

Panasonic

Panasonic Corporation
Annual Report
2020

Report on Financial Results and ESG
for the year ended March 31, 2020

This PDF contains all contents from the online
Annual Report 2020, merged into a single PDF file
for convenience.

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Strategies of each Divisional Company are available at [presentations of Panasonic IR Day 2019](#), held on November 22, 2019.

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Editorial Policy

Thank you for reading Panasonic's Annual Report 2020. 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; operating results and financial position for the fiscal year under review; and other information. It is published primarily for investors.

This report discusses progress on the Mid-term strategy, which aims to have the Company overcome low-profit structure, our medium- to long-term management approach beyond COVID-19, and the aims of transitioning to a holding company system to further enhance business competitiveness. We also provide an overview of our new structure and its future direction. Also, we consider ESG to be one of our management foundations that underpin the Company's business activities, and therefore present information about specific policies and initiatives from the viewpoints of business opportunities and social responsibilities.

Since the Company's foundation, Panasonic has endeavored to contribute to the progress and development of society and the well-being of people through its business activities based on the thinking that a company is a public entity of society. Moving forward, we will aim to achieve sustainable growth and enhance corporate value by putting into practice our management philosophy.

Panasonic will actively conduct dialogues with investors and invite opinions to be considered regarding the Company's management. Thank you for your further understanding and support for the Company.

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Disclaimer Regarding Forward-Looking Statements

This Annual Report includes forward-looking statements 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.

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.

Based on our 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 Vision

A Better Life, A Better World

Management Philosophy

Basic Management Objective

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

Company Creed

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

Seven Principles

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

Foundation of activities of management:

Immutable

Guidance in putting the management philosophy into practice:

Evolution in response to changes in social conditions, etc.

Panasonic Code of Conduct

(Revised and updated; current as of 2019)

<https://www.panasonic.com/global/corporate/management/code-of-conduct/list.html>

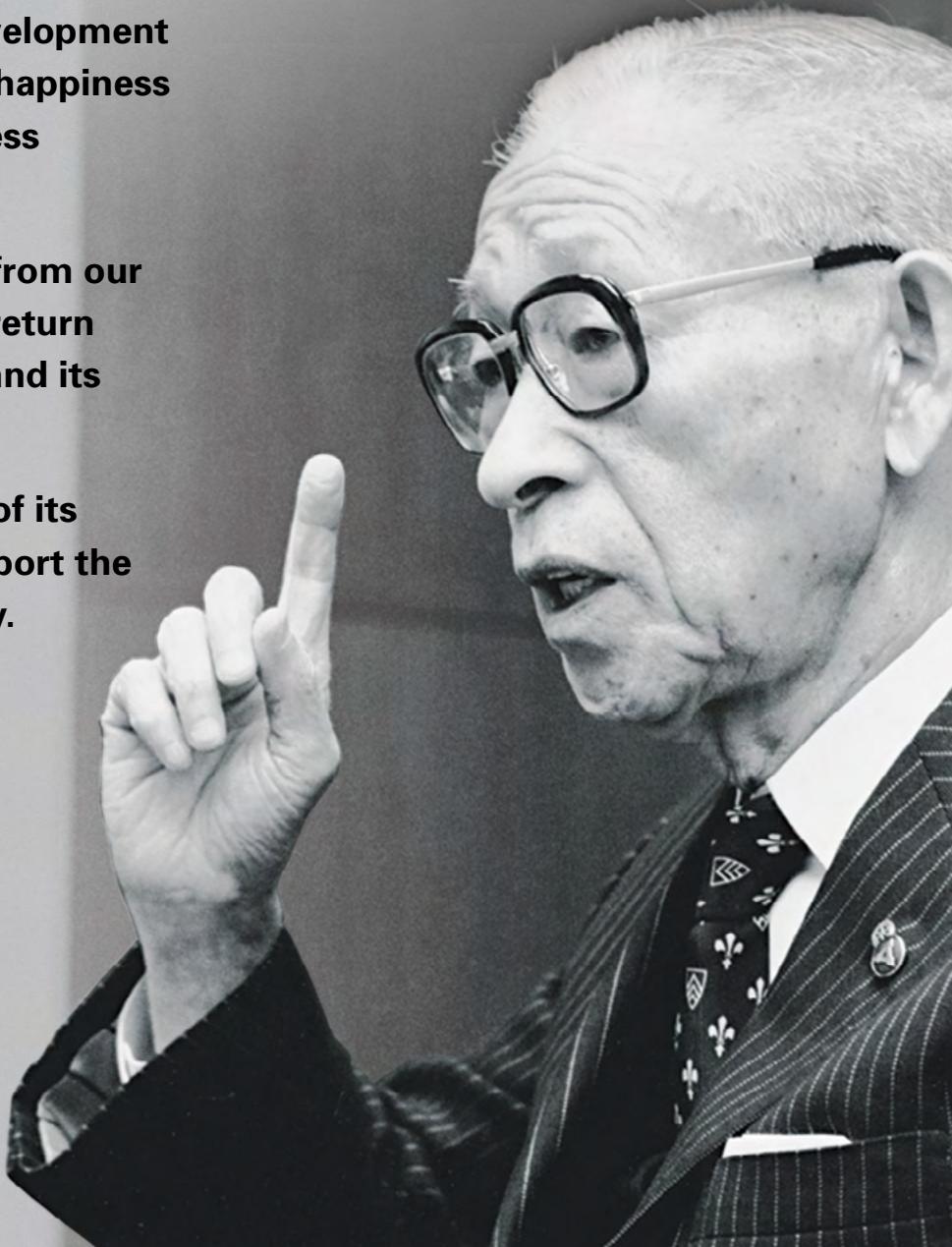
**A company is a public entity of society.
We must be fully aware of the responsibilities
entrusted to us as a public institution.**

Corporate social responsibilities as envisaged by our founder

- 1. To contribute to the development
of society and people's happiness
through our core business
activities.**
- 2. To generate fair profits from our
business activities and return
those profits to nation and its
people in various ways.**
- 3. To make every process of its
corporate activities support the
goal of a healthy society.**

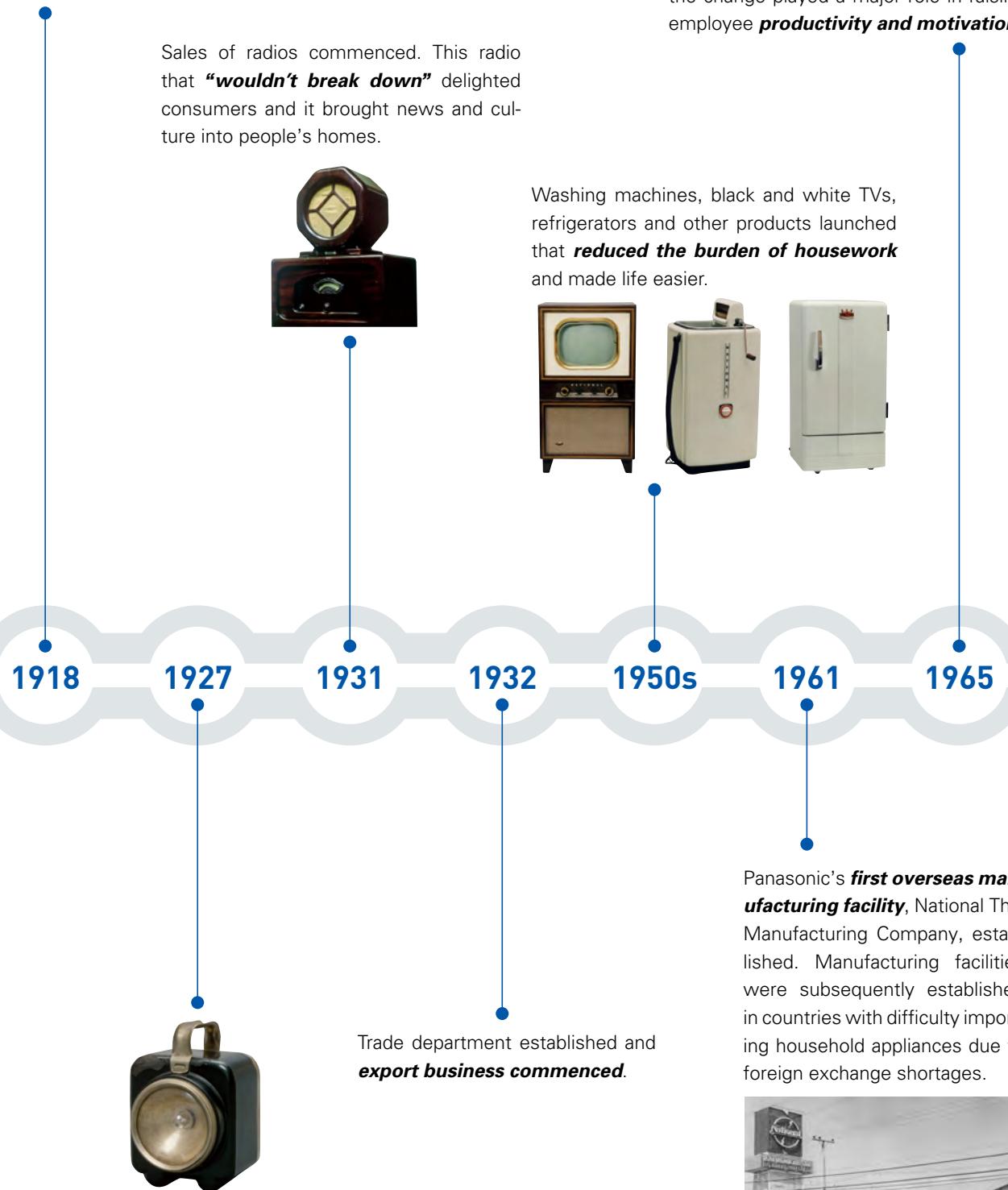
Founder

Konosuke Matsushita



Our Corporate History

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



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.



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.



Fujisawa Sustainable Smart Town established for ***eco-conscious*** and ***comfortable*** lifestyles while ensuring ***safety and security***.



1987

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.

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

2010

2014

2018

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



Marking ***the 100th anniversary of its founding***, Panasonic introduced ***“Lifestyle Updates” as its future direction to take***.

Message from the CEO



**Steady progress with Mid-term strategy
to break away from low-profitability structure**

**Take up the challenge to create new
contributions as “a public entity of society,”
with a view beyond COVID-19**

Kazuhiro Tsuga

Representative Director
President
CEO

At present, the impact from the spread of novel coronavirus disease (COVID-19 impact) is expanding worldwide, in various ways including economic and geopolitical effects. While Panasonic is making its best efforts to prevent the further spread of COVID-19, as well as ensuring business continuity to fulfil its social responsibility as a corporation, an adverse effect on its operating results for the short term is unavoidable. For the fiscal year ending March 2021 (fiscal 2021), sales and profit are expected to decrease largely due to the significant impact of COVID-19, as well as deconsolidation effects from our business portfolio reform.

Under these circumstances, we are making steady progress with the Mid-term strategy announced last year, specifically through our initiatives to enhance management structure, such as reducing fixed costs and taking measures to businesses that have loss-making structures, and our execution of portfolio management, such as shifting resources and replacing businesses. Moving forward, we will continue to accelerate our progress toward breaking away from a low-profitability structure. In addition, we are trying to approach the current situation as an opportunity to transform ourselves. We will carefully monitor the continuously changing situation of the COVID-19 impact, clarify and execute countermeasures for the short term, and prepare future measures that respond to the trends of long-term changes.

Changes in the business environment are becoming more intense year by year, and we believe the current COVID-19 situation will make our business conditions even more intense. At Panasonic, we will respond to these changes appropriately, based on the philosophy we have inherited and practiced since our founding: "A company is a public entity of society." Through this effort, we aim to be a company that can offer true contributions to people's lives and to society. And we will continue to strive to make the "Panasonic" brand even better known as a valuable company, always needed by society, and to achieve sustainable growth and raise corporate value for the medium- to long-term future.

Current business performance

For fiscal 2020, overall sales decreased due to the impact of business portfolio reform and weak capital investment demand in China, both of which were already factored in

the initial forecast, as well as the spread of COVID-19 infections. Adjusted operating profit decreased with decreased sales, while our efforts to reduce fixed costs showed steady progress. Operating profit and net profit attributable to Panasonic Corporation stockholders decreased due to factors including the recording of restructuring expenses. Our initial target of 300.0 billion yen of adjusted operating profit (profit generated from our businesses) was not reached. This is due mainly to the impact of COVID-19 affecting our production, including procurement of parts and components, as well as temporary suspensions of factory operations during the fourth quarter.

For fiscal 2021, sales and profit are expected to decrease from the previous year, due to the severe business environment caused by COVID-19 and the effect of business portfolio reform, despite progress in efforts to reduce costs, mainly fixed costs. Regarding the COVID-19 impact, signs of recovery were seen starting in June 2020, with lifted restrictions on movement and resumption of economic activity. Gradual improvements are expected from the second quarter and beyond. Most of the production-related issues have been solved. However, for the demand-related issues, the pandemic's impact is expected to remain in the second half on businesses for aviation, housing-related, and automotive industries.

The uncertainties related to the COVID-19 impact suggest a variety of scenarios. At Panasonic, we will make efforts to generate new kinds of value propositions, not only supporting the short-term countermeasures but also responding to changes from a long-term perspective.

Progress with Mid-term strategy

Under the current Mid-term strategy, which started in fiscal 2020, we aim to break away from our low-profitability structure. As management KPIs for fiscal 2022, the final year of the Mid-term strategy, and onward, Panasonic aims toward Company-wide management that can stably achieve the following targets: for the Core growth business, which include Spatial Solutions, *Gemba* (operational frontlines) Process, and Industrial Solutions, an EBITDA growth rate of 5–10% and an EBITDA margin of 10% or more, and for Company-wide operations, a ROE target of 10% or more. Initiatives to enhance our management structure and to execute portfolio management are making steady progress.

Message from the CEO



Enhancing management structure

Toward fiscal 2022, the Company is aiming at 100 billion yen of Company-wide profit contribution through fixed-cost reduction, such as reducing personnel costs and indirect work, as well as site integration. In addition, efforts are being made to reduce the amount of loss through countermeasures taken for businesses with loss-making structures: semiconductor, LCD panel, solar, and TV businesses.

Fixed-cost reduction is making steady progress through setting up internal projects and listing specific measures and targets for each segment. Toward the target of 60 billion yen over three years (an average of 20 billion yen for each year), in fiscal 2020 we achieved a cost-reduction effect of 20 billion yen. In fiscal 2021, we expect to achieve 30 billion yen. Monitoring the COVID-19 impact, we will execute additional measures as necessary. We can now aim even higher than the initial 60 billion-yen target for profit contribution.

Regarding the need to take measures to businesses having loss-making structures, we are executing such measures in a top-down manner to eliminate businesses with loss-making structures and achieve 40 billion yen of profit contribution (i.e. reduction of losses) by fiscal 2022. For the semiconductor business, a decision was made in November 2019 to transfer the business, and this was

completed in September 2020. For the LCD panel business, the decision was made to end production by 2021. We are currently communicating with customers and accelerating production in preparation for the termination of this business. For the solar business, production ceased at the Buffalo factory in the U.S. in June 2020, scheduled to exit the facility at the end of September 2020. Regarding the partnership agreed in May 2019 with GS-Solar, a Chinese photovoltaic module manufacturer, the Company resolved in July 2020 not to proceed with the agreement. The Company will aim to restore profitability in fiscal 2023 by looking into every possible measure, including new business collaboration. For the TV business, the Company is carrying out structural reform, including termination of production at the Mexico factory. The Company will proceed with further initiatives, aiming to restore profitability in fiscal 2022. Through such reform measures, in fiscal 2021, we expect a total loss-reduction effect of 15 billion yen from businesses with loss-making structures.

In terms of achieving 100 billion yen of profit contributions in fiscal 2022, we expect to surpass the goal through greater efforts in fixed-cost reduction, despite the impact of cancelling the partnership related to the solar business. For the other businesses that are loss-making or low-profitable, we will carry out continuous monitoring and take necessary measures at an early stage to avoid further deterioration of profitability. For such businesses, we will set the direction to take by fiscal 2022.

Execution of portfolio management

With the Mid-term strategy, we are executing portfolio management according to the portfolio classifications of “Core growth business,” “Co-creation business,” and “Revitalization business.” Our initiatives will be conducted by transcending the boundaries of the Company and organizations, including flexible capital policies without limiting our options to utilizing internal resources, and more flexible brand policies. In these ways, we aim to enhance the competitiveness of each business.

First, Spatial Solutions, *Gemba* Process, and Industrial Solutions are positioned as Core growth business. These businesses are highly profitable, where we can exert our accumulated strengths in technological and manufacturing

capabilities. By focusing our resources on this classification, such businesses are expected to become our future profit-growth drivers. The basic approach is to make a transition to solution-type business models from individual hardware sales, taking a medium- to long-term perspective.

For example, with *Gemba Process*, in July 2020, the Company extended the strategic partnership with a 20% strategic equity investment in Blue Yonder, a leading end-to-end supply chain software provider. The *Gemba Process* business aims to offer operational process innovations for the supply chain, since supply chain problems have become management issues for our corporate customers who face such challenges as labor shortages and diverse consumer needs. Blue Yonder possesses strengths in software and AI, and its customer base is on a global scale. Combining Panasonic's strengths in hardware, robotics and sensing technologies, we believe we can generate new value in this market, where continuous growth can be expected. Triggered by this investment, we will further accelerate our business model transformation. I strongly believe this will be a vital step to becoming a Company that provides solutions directly linked to our customers' management issues.

Next, with the Co-creation business, we strive to enhance competitiveness through collaboration across regions and other companies. In particular, for the consumer electronics business, China & Northeast Asia Company, a region-based Divisional Company, was established in April 2019 with the aim of addressing the China market, where significant growth is expected for the medium to long term. Through collaboration between this Divisional Company and organizations based in Japan, we are promoting co-creation among different regions. An example is the utilization of reasonably priced industry-standard parts and components of rapidly developed Chinese suppliers by leveraging Panasonic's technological capability. This enables us to increase the cost-competitiveness of our consumer electronics business overall. The China market is showing recovery from COVID-19 at a relatively early stage, and our expectations of significant market growth for the medium- to long-term period remain the same. We will further strengthen our business in China, which is a starting point for taking up new challenges, and we will build new strengths by collaborating with existing organizations in Japan. Furthermore, we intend to expand this business model globally.

Regarding the housing business, Prime Life Technologies Corporation, a joint venture with Toyota Motor Corporation in the field of town development, was established on January 7, 2020, integrating the housing businesses of the two corporations. Combining the mobility services promoted by Toyota and "Lifestyle Updates" promoted by Panasonic, we aim to create new value for the entire town as a whole. With the declining birth rate and aging population, along with the changes in people's lives and working styles resulting from COVID-19, the requirements for houses and town development will change even further. By giving thoughts to the demands of society and customers, we will take up the challenge of offering new value in not only hardware but also integrated services developed through co-creation with various corporations.

Finally, we must consider the automotive-related business, which is positioned as a Revitalization business, where profitability improvement is the top priority. On the back of drastic changes and evolution in the electrification and computerization of the automobile industry, we have been taking up the various challenges aggressively and globally in the two businesses of Automotive Solutions, where we apply image-processing, communication, and optical technologies, and Automotive Batteries, which includes our cylindrical battery business for Tesla. While we have achieved sales expansion, we have struggled to achieve a corresponding increase in profit. Recently, however, our efforts to improve profitability are showing steady progress.

Automotive Solutions faced heavy burdens due to development expenses, mainly with the challenging projects ordered from Europe during fiscal 2020. With our continuous efforts to improve efficiency, we expect development expenses to be reduced in fiscal 2021 onward. In addition to this, on the back of rising demands, including those for enhanced comfort in the mobility space, fewer accidents, and lower environmental burden, we will focus our management resources on the areas where we have strengths, namely IVI, HUD, and ADAS, to refine product competitiveness and improve profitability.

In Automotive Batteries, let us first consider the cylindrical battery business. We faced struggles with the unprecedently rapid ramp-up of the North America factory. By carrying out thorough productivity improvement initiatives, we managed to turn profitable in the second half of fiscal 2020. For the first quarter of fiscal 2021, we

faced the temporary impact of factory suspension due to COVID-19. However, under our strong partnership with Tesla, we will continue efforts to improve productivity, as well as lead the industry in technological development of batteries with high energy density, thus improving profitability. For the prismatic battery business, Prime Planet Energy & Solutions, Inc., a joint venture with Toyota Motor Corporation specializing in automotive prismatic batteries, was established on April 1, 2020. The aim is to accelerate the development of highly competitive batteries that lead the industry and to achieve a stable supply. As equal partners, the two corporations will integrate their management resources to accelerate technological development and further expand production, enabling us to meet society's demands for expanded use of EVs.

Changes in society brought by COVID-19 and management approach for the medium to long term

The recent spread of COVID-19 has definitely had a significant impact on the entire world. However, the important thing is that we do not simply wait for the waves to pass but anticipate the changes awaiting in the post-COVID-19 world and take the needed preemptive moves.

We have experienced economic recessions on a worldwide scale in the past, such as the financial crisis in 2008. What makes the COVID-19 impact different is how people's movements and activities have been restricted in each country over a long term. Such restrictions have been mitigated by advances in digital technology and developments in logistics networks. Rather than people moving to accomplish something, products or services have come to the people. This is what we were forced to experience. If this had happened 20 years ago, when the environment was not yet ready, there would have been a much greater impact. We can say that the COVID-19 impact has made clear that the evolution of digital technology brings changes to real society.

So how will Panasonic address such changes? Panasonic has been engaged in bringing affluence to real society and people's lives through real products, mainly consumer electronics. However, as real society becomes deeply impacted by the evolution of digital technology, we need to transform our business models and value

offerings by making full use of this ongoing evolution.

Since its founding, Panasonic has generated contributions by always staying close to people's lives and addressing a number of social issues. In these two ways, we want to generate new, unprecedented types of contributions utilizing digital technologies such as software, AI, and IoT, among others. A specific example is our "Lifestyle Updates" initiatives centered on B2C business. We will be taking up a new challenge, based on the idea of helping people to attain a healthy mind and body, by thoroughly staying close to people's lives and offering the most suitable values to each of our customers. Another example is our contribution to solving various social issues, centered on our B2B business. These value offerings will be given an even higher priority in the current Mid-term strategy.

Toward achieving "Lifestyle Updates"

"Lifestyle Updates" aims to offer the "most suitable" to individual customers, utilizing various data and the latest technologies of AI and IoT to design products and services that continue to evolve, even after they are sold. Panasonic has placed importance on bringing affluence to people's lives through offering better consumer electronics products. However, there is a limit to what we can do if we only pursue evolution of the product itself. Leveraging what we have accumulated in our conventional consumer electronics business, we will take not only the stance of improving product functions but also the customer's perspective on the kind of problems they are facing, always remaining connected with the customers through digital technology. In this way, we aim to provide contributions that bring better health to the mind and body.

To accelerate this initiative, in October 2019 we brought aboard Yoky Matsuoka, who possesses world-leading technical expertise in AI and robotics. In July 2020, the Lifestyle Business Strategy Division was established to create new value and business models.

Toward contributions to solving social issues

As for solving social issues, we are promoting various initiatives that leverage digital technologies. For example, the *Gemba Process*, as mentioned earlier, symbolizes such initiatives. Surging logistic traffic resulting from phenomena such as e-commerce expansion has become a heavy burden on the total supply chain, causing serious issues

of labor shortages and workstyles. With the COVID-19 impact, this trend can be expected to accelerate at a faster pace. Here, we are trying to propose new solutions utilizing our digital, sensing, and robotics technologies. Going forward, through changes in society, the digital network itself will become even more important as the basis of everyday living. When that time arrives, stable high-speed and high-volume communication, as well as technology to protect important data, will become even more important. We can also expand our contributions in these areas with our advanced technologies and devices.

Being a public entity of society

Since its foundation, Panasonic has been engaged in management based on the philosophy that "A company is a public entity of society." Utilizing the various management resources entrusted by society, we must respond to social needs through business activities, contribute to the solution of social issues and the development of society, and achieve sustainable growth. When the Company was founded, the overall society of Japan was facing poverty and a shortage of goods. Panasonic has developed by responding to the needs of society, which was viewed as the desire to make life more affluent, through offering good-quality products, mainly home appliances, at affordable prices.

More than a 100 years after its founding, people's daily lives have changed drastically. Today, how should Panasonic respond to the requirements of global society? We can certainly say that society has become more affluent in terms of possessing goods. However, in pursuing affluence, I believe we are facing various imbalances in society. From the perspective of people, there are concerns of individual health, declining birthrates, aging populations, and child raising, and we cannot necessarily say that people's minds and bodies have become healthy. Looking at society as a whole, many problems have arisen through the process of pursuing affluence, including environmental and energy issues as well as the population becoming urbanized. Now is the time for us to correct this, and to guide the way to a healthier future in a more appropriate direction.



Through the expansion of COVID-19 infections, we have gone through the real-life experience of "advances in digital technology changing real society." Now, Panasonic should make further contributions to solving persistent social imbalances by making full use of the latest technologies, including digital technology, applying our strength from being close to our customers over the past 100 years, and leveraging the strengths of our outside partners. Taking this direction is also how we can contribute to achieving Sustainable Development Goals (SDGs), thus building a sustainable society that the international community is aiming for. In order to fully respond to these requirements of society, we will continue to focus on ESG initiatives, including contribution to the global environment, human resources development, respect for human rights, fair business promotion, and enhanced corporate governance.

These are our initiatives toward achieving "A Better Life, A Better World," and they embody our efforts to achieve our basic management philosophy: "A company is a public entity of society." Through these activities, we will continue to strive to make the "Panasonic" brand even better known as a valuable company, achieve sustainable growth, and raise corporate value from a medium- to long-term perspective. I ask for your continued support of our endeavors.

Link to Initiatives for SDGs

<https://www.panasonic.com/global/corporate/sustainability/sdgs.html>

Message from the CEO —Transition to a Holding Company System—



Transition to a holding company system to enhance our business competitiveness

Aiming to become a group of businesses that are indispensable to the development of society

Kazuhiro Tsuga

Representative Director
President
CEO

Panasonic has resolved to transition to a holding company system, planned to start April 2022. The aims are to thoroughly enhance business competitiveness and to ensure Group-wide growth for the long-term future. Each business, mainly from the businesses classified as “Core growth” in the current Mid-term strategy, will be incorporated as an operating company. By increasing empowerment in this way, we can execute more wide-ranging autonomous management and build a structure that enables us to offer new value, with each business staying close to people’s lives and squarely addressing various social issues. In doing this, Panasonic will become a group of businesses that are indispensable to the development of society and that can achieve sustainable growth.

With a determination to achieve this transformation based on a long-range perspective toward the development of Panasonic’s future, we announced the change of CEO to Yuki Kusumi*, together with the announcement of our transition to the holding company system. The new CEO will also be involved in quickly shaping the direction of our company’s transformation.

*Kusumi is currently Managing Executive Officer of Panasonic and CEO of Automotive Company. His appointment as the next CEO is based on a report by the optional Nomination and Compensation Advisory Committee (chaired by an independent outside director, with the majority of members also independent outside directors).

Background and objective of transition to a holding company system

Thoroughly enhance business competitiveness, aim to ensure long-term Group-wide growth

Under the current Mid-term strategy, Panasonic is engaged in thoroughly enhancing its management structure and business competitiveness through portfolio management, based on the three Core growth businesses of “Spatial Solutions,” “Gemba (operational frontlines) Process” and “Industrial Solutions.” After reaching the half-way point of this effort, I am now confident about its progress, including actual figures. Regarding the enhancement of management structure, we have seen steady progress in fixed-cost reduction and reforms of businesses having loss-making structures. The adjusted operating profit margin for the second quarter of the current fiscal year ending March 2021 (fiscal 2021) has exceeded 5%, despite the lingering impact of COVID-19. Consequently, we are seeing the completion of a firm base. And in terms of enhancing business competitiveness, various plans and measures are already in progress, such as our 20% equity investment in Blue Yonder, for the *Gemba* Process business, and the merging of air-conditioning and indoor air quality businesses, mainly in China for the Spatial Solutions business. The pillars of our growth businesses and the direction of our strategy are becoming clearer.

To define Panasonic's development in the medium to long term, our next steps are to ensure growth potential as the entire Panasonic Group and to build an organizational structure that enables us to increase the competitiveness of each business toward achieving sustainable development. These are extremely important steps, and we view the transition to a holding company system as a necessary process in accomplishing them.

By focusing on specific business areas, and leveraging the best-in-class level of expertise, we will make further contributions to society and our customers with a sharpened competitive edge that is unmatched by our competitors. In other words, we will become “specialized and sharpened,” which is essential to increasing our business competitiveness. Through this structural change, we will accelerate our efforts to become “specialized and sharpened” in each business, with the operating companies further empowered to execute more wide-ranging autonomous management as we also encourage each business to transform itself according to its own particular characteristics and conditions. Furthermore, the holding company will actively support each business as it strives to become “specialized and sharpened.” Concretely, it will encourage the business to swiftly and effectively implement a growth strategy from the Group-wide perspective, including defining growth areas and making various investments. In doing this, we will establish a structure that enables us to build up the corporate value of the entire Group.

