ Roundtable Discussion

Vitalizing Board of Directors by Strengthening Governance

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

Outside Directors’ View of Panasonic

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

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

Since Mr. Tsuga became president in 2012, the thinking has been to firmly rebuild B2C, the foundation of Panasonic’s business, and use the cash generated to expand the B2B domain. Based on this thinking, Panasonic has clearly started to shift from B2C, where it...
is easy to become embroiled in price competition, to B2B, where stable earnings can be expected over the long term, while also conducting reforms to its organizational structures. I think this business model reform and this basic strategy are correct. Even in the B2B domain, Chinese companies are emerging and competition is also expected to intensify, so going forward Panasonic should continue to conduct management with flexibility and a sense of speed.

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

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

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

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

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

Effectiveness of the Board of Directors

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

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

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

Discussions by the Board of Directors have clearly been enlivened
Compared to the time around 2013 when I was appointed an outside director, my impression is that systems for upper management development, selection and succession have been established fairly well. Actually, the Nomination and Compensation Advisory Committee is currently discussing various matters, with an awareness of transparency, related to the Nomination and Compensation Advisory Committee is currently discussing various matters, with an awareness of transparency, related to the qualities required of the CEO’s successor and the preferred timing of succession. Regarding the required qualities, the speed of change in the industry is very fast, so there is no fixed answer, and I think this will be determined when the time comes. However, the ability to think from a Group-wide perspective, sensitivity to business models, and the ability to choose strategies flexibly are always important. I also think that how to develop personnel with a broad viewpoint capable of managing business as a whole is truly a very big challenge. The business area is this large and it is global, so the Divisional Company system and Business Division system make sense, but with this organizational format there is the need to have substantive deliberations will be increasingly important going forward.

Substantive deliberations will be increasingly important going forward.

Personnel Development for the Next Generation of Upper Management

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

Ota

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

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

Toyama

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

Tsutsui

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

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

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

Of course diversity is important, and it will be necessary to expand the pool and have not only Japanese but people globally handling management in the future. From the standpoint of diversity, I would like there to be a few more women in upper management.

Another big change is that Panasonic now is fairly active about promoting from outside the company. Mr. Higuchi is a former Panasonic employee, so he’s perhaps not completely from the outside, but I think inviting in executive-class people from the outside was unthinkable at Panasonic previously. This is a very good change.

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

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

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

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

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

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

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

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

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

Directors
Introduction

Growth Strategy

Foundation for Growth

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Directors, Audit & Supervisory Board Members and Executive Officers
(As of June 28, 2018) (Based on information contained in the Company’s Annual Securities Report)

**Director, Chairman of the Board**

Shusaku Nagae
Apr. 1972 Joined Matsushita Electric Works, Ltd. (MEW)
Dec. 2004 Managing Executive Officer, MEW
June 2007 Managing Director, MEW
June 2010 President, Panasonic Electric Works Co., Ltd. (former MEW)
Apr. 2011 Senior Managing Executive Officer of the Company / In charge of Lighting Company and Panasonic Eco System Co., Ltd.
Jan. 2012 In charge of Solution Business / President, Eco Solutions Company
June 2012 Executive Vice President of the Company / In charge of Corporate Division for Promoting Energy Solution Business
June 2013 Chairman of the Board of Directors (current position)

**Director, Vice Chairman of the Board**

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

**Representative Director, President**

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

**Representative Director**

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

**Representative Directors**

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

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

**Directors**

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

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

**Outside Directors**

Masayuki Oku
(independent director)
June 2005 President, Sumitomo Mitsui Banking Corporation / Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc.
June 2018 Director of the Company (current position)
June 2017 Honorary Advisor, Sumitomo Mitsui Financial Group, Inc. (current position)

Yoshinobu Tsutsui
(independent director)
Apr. 2011 President, Nippon Life Insurance Company
June 2015 Director of the Company (current position)
Apr. 2018 Chairman, Nippon Life Insurance Company (current position)

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

Kazuhiko Toyama
(independent director)
Apr. 2003 Senior Representative Director (COO), Industrial Revitalization Corporation of Japan
Apr. 2007 Representative Director (CEO), Industrial Growth Platform, Inc. (current position)
June 2016 Director of the Company (current position)

**Representative Director**

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

Outside Directors

Masayuki Oku
(independent director)
June 2005 President, Sumitomo Mitsui Banking Corporation / Chairman, Board of Directors of Sumitomo Mitsui Financial Group, Inc.
June 2018 Director of the Company (current position)
June 2017 Honorary Advisor, Sumitomo Mitsui Financial Group, Inc. (current position)

Yoshinobu Tsutsui
(independent director)
Apr. 2011 President, Nippon Life Insurance Company
June 2015 Director of the Company (current position)
Apr. 2018 Chairman, Nippon Life Insurance Company (current position)

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

Kazuhiko Toyama
(independent director)
Apr. 2003 Senior Representative Director (COO), Industrial Revitalization Corporation of Japan
Apr. 2007 Representative Director (CEO), Industrial Growth Platform, Inc. (current position)
June 2016 Director of the Company (current position)

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

Senior Audit & Supervisory Board Members

Hirofumi Yasuhara

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

Mamoru Yoshida

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

Outside Audit & Supervisory Board Members

Yoshio Sato

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

Mitsuko Miyagawa

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

Toshio Kinoshita

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

President

Kazuhiro Tsuga
Chief Executive Officer (CEO)

Executive Vice President

Yoshio Ito
CEO, Automotive & Industrial Systems Company

Senior Managing Executive Officers

Yoshiyuki Miyabe
Chief Technology Officer (CTO)
Chief Manufacturing Officer (CMO)
Chief Quality Officer (CQO)
Chief Procurement Officer (CPO)
Chief Information Officer (CIO)

Mototsugu Sato
Chief Strategy Officer (CSO)
Chief Human Resources Officer (CHRO)
In charge of Business Development, General Affairs, Social Relations, and Business Creation Project
CEO, Panasonic Holding (Netherlands) B.V.

Tetsuro Homma
CEO, Appliances Company
In charge of Consumer Business and FF Customer Support & Management

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

Makoto Kitano
CEO, Eco Solutions Company
In charge of Construction Safety Regulations Administration Department

Yasuyuki Higuchi
CEO, Connected Solutions Company

Managing Executive Officers

Takashi Toyama
Representative in Tokyo
In charge of Government and External Relations
Director, Government and External Relations Division
In charge of Tokyo Olympic & Paralympic Business Promotion

Laurent Abadie
COO, Panasonic Holding (Netherlands) B.V.
Regional Head for Europe & CIS
Chairman & CEO, Panasonic Europe Ltd.
Managing Director, Panasonic Marketing Europe GmbH

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

Daizo Ito
Regional Head for India, South Asia, Middle East and Africa
Chairman, Panasonic India Pvt. Ltd.
Senior Vice President, Eco Solutions Company
In charge of Global Marketing

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

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

Tatsuo Katakura
Senior Vice President, Connected Solutions Company
In charge of Global Solution Business
President, Panasonic System Solutions Japan Co., Ltd.

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

Hirokazu Umeda
Chief Financial Officer (CFO)
In charge of Groupwide Cost Busters Project and BPR Project
President, Panasonic Equity Management Japan Co., Ltd.

Adoption of CXO titles

The Company has adopted “CXO” titles indicating the chief officers of each function in order to provide a clearer understanding of the positions to global stakeholders. Each “CXO” has the function as shown at right.

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<td>Compliance</td>
<td>CCO (Chief Compliance Officer)</td>
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<td>Planning</td>
<td>CSO (Chief Strategy Officer)</td>
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<tr>
<td>Accounting and Finance</td>
<td>CFO (Chief Financial Officer)</td>
</tr>
<tr>
<td>Human Resources</td>
<td>CHRO (Chief Human Resources Officer)</td>
</tr>
</tbody>
</table>
Executive Officers

Masahiro Ido
In charge of Solution Sales
Director, Business Solutions Division
Director, MICE Business Promotion Division
Director, Tokyo Olympic & Paralympic Enterprise Division

Satoshi Takeyasu
Chief Brand Communications Officer (CBCO)
Director, Groupwide Brand Communications Division
In charge of Facility Management and Corporate Sports Promotion

Junichiro Kitagawa
Vice President, Appliances Company
In charge of Overseas Marketing Director, Consumer Marketing Division

Yuki Kusumi
Vice President, Automotive & Industrial Systems Company
Director, Automotive Energy Business Division, SANYO Electric Co., Ltd.

Yoshiyuki Iwai
Vice President, Eco Solutions Company
In charge of Legal Affairs, Intellectual Property, and Intelligence & Liaison

Makoto Ishii
In charge of Information Systems and Logistics
Vice President, Appliances Company
In charge of Information Systems and Logistics

Hiroyuki Aota
Vice President, Connected Solutions Company
Director, Process Automation Business Division
President, Panasonic Smart Factory Solutions Co., Ltd.

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

Ryuji Matsushita
Vice President, Eco Solutions Company
In charge of Construction Business
President, Panasonic Homes Co., Ltd.

Manish Sharma
President, Panasonic India Pvt. Ltd.
Vice President, Appliances Company

Eiji Fuji
Vice President, Automotive & Industrial Systems Company
In charge of Technology
Director, Engineering Division

Hiroyuki Tagishi
Vice President, Appliances Company
Managing Director, Panasonic Appliances Asia Pacific

Kiyoshi Otaki
Vice President, Appliances Company
In charge of Home Appliances Business

Sadaaki Yokoo
Regional Head for China & Northeast Asia
Chairman, Panasonic Corporation of China

Masahiro Shinada
Vice President, Eco Solutions Company
Director, Energy Systems Business Division
Director, Solar Systems Business Unit

Laurence W. Bates
General Counsel (GC)
Chief Risk Management Officer (CRO)
Chief Compliance Officer (CCO)
Director, Risk & Governance Management Division

Hideshi Fuchiue
Vice President, Appliances Company
In charge of AVC Business

Masaharu Michiura
Vice President, Eco Solutions Company
In charge of Marketing for Japan Region
Director, Marketing Division

Toshinori Kishi
Vice President, Connected Solutions Company
Director, Media Entertainment Business Division

Shigeo Okuda
Vice President, Automotive & Industrial Systems Company
In charge of Automotive Technology
Director, Automotive Electronics Systems Business Division

Tatsuo Ogawa
Vice President, Automotive & Industrial Systems Company
In charge of Manufacturing Innovation
Director, Manufacturing Technology and Engineering Division
In charge of Quality Administration and Environmental Affairs

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

Eiichi Katayama
In charge of Strategic Business
Vice President, Eco Solutions Company
In charge of AGF-BUSINESS Business
President, Panasonic Cycle Technology Co., Ltd.

Mitsuki Wada
In charge of Procurement
President, Global Procurement Company

Thomas Gebhardt
Regional Head for North America
Chairman & CEO, Panasonic Corporation of North America

Akira Kono
Vice President, Appliances Company
Director, Consumer Marketing Division (Japan), Consumer Marketing Sector for Japan Region
Panasonic recognizes that corporate governance is an important basic structure for enhancing corporate value and continues to work to enhance its effectiveness.

