

## **Management Policy**

### **(1) Basic Policy for Corporate Management**

Since the company's establishment in 1918, Panasonic has operated its businesses under its basic management philosophy, which sets forth that the mission as a business enterprise is to contribute to progress and development of society and well-being of people through its business activities, thereby offering better quality of life throughout the world. To become a global excellent company contributing to resolve global environmental issues, Panasonic will work to grow sustainably in corporate value to satisfy its shareholders, investors, customers, business partners and all other stakeholders.

### **(2) Basic Policy for Providing Return to Shareholders**

Since its establishment, Panasonic has managed its businesses under the concept that returning profits to shareholders is one of its most important policies. The company has implemented a proactive and comprehensive profit return to shareholders through dividend payments and own share repurchases, upon careful consideration of its consolidated business performance.

From the perspective of return on the capital investment made by shareholders, Panasonic, in principle, distributes profits to shareholders based on its business performance and is aiming for stable and continuous growth in dividends, targeting a dividend payout ratio of between 30% and 40% with respect to consolidated net income attributable to Panasonic Corporation. Regarding share buybacks, the company is repurchasing its own shares as it considers appropriate, taking comprehensively into consideration strategic investments and the company's financial condition, with the aim of increasing shareholder value per share and return on capital.

In fiscal 2011 for the first year of the three year midterm management plan called "Green Transformation 2012 (GT12)", the company returned to profitability and took a large step towards business restructuring, making PEW and SANYO its wholly-owned subsidiaries. Regarding the dividends for fiscal 2011, considering the requirement for further stabilization of financial position to support these reforms and the above policy for profit return to shareholders, the company paid an interim dividend of 5 yen per share on November 30, 2010 and plans to pay a year-end dividend of 5 yen per share, making an annual cash dividend of 10 yen per share. Meanwhile, the company did not repurchase its own shares, except for acquiring fractions of a trading unit and other minor transactions. Although Panasonic expects severe business environment to continue with uncertain world's economic trends and the effect of the Great East Japan Earthquake, the company will strive to improve its performance and distribute earnings to shareholders.

As it is difficult to assess the impact of the Great East Japan Earthquake on March 11, 2011 on its consolidated financial results, the company is currently unable to provide annual dividend forecast for fiscal 2012.

### **(3) Corporate Management Strategies and Challenges**

In fiscal 2012, although it is concerned some impact from the Great East Japan Earthquake, Panasonic expects the continuous high growth in emerging countries and some growth in the US and Europe on the global economy.

Panasonic will continue to support disaster areas affected by the earthquake. To accelerate restoration of business, the company will resolve supply chain issues, and strengthen risk management simultaneously. Through its business activities, Panasonic will contribute to the reconstruction from the impact of the Earthquake, by promoting energy-saving products such as LED lightings and other solutions which combine 'energy creation', 'energy storage' and 'energy management'.

In fiscal 2012, Panasonic will also reorganize its whole group structure including PEW and SANYO, wholly-owned subsidiaries of Panasonic. Through the accomplishment of the reorganization, the company will start its new business structure in January 2012 to accelerate its growth strategy.

The basic concepts in its reorganization are: 1) maximization of value creation by strengthening connection with customers, 2) realization of speedy and lean management structure, and 3) acceleration of business growth strategy by shifting resources. Panasonic will therefore reorganize into three business sectors as follows:

1) Consumer business sector:

two domain companies: 'AVC Networks' and 'Heating/Refrigeration/Air Conditioning & Home Appliances', and  
one department: 'Global Consumer Marketing'

2) Components and Devices business sector:

three domain companies: 'Automotives Systems', 'Components & Devices' and 'Energy Devices'

3) Solutions business sector:

four domain companies: 'System & Communication Solutions',  
'Environment & Energy Solutions', 'Healthcare & Medical Solutions' and  
'Factory Solutions'

Under this new organization of nine domain companies and one department, Panasonic will pursue its growth strategy to stay competitive in a global market.

Regarding head office function, Panasonic will integrate head offices of the company, PEW and SANYO, and six corporate regional management divisions into 'Global and Group head office' for lean, speedy and global operation. The company will also reorganize functional divisions for global optimization. As one of the initiatives, headquarters of manufacturing-related functions (procurement, logistics, and etc) will be moved to Asia. Panasonic will enhance its global manufacturing capability.

Panasonic will unify its corporate brands to one 'Panasonic' with exceptions in some regions and products. Many of the sub-brands, product names and technology-names will be used when it is necessary, taking into account of the Group strategy.

In fiscal 2012, Panasonic will pursue new strategies with 'act decisively' and 'change'.

To 'act decisively,' Panasonic will mainly address the following two challenges:

1) Emerging market: Panasonic aims to achieve sales of 615.0 billion yen in BRICs + V and MINTS + B (Mexico, Indonesia, Nigeria, Turkey, Saudi Arabia, and the Balkans). In India, the company will strive to increase its sales by businesses development

tailored to regional markets such as expansion of product line-ups, strengthening marketing ability and establishment of showrooms for BtoB products.

2) Growing Fields: Panasonic will accelerate market development in growing business fields, especially in environment and energy related businesses inside and outside Japan. In particular, with regards to solar business, the company will focus on supply during the recovery from the earthquake in Japan and expand new business models in Europe and the U.S. Panasonic will also expand device and component businesses for smart phones.

In terms of 'change', Panasonic will rapidly make changes by integrating group-wide innovation activities to the new 'Corporate Division for Group Management Innovation'.

For example, in the innovative product development strategy, Panasonic will focus more on essentials and eliminate non-essentials in our lifestyle research under 'V-Products Subcommittee'. In consumer electronics, the company aims to achieve sales of its competitive V-products of more than 1.0 trillion yen and an overseas ratio of more than 60% in fiscal 2013. Panasonic will also strengthen energy-saving and recycling-oriented products under 'Environmental Innovation Subcommittee' to achieve a size of contribution in reducing CO<sub>2</sub> emissions from products equal to 48.3 million tones in fiscal 2013.

To reorganize management systems, the company will reduce fixed costs and generate cash under 'Management Strengthening Subcommittee' with the aim of lowering its break-even point by 4% in the next two years as well as having a positive net cash in fiscal 2013.

In fiscal 2012, although it is difficult to avoid the negative impact of the earthquake for the first half of the fiscal year, Panasonic will try to offset the impact by increasing sales in the global market and participating in the restructuring effort. For fiscal 2013 in its midterm management plan of GT12, its original targets were sales of 10.0 trillion yen and operating profit to sales ratio of more than 5%. The company, however, has revised its target to sales of 9.4 trillion yen due to appreciation of the yen and decisions made under 'Transformation Project' which Panasonic have implemented after formulating GT12. Panasonic continues to aim for an operating profit ratio of more than 5% with operating profit of 500.0 billion yen, the same level as the original target.