Specific Initiatives toward Sustainable Growth

Transition to holding company system

(planned, April 2022)

Operating companies

Focus on specific areas and further contribute to society

Become “specialized and sharpened” in each business

Holding company

Support each business and promote growth strategy from a Group-wide perspective

Schedule for Transition to Holding Company System (planned)

From October 2021, virtual reorganization based on the new structure to be carried out. In April 2022, the new medium-term strategy to start with the new structure, in both name and reality, upon transition to a holding company system.

June 2021 Approval by ordinary meeting of shareholders for the company split agreement and the amendments to the articles of incorporation

October 2021 Termination of current Divisional Company system and reorganization of business structure

April 2022 Transition to a holding company system
Change of corporate name and “Panasonic Corporation” to be used by a newly established operating company

Message from the CEO

—Transition to a Holding Company System—

Groundwork laid to take the next step to prosper over the coming 100 years

Panasonic was founded by Konosuke Matsushita and has developed by expanding its operations and product lines, mainly with home appliances. During the times of the soaring market environment in Japan, we strived to aggressively expand our business, even when this resulted in having overlapping businesses within the Group. However, in the 2000s, under digitalization and intensifying global competition, we faced pressing issues imposed by the necessity to ensure market advantage through generating stronger businesses and products. Consequently, we acquired affiliated companies that were previously highly independent and launched the “Business Domain system.” We reorganized duplicating businesses and built a structure aimed at shifting resources and creating synergy within the Group.

In 2013, the year after I became President, the current “Divisional Company & Business Division system” was introduced. The aim was to visualize the details of management through the “Business Division system” and thus overcome unacceptable business performance as soon as possible. And with the larger grouping of Divisional Companies, we attempted to leverage the strengths of former Matsushita Electric Works and Sanyo Electric, which had become subsidiaries, as well as generating synergies beyond organizations to clarify the new pillars of business. And the positive outcomes have become clear, as mentioned above.

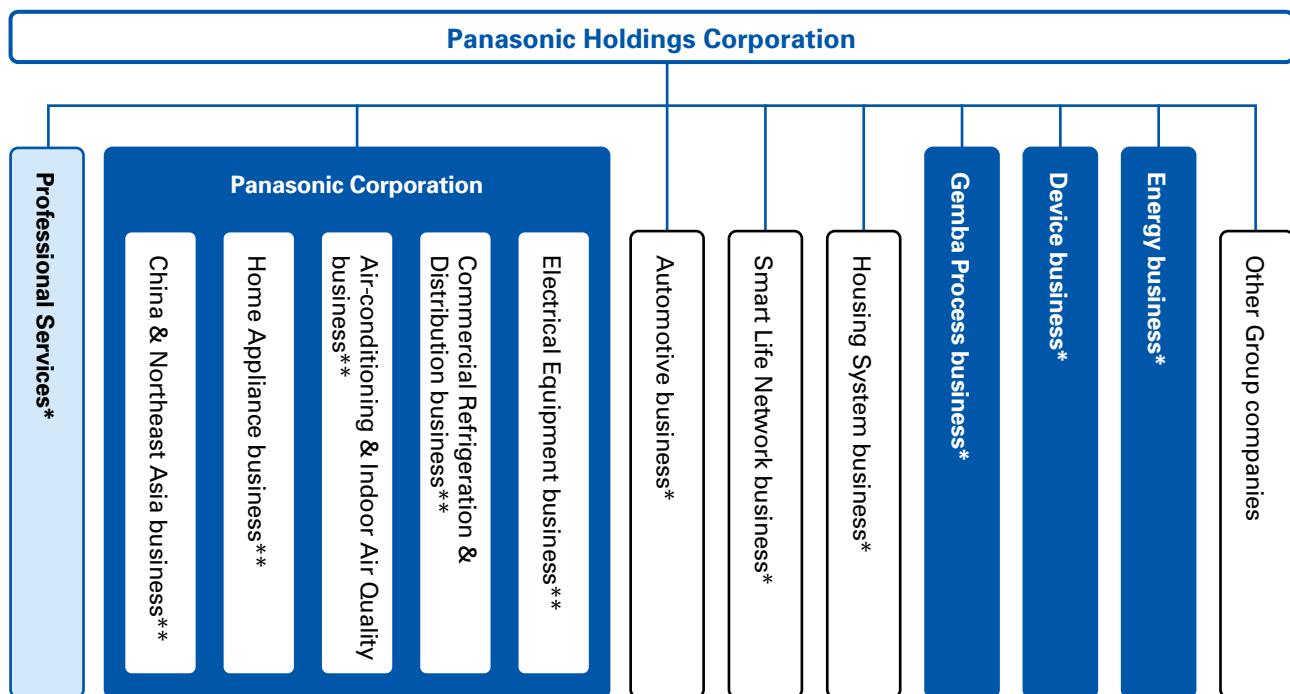
Through these initiatives, we have realigned the strengths we have been building and the businesses we should focus on. Now the groundwork has been laid to take the next step. I believe this is the perfect opportunity for Panasonic, a company that has a history of 100 years, to take the drastic measures needed to prosper over the next 100 years.

Outline of new structure

“Specialize and sharpen” each business to make Panasonic a group of competitive businesses

“Thoroughly enhance business competitiveness” – Based on this perspective, businesses such as Spatial Solutions, Gemba Process, and Industrial Solutions, which are classified as Core growth businesses under the current Mid-term strategy, will be incorporated as operating companies under the new structure. And the corporate name of the current “Panasonic Corporation” will be changed to “Panasonic Holdings Corporation.” Through these changes, the pillars of businesses that we should grow will become clear. Moreover, we will be able to establish a structure that permits wide-ranging autonomous management at each business, leading to swift and effective decision-making by those at the frontlines who really understand the business conditions. We aim to make Panasonic a group of competitive operating companies

Group Structure after Transition to a Holding Company System



* Corporation ** Divisional Company

(Names are tentative for businesses and corporations, except Panasonic Holdings Corporation and Panasonic Corporation)

that are “specialized and sharpened.”

First, for the Spatial Solutions business, the newly established operating company based on the current Appliances Company and Life Solutions Company, to be called “Panasonic Corporation,” will play the central role. We aim to exert a significant synergy effect and comprehensive strengths across such businesses as air-conditioning/indoor air quality and electrical equipment, along with white goods and commercial refrigeration and distribution. Furthermore, we will take up challenges in the consumer electronics and residential space businesses in China. The reason we will continue to use the name “Panasonic Corporation” for these businesses is because I firmly believe they offer value that is most unique to Panasonic and they most directly inherit our DNA. We will pursue value creation that represents the key characteristics of Panasonic: bringing better health to the mind and body by “staying close to people.”

Gemba Process business and Industrial Solutions business will each be incorporated as operating companies, along with “Energy business,” which is designated to play a central role in the Group’s development. Regarding our automotive battery business, we established a joint venture with Toyota Motor Corporation for prismatic batteries; as for cylindrical batteries, profitability has improved in our business with Tesla. The direction to take in our next challenge is becoming clear, such as introducing technology for increasing battery capacity and investing in a new

production line. And our high expertise in cylindrical batteries will continue to be a great strength in developing our business for Tesla. Along with the non-automotive battery business, we will steadily grow this business as a new pillar.

“Automotive,” “Smart Life Network,” and “Housing System” businesses are expected to produce synergy with the new “Panasonic Corporation” from the perspectives of “living” and “people.” However, it is necessary to prioritize the improvement of each business’s competitiveness and profitability. We aim to refine the competitiveness as an operating company so that it surpasses the level of our competitors and, in addition, to improve profitability at the earliest time.

Panasonic Holdings Corporation and the newly established company in charge of professional services will be supporting each operating company’s efforts to enhance competitiveness in its own area. The parent holding company will support each operating company’s growth strategy to become more “specialized and sharpened” and, moreover, enhance competitiveness from a functional viewpoint. In addition, it will execute the Group-wide growth strategy to attain higher corporate value from a Group-wide perspective. The aim of the new company in charge of professional services is to become a team of experts who are highly efficient and capable of providing high added value. This will be done by visualizing and continuously refining the value provided by these indirect functions.

Relationship between Business Structure before and after Transition to a Holding Company System

Structure after Transition to a Holding Company System (Operating companies and businesses)	Relationship with current structure
Panasonic Corporation	To be established by consolidating businesses (China & Northeast Asia, Home Appliance, Air-conditioning & Indoor Air Quality, Commercial Refrigeration & Distribution, and Electrical Equipment) under one corporation
China & Northeast Asia business	To be established based on business area of current China & Northeast Asia Company
Home Appliance business	To be established based on white goods business area of current Appliances Company
Air-conditioning & Indoor Air Quality business	To be established based on air-conditioning and indoor air quality business area of current Appliances Company and Life Solutions Company
Commercial Refrigeration & Distribution business	To be established based on commercial refrigeration and distribution business area of current Appliances Company and US Company
Electrical Equipment business	To be established based on electrical equipment business area of current Appliances Company and Life Solutions Company
Automotive business	To be established based on business area of current Automotive Company
Smart Life Network business	To be established based on AVC business area of current Appliances Company
Housing System business	To be established based on business area of current Housing Systems Business Division
Gemba Process business	To be established based on business area of current Connected Solutions Company
Device business	To be established based on business area of current Industrial Solutions Company (excluding battery business)
Energy business	To be established based on battery business area of current Industrial Solutions Company and US Company
Professional Services	To be established based on current Professional Business Support Sector. Expected to support the growth of each operating company by leveraging its specialized capabilities

* Names for operating companies and businesses are tentative except for Panasonic Corporation.

Businesses under Panasonic Corporation are expected to be Divisional Companies.

Message from the CEO

—Transition to a Holding Company System—

Reforms to internal policies toward energizing each business

Significant reforms will also be made to internal policies and operations related to corporate governance by developing new systems and finding ways to increase the efficiency of indirect functions. This is expected to further energize each business's operational frontlines and help make it more competitive.

First, to strongly promote "specializing and sharpening" of each business, we will increase empowerment in each business for speedier decision-making. At the same time, the responsibility for results among those in business management positions will be clarified, and governance will be enhanced to improve the quality of decision-making through clearer accountability.

Furthermore, we will optimize our cost structure by flexibly introducing various systems, including the personnel system that is most suitable to the particular environment that each business operates in. In this way, we can achieve the competitiveness needed to succeed in each industry.

Regarding the multiple layers and overlaps at our indirect functions, we will rationalize these indirect functions by establishing a separate corporation for professional services with the transition to the new system. We aim to achieve further management efficiency and significantly contribute to the competitiveness of each business.

Reforms under the Holding Company System

Governance

Improve specialization and speed of decision-making
by increasing empowerment and clarifying accountability

Develop systems

Thoroughly enhance competitiveness to address the needs of each industry
by applying the personnel system suitable for that industry, etc.

Management structure

Make indirect functions contribute to competitiveness as a Group
by eliminating overlaps and improving efficiency

Toward sustainable growth

Pursue high profitability with the four business pillars

Under the new structure, there are three major areas where Panasonic aims to make contributions. First, the area where we strive to stay closer to "People," as already incorporated in the Company's DNA. Second, the area related to supporting what we consider the foundation underpinning the development of society, from the "Electric/Electronics" perspective. And third, the area where we tackle the "Issues at the Gemba," such as manufacturing, logistics and distribution. We consider each of these areas promising, where we can exert our strengths and expect significant market growth.

In terms of the area related to "People," we will take up the challenge of offering new value, with the new Panasonic Corporation playing the central role in "Lifestyle Updates" from the perspective of bringing better health to the mind and body. We see expanding possibilities of our contributions in this area, not only in the evolution of home appliances as tools to support household chores and everyday living but also in providing comfortable spaces created with lighting, sound, air-conditioning and indoor air quality as the core, as well as smart infrastructure for living as the base for delivering these values. Considering the circumstances surrounding COVID-19, with raised consciousness of health and safety, as well as the further aging of society, we can expect greater attention to these issues from our customers and society. We aim to be unique and unmatched, providing contributions only Panasonic can offer by fully applying the synergy between Appliances (from former Matsushita Electric Industrial) and Life Solutions (from former Matsushita Electric Works), leveraging the various technologies and expertise cultivated from the past.

For "Electric/Electronics," which we consider the foundation of society's development, the Energy and Device businesses will play the central role. Without

evolution in these technologies, communication infrastructures such as 5G, advances in vehicles, and the digital/green society cannot come to fruition. We will capture the ever-expanding business opportunities in this increasingly important area by thoroughly enhancing our technological and manufacturing capabilities, as well as more widely establishing our presence.

And lastly, the area tackling the issues our customers face at the *Gemba*, such as manufacturing, logistics and distribution. Here, we aim to bring greater innovation to these processes by combining digital technologies with our strengths in manufacturing expertise. This is really about getting involved in the *Gemba* of our corporate customers, who face a variety of issues, and offering them solutions. By doing this, we can greatly contribute to transforming their management. I have a strong feeling that our business opportunities are expanding already, and we can expect long-term growth.

In the areas of “People” and “Electric/Electronics,” we will further pursue and refine our strengths as well as expand new businesses by addressing “Issues at the *Gemba*.” This is our approach to making contributions and achieving growth as the new Panasonic Group. Based on this direction, we will attain sustainable growth as a Group in a highly profitable business structure, with the businesses of the four major operating companies, namely, Panasonic Corporation, *Gemba* Process, Device, and Energy, developing into our future pillars. This will be done through “specializing and sharpening,” along with enhancing the competitiveness of each business.

Areas for Panasonic to make contributions



Make Panasonic a brand that shares values with society

Under the new structure, the Panasonic brand will become an ever more important asset that connects the entire Group. Conventionally, the Panasonic brand was used for our products, mainly home appliances. We have been committed to enhancing its value as a brand that represents what our customers yearn for in their lifestyles and home appliances. However, due to the advances in digitalization and changes in business models, we face an era of creating new kinds of value through co-creation with society, beyond the concept of corporations or consumers. In such a situation, we must strive to make the Panasonic brand even better known as a valuable company.

Sharing values with our customers and society, and taking up the challenge in creating new value together. In other words, when society adopts new lifestyles and creates the future, we want Panasonic to be a brand that people select as a partner. Therefore, we will keep evolving the Panasonic brand and the Company itself.

The raison d'être for Panasonic has always been to contribute to people's lives and society through its business operations, and this will never change. Thus, we view this reorganization as a necessary process in fulfilling our raison d'être during an era of radical changes and uncertainties. Under autonomous management, we will thoroughly refine specialization in each business area, as well as stay close to people's lives and society while working to make further contributions. In this way, Panasonic will continue to develop itself as a group of valuable businesses that are indispensable to the development of society.

I ask for your continued understanding and support of Panasonic's endeavors.

Changes in People's Lives and Society Triggered by COVID-19

The global spread of COVID-19 infections in 2020 has brought significant and irreversible changes to people's lives and society. Alongside megatrends*, Panasonic is monitoring the impacts of these changes in terms of their degree of certainty, social impacts, and the effects on our business. Below we discuss the changes caused by the spread of COVID-19 infections and the main initiatives we consider to be business opportunities.

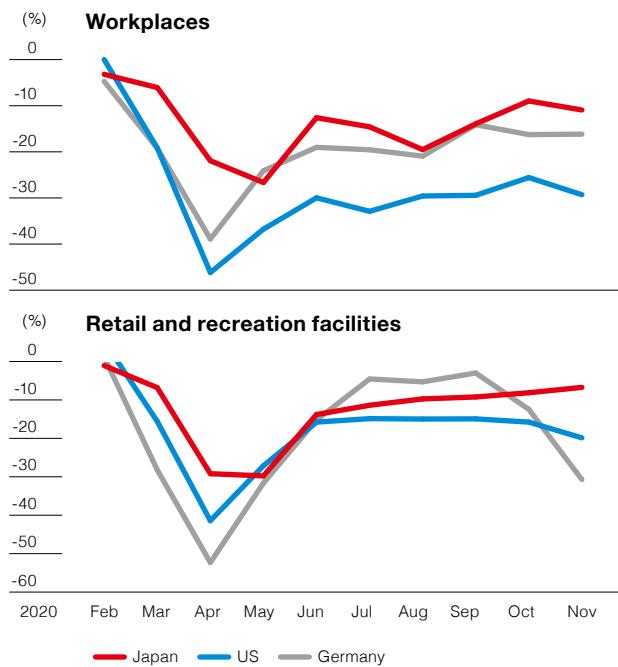
*For more details about megatrends, please refer to P5–9 in the Annual Report 2019.

Changes in people's lives

People's awareness of hygiene in order to prevent and stop the spread of COVID-19 infections, as well as awareness of preventive health, has increased. Infection countermeasures are required for not only the home, but also spaces where people gather, such as the workplace, public transport, and shops.

Furthermore, the effectiveness of working remotely—an approach hitherto recognized as necessary for improving productivity—has been acknowledged and gained further traction because more people refrain from, or are prevented from, going out in order to prevent infections and their further spread. This has led to more time spent at home or with one's family, which in turn has driven an increase in the use of e-commerce and online services. On the other hand, due to the advancement of teleworking and the development of online services, facilities in the city are now required to provide even more value that only "real" spaces can offer.

Changes in number of people visiting or hours spent at workplaces, retail & recreation facilities (compared to pre-COVID-19)

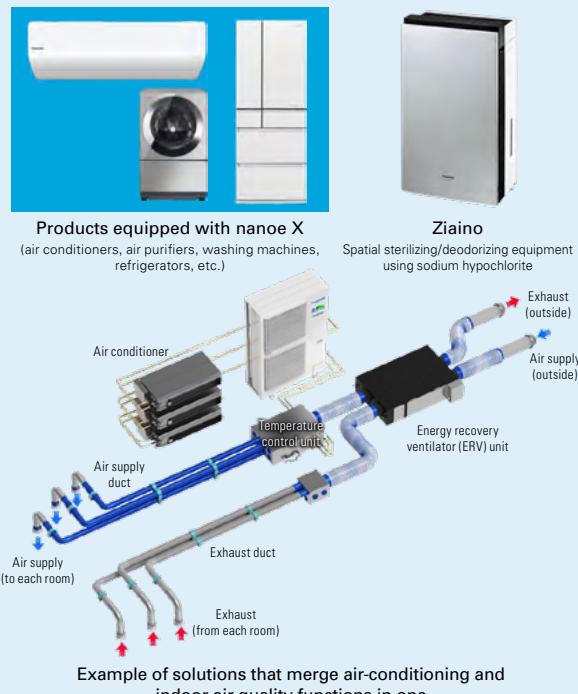


Source: Compiled by Panasonic, based on Google data
Google LLC "Google COVID-19 Community Mobility Reports".
<https://www.google.com/covid19/mobility/> Accessed: 2020.12.15

Panasonic's initiatives

In light of heightened awareness of hygiene and health, we are stepping up our response to meet demand for disinfection and ventilation mainly by expanding, and more vigorously promoting, our lineup of products equipped with nanoe X technology and increasing production capacity of Ziaino, spatial sterilizing/deodorizing equipment using sodium hypochlorite. We are also promoting the creation of spaces in which public hygiene is guaranteed mainly by providing non-contact personal identification systems and body temperature detection systems. Furthermore, we intend to focus on developing solutions that merge air-conditioning and indoor air quality functions in one, taking into account not only health aspects, but other factors such as comfortability.

To accommodate changes in people's lives and the more time people spend at home as a result of teleworking, we are promoting the creation of living spaces that bring better health to the mind and body by providing home appliances and housing equipment that help people live comfortably. And for spaces such as offices, retail facilities, and recreation spaces, we intend to deliver solutions for creating the functionality and appeal that can only be found in "real" spaces.



Changes in society

COVID-19 lockdowns and other restrictions have disrupted supply chains and exposed their vulnerabilities. There is now a greater awareness of the challenges surrounding stable product supply, such as lower factory operating rates or suspended operations caused by the situation where employees have contracted the virus.

In addition, demand is rising for information and communication infrastructure owing to higher volumes of data network traffic as more employees work remotely and make greater use of online services. The volume of goods being distributed in society overall is also increasing due to the accelerated uptake of e-commerce and food delivery services. The strains on, and labor shortages in, the overall supply chain, including logistics facilities, are growing increasingly severe.

Meanwhile, the governments of China, Germany, and France, among others, are hammering out economic stimulus packages centering on subsidies for consumers purchasing electric vehicles (EVs) in an effort to arrest the slowdown and stagnation of economic activities caused by COVID-19. These measures are driving demand for EVs, whilst investment in the electrification of mobility is also gaining momentum.

Examples of increased demand for data traffic and services around the time of COVID-19

9 ISPs* (Japan)	Fixed broadband 50% increase in total download traffic
AT&T (US)	22% increase in network traffic
Amazon	26% YoY increase in net sales (incl. cloud business sales)
Netflix	Quarterly increase of 15.77 million paid subscribers (increase of 127% vs. previous year's average quarterly increase)
Zoom	30 times more meeting participants per day

*Internet service providers that offer fixed broadband services surveyed by the Ministry of Internal Affairs and Communications

Source: Compiled by Panasonic, based on publicly available information

Examples of incentives for purchasing EVs

China	Extension of time frame on subsidy for NEV purchases Targeted ban on sale of fossil fuel vehicles
Germany	Increase in subsidy for EV purchases Extension of time frame on EV tax relief
France	Increase in subsidy for EV purchases Increase in subsidy for EV/PHV replacement purchases

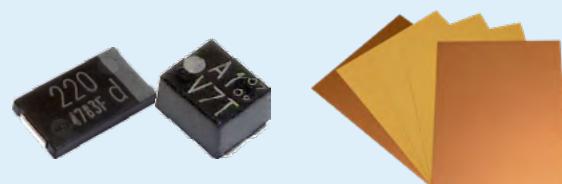
Source: Compiled by Panasonic, based on JETRO data

Panasonic's initiatives

For customers dealing with management issues that occurred at “Gemba” (operational frontlines) of manufacturing, transportation, and selling sites, such as disruptions to parts supply networks, we intend to provide solutions aimed at rebuilding their supply chains. To help ease the burden on manufacturing, transportation, and selling sites brought about mainly by higher volumes of distribution from e-commerce growth, we will look to provide visualization and optimization solutions with the use of sensing, robotics, and edge-device technologies.

Also, in the area of information and communication infrastructure, we intend to provide production equipment, materials, and devices that are supportive of increases in data traffic and the accompanying evolution of computing. Furthermore, we will step up our offering of solution services that underpin stable data center operations.

We will aim to make greater strides in developing and supplying automotive cylindrical batteries to meet stronger demand for EVs as a measure to combat climate change and as a measure backed by governments worldwide in response to COVID-19.



Conductive polymer electrolytic capacitors Multi-layer circuit board materials



Automotive cylindrical batteries

Initiatives for SDGs

At Panasonic we are working to solve issues in society through our wide-range of corporate activities. For more details, please refer to "[Initiatives for SDGs](#)" on our website.



Contributing to the achievement of the SDGs through a wide range of corporate activities

2. Responsible business conduct

We will fulfill our corporate social responsibility (CSR) in the process of creating value and supporting business activities.

1. Providing value through business activities

Utilizing our technologies and knowledge, we will provide innovative products, services and solutions that will contribute to the sustainability of people's lives, society and the global environment.

3. Social contributions by the company and employees

We will provide a social impact through corporate citizenship activities toward the realization of an "inclusive society" where everyone can live an active life.

Collaborations and co-creation
with various stakeholders

Brand Slogan
A Better Life, A Better World

Management Philosophy

Contributing to society through business activities as a public entity

1. Providing value through business activities

The following are excerpts of the policies and initiatives discussed by the CEO of each Divisional Company introduced on our [website](#).

Appliances Company

We aim to help customers to attain a healthy mind and body by creating new value with home appliances and associated services. We bring convenience, comfort, beauty, and enjoyment to people's lives worldwide mainly in the areas of housekeeping, cooking, and beauty care. Particularly in the midst of the spread of COVID-19 infections, we are contributing greatly to the creation of clean spaces and improvements in public hygiene centering on our clean air technologies. Also, in the area of lifestyle infrastructure, we are helping to decarbonize economies and contribute to safer, more comfortable lifestyles by developing environmentally-conscious equipment that use hydrogen energy and natural refrigerants, as well as control systems and services powered by IoT and AI.

Life Solutions Company

We aim to provide spatial solutions that support both human well-being and environmental sustainability through the pursuit of human-centered comfort. More specifically, we employ software to update entire buildings in addition to physical renovations to lighting, ventilators, wiring devices, and so on. Together with our partner companies, we aim to harness the electric equipment control technology we have cultivated thus far to keep abreast with the needs of each building through its entire lifespan and optimize the comfort of the space around each individual according to the setting, time of day, and other factors.

Connected Solutions Company

We leverage the insight and expertise Panasonic has cultivated through manufacturing, as well as our strength in edge technologies including image sensing, robotics, AI, and IoT, to create process innovations that streamline manual, ad hoc tasks in the supply chain encompassing manufacturing, logistics, and retail operations. By delivering "Gemba Process Innovation" at the respective stages where things are made, shipped, or sold, we aim to achieve operational efficiency for our customers, reduce energy use and losses from waste, and increase worker productivity. In this way, we hope to solve societal issues and provide sustainable value.

Automotive Company

The automotive industry is currently undergoing revolutionary change symbolized by the acronym CASE: Connected, Autonomous, Shared, and Electric. We do business in a wide array of fields, including in-vehicle infotainment (IVI) systems, advanced driver assistance systems (ADAS), automotive mirrors, and automotive electrification systems, such as automotive batteries. We offer devices and solutions that are engineered to enhance safety and comfort during travel and reduce driver burden and environmental impacts. We contribute to the SDGs through the realization of safe and environmentally sustainable mobility in partnership with automakers.

Industrial Solutions Company

In the fields of ICT infrastructure, automotive CASE, and smart factories, we aim to help customers overcome challenges when addressing such megatrends as climate change and a labor force decline. By providing devices that embrace the development of ICT infrastructure through energy conservation, devices that contribute to better energy-saving and safety performance of EVs, and networking devices that reduce factory labor, our goal is to help customers achieve the SDGs, and by extension, overcome social challenges.

China & Northeast Asia Company

We strive to positively contribute to Chinese society through our business by providing solutions that support healthy, comfortable living for the region's aging population. With the aim of helping people in China live longer healthy lives by utilizing the know-how we accumulated in Japan, we are building a Wellness Smart Town for seniors with a local partner. Moreover, we have already launched sales of our fresh food cold chain solution, which reduces food losses, converts those losses into higher income for people in rural and fishing villages, and also improves food quality and safety. Through this service, we aspire to contribute to healthier and more comfortable living.

US Company

We have two core business segments: (1) supplying lithium-ion batteries to EV maker Tesla, Inc.; and (2) Hussmann Corporation, a refrigeration systems and display case provider. The former plays a part in popularizing EVs by supplying high-capacity batteries and also tackles the issue of climate change by furthering the uptake of clean energy. The latter, Hussmann Corporation, aims to help customers achieve reliable cold chain operations and lower their environmental footprint primarily by reducing energy and labor costs with IoT and promoting environmentally-conscious equipment. And as an incubation business, the US Company is looking to help solve social issues in the US by rolling out an IoT-driven information platform that will deliver safe urban road infrastructure.

2. Responsible business conduct

Messages from the head of each corporate function can be found on our [website](#). Related content is also published in this Annual Report.

Reference: Related content in Annual Report 2020

Environment	Message from the Environmental Compliance Administrator	Procurement	CSR Procurement
Human Resources	Message from the CHRO	Legal and Compliance	Corporate Governance Structure and Initiatives

3. Social contributions by the Company and employees

Alongside business activities, we also aim to contribute to the SDGs by joining hands with employees to carry out corporate citizenship activities. Details on these initiatives are available in the message from the Chief Brand Communications Officer on our [website](#).

Please refer to the following website for detailed examples of our initiatives on the SDGs.
<https://www.panasonic.com/global/corporate/sustainability/sdgs/case-study.html>

Message from the CFO



Steadily advancing Mid-term strategy initiatives with emphasis on return on invested capital and an awareness of financial discipline under our capital allocation policy

Capture business opportunities arising from social changes brought on by COVID-19

Hirokazu Umeda

Director
Managing Executive Officer /
CFO

Basic approach to capital policy and Mid-term strategy

Our basic approach to capital policy emphasizes return on invested capital and financial stability, and we endeavor to consistently generate returns in excess of the expected rate of return in the capital market. In addition, we are working hard to build a robust financial base so that we can push ahead with our business structural reform and investment in growth necessary for improving profitability.

In terms of return on invested capital, we are aiming to stably achieve ROE of at least 10% on a Company-wide basis in an effort to generate returns that exceed the cost of stockholders' equity over the medium to long term. As for financial stability, alongside the expansion of Panasonic Corporation stockholders' equity driven by the accumulation of net profit, we are undertaking initiatives with a focus on financial discipline in line with our capital allocation policy. To be more specific, the funds needed for mainly investments, structural reforms, and dividend payments will, in principle, come from cash flow (operating cash flow, divestitures) generated by businesses. That said, so that we can aptly respond to growth opportunities, we will respond flexibly to one-off demand for capital for an M&A deal, for example, whilst taking into account the balance of funds over the medium term.

Guided by this basic approach to capital policy, as part of our business portfolio reform—one key pillar in

the Mid-term strategy—in addition to enhancing competitiveness of individual businesses, we are focusing on the efficiency of our balance sheet and the improvement of cash flow from a financial point of view. To this end, we apply rate of return on invested capital (ROIC) as a marker of return on overall invested capital in each Divisional Company and Business Division when undertaking comparison with competitors, portfolio management, and investment decision-making.