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

**Corporate Governance Structure and Initiatives**

**Basic Policy**

The Company, since its establishment, has operated its business under its management philosophy, “contributing to the progress and development of society and the well-being of people worldwide through its business activities.”

Also, the Company believes it is important to enhance corporate value by fulfilling accountability through dialogue with various stakeholders such as shareholders and customers, making effort to execute transparent business activities, and swiftly conducting business activities with fairness and honesty based on its basic philosophy of “a company is a public entity of society.”

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

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

**The Board of Directors**

- The Board of Directors is composed of 12 directors including four outside directors, of whom one is a woman (outside director).
- In fiscal 2019, we appointed one director who is a non-Japanese national.
- The chairperson of the Board is the chairman (inside director).
- The Company elects outside directors from among managers of external entities, who have extensive managerial experience in various careers and deep insight, and are expected to provide valuable opinions as supervisors of decision-making related to business execution and the execution of directors’ duties.
- All directors are reelected at the annual general meeting of shareholders.

*1 Deliberates on advisory matters and reports to the Board of Directors
*2 Complements Board of Directors’ decision-making
*3 Including affiliated companies (Japan and overseas), etc.
Main items discussed by the Board of Directors in fiscal 2018
In addition to discussions on business policy, the Board of Directors deliberated on and decided matters related to medium-to-long term strategy, including M&A and large-scale capital investment projects, and important aspects of business execution, such as dividend policy and executive HR issues. In addition, it received business reports from Divisional Company presidents and region representatives, conducted oversight of the execution of duties, and verified the internal control system and risk management system. The Board of Directors also discussed compliance and financial strategies. In addition, the significance of possessing strategic shareholdings was examined by the Board of Directors.

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

Optional Nomination and Compensation Advisory Committee
- Chaired by an independent outside director
- Majority of members are independent outside directors.
- Deliberates on the results of internal reviews of the nomination of candidates for director, executive officer, and audit & supervisory board member and on the appropriateness, etc. of the Company’s director and executive officer compensation system, and reports on these matters to the Board of Directors.
- In fiscal 2018, discussions were conducted on the procedure for the appointment of the CEO’s successor and on a review of the corporate advisor system, and these matters reported to the Board of Directors.

Group strategy meeting
- Meetings are held twice monthly in principle to discuss and set the direction of the Group’s medium-to-long term strategy and priority issues.
- Around 10 members of upper management participate, including the president, four Divisional Company presidents, and non-Japanese executive officers.
- Managers of related business and functional divisions in positions of responsibility also participate in discussions depending on the matter considered.

Utilization of Outside Directors

Policy for nominating independent outside director candidates and their qualifications
The Company nominates independent outside director candidates from the standpoint that there be no conflict of interest between the Company and the outside directors, and the Company can increase and enhance the effectiveness of the monitoring of the Board based on an objective and neutral point of view.

Candidates for independent outside director who satisfy the following independence standards are elected from among those who have extensive knowledge and expertise, such as managers or experts of external entities.
- The Board of Directors resolved that the minimum ratio of outside directors should be one third on and after June 29, 2017. Based on this, we nominate candidates for outside director and appoint them at the ordinary general meeting of shareholders, thereby enhancing the objectivity and neutrality of the Board of Directors and strengthening the supervisory function.

Independence standards for independent directors / Audit & Supervisory Board members (A&SB members)
The Company established independence standards for independent directors/A&SB members based on independence standards required by financial instruments exchanges such as the Tokyo Stock Exchange. For example, the following persons are not considered independent.
- Major business partner of the Company or said executing person (including those who had fallen under this category in the past)
- Consultant, accountant or attorney (who currently is or was in the past, in the case of a legal entity) who receives a significant amount of money from the Company
- The aforementioned close relative (a second-degree or closer relative) or a close relative of an executing person of the Company or subsidiary
- Also, “past” shall mean “within the last three years” and “major business partner” shall mean the annual amount of transaction exceeds 2% of either of their annual consolidated sales. “Significant,” in the case of individuals, shall be judged as 12 million yen. For a detailed definition of the Company’s independence standards please refer to the “Corporate Governance Report.”

Provision of information and assistance to outside directors
The division in charge provides support to outside directors, such as prior explanation of agendas of the Board meeting and provision of information to enable effective discussions by the Board of Directors.
Implementation and Utilization of Evaluation of the Board of Directors Effectiveness

Once a year, the Board of Directors administers a questionnaire to all its members in order to further enhance the Board’s effectiveness. Based on an analysis of the fiscal 2017 questionnaire results, it was concluded with respect to the effectiveness of the Board of Directors that basically the current state of the Board is appropriate, but a number of opinions and proposals were presented. Discussions were held on the opinions and proposals, and improvement measures were implemented.

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

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

Response to fiscal 2017 questionnaire results

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of persons</th>
<th>Amount (million yen)</th>
<th>Basic compensation</th>
<th>Performance-based compensation</th>
<th>Stock-type compensation stock options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (other than outside directors)</td>
<td>15</td>
<td>1,089</td>
<td>672</td>
<td>239</td>
<td>178</td>
</tr>
<tr>
<td>A&amp;SBMs (other than outside A&amp;SBMs)</td>
<td>2</td>
<td>75</td>
<td>75</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outside directors</td>
<td>4</td>
<td>64</td>
<td>64</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outside A&amp;SBMs</td>
<td>3</td>
<td>39</td>
<td>39</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

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

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## Stock-type compensation stock options

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

For details about the conditions for the issuance and exercise of said stock options, please refer to the [Corporate Governance Report](#).

## Procedure for determining remuneration

Compensations of directors and executive officers are decided by directors, who were given the authority by the Board of Directors, based on the Company’s director and executive officer compensation system. In November 2015, the Company has established an optional Nomination and Compensation Advisory Committee, chaired by an independent outside director. In response to inquiries from the Board, this committee deliberates and reports on the appropriateness of the Company’s director and executive officer compensation system.

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## Illustration of Compensation Structure

**Long-term incentive**
- Stock-type compensation stock options
- Basic compensation

**Short-term incentive**
- Performance-based compensation

---

## Directors Who Received Compensation over 100 Million Yen

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

Information Disclosure / Dialogue

Information disclosure approach and system
The Company’s basic policy concerning information disclosure is as follows.

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

(From the Panasonic Code of Conduct)

The Company clearly defines its policy on information disclosure in the Panasonic Code of Conduct, the guideline for putting the Group’s Basic Business Philosophy into practice. The Company also publishes relevant practical standards, methodologies, internal processes, etc. as its Disclosure Policy. In accordance with this Policy, the Company pursues constructive dialogue with all its shareholders and investors. (For more details, please visit the Disclosure Policy page on the Company’s website.)

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

Moreover, the Company has established disclosure control procedures and in the preparation and submission of annual securities reports, quarterly and other reports, the Disclosure Committee, which is comprised of managers from principal departments that handle relevant information, confirms the validity of the descriptive content and the appropriateness of the disclosure procedures under the supervision of the president and chief financial officer (CFO).

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

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

Specifically, the Company has reinforced its internal controls by implementing self-checks and self-assessment programs at each of the Divisional Companies and Business Divisions, etc. Then, internal auditing managers of the Divisional Companies appointed by the Company at each of the Divisional Companies, etc. conduct audits. Based on the audits, the Internal Control Promotion Office supervises the Group-wide internal control audits in order to confirm the effectiveness of each company’s financial reporting. With the aim of further enhancing the Group’s internal control system, in fiscal 2018 Panasonic had approximately 400 personnel assigned to conduct internal audits in the Internal Auditing Group.

Constructive dialogue with shareholders and investors
The CFO is responsible for investor relations (IR) activities. The president, chief strategy officer (CSO), CFO, and each president of Divisional Companies mainly engage in dialogue with shareholders and investors. This includes announcements of financial results and individual meetings. Also, the IR staff members in the Corporate Finance & IR Department are in charge of day-to-day communication with shareholders and investors.

For IR geared toward institutional investors and securities analysts, the Company conducts presentation meetings of quarterly financial results announcements, annual presentation regarding business policy of the Company and Divisional Companies, and other activities. Also, for overseas investors, the Company holds presentation meetings utilizing conferences hosted by financial institutions.

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

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

**Basic Policy**

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

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

**Organizational Structure**

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

**Business Continuity Management (BCM)**

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

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**Basic Framework for Risk Management**

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

**Major Corporate Risks for FY2019**
- Natural disaster (earthquakes, tsunamis, weather-related disasters, etc.)
- Quality issues
- Serious fraud
- Cyberattacks

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**Risk Management Promotion Framework**

- **Global & Group Risk Management Committee**
  - Committee Chairman: Chief Risk Management Officer (CRO)
  - Members: Divisional Companies, Regional Headquarters, Corporate Strategy Head Office/PBSS (professional business support section)

- **Secretariat Risk Management Promotion Office**
  - Monitoring / evaluation
  - Report on monitoring status

- **Audit & Supervisory Board Auditors**

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**Committee**
- Corporate Strategy Division
- PBSS (Functions)
- Each Functional Division
- Corporate Conferences and Committees
- Disaster / Accident Countermeasures Committee
- Corporate Behavior Committee
- Information Security Committee

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**Regional Headquarters**
- Regional Head
- Global administration / support

**Divisional Companies**
- Presidents
- Risk Management Committees

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**Regional administration support**
- Overseas Manufacturing Companies
- Business Divisions in Japan

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**Introduction**
- Growth Strategy
- Foundation for Growth
- Results for Fiscal Year Ended March 2018
Governance

Compliance

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

Basic Policy

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

Organizational Structure

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

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

Preventing Cartels

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

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

Preventing Bribery of Government Officials

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

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

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

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

Basic Policy

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

Organizational Structure

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

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

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

Dialogues with Stakeholders

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

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

While promoting the training and assignment of human resources from a global standpoint, Panasonic is accelerating the training and application of staff who underpin future business growth. In addition, the Company is working diligently to identify and mitigate any risks that could potentially have a negative impact on society and the Company’s business, by promoting the utmost respect for human rights, supply chain management, raising quality levels and ensuring product safety.

Human Resources Development and Diversity

Basic Policy

To deliver products and services that contribute to the lives of customers and societies around the world, and to develop Panasonic’s business, it is essential for the Company to continue developing personnel that can participate actively, and grow, in the global business environment. It is also essential that the Company creates an organizational culture in which all individual employees can fully deploy their talents regardless of age, gender, nationality, or other attributes. 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 rewarding work 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 Panasonic head office, plus the human resources departments in each of the four Divisional Companies (Appliances, Eco Solutions, Connected Solutions, and Automotive & Industrial Systems) and in all Business Divisions and affiliated companies under the Panasonic umbrella. In addition, the Office for A Better Workstyle has been established in the head office and work style reforms are being instituted to help make work rewarding for each and every employee. Further, Panasonic has established the Human Resources Development Company as an organization that specializes in human-resources-related development, education and training globally for employees of all levels.

