

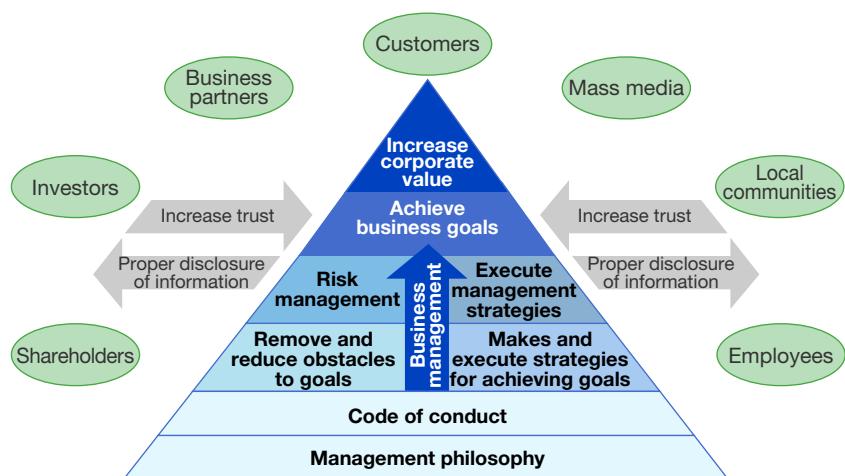
Risk Management

Fundamental Stance

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

At Panasonic, risk management functions in parallel with the development and execution of management strategies. The company believes that by combining these two functions, it is better positioned to accomplish its business objectives and to increase its corporate value. Furthermore, by disclosing appropriate information concerning risks to the public, improving the transparency of its management, and reducing risks through preemptive measures, the company gives its customers and other stakeholders—as well as local communities and the public as a whole—greater confidence in its organization.