Another key pillar in the Mid-term strategy is the enhancement of our management structure, thus, with the objective of realizing a profit contribution of 100 billion yen in fiscal 2022, we are working to reduce fixed costs by mainly reducing personnel costs and indirect operations, as well as integrating sites. We are also rolling out radical measures to deal with businesses that have loss-making structures. Even if these initiatives are impacted by changes in the operating environment, as CFO, I will seek to manage their overall progress and steadily work towards reaping the benefits of improved profitability.

Fiscal 2020 review

Earnings and financial situation

In fiscal 2020, both sales and profit decreased due to weak capital investment demand in China resulting from US-China trade friction, as well as lower sales caused by the spread of novel coronavirus disease (COVID-19)

impact). Nevertheless, we were able to make progress on initiatives towards breaking away from a low-profitability structure, including business portfolio reform and management structure enhancement.

In particular, for our business portfolio reform, we ramped up our co-creation initiatives to enhance our business competitiveness. We established two joint ventures with an external partner—one in the automotive prismatic battery business and the other in the town development business, and formed a strategic capital alliance in the security systems business. And to enhance our management structure, we achieved profitability improvements of approximately 20 billion yen by reducing fixed costs, and we have firmly set the direction for those businesses having loss-making structures by mainly deciding to transfer the semiconductor business and end production in the LCD panel business.

ROE, a Company-wide target of return on invested capital, decreased to 11.5% compared to the previous fiscal year, but it remains stably above the 10% level by achieving the average of 12.5% over the past five years.

In terms of financial stability, Panasonic Corporation stockholders' equity was 1,998.3 billion yen as of end-fiscal 2020 through the accumulation of net profit; the ratio of Panasonic Corporation stockholders' equity rose from 31.8% last fiscal year to 32.1%. Moreover, free cash flow improved considerably this year, increasing to +224.2 billion yen year on year compared to +10.3 billion yen last fiscal year. This owed to profit decrease being offset by mainly a reduction in working capital due to inventory reductions, strict control of investments, business portfolio reform, and sale of assets. The improvement in our financial position is also evident in net cash, which improved by 393.6 billion yen year on year to -419.5 billion

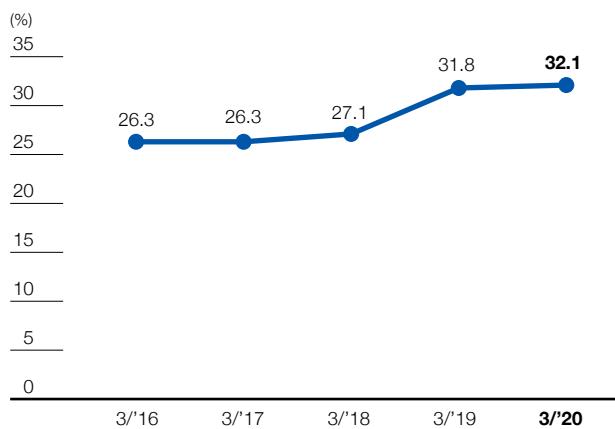
ROE

(Years ended March 31)



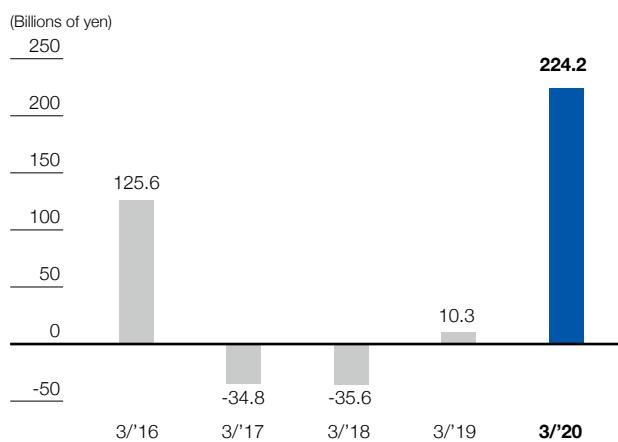
Panasonic Corporation Stockholders' Equity to Total Assets Ratio

(Years ended March 31)



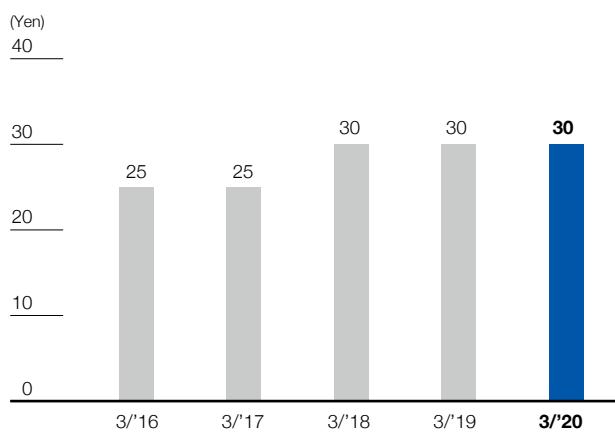
Free Cash Flows

(Years ended March 31)



Dividends (Dividends declared per share)

(Years ended March 31)



Message from the CFO

yen (–152.6 billion yen excluding lease liabilities*). This is partly attributable to the decrease in lease liabilities that resulted from the deconsolidation of Panasonic Homes.

As for returning profits to shareholders, even though net profit attributable to Panasonic Corporation stockholders decreased year on year, the Company distributed a dividend of 30 yen per share (unchanged from last fiscal year) in accordance with its dividend policy.

*Lease liabilities

Following the application of IFRS 16 beginning in fiscal 2020, leases (as lessee) previously recorded as expenses are booked on the balance sheet as either right-of-use assets that represent a right to use an underlying asset over the lease term or lease liabilities that represent a lease payment obligation (lease liabilities are recognized as interest-bearing debt).

Measures to strengthen financial base

In fiscal 2020, we made efforts to diversify our funding sources and strengthen our funding base through domestic and foreign capital markets; we issued senior notes denominated in U.S. dollars for the first time in 27 years with the aim of accessing overseas markets which encompass a broad range of investors, and we also issued domestic bonds mainly for the partial refinancing of bond redemptions.

Also, with the aim of facilitating smooth financing, we have taken steps to better communicate Panasonic's credit story. Our initiatives include; organizing IR activities for bond investors not only at the time of bond issuance, but also on a regular basis, and deepening our discussions with credit rating agencies primarily about how we are improving profitability, our approach to financial discipline, and our medium- to long-term strategies.

In terms of cash, through to the end of fiscal 2020, the Company had secured over 1 trillion yen in cash and cash equivalents in preparation for the risk of potential deterioration in the financial and economic environment brought on by the gradual spread of COVID-19. On top of this, Panasonic entered into commitment line agreements in June 2018. The upper limit for unsecured borrowing based on the agreements is a total of 700.0 billion yen, but there have been no borrowing under these agreements, and we have secured sufficient liquidity.

Credit Ratings (as of August 31, 2020)

Ratings agency	Long-term (Outlook)	Short-term
Rating and Investment Information	A (Stable)	a-1
Standard & Poor's	A- (Negative)	A-2
Moody's	Baa1(Negative)	—

Initiatives in fiscal 2021

Priority initiatives

Sales and profit are expected to decrease in fiscal 2021 due to the impact of COVID-19, as well as deconsolidation effects from our business portfolio reform. Considering that sales and profit started to improve in June, we anticipate a moderate improvement from the second quarter onwards. At the same time, we expect the COVID-19 impact will likely remain in the second half and affect our businesses for the aviation, housing-related, and automotive industries.

Despite this highly uncertain business environment, we aim to steadily execute the key initiatives in our Mid-term strategy; namely, business portfolio reform, improvement of profitability for automotive-related business—which is positioned as a Revitalization business—and enhancement of management structure. We will also push ahead with measures to improve profitability and get profit back on a growth trajectory by stepping up efforts to capture business opportunities brought on by changes in society as a result of the COVID-19 pandemic.

To drive forward our business portfolio reform, we will continue to collaborate with partners on co-creation initiatives and enter into strategic capital alliances. Meanwhile, in order to propel the strategic shift of managerial resources, we will also aim to execute investment in growth whilst taking into account our capital allocation policy. As a concrete example, in the *Gemba* (operational frontlines) Process business—which we consider to be a Core growth business—we have made a strategic equity investment in Blue Yonder, a leading end-to-end supply chain software provider. To complement the hardware we already possess in the *Gemba* Process business, this investment will enable us to bolster the functions, such as software and consulting capabilities, needed by our solutions businesses and drive growth in recurring business as a platform for stable earnings. We will also accelerate the transformation of our business model, and deliver results.

From my standpoint as CFO, I will continue to thoroughly manage the progress of initiatives geared towards improving profitability in automotive-related business and enhancing our management structure.

Large-scale investments in automotive-related business have driven sales growth thus far, but we have struggled to convert this into profit growth, which is why a turnaround in profitability is such a pressing issue. In Automotive Solutions, we took steps to enhance the management structure ahead of schedule and development expenses in particular have started to decline after peaking in fiscal 2020. We will also ramp up our efforts

to reduce fixed costs in an effort to return to profitability in this business as soon as possible. In Automotive Batteries, we aim to achieve sustained profitability by improving productivity at our North America factory for cylindrical batteries and aim to further boost profitability with the introduction of new technology. We have also decided to invest in the expansion of production capacity through to fiscal 2022. Up ahead, decisions on investment will be made after thorough assessment of profitability.

Regarding the enhancement of our management structure, we will endeavor to further reduce costs with a focus on fixed costs, and look to reap the benefits of approximately 30 billion yen, which is more than what we initially targeted. We will also step up efforts to eliminate those businesses having loss-making structures and aim to generate profit improvements of 15 billion yen mainly in the semiconductor business, notwithstanding the negative impact of COVID-19. Based on these measures, we intend to steadily achieve profit contributions by more than 100 billion yen by the end of fiscal 2022, the final year of our Mid-term strategy.

In terms of the business opportunities brought on by changes in society as a result of the COVID-19 pandemic, we expect to see greater investment in information- and communication-infrastructure (base stations, servers, etc.) driven by sharp growth in network demand as people refrain from going out and choose to work remotely, as well as stronger demand for air purifying and air conditioning systems because of heightened interest in public health and as more people choose to stay home. Panasonic will develop products and services and invest in expanded production capacity. For example, storage battery systems and conductive polymer capacitors in the area of information and communication infrastructure, as well as spatial sterilizing/deodorizing equipment using sodium hypochlorite (Ziaino) as an effective way to reduce airborne bacteria and virus particles and air conditioners in the air-conditioning and air quality field.

Initiatives for generating cash flow

In fiscal 2021, in addition to securing profits, we aim to keep improving inventory and working capital and be more discerning with the investments we make. We will also aim to generate free cash flow in excess of net profit levels by executing strategic investments within the scope of revenue generated by business portfolio reform and the sale of assets.

Going forward, in aiming to steadily advance our Mid-term strategy, we will engage in financial management in a well-focused manner whilst securing capital necessary for growth by generating cash flow.

Putting our management philosophy into action and aiming to enhance corporate value

Since its foundation, Panasonic has undertaken business activities based on the philosophy: "A company is a public entity of society." At present, the impact of COVID-19 remains unpredictable and the future outlook for the financial and economic environment is still unclear. We believe, however, that over the medium to long term, it is our duty to help find solutions to various social issues through our business activities, including those triggered by societal changes in response to the pandemic, and that doing so is necessary if we are to enhance sustainable growth and corporate value. We also recognize that our actions can contribute to the attainment of the Sustainable Development Goals (SDGs)—an agenda the international community has its sights set on achieving.

Also, we have long positioned ESG as one platform that underpins our business activities in the context of aiming to enhance corporate value in a sustained manner. Until recently, Europe had been a pioneer of ESG investment, but now the rest of the world, including Japan, is stressing the importance of ESG as a source of non-financial information on which investment decisions can be based. As a result, opportunities for ESG-themed dialogue with shareholders and investors are on the rise. Up until now, Panasonic had communicated its views on ESG and messages from managers of ESG-related departments, but going forward, so that investors can gain a better understanding of how we incorporate ESG into the value creation process, we intend to disseminate information about ESG in an integrated manner with updates about our business and management activities and actively engage in dialogue with investors regarding ESG.

The situation of COVID-19 prevents us from communicating face to face with shareholders and investors at this time, but for financial announcements and one-on-one meetings, we are currently switching to virtual methods (conference calls, online meetings, etc.) in light of efficiency and convenience. We will continue to make every effort to deepen the understanding of investors about our initiatives on management reforms and utilize their feedback in management operations. I look forward to your continued support of Panasonic's endeavors in the future.

Link to Initiatives for SDGs

<https://www.panasonic.com/global/corporate/sustainability/sdgs.html>

For Profit Growth and Profitability Improvement

Business Portfolio Reform

- In fiscal year ended March 31, 2020 (fiscal 2020), the first year of our new Mid-term strategy, we carried out initiatives for future profit growth and improved profitability by implementing portfolio management. Specifically, we concentrated resources on Core growth businesses with market growth potential where we can leverage our strengths. At the same time, in automotive prismatic batteries, town development, and security systems, we emphasized co-creation with partner companies aimed at enhancing our competitiveness. Furthermore, we completed the direction of the loss-making businesses of semiconductor and LCD panel.
- In fiscal 2021 and beyond, we will continuously concentrate investments in Core growth businesses while enhancing competitiveness through co-creation, as well as setting the direction of low-profit businesses, with the overall aim of breaking away from low-profitability structure.
- In July 2020, we made a 20% strategic equity investment in supply chain software company Blue Yonder after reaching an agreement to expand our strategic partnership with that company. By learning the advanced solutions and business models that Blue Yonder provides globally, we will strengthen our solutions capabilities and accelerate our business transformation.

Progress of Key Initiatives

Implementing strategies for growth (medium and long term)

To transform business model and build stable profit pillars for the future (profit growth)

Security systems

Deploy the knowledge and experience we have gained through our strategic capital alliance with Polaris, which has strong investment power, with our technological strength and customer base, to create a swift and flexible solutions business



Nov. 2019

Enhancing competitiveness through co-creation (medium term)

To create new value with business partners (profitability improvement)

- Announced decision on strategic capital alliance with Polaris Capital Group Co., Ltd. (May 2019)
- Completed capital alliance process (November 2019)

Semiconductors

Partial transfer of discrete semiconductor business

Apr.
2019

TVs

Discontinue production in Mexico

Jul.
2019

Improving profitability (short term)

To eliminate businesses with loss-making structures and set the direction for low-profit businesses (structural reform)

- Announced decision on partial transfer of discrete semiconductor business to ROHM Co., Ltd. (April 2019)
- Partial transfer completed (December 2019)

- Announced decision to end production in Mexico (July 2019)
- Currently promoting ongoing structural reforms of entire TV business

Because we cover multiple business fields, we believe achieving sustainable growth requires self-reforms. This means day-to-day reforms of our business portfolio. Accordingly, we regularly monitor all of our businesses while sharing and discussing the status and direction of each business with the Board of Directors and executive officers. Our top management members are united to promote the reforms with speed as the top priority.

Eiichi Katayama

Managing Executive Officer
Chief Strategy Officer (CSO)



Gemba process

Strengthen software and consulting capabilities to promote *Gemba* process innovation in an integrated manner

Jul. 2020



- Announced decision on strategic investment (20%) in supply chain software company Blue Yonder (May 2020)
- Made strategic investment (July 2020)

Town development

Create value for the entire town as a whole by combining the mobility services promoted by Toyota and "Lifestyle Updates" promoted by Panasonic

Jan. 2020



- Announced decision on joint venture with Toyota Motor Corporation to engage in town development business (May 2019)
- Established Prime Life Technologies Corporation (January 2020)

Automotive prismatic batteries

Combine the electric vehicle know-how and manufacturing capability of Toyota with our high-quality, high-safety battery technologies, mass production capabilities, and customer base to develop the No.1 automotive prismatic battery in the industry

Apr. 2020



- Announced decision on joint venture with Toyota Motor Corporation to engage in automotive prismatic battery business (January 2019)
- Established Prime Planet Energy & Solutions, Inc. (April 2020)

Semiconductors

Transfer business to Taiwanese company

Nov.
2019

- Announced decision on transfer of semiconductor business (November 2019)
- Business transfer completed (September 2020)

LCD panels

Discontinue in-house production

Nov.
2019

- Announced decision to end LCD panel production by 2021 (November 2019)

Lighting

Transfer shares in European lighting device company

Feb.
2020

- Announced and completed transfer of shares in European lighting device company (February 2020)

Solar panels

Wind down U.S. manufacturing in Buffalo

Feb.
2020

- Announced decision to end production at plant in Buffalo, United States (February 2020)
- Production suspended (end of June 2020); withdrawal of business scheduled (end of September 2020)

Message from the CTO/CMO, and Technology Introduction



Supporting next-generation growth through innovation and rapid commercialization, and contributing to the realization of a sustainable society

Yoshiyuki Miyabe

Senior Managing Executive Officer
Chief Technology Officer (CTO)
Chief Manufacturing Officer (CMO)

R&D and innovation strategies

At Panasonic, we are engaged in R&D and strategies that create innovation with an eye to the future so that we can keep contributing to “A Better Life” and “A Better World” through our business activities.

Looking at the business environment that envelops the Company, the spread of novel coronavirus disease (COVID-19) in 2020 had an enormous impact worldwide, which in turn triggered the rapid adoption of measures in the virtual world, such as teleworking, online learning, and remote medical care. The evolution of digital technology is currently having a profound effect on the real world and we continue to carry out our own historic changes and create innovation with the goal of turning the unprecedented challenges brought on by COVID-19 into the cornerstone of our development.

The Science and Technology Basic Plan drafted by the Cabinet Office of Japan calls for “Society 5.0,” a new future society that Japan should aspire to. The concept incorporates IoT, robots, artificial intelligence (AI), and other cutting-edge technologies to provide goods and services that meticulously address a diverse range of needs, thereby aiming to realize a society that balances economic development with solutions to the issues it faces. Digitalization and the uptake of IoT is taking place in a multitude of fields as the world we live in rapidly transitions from an industrial society to an information society, and then finally to a super-smart society advocated for by Society 5.0. We expect these changes in society to gather increased momentum up ahead as a result of the spread of COVID-19.

To survive when faced with dramatic change, we must

transform our overall business process so that we remain in step with the times. Previously with mass production, products became independent of their manufacturers as soon as they were shipped from the factory. However, in the era of IoT, where all kinds of things are connected to the Internet, we will be able to continue offering contributions by maintaining the connection between manufacturer and customer through products and services even after shipping.

To this end, simply aiming to have most of our customers feel completely satisfied when providing a product or service is unlikely to be good enough. We feel that we must offer ways to update these products and services while they are still being used so that they become the “most suitable” for each and every customer. In a sense, this is an attempt to rebuild the traditional bonds between a neighborhood store and its community in a way that the current times demand. By moving quickly to build and expand the software-hardware integrated business model unique to the manufacturing industry, we will aim to leverage our broad-ranging technological and manufacturing capabilities accumulated thus far to create value for our customers.

On top of this, we will also need to drastically change our approach to product quality so that it aligns with our business process. If we are to provide updates to products and services after they have been sold and delivered to customers, we will most likely need to continuously meet the after-sales requests of customers with a level of quality that exceeds that at the time of original delivery. We intend to steadily work on building such a system going forward.

In addition, we will be required to change the very way we engage in technological development. In times when our target customers were the general public, we were

expected to have the technology to mass produce “perfect” products. However, in the age of IoT it is possible to target a “specified and large number” of customers, so in order to reach out to a certain customer segment and deliver value, having a framework that is conducive to speed and co-creation with external partners will be paramount. In other words, we must reinvent our technological development and manufacturing processes. Demanding perfection from engineers from the outset, as was the case in the past, actually impeded innovation because of the restrictions they had to work under. To foster a culture that is always innovative, we must be ready to purposefully allow “imperfection” going forward. For example, if we quickly release a trial product to our customers, we could then go about further improving it together with customers.

In 2017 we established a Business Innovation Division and since then we have pushed ahead on creating a culture of innovation by setting up flexible and cross-sectional organizational units. Then in 2020 we set up a Lifestyle Business Strategy Division under the direct control of Panasonic Headquarters with the aim of creating a forward-thinking, user-oriented services businesses. Possessing business strategy and corporate management know-how, as well as Company-wide, cross-sectional collaboration functions for technologies and products, this Division has in place a structure capable of pursuing the launch of new businesses.

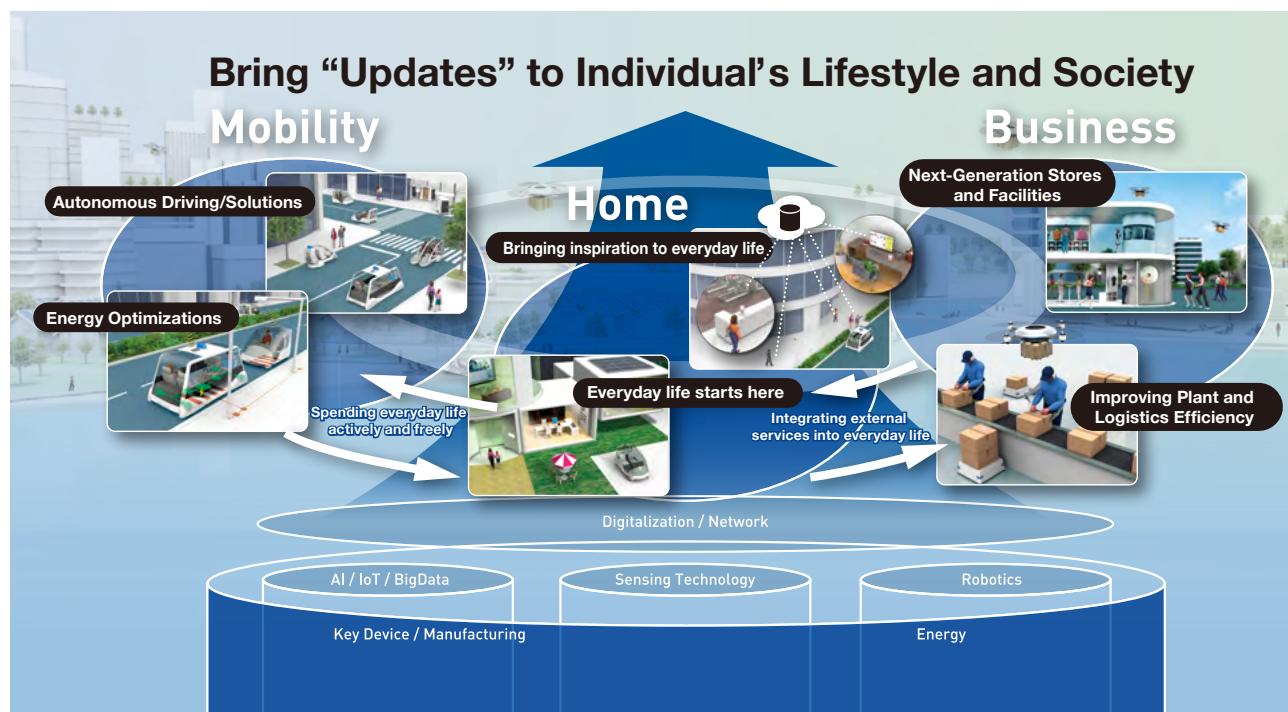
Under the umbrella of the Innovation Promotion Sector we established a Technology Division. This Division brings together the departments each tasked with technological development of software as well as devices and other

hardware. Also, the Division will aim to deliver ongoing updates in conjunction with our Lifestyle Foundational Technology Center, which is responsible for developing the technological frameworks and systems geared towards improving software. To go into more detail, the Division will continue to focus mainly on AI-driven innovation in digital technology, and innovation in materials development, the sharpening of the competitive edge of devices, and the development of sensing technologies, robotics, and software, which meet customer needs. In this way, it will support, from a technological standpoint, our *Gemba* (operational frontlines) process and other initiatives to expand the contributions of our products and services. Furthermore, we have newly established an Energy Business Development Office to take charge of creating new businesses centering on sources of energy that contribute to the attainment of sustainable growth. This office will look to undertake projects on a Company-wide and cross-sectional basis.

We will advance our initiatives for technological development and manufacturing to the next phase—namely, giving shape to “Lifestyle Updates” and strengthening our software business, and support the growth of next generation businesses through innovation and rapid commercialization.

R&D Outlook

Our brand slogan, “A Better Life, A Better World,” represents what we think to be our mission in society; namely, creating a better life and contributing to the happiness of people around the world, to the development



Please refer to “Technology & Design” on our website. <https://www.panasonic.com/global/corporate/technology-design/vision.html>

Message from the CTO/CMO, and Technology Introduction

of society, and to the future of the globe. This thinking is also consistent with our approach to the development of technology, which is why we are formulating a course of action for R&D that is focused on future businesses so we can contribute to a better life and better world and continually create technology that brings “Updates” to individual’s lifestyle and society.

We have identified the following three key areas in which we will rise to the challenge of continuing to provide contributions, or in other words, bringing “Updates” to individual’s lifestyle and society, by further evolving the technologies we have honed thus far and combining them with AI and other digital technologies: (1) home—the foundation of all lifestyles; (2) mobility—concerning the movement of people and goods; and (3) business—stores, facilities, plants, etc. which support people’s lifestyles.

Contributing to the realization of sustainable society

The industrial societies that developed as a result of the industrial revolution provided the world with material wealth and dramatically improved people’s livelihoods, but at the same time they seriously affected the global environment. We believe it is also our mission, in terms of technological development, to use technology to find solutions to the detrimental effects that technology has brought on the environment. Not only do we adopt measures to conserve energy in our own operations, but we have been engaged in the business of mainly fuel cells and storage batteries, which contribute greatly to the electrification of vehicles. Up ahead, we will work towards realizing the Panasonic Environment Vision 2050 (Please refer to “[Message from the Environmental Compliance Administrator](#).”), which mainly outlines our response to climate change, by designing energy-saving products in order to reduce the amount of energy used, by refining battery technology and developing hydrogen energy technology, to further increase the energy created and its efficient usage.

We are establishing global partnerships with each supplier around the world. We will aim to establish fair, impartial, and sustainable supply chains by sharing with suppliers our values pertaining to not just economic aspect, but also the environment, CSR, and relationship with society. (Please refer to “[CSR Procurement](#).”)

Technological and manufacturing capabilities accumulated in consumer electronics

Since its establishment as a manufacturer of wiring equipment in 1918, Panasonic has continued to expand the scope of its business operations, mainly in the area of consumer electronics. Our major strengths are the wide-ranging technological capabilities and know-how accumulated and refined through manufacturing that is always conscious of our customers.

We have produced a multitude of products that make society better and more convenient by skillfully combining and amalgamating advanced technologies in a wide variety of fields, from visual/imaging and audio/voice to mechatronics (mechanisms), materials/devices, and even energy.

We cannot, however, produce superior products through technological capabilities alone. Cutting-edge manufacturing capabilities are indispensable in the utilization of technology for improving performance, quality and usability. For instance, know-how relating to coating, molding, measurement, mounting, machine processing, control, CAE (simulation) and quality control, as well as the adjustment and integration of technologies that interconnect these processes. These manufacturing capabilities are another major strength that Panasonic has cultivated, and their importance will remain unchanged even in the era of AI, IoT, and robots.

At Panasonic we have two key strengths: technological capabilities and manufacturing capabilities. The former spans a wide range of fields, while the latter enables us to make products in a reliable fashion. By leveraging these capabilities, we intend to promote innovation and create new businesses that offer the “most suitable” products and services to each and every customer.

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



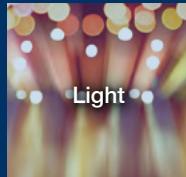
2010
Begins mass production of HEV lithium-ion batteries



2017
Develops facial recognition gate, put into operation at Tokyo International Airport



Various technological capabilities we have hitherto honed and developed in mainly visual, audio, and optical fields



Manufacturing capabilities in mainly coating, molding, measurement, and mounting processes that produce reliable and safe products



A Better Life, A Better World

Message from the CTO/CMO, and Technology Introduction

Technology Introduction

Achieving a safe and secure society in the IoT era by enhancing industry-leading Cybersecurity technology

Panasonic has led many aspects of security technology for more than 30 years, including encryption, authentication, and tamper resistance to prevent hacking of audio visual products and connected appliances.

In the era of the Internet of Things (IoT), Cybersecurity has rapidly grown in importance as a way of safeguarding PC and IT systems. We are evolving our security technology further in the IoT Cybersecurity field for application in factories, buildings, automotive solutions, and homes.

Growing threat of cyber-attacks

The number of observed cyber-attacks are increasing and half of such attacks targeted IoT devices in 2019 (see figure below). The World Economic Forum published its "The Global Risks Report 2019," highlighting cyber-attacks against key infrastructure and data fraud/theft as "global risks" likely to cause serious damage throughout the world in the next decade.

Under such circumstances, we are also anticipating a greater Cybersecurity risk in our business area. For

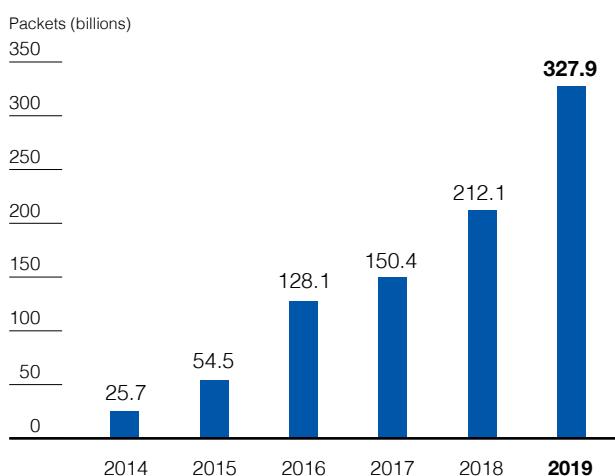
example, in the smart factory and smart building area, network-based operations heighten Cybersecurity risk. In the automotive area, connected vehicles and driving assistance systems, including ADAS functionality, contribute to fewer traffic accidents, however, their vulnerabilities allow unauthorized remote operations, which can lead to recalls. These types of cars require security countermeasures in our business area.