Managerial Promotion

In selecting candidates for upper management and developing upper management personnel, Panasonic has unified its standards, systems, processes and IT on a global basis and identifies and develops the most qualified people without regard to age, gender or nationality while working to ensure career development and promotion take place in a planned manner. For example, we have established the Panasonic Global Competencies, common guidelines for action that are based on the Company’s management philosophy in order to clarify leadership competencies required of leaders as well as core competencies for all employees. The guidelines are intended to promote behavior change and improved practical initiatives in every one of its leaders worldwide.

In addition, management of multiple businesses and experience working outside one’s home country have been clearly stated as requirements for being appointed as an officer or promoted to upper management. By clarifying the necessary qualifications and career path for upper management in this way, we are accelerating training of upper management candidates from an early career stage and also implementation of strategic personnel rotations for this purpose and other aspects of career development.

Moreover, multifaceted observation-based assessments and assessments by outside agencies are conducted of personnel who are candidates for upper management in order to make it possible to objectively grasp strengths and weaknesses related to leadership and other competencies. This promotes recognition by both the Company and the person involved of areas that need to be strengthened or overcome as well as key training points for promotion to upper management and encourages growth into personnel with high levels of self-awareness and motivation.
Global Human Resources Development

Panasonic conducts the “Working in Japan” program to promote business across countries and regions and strengthen the development of leaders, who are key to this coordination. We have also established inter-region transfer rules to promote work in other countries.

In each country and region, we are promoting and expanding training programs for deepening mutual understanding with people in countries around the world. For example, in Europe, as a part of the two-year “Talent for Tomorrow” human resources development program, employees are split up into project teams and each team promotes a CSR-based project. This project is conducted over the course of several months and is supported and evaluated by a non-profit charitable organization. Participating employees use their business skills to tackle social issues and leverage the knowledge and experience they gain from the activity in product development and business creation.

In each region, Panasonic administers selective training for upper management development tailored to the region that is coordinated with the equivalent training conducted in Japan. In addition, global measures conducted with Japan include the Global Onboarding Program for people hired mid-career and an e-learning service based on a common global core knowledge system that makes it possible for employees worldwide to acquire necessary knowledge regardless of the time or place.

Women’s Participation in Management

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.

Further, to raise the awareness of all employees with respect to promoting diversity, July of each year is designated Diversity Promotion Month, with forums held and opportunities created at the workplace to discuss related issues.

“e-Work” for Diverse Working Styles

Panasonic is utilizing information and communications technologies to promote “e-Work” as an efficient working style not restricted by time or place, and has instituted a Work-at-Home System that applies to approximately 40,000 employees. “Spot Offices” have also been set up in 17 locations (16 locations in Japan). The offices are equipped with equipment and network connectivity that make it possible for employees to work while on business trips.

This has successfully reduced travel times and sped up customer service, and we intend to further enhance the infrastructure for conducting work efficiently going forward. Through accelerating adoption of diverse and flexible work styles, we will further raise productivity and help employees achieve work-life balance.
**Social Initiatives**

### Respect for Human Rights

**Basic Policy**

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 incorporating ideas concerning global human rights into its management, including by making reference to the Guiding Principles on Business and Human Rights, which were adopted by the UN Human Rights Council in June 2011.

**Organizational Structure**

The departments responsible consist of the Human Resources & Industrial Relations Department established at the Panasonic head office, the human resources departments established at each of the four Divisional Companies (Appliances, Eco Solutions, Connected Solutions, and Automotive & Industrial Systems), and all Business Divisions and affiliated companies under the Panasonic umbrella. In addition, 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 has been established at each Divisional Company and Business Division in an effort to provide a place for employees and temporary staff to go to discuss any concerns relating to human rights and all forms of harassment.

**Initiatives for the Prevention of Modern Slavery**

Modern slavery can occur in various forms including servitude, forced or compulsory labor and human trafficking, all of which include the deprivation of a person’s (an adult or 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 it operates.

Panasonic will not knowingly use modern slavery in any of its products and/or services supplied, nor will it accept commodities, products and/or services from suppliers that it believes to engage in acts of modern slavery.

### Supply Chain Management

**Basic Policy**

With social responsibility in procurement, including consideration for the environment and human rights, good labor conditions and fair trade, being expected from society, Panasonic is working to conduct its business with suppliers that not only provide excellent technology and quality, but also honor social responsibilities including human rights and labor, safety and health, green procurement, clean procurement and information security. Panasonic considers the promotion of CSR in its procurement departments to be crucial and conducts periodic management reviews.

**Organizational Structure**

The department responsible is the Global Procurement Company. Each of the Divisional Companies and their Business Divisions and other affiliated companies has its own procurement department. The Global Procurement Company is responsible for CSR procurement activities at the Group-wide level. It works together with the Divisional Companies and their Business Divisions and other affiliated companies to strengthen efforts in this area.

Each Divisional Company and Business Division draws up plans to follow and promote the Group-wide rules and manuals, in order to keep the PDCA cycle in motion.

**Main Initiatives**

Panasonic has suppliers signal their agreement with the Supply Chain CSR Promotion Guidelines, which set forth the Company’s management philosophy, CSR procurement policies, and supplier requirements, and also requests that suppliers conduct CSR self-assessments before transactions commence. Further, the Company signs a Standard Purchase Agreement with each of its suppliers that includes items related to CSR such as human rights, safe working environments, and consideration for the environment.

In addition, Panasonic conducts regular evaluations of supplier initiatives related to CSR alongside evaluations of assessment standards for quality, cost, delivery, and service (QCDS) and business results.

With regard to conflict minerals that fund organizations that behave without proper regard for human rights, engage in environmental destruction, practice corruption, and otherwise act unethically in conflict zones, the Company strives to adhere to the Organisation for OECD’s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
Raising Quality Levels and Ensuring Product Safety

Basic Policy

Panasonic’s Group-wide 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 the autonomous code of conduct for product safety. Under this policy, Panasonic actively strives to ensure the safety of its products, keeping to its principles of “the customer comes first” and of maintaining a “super-honest” attitude.

Organizational Structure

With the support and governance of the Panasonic head office, each Divisional Company and Business Division has implemented systems for undertaking its business with independent responsibility and self-sufficiency. Since September 2014, regional quality administration managers have been appointed for six regions: North America; Latin America; Europe and CIS; Southeast Asia and Oceania; India, South Asia, Middle East and Africa; and China and Northeast Asia. These managers monitor regional quality conditions and promptly share information on product safety-related defects with the various business operations. They also share information on public safety standards and public safety certifications in the regions on a timely basis, reinforcing the organizational structure of the business operations.

Quality Management System

To establish self-sufficient quality assurance processes in each Divisional Company and Business Division, Panasonic published its Quality Management System (P-QMS) Guidelines in 2004. The guidelines set forth a quality management system for achieving quality levels required by Panasonic and include proprietary quality assurance processes and expertise in addition to ISO 9001 requirements. The guidelines continue to be revised in accordance with changes to the ISO 9001: 2015 standard.

The Divisional Companies and Business Divisions formulate their own quality assurance systems based on the guidelines matched to the characteristics of their respective businesses. Quality assessments and internal audits are conducted at various levels, corporate, Divisional Company and Business Division, in order to verify system progress as a part of efforts to continually improve quality. The guidelines are comprised of a Group-wide section that applies in common to the entire organization and sector standards formulated for items specific to individual businesses, including consumer electronics, automotive, housing, devices, B2B solutions, and pharmaceuticals. To effectively accommodate further business diversification, Panasonic works to ensure the guidelines continue to evolve in line with its business areas.

ISO 26262*1 Road Vehicle Functional Safety Certification Acquired

Panasonic acquired process certification under the ISO 26262 standard for road vehicle functional safety*2 through the German third-party organization TÜV SÜD. The Company is now recognized as being capable of complying up to the standard’s highest safety level, ASIL-D, in development processes for automotive devices and device software.

*1 International standard for road vehicle functional safety issued on November 15, 2011. The standard stipulates the Automotive Safety Integrity Level (ASIL) in four ranks (ASIL A to ASIL D).
*2 Safety realized through the functioning of microcomputers and other electrical and electronic devices. Failure detection, safe stopping control, and user warnings are examples of such functions.
Environmental Initiatives

Various environmental issues, including climate change, resource depletion and water shortages, are becoming increasingly serious. Panasonic conducts business activities that consider the environment and works to solve environmental issues through its products and services with the aim of fulfilling its corporate social responsibilities and reducing management risk.

Basic Policy

Principles and Plans

On the basis of a management philosophy of contributing to society as a public entity of society, Panasonic has established policies and plans related to the environment and carries out corresponding initiatives. It issued its Environmental Statement in fiscal 1992 to communicate its stance to society of addressing not only the pollution problem but also global environmental problems like climate change and resource recycling. In addition, in fiscal 2014, the Company established its new Environmental Action Guideline along with a new brand slogan, “A Better Life, A Better World,” and clarified its stance of addressing five environmental issues, CO2 reduction and resource recycling, primarily, and also water, chemical substances and biodiversity. Specific initiatives are being carried out on the basis of the Green Plan 2018, which has a target year of fiscal 2019. The plan has been revised to address internal and external changes since it was established in fiscal 2011. Most recently, it was revised in fiscal 2017 in light of increasing societal demand for CO2 reductions against the backdrop of the Paris Agreement, which was adopted at the 21st Conference of the United Nations Framework Convention on Climate Change (COP21) in December 2015, and of changes in Panasonic’s business composition with expanding automotive and B2B-related businesses.

Long-Term Vision

The high level of interest in the Paris Agreement and Sustainable Development Goals (SDGs) is indicative of a deepening of environmental and energy problems around the globe. Even at the World Economic Forum held in January 2018, a gathering of world political and economic leaders, abnormal weather, natural disasters and global warming were the risks cited with the greatest potential impact, and activities are starting around the world to develop thoroughgoing countermeasures.

Amid these developments, Panasonic in fiscal 2018 established the Panasonic Environment Vision 2050. The vision calls for the Company to endeavor toward the achievement of both “a better life” and “a sustainable global environment” and to create more energy than it uses by 2050. At present, the total amount of energy Panasonic creates is less than one-tenth of the total amount it uses. Going forward, the Company will reduce energy used through technology development that raises the energy-saving performance of products and through innovations to manufacturing processes, while expanding energy creation and storage businesses and contributing to the construction of new social infrastructure, including the hydrogen society, to increase opportunities for utilizing clean energies and thereby further increase energy created.

Environmental Action Plan “Green Plan 2018”

Energy used < Energy created

Energy used in Panasonic business activities like production and energy used by Panasonic products through its customers

Clean energy created and/or made available by Panasonic products and services such as photovoltaic power generation systems, storage batteries and energy solutions

Panasonic Environment Vision 2050

To achieve “a better life” and “a sustainable global environment,” Panasonic will work towards creation and more efficient utilization of energy which exceeds the amount of energy used, aiming for a society with clean energy and a more comfortable lifestyle.