Role of Risk Management in Business Management

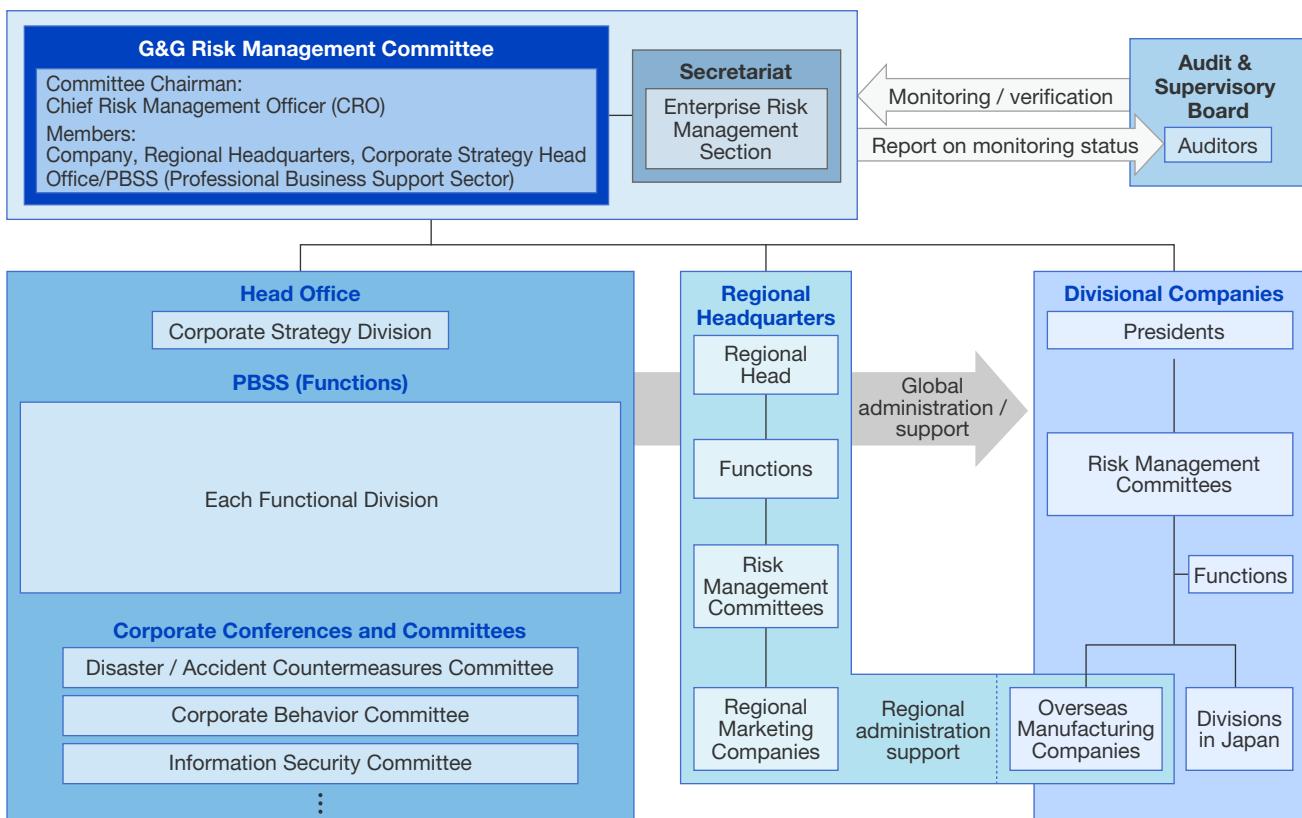


Organizational System

In April 2005, Panasonic established the Global & Group Risk Management Committee (G&G Risk Management Committee), which promotes risk management throughout the whole Panasonic Group. The Chief Risk Management Officer (CRO), who is nominated from among Group management, chairs the committee whose membership consists of Company Chief Risk Officers (CROs) and managers from regional headquarters, the Corporate Strategy Head Office, and functional divisions. The Legal and Regulatory Affairs Department Enterprise Risk Management Section serves as the committee's secretariat.

The G&G Risk Management Committee determines what serious risks the entire company faces, as corporate major risks, based on the results of risk assessments conducted by each Company, affiliates, the Panasonic headquarters, and regional headquarters. This constitutes part of Panasonic's corporate compliance with legal mandates. The committee also monitors the progress of plans instituted by the Companies, affiliates, Panasonic headquarters, and regional headquarters for countering serious risks. As needed, it provides instructions to functional divisions and various committees, as well as assistance for Companies, affiliates, Panasonic headquarters, and regional headquarters, promoting continuous improvement. The activities of the G&G Risk Management Committee are reported regularly at Board Meetings, and are monitored and verified by the auditors.

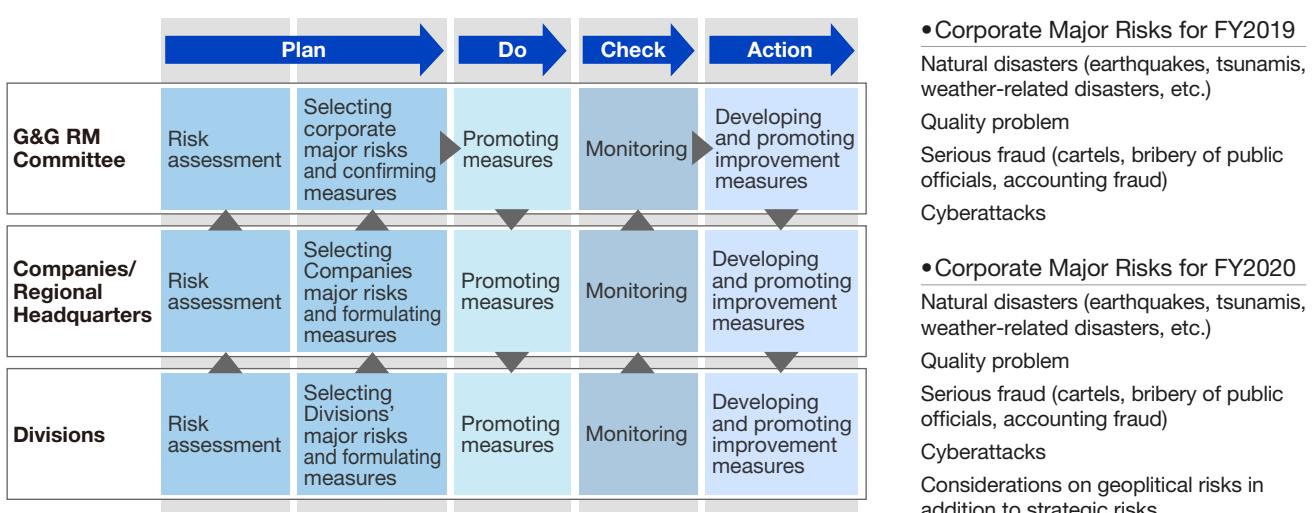
Panasonic Global and Group Risk Management Promotion Framework