Panasonic Cybersecurity initiatives

For more than 30 years, Panasonic has led many aspects of security technology, including encryption, authentication, and tamper resistance to prevent hacking of audio visual products and connected appliances.

Recently, Panasonic has focused more on IoT Cybersecurity technology such as connected factories, buildings, automotive solutions, and homes. This technology monitors data flow over networks to judge abnormal behavior as a cyber-attack by utilizing cutting-edge AI, and prevents not only known attacks, but also unknown attacks.

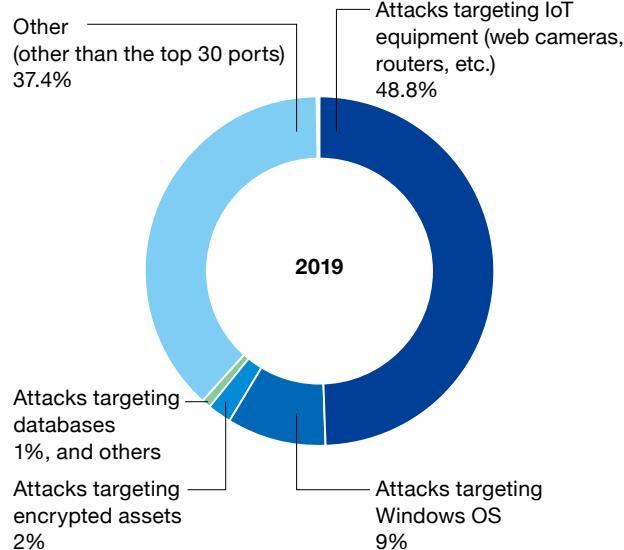
Number of observed cyber-attacks by NICTER's darknet sensor*



*NICTER (Network Incident analysis Center for Tactical Emergency Response) is a network for monitoring cyber-attacks, operated by the National Institute of Information and Communications Technology (NICT).

Source: Cybersecurity 2019, Cybersecurity Strategic Headquarters of the Japanese government

Breakdown of observed cyber-attacks by NICTER's darknet sensor



We are currently conducting proof of concept (PoC) on multiple fronts to analyze huge data logs and to detect abnormalities. Our incident response team demonstrates the capability to discover security holes before attacks occur and minimize damages even if an incident has occurred in the PoC.

We are moving towards the commercialization of IoT Cybersecurity technology by improving capabilities through these PoCs with Mori Building Co., Ltd. and Tokyo Tatemono Co., Ltd. in smart buildings and remote automotive monitoring field trials with mobility partners.

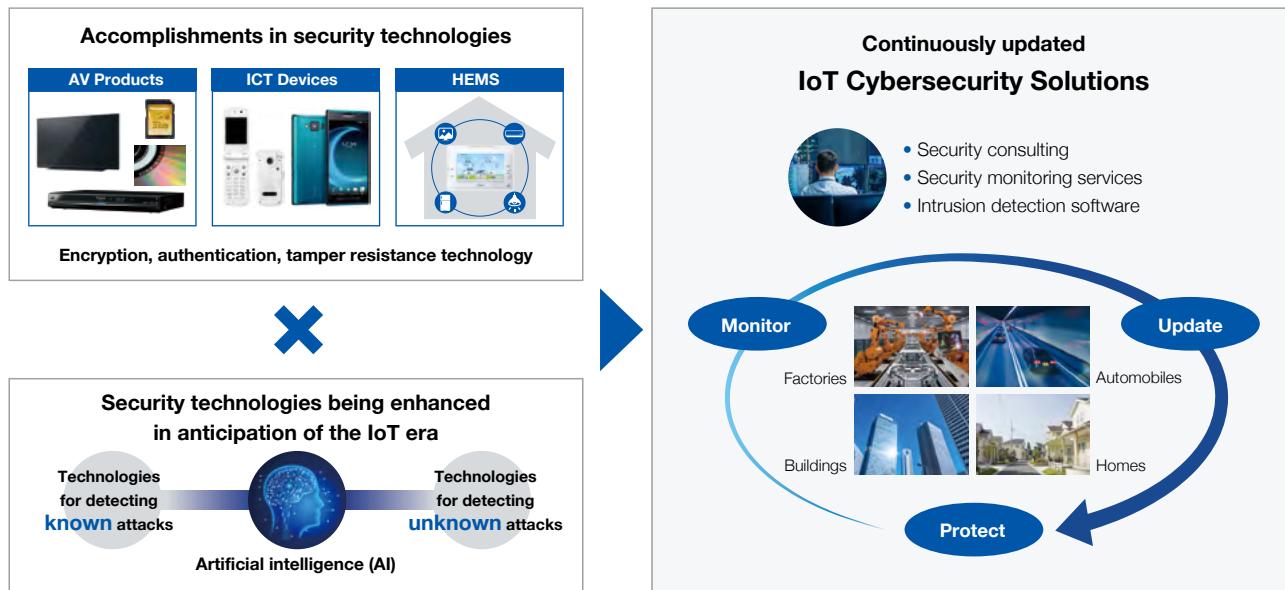
Highly recognized security technology

Panasonic Cybersecurity technology has been highly recognized in the industry. We presented our research achievements at the world leading automotive security conference “escar” and the ICS security conference “S4” in 2015, 2017, and 2019. In 2020, our research was presented at “Black Hat,” the most prominent Cybersecurity conference since 1997. These achievements show

that Panasonic commands the leading position in the Cybersecurity industry.

Panasonic aims to provide “Lifestyle Updates” that deliver the best option to every customer by continuously improving our products and services after sale. We position Cybersecurity technology as a core technology that supports our “Lifestyle Updates” in many business areas such as factories, buildings, automotive solutions, and homes. This technology is not only applied to our current products or services, but also provides innovative Cybersecurity solutions to customers, such as “security consulting services,” “security monitoring services,” and “intrusion detection software,” which contribute to a safe and secure society in the era of IoT.

Panasonic initiatives in Cybersecurity Solutions



Message from the CHRO



"Develop people before making products."

That is what Panasonic founder Konosuke Matsushita used to say when expressing his views about human resources. This very philosophy underpins Panasonic's people-oriented approach, and based on this thinking, we believe it is our mission to spearhead business challenges through the development of people, organizations, and corporate culture. To this end, and as part of our human resources strategies, we aim to "Become the Best Place to Work" where diverse talents work at their best with the greater goal of realizing our brand slogan "A Better Life, A Better World."

The environment surrounding human resources and the type of employees we seek to develop

The environment surrounding human resources has changed dramatically in recent years. One factor behind this change is the remarkable evolution of technology capable of replacing labor, such as AI and robotics, in response to the anticipated worldwide decline in the working-age population as a percentage of overall population. Furthermore, an era in which more people will likely live to the age of 100 is fast approaching with life expectancies in mainly developed countries continuing to increase. As such, prolonged careers and diversified personal values toward working are constantly progressing. And these environmental changes have intensified all at once as a result of the COVID-19.

As we respond to such changes and adopt the right human resources strategy required for this new age, we must also successfully deploy a business strategy aimed at transforming our business model from one traditionally centered on products to one that delivers "Lifestyle Updates" and shifts "from hardware to experience."

Accordingly, we believe the type of employees required in this new era are those that can achieve higher levels of self-sustaining growth and fully maximize their wide-ranging capabilities. In order to nurture such human talents, the

"Become the Best Place to Work" where diverse talents work at their best

Shigeki Mishima

Executive Officer
Chief Human Resources Officer (CHRO)

Company must provide an environment in which each individual employee can play an active role. This kind of relationship between the Company and its employees is the source of corporate competitiveness and I believe it enables us to continually deliver new value to society.

Human resources strategies linked to our business strategy

At Panasonic we are currently driving forward a business strategy aimed at transforming our business model into one that delivers "Lifestyle Updates" and shifts "from hardware to experience." I believe autonomous management holds the key to the success of this strategy, which will enable Panasonic—a conglomerate of multiple businesses—to generate synergies between various operations and achieve growth on a global scale by addressing the needs of each industry.

To propel a business strategy based on this kind of autonomous management, I believe we must also focus on autonomy in our human resources strategies too. That means moving away from our approach that up until now was centered on the combination of "Panasonic Corporation" and "Japan," to focus more on "business-based perspectives" and "global regions." As such, we need to formulate and execute competitive and unique human resources strategies for each business and region. Accordingly, we intend to transfer responsibilities to and increase empowerment in each operating company concerning human resources with our transition to a holding company system in April 2022 and promote human resources strategies best suited to their respective business strategies. On the other hand, Panasonic Holdings Corporation will take on the role of vigorously supporting the execution of human resources strategies to develop management executives, ensuring Group and global corporate governance, and having Professional Services Corporation enhance its consulting capabilities for strategies, measures, and management of systems, as well as shared services functions.

Appointing and developing management executives—Business execution structure and development of management executives

As for the appointment of heads of business, we are moving away from the conventional idea of selecting a leader from existing successor candidates and shifting to the idea of nominating a person that is most qualified for the position (the right person for the right job). In other words, we are aiming to boost competitiveness by appointing the most suitable people required in each business—all of which continue to become more specialized and sharpened.

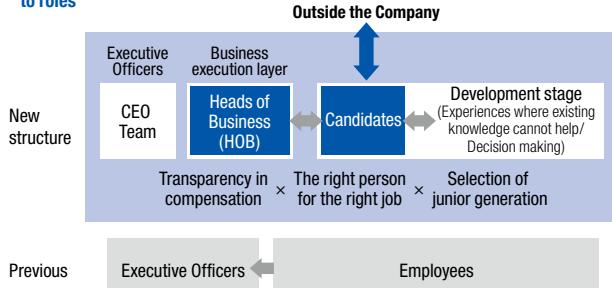
We are furthering the development of management executives that make up our portfolio of talents for heads of business and each job function by discovering and hiring a diverse pool of employees regardless of age, experience, nationality, or gender, and offering them the opportunity to handle tough assignments^{*1}. For example, taking responsibility for PL, BS, and CF in specific businesses.

Regarding training for executive candidates, we are currently preparing the most appropriate programs from within and outside the Company to suit the circumstances of participants and meet their individual needs. In fiscal 2021 we completely revamped the training curriculum and introduced such programs as LEL (Launching Executive Leaders)^{*2} and CEL (Creating Executive Leaders)^{*3}, both of which place a particular emphasis on improving thoughts and behaviors that lead to change. We are aggressively promoting the development of management executives mainly by stimulating their aspirations as management executives and offering them the chance to acquire necessary management literacy via numerous learning opportunities and friendly competition with participants from various business fields.

As part of the process of appointment and development of management executives with this approach, in October 2019 we undertook a review of our business execution structure in order to realize a business structure that can resiliently respond to volatile changes in the business environment. This review aimed to clarify management roles and responsibilities by reorganizing the structure into two groups: executive officers tasked with leading the Group's business structural reforms from the perspective of Group-wide optimization; and a business execution layer that will execute the transformation of individual businesses with the aim of

Reforming the business management structure

- Create a flexible and robust business structure in the drastically changing business environment
- Work to increase motivation for business transform with management suited to roles



strengthening their operations.

Furthermore, for the business execution layer, a core part of Panasonic's business management, tasked with improving profitability and generating future competitive advantage in their respective businesses, in fiscal 2021 we introduced a compensation system that rewards results, demands clearer accountability, and further encourages them to take up the challenge of instigating change for the future.

Human resources development initiatives

As for Group-wide human resources strategies, in addition to our business execution structure and development of management executives, we offer support to employees taking on challenges, learning, and growing, as well as measures aimed at creating safe and secure workplaces.

Regarding our support for employees taking on challenges, learning, and growing, we continue to develop an interactive personnel management called "A Better Dialogue" to bring out the enthusiasm in each and every employee so they can deliver results. At the same time, we are introducing a system whereby employees can apply for new postings within the Company and expand their areas of activity, and we are pushing ahead with concrete initiatives on organizational development and diversity and inclusion with the aim of maximizing the potential of individuals and organizations.

In creating safe and secure workplaces and guided by our respect for human rights in line with our management philosophy, we are once again reviewing our working styles and personnel management in the midst of the COVID-19. At the same time, we are making every effort to abide by compliance guidelines.

*1 Tough assignment

Taking on a role that comes with a responsibility and is a completely different and tough experience for the individual. For example, a position that involves responsibility for PL, BS, and CF, a position that involves being in charge of planning and launching a new business, or a position that involves leading structural reforms.

*2 Launching Executive Leaders (LEL)

Training that aims to provide management executives with the finishing touches and firm resolve to comprehensively leverage their competency as thoughts and behaviors that lead to change and put management principles into action.

*3 Creating Executive Leaders (CEL)

Training that aims to prepare management executives by equipping them with self-awareness of the management skills to realize a customer focus, strategic mindset, and reformation by leveraging management literacy.

System for developing management executives

By providing a range of job experiences to the carefully chosen diverse development targets, Panasonic will create management executive candidates with diverse role traits and perspectives.



ESG Initiatives (Opportunities and Social Responsibilities)

Since its foundation, Panasonic has endeavored to contribute to the progress and development of society and the well-being of people through its business activities based on the thinking that as a public entity of society the Company must grow together with society and its stakeholders. Konosuke Matsushita, the founder of Panasonic, listed the following three principles when talking about corporate social responsibility: (1) to contribute to the development of society and people's happiness through our core business activities; (2) to generate fair profits from our business activities and return those profits to the

Main opportunities and social responsibilities		Opportunity	Items that contribute to the enhancement of corporate value
		Social responsibility	Items that minimize the risk of damage to corporate value
E (environment)	Energy	Opportunity	Contribute to growth in businesses related to the environment and energy with the use of clean technology, such as energy-saving, battery, and hydrogen technologies
	Resources	Social responsibility	Combat climate change, including more stringent regulations mainly on energy efficiency
S (society)	Human resources	Opportunity	Promote manufacturing to achieve a recycling-oriented society, including the recycling of factory waste
	Corporate citizenship activities	Opportunity	Contribute to business model transformation and the creation of new businesses mainly through the development of management executives, the development and the utilization of a diverse pool of human resources, and the creation of organizations
	Human rights and occupational health and safety	Social responsibility	Work on solving social issues in a way that supplements Panasonic's main business, and contribute to business growth as well by enhancing brand value and tapping new markets
	CSR procurement	Social responsibility	Abide by all labor laws and regulations, respect basic human rights, including the prohibition of forced labor, child labor, and all forms of discrimination, and develop safe and comfortable workplace environments
	Product quality	Social responsibility	Establish sustainable supply chains by working together with suppliers to promote procurement activities that fulfill social responsibilities concerning mainly legal compliance, human rights and labor issues, health and safety, and global environmental conservation
	Compliance	Social responsibility	Improve product quality and ensure product safety, observe product quality compliance, and engage in optimal manufacturing for every product
	Risk management	Social responsibility	Establish a global infrastructure and foster a compliance culture, aimed mainly at preventing the violation of competition laws and implementing the anti-bribery and anti-corruption policy, and promote the use of a global hotline
G (governance)	Corporate governance	Opportunity	Identify key risks of the entire Group from among those that may affect business management, and strengthen Company-wide risk management through a process of evaluation and progress monitoring of the countermeasures by the Board of Directors and making improvement based on that
		Social responsibility	Support timely and decisive decisions based on the decision-making functions of the Board of Directors, and accelerate the development of mainstay businesses and portfolio reform through flexible investments and appropriate risk taking
			Minimize erroneous investment decisions and other risks by conducting objective and multi-faceted examinations based on the supervisory functions of the Board of Directors

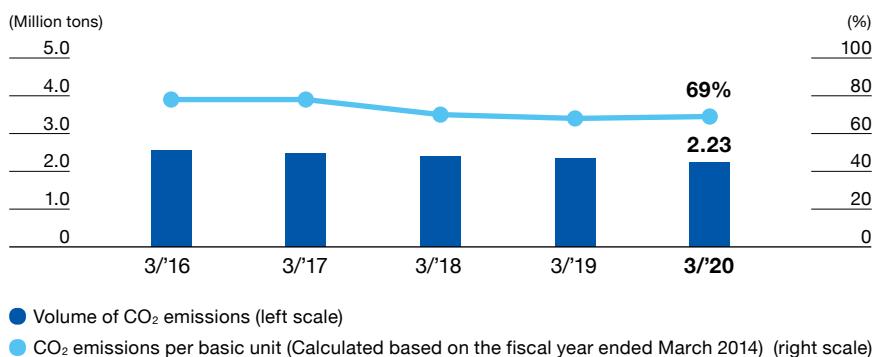
nation and its people in various ways; and (3) to make every process of our corporate activities support the goal of a healthy society. These principles now serve as the foundation of our ESG initiatives (Please refer to "[Management Philosophy](#)."

We consider ESG to be one of our management foundations that underpin the Company's business activities and we will therefore always aim to achieve sustainable increases in corporate value by identifying business opportunities and fulfilling our social responsibilities.

Related information	
This Annual Report	Other
<p>Message from the Environmental Compliance Administrator (P55) Focusing on energy and resources as a climate change measure</p> <p>Initiatives towards the Environment (P56-P58) Environmental sustainability management / Energy-related initiatives / Resources-related initiatives / Response to TCFD</p>	<p>Sustainability Data Book  Environment: Policy</p> <p>Website Initiatives for SDGs</p>
<p>Message from the CHRO (P35-P36) Become the Best Place to Work where diverse talents work at their best</p> <p>Human Resources Initiatives (P59-P60) Supporting employee taking on challenges, learning, and growing / Creating safe and secure workplaces</p> <p>CSR Procurement (P61-P62) Procurement policy / CSR self-assessments / Responsible minerals procurement / Environmental initiatives</p>	<p>Sustainability Data Book</p> <p> System for the Promotion of CSR Activities</p> <p> Human Resources Development and Promotion of Diversity</p> <p> Respect for Human Rights</p> <p> Occupational Health and Safety</p> <p> Responsible Supply Chain</p> <p> Raising Product Quality Levels and Ensuring Product Safety</p> <p> Fair Operating Practices</p> <p> Risk Management</p> <p>Website Corporate Citizenship Activities Initiatives for SDGs</p>
<p>Message from the Chairman of the Board (P41-P42) Practicing our management philosophy based on ESG to achieve sustainable growth and enhance corporate value</p> <p>Messages from Outside Directors (P43-P46)</p> <p>Directors, Audit & Supervisory Board Members, and Executive Officers (P47-P48)</p> <p>Corporate Governance Structure and Initiatives (P49-P54) The Company considers corporate governance to be a key foundation for increasing its corporate value and will continue strengthening governance, including enhancing the discussion of business strategies by the Board of Directors</p>	<p> Corporate Governance Report</p>

ESG Highlights

CO₂ Emissions in Production Activities and CO₂ Emissions per Basic Unit



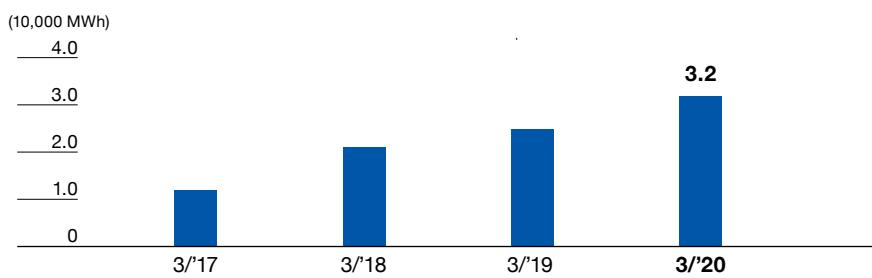
At its factories, Panasonic is pushing ahead with the promotion of zero-CO₂ model factories and working to increase the use of renewable energy. Total CO₂ emissions in this fiscal year amounted to 2.23 million tons, while the volume of emissions per net sales had decreased 31% compared to the fiscal year ended March 2014.

*In the fiscal year ended March 2020 we reviewed the CO₂ emission factor for electricity for previous fiscal years.

For details:

<https://www.panasonic.com/global/corporate/sustainability/eco/co2/site.html>

Amount of In-house Renewable Energy Adoption

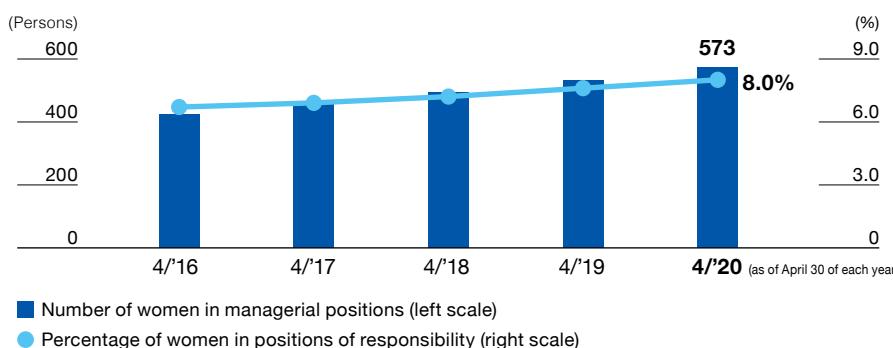


Owing to the solar photovoltaic systems newly adopted at our business sites in China and Japan and the commencement of full-scale operations of existing photovoltaic systems, the amount of in-house renewable energy adoption in this fiscal year for the entire Company reached 32,000 MWh.

For details:

<https://www.panasonic.com/global/corporate/sustainability/eco/co2/site.html>

Number of Women in Managerial Positions/Percentage of Women in Positions of Responsibility

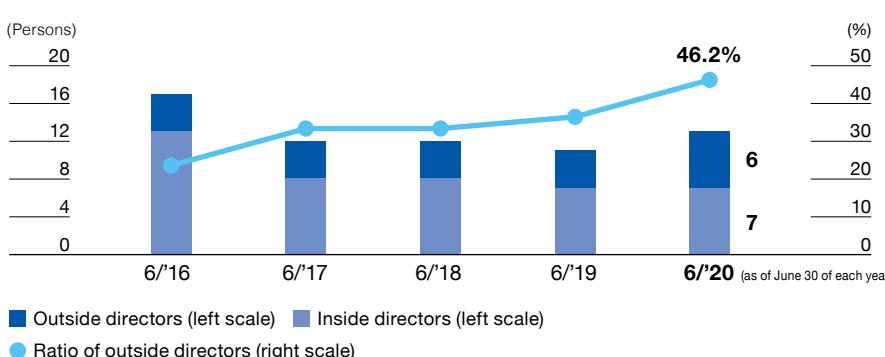


Promoting diversity is one of our key management initiatives and we are especially cognizant of the fact that in Japan there is a pressing need to appoint more women to senior management and decision-making positions. As a result of various initiatives, the number of women in managerial positions and the percentage of women in positions of responsibility at Panasonic is rising year on year.

For details:

<https://www.panasonic.com/global/corporate/sustainability/pdf/sdb2020e-06.pdf>

Number of Board Members/Outside Director Ratio



In fiscal 2017 we overhauled the structure of the Board of Directors so as to enhance its objectivity and neutrality and strengthen its supervisory function. As of June 30, 2020, the Board comprises 13 directors, 46.2% of which hail from outside of the Company.

For details:

Please refer to "[Corporate Governance Structure and Initiatives](#)".

External Recognition (Fiscal Year Ended March 2020)

Panasonic's ESG initiatives implemented thus far have been highly rated by global indices and credit rating agencies.

- Selected as a constituent stock in multiple ESG investment indices
 - FTSE4Good Index Series (20 consecutive years)
 - MSCI ESG Leaders Indexes (10 consecutive years)
 - FTSE Blossom Japan Index (4 consecutive years)
 - MSCI Japan ESG Select Leaders Index (4 consecutive years)
- Selected as a constituent stock since 2018 in the environment-focused S&P/JPX Carbon Efficient Index
- Awarded the highest Gold rating for five consecutive years by EcoVadis in its assessment of supplier sustainability performance

We have also been selected as a constituent stock since 2014 in the JPX-Nikkei Index 400, a stock market index comprising attractive companies for investors that meet the requirements of global investment standards, including the efficient use of capital and investor-focused management perspectives.



FTSE4Good



**FTSE Blossom
Japan**



**2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

THE INCLUSION OF PANASONIC IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF PANASONIC BY MSCI OR ANY OF ITS AFFILIATES.

THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



Message from the Chairman of the Board



Practicing our management philosophy based on ESG to achieve sustainable growth and enhance corporate value

Shusaku Nagae

Director, Chairman of the Board

Solving social issues and contributing to the further development of society through our business activities

For more than 100 years since its founding, Panasonic has helped solve issues and contributed to the development of people's lives and society through business activities based on the philosophy that "a company is a public entity of society." We are fulfilling our role as a corporation and endeavoring to enhance corporate value by continuing to provide value to customers, shareholders, and other stakeholders.

In recent years, the Sustainable Development Goals (SDGs) have garnered a lot of attention as a blueprint for the international community to tackle issues faced by society with the goal of realizing a sustainable world. Panasonic has long contributed to the achievement of the SDGs by putting our management philosophy into practice through our business activities. We believe the social challenges highlighted by the SDGs present opportunities for us to create new businesses and be innovative, so with this in mind, we will push ahead with initiatives that aim to deliver solutions, including those that involve co-creation with other companies.

Moreover, ESG (environmental, social, and governance) has increasingly gained attention from the capital markets as one factor used to assess corporate value and has now become a key indicator in the evaluation of companies. With governance-focused ESG underpinning our corporate management, we are advancing our initiatives on improving the effectiveness of the Board of Directors, reforming our organizational culture, and tackling issues concerning the global environment. Moving forward, we will aim to achieve sustainable growth and enhance corporate value by putting into practice our management philosophy, which we have positioned as one platform that underpins the Company's business activities.

Continuing to reform governance and improving the effectiveness of the Board of Directors

Thus far Panasonic has reformed its corporate governance on multiple occasions in order to continuously engage in highly transparent and fair business activities. In fiscal 2016 we established the optional Nomination and Compensation Advisory Committee. In response to inquiries from, and consult with, the Board of Directors, the Committee monitors the candidates for the CEO successor and considers the candidates for director, executive officer, and Audit & Supervisory Board member, and deliberates on the compensation system for directors and executive officers. We have also introduced a system to evaluate the effectiveness of the Board of Directors and every year all members attending Board meetings are required to answer a questionnaire, the results and assessments of which are reported to the Board of Directors. We have taken steps to further increase management agility, transparency, and objectivity mainly by having raised the minimum ratio of outside directors to one-third of the total since fiscal 2018 and clarifying the roles of directors and executive officers.

As part of the effectiveness evaluations of the Board of Directors carried out in fiscal 2020, in addition to the usual questionnaire, we conducted interviews with all directors and Audit & Supervisory Board members based on the advice of a third-party organization. The interviews focused on the questionnaire items that returned low scores or items for which opinions varied. In this way, we are pushing ahead with initiatives geared towards improving the effectiveness of the Board of Directors by mainly clarifying material issues and the measures to address them, and reflecting such measures into Board operation and its agenda. From fiscal 2021 the objectivity and neutrality of the Board has been bolstered by the addition of two more outside directors (from four to six) and the incorporation of even more knowledge, expertise, and diversity. Also,

as part of our efforts to deepen the understanding of outside directors and outside Audit & Supervisory Board members regarding the Company's business and develop an environment in which they can play their role, we constantly offer them the opportunities to make visits to our business sites.

Panasonic has resolved to transition to a holding company system in April 2022 with the goal of enhancing our business competitiveness from a medium- to long-term perspective. We intend to increase the empowerment of our operating companies to improve their expertise and speed of decision-making. That said, our approach to optimizing governance implemented thus far will remain unchanged and we will continue to undertake reforms aimed at improving the effectiveness of the Board of Directors.

Fostering an organizational culture in which our diverse human resources can deploy their talents

To achieve sustainable growth, a company must foster an organizational culture in which its employees—the source of value creation—can work comfortably and demonstrate their capabilities. And in order for an organization to leverage collective wisdom and strengthen its creativity and competitiveness, it is imperative that it realizes diversity and inclusion in the workplace, free of discrimination based on gender, age, race, beliefs, or any other personal attributes. At Panasonic, we support these values and we are committed to developing workplace environments where people with different points of view and knowledge can mingle, respect each other's values, and have frank discussions. We aim to realize innovation and the creation of new value by letting each and every employee prove themselves as professionals, thereby reinforcing our strengths as an organization.

In the midst of the spread of COVID-19 infections, the work style of teleworking from any location has gained traction particularly among indirect department employees, most of whom used to commute to the office. While certain benefits have been observed as a direct result of this change in working style, for example, more efficient use of time and improvements in productivity, there have been disadvantages, such as communication and workplace management difficulties. Whilst we must strive to improve the development and management of workplace environments and take greater advantage of the merits of teleworking, our sights should be set on improving the skills and productivity of every employee, maximizing achievements as an organization, and bolstering our competitive edge. At the same time, we will look to actively employ measures geared towards improving and making progress on key employee topics such as performance assessments, motivation, and health management.