Environment Vision 2050

To achieve “a better life” and “a sustainable global environment,” Panasonic will work towards creation and more efficient utilization of energy which exceeds the amount of energy used, aiming for a society with clean energy and a more comfortable lifestyle.
Promotion System of Environmental Sustainability Management

Panasonic formulates its annual environmental management policy in accordance with the Group management policy, Panasonic Environment Vision 2050, 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 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 Group Strategy Meeting, whose members include the president and Divisional Company presidents, checks progress and makes decisions on important policies in connection with the Green Plan 2018 and Environment Vision 2050. In addition, the Environmental Compliance Administrators Meeting is held twice a year by the executive officer of environmental affairs, who has authority delegated from the president.

The Environmental Working Committee Meeting, environmental compliance administrators and environmental operation administrators of the four Divisional Companies and regional headquarters share and discuss their successful initiatives and issues they have faced, and other related matters. A PDCA management cycle is implemented to further raise the overall level of Group-wide environmental management.

Promotion System for Environmental Sustainability Management in Fiscal 2019

Green Products

Panasonic conducts product environmental assessments to evaluate in advance, from the stage of planning and design, the impact of products on the environment, and works to raise their environmental performance. Among products and services with enhanced environmental performance, Panasonic has specifically defined as “Strategic GPs” 1) products and services that reduce environmental impact with top-level environmental performance, 2) products and services whose promotion and dissemination lead to reducing environmental impact, and 3) products and services that reduce environmental impact in a specific region, and is working to increase sales of them. In fiscal 2018, sales of Strategic GPs constituted approximately 21% of consolidated net sales.

Among Strategic GPs, products that particularly create new trends are certified as “Super GPs.” In fiscal 2018, the following three products earned the certification.

Examples of Super GPs

**FA Servo with Substantially Less Metal**

The MINAS A6 family of FA servos offers high basic performance, including the industry’s smallest motor size, and is produced with a substantially lower amount of metal materials, including magnets, iron and copper wire, while also achieving cost reductions.

**“freeze-ray” Low Energy Consumption Data Archiver**

Along with high capacity, high reliability and high-speed data transfer, freeze-ray uses optical discs made of a material with a long, 100-year lifespan, which reduces use of resources at replacement. It also features low energy consumption, reducing the cost to the customer and CO2 emissions.

**Air Quality Improvement Products with PM2.5 Purification Function**

These products have achieved a PM2.5 removal rate of 98%, among the highest levels of purification performance in the industry, to address the problem of PM2.5, one of the causes of air pollution in China. Over a short two-year period, 25 different models have been developed and sold and are helping to improve the indoor environment in China.

**Wall-mounted energy recovery ventilator (ERV)**
Environmental Initiatives

Initiatives to Address Environmental Challenges

CO2 Reduction

Basic Approach and Targets
The Paris Agreement sets out a target of limiting global temperature increases to less than 2°C above pre-industrial levels and a more ambitious target of keeping global temperature increases to less than 1.5°C above pre-industrial levels, as well as sets a goal of virtually zero for CO2 and other greenhouse gas emission levels for the second half of this century. To achieve these targets, companies are required to make further contributions to reducing CO2 emissions.

Along with its Environment Vision 2050, in fiscal 2018 Panasonic established new long-term CO2 reduction targets in line with the Paris Agreement, and in October 2017 they were certified as SBT*.

Reductions to CO2 Emissions from Product Use
Panasonic has instituted a unique indicator, “size of contribution in reducing CO2 emissions,” to maximize its contribution to CO2 reduction through its products.

There are two types of CO2 reduction contributions, direct and indirect. The former refers to CO2 reductions through energy conservation and energy creation with Panasonic products, including its energy-saving appliances, solar cells and fuel cells. The latter is CO2 reductions from the products of other companies that are supported by Panasonic products. This includes specifically air conditioning load reduction effects from improved insulation performance in Panasonic housing, energy-saving effects from products by other companies equipped with Panasonic energy-saving compressors and motors, and improved fuel economy effects from electric vehicles equipped with Panasonic automotive batteries. In fiscal 2019, combining these direct and indirect contributions, the Company is targeting contributions to CO2 reduction of 55.0 million tons.

Reductions to CO2 Emissions in Business Activities
The Green Plan 2018 establishes CO2 emissions per basic unit (CO2 emissions per unit of production volume) as a target indicator for CO2 reductions in production activities and sets a target for fiscal 2019 of a reduction of 5% or more compared to fiscal 2014 (reduction of 1% or more on average per year).

Panasonic is working to reduce CO2 emissions and achieve the target through measures such as individual initiatives at the factory level, horizontal development of exceptional initiatives throughout the Company, and training of specialized personnel. Panasonic is also promoting introduction of renewable energies such as solar cells. As a result of these activities, CO2 emissions per basic unit in fiscal 2018 was 14% lower than in fiscal 2014. The amount of energy consumption itself has also been steadily reduced, which has contributed to cost reductions as well.

One example of a progressive initiative to create a zero-CO2 factory is Panasonic do Brasil Limitada’s use of renewable energy sources for 100% of the power it consumes.

* SBT stands for Science Based Targets, which are company greenhouse gas reduction targets consistent with scientific knowledge.

CO2 Reduction Targets
CO2 emissions from use of Panasonic products
30% reduction by 2030 (compared to fiscal 2014)

CO2 emissions from Panasonic business activities
30% reduction by 2030 (compared to fiscal 2014)

Zero by 2050
Societal concern about resources has been rising as economies grow rapidly around the globe. New mining of resources not only places a substantial impact on the environment, problems also occur like the depletion of mineral resources and sharp increases in resource prices.

Against this backdrop, Panasonic has made recycling-oriented manufacturing one of its key tasks alongside CO2 reduction, regarding this as the responsibility of a manufacturer that uses large amounts of resources. This task has three aspects: minimizing total resources used while maximizing recycled resources, eliminating landfill disposal of waste from production activities, and recycling used products.

The Green Plan 2018 sets a target for use of recycled plastics to further promote realization of recycling-oriented manufacturing, and the Company is working to increase its use. Specifically, in recycling used home appliances, resin recycling is being promoted through coordination between Panasonic Eco Technology Center Co., Ltd. (PETEC), which is the Company’s appliance recycling facility, and the Appliances Company’s Kato Plastic Recycling Factory, in order to effectively utilize plastics in addition to iron, copper, aluminum and other metals.

Going forward, Panasonic will continue to promote utilization of recycled plastics as an initiative to both help reduce environmental impact and stabilize raw material procurement.

As a result, though water risk that could impact the Company’s business activities has not emerged, in regions where the impact of water risk was determined to be significant, Panasonic intends to continue to monitor trends and work to reduce management risk.

Chemical Substance Management and Reduction

With concern over the negative impact on human health and the environment, regulations and societal demands are mounting with respect to the management and reduction of harmful substances, examples being the EU’s RoHS Directive*1 and REACH*2.

Panasonic actively acquires information on chemical substances contained in the parts and raw materials it uses. For substances that products are not allowed to contain by law in major developed countries, the Company conducts management to ensure they are not used or included on a global basis, except in certain unavoidable cases when using an alternative would not be feasible. In addition, Panasonic is currently conducting impact assessments on managed substances based on the application and amount used and is planning to reduce or prohibit use of substances whose impact on people and the environment cannot be ignored.

For example, four types of phthalic esters, which are often contained in PVC materials, will be regulated by the RoHS Directive starting in July 2019. The Company is developing a system for switching to alternative substances and preventing admixture in order to prohibit their delivery starting in July 2018, before the regulation goes into effect. It is also switching to alternatives for other phthalic esters as well in anticipation of the possibility of future regulations.

*1 The Restriction of Hazardous Substances (RoHS) Directive is a directive established by the EU related to the restricted use of certain hazardous substances included in electrical and electronic equipment.

*2 Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) is a regulation established by the EU on the registration, assessment, approval and restriction of chemical substances.
Examples of Initiatives Aimed at Addressing Social Issues (Relationship with SDGs)

Based on its management philosophy, Panasonic is committed to resolving social issues through its business activities. Engaged in a wide range of businesses worldwide, the Company is also working to help achieve the Sustainable Development Goals (SDGs) adopted by the United Nations.

