

## **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. By pursuing "better living" for our customers and keeping on providing it, 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. 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 the fiscal 2013, the company announced on May 11, 2012, its forecast of a total dividend of 10.0 yen per common share to shareholders (5.0 yen each for interim and year-end dividends), following its policy and ensuring the stable return of profit to shareholders.

However, the company recorded a significant net loss for the second consecutive year due mainly to business restructuring expense and increase in valuation allowances to deferred tax assets with business depression especially in digital consumer related products.

Global business condition surrounding the company is expected to be continuously uncertain and the company recognizes that it is one of the most important and urgent to improve its financial position from the perspective of the mid to long term shareholders' profit. It is with deep regret that the company will not distribute a year-end dividend, resulting in non-dividend for the fiscal 2013 as announced on October 31, 2012. Meanwhile, the company did not repurchase its own shares, except for acquiring fractions of a trading unit and other minor transactions.

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

The company expects global economy in the fiscal 2014 to show modest growth with Abenomics, a surge in consumer spending before Japanese consumption tax hike, and steady growth in the U.S., despite sluggish demand in Europe and some emerging countries.

Under such circumstances, the company has launched its three-year midterm management plan "Cross-Value Innovation 2015 (CV2015)" covering fiscal 2014, 2015 and 2016. In CV2015, the company will determine to achieve the following two targets: to immediately eliminate unprofitable businesses and to simultaneously provide a new corporate direction looking forward the future.

In April 2013, the company reorganized its structure to enhance individual business, ending nine business domains and reclassifying 88 business units under the old domains into 49 business divisions as the “cores of business.” These business divisions are in charge of not only global development, manufacturing and sales but also sustainable increase in cash and profit through their business activities. The four newly established companies, Appliances Company, Eco Solutions Company, AVC Networks Company and Automotive & Industrial Systems Company, support the business divisions by developing significant business operations and new businesses, and strengthening core devices.

In this new group formation with this business division structure as its core, the company promotes the following initiatives as major measures of CV2015.

1) Eliminate unprofitable business

The company will restructure TV, semiconductor, mobile phone, circuit board and optical product (drive, pickup) businesses to return to the black in the fiscal 2016.

2) Expand business and improve efficiency by shifting from in-house approach

The company will enhance nonlinear growth, and operational efficiency through cooperation with external partners that maximizes the company’s strength, which are more effective than conducting independently. For example, the company has decided to inject external capital to Panasonic Healthcare Co., Ltd., and transfer some portion of shares of Panasonic Logistics Co., Ltd. to Nippon Express Co., Ltd.

3) Improve financial position

Striving to make profit through its business, the company will streamline capital investment and thoroughly promote working capital reduction, assets disposal and inventory reductions to generate free cash flow under the company-wide cash flow project.

4) Growth strategy from customers’ viewpoint

The company will pursue “A better life, A better world” for each and every one of its customers in four spaces where they live: residential, non-residential, mobility and personal. The company will strengthen its four strategic fields: “residential space network,” “eco and smart business solutions,” “mobility systems and services,” and “connected and personal.” The company will shift its strategy from the business selling individual products and focusing on digital consumer products to “space solutions” business with diverse corporate partners and the business closely and continuously connected with customers.

The most important to promote these initiatives is “Cross-Value Innovation” working beyond the organizations, business areas and companies and combining diverse strengths which complement business division management. In the fiscal 2014, the first year of the midterm management plan, the company will leverage its major strategy of business division management and company-wide management, and accelerate prompt business recovery to improve profitability through its business with Cross-Value Innovation, and for prompt resumption of dividend payment.