Tackling environmental issues with a focus on energy and resources

Under the framework of the Paris Agreement, Japan and many other countries aim to realize a carbon-neutral society. Panasonic too, through business growth, is doing what it can

to contribute to this goal. As we work towards achieving the [Panasonic Environment Vision 2050](#) formulated in 2017, we are currently advancing initiatives on two key issues: energy and resources. For the former, we aim to create more energy than we consume through to the year 2050 by curbing the amount of energy used in mainly business activities while increasing the amount of energy we create. For the latter, we are working to create circular economy businesses that promote the effective use of resources. For example, sharing services and expanding our efforts to recycle and reuse products and parts.

In addition, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have identified risks and opportunities stemming from climate change, and we are currently analyzing their impacts and examining what countermeasures are needed. In particular, we anticipate risks associated with the transition to a low-carbon economy—i.e., the loss of sales opportunities on products that fail to meet country standards—and physical risks like impacts on operations at manufacturing sites. We expect the impact of these risks on our businesses to be minor, primarily because we are taking steps to lower our CO₂ emissions with the launch of energy-saving and energy-creating products and the rollout of zero-CO₂ model factories, alongside other measures such as the formulation of a Business Continuity Plan (BCP) and Business Continuity Management (BCM) Guidelines. Nevertheless, we will continue to monitor the effects of climate change going forward.

Given that we do business globally in a wide range of areas, we also consider it important that we play a role in contributing to disaster prevention, mitigation, recovery, and reconstruction in the same way we address environmental issues. Every year we are seeing bigger-than-expected natural disasters causing damages globally. We will look to make use of our solutions and systems and contribute to the realization of a safer, more secure society by helping to prevent disasters, minimize damage, and answering the call for help during recovery and reconstruction.

Continuing to communicate our medium-to long-term vision and results

With the aim of improving profitability and achieving profit growth in the future, we continue to reform our business portfolio and enhance our management structure as part of the Mid-term strategy that started in fiscal 2020. We continue to make steady progress on these initiatives. In November 2020 we announced to transition to a holding company system (planned, April 2022) to further enhance our business competitiveness and achieve sustainable growth, but our policy of steadily executing the current Mid-term strategy will remain unchanged.

For a deeper understanding and support of our investors, I believe it is important that we continuously communicate the Company's vision for the future, along with the progress and results of the Mid-term strategy. The Board of Directors will fully support these activities. I would like to ask for your kind attention to our initiatives designed to transform the Company.

Messages from Outside Directors



Implementing the management philosophy and pursuing business growth by combining quality with speed

Michitaka Sawada

Outside Director

Director, Chair of Kao Corporation. Leading a global company, he has achieved continuous profit growth, and prioritizes ESG-focused management with the goal of realizing a sustainable society. Appointed outside director of Panasonic in June 2020.

—For what reasons did you accept the position of outside director at Panasonic and what do you think is your role on the Board of Directors?

There were two reasons. The first was to utilize my knowledge and experience as a president of a manufacturing company. I believed that the knowledge and experience I've gained from a style of management that stresses the importance of a corporate philosophy and emphasizes ESG (environment, social, and governance) from the customer's perspective would be a positive for Panasonic's development and growth. The second reason was to make use of my characteristics as a researcher engaged in all facets of manufacturing. Researchers are good at examining issues intrinsically, so I believed I'd be able to provide advice from this perspective upon decision-making.

The Board of Directors has a parent-like role towards the execution side of the business. For instance, its role is to issue a warning when a correction is needed, or encourage the execution side to take on further challenges. As an outside director I hope to fulfil this parental role by monitoring the execution side of the business through a different lens and provide support to ensure the right path is taken.

—What is your impression of Panasonic?

My impression is a diligent and hardworking company loved by many people, that may not be too efficient at times. This straightforwardness, on the other hand, can also bring an enormous growth potential. So far I've visited two of the Company's business sites, and through factory visits and presentations I've got a sense of how enthusiastic the employees are. If the strategies, initiatives, and activities that aim to realize the Company's vision can be smoothly set in motion to align with the goals of that vision, I am sure Panasonic can become a company regarded even more highly.

Also, a corporate governance structure has been

in place at the Company. The Board of Directors values diversity and its members exchange opinions in a frank and honest manner. The optional Nomination and Compensation Advisory Committee has strengthened its objectivity and transparency. The challenge up ahead is to further leverage this structure. In particular, we will need to discuss in much greater detail on how the Board of Directors should be at the Company's transition to a holding company system.

—What are your expectations of Panasonic?

With regards to the management of the Group, I feel that convincing discussions have taken place after corporate activities undertaken thus far were reviewed. There are pros and cons to all systems, but what matters is how they are utilized. I'd like to see the heads of each operating company embrace autonomous management and set their sights on running their respective companies in a way that lets the holding company system thrive. Going back to basics when difficulties arise, or in other words, revisiting Panasonic's management philosophy, is a valid approach, but the most important thing is that it's done in a way that is in step with the current times.

Panasonic seeks to contribute to society by providing "Lifestyle Updates" through various businesses, but even brilliant businesses continue to change according to the times and the operating environment. To achieve business growth, first and foremost the Company must prove useful in society. And being able to combine high quality with speed will lead to business growth, but what underpins this is "people." Every employee should be motivated to serve society and adapt to changes at greater speed. That is what leads to business growth and even greater support of all stakeholders. If this cycle can be repeated, Panasonic can become a company that excels on the world stage and I am confident it has the potential to do so.



—For what reasons did you accept the position of outside director at Panasonic and what do you think is your role on the Board of Directors?

In my career so far I've served as an outside director at multiple domestic and overseas companies, and also served on a number of Japanese government committees. I accepted the position because I believed I would be able to draw on my experience and expertise and, as a catalyst for corporate transformation, contribute to the Company's reforms with the goal of enhancing corporate value.

I believe there are two roles as an outside director. One role is to provide awareness to the execution side of the business. I hope to monitor the direction of the Company's business and provide an awareness to those executing business so they can examine its appropriateness. In doing so, I hope to work alongside and look at how much we can enhance corporate value by. The important thing is whether the execution side of the business can turn this awareness into action. That is where the strength of an organization really lies.

My other role is to help immeasurably improve the probability of appointing the most suitable leader who is in step with times to lead the Company.

—What is your impression of Panasonic?

I feel that Panasonic is a company that possesses technological capabilities and has a lot of talented people, whilst conversations are always intellectual, stimulating, and honest. That said, just looking at Panasonic's business performance at present, it may be difficult to say the skills of each employee are being fully utilized for the organization. It's a traditional company with a solid reputation throughout society and its products have a bright and pleasant image, but those strengths should be translating into better results. I'm hoping that profitability improvement and profit growth can be achieved through a process of eliminating practices no longer useful along with organizational

Supporting reforms aimed at enhancing corporate value

Yuko Kawamoto

Outside Director

Professor at Waseda University Graduate School. She has served on a number of Japanese government committees for finance, economics, and others, and as an outside director for domestic and overseas companies. She is a specialist in financial theory and corporate governance.

Appointed outside director of Panasonic in June 2020.

and corporate culture problems that hamper open discussion, as well as raising cost awareness and executing numerous reforms with a greater focus on speed.

Also, given that the Company continues to undertake reforms to place a more suitable structure, I feel that certain activities will need to be carried out up ahead so as to add even more substance to Panasonic's corporate governance. The Board of Directors possesses corporate strategy decision-making functions and supervisory functions, but in addition to the examination of more suitable administration for certain situations and more ideal systems and functions, the Board of Directors should further invigorate discussions and enhance its effectiveness so that it can have more of an impact as a team.

—What are your expectations of Panasonic?

Under a holding company system, Panasonic aims to transfer responsibilities to and increase empowerment in its operating companies, and clarify accountability. I certainly hope that this new structure can reinforce what had been necessary. When making the transition to a holding company system, it will be crucial that Panasonic harnesses its strengths and designs the system in greater detail so that it's easy to understand even for an outsider. I believe Panasonic can become a company that is more highly valued as long as each operating company earnestly reaches out to its customers, fully leverages its strengths—namely, brand power, technological capabilities, and know-how—and contributes to solving issues in society with a sense of speed.

And even though the Company's ESG initiatives and communication channels still need improving, I feel that these aspects have been assessed favorably to a certain extent by society. Considering that Panasonic possesses creditworthiness, infrastructure, and plentiful human resources, I believe there to be plenty of room for enhancing its corporate value if it can demonstrate its capabilities as a team. I certainly expect the Company to attach importance to this consciousness and tie it into its future activities.

Messages from Outside Directors



Yoshinobu Tsutsui

Outside Director

About the effectiveness of the Board of Directors

I definitely sense that the Board's effectiveness is improving year on year. In fact, there are two points that symbolize this improvement: (1) the productive discussions that have unfolded this fiscal year regarding how the Group's structure should be as it makes a transition to a holding company system; and (2) the thoroughgoing deliberation process undertaken by the Nomination and Compensation Advisory Committee which decides on leadership changes.

About the transition to a holding company system

I've so far participated in discussions about the transition with a supporting stance because I believe it is a significant development that will usher in a new chapter in the history of Panasonic and trigger business portfolio reform and profitability structural reform. What we must focus on under the new system is bold decision-making and restructuring of accountability system by the top management of the holding company and of each operating company. To this end, it is vital that functions and roles—which will be essentially different from those of the Company's Board of Directors and the boards of each operating company thus far—are made more sophisticated, transparent, and effective. I will be keeping a close eye on the transition to ensure that tangible and realistic substance will be incorporated into the new holding company system.

About ESG

ESG is often associated with high expectations for global sustainability, but for corporations there are always some risks involved. To overcome these challenges, more unified ESG information disclosure and action is key. The businesses of each operating company are capable of contributing a great deal to ESG initiatives, therefore an integrated Group approach going forward will demonstrate a stronger commitment to ESG issues and should help strengthen its ability to cope with unforeseen risks. From a long-term perspective, I have high expectations that Panasonic will set its sights on becoming a company that can combine growth performance with ESG assessments.



Hiroko Ota

Outside Director

About the effectiveness of the Board of Directors

Progress was made on sharing issues with all directors, including outside directors, at Board meetings this fiscal year. For example, we deliberated on the Company's medium- to long-term strategy, such as its business structure over the next 10 years and the basic structure surrounding Group management, and we exchanged straightforward, exhaustive opinions about past investments and other management issues. The corporate governance structure continues to be strengthened and all directors benefited from more detailed reports on compliance initiatives. As for the multiple candidates for the CEO successor selected by the Nomination and Compensation Advisory Committee, I commend the objective and transparent way in which they were chosen through a process of being separately interviewed outside the Committee a number of times by the three outside directors that sit on the Committee.

About the transition to a holding company system

Employing a holding company system had long been a key option for establishing profitable growth businesses. We can now say that the Company is in a position to put such a plan into action by realizing cross-value between Divisional Companies and eliminating low-profit businesses. To ensure the success of this system, it is imperative that the Company returns to the starting point of "autonomous management," ventures to increase empowerment in each business, and clarifies accountability for their business results. And speed is of pivotal importance here, which is why I will be watching closely to make sure that the Company develops its system with a sense of speed during the preparatory phase leading up to the transition to a holding company system.

About ESG

Panasonic was among the first companies to undertake initiatives that address issues of the environment, but given the rapidly growing interest in environmental and social issues worldwide, I expect the Company to ramp up its activities with greater sensitivity and proactively communicate its ESG endeavors to all stakeholders.



Kazuhiko Toyama

Outside Director

About the effectiveness of the Board of Directors

At meetings of the Board of Directors there have been more opportunities to discuss the Company's structure and basic strategies from a more long-term, in-depth point of view. There have also been more situations to engage in substantial discussion about the Company's underlying transformation regarding the major direction of medium- to long-term management, which also coincided with the selection of management candidates.

About the transition to a holding company system

I believe the transition is precisely what is required to facilitate the metabolism of businesses and functions for the overall Group, to enable decision-making at each business level, and in particular, to ensure that major strategic pivots are carried out quickly and decisively. As we increase empowerment in each operating company up ahead, management will need to sit down and discuss how it should go about redefining the role of the holding company's Board of Directors and how to enhance its effectiveness. Furthermore, we can anticipate that during the transition process the Board will likely come up against various strategic issues and topics that need to be discussed from a fundamental point of view. I therefore believe that in order to enhance the effectiveness of the Board of Directors, we will need to figure out how to set agenda items and conduct the meetings during that transitional period.

About ESG

I believe ESG needs to be organized in the following way: (1) areas in which ESG should be integrated into and identified in business processes; and (2) areas that should be invested in or allocated funds from earnings on the assumption of strong earnings capabilities. Ever since the founder advocated corporate social responsibility, Panasonic's business activities have, in a sense, embraced the forward-looking ideas of ESG and the SDGs. The Board of Directors and the execution side of the business must set great value on these basic thoughts and relentlessly and constantly pursue a company, management, and business style that resonates with stronger earnings and ESG initiatives.



Kunio Noji

Outside Director

About the effectiveness of the Board of Directors

Since assuming my position as an outside director last year, the Board has continued to discuss various management issues. I believe the Company is currently concerned with two matters: (1) growth strategy (new business pillars); and (2) steadily improving profitability in existing businesses. The growth strategy will be rolled out over the medium term and it will take some time before we start seeing results, which is why we must nurture the seeds of numerous new businesses. And in order to steadily improve profitability in existing businesses, it is important that the necessary reforms are implemented with a sense of speed and that the achievement of set goals is given top priority. It is from this perspective that I intend to closely monitor the activities of each business.

About the transition to a holding company system

I feel that the Board of Directors has been able to candidly discuss realistic proposals put forward in response to current issues, whilst reflecting on the Company's management history. That said, in any organization, it always comes down to how such plans can be materialized. I expect Panasonic to take full advantage of the merits of a holding company system to deliver results by steadily carrying out management that is fully autonomous.

About ESG

To a certain extent, I believe Panasonic's stakeholders have formed a favorable opinion of its social contributions and environmental initiatives. Environmental and social measures are one platform that underpins the Company's business activities, and it is important that targets are set in all of its core business operations and that the results translate into business growth and profitability.

ESG as Our Management Foundation

Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 25, 2020)

Directors

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 Ecology Systems 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)

Representative Director, President

Kazuhiro 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

Mototsugu Sato
Executive Vice President / CEO, US Company

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.
 June 2017 Representative Director of the Company (current position) / Senior Managing Executive Officer of the Company / Chief Strategy Officer (CSO) / Chief Human Resources Officer (CHRO)
 Apr. 2019 Executive Vice President of the Company (current position)
 Aug. 2019 CEO, US Company (current position)

Representative Directors

Yasuyuki Higuchi
Senior Managing Executive Officer / CEO, Connected Solutions Company

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

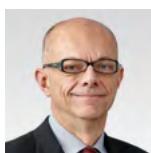
Tetsuro Homma
Senior Managing Executive Officer / CEO, China & Northeast Asia Company

Apr. 1985 Joined the Company
 June 2012 General Manager, Corporate Planning Group
 Oct. 2013 Executive Officer of the Company
 Apr. 2015 Managing Executive Officer of the Company / President, Appliance Company
 June 2015 Managing Director of the Company
 Apr. 2016 Senior Managing Director of the Company
 June 2017 Senior Managing Executive Officer of the Company (current position)
 Apr. 2019 CEO, China & Northeast Asia Company (current position)
 June 2019 Representative Director of the Company (current position)
 Apr. 2020 Chairman, Panasonic Corporation of China (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. (now Panasonic Equity Management Japan G.K.) (current position)
 Sep. 2019 CEO, Panasonic Holding (Netherlands) B.V. (current position)

Laurence W. Bates
Managing Executive Officer / GC / CRO / CCO

Mar. 1987 Admitted to New York State Bar (current position)
 Sep. 1998 General Counsel-Japan, General Electric Company, Tokyo
 Apr. 2014 Senior Managing Director and Chief Legal Officer, LIXIL Group Corporation, Tokyo
 Apr. 2018 Executive Officer of the Company / 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)
 Apr. 2019 Managing Executive Officer of the Company (current position)

Executive Officers

President

Kazuhiro Tsuga
Chief Executive Officer (CEO)

Executive Vice President

Mototsugu Sato
Director, Corporate Strategy Division
CEO, US Company
In charge of General Affairs and Social Relations
Occupational Safety and Health Director

Senior Managing Executive Officers

Yoshiyuki Miyabe
Chief Technology Officer (CTO)
Chief Manufacturing Officer (CMO)

Tetsuro Homma
CEO, China & Northeast Asia Company
Regional Head for China & Northeast Asia
Chairman, Panasonic Corporation of China

Masahisa Shibata

In charge of Automotive Sales

Yasuyuki Higuchi
CEO, Connected Solutions Company

Shinji Sakamoto

CEO, Industrial Solutions Company

Outside Directors

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 of National Graduate Institute for Policy Studies
June 2013 Director of the Company (current position)
Apr. 2019 Senior Professor of National Graduate Institute for Policy Studies (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)



Kunio Noji
(Independent director)

June 2007 President and Representative Director, and CEO, Komatsu Ltd.
Apr. 2013 Representative Director and Chairman of the Board, Komatsu Ltd.
June 2019 Senior Advisor, Komatsu Ltd. (current position) / Director of the Company (current position)



Michitaka Sawada
(Independent director)

June 2012 Representative Director, President and Chief Executive Officer, Kao Corporation (current position)
June 2020 Director of the Company (current position)



Yuko Kawamoto
(Independent director)

July 2001 Senior Expert, McKinsey & Company (Tokyo)
Apr. 2004 Professor of Graduate School of Finance, Accounting and Law, Waseda University (now Graduate School of Business and Finance) (current position)
June 2020 Director of the Company (current position)

Managing Executive Officers**Takashi Toyama**

Representative in Tokyo
In charge of Government and External Relations
In charge of Tokyo Olympic & Paralympic Business Promotion

Hirokazu Umeda

Chief Financial Officer (CFO)
In charge of Groupwide Cost Busters Project and BPR Project
CEO, Panasonic Holding (Netherlands) B.V.
President, Panasonic Equity Management Japan G.K.

Yuki Kusumi

In charge of the Automotive Segment
CEO, Automotive Company

Masahiro Shinada

In charge of the Appliances Segment
CEO, Appliances Company
In charge of Consumer Business and FF Customer Support & Management

Laurence W. Bates

General Counsel (GC)
Chief Risk Management Officer (CRO)
Chief Compliance Officer (CCO)
Director, Legal & Compliance Division

Audit & Supervisory Board Members**Senior Audit & Supervisory Board Members**

Toshihide Tominaga

Apr. 1980 Joined the Company
Jan. 2013 Senior Councilor, Accounting Center, Industrial Devices Company
June 2016 President, Panasonic Industrial Devices SUNX Co., Ltd.
June 2018 Corporate Advisor, Panasonic Industrial Devices SUNX Co., Ltd.
June 2019 Senior Audit & Supervisory Board Member of the Company (current position)



Eiji Fujii

Apr. 1984 Joined the Company
July 2015 Managing Officer, Automotive & Industrial Systems Company of the Company / Director, Engineering Division
Apr. 2017 Executive Officer of the Company / Vice President, Automotive & Industrial Systems Company / In charge of Technology and Director, Engineering Division
Apr. 2019 Executive Officer of the Company / Vice President, Industrial Solutions Company / In charge of Technology and Director, Engineering Division / In charge of Intellectual Property
June 2020 Senior Audit & Supervisory Board Member of the Company (current position)

Outside Audit & Supervisory Board Members

Yoshiro 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)



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 1998 Managing Partner for Japanese Business Network of PricewaterhouseCoopers LLP National Office
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)



Setsuko Yufu
(Independent Audit & Supervisory Board member)

Apr. 1981 Registered as Attorney at Law (Japan) (current position)
Sep. 1986 Joined Loeff Claeys Verbeke (Brussels) (now Allen & Overy (Brussels))
Jan. 2002 Partner, Atsumi & Usui (now Atsumi & Sakai Janssen Foreign Law Joint Enterprise) (current position)
June 2020 Audit & Supervisory Board Member of the Company (current position)

Executive Officers**Manish Sharma**

President, Panasonic India Pvt. Ltd.

Shigeki Mishima

Chief Human Resources Officer (CHRO)

Corporate Governance Structure and Initiatives

The Company considers corporate governance to be a key foundation for increasing its corporate value and will continue strengthening governance, including enhancing the discussion of business strategies by the Board of Directors.

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 an 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."

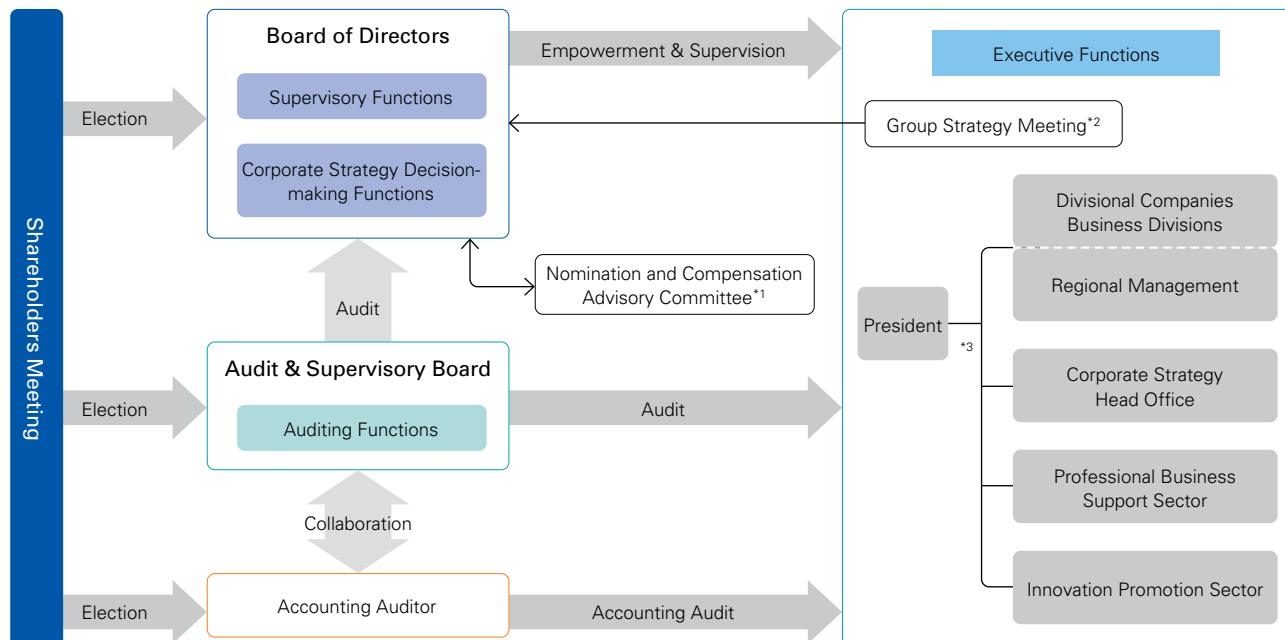
The Company recognizes that corporate governance is an important structure for this purpose, and is working to build and enhance an effective corporate governance structure.

Outline of structure (As of June 25, 2020)

The Board of Directors

- The Board of Directors is composed of thirteen directors including six outside directors, of whom two are women (outside director).
- The chairperson of the Board is the chairman who does not execute duties (inside director).
- The Board of Directors focuses on "corporate strategy decision-making" and "company oversight" as a corporate decision-making body.
- 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.

Corporate Governance Structure



*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.

*Please refer to the ["Corporate Governance Report"](#) for our systems for ensuring appropriate business operations (the basic policy of the internal control system, and its operational status).

Themes discussed by Board of Directors in fiscal 2020

In fiscal 2020, the Board of Directors discussed and reached decisions on various matters as part of its portfolio management efforts. These included transfer and termination of businesses with loss-making structures and injections of external capital to maintain business competitiveness, medium- to long-term business strategies including establishment of joint ventures and large-scale capital investments, as well as important aspects of business execution, such as dividend policy and executive HR issues.

The Board also received business reports from Divisional Company CEOs and regional representatives, as well as directors in charge of R&D, compliance, quality

management, and the like. In the process, it verified the operational status of the Group's internal control system in addition to supervising business execution.

The Board also discussed the past summary and the future direction of M&As, as well as investment and financial soundness, innovations, and technology portfolio strategy. Here, the Board sought to take maximum advantage of the knowledge of outside officers and reflect that knowledge in its medium- to long-term vision.

In addition, the Board carefully examined the significance of possessing strategic shareholdings and also received evaluation reports on the effectiveness of its own activities.

Themes discussed in fiscal 2020

Deliberation/decision	<ul style="list-style-type: none"> Business portfolio reforms Establishment of joint ventures, large-scale capital investments, etc. Dividend policy, executive HR issues, etc.
Monitoring status of business execution	<ul style="list-style-type: none"> Performance and initiatives by company and region Status of R&D, compliance, and quality initiatives Operational status of internal control system
Debate	<ul style="list-style-type: none"> M&As (past summary and future direction) Investment and financial soundness Innovation and technology portfolio strategy
Other	<ul style="list-style-type: none"> Significance of possessing strategic shareholdings Effectiveness evaluations of 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 experience in positions equivalent to or higher than managing director.
- 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.

- Chaired by an independent outside director.
- 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 of the Company's director and executive officer compensation system, and reports on these matters to the Board of Directors.
- Monitors the candidates for the CEO successor and can propose the replacement timing of CEO.
- Met four times in fiscal 2020; discussions included results of internal investigations of candidates for directors and others and compensation for directors in the current fiscal year; reports were submitted to the Board of Directors.

Group strategy meeting

- Meetings are held about twice monthly in principle to discuss and set the direction of the Group's medium- to long-term strategy and priority issues.
- Chaired by the president, around 10 members of upper management participate, including Divisional Company CEOs 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.

Optional Nomination and Compensation Advisory Committee

- Composed of five members, the majority of whom are independent outside directors.

Corporate Governance Structure and Initiatives

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 exper-

tise, 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.

The Company's Outside Directors



Yoshinobu Tsutsui

Chairman of the Board, Nippon Life Insurance Company

He brings extensive experience at the highest level of management along with expertise in domestic and international financial developments.



Hiroko Ota

Professor, National Graduate Institute for Policy Studies

A specialist in public economics and economic policy, she is involved in national economic policy as the former Minister of State for Economic and Fiscal Policy.



Kazuhiko Toyama

Representative Director (CEO), Industrial Growth Platform, Inc.

A leading figure in corporate governance in Japan, he is involved in numerous corporate revitalization projects as the former COO of Industrial Revitalization Corporation of Japan.



Kunio Noji

Senior Advisor, Komatsu Ltd.
One of Japan's most noted executives, he built Komatsu into a global corporation. He advocates reform of business management through innovation.



Michitaka Sawada

President and Chief Executive Officer, Kao Corporation

Leading a global company, he achieved continuous profit growth and prioritizes ESG-focused management to realize a sustainable society.



Yuko Kawamoto

Professor, Waseda University Graduate School

A specialist in financial theory and corporate governance, she has served on a number of Japanese government committees of finance, economics and others, and an outside director at domestic and overseas companies.

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.

- Business executives of the parent company and/or sister companies
- Major business partner of the Company or said executing person (including those who had fallen under this category in the past)
- Consultants, accountants or attorneys (or, in the case of companies, people who belong or belonged to such companies) who receive 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. In addition, the Company provides them with the opportunity to visit major operating sites and plants (Outside directors' visit to business sites).

Activities Aimed at Strengthening Corporate Governance

Evaluating the effectiveness of the Board of Directors started in fiscal 2016. Corporate Governance has been strengthened while incorporating opinions and proposals from questionnaires.

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	As of June 30, 2020
Board of Directors	Appointed a female director		Began evaluating the effectiveness of the Board of Directors	Increased the number of outside directors from three to four	Reduced the number of directors from 17 to 12 Raised the minimum ratio of outside directors to one third	Appointed a non-Japanese director		Increased the number of outside directors from four to six Outside director ratio 46.2%
Nomination and Compensation Advisory Committee		(Number of outside members/ Total number of members)	Established					
			1/3 → 2/4 → 3/5					→ Introducing restricted stock compensation
Initiatives and other mechanisms		Introduced stock-type compensation SOs*	Established the Outside Directors and Outside A&SB Members Committee	Outside directors as well as outside A&SB members began visiting business sites Discontinued the ESV Plan*	Reviewed the conferring of representation rights Clarified the roles of directors and executive officers	Reviewed the corporate advisor system	Reviewed the business execution system	

* The Policy toward Large-Scale Purchases of Panasonic Shares

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. The results and evaluations of the questionnaire are reported to the Board of Directors.

As part of effectiveness evaluations in fiscal 2020, we deployed third-party perspectives to conduct face-to-face interviews (in addition to the questionnaire-based survey as done to date). In the questionnaire, we focused on items that previously had low or inconsistent evaluations, and we clarified improvement measures for issues thus identified.

Items of the survey in fiscal 2020

- Verification of the Board of Directors operation policy for fiscal 2020
- How discussions/deliberations should be carried out at Board of Directors meetings (discussions/deliberations the Board of Directors should ideally have)
- Unity of the Board of Directors
- The Board of Directors-shareholders (investors) relations, how they should be
- The Board of Directors' operations and others

Upon analyzing the results of the survey and interview, the Company's findings with respect to the effectiveness of the Board of Directors are such that the current state of the Board is essentially appropriate in terms of its monitoring and decision-making function. On the other hand, findings with respect to strengthening functions of the Board of Directors included opinions that in order to strengthen functions of the Board of Directors, discussions at the Board of Directors should be activated and information sharing with Outside Directors/Audit & Supervisory Board Members should be further promoted, and we are taking steps to respond and improve.