<table>
<thead>
<tr>
<th>Example Initiatives</th>
<th>Main Activities</th>
</tr>
</thead>
</table>
| **Contributions to Creation of Clean Energy Society**                                                 | - Reduction of energy used: Provision of products featuring high energy-saving performance and energy management systems, promotion of energy saving at our factories and offices  
- Expansion of energy created (increase in opportunities to utilize clean energy): Provision of battery systems for eco-cars, photovoltaic systems and fuel cells |
| While reducing the amount of energy that we use, we are promoting the creation and utilization of clean energy and aiming to realize a society with clean energy and a more comfortable lifestyle. Looking ahead to 2050, Panasonic works toward the creation of energy which exceeds the amount of energy used. |
| **Providing A Better Life in Entire Towns**                                                          | - Having established Sustainable Smart Towns (SSTs) in the cities of Fujisawa and Yokohama (Tsunashima) in Japan, we provide solutions that contribute to energy, security, mobility, wellness and community  
- We are now deploying the knowhow gained from having established the SSTs on a global basis, including in Europe and the Americas (for example in Denver in the United States), China, India and Southeast Asia |
| To resolve social issues and improve the value of entire communities, we are promoting the creation of towns that continue to develop through co-creation with partner companies, public organizations, universities and residents. |
| **Contributions to Creation of Safe Transportation Societies**                                      | - Provision of Advanced Driver Assistance System (ADAS), for which we utilize camera/sensing technologies and image processing technology  
- Further safety improvements through the development of communications technology that focuses on connectivity, whereby cars and networks are interlinked  
- Provision of ITS solutions that support safety |
| We develop and provide solutions that make driving safer and more secure by combining highly developed technologies, for example in sensing, image recognition and communications, and conveying easily understood information to users. |
| **Improving the Productivity of Corporate Customers**                                                | - Manufacturing: Improving productivity by visualizing real-time production frontline operating status and other data to secure improvements in a timely manner  
- Logistics: Working to increase efficiency and save labor in the fields of onsite warehousing, transportation, and delivery in the logistics industry, which is experiencing a sharp increase in items handled  
- Distribution: Co-developing new business models and services in the distribution industry based mainly on systems solutions that are supported by advanced products and ICT |
| Drawing on the know-how amassed in the manufacturing industry as well as robotics technologies, we are working to innovate the production, transportation, and selling processes of customers, who confront such wide-ranging challenges as increasingly diverse and sophisticated consumer needs and a shortage of labor. At the same time, we are endeavoring to improve productivity on the operational frontlines and continuously create value. |
| **Contributions to Creation of Recycling-Oriented Society**                                         | - To minimize total resources used, we promote reductions in the size and weight of our products  
- Globally promoting the recycling of home appliances that are no longer used  
- Providing products whose resources (including plastic and iron) are recovered from used products under the concept “Product to Product”  
- Reduction in amount of waste generated at factory, improvement of recycling rate |
| As the duty of a manufacturer who uses a large volume of resources, we are promoting the reduction of the total resources used, product recycling, expanding the amount of recycled resources used in our products with the aim of contributing to the sustainable use of resources. |
| **Contributions to Creation of Societies That Respect Human Rights**                                | - Initiatives to prevent forced labor, child labor  
- Protecting rights of workers, including foreign migrant workers  
- Occupational health and safety management |
| As a corporate group that conducts business on a global basis, we are promoting initiatives aimed at respecting human rights and decent work that take entire supply chains into consideration. |
| **Contributions to Creating Societies in Which Diverse People Actively Participate**                 | - Promotion of women’s participation in management (including the holding of study groups for female employees, career advancement seminars for female managers)  
- Creation of workplaces that facilitate work regardless of employees’ sexual orientation/gender identity  
- Creation of workplaces that enable employees with disabilities to actively participate |
| While respecting people’s diversity, we are working to become a corporate group where people who have diverse characters and abilities get together and actively participate through a variety of systems and efforts geared toward inclusion. |
| **Being of Service through Corporate Citizenship Activities**                                        | - 100 Thousand Solar Lanterns Project / Off-grid Solutions Project / Bringing Light to People (helping to solve social problems in developing countries by solar power generation)  
- Panasonic NPO/NGO Support Fund for SDGs (support for strengthening the organizational capacity of NPOs and NGOs aiming to eliminate poverty)  
- Sustainable Seafood (protection of fisheries resources by the utilization of certified marine products) |
<p>| By donating our own products and by providing management expertise to organizations working on resolving social issues, we aim to eliminate poverty and increase educational opportunities in emerging and developing countries, while we are helping to build a sustainable society in which each of the individuals can become independent. |</p>
<table>
<thead>
<tr>
<th>SDGs to Which We Contribute</th>
<th>Detailed Information</th>
</tr>
</thead>
</table>
| 7  | Annual Report 2018  
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|  | Pages 77-78 Initiatives to Address  
|  | Environmental Challenges  
|  | Website  
|  | Panasonic Environment Vision 2050  
|  | CO₂ Reduction  
|  | Website  
|  | Fujisawa SST  
|  | Tsunashima SST  
|  | CityNOW Project  
|  | Website  
|  | Bringing Personal Safety to Our Driving Society  
|  | Website  
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|  | Website  
|  | Respect for Human Rights  
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|  | Pages 71-72 Human Resources  
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|  | Website  
| 100 Thousand Solar Lanterns Project  
|  | Off-grid Solutions Project  
|  | Bringing Light to People  
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|  | SDGs (Japanese Version Only)  
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|  | (Japanese Version Only)  

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## 10-Year Financial Summary

Panasonic Corporation and Subsidiaries, Years ended March 31

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

### U.S. GAAP

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>7,765,507</td>
<td>7,417,980</td>
<td>8,692,672</td>
<td>7,846,216</td>
<td>7,303,045</td>
<td>7,736,541</td>
</tr>
<tr>
<td>Operating profit</td>
<td>72,873</td>
<td>190,453</td>
<td>305,254</td>
<td>43,725</td>
<td>160,936</td>
<td>305,114</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>(382,634)</td>
<td>(29,315)</td>
<td>178,807</td>
<td>(812,844)</td>
<td>(398,386)</td>
<td>206,225</td>
</tr>
<tr>
<td>Net income (loss) attributable to Panasonic Corporation</td>
<td>(378,961)</td>
<td>(103,465)</td>
<td>74,017</td>
<td>(772,172)</td>
<td>(754,250)</td>
<td>120,442</td>
</tr>
<tr>
<td>Capital investment</td>
<td>494,368</td>
<td>385,489</td>
<td>403,778</td>
<td>333,695</td>
<td>310,866</td>
<td>217,033</td>
</tr>
<tr>
<td>Depreciation</td>
<td>325,835</td>
<td>251,839</td>
<td>284,244</td>
<td>295,808</td>
<td>277,582</td>
<td>278,792</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>517,913</td>
<td>476,903</td>
<td>527,798</td>
<td>520,217</td>
<td>502,223</td>
<td>478,817</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(332,830)</td>
<td>189,674</td>
<td>266,250</td>
<td>(339,993)</td>
<td>355,156</td>
<td>594,078</td>
</tr>
</tbody>
</table>

### At Year-End (Millions of yen)

| Interest-bearing debt         | 745,665 | 1,327,992 | 1,595,269 | 1,957,615 | 1,143,395 | 642,112 |
| Cash and cash equivalents      | 973,867 | 1,109,912 | 974,826 | 574,411 | 496,283 | 592,467 |
| Total assets                   | 6,403,316 | 8,358,057 | 7,822,870 | 6,601,055 | 5,397,812 | 5,212,994 |
| Panasonic Corporation shareholders’ equity | 2,783,980 | 2,792,488 | 2,558,992 | 1,929,786 | 1,264,032 | 1,548,152 |
| Total equity                   | 3,212,581 | 3,679,773 | 2,946,335 | 1,977,566 | 1,304,273 | 1,586,438 |

### Per Share Data (Yen)

<table>
<thead>
<tr>
<th>Net income (loss) attributable to Panasonic Corporation per common share:</th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payout ratio (%)</td>
<td>(182.25)</td>
<td>(182.25)</td>
</tr>
<tr>
<td>Dividends declared per share</td>
<td>30.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Panasonic Corporation shareholders’ equity per share</td>
<td>1,344.50</td>
<td>30.00</td>
</tr>
</tbody>
</table>

### Financial Indicators

| Operating profit/sales (%) | 0.9 | 2.6 | 3.5 | 0.6 | 2.2 | 3.9 |
| Income (loss) before income taxes/sales (%) | (4.9) | (0.4) | 2.1 | (10.4) | (5.5) | 2.7 |
| ROE (%)                                      | (11.8) | (3.7) | 2.8 | (34.4) | (47.2) | 8.6 |
| Net income (loss) attributable to Panasonic Corporation/sales (%) | (4.9) | (1.4) | 0.9 | (9.8) | (10.3) | 1.6 |
| Total asset turnover ratio (Times)             | 1.1 | 1.0 | 1.1 | 1.1 | 1.2 | 1.5 |
| Financial leverage (Times)                    | 2.1 | 2.6 | 3.0 | 3.2 | 3.8 | 3.8 |
| Interest-bearing debt/total assets (%)        | 11.6 | 15.9 | 20.4 | 23.9 | 21.2 | 12.3 |
| Panasonic Corporation shareholders’ equity/total assets (%) | 43.5 | 33.4 | 32.7 | 29.2 | 24.3 | 29.7 |
| Payout ratio (%)                               | – | – | 28.0 | – | – | 25.0 |

### Exchange Rate (Yen)

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

### Notes to U.S. GAAP

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For the Year (Millions of yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>7,715,037</td>
<td>7,553,717</td>
<td>7,626,306</td>
<td>7,982,164</td>
</tr>
<tr>
<td>Operating profit</td>
<td>381,913</td>
<td>415,709</td>
<td>230,299</td>
<td>380,539</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>182,456</td>
<td>217,048</td>
<td>227,529</td>
<td>378,590</td>
</tr>
<tr>
<td>Net profit attributable to Panasonic Corporation stockholders</td>
<td>179,485</td>
<td>217,048</td>
<td>165,212</td>
<td>236,040</td>
</tr>
<tr>
<td>Capital investment</td>
<td>226,680</td>
<td>248,794</td>
<td>252,905</td>
<td>392,234</td>
</tr>
<tr>
<td>Depreciation</td>
<td>179,485</td>
<td>193,293</td>
<td>238,214</td>
<td>226,576</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>457,250</td>
<td>449,828</td>
<td>438,851</td>
<td>448,879</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>353,455</td>
<td>124,406</td>
<td>125,551</td>
<td>(35,646)</td>
</tr>
<tr>
<td>At Year-End (Millions of yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>972,916</td>
<td>725,919</td>
<td>724,841</td>
<td>1,239,444</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,280,408</td>
<td>1,014,264</td>
<td>1,012,666</td>
<td>1,089,585</td>
</tr>
<tr>
<td>Total assets</td>
<td>5,966,947</td>
<td>5,996,982</td>
<td>5,488,024</td>
<td>6,291,148</td>
</tr>
<tr>
<td>Panasonic Corporation stockholders’ equity</td>
<td>1,823,293</td>
<td>1,705,056</td>
<td>1,444,442</td>
<td>1,707,551</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,992,552</td>
<td>1,854,314</td>
<td>1,647,233</td>
<td>1,882,285</td>
</tr>
</tbody>
</table>

### Per Share Data (Yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share attributable to Panasonic Corporation stockholders:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>71.30</td>
<td>64.33</td>
<td>101.20</td>
</tr>
<tr>
<td>Diluted</td>
<td>71.29</td>
<td>64.31</td>
<td>101.15</td>
</tr>
<tr>
<td>Dividends declared per share</td>
<td>25.00</td>
<td>25.00</td>
<td>30.00</td>
</tr>
<tr>
<td>Panasonic Corporation stockholders’ equity per share</td>
<td>622.34</td>
<td>673.93</td>
<td>732.12</td>
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### Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit/sales (%)</td>
<td>3.0</td>
<td>3.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Profit before income taxes/sales (%)</td>
<td>2.4</td>
<td>2.9</td>
<td>4.7</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>10.6</td>
<td>11.0</td>
<td>14.4</td>
</tr>
<tr>
<td>Net profit attributable to Panasonic Corporation stockholders/sales (%)</td>
<td>2.3</td>
<td>2.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Total asset turnover ratio (Times)</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Financial leverage (Times)</td>
<td>3.3</td>
<td>3.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Interest-bearing debt/total assets (%)</td>
<td>16.3</td>
<td>13.0</td>
<td>19.7</td>
</tr>
<tr>
<td>Panasonic Corporation stockholders’ equity/total assets (%)</td>
<td>30.6</td>
<td>30.5</td>
<td>27.1</td>
</tr>
<tr>
<td>Payout ratio (%)</td>
<td>35.1</td>
<td>38.9</td>
<td>29.6</td>
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</table>

### Exchange Rate (Yen)

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

### Notes to IFRS

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

Panasonic Annual Report 2018 82
During the year ended March 31, 2018 (fiscal 2018), the global economy showed signs of recovery. The U.S. economy performed strongly on stable consumer spending and recovering capital investment, while the Chinese economy also saw an increase in exports driven by growth in foreign demand. The Japanese economy made a moderate recovery owing to stable employment and other factors.

