

## **Management Policy**

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

Since its establishment, Panasonic has operated its businesses under its basic management philosophy, which sets forth that the mission of a business enterprise is to contribute to the progress and development of society and the well-being of people through its business activities, thereby enhancing the quality of life throughout the world. Aiming to grow further to become a global excellent company, Panasonic will work to deliver sustained growth 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. Along with the implementation of mid-term growth strategies since fiscal 2005, 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. 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.

The company paid an interim dividend of ¥22.5 per share on November 28, 2008. However, the company regrettably plans to pay a year-end dividend of ¥7.5 per share, due mainly to the deterioration of consolidated financial results, making a total annual cash dividend of ¥30 per share. For fiscal 2010, ending March 31, 2010, Panasonic plans to pay an interim cash dividend of ¥5 per share, a decrease from ¥22.5 per share in fiscal 2009. The company also plans to pay a year-end cash dividend of ¥5 per share, a decrease from ¥7.5 per share in fiscal 2009. If implemented, total cash dividends for fiscal 2010 will be

¥10 per share. Meanwhile, the company repurchased some of its own shares at a cost of approximately ¥70 billion in fiscal 2009. Although Panasonic expects severe business conditions to continue, the company will strive to improve its performance as soon as possible and distribute earnings to shareholders.

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

Panasonic expects that the economic environment in fiscal 2010 will be more severe than the past fiscal year, as the global recession and shrinking demand triggered by the financial crisis coincide with changes in market structure, including the expansion of emerging markets and a shift to lower-priced products. Responding to these business conditions, the company will simultaneously rebuild its management structure while preparing and taking action for future growth. Fiscal 2010 is the final year of the GP3 plan and although the current business environment is significantly different from the plan's initial assumptions, Panasonic will continue to push ahead with initiatives set forth in the GP3 plan without changing it, and aims to ready itself to leap ahead when the market recovers.

In order to rebuild its management structure, Panasonic will implement drastic business structural reforms. Guided by the policies of selection and concentration and the strategic placement of overseas sites, Panasonic will strive for new growth by clarifying which businesses to withdraw from and shifting resources to growing businesses based on the results of its examinations. Furthermore, the company will ensure "Itakona" becomes standard practice and accelerate initiatives to reduce procurement costs. It will also step up actions including implementing comprehensive cost rationalization efforts, curbing capital expenditures and reducing inventories.

Regarding preparations and actions for future growth, the cornerstone is strengthening products. The company's approach is to create products that are unique to Panasonic, products that link well with one another, have superior energy-efficiency and are based on universal design concepts. These products will incorporate its customer's viewpoint, as well as excel in terms of safety, quality and environmental performance. On top of that, Panasonic will push steadily ahead with the four major themes of the GP3 plan: double-digit growth for overseas sales, four strategic businesses, manufacturing innovation and the eco ideas strategy.

In the digital AV business, one of the four strategic businesses, Panasonic

has decided to reduce major capital investment for the 5th domestic PDP plant in Amagasaki and the IPS Alpha plant in Himeji, because of lower growth in the flat-panel TV markets caused by the economic recession. However, the company aims to outgrow its competitors by strengthening product development to maintain growth momentum in its flat-panel TV business.

In addition to these activities, Panasonic will start operating the New Business Promotion Support System in fiscal 2010. The Head Office will assist in creating new businesses by providing financial, technical and personnel assistance when the priority projects of business domain companies and company-wide common projects are launched commercially.

Regarding the capital and business alliance with SANYO, a Collaboration Committee, which was set up to form a close alliance after completing the TOB, is looking at wide-ranging themes, while giving sufficient consideration to competition laws. Panasonic has positioned the energy business as a business field with extremely high growth potential. Therefore, Panasonic intends to broaden this business as its fifth strategic business to drive the company's future growth.