Corporate Governance Structure and Initiatives

Compensation

Compensation for directors depends on each person's role and is divided into three parts: Basic compensation (fixed), performance-based compensation (short-term incentive), and restricted stock compensation (long-term incentive). Outside directors and Audit & Supervisory Board members receive only basic compensation, which is fixed.

Performance-based compensation

Performance-based compensation is designed as a short-term incentive to boost business performance. It is determined each year in conjunction with performance evaluations of Panasonic as a whole and the specific business of which the director is in charge. From the fiscal 2020 result, evaluation items focus on achievement of operating cash flow targets, as well as a combination of indicators, including adjusted operating profit, net income, and inventories.

Performance-based compensation fluctuates widely depending on business results. It is designed to range from a minimum of 0% of basic compensation to a maximum of over 150% (75% when the standard value is achieved).

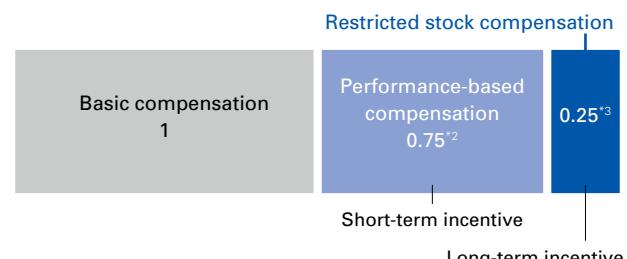
Restricted stock compensation

Restricted stock compensation, which is a long-term incentive, is allocated with the aim of providing an incentive to continuously improve corporate value and promote further value sharing with the Company's shareholders. Reflecting on the reasons for introducing restricted stock compensation, the ratio of the incentive option to the overall compensation package is designed to increase as the position of the recipient director or executive officer gets higher. In addition, the total amount is set based on overall considerations of various items, such as duties of each director or executive officer and the balance with monetary compensation.

Procedure for determining compensation

Compensations of directors and executive officers are decided by the representative director and president, who was 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, majority-staffed and chaired by independent outside directors. 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.

Illustration of Compensation Structure^{*1}



^{*1} Excluding Outside Directors

^{*2} When the standard value is achieved

^{*3} Average compensation of applicable directors. The percentages vary according to the role and position.

Amount of Compensation for Directors and A&SB Members for Fiscal 2020 (ended March 2020)

Classification	Number of persons	Amount (million yen)		
		Basic compensation	Performance-based compensation	Restricted stock compensation
Directors (other than outside directors)	9	833	574	186
A&SBMs (other than outside A&SBMs)	3	80	80	—
Outside directors	5	65	65	—
Outside A&SBMs	3	39	39	—

Note: Three directors and one A&SB member who retired at the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 27, 2019 are included in the above.

Directors Who Received Compensation over 100 Million Yen

Name	Classification	Amount (million yen)		
		Basic compensation	Performance-based compensation	Restricted stock compensation
Shusaku Nagae	Director	109	100	—
Kazuhiro Tsuga	Director	186	104	48
Mototsugu Sato	Director	121	78	31
Yasuyuki Higuchi	Director	125	74	41
				10

Information disclosure / Dialogue

Information disclosure approach and system

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.](#))

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 environmental, social, and governance 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 policies and activities. We will seek to be an enterprise with high transparency.

(Quotes from the Panasonic Code of Conduct)

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 reports, etc., the Disclosure Committee, which is comprised of general 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 CEO 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 from the control infrastructure to actual internal control activities, 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.

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 these audits, the Internal Control Promotion Office supervises the Group-wide internal control audits in order to confirm its effectiveness. In fiscal 2020, Panasonic had a total of 400 personnel assigned to conduct internal audits in the entire Group.

Constructive dialogue with shareholders and investors

The CFO is responsible for investor relations (IR) activities. The CEO, CFO, and each CEO 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 presentations 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 conveyed 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.

Message from the Environmental Compliance Administrator



The growing focus on the UN's Sustainable Development Goals (SDGs) and the Paris Agreement, through which countries have allied together to combat global warming, indicates the seriousness of environmental and energy issues worldwide. In October 2020, the Japanese government announced plans to become a carbon-neutral/carbon-free society by the year 2050. In this environment, Panasonic has carried out scenario analyses with respect to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), identified specific risks and opportunities, and confirmed the resilience of the Company's strategy.

Ever since its establishment, the Panasonic Group has actively addressed global environmental issues based on the management philosophy of contributing to the development of people's lives and society. Furthermore, in 2017 we formulated the Panasonic Environment Vision 2050 so that we can continue to meet the expectations and demands of our stakeholders. As we aim to balance a better life with a sustainable global environment, we believe that reducing the amount of energy we use and working to create and efficiently utilize an even greater amount of clean energy is in itself the very notion of "going carbon neutral." To that end, in consideration of the gravity of social issues and the degree of relevance pertaining to Panasonic's businesses, we formulated our Green Plan 2021 with a focus on the material issues of energy and resources. Under this Plan, we will accelerate the development of products, technologies, and solutions in the areas of energy creation, energy saving, energy storage, and energy management.

To step up the pace of these initiatives, Panasonic, as a managing company, joined the Environmental Digital Platform launched in June 2020 by Konica Minolta, which plays the role of an operating company. A total of 16 participating companies aims to facilitate the sharing of environmental knowledge, information, and know-how, as well as

Focusing on energy and resources as a climate change measure

Hirotoshi Uehara

Director, Quality & Environment Division

improve the environmental sustainability management of each company and generate new business opportunities.

In terms of the Group's activities, firstly as an initiative for reducing the amount of "energy used," Panasonic is working on energy-saving designs by making "the size of contribution toward energy savings" a goal among its main products. In fiscal year ended March 2020 (fiscal 2020), our lights, air conditioners, and refrigerators contributed to greater energy reductions. As for production activities, we are working to achieve zero-CO₂ model factories worldwide. In fiscal 2020, our Costa Rica plant joined the ranks of zero-CO₂ model factories, following Japan, Belgium, and Brazil in fiscal 2019. We plan to build zero-CO₂ model factories in other regions to serve as local models—next up we intend to target China and other regions in Asia.

As an initiative for increasing the amount of "energy created," Panasonic is stepping up the development of fuel cell technology to generate electricity from hydrogen as an energy source. At our Kusatsu site in Shiga Prefecture, we constructed a hydrogen station called "H2 Kusatsu Farm" to supply hydrogen to fuel cell-powered forklifts. The hydrogen is produced by water electrolysis using renewable energy in an effort to make site logistics carbon-free.

Meanwhile, for "resources," in line with changes in customer lifestyles and values, Panasonic is also taking up the challenge of creating circular economy business models that do not rely on the consumption of resources to generate sustainable growth. We are taking steps to make factory waste items the object of creative design, thereby turning them into completely different products of novel value. Moreover, we are currently launching a global circular economy project so that we can pick up the pace of initiatives in the area of resources recycling.

Through initiatives like these, Panasonic will aim to achieve the goals it has set in the Panasonic Environment Vision 2050 by expanding and accelerating initiatives related to energy and resources.

Initiatives towards the Environment

Environmental sustainability management

Vision and action plan

Guided by the Panasonic Environment Vision 2050 formulated by the Group, Panasonic will take up the challenge of expanding “energy created” to exceed the amount of “energy used” with its sights set on the year 2050.

“Energy used” refers to the energy used in production and other business activities, as well as the energy consumed by our products when used by our customers. “Energy created” refers to clean energy that is created and/or made available by our products and services, such as photovoltaic power generation systems, storage batteries, and energy solutions.

Panasonic’s Green Plan 2021, an environmental action plan formulated with the goal of realizing the Panasonic Environment Vision 2050, clearly lays out the targets that we need to achieve within the three years through fiscal 2022, alongside an action plan for all employees.

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.

Energy used < Energy created

Energy ratio (created versus used) in fiscal 2020

In achieving zero-CO₂ model factories, we have reduced the amount of energy used during production, but the amount of energy consumed during procurement and distribution is increasing, which has led to the increase in the total amount (234 thousand GWh) of energy used. However, we made progress on the energy ratio (created versus used) to 1:9 from roughly 1:10 (when the Panasonic Environment Vision 2050 was formulated) by increasing the total amount (26 thousand GWh) of energy created, which mainly comprises photovoltaic power generation systems, fuel cells, and automotive batteries.

Environmental Action Plan — “Green Plan 2021” (Extract)

Category	2021 targets (fiscal 2022)		Fiscal 2020 results
Material issues	Energy	Increase the ratio of total energy created to total energy used	Total energy created: total energy used = 1:8.5
		Increase amount of energy created	Amount of energy created: 30 thousand GWh or more
		Increase size of contribution toward energy savings through products and services	Size of contribution toward energy savings through products and services: Direct: 25 thousand GWh or more Indirect: 2 thousand GWh or more
		Expand energy creation businesses	—
		Expand energy efficient products and service business, focusing on products and service utilizing IoT/AI	—
	Factories	Promote zero-CO ₂ model factories • Establish model factory using advanced hydrogen technology • Establish at least one zero-CO ₂ model factory in each region	—
		Increase the use of renewable energy through the generation of renewable energy on-site and procurement of renewable energy	Renewable energy generated on our sites: 40 thousand MWh or more
		Promote energy efficiency in production • Reduce energy loss through IoT • Improve productivity through manufacturing innovation	—
		Create circular economy business models	Analysis of the development of circular economy options for existing businesses: 100%
		Reduce resource consumption and increase the use of sustainable materials	Recycled resin usage: 42 thousand tons or more (2019 to 2021 total)
	Resources	Achieve Zero Waste Emissions from factories globally	Factory waste recycling rate: 99% or more
			98.9%

Establishment of Environmental Digital Platform in association with other companies

With the aim of sharing environmental know-how across Japan's entire industrial sector and improving the efficiency of environmental sustainability management, we joined forces with Konica Minolta to establish the Environmental Digital Platform in which 16 companies currently participate in. As a managing company, Panasonic participates from the standpoint of enhancing

the platform's content and supporting its administration. We provide case examples of activities, related technology, and solutions, which will hopefully lead to the co-creation of new value. We are also using this platform to promote our rollout of renewable energy and the global deployment of energy-saving initiatives.

Konica Minolta's press release:

<https://www.konicaminolta.com/jp-ja/newsroom/2020/0605-01-01.html>
(Japanese only)

Initiatives towards the Environment

Energy-related initiatives

Zero-CO₂ model factories

In fiscal 2020, one more manufacturing site achieved zero-CO₂ model factory status, in addition to three in fiscal 2019. By making these factories leading models and by gradually increasing their numbers around the world, Panasonic will steadily ramp up manufacturing activities that do not emit CO₂.



Europe



Panasonic Energy Belgium

Panasonic Energy Belgium installed wind power generation systems in its factory and has been utilizing electricity derived from renewable energy. It also replaced purchased electricity with the electricity derived from renewable energy.

Japan



Panasonic Eco Technology Center

All operations at Panasonic Eco Technology Center are now powered by electricity derived from 100% renewable energy. This Group company also uses carbon credits to offset its remaining CO₂ emissions derived from fossil fuels. Accordingly, its factory has achieved zero-CO₂ status.

South America



Panasonic Brazil

Panasonic Brazil's three factories in San Jose, Manaus, and Extrema were the first in the Group to power their manufacturing operations using electricity derived from 100% renewable energy.

Zero-CO₂ showroom



Panasonic Center Tokyo

As part of our efforts to expand our zero-CO₂ model factory initiatives to the non-manufacturing sector, we set up Panasonic's first-ever zero-CO₂ showroom at Panasonic Center Tokyo. And as a site that utilizes hydrogen-based energy, we will facilitate demonstrations of Panasonic's proprietary pure hydrogen fuel cells.



Panasonic Centroamericana

Having installed photovoltaic power generation systems in its factory and entered into a contract with a public power utility to procure renewable energy, Panasonic Centroamericana now utilizes 100% renewable energy for its electricity needs. It also uses carbon credits to offset its remaining CO₂ emissions derived from fossil fuels. Accordingly, its factory has achieved zero-CO₂ status.

Hydrogen energy

As Japan sets its sights on transitioning to a carbon-free society, the Panasonic Group is using hydrogen as a new energy source to help realize a society that is free of CO₂ emissions. In this way, we aim to contribute to the creation of a society that enjoys peace of mind because it uses clean energy.

Panasonic Ecology Systems

At the Kasugai Factory of Panasonic Ecology Systems, tests are underway to demonstrate that electricity generated by a pure hydrogen fuel cell system using hydrogen produced from renewable energy can be used to supply manufacturing lines.



Pure hydrogen fuel cell system

Kusatsu Farm (hydrogen station)

A hydrogen station on the grounds of the Kusatsu Factory produces hydrogen using electrolysis powered by renewable energy, then compresses and stores it. By supplying this hydrogen to fuel cell-powered forklifts, the station contributes to making site logistics carbon-free.



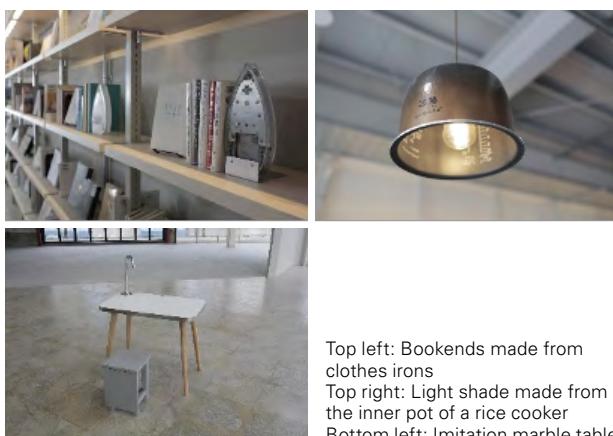
Manufacturing line at Kasugai Factory

Resources-related initiatives

Upcycled products

In aiming to realize a recycling-oriented society, Panasonic is starting to undertake initiatives on reusing factory waste.

We are taking steps to utilize factory waste (parts and offcuts) and identify new value through creative design, thereby turning such items into completely different "upcycled" products. As one form of renovation that enhances the value of a certain space, we are efficiently utilizing factory waste generated in the manufacturing process of our clothes irons, rice cookers, and modular kitchen units to make upcycled products like bookends, lighting fixtures, and tables.



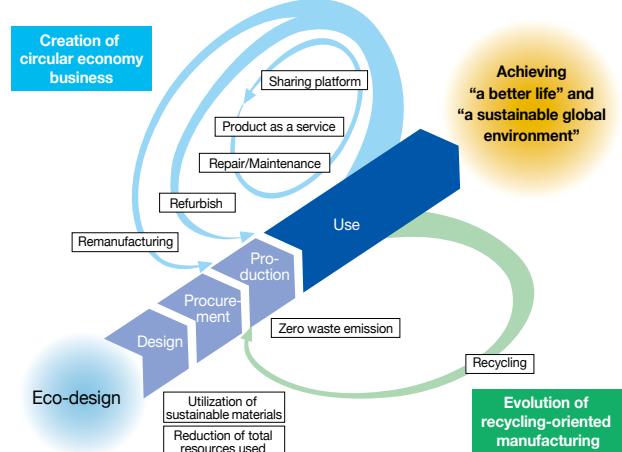
Top left: Bookends made from clothes irons
Top right: Light shade made from the inner pot of a rice cooker
Bottom left: Imitation marble table

Circular economy

Whilst evolving conventional recycling-oriented manufacturing, Panasonic is also tackling the creation of circular economy businesses.

Driven by the eco-design concept of maximizing value during customer use, the Company is pushing ahead with the creation of circular economy businesses that pursue sustainable economic growth without relying on the consumption of resources, as well as initiatives for evolving recycling-oriented manufacturing by harnessing new materials and state-of-the-art digital technology. In this way the Company seeks to balance the idea of "a better life" with a sustainable global environment, as called for in the Panasonic Environment Vision 2050.

Concept of activities for a circular economy



Response to TCFD

We compiled and disclosed information in our **Sustainability Data Book 2020** in line with the recommendations of the TCFD.

Governance Disclosing information regarding our system to promote Panasonic Environmental Sustainability Management spearheaded by the Board of Directors, as well as the meeting bodies required to engage in such management

Strategy Identifying risks and opportunities and performing scenario analyses

Scenario	Anticipated situations	Potential impact on Panasonic
2°C scenario	More stringent regulations: Introduction of carbon pricing	Minor impact owing to the fact that we are working on reducing CO ₂ emissions from products and manufacturing by adopting various measures, including the enhancement of energy efficiency in existing products, the creation of products that generate energy, and the rollout of zero-CO ₂ model factories.
	More stringent regulations: Changes/modifications to environmental regulations	Minor impact owing to the fact that we continue to keep abreast of environmental laws and regulations around the world through collaboration with regional headquarters and environmental departments in respective regions.
4°C scenario	Increase in abnormal weather	Minor impact owing to the fact that we are strengthening our risk management system by formulating Business Continuity Management (BCM) Guidelines based on a designated Business Continuity Plan (BCP).

Risk management Disclosing information about Panasonic's risk management systems and activities for each Divisional Company, as well as from a Company-wide standpoint

Metrics and targets Setting short-term targets based on the amount of energy as metrics in our Green Plan 2021
Setting medium- to long-term targets based on GHG emissions as metrics (approved Science Based Targets (SBTs))

	Target	Progress
Emissions from business activities (scope 1 and 2)	30% reduction by 2030 (vs. fiscal 2014)	112%
	Zero by 2050	34%
Emissions from use of Panasonic products (scope 3)	30% reduction by 2030 (vs. fiscal 2014)	22%

Human Resources Initiatives

Supporting employees taking on challenges, learning, and growing

In the years ahead, our operating environment will likely experience increasingly significant changes, including those affecting the labor market and diversification of customer values. Panasonic believes that possessing a diverse pool of human resources capable of fully maximizing their capabilities during such times will be the driving force behind the Company's transformation and growth. To this end, we are stepping up our initiatives for the development of employees that are ready to take on challenges, the creation of organizations that engage in co-creation, and diversity and inclusion.

1. Developing employees that are ready to take on challenges

One of our global initiatives is the roll-out of the "A Better Dialogue" project to support every employee's personal growth and challenges by mainly utilizing one-on-one meetings to enhance the quality and quantity of dialogue with their respective managers. In addition, we have put in place a system of global core common knowledge that can be accessed by all global employees so that each individual employee can deeply understand the importance of learning and engage in self-studying. By utilizing this system, employees can acquire 24 areas of global common knowledge that should be mastered.

In Japan, we launched the "A Better Workstyle" program in fiscal 2019. This initiative has two aims: (1) to have every employee choose a better working style and grow as an individual whilst feeling that their work is rewarding; and (2) to achieve further development of the Company. As part of the initiative, employees concretely express their aspirations (what they aim to become) and goals (what they want to do) for the future. And in order to create an environment in which they can continue to grow, we have thus far provided more opportunities that facilitate growth, primarily through external working

experiences and in-company multitasking.

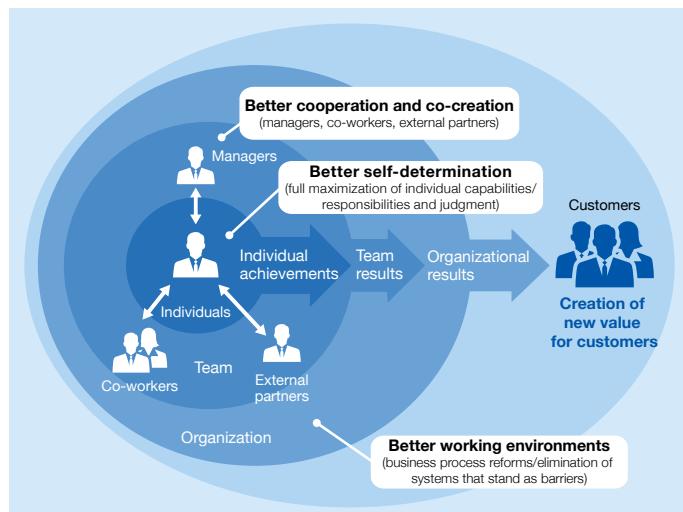
In fiscal 2021 we are further evolving this program and relaunching it as "A Better Workstyle 2.0" to generate new value and contribute to our customers. In order to create new value for customers, we believe we need to once again reassess our existing values from the ground up. For that reason, we have identified all of the items that each employee should be mindful of implementing on a daily basis from their respective standpoints and compiled them into 10 statements. We are also simultaneously implementing the following three initiatives (1) Better self-determination: Individuals should take up the challenge of adopting a new working style and creating value based on their own judgment in order to fully maximize their own capabilities. (2) Better cooperation and co-creation: Individuals and organizations possessing various capabilities and values should cross boundaries to connect with others in order to generate new value. (3) Better working environments: Organizations should enhance productivity as much as possible by making full use of digital technology to reform business processes and reviewing inefficient systems and rules.

2. Creating organizations that engage in co-creation

Our mission for organizational development is to create organizations and a culture in which individuals and teams can fully exert their true potential. Based on this approach, Panasonic continues to undertake a number of initiatives in countries and regions around the world. For example, at our Tesla business site in North America, we have listened to the opinions of employees closest to the frontline regarding certain issues. In response, we established a high performance culture management framework for ramping up the support of the leadership team in order to solve those issues, which is helping transform the mindset of every employee. In Japan, we set up a dedicated team at the head office in 2015 to carry out activities for a total of 90 business sites and departments, mainly focusing on building relationships within organizations, encouraging dialogue, formulating visions, and providing leadership development support.

Also, every year as a global initiative we ask all employees

A Better Workstyle 2.0



A Better Dialogue workshop



to participate in an employee opinion survey as a way of conducting a fixed-point observation of employee engagement. The results of the survey are shared in the workplace and used to improve the workplace environment, for example, through the aforementioned initiatives on the development of employees and the creation of organizations. We are beginning to see some positive results come out of these initiatives, such as an increase in real value regarding the growth opportunities that the Company extends to employees to support their personal growth.

3. Diversity & Inclusion

Panasonic brings together people of different backgrounds—whether it be geographically, culturally, or historically—as well as people possessing different capabilities and attributes, such as gender, age, race, beliefs, religion, nationality, sexual orientation, or gender identity. We aim to always be a Group that draws on the collective wisdom of all employees to spark innovation. To that end, we implement initiatives regarding diversity in different regions worldwide so that each and every employee can harness their individuality and actively demonstrate their abilities.

For example, in Japan we are focused on developing an environment in which our diverse pool of employees can prove themselves, mainly by running unconscious bias training sessions^{*1} for management education and organizing networking sessions to further facilitate communication among employees with disabilities, foreign national employees, female employees, or employees that consider themselves to be part of the LGBTQ community. In Europe too, from the perspective that diversity in the leadership group can help boost productivity and profitability, and with the aim of nurturing female leaders and diversifying the pipeline of human resources, we run a Women in Leadership Program throughout the year to improve skill levels and change mindsets mainly through 360-degree evaluations, coaching, and the drafting of personal transformation plans.

*Please refer to our [Global Diversity Policy](#) for more information about how Panasonic develops and utilizes its diverse pool of human resources.

Creating safe and secure workplaces

The COVID-19 brought about an opportunity to rapidly accelerate our transformation of working styles. Based on the assumption that all employees are conscious about preventing the spread of infection to create safe and secure workplaces, CEO Kazuhiro Tsuga sent a message to all employees of the Panasonic Group saying that the Company would optimize the way of management by combining real operations with digital technology, while urging every employee to act autonomously in an effort to continue increasing organizational productivity through cooperation and co-creation. As such, we are working to raise employee awareness and foster a culture of systematization in order to hasten the maximum use of digital networks throughout the Company. More specifically, in order to enhance the value we generate, we are endeavoring to optimize real and digital operations for each job type and workplace and are implementing initiatives that raise the productivity of both organizations and individuals. In addition, we are reviewing our personnel/labor management systems and frameworks, particularly those regarding working hours and locations.

To thoroughly ensure compliance we implement various initiatives and measures that aim to raise awareness of compliance across the entire Group and foster a culture of compliance in the workplace. In fiscal 2021 we are reaffirming employees to check that they have a correct understanding of the laws and regulations pertaining to their business and region and to utilize our global hotline “EARS”^{*2} in order to detect issues from an early stage and prevent incidents from occurring. We are also stepping up awareness activities aimed at eradicating various forms of harassment in the workplace.

*1 Unconscious bias training

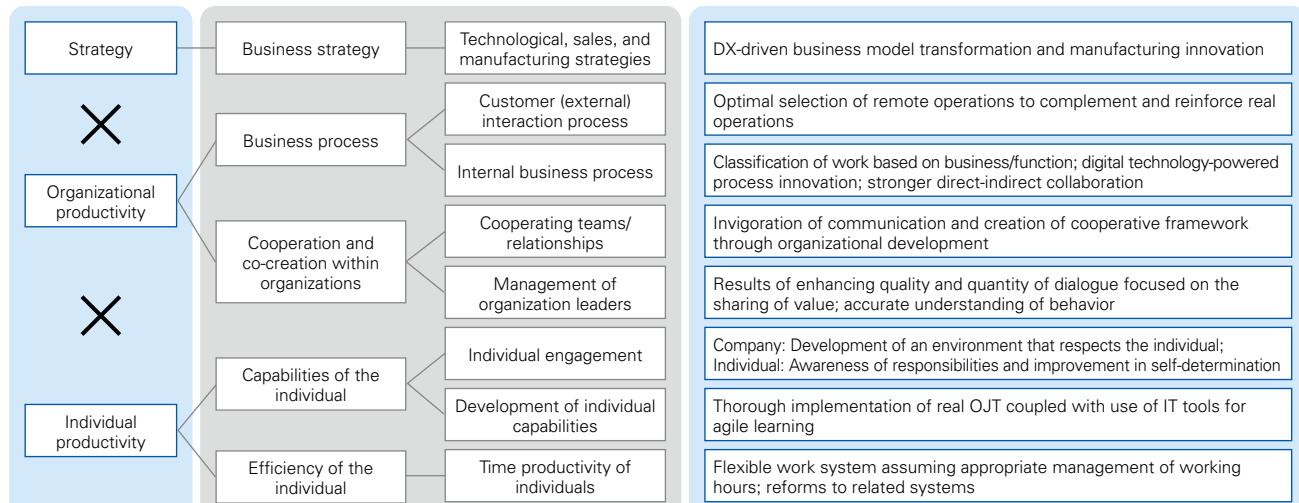
So that we can create organizations capable of realizing a whole host of synergies, this training aims to equip employees with a correct understanding and awareness of unconscious bias.

*2 EARS (Ethical Action Real Solutions)

Panasonic’s internal whistle-blowing hotline for employees to report concerns about compliance matters. All reports concerning compliance matters go through an independent, external system operated by a specialist firm. Reports can be submitted anonymously, confidentially, and without fear of retaliation.

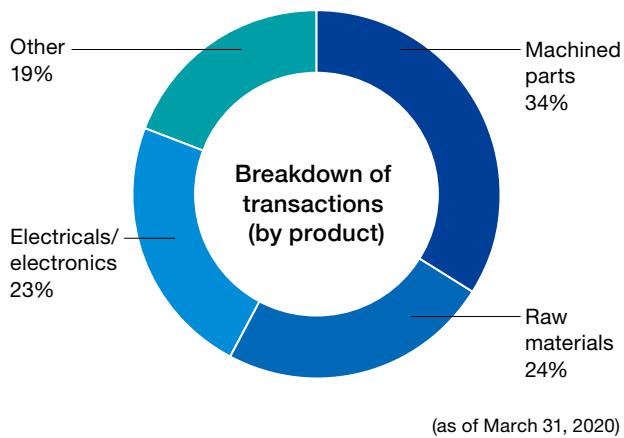
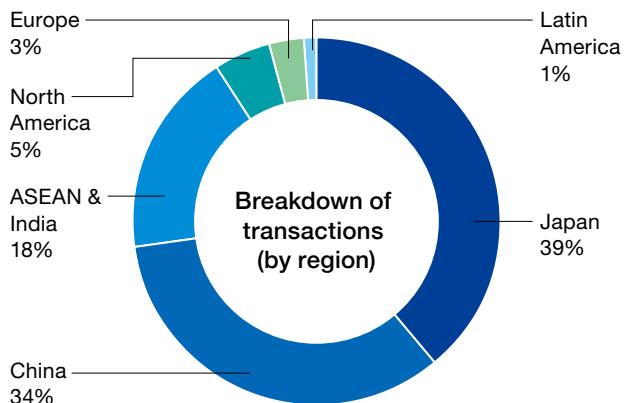
Optimizing real and digital operations to enhance the value we generate

Case example of examination process → Examples of initiatives for each job type/workplace



CSR Procurement

Panasonic currently does business with around 10,000 suppliers worldwide, roughly 70% of which are located in Japan and China. Industry-wise, 34% of them supply machined parts. We aim to establish fair, equitable, and sustainable supply chains by realizing co-existence and mutual prosperity with suppliers who can share our values on fulfilling social responsibilities regarding not just economic relationships, but also the environment, CSR, and society. Fulfilling our social responsibilities together with our suppliers is in itself the practical implementation of our management philosophy, and we consider the establishment of sustainable supply chains to be a key initiative if we are to steadily undertake procurement activities in the future and guarantee excellent product quality and competitive prices in order to deliver product value that is acceptable to our customers.