Panasonic had set company targets of operating profit and net profit attributable to Panasonic Corporation stockholders for fiscal 2019. Toward achieving such targets and pursuing sustainable growth, in fiscal 2018, Panasonic promoted growth strategies aimed at sustainably increasing sales and profits while identifying growth areas where the Company will focus its management resources. For the B2B business, on April 1, 2017, Panasonic established a new Divisional Company, the Connected Solutions Company, as a result of reorganizing the former AVC Networks Company and developed a more customer-oriented structure for the business that is expected to play a key role in the growth of the Group-wide B2B business. For the automotive-related business, Panasonic further increased production capacity for automotive batteries, including a new factory in Dalian, China, which started mass production and shipment. Panasonic also announced an agreement with Toyota Motor Corporation on studying the feasibility of a joint business to further advance automotive prismatic batteries. For the housing-related business, Panasonic made PanaHome Corporation a wholly owned subsidiary with the aim of generating synergies among the Group’s management resources. In the solar business, Panasonic started selling individual cell devices to complement existing module sales. The Company also made changes to its module production system that included termination of production at the Shiga plant. The Company’s initiatives including the above resulted in increases in sales and profit in fiscal 2018.

Sales increased in fiscal 2018 due mainly to growth in the automotive- and industrial-related businesses. Consolidated group sales increased by 9% from 7,343.7 billion yen to 7,982.2 billion yen, as domestic sales were firm and overseas sales saw significant growth from the automotive-related business. Contributions were made in particular by the Automotive Business, which includes automotive infotainment systems and car-related equipment, and the Energy Business, which includes rechargeable batteries. Newly consolidated Ficosa and Zetes and favorable exchange rates also contributed to the growth in sales.

### Financial Results

<table>
<thead>
<tr>
<th></th>
<th>3/2017 (Billions of yen)</th>
<th>3/2018 (Billions of yen)</th>
<th>vs. 3/2017 %/amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>7,343.7</td>
<td>7,982.2</td>
<td>109% +638.5</td>
</tr>
<tr>
<td>Operating profit</td>
<td>276.8</td>
<td>380.5</td>
<td>137% +103.7</td>
</tr>
<tr>
<td>Other income (deductions)</td>
<td>-1.7</td>
<td>-1.9</td>
<td>-0.2</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>275.1</td>
<td>378.6</td>
<td>138% +103.5</td>
</tr>
<tr>
<td>Net profit attributable to Panasonic Corporation stockholders</td>
<td>149.4</td>
<td>236.0</td>
<td>158% +86.6</td>
</tr>
<tr>
<td>ROE</td>
<td>9.9%</td>
<td>14.4%</td>
<td></td>
</tr>
</tbody>
</table>

### Exchange rates

<table>
<thead>
<tr>
<th>Currency</th>
<th>Rate (3/2017)</th>
<th>Rate (3/2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USD</td>
<td>108 yen</td>
<td>111 yen</td>
</tr>
<tr>
<td>1 EUR</td>
<td>119 yen</td>
<td>130 yen</td>
</tr>
<tr>
<td>1 RMB</td>
<td>16.1 yen</td>
<td>16.8 yen</td>
</tr>
</tbody>
</table>
By geographic region, overall sales in Japan increased by 2% to 3,724.1 billion yen, from 3,659.1 billion yen a year ago. Sales overseas increased by 16% to 4,258.1 billion yen, from 3,684.6 billion yen a year ago. In real terms, excluding the impact of exchange rates, sales increased by 11% year-on-year. In North and South America, sales totaled 1,368.3 billion yen, a year-on-year increase of 8%, and a 5% increase in real terms. In Europe, sales increased by 35% from the previous fiscal year to 821.0 billion yen, which represents a 27% increase in real terms. In Asia and China, sales were 2,068.8 billion yen, a 15% increase from a year ago and a 10% increase in real terms.

Cost of sales increased from 5,157.2 billion yen a year ago to 5,643.0 billion yen. Selling, general and administrative expenses totaled 1,938.0 billion yen, an increase from 1,842.9 billion yen a year ago. Share of profit of investments accounted for using the equity method increased year-on-year to 10.1 billion yen. Other income (expenses), net, amounted to a loss of 30.8 billion yen, compared to a loss of 75.2 billion yen the previous fiscal year, due to declines in business restructuring expenses and legal costs.

As a result, operating profit totaled 380.5 billion yen, an increase from 276.8 billion yen the previous fiscal year. Sales increases mainly in the Automotive Business and the Industrial Business and rationalization efforts offset the negative impacts from raw material cost hikes and increased fixed costs due to upfront investments. The operating profit ratio also improved to 4.8%, from 3.8% a year ago.

Profit before Income Taxes

Finance income increased from 21.8 billion yen the previous fiscal year to 22.8 billion yen. Finance expenses increased from 23.5 billion yen to 24.7 billion yen. As a result, profit before income taxes was 378.6 billion yen, compared to 275.1 billion yen the previous fiscal year.

Net Profit Attributable to Panasonic Corporation Stockholders

Income taxes were 126.6 billion yen, compared to 102.7 billion yen a year ago. As a result, net profit attributable to Panasonic Corporation stockholders totaled 236.0 billion yen, compared to 149.4 billion yen a year ago. Also, net profit attributable to Panasonic Corporation stockholders per share was 101.20 yen, against 64.33 yen the previous fiscal year.
Financial Review

Segment Information

Note: Net sales composition ratio is calculated by dividing the sales of each segment by consolidated sales before elimination and adjustments (sales in the “Subtotal” column).

Sales increased by 3% to 2,588.4 billion yen from a year ago, mainly due to growth in sales of appliances and devices in China and other areas in fiscal 2018.

Looking at the main Business Divisions (BD) of this segment, the Air-Conditioner Company saw sales growth driven by brisk sales of both room air-conditioners and large air-conditioners in China and other countries.

In the Laundry Systems and Vacuum Cleaner BD, sales increased due to strong sales of washing machines in China and Asia.

In the TV BD, sales increased with growth in sales of organic electroluminescent (EL) TVs, mainly in Japan and Europe.

In the Refrigerator BD, sales increased with brisk sales in China and Asia.

Operating profit increased by 5.5 billion yen to 104.4 billion yen from a year ago, despite a surge in raw material prices mainly for home appliances such as air-conditioners. The increase was mainly due to progress made in controlling procurement prices for raw materials and components and utilizing alternative materials and components, coupled with gains from increased sales.
Sales increased by 5% to 1,623.5 billion yen from a year ago, mainly due to growth in sales in Japan for the electrical construction materials business and water-related equipment, along with brisk sales overseas for heat-exchanging ventilation units in China and the electrical construction materials business in India and Vietnam.

Looking at the main BDs of this segment, the Energy Systems BD saw an increase in sales mainly due to strong sales of wiring devices in Japan as well as in India, Turkey and Vietnam, despite the impact of contraction in Japan’s solar business market.

The Lighting BD saw growth in sales thanks to brisk sales of non-housing lighting in Japan and expansion of the China business in the overseas market.

At Panasonic Ecology Systems Co., Ltd., sales rose as the increase in sales of ventilation systems in Japan, which absorbed a decline in sales overseas in the environmental engineering business, which had received an order for major projects in the previous year.

In the Housing Systems BD, sales increased on growth in sales of water-related equipment such as modular system kitchens.

Operating profit increased by 8.3 billion yen to 72.5 billion yen from a year ago, mainly due to gains from increased sales and the effect of improving cost competitiveness, despite the impact of high procurement prices for raw materials and components and a drop in sales prices in the market.

Sales increased by 6% to 1,119.3 billion yen from a year ago, mainly due to brisk sales of mounting equipment to smartphone manufacturers and mobile notebook PCs.

Looking at the main BDs of this segment, at Panasonic Avionics Corporation, sales declined despite a solid performance from communications and maintenance services, mainly reflecting lackluster growth in aircraft in-flight entertainment systems due to lower market demand.

In the Mobile Solutions BD, sales increased, mainly due to growth in sales of notebook PCs and the new consolidation of Belgian logistics solutions company Zetes Industries S.A., which outweighed a decline in sales of feature phones.

In the Process Automation BD, sales increased due to growth in sales of mounting equipment and expansion of the product line up in welding equipment for the automotive industry.

In the Media Entertainment BD, sales increased due to buoyant sales of high-brightness projectors and new professional AV system products for the video production market.

Operating profit increased by 55.3 billion yen to 105.7 billion yen from a year ago, mainly due to gains from increased sales in the Mobile Solutions BD and the Process Automation BD, an increase in the profit ratio for the Media Entertainment BD caused by a shift towards high-value added products, and improvement of other income and expenses following a review of the reserve for legal costs.
Sales increased by 16% to 2,803.5 billion yen from a year ago, mainly reflecting growth in electrification and automation-related sales in the automotive field due to market growth for eco-cars and expansion in demand for advanced driver assistance system (ADAS). In the industrial field, device sales in China were brisk.

Looking at the main businesses of this segment, in the Automotive Business, sales increased due to higher sales of automotive infotainment-related equipment such as display audio systems and cockpit systems, as well as ADAS-related products such as automotive cameras and sonars. Consolidation of Ficosa International S.A. also contributed to the increase.

In the Energy Business, sales increased due to growth in sales of prismatic and cylindrical automotive batteries in line with market growth for eco-cars, as well as to the launch of new dry battery products in Japan and strong sales of micro batteries overseas.

In the Industrial Business, sales increased due to brisk sales of motors and sensors for Chinese industrial equipment, film capacitors for eco-cars, and conductive capacitors for data servers and semiconductor storage.

Operating profit declined by 1.6 billion yen to 91.4 billion yen from a year ago, due mainly to recording a reversal of provision and gains from business transfer in the previous fiscal year, despite major gains from increased sales of automotive and industrial products centered on the Industrial Business and automotive batteries.

Sales were 675.9 billion yen, the same level as a year ago.

In fiscal 2018, sales at PanaHome Corporation fell slightly affected by lower orders for new house building and apartments despite brisk sales in Japan for interior remodeling and condominiums.