Basic Framework

Panasonic has three levels of management cycles for risk management: the G&G Risk Management Committee, four Panasonic Companies, and business divisions. Each year, an assessment of the impact of risks that could affect the business management of Companies and affiliated business divisions is undertaken using a single, global set of standards incorporating the potential impact on business operations, probability of risk occurring, and other factors. Steps are then taken to identify major Company risks and to ensure that appropriate countermeasures are implemented. Taking into consideration these major Company risks, the G&G Risk Management Committee considers and identifies those major risks that require attention from a Group-wide perspective. The G&G Risk Management Committee also monitors progress made concerning countermeasures as a means to improve and strengthen Group-wide risk management.

Basic Framework for Risk Management



Increasing Risk Sensitivity

The G&G Risk Management Committee systematically educates, and raises awareness among, Panasonic Group employees to ensure the thorough dissemination of knowledge of basic policies on risk management and for these to be put into practice. In addition to disseminating information to all employees through internal communications on its activities (selected corporate major risks and the progress of measures for handling those risks), the G&G Risk Management Committee provides annual seminars on risk assessment for managers in charge of risk management promotion. The committee aims to increase the level of skills for the effective conducting of risk assessments by explaining Panasonic's basic policy on risk management, "The Risk Management Guidelines."

In addition, to prevent risks from becoming even more severe when they have manifested and responses have been insufficient, the committee issues "Guidelines for Business Unit Directors on Responding to Risk Occurrences" to the business unit directors and ensures that these guidelines are put in place thoroughly. The committee improves the ability to handle risks on the ground overseas by providing training on the essentials of risk management, how to respond when risks have manifested, and related matters for newly appointed presidents of overseas affiliates and for employees who are about to be posted overseas.

The committee has organized hotlines as a mechanism for employees to report latent risks regarding matters such as compliance violations, various forms of workplace harassment, and improprieties in procurement processes. Employees and suppliers are able to report any perceived problem independently and at any time. The company has also established a mechanism by which all employees can independently report latent compliance-related risks in the workplace through annually conducted compliance awareness surveys. Feedback concerning reported risks is provided to each workplace, and these risks are dealt with.

Initiatives Relating to Business Continuity Management (BCM)

As a public entity of society, Panasonic has established as part of its management philosophy that it will contribute to the advancement of world culture by working to improve the quality of life of society through the products that it produces and sells. Since 2005, the company has been keenly aware of the necessity of activities relating to business continuity—one of the company's duties to society. The company thus engages in business continuity management (BCM), whose goal is to prevent a halt to the supply of products or the provision of services when contingencies such as disasters have occurred, or, in the rare event that service has halted, to restart operations as quickly as possible.

Specifically, if disasters or other incidents were to occur within our supply chain, they would impact the production or sales of our group companies. In the case of BtoB, this impact would also affect the production and sales of companies to which we deliver. This is why Panasonic believes it is critical to have BCM that includes our supply chain.

For this reason, we have conducted a hazard survey of various risks posed by natural disasters in countries around the world—earthquakes, floods, tropical depressions, tsunamis, naturally occurring fires, landslides, tornadoes, and volcanic eruptions. We have also shared these findings with each of the four Companies and have put priority-ranked measures in place, both within our own group and in our supply chain. We also work hard to obtain information on disasters and incidents and to respond swiftly in real time, both in order to confirm the safety of our employees and to provide uninterrupted supply to customer companies.

Forecasts indicate a high probability of a major earthquake in Japan, directly under the Tokyo metropolitan area or in the Nankai Trough, within the next 30 years. In response to these predictions, Panasonic has established a cross-Company task force, which is promoting earthquake resistance and disaster responses, based on the latest government damage predictions. The task force conducts annual groupwide disaster-preparedness training drills. It has established emergency response headquarters at every level of the group, within the four Companies, and within business divisions. These headquarters are intended to maintain and improve Panasonic's initial response capabilities—including confirmation of the safety of employees and reporting among different emergency response headquarters on the degree of damage.

In terms of procurement activities, we also manage the securing of replacement sourcing and the building up of inventory for emergencies, based on evaluations of the criticality and interchangeability of procured parts.

Concerning fires, the task force conducts periodic fire risk assessments, independent fire prevention checks, and fire prevention audits and strives to prevent similar accidents from occurring again by sharing case studies of dealing with fire-related accidents.