Procurement policy

Driven by the concept that, based on relationships of mutual trust and through diligent study and cooperation, our suppliers are invaluable partners in creating the values our customers demand, Panasonic's Procurement Policy revolves around the following three points.

1. Implementation of global procurement activities

The Company globally establishes partnerships with suppliers to respond to production activities on a global scale, and works to create the functions and values our customers demand based on relationships of mutual trust and through diligent studies and cooperation.

2. Implementation of CSR procurement

Complying with laws and regulations, social norms, and corporate ethics, the Company promotes procurement activities together with suppliers that fulfill their social responsibilities, such as human rights, labor, safety and health, global environmental conservation, and information security.

3. Procurement activities working closely with suppliers

In order to achieve product values expected by customers, the Company serves as the contact point of suppliers with respect to information, such as the market trends of materials and goods, new technologies, new materials, and new processes, and works to ensure and maintain the quality of purchased goods, realize competitive prices, and respond to market changes.

CSR self-assessments

It is also important to tackle child labor, forced labor, and other human rights and labor issues in the supply chain.

When entering into an agreement with a supplier, the Company asks for the supplier's cooperation in implementing CSR practices, supporting Panasonic Supply Chain CSR Promotion Guidelines, and performing CSR self-assessments.

Panasonic Supply Chain CSR Promotion Guidelines

- (1) **Labor rights:** Prohibition of forced labor and child labor, appropriate working hours and payment of wages, humane treatment and elimination of discrimination, and freedom of association
- (2) **Health and safety:** Occupational safety and training for emergency preparedness, machinery and equipment safeguarding, and health and safety facilities
- (3) **Environment:** Compliance with the Panasonic Group Green Procurement Standards
- (4) **Ethics:** Prohibition of corruption and bribery, and promotion of fair trade and responsible minerals procurement
- (5) **Information security:** Prevention of information leakage and protection against threats on computer networks
- (6) **Quality and safety:** Establishment of a product quality management system, provision of precise information on products and services, and ensuring of product safety
- (7) **Contribution to society:** Contributing to society and local community
- (8) **Management system**

In the fiscal year ended March 2016, Panasonic began requesting that its suppliers conduct a CSR self-assessment of their initiatives for human rights, health and safety, the environment, and ethics, and Panasonic has been requesting these self-assessments annually since then.

If necessary, the Company has conducted field surveys and urged corrective actions to ensure fair, appropriate, and sustainable transactions. And the Company has made the same commitment in its Clean Procurement Declaration, which prohibits any employee from receiving money and valuables, and accepting any form of hospitality, entertainment or meals from suppliers, and established a global hotline by which Panasonic adheres to higher standards of moderation and ethics in its relationships with suppliers.

Responsible minerals procurement

Panasonic recognizes that the issue of conflict minerals is a matter of grave concern for society, given the various risks of child labor and other human rights abuses, harsh working conditions, environmental destruction, and corruption in conflict-affected and high-risk regions, as well as the possibility that they are the source of funds for organizations engaged in illegal or unethical activities. In order to promote the responsible procurement of minerals, the Company participates in JEITA's Responsible Minerals Trade Working Group to raise awareness and improve the efficiency of surveys. Furthermore, since July 2017 the Company has been a member of the Responsible

Minerals Initiative (RMI), through which it obtains the latest industry trends and promotes best practices regarding procurement activities.

Moreover, Panasonic continues to implement initiatives in line with the Due Diligence Guidance of the Organization for Economic Co-operation and Development (OECD). The Company requires all related suppliers to provide information on smelters/refineries through the supply chain, and aims to procure minerals from smelters/refineries that present no issues. In 2019 the Company surveyed around 3,600 suppliers concerning conflict minerals, but none of the minerals it sourced from them have been confirmed to be directly or indirectly financing armed forces.

There are also concerns about cobalt, which is used in lithium-ion batteries and other products, owing to human rights issues such as child labor at mining sites. Panasonic is constantly addressing this issue, mainly by conducting cobalt supply chain surveys and identifying and investigating refineries/smelters.

Environmental initiatives

Panasonic asks its suppliers to actively engage in global environmental conservation and environmental management and also deliver their goods in accordance with its green procurement policy. We have revised our Green Procurement Standards with the aim of achieving the Green Plan 2021 (Please refer to "Message from Environmental Compliance Administrator.") Based on these standards, we will push ahead with procurement activities so as to contribute to global environmental conservation together with suppliers. We ask our suppliers to reduce their environmental impact by establishing environmental management systems, ensuring comprehensive chemical substance management, lowering GHG emissions, promoting the recycling of resources and water, engaging in biodiversity conservation, sharing results of collaborations (ECO-VC Activity), and urging upstream suppliers in the supply chain to do the same.

The ECO-VC Activity recognizes outstanding initiatives and ideas aimed at generating added value. Panasonic, in its procurement activities, works closely with suppliers from the development stage to not only streamline costs, but also reduce CO₂ emissions, minimize the total resources used, and utilize recycled resources. The Activity receives around 700 applications on average every year. Through partnerships with suppliers, the Company is helping to mitigate climate change by contributing to the reduction in CO₂ emissions.

Through these activities Panasonic continues to promote CSR procurement and fulfill its social responsibilities together with suppliers. At the same time, by establishing stable and sustainable supply chains, the Company will continue to underpin enhancements in corporate value in the future.

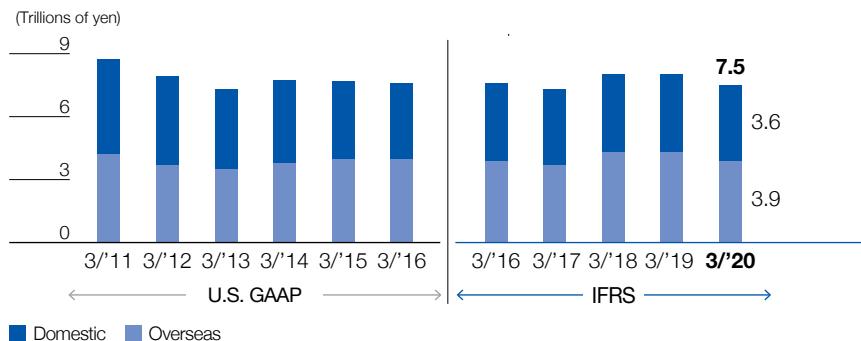
Financial Highlights

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.

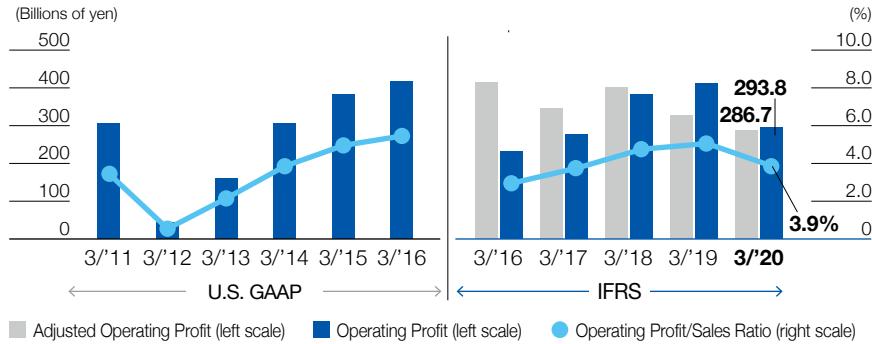
Financial figures for the fiscal year ended March 2016 are also presented in accordance with IFRS in addition to conventional U.S. GAAP standards.

Net Sales



Despite year-on-year increases in domestic sales of in-vehicle infotainment systems and personal computers, as well as in overseas sales of automotive batteries, domestic housing related businesses were deconsolidated, and overseas TVs and Automotive Solutions struggled. Due also to the impact of COVID-19, consolidated net sales declined year on year.

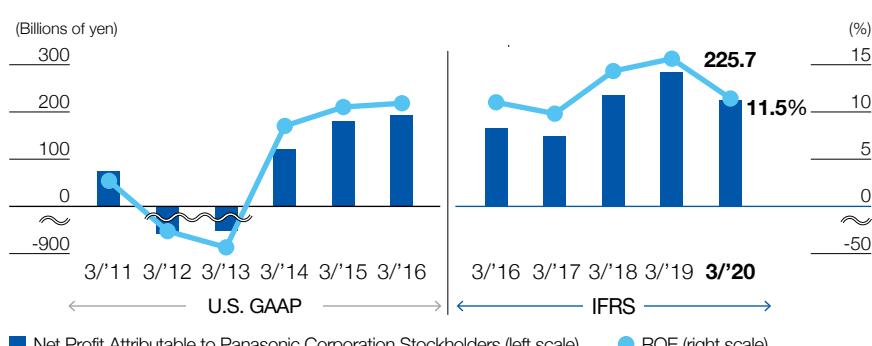
Operating Profit and Ratio to Sales



Operating profit decreased due largely to the impact of decreased sales by weak capital investment demand in China, as well as the impact of COVID-19, in addition to recording of restructuring expenses, despite fixed cost reductions through enhancing management structure, and rationalization efforts at the automotive cylindrical battery factory in North America, as well as gains from business transfers.

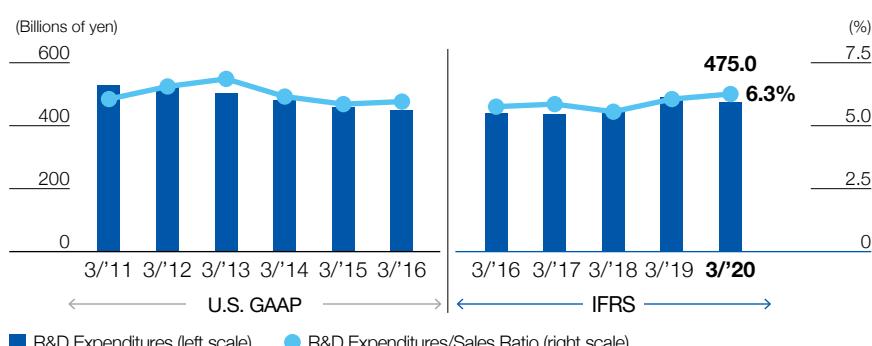
Note: Adjusted operating profit = sales - cost of sales - SG&A

Net Profit Attributable to Panasonic Corporation Stockholders and ROE



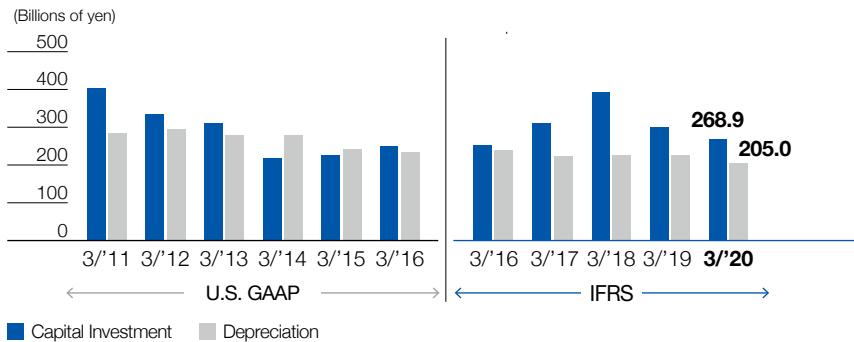
Due to the decrease in operating profit, net profit attributable to Panasonic Corporation stockholders declined. This was despite a decrease in income taxes owing to tax benefits associated with the reorganization of subsidiaries. As a result, ROE ended the year at 11.5%.

R&D Expenditures and Ratio to Sales



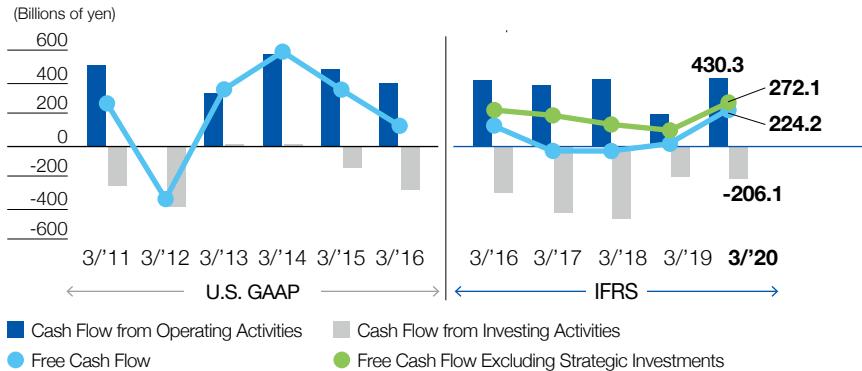
Panasonic concentrated on development of new technologies and new products to underpin the future based on the growth strategies for the major business fields. In addition, the Group developed technologies such as IoT, artificial intelligence (AI), and big data, and also actively worked to create new businesses that make use of such technologies. As a result, R&D expenditures totaled 475.0 billion yen.

Capital Investment and Depreciation



Panasonic makes capital investment based on a policy of steady investments primarily in key businesses for future growth. The main capital investments for fiscal 2020 have been made in production facilities in Japan and China for lithium-ion batteries for automotive use and in production facilities for electronic components, etc.

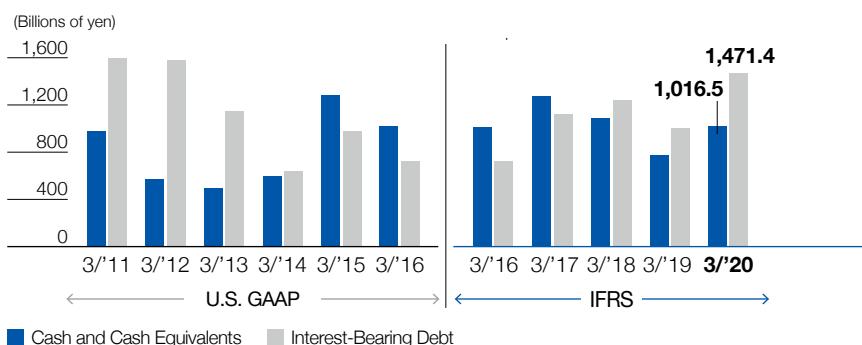
Free Cash Flows



Free cash flow increased significantly year on year, to 224.2 billion yen, due to cash inflows from the sales of businesses and assets, as well as improvement in working capital and thorough controls of capital investments and inventories. This was despite upfront investments in automotive prismatic batteries.

Note: Lease receivables collected as a result of application of finance lease accounting as lessor—based on product supply contracts determined to contain leases—are included in cash flows from investing activities. (Lease receivables collected amounted to 37.2 billion yen in fiscal 2020, 167.3 billion yen in fiscal 2019, and 19.3 billion yen in fiscal 2018.)

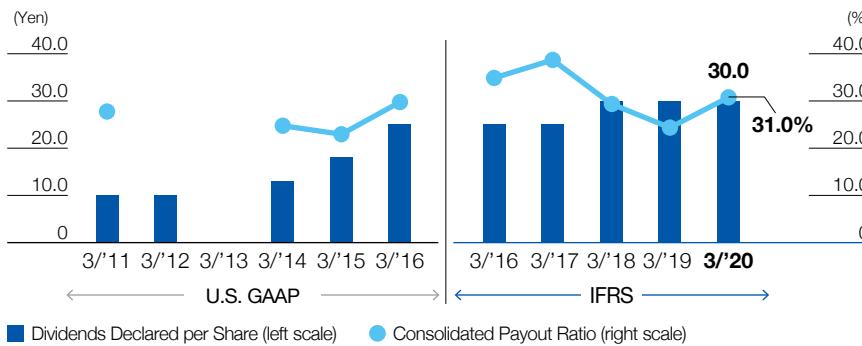
Cash and Cash Equivalents and Interest-Bearing Debt



Cash and cash equivalents increased year on year, due primarily to the improvement in free cash flow. Interest-bearing debt also increased, due mainly to issuance of bonds and an increase in lease liabilities resulting from the application of IFRS 16, "Leases" in the year under review.

Note: Interest-bearing debt (amounting to 1,471.4 billion yen at March 31, 2020) includes lease liabilities of 266.9 billion yen.

Dividends Declared per Share and Consolidated Payout Ratio

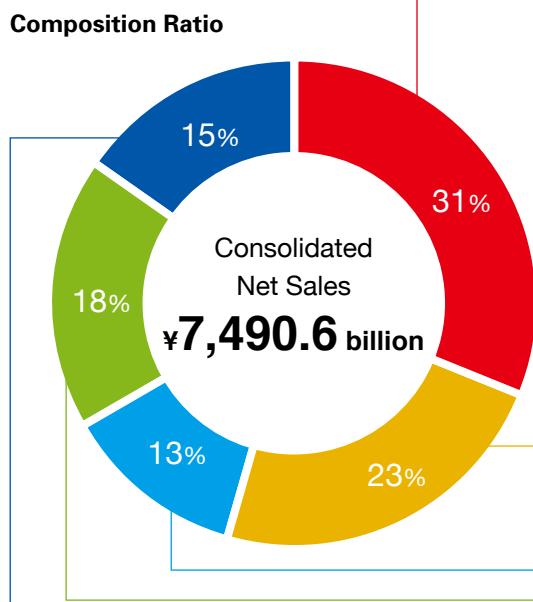


Panasonic works to provide a stable, sustained dividend based on a target consolidated payout ratio of approximately 30%. According to this policy, the annual dividend per share for fiscal 2020 was set at 30 yen per share, the same as the previous year.

Note: The dividend payout ratio is not calculated in fiscal years when net income attributable to Panasonic Corporation is negative.

At a Glance

Fiscal 2020 Net Sales Composition Ratio



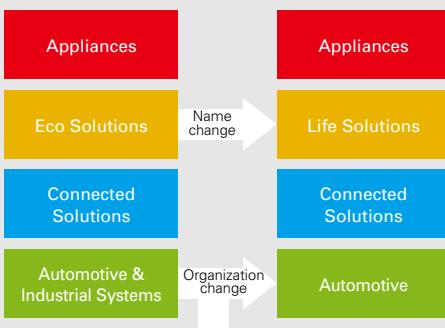
Note: Net sales composition ratio is calculated by dividing the sales of each reportable segment by the total of reportable segment sales (excluding "Other" and "Eliminations and Adjustments").

Reportable Segment Changes

In fiscal 2020, the reportable segments have been changed as follows:

- (1) Eco Solutions has been renamed Life Solutions.
- (2) Automotive & Industrial Systems has been reorganized into two segments: Automotive, catering to vehicle manufacturers, and Industrial Solutions, centered on competitive devices.

Fiscal 2019



Fiscal 2020

Reportable Segment

Appliances



Life Solutions



Spatial sterilizing/deodorizing equipment using sodium hypochlorite (Zaino)

Connected Solutions



Let's Note notebook PCs for corporates
Collaboration with Linkwiz, Inc. to enhance welding processes in manufacturing

Fall detection system for Odakyu Electric Railway Co., Ltd.

Automotive



Car cockpits

Heads-up display (Display example)

In-vehicle lithium-ion battery

Industrial Solutions



Multi-layer circuit board material, which meets the requirements for high-speed transmission

Storage module for lithium-ion battery

Power Coil for automotive use

Fiscal 2020 Operating Results

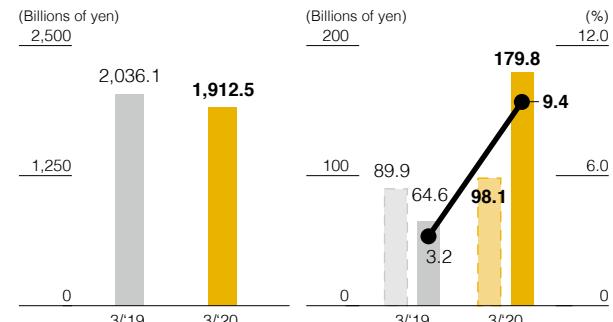
Sales decreased by 6% to 2,592.6 billion yen from a year ago, declining overall as a result of struggling sales of TVs and digital cameras primarily in Europe, and the impact of COVID-19, despite increased sales of room air-conditioners in Asia and large air-conditioners in Japan.

Operating profit decreased 29.9 billion yen to 55.7 billion yen from a year ago as a result of the impact of COVID-19 and the recording of restructuring expense, despite strong sales of washing machines and personal-care products in Japan.



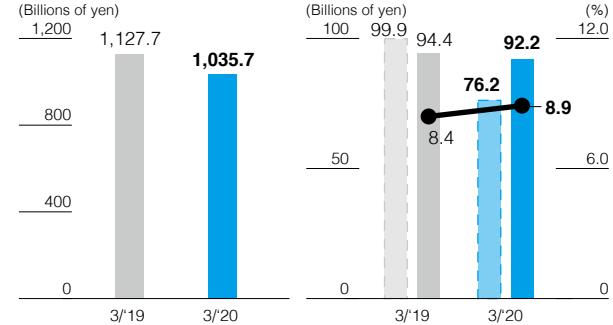
Sales decreased by 6% to 1,912.5 billion yen from a year ago, declining overall because Panasonic Homes Co., Ltd. and the construction solution business were removed from the scope of consolidation due to business transfers to Prime Life Technologies Corporation (PLT), a joint venture with Toyota Motor Corporation. Excluding that effect, sales increased as a result of the COVID-19 related sales reductions in all SDs at the end of the fiscal year being covered by the domestic and international electric materials, housing, bicycles, and nursing care service, which had been solid earlier on.

Operating profit increased 115.2 billion yen to 179.8 billion yen from a year ago, as a result of higher profit from sales, rationalization measures, along with a gain from stock transfers etc. in the housing business when PLT was established.



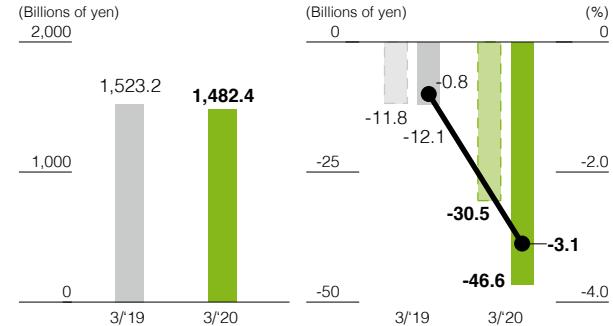
Sales decreased by 8% to 1,035.7 billion yen from a year ago, decreasing overall, which was mainly due to weaker sales in the process automation business and avionics business and a sales decline across the segment triggered by the impact of COVID-19 and other factors, although Panasonic System Solutions Japan Co., Ltd. saw an increase in its sales.

Operating profit decreased 2.2 billion yen to 92.2 billion yen from a year ago, mainly due to losses on lower sales in the process automation business and the avionics business, a sales decline triggered by the COVID-19, and other factors, despite accrued capital gains from the transfer of the security systems business.



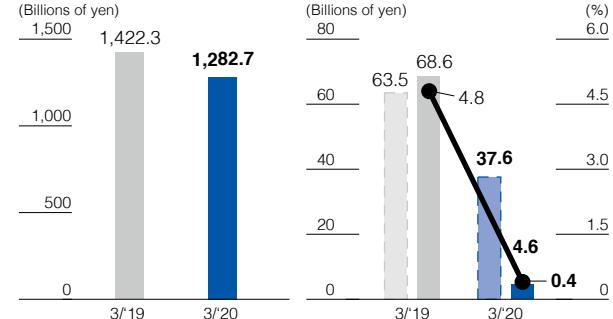
Sales decreased by 3% to 1,482.4 billion yen from a year ago. Despite increased sales at automotive batteries, resulting from the effect of investments in capacity expansion, overall sales declined due to decreased sales at Automotive Solutions which were mainly impacted by deteriorating market conditions in China and the spread of COVID-19.

The segment recorded an operating loss of 46.6 billion yen, 34.5 billion yen down from a year ago, mainly because of increases in development expenses in the automotive solutions business for challenging development projects centered on battery chargers ordered from Europe, as well as recognition of impairment loss on goodwill at Spanish subsidiary Ficosa International S.A. due to market deterioration. In addition, there were increases in fixed costs in the automotive batteries business for the production launch of high-capacity cells for prismatic lithium-ion batteries at the Himeji Factory in Japan, despite increases in sales and profit in the automotive batteries business.



Sales decreased by 10% to 1,282.7 billion yen from a year ago, declining overall as the U.S.-China trade dispute led to a deterioration of the Chinese market and deterred investments, and the impact of COVID-19, which offset steady growth in sales in key fields (Note 1) primarily of "automotive CASE (Note 2)" and "information communication infrastructure."

Operating profit decreased 64.0 billion yen to 4.6 billion yen from a year ago, because efforts to reduce fixed costs and promote the rationalization of materials fell short of offsetting weak sales and profit triggered by the market downturn and the COVID-19, and an impairment loss was also accrued when the transfer of the semiconductors business was decided.



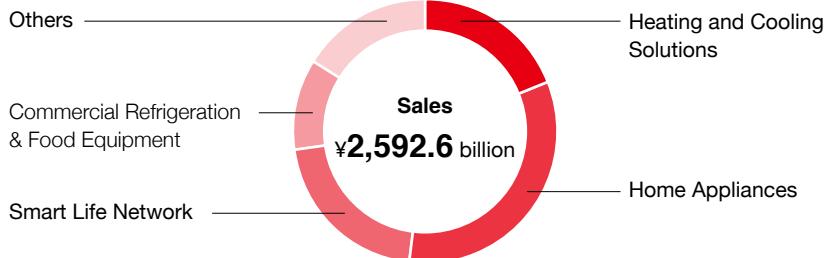
(Note 1) Key fields: the fields of "CASE for automotive use", "information communication infrastructure", and "factory labor saving," which are continuously evolving

(Note 2) CASE: Connected, Autonomous, Shared & Services, and Electric

At a Glance

Sales Composition (Based on Fiscal 2020 results)

Appliances



Sub-segments

(Note) "Businesses whose sales are disclosed" renamed to "Sub-segment" from Fiscal 2021

Heating and Cooling Solutions

Home Appliances

Smart Life Network

Commercial Refrigeration & Food Equipment

Others

Life Solutions



Lighting

Energy Systems

Panasonic Ecology Systems

Housing Systems

Panasonic Homes

Others

Connected Solutions



Avionics

Process Automation

Media Entertainment

Mobile Solutions

PSSJ

Others

The "Others" sub-segment is not shown in the pie chart because the amount has been negative due to the effects of eliminations and adjustments.

Automotive

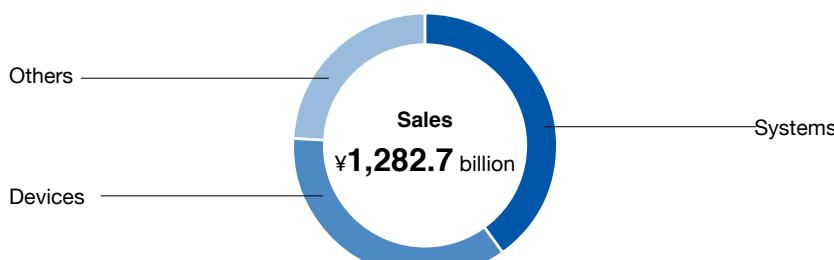


Automotive Solutions

Automotive Batteries

Others

Industrial Solutions



Systems

Devices

Others

(as of March 31, 2020)

Business Division

Main products and services

Heating and Cooling Solutions BD

Kitchen Appliances BD, Laundry Systems and Vacuum Cleaner BD, Beauty and Personal Care BD

Smart Life Network BD

Cold Chain BD, Hussmann Corporation

Refrigeration and Air-Conditioning Devices BD, Smart Energy System BD, sales of other Divisional Company products, headquarter-related, eliminations, etc.

Room air-conditioners, large-sized air-conditioners, refrigerators, washing machines, vacuum cleaners, microwave ovens, rice cookers, personal-care products, TVs, digital cameras, video equipment, home audio equipment, fixed-phones, showcases, compressors, fuel cells

Lighting BD

Energy Systems BD

Panasonic Ecology Systems Co., Ltd.

Housing Systems BD

Panasonic Homes Co., Ltd.*

Bicycle, nursing-care, sales & marketing, eliminations, etc.

Lighting fixtures, lamps, wiring devices, solar photovoltaic systems, ventilation and air-conditioning equipment, air purifiers, kitchen & bath, interior furnishing materials, exterior finishing materials, bicycles, nursing care service

*Panasonic Homes Co., Ltd. was deconsolidated in January 7, 2020

Panasonic Avionics Corporation, Avionics BU

Process Automation BD

Media Entertainment BD

Mobile Solutions BD

Panasonic System Solutions Japan Co., Ltd.

Other businesses, eliminations, etc.

Aircraft in-flight entertainment systems and communications services, electronic-components-mounting machines, welding equipment, projectors, professional AV systems, PCs and tablets, Solutions for various industries, installation/operation/maintenance services

Automotive Infotainment Systems BD, HMI Systems BD, Automotive Systems BD, Ficosa International, S.A.

Automotive-use infotainment systems, automotive switches, automotive audio systems, Advanced driver assistance systems (ADAS), Device and systems for electric automobiles, automotive mirrors, automotive-use batteries

Automotive Energy BD, Tesla Energy BD

Sales of other Divisional Company products, etc.

Electromechanical Control BD, Industrial Device BD, Energy Solutions BD

Relays, switches, power supply, industrial motors and sensors, small lithium-ion batteries, capacitors, coils, resistors, electronic circuit board materials, dry batteries, micro batteries, semiconductors, LCD panels

Device Solutions BD, Energy Device BD, Electronic Materials BD

Semiconductor, LCD, sales of other Divisional Company products, eliminations, etc.

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 in addition to conventional U.S. GAAP standards.