Operating profit increased by 2.8 billion yen to 10.8 billion yen from a year ago.
## Business Division Information for Fiscal 2018 (Sales)

<table>
<thead>
<tr>
<th>Business Division</th>
<th>1st quarter (Apr.–June)</th>
<th>2nd quarter (July–Sep.)</th>
<th>3rd quarter (Oct.–Dec.)</th>
<th>4th quarter (Jan.–Mar.)</th>
<th>Full year (Apr.–Mar.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air-Conditioner Business</strong></td>
<td>160.3</td>
<td>115.9</td>
<td>99.9</td>
<td>111.8</td>
<td>487.9</td>
</tr>
<tr>
<td><strong>Small &amp; Built-in Appliance Business</strong></td>
<td>100.6</td>
<td>98.4</td>
<td>118.5</td>
<td>89.5</td>
<td>407.0</td>
</tr>
<tr>
<td><strong>Major Appliance Business</strong></td>
<td>124.8</td>
<td>136.8</td>
<td>135.0</td>
<td>114.0</td>
<td>510.6</td>
</tr>
<tr>
<td><strong>AV Business</strong></td>
<td>170.4</td>
<td>170.6</td>
<td>212.8</td>
<td>144.5</td>
<td>698.3</td>
</tr>
<tr>
<td><strong>Commercial Refrigeration &amp; Food Equipment Business</strong></td>
<td>66.8</td>
<td>68.7</td>
<td>69.5</td>
<td>60.3</td>
<td>265.3</td>
</tr>
<tr>
<td><strong>Lighting BD</strong></td>
<td>68.2</td>
<td>76.9</td>
<td>90.5</td>
<td>82.1</td>
<td>317.7</td>
</tr>
<tr>
<td><strong>Energy Systems BD</strong></td>
<td>79.1</td>
<td>86.7</td>
<td>93.1</td>
<td>89.8</td>
<td>348.8</td>
</tr>
<tr>
<td><strong>Housing Systems BD</strong></td>
<td>88.9</td>
<td>92.8</td>
<td>98.1</td>
<td>92.4</td>
<td>372.2</td>
</tr>
<tr>
<td><strong>Panasonic Ecology Systems Co., Ltd.</strong></td>
<td>36.8</td>
<td>36.2</td>
<td>41.9</td>
<td>45.1</td>
<td>160.1</td>
</tr>
<tr>
<td><strong>Avionics Business</strong></td>
<td>61.9</td>
<td>71.0</td>
<td>70.1</td>
<td>69.0</td>
<td>272.0</td>
</tr>
<tr>
<td><strong>Process Automation BD</strong></td>
<td>45.3</td>
<td>52.9</td>
<td>43.2</td>
<td>42.1</td>
<td>183.5</td>
</tr>
<tr>
<td><strong>Media Entertainment BD</strong></td>
<td>31.2</td>
<td>34.5</td>
<td>34.4</td>
<td>32.8</td>
<td>133.0</td>
</tr>
<tr>
<td><strong>Mobile Solutions BD</strong></td>
<td>53.0</td>
<td>56.9</td>
<td>62.0</td>
<td>59.7</td>
<td>231.6</td>
</tr>
<tr>
<td><strong>PSSJ</strong></td>
<td>54.8</td>
<td>65.9</td>
<td>70.2</td>
<td>108.5</td>
<td>299.4</td>
</tr>
<tr>
<td><strong>Automotive Business</strong></td>
<td>206.8</td>
<td>220.3</td>
<td>241.1</td>
<td>260.6</td>
<td>928.8</td>
</tr>
<tr>
<td><strong>Energy Business</strong></td>
<td>127.3</td>
<td>133.8</td>
<td>152.0</td>
<td>149.4</td>
<td>562.5</td>
</tr>
<tr>
<td><strong>Industrial Business</strong></td>
<td>227.1</td>
<td>240.2</td>
<td>242.5</td>
<td>226.5</td>
<td>936.3</td>
</tr>
</tbody>
</table>

### Percentage 2018/2017

- **1st quarter (Apr.–June)**: 106%
- **2nd quarter (July–Sep.)**: 104%
- **3rd quarter (Oct.–Dec.)**: 103%
- **4th quarter (Jan.–Mar.)**: 107%
- **Full year (Apr.–Mar.)**: 106%

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*1 Each business in Appliances consists of the following BDs. The figures of BDs are production and sales consolidated basis.
- Air-Conditioner Business : Air-Conditioner Company
- Small & Built-in Appliance Business : Kitchen Appliances BD, Beauty and Living BD
- Major Appliance Business : Refrigerator BD, Laundry Systems and Vacuum Cleaner BD
- AV Business : TV BD, Imaging Network BD, Home Entertainment BD, Communication Products BD
- Commercial Refrigeration & Food Equipment Business : Cold Chain BD, Hussmann Corporation

*2 Each business in Connected Solutions consists of the following BDs.
- Panasonic Business : Panasonic Avionics Corporation, Avionics Business Unit
- Process Automation BD
- Media Entertainment BD
- Mobile Solutions BD
- PSSJ : Panasonic System Solutions Japan Co., Ltd.

*3 Each business in Automotive & Industrial Systems consists of the following BDs.
- Energy Business : Rechargeable Battery BD, Energy Device BD
Financial Conditions and Liquidity

Liquidity and Capital Resources

The Panasonic Group has a basic policy of generating funds needed for business activities from internal sources. Funds generated are efficiently utilized through intra-Group financing. Based on this, when funds are needed for working capital or business investment, external financing is obtained through appropriate means based on financial strength and financial market conditions.

Cash and cash equivalents as of March 31, 2018 were 1,089.6 billion yen, decreased from 1,270.8 billion yen at the end of the previous fiscal year.

Interest-bearing debt increased to 1,239.4 billion yen as of March 31, 2018 from 1,124.0 billion yen at the end of the previous fiscal year due to the issue of short-term bonds and other factors, despite repayments of straight bonds.

Net cash provided by operating activities for fiscal 2018 was 423.2 billion yen and net cash used in investing activities was 458.8 billion yen. Free cash flow, the total of the two, was an outflow of 35.6 billion yen, compared with an outflow of 34.7 billion yen a year ago.

Despite an increase in net profit, the free cash flow for fiscal 2018 stayed the same level with the previous year, due to an increase in capital investment and other factors.

Capital Investment and Depreciation

The Panasonic Group makes capital investment based on a policy of steady investments primarily in key businesses for future growth.

Capital investment in fiscal 2018 (tangible assets only) increased by 26% to 392.2 billion yen from 311.6 billion yen a year ago. Major capital investments were made at production facilities (U.S. and China) for lithium-ion batteries for automobiles.

Depreciation (tangible assets only) increased by 1% to 226.6 billion yen from 224.4 billion yen a year ago.

Cash Flows

The Company recognizes the importance of increasing free cash flow by strengthening business profitability and developing businesses over the medium-to-long term. The Company also works simultaneously to create cash flows through continuous reductions of working capital, revisions of asset holdings and other measures.
Assets, Liabilities and Equity

The Company’s consolidated total assets as of March 31, 2018 were 6,291.1 billion yen, an increase of 308.2 billion yen from March 31, 2017. This increase is mainly attributable to increases in trade receivables and inventories from higher sales and an increase in property, plant and equipment from capital investments.

The Company’s consolidated total liabilities were 4,408.8 billion yen, an increase of 185.8 billion yen from March 31, 2017. This increase was due mainly to the issuance of short-term bonds and an increase in trade payables.

Panasonic Corporation stockholders’ equity increased by 135.7 billion yen compared to March 31, 2017 to 1,707.6 billion yen due to recording net profit and other factors. As a result, the ratio of Panasonic Corporation stockholders’ equity was 27.1%, increasing from 26.3% on March 31, 2017. With non-controlling interests added to Panasonic Corporation stockholders’ equity, total equity was 1,882.3 billion yen.
## Consolidated Statements of Financial Position  
March 31, 2018 and 2017

Please refer to the Company’s Annual Securities Report (Yukashoken Hokokusho) for more details.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,270,787</td>
<td>1,089,585</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>847,003</td>
<td>1,038,984</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>143,519</td>
<td>203,557</td>
</tr>
<tr>
<td>Inventories</td>
<td>806,309</td>
<td>988,609</td>
</tr>
<tr>
<td>Other current assets</td>
<td>137,201</td>
<td>165,223</td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,204,819</td>
<td>3,485,958</td>
</tr>
</tbody>
</table>

| Non-current assets:      |                               |                               |
| Investments accounted for using the equity method | 155,987                     | 147,959                       |
| Other financial assets   | 161,986                       | 166,466                       |
| Property, plant and equipment | 1,323,282                   | 1,374,066                     |
| Goodwill and intangible assets | 665,132                       | 738,251                       |
| Deferred tax assets      | 407,720                       | 325,255                       |
| Other non-current assets | 64,035                        | 53,193                        |
| Total non-current assets | 2,778,142                     | 2,805,190                     |
| Total assets             | 5,982,961                     | 6,291,148                     |

| **Liabilities and Equity** |                               |                               |
| Current liabilities:      |                               |                               |
| Short-term debt, including current portion of long-term debt | 177,038                     | 375,392                       |
| Trade payables            | 955,965                       | 1,146,476                     |
| Other financial liabilities | 329,625                       | 304,977                       |
| Income taxes payable      | 66,785                        | 77,380                        |
| Provisions                | 317,261                       | 285,954                       |
| Other current liabilities | 865,389                       | 907,756                       |
| Total current liabilities | 2,712,063                     | 3,097,935                     |

| Non-current liabilities: |                               |                               |
| Long-term debt           | 946,966                       | 864,052                       |
| Other financial liabilities | —                            | 18,623                        |
| Retirement benefit liabilities | 467,749                       | 349,873                       |
| Provisions               | 17,679                        | 10,217                        |
| Deferred tax liabilities | 62,531                        | 56,447                        |
| Other non-current liabilities | 16,038                       | 11,716                        |
| Total non-current liabilities | 1,510,963                     | 1,310,928                     |
| Total liabilities        | 4,223,026                     | 4,408,863                     |

| **Equity**               |                               |                               |
| Panasonic Corporation stockholders’ equity |                               |                               |
| Common stock             | 258,740                       | 258,740                       |
| Capital surplus          | 636,905                       | 527,408                       |
| Retained earnings        | 1,051,445                     | 1,300,336                     |
| Other components of equity | (164,632)                     | (168,259)                     |
| Treasury stock           | (210,569)                     | (210,674)                     |
| Total Panasonic Corporation stockholders’ equity | 1,571,889                     | 1,707,551                     |
| Non-controlling interests | 188,046                       | 174,734                       |
| Total equity             | 1,759,935                     | 1,882,285                     |
| Total liabilities and equity | 5,982,961                     | 6,291,148                     |
## Consolidated Statements of Profit or Loss

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>7,343,707</td>
<td>7,982,164</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(5,157,163)</td>
<td>(5,642,952)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,186,544</td>
<td>2,339,212</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(1,842,928)</td>
<td>(1,938,010)</td>
</tr>
<tr>
<td>Share of profit of investments accounted for using the equity method</td>
<td>8,378</td>
<td>10,074</td>
</tr>
<tr>
<td>Other income (expenses), net</td>
<td>(75,210)</td>
<td>(30,737)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>276,784</td>
<td>380,539</td>
</tr>
<tr>
<td>Finance income</td>
<td>21,832</td>
<td>22,772</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(23,550)</td>
<td>(24,721)</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>275,066</td>
<td>378,590</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(102,624)</td>
<td>(126,563)</td>
</tr>
<tr>
<td>Net profit</td>
<td>172,442</td>
<td>252,027</td>
</tr>
</tbody>
</table>

Net profit attributable to:

Earnings per share attributable to Panasonic Corporation stockholders
- Diluted: 64.31 (2017), 101.15 (2018)

## Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>172,442</td>
<td>252,027</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>73,513</td>
<td>61,662</td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>4,260</td>
<td>6,445</td>
</tr>
<tr>
<td>Subtotal</td>
<td>77,773</td>
<td>68,107</td>
</tr>
<tr>
<td>Items that may be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(61,304)</td>
<td>(6,852)</td>
</tr>
<tr>
<td>Net changes in fair value of cash flow hedges</td>
<td>964</td>
<td>1,626</td>
</tr>
<tr>
<td>Subtotal</td>
<td>(60,340)</td>
<td>(5,226)</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>17,433</td>
<td>62,881</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>189,875</td>
<td>314,908</td>
</tr>
</tbody>
</table>

Comprehensive income attributable to:
### Consolidated Statement of Changes in Equity

(Millions of Yen)

<table>
<thead>
<tr>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Other components of equity</th>
<th>Treasury stock</th>
<th>Panasonic Corporation stockholders' equity</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2016</td>
<td>258,740</td>
<td>645,949</td>
<td>878,208</td>
<td>(107,922)</td>
<td>(230,533)</td>
<td>1,444,442</td>
<td>202,791</td>
</tr>
<tr>
<td>Comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>—</td>
<td>—</td>
<td>149,360</td>
<td>—</td>
<td>—</td>
<td>149,360</td>
<td>23,082</td>
</tr>
<tr>
<td>Other comprehensive income (loss)—net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>25,532</td>
<td>—</td>
<td>25,532</td>
<td>(8,099)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>—</td>
<td>—</td>
<td>149,360</td>
<td>25,532</td>
<td>—</td>
<td>174,892</td>
<td>14,983</td>
</tr>
<tr>
<td>Transfer to hedged non-financial assets</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0</td>
<td>—</td>
<td>0</td>
<td>—</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>—</td>
<td>—</td>
<td>72,870</td>
<td>(72,870)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>—</td>
<td>—</td>
<td>(58,025)</td>
<td>—</td>
<td>—</td>
<td>(58,025)</td>
<td>(17,648)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(106)</td>
<td>(106)</td>
<td>—</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>—</td>
<td>(6,324)</td>
<td>—</td>
<td>—</td>
<td>20,070</td>
<td>13,746</td>
<td>—</td>
</tr>
<tr>
<td>Transactions with non-controlling interests and other</td>
<td>—</td>
<td>(2,720)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,720)</td>
<td>(12,080)</td>
</tr>
<tr>
<td>Cumulative effects of new accounting standards applied</td>
<td>—</td>
<td>—</td>
<td>9,032</td>
<td>(9,372)</td>
<td>—</td>
<td>(340)</td>
<td>—</td>
</tr>
<tr>
<td>Balance as of March 31, 2017</td>
<td>258,740</td>
<td>636,905</td>
<td>1,051,445</td>
<td>(164,632)</td>
<td>(210,569)</td>
<td>1,571,889</td>
<td>188,046</td>
</tr>
</tbody>
</table>

### Balance as of March 31, 2018

(Millions of Yen)

<table>
<thead>
<tr>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Other components of equity</th>
<th>Treasury stock</th>
<th>Panasonic Corporation stockholders' equity</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2018</td>
<td>258,740</td>
<td>527,408</td>
<td>1,300,336</td>
<td>(168,259)</td>
<td>(210,674)</td>
<td>1,707,551</td>
<td>174,734</td>
</tr>
</tbody>
</table>
# Consolidated Statements of Cash Flows

**Years ended March 31, 2018 and 2017**

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2017 (Millions of Yen)</th>
<th>2018 (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>172,442</td>
<td>252,027</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>270,767</td>
<td>287,754</td>
</tr>
<tr>
<td>Impairment losses on property, plant and equipment, goodwill and intangible assets</td>
<td>45,868</td>
<td>26,772</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>102,624</td>
<td>126,563</td>
</tr>
<tr>
<td>(Increase) decrease in trade receivables</td>
<td>(7,983)</td>
<td>(156,577)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(36,612)</td>
<td>(164,137)</td>
</tr>
<tr>
<td>Increase (decrease) in trade payables</td>
<td>64,044</td>
<td>143,023</td>
</tr>
<tr>
<td>Other—net</td>
<td>(116,107)</td>
<td>(16,773)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>495,043</td>
<td>498,652</td>
</tr>
<tr>
<td>Interests received</td>
<td>16,956</td>
<td>20,522</td>
</tr>
<tr>
<td>Dividend income received</td>
<td>1,857</td>
<td>2,250</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(23,816)</td>
<td>(21,800)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(104,630)</td>
<td>(76,442)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>385,410</td>
<td>423,182</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities:</th>
<th>2017 (Millions of Yen)</th>
<th>2018 (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(278,594)</td>
<td>(394,485)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>51,155</td>
<td>29,046</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(63,220)</td>
<td>(81,118)</td>
</tr>
<tr>
<td>Collection of lease receivables</td>
<td>—</td>
<td>19,281</td>
</tr>
<tr>
<td>Purchase of investments accounted for using the equity method and other financial assets</td>
<td>(29,119)</td>
<td>(23,938)</td>
</tr>
<tr>
<td>Proceeds from sale and redemption of investments accounted for using the equity method and other financial assets</td>
<td>31,163</td>
<td>14,677</td>
</tr>
<tr>
<td>Proceeds from sales of subsidiaries</td>
<td>11,622</td>
<td>183</td>
</tr>
<tr>
<td>Purchase of subsidiaries, net of cash acquired</td>
<td>(142,844)</td>
<td>(15,646)</td>
</tr>
<tr>
<td>Other—net</td>
<td>(319)</td>
<td>(6,828)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(420,156)</td>
<td>(458,828)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities:</th>
<th>2017 (Millions of Yen)</th>
<th>2018 (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in short-term debt</td>
<td>6,261</td>
<td>239,990</td>
</tr>
<tr>
<td>Proceeds from long-term debt</td>
<td>400,549</td>
<td>3,521</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>(50,900)</td>
<td>(163,429)</td>
</tr>
<tr>
<td>Dividends paid to Panasonic Corporation stockholders</td>
<td>(58,025)</td>
<td>(58,310)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(17,648)</td>
<td>(20,053)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(106)</td>
<td>(119)</td>
</tr>
<tr>
<td>Proceeds from sale of treasury stock</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Transactions with non-controlling interests</td>
<td>(2,946)</td>
<td>(129,229)</td>
</tr>
<tr>
<td>Other—net</td>
<td>17,404</td>
<td>(1,145)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>294,598</td>
<td>(128,763)</td>
</tr>
</tbody>
</table>

| Effect of exchange rate changes on cash and cash equivalents | (1,731) | (16,793) |
| Net increase (decrease) in cash and cash equivalents | 258,121 | (181,202) |
| Cash and cash equivalents at the beginning of the year | 1,012,666 | 1,270,787 |
| Cash and cash equivalents at the end of the year | 1,270,787 | 1,089,585 |
## 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):** 592 companies  
**Associated Companies under the Equity Method:** 88 companies  
**Number of Employees:** 274,143 persons

## Share Data

**Number of Shares Issued:** 2,453,053,497 shares  
(Including 120,718,303 shares held by Panasonic)  
**Number of Shareholders:** 485,053  
**TSE Securities Code:** 6752  
**Unit of Stock:** 100  
**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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td>2,453,053</td>
<td></td>
</tr>
</tbody>
</table>

**Number of Shareholders**  
277,710  
316,182  
364,618  
557,102  
577,756  
499,728  
469,298  
514,129  
486,489  
485,053

**Distribution by Type of Shareholders (%)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese Financial Institutions, etc.</td>
<td>34.1</td>
<td>30.8</td>
<td>30.9</td>
<td>34.2</td>
<td>28.3</td>
<td>27.2</td>
<td>30.1</td>
<td>30.6</td>
<td>30.8</td>
<td>31.9</td>
</tr>
<tr>
<td>Overseas Investors, etc.</td>
<td>22.5</td>
<td>25.3</td>
<td>22.7</td>
<td>21.9</td>
<td>25.3</td>
<td>33.2</td>
<td>29.2</td>
<td>31.2</td>
<td>32.6</td>
<td>33.4</td>
</tr>
<tr>
<td>Other Corporations</td>
<td>7.1</td>
<td>7.1</td>
<td>7.1</td>
<td>8.4</td>
<td>8.3</td>
<td>7.4</td>
<td>7.1</td>
<td>6.9</td>
<td>7.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Individuals and Others</td>
<td>20.7</td>
<td>21.2</td>
<td>23.7</td>
<td>29.7</td>
<td>32.3</td>
<td>26.4</td>
<td>24.1</td>
<td>25.9</td>
<td>24.7</td>
<td>23.0</td>
</tr>
<tr>
<td>Treasury Stock</td>
<td>15.6</td>
<td>15.6</td>
<td>15.6</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
<td>5.4</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

## 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>167,229</td>
<td>7.17</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>141,151</td>
<td>6.05</td>
</tr>
<tr>
<td>NIPPON LIFE INSURANCE COMPANY</td>
<td>69,056</td>
<td>2.96</td>
</tr>
<tr>
<td>MOXLEY AND CO LLC</td>
<td>44,864</td>
<td>1.92</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 5)</td>
<td>43,857</td>
<td>1.87</td>
</tr>
<tr>
<td>Panasonic Corporation Employee Shareholding Association</td>
<td>41,159</td>
<td>1.76</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT - TREATY 505234</td>
<td>40,827</td>
<td>1.75</td>
</tr>
<tr>
<td>SUMITOMO LIFE INSURANCE COMPANY</td>
<td>37,465</td>
<td>1.60</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 7)</td>
<td>32,952</td>
<td>1.41</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 1)</td>
<td>32,451</td>
<td>1.39</td>
</tr>
</tbody>
</table>

**Notes:** 1. The figures in share ownership are rounded down to the nearest thousands of shares.  
2. Shareholding ratio is calculated by deducting the Company’s treasury stock (120,718,303) and rounded down to two decimal places.  
3. The English names of foreign shareholders above are based on the General Shareholders Notification notified by Japan Securities Depository Center, Inc.
### Company Stock Price and Trading Volume
(Years ended March 31) Tokyo Stock Exchange monthly basis

|-------------------|-------|-------|-------|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

### 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>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>0.568%</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>15th</td>
<td>5</td>
<td>0.190%</td>
<td>200 billion yen</td>
<td>Sept. 17, 2021</td>
</tr>
<tr>
<td>16th</td>
<td>7</td>
<td>0.300%</td>
<td>70 billion yen</td>
<td>Sept. 20, 2023</td>
</tr>
<tr>
<td>17th</td>
<td>10</td>
<td>0.470%</td>
<td>130 billion yen</td>
<td>Sept. 18, 2026</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>


### Investor Relations Offices

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**IR and Sustainability Websites**

**IR** Please refer to Panasonic’s IR site for information on the Company including financial results and presentation materials. [https://www.panasonic.com/global/corporate/cr.html](https://www.panasonic.com/global/corporate/cr.html)

**Sustainability** Please refer to the “Sustainability” section of the Company’s website for more information regarding environmental and social initiatives. [https://www.panasonic.com/global/corporate/sustainability.html](https://www.panasonic.com/global/corporate/sustainability.html)