U.S. GAAP

	3/2011	3/2012	3/2013	3/2014	3/2015	3/2016
For the Year (Millions of yen)						
Net sales	8,692,672	7,846,216	7,303,045	7,736,541	7,715,037	7,553,717
Operating profit	305,254	43,725	160,936	305,114	381,913	415,709
Income (loss) before income taxes	178,807	(812,844)	(398,386)	206,225	182,456	217,048
Net income (loss) attributable to Panasonic Corporation	74,017	(772,172)	(754,250)	120,442	179,485	193,256
Capital investment	403,778	333,695	310,866	217,033	226,680	248,794
Depreciation	284,244	295,808	277,582	278,792	242,149	235,033
R&D expenditures	527,798	520,217	502,223	478,817	457,250	449,828
Free cash flow	266,250	(339,893)	355,156	594,078	353,455	124,406

At Year-End (Millions of yen)

Cash and cash equivalents	974,826	574,411	496,283	592,467	1,280,408	1,014,264
Total assets	7,822,870	6,601,055	5,397,812	5,212,994	5,956,947	5,596,982
Interest-bearing debt	1,595,269	1,575,615	1,143,395	642,112	972,916	725,919
Panasonic Corporation shareholders' equity	2,558,992	1,929,786	1,264,032	1,548,152	1,823,293	1,705,056
Total equity	2,946,335	1,977,566	1,304,273	1,586,438	1,992,552	1,854,314

Per Share Data (Yen)

Net income (loss) attributable to Panasonic Corporation per common share:						
Basic	35.75	(333.96)	(326.28)	52.10	77.65	83.40
Diluted	—	—	—	—	77.64	83.39
Dividends declared per share	10.00	10.00	—	13.00	18.00	25.00
Panasonic Corporation shareholders' equity per share	1,236.05	834.79	546.81	669.74	788.87	734.62

Financial Indicators

Operating profit/sales (%)	3.5	0.6	2.2	3.9	5.0	5.5
Income (loss) before income taxes/sales (%)	2.1	(10.4)	(5.5)	2.7	2.4	2.9
ROE (%)	2.8	(34.4)	(47.2)	8.6	10.6	11.0
Net income (loss) attributable to Panasonic Corporation/sales (%)	0.9	(9.8)	(10.3)	1.6	2.3	2.6
Total asset turnover ratio (Times)	1.1	1.1	1.2	1.5	1.4	1.3
Financial leverage (Times)	3.0	3.2	3.8	3.8	3.3	3.3
Interest-bearing debt/total assets (%)	20.4	23.9	21.2	12.3	16.3	13.0
Panasonic Corporation shareholders' equity/total assets (%)	32.7	29.2	23.4	29.7	30.6	30.5
Payout ratio (%)	28.0	—	—	25.0	23.2	30.0

Exchange Rate (Yen)

1 USD	86	79	83	100	110	120
1 EUR	113	109	107	134	139	133
1 RMB	—	—	13.3	16.4	17.7	18.9

Note to U.S. GAAP

- 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.
- 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.
- 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.
- "Capital investment" and "Depreciation" do not include intangibles.
- "Dividends declared 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.
- Exchange rate is the average rate for the fiscal year.
- "Diluted net income (loss) attributable to Panasonic Corporation per common share" from fiscal 2011 to fiscal 2014 has been omitted because the Company did not have potential common shares that were outstanding for the period.

- Effective from the beginning of fiscal 2013, investments and depreciation expenses in molding dies are included in "Capital investment" and "Depreciation," respectively. Accordingly, the amounts of "Depreciation" and "Capital investment" for fiscal 2012 are changed.
- Payout ratios have not been presented for those fiscal years in which the Company incurred a net loss attributable to Panasonic Corporation.
- "Interest-bearing debt" is equal to the sum of short-term debt, including current portion of long-term debt, and long-term debt.
- Formulas for financial ratios are as follows:

$$\text{Operating profit ratio} = \text{Operating profit} / \text{Net sales}$$

$$\text{ROE (Return on equity)} = \text{Net income (loss)} \text{ attributable to Panasonic Corporation} / \text{Average Panasonic Corporation shareholders' equity at the beginning and the end of each fiscal year}$$

$$\text{Total assets turnover} = \text{Net Sales} / \text{Average total assets at the beginning and the end of each fiscal year}$$

$$\text{Financial leverage} = \text{Average total assets at the beginning and the end of each fiscal year} / \text{Average Panasonic Corporation shareholders' equity at the beginning and the end of each fiscal year}$$

$$\text{Payout ratio} = \text{Dividends declared per share} / \text{Basic net income attributable to Panasonic Corporation common shareholders per share}$$

IFRS

	3/2016	3/2017	3/2018	3/2019	3/2020
For the Year (Millions of yen)					
Net sales	7,626,306	7,343,707	7,982,164	8,002,733	7,490,601
Adjusted operating profit	413,246	343,616	401,202	327,032	286,663
Operating profit	230,299	276,784	380,539	411,498	293,751
Profit before income taxes	227,529	275,066	378,590	416,456	291,050
Net profit attributable to Panasonic Corporation stockholders	165,212	149,360	236,040	284,149	225,707
Capital investment	252,905	311,641	392,234	300,450	268,850
Depreciation	238,214	224,405	226,576	226,788	204,990
R&D expenditures	438,851	436,130	448,879	488,757	475,005
Free cash flow	125,551	(34,746)	(35,646)	10,290	224,207
At Year-End (Millions of yen)					
Cash and cash equivalents	1,012,666	1,270,787	1,089,585	772,264	1,016,504
Total assets	5,488,024	5,982,961	6,291,148	6,013,931	6,218,518
Interest-bearing debt	724,841	1,124,004	1,239,444	998,721	1,471,311
Panasonic Corporation stockholders' equity	1,444,442	1,571,889	1,707,551	1,913,513	1,998,349
Total equity	1,647,233	1,759,935	1,882,285	2,084,615	2,155,868
Per Share Data (Yen)					
Earnings per share attributable to Panasonic Corporation stockholders:					
Basic	71.30	64.33	101.20	121.83	96.76
Diluted	71.29	64.31	101.15	121.75	96.70
Dividends declared per share	25.00	25.00	30.00	30.00	30.00
Panasonic Corporation stockholders' equity per share	622.34	673.93	732.12	820.41	856.57
Financial Indicators					
Operating profit/sales (%)	3.0	3.8	4.8	5.1	3.9
Profit before income taxes/sales (%)	3.0	3.7	4.7	5.2	3.9
ROE (%)	11.1	9.9	14.4	15.7	11.5
Net profit attributable to Panasonic Corporation stockholders/sales (%)	2.2	2.0	3.0	3.6	3.0
Total asset turnover ratio (Times)	1.3	1.3	1.3	1.3	1.2
Financial leverage (Times)	3.8	3.8	3.7	3.4	3.1
Interest-bearing debt/total assets (%)	13.2	18.8	19.7	16.6	23.7
Panasonic Corporation stockholders' equity/total assets (%)	26.3	26.3	27.1	31.8	32.1
Payout ratio (%)	35.1	38.9	29.6	24.6	31.0
Exchange Rate (Yen)					
1 USD	120	108	111	111	109
1 EUR	133	119	130	128	121
1 RMB	18.9	16.1	16.8	16.5	15.6

Note to IFRS

- The Company's consolidated financial statements are prepared in conformity with International Financial Reporting Standards (IFRS).
- Adjusted operating profit = Net sales - Cost of sales - SG&A
- 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.
- "Capital investment" and "Depreciation" do not include intangibles.
- "Dividends declared 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.
- Exchange rate is the average rate for the fiscal year.
- "Interest-bearing debt" is equal to the sum of short-term debt, including current portion of long-term debt, long-term debt, and lease liabilities.
- 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
 - Financial leverage = Average total asset 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
 - Payout ratio = Dividends declared per share / Basic earnings per share attributable to Panasonic Corporation stockholders

Financial Review

Operating Results

Business Overview

During the year ended March 31, 2020 (fiscal 2020) under review, the global economy saw a moderate growth trend in the first half of the fiscal year, supported by spending in the U.S. and favorable employment conditions in Japan. However, there were also many sudden economic downside factors such as the slump in spending and investment in China, and the slowdown of imports and exports from/to various countries, with a background of trade friction between the U.S. and China. Moreover, the period saw an increase in Japan's consumption tax, and the worldwide spread of the novel coronavirus infection (COVID-19) toward the end of the fiscal year.

Under such a management environment, in fiscal 2020, as the first year of the new Mid-term strategy, the Company executed the portfolio management and enhancement of management structure with three business classifications of "Core growth business," "Co-creation business" and "Revitalization business." Specifically, Panasonic prioritizes its resources in areas where market growth is expected as well as the Company has advantages, particularly, in Core growth business in BtoB fields, and have been making efforts for future profit growth.

In addition, toward enhancing competitiveness through collaboration and co-creation with external partners, in housing business, the Company established a joint venture with Toyota Motor Corporation related to town development business, Prime Life Technologies Corporation on January 7, 2020. This aim is to generate a unique added value by integrating "housing" and "mobility." In automotive prismatic battery business, the Company decided to establish a joint venture, Prime Planet Energy & Solutions, Inc. with Toyota Motor Corporation. The aim is to develop highly competitive batteries that have excellent quality, performance and cost-effectiveness, and to provide a stable supply of batteries. The joint venture has been in operation since April 1, 2020.

In terms of profitability improvement, the Company decided to transfer the semiconductor business, which faces extreme fierce competitive environment, to Nuvoton Technology Corporation, under the umbrella of Winbond Electronics Corporation in Taiwan. This transfer will enable to lead sustainable growth by utilizing the Company's accumulated technical and product capabilities. Furthermore, in LCD panel business,

the Company decided to end its production by 2021 due to the increasingly competitive global market environment.

Net Sales

The Company's consolidated group sales for fiscal 2020 decreased by 6% to 7,490.6 billion yen from a year ago. Domestic sales decreased due to the deconsolidation of housing related businesses, in addition to the impact of COVID-19, despite sales increases in PCs and Infotainment Systems such as IVI (Note). Overseas sales decreased due mainly to sluggish sales in TVs and Automotive Solutions, the effect of exchange rates and the impact of the spread of the novel coronavirus infection, despite significant sales increases in Automotive Batteries.

In addition, the impact of COVID-19 occurred in each segment mainly in Appliances and Connected Solutions.

Note: IVI: In Vehicle Infotainment

Overview by Geographic Region

By geographic region, overall sales in Japan decreased by 3% to 3,609.1 billion yen, from 3,716.6 billion yen a year ago.

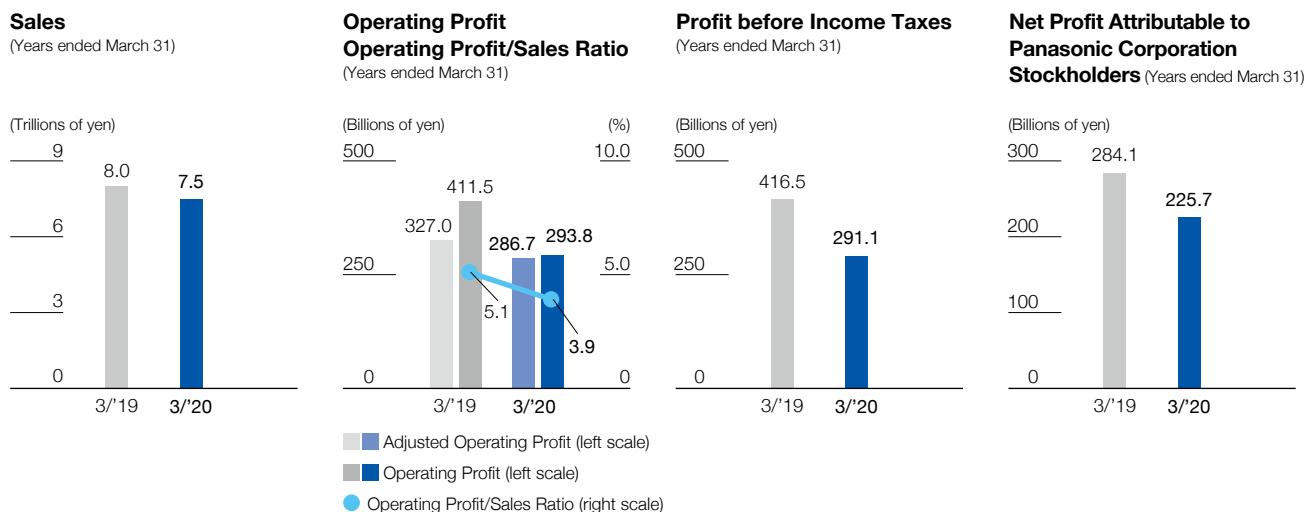
Sales overseas decreased by 9% to 3,881.5 billion yen, from 4,286.1 billion yen a year ago. In real terms, excluding the impact of exchange rates, sales decreased by 6% year on year. In North and South America, sales totaled 1,442.3 billion yen, a year-on-year decrease of 3% in real terms. In Europe, sales totaled 720.6 billion yen, a year-on-year decrease of 5% in real terms. In Asia, sales were 963.8 billion yen, a 3% decrease in real terms, and China, sales were 754.8 billion yen, a 15% decrease in real terms.

Sales by Region (Billions of yen)

	3/2019	3/2020	Local currency basis vs. 3/2019
Japan	3,716.6	3,609.1	97%
Americas	1,529.8	1,442.3	97%
Europe	807.3	720.6	95%
Asia	1,015.0	963.8	97%
China	934.0	754.8	85%
Total	8,002.7	7,490.6	95%

Financial Results

	3/2019	3/2020	vs. 3/2019 %/amount	(Billions of yen)
Net sales	8,002.7	7,490.6	94%	-512.1
Operating profit	411.5	293.8	71%	-117.7
Profit before income taxes	416.5	291.1	70%	-125.4
Net profit attributable to Panasonic Corporation stockholders	284.1	225.7	79%	-58.4
ROE	15.7%	11.5%	—	-4.2%
Exchange rates	1 USD	111 yen	109 yen	
	1 EUR	128 yen	121 yen	
	1 RMB	16.5 yen	15.6 yen	



Operating Profit

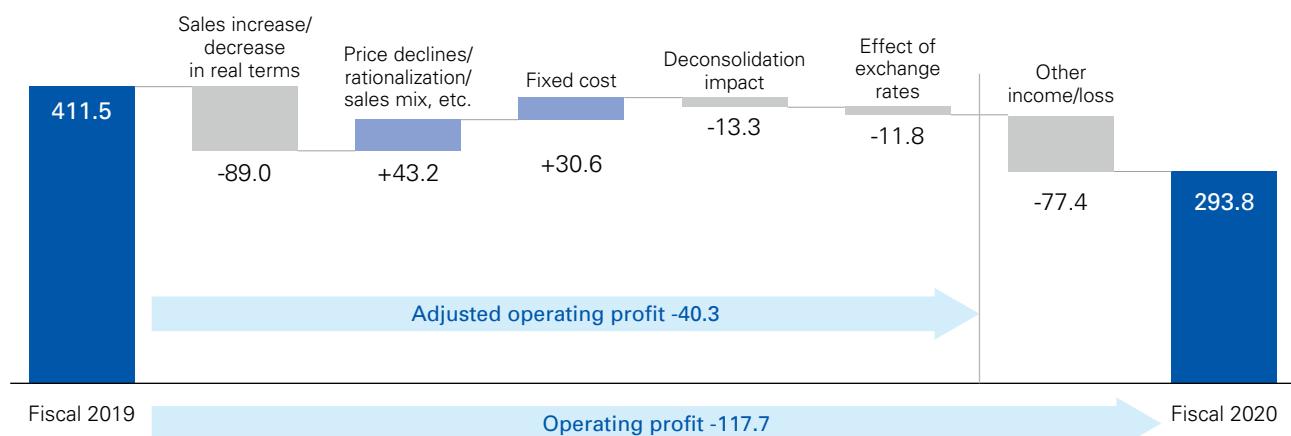
Operating profit decreased by 29% to 293.8 billion yen from a year ago. Adjusted operating profit fell 40.3 billion yen year on year, due largely to the impact of decreased sales by weak capital investment demand in China and the impact of COVID-19. This was despite fixed cost reductions through enhancing management structure by reducing various indirect costs and others, and rationalization efforts at the automotive cylindrical battery fac-

tory in North America.

Although we posted gains from housing-related business transfer, we reported a 77.4 billion yen year-on-year decline in other income (loss). This was due mainly to recording of restructuring expenses.

As a result, operating profit fell 117.7 billion yen, and the operating profit ratio decreased from 5.1% to 3.9%.

Fiscal 2020 Operating Profit Analysis (Billions of yen)



Profit before Income Taxes

Finance income increased from 25.6 billion yen the previous fiscal year to 31.4 billion yen. Finance expenses increased from 20.6 billion yen to 34.1 billion yen. As a result, profit before income taxes was 291.1 billion yen, compared to 416.5 billion yen the previous fiscal year.

Net Profit Attributable to Panasonic Corporation Stockholders

Income taxes were 51.0 billion yen, compared to 113.7 billion yen a year ago. As a result, net profit attributable to Panasonic Corporation stockholders totaled 225.7 billion yen, compared to 284.1 billion yen a year ago. Also, net profit attributable to Panasonic Corporation stockholders per share was 96.76 yen, against 121.83 yen the previous fiscal year.

Financial Review

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, 2020 were 1,016.5 billion yen, increased by 244.2 billion yen compared with the end of the previous fiscal year.

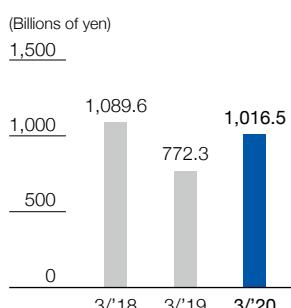
During fiscal 2020, Panasonic issued USD-dominated senior notes of USD 2.5 billion in July 2019, and unsecured straight bonds of 100.0 billion yen in March 2020, in order to raise funds for bond redemptions and securing funds necessary for future business operations. Panasonic mainly issued commercial paper (CP) to secure working capital and others.

Interest-bearing debt increased to 1,471.4 billion yen as of March 31, 2020 from 998.7 billion yen at the end of the previous fiscal year. This is due to the issuance of USD-denominated senior notes, unsecured straight bonds and short-term bonds, in addition to an increase of lease liabilities by applying IFRS 16, "Leases" from April 1, 2019, despite the repayments of straight bonds and other factors. Panasonic has been entered into three-year commitment line agreements (Note) with several banks in June 2018, in order to prepare for contingencies such as potential deterioration of the financial and economic environment. The upper limit for unsecured borrowing based on the agreements is a total of 700.0 billion yen, but there is no borrowing under these agreements.

Note: Commitment line agreements: Contracts made with financial institutions to secure financing subject to pre-agreed limits on the time period and commitment line

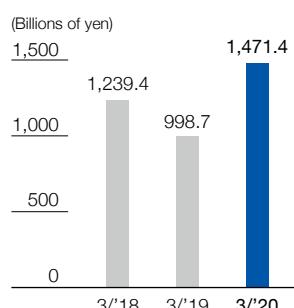
Cash and Cash Equivalents

(Years ended March 31)



Interest-Bearing Debt

(Years ended March 31)



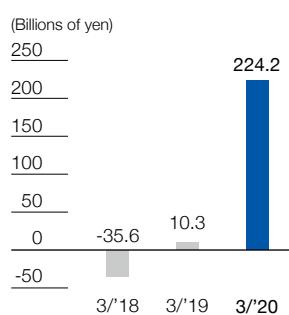
Cash Flows

The Company recognizes the importance of increasing free cash flow by strengthening business profitability and developing businesses over the mid- 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.

Net cash provided by operating activities for fiscal 2020 was 430.3 billion yen and net cash used in investing activities was 206.1 billion yen. Free cash flow, the total of the two, was an inflow of 224.2 billion yen. The free cash flow for fiscal 2020 improved by 213.9 billion yen from the previous year. This was due mainly to improved working capital, thorough controls of capital investments and inventory as well as an increase in cash inflow from the sales of business and assets, in spite of an upfront investments in automotive prismatic batteries.

Free Cash Flows

(Years ended March 31)

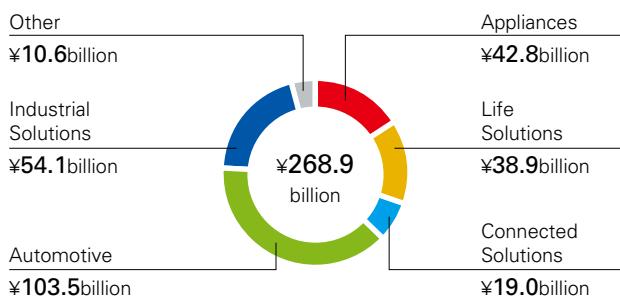


Capital Investment and Depreciations

The Panasonic Group makes capital investment based on a policy of steady investments primarily in key businesses for future growth. Capital investment in fiscal 2020 (tangible assets only) decreased 31.6 billion yen to 268.9 billion yen from 300.5 billion yen a year ago. The main capital investments have been made in production facilities in Japan and China for lithium-ion batteries for automotive use and in production facilities for electronic components, etc. in the Industrial Solutions segment.

Depreciation (tangible assets only) decreased 21.8 billion yen to 205.0 billion yen from 226.8 billion yen a year ago.

Fiscal 2020 Capital Investment by Segment (Tangible Assets Only)



Assets, Liabilities and Equity

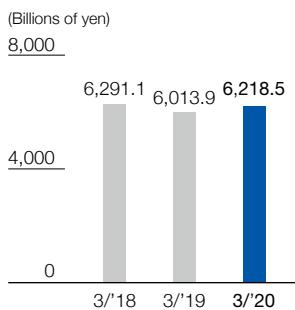
The Company's consolidated total assets as of March 31, 2020 were 6,218.5 billion yen, an increase of 204.6 billion yen from March 31, 2019. The Company's consolidated total liabilities were 4,062.7 billion yen, an increase of 133.3 billion yen from March 31, 2019. These are due mainly to an increase of right-of-use-assets and lease liabilities by applying IFRS 16, in addition to an increase in cash and cash equivalents and long-term debt by issuing straight bonds, despite the impact of the deconsolidation of housing related businesses.

Panasonic Corporation stockholders' equity increased by 84.8 billion yen to 1,998.3 billion yen, compared to March 31, 2019. This was due mainly to recording of Net profit attributable to Panasonic Corporation stockholders.

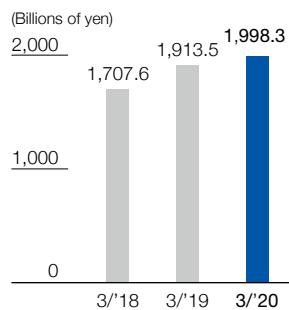
As a result, the ratio of Panasonic Corporation stockholders' equity was 32.1%, increasing from 31.8% on March 31, 2019.

With non-controlling interests added to Panasonic Corporation stockholders' equity, total equity was 2,155.9 billion yen.

Total Assets (Years ended March 31)



Panasonic Corporation Stockholders' Equity (Years ended March 31)



For details regarding consolidated financial statements, please refer to the Company's [Annual Securities Report \(Yukashoken Hokokusho\)](#)

- [Consolidated Statements of Financial Position](#)
- [Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income](#)
- [Consolidated Statement of Changes in Equity](#)
- [Consolidated Statements of Cash Flows](#)



Corporate Data (As of March 31, 2020)

Panasonic Corporation and Subsidiaries

Years ended March 31

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: 258,867 million yen

Consolidated Companies (including parent company):
529 companies

Companies under the Equity Method:
72 companies

Number of Employees: 259,385 persons

Share Data

Number of Shares Issued: 2,453,326,997 shares
(Including 120,365,301 shares held by Panasonic)

Number of Shareholders: 488,540

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

American Depository Receipts (ADRs)

Depository Bank: J.P. Morgan Chase Bank, N.A.
Stock Exchange: U.S. Over-the-Counter (OTC) Market
ADR Ratio: 1 ADR = 1 Share
Symbol: PCRFY

Stock Transfer Handling Office

Shareowner Services
P.O. Box 64504
St. Paul, MN 55164-0504, U.S.A.
Phone: +1-800-990-1135 (U.S.: toll free)
+1-651-453-2128 (International)

	3/2011	3/2012	3/2013	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020
Number of Shares Issued (in thousands of shares)	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053	2,453,326
Number of Shareholders	364,618	557,102	577,756	499,728	469,295	514,129	486,489	485,053	505,402	488,540
Distribution by Type of Shareholders (%)										
Japanese Financial Institutions, etc.	30.9	34.2	28.3	27.2	30.1	30.6	30.8	31.9	34.8	34.7
Overseas Investors, etc.	22.7	21.9	25.3	33.2	32.9	31.2	32.6	33.4	28.9	30.3
Other Corporations	7.1	8.4	8.3	7.4	7.1	6.9	7.0	6.8	6.8	6.1
Individuals and Others	23.7	29.7	32.3	26.4	24.1	25.9	24.7	23.0	24.6	24.0
Treasury Stock	15.6	5.8	5.8	5.8	5.8	5.4	4.9	4.9	4.9	4.9
Total	100.0									

Major Shareholders

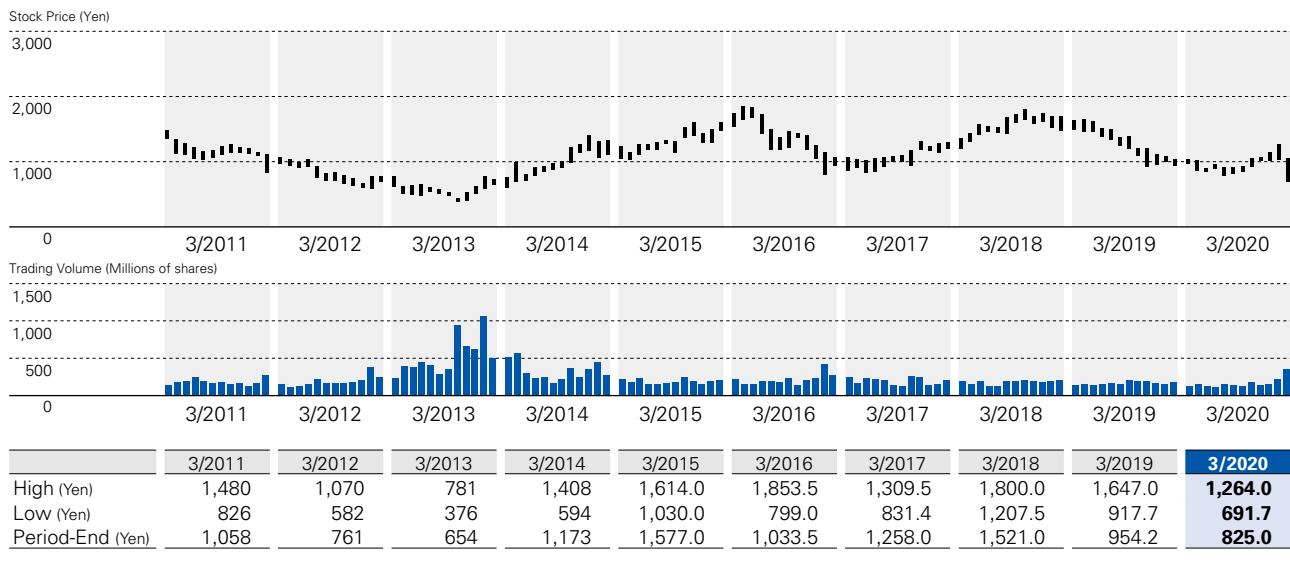
Name	Share ownership (in thousands of shares)	Percentage of total issued shares (%)
The Master Trust Bank of Japan, Ltd. (trust account)	188,150	8.06
Japan Trustee Services Bank, Ltd. (trust account)	177,805	7.62
NIPPON LIFE INSURANCE COMPANY	69,056	2.96
JP MORGAN CHASE BANK 385151	54,945	2.35
Japan Trustee Services Bank, Ltd. (trust account 5)	46,536	1.99
Panasonic Corporation Employee Shareholding Association	41,573	1.78
Japan Trustee Services Bank, Ltd. (trust account 7)	41,454	1.77
SUMITOMO LIFE INSURANCE COMPANY	37,465	1.60
STATE STREET BANK WEST CLIENT - TREATY 505234	33,340	1.42
Matsushita Real Estate Co., Ltd.	29,121	1.24

Notes: 1. The figures in share ownership are rounded down to the nearest thousand shares.

2. Shareholding ratio is calculated by deducting the Company's treasury stock (120,365,301) 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

Series	Years	Coupon rate (per annum)	Aggregate principal amount of issue	Maturity date
13th	7	0.568%	80 billion yen	March 18, 2022
14th	10	0.934%	100 billion yen	March 19, 2025
15th	5	0.190%	200 billion yen	Sept. 17, 2021
16th	7	0.300%	70 billion yen	Sept. 20, 2023
17th	10	0.470%	130 billion yen	Sept. 18, 2026
18th	6	0.230%	30 billion yen	March 5, 2026
19th	10	0.370%	70 billion yen	March 5, 2030

USD-Denominated Senior Notes

	Years	Coupon rate (per annum)	Aggregate principal amount of issue	Maturity date
Due 2022	3	2.536%	US\$ 1 billion	July 19, 2022
Due 2024	5	2.679%	US\$ 1 billion	July 19, 2024
Due 2029	10	3.113%	US\$ 500 million	July 19, 2029

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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/ir.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>

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<https://www.panasonic